Opening Statement,
Meat Industry Ireland (MII),
08-12-20

Meat Industry Ireland opening statement to the Joint Committee on Agriculture and the Marine to discuss Brexit and its impact on the Agri-Food Industry
Tuesday 8th December 2020.

Thank you, Chair, and thank you to the members of the Committee for this opportunity to set out the views and concerns of members of Meat Industry Ireland on the issues facing our sector as we approach the ending of the Brexit transition period and commence a new trading relationship with our most important export market on 1st January 2021. The failure of political negotiations has left our sector and many others, in the unenviable position of not being able to plan for what is, at this extremely late stage, an uncertain future.

Meat Industry Ireland is the Ibec trade association representing primary processing companies in the meat sector. Our sector accounted for €3.8 billion worth of Irish food exports last year, it supports the incomes of 100,000 farmers, directly employs 16,000 people and at least the same in linked employment. Its footprint is evident across the entire rural economy, with 50 major processing sites. Some €1.8 billion of total meat exports went to the UK, or 47%. The UK is by far Ireland's single most important market, particularly so for beef, where the value of exports amounts to almost €1billion. It is clear therefore that we have a major concern should there be a 'No Deal' outcome to current negotiations.

Though the sector is deeply resilient, it faces major disruption to its most important market while being in the middle of a global pandemic, the convergence of two separate existential crises. The meat sector is by far the most exposed of any sector in any country in Europe to Brexit. The UK market is critical to our business model and Ireland needs to maintain its market position in this high value, high quality market that has a substantial food deficit. To retain market share, we must remain competitive. Otherwise, we risk relinquishing it to international competitors. Simultaneously we also need to sharpen our focus and broaden our horizons through diversification. We cannot do these things without wholehearted Government support.

Failure to reach a deal confronts the meat sector with a massive tariff wall. Earlier in the year, the UK Government published its proposed Import Tariff Schedule, revising an earlier schedule from October 2019. The new tariff schedule would apply to product entering the UK from 1st January 2021 if no trade deal is secured and is significantly more punitive than the earlier one and would see some €926 million of tariff value imposed on Irish meat exports annually, or 53% of the value of current trade with the UK. The most severe impact of this scenario could be partially mitigated were the UK to introduce, at a significant level, a Tariff Rate Quota (at zero or reduced tariff), for each meat sector, although it is not yet apparent that they will do so.

Without TRQ's and substantial government support, there is no immediate prospect of Ireland retaining its UK market share and preventing further disturbance and an immediate crisis in the beef sector. Until there is clarity on whether tariffs will be introduced, businesses cannot fully prepare for the future. And the impact on the rural economy will be most acute. What we know now is that the political brinksmanship involved in setting and failing to meet deadlines, has already cost the business community. What we face because of that is the sudden imposition of extremely high tariffs on meat products, combined with additional customs and regulatory barriers, which together will cause major trade and economic disruption.

We are now where we did not expect to be had an orderly Brexit been negotiated, with insufficient time at the end of the 'transition period' for businesses to become accustomed to the new trading rules, adapting as necessary in order to be business-ready and providing a smoother pathway to the arrangements that we are to face in just 23 days' time - a fundamental and systemic adjustment to trading arrangements with our largest trading partner. Inevitably, this will bring chaos and disruption on a level never seen before, unless some sensible adjustment period that allows for common sense enforcement provisions to be agreed. This adjustment period should see authorities approach customs and SPS checks pragmatically, by ensuring a harmonised approach to enforcement and management of congestion and the facilitation of Green lanes at borders to fast track the transport of agri-food products.

Even in the event of a deal between the EU and UK, there will be significant additional costs for Irish food and drink companies arising from additional customs procedures, regulatory burdens, and rising transport costs. Additional paperwork, certification and delays in trade would gradually erode the efficiency of interlinked supply chains, both with the UK and through the land bridge to the continent. Currently our food export business is highly dependent on the land bridge as the most efficient route to Continental markets and direct shipping route capacity, though increasing, falls well short of what will be needed. This would add extra costs at each step of production and distribution. All these issues could lead to substantial reductions in output because there are no immediate available markets capable of absorbing surplus output.

Indeed, while market diversification remains a key plank of policy, even once access is agreed, there are considerable challenges in growing market share in new territories and this involves risk and expense. New market penetration is a long game, with no guarantee of success. Companies face barriers in establishing commercial relationships and supply chains. In addition, they must build cash flow, innovate, and invest to tailor the product to consumer tastes and deal with new regulatory regimes. The further distance that goods travel the tighter margins will be, as transport costs increase. Significant resources will be needed to help companies meet these challenges.

There is no substitute for what we as an industry sector have called for, since the referendum in 2016,

- a future trading relationship between the EU and UK that delivers tariff-free, quota-free access and avoids new trade and customs charges.
- That promotes regulatory convergence and mutual recognition of standards and involve maximum collaboration on sanitary and phytosanitary measures and technical standards, with minimal divergence to maintain seamless trade.
- Customs arrangements must be geared towards minimising border checks between the EU and the UK and be based on trade facilitation.
- Simplified procedures for continued use of the land bridge and increased capacity and frequency of direct shipping routes between Ireland and the Continent.

Any deal, without these conditions being met, will cause disruption and costs that will undermine the value return in the UK market and also have consequences for trading with and accessing EU markets. It is not too late for negotiations to deliver this outcome.

Given where we are however, with the degree of uncertainty there is, we are asking Government to support the livestock and meat sector in a 'No Deal' Brexit by allocating funding from a combination of the national contingency fund of €4 billion set aside for the years 2020 to 2025, and from the EU's €5 billion Brexit Adjustment Reserve and, supplemented by tariff revenue from UK imports, to maintain and sustain economic activity and jobs. Exceptional targeted policy responses are required for several years to offset the impacts of Brexit, the variation in cost depending on whether a trade deal is agreed. As the EU Commission has already relaxed state aid rules, supports and funds should be targeted as follows:

- A Tariff Support Mechanism to offset the tariff amount imposed by the UK on the most exposed sectors.
- Short term measures to allow the Irish Government to re-introduce the Employer Wage Subsidy scheme for Brexit impacted companies in a 'No Deal' scenario.
- Medium term measures to allow the Irish Government to introduce investment aids to support the sector.
- Introduction of a state supported export credit insurance scheme.
- Additional funding for direct grant supports for innovation, marketing and trade promotion for companies looking to build new markets in the EU and internationally.
- Ensure sufficient accompanied roll on / roll off capacity for direct ferry routes to the continent.
- Direct supports to cover the additional ongoing costs associated with developing and maintaining customs clearance capability.

Significant Government and EU intervention will be required to protect jobs and businesses should an agreement not be reached. And these must be in place early in January, must be delivered at the point of trade, be of sufficient scale to offset the tariffs that we may face and that will enable Ireland to hold onto its most important market. Nothing less will do. The economic hit will be immediate, so too must be the response.