Performance and Prospects

Bord Bia
Irish Food Board

Bord Bia is the trade development and promotion agency for Irish food, drink and horticulture.

Our mission is to deliver effective and innovative market development, promotion, and information services, to drive new growth in this sector.

Our Head Office is in Ireland and we have eight strategically located overseas offices.

Contents

Executive Summary

- The value of Irish food, drink and horticulture exports in 2004 is estimated at **€7.17 billion**, representing an increase of 3% on 2003. This was a good performance for the industry in the context of a weakening Dollar and Sterling, retail food price deflation in our largest market, and a continuing highly competitive trading environment. Market conditions are set to remain challenging in 2005, but the industry is well positioned to maintain its current growth path in all markets.

- **A strong performance** was recorded in exports of prepared foods, meat, dairy products and ingredients. This more than offset a weaker performance trend in the beverages and edible horticulture sectors. The decline in the value of beverages largely reflects a relocation of some production within the island of Ireland, whereas lower horticulture values were driven by continuing downward price pressures in the UK mushroom market.

- **Prepared foods** exports increased in value by an estimated 9% to reach €1,590 million, marking a return to growth following a 5% reduction in the previous year due to adverse market conditions. The resumption of the sector's established growth path is based on new product development, continuing cost efficiency initiatives and a repositioning towards more premium offerings in some market segments. The sector is set to make further progress in 2005 notwithstanding price deflation in its principal, UK market.

- **Meat and livestock** represented the single largest category of exports in 2004, amounting to an estimated €2,199 million and an aggregate growth rate of 5% over 2003. An improved price performance in beef and pigmeat exports and increased sheepmeat volumes, more than offset reductions in the value of poultry and live animal exports.

- The shift in **beef** exports, worth a total €1,400 million, from international into EU markets continued in 2004. The share of exports to EU destinations increased to 90% last year, compared to 83% in 2003 and 55% five years ago. A further shift in exports is likely in 2005, this time within EU markets as the Over Thirty Month Scheme (OTMS) comes to an end in the UK and import requirements contract.

- The value of **sheepmeat** exports increased by 14% as a result of increased volumes, notwithstanding lower prices in the French market, which accounts for two-thirds of Irish exports. Improved conditions in **pigmeat** markets were responsible for a 6% increase in export values, while volumes declined by some 3%.

- Exports of **dairy** products and ingredients are estimated to have increased by 6% to €1,860 million in 2004. Good demand combined with lower EU milk production ensured that EU enlargement and implementation of the first phase of the mid-term review had a more limited impact on markets than anticipated. A weaker US Dollar together with the continuing adjustment in support prices will make for a more challenging year in 2005.

- Structural adjustment in the drinks sector precipitated a decline in **beverage** exports in 2004, with values falling by an estimated 10% to €965 million. On aggregate, exports from the island of Ireland are likely to have compensated for this adjustment, with most individual companies registering a good performance. The sector is set to resume growth from its new base in 2005 although values would be affected by any further adverse currency movements, with 60% of exports going outside the eurozone.

- It was another challenging year for **edible horticulture and cereals** as the Irish mushroom sector continued to experience difficulties in the important United Kingdom market. Exports from the sector fell by 12% to an estimated €170 million. Increased competition from other supply sources, in particular from Holland, combined with retail price deflation and a weaker Sterling to reduce overall performance. Similarly competitive market conditions are likely to prevail throughout 2005.

- **Amenity horticulture** had a difficult year because of adverse weather impacts on the sales of hardy nursery stock. Foliage, flowers and bulbs made some progress with Christmas trees holding steady. Some increases are expected in 2005 from the latter categories but hardy nursery stock faces an increasingly competitive environment.

- The **international trading environment** benefited from the fact that 2004 represented the most impressive year of growth for the global economy in more than two decades. The International Monetary Fund (IMF) estimates that global growth reached as high as 5% in 2004. However, it was slightly skewed to some better performing regions such as the US, whereas the euro area improved more modestly in 2004. According to the World Bank, global growth should moderate in 2005 and 2006.

- Since February 2002, when it was valued at $0.87 per euro, the US Dollar has undergone substantial depreciation, reaching a low of $1.36 per euro in December 2004. The average daily exchange rate against the US Dollar appreciated by some 10% between 2003 and 2004. The appreciation of the euro has reduced the competitiveness of Irish industry in the US and other markets outside Europe. While there is a belief that this trend will reverse and that the Dollar will strengthen again in the medium term as US interest rates rise, the loss in competitiveness is unlikely to be made good in the short term.

- The average daily exchange rate of the euro against Sterling actually depreciated by some 2%, between 2003 and 2004. However, this masks appreciation in the second half of 2004, which restored the rate to the level pertaining at the start of the year. The consensus from economic forecasters at the moment is that Sterling will depreciate further, if at a somewhat moderate rate, over the next two years.

- **Retailer consolidation** continued through 2004 further reducing the number of buying points and adding to the pressure on suppliers to reduce costs further. The success of the hard discounters throughout most markets, as shoppers search for value, further adds to these pressures. Many of the British acquisitions in 2004, following the absorption of Safeway by Morrisons, saw the focus of the major multiples shifting to convenience chains, a development also mirrored in other European markets.

- The **globalisation** of retailing continues to provide opportunities for international expansion to retailers, with much of the development activity occurring in emerging markets in Asia or Eastern Europe. The international expansion of established retailers also provides market entry opportunities for their existing suppliers to new geographic regions. Irish companies have already successfully developed such opportunities in the meat, dairy and beverages markets of Eastern Europe, particularly following EU enlargement this year.

- **Health and wellbeing** and the link to diet and nutrition are at the top of the agenda for consumers, governments and society. The major preoccupation in the health and wellbeing agenda are obesity and weight control. According to the white paper on public health in the UK the coverage of obesity in the print media has multiplied six-fold over the last three years. Food and drink companies need to respond with solutions that ultimately help consumers to live better and longer. Success will require a significant investment in developing science-enhanced nutrient solutions that deliver proven health benefits. Products can take up to five years to research and bring to market, having a deep understanding of consumer needs and behaviour becomes a major imperative to maximise prospects of success.

- **Convenience** remains the major driver of change in consumer markets. Its influence is as much evident in the move by major multiples into convenience retailing and "food-to-go" as it is in the requirement for convenient meal and snacking solutions for sale through mainstream retailing.

- The **decoupling** of payments from production and their replacement by the single area payment from 1 January 2005 represents the most momentous of the ongoing reforms of CAP to date. It means that for the first time future production levels and exports will be solely determined by our capacity to compete successfully in the marketplace. As competition from low cost regions continues to grow, success will require increased investment in R & D and in marketing in order to move further up the value chain and build strong market positions based on delivering unique solutions to meet important consumer needs.

