BREXIT and Irish Farming – The most exposed sector in the most exposed Member State

By John Comer, President of Irish Creamery Milk Suppliers Association (ICMSA)

In Spring 2016, there were many challenges facing the Irish Agri-food sector - particular the dairy sector - but a threat to our largest single export market wasn't one of them. One year later, that threat is a reality and much of our Government's planning and policymaking takes place in the shadow cast by 'Brexit'. Ireland is the Member State most exposed to the UK decision to leave and within that alarming context, Irish farming and Agri-food is the sector most exposed.

The following statistics highlight the continuing dependence of Irish agriculture on its traditional UK market:

- UK is Ireland's largest trading partner for food.
- Ireland is the second largest supplier of food to the UK.
- 41% of food & drink exports go to the UK (€4.4 billion).
- 56% of total meat exports go to the UK.
- 30% of dairy exports go to the UK.
- 60% of cheese exports go to the UK.
- 52% of beef goes to the UK.
- 25% of sheep meat goes to the UK.
- Ireland exported 65,000 live cattle to Northern. Ireland & Great Britain in 2015.
- Ireland imported over €3bn of UK food & drink in 2014.
- The UK imports almost 40% of its food products.

The UK has a huge import requirement for food and this will not change post Brexit. The 64m population of the UK relies on food imports and our Government must ensure that Ireland as a traditional supplier to the UK can continue to supply this market and that we are not disadvantaged relative to other importers from within and outside the EU. It is important to note that Ireland is not alone within the EU in terms of exports to the UK and some of the key EU Member States export very significant amounts of food products to the UK. The EU27 exported approximately €35bn of Agri-Food exports to the UK in 2016.

- Netherlands €6.07 bn.
- Ireland €5.01 bn.
- France €4.85 bn.
- Germany €4.75 bn.
- Spain €3.71 bn.
- Italy €3.12 bn.

In terms of the negotiations, ICMSA believes that the issues for the Agri-food sector can be broken down in to three areas:

The Market:

- **Access to UK Market Post Brexit:**
  - **Tariffs**: As part of the Single Market, Irish produce goes to the UK tariff free and vice versa. In the absence of a Brexit Agreement, tariffs in the region of 50% could be imposed on food produce and quite clearly, this could have serious implications for the price the farmer receives but also the price the

consumer pays in the UK.

- **Border Checks:** At present, no border exists between the UK and the EU. Potentially, border checks could become a reality again leading to long delays at border points and all the additional costs associated with this.
- **Standards:** Irish, UK and EU food produce is all sold under a common standard at present. Post Brexit, the UK will be free to set its own standards which could provide a competitive advantage for its farmers but will also increase the complexity of trading.

- **Transit Through UK:**
  - **Key issue for access to EU markets:** After the UK, the next biggest market for Irish food is continental EU and transit of produce across the UK is hugely important in this regard. Future arrangements post Brexit for transit will be very important.
- **Trade Deals:**
  - **Current trade deals and preferential access:** The EU28 has a number of trade deals in place that provide preferential access to the EU market for agriculture products including dairy, beef and sheep that are particularly important for Ireland. These include deals with Canada (CETA), WTO deals and trade deals with Commonwealth countries that were specifically supported by the British.. Quiet clearly post Brexit, these deals will have to be revised with reduced tariff free access quotas to take account of the UK exit. The EU27 will also have 64m less consumers post Brexit and trade deals will have to recognise that reduction.
  - **Future trade deals:** The EU is currently in negotiations with a number of countries/trading blocs regarding potential trade deals, including Mercusor and New Zealand. ICMSA is clearly stating that any deals finalised must include provisions that take account of Brexit and must be restructured to reflect the interests of the EU27.
  - **UK trade deals post Brexit**: The UK is likely to be able to conclude its own trade deals post Brexit and this is of particular concern in relation to potential deals with (for example) South American countries.

The Processor:

- **Raw Material from both 'North' & 'South':** A number of food companies - particularly in dairy processing - have structured their business on the basis of raw material from both the north and south of Ireland. Brexit may lead to border checks which will add additional costs and layers of bureauracy to the system. For example, there are 32,000 milk lorry trips across the border each year. In addition, this produce is regarded as produce from the EU at present and a big question is how this will be treated post Brexit with raw material potentially from inside and outside the EU.

The Producer:

- **Farming land on both sides of the border:** For farmers with land on both sides of the border, Brexit presents serious challenges in terms of drawing down their BPS/Greening payment, CAP RD schemes, Nitrate regulations and cattle movements. Quite clearly, farmer concerns in relation to these matters will have to be fully addressed.

- **Farm input costs and potential different requirements:** At present, farmers can purchase inputs on both sides of the border depending on where they are most competitively priced. In addition, some farm inputs, e.g. veterinary, pesticides, etc., carry EU registrations which will no longer apply in the North and, thus, farmers in the South will be unable to purchase them.

- **The CAP and potential impacts:** As the UK is a net contributor to the EU, Brexit will lead to a reduction in the CAP budget to the tune of 5-10%. ICMSA is clearly saying that the CAP budget will have to be restored/maintained by the remaining 27 Member States.

- **New UK farm policy post Brexit:** The agriculture policy adopted by the UK post Brexit will quite clearly have an impact on their import requirement for food and is of massive concern for Irish farmers.

- **All Ireland Health Status:** Animal disease obviously does not recognise a border and continuing co-operation between North and South going forward is an absolute. The island of Ireland successfully eradicated Brucellosis through co-operation and that levels of joint effort must be maintained and even enhanced post Brexit.

At this stage, ICMSA believes that the Irish government need to take a number of key actions to protect the Irish agri-food sector:

- **Build alliances at EU level to support Irish position.** It is quite clear that other Member States have similar interests to Ireland and a combined approach should be taken.

- **Maintenance of Single Market or free trade agreement.** While the maintenance of the Single Market would be the ideal outcome, if this is not possible, a free trade agreement should be concluded simultaneously with Brexit or a transition arrangement put in place until the free trade agreement is concluded.

- **Measures to address currency volatility:** The big threat in the short term is currency volatility and its impact on prices and thus investment. ICMSA firmly believes that the Irish government need to put in place measures to allow exposed sectors like the Agri-food sector to financially prepare for a Brexit shock which adds another factor to an already long list of volatility pressures. The following measures in particular should be implemented

    - Enterprise Stability Fund for the processing sector.
    - Farm Management Deposit Scheme to allow farmers to establish a fund in good years to allow them to manage and survive poor income years.

Brexit is a major unexpected challenge and it is hugely important that realism enters the negotiations at the earliest stage possible and that very long-standing trading relationships are protected in the interests of both parties.

Ends 16 March 2017.