



Northern Ireland  
Assembly

Committee for Agriculture, Environment and  
Rural Affairs

# OFFICIAL REPORT (Hansard)

Agriculture Bill: Dairy UK (NI); Northern  
Ireland Meat Exporters Association

20 February 2020

# NORTHERN IRELAND ASSEMBLY

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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 William Irwin

**Witnesses:**

Dr Mike Johnston	Dairy UK (NI)
Mr Conall Donnelly	Northern Ireland Meat Exporters Association

**The Chairperson (Mr McAleer):** I welcome Conall Donnelly from the NI Meat Exporters Association and Dr Mike Johnston, NI director of Dairy UK. You have 10 minutes to brief the Committee. Afterwards, members will have the opportunity to ask questions.

**Mr Conall Donnelly (Northern Ireland Meat Exporters Association):** Thank you very much. I am grateful to the Committee for the invitation to discuss the Agriculture Bill. The Northern Ireland Meat Exporters' Association is the representative body for red meat processors in Northern Ireland. Our members have eight businesses across 10 to 12 sites in Northern Ireland. Our members are the primary processors of beef and lamb in Northern Ireland, supplied by 20,000 farmers, and they supply multiple retailers; food service businesses; the wholesale business across the UK and Europe; and third-country export.

We obviously have a strong interest in the Agriculture Bill because of the importance of our farmers to our supply chain and the sustainability of farming in Northern Ireland, which is absolutely vital to the beef and lamb sector. We also have a broader interest in ensuring that there is a level playing field for trade and migration. That is all tangential but is very much mixed up in the interface with agriculture policy and how that is implemented. That is all that I have to say.

**Dr Mike Johnston (Dairy UK (NI)):** Equally, thank you very much indeed for the opportunity to come along and meet you this afternoon. The Dairy UK membership in Northern Ireland is made up of three main dairy companies. Between them, they collect and process around 90% of the milk that is produced in Northern Ireland, so a fairly substantial segment of the dairy sector here. They represent a broad spectrum of companies with regard to market focus. That varies between Northern Ireland, Great Britain, Ireland, the European Union and, indeed, the rest of the world. If you look at the total UK

export of dairy products outside the European Union to third countries, you will see that around 60% of them come from Northern Ireland, so we are a very significant exporter of dairy products, and we rely heavily on export markets around the world. Our companies export to over 80 countries. Obviously, we are taking a keen interest at what happens in China.

We operate on an all-island basis. Over the years, we have developed an all-island value chain. That has been based on the ability to move milk and products freely on the island. We work with our colleagues in the Republic of Ireland to common EU standards. We have free movement of product, which has meant that the companies, over two or three decades, have developed an all-island value chain. At present, around one third of raw milk that is collected from farms in Northern Ireland — around 800 million litres a year — goes down South for processing and then onwards to export markets. There is a very good working relationship. The all-island dimension is very important to us. The main market for our products is in Great Britain, but the rest of the world is extremely important.

As regards what is happening in the EU dimension — the withdrawal agreement, free trade negotiations and protocol — all that impacts heavily on our sector.

**The Chairperson (Mr McAleer):** Thank you very much for that. The Bill talks about traceability. How vital is it for your industry that there is a foolproof, strong, robust traceability mechanism?

**Dr Johnston:** Traceability is extremely important for the integrity and credibility of the entire agri-food sector. The system has been built up over 25 to 30 years. We have one of the oldest traceability systems in the world. Certainly, when we talk to buyers in export markets, it is all about convincing them of the confidence and trust that they can have when they source their dairy products from Northern Ireland. There are a number of aspects to that jigsaw of the proposition to buy, which revolves around not only standards but the checks and balances, auditing and monitoring that the Department of Agriculture does on behalf of the Food Standards Agency (FSA). Key to that is the traceability system. When we bring buyers here, walk them through the supply chain and have people from the Department talk to them about the traceability system and what that means, you can see the lights going on. It is about the confidence and trust that they can have. It is terribly important that we have a stand-alone, robust traceability system in Northern Ireland that can reflect the needs and start to give us a competitive advantage here. A lot of work has gone into that over the years, and our supply chain is now used to working with the traceability system and recording. If I were to take you to the Lakeland Dairies plant in Newtownards this afternoon and you lifted a carton of UHT cream that was going to China, we would be able to trace that back and tell you which farm it came from and which cows were on that farm on the day that it was produced. That is the level of detail in our system. We need to hold on to that because it is extremely important when it comes to talking to buyers in export markets. I hope that that gives you a little bit of an insight into what is involved and the importance and significance of that in our sector.

