

# North/South Inter-Parliamentary Association

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**Briefing Paper for the eighth meeting of the  
North/South Inter-Parliamentary Association**

## **Agri-food and Brexit**

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**Background briefing prepared by the Research and Information Service (RalSe) of the  
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## 1. Key Points

**The agri-food sector includes primary production (farming or agriculture), fishing, forestry, wood processing and food and drinks (excluding tobacco). The focus of this paper is on agriculture and food and drinks processing.**

- **Agriculture** - There are almost 140,000 farms in the Republic and 25,000 in the North. Compared to the Republic, Northern Ireland's agricultural share is lower for both total gross value added (GVA)<sup>1</sup> (2.5% total GVA compared to 1%) and overall employment (5.5% compared to 3.2%) while farm sizes are bigger (32.5 ha in the Republic versus 40 ha in Northern Ireland).
- **CAP and farm income** - Direct payments under CAP are very important across Ireland but are more important to farmers in Northern Ireland. Worth on average €17,168 (32% in dairy to 109% in sheep farming) in the Republic, direct payments were 103% of the value of average farm business income in Northern Ireland in 2014-2015. With EU direct payments, the average farm income across all farm types equated to €9,135 in the Republic in 2015 and £3,780 in Northern Ireland in 2013-2014. In the Republic, the Border counties have the most disadvantaged land with lowest farm incomes and highest reliance on subsidies.
- **Food and drinks industry** - The food and drinks industry has a high degree of indigenous ownership and is dispersed across the island of Ireland making it very significant for rural employment. In Northern Ireland it accounts for 2.2% of GVA, has a gross turnover of £4,596 billion and employs over 21,000 people. Food and drinks exports were worth £1,289 billion in 2014. In the Republic, the food and drinks sector generated 5.1% of total GVA in 2014, employs 53,000 people and exported €10.83 billion worth of food and drinks in 2015.
- **Trade** – Great Britain is the largest market for food and drinks in Northern Ireland and the UK is the largest export market for the Republic. Cross-border trade in food and drinks is high in comparison to other sectors and accounts for approximately one-third of all manufacturing cross-border trade. While cross-border trade from Northern Ireland to the Republic tends to be higher, cross-border trade is strong in both directions for dairy, beef, sheep meat and drinks.
- **Challenges to the agri-food sector** - The abolition of milk quotas in 2015 was seen as the most fundamental change to farming this generation and there are many challenges facing the long-term sustainability of agriculture North and South. These include low farm incomes, price volatility on world markets (especially from the continuing depressed price of milk – no relaxation of Russian sanctions expected in

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<sup>1</sup> Gross value added (GVA) measures the contribution to an economy of an individual producer, industry, sector or region

the short-term), increased competition and currency differentials between sterling and the euro. The impact on farm businesses has been significant.

- **Brexit** – in terms of food and drinks, the Republic is Northern Ireland's largest export market and the UK is the Republic's largest export market. As such it is expected that Brexit will have major implications for the sector North and South. Impacts may include higher consumer prices for groceries sourced in the UK, negative effects on cross-border trade and pressure on North-South interdependence of certain sectors in particular dairy and sheep, freedom of movement of people and labour, and potentially diverging regulatory systems.

## 2. Introduction

This paper is written in the context of the North-South Inter-Parliamentary Association (NSIPA). It is intended as a summary of the current state of the **agri-food** (agriculture and food and drinks processing) sector; and an assessment of the potential impacts from Brexit on this sector in the Republic and Northern Ireland as a basis for comparing principal issues on an all-island basis.

From the outset, it is important to note that the exact impacts of Brexit on the agri-food sector will only fully emerge when the terms of the UK's withdrawal become clear.

Despite the uncertainty surrounding Brexit, this paper aims to identify potential issues for the agri-food sectors across the island of Ireland.

The paper is divided into the following sections:

**3. Policy background** – provides a brief description of the Common Agricultural Policy (CAP) and the agri-food strategies in place North and South.

**4. Key statistics for the agri-food sector** – gives a short overview of the importance of the sector including statistics on farm sizes, types, farm incomes and also the gross value added (GVA) for the agri-food sector and employment figures. It also includes a comparison to Great Britain.

**5. & 6. Positions in Ireland and in Northern Ireland** – includes a more detailed description of agriculture or farming and the food and drinks sector. Highlights the social and economic importance of the sector and identifies key trends in trading. Section 5 focuses on the Republic and Section 6 on Northern Ireland.

## 7. Potential cross-border issues for agri-food due to Brexit and key questions -

identifies the key/shared common challenges that the agri-food sectors North and South will need to address in light of Brexit such as access to labour, access to markets – existing and new, and rising costs of materials due to currency fluctuations or potential tariffs. Having identified these issues the section identifies a series of questions which may need to be considered if these key challenges are to be addressed.

## 3. Policy background

### Common Agricultural Policy (CAP)

Being a part of the EU and a recipient of the Common Agricultural Policy (CAP) has had a very significant impact on agriculture North and South.

CAP reforms over the last few decades have seen the introduction of the Single Farm Payment (SFP) and the decoupling of farm support and production. In conjunction with this, moves towards environmental protection within the EU have been exemplified by initiatives such as the Nitrates Directive which have directly affected how the industry operates and is funded.

The current round of CAP reform runs from 2014-2020. Mostly agreed in 2013, 2014 was a transition year and full implementation began in 2015. Major changes for Ireland from the current CAP reform include the change from the Single Farm Payment (SFP) to the Basic Payment Scheme (BPS) which includes a greening payment, incentives for young farmers and changes to land eligibility.

Over the seven year period of 2014-2020 the total value of the CAP (in 2011 prices) will be €373.19 billion, of which Pillar I direct payments will account for €277.85 billion and Pillar II, the rural development programme €84.9 billion.<sup>2</sup>

The Republic is a supporter and net benefactor of the CAP and between 2014 - 2020 will receive approximately €8.5 billion in direct payments and €2.2 billion in rural development support from the EU.<sup>3</sup> A further €1.9 billion in national funding will be added to the EU

<sup>2</sup> European Council, 2013. *Conclusions – Multiannual Financial Framework* [online]. Available at: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/135344.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf) [accessed on 15112016]

<sup>3</sup> RaISE & L&RS, 2014. *CAP reform 2014-2020: EU agreement and implementation in the UK and Ireland*, page 27 [online]. Available at: [http://vhfms-a01/AWData/Library2/CAP\\_2014-20\\_UK\\_and\\_Ireland\\_RP14-056\\_Ireland\\_with\\_cover\\_175031.pdf](http://vhfms-a01/AWData/Library2/CAP_2014-20_UK_and_Ireland_RP14-056_Ireland_with_cover_175031.pdf) [accessed on 15112016]

funding already secured for expenditure on rural development.<sup>4</sup> Northern Ireland will receive approximately €2.3 billion in Pillar I funding and €227 million under Pillar II.

Pillar II support in the Republic over this period prioritises the areas of agriculture-environment-climate, payments for farming in Areas of Natural Constraint (ANCs), investments in physical assets and support of LEADER local development.

In 2016, farmers in the Republic will receive €1.2 billion in funding for direct payments from the EU and €494 million will be allocated for investment in rural development. Based on 2015 figures the BPS is worth £283 million per year to farmers in Northern Ireland which roughly equates to payment of €339 per hectare (based on 2013 data)

Post Brexit, farmers in the Republic will continue to receive funding under CAP.

While it is anticipated that the UK will develop some form of British Agricultural Policy (BAP) to compensate for the loss of the CAP, nothing has been agreed. Based on successive UK Governments favouring a move away from direct subsidies, it is likely that whatever form any new BAP takes, it will focus on paying farmers for the provision of environmental services which are considered to be public goods but are not paid for by the markets. However, there is no commitment that the same level of funding as is currently available under CAP will be provided under any new BAP<sup>5</sup>.

In the interim, a transitional period may be necessary to ease away from direct subsidies and the UK Chancellor of the Exchequer the Rt Hon Philip Hammond MP has guaranteed that the current level of agricultural funding under CAP Pillar I will be upheld until 2020, as part of the transition to new domestic arrangements.<sup>6</sup> However, it is unclear what the budgetary implications for Northern Ireland farmers will be post-2020.

