NORTHERN IRELAND TRADE AND INVESTMENT DATA UNDER 'NO DEAL'

1. The Northern Ireland Civil Service (NICS) has recently been asked about the statistics it holds on the implications of 'no deal' and the broader statistics it holds on cross-border trade. This paper is a summary of the evidence available to the NICS.

2. This paper does not represent the NICS's view on matters of policy around EU Exit, it simply sets out the evidence for stakeholders to use. A decision on policy would be for a Minister.

Summary

3. Northern Ireland (NI) faces a broad range of direct and indirect impacts in the event of a 'no deal' exit. The most striking element of the impacts is how interconnected they are. In the same way as businesses and jobs depend on the totality of NI's internal and external trade, businesses depend on the entire framework of current trade and transport conditions. That all these changes will happen at once, in a way that is not mitigated by a settlement between the EU and UK, makes it very difficult to set a limit to the impact on NI.

4. Due to these interconnections the NICS's assessment remains that a 'no deal' would have a profound and long-lasting impact on NI's economy and society. The paper provides a summary of these risks and impacts, including:

   - 'No deal' could lead to a sharp increase in unemployment, with at least 40,000 jobs at risk, based on EU export exposure.

   - 'No deal' would have immediate and severe consequences for both NI's competitiveness in the all-island economy and NI's place in the UK internal market.

   - The impact of EU tariffs and non-tariff barriers will mean that whatever the Irish Government and / or the EU may do or not do, many businesses will no longer be able to export to the Irish market, leading to a major reduction in NI's exports to Ireland. The impact of EU tariffs could reduce NI's exports to Ireland by 11% and the inclusion of non-tariff barriers could see a decline of 19%. This equates to a decline of between £100m to £180m in NI's exports to Ireland.

   - Analysis of import volumes and commodity prices shows that NI businesses would have increased vulnerability to low cost non-EU imports in the GB or NI market. This risk is particularly acute for the agri-food sector where certain commodity prices for larger agri-food exporting non-EU countries are much lower than local prices (especially for beef).

- ‘No deal’ therefore places a twin pressure on NI’s access to the EU and UK markets, leaving businesses with very limited options and the NI economy facing an absolute reduction in exports and external sales.

- Tradable services is similarly exposed. For example, businesses exporting services to Ireland would face an average increase in the cost of doing business of 14.5 percentage points. Our ICT sector is particularly vulnerable, as it is facing a 24 percentage point increase in the cost of doing business. Overall the increase in restrictiveness in trade with Ireland equates to over £120m being lost to the economy.

- Pressure on businesses to change behaviour to remain viable or the exploitation of differentials by organised crime groups could see an increase in smuggling. The impact on communities – particularly in border regions – is difficult to quantify, but any increase in non-compliance or evasion would change behaviours and attitudes in communities, which, over time, will significantly impact on the culture of lawfulness in NI.

- The prospect of lower prices on some goods may appear good news for consumers. However, NICS analysis shows that only a small minority of the goods on supermarket shelves are from NI and, therefore, likely to decrease in price. Many more are ultimately sourced from beyond NI, so there is much greater risk of price rises due to a further depreciation in sterling. As such, both consumer spending and the capacity for businesses to grow would be limited as drivers of growth.

- Under a ‘no deal’ exit, NI’s FDI attractiveness would be negatively impacted. A ‘no deal’ would see losses in the medium to long run of 6% per annum in the case of the number of FDI projects and of 7.6% for FDI-related new jobs.

5. Across all of these risks it is clear that the majority of businesses do not consider themselves to have a mitigation plan in place, and the NI economy is already showing worrying signs which mean it will be poorly positioned to absorb any shocks from a ‘no deal’ Brexit. These factors could exacerbate the impact of other exit impacts.

6. There will be further impacts in a ‘no deal’ exit that are either difficult to identify or difficult to quantify.

Background

7. While the NI economy has shown improvement over a number of years many concerns persist. Unlike the rest of the UK, the NI economy has yet to recover

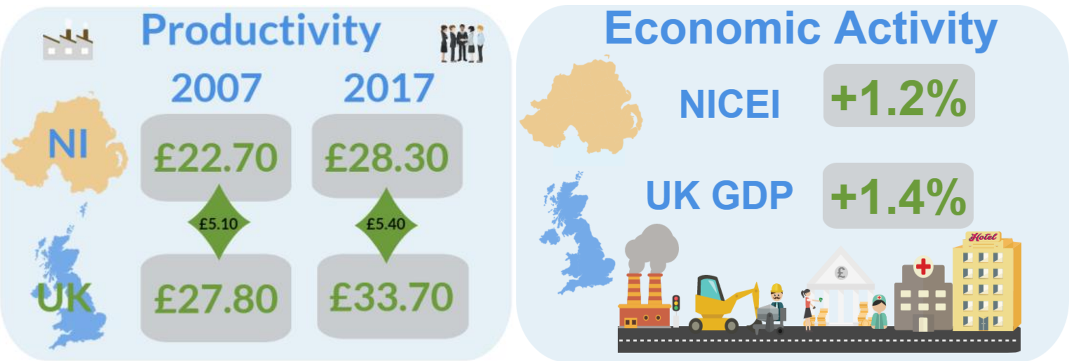
to its position prior to the financial crisis in 2007. Concerning gaps with the UK remain on many fronts. Longstanding issues in the labour market such as high long term unemployment and inactivity rates persist along with a lower employment rate. Local productivity also lags well behind the UK and the gap has widened slightly over the past ten years.

8. There are emerging signs that progress has begun to slow and some key economic indicators include early warnings. For example, data from the local Purchasing Managers' Index (PMI)[1] illustrates a marked deterioration in business conditions in February that have worsened in subsequent months up to and including the most recent Index in June. In addition, according to a number of business reports the ongoing uncertainty around Brexit is negatively impacting on current and future business performance. For instance, the latest Chamber of Commerce survey (Q1 2019) shows that to mitigate the potential impacts of Brexit, 13% of businesses have established a presence outside of NI and 70% have made or are considering changes to their business model.[2]

9. Investment activity[3] is also decreasing and there are concerns about the labour market weakening[4].

10. These data translate to a central expectation of limited growth for the local economy over the next couple of years, and growth that could be imperilled in a 'no deal' scenario.

Figure 1 – NI Economic Summary



[1] https://ulstereconomix.com/ni-pmi/

[2] Chamber of Commerce Quarterly Economic Survey Q1 2019

[3] https://ulstereconomix.com/ni-pmi/

[4] https://www.nisra.gov.uk/system/files/statistics/labour-market-report-june-2019.PDF

Macroeconomic impacts of a 'no deal'

11. A significant volume of research and analysis has been published by the EU, Government (NI and UK) and many others on the implications of leaving the EU. This body of evidence suggests that the potential impacts of a 'no deal' exit could be wide ranging across the NI economy, at a more significant rate than the UK as a whole given the proximity to the land border with Ireland, and with certain sectors and areas within the region hit hardest.

