



**Mushroom Producers' Presentation to the  
Joint Oireachtas Committee on Agriculture, Food and the Marine  
on the Implication for the Sector resulting from Brexit**

**Tuesday 27<sup>th</sup> September 2016 5pm**

**Gerry Reilly IFA Mushroom Chairman**

Chairman, Deputies and Senators,

Firstly, I would like to thank you for your invitation to present our issues to you here today.

**Introduction**

By way of introduction, I am joined here today by Micheál McGovern Chairman of Commercial Mushroom Producers (CMP), Lesley Codd, Codd Mushrooms from Tullow, Co Carlow, Ronnie Wilson Monaghan Mushrooms and Rowena Dwyer IFA Chief Economist. Along with my IFA role as Mushroom Chairman, I am also Vice-Chairman of CMP.

Micheál, Ronnie and myself supply mushrooms to CMP, a recognised Producer Organisation (PO) under the EU Fruit and Vegetable PO Scheme.

Codd Mushrooms are one of the biggest suppliers to the domestic trade, supplying all the main retail outlets in the country.

## **Background to CMP**

CMP was established in 1999, following rapid expansion of the industry over the 1990s, with almost 600 mushroom growers by 1996.

It was established by mushroom growers as a co-operative, to deliver stability in the market place by maintaining the consistency of supply and achieving a sustainable margin for producers, along with improving the quality of mushrooms.

During the last decade, there has been significant rationalisation of the Irish mushroom industry, during which time grower numbers have fallen to below 60. Today, these growers employ 3,500 people, with most of these jobs in rural Ireland.

Due to CMP's program of consistent improvements since 1999, the farm gate value of mushrooms has increased, despite very stiff competition from Europe and volatile exchange rates.

Currently, Irish growers produce 70,000 tonnes of mushrooms of which 80%, worth €120m at farm gate, is marketed to UK Multiples through a network of marketing agents.

For the majority of Irish growers 100% of their production is exported to the UK.

Irish production equates to over 7% of the total Mushrooms produced across Europe. We now produce more than the Germans, Italians and the English. Only four European Countries produce more than Ireland.

We have secured almost 60% of the UK multiple market, which has been hard earned over the last three decades. Consumption of mushrooms in the UK is 191,000 tonnes<sup>1</sup> annually.

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<sup>1</sup> Bord Bia

It must be remembered that mushrooms are a perishable product with a relatively short shelf life, produced 52 weeks a year. The 'best before' date is five – seven days after harvesting. There is no viable alternative market for such a highly perishable fresh product.

Currently the UK is our only market. We send more than 50 Artic loads to the UK, seven days a week, 365 days a year.

Resulting from the closure of the Russian market, mushrooms from eastern Europe, produced at much lower production costs, are now entering the UK retail market and displacing Irish produce.

### **Production for the domestic market**

Growers supplying Irish retailers produce 14,000 tonnes annually. These growers now find themselves competing with growers whose produce would normally be destined for the UK export market.

### **Brexit**

Since the UK vote to leave the EU on June 23 last, the mushroom industry in Ireland has been thrown into turmoil, and growers are in loss-making territory, resulting from the sudden and significant weakening of sterling.

I wish to outline why mushroom producers are particularly impacted by the sterling decline.

The marketing companies who sell our mushrooms negotiate our contracts in sterling. In addition, mushroom prices are forward agreed, generally for contract periods of up to 12 months.

Current mushroom prices reflect the favourable €/GBP exchange rate of the second half of 2015 (when £1 sterling was worth an average of €1.39).

A sudden weakening of sterling, as has occurred as a direct result of the UK vote, has an immediate negative impact on the price returned to producers.

Because the contracts are for a fixed time period, mushroom producers cannot renegotiate the price they are receiving in response to the sterling decline.

Since the Brexit vote, sterling has weakened from €0.76:€1 to £0.86:€1, a weakening of over 13%.

What does this mean in practical terms?

For the first six months of this year, the average exchange rate was £0.78:€1. This meant that a payment of £1 was worth €1.28 to producers. Today, that same pound is worth only €1.16

In summary, the immediate difficulty is that contracts have been agreed in sterling, when sterling was at a much stronger position against the euro.

CMP estimate that €10m will be lost on an annualised basis across the CMP farms in the Republic of Ireland, this will mean an average loss per farm of somewhere between €250,000 - €300,000.

