DÁIL ÉIREANN

AN COMHCHOISTE UM THALMHAÍOCHT, BIA AGUS MUIR

JOINT COMMITTEE ON AGRICULTURE, FOOD AND THE MARINE

Dé Máirt, 4 Nollaig 2018

Tuesday, 4 December 2018

The Joint Committee met at 4.50 p.m.

MEMBERS PRESENT:

Deputy Marcella Corcoran Kennedy,	Senator Rose Conway-Walsh,
Deputy Martin Kenny,	Senator Paul Daly.
Deputy Thomas Pringle,	

In attendance: Deputy Eugene Murphy..

DEPUTY PAT DEERING IN THE CHAIR.

Business of Joint Committee

Chairman: I remind members to ensure their mobile phones are switched off. I propose we go into private session to deal with some housekeeping matters.

The joint committee went into private session at 4.53 p.m. and resumed in public session at 5.02 p.m.

Impact of Brexit on the Agrifood Sector

Chairman: Before we begin, I remind members and witnesses to ensure their mobile phones are completely switched off as the interfere with the broadcasting system. We are here today to discuss the impact of Brexit on the agrifood sector. From Food Drink Ireland, FDI, I welcome Mr. Paul Kelly, director. From the Alcohol Beverage Federation of Ireland, ABFI, I welcome Ms Patricia Callan, director, and Mr. William Lavelle. I thank the witnesses for coming before the committee today and for the presentations they submitted. I will call on Mr. Kelly and then Ms Callan to make their presentations.

I draw the attention of witnesses to the fact that by virtue of section 17(2)(*l*) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the committee to cease giving evidence on 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 or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the long-standing parliamentary practice to the effect that they 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 invite Mr. Kelly to make his opening statement.

Mr. Paul Kelly: Food Drink Ireland is part of IBEC and the main trade association for the food and drink industry in Ireland. It represents the interests of over 150 food, drink and non-food grocery manufacturers and suppliers. We welcome the opportunity to appear before the committee and acknowledge the committee's ongoing focus on Brexit as it impacts on agrifood. Our submission to the committee on Brexit should be read in conjunction with the submissions from fellow IBEC associations such as the Alcohol Beverage Federation of Ireland, which is present today, Dairy Industry Ireland and Meat Industry Ireland.

Looking first at trade flows, there has been a very strong food and drink performance in 2017 that saw overall exports increase by 11% to just over €12 billion. Within these numbers, the UK is our largest single export market. The export exposure of the various sectors within agrifood to the UK is thus high and includes beef at 51%, dairy at 24% - within that, half of all cheese exports go to the UK - and prepared consumer foods at 62%. In addition to absolute exposure, there are several other factors of note. While the UK as a percentage of our overall exports has dropped in recent years and now stands at 35%, in value terms it continues to increase and now stands at €4.5 billion, which is a 32% increase since 2010. This demonstrates the importance in the medium to long term of maintaining our market position in this high-value, high-quality market that currently has a substantial food deficit. In value terms, Irish exposure is like that of other large exporters to the UK and it is not surprising that they are geographically close by as well. I refer to countries like France, Belgium, Netherlands, Germany and Italy. However, in percentage terms it is four to five times higher. Typically, for those other countries, less than 10% of their agrifood exports are to UK. This clearly highlights the unique circumstances faced by Irish agrifood and the need for exceptional mitigation measures. It also is worth noting that total agrifood trade flows between the EU 27 and the UK are €46 billion, with approximately €35 billion into the UK and the balance coming out of the UK. While a no-deal scenario next March will result in extensive disruption and product displacement, a future trading relationship that contains non-tariff barriers also may impact negatively on supply chains. Therefore, the objective must be a trading environment that is as frictionless as possible.

Looking initially at a no-deal scenario, in the event of such an outcome, WTO most-favoured nation, MFN, tariffs could increase Irish and other EU food and drink export prices to the UK significantly after 29 March 2019. Higher trade prices will therefore cause export volumes from the EU to the UK to drop significantly. The disruptive impact of this possibility, combined with further currency turbulence and likely gridlock at ports, must be avoided for the sake of Irish agrifood. Even if this scenario is avoided, there will still be many important issues to consider in the future trading relationship.

