



Northern Ireland
Assembly

Committee for Agriculture, Environment and
Rural Affairs

OFFICIAL REPORT (Hansard)

NI Business Brexit Working Group

3 September 2020

NORTHERN IRELAND ASSEMBLY

Committee for Agriculture, Environment and Rural Affairs

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Members present for all or part of the proceedings:

Mr Declan McAleer (Chairperson)
Mr Philip McGuigan (Deputy Chairperson)
Ms Clare Bailey
Mrs Rosemary Barton
Mr John Blair
Mr Maurice Bradley
Mr Harry Harvey
Mr William Irwin
Mr Patsy McGlone

Witnesses:

Mr Michael Bell	Northern Ireland Food and Drink Association
Mr Aodhán Connolly	Northern Ireland Retail Consortium
Mr Wesley Aston	Ulster Farmers' Union

The Chairperson (Mr McAleer): I welcome, via StarLeaf, Mr Aodhán Connolly, director of the NI Retail Consortium, Mr Michael Bell, executive director of the NI Food and Drink Association (NIFDA), and Mr Wesley Aston, chief executive of the Ulster Farmers' Union. I invite the witnesses to make their presentation, after which members will ask questions.

Mr Aodhán Connolly (Northern Ireland Retail Consortium): Thank you very much for the opportunity to talk to you today. At the start, I will just put on record my thanks to the Committee staff. With illness and other issues recently, I was like the Scarlet Pimpernel and I was hard to pin down, so I would like to thank them for their patience more than anything else.

I am the director of the Northern Ireland Retail Consortium (NIRC). I am also the convener of the Northern Ireland business Brexit working group (NIBBWG), which was set up at the end of last year, when the withdrawal agreement was going through Westminster, to try to get some amendments and pool our concerns about what leaving the EU will mean for Northern Ireland business and consumers. Since then, we have written several papers and had meetings with the EU; Michael Gove, the Chancellor of the Duchy of Lancaster; the Irish Government; and everybody in between.

Recently, the UK Government brought out their command paper for what will happen with Northern Ireland after the end of the transition period. In response to that command paper, we put together 67 questions, the majority of which have not been answered. Obviously, with Wesley and Michael, you have from farm to fork here — literally — and they will be able to go into their particular areas of

expertise. One of the things that was very clear when we started off on this journey was that it was about not just the retail industry but the Northern Ireland consumer. In fact, our Brexit campaign was called 'A Survey for Consumers'. Northern Ireland consumers have about half of the discretionary income of Great British households. At the moment, in Great Britain, £215 per week is left over after all the big bills are paid. Here in Northern Ireland, it is £119, so, it is just about half. That means that we cannot, as a community here in Northern Ireland, afford cost rises that come with frictions, and neither can the retail industry; we have very high volumes and very low profit margins, so even small amounts of cost increases can have a severe effect on the bottom line.

We are still asking for lots more detail from the British Government. We are still asking for a lot more generosity of spirit and movement from the EU. We have always said that there is a very simple equation: if the new costs are higher than the profit margin, either the product or the business model will become unviable. Up to this point, we have been talking about what products are going to be unviable. Now, a lot of retailers and other businesses, and even our suppliers, are looking to find out not what they have to implement but whether they will have a working business model come 1 January.

There has been some good news with the creation of the Trader Support Service, which is great. It is finite, but it is good for that very short time frame. It helps with customs and customs procedures. However, it does not do everything that is needed. We still have some really big concerns. For example, the new customs system — the data modification requests (DMRs) system — will not be ready to be rolled out and beta-tested until November. That leaves us with about six weeks to get it up and running for each of the retail members, from the biggest to the smallest, and every other industry as well.

We have huge problems — Michael shares this concern as well — as far as labelling is concerned. Usually, if you are changing something on 1 January, you have the label signed off and starting to be printed in August, so we are already behind. The closer we get to the deadline, the more it is going to cost to get ready. Quite simply, we do not even know what needs to be on those labels yet.

We do not know about things like VAT and how that is going to work. We do not know about dual accounting. Again, more friction equals cost. The biggest issue for us when it comes to bringing food in and keeping people across Northern Ireland fed is export health certificates (EHC), which are needed for things like products of animal origin. Basically, it says, "This is fit for human consumption. Here's the provenance. They're good to go". At the moment, those cost about £200 in GB. We would need over 200 per load. All of the loads *[Inaudible]* that come for retailers in Northern Ireland are composite loads, which means that they are made of lots of different items. You could have up to 300 or 400 products of animal origin, each of which will need a separate export health certificate. You can see that that will incur a huge amount of cost unless we get some sort of derogation from the EU or some sort of technical or other solution from the UK.

There are some other things that, quite simply, at the moment, you cannot even get an EHC for. These are things such as seed potatoes or types of flour, which we do not actually make here. Michael can go into that in greater detail. It includes non-frozen prepared meats, such as mince and sausages. When you talk about those sorts of things, it is not just about the cost. It is about overall affordability, the cumulative burden on the Northern Ireland consumer and the choice.

You have to remember that we already have between 12 and 18 hours less shelf life than they do in Bolton or Birmingham, quite simply because there is longer to go, but if there are delays because this paperwork is not done properly, it is not as though you miss your ferry by 20 minutes and just get the next ferry. With the way retailers work, you will have missed your picking bay for the day. That means that a store will go with whatever is there. That could lead to things not being on the shelf. As we have seen during the COVID situation, that can lead to severe shortages very quickly, as word of mouth goes on. It has highlighted that just-in-time supply chains are hugely time-efficient and money-efficient, but they are hugely fragile as well.

I will finish off by saying that we have a lot of questions that need to be answered in a very short time frame. As a working group, from the biggest guys to the Federation of Small Businesses (FSB) and all our other members, we are committed to working together to make this work. It is not the best situation for us, but we will continue to fight on and bring these messages to whomever needs to hear them.

Mr Wesley Aston (Ulster Farmers' Union): I suggest that Michael comes in next, because, working from the consumer backwards, that would leave me, as a primary producer, until the end. Over to you, Michael.

Mr Michael Bell (Northern Ireland Food and Drink Association): Thank you, Wesley and Aodhán, and thank you, Committee, for the invite.

