



**Tithe an
Oireachtais
Houses of the
Oireachtas**

An Comhchoiste um Thalmhaíocht, Bia agus Muir

**An Dara Tuarascáil maidir le Tionchar Brexit ar Earnálacha Talmhaíochta/Bia
agus Iascaigh na hÉireann**

Nollaig 2018

Joint Committee on Agriculture, Food and the Marine

**Second Report on the Impact of Brexit on the Irish Agri-Food and Fisheries
Sectors**

December 2018

32/AFM/25



**Tithe an
Oireachtais**
Houses of the
Oireachtas

An Comhchoiste um Thalmhaíocht, Bia agus Muir

**An Dara Tuarascáil maidir le Tionchar Brexit ar Earnálacha Talmhaíochta/Bia
agus Iascaigh na hÉireann**

Nollaig 2018

Joint Committee on Agriculture, Food and the Marine

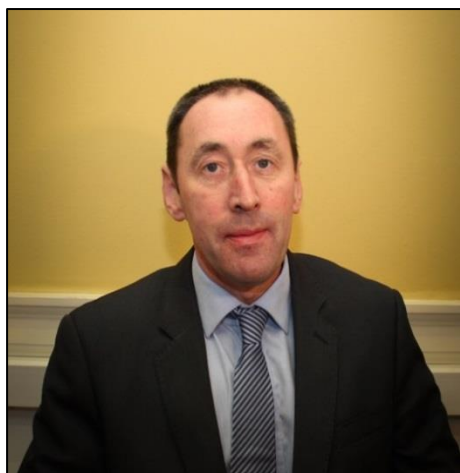
**Second Report on the Impact of Brexit on the Irish Agri-Food and Fisheries
Sectors**

December 2018

32/AFM/25

Table of Contents

Chairman’s Foreword.....	1
1 Summary of Recommendations.....	3
2 Introduction.....	6
3 Evidence from Committee Meetings.....	7
3.1 Table 1 – Witnesses	7
4 Key Events and Current Status of Negotiations	8
4.1 Observations and Recommendations.....	10
5 The Impact of Post-Brexit Trade Policy.....	11
5.1 Observations and Recommendations.....	14
6 Preparations and Preparedness for Brexit	16
6.1 Observations and Recommendations.....	18
7 Market Diversification inside and outside of the European Union	19
7.1 Observations and Recommendations.....	20
8 The Future EU-UK Relationship.....	21
8.1 Observations and Recommendations.....	22
9 CAP Reform, State and EU Aid	23
9.1 Observations and Recommendations.....	24
Appendix 1: Terms of Reference.....	26
Appendix 2: Committee Membership	29



Pat Deering T.D.
Chairman

On 23 June 2016, the citizens of the United Kingdom voted in favour of leaving the European Union. The result was conclusive; 51.9% voting leave to 48.1% voting to remain. On 29 March 2017, the Government of the United Kingdom invoked Article 50 of the Treaty on European Union (TEU). This began the United Kingdom's withdrawal process, commonly known as Brexit, from the European Union. Since that time, negotiations in relation to the nature of the United Kingdom's withdrawal, as well the nature of the future relationship between the United Kingdom and the European Union, have been ongoing. It now appears that the United Kingdom will withdraw from the

European Union on 29 March 2019, although it remains to be seen if this will be effected with a withdrawal agreement concluded between the parties or not.

Since the Referendum in the United Kingdom on 23 June 2016, the Joint Committee on Agriculture, Food and the Marine has treated Brexit as a standing item on its work programme. In February 2017, the Joint Committee published its report entitled *Impact of the UK Referendum on Membership of the European Union on the Irish Agri-Food & Fisheries Sectors*. That Report focused on the context in which Brexit arose, and the worst-case scenario presented by Brexit for the areas falling within the remit of this Committee.

This Report seeks to supplement the Report of the Joint Committee in 2017 and to provide an update in relation to the Joint Committee's position in the context of recent developments. Where the situation has not changed substantively, the Joint Committee has chosen not to add to the work previously completed. Rather, the Joint Committee has updated its position in this Report, when required. On this basis, the observations and recommendations from both reports should be read together.

Again, the Joint Committee notes that the issues are broader than the agri-food and fisheries sectors and, as such, notes and welcomes the substantial work already undertaken and underway by other Committees of the Houses of the Oireachtas in relation to this matter.

The Joint Committee would also like to recognise the work of expert stakeholders which the Joint Committee found particularly useful. I would like to thank those who participated in the Joint Committee meetings on this issue, as well as those who contributed written submissions for the Joint Committee's consideration.



Pat Deering T.D.

Chairman

19 December 2018

The Impact of post-Brexit Trade Policy

1. The Joint Committee recommends that contingency plans be made for the imposition of the World Trade Organization's tariff schedule in respect of imports from, and exports to, the UK; the imposition of heightened customs requirements; regulatory divergence; the imposition of an altered Value-Added Tax (VAT) regime; disruption to the UK landbridge as a means of transporting goods; and, a depreciation in the value of sterling, all of which could have a detrimental effect on the competitiveness of Irish agri-food and fisheries products. [See chapter 5]

Preparations and Preparedness for Brexit

2. The Joint Committee recommends that all enterprises, particularly small and medium-sized enterprises, are made aware of the support measures that are available to them. The Joint Committee also notes that additional support measures may be required and recommends a proactive approach to their introduction. [See chapter 6]
3. The Joint Committee recommends that Ireland's customs posts can be sufficiently staffed before 29 March 2019, particularly in the event that a "no-deal" scenario materialises. The Joint Committee also recommends that physical customs infrastructure be developed to ensure that there is no disruption to the smooth flow of goods. [See chapter 6]

Market Diversification inside and outside of the European Union

4. The Joint Committee welcomes the efforts that are being undertaken by industry and commends the investment to support market diversification. The Joint Committee recommends that affected stakeholders should also renew their focus on product diversification. However, the Joint Committee also notes that identification and development of new products and new markets may be constrained as negotiation of free trade agreements is an exclusive EU competence. [See chapter 7]

The Future EU-UK Relationship

5. The Joint Committee believes that the most urgent requirements in the context of the future EU-UK relationship include:
- A future trading relationship which contains arrangements that are as close to those that are currently in place as is reasonably possible in respect of, among others: customs arrangements; food and veterinary inspections; transit arrangements; animal and plant welfare; food safety and marketing regulations; and, environmental standards;
 - A future trading relationship which supports regulatory convergence rather than divergence;
 - A transition period of sufficient length so as to allow for the agreement of the future trading relationship; and
 - The retention of the status quo in relation to the fisheries sector.

