Export

PERFORMANCE & PROSPECTS

IRISH FOOD, DRINK AND HORTICULTURE – 2012/13

Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

Contents

Executive Summary

€9bn

The value of Irish food and drink exports reached €9bn for the first time in 2012

OVERVIEW

The Irish food and drink sector put in another robust export performance in 2012 despite an 8% easing in global commodity prices, lower output in some key sectors and an ongoing search for value among consumers.

Trade was helped by continued growth to emerging markets, a more positive exchange rate environment, improving market position in major categories and relatively good prices in the meat sector.

2% Irish food & drink exports recorded a further growth of 2% in 2012.

PERFORMANCE & OUTLOOK

Overview

- For the year it is estimated that the value of Irish food and drink exports increased by almost 2% to exceed €9bn for the first time. This means that export revenues have increased by €2 billion over the three year period from 2010 – 2012.

- A monthly analysis of exports to October highlights the resilience of food and drink exports as all months, with the exception of April and May, when global dairy prices reached their lowest point, recorded growth on the same period in 2011. This contrasts with declines in total merchandise exports for four of the 10 months.

- The strongest performers were meat, seafood and to a lesser extent beverages. Lower global dairy prices and reduced milk supplies impacted slightly on dairy exports while prepared foods put in a strong performance despite ongoing competitive pressure.

- Looking ahead to 2013, the market environment for Irish food and drink exports looks reasonably good with increased output in some key sectors combined with relatively good global commodity prices anticipated. However, feed and other input cost developments will play a key role in determining the sectors performance.

Destinations for Irish Food & Drink

- The broadening of the sectors export reach evident over recent years continued throughout 2012, helped by ongoing demand and a more favourable exchange rate scenario. The weakening of the euro relative to sterling also helped boost trade to the UK.

- The United Kingdom is estimated to have accounted for 42% of total Irish food and drink exports in 2012. Trade increased by 5% or almost €170m to reach €3.8 billion. The main drivers of export growth to the UK were beef, seafood and dairy and to a lesser extent pigmeat and horticulture.

- Ongoing difficulties in many economies across the euro zone combined with more favourable exchange rates with both sterling and the US dollar impacted on trade levels to **other EU markets** in 2012. For the year, exports are estimated to have fallen by 8% to just under €2.8 billion. The strongest performing market was Germany with exports showing a modest rise

- Following growth of 20% in 2011, Irish food and drink exports to **International markets** put in another strong performance during 2012 with trade estimated to have increased by 8% or almost €200m to exceed €2.4 billion. As a result, the region now accounts for 27% of total exports. The growth was led by Asia, Africa and North America.

Key drivers of export performance

- 2012 saw a decline in output levels across some export categories, most notably beef, which was 11% lower. Milk production recorded a drop of around 2.5% in 2012 as poor grazing conditions and higher feed prices impacted on output levels. The combined impact of these reductions is estimated to be in the region of €250m, which equates to almost 3% of total exports.

- The emergence of price inflation across the euro zone evident during the latter months of 2011 continued in 2012, albeit with a large degree of variation depending on the market and product in question. Data from Eurostat for October 2012 shows the consumer food price index running 3% ahead of a year earlier. On a year to date basis, a rise of 2.6% was evident.

- Food price developments have mirrored overall inflation over the last 12 months. This is in contrast to 2010/2011 when food prices lagged overall inflation. Relative to 2009, the consumer food price index for the first 10 months of 2012 was 5% higher, which compares to overall inflation rising by 7% over the period.

- Following the all time highs recorded during 2011, global agricultural commodity prices showed some easing in 2012 as a supply response to the higher prices combined with some softening in demand impacted on price levels. The FAO Food Price Index eased by almost 8% during the first 11 months of 2012. Despite this the index continues to run 63% ahead of the average level recorded during the 2000 -2010 period.

€3bn The combined value of meat & livestock exports increased by 4% to reach €3bn.

- Ireland's Competitiveness Scorecard for 2012 shows the progress being made in Ireland's competitiveness. Following a 7.7% loss in real terms between January 2005 and April 2008, Ireland has regained some of its competitiveness. The harmonised competitiveness indicator for Ireland in real terms improved by 15.3% over the four years to April 2012.

- The exchange rate challenges faced by Irish exporters eased during 2012. The US dollar strengthened by 8% against the euro while sterling was almost 7% stronger. For much of the second half of 2012, the euro/sterling exchange rate was running at levels last seen in 2008.

Meat & Livestock

- The combined value of meat and livestock exports increased by 4% or almost €130m to reach almost €3 billion. This equates to a third of food and drink exports and shows growth running at twice that of total exports.

- A combination of stronger prices in some categories, most notably beef and pigmeat helped offset lower finished cattle supplies.

- The value of beef exports is estimated to have increased by 2% despite a drop of 11% in output. As a result, exports were valued at €1.9 billion helped by a 13% rise in average cattle prices.

- A rise of 3% in pigmeat production during 2012 combined with a slower domestic consumption and a rise of 10% in average pig prices helped to boost the value of Irish pigmeat exports by 16% or €60m.

- The poultry sector continued to face a competitive export market environment with little scope for price increases while volumes were marginally higher. For the year, the value of Irish poultry exports is estimated to have declined marginally to reach an estimated €208m.

- A strong increase in export availability, reflecting a jump of 11% in output and a slower domestic demand in the latter half of the year, helped offset some easing in lamb prices. This led to the value of Irish sheepmeat exports rising by 7% to reach €205m.

- A drop in the level of live cattle exports was more than offset by a change in the mix of animals exported. Pig exports to Northern Ireland were stable while sheep exports continued to decline. Overall, the value of livestock exports is estimated to have increased by 6% to €217m.

- The prospects for the meat & livestock sector in 2013 remain broadly positive with tight supplies across Europe for most species expected to match demand levels. However, feed price developments will play a critical role, particularly in the pig and poultry sectors.

Dairy Products & Ingredients

- Despite the drop in global product prices, the Irish dairy sector performed strongly during 2012. Overall, it is estimated that the value of Irish dairy and ingredient exports for the year fell by around 2% to stand at €2.66 billion.

- 2012 marked a more difficult year for the global dairy market as a supply response to the strong price prevailing over the previous 18 months led to a significant softening in prices over the course of the spring and early summer with product prices easing by 20% to 25%. However, from late summer, a good recovery in dairy product prices was evident.

- Milk deliveries in Ireland felt the effects of poor weather conditions for much of the year, which impacted on average yields. For the 10 months to October deliveries were running 2.5% lower according to the CSO.

- Mixed trends were evident among the key export destinations for dairy products during 2012. Shipments to international markets and the United Kingdom recorded increases while trade to other European markets declined.

- The prospects for Irish dairy exports in 2013 remain generally positive with global demand likely to keep exports well ahead of historical averages. Global stock levels, demand in key regions and the relative strength of the euro will largely determine price prospects.

Prepared Foods

- The market environment for Prepared Food products in 2012 remained challenging as higher input costs and competitive pressures were evident across key markets. Much of this competitive pressure was driven by customers trying to maintain and grow share by offering enhanced value for money offerings to consumers.

- Overall, exports of products covered under the prepared foods category fell marginally to an estimated €1.38 billion. If value added meats and poultry are included, exports were in the region of €1.75 billion.

- The strongest performing categories during the year were value added dairy products, pizza, sauces, bakery and sugar based confectionery. These helped to largely offset a slower trade in other categories.

€1.26bn Beverage exports, led by whiskey grew by 3% in 2012 to reach €1.26bn.

- Irish prepared food manufacturers have shown very strong resilience over recent years and reacted positively to the challenges faced. This has left a sector that is efficient, innovative and focused on developing a wider portfolio of customers and markets. As a result, it is well positioned to identify and develop market opportunities as they emerge.

- However, there are a number of factors outside the direct control of exporters that are likely to have a significant impact on export performance. These include developments in input costs, trends in consumer sentiment and the potential to deliver higher food prices.

Beverages

- The global market for beverages showed further growth in 2012 with a renewed focus on premiumisation and growth in the travel retail sector helping market growth. However, the sector continues to face challenges, none more so than the challenging economic climate in many developed markets.

- The Irish beverage sector put in another strong performance in 2012 as ongoing growth in whiskey combined with a stable performance by cream liqueurs and beer exports helped trade. Overall, exports are estimated to have increased by 3% in 2012 to reach €1.26bn.

- Growth in exports was led by trade to International markets, which showed a double digit increase to reach €550m. A good increase to the United States - led by whiskey – and strong sales to emerging markets such as Russia, Canada, Australia and Asia boosted trade.

- The prospects for Irish beverage exports in 2013 continue to be positive with ongoing growth expected in whiskey exports while prospects for cider, beers and cream liqueurs look reasonably good. The key to trade will be the ability of the sector to continue to develop new markets and innovative products for developed markets.

Seafood

- Seafood exports in 2012 continued to show good growth with increased volumes evident. The value of seafood exports was also boosted by an increase in pelagic prices which were historically high in 2012.

- Overall for the year, the value of seafood exports is estimated to have increased by 18% to an estimated €493 million.

- The prospects for Irish seafood exports in 2013 remain positive with good demand anticipated from emerging markets while core markets across Europe also look set to hold reasonably firm. However, across Europe much will depend on the level of consumer demand, exchange rate developments and movement in fuel prices, which have been impacting strongly on transport costs.

Edible Horticulture & Cereals

- Improved mushroom exports combined with ongoing strong grain prices helped boost the value of edible horticulture and cereal exports in 2012. Despite lower cereal volumes, the value of edible horticulture and cereals exports increased by 2% to reach €243m.

- The relative strength of the euro will continue to be a major factor influencing exports of edible horticulture and cereals in 2013. If current trends continue, it will help create a most positive market environment for Irish mushroom exports in the UK. However, the strong switch to value mushrooms - which seems set to continue in 2013 - is putting strong pressure on profitability in the sector.

Industry Issues

- The results of the annual Bord Bia industry survey, completed in late December 2012, show strong optimism among food and drink manufacturers across all categories. In total, 75% of exporters that responded expected their export sales to increase in 2013 with a further 23% expecting them to be maintained.

- A total of 77% of exporters reported that their sales had increased over the last 12 months. The principal reasons attributed to the increase in sales are as follows:
    - 86% had increased sales of existing products to new customers.
    - 78% had increased sales of existing products to existing customers.
    - 65% had delivered new products to existing customers.
    - 64% had developed sales of new products to new customers.

- The main policy developments at the moment that will shape the future direction of the Irish Agri-food sector are focused around the CAP. Discussions towards reaching a new CAP agreement continue to intensify, although uncertainties surrounding the EU budget make it difficult for the shape of a final agreement to be anticipated. It is critical for the future growth of the Irish agri-food sector that Ireland's productive agriculture supply base is supported by policy measures that are conducive to reaching the targets set out in Food Harvest 2020.

28,000 The CLT programme is based on an online survey of 28,000 consumers globally and 'Streetscapers' in 60 cities.

ECONOMIC ENVIRONMENT

- Prospects for the global economy over the next 12 months are very uncertain and highly dependent on the nature and timing of policy decisions. Weak economic conditions are likely to persist in 2013, particularly in the euro area, with a muted and uneven upturn envisaged in the major OECD economies. By contrast, significantly stronger growth is expected in the major emerging economies.
- A modest recovery is projected for the UK in 2013 with growth of 0.9%, which combined with falling inflation, will in turn boost consumption through increased purchasing power.
- Both the IMF and the OECD are projecting a slight contraction in the euro area for 2013, with growth not projected to return to more acceptable rates until late 2014.
- The OECD is projecting growth of 2% in the US economy in 2013. The recent agreement in the US to address it's high debt ceiling are likely to have a dampening effect on its economy in the immediate term..
- In terms of developing countries, renewed economic growth is anticipated across Asia in 2013 while other economies such as Brazil and India are expected to experience slower growth as efforts to reduce inflation take effect.
- Short term supply constraints due to weather related issues will ensure food prices remain strong by historical standards. Futures prices indicate that markets expect the prices of key food crops – corn, rice, soybeans and wheat – to moderate by the end of 2013.
- Futures prices on the Chicago Mercantile Exchange suggest that prices for livestock and dairy products could show some further growth.

CONSUMER TRENDS

- Bord Bia's Consumer Lifestyle Trends (CLT) programme is updated every 3 years with our most recent update released in July 2012. The programme is a tool for knowledge that allows the Irish Food and Drinks Industry to better predict and prepare for consumers' future needs and wants.
- Our 2012 refresh captures these shifts and identifies how consumer behaviour has changed as they cope with the new reality that they find themselves living in. Though uncertainty still dominates the consumer and business landscape, there are many reasons for optimism as companies are beginning to look to the future again and the opportunities it may present.
- The trends are based on the following research: online quantitative survey involving 28,000 respondents in 21 countries and a qualitative approach in the form of a "Streetscape" network which spans 60 cities in 40 countries worldwide.
- The programme focuses on 6 key trends that are relevant for both the Irish and global consumer today. Within each of these 6 key trends are 5/6 sub-trends which highlight ways in which the trend is playing out in today's world. The trends identified are as follows
- Fluid lives - *"I want to manage my busy life and make sure that I am at my best for whatever the day presents".* Life is still busy and finding time to fit in everything we want remains a challenge for consumers. Convenience is still king but, financial pressures mean that this cannot come at any price
- Simple pleasures - *"I want to get more enjoyment from the simple things in life; to have experiences that add more fun and meaning".* The economic crisis has forced consumers to re-adjust their lifestyles. People are spending more quality time with others and trying new things in order to make life more enjoyable, even whilst managing on a budget.

- Responsible living - *“I am mindful that I need to live more responsibly; I want to make better choices that make a difference without having to compromise”.* Social and environmental concerns remain of high importance for people. But high priority does not always mean the top priority and, many people seek to balance the issues of ethics and finances as well as they can manage.

- Quest for health & wellness - *“I want a balanced approach to health and wellness, to have greater control through the choices I can make”.* Brands and institutions continue to help educate people about how to live more balanced lifestyles and make healthier choices. But the level of information and options can reach reaching overwhelming levels. Finding the right strategy and approach to health and wellness has become a key challenge.

- Consumers in control - *“I like to pursue better value, to help maintain my lifestyle and to get the most from the money I have”.* The financial crisis has fundamentally changed attitudes to the marketplace and what represents good value; consumers are smarter and savvier with their money and more willing to shop around than ever before.

- Keeping it real - *“I am looking for products and brands that are real, authentic and honest, because I know I can trust what's in them and where they come from”.* As the recession struck, brands that had stood the test of time and remained true to their values became points of stability and comfort. But as life has settled into new routines the meaning of authenticity is changing.

Economic Environment

3.6%

The OECD project global economic growth of 3.6% in 2013, up from 3.3% in 2012

OVERVIEW

Prospects for the global economy over the next 12 months remain uncertain and highly dependent on the nature and timing of policy decisions. Weak economic conditions are likely to persist in 2013 in the major OECD economies. By contrast, significantly stronger growth is expected in emerging economies.

Favourable currency movements and lower inflation compared to Ireland's main trading partners led to competitiveness gains in 2012. The progress evident in productivity and cost competitiveness are essential to Ireland realising its growth potential. Notwithstanding these positive developments, a number of challenges remain.

8.2% Chinese economic growth is set to accelerate to 8.2% in 2013, up from 7.8%.

INTERNATIONAL ECONOMIC OUTLOOK FOR 2013

After 5 years of crisis, the global economy is weakening again and there is an increased risk of a major contraction, according to the OECD Economic Outlook . Growth in the US economy has been less than impressive in 2012 while the ongoing recession in the euro area is continuing to impact on emerging markets. The below par performance is largely due to low confidence levels, weakening international trade and fiscal consolidation across a range of countries.

Policymakers in Europe, the US and emerging market economies continue to face significant challenges, reflecting a variety of country-specific conditions.

Effective policy action is a prerequisite for global economic growth to reach 3.6% in 2013

Prospects for the next 12 months are uncertain and highly dependent on the nature and timing of policy decisions. The OECD bases its projections on the premise that necessary measures are taken to reduce the key risks resulting from fiscal consolidation in Europe and the fiscal cliff in the US and that no other external risks materialise. Despite this, weak economic conditions are likely to persist in 2013, particularly in the euro area, with a muted and uneven upturn envisaged in the major OECD economies. By contrast, stronger growth is expected in the major emerging economies.

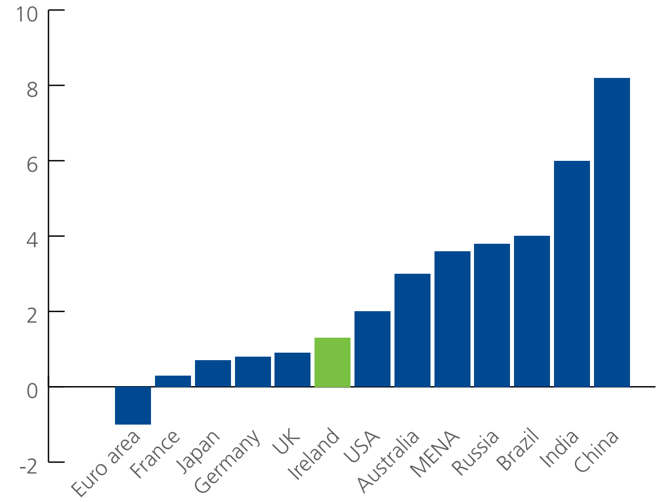
GDP Growth in Major Economies and Ireland (% change)

Real GDP Growth	2012 (e)	2013 (f)
Ireland	0.5	1.3
Euro Area	-0.4	-0.1
United Kingdom	-0.1	0.9
Germany	0.9	0.8
France	0.2	0.3
Italy	-2.2	-1.0
Spain	-1.3	-1.4
Portugal	-3.1	-1.8
United States	2.2	2.0
Australia	3.7	3.0
Japan	1.6	0.7
OECD*	1.4	1.4
Middle East & North Africa	5.3	3.6
Brazil	1.5	4.0
Russia	3.7	3.8
India	4.9	6.0
China	7.8	8.2
World	3.3	3.6

E= Estimate, F= Forecast *34 Member Countries

Source: OECD Outlook 92 (Preliminary) November 2012 and IMF World Economic Outlook October 2012

GDP Growth in 2013, % change



Source: OECD / IMF

UK Output remains 3% below pre-crisis peak

There are a number of factors contributing to the UK economy operating below par, most notably the required fiscal retrenchment and the uncertainty created by the crisis in the euro area. Credit remains tight in the UK and income gains have been eroded by inflation, which is leading to weak demand and low confidence.

