Submission, ICOS, 26-10-18

icos
Irish Cooperative Organisation Society

Brexit: Potential Impact for Irish Cooperatives, Preparation Measures being undertaken & Priorities for the Irish Government

October 2018

Committee on Agriculture, Food and the Marine

Leinster House
Kildare Street
Dublin 2
D02 XR20

icos
Irish Cooperative Organisation Society

26th October 2018

Re: ICOS Submission to the Committee Consultation on the Impact of Brexit on Agriculture, Food and Fisheries

To whom it may concern,

The Irish Co-operative Organisation Society (ICOS) is a co-operative umbrella organisation that serves and promotes the interests of commercial co-operative businesses across multiple sections of the Irish economy, including the agri-food sector. We represent 130 cooperative societies, that collectively have over 150,000 individual members, with a combined turnover of €14 billion and employ over 12,000 people in Ireland as well as a further 24,000 abroad. The majority of Irish dairy businesses are multi-purpose co-operatives with interests in milk processing, liquid milk, consumer foods, agri-trading and feed milling. There are 11 milk processing and 13 milk purchasing cooperatives located across rural Ireland. ICOS also represents over 60 livestock mart co-operatives and a range of community and rural based enterprises and services.

As key forces within the Irish agri-food industry, Brexit poses a huge number of challenges for cooperatives, due to our strong trade links with the UK and business structures which span north and south of Ireland. ICOS wishes to ensure that these deep trading ties and the integrated all-island agricultural economy are recognised and facilitated in the outcome of the Brexit negotiations and within our future relationship with the UK.

Although the we are now only months away from the date of the UK's departure from the EU, on the 29 March 2019, there remains immense ambiguity with regard to our future trading relationship and in the meantime investment insecurity and market volatility as a result of sterling depreciation have become dominant issues. Longer term, given the UK's decision to leave the UK single market and customs union, Brexit will have a deeply significant impact on trade value and volumes, as a free trade agreement or new-style customs relationship will not be comparable to EU membership and will result in numerous trade barriers which are outlined below. In addition, the UK's withdrawal from the EU puts pressure on the funding available for agriculture within the EU's common budget, at a time when it will be most needed.

Over the past two years, Irish cooperatives have been putting in place measures to mitigate this potential damaging impact, by investing in the further diversification of export markets as well as product portfolios to reduce the dependence of the sector on the UK. Additionally, however, steps have been taken to consolidate the position of Irish cooperatives in the UK market to help overcome

future potential trade barriers and protect against displacement, as it will remain a key market for the sector, even post-Brexit.

We therefore very much welcome the actions that have been taken by the Irish government to assist businesses and in particular the agri-food sector to carry out these preparations, through the various loans and grant schemes, as well as the advice services provided by Enterprise Ireland and the increased funding for Bord Bia's marketing and promotion activities. These tools have been essential to help our cooperative businesses to plan for the future.

We call on the Irish Government and the Oireachtas to now focus on the following further actions, which are vitally necessary to assist the sector in overcoming the future challenges:

- Ensuring the swift and successful conclusion of the negotiations on the EU-UK Withdrawal Agreement and Political Declaration on the Future EU-UK Relationship. A no-deal Brexit must be avoided at all costs, as it would have a devastating impact on the Irish agri-food sector and the Irish economy as a whole. If no deal can be reached in the coming weeks then the Article 50 negotiations should be extended beyond March 2019 to provide the necessary time for a solution to be found.
- Further investment must be made in Ireland's customs infrastructure and capacity, including the further recruitment and training of customs personal to meet the demand of trade flows in a timely manner.
- Ensure a commitment within the upcoming EU multiannual budget to a strong CAP budget with no cuts to the current level of financing.
- Introduce income stabilisation tools to help farmers cope with greater future volatility as a result of market changes.
- Increase efforts to aid market diversification, including developing export financing and promoting a reduction in trade barriers on an EU level and through international bi-lateral discussion.