This is a huge subject. I have a presentation about this that is entitled 'Know your onions!', and it is called that because, like an onion, this has layer after layer after layer of complexity, and every one of them has the potential to bring you to tears, quite frankly, given the disruption to business and trade that they could engender.

I will start by plugging a paper, which the UFU and NIFDA have endorsed, that is entitled 'UK Food and Drink: Building a Path to Recovery'. That paper sets out a lot of the issues that Brexit will flag and that have been exacerbated by COVID. To contextualise what we are going into, the "eating ecosystem" is a phrase that I champion, because you cannot disaggregate food farming from processing from retailing. We are part of one system that supplies food to the consumer. That system is currently very challenged by COVID-19. There is a misperception that everything is as normal. It is not, and significant parts of the industry are under significant strain. Indeed, the Minister of Agriculture had to step in recently and, rightly, help farmers on that exact front.

We then have Brexit, and, as Aodhán correctly outlined, we have more questions than answers on that. Indeed, just yesterday, I heard another one, Aodhán, which will be new to you — it was new to me — and that is that the UK format for nutritional labelling could become illegal in Northern Ireland on 1 January because it will not be accepted in Europe, depending on how the deal plays out. This is just another one. We already have separate veterinary marks agreed. We will become "UK (NI)", and foodstuffs in GB will be "GB" marked, so we will distinguish between foods from Northern Ireland and foods from GB.

Another point that I want to make is that there is a perception that this is just a Northern Ireland issue; it is not. Any GB supplier that supplies food into Northern Ireland will effectively now have to become a European exporter in order to supply the largest of Aodhán's members who operate in Northern Ireland and, in fact, throughout Ireland and GB. This is going to affect trade throughout these islands.

There are specific problems in the areas of flour, red meat and many facets of labelling. The principal thing that we need at this point is some degree of clarity. That clarity is already too late, as Aodhán has said. Many foodstuffs that we produce are very fresh with very high integrity and have, mostly, a very short life. They come mostly, it has to be said, from family businesses. Those foods are, by nature, very fragile because they have a short life and they have to be fresh and they have limited margins. However, we also produce some foods that have a longer shelf life — six months to a year — and those are already packaged. Those are already sitting in warehouses getting ready for Christmas. The last comment that I will make at this stage is that, if you are going to make the biggest change to the agri-food system in living memory, Christmas is the worst time of year to try to do it.

Mr Aston: OK, thanks, Michael. May I come in at this stage, Chairman, just to square the circle from our supply chain point of view? From a primary producer angle, although we have issues with the movement of goods from GB to Northern Ireland, our key focus is on the movement of goods in the other direction, from NI to GB. All the discussions and questions about trying to get clarity on definitions such as qualifying businesses, qualifying goods, transit routes to GB, and whether they are direct through Northern Ireland or whether transit is via the Republic of Ireland from Dublin into England are, as yet, unanswered. We had meetings collectively with the joint customs consultative committee that was set up by HMRC and the Treasury on 11 and 12 August around the business guidance and the Trader Support Service. Having said that, we have had nothing since. We understand that legislation is being put in place to guarantee unfettered access for NI into GB before the end of the year, but this is now the beginning of September and we are still not clear on that, so there are certain issues there.

The UK Government had a very short consultation on the operation of the internal market, which, again, obviously, we have lots of questions about — the key one being around how it interacts with the protocol. Issues such as non-discrimination and mutual recognition will be key issues going forward. Again, it depends how all those play out. Over and above that, then, not only in terms of the GB market, how will Northern Ireland play its role in future trade arrangements? Will it be via the UK or the EU, and how will we interact with those going forward? Again, as we speak, that is unclear. Certainly, at present, the UFU and I are involved in various government groups, including the Trade and Agriculture Commission and trade advisory groups, which are now getting involved in discussions around standards of imports and trade deals with third countries. Again, however, those are at a very early stage.

In all of that, I have not mentioned tariffs yet. Tariffs are a very big issue and, depending on the sort of trade deal that the UK does with the EU and, indeed, with other third countries, there will be major issues for Northern Ireland because we might, potentially, have to collect the tariffs coming into Northern Ireland, which will be part of Europe, and we may get rebates on those things. Again, that is not clear, and the definition of an at-risk product has to be resolved as well. There are lots of issues there, but that is probably enough from me at this point to set the scene as the final piece of the jigsaw.

The Chairperson (Mr McAleer): Thank you for that, Wesley. I thank the three of you for this morning's presentation. I just want to pick up on something Aodhán said about the Trader Support Service. Can you elaborate on that a wee bit? I suppose what I am concerned about is what would happen if some sort of trusted trader scheme came in here. I know that we talked about, I think, a green channel in the past. That would benefit the bigger supermarkets. Are you concerned about the implications for smaller businesses that would not be able to benefit from that or employ consultants or Brexit specialists?

Mr Connolly: The trusted trader scheme and the Trader Support Service are two different things. The Trader Support Service is for anyone and is especially aimed towards smaller guys. There is £200 million, plus £150 million for technology, to remove the need for customs procedures. Basically, it will create a free-at-the-point-of-use customs system, and even the smaller guys will not have to do all the paperwork or all that really bothersome customs stuff such as finding tariff codes and that sort of thing. That will be done for them. That is finite and is only for two years. There is also a need to build capacity. Even the big guys have never done that before and are not importers or exporters as such. It is a brand new world for everyone. When they usually get stuff, it is already duty paid and all the other good stuff has been done.

The trusted trader scheme is separate. We cannot really use the words "trusted trader", because they mean several different things to several different people. What we have been trying to say is that it is an auditable, certified supply chain with a green channel. I know that that sounds like semantics, but the tradespeople are probably screaming every time they hear "trusted trader scheme". Things like authorised economic operator (AEO) schemes are already in place, which are trusted trader schemes, but that is not what the Government are looking at. What they are looking at is, first, to keep the populace fed with all those things that we do not actually grow or make in Northern Ireland, which is quite a bit. That was a key priority for them. Some 70% of the value of everything that comes from GB to Northern Ireland is for retailers' shelves. The thought process is that it will, first, keep people fed and clothed and, secondly, free up the ports so that there are not delays for other people and they are able to deal with other things if the majority of the stuff that is not seen as being at risk and that can be certified and auditable is removed from the process.