- The industry currently faces a defining period in its history, **Bord Bia** recognises the need to continue to re-focus and adapt its own strategies and priorities to more effectively meet these changes. Following a comprehensive review and consultation process towards the end of 2004, the organisation will finalise and implement the outputs from its review in the early part of 2005. Priorities and initiatives to be addressed over the coming year include the following:

  - The "**European Strategic Initiative**", a collaborative project with leading Irish food and drink companies to identify and develop new opportunities on Continental EU markets including the newest member states which currently account for 30% of Irish exports. The initial focus is on ten "territories" in the region and on the prepared foods and drinks categories.

  - **Food Trade Delegation to China** in January is part of a trade mission led by An Taoiseach, Mr. Bertie Ahern, T.D. with the Minister for Agriculture and Food, Ms Mary Coughlan, T.D. The visit will include a total of some 18 Irish food and drink companies.

  - **New industry coordinated promotional drive** to build the market position for Irish beef on Continental EU markets and accommodate the shift of market share from the UK as the OTMS comes to an end.

  - The second "**Ireland The Food Island Food and Drink Awards**" will take place in Dublin in May, 2005.

  - The "**Brand Forum**", with sponsorship from **Bank of Ireland Business Banking**, will involve six key events designed to champion the success of the branded route to market for the Irish food and drink industry.

- Development of **small business and speciality foods** over the previous three years companies grant-supported by Bord Bia in this sector have grown by an average of over 17% a year, substantially above the industry average.

- Promotion of **plants, flowers and potatoes** through new EU funded programmes subject to approval. Roll-out of the "**Food Dude**", fruit and vegetables, programme to encourage and shape healthy eating behaviours of children.

- Sponsorship of the "**Apimondia 2005**", International Beekeeping Congress, Dublin, to be attended by several thousand international delegates.

- Consumer promotions featuring the new **Quality Assurance Origin** mark for pigmeat on the Irish market and coordinated promotion of lamb on the French and Irish markets.

- Launch of the new EN 45011 accredited **Beef Quality Assurance Scheme** (BQAS) in association with the meat industry. It is planned to certify some 5,000 producer members in the course of 2005. A similarly accredited scheme is being finalised for the pigmeat sector.

The Economic Environment

1. The Global Economy

The year 2004 represented the most impressive year of growth for the global economy in more than two decades. The International Monetary Fund (IMF) estimates that global growth reached as high as 5% in 2004. However, it was slightly skewed to some better performing regions such as the US, where the American consumer continued to spend, despite the low savings rate which is currently hovering close to 1%. The euro area, which has become the under-performer in global economic terms, improved modestly in 2004, but lacked the vigour of the US economy in particular due to structural deficiencies in Germany.

According to the World Bank, global growth should moderate in 2005 and 2006. In the US, productivity is projected to slow in response to increased unit labour costs and external commodity prices and a tailing off in the fiscal stimulus to growth. In Europe growth is expected to continue at broadly similar levels in 2005 and into 2006, notwithstanding fiscal tightening and a slowdown in the rate of growth of world demand.

2. Ireland in the Global Economy

Overview

As a small open economy, Ireland's growth performance is closely related to the overall strength of the global economy. In line with international trends, the Irish economy moved above trend growth in 2004. A consistent out-performer in European terms, this out-performance is forecast to continue for at least the next two years. GDP growth forecasts for 2005 and 2006 settle at 4.8% and 5.0% respectively, well ahead of its EU peers.

Following a relatively weak period for private consumption growth in 2002 (2.6%) and 2003 (2.6%), Irish consumption regained some spending spirit in 2004. In response to improving global economic conditions and buoyant domestic growth, it is thought that domestic consumption grew by 3% in 2004. However, given that the savings ratio in Ireland continues to hover in double-digits, the Irish consumer has not yet fully participated in the impressive growth of the Irish economy.

2.2 The Irish Food and Drink Industry

The Food and Drink industry is of central importance to the Irish economy. It is estimated that the industry accounts for over 55% of exports from indigenous companies in Ireland. In 2004, the value of exports from the food and drink industry is estimated at €7.17 billion. This represents an increase of 3% on 2003 figures.

The UK and other euro countries are Ireland’s main food and drink trading partners. The UK, in particular, is home to many of Ireland’s main competitors in the food and drink industry. Together the Sterling and euro currency areas account for almost 75% of Irish food and drink exports. Table 1 outlines economic and consumption growth in Ireland and it’s main food and drink trading partners over the period 2001 – 2006.

Table 1: Comparison of Output and Private Consumption Growth in Ireland and Main Trading Partners, 2001 – 2006

	2001	2002	2003	2004	2005	2006
GDP (at constant prices)						
Ireland	6.0	6.1	3.7	5.2	4.8	5.0
UK	2.3	1.8	2.2	3.3	2.8	2.8
EU -25	1.8	1.1	1.0	2.5	2.3	2.4
Private Consumption						
Ireland	5.2	2.6	2.6	3.0	3.8	4.8
UK	2.9	3.3	2.3	3.3	2.3	2.1
EU –25	2.0	1.4	1.5	2.0	2.0	2.2

Source: European Commission, Economic Forecasts, Autumn 2004

2.2.1 UK Export Market

Output growth in the UK was robust, at approximately 3.3%, in 2004. Domestic demand was the key driver of the UK's performance. Private consumption expenditure, which grew by 3.3% in 2004, was a significant source of growth.

Real household consumption is forecast to slow to around 2.3% in 2005 and a little less in 2006, following interest rate rises and also reflecting reduced net wealth as a result of an expected slowing in house price inflation[1].

More moderate growth in household consumption, together with a forecast further depreciation of Sterling against the euro, will result in a less robust environment for Irish food producers exporting into the market, where they will face stiffer competition from within the UK itself.

In addition, the increased competition at retail level in the UK has made for more difficult trading conditions for Irish food producers exporting to the UK. In the increasingly consolidated market Irish producers are finding it increasingly difficult to pass-on increased raw material costs to the large retailers.

2.2.2 Wider European Market

Growth in the EU is estimated to have increased by 2.5% in 2004. The effect of oil price rises in 2004 has lead to more moderate output growth forecasts for 2005 (2.3%) and 2006 (2.4%).

Recent developments in private consumption in the EU have been weak and rather uneven. A revival that occurred in the first quarter of 2004 did not persist. Over the last three quarters of 2003, the average growth rate of private consumption surpassed its long-term average in the majority of EU Member States, but the aggregates for the EU were depressed by Germany, and to a lesser extent, Italy, the Netherlands and Austria.

Future threats to consumption levels in Europe include a continuation of the upward trend in oil prices, the wealth effect of the stabilisation of the stock markets since the end on the war in Iraq, and the possibility of a slowdown in house prices. Also, aggregate savings are an important determinant of consumption and it appears that concerns about pension systems and public finance developments are keeping the savings rate at an elevated level in the EU.

