# DÁIL ÉIREANN

## AN COMHCHOISTE UM THALMHAÍOCHT, BIA AGUS MUIR

## JOINT COMMITTEE ON AGRICULTURE, FOOD AND THE MARINE

*Dé Máirt, 13 Samhain 2018*

*Tuesday, 13 November 2018*

The Joint Committee met at 3.30 p.m.

MEMBERS PRESENT:

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| Deputy Jackie Cahill, | Senator Paul Daly, |
| Deputy Martin Kenny, | Senator Tim Lombard, |
| | Senator Michelle Mulherin. |

DEPUTY PAT DEERING IN THE CHAIR.

*The joint committee met in private session, suspended at 3.50 p.m. and resumed in public session at 3.52 p.m.*

## Business of Joint Committee

**Chairman:** Apologies have been received from Deputies McConalogue and Penrose. Is it agreed that the committee go into private session to deal with some housekeeping matters? Agreed.

*The joint committee went into private session at 3.40 p.m. and resumed in public session at 3.50 p.m.*

## Implications of Brexit for Agriculture Sector: Discussion

**Chairman:** I remind members, witnesses and those in the Public Gallery to ensure their mobile phones are turned off as they interfere with the system here in the meeting room. Today we are dealing again with the issue of Brexit. Approximately two years ago this committee published a report on the potential impact of Brexit on the agricultural sector. To say the least, we found the news was not particularly good in that regard. As a result of ongoing negotiations over the past number of weeks and months, we decided to get an update on where things are at the moment from an agricultural point of view. We decided to bring in those directly involved in that sector, including the Irish Exporters Association and the British Irish Chamber of Commerce which we are delighted to have before us here today. I welcome from the Irish Exporters Association Mr. Simon McKeever, CEO; and from the British Irish Chamber of Commerce, Mr. Pascal Koenig, communications and public affairs manager, Ms Maree Gallagher, chair of the agrifood committee and Mr. Paul Lynam, head of sectoral policy. I thank them for coming in today to discuss the impact of Brexit on the agrifood sector and trade. I also thank them for the submissions they have made in advance of the meeting today.

Before we begin I want to bring to the witnesses attention that they are protected by absolute privilege in respect of the evidence they give to the committee. However, if they are directed by the committee to cease giving evidence in relation to a particular matter and they continue to so do, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise nor make charges against any person, persons or entity by name or in such a way as to make him or her identifiable. Members are reminded of the long standing parliamentary practice to the effect that members should not comment on, criticise or make charges against a person outside the House, or an official either by name, or in such a way as to make him or her identifiable.

I ask Mr. McKeever to make his opening statement. I will then ask Ms Gallagher for her opening statement to be followed by questions from members.

**Mr. Simon McKeever:** I thank the Chair and the committee and for the invitation to come back. I can reassure the committee not an awful lot has got better since we were last here. I do not propose to read the first page of my submission which is just general introductory remarks and I will start in the middle of page two of our submission.

The Irish Exporters Association, IEA, welcomed the Joint Committee on Agriculture, Food and the Marine's invitation to contribute and we thank the committee for having us here today. We have taken note of the various challenges and recommendations the committee addresses in its publication for the European Union, Ireland-UK trade relations as well as trade, competition, and other sector-specific policies.

In particular, we welcome the report's acknowledgement of the various challenges and risks Brexit presents to Irish businesses through likely reductions in exports to the UK and increased competition with UK exporters in other market, including our own market, particularly if the pound stays the way it is at the moment, as well as the potentially negative impacts of the reintroduction of tariffs and customs.

Since the publication of the joint committee's report in February 2017, negotiations on the United Kingdom's withdrawal had successfully reached sufficient progress in December 2017 with the publication of the draft withdrawal agreement in February 2018.

Although, according to EU chief negotiator Michel Barnier, between 90% and 95% of the withdrawal agreement is finalised, key differences surrounding the Republic of Ireland-Northern Ireland Border, the Good Friday Agreement and protected geographical indicators continue to hold up negotiations.

As I go through our submission, I will draw on an ongoing piece of research we do, which is our Export Eye survey. We have updated it to include some new bits and pieces. We have been running this survey for the last couple of years and have some early indications of what people are saying and we thought it would be very useful to bring it in today.

On the recommendations of other parliamentary reports on agriculture, food and the marine, we have taken note of them, including the Seanad Special Select Committee on the Withdrawal of the UK from the EU's June 2017 report, Brexit: Implications and Potential Solutions. In particular, the IEA welcomes the report's detailed analyses of the potential impacts and responding solutions needed to address the different potential post-Brexit scenarios for an Ireland-UK trading relationship.

To get into the meat of what we want to tell the committee today, we will discuss preparations and preparedness for Brexit and the current status of negotiations, including any agreement on the future EU-UK relationship. While an increasing number of Irish exporters across the varying business sectors are stepping up their Brexit preparedness, a still large number of IEA members do not have either preparedness or mitigation plans in place. This, by and large, is due to the largely complex and in-flux nature of the ongoing negotiations on the UK withdrawal agreement. IEA members continue to state their concern about the large number of unknown unknowns, and the difficulty to understand how or what to prepare for. In any case, with the assistance of ourselves and others, member and non-member businesses have already undertaken significant steps to diversify their export markets and to train and educate their respective staff on the customs and other procedures.

According to initial responses from the IEA's ongoing Brexit and its impact on your business survey, nine out of ten IEA members who responded to the question are very or somewhat aware of the implications of a soft or hard Brexit scenario on their business operations. Almost 75% of initial responses stated that they are extremely or very aware of the state of play in the ongoing Brexit negotiations. The converse of that is that 25% are somewhat in the dark about it as well, which is something of a worry.

In general, IEA members have put in place Brexit impact mitigation measures, with preliminary results of our survey indicating that, of those that have responded to this question, all had decided to put in place at least one Brexit mitigation measure. However, at the same time only slightly more than half of all respondents indicated that they have a formal or non-formal impact mitigation plan in place. Of those members with a mitigation plan in place, the deadline for implementation is between January and March 2019.

Anecdotally, many of our companies have asked about how much this will cost and are sitting with their finger on the button. I was talking to one company recently that has actually decided to spend the money it has earmarked for it. By and large, companies are not. They are waiting with their finger on the buzzer to see if they implement this or not.

Plans are predominantly designed around a no-deal scenario for a six month period. That is particularly concerning for us because very recently, at a round table discussion we had with a number of our members, some of them told us that they had these mitigation plans in place but the measures they had taken would only last for six months. That is particularly worrying.

**Chairman:** I apologise for cutting across Mr. McKeever, but news has just broken that the EU and UK negotiators have agreed a draft text on the Irish Border.

