

Northern Ireland Affairs Committee

Oral evidence: Future of the land border with the Republic of Ireland, HC 700

Wednesday 11 January 2017

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[Watch the meeting](#)

Members present: Mr Laurence Robertson (Chair); Tim Blenkinsop; Mr Gregory Campbell; Lady Hermon; Danny Kinahan; Jack Lopresti; Dr Alasdair McDonnell; Nigel Mills; Bob Stewart

Questions 226 - 296

Witnesses

I: Wesley Aston, CEO, Ulster Farmers' Union; Barclay Bell, President, Ulster Farmers' Union; Dr Mike Johnston, Northern Ireland Director, Dairy UK; Tim Acheson, General Manager, Food Service Operations, Lakeland Dairies.

Written evidence from witnesses:

– [Dairy UK](#)

Examination of Witnesses

Wesley Aston, CEO, Ulster Farmers' Union; Barclay Bell, President, Ulster Farmers' Union; Dr Mike Johnston, Northern Ireland Director, Dairy UK; Tim Acheson, General Manager, Food Service Operations, Lakeland Dairies.

Q226 **Chair:** Good morning; thank you very much for joining us. As you know, we are conducting an inquiry into the future of the land border with the Republic of Ireland, with particular reference to trade, business, movement of people and so on. You are very welcome; thank you for joining us. Very briefly introduce yourselves and tell us a little bit about your organisation, and then we will get into questions.

Tim Acheson: My name is Tim Acheson. I work for a company called Lakeland Dairies, which is a cross-border operation with operations in Northern Ireland and the Republic of Ireland.

Q227 **Chair:** What do you do particularly?

Tim Acheson: I am General Manager of Food Service Operations, one of the divisions in the businesses.

Q228 **Chair:** What does your business do?

Tim Acheson: It processes 1.2 billion litres of milk per annum, 550 million litres of which is sourced in Northern Ireland. That is 25% of Northern Ireland's milk production.

Dr Mike Johnston: I am Mike Johnston. I am the Northern Ireland Director of Dairy UK. Dairy UK is the UK-wide trade body that represents manufacturers, milk bottlers and processors generally.

Wesley Aston: I am Wesley Aston. I am the Chief Executive of the Ulster Farmers' Union, and I will let my President explain a bit about the organisation itself.

Barclay Bell: I am Barclay Bell, President of the Ulster Farmers' Union. Our organisation is the biggest lobbying organisation in Northern Ireland representing farmers. We currently have a membership of about 11,500 farmers from across all sectors, and I am a farmer myself, mostly arable and sheep.

Q229 **Chair:** Thank you. Perhaps we could start off with a very general question. Obviously there is the subsidies issue with regard to farming, but beyond that, we are looking more at the border and how that will change things. I will start with you again, Mr Bell. Looking forward to Brexit and beyond, what do you see as the important issues to your industry?

Barclay Bell: When our organisation first started to consider this, we came up with 10 key principles, and the main one in all of that—the priority—is maintaining support for farmers. There is a recognition that



that support may well look very different, but without support in some form I do not think farmers in Northern Ireland can operate. When you look at the income figures, it is very difficult to farm successfully without that support. That was our key ask—and that Northern Ireland maintains its current share of UK farm support.

Going forward, we would like to see that support targeted at the farmers who are actively farming. We all know there have been difficulties with the current system. I think there is a recognition within our membership, too, that those farmers who maybe want to try to help themselves and drive on efficiencies in their businesses are the sorts of people that the support system should be geared, some way or other, towards.

I suppose some of the big fears among our membership are that, when we do leave the EU, it would leave the UK and Northern Ireland open to cheaper imports coming in from other places where production standards are not comparable to our own. We are very adamant that if there are going to be imports into the UK, those imports must be produced to similar standards to our own.

Probably as outlined here, the border is a big issue. We will be coming on to it, but when you consider the amount of cross-border trade, anything that would complicate or hinder that trade certainly would be a big challenge to the industry in Northern Ireland.

Q230 Chair: That last bit is probably what we are most interested in. On the first bits about subsidies, protection and ensuring that imports are of good quality, my Gloucestershire farmers would probably say the same thing. We are really looking at the border and how that will change things for farmers. What are the threats? What are the challenges? Perhaps I can move on. Mr Aston, you have some thoughts on that.

Wesley Aston: At this stage, we are trying to quantify the actual trade flows that exist between Northern Ireland and the Republic of Ireland. Yes, there are the statistics from the information that we provided to the Committee, which are the official figures. However, we and a number of other industry organisations sit on a joint ministerial Brexit consultative committee for the agri-food industry. There is very much work in progress in terms of trying to break this information down into specific trade flows. That work is ongoing; at this stage, we hope that there will be more information becoming available at the end of this month, although unfortunately it is not available for this particular meeting.

Again, that will help analyse the issues about what sectors move what products, and obviously there will be complications around not just the actual trade itself but the regulation associated with that trade. At the minute, it is effectively free movement. You could find that if there are additional specific crossing points or paperwork coming in, it adds cost and a lot of hassle to trade for both north and south. Unfortunately, we do not have the specific information, but it is obviously a key issue for



Northern Ireland as part of the UK compared with your Gloucestershire farmers.

Q231 **Chair:** What about as far as Dairy UK goes?

Dr Mike Johnston: Yes, we would agree in terms of the issue around support for dairy farmers. I agree very much with the points that Barclay has made. If we do not have a vibrant, healthy, sustainable dairy-farming business, we will not have a dairy industry. It is essential that the supports that are in place for dairy farmers are continued as long as we are members of the EU. Thereafter, our view would be that there will be opportunities to look at how future support is structured, so that we recognise the nuances within the various regions of the UK to be able to better reflect and target any aid or assistance, and to meet those needs better than is currently done through the common agricultural policy.

In terms of the border, it is a major issue for the dairy industry. We are very dependent on what we are now calling an all-island value chain. Over decades, our industry on the island has developed cut practices and methods of working together to deliver efficiencies and productivity, and to add value. If we have any interruption to the current practices, it is going to adversely affect the longer term efficiency and viability of our industry. This issue around the border is absolutely critical for the dairy industry.

Q232 **Chair:** I should have asked, Mr Aston, would you be able to send us those new figures when they come out?

Wesley Aston: As soon as they are available, yes.

Q233 **Chair:** Thank you very much. What is Lakeland Dairies' point of view?

