Brexit –
A Northern Ireland Perspective

Michael Bell, CSci, CDir,
Executive Director,
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Brexit – Minefield or New Dawn ?

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Food industry warns of Brexit workforce shortage

24 August 2017 | Business

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REUTERS

The UK food industry has warned that a Brexit workforce shortage could leave a third of its businesses unviable.

The Food and Drink Federation said: "Our sector faces a rapidly approaching workforce shortage and skills gap."

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A huge new leak reveals how the wealthy and powerful, including the Queen's private estate, invest offshore.
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N. Ireland | N. Ireland Politics

Brexit: Why food regulations matter for soft Irish border

By John Campbell
BBC News NI Economics & Business Editor

4 November 2017 | N. Ireland Politics

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A zero-tariff trade deal between the UK and the EU will not be enough to

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How to hide your cash offshore

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Ireland is the UK's largest supplier of food and drink

Food Drink Ireland

Ibec

Ireland, France and the United States are the top three destinations for UK food and drink in terms of overall value.

fdf food & drink federation
passionate about food & drink

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Brexit – Minefield or New Dawn ?

We would encourage the new Government to look to Bord Bia (the Irish Food Board) as inspiration in creating an organisation to help turbocharge sales of UK food and drink globally.

Ian Wright CBE, Director General, FDF

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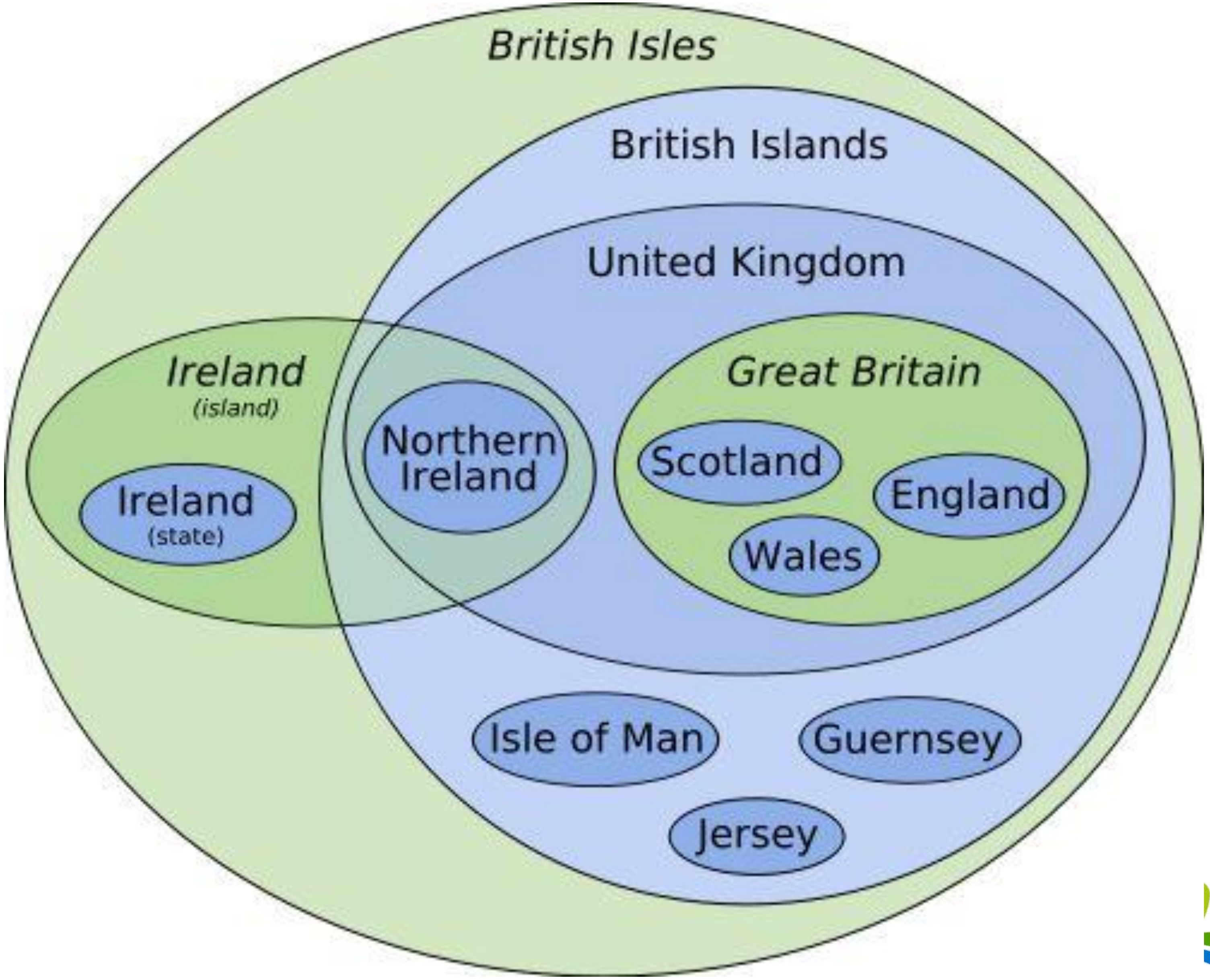