## Agri-food policy in Ireland

### *Food Harvest 2020*

Ireland's agriculture and food and drinks targets are taken from the strategic Food Harvest 2020 (FH2020) report, which is the national vision and driver in terms of growth in the agri-

<sup>4</sup> Department of Agriculture, Food and the Marine (DAFM), 2014. *Coveney announces support of more than €1.25 billion for the agriculture sector* [online]. Available at:

<http://www.agriculture.gov.ie/press/pressreleases/2014/january/title.73336.en.html> [accessed on 15/11/2016]

<sup>5</sup> BBC News, 2016. *No post-Brexit farming subsidies guarantee from Minister* [internet]. 20 July. Available at: <http://www.bbc.com/news/uk-wales-politics-36849224> [accessed on 15/11/2016]

<sup>6</sup> GOV.UK. 2016. *Chancellor Philip Hammond guarantees EU funding beyond date UK leaves the EU* [internet]. 13 August. Available at: <https://www.gov.uk/government/news/chancellor-philip-hammond-guarantees-eu-funding-beyond-date-uk-leaves-the-eu> [accessed on 15/11/2016]

food sector to 2020 was published in 2010. The FH2020 tagline is **Smart, Green, Growth** – act **smart** by investing in ideas, knowledge and skills, think **green** by maximising the benefits from our extensive, low-input grass-based production systems and achieve **growth** through minimising input and distribution costs and increasing our production. However, the importance of sustainability and protection of the environment in reaching these goals is also a key part of the plan. In this manner, the Government aims to grow the agricultural sector in a sustainable and innovative manner.

The three principal growth targets identified under FH2020 are:

- Increasing the value of primary output in the agriculture, fisheries and forestry sector by €1.5 billion (a 33% increase compared to 2007-2009 average);
- Increasing the value-added in the agri-food, fisheries and wood products sector by €3 billion (a 40% increase compared to 2008); and
- Achieving an export target of €12 billion for the sector (a 42% increase compared to the 2007-2009 average).

FH2020 also set the dairy industry a target of 50% increase in milk production by 2020 from March 2015 when quotas were abolished<sup>7</sup>.

### *Food Wise 2025*

In July 2015, the Government launched Food Wise 2025 (FW 2025) which sets a course for the agri-food sector to grow over the next decade with a renewed focus on exports. It follows on from FH2020 with more ambitious expansion plans for the sector, under the guiding principle that environmental protection and economic competitiveness are equal and complementary: one will not be achieved without the other.

Key objectives under FW2025 are to:

- Grow agri-food exports to €19 billion per annum by 2025 to be driven chiefly by expansion in dairy, beef, seafood and consumer food and drinks exports;
- Increase the value of primary production by 65% to almost €10 billion; and
- Create 23,000 jobs along the supply chain from producer level to high end value added product development.<sup>8</sup>

<sup>7</sup> DAFM 2015. *2014/2015 Annual Review and Outlook for agriculture, food and the marine* [online]. Available at: <https://www.agriculture.gov.ie/media/migration/publications/2015/AROFinalVersion2015Amended210915.pdf> [accessed on 15/11/2016]

<sup>8</sup> DAFM, 2015. *Foodwise 2025* [online]. Available at: <https://www.agriculture.gov.ie/foodwise2025/> [accessed on 10/11/2016]

## Agri-food policy in Northern Ireland

The agri-food sector has also been identified as a key future driver for the economic development in Northern Ireland and the Going for Growth<sup>9</sup> agri-food strategy (published in 2013) sets out a vision of,

*‘Growing a sustainable, profitable and integrated Agri-Food supply chain, focused on delivering the needs of the market’.*

The strategy also set a number of overall and measurable targets for the development of the agri-food sector by 2020 as follows:

- Grow sales by 60% to £7 billion;
- Grow employment by 15% to 115,000;
- Grow sales outside Northern Ireland by 75% to £4.5 billion; and
- Grow the total added value of products and services from local companies by 60% to £1 billion.

## 4. Key statistics for the agri-food sector

The agri-food sector encompasses primary production (agriculture or farming), forestry, fishing, food and drinks (excluding tobacco) and wood-processing. For the purpose of this paper, given their importance both within and across the Republic and Northern Ireland, the focus will be on:

- Agriculture; and
- Food and drinks processing.

Tables 1 and 2 identify key agricultural, food and drinks statistics across Ireland and the UK, highlighting the economic value of the agri-food sector to the Republic and Northern Ireland in particular.

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<sup>9</sup> Agri-food Strategy Board, 2013. *Going for Growth: a strategic action plan in support of the Northern Ireland agri-food industry* [online]. Available at: <http://www.agrifoodstrategyboard.org.uk/uploads/Going%20for%20Growth%20-%20Web%20Version.PDF> [accessed on 15/11/2016]



**Table 1: Key agricultural statistics across Ireland and the UK (most recent comparable)**

Feature	Ireland	NI	Scotland	Wales	England	UK
Share of total GVA (%)	2.5 <sup>10</sup>	1	1	0.7	0.6	0.6
Total Income from Farming (TIFF) (000)	€2,986 <sup>11</sup>	£183	£667 <sup>12</sup>	£175 <sup>13</sup>	£2,774	£3,769
Number employed in agriculture forestry and fishing ('000)	109	26	40	32	259	356
Share of overall employment (%)	5.5	3.2	1.5	2.3	1.0	1.1
Number of farms ('000)	140	25	52	35	102	214
Cereals farms as % of total farms	4 <sup>14</sup>	1	5	1	17 <sup>15</sup>	9 <sup>16</sup>
Dairy farms % share of total farms	11 <sup>17</sup>	11	1.5 <sup>18</sup>	5 <sup>19</sup>	7	6
Cattle and Sheep (LFA) % share of total farms	-	58	28	31	12	24
Cattle and Sheep lowland as % share of total farms	-	20	5	6	32	20
Poultry farms as % share of total farms	-	2	2	1	2	2
Pig farms as % share of total farms	1 <sup>20</sup>	0.7	0.5	0.26	2	1
Mixed farms as % of total farms	17 <sup>21</sup>	2	10	2	8	7
Average farm size (ha)	33	40	118	45	88	80
Less Favoured Area (LFA) - % of	75	69	86	80	17	49

<sup>10</sup> DAFM, 2016. *Factsheet on Irish Agriculture June 2016* [online]. Available at: <https://www.agriculture.gov.ie/media/migration/publications/2016/June2016Factsheet010616.pdf> [accessed on 15112016]

<sup>11</sup> Factor income taken from <http://www.cso.ie/en/releasesandpublications/er/oiaf/outputinputandincomeinagriculture-finalestimate2014/>

<sup>12</sup> <http://www.gov.scot/Resource/0050/00501331.pdf>

<sup>13</sup> <http://gov.wales/docs/statistics/2016/160225-aggregate-agricultural-output-income-2015-en.pdf>

<sup>14</sup> Percentage based on figures taken from Table 2.3 of the CSO 2013 Farm Structure Survey available at: <http://www.cso.ie/en/releasesandpublications/ep/p-fss/farmstructuresurvey2013/>

<sup>15</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/441238/structure-june-eng-farmtypeseries2014-02jul15.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/441238/structure-june-eng-farmtypeseries2014-02jul15.xls)

<sup>16</sup> Approximate figure based on 2014 data for Wales and England and 2015 data for Scotland and NI

<sup>17</sup> CSO, 2015. *Structure of farming in Ireland* [online]. Available at: <http://www.cso.ie/en/releasesandpublications/ep/p-fss/farmstructuresurvey2013/> [accessed on 15112016]

<sup>18</sup> <http://www.gov.scot/Resource/0050/00501331.pdf>

<sup>19</sup> <http://gov.wales/docs/statistics/2015/151028-welsh-agricultural-statistics-2014-ency.pdf>

<sup>20</sup> CSO, 2012. *Census of Agriculture 2010 – Final Results* [online]. Available at: <http://www.cso.ie/en/newsandevents/pressreleases/2012pressreleases/pressreleasecensusofagriculture2010finalresults/> [accessed on 15112016]