We have not seen any detail from the Government on that. In the House of Commons yesterday, in response to a question from Sir Jeffrey Donaldson, the Secretary of State outlined slightly more about this retail solution, but that is the most that we have heard about it. We have not seen any of that detail, and we look forward to seeing it. What we have said is that, if there are people who are supplying — not just the retailers themselves, but people who are part of that supply chain — we can look at widening it out. It is not about cornering a market or trying to get an advantage; it is about trying to make things continue to work. As I said in my presentation, our priority has always been a fair deal for Northern Ireland consumers and making sure that there is the same affordability and choice for them. With my Brexit working group hat on, we have said from the start that no industry or sector should be left behind. That is a key principle that we will stick to. If there is something that comes in on one side, we will very much push to make sure that there is a wider solution that suits everyone's needs.

The Chairperson (Mr McAleer): Thank you, Aodhán. I will pass to other members.

Mr Irwin: I thank the witnesses for their presentation. As has been said, there are a lot of unknowns. Given that negotiations could go to the wire and no one knows what way it will end up at the end of the day, is it not almost vital that there is a further lead-in period? Things cannot just change on 1 January and say, "Look, we're just changing everything like that". It is vital, and I have heard this mentioned, that there has to be a six-month lead-in period. Is that possible or going to happen?

Mr Connolly: The problem with that is that it is above our pay grade. We can ask for it, certainly, but it is up to the EU and the UK to decide that. It cannot be done unilaterally because, for all intents and purposes, we will be administering the new customs code and the single market regulations. It is not

up to the UK to do it unilaterally. There was a chance of an extension to the transition period. I think that the word "extension" left a bad taste in a lot of people's mouths. You are absolutely right. If you look at what GB is able to do, what it has done is a sort of phasing-in approach over six months of the different changes, which it can do unilaterally. We do not have that ability. Honestly, I do not care what you call it, should it be a transition, bedding in, adjustment period or whatever. Given even the issue of labelling that Michael and I mentioned, usually it takes four or five months to make labelling changes. Really, we need something to cushion this blow. Change is going to happen. We are leaving the EU; this is happening. If we just had a cushion or a parachute or whatever you want to call it to make it a bit easier, that might be useful, but that is going to be up to the EU and the UK to agree jointly.

Mr Irwin: I would have thought it very important for the EU and the UK to come to some arrangement. Given that the negotiations may go to the wire, and it may be December before we finally see what colour it is all going to be, I would have thought that dropping off a cliff on 1 January will not work. I think that it is impossible, so I am hopeful that there will be some sort of lead-in period. There has to be. Is there any view from Wesley or anyone else on that?

Mr Bell: You raise a very good point. All of us, certainly NIFDA, have been working incredibly hard with London colleagues and, indeed, Irish colleagues to try to get clarity on this. I am sure that the same is true for my colleagues. We have been doing that individually and collectively. I will give you an illustration of one tiny example. Members may or may not be familiar with ISPM 15 pallets. These are pasteurised or heat-treated pallets. The purpose of that is to stop infections and creepy-crawlies coming in on those pallets. They are mandatory by law coming from third countries into the EU. They will become mandatory in law coming from GB into NI. Currently, there is not a capable supply of those in GB. There are about 600,000, and the demand is expected to be more than one million. There is a very good example of something that is cast in law. We do have clarity on that. They are going to be required. They will not, by the way, be required for Northern Ireland goods going to GB, because we are effectively exporting out of the EU. How is that going to be complied with when they simply physically are not there come 1 January and we do not have derogation?

The other comment that I want to make is to encourage the Committee to view NI to GB and GB to NI as part of an equilibrium. Aodhán's members supply, on a big store, about 30,000 SKUs — stock-keeping units or individual products. My members supply about 4,000 of those. The balance between goods in and goods out is very important, because it drives logistics costs and our ability to export Wesley's members' excellent products, which we have put in packages, to the good folks of GB. There is an equilibrium there, and a disturbance in that equilibrium will affect both directions. There needs to be an overview of this complex system, and I know that that is time-consuming to get on board.

My final point on this piece is that we do not want frictionless trade at the cost of integrity. There is a balance to be struck here in maintaining a robust, high-integrity system where we can guarantee to our customers — Aodhán's members — that there is legal, proper, high-integrity and high-quality food. We should not introduce a set of derogations that is unmanageable and creates problems that would damage our reputation, and indeed that of our colleagues in the Republic of Ireland.

Mr McGlone: [*Inaudible*], everybody, and go raibh maith agat, Aodhán, for your input and for all your extremely valuable good work on this issue. Regularly, we have to call on yourselves for informed opinions, and I have to say that that is what we get. Probably, as we are now talking about extensions and the likes, those who called for taking back control are finding out that the controls can be elsewhere. That is all I will say about that.

Let me explore some things because there are issues around the edges that I would like to find out about, some of which you have not mentioned. For example, an integral part for the likes of, say, Wesley, is that some of the materials that come here come from the EU mainland. They feed, literally, into the agri-food sector. I am concerned about that and would like to get a bit more information.

The second thing is that another key element of the agri-food sector is labour. Are there any attendant issues that have been flagged up or flushed out there?

I am glad that Michael brought me into the third thing, because I was not going to raise it, necessarily, in this session, but it has major implications. That is the high integrity and high quality of our food sector. I am moving slightly, but it has major implications for us: any implications or protections that had been sought by yourselves from the UK around the integrity of our food markets and our food qualities, particularly when the UK is engaging in a trade deal with the USA.

Mr Connolly: I suppose I will take the one about US trade and get that out of the way, and then you can take the labour issue, Michael, because it affects you more.

With respect to US trade, there are horror stories of chlorinated chicken, hormone beef and that sort of thing. However, it has to be remembered that, as we administer the EU single market, those new products will not be able to come here. We are making sure that they cannot bring that in, because it goes against what the EU says. The other side of things is that, if cheap chicken and beef comes in, it will affect Wesley's guys more, because it is the competition rather than the standards that will be affected. The chances of it coming in here and having an ill effect on our consumers is very low, but the chances of it having a competitive disadvantage for Northern Ireland farmers if cheap stuff floods the UK market — that is where the big problem is.

