



Opening Statement to the Joint Oireachtas Committee on Agriculture, Food and the Marine
IFA Deputy President Brian Rushe

Consolidation in Horticultural Grower Numbers

28th June 2023

Chairman and members of the Committee, I would like to thank you for inviting IFA here today to discuss the consolidation of horticultural growers.

I am joined by IFA Fruit and Vegetable Chair Niall McCormack, IFA Potato Chair Sean Ryan and IFA Policy Executive Niamh Brennan.

The farm gate value of the horticulture sector is currently valued at €529m. The National Strategy for Horticulture¹ anticipates that the farm gate value of the sector will increase by 30% to €688m, if the necessary actions in the Report are implemented.

The challenges facing this sector are multi-factorial. The rising cost of production and the dominant position of the retail buyers has resulted in the consolidation of growers over the past decade. The Irish horticultural sector has always operated on tight margins, however, increases in energy, labour, packaging, and other business inputs have unfortunately squeezed a number of growers out of production again this year.

Our growers are being squeezed from all sides with the added actions of retailers who are relentlessly pushing down the retail price of their products and embarking on unsustainable discounting to encourage store footfall.

Radical changes are needed to save Ireland's horticultural sector. We have lost key growers from our industry in the past two years.

It is projected that the area of field vegetables will contract by a minimum of 7% again this year.

¹ <https://www.gov.ie/en/publication/2a5d5-national-strategy-horticulture-2023-to-2027/>

The most recent National Field Vegetable Census², which is out of date, showed that the number of field vegetable growers fell from 377 in 1999 to 165 in 2014, a reduction of 56%.

IFA estimate that there are currently less than 100 commercial field vegetable producers left in Ireland. On one hand we have the Government looking to foster and expand our sustainable horticultural sector, yet, unless changes are made, the reality is that our sector will continue to contract resulting in the loss of family farms.

In recent years, input price inflation in the horticulture sector in Ireland has taken a firm hold. It is rooted in Brexit, the Pandemic, and more recently the Russian invasion of Ukraine.

Input costs for growers could rise further and we have no resistance to that because we are so dependent on global supply.

Growers have seen unparalleled increases in key input prices, particularly those inputs linked to energy inflation during 2021 and early 2022, but all inputs have been impacted.

Growers have been negotiating with their consolidator or supermarket buyer for price increases over recent years with varying degrees of success.

Current gas price is still approximately twice as expensive as March 2021 and five times higher than 2020.

According to the most recent Teagasc³ report for the vegetable sector, input price inflation is running at 7.9% since the last Teagasc Horticulture Input Price Inflation Report in March 2022 and by 35% since March 2021.

In the potato sector, growers were forced to export potatoes to Portugal and Holland this year as they could not afford to store crops any longer due to energy costs. Ironically, we are now facing a gap in the market between old and new season potato crops.

A large proportion of horticultural produce is destined for the Irish retail sector.

Apart from mushrooms, virtually all horticultural produce is for the domestic market. Retail food price deflation from 2010 to 2020 has pushed huge downward pressure on growers' margins.

² <https://www.bordbia.ie/globalassets/bordbia.ie/industry/irish-sector-profiles/horticulture-censuses/national-field-vegetable-census-2015.pdf>

³ <https://www.teagasc.ie/media/website/publications/2023/Horticulture-Crop-Input-Price-Inflation-2023.pdf>

The falling price of food and of fresh produce from the horticultural sector, has resulted in squeezed margins for primary food producers and now poses a significant threat to the viability of food production in Ireland.

Our horticulture sector, depends on getting a viable return direct from the marketplace as growers in this sector generally do not receive direct payments under the Common Agricultural Policy (CAP).

While there have been some moderate increases in food prices on the shelves in recent months, the reality is that between January 2010 and December 2021 the average price of all food declined by 9%.

Over the same period, the average level of overall consumer prices increased by 12.5%, according to the CSO.

As a result, only a small number of horticulture growers have survived. They have been forced to scale up and they are all extremely vulnerable today. This is completely unsustainable and, without a reversal of this trend, will lead to irreparable harm to the Irish horticulture sector.