The Joint Committee recommends that these issues be prioritised for the agri-food and fisheries sectors. [See chapter 8]

CAP Reform, State and EU Aid

6. The Joint Committee recommends that consideration be given to supplementing CAP funding from the Exchequer for the proposed CAP post-2020. [See chapter 9]
7. The Joint Committee recommends that the reformed CAP measures are monitored carefully to ensure that their effects do not coincide with the negative effects of Brexit. [See chapter 9]

8. The Joint Committee again recommends a comprehensive review of State Aid and its potential in a post-Brexit environment. The Joint Committee recognises that resources are limited and as such deliberations as to state aid programmes should broadly consider:

- (i) The value for money of State Aid in the given circumstance; and
- (ii) The impact of non-intervention in the particular circumstances.

Giving weight to these two considerations should result in State Aid programmes being developed which balance the maximum economic benefit and the need to guarantee the survival of certain sectors, particularly those which generate economic activity in disadvantaged regions. State Aid should facilitate these sectors as they transition to the post-Brexit economic environment, rather than act as a long-term subvention to sectors which may no longer be economically viable. [See chapter 9]

9. The Joint Committee recommends the establishment of a Brexit Mitigation Fund in conjunction with temporary relaxation of State Aid rules in sectors and regions most acutely impacted by Brexit. [See chapter 9]

2 INTRODUCTION

The Joint Committee on Agriculture, Food and the Marine (the Joint Committee) undertook as part of its Work Programme for 2018, to re-examine the possible impacts and implications for Ireland which may result from the impending withdrawal of the United Kingdom (UK) from the European Union (EU).

With a view to informing its consideration of this topic, the Joint Committee invited submissions from stakeholders during October 2018. In its call for submissions, the Joint Committee specified that the submissions should address some or all of the following topics:

- The Joint Committee's previous Report on Brexit and the recommendations contained therein;
- The recommendations of other parliamentary reports on Agriculture, Food and the Marine, including the report of the Seanad Special Select Committee on the Withdrawal of the United Kingdom from the European Union;
- Preparations and preparedness for Brexit and the current status of negotiations, including any agreement on the future EU-UK relationship;
- The future direction of the EU on Agriculture, Food and Fisheries;
- The impact of post-Brexit trade policy; and
- The impact of market diversification within the EU and in third countries.

The Joint Committee considered the submissions received, which can be accessed [here](#), along with information provided by witnesses in oral hearings.

This Report outlines the positions and concerns of the relevant stakeholders. Where appropriate, the Joint Committee makes recommendations and observations.

3 EVIDENCE FROM COMMITTEE MEETINGS

The Joint Committee held four days of hearings during the period from November 2018- December 2018. Table 1 below identifies all witnesses who made presentations to the Joint Committee and the date of their presentations.

3.1 TABLE 1 – WITNESSES

	Hearings of the Joint Committee on Agriculture, Food and the Marine
<u>06 November 2018</u>	<ul style="list-style-type: none"> • Mr. Paul Savage, Head of the Brexit and International Trade Division, Department of Agriculture, Food and the Marine (DAFM). • Ms Hazel Sheridan, Senior Superintending Veterinary Inspector, DAFM. • Mr. Barry Delany, Senior Inspector, Horticulture and Plant health division, DAFM. • Mr. Kevin Gilligan, head of human resources division, DAFM. • Ms Josephine Kelly, head of sea fisheries policy division, DAFM. • Ms Louise Kissane, deputy head of accommodation division, DAFM.
<u>13 November 2018</u>	<ul style="list-style-type: none"> • Mr. Simon McKeever, CEO, the Irish Exporters Association. • Mr. Pascal Koenig, communications and public affairs manager, the British Irish Chamber of Commerce (BICC). • Ms Maree Gallagher, chair of the agrifood committee, BICC. • Mr. Paul Lynam, head of sectoral policy, BICC.
<u>20 November 2018</u>	<ul style="list-style-type: none"> • Mr. Padraig Brennan, director of markets, Bord Bia. • Mr. Shane Hamill, overseas trade manager, Bord Bia.
<u>04 December 2018</u>	<ul style="list-style-type: none"> • Mr. Paul Kelly, director, Food Drink Ireland. • Ms Patricia Callan, director, the Alcohol Beverage Federation of Ireland. • Mr. William Lavelle, the Alcohol Beverage Federation of Ireland.

4 KEY EVENTS AND CURRENT STATUS OF NEGOTIATIONS

Key events in the withdrawal process are as follows:

On 23 June 2016, the citizens of the United Kingdom voted in favour of leaving the European Union (51.9% voting leave to 48.1% voting to remain).

On 29 March 2017, the Government of the United Kingdom invoked Article 50 of the Treaty on European Union (TEU). This began the United Kingdom's withdrawal process, commonly known as Brexit, from the European Union.

On 08 December 2017, a joint report on behalf of the negotiators of the EU and the UK Government was published.¹ On the basis that sufficient progress had been achieved, the negotiations progressed to phase 2 of the negotiations, which concerned transitional arrangements.

On 19 March 2018, the draft withdrawal agreement between the two parties was published. The draft withdrawal agreement indicated that the two parties had agreed on a transition period up to 31 December 2020, whereby "unless otherwise provided in this Agreement, Union law shall be applicable to and in the United Kingdom during the transition period."²

On 22 November 2018, the draft political declaration, which will govern the future relationship between the EU and the UK, was published,³ and on 25 November 2018, the UK Government and the EU officially agreed the final text of the withdrawal agreement.⁴ This agreement will provide for the orderly withdrawal of the UK from the EU and covers, among other things: the transition period; the Irish backstop; and the financial settlement that the United Kingdom will need to pay to the European Union to settle all of its obligations.⁵

Notwithstanding the fact that a withdrawal agreement has now been agreed between the UK Government and the European Commission, the approval of this agreement by the Parliament of the UK is not assured.

¹ Negotiators of the European Union and the United Kingdom Government, [*Joint report on progress during phase 1 of negotiations under Article 50 TEU on the United Kingdom's orderly withdrawal from the European Union*](#), 08 December 2017.