However, a modest recovery is projected for the UK in 2013 with growth of 0.9%, which combined with falling inflation, will in turn boost consumption through increased purchasing power. Any such growth is unlikely to gather momentum until the expected uplift in confidence towards the latter half of 2013.

11.1% Euro area unemployment levels reached 11.1% in 2012.

In order to strengthen medium term growth prospects, it will be necessary to bring the budget deficit – estimated at 8% of GDP – onto a more sustainable path, particularly as general government debt stands at 80% of GDP. Plans have been put in place for medium term fiscal consolidation but with sufficient scope for flexibility in the event that projected growth does not materialise.

Euro zone demand being hampered by fiscal consolidation

The situation in Europe in 2012 bore a striking resemblance to the previous year as sovereign debt and banking fears had policymakers striving towards a more robust and sustainable monetary union.

Economic activity remains at very low levels as widespread fiscal consolidation is taking its toll. The unemployment rate in the euro area is projected to increase from 11.1% in 2012 to 11.9% in 2013. The large burden of household debt continues to hold back consumption.

The OECD advocates a further reduction in interest rates by the ECB to support demand and have suggested that this should be followed by further non-standard measures in the event that conditions deteriorate considerably. The primary risk to the area is the lack of sufficient progress made by policymakers in resolving the crisis.

Assuming policy stabilisation measures are effective, confidence will recover and gradually strengthen activity. Both the IMF and the OECD are projecting a slight contraction in the euro area for 2013, with growth not projected to return to more acceptable rates until late 2014.

Germany and France heavily reliant on international markets picking up

The German economy is poised to grow by 0.5% in 2013 and by a further 2% in 2014 as unusually low interest rates continue to support domestic demand. Unemployment remains close to historic lows in Germany while the budget deficit is expected to be close to zero in 2012. It is important however, that export markets recover as expected in order for this growth to materialise.

France has been experiencing more or less no economic growth since the end of 2011 and the forecast for 2013 is for 0.3% growth, slightly up from an estimated 0.2% in 2012. Unemployment is rising rapidly and the government is faced with the major task of restoring public finances while at the same time delivering the lower taxes required to improve business competitiveness.

Stimulus measures helping US but government debt remains a worry

The economic recovery in the United States continued in 2012 with activity increasing at an annual rate of about 2% in the first three quarters. Private consumption has showed some growth while household confidence was relatively buoyant, returning to its pre-recession average.

GDP growth in the second half of 2012 was held back by drought-related impacts on farm output and losses related to Hurricane Sandy, but these effects are likely to be reversed in 2013. The OECD is projecting growth of 2%. This was based on the assumption that agreement would be reached on measures to deal with the countries high debt ceiling.

A major downside risk to US economic growth has been averted following agreement by politicians which prevented a mandatory reduction in the fiscal deficit beginning in January 2013. Failure to reach such an agreement would have resulted in severe spending cuts and tax increases which would have almost certainly sent the country back into recession. Notwithstanding the deal reached on New Year's Eve, planned expenditure reduction measures of $109 billion from domestic and military programmes will still come into effect within two months which is likely to dampen growth in the short term.

China economic growth set to pick up

Asian growth has weakened considerably due to a sharp fall in China's economic activity, which has resulted from a tightening of credit conditions due to the threat of a real estate bubble. Economic activity in China fell to about 1% below its potential level in 2012. Its economy is expected to expand by 8.2% in 2013 following the lowest economic growth (7.8%) for over a decade in 2012.

There are positives however, with increases in real household income boosting retail sales. This resulted in consumption contributing more to growth in 2012 than capital formation for the first time in approximately a decade.

Japan's economy successfully rebounded in 2012 with estimated growth of 2.2%, and is set to expand by a further 1.2% in 2013. The aftermath of the earthquake stimulated the economy but this support will decline sharply in 2013. The withdrawal of earthquake-related funding has led to a political standoff and delayed approval of budget funding for the remainder of the fiscal year ending March 2013.

India, Brazil and Russia facing economic challenges

India is experiencing lower economic growth due to subdued business investment, weak industrial production and poor sentiment. Interest rate increases designed to reduce inflation have also affected business confidence. Despite this, economic growth is expected to reach 6% in 2013, up from an estimated 4.9% in 2012.
Brazil's slower economic growth in 2012 reflected the impact

3.7% Chicago Mercantile Exchange 'Futures' suggest a rise of 3.7% in live cattle prices for 2013.

of steps taken to control inflation and rein in credit growth. Nevertheless, growth is projected to increase to 4% in 2013 following the effective measures taken to boost exports and investment and benefitting from more robust global demand.

In Russia, political uncertainty, poor harvests and the euro crisis resulted in slower growth in the second half of 2012. However, there were also some positive influences such as solid investor confidence and increasing oil prices which will contribute towards growth of 3.8% in 2013.

Middle East and North Africa in a two speed economy

The Arab Spring negatively affected activity in the Middle East and North Africa, most noticeably with declines in tourism and foreign direct investment, while these economies have also been impacted by the dramatic slowdown in Europe.

The region has recently seen the gap between the economic performance of oil exporters and oil importers widen even further. Economic growth expanded by an estimated 5.3% in 2012 due to the strong performance of oil exporters. While growth in the region looks set to continue in 2013 it will do so at an expected lower rate of 3.6%. The oil importing countries by comparison grew by only 1.2% in 2012 but this looks set to increase to 3.3% in 2013.

ADVERSE WEATHER CONDITIONS IMPACTING ON GLOBAL FOOD PRICES

There was strong food demand in 2012 despite the slowdown in global economic activity. The increase in demand came primarily from developing economies with China being the largest contributor. Wheat accounted for more than half the global consumption growth for major crops.

There are supply concerns in food markets following the strong price increase in major crops as a result of weather-related supply disruptions around the world in 2012. Droughts in both South America and the US Midwest significantly damaged corn and soya bean crops while adverse weather conditions in Russia and China compounded matters with estimates for wheat crops significantly downgraded. As corn is used to feed livestock in the US, any increase in its price will also cause the price of beef, pork, poultry and dairy to rise.

The drought of 2012 in the US will only detract from output in the short term but they have reignited the debate surrounding the affects of climate change. The World Bank released a study in December 2012 which reports that since the 1980s, maize production is 3.8% lower than it would have been without climate change, and wheat is down 5.5%.

POSITIVE OUTLOOK FOR COMMODITIES

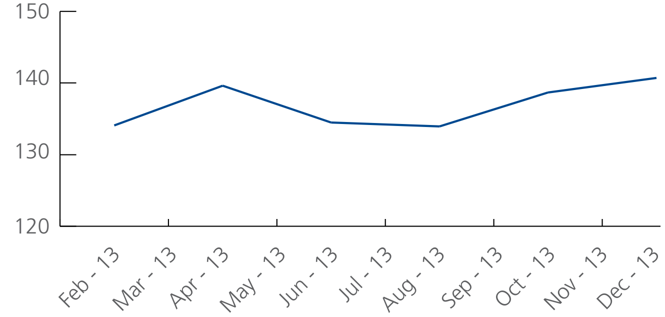
Short term supply constraints due to weather related issues will ensure food prices remain strong by historical standards. Futures prices indicate that markets expect the prices of key food crops – corn, rice, soybeans and wheat – to moderate by the end of 2013.

Using data from the Chicago Mercantile Exchange, this section presents the Future Prices for a selection of agricultural commodities that are of particular relevance to Ireland, namely:

- Live Cattle
- Lean Hogs
- Skimmed Milk Powder
- Cheese
- Wheat

The Futures market for Live Cattle indicates an increase in price from 130.4c/lb in February 2013 to 135.3c/lb by the end of the year – an approximate increase of 3.7% in prices.

Live Cattle Futures, February-December 2013 (USc/lb)

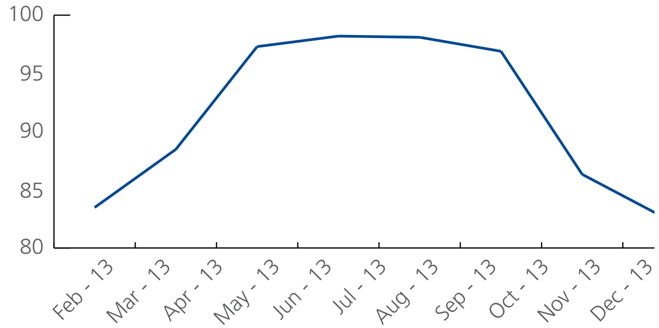


Source: CME Group

6.3% Chicago 'Futures' for skimmed milk powder indicate a rise of 6% in 2013.

By contrast to live cattle, the price of lean hogs is set to decline marginally during the course of 2013 according to the Chicago Mercantile Exchange. It is notable however that the price will peak at over 98c/lb in June 2013 – an increase of almost 18% compared to February 2013 – before falling back to 82.7c/lb in December. This reflects the anticipation of both a supply and demand response to the higher prices prevailing in the early part of 2013.

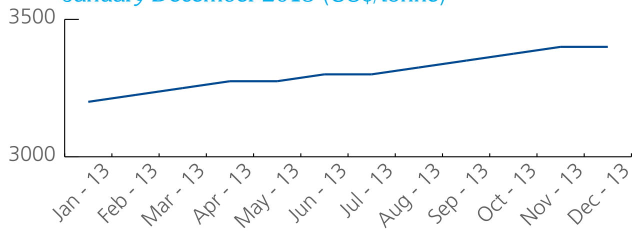
Lean Hogs Futures February-December 2013 (USc/lb)



Source: CME Group

The Futures market for International Skimmed Milk Powder indicate a steady rise in price, from $3,200/tonne in January 2013 to $3,400/tonne in December 2013 – an increase of 6.3%.

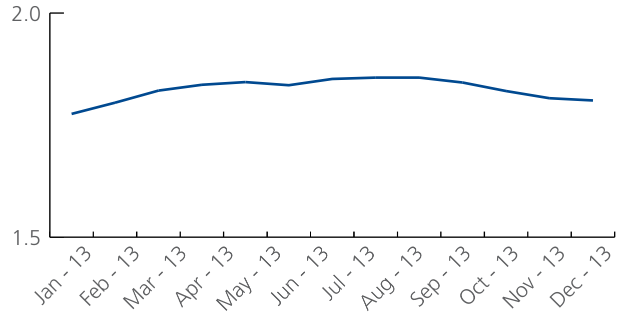
International Skimmed Milk Powder Futures, January-December 2013 (US$/tonne)



Source: CME Group

The price of cheese is expected to increase by approximately 1.7% over the period January-December 2013, despite an increase of 4.6% in the first 8 months of the year.

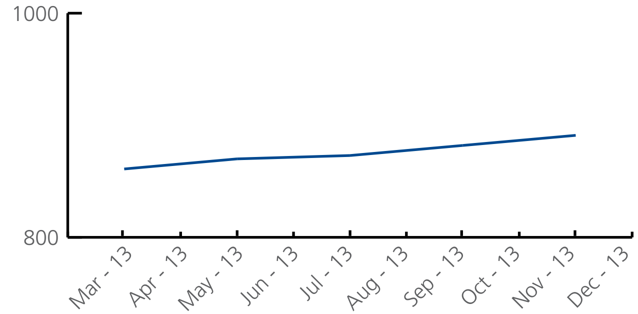
Cheese Futures, January-December 2013 (USc/lb)



Source: CME Group

In relation to wheat the Board Futures price suggests an increase of 3.5% to 891 cents per bushel between March and December 2013.

Wheat Futures, March-December 2013 (USc per bushel)



Source: CME Group

CURRENCY DEVELOPMENTS

The euro weakened further against sterling and the dollar in 2012 which helped create a more positive market environment for Irish exporters in key markets, particularly at a time of sluggish growth in our main trading partners. In the year to July 2012, the euro fell by approximately 16% against the dollar and 14% against sterling.

During the latter months of 2012 markets reacted positively to the renegotiation of the Greek package and the fact that bond yields on the periphery fell to lows not seen since 2011. This contributed to a recent strengthening of the euro by 6% and 3% against the dollar and sterling respectively between July and December 2012.

The strength of this appreciation would have been much higher but for the ECB cutting growth forecasts and the ECB President stating that economic weakness will persist into 2013, which suggests there may be scope for further interest rate cuts in 2013.

While the crisis has subsided, the currency system contains structural weaknesses and the region remains highly indebted. Euro area unemployment looks set to reach 11.9% in 2013 with one in five of the long term jobless currently in Spain. Moreover, youth unemployment exceeds 50% in Spain and Greece while Italian unemployment has more than doubled in 2012.

Currency Futures

section provides an indication of future currency movements between the euro and the US Dollar (USD), British Pound (GBP) and Japanese Yen (JPY) respectively. Currency Futures can be very tentative given the unpredictable nature of currency movements and volatility due to unforeseen circumstances, but nevertheless they provide a market-based outlook.

No.1 The Harmonised Competitiveness Index shows that Ireland made the best competitiveness improvement across the euro area in year to June 2012.

The Futures rates indicate that the Euro will show very little, if any, appreciation against the USD and GBP in 2013. This would suggest that the euro will remain relatively weak against both currencies at around the current levels of $1.29 and £0.80, which should help exporters.

FURTHER IMPROVEMENT IN IRELAND'S COMPETITIVENESS

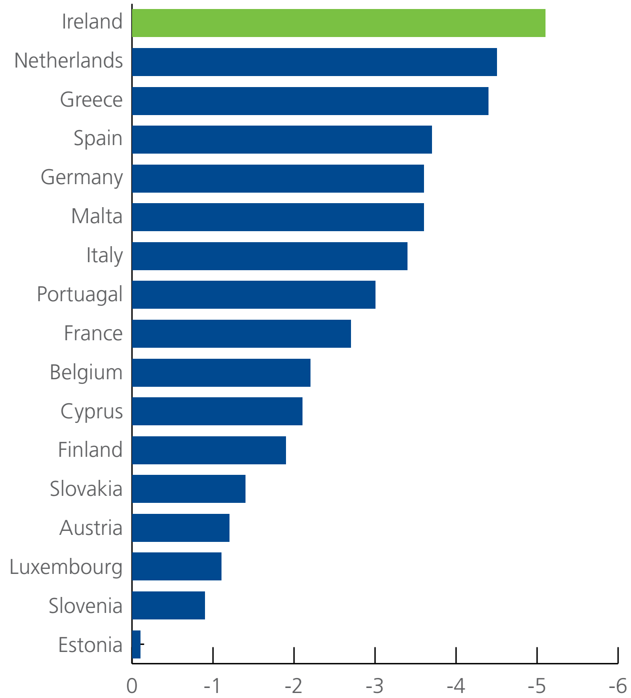
Favourable currency movements and comparably lower inflation relative to Ireland's main trading partners led to competitiveness gains in 2012. As highlighted by the chart showing the harmonised competitiveness index across 17 euro zone countries, Ireland made the largest improvement in competitiveness in the year to Q2 2012.

Progress has also been made with regard to productivity and cost competitiveness which is essential to Ireland realising its growth potential.

Notwithstanding these positive developments over the past 12 months, a number of challenges remain. The National Competitiveness Council has highlighted several key areas of concern, in particular the need for further structural reforms.

Ireland's improved cost competitiveness has generated strong export growth and high inward investment. Since 2008, net exports have been the only positive contributor to growth but while the value of Irish exports has risen recently, Ireland's share of world trade has declined over the past decade.

Changes in Harmonised Competitiveness Index, based on GDP deflator (Q2'11-Q2'12)

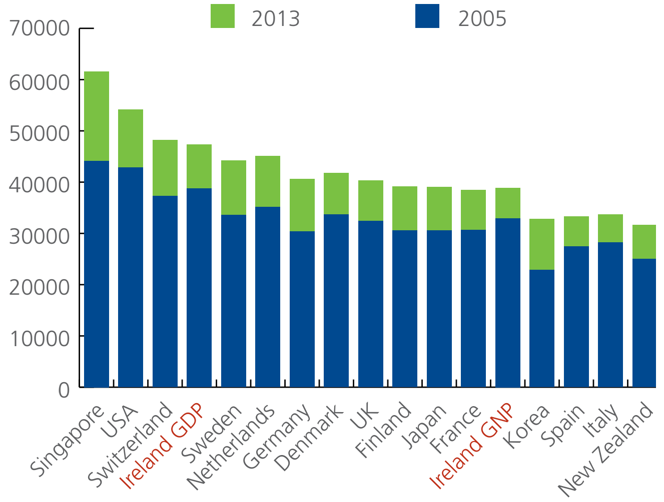


Source: European Central Bank

On a GDP per capita basis Ireland remains a wealthy country. However, when the foreign owned sectors are removed – i.e. GNP per capita – Ireland ranks considerably lower, below that of Germany, the United Kingdom and France but slightly above Spain and Italy.

3.6% Eurostat's price monitoring tool shows Irish prices rising by 3.3% in year to October, which compares to 4.5% across euro area.

GDP per capita current prices ($000 PPPs), 2013 and 2005



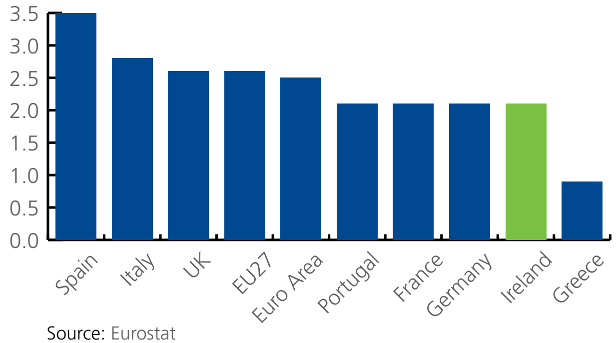
Source: IMF, World Economic Outlook, October 2012

Inflation

With domestic demand remaining relatively suppressed throughout 2012, inflationary pressures have been kept to a minimum as shown by the internationally comparable measure of inflation, the Harmonised Index of Consumer Prices (HICP – which excludes mortgage repayments). Ireland's consumer prices increased by 2.1% in the 12 months to October 2012 – below the euro area average of 2.6%.

The projection for HICP inflation in 2013 is for growth to slow to 1.7% while inflation as measured by the Consumer Price Index (CPI, which includes mortgage repayments) is expected to be approximately 1.8%.

