

Export Performance & Prospects

2018 - 2019
Irish Food, Drink
& Horticulture

Bord Bia
Irish Food Board



Ireland's Agri-Food Sector

The agri-food sector, which is classified as primary production (Agriculture, Fishing and Forestry) along with food and beverages and the wood processing sector, is critical to the Irish economy accounting for 7.9% of total employment. The Department of Agriculture, Food and the Marine (DAFM) and the Central Statistics Office (CSO) have identified and agreed a number of agri-food categories in the CSO's trade statistics.

These categories include traditional food products such as meat, dairy and beverages; along with non-edible items such as live horses, animal foodstuffs, forestry, and animal hides and skins. Exports of non-edible agri-food sector goods are estimated by DAFM at around €1.5bn in 2018. Adding this estimate to the Bord Bia figures for the food, drink and horticulture sectors, which are the focus of this report, suggests that total agri-food sector exports in 2018 amounted to at least €13.6 billion.



€13.6bn

Total agri-food sector exports in 2018 amounted to at least €13.6 billion

€1.5bn

**Non-edible items
(inc horse and oils)**

Disclaimer

This publication has been produced solely for information purposes and has been prepared on the basis of information which is publicly available, internally generated or from other sources, which are believed to be reliable. Projections and forecasts are, estimates only, based on assumptions involving subjective judgement and based on analysis that may or may not be correct. Reasonable care has been taken in the preparation of the information in this publication and we do not guarantee the accuracy or completeness of the information contained therein.

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Irish Food & Drink Exports



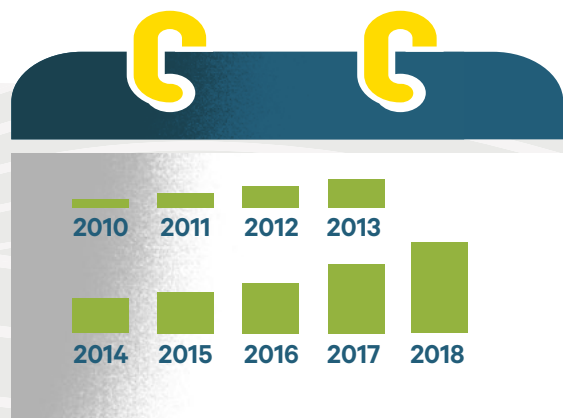
€12.1bn



↓4% in value terms
on 2017

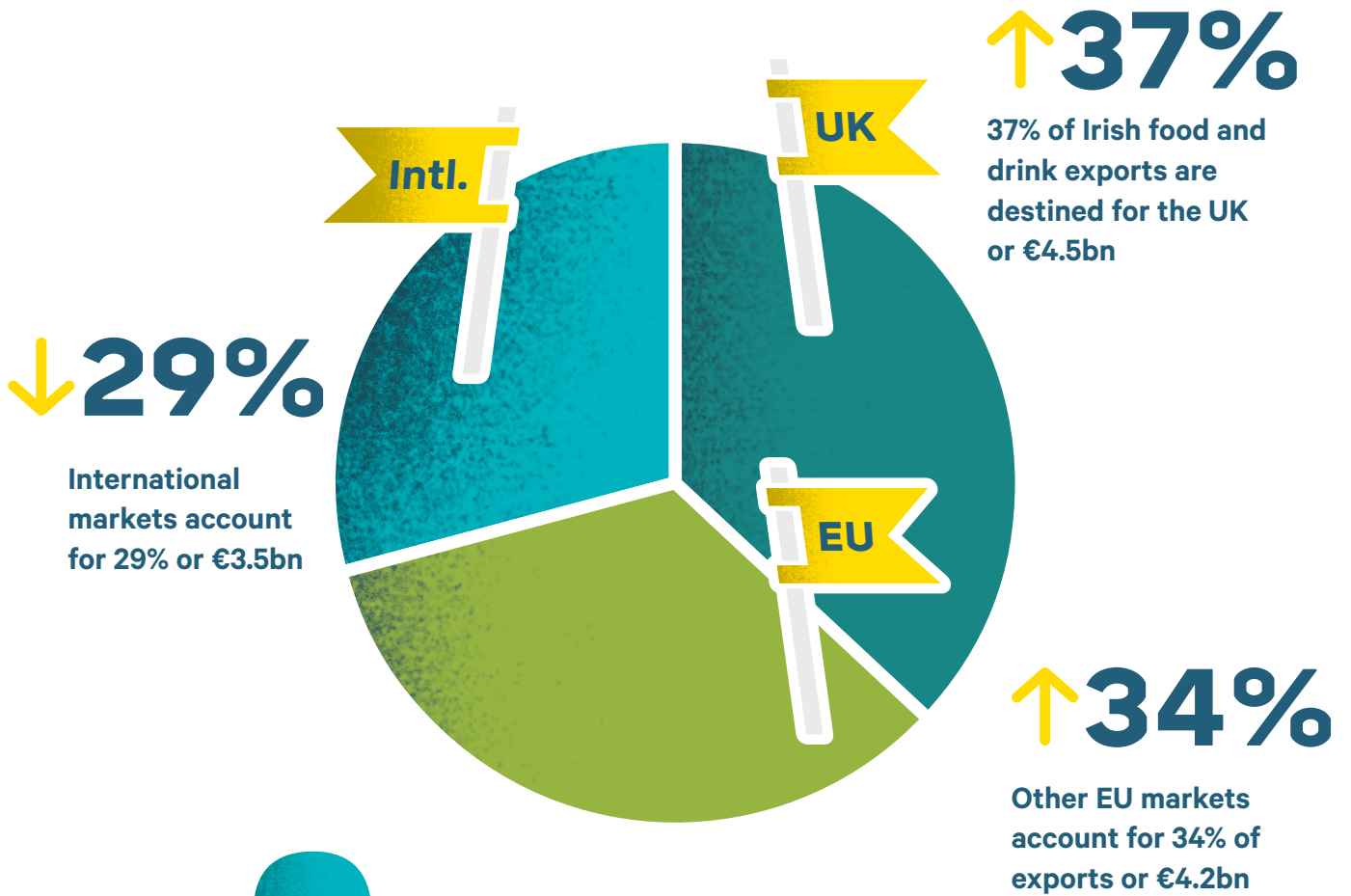


Dairy	33%
Meat and Livestock	33%
Prepared Foods	15%
Beverages	12%
Seafood	5%
Horticulture and cereals	2%