² European Commission, Task Force for the Preparation and Conduct of the Negotiations with the United Kingdom under Article 50 TEU, [*Draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community*](#), 19 March 2018.

³ Council of the European Union, [*Political declaration setting out the framework for the future relationship between the European Union and the United Kingdom*](#), 22 November 2018.

⁴ European Commission, [*President Juncker in the special meeting of the European Council*](#), 25 November 2018.

⁵ European Commission, Task Force for the Preparation and Conduct of the Negotiations with the United Kingdom under Article 50 TEU, [*Draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community*](#), November 2018.

This **lack of certainty and the related impact** was raised by many stakeholders. Teagasc advised:

Political agreement between the negotiating parties on a withdrawal agreement cannot be assured and there remains a non-negligible risk of a No Deal Brexit – which by operation of World Trade Organisation (WTO) rules would become a Hard Brexit...

In the event that no agreement can be found, there remains uncertainty as to how Ireland's obligations as an EU member and its requirement to protect the integrity of the EU single market will be reconciled with the desire to avoid any impediment to trade or other cross-border activities on the Island of Ireland post-Brexit.⁶

The Irish Creamery Milk Suppliers Association (ICMSA) advised that:

Again, it is to do no more than state the obvious to observe that a 'No Deal' Brexit would do untold damage from an Irish farmer and agri-food point of view...

Not only would Irish agricultural exports to the UK be very adversely affected but exports to continental Europe and other markets via the UK 'Land Bridge' would also suffer severe negative pressures.⁷

In its submission, the Irish Cooperative Organisation Society (ICOS) informed the Joint Committee that:

This uncertainty is hugely damaging as we are now entering into a period where farmers and cooperatives must make decisions on what to produce in 2019...

In addition, it must be stressed that a no-deal Brexit must be avoided at all costs, as it would have a devastating impact on the Irish agri-food sector and indeed on the entire Irish economy.⁸

⁶ Teagasc, [Submission to the Joint Committee on Agriculture, Food and the Marine on the Impact of Brexit on Agriculture, Food and Fisheries](#), 26 October 2018, pp. 3-4.

⁷ Irish Creamery Milk Suppliers Association, [Submission to the Joint Oireachtas Committee on Agriculture, Food and the Marine](#), October 2018, p. 4.

⁸ Irish Cooperative Organisation Society, [Submission to the Committee Consultation on the Impact of Brexit on Agriculture, Food and Fisheries](#), 26 October 2018, p. 14.

In its submission, the Irish Fish Processors and Exporters Association (IFPEA) informed the Joint Committee:

*A 'no deal' BREXIT would be an unmitigated disaster in general terms for the UK, the EU and particularly for Ireland. It would be cataclysmic for Ireland's seafood sector in that no deal would mean that there is no access or quota share in UK waters, which are no longer in the EU, overnight on March 29, 2019. We would then be in a position where Ireland and the EU would have to negotiate access.*⁹

4.1 OBSERVATIONS AND RECOMMENDATIONS

The Joint Committee acknowledges the concerns of stakeholders and also acknowledges that the process of ratification of the withdrawal agreement by the UK parliament is a process that is out of Ireland's control.

⁹ Irish Fish Processors and Exporters Association, [Submission to Oireachtas Committee on Agriculture, Food and the Marine](#), 26 October 2018, p. 3.

5 THE IMPACT OF POST-BREXIT TRADE POLICY

In its submission to the Joint Committee, Teagasc outlined some of the consequences for Ireland of a “no-deal” Brexit on trade policy:

The magnitude of the tariffs that would be imposed on imports from the UK in the event of a no-deal Brexit is those as set out in the EU WTO tariff schedule (EC, 2017). The tariffs that would be imposed on EU27 (including Irish) exports to the UK in the event of a no-deal Brexit are a matter for the UK Government, since as a WTO member in its own right it could determine its own tariff schedule. On exiting the EU the UK will inherit the EU bound tariff schedule as its tariff bindings. The level of the tariffs the UK chooses to apply in the event of a no-deal Brexit is at this point unknown. However, as a WTO member, the UK will be obliged to apply the Most Favoured Nation (MFN) principle, this means the non-preferential or MFN tariffs faced by Irish and other EU members must be the same as those applied and non-EU countries (e.g. Brazil, New Zealand) exporting to the UK.

On the assumption that the UK in a no-deal scenario chooses to apply UK tariffs at the same level as the current EU tariff bindings it inherits on departure from the EU, the ad valorem equivalent of these bound tariff rates would be sufficient to render most Irish agri-food exports uncompetitive.¹⁰

Teagasc also advised the Joint Committee that while both the Brexit process and the CAP reform process are ongoing, the EU also has an ambitious programme of ongoing bilateral trade reform negotiations with countries around the world which may offer opportunities and advantages to the globally competitive elements of the Irish agri-food sector. However, there are parts of the Irish agri-food sector which are not globally competitive.¹¹

In its submission to the Joint Committee, Enterprise Ireland (EI) outlined a number of serious challenges that its clients may face in the event that the UK leaves the EU in March 2019 without a withdrawal agreement in place.

With regard to tariff rates, EI stated:

Following a 'no-deal' Brexit, tariff rates from the WTO tariff schedule are likely to apply to trade between the EU and the UK. The imposition of tariffs would have a particularly detrimental affect on the Food sector with high rates applying on some of the main food exports such as beef, cheese and milk,

¹⁰ Teagasc, [Submission to the Joint Committee on Agriculture, Food and the Marine on the Impact of Brexit on Agriculture, Food and Fisheries](#), 26 October 2018, p. 4.

