

Seafood and marine companies gear up to navigate Brexit challenges

by Joe Dermody

Irish seafood entrepreneurs have developed enough export experience over the years to navigate their way through what promise to be significant Brexit challenges, and invaluable help is at hand.

Seafood and marine industry leaders at the fifth annual Our Ocean Wealth Summit in a purpose-built marquee at Galway Docks, on June 28 and 29, will discuss the actions Irish companies will need to take to be ready for practical issues such as customs, trade, market access, supply chain and logistics.



Marine Institute CEO Peter Heffernan, Yvonne Thompson, partner at PwC, and Jim O'Toole, CEO of BIM, who will address Our Ocean Wealth Summit in Galway, June 28 and 29. Pic: Jason Clarke

The two-day programme features inputs Bord Iascaigh Mhara (BIM), Bord Bia, Enterprise Ireland, IDA Ireland, Fáilte Ireland, Science Foundation Ireland (SFI), Sustainable Energy Authority Ireland (SEAI) and the Marine Institute with individual sessions addressing environmental, economic and societal opportunities and challenges to creating a sustainable ocean economy for Ireland. Former President Mary Robinson is the keynote speaker.

BIM chief executive, Jim O'Toole, says seafood companies know they will have to face new obstacles, regardless of hard or soft Brexit outcomes. Nonetheless, he remains optimistic they will surmount those challenges.

“Irish seafood companies have always had to battle it out in competitive export markets, confronting challenges on a daily basis. For their relative size, they've managed to perform remarkably well in global markets,” said Jim O'Toole.

Ireland's Seafood Industry contributes €1.15bn annually to Ireland's GDP. The sector employs over 14,000 people, predominantly in coastal communities. Ireland's seafood trade sales reached €1bn for the first time in 2017.

Global demand for seafood is soaring, driven by growing awareness of its health benefits. Fish represents 16% of all animal protein consumed globally, and the world's population is set to surpass nine billion by 2050.

Ireland's main export markets are: Europe (excl. UK), €392m; UK, €85m; and Asia, €79m. Ireland's aquaculture industry grew by 24% in 2017 to €208m.

Irish seafood does reach diverse markets, but a lot of that outgoing product passes through the UK in refrigerated trucks.

“We are working with companies and looking at their alternatives and possible solutions,” said Jim O'Toole.

“There is increased capacity in terms of air freight to Asia, where there is growing demand for seafood. Air freight currently represents less than 2% of our seafood exports, but there is more capacity coming on board.

“There is global demand for the product. I am optimistic about the ability of Irish seafood companies to diversify. It is also interesting to see how new channels will evolve. Online selling is growing in China. One exporter told me that, in terms of logistics, he finds China easier to access than London.”

BIM has also been working with CrabTree Capital, with industry and logistics partners to scope out potential for an Irish seafood logistics hub. An industry-funded private sector hub, it could be along similar lines to PCF Frankfurt, a thriving hub for perishable goods.

Of course, ticking away behind all of this is Brexit. Several discussions during the two-day Our Ocean Wealth Summit will look at how seafood companies, most of them SMEs, can plan for post-Brexit exports. In most scenarios, this will involve using the UK as a land-bridge to EU and world markets.

John O'Loughlin, PwC director for trade and customs, is a speaker one of the discussion panels in Galway. He says Irish exporters are right to hope for the 'backstop' arrangement wherein regulatory alignment within the island of Ireland would minimise the post-Brexit pain.



John O'Loughlin, PwC, director for trade and customs

However, he says it would pay Irish businesses to plan early for a worse outcome. For starters, many Northern Irish businesses will have little interest in a backstop deal; their main export focus is on the UK, not the Irish market.

A fuller picture will start to emerge when the withdrawal text is signed, due in October but unlikely to happen before November. Before that, UK PM Theresa May will publish a white paper.

“Most Irish SME owners have been to seminars on Brexit, they're following the information, but few of them are actioning the mitigation measures,” said John O'Loughlin.

“A lot of Irish SMEs are still asking themselves if Brexit will be reversed, or they're hoping for a soft Brexit.

“There remains a real risk of a hard Brexit, because there are still so many red lines. The transition has to be agreed, then ratified by both sides. Management teams will certainly have to make some tough decisions.”

A West of Ireland seafood company loading product onto a truck bound for Amsterdam could have four sets of customs paperwork to complete passing through Howth, Dover, Calais and finally Amsterdam. Each document could cost €50 to €100.

Some freight company studies predict Brexit could lead to 9km tailbacks for trucks in ports.

Will perishable goods survive? Will insurance costs rise? How will supply contracts reflect the new risks? How will exporters using the UK land-bridge deal with 'customs transit'?

Will they be able to avoid 'double duty' passing through the UK? Will UK supermarkets only want to buy 'duty paid' goods?

John O'Loughlin is currently advising clients on issues ranging from VAT on imports and exports, the changing supply chain landscape, cash flow and administration challenges. He says there are numerous outcomes still possible from the Brexit talks.

“Switzerland and Norway have a hard border, but I don't think that is likely for Ireland in the context of the Good Friday Agreement. The technological Brexit solutions are an option, but we have no idea as to how this would function,” he said.

“Another option is a customs partnership in which the UK Government would collect duties on behalf of the EU, but there is no precedent within the EU for this to happen, so this raises questions about legality.

“Then there is the option of regulatory alignment on the island of Ireland, the 'backstop' arrangement. This could also be problematic. My own personal view is that Northern Ireland businesses would not support this as their main market is the UK.”

Mr O'Loughlin said PwC is seeing a surge in queries about arrangements whereby Ireland could be given trusted trader status to bypass the huge tailbacks likely to face truckers in ports after Brexit. This would operate like a priority passenger lane in an airport.

Seminars hosted by Ibec and the Irish Exporters Association covering topics such as Authorised Economic Operators (AEOs), compliance costs, duties and delays are also attracting a lot of interest.