Tim Acheson: We are a co-operative. We process milk from 2,400 to 2,500 family farms across the island of Ireland. We would fully support Barclay's comments in terms of supporting farm incomes. Our operations, as I said in my introduction, span the border; we have operations both in Northern Ireland and the Republic of Ireland. We have built an operational efficiency in the business of the size and scale needed to compete on a global basis, on the basis of freedom of movement of raw materials and finished goods across the border. Anything that negatively impacts that efficiency and scale of operation will affect the competitiveness of the business.

Q234 **Lady Hermon:** Thank you all very much indeed for coming to give us evidence. It is very valuable indeed, because the people that you represent are going to be affected by Brexit, because the Prime Minister keeps telling us that we are definitely leaving the EU. That will impact on Northern Ireland. May I just take you to a number of issues? I jotted down what you said, Dr Johnston, and that was that the border, and sorting out those issues, was absolutely critical for the dairy industry—"absolutely critical". Those are the words that you used. Could you expand upon that, please?



Dr Mike Johnston: Yes. The dairy industry on the island of Ireland has evolved such that there is free movement of milk, free movement of dairy products and free movement of people. That has developed in accordance with having common EU standards; agreements between the two jurisdictions in relation to the documentation that goes with those, namely animal health export certificates; and the free movement of product. For example, about a quarter of our raw milk moves south to be processed. Quite a significant amount of product goes south to have further value added: for example, milk powder that is produced in Northern Ireland goes south to be incorporated into infant formula.

That is all possible based on free movement, common standards and the movement of people. If we do not have that, we do not have the capacity in Northern Ireland to be able to handle that volume of milk. We would be in a situation where either dairy farmers would have to go out of business as a consequence of having no markets, with their milk being unable to be processed, or we would have to have sufficient transition time to be able to invest in new processing facilities to be able to handle the quality of milk produced in Northern Ireland.

This goes beyond whether we would have a hard or a soft border. If we cannot find some way of dealing with the future status of Northern Ireland milk—if it is a hard border, if we cannot overcome issues around labelling and traceability for example, and if we do not have common standards—then that business we have, north and south, will grind to a halt. We would then need sufficient time to be able to invest in new processing facilities to be able to deal with that milk.

Q235 Lady Hermon: What about the opportunities that the Government tells us are on the horizon—the opportunities of new free trade agreements? I am looking and thinking particularly of America, since the Foreign Secretary has recently visited, and I understand the Prime Minister hopes to visit. Would you be encouraged or reassured if in fact there were free trade agreements with, for example, America?

Dr Mike Johnston: At the moment, our industry exports to upwards of 100 countries. If you look at the dairy industry and the total exports of UK dairy products outside of the European Union, about two-thirds of those are from Northern Ireland. We are the main exporting region for UK dairy products outside the European Union. We have developed, over many years, good markets, good customers and long-term relationships. A lot of that has been based on the 50-plus free trade agreements that the European Union has in place. We would be looking for continuity, for a period, of those agreements, to be able to get access to those agreements. If we had to switch overnight to WTO tariffs, it would just kill that business. We need continued access for a period.

Q236 Lady Hermon: I just need to interrupt you there. That is a very dramatic phrase: it would “kill that business” is what you have said.



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Dr Mike Johnston: Let me give you an example. If you look at the likes of Thailand and Malaysia, to which a lot of dairy products are exported from Northern Ireland, there is a current tariff of around 15% or 16%. If we had to move to a WTO tariff, that would double. That would kill that business.

Q237 **Lady Hermon:** That would double. Is that what you said?

Dr Mike Johnston: It would double. The tariff would double, and it would effectively kill that business. We need a period of continued access to the EU free trade agreements. However, then we need the UK Government to come in and start to negotiate and put in place free trade agreements that are specific to the UK to allow this business to continue.

Wesley Aston: Yes, we do export fairly significantly to the rest of Europe, but there are significant opportunities in the UK market, where we are only 60% self-sufficient in food. Certainly, from a Northern Irish perspective, we can access that market better than we are at the minute. Yes, there are, I suppose logistical and transitional arrangements in terms of capacity to process and those sorts of issues, but there are opportunities there, and not only within the UK but indeed further afield. Our dairy sector is the one that would mainly do our exports outside the European Union, but there is potential there for other sectors, particularly for the parts of the product that the UK does not normally eat; you find this across the whole of the UK.

Q238 **Lady Hermon:** Tell us a little more about that.

Wesley Aston: Brown meat from the poultry industry, pig's trotters and those sorts of things would go to China and other types of markets. There definitely are markets out there. If we were to access those markets better than we are at present, it would add value to our producer prices back home across the whole of the UK generically.

Q239 **Lady Hermon:** Is that a benefit from leaving the EU?

Wesley Aston: We should be doing it anyhow, but we need to do more of it, because we are not so sure about access to the EU market. We do want to make sure that we try to get access to wider markets anyhow, and if Northern Ireland can avail of those, then we are fine. As I said, it would add value to produce that we farm in Northern Ireland.

Barclay Bell: We have been concentrating on the dairy sector.

Q240 **Lady Hermon:** Only because I have asked, but I want to hear about beef; I want to hear about sheep.

Barclay Bell: The other big one really is sheep meat.

Q241 **Lady Hermon:** Yes. You mentioned that you farm sheep yourself.

Barclay Bell: Yes. In the Northern Ireland sheep industry, probably upwards of 40% of our lambs would head south across the border for processing. A good bit of that sheep meat probably then ends up in



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France. The sheep meat sector is probably under threat as much as any of the other sectors, and that would be a major concern. The UK is itself probably self-sufficient in sheep meat. That is why we are so heavily dependent on the export market to France. Certainly, there is a big, big threat to the sheep industry.

Q242 Lady Hermon: Wesley mentioned that there is work ongoing in a Brexit committee and statistics were not available for this meeting. Could you just say a little bit more in detail about the composition of that committee? I think that would be helpful for the Committee. Barclay is the representative; Barclay, over to you.

Barclay Bell: I sit on the Minister's Brexit consultative committee.

Q243 Lady Hermon: When you say the Minister, who are you talking about?

Barclay Bell: It is Michelle McIlveen's committee. It is largely made up of representatives from the processing sector, but as well as that, there is me, representing Ulster Farmers' Union; another representative from the Northern Ireland Agricultural Producers' Association, largely representing a farming point of view; and then there would be a representative from NGOs. That is largely the make-up of the committee.