**Mr Donnelly:** From the point of view of the beef sector, I agree with everything that Mike said. Most if not all of Mike's points have parallels in the beef sector. It is critical for market access. The beef sector does not have the same scope of market access as the dairy industry. To get the market access that we seek and import beef into those markets, we have to go to countries such as China, Japan and the USA and demonstrate that we have effective traceability systems in place. Historically, we have lost access over the last 20 years because of background BSE. We are on a long journey and well into that journey of regaining that market access. Traceability is a huge part of that.

Traceability is also a huge part of our obligations to the EU, and the implementation of the protocol will require that we continue to align with EU rules on identification, registration and movement (IRM). That will also be an important feature of the discussion on the implementation of the protocol. One aspect of that is alignment with EU regulations on traceability. We are keeping a very close watch on divergence and will need to continue to do so. We have the animal and public health information system (APHIS) traceability system in Northern Ireland, which, as Mike said, is a long-established system that has the confidence of the industry and gives confidence to our customers. It has to interface with an international system with third countries. GB will be a third country relative to Northern Ireland in the relationship between the EU and the UK. Maintaining that alignment between us and Europe and our internal market in the UK could be an issue and a massive challenge. It obviously goes way beyond traceability, although traceability is one element of it. It is one issue of many that we will have to watch out for on the divergence piece.

**The Chairperson (Mr McAleer):** Before I move around the table, migrant labour has become topical, particularly in light of the announcement yesterday by the British Home Office about its plans to

introduce a points-based system that focuses on skills. Do you have any assessment of the importance of migrant labour to the meat and dairy industries?

**Mr Donnelly:** I will answer that first. It is crucial to us. We surveyed our members shortly after the referendum. There was a range across plants, but, on average, 60% to 70% of those who were working as operatives in our industry were EEA workers. We have a significant exposure. There are seasonal peaks, and that number could rise.

The roles that we are dealing with are on the factory floor and range from unskilled to semi-skilled and skilled jobs. Essentially, if you go back to 2002 before the accession states came into the EU, you will find that there was an issue with the availability of labour. Availability of labour has allowed our industry to grow over the last 15 years. It was a huge constraint back at around the turn of the millennium. There is a lot of co-dependence on labour in other sectors as well. Migrant labour is a feature in haulage, the logistics sector and the retail sector. It is not just an issue in our part of the supply chain; there are co-dependences in other parts of it.

There has been this question of skilled versus unskilled labour. It is important to recognise that the primary need of agri-food processors and other sectors in the economy is labour. We need the availability of people to do the jobs. In our sector, we generally bring in people who are non-skilled and train them. That is how we develop our skilled workforce; we train people into skilled roles. That was largely ignored in the policy statement that we saw yesterday. We train them, and they become our skilled workers. That is our source of skilled workers. They learn English when they are here, and they contribute to the overall economy. We are very appreciative of the contribution they make to our businesses, but I think that they make a contribution to society as well, which needs to be recognised. One member has informed me that, if they applied the points-based entry system to their business, 80% percent of the staff that they brought in over the last 10 years would have got 20 points, 15% would have got 40 points and 5% would have got 30 points. There is a huge challenge here for us. This is a challenge that we have made very clear to the Home Office over the last year. The Home Office launched a year-long consultation on the immigration White Paper at the end of 2018. Ultimately, various groups were set up and there were various forms of consultation, but, at the end of that consultation period, we see a policy that bears no relation to the White Paper that was introduced and that we were consulted on.

