

Opening statement of Minister Charlie McConalogue

Oireachtas Joint Committee on Agriculture and the Marine

6th October 2020

Introduction

Mr Chairman, thank you for the invitation to appear before the Committee today. I welcome the opportunity to outline my Department's priorities in these unprecedented times. I will be glad to address questions from Committee members, and I can follow up with further information for the Committee if required.

Effect of Covid 19 on the Agriculture Sector

We have all been faced with an unprecedented challenge in the form of COVID-19. In the context of this pandemic, human health must be the absolute priority.

The agri-food sector is critical to maintaining food supply chains, from farm inputs right through to retail distribution. Activity within the sector is deemed essential and therefore the sector has remained in operation since the lockdown in March.

In terms of economic impact, while production was not significantly impacted, the demand for Irish food and drink products was subject to market disturbance. Ireland exports some 90% of the food we produce; and the food service industry across Europe, and beyond, experienced a near-total collapse in demand due to the shutdown of the hospitality sector. This has also affected beverages, Ireland's third

biggest export. While food retail demand increased, it did not offset the decline in food service demand.

That demand imbalance had, and is still having, significant consequences for primary producers and agri-food businesses. In the first few months of the pandemic, there were lower prices across all commodities. While these have stabilised and risen in some cases, they still remain relatively low, especially beef prices. Live exports of cattle were severely affected earlier in the year, particularly the export of calves to continental Europe in the spring, because of the collapse of food service demand for veal in Europe.

Exports of agri-food dropped by 11% for the month of April but have since partially recovered, with exports for the first seven months to the end of July down by just 1.9% in value compared to the same period last year. Exports of agri-food to seven of our top ten destinations is down, with the largest decrease in countries where Covid-19 has been most severe. Exports of beverages are down 17%, exports of fish are down 11%, while beef exports are down 8% in value to the end of July. By contrast dairy exports are up 6% during the same period.

My Department and its agencies worked with all the agri-food stakeholders ensuring that the sector, as our largest indigenous industry, was considered as a part of the ongoing whole-of-Government response. In addition, specific supports were put in place such as: a Scheme of Aids to Private Storage under the CAP for certain dairy products; a €50 million Beef Finisher Payment (BFP) to provide support for beef finishing farms which were severely impacted by both reduced prices and reduced

slaughterings; a Covid-19 voluntary Temporary Fleet Tie-up Scheme for fishing vessels; and various other supports and flexibilities under the Schemes managed by my Department.

The July Stimulus package included an increased capital allocation of €17 million to the Department for Howth Fishery Harbour Centre, an additional allocation for on-farm renewable energy investments and investment in a large-scale habitat restoration project by Coillte.

Farmers, fishers and food businesses also benefit from access to the Government's liquidity and investment responses to Covid-19 impacts, including the expansion of the Future Growth Loan Scheme for capital investment and Microfinance Ireland loans for working capital. I was also pleased to be able to launch, with my Government colleagues, the Covid Credit Guarantee Scheme, which is supporting working capital lending to SMEs, including farmers and fishers. In addition, food businesses are eligible for the Covid Working Capital Loan Scheme, as well as for Enterprise Ireland supports to maintain business continuity and liquidity. Bord Bia has provided an additional €1m Covid-19 Response Marketing Package for food businesses to accelerate eCommerce and expand marketing activities.

The beef Finisher Payment (BFP) scheme is a one-off, exchequer funded grant aid scheme under the Covid 19 State Aid Temporary Framework. The objective of BFP is to provide support for beef finishing farms in Ireland which have been severely impacted by the economic effects of the Covid-19 pandemic.

The Measure, with an available budget of €50 million, targeted support for beef finishers who slaughtered animals between 1st February and 12th June, the most pronounced period of market disturbance.

This targeting was in recognition of the fact that beef finishers who slaughtered animals in this period bore the most severe and immediate impact of the market disturbance caused by the sudden closure of food service markets across the EU due to the COVID-19 pandemic.

Support for beef finisher enterprises will ensure that beef farmers with other enterprise types, such as suckler farmers, will be able to maintain routes to market for their product.