12. In March 2016, the former Department for Enterprise, Trade and Investment's (DETI) report[5] assessed that NI's economy is likely to be relatively more vulnerable to the type of structural changes triggered by a UK exit from the EU in comparison to the rest of the UK. The assessment projected that by 2030, GVA in NI to be between 4-6% lower than the baseline, whereas the whole of the UK would see a reduction of 1-4%.

13. More recently, the UK Government's long-term economic analysis estimated a fall in GVA of 9.1% of a modelled 'no deal' exit for NI, in relative terms compared to remaining in the EU.[6] This forecast suggests that despite short term disruption, the NI economy should continue to grow in the long term but at a lower rate than if we remained in the EU. The regional analysis only considered the trade impact of a 'no deal' and not any wider impacts such as changes to migration policy, therefore, the relative real-world impact of 'no deal' could be more severe.

[5] Economic Impact of EU Exit on NI, 2016
[6] UKG Long Term Economic Analysis

NI trade profile

14. The overall data continues to show that NI purchases and sells more to GB than to any other destination. In 2017, GB sales in goods amounted to £7.6bn and £10.5bn in purchases from GB, with a further £3.7bn in services sales and £2.8bn in services purchases.[7] NISRA estimates that of the £7.6 billion of goods sold to GB (excluding farming) 29% were in manufactured agri-food products, and the majority (71%) were in other manufactured products. In terms of the £3.7bn in services sold to GB, 45% were in construction and 15% in transport and storage. Overall, a large proportion of the value of NI's goods and services sales (39% or £4.4bn) to GB can be attributed to a small number (2% or 169 businesses) of large businesses (250+ employees).[8]

15. Ireland is NI's biggest export destination and an important first market for exporters. In 2017, total exports of goods and services to Ireland were valued at £3.9bn.[9] This represented 39% of all exports.[10] 'Food and Live Animals' was the top NI goods export to Ireland, worth 32% (£1bn) of total NI goods exports to Ireland.[11] Services exports to Ireland increased by 28% from 2016 to reach £895m in 2017. Approximately 44% of NI services exports are sent to Ireland which continues to be NI's largest services export market.[12] 78% of NI services exports to Ireland are accounted for by transportation and storage (£224m) and construction (£207m).[13]

16. The Irish market is an important destination for the NI agri-food sector. For food and drinks processors it is the largest export market (£645.8m), accounting for 58% of total exports in 2016[14]. For the farming sector, exports to Ireland of live animals totalled £61m in 2018, exports of clean sheep for slaughter alone totalled £32.7m and were 44% of NI clean sheep sent to slaughter in 2018[15]. Exports of raw (unprocessed) milk to Ireland were £234.9m in 2017 (35% of the total milk produced on NI farms)[16]. There is also significant trade in complex food products (involving food wholesalers, distributors, retailers and many small firms) such as sandwiches, pizzas and ready meals for which data is not readily available.

17. Almost 8,700 businesses in NI sold goods and services to Ireland in 2017.[17] Micro-businesses (0-9 employees) account for 65% of businesses exporting to

---

[7] NISRA BESES 2019 & NISRA BESES 2019
[8] NISRA BESES 2019
[9] NISRA BESES 2019
[10] NISRA BESES 2019
[11] NISRA (2019) Overview of Northern Ireland Trade
[12] NISRA BESES 2019
[13] NISRA BESES 2019
[14] Size and performance of the NI food and drinks processing sector 2016, DAERA
[15] Statistical Review of NI Agriculture 2018, DAERA
[16] Statistical Review of NI Agriculture 2018, DAERA
[17] SMEs comprise businesses with fewer than 250 employees

Ireland. In value terms, 81% of exports from NI to Ireland were accounted for by businesses with fewer than 250 employees in 2017, with 19% of the value accounted for by micro-businesses.[18]

18. In addition to selling into the neighbouring markets of GB and Ireland, in 2017 NI businesses sold £2bn of goods and services into the Rest of the EU with a further £4.3bn to the Rest of the World. Manufacturing exports made up the majority of these (around 70%).

UK Government policy and key issues

19. In a 'no deal' exit, UK Government will apply temporary land border and tariff policies[19].

Temporary land border policy

20. The UK Government will not apply customs or regulatory checks at the land border. No tariffs will apply to Irish goods imported into NI. This policy will only apply for a temporary period and is a unilateral decision by UK Government. It is a reasonable assumption that tariffs will apply to NI goods that are exported to Ireland in line with EU law.

21. In a 'no deal' scenario, NI's exports to Ireland would face EU import tariffs set at the Most Favoured Nation (MFN) rate. For agri-food in particular, these tariffs would make most trade cost prohibitive.

22. Non-tariff barriers range from the administrative cost of completing customs documentation to the regulatory barriers to trade in certain products. These regulatory barriers to trade are very significant for some products such as agri-food products, medicines or chemicals to trading into the EU without a trade facilitation agreement. These barriers include the requirement to batch test medicines within the EU or that products must enter the EU via a Border Inspection Post (BIP). Most agri-food products must clear a BIP on entry to the EU, of which Ireland has just the one in Dublin, which creates additional transportation and administration costs.

23. For services these barriers can relate to restrictions on data transfer between the EU and non-EU countries, lack of recognition of professional qualifications or requirement to be an EU resident to provide certain services.

Temporary tariff regime

[18] NISRA BESES 2019
[19] https://www.gov.uk/government/publications/temporary-rates-of-customs-duty-on-imports-after-eu-exit

24. The UK Government will apply a temporary tariff regime for a period of up to 12 months at all other UK borders, e.g. Dover and Holyhead. Tariffs will apply equally to EU and non-EU countries. This policy reduces the majority of tariffs to zero. Tariff protection at a reduced level will be retained for some sectors of the UK economy. For NI, the most significant of these are agricultural products. A mixture of tariffs and quotas with an in-quota rate of zero will be used. Tariffs will also be reduced on pig meat, butter and some cheeses. Goods exported from Ireland for use/consumption in Northern Ireland will remain tariff free in line with the temporary land border policy.

25. An initial assessment indicates the percentage of goods by value subject to zero tariffs will increase from 78% to 95% under the Temporary Tariff Regime. The UK Government has stated that 87% of UK imports will be tariff free under the regime. The split between EU and Non EU imports is shown in Table 1 below.