Turning to trade and customs challenges, the UK is a member of the Single Market and the customs union at present and it applies the EU common external tariff and trade policy If any or all of these things change, there will be an impact on trade and customs. No third country has a customs-free border with the EU. We acknowledge the relatively low level of customs checks currently, which results from pre-authorisation of traders, advance lodgement of declarations and an extensive system of post-clearance checks. However, a key objective in negotiating the future trading relationship with the UK must be to minimise even further the trade cost impact of custom checks by ensuring a customs relationship with as little friction as possible. The alternative is embedding additional trade costs into the business model of Irish agrifood exporters. There would be a large question mark over our ability to recover those costs in the marketplace.

The other big issue for us is regulatory divergence. Food products, particularly those of animal origin, face additional veterinary checks as well as customs controls. There are over 2,000 EU laws affecting agrifood and this body of law is highly dynamic. This dynamism is not just related to new legislation but also to reviews and recasts of existing regulations and directives such as, for example, the recast of the renewable energy directive, RED II, which can see substantial changes to the law. In addition, in agrifood, food safety incidents such as the recent fipronil residues in eggs issue can often result in a policy or regulatory response or both. Finding the right approach to managing regulatory divergence of food standards between the EU and UK will be essential for maintaining future trade as frictionlessly as possible. This will require establishing a mechanism that will allow EU and UK food standards under the scope of veterinary legislation, as well as under food law in general to remain as closely aligned as possible; a mutually acceptable food inspection system regarding imports from third countries; and a continued close relationship between the UK and the European Food Safety Agency, EFSA, which is key to continued future alignment of food standards. The objective must be to continue joint risk assessments with a common database to minimise divergence in standards and avoid trade impediments, and to reach an agreement on common rules on key drinks-related regulations which my colleagues will touch on in detail later. Our submission also refers to a number of technical issues, rules of origin, inward and outward processing relief and the land bridge. These are all critical and key issues which will need to be considered from an Irish agrifood perspective as they will have a major bearing on the future trading relationship.

The measures required by industry to respond to Brexit can be summarised as follows: a transition period of sufficient duration; a comprehensive and frictionless future trading relationship; regulatory convergence, not regulatory divergence; and additional support measures for agrifood, particularly in the areas of exceptional state aid supports, market diversification and market access. I thank the committee for the opportunity to appear today and would welcome any questions members may have.

Ms Patricia Callan: The Alcohol Beverage Federation of Ireland is also part of IBEC and we represent drinks manufacturers and distributors within the State. Unusually within IBEC, we are an all-Ireland trade body and we also represent member companies in the North of Ireland, with a total of 48 companies. The ABFI comprises five category trade associations looking after category-specific issues, including the Irish Brewers Association and associations for cider, spirits, whiskey and wine.

The Irish drinks industry operates on an integrated all-island basis with a particularly entwined sector in terms of production processes and supply chains. We have three cross-Border geographic indications, which means Irish whiskey, Irish Cream and poteen are protected by the EU in a similar manner to champagne in that they can only be made on the island of Ireland. We had four distilleries in 2014 but, following much investment, we now have 21 operational distilleries with another becoming operational in the coming weeks and a further 26 in planning. That global protection means the investment is much stronger.

We are seeing a rise in fake products being sold in third markets along with the rise of Irish whiskey as the fastest growing spirits category in the world. It was welcome to see in the withdrawal agreement that this protection will be replicated by the UK because we will rely on both jurisdictions to help us enforce that. Members will have received our position paper with the title, Brexit and the Irish drinks industry, in which we focus on future priorities and the future relationship. It is premised on the presumption that we will end up with an agreement rather than a no-deal scenario.

Some €1.6 billion of drinks products were exported from the island of Ireland in 2017, with €1.2 billion coming from this State. According to the Central Statistics Office, the aggregate value of trade in drinks products between the UK and Ireland in 2017 was €364 million, one third of which, €121 million, was the aggregate value of North-South trade. The spirits sector is a very big part of the economy of the North of Ireland.

