



ICMSA

Submission to the

Department of

An Taoiseach

on the Draft

National Risk

Assessment 2018

June 2018

Draft National Risk Assessment – Overview of Strategic Risks 2018

In this submission, ICMSA will focus specifically on the strategic risks facing Irish agriculture in the coming years. In this context, a background is presented before specific details of the most pertinent risks while answering the questions posed in the draft document. ICMSA believe it is essential that all risk is defined and measured with specific plans to be adopted in the event of such risk coming to fruition. Brexit is the most obvious example which should have all risks assessed and mitigation plans drafted.

Background

The Irish economy continues to perform well with strong economic growth and employment levels. Brexit risks remain front and centre and despite the proximity of the leaving date, Ireland and the EU are no closer to a final deal. Uncertainty is the breeding ground for stagnation in the decision-making process for investment and it is essential that such decisions are made to keep the Irish economy growing.

The Agri-food sector has played a hugely important part in the growth of the Irish economy over the last number of years with agri-food exports to the fore of the recovery. Irish Agri-food and drink exports increased by 13 percent to approximately €12.6 billion in 2017. It is essential not only for rural Ireland and farm families but also the national economy that this risk assessment takes account of the danger to the economic benefit and contribution of Irish agriculture particularly in a post Brexit environment.

The Irish Government and Department of Agriculture, Food and the Marine have ambitious plans for the future of Irish agriculture as outlined in the Food Wise 2025 Report which sets out a ten-year strategy for the Irish agri-food sector which projects exports to increase to €19 billion coupled with the creation of 23,000 new jobs by 2025 and increasing value added in the agri-food sector to more than €13 billion.

It is essential that there are necessary supports to ensure the continued growth and development of the most important indigenous sector in the Irish economy. Within this sector, Irish milk production has increased by almost 50% since the 2007-09 Food Harvest 2020 reference period.

Irish dairy farmers have invested heavily over the last number of years leading up to quota abolition and post abolition to a position where double digit growth in milk production has been achieved in the last number of years. This investment level has resulted in higher debt levels on dairy farms than other parts of the agri sector in Ireland. Therefore, ICMSA believes that a specific risk assessment strategy should be put in place for agriculture given the four major risks which are impending, namely Brexit, climate change, CAP Post 2020 and trade disputes.

Within the consultation process, three questions have been asked:

- 1. Have the correct strategic risks been identified or are there other significant risks that should be included?**
- 2. Should any particular risks be prioritised in light of their significance?**
- 3. Are any of the risks listed not significant enough to warrant inclusion?**

Question 1

Have the correct strategic risks been identified or are there other significant risks that should be included?

ICMSA believes that in the most part the correct risks have been selected and having attended the seminar to discuss all the listed risks, it is important that those risks which are more likely to happen and with the greatest consequences should be prioritised.

From an Agricultural perspective, the four most important risks are Brexit, Climate change, CAP post 2020 and International trade disputes.

Question 2

Should any particular risks be prioritised in light of their significance?

The aforementioned risks are a priority for the agricultural sector. ICMSA believe that all other risks are included on their own merits and warrant inclusion.

Question 3

Are any of the risks listed not significant enough to warrant inclusion?

None of the those included on the list warrant exclusion but as stated previously there are some which necessitate far more risk mitigation than others.

The three main risks facing the Agricultural Sector are as follows.

1. Brexit

There has been a long and strong relationship between the Irish Agri-food sector and the UK Agri-Food Sector with Ireland exporting significant quantities of beef and dairy products to the UK and with Irish and UK processors operating in both countries.

The following 2017 statistics from Bord Bia provide a snapshot on the hugely important relationship between the Irish and UK Agri-Food sectors and why the Brexit negotiations are so important to Irish farmers.

- UK is Ireland's largest trading partner for food.
- Ireland is the second largest supplier of food to the UK.
- 35% of food and drink exports go to the UK (€4.5 billion).
- 24% of dairy exports go to the UK (€968m)
- 60% of cheese exports go to the UK.
- 51% of beef goes to the UK.
- The United Kingdom imports almost 40% of its food products.