Yours sincerely,

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Michael Spellman
President

Part 1:
Potential Impact of Brexit on Irish Cooperatives

Exports to the UK

The UK is the number one export destination for Irish agri-food:

- In 2017, 35% of Irish agri food exports went to the UK with a total value of €4.5bn.
- Included in this are, for example, 51% of beef exports (283,560 tonnes, worth €1.27bn), 24% of dairy exports (worth €968m) and 95% of mushroom exports (135,000 tonnes, worth €91m).
- In particular within dairy, 50% of Irish cheese and 24% of butter were exported to the UK market in 2017.
- Across Irish agriculture, but in particular within the dairy and beef sectors, there has been specific tailoring for the UK market, with our certification and sustainability assurance schemes based on the demands of UK retailers.
- A study from the Economic and Social Research Institute of Ireland (ESRI) estimates that a hard Brexit, whereby WTO rules would be in force, would reduce Irish exports to the UK by 80% in meat, 68% in dairy and 70% for other sectors.
- In Ireland there are 230,000 people employed directly and indirectly in the agri-food supply chain. An analysis carried out by Copenhagen Economics, on behalf of the Irish government, found that in the event of EU-UK trade relying on WTO rules there would be approximately 12,500 jobs lost in this sector alone.

As a result of more restricted market access to the UK following Brexit, these Irish and other EU products previously destined for the UK market would be redistributed within the EU single market, if new markets cannot be found. This will lead to significant market disturbance, across all sectors.

- For example, the UK is the largest EU cheese export market (500,000 mt) in the EU, with a value twice that of Russia before the 2014 import ban. This ban brought about massive market disturbance and led to the most significant price crisis within the dairy sector in recent years. Restricted access to the UK market could have a similar effect.
- Following the UK's exit, the EU will be 116% self-sufficient in beef, with knock-on price implications for the entire animal protein sector.

Northern Ireland

Ireland currently has an all-island agricultural economy, with strategies, economic structures and government policies which span both the Republic and Northern Ireland. As the UK government is pursuing a policy which seeks to leave the single market and customs union, it could result in a border between north and south, which will devastate this joint economy. In particular, within the dairy sector there has been significant rationalisation and integration of production across the island of Ireland, leaving the sector uniquely exposed.

- Ireland's leading dairy cooperatives have members and process milk on both sides of the border.

- 745m litres of Northern Irish milk (36% of their total supply and up to 11% of the ROI production pool) was processed in the south in 2017. The introduction of tariffs or customs controls on border trade would greatly hinder this supply.
- As a result, recent investments by cooperatives in specialised site processing facilities with the expectation of this supply, would be undermined.

The supply chains north and south of the border are so intricately interwoven that agricultural products, in particular, dairy, beef and pig-meat often travel back and forth across the border a number times during processing, packaging and on-route to export markets. We currently estimate that the adjustments needed to "detangle" these supply chains and re-organise business structures would take approximately 10 years.

In addition, without this trade there would be inestimable damage done to the fragile rural economies in the border counties of Ireland. Border businesses rely on the €3 billion euros of cross-border trade (rather than exports to the rest of the EU or further afield). This trade is dominated by sales of goods within the agri-food sector and in addition is dominated by SMEs, which make up 80% of cross border trade.

The Northern Irish border is an invisible one, running for 500km with 275 official road crossing (in comparison there are only 137 along the entirety of Europe's eastern border) and approximately 14,000 lorries (including 370 milk tankers) crossing this border daily. Cross-border businesses and communities have been built unhindered over the last 20 years, thanks to the EU's freedom of movement. Creating a border on the island of Ireland therefore has many practical challenges as well as being politically and historically disastrous.

Currency Volatility

The most immediate challenge of Brexit is coping with the depreciation in the value of sterling since the Brexit referendum in June 2016. While already causing significant difficulties, it is likely to remain and deepen as an issue with the UK outside of the EU.

- Irish agri-food exports to the UK, fell in value by 8% in the second half of 2016, with a loss in value of €570m.
- Dairy exports and in particular cheese, declined in value by 10% in this period due to the weakened exchange rate;
- €150 million was lost in the beef sector;
- And €10 million was lost from the Mushroom sector, resulting in several growers going out of business and 200 job losses.

A further weakening of sterling will give rise to greater trade and job losses for companies most exposed to the UK market and put downward pressure on farm incomes.