DAFM and its agencies, in consultation with stakeholders, continues to monitor the impacts on the agri-food sector as the situation evolves, and will seek to provide appropriate supports to the sector.

My Department is contributing to the whole-of-Government response to managing outbreaks of Covid -19 in food plants.

The Resilience and Recovery Plan for Living with Covid-19 sets out a number of important actions for my Department. My Department will work collaboratively with other Government Departments, Agencies and other stakeholders within the sector to ensure that standards of compliance with Covid-19 protocols are maintained, so that food production can continue safely. This is essential for the wellbeing of our

population as a whole. This collaborative approach between regulators, employers and employees, together with personal responsibility, will be key to maintaining safe operations in all workplaces across the country.

My Department is participating in the HSE-chaired National Standing Committee on high risk settings, which meets on an ongoing basis to review existing protocols and compliance measures, and to identify any additional control measures required.

It is also supporting the HSE and the Health and Safety Authority in monitoring the effective implementation of all relevant Covid-19 guidance in DAFM-approved food plants.

Findings from these inspections suggest that compliance with these Covid-19 protocols is generally very good. As well as the over-riding public health priority, it is in the interest of the meat industry to ensure that their workers are protected, and that all appropriate protocols and advice are fully implemented.

SERIAL TESTING

The Government decided in August that the HSE should implement a programme of serial testing of workers in food plants and other large businesses. The first cycle of this serial testing programme is due to be complete by the end of this week.

As at 2 October, last Friday, **24,824 samples** had been tested under this programme with **101 positives detected** - a positivity rate of **0.41%** - a rate lower than that in the general population at the moment.

However, there is no room for complacency and my Department is continually engaged with industry to ensure that the basic measures, such as physical distancing and use of PPE are being implemented correctly.

WIDER ISSUES

International evidence has shown that meat plants in particular are at risk of outbreaks. My Department is leading research on the operational and environmental factors in meat plants which may influence Covid transmission - for example, looking at ventilation systems and the re-circulation of chilled air in plants - to identify and address those risk factors.

There has been a lot of commentary about wider factors in relation to employees in the food industry - for example, in relation to shared accommodation and transport, and the sick pay and other employment conditions for workers.

I welcome as a very positive step the Code of Practice agreed by Meat Industry Ireland and SIPTU for the safe management of staff in the primary meat processing sector during the pandemic.

My Department is engaging with the ESRI to scope out a research project looking at some of these wider issues. Meanwhile, if employees or their representatives have **any specific concerns** about employment conditions, they should contact the relevant statutory agencies e.g. the Health and Safety Authority, the Workplace Relations Commission, or the Department of Social Protection, as appropriate.

Brexit

Of course, in addition to the challenges associated with the pandemic, we are facing a very difficult period ahead, with the Brexit deadline approaching and an increasingly volatile and unpredictable international trading environment.

What are the main changes after Brexit for the trade?

Regardless of the outcome of the EU-UK negotiations, a number of outcomes are already clear. In less than three months, the UK will be outside the EU's Single Market and Customs Union.

Notwithstanding the significant amount of preparations that have been completed, some degree of delays on the movement of animals and goods will be inevitable.

There will be inevitable changes for the Irish agri-food industry from 1 January 2021 with new customs and regulatory requirements (including Sanitary and Phytosanitary SPS checks) for importers of agri-food products from Great Britain.

For exporters, export certification requirements in respect of movement of goods to Great Britain will be introduced by the UK on a phased basis from January.

Complying with customs and regulatory requirements will increase the cost of trade and will result in delays in the movement of goods, although every effort will be made to ensure the minimum possible disruption to trade flows and supply chains.

Any business that moves animals and goods to, from or through Great Britain, will be subject to a range of customs formalities and SPS regulatory requirements that do not apply to such trade today.

It is essential that businesses, no matter how small, who have not already done so, take immediate steps to understand the impacts these rules and processes will have on their operations.

With less than three months until the end of transition, time is very short and action is required now. This requires planning and investment - and it is not something that can be left to the last minute.

Importantly, many of these changes will not apply to trade between Ireland and Northern Ireland.

What has the Government/Department done to Prepare for Brexit?