We look across the border, and one of the points that we made very strongly in that consultation period was that we are competing in an all-island economy and in the UK economy. Effectively, our businesses have to be able to compete with competitors in the Republic. Not only do they have continued access to free movement in the single market but they have additional access to low-skilled workers from third countries for meat, horticulture and dairy processing. That is on salaries of €22,000. That is available to Irish processors, over and above membership of the single market for labour. We will not have that, and we will not have access to the single market for labour either. We are already facing huge pressures in terms of the turnover of staff due to exchange rate pressures and, over the last three years, because of this notion of a cold house. That is the competitive environment that we are in, and that was something that was made very clear. The migration advisory committee (MAC) acknowledged that. We would have considered the MAC to be quite hard-line, but it acknowledged that we have a specific interest in Northern Ireland regionally. It said that:

*"The situation of Northern Ireland is unique as the only part of the UK with a land border with the EU and a labour market more distinct from the rest of the UK. Special consideration could be given to Northern Ireland especially if it comes to have a different relationship with the EU compared to the rest of the UK."*

Effectively, that is the case with the protocol. We have not seen that reflected, obviously, in the policy. The question is this: what do we need? We have a situation where there is, potentially, free movement of goods on the island — certainly, there is free movement of goods on the island — but there could be a free trade agreement between the EU and the UK. We could have free movement of goods across the island but not have free movement of labour. That is a massive issue because, if goods can come into Northern Ireland tariff free and there is free movement in that but not free movement of migrant labour in particular, operations in Northern Ireland could be encouraged to become less competitive without those skilled workers, and you would see capital moving to where the labour is. That is, effectively, the situation that we have been placed in, and we have made that very clear over the last year and more — over the last 18 months. We could seek changes to the points-based system, for example, seeking that butchers be put on the shortage occupation list. We could ask for additional points for job offers from a Northern Ireland business. There are things that maybe could be done in the context of a points-based system, but it certainly needs to be addressed. We are sitting at

the moment where we have to align to EU rules and we have the obligations of EU membership but do not have any of the benefits. Essentially, that is where decisions like this leave us, and I do not think that has been reflected in the policies that we are seeing coming out on labour.

**Dr Johnston:** From a dairy sector perspective, we are not anywhere close to being as exposed as that. We reckon that around 12% to 15% of dairy sector labour is non-Northern Ireland, so we are not as exposed from that point of view. The only thing I would say in addition to what Conall said is that our concern is that, in the medium term, as this sort of policy starts to click in you will start to see significant cost inflation for companies. That could start to hit at our competitiveness, especially if we are having to trade into Europe on an increasing basis. As Conall said, they are not working with the same sorts of constraints that we will have to work with. It is more in the medium term that we have concerns about this.

**Mr Irwin:** You are both very welcome. The reality is that the outcome of the trade negotiations will be vital to the way forward for the dairy sector and the beef sector. There are fears for many of us that lower-standard food will be let into the UK, and therefore, as you both said, it is vital that we maintain our standards and our high level. Most of the dairy industry now has a red tractor logo; I am not sure whether beef is similar.

**Dr Johnston:** Yes.

**Mr Irwin:** We know that there has been pressure on prices, for instance. Beef prices have been poor enough, and many beef producers are not that happy, as you know. They are probably losing money this winter. Would you say that difficult times are ahead?

**Dr Johnston:** I think that there are a number of aspects to that. The current trade policy that is out for consultation will be terribly important. You have hit it on the head in saying that we need to make sure that the UK market maintains its integrity and does not lower the standards to bring in cheaper food. I think that that would be disastrous for the whole of the UK agri-food sector, not just Northern Ireland. I think that it brings us into a number of other areas such as this notion of unfettered access when considering what free trade agreements the UK will do in the future. Depending on what free trade agreements might be put in place with other countries, that could very well then start to impact how the movement of product across the Irish Sea in both directions will be affected. There is an awful lot in there depending on the future free trade agreements that the UK will do, and it is terribly important that we make sure that Northern Ireland and Northern Ireland agri-food in particular has a very strong voice in that. Otherwise, we could find ourselves in the worst of both worlds, where we would have difficulty in accessing, on a competitive basis, the GB market. We may not have the same sort of access into the EU in terms of the product portfolios and the supply chains that we currently have. There are so many issues in there. It is a little bit like an onion; when you start to peel back the various layers, you find there is more below. In essence, we would be very concerned to make sure that the UK Government do not lower the bar and simply allow products from other countries in for reasons of expediency.