¹¹ *ibid*, p. 7

*leading to large increases in the price of these goods in the UK market, with a negative impact on competitiveness, and potential loss of market share.*¹²

EI also detailed the negative impacts of:

- Changes to Value Added Tax (VAT), in so far as VAT on imports from the UK would be payable at the point of entry (and reclaimed every 2 months), which would have implications for cashflow and administrative costs.¹³
- A disrupted supply chain, as many imports from countries outside of the UK are also sourced through UK suppliers or pass through the UK land bridge.¹⁴ EI informed the Joint Committee that:

*...it could become much more expensive for Irish exporters to trade via the land bridge, while alternative sea routes to the continent may not have the capacity to deal with large increases in volume. This, in turn, would reduce the competitiveness of Irish exports to countries outside of the UK and would also increase the costs of importing from countries outside of the UK.*¹⁵

- Customs procedures as such non-tariff barriers increase costs.¹⁶
- The possibility of regulatory divergence, which could result in exporters being required to meet new UK manufacturing, labelling and packaging standards and certification requirements.¹⁷
- Currency depreciation, which has already been experienced in the mushroom export sector following the referendum in the UK in 2016,¹⁸ insofar as:

*Depreciation in the value of sterling as a result of a 'no-deal Brexit', similar to the decline experienced in the aftermath of the referendum, would make EI Food client's exports more expensive in the UK, with UK food imports more competitive on the Irish market. This would put pressure on profit margins of UK exports and make it more difficult for clients to retain market share.*¹⁹

¹² Enterprise Ireland, [Submission to the Joint Committee on Agriculture, Food and the Marine](#), 26 October 2018, p. 3.

¹³ *ibid*, p. 3.

¹⁴ *ibid*, p. 3.

¹⁵ *ibid*, p. 4.

¹⁶ *ibid*, pp. 3-4.

¹⁷ *ibid*, p. 4.

¹⁸ Politico, [Brexit kills Irish mushrooms](#), 02 November 2016.

¹⁹ *ibid*, p. 4.

- Changes to UK market dynamics, insofar as:

*A Brexit-induced contraction in the UK economy and subsequent drop in consumer spending could lead to a reduction in UK sales of EI Food clients. This would exacerbate the damaging effects of other trade barriers such as currency volatility, customs procedures and tariffs. Additionally, the introduction of domestic sourcing campaigns in the UK post-Brexit could lead to increasingly challenging conditions for EI Food clients selling in the UK market.*²⁰

These views were also well made in submissions from numerous stakeholders, such as the ICMSA²¹ and Food Drink Ireland (FDI).²²

Horse Racing Ireland, in its submission to the Joint Committee, outlined its concerns with regard to the impact that export restrictions might have on the horse racing industry. It stated:

Racehorses, breeding stock, trainers and riders move freely and regularly between both Irish and British jurisdictions and any impediment would be extremely damaging.

There are many practical reasons why this would be so serious, and one of those is trade. 65% of Ireland's annual foal crop is exported and 80% of these exports are to Britain.

*...Ireland's thoroughbred exports are worth approximately €370m each year and any risk to trade flows would be detrimental to this..*²³

The issue of tariffs also emerged as a key concern amongst stakeholders who contributed to the Joint Committee's consideration of this topic.

The Alcohol Beverage Federation of Ireland (ABFI) advised that a "no-deal" Brexit would involve "immediate tariffs on barley, malt, glass bottles, apples, finished cider and other supply chain inputs" and also highlighted the impacts of regulatory and customs checks; VAT payments; and, regulatory divergence.²⁴

²⁰ *ibid*, p. 4.

²¹ Irish Creamery Milk Suppliers Association, [Submission to the Joint Oireachtas Committee on Agriculture, Food and the Marine](#), October 2018, p. 3.

²² Food Drink Ireland, [Submission to the Joint Committee on Agriculture, Food and the Marine](#), 26 October 2018, p. 2.

²³ Horse Racing Ireland, [Submission to the Joint Committee on Agriculture, Food and the Marine](#), 26 October 2018, p. 2.

²⁴ Alcohol Beverage Federation of Ireland, [Submission to the Joint Committee on Agriculture, Food and the Marine](#), October 2018, p. 3.

By way of illustrating the negative impact of a “no-deal” Brexit on tariffs, ICOS advised that if the UK adopts the EU’s trade schedule it would result in a tariff bill of approximately €150 million per year on Irish cheddar, which would destroy the competitiveness of Irish products as consumers would switch to lower cost alternatives from other countries.²⁵

The Irish Exporters Association (IEA), during the meeting of the Joint Committee on 13 November 2018, informed the Joint Committee of “a general sentiment among IEA members that Brexit will have a harmful effect on the Irish economy, competitiveness and export sector.”²⁶ However, the IEA also welcomed:

*...the recently finalised free trade and investment agreements with Japan, Vietnam and Singapore and the strong focus across all FTA agreements on reducing barriers to trade, increasing market access and supporting European businesses and regions through enforcing protected geographic indications such as Irish whiskey, Irish cream or Clare Island salmon.*²⁷

In its submission, IFPEA informed the Joint Committee that the potential impact for the Irish seafood processing and exporting sector would be similar to the agri-food sector.²⁸

5.1 OBSERVATIONS AND RECOMMENDATIONS

The Joint Committee acknowledges the numerous challenges, as illustrated by stakeholders, which Ireland will face in the event that the UK leaves the EU without a withdrawal agreement in place. The Joint Committee believes that the most pertinent and imminent challenges which Ireland may face in such a scenario can be summarised as follows:

- The imposition of the WTO’s tariff schedule in respect of imports from, and exports to the UK, which would result in a detrimental effect to the competitiveness of Irish agri-food and fisheries products.
- The imposition of heightened customs requirements, which would result in a dramatic increase in traffic at borders and ports, and which would in turn affect the competitiveness of Irish agri-food and fisheries products due to associated costs.
- Regulatory divergence with regard to, among others, manufacturing, labelling and packaging standards, which would in turn affect the competitiveness of Irish agri-food and fisheries products due to associated costs.

²⁵ Irish Cooperative Organisation Society, [Submission to the Committee Consultation on the Impact of Brexit on Agriculture, Food and Fisheries](#), 26 October 2018, p. 5.

²⁶ Joint Committee on Agriculture, Food and the Marine, [Debate](#): 13 November 2018.

²⁷ *ibid*

²⁸ Irish Fish Processors and Exporters Association, [Submission to Oireachtas Committee on Agriculture, Food and the Marine](#), 26 October 2018, p. 4.

- The imposition of an altered Value-Added Tax (VAT) regime, particularly in relation to imports from the UK, whereby the amount would be payable at the point of entry, thus further contributing to delays at borders and ports and creating possible cash-flow problems for businesses.
- An increase in expenses for Irish businesses that utilise the UK landbridge for the purposes of transporting goods due to the fact that existing supply chains will be disrupted, while alternative methods of transport, such as by sea, may not have the capacity to deal with the volume of goods being imported and exported.
- Depreciation in the value of sterling which would make Irish agri-food and fisheries products more expensive in the UK, thus further affecting the competitiveness of these products.

