Food Drink Ireland Opening Statement to Seanad Special Select Committee – 9th February 2021

Chairperson and Senators,

Food Drink Ireland (FDI) welcomes the opportunity to appear before the Special Select Committee to discuss the Trade and Cooperation Agreement (TCA). In my opening statement I would like to address the initial experiences of the industry in the first six weeks of the Agreement, some specific issues that have arisen or will arise and the measures that we think are needed.

FDI has welcomed the agreement reached between the EU and the UK as disastrous tariffs have largely been avoided but the agreement reached is still very much a hard Brexit. The UK has left the single market and left the customs union, and this has introduced a number of barriers to trade with Great Britain in particular.

Food and drink companies face substantial non-tariff barriers to trade between Ireland and Great Britain with customs, SPS and other food safety requirements. This is happening when the sector also faces the twin challenge of the Covid-19 pandemic.

Initial experiences

Looking first at imports, movement of shipments through the ports continue to improve but there are still teething problems (albeit lessening) with both SPS and customs controls. We and our members continue to communicate these problems to the authorities as they arise, and they are dealt with accordingly. As stockpiles decline and we move into traditionally higher volume months, there is the potential for more delays, so it points to the need to quickly resolve teething problems and for businesses to continue to adapt to the new administrative arrangements.

Exports to Great Britain have been working reasonably well. Companies were largely prepared for the new customs formalities which came into effect from 1st January. However, east-west trade flows have been impacted by difficulties for backloads from GB, which has materialised as a major problem, leading to shortage of trailers, delays and increasing costs of transport as many trucks return empty to Ireland.

A big concern with Brexit is our reliance on the UK land bridge for trade with Continental Europe. Capacity and frequency of direct sailings to the Continent has been increased. Further capacity is needed however, as the welcomed new capacity is well below the volume of traffic that has been using the land bridge. Exporters are still using the UK land bridge by necessity, focussing in the early weeks on transit through the UK to Holland but exporters are also now trying the Dover-Calais route. Additional processes are required, some delays are experienced and additional costs associated with paperwork and Transit Guarantee facilities are being incurred. The land bridge will continue to be an important route to market for Irish food and drink exporters.

Rules of Origin

The rules of origin in the TCA are severely disadvantaging the food and drink sector, and Irish consumers. Here are three examples:

- There is no industrial milling capacity in ROI so all the flour for the plant bakeries is imported. The majority comes from GB. The specification for a lot of the flour we import has a Canadian wheat content in excess of 15%. This exceeds the tolerance level in the rules of origin, so the full tariff of €172 / tonne is imposed. FDI and the bakery sector is seeking a derogation for a period of time on the basis of the unique position of ROI in not having an alternative supply as there is no industrial milling capacity in ROI.

- Many companies have evolved supply chains that stretch to the continent and utilise GB distribution hubs to serve the Irish market. This model reflects the most cost-effective way for many companies to serve the small and physically distant Irish market but under the rules of origin they now face paying a full tariff on goods despite them originating in the EU. To date some of the more immediate solutions such as returned goods relief are complex and costly to administer. Simplifications are needed to allow this relief to be used on a more systematic basis.
- Dairy products processed from the mixed North/South milk pool will not be able to avail of preferential tariffs in the many Free Trade Agreements that the EU has negotiated- as well as access to sCMO Market Tools. Spirits will be similarly affected.

Groupage

One area of transport/logistics that has been severely hampered is groupage transport. Shared loads (multiple pick-ups or drop-offs) which are important to operators both large and small or medium have become an important part of an efficient and cost-effective delivery system. However, experience to-date is that groupage transport is significantly challenged by the new post-Brexit procedures.

UK Border Operating Model

We are also equally focused on the forthcoming challenges for our food exports to GB as the second phase of the UK's Border Operating Model takes effect from 1st April. Irish exporters will face a new SPS regime for Products of Animal Origin such as meat and dairy with veterinary certification requirements, additional administration requirements and additional costs. From 1st July, Irish agri-food exports consignments will have to enter the UK through ports with Border Control Post (BCP) facilities and will be open to SPS controls (ID and documentary checks and physical examination). This step presents further potential for disruption to logistics.

Regulatory Divergence

In the months ahead a big concern is regulatory divergence. As early as April we will see changes in European legislation in areas like certification, changes that UK probably will not adopt. As these grow more frequent there needs to be an awareness of the closeness of the Irish and UK markets in terms of distribution systems, common packaging and so on and the unique difficulties that will therefore be faced by Irish producers and suppliers. The scope for divergence in regulation and standards potentially increases further in the medium to long term, especially as the UK completes trade deals with other global partners. This presents a significant new competitive threat for our food exports to the UK.

Trade Specialised Committee on SPS

A Trade Specialised Committee on SPS measures is provided for in the TCA. Part of the remit of this Specialised Committee is for the EU and UK to review the SPS regime. We believe it should be established quickly as it is the main route to achieve SPS easements and mitigate delays, administrative burdens and costs. However, it is subject to both EU and UK engaging and reaching agreement on this issue.

Looking to the future

As we look to the future, in addition to resolving the issues I have outlined, our priorities must be to maintain our valuable UK market position and continue to diversify our exports to the rest of the EU and further afield. Last week's announcement by Government of the Capital Investment Programme for food processing is welcome. It will need to be supplemented by a lot more funding from Ireland's €1 billion allocation from the Brexit Adjustment Reserve and from Budget 2021's Recovery Fund. This is needed for:

- A wage subsidy scheme for Brexit impacted firms.
- An extension in state aid support
- An extension in Budget 2021's recovery fund
- Investment aid to support competitiveness.
- Market diversification supports.
- A state backed export credit insurance scheme.

Thank you again for the invitation to appear before the Committee today and I am happy to answer any questions.