

Opening Statement to Joint Committee on Agriculture and the Marine

Minister Charlie McConalogue

2 February 2021

Introduction

- Thank you, Chairman, and thank you for the opportunity to address the Committee today on the impact of Brexit on the agriculture industry.
- I am joined by officials from my Department - Paul Savage, Assistant Secretary General, Rob Doyle, Director of Veterinary Services and Hazel Sheridan, Head of Import Controls Operations Division.
- The decision of the United Kingdom to leave the European Union and, with that, to leave the Customs Union and Single Market, brings about fundamental changes in the relationship between EU Member States and the UK.
- These changes will be felt in particular by Member States, such as Ireland, that have had a close trading relationship with Great Britain.
- As of 1 January 2021 - and even with a deal that avoided the imposition of tariffs on trade - the seamless arrangements that characterised our trading relationship with the UK are a thing of the past. This has particular implications for the Irish agri-food sector, given the highly integrated nature of supply chains between ourselves and our closest neighbour.
- Trade with Great Britain in animals, plants and products of animal and plant origin is now subject to customs formalities and Sanitary and Phytosanitary, or SPS, checks. The focus now for Ireland will be to work to ensure that our obligations are discharged in a way that facilitates trade in both directions to the maximum possible extent, while also maintaining the integrity of the Single Market.

EU UK Negotiations

- The EU-UK Trade and Cooperation Agreement, together with the Withdrawal Agreement, including the Protocol on Ireland/Northern Ireland, means that Ireland's key objectives in the Brexit process have been achieved, in particular:
 - the protection of the Good Friday Agreement and the gains of the peace process, including avoiding a hard border on the island of Ireland, and
 - the best possible outcome for trade and the economy, notably tariff- and quota-free trade with the UK and protection of Ireland's place in the Single Market.
- For the agriculture sector, the avoidance of tariffs and quotas was particularly important. We must remember that in the absence of any agreement Ireland would have faced a combined impact of between €1.37 billion and €1.55 billion on our agri-food exports to the UK, and between €715 million and €970 million on our agri-food imports.
- The beef sector, in particular, would have faced a punitive tariff rate equivalent of 72% on our beef exports of €1 billion per year. By agreeing the Trade and Cooperation Agreement, we have avoided this very difficult No-Deal scenario.
- However, the Agreement will, unfortunately, have a significant negative impact on our fishing industry. This was a very difficult compromise, and the Government will work to ensure that the fisheries sector, and the coastal communities that depend on it, are supported through the period ahead.

Business & Ag supports

- My Department has ensured that financial and other support measures have been put in place over successive budgets in order to support farmers and the agri-food sector to deal with Brexit.

- These supports have included direct aid, capital funding for the food industry, and the provision of low-cost loans such as the Brexit Loan Scheme and the Future Growth Loan Scheme. Supports have also been provided to Bord Bia and Teagasc to assist food companies prepare for Brexit, including through market diversification and innovation.
- Businesses should continue to avail of the broad range of supports in place, including financial, upskilling, and advisory supports such as the Bord Bia Customs Readiness Grant.
- While the UK will continue to remain an important market for our agri food sector, market diversification remains extremely important, and we will continue to work with industry and our growing network of agricultural attachés abroad to achieve that.
- In this regard, the new €100 million investment scheme agreed with the Department of Enterprise, Trade and Employment will be crucially important to assist our meat and dairy processing sectors to diversify into new markets and products.

Brexit Adjustment Reserve

- In addition to domestic supports, the European Commission recently shared the proposed initial allocations to Member States from the Brexit Adjustment Reserve, which is valued at a total of €5.4 billion in current prices.
- The initial allocation proposed for Ireland is more than €1 billion in current prices, almost a quarter of the initial 2021 allocation of €4.2 billion.
- Ireland's proposed allocation reflects the extensive engagement that the Government has undertaken to present the unique, adverse and disproportionate impact of Brexit on Ireland.

- There is still some work to do to ensure that the proposed allocation is maintained through the forthcoming negotiation process in the European Council and, subsequently, with the European Parliament. The Government will be very focused in this endeavour and will ultimately seek to use the final allocation to support in the most effective way possible those sectors that have been most affected by Brexit.

Status Quo Does Not Remain

- I'd like to turn now to some of the more immediate and practical impacts that we have been, and will over the coming months be, dealing with.
- As Committee members will be aware, the Government has put substantial time and financial, human and IT resources into preparing for Brexit. We have, however, been very clear all along that, even with an EU-UK deal in place, the seamless trading environment we had become accustomed to would not continue.
- As I mentioned earlier, operators must engage with a range of customs procedures and regulatory checks and controls on their trade with the UK that did not previously apply. These will cause delays and increase costs for businesses. And they will be permanent.

Import Controls

- My Department, in conjunction with the other key government Departments and agencies involved - including Revenue and the Department of Health and HSE - began planning for the imposition of import controls on consignments coming from GB as soon as the result of the UK Referendum was known.
- This was because, regardless of what trade deal was done, controls would come into force for consignments coming from GB, at the end of the

transition period, in the same way as these controls apply to all other countries trading with the European Union.