Mr Bell: I will jump in there, if I may, Aodhán and members. The threat of reducing the price floor in the GB market is a bigger threat than Brexit itself in what it could do, effectively, to our way of life. The point that has not been effectively communicated to consumers is that we have a set of policies, to date written by the EU, which govern animal welfare and environmental standards, and those all affect the cost of our food. We can certainly bring food in from other parts of the world cheaper on different standards, but they are not the same policy costs. We have not communicated to consumers why we have those policy costs and how valuable they are to maintaining our landscape, our animal welfare standards and the things that we value. I think we need to do more on that front.

On the labour issue, we are very concerned about the cost. The Government have set a very high bar for migrant labour going forward. Migrant labour is a very important part of Northern Ireland food and drink processing. Approximately 50% of the workforce is migrant. That mix may change going forward, but it will take time to change, and it will take support and effort. At the minute, the Government are putting a very high bar to get migrant labour and are putting a high cost with it. We have made representations to the Migration Advisory Committee (MAC) on that. It is worth saying that agri-food comprises nearly 100,000 jobs in Northern Ireland. In fact, it is probably more than that as an ecosystem. That ecosystem is animal feed, farming, farming supplies, cold stores, food processing, food packaging and, of course, retail. I encourage the Committee to view that as a joined-up ecosystem and not disaggregated pieces, because our largest company in Northern Ireland starts with the import of animal feed and goes through many farmers before it finishes as hundreds of products on Aodhán's members' shelves.

Mr Aston: Patsy, before I answer your question on products from the EU, I want to pick up on what Aodhán and Michael have said on the integrity point. That is absolutely essential for us all, because, if we get this wrong, we can forget about everything, basically. There are two things. One is the actual UK import standards. I mentioned in my opening remarks that a Trade and Agriculture Commission has been set up by the Department for International Trade, and our UFU president, Victor Chestnutt, sits on it. It has a six-month lifespan to produce a report that will go to Parliament by the end of this year, hopefully, for consideration. There are obviously discussions around making sure that the current Government keep to their commitment and what they have outlined in the trade deal negotiations: that they will not lessen our standards on animal welfare and the environment. We have to hold them to that. We could not get legislation through in either the Agriculture or Trade Bills, although the process is still ongoing, but I think that the Trade and Agriculture Commission has heightened the profile of the whole thing from the point of view of the consumer and the general public. We want to make sure, as Michael pointed out, that they understand why we do what we do and the cost associated with that.

The other one is the back door that we are concerned about through Northern Ireland into the GB market from wherever, including from Europe, where the standards are largely the same in any event and are likely to be so. There are concerns about what that might mean, not necessarily for the integrity of that market but for the volumes and the price impact that that may have. I know that our colleagues across the water are watching us very closely on that front, but the point about integrity is absolutely critical, as I think everybody agrees.

On the point that you raised about transit of EU products through GB into Northern Ireland, we hope that that should not be an issue. There are ways and means of doing that. People who know much better than I do understand that that can be deliverable. The Republic of Ireland is in a similar position, and I understand that it has some sort of a deal negotiated where those products can transit through GB without having to be stopped or opened.

Mr Bell: On your point on an illustration of the integrity issues, organic foods are currently certified by a group of bodies in the UK for UK products. There are about five or six organisations that do that. They have a reciprocal agreement with European organisations that do organic foods in Europe. Who exactly Northern Ireland organic foods are going to be regulated by on 1 January is currently uncertain.

Mr McGuigan: I had a number of questions, and most of them have been asked by this stage. I thank the witnesses for the presentation; it was very useful, as was the briefing that the Committee got prior to today's meeting. You have identified the key questions for us in our work. I was going to ask the question on immigration, but Patsy beat me to it.

Aodhán, you talked about the Trader Support Service. Obviously, that is a welcome development, but it does not cover all the things of importance to our businesses, such as anticipating the costs of sanitary and phytosanitary (SPS) checks, health certificates and a new VAT regime. What kind of impact financially is that going to have on the operation of businesses?

Mr Connolly: Across the eating ecosystem that Michael referred to — you should trademark that, Michael — there has been a real drive for leanness and efficiency over the past 10 years, which has been great for consumers but terrible for profit margins. That means that we are all working to try to make as much volume as possible with a low profit margin to allow us to remain profitable. It does not matter whether the costs are 1% higher than the profit margin or 1,000% higher; if you are unprofitable, you are unprofitable. While the Trader Support Service is going to remove some of that customs friction, which will be particularly useful for those people who are shipping ambient goods, manufactured goods or clothing and that sort of thing, as you quite rightly point out, it does not deal with export health certificates, VAT, new labelling and all that sort of thing.

The supply chain will always take the path of least resistance. We have to remember that there are only 1.9 million people here, and while our economy and our communities are all that we have, for some businesses — I am not just thinking of retail, but across a lot of industries — I have heard it described as a rounding error. So we need to make sure that we continue to be a profitable market for people to trade in. For us to do that, we need to keep those costs down. That is why the business Brexit working group pulled together those 67 questions, the majority of which — I think 60 of them — still need to be answered. It is not just about finding out what the new things are that we need to comply with, it is about finding out whether the new costs outweigh the benefits of trading here and whether we are going to have to look at other markets for NI produce that is heading out. Quite simply, unless we get all of the detail — we have asked the Westminster Government for technical solutions and detail, and we are asking the EU for a generosity of spirit to allow those derogations and mitigations to happen — there are going to be significant cost rises. Until we get that detail, we do not know whether that will make it prohibitive to either import to or export from Northern Ireland.

Mrs Barton: Thank you very much, gentlemen, for your presentations this morning. I want to ask a couple of questions; one on the at-risk goods and another on the trade deals that are going on. I will start with the trade deals. Do any of you know, or am I asking a question that nobody can answer, whether Northern Ireland can continue to avail itself of the current EU free trade deals with third countries?

Mr Connolly: We can continue to use the third-country ones that are there at the moment. There is a question over whether we can be part of new EU trade deals. That is something that we are getting very mixed signals about; we are being told by the EU that it is not possible, we are being told by the Irish Government that it may be possible, and we are being told by the British Government that they simply do not know and that it is up to the EU. There is a lot of conflict there. It is one of the issues that falls within the 60-plus questions. Due to the competitive advantage that it would put us at, I assume that some people would not want us to be part of those new EU trade deals. As things stand, we will continue to avail ourselves of the current EU deals. There are new deals in the offing, so that is something that will need to be clarified very quickly.

