

DÁIL ÉIREANN

ROGHCHOISTE SPEISIALTA AN TSEANAID UM AN RÍOCHT AONTAITHE DO THARRAINGT SIAR AS AN AONTACH EORPACH

SEANAD SPECIAL COMMITTEE ON THE WITHDRAWAL OF THE UNITED KINGDOM FROM THE EUROPEAN UNION

Déardaoin, 18 Bealtaine 2017

Thursday, 18 May 2017

The Joint Committee met at 10 a.m.

Comhaltaí a bhí i láthair / Members present:

Seanadóirí / Senators

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Frances Black,	Michelle Mulherin,
Gerard P. Craughwell,	Joe O'Reilly,
Paul Daly,	Niall Ó Donnghaile.
Michael McDowell.	

I láthair / In attendance: Senators Ray Butler, Tim Lombard, Catherine Noone and Brian Ó Domhnaill.

Seanadóir / Senator Neale Richmond sa Chathaoir / in the Chair.

Engagement with Ulster Farmers Union

Chairman: Apologies have been received from Senator Mark Daly.

I remind members of the committee to ensure that their mobile phones are switched off at this point.

Today is a very busy session for this committee, a vitally important one in our work and indeed the ongoing discussions that we are having. On behalf of the committee, I welcome the president of the Ulster Farmers Union, Mr. Barclay Bell, and the chief executive, Mr. Wesley Aston. It has become clear quickly from our meetings so far, especially in agriculture, that our two economies are intertwined and linked in very fundamental ways, with daily transfers across the Border and back again of milk products, cattle, pork and so on. For some products, the raw material goes from one side of the Border to the other for processing. Before I invite our guests to speak, I want to welcome them again. My late grandfather farmed cattle on the Cavan-Fermanagh border for many years, as Senator Joe O'Reilly knows. I would not say he was cattle-rustling at the time, but many products went back and forth seamlessly many years ago. Before we begin, I would like to read out a note on privilege.

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 Houses, or an official, either by name or in such a way as to make him or her identifiable.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to this committee. If they are directed by the committee to cease giving evidence on a particular matter and they continue to do so, 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, her or it identifiable.

With all that out of the way, I welcome the witnesses and ask them to speak.

Mr. Barclay Bell: I thank the Chairman. We appreciate the opportunity to come and present here this morning.

I will start by saying a little about the Ulster Farmers Union. We have between 11,500 and 12,000 members. There are 25,000 farm businesses in Northern Ireland, so we are a key player in the North. I think all the members of the committee have a copy of our presentation. We will start on the second slide, which addresses the matter of where we are now. It mentions the political situation in both Northern Ireland and the mainland UK. At present, when we do not have devolution, we do not have anybody sitting at Stormont and we do not have anybody in London right now, we feel somewhat exposed as an industry in that we do not actually have anybody to talk to. Hopefully there will be somebody by the end of June. It could be a longer process up at Stormont. As far as the Ulster Farmers Union goes, our process has been a case of consultation. We started off the week after the referendum and tried to identify ten key goals and what was going to be important to the farming industry. Since then, we have started to develop our thinking, and, just last week, we launched a discussion document on possible support arrangements for the industry going forward. That is all happening and live at present.

I think the biggest issue here is probably the uncertainty. There is no real clarity anywhere at the minute. Article 50 has been triggered. After the general election in the UK, we will maybe start to get a bit more clarity. From the Ulster Farmers Union's point of view, we had ten key goals. Those were identified in the first fortnight after the referendum, and we are focus-

ing on four main themes. They are trade, agriculture support, regulation, and labour. We liaise closely with our counterparts in Scotland, England and Wales, as we do with the Irish Farmers Association here as well. When we looked at the four themes, the one which we identified as being key in all of this was the issue of trade. Trade and trade deals will affect everything else. While there seemed to be some doubt around whether the UK was leaving the customs union or not, in some recent discussions we had just last week, at our premier show in the North, we got an indication from the Secretary of State that we would be leaving the customs union. The term “a deep and special partnership” is used, which we want. The definition of that is important.

Trade North to South is one of our key issues. I am sure members of the committee are all aware of the statistics about milk. Probably 30% of our milk pool travels up and down on a daily basis. Probably upwards of 40% of our lambs are processed here in Southern meat plants. Conversely - I am not sure of the exact figure - many pigs head north for slaughter and processing. The logistics of crossing the Border on a daily basis must be worked out. There is no doubt that flexible and imaginative solutions will be required. Procedures that slow down the transportation of milk and lambs to the South and pigs to the North would have a major impact. The extent of trade and trade deals will have a major impact on the level of support needed by farmers.

The agriculture sector in Northern Ireland receives approximately £300 million per annum from the United Kingdom. We have been given an assurance that this level of support will be guaranteed until 2020. Our big fear concerns what will happen after 2020.

Some farmers voted to leave the European Union as they had become very frustrated with the current regulations under the Common Agricultural Policy. We like to think there will be an opportunity to draw up an agricultural policy for the United Kingdom which would be fit for purpose and move the industry to a different level. The key to this is the government not taking Ulster farmers over a cliff edge. Agriculture and agricultural industries will need a transitional period. A new support system must be focused on productivity, under which the farmer producing the goods will be rewarded, there will be environmental sustainability and some level of regionalisation. We hope a devolved government will be back in place. There have been some suggestions of a UK agriculture Bill. We would like to see legislation to give certainty to the industry and, possibly, ring-fence a pot of money in an agriculture Bill. Noises have come from Whitehall in that regard and we will watch with interest to see what happens.

There has been a considerable level of activity by the Ulster Farmers Union in the past couple of months and it will ramp up throughout the summer.

The conversion of EU law into domestic law will result from the great repeal Bill and we hope to see regulation evolve over a period of years. There will be an evolution of regulation and we hope it will be science based and that we will see advocacy first and regulation second. We have seen a few examples of this model working in the North. We believe advocacy first and regulation second is sometimes a better way of working.

Labour is a significant issue. Upwards of 65% of the workforce in the agrifood industry and meat processing plants are migrant labourers. A major concern for the wider industry is access to labour. The Ulster Farmers Union and the four UK unions believe this is an issue the British Government could sort out quickly. It is not only in the agrifood industry that there is a requirement for labour, it crosses many industries in every MP's constituency. There is a need for a statement on the supply of migrant labourers. As I said, this is an issue that could be sorted out quickly by the British Government.

The Ulster Farmers Union believes farmers need the best possible access to European markets and that they need to secure additional trade agreements outside the European Union. The fear when the United Kingdom enters into trade deals will centre on whether the food imports are produced to similar standards to those applying in the United Kingdom. Farmers could not accept product produced to lower standards being imported into the United Kingdom. A key point is that anything that would disrupt the existing trading relation between the North and the South could have very damaging effects. We have high animal health and plant health standards in Northern Ireland and want to see them maintained. There are no borders when it comes to animal and plant health.

I will compare the level of growth in exports from the food and drink sector in the years from 2005 to 2014. A strategy report from three or four years ago identified the potential of the agrifood industry in the North. Since 2005 the percentage increase in food and drink sector sales was 96% to Great Britain, 114% to the Republic of Ireland and 135% to other EU member states. Milk and milk products, as well as beef and sheepmeat, are the significant contributors to this growth.

The rates of food self-sufficiency in the United Kingdom have been highlighted in the past seven or eight months. The United Kingdom is only 61% self-sufficient in food production. We have a table that shows that the United Kingdom has a self-sufficiency rate of 55% for pork and 75% for beef. There is room to supply product to the UK market. We have another table in which we compare imports and exports that shows the UK trade imbalance by commodity. There is a major trade gap, with a significant level of imports of poultry products. It extends right across the board to beef, lamb, dairy and pork products, but the difference is less marked in the case of eggs.

We have set out in tabular form alternatives to EU membership. Members will see from the tables there is not much change at the top but if they then go right down to the two free trade agreements and to the figures for the World Trade Organization, right down at the bottom, they will see a lot of red boxes and many things that would change. At the moment we are looking at all these alternatives. There is much talk about the Norwegian model and reference was made to the Cypriot model. Currently, we are trying to look at all the different scenarios going forward. This presentation has been a quick overview. Trade, labour, regulation and agriculture support are the four key areas that we as an industry are trying to get our heads around in order to move the whole debate on, and in the absence of any political stability in the North.

Chairman: I thank the witnesses for the very detailed presentation. The accompanying documentation is very useful.

Senator Paul Daly: I welcome the two representatives and I thank them for their comprehensive report. I wish to tease out a little more information to get to the kernel of the issue and for report purposes. I am on the record as saying - I do so on a weekly basis with the different groups who appear before us - that we are all hoping for the best but we must think and plan for the worst case scenario. With this in mind, from a farming perspective, during the campaign one of the selling points of the side canvassing for Brexit was the crippling EU standards and red tape that farmers have to meet. I am a farmer and I know there are days when it is frustrating. Northern Ireland farmers would not have to maintain those standards if the UK went on a solo run, to coin a phrase. If the farmers in the North intend to trade with any other EU country, tariff-free or otherwise, their product will not be accepted unless it is to an equal standard at least. What do the witnesses think of this? The farm sector may maintain the standards but it will be policed by a different body even if it is not policed by Brussels or Strasbourg. While

the process may be identical and if things get tweaked on paper to have, in theory, better standards going forward, it may not be recognised as such within the EU. I would like to hear the thoughts of the Ulster Farmers Union on that issue.

I acknowledge the points raised in regard to the break-up of the Northern Ireland Assembly. It must be very frustrating for farmers with no assembly, no Parliament and no Government at the moment. Where do they go with their concerns? I would like to know where the Ulster Farmers Union was in respect of lobbying before the breakdown of the Assembly. The Irish Farmers Association - the UFU sister group here in the South - will appear before the committee later today and I will ask it the same question. I would like to know what level of contact both organisations have with each other, how closely they are working together and how intertwined are the approaches.

Aside from the trade aspect, for my sins I have a small interest in breeding pure-bred Aberdeen Angus. At the Carrick-on-Shannon show, which is the biggest one, more than 50% of the cattle on show and for sale are from Northern Ireland. Have we gone that far down the line if there is a hard Border? How will events such as this be affected? Will the breeders and farmers from Northern Ireland be able to show their stock in Ireland? How will the different standards affect this? Trade aside, the Ulster Farmer's Union might look at the overall picture of an all-island activity. Some would consider this to be a hobby or a sport. While it is within the farming remit, farmers are not in it to make money, they are in it for the love of it. This is just one example. How badly will events such as this be affected with a hard Border?

Senator Joe O'Reilly: I join my colleagues Senator Daly and the Chairman in welcoming our guests today. I am delighted they are here. I thank them for the accessible documentation they provided to the committee. It is very clear and easy to deal with. Before going into specifics, in a general sense, is the Ulster Farmers Union contemplating a special deal for the island of Ireland within the overall deal? Are Northern Ireland's farmers contemplating the special trading arrangement that might emerge from the possibility of using a combination of the Good Friday Agreement and our relationship with the EU that could result in east-west trading between Ireland and England, which would facilitate trade if at all possible without customs and tariffs? Are the farmers contemplating that sort of solution or is that too pie in the sky?

I live in County Cavan and I am very conscious of the specifics that have been raised such as the 30% of milk being processed in the South, the 40% of lamb and the numbers of pigs that go North. A local co-op has a processing plant in my own town. Lakeland Dairies is a substantial employer in the area and accesses quite an amount of its milk north of the Border. It is processed in Bailieborough and in Lough Egish. It was said that we need imaginative supports and I presume the witnesses are speaking of customs being electronic or involving minimal physical delays. There would be costs associated with that. Would this make it an unviable option for an organisation such as Lakeland Dairies to continue that arrangement and would it be unviable for the pigs to travel to the North in the event of a customs union? This raises another question. From their meetings or from anecdotal evidence, does Mr. Bell or Mr. Aston believe there is any chance that we will get a return to anything akin to free trade between the UK and the EU, although that prospect may have receded a bit lately?

Subsidies are a very serious issue, obviously. I presume that the Ulster Farmers Union sees the source of subsidies of food as being the domestic UK Government after the transition period post-Brexit. Are the witnesses concerned about the political factors that will be at work there? The political factors and the strong lobbyists must surely concern them. There would not be a strong farmer lobby in an overall UK context but there would be a need for food and relatively

cheaply produced food. One would have to look at how the second consideration would work.

With regard to food and the veterinary area, are the farmers in Northern Ireland advocating for the veterinary standards, about which Senator Daly spoke earlier? Will veterinary standards, traceability and food standards for hormone-free food all be maintained at current levels whatever the regulatory body is? Are they of the view that food could not come in from other outside countries - Commonwealth or otherwise - that would be sub-standard? Is the Ulster Farmers Union advocating strongly on that issue? I would be interested to hear its views on it.

The labour aspect is very interesting. From talking with people at all levels in the UK - public and private individuals - the big issue in determining the Brexit referendum vote appears to have been immigration. It is clear from what the witnesses have said, and I agree with them as I know it to be the case in Ireland also, that there will be a need for labour to come in from outside. I would like the union representative to elaborate more on this. How does the Ulster Farmers Union see this objective being achieved in the context of the controls wanted by Brexiters? Keeping control of immigration was their number one issue. The labour issue is a practical reality that may not have dawned on everybody. It would have dawned on people at the witnesses' level but ordinary punters wanted to vote out aspects of immigration they perceived as troublesome. They did not realise the downside to that.

I am very heartened to see the destination of Northern Ireland's food and drink sector sales and growth over the last years and the trading relationship between the Republic of Ireland and Northern Ireland strengthening. It would be a shame that anything would thwart or change this. I ask the witnesses to comment on this. It is great that a delegation from the Ulster Farmers Union is present because we want to hear from it, and then put the same questions in a converse way to the IFA to see if we can arrive at an overview.

Senator Niall Ó Donnghaile: I welcome my fellow Ulsterman who are with us today. It is good to see them. We can all appreciate the detail in the report and the presentation given to us this morning. For me it is quite stark because it indicates just how much of a disaster Brexit has the potential to be for our economy, North and South. I am struggling, with the greatest respect, to see any positives for the agriculture or agrifood sectors or for anyone else. We do not want the British Government to take us over a cliff edge and, unfortunately we are dangling very dangerously close to the edge at present. We have highlighted some points on the issue of trade, and I am sure that witnesses have seen the reports on the front page of the *Irish News* today that potentially one in 12 vehicles will be stopped. This comes in light of the fact the Irish Government has conceded it is scoping out sites for customs checks along the Border at present. There is the issue of labour and more than 65% of workers in the food and meat producing sector are migrant workers, which I believe is a significant figure when we consider the ethos of the Brexit lobbying and campaign. Senator O'Reilly covered much of what I had intended to ask. I hope we can expand on the issue of funding support, which it is indicated will be maintained to 2020. What engagements have the witnesses had with the British Government on it meeting and matching its commitment on EU subsidies and other EU funding sources and streams? What indications have they had from the British Government? Prime Minister Theresa May launched her manifesto this morning. I do not know whether it featured, but I could be corrected.

Senator Michelle Mulherin: I welcome Mr. Bell and Mr. Aston and thank them for their presentation. Many questions have already been put. I am struck by the statement, which we know to be the case, that there is dissatisfaction among Northern Irish farmers with the CAP. Malcontent with the CAP is no news down here either. Overregulation was cited by Senator Daly and there is also a perceived unfair distribution of the funds. There is always a running

battle about how the pie should be divided up and who is more worthy. In reality, is this a significant factor in the decision of those who wanted to leave? How do the witnesses envisage conducting their farming differently if they are not subject to the CAP? What difference will it make in how they do their business? I am speaking about what people are trying to get away from by removing themselves from the European Union. It follows from Senator Daly's question. How will it tally with farmers doing business with the European Union and the standards to which they will need to adhere?

Is it not a fact that many of the ills of farming can be more attributed to international factors, such as the commodity prices of milk and beef and the price of inputs, such as fertiliser and fuel, which we know are volatile? Is this reality? We are where we are, in that the vote has happened, but I am interested because it is a recurring theme here. We are looking at it with regard to areas of natural constraint and the distribution of funds. Do the witnesses have concerns about the possible importation, or the liberalisation of the importation, of meat and other foodstuffs from South America? What assurances have they received? What feedback have they received from the British Government on this? What are the witnesses asking? Are they stating this will not be acceptable or will they state they will lower their regulatory standards? How do they see this panning out? Where will they be on this?

Senator Gerard P. Craughwell: I thank the witnesses for travelling here today and for their presentation. I wish to focus on certain comments that have been made and then ask questions. With regard to agricultural supports, people from Westminster who came before the committee recently made it perfectly clear it was their desire that any outstanding funds due to the EU to 2020 would not be paid and as far as possible it would be a cut and run. If it is a cut and run, the £300 million, I assume, is tied up in the 2020 agreement. Given the size of the agricultural lobby in the UK, if the UK does not live up to its commitment to the EU do the witnesses see the £300 million disappearing well before 2020? This would be detrimental to the farming sector in Northern Ireland.

The figures produced by the witnesses on growth in Northern Irish products are impressive to say the very least. However, I would like to know how much of this the witnesses attribute to the all-Ireland marketing of agrifood products. There is no doubt we are on the premium side of agrifood, and I assume this is as much in Northern Ireland as it is in the Republic. Like Senator Mulherin, I am concerned that in certain parts of England cost would drive the market rather than quality. We can expect that in the south-east high quality will still be in high demand, but in some of the other parts of England cost will probably drive it.

In an ideal world if the witnesses were told tomorrow morning by Theresa May and the European Union they can write their own deal what would they want? How would they see it work? Do they see a benefit in us marketing Ireland as the island for agrifood? The Border is a bit of a joke when we speak about agriculture because farmers in Northern Ireland can have their cattle in the North in the morning and in the South in the afternoon. The Acting Chairman and I were in Brussels, where we were told to bring a solution and do not mind how ridiculous it might sound because they might just take it. The witnesses have been given a free canvas to write their own solution and I ask them to tell me how they would do it.

Senator Michael McDowell: I welcome the witnesses and thank them for their presentation. I want to broaden it to the strategic. As I understand it, the 2020 guarantee is not very significant. The CAP is coming up for review in 2020. We are now in 2017 and Article 50 has been triggered, which will bring us up to 2019. The 2020 horizon will be on us very soon. The real question is what is Britain's policy on agriculture and food thereafter. Is it the view of the

Ulster Farmers Union that the UK will pursue a low-cost agricultural system from now on? If the UK as an economy is pursuing low-cost food prices and unsubsidised agriculture then given the prevalence of world prices, it clearly has very strong implications as to what can be done on an all-Ireland basis, especially if Europe is going in one direction under a revised CAP and the UK is going towards a cheap food policy, with imports from South America and New Zealand. Secondly, in that context, I can see from the Ulster Farmers Union charts that the United Kingdom is a net importer of food. Therefore if it is isolated as a unit, and if there were tariffs and an expanding market at current prices, it feeds into the first question. If Britain regards itself as free to pursue a cheap food policy, can Northern Ireland agriculture go along with this? Can it benefit from it?