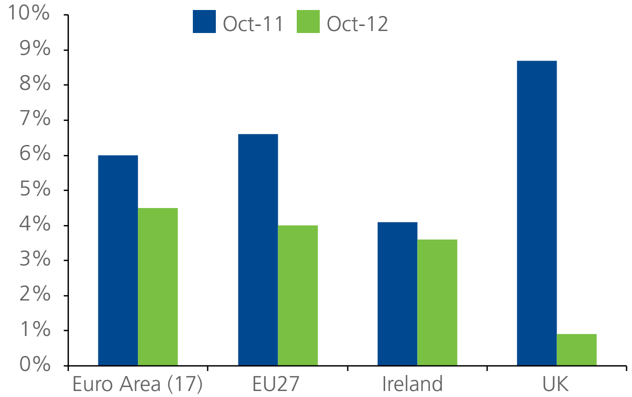
Harmonised Index of Consumer Prices (Annual % Change) October 2012



Source: Eurostat

Eurostat's price monitoring tool for food products facilitates comparisons of price indices of goods at various stages of the food supply chain (e.g. grains, flour and bread). It shows that Irish food prices and those of the euro area increased by 3.6% and 4.5% respectively in the year to October 2012.

European Food Supply Chain Monitor – Annual % Change October 2011 and 2012

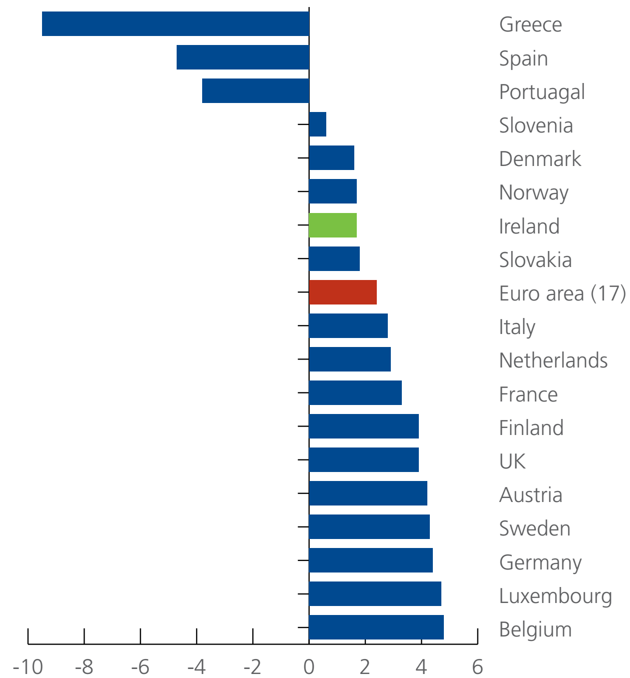


Source: Eurostat

Labour Costs

Over the three year period 2011-2013, Ireland is expected to become more competitive in terms of unit labour costs when compared to the euro area average. Labour costs are projected to increase by 1.7% in Ireland compared to a 2.4% increase in the euro area as a whole over the period. By comparison, an increase of 3.9% in the United Kingdom's labour costs is envisaged.

Percentage changes in total economy nominal unit labour costs 2011-2013F*



* F = Forecast Source: Eurostat

CONCLUSION

Following significant improvements in Ireland's competitiveness over the period 2008-2011, whereby Ireland was the best-performing country in the euro area, the Harmonised Competitiveness Indicator shows that, while Ireland remains the frontrunner, European countries are converging on Ireland's rate of competitiveness enhancement.

There now appears to be more limited scope for rapid improvements in competitiveness – Greece, Spain and Portugal are for example improving unit labour costs at a much faster rate than Ireland. Notwithstanding this, there are many positives to be taken from the fact that Ireland enters 2013 as one of the leading countries for improving competitiveness in Europe. This continues to auger well for exporters though it is vital that these improvements are reinforced.

Marketing Environment

28,000

Bord Bia's Consumer Lifestyle Trends are based on an online quantitative survey of 28,000 respondents in 21 countries and a "Streetscape" network spanning 60 cities in 40 countries.

OVERVIEW

Volatility is the new status quo for consumers. As a result they are more wary and vigilant and it is becoming more difficult to engage with them. Food is one of the core elements that underpins the positive shifts in lifestyle and balances some of the tensions people have between competing priorities in their lives.

Understanding consumer's lives today is important, but even more vital is to understand the trends that will play out over the next three to five years so we can plan for the future. Our Consumer Lifestyle Trends help companies develop a forward and outward looking mindset.

Fluid Lives

I want to manage my busy life and make sure that I am at my best for whatever the day presents.

THE NEW NORMAL

When we consider the macro trends and all of the things going on in the world today – Euro zone debt crisis, higher commodity prices, political unrest - we realise that volatility is the new status quo. Continuing instability has exacerbated the sense of risk and uncertainty continuing into 2012. Consumers in many countries have seen little improvement—or even a worsening situation—this year. As a result they are more wary and vigilant, so it is becoming more difficult for businesses to engage with them in the marketplace. People are finding new strategies to cope with the pressures of this new reality. They are coping by retrenchment into 'my world', prioritising things that have tangible benefits for them and their families. They recognise they cannot influence the wider world. 'My world' has gotten smaller in that people trust fewer people - we are seeing people less or going out less; we are feeling less safe, life is feeling a bit unsatisfying. Consumers are becoming more demanding and pushier about getting the most for their money.

But it has not all been gloomy; adjusting to uncertainty has also brought some unexpected positive shifts. The need to scale back and at the same time realising what is important in their lives has led to positive lifestyle choices. The 'new normal' has opened up new opportunities for consumers.

Food is one of the core elements that underpins the positive shifts in lifestyle and balances some of the tensions people have between competing priorities in their lives. Food and drink has 'permission' to play an even stronger role in consumers lives as the benefits are seen to enhance lifestyle shifts - the benefits of better budgeting, and providing a reason to connect more with friends and family. Food adds to a stronger sense of purpose, with more people cooking more often. Food is also a very strong way in which consumers can take more control over their health.

THE NEXT FEW YEARS

Understanding consumer's lives today is important, but even more important is to understand the trends that will play out over the next three to five years so we can begin to plan for the future. Our 2012 Consumer Lifestyle Trends are a very important tool for us as they are a way of building a forward and outward looking mindset within organisations and putting the consumer very much at the heart of our thinking. Trends can also provide us with inspiration for innovation and new ideas. We describe a trend as a "sustained change in consumer attitudes, needs, wants and behaviours"

The Consumer Lifestyle Trends programme is one of our most comprehensive research programmes as we talk to over 28,000 consumers spanning 21 countries. We work with The Futures Company and their worldwide network of streetscapers to uncover the latest products, foodservice ideas and menu examples in 40 countries. Our findings are then further validated with Irish and UK consumers in the form of in-depth interviews and accompanied shops to establish which global trends resonate most with the Irish and UK consumer.

THE CONSUMER LIFESTYLE TRENDS

Fluid lives

"I want to manage my busy life and make sure that I am at my best for whatever the day presents"

Life is still busy and finding time to fit in everything we want remains a challenge for consumers. Convenience is still king but, financial pressures mean that this cannot come at any price. For some, life has slowed as the economy has slowed and work pressures have eased, making it more accessible to take moments to slow down and take time out. For others, pressures remain high and the pace of life still feels relentless, time out is needed to unwind or recharge.

We have five sub-trends for Fluid Lives and one of our most prominent sub-trends is Simple by design. Consumers are continuing to look for solutions that help them to save time or reduce complexity. A Spanish kitchenware company have launched a range which is designed to simplify and speed up the cooking process. This includes new silicon steaming technology that conserves high levels of nutrients. Users can also consult Lékué's website on cooking tips and recipes.

Consumers have become more aware that maintaining energy levels is critical in order to get the most from what the day presents; avoiding peaks and slumps, and maintaining concentration and focus are top of mind. Food and drink plays a critical role and consumers are becoming more sophisticated in their approach to managing their mental and physical energy needs.

With the growing number of products and increased access to information it has become more challenging and time consuming to make the right choice. Guided Choice describes how the consumer is looking for help with interpreting information and gathering recommendations based on personal experiences. Vending machines that use facial recognition technology to make drink recommendations to customers have been introduced in Japan. Recommendations are based on extensive market research and also vary according to the time of the day and the temperature.

Simple pleasures

"I want to get more enjoyment from the simple things in life; to have experiences that add more fun and meaning"

The economic crisis has forced consumers to re-adjust their lifestyles, often changing the foundations on which their lives are built. People are spending more quality time with others and trying new things in order to make life more enjoyable, even whilst managing on a budget.

Rich Rewards is a sub-trend that continues to grow in relevance since it's about ensuring that you have indulgent experiences that offer reward. Graham Beck Wines' new advertising positions the brand as the little reward that everyone should give themselves: 'Nobody should congratulate you on your success more sincerely, generously, and regularly, than you yourself.'

People are seeking to reach out again, either to connect with friends and family in different ways from the past or, to establish new connections with people who share their new found approach to life. People are setting their own goals to gain a sense of achievement and rebuild a sense of pride or, indulging in small rewards and moments of fun in order to feel they are more than just getting by.

The consumer's increased desire to connect with others is played out in the seeking connections sub-trend. More and more people are spending time with friends and family and brands have realised the importance of this and have begun to tap into this connectivity. Users of a touch screen Pepsi Social vending machine can choose to buy a drink for themselves and subscribe to the Pepsi Refresh Project to gift and redeem a drink to or from a friend.

Responsible living

"I am mindful that I need to live more responsibly; I want to make better choices that make a difference without having to compromise"

Social and environmental concerns remain of high importance for people. But high priority does not always mean the top priority and, many people seek to balance the issues of ethics and finances as well as they can manage. Affordable choices and easy to do actions resonate with people wanting to live more responsibly.

War on Waste is a self explanatory sub-trend as it is about reducing the wasteful results of consumption. Today's aim is to prevent waste through innovative pack design such as the Smart Fridge from South Korea. This fridge keeps food fresher for longer and tells consumers which items are about to go off.

When considering more responsible choices, where the outcome is more tangible, the benefit is clearer. Where the outcome leads to a local or personal benefit (as well as a wider social or environment benefit), the choice is more motivating.

As concern is heightened through either direct exposure or media attention, many people are increasingly looking toward companies and institutions to lead the way; expecting real proof of the positive impacts they claim to make.

Supporting good causes through purchasing behaviour has become easier as more brands and retailers offer the opportunity to give something back. Good Causes highlights how brands and companies are sharing some of the responsibility like SAB Miller who is producing a cassava beer in Mozambique which integrates the produce of local subsistence farmers into its supply chain.

Quest for health and wellness

"I want a balanced approach to health and wellness, to have greater control through the choices I can make"

Brands and institutions continue to help educate people about how to live more balanced lifestyles and make healthier choices. But with levels of information and options reaching overwhelming levels, people often struggle to navigate the complex array of choice now at their fingertips. Finding the right strategy and approach to health and wellness has become a key challenge.

With financial constraints creating added pressures, many people have begun to adopt a more balanced approach to life and their diets, recognising that whilst physical health is important, their mental health and outlook on life is equally as important.

People are turning to food and drink to help them manage their emotional and mental wellbeing. Within Finding Balance we're seeing a growing number of more sophisticated products and tools that meet different moods or emotional states at different times. Brands are tapping into this as we saw with the Maxwell House "Feel Good" cafe where they offered consumers free coffee and biscuits as a pick me up.

Food is becoming core to people's health strategies and overall sense of wellbeing, whether they are looking for healthier options that do not compromise on quality and a feeling of indulgence or solutions that set their children up for a good start to life and a healthier future.

Good Start is a new sub-trend for 2012 as parents are recognising the importance of education about good eating habits as offering a healthy diet is not enough. Nestlé offer a range of probiotic drinks for children which contain a range of added nutrients for enhanced development.

Consumers in control

"I like to pursue better value, to help maintain my lifestyle and to get the most from the money I have"

The financial crisis has fundamentally changed attitudes to the marketplace and what represents good value; consumers are smarter and savvier with their money and more willing to shop around than ever before. Budgeting is now the norm for many, who have devised tools to keep their spending in check.

There has been a growth in the pursuit of knowledge and discernment for identity and status. Expert Status allows people to establish themselves as an expert to a wide audience. Beauty blogger Michelle Phan has moved from amateur to expert status with her record breaking beauty tutorial videos on Youtube and beauty blog. Lancome recently asked her to become an official spokesperson for their brand and showcase their products in her blog.

Being a well known brand is no longer enough as consumers look for more proof points of the benefits products claim to offer, whether taste, quality or nutritional value.

Redefining Value explores this drive for transparency around benefits and also new models to increase buying power. Handsup.ch a Chinese retail website, gives more power to the consumer asking them to recommend products they want to buy, as well as the price tag.

Keeping it real

"I am looking for products and brands that are real, authentic and honest, because I know I can trust what's in them and where they come from"

As the recession struck, brands that had stood the test of time and remained true to their values became points of stability and comfort amongst the turmoil. But as life has settled into new routines the meaning of authenticity is changing.

Celebrating Tradition is evolving from celebrating products that have stood the test of time, more toward a desire to revive traditional products and processes for discerning and leading edge audiences.

The past has to have modern relevance to maintain its meaning and value; genuine benefits need to lie behind the origins or craftsmanship that is used in their making. Provenance or sourcing need to deliver unique or distinctive product attributes.

Locality and seasonality are becoming increasingly important; and are seen as a way of accessing products at their best whilst protecting local interests.

Embracing the Seasons highlights how retailers are demonstrating a commitment to sourcing seasonal produce and high end brands are using seasonality as an exclusive selling point. In Australia, premium brand Zac & Jac's Kitchen Produce uses only the best of locally produced seasonal ingredients.

Sectoral Review & Outlook

€9bn

The value of Irish food and drink exports exceeded €9bn for the first time in 2012. This means that export revenues increased by €2 billion over the three year period from 2010 – 2012.

OVERVIEW

The Irish food and drink sector put in another robust export performance in 2012 despite an 8% easing in global commodity prices, lower output in key sectors and an ongoing consumer search for value.

Continued growth to emerging markets, a more positive exchange rate environment, improving market position in major categories and relatively good prices in the meat sector all boosted trade. The market environment for Irish food and drink exports in 2013 looks reasonably good with increased output in some key sectors combined with relatively good global commodity prices anticipated. However, feed and other input cost developments will be critical.

€2bn The value of Irish food & drink exports have increased by €2bn during the 2010 – 2012 period.

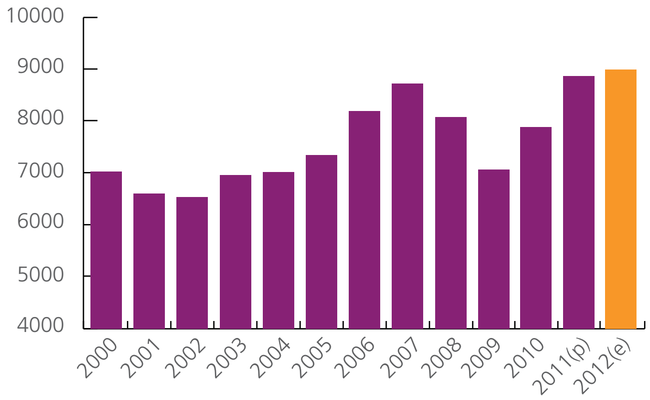
OVERVIEW

The Irish food and drink sector put in another robust export performance in 2012 despite an easing in global commodity prices, lower output in some key sectors and an ongoing search for value among consumers that continues to suppress price inflation in many developed markets.

Trade was helped by continued growth to emerging markets, a more positive exchange rate environment, improving market position in major categories and relatively good prices in the meat sector.

For the year it is estimated that the value of Irish food and drink exports increased by almost 2% to exceed €9bn for the first time. This means that export revenues have increased by €2 billion over the three year period from 2010 – 2012.

Irish Food and drink exports, 2000 to date (€m)



Source: Bord Bia estimates

The strongest performers were meat and livestock, seafood and to a lesser extent beverages. Lower global dairy prices and reduced milk supplies impacted slightly on dairy exports while prepared foods put in a strong performance despite ongoing competitive pressure.

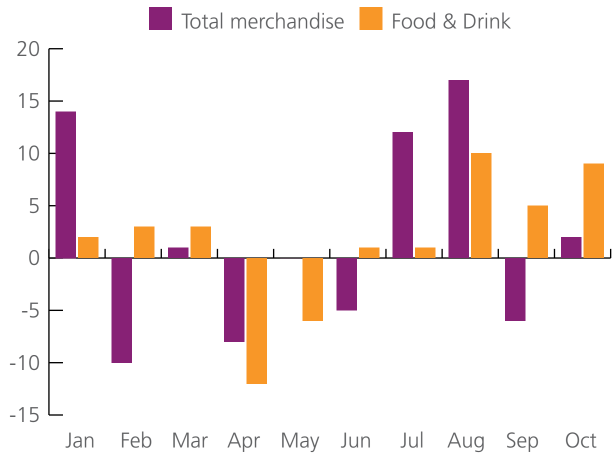
Irish food and drink exports

	2011 €m	2012 (e) €m	2012/2011 % +/-
Dairy products and ingredients*	2,724	2,658	-2
Beef*	1,860	1,900	+2
Prepared Foods	1,416	1,382	-2
Beverages	1,221	1,258	+3
Pigmeat	396	457	+16
Seafood	418	493	+18
Edible Horticulture and Cereals	238	243	+2
Poultry	210	208	-1
Sheepmeat	191	205	+7
Live Animals	205	217	+6
Total Food and Drinks	8,879	9,020	+2

Monthly trend highlights resilience of sector

Figures from the CSO for the first 10 months of 2012 show that food and drink exports increased at the same rate as overall merchandise exports. A monthly analysis of this data highlights the resilience of food and drink exports as all months, with the exception of April and May - when global dairy prices reached their lowest point – recorded growth on the same period in 2011. This contrasts with the relative volatility evident in merchandise exports with four of the ten months showing declines.

Monthly trend in Irish exports, January to October (% change on 2011)



Source: Bord Bia based on CSO

Lower volumes evident in key categories

2012 saw a decline in output levels across some export categories, most notably beef where the strength of live exports in 2010 left finished cattle availability some 11% lower. Milk production is estimated to have recorded a drop of around 2.5% as poor grazing conditions and higher feed prices impacted on output levels. Figures from the CSO show a drop in butter production of almost 8% for the first 10 months of 2012. Lower volumes were also recorded in cider and non alcoholic beverage categories.

27% International markets now account for 27% of food and drink exports, which compares with 20% in 2009.

Some of these declines were offset by increased output of seafood, pigmeat, sheepmeat, and to a lesser extent, poultry.

The combined impact on lower beef and milk output in 2012 is estimated to be in the region of €250m, which equates to almost 3% of total exports.

Overall it is estimated that volumes declines reduced the value of exports in 2012 by around 1% with this being more than offset by a rise of more than 2% in average export values.

Potential for renewed growth in 2013

Looking ahead to 2013, the market environment for Irish food and drink exports looks reasonably good with increased output in some sectors combined with relatively strong global commodity prices anticipated. However, feed and other input cost developments will play a key role in determining the sectors performance.

