

Northern Ireland Food and Drink Association (NIFDA) – Written evidence (NIP0002)

Contributions from Michael Bell, NIFDA, in private briefing with the Committee

General comments

- The European Union has developed food and drink policy for over 40 years. Westminster needs to make concerted efforts to address the resultant knowledge gap that has ensued and increase its understanding of the food and drink sector. The Northern Ireland Food and Drink Association (NIFDA) has been seeking to illuminate the food and drink agenda. The sector employs [4 million people] in the UK and is bigger than aerospace and vehicle manufacturing, and contributes £460bn to the economy. Value addition is more than £120bn.
- This has been accelerated by devolution on many food responsibilities.
- Whilst a knowledge gap and a lack of understanding of the sector has developed at Westminster level, the devolved administrations have been investing in the food and drink sector.
- The four nations have very significant food and drink differences. There is divergence within UK, for example Wales and Northern Ireland are at opposite ends of the spectrum on how they deliver CAP support. UK imports over 50% of food and drink; Northern Ireland exports 80% (mostly to GB).
- The EU believes food security and integrity are ‘public goods’ and the UK does not (currently).
- UK government does not take an ‘eating ecosystem’ view (i.e. farming, processing, cold stores, retailing - a single complex system).

1. **What is the worst-case scenario here for the Northern Ireland agri-food sector, and what is the best case?**

a. Which issues are you most worried about?

- Agri-food manufacturing is Northern Ireland’s biggest industry and represents 30% of the manufacturing sector. It has also doubled its turnover since the 2008 recession. Much of the products go to Great Britain. There are 12 large companies representing 40% of sector, and the rest are small and medium-sized enterprises (SMEs).
- The worst-case scenario is if there is no trade deal with the EU and if a trade deal with the US and others undermines standards in the Great Britain market and undermines the price floor. This position shows a fundamental lack of understanding of the policy cost impact on domestic food (environmental, animal welfare, child labour, etc). This would have disastrous consequences for Northern Ireland. The impacts would be especially significant in red meat and dairy sectors. These form 50% of Northern Ireland food and drink. The competitive position of relatively small manufacturers principally selling high quality fresh food and drink to GB would be dramatically undermined. Northern Ireland feeds a fair amount of Great Britain (output is the equivalent of 10m meals). This position would be undermined by no UK-EU trade deal.
- The best-case scenario is that there are minimal new costs, time constraints and bureaucracy, and that arrangements are straight-forward for SMEs to comply with. The capacity of industry is limited, with smaller food companies using freight companies and retail to deliver some of their functions. The whole industry should be seen as an ‘eating ecosystem’. You cannot disaggregate farming from the other parts. You need to think of the interdependent parts of ecosystem.

2. How is COVID-19 affecting the agri-food sector's preparation for the Protocol?

- The industry has been weakened. It has been magnificent in supplying the highest ever demand and re-engineering factories to operate safely. This has come at cost (capital and loss of choice and efficiency). The food service industry is recovering very slowly. It is 30% of our marketplace. Members will see in the news today that a major sandwich-maker looks like it is going to fail. Industry is weakened on profit and loss balance sheets. This is in a context where Northern Ireland is a critical part of the UK's food security. For example, Northern Ireland feeds the equivalent of 10 million people.
- Consumers will be focused on affordability in the biggest recession that any of us will have known, and the arrangements will add costs. There are also ongoing weather-related issues for particular crops and turbulence in meat markets. Covid-19 had created global food and drink turbulence with supply, integrity and cost problems. This is, therefore, a very difficult time to introduce a big change to arrangements. Industry will require significant support.

Goods moving from Great Britain to Northern Ireland

3. What do you expect the sanitary and phytosanitary (SPS) formalities to be for goods moving from Great Britain to Northern Ireland after the transition period, and how different is this from the current arrangements?

a. How will these arrangements affect the agri-food sectors, and how can their impact be lessened?

- Frictionless flows must not come at the cost of integrity. Great Britain's consumers rely on Northern Ireland products due to their integrity. It is important that the conditions do not allow latitude for criminals to undermine this integrity. Sanitary and phytosanitary (SPS) is an important part of this. We may not align standards as the Government do not want to align standards, but we need to at least agree standards. Small differences in standards could result in lots of checks. Also, if US products come into Great Britain, we can expect the EU to ask for 100% checks on goods coming in.
- SPS principally applies to protein-based and grain-based products. Much of Northern Ireland food and drink is affected by SPS. Northern Ireland also relies on significant amounts of inputs from Great Britain (e.g. wheat).

4. What processes do you expect to see put in place for customs (including tariffs), VAT and excise, and product-related regulatory controls, for agri-food goods moving from Great Britain to Northern Ireland, and how would these affect you and your members?

a. What approaches do you hope to see taken in these areas?

