

“Brexit’s impact on the Agri-Food Industry”

Submission by Meat Industry Ireland (MII)
to the
Joint Committee on Agriculture and the Marine,

Meat Industry Ireland (MII) thanks the members of the Joint Committee on Agriculture and the Marine for the opportunity to give its views on Brexit and the EU-UK Trade & Cooperation Agreement impact on the Agri-food industry.

Summary of key impacts to-date
<ul style="list-style-type: none">• Exporters are confronted with a substantial changed trading environment due to Brexit while also being in the middle of a global pandemic, the convergence of two separate existential crises.• Disruption to trucks returning from GB to ROI – lack of backloads and transport cost implication.• Direct ferry capacity to Continental Europe has increased and is being used, but more capacity is needed.• Landbridge route is still important to Irish food exports and continues to be used.• Major concerns about potential for significant additional disruption to trade from 1st April as new UK veterinary certification requirement come into place.• Resources (personnel & IT) need to be deployed to ensure that these new certification requirements do not lead to major disruption.• The loss of frictionless trade has brought additional costs to doing business – extra paperwork and checks, delays and disruption to logistics, direct transport cost increases, etc.• Threat of lower priced competitors remains the medium-term concern.• Covid pandemic continues to have a negative impact on market environment.• Restoring Chinese market access for Irish beef is critical• Maintain strong focus on opening new international markets

Introduction:

1. Just four weeks into the new trading environment after the UK has left the EU, it is early days to give a full assessment or longer-term perspective on the impact of Brexit and the new Trade & Cooperation Agreement on the Irish livestock and meat sector. While some trade and logistics disruption has already been evident since 1st January 2021, we are fearful that as volumes increase and additional SPS measures apply, a significant impact is yet to come. It should also be noted that as our sector contends with the new post-Brexit arrangements, it continues to face operational and market challenges linked to the ongoing Covid pandemic.

2. The announcement of the Trade and Cooperation Agreement (TCA) between the EU and UK on 24th December was very welcome. It critically delivered a continuation of tariff and quota free trade, which if not secured, would have had very negative and immediate implications for the Irish livestock and meat sector. Nevertheless, the trading environment in which we now operate has changed significantly. It is not business as normal. Trade with our closest and most important market is no longer frictionless and businesses are now faced with burdensome additional paperwork and export processes, new Customs and SPS checks, delays, and logistics disruption, all of which is adding new costs to trade.
3. Traded volumes in early January have been lower than normal due in part to exporters' efforts to move product into markets (UK or Continental EU) before 31st December last but also due to the ongoing suppression of overall market demand, particularly in food service, due to Covid restrictions and lockdowns throughout Europe. Many food service customers for Irish meat are operating at 60% of normal levels and the dine-in restaurant trade is completely closed across Europe.

Brexit / Trade & Cooperation Agreement:

4. The immediate impact of Brexit and the provisions of the Trade & Cooperation Agreement has been on transport and logistics. It has led to some disruption, though with lower than normal traded volumes and the full rigors of new SPS measures yet to come, the potential for significant greater disruption to our meat exports exists.
5. Meat export operations from ROI to GB have been working reasonably well. Companies were prepared for the new Customs formalities which came into effect from 1st January. However, east-west trade flows have been impacted by difficulties for backloads from GB to ROI, which has materialised as a major problem, leading to shortage of trailers, delays and increasing costs of transport as many trucks return empty to ROI.
6. The Irish meat industry had significant fears for the impact of Brexit on our exports to Continental Europe given our reliance on the UK landbridge. Capacity and frequency of direct sailings from ROI to Continental Europe has been increased and is being taken up by MII members. Further capacity is needed however, as the welcomed new capacity is well below the volume of traffic that has been using the landbridge. Exporters are still using the UK landbridge by necessity, focussing in the early stages on transit through the UK to Holland but exporters are also now trying the Dover-Calais route. Additional processes are required, some delays are experienced and additional costs associated with paperwork and Transit Guarantee facilities are being incurred. MII has been working with members, Irish and French authorities on certain paperwork issues. Closing of transit arrangements on the French side has also presented difficulties for exporters. The landbridge will continue to be an important route to market for Irish meat exporters.