The outlook for the global dairy sector is more positive with slow production increases in key markets and ongoing demand from emerging regions expected to provide a good platform for Irish exports.

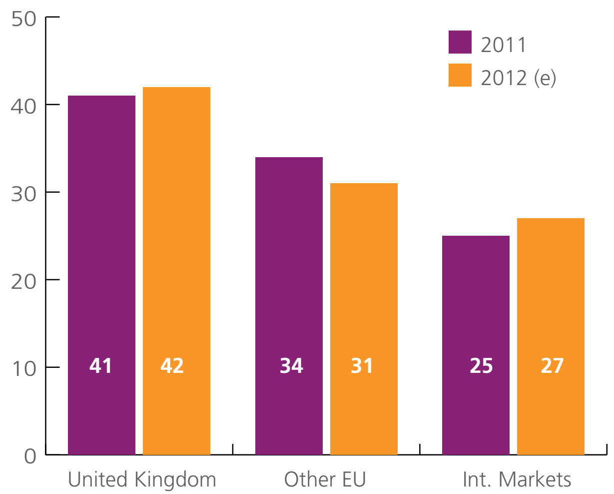
Irish beef output is set to rise in 2013 as reduced live exports over recent years boost volumes. The challenge will be to maintain prices levels. However, the ongoing tight availability of beef across Europe should help exporters.

The ongoing strength of whiskey exports is expected to help beverage exports while it is hoped that the stronger performance of a number of prepared food categories will continue in 2013.

Market diversification continuing

The broadening of the food and drink sectors export reach evident over recent years continued in 2012, helped by ongoing demand and a more favourable exchange rate scenario. The weakening of the euro relative to sterling also helped boost trade to the UK.

Market distribution of Irish food and drink exports (%)



Source: Bord Bia estimates

United Kingdom

The United Kingdom is estimated to have accounted for 42% of total Irish food and drink exports in 2012. Trade to the UK increased by 5% or almost €170m to reach €3.80 billion.

The main drivers of export growth to the UK were beef, seafood and dairy and to a lesser extent pigmeat and horticulture. A slower UK demand impacted on beverage exports while prepared foods also recorded some decline, although an upturn in trade was evident as the year progressed.

Other EU

Ongoing difficulties in many economies across the eurozone combined with more favourable exchange rates with both sterling and the US dollar impacted on trade levels to other EU markets in 2012. For the year, exports are estimated to have fallen by 8% to just under €2.8 billion. This represents 31% of total exports, down from 34% in 2011.

The strongest performing market was Germany with exports showing a modest rise to reach almost €500 million. Other markets to show growth included Sweden and Poland. All other major markets recorded lower exports in 2012 with France and the Netherlands declining by around 10%.

A strong reduction in dairy exports and to a lesser extent prepared foods were the main factors behind the lower trade. All major markets for dairy products showed declines as emerging markets offered more attractive options for exporters.

Despite this, a number of categories performed well with beverages rising by around 4% while pigmeat, sheepmeat, beef and seafood all recorded good returns.

International markets

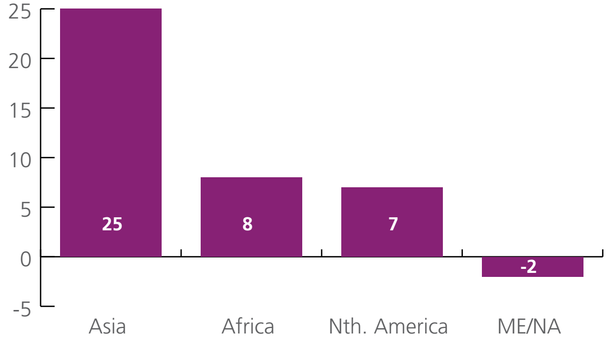
Following growth of 20% in 2011, Irish food and drink exports to International markets put in another strong performance during 2012 with trade estimated to have increased by 8% or almost €200m to exceed €2.4 billion. As a result, the region now accounts for 27% of total exports. This compares to just 20% as recently as 2009.

Trade in 2012 was led by stronger exports of beverages, seafood, dairy, prepared foods and pigmeat. The increase in dairy exports bucked the trend and highlights the ongoing opportunities available to Irish exporters outside of Europe.

2.6% During the first 10 months of 2012, the consumer food price index for the euro area increased by 2.6%.

The growth in exports was led by Asia, Africa and North America. This offset a modest decline in trade to the Middle East/North Africa region.

Growth in exports by region, 2012 vs. 2011 (%)



Source: Bord Bia estimates

KEY DRIVERS OF EXPORT PERFORMANCE

Consumer prices slowly moving upwards

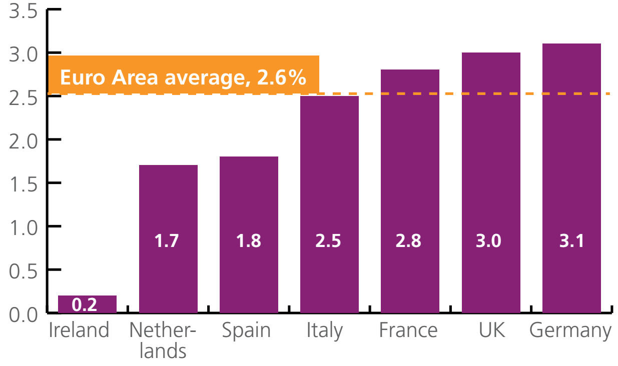
The emergence of modest price inflation across the eurozone evident during the latter months of 2011 continued in 2012, albeit with a large degree of variation depending on the market and product in question.

Data from Eurostat for October 2012 show the consumer food price index running 3% ahead of the corresponding month in 2011. On a year to date basis, a rise of 2.6% is evident.

Food price developments have mirrored overall inflation over the last 12 months. This is in contrast to 2010/2011 when food prices lagged overall inflation. Relative to 2009, the consumer food price index for the first 10 months of 2012 was 5% higher, which compares to overall inflation rising by 7% over the period.

Varying trends have been evident across Europe with countries that have withstood the worst of the recessionary pressures to date recording the largest increases.

Consumer food price index developments, January to October (% change on previous year)

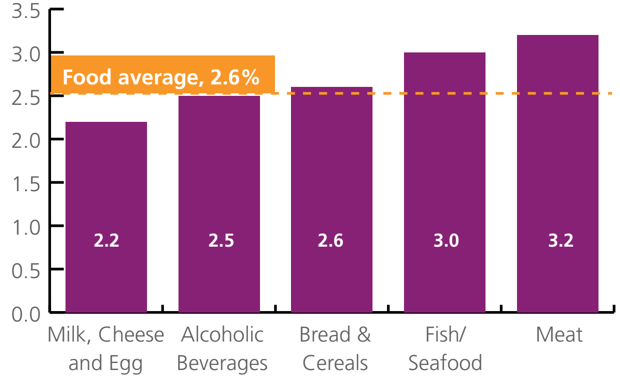


Source: Eurostat

For the 10 months to the end of October there was some variation of trends evident across food types with meat and fish driving the rise in the food price index.

Germany and the UK have led the way in rising prices with the indices for both fish and meat rising by around 5% and 4% respectively. This compares to countries such as Italy and Spain who have recorded growth of less than 2% and Ireland with little or no growth evident.

Developments by product type, January to October (% change in index on previous year)



Source: Eurostat

Ongoing austerity measures in many member states seem set to result in a gradual increase in prices levels over the course of 2013. However, ongoing high input prices are going to exert further upward pressure throughout the supply chain.

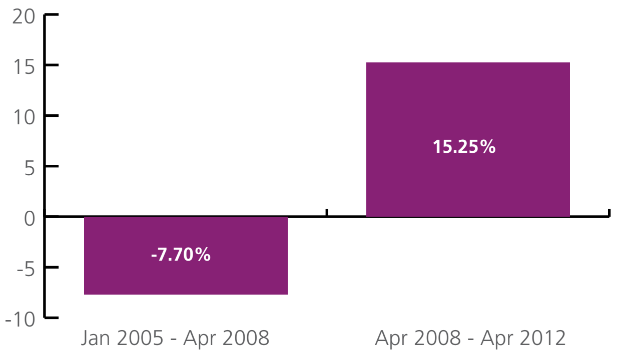
Competitiveness of sector

The competitiveness of the Irish manufacturing sector has improved further over the last two years. Ireland's Competitiveness Scorecard for 2012 published by Forfás shows the progress being made to improve productivity levels and cost competitiveness of the sector.

Following a 7.7% loss in cost competitiveness in real terms between January 2005 and April 2008, Ireland has regained some of its competitiveness, helped by a fall in relative prices and exchange rate movements. From April 2008 to April 2012, the harmonised competitiveness indicator for Ireland in real terms improved by 15.3%.

8% The FAO food price index fell by 8% during the first 11 months of 2012. However, it still remains 63% ahead of the 2000 – 2010 average.

Trends in Ireland's Competitiveness (% change)



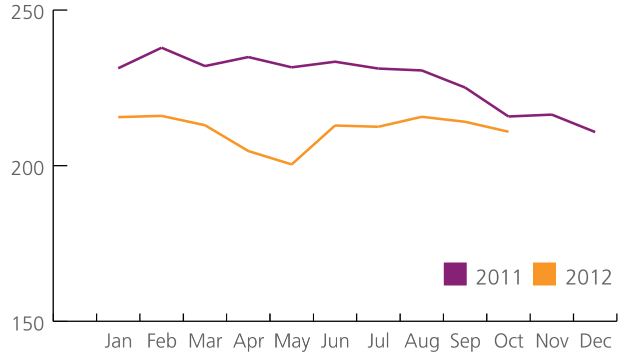
Source: Forfas, Ireland's Competitiveness Scorecard, 2012

Slowing in most global commodity prices

Following the all time highs recorded during 2011, global agricultural commodity prices showed some easing in 2012 as a supply response to the higher prices combined with some softening in demand impacted on price levels. By November prices had dropped to their lowest level since June 2012.

The FAO Food Price Index eased by almost 8% during the first 11 months of 2012. Despite this, the index continues to run 63% ahead of the average level recorded during the 2000 -2010 period.

FAO food price index trends, 2000 to date (2002 – 2004=100)



Source:FAO

All product areas declined during 2012 led by dairy, sugar and oils with cereals and meat showing only modest falls up to the end of November. Relative to November 2011 the cereals price index was 12% higher reflecting the tight global supply of key grains while dairy and meat were just 3% lower.

The prospects for 2013 cereal prices carry some uncertainty, particularly in relation to cereals as fears persist over supply prospects and weather conditions in key regions such as South and North America.

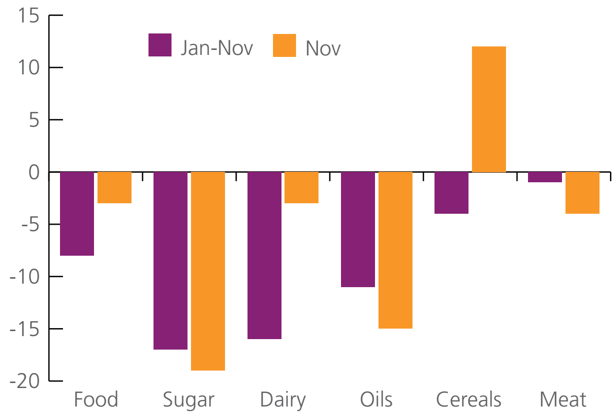
The dairy price index increased by 13% between July and November reflecting lower than anticipated supplies and some rebound in global demand. A recent supply upturn in the southern hemisphere has led to a stabilisation in price levels.

Meat prices showed limited movement in 2012 despite the strong rise in feed costs, which is impacted negatively on margins within the sector. Some upward movement is anticipated in 2013.

A pick up in global sugar output impacted on price levels with the November 2012 index some 19% lower than a year earlier. Some stock rebuilding may help price levels during the early part of 2013.

Prospects for prices in 2013 remain reasonably positive but much will depend on the balance between supply and demand across key commodities. The best prospects exist in meat and dairy with some decline in grain prices expected as the year progresses.

Price trends by commodity (% change on same period a year earlier)



Source: FAO

Improved exchange rate environment

The exchange rate challenges faced by Irish exporters eased during 2012 as both sterling and the US dollar strengthened against the euro. The US dollar strengthened by 8% against the euro while sterling was almost 7% stronger. For much of the second half of 2012 the euro/sterling exchange rate was running at levels last seen in 2008.

€1.9bn The value of beef exports increased by 2% in 2012 to reach €1.9 billion.

Similar trends were evident with other major currencies such as the Chinese yuan and both the Australian and New Zealand dollars. The only major currency that the euro strengthened against in 2012 was the Brazilian Real with a rise of almost 8% recorded.

These developments provided a welcome boost to the competitiveness of Irish exports in these markets.

Key euro exchange rate developments (1€=)

Source: Central Bank of Ireland

SECTORAL PERFORMANCE

MEAT & LIVESTOCK

+4% €3.0bn MEAT & LIVESTOCK EXPORTS

Following the double digit growth recorded in 2011, the meat and livestock sector put in another strong export performance in 2012 with revenues growing at more than twice the rate of total exports.

A combination of stronger prices in some categories, most notably beef and pigmeat helped offset lower finished cattle supplies.

For the year, it is estimated that the combined value of meat and livestock exports increased by 4% or almost €130m to reach almost €3 billion. This equates to a third of total food and drink exports.

Key drivers of export performance:

- Higher cattle and pig prices.
- Stronger pig, sheep and poultry volumes.
- Well balanced EU market.
- Good international demand for pigmeat, poultry and sheepmeat.
- Ongoing weak EU consumer demand.

Summary performance by category

The value of beef exports is estimated to have increased by 2% despite a drop of 11% in export volumes. As a result, exports were valued at €1.9 billion helped by a 13% rise in average cattle prices.

A rise of 2% in pigmeat production during 2012 combined with a slower domestic consumption and a rise of 10% in average pig prices helped to boost the value of Irish pigmeat exports by 16% or €60m.

The poultry sector continued to face a competitive export market environment with little scope for price increases while volumes were marginally higher. For the year, the value of Irish poultry exports is estimated to have declined slightly to an estimated €208m.

A strong increase in export availability, reflecting a jump of 11% in output and a slower domestic demand in the latter half of the year, helped offset some easing in lamb prices. This led to the value of Irish sheepmeat exports rising by 7% to reach €205m.

A drop in the level of live cattle exports was more than offset by a change in the mix of animals exported, which saw finished cattle rise from a fifth to a third of total trade and higher average prices. Pig exports to Northern Ireland were stable while sheep exports continued to decline. Overall, the value of livestock exports is estimated to have increased by 6% to €217m.

Irish Meat & Livestock Exports

	2011 €m	2012 (e) €m	2012/2011 % +/-
Beef	1,860	1,900	+2
Pigmeat	396	457	+16
Poultry	210	208	-1
Sheepmeat	191	205	+7
Live Animals	205	217	+6
Total Meat & Livestock	2,862	2,987	+4

52% The UK market accounted for 52% of beef export volumes in 2012.

BEEF

Ongoing tightness in EU beef output and lower imports helped offset the impact of slower consumer demand in a number of key markets and reduced exports to International markets. This is demonstrated by the fact that EU young bull prices increased by almost 10% in 2012.

+2% €1.9bn

BEEF EXPORTS

The EU market is increasingly polarised between trying to keep beef competitive and relevant to consumers' everyday choices, while also satisfying growing demand for added value and premium offerings.

Key beef export market developments in 2012

- Drop of 5% in EU beef output.
- EU beef imports down by 7% to half 2007 levels.
- EU beef exports down by 40%.
- Irish beef production 11% lower.
- An increase of 10% in European male cattle prices.
- Sluggish consumer demand persisting.

Export meat plant cattle supplies are estimated to have declined to almost 1.4 million head. This decline was led by a drop in steers and heifers, which fell by 21% and 16% respectively. The strong increase in young bull supplies evident over recent years continued, albeit at a slower pace with a rise of more than 10% recorded. Young bulls now account for almost one third of male cattle supplies at export meat plants.

Despite the difficult grazing conditions evident for much of the year, a modest increase in average carcase weights was recorded. As a result, total beef production fell by 11% to an estimated 485,000 tonnes, including local abattoir output.

Despite domestic consumption levels showing some decline, particularly during the middle part of 2012, the volume of beef available to export dropped by more than 11% to stand at 445,000 tonnes. This combined with a rise of over 13% in average prime cattle prices led to the value of Irish beef exports increasing by 2% to an estimated €1.9bn.

Beef Exports (€m)

2011 €m	2012 (e) €m	2012/2011 % +/-
1,860	1,900	+2

The proportion of exports destined for European markets reached 99% in 2012 as a slower demand was evident from Russia and other international markets. This compares to 97% in 2011.

The positioning of Irish beef in our key markets continues to progress, with over 60% of export volumes now destined for the higher value standard retail, premium foodservice and retail or quick service sectors.

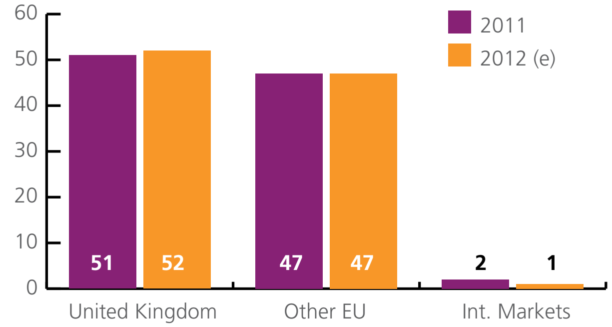
Markets for Irish beef

Volumes of Irish beef destined for the United Kingdom eased in response to lower availability in 2012. However, the market accounted for 52% of total export volumes and just under half in value terms. Total exports for the year are estimated to have reached 230,000 tonnes, which represented a drop of 10% on 2011 levels. The value of this trade increased by more than €60m to exceed €910m.

Exports to Continental European markets fell by 10% in response to the lower volumes available to reach 210,000 tonnes. Trade was valued at around €960m, arise of €40m on 2011 levels. All major markets with the exception of Germany recorded lower volumes with the most pronounced declines evident in the Netherlands, Italy and France. Shipments to Germany are estimated to have reached 18,000 tonnes. This compares to less than 10,000 tonnes as recently as 2010.

Exports to the Continent faced some price resistance during the year in response to slower consumer demand and the higher beef prices prevailing. Exports of Irish beef to International markets fell back considerably in 2012 as reduced demand for EU beef from key markets such as Russia and Turkey affected trade. For the year, it is estimated that Irish beef exports outside of the EU reached just 4,000 tonnes.