Government

On the 9th September, the Government launched an updated Brexit Readiness Action Plan, and a new communications campaign for business. Government has put in place a range of business support and advisory services and we will do more as needed. Updated Brexit legislation is being progressed also.

The Government's July Jobs Stimulus included a €20 million Brexit fund to help SMEs who export to and import from Great Britain to put in place the staff, software and IT systems to be ready for new customs arrangements from 1 January 2021.

Through this, a new 'Ready for Customs' grant is available through Enterprise Ireland which will provide up to €9,000 per eligible employee hired, or redeployed within the business, to a dedicated customs role.

There are also customs training and supports from Skillsnet, Enterprise Ireland, the Local Enterprise Offices and many others, including Bord Bia.

Government continues to intensify outreach to our stakeholders over the coming months. The Revenue Commissioners have written to all business that traded with the UK to remind them of the need to prepare for Brexit. These letters included a specific notice from the Department of Agriculture Food and the Marine for relevant companies trading in agri food products.

Department of Agriculture, Food and the Marine

My Department, as part of a whole of Government approach, has been preparing for Brexit for over four years (since before the UK's Referendum in June 2016) to be as ready as possible for all Brexit scenarios.

The focus has been on infrastructure in ports and airports, staffing, the development of robust IT support systems and communications with stakeholders.

My Department has ensured that financial and budgetary measures were put in place to help the agri-food and fisheries sector over the last four budgets. These measures were aimed at enhancing competitiveness and market and product diversification and included low cost loan schemes, supports for Bord Bia and Teagasc, direct aid for farmers and capital funding for the food industry. Minister Creed led an intensified series of trade missions to develop and grow new markets in light of Brexit and this important work will continue, albeit perhaps virtually for the time being. I will ensure all supports are kept under review to help the sector prepare for and adapt to the new reality post transition.

I welcome the MFF agreement reached in July which includes a €5 billion Brexit adjustment fund for those Member States most affected by Brexit. I will work to ensure that the agri-food sector gets an adequate allocation from that funding.

Bord Bia

Bord Bia has published an updated **Brexit Action Plan**. This compliments the Governments Brexit Readiness Action Plan and serves as a deep dive into the actions required specifically for food and drink manufacturers for 1st of January 2021. The Brexit Action Plan covers actions required under Customs, SPS, supply chain and finance headings.

The State of Play of the Negotiations/the UK Internal Market Bill/Implementation of the Ireland/Northern Ireland Protocol

So far, we have had nine negotiating rounds in the EU UK future relationship negotiations. The ninth negotiating round took place last week against a backdrop of the publication by the UK Government of the Internal Market Bill and the EU issuing a formal notice to the UK for breaching its obligations under the Withdrawal Agreement, which marks the beginning of a formal infringement process against the United Kingdom.

Time is growing short. A no deal outcome is not in anyone's interest. In the absence of a Free Trade Agreement between the UK and the EU tariffs would apply to agri-food trade between Ireland and the UK (excluding Northern Ireland). The EU Common External Tariff regime will apply to imports from Great Britain to Ireland and the UK Global Tariff Regime would apply to Irish exports to Great Britain. The results of this analysis is very stark for the agri-food sector.

In the period ahead, Ireland will continue to work as part of the EU27 to ensure that our collective approach to these negotiations reflects our values and interests.

I, together with my colleagues across Government, and our EU colleagues, outlined to the British Government our very strong concerns about the UK's Internal Market Bill. Clearly, any unilateral departure from the terms of the Withdrawal Agreement is not acceptable. It is very disappointing that the British Government has not taken account of the concerns expressed by the EU and by Ireland at the Bill's contents. The Government's position has been clear throughout - we believe the UK should move away from the path it has chosen in the Bill and work to rebuild the required trust by implementing the Withdrawal Agreement in full. The only appropriate channel for considering issues around the implementation of the Protocol for Ireland and Northern Ireland is through the structures of the Withdrawal Agreement - the Joint Committee and Specialised Committee established for that very purpose.

