



ICMSA

Submission

to the

Joint Committee

On

Agriculture and the Marine

on

Brexit and the Impact on the

Agri-Food Industry

December, 2020.

Mr. Chairperson, Committee members, ICMSA wishes to thank you for the opportunity to present our views on Brexit and its impact on the Agri-food industry. Since the Brexit vote on the 23 June 2016, the issues have not changed from an Irish agriculture perspective and they all relate to the centuries old and important relationship between Irish agriculture and the UK food market. Brexit represents one of the biggest challenges facing the Irish Agri-food sector since Ireland joined the EEC and put very simply, it is absolutely essential that a Brexit agreement is concluded that recognises the longstanding relationship between Ireland and the UK. It is also important for the policymakers to recognise that the biggest losers from Brexit whether a deal is concluded or not will be the primary producers and ICMSA is very concerned that this is not being recognised to the extent that is required.

Put simply, Brexit has the potential to do enormous damage to our Agri-food sector, damage that will be felt in every townland in Ireland. Since June 2016 when the UK voted for Brexit, Irish farmers have been living with the impact of Brexit and the losses to date have been substantial. However, as we speak, discussions are ongoing in order to conclude a trade deal and we all hope such a deal will be concluded as the consequences of a no deal Brexit will be very severe on the Agri-food sector.

Background

As is well known, the Agri-food sector has played a hugely important part in the growth of the Irish economy over the last number of years with Agri-Food exports to the fore and hugely important in terms of net foreign earnings. Irish Agri-food and drink exports increased by six percent to approximately €14.5 billion in 2019 representing 9.5% of total exports supporting 7.1% of total employment in our economy, the majority of which is in rural Ireland. Indeed, it is noteworthy that the value of Irish Agri-food exports has increased by 63% on 2010 levels.

There has been a long and strong relationship between the Irish Agri-food sector and the UK Agri-food Sector with Ireland exporting significant quantities of beef and dairy products to the UK and with Irish and UK processors operating in both countries. The following statistics clearly highlights the importance of this relationship to Irish farm families:

- UK is Ireland's largest trading partner for food.
- Ireland is the second largest supplier of food to the UK.
- 41% of food & drink exports go to the UK.
- 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 has exported 66,000 live cattle to Nth. Ireland & Great Britain in 2020.
- The UK imports almost 40% of its food products.

It is also important to point out that the UK food market is also important to other EU member states with €35 billion in Agri-food exports from the EU27 to the UK in 2016.

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

The integrated relationship between the Irish and UK food sectors is critical to the viability of the family farm and it is ICMSA's firm view that maintaining and strengthening this relationship in the context of Brexit is hugely important for both countries and the Brexit deal needs to address the many issues that have the potential to undermine this relationship.

From a macro economy perspective, the potential slowing of the Irish, EU and UK economies in a post Brexit scenario is of huge concern in the short and longer term which will ultimately impact on the demand for food and the price received by the primary producers.

There have been many reports on the potential impacts on the Irish economy in a post Brexit scenario and it is not for this Submission to re-state the various scenarios that could arise in the future. In this context, ICMSA is looking at this Submission from a policy perspective in terms of what is required to reduce the impact on Agri-food sector whether a deal is concluded or not. The Submission is set out based on the four main areas of concern for Irish agriculture; No deal, The Market, The Processor and The Farmer.

Brexit Agreement and Future Trade Deal with the UK.

ICMSA favours the closest possible relationship with the UK post Brexit through an agreed free trade agreement. The trade agreement must include tariff free access and the alignment of non-tariff barriers. It is also essential that the current arrangements on the border between the Republic and Northern Ireland are maintained going forward.

The immediate impact of a no deal has the potential to be very severe including the imposition of tariffs, currency volatility, increased administration and shipping delays and higher levels of uncertainty. A no deal has the potential to devastate the Irish economy and particularly the Agri food industry given our dependence on the UK market. The reality for farmers is that as the last link in the food supply chain, like previous crisis, they are likely to take a disproportionate hit and both the EU and the Irish Government will have to recognise this in the event of financial support measures being required. It is also important to point out that if a deal is concluded which will be welcome, there will still be negative implications for the Agri-food sectors and these implications should not be ignored.

ICMSA Position:

A trade deal must be concluded that maintains a trading relationship as close as possible to the current arrangements.

The Market:

A no deal Brexit would do severe damage from an agriculture point of view. EU/UK negotiators must ensure that this is not the case with tariffs, non-tariff barriers and a hard border all combining to do severe damage to Irish agriculture. In the event of a no deal Brexit, the management of Tariff Free quotas will be particularly important. In addition, not only are Irish agricultural exports to the UK affected but exports using the UK land bridge to continental Europe and other markets are also adversely affected.

Membership of the EU Single Market is a critical issue for the Agri-food sector. The single market between Ireland and the UK brought many benefits for producers and consumers in both countries and has led to significant co-operation and 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.

There are no markets available to replace the UK market for Irish produce. However, in light of Brexit, it is essential that the EU and our Government invest in market access initiatives to increase the market options for EU and Irish food and also, engage diplomatically with markets currently closed. For example, the Chinese market is currently closed for Irish beef and its re-opening is particularly important in the context of Brexit. In addition, the market for live cattle must be developed further.