Distribution of Irish beef export volumes (%)



Source: Bord Bia estimates

Outlook for 2013

The European beef market in 2013 is expected to continue to be characterised by tight supplies with little change expected in EU beef output. The current level of consumer demand has meant that beef is positioned at a relatively high price for consumers. If the challenging economic situation persists and the relative price gap between beef and other proteins remains at current levels, consumer demand for beef will be slow to increase.

5% EU beef production recorded a drop of 5% in 2012.

Global supplies are likely to remain relatively stable in 2013, and as a result EU imports are also unlikely to increase significantly through 2013.

Key beef market drivers for 2013
- Stable EU beef production.
- Slow consumer demand to persist.
- Little change in global beef supplies.
- Rise of 10% in Irish beef production.

Global beef supplies to show little change

Following some recovery in 2012, beef output among key global exporters is expected to ease back in 2013. A modest recovery in production across South America and Australia will be offset somewhat by a drop of 4% in US output as stronger feed prices impact on output. Overall, production among the top five exporting countries (Brazil, Australia, United States, Uruguay and Argentina) is forecast to fall by almost 1% to 25.7 million tonnes.

However, some slowdown in US beef consumption and a slower rate of growth in Brazil is expected to lead to exports from the top five exporters rising by 3% - 5% to reach five million tonnes. Most of this increase is expected to be destined for Asia and the Middle East.

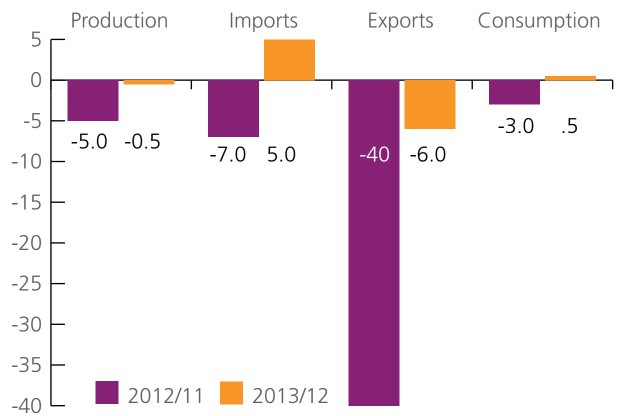
EU output to remain tight

EU beef production is expected to show little change in 2013, reflecting some further tightening in French, German and Italian supplies, which will be only partly offset by higher Irish output and to some extent, increased UK and Swedish production. Cow beef production may well edge higher in response to higher feed costs and a slower milk market in some member states.

EU consumption is estimated to have fallen by 3% in 2012 with a more stable situation anticipated for 2013. The strongest declines have been evident in Italy and Spain, which have eased 5% and 3%, respectively.
Following the decline of recent years, EU beef imports are expected to show some increase in 2013 with a rise of just over 5% anticipated to reach 290,000 tonnes. This remains well below the historical peaks of 500,000 tonnes.

EU exports of beef are expected to remain under pressure in 2013 as higher import tariffs in Turkey and slower demand from Russia seem set to persist. For the year exports are expected to fall by around 5% to 175,000 tonnes.

EU beef market in 2013 (% change)



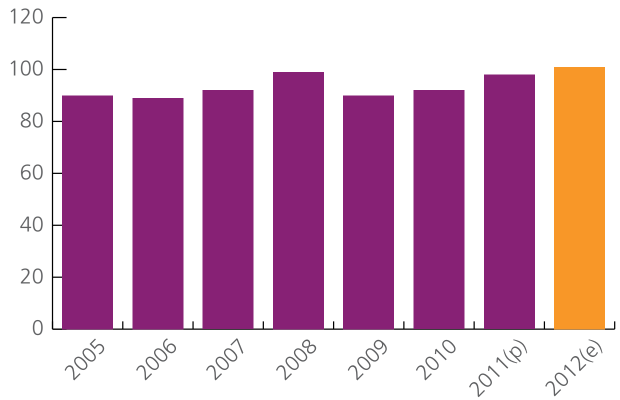
Source: Bord Bia estimates

Price prospects remain positive

EU R3 young bull prices have recorded an increase of more than 20% since 2010 to average 383c/kg in 2012. The prospects for 2013 remain broadly positive given the overall supply/demand developments anticipated. However, much will depend on how consumer demand evolves and the level of imported product available in key markets. The strength of Irish cattle prices during 2012 resulted in Irish R3 steer prices exceeding the EU average for much of the year. Overall for the year, steer prices stood at 101% of the EU average. It is hoped that the Irish beef sector will be well placed to maintain this momentum, despite the increased supplies anticipated.

Irish livestock producers have also seen feed, fertilizer and energy costs rise significantly, with these three elements now typically making up 70% of total costs in beef production, after purchases of stock are taken into account. This continues to put pressure on producer margins.

Irish R3 steers as % of EU R3 male cattle prices, 2005 to date



Source: Bord Bia based on EU Commission

The movement in exchange rates and the rise in EU cattle prices have led to a significant reverse in the convergence between EU and global cattle prices throughout 2012. For the year Brazilian steer prices fell from around 75% of the EU male cattle price to 60%. Uruguayan and Australian prices averaged

101,000 The number of cattle aged 12-18 months was 101,000 head higher on 1st September 2012.

around 69% of the EU average while US prices increased to 90% of the EU average. The prospects for 2013 suggest little change in these developments.

Trends by key markets

UK output in 2013 is expected to show some slight upward movement with production forecast to reach 901,000 tonnes. Consumption in the UK stabilised during the latter part of 2012 and it is hoped that this trend will continue into 2013. Overall import demand from the UK is likely to remain strong on the back of favourable exchange movement.

A decline of almost 2% is anticipated in French output during 2013. Some further easing in consumption is anticipated, beef imports are expected to rise by 2%.

German output is anticipated to fall by 2% to 1.16 million tonnes, reflecting lower cattle numbers. Consumption remains largely stable but with some switch to cheaper cuts evident, which has benefited cow beef, and has seen beef take some market share from pigmeat in 2012. Consumption is forecast to increase modestly to 1.1 million tonnes in 2013. However, a slower export demand to international markets is likely to result in German import levels easing slightly to 413,000 tonnes.

Import requirements by key European markets

'000t cwe	2012 (e) €	2013(p) (% Ch)
Italy	455	-2
Germany	415	-
Netherlands	396	+1
France	375	+2
UK	355	+4

Increased Irish cattle supplies anticipated

Following a decline of 16% in export meat plant cattle supplies during the 2010 – 2012 period, a recovery in disposals is anticipated for 2013. This reflects the halving of live export levels of the last two years and a recovery in calf registrations.

Figures from the Department of Agriculture's AIM database shows a marked increase in the number of cattle aged less than 18 months on 1st September 2012. The number of cattle between 12 and 18 months was 101,000 head above the same time in 2011 while numbers aged between six and 12 months of age were 174,000 head higher. Around two thirds of the increase is evident in male cattle, reflecting the drop in exports of male calves and weanlings.

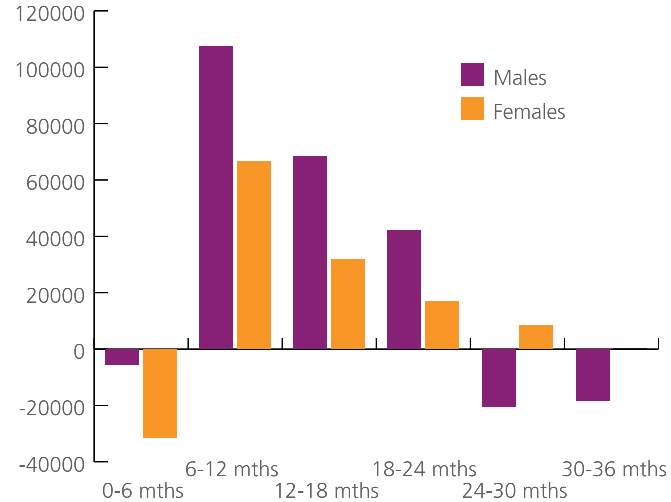
Taking these figures into account, supplies at export plants are expected to increase by around 10% in 2013 with most of the increase expected from early summer onwards. The strongest increase is expected in steer disposals with more modest growth anticipated in young bulls given the high feed cost situation.

This would result in export availability rising by 10% to reach 490,000 tonnes.

Factors affecting 2013 Irish finished cattle supplies

- Increase of 90,000 in calf registrations in 2011.
- Fall of 124,000 in live exports in 2011.
- Slower growth in young bull supplies due to high feed costs.
- Increased retention of breeding heifers on dairy farms.
- Rise of 10% in Irish beef production.

Trends in cattle numbers by age, Sept 1st 2012 (change in head vs. 2011)



Source: Department of Agriculture, Food and the Marine

PIGMEAT

+16% €457m
PIGMEAT EXPORTS

Slowing European production, stable consumption levels and higher international prices for much of the year helped boost EU pig prices during 2012. For the year, EU prices are estimated to have increased by almost 12% to reach 170c/kg with the strongest increase evident during the second half of the year.

This led to a better market environment for Irish pigmeat although the capital investment costs as part of incoming welfare legislation and an ongoing rise in feed costs has led to a very challenging situation for Irish pig producers.

€457m The value of Irish pigmeat exports were 16% higher at €457m.

Key pigmeat export market developments in 2012

- Slowdown in EU pigmeat production.
- Slight fall in EU consumer demand.
- Modest decline in EU pigmeat exports due to slower trade to Russia and South East Asia.
- Irish pigmeat production 2% higher
- EU & Irish pig prices up by more than 10%.

Figures from the EU Commission show that for the first nine months of 2012, net pigmeat production fell by 2% on a year earlier. This was due to a rapid decline from mid summer. Output in September was some 10% lower led by a 15% drop in Denmark and 8% in Germany. Up to the end of November output among the 'big four' producers, namely Germany, Denmark, the Netherlands and France - who between them account for half of EU output - was running 3% lower.

Consumption levels across Europe are estimated to have eased by around 1% in 2012 to reach 20.7 million tonnes.

Higher pig supplies in Ireland

Export meat plant pig supplies in Ireland are estimated to have increased by almost 2% in 2012 to reach 2.89 million head. The rate of increase slowed down considerably as the year progressed with supplies 5% higher up to the end of June before declining by around 2% in the second half of the year.

This slow down reflects a decline in the breeding herd with the June survey showing a drop of almost 7% in breeding pig numbers, which reflected a number of producers ceasing production, albeit in some cases on a short term basis.

When the increase in supplies is combined with stable live exports to Northern Ireland at just over 600,000 head this leaves total pig supplies at almost 3.5 million head, a rise of 1% on 2011 levels.

With a modest increase reported in average carcase weights, Irish pigmeat production is estimated to have increased by almost 2% to 240,000 tonnes.

Pressure on retail sales in Ireland

Retail sales of pigmeat came under some pressure as 2012 progressed as consumers reduced their overall meat spend and other meats created more competitive pressure on the pigmeat category.

Figures from Kantar Worldpanel show that both fresh pork and bacon sales eased in 2012 with sausages performing strongest within the category. With little change reported in the foodservice sector, it is estimated that total pigmeat consumption in Ireland eased by almost 3% to reach 143,000 tonnes.

Increased exports

Imports of pigmeat showed a marginal increase in 2012 to reach an estimated 83,000 tonnes. Some of this product goes through added value processing in Ireland prior to being re-exported. This combined with slower consumption levels resulted in the volume of pigmeat available to export increasing by over 5% to reach almost 180,000 tonnes cwe.

This combined with average export prices rising by more than 10% left the value of Irish pigmeat exports some 16% higher in 2012 at €457m.

Pigmeat Exports (€m)

2011 €m	2012 (e) €m	2012/2011 % +/-
396	457	+16

Markets for Irish pigmeat

The growth in Irish pigmeat exports to International markets that emerged during 2011 continued strongly throughout most of 2012. This growth was at the expense of Continental European markets.

Despite a decline of around 4% in pigmeat imports and intense competition, Irish pigmeat gained market share in the United Kingdom with shipments rising by more than 6% to reach 78,000 tonnes. This trade was valued at €265m.

Exports to the Continental EU markets continued to be impacted by more favourable markets outside of Europe. For the year, exports to the Continent are estimated to have fallen by around 3% to 42,000 tonnes and were worth an estimated €80m. An increase in exports to Eastern Europe and Denmark were offset by reduced trade to traditional markets such as France and Italy while shipments to Germany were at best maintained.

Exports of Irish pigmeat to International markets performed strongly as growth to key markets such as China, the United States and Russia more than offset declines to South East Asia. For the year, exports of Irish pigmeat to markets outside of the EU are estimated to have jumped by 12% to 60,000 tonnes cwe, including offals. This trade was valued at an estimated €110m.

Almost three quarters of exports outside of the EU are now destined for China and Russia. China accounts for half of the total with reduced volumes going through Hong Kong as more plants gain direct access to customers in mainland China.

34% More than one third of Irish pigmeat exports are now destined for International markets.

Another factor has been the fact that Hong Kong stopped offal imports in the middle of the year.

Distribution of Irish pigmeat volumes (%)

Source: Bord Bia estimates

Outlook for 2013

The prospects for the pigmeat sector in 2013 will be helped by lower EU output, reduced production among some key global players and good international demand for pigmeat. However, demand for pigmeat within the EU may come under some further pressure.

The anticipated strength of feed prices and the introduction of new welfare legislation from January 2013 are likely to see some further downward adjustment in EU output with forecasts for the year suggesting a drop of 2% - 3%.

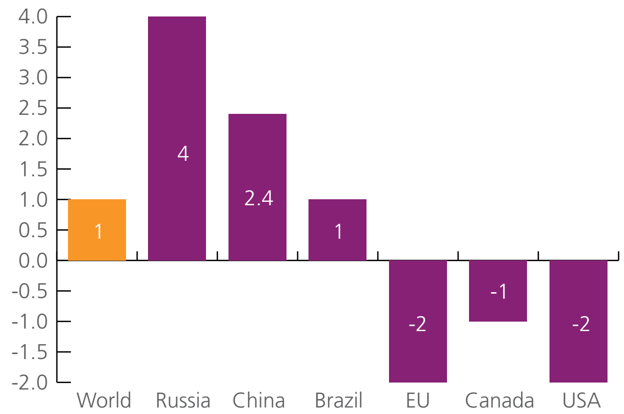
Factors affecting 2013 pigmeat prospects

- Increase of 1% in global output driven by China.
- Global demand to remain firm – lower supplies from key exporters.
- EU pig supplies to tighten on back of high feed costs and welfare regulations.
- Slight fall in EU demand with lower consumption due to reduced output.
- Some further decline in Irish supplies.

Modest rise in global pigmeat output

China, which accounts for half of global output, is expected to push global pigmeat production higher in 2013. Chinese output is forecast to rise by almost 2.5%. Lower output is anticipated in the United States and Europe while little change is likely in Brazil and Canada. Russian output is likely to increase further but at a slower rate than in 2012.

Global pigmeat production trends, 2013 (% change on 2012)



Source: Bord Bia based on USDA/GIRA

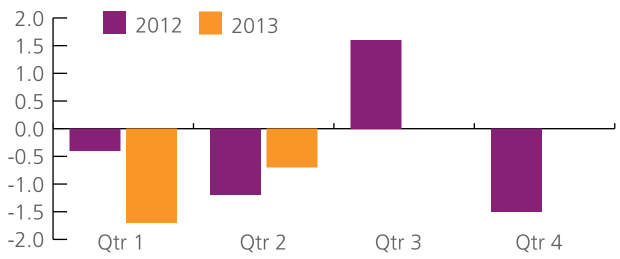
Lower EU output anticipated

The results of the October EU pig forecasting working group suggest that EU pigmeat production will drop by 2% in 2013. However, some uncertainty surrounds production developments given the pressure being felt by producers due to the feed cost situation and welfare regulations. A drop of 2% is expected in the first quarter of 2013 with a more modest fall anticipated in the second quarter of the year.

Midyear 2012 herd surveys covering most EU countries, reported a one per cent decline in the total EU pig herd with a further four per cent decline in sow numbers. These surveys were conducted prior to the sharp rise in feed prices; therefore they could be expected to fall further as the year progresses. Lower pig numbers were recorded in all countries.

The largest declines are expected in Eastern Europe, The Netherlands and Italy where drops of 2% - 4% are forecast. Spain and Denmark are the only two major producers anticipating higher supplies in 2013.

EU GIP pigmeat production in 2013
(% change on previous year)



Source: EU Commission

7% Irish sheepmeat exports increased by 7% to reach €205m.

International import demand to remain firm

Similar to production, a further, albeit slower increase in Chinese consumption levels is expected to help global pigmeat demand in 2013. Most Asian markets are expecting increased consumption. Likewise Brazil is expected to record a rise of almost 3% in consumption levels.

These developments will positively influence global import demand. Further growth in imports is forecast for Russia, China and Mexico while Japanese demand seems set to be at least maintained. Availability among leading global exporters, namely the United States, Europe and Canada is likely to be curtailed, which should have a positive impact on global pig prices.

Irish pig supplies to decline

The Irish pig breeding herd recorded a drop of almost 7% in June 2012. However, most of the fall in breeding numbers was evident in the sow categories with the number of gilts increasing by around 4%.

Feed accounts for 60 – 70% of the total costs of pig production. In late 2012, the feed cost per kg deadweight at 138 cent/kg was almost 30% higher than a year earlier.

These developments suggest a decline in Irish pigmeat output in 2013. With little change expected in live exports of finished pigs to Northern Ireland, it is expected that Irish pigmeat production will drop by 3% - 4% in 2013.

This would leave production running at 230,000 tonnes. Based on stable domestic demand it would leave export availability running around 5% lower at 170,000 tonnes cwe.

Uncertainty surrounding feed prices

The impact of weather on the global grain market has been the main factor pushing up feed prices over the last year. Disappointing harvests due to the droughts, particularly in the US and a reliance on the upcoming South American harvest to replenish extremely low stock levels are leading to a volatile global supply/demand situation.

This volatility has reflected in strong price spikes across all major grains used in pig feeds. During the course of 2012, the following increases have been recorded:

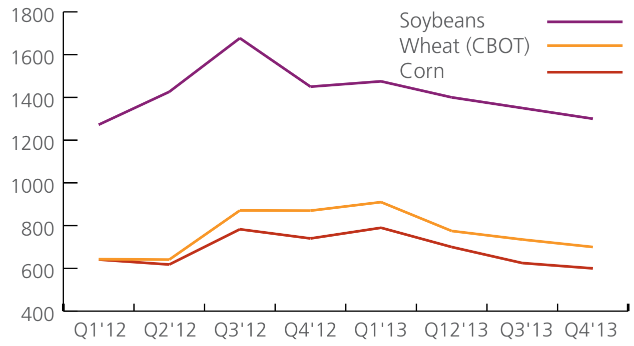
- Wheat (CBOT): +35%
- Corn: +15%
- Soybean: +14%

It is worth noting that these increases took place on the back of strong price increases during the second half of 2011.