9th

9th consecutive year of export
growth in volume terms



10K+

10,000 more people employed
in the agri-food industry in
2018 than in 2010



180+

Irish food and drink is sold in more
than 180 markets worldwide

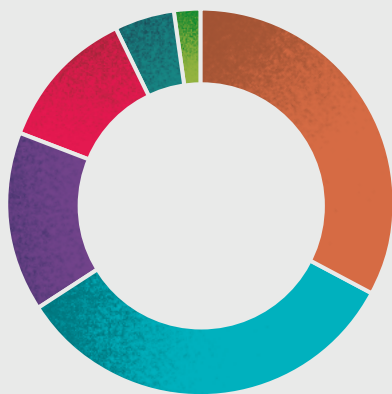
Executive Summary

FOOD & DRINK EXPORTS

€12.1bn



↑64%
since 2010



Dairy	33%
Meat and Livestock	33%
Prepared Foods	15%
Beverages	12%
Seafood	5%
Horticulture and cereals	2%

Performance and Outlook

For 2018 it is estimated that the value of food and drink exports from Ireland is €12.1bn, an increase of over €4.7bn since 2010. The value of Ireland's food and drink exports has increased more than 64% in the last eight years. For the first time during this period, however, the value of Ireland's food and drink exports has not increased year on year. The value in 2018 is 4% less than the value attained in 2017.

Irish food and drink were exported to over 180 countries in 2018, with increased output and a consistency of global demand for key products driving results.

2018 was a year of extraordinary global volatility

Volume growth in many categories this year was counteracted by global price volatility. This led to circumstances where Irish producers exported more volume but the Euro value recorded for those exports declined. Irish food and drink exports were 50,000 tonnes higher in 2018 than 2017.

FY 2018 Estimates

Category	FY2017 as reported in P&P	FY2018 e	% change YoY
Dairy	4,022,972,689	4,008,478,984	0%
Meat and Livestock	3,950,029,797	3,975,388,461	1%
Beef inc offals	2,495,922,276	2,516,393,896	1%
Pigmeat	711,951,583	666,405,468	-6%
Sheep	273,890,968	315,033,408	15%
Poultry	292,097,208	316,307,851	8%
Live Animals	176,167,762	161,247,838	-8%
Prepared Food	2,243,193,485	1,878,266,828	-16%
Beverages	1,496,582,807	1,482,343,239	-1%
Seafood	644,203,487	561,928,870	-13%
Horticulture	230,220,983	207,522,863	-10%
Total	12,587,203,248	12,113,929,244	-4%

Key Drivers of Export Performance

1. Volume growth in meat countered by price pressure
2. Increase in milk availability and buoyant butter commodity price shaping output
3. Quotas and production limitations challenging seafood exports
4. Multinational transfer pricing activity
5. Global food commodity price declines

The strongest performer in terms of export growth in 2018 was the dairy sector with export volumes up 5%

Market Challenges

2018 was a year of extraordinary global volatility. This manifested in trade disputes between the world's two largest economies, the US and China, which had significant knock-on effects for international trade. Trade disagreements arose also between the US and EU, before agreement was reached to stave off further disruption. More significant again was the ongoing negotiations between the UK and EU. In combination, these elements of global volatility affected almost all aspects of Irish food and drink industry's production and export.

The United Kingdom's exit from the European Union remains a strategic challenge awaiting a political resolution, which in turn will set the parameters for future trade. Irish exporters are continuing to trade resiliently through the uncertainty and currency fluctuations.

2018 was also a year of extreme weather events including record flooding, drought and hurricanes, adversely affecting farming globally and in Ireland. In combination, these elements of global volatility affected almost all aspects of Irish food and drink industry's production and export.

Irish farmers had a tough year with exceptionally problematic weather through the winter of 2017/8 affecting grass growth, yield and animal thrive. Teagasc estimates that the average farm income declined 15% in 2018 across dairy, beef, and tillage farms. Dairy farmers took the most severe income cut, losing 22% on figures achieved in 2017.

These combined domestic and global challenges had a significant impact on Irish food and drink exports, resulting in a decline in beef prices and the commodity price of butter in the latter half of 2018, and steeper declines in pigmeat prices throughout 2018. There was also a significant drop in the value of prepared food exports to the US.

A further negative influence on export numbers was a change of accounting processes in one of the manufacturing multinationals, which created a decline in the value of exports in specialised nutritional powders.

Dairy

The value of Ireland's dairy exports in 2018 was €4bn.

The strongest performer in terms of export volume growth in 2018 was the dairy sector with export volumes up 5% compared to 2017 and the value of dairy exports exceeding €4bn for the second year in a row. Butter had an exceptional year in the US and continental Europe and for the first time the value of Irish butter exports exceeded €1bn for the year, a 22% increase on 2017's value. The buoyant prices that sustained that value increase have retracted in the last quarter of 2018 and will continue to do so in 2019.

It was also a good year for Irish cheese exports with Irish exporters opening up new markets. While it remains the case that more than 50% of Ireland's cheese exports – of which 83% is cheddar – is destined for the UK. In 2018, 22% of cheese exports were destined for countries outside of the UK and continental Europe, a significant increase from 17% in 2010. In 2018 the value of cheese exports to Asia and to North America increased 12% and 35% respectively in 2018 to a total value of €75m.

Meat and Livestock

The value of meat and livestock exports from Ireland in 2018 was just under €4bn.

Production volumes are up across all the meat species and new markets are being introduced.