Table 1: Tariff Free Imports to NI (£m)[20]

	Current Percentage of Tariff Free Imports	**Percentage of Tariff Free Imports in a 'no deal' scenario**
EU	100%	97.7%*
Non EU	51.4%	91.6%
Total	78.1%	95%

* all imports from Ireland to NI will remain tariff free under TTR for an initial period

Impact on NI's trade with Ireland and EU

Goods trade

26. Research by InterTradeIreland has shown that although only 6% of products traded NI-to-Ireland would face a tariff of 15% or more, these products represented 33% of all NI-to-Ireland trade.[21] The impact of EU tariffs alone is estimated to be a reduction in NI to Ireland trade by 11%. When non-tariff barriers are included the decline in trade from NI to Ireland is estimated to rise to 19%.

27. Key industries[22] most at risk from 'no deal' represent around 525,000 employee jobs in NI (this does not include employment associated with farming). Based on an assessment of employment size against EU export exposure, it is estimated that at least 40,000 jobs within these industries have a heavy reliance

---

[20] HMRC Micro Data. This analysis does not include imports below a threshold value (i.e. that attributed to small businesses) and is therefore below import figures reported by HMRC's Regional Trade Statistics.

[21] IntertradeIreland, Potential Impact of WTO Tariffs on Cross Border Trade

[22] These include manufacturing (excl. tobacco), Financial services; Business Services; Information & Communication; Public admin & defence; Electricity, gas, steam and air conditioning supply, Water Supply; Sewerage, Waste Management and Remediation Activities; Transportation and Storage; Wholesale & Retail; Public Services; and Tourism.

on continuing EU exports. This does not include jobs within the financial services or tourism[23] sectors, as such this estimate is likely to be higher. The stark reality is that many of these jobs could disappear almost overnight, especially in industries such as agri-food and haulage.

28. Research by InterTradeIreland has shown that micro and small firms play a significant role in cross-border trade and these transactions have features closer to local trade than to international export activity, suggesting many firms regard the all-island economy as their local market. [24] In addition, the research found that NI goods trade with Ireland was 1.5 times higher than would be expected, whilst it was four times higher for services trade.

29. InterTradeIreland research[25] on the potential impact of EU Exit on firms highlights that small firms trading across the border have high exposure to an adverse Brexit outcome in terms of their ability to withstand a trade shock. Some 51% of NI goods firms and 46% of NI services firms involved in external trade are estimated to be in an 'at risk' group (as characterised by low profit margins and/or low sales growth). In addition, these risks are much more concentrated in small firms, and in NI firms that trade with Ireland compared to NI firms that trade with GB. These businesses have a limited capacity to absorb market access shocks.

Agri-food trade

30. NI farms and food processors exported an estimated £832m (sales from processors & farms, does not include retail/wholesale) to Ireland in 2016[26]. There are also significant additional exports of food products from wholesalers, retailers and small businesses which are not captured in the figure given the methodology used. There is a significant danger that most of this trade could stop in a 'no deal' scenario. There are a number of reasons for this. Firstly, EU requirements for imports of food from third countries mean that products of animal origin and higher risk food products not of animal origin need to be accompanied by Export Health Certificates (EHC). Based on information provided by NI companies on current trade flows, DAERA estimates that there would be a very significant increase in the number of EHC needed to accommodate the sales of food from NI to Ireland (compared to the 18k which are currently needed to accommodate NI sales to non-EU countries). In addition, under a 'no-deal' scenario, the EHC available will, by definition, be non-negotiated and as such it may not be possible, either practically or economically, for the potential exporter to comply with its requirements. There will also be products for which there is simply no EHC.

[23] Financial services and tourism export data not available from BESES
[24] IntertradeIreland, Export Participation and Performance of firms across the island of Ireland
[25] IntertradeIreland, Shock absorption Capacity of Firms in Ireland and NI
[26] Statistical Review of NI Agriculture 2018, DAERA

31. It is unlikely that the small firms involved could cope with the assurances and requirements needed (particularly for complex food products, e.g. sandwiches which may include imported ingredients) to allow EHC providers to sign off on accompanying EHC.

32. Secondly, under current EU law products of animal origin and higher risk food products not of animal origin food imported from third countries must enter the EU via a Border Inspection Post (BIP). There are no plans for a BIP on the NI/Ireland land border. Furthermore, it is unclear if the Irish Authorities are ready to receive and process the large number of EHC needed to ensure current flows of food from NI to Ireland could continue legally. Non-tariff barriers such as EHC could encourage NI agri-food businesses exporting to Ireland to reconfigure their supply chains and service that business only from Ireland.

Services trade

33. In a 'no deal' exit NI services providers exporting their services to Ireland could face an average increase in the cost of doing business of 14.5 percentage points.[27]

34. The construction sector accounts for 21% of NI services exports to Ireland and would face an increased regulatory burden which equates to a 12.5 percentage point increase in the cost of doing business. Information and Communication services, which account for 18% of NI services exports to Ireland, will see an increase of 24 percentage points. The Professional, Scientific and Technical sectors, which account for a further 12% of services exports to Ireland, includes architectural services (15.2 percentage point increase), engineering services (13.6 percentage point increase) and legal services (10.9 percentage point increase).

35. Overall, it is estimated that this increased restrictiveness for services trade could result in the loss of over £120m worth of services exports to Ireland. This impact would also be exacerbated by a further loss of around £50m in services exports to the rest of the EU.

36. The trade barriers that lead to this increase in restrictiveness when providing services to Ireland vary between sectors. For some sectors barriers to data transfer will create significant issues to providing services, for others access to procurement markets will be significant. The increased cost of NI services businesses could mean that their services become uncompetitive in the Irish market.

---

[27] DfE STRI

37. Trade in goods is also reliant on a range of services, particularly transport and logistics services. This is NI's largest services export to Ireland. Any impact on the provision of transport services would impact the ability of NI businesses to export goods. In the event of a 'no deal' exit transportation and logistics businesses exporting to Ireland could potentially face an average increase in the cost of doing business of 15.7 percentage points. The research indicates that increases in the time required for customs clearances and increased barriers to competition contribute to this higher regulatory burden.

Impact on sales to GB

38. Whilst not considered exports, sales of goods and services to GB accounts for 53% of NI's total external sales.[28] This makes GB NI's biggest external trading partner. Companies selling to GB face a two-fold risk of exposure under a no-deal scenario:

    i. Import Exposure: indirect NI exposure to domestic GB market which, following the lowering of the tariff wall to the Rest of the World (RoW), could now attract additional imports from the RoW thereby increasing competition for NI firms selling to GB.

    ii. Export Exposure: indirect NI supply chain exposure as GB exporters face a downturn in sales to the EU (or even who relocate out of the UK to the EU) due to WTO tariffs being imposed.

39. Estimating NI's indirect exposure due to the impacts on GB imports and exports is complex, and the scale of this is currently unknown. However, the importance of the GB market for NI external sales and the significance of the changes to tariffs that UK Government has announced mean that we consider this a risk. Stakeholders, particularly in the agri-food sector, have also highlighted this as a significant risk.