Mr Aston: Before we move on, I want to comment on the trade deals. There is an issue about whether the goods qualify if they contain non-Northern Irish product and non-UK product. It goes back to the labelling issue. There is another party in all those discussions — a third country — and it can take a decision on that. It is, therefore, unclear at this point. We are told by the UK Government that all the existing arrangements and continuity deals will roll over, so they are saying that we do not need the EU's arrangements because we have theirs. Going forward, with regard to the UK and EU deals, we

simply do not know. Labelling and the product mix in an individual product are live issues, and they are anything but clear at this stage, unfortunately.

Mr Bell: I echo my colleague's comments. It is almost foundational. Underneath all of this, we are not clear on which set of customs union rules we are going to apply. NIFDA has been working hard on this, but we do not have clarity on what is a Northern Ireland food product to which the protocol is going to apply, and what is a Northern Ireland food business. We think that we have answers to those questions that are workable and have integrity, but the definition is mission critical because, depending on the tariff and the customs outcome that we end up in, it will become a go/no-go for businesses, farmers and food products.

Mrs Barton: Thank you. My second question is on at-risk goods. At the minute, the role of the Joint Committee is critical in determining what will be classed as at-risk goods for entering the EU single market. What process will the Joint Committee use to determine at-risk goods?

Mr Connolly: This is unbelievably overly complicated. A specialised committee will feed into the Joint Committee and the Joint Committee will then make a recommendation. There are different talks going on at the same time, even about free trade agreements (FTA). One must remember that if there is a free trade agreement with the UK and the EU as far as tariffs and quotas are concerned, a lot of this will go away and will not be needed. However, there is an inherent friction in the protocol, because article 5(1) states that EU customs tariffs will be applied only to goods that are at risk of going into the EU single market. However, article 5(2) states that everything is at risk until it is proven to be not at risk. So, there is an inherent friction.

If you look at what has been said in the specialised committee and what has been done in the Joint Committee, up until now, you will see that they are very much aware of the fact that this is something that needs to be solved very quickly. Their hands are pretty much tied until there is more movement on the free trade agreement and various mitigations are looked at. Put simply, it is very complicated; it is a waiting game. Businesses and the whole eating ecosystem need to get clarity, sooner rather than later. The longer that this goes on, the more painful it is going to be.

Mrs Barton: If there is no agreement, there is going to have to be an arbitration process. How do you envisage that process?

Mr Connolly: It will be more than an arbitration process, and a process will be gone through before we get to arbitration. All the tariffs will be paid on goods coming into Northern Ireland territory. All our guys will [*Inaudible*] customs code. You have to remember that this is not just about, "Here's what we have". Each of those products will have a different tariff code, which will have to be put in. We are, therefore, talking about new systems, man-hours and costs. If they have to pay it on everything that goes in, they will have a system whereby they try to claim a rebate, and they will have to prove that it did not go into the South but was sold in Northern Ireland for Northern Ireland consumers.

We do not know what that process will be. We do not know how long it will take. We do not know what the evidentiary burden will be. If we have to wait for the money to come back, that will provide cash-flow problems at a time when there will be increased costs anyway. The basic process is that, if there is no agreement, everything is at risk. We then pay the tariff and try to reclaim it. That process has not been outlined and neither has the evidentiary burden for how we reclaim tariffs that have been paid.

Mr Aston: Chair, may I come in there? Obviously, the UK Government have their own position, and they outlined that in their paper on the protocol. I will just read from it:

"Only those goods ultimately entering Ireland or the rest of the EU, or at clear and substantial risk of doing so, will face tariffs."

That is one side of the argument, one side of the negotiations.

Mrs Barton: Thanks.

Mr Harvey: Thank you, Aodhán, Michael and Wesley. This one is for Aodhán. You said that some products would become unviable with new costs. Would it be possible for you to give me an example of which products you have in mind or are thinking of?

Mr Connolly: It literally could be anything. It has less to do with the type of product and more to do with what the profit margin is. You have to remember that, until quarter 4 of 2018, there had been five years of price deflation. That was absolutely great for consumers — the shopping in their basket was cheaper — but the competition and the price moving downwards really put pressure on the supply chain. When I started in the industry, which seems like a lifetime ago, the average profit margin on the stuff in supermarkets was sitting at around 3-5% or 4%. Now, it is somewhere around 1-5% or 2%. During COVID, because of increased costs, extra staffing, extra PPE, social distancing and a drop in footfall, some retailers were operating at a profit margin of less than 1%. It has less to do with a particular type of product. It will affect the sorts of things that already have a very low profit margin, so it will be the staples, not luxury goods. That will affect those people who are most economically vulnerable, and that is particularly concerning to me.

Mr Bell: May I expand a wee bit on that, Aodhán? There is a misunderstanding of the word "tariffs" when applied to agri-food. Normally, the purpose of tariffs on agri-food is to stop trade; it is not simply a balancing tariff. Most agri-food tariffs are north of 20%. The margin on food is typically, as Aodhán says, 2% to 3% for processors and 1%, 2% or 3% for retailers, so the margins are not there. It then becomes a binary decision, and trade ceases with a tariff on that good. I say that some tariffs are 20%; I know of one significant tariff that may impinge directly on Northern Ireland that is currently 65%. I do not know too many consumers who would want to pay 65% more for a foodstuff and would not make the decision to go to something else.

Mr Harvey: Thank you.

Mr Blair: I, too, thank Wesley, Aodhán and Michael for all the work that they have done on behalf of suppliers and consumers alike. I have a few questions, although some of them have been covered, so I will ask a broader question. Given the remit of the Committee, can those in attendance tell us what the working relationship with the Department is like on these issues? Are you getting answers to the questions you have raised? Could you get more assistance? Given the concerns expressed here about general preparedness for Brexit — I have flagged a concern, as have colleagues, about the lack of infrastructure preparedness — can you give us some insight into the assistance you are receiving, if any, from the Department at ministerial and official level? I have another question that I will come back to separately.