The farmers' union members, like us all, are looking in a crystal ball, but what are their views? Westminster seems to have been engaged in a decade long series of public expenditure cuts. Do they see it taking over the process of subsidising agriculture beyond 2020 at current levels? I would be interested to know where Mr. Bell sees Ulster farmers' interests being protected and how that would be done in terms of the UK strategy.

Mr. Barclay Bell: I may bring the chief executive in at different times. There is quite a range of questions.

Senator Daly touched on regulation. We only have to ask some of our producers in, for example, the vegetable sector, who is driving the regulation. They will say that it was not the EU regulation that really bothered them, but the regulation from the retailers. Some of our farmers got hung up about regulation, that there was going to be a bonfire of regulation, but we would see this more as an evolution of regulation. Some of the regulation that has perhaps come out of Brussels has been very difficult for farmers to understand. It has not been science based. What we are saying is that any new regulation has to be science based and there might be a change in the delivery of the regulation, but we are adamant that regulation is here to stay. Retailers will drive regulation. We will have to satisfy that regulation and there is a full recognition out there that if we want to export product into the EU, we will have to meet those standards. It might be more the case that there will be a simplification of the regulation and its delivery. Commissioner Hogan has indicated that he wants to try to continue to simplify the regulation within the EU.

There was a question of how we were getting on with Stormont before it fell. We were making good inroads. The worth of the agrifood industry to Northern Ireland is recognised across all political parties in the North when one considers this is an industry worth over £4.5 billion to Northern Ireland. In the wider agrifood industry, including processing, over 100,000 jobs are hooked on the industry. We are convinced that our politicians in Northern Ireland fully understand what the agrifood industry is all about, but the bigger fear is whether that message gets through across the water in Whitehall. That is why, along with everyone in the North at the moment, they want to see Stormont back up and running. We need representation there, fighting our corner. We are in a good place on recognition around the importance of the agrifood industry.

We have strong links with the Irish Farmers Association and we meet on a regular basis. There is a recognition that the Border is a key issue in all of this when one considers that we may well have farmers who are farming North and South because their lands straddle the Border. We are told there are 250 or 260 roads crossing the Border, never mind all the little farm tracks. I do not think anyone wants to see us going back to a hard border, but there will have to be a lot of thinking on how we find imaginative solutions. We have good relations and meet regularly; we attended the IFA's big event in Goffs recently. We meet Joe Healy and the team

in Brussels quite often too. There is a good line of communication there.

What was Senator Daly's exact question on trade? Was it about the Aberdeen Angus?

Senator Paul Daly: Yes, on trade, like the farmers straddling the Border.

Mr. Barclay Bell: In that situation, animal health and plant health requires an all-island policy. The Border does not recognise TB or whatever issue. There has to be that sort of freedom that animals can cross. When one thinks back to when there was a hard border, animals moved fairly freely when one thinks about the number of cattle that would have come up to the North for finishing or whatever. There was a fairly free movement of cattle then but, as we outlined in our initial presentation, there has to be some thinking done around how we can have an all-island plant and animal health programme in the future. If my colleague, Mr. Wesley Aston, wants to butt in at any stage, he should do so.

Senator O'Reilly mentioned the possibility of a special deal for Ireland and how that arrangement might look east-west or North-South, for that matter. There has to be some imaginative thinking around that. The east-west arrangement is as important as the North-South arrangement. There does not look to be any clear thinking about that now and perhaps that cannot move on quickly until our own local politicians get involved. All this relates to there being a political vacuum at the moment and we find it difficult to talk to the right people. So far, in London, we have spoken to the Department of Exiting the EU and to Andrea Leadsom in the Department of Environment, Food and Rural Affairs. We have not yet had access to Liam Fox. The National Farmers Union in England and Wales has had access to Liam Fox and the Department of International Trade, but at this stage we have not had access to Liam Fox. He is a man we would like to get to talk to and this goes back to the point regarding what they are thinking about international trade and trade deals. Are they going to rush off to sign deals with other countries, maybe other Commonwealth countries? It is key that we get some insight into the thinking around international trade. The Senator mentioned milk. Was it around the costs?

Senator Joe O'Reilly: Yes.

Mr. Wesley Aston: In relation to some of these points, I will just touch on this one at this stage and then come in again if the president leaves anything that he has not touched on.

In terms of trade, the issue, in particular in relation to the North-South movement of products and animals at present, is not even necessarily the customs rates. There are tariffs. It is all sorts of things, such as the non-tariff barriers. That is going back to this issue of equivalent standards and ensuring we have the veterinary checks and everything put in place. That is the bigger concern because that has to be done over and above the normal traditional customs posts. That is why we are always keen to minimise any disruption between the North and the South in terms of trade. That is why, while one could argue about a special deal, we have been told clearly in Brussels that it is not special status that we are going for. It is encouraging, from our point of view, that any time we have been in Brussels there is a clear recognition of the issue on the island of Ireland. However, in relation to Senator McDowell's point, it does not go as far as recognising that there is an east-west issue. There is a North-South issue on which it is very focused. It does not necessarily see east-west as being its problem and I can understand that. That is a very important issue.

We do want to minimise any potential trading barriers, whether it is tariffs or non-tariffs. Non-tariffs could actually be a bigger issue.

Mr. Barclay Bell: The Senator also mentioned subsidies and asked if there is the political will in the UK Government to continue with subsidies. It comes back to the point about food security and to the point that the UK is only 61% self-sufficient and all indications are the British consumer wants food produced to a high standard. It is very much a red line issue, as far as the farming unions go, that we cannot accept that there would be food coming in to the UK produced to lower standards. I suppose one has to think of whether a trade deal should be struck with the US. There is the hormone-treated beef and the chlorinated chicken. Those are the sorts of issues. That is really a red line issue for us. We all recognise, both in the UK and Ireland, that we are producing food to some of the highest standards probably in the world. Why should that be jeopardised and why would one even consider exporting an industry to some other part of the world where, maybe, on welfare grounds or on environmental grounds, they cannot come up to the standards that we have to satisfy? That maybe covers the Senator's point around veterinary, that is, about such matters as the hormones and chlorinated chicken.

We still believe the issue of immigration and labour is one that the UK Government could sort out fairly quickly. This is low-hanging fruit that affects a huge range of industries right across agrifood, hospitality - you name it. The labour requirement is huge. One need only ask some of our agrifood processors if they were to try to employ local labour whether they could they get it. The answer is simply "No." The labour issue is a big one.

Senator Niall Ó Donnghaile also mentioned the labour issue. We made the point that it is one of the first issues that could be sorted. I suppose it is right up there in the top three. Michel Barnier has indicated that both the Border issue and the labour issue have to get sorted fairly quickly. We feel this is one where we need a clear statement from the UK Government.

Obviously, I agree there are concerns around customs posts and how this would work out. That will build costs into the system. It will slow down the transport of product to the South. I refer to anything that will build costs into the system, if there are to be some sort of customs checks. In any of our discussions with officials from here, there seems to be electronic methods to get around some of this but, as I stated, on costs or those sheer logistics on a daily basis, we have got so used to just driving up and down the road that nobody wants to go back to where one would have to stop or whatever.

On funding support, as farming organisations right across the UK, we have a major job to convince the UK Government that this is an industry worth supporting. We have to go right back to the fact of food security. Food security is important to any government. Why would one consider exporting an industry to somewhere else in the world? Over the past ten years, we have seen the issue of horse meat and some of the food scares there have been. That tightened everything up in the UK. There was this big focus on short supply chains. Those are some of the points we have to hammer home, as well as the fact that currently 30% of our payment is linked to environmental stewardship of our farms. We fully accept we have a responsibility to deliver such environmental stewardship and that is something we can demonstrate. Anyone would say that if one takes the farmers out of the countryside, one will soon see the countryside completely changed. Therefore, farmers have to be kept in the countryside. It is not only about producing food. It is about the wider rural communities. If one takes the farmer out of the countryside, rural communities will suffer big time in all of this.

Senator Mulherin mentioned the unfair distribution within CAP and how we might see a new model of delivery. We have a discussion document, which, as I said, we are happy to share with the committee, that the 15 committees within Ulster Farmers Union considered. What we are suggesting is that any new delivery model has to be geared towards those who are being pro-

ductive, who are active and are looking after the countryside, but key to all of this is that they have to be productive. We are suggesting that there would be some sort of baseline payment which would satisfy baseline environmental standards. That baseline pot of money would also deliver around education and training. It might deliver around marketing. For the farmer who really wanted to move his business on, I suppose there was this thinking that the old system of subsidies did not incentivise anyone to be efficient, to be productive and to move one's business on. We are saying that, on top of this baseline, one would then have these different pillars or modules, or call them what one may. Should that be possibly a capital grants system to assist one in driving efficiencies on? Should it be, for example, producer organisations? There would be a pot of money for that. There would also be a pot of money if one wanted to raise one's animal welfare or plant health to a higher standard, if one wanted to really go for that. There could be another pillar for those wishing to reach higher environmental standards. One could broaden the range of issues to include rural broadband and diversification. Take tourism, it is not for everybody but if there was money available it would allow people to make choices. There should be something for everyone. The farmer has to decide whether he wants to make himself more proficient and his business more efficient, more productive and more sustainable. We would try to put forward a policy to drive that sort of thinking in the industry.

The document was only released last week. We intend to canvass our members and the wider industry in the next number of months to get their opinions on it. I think part of the problem with the CAP is that it does not reward the person who wants to be productive and efficient. This is a way that we would see agriculture moving forward.

The British Government may decide that it wishes to import low-cost product from the rest of the world, but it goes back to the point that we cannot accept imports from countries, where the product is produced to a lower standard. I think that is a red-line issue for us and I think it is a red-line issue for the four UK unions. Why would one consider such a proposal? We are strong on that issue.

On the issue of unsubsidised agriculture, it is always a threat. The Secretary of State for Environment, Food and Rural Affairs, Ms Andrea Leadsom, and Ms Theresa May have played their cards reasonably close to their chest. We do not know what will happen after 2020 at this stage. We hope that under the changes we will still get continued support. Change takes time. If there are proposed changes in agriculture, there must be a transition period. We cannot go over a cliff edge. We all know that farming is a cyclical business. There is a lead-in period so we cannot change overnight. That is a fear for the farming industry.

Some of the indications from Brussels are that the pot of money for reform of the CAP will be under pressure. When the UK leaves the European Union, there will be a big hole that must be filled in some way or other. Some of the conversations would suggest that the money will start to move east to some of the less productive countries in the European Union in the next round of CAP negotiations. There are those considerations.

Chairman: I apologise for interrupting Mr. Bell, but proceedings have overrun. We have used five minutes of the time allocated for the next session. I ask him to conclude and if he has further comments he could submit a supplementary written submission. I thank Mr. Bell for coming before committee.

Mr. Barclay Bell: I thank the Chairman and members for offering the Ulster Farmers Union this opportunity. We are available at any time.

Chairman: I thank Mr. Bell.

Sitting suspended at 11.05 a.m. and resumed at 11. 15 a.m.

Engagement with Teagasc

Chairman: On behalf of the committee, I welcome from Teagasc Professor Gerry Boyle and his colleague, Dr. Kevin Hanrahan, to talk us through more matters on our busy schedule for today focusing on the agriculture industry. We have had a lot of engagements, including a very thoughtful one immediately prior to this and there is still a great deal more to do today. As such, I will waste no more time in asking Professor Boyle to make his address.

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 Houses or an official, either by name or in such a way as to make him or her identifiable.

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 it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to 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 asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or an entity by name or in such a way as to make him, her or it identifiable.

Professor Gerry Boyle: Teagasc very much appreciates the opportunity to speak to the committee on the issue of the withdrawal of the United Kingdom from the European Union. Naturally, our contribution will focus on the agriculture and food sector. Unsurprisingly, our overall view is that the best outcome from the perspective of the Irish agriculture and food sector would involve as little change as possible to the current nature of trading and relationships among Ireland, the European Union and the United Kingdom. I refer members to our presentation handout. I will talk them very briefly through a few key points. A great deal of the information on the initial assessment of the impact of Brexit, or at least what has been referred to as a “hard Brexit”, is well known at this stage. I will focus on a couple of aspects which are perhaps not as well appreciated.

The key issues include the trade impact which is the dominant economic impact, but I also wish to focus on some issues related to North-South agri-supply chains. Teagasc is also of the view that there is a potential negative impact on the Common Agricultural Policy budget. The final issue I intend to address is what will be required to enable Irish companies to diversify from the UK market to the greatest extent possible and what we consider that process will involve. Teagasc and colleagues in the Department of Agriculture, Food and the Marine and our sister agencies attached to that Department have organised a very significant response to the Brexit challenge by establishing a dedicated unit to monitor continuously developments in that regard. We have also established a working group across the entire organisation comprising colleagues in various research areas, including processing research and our advisory service nationally. We hope, with our colleagues in the Department, to be in a position to respond to issues as they emerge.

As the situation pre and post-Brexit is well known at this stage, I will not spend too much time on it. Pre-Brexit, we enjoy as a member state of the European Union a situation *vis-à-vis* the United Kingdom in which regulatory frameworks are identical and no customs procedures apply to trade. No tariffs are levied on trade. Post-Brexit, a known unknown, there is the possibility that regulatory frameworks will diverge. That is a concern which will add to the cost of trade. If the United Kingdom moves outside the customs union, there will be clear additional costs in the processing and administration of customs requirements. Of course, the major potential impact is the imposition of tariffs on trade with the United Kingdom, as well as third country competition for Irish products in the UK market. These are well known issues. A variety of analyses have been conducted by colleagues in Teagasc, led by Dr. Hanrahan, to quantify the impact of different Brexit scenarios.

In simple terms, the impact of a hard Brexit boils down to the potential tariffs that could be levied on Irish imports into the UK. We have tried to simplify, in the bar chart members have before them, the complex potential tariff arrangement that would be in place in the event of the World Trade Organisation, WTO, tariffs applying, for example, if there was no deal. Clearly, this is at the outer extreme of possibilities. Members can see from that chart that the beef sector would be substantially hit with an average tariff of the order of 70% in that scenario, the dairy sector would be hit by an average tariff of 50% and it goes down along the various foods that are imported into the UK. This is a very complex matrix of tariffs. A total of 2,500 tariff lines exist in regard to trade between Ireland and the UK. This is an attempt to provide an overview but the impact of such tariffs is obvious. One would not need complicated economic analysis to determine that faced with those kinds of tariffs, the competitiveness of Irish products in the UK would be affected to a catastrophic degree. If Britain decided to revert to the traditional cheap food policy and allow imports from third countries, that would add further to the competitiveness threat. Broadly, the impact on trade with the UK generally is pretty well known, at least as far as an extreme hard Brexit scenario is concerned.

We have become concerned recently about the implication of a hard Brexit for the agrifood trade North and South. We have extracted some data for 2016 which illustrates the potential impact at a micro level. There has not been sufficient appreciation of the disruption that could be caused to local supply chains, particularly those close to the Border. Members can see that in the dark green line on the chart we have exports to Northern Ireland in 2016 and the lighter green line, with the negative numbers, indicates the imports from Northern Ireland. There is a good deal of information given there but I want to single out three trade flows that are very significant. The first one to draw to the members' attention is the substantial imports of dairy produce from Northern Ireland into the Republic. A total of 80% of these products are raw milk for further processing in the south of Ireland. If that supply chain is disrupted, it will have severe implications for these supply chain flows.

I would also draw members' attention to the imports of animal foodstuffs, which is very important in a local context. The port of Derry is the dominant source for importation for most of the northern region of the country. Members can note there are substantial flows of product. It is evident that any disruption to that supply chain would have very serious consequences for agricultural sector in the South.

I would also draw members' attention to live animal exports to Northern Ireland. Most of the other exports are in the form of processed goods and of course they will be affected. The reason I draw their attention to live animal exports is that many sectors on the Border depend substantially, for the processing of their product, on factories in Northern Ireland. One sector

that comes to mind is the pig industry, which is concentrated in the Border regions. We would be very concerned about it in the event of a so-called hard Brexit. These local factors have not been brought into the public domain to date, at least not in a formal way.

We have attempted to bring together the impact of tariffs and the potential impact of what we call a hole in the CAP budget should the British withdraw from the CAP, as would be expected post-Brexit, and, most importantly, this hole would not be compensated by other member states. We hypothesise that the hole could have of the order of 10% of a negative impact on the budget. If we bring that CAP effect together with a tariff effect, that will have a huge impact on farm incomes. These are indicative estimates and we call them static effects in the sense that they do not take account of what one would expect in the longer run, namely, that producers would respond to these changes and adjust their activities but, nonetheless, it gives an order of the magnitude involved. Members will see from looking across the bottom of the chart they we have the various systems of production in the Republic in the dairy sector, cattle fattening, sheep and tillage sectors and that what we call the policy shock, which is Brexit, will cause an impact on tariffs but it will also affect prices. By bringing the two together in the blue line on the chart, members can see that our estimate is that the reduction in incomes - this would be a permanent reduction which would not be compensated - would be of the order of 35% in the cattle sector and of the order of 20% in the remaining sectors. In a nutshell, that represents what might be termed the extreme competitiveness shock we could face.

I draw members' attention to the last slide. It is not possible to capture the complexity of this slide without having the animations on, but I will do my best. We in Teagasc believe that we must focus on how we can minimise this shock. Clearly, our view is that we need to focus, as never before, on developing the innovation capacity of our farmers and especially of our food companies. Everyone talks about market diversification and there will have to be more diversification but there is not a full appreciation of what is involved in it. It will require all the organs of the State - Enterprise Ireland, Bord Bia and so forth - to identify routes to market and so on but it will also involve and require a substantial investment in developing innovation capability within our food companies and within support services in the research and development area.

We believe there are opportunities that we can exploit. There is a number of technologies that I would like to summarise that we can exploit and that we need to do that in the next few years through a determined strategy to enable diversification to be realised. For example, we need to work on extending the shelf life of products for faraway markets. There is huge scope in the dairy sector for further fractionation and the addition of value to milk. Country of origin labelling will be very important as will the deployment of leading analytical capabilities to support food companies in new markets and in developing existing markets. In particular, we would draw attention to one area that needs a great deal of work, particularly as far as the Asian and Chinese markets are concerned, that of understanding the sensory requirements of consumers in these markets. I have just come back from a very illuminating trip to China. Teagasc is very concerned about the cheddar market in the UK, on foot of Brexit, because 65% of our cheddar exports go to that country. British people like cheddar, and not every other country appreciates the exceptional quality of this product. So far, Chinese consumers have not really embraced cheese at all. From our point of view, that is a challenge to be overcome. Extensive sensory analysis of Chinese consumers *in situ* will be required so we can identify what type of cheese products will be attractive to them. It is a growing market. Similarly, there is huge potential for growth in south-east Asia. We have to do a great deal of work to penetrate such markets.