- In the case of live animals, animal products, plant and plant products, including food, two types of controls are required; there are customs controls and there are sanitary and phytosanitary, or SPS, controls.
- SPS controls consist of documentary, identity and physical controls that must be carried out at specialised facilities called border control posts. There are currently 4 approved border control posts in Ireland - one at Dublin Port, one at Rosslare Port, one at Dublin Airport and one at Shannon Airport. In terms of volume, in the years leading up to 2021, 90% of the SPS goods coming into Ireland from GB, came in through the port of Dublin.
- The frequency of SPS controls is laid down in EU legislation. With some exceptions, all consignments of animals, plants, and plant and animal products, including food, coming from Great Britain must now be accompanied by a health certificate, signed by an official veterinarian in the case of animals and animal products, and signed by an official plant health inspector in the case of plants and plant products.
- On arrival at the port, certain commodities must undergo identity checks. Some commodities will also need to undergo physical checks. The rates are related to the risk posed by the product. These can vary from as low as 1% to as high as 100%, depending on the exact nature of the consignment. These checks will take time.
- The border control posts at Dublin and Rosslare Ports have been operating well within capacity during the first month of the new trading arrangements. Trade volumes started very low and have been increasing gradually since January 1st, though they are still not at the levels experienced in the years leading up to Jan 1.

- In general, many business operators are making very good efforts to comply with the SPS requirements. That said, the requirements are not simple. In some cases, the supply chains are very complex and the rules were not necessarily designed for the type of trade that crosses the GB-Ireland border.
- Issues remain in terms of business operators providing advance notification. Advance notification is critical to ensuring trucks are not delayed on arrival at Dublin and Rosslare Ports. Issues also remain in terms of accurate completion of health certificates and consistency between SPS and customs documentation.
- This is the single biggest change in terms of agri-food trade flows between GB and Ireland that has been seen since the Single Market was created in 1993, and as such presents a very significant challenge for all stakeholders in adjusting to this new reality.
- The Department of Agriculture, Food and the Marine is working closely with business operators to help businesses adapt. Following on from the extensive engagement undertaken through a range of fora and communications channels in the period leading up to December 2020, DAFM is continuing to assist operators in practical matters such as the submission of documents and the resolution of technical difficulties.

Export Certification

- It is also the case that, from 1 January, exports of animals and certain goods to Great Britain require export health certification.
- In relation to live animal exports to Great Britain, Brexit has resulted in some changes in requirements, including a 40 day residency period for cattle, sheep and pigs on the holding of origin, the fact that animals cannot have passed through a market and that they must be consigned directly either from the holding of origin or through an assembly centre.

- For transport of live animals to or through Great Britain, two sets of documents are now required, another unfortunate consequence of Brexit. Operators now require Transporter Authorisation, Driver certificates and vehicle approvals for both jurisdictions.
- The UK has adopted a phased approach to the introduction of import controls, with further phases commencing on 1 April and 1 July. Officials in my Department are continuing to engage with UK authorities on their exact requirements.
- Significant challenges may lie ahead. But work is ongoing to ensure that DAFM can meet the upcoming UK import requirements from 1 April, which may require issuing an additional 4,000 - 6,000 export certificates per week.
- Officials in my Department will be communicating with industry on the detailed requirements in the near future. Industry too will have to play its part in ensuring that trade can be facilitated.

Live exports of calves

- I'd like to conclude my opening remarks with a brief reference to two topics mentioned in the Committee's correspondence about today's meeting, namely, live exports and mixed milk.
- On live exports, there was a drop in the number of calves exported in 2020, mainly related to Covid-19 issues and the fall in demand from the food service sector in Europe.
- DAFM is engaging with all stakeholders in relation to the 2021 calf export season, and officials have, for example, met with live exporters and Dutch calf importers last week. Officials have also met with the NGOs, who have expressed concerns about this trade.

- I have also met with the Ferry operators on several occasions to impress on them the importance of this trade to the Irish Agri-food sector.

Mixed Milk

- On mixed milk, the agri-food sector in Ireland relies on inputs from or processing in Northern Ireland, particularly milk for dairy products.
- Under the Northern Ireland Protocol, Northern Ireland remains in the UK customs territory. This means that goods from NI will not be considered as inputs of EU origin for the purposes of preferential tariff arrangements under European Union Free Trade Agreements with third countries.
- The implications of this are that certain current Irish agri-food exports to third countries may unfortunately incur tariffs even where a Free Trade Agreement is in place between the EU and that third country if they do not meet the product-specific rules of origin for that product.
- This is especially problematic for the agri-food sector and is of particular concern to the dairy and drinks sectors which are so closely integrated north-south.

Conclusion

- I hope this gives members of the Committee a good sense of the potential impact of Brexit on the agriculture industry. I and my Department will continue to work to minimise this impact on the sector, and we will continue to engage closely with all stakeholders in this regard over the coming period.
- My officials and I are happy to answer any questions you may have.

Thank you