ICMSA Presentation

to the

Seanad Special Select Committee

on the

Withdrawal of the United Kingdom

From the European Union

7 June, 2017.

Presentation by Mr. John Comer, President of ICMSA to the Seanad Special Select Committee on the Withdrawal of the United Kingdom from the European Union on Wednesday, 7 June 2017 in Leinster House, Kildare St., Dublin 2.

Mr. Chairperson, Members of the Committee, I would like to thank you for the invitation to address you here today and the opportunity to put our views forward in relation to Brexit and the implications for the Agri-Food sector.

Given the short time available, I intend to briefly refer to the issues that ICMSA believe need to be addressed in the Brexit negotiations and what our Government can do to assist farmers and the Agri-food sector.

The ESRI in their study of the potential impact of Brexit on Ireland highlighted that the Agri-food sector in particular as being vulnerable to a hard Brexit between the UK and the EU. There has been a long and strong relationship between the Irish Agri-food and the UK Agri-Food sectors with Ireland exporting significant quantities of beef and dairy products in particular to the UK and with Irish and UK processors operating in both countries. Strong relationships have also been built between farmers and farm organisations. In light of Brexit, it is ICMSA's firm view that maintaining and strengthening this relationship is hugely important for both countries and the Brexit negotiations need to address the many issues that have the potential to undermine this relationship.

The short-term impact of the UK decision to leave the EU has caused currency volatility and higher levels of uncertainty. A weaker sterling negatively impacts on the Irish economy and particularly the Agri-food sector. Thankfully, with dairy and beef markets in a relatively strong position at present, the impact of negative currency movements is not having a major

impact but this can change very quickly given the level of volatility in agri-food markets.

So why is ICMSA and its farmer members worried? The following statistics provide a snapshot on the hugely important relationship between the Irish and UK Agri-Food sectors and why the Brexit negotiations are so important to Irish farmers.

- Ireland is the second largest supplier of food to the UK.
- 41% of food and drink exports go to the UK (€4.4 billion).
- 56% of total meat exports go to the UK.
- 30% of dairy exports go to the UK.
- 60% of cheese exports go to the UK.
- 52% of beef goes to the UK.
- 25% of sheep meat goes to the UK.
- Ireland imported over €3 billion of UK food & drink in 2014.
- 15% of UK exports to Ireland in 2015 were dairy and 3% beef.
- The United Kingdom imports almost 40% of its food products.
- Live cattle exports to Northern Ireland and Great Britain.

Year	Northern Ireland	Great Britain
2010	95,130	8,616
2011	59,444	7,637
2012	62,577	11,477
2013	54,562	11,258
2014	54,414	18,112
2015	55,285	9,143
2016	24,531	6,583
2017 to 20th May	11,543	2,718

- In 2015, the Republic imported 594m litres of milk from Northern Ireland, approximately 9% of the total milk processed in the Republic and 26% of total Northern Ireland supplies. This involves 32,000 milk lorry movements across the border annually.

Quite clearly, all farm sectors are at serious risk and determining the extent of that risk at this stage is pure speculation and dependent on the Brexit outcome and future policies adopted by the EU and the UK Government. In terms of possible opportunities for Ireland, this is very much dependent on the agricultural policy adopted by the UK post Brexit and the level of support it provides to its farmers and also its trade policies post Brexit. There are potential risks and opportunities for agriculture but it is important to be clear that the threats and risks far outweigh the opportunities.

Ireland is not alone in its exposure to the UK food market as clearly illustrated below:

- **€35bn EU27 Agri-Food exports to UK in 2016.**
    - Netherlands €6.07bn.
    - Ireland €5.01bn.
    - France €4.85bn.
    - Germany €4.75bn.
    - Spain €3.71bn.
    - Italy €3.12bn.

From a perspective of building support at EU level for Irish concerns, it is quite clear that the Member States listed above will have many of the same concerns as Ireland.

In terms of addressing the Brexit challenge from an Agri-food sector perspective, the following are key actions that need to be taken.

a. Currency volatility.

Volatility is the biggest single challenge facing the Irish Agri-food sector and Brexit has added to this challenge. The sterling rate is a significant negative for Irish exporters and farmers and lets' be clear, farmers will ultimately pay the price arising from currency volatility. Currency rates will vary over time so farmers must be given the tools to protect themselves and in this regard, ICMSA has proposed the introduction of a Farm Management Deposit Scheme to allow farmers to build a buffer fund to deal with poor years. ICMSA welcomes comments from Government that this is still under consideration but farmers need to see delivery sooner rather than later.