Tariffs

Should the UK leave the EU single market and customs union without a trade deal in place, crippling WTO tariffs of up to 80% could apply to agri-food products.

- For example, 77,651 tonnes of Irish cheddar cheese was exported to the UK in 2016, (two thirds of all the cheddar produced in Ireland). Tariffs under the EU's schedule are €1,671 per tonne of cheddar (approximately 16 c/l). If the UK were to adopt the EU's trade schedule following their exit (as they have indicated they will do), this would result in a tariff bill of approximately €150 million a year on Irish cheddar.

This would destroy the competitiveness of Irish products- especially given that the UK's intention to enter into free trade agreements with other agri-food exporting countries such as New Zealand and Australia- as consumers would switch to lower cost alternatives from these countries.

Customs Administration

The creation of a new customs border between the EU and the UK will have major implications for agri-food importers and exporters.

- A customs border and the associated administrative procedures would add a considerable amount of time to journeys between Ireland and UK. Within the agri-food sector, short journey times are critical for ensuring the quality of fresh and refrigerated products.
- Any delay would mean missed connections to further destinations, mandated rest times for drivers, and spoiled goods, which would prove to be massively disruptive and costly for agri-food businesses.
- The Norway-Sweden border offers an example of a possible future customs situation for EU-UK trade. As Norway is outside the customs union, certain tariffs are paid on products and checks and paperwork need to be completed. These customs posts make use of all available technology, including number plate recognition, and operate shared customs inspections at border posts to minimise time delays. This allows customs checks to be completed in approximately 15 minutes, however any problem with paperwork can lead to hours of delays. While appearing short, estimates are that even a two-minute delay at the UK border in Dover for example would create a 27 km long queue.
- There are only approximately 700 lorries a day crossing at the main customs post on the Norway-Sweden border. In comparison, 5,722 lorries cross the Irish border on the M1 Motorway alone, each day in Ireland and approximately 7,000 lorries arrive each day in Dover.
- In addition, there is little agricultural trade between Norway and Sweden. In comparison, the EU27 export €42 billion worth of agricultural goods to the UK and imports €16 billion of UK agri-food products. Agri-food products require additional customs paperwork, as well as physical inspections, which would mean considerably longer delays.
- Many cooperatives trade solely within the EU single market, and do not export to third countries, meaning they do not have expertise in customs procedures. These organisations would be particularly hit by the introduction of complex customs administration and would face significant additional costs in order to comply.

- The proposal for a trusted trader system (Authorised Economic Operator) will do little to alleviate this in its present form. The UK system currently requires all stages and entities within a supply line to get approval (including farms, processing facilities, storage spaces, etc.). For agri-food industries, this would be so complex to the point of impossible to achieve.

Transit of Goods

The issues outlined above not only apply to the export of goods to the UK market, but also to agri-food products which transit through the UK on the way to their final export market. For many Irish agri-food businesses, the UK is a time-saving route to consumers on continental Europe.

- The cross-U.K. route allows Irish traders to reach retailers in Northern France in a little over 10 hours door-to-door. This swift timeframe is vital for transporting perishable goods.
- If Irish businesses were to continue to use the same route with the UK outside the customs union, they would meet four separate customs controls— at departure and arrival, then again on both sides of the Channel — adding hours to transit times.
- Avoiding this route and choosing to move goods around the UK via ferry instead would roughly double journey times and would still result in the end of the just-in-time logistical operations that are currently in place.

Infrastructure and Capacity

The creation of a new customs border between the EU and the UK will put a strain on the current import and export infrastructure, as well as the capacity of customs authorities.

- The current physical and electronic infrastructure at the ports and other entry points across Ireland, the EU and the UK will not be sufficient to conduct the necessary customs checks should the UK leave the customs union, given the current volume of trade between the EU and UK. Currently there are no border inspection posts, parking or examination buildings at Calais, the Channel Tunnel, Hook of Holland, Rosslare, or along the Irish border, where the majority of EU-UK trade crosses.
- In addition, there will need to be a considerable increase in customs personnel. For example, 14 customs officers are needed to check each arriving ship from outside the customs union at Irish ports. In the UK alone, authorities have estimated that they will require an additional 5,000 new customs officials to cope with Brexit. This would drastically increase administrative costs for businesses using the service.