Impact on agri-food sales in NI and GB

40. If the costs of the tariffs make trade unprofitable or there is an absence of infrastructure to legally complete trade, goods currently exported to both Ireland (£646m for food and drinks processors) and the rest of the EU (£342m) would likely be re-routed to the NI/GB market, increasing NI's dependence on the domestic market. Sales to GB for food and drinks processors are worth nearly £2.2bn and together with NI (£1.1bn) are worth over 75% of total sales[29]. The

[28] NISRA BESES 2019
[29] Size and performance of the NI food and drinks processing sector 2016, DAERA Note that some food sales by NI food processors into the NI market may subsequently be exported by wholesalers and retailers and therefore will not be captured in the NI food export figures within this report given the methodology used.

potential oversupply of the UK internal market could lead to a depression of farmgate prices, which would have an impact on farm businesses and the rural economy in NI.

41. The NICS has completed an analysis of import volume and community prices of key agri-food products on the UK market in the event the UK's 'no deal' policy comes into effect. The sectoral detail of this is attached at Annex A. Key findings in this analysis include:

- The TRQs provided are generous to importers and in the Beef and Poultry sectors would actually increase supply on the UK market should they be fully utilised and current exports to the EU are diverted onto the UK market. It would lead to a potential oversupply of 39,000 tonnes of beef (equivalent to 3.2% of UK beef consumption) and 97,000 tonnes of chicken meat (4% of UK poultry meat consumption). The significant reductions to MFN rates have the potential to provide more import opportunities at a quantum which is likely to be significant and will be difficult to control.

- Of the MFN rates kept above 0%, there is a very strong risk they are of an insufficient level to protect local primary producers and processors from imports from Non-EU countries with lower production costs. At a time when local industry are facing steep tariffs on exports to the EU (their main export market), making exports in many cases unviable, it would be difficult to cope with increased competition in NI and GB markets because of an inflow of cheaper imports from countries with lower production costs.

- Of the MFN rates reduced to 0%, such a widespread liberalisation carries many risks across a range of sectors. Some sectors have non-tariff barriers (such as the ban on growth hormones) to provide protection against countries with lower SPS standards and cheaper production costs but in other cases there isn't and setting the tariff to zero has removed all protection. Furthermore producers in other countries may adjust their production methods to meet UK SPS requirements.

- NI will have even less tariff protection with the decision to collect no tariffs on imports from Ireland. This leaves NI open to the re-routing of Irish exports from the GB market to NI market, potentially leading to further oversupply and depression of prices. Also the potential vulnerability of any third country importing product through Dublin port and taking it across the land border into NI to avoid paying any tariff.

- The agri-food sector is more important to the economy in NI than for the UK. It represents 3.9% of NI GVA compared to 2.2% for the UK and accounts for 4.4% of NI employment compared to 2.3% of UK employment[30]. Any impacts caused by the tariff policy would in most cases be felt harder and faster in NI than the rest of the UK.

Impact of trade within NI

42. While the GB and Irish markets are the most important external markets for NI businesses, the majority of sales and purchases by NI businesses are made within NI. Sales by NI businesses within NI accounted for 68% of total sales, or £45.2 billion in 2017[31]. Purchases by NI businesses within NI accounted for 54% of total purchases (£23.9 billion) in 2017.[32]

43. Two thirds of NI businesses (66%) sell only into the local NI market place.[33] Around one quarter of NI businesses are in agriculture, forestry & fishing; followed by 14% in construction; 12% in wholesale and retail; and 8% in the professional, scientific & technical industry.[34] These businesses will be impacted by changes in competitiveness within the local economy in the same way as sales to GB. The wholesale and retail sector in particular will also be impacted by any change in consumer spending.

44. The tourism industry is also vulnerable to changes in behaviour under a 'no deal'. Spending on overnight trips accounts for around 2.5 per cent of regional GVA and 65,000 jobs.[35] Employment in tourism related industries accounts for around one in ten jobs in NI. The EU is a market of some half a billion people, who have a lot of choice about where and when to go on holiday. With so much uncertainty about EU Exit, there is the potential for people to be cautious about visiting NI. Tourists visiting from mainland Europe and Ireland accounted for around a third of all external visits. A further complication is that many tourists use routes into Dublin airport. Any real or perceived additional constraints on their ability to cross the land border would have a negative impact on businesses in the tourism industry.

Consumer impact

45. The NI economy is more reliant on consumer spending than the rest of the UK. Research from UUEPC[36] estimated that NI consumer spending accounted for almost three quarters of overall GDP compared to 65% in the UK.

---

30 NI Agri-Food Sector Key Statistics 2018, DAERA
31 NISRA BESES 2019
32 NISRA BESES 2019
33 NISRA BESES 2019
34 www.nisra.gov.uk/statistics/business-statistics/inter-departmental-business-register#toc-2
35 NISRA Annual Tourism Statistics, 2018

36 https://www.ulster.ac.uk/__data/assets/pdf_file/0014/215123/Scoping-report_Final-report.pdf

46. 'No deal' would have a negative impact on consumers in NI where there is likely to be significant price increases on imported goods as a result of border frictions, the further depreciation of sterling and the imposition of tariffs. The London School of Economics (LSE) estimates[37] that leaving the EU without a deal would push the GBP-EUR exchange rate below parity and result in an increase of inflation to 3.5%. The LSE concludes, "As a consequence, purchasing power would decline and consumer spending and imports would contract". This would be most prominent for food and drink and products sourced from internationally traded commodities such as oil. Although much of the fresh produce such as bakery and fresh meat is more likely to be sourced locally in NI, other essential food and drink produce is imported from the EU. Consumers may find they have less choice in the supermarkets as a result.

47. NI consumers have lower median weekly earnings than the rest of the UK and so are more vulnerable to price fluctuations than the average UK consumer. Research by ASDA also shows that on average NI consumers have the lowest weekly household discretionary income of any UK region at £114 in Q1 2019 compared to £212 in the UK as a whole. The overall effect of even relatively small costs increases has the potential to have a severe impact on consumers. This could make NI consumers more price sensitive on key food items, which UK tariff policy means could be imported at lower cost than those which are currently produced in NI. This would have a knock-on impact on the NI businesses both in terms of products that lose market share and less consumer spending overall.

48. A recent research report[38] on the NI retail sector demonstrates that NI consumers' reliance on external markets is very high. GB is by far NI's largest source for the routing of retail goods including acting as the main route for the transportation of goods that come from other parts of the EU and Rest of the World. The exception is in relation to Food and Grocery where substantial amounts of fresh produce such as Bakery goods and Meat and Fish is sourced locally given the availability of indigenous producers. This means that under a 'no deal' scenario any vulnerabilities experienced by GB in terms of importing retail goods through their ports will have knock on effects for those goods ultimately destined for NI and using GB as a land bridge.