Executive Summary

Beef production increased by 3% with the attendant rise in export volumes. Beef prices, however, tightened on average by 1.8% for exporters, however, leading to export values increasing marginally for the year as a whole.

Access has opened for Irish beef exports to China in April and over 1000 tonnes of Irish beef has landed in China in 2018.

Sheepmeat export values are up 15% to €315m, buoyed by strong market returns .

Pigmeat prices came under significant pressure through 2018 as African swine fever disrupted trade flows, particularly in the world's largest pig importer, China. As a result, the export value of Irish pigmeat declined 6% to €666m in 2018.

Poultry exports rose 8% in 2018 to €316m, supported by rising global demand for white meat and improved volumes of Irish production. The Irish poultry industry is set to produce 100m birds for the first time in 2019.

Exports of live animals were valued at €161m in 2018, a decline from €175m in 2018. This was driven by an increase in lower value calf export numbers and economic challenges in new export markets including Turkey.

Prepared Consumer Foods and Prepared Foods

PCF exports, which include elements of the meat, beverage and dairy categories alongside core prepared foods, were worth €2.5bn and Prepared Foods – the more narrowly defined category which includes enriched dairy powders - was worth €1.9bn in 2018.

Value added products ready for the consumer have been a focus of export growth and investment for the Irish food and drink industry. Exports in this sector are exceptionally dependent on the UK as a destination. 66% of all exports in this sector were to the UK in 2018. To maintain and protect Irish products position in the UK, Bord Bia has been working with retailers on innovation pipelines.

Beverages

The value of Irish beverage exports in 2018 was €1.5bn.

The global market for Irish drinks, both alcoholic and non-alcoholic, continued to enjoy robust export growth, driven in large measure by the demand for premium Irish alcoholic brands. Irish whiskey had another record year of export growth with the value of Irish whiskey exports increasing by €45m in 2018 to €623m as Ireland's industry delivered greater volumes of more premium product to consumers across the globe.

The domestic market for the Irish drink industry will face regulatory challenges in 2019, as a result of restrictions on advertising, labelling and minimum pricing on alcohol.

Notwithstanding this, the outlook for Irish beverage exports in 2019 remains positive, driven by the popularity of premium brands and the growth of Irish Whiskey in key international markets, with 60% of Ireland's whiskey exports destined for North America.

Seafood

Seafood exporters suffered from reduced quotas in mackerel and from decreased production of farmed salmon in 2018. As a result and because of more broadly challenging global market dynamics, the value of Irish seafood exports declined 13% to €561m.

Irish langoustines, crab and oysters subsectors saw strong growth in 2018. Oyster exports continued to shift from the French market to the higher returning Chinese market.

Agri-food Industry

The agri-food sector in Ireland employs over 173,000 people in 2018, which is 7.6% of the total working population and an increase of more than 10,000 since 2010.

2019

Market and trade insight suggest that the global demand for Irish food and drink will remain positive in 2019. In line with Bord Bia's Market Prioritisation work, growth in dairy, meats and beverages in particular will come to a great extent from emerging economies in Asia and elsewhere.

Market and trade insight suggest that the global demand for Irish food and drink will remain positive in 2019

Destinations

The UK market remains central to Irish food and drink exports. The UK took €4.5bn, or 37%, of all Irish food and drink exports in 2018. The vast majority of this went to mainland UK but some sub-sectors are extremely reliant on exports to Northern Ireland, specifically liquid milk/cream and live exports.

The relative dependence on the UK increased in 2018 after a number of years of decline. This is a result of a decline in the value of exports to international markets and a strong year for Irish exports to the UK, the total value of which is up very marginally for 2018 despite the tail effects of significant currency challenges in 2017 and political uncertainty over the outcome of Brexit.

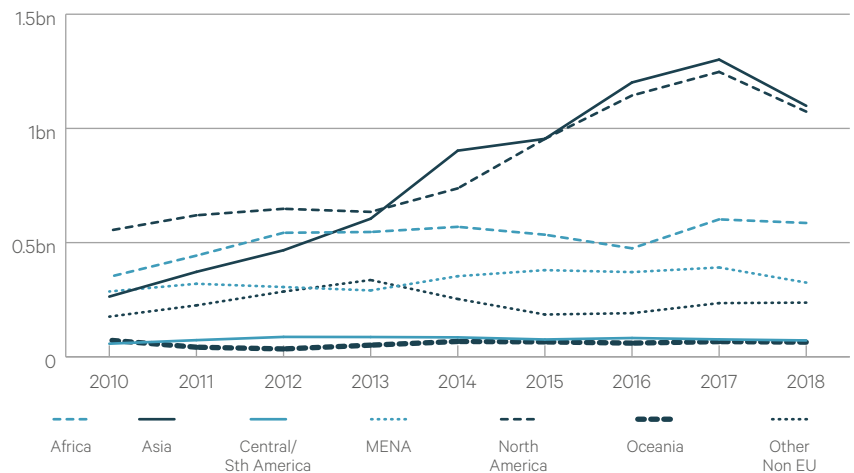
Bord Bia's risk analysis tool - the Brexit Barometer - has informed a wide range of support services being offered to firms, addressing specific needs from supply chain design to customs and foreign exchange training. It has also informed customer engagement, buyer visits and focussed manufacturers on new export markets.

Exports to other EU states exceeded €4bn for the second year running, being 1% up on 2017's value. Notably strong growth can be seen in pigmeat, poultry and dairy exports to the EU.