The integrity of glass is essential for our products from a food safety perspective and more than 130 million glass bottles are imported into the State from the UK every year. In the event of no deal, tariffs would apply to these imports. Businesses are stockpiling, which means there are already shortages in core products. We physically cross the Border with more than 23,000 truck movements annually, over 5,000 of which are alcohol tanker movements with products made in one jurisdiction and bottled in another. The growth brought about by investment in the industry means we are using bottling sites across the country.

We are watching the vote in the House of Commons very closely and we have been liaising directly with the British Government and representatives of our Northern Irish members. While not perfect, the withdrawal agreement represents the best possible approach to Brexit and we are strongly of the view that no deal would be seriously damaging to the Irish and UK economies, including the all-island drinks industry. The potential consequences include the lack of continuity in legal protection for Irish cross-Border geographic indicators in the UK; immediate tariffs on cream, barley, malt, glass bottles, apples, finished cider and other supply chain inputs; and regulatory and custom checks at the Irish Border leading to additional delays and costs, with each one-hour delay for a truck costing €100. There will also be a requirement for upfront VAT payments at point of entry on cross-Border trade, which would have massive cashflow implications for business. We currently have a very sophisticated excise control movement around the EU and if the UK does not replicate that, it poses very serious challenges as we are required to pay excise as we cross borders and face physical checks. We would also see regulatory divergence across a range of standards, from labelling to bottle sizes. The benefit of being in the EU Single Market is that those costs are reduced for businesses.

The adoption of the withdrawal agreement, therefore, represents the surest way to avoid these impacts. The Government and State agencies have done a great job and members in the North have had nowhere near the amount of supports, education, awareness and proactivity that members here have received from the likes of Bord Bia, Enterprise Ireland, the Revenue Commissioners and InterTrade Ireland. With historical listings in the European Investment Bank, distilleries and spirit producers have so far not been able to access the Brexit loan schemes the Government introduced. The application last year was completely prohibited because European investment funding was involved and the spirits category is blacklisted for this purpose. We understand the Government is working very hard to ensure its future growth loan schemes and the scheme announced in this year's budget will be available to members. We look forward to a satisfactory resolution of this issue.

Ireland has benefited greatly from access to EU-backed free trade agreements globally. Scotch whisky is a key element of these agreements because so much is exported and it is very important for putting the drinks sector at the heart of its many agreements. Once outside the agreements, however, Irish whiskey and Irish cream will be the second and third biggest exports in this sector. We need to work very hard to ensure the EU continues to prioritise us in free trade agreements. The recent EU agreement with Canada abolished outstanding tariffs on Irish cream liqueur and Irish gin. All alcohol is bought by the state in Canada and specific tenders have been issued, meaning many of our smaller members, such as in the Irish gin sector, are being listed. It is a fantastic boost to them and it is working really well for us. We are positive about global trade agreements and have been inputting with European colleagues into potential free trade agreements with Australia, New Zealand, Vietnam and the Mercosur bloc, all of which is very positive. We are in 140 markets globally but we want to expand that number.

Free trade agreements, on their own, do not increase exports. We also need to upskill our companies. In our industry, cider has the greatest exposure to the UK, with 85% of all cider exports going to the UK in 2017 according to CSO export volume figures, compared to 71% for beer. They are the two areas on which we need to focus for product diversification into new markets and this needs to be done with direct supports, such as participation in trade shows, and the provision of sales and marketing staff in international markets. Having feet on the ground and having global brand ambassadors are essential for growing brands and we would like to see more investment by the Government in these areas.

We would also like more effective and robust market intelligence, not only in the area of the demographics of countries but into what our competitors are doing and where opportunities may lie. The State can certainly assist us with this. Category promotion, in the form of trade missions, is absolutely vital and a drinks element needs to be built into every trade mission on which a Minister goes.

While free trade is often primarily viewed as a matter of tariffs, the issue of technical barriers to trade is equally important. One of the key areas in the EU where there has been harmonisation is around labelling but, recently, the Government has sought to introduce a barrier to trade and has, indeed, created regulatory divergence on this island, North and South, with country only labels for Ireland under the Public Health (Alcohol) Act 2018. This measure will deter small beer, cider, wine and spirits producers from exporting to Ireland, including the Northern Irish gin producers for whom Ireland is one of their major markets. The costs will be substantial. It is important to look at that and implement it in as practical a way as possible. We have asked the Minister for Health to establish an implementation group and would welcome the committee's support in that regard. I thank the members for the opportunity to make the submission. We look forward to answering any questions members have.

