



Address by IFA President Joe Healy
Seanad Special Select Committee
on the UK's Withdrawal from the European Union
& the Implications of the Withdrawal for Agriculture and the Food Sector
23rd October, 2019 2pm

Good afternoon,

I want to thank the Chairman and the Committee for the opportunity to outline the key issues of concern for Irish farming and the agri-food sector arising from Brexit.

When I addressed you in May 2017 on this topic, we all expected that the UK would have left the EU on 29th March 2019, and we would be in a transition period and actively negotiating the future EU-UK trading relationship. However, progress has been much slower than that.

UK Decision to leave the EU - Why Brexit matters for agriculture

Since the Brexit vote in 2016, there has been a huge amount of analysis undertaken on the potential implications for the Irish economy, and for the farming and food sector, of the UK leaving the EU. The results are clear and they are stark.

Brexit presents the most serious threat to Irish farming and our agrifood sector in the history of the State.

With 37% (€4.5bn)¹ of our food and drinks exports going to the UK, no other Member State and no other sector is as exposed in these negotiations. The UK is the market for 50% or 280,000 tonnes of Irish beef exports. For the beef sector, the threat from Brexit is frightening.

The reality is, even before Brexit, massive damage is already being done to Irish agriculture.

In the past year alone, Brexit uncertainty and the devaluation of Sterling have had a very negative impact on Irish agriculture, with losses in the beef sector alone at €200m up to the end of September 2019.

Last May, the EU Commission and the Government announced a **Brexit Support Fund** to support beef and livestock farmers who had suffered €100m in Brexit losses from September 2018 to 12th May 2019.

However, when this scheme was formalised as the **Beef Exceptional Aid Measure (BEAM)** the criteria were so unnecessarily restrictive that farmers applied for only €78m in aid. IFA is still insisting that the €22m underspend is paid out to beef farmers to cover real losses.

As we know, in the cattle trade further farmer losses since May this year have accumulated rapidly, especially with the collapse in beef prices in June and July to their current base price level of €3.45 / kg for R3 steers.

IFA estimates that producer losses in the beef sector from May to early September 2019 amount to a further €100m and continue to accumulate at €5.5m per week.

Farmers' losses do not stop there. Dairy farmers and mushroom growers have also been hit by the collapse of Sterling.

¹ Source: Bord Bia 2018

In Budget 2020, the Minister for Finance Paschal Donohoe announced a **€110m fund** to be made available by the Department of Agriculture in the immediate aftermath of a no-deal Brexit. IFA is calling for this money to be paid out now to all farmers who have experienced Brexit losses.

I want to remind this Committee that the losses we are talking about amount to a market disturbance under EU regulations. They are due to the weakness of Sterling and Brexit uncertainty which are political factors totally outside the control of farmers.

IFA is also clear that in the event of a no-deal Brexit, the EU must provide a **€1bn Brexit fund of market support measures to include direct supports for farmers**, structural and adjustment funding, as well as the setting aside of State Aid limits.

New Withdrawal Agreement & Political Declaration – 17th October 2019

Since becoming Prime Minister on 24th July, Boris Johnson has pursued a hard-line Brexiteer policy of leaving the EU on 31st October, with the ultimate objective of having an independent UK trade policy. He appointed a Cabinet committed to a hard Brexit and failed to reappoint most Ministers who favoured a softer Brexit.

This marked a decisive shift from Theresa May's Government, which was more committed to a close trading relationship with the EU in the future.

Last Thursday on 17th October, EU leaders and the UK Government reached agreement on a revised Withdrawal Agreement and a revised Political Declaration on the future EU-UK relationship.

At this point, I want to pay tribute to the Taoiseach Leo Varadkar, Tánaiste Simon Coveney, Minister for European Affairs Helen McEntee and their Officials for their role in the negotiations. I also want to mention the opposition politicians here in Leinster House who have been very constructive throughout.