Such losses in revenue take into account input purchases in sterling – which reduces the impact of the adverse movement in exchange rate.

As we have seen in recent weeks, with three mushrooms farms going out of business, this volatility in the market place cannot be sustained.

A significant and longer-term market pressure for Irish producers is the foothold that has been gained in the UK retail market by Polish product.

This is very worrying as their cost base is only a fraction of ours e.g. their labour rate is 28% of the minimum wage in Ireland.

The dominant power of the retailers and significant food price deflation in fresh produce, has resulted in serious downward price pressure on our mushroom exports, which has now been compounded by the sterling decline<sup>2</sup>.

Mushroom production is highly labour intensive and the threats now faced by the industry could result in significant job losses.

It will also impact on the tillage sector, as the mushroom industry is a significant purchaser of wheaten straw and on the poultry sector, as poultry litter is used in mushroom compost.

In the past, a reduction in production or closure of a mushroom business was replaced by increased production from fellow growers. However, market share lost by the Irish mushroom industry as a result of the current crisis will simply be replaced by other European suppliers.

IFA has met with Minister for Horticulture Andrew Doyle to impress on him the immediate need to take a number of actions to support our mushroom sector in the wake of the light of Brexit and the weakening of sterling.

We also note the recent comments by Minister for Agriculture Michael Creed acknowledging the particular issues of the mushroom sector, and his commitment to provide support to the sector in the Budget process.

IFA has proposed a number of practical measures that we believe the Government must act on to address the short-term impact of the exchange rate volatility and to support cost competitiveness.

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<sup>2</sup> See attached chart in Appendix 1 which shows the farm gate price per kg and exchange rate over the past two years

- The Government must pay as soon as possible the Producer Organisation (PO) funding due to the CMP (Commercial Mushroom Producers) PO (53 producers) for their 2015 programme.
- A temporary reduction in the lower rate of employer PRSI (from 8.5% to 4.25%) must be introduced in October's Budget. This would impact directly on employment costs for mushroom producers and other SMEs who have been impacted negatively by the weakening of sterling, and who will not have undertaken hedging or other risk management measures to offset the price decline. This measure existed between 2011 and 2013 as part of the then Government's Jobs' Initiative. It must be recognised, however, that this will not have an impact on employment costs where employees are on the higher rate of PRSI. IFA believes, therefore that the Government must give consideration to temporarily reducing the higher rate of PRSI for affected sectors.
- In addition, the Government must look at other measures to reduce employment costs. In particular, IFA proposes extending the tax relief measure for start-up companies to existing companies in the mushroom sector. This would be capped at €15,000 per annum, recognising the limitations imposed by State Aid rules for the agriculture sector<sup>3</sup>.
- The Government must immediately introduce the Renewable Heat Incentive.
- There must be no increase in excise rates on agricultural diesel or other road fuels.

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<sup>3</sup> March 2016 Farm Council, permitting enhanced State Aid support of €15,000/year to fruit and vegetable sectors

- External to the budget process, IFA believes that there should be no change to the National Minimum Wage until such time as there is greater certainty on the longer term exchange rate position between sterling and the euro.
- Finally, IFA believes that direct support should be provided to mushroom producers through CAP Market Support measures<sup>4</sup>. The decline of sterling, arising from the UK vote, is a market disturbance which has occurred swiftly and unexpectedly, and has resulted in a significant price fall for the mushroom sector. Over the past year, we have seen the EU Commission provide support for exceptional measures for the dairy, pigmeat and other livestock sectors. We believe support must be provided directly to mushroom producers for whom an external political event has had an immediate and negative economic impact.

## **Conclusion**

Chairman, we would hope the Committee here today will support these proposals.

It is critical that the threat to the Mushroom industry is taken on board as a matter of urgency by the Government and the Minister for Agriculture.

Action is now required at National and EU level to underpin the viability of the mushroom industry.

Thank you

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<sup>4</sup> Article 219 – Measures against market disturbance, EU Regulation 1308/2013 establishing a common organisation of the markets in agricultural products

## Appendix I

All ROI Growers (Monaghan Mushrooms, Walsh & Breffni together)

2014-2016

### Net Farm Gate Price Stg per KG & Rev Exchange Rate (based on Total Kgs)

