

**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

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The [British Irish Chamber of Commerce](#) (the Chamber), the only organisation representing business activities with interests across the two islands of Great Britain and Ireland, welcomes the opportunity to respond to the consultation paper by the Committee on Agriculture, Food and the Marine (Committee) on the 'Impact of Brexit on Agriculture, Food and Fisheries'. The Chamber made an initial submission to the Committee in December 2016 (available [here](#))¹ and we have continued to work with key stakeholders on the key issues and recommendations contained therein.

Over the past two years, with broad engagement across all major facets of the UK and Irish economy, the Chamber has been committed to a proactive and constructive approach in proposing clear, nuanced and evidence-based solutions to the Brexit impasse. The Chamber has published numerous [policy papers](#)², as well as publishing a Brexit Toolkit. Recently the Chamber hosted a high-level Conference on the disruption facing the UK-Ireland Agri-food sector entitled 'The UK-Ireland Agri-Food sector: A Shared History, A Shared Future'. Furthermore, the Chamber has

- Met with dozens of UK firms considering opening operations in Ireland,
- Held roundtables with key stakeholders across the UK and Ireland,
- Led UK-Ireland trade missions,
- Met with UK Ministers, MPs and leaders from the devolved administrations.

In advance of the Budget, the Chamber submitted a detailed Paper to the Department of Finance on our Brexit Budget priorities.

The recommendations contained within this submission are the culmination of these meetings and interactions, supplemented with expert analysis from the Chamber's policy team.

¹ <http://www.britishirishchamber.com/food-agriculture/>

² <http://www.britishirishchamber.com/brexit-publications/>

As requested by the Committee, this submission will focus primarily on the topics outlined in the Consultation Paper:

The Committee's 2017 Brexit Report Recommendations:

Challenges for the European Union

The Chamber welcomed the robust nature of the 2017 report and its attempts to address the key fundamentals facing the Irish Agri-food sector as result of Brexit. With the aid of hindsight, we know that concerns over the public's perception of the European project in light of Brexit have abated. Ireland has one of the highest satisfaction ratings in the EU, consistently polling over 90%. The Committee could not have foreseen the outcome of the 2017 UK General election which resulted in the DUP holding considerable sway over the UK Government which in turn has changed the tone of the dialogue on the border question, specifically the 'Backstop'. The Chamber shares the view of the Committee, if an extension to Article 50 is needed to ensure a mutually beneficial agreement is reached between the EU and the UK, then the UK should request it and the EU 27 should consent to it.

Diversification

The Committee references 'diversification' on numerous occasions throughout its report. While diversification and market expansion are important in responding to Brexit, the Chamber urges caution against the simplification of such an approach. At the 'Consultative Forum' with Chamber members, a clear message was that '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. It should be noted that 65% of Agri-food exports are already outside of the UK and growing, so where diversification is prudent it is already happening where appropriate.

State Aid Rules

The Chamber notes that the Committee recommended "that all Government Departments, State Agencies, and stakeholder organisations examine the role which state aid may play post-Brexit". While the Chamber acknowledges that some state aid derogations may be needed, the Chamber is of the view that an EU wide response is preferable. While Ireland will be the most exposed country, with agri-food the most exposed sector, other countries and industries will also face serious disruption. As

Brexit is an EU wide challenge, the economic response must also be EU-wide. Accordingly, the Chamber is of the view that the Government should advocate to the EU Commission for the establishment of a Brexit Mitigation Fund in conjunction with temporary relaxation of State Aid Rules in sectors and regions most acutely impacted by Brexit.

Preparations and Preparedness for Brexit and the current status of negotiations, including any agreement on the Future EU-UK Relationship

The Current Status of Negotiations

The British Irish Chamber of Commerce has been at the forefront of interactions between government and business in Ireland, the UK and Brussels since the 'leave' result of the referendum. In November 2017, the Chamber released its seminal Brexit Paper '[How to Make Brexit Work for All: Big Principles for a Strong Brexit Partnership](#)³', which offered a balanced pathway forward to resolving the Brexit deadlock. It was based on some of the following guiding principles:

- Eliminate the need for a border on the island of Ireland and address concerns regarding border and customs checks at UK ports.
- Enable the trade in goods and services to largely continue, as much as possible, without tariff and non-tariff barriers.
- Align the UK's new tariffs with the existing Common External Tariff and maintain regulatory alignment which would protect the UK from an influx of cheaper, lower quality goods which might compromise standards in manufacturing and food production.
- Protect the integrity of the EU Single Market and Ireland's place within it.
- Eradicate the need for a long, drawn-out Free Trade Agreement between the EU and the UK that may be less comprehensive.

As the Brexit negotiations continue, we as a Chamber are extremely concerned that the expected progress in negotiations has not been achieved by the October summit. The Chamber has consistently warned of the dangers of a "no-deal" Brexit and of the importance of delivering a transition period to provide adequate time for businesses to prepare for any new arrangements. A "no-deal" outcome would be wholly unsatisfactory to businesses who would face the prospect of severely disrupted supply chains, new barriers to trade, and significant cost increases that will impact on growth and jobs. While we hope that a deal will be reached to prevent the UK crashing out of the EU, we are advising our members to intensify their preparations for a "no deal" scenario.

