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Chairman



**ULSTER
FARMERS'
UNION**

Brexit – What it means for Northern Ireland Dairying





Five Months To Go...or Longer?



Brexit Timeline (with no extension)

2018

January – March : Formal discussions on the transition period.

March: Exploratory talks on the future trade relationships.

March – October: Formal discussions on the future trade deal relationship.

From October: Political agreement on withdrawal targeted.

2019

March: Approval of the Withdrawal Treaty (by the UK Parliament, EU Parliament, qualified majority of the EU Council).

April: UK leaves EU.

May: Trade talks officially begin under Article 218.

2020

December: European Parliament elections.

2022

May: Possible end of the transition period (may be extended).

UK general election



Brexit Trade Scenarios

	EU	EEA (Norway)	EFTA ex-EEA (Switzerland)	Customs union (Turkey)	Free trade deal (Canada)	WTO
Free trade in goods with EU	Yes	Yes, farming excluded	Yes for most goods	Mostly	Mostly	No
Access to the EU services market (incl financial. passporting)	Yes	Yes	Partial	No	No	No
Customs union with EU	Yes	No	No	Yes for most goods	No	No
Free to set trade agreements with third parties	No	Yes	Yes	No for most goods, yes for services	Yes	Yes
Votes on EU laws/regulations	Yes	No	No	No	No	No
Under ECJ jurisdiction	Yes	Indirectly	Indirectly	Indirectly	Partial	No
Contribution to EU budget	Yes	Yes	Yes	Partial	No	No
Free movement of people	Yes	Yes	Yes	No	No	No



Backstop

Intended to be a safety net:

- a way of avoiding a hard border in Northern Ireland - if appropriate customs arrangements cannot be agreed by the EU and UK in time for the end of the transition period in December 2020.
- EU believes the backstop should mean Northern Ireland staying in the single market for goods and the customs union - until the UK comes up with solution to the border issue.
- Theresa May wants a backstop that would see the whole of the UK staying in the customs union for a limited time after the transition period - EU has said is unacceptable.



No Deal?

WTO “Most Favoured Nation”

Food Imports

- Producers/Suppliers/Retailers could face a £9.3 billion bill (Barclays,2018).
- Live poultry imports would face a 130% bill (£686 million).

Food Exports

- Agri-Food exports in 2017 were £13 billion
- Animal/animal products - £3.2 billion
- Export Health Certificate (EHC) – 6 months for UK to be registered?



Agricultural Policy in Northern Ireland

- No Government at Stormont
- 2019/2020 – payments to remain as they are
- Payments to be phased out over 7 years
- 2021-2027 – principle of delinked payment will kick in
- Payments no longer linked to land; environmental eligibility, i.e improving water quality, planting trees etc “Green Brexit”



The Northern Ireland – Republic of Ireland Border

- Border between NI and Republic is 310 miles long
- 30,000 travel across it daily
- 80% of cross border trade is from small businesses
- 40% of trade is food and beverages
- Cross Border Trade – UK into RoI = £13.6 billion
- Cross Border Trade – RoI into UK = £9.1 billion



Northern Ireland-RoI Border

- 26% of NI milk goes to RoI to be processed (2015)
- 9% of RoI milk supplies
- Milk from a cow in Northern Ireland could cross the border five times before ending up in a bottle of a well known Irish cream liqueur.