I would like to speak about the development of smart ingredients in recent years. Senators will be aware that infant formula is a big component of our overseas market at the moment. The unique features of the Irish production system ensure that there is quality and that the products are produced in a sustainable manner from the perspective of animal welfare. We need to develop smart technologies that enable us to penetrate those markets. The success of Ornuá's investment in the Saudi market over recent years is an example of this. The extraordinary nature of the product that is used in the production of labneh cheese is probably not fully appreciated. An ingredient that is shipped in powder form from Ireland is reconstituted as a soft cheese in the Saudi factory. That is based on Teagasc technology. That is an example of what I mean when I talk about innovation. There are many other opportunities for potential innovation that we need to exploit quickly.

If I was to leave the Chairman with one message, it would be that although we are facing a definite competitiveness shock, even in the most benign scenario, we must bear in mind that opportunities are available to us to minimise that shock, at the very least. That boils down to a commitment to continually innovate in support of Irish companies. I have mentioned the Chinese market on a couple of occasions because it is very important. Teagasc is in the process of developing a laboratory in the University of Fujian in China to support Irish-based companies in the Chinese market. More initiatives of this nature are needed if we are to ensure the market diversification opportunities that exist in China are fully exploited.

Chairman: I thank Professor Boyle. I appreciate his in-depth contribution to our proceedings. It will play an important part in our work.

Senator Joe O'Reilly: I join the Chairman in welcoming the director of Teagasc, Professor Gerry Boyle, and his colleague, Dr. Kevin Hanrahan. I congratulate both of them on the degree to which Teagasc has been engaging with this critical issue for Irish agriculture. It is encouraging that Teagasc has a dedicated unit and a working group on Brexit. It is clear from the nature of the paper that has been presented that Teagasc's research in this area is in progress. That is to be welcomed. It is reassuring for us, as representatives of taxpayers, that this important work is being done.

I am very happy that Professor Boyle has focused on the micro-aspects of agriculture in the communities of the Border region. Others have failed to focus on such matters. As the Chairman will be aware, I have attempted to raise a few of them at meetings of this committee in recent weeks. It is very good that Professor Boyle has focused on them today. I will give a practical example of what we are talking about across a range of areas. Lakeland Dairies, which has a major processing plant in the small town I live in and is the key employer in that town, sources much of the milk it processes in that plant and in its Lough Egish plant from North of the Border. Conversely, important pig processing activities take place North of the Border in many instances. Such cross-Border agriculture movements are critical. How hopeful is Professor Boyle that we will be able to maintain today's veterinary standards after Brexit? If imports from non-EU countries, including the Mercosur states of Latin America, are accepted, the application in the UK of a cheap food policy, as it is called and as it is popularly known, will be to the detriment of the maintenance of proper standards.

I would be interested to hear Professor Boyle speak further about the level of potential tariffs. I think he said in the substantive document he presented earlier that the UK could set tariffs with the Republic at a lower level. If I understood him correctly, the UK might be able to set favourable tariff ratings or customs ratings. Maybe he will elaborate on that. Wearing his hat as a distinguished economist, does he see any great prospect that the current free trade arrange-

ment between the UK and the EU will be maintained? If not, to what degree will it be diluted? I know that a graph in the paper that has been presented to us today sets out estimates of potential tariffs, but I would like to know what the actual level of impact on each farmer will be. I am afraid that small farms will not be viable in this context and we will move towards factory farming. I am scared that if large factory units are needed to achieve the economies of scale necessary to deal with the tariff question, there will be awful implications for rural Ireland, including the breakdown of society as it is known in small towns and communities across this country. I ask Professor Boyle to comment on the degree to which the *status quo* could be sustained in this eventuality. As an economist, what does he think the Government can do to mitigate the impact of tariffs and customs? How much could the Government potentially invest to this end?

I would like to comment on the figures that have been presented with regard to the cross-Border dimension. It is amazing that Brexit will have effects across such a range of areas. As we have noted, the live trade across the Border for processing is very large. The solutions proposed by Professor Boyle at the end of his presentation are very interesting. He said that other markets will be examined from a “sensory” perspective. He might explain what he means by terms like food “fractionation”. We do not want to discuss any company in a very specific fashion as it would be an inappropriate exercise in the absence of the principals of that company. Having said that, does Professor Boyle think companies like Glanbia and Lakeland Dairies, which have a presence in my own area, will be fit to absorb the costs which will be involved in adjusting to market diversification? It is great the witnesses introduced that cautionary note. There is an assumption that market diversification will come easily. It is a bit like the UK internally claiming it will establish trade with the old Commonwealth to replace trade with the EU. The former Taoiseach, Bertie Ahern, pointed out at this committee several weeks ago that for every 5% of trade the UK would lose with the EU, it would have to achieve 25% new trade with the old Commonwealth countries to redress the balance. Will we be fit to absorb the costs of market diversification and getting ourselves into new markets? What exercises would the Government want to take in this regard?

I am delighted that the focus of today’s conversation is impacting on what is the real life of the people I represent. The trading relationship between farming communities North and South of the Border is enormous. It is great Teagasc is grappling with that question and how we might deal with it. After hearing the witnesses, I am also concerned we could be arriving at a situation where small farming, as we understand it in County Cavan, could no longer be viable. With the Common Agricultural Policy, CAP, does Teagasc believe there will be a pull to the east? What impact will the UK contribution not going into the CAP budget have? Again, that will be a challenge to small farmers in my area. We do not want to be too much of a Jeremiah on this and must still hope for the best. However, it is a concerning scenario.

Senator Paul Daly: I welcome our two guests this morning and thank them for their comprehensive presentation.

As is well known at this stage in the Brexit discussion, the only certainty is the uncertainty. Several other witnesses and external commentators have touted the idea of Northern Ireland getting special status. In that hypothetical scenario of an all-Ireland agricultural model, we would think we have got a good deal. When all is done and dusted, it would potentially solve many of the problems which my colleague, Senator Joe O’Reilly, highlighted with regard to the flow of milk, live cattle and so forth between North and South. However, delving into it, Republic of Ireland farmers would still be in the CAP scenario. If it were an east-west border between Ireland and the UK, there would still be tariffs on products from the Republic going

to the UK but none on Northern products as it would still be part of the UK, irrespective of its new status within the European model. Potentially we may have to create our own agricultural border if Northern Ireland gets special status to avoid the hard Border because of the Good Friday Agreement.

While I accept this is all hypothetical, it is potentially one possible outcome. Will Teagasc tease this out a little more and give us an insight into what it thinks its organisation's role would be in that complicated all-island agricultural model after Brexit?

Using the cheddar example and new markets, it is not just the Chinese who do not have a palate for cheddar cheese. Our continental European friends are not lovers of it either. The UK is a specific market for this product. Other products have been affected too, such as the mushroom sector which was affected immediately. Due to the perishability factor, mushrooms cannot be exported to China. While we have always explored creating new markets, no knee-jerk reaction in the world to the current situation with Brexit will make a further afield market viable. Where does Teagasc see us going in that situation?

Senator Joe O'Reilly took the Chair.

Senator Brian Ó Domhnaill: I thank Professor Gerry Boyle for engaging with the committee.

The whole issue of tariffs is a very important but divisive issue. The customs union, with the free movement of people and goods, has been beneficial to the island of Ireland. There are massive implications, which Senator O'Reilly touched on, for Border milk producers, the dominant commodity transported between North and South. There are processing facilities right along the Border, including in counties Cavan and Donegal.

In terms of our bargaining position, what is Teagasc's view on what we should be trying to achieve? The UK cannot charge a tariff because it is part of the EU. However, if the customs union is removed, the UK would come under World Trade Organisation rules, which could allow it to apply tariffs which would be on the upper limit of the European tariffs. The consequences would be dramatic for Irish food exports and right across the economy. What are the best political tactical moves to mitigate this? Have there been any talks with Teagasc's counterparts in the UK on this? What are the soundings coming from the British food and drinks industry on this issue? I assume it would see it as less competition. Would it see tariffs from a competitive viewpoint in that it could keep out Irish exports and undercut them in certain markets, cheddar cheese being one example?

Professor Jonathan Tonge from the University of Liverpool told the British parliamentary committee examining this issue that there is the potential for a border arrangement within the island of Ireland akin to that between France and Switzerland or Norway and Sweden. If that were to happen, we would have a major issue with the North-South movement of people and goods. In 2014, there were £3.63 billion of exports from the North of Ireland into the European Union. Is there any opportunity for the European Union to look positively at retaining the North of Ireland within the European Union? Is that a bargaining position the Government should be looking at to safeguard the common arrangements we already have? It would certainly assist in the free movement of goods. If I were to drive home this evening post-Brexit, I would be asked for a passport or driving licence at the Border at Lifford. I would be asked exiting Lifford as well. Not only would this affect travel arrangements, but it would also have major implications for milk or food products going from Dublin to Donegal, for example. Has

any work been done on this at official level or at Teagasc's level with its counterparts in the UK? Do the witnesses have any suggestions as to recommendations the committee could make in this regard in terms of the political bargaining or negotiations which will take place over the coming weeks and months?

Acting Chairman (Senator Joe O'Reilly): I invite Professor Boyle to begin to respond to some of the issues raised.

Professor Gerry Boyle: I thank all the members for their comments and questions. I will preface my remarks by saying that some of the issues raised are of a political nature, and our organisation has no role in that regard. As the committee will understand, we very much occupy the science space, so to speak, and we are a little reticent to comment on some of the matters members have raised. Nonetheless, we will do our best.

Several issues were raised regarding teasing out the potential impact of an extreme scenario on small farmers and the question of market diversification, which is an issue for companies. Unfortunately, there is no doubt but that if we were to face the kind of shock that is possible, small farmers would be more severely affected. This is quite clear in two senses - they will take a bigger hit from any reduction in the prices they can get for their products and, more important, they will be adversely hit if the CAP budget is reduced because of their dependence on it. Sheep and cattle farmers are, as the committee will be aware, substantially dependent on CAP payments, so there is no doubt but that small farmers will be adversely affected.

A specific question about food fractionation was raised. This relates particularly to the dairy sector. Even we in Teagasc are continually surprised by the extraordinary product that milk is. To help the committee understand what we mean when we talk about fractionation, I will give an example. Many years ago, the farmer used to take the skimmed milk home for the pigs. I can certainly remember this. It was quite common. Not too long ago, whey was considered a waste product; it is now a critical part of the nutrition industry. The more we learn about products, the more we realise there are further opportunities to distil down their by-products - whether for standard milk production or cheese production processes - and recognise their value, and this will continue. When I talk about market diversification and market penetration, I emphasise that Irish companies are already hugely involved in these new markets. This is well known to the committee. What is interesting is that these markets present their own challenges in the scale of the operation required to successfully penetrate them. Substantial investment is required to penetrate them.

Regarding what the Government can do, it is already doing a lot by supporting industry through a variety of means to access such markets. There will have to be a substantial step-up in the investment and the timescale of that investment. All the commentary suggests that Brexit will play out over several years. In our view, at least as far as dealing with the challenges of market diversification is concerned, now is the time for a significant plan to be put in place to address this. The point Senator Daly made, that the only certainty is the uncertainty, is well taken. A private company cannot wait around for clarity; it must take decisions. This is where the risk arises. Senator Daly talked about cheddar cheese. It is not easy for a company to change its production model. To some extent, one can produce continental-type cheeses off a cheddar platform but, by and large, purpose-built investment will have to be put in place if that is the market diversification route that must be pursued. Some Irish companies are doing this. Dairygold, for example, now has an agreement with a Norwegian cheese producer to produce a completely different type of cheese that involves a different technology. There has been substantial investment by the Irish dairy processing sector on foot of the anticipated impact of

the removal of quotas, but the sector is now faced with a further requirement for investment. I still think we have an opportunity to persuade the Chinese that cheddar is a delightful product, although our tastebuds would find some of the cheeses I have seen in the Chinese market utterly bizarre.

I will leave all the hard questions Senator Ó Domhnaill has raised about the bargaining position and so on to my colleague. We can make a big mistake in our sector by focusing on agrifood. It is probably not as high up on the UK agenda as it is on ours, and many other factors will impinge on that. As I said at the beginning, I think there would be universal agreement that we would like an outcome as close as possible to the current situation. The North-South issue is critical and, from a political perspective, if we could retain that single market, so to speak, on the island at least in the agrifood sector, that would be hugely positive. We have an extraordinary amount in common. Nonetheless, it is interesting that if one takes dairy as an example, there are vastly different systems of farming practised in the dairy sector North and South. We would like to think we have a more competitive and resilient model in the South but we need to collaborate on a much more extensive basis. Only yesterday, I had a discussion with my counterpart in Scotland on this broad theme. It is very early days yet, but I thought he made an interesting argument that one thing we have in common with the Scots, the Northern Irish to an extent and the French - but let us just take us, Northern Ireland and Scotland - is the development in agricultural terms of a sort of Celtic alliance in terms of our pasture systems and the sharing of our technology in a way we have not done before. One positive thing about Brexit is that it has brought us all to the point of considering the potential opportunities for collaboration.

I ask Dr. Hanrahan to deal with the difficult issues that were raised regarding tariffs and so on.

Dr. Kevin Hanrahan: Senator O'Reilly asked about veterinary standards and the possibility they may diverge and the UK may adopt different standards. Until they leave, they have to satisfy the *acquis* and there will be no difference. My own assessment is that the UK will be slow to move away from European standards given how high they are as a function of crises that occurred in the UK in the 1990s and early 2000s. There are grounds for guarded optimism that the UK will not pursue lower standards of regulation on the food, animal and veterinary standards side. One thing the UK will have to do, however, is develop its own capacity to licence businesses that export to the UK market in terms of veterinary standards. That is all currently taken care of by the EU. Britain will have to up its game radically in terms of having the capacity to do that on its own.

In terms of the tariff levels that might prevail post-Brexit, I note that the UK is a member of the WTO just like Ireland. While I am an economist and not a lawyer, my understanding is that when it leaves, the UK will inherit the EU's bindings at the WTO. Those set the maximum tariff rates the UK can apply to trade with other WTO members outside of a notified free trade agreement, or FTA. If, outside of an FTA, it wants to apply lower tariffs to a WTO member like Ireland, it must offer those lower tariffs to everybody. The cost to Irish agriculture is really in the loss of preferential access to the UK market. It is the access to the UK market that is protected by high tariffs, in effect. Even if we have free access to the UK market post-Brexit and there are no tariffs, it will also mean under WTO rules that no tariffs will apply to imports from the rest of the world as long as they meet the UK's standards of food safety, animal welfare and so on. That will be a much more challenging market than we are currently exporting very successfully to. Those countries and industries internationally with lower costs than Irish and European farmers face will have access in that scenario to the UK market and we will be

severely challenged in that space. Recent research by Teagasc on the competitiveness of Irish agriculture underlines the point that while we are globally competitive in the dairy space due to our pasture-based production system, we are not as competitive at all in respect of cattle and sheep as countries like New Zealand, Australia, Brazil, Argentina and parts of North America. Obviously, we benefit from being beside Britain and there are costs to getting product from Brazil, for example, even if it meets all of the standards we require and which the British are likely to require. It is a long supply chain. However, technology will move on. Things we could not have imagined happening 20 years ago are now quite common in terms of fresh beef or lamb coming from the other side of the world onto what we consider our markets. To assume technological changes that shorten supply chains and distances will stop happening would be unwise.

The question was asked about us having a special status and what benefits that might deliver for the island of Ireland. There would be benefits if the trade flows North and South were unimpeded relative to where we are starting from right now. That must be set in the context, however, of the overall Ireland-UK trade. While the North of Ireland is important in a whole-economy context and for the agrifood space, it is - “dwarfed” might be the wrong word - much less important in terms of value at an economy level than the east-west flow. At a regional level in the Border area, the North-South dimension is perhaps way more important. For the industry as a whole, however, the east-west axis dominates the North-South in terms of the value of trade. While an arrangement which allows for free trade on the island of Ireland would mitigate the cost of Brexit for the agrifood sector, the cost of tariff or non-tariff barriers to trade on an east-west dimension will not be avoided. They will still be there and those are the ones which will really drive the large trade costs which could flow from a very hard Brexit. While we may end up in that position, we hope we do not.

Most commentary suggests the European Union and the United Kingdom want to avoid a relationship based on WTO rules. However, it seems likely from my perspective, albeit it may be beyond my competency in terms of the politics of it, that we will not be where we are currently. We are currently in the deepest imaginable free trade agreement, the Single Market. We will not be in the Single Market together and the UK may be outside the customs union. There will be additional non-tariff costs to trade as well as possible tariff costs. Even if there are not WTO tariff levels, they may be somewhere between where we are now, which is none, or very low, but very low for every producer in the world. That will make the competitiveness challenge Irish agriculture already faces much more intense.

It is hard to know what tack the UK will take in terms of its agricultural policy and whether it will go back to a 1950s model. At that time, they were importing foodstuffs from their former colonies at, in effect, world prices, which was the disadvantage for Irish farmers. It was one of the great benefits of joining the EEC in 1973. If I had to bet, I suspect they will go some way towards it but not all the way because they will also want to protect their farmers’ interests. In so far as they lower barriers to trade with non-EU countries, that will disadvantage UK farmers and also Irish farmers. Many of our standard commodities are as, if not more, competitive than those of the UK versus South American producers, but I expect that will be cold comfort.

On the budgetary issue, the dependence of Irish, UK and, in particular, Northern Irish farmers on the single farm payment and CAP is significant. If Brexit had not happened, we would still be facing a challenge in that the next iteration of the CAP will see the newer member states from central and eastern Europe looking for a greater share of the budgetary pie that goes to agriculture. Other policy areas within the EU will also be looking for a bigger share of the overall EU budget and to see agriculture get a bit smaller. As such, we would be facing a challenge

to maintain the levels of support Irish farmers get from CAP, even if Brexit was not an issue. Brexit doubly underlines that issue because of the size of the UK's net contribution to the EU budget. It places the onus on Irish civil servants and officials to do their normal brilliant work in that process. While we are often worried about what the outcome will be, Ireland has always done very well if history is any guide to that negotiation process at European level.

Acting Chairman (Senator Joe O'Reilly): I conclude this module by thanking the director of Teagasc, Professor Gerry Boyle, and Dr. Hanrahan for giving of their time to attend and for treating us to a very comprehensive presentation. They documented everything in considerable detail and threw considerable light on our proceedings. Their contributions will greatly assist us in coming up with our final report. It has been pertinent and very helpful material which we appreciate very much and for which we are deeply indebted.