Mr Aston: I will start with the farming side of the supply chain. The Department of Agriculture has been, where it can be, extremely helpful in trying to help us understand the situation. It, like the rest of us, does not know the parameters around which we are all working at this particular point in time. They established a trade and agriculture committee many years ago, and that met on numerous occasions and then it stopped because nothing was happening with Brexit. That committee has now started again, and a series of meetings have already been scheduled fairly rapidly. Again, there is only a point to having a meeting if there is something to talk about, and that is the concern that we have. While we are all engaged up to a point, and, hopefully, more so going forward, it is very late in the day and a lot more has to happen. The Department of Agriculture will certainly be involved in that process and will help us along the way.

Mr Connolly: We have to be mindful that the COVID-19 situation took up a lot of bandwidth. When you are working with trade and supply chains, usually the same people are working on COVID and Brexit. We have had several meetings with the Minister, who has given us an attentive ear and has been particularly interested in Northern Ireland consumers. We continue to have engagement with the Department, and that is starting to ramp up again, as Wesley has outlined. We have to be clear: there are only so many things that are within the gift of the Minister and the Department. There are a lot of things that we are waiting for the UK Government, DEFRA, the EU and others to come back with.

What would be particularly helpful would be for the Executive, not just the Department, to have a joined-up voice and set of priorities. One of the reasons why the Northern Ireland business Brexit working group got so much traction at the start of this year is that we put together amendments that were supported by all five of the main parties in Northern Ireland. Quite simply, the UK Government and the EU said that as the business community and the five parties were standing together, they could not be ignored. In very quick succession, I would like to see the Executive standing with us again on, let us say, five broad principles or things that need to get sorted before the end of the year to protect Northern Ireland business and, especially, Northern Ireland families. I am very happy to make that challenge to the Executive, and it is something that I hope we will get to discuss at the next Northern Ireland business Brexit working group meeting.

Mr Blair: OK. Thank you. We have already touched on my second question, which is about supply to consumers. Whether there is a deficit in the readiness for labelling — the clarification that you require — or a lack of movement or product from 1 January onwards, can you give us any further reassurance about where there might be a threat to our premium products from imported products if we are not ready to supply or if things are left sitting on the shelves? Is that the gap or deficit where imported products could be brought in simply to meet demand at that time?

Mr Bell: That is a very complex question to answer because there are too many unknowns at the minute. What is at risk is choice and value for consumers. You could see a diminution of choice and you could see on-costs driven by the absence of a trade deal. When it comes to what products are affected by that, you could even see the scenario where a GB supplier of a product to Northern Ireland takes a view that the Northern Ireland market has become too expensive to service because, in national terms, it is a relatively small market. My members and our local industry cannot make all those products. We specialise in making what we make, which we are very good at, but we cannot do everything. The local consumer will be the loser here when it comes to choice. I go back to my earlier comments about the very important equilibrium between what we bring in from GB into NI and what we send back to GB. It manages the costs of lorries coming one way and lorries going back the other way. To put it into some historical context, from 2008 to today, the Northern Ireland agri-food industry has doubled its turnover; we are now worth £5.2 billion. We are an industry that has grown successively since the last recession, and we are contributing a huge amount to Northern Ireland.

Mr Blair: OK. Thanks for that.

The Chairperson (Mr McAleer): OK, John? I will bring Clare in now for a question.

Ms Bailey: Thank you very much, everybody, for the presentation. You have set out in no uncertain terms the problems that we are facing in a very short space of time. We have six weeks, as Aodhán says — just a matter of weeks — until the transition period ends, and there is no clarity or certainty in so many areas. You have raised a huge amount of issues, so I have a few questions. At the start, Aodhán, you gave the weekly disposable incomes of households in NI compared with those in GB. I wonder whether Wesley has similar figures for farm incomes in Northern Ireland compared with those in GB.

Mr Aston: I can answer that, Clare. Yes, income figures are regularly published by the governments across all the regions of the UK. Typically, you will see that Northern Ireland's farm incomes, particularly because of the smaller scale of our farms, are less than those of our counterparts across in GB. Those figures are readily available.

Ms Bailey: OK. Are they on the DEFRA website?

Mr Aston: Yes, you can get them on the DEFRA website. Even our Agriculture Department has them as well.

Ms Bailey: Do you have a ballpark or an average figure for those?

Mr Aston: It depends on the type of farm that you are talking about, but typically it would be less, yes.

Ms Bailey: OK. That raises concerns, and I know that this is all about a fair deal for consumers. Aodhán said that the focus is on no sector being left behind. I am worried that our farmers are already receiving less income. We are looking at the cumulative costs to consumers by adding all that extra pricing, with labelling and certification and stuff. What is the impact on cumulative costs to our farmers here? Are we looking at a lot for them?

Mr Aston: It depends a lot on this idea of unfettered access into the GB market and whether we can participate in EU or UK trade deals. A lot of that is unknown. In theory, we should have no additional costs going into GB from Northern Ireland as our main market. So, strictly speaking, there should be no extra cost that we have to bear but, again, that is very much in the mix. We know that there are already certain things that we will have to do. It depends a lot on how our production standards, potentially, diverge going forward. We have to align ourselves to EU rules and, under the protocol, GB does not. Again, while we are starting from the same place at this point in time, if that diverges we could find ourselves being uncompetitive fairly quickly, and that is a big concern. However, we cannot put figures on that at this stage.

(The Deputy Chairperson [Mr McGuigan] in the Chair)

Ms Bailey: Yes. You rightly raised the issue of trade deals, Wesley, which are, certainly for now, firmly in Westminster's hands. I have no faith that we will not see a lowering of standards. We have already seen examples of that with the Agriculture Bill and the Environment Bill, which are working their way through Westminster. We are being asked to grant legislative consent for those Bills while they are in the ping-pong system in Westminster, but we are already seeing food and environmental standards being traded off before they are passed. If we are looking at the potential for cheap imports from other countries in trade deals, there will be an impact on our farmers, who are already suffering from lower incomes. How worried is the Ulster Farmers' Union about the sustainability of our small to medium farms in Northern Ireland and the impacts that they will be facing?

Mr Aston: From a UK perspective, if we get the wrong sort of trade deal with the EU and if the protocol has to be implemented, and then depending on how those UK trade deals with third countries go, it could be devastating for us in terms of additional costs and having much more competition in the market, as I think Michael mentioned earlier. It could be devastating. The simple solution for us is that we want the UK to have as close a future trading arrangement with the EU as it has at the present.

Mr Bell: Yes.