**Mr Donnelly:** The Agriculture Bill makes very few references to trade. A tariff policy consultation is ongoing and finishes on 5 March. The one word that I would look for when I look at both those policies is "coherence". The UK Government cannot on one hand ask their producers to attain the highest levels of welfare and environmental standards and pay very generous living wages, minimum wages and all those things that our industry supports but then open the market up to competition from third-country markets that do not apply those standards. We have to see coherence between those two policies. That is key, and it applies to tariffs and to production standards.

Effectively, what we are looking for is a level playing field. The concept of a level playing field is a bit nebulous in some ways and is hard to tie down, but, at a very basic level, it is very unfair to expect UK and Northern Ireland producers —. The UK market is our biggest market. Seventy-five per cent of what we produce goes into the UK market, so we need to maintain our unfettered access to that market — absolutely — but we also want to maintain its value. The risk is that you end up with a race to the bottom, with producers expected to apply all the standards that we would expect while importers do not. We will be looking to our politicians in Northern Ireland to defend us strongly against that.

**Dr Johnston:** The other point is that, if we were in that situation where government were lowering standards, the reality is that the industry in Great Britain would have a better chance of being able to adapt to that, whereas we in Northern Ireland would have to adhere to the EU standards. We cannot compromise, whereas the industry in Great Britain will, at least, have a chance to adapt to those lower

standards. Whatever the price competition that would come with that might be, we could not adapt. Effectively, if you follow that through, it would mean that the GB market probably would start to be closed off to us because we simply could not compete.

**Ms Bailey:** Thank you very much. You are putting forward the very stark reality of how messy this whole process is. You rightly say that the Bill does not raise issues about reserved or devolved matters or those that come under the protocol. It is about trying to get a balance.

I will stick with the point that you made about Part 5 of the Bill, which is to do with marketing standards, and about the possible divergence between the UK and the EU. There is no recognition in the Bill about any future potential divergence. In that context, what would you like DAERA to do to try to address that?

**Dr Johnston:** Divergence is the nightmare scenario for us. The sort of thing we would be looking for is a recognition that Northern Ireland companies will be disadvantaged, if that is the case, as well as provision to have a basket of safety net measures that will allow our companies to continue to operate in the GB market without being penalised. It comes back to what Conall said about a level playing field. That is essential for us. If we do not have a level playing field — that is just not in relation to Great Britain; it could be looking south of the border as well — we will be in trouble. In the negotiations that will happen in the joint committee structure on the protocol, it is essential that recognition goes further and says that, if we are in that situation, we will have the ability to provide a basket of safety net measures. What those might be, I do not know, but we need that sort of commitment so that there will be the opportunity for the Executive to step in and say, "We realise you guys are in trouble. It is not of your making. Here is what we can do to help".

**Mr Donnelly:** Let me add to that. There are a couple of things to mention. Funding is not discussed so much in this policy, but we are undoubtedly aligning with EU standards and the EU approach. That may not continue in Great Britain. The budget for agriculture policy will be critical. Because of the approach being taken here, we should be seeking to align our funding with the support levels that are provided in, for example, the Republic, to ensure that, under pillar 1 and pillar 2, we get the kind of support to our farmers that they need to compete in that environment. Ultimately, what you are looking at here is a highest common denominator-type approach.

If there is divergence, the second thing we need to avoid at all costs is any form of commercial or accidental discrimination against what we produce to ensure that, because of different marketing standards or things like that, as you said, products from Northern Ireland somehow do not meet a specification required in Great Britain, not because we do not want to but because we cannot given that we have to align with EU rules. That is a question for our place in the UK internal market. There has been very little discussion about the functioning of the UK internal market. We have had lots of discussion on the functioning of the EU internal market and the protection of the integrity of the EU internal market.