49. NI businesses also rely on cross-border shoppers. The latest CSO Cross Border Shopping survey[39] (January to March) of 2018 estimated that total Irish household expenditure on shopping in NI in the 12 months to quarter 1 of 2018 was €458 million, with the most common goods categories purchased being food and groceries and clothing and footwear. Households in the Border region made an average of almost 16 shopping trips a year. The uncertainty

[37] LSE: Inflation & Impact of No Deal
[38] NI Retail Study
[39] https://www.cso.ie/en/releasesandpublications/er/cbs/crossbordershopping-households2018/

associated with no-deal could have an impact on the scale of travel and goods/services purchased due to the need to declare goods to customs and pay duty, given the category of products Ireland shoppers are purchasing.

Investment impacts

50. The role of investment, particularly foreign direct investment (FDI), is regarded as one of the most important contributors of economic growth. The increase in FDI activity has benefits for both origin and destination countries linked to productivity, wages and employment. Furthermore, the expansion of multinational enterprises has been accompanied by the creation of complex cross-border production chains, which also has important economic implications. In addition, exports are important for both employment and economic growth, with foreign-owned companies more likely to engage in substantial international trade than domestic businesses.

51. The Inter-Departmental Business Register[40] shows that foreign-owned (i.e. non-UK) VAT and/or PAYE registered businesses operating in NI accounted for only 1.5% of total businesses. However, these companies employed a substantial 13.1% of the workforce, many in high value-added sectors. This highlights the importance of FDI to NI. As regards exports, the table below outlines export margins of Northern Irish businesses by business ownership.

Table 2: Export margins of NI businesses by business ownership (2016)[41]

Business ownership	No. of businesses	Average no. of products	Average no. of destinations	Total exports (£, thousands)	Average exports (£, thousands)
Domestic	1,653	20	6	4,189,466	2,534
Foreign	212	66	19	2,852,031	13,453

52. The above table shows that foreign-owned businesses are estimated to represent 11% of the NI-based businesses who export, although in terms of value the foreign-owned businesses represent 41% of total exports. Furthermore, the average value of exports by foreign-owned companies was five times greater than that of domestic companies, whilst exporting to a larger number of destinations. Therefore, the importance of FDI to NI's export potential is clear.

53. Under a 'no deal' exit, our FDI attractiveness would be negatively impacted. This has been modelled in a recent study undertaken by ESRI[42] which

[40] https://www.nisra.gov.uk/publications/current-publication-and-idbr-tables-1
[41] ONS: Patterns of NI trade by destination, product and business characteristics: 2012 to 2016
[42] DfE: The Impact of EU Exit on the attractiveness of FDI to the UK and NI and associated job creation effects

examines possible EU Exit impacts on the attractiveness of NI to greenfield[43] FDI and related job creation.

54. A ‘no deal’ would see losses in the medium to long run of 6% per annum in the case of the number of FDI projects and of 7.6% for FDI-related new jobs (including dynamic effects[44]). This was as a result of reduced market potential due to lower market size and reduced access to the EU Single Market.

55. Therefore, a no-deal EU Exit carries a risk of a notable reduction in FDI which could result in less exports by foreign-owned businesses, reduced employment and lower productivity. All of which is likely to be extremely detrimental to the NI economy.

Changes in business and consumer behaviour

56. The range of pressures on both businesses and consumers when combined with the incentives that will naturally arise with differences in tariff protection between the UK and EU is likely to lead to an increase in smuggling, VAT fraud and tariff evasion. In addition to creating opportunities for exploitation by organised crime groups, this scenario will likely also foster a black market amongst previously lawful individuals and businesses which, over time, will significantly impact on the culture of lawfulness in NI.

57. For example, consumers who have less discretionary income are likely to be more price sensitive and may be willing to buy goods which no import VAT was paid. Businesses struggling to remain competitive face incentives to smuggle goods into the Irish market, where prices for agri-food goods in particular will remain protected by higher tariffs.

58. There will also be incentives for Irish businesses to change their behaviour and reroute goods into or through NI. GB is a major market for Irish agri-food exports – a beef exporter in Ireland who supplied the GB market would be faced with at best an administrative cost in applying and accessing a TRQ, and at worst the MFN tariff rate where previously trade was tariff free – both cases have additional costs that are avoided completely if the beef is instead sold to the NI market. This would create further pressure on NI businesses in NI and GB markets.

[43] New operations established by foreign companies at a new site.
[44] Dynamic effects include additional losses over time due to forgone productivity gains associated with trade.

Transport and people movement

59. There is a range of data on cross border movements[45], which shows that people cross the border for a range of reasons. Taken together the analysis suggests that are in the region of 105 and 110 million person border crossings, and almost 75 million vehicle crossings per annum between NI and Ireland. 22% of vehicle crossings and 35% of people crossings are for an economic purpose, for example commuting to work or the delivery of goods. 78% of vehicle crossings and 65% of people crossings are for non-economic purposes, for example, for family or leisure purposes.

60. The challenge and in the context of 'no deal' will be to distinguish between the purpose of trips for that sheer volume of cross border movements, identifying those which involve an economic or regulated purpose from those that do not. The type of vehicle is unlikely to be fully reliable means of distinguishing between purposes since cars can be, and are, used for economic purposes in the same way vans and LGVs can be, and are, used for domestic or leisure purposes. For instance, recent data[46] show that LGVs alone make up 11% of total traffic movements back and forth across the border at 15 of the main border crossings between NI and Ireland. For that category of vehicles it will be difficult to know if their purpose of journey is for leisure or for trade/work purposes without any physical checks.

61. The data indicates that there is widespread use of groupage[47] with Agents and HGVs being the predominant means of moving high frequency low value exports to Ireland[48]. The prevalence of groupage will add a further complication to the transport of goods in a 'no deal' scenario, as if there is an issues with the customs documentation or regulatory checks for any of the products, delivery of the entire load would be delayed.

62. As well as delays that may arise from customs ore regulatory procedures, there are potential barriers to providing transport and logistics services in the EU in a 'no deal' scenario. In a 'no deal' exit, NI hauliers would need an ECMT permit to transport goods into Ireland or other EU countries. Hauliers can continue to use EU Community Licenses until 31 December 2019, current guidance is that in the event of 'no deal' after that date ECMT permits will be required. There are a limited number of these permits available for the UK, and NI hauliers received 15% of the initial Permit Allocations.