<sup>21</sup> CSO, 2015. *Structure of farming in Ireland* [online]. Available at: <http://www.cso.ie/en/releasesandpublications/ep/p-fss/farmstructuresurvey2013/> [accessed on 15112016]

<b>agricultural area</b>						
<b>Crops: Grass: rough grazing % of total farmed area</b>	8:81:11	5:78:17	10:24:66	5:68:27	46:44:10	-
<b>Average Dairy Farm Business Income 2014/15</b>	€62,141 <sup>22</sup>	£45,728	£68,471	£70,181	£83,800	-
<b>Average LFA Cattle and Sheep Farm Business Income 2014/15</b>	€14,733 <sup>23</sup>	£4,745	£26,185	£23,337	£14,600	-

**Table 2 – Agri-food sector Gross Value added (GVA) and Employment 2015 across Ireland and the UK**

Subsector	Ireland		Northern Ireland		UK	
Gross Value added	€m	% of GVA	£m	% of GVA	£m	% of GVA
<b>Agriculture</b>	4,189 <sup>24</sup>	2.5	351	1.0	8,495	0.6
<b>Food and Drinks Processing</b>	8,562 <sup>25</sup>	5.1	760	2.2	25,921	1.7
Employment	'000 persons	% of total employment	'000 persons	% of total employment	'000 persons	% of total employment
<b>Agriculture, forestry and fishing</b>	109.3	5.5	26	3.2	356	1.1
<b>Food and drink processing</b>	53	2.7	18	2.3	402	1.3

<sup>22</sup> Teagasc, 2016. *National Farm Survey 2015* [online]. Available at: <https://www.teagasc.ie/media/website/publications/2016/Income-Estimates-2015.pdf> [accessed on 15112016]

<sup>23</sup> This figure is the National average cattle income for 2015 as provided by Teagasc via personal communications (16.09.2016). Figures for cattle and sheep combined were not available.

<sup>24</sup> DAFM, 2016. *Annual review and outlook for agriculture, food and the marine 2015/2016* [online]. Table 1.3, page 14. Available at:

<https://www.agriculture.gov.ie/media/migration/publications/2016/AnnualReviewOutlook20152016200716.pdf> [accessed on 15112016].

<sup>25</sup> *Ibid*

## 5. The position in Ireland

### Agri-food

The agri-food sector is Ireland's most important indigenous industry. It generated 7.6% of gross value added (GVA) in 2014<sup>26</sup> and provides 8.4% of national employment.<sup>27</sup> It employs 165,700 people (109,300 on primary production, forestry and fishing, 48,100 in food, 4,900 in drinks and 3,400 in wood processing).<sup>28</sup> Agriculture and food and drinks are described in more detail hereunder.

### Agriculture

Agriculture remains a significant domestic industry dominated by the raising and keeping of livestock for meat and the production of dairy products.

In 2015 there were approximately 140,000 farms with an average size of 32.5ha involved in dairy, tillage, sheep and cattle farming (and often a mixture of more than one type). The average farm income including direct payments was €26,303 (up 5% from 2014) with dairy consistently the most profitable farm system (average income of €62,141) and cattle rearing the least lucrative (average farm income €12,660). The number of full time farmers and active farms is falling and those who remain in the industry are ageing (the average farmer is 57 years old). 50% of farm households have off-farm jobs.<sup>29</sup>

Almost 75% of Ireland's total land area is designated as disadvantaged. The Disadvantaged Area Scheme (DAS) was established in 1975 (now replaced by the Areas of Natural Constraint (ANC) Scheme) and contributes to the support of in excess of 100,000 farm families in the Republic, whose ability to farm is restricted by the physical environment, in particular, the impact of the prevailing wet cold climatic conditions in Ireland. The average family farm income in disadvantaged areas was €23,228 in 2014.<sup>30</sup>

Direct payments continue to be very important to farmers and the average total direct payment for 2015 was €17,168 (the Basic Payment, the largest direct payment was worth

<sup>26</sup> GVA at factor cost is GVA at market prices less any indirect taxes plus any subsidies.

<sup>27</sup> DAFM, 2016. *Factsheet on Irish Agriculture June 2016* [online]. Available at: <https://www.agriculture.gov.ie/media/migration/publications/2016/June2016Factsheet010616.pdf> [accessed on 15112016]

<sup>28</sup> *Ibid*

<sup>29</sup> Teagasc, 2016. *National Farm Survey 2015* [online]. Available at: <https://www.ucd.ie/t4cms/Teagasc%20National%20Farm%20Survey%202015%20Results.pdf> [accessed on 08112016]

<sup>30</sup> DAFM, 2016. *Annual Report 2015* [online]. Available at: <http://www.agriculture.gov.ie/media/migration/publications/2016/DAFM2015AnnualReportFinal140716150816.pdf> page 112 [accessed on 08112016]

€12,503 on average), representing on average 65% of farm income (from 32% on dairy farms to 109% on sheep farms). Farms in the South East are the most profitable and the largest with the Border being the most disadvantaged area with lowest farm incomes and highest reliance on subsidies.<sup>31</sup>

The landscape of Irish agriculture is changing with the abolition of milk quotas in 2015 seen as one of the most fundamental changes to farming within this generation (Ireland accounted for 8.8% of the total EU increase in dairy production in 2015<sup>32</sup>).

### Food and drinks processing

Food and drinks processing is the Republic's most important indigenous industry accounting for over €26 billion in turnover in 2012 (latest year available) or one-quarter of total turnover for all manufacturing industries (the food sector accounts for about 88% of the turnover with meat and dairy production accounting for just over one-third of turnover).<sup>33</sup> It generated 5.1% of gross value added (GVA) in 2014<sup>34</sup> and accounted for 2.7% of national employment.<sup>35</sup> A major driving force in the Republic's economic recovery, its resilience during the recession is reflected in the 51% cumulative growth in food and drinks exports from 2009-2015 leading to record exports worth €10.8 billion in 2015<sup>36</sup>.

Table 3 identifies the destinations and values of exports by subsector of the food and drinks processing industry for the Republic.

**Table 3: Destinations and values of food and drinks exports, 2015<sup>37</sup>**

Subsector	Total exports to NI €000	Total exports to GB €000	Total exports to EU (excl. UK) €000	Total exports to ROW €000	Total Export sales 2015 €000
Live animals (excluding seafood)	100,106	239,642	58,410	32,350	430,508
Meat and meat preparations	182,325	1,720,791	1,286,436	310,260	3,499,812
Dairy produce and	65,848	705,217	602,997	412,723	1,786,785

<sup>31</sup> DAFM, 2016. *Factsheet on Irish Agriculture June 2016* [online]. Available at: <https://www.agriculture.gov.ie/media/migration/publications/2016/June2016Factsheet010616.pdf> [accessed on 15112016]

<sup>32</sup> DAFM, 2016. *Annual Report 2015* [online]. Available at: <https://www.agriculture.gov.ie/media/migration/publications/2016/DAFM2015AnnualReportFinal140716150816.pdf> [accessed on 08112016]

<sup>33</sup> DAFM, 2016. *Annual review and outlook for agriculture, food and the marine 2015-2016* [online]. Available at: <https://www.agriculture.gov.ie/media/migration/publications/2016/AnnualReviewOutlook20152016200716.pdf> [accessed 08112016]

<sup>34</sup> GVA at factor cost is GVA at market prices less any indirect taxes plus any subsidies.