**Mr. Simon McKeever:** Great.

**Chairman:** We will monitor progress over the next few hours.

**Mr. Simon McKeever:** This is in spite of all respondents having actively engaged in scenario planning for at least one potential post-Brexit impact on their business, with most respondents having engaged in scenario planning for the potential reintroduction of tariffs and customs checks, the routing of in-or outbound goods or the reintroduction of Border controls.

Irish exporters, especially in the food sector and particularly for fresh and perishable goods, are heavily dependent on fast and frictionless access to the Continent via the UK landbridge as a delay in transport time could cause their goods to go off. As a result, agriculture and food exporters continue to be extremely concerned about potential delays caused by potential customs and sanitary checks at exit and access points to Irish and UK ports. In terms of the landbridge, this is about not only the ports on the west of the UK but also the ports into the Continent as well. Such delays in transport times, especially for just-in-time deliveries for continental supermarkets, may have a detrimental impact in the competitiveness of the Irish agriculture, food and marine industry. In response, a number of IEA members are actively investigating transport and shipping alternatives to the Continent, such as directly by sea. The graph shows the measures being used to get goods off the island. Furthermore, exporters and importers on both sides of the Irish Sea are increasingly looking at stockpiling goods to mitigate any potential impacts. This is placing further strain on the already limited availability of warehousing space. This is an accelerating trend as we head towards the end of the year. There is massive demand from the industries such as the pharma sector, and increasingly the food sector, for warehousing space. Irish companies are seeking to stockpile goods in Ireland and in the UK, and UK companies are seeking to do likewise, such that there is a massive demand on warehouse space.

On market diversification, although the UK continues to be a key market for Irish exports, since the referendum in 2016 Irish exporters have increasingly looked to diversify their export markets to reduce their over-reliance on the UK market. In the IEA's January 2018, Export Eye, 66% of respondents stated their intention to diversify their business in the coming six months - up from 54% in June 2016. These figures complement the figures released by the CSO on external trade for 2017, which show an increasingly outward and global looking Irish export sector. In particular, the IEA is seeing a rising interest among members to enter and expand their business in Germany, the USA, France and Spain. In addition, Australia, the Netherlands, Canada, Belgium, Italy and Sweden make up the remaining top ten diversification destinations. What is stark from this for us is that the top ten diversification markets which are countries are looking to are all either very close or English language speaking. In terms of providing assistance, we are asked a lot of questions about the USA and Canada. There is massive interest in Canada. The early indications from our survey - we have as yet only received a response from half of the respondents - is that the USA is the number one market. Members will note from the graph the interest in other markets. For example, the markets that are further away are a bit down the pecking order in terms of the markets which companies are looking to. In addition, Irish exporters are increasingly shifting their focus on emerging markets in China, South Korea and Saudi Arabia.

On the impact of post-Brexit trade policy, the United Kingdom's withdrawal from the European Union is expected to have a number of potential impacts on Ireland's international competitiveness. This is mirrored by a general sentiment among IEA members that Brexit will have a harmful effect on the Irish economy, competitiveness and export sector. The UK has long been a strong advocate for a liberal European trading policy. With the UK's departure from the EU, the influence of the liberal trading countries may potentially be diminished - this is a particularly big issue - leading towards a more conservative, protectionist EU international trade policy. In any case, the Irish Exporters Association welcomes the recently finalised free trade and investment agreements with Japan, Vietnam and Singapore, as well as those currently under negotiation by the European Union with high-potential export markets such as New Zealand, Australia, Indonesia and the Mercosur bloc. We welcome the strong focus across all FTA agreements on reducing barriers to trade, increasing market access and supporting European businesses and regions through enforcing protected geographic indications such as Irish whiskey, Irish cream or Clare Island salmon. We have noted that when the EU does an FTA with another country, that country appears to be much more aware and better at getting the information out and, therefore, the EU and Ireland do not get as big an advantage from it. It may be a lack of awareness, but the EU and Ireland do not get as much as they could from the process.

The United Kingdom's withdrawal from the European Union also has global trading implications beyond the bilateral relationship between the EU and the UK, in particular with respect to the EU's World Trade Organisation, WTO, tariff rate quotas, TRQ, for agriculture, fish and industrial goods, in respect of which members may be aware a row has brewed up over the last couple of weeks. In consideration of the UK's withdrawal, a revised EU TRQ schedule will have to be negotiated by the European Commission on behalf of EU member states. In view of the need to ensure legal certainty for businesses and the continuous smooth operation of imports under the tariff rate quotas to the Union we welcome the European Commission's decision to proceed unilaterally to the apportionment of revised tariff rate quotas. In particular, this will ensure that the European Union, including Ireland, continues to have a high level of quotas when trading internationally in agricultural and fisheries goods after the UK's withdrawal from the European Union. We note, however, with concern recent reports on the blocking of the United Kingdom's proposed draft TRQ schedules by a number of WTO members, including the United States, China, Australia and New Zealand. Under a disorderly Brexit scenario with a default WTO trading terms by the UK, the absence of an agreed schedule may significantly impede

Irish companies' ability to trade into the UK. Therein lies the nub of the question regarding whether to revert to WTO tariffs and so on in the event of a crash-out.

On the impact of market diversification inside and outside the European Union, overall, when investigating new markets, Irish exporters appear to show a clear preference for European Union member states and English-language countries. With respect to the agriculture, food and fisheries sector, Ireland's close proximity to the Continent and associated short transport and shipping times are a significant factor for the popularity of the European Union as the predominant export diversification destination. Moreover, the cost reductions achieved through the common standards, rules and regulations provided through the EU's Single Market and the absence of customs and tariffs on intra-EU trade is frequently cited as a key factor for targeting EU member states when diversifying their export markets.

**Chairman:** I thank Mr. McKeever and I invite Ms Maree Gallagher to make her opening statement.

**Ms Maree Gallagher:** I thank the committee for inviting the British Irish Chamber of Commerce to present to it. I am chair of the British Irish Chamber of Commerce agrifood committee and am a food lawyer. I am joined today by my colleague, Mr. Paul Lynam, head of sectoral policy with the chamber and acts as secretariat to the committee.

The British Irish Chamber of Commerce welcomes the announcement that there has been an agreed form of wording on the Irish Border. I look forward to hearing more detail in that regard. The issue of the Border and cross-Border trade is of huge significant to our members in Ireland and the UK.