Q244 Lady Hermon: There must be a certain degree of nervousness about whether this committee is going to continue to meet in light of, regrettably, the events at Stormont this week. What have you been advised? Is it just to carry on as normal?

Barclay Bell: There was to be another meeting before Christmas. That had to be changed. At the minute, I suppose we do not have any advice on where this Brexit consultative committee is going.

Q245 Lady Hermon: How do you feel about that? You are going to have to reflect to us as a Committee how you have reacted to this week's news about the possibility of elections.

Barclay Bell: Obviously it is very concerning. Just at a time when we really needed stable Government, here we are going into the unknown. That Brexit consultative committee certainly had a role to play in all of this.

Q246 Lady Hermon: Yes. Did your discussions feed in to a larger Brexit committee headed up by the Secretary of State here in Westminster?

Barclay Bell: I suppose we always felt in all of these discussions that it was very important for local government to have that sounding board there. With the representatives from the processing sector and with the other representatives from the farming industry, we were in a position to probably address a lot of the opportunities and threats—all of the issues. At the end of the day, we would have been coming up with recommendations.



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Dr Mike Johnston: Along with Barclay, I sit on the consultative committee as well. I would be fairly optimistic that this consultative committee will continue its work. It may not be jointly chaired by Minister McIlveen and Minister Hamilton, but I think there is a sufficient Brexit-based structure now within DAERA that would allow some of the senior civil servants to carry on both servicing the consultative committee and basically providing the chairing facility to enable it to continue its work.

It is much too important to allow it to go by default, and I would be very surprised if it does not continue the work and continue the role it was placed to fulfil. My understanding is that there is to be a meeting of the devolved Ministers towards the end of this month, and my understanding again is that there was to be a meeting of the consultative committee prior to this meeting. However, as I say, the whole issue of Brexit for the agri-food sector is much too important to allow this consultative committee to be waylaid by whatever political activities are going on. I would be fairly optimistic it will carry on.

Q247 **Lady Hermon:** Yes, but that is your gut feeling.

Dr Mike Johnston: That is a personal view.

Q248 **Lady Hermon:** It is a personal view, but that is not the message that is coming officially from the department.

Dr Mike Johnston: There has not been any official message.

Q249 **Lady Hermon:** Has there been any unofficial message?

Dr Mike Johnston: There has been no unofficial message. Activities of the past few days have been moving so quickly.

Q250 **Lady Hermon:** Yes, but if you had a quiet bit of advice to give to party leaders in Northern Ireland, what would it be? You can think about it and come back at the end.

Dr Mike Johnston: That is outside of my pay scale.

Wesley Aston: We would put our head up and say we need devolution restored. We need a voice for Northern Ireland at the UK table when we are negotiating Brexit. We need that, and more so now than ever.

Lady Hermon: I am glad to hear that. Thank you.

Q251 **Mr Gregory Campbell:** It is good to see you all along. To take some of Sylvia's questions a bit further, it is inconceivable that the Brexit consultative committee will not continue whatever happens in the interim given the proximity to the end of March, which is only eight or nine weeks away. I am more concerned about how you have felt that process has fed itself in to the Secretary of State here.

Obviously, on the negotiations, in terms of post-31 March this year, taking up to two years will be critical in terms of your industry. How



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have you felt they have been received? Are the channels open? Are your concerns and fears—and I suppose the options, as well, that some of you have outlined in terms of what potential there is beyond that—being received? What has the process been and are you reasonably confident that you are getting a fair hearing, notwithstanding Stormont and the difficulties there? Are your views and concerns and options being received with a ready listening ear, or are there blockages? That is really the key.

Barclay Bell: At this stage, there only have been, I think, either two or three meetings of the consultative committee. I suppose they have been very much investigative at this stage.

Q252 **Mr Gregory Campbell:** Just before you go on, I was not just restricting it to the consultative committee. I am talking about your industry in general. Are your views being fed in?

Barclay Bell: So far we have been fairly well received. The chief executive and I have been over at the Department for Exiting the European Union. We await, I suppose, a one-to-one meeting with the Secretary of State. At this stage, we have not had that.

Q253 **Mr Gregory Campbell:** Have you asked for that?

Barclay Bell: I think we have a letter in the system.

Wesley Aston: In terms of what we are doing on a Northern Ireland level specifically, the consultative committee is the main vehicle to do that. However, as a farmer organisation, we are working very closely with our sister organisations in Great Britain. We, along with the NFU in Scotland and Wales, have had several meetings. We have written to the Prime Minister—and we can send you a copy of that letter—and other Ministers in the Cabinet in relation to trade and labour in particular at this stage.

We are having further ongoing meetings in relation to support, regulation and those sorts of issues. That is work in progress. We are feeding in through a collective farming perspective to the central system here in Whitehall. Apart from that, the Northern Ireland voice is mainly through this Brexit consultative committee.

Dr Mike Johnston: From a Dairy UK point of view, we would be fairly comfortable that the issues for the Northern Ireland dairy industry are well known at Stormont, in Brussels and here in London. We have put a lot of work in communicating the key issues to the key people and decision-makers. We had Andrea Leadsom over in Northern Ireland before Christmas, and she had a very useful visit to Lakeland Dairies at Newtownards, spending time talking to the company and getting a good feel for the sorts of issues that they have to deal with.

We feel that through the combination of what we have been doing in Northern Ireland—the briefings—and then Dairy UK here in London and



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through to DEFRA and the Secretary of State, there is a good awareness of what the issues are. The challenge now as we would see it is to get those issues and that understanding and awareness reflected in the positions that the UK will take in negotiations with the EU. That is the big challenge for us now: to get that recognised and reflected in the negotiations.

Tim Acheson: From our business's perspective, we have sought to engage—led by our Chief Executive, Michael Hanley—on both sides of the border with both representative bodies, including Dairy UK and NIFDA, and locally with politicians who have visited our various facilities. We are extremely happy with the listening that is going on, and, as Mike says, we would like to see some of the issues that we would like to influence being reflected in some of the policies in the negotiations.

Q254 **Mr Gregory Campbell:** Obviously there is a double-sided coin here, in that people are rightly concerned about some of the hard border implications that you have outlined, and then you have outlined some of the potentials beyond the actual Brexit in terms of other markets that could open up and what the tariff arrangements will be there. There has been a lot of consultation on potential problems, but are you content that the potential expansion in terms of markets that have not as yet, for whatever reason, been accessed is being explored now?