<sup>35</sup> DAFM, 2016. *Factsheet on Irish Agriculture, June 2016*

<sup>36</sup> *Ibid*

<sup>37</sup> Sourced from CSO data received through personal communications on 4<sup>th</sup> November 2016

<b>birds eggs</b>					
<b>Seafood</b>	8,721	48,605	323,008	187,265	567,600
<b>Cereals and cereal preparations</b>	84,822	268,925	27,716	21,404	402,868
<b>Fruit and vegetables</b>	52,613	193,270	23,849	16,916	286,649
<b>Sugar, sugar preparations and honey</b>	6,497	42,885	73,238	39,787	162,406
<b>Coffee, tea, spices and manufacture thereof</b>	16,120	240,210	66,270	49,812	372,412
<b>Animal feed</b>	65,751	157,396	42,025	1,260,342	2,072,963
<b>Misc edible products and preparations</b>	12,042	297,204	503,375	1,260,342	2,072,963
<b>Drinks</b>	89,346	223,776	254,681	672,255	1,240,058
<b>Total Sector</b>	<b>684,191</b>	<b>4,137,921</b>	<b>3,262,005</b>	<b>3,393,773</b>	<b>11,117,892</b>

The food and drinks sector has a high degree of indigenous ownership with a high proportion of services and raw materials sourced locally. It is dispersed across the country, making it very important for rural employment. Seven out of 10 food and drinks enterprises in the Republic are Irish owned, accounting for 15% of manufacturing units but providing some 25% of manufacturing employment.<sup>38</sup> It encompasses over 1,200 enterprises, of all sizes, across a wide spectrum of types from small independent farmhouse producers to the large, often multinational food processors and marketers.<sup>39</sup> It employs 53,000 people (2.7% total employment - 48,100 in food and 4,900 in drinks).

The border region has the second highest percentage of food and drinks industry behind the South West with approximately 16% of the total food and drinks sector located there, or 19% of total manufacturing units in that region.<sup>40</sup>

## Imports and exports trade

### Cross-border trade

Great Britain is the main export market for agri-food in both jurisdictions and cross-border trade in food and drinks is high in comparison to other sectors, accounting for approximately one-third of all manufacturing cross-border trade. It has risen steadily over recent years.

<sup>38</sup> DAFM, 2016. *Annual review and outlook for agriculture, food and the marine 2015/2016* [online]. Available at: <https://www.agriculture.gov.ie/media/migration/publications/2016/AnnualReviewOutlook20152016200716.pdf> [accessed on 15/12/2016]

<sup>39</sup> *Ibid*

<sup>40</sup> *Ibid*

While cross-border trade from Northern Ireland to the Republic tends to be higher, cross-border trade is strong in both directions for dairy, beef, and sheep meat and drinks.<sup>41</sup>

Six per cent of the Republic's total food and drinks exports are sold to Northern Ireland (worth €684,191 million in 2015). The highest value exports from the Republic to Northern Ireland are, in order, meat and meat preparations, live animals, drinks, cereals and cereal preparations and dairy and eggs. 23% of total live animal exports and 7% of total drinks exports from the Republic are sold to Northern Ireland.

### UK trade

80% of food produced in the Republic is exported. The UK and the Republic are each other's largest export market for food and drinks processing. The main sub-sectors have been identified as dairy, meat, prepared consumer food and beverages, and alcoholic beverages.<sup>42</sup> During 2015 the UK led the growth in agri-food exports with little growth in other EU countries. Of the €10.8 billion in exports in 2015, the UK accounted for an estimated €4.4 billion (41%). 54% of Irish beef is destined for the UK.<sup>43</sup>

Nearly a quarter of the UK's food and non-alcoholic drink exports are destined for the Republic. Imports from the UK into the Republic were worth €3.8bn in 2015, of which €470m were dairy products and €100m were beef products<sup>44</sup>.

IBEC, who represent Irish business both domestically and internationally, has suggested that post Brexit Ireland will continue to be an important market for the UK as businesses tend to sell perishable goods to nearby countries.

### EU and rest of the world trade

Of the €10.8 billion in Irish exports in 2015, exports to the EU (excluding the UK) were worth approximately €3 billion (28%) and €3.4 billion (31%) for the rest of the world.<sup>45</sup>

<sup>41</sup> InterTradeIreland, 2011. *Agri-food: A study for cross-border cooperation* [online]. Available at: <http://www.intertradeireland.com/researchandpublications/publications/publications/name-9972-en.php> [accessed on 15112016]

<sup>42</sup> Much of the information in this section has been extracted from IBEC (2016) *The impact of a possible Brexit on Irish business*. Available at [http://www.ibec.ie/IBEC/Press/PressPublicationsdoclib3.nsf/vPages/Newsroom~new-ibec-report-sets-out-brexit-risks-10-04-2016/\\$file/The+UK+referendum+on+EU+membership+-+The+impact+of+a+possible+Brex+on+Irish+business.pdf](http://www.ibec.ie/IBEC/Press/PressPublicationsdoclib3.nsf/vPages/Newsroom~new-ibec-report-sets-out-brexit-risks-10-04-2016/$file/The+UK+referendum+on+EU+membership+-+The+impact+of+a+possible+Brex+on+Irish+business.pdf) [accessed on 15112016]

<sup>43</sup> Bord Bia, 2016. *Export performance and prospects 2015-2016* [online]. Available at: <http://www.bordbia.ie/industry/manufacturers/insight/publications/MarketReviews/Pages/ExportPerformanceandProspects2016.aspx> [accessed on 08112016]

<sup>44</sup> DAFM 2016. Annual Review and outlook 2015-2016

<sup>45</sup> DAFM 2016. Annual Review 2015

According to the Food and Drinks Industry Ireland (FDII), the Republic is “*the largest net exporter of dairy ingredients, beef and lamb in Europe*” and exports over 80% of its beef and dairy production<sup>46</sup>. It supplies 10% of global infant milk formula.<sup>47</sup>

## Future challenges

### Global outlook

The future of Irish agriculture is dependent on many factors, indigenous and global. Challenges facing the industry include low farm incomes, price volatility on world markets (especially from the continuing depressed price of milk – no relaxation of Russian sanctions expected in the short-term), increased competition and the generally poor global economic position.

### Climate change commitments

Despite operating the most carbon efficient dairy system in the EU and the fifth most carbon efficient beef system<sup>48</sup>, agriculture represents almost a third of Irish greenhouse gas (GHG) emissions. In order to tackle the twin challenges of food security and climate change, a number of schemes have been established including the Bord Bia Origin Green initiative and Teagasc’s Carbon Navigator for farmers, both of which focus on Climate Smart Agriculture.

### Brexit

As the UK is the Republic’s largest trading partner, it is expected that Brexit will have major implications for agri-food including higher consumer prices for groceries sourced from the UK, negative effects on cross-border trade and pressure on North-South interdependence of certain sectors in particular dairy and sheep farming. According to IBEC’s Brexit survey of more than 450 companies, food and drink companies were much more worried about the downside risks brought about by Brexit.<sup>49</sup> While it is not possible to definitely identify impacts from Brexit until the exit terms are finalised, potential impacts are reviewed in more detail in Section 7 of this paper.

<sup>46</sup> FDII, 2016. *Sector profile* [online]. Available at:

[http://www.fdi.ie/Sectors/FDII/FDII.nsf/vPages/Food\\_Industry\\_in\\_Ireland-sector-profile?OpenDocument](http://www.fdi.ie/Sectors/FDII/FDII.nsf/vPages/Food_Industry_in_Ireland-sector-profile?OpenDocument) [accessed on 15/11/2016]

<sup>47</sup> Enterprise Ireland, n.d. *Dairy & ingredients* [online]. Available at: <https://www.enterprise-ireland.com/en/Start-a-Business-in-Ireland/Food-Investment-from-Outside-Ireland/Key-Sectors/Dairy-and-Ingredients/> [accessed on 18/11/2016]

<sup>48</sup> Irish Food Magazine, Vol 5, 2014. *Navigating Sustainability* [online]. Page 20. Available at: [http://www.irishfoodmagazine.com/images/pdf/2014/issue5\\_2014.pdf](http://www.irishfoodmagazine.com/images/pdf/2014/issue5_2014.pdf) [accessed on 18/11/2016]

<sup>49</sup> FDII, 2016. *Brexit – the challenge for the food and drinks sector* [online]. Available at: [http://www.fdi.ie/Sectors/FDII/FDII.nsf/vPages/Publications-brexit-the-challenge-for-the-food-and-drink-sector/\\$file/Brexit%20-%20the%20challenge%20for%20the%20food%20and%20drink%20sector.pdf](http://www.fdi.ie/Sectors/FDII/FDII.nsf/vPages/Publications-brexit-the-challenge-for-the-food-and-drink-sector/$file/Brexit%20-%20the%20challenge%20for%20the%20food%20and%20drink%20sector.pdf) [accessed on 10/11/2016]



## 6. The Position in Northern Ireland

### Agriculture

Agriculture in Northern Ireland accounts for a higher share of GVA and percentage share of total employment than the rest of the UK. Conversely, Northern Ireland also has the smallest average farm size within the UK.