For the benefit of those who do not know it, the British Irish Chamber of Commerce is the only organisation representing business activities with interests across the two islands. Our *raison d'être* is to champion, protect and grow the trade between the UK and Ireland, which is worth in excess of €65 billion a year and sustains more than 400,000 jobs, evenly spread across Britain and Ireland. In addition to Brexit, the chamber operates across nine policy strands, including the agrifood sector, through its policy committee. This committee is focused on maintaining and protecting the critically important UK-Ireland agrifood trade, which evidently faces a clear and present danger as a consequence of the Brexit vote. Members of the committee include household names such as ABP, Bord Bia, Dawn Farms, Diageo, Greencore, Fyffes and Tesco. We have a very broad membership of companies affected that are very active with the committee. I do not need to remind members of the importance of this trade to the sector and the Irish economy as a whole or the potential damage that tariffs, non-tariff barriers or disruption to the all-island sector would cause. The Joint Committee on Agriculture, Food and the Marine's 2017 report covers all these facts in detail. My presentation will focus on our recent submission looking at challenges for the European Union, the current state of negotiations, responding to the Brexit challenge and the chamber's recommendations.

I will first turn to the challenges for the EU as we see them. While Brexit sent an initial shockwave through the European Union, anti-EU sentiment has not spread to Ireland, as many had initially feared. Despite the well-publicised "Irexit" conference last year, Ireland has maintained one of the highest ratings of satisfaction with the EU, consistently polling over 90%. For many EU states Brexit is not the all-consuming issue it is in Ireland, with the migration crisis, the economic difficulties of some Mediterranean states, the tensions with Russia and the standoff with Orbán in Hungary all taking various levels of prominence across the Continent. That said, the EU has been steadfast in its support for Ireland and the Irish backstop. This position has been reiterated to the chamber in its numerous meetings across Europe. It is this public show of solidarity that is reciprocated with the Irish public's support for membership of the EU. The chamber's view has always been that Ireland's future lies in the heart of Europe while maintaining the closest possible relationship to Ireland's most important trading partner, the UK. As a country, we do not need to define ourselves in terms of our relationship with anyone else, whether it be the UK, the US or the EU. We must, however, remain vigilant to ensure we manage and contribute positively to these distinct and mutually beneficial relationships that we currently enjoy. As a chamber, that is what we have been striving to do in our ongoing work across the Irish Sea with our UK members and our wider UK network.

I now turn to the current state of the Brexit negotiations. As the negotiations continue, we as a chamber are extremely concerned that greater progress has not been achieved in these talks. We had hoped for a breakthrough by the October summit of the European Council but, unfortunately, this did not materialise. Of course, developments today may have changed this since I put together these notes, but certainly as and from this morning, an emergency summit in November is now looking unlikely, meaning that the European Council summit in December will likely be the final opportunity to secure a deal. The chamber has consistently warned of the dangers of a no-deal Brexit and of the importance of delivering a transition period to provide adequate time for businesses to prepare for any new arrangements. The chamber shares the view of the committee, that if an extension to Article 50 is needed to ensure a mutually beneficial agreement is reached between the UK and the EU, then the UK should request it and the EU 27 should consent to it. A no-deal outcome would be wholly unsatisfactory to businesses, which would face the prospect of severely disrupted supply chains, new barriers to trade, and significant cost increases that will impact on growth and jobs. While we believe that a deal preventing the UK from crashing out of the EU remains possible, we are advising our members to intensify their preparations for a no-deal scenario and providing them with the relevant information to help them to do so.

As for responding to the Brexit challenge, and as outlined in our submission to the committee, the chamber understands the need to diversify our markets to expand the reach of Irish agrifood products. Many of our members already export throughout Europe and beyond and, as this committee knows, our reliance on the UK as an export market has steadily fallen to 35%. However, we reiterate our caution that "diversification" cannot be seen as a panacea to Brexit. Not only does the UK market share similar tastes with the Irish market as well as language, law and culture, but Irish companies have also invested considerable resources and time in gaining a foothold in the UK market that cannot be easily replicated in a European or external market. Regardless of the outcome of the negotiations, the UK will remain an important market for Irish agrifood exports. Protecting Ireland's market share in the UK is therefore essential for the sector. In this regard, the chamber wishes to acknowledge the work of State agencies in preparing for Brexit, notably for the agrifood sector. Bord Bia has actively engaged with its clients in the sector by providing supply chain workshops, customs training and currency risk training, as well as ongoing engagement and support. We have also found that the Bord Bia Brexit barometer has been a useful tool for the sector in gauging its preparedness for Brexit. For the chamber's part, we held a major conference in September which brought together key stakeholders from across the sector, including the Minister, Deputy Creed; Tara McCarthy from Bord Bia; Patrick Coveney from Greencore; and Pamela Byrne, the CEO of the Food Safety Authority of Ireland, FSAI. In addition, we have developed a Brexit toolkit, hosted regular briefings for our members and liaised directly with the UK authorities. From our interactions with our agrifood members, we can inform the committee that the vast majority of the larger companies are taking the necessary steps within their power to prepare for Brexit but the lack of clarity and certainty as to what Brexit will mean still poses considerable problems for businesses, particularly smaller businesses.

I now turn to the chamber's recommendations. Regardless of the preparations Irish agribusiness can make, the UK's departure from the EU will have a significant impact on the sector. This impact will likely be catastrophic if there is a no-deal, disorderly Brexit. Extracting the pertinent points from the chamber's policy papers, we make the following recommendations for the committee's consideration. The Government should advocate to the European Commission for the establishment of a Brexit mitigation fund in conjunction with temporary relaxation of state aid rules in sectors and regions most acutely impacted by Brexit. The chamber has seen at first hand the work of State agencies such as Bord Bia, Enterprise Ireland and the Food Safety Authority of Ireland in not only preparing their clients for the threats associated with Brexit but also assisting them to identify new opportunities that have been emerging. To its credit, since the Brexit referendum result, the Government has broadly increased the budgets of State agencies in addition to Brexit-specific initiatives. This must be maintained. In addition, Government supports should be simplified. The Government should work with business representative organisations, such as the chamber and the Irish Exporters Association, to review the grant process from application phase to reimbursement. State supports should also be open to all businesses exposed to the UK market, and the business and stakeholder organisations should be fully mobilised to ensure that businesses are aware of their eligibility for support. We also recommend that export certificates for agrifood exporters be simplified. As it stands, the export system administered by the HSE for food products of non-animal origin is inefficient and is frustrating exporters, which is leading to delays in exports. This is particularly relevant for agrifood exporters seeking new market access. A more streamlined system should be put in place to ensure that exporters are fully supported in their endeavours and not hindered by red tape. We have also recommended the introduction of a customs voucher scheme. To alleviate the burden I have described, the Government should introduce a simplified customs voucher scheme offering up to €5,000 in support to Irish companies that export to and import from the UK and which will be working with customs procedures possibly for the first time. We also recommend an increase in support for the regulatory enforcement agencies in Ireland, specifically the FSAI. Ireland's official controls of food will be under increased scrutiny and severely stretched in a post-Brexit world, regardless of the type of Brexit. Ensuring we have a robust, independent regulator capable of monitoring the safety, quality and origin of food produced in Ireland, food destined for export and, more importantly, imported food will be key to Ireland's future ability to market itself as the food island. The chamber lobbied for the introduction for a loan scheme similar to the future growth loan scheme and therefore we welcomed the Minister's announcement in budget 2019. Members believe that the interest rate applied should be 2.95%, the rate applied to the previous agribusiness loan scheme.