Senator Rose Conway-Walsh: I thank the witnesses very much for their very useful presentations on technical matters and tariffs in the context of what the cost of Brexit is likely to be. The witnesses commended Bord Bia, Enterprise Ireland, the Revenue Commissioners, the Government and InterTradeIreland for being prepared and for the work they have done. Are they prepared for a "no deal" Brexit? That is my question.

Senator Paul Daly: I thank the witnesses for the presentations. At this stage, all one can do about Brexit is talk about it unless one is in the House of Commons over the next seven days. We can talk about it until the cows come home. My questions follow the question from Senator Conway-Walsh who asked about State bodies. What contingency plans are being put in place by the individual companies the witnesses represent? What action is being taken with a view to addressing all possible outcomes of next week's proceedings in the UK and further down the line? What insulation have companies got for a mad fluctuation in sterling? Irrespective of the outcome, it is a matter of how markets read the outcome on a trading basis. While there might be no barriers and no divergence, sterling might fluctuate wildly. How are the companies insulated or how will they be affected? How do companies working cross-Border in two separate currency jurisdictions work so well from an export point of view? The drinks industry seems to operate on an all-Ireland basis but it is an island with two distinct currencies. How is that working now and how could it affect trading post-Brexit?

Deputy Thomas Pringle: We do not know what is going to happen and that is the reality of the situation. We can talk away about a "no deal" Brexit. We can take the view that everything is great with the deal that is on next week but it could suddenly be gone. We are speaking in a vacuum. The witnesses represent the same body. It is no reflection on them if I note to the committee that one presentation from a body would do. In fairness to the witnesses, they have said they do not know what will happen. We are engaging in guess work at the moment. It looks like the deal will fall so it is a question of the implications and whether one can plan for that. One does not know because another deal could be put in place with the result that all of the planning goes haywire.

Chairman: We are planning for the worst and hoping for the best.

Deputy Thomas Pringle: Planning for the worst and hoping for the best means having to have approximately ten plans. One cannot know which one will be used and, as such, one does not know which will work. Does one invest in all of the plans? That is a very difficult scenario for anyone.

Chairman: Have the witnesses seen a reduction of investment in recent times on foot of the uncertainty within the industry because of Brexit?

Mr. Paul Kelly: Yes.

Chairman: That is a straightforward answer. Will it take a while for that to stabilise and for industry to consider it is safe enough to go ahead with investment?

Mr. Paul Kelly: Once there is certainty from a business planning perspective, it reduces significantly the risk and allows decisions to be made much more easily. That level of certainty does not exist at the moment.

Deputy Thomas Pringle: It is whatever the certainty is.

Mr. Paul Kelly: To touch on one or two of Deputy Pringle's points, there are, in essence, two broad scenarios, namely "no deal" or, alternatively, a deal and a movement to a transition and discussions around the future trading relationship. From our perspective, we need to address both. I take the point that there is a huge level of uncertainty and that things are changing on a daily basis, in particular in Westminster. What was agreed in Brussels recently was two-fold. There was a withdrawal deal and a political declaration on the future trading relationship. They are going to get to that and it will hopefully be relatively soon but it is only a political declaration at this stage. It will become a free-trade agreement of some kind between the EU 27 and the UK. That is why, when we look at the medium to long-term aspects of this, we consider it to be hugely important to think about, talk about and be focused on these issues. Over the longer term, the outcome of that process will lock in our trading relationship with what will most likely remain our most important agrifood trading partner. If we do not get things right around customs and the regulatory relationship, costs will be embedded into our business model in the long term. As such, it is hugely important to look at those. There is a degree of certainty in the sense that it is going to happen at some stage or other. As such, it is important for us to focus on that.