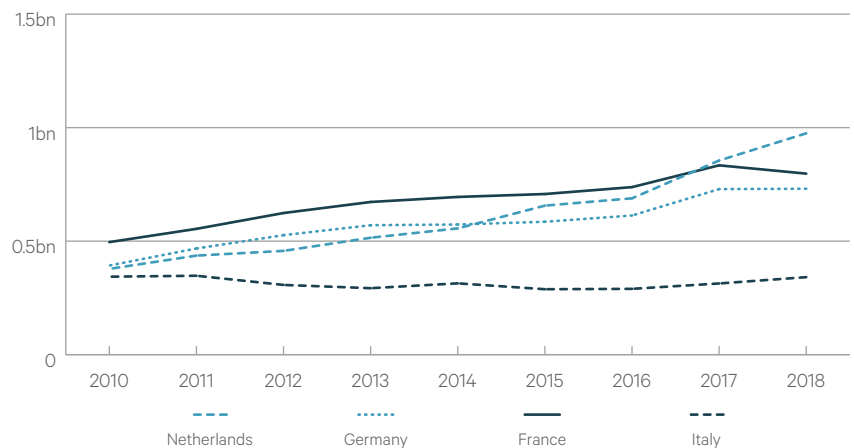
The rest of the world has been the focus of exceptional growth in Irish food and drink exports over the last eight years. In 2010, €1.8bn, or 24% of the total, was exported to countries outside of the EU. In 2018, that figure has increased to €3.45bn, which represents 29% of our total export value. This is a decline from 32% in 2017.

Transfer pricing in specialised nutritional powder and significant declines in the export of powdered food preparations to the US can explain a contraction in the value of these exports to the world outside the EU and UK in 2018.

Value of exports to International Markets



Value of exports to Key EU Markets





↑ **192%**

Shipments to international markets have grown from €1.8bn in 2010 to €3.45bn in 2018



180+

Irish food and drink is sold in more than 180 markets worldwide



€4bn

Dairy exports exceeded €4bn for the second year

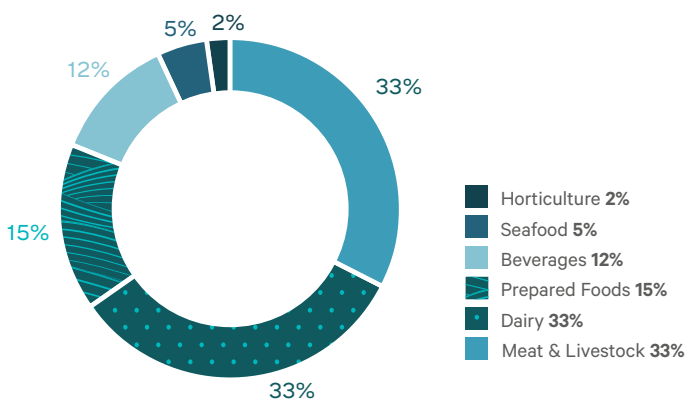
Overview

The global economy and Irish exports

Global economy

The International Monetary Fund expects that global growth for 2018 will be 3.7% and that this is to be sustained for 2019. This is a 0.2% lower prediction than the group published in early 2018. The downward revision can be ascribed to the negative effects of the US trade measures implemented in mid-2018 as well as a weaker outlook for some key emerging markets and developing economies arising from country-specific factors, tighter financial conditions, geopolitical tensions and higher oil import bills.

Breakdown of Exports by Category

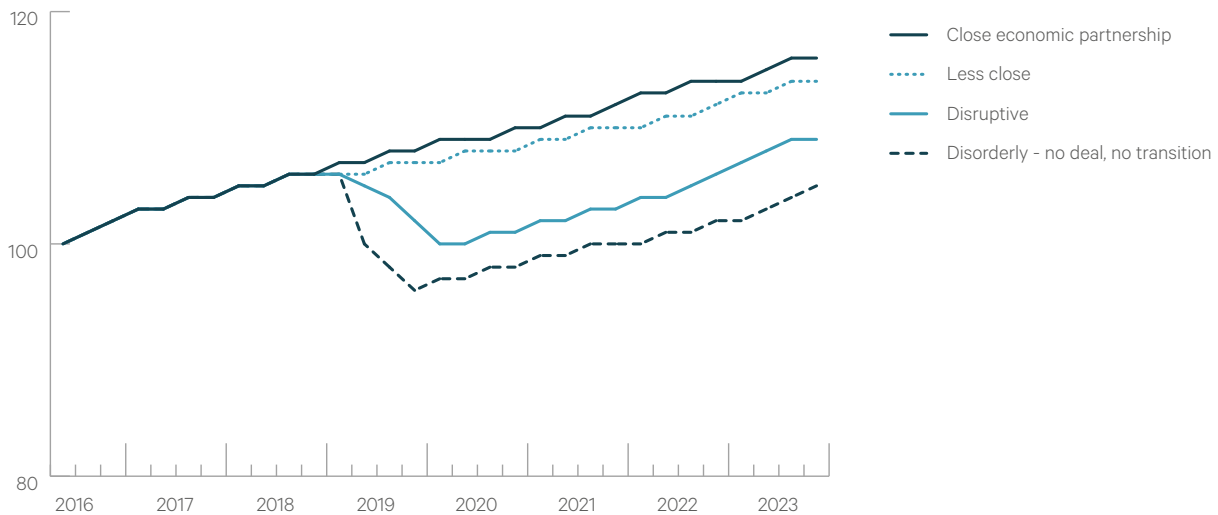


UK outlook

Growth in this major trading partner for Irish food and drink exporters and what form Brexit will take will determine the economic outlook for the UK in the coming years. The Bank of England published in November 2018 a comprehensive analysis of likely economic growth and unemployment figures under four scenarios – an orderly Brexit where close economic partnership with the EU is maintained, an orderly Brexit where economic partnership is less close and EU customs checks are in place, a disruptive Brexit with no deal or customs arrangement and a disorderly Brexit with no deal and no transition in place.

Bank of England consequences of Brexit on GDP analysis

Base/100 = Q2 2011



The only scenario in which GDP in the UK does not contract compared to the trend in place is one where close economic partnership is maintained with the EU. A disorderly Brexit is found likely to have significant impacts on GDP growth of up to -10.5% in the period immediately after exit. Similar impacts on unemployment, interest rates and currency are likely, according to the Bank.