**Chairman:** I thank Ms Gallagher. We will take some questions together, starting with Senator Lombard, before returning to the witnesses.

**Senator Tim Lombard:** I congratulate the witnesses for their presentations. It is amazing how things can move on; when they began their presentation there was no movement and now there is significant movement. We could be out of date by the time we leave the room after the meeting.

The direction in which Brexit would go has been the topic of concern for businesses and communities for the last two and a half years. We might get some clarity today about the Border issue. Like the witnesses, I am also waiting for the detail and when we have that we will be better informed. As a business community, how prepared are we for what Brexit could bring? The Minister for Foreign Affairs and Trade has had four major events around the country in the last month and significant interaction with the business community. Many stakeholders were involved and they have been very well attended. Do the witnesses feel that the business community has interacted sufficiently and worked with their own businesses on the issues? There was reference to the €300 million in Brexit loans. Has there been engagement with the business community on the loan itself? Has it engaged with the process and brought forward proposals in order that companies can draw down that funding? Has the UK put in place financial supports or programmes to inform businesses and society that are similar to what has been put in place in Ireland in the past six or eight months? My view might be partial but while I have seen some interaction with business here, I have not seen it on the other side of the water. While a text has been somewhat agreed today, the political issues must still be played through in Westminster, which probably will be more problematic than the text itself. How prepared are our neighbours for a hard border? Are they ready, have they engaged and do they have the information and loans?

**Senator Paul Daly:** As Senator Lombard remarked, there seems to be some good news but it only a text. We have not seen it yet but as events have evolved, we all know the problem probably will be one of getting it through on the British side. There has been total disarray in the negotiations at the top level. Has this been portrayed down through the channels to the small and medium-sized enterprises and export companies? Ireland has at least had a discussion around preparedness. Every company many not have acted on the advice it was given but we have had the conversation. Have they even done this? Are there many companies on which Irish companies depend, for raw materials or products, for instance, which are in denial? If whatever has been agreed today is not accepted on the UK side and there is a hard Brexit, are there Irish companies that will find themselves in a precarious position but which are not aware of that, because some of their inputs come from or through the UK?

Are the witnesses aware of contingency plans on the Continent, in companies that export to Ireland but which use the landbridge? Have we explored or are we looking at potential positives from this process? While the negatives far outweigh any positive developments, even with tariffs are there products where we might prove more competitive than a fellow EU country which not only has the tariff but also must transport goods further to the UK than we do? For instance, there might be someone transporting goods from the bottom of Italy to the UK. Might we possibly have a new market in that scenario, where we would become competitive once transport costs and tariffs are considered?

It is right to plan and we must plan for the worst and hope for the best. We have mostly discussed agriculture and agrifood here. On 1 April 2019, even if it is a cliff-edge Brexit, the people in the UK will still need to eat and will still need food. How will this problem be overcome on their side? Will we, by default, find ourselves in a humanitarian effort to stop them from going hungry?

**Deputy Martin Kenny:** I thank the witnesses for their presentations which have been very useful. I also wonder about the landbridge going across Britain to continental Europe, across which much of our products travel. Has an arrangement or model been put in place whereby produce that is leaving Ireland to go to Europe or *vice versa* will not have to go through checks, for instance if they are in sealed containers with codes that cannot be broken, but can go straight through and do so quickly?

A large amount of produce that goes to the Netherlands of Belgium goes on to other markets across the world. Will there be a situation whereby products coming from Ireland will not have to undergo any checks but can fly through regardless? Have there been negotiations on this?

As my colleague noted, people in Britain will have to eat. There will be many other products they have previously imported from Ireland and which heretofore they have not been getting from elsewhere. This committee has heard from Bord Bia and from Ministers who have been on trade missions all over the world. On foot of our efforts to export to other countries and do deals with them, we know it takes considerable time and is not something that happens in an instant. Do we have information on what Britain is doing in this area? Is the British Government actively trying to do these deals? Have they done many or any of them? Have they even started? Does that leave us in a position where there are products they are currently getting from Ireland that they will no longer require from us, regardless of whatever deal or no-deal takes place? Either way, we will have to move on with it.

On the proposed Brexit mitigation fund and a relaxation of state aid rules, most of us would concur that we need something like this to happen. It has been acknowledged for some time that something will have to be done in this regard. I expect that people are waiting to see the outcome of the negotiations and when we know what the impact will be, such measures can be put in place. However, clearly, that fund will have to come from Europe. Are the witnesses aware of progress on this point or what is the current position?

On the customs voucher scheme and companies which will suddenly have to start dealing with customs for the first time, what complications exist? Is it a very difficult process to start? How difficult is it for a company which has not had to deal with these issues in the past and what sort of taxing process will be it be for them? We are hearing that some kind of wording has been agreed or is at least up for agreement. I live in Leitrim and am really conscious of the issue of the Irish Border, particularly in the context of the movement of agricultural products. In truth, regardless of what agreement is reached, it will be impossible to police the entire Border. As a British politician said some months ago, there are more roads between Monaghan and Armagh than there are between Sweden and Norway. That simple reality must be faced at some point. I ask the witnesses if their colleagues in the UK are aware that this is an impossible circle to square?

**Chairman:** We will start with Mr. McKeever.

**Mr. Simon McKeever:** There is one overall backstop, according RTÉ's correspondent in Brussels, a UK-wide customs arrangement with deeper provisions for Northern Ireland customs and regulations, with a review mechanism included. I gather that Ms Theresa May is calling her Cabinet in tomorrow morning to agree on that. We will see how that goes in terms of making its way through the House of Commons.

I will start with Senator Lombard's question about our level of preparedness. When I speak to people from the UK and to officials who come over here, they are astonished by the four Brexit events hosted by the Tánaiste, Deputy Coveney, and by the fact that the Government has taken the time and made the effort to bring people together to spell out, as far as possible, the potential impact of Brexit. It is probably easier to do that in a country like Ireland than it would be in the UK. However, my sense of it is that we have been preparing for a deal rather than for a no-deal scenario. As a country we do not have a plan B in place in the event of a British crash out, and I am very worried about that. A lot of work has been done on raising awareness but we have not begun to look at how we might help people to deal with practical things like the customs implications, for example. I will deal with the related question about the threat of additional costs arising from that in due course.