Sitting suspended at 12.10 p.m. until 12.15 p.m.

Engagement with Representatives of the Irish Thoroughbred Breeders Association and Alliance of Racing and Breeding

Acting Chairman (Senator Joe O'Reilly): On behalf of the committee, I welcome Mr. Shane O'Dwyer, chief executive officer, Irish Thoroughbred Breeders Association and Ms Elizabeth Headon, spokesperson, Alliance of Racing and Breeding, to our engagement today. I know that all of the members will be interested in this engagement. We appreciate their presence. Before we begin, I will read an obligatory note on privilege that we read in all instances.

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 Houses or an official, either by name or in such a way as to make him or her identifiable.

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. If, however, they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to 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 asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or an entity by name or in such a way as to make him, her or it identifiable.

I invite Mr. O'Dwyer and Ms Headon to make their opening remarks and call on Mr. O'Dwyer to commence.

Mr. Shane O'Dwyer: I thank the Senators for inviting us here to discuss our concerns about the withdrawal of the United Kingdom from the European Union. I will begin by giving an overview of the thoroughbred industry for the benefit of anyone who is unfamiliar with the industry. The thoroughbred industry in Ireland is highly successful and globally competitive. It directly employs approximately 17,000 individuals and thousands more indirectly. It makes a direct contribution to the Irish economy of approximately €1.3 billion. There are 6,777 registered breeders in the Thirty-two Counties. The breeders account for 14,617 mares and their mares produced 8,563 foals in 2016. There were 246 registered stallions in Ireland in 2016. Ireland is an international leader in racing and breeding. We continuously punch above our

weight and breed the best horses in the world. Irish stallions are the best and we attract many foreign mares to be covered by those stallions.

At a time when other forms of rural employment are under threat from the consequences of Brexit, the maintenance and expansion of activity in the thoroughbred industry is important. Brexit creates concerns for the thoroughbred industry, which I will deal with.

The Irish thoroughbred industry has great economic significance. As much as 65% of Ireland's annual foal crop is exported, 80% of which are exported to the UK. The UK is the single biggest market for Irish bloodstock and is a major source of overseas revenue for Ireland. In excess of 10,000 horses were exported or imported between Ireland and the UK in 2016.

Ireland has two major sales companies - Goffs and Tattersalls. They both have sister companies in the UK and there is a significant presence of Irish vendors at all UK sales every year. Approximately 33% of sales in Goffs are to UK buyers, which equates to between €33 million and €35 million per annum. Approximately 10% of sales in Goffs are by UK vendors and equate to €10 million per annum. When the impact of Irish business in Goffs UK is added then another £27 million is threatened. Therefore, I conclude that €75 million of Goffs's business is threatened by Brexit.

If the UK introduces a form of tax for UK buyers buying outside of the UK then it will discourage UK buyers from travelling. It would also threaten up to €80 million each year in inward investment for both sales companies. Ireland's exports of thoroughbreds to Britain are worth approximately €225 million each year. That business would be at risk due to reduced trade flows following the vote in favour of Brexit. Exchange rate volatility will also make Irish exports more expensive.

I will discuss the movement and transport of thoroughbreds and people within Europe. To a large extent, the horse racing and breeding industries of the UK and Ireland operate as one with all stakeholders ranging from horses to trainers, riders, agents, stable lads, owners and vets regularly travelling between both jurisdictions. I will outline a typical example. In the industry there is something called day walk-in covers. In such cases a mare is transported to Ireland from the UK or *vice versa* to be bred within a 24-hour window, a practice that has become increasingly popular. This is also very popular between Ireland and Northern Ireland. There are 687 mares in Northern Ireland who are bred and almost 90% of them would be brought to the South of Ireland to be covered by stallions. A hard border would restrict the free movement of horses and could have an adverse effect on trade. British breeders would also be more inclined to cover their mares in the UK rather than risk delays at ports due to customs procedures, veterinary requirements, etc. Another issue is the free movement of EU nationals and the employment of UK citizens in the EU and *vice versa*. The thoroughbred industry is extremely well regulated. Ireland and the UK operate as a single entity for stud book purposes. Basically, British and Irish foals are registered in a single stud book controlled by Weatherbys, which has an office in Naas. We maintain, as would our counterparts in the UK and further afield, that Weatherbys should continue to maintain the ongoing stud book for both countries. The situation is further complicated by the fact that horse racing and thoroughbred breeding have always operated on an all-Ireland basis. For example, foals born in Northern Ireland carry the IRE suffix, rather than GB. As Elizabeth Headon will outline later, two of Ireland's 26 racecourses are based in Northern Ireland.

Crucial to all of this is the high health of the animal. There is a tripartite agreement in place in that regard. Together with France we have historically had a tripartite agreement between

the respective Departments with responsibility for agriculture to facilitate the movement of thoroughbred horses between the three countries. This agreement predates EU law. The ability of EU member states to use such flexibility was incorporated in subsequent EU laws on equine movement. This is now at risk. The UK leaving the EU might be used to revoke the tripartite agreement on the premise that it only has validity in the context of an EU directive, that the UK is no longer a member of the EU and that France and Ireland cannot make bilateral agreements with non-EU countries. It is vital that this agreement is retained.

The introduction of tariffs and regulations would increase the cost of business and reduce the free movement of labour and horses. Without an EU 27 and UK trade agreement on tariff and non-tariff barriers, it is possible that tariffs up to the standard World Trade Organization, WTO, 11.5% might apply on racing animals, particularly geldings. As mentioned, the industries in Britain and Ireland are also in competition for investment, sale of media rights for racing, location of bloodstock and training operations. Our concern is that once Britain leaves the EU it could offer a raft of taxation and other incentives which Ireland would be unable to match. I can give an example. The rise of good stallions standing in Britain since the removal of the stallion tax exemption in Ireland is a bellwether of what can happen. We would have to mark their move in the event of a hard Brexit. The industry and the Government would have to examine incentives that could be offered to keep the Irish bloodstock industry competitive.

I will now discuss various solutions. We wish to maintain the long-standing trade relationships that worked together on harmonised approaches long before the creation of the EU. As an industry, we are working with our EU and UK counterparts to ensure that the close relationship with Ireland and the special case for Ireland extend to thoroughbred breeding and racing, given our common stud book and close racing relationships. We wish to avoid reciprocated barriers to trade and the dangers and costs of non-tariff barriers of health certification, temporary admission requirements and restrictions by requirements to use only border inspection ports being reciprocated between the EU 27 and the UK. UK and EU 27 legislative equivalence already exists through the zootechnical and equine identification regulations. Much work was done in the last number of years by the industries in all countries to ensure these regulations are in place. The Irish Government should work with other member states to ensure that this equivalence is implemented after the UK leaves the EU. On that note, the Irish Thoroughbred Breeders Association has just assumed the chair of the European Federation of Thoroughbred Breeders Associations. At a meeting involving 15 European countries last weekend it was agreed that Brexit is high on our agenda and that lobbying should take place between EU countries to ensure that legislation and so forth is in place and that Ireland retains its special position.

Innovation is another solution. We must promote and develop reassurances as to how high health status with high levels of control are implemented for thoroughbreds by EU and UK competent authorities for animal health. Animal health and welfare are crucial. We wish to evolve existing controls of thoroughbred identification to deliver real time digital identification and movement controls for tripartite activity and real time reporting in the 21st century. Animal movement through border checks could be facilitated through enhanced chip technology and dedicated lanes at key ports. We must work co-operatively with all stakeholders, not just within the industry but also at Government and EU level, to get the message across that Ireland must maintain its *status quo* with the UK post-Brexit. The licensing of medication could be harmonised. For example, there are products available in the UK that are not available in Ireland. Horses are sometimes moved to the UK to access treatment. This must continue with minimum disruption. At EU level the thoroughbred sector could be better classified as agriculture in the application of state aid rules. It is a rural industry with all the characteristics and social impact

of agriculture.

That gives the committee a flavour of the industry. The single message we wish the committee to take from it is that we are an important global leader in this industry, with an economic input of approximately €1.3 billion to the economy. It must be maintained and passed on. Any negotiation or papers on Brexit at Government level should include our industry. I thank the members for their attention.

Ms Elizabeth Headon: I thank the committee for its focus on the thoroughbred racing and breeding industry as part of its deliberations on the challenges of Brexit and for inviting us to appear before it today. I am here on behalf of the Alliance for Racing and Breeding. The alliance brings together the associations for jockeys, trainers, stable staff, owners and breeders. It represents approximately 10,000 people, most of whom rely on thoroughbred racing for their livelihood. I am also a recent ministerial appointee to the board of Horse Racing Ireland, HRI, and I understand that the committee will hear the views of that organisation at a later session.

Shane O'Dwyer has comprehensively dealt with many of the key issues, so I will try to avoid being repetitive. I will focus more on horse racing than on the breeding sector. Some 80% of people living in Ireland believe that horse racing is an important part of our heritage. Irish people value the national prestige its success brings to the country. In no other international sporting activity have Irish people succeeded as much or as consistently over decades as in horse racing. This is not just due to one or two individuals but has been achieved through the work of many trainers, jockeys, stable staff and, of course, their famous horses. Proximity and ease of access to racing in the UK is a key element in these achievements.

However, the sport is really the shop window and the springboard for a much larger agricultural and rural industry - breeding. Ireland's racing successes have built the brand of Irish bloodstock and the UK offers many of the most prestigious races in the world, which are currently easily accessible to Irish trainers and owners. We are fortunate to have many natural advantages for horse racing in Ireland: climate, limestone, great pastures, the best bloodlines and superb horsemen and women. We do not talk as often about our disadvantages, such as our geographical position as an island surrounded by water and our comparatively small population. Unfortunately, Brexit could bring those disadvantages into sharper focus.

Horse racing has always been organised on an all-island basis and two of Ireland's 26 racecourses are in Northern Ireland. Nine out of ten horses racing at Downpatrick and Down Royal are trained in the Republic of Ireland and they receive capital development grants and prize money support from HRI. This will be a focus for the committee's future meeting on all-island bodies. It is almost impossible to imagine Irish racing without British racing and *vice versa*. Of all the sectors the committee will meet, we maintain that ours is the most highly integrated. As much as Ireland relies on Britain as a buyer of its horses, Britain at present relies on Ireland to supply the racehorses it needs, both in terms of number and quality. They are, in effect, twin industries. British racing is an important proving ground, especially for Ireland's future breeding stock, stallions and mares. Ireland's foal crop is almost twice as big as that of the British, but British racing is much bigger than our sport here in Ireland, thereby providing opportunities to Irish jockeys, stable staff and trainers.

In 2016, just over 2,500 races were run in Ireland, compared to 10,000 in the UK. Ireland had nearly 29,000 runners compared to the UK's almost 90,000. Last year, Irish trained horses ran 1,471 times in Britain, winning €17.5 million in prize money. We had 309 British trained runners in Ireland who took home €4 million.

At a prestigious level, Ireland's reputation is very high. In Cheltenham this year, there were a record 19 Irish-trained winners. More than two in three races were won by an Irish-trained horse. At Royal Ascot last year, one in three races was won by Irish-trained horses, and 63% of the winners were foaled in Ireland. Looking at the race card of any meeting in the UK, it is clear from the names how many Irish jockeys are working there, but there are short-term and long-term threats arising from any changes in this *status quo*.

Ireland's easy access to British racing is very appealing to overseas investors and we would be very concerned that any impediments to this could be a disincentive to racehorse owners to keep their horses in training in Ireland. Furthermore, the possibility of the UK introducing incentives for its industry over time is a real threat, especially if racing in Ireland is still excluded from the usual state aid exemptions for agriculture and thereby limited in the scope of its competitive response.

British racing is not a replaceable market for the Irish thoroughbred industry. Unlike many other Brexit hit sectors, unfortunately, we cannot create or develop large racing industries in other EU countries such as Denmark, Germany or Portugal or adapt our product to suit new markets. As members heard from Mr. O'Dwyer, there are approximately 200 thoroughbred horse movements a week between Ireland and the UK. That accounts for half of all horse imports and exports to the UK. France would have half that number and is the next closest in that regard. The implications of a hard border, therefore, would be severe for both people and horses.

While it is the hope and expectation of industry parties in the UK and Ireland that the tripartite agreement that exists between Britain, France and Ireland will endure, the mundane logistical challenges of moving horses through border controls and checkpoints needs to be worked through. Thoroughbreds are highly sensitive animals, selectively bred for their flight response for the past 300 years. Horses in training are young equine athletes, at peak fitness. Any new delays that can increase time in horse boxes stuck in queues at ports could prove extremely difficult for trainers and their staff to manage and still permit the horse to perform to its maximum potential on the track.

For some major racing events, it is not unknown for jockeys to race in both Ireland and Britain on the same day, for example, travelling from Haydock to Leopardstown by helicopter for Champion Stakes day. That is not common, but it is a very exciting occurrence for the racing public and can be important to owners. It is essential that Irish jockeys are able to freely work and ride in the UK, which is great grounds for them to gain experience, and that they can move easily between the jurisdictions.

There are also the threats of virtual borders. With close and positive working relationships between the sport's governing and regulatory bodies, we hope that there will not be any future divergence in veterinary and racing regulations. The importance of a level playing field as regards availability of medication and control of those therapeutic treatments will be essential, as we know from horses running in other jurisdictions that it can become problematic.

From an economic point of view, racehorses are luxury products and any downturn in the UK economy will be felt in Irish racing and breeding. While sales figures for Irish bloodstock have held up in the past 11 months since the Brexit vote, the drop in the value of sterling has already seen stallion fees here reduced, and it is making boarding a mare in Ireland more expensive for British based breeders. Media rights, which are negotiated fees paid by bookmakers to show Irish racing, will be paid in sterling from 2019, and this brings further uncertainty.

Turning to solutions, which I know are the members' focus, the committee will understand that anything other than the current integration and ease of movement for people and horses will have significant negative consequences for Ireland. Some of these issues are outside of Ireland's control. However, this industry has proven its resilience in the past so with support and goodwill from the authorities in Ireland, the UK and Brussels, solutions can be achieved. These may include the development of clear customs and border protocols applicable to thoroughbred horses to facilitate ease of movement and traceability. Technology may offer solutions here but there will be a cost in implementation. An example of that is when there were tailbacks at Dover because of the issues in Calais. The UK authorities issued red As for everybody transporting animals to allow them be taken out of the queue and let through. Thoroughbred horses are at another risk level entirely from a standard livestock consignment, therefore, we believe that the thoroughbred industry needs its own clear protocols.

A professional sports person category could permit jockeys to move easily between the jurisdictions. We need clarity that thoroughbred breeding and racing are considered agricultural activities. Domestically, the resolution of a secure and sustainable funding model for the industry would provide some certainty as we move through challenging and unprecedented times.

I will conclude by saying that the other major racing nation in Europe is France. Their industry is extremely well supported through funding from betting, and while there are risks to France, they are fewer. It is up to Ireland, therefore, to keep the concerns of thoroughbred breeding and racing on the Brexit agenda during negotiations and we look forward to continuing to work with the Minister, Deputy Creed, and the Department of Agriculture, Food and the Marine in that regard.

Acting Chairman (Senator Joe O'Reilly): I thank Ms Headon. I have one question before I open the floor to members. Do Ms Headon and Mr. O'Dwyer perceive that this message has percolated to Government? Do they believe there is a consciousness of it as we approach negotiations? It is our job as a committee to deal with this issue, and we will do that, but do they perceive an awareness of its gravity? I am struck by the extent of this problem, which is enormous. Do the witnesses believe there is sufficient awareness of it at the level that matters? I will open the floor to the members and suggest to the witnesses that we will group the questions. I call Senator Paul Daly who has no lack of expertise in this area.

Senator Paul Daly: I thank the Chairman. I welcome Ms. Headon and Mr. O'Dwyer and thank them for the comprehensive and frightening reports they have given us. I say that as someone who has a keen interest in and love for this industry. From a racing and horse breeding perspective, getting out this message is one of the biggest concerns because it is seen as a sport among the general public. When one mentions Brexit, economies, trade and borders, sporting activities are probably way down the list. From the point of view of the Irish economy, the figures Mr. O'Dwyer has given are startling. It is a major industry from an Irish export point of view.

We are a world leader in the industry and the consequences of Brexit are being well flagged by the witnesses and by our Government in negotiations. However, in terms of the European organisation Mr. O'Dwyer mentioned, how high up the list of priorities is this issue for Prime Minister Theresa May? This negotiation will involve Prime Minister May on one side of the table and 27 other member states on the other. We will be one of the 27. Where do the witnesses believe their concerns might figure in those negotiations? How can the members of this committee, by virtue of our report, highlight their case to that extent and try to get it higher in the list of priorities in negotiations?

Mr. O'Dwyer rightly pointed out the IRE suffix. Where might that be after a potential hard Brexit? We have to look at every scenario. As I said earlier, the only thing that is predictable is the unpredictability of the situation. We hope for an easy Brexit, but we have to prepare for a hard one.

I will be in Downpatrick tomorrow evening. A situation might arise in two years time whereby if I am going to Downpatrick, not only will the horses have to have a passport or go through security but I will have to show my passport also. That is one possibility. How do the witnesses see us prioritising the horse in that situation? The horse will be pushed down the line, so to speak, if people have to show their passports. A horse crossing over to be covered or to race in either of the two tracks or *vice versa* will not be high on the list of many people's priorities. How do we get out that message?

Anybody involved with horses or in horse racing knows the story about the horse which befriended the goat for relaxation purposes or to overcome nervous traits, but getting that goat to travel with the horse to Cheltenham was unbelievably difficult. Could we, in a worst case scenario, potentially see the same difficulty for the horse? Without putting Mr. O'Dwyer on the spot for specifics, could he give us a ballpark figure for the economic impact on the industry of a very hard Brexit?

In an ideal world we would like to see the tripartite agreement remain, so that horse racing and horse transport across borders would not change post Brexit irrespective of what kind of Brexit we had.

During an earlier discussion on cheese exports with Teagasc, the option to export to France would be the next port of call. The land bridge to France is through England. If trainers such as Willie Mullins or Aidan O'Brien decide because of the barriers post Brexit that they will bypass English racing and head to France, their best mode of transport is through England. Would there still be difficulties inadvertently, without even stopping over?

I would like to hear more from the Irish Thoroughbred Breeders Association on what might be potential solutions to the worst case problems that will arise. As I said at the outset, we are hoping for the best but we have to ask about worst case scenarios. None of us wants the worst case scenario but we do not have very much control at this point in time as to which outcome will come. I think that in Mrs. Theresa May's list of priorities, this industry, which is very close to my heart will not be very high up on her list and I wonder how we can get it up that list.