Consumer spending in the UK is forecast by the Office of Budgetary Responsibility to grow by 1.3% in 2018 and to continue with that modest growth in 2019, at 1.2%. While employment numbers remain reasonably strong, wage growth has been and will likely continue to be subdued in the UK, which will restrain growth in consumer spending.

Given Ireland’s exposure to the UK economy, the Economic and Social Research Institute in its most recent Quarterly Economic Outlook noted,

‘The most substantial risk facing the economy is the outcome of the Brexit negotiations.’

The economic impact on Ireland is likely to be close in magnitude to the UK, according to Copenhagen Economics’ report Ireland & the Impacts of Brexit. It also acknowledges that the impact on the Irish agriculture sector is likely to be larger than the impact on the wider economy in Ireland due to its interconnectedness with the UK.

In a July assessment, the International Monetary Fund modelled that a no-deal UK exit from the EU in March 2019 would drag Ireland’s GDP down by 4%, the most severe exposure of any European state. The food and drink industry is particularly exposed.

At the end of 2018 the possibility of a no-deal Brexit remains while the UK Houses of Parliament debate the Withdrawal Agreement.

According to British Government figures, the UK is 60% self-sufficient in food production, declining from 75% in 1991. UK retail, food service and manufacturing customers are aware that they will need to continue importing food and drink in the years ahead post-Brexit. Irish exporters remain well equipped to continue the positive and productive business partnerships

that have been built over past decades through industry actions in sustainability, via the Origin Green programme and trusted relationships off the back of Bord Bia’s Quality Assurance Scheme.

Following the Brexit Barometer survey, Bord Bia’s range of services to exporters to the UK have been tailored and expanded, addressing specific needs from supply chain design to customs and foreign exchange training.

Given the particular exposure of exporters of PCF, Bord Bia has been investing in retail and innovation partnerships to extend the range of Irish products on the shelf.

Euro area

The European Commission forecasts that 2018 will see growth of 2.1% in the euro area, a slight decline from the decade-long high of 2.4% achieved in 2017.

This moderation is expected to continue with a growth rate of 1.9% in 2019.

The consequences of Brexit on the Euro area economy also remains a risk. A disorderly Brexit will have negative effects on the wider Euro area economy.

Overview

Economic reform in the Euro area was under threat at the end of 2018 as both France and Italy made domestic spending commitments that would take their deficits outside mandated 3% of GDP. The consequences for the bloc in terms of adherence to the agreed bounds of the Growth and Stability Pact and for the economic performance of the countries involved could be significant.

Nevertheless, currently the unemployment rate is at its lowest in a decade and wage growth being observed in most sectors.

This will buttress consumer demand for Irish food and drink produce in the area, where significant growth has been seen in key markets.

USA

The US Bureau of Economic Analysis has observed economic growth in the US of 3.3% in 2018. Analysts are cautious about the opportunity for similar growth next year as the import tariffs imposed on China for a range of manufactured goods in 2018 have been met with retaliatory tariffs in China and this will have an impact on economic growth.

Annual wage growth in the US has been the fastest in nine years throughout 2018, with positive impacts on the ability of consumers to increase spending.

China

The International Monetary Fund assesses China's economic growth in 2018 as likely to be 6.6%. The country now accounts for over one-third of total global growth.

Government economic reforms, including reining in credit growth and supply side reforms, are predicted by the IMF to solidify China's position for long-term, quality growth.

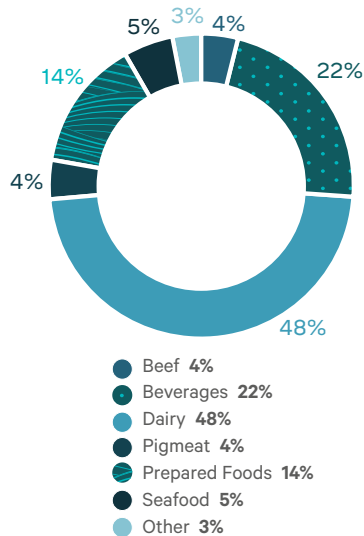
Other Asian Economies

In the rest of Asia, the IMF predict growth of 5.6% for the year with wide variances across destinations for Irish food and drink exports. Japan will grow at 1.2% which is a strong performance for that mature, developed economy.

There is a caution that the medium term risks for the Asian economies are significant. Aging populations and declining productivity growth will necessitate structural reform if the pace of growth observed in quickly emerging economies is to be sustained.

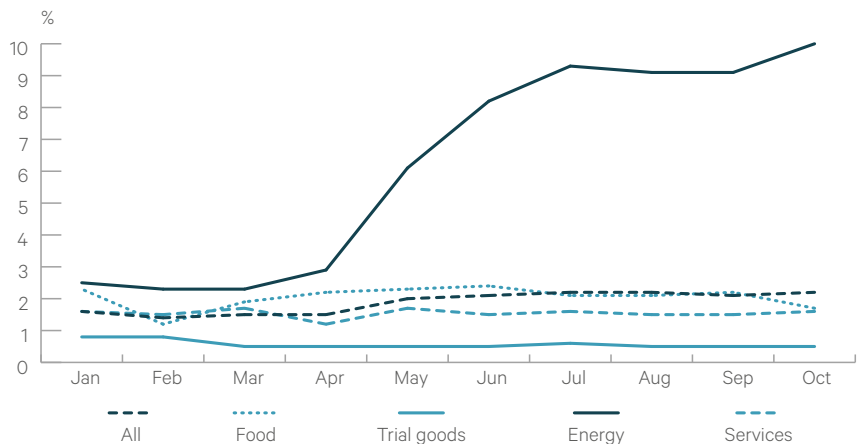
But significant opportunities for continued economic expansion remain. The Belt and Road infrastructure initiative could leave the region much more integrated and improve the ease of moving imported perishable goods within and through countries in the region.

Breakdown of Exports to International Markets



Bord Bia is supporting Irish food and drink manufacturers who export into the UK through the Brexit Barometer initiative, mapping and supporting Irish exporters in changing business practices in response to the risks of Brexit

Components of Euro Area inflation - food inflation remains >3%



Overview

Currency movements

Currency movements continue to have an impact on Irish food and drink exports. The majority of these non-Eurozone exports go to the UK and so the euro to sterling exchange rate is most important for Irish manufacturers.