The outlook for the early part of 2013 according to Rabobank's latest agri commodity outlook is for some further increase in price levels as stocks remain very low and current use levels, particularly for corn, wheat and soybeans is running ahead of stock levels given the weak US and South American harvests over the last 12 months. Prices are then expected to ease from late Spring as production is expected to rebound based on South American and to a lesser extent Australian harvests. However, lingering drought in the US and Southern Russia remain a risk to the market for 2013.

This situation has the potential to lead to further volatility as the year progresses. The latest Rabobank agri commodity price forecasts suggest the following trends in price levels:

Agri commodity price forecasts, 2013 (USc/bushel)



Source: Rabobank, Bloomberg, 2012

SHEEPMEAT

Irish sheepmeat exports performed strongly again in 2012 as higher Irish disposals were met with lower UK and NZ supplies on the European market, which helped to maintain demand for Irish lamb. A significant weakening of the euro relative to both sterling and the New Zealand dollar helped the competitiveness of Irish lamb.

+7%
€205m

SHEEPMEAT EXPORTS

Key sheepmeat export market developments in 2012:

- Fall of 1% in EU production to 925,000 tonnes.
- EU consumption 3% lower - partly due to lower availability.
- NZ shipments to Europe down by a further 11%.
- Irish supplies 11% higher.
- Irish exports continuing to diversify.

11% Irish sheepmeat output rose by 11% to stand at 53,500 tonnes.

EU net sheepmeat production is estimated to have declined by 1% to 925,000 tonnes in 2012. UK output fell by almost 5% to 276,000 tonnes. This reflects the disruption to finishing lambs in 2012 due to difficult weather conditions over the summer months. As a consequence, more lambs are expected to be finished in the 1st half of 2013.

French output declined by 2% in 2012 to 110,000 tonnes in response to some culling within the breeding flock following the drought which prevailed across the country during late 2011 and into 2012.

Consumption is still being hampered by reduced consumer spending and the price of lamb relative to other meats. Figures from the EU Commission suggest that EU consumption in 2012 was 3% lower at just under 1.1 million tonnes.

This drop in consumption partly reflects lower availability across Europe due to lower domestic supplies and reduced imports from New Zealand. Ongoing tight supplies in New Zealand, an increased emphasis on Asian markets and reduced competitiveness in the EU has led to shipments to the region falling by 11% during the first 10 months of 2012. As a result, New Zealand is estimated to have filled just over 70% of their annual quota.

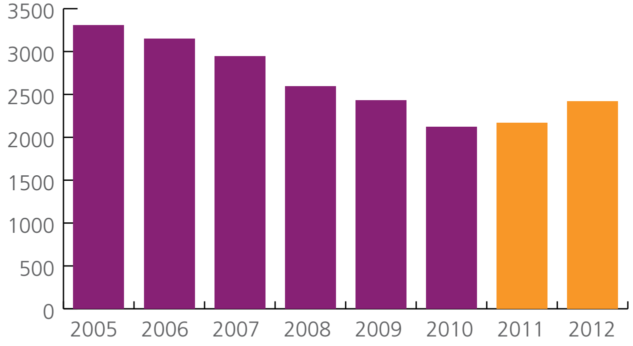
Higher Irish sheepmeat output

Following the stabilisation evident in 2011, sheep supplies at Irish export meat plants increased by 11% or 250,000 head during 2012.

This reflects the recovery in the sheep breeding flock since 2011 with figures from the CSO's livestock survey showing a further rise of almost 6% in June 2012. Almost half of this growth was recorded in the number of ewes under two years old.

With little change to report in average lamb carcase weights total sheepmeat production is estimated to have increased by around 11% to 53,500 tonnes.

Sheep supplies at export meat plants ('000 head)



Source: Bord Bia estimates

Domestic consumption steady

Despite ongoing pressure on retail meat sales in Ireland, lamb held its own with data from Kantar Worldpanel showing a rise of almost 3% for the 52 week period ending late October 2012. This increase was driven increased frequency of purchase and higher volumes per buyer.

For the year total sheepmeat consumption is estimated at 15,500 tonnes.

Higher exports recorded

Given the increase in production, total sheepmeat exports are estimated to have increased by more than 10% or 4,000 tonnes to approach 42,000 tonnes.

With lamb prices easing by just over 3% to around €4.61/kg, the total value of Irish sheepmeat exports is estimated to have increased by more than 7% in 2012 to reach €205m.

Sheepmeat Exports (€m)

2011 €m	2012 (e) €m	2012/2011 % +/-
191	205	+7

The domestic market continues to account for around a quarter of total sheep output. In terms of export markets the focus for Bord Bia remains the joint international promotion of lamb in France designed to underpin consumption. Irish sheep processors have made significant ground in growing exports into a number of key European markets such as Belgium, Germany and Sweden. These high potential markets are delivering a higher value return and interest in the Irish lamb offering is growing.

Securing market access continues to be a priority focus particularly within regions of US, Canada, Middle East, North Africa and Far East.

Markets for Irish Sheepmeat

The core markets of France and the UK continue to account for 70% of Irish lamb exports and both recorded modest growth in 2012.

France remained the principal destination but now accounts for less than 45% of total exports. For the year shipments were marginally higher at 18,000 tonnes. This trade was valued at just over €90m.

Irish exports were helped by reduced volumes of UK lamb on the market as well as the weakening of the euro against sterling. French consumption is estimated to have declined by 3% in 2012.

Exports to the United Kingdom also showed an increase to reach 11,000 tonnes as lower UK production helped offset reduced consumption levels. Shipments were valued at around €40m.

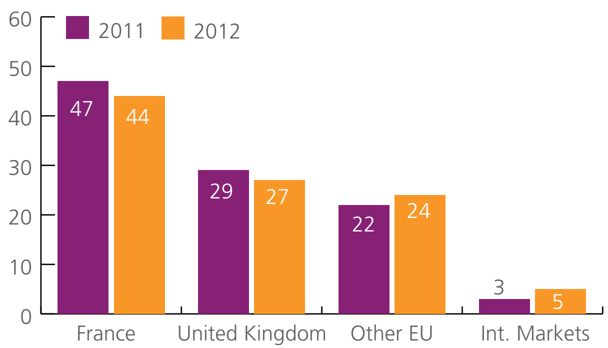
1% - 2% EU sheepmeat output is set to fall by 1% - 2% in 2013.

Most of the growth in exports was evident in other European markets with Belgium, Germany and Sweden continuing to outperform other market destinations as they delivered double digit growth. Sweden is now our third most important market destination for Irish lamb with shipments growing by more than 10% in 2012. Exports to Belgium and Germany grew by almost 20%.

Demand within the traditional markets for light lamb (Portugal and indirectly Spain) were poor in 2012. The effects of growing austerity measures and reduced disposal income has dampened demand with imports into Portugal and Spain falling by 26% and 42% respectively.

Exports to International markets increased strongly again in 2012, rising by around 70% to exceed 2,000 tonnes. Hong Kong is the primary destination of Irish sheep meat exports followed by Tunisia. Exports to Switzerland, while being small relative to other markets, grew by more than 50% again in 2012 and offered high value returns.

Distribution of Irish sheepmeat volumes (%)



Source: Bord Bia estimates

Outlook for 2013

A further decline in EU sheepmeat output will help to offset some likely recovery in EU sheepmeat imports in 2013. Price prospects will rely to a large extent on consumer demand for lamb relative to other meats.

Trade for Irish lamb will be largely influenced by strength of the euro against sterling and the New Zealand dollar and the level of demand for our anticipated higher export volumes. All things being equal, market prospects look reasonably good in 2013.

Factors affecting 2013 sheepmeat prospects:

- Drop of 1-2% in EU sheepmeat production
- Consumption to remain sluggish.
- Recovery of 3% - 5% in Oceania output.
- Strong global demand to minimise pressure on EU market.
- Some realignment of Southern Hemisphere prices
- Further rise in Irish output.

Some further decline in EU supplies

Figures from the EU Commission suggest that EU sheepmeat production will show a further fall of 1% - 2% in 2013 to just over 910,000 tonnes.

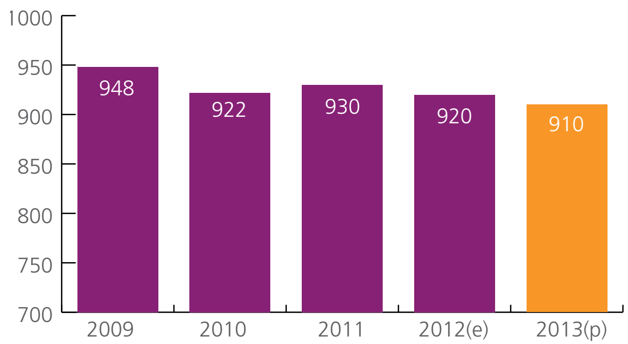
With the exception of the UK, Ireland and Romania, production levels across Europe seem set to decline. On the back of some flock rebuilding, production in the UK is set to increase by over 6% to 293,000 tonnes with increased hogget supplies anticipated for the early months of the year.

A modest decline in the French breeding flock following the drought conditions which prevailed in parts of the country in 2011 and into 2012 is expected to result in French output falling by around 2% in 2013.

The sluggish consumer demand picture evident in 2012 seems set to persist, although much will depend on consumer sentiment and overall supply levels.

The impact of these developments on import demand is likely to be relatively minor with most markets expecting to import similar volumes with the exception of the UK. In this scenario the level of imports into the EU will play a major role in determining price levels.

Trends in EU sheepmeat production, 2009 to date ('000 tonnes)



Source: Bord Bia estimates

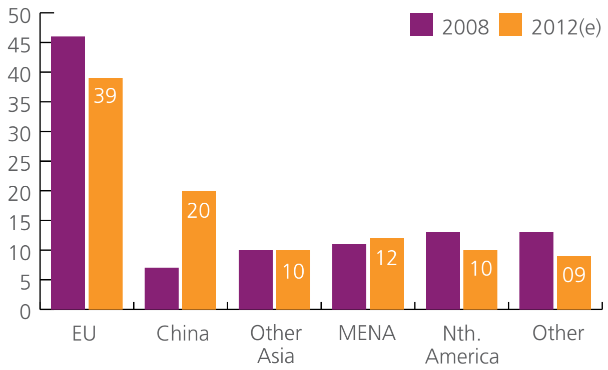
Recovery in Southern Hemisphere output

Good pastures and favourable lambing conditions in Australia and New Zealand have reversed four years of declining output. Production in both countries is forecast to grow by 3% - 5% in 2012/13. This is expected to lead to some rise in EU imports.

€208m The value of poultry exports was marginally lower at €208m.

However, both New Zealand and Australia have increasingly diversified their exports beyond the EU market over recent years to reflect growing demand in Asia, North America and the Middle East. Despite this, the increase in output is likely to dampen global and EU sheep prices.

Distribution of New Zealand sheepmeat export volumes (%)



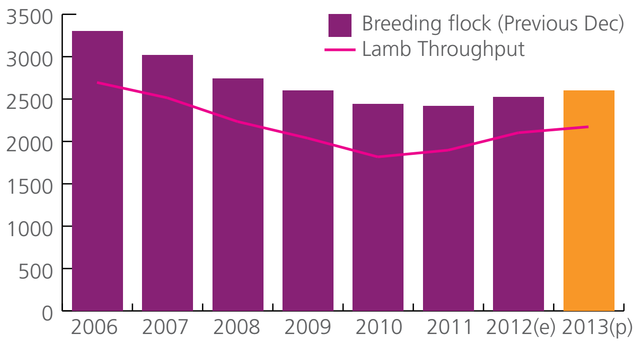
Source: Bord Bia estimates

Higher Irish production in 2013

The rise in the breeding flock recorded in the June livestock survey is expected to drive an increase in export meat plant supplies in 2013. However, the difficult grazing year in 2012 has left ewes in poorer condition while the tight fodder situation reduced the number of farmers mating ewe lambs. In addition, there is less confidence among producers given the easing in lamb prices evident in 2012.

All things being equal a rise of 2% to 3% is expected in Irish sheep supplies at export meat plant in 2013 to reach 2.48 million head. Assuming stable domestic consumption this would result in export availability rising by a similar percentage to 43,000 tonnes.

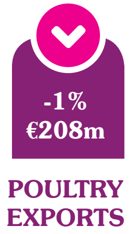
Irish breeding flock vs lamb supplies at export meat plants, ('000 head)



Source: Bord Bia based on CSO/DAFM

POULTRY

The strong rise in feed costs evident across Europe and the failure of product prices to match this increase led to further pressure on the poultry industry during the second half of 2012. This is demonstrated by the fact that the EU broiler/feed price ratio reached an eight year low in August 2012.



EU poultry production is estimated to have increased by almost 2% in 2012 in response to increased consumption levels. This increase was driven by both broiler and turkey production. Broiler output reached 6.4 million tonnes with most of the increase recorded in the first half in response to stronger prices and better consumer demand.

In terms of trade EU poultry imports fell by around 2% in 2012 to just over 900,000 tonnes. The decline was led by reduced Brazilian availability as their exporters focused on other markets.

Increased imports were evident from Thailand as the EU lifted its ban on uncooked imports. However, lack of availability in Thailand meant shipments only increased by 10%.

EU exports were marginally higher in 2012 at 1.27 million tonnes led by a strong rise in trade to South Africa and to a lesser extent other parts of the African continent. This offset reduced shipments to China, Russia and the Middle East. However, the reduction in export refund in October is likely to hamper trade levels.

Consumption levels across Europe were boosted by poultry becoming relatively more competitive against other meats. This led to overall consumption rising by almost 2%.

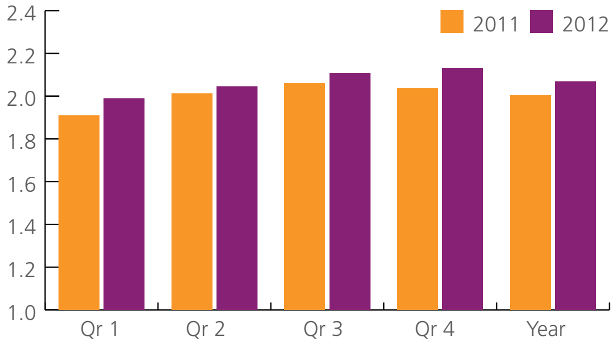
Key poultry export market developments in 2012:

- Higher EU poultry production in response to stronger consumption.
- EU imports 2% lower due to tighter availability in Brazil.
- Slower growth in EU exports as Russia and Asian trade slows.
- Irish broiler production higher.

Broiler prices across Europe were 3% higher in 2012 to reach almost €2.10/kg in response to better demand and high feed costs. However, they failed to match the level of increase recorded in feed prices.

84% Some 84% of Irish poultrymeat exports went to the UK in 2012.

EU wholesale broiler prices (€/kg)



Source: EU Commission

Higher Irish broiler output

Figures from the EU Commission suggest that Irish broiler production increased by 6% in 2012 to reach 116,000 tonnes. This follows stable production levels in 2010 and 2011. This help to offset reduced turkey production and left overall poultry production 1% higher at 124,000 tonnes.

Retail sales of fresh chicken declined showed a marginal rise during 2012 with figures from Kantar showing volumes 0.4% higher for the 52 weeks ending late November 2012. Sales were helped by the fact that retail chicken prices continue to run at less than 75% of the average retail meat price.

Up to the end of October, the volume of chilled poultry exports – mainly to the UK – was running almost 20% ahead of corresponding 2011 levels. Export values over the period were running marginally lower. This helped to partly offset reduced volumes of frozen and processed exports. Import volumes over the period increased by just over 5%.

For the year it is estimated that the value of Irish poultry exports fell by 1% to reach €208m.

Poultry Exports (€m)

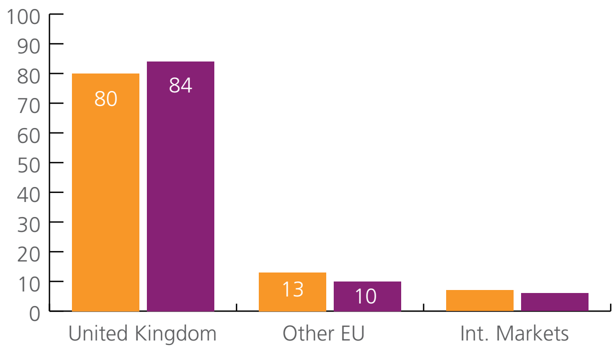
2011 €m	2012 (e) €m	2012/2011 % +/-
210	208	-1

Trade to the United Kingdom held up well in 2012 with volumes marginally lower while overall value was slightly higher at around €175m. This leaves the UK market accounting for almost 85% of poultry exports. Trade was helped by stronger chilled shipments driving the trade.

Exports to other European markets fell as France, our major Continental market took reduced volumes of frozen product. The value of exports to other European markets is estimated at around €20m.

Trade to international markets was adversely affected by reduced trade to South Africa, China and Hong Kong, the latter having closed its borders to offal imports in the middle of 2012. This more than offset a rise in shipments to emerging markets such as Benin. The value of trade stood at €13m.

Distribution of poultry exports (% by value)



Source: Bord Bia estimates

Outlook for 2013

Growth in EU poultry production is anticipated for 2013 as poor profitability at producer level impacts on availability. Overall, EU output is expected to rise by less than 1%. A similar trend is anticipated in global output with higher Brazilian, Russian and Chinese output being partly offset by reductions in the United States and little change in East Europe and Mexico.

Growth in EU consumption is expected to be more muted although poultry seems set to remain the preferred meat choice among cost conscious European consumers. With global consumption set to rise by more than 1%, the prospects for EU exports remains reasonably good with increased shipments anticipated to Africa and Asia. Little change is expected in EU imports as tighter Brazilian availability seems set to persist and offset any increase in supplies from Thailand.

These developments suggest that EU broiler prices may show modest growth in 2013. However, this is a largely dependent on the strength of consumer demand.

Factors affecting 2013 poultry prospects:

- Slower growth in EU & global output in response to high feed costs.
- Poultry to remain preferred meat among cost conscious European consumers.
- EU exports to remain positive with little growth in imports.
- Modest rise in broiler prices.

Irish poultry production is forecast to remain stable, which will help to maintain export volumes. However, as with pigmeat, feed price developments are likely to be a significant influence on producer decisions.

6% Livestock exports increased by 6% in value to reach €217m.

Live Animals

A change in the mix of live cattle exports and higher average prices, which offset lower numbers exported combined with stable live pig exports helped boost the value of livestock exports in 2012.