Accordingly, the Joint Committee recommends that contingency plans be made for the imposition of the World Trade Organization's tariff schedule in respect of imports from, and exports to, the UK; the imposition of heightened customs requirements; regulatory divergence; the imposition of an altered Value-Added Tax (VAT) regime; disruption to the UK landbridge as a means of transporting goods; and, a depreciation in the value of sterling, all of which could have a detrimental effect on the competitiveness of Irish agri-food and fisheries products. **[Recommendation 1]**

6 PREPARATIONS AND PREPAREDNESS FOR BREXIT

In addition to the need for contingency plans for a “no-deal” Brexit, the Joint Committee heard evidence from a number of stakeholders in relation to the levels of preparations and preparedness for Brexit as it relates to Ireland.

In its submission, Bord Bia informed the Joint Committee that the *Brexit Barometer* aimed:

...to measure the progress of Bord Bia clients as they prepare for Brexit.

...The Barometer, which took the form of an online survey, was completed by 117 clients representing 48% of exports to the UK. It demonstrates that Brexit impacts vary depending on a number of factors, including both individual companies’ preparedness and sector level issues, such as export dependency, supply chain complexity and access to inputs.²⁹

Teagasc advised the Joint Committee of the investments made, which include:

- €10m investment in Moorepark Technology Ltd;
- €10m investment in a National Prepared Consumer Food (PCF) Centre at Ashtown; and
- €9m planned for the construction of a Food Innovation Hub Moorepark.³⁰

The Joint Committee notes that EI has put a number of initiatives in place with a view to increasing awareness and preparedness in the context of Brexit, such as:

- The *Brexit: Act-On Initiative*;
- The *Be Prepared Grant*; and
- The *Strategic Consultancy Grant*.³¹

With regard to driving innovation and increasing competitiveness in the context of Brexit, EI has also introduced a range of supports such as the *Operational Excellence Offer* and the *Agile Innovation Fund*.³²

In its submission to the Joint Committee, ABFI welcomed the efforts in preparing businesses to deal with the potential implications of Brexit. However, ABFI also advocated that all funding arrangements should be accessible by its members.³³

²⁹ Bord Bia, [Written Submission from Bord Bia to the Joint Committee on Agriculture, Food and the Marine](#), 25 October 2018, p. 1.

³⁰ Teagasc, [Submission to the Joint Committee on Agriculture, Food and the Marine on the Impact of Brexit on Agriculture, Food and Fisheries](#), 26 October 2018, p. 1.

³¹ Enterprise Ireland, [Submission to the Joint Committee on Agriculture, Food and the Marine](#), 26 October 2018, p. 6.

³² *ibid*, pp. 6-7.

³³ Alcohol Beverage Federation of Ireland, [Submission to the Joint Committee on Agriculture, Food and the Marine](#), October 2018, p. 4.

In its submission to the Joint Committee, ICOS advised that:

...since 2016, many co-operatives businesses have made moves to increase their foothold in the UK and in particular in Northern Ireland, in order to strengthen their position in the market and secure it post-Brexit.

These moves have included not only investment in expanding storage and distribution facilities in Great Britain, but also the merger of two co-operatives in the northern part of Ireland...In addition to this physical investment and change of structures, efforts are currently being undertaken by co-operatives to mitigate the immediate impact of...the UK crashing out of the EU on the 29 March 2019. These measures include the stockpiling of certain non-perishable products, including cheddar cheese and butter in private storage, to allow them to continue to supply UK retailers without a tariff-related price hike and prevent the displacement of Irish supply, at least in the short term.³⁴

ICOS and Meat Industry Ireland (MII) highlighted that the physical infrastructure needed to carry out customs checks needs to be built, and the technical capacity developed and fully functioning for when the UK leaves the EU.³⁵³⁶

The IEA, during the meeting of the Joint Committee on 13 November 2018, referred to the results of its ongoing *Brexit and its impact on your business* survey which found that:

...75% of initial responses stated that they are extremely or very aware of the state of play in the ongoing Brexit negotiations.

However, at the same time only slightly more than half of all respondents indicated that they already have a formal or non-formal impact mitigation plan in place.³⁷

The British Irish Chamber of Commerce (BICC) highlighted the initiatives being undertaken by its members, including:

- *Active participation in the Chamber's Brexit Committee,*
- *Active participation in the Chamber's Agri-food Committee,*
- *Attendance at Chamber's Brexit and/or Agri-food Seminar,*
- *Establishment of a Brexit team or Point of Contact,*
- *Development of a Brexit plan including a "no deal" contingency,*
- *Reviewing their Supply Chain,*

³⁴ Irish Cooperative Organisation Society, [Submission to the Committee Consultation on the Impact of Brexit on Agriculture, Food and Fisheries](#), 26 October 2018, p. 10.

³⁵ *ibid*, p. 12.

³⁶ Meat Industry Ireland, [Submission by Meat Industry Ireland](#), October 2018, p. 3.

³⁷ Joint Committee on Agriculture, Food and the Marine, [Debate](#): 13 November 2018.

- *Calculating their tariff obligations,*
- *On-going communications with their customers,*
- *Obtaining Authorised Economic Operators (AEO) Status.*³⁸

6.1 OBSERVATIONS AND RECOMMENDATIONS

The Joint Committee welcomes the fact that many stakeholders are endeavouring to prepare their clients/members for all possible scenarios. The Joint Committee also welcomes the fact that a number of “Brexit-readiness” investments have been made.

However, the Joint Committee notes the correlation between the level of preparedness for the possible impacts of Brexit and the size of the business in question. In this regard, the Joint Committee refers to the results of Bord Bia’s *Brexit Barometer 2018*. In relation to the question “*What progress have you made in regards to Brexit since March 2017?*”, Bord Bia stated the following:

*Encouragingly, 74% of respondents feel that they have made clear or some progress in some of the following areas; optimising UK customer relationships, currency risk, supply chain management and/or tariffs and customs. 19% of respondents feel that clear progress has been made and 54% of respondents have made some progress. When these results are analysed by company size, it is clear that the larger companies are leading the way.*³⁹

Accordingly, the Joint Committee recommends that all enterprises, particularly small and medium-sized enterprises, are made aware of the support measures that are available to them. The Joint Committee also notes that additional support measures may be required and recommends a proactive approach to their introduction. **[Recommendation 2]**

The Joint Committee also acknowledges the views of stakeholders with regard to the level of preparedness in relation to customs infrastructure and capacity. The Joint Committee acknowledges that the Government has committed to providing new customs officers and veterinary inspectors, and recommends the acceleration of this process.