On the EU side, I particularly want to recognise Chief Negotiator Michel Barnier and his team in TF50 for their hard work and deep understanding of Ireland's interests in these critical negotiations.

Revised Withdrawal Agreement

The revised Withdrawal Agreement includes a new Protocol on Ireland / Northern Ireland, which replaces the backstop and will come into effect when the Transition Period expires on 31st December 2020, or later if, the transition period is extended at the UK's request.

The new Protocol applies to Northern Ireland only.

- Northern Ireland will remain aligned to key rules of the EU Single Market in order to avoid a regulatory border on the island of Ireland. These rules cover all goods including SPS rules for agri-food products and rules on agricultural production / marketing and state aid.
- On customs, Northern Ireland will remain part of the UK's customs territory and will have the best of both worlds in terms of access to the EU market and the UK market.
- In order to protect the EU's internal market, the EU's Customs Code will apply to all goods entering Northern Ireland from Britain and third countries. EU customs duties will be applied to goods entering Northern Ireland which are considered to be at risk of crossing the border into the Republic and therefore into free circulation within the EU.

The purpose of the new Protocol is to fully protect the integrity of the EU's Single Market and Customs Union, and avoid any regulatory and customs checks at the border between Ireland and Northern Ireland which would undermine the all-island economy and the Good Friday Agreement.

IFA supports the new Protocol because it avoids a hard border in Ireland.

However, we would like to have full clarity on how trade flows will work in practice.

We need clarity on the precise arrangements for Irish beef exports travelling across the border into Northern Ireland and out through Larne to Britain.

In regard to milk coming from Northern Ireland going into the Republic for processing, Northern farmers and Irish Co-ops need a clear commitment that this product can be labelled as Irish and EU, as it will continue to be in compliance with EU rules.

It is worth recalling that under Theresa May's all-UK backstop, which was rejected in Westminster, Northern Ireland remained aligned to Single Market rules, while the UK stayed in a single customs territory with the EU, with no freedom to apply lower tariffs.

The UK was also bound by measures to ensure a level playing field on state aid, competition law, the environment and climate change, labour and social protection and non-regression from current EU standards.

The back-stop applied "unless and until" a new trading arrangement was agreed which avoided a hard border in Ireland.

Under the new Protocol, Britain will have a greater ability to pursue an independent trade policy than it had under the backstop, and this is a cause for concern. This is why the negotiations on the future trading relationship are so important.

Revised Political Declaration

The Political Declaration is a non-legally binding document which sets out the ambitions of both sides for their future relationship.

The changes here reflect the new UK government's stated intentions to pursue an independent trade policy.

The Political Declaration contains the shared ambition to have a Free Trade Agreement (FTA) with zero tariffs and quotas between the EU and the UK.

However, it notes that the precise nature of commitments will be commensurate with the scope and depth of the future relationship and with commitments to ensure a level playing field.

In other words, it is all to play for in the future trade negotiations, where incoming EU Trade Commissioner Phil Hogan will play a key role.

While there is no certainty in the current political situation in Westminster, IFA cautiously welcomes the revised Withdrawal Agreement on the basis that, if approved by Parliament before or after 31st October, it would avoid a no-deal Brexit.

If the Withdrawal Agreement is ratified, then the UK will enter a stand-still transition period until 31st December 2020. The UK retains the right before 1st July 2020 to seek a once-off extension of the transition period to beyond December 2020.

However, 1st July 2020 is now only eight months away and that deadline threatens a new cliff-edge on 31st December 2020 when, in the absence of a negotiated new trading relationship, the EU and the UK would have to trade on basic WTO terms.

This leaves Irish farmers and agri-food businesses facing on-going uncertainty, which is seriously damaging to their businesses. We remain very concerned over the impact of sterling devaluation and future trade uncertainty on our markets and producer prices.

Therefore, if and when the Withdrawal Agreement is passed, I want to strongly advocate an early decision for a realistic extension of the transition period, which would give much needed certainty to Irish farmers and agri-business.