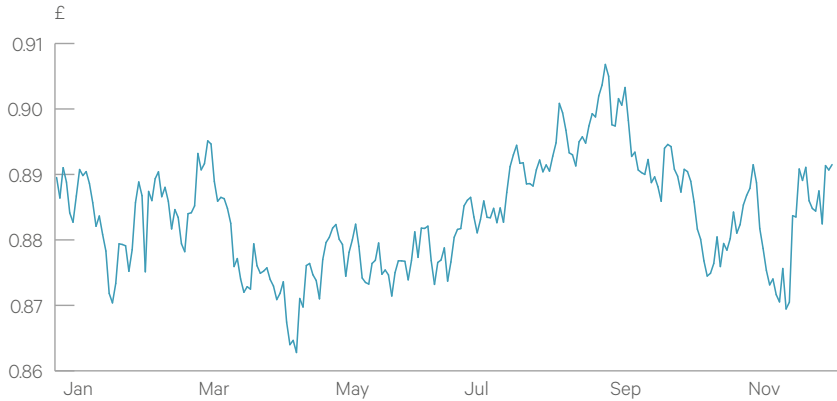
Against sterling the euro has fluctuated through 2018 and is likely to close the year close to the same price it was at the start of the year, close to 90p to one Euro.

Movements in sterling were closely linked to Brexit negotiations and UK government movements through the year.

The value of a euro against a dollar has declined this year. Having started the year at over \$1.20, one euro will buy \$1.14 in mid-December. This is linked to the strong economic performance data from the US through the year and the passage of major tax reform legislation. As a result, goods imported into the US have become more competitively priced as the year progressed.

Euro v GBP, 2018

Source: Central Bank



Euro v Dollar, 2018

Source: Central Bank



Brent Crude price in 2018



Movements in sterling were closely linked to Brexit negotiations and UK government movements through the year

Overview

Global commodity market

Oil prices in 2018 have been higher through most months of 2018 than in 2017, according to the recent analysis by the World Bank Commodity Outlook.

For the first 10 months of the year, the average price per barrel was \$72, compared to \$53 in 2017. The price increase has been driven by the re-imposing of sanctions on Iran by the United States alongside continued decline in production in Venezuela.

In the last months of the year, however, rapidly increased Saudi production caused a price decrease of 15% and the price per barrel at time of going to print was \$60.

Agricultural commodity prices remained flat in 2018 on average compared to 2017 prices. The World Bank forecasts a moderate increase in price of 2% in 2019 as input costs including energy and fertiliser continue to rise.

Non-energy commodities such as metals are expected to gain 5% in 2018 and to stabilize in 2019. Risks of a significant decline in prices in this sector come from, among others, continued deterioration in the trade relationship between the US and China, which account for 50% of the global metal trade.

Global food prices

The Food and Agriculture Organisation Food Price Index (FPI), which tracks agricultural commodity prices, declined by 3% over the first 10 months of 2018.

The FPI is a weighted average of price indices of meat, dairy, cereals, oils and sugar. All the constituent elements, except for dairy and cereals, observed a decline in 2018. The dairy price index increased 1% while the price of cereals increased 6% through the year.

Compared with the same month last year, the prices in October 2018 were 7% down for the total food price index, dairy being 15% less than the same month in 2017 and meat down 7%. Dairy price decline was owing to declines towards the end of 2018 in the prices being paid for butter, and to a lesser extent declines in prices for cheese and WMP on the global market.

The decline in meat prices was accounted for by continued declines in pigmeat prices as large volumes of supplies from main producing regions interacted with continuing trade restrictions due to African swine fever. Poultry prices were reduced by slack demand. The only constituent part of the meat index to improve was bovine prices supported by firm demand from Asian markets.

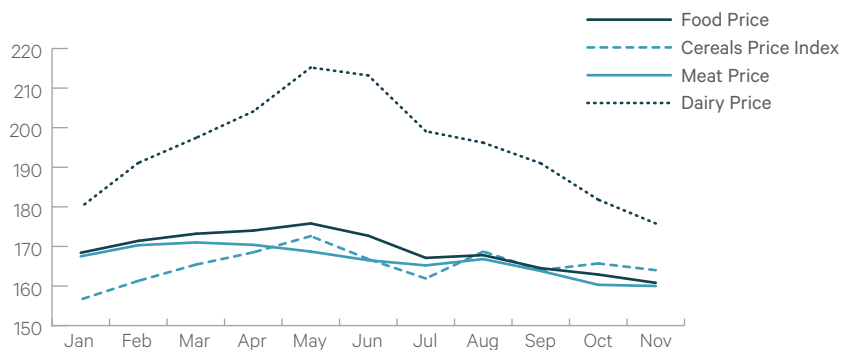
Rabobank in its forecasts for 2019 expect global dairy prices to increase as the amount of surplus dairy available for export tightens while global demand continues to grow.

Pressure will continue on EU pork and beef prices through 2019, but demand levels in Asia have the scope to support global prices. Underlying feed prices are forecast to stay stable in the EU through 2019.