---

[45] DfE (2018) Cross Border Movements: The movement of people across the NI- Republic of Ireland border; Atkins (2017) Technical notes on cross border transport movements
[46] Traffic Counts of Vehicles at the 15 Main Northern Ireland-Ireland Border Crossing Locations, 2019
[47] Groupage refers to products from different companies and for different customers grouped together for transport.
[48] For full information see - https://www.economy-ni.gov.uk/publications/northern-ireland-trade-data-update

63. There has been early commitments that the Common Travel Area would continue even in a ‘no deal’ scenario. However, the potential for checks on commercial traffic, from either jurisdiction, clearly has implications for how to practically separate and identify economic related cross border movements from non-economic related journeys when the overall level of movements are so huge, and when the type of vehicle will not always a reliable indicator of purpose.

Business Preparedness

64. The evidence on NI businesses planning for EU Exit is mixed. The Chamber of Commerce and AIB surveys reporting that over 40% of firms have made some form of preparation, however the InterTradeIreland survey suggests only 10% of firms in their survey have started to prepare for Brexit[49].

65. Of those businesses who are preparing, the evidence indicates that businesses are taking a range of actions to mitigate potential impacts. The latest Chamber of Commerce survey (Q1 2019) reports that 13% of NI businesses surveyed have established a presence outside of NI, with a further 16% thinking about doing so. 70% have made or are considering changes to their business model. More members are seeking advice. The survey suggests that around 44% of members have sought advice from a variety of sources across the public and private sectors. Larger employers are more likely to have sought advice with 63% of medium/large businesses (50+ employees) seeking advice in preparation for Brexit compared to 19% of micro-enterprises (less than 10 employees).

66. The range of impacts, discussed above, mean that it will be difficult for many companies to adequately prepare the impact of a ‘no deal’ exit. In particular, while businesses may identify direct impacts such as tariff and non-tariff barriers to trade, indirect barriers such as any impact on consumer spending will be very difficult to mitigate against.

Conclusion

67. The Northern Ireland Civil Service’s assessment remains that the consequences of material business failure as a result of a ‘no-deal’ exit, combined with changes to everyday life and border frictions would have a profound and long-lasting impact on the economy and society.

[49] AIB (2019) - Brexit Sentiment Q1 2019, NI Chamber of Commerce and Industry (2019) – Quarterly Economic Survey Q1 2019, InterTradeIreland (2019) All-Island Business Monitor Q1 2019.

68. Businesses trading goods across the border in a 'no deal' scenario would face immediate increased costs and administrative burdens compared to the current frictionless and tariff-free movement of goods. Many heavily regulated and high tariff sectors such as agri-food or pharmaceuticals, and businesses relying on the transfer of personal data will no longer be able to export to the Irish market. As agri-food represents the largest share of cross border trade flows, a 'no deal' scenario could effectively mean high proportion of businesses will no longer be able to export to the Irish market.

69. Proximity to the border increases the propensity to engage in cross border sales, as such border regions are more vulnerable to a 'no deal' outcome. These regions tend to be economically poorer, with Gross Value Added (GVA) per head in the border region district councils 25%[50] lower than the average for NI as a whole. Any impact of a 'no deal' exit would compound existing economic disparities within NI. Some rural areas are also likely to feel an immediate impact in the agri-food sector.

70. Some businesses may respond by focussing more on the NI and GB markets. However, there are significant risks to the continuation of even status quo trade in these markets, and NI businesses may no longer be competitive in these markets as well.

71. This places a twin pressure on NI's most important markets, leaving businesses with limited option and the NI economy facing an absolute decline in exports and external sales.

72. Changes in the market would also impact consumers, and consumer spending will in turn impact growth in the economy. At the same time incentives will be created for increases in smuggling, VAT fraud and tariff evasion which would further undermine the economy. The impact on communities – particularly in border regions – is difficult to quantify, but any increase in non-compliance or evasion would change behaviours and attitudes in communities, which, over time, will significantly impact on the culture of lawfulness in NI. Any increase in illegal trade in agri-food products will impact the integrity and reputation of the food chain in both NI and Ireland, which would lead to significant economic loss.

73. Given the range of impacts, it is not surprising that most businesses are not prepared. However, this lack of preparedness will increase the risk to the economy as those most exposed to the impacts are not equipped to absorb the shocks of 'no deal'.

[50] NISRA (2019) 2017 Mid Year Population Estimates for District Electoral Areas, ONS (2018) Regional gross value added (balanced), UK: 1998 to 2017

ANNEX A

IMPORT VOLUME AND COMMODITY PRICE ANALYSIS ON UK 'NO DEAL' TARIFF POLICY

1. The following analysis looks at two aspects of the 'no deal' tariff policy for agri-food products - the creation of additional TRQs and the reduction of MFN rates. Volume data from HMRC Overseas Trade Statistics is used to assess the sizing of the proposed TRQs and the potential for oversupply to the UK market. Global prices for the affected agri-food products are compared to assess the increased vulnerability the reduced MFN rates would make domestic producers against lower cost producers from outside the EU.

Beef

2. For beef products, the MFN tariff rates are being reduced to 53% of the existing MFN level and multiple TRQs are being created.

3. Based on the average annual UK import tonnage for 2016-2018[51], the proposed TRQs would cover 69% of fresh beef imports from all destinations (73% of imports from the EU). This would leave an average of just under 46k tonnes of fresh beef imports from the EU not covered. The UK on average exports 79k tonnes of fresh beef product to the EU. In a 'no deal', it is unlikely this trade would be economically viable as UK exporters would be facing the EU MFN rate. Therefore this tonnage could be diverted to the UK to sustain UK demand, leading to a potential oversupply of the UK market by 33k tonnes if there are no exports to the EU.

4. For frozen beef imports, the proposed TRQ would cover 73% of imports from all destinations (80% of imports from the EU). This would leave 14k tonnes of frozen beef imports from the EU not covered. The UK on average exports over 16k tonnes of frozen beef to the EU. For preserved/prepared beef products, the proposed TRQ would cover 66% of imports from all destinations (97% of imports from the EU). This would leave just under 2k tonnes of preserved/prepared beef imports from the EU not covered. The UK on average exports just over 6k tonnes of this product to the EU.

5. Export substitution of UK beef products from EU markets to the home market becomes more difficult in a market where there has been increased access to cheaper third country beef. Across all beef products if all current exports to the EU are diverted to the UK market and the TRQs are fully utilised there would

[51] Overseas Trade Statistics, HMRC

be an increase in supply on the UK market of 39k tonnes (about 3.2% of UK consumption[52]).

6. Farmers in NI face higher production costs, partly from higher welfare and quality standards and higher wages, than beef farmers from many countries outside the EU. The current price for NI beef carcases averages around €3.67 per kg[53], compared to the beef carcase price in Brazil at €2.17 per kg[54]. This highlights the vulnerability of local producers to cheaper meat imports- in a 'no deal' scenario, Brazilian beef carcases can by imported to the UK tariff free under the newly created TRQs and would be at a lower cost than locally produced beef. The Brazilian price does not include transport and other transaction costs which would reduce the differential but the local market would still be vulnerable. Outside of trade within a TRQ there are still vulnerabilities – the reduced MFN tariff cost for Brazilian beef as given above would work out at €1.08 per kg, bringing the total cost per kg to €3.25, still lower than the current price for NI producers. Therefore NI primary producers would face a sharp reduction in the protection provided by tariffs from cheaper beef imports at a time when processors would be facing steep tariffs on their EU export trade.