Notwithstanding the above, inflation is forecast to moderate in the EU over the period 2005/2006 and, as a result, real disposable income is forecast to grow. Consumption growth is forecast to remain at 2% in 2005 and increase slightly to 2.2% in 2006. This represents relatively stable market conditions for Irish food producers exporting in to the euro area.

2.3 Risks to the Irish Economy

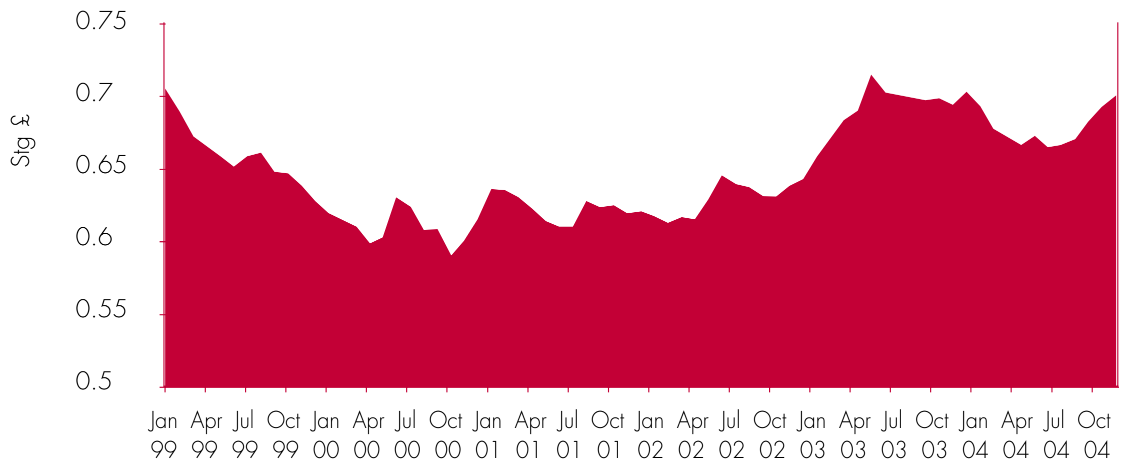
While the short-term outlook for the Irish economy is bright, there are risks going forward. These include the risk the euro will continue to appreciate against the US Dollar and Sterling and that energy prices and those of other inputs may increase further. These developments would impact negatively on Ireland's competitiveness, and more particularly the Irish food and drink industry's competitiveness.

Exchange rates are an important determinant of a country's competitiveness. More particularly, the UK's position as home to Ireland's main food and drink industry competitors, and also its position as the principal Irish food and drink export market, means fluctuations in the value of the euro against Sterling have an important impact on the competitiveness of the Irish food and drink industry.

The euro has appreciated significantly against Sterling in recent years. Between January 2001 and December 2004, the euro rose by almost 9% against Sterling. This appreciation of the euro against Sterling is affecting the competitiveness of Irish food producers vis-à-vis their UK counterparts, both in the UK and other European food markets.

The consensus at the moment is that Sterling will depreciate further over the next two years. The UK National Institute of Economic and Social Research (NIESR) projections show the Sterling effective exchange rate depreciating further from current levels by around 1.3% by the end of 2005 and by 3% by the end of 2006. The Economic and Social Research Institute (ESRI) also forecast a strengthening of the euro against Sterling over 2005 and into 2006. This, according to the ESRI, is due to the likelihood that the current large gap between UK and euro area interest rates will narrow over the next eighteen months, as the growth differential between the two economies also narrows.

Figure 2: Monthly Average Sterling (£)/euro (€) Exchange Rate



Source: CSO Monthly Exchange Rate Statistics

Since February 2002, when it was valued at $0.87 per euro, the US Dollar has undergone substantial depreciation, reaching a low of $1.36 per euro in December 2004. Between January and December 2004 alone, the euro appreciated by approximately 6% against the US Dollar. The appreciation of the euro vis-à-vis the US Dollar has significantly reduced the competitiveness of Irish industry in the USA and other markets outside Europe. While there is a belief that this trend will reverse and that the Dollar will strengthen again in the medium term as US interest rates rise, the loss in competitiveness of Irish industry is unlikely to be made good in the short term.

[1] *There are signs of a cooling in the house market, with slowdowns in lending and mortgage approvals.*

The Trading Environment

3. Global Retail Trends

Consolidation & Concentration

Retail consolidation has been a strong element of the global retailing environment for over a decade now. Consolidation is commonly a consequence of competitive and environmental pressures that are present in most markets. The number of grocery shops in Europe has halved since the 1980s, and the top three grocery retailers now account for the majority of sales in most European countries. In the current, strongly price–led markets across Europe, the development of scale offers advantages to retailers such as greater buying power and potentially improved operational efficiency.

December 2003 witnessed the high profile takeover of Safeway, Britain's fourth largest food retailer by supermarket group William Morrison. The Morrison/Safeway operation had at acquisition date 552 stores, combining the 4th and 5th largest retailers in Britain. Further activity in July of 2004 saw Somerfield purchase 114 of the Safeway Compact Stores from Morrisons.

There has also been a number of other notable retail acquisitions in 2004. In the UK there was considerable activity in the convenience store sector, with companies like Tesco and Sainsburys continuing to drive forward their policy of moving into local neighbourhoods with their Tesco Express and Sainsbury's Local brands. According to Sainsburys, eleven of its top twenty performing stores (measured by sales per square feet) are Locals. In August Sainsburys purchased the 114 Jacksons c-store chain and in November announced the acquisition of JB Beaumont, a neighbourhood c-store operator in the East Midlands. At the beginning of the year Tesco acquired the entire issued share capital of upmarket Adminstore – buying 45 convenience stores, mainly trading as Europa, Harts and Cullens. This deal attracted complaints from Tesco's main rivals as it continued to build on its grocery dominance. The Co-operative Group reinforced its position as one of the leading players with the acquisition of the 64-store Conveco chain based in the southwest of England. This followed Co-op's acquisition of the Balfour chain last year and Alldays in 2002. The group now ranks as the second leading c-store operator in the UK, behind Tesco.

In Ireland, BWG is in the middle of an expansion programme which will see it add 100 new stores under the Spar banner by the end of 2006. These will include a growing number of its recently introduced larger Eurospar outlets. In France, Carrefour announced that its Proxi Service convenience arm would take over the operation of 58 stores in BP's motorway service station portfolio. Proxi Service is France's largest network of service station stores. Carrefour's unit in Greece, Carrefour-Marinopoulos acquired smaller rival Xinos in October.

Globalisation

Globalisation as a strategy continues, as retailers who are faced with limited or mature domestic markets are increasingly looking across borders for growth opportunities. Emerging markets represent increased spending power and allows the big retailers greater economies of scale, transfer of best practice across borders and ultimately higher profitability.