Compared to the Republic both Northern Ireland's agricultural share of total GVA and share of overall employment are lower, but average farm size is higher.

Grass based cattle (both beef and dairy) and sheep within local agriculture is dominant accounting for 89% of total farms. In UK comparative terms, Northern Ireland has more dairy, and cattle and sheep Less Favoured Areas (LFA) farms than the rest of the UK.

70% of the total agricultural area farmed within Northern Ireland is defined as LFA which brings challenges in terms of productivity, and whilst not as high as the figures for Scotland, Wales and the Republic, the figure is still significant.

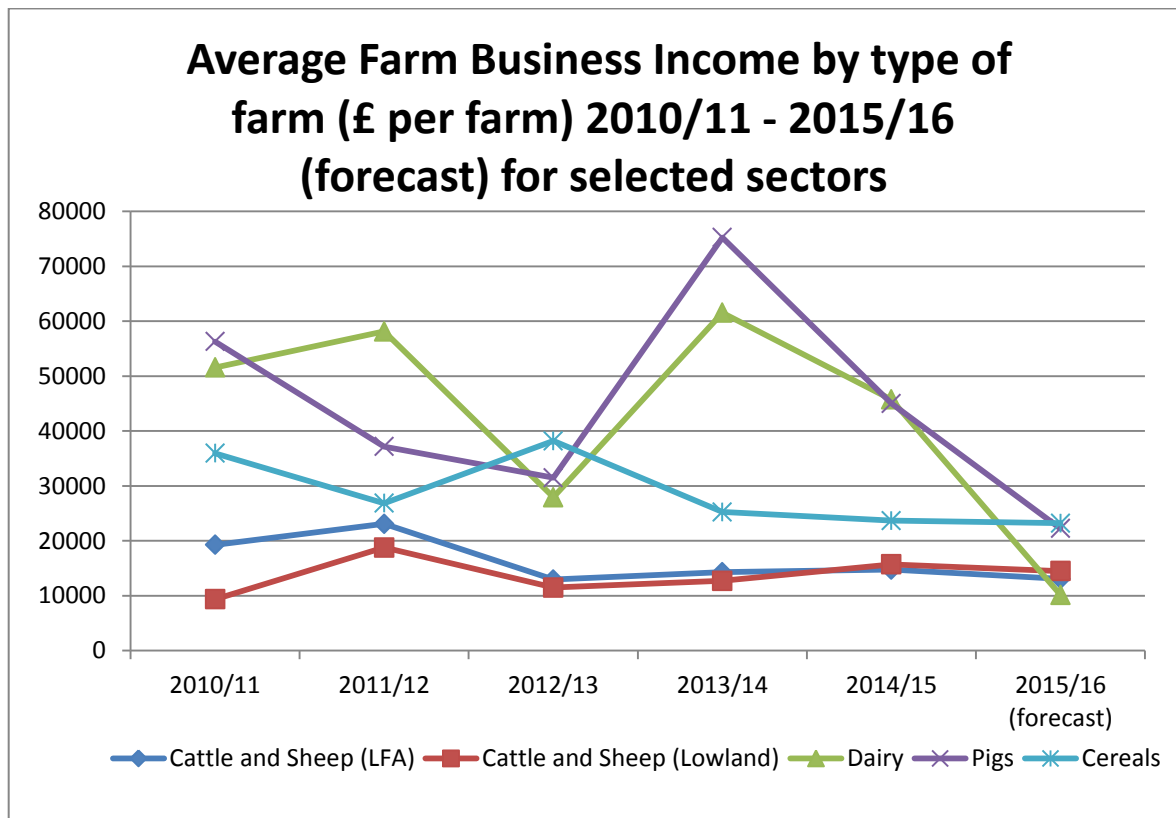
In relation to the key issue of farm income, the data in Table 1 reveals that Northern Ireland's dairy farmers had the lowest average Farm Business Income (FBI) in 2014/15 across the entire UK, whilst the average LFA cattle and sheep FBI was the second lowest within the UK.

Being more locally specific, farm incomes within Northern Ireland over the last five years have shown considerable volatility (see Figure 1) and this presents challenges for the long-term sustainability of the industry.

The dairy and pig sectors in particular have experienced considerable income variability. A number of factors have contributed to this, including the costs of inputs, currency differentials between Sterling and the euro, the ending of milk quotas and the Russian import ban among others. The impact on farm businesses has been significant.

Whilst the cattle and sheep sectors have not experienced the same level of income volatility, incomes for both of these sectors are relatively low and this raises concern around the viability of many of these businesses.



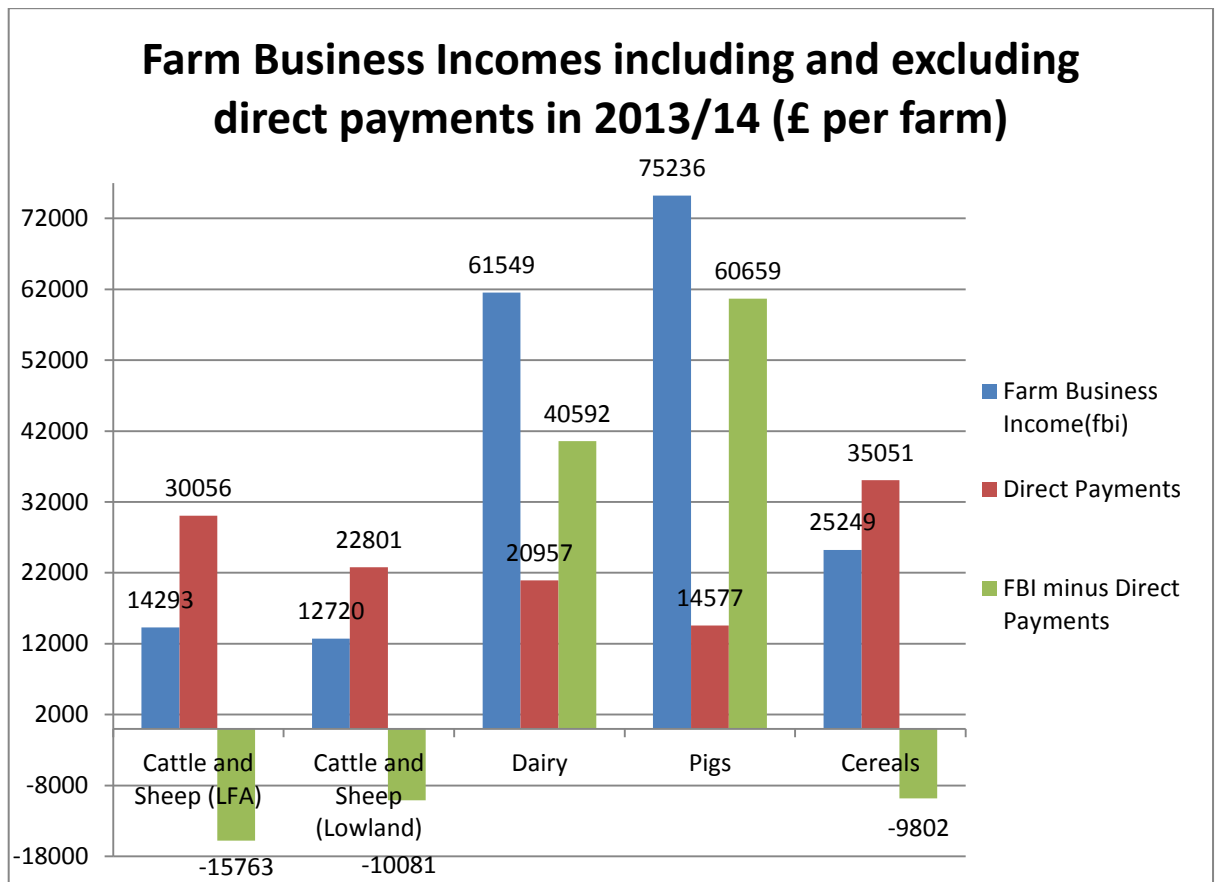
**Figure 1: Average Farm Business Income by type of farm – 2010/11 to 2015/16**

An additional feature of agricultural incomes within Northern Ireland, as illustrated in Figure 2, is how reliant they are on direct payments under the EU's Common Agricultural Policy. Department of Agriculture and Rural Development (DARD) data from 2013-14 reveals that when measured across all farm types the average Farm Business Income with EU direct payments removed equated to £3,780 per farm.