At a minimum the sector needs the immediate re-introduction of the Horticulture Exceptional Aid Payment (HEPS).

Retailer Dominance

Today's retail environment is dominated by five players. Dunnes Stores, Super Valu, Tesco and the two discounters, Aldi and Lidl. Together constitute 90% of the total grocery market. These retailers have used fresh produce in particular, as marketing tools, to attract consumers into their stores, offering fresh fruit and vegetables at discount prices that do not relate to the production costs.

Retailers may claim that the cost of special promotions is funded by them and while this may be accurate on a short-term basis, the cost of such promotions is built into procurement prices over time.

The reality is, the price that growers get paid each year has consistently declined up until this year.

Retail discounters Lidl and Aldi, in particular, use local-sounding brand names and fake farms and creameries to market many of their products.

The IFA called out this practice in summer 2021, only to be hauled into the courts by Lidl seeking a court injunction to stop IFA from highlighting this potentially misleading practice. It is imperative that the new Agri-Food Regulator addresses these issues with urgency.

There are three pillars to sustainability: environmental, social and economic.

Today in Ireland we have legislation underpinning two of these pillars, environmental and social sustainability.

There is no legal protection for the economic sustainability of food producers. This needs to change.

Below-cost selling/procurement

Below-cost selling/procurement must be prohibited. This should apply to all food, but especially produce from our horticulture growers. The price deflation of vegetables has resulted in the decimation of farmer margins and the decimation of Irish vegetable growers.

Often below cost priced Irish grown vegetables have been used front-of-shop by some retailers for the past 20 years to lure in consumers. This strategy has worked for the retailers, with increasing market share, often selling Irish vegetables at a loss, but making big profits on the thousands of other items in their stores.

The IFA is calling for a ban on the below cost selling/procurement of food and that the *Agricultural and Food Supply Chain Bill 2022* be amended in the Seanad to address this.

Work Permits / Staffing Issues

Horticulture is a sector that relies heavily upon hired staff, especially at harvest time. The scarcity of hired staff is another big challenge facing the sector at present.

While there are always staff supply issues at harvest time given the seasonality nature of the industry, the problem is now much more widespread throughout the year. Growers are having to pay higher wages to recruit and retain staff, but availability is currently a bigger issue than cost.

Ireland is an outlier in Europe because it has no system for granting seasonal employment permits for foreign workers in sectors such as fruit picking, putting our growers at a competitive disadvantage. A bespoke seasonal work permit scheme for foreign workers must be a priority for the sector, in conjunction with a continuous supply of permits from the General Employment Scheme.

Peat Availability

The longstanding issue of peat availability for our domestic horticulture remains a bone of contention. The only measure that will resolve this is to introduce primary legislation to allow for the extraction of domestic peat for the Irish market, however, the Government is not willing to face reality and solve this problem.

There were an estimated 350 commercial vegetable growers in Ireland 2010. The IFA now puts this number at fewer than 100, only one third of what we had. This can be almost exclusively attributed to the reducing price being paid by the big retail buyers to their suppliers, forcing more and more of them out of business.

The result is what we see on shelves today, imported produce such as broccoli from Spain, tomatoes from Holland, strawberries from Egypt, and this year shortages and empty shelves as no imports were available. All these crops can be grown and produced almost ten months of the year in Ireland, but only if retailers pay the cost of local sustainable production.

The discounting and degrading of food must be stopped.

Retail buyers must be held accountable for the declining number of farmers in these vulnerable sectors of Irish food production that depend on the Irish domestic retail market.

It is a sad situation when farmers who are producing beef and dairy products, where over 90% is exported, are doing better off world markets than farmers supplying fresh fruit, vegetables, pork and poultry to be consumed here in Ireland.

The Government is calling for import substitution, however, we cannot even sustain the number of growers we have at present.

The importance of underpinning our domestic Irish production has never been as important following recent shortages of certain products and the emphasis on food security.

Better supports are needed for Irish vegetable growers to avoid any more from exiting the sector and leaving the country even more dependent on imports.

Fairness must be returned to a fundamentally unfair food supply chain.

Thank you.

ENDS.