7. On top of the issues outlined above, a pro-rata share of the existing EU WTO TRQs have been allocated to the UK and are included in the UK schedule. These TRQs which are in addition to those outlined above, already provided a cheaper route of import for third countries and would still be a viable cheaper alternative to the MFN rate in a 'no deal'.

8. The beef sector makes up 22% (£467m) of gross output of the agriculture in NI, over 70% of farms had cattle over a year old intended for slaughter in 2018[55] – this production is vulnerable to a reduction in tariff protection for cheaper third country production or any fluctuations in the destination of beef exports from Ireland.

9. On the processing side, the beef and sheepmeat subsector has sales of £1.2bn[56], the majority of which is in beef products. The subsector makes up 27% of total sales in the NI food and drink processing sector, it provides employment for over 5,200 full-time equivalents (over 22% of total employment

[52] UK Cattle Yearbook 2018, AHDB http://beefandlamb.ahdb.org.uk/wp-content/uploads/2018/10/UK-Cattle-Yearbook-2018.pdf
[53] NI Agricultural Market Report, DAERA https://www.daera-ni.gov.uk/sites/default/files/publications/daera/AMRVOL82No.25.pdf
[54] European Commission https://ec.europa.eu/agriculture/sites/agriculture/files/market-observatory/meat/beef/doc/market-situation_en.pdf
[55] Statistical Review of NI Agriculture 2018, DAERA https://www.daera-ni.gov.uk/sites/default/files/publications/daera/stats-review-2018-final.pdf
[56] Size and performance of the NI food and drinks processing sector 2016, DAERA https://www.daera-ni.gov.uk/publications/size-and-performance-ni-food-and-drinks-processing-sector

in the sector) and over 68% of sales are to GB[57]. This demonstrates both the importance of the processing sector to the NI economy and the importance of the GB market for NI beef. Firms in the beef and sheepmeat subsector are already operating at the smallest net profit margin (2.6%[58]) of the entire NI food and drinks processing sector, and are therefore vulnerable to a sudden influx of cheaper beef products to the GB market caused by reduced tariffs and new TRQs.

Sheep

10. The MFN rate for sheepmeat imports has been retained at the current EU level. Difficulties could arise from the existing WTO TRQs, as laid out in the UK WTO schedule (a pro-rata share of the EU WTO TRQs has been allocated to the UK), although it is recognised that the resulting imports are from countries where the trading relationship with the UK should not change as a result of Brexit. The sizing of these TRQs are based on a market where UK exports of sheepmeat could flow tariff free into the EU market. In a 'no deal' Brexit when both sheepmeat and live sheep exports to the EU face steep tariffs, the UK market will be oversupplied and the importation of cheaper New Zealand lamb could further reduce farmgate prices.

11. For NI, there will be immense pressure on farmgate prices due to the tariff on live sheep exports to the EU. Currently NI farmers export 44% of live sheep for slaughter to Ireland for processing, over 356,000 sheep[59]. On exit, the rate of EU tariff would make this trade unviable. As covered above, NI has the additional vulnerability of no tariff collection on imports from Ireland. The UK is one of the largest market for sheepmeat exports from Ireland, this trade will be displaced in a 'no deal' situation where trading with GB faces a high tariff but selling to the NI market faces no tariff.

12. The sheep sector is worth £78.3m to NI agriculture output (4%), with exports of live sheep to Ireland making up £33m. Over 40% of NI farms (9,948 farms) have sheep on farm[60].

Pork

---

[57] Size and performance of the NI food and drinks processing sector 2016, DAERA https://www.daera-ni.gov.uk/publications/size-and-performance-ni-food-and-drinks-processing-sector

[58] Size and performance of the NI food and drinks processing sector 2016, DAERA https://www.daera-ni.gov.uk/publications/size-and-performance-ni-food-and-drinks-processing-sector

[59] Statistical Review of NI Agriculture 2018, https://www.daera-ni.gov.uk/sites/default/files/publications/daera/stats-review-2018-final.pdf

[60] Statistical Review of NI Agriculture 2018, https://www.daera-ni.gov.uk/sites/default/files/publications/daera/stats-review-2018-final.pdf

13. The MFN rate for live pig imports will be set to zero in a 'no deal', which will be helpful for NI pig processors since over 25% of pigs slaughterings are imported from Ireland[61]. But the reduction of MFN tariff rates for pork to 13% of the existing MFN level is concerning for local primary producers and processors as pork exporting countries such as the US, Canada and Brazil have lower production costs and wholesale prices. With the reduced MFN rates adding a cost of ranging from €7.1/100kg to €20.6/100kg to the average pig price in Euro/100kg carcase for these countries - €141.53 (Brazil), €148.00 (US) and €130.39 (Canada) – in most cases the overall cost would be lower than the EU average of €178.36 and the UK average of €167.73[62].

14. It is of the upmost important that SPS standards are not reduced in a 'no deal', such as the ban on the use of growth hormones, since sharp reduction in the MFN rate would leave the non-tariff barriers as the only protection against cheaply produced pork. However it is doubtful if SPS requirements will provide adequate protection as pork producers in other countries will seek to meet UK standards if the tariff is at a level that makes importing into the UK advantageous.

15. The pig sector makes up 7% (£159m)[63] of gross output of the agriculture in NI and the pigmeat subsector represents just under 7% (£317m)[64] of sales in the NI food and drinks processing sector. The UK market is the main destination for sales, with 39% being sold locally in NI and 39% sold to GB[65].

Poultry

16. The MFN tariff rates for poultrymeat are being reduced to 60% of the existing MFN level and multiple TRQs for poultrymeat are being created.

17. Based on the average annual UK import tonnage for 2016-2018[66], the proposed TRQs would cover 74% of fresh chicken imports from the EU (there were no imports from non-EU). This would leave 58k tonnes of fresh chicken imports from the EU not covered. The UK on average exports 114k tonnes of fresh chicken product to the EU. In a 'no deal', it is unlikely this trade would be economically viable as UK exporters would be facing the EU MFN rate.