Senator Frances Black: I thank Mr. O'Dwyer for his presentation. I do not have a great understanding of the horse racing industry apart from going to the races. Obviously I am aware of the beauty of these incredible animals. I echo Senator Paul Daly's concern about the priority of horse racing in Mrs. May's list. The reality of going through borders, particularly from North to South would be very worrying for thoroughbred horses. That would be something that I too would be very concerned about. I would also be concerned about the economic impact of change.

Senator Craughwell put a question to the president of the Ulster Farmers Union this morning and I am going to ask the same question. Senators Craughwell and Richmond were in Brussels and the nub of the question that was put to them, was to give an ideal, no matter how over the top it might be, of what they would like to see. What would be the ideal dream scenario for the ITBA?

Acting Chairman (Senator Joe O'Reilly): I will invite responses now. Does Mr. O'Dwyer wish to start?

Mr. Shane O'Dwyer: First, I will respond to the Acting Chairman's question on awareness. The Department has set up a stakeholders' consultative group and the Irish Thoroughbred Breeders Association has appeared before it to outline our concerns, as we have done today. We would like it included in any report that the Department commissions.

There is awareness in Europe of the industry's perspective, in particular among the 15 countries, including the United Kingdom, that were around the table at the weekend. It is high on the list of priorities. When the Government produces papers on the impact of Brexit, we would like the economic value of the equine sector to be included, as Senator Daly has said.

It was asked whether this sector was high on the UK priority list. We also share that concern. We raised it with the Department of Agriculture, Food and the Marine at one of the stakeholders' meetings. When we were speaking to our counterparts in the United Kingdom, we made the point that whereas agriculture is high on the list of Ireland's concerns, in the UK it is not, while in agriculture, within the bloodstock and equine element might be even lower down on that list. We were assured. Ms Headon made the point that while we might breed more horses, there are more racers in the United Kingdom. This year, 50% of the horses that ran in Cheltenham were bred in Ireland, some 25% of them were bred in the United Kingdom and 25% were bred in France and Germany. The racing model in the United Kingdom, particularly the National Hunt is built around race meetings on a Saturday. They are not producing enough horses, so they are reliant on Irish bred horses to run in England. They are acutely aware of that. The chairman of the Thoroughbred Breeders Association, TBA, and the chairman of the British Horseracing Authority, BHA, are keen to get that message out. In fairness to them, everything has been delayed a little bit. The calling of the election has put things back a little bit. The chairman of the British Horseracing Authority accepts that we in Horse Racing Ireland are joined with them at the hip.

Members heard me mention that 50% of vendors at the major sales in the United Kingdom are Irish. The TBA and the BHA will bring the message to Mrs. Theresa May for no change to the present arrangement. That message will be high up on their list of priorities.

Downpatrick was mentioned. We must be concerned about the number of mares that are moving. The ideal scenario is no change.

I was listening to the discussion with the road hauliers on "Morning Ireland" yesterday. Some 1,000 plus lorries per day will travel between the Republic and Northern Ireland, of which some 8% will be diverted into trade facilitation centres located some ten to 15 miles from the Border. We want to avoid that. We want to be able to get animals from North to South with the minimum of fuss. That is our ideal scenario.

On the economic figures, Horse Racing Ireland is setting up a sub-committee. There will be a round table discussion next week, where with one voice the focus will be on investigating solutions and whether figures will be got. Our aim is to keep the *status quo*; that is important.

Ms Elizabeth Headon: The questions were germane and very relevant. I will start with the question on how detrimental a hard Brexit might be. As Mr. Shane O'Dwyer stated, in the short term Britain will have to maintain good relations with Ireland and keep using our horses, which is very positive. There is a very benign, strong close relationship. Some thoroughbreds, par-

ticularly if they are moving for racing, develop a condition called travel sickness from the stress of being in a horsebox while travelling and out of their normal surrounding. Not all horses are susceptible to it but some are and it can become quite serious and almost like a pneumonia type condition. That is a big risk for a valuable racehorse. We have many major UK owners who keep their horses in training in Ireland and can bring them to Cheltenham and to the big race meetings in the United Kingdom. One would be very worried that over time they may gravitate back to keeping their horses in Newmarket, with significant consequences for rural employment in Ireland. That would be very negative. The other consequence that would be negative over time would be on the breeding stock. Even though there is a small number of stallions, as Mr. O'Dwyer mentioned, they are the foundation of our industry and they must win a big race such as the Epsom Derby or major high profile races. The United Kingdom rather than France is seen as the proving ground for stallions because people turn towards the winner of the major races. Horses would have to make a longer journey to race in France and the United States.

I spoke recently to a person involved in transporting horses who told me that at present if he is moving a horse to the United Kingdom, he will have to think about it about two days beforehand. If he is looking to move horses to America, which is also an English-speaking country, for the Breeders' Cup, which takes place in November, he will have to start getting through the paperwork in August. As we all know, the more paperwork is involved, the more costs are involved. In a worst case scenario, we could be looking at quarantine problems and the various associated difficulties. When a horse is in training, a great deal can happen in the four or five days before the race. The horse might not be as ready for the race as its trainer expected it to be. It is not easy to plan, or to be certain which horse will be going where and when. Problems like those I have mentioned can be extremely disruptive in such circumstances.

France has great racing. The French authorities have introduced funding structures that prioritise or incentivise French-bred horses. Irish horses are at a little bit of a disadvantage in that regard. The real disadvantage, as Senator Daly suggested, is that nobody is going to put a horse on a boat from Rosslare to Cherbourg. If a horse develops colic or gets some other kind of sickness while travelling by boat to or from France, it is not possible to take the horse off the boat to get to a vet. The option of going to a vet would be much more quickly available if the horse were being transported through the UK. These things do not happen very often. Racehorses are valuable animals and there is a lot riding on their success. People put years of effort into bringing them to the point at which they are ready to be raced. Given the risk of being out at sea for very long with a horse, it is really not workable to travel directly to France. Even if it is technically possible to avoid going through the UK, it is not really achievable in a practical sense. We must be able to transit through the UK if we believe racing in France is an attractive proposition.

I was also asked about our priorities. As Mr. O'Dwyer has said, it is positive that everyone who is looking at this issue is taking a very benign attitude to it. While this may be quite a hidden issue at present, if we reached a position where there were fewer Irish runners at Cheltenham, it would become much more visible and public very quickly and everybody would ask what was going on. They would want to know where the Irish horses were.

It was a little disappointing that our sector was not specifically mentioned in the Government plan for Brexit. We know there is a lot of interest in and support for the equine sector. It is up to the sector to propose workable solutions. I do not believe we will meet resistance to that. If Ireland does not keep saying that the huge issues which are arising do not need to be resolved in respect of thoroughbreds, things could become very difficult. As Mr. O'Dwyer said,

the dream scenario is for us all to go back to where we were 11 months ago so that this does not happen. I am sure the committee is hearing that from everybody. If that is not possible, we need to work closely with our UK and French counterparts to put systems in place that will ensure the disruption is minimised as much as possible, particularly from a welfare point of view for the animals involved.

Senator Paul Daly: I am a member of the Joint Committee on Agriculture, Food and the Marine, which has published a report on Brexit. It was remiss of us that the equine sector was given little or no mention in the report. For that reason, it is very important for it to be included in this committee's report.

I would make a statement, rather than asking a question, in response to what Mr. O'Dwyer said about Ireland being joined at the hip with the UK. As he said, the ideal situation would be for everyone to go back to square one as if none of this had ever happened. Many people who have appeared before this committee have said it would be acceptable to them if Northern Ireland were to get special status because it would solve many of our problems. It would solve the problems with Down Royal, Downpatrick and Northern Ireland mares. I have a fear - it is important for this to be reflected in the negotiations - that if the EU 27 were to see the granting of special status to Northern Ireland without interfering with the island of Ireland as a means of giving Ireland a great deal and being seen as heroes, the imaginary border - the east-west border - would be much harder than a hardened Border between the North and South would be. I think the witnesses know the point I am making. Such a scenario could make the equine industry's relationship with the UK far more difficult than a perceived hard Brexit would make it. If we are seen to get a good deal by securing the retention of an all-island situation, it is possible that a far stronger border will be drawn along an imaginary line in the Irish Sea. We have heard the point that has been made today by the breeding and racing sectors from other groups, particularly within the agriculture industry. This point has been made with regard to cheddar cheese and mushrooms, to mention just two products. We are talking about an entire industry. I do not think we can stress that point enough when we produce our final report.

Senator Neale Richmond resumed the Chair.

Chairman: The Senator has spoken about many important issues today. I apologise for my intermittent appearances. We picked up on these issues during our preparatory meetings. When we examined the report published by the Joint Committee on Agriculture, Food and the Marine, on which Senator Daly sits - I am not criticising the report because it is excellent - we said that as a committee we wanted to focus on the whole equine industry. We have had good feedback from our colleagues. When I was in Scotland on Friday, I spoke to my colleagues in the Scottish Parliament. We have discussed this issue with MPs and Lords. We have suggested that all of Ireland and the UK could take a clear common stance on whatever deal is forthcoming in the equine area. I thank Mr. Shane O'Dwyer and Ms Elizabeth Headon for coming to the Seanad Chamber to discuss this important issue. As I have mentioned to everyone, the committee's report is a live document. We will be meeting in public session until 15 June. We will have two weeks to compile our report before it is submitted to the Commission and the Government. We would appreciate the ongoing engagement of Mr. O'Dwyer and Ms Headon on this matter. I thank them once again.

Engagement with Macra na Feirme and the Irish Farmers Association

Chairman: On behalf of the Seanad special committee, I welcome Mr. James Healy, who was elected as national president of Macra na Feirme recently; and Mr. Joe Healy, who is not so newly elected as president of the Irish Farmers Association. I had the pleasure of knowing Mr. James Healy's predecessor very well. We met on many red-eye flights to Brussels when he was going to various things. I think I saw Mr. Joe Healy waiting to get the flight home once or twice. Their reputations and those of their respective organisations precede them. I say that in the warmest way possible. I thank Mr. James Healy and Mr. Joe Healy for engaging in this morning's last session before we break briefly for lunch. Today we are considering one of the key issues facing Ireland in the context of Brexit. We have had some really thorough discussions so far this morning and generally throughout our work. We are looking forward to the input of the witnesses.

Some of those present will be familiar with the usual note on privilege. 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 Houses or an official, either by name or in such a way as to make him or her identifiable. 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. If they are directed by it to cease giving evidence on a particular matter and they continue to do so, they are entitled thereafter only to 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. 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. I invite Mr. James Healy to make his opening statement.

Mr. James Healy: On behalf of all members of Macra na Feirme, I extend my gratitude to the committee for inviting us to today's hearings. I am the 36th national president of Macra na Feirme. I am delighted to be joined by our chief executive, Mr. Denis Duggan; our agricultural affairs manager, Mr. Derry Dillon; and our agriculture policy officer, Mr. Paul Smith. Macra na Feirme is the only organisation representing the unique interests of the young rural people of Ireland and in particular young farmers, so the opportunity to voice their concerns and their vision for life both during and after Brexit is greatly appreciated. We are delighted to get this opportunity to attend the Seanad Committee and to reaffirm our commitment to the European project. Young farmers, and indeed young people across Ireland, many of whom we represent, have benefitted tremendously by the freedoms of movement, financial supports and market access offered by membership of the European Union. Young farmers and rural youth cannot be allowed to suffer the effects of a decision in the UK that is not of our making.

During our recently completed CAP consultation with approximately 1,000 young farmers, the impact of Brexit was to the fore in their concerns. Some of the recommendations proposed in our CAP policy 'Young Farmer Roadmap for Generational Renewal' include maintaining the strongest possible trade links with our largest trading partner post Brexit, and ensuring that the CAP budget is maintained post Brexit.

According to the UK Agriculture and Horticulture Development Board, AHDB, the UK imports approximately 35% of the beef and veal it consumes every year, which amounts to 250,000 tonnes or 50% of the beef produced in this country, and Ireland supplies 70% of that beef meaning we supply almost nine times as much beef to the UK as any other country. In comparison it exports on average 100,000 tonnes of beef but, according to the AHDB, this is mainly due to the lack of processing capacity and most of this meat will end up back in the UK

market as a value added product; 37% of what it exports comes to Ireland.

From a sheep meat point of view, the UK has a balance of trade with approximately 100,000 tonnes of sheep meat going in both directions but it is the type of cut that is the differential. According to the AHDB, a lack of processing capacity means that the UK exports a higher proportion of carcasses while importing value added cuts. Ireland is the largest EU supplier of sheep meat to the UK following New Zealand and Australia, while the UK sends over 50% of the meat it exports to France and 9% to Ireland.

From a dairy point of view, UK exports were estimated at £1.1 billion in 2015, with some £800 million generated from trade with the EU and £300 million going to third countries. A total of 90% of UK dairy exports go to the EU, 67% of that going to Ireland. Most of the liquid milk trade between the UK and Ireland occurs in both directions across the Irish Border, therefore putting dairy producers along the Border in a very uncertain situation. According to the AHDB, a large proportion of exported UK liquid milk returns to the UK after processing. For Ireland, the UK market was valued at around €840 million and accounts for some 25% of total dairy exports. In 2015 Ireland exported to the UK 65,000 tonnes of butter and dairy spreads and 139,000 tonnes of cheese, predominantly cheddar.

Taking all of this into consideration, the picture in front of every young farmer around the country but particularly in Border areas is stark. Young farmers are starting their farming journey. They have completed their education and are likely to have had to make significant investment in their business, probably availing of much needed credit meaning that they are working every day just to keep their businesses afloat. This, compounded with currency fluctuation, means that young farmers are more exposed to volatility than others in the same industry.

Now the uncertainty that Brexit has brought about threatens the business of every young farmer in the country as most have not had the time to establish the appropriate levels of capital and financial reserves to protect their businesses from the current and most likely continuing uncertainty and volatility surrounding Brexit. Hence, young farmers face a dark future where the likelihood of their business becoming crippled by low farm returns and a need to repay loans will become a reality if the UK's departure from the EU is a cliff edge scenario.

Macra na Feirme, however, has not come here today to tell the committee what the problems are, we know that it is well aware of them already. We are here to be positive, to identify the priorities that will protect all farmers, young and old, and to offer solutions that we feel can help protect agriculture in Ireland from the sort of crash we saw in the last decade.

The first priority is the relationship post Brexit. There will be a lot of discussion over the next two years about what sort of relationship there should be between the EU and the UK after the divorce has been settled. Listening to the Prime Minister, Theresa May, it sounds as if the UK is going to step out of the customs union. We would, however, propose that maintaining the UK inside the customs union post Brexit should be a red line issue for the Irish Government. Keeping the UK inside the customs union ensures that EU regulations continue without tariffs, duties or regulatory change. In the event that this red line is unattainable, the Irish Government must lobby for a period of transition, where the UK remains within the customs union during any protracted exit negotiations beyond 2019. Temporary membership of the customs union would allow for the appropriate time to be dedicated to developing a full and comprehensive trade agreement.

While political tensions may make this a difficult result to achieve, we believe that this tran-

sitional period will allow the time it will take to develop a full free trade agreement which can take anything up to seven years as seen with the recent Comprehensive Economic and Trade Agreement, CETA arrangement. A transitional phase would at least offer some stability in the intervening period. It would also allow time to work out the implications an exit from the customs union would have for farmers near the Border, in particular with the flow of products and services in both directions, which is set to disappear overnight. This would cause huge problems for young farmers especially relating to country of origin labelling. A customs border brings costs and obvious barriers, and it is the young farmer who will suffer in this scenario as most of the processors, especially in the meat and dairy industry, have the financial ability to mitigate the risks facing their businesses but the young farmer cannot relocate his or her flock or herd.

It is highly unlikely, given the complexities of a comprehensive trade agreement, that one will be negotiated within the timeframe set out by Article 50 thus making a transitional agreement essential for both sides to avoid the cliff edge scenario facing all industries at the end of the two year period. Imports are rarely mentioned in the context of Brexit. As a nation we import as much from the UK as we export to it. We are not advocating for more imports. Many of those, however, are inputs required by farmers: agro-chemicals, veterinary products, and tractors, for example, all come from the UK. This is the double impact that is rarely discussed regarding any UK withdrawal from the customs union.

The second priority is identifying new markets, within and outside the EU. Speaking at the Agricultural Science Association Conference last year, economist Colm McCarthy when questioned about Irish trade dependence on the UK highlighted by Brexit countered with the point that the UK is a lucrative market. He argued that of course Irish farmers and agri-companies should seek to supply as much food as possible to our nearest neighbour which eats the same food as us, pays a top price for it, and is the closest geographically to us. It makes complete economic sense, instead of trying to service markets at the other side of the globe.

With that in mind, Macra na Feirme during its recent CAP consultation with 1,000 young farmers, highlighted the view that young Irish farmers want to maintain the strongest possible market links with the UK market. According to the recently published KPMG *Farmers Journal* global agri-business report, four of the top ten global economies are in Asia and South America, driven by rising levels of new Asian middle class consumption, with over 3 billion new consumers, or 40% more, expected by 2030. Bord Bia recently reported that in 2016 global exports to markets outside the eurozone accounted for 70% of exports, with an 8% decline in the UK and a 35% rise year on year of exports to China.

There is no doubt that strategic targeting of new or emerging markets is economically prudent. However, we cannot afford to leave the UK market without a fight. As a nation, we must defend the interests of young farmers in the UK market. The UK is not self-sufficient in food and in the minds of the UK consumer phrases like “British and Irish beef” are common marketing parlance. Every opportunity must be used to ensure that the maximum viable market is retained in the UK.

Opportunities may also exist as a result of Brexit. However, we in Macra na Feirme caution against over optimistic views of the opportunity from a young farmer perspective. In a possible tariff environment with the UK post Brexit, Irish farmers could seek to displace UK products into mainland Europe. This, however, may not be as economically lucrative as the current UK market due to the make-up of the UK exports for example, replacing UK sheepmeat carcasses for France with Irish carcasses is not as valuable as Irish lamb cuts exported to France.

Bord Bia is to be commended for its efforts, along with the industry, to proactively target new markets for Irish food products through new market exploration and indeed expansion into existing markets. That effort, combined with Origin Green further promoting the sustainability of Irish food produce, is a significant competitive advantage. Over the coming years, Bord Bia must not be left short of either human or financial capital as it continues efforts to ensure Irish product maintains market share and builds new markets. Increasing the diversity of destinations for Irish products is crucial for the future viability of Irish agriculture. There is a genuine fear that the United Kingdom will pursue a cheap food policy post-Brexit. Speaking in Dublin recently, Patrick Coveney, chief executive of Greencore, cautioned that many backbenchers within the Conservative Party in the United Kingdom favoured a cheap food policy. Bord Bia must have adequate marketing resources to reaffirm for consumers in the United Kingdom the value, quality and sustainability of Irish food products.

