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Mushroom sector crisis exposes flaws in Irish response to Brexit

Collapse in value of sterling has wiped out profit margins of producers selling into UK

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Codd Mushrooms owner Leslie Codd on his farm in Tullow, Co Carlow: "It's quite likely we could lose 50 per cent of producers."

Ireland's mushroom industry provides a stark warning to the rest of the country's economy about the damage a sustained weakness in sterling could inflict on Irish exporters, the sector most vulnerable to the impact of Brexit.

Mushroom growers rely on the United Kingdom for 80 per cent of sales and have been losing money since Britain's vote to quit the European Union in June sent sterling tumbling. It has now lost 19 per cent of its value against the euro, wiping out the Irish producers' profit margins.

Five of Ireland's 60 mushroom farms have so far gone out of business since the referendum, including two this week.

‘Brexit-proof’ budget

Producers had been pinning hopes on the Government’s much-awaited “Brexit-proof” 2017 budget unveiled on Tuesday, but have now joined business groups and the Opposition in criticising it as inadequate.

“We feel like we were ignored,” said Kevin Reilly, who gave up a career in construction and finance six years ago to help run his family’s mushroom farm, which employs 70 people in the midlands.

“We’re not looking to be propped up indefinitely but we needed some help in the short term and when you hear of another farmer, someone you know well, closing down, it really hits home. It’s a worrying time and lots of jobs are at risk.”

Ireland is widely seen as the EU economy with most to lose from Brexit and the Government, having cut its economic growth forecasts for 2016 and 2017 as a result of the UK vote, had promised a range of measures to protect the firms most exposed.

Mushroom farmers had called for a reduction in the level of social insurance tax levied on employers, a ditching of plans to increase the national minimum wage and the provision of emergency funds to exporters.

Instead they and other agrifood firms were offered cheaper loans and other small tax-relief measures which the head of the Irish Creamery Milk Suppliers Association likened to “giving someone a bicycle when they needed something with a motorised engine”.

Credit

“I don’t know what planet they [the Government] are on. There was just dismay among our members who were asking where was this Brexit budget,” said Simon McKeever, chief executive of the Irish Exporters Association.

McKeever said exporters, who, excluding Irish-based foreign multinationals, ship 44 per cent of their products to Britain, were also starting to encounter some issues accessing credit from banks concerned over their currency exposure.

Some firms with a high proportion of sales in Britain are also considering shifting production there, a prospect McKeever said was more likely after the budget failed to reduce income and capital gains taxes closer to UK rates.

“We’re not really making it very attractive for them to stay; and what kind of implications will that have for jobs?” he said.

Ireland's mushroom industry, the fifth largest in the EU, has an annual production worth only about €120 million, a tiny proportion of the country's €243 billion gross domestic product, and employs about 3,500 workers.

But its plight mirrors many other sectors struggling with the fallout from Brexit. Bilateral trade between Ireland and the UK totals some €1.2 billion every week and employs some 400,000 people on both sides of the Irish Sea.

The UK accounts for almost half of all Irish boneless beef exports and close to 60 per cent of some cheese products.

Jobs

In a Brexit analysis accompanying the budget, the Department of Finance said the most exposed sectors are largely based in rural areas yet to benefit fully from Ireland's economic recovery and where, in some cases, unemployment is still above 10 per cent, compared with the 7.9 per cent national average.

It expressed "particular concern" in relation to employment-heavy industries with high UK exposure, such as the food and beverage sector, which employs 80 per cent of its 40,000-strong workforce outside Dublin. The total Irish workforce is about two million.

Minister for Finance Michael Noonan said the budget measures would likely not be the last aimed at cushioning the impact of Brexit. However, he added he could not do more to "to counteract unknown consequences" until the shape of Britain's exit negotiations became clearer next year.

"That's a cop-out," said Leslie Codd of Codd Mushrooms, one of only a handful of farms servicing the domestic market.

"If they are waiting to see what kind of deal the UK gets, that's not really relevant if exporters are already closed down. The lack of breathing space given in the budget is going to speed up and increase mass closures in our sector. It's quite likely we could lose 50 per cent of producers."

The Irish Business and Employers Confederation (Ibec) said the Government still had a number of options, including the provision of far more funding for firms breaking into new markets and a partial State guarantee of their credit exposure to suppliers, as is available in many other countries.

Ibec also called for the reactivation of a fund set up during the 2008 financial crisis that offered up to €500,000 to viable companies facing exceptional difficulties. Without further action, thousands of jobs are at risk, it said.

"It's safe to say the sheep got much more out of the budget than businesses impacted by Brexit," said Ibec policy chief Fergal O'Brien, referring to a €25 million scheme set up for the sheep sector.

“They’re really going to have to come back to Brexit again. At an exchange rate of over 90 pence [to the euro], Irish businesses are well past the point of pain. The Department of Finance mightn’t have seen that yet, but business definitely has,” he said. – (Reuters)