+6%
€217m
LIVESTOCK EXPORTS

The value of Irish livestock exports increased by 6% in 2012 to an estimated €217m.

Livestock Exports (€m)

	2011 €m	2012 (e) €m	2012/2011 % +/-
TOTAL	205	217	+6
Of which:			
- Cattle	137	142	+3
- Pigs	66	73	+11
- Sheep	2	2	-8

Live cattle exports

Live cattle exports fell by an estimated 25% or 55,000 head in 2012 to stand at 160,000 head. The fall away in trade reflects the relative strength of Irish cattle prices given the increased farmer interest in young stock in Ireland combined with the availability of more competitive supplies from other countries. However, thanks to strong increases in the average value of all categories, the value of this trade increased marginally to €142 million.

There was a change in the mix of cattle exports evident in 2012 with finished cattle exports accounting for over 30% of total trade compared to just over 22% in 2011. On the other hand, calves share of exports fell from 41% to 24%. The higher average value associated with finished cattle, helped boost export values.

The trend evident by each category was as follows:

Calves

Calf exports fell by almost 60% in 2012 to an estimated 38,000 head as trade to the Dutch veal sector was at a virtual standstill for much of the year as a slower veal market and more competitive calves from other suppliers affected trade.

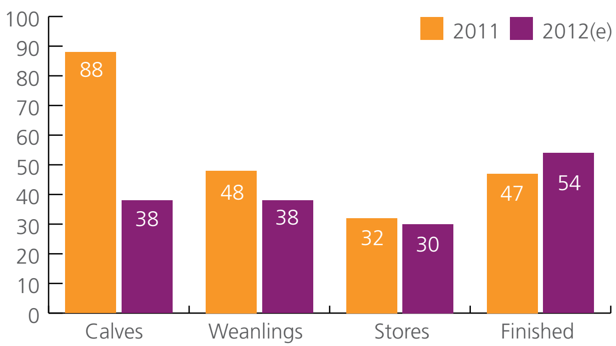
Weanlings/Stores

Exports of weanlings/stores were around 15% lower than 2011 levels at 68,000 head with both Spain and Italy taking lower numbers.

Finished cattle

Exports of finished cattle increased by around 10% to 51,000 head as increased trade to Northern Ireland boosted numbers.

Breakdown of Irish live cattle exports ('000 head)



Source: Bord Bia estimates

In terms of destinations, the UK accounted for 46% of total trade followed by Italy at 23%. Spain and the Netherlands accounted for 10% each.

Other livestock

Shipments of live pigs to Northern Ireland remained strong in 2012. Numbers for the year were similar at 609,000 head

Live sheep exports remained slow and recorded a further drop of 7% to 25,000 head with the majority destined for the UK.

OUTLOOK FOR 2013

The outlook for Irish live cattle exports is for some recovery in 2013. However, much will depend on the relative price of Irish cattle.

Calf exports are expected to pick up as the spring progresses while trade to Northern Ireland seems set to remain strong. However, the current high feed costs allied with transport costs and the reduced availability of credit to exporters are expected to impact negatively on weanling/store exports.

Overall for the year, exports are expected to move back towards the 200,000 head level.

The prospects for live pig exports remain strong, although overall availability will dictate shipments.

Little recovery is anticipated in live sheep exports given the ongoing strength of lamb prices in Ireland.

2.5% Milk deliveries in Ireland fell by 2.5% during the first 10 months of 2012.

DAIRY PRODUCTS & INGREDIENTS

This category encompasses both primary dairy products such as butter, cheese and milk powders and value added dairy products and ingredients such as infant formula, casein and chocolate crumb.

-2%
€2.66bn

DAIRY & INGREDIENTS EXPORTS

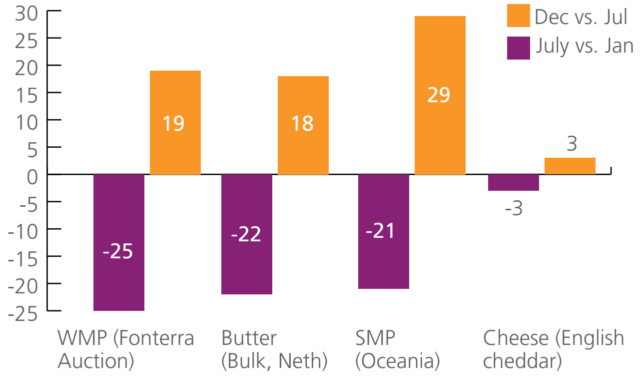
2012 marked a more difficult year for the global dairy market as a supply response to the strong price prevailing over the previous 18 months led to a significant softening in prices over the course of the spring and early summer.

During the period from January 2012 to the end of July, the following trends were evident in product prices:

- WMP (Fonterra auction price – US$/tonne) -25%
- SMP (Oceania, US$/tonne) -21%
- Butter (Bulk, Netherlands, €/tonne) -22%
- Cheese (English Cheddar, €/tonne) -3%

However, from late summer and throughout the autumn a good recovery in dairy product prices was evident as poor weather across much of Europe and drought in key parts of the US affected supplies. These developments helped to offset higher milk output in both New Zealand and Australia.

Global dairy product price trends (% change)



Source: Bord Bia estimates

The slowdown in global milk supplies - and recognition that no significant turnaround is likely at current feed prices - combined with a stronger international demand across Asia and Africa resulted in good upward price movement for powders and other dairy products into the autumn of 2012. Prices stabilized from November onwards with some US prices showing declines.

Key drivers of Dairy export performance in 2012:

- Stronger global supplies and slower import demand in 1st half of 2012
- Weather and feed cost impact on global supplies as year progressed.
- Good turnaround in prices over mid summer to autumn period.
- Stock levels lower than anticipated in key import markets during the third quarter.

Figures from a recent Rabobank report highlight the tightening in supplies evident over the autumn months.

	October 2012	Last three months
EU*	-1.2%	-1.3%
US	-0.1%	-0.3%
NZ	+6.5% for Nov and 3 months to Nov 2012	
Australia	-1.4%	+0.4%
Argentina	-2.8%	-4.5%

*September Source: Rabobank

These figures suggest that milk supplies have tightened across all major export regions with the exception of New Zealand where favourable seasonal conditions have boosted output. Australian milk supplies over recent months have been slower than expected with wet weather in parts of Victoria impacting on deliveries while higher feed costs have hit margins. US supplies have gone into negative territory as have EU-27 milk supplies. These developments should help reduce the risk of any significant stocks brought into the early part of 2013.

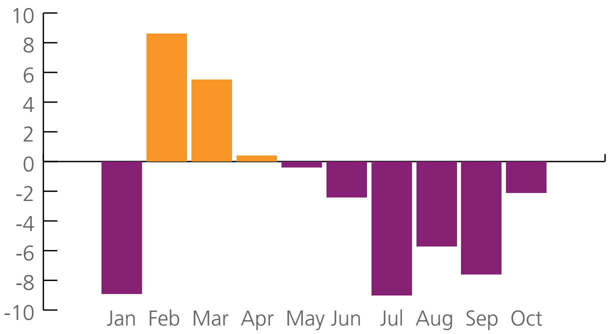
The same report suggested that the economic malaise continued to tighten its grip on the global economy during the latter months of 2012 with many developing economies growing at their slowest rate in many years. However, dairy demand in emerging markets continued to hold up well, which is helping maintain export momentum among the key exporters. The key drivers of import demand remain China, South East Asia and MENA. The main uncertainty surrounding global import markets towards the end of 2012 was the level of stocks built up over the autumn and the impact, if any, this could have on demand during the early part of 2013.

Milk deliveries in Ireland felt the effects of poor weather conditions for much of the year, which impacted on average yields. This combined with a difficult fodder situation and high

38% In 2012 an estimated 38% of Irish dairy exports went to International markets.

feed costs limited any potential for recovery during the last months of the year. For the 10 months to October deliveries were running 2.5% lower according to the CSO. Deliveries were consistently below corresponding year earlier levels from May onwards and for the year are forecast to be down by a similar percentage.

Milk deliveries in Ireland (% Change on same month last year)



Source: CSO

Despite the drop in global product prices, the Irish dairy sector performed strongly during 2012. Overall, it is estimated that the value of Irish dairy and ingredient exports for the year fell by around 2% to stand at €2.66 billion.

Dairy Products & Ingredients Exports* (€m)

2011 €m	2012 (e) €m	2012/2011 % +/-
2,724	2,658	-2

* includes export refunds

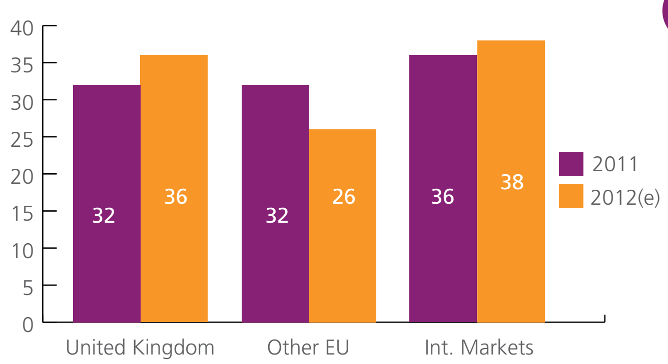
Export markets for Irish dairy products

Mixed trends were evident among the key export destinations for dairy products during 2012. Exports to the United Kingdom performed strongly to increase by more than 5% to be valued at €960m or 36% of total trade. The strongest performing category was cheese.

Exports to other European markets struggled due to a combination of offering less attractive market options and changes to the distribution structure of some major exporters. Overall for the year it is estimated that the value of exports fell by more than 10% to €680 million. This leaves the region accounting for just over a quarter of total dairy exports. The largest declines were evident to France, the Netherlands and Belgium.

Exports to International markets performed strongly with increased trade to Asia, Central/South America and the United States boosting trade. Overall exports outside of Europe are estimated to have reached more than €1 billion for the first time and now account for almost 40% of total exports.

Distribution of Dairy products & Ingredients exports (%)



Source: Bord Bia estimates

Main product trends

The strongest performing categories in 2012 were infant formula, cheese, whey and spreads/fats.

The value of infant formula exports benefited from increased trade to the UK, Asia and the Middle East. Trade in infant formula to Asia continues to face challenges in the form of pressure on costs and regulatory change/ changing market requirements as well as existing bilateral agreements with other suppliers that puts European product at a competitive disadvantage.

Cheese exports also put in a good performance across all regions led by the UK, the Middle East and some Continental European markets.

Butter exports struggled during the year with a combination of lower prices and reduced production as the year progressed impacting on trade. All major markets recorded a decline in export values.

Outlook for 2013

Dairy export drivers for 2013:

- Slower growth in global milk output in response to high feed costs.
- Import demand to remain solid in key import regions.
- Increased stock levels among importers in early part of 2013.
- Little change in EU output.

Rabobank expect global milk production growth to slow during the course of 2013 as producers respond to lower

€1.38bn Prepared Foods exports were valued at €1.38bn, down 2%.

milk prices, higher feed costs and unfavourable weather conditions in some regions. These developments are expected to result in reduced volumes of surplus milk being available from key export regions, which would have a positive impact on price levels.

New Zealand milk output started the 2012/2013 marketing year very strongly reflecting better weather conditions. An easing in production is expected in the first half of 2013 with output to fall below corresponding 2012 levels.

Australian output also started the current year strongly but challenges faced by producers in relation to weather conditions and high feed costs combined with a lower milk price are expected to put pressure on output levels although modest growth is expected for the year to 30th September 2013.

In the United States, drought is seriously affecting the sector and the monthly milk feed ratio – a measure of dairy profitability – stood at its lowest levels since the early 1980's. This has traditionally led to contraction in US milk production and current forecasts for 2013 suggest only minimal growth.

Slower economic growth is expected in many regions during 2012 and this is likely to impact on import requirements. This could result in some stock build up, particularly if US output increases at a faster rate than anticipated. However, much is likely to depend on the strength of feed prices.

In Europe, the cost of feed and energy is impacting on profitability. Output is expected to show little change in 2013. Any further appreciation of the euro relative to the US dollar may put some pressure on export levels. Some increase is expected in Argentinian and Brazilian supplies in 2013.

Rabobank expects import demand for dairy to continue to expand in 2013. While the economies of China, South East Asia and MENA are growing more slowly, incomes will still show good growth, consumers will buy more dairy and imports will remain attractive. Having seen strong purchases during the autumn of 2012, buying levels among some key importers may start 2013 slowly before increasing as the spring progresses.

The prospects for Irish dairy exports in 2013 remain generally positive with global demand likely to keep exports well ahead of historical averages. Global stock levels, demand in key regions and the relative strength of the euro will largely determine price prospects.

The difficult fodder situation and the high cost of feed are likely to result in a slow start to milk output in 2013. For the new quota year commencing in April, a return to levels closer to the 2011/2012 quota year is likely.

PREPARED FOODS

This category includes a wide range of primary products, which have been further processed and includes ready to eat foods, confectionery and bakery products.

-2%
€1.38bn

PREPARED FOODS EXPORTS

The market environment for Prepared Food manufacturers in 2012 remained challenging as higher input costs and competitive pressures were evident across key markets. Much of this competitive pressure was driven by customers trying to maintain and grow share by offering enhanced value for money products to consumers. This continued to make it difficult to pass on higher costs, which in some cases increased by as much as 20% during the year. Higher fuel prices also impacted on logistics costs, which have been a major challenge to the sector.

However, the sector benefited from a weaker euro in the key UK market while the renewed focus on innovation and new customer development has paid dividends in many categories. Irish prepared food exports now consist of a wider range of products and serve a broader range of customers and markets than ever before, which highlights the ability of the sector to develop products that meet the rapidly evolving needs of consumers. In addition, the focus on operating costs over the last number of years leaves the sector better placed to compete than previously.

Key drivers of Prepared Foods export performance in 2012:

- Higher input costs and difficulty in securing price increases.
- Intense competitive pressure in most categories.
- Consumer search for value continues.
- Irish exporters competing strongly, helped by focus on NPD and new customers.

Overall, exports of products covered under the prepared foods category fell marginally to an estimated €1.38 billion. If value added meats and poultry are included, exports were in the region of €1.75 billion.

The strongest performing categories during the year were value added dairy products, pizza, sauces, bakery and sugar based confectionery. These helped to largely offset a slower trade in other categories.

40% The UK market remains the single biggest destination for prepared foods exports at 40% of the total.

Prepared Foods Exports (€m)

2011 €m	2012 (e) €m	2012/2011 % +/-
1,416	1,382	-2

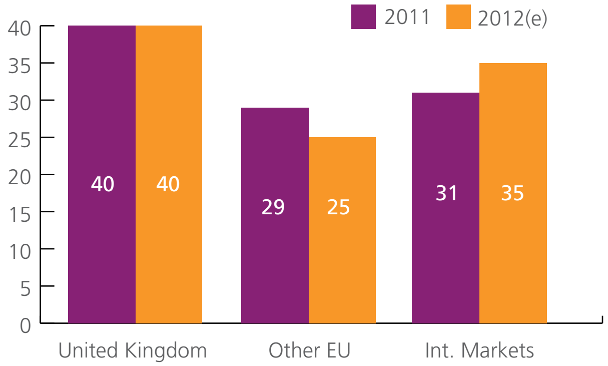
Export markets for Prepared Foods

The United Kingdom continues to account for 40% of total prepared foods exports. Trade in 2012 was negatively affected by ongoing price pressure and strong competition from other suppliers. However, the strengthening of sterling against the euro helped exports as the year progressed. For the year it is estimated that the value of exports to the UK was marginally lower at around €540m. Stronger exports were recorded in snacks and pizzas in particular.

Exports to other European markets remained difficult for much of 2012. However, some categories such as frozen pizzas benefited from the consumer search for value. Other categories to perform well included valued added meats. The proportion of prepared food exports going to other European markets fell to just over a quarter with trade valued at an estimated €340m. In terms of destinations, mixed trends were evident across categories but Northern Europe, most notably Denmark put in a good performance.

Exports to International markets for products covered under the prepared foods category increased strongly again in 2012, helped by ongoing growth in exports of dairy based products to Asia, Africa and the Middle East. As a result, the region accounted for 35% of total exports in 2012, up from less than 31% a year earlier. Trade was valued at an estimated €500m, which represented double digit growth on 2011 levels.

Distribution of prepared food exports (%)



Source: Bord Bia estimates

Main product trends

Exports of chocolate confectionery were mixed in 2012. A number of smaller manufacturers reported increased sales as a focus on innovation and increased sales to emerging markets helped trade while the UK market was largely maintained. Overall, chocolate confectionery exports are estimated to have been marginally lower in 2012.

Market diversification continues to be a key theme among manufacturers with markets such as the United States and Australia delivering strong growth.

Sugar confectionery has withstood the pressure of slower consumer spending in most markets with figures for the first nine months of 2012 showing a rise of more than 10%. Improved export performances were recorded to the UK, parts of Continental Europe and the Middle East.

Bakery products and snacks performed well in 2012 with the strongest trade evident in bread while biscuits remained under pressure. The UK continues to dominate exports although increased trade is also being reported to smaller European markets. Opportunities are also emerging in markets such as the Middle East, Australia and the United States.

One of the major exports to the UK is ready meals with a focus on frozen products. The frozen sector has benefited to some extent from cost-conscious shoppers trading down. However, overall ready meal sales in the UK are under pressure. Irish exports have performed ahead of the market and gained market share with the value of trade reported to have increased in 2012.

The pizza market remains highly competitive in the UK. However, the Irish sector has benefited from a consumer shift to frozen products with exports for the first nine months of 2012 reported to be more than 10% higher. Some further growth is also being reported to Continental European markets.

Exports of value added meat ingredients put in a good performance during 2012 as the sector benefits from a strong focus on innovation and delivering on trends such as health and nutrition.

Outlook for 2013

Prepared Food export drivers for 2013:

- Input costs and ability to pass on price increases.
- Consumer sentiment and impact on food prices.
- Ability to Identify & develop new market opportunities.
- Focus on innovative product solutions.

€1.26bn Beverage exports, led by whiskey put in another strong performance, rising by 3% to reach €1.26bn.

Irish prepared food manufacturers have shown very strong resilience over recent years and reacted positively to the challenges faced. This has left a sector that is efficient, innovative and focused on developing a wider portfolio of customers and markets. As a result, it is well positioned to identify and develop market opportunities as they emerge.

However, there are a number of factors outside the direct control of exporters that are likely to have a significant impact on export performance. These include developments in input costs, trends in consumer sentiment and the potential to deliver higher food prices. To date, it has been extremely difficult to secure price increases from the marketplace to compensate manufacturers for the higher costs that they have faced.

However, most exporters anticipate increased sales in 2013 to be driven by new product lines and new customers and markets.