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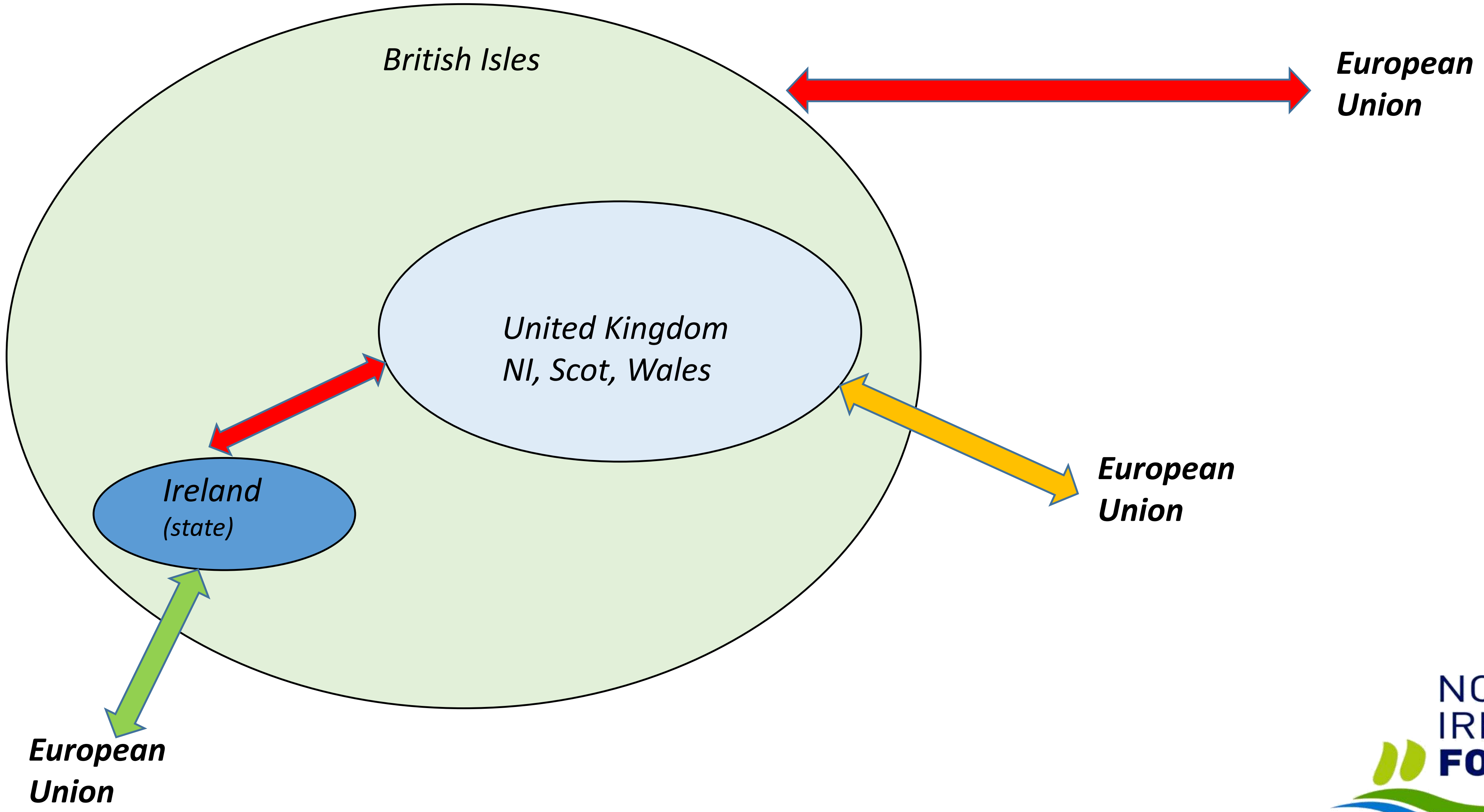
Brexit – Minefield or New Dawn ?



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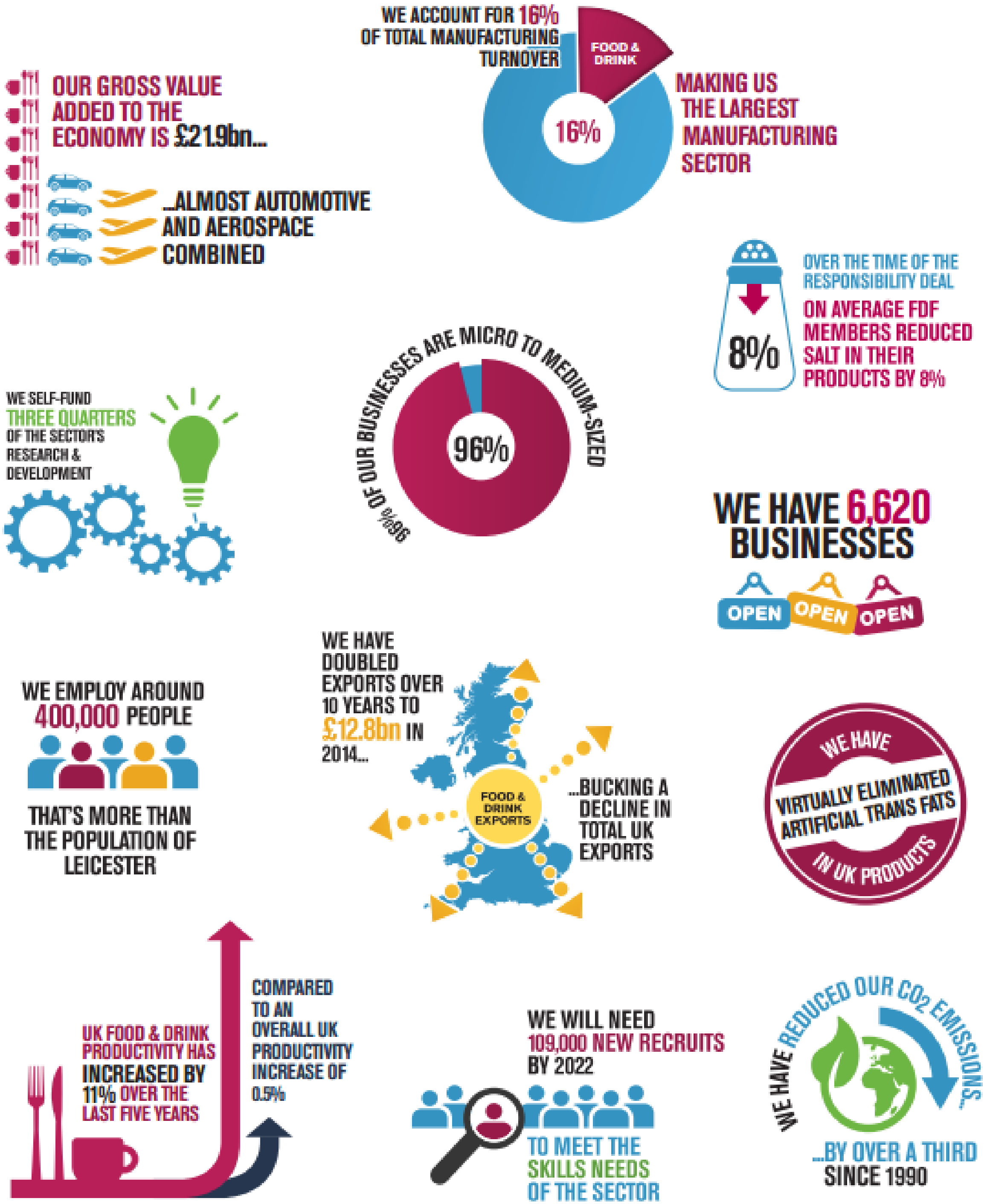
Key facts: UK industry