We welcome the Commission's continued emphasis on the importance of full implementation of the Withdrawal Agreement including the Protocol on Ireland/Northern Ireland. Ireland's approach has always been guided by the principle of securing a deal that worked for the island of Ireland as a whole. It is vital that the Protocol is now implemented fully.

Call to Urgent Action

Finally, to conclude on Brexit - people need to prepare for the changes that will come about on the 1st of January 2021. Anyone moving food, animals and animal products, plants and plant products to, from or through Great Britain are reminded that:

- regardless of the outcome of the EU-UK negotiations, the status quo will not remain the same.
- With less than three months until the end of the transition period, the time is short and action is required now.
- There will be changes for the Irish agri-food industry from 1 January 2021 with new customs and regulatory requirements (including Sanitary and Phytosanitary SPS checks) for importers of agri-food products from Great Britain.
- For exporters, export requirements in respect of movement of goods to Great Britain will be introduced by the UK on a phased basis from January.
- Importers and exporters need to familiarize themselves with the customs and regulatory requirements that will apply from 1st of January 2021. Supports are available and businesses are encouraged to avail of these.

CAP Reform

I now wish to turn to the CAP post-2020 negotiation process. I will give you a brief overview of the negotiations to date, the current situation with the negotiations, and an overview of the CAP budget, which was agreed in July at the European Council.

Overview

The CAP legislative proposals have been discussed at length during each of the Presidencies (Austria, Romania, Finland, Croatia and the current German Presidency)

since their introduction in June 2018. Two out of the three legislative proposals are considered to be largely stable i.e. the Horizontal Regulation (financing, management and monitoring) and the Amending Regulation (amending the current CMO Regulation). However, certain elements of the Horizontal Regulation are dependent on the outcome of the CAP Strategic Plan Regulation.

The CAP Strategic Plan Regulation has proved the most problematic for Member States to consider, and there are a number of outstanding issues, both technical and political, that need to be resolved before agreement can be achieved. These key issues include the New Delivery Model, the Green architecture and elements of the Direct Payments provisions, including capping.

Current situation with CAP

Significant progress has been made on the CAP legislative proposals in 2020, and we are now at a very critical stage of the process. The German Presidency is aiming to achieve a Council General Approach on the CAP proposals at the October Agri-Fish Council. This meeting is due to take place in just under two weeks' time and the scale of the work to be done before then should not be under-estimated.

New Delivery Model

There are still enormous challenges for Member States when it comes to reaching final agreement on the CAP legislative proposals. A lot of progress has been made with the New Delivery Model, which will monitor the performance of the new CAP. There is still further work to be done to conclude on this issue, but we are now very

advanced on the reporting system. My Department will continue to fully engage in this process until this work is concluded.

Green architecture

There has been considerable discussion on the Green architecture, but there is still no overall agreement on this key issue. There are a number of outstanding issues, including on conditionality, the system of Good Agricultural Environmental Conditions (GAECs) and Statutory Management Requirements that all farmers must observe. Discussion continues on these rules, in particular regarding GAEC 9 and the requirement to have a minimum area on farms for what is known as "non-productive" features but what are really more accurately described as areas that support public goods. The proposal to remove a number of Strategic Management Requirements (SMRs) poses a significant difficulty for Ireland and has yet to be resolved.

Perhaps the most significant issue for Ireland and some other Member States is the potential loss of unspent funds when it comes to implementation of the eco-schemes under Pillar I. Enormous efforts are being put in by the Commission, the German Presidency and Member States to find a workable solution to address this issue. Finding this solution is a key demand of Ireland as we move closer to the General Approach and I strongly emphasised the importance of this key issue to Ireland at the Agri-Fish Council in September. My Department will continue to work closely with the Commission and the Presidency on this issue over the next two weeks.

Direct Payments

Direct Payments have not been discussed in any great detail since before the German Presidency. However, the agreement of the MFF post 2020 proposals in July has seen Direct Payments discussions come back to the fore.

The agreed MFF proposals, sees the CAP Pillar I payments capped at EUR 100,000. According to the agreed proposals, capping will only apply to the Basic Income Support for Sustainability (BISS). However, in light of demands from Ireland and others the German Presidency put forward a proposal for Member States that will allow for some degressivity below that level. I am very supportive of capping and I am still seeking to the flexibility proposed under the Commission's original proposal. However, in the context of the European Council agreement on the MFF proposals in July challenges remain.

