

29th January 2021

ICOS Submission on Brexit's Impact on the Agri-Food Industry in Relation to Mixed Milk

Introduction

The Irish Co-operative Organisation Society (ICOS) is the co-operative umbrella organisation that serves and promotes commercial co-operative businesses and enterprises, across multiple sections of the Irish economy.

We represent 130 co-operatives, which include multipurpose dairy co-ops, livestock sector co-ops as well as food, fishing and beverage co-ops. Collectively, they have over 150,000 individual members, employ over 12,000 people in Ireland (a further 24,000 abroad) and have a combined turnover of approximately €14 billion.

A number of our dairy co-operative members operate on an "all-Ireland" basis, with members and processing facilities on both sides of the Irish border. As a result, raw milk and milk products cross the border at multiple stages of processing, packaging and on route to export markets.

These cross-border supply chains developed as a result of rationalisation and integration within the industry over the last 25 years. They provide for the economies of scale and efficiency needed by the industry to be competitive on a global level and generate value for farmers.

In particular, due to the all-Ireland approach to production, there is not sufficient processing capacity in Northern Ireland (NI) and approximately 900 million litres of NI milk is processed in the Republic of Ireland (ROI) annually. It is used, in combination with ROI milk to produce a range of dairy products which are consumed locally and exported worldwide.

These products are considered to be of "mixed milk origin" a term used to refer to products which contain inputs from both ROI and NI or which are processed on cross border supply lines.

While the Irish Protocols contained within the EU-UK Withdrawal Agreement will allow for this trade and movement to continue, the products which are produced on an all-Ireland basis will no longer be able to access EU Trade Agreements with third countries nor EU Market Supports. This has the potential to undermine the rationalisation and efficiency generated by the sector.

Key Issues for Products of Mixed Milk Origin

Access to EU Free Trade Agreements with Third Countries:

Under the terms of the EU-UK Withdrawal Agreement, products of mixed milk origin will have “EU status” but not “EU origin” due to their NI components. This means that they can be freely circulated within the EU Single Market and exported tariff free to the UK. However, in many instances they will no longer be able to be exported under preference to countries with which the EU has a trade agreement. These countries include Canada, Japan, Singapore, Vietnam and South Korea.

This means exporters of mixed milk products will not be able to avail of the negotiated reduced tariff rates nor additional benefits, rather they will be subject to the full WTO tariff and sanitary controls of that country. This increases costs for these businesses and puts them at a disadvantage compared to their competitors.

These markets are particularly important for Irish cheese exports (which are already significantly impacted by the UK’s departure from the EU), and maintaining access to these markets is essential for our strategy of market diversification. Products containing Skimmed Milk Powder (SMP), including infant milk formula and fat filled powders, destined largely for China and West Africa respectively, could also be highly impacted depending on trade developments with these countries in the future.

This restriction is due to the “rules of origin” included within the agreements, which limit the products which can access the benefits of the agreement. These rules differ from agreement to agreement and product to product. But in general, while there is some flexibility provided (for example it is common that for agri-food products up to maximum of 15% of non-EU inputs are possible) it is generally not enough to allow Irish mixed milk products access.

EU Market Supports:

EU market supports for the dairy sector, such as Public Intervention and Private Storage Aid, are offered under the CAP (Single Common Market Organisation Regulation 1308/2013). They are limited to products of wholly EU origin, and therefore Irish products of mixed milk origin are excluded. These supports are very important price stabilisers in times of market difficulties. Due to the new barriers to trade discussed above, these products would already be particularly vulnerable and therefore very exposed in the market without such supports.

Necessary Actions to be Taken

Inclusion of NI inputs and products within EU FTAs:

EU trade policy must prioritise the inclusion of products produced on an all-Ireland basis in future trade agreement negotiations. This can be achieved through the EU seeking to allow “extended cumulation” with Northern Ireland supply chains and products, within the negotiated rules of origin, including within the agreements currently under negotiation, such as those with Indonesia, Malaysia, New Zealand and Australia.

We must also seek for the EU to engage with the countries it has existing trade agreements with and ask them to continue to allow these products to access the benefits of the existing agreements. This is not about negotiating new flexibilities or new access and therefore would not necessarily require a reopening of the agreement. It is simply about asking for a political decision to allow the maintenance of existing trade. There is already a precedent for this- the EU wrote to these trade partners last year and asked that even though the UK was no longer an EU member state, that they still be allowed to access the preferential terms of the trade agreement during the transition period, on the basis that it would be simply maintaining existing trade.

Allow products of Mixed Milk Origin to Access EU Market Supports:

The CAP, and within this the sCMO regulation, is currently open for reform, providing the opportunity for Ireland to seek a special inclusion to extend market supports tools to Irish products of mixed milk origin.

To conclude, Ireland and the EU have worked hard to ensure there is no boarder on the island of Ireland and to protect the all-Ireland economy, which was achieved under the EU-UK Withdrawal Agreement. It is now necessary that wider EU policy recognises the unique position of Northern Ireland being in the EU Single Market for agri-food products and facilitates the all-Ireland economy and specifically in this instance, products of mixed milk origin.

All Ireland production lines are now very exposed and will ultimately be damaged by these new restrictions and exclusions, to the detriment of farmers and the rural communities in the border counties of Ireland which rely on this cross-border trade within the agri-food sector.