Value Added Tax (VAT)

While the final VAT rules for cross-border transactions will depend on the outcome of Brexit negotiations, there will certainly be a change for businesses, as different rules apply to EU imports and exports than to intra EU trade (where goods are transported tax-free and VAT is applied through company accounts). With the UK outside the EU's value added tax area, VAT would be payable upfront at the border. This will likely lead to significant border friction and cost and cause cash flow difficulties for businesses.

Regulatory Differences

With the UK outside the EU single market, it is likely that over time there will be a divergence in regulation between the EU and the UK. This stands to be the biggest obstacle for exporters in accessing the market and will complicate customs procedures with the need for inspections, testing and certifications. This is particularly relevant for:

- Tolerance limits for pesticide residues on crops and horticulture.
- Animal welfare regulation covering production, medicines, transport and slaughter.
- Traceability issues regarding live exports: E.g. 33,000 live cattle were exported from Ireland to the UK in 2017. All live animal exports must have a veterinary record, which is stored electronically in the EU (via TRACES). This standard document and the free exchange of data allows live animal consignments to be properly and effectively processed in the EU. Should the UK change from this traceability system, or require new or different information due to changes in animal health/food safety law, it will hinder the smooth flow of data and place an additional burden on exporters.
- Marketing standards and definitions.

Differences in regulation as a result of the UK being outside the EU poses additional concerns for cross border businesses, such as the dairy cooperatives who process milk from Northern Ireland in the Republic of Ireland.

- This milk, for example is currently used to make infant formula, for export to China (and many other countries worldwide). Following a series of national food safety scandals in China, the milk is subject to a rigorous EU quality certification before being cleared for use. After Brexit, Northern Irish milk will no longer be covered by EU regulatory regimes and this therefore threatens current export arrangements.

The current shared regulatory regime additionally creates a level playing field for businesses, which is supported through EU competition law. The UK will be able to change its competition policy following its exit from the EU, to give UK companies an advantage over their EU competitors, which could unfairly distort trade.

Irish Animal and Plant Health

Brexit threatens the current all-Island cooperation and coordination on animal health and welfare. This cooperation is based on a strategy which was launched in 2010 with the aim of reducing and preventing animal diseases from spreading and facilitating the trade of live animals.

The strategy has, for example, developed contingency planning for exotic disease outbreaks, common plans for foot and mouth disease, avian influenza, African horse sickness and bluetongue; warning systems to deal with incidents such as animal feed contamination; cooperation on testing regimes for TB and brucellosis in border areas; and the introduction of a BVD programme that requires herd keepers to tag and test all new born calves for BVD, bringing systems and standards in the North and South into full alignment.

This coordinated action to eradicate, control and prevent various animal disease outbreaks is currently aided by EU funding of national veterinary programmes and emergency measures. EU co-funded veterinary programmes cover a wide range of measures including for example vaccinations, testing of animals and compensation for slaughtering or culling. This funding will be lost from Northern Ireland when the UK leaves the EU, threatening its ability to take action and therefore opening up Ireland to greater exposure.

Brexit also has the potential to significantly raise the cost and threaten the availability of animal health and plant protection products in Ireland. As the climatic conditions and farming structures are very similar in the UK and Ireland, they very often make use of the same animal remedies and plant protection products, which might not be applicable to other parts of the EU.

As the UK is a larger market, generally companies choose to register their products there, where the responsible government department carries out the testing, research and administration needed to approve the product for the market. Within the current EU framework, Ireland is then able to benefit from mutual recognition of the products which are registered in the UK and approve them for the Irish market. When the UK leaves the EU, Ireland will need to carry out this research and testing itself, which would lead to significant additional costs for the Irish Department of Agriculture. With the costs of this approval on company side spread over a smaller market, there is the strong potential that prices for animal remedies and plant protection products would increase.

Additionally, with Ireland being a small market, some companies might choose not to go through the timely and costly process to bring the product to the EU market at all, threatening the availability of remedies for Irish farmers.

Live exports of animals to other EU Member States could be impeded in a no deal scenario, if shipping routes and capacity is disrupted. The Department of Agriculture must factor in potential knock on effects from a no deal Brexit into their contingency planning.