CAP budget

The European Council agreed the MFF budgetary proposals (including the CAP post 2020 budget) for the period 2021 - 2027, at the European Council on 22 July 2020. The agreed proposal takes into account the current COVID-19 pandemic and is targeted towards the EU's recovery plan in the next programming period. The recovery plan includes a reinforced multiannual financial framework for 2021-2027 of some EUR 1,074.3 billion, boosted by an emergency European Recovery Instrument, of some EUR 750 billion, giving an overall MFF total of EUR 1,824.3 billion (in 2018 prices).

In terms of current prices, the proposal outlines some EUR 386.73 billion for the CAP, with an additional EUR 8.2 billion for EAFRD under the European Recovery Instrument, to be targeted towards the recovery on the sector and green transition.

Currently the German Presidency are seeking to have this additional funding made available during the transition period and I fully support that.

Overall, Ireland's CAP allocation, including the European Recovery Instrument supports, is estimated to be some EUR 10.7 billion (in current prices).

The MFF process now moves to the next stage where the European Parliament is asked to give their consent to the budget and these discussions are ongoing. The German Presidency consider that they have should finalised all aspects of the budget by the end of October.

Next steps and conclusion

So, there is still much work to be done before final agreement can be reached on the CAP legislative proposals. Work will continue in Brussels to finalise the text with a programme of meetings planned. The German Presidency will also engage in ongoing bilateral meetings with Member States, both at official and Ministerial level, focussing on their key issues. If the general approach is achieved at the October Council, trilogue negotiations will then commence between the Commission, Council and European Parliament.

I, and my Department officials, are committed to working with the German Presidency, the Commission and Member States in an effort to reach agreement in two weeks' time.

CAP Transitional Regulations

The Rural Development Programme is fully committed. We have drawn down over 80% of the funding and are well ahead of the EU average of 60%.

I am sure you are keen to hear what the arrangements will be for 2021.

The transitional regulation is still under negotiation. We had expected that the work would be nearing completion and we would have the final rules and budget in the coming weeks. However, there are a number of factors that still need to be resolved.

The July agreement on the MFF, by the Heads of State and Government, needs to be signed off by the European Parliament to provide the budget amount. The German Presidency is expecting to conclude this work in October. This will allow the finalisation of the legal text for the transitional regulation.

You will be aware that, at the end of June, the European Parliament and the Council agreed to a two-year transitional period. The Commission recently indicated that it could agree to two years also on certain conditions - including a substantial increase in environmental ambition. The issue will only be finalised when the MFF negotiations are concluded later in the month.

So, for now, we are still waiting on final positions on the key elements - the budget and the duration of the transitional period. As always in these situations, nothing is agreed until everything is agreed.

I am conscious of the need to provide certainty for farmers, but it is not possible to do so without the rules and the budget. I can, however, tell you that I am considering with my officials what the options will be. We will need to look at how we can dovetail what we are doing in the transitional period with our Programme for Government commitments and also how that will fit in with our preparations for the CAP Strategic Plans.

As you know, there are very ambitious targets set out in the EU Bio-Diversity Strategy, Farm to Fork strategy and the Green Deal. We also have to achieve national targets in relation to climate change and the environment.

On the national budget we are in the middle of the estimates process. I am working with my officials and my Ministerial colleagues to agree on a budget for 2021. My aim is to provide continuity and stability for farmers in these unprecedented times and to safeguard the efforts that farmers have already made in the area of climate, environment, which will allow us to build on this work as we move to the new arrangements under the CAP Strategic Plans.

For my part, I intend to continue my meetings with the farm bodies and stakeholders over the coming weeks to hear their views. I am also conscious that we have very limited time to make decisions and implement workable solutions.

I am therefore very interested to hear your views on what we could do in the transitional period and in the CAP Strategic Plans.

Conclusion

I would like to wish the Committee well in its work and I look forward to working with the Committee as we continue to promote and develop the agri-food sector.