An enterprise stabilisation fund should be established for food businesses and additional resources for state agencies and enterprises to invest in promotion, trade support and market development is required to help maintain existing markets and increase market diversification.

b. Trade between the EU and UK:

Free trade between the EU and UK post Brexit is a hugely critical issue for the Agri-food sector which depends on tariff free access to the UK. For example, Ireland is a major producer of cheddar and the only major outlet for this product is the UK market. The introduction of tariffs on cheddar cheese between the EU and UK would have serious negative implications for Irish dairy farmers. The single market tariff free access between Ireland and the UK has brought many benefits for producers and consumers in both countries and has led to significant co-operation with processors operating in both countries. It is in our mutual interest that these benefits are maintained and that we continue to

develop the close relationships between our Agri-food sectors. The introduction of tariffs would be a seriously retrograde step and tariffs of up to fifty percent would represent a major blow to the Agri-food sector.

Trade within the EU operates to common standards and this has facilitated the trade of Irish produce to the UK. Post Brexit, the UK will be free to set its own standards and it is important from a trade perspective that the EU and UK operate similar standards post Brexit. The status of produce using raw materials from both north and south of the Border also needs to be addressed.

To address this key issue, the Brexit negotiations should include a transitional arrangement where no tariffs would be applied for a defined period during which a free trade deal would be negotiated and finalised. This is absolutely critical to the development of the Irish Agri-food sector.

c. Common Agricultural Policy.

The CAP plays a central role in supporting the European Model of Agriculture, the family farm. In the event of Brexit, the CAP budget will be negatively impacted to the tune of €1.3 billion per annum based on some estimates. To put in context, this is equivalent to the total BPS/Greening payment paid to Irish farmers each year. Thus, it is essential that CAP is properly funded and fit for purpose post Brexit. In addition, a full review of farm and food sector regulation is required to remove those elements that are no longer relevant or necessary.

d. Input Costs.

There is significant evidence to suggest that farmers in Ireland pay higher input costs than our continental EU counterparts and in this regard, ICMSA believes that Ireland and UK can work together to provide benefits to farmers in both countries. For example, the continuation of mutual recognition of approvals of products such as veterinary medicines and dairy detergents would be beneficial. Based on previous analysis, there can also be significant differentials between inputs north and south of the border and thus, it is important that farmers on both sides of the border can continue to purchase inputs in both countries to ensure competitive prices.

e. Cost Competitiveness:

To return the maximum possible price to primary producers, the cost of doing business in Ireland is something that needs to be addressed. Ireland has higher costs than many of our EU counterparts in areas such as insurance, energy, credit and legal costs and they need to be addressed in advance of Brexit.

f. Trade Deals:

Current EU trade deals are based on 28 Member States and the population of 28 Member States. Post Brexit, the number of EU consumers will fall by 64m. ICMSA believes that current deals must be revised to take account of the new scenario and secondly, current negotiations with Mercusor for example must take account of Brexit. As a major exporter of food, this is crucial issue for Irish farmers.

g. Consumer Confidence:

Brexit presents considerable risks for both the Irish and UK economy and an economic downturn can have a severe impact on consumer confidence. The

Brexit negotiations need to ensure as much as possible that the economic damage to the UK and EU economies is kept to the absolute minimum.

h. On-Farm Challenges:

Brexit has the potential to pose serious on-farm challenges in particular for farmers with land on both sides of the border. It presents challenges including transit of cattle across the border, BPS/Greening challenges and Nitrates issues to mention a few. Many farmers farm land on both sides of the border with cows grazing both north and south. How will this situation be dealt with post Brexit? All these matters will have to be addressed to protect these farmers.

i. All Ireland Health Status:

Co-operation on animal health issues between North and South has been hugely important in recent years. The fact that Brucellosis has been eradicated from the island of Ireland points to the significant benefits and importance of co-operation between the two countries. Post Brexit, it is essential that this co-operation is maintained and enhanced.

j. Hard Border and Transit Across The UK

The issue of border checks is a major concern. Milk collection from farms is a good example. At present, there are 32,000 milk lorry journeys across the border each year and if a hard border is introduced, it will add additional time, cost and administration to an important rural industry.

The UK is not only a hugely important market for Irish food produce but a significant amount of product transits the UK to continental EU. It is important that trade arrangements allow this transit to be retained in the most efficient way possible.

The issues are many and as a starting point, ICMSA believes that the following is required:

- Build alliances at EU level to support Irish position.
- Maintenance of Single Market or free trade agreement. Invest in UK market and also market diversification.
- Transition Agreement between Brexit and a new trading arrangement.
- Recognition of special position of Irish border.
- Measures to address currency volatility:
    - Farm Management Deposit Scheme.
    - Enterprise Stability Fund.

In conclusion, Chairperson, in the short time, available to me, I have outlined a number of areas that I believe need to be addressed in the context of Brexit and it is essential that we protect the Agri-food sector which is maintaining local rural economies in all areas of Ireland and the UK.

Thank you.