



## **Consultation on National Minimum Wage for the Low Pay Commission to inform the Commission on selection of appropriate 2020 rate.**

### **IFA submission to the Low Pay Commission February 2019**

#### **Introduction and overview**

The Irish Farmers' Association (IFA) is the largest farmer representative group in Ireland, with 72,000 members throughout the country, it is the recognised voice of Irish farmers in Europe and internationally. The Association promotes the ongoing development and competitiveness of Irish agriculture and the food industry.

Farmers are part of the SME sector and make significant contribution to rural Ireland, agriculture is our largest indigenous sector. It generates a significant positive effect in rural areas. The larger economic return when compared to other sectors based on the multiplier is primarily due to sourcing locally, with a low import requirement per unit of output and a lower share of international ownership and repatriation of profits when compared to other sectors.

The agri-food sector has strong linkages up and down the supply chain, from production to consumption. It reflects 7.8% of GNI at €14.8 billion and represents 21% of all industry turnover<sup>1</sup>. In terms of employment 174,400 are directly employed (7.9%) in the agri-food sector while it is estimated the sector supports approximately 300,000 jobs indirectly.

Continued investment uncertainty and pressure on competitiveness remain significant challenges for the sector. These ongoing challenges are coupled with extreme weather events this year which have placed significant pressure on farmers, coupled with the possibility of a hard Brexit.

The IFA welcomes the consultation of the Low Pay Commission on the appropriate rate of the National Minimum Wage for the selection of an appropriate rate for 2020.

In terms of agriculture certain sectors such as horticulture, pigs and poultry are particularly labour intensive, consequently labour is a key input cost.

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<sup>1</sup> DAFM Fact Sheet Irish Agri-Food Sector August 2018  
<https://www.agriculture.gov.ie/media/migration/publications/2018/August2018Factsheet160818.pdf>

### **Brexit / exchange rate**

The exchange rate volatility and uncertainty surrounding Brexit and its political process continues to pose a serious challenge for Irish agriculture. Ongoing weakness of sterling against the euro impacts negatively on the competitiveness of the agri-food sector given the importance of UK trade.

As a small open economy, the importance of trade is reflected in our level of exports. The majority of what we produce is exported. The UK is our number one export destination for our food with over 90% of mushrooms, 50% of beef and 22% of dairy destined for the UK market. Irish products must be competitive in international markets.

The more labour-intensive sectors in agriculture are seriously affected by the impact of exchange rate volatility and ongoing uncertainty. The pig industry in 2017 exported €792m, the UK is the most important market absorbing 56% of product, followed by China at 13%. The value of Irish poultry exports in 2017 reached €278m and the volume of birds processed reached a record high of 95.5m birds. In 2018 it is expected to reach 100m birds. The poultry sector is hugely exposed to the UK market with 80% of the export figure destined for the UK market. For Edible horticulture this is higher at 90% of exports going to the UK.

*IFA proposes that due to the ongoing uncertainty arising from Brexit and future relationship on trade the Commission does not make any recommendations on further changes to the National Minimum Wage.*

### **Input costs**

The horticulture, pigs, poultry sectors are particularly labour-intensive. Labour for example accounts for 45% of input costs in the horticulture sector. Wage increases have a serious impact on economic sustainability of sectors that are currently under significant pressure.

Collectively these sectors employ approximately 19,600 people in rural areas: horticulture 6,600<sup>2</sup>, pigs 7,000<sup>3</sup> and poultry 6,000<sup>4</sup>. In horticulture alone, a review of the labour status of the sector by Bord Bia in 2017 suggests staff at farm gate level add a further €11,000 in value added and downstream activities. Farm-gate horticultural employment is estimated to be worth €165m annually to the Irish economy, in the context of farm gate output valued at €424m. Labour accounts for a large proportion of the costs in pigs, poultry and horticulture this is having a serious impact on the viability of their business and also their dependence on UK market.

The dominance of the main retailers allows them to exert their power over producers. This is reflected in practices such as below cost selling and what Irish producers see as misleading consumers through labelling. Irish producers are trying to operate in an environment of uncertainty where input costs have risen in the past year with no price increases for their outputs.