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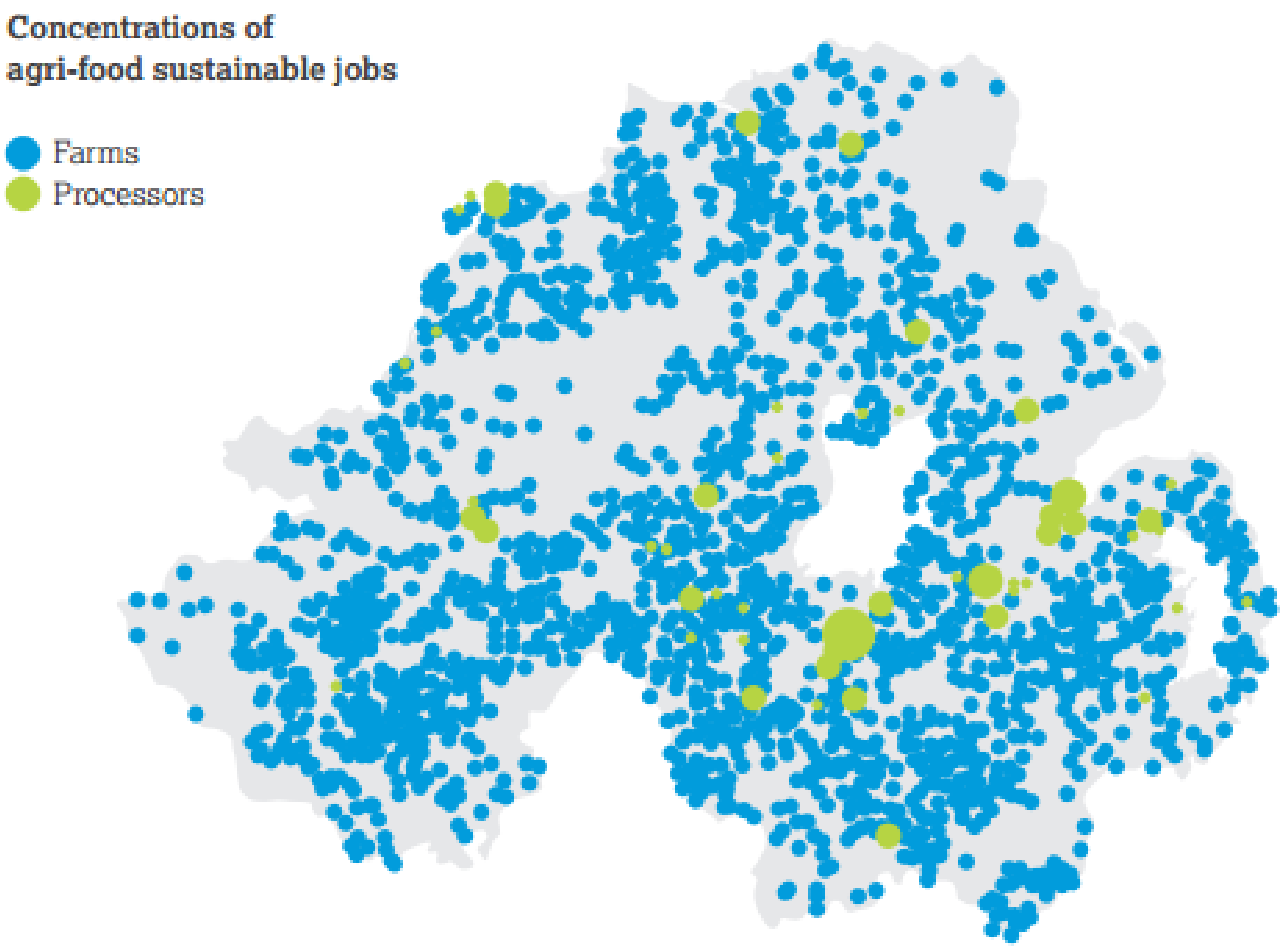
Key facts: Our industry



- **Turnover £4.6bn**
  - £708m to ROI (£441m from ROI)
  - £440m rest of EU
  - £140m Rest of World.

  £1.3bn subject to Trade agreements

- **Employment**
  - £478m direct wage bill
  - Direct employees 21k
  - Agency employees est 2.5k (?)
  - Farmer workforce 48k

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Planning for the Future

We will not determine the final outcome for Brexit, but:

- ❑ We can evaluate those potential outcomes that may happen and develop policy/ industry plans in response.

- ❑Remaining slides a “whirlwind” tour of current thinking

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Threats

Land Border with Ireland – A Unique Solution?

- **Within a trade deal with Europe, a unique solution is permissible under WTO,**
- **Outside one, WTO rules apply i.e. no special arrangement for a country without a trade deal.**

NI Trade with ROI

- 25% of NI milk pool exported to ROI
- 50% of flour exported to ROI
- 36% of sheep imported
- Similar % of pigs imported

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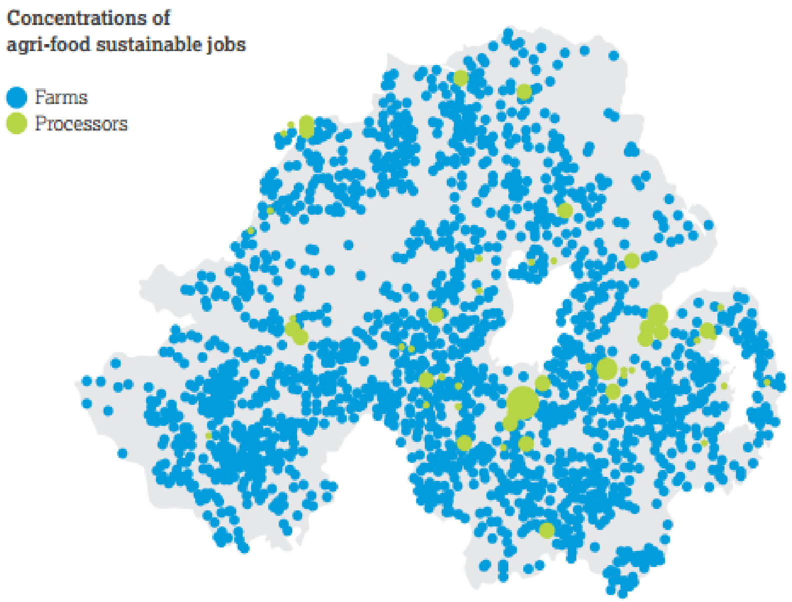
Consequences of getting it Wrong - NI

Impact on fabric of Rural Economy



- **Impact on Turnover of £4.6bn**
  - £708m to ROI (£441m from ROI)
  - £440m rest of EU
  - £140m Rest of World.

  £1.3bn (28%) subject to Trade agreements?