At present, outside of bilateral deals, there are varying tariff rates across sectors assigned by the WTO, the tariff faced by each country depends crucially on the pattern of products traded and the WTO tariff level will be implemented in a no deal scenario.

Quite clearly, all sectors are at serious risk and determining the extent of that risk at this stage is pure speculation and dependent on the Brexit outcome and future policies adopted by the EU and the UK Government.

Brexit Risks

a. Maintenance of the Regularity Alignment:

This is a critical issue for the Agri-food sector which depend on access to the UK and EU markets. The single market between Ireland and the UK has brought many benefits for producers and consumers in both countries and has led to significant co-operation and processors operating in both countries. The final deal on Brexit and where Irish products stand could be the difference of

€4.5 billion worth of products being displaced and the prospect of a major shock to the agri food industry.

b. On-Farm Challenges:

Brexit has the potential to pose serious on-farm challenges for farmers with land on both sides of the border. It presents challenges including transit of cattle across the border, Basic Payment Scheme challenges and Nitrates issues which will need to be addressed.

c. All Ireland Health Status:

Co-operation on animal health issues between North and South has been hugely important in recent years. The fact that Brucellosis has been eradicated from the island of Ireland points to the significant benefits and importance of co-operation between the two jurisdictions. Post Brexit, it is essential that this co-operation is maintained and enhanced.

d. Transit Across The UK

The UK is not only a hugely important market for Irish food produce but a significant amount of product transits through the UK to continental EU. It is important that trade arrangements allow this transit to be retained in the most efficient way possible.

2. International Trade Deals and Trade Wars:

The on-going climate of trade wars could have a serious effect not only on the Irish economy but particularly on the Agri-food sector. Most recently both Canada and Mexico have been drawn into this tit for tat scenario with the USA and have used agricultural products as collateral. With an ever-volatile international trading market for dairy products due to swings in supply, an extra variable into this volatile mix could cause serious implications.

Additionally, at present, EU trade deals are based on 28 Member States and the population of 28 Member States. Post Brexit, the number of EU consumers will fall by 64m. ICMSA believes that current deals must be revised to take account of the new scenario and secondly, current negotiations with Mercosur must take account of Brexit. As a major exporter of food, this is crucial issue for Irish farmers.

3. Climate and Sustainability

ICMSA believe this issue is critically important within the context of national legislation, to accommodate the changes that will be required for Ireland to meet its obligations regarding internationally binding commitments and likely future commitments in the decade 2020 to 2030.

There are demanding 2030 reduction targets allocated and Ireland has signed-up to stringent reductions and the importance of agriculture in terms of emissions could have major downside risk in terms of competitive advantage and ultimately survival of the rural economy. ICMSA feel there is a disjoint in the policy development process and action. The crucial concept that climate mitigation policies and action must not undermine sustainable food production, this has not been fully translated into actual formal recognition when national targets were set which are internationally binding. ICMSA believe that balancing the environmental objective of reducing greenhouse gas emissions with the economic and social objective of promoting the sustainable development of the rural economy is critical.

In addition, it is important to distinguish between sustainable food production and sustainable optimum development of the Irish agricultural and land use sector. One can have sustainable food production where the output is very low and sub-optimal. The critical matter is how to achieve sustainable food production and optimum levels of output.

4. CAP post 2020

ICMSA believe that CAP post 2020 proposals recently published outlined plans for that will result in significant real term reductions in the direct payment to Irish farmers, which could have a detrimental effect on the fabric of rural Ireland. Those payments will be taken away from active farmers. The removal of a significant part of direct payments would be a major negative for the rural economy as farmers have been shown to contribute a greater multiplier effect than other sectors. The nominal reduction in the CAP budget of 5% will reduce farmers' incomes substantially at a time where there are elevated levels of risks associated with Brexit to the agri-food sector.

In conclusion, there are many risks facing our Island and ICMSA have outlined those which we believe are crucial to the agricultural sector given our expertise in that area. We believe that the Agri-Sector should warrant a risk assessment strategy in its own right given the enormous uncertainties that will be faced in the coming years.