³ <http://www.britishirishchamber.com/wp-content/uploads/2018/04/Big-Principles-Final.pdf>

The Impact of “No Deal” on Agri-food Trade

In this scenario, where no agreement is reached between the EU and the UK, the trading relationship reverts to the World Trade Organisation's (WTO) 'most favoured nation' (MFN) rules on tariffs on exports and imports. This means that all trading partners must be treated equally. Agricultural tariffs are far higher than industrial tariffs due to a higher percentage of non-ad valorem rates and the number of tariff lines for tariff rate quotas. The average applied EU tariff on agricultural goods is approximately 14.0%, while the average applied tariff on Dairy is approximately 36%. If the UK were to be subjected to the EU Bound Tariffs, it could see tariffs applied on UK agri-food as high as 60% for products such as beef. Table 1 illustrates the EU's 'applied' MFN tariff on agricultural products. It is likely the UK will register similar tariffs in the first instance for goods entering the UK.

Table 1: EU's applied MFN tariff summary, 2016

Agricultural Product	Number of lines	Simple average (%)	Tariff range (%)	Standard deviation	Share of duty-free lines (%)	Share of non-ad valorem tariffs (%)
Animals and products there of	351	19.4	0-132.5	21.3	15.1	68.7
Dairy products	151	35.6	2.8 - 695.5	65.0	0	100.0
Fruit, vegetables, and plants	508	13.0	0-169.9	13.9	11.8	16.9
Coffee, tea, and cocoa and cocoa preparations	47	11.3	0-18.7	6.7	14.9	51.1
Cereals and preparations	230	14.9	0-76.9	11.9	8.7	80.0
Oils seeds, fats, oil and their products	174	6.0	0-103.5	10.4	35.6	6.9
Sugars and confectionary	44	26.8	0-172.7	37.5	4.5	88.6
Beverages, spirits and tobacco	305	12.8	0-76.8	15.9	18.0	55.4
Cotton	6	0	0	0	100.0	0
Other agricultural products, n.e.s.	259	5.8	0-168.7	16.0	51.0	22.0
Total WTO agricultural products	2,075	14.1	0-695.5	23.7	19.1	46.4

Source: WTO EU Trade Policy Review, 2017, Table 3.6

Once the UK leaves the single market there will also be the imposition of non-tariff barriers to trade which will include custom controls, rules of origin checks, differences in regulations, diverging standards as well as anti-dumping duties. InterTrade Ireland has helpfully developed a 'Tariff Checker'⁴ to assist companies in ascertaining the tariffs that may be applied to their exports.

⁴ <https://intertradeireland.com/brexit/brexit-practical-help/tariff-checker/>

Preparations and Preparedness for Brexit

The Chamber welcomes the work of state agencies in preparing for Brexit, notably for the agri-food sector where Bord Bia has actively engaged with its clients in the sector by providing supply chain workshops, customs training and currency risk training as well as on-going engagement and support. The Brexit Barometer has also been a useful tool for the sector to gage the preparedness of the sector. For the Chamber's part we have held numerous seminars across the country, developed a [Brexit Toolkit⁵](#) and disseminated weekly updates to our members.

Regardless of the final outcome of the Brexit negotiations, the UK will remain an essential trading partner for our Irish members and visa versa for the Chamber's UK members. From our interactions with our agri-food members we can inform the Committee that the vast majority are taking the necessary steps in preparing for Brexit. Initiatives include:

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

Chamber Recommendations

The Chamber as outlined in its [Policy Paper](#) and [Pre-Budget submission⁶](#) is of the view that a four-pronged approach to protecting the sector against the Brexit challenge is needed, notably:

1. Brexit Contingency,
2. Protecting UK – Ireland trade,
3. Keeping Ireland Competitive, and
4. Investing in Ireland's Future.

⁵ <http://www.britishirishchamber.com/wp-content/uploads/2017/07/BICC-Brexit-Toolkit.pdf>

⁶ <http://www.britishirishchamber.com/wp-content/uploads/2018/08/Budget-2019-WEB-Version-1.pdf>

Extracting the pertinent points from the Chamber's papers, we make the following recommendations for the consideration of the Committee:

- Advocate to the EU Commission for the establishment of a **Brexit Mitigation Fund** in conjunction with temporary relaxation of State Aid Rules in sectors and regions most acutely impacted by Brexit.
- The Chamber has seen first-hand the work of Bord Bia, Enterprise Ireland and the Food Safety Authority of Ireland (FSAI) in preparing their clients, not just for the threats associated with Brexit, but also assisting them to identify new opportunities that have been emerging. To its credit, since the referendum result the Government has broadly increased the budgets of state agencies, in addition to Brexit specific initiatives. The Chamber recommends that **the upward trajectory of Bord Bia's and the Food Safety Authority of Ireland's budgets continue.**
- **Simplify Government Supports** - The Government should work with business representative organisations, such as the Chamber to review the grant process from application phase to reimbursement. State supports should also be open to all businesses exposed to the UK market.
- **Introduce a Customs Voucher Scheme** - To alleviate this burden, the Government should introduce a simplified customs voucher scheme offering up €5,000 in support to Irish companies which export to and import from the UK and who will be working with custom procedures for the first time.
- The Chamber lobbied for the introduction for a loan scheme similar to the '**Future Growth Loan Scheme**' and therefore we welcomed the Minister's announcement in Budget 2019. The view of Chamber members is that interest rate applied should be 2.95%, the rate applied to the previous Agri-Business Loan Scheme.