- Any friction could affect how suppliers operate and where demand for products is directed. Many fresh products contain multiple ingredients leading to complex documentation requirements. If expensive and slow, it will not work for a low margin very fast industry. Without clarity soon, the sector may not cope with the new arrangements. There needs to be arrangements for dispute resolution, for example if there are disagreements on whether certificates are acceptable. Any small problems could potentially become significant and/or political very quickly. If there is a systemic issue,

Northern Ireland will escalate these issues rapidly. Food often has six days of shelf-life so delays could result in consignments perishing and being written off.

Goods moving from Northern Ireland to Great Britain

- 5. What challenges do you anticipate for Northern Ireland agri-food products going into Great Britain?**
- a. Are you reassured by the Government's commitment to legislate guaranteeing unfettered access for Northern Ireland's businesses to the wider UK internal market?**
 - b. What do you hope to see from the Common Frameworks in the relevant areas?**
- The majority of Northern Ireland food and drink is sold into the Great Britain market as British. If there are inhibitions economically, logistically, or to the timeframe of delivery, then that undermines the Northern Ireland case. We are not reassured by the commitment to unfettered (meaning uninhibited) access.
 - On the agri-food Common Frameworks, Scotland's food standards body wants to take a different line from the rest of the UK. The UK internal food market is beginning to be disaggregated. This is not in the best interests of consumers who benefit from one UK market.

The UK-EU future relationship

- 6. How can the UK-EU future relationship reduce the possible negative impacts of the Protocol on the agri-food sector?**
- NIFDA has been engaged with Defra, but some policy suggestions from the Department have not been informed by sufficient understanding of the UK food sector. For example, there was a proposal for mobile SPS checks on the border, the viability of which was highly questionable from a practical and logistical perspective.
 - A trade deal is needed including a common set of standards. For example, Germany has banned glyphosate from the end of 2023, and we imagine that the UK will want to stay with the US on this. This will be a big issue, along with chlorine-treated chicken, hormone-treated beef, GM and acceptable environment and welfare standards.
 - The EU takes a balanced scorecard approach to food and drink, ie rural society, environment, food security and integrity are all included. The UK takes a myopic cost-based view.

UK and EU implementation actions required

- 7. What are the most pressing actions needed from the Joint Committee and its supporting bodies?**
- a. What would be your key message to participants in those bodies?**
- There are two things stacked on top of one another. We are at a political T-junction after Brexit. Embarking in one direction would mean shipping in more food from elsewhere, which would result in cheaper food for consumers at the cost of UK farming, the 'eating ecosystem' and the balance of trade. It would disproportionately damage the devolved nations. Embarking in the other direction would involve investing in the provision of a clear agri and food strategy. We do not know which way UK is going on this. Defra and HMT do not consider food as a public good, but arguably they should do.

8. How can the Government better engage with and provide support to your members and the Northern Ireland agri-food sector?

- Two NIFDA representatives were involved in the alternative arrangements technical working group, but there has been a lack of engagement for some months both on this front and also with Government in general. NIFDA would very much welcome opportunities to engage with Government Departments.

9. Do you expect the Protocol arrangements to be ready for 1 January 2020?

- We have a low level of confidence that the arrangements will be ready. We do not know how long it will take for businesses to prepare until we know what the arrangements will be. Complexity is the enemy of speed.

The Protocol and its original purpose

10. Will the Protocol solve the issues it is intended to?

- The Protocol does solve North-South trade, but East-West trade is significant, in fact a bigger issue. (Food and Drink is approximately £800m N to S and £4000m E to W.) The agri-food sector is 100,000 jobs or 25 - 30% of the entire private sector employment in Northern Ireland. It's important to understand that NI to GB trade has an impact on GB to NI trade as logistics costs depend on the balance.

Supplementary Questions

11. Are there enough physical structures in place for SPS checks?

It is hard to answer this when the requirement is unknown. There is currently very limited capacity, however, and the logic of the statement that there will be no new "physical customs infrastructure and we see no need to build any" seems highly questionable at the very least.

12. Are Government aware of all of the practical issues?

Food and Drink is a very complex Industry. It can be quite challenging for those who don't work in the industry to contextualise data that is being presented to them, and Government departments are no exception to that. Admittedly, these are not easy concepts for people outside the sector to grasp and consequently not everyone comprehends first time round. Food and drink sector participants at meetings invariably invest quite a bit of time explaining involved concepts and definitions, such as SKU (Stock keeping unit), to increase understanding. Expanding on key concepts is undertaken willingly, however, in the hope that they will ultimately facilitate better decision-making outcomes. We would certainly welcome more opportunities to engage with Government to explain and help contextualise, of course.

13. Are training and advisory services for the new arrangements, especially for SMES, in place? Is this a private sector or Government role?

No, they are not. There is clearly a role for both with the emphasis moving from government to private sector as the system stabilises.

14. How long do you need from implementation decisions to operational readiness?

Realistically minimums are a year to allow packaging, logistic routes, paperwork training/IT hardware, dispute resolution procedures establishment etc.

15. Is the business engagement forum operating in Northern Ireland?

The Secretary of State for Northern Ireland has convened a meeting on Wednesday 10 June which I understand may be the beginning of this forum.