From the immediate perspective, there is a great deal of uncertainty and it is very difficult from an investment perspective. From a business perspective and contingency planning, which is also a matter for the State agencies, there is a certain amount that can be done regarding a "no deal" Brexit. In some respects, companies have gone past the point of no return and one can probably say the same about State agencies given the additional veterinary and customs inspectors that are needed. One cannot simply recruit someone and put him or her *in situ*. Training is required and physical infrastructure has to be put in place. It is clear that the agencies are working towards December 2020 as the time by which they must be fully up to speed on that but I imagine emergency measures will be needed in the event that there is no deal on 29 March.

As Ms Callan said, companies have outlined the various scenarios and done all the plans. The major issue for most companies is that the level of uncertainty means the sort of investment required to ensure one is done and dusted by 29 March does not make business sense. They will do what they can where there is little or no cost. However, if substantial investment is required, most companies are not in a position to make it, in particular in low-margin businesses like food and drink.

Ms Patricia Callan: As to whether the Government and its agencies are prepared for a "no deal" Brexit, they are absolutely not. They have been very clear that they are planning for the central case scenario of having that transition. Even in my last engagement with the Department of Agriculture, Food and the Marine, I challenged that because it is bad. Our Revenue Commissioners have no plan for customs on this island. All the focus has been on east-west customs with the basic presumption being that it will not happen as there is political agreement that it will all be sorted. We think it would only be responsible to have done some sort of analysis, but the official position is that they have done nothing. That is what they have told us. That means we will be at the cliff's edge on 29 March and no one can plan for that. People have to focus on where to put resources. Logically, one is listening to all the mood messages and taking the view that it could not possibly happen. If it does, however, really dramatic decisions will be required. One cannot have everything in place across all sectors and regulatory areas. One would have to have some way to keep things going for a while by doing fewer inspections and so on.

As to contingency planning by our members, everyone is taking this very seriously. The larger companies have spent a great deal of money and carried out very detailed case studies around supply chains and the like with a view to ensuring everything is seamless and that there is as little impact as possible on the consumer. We cannot just think negatively. UK-based businesses are also reviewing from where they will supply. There might be some upsides such as, for example, in joint shipments to third countries. Irish whiskey is packaged in Scotland and sent from there. It might make more sense to turn it around and do it from here.

In a real practical sense, we brought members by one by one into the Department of Agriculture, Food and the Marine to work through their specific issues. The questions are about ports. People want to know if Dublin Port is going to work. They want to understand what will the tracking systems be, the lanes and who will be given priority. They are the questions companies are asking. It is granular stuff. It has been an interesting process and the companies have found it helpful to obtain that level of detail.

We have also been to Task Force 50 twice in the past five weeks to work through detailed excise stuff and how it will all work. It must be borne in mind that the UK Government has also come late to this process. Our very first meeting on excise issues with the UK authorities was about six weeks ago. There is no level of planning, although we certainly found good engagement and people had a good understanding of our issues.

My concern is that if we keep on going with the unknown, businesses will have to make decisions. They cannot just adopt the wait and see approach. People are already stockpiling and warehouses are full across the retail sector, as well as in our industry. Owing to that advance buying, one will see knock-on implications for both the Irish and UK economies when it all rolls out. One then has practical issues in terms of physical movements and planning for them. One might hear people saying they have had enough of this and they will hedge their bets one way or another in either jurisdiction, in the North or the South in our case. The Government needs to up its communications on the detail. We hear about how many jobs are being created in Departments and agencies, but we do not hear how it is going to help us as businesses. We know that is essential, as well as how protection of the food supply chain is critical.

Chairman: Is Food Drink Ireland's level of engagement with the Department weekly or monthly?

Ms Patricia Callan: The Department has a stakeholder group which does not meet all that often. We have brought in companies one by one, meaning that we have seen officials in the Department regularly in the past while. We felt that was a better approach because businesses cannot share confidential information with each other. To deal with the nitty-gritty and get practical insights, one has to have one to one meetings. The Department was willing to do this, which was helpful.

On currencies, most of our companies deal in 140 markets. Even our smaller companies are much better prepared to deal with such matters than the food sector in which there are much narrower margins. We have sophisticated modelling, as well as hedging instruments and such like. Obviously, if it is a free-for-all chaotic Brexit, no one can plan for it and one will certainly see a hit. Again, however, we are in relatively good stead.