I do not think that a lot of people have cottoned on to this: the single market, when it arrived in the early '90s, was there when devolution happened. Then devolution happened, and the single market provided the stitching that kept the UK internal market together, but that stitching has now been taken away, and this is why there are these issues between devolved, reserved and protocol-type matters. There has to be a great deal of thought about that, and, again, that feeds into the question of agriculture policy and trade. If you are to have a properly functioning internal UK market, you cannot have a lot of divergence, and any kind of divergence has to be very carefully managed. It would be important to see some kind of ongoing protection to ensure that, where divergence were proposed, there would be a very clear duty on the UK Government to ensure that that divergence would not damage the interests of Northern Ireland businesses because, ultimately, we have no choice but to remain aligned with the standards that are currently being applied, or will be applied in future, on the EU side.

**Mr Blair:** I think that my question has been answered. It was about whether marketing will be more difficult when all these processes are in place. I think the answer is that it has the potential to be more difficult, given what you said to Clare. The next part of my question is this: what can we do about it? I think that you have answered that. You talked about where the potential for difficulties lies and what we are required to do in putting up a robust defence if divergence works against us or if we find ourselves disadvantaged through no fault of our own. That is basically it. Is there anything that you want to add to that?

**Mr Donnelly:** There is a question over our competitiveness, if technologies that we cannot use in Northern Ireland can be used in Great Britain — one example is GMOs, but there are probably others — and the pace of change. If that leaves farmers in Northern Ireland, and thus the processors, less able to compete, that makes it more difficult for us to compete in the GB market. This term "the best of both worlds" has been bandied about. What we do not want is to be in a situation where we are neither fish nor fowl or where we are caught between two stools. That is probably where the risk is. It will take a responsible approach. I think that is what we need on both sides. What does "responsible" mean? On the UK side, it probably means minimising divergence, and on the EU side, it means maximising flexibility where possible to ensure that we are not caught in the middle. Is that what we are seeing at the minute? We are probably not seeing much of that.

**Dr Johnston:** The word "divergence" rolls off the tongue terribly easily, but from we have said, hopefully, you can start to see the complexity, the importance and the significance. There is a job of work to be done to really start to tease out this divergence and delve into it. For example, if you accept that there will be divergence, what sort of appeal process will there be for a company in Northern Ireland that feels that it is being disadvantaged for whatever reason? Will the cost of engaging in an appeal process be prohibitive for a smaller company? There are lots of issues in there that need to be looked at. It is a wide area, and we have only scratched the surface of it here this afternoon.

**Mr M Bradley:** I will be brief. Thank you very much for your comprehensive presentation and, most importantly, your comprehensive answers. I have just one point. You alluded to the need to protect the integrity of not only the internal UK market but the standards of UK food, especially from Northern Ireland. Can you expand a wee bit on that for me?

**Dr Johnston:** Conall, do you have an example of some of the meat that would come in and the standards that would be applied?

**Mr Donnelly:** Yes. We are talking about integrity. There is this concept in the EU of the four freedoms, and we talk about the integrity of the single market of the EU. Those types of principles should be applied in the UK. Our farmers/suppliers are required to adhere to what are, and what we and the UK consumer expect to be, robust standards, but there is an environmental issue in particular to consider. For example, we believe that we produce the most environmentally sound beef in the world in many respects, particularly with respect to GHGs, because of the use of grass and then the contribution of sequestration towards the environment. You compare that with beef produced in other parts of the world where there is less water and more destruction of forestry, rainforests and whatnot, and you will find that what you are looking for is coherence. We are looking for coherence, so that we, in Northern Ireland, and the rest of the UK are not expected to apply standards that are not expected of importers. There is an integrity in that that is important.

**Dr Johnston:** Looking at the standards, in any free trade agreement, we would want the UK Government to be looking at things like the quality standards, the animal welfare standards, the environmental standards and the overall consumer safety standards that we have work to. Compliance with those standards has a cost. So, if you have companies that are selling into the UK that do not operate to those sorts of standards, they will, de facto, have lower costs and will be able to undercut. Does the consumer want any compromising in those standards? I do not think so. So, there is an onus on the Government to not compromise regardless of the reason or trade off agri-food against another sector for expediency purposes. That is the important thing.