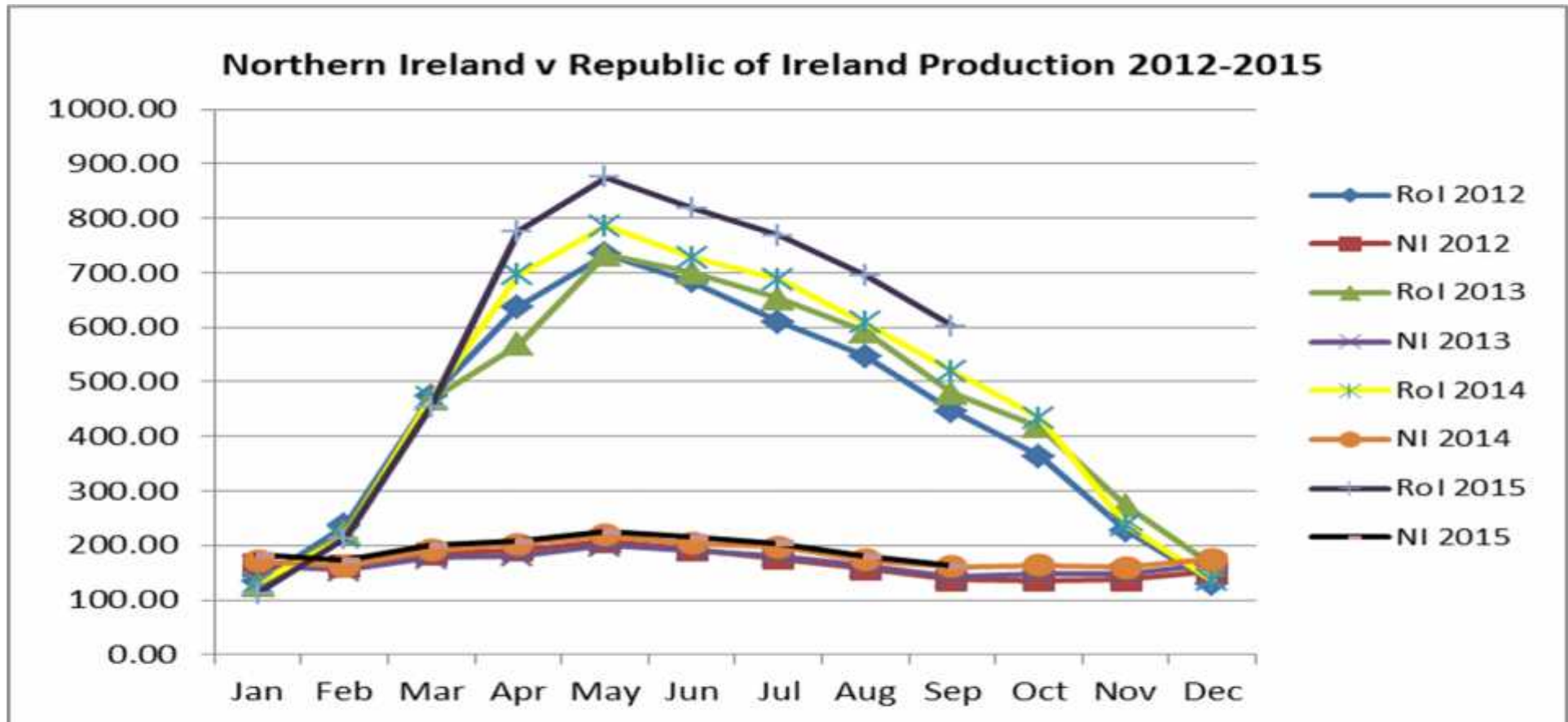


Twenty Years of Global Milk Production 1992 - 2012

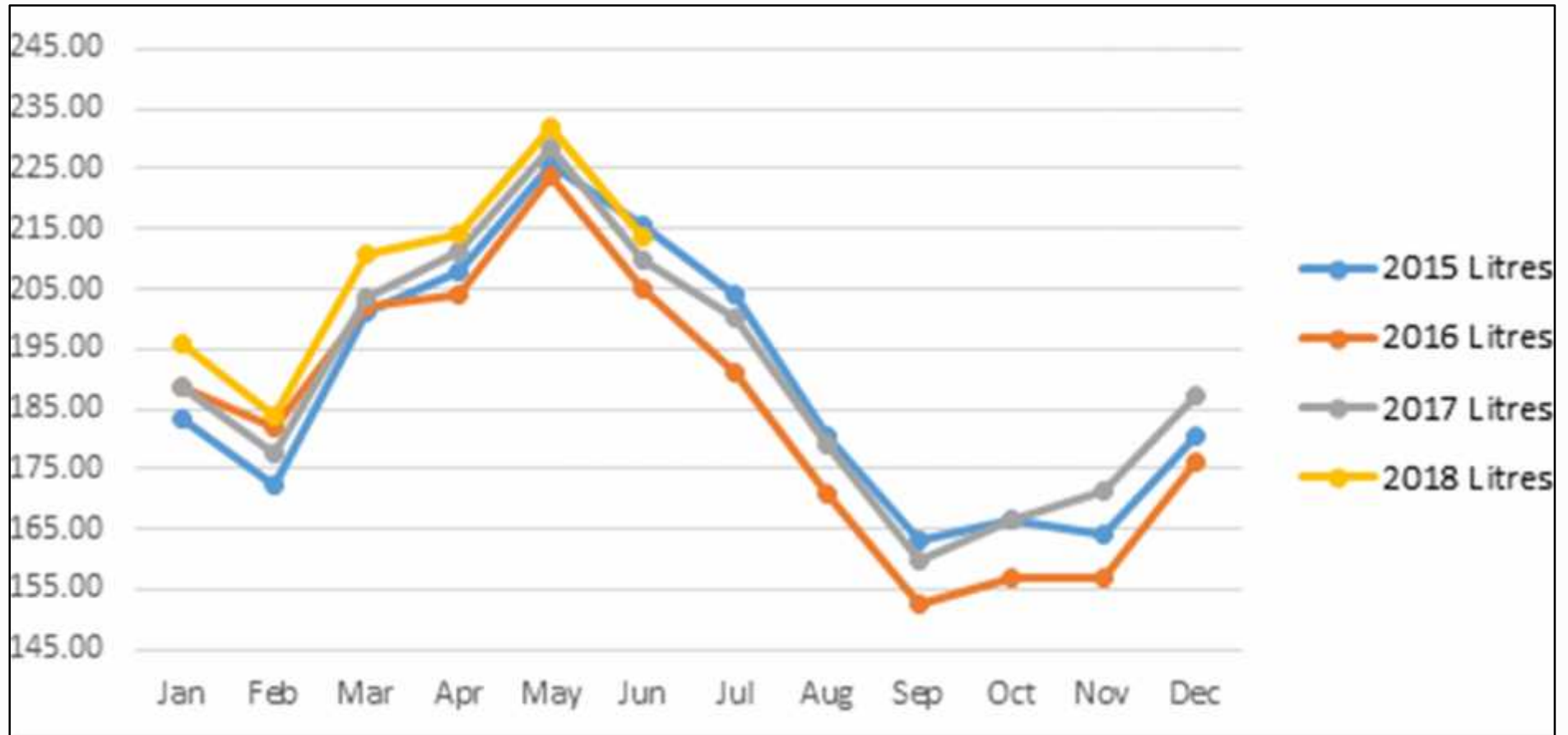
Million tonnes	1992	1997	2002	2007	2012	Change 1992-2012
China	5.3	6.3	13.4	35.6	37.8	+616%
New Zealand	8.1	11.1	13.9	15.6	20.1	+149%
India	24.3	29.1	34.6	46.8	54.00	+122%
Northern Ireland	1.3	1.44	1.77	1.72	1.96	+50.1%
USA	68.4	70.8	77.10	84.20	90.6	+33%
Germany	28.0	28.7	27.9	28.4	30.5	+9%
Rol	5.105	5.104	5.032	5.074	5.232	+2.47%
France	25.7	24.9	25.2	24.4	24.0	-7%
UK	14.8	14.8	14.9	14.0	13.9	-6.1%



Ireland Milk Production



Northern Ireland Milk Production 2015 – 2018



Models of Co-operation to Strengthen the farmers Position in the Food Chain



Northern Ireland/ Rol Dairy Companies



NI Registered Co-op. 30% of NI Milk Pool



Rol registered Co-op. 4% of NI Milk Pool



UK registered plc. 11% of NI Milk Pool



Rol registered Co-op. 28% NI Milk Pool



Rol registered Co-op. 20% of NI Milk Pool



Rol registered Co-op. 4% of NI Milk Pool



NI registered plc. 2% of NI Milk Pool



NI registered Co-op. 1% of NI Milk Co-op.