On the differences between our organisations, we have some members in common, but all of our smaller companies are not in IBEC; they are in the Small Firms Association which is also part of IBEC. Our Northern members are only with our association. Accordingly, we are bringing that broader perspective.

We have seen significant investment in the drinks sector in Ireland purely because people believe in the product and our capacity to have the fastest growing spirits sector in the world. Building a distillery can cost between €15 million and €25 million. It was €50 million in the case of one of the more recent announcements. Another €5 million is needed to mature the stock and as much again for marketing and sales. There are geographic indications, as well as the belief we have top-notch product which is making traction in global markets. That is why we are continuing to see money invested in the sector.

From our perspective, the threat greater than Brexit is something like the Public Health (Alcohol) Act. There is also the US trade war. In the space of two and a half weeks we went from having steel tariffs to tariffs on bourbon and whiskey. There is still a 25% tariff on an imported product here, with the threat that the United States will retaliate against us at any time. Up to 50% of Irish cream and whiskey goes to the United States. If it hits us with a 25% tariff, the impact will be much more dramatic for us than Brexit.

We are clear on the issues. We need people to work with us at that granular level. High politics is all well and good, but we now need to get into the detail.

Chairman: Obviously, the drinks industry has ambitious targets. In the past ten years the growth of craft breweries, distilleries and so forth has been a good news story. Ms Callan has referred to three more coming on stream in the next few weeks. Has the industry had to review its targets?

Ms Patricia Callan: In the case of spirits, the focus is moving away from the United Kingdom, which means that they are fine. However, the position is different in the case of cider and beer, even in the production process. Up to 85% of cider finished product goes to the United Kingdom. The majority of apples used in the process are grown north of the Border. If one was to have a tariff on apples coming in and a tariff on one's final product going out, one would have some serious difficulties. That is the type of product with which one needs to diversify and, if necessary, move manufacturing accordingly.

Chairman: With 85% of cider going to the United Kingdom, it potentially presents a significant difficulty. Is that industry potentially under threat?

Ms Patricia Callan: Absolutely. It has serious decisions to make. For many food companies, it depends on where one one's market is and if one can diversify. Most businesses, however, do not approach it from that viewpoint. The United Kingdom is a profitable market in which they are ingrained. They ask us how they can protect what they have and grow that market. The question is from where one would supply it. The difference in the case of spirits and geographical indications is that there is no option, one has to make it on the island of Ireland. There is unique protection, which is why the laws on it are most important.

Chairman: Has the cider industry looked at other markets other than the United Kingdom?

Ms Patricia Callan: Yes. The craft beer sector has had great success in more recent years. Again, however, it is always going to be more costly. Our concern is the ports and the competition for space. The Government is more concerned with imports, rather than exports, because that is its duty. It is business-minded and states it is because it must ensure the ports will not be clogged up for our exports. Fundamentally, its responsibility is managing imports and its responsibilities include customs, veterinary checks and so forth. At that point, we will need to get product off this small island because we are an exporting nation. How do we up our subventions for new routes and ferries? Initially, the Government might have to subsidise it as an emergency measure as there might not be enough freight. One will need to carve out new routes and the infrastructure to go with them.

Senator Paul Daly: The association represents all drinks companies on the island. If there is a hard Brexit, what will be its role with Bushmills and Kilbeggan distilleries, for example?

Mr. William Lavelle: I have responsibility for the Irish Whiskey Association in the Alcohol Beverage Federation of Ireland, ABFI. We represent 35 companies in the North and the South. Obviously, we have historic distilleries across country such as Midleton and Kilbeggan in this jurisdiction and Bushmills in the North. We also have a number of smaller distilleries coming on stream in Northern Ireland. A different approach will have to be taken in the North and the South in representing the interests of these companies. At present, all Irish whiskey producers are in the European Union. They all benefit equally from access to EU free trade agreements which have been significant in opening up new market opportunities around the world. If there is no deal, possibly in a later post-transition stage, producers in Northern Ireland may not have access to the same free trade options. We will have a dual trade policy function in engaging on behalf of our members in this jurisdiction through the European Commission, while engaging with the Department for International Trade in London on Northern Ireland trade. One of the biggest challenges Brexit presents for our members in Northern Ireland is the loss of access to EU free trade agreements. They were significant in opening up exports and turning the Northern Irish economy around from being a closed regional economy to an open and globalised one. That is one of the biggest threats we face. As a North-South body, we will have to take up that dual function to represent members in Brussels and London on trade policy. That is one of the most significant implications we face.