Tesco has been expanding outside of the UK since the mid 1990's and is now the hypermarket leader in Hungary, Poland and Slovakia. Asia is seen as a key growth area and the retailer has said it is looking to expand into China as price competition in the UK market continues to stifle profit growth. French retailer Auchan in June announced it was going to further expand in Poland, opening two additional stores. The retailer has said it will continue its expansion by opening one or two additional stores per year and that it plans to break even in 2008. Similar strategies are also in place in Hungary and Russia. In November it decided to purchase the 50% stake in Italian retailer Rinascente that it did not already own, taking the French company into third place behind Carrefour in Italy. Carrefour in November outlined plans to further invest in the Portuguese market, aiming to maintain its position as the number three hypermarket chain in Portugal.

Discounters

Consumer focus on price and value for money in all markets has fuelled the continuing growth of the discounters. Since the early 1990s the number of discount stores across Europe has doubled to around 30,000. The phenomenon is not limited to Europe however, but has also taken off in Japan and the US. Discounters have historically been divided into two types, the hard or soft discounter. Typically Aldi and Lidl would be examples of hard discounters. This terminology is however gradually becoming redundant as many mainstream retailers reposition themselves as 'low price' supermarket operators. The Wal-Mart acquisition of Asda has led to more Everyday Low Prices (EDLP) type approach becoming adopted by Asda and Tesco. This is certainly evident in the Irish market as Tesco Ireland, at a supplier conference in November 2004, characterised themselves as a "mass market discounter", focusing on low price but maintaining a large range of products. Discounters in Ireland (Aldi and Lidl) accounted for 5.2% of the total retail market, up just slightly from 5.1% in 2003. Growth slowed in line with a slow down in store openings, although Aldi were targeting opening a store a week up until the year end.

Consumer Trends

Health & Wellbeing

By far the dominant trend affecting consumer choice has been the renewed interest in personal health and wellbeing. In a Bord Bia nutrition study conducted in June 2004, consumers spontaneously mentioned that they believe a poor diet (32%) to be the main factor contributing to their health concerns. Other influencing factors that were mentioned included lack of exercise (16%) and busy lifestyles (11%). Health and wellbeing as a term encompasses all of these factors – physical health, emotional health and environmental health. The saying "You are what you eat" has become widely adopted and consumers have played an instrumental role in driving the growth of the health food market in general. Each of these health concerns has in turn lent itself to consumer products being targeted at specific or general health issues, including functional foods, 'better for you' products with lower fat/salt/sugar, organics and even weight loss products.

Recently the media plethora of health & wellbeing coverage, and particularly of obesity, has fuelled a gamut of manufacturer and retail responses. Examples are abundant. UK retailer Asda announced plans to place fresh fruit instead of confectionery at store checkouts early in the year and in November joined up with registered charity The Kid's Cookery School to develop a range of healthy food that children can prepare and cook themselves.

In October, Sainsbury's launched a health advice service as part of their "Size Matters" for men, offering men visiting its stores an examination by a registered dietician, involving taking waist measurements and giving advice on lifestyle and diet.

In response to the Aitkin's diet phenomenon, Tesco began labelling its own brand foods with the glycemic index (GI) in February. The GI shows carbohydrate levels and benefits consumers who need to monitor their sugar intake. Later in June Tesco announced plans to test a "traffic light" system on its food lines in order to provide customers with nutritional advice. The system sees food products fixed with red, amber or green label, with red signalling high-calorie, amber medium-calorie and green low-calorie. The trial is across a range of products including savoury snacks and ready meals and if proven successful will be rolled out across its entire range of own label products. Tesco also launched in November, a 40 strong private label range called Carb Control. Tesco's total low carbohydrate range will comprise 180 products, including 60 branded lines as well as 80 existing own label lines naturally low in carbohydrates that will have their carb content flagged with a Carb Control sticker.

Continuing on the subject of food labelling and health and wellbeing, in the UK the Co-operative Group introduced shelf cards that show whether the salt and fat content of comparable products is high, medium or low. These retailer developments are the response to consumer demands of wanting to be healthier and lead healthier lifestyles.

Convenience

Convenience, while not at all a new trend in the food and drink industry, continues to be a strong driver of consumer choice. Changes in lifestyles and work habits, and increased financial pressures have lead to a growing need for convenience in all areas. With more women working and less time to prepare food, consumers are looking for ways to juggle work, feed the kids and get enough sleep. Convenience should now be a given and all products, services and shopping experiences must incorporate it. The implications for food and drink products are obvious – an increased demand for easy meal solutions, greater occasions of snacking and on-the-go consumption, eating out of home, and eating "out" at home with prepared ready meals more regularly. Data from TNS Family Food Panel 2004 suggests that if the current trends in convenience continue in ten years time snacking and informal meals will account for 70% of all eating occasions. This sends strong signals to food and drink manufacturers to make their products in convenient formats and available in convenient places.

Value

More recently we have seen an additional overriding consumer trend, a "shift to value", one that cuts across all ages, nearly all income groups and to some degree all consumer segments. The emergence of the "smart shopper" ethos has spread and has never been more evident in the global and Irish food and drink industry. Consumers have changed their reference points for both price and quality. They have been trained to expect lower prices at the value retailers and have redefined quality from 'good' to 'good enough' for certain categories. This does not mean that consumers always look for lowest prices, but are looking for value for money and judge the value of a product on both quality and price. The closing of any perceived gap in quality has allowed many value formats to capture share of the weekly shop.

Summary

In summary, there continues to be several key trends evident in the food and drink industry. Consumers will continue to juggle their priorities to meet both their short term and long term needs. These trends while developing over the past couple of decades will continue to shape both consumer demand and the manufacturer and retailer responses. In order for Irish food and drink companies to succeed in an evolving and challenging marketplace, they must combine when appropriate all of the essential ingredients. They must change and adapt to consumer and retailer needs. Continuous innovation will be essential in maintaining consumer interest and gaining retailer acceptance.

Sectoral Review and Outlook

Export Performance in 2004 and Prospects for 2005

Overview

Exports are estimated to have exceeded €7 billion in 2004, which represents an increase of 3% or almost €200m. The majority growth categories were Prepared Foods, Dairy Products & Ingredients and Beef. Growth in these sectors more than compensated for those categories where exports fell behind 2003 levels.

Food & Drink exports

	2003 €m	2004 (e) €m	2004/2003 % +/-
Dairy Products & Ingredients[1]	1,755	**1,860**	+6
Prepared Foods	1,460	**1,590**	+9
Beef [1]	1,300	**1,400**	+8
Beverages	1,072	**965**	-10
Fish	380	**370**	-3
Pigmeat	250	**265**	+6
Poultry	253	**253**	–
Sheepmeat	145	**165**	+14
Edible Horticulture & Cereals	193	**170**	-12
Live Animals	147	**116**	-21
Total Food & Drink	**6,955**	**7,154**	**+3**

Amenity Horticulture	16	16	–

[1] *includes refunds etc.*

Meat & Livestock

Overview

If all meats and livestock were in aggregate, they would constitute the largest single category at €2,200m in 2004. Beef is the single largest category element by a sizeable margin and is believed to have achieved growth of 8% in 2004. Sheepmeat registered the second largest increase in euro terms and the largest percentage increase. Pigmeat achieved a smaller increase and poultry exports have declined slightly. Livestock had a more difficult year, mainly due to weaker relative demand from the Continental markets of Italy and Spain.