- **Impact on Employment**

  92,000 jobs exposed (11.5% of working pop)

- 19,000 Direct employees
- £478m Direct wage bill
- 30,000 Farmers, partners
- 43,000 Indirect and induced jobs

(Source DAERA & NIFDA 2010 Report)

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EU Trade tariffs under WTO (default- no trade deal)

- Tariffs into EU

EU most favoured Nation Tariffs:

	UK Wholesale Price £/kg	WTO MFN Tariff £	Price Inc. Tariff £	Potential Price Increase %
Beef carcass	3.58	2.02	5.60	56%
Butter	3.55	1.67	5.22	47%
Cheese	2.80	1.63	4.43	58%
Pig carcass	1.38	0.47	1.85	34%
Chicken	1.50	0.23	1.73	15%
Milk	50p	15p / litre	65p	30%

- **NI will not be able to trade through EU MFN Tariff Wall**

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Labour Exposure

Analysis of full-time Northern Ireland based employees of respondents:

UK Nationals 50%

EU Nationals 48%

Other Nationalities 2%

Industry relies on Non UK labour

- ❑ Uncertainty over Brexit and exchange rate driving Non UK labour pool home/ across the border - risking existing business.
- ❑ Leaked UK paper on migration looks to limit access to the labour pool we depend on.
- ❑ Yet NI labour mkt at “Full employment” per economists (those who want to work can work)
  - ❑ Employed 800,000+
  - ❑ 5.5% unemployment
- ❑ £1/Hr increase to entice economically inactive adds £2k per employee –
  - ▪ Follows on from “Living wage” hike
  - ▪ £1/hr =£2m per thousand employees!

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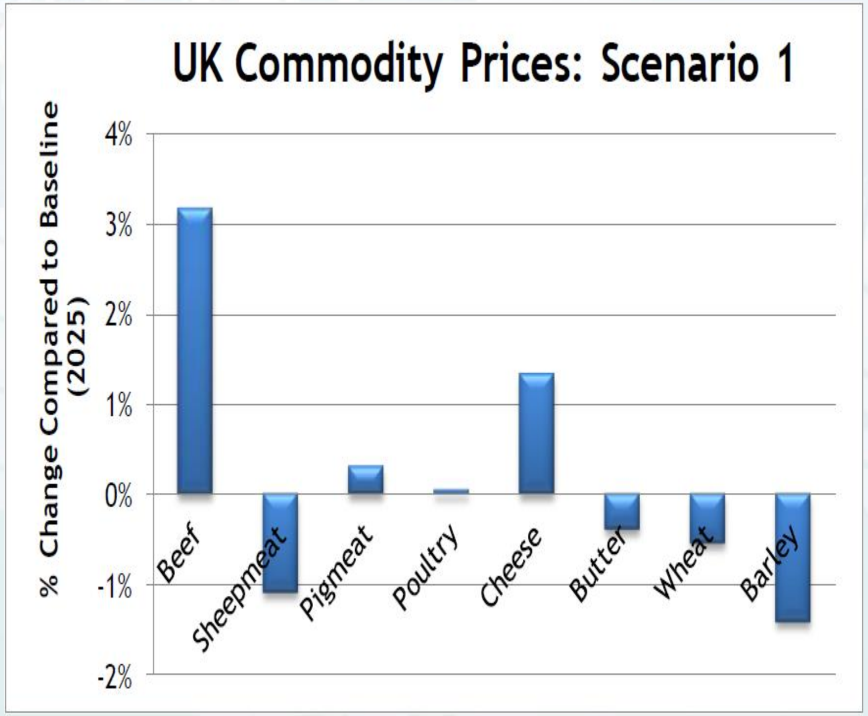
FAPRI modelling Price/ Volume impact for UK Regional Govts

Scenario 1: FTA with EU

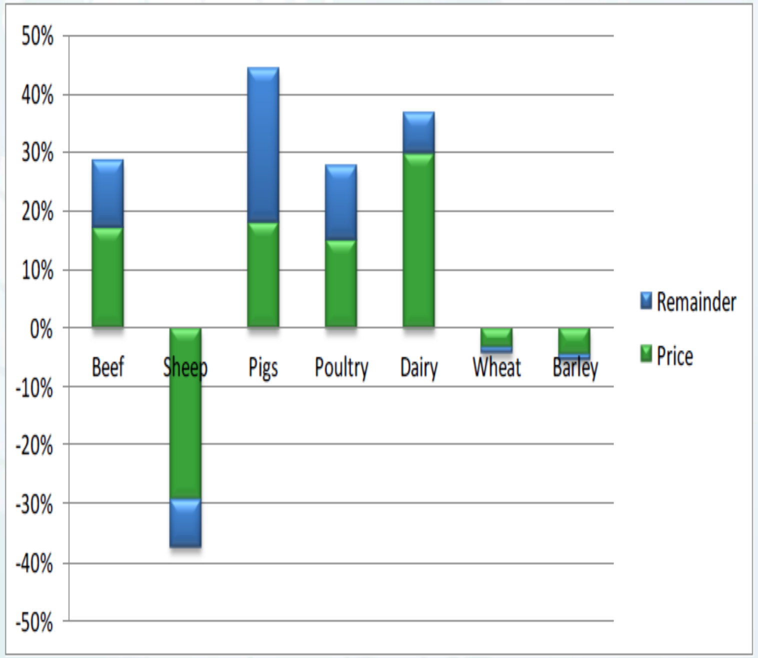
Border costs drive price impact



Scenario 2: WTO Default - Summary

Percentage Change in Value of Output

MFN tariffs adopted by UK.



- Varied impact across sectors
- Largely dependent on whether UK is a net importer or exporter

Remainder component - Volume change plus volume change multiplied by price change

afbi Agri-Food and Biosciences Institute

Agricultural and Food Economics

Impacts of Alternative Post-Brexit Trade Agreements on UK Agriculture: Sector Analyses using the FAPRI-UK Model

John Davis, Siyi Feng & Myles Patton (Agri-Food and Biosciences Institute) and Julian Binfield (University of Missouri)

(no seniority of authors is assumed)

FAPRI-UK Project
August 2017

The FAPRI-UK Project is co-funded on a long-term contract by the four UK agricultural departments. All analysis contained in this report is independent and external to Government, and should not be reported as representing the thinking or views of the co-funders

www.afbini.gov.uk

https://www.afbini.gov.uk/sites/afbini.gov.uk/files/publications/FAPRI-UK%20Brexit%20Report%20-%20FINAL%20Clean.pdf

