Opening Statement,
Irish Cattle and Sheep Farmers Association (ICSA),
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Brexit and its impact on the Agri-Food Industry

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Further Details:

Edmond Phelan (President)
Eddie Punch (General Secretary)

ICSA
3 Gandon Court,
Fairgreen,
Portlaoise.
Phone: 057-8662120

www.icsaireland.com

Chairman, committee members

Thank for the invitation to appear here today, on the critical topic of Brexit and the agri-food industry.

We have come to the edge of the precipice in the Brexit trade negotiations and right now we can only hope that common sense prevails.

Even then, it has been left very late to avoid major disruption in January and the possibility of no-deal is still very real and in any event, we may have the impact of no-deal in the early weeks of January even if a deal is agreed in principle in the coming days.

It is easy to decry the reckless approach of the UK to the entire Brexit process and in particular the cavalier approach to the complex business of a trade deal. But it is not helpful at this point.

Instead, ICSA has called on the Irish government to exhaust all its diplomatic efforts on exhorting both sides dig deep to find the necessary compromises to get a deal done.

The level playing field is very important. But it is also true to say that all trade deals involve compromise on standards which sometimes fall short of what we would want. The point is that the need for a deal here must be measured against the value of future guarantees on level playing fields and the mechanisms for dispute resolution.

Sadly, the level of ambition set out in the Political Declaration signed by the EU and the UK in October 2019 has dissipated. The declaration wanted an "ambitious, broad, deep and flexible partnership across trade and economic co-operation with a comprehensive and balanced free trade agreement at its core."

We find ourselves now looking at cobbling together a more limited free trade agreement or "skinny deal".

However, the risk of no-deal at all remains very much a live risk today.

The impacts of no-deal on the food sector have already been well documented.

The cost of import tariffs on the Irish food sector export to the UK have been estimated at up to €1.35 billion per annum. The beef sector alone could incur up to €725 million in extra tariff costs. The schedule of UK tariffs on chilled beef range from 12% plus £147/ 100kg STG on carcases to 12% plus £253/ 100kg on boneless.

However, it is impossible to really measure the impact. There is an implicit assumption that the costs of the tariffs would be entirely carried by the exporter. However, it is also reasonable to suggest that the British consumer would have to pay more as tariffs are levied at the point of entry.

In this scenario, there could be a significant impact on consumption of Irish beef but it is also true that all food imports to the UK whether from Ireland or international will face tariff costs. In fact, a scenario could arise if there were no tariffs on Irish beef imports to the UK but also no tariffs on Brazilian beef imports to the UK, which would be also very disadvantageous.

But perhaps even worse than the actual rate of tariffs would be the crisis of trying to find alternative markets for our beef. In 2019, 260,000 tons of beef went to the UK which is about 47% of all our beef exports of 560,000 tons.

We have succeeded in growing export volumes since the Brexit vote to other markets.

But these numbers are nowhere near sufficient to deal with even half the UK market levels.

Exports to the continent have grown from 219,000 tons in 2015 to 253,000 tons in 2019 and we have fund international markets for 45,000 tons in 2019. The Netherlands, Italy, Germany and Scandinavia have all increased in importance in the last four years. Internationally, hopes for China have been set back but other Asian markets such as the Philippines have emerged. Nonetheless, these markets are not yet ready to take the volumes which the UK accounts for nor is there much prospect of them paying the same price, in the short term.

So in the event that Brexit negotiations fail, we have a massive crisis in the short term.

Even if negotiators put a deal together there is now no way of avoiding serious logistics disruption both in terms of UK exports and in terms of using the UK landbridge. This adds cost.

Finally, the risk of no deal has also impacted currency exchange rates. To some considerable extent, the past four years has seen this affect Irish beef price as sterling fell significantly in the aftermath of the June 2016 referendum and has not recovered to pre Brexit levels. The risk of further falls in sterling cannot be ruled out if there is no deal, thus further damaging our ability to sell to the UK at a viable price.

So even if a deal is done, Ireland will have to fight very hard to get a fair share of the EU Brexit fund of €5 billion on the basis that Ireland is the member state worst impacted. But it would be naïve to think that other EU members won’t also be arguing for this fund.

In the event of no deal, it is clear that the €5 billion will be woefully inadequate and it will be necessary to look for a multiple of this figure. Perhaps this will involve a renegotiation of the NGEU fund of €750 billion (EU Covid fund) and it will also be necessary for the government to seek significant derogation from state aid restrictions.

In addition, Ireland needs to argue for flexibility to support direct ferry access to the continent. Although there have been some announcements of extra ferry capacity between Ireland and the continent in recent weeks, there is not anywhere near enough to replace the landbridge. Covid impacts on tourism are also a factor.

ICSA believes that direct ferry access to the EU must be subsidised and this will be absolutely critical if there is no deal.

It is also time to review the Mercosur deal. It is unacceptable to bring in an extra 99,000 tons of beef under a tariff rate quota from South America when there is such immense impact on the EU marketplace from Brexit.

Thank you for your time and we are happy to take questions.