Barclay Bell: We feel it could be done better. We have been trying to get pig meat into China now for years, and it just seems to be a very prolonged process. We certainly feel that maybe resources over here at Westminster need to be expanded in some way, and that there needs to be a speeding up of the process. Other countries seem to be getting access, and, as the Chief Executive pointed out, there is probably a huge market for some of these fifth-quarter products that we cannot readily sell on the home market. There is huge potential to sell that type of product elsewhere through the world. It is something we have highlighted over the past few years. We would like to see more of an effort being made to open some of these doors. Whether that department needs extra resource, or just where the blockages are, we are not sure.

Q255 **Mr Gregory Campbell:** Are you indicating that the blockages, as you have described them, are not commercial blockages, but that they are more political blockages in terms of getting access to a nation state beyond the EU?

Barclay Bell: It is regulatory blockages.

Q256 **Mr Gregory Campbell:** Yes, as opposed to a trading problem.

Barclay Bell: Yes.

Dr Mike Johnston: Sorry, could I just jump in there? There is another aspect over and above simply getting access. Once we exit the EU, there is going to be a big challenge to be able to compete with not just other



countries in other parts of the world but the EU in these export markets. At the minute, we trade under the umbrella of the EU standards, image and all the rest of it.

There is going to be a challenge for us after we exit. What do we mean by UK? What is the image of UK food? Why should someone want to source dairy products or pork products or whatever from the UK and from Northern Ireland? There is going to be a big job of work to be done to position and promote the UK and Northern Ireland as a source of high-quality food products that will be able to compete in these international markets. We should not lose sight of that.

Q257 **Dr Alasdair McDonnell:** Thank you very much, and thank you for the very frank and open exchange, because I value it. This is the sort of information we need to know. There are a number of things that I wanted to open up, and some of it may have already been touched on.

Dr Johnston talked about an all-island value chain, and that is a very good term. Is it fair to say that food processing has become uniform—that there is a single food processing operation across all the foods on the island of Ireland—and that, quite simply, it would cost an awful lot of money for Northern Ireland to now go about setting up the machinery to do some of our own processing? You talked about 25% of raw milk going south, and then maybe another 20%, 15% or whatever of various semi-processed stuff going south. Is it fair to say that in the last 40 years, under the EU umbrella, inefficient and ineffective processing operations both north and south have disappeared?

There is a net southern flow in the milk. Equally, lamb goes south, or a big slice of it. Maybe beef comes north. I am not sure about the detail of that; maybe it goes both ways depending on who is buying it. Is it a fair assessment that basically you could have stuff produced in Ballymoney and it ends up being processed in Kildare, Tipperary or somewhere like that, and vice versa?

Chair: There are a few questions in there.

Dr Alasdair McDonnell: This is important, Chair, because the subtlety of this is lost a lot of the time when we discuss the issue. This gets to the nub of how we need some special arrangement around agriculture in Northern Ireland.

Chair: Take the milk question first maybe.

Dr Mike Johnston: Certainly, that is the case for the dairy industry. We have seen, as you say, significant rationalisation on the island, not just within Northern Ireland or the Republic but on a cross-border basis. That has been driven by the need to take out cost and to deliver efficiencies that allow us to compete in these international markets. The outworking of that has been site specialisation.



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You have sites, for example, within companies that are specialising in milk powder production, to be able to give the economies of scale where we can compete with the southern hemisphere. Lakeland is an example of that. We have had site specialisation, for example, at Dunmanbridge through Dale Farm, where they now have one of the largest, most efficient cheese-producing facilities in Europe. We have seen that sort of site specialisation to drive out costs and drive efficiencies.

That is there, and that has been based on a method of working on an all-island basis. One of the examples that I gave in the written evidence that we submitted was around what we call "distressed milk", because inevitably you are going to have breakdowns in these plants. Depending on the time of year and the length of time that there would be a breakdown, the milk that would have been processed at that plant has to be moved elsewhere. If there are large volumes of milk, that inevitably has a shunting effect right down throughout the whole of the island of Ireland.

If we had a major breakdown in the month of May, where we would have large volumes of milk on a daily basis having to be moved, we do not have the processing capacity. If we were not able to move that milk south to be processed, we do not have the facility to be able to destroy that milk, and there is a moral issue in there. It would cost a lot of money to move it, even if we could, in a short time into GB.

We would have a major dilemma if we had that sort of a scenario playing out around this issue of distressed milk. Now, that does not happen every day of the week, thank goodness. However, to come back to your point, we have a system on the island of Ireland that works, is efficient and delivers benefit to the stakeholders north and south.

Q258 Dr Alasdair McDonnell: Thank you for that, because that is very detailed and very accurate information. I wanted to raise another point. I think Wesley mentioned, but maybe I am wrong, that a bit of our milk product goes outside the EU. Dr Johnston, how much of our milk or dairy produce goes outside the EU at the moment?

Dr Mike Johnston: In a rough ballpark, probably around 30% by value would be outside the European Union. If you look at the ranking of the markets, GB is the most important market for us. Then it would be the Republic of Ireland, then the rest of the European Union, and then the rest of the world.

Q259 Dr Alasdair McDonnell: Why do you not think we have expanded that 30% before now?

Dr Mike Johnston: That volume of business has grown. It has been one of the reasons our industry has grown. If you go back to 1995, we were producing about 1.4 billion litres of milk. We are now producing 2.2 billion to 2.3 billion. A lot of that growth has been facilitated by the work that dairy companies have been doing to develop export markets. We



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would not have achieved that level of growth without the export business. The fact that we have long-term customer relationships in upwards of 100 countries is an indication of the importance that we place on exports.

Wesley Aston: I will perhaps sidestep the last question and go back to your initial question, which was about the integration of the processing sector in both north and south. The dairy industry is the one that it is most pronounced in. If we take beef, sheep and pig meat, that would be different; we would have enough capacity within Northern Ireland to handle what we produce within Northern Ireland. In fact, a lot of our beef processing plants are running at under-capacity and they import pigs from the south of Ireland. In theory, we should have enough capacity in our own right to process, if it did come to an extreme situation.

Q260 **Dr Alasdair McDonnell:** Do we really have the capacity to process beef and lamb in the summertime?

Wesley Aston: Yes.

Q261 **Dr Alasdair McDonnell:** Why does 40% of it go south?