Senator Rose Conway-Walsh: We could be facing a perfect storm for the food and drink industry and everyone employed in it if we are to have the double whammy of Brexit and increased tariffs from the USA. The consequences would be very serious. Is it correct that no products in the North of Ireland are allowed to use “product of Ireland” on their labelling?

Mr. William Lavelle: At present, products North and South are labelled “product of Ireland”. There is a question-----

Senator Rose Conway-Walsh: What about spirits?

Mr. William Lavelle: It is at present so spirits will do that. Going forward, there is a question mark over that. If one looks at the withdrawal agreement and the backstop, products in

Northern Ireland will be required to be labelled "product of UK, Northern Ireland". From an Irish whiskey point of view, we have a concern about that. We would far prefer to use "product of Northern Ireland" and our producers in the North feel that way too. The word "Irish" is protected in the term "Irish whiskey". Irish whiskey is a defined category and the fastest growing spirit category in the world. We want to protect the Irish identity of the product but that is very much an issue which can be dealt with in the negotiations on the future relationship. It is just one issue within the withdrawal agreement which is, overall, the best approach to Brexit. There are many issues here and the backstop may never come into play. An agreement might be put in place before an extended transition. The focus now in representing our businesses in Northern Ireland is to express support for the withdrawal agreement. A "no deal" is something we want to avoid. We hope that early in the new year, we will be in a position to move on from the withdrawal agreement to look at that future relationship. That is why the ABFI position paper published in October is very much about priorities for the future relationship. We want to get into those discussions and ensure companies in this jurisdiction and the North can get the best possible deal, not from this agreement, but from the next agreement.

Senator Rose Conway-Walsh: It is very obvious that partition does not serve the food and drinks industry in any positive way. It should start its own lobby.

Mr. William Lavelle: Our industry has existed very successfully from the days when we were all part of the British Empire through to today and it will continue to succeed. We have been through the ebb and flow of all the constitutional machinations. Irish whiskey will survive as will Irish cream and Irish beer. While there are challenges, we have to overcome them. It will not be easy, but that is our job.

Senator Rose Conway-Walsh: Mr. Lavelle referred to a joint committee on cross-Border geographical indications. How would that work?

Mr. William Lavelle: The withdrawal agreement already provides for a number of EU-UK withdrawal agreements. The geographic indications for the three cross-Border spirits are unique within the EU. They will be the only three geographic indications of approximately 3,000, if one takes everything from Italian cheese and Parma ham to champagne, which cross a border. As such, there is a definite need for close co-operation. That co-operation already exists. The Department of Agriculture, Food and the Marine is the competent authority in this jurisdiction while HMRC and Defra are the competent authorities in the UK. There is already very close co-operation on the application and enforcement of the geographic indications and we want to ensure it continues. We hope that as part of an agreement under which there is a whole architecture and infrastructure of joint committees, there is a specific joint committee on geographic indications given their unique cross-Border status.

Chairman: That concludes our session. I thank Ms Callan, Mr. Lavelle and Mr. Kelly for attending today and on previous occasions. The joint committee was the first committee to produce a report on the effects of Brexit and it was on the whole agricultural sector. With things moving on a daily and hourly basis, to a certain extent, our intention is to update our previous report. We hope to do that before Christmas. We will see how things transpire over the next number of weeks also. Hopefully, we will not have to plan for the worst-case scenario, but we must look down that road. The report will indicate that when it is produced before Christmas. I thank the witnesses for their presentations. There is no further business arising and the committee will adjourn.

The joint committee adjourned at 5.45 p.m. until 3.30 p.m. on Tuesday, 11 December 2018.