Beef

Export Performance in 2004

Irish beef exports were valued at almost €1.4 billion in 2004, which represents an increase of 8% on the previous year. The higher value of exports was helped due to improved market returns, reflected in an estimated rise of 10% in average cattle prices in Ireland, which offset lower volumes. The volume of beef available for export during 2004 was just under 2% lower at 487,000 tonnes, due to lower supplies and a small increase in domestic consumption. Over 90% of beef exports were within the EU, which compares with 55% in 2000.

Beef Exports 2004 (€m)

€m 2003	€m 2004 (e)	% +/- 2003
1,300	1,400	+8

The UK market accounted for almost 54% of Irish exports during 2004. Irish beef exports to the UK reached an estimated 263,000 tonnes, a rise of 5% on 2003 levels. While the market became more competitive as the year progressed, reflecting increased domestic production in advance of the UK move to a single farm payment and strong non-EU supplies, Irish beef continued to perform well. The market position of Irish beef in the UK continues to improve with over 30% or 85,000 tonnes going directly to the multiple retail sector, valued at €350 million. Similarly, sales of processed beef product showed further growth. For the year as a whole, it is estimated that exports of processed beef from Ireland will reach 75,000 tonnes or over a quarter of total shipments.

Exports of Irish beef to other EU markets, including the new Member States, are estimated to have reached 174,000 tonnes in 2004. This represents a rise of 7% on 2003 levels and marks an all time high in shipments to the Continent. Italy and the Netherlands performed strongly for Irish beef with shipments to Italy rising by 14% to 40,000 tonnes and to the Netherlands by 10% to 43,000 tonnes. Other important markets were Scandinavia at 35,000 tonnes and France at 23,000 tonnes, with both also showing growth. In new EU Member States, strong trade development initiatives, prior to and since accession, haves led to Irish beef being exported to Hungary, Poland and the Czech Republic. However, similar to the situation in the UK, the market environment on the Continent remained quite competitive for much of the year.

Beef exports to International markets are estimated to have declined to 50,000 tonnes, which is down 39% on 2003 levels. This was due to increased shipments of Irish beef within the EU, a 10% strengthening of the euro against the US Dollar and increasing competition from South American suppliers. Russia remained the principal market taking an estimated 42,000 tonnes, while Algeria re-emerged as a good market for Irish beef in the final quarter.

Prospects for 2005

The outlook for the Irish beef industry in 2005 remains broadly positive following the improving market position of Irish beef across European markets. The rising widening EU beef deficit will continue to provide a solid platform for Irish beef exports to the Continent and help to offset issues that may affect trade.

A further decline in EU production by 100,000 tonnes, is forecast for 2005. With a steady rate of consumption, the beef deficit across Europe is projected to reach 350,000 tonnes and this should help maintain current market opportunities for Irish beef. Most of the key import markets in Europe anticipate higher imports during 2005. Italian beef imports look set to rise by almost 10% while French imports are expected to show 3% growth. Combined with lower export availability from Germany, this suggests relatively good market opportunities for Irish beef.

However, there are also a number of issues, which have the potential to negatively affect trade as the year progresses. These include the growing presence of non-EU product in certain market segments. Since 2000, the volume of EU imports has increased by over 40% to an estimated 575,000 tonnes in 2004. Further growth is likely in 2005 given the anticipated rise in Brazilian production. This makes trade for hindquarter cuts in particular very competitive for the Irish industry, given the prices prevailing for non-EU product. The strength of the euro against the US Dollar looks set to be sustained during 2005. This has the effect of making EU beef less competitive on International markets while at the same time boosting the competitiveness of non-EU beef coming into Europe.

The UK government has announced a managed transition towards the return of over thirty month (OTM) beef to the UK market during 2005. Given the requirement of the UK government that no changeover will take place until the Food Standards Agency view the proposed testing regime as robust, it is expected to be the second half of 2005 before OTM beef returns to the marketplace. The ending of the OTM scheme could release an additional 185,000 tonnes of beef on the British market in a full year. As Ireland is the dominant import supplier of prime beef, this decision could result in a diversion of in the region of 70,000 tonnes of Irish beef from the UK to other EU and International markets in a full year. A major marketing effort will be required to ensure that this beef continues to be targeted at the premium end of the market.

Key initiatives for 2005 will include an intensive drive to attract and develop new retail customer business across all EU markets, with a particular emphasis on France, Italy, Scandinavia and new Member States. Co-branding and promotional drives will see more identified Irish Beef packs on the shelves of the main retailers throughout Continental Europe. The Chefs' Irish Beef Club has been established and will expand to further major European centres. A major priority will continue to be given to working with the Department of Agriculture & Food on the critical issue of market access to International Markets.

Pigmeat

Export Performance in 2004

The value of Irish pigmeat exports during 2004 is estimated to have increased by 6% to €265 million. This is despite a drop of 3% in export volumes as a result of lower production levels and an increase in live exports to Northern Ireland. The rise in value of exports was helped due to improved market returns, as reflected in an increase by the rise of approximately 9% in Irish pig prices.

Pigmeat Exports 2004 (€m)

€m 2003	€m 2004 (e)	% +/- 2003
250	265	+6

The Irish market continued to account for over 50% of Ireland's total pigmeat availability of 263,000 tonnes, with demand mainly being driven by a trend towards convenience style processed pigmeat and bacon products.

Exports to the UK and Germany were strong, with volumes increasing to an estimated 64,000 and 13,500 tonnes, respectively. Overall exports to the EU-15 countries were down on 2003 levels, as the rise in sales to Germany did not compensate for a fall in exports to France and Italy, where trade was affected by competition from Dutch and Danish suppliers.

Following EU enlargement, two-way trade between EU-15 countries and New Member States increased considerably, with New Member States selling high value cuts and replacing them with lower value product. This increased the pressure on Irish product in existing EU markets, while creating opportunities for manufacturing cuts in the new Member States.

On International Markets, exports to Japan rose by a third to reach over 8,000 tonnes, following the absence of US beef and the decrease of poultry supplies in the market, while exports to Russia remained stable at over 7,000 tonnes, despite import certification issues. Exports to the US eased back to 5,200 tonnes, mainly due to the unfavourable euro/Dollar exchange rate.

Prospects for 2005

For 2005, a marginal increase in Irish pig supplies is forecast, following a recovery in production as newly stocked breeding units increase performance. With EU production levels expected to remain stable throughout the year and preliminary forecasts indicating a further rise in EU prices, the prospects for Irish pig prices are steady.