---

[61] Statistical Review of NI Agriculture 2018, https://www.daera-ni.gov.uk/sites/default/files/publications/daera/stats-review-2018-final.pdf
[62] European Commission, https://ec.europa.eu/agriculture/market-observatory/meat/pigmeat/statistics_en
[63] Statistical Review of NI Agriculture 2018, https://www.daera-ni.gov.uk/sites/default/files/publications/daera/stats-review-2018-final.pdf
[64] Size and performance of the NI food and drinks processing sector 2016, DAERA https://www.daera-ni.gov.uk/publications/size-and-performance-ni-food-and-drinks-processing-sector
[65] Size and performance of the NI food and drinks processing sector 2016, DAERA https://www.daera-ni.gov.uk/publications/size-and-performance-ni-food-and-drinks-processing-sector
[66] Overseas Trade Statistics, HMRC

Therefore this tonnage could be diverted to the UK to sustain UK demand, leading to a potential oversupply of the UK market of 56k tonnes if there are no exports to the EU.

18. For frozen chicken imports, the proposed TRQ would cover 53% of imports from all destinations (61% of imports from the EU). This would leave 51k tonnes of frozen chicken imports from the EU not covered. The UK on average exports 89k tonnes of frozen chicken to the EU resulting in a potential oversupply of the UK market of 38k tonnes if there are no exports to the EU.

19. For preserved/prepared chicken products, the proposed TRQ would cover 60% of imports from all the EU (there were no imports from non-EU). This would leave over 10k tonnes of preserved/prepared poultry product not covered. The UK on average exports over 13k tonnes of this product to the EU.

20. Overall for chicken products, if the TRQs are fully utilised and all exports are diverted onto the UK market, there would be a potential oversupply of 97k tonnes - 4% of consumption[67].

21. For fresh duck, the proposed TRQ would cover 33% of imports from all destinations (36% of imports from the EU). This would leave over 7k tonnes of fresh duck imports from the EU not covered. The UK on average exports just under 10k tonnes of fresh duck to the EU.

22. For frozen duck, the proposed TRQ would cover 74% of imports from all destinations (74% of imports from the EU). This would leave 2k tonnes of frozen duck imports from the EU not covered. The UK on average exports over 4k tonnes of frozen duck products to the EU.

23. For fresh turkey, the proposed TRQ would cover 122% of imports from the EU (there were no imports from non-EU). This would leave an excess of 335 tonnes of fresh turkey. The UK on average exports 134 tonnes of fresh turkey to the EU resulting in a potential oversupply of the UK market of 469 tonnes if there are no exports to the EU.

24. For frozen turkey, the proposed TRQ would cover 35% of imports from all destinations (82% of imports from the EU). This would leave 31k tonnes of frozen turkey imports from the EU not covered. The UK on average exports over 44k tonnes of frozen turkey products to the EU, resulting in a potential oversupply of the UK market of 13k tonnes if there are no exports to the EU.

25. In addition to this, the main exporting countries to the EU of poultrymeat, Thailand and Brazil, have additional access through over the pro-rata UK share

[67] Poultry Pocketbook 2018, AHDB https://pork.ahdb.org.uk/media/275384/poultry-pocketbook-2018.pdf

of the EU WTO TRQs in the UK WTO schedule that would still be a viable alternative to the MFN tariff rates.

26. Production costs and wholesale prices are lower in poultrymeat exporting non-EU countries; the current EU broiler price is €189.86 per 100kg and the UK price is €165.91 per 100kg, compared with €108.0 per 100kg in Brazil[68]. The reduced MFN tariff rates for frozen poultrymeat range from €11.3/100kg to €61.8/100kg, adding these costs to the price for Brazil would mean it would still be cheaper than the UK price. The reduction in MFN tariff rates has narrowed the protection provided to home producers.

27. The poultry sector is an important component of the NI agri-food sector, contributing £281m (13%) towards gross output of NI agriculture[69]. Poultrymeat processors account for £680m, 6% of sales, in the NI food and drink processing sector[70]. The Poultrymeat subsector is the largest employer with 5,346 full-time equivalents, accounting for nearly a quarter of employment in the food and drinks processing sector[71]. The sector has one of NI's largest employers Moy Park.

Eggs

28. The MFN tariff rates for eggs are being reduced to zero. The UK market for NI egg processors makes up 92% of sales, GB alone is 60%[72]. With no tariff protection, NI producers would be vulnerable to imports of processed eggs and powdered eggs products from third countries with lower production costs due to lower welfare and environmental standards, particularly in the use of caged hens. The average price for eggs per 100kg in the UK is €118.08 – higher than the US (€86.29) and India (€84.94), and close to Brazil (€104.20)[73].

[68] European Commission, https://ec.europa.eu/agriculture/poultry/presentations_en
[69] Statistical Review of NI Agriculture 2018, https://www.daera-ni.gov.uk/sites/default/files/publications/daera/stats-review-2018-final.pdf
[70] Size and performance of the NI food and drinks processing sector 2016, DAERA https://www.daera-ni.gov.uk/publications/size-and-performance-ni-food-and-drinks-processing-sector
[71] Size and performance of the NI food and drinks processing sector 2016, DAERA https://www.daera-ni.gov.uk/publications/size-and-performance-ni-food-and-drinks-processing-sector
[72] Size and performance of the NI food and drinks processing sector 2016, DAERA https://www.daera-ni.gov.uk/publications/size-and-performance-ni-food-and-drinks-processing-sector
[73] European Commission, https://ec.europa.eu/agriculture/eggs/presentations_en

29. The egg sector contributes £107m (5%) towards gross output of NI agriculture[74]. The egg processing sector has sales of £153m, 4% of total sales for the NI food and drink processing sector[75].

Dairy

30. The Dairy sector in NI is both highly integrated with Ireland (35% of milk from farms is sent to Ireland for processing) and has the largest value of export sales (£323m) in the NI agri-food processing sector[76]. In a 'no deal' scenario these trade flows will become unviable due to EU import tariffs and regulatory requirements, leading to oversupply issues within the market. This would then be compounded by any change in the destination of exports from Ireland to the UK market due to the retention of a proportion of the MFN tariff rate for butter (32%) and cheese (13%). While the MFN rates provide a level of protection against cheaper non-EU imports, it provides incentives for Irish producers to sell product to the NI market as there will be no tariff collected. Ireland, by volume, accounts for 54% of the UK's butter imports and 88% of cheddar imports[77]. This would be a substantial amount of product that could flow into or through NI.

---

[74] Statistical Review of NI Agriculture 2018, https://www.daera-ni.gov.uk/sites/default/files/publications/daera/stats-review-2018-final.pdf

[75] Size and performance of the NI food and drinks processing sector 2016, DAERA https://www.daera-ni.gov.uk/publications/size-and-performance-ni-food-and-drinks-processing-sector

[76] Statistical Review of NI Agriculture 2018, https://www.daera-ni.gov.uk/sites/default/files/publications/daera/stats-review-2018-final.pdf

[77] AHDB Dairy, https://dairy.ahdb.org.uk/news/news-articles/march-2019/no-deal-dairy-tariffs-announced/#.XRzJtFRKiM8