Accordingly, the Joint Committee recommends that Ireland’s customs posts can be sufficiently staffed before 29 March 2019, particularly in the event that a “no-deal” scenario materialises. The Joint Committee also recommends that physical customs infrastructure be developed to ensure that there is no disruption to the smooth flow of goods. **[Recommendation 3]**

³⁸ British Irish Chamber of Commerce, [Submission to the joint Committee on Agriculture, Food and the Marine](#), October 2018, p. 5.

³⁹ Bord Bia, [Brexit Barometer: Industry Findings](#), June 2018, p. 10.

7 MARKET DIVERSIFICATION INSIDE AND OUTSIDE OF THE EUROPEAN UNION

The Joint Committee heard evidence from a number of contributors who provided insights on the impact of market diversification inside and outside of the European Union.

Bord Bia, in its submission to the Joint Committee, advised that it has undertaken an in depth Market Prioritisation exercise which focusses on identifying relatively newer markets likely to present growth opportunities over the next 5 – 10 years and assesses these against the capability of Ireland to supply the market. In this regard, market plans will be developed to enable Bord Bia and manufacturers to leverage opportunities.⁴⁰

According to Teagasc, the UK share of Irish agri-food exports (by value) has declined from 49% in 2009 to 38% in 2017 and the share of agri-food exports to non-EU markets have grown from just under 18% in 2009 to almost 31% in 2017.⁴¹

The Joint Committee also heard that Irish agri-food imports remain very dependent on the UK (in 2017, almost 54% of Irish agri-food imports were from the UK).⁴²

In addition, with regard to the specific category of prepared consumer foods or PFC (as defined by the Department of Agriculture, Food and the Marine), there is also high dependence on UK markets (both for imports and exports) as over 60% of Irish PCF imports originate in the UK and over 60% of Irish PCF exports are destined for UK customers.⁴³

Additional submissions to the Joint Committee made the case not only for the identification of new markets but for funding and other support measures (e.g. export credit guarantees) to assist in developing these new markets.⁴⁴

The Joint Committee also heard that exporters to a number of key emerging markets for the Irish agri-food sector, such as Indonesia and the Philippines, face many tariff and non-tariff barriers, such as long customs delays and certification issues.⁴⁵

Whereas the identification of new third country markets and the development of these markets is key to market diversification, the Joint Committee also heard from the IEA that

⁴⁰ Bord Bia, [Written Submission from Bord Bia to the Joint Committee on Agriculture, Food and the Marine](#), 25 October 2018, p. 3.

⁴¹ Teagasc, [Submission to the Joint Committee on Agriculture, Food and the Marine on the Impact of Brexit on Agriculture, Food and Fisheries](#), 26 October 2018, p. 10.

⁴² *ibid*, p. 10.

⁴³ *ibid*, p. 11.

⁴⁴ Food Drink Ireland, [Submission to the Joint Committee on Agriculture, Food and the Marine](#), 26 October 2018, p. 7.

⁴⁵ Irish Cooperative Organisation Society, [Submission to the Committee Consultation on the Impact of Brexit on Agriculture, Food and Fisheries](#), 26 October 2018, p. 15.

these is a focus on entering and developing established markets both within and outside the EU. The IEA stated that it is:

*...seeing a rising interest among members to enter and expand their business in Germany (29%), the USA (27%), France (23%) and Spain (19%). In addition, Australia, the Netherlands, Canada, Belgium, Italy and Sweden make up the remaining top-10 diversification destinations.*⁴⁶

In addition, the Joint Committee notes the need for:

- product diversification and the need for new product development; and
- the development of new storage and port facilities to meet needs in relation to longer supply chains, which will assist in mitigating delays in supply to existing markets or assist in catering for longer distances to new markets.⁴⁷

While the Joint Committee welcomes the progress that has been made with regard to market diversification, the Joint Committee also notes the caution urged by BICC:

*...'looking to new markets' cannot be treated as a panacea to Brexit, as not only does the UK market share similar tastes to the Irish market, as well as language, law and culture, but Irish companies have invested considerable resources and time in gaining a foothold in the UK market that cannot be easily replicated in a European or external market.*⁴⁸

7.1 OBSERVATIONS AND RECOMMENDATIONS

The Joint Committee welcomes the efforts that are being undertaken by industry and commends the investment to support market diversification. The Joint Committee recommends that affected stakeholders should also renew their focus on product diversification. However, the Joint Committee also notes that identification and development of new products and new markets may be constrained as negotiation of free trade agreements is an exclusive EU competence. **[Recommendation 4]**

⁴⁶ Irish Exporters Association, [Submission on the Impact of Brexit on Agriculture, Food and Fisheries](#), October 2018, p. 4.

⁴⁷ Dairy Industry Ireland, [Submission on the Impact of Brexit on Agriculture, Food and Fisheries](#), October 2018, p. 7.

⁴⁸ British Irish Chamber of Commerce, [Submission to the Joint Committee on Agriculture, Food and the Marine on 'Impact of Brexit on Agriculture, Food and Fisheries'](#), October 2018, p. 2.

8 THE FUTURE EU-UK RELATIONSHIP

The Joint Committee notes the submissions made with regard to the future EU-UK relationship.

The Irish Farmers' Association (IFA), in its submission to the Joint Committee, outlined its position:

If...the UK leaves the Single Market and Customs Union, our objectives for any new EU-UK trading relationship must include:

- *Tariff-free and quota-free trade for agricultural and food products*
- *Full UK regulatory alignment to current and future EU standards including food safety, animal health/welfare and environmental standards and*
- *Full UK application of the EU's Common External Tariff and tariff rate quotas (i.e. no increase in import volumes) for agricultural and food products.*

*Our overall objective is: no hard border on the island of Ireland, no border in the Irish Sea and no scope for the UK to pursue a cheap food policy.*⁴⁹

In its submission to the Joint Committee, ICMSA advised that the current arrangements on the border between Ireland and Northern Ireland need to be maintained.⁵⁰

In the context of the future relationship between the EU and the UK, and specific to the agri-food and fisheries sectors, numerous submissions also highlighted the need for:

- a sufficient transition period;⁵¹
- no regulatory divergence;⁵²
- additional supports measures;⁵³
- an agreement on transit arrangements with the UK;⁵⁴
- reciprocal access to fishing grounds and markets with the UK;⁵⁵ and
- cooperation on sustainable fisheries management.⁵⁶

⁴⁹ Irish Farmers Association, [Submission to the Joint Oireachtas Committee on Agriculture, Food and the Marine](#), October 2018, p. 8.