The market outlook for exports to the EU is stable, helped by a steady demand and lower supplies from New Member States. However, with a rise in UK pig output forecast, trade is likely to remain competitive in this market.

On International Markets, increased competition from non-EU suppliers such as Brazil and Canada, and the ongoing strength of the euro against the US Dollar will continue to challenge Irish exports to the US, Russia and Asia. A return of US beef and poultry supplies to the Japanese market will also further increase competition for Irish product.

Bord Bia programmes for 2005 will focus on improving domestic market share, developing new export opportunities in the UK and Eastern Europe and seeking to broaden market spread by gaining access to new International markets. This will include participation in the forthcoming trade mission to China led by An Taoiseach, Bertie Ahern T.D.

Sheepmeat

Export Performance in 2004

The value of Irish sheepmeat exports is estimated to have increased by around 14% during 2004 to almost €165 million, reflecting a strong rise in availability and steady market returns.

Sheepmeat Exports 2004 (€m)

€m 2003	€m 2004 (e)	% +/- 2003
145	165	+14

The Irish market accounts for over 30% of sheepmeat output, making it the second most significant market, after France. Lamb consumption in Ireland increased by 2% to 22,000 tonnes this year.

The French market continues to account for almost two thirds of total exports at 33,000 tonnes. This represents a rise of over 4,000 tonnes or 13% on 2003 levels. Volumes were boosted by higher supplies in Ireland, steady consumer demand and a rise of 2% in the French import requirement. However, the competitiveness of the market was demonstrated by the decline of 3% in French lamb prices.

Irish sheepmeat exports to the UK showed further strong growth during 2004 to an estimated 9,500 tonnes. Trade remains principally in the form of mutton for the manufacturing sector. Other important markets include Germany at over 2,200 tonnes, which represents a rise of 20% on 2003 levels, Italy at 1,300 tonnes and Portugal at 1,100 tonnes.

Prospects for 2005

The strong level of disposals evident at export meat plants in particular during the autumn of 2004, is expected to affect lamb availability in 2005. For the year as a whole, lamb throughput is expected to decline by around 10%.

French import requirements look set to be maintained during 2005, which should provide a reasonably steady market outlet for Irish lamb. However, the anticipated drop in Irish supplies will affect Irish exports, with shipments to France projected to fall 10% to 30,000 tonnes.

In terms of market trends, New Zealand is expected to remain highly price competitive against both domestic and EU lamb and Irish exporters will be faced with rising volumes of New Zealand chilled product.

The Irish and French markets remain the most important for Irish lamb and further development of these markets is the continuing priority for 2005.

Poultry sector

The poultry sector refers to all fresh and processed poultry products.

Export Performance in 2004

Irish poultry meat exports in 2004 were valued at €253 million representing no significant change over the year. Exports of processed poultry meats and prepared products accounted for nearly two thirds of the total poultry exports during the year. The UK continues to be the main market for Irish poultry exports, accounting for approximately 80% of total exports.

Poultry Exports 2004 (€m)

€m 2003	€m 2004 (e)	% +/- 2003
253	253	–

Overall, EU consumption of poultry continues to increase, with the 10 new Member States showing a stronger increase than the EU-15 countries. Ireland now has the highest per capita consumption of poultry meat within the EU, with circa 37 kilos. In 2004, total EU-15 countries poultry meat production is expected to have increased slightly as productivity recovers in both Holland and Italy, following avian influenza outbreaks in 2003.

Prospects for 2005

In 2005, EU-15 countries production will remain stable at approximately 9 million tonnes. The 10 new Member States will see an increase to almost 3 million tonnes. Imports of cooked poultry meat products will grow significantly, as Asian suppliers adjust to bans placed on uncooked poultry meat due to avian influenza outbreaks. Brazil will emerge as the leader in broiler meat exports, surpassing the United States in the 2004 and 2005 forecasts.

Live Animals

Export Performance in 2004

The level of Irish live cattle exports fell by over 40% during 2004 to an estimated 127,000 head. Trade to Continental EU markets fell by 50% during the year to 70,000 head reflecting the weak market demand for live cattle and the relatively high cattle prices prevailing in Ireland.

The principal factors behind the lower trade included competitive prices available from other suppliers, lower feedlot demand in Spain & Italy, increased supply of calves to the Netherlands from both Germany and Poland and a competitive Lebanese market. On the other hand exports to the UK, principally Northern Ireland, performed strongly during 2004, increasing by almost 20% to reach 46,000 head.

Live Animal Exports 2003 (€m)

€m 2003	€m 2004 (e)	% +/- 2003
147	116	-21

Prospects for 2005

Irish live cattle exports during 2005 are expected to show steady growth.

In terms of market demand for live cattle, there is likely to be stronger demand for cattle in Spain and Italy with the feedlot sector being helped by a drop in feed costs due to a strong cereal harvest. The Dutch market also looks set to have a steady demand for calves for the veal sector. Further potential for growth exists in Northern Ireland due to the strong UK demand for beef.

The key issue from an Irish perspective is the potential for Irish cattle to compete on price with other suppliers. Trade to the Lebanon will largely be determined by this factor. Trade will also be dependent on undisrupted shipping access to Continental Europe.

Bord Bia will continue to assist live animal exporters to grow business in the main Continental EU markets.

Prepared Foods

The Prepared Foods sector comprises chilled, frozen, ambient and speciality food products that have been further processed either as intermediate products, which are sold as ingredients to food manufacturers, foodservice operators, or as convenience products for home consumption.

Export performance in 2004

It is estimated that exports of prepared foods increased by about 9% in 2004 to reach a total value of €1.59bn. The principal categories that influence the performance of prepared foods, include frozen foods, ambient products, confectionery and speciality foods. Britain, which is the largest market for prepared foods, was up by an impressive 12.6% to just under €600 million performed particularly well, while sales to Continental Europe, including the Netherlands, Italy, Belgium and Sweden also performed strongly.

Frozen foods

Britain continues to be the main export market for the frozen food sector, which consists mainly of ready-prepared meals and pizzas. Exports of frozen foods into the British market were ahead in value terms by over 10%. This reflects the repositioning of product into more premium offerings in an attempt to regain margins lost in previous years, in the context of a category characterised by price deflation.

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Confectionery

The confectionery sector is made up of companies supplying products based on chocolate, sugar and flour. The increasingly sophisticated consumer has driven the trend towards "premiumisation" at the top end of the market, where real value growth has been achieved. Chocolate exports are predicted to be 54.7% ahead of last year due to an aggressive roll out of new products and the targeting of new distribution channels in Britain. While Britain is the main market, there is some penetration of Continental EU markets and the U.S.