Ms Bailey: My concern is for the small and medium farmers, because that is about the diversification that we have here and how vital that is to the eating ecosystem, as it were.

Mr Bell: That is the truth.

Mr Connolly: Trademark.

Ms Bailey: Looking at this, the volume production is key to profit margin. If our profit margins are already so tight and so small for the producers and our farmers, what is the risk that we are set to lose —.

The Committee Clerk: We have lost her.

The Deputy Chairperson (Mr McGuigan): We have lost Claire there. Maybe you can pick up on some of the points that she had made prior to losing her?

Mr Bell: I will pick up on some of it, if I may. Both UFU and NIFDA have said in our recovery paper that we need to focus on three things: balance of trade and resilience, which is employment and productivity gains; the move to healthier diets, nutrition, energy balance and portion size; and integrity gains, CO2 environment and animal welfare. Our customers want those things, and we need to work to deliver them. We need a Northern Ireland plan that is cross-party and cross-Department. You cannot develop a sustainable and profitable future for farming without including processing and without giving consumers the products that they want to buy. At the minute, we do not have a clear plan for Northern Ireland. We have support being issued to farmers, which is great and is right, but there has actually been some supports that are not there for processors, which makes very little sense in the overall picture. I do not want to put words into Wesley's mouth, but we need a plan for the Northern Ireland eating ecosystem.

Mr Aston: I concur with that. At this stage, now that we are leaving the European Union, we do have the scope to amend our direct support system for farmers. It will not necessarily be next year, but by going forward, we can do that. Within that, we have to have the context of it not just being on the primary production side but right across the industry, including processors. We have an opportunity here, and it is important that we do take this opportunity and try to progress along the lines that we are talking about.

The Deputy Chairperson (Mr McGuigan): Thank you. Claire, I am not sure if you are back in, but hopefully that covered the points that you were making?

The Committee Clerk: Claire is not in.

The Deputy Chairperson (Mr McGuigan): She is not in. OK, we will just move on. Maurice? I think you might be muted, Maurice.

Mr M Bradley: Yes, that is me now. Thank you very much for letting me in, Deputy Chair, if that is the correct title to give you.

The Deputy Chairperson (Mr McGuigan): Yes.

Mr M Bradley: Most of the points have been covered. I would like to thank Aodhán, Michael and Wesley for the document that they presented, but it presents more questions than answers. That is the problem with it. All the other points have been raised and covered. I would just like to know what the implications are for Northern Ireland accessing the UK grant scheme. Will the Ireland protocol prevent Northern Ireland business availing itself of this grant scheme?

Mr Connolly: There is a wider issue of state aid on this one. Quite simply, we fall under the European Court of Justice jurisdiction for this. We also fall under the EU rules under state aid, and that is de minimis, which means that you are only allowed to have a certain amount of government support. It is to reduce or stop undue competition through Government support. The simple answer is that we will still be able to get grant aid for businesses up to a point, but after that, unfortunately, we will be confined by the EU state aid rules. It is one of the things in the protocol.

Mr M Bradley: I have one more question, if that is OK. What opportunities are there to be part of any adjudication panel or committee at which it will be decided what are or are not at-risk goods? It is vital that we have local representation. What opportunities are there to be on that sort of committee?

Mr Bell: That is a very good question. I do not have a direct answer. Others have mentioned where their office-bearers are plugged into various parts of the decision tree. In NIFDA's case, our chairman sits on the UK Food Council. We are all trying to make representations to address that, but, at the minute, I certainly do not have clarity on it.

Mr Connolly: As far as the direct decision-making tree or process is concerned, the specialised committee which we meet quite regularly and which has Northern Ireland representation through the Executive Office will be advising the joint committee. The joint committee makes those overarching at-risk determinations, and those determinations are made by the EU on one side and the UK on the other. Northern Ireland can have representation there, but only if the EU bring Ireland along at the same time. That is the way it is laid down in the protocol and the guidance for the protocol. Neither we nor Northern Ireland Ministers have any direct influence. Indirectly, we can talk to people.

Mr M Bradley: Thank you. This briefing has been very informative and vital. I hope that this is not the only time that we will hear from these gentlemen. I hope that they will come back again when they get more clarity and information. Thank you.

The Deputy Chairperson (Mr McGuigan): Thanks very much, Maurice. I cannot disagree with those comments.

Mr Irwin: I have a couple of wee things. Michael gave the example earlier of ISPM 15 pallets — heat-treated pallets — and said that all goods coming into Northern Ireland would have to use those. Is that on all goods, or just goods that are moving on to the Irish Republic?

Mr Bell: No, I will clarify. It is all goods that are under SPS controls. Those are the sanitary and phytosanitary controls. It is restricted to those goods, which are mainly meat, protein, dairy products and horticultural products. They will have to come in on heat-treated pallets. To the best of my knowledge, it is not that every product will have to come in on those pallets. Aodhán, can you amplify on that a wee bit?

Mr Connolly: You are absolutely right. The only thing that I would say is that you were a wee bit conservative with your estimate earlier of one million pallets. We have estimated that about 1.3 million or 1.4 million of those pallets will be needed. It is because of the integrated, cyclical nature of the supply chains across these islands. For example, the big retailers buy about £2.6 billion of Northern Ireland agri-food produce, and about 60% of that goes through the South. There is this huge turning circle of things going to the South, across to Wales, on to Scotland, to Northern Ireland and back through. It will not be enough to have enough pallets to use there and then. You will also need to have

the pallets for the stuff coming back, so we will need a rolling stock of something like 1.3 million or 1.4 million of those things.

Mr Irwin: I want to make one other comment. The British Government have assured us that there will be unfettered access to the UK market for Northern Ireland goods. Are you content that that will be the case?

Mr Aston: While there is a legislative commitment from the Government to do that, we have concerns about the commercial realities and what will actually happen. You touched on the guide that suppliers coming into Northern Ireland will look at, and if it is not commercial, it will not matter. We are the same going the opposite way.

While, in theory, we will have unfettered legislative access, if there is additional hassle and costs, we will find ourselves at a disadvantage in comparison with our competitors. We would have concerns about the commercial realities of this.