Wesley Aston: Markets—different markets.

Q262 **Dr Alasdair McDonnell:** In other words, better markets.

Wesley Aston: Better markets. We certainly want to have access to those markets, and that is why pigs come north, lambs go south. It is just different markets.

Barclay Bell: One of the other considerations, then, in the whole processing sector and the cross-border element is the access to labour. When you consider that in the red-meat processing sector 65% of the labour force could be migrant labourers, the labour issue is a big one.

Lady Hermon: Sorry, was that 65%?

Barclay Bell: It is upwards of 65% in some of our plants. If there was to be a hard border and border controls, that all builds cost into the system and inefficiencies. Ultimately, as farmers we are probably going to suffer the consequences of that.

Q263 **Dr Alasdair McDonnell:** Barclay, you jumped ahead of me there and you anticipated my next question about movement of people. Could all of you expand on the need for migrant labour right across the industry, not just in the red meat industry?

Barclay Bell: At a farm level, it probably is not a major issue. A lot of our farms still are the family farm structure, with very little labour employed. Possibly in the horticultural sector, when you look at the mushroom industry, there again they would be heavily dependent on migrant labour. But through the consultative committee, the importance



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of access to labour has certainly been highlighted on many occasions. If that access to labour is not there, they might as well close their doors.

Q264 **Dr Alasdair McDonnell:** Is there still that labour element to the apple industry around Armagh?

Barclay Bell: Yes. Through that horticultural sector within our industry, there still certainly needs to be that access to labour. It is labour-intensive, and, yes, you will find around any of those farms that it will be migrant labour.

Q265 **Dr Alasdair McDonnell:** You mentioned—and we have touched on it directly and indirectly—opportunities. Could we come back to that just a little bit? We can speculate, but what real opportunities exist for expansion at the moment, for instance? Why can we not go today and start putting milk into Thailand, or beef and chicken into somewhere else, or whatever? Whose job is it to do that? Is it the commercial company's job, is it the Government of Northern Ireland's job, or is it the UK Government's job to help open up those markets? How do you see it?

I am in the same frame myself; wishful thinking can take you so far. However, at the end of the day, somebody has to take off their coat and basically open that market. How do we get that done? That is again a nub of where we are at. We need to open those markets. Somebody needs to go briefcase in hand to those places, go to the contact, and get those opened.

Dr Mike Johnston: I have another hat that I wear, which is the Dairy Council Northern Ireland. We are in the middle of a programme that is focused on exports. It is partly funded by the European Union, and in fact, in the early part of this week, we had six buyers here from Thailand and Singapore. We have brought in from the Middle East and South East Asia this year probably 20 buyers. Last year we had maybe 22 or 23 buyers. Last year, that programme generated new sales of £3 million, and we would be hopeful that the relationships that have been put in place will be continuing.

That sort of model is one where you have dairy companies, maybe industry bodies, and government bodies working together in a collective and organised way to clearly identify key markets. You are then able to identify routes to market, whether it is through primary importers going direct or whatever way that route to market might be. It comes back also to one of the points that I made earlier. If you are going to someone in Thailand and saying, "Buy product from Northern Ireland," they would probably say, "Where?"

There is a job of work that needs to be done to be able to raise the profile and awareness of Northern Ireland agri-food products and the benefits of those products, to be able to position them against our competitors so that we can then start to get added value in these markets. There is no point in selling into these markets if we cannot add value and get a premium price. There is a plethora of issues in there, but ultimately it



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comes back to the need to have a joined-up game-plan involving Government agencies and processors that can start to work together, target the countries, and get in and find the most effective and efficient routes to market.

Q266 Dr Alasdair McDonnell: Where do you see that being paid for? That is not going to be done on a few pence in your hip pocket.

Dr Mike Johnston: It is not. If you wanted to hold up an exemplar on a global basis, it is Bord Bia. They have done a tremendous job of work for the industry in the Republic, and that is probably a benchmark that a lot of countries would aim for.

Q267 Dr Alasdair McDonnell: I know I might be slaying it, but it is a hobbyhorse of mine: how do we get a Northern Ireland Bord Bia?

Dr Mike Johnston: At the moment, it is through the Agri-Food Strategy Board. They are working towards an agri-food marketing body. My understanding is that there is a business case being put to Government at the moment to try to leverage some Government funding. However, the sorts of monies that you are talking about to be able to do this sort of work effectively—Bord Bia have a budget probably of the order of €40 million to €50 million per year. We are never going to be able to match that, but we do need to be able to leverage some sort of Government funding and Government assistance if we are going to be serious about trying to grow our exports in these overseas markets.

Q268 Dr Alasdair McDonnell: Allow me just one last question. I suppose it is the \$64 million question. How do we get the UK to reflect Northern Ireland's needs in the food production sector? While there are committees, and all of you do a very good job in the various places you are in, are we really getting through? Are we going to end up with as healthy an agricultural sector post-Brexit as we have at the moment?

Dr Mike Johnston: We have to. It is not negotiable; we have to. Too many family farm businesses and too many jobs in processing are dependent on the agri-food sector to let this one fall. We have got to find ways of making sure that what we have is not eroded, and, in fact, if we are clever about it, that we put in place structures and policies that will facilitate growth post-exit.

That will require very close working between industry and Government. However, there will have to be recognition at UK level of the ongoing need for devolution of some issues around policy. The needs of the Northern Ireland agri-food industry are different from those in some of the other parts of the United Kingdom. An ongoing commitment to devolution—as much as possible from a policy perspective—would be helpful. Then, if we can get a good, integrated working relationship between Government agencies and industry, it would set a good framework for the future.

Q269 Danny Kinahan: Thank you very much, and very good to see you here.



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On the border and movement, you talked in your brief about 26% of dairy moving to Ireland, and then you also, as part of your answer to questions, said that 30% was going to the EU. How much physically moves across the border and then moves on to the UK or to Europe through Dublin Port and others? We asked the question in Liverpool and they did not have a handle on how much was coming from Northern Ireland and going through. Is there a problem also sitting there, on border matters, over how we move dairy, meat and other things through Ireland to the UK, or does most of it go from Northern Ireland?