In terms of the level of preparedness of our members, we have seen three or four things going on since the vote. In the immediate run-up to the vote and just after it, the focus was on currency and currency management. That persisted until around February last year, at which point we began to get a lot of queries on how to deal with customs. Customs has been the predominant issue for us. We provide training courses on customs, the authorised economic operator, AEO, and so on. We put on a course in August and thought that it might not be filled but it was four times oversubscribed. We ended up having to run a number of additional courses in September. There is considerable demand for information on customs at the moment. Interest this year has mainly been in market diversification and how companies can get into other markets, although concern about currency has crept back into the equation recently. In a recent survey, we asked our members the point at which their margin disappears in the UK. Specifically we asked them at what rate the euro-sterling exchange rate impacts their company's margin in the UK, and around 42% said between 90 and 95, which is not very far above the rate at the moment. Another 30% said between 95 and 1, which is quite worrying.

Anecdotal evidence on the preparedness of our members suggests that the bigger companies are better prepared. The foreign-owned, large multinational companies are far more prepared than the Irish-owned large companies, which in turn are more prepared than the medium-sized and smaller companies, and so on. Companies are less and less prepared in direct proportion to their size. There is a high level of awareness of Brexit and its implications, but many of the smaller companies are time poor and are unable to deal with it while the larger, globalised companies can put a team together to address it. We asked our members who was responsible for Brexit in their organisation and found that a lot of companies have Brexit teams in place.

The Senator also asked if the business community is engaging on Brexit. We are seeing increasing engagement all of the time. The four Getting Ireland Brexit Ready events, for example, were very well received by our members. To my knowledge, the UK is not doing the same thing. On the relative readiness of the UK, I do not think they are very ready at all. I was speaking at a conference on food, agriculture and farming in London last week and was quite shocked by what I saw and heard. The conference was attended by some very senior retailers and producers and involved a panel of four or five speakers, most of whom spoke for 40 minutes. My abiding sense, having listened to them speak, was one of "keep calm and carry on". There was a sense that they knew they were heading towards the cliff like lemmings but that they would prevail somehow and deal with it. I was quite shocked by that. I got a sense from the farming community over there, having listened to various speakers, that it is less bothered about Brexit than others. Farmers believe that when they pull out of CAP, the UK Government will provide subvention, they will be able to farm in whatever way they want, and because they are going to do fabulous trade deals with countries all over the world, they will be able to sell food to markets all over the world. They were not prepared to ask questions about cheap food policy and what it will do to undermine standards and so on. In no way, shape or form, when one looks at regulatory equivalence, are environmental or labour standards being included in the conversation. The farming representatives attending that conference were talking about a massive labour shortage in the fields in the context of getting stuff out of the ground.

As to whether there are any potential positives from Brexit, I see very little except perhaps that it is forcing Irish companies to look further afield, if they can, and to diversify their markets. I do not see any positives on a national economic level really, although there is some evidence that Brexit is making Ireland a much more attractive country in which to locate in terms of retaining access to the European Union.

We have done a lot of work in creating an awareness of Brexit but our action has been focused on a deal and not on a crash-out. I think that despite what has been agreed, there is still a grave danger of a crash out.

Senator Daly asked if there is disarray in the UK among SMEs. I have referred already to what I heard in London last week. When I spoke to some of the companies, I found that they were very divided. There are very few business leaders in the UK who will stand up and say what they believe. There is a lack of leadership within business in the UK in terms of talking to the Government and trying to influence policy. People seem to be terrified to open their mouths. Very few companies got involved in the Brexit referendum debate. I am not aware of any national preparedness events akin to what is happening here but representatives from the British-Irish Chamber of Commerce might have more information on that.

The sourcing of raw materials is a big issue for Irish companies and not just in the context of tariffs or delays caused by additional customs procedures but also in the context of import VAT. Once the UK becomes a third country, VAT of 23% will be imposed on goods coming from the UK at the point of entry. There are deferrals in operation at present. Revenue will give a deferral to the 15th day of the following month. If a company brings its goods in on the 16th day of the month, it gets 29 days or 30 days but if it brings them in on the 14th day of the month, it gets a day. Other countries in the European Union, such as Greece, have managed to get a delay of up to three months. There is no reason why we, as a nation, should not be looking to do that. It means it will affect the Government's cashflow but it will help the cashflow of companies. We should think of the number of small companies whose margin or cashflow could potentially be wiped out. Look at what happened to the mushroom farmers. There was a 23% hit to their bottom line immediately. It will have a massive impact.

Anecdotally we are hearing stories about some European companies telling their suppliers they need to start looking at where they are buying their stuff from and that perhaps Ireland and the UK are not the best places to be getting it from. We are hearing that anecdotally. A set of EU contingency plans were published by the EU today, details of which are just starting to work out. What happens when we go off a cliff edge? Will bollards come up on the Border? I do not think so. Unless there is time to put infrastructure in place, I assume trade will continue until all the stops and checks can be put in place. Will there be a dramatic stop to everything overnight? I am not quite sure the infrastructure is there, either in terms of physical infrastructure or personnel, to be able to do that. There is much talk about the Prime Minister in the UK saying the UK will not put border infrastructure up. Many people have said the Taoiseach said exactly the same thing. There will be no physical border. If there is no border between Ireland and Great Britain, does that mean the border moves to the coast of France? If the European Union is going to preserve the integrity of the Single Market, it will not want cheap food and unregulated stuff coming into the European Union via Northern Ireland. Where does the border end up being? Is it in France? In terms of whether it is a cliff edge, I do not know what will happen in that context.

**Senator Paul Daly:** Mr. McKeever mentioned that some European countries are already advising companies to start sourcing elsewhere other than the UK and Ireland.

**Mr. Simon McKeever:** No, what I-----

**Senator Paul Daly:** He grouped Ireland with the UK.

**Mr. Simon McKeever:** Yes.

**Senator Paul Daly:** Is that because of the landbridge? We will still be a member. Why would the-----

**Mr. Simon McKeever:** I do not know whether it is because of the landbridge but I have had some anecdotal feedback that they have said companies need to examine their supply chain and look at the Irish and UK stuff.

**Senator Paul Daly:** Is Mr. McKeever referring to fellow EU member states?

**Mr. Simon McKeever:** Yes. It is not coming from the countries but from the companies.

**Senator Paul Daly:** Yes.

**Mr. Simon McKeever:** It is anecdotal and it is not on a massive scale. On the landbridge, approved economic operator, AEO, status will be able to help a lot of transport on and off. We are not 100% sure about the food sector because our sense is for livestock and animal product, the truck will be opened and will have to be opened. The jury is out on that. The AEO will help with other matters in terms of bonding and paying money across. Will it be the solution? There are a number of issues with the AEO model, one of them being with regard to groupage. If the foodstuff is in the same truck as other bits and pieces, it may have a knock-on effect on other goods going back and forth across the Border.