The third priority is adopting an all-island approach. Consideration must be given to the implications of Brexit for animal health and the environment on the whole island of Ireland. Diseases and pollution do not respect lines on a map. Within the Brexit negotiations a framework for North-South co-operation and converged regulation of animal health and the environment must be provided for. While it is our understanding that after Brexit the North-South Ministerial Council will have no legal power, co-operation between the two Governments is mutually beneficial. Macra na Feirme encourages the Government to ensure some legal mechanism is created in the negotiations to provide legal standing for such co-operation. Being an island, Ireland as a whole has a biosecurity advantage and our island advantage makes disease control easier. The implications of a future animal health crisis or disease outbreak in a post-Brexit economy include the potential to destroy the combined efforts of initiatives such as Origin Green. An all-island approach to animal health was commissioned by the North-South Ministerial Council in 2001 and could act as a template for continued co-operation between the two Governments post-Brexit. Should such a strategy be continued into the future during times of crisis, it will need to be able to act effectively and rapidly based on solid scientific advice.

The North-South Ministerial Council should also continue the work it has undertaken to deal with the environmental challenges the island faces. It already works in the areas of research, environmental protection and water quality and waste management in a cross-Border context. In the post-Brexit scenario waterway pollution on the other side of the Border, for example, could have a detrimental impact further downstream for Irish farmers. Similar to the advantages of an all-island animal health strategy, a continued all-island environmental strategy is crucial. As a non-political organisation, it would not be appropriate for Macra na Feirme to engage in discussion on a united Ireland, but we are clearly stating the mechanisms are in place today to support all-island responses to issues of animal health, the environment and disease. These mechanisms must be retained in any legal framework negotiated as part of Brexit.

The fourth priority is upskilling. In the *Irish Farmers Journal* today the research of Dr. Kevin Hanrahan of Teagasc sets out the impact of Brexit on family farm incomes. It worryingly forecasts income reductions of up to 40% in certain farming sectors. The European Union makes significant resources available to member states or regions impacted on by globalisation. Macra na Feirme believes the European globalisation fund which is normally deployed in situations where multinationals or large companies close down or relocate with the loss of jobs is relevant. The chief economist at the Department of Finance has warned that up to 40,000 Irish jobs could be lost as a result of a hard Brexit. Macra na Feirme is concerned that many of these job losses would be felt most harshly by young people in rural areas where there are traditionally fewer opportunities to avail of job mobility. If Teagasc's research is borne out, a significant

number of farmers will be forced to exit the industry and should also become eligible for EGF support. Should significant job losses become apparent as a result of Brexit, the European globalisation fund should be deployed to provide training and upskilling programmes to enable those affected by Brexit to retrain.

The fifth priority is meeting increased education demands. Every year a cohort of Irish students who have completed their leaving certificate examinations head to the United Kingdom to complete agriculture degrees in areas such as animal, food and crop science, with agribusiness, veterinary and forestry studies. We estimate that there are approximately 300 to 400 Irish students studying these or similar courses in the United Kingdom. In 2015, according to the Higher Education Authority, just over 3,300 students were enrolled in agriculture, horticulture and veterinary related degree courses in Ireland. On the back of Brexit and if there is no agreement for the shared funding of education courses and the cost of studying abroad between the United Kingdom and the European Union, we estimate that 300 Irish agricultural students currently studying in the United Kingdom could be returning to Irish shores to pursue their studies. If this becomes a reality, there would be a 10% increase in the demand for agriculture courses based on the 2015 figures. The CAO system correlates the demand for a specific course with a number of points. Hence, the return of these 300 students to the Irish third level education system would mean a consequential increase in the number of points required for courses, making it harder for Irish students to gain places on agriculture courses.

UK universities and Irish higher education institutes compete in the Middle East, Asia and elsewhere to attract undergraduate and postgraduate students. Possible travel restrictions and a reduction in the number of EU research opportunities in the United Kingdom could have a positive impact for Irish higher education institutes in their efforts to attract international students. However, any rise in the number of international students must not lead to a displacing of opportunities for Irish students studying for the leaving certificate examinations in years to come. Together, the impact of additional foreign students and the additional demand for places on agri-related courses could create an upward spiral in the number of CAO points required for agriculture courses. Provisions need to be put in place to allow Irish universities, colleges and institutes of technology to cope with the potential increase in demand for places on agriculture courses. If the agri-sector is to continue to grow and expand, it is highly important that there be a continual flow of educated, young and vibrant people into the sector.

The sixth priority is the CAP budget. For agriculture to remain vibrant, we need young people to see farming as a viable career. If they believe they will be washed away by the first crisis they encounter, they will not risk entering the industry. That is why we call on the Government to ensure funding for young farmers is not cut on a *pro rata* basis with any decrease in the CAP budget following the exit of the United Kingdom from the European Union. We ask the European Union to show its support by maintaining the funding currently directed towards young farmers, ensuring their ability to develop and expand their businesses. We leave the committee with a challenge. Can we have a commitment that, as Members of the Oireachtas, committee members will sign off on an increase in the Government's contributions to the EU budget to sustain the CAP budget for young farmers?

I thank the committee for its time. We will be happy to take questions from members.

Chairman: As a committee, we are not in a position to give commitments at this stage. However, we will ensure all of Mr. Healy's concerns are included in detail in our report. That is the best we can do. I will move swiftly on to Mr. Healy from the IFA.

Mr. Joe Healy: I thank the committee for giving us the opportunity to outline the key issues of concern for Irish farming and the agrifood sector arising from Brexit. I apologise in advance because I am more than likely to repeat a few of the points the other Mr. Healy in attendance has made.

In the ten months since the Brexit vote, there has been a huge amount of analysis undertaken of the potential implications for the Irish economy and the farming and food sectors of the United Kingdom leaving the European Union. The results are clear and stark. Ireland is the economy in the European Union that will be impacted most by Brexit and the farming and agrifood sector will be the one impacted on the most. The sector generates economic activity in every parish, village and town across Ireland, supporting 300,000 jobs, directly and indirectly. Last year alone, food and drink exports topped €11 billion. The sector is particularly vulnerable to Brexit for a number of reasons.

Ireland's agrifood sector has a high dependence on the UK market, with 40% of exports destined for the UK market annually. They include 50% of our beef, one third of our dairy products, over half of our pigmeat exports and more than 90% of all mushroom exports. Disruption caused to the UK market by the imposition of tariff barriers, border checks, certification requirements and other regulatory changes could render this trade uneconomic. High EU tariff protection applies to products of major importance to Irish farmers such as beef, dairy and lamb. Tariffs on imports from non-EU countries are in place to protect the market for European farmers. A significant reduction in import tariffs by the United Kingdom for non-EU countries such as the Mercosur countries of South America would fundamentally undermine the competitive position of Irish and EU products on the UK market and reduce the value of the UK market.

The existence of the land border between Ireland and Northern Ireland creates a serious challenge. Every year thousands of animals and huge volumes of agricultural produce cross the Border to Northern Ireland for finishing or processing as part of a highly integrated supply chain. These trading links, which have built up over many years, are critically important for farmers and processors on both sides of the Border. Brexit presents a real risk of a hard Border with customs checks and other controls. The departure from the EU of the UK, which is a net contributor to the EU budget, will create uncertainty about the size of the CAP budgets after 2020. A reduction in the CAP budget would have a direct negative impact on Irish farm incomes across all sectors.

I would like to highlight some of the specific issues for our main sectors. The threat from Brexit for the beef sector is frightening. The UK is the market for 270,000 tonnes of Irish beef, or approximately half of our beef exports. The IFA is continuing to strongly support efforts to secure new markets for Irish beef. Any damage to our position in the UK market would see significant displacement of Irish beef onto EU markets, such as France, Germany, the Netherlands and Italy. This would undoubtedly destabilise the EU beef market, thereby undermining price returns to farmers in Ireland and across Europe. In the dairy sector, one third of our exports go to the UK, which is our main market for cheddar. There is no alternative. A loss of access to the UK market would destabilise the overall dairy sector here. Brexit presents a particular threat for milk processors that depend on an all-Ireland milk pool. The same thing applies to the pigmeat and poultry sectors, in which large volumes of produce move across the Border for processing. The key issue in the sheep sector is the future destination of large volumes of New Zealand lamb imports.

There are real threats to virtually every sector of agriculture, from beef, dairy and lamb to mushrooms and forestry. These threats include reduced access to the UK market through tar-

iff barriers, a loss in the value of the UK market through increased substandard and low-cost imports and the potential reduction in the CAP budget after Brexit. The ESRI has estimated that WTO tariff rates would virtually wipe out our agrifood trade to the UK, with losses of €2 billion to the meat and dairy sectors. At farm level, Teagasc has looked at the impact a hard Brexit would have on farm incomes in a scenario where there is a 10% reduction in the CAP budget and lower UK food prices. Farming would be devastated in such circumstances, with average incomes decreasing by 26%. Cattle farm incomes would be worst hit, with a massive 37% reduction. I remind the committee that in this sector, direct payments already account for over 100% of family farm incomes in most cases.

Since last year's vote, the IFA has undertaken a campaign of engaging with key stakeholders in the negotiations. We have highlighted the real threats posed to farming livelihoods. We have met the Taoiseach; the Ministers, Deputies Creed and Flanagan; the head of the EU negotiating team, Michel Barnier; and the British ambassador to Ireland, Robin Barnett. The IFA Brexit event at Goffs, which was attended by more than 700 farmers and industry representatives, was addressed by the European Commissioner for Agriculture and Rural Development, Phil Hogan; Mairead McGuinness MEP; the Minister for Agriculture, Food and the Marine, Deputy Creed; and other speakers from the industry. The IFA is actively working with European farming organisations to highlight the damage a hard Brexit could do to Europe's €45 billion worth of food exports to the UK. We are in close contact with our colleagues and neighbours in the Ulster Farmers Union, representatives of which are in the Gallery today, and the National Farmers Union. They share many of our concerns about the impact of Brexit.

The IFA published a policy document in March as part of its overall response to Brexit. Two key priorities for farming in the Brexit negotiations are identified in the document, *Brexit: The Imperatives for Irish Farmers and the Agri-Food Sector*. Our first key priority is to maintain the closest possible trading relationship between the UK and EU while preserving the value of the UK market. It is not sufficient for tariff-free access to the UK market to be achieved. Equally, the value of EU agrifood exports cannot be undermined by an increase in low-cost food imports into the UK or by imports that do not meet the high standards of food safety, animal welfare, health and environmental controls that are required of EU producers. The optimum outcome from a trading point of view is for the UK to remain within the EU's customs union. This would solve many of the border issues that may otherwise arise, such as checks on origin of imports from third countries. If the customs union outcome is not possible, there must be a comprehensive free trade agreement that includes the following elements for agriculture and food: tariff-free trade between the UK and the EU for agricultural products and food; the maintenance of equivalent standards in food safety, animal health and the environment; and the application of a common external tariff for imports to the EU and the UK.

Our second key priority is a strong CAP budget in the period after 2020. This is critical for farm incomes, farm output and wider economic activity. There cannot be a reduction in the CAP budget arising from the UK exit. A reduction in spending power for Irish agriculture arising from a cut in direct payments to farmers would have a significant and negative knock-on impact on production decisions and on the demand for goods and services in the rural economy. Farmers and the food industry have been badly hit by the devaluation of sterling over the past year. The beef industry lost €150 million in this way in the second half of 2016. This had a knock-on effect on wider rural areas. In the event of further significant decreases, farmers and the food sector will require direct support through CAP market supports and flexibility on state aid rules. Increased resources for market access and promotion must be allocated to the relevant bodies, including the Department of Agriculture, Food and the Marine and Bord Bia. Discussions on

the future EU-UK framework, including transitional arrangements, must commence early in the withdrawal discussions in order to minimise uncertainty during the negotiation process.

We are at the starting point of the withdrawal negotiations. The EU is adopting a phased approach. It has identified four initial priorities in the withdrawal negotiations: safeguarding the rights of EU and UK citizens, agreeing the UK financial settlement, avoiding the creation of a hard border and reaching agreement on dispute settlements. It has outlined that discussions on the future relationship will form part of the second phase of the negotiations. In the initial stage of the negotiations, it is critical that minimising the disruption to trade, for example by maintaining equivalent standards in the areas of food safety, animal health and welfare, is a priority issue in the discussions on the Border. The UK must fully meet its obligations to the EU budget for the entirety of the existing CAP reform programme, which runs to the end of 2020. To minimise the uncertainty for farm enterprises and the agrifood industry, there is a real need for progress to be made quickly. Therefore, discussions on the second phase should commence as soon as possible.

Brexit is the greatest threat to Irish farming we have seen in our lifetimes. The livelihoods of thousands of farm families and the future of the agriculture and food industry are at stake in these negotiations. Over recent months, the IFA has clearly set out for political leaders in Ireland and across the EU the critical issues for Irish farming and the food sector in the negotiations. It has identified the outcomes that must be delivered to secure the interests of this vital sector in the years ahead. I assure the committee that as progress is made with the negotiations, we will keep up the pressure by continuing our engagement with stakeholders in the Oireachtas, Government Departments, the European Parliament and the European Commission. I thank the committee for its time.

Chairman: I thank Mr. Joe Healy. As someone who is often made fun of for being a south Dublin suburbanite, I stress that this whole session is fascinating for me. It is not something I am alien to. I am very proud that the area I represented had 63 members of the Irish Farmers Association, IFA. It was not exactly a massive number, but they all went down. We also have a thriving branch of Macra na Feirme in south Dublin. Obviously I come from a family with a strong link to the agricultural sector both in terms of supply and agribusiness. Both of those presentations were really excellent. We are really grateful. We have had an excellent day's work so far. I commend the work that both organisations do. I watched the live stream of the meeting in Goffs. It was top notch. If we had more people doing that from various sectors we would be in a really good place - not that we are in a bad place, but we can always be in the best place.

Senator Gerard P. Craughwell: Not unlike the Chairman, until very recently I thought milk came from bottles, but I recently learned it had moved to cartons. I am extremely impressed by the level of preparation that both Macra na Feirme and the IFA have put in. I only arrived as the Macra na Feirme presentation was beginning because I am involved in another committee. One of the things this committee set out to do was to look for solutions. As I believe the speaker from Macra na Feirme said, the problem is well rehearsed in every corner of Irish life at this stage. The amount of thought that has gone into the witnesses' work has been most impressive.

In trying to get to questions, there were a couple of things mentioned, particularly on the education side. It is an area in which I have a huge interest. In respect of the approximately 300 students mentioned which we send to the UK each year, in the event of a hard Brexit, the first problem we are going to face is the fees for those students, assuming we can get them into the

UK in the first place. That is the first problem we have. The second problem that we are likely to run into is that, if standards change and they are taught to a curriculum which has different standards, recognition of their qualification when they return home will be an extremely serious challenge for members of Macra na Feirme particularly, because that organisation deals with the future farmers of the country.

The first priority set out was the relationship post-Brexit, and I think it was well set out. Firstly, I would like to say to Macra na Feirme what I said to the Ulster Farmers Union this morning - that we give them a clean canvas. We take everything that is on the table off of it. Macra can now draw or paint the canvas for us to show us what it wants. The Chairman and I met Michel Barnier and other members of the European Parliament some time ago in Brussels. They all said the same thing to us - they too know the problems and are very well-rehearsed on them. They want solutions coming from Ireland. They were not shy in saying that the solutions need not necessarily be the most intelligent or sound. Something completely off the wall may actually work for all sides as we go forward. I ask Macra to have a look at that.

Moving on to the IFA, one of the things that bothers me is whether it is an issue of taste that there are no serious markets for cheddar outside the UK. Is that an issue of taste or of competition from other parts of the world? Is there a saturated cheddar market out there? I am not sure. I know the English taste for cheddar and I have long been a fan of the same cheese myself. I am very much aware of it. Again, when we look at agrifood exports and what is happening between the UK and Ireland, I honestly cannot see a way that we can separate out North and South. From an IFA perspective in particular, it will have members whose land straddles the Border, with some land in the North and some land in the South. That seems to be a massive problem. I am not sure where we are going with that.

The IFA's products are sold on the world market as Irish beef, Irish lamb, Irish pigmeat etc. I assume our colleagues in the North of Ireland brand their produce in exactly the same way - as Irish. If we have a divergence between standards, that will be a serious problem for the marketing of our product. The IFA's aspiration to hold market share in a UK which will now be dealing on the world stage will be very hard to secure. There will be cheap Argentinian beef and cheap lamb coming from wherever. At the end of the day, there are parts of the UK where price, not quality, is the issue. I assume that we sell at the tightest prices at which we can sell. I assume massive profits are not being made from the UK market. If we are going to compete on price and price alone, because quality may not be the issue in some parts of the UK, how are we going to fare?

When the witnesses talk about the Common Agricultural Policy, CAP, and I am interested in the views of both groups on this, it is my view that the European Union should be pumping in supports to allow us to diversify into other market areas and to provide for the building of a cheddar mountain or a beef mountain in order to support our industry until we have developed those markets. If this is a hard break, which looks very likely, we will have to find something outside the UK. The Ulster Farmers Union made the point this morning that even if we did diversify outside the UK into other world markets we would have to work really hard to earn the same sort of income that we are earning from the UK because we are selling premium cuts and getting the top end of that market. I would be interested in the witnesses' views on that.

Again, I ask the president of the IFA, and it is probably an unfair question to ask as he has only been in the job for about a year and a half, but if he had a clean canvas, what would he want from both governments? Clearly we cannot dictate to Theresa May what she will want from Brexit, but if he could what would Mr. Healy want? I thank the Chairman. I hope that has not

been too around-the-houses.

Senator Paul Daly: I welcome both delegations and thank them most sincerely for their presentations. At this stage, almost a year down the line, we are all fairly well aware of the facts, figures and perceived consequences. Unfortunately, solutions are not that easily achieved from the point of view that, as we are all aware, we will be one of 27 when this negotiation gets down to the nitty gritty. Both organisations, and particularly the IFA, are world leaders when it comes to negotiating and lobbying. They are in Brussels more often than many in this House. I ask them what they gauge the feelings of the other 27 to be? I was out some while ago with a group from the Joint Committee on Agriculture, Food and the Marine. While it was not officially across the table, when we walked away from the table I certainly got the impression that, while we were talking about the CAP and CAP reform, they kept bringing up Brexit. Perhaps it is the cynic in me but I walked away saying to myself that these lads think they are being very sympathetic with our Brexit situation and that if they look after us in Brexit they will be entitled to wash us down the Swanee when it comes to the CAP. The Polish representative in particular made a point of the Russian embargo and of who looked after his country in that similar situation. The witnesses are preaching to the converted here and in the other House and when dealing with anybody who has a voice in this thing.

How do they see it going and, through their negotiations and lobbying in Europe, how do they see the views of the other members of the 27 about our agriculture sector? We are dealing with agriculture specifically, although there are so many other strands. As has been said, agriculture is probably on the back of the page when it comes to Theresa May's list of priorities. Therefore, how much negotiating time, when hard negotiations begin, will be allocated to agriculture?

