



FD Food
Drink
Ireland
ibec

Improving competitiveness

Policy Priorities of
the Food and Drink
Sector **2018**



Improving our cost competitiveness

A very strong food and drink performance in 2017 saw exports increase by 11% to €12.26bn. Slower import growth pushed the positive trade balance up by €771m to €4.56bn. Improving our domestic market position and continuing to increase exports, secures existing jobs in the agri-food sector and contributes to future jobs growth.

The economic contribution of such growth is greater than any other industrial sector due to its deep linkages to the wider economy, particularly in regional areas.

The longer-term opportunities largely remain for the Irish food and drink sector. However, the immediate response must be to ensure the sector is fit for purpose to meet the substantial challenges ahead. Whilst agri-food is most at risk in the event of hard Brexit there is the ongoing impact from sterling depreciation.

A hugely important measure to mitigate these risks it is imperative to implement policies within our power to control our cost base. This must be done whilst helping companies innovate and improve productivity. The primary concerns in this regard are labour costs, poorly designed regulation and rising insurance costs. It is also imperative that measures to improve utility and transport costs are taken to provide a hedge against possible future cost increases because of Brexit. Mitigating Brexit also requires exceptional state aid support for stabilisation, competitiveness and diversification to remedy a serious disturbance in the Irish economy due to the fracture of the single market. The will necessitate a multi-annual funding framework in the region of 5% of the value of current annual indigenous export sales to the UK (€650m over three years).

With one in eight jobs in the economy linked to agri-food, failure to do this will be damaging to the wider economy and not just the food and drink industry.



Policy recommendations

Brexit response

- + A transition period of sufficient duration to improve business certainty.
- + An ambitious EU-UK future trade agreement avoiding tariffs, TRQs and regulatory divergence.
- + Avoid a hard border with Northern Ireland.
- + Exceptional state aid support for stabilisation, competitiveness and diversification to remedy a serious disturbance in the Irish economy due to the fracture of the single market.
- + Minimise customs burdens and regulatory checks (animal products) as part of any future trade agreement (mutual recognition of standards to expedite trade between approved consignors/consignees, simplified procedures consistent with the Union Customs Code and maximum collaboration on SPS, veterinary and product standards).
- + Special arrangements to facilitate transiting goods using the UK land-bridge.
- + Common legal recognition and technical application in both Ireland and Northern Ireland of the three All-island Spirits Geographic Indications for Irish whiskey, Irish Cream and Poitin.
- + Continuation of a seamless system, like the existing EMCS, to manage and record movement of excisable produce in duty suspension between Ireland and UK.
- + The UK should also remain part of the European Common Transit System to ensure smooth transit of goods to, from and through the UK.

Market diversification and market access

- + Support the smooth and effective functioning of the Single Market and oppose market renationalisation measures.
- + Introduce trade support measures, including export trade financing and export credit guarantees to support the continued development of international export markets.
- + Increase in market and domestic supports for market diversification for Irish companies by increasing funding for relevant state agencies.
- + Introduce additional direct marketing and innovation supports for companies looking to reformulate, re-package or innovate their product lines for new markets.
- + Introduce direct supports for companies looking to re-tool and re-invest in plant and machinery to produce product lines for new markets. This should include accelerated capital allowances where appropriate.
- + EU Trade Agreements to secure additional market access in strategic growth markets, at similar tariff levels to competitors.
- + Such trade agreements must reflect the defensive as well as the offensive interests of Irish agri-food, particularly considering Brexit.
- + Tariff wars should be avoided, particularly in areas where the EU has a large trade surplus, e.g. whiskey and spirits.

Competitiveness

- + Reduce industrial energy costs to the EU average and significantly reduce other utility and local authority charges.
- + Full impact assessment before any further legislative change impacting on labour costs and tackle the spiralling cost of liability insurance and injury claims.
- + Regulatory impact assessments must rigorously address the cost impact of new legislation on the agri-food sector.
- + Tax relief measures for investment in the agri-food sector should be expanded and repositioned to incentivise expansion of existing businesses and investments in start-ups.

Sustainability

- + Maintain a world class food safety regime
- + Ensure supply chain integrity and identification / management of emerging risks and threats.
- + Support by Government for voluntary industry efforts on health, nutrition and responsible consumption and full engagement with industry.
- + Avoid discriminatory taxes and other measures on food and beverages and introduce tax measures that support investment in workplace wellbeing.
- + Implement the voluntary Codes of Practice for the advertising and marketing of food and non-alcoholic drinks.
- + Climate change policies must recognise the sustainable grass-based food production system in Ireland.
- + Government should acknowledge the role of food and beverage packaging in reducing food waste, protecting quality and freshness and the role of food and beverage companies in providing sustainable packaging solutions.

Innovation, skills and human capital

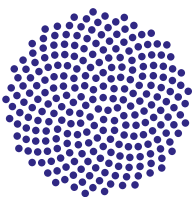
- + Ensure a taxation environment which encourages increased investment in innovation.
- + Continue the strong focus on and investment in industry-led applied and fundamental research.
- + Continue budgetary support for technology transfer and adoption at primary production level.
- + Streamline and simplify the application processes for access to innovation supports, particularly for SMEs.
- + Ensure the skills base of the agri-food industry reflects not just the current business demands but the challenges of future growth in existing and new markets.
- + Ensure that measures such as employment permit schemes are put in place so that labour shortages do not impact on existing business and growth prospects.
- + Increase funding supports for enterprise-led training initiatives including Skillnets and industrial apprenticeships.

Key statistics

- + 250,000 jobs linked to the agri-food sector
- + €27.5bn turnover in the sector
- + Supplies the majority of produce to Ireland's €15bn domestic grocery and food service sector
- + €12.6bn worth of exports in 2017 to 180 countries
- + 53% of all exports by indigenous Irish manufacturers
- + Destinations – UK 35%, rest of Europe 33%, third countries 32%
- + Total payroll in the sector is €2.16bn – more than any other manufacturing sector
- + €11.1bn worth of materials purchased – 71% are sourced in Ireland
- + €3.6bn worth of services purchased – 50% are sourced in Ireland
- + Ireland is the largest net exporter of dairy ingredients, beef and lamb in Europe
- + Ireland is the largest exporter in Europe of powdered infant formula
- + Ireland exports over 80% of its dairy and beef production

Key facts

- + The agri-food industry has deeper links to the wider economy than the rest of manufacturing.
- + It accounts for almost half of direct expenditure by the entire manufacturing sector in the Irish economy (payroll, Irish materials and Irish services).
- + As a result, the sector has a high employment multiplier, which means it supports employment in other parts of the economy in a way that other sectors don't.
- + Uniquely, this economic activity is consistently dispersed throughout all regions of Ireland, especially rural areas. It is therefore also at heart of the social fabric of rural Ireland.



Food Drink Ireland (FDI)
84/86 Lower Baggot Street
Dublin 2
T: + 353 (0)1 605 1500
E: info@fooddrinkireland.ie
W: www.fooddrinkireland.ie
 [@fooddrink_irl](https://twitter.com/fooddrink_irl)

FDI is the main trade association for the food and drink industry in Ireland. It represents the interests of over 150 food, drink and non-food grocery manufacturers and suppliers.

FDI is committed to ensuring an environment exists that is conducive to the success and further growth of the food and drink industry in Ireland.

FDI provides leadership and direction on a number of key strategic issues, including the economic importance and reputation of the sector, competitiveness, innovation, trade, skills, regulation and general food chain policy.