Cattle and sheep farms are particularly reliant on EU direct payments with LFA farms from these sectors recording a negative Farm Business Income of -£15,763 in 2013-14 when direct payments are removed. Based on 2014-15 data<sup>50</sup> average 'as due' direct payments represented 103% of the value of average total Farm Business Income within Northern Ireland.

<sup>50</sup> DARD, 2016. *Farm incomes in Northern Ireland 2014/2015*. Table 7 page 16 [online]. Available at: <https://www.daera-ni.gov.uk/sites/default/files/publications/dard/farm-incomes-in-northern-ireland-2014-15-final.PDF> [accessed on 15/11/2016]

**Figure 2: Farm Business Incomes including and excluding direct payments in 2013/14 (£ per farm)**



In the context of the EU referendum vote a number of broad conclusions can be made:

- Agriculture is more significant in Northern Ireland than any other part of the UK in terms of employment and economic contribution and as such anything that has the potential to affect the sector, either negatively or positively, such as Brexit, could have significant impacts;
- Direct payments are critical to the short-term survival, never mind long-term sustainability of many farms, particularly given the variation in farm incomes;
- The high level of LFA land within Northern Ireland, combined with the small average farm size, present challenges for farm profitability; and
- The heavy reliance on cattle (dairy and beef) and sheep in Northern Ireland makes the agricultural sector particularly sensitive to any changes to policy affecting these sectors.

## Food and drink processing

Based on 2015 data, the food and drink processing sector within Northern Ireland accounts for 2.2% of GVA which equates to £760m in basic prices<sup>51</sup>.

Table 4 below highlights a number of key features of food and drink processing in Northern Ireland including the constituent sub sectors, whilst Table 5 highlights the values of sales to the Republic, the EU and the rest of the world. Table 6 contains data on net profit as a percentage of sales which is a crude indicator of the profitability of each of the 10 sectors that make up the food and drink processing sector here.

**Table 4: NI food and drink processing sector – gross turnover, employment by sub sector and sales<sup>52</sup>**

Subsector	Gross Turnover – 2015 (£m)	Employees – FTEs 2015	Total sales 2014 (£m)	External sales 2014 (£m) <sup>53</sup>	Export sales 2014 (£m)
Animal by products	59.6	119	51.2	* <sup>54</sup>	*
Bakeries	293.1	3,461	286.1	129.9	75.3
Beef and sheepmeat	1,264.9	4,752	1,244.2	1,023.1	240.6
Drinks	424.3	1,349	416.1	227.3	179.8
Eggs	134.1	342	139.4	94	12.7
Fish	76.1	519	77.1	64.1	30
Fruit and vegetables	314.4	2,484	308.6	208.9	57.8
Milk and milk products	1,007.6	2,159	994	673.8	457.2
Pig meat	312	1,352	320.9	188.3	82.7
Poultry meat	709.7	4513	706	*	*
<b>Total Sector</b>	<b>4,595.7</b>	<b>21,048</b>	<b>4,543.6</b>	<b>3,299.2</b>	<b>1,289.4</b>

<sup>51</sup> Derived from DARD, *Northern Ireland agri-food sector, key statistics, June 2016*, Table 4 page 5 [online]. Available at: <https://www.daera-ni.gov.uk/sites/default/files/publications/daera/Northern%20Ireland%20Agri-food%20Sector%20Key%20Statistics%202016%20Final.pdf> [accessed on 15/11/2016]

<sup>52</sup> Derived from *Northern Ireland agri-food sector, key statistics, June 2016*, Table 6 page 6

<sup>53</sup> External sales refers to sales outside NI but within the rest of the UK

<sup>54</sup> Instances where \* is used within a table denote that information has been suppressed to avoid disclosure

**Table 5: NI food and drink processing sector - destinations and values of subsector sales by subsector<sup>55</sup>**

Subsector	Total sales 2014 (£m)	ROI sales (£m)	Other EU sales (£m)	ROI and EU combined (£m) and as % of total sales	Rest of World sales (£m) and as % of total sales
Animal by products	51.2	*	*	*	*
Bakeries	286.1	72.8	*	72.8 (25%)	*
Beef and sheepmeat	1,244.2	98.4	122.7	221.1 (18%)	19.5 (2%)
Drinks	416.1	146.8	13.4	160.2 (38%)	19.6 (5%)
Eggs	139.4	*	*	*	0
Fish	77.1	6.5	21.2	27.7 (36%)	2.3 (3%)
Fruit and vegetables	308.6	56.2	0.9	57.1 (18%)	0.7 (0.2%)
Milk and milk products	994	149.6	243.3	392.9 (39%)	64.3 (6%)
Pig meat	320.9	68	*	68 (21%)	*
Poultry meat	706	94	*	94 (13%)	*
Total Sector	<b>4,543.6</b>	<b>708.2</b>	<b>440.9</b>	<b>1,149.1 (25%)</b>	<b>140.3 (3%)</b>

Looking at the data in tables 4 and 5 it is clear that certain sub sectors of food processing are more significant than others in terms of their gross turnover, employees and total sales, with the largest being the beef and sheepmeat, milk and milk products and poultry meat sectors. These three sub sectors combined account for 65% of the gross turnover, 54% of the employees and 65% of the entire food and processing sector.

Great Britain is the biggest market destination for the entire food and drink processing sector, with sales to this market being highest in six of the ten subsectors, whilst the Republic is the largest export market accounting for 55% of exports. The rest of the EU is a significant export market for the beef and sheep meat and milk and milk products subsectors accounting for 10% and 24% of total sales respectively. Those countries outside the EU (Rest of the World) account for a relatively small proportion of export sales across all subsectors.

<sup>55</sup> Derived from DARD, July 2016. *Size and performance of the Northern Ireland Food and Drinks Processing Sector, Subsector Statistics 2014, with provisional estimated for 2015*. Table 10b page 15. Available at: <https://www.daera-ni.gov.uk/sites/default/files/publications/dard/Size%20and%20Performance%20NI%20Food%20%26%20Drink%202014-15%20Final%282%29.PDF> [accessed on 15/11/2016]

Looking at the export data for the whole EU, including the Republic, and based upon those subsectors for which full data was available, it is apparent that the EU market is most significant for the milk and milk products, fish and drinks subsectors.

**Table 6: NI food and drink processing sector - net profit as a percentage of sales by subsector<sup>56</sup>**

Sector	Net profit (percentage of sales) - Minimum	Net profit (percentage of sales) - Maximum	Net profit (percentage of sales) - Average
Animal by products	6	16	13.7
Bakeries	1	11	5.3
Beef and sheep meat	0	7	1.5
Drinks	-1	12	9.4
Eggs	2	13	7.9
Fish	-2	12	3.1
Fruit and vegetables	1	9	5.0
Milk and milk products	-11	2	0.5
Pig meat	1	7	3.3
Poultry meat	-1	3	3.2
Total Sector	-11	16	3.2

The level of profitability within the food and drink processing sector is highlighted within the data in Table 6. Whilst the average for the entire sector equated to 3.2% of net profit as a percentage of sales, the data reveals considerable variation in the average profitability of individual sub sectors. The highest level of net profit as a proportion of sales was recorded for the animal by-products sub-sector whilst the lowest was recorded for the milk and milk products sub-sector.

The ranges in net profit as a percentage of sales within subsectors reveal that there are individual businesses operating within each subsector which are doing better or worse than the average data. The lowest figure recorded across all subsectors was -11%, which was recorded for the milk and milk products subsector, but negative minimum values were also recorded for the fish, drinks and poultry meat subsectors.