Barclay Bell: The southern Minister for Agriculture, Michael Creed, held a dialogue a couple of weeks ago down in Drogheda. One of the issues they were raising there, certainly, was that product goes south and is processed. From the southern point of view, it was not only about the continued access into the UK market. One of their big issues as well was that land bridge. A lot of product then may well cross from southern Ireland over into the UK to go on over to mainland Europe. Again, that is another challenge: product may well move south from here, then be processed and hence has to go back into the UK again to go over to Europe.

However, there is still work being done on some of these trade flow figures. Percentage-wise, it could be quite hard to give you the figures.

Q270 **Danny Kinahan:** Is it something that could be critical, if borders were tightened up and had to be tightened up because of EU regulation and Brexit? Have we got a problem in that we are not focusing properly on just how the flows work?

Wesley Aston: With the exception of the very obvious example of the dairy industry, it is not as pronounced for the other sectors. We would not have the same extent of our animals moving into the south of Ireland, being processed and then going into the UK market.

The lamb would move on directly to France, probably, and not even issue through the UK. It is not as pronounced for a lot of sectors as it is for the dairy industry; that is the one that sticks out.

Tim Acheson: Can I maybe make a comment in terms of a working example in Lakeland Dairies, Mr Kinahan, that might be helpful? Our business spans the border and we have developed processing models and logistical models to be as cost effective as possible, to maximise our return to our dairy farmers.

We have raw material moving from north to south, and in some cases from south to north; we have semi-processed dairy ingredients moving from north to south, south to north; and we would have finished goods moving north to south and south to north. That is all in terms of maximising efficiency and minimising cost so we can compete on a global basis. Any disruption to the freedom of that movement would have an impact of our business and reduce the competitiveness of our business.



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Q271 **Danny Kinahan:** Yes, which is what I was leading to. It is absolutely vital that we have a free-flowing border.

Tim Acheson: Yes.

Q272 **Danny Kinahan:** If the border gets tighter, is anyone looking at what we have got to do for our linkages, whether it is Stranraer to Belfast or Warrenpoint? Is anyone looking at what we have to do to make that faster and quicker so that it becomes cost-effective?

Tim Acheson: It is vital to our business. I myself have responsibility for a facility in Northern Ireland and one in the Republic of Ireland. I move freely backwards and forwards across that border as business needs dictate. We have a number of people across our business who are doing that on a daily or weekly basis.

Q273 **Danny Kinahan:** If the border gets tighter, however, depending on what is either achieved or not achieved, are we looking at what we have got to do better for our borders, working to Scotland and to England, so that you keep the costs down and have the same competitiveness?

Tim Acheson: At the present time, we as a business are not investigating that.

Dr Mike Johnston: As I indicated earlier, Great Britain is the main market for Northern Ireland dairy products, so we have well tried-and-tested routes to the GB market. That is in place, and it would not cause us an issue if we had to up the volume that was going into GB.

Barclay Bell: Something else to remember as well in all of this is that it is not only the process. There will be farmers who are farming both sides of the border. Their land probably straddles the border.

Q274 **Lady Hermon:** Do you know how many? Do you have an idea, a ballpark figure even, of the number of farmers whose farms straddle the border?

Barclay Bell: We do not have any figures to suggest just how many would be straddling the border.

Q275 **Lady Hermon:** Could you hazard a guess? Can you really not say? You have 11,500 members. That is what you told us: the Ulster Farmers' Union has 11,500 members. I wrote it down. You have 11,500 members and you still do not know how many farmers have land that straddles the border.

Wesley Aston: There is a significant number. We just do not know—

Lady Hermon: It is a significant number. We are dealing with a significant number.

Chair: It is a significant number.

Q276 **Danny Kinahan:** Thank you. Also, when we talk about going to the



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world's markets, we have a phenomenally efficient cross-border operation, working with the Irish on farming. If we have to move and be UK-based and stronger there, would you expand on the regulations we have?

I always get the feeling we somehow have to compete with the English and the Scottish farmers just as much. When they look at us getting money from Westminster, why are they going to see our food or our dairy as better when it might be easier to package it off and stay with Ireland? We need to be in there. What do we have to do to compete to make sure Northern Irish farming and dairy is on the level? What do we have to put in place for you?

Wesley Aston: In terms of standards, we already produce to a standard. Leaving aside the regulatory requirements, there is the Red Tractor standard that we adhere to anyhow, across all the different commodities. In fact, in Northern Ireland we are trying to improve ourselves on those standards. Because we are a smaller region, we are more flexible and we could maybe do that type of thing. Certainly, the Agri-Food Strategy Board was looking at that type of thing. In fact, with Brexit on the agenda now, that is something we want to concentrate on even more.

The issue, I suppose, is also the whole issue of labelling. We have not been able to label as a British product. We now can do that. I know in Northern Ireland we do have an identity crisis, unfortunately, but when it comes to the GB market, Northern Ireland is a British product. The whole issue is about getting in there and promoting British products within the United Kingdom—and Great Britain in particular. Public procurement is also very critical. It is critical that we look at that in terms of how the UK population can help itself and help the industry. That is a big issue. We would certainly try to have the minimum standards they have in GB, however, if not go beyond them.

Q277 **Nigel Mills:** I am just trying to look at the scenarios and what changes if we had to move to a WTO basis of trading with the EU. What tariff would be applied in and out of the EU and the UK on meat and dairy products? Do you happen to know?

Wesley Aston: I will respond, while our President is looking at some information here. That is some information that has been pulled together through the Brexit consultative committee, which our Department of Agriculture, Environment and Rural Affairs is providing the details on.

We have broad information, but we do not have it to hand as such. Hopefully, it is readily available in due course. However, these are significant increases in terms of percentage tariffs compared with what we currently have.

Q278 **Jack Lopresti:** Yet you gave quite a definitive answer on this, Dr Johnston. You gave an answer earlier that said, if you had to adopt the WTO tariffs, it would kill your industry.



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Dr Mike Johnston: Yes.

Q279 **Jack Lopresti:** Yet there is no clarity, it seems, on any quantifiable increase. How could you make a statement as rigid as that?

Nigel Mills: Is it 5%? Is it 10? Is it 30%?

Jack Lopresti: Yes, exactly.

Dr Mike Johnston: The example I gave in relation to Thailand and Malaysia was that the current tariff there is around 15% to 16%. That would at least double, so that gives you an idea of the sorts of tariffs we would have to pay.

Q280 **Nigel Mills:** I am trying to get to a point. If we tried to sell milk or cheese or lamb or whatever into the EU, what tariff would they apply? I presume we would apply the same one back. There must be a schedule of the EU's external tariffs.