—
The most substantial risk facing the economy is the outcome of the Brexit negotiations.
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FAO Food Price Index 2018

2002-2004=100

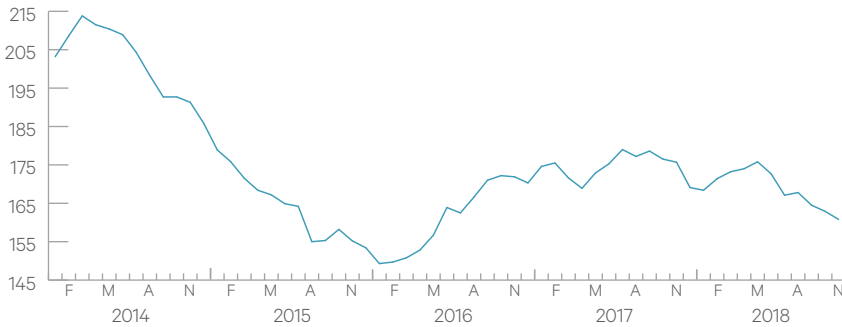


Prospects for Irish food and drink exports in 2019

The global trading environment will have challenges and opportunities for sustainable, differentiated food and drink exports from Ireland in 2019. There remain a number of strategic risks, not least the form of Brexit that occurs. Longer term trends including increasing demand for sustainably sourced produce and increased uptake in dairy and animal protein consumption – which will increase the appeal of Irish food and drink – will continue to manifest in 2019.

FAO Food Price Index Historical View

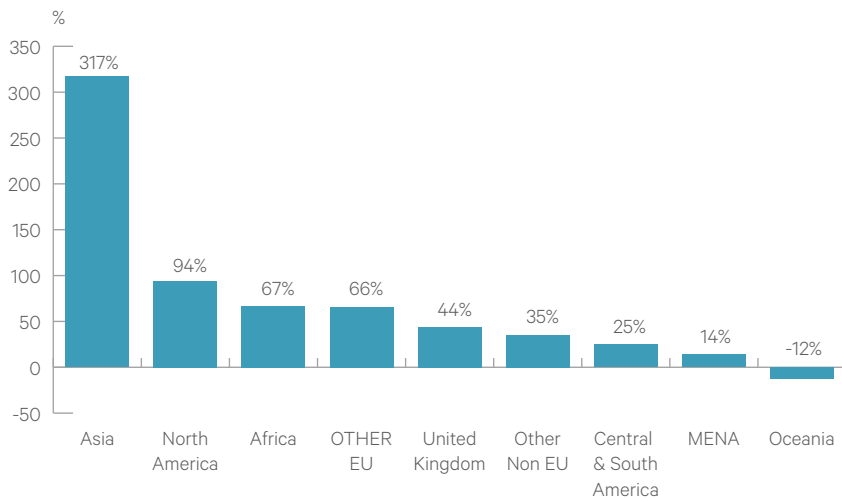
Base 2002-2004=100



Consumer purchasing power in all the major destinations for Ireland's food and drink is forecast to increase in 2019. International consumer perception of the 'food brand' of Ireland is positive and Irish manufacturers continue to invest in innovations that work for the emergent consumer.

The global trend in dairy demand is positive and Ireland's industry is well positioned to continue to supply to meet new demand. The appeal of Ireland's pasture-raised, sustainable, quality-assured dairy production system is clear and continues to provide a viable point of difference in the global marketplace.

Growth In Markets, 2018 v 2010

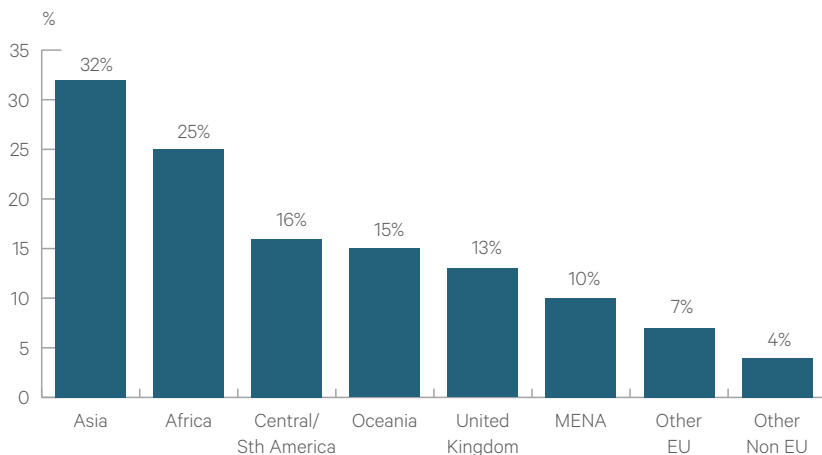


The UK is not self-sufficient in meat and per capita consumption of meat is increasing year on year in Bord Bia's priority markets. The Irish industry is well placed to satisfy those needs. Ireland exported meat to 74 countries in 2018 and, as access and demand increase, that number is likely to increase.

Commodity prices for butter have by the end of 2018 reduced to €3300 a tonne, declining from €5500 in May. Further declines are expected by most analysts.

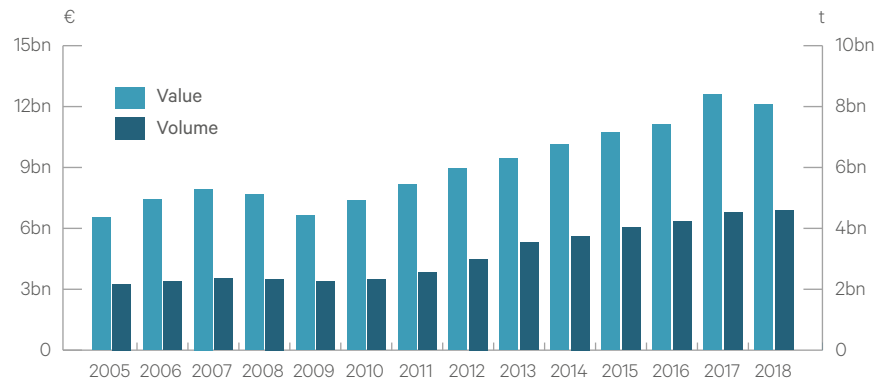
Brexit remains a significant risk and the relative dependence of Irish food and drink exports on the UK market has increased this year. Sectors such as prepared consumer food, horticulture and live animal exports are extremely dependent on exports to the UK and risk-mitigation activity for no-deal Brexit scenarios or significant currency fluctuation are necessary for those exporters.