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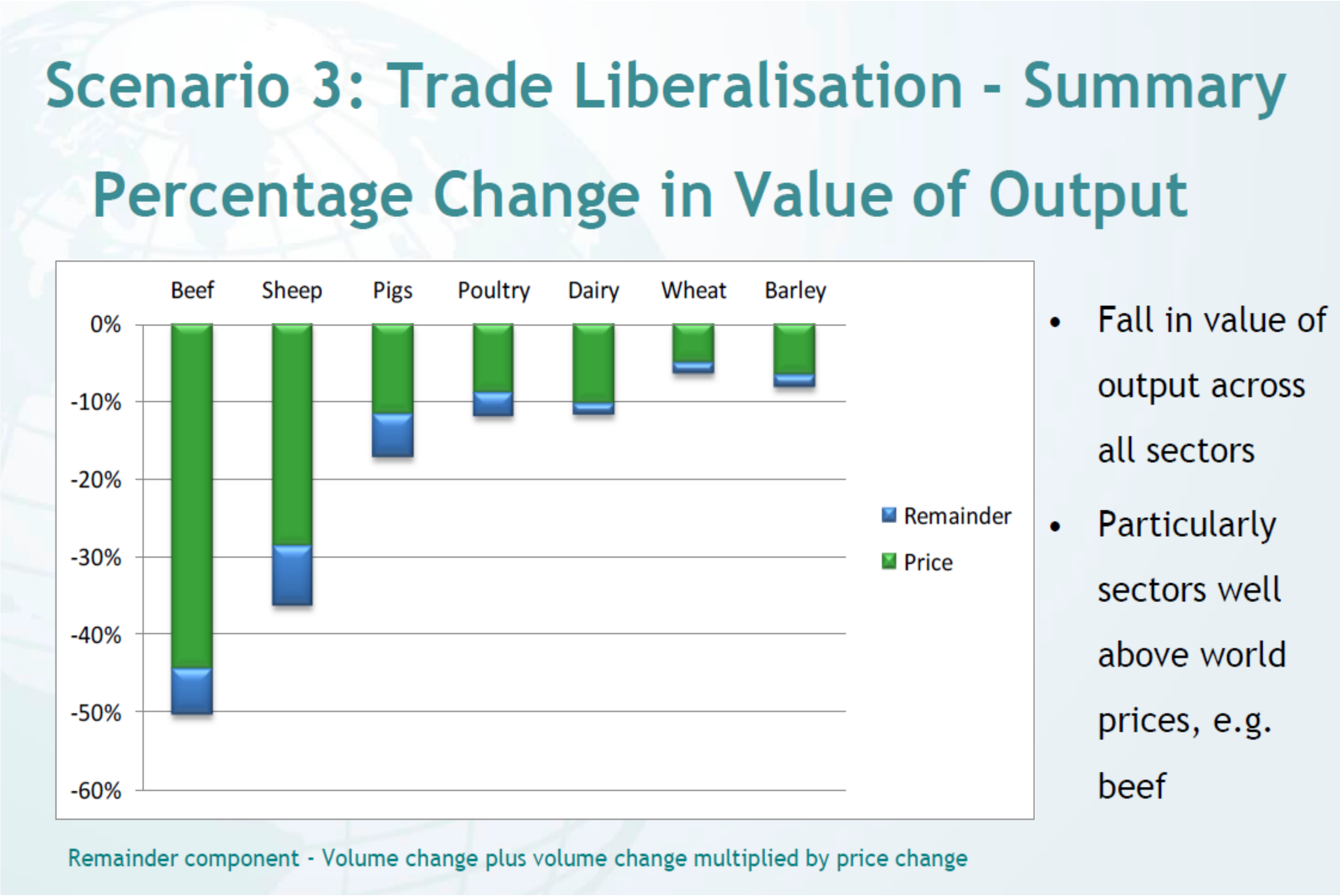
FAPRI modelling Price/ Volume impact for UK Regional Govts (no Import Duty)



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Opportunities

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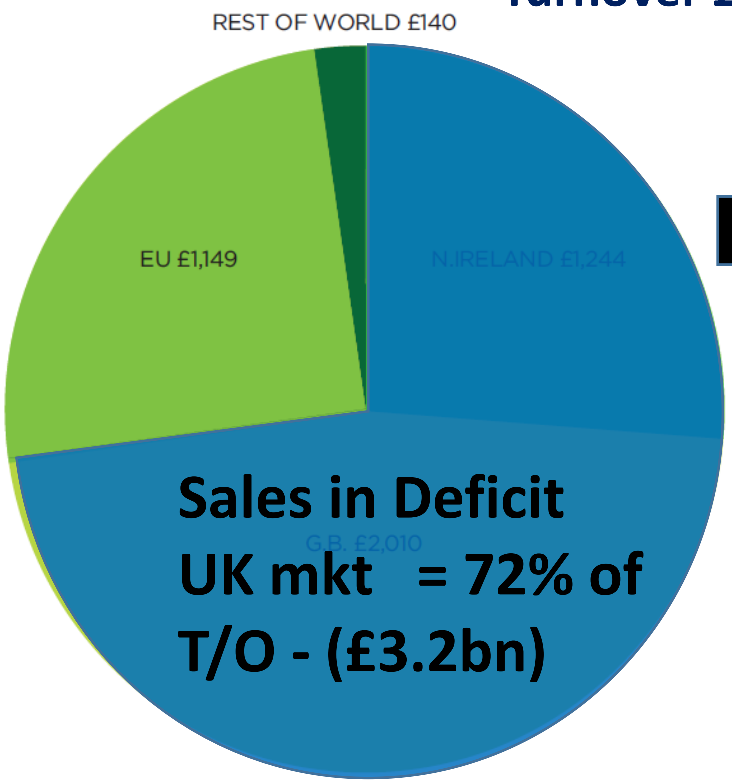
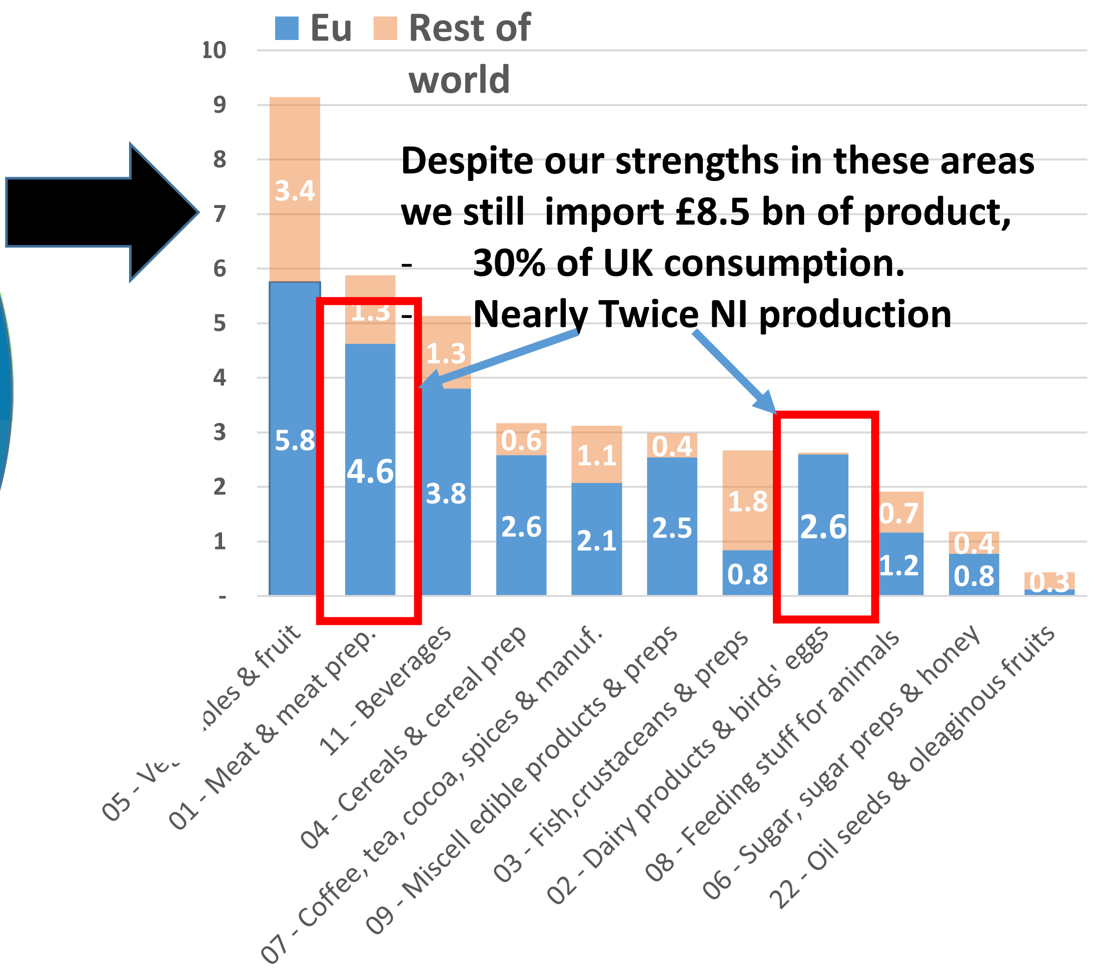
UK Market