Barclay Bell: Can I perhaps quote from the Northern Ireland Food and Drink Association's report? Tariffs going into the EU on bovine carcasses are 12.8% of the price plus €1.77 per kilo. On butter, it would be €1.90 to €2.31 per kilo; on pig meat, €0.53 per kilo; and on fresh chicken, €0.26 to €0.32 per kilo.

Nigel Mills: They would be quite chunky charges.

Chair: They would be very varied as well.

Q281 **Nigel Mills:** Dr Johnston, I think I am right that the UK is broadly self-sufficient in milk and dairy. We import a bit and export a bit, but—

Dr Mike Johnston: As a whole, the UK is probably about 80% self-sufficient.

Q282 **Nigel Mills:** Is that us importing cheese or something that makes the difference?

Dr Mike Johnston: Yes, it is mainly cheese, but there are small amounts of butter. Those would be the main product categories that are imported.

Q283 **Nigel Mills:** What about milk?

Dr Mike Johnston: For liquid milk, no, not really. There may be a little bit of UHT, but it is not a lot. It is mainly cheese and butter. The two main countries that would export into the UK in those product categories would be the Republic of Ireland and France.

Q284 **Nigel Mills:** In terms of cheese, we do not export huge amounts to the EU, do we? I do not see much cheddar on the shelves of Carrefour in France, sadly.

Dr Mike Johnston: There is some. There is some, but the quantities are not that great. One of the dairy companies in Northern Ireland has been developing some very good business in mainland Europe over the past



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couple of years on cheddar cheese, but we would probably be a net importer of cheese.

Nigel Mills: Yes, because we buy lots of French cheese.

Dr Mike Johnston: Yes. It would be along those sorts of varieties, rather than the cheddar types.

Q285 **Nigel Mills:** I am still trying to work out, if cross-border trade became more expensive, whether there would be lots of market in GB you could redirect to.

Dr Mike Johnston: In that scenario, I would expect to see some of the dairy companies looking at a rebalancing of their market portfolios to try to maximise the opportunities within the GB market. At the minute, as you will know, there are currency benefits. Imports are getting more expensive, so there are currency benefits. There are some Northern Ireland dairy companies that are looking at how they can maximise that in the short term.

However, that sort of approach is probably only a short to medium-term strategy. In the longer term, even if we were able to get to a higher level of self-sufficiency within the UK, where do you go then? The only way you will be able to get sustainable longer term growth is really to have an active export programme and be able to keep those current export markets alive with the long-term relationships we have with customers. By doing so, we avoid putting all our eggs into one basket and try to get some rebalancing that would reflect the opportunities in the short-to-medium term within the GB market.

Q286 **Nigel Mills:** Can I ask Mr Aston, perhaps, or Mr Bell a question? Just for my curiosity, at first, when I go to my local supermarket and they try to sell me Irish beef, is that Republic of Ireland beef or is it Northern Irish beef or both?

Wesley Aston: It should be Republic of Ireland beef, because beef labelling requires it to be labelled as such. It will be southern Irish beef.

Q287 **Nigel Mills:** To come on to a similar question on dairy products, is there scope, if there was a big tariff on the flows into the EU, for you to be supplying my local supermarket with northern Irish beef rather than me having to pay a large tariff for Irish beef? Is that something you would be trying to achieve if that was the situation?

Wesley Aston: Certainly in terms of currency, which Mike touched on, that is a big factor at the minute that we did not have before. Picking up on the question earlier from Mr McDonnell, in relation to what is different now versus what we did previously, currency is one of the single biggest things we have. We have somewhere between 15% and 20% change that we did not have previously both in terms of exports and imports. Yes, our cost base will probably rise at some point and it will net off, but



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we are still at an advantage—and that will be there for the foreseeable future anyhow.

That gives us an opportunity, and it also means concentrating on the UK market, where we are not self-sufficient. I appreciate that when we say “60% self-sufficiency”, it depends on the product you are talking about. Some we are self-sufficient in and others we are not particularly. We do a lot of importing on the fruits and vegetables side.

From that point of view, we have to look at what tariffs will mean for exports. Do we need to export? First of all, we need to concentrate on our home market. From a Northern Irish perspective, it is our closest, biggest market. It is our highest paying market. However, we also need to focus on the potential to develop exports, because there is no reason why we should not, particularly given the currency advantage we now have.

Q288 Nigel Mills: You are all exporting products to various countries around the world, so you have to deal with the administrative burden of whatever regulatory standards you have to comply with and whatever tariffs and VAT and customs processes. How hard is it when you sell a container of pig’s feet or brown chicken meat or whatever you sell? How hard are those things to do? Do you just put the same number on the same form every time on the computer? Does it take a long time to do?

Dr Mike Johnston: When you get to that stage of the process, that is, if you like, the most important part. If I work with dairy products, any consignment of dairy products outside the European Union must be accompanied by an animal health export certificate.

That animal health export certificate must be signed by a government vet. Before the government vet can sign that, they must make sure that all of the standards have been met: that there has been proper pasteurisation et cetera; that all of the welfare legislation has been met; that all of the import criteria that a country is looking for—for example, freedom from foot and mouth disease, freedom from Rinderpest or whatever—are met. Only once the vet has assured himself or herself of that will they sign that animal health export certificate. It is absolutely critical to give the confidence and trust to the importer that they are getting the product they are wanting and they think they are getting. It then has to be assessed at the point of import by a vet, so it is a vet talking to a vet. That whole process is critical.

In Northern Ireland, we have a very well-oiled system where there is a fixed cohort of vets who are Department of Agriculture, Environment and Rural Affairs vets, who work with the exporting dairy companies. They go in to the plant, for example at Newtownards. They will look at the documentation and make sure they are okay. We have a well-oiled system in Northern Ireland that works, and certainly we would not want to see any interruption of that.



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Q289 **Nigel Mills:** You are already doing that, effectively, for all your production.

Dr Mike Johnston: Yes.

Q290 **Nigel Mills:** Everything is signed off. You do not think, "I am exporting this. We have got to do it." That is already happening. That is not something you have to add to or increase.

Dr Mike Johnston: Yes—if ain't broke, do not fix it.

Wesley Aston: Once we get to that stage, we can deliver on the administration associated with all those bits and pieces, but it is getting the doors open in the first place that is the real problem. We certainly have systems in place that mean we can meet all the requirements.