Earlier we had the Ulster Farmers Union before us and I asked its members about how much contact it had with the IFA and Macra. They are all working well together. I think that is important from an all-island perspective. I said that to the Ulster Farmers Union. I know it is repetitive but the organisations are similar. Many people we have had before us, and many outside commentators, are flying a kite about Northern Ireland getting a special status after Brexit, which would help to maintain our all-island situation and minimise or eliminate the possibility of a hard border on the island. It is a great idea in theory but if one analyses it from the perspective of agriculture, it means that our border is east-west. There will be an imaginary line in the Irish Sea between Ireland and the UK. Our milk situation, our pigmeat and everything else on the island will be sorted but we will need an agricultural border on the island, in my opinion. We will have farmers in the South who are still under the CAP while the Northern Ireland farmers, even if they are in an all-island agricultural model, will still be in the UK and will probably be outside of the CAP. A Northern Ireland farmer who exports across to England will not be paying a tariff but farmers south of the Border potentially would be paying such a tariff. We could have a segregation of the island. What a lot of people are putting forward as one of the better scenarios could be, from an agricultural perspective, a time bomb. Maybe I am wrong and I would like to hear the opinion of the witnesses on that.

While not wanting to pre-empt the response to Senator Craughwell's question, there is nowhere else to go with cheddar. Even if we built a cheddar mountain, it would still have to be eaten by the English because the Europeans would not want it nor would the Chinese. In that context, where do we go? Where do we go with mushrooms? Before the Brexit vote we were scouring the world for new markets. I used an analogy previously of being tortured with an ingrown toe nail, but if one hits one's thumb with a hammer, one will forget all about the toe-

nail. That does not mean that it is cured or that the pain has gone away. It merely means that the thumb becomes the priority. Brexit has become our priority but we had a lot of problems before the vote. We were already scouring the world, looking for markets. What new markets do we think are going to mushroom - pardon the pun - in the aftermath of Brexit that were not there previously? Bord Bia and so many other agencies have been out there, trying to get new markets. There are not going to be any new markets. The market is still there. The English are still going to have to eat. In that context, can the witnesses see any bright light in this? Is there any positive potential in any one of the possible outcomes? We are in a bubble here in the sense that we are talking about the unknown. The only certainty here is uncertainty. We must, for the purposes of our report, get as much feedback from as many different perspectives as possible. We must examine the various scenarios, from worst case to best. I ask the witnesses to elaborate on these points.

Senator Frances Black: I thank the witnesses for their presentations. I am not involved in farming myself but my father was born on a farm and my cousin still runs a farm. I would have spent a lot of time on the farm and understand the complexities of farming. I also understand how hard it is for farmers, particularly those with small holdings. I can only imagine the anxiety and stress that they are under at the moment. I was talking to my cousin at the weekend. He lives in the North. He talked a lot about his concerns and is actually thinking of retiring.

The presentation was fantastic. It was very clear and will be very useful in the context of the preparation of our report. Reference was made in the presentation to the fact that the pollution of waterways north of the Border could have a detrimental impact further downstream for Irish farmers. I ask the witnesses to elaborate on that point. While bearing in mind that Macra na Feirme is a non-political organisation, do the representatives believe that a united Ireland would be beneficial for the farming sector? I ask them to be really honest and to answer from the position of concern for the people that they represent.

Mr. James Healy: I will address the second part of Senator Craughwell's question first. If we had a clean canvas, ideally the UK would not leave at all but obviously that is not going to happen. The IFA has said that ideally the UK would at least stay within the customs union, a position with which we concur. That would maintain an equivalence of standards to a very large degree and would ensure that there are no tariffs. From a trading point of view, it would make the picture an awful lot simpler. It would also limit the ability of the UK to go off and conclude trade deals with third countries, including those in South America, and would make such deals much less profitable. That would leave us in a much better position in terms of being able to retain our market share in the UK.

In terms of the first part of the Senator's question, staying in the customs union will not solve the educational part of the picture. There would have to be some sort of an arrangement between the EU 27 and the UK on education, as well as on other issues such as pensions and so forth. Some sort of agreement will have to be reached whereby students could still travel from country to country. We have UK students in Ireland and there are many Irish students in the UK, which is to the benefit of both countries.

Senator Daly asked about the point of view of the other EU member states. As it happens, Mr. Derry Dillon and I were at a meeting in Brussels yesterday of the Conseil Européen de Jeunes Agriculteurs, CEJA, the European young farmers organisation and Brexit did not even get a mention. It was only during conversations after the meeting that we were able to ask for their opinions. While Brexit is in the back of their minds, it is not something that is a priority for European farmers, except for those in the Netherlands who would also have a large amount

of trade with the UK. They recognise that it will be important in time but at the moment it is not a priority for them. They are far more concerned about migration, terrorism and such issues. Unfortunately, Brexit is not on the list of priorities.

Reference was made to special status for Northern Ireland. We are concerned about Northern Ireland from the perspective of animal health because diseases and other environmental threats do not recognise lines on a map. If we are to continue to sell ourselves as a green island, to maintain our origin green status and to support the sustainability that we are marketing, we must have an all-island approach. That brings me to the question posed by Senator Black. A united Ireland might address some of the issues raised by Senator Daly, including the disparities between farmers north and south of the Border in terms of supports and access to markets but an all-island approach is more of a priority. The overall marketability of our product and the selling of Ireland as a green island comes back to issues of animal health, environmental standards and so forth. In terms of Senator Black's question on the environment, if there is an outbreak of disease or a slurry spill one side of the Border, the contaminated water will flow to other side of the Border. It is unfair for farmers on either side of the Border to have to suffer the consequences of something that may have arisen on the other side. At the moment Ireland is attempting to hold on to its derogation under the nitrates directive. Water quality and water quality management is a huge part of that. If one was to separate North and South from that perspective, it makes it very difficult for farmers, particularly around the Border, to maintain water quality. They could suffer again for something not of their own making. That is why we believe it has a huge part to play.

Senator Daly mentioned that those in the UK still have to eat and that is why we do not want to give up our share of the market in the UK at all costs and them being part of the customs union is a red line issue that we have identified. The Senator said they still have to eat and we want to maintain competitiveness in the UK. If the UK is outside the customs union, the tariffs that will apply may make our produce less competitive and affect our market share. I agree with the Senator's remarks about new markets that might suddenly appear. I spent three weeks in China last year and, particularly with beef in mind, I know it is not something they would even think about eating. That is a major area of produce that will be affected by Brexit. The new markets will not solve our problems so it is about maintaining the best possible relationship with the UK from a trade perspective. That is how we will protect the incomes of farmers and, in turn, the quality of life for all people in rural communities.

Mr. Joe Healy: I acknowledge the honesty of a number of Senators in highlighting the fact that they might not milk cows or herd sheep every morning. There is really no part of Ireland too far removed from rural Ireland. As Senator Black rightly said, she has an uncle and cousins on the farm, and there are very few people anywhere in Ireland that would not have direct family members involved.

The first point raised concerned cheddar cheese. Every Member would have received our document at some stage. Of our cheddar, 78,000 tonnes or 82% goes to the UK. There is not really an alternative. In the past two days we have been in the Netherlands and Germany, and we had a meeting with representatives of Ornuia at its Kerrygold plant yesterday in Germany. The taste of Europeans does not tend towards cheddar, so as I highlighted in my speech earlier, there is not really an alternative there now for the cheddar market in the UK. As the person who put the question states, it is probably a question of taste and culture.

There was a question as to whether it is aspirational to believe we can hold trade with the UK. We must believe we can do so. I should make it very clear there are no winners here and

no matter what way we look at this, it is a damage limitation exercise right across all sectors and particularly in the agricultural area. A number of things have been said by UK and European politicians but perhaps the best thing to do now is allow British Prime Minister May and UK Government officials get on with their election. We have always said that statements are made during an election that may not be carried through thereafter. I say to European politicians not to get involved.

Senator Paul Daly: It would not happen here.

Mr. Joe Healy: I do not disagree with anything said by Mr. James Healy. If we had a clean canvas, we would go back to 22 June last year. In the absence of that, we seek for the UK to remain in the customs union and retain the closest possible trading links between the UK and European Union. That in itself is not enough and we must maintain the value of the market in the EU, which from an Irish perspective, is worth over €4 billion for agrifood alone. We cannot see a position where the market is undermined by cheaper imports of food from countries where the standards of production are not even close to what we have in this country. I was in Brazil at the end of last year and I have seen production first-hand. We recently saw the lack of trust and sharing of information between the Brazilian authorities and the EU. There is a major breakdown of trust in that regard.

I acknowledge that agriculture is high on the Brexit agenda in this country. We met Mr. Barnier on four different occasions and it was noticeable that he mentioned agrifood four if not five times in his address to the Dáil. I would like to see it a bit further up the agenda and within British Prime Minister May's sphere of interest. It may have been pointed out already this morning but from the UK farmers' perspective, nine of the top ten countries from which the UK imports food are in the EU, with seven of the top ten countries to which it exports food being in the EU. The EU is very important to the UK and especially its farmers. There is also between €3 billion and €3.5 billion going to UK farmers from the Common Agricultural Policy, CAP. The CAP has been very good to all EU consumers. If people are not from a farming background and hear of the Common Agricultural Policy, we might just think of supports for farmers. In 1962, when the CAP was introduced, the average family spent 30% of family income on food; last year, the average family would have spent 12% of average income on food. I would like to think the food produced in Europe is the top-rated in the world. That is what the European consumer is getting as a result of CAP; it is not restricted to the Irish consumer but its effects are felt right across Europe. I mentioned the 300,000 people employed directly or indirectly in agribusiness in this country and there are 44 million Europeans involved in the agrisector. It is a lot of people and, as I mentioned, we are dealing with people's livelihoods.

There has been comment on the level of interest from other EU countries. We have met a good few EU politicians and ambassadors since last June. The message we were getting in July and August was that they were listening to us and, more or less, that they sympathised with us but "they" had to be taught a lesson. I have to be honest and say that was the clear impression I got from them. It was that we cannot have a position where a country is better off outside the EU than inside it. I would like to think that in the meantime perhaps attitudes have softened somewhat. From speaking to politicians from across Europe and other agricultural organisations, I know that when we spoke about just the effect in Ireland, it was grand because it did not affect them; we started talking about the €45 billion of EU food going into the UK, and the negative impact on prices if this is displaced from the UK to the EU market, which is already fully serviced and what would happen with 270,000 tonnes of beef we put into the UK. Geography dictates much trade and that is why the UK is so important for the likes of cheddar, mush-

rooms, poultry, pig, lamb, beef and dairy products. We would look to the next place beyond the UK, which is the EU market, and we will try to dump - or whatever term one might use - the 270,000 tonnes of beef into the European market. The EU market is already fully serviced for beef. It is like anything in that once one goes over what is required to supply a market, one will depress the market. We have found that European politicians and other farming organisations will engage when they realise that they would be badly affected if the €45 billion worth were to come back onto their markets. That has been our experience.

I mentioned Germany already. We speak about looking at other markets, which is why I mentioned the need for adequate funding for these areas in the Department of Agriculture, Food and the Marine and Bord Bia in terms of accessing other markets, even though those markets might not be as good, and they will not be as good. From an Irish point of view, the best market in the world for agrifood products is the UK but we are exporting food to 160 or 170 countries around the world.

Irish food has an incredible reputation. Kerrygold, for example, is the number one butter in Germany. I think it is number two in America. It is incredible that a small country such as Ireland has such a hold in those countries. However, speaking to the top man in Ornuá's Kerrygold plant in Germany yesterday, it has taken Kerrygold 40 years of solid progression and building success on success to get where it is today and it is not where it wants to be yet. There are still huge openings to increase its market share. However, we will only increase market share in those countries if there is adequate funding. Yesterday and on previous days, we saw the amount of work Bord Bia has done to highlight the safety and reputation of Irish food. We need to ensure that continues to happen.

On special status, we have always stated that we accept fully that we must negotiate as part of the EU 27. That is clear. However, let us remember that this vote is unprecedented. A lot has been happening over the past months and that will go on in the future. It has been and will be unprecedented from a European point of view. Let us not be afraid to ask or to be bold. All anyone can say is "No". Politicians across Europe understand the significance of the UK market from an Irish point of view. I already mentioned common external tariffs on foreign food coming into the UK or the EU. We need to try to ensure in the negotiations that there is a common external tariff.

Those were the points that I had jotted down. If there were any areas that I have left out, please-----

Senator Gerard P. Craughwell: If I could-----

Chairman: I know that Senator Craughwell wanted to come back in but we have gone way over time. Senator Craughwell might be able to take it up in the margins after the meeting. We were to be out of here before the hour. I ask the Senator his forgiveness and apologise if that was a bit abrupt.

I thank the organisations for their presentations, we greatly appreciate them. This will be an open and lengthy process and we would like to continue our engagement with them.

Sitting suspended at 2.05 p.m and resumed at 2.55 p.m.

Engagement with Food Drink Ireland and Meat Industry Ireland

Chairman: On behalf of the committee I would like to welcome the director of Food Drink Ireland, Mr. Paul Kelly, and the chair of Meat Industry Ireland, Mr. Philip Carroll. I thank them both for coming in for this, our last session of a long day. The committee has managed to get through a very productive day's work in an industry and sector which is absolutely at the front line when it comes to the fallout from Brexit. We are looking forward to the witnesses' contributions. I know they have done quite a bit of work on this so far.

Before we begin I will read out the note on privilege. 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 Houses or an official either by name or in such a way as to make him or her identifiable. By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to this committee. If they are directed by the committee to cease giving evidence on a particular matter and they continue to do so, 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, her or it identifiable.

I invite Mr. Kelly to make his opening remarks at this stage.

Mr. Paul Kelly: I thank the Chairman and members of the committee for the opportunity to appear before the committee today. My name is Paul Kelly, director of Food Drink Ireland and I am accompanied by Philip Carroll, chairman of Meat Industry Ireland. Ireland's largest indigenous sector is facing an unprecedented challenge following the UK vote to leave the EU. The agrifood sector has already been hit hard by the depreciation of sterling, resulting in a reduction in the value of trade to the UK by €570 million in 2016. This equates to 5,700 job losses. The continued depreciation of sterling is a major concern, now that the UK Government has triggered Article 50 of the EU treaties and formally set out its approach to Brexit negotiations.

A further weakening of sterling will give rise to greater trade losses, enterprise and job losses for companies most exposed to UK markets and downward pressure on farm incomes. The future value of UK goods exports, valued at €4.1 billion in 2016, will be determined by exchange rate losses in the short term and ultimately, post Brexit, by the nature of the trading relationship that will exist between the UK and EU. In a worst case, hard Brexit, scenario, the ESRI has estimated that there will be a disastrous outcome for trade with the UK for many food sectors, including 80% reductions in primary and processed meat exports, a 68% reduction in dairy and reductions of more than 70% for many other food preparations.

It is critical that Government take action now and introduce measures to assist the sector, which is of strategic importance to the Irish economy, in overcoming these challenges at national level while also making a strong case at EU level that Ireland will require support that recognises where Brexit represents a serious disturbance to the Irish economy. We believe that various measures are necessary to support the Irish agrifood sector in the face of the fracture already being experienced in our trading relationship with the UK since June 2016. Such measures would include the relaxation of state aid restrictions at both farming and industry level that impact on the ability of Ireland to address critical stabilisation support measures and strategic transformative initiatives, direct support for farmers through CAP market support and the re-introduction of the employment subsidy scheme and the enterprise stabilisation measures which were last applied during the financial crisis in 2009 to 2011. Also required is additional support for market diversification and product innovation measures, administered by the rel-

evant State agencies as well as trade support measures, including export trade financing and export credit guarantees, to support the continued development of international export markets. The Irish agrifood sector also requires access to sustainable financing via the Irish Strategic Investment Fund, ISIF, and the Strategic Banking Corporation of Ireland, SBCI, supported by the European Investment Bank, EIB.

In the context of the forthcoming negotiations, we welcome the Irish Government's position that to succeed as an open and a welcoming society, we must remain at the heart of Europe. We acknowledge the Government's acceptance that the agrifood sector is facing particular risks and challenges and that the sector is among Ireland's priorities in the Brexit negotiations. We believe that delivering an outcome that continues the closest possible economic and trading relationship between the EU and the UK requires that Ireland seeks the inclusion of a range of measures in the EU mandate for negotiations. In order to minimise economic uncertainty and the potential for major economic damage for exposed sectors, discussions on the future EU-UK relationship must be commenced early in the negotiating process. The retention of free access to and the maintenance of the value of the UK market are of critical importance to the Irish agrifood sector. Given the UK's stated determination to leave the Single Market and the customs union, this will require a comprehensive free trade agreement between the EU and UK. In that context, all sides must commit to negotiate an ambitious and balanced agreement that prioritises continued tariff free and barrier free trade, long-term growth, investment and stability. The agreement should take account of the special case of the island of Ireland, ensuring that the highly integrated supply chains can continue to operate with free movement of goods and services. In acceding to a free trade agreement with the UK, the EU must ensure that the value of the UK market is not undermined through lower cost imports which do not meet the standards required of the EU agrifood sector. We must see the continued application of the common external tariff for agriculture and food imports to the UK and the maintenance of equivalent standards on food safety, animal health, welfare and the environment.

Transitional arrangements must be of sufficient length for businesses to plan and prepare for any new free trade arrangements that may be required to bridge the gap between the completion of the UK two year exit process and the point at which the future EU-UK agreement enters into force. There can be no reversion to high WTO, most favoured nation, MFN, tariffs on EU and UK imports of food, drink and agricultural products in the period between the UK leaving the EU and a new agreement being finalised, as this could permanently damage trade and livelihoods in the most affected sectors here in Ireland. Overall, customs procedures must be dealt with as part of the first phase of the article 50 negotiations

Food Drink Ireland and Meat Industry Ireland are committed to working with the Government and the European Commission to achieve an outcome from the Brexit negotiations that represents the closest possible trading arrangements to those that exist at present. We appreciate the complex nature of these negotiations. We also accept that tough negotiations lie ahead in achieving our overall objective of continued free and unfettered access to the UK market post-Brexit. We urge the Government and the European Commission to be relentless in defending our interests and to stand firm in resisting conclusions that would lead to a hard Brexit, an outcome that serves nobody's interests, least of all Ireland's.