Farming Life

DAIRY PROCESSOR SEEKS CLARITY ON ARRANGEMENTS POST-BREXIT

Lakeland chief calls for trade clarification

By RICHARD HALLERON

Lakeland Dairies' chief executive Michael Hanley has called for clarification on how cross-border trading arrangements will be sorted out for the sector once Brexit becomes a reality.

His call reflects the fact that extremely significant volumes of milk

produced in Northern Ireland go for processing across the border on a daily basis – and then comes back again in processed form.

It also takes account of the reality that a high proportion of the dairy processing operations on the island of Ireland are now run as cross border ventures.

"Give us the rules of engagement," said Mr Hanley.

"We are simply looking for clarification on how milk processing businesses with a significant cross border dimension to their operations can operate post-Brexit."

Mr Hanley's call comes days after information leaflets from the UK government on how local businesses should react to a no-deal Brexit advised affected businesses to get in touch with the Dublin

authorities.

Meanwhile, Brexit Secretary Dominic Raab has re-affirmed that the UK government remains committed a back stop arrangement, where cross border trade is concerned, of the type envisaged by the Prime Minister Theresa May a few months ago.

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Lakeland Timeline

- **1990** - Lough Egish and Killieshandra Co ops merge to Form Lakeland Dairies Co op
- **1994** - Vesting day Lakeland starts to purchase ex-farm milk in NI
- **2002** - Purchase of Bailie Foods Ltd Baillieboro site and milk pool (A Golden Vale site originally) from Kerry Co Op, who had recently merged with Golden Vale Co - op



Lakeland Timeline

- **2002** - Purchase of the Nestle Omagh site and milk pool
- **2003** - Purchase of the Pritchitt Newtownards site and milk pool
- Town of Monaghan Co op and Ballyrashane Co op merged in 2015 to form Lacpatrick Co op
- **2015** - Purchase of Taste Trends Ltd , a UK based frozen yoghurt business
- **2016** - Purchase of the Fane Valley Banbridge site and milk pool



Lakeland-LacPatrick Dairies

Lakeland

- 2,500 dairy producers
- 1.2 billion litres of milk per year (2017)
- 5 sites; Bailieboro, Killeshandra, Lough Eglis, Newtownards and Banbridge

LacPatrick

- 848 dairy producers
- 570 million litres of milk per year (2017)
- 3 sites; Monaghan, Ballyrashane and Atrigarvan
- Abbots



LacPatrick

Brands

- LP milk powder brand in North Africa
- “Champion” and “Ballyrashane”

Abbotts

- 150,000 tonnes per annum

Artigarvan Plant

- £40m dryer (3 in total processing 12 tonnes/hour)

Ballyrashane Plant

- Integrated Anaerobic Digester



Lakeland-LacPatrick Merger

- 23 October 2018 – proposal put to Shareholders
- Regulatory Approval sought from RoI and UK authorities
- New Co-Op will be created “Lakeland Dairies”
- 3,200 milk producers
- 1.8 billion litres of milk per annum



Shareholder Distribution

4,800 shareholders in total

Lakeland – 73%

- 4,000 shareholders
 - 3,700 from Republic of Ireland
 - 300 from Northern Ireland
- Those with 100 shares, will increase to 200, plus new share issue

LacPatrick – 27%

- 912 shareholders
 - 398 from Republic of Ireland
 - 533 from Northern Ireland
- 100 €1 shares will now hold 6,380 €0.05 shares (after additional shares and bonuses)



Lakeland Dairies in Northern Ireland

- 225 people employed in Newtownards
- £5m automated packing hall
- £27m invested in last 5 years
- Exports from NI worth £170m annually
 - Focus on Middle East, African and Asian Pacific markets



Supply Chain Challenges - Summary

- Farm-gate -29ppl v Retail - 79ppl
- Low and declining share of retail supply chain revenue
- UFU call for redistribution within the supply chain
- Add value and maximise revenue
- Transfer more of a sustainable return to the primary producer



Brexit - Summary

- Post Deregulation – NI Dairy Co-op Structure
- Milk crossing border (peak to through ratio)
- Economies of scale and competitive edge
- Growing global demand
- Strong brands in key export markets