UK imports for Food and Drink: EU £26bn, ROW £13bn

NI Food and Drink Processing Sales 2014 by destination £m

Turnover £4.6bn





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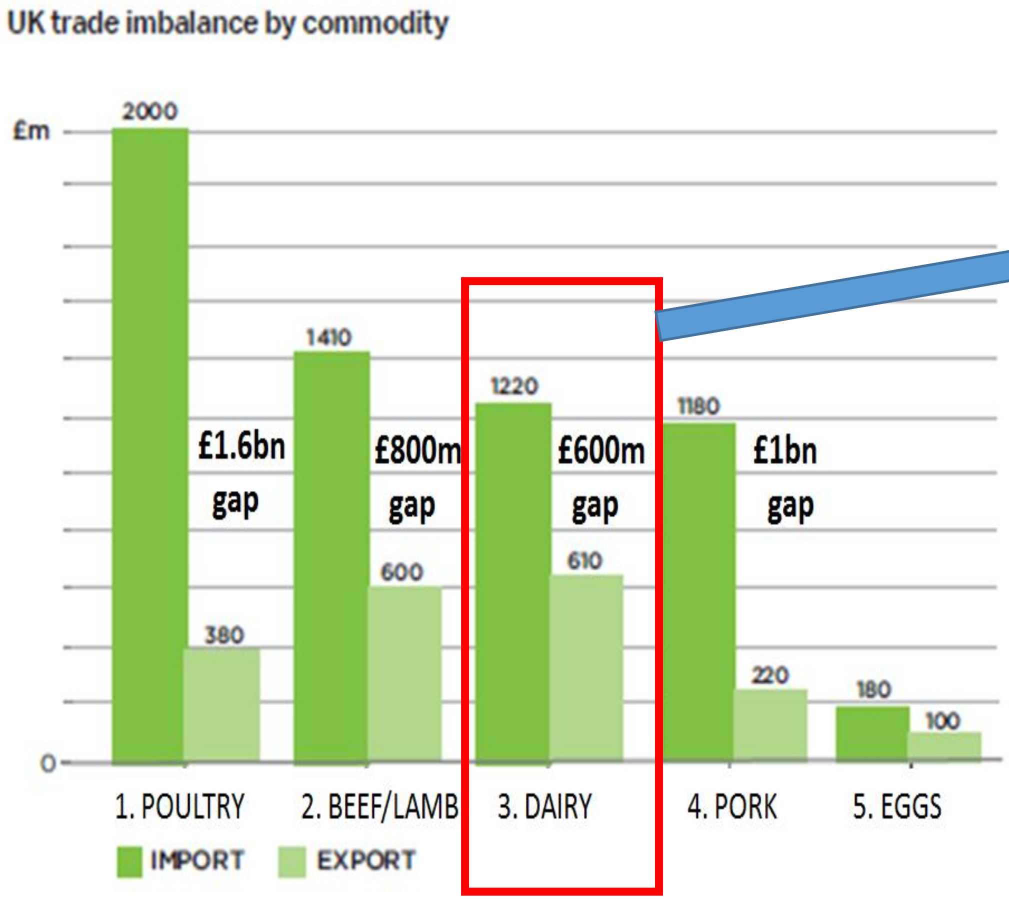
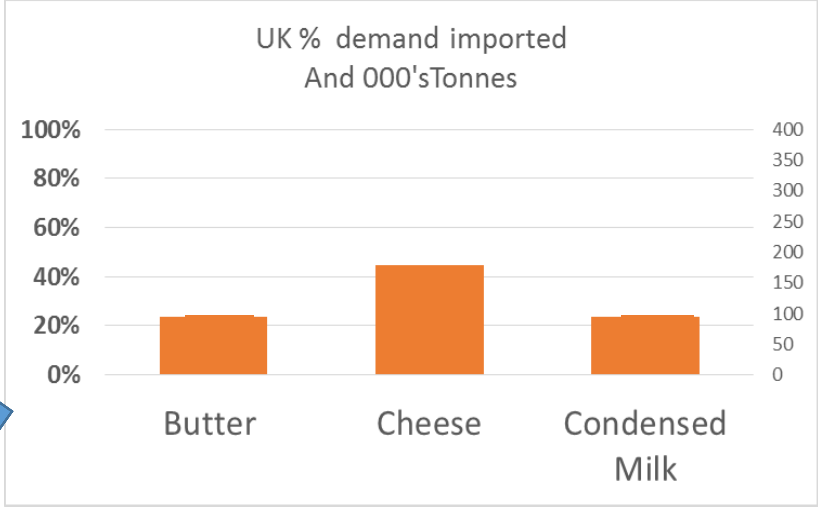
UK Trade deficit



Dairy



Dairy:

UK (NI) Could loose £610m export mkt but could redirect capacity to £1.2m deficit**.** (Would like to do both!)