Beverages

+3%
€1.26bn
BEVERAGE EXPORTS

The global market for beverages showed further growth in 2012 with a renewed focus on premiumisation and growth in the travel retail sector helping market growth. However, the sector continues to face challenges, none more so than the challenging economic climate in many developed markets. As a result, emerging regions across Asia, Middle East, South America and Africa are helping to drive global growth.

The Irish beverage sector put in another strong performance in 2012 as ongoing growth in whiskey combined with a solid performance in cream liqueurs and stable beer exports. An increasingly competitive market environment in the UK combined with poor weather during the key summer period offset strong growth in cider exports to other markets. Exports of non-alcoholic beverages faced further pressure in 2012 with slower exports reported despite a good performance by tea and coffee.

The premiumisation trend continues to develop and evolve in the global beverage sector. For example in the United States, premium beers make up 25% of beer sales with premium versions of regular domestic brands (called super-premium in the US) accounting for 3% of sales. The level of interest by manufacturers has led them to focus on key touch points that influence consumer purchasing decisions. These trends highlight the importance of high quality ingredients, product authenticity and provenance, sustainability and craft positioning in order to avail of the opportunities offered by premiumisation.

The Travel Retail sector continues to record growth in most major markets across the globe. Overall, the market is estimated to be worth more than US$46 billion and of that, wines and spirits is worth $7.6bn. Over recent years the strongest growth has been seen in Asia and other BRIC economies.

The growth in Irish exports has been led by North America, Asia, Africa, Middle East and South America. Across developed markets in Europe, ongoing economic uncertainty means that consumers have been increasingly cautious on their spending while at the same time seeking premium products. This development has led to a strong focus on value for money.

The strength of input costs during 2012 led to higher production costs, which have been difficult to recoup from the marketplace. However, exports benefited from a weaker euro as the year progressed.

Overall, exports are estimated to have increased by 3% in 2012 to reach €1.26bn.

Beverage Exports (€m)

2011 €m	2012 (e) €m	2012/2011 % +/-
1,220	1,258	+3

Export markets for Beverages

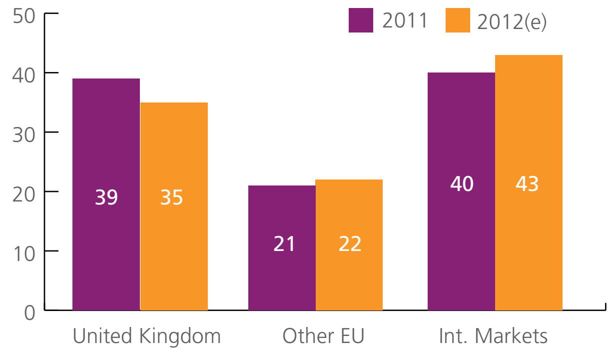
Economic pressures and intense competition led to a difficult market environment in the UK for many beverage categories. For the year exports to the United Kingdom are estimated to have declined to stand at an estimated €430m. This leaves the UK still as the largest market for Irish beverage exports, accounting for around 35% of the total. The strongest performing categories during the year were cream liqueurs, whiskey and non alcoholic beverages. Cider exports faced renewed competition as more suppliers emerged on the market while demand eased on the back of poor weather for much of the summer.

Exports to other European markets showed some further growth in 2012 with all major categories showing improved exports led by whiskey, cider and beers. Trade to the region was valued at an estimated €275m or 22% of total exports. The strongest growth was recorded in the Netherlands, Italy and Sweden.

Shipments to International markets were boosted by another strong performance in the United States while sales to emerging markets such as Russia, Canada, Australia and Asia. Exports for 2012 are estimated to recorded double digit growth to reach €550m. The region now accounts for 43% of beverage exports.

43% Some 43% of Irish beverage exports are destined for international markets.

Distribution of beverage exports (%)



Source: Bord Bia estimates

Main product trends

Whiskey exports continued to lead the export performance of Irish beverages in 2012 with double digit growth reported. Exports were helped during the year by an ever improving presence in the United States while other markets such as Russia, Canada, Australia and France also recorded strong growth. A stagnant eurozone economy together with some slowdown in economic growth in markets such as Brazil and India reduced the potential for growth somewhat. However, overall global demand for whiskey remained strong

The market environment for cream liqueurs remained challenging although solid volumes helped overcome an ongoing pressure on price levels. Increased exports to the UK combined with growth to the United States, Latin America and Asia helped overall exports. A renewed innovation focus within the category is helping to overcome some of the challenges evident at consumer level.

Beer exports were stable in 2012 despite a difficult UK market where the shift from the on to the off-trade has impacted negatively on sales. Outside of the UK sales to emerging markets such as the beverage blending agent markets in Africa performed strongest.

Exports of Irish cider performed very strongly to non traditional markets outside of the UK with growth in excess of 20% reported. This increase was driven by North America, Australia and Finland where good growth was recorded in both the on and off trades. Other markets to emerge in 2012 include Russia, Malaysia and South Korea. By contrast, poor summer weather in Northern Ireland and Great Britain impacted on exports to these markets. The UK also witnessed increased competition from new market entrants. This led to some decline in overall cider exports.

In terms of non-alcoholic beverages, exports of mineral water to the UK and tea/coffee were the strongest performers. New innovations and the emergence of new customers and markets have helped sales. However, exports of juices remained more challenging.

Outlook for 2013

Beverage export drivers for 2013:

- Raw material costs.
- Consumer sentiment and its impact on spending.
- Ability of sector to focus on emerging markets.
- Resilient global demand for whiskey.
- Innovation focus to develop new market segments.

The prospects for Irish beverage exports in 2013 continues to be positive with ongoing growth expected in whiskey exports while prospects for cider and cream liqueurs look reasonably good. The key to trade will be the ability of the sector to continue to develop new markets and innovative products for developed markets.

As with other sectors much will depend on consumer sentiment, particularly in the euro zone and the United States, which will have a strong influence on consumer spending. In terms of challenges facing the sector the strength of raw material costs will continue to have a bearing on the competitiveness of the sector as will fuel prices. Also, the anticipated abolition of intermediary excise tax relating to wine based cream liqueurs would substantially raise retail prices and impact on demand levels.

In terms of non alcoholic beverages, the key will be to consolidate business with existing customers and target new segments and channels through innovative product offerings. The progress made to identify new markets outside of the UK is expected to continue in 2013.

A further sign of increased confidence and interest in the Irish whiskey sector is the announcement during 2012 of plans for several new distilleries to be built in Ireland. Despite the fact that it will take between 3-5 years before product is available, news about these new distilleries has been welcomed by both the industry and international buyers alike. Many of these distilleries will also include a visitor centre to inform consumers on the range of Irish whiskies available.

The resilience of the global beverage sector combined with further growth in the travel retail sector bode well for Irish exports in 2013.

18% Seafood exports performed very well, rising by 18% to reach €493m.

SEAFOOD

+18%
€493m

SEAFOOD EXPORTS

Seafood exports in 2012 continued to show good growth, increasing in value by almost 21% for the year ending June 2012. A strong increase in volumes is responsible for much of this increase. This is largely due to an increase in the quota allocation for blue whiting in 2012.

The value of seafood exports was boosted by an increase in pelagic prices which were historically high in 2012.

Key drivers of Seafood export performance in 2012:

- Strong volume increase due to higher quota allocation among key species.
- Historically high pelagic prices for much of year.
- Ongoing market diversification
- Challenging trade to some core European markets due to economic challenges.

Overall for the year, the value of seafood exports is estimated to have increased by 18% to €493m.

Seafood Exports (€m)

2011 €m	2012 (e) €m	2012/2011 % +/-
418	493	+18

Export markets for seafood

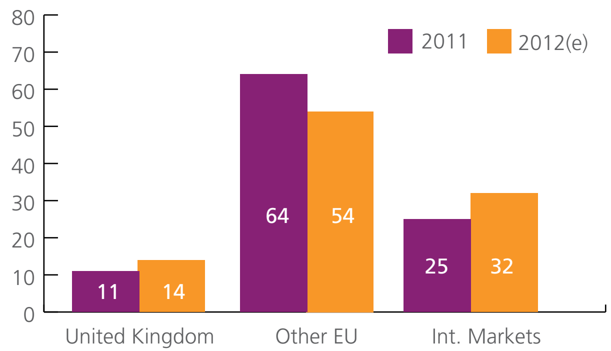
European markets remain the key outlet for Irish seafood exports with the top five markets accounting for more than 60% of total exports. During 2012, Irish seafood exporters continued to focus on developing new business in emerging markets to offset slower demand in some traditional markets.

The share of exports destined for the United Kingdom increased strongly in 2012 to reach around 14% of exports with trade worth an estimated €70m.

Despite the difficult economic conditions prevailing in Europe, markets such as Germany and to a lesser extent France and Belgium performed well. Overall for the year, exports to other European markets were largely unchanged at around €265 million or 54% of the total.

The strongest growth has been evident to International markets with Asia, Russia and Africa performing very strongly. Between them these regions now account for almost 25% of total seafood exports in value terms and an estimated 47% of total seafood volume. Total exports to International markets stood at around €160m in 2012, up by some 50%.

Distribution of seafood exports (%)



Main product trends

Sales of Irish salmon showed positive growth in 2012 helped by volumes increasing by more than 5%. The core markets remain France and Germany both of which showed strong growth and more than offset reduced exports to the UK. Significant gains were also evident to the US, albeit from a low base.

Volumes tightened during the second half of 2012 as a result of amoebic gill damage which had an impact mostly on young fish. These supply shortages during the winter months of 2012 were most evident in organic and premium salmon. The increase in feed prices in 2012 was another major issue to impact the sector.
Smoked salmon exports grew by 17% for the year ending June 2012 despite only a marginal rise in volumes with substantial value increases to Germany and Belgium.

The shellfish sector put in a strong export performance in 2012. Total shellfish exports increased by over 11% during the year to June 2012 despite a drop of 2% in output. Strong exports to the UK and Asia combined with growing interest from the US and Middle East helped offset a very slow trade to euro zone markets. The poor performance of both the Spanish and Portuguese economies had a negative effect on sales of pink shrimp. Whilst the traditional European markets held up for species such as crab, the core European markets for frozen langoustines were relatively weak.

The oyster sector performed well in 2012 with an increase of 48% in the value of exports recorded for the year ending June 2012. The French market continues to dominate for Irish oyster exports accounting for 76% of total exports in value terms. There were also significant markets secured in the UK during 2012 while trade to Hong Kong, Malaysia and Japan all showed substantial growth.

The mussel sector experienced another challenging year in 2012 with value only marginally higher despite increased volumes. Exports to the core markets of France and the UK were down considerably as was trade to Italy and Germany.

€243m A stronger mushroom trade helped the value of edible horticulture and cereals exports reach €243m.

The only market showing good growth was the Netherlands. Strong competition from Chile made trading conditions very challenging with many Irish suppliers now seeking to differentiate their offer with an organic proposition to secure a more premium price in the market. Companies are also looking to expand into new markets such as Russia, China and the US.

Spain, the UK and France continue to be the main markets for Irish whitefish exports accounting for around 90% of the total. Spain showed the best performance in 2012. Megrim and Monk count for the majority of whitefish exports to Spain and the performance, against the backdrop of a difficult Spanish economy, demonstrates strong ties between Irish exporters and Spanish trade. Exports to France were more difficult while trade to the UK showed some further value growth.

Outlook for 2013

Seafood export drivers for 2013:

- Consumer spending developments.
- Exchange rate developments.
- Supply levels across key species.
- Developments among key competitors.

The prospects for Irish seafood exports in 2013 remain positive with good demand anticipated from emerging markets while core markets across Europe also look set to hold reasonably firm. However, across Europe much will depend on the level of consumer demand, exchange rate developments and movement in fuel prices, which have been impacting strongly on transport costs.

The prospects for Irish shellfish exports remain largely positive. However, much will depend on supply levels from competing sources across a number of species and the level of consumer demand given the high prices currently prevailing for some species, notably oysters. The level of supplies available will also influence export levels.

Demand for premium species in China is very strong and this is likely to continue, offering good potential opportunities for Irish exporters. New market developments in the USA & Middle East will also be instrumental in driving export growth in 2013 given the cautious outlook across euro zone markets Competition from cheaper suppliers such as Chile and Asia will also play a role in the prices prevailing across key markets.

In terms of the pelagic sector, steady demand is expected for most products, but much will depend on quota levels for the main species. Ongoing good demand from African markets for horse mackerel is anticipated. There is also an expectation that the Japanese market will recover in 2013. Future prospects for the pelagic sector remain good given the growth in global demand with supplies struggling to keep pace. However, the sector faces some challenges in the form of competition from substitute products and the ability of some markets to pay the prevailing prices given the pressure on disposable income levels.

In terms of whitefish there is potential for Irish whitefish exporters to grow sales significantly if access to raw material increases. There has also been positive developments with processing capabilities of some Irish companies who have the potential of increasing sales of fillets to the continental market should access to raw material increase.

The outlook for the Irish salmon sector in 2013 is reasonably good, particularly for the second half of 2013 when the supply of organic salmon is likely to improve. The growing focus by the sector on further growth in value added products should also help export values. Consistency of supply remains a major challenge for the Irish sector with supplies of organic salmon a particular issue.

Raw material shortage continues to the main factor impacting on the Irish smoked salmon sector. The forecast for 2013 is that exports will be steady but growth restricted by raw material availability, certainly for the first half of 2013.

A challenging market is anticipated for langoustines into the core European markets during the first half of 2013 due predominantly to strong supplies from competing sources, which has put pressure on price levels.

EDIBLE HORTICULTURE & CEREALS

Improved mushroom exports combined with ongoing strong grain prices helped boost the value of edible horticulture and cereal exports in 2012.

Despite lower cereal volumes, the value of edible horticulture and cereals exports increased by 2% to reach €243m.

+2%
€243m

EDIBLE HORTICULTURE & CEREALS EXPORTS

Key drivers of Horticulture & Cereal export performance in 2012:

- Stronger mushroom exports to the UK.
- Growth of 5% in British retail mushroom market.
- Increased focus on value mushrooms.
- Higher cereal prices but lower volumes.

4.5% Over the last year, retail sales of value mushrooms in the Britain increased by 4.5% in volume terms.

Edible Horticulture & Cereals Exports (€m)

2011 €m	2012 (e) €m	2012/2011 % +/-
238	243	+2

Irish mushroom exports increased by an estimated 4% in 2012 to be worth almost €110 million. Trade was boosted by a stronger UK market. The British retail market showed good growth, with a 4% increase both in value and in volume. There are two main categories of growth, in brown mushrooms and in value mushrooms. Brown mushrooms are growing well, but from a low base. Button mushrooms still hold the majority of the market, but value mushrooms are growing at the expense of button mushrooms.

Over the last year, sales of value mushrooms increased by 2.5% in value, and 4.5% in volume. Button mushrooms declined by 3% in volume terms and 5% in value over the same period.

Exports benefited from a stronger sterling, which helped to offset the impact of the rise in sales of value mushrooms.

The second year of a three year EU supported mushroom campaign continued in 2012, and has helped to keep sales strong in summer, traditionally a slow season for mushroom, and as well as growing sales at all times of the year.

There continues to be ongoing investment in mushroom production in Ireland. The last year has seen ongoing expansion in production capacity for Phase III compost by compost producers. There was also an increase in mushroom growing facilities in the UK.

Outlook for 2013

Horticulture & Cereal export drivers for 2013:

- EU sponsored promotional programme in the UK.
- Currency developments.
- Developments in value mushroom segment.
- Competitor developments.

The strength or weakness of the euro will continue to be a major factor influencing exports of edible horticulture and cereals in 2013. If current trends continue, it will help create a most positive market environment for Irish mushroom exports in the UK. However, the strong switch to value mushrooms - which seems set to continue in 2013 - is putting strong pressure on profitability in the sector. Management of this market segment will be key to overall performance.

Availability from competing suppliers will also play a key role in determining the market for Irish mushrooms. Some further tightening in mushroom supplies across Europe is forecast, which should help demand for Irish mushrooms in the UK.

Predictions of growth in the UK economy for 2013 are welcome and should help consumer spending levels. In addition, the major EU sponsored promotion continues in 2013 and is likely to help boost sales and exports. A further application for funding has been submitted, which would see the promotion continuing into 2014-2016.

Overall, the volume of mushroom exports is expected to grow further in 2013.

AMENITY EXPORTS

Exports of amenity horticulture crops were valued at approx €11.75 million in 2012 which is a reduction of €0.5 million on the 2011 outcome. Following a continued rise in exports over a number of years, growth was disrupted in 2012 due to extremely poor gardening weather experienced during the main spring/summer trading months. This depressed consumer demand in the important UK market and a number of Irish suppliers saw their sales orders reduced as retail outlets struggled to clear stock

The €11.75 million is made up of cut foliage used in floristry which is valued at €2.5 million, daffodil bulbs and cut daffodil flowers valued at €1 million, nursery stock (trees and shrubs) valued at €4.5 million and Christmas trees valued at €3.75 million. Most export sales were achieved in the UK. Small quantities of young plants (plugs and liners) were sold further afield where the higher value to volume ratio supported transport costs. The development of new plant varieties through micro propagation continues to generate additional export income through the licensing of intellectual property to foreign growers and the demand for novel plant introductions bought as both young and finished plants

More nursery stock producers have participated in the Bord Bia Export Development Programme during 2011 and 2012 and with more advantageous weather conditions and a small improvement in consumer confidence the buyer/seller relationships established through the Programme can yield a significant increase in plant sales in future years.

IRELAND – HEAD OFFICE
Clanwilliam Court,
Lower Mount Street,
Dublin 2, Ireland.
Tel: +353 1 668 5155
Fax: +353 1 668 7521

AMSTERDAM
Tel: +31 20 754 6969
Fax: +31 20 754 6961

DUSSELDORF
Tel: +49 (0) 211 470 5975
Fax: +49 (0) 211 470 5976

LONDON
Tel: +44 20 7307 3555
Fax: +44 20 7307 3556

MADRID
Tel: +34 91 435 65 72
Fax: +34 91 435 62 11

MILAN
Tel: +39 02 7200 2065
Fax: +39 02 7200 4062

MOSCOW
Tel: +7 495 607 8150
Fax: +7 495 607 8460

NEW YORK
Tel: +1 212 935 4505
Fax: +1 212 935 4385

PARIS
Tel: +33 1 42 66 22 93
Fax: +33 1 42 66 22 88

SHANGHAI
Tel: +86 21 6279 8900
Fax: +86 21 6279 8901

STOCKHOLM
Tel: +46 8 545 04058

Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

info@bordbia.ie | www.bordbia.ie