A question was asked about whether there is a model for no checks. I am not aware of such a model. There is talk that a truck would be sealed somewhere in Ireland and reopened so there are issues around security. There is talk that the truck could start in Ireland, route through the UK and be opened in France. The AEO model is most effective when the whole supply chain end-to-end has AEO accreditation and certification.

Customs declarations were referred to. There has not been a need to have customs declarations since Ireland went into the European Union so that expertise is largely gone out of the country. Companies that are trading with other parts of the world outside the EU have that knowledge but the demand for basic customs courses is going through the roof. Initially, people who were supply chain professionals were coming to the courses but finance managers of companies are beginning to come to them. In 2016, there were 1.3 million customs declarations on and off the island. About 700,000 were import-related and 630,000 were export-related. It is expected to increase tenfold. There is technology available to help with it but there is a very low level of expertise and people with such expertise are highly sought after at present. Many of our members tell us they are actively trying to recruit such people. At the same time, the Revenue Commissioners is trying to recruit such people. It is exactly the same in the UK. We will not be able to take them from there and they will not be able to take them from here. There is a massive demand for that expertise at present. Companies are actively engaged in contingency planning around that. The question is whether they employ one or two experts and try to train a number of people internally or whether they buy in the expertise. If we were not talking about Brexit, we would be talking about the major competitive issues that already exist in the economy but this is an additional piece. There will be costs in terms of employing people and potential time delays. Those people will become very expensive over time. It is a big issue.

With regard to the question on the UK and delays, our friends in the British Irish Chamber of Commerce might have more of a view on this. My sense is there have been some initial conversations and the one that seems to be the Holy Grail for them is a trade deal with the United

States. At the conference I attended last week, I heard the trade deal that companies want to have is with their biggest trading partner outside the European Union. It is being held out as the Holy Grail. If one listens to what is coming out of the White House, it seems to be keen to do a trade deal with the EU and the UK. It seems to have moved on a bit. I think it will be a lot more difficult for them to do trade deals than they might believe it is. There is very little awareness of the fact that it will be much more difficult for them to do such trade deals. The UK's trading pattern is not awfully dissimilar to ours in that the EU is their biggest trading partner. It is nonsense to jeopardise that in order to replace it with trade coming out of the Commonwealth countries. I do not want to name names but at the conference I attended last week, I sat in the room and listened to fake news. Somebody who was billed as a learned individual got up and spoke about a specific issue but it was just untrue. I sat in the room with these captains of industry. The stuff that is going on is astonishing.

With regard to Brexit mitigation and state aid, I am not aware of any application for state aid around a worst-case scenario deal. I am not aware of any of that but I am absolutely certain companies will need assistance. I mentioned that as recently as last week, we were told by three of our members that the measures they put in place will run out after six months. They are reasonably sized companies and that is the breathing space they have bought themselves.

**Ms Maree Gallagher:** There probably will be a certain amount of crossover with Mr. McKeever's answers. I will start with Deputy Martin Kenny's questions and work the other way around the room for a bit of diversity.

On the landbridge model, the Deputy asked whether food and other product could go from Ireland straight through Britain to the Continent without checks. There have been attempts to investigate if that could happen. The problem is that at the moment we already have checks. Sanitary and phytosanitary checks particularly for food of animal origin already exist. In the context of the Single Market rules that are in place, it would be very difficult to allow product to leave Ireland and cross the landbridge without any checks. That is hard to conceive at the moment.

That said, I am aware that in the pharmaceutical area where it is necessary to have batch release and a qualified person who releases the product, there is some talk that in that area, product could be released in Europe to come via the landbridge into Ireland and provided it does not stop and nothing happens to it in the course of that, it would not need to be further released from the UK into Ireland.

These issues are being addressed in an attempt to find a way of facilitating trade without putting unnecessary barriers in the way. I believe it would be very difficult to end up with no checks mainly for the reasons Mr. McKeever already stated particularly with cross-Border trade. As Deputy Martin Kenny is based in Leitrim, he is very familiar with that.

The real risk is with any form of cheap-food policy in the UK, if the UK looks to do trade deals with South American countries such as Brazil and Argentina or indeed with the USA, which has very different quality and safety standards from those in the EU. At the moment product moving within the EU is already subject to checks but they are reasonably limited. With a border and potentially product coming into the UK, checks will be required and it is just a matter of where they take place. One of the reasons for such checks will be the maintenance of Single Market rules on food safety, quality and standards.

Our members would love trade to continue exactly as it is. They have been looking for maintenance of the *status quo*. If the news today delivers that, it will be fantastic and very welcome. Based on how things have been going, it seems that trade without checks will potentially be an issue.

As we know the UK is not self-sufficient in food production; it produces 60% and relies on 40% of imports, a significant amount of which comes from Ireland. That is likely to continue and our members certainly want it to continue. As part of some of these trade deals, however, the UK will need to consider giving concessions to other countries. Usually in concluding trade deals it comes down to an issue with the cows - either meat or dairy. If the UK wants to do a trade deal with the US, it is likely that the US will push for increased exports of beef and other products as part of that. As we know, there are issues in Europe with US hormone-fed beef and chlorinated chickens. These are real issues and have been impediments to the EU doing trade deals with the US in the past. If the UK is adamant that it wants to go out and do these trade deals, there will be issues relating to food. The potential weakness lies with food coming into the UK, which then could potentially get on to the European market.

The customs voucher scheme we have recommended is exactly as Mr. McKeever said. The vast majority of Irish companies have not had to consider customs for the past 40 years. It is not that it is rocket science; it is that it is a timely, paper-filling administrative burden. For an organisation, whose margins are tight and already has an enormous amount of paperwork to deal with, this is an added burden and will challenge most companies other than the very large ones.

We need to provide support to all companies to bring them up to speed on what will be required. The courses run by the IEA have been very well attended. We have also run Brexit courses and seminars. We are aware that the State agencies are doing as much work as possible. We will need people who understand the system and can figure that out where products are going and the potential tariff to be applied. That will lead to increased costs. Earlier I referred to qualified persons, QPs, in the pharmaceutical sector. Ireland now has a shortage of qualified persons who are suitably qualified. As a result the wages they can command are increasing. As Mr. McKeever has said, I suspect that will become an issue with customs and that skill. We really need to focus on ensuring those skills exist throughout the chain.

I think that covers most of the questions Deputy Martin Kenny raised.