Ambient foods

The ambient food sector is comprised of suppliers operating within the cereals, sauces, soups, jams/preserves, condiments, ambient meals and home baking categories. Mainly occupying leading brand positions in the domestic market, many of the companies within this sector are now successfully exporting, with notable listings secured with major multiple retailers in Britain. Exports of sauces and soups were down by 5%, jams, preserves & condiments down by 10%, while prepared cereals were up by over 35%. Whilst the main focus to date has been in supplying products for retail, there is an increased interest in identifying and pursuing opportunities in the foodservice market, mainly in Britain. Though the main export market is Britain, there has been some penetration in Continental EU and into mainly niche, 'ethnic' markets in the US. In addition a number of suppliers are actively seeking out co-packing opportunities with some notable success.

Speciality foods

Smaller Irish companies in the speciality food sector have seen strong sales growth over the past year targeting the two key markets of Ireland and Britain. It is estimated that speciality foods now have a total output value of €430m at factory gate prices, which represents a 13% increase in turnover on last year's performance. The sector continues to expand and there are over 330 small food producers successfully marketing their products to independent and multiple retailers. The sector has increased trade listings and broadened its distribution to reach a broader consumer base.

This growth is being driven by increased consumer demand for variety, convenience and the perceived safety of smaller producers. From a low base, this segment continues to build increased sales.

Prepared Foods Exports 2004 (€m)

€m 2003	€m 2004 (e)	% +/- 2003
1,460	1,590	+9

Prospects for 2005

Good growth in export sales is expected in 2005 as companies seek to accelerate new product development, become more focused on strategic marketing initiatives, while at the same time responding to pressure to implement cost efficiency programmes. An ongoing squeeze of margins in the face of greater competition will continue to drive the need for such cost efficiency. Exports outside of the UK markets have a new focus as manufacturers try to maximise turnover in the euro currency area.

In the frozen foods sector, the challenges in the British market will be substantial over the coming year, as manufacturers need to stimulate growth in the sector to renew retailer interest in the category. Cost reduction will remain a principal focus for all companies operating within the sector. In addition the focus will be on rolling out new premium offerings, products aimed at the consumer's need for healthy alternatives, authenticity, along with offerings aimed at their occasional need for indulgence, in an attempt to counter the margin erosion of the past number of years.

For the confectionery sector, there is an increasing consumer trend towards price promotions driven by the multiples. The key challenge in 2005 will be to respond to the risk posed to the sector by the highlighting of the growing problem of obesity among both the adult and child population. Other challenges in 2005 will be to bring new products to market, which will exploit increased consumer demand for convenience, snacking, indulgence and authenticity.

In overall terms, the environment will remain very challenging in 2005 and the core competencies required will be innovation, building new customer relationships and cost control in the face of tightening margins.

In 2005 Bord Bia will continue to develop its range of customised services to assist companies with their individual market development objectives. This will include a focus on market led new product development opportunities. In response to the need to develop new markets and customers, Bord Bia will develop new contacts in the retail, foodservice and manufacturing sectors to drive new business in addition to deepening its relationship with existing contacts.

Dairy Products & Ingredients

This category is comprised of dairy products such as butter and cheese as well as ingredients for further manufacturing such as casein.

Export Performance in 2004

It is estimated that there was a rise of 6% in the value of Irish dairy and ingredients exports to almost €1.9bn. Despite some apprehension, 2004 transpired to be a reasonably good year for exporters of dairy and ingredient products.

Two major milestones in the middle of 2004 made for an atypical year. Anticipation of the EU enlargement on May 1 and the implementation of Mid-Term Review measures on July 1 created considerable uncertainty for many buyers and some of the original EU-15 countries cut back production.

However, demand remained strong and good world prices have essentially meant that earnings in euro have held firm despite the decline in the US Dollar. Irish exporters responded well to particularly good demand for casein that further helped earnings when expressed in euro.

Dairy Products & Ingredients Exports 2003 (€m)*

€m 2003	€m 2004 (e)	% +/- 2003
1755	1860	+6

**Includes export refunds*

Prospects for 2005

Demand may come under pressure if the US Dollar continues to remain weak. Further implementations of the Mid-Term Review when combined with some recent administrative changes to the refund regime represent real concerns which point to more challenging prospects for 2005, as intervention stocks will not be available at the same level.

The growing consumer awareness and demand for health, nutritional and functional foods provide an opportunity for dairy/ingredient companies to increase their returns through added value exports. This continues to be the focus for Bord Bia. In 2005 Bord Bia will work closely with the industry to provide up to date market information and intelligence and to provide new customer introductions at industry specific trade exhibitions including ANUGA, Food Ingredients Europe, and the Institute of Food Technologists Show in the US.

Beverages

Export Performance in 2004

This category includes all alcoholic beverages and non-alcoholic beverages, juices, mineral water, tea and coffee.

Exports of beverages are estimated to have declined by 10% in 2004 to a total value of approximately €965m.

This reduction in total exports reflects some structural changes within the industry and disguises the fact that individual companies posted strong performances during the year.

Britain remains the largest overall export market for Irish beverages, accounting for 40% of total exports. Market conditions remain highly competitive with continued price pressure from retailers. The US is the second most important market for Irish beverage products, accounting for approximately 19% of exports. However, further opportunities exist to develop business in this major target market.

The past year has proved a very successful one for exports of Irish whiskey. Exports increased by approximately 11% due to successful penetration of existing markets and continued investment in international marketing and promotional campaigns for a range of whiskey brands.

Exports of malt beer to Continental EU markets declined during 2004 due to difficult trading conditions and a downturn in beer drinking and lifestyle factors. It will continue to be a challenging market for beer manufacturers.

Indigenous Irish-owned manufacturers of cream liqueurs are reporting a very positive year with good growth in sales to key markets in the UK and US. This product category is the largest by far in the beverage sector, accounting for approximately 50% of total exports in the sector. Double-digit growth has been achieved over the past two years due to investment in marketing and promotional campaigns and launches of new product variations. While there are many players in this market, with both branded and private label offerings, this segment continues to grow and attract new consumers.

The ready-to-drink category (spirit-based) has reached maturity and has all but collapsed in some markets. The regulatory environment continues to have an impact on sales in the sector. In the UK, volume declines of 4.2% in the off-trade and 5.2% in the on-trade were reported. However, in terms of NPD, some manufacturers are now looking at developing wine-based RTDs in an effort to remain in the category.

Exporters with an Irish base continue to be affected by fluctuations in currency especially in key markets like Britain and the US. This continues to be a major issue for companies as these fluctuations have a huge impact on bottom line profitability.

In the coffee category, exports continue to grow, with the UK being the primary export market. The growth in this category is driven by the “grab and go” culture and beverage consumption on the move. The convenience and travel retail channels are particular drivers of this trend.

Exports of water and fruit juices have also grown with the UK again the most important export market. In this category, the trend is towards value added products providing clear consumer benefits and the industry continues to innovate to meet these needs. Packaging and product innovation is particularly important in the soft drinks category and the consumer increasingly favours unusual cross product combinations and flavours. In the juice category, the market for single serve, premium chilled products such as freshly squeezed juices is growing, again meeting the needs of the "grab and go" consumer.