From our experience to date, we can say that the trade agreement negotiations ahead on an FTA between the EU and the UK will be just as difficult as the negotiations over the last three years on the Withdrawal Agreement.

Future EU-UK Trade Arrangements

I want to look forward now to Europe's future trade arrangements with the UK and the UK's determination to pursue an independent trade policy.

IFA is concerned that disruptions to the UK market, through the imposition of tariff barriers, border checks, certification requirements, or other regulatory changes, or new entrants to the UK market, could seriously undermine Irish exports and even render our trade uneconomic.

A reduction in import tariffs, an increase in tariff-free access or any lowering of product standards by the UK for the Mercosur countries of South America, or for hormoned beef from the US would fundamentally undermine the competitive positioning of Irish and EU product on the UK market, and reduce the value of the UK market.

In the dairy sector, one third of our exports go to the UK. It's our main market for cheddar. There is no alternative. Increased low-priced competition on the UK market would destabilise the Irish dairy sector here.

In the sheep sector, the key issue is the division of the existing EU Tariff Rate Quota (TRQ) of 228,000 tonnes of New Zealand lamb imports and the destination of these imports.

Across virtually every sector of agriculture, in beef, dairy, lamb, mushrooms and forestry, there is a real threat from

- reduced access to the UK market through **tariff barriers**, and
- a loss in the value of the UK market through **increased low-cost imports** or any **undercutting of EU product standards**.

IFA is therefore seriously concerned about the risk of trade displacement for Irish exports to Britain, where Britain could import products from non-EU countries at lower tariffs and possibly lower standards to supply its home market, while continuing to export its own production to the EU. If that were the case, the EU may have to apply tariff quotas from on imports from the UK.

CAP Budget

IFA remains seriously concerned over the potential reduction in the CAP budget post Brexit.

As a net contributor to the EU budget, the UK exit from the EU creates uncertainty in the size of the CAP budget post 2020.

The EU Commission has proposed a reduction in the CAP budget to 28.5%p of the overall EU budget, down from over 55% in the 80s.

This proposal represents a cut to the Irish CAP budget of €97m per annum, 5% in nominal terms. With the 2% proxy rate of inflation applied, the real impact of the cut amounts to 17% for Ireland.

A reduction in the CAP budget would directly and negatively impact on Irish farm incomes across all sectors. The Irish Government must therefore press other Member States to increase their EU budget contributions under the Multiannual Financial Framework (MFF).

Avoidance of a hard border in Ireland

IFA recognises the on-going commitment of the EU and the Irish Government, with the support of the opposition parties, to avoid a hard border on the island of Ireland, with customs checks and other controls and the risks to the peace process.

This is vital for farmers on both sides of the border, for border communities and the border economy.

If the current Withdrawal Agreement is ratified, the EU and the Irish Government must be vigilant to ensure that the integrity of the market in the Republic and of the EU Single Market is fully protected against illegitimate imports.

IFA Policy

IFA's policy position remains that the optimum outcome of the Brexit negotiations would be for the UK to remain within the Single Market and the Customs Union.

However, we are gravely concerned that the policy of the current UK Government is to be outside the Single Market and the Customs Union and to diverge from EU regulations and standards in pursuit of an independent trade policy.

IFA's objectives for any new EU-UK trading relationship include:

- Tariff-free and quota-free trade for agricultural and food products
- Full UK regulatory alignment to current and future EU standards including food safety, animal health/welfare and environmental standards and
- Continued UK application of the EU's Common External Tariff and tariff rate quotas (i.e. no increase in import volumes) for agricultural and food products.

The EU must use its leverage in the forthcoming trade negotiations with the UK to maintain the value of the UK market for Irish food exports which in turn will ensure the stability of the EU food market.

Our overall objectives remain:

- no hard border on the island of Ireland on which there is progress with last week's agreement,
- minimal restrictions on trade with the UK, and
- no scope for the UK to pursue a cheap food policy.

Thank you