**Deputy Martin Kenny:** I have one query. Ms Gallagher said many small companies do not have the capacity to deal with this. Is there potential for something to happen on a collaborative basis? Could a scheme be introduced to assist those companies to work together through some of the problems? Obviously their problems will be uniform and the solutions will probably also be. Rather than each company having to find the expertise on its own, is it possible that the expertise could be shared between sets of companies? Is there any initiative in that area?

**Ms Maree Gallagher:** There certainly is an opportunity for collaboration. It depends on the particular product line and how the tariff applies to it. We recently looked at a company manufacturing shortbread, using Irish butter, and importing flour and sugar. Currently the product is manufactured in the UK, and shipped globally and around Europe without issue. If we have tariffs post Brexit, there will be particular tariffs on each individual ingredient. Calculating and doing all that will be quite specific to particular products. There will be room for such collaboration in a category which is uniform and involves similar businesses in a particular area which are potentially doing the same thing. However, there will also be a requirement for people with specific skills in particular areas. I agree that, where possible, such expertise should be shared. Some such support is being provided through local enterprise offices, Enterprise Ireland and various other organisations. There will have to be consideration given to the sharing of such expertise because there will be a shortage of skilled people to provide advice.

**Mr. Simon McKeever:** On the training side, support should be made available to enable small companies to avail of the training schemes offered by us and other organisations. InterTradeIreland has made vouchers available, of which some of those who attend our course avail. It is a very good support. Because the food sector is so specialised, it is quite difficult to take a co-operative approach. We have considered whether there is a locally-based way to provide a service for some of the logistics companies. The production runs, export products and compliance requirements of companies differ. Our training informs exporters of what one should put in each box because that is what they need to know. Although there are customs brokers and similar services, if supports were made available, companies could take on such tasks. The service could be farmed out, but, at a minimum, somebody in the organisation needs to know it. The volume involved will be so significant that it is probably a good idea for companies to bring the process in-house.

**Ms Maree Gallagher:** Senator Paul Daly asked about raw material supply, particularly in the United Kingdom, and the preparedness of Irish companies which sourced raw material in the United Kingdom. Several of our larger members have the resources to look at their supply chain and identify from where their raw materials are coming. They have done so and perhaps considered alternative sources or the cost implications of continuing with their current suppliers. Since the beginning of September, people have been gearing up in examining and considering their supply chain. There is no doubt that there will be issues regarding the supply chain and raw material supplied from the United Kingdom to Irish manufacturers. Some are seeking alternative supplies in Ireland and on the Continent, but our concern is that it could lead to increased costs.

The Senator also asked about contingency plans on the Continent and referred to contingency planning here. The Government, businesses and business organisations have been doing a lot of work to prepare companies and inform them of the potential challenges. Some contingency plans have been made on the Continent, but other issues are of more concern there and focused on more. Brexit is not as much of a concern there because the United Kingdom is not as significant a market for continental businesses as it is for Irish firms. However, in recent weeks, as we get closer to the Brexit end game, there has been more of a focus on how it may affect continental markets. Mr. McKeever has referred to anecdotal evidence that companies on the Continent are considering where they source their ingredients. There is no doubt that companies on the Continent will be looking for opportunities to become more competitive and may choose to source locally rather than from Ireland or the United Kingdom. Bord Bia and other agencies are doing much work to ensure there is a clear distinction between Irish and UK product. Contingency planning on the Continent for Brexit, particularly in the agrifood area, is significantly behind ours. It is being considered and firms are aware of it, but they are not as prepared as we are.

Senator Paul Daly referred to opportunities arising from Brexit. We would love to say there will be many opportunities. Although there are opportunities, they are not very obvious. The Senator asked whether our proximity and lower transport costs to the United Kingdom would give Irish firms exporting to the United Kingdom or British firms selling into Ireland a slight competitive advantage over other EU producers, even in a scenario where tariffs were imposed. We consider the area of innovation to offer the most opportunities to make Irish industry more competitive. I will address its state of readiness and preparedness, but there is no doubt that the

United Kingdom is considering how it will become competitive on the global stage post-Brexit. Papers on attracting investment in biopharma and innovative food products and food supplements and such areas have been produced there. Firms in the United Kingdom will consider how to become competitive. We have anecdotal evidence that the idea that British firms will be able to shed the regulatory chains of the European Union and throw the rulebook out the window is being considered behind closed doors. Ireland and Irish companies need to look at that issue and be in a position to compete and use our proximity to the United Kingdom. Although Brexit is considered to be a negative development, we need to see where the opportunities are because we are going to be feeding our friends and neighbours in the United Kingdom. That is what we want to do. There is no doubt that we will be reliant on imports from the United Kingdom. Our members hope to have as close a relationship as possible with the United Kingdom post-Brexit.

Senator Lombard asked whether the United Kingdom was as prepared as we were. Mr. McKeever referenced the conference he addressed last week. Our sense is that the British Government has not done as much work as the Irish Government in planning for Brexit and a potential no deal Brexit.

I will ask Mr. Lynam to speak a little about the loan and the Government supports. In terms of a business scenario, while we have been discussing Brexit and supply chain issues with members of our agrifood committee for the past two years or so, and also what we should be saying to this committee and to the Government in the context of how we can support the trade, we have seen, perhaps, less engagement on the UK side and less awareness of some of the issues. However, that has changed in recent weeks. I spoke to one of our members this morning who informed me that his big customers in the UK have suddenly begun to send questionnaires asking what his plans are and how he proposes to deal with tariffs and ensure that he can continue to supply them. That has not happened within the food sector until the very recent past.

**Chairman:** Is it the case that the penny is only beginning to drop?

**Ms Maree Gallagher:** I think so. The approach has been that it will be all right and that matters will resolve themselves. However, as we get closer to the end of this process, it appears that the big retail customers in the UK are suddenly realising that they need to think about the situation and that perhaps it will not be okay. There is more engagement between trading partners than has been the case previously. In my day job, I have seen that in the pharma and other sectors which began their processes a lot earlier than the food sector. The food companies and the retailers in the UK appear to be becoming more engaged with the process. I do not think their level of preparedness is anywhere near where we are and there has been an approach that it will all work out, that everything will be find and that it will be all right on the night.

Mr. Lynam, our head of sectoral policy, spends a considerable amount of time in the UK and engaging with the UK Government and with businesses. If I may, I will ask him to speak.

**Chairman:** Yes, that is no problem.

**Mr. Paul Lynam:** I will take two minutes and I will go through the differences. First, in response to the original question, the stakeholder engagement has been exceptional, from the regular stakeholder engagement the Tánaiste has to the customs' consultative forum to the sector-by-sector Brexit stakeholder forums that took place after the referendum and even the preparation in advance of Brexit when the UK Government did not engage in any preparation.