Meat:

May not be as easy to substitute for imports due to **carcase imbalance**

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- Remaining slides a “whirlwind” tour of current thinking

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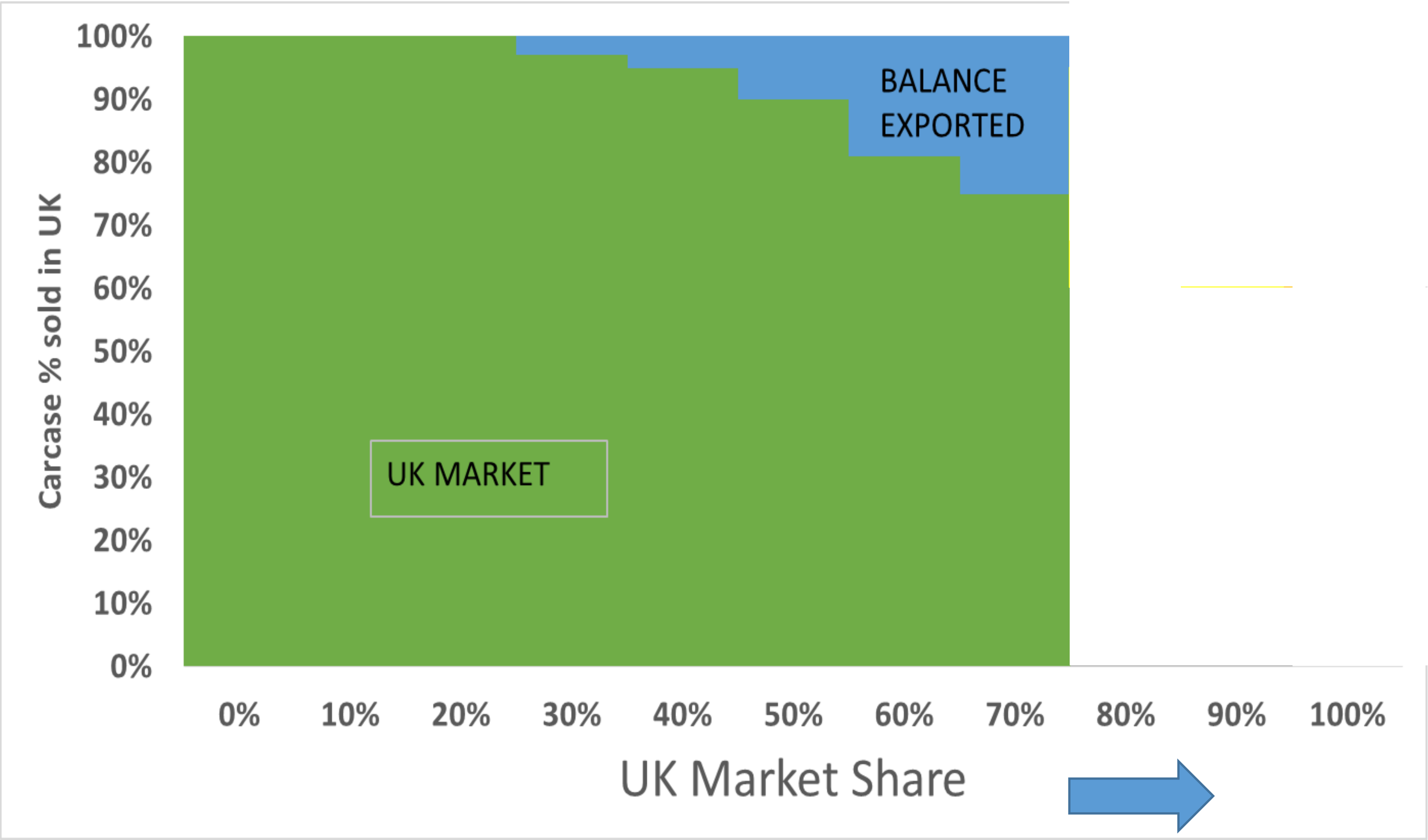
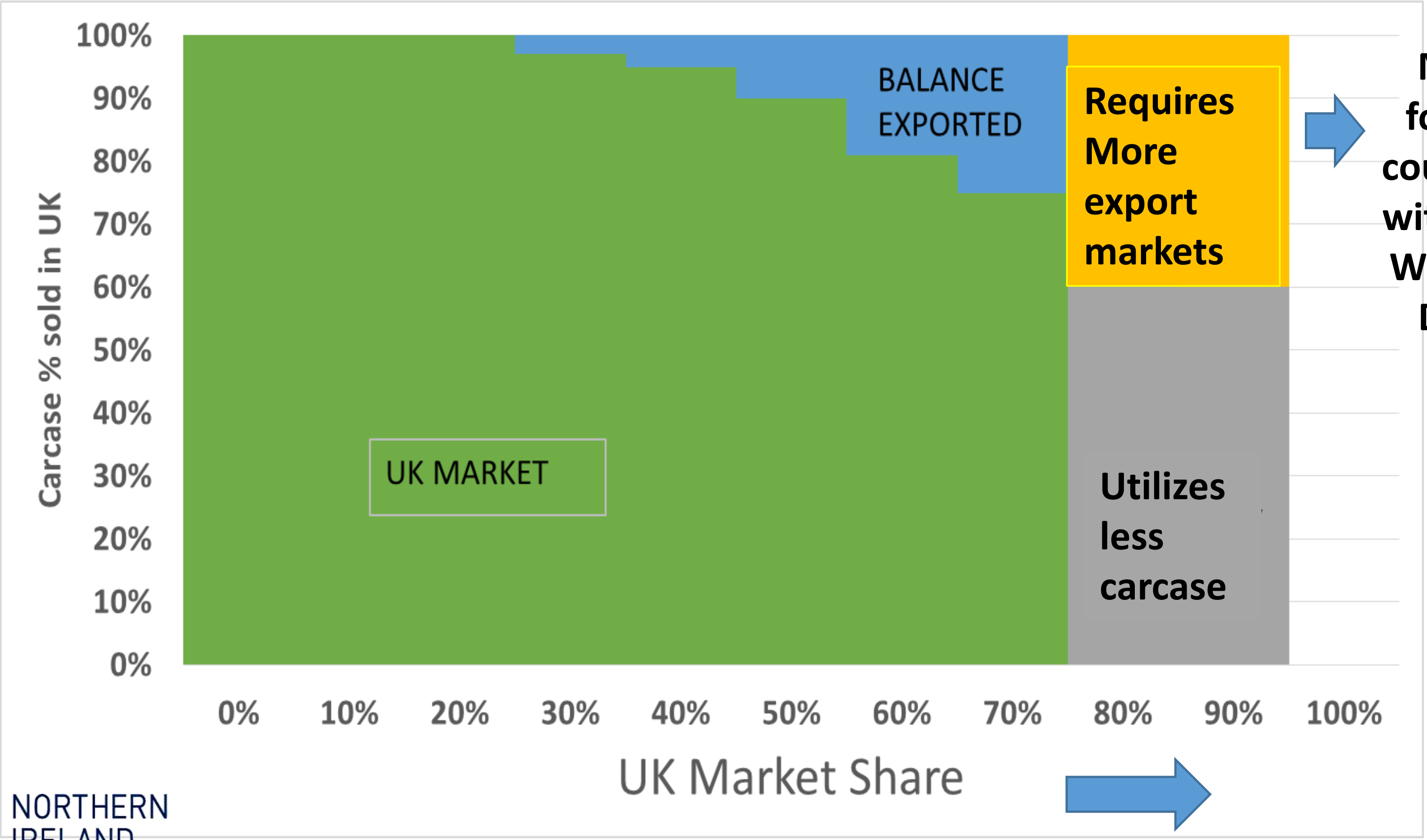
Understanding UK Meat Market share