**Mr Donnelly:** Just one other point on that around integrity: there is also a risk of *[Inaudible.]* We want our supply chains to continue to work tomorrow as they do today. Most of our members in Northern Ireland are about producing Northern Ireland beef from Northern Ireland farms, but some factories in Northern Ireland import carcass beef from the Republic of Ireland, process it in Northern Ireland and sell it into GB and the EU. Some carcass beef and boneless beef for processing comes from GB to NI too. That is all contingent on having a flexible process at our ports to ensure that we can trade seamlessly with Great Britain, back and forth, but that will be very challenging. In terms of integrity, while we want to maintain the trade flows of existing businesses and to ensure that they can continue to operate as they do today, we do not want to see Northern Ireland being turned into a back door into the UK market either. As I said, we want to maintain the value of the UK market, but there is a risk of back-dooring. That is a question of integrity for the market, and we do not want to see it being undermined.

**The Chairperson (Mr McAleer):** Conall, you will be aware that the Department for International Trade has launched a public consultation on international global tariffs. Will you expand on your thinking

about that and the non-tariff barriers? Some of the things that have been mentioned include exit declarations and things like that. What is your thinking on all that?

**Mr Donnelly:** Yes, there is significant expense around non-tariff barriers. We have significant non-tariff barriers as it is. I will digress slightly if you will forgive me. For example, when it comes to trading into third countries, we do not have market access at all into some third countries. Where you simply cannot export to a certain country, that is a non-tariff barrier, and we are trying to remove a lot of those non-tariff barriers. For example, one factory in Northern Ireland has had approval to export to China since last year, but, because of ongoing challenges, there has not been an ounce of beef exported to China.

So, there are challenges in a global setting, yet, across the border, they have had access to a lot of those markets, including China and America, over the last three or four years. That is despite the ambition of Global Britain, which has not been reflected in the speed at which we have accessed third-country markets. We have seen other countries, like the South, getting access to those countries before us, and we are, to be frank, still struggling.

There have been various studies on non-tariff barrier costs, and I am happy to forward information. The cost depends on how they are calculated; I have seen non-tariff barriers calculated as being as much as 15% and as little as 6% or 7%. The point is that we are operating in an industry where the margin is 1% to 2%, so how do we manage those kinds of additional costs to trade? In domestic trade, effectively, there will be, potentially, non-tariff barriers to trade from here to GB — albeit we are assured that they will be very light-touch — and to trade coming from GB to Northern Ireland. You have those barriers and the tariffs themselves. We are fortunate, in some respects, that the protocol gives us direct access to EU markets without tariffs. That is a benefit that we will have over competitors in Great Britain, but that is, by no means, settled with regard to access to third countries.

We talked about having the obligations of alignment but not the benefits. We do not have direct access under that arrangement to EU third-country trade deals, which is regrettable, because there are 52 agreements and we are actively trading through a good number of them. For example, one that is very valuable to us is with Canada. Last year, Canada and the UK stopped their negotiations when the UK published its tariff schedule for no deal, because it was not worthwhile for the Canadians to negotiate any further: the UK had effectively given them all that they had asked for. At that point, we had no access. We were running the risk of the Canadian trade deal's not being rolled over through the UK market, and we do not have direct access to it through the EU market. Again, we do not want to be caught in that position. A bird in the hand is worth two in the bush: if we could have direct access to those EU trade agreements, it would be very valuable to us. If we do not have access to them, and those deals are not rolled over by the UK, we will be in a challenging position with regard to the tariffs that we will face going into third countries. Maybe that is a bit complicated, but it is a challenge.

**The Chairperson (Mr McAleer):** Thank you very much, Mike and Conall. It was a detailed, comprehensive and stark presentation that we got from you. I understand that you will meet the House of Lords EU Select Committee on Tuesday. We will do likewise. Your presentation here was very timely, and we are thankful that you have informed us of the detail that you brought today. Thank you very much.