International Trade

The EU has at least 750 market access and trade agreements, covering 168 non-EU countries. Once the UK leaves the single market in March 2019 it will automatically lose the benefits of these third country trade access agreements. For Irish cooperatives operating on a cross border basis this is a significant concern as products such as butter, cheese and milk powder produced by Irish cooperatives, often within the Republic of Ireland, using Northern Irish milk, will no longer be covered by these agreements, making them less competitive, more expensive to export or prevent them from accessing the market altogether.

CAP Budget

The UK's decision to withdraw from the EU has major implications for the EU Budget, as it is currently the third largest net contributor, paying €15 billion a year. The European Commission proposal for the next EU multiannual budget from 2012-2027, seeks to make up this deficit through a combination of contribution increases from the remaining Members States and budget cuts. In particular it proposes

a budget cut of 15% to the Common Agricultural Policy, when calculated in constant prices (i.e. in real terms, excluding the effect of inflation), representing a 10% cut to Direct Payments and 25% cut to Rural Development co-financing.

Cutting the funding available under the CAP will have a marked and inestimable consequences for markets and rural economies, which are already under more pressure than ever before, as a result of the potential UK market loss, market volatility and regulatory demands in areas such as climate emission restrictions and water quality.

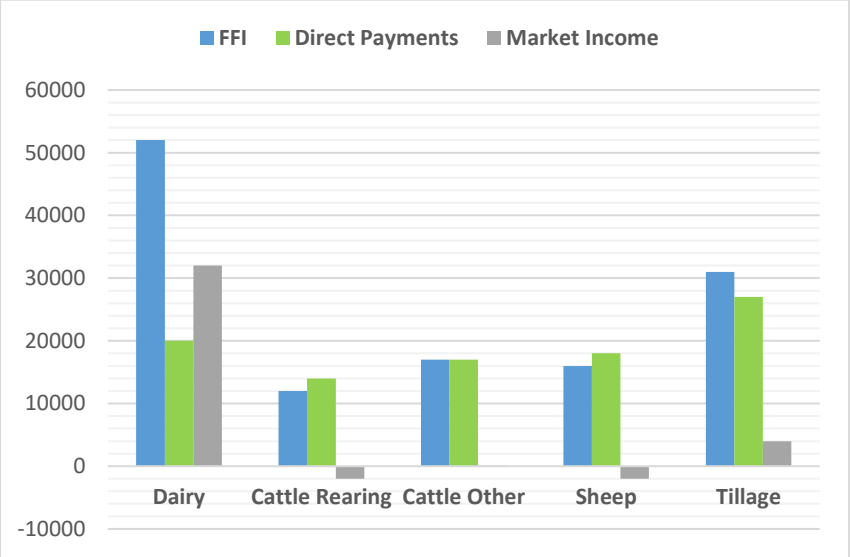

Chart: Farmer Income 2016

Direct payments within the CAP policy make up over 100% of the income of up to 60% of Irish farmers. Cutting funding would therefore devastate Irish agriculture, and have inestimable consequences for agricultural markets and rural economies.

Protection of Workers' Rights

Due to the extensive investment by Irish cooperatives in Northern Ireland and Great Britain, in terms of processing facilities and packaging plants, as well as sales and marketing operations, they employ a significant number of people within the UK, many of whom are Irish or of another EU nationality.

The current freedom of movement enjoyed by EU workers will come to an end once the UK leaves the EU in March 2019 or following a transition period. According to the provisional agreement between the EU and UK from December 2017, EU citizens currently living in the UK will maintain their rights (to a large extent) post-Brexit.

However, with regard to new entrants, they will fall under a new work permit system, the framework of which is still unknown. It is clear however, that it will not provide workers with comparable rights and associated benefits as currently in place. This poses a significant challenge for Irish cooperatives to ensure the full protection of their workers, to maintain skilled employees from outside the UK, and to ensure smooth business operations.

Environmental Concerns

Following the UK's exit from the EU, it will no longer be covered by the common EU environmental protection and standards framework, which is made up of more than 650 pieces of EU legislation, covering climate change, water quality, air quality, waste, and food safety. This has particular implications for Ireland which could see a detrimental environmental impact should there be a lack consistency or a differing in environmental programmes and approaches on the island of Ireland.

