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## **AIB says mushroom growers still have options to protect against sterling volatility**

Sterling has fallen by over 20% against the euro in the past year putting pressure on mushroom producers who are now facing lower prices in euro terms.

AIB Treasury Manager John Sheils told an audience of mushroom producers today that while it was difficult to plan given so much uncertainty, there were options for mushroom growers seeking to reduce the risk of their profit margins being eroded further by adverse exchange rate movements.

Speaking in Mullingar at the agm of Commercial Mushroom Producers (CMP), Sheils said: "Currency movements can affect the margin that your business earns, but hedging can protect against adverse movements in exchange rates by enabling accurate forecasting and budgeting. It is also the prudent approach where cashflow or margins are tight. While we have already seen a significant depreciation in the value of sterling, it's never too late to adopt a treasury policy."

In a recent commentary on the subject, AIB Chief Economist Oliver Mangan said: "There are ongoing downside risks for sterling given the large balance of payments deficit in the UK and mounting concerns about a hard Brexit from the EU. Market positioning is very short on sterling so the currency could see a short-term bounce as traders take profits. This might present a hedging opportunity for those who export to the UK."

Sheils pointed out that a company with significant sales in one country may hold a natural hedge on its currency risk if it also generates expenses in that country. This may be limited for many mushroom producers due to the amount of locally sourced inputs, but can still be used to reduce the impact of currency movements on a business's profits.

The UK's decision to begin the formal process of leaving the European Union by March next year has triggered another bout of market uncertainty creating a major challenge for mushroom growers and other agri-food exporters.

Mushroom growers are large scale rural enterprises typically employing 20 to 70 full time employees. Like other industries which export to the UK, mushroom growers are seen as highly sensitive to sterling volatility, and have already been impacted by the sharp fall in the value of sterling this year.

AIB's Treasury division has partnered in hosting currency workshops for Bord Bia as part of the agency's series of Brexit Briefings designed to assist companies in the food industry prepare for the consequences of Brexit.

Banks provide a range of products that can help businesses manage foreign exchange risks, such as forward contracts and foreign exchange options. These, when used with a prudent treasury policy can provide a business with time to adjust to adverse exchange rate movements

**ENDS**

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