7. It should be noted that one area of transport/logistics that has been severely hampered is groupage transport. Shared loads (multiple pick-ups or drop-offs) which are important to operators both large and small or medium have become an important part of an efficient and cost-effective delivery system. However, experience to-date is that groupage transport is significantly challenge by the new post-Brexit procedures. This is an area that needs to be addressed.
8. Movement of product on the island of Ireland has not been impacted, given the avoidance of a border. However, we are aware that NI exporters sending product to GB via Dublin port are experiencing some delays and are seeking easement of transit procedures through Dublin port.
9. The loss of frictionless trade is increasing the cost of doing business. New costs are coming into trade due to Customs and SPS processes and paperwork, additional administration, delays and disruption in logistics and direct transport cost increases. The direct route to Continental Europe is adding between €500 to €800 per truck and the challenges associated with backloads from GB, forcing hauliers to travel back empty is also leading to cost increases in the region of €600 per journey. Depending on the routes concerned, we understand that costs are increasing anywhere from 25 to 40%.
10. While meat and food exports from ROI to GB have been faced with new Customs formalities from 1st January, the phased implementation approach outlined by the UK Government's Border Operating Model means that from 1st April 2021, all EU (and Irish) products of animal origin (POAO) must be accompanied by Export Health Certificate (EHC) or veterinary certificate. These new SPS measures, bringing the reintroduction of veterinary certification, present a major challenge for Irish exporters and the Authorities. The Department of Agriculture, Food and the Marine (DAFM) estimates that these new requirements will mean that some 350,000 EHCs per annum will be required for meat, dairy and fish export consignments going to the UK. This is a massive new administrative burden on Irish agri-food exports destined for the UK (and possibly those transiting the UK to Continental Europe) and has real potential to cause major disruption, delays, and costs for the sector.
11. As things stands at present, there are still a number of technical provisions in the EHCs proposed by the UK that need to be addressed or meat exports will face additional restrictions and cost burden. These certification provisions need to be addressed by DAFM/EU Commission with the UK Authorities. Additional personnel and IT resources will need to be deployed by DAFM to meet these new certification requirements and keep food exports from Ireland to the UK moving. Furthermore, it is proposed that for meat export certification, the EU TRACES web-based system will be used. However, a new version of TRACES is due to be introduced by the EU Commission from 21st April. This date needs to be brought forward to 1st April to avoid unnecessary and potential

disruptive certification challenges. Also, MII is calling for an automated data entry facility to be developed for TRACES without delay.

12. From 1st July 2021, Irish agri-food exports consignments will have to enter the UK through ports with Border Control Post (BCP) facilities and will be open to SPS controls (ID and documentary checks and physical examination). This step presents further potential for disruption to logistics. Such SPS controls have been in place for UK food exports into the EU since 1st January and we are aware that significant disruption to exports has already occurred.
13. There are a number of anomalies that have arisen for the meat trade in the context of Brexit. Current EU rules do not permit the import from a third country of chilled minced meat or chilled meat preparations. As such, this trade cannot take place from the UK to EU member states, as the UK now has acquired third country status. Given that the UK has largely assumed current EU rules and certificates, such trade from the EU to the UK will no longer be permitted from 1st April. Similar issues arise for so called 'triangular trade' (primal meat cuts going from an EU member state into UK, minimally processed e.g. retail packed and then re-exported to an EU member state). While these anomalies would not have been an issue given the normal trade to the EU from third countries up to now, they need to be resolved in the context of integrated supply chains operating between the UK and EU.
14. The foregoing points highlight some of the immediate impacts experienced by Irish meat exporters arising in the new post-Brexit era. Disruption and cost implications are already evident as exporters contend with the re-emergence of new Customs and SPS procedures and real concerns exist for further major disruption from 1st April. In the medium to longer term, concerns remain around new competition in the market from lower-cost meat producers around the world as the UK completes new trade deals with these countries. The UK market is critical to our business model and Ireland needs to maintain its market position in this high value, high quality market that has a substantial food deficit. To retain market share, we must remain competitive. Otherwise, we risk relinquishing it to international competitors. Simultaneously we also need to sharpen our focus and broaden our horizons through diversification. We cannot do these things without wholehearted Government support.

Covid Pandemic:

15. A significant contributor to lower traded volumes in the early weeks of the year is down to reduced demand, particularly across the food service and restaurant sector, due to restrictions and lockdowns associated with the ongoing Covid pandemic.
16. The severe curtailment of the restaurant and hospitality sector throughout Europe does impact strongly on steaks sales in particular. Steak sales represent a high proportion of

the overall market value for the carcase. Over the course of the pandemic, increased sales through retail have helped to offset, to some extent, the lost sales through food service. However, surge buying is no longer evident, and retail alone is neither taking up the sales volume shortfall or providing the much needed carcase balance across sales. In addition, the quick serve restaurant (QSR) trade, though open, continues to operate at much restricted levels (possibly 60%), which means that a major outlet for manufacturing beef continues to underperform.

- 17.** Against the backdrop of Brexit disruption and Covid impact on sales through food service, securing the re-opening of the Chinese market for Irish beef is a major priority for the Irish beef sector. Equally, there must be a focus on gaining access to other key international markets, across all meats. These efforts must be adequately resourced with additional staff for the DAFM Market Access unit. While it is appreciated that Brexit-related issues require significant additional resourcing, we need to maintain our access efforts on international market priorities.
- 18.** Finally, we are also seeing a Covid related link to transport disruption. Initially France introduced a negative Covid test result requirement for hauliers entering France from the UK before Christmas. This led to much publicised chaos on the Drover – Calais route in late December. Since then, France and other EU member states have introduced Covid test requirements for drivers. MII welcomes the quick reaction by the Authorities here in rapidly establishing two test centres for drivers last week and we believe that the additional centre closer to Rosslare needs to come on stream as quickly as possible. On a broader note, the policy of green lanes adopted by the EU Commission at the beginning of the Covid pandemic to ensure that critical supply chains (including food) are not hindered needs to be reemphasised.