With regard to the EU's climate legislation, should the UK remove itself from the EU's Emission Trading System, i.e. the climate legislation governing heavy industry, there would be a significant distortion in carbon prices, likely making the current revised system unworkable. Equally should the UK remove itself from the Effort Sharing Regulation, i.e. the climate legislation which governs other sectors, including agriculture, the burden on the remaining EU27 would certainly increase.

This environmental legislation also provides an important regulatory framework for efficient and fair trade. Should the UK choose to overhaul this environmental legislation or rethink its climate emissions reduction targets, it could unfairly distort competition.

Part 2:
Preparedness Measures Being Undertaken by Cooperative Businesses

Despite the uncertainty that persists, Irish Cooperatives have been taking measures to mitigate the potential damaging impact of Brexit. Due to the structure of the Irish dairy sector, while the measures outlined below have largely been undertaken by processing co-operatives, milk purchasing cooperatives will be equally protected by the measures taken by the processors and similarly participating processors protected by the measures taken by the marketing and export cooperatives.

Market Diversification

Irish agricultural cooperatives, particularly in the dairy sector have been in the process of diversifying their export markets for many years. This process has been accelerated as a result of the UK's decision to leave the EU, as the potential for technical and tariff barriers as well as the economic instability in the UK has increased the need and urgency for Irish businesses to rely less on its market for their exports.

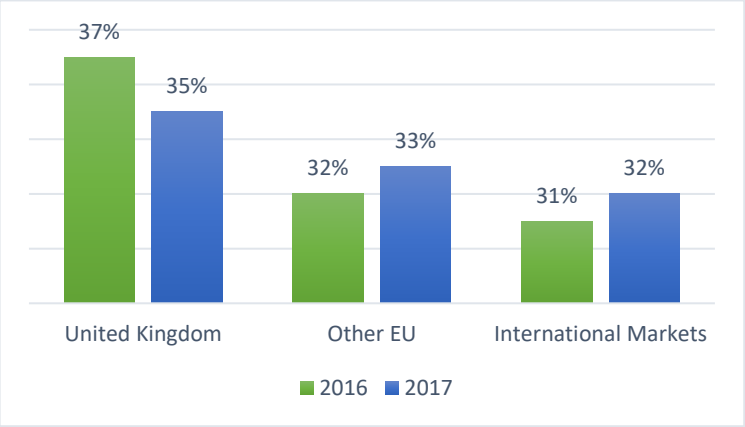

Chart: Market Diversification of Irish Agri-Food Exports since 2016 Brexit Vote

The value and volumes of Irish agri-food exports to international markets are steadily increasing, reaching 32% in 2017, up from 31% the previous year. In comparison 35% of Irish agri-food exports went to the UK market, down from 37% in 2016.

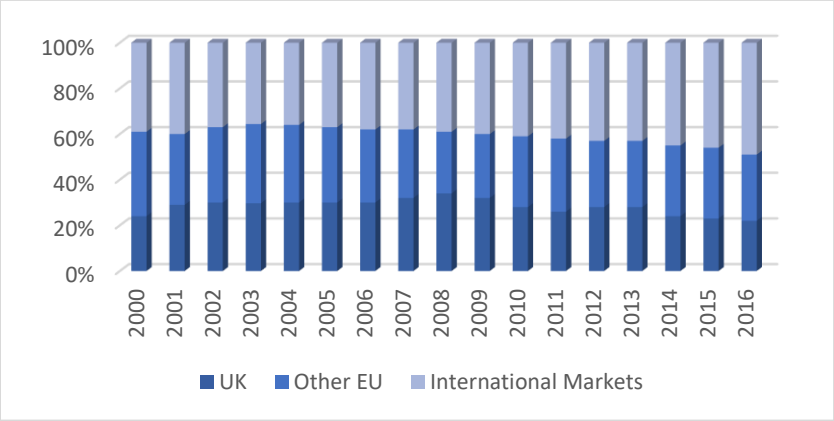

Chart: Market Diversification of Irish Dairy Exports an ongoing process since 2000

However, it must be noted that it takes a considerable amount of time for businesses to access new markets and for brands to establish themselves and generate value. A significant amount of financing and work must be undertaken to understand consumer trends, import regulatory systems and internal legislation, as well as to establish new distribution channels and business relationships. The work undertaken by Bord Bia in this regard has been fundamental to enable the industry to diversity to new markets and will continue to be of vital importance in the coming years as the impact of the UK departure from the EU becomes clearer.