To Grow UK Mkt Share

Understanding UK Meat Market share



Main focus - countries with Non Western Diets

To Grow UK Mkt Share

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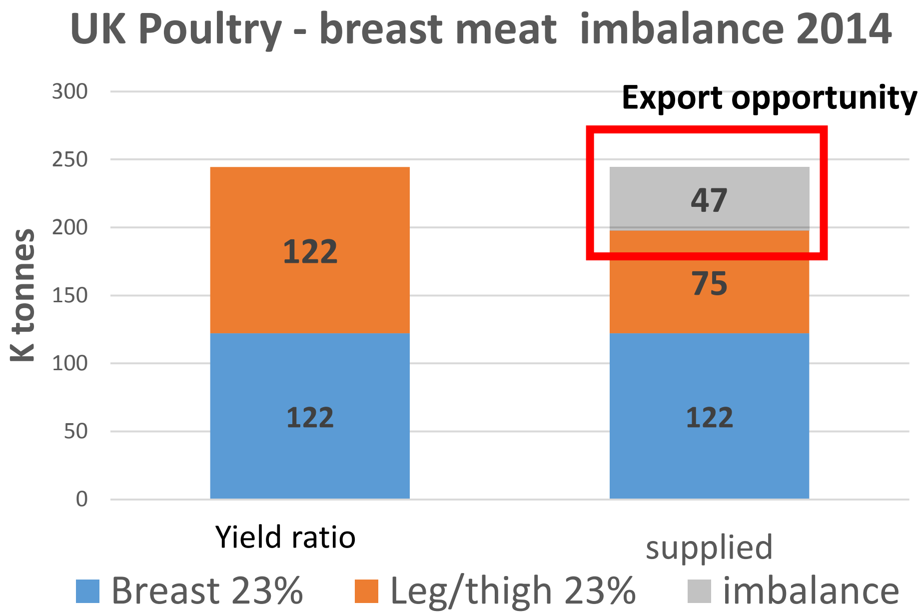
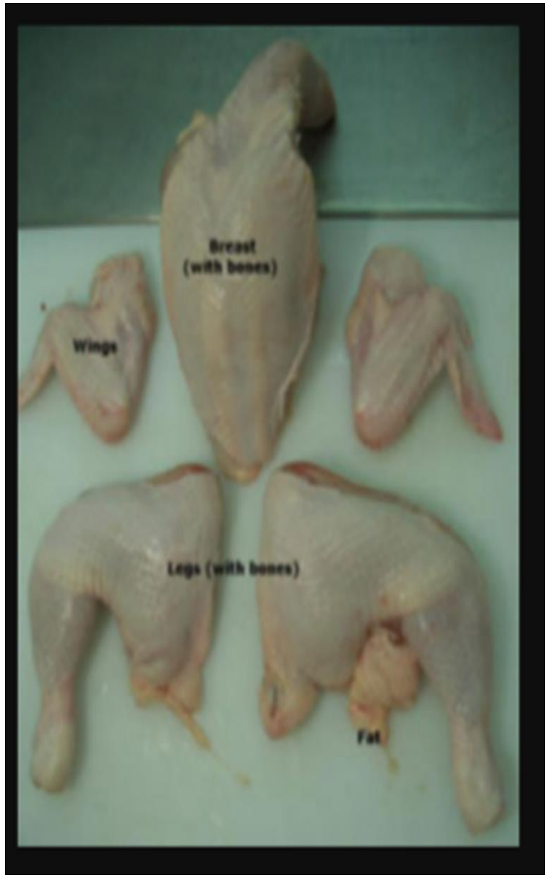
Carcase utilization imbalance requires third market (Example – chicken)





- **UK approx. 60% self sufficient in breast meat**
- **To get to 100%, need 47KT export market for the brown leg meat UK market does not want.**

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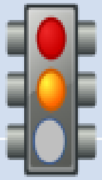
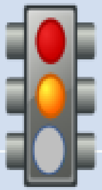
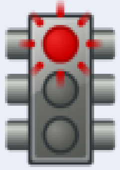
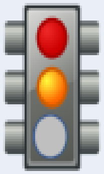
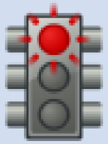
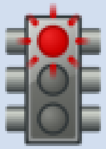
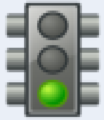
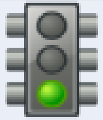
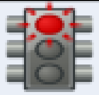
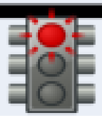
Brexit Scenario	Description	NI Border	NI Economy
Customs Union	1 Tariff Free 2 Unable to negotiate separate Trade agreements.		
Comprehensive Free Trade Agreement with Europe	1 Tariff **Free** 2 Border Inspection Unclear if access maintained for existing 53 EU trade agreements		
EU Trade agreement with Tariffs /Quotas	1Tariffs/ Quotas 2 Border Inspection access to 53 other Trade agreements unlikely		
No Trade Agreement	A range of scenarios: **1 WTO With tariffs:** a) WTO default (high)/ Else copy EU		
	c) WTO Singapore model (no tariffs)		

Challenges/ Solutions?:

Challenges:

- **Customs clearance at border**
  - admin (5% -8% costs)
  - Declarations (paperwork by consignment, border checks)

Solutions:

Authorised Economic Operator:

monthly declarations- data transfer to destination of load details.

Challenges/ Solutions?:

Challenges:

- **Tariff wall**

Solutions:

Cyprus solution for North- South:

- NI granted "EU origin status", i.e free access to EU for goods that **ORIGINATE** in NI
- Also where majority of parts come from EU and manuf. in NI, (NI mfg costs are considered part of the "European cost" for assessing "origin")

South –North:

- Live animal and milk exports/ imports – quota else "origin" rules into UK.

And finally, there is a way forward but..

Requires Leadership and Drive – Our Executive?:

- **To fight for a good outcome in Brexit**
- **To back an industry game plan , investing in Going for Growth business plans:**
  - Repositioning production capacities into UK mkt (Processor investment scheme)
  - Driving farm productivity (including Genomics)
  - Growing our export mkt so that we can grow UK mkt share (Mkting body)
- **Without minsters the ship is rudderless, plans that will help manage Brexit are delayed/ being cut back by the Civil Service machine and therefore our future may flounder.**

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Thank you

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