Mr Connolly: Fortuitously, your party colleague Sir Jeffrey Donaldson, in the House of Commons yesterday, at Secretary of State Question Time, asked about unfettered access and got reassurances that it was all in hand. One thing that Sir Jeffrey raised was that there is still not a definition of "unfettered access", which Michael's guys and Wesley's guys can then use to make sure that their products fit in under unfettered access. What is even a "qualifying good"? Those things still have to be settled.

Mr Bell: You raise a good point. NIFDA has been raising questions on behalf of its members, and that is just a snapshot. What is the definition of "unfettered access"? Indeed, what is the definition of a "Northern Ireland product"? How will a trader in Northern Ireland get qualifying status to get unfettered access? What extra processes will a trader face if they do not have qualifying access? Would traders using inputs from Ireland continue to be able to benefit from unfettered access?

Most of the food products that we make are composite products. They have a proportion of local product and a proportion of imported product. Will there be rules-of-origin thresholds for businesses using inputs? How will unfettered access be enforced? How will goods from Ireland and Northern Ireland be differentiated at ports in Northern Ireland entering Great Britain? How will Northern Ireland traders be able to move their goods through Irish ports into GB?

Those are all issues that the trade association sector — certainly NIFDA, the UFU, Aodhán's colleagues — is pretty well at full bandwidth trying to deal with. We have had a tsunami of engagement with various Departments. In one sense, that is very welcome in that we are now talking, but in another sense, it is very difficult for the representative organisations to deal with because there is so much of it in such a short period of time.

Mr McGlone: You are bringing me into the territory that I forgot to mention earlier, and that is the day-to-day activities within the island of Ireland. You, particularly Michael, are flagging up some of those.

I represent a rural community, and we all know that the creamery lorries are criss-crossing the border every day. There is food produce coming back and forward because one element of it here — whether milk, beef or whatever — goes to a plant down South, comes back up processed and is, maybe, stored in a refrigerated area here.

Have you foreseen the practical realities of that? We are talking about unfettered access to GB, and maybe that should have been thought through in a bit more detail before it even came to this point. Do you foresee or have you encountered any difficulties on, if you like, that transitional stuff that happens thousands of times every day, where goods and materials cross the border to be processed and come back repacked or whatever, that integral part of the economy that has developed over many years?

Mr Bell: I can answer that to a degree. The agri-food system in these islands has developed during 40 years under European rules and has formed a natural equilibrium. There is approximately £800 million worth North/South and South/North, and those trades are balanced. There is approximately £4 billion going from Northern Ireland to GB and, indeed, a lot of raw material coming from GB into NI to be processed and added into product to go back into GB.

There is a natural balance of east-west and North/South trade in agri-food. That has been driven by giving Aodhán's members the best products that we can to sell to consumers. The new arrangement

will upset that equilibrium. You are asking me who will win and who will lose out of that. At the moment, it is very hard to be definitive about that. We are, obviously, fighting very hard to minimise the problems for our members in Northern Ireland. It is affected even by real things. For example, at the minute, the GB wheat harvest looks like it is going to be a record bad harvest. That will mean that, for the flour-milling industry, we are going to have to pull in a lot more wheat from France and Germany. That could come with a significant tariff if there is no deal. That is a real-world example of how things could change quite rapidly next year; the price of your loaf could shift, driven by what arrangements are arrived at.

Mr Aston: Although the key function of the protocol is to avoid a hard border on the island of Ireland, the points that Aodhán, Michael and I have made show that there will be very significant changes in how we trade between the Republic of Ireland and here, and vice versa, if all those other things are not sorted.

Mr Connolly: It seems like a lifetime ago, but, when we first started talking about Brexit, we used examples of things that crossed the border. The border is not just North/South; it is North/South, east-west. It is so integrated. For example, a supermarket chicken salad sandwich has five movements, North/South, east-west. The humble cottage pie, which is always my go-to, has eight border movements, North/South, east-west. It contains goods that come from the EU, GB, Northern Ireland and Southern Ireland, even down to the mixed milk for the cheese topping on it. It is exactly as Wesley said: everything that we have talked about today is an added level of friction, which becomes an added level of cost.

The Deputy Chairperson (Mr McGuigan): Those are all of the members' questions. I think that we are all agreed that the session has been very useful. Aodhán, Michael and Wesley, before you go, is there anything that might be worth asking us, as a Committee, in terms of how we could assist the work that you are doing?

Mr Connolly: I would very much like to have an informal meeting of the Committee with our Northern Ireland Business Brexit Working Group so that we can go into more detail and you can get a wider idea of how the group works and what our priorities are. As well as that, there is going to be a need for scrutiny. When the details start coming in from the UK Government and the EU about how things will work, there will be a need for scrutiny of that.

Most of all, we are going to need the Committee to be a voice to the Executive — so that they are singing from the same hymn sheet when it comes to this stuff — the EU and the UK Government. People are trying to say that a lot of this is about macroeconomics, trade flows and percentage points. For me, it is about consumers; for Wesley, it is about farm incomes; and, for Michael, it is about jobs and being able to keep his members going. This has very tangible consequences for communities across Northern Ireland, and we need the Committee to continue to push those messages for us.

Mr Aston: If I could just add, Deputy Chair, it is what Aodhán says. Throughout this entire Brexit process, which has run on for years now, in the absence of the Northern Ireland Assembly and Executive, the heavy lifting has been done by business and industry. Fair play to Aodhán and business, for hooking up folks to come together and speak with one voice. Because the Executive and Assembly are up and running, we now need your support and help to pull in one direction and have input that, maybe, we cannot have.

Mr Bell: I add my voice to that. What we have seen, over the short-term, is a number of sticking plasters to deal with short-term issues. We need a plan for Northern Ireland's biggest industry, which is agri-food. If we are going to have prosperity and good livelihoods for our citizens, we need to build on the world-class Northern Ireland food and drink industry that we currently have. We need that plan, and soon.

The Deputy Chairperson (Mr McGuigan): We will take note of those suggestions. I do not think that the informal meeting should be a difficulty, and we will work on it all.

I appreciate you giving up your time to come before us. This has been really useful. It would be nice, if, the next time we meet, some of the 67 questions had been answered [*Laughter*] or we had some clarity on them, but I will not hold my breath.

Once again, I thank you very much for coming and we really appreciate it.

Mr Connolly: Thank you for your time. *[Inaudible]* we will be there.

Mr McGuigan: Go raibh maith agat.

Mr Aston: Thank you very much.