Product Diversification

A lot of investment is being made by cooperatives in new facilities to enable them to also diversify their product portfolios. In particular, dairy processors have taken steps to move away from cheddar cheese, which as mentioned above is highly exposed to Brexit due to the large volumes exported to the UK and the poor opportunities for this cheese type in other international markets.

These processors aim to move part of their milk pool from cheddar production to the production of more international cheese types, including for example Norwegian Jarlsberg and mozzarella. These will be largely destined for the North American and EU markets. Also notable is the significant recent investment made by the sector in expanding dairy nutritional powder facilities, in preparation for the growth in Irish milk production following the abolishment of quotas in 2015. These powders are also already largely destined for international markets.

These investments will provide dairy cooperatives with greater flexibility in their processing abilities no matter the outcome of the Brexit negotiations, so that they can better target their production to products with the greatest market returns and to export markets which are most accessible.

Strengthening Foothold in Northern Ireland and Great Britain

Although, as described above Irish co-operatives have been diversifying away from the UK market, they are by no means abandoning it. The UK will remain a key market for Irish agri-food products, despite potential future trade difficulties and higher costs. Due to its close proximity to us, our historical trading ties and already established distribution channels and brand positions, it is important that the Irish agri-food sector maintains its strong presence in this high value market, which will be difficult, if not impossible, to replicate elsewhere. Therefore, since 2016, many co-operatives businesses have made moves to increase their foothold in the UK and in particular in Northern Ireland, in order to strengthen their position in the market and secure it post-Brexit.

These moves have included not only investment in expanding storage and distribution facilities in Great Britain, but also the merger of two co-operatives in the northern part of Ireland. Both co-operatives have members and process milk on both sides of the Irish border. This merger is an important strategic decision made by the shareholders of the cooperatives to safeguard against the risks of Brexit and it offers them a new opportunity for Brexit contingency planning.

In addition to this physical investment and change of structures, efforts are currently being undertaken by co-operatives to mitigate the immediate impact of the potential failure of negotiations which would result in the UK crashing out of the EU on the 29 March 2019. These measures include the stockpiling of certain non-perishable products, including cheddar cheese and butter in private storage, to allow them to continue to supply UK retailers without a tariff-related price hike and prevent the displacement of Irish supply, at least in the short term.

Part 3:
Priorities for the Irish Government

ICOS very much welcomes the actions that have been taken by the Irish Government to assist businesses and in particular the agri-food sector in responding to the challenges posed by Brexit and prepare for the future. The various loans and grant schemes offered, as well as the advice services provided by Enterprise Ireland and the increased funding for Bord Bia's marketing and promotion activities have been essential to help our cooperative businesses to undertake their preparations and plan for the future.

For their next steps, we call on the Irish Government and the Oireachtas to focus on the following actions, to further enhance these efforts and ensure the sector is best protected and prepared for the challenges ahead.

Concluding the Brexit Negotiations

The Irish Government must ensure the swift and successful conclusion of the negotiations on the EU-UK Withdrawal Agreement and Political Declaration on their Future Relationship. An agreement is urgently needed in order to eliminate uncertainty and avoid a disastrous no-deal scenario.

This uncertainty is hugely damaging as we are now entering into a period where farmers and cooperatives must make decisions on what to produce in 2019. A last-minute agreement would mean that this strategic planning and the changes needed to be made by the sector to supply lines, routes to market and products, etc., will be severely restricted in time.

In addition, it must be stressed that a no-deal Brexit must be avoided at all costs, as it would have a devastating impact on the Irish agri-food sector and indeed on the entire Irish economy. If a deal cannot be reached in the coming weeks then the Article 50 negotiations should be extended beyond March 2019 to provide the necessary time for a solution to be found.

