

Daera - Northern Ireland (ABR0048)

The overall Northern Ireland view was set out in a joint letter of 10 August 2016 from the Northern Ireland First and Deputy First Ministers to the Prime Minister¹ (her reply of 14 October² refers).

While we are now in the post election period and in the current absence of a Northern Ireland Assembly, Brexit remains a priority. Work continues to ensure we replace the Common Agricultural Policy and Common Fisheries Policy with appropriate UK frameworks that underpin the sustainable growth and competitiveness of our agri-food and fisheries sectors and to safeguard our continued ability to trade effectively and profitably both inwardly and outwardly.

There has been on-going engagement with the UK government and it is vital that direct and detailed engagements with Whitehall Departments continue.

Agricultural Policy

- Agriculture in Northern Ireland currently receives EU direct support and rural development funding of approximately €360 million per annum. Approximately 9% of UK receipts from CAP accrue to Northern Ireland, yet we make up just 3% of the population. This distribution reflects the nature and scale of our agricultural industry relative to the rest of the UK. Without direct support, the aggregate income of the NI farming sector would have been negative in 4 out of last 7 years.
- Significant thought needs to be given to a UK agricultural framework which delivers the market and non-market outcomes that the government requires the agricultural industry to deliver. Therefore, it is vital that the future UK agricultural framework is developed in close collaboration with devolved colleagues. The context for this framework is one where the industry must adapt to global market influences, seeking to identify and occupy market segments where it can compete successfully. That will require a greater focus on food and human nutrition (rather than basic agricultural commodities) as the basis of market differentiation and success. Farming enterprises sit within a broader range of economic activities undertaken by farming households, with future policy set in that broader context.

¹ 10 August letter from FM and DfM to Theresa May:

<https://www.executiveoffice-ni.gov.uk/sites/default/files/publications/execoffice/Letter%20to%20PM%20from%20FM%20%26%20dFM.pdf>

² 14 October reply from Theresa May to FM and DfM:

<https://www.executiveoffice-ni.gov.uk/publications/letter-first-minister-arlene-foster-and-deputy-first-minister-martin-mcguinness-prime-minister-rt?platform=hootsuite>

- As a region, Northern Ireland will look for sufficient flexibility within the framework offered to enable the policy interventions to be tailored to the unique circumstances of this region.
- We need to ensure that there is a smooth exit from the CAP. In particular, existing schemes should run as expected to the end of the current EU Budget period and this should include all EU funds currently committed to the UK as set out in EU CAP legislation. Particular attention needs to be given to the administrative, financial and audit arrangements linked to the ending of the CAP mechanisms.
- The ending of the CAP and the adoption of a new UK agricultural framework carries considerable risk, both economic and environmental, given the current heavy dependence of farmers on CAP support payments. Therefore, any change in support mechanisms or levels of support would require a period of transition – the more radical the change, the longer the necessary transition period.

Strategically important agri-food sector

- The agri-food sector in NI is much more important to the local economy than is the case in other parts of the United Kingdom.
- The food and drinks processing sector with an annual turnover exceeding £4.5 bn per annum is one of the most strategically importance sectors to the Northern Ireland economy. As a share of GVA, the sector in Northern Ireland is proportionately more important than in other parts of the UK, accounting for 5% of our economy.
- The sector not only operates as an integrated production system cross border, the island as a whole is treated as a single epidemiological unit for animal and plant disease control with standard certification/regulation. Indeed there are movements of many agricultural goods processed foods across the border in both directions every day.
- The level of North/South integration in production/processing chains is considerable. Many agri-food businesses are structured and operate on a cross-border basis.

Trade

- The NI agri-food sector is very reliant on exports. In 2014, 28% of sales by the food and drinks processing sector were exports (this compares with 11% in the United Kingdom as a whole). For some sub-sectors, exports represent a much higher percentage of also (46% in dairy processing and 40% in fishing). There is also considerable trade in live animals and raw milk. Almost 30% of raw milk produced by farmers in NI is processed in the Republic of Ireland and around 40% of NI lambs are exported live to the ROI. Total exports of farm produce from NI to the ROI are worth some £200m per annum. Pigs imported from the ROI account for about 30% of the total pig slaughtering in NI processing plants.
- The NI agri-food sector has grown considerably over the last two decades and increased export sales have been an important element of that growth. Since 2005, the value of NI agri-food sector sales has risen by 81%, while export sales to the EU countries had risen by 114% and sales to 3rd countries have risen by 50%. Sales to GB (which continues to be our most important market) have risen by 96% over the period, while the growth in the NI market has been the lowest of all at 42%. Continued unrestricted access to these markets post the UK's exit from the EU will be important to allow businesses an opportunity to adjust to our new relationship with Europe and to enable growth in the longer term.
- The agreement reached between the UK and the EU on exit will determine the nature of the administrative processes that will have to be implemented to facilitate trade (both inward and outward). Leaving to one side the possible tariff regime (which is of itself a significant concern, for the agri-food sector), these administrative processes and procedures relating to trade could impose significant non-tariff burdens. The fact that Northern Ireland has a land border adds an additional dimension to this, with the very real possibility of illegal movements. Therefore, both tariff and non-tariff arrangements post the UK's exit from the EU are of major concern for the agri-food sector.
- Shared solutions between UK/NI and the ROI will be needed to achieve this. However, these must not involve any cost barriers on trade between NI and the rest of the UK. GB is NI's most important market for agricultural goods and many other goods as well. We must not put that in jeopardy.
- We must also have continued access to non-EU markets for agri-food on existing terms and responsible protections for UK agri-food, with import tariffs on sensitive products from non-EU countries, and/or limits on tariff-free or low tariff quota access to the UK market for these products.

- As with the agricultural support regime, the agri-food sector would find it highly damaging to deal with radical and rapid change to the trading environment (which will also inevitably impact the domestic UK market). Therefore, significant thought need to be given to the nature and duration of transition arrangements when it comes to trade.

Labour

The availability of productive foreign labour with relevant skills is a key issue for the agri-food and fisheries sectors (and to a lesser extent the agricultural/farming sector) in Northern Ireland, and has been vital to the development of these sectors over recent decades. UK immigration policies must be supportive of the need to secure this vital factor.

Funding

The level of EU funding available for CAP Pillar I in Northern Ireland for the 2014-2020 period (2013-2019 scheme years) is €2,300 million. For Pillar II, the level of EU funding available for the Northern Ireland Rural Development Programme for the 2014-2020 period is €228 million.

Opportunities

The UK's exit from the EU provides opportunities for export growth, particularly in the GB market and to the rest of the world. Rather than contemplating the possibility of new barriers to trade and their negative effects, we should be striving to retain current access arrangements in the short term and create new export opportunities in the longer term.

Opportunities such as the ability to develop a future agricultural policy framework better suited to our local needs and one that will provide for and secure long term sustainability also exist.

Post-UK Exit

What the implications are might be depend on the form that the UK exit takes, and the approaches taken by the different UK jurisdictions in the context of devolved settlements. For NI, the land border with the Republic of Ireland is of unique relevance. It will be important to take the border issue fully into account.

13 March 2017