Q291 **Nigel Mills:** If for some crazy reason we all hope will not happen there might be some customs documentation to move raw milk or carcasses into Ireland or something, I am trying to work out how hard a job that would be for you to do, but it sounds like you are doing it already. For anywhere else, it would just be a few computer presses rather than a new industry.

Wesley Aston: We should be able to do it. Obviously, we do want to minimise any potential trade disruption between Northern Ireland and the south of Ireland, particularly for live animals that move readily at this stage. However, at this point we can do things, yes.

Q292 **Nigel Mills:** Okay, I just have one last topic. I think one of you mentioned that 65% of your staff were non-UK nationals, in effect. I checked, and Northern Ireland's unemployment is 33,000 or so. It has the highest youth employment in the UK. I presume it is much the same as it is over here, but is there more you can do to try to get local people who do not have a job to come and work for you? Or are you keen just to take what might be a cheaper option?

Barclay Bell: If you speak to certainly any of the people from the red-meat processing sector, they will tell you local people probably do not want to work in meat processing. They have basically said to us, "If we do not have that access to migrant labour, we are gone." Access to labour is probably their key ask in all of this. It is maybe not as important at a practical farming level, but for the processing sector—and I am sure Dr Johnston will back it up—access to labour is probably number one.

Q293 **Nigel Mills:** That is not changing with the living wage pushing up the wage, I presume, that you pay in these factories. Tightening welfare rules is not making people be a little bit more flexible in what job they want. You are not seeing any change.

Barclay Bell: No.

Q294 **Jack Lopresti:** I just want to ask about the general mood in your



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industry of practitioners at all levels. Is there a sense of optimism around the future and the opportunities that Brexit will present? If there is not much optimism, what are you doing to get people to feel positive and seize the opportunities Brexit will present?

Barclay Bell: Right now, farmers have perhaps had a bit of a feel-good factor since the referendum. The currency exchange rates have obviously been a big contributor to that. In single farm payments, basic scheme payments, whatever you want to call them, I suppose we saw an uplift this year.

However, there is also the recognition out there as well that, in all of this, there are huge threats. From a farmer's point of view, the No. 1 threat is whether there will continue to be support for the farming industry. That is his main concern at the present time. There are also big concerns about, if there are trade deals, whether they will allow cheap South American beef into the UK.

I suppose you can look at it as an opportunity. We now have a supposedly clean sheet. Farmers fully appreciate that regulation is required, but when we look at the whole regulatory burden, there is a lot of regulation there that could be done better. Certainly, while it may be the case that the UK will just lift current EU regulation and cut and paste it initially, there is a hope that, as we go down the track, there will certainly be changes in regulation and that there will be simplified regulation. We would hope for a different approach to regulation around some of the issues, where we would see advocacy first and regulation second.

Some of the EU regulation has not gone down well, particularly around things like farming by the calendar. That is very difficult. You cannot farm by the calendar. You have heard all the other things about the three-crop rule and everything else. Farmers still fully accept their environmental responsibilities. We will have a responsibility to look after the countryside, but we feel things can be done better.

Dr Mike Johnston: From a dairy processing point of view, the sentiment or attitude is very much "business as usual". Companies are very much focused at the moment on trying to maximise the opportunities that exist around sterling, but there are concerns.

There are concerns in the sense that uncertainty about the future is impacting on the willingness and readiness to invest for the future. Increasingly, we are seeing that customers are starting to ask questions like: "What is going to happen after you leave the EU? Are we still going to be able to get access to products?" The concern would be that we start to see customers in export markets—customers with whom companies have taken a long time to develop long-term relationships—start to hedge their source of supply. That would not be helpful.



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There are opportunities, yes, and it is business as usual—but there are concerns around those issues of certainty and being able to plan, and the customer base and possibility or likelihood of customers hedging their source of supply.

Tim Acheson: The Brexit decision has brought a period of uncertainty and instability both to our employees within our business and to our customers outside the business. We have certainly met with our employees and talked about the Brexit decision and the potential implications on the business. We have some facilities where over 50% of output is going into export markets outside of Ireland or GB. There would be some concern in those facilities.

We would also be communicating to our employees that we expect there to be change. That change could result in them being asked to do things differently—whether that is further administration required or whatever it happens to be.

For our customers, I would echo what Mike has said. We export to 80 countries worldwide and we have longstanding customers. They are starting to ask questions of us about our ability to maintain continuity of supply in the medium-to-long term. At the present time, we cannot answer those questions until we understand what the trading conditions are likely to be in the future.

Q295 **Lady Hermon:** This is a small but important question. Can we come back to migrant labour, please? You did say that was a really significant issue, particularly in the red-meat industry. It has to be an issue for Moy Park and chickens as well, I would have thought. I am not singling them out. I am just saying it is not just red meat. It has to be chicken and so on.

When you talk about migrant labour, could you tell us which nationalities in particular you are talking about? We have used this general term of “migrant labour”, but we have not said who these people are. Is it Polish? Is it Lithuanian? Is it Irish? What are we talking about? Are Irish citizens covered by this term “migrant labour”?

Presumably, they are not. *[Interruption.]* They are not—thank you, Wesley: you are shaking your head. Is that because of the common travel area? The expectation is Irish citizens will continue to move freely within the common travel area.

Wesley Aston: Certainly, the bulk of migrant labour in Northern Ireland historically would have been Portuguese, and then there would be more Eastern Europeans coming in from the Baltic States and Poland. That would be a big proportion of the processing workforce now. That is our understanding of the breakdown of the workforce.

Lady Hermon: Which ones, sorry?



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Wesley Aston: They are from Eastern Europe, the Baltic States, Poland and Portugal.

Q296 **Lady Hermon:** Since the outcome of the referendum, has there been movement? Have some of those migrant workers already thought, "Gosh, the writing is on the wall; I am off out of here"? Is that the feedback or the information you are getting? Are migrant workers coming and staying in Northern Ireland actually leaving already?

Barclay Bell: There has been some feedback from the processing sector to suggest that some do not feel happy about their future and, yes, they are up and off.

Lady Hermon: That would be a serious issue for those industries.

Barclay Bell: Yes. As I say, for the processing sector in general, it is a major, major concern.

Wesley Aston: A bigger issue is that, while they are not disappearing overnight, they are not being replaced. It is a long-term thing.

Chair: It has been a very useful session. Thank you very much for joining us.