A number of broad conclusions can be made:

- Food and drink processing is a significant part of the Northern Ireland economy, contributing more in GVA terms than farming;

<sup>56</sup> DARD, July 2016. *Size and performance of the Northern Ireland Food and Drinks Processing Sector, Subsector Statistics 2014, with provisional estimated for 2015*. Table 18 page 24. Available at: <https://www.daera-ni.gov.uk/sites/default/files/publications/dard/Size%20and%20Performance%20NI%20Food%20%26%20Drink%202014-15%20Final%282%29.PDF> [accessed on 15/11/2016]

- Whilst the sector has many subsectors the most significant in terms of turnover, employment and sales are the beef and sheep meat, milk and milk products and poultry meat sectors and the health of these subsectors is directly linked to the local farmers producing the raw materials;
- The EU is a significant export market for local produce, particularly the Republic, but Great Britain accounts for the greatest proportion of sales outside Northern Ireland;
- A number of subsectors are more reliant on EU exports (milk and milk products, fish and drinks) and as such could face greater impacts from trading changes in the UK and EU relationship;
- Exports to the rest of the world, i.e. outside the EU, are relatively small and as such represent an opportunity for further development; and
- The level of profitability for a number of sub-sectors, is relatively low, and so these could be adversely affected if costs to access the EU market increase, and this could potentially affect the viability of many individual businesses.

## **7. Potential cross-border issues for agri-food due to Brexit and key questions**

Whilst the full ramifications of Brexit will not be known until such time as the UK has formally negotiated the terms of its exit from the EU, it is generally accepted that there may well be impacts on the operation of the agri-food sectors North and South. The exact nature of these impacts is unclear at this time, but as well as presenting challenges there could be potential opportunities for the sectors.

Table 7 below outlines some of the potential issues that may face the agri-food sector within each jurisdiction. The information in Table 7 specifically focusses on cross-border issues which could have effects on both Northern Ireland and the Republic. Whilst not within the remit of this paper there are also likely to be Brexit issues and associated impacts that will mainly play out within one jurisdiction, such as the ending of the Common Agricultural Policy (CAP) and its associated support within Northern Ireland.

**Table 7: Potential cross border issues linked to Brexit**

Issue	Evidence
<b>Interconnectedness of the agri-food sector on the island of Ireland</b>	<p>At present there is significant movement of agricultural produce across the Irish border with milk. For example, in 2015 bulk milk imports into the Republic for processing by creameries and pasteurisers amounted to 594 million litres, with nearly all of this coming from Northern Ireland. This imported milk is equivalent to 9% of domestic Republic supplies and 26% of Northern Ireland's annual milk supplies in 2015<sup>57</sup>. According to Bord Bia data, live animal exports from the Republic to Northern Ireland consisted of over 1,000 bovines and 10,000 pigs each week.<sup>58</sup></p> <p>As well as there being considerable movement of agri-food raw materials and market ready goods, many of the food processing companies have ownership of plants within each jurisdiction which form part of an integrated food supply chain. Approximately 75% of the dairy processing capacity in Northern Ireland is now wholly or jointly owned by co-ops in the Republic, with one commentator noting that the figure would increase to almost 100% if United Dairy Farmers were ever to do a deal with the likes of Glanbia or Dairy Gold.<sup>59</sup></p> <p>In relation to meat processing, Dunbia<sup>60</sup>, which started out as Dungannon Meats, is an example of a firm which has developed/acquired a number of operations across the UK and the Republic. The interconnectedness of certain agri-food businesses and their associated supply chains could present challenges and opportunities within both jurisdictions on the island of Ireland according to some stakeholders. Giving evidence to the Assembly's Agriculture, Environment and Rural Affairs Committee, Mr Tony O'Neill, the chair of the Agri-food Strategy Board and Group deputy chief executive of Dunbia revealed in relation to Brexit<sup>61</sup>:</p> <p><i>'..We will find opportunities in this, and, without getting too smart, all of us today are looking at what this could mean. Multinational companies are looking at where they produce their goods. We are looking at where we produce our goods. I made the comment earlier that 40% of our lamb goes South. I am a lamb processor. I am looking at increasing my capacity to process those lambs here. If the tariff goes up to a certain level, it becomes economic for me to do so.</i></p> <p><i>Now, farmers will not be happy about that. Ian would say, "You have one or two processors". Things like that are opportunities for companies today, but they are challenges in terms of how you actually make that plan. If</i></p>

<sup>57</sup> National Milk Agency, 2016. *Annual Report and accounts 2015* [online]. Available at:

<http://nationalmilkagency.ie/uploads/files/annualreports/2015/annualreport2015.pdf> [accessed on 15112016]

<sup>58</sup> Bord Bia, 2016. *Brexit Briefing Document June 2016* [online]. Available at

<http://www.bordbia.ie/corporate/press/Documents/2016/BrexitBriefingInformation.pdf> [accessed on 15112016]

<sup>59</sup> Halleron, R. (2016) *Opinion: Northern Ireland's border becomes Brexit frontier* [online]. Available at

<https://www.agriland.ie/farming-news/opinion-irelands-farming-and-food-sectors-must-be-put-on-border-alert/#> [accessed on 15112016]

<sup>60</sup> Dunbia, n.d. *Our history* [online]. Available at: <http://www.dunbia.com/Discover-Dunbia/Our-History> [accessed on 15112016]

<sup>61</sup> NI Assembly, 2016. *Committee for Agriculture, environment and rural affairs, official report (Hansard), briefing paper by Agri-food Strategy Board* [online]. Available at: <http://data.niassembly.gov.uk/HansardXml/committee-19202.pdf> [accessed on 15112016]

	<i>I invest now, and in two years' time the thing is not what I think it is, what am I doing? We can look at local production and at where we produce in the UK and Ireland; and we will do that. That will open up lots of questions and possible opportunities and challenges.'</i>
<b>Freedom of movement of people – migrant labour</b>	<p>The freedom of movement of people within the EU constitutes one of the four freedoms that underpin the Single Market.</p> <p>The resulting movement of people facilitated by this arrangement has been a positive development for the agri-food sector in terms of access to migrant labour.</p> <p>Within Northern Ireland it is estimated that around 60% of people employed within the food processing sector are migrants, mainly from Eastern Europe<sup>62</sup>, whilst up to 90% of seasonal agricultural workers are non-UK nationals<sup>63</sup>.</p> <p>There is also evidence to suggest that there is cross-border movement of migrant labour on the island of Ireland in the process of the day to day operation of businesses within the agri-food sector. In October 2016, eight EU nationals, working for a Northern Ireland based company, were stopped and detained at Dundalk as they crossed the border on their way to pick leeks in County Louth<sup>64</sup>.</p>
<b>Potentially Diverging regulatory regimes</b>	<p>At present the regulatory regimes governing the operation of the agri-food sectors North and South are broadly similar as they are derived from EU law.</p> <p>According to the EU's Acquis Communautaire (the cumulative body of European Union legislation consisting of primary (treaties and protocols) and secondary legislation (regulations, directives and court decisions) there are currently 2,751<sup>65</sup> pieces of legislation in force for agriculture alone covering areas such as:</p> <ul style="list-style-type: none"> <li>• The CAP and its operation;</li> <li>• Rural Development;</li> <li>• Forestry; and</li> <li>• Animal health and welfare</li> </ul> <p>The UK government has stated its intention to introduce a so called 'Great Repeal Bill'<sup>66</sup> which will effectively convert existing EU law into domestic law, wherever practical. Having done this the Government will then ask Parliament:</p> <p><i>'...to consider the changes to our domestic legislation to reflect the outcome of our negotiation and our exit, subject to international treaties and agreements with other</i></p>

<sup>62</sup> Campbell., J. 2016. Brexit: NI food firms express concerns at impact of immigration clampdown. *BBC News online* [internet]. 17 October. Available at: <http://www.bbc.co.uk/news/uk-northern-ireland-37680680> [accessed on 15112016]

<sup>63</sup> *Ibid*

<sup>64</sup> Mccauley, C., 2016. Irish police hold EU workers at Dundalk border. *BBC News online* [internet]. 3 October. Available at: <http://www.bbc.co.uk/news/uk-northern-ireland-37545897> [accessed on 15112016]

