



ICMSA Submission
to the
Department of An Taoiseach
on the
European Semester 2019 – National Reform
Programme.



The Irish economy continues to perform well with strong economic growth and employment levels as outlined in the Country Report 2019. However, it outlines the potential pitfalls that may affect pathways to future growth of our economy and ICMSA will endeavour to highlight a number of these obstacles.

Brexit risks remain front and centre and despite the proximity of the leaving date, Ireland and the EU are no closer to knowing the outcome and this report is commissioned in a vacuum given the different trajectories our economy could follow depending on the result of the Brexit outcome. ICMSA find it remarkable that Brexit was only mentioned once in the document given the grave implication it will have on the whole economy, island and the Agri- Sector in particular. As is well known, 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 8 percent to approximately €13.6 billion in 2018 supporting 7.9% of total employing in our economy.

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 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. The recently published No deal

scenario from the UK would severely damage the Irish beef industry in particular as well as our dairy sector.

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. Maintenance of the Regularity Alignment 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 and the wider Irish economy.

In addressing the priorities set out in this document, ICMSA has focused on the areas that are most pertinent to the Agri- Sector.

Reform Priorities

- ICMSA feel it would be prudent to reduce overall debt to GDP (or GNI*) ratio and total debt deficit of our economy in the medium term without reducing the level of capital investment.
- Taxation reform if to go ahead must be approved by economic and taxation experts and not allow political decisions to override policy so that the tax base can shift from year to year. This boom bust cycle that has dominated the Irish landscape must come to a stop.
- Taxation policy for the Agri-food sector needs to take the high level of volatility into account and introduce a scheme that allows farmers to survive bad years with income accrued from good income years.
- The banking sector is an area that ICMSA feel needs a root and branch review. Ireland are part of a single market for banking but get none of the benefits that should be on offer.
- A regional focus is key to the future development of our economy. The availability of high quality broadband is critical to achieving regional development and for the future development of rural areas.

- ICMSA believe environmental issues are 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. The crucial concept should be that climate mitigation policies and actions should not undermine sustainable food production. 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 and the climate efficiency of Irish agriculture must be recognised.

In conclusion, there are many risks facing our economy and 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 has a lot of down side risk in the near future and while enormous uncertainties may be masked in the overall economy, it is incumbent on this document to highlight the vulnerability of our rural economy.