⁵⁰ Irish Creamery Milk Suppliers Association, [Submission to the Joint Oireachtas Committee on Agriculture, Food and the Marine](#), October 2018, p. 3.

⁵¹ Food Drink Ireland, [Submission to the Joint Committee on Agriculture, Food and the Marine](#), 26 October 2018, p. 3.

⁵² *ibid*, p. 3.

⁵³ *ibid*, p. 3.

⁵⁴ Meat Industry Ireland, [Submission by Meat Industry Ireland](#), October 2018, p. 7.

⁵⁵ Killybegs Fishermen's Organisation, [Submission to the Joint Committee on Agriculture, Food and the Marine](#), 26 October 2018, p. 2.

8.1 OBSERVATIONS AND RECOMMENDATIONS

The Joint Committee believes that the most urgent requirements in the context of the future EU-UK relationship can be summarised as follows:

- A future trading relationship which contains arrangements that are as close to those that are currently in place as is reasonably possible in respect of, among others: customs arrangements; food and veterinary inspections; transit arrangements; animal and plant welfare; food safety and marketing regulations; and, environmental standards;
- A future trading relationship which supports regulatory convergence rather than divergence;
- A transition period of sufficient length so as to allow for the agreement of the future trading relationship; and
- The retention of the status quo in relation to the fisheries sector.

The Joint Committee recommends that these issues be prioritised for the agri-food and fisheries sectors. **[Recommendation 5]**

⁵⁶ *ibid*, p. 2.

9 CAP REFORM, STATE AND EU AID

The Joint Committee heard evidence from a number of stakeholders in relation to CAP post-2020.

Firstly, the Joint Committee notes that the total budgetary resources allocated to Pillars I and II of the CAP are likely to be reduced due to Brexit (the UK is, at present, a net contributor) and the demands from other emerging EU policy areas.⁵⁷

The Joint Committee also notes a 5% reduction of spending on the CAP as outlined in the Commission's June 2018 proposals.⁵⁸

However, the Joint Committee also notes that Member States will have the ability to supplement EU budgetary allocations (particularly those under Pillar II) from the national exchequer, and the Joint Committee is of the opinion that this potential may need to be utilised to mitigate the impact of Brexit.⁵⁹

The timing of both Brexit (and any approved transition period) and the full implementation of a revised CAP is also notable. The Joint Committee heard that "if there is a delay in agreeing and implementing reform, the new CAP would come into effect in the early 2020s and coincide with the impact of Brexit on the Irish agri-food sector."⁶⁰

This is significant as:

*The Irish National Strategic Plan for the implementation of the CAP in Ireland would be required to set out the peculiarities of Irish agriculture and the challenges and opportunities faced. Brexit, together with the other challenges facing Irish agriculture, particularly the challenge of environmental sustainability, will likely be central elements of the national priorities when framing Ireland's CAP Strategic National Plan.*⁶¹

In this regard, the Joint Committee heard calls for special funding to offset set the negative impacts of Brexit, including the potential impact of a devaluation of Sterling.⁶²

Given that the impact of Brexit may coincide with the implementation of a reformed and reduced CAP, the Joint Committee heard that "State Aid Ceilings need to be raised significantly by the EU as a 'Force Majeure' derogation for the Irish case."⁶³

⁵⁷ Teagasc, [Submission to the Joint Committee on Agriculture, Food and the Marine on the Impact of Brexit on Agriculture, Food and Fisheries](#), 26 October 2018, p. 5.

⁵⁸ *ibid*, p. 5.

⁵⁹ *ibid*, p. 5.

⁶⁰ *ibid*, p. 6.

⁶¹ *ibid*, p. 6.

⁶² Irish Farmers Association, [Submission to the Joint Oireachtas Committee on Agriculture, Food and the Marine](#), October 2018, p. 10.

In its submission to the Joint Committee, BICC also called for a relaxation of State Aid rules and the establishment of a Brexit Mitigation Fund.⁶⁴

In its submission to the Joint Committee, ICMSA called for similar measure to be introduced.⁶⁵

9.1 OBSERVATIONS AND RECOMMENDATIONS

With regard to the Common Agricultural Policy (CAP) post-2020, the Joint Committee notes that Member States have the option to supplement EU budgetary allocations with funding from the national exchequer.

The Joint Committee also notes that any delays to the CAP reform and implementation discussions could result in a situation whereby the new CAP could come into effect at the same time that the impacts from Brexit would be truly felt by the Irish agri-food sector, following the conclusion of the transition period.

The Joint Committee recommends that consideration be given to supplementing CAP funding from the Exchequer for the proposed CAP post-2020. **[Recommendation 6]**

The Joint Committee recommends that the reformed CAP measures are monitored carefully to ensure that their effects do not coincide with the negative effects of Brexit. **[Recommendation 7]**

The Joint Committee again recommends a comprehensive review of State Aid and its potential in a post-Brexit environment. The Joint Committee recognises that resources are limited and as such deliberations as to state aid programmes should broadly consider:

- (i) The value for money of State Aid in the given circumstance; and
- (ii) The impact of non-intervention in the particular circumstances.

Giving weight to these two considerations should result in State Aid programmes being developed which balance the maximum economic benefit and the need to guarantee the survival of certain sectors, particularly those which generate economic activity in disadvantaged regions. State Aid should facilitate these sectors as they transition to the post-Brexit economic environment, rather than act as a long-term subvention to sectors which may no longer be economically viable. **[Recommendation 8]**

⁶³ Dairy Industry Ireland, [Submission on the Impact of Brexit on Agriculture, Food and Fisheries](#), October 2018, p. 7.

⁶⁴ British Irish Chamber of Commerce, [Submission to the Joint Committee on Agriculture, Food and the Marine on 'Impact of Brexit on Agriculture, Food and Fisheries'](#), October 2018, p. 3.