Increasing health awareness by consumers and a willingness to pay extra for premium products are now well established market trends, which should continue to fuel solid value growth in the market.

Beverage Exports 2004 (€m)

€m 2003	€m 2004 (e)	% +/- 2003
1,072	965	-10%

Prospects for 2005

The outlook for Irish beverage exports will continue to be influenced by the production and location decisions of multinationals, the largest international players. However, individual sub-sectors and indigenous companies are increasing their customer and market base. Their focus will be on increasing market penetration in existing markets while continuing to diversify into ongoing development of new and emerging markets.

In order to grow the sector in 2005, companies will continue to seek out opportunities for both branded and private label business and develop new packaging and flavour options to enhance their product range and offering.

The issue of currency fluctuations is an ongoing concern for Irish exporters in the key markets of UK and US and this will remain a major concern going forward.

In 2005, Bord Bia will continue to assist Irish beverage companies with a variety of customised activities specifically designed for the drinks industry. Included in the programme is the organisation of trade missions and visits to emerging markets and the participation at key industry trade events – Vinexpo, Bordeaux; WSWA, Orlando; and Tax Free World, Cannes.

Edible Horticultural and Cereals

Export performance in 2004

The significant developments in this product category are principally driven by the export earnings of the mushroom industry, for which 2004 proved yet another very challenging year. Following on from 2003, the UK market which consumes 80% of Irish production, continued to be extremely competitive with the value of exports estimated to show a decrease in the order of 10% in 2004 from €125m to €113m. Contributing factors to the lower euro earnings from the UK market include increased competition from other supply sources (in particular from Holland), downward pressure on prices from retailers and the weakening of Sterling.

Edible Horticulture & Cereals 2004 (€m)

€m 2003	€m 2004 (e)	% +/- 2003
193	170	-12

Prospects for 2005

It is likely that the trends in 2005 will be similar to those of 2004. At production level there is likely to be further consolidation with existing farms producing greater volumes of output in order to achieve improved economies of scale and reduce unit costs. The marketing environment which existed throughout 2004 in terms of competition and price pressure will continue into next year. The main focus of the industry in 2005 will be in reducing costs at all points of the supply chain that will enable it to compete effectively with its competitors in the UK market.

Bord Bia will continue to assist and work jointly with the mushroom sector in its marketing activities through the purchase of market information on the UK retail market. This continuous research is helpful to the companies in maintaining their relationships with existing customers. In 2005, Bord Bia in conjunction with the industry will continue the work commenced towards the end of 2004 in examining the feasibility of the carrying out of a generic mushroom promotion campaign on the UK market. The aim will be to involve all key suppliers into the UK market in the campaign and to seek matching financial assistance from the EU. Bord Bia will also continue to work with the industry in assisting it deliver the quality standards required by the marketplace through the Bord Bia Quality Scheme for Horticultural Producers.

Amenity Horticulture

Export Performance in 2004

The estimated value of amenity exports in 2004 was €16m unchanged from the 2003 figure. Amenity exports can be divided into three sub-categories which did have varied experience in the year:

Hardy Nursery Stock – Down 10% from €7.5m in 2003 to €6.8m in 2004. Despite a significant increase in exports in 2003, the sector suffered a set back in 2004 due to unfavourable weather conditions experienced during nearly all the key gardening weekends in Britain and Northern Ireland.

Christmas Trees – €4.8m – no change on 2003. The volume of exports to Continental EU fell back, but more trees were sold on the British and home market.

Foliage, Flowers and Bulbs – Up from €4.2m in 2003 to €4.6m in 2004. Sales of birch stems for painting and wreaths/table centre arrangements have increased during 2004. Increased exports were also registered by the bulb sector.

Amenity Horticulture 2004 (€m)

€m 2003	€m 2004 (e)	% +/- 2003
16	16	–

Prospects for 2005

The availability of large volumes of inexpensive plants on the European market that damaged both the domestic market and export markets in 2004 is unlikely to cause the same difficulties in 2005. However, the combination of over-production in the Netherlands and the decisions taken by many multiple retailers in the EU to speculatively purchase or spot buy more of their plants – especially bedding plants, heathers and easy-to-grow lines – on the open market is likely to give rise to further instability across all European markets in 2005.

It may take a number of years of restructuring and rationalisation before the dust settles and we can define a unique selling proposition for Irish producers within Europe. However, we would predict the imminent demise of a number of less-efficient nurseries if we experience similar unfavourable gardening conditions in 2005 and 2006.

Despite some inroads into Continental EU markets over recent years, the UK will continue to offer most opportunities for Irish producers. As confidence in the UK market was seriously damaged in 2004, it may take a number of years to rebuild serious interest among prospective exporters and only a modest increase of 3 to 5% is expected in 2005.

A number of nurseries with unique plants and/or sales packages were not unduly affected in 2004 and they stand to make good gains in 2005. Fifteen per cent of domestic hardy nursery stock production is exported and this figure will amount to approx €7m. in 2005. Only 20 nurseries are responsible for some 90% of export sales and the precise percentage increase in exports is subject to the success or failure of any one of these individual nurseries

A 5% increase in export sales is also expected across Christmas trees, foliage and bulbs. Longer production cycles mean fewer changes are likely on a year-to-year basis. Christmas trees require a seven-year production cycle, bulbs a two year cycle and foliage plantations requiring 2 to 3 years before significant quantities of stems are harvested. An example of this is the increased acreage of Ozothamnus, planted in the south east in 2003 that will feed into significant exports commencing in 2005

When the Amenity Export Programme commenced in 2001 it was agreed that amenity exports could not be developed without also paying close attention to the protection of the domestic market for Irish-grown plants. To this end, growers were encouraged to identify areas of competitive advantage that enabled them to compete on both foreign and domestic markets. In 2003 and 2004 a number of new initiatives designed to assist growers to better compete with foreign suppliers to Irish customers were introduced.

In 2005 highly efficient trolley fairs, the tackling of infra structural deficiencies such as a logistical solution for movement of plants around the country and the extension of 'hand-holding' advisory services previously only offered to exporters will be put in place for suppliers to the home market. Tried and tested activities such as inward buyer events, foreign market studies and participation in the garden and leisure exhibition GLEE will continue. In recognition of the importance of the Northern Ireland market where almost half of our export sales are placed, we will be encouraging N.I. plant buyers to avail of Bord Bia services such as inward buyers' events previously only offered to British buyers.

With regard to Christmas trees, a group of medium-sized businesses lacking in export marketing capabilities but possessing the production and quality capabilities to successfully capture export sales, will commence joint marketing activities in 2005.

Targeted market research commissioned in 2003 on the British and Dutch foliage requirement will be augmented during 2005 with a view to identifying more market opportunities for immediate exploitation.