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<sup>2</sup> <https://www.bordbia.ie/corporate/press/2016/pages/poultryandeggconferenceanalysisgrowthopportunities.aspx>

<sup>3</sup> <https://www.agriculture.gov.ie/media/migration/farmingsectors/pigs/REPORTPIGINDUSTSTAKEHOLDERGROUP290116.pdf>

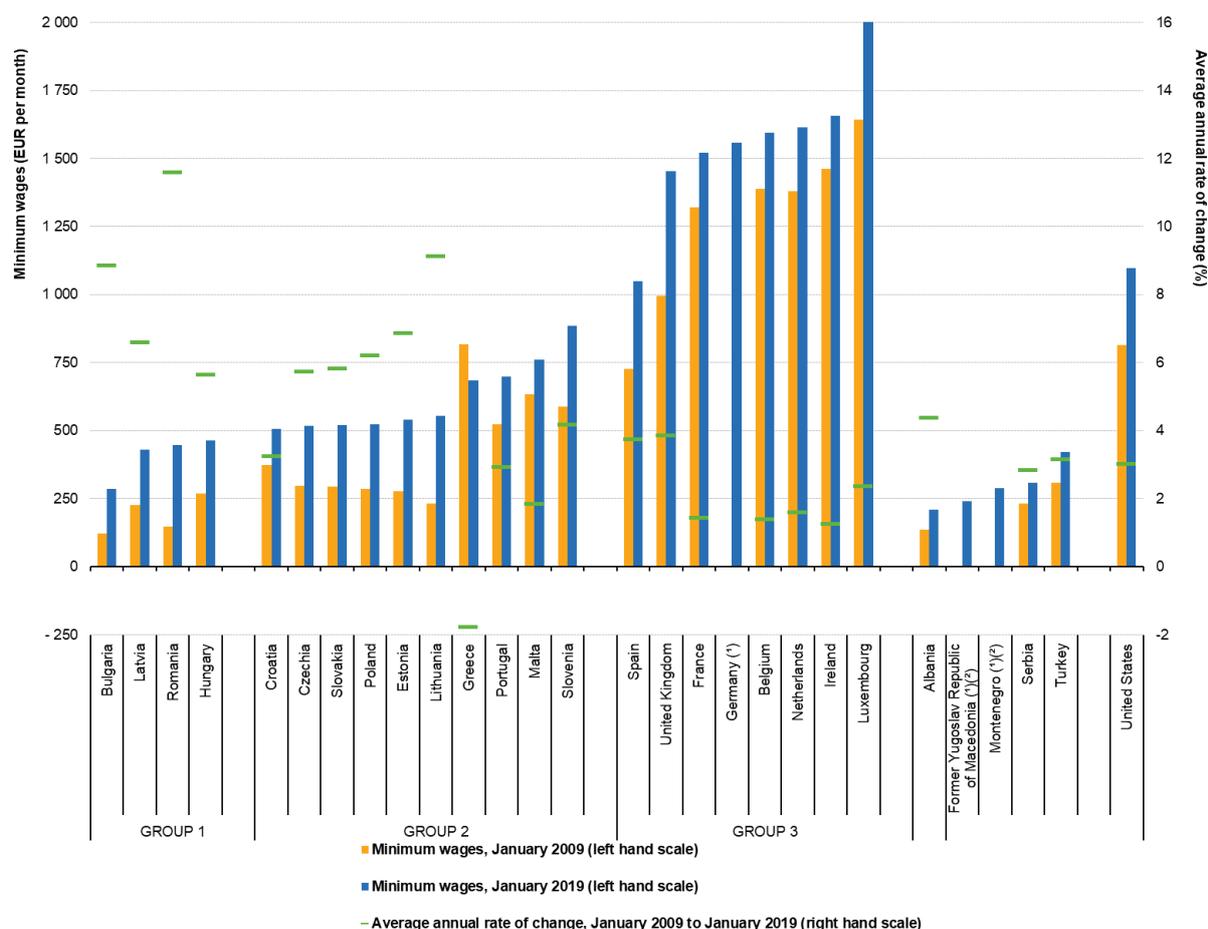
<sup>4</sup> <https://www.oireachtas.ie/en/debates/question/2018-10-11/163/>

IFA proposes that the commission considers the negative impact of any further increases in the minimum wage, particularly on the labour-intensive sectors of Irish agriculture.

## Competitiveness

Agricultural exports are particularly exposed to events outside of their control such as weather conditions or geopolitical issues. These have a fundamentally damaging affect on global supply and demand and consequently commodity prices. Irish producers are highly exposed due to our level of exports. Input costs including labour are higher than in most EU countries. In January 2019 Eurostat data indicates that Ireland have the second highest minimum wages (per month) after Luxembourg.

**Minimum wages, January 2009 and January 2019**  
(EUR per month and %)



This is very evident in the UK market where our mushroom producers compete against Polish mushrooms for market share. The monthly minimum wage in Ireland is 3.08 times that of the monthly minimum wage in Poland. In a sector, where labour accounts for 45% of total input costs, this represents a significant disadvantage to Irish producers. In the domestic market our vegetable and fruit producers compete against imports from the UK and Spain in particular. The minimum wage in these countries are €8.60/hr and €4.76/hr respectively, which again illustrates our disadvantage in relation to competitiveness on input costs across the single market.

*IFA proposes that the commission considers the negative impact of any further increases in the minimum wage on the viability of labour-intensive sectors, taking into consideration how input cost differential on labour between Member States affects the competitiveness of Irish product.*