In terms of FTA's, ICMSA is clearly saying that a Mercusor agreement should not be concluded in advance of a EU/UK FTA and secondly, all future FTA's must include a provision that food imports must meet the same standards as EU produce and not the current fudge of "equivalence".

The EU Single Market has effectively meant common standards from an agricultural and food production perspective across 28 EU Member States which has facilitated and simplified trade between Member States. These standards are amongst the highest globally and it must be recognised that there are significant costs on primary producers and processors in meeting these standards. To facilitate trade with the UK going forward, it is essential that a Brexit deal maintains common standards for agriculture and food production.

ICMSA Position:

- **In the event of a no deal Brexit, tariff free quotas should be managed effectively to minimise the impact of Brexit.**
- **Fast and efficient routes to market must be retained post Brexit and additional routes introduced.**
- **Investment in market development and re-opening of markets must be a priority.**

- **The Mercusor agreement should not be introduced and all future trade should be based on the same standards as EU produce and not equivalence.**

Processing:

At a processing level, there has been a long tradition of shared processing facilities between the south and the north and from an economic and social perspective, this has been hugely positive and a sensible strategy to adopt. In a no deal scenario, with for example 32,000 milk lorry trips across the north/south border to product certification, significant additional costs could be imposed on the processing sectors. This simply has to be avoided.

From a south/north perspective, it is essential that the current border arrangements are maintained with the free movement of goods and people. In terms of exports, product certification must recognise the close relationship between the south and north food processing sectors. Finally, the land bridge across the UK is hugely important and arrangements must be put in place to allow this access route to continental EU to operate as currently and with no additional costs or controls on exports.

Live cattle exports are hugely important to maintaining competition for cattle and the Northern Ireland markets is particularly important. It is essential that these markets are maintained post Brexit.

In terms of market development, support must be made available to processors to source new markets in the event of UK markets being lost due to Brexit.

ICMSA Position:

- **There should be no barriers to trade between the north and south and sensible regulation is required in relation to product certification.**

- **An efficient land bridge is required along with new direct ferry routes.**
- **Supports should be made available to processors who have to find new markets for food products post Brexit.**

Farmers.

Based on previous experiences and given that farmers are price takers, farmers are likely to be the largest losers from Brexit and this is not only an issue for the family farms but also the wider rural economy. Based on our dependence on the UK market, the potential damage to the rural economy is enormous in both a no deal and Brexit agreement scenario. Farmers remain very exposed and ICMSA is very concerned that our policymakers have not adequately addressed this matter.

ICMSA is proposing that farmers and specifically, Irish farmers must be a priority category for assessing the €5 billion Brexit fund given our exposure to Brexit. It is also essential that the losses suffered by farmers are fully compensated and that the fund is payable to all farmers and paid out quickly if and when required. In the event of a deal being concluded, it is important to point out that even with the best possible deal, additional costs and losses will arise and ICMSA is very clear that the €5 billion Brexit fund must be utilised to address these losses and additional costs. Family farms did not cause Brexit and they should not be forced to pay for it. ICMSA is concerned that a lot of Brexit related funding is being directed towards state agencies and links further up the supply chain and that the vulnerable position of farmers has not been sufficiently recognised and this needs to be addressed.

Volatility is the biggest single challenge facing farmers globally and Brexit will not only add to this volatility but could also lead to a permanent reduction in farm

income. ICMSA has proposed a tax volatility measure called the Farm Management Deposit Scheme (FMDS) that would allow farmers tax efficiently to build a buffer fund to deal with poor years. It is simply not good enough to provide funding to state agencies and links further up the supply chain and expect the benefits to flow to primary producers. History has shown us that this does not work.

The cost of doing business in Ireland for all companies including farmers needs to be considered in a post Brexit environment. Ireland has higher costs than many of our EU counterparts in areas such as insurance, energy, credit and legal costs and these need to be addressed.

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 jurisdictions. Post Brexit, it is essential that this co-operation is maintained and enhanced.

For farmers farming land on both sides of the border, Brexit has the potential to pose serious on-farm challenges. It presents challenges including transit of cattle across the border, BPS/Greening and Nitrates issues to mention a few. All these matters will have to be addressed to protect these farmers.

ICMSA's Position:

- **Farmers must be a priority category for the EU €5 billion Brexit fund to cover losses and additional costs and support must be paid to all impacted farmers in a fast and efficient manner.**

- **An income tax volatility measure is required to assist farmers to address the fall out of Brexit and other market shocks.**
- **The cost of doing business including banking and insurance needs to be reduced.**
- **Co-operation on animal health and other matters on the island of Ireland need to be prioritised post Brexit.**
- **The position of farmers farming on both sides of the border need to be clarified and the status quo retained.**

In conclusion, ICMSA has raised several areas that 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. With three weeks left, the primary producer remains the most exposed and ICMSA believes that the current focus on the primary producer is totally inadequate and needs to be addressed as a matter of priority.