<sup>65</sup> Eur-Lex. *Directory of European legislation* [online]. Available at: [http://eur-lex.europa.eu/browse/directories/legislation.html?root\\_default=CC\\_1\\_CODED%3D15.CC\\_2\\_CODED%3D1510&displayProfile=allRelAllConsDocProfile&classification=in-force#arrow\\_1510](http://eur-lex.europa.eu/browse/directories/legislation.html?root_default=CC_1_CODED%3D15.CC_2_CODED%3D1510&displayProfile=allRelAllConsDocProfile&classification=in-force#arrow_1510) [accessed on 15112016]

<sup>66</sup> GOV.UK. 2016. *Exiting the EU next steps – Ministerial statement* [online]. 10 October. Available at: <https://www.gov.uk/government/speeches/exiting-the-eu-next-steps-ministerial-statement-10-october-2016> [accessed on 15112016]



	<p><i>countries and the EU on matters such as trade.'</i></p> <p>In theory this could see Parliament 'unpicking' significant areas of EU regulation and legislation which currently apply to the agri-food sector throughout the UK, including Northern Ireland, but whether this actually happens will depend on the relationship that the UK negotiates with the EU. Significant differences in agri-food regulations operating in Northern Ireland and the Republic could present opportunities and challenges within both jurisdictions.</p> <p>A reduced regulatory burden within the UK could reduce costs and make agri-food profitability and competitiveness higher, which could advantage Northern Ireland firms and make Northern Ireland an attractive location for such businesses to locate, or expand, but there could also be negative impacts, particularly if a reduction in regulation potentially makes it harder or impossible to meet the standards required for entry to the EU single market.</p> <p>Additionally there is a question of how issues such as animal and plant disease, for which there is a current pattern of cross-border co-operation eg All Ireland Chalara (Ash Dieback) Control Strategy be dealt with?</p>
<b>Currency volatility</b>	<p>Since the UK referendum decision to leave the EU on the 23<sup>rd</sup> June the value of Sterling against the Euro and other world currencies has fallen. On the 22<sup>nd</sup> June 2016 £1 was worth €1.30 but as of the 8<sup>th</sup> November 2016, £1 was worth €1.12<sup>67</sup> a 14% fall in value. The net effect of this devaluation in sterling has been a growth in UK exports to markets including the EU. Recent survey data of 459 manufacturers collected by the Confederation of British Industry (CBI) has revealed that competitiveness in EU markets rose at the fastest pace since the series began in 2000, with competitiveness outside the bloc also improving at the quickest rate since 2009<sup>68</sup>. However, 47% of manufacturing firms surveyed cited Sterling's depreciation as having a negative impact with concerns around rising costs being a key concern.</p> <p>From the perspective of the Republic, the rise in the value of the Euro against Sterling has presented challenges for the agri-food sector. The major impact of this increased value is to decrease the competitiveness of Republic exports to the UK. The Food and Drinks Industry Ireland (FDII) predicted in September that if Sterling dropped below £0.90, it would translate to losses of over €700 million in food exports and about 7,500 jobs.<sup>69</sup> There is already evidence of the negative impact that this change is having on parts of the agri-food sector within the Republic, with five mushroom suppliers (out of a national total of 60) having closed since June<sup>70</sup>, largely due to fact that 80% of Irish mushrooms go to the UK and the increasing value of the Euro against Sterling having reduced or obliterated profit margins. The agri-food sector within the Republic could benefit from a stronger Euro, particularly in those instances where raw materials are bought in from the UK, as these will now be cheaper.</p>

<sup>67</sup> XE, 2016. *Current and historical rate conversions* [online]. Available at:

<http://www.xe.com/currencytables/?from=GBP&date=2016-11-08> [accessed on 15112016]

<sup>68</sup> CBI, 2016. *Exports rise as manufacturers benefit from weaker pound*. 24 October. Available at:

<http://www.cbi.org.uk/news/exports-rise-as-manufacturers-benefit-from-weaker-pound/> [accessed on 15112016]

<sup>69</sup> FDII, 2016. *Brexit, the challenge for the food and drinks sector* [online]. Available at:

[http://www.fdi.ie/Sectors/FDII/FDII.nsf/vPages/Publications-brexit-the-challenge-for-the-food-and-drink-sector/\\$file/Brexit%20-%20the%20challenge%20for%20the%20food%20and%20drink%20sector.pdf](http://www.fdi.ie/Sectors/FDII/FDII.nsf/vPages/Publications-brexit-the-challenge-for-the-food-and-drink-sector/$file/Brexit%20-%20the%20challenge%20for%20the%20food%20and%20drink%20sector.pdf) [accessed on 10112016]

<sup>70</sup> RTE, 2016. *Collapsing mushroom sector exposes flaw in Brexit response* [online]. 18 October. Available at:

<http://www.rte.ie/news/business/2016/1014/823958-mushroom-industry/> [accessed on 15112016]

<b>Exports and imports – impacts on both</b>	<p>Northern Ireland agri-food total sales are valued at £4.5 billion.<sup>71</sup> Great Britain is the biggest market for the entire food and drink processing sector within Northern Ireland, with total sales to this market being worth £3.29 billion (73% of total sales). Sales outside the UK, account for £1.28 billion, with the Republic being the largest export market accounting for 55% of total export sales (£708 million) in 2014. In relation to imports, Northern Ireland imported £1 billion worth of food from the rest of the world in the year ending Quarter 2 of 2016<sup>72</sup>. Whilst there is no complete data on where this imported food came from, the Republic is top partner country accounting for £1.6 billion of Northern Ireland's total imports (across all sectors of the economy) in the year ending Quarter 2 of 2016<sup>73</sup>.</p> <p>The Republic exports food and drink is worth over €4bn to the UK, making it a key destination for the Irish food industry. Ireland exports around 55% of its meat exports (valued at close to €2bn) and 30% of its dairy (valued at close to €1bn) to the UK. In return, Ireland is also a key market for UK produce. The UK lists Ireland as its fifth largest export market, with food and drinks one of the main exports by value (€3bn). Nearly a quarter of the UK's food and non-alcoholic drink exports are destined for Ireland.</p> <p>Trade in agri-food produce between the UK and Ireland is significant. The FDII predicts damage domestically where imports (and cross-border shopping) will displace indigenous products<sup>74</sup> while Teagasc concluded that agri-food exports from the Republic to the UK would likely decline.<sup>75</sup> Within this context any potential threats or opportunities created by Brexit could be significant in either jurisdiction. A key consideration here will be continued market access but it should be noted that this will be subject to the outcome of UK and EU negotiations, and as such impossible to predict. It is however fair to say that any move away from the current Single Market, which might introduce tariffs or quotas could well have adverse effects on the costs of exporting and impact agri-food businesses North and South.</p>
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## Key Questions

- Which of the issues identified within Table 7 are of greatest concern to both jurisdictions? Is there commonality or divergence here?
- Can there be mutually beneficial solutions for Northern Ireland and the Republic to the Brexit associated issues identified within Table 7? If so in what areas specifically?
- How highly are the specific needs of the agri-food sectors within Northern Ireland and the Republic likely to feature within the forthcoming UK/EU negotiations? What steps, if any, can be taken within both jurisdictions, to ensure that the agri-food sector, North and South, is not adversely affected or disadvantaged by the UK and EU's future relationship?

<sup>71</sup> See Tables 4 and 5 within paper

<sup>72</sup> [https://www.uktradeinfo.com/Statistics/RTS/Documents/RTS\\_2016\\_Q2\\_Northern\\_Ireland.pdf](https://www.uktradeinfo.com/Statistics/RTS/Documents/RTS_2016_Q2_Northern_Ireland.pdf)

<sup>73</sup> *Ibid*

<sup>74</sup> FDII, 2016

<sup>75</sup> Teagasc, 2016. *Brexit potential implications for the Irish agri-food sector* [online]. Available at: <https://www.teagasc.ie/media/website/publications/2012/BrexitPaperApril13final.pdf> [accessed on 10/11/2016]