With regard to the future EU-UK relationship, the political priority must be to ensure as close as possible a relationship with the UK, maintaining tariff and border free trade. In addition, it must include an agreement on full harmonisation of animal and plant health, food safety regulation and marketing standards and definitions and therefore ensure recognition of food safety systems and veterinary certifications as equivalent. The UK must also agree to harmonise its competition policy with the EU's to ensure fair trade and avoid disruption to cross border competition.

With regard to Northern Ireland, we greatly welcome the intense efforts of the Irish Government and the EU negotiation team to ensure that there is no border on the island of Ireland. Any restrictions in trade would be devastating for the all-Ireland agricultural economy and the local economies of border counties.

With regard to this, and to avoid any damage to the all-Ireland agricultural economy, we call for the Irish Government to work towards achieving a recognised status for Irish milk. This would allow for

the continued trade of raw milk and processed dairy products across the border, without being hindered by burdensome customs, SPS and labelling regulations, should they apply in future. There is a precedent for such recognition within the EU, following the recognition given to North and South Cyprus dairy products. This status could be extended to all agri-food products historically produced on an all-Island basis.

Infrastructure and Capacity

Further investment must be made in Ireland's customs infrastructure and capacity to prepare for the UK leaving the EU, including the future recruitment and training of customs personal.

In July, the Irish government announced plans to hire 1000 new customs and veterinary inspectors to prepare our ports and airport for Brexit. However, it is now estimated that only 200 new officers will be trained and in place for March 2019.

Additionally, the physical infrastructure that would be needed to carry out customs checks needs to be built, and the technical capacity developed and fully functioning for when the UK leaves the EU. Technology based solutions, such as number plate recognition, x-ray scanning to avoid physical checks and in particular electronic certificates (as agri-food certificate are currently still paper based), must be adopted and utilised to enable the smooth flow of goods. Although not a solution on its own, this technology does have the potential to help overcome many customs barriers. However, there would need to be a lot of confidence in such a new system, to ensure delays are avoided and potential damage to supply chains. Therefore, further research and practical trials are urgently needed.

CAP Budget Post 2020

ICOS strongly rejects the European Commission proposal for the next EU Multiannual Financial Framework which seeks to cut the CAP budget by 15% in real terms. In order to ensure an effective and sustainable CAP throughout the coming challenges posed by Brexit, it is necessary to maintain if not increase the level of funding available to agriculture. It is essential that the EU continues to recognise the importance of the CAP in delivering food security, high quality and traceable food for consumers and ensuring a fair standard of living for farmers, their families and rural communities.

We therefore call on the Irish Government and the Oireachtas to ensure that the final agreed budget maintains at least the current levels of financing.

Income Stabilisation

Market volatility is already a hallmark of modern global agricultural markets. However, the uncertainly caused by Brexit to future trading relationships, as well as the pressure it has put on EU funding means it will remain and grow as an issue.

Therefore, ICOS calls on the Irish government to put the correct tools in place to counter-act this and introduce income stabilisation tools, in order to enable farmers to manage market volatility and improve resilience.

Further Efforts to Aid Market Diversification

We welcome the efforts made by the Irish Government to better promote international trade, and the support which has been provided to Bord Bia and Enterprise Ireland to help promote Irish agri-food exports on new markets and enable product diversification.

Asia and the Middle East (for example Indonesia and the Philippines) are the key emerging markets for the Irish agri-food sector, which must be targeted. However, currently there are many barriers which prevent trade from expanding in these counties (include tariffs and non-tariff barriers, such as long customs delays and certification issues). These must be addressed on an EU level, though a targeted trade policy which priorities improving access to these markets. Furthermore, the Irish government can help overcome some non-tariff barriers though the further development of market research and promotional campaigns.

Export trade financing and export credit guarantees should be further developed on an EU or national level to support the continued development of international export markets and to assist SME businesses in expanding to new global markets and decrease their dependency on the UK. Expanding to new markets can put a strain on cashflow, due to upfront logistical, marketing and regulatory costs. Government backed export finance, in the form of loans, guarantees and insurance policies would ensure businesses have affordable and secure finance to manage cashflow and reduce risks.

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