⁶⁵ Irish Creamery Milk Suppliers Association, [Submission to the Joint Oireachtas Committee on Agriculture, Food and the Marine](#), October 2018, p. 6.

The Joint Committee recommends the establishment of a Brexit Mitigation Fund in conjunction with temporary relaxation of state aid rules in sectors and regions most acutely impacted by Brexit. **[Recommendation 9]**

**JOINT COMMITTEE ON AGRICULTURE, FOOD
AND THE MARINE**

TERMS OF REFERENCE

a. Functions of the Committee – derived from Standing Orders [DSO 84A; SSO 70A]

- (1) The Select Committee shall consider and report to the Dáil on—
 - (a) such aspects of the expenditure, administration and policy of a Government Department or Departments and associated public bodies as the Committee may select, and
 - (b) European Union matters within the remit of the relevant Department or Departments.
- (2) The Select Committee appointed pursuant to this Standing Order may be joined with a Select Committee appointed by Seanad Éireann for the purposes of the functions set out in this Standing Order, other than at paragraph (3), and to report thereon to both Houses of the Oireachtas.
- (3) Without prejudice to the generality of paragraph (1), the Select Committee appointed pursuant to this Standing Order shall consider, in respect of the relevant Department or Departments, such—
 - (a) Bills,
 - (b) proposals contained in any motion, including any motion within the meaning of Standing Order 187,
 - (c) Estimates for Public Services, and
 - (d) other matters as shall be referred to the Select Committee by the Dáil, and
 - (e) Annual Output Statements including performance, efficiency and effectiveness in the use of public monies, and
 - (f) such Value for Money and Policy Reviews as the Select Committee may select.
- (4) The Joint Committee may consider the following matters in respect of the relevant Department or Departments and associated public bodies:
 - (a) matters of policy and governance for which the Minister is officially responsible,
 - (b) public affairs administered by the Department,
 - (c) policy issues arising from Value for Money and Policy Reviews conducted or commissioned by the Department,
 - (d) Government policy and governance in respect of bodies under the aegis of the

Department,

- (e) policy and governance issues concerning bodies which are partly or wholly funded by the State or which are established or appointed by a member of the Government or the Oireachtas,
 - (f) the general scheme or draft heads of any Bill,
 - (g) any post-enactment report laid before either House or both Houses by a member of the Government or Minister of State on any Bill enacted by the Houses of the Oireachtas,
 - (h) statutory instruments, including those laid or laid in draft before either House or both Houses and those made under the European Communities Acts 1972 to 2009,
 - (i) strategy statements laid before either or both Houses of the Oireachtas pursuant to the Public Service Management Act 1997,
 - (j) annual reports or annual reports and accounts, required by law, and laid before either or both Houses of the Oireachtas, of the Department or bodies referred to in subparagraphs (d) and (e) and the overall performance and operational results, statements of strategy and corporate plans of such bodies, and
 - (k) such other matters as may be referred to it by the Dáil from time to time.
- (5) Without prejudice to the generality of paragraph (1), the Joint Committee appointed pursuant to this Standing Order shall consider, in respect of the relevant Department or Departments—
- (a) EU draft legislative acts standing referred to the Select Committee under Standing Order 114, including the compliance of such acts with the principle of subsidiarity,
 - (b) other proposals for EU legislation and related policy issues, including programmes and guidelines prepared by the European Commission as a basis of possible legislative action,
 - (c) non-legislative documents published by any EU institution in relation to EU policy matters, and
- (6) matters listed for consideration on the agenda for meetings of the relevant EU Council of Ministers and the outcome of such meetings. The Chairman of the Joint Committee appointed pursuant to this Standing Order, who shall be a member of Dáil Éireann, shall also be the Chairman of the Select Committee.
- (7) The following may attend meetings of the Select or Joint Committee appointed pursuant to this Standing Order, for the purposes of the functions set out in paragraph (5) and may take part in proceedings without having a right to vote or to move motions and amendments:
- (a) Members of the European Parliament elected from constituencies in Ireland, including Northern Ireland,

(b) Members of the Irish delegation to the Parliamentary Assembly of the Council of Europe, and

(c) at the invitation of the Committee, other Members of the European Parliament.

b. Scope and Context of Activities of Committees (as derived from Standing Orders) [DSO 84; SSO 70]

- (1) The Joint Committee may only consider such matters, engage in such activities, exercise such powers and discharge such functions as are specifically authorised under its orders of reference and under Standing Orders.
- (2) Such matters, activities, powers and functions shall be relevant to, and shall arise only in the context of, the preparation of a report to the Dáil and/or Seanad.
- (3) The Joint Committee shall not consider any matter which is being considered, or of which notice has been given of a proposal to consider, by the Committee of Public Accounts pursuant to Standing Order 186 and/or the Comptroller and Auditor General (Amendment) Act 1993.
- (4) The Joint Committee shall refrain from inquiring into in public session or publishing confidential information regarding any matter if so requested, for stated reasons given in writing, by—
 - (a) a member of the Government or a Minister of State, or
 - (b) the principal office-holder of a body under the aegis of a Department or which is partly or wholly funded by the State or established or appointed by a member of the Government or by the Oireachtas:

Provided that the Chairman may appeal any such request made to the Ceannt Comhairle / Cathaoirleach whose decision shall be final.
- (5) It shall be an instruction to all Select Committees to which Bills are referred that they shall ensure that not more than two Select Committees shall meet to consider a Bill on any given day, unless the Dáil, after due notice given by the Chairman of the Select Committee, waives this instruction on motion made by the Taoiseach pursuant to Dáil Standing Order 28. The Chairmen of Select Committees shall have responsibility for compliance with this instruction.

APPENDIX 2: COMMITTEE MEMBERSHIP

Joint Committee on Agriculture, Food and the Marine

Deputies:

Jackie Cahill (FF) [Vice-Chairman]

Marcella Corcoran-Kennedy (FG)

Pat Deering (FG) [Chairman]

Martin Kenny (SF)

Charlie McConalogue (FF)

Willie Penrose (Lab)

Thomas Pringle (I4C)

Senators:

Rose Conway-Walsh (SF)

Paul Daly (FF)

Tim Lombard (FG)

Michelle Mulherin (FG)