In terms of the supports the Government has made available, while there are quite a lot of them, I think they could be better and more wide ranging. Our competitiveness as a business community generally could be improved more. I do not think we have got the full breadth of support in terms of the budget in that regard. There has been a low take-up of the preparing for Brexit grants. They are limited to Enterprise Ireland clients and they would need to be more wide-ranging to assist the totality of businesses exporting and affected by Brexit. We have articulated the need for a customs voucher scheme to support businesses such as those that go to the Irish Exporters Association for customs training. That is now essential rather than important.

That said, the difference between the Irish preparation and the UK preparation is like the difference between day and night. The UK did not do any preparation or scenario planning in advance of Brexit. The most information it has put out is the no-deal papers. The information it gives to businesses is based on the perception that Brexit is a good thing. We do not have that in political discourse in Ireland. There is not any political party that thinks, generally speaking, Brexit is a good thing and therefore we have prepared for Brexit as a bad thing. It is very difficult for the UK Government to propose supports for something they think is genuinely going to be positive. That is not uniform across the United Kingdom, because it is devolved confidence. The Scottish and Welsh Administrations have given some support and information to their members but there has been practically nothing from the UK Government because it is based on a scenario that it thinks will be positive overall.

Authorised economic operators status does quite a lot but, as Mr. McKeever articulated, it does not fully support the agrifood sector. It is important to bear in mind that obtaining such status is not too long a process but it is expensive because of the detail that has to go into it in terms of the supply chain.

On the work we have done already, we set up a ports and transit group between the UK and Irish ports and the transit and freight sectors in terms of the knock-on effect that them not being prepared would have on Irish businesses that are prepared as best they can. Again, there are significant differences. While the UK is only now looking at different scenarios of what Brexit may potentially mean, the Irish port and transit sector is taking action. The agricultural post has been established at Rosslare Europort to look at diversification there and to create different space for checks that eventually will happen if the UK leaves the Single Market. That is not happening on the UK side of things. It has no plan for Dover at all. The UK is looking at how it can rearrange some of its landing sections in some ports but it is not taking it to the next level at all. The timeline is very tight for it to implement anything into the next stage as well.

**Chairman:** Does Mr. Lynam have much interaction with the companies that are not in that space at the moment? Do they engage with him on a regular basis or does he have to encourage them to go the extra mile?

**Mr. Paul Lynam:** Is the Chairman referring to UK companies?

**Chairman:** Yes.

**Mr. Paul Lynam:** As a result of our membership generally, they are more engaged than not. It is when we do the wider sector-by-sector stakeholder events when we open up to non-members that we get the fuller idea of where a sector stands. Our next event is in January, when we will bring together the ports and transit sectors when we will have a clearer idea of the potential Brexit at which we are looking.

UK deals were mentioned. While it is in the EU customs union, the UK cannot legally sign any deals. It can sign deals when it enters the transition period but such deals cannot be implemented until after that period. From what we have heard, the UK has not had the response it was hoping for in terms of countries such as India and Australia. The response from America has been well publicised. The UK was hoping for more progress with India and Australia as well but that has not happened. The Brexiteers are saying it is incredibly unlikely that the UK will have any of the international trade deals if it keeps the common EU rule book. Wilbur Ross has stated that America is good to its friends. America wants to do a trade deal with the United Kingdom but it will be on its terms. If the deal is on American terms, that will affect the regulations and rules the UK will implement. This, in turn, will affect the UK's relationship with the European Union, particularly Ireland.

We do not envisage applying for or establishing a mitigation fund now but we do think it is something that should happen with immediate effect post Brexit, regardless of the type of Brexit that will happen. Brexit will be a shock to the European Union as a whole and it should not be just one or two countries seeking for state aid, it should be a general EU-wide response. The European Committee of the Regions, which involves local authorities, has recommended a regional support Brexit mitigation fund. We believe that is a good step in the right direction but it should be done on a sectoral basis as well. Irish agrifood will possibly be the most exposed of any sector in the European Union but other sectors in other countries as well should also receive EU solidarity funding. It could be structured in the same way as the Structural Funds. I think I have covered most of the issues that might not have been covered previously.

**Chairman:** To add a separate issue, when the vote was taken in June 2016 one of the short-term difficulties was the sterling differential, which had a significant knock-on effect. Is it anticipated that it might be an issue again, come 1 April? I am not asking the witnesses to look into a crystal ball.

**Mr. Simon McKeever:** If one looks at sterling now, since the announcement it has come down 70p against the euro. When one looks at the competitive advantage trading one way or the other between the two countries, a weak pound has the ability to off-set any of the customs and tariffs that might be due. The pound has moved 24% since 19 November, before the vote, but if one looks at where the euro and sterling were historically over the past ten years, the average is approximately 82p to 85p, so we are close to the average rate. In the past 20 years, it has been at historically high levels. If one removes Brexit from consideration in the context of the euro-sterling rate, one would say that it is probably at a peak and it will start to come off. Brexit and the political risk are, therefore, keeping it quite high. As to whether it will come into play in April, if a deal is done my sense is that the pound will strengthen and we will see euro-sterling coming off.

**Chairman:** Mr. McKeever stated that when the vote was taken in June 2016, a number of companies in the mushroom sector, for example, were lost straight away and that there was a significant negative effect. The possibility of that happening again with another sector would be detrimental.

**Mr. Paul Lynam:** We are hoping that we have learned lessons in terms of what we spoke about before and how people can do contracts in various different ways. Progress has been made in that area. If it is a positive outcome, we can expect sterling to strengthen. If it is a negative outcome, it will go down again.

**Mr. Simon McKeever:** Part of the complication in the mushroom sector was that is was operating on a very short cashflow of, I think, six weeks. The danger is that if there is a crash out, the pound will disappear. One then has a threat around substitution coming in here as well, where not only is the produce we sell in the UK suddenly more expensive but the produce the European Union, including ourselves, sells into the UK would be less competitive. In terms of the UK selling into here, a movement in the exchange rate might negate any customs and tariffs.

We asked the membership what percentage of its next 12 months sterling exposure is hedged and about a quarter of it has 0% cover in place. Some 20% has up to 25% of its exposure covered, which is still quite low. It is a bit higher than it was but still quite low.

**Chairman:** I thank Mr. Lynam. Are there more questions before we wrap up? I am conscious Deputy Cahill arrived a short time ago. Has he any questions?

**Deputy Jackie Cahill:** I thank the Chairman, but I am fine.

**Chairman:** I thank the witnesses for appearing before the committee today. This issue is evolving on an hourly basis and I am sure we will hear plenty about it in the coming weeks and months. We are all very conscious of the end result in terms of where it will go.

Again, I thank the witnesses for appearing before the committee. Obviously, our paths will cross again as we progress through this.

The joint committee adjourned at 5.22 p.m. until 3.30 p.m. on Tuesday, 20 November 2018.