Mr. Philip Carroll: I thank the Chairman for the invitation to contribute to the discussion on this important topic. I wish to underscore some of the points made by Mr. Kelly in his introductory statement. Members will recall that in October and November 2015, seven or eight months before the Brexit referendum, sterling was trading at around 72 pence to the euro. It

is now trading at around 85 to 86 pence to the euro. In the period immediately after the referendum in June, it hit a peak of about 92 pence. We have seen a very significant devaluation of sterling in the period in question. In the immediate aftermath of the result, the currency was particularly volatile. Our real concern in the short term, as the negotiations proceed, is that there will be further volatility in sterling. Of course, that has an immediate impact on the returns available to Irish food processors from their exports into the UK market. As Mr. Kelly has said, we have already seen the impact of that. Brexit has already happened. It has happened in a very significant way in that there has been a loss of almost €600 million in returns from the UK market in the relevant period.

I note that in recent days Enterprise Ireland, in its review of 2016, has indicated that the growth in value of the UK market has declined from 12% in 2015 to 2% in 2016. That is indicating that over a full year this year, the likelihood of significant growth in the value loss that was recorded for 2016 will be something of the order of €1 billion. If such a loss were sustained for any period of time in the agrifood sector, it would equate to 10,000 job losses. That is the very significant impact that Brexit is having already, even before it has actually taken place.

Data shows that there has not been a significant decline in volume of exports into the UK but the value decline has been huge. Were we to reach the point where we have a hard Brexit, then we are in a completely different ball game. We are not just talking about the relative value of sterling but also about the impact of very significant additional costs through the tariffs and quotas that would be applied in a hard Brexit scenario. As Mr. Kelly has said, because Brexit has happened, there are two immediate challenges. One is the current challenge to respond to the market signals that we are getting but the second stage challenge centres on how we engage in the negotiations and the result we get from them. State aid is critical in that regard. The issue here is about getting some sort of enabling approval from Brussels that will allow a set of measures to be activated by the Irish Government to support the industry through the difficult period of the two year negotiating cycle. We are not asking anyone to sign a blank cheque. Rather, we are asking that the Irish Government be allowed to intervene at critical junctures if sterling hits a scale that could be substantially damaging to the interests of the Irish meat processing, dairy processing, drinks and prepared consumer foods sectors over a lengthy period. Of course, the immediate impact of all of that is on farmers' incomes. We are looking for supports that will enable the Government to intervene and to invest in the efficiency of the agrifood industry in response to Brexit. We also want it to be able to introduce short term measures that will support jobs, prevent potential job losses and stave off those risks for a period until we have greater clarity on what the aftermath of Brexit will be for Ireland.

In a wider sense, we are looking for free and unfettered access. That seems a bit of pipe-dream at this stage, given the position taken by the UK which looks more likely to lead to a hard rather than a soft Brexit. The British Government has indicated that it believes that the divorce proceedings can be settled relatively quickly. Yet we hear a huge narrative about the cost of that, the figures coming out of Brussels and how they would be rejected in the UK. It does not seem likely that can be settled as quickly as was envisaged a few months ago. They have also talked about leaving the Single Market and the customs union, yet having some rights of retention of access to the EU market in respect of financial services and none of that seems to be compatible with the freedom obligations within the European community. They will be difficult negotiations as well. The third one which it seemed to be suggested could also be resolved before the end of March 2019 was the respective rights of EU citizens living in the UK and *vice versa*. The community has responded by saying all of these negotiations will be dealt with in their totality at the end, and there will be no short-term decisions taken on any of these

issues. That leaves a lot of room within which there will be serious volatility in sterling. That means we need to have these enabling provisions put in place to support our industry during that critical period.

On the wider issue, Mr. Kelly is right that we need as close to unfettered access as we can get. We all know that Brexit will do damage. There is no question about that, whether it is soft or hard. It is the scale of that damage that concerns us most. In that context, we would like to think that there would be negotiations on the future relationship with the UK at an early stage. We think the Irish Government has done an excellent job in bringing that to the forefront. That needs to be reinforced as we proceed and those negotiations need to take place later this year or at the very latest in the early part of next year otherwise we will be heading towards a difficult cliff edge in March 2019. To avoid that we need a transition period because it is unrealistic to expect that a trade agreement can be negotiated in less than a year. The Comprehensive Economic and Trade Agreement, CETA, took approximately seven years to negotiate and that is one of the most recent trade agreements negotiated by the EU. There has been considerable talk about negotiating an EU-Japan agreement and the expectation was that would have been finalised before the end of December 2016 but now in May 2017, the expectation is that it might be completed by the end of this year. That has been going on for six or seven years as well. There is no real expectation that a trade agreement can be negotiated within the period we are now considering and, therefore, we need a transition agreement which will be pretty much what we currently enjoy in the relationship Ireland has with the UK.

The part of the meat sector most exposed is the beef sector. We export 52% of output to the EU market and in a hard Brexit if tariffs are imposed a tariff on a tonne of beef would be of the order of €3,600. That shows the scale of the problem we will face. Will the British consumer be willing to pay that extra amount? That is unlikely. We will then try to sell our product to the European market and potentially depress prices in an oversupplied market. It is a very difficult situation and I wanted to highlight that area.

Senator Joe O'Reilly: This is a very serious and pertinent discussion for all of us. It is particularly serious for someone coming from my region. I am a native of, and live in, County Cavan. Food processing is a huge source of employment in Counties Cavan and Monaghan. Any job losses would have serious implications and the jobs would be difficult to replace. There is a double problem there. We would all aspire to maintaining the *status quo* but recent rhetoric would suggest that is not likely to be the outcome. The tariffs that Mr. Carroll mentioned would make small farms unviable and make Irish beef exports less competitive. Only factory producers could respond to that. The processing sector would then be threatened.

Are the witnesses optimistic that Ireland could have a North-South special trading arrangement and ideally one with the UK which would be important in the food sector? Are they advocating that and, if so, with what effect? Are they getting any traction on that? There is great optimism around free movement of people, but we are not sure there are similar grounds for optimism for the free movement of goods.

The sterling fluctuation is a very immediate and serious issue. It has already hit the mushroom sector in a big way. The witnesses say that the Government, or basically the taxpayer, will have to be fit to step in to defend the jobs there. As a local representative I would advocate that strongly. I hope it would be a viable option. It is better than trying to source new jobs in the area. Could they elaborate on the form that might take?

Senator Paul Daly mentions regularly the fact that so much food is perishable making new

markets beyond the UK difficult but where it is possible how optimistic are the witnesses about other markets and are we going after them? Professor Boyle, the director of Teagasc, told us this morning that we would need much more investment in research and development and innovation to get movement in the market place. A big problem for many of the food processors in my area is that they source their product north of the Border and the live movement of pigs is particularly difficult. This is fraught with difficulty and it is a depressing landscape. I welcome the witnesses because it is important to have their input for our final report. I would be interested in hearing them elaborate on those matters and what hope, if any, they can offer regions such as ours.

Chairman: Senator O'Reilly is slightly sombre. I call Senator Noone.

Senator Catherine Noone: I am a Dublin-based representative but I am from Mayo originally and am keenly aware of the difficulties this will present for the agricultural business in the State. Senator O'Reilly has touched on my question. I am interested in knowing what work is being done and what progress is being made in seeking other markets for agricultural products and how realistic the prospect of an increase is in areas outside Europe. Obviously, Brexit is a challenge, not least because of the value of sterling. We have to think outside the box. For example, will we be able to find markets and increase exports to the Middle East, the east and west?

Senator Paul Daly: I welcome both gentlemen and again thank them for their comprehensive submissions on Brexit. We have been here since 10 a.m. I nearly said "depressing submissions" because the submissions do not get any better as we move from one to another. That is the harsh reality. There are so many unknowns and it seems to be all doom and gloom. It is starting to become depressing at this committee because there are very few positives. While we are all delving and trying to come up with solutions and answers, the solutions, answers and outcomes are somewhat beyond our control.

I would like the delegates to elaborate a little more on their position. If they were in a similar position based in the United Kingdom, where would they stand on the issue? While the agrifood sector is a very high priority for us on the island of Ireland, when those who will negotiate the divorce and, in turn, the trade deal sit down, on the British side agriculture and the agrifood sector will not be very high up the ladder. How do the delegates as representatives of their sectors propose to get the British side to make it a high priority? Banging on the door for the sector may get us sympathy all around the world and kind comments and remarks, including from Mr. Michel Barnier, but while we are getting loads of sympathy, when it comes to hard and fast negotiating, will Mrs. Theresa May have 25 other priorities before agriculture and agriculture-related industries even get a mention or a look-in?

Senator Joe O'Reilly mentioned the all-island kite being flown. If Northern Ireland were to be given special status, at least there would not be a hard border, rather there would be an east-west border somewhere in the Irish sea. How much of an advantage would that be? Would we be opening a new can of worms through having an all-island economy? We would be able to trade freely between Dublin and Belfast, but Belfast would still be part of the United Kingdom and we would still be a member of the European Union. The agriculture sector would still be part of the CAP, while that in the North would not. With an imaginary border in the Irish Sea, would there be a situation where a product exported from Dublin to London would be subject to tariff, whereas a product from Belfast to here would not? While the issue has been flagged by a lot of people, I have said on more than one occasion, including today, that it might be seen by our colleagues in the EU 27 as a goodwill gesture that would go a big part of the way towards

solving our problems, but it might not be. We have to look at the worst and best case scenarios. We are hoping for the best, but we have to consider and prepare for the worst. If we were to end up with an all-island economy, would it be of advantage to either of the respective areas the delegates represent?

We have had representatives of different sectors of agriculture before us today, but there is only so much we can discuss and we have gone through most of it already.

Mr. Paul Kelly: The first question raised by all three Senators was about the Border and the regional dimension. I will start by stating, as is generally known, that agrifood is the largest indigenous sector. In all regions, particularly outside the greater Dublin area and Cork city, in its broadest sense, it has by far the largest industrial output and level of employment. Therefore, it is hugely important to the regional economies, all of which are in the bottom half of the 1,330 NUTS 3 regions in Europe. Ireland has a very high GDP *per capita* ratio. However, it is the cities that rise it. From a regional perspective, we are disadvantaged in the European Union. The big concern is that the economic sector which is most affected is the most important in each of the regions. That is of critical importance. The growth plans the industry has included in the national agrifood strategy, Foodwise 2025, will be a key part of regional development.

With regard to the Border, it is acknowledged that there is very intense agrifood activity in the Border region, including County Cavan. There is the particular issue of the Border and the implications Brexit will have, initially for the currency but also further down the line. There are very deep integrated supply chains. It has been mentioned that a lot of raw material comes from the North and *vice versa*. That characterises the nature of Ireland-UK food imports and exports. It is not just all about finished goods. There are a lot of intermediates and ingredients travelling in both directions.

I share the lack of optimism of the Senators and think of the speakers who spoke this morning. It is very welcome to see the issue of the Border and North-South trade being mentioned in the first phase in the three priorities Mr. Barnier has to deal with from an EU 27 perspective. However, it is very difficult to see how we can find a free-flowing solution for goods if the United Kingdom moves outside the Single Market and the customs union. The United Kingdom will be a third country and an international market. There will be various pieces of legislation that will need to be complied with and official controls applied. It is very difficult to see how there will not be certain requirements that will have to be dealt with. To what extent can we minimise the friction? That is what I believe we need to be looking at, including electronic rather than physical solutions.

Yesterday some of the representatives of the French farming sector called for a hard border between the North and the South because they were concerned about the flow of goods and materials in the European Union from an area which would effectively be outside it. That is the challenge we are going to face on the issue.

With regard to an east-west border, unlike the Border between the North and the South, any special case that we will be able to develop around it will be very limited. The issue of an east-west border will be very much decided by the EU 27 and the United Kingdom and the trade relationship between them, despite the fact that we are their most important partner. It is worth bearing in mind that about 40% of our food and drink exports - about €4 billion in value terms - go to the United Kingdom. A number of countries that adjoin the United Kingdom, including France, Belgium, the Netherlands, Denmark and Germany, are all exporting food and drinks to a similar value to the United Kingdom, but in percentage terms, it is significantly less. There-

fore, the impact on them will be significantly less. We will probably need to deal with that issue with the United Kingdom together as the EU 27.

The important point to bear in mind is that North-South trade is very much about deeply integrated supply chains. We, therefore, need to address the managing of supply chain issues. There are products which move North and South and businesses with operations on both sides of the Border. An east-west border is more about markets. Ultimately, we are selling to 65 million people in Britain. We also need to focus on that issue. If that market is shut off to us, unfortunately, the supply chain issues will not be as important. I believe there is a certain degree of leverage with the European Commission and the negotiating team in task force 50, an aspect on which we need to continue to work. Mr. Carroll alluded to currency risk being a significant and serious issue. State aid rules need to be changed to allow supports to be put in place. That was done in 2009 at European level when we had the financial crisis and that allowed the agencies here such as Enterprise Ireland to put measures in place under state aid rules. We welcome that in the negotiating position of the Government, which was published a few short weeks ago, there is a specific reference to the need for measures in the event of a serious disturbance in the Irish economy. That is alluding to that type of issue. Further work on that will need to be done by the Government to ensure changes to these rules.

All three Senators referred to market diversification and new markets. Between 2010 and 2016, food and drink exports to the UK increased by €1 billion but, at the same time, as a percentage of our overall exports to the UK, they decreased. The reason was that we were increasing exports to the rest of the EU and other international markets at a faster rate. Diversification into other markets is continuing. Bord Bia's annual report on exports, which comes out in January every year, stated this year that we are exporting to 180 countries, an increase of five on last year. A small number of countries account for the bulk of value and volume of our exports. In 2016, there was a reduction of more than €500 million in exports to the UK. Half of what had been built up in painstaking fashion over six years building on the work of the previous decades disappeared overnight. That is the type of risk we face.

Market diversification is, therefore, hugely important and that is why we have called for a €25 million fund for market retention in the UK market and to build on overseas markets. That additional money needs to be put into Bord Bia, Enterprise Ireland, and the companies themselves. Companies need to invest significantly if they move into a new market. For example, if they want to build a business in Sweden, Germany or Italy, that is an expensive proposition. Many businesses, particularly SMEs, will need a great deal of support to put experienced salespeople on the ground and for trade financing and so on. Mr. Carroll may add to that shortly.

Senator Daly made a point regarding the UK perspective. We have a great deal of contact with our fellow food organisations in the UK, not only about Brexit but about a variety of food policy issues. We have had that constantly because we are effectively a single market in terms of Irish companies operating in the UK and UK companies operating here, with a similar legal system and the same food legislation, which is currently European in origin. Based on our interaction since July last year on Brexit, there is a clear indication that they share similar concerns to us for a number of reasons. Ireland is the largest export market for British food produce. They want the same free, unfettered access we have into the UK market into our market. They are a deficit producer; they produce less than two thirds of their own food requirements. They require raw materials, intermediates and finished food products. Importers share almost identical concerns to an Irish or French exporter who exports into the UK. They are concerned about currency, tariffs and regulatory divergence. Despite the fact that, as in Ireland,

food manufacturing is the largest employer among manufacturing sectors, it does not have the same resonance or importance as the agrifood sector in its totality has in Ireland. It is not up the political pecking order in the same way as other business sectors.

That can be demonstrated in anecdotal terms by the fact that the director general of the Food and Drink Federation in the UK managed to meet our Minister for Agriculture, Food and the Marine before he managed to meet the UK Minister with responsibility for agriculture, Ms Andrea Leadsom. That shows how the sector is perceived in the UK in political terms and that is a concern for us as well. We have been working, as have the Government and the Irish embassy in London, to push agrifood up the agenda in the same way as the UK food and farming industries. It needs to be up the agenda because it is only then that the policy concerns and policy remedies will be understood and accepted by the British Government.

The same applies at European level. We have worked closely with European bodies, including FoodDrinkEurope. They very much support our policy recommendations. We are building a coalition of interested countries, particularly those that are close to the UK on the other side of the English Channel and the North Sea. One of the big issues is the food and drink sector which, despite being the largest employer at European level, comprises 99% SMEs and, therefore, it does not jump off the page like the UK financial services industry and the German car industry. There is a huge body of work to be done to make sure everybody is aware of the economic importance, the existing employment and the regional impact that agrifood has not only in Ireland, but in all member states, including the UK.

Mr. Philip Carroll: Mr. Kelly replied to most of the issues addressed by the Senators. Senator O'Reilly talked about optimism and I agree we have little grounds for optimism, most particularly in respect of the agrifood sector. However, I hope over the next 12 to 18 months that there might be a little more realism in the negotiations, especially about the impact they will have on economies around Europe and, in particular, the UK economy. There is a complete contradiction in the UK position. They want certain things but they are not willing to accept obligations associated with their ask. For example, they may not have the same level of concern that we have about the agrifood industry but they have a concern about holding their ground in respect of financial services, IT consultancy services, and the automotive and automobile industries. They want to hold their position strongly in these areas but they will have to temper their requirements and demands on exiting to maintain the level of business they do with other European countries. There might be grounds for optimism in that respect. It may not be built on the agrifood sector but, nonetheless, nothing can be agreed regarding individual sectors with the EU unless everything is agreed. If there are any grounds for optimism, that might be it.

There is a misunderstanding about where the responsibility for market diversification lies in many respects. As Mr. Kelly said, we are exporting to 180 countries with 37% of our exports going to the UK. That means 63% of our exports are diversified across 179 other countries. That is massive diversification. Approximately half of those exports go to the European Community other than the UK and rest goes to other international markets. Diversification is not only about what the industry itself does; it is also about the Government having a responsibility and engaging with third countries with a view to gaining market access. For example, there is ongoing dialogue that we hope will prove fruitful in the case of China. I refer to beef exports to the Chinese market. Last year we concluded an agreement on access for beef exports to the US market. The negotiations are in the initial phases and entail the Governments talking to each other and agreeing to the ground rules for market access. It will then be up to the industry to exploit it by negotiating with customers with a view to their importing product. We have been

talking to China for 13 years. It is a very slow process and negotiations do not happen overnight. It takes two parties to conclude them.

Diversification also involves looking elsewhere in Europe. Bord Bia is looking at areas where it can seek to build a significant market share within the French, German and Dutch economies. Because of the implications of a hard Brexit, one must seek a share of markets that are already well supplied. That can have a impact in depressing prices when one seeks to enter those markets.

My final comment is on the United Kingdom proceeding to negotiate free trade agreements with other countries in a hard Brexit scenario. Mercosur agreement countries are engaged in negotiations on a free trade agreement with the European Union. The risk is that the United Kingdom will import products from Argentina, Uruguay and Brazil which could result in Irish products being locked out of the UK market. Ireland will have the tariffs about which I have talked imposed on its products in these markets, whereas a free trade agreement is unlikely to involve such tariffs. There will be a double-whammy unless and until we negotiate a free trade agreement with the United Kingdom.

Chairman: I thank both gentlemen for their in-depth presentations. I believe one of them must catch a flight, but we are finishing two minutes ahead of schedule. This is an evolving document. If there are matters that they did not mention, will they, please, let us know?

The select committee went into private session at 3.43 p.m. and adjourned at 3.50 p.m. until 10.30 a.m. on Thursday, 25 May 2017.