Growth in Markets since Brexit - by volume

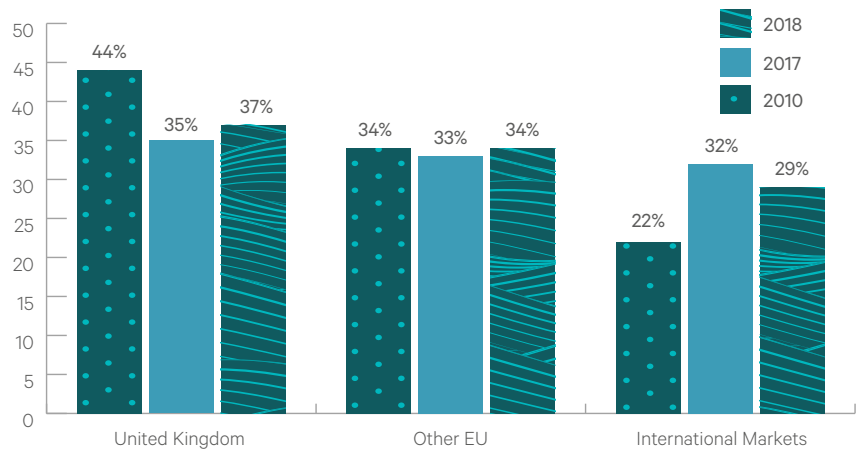


Overview

Irish Food and Drink Exports 2005-2018



Market Distribution of Irish Food and Drink Exports



Major EU Market Performance

	€ Value	% Growth
Netherlands	975	+10%
Italy	341	+3%
Spain	270	+1%
France	797	-3%
Germany	731	0%

Meat and Livestock



€3.97bn

The value of meat and livestock exports, an increase of 1% percent



76

Irish meat and livestock is exported to 76 markets



33%

This sector represents 33 percent of total food exports



Beef exports were valued at €2.5bn, an increase of 1% on 2017



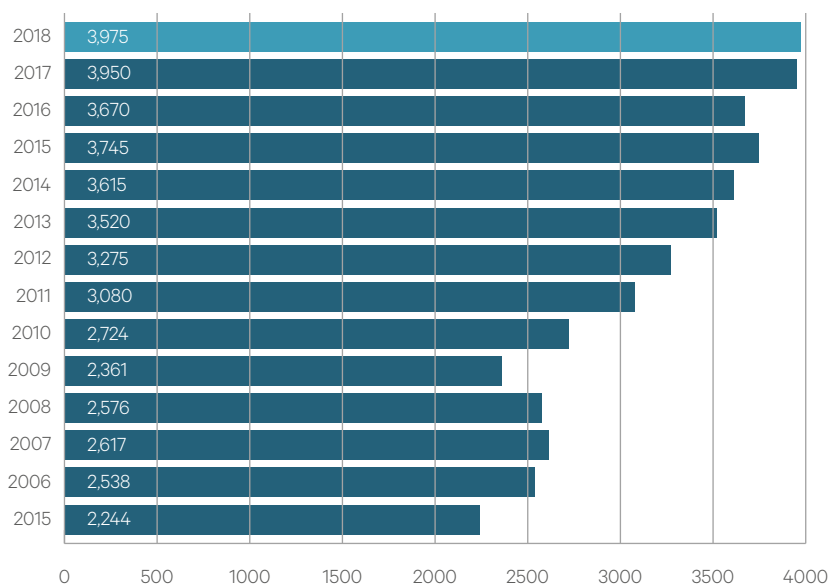
Pigmeat export values were 6% lower than 2017



Poultry exports increased in value by 8%

Trend in meat & livestock exports* 2005 to date (€m)

Source: Bord Bia estimates *includes beef offals



Strong price growth saw a 15% rise in the value of sheep exports



Livestock exports

Beef

Total production of Irish beef is estimated to have risen by approximately 3% in 2018 to 633,000 tonnes. This growth was anticipated early in the year due to growing calf registrations and relatively low calf exports in 2016. 579,000 tonnes (excluding offal) of beef was exported in 2018 with a total value of €2.32bn – an increase of 2% year on year.

The value of offal exports dropped slightly to €230m, under pressure from lower prices, particularly in the Hong Kong market. The total value of beef exports, including offal, was just over €2.5bn, an increase in value of 1% overall on 2017.

Overall, Irish cattle supplies rose by almost 60,000 head or 3.5% in 2018. Higher throughput figures were consistently recorded throughout the year for both prime cattle and cows. Steer supplies dropped marginally by 1.5% or 12,000 head, although this was offset by an 8% or 14,000-head increase in young bull production. Similarly, heifers increased by over 28,000 head and cow slaughtering was also 26,000 head higher, a rise of 7%. The impact of higher cattle supplies was partly offset by a slight decline in carcass weights. The average weight of cow carcasses declined from 317kg to 302kg in 2018. Steer and heifer carcasses declined on average 8kg this year.

Forecasts on the Department of Agriculture's Animal Identification and Movement database suggests that prime cattle supplies look set to decline somewhat in 2019, although cow throughput is predicted to remain high.

Exports

Exports of beef to the UK increased by 4% in 2018 with lower beef supplies in the UK leading to increased demand for imports. Demand from the retail sector was stable. The foodservice sector was more challenging, as Irish beef came under pressure from more competitively priced imports from Eastern Europe. Irish beef, however, was able to grow its presence in the higher end of the foodservice sector.

Overall, UK beef consumption decreased by 2% in 2018, as a result of continued price inflation of over 3% and dietary lifestyle decisions.

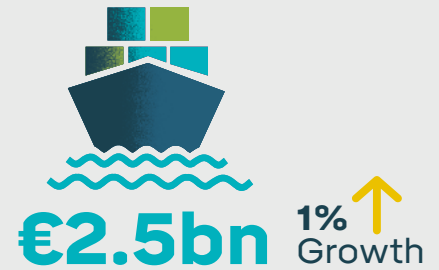
Irish beef exports saw growth in the Netherlands and Italy and remained static in Germany, while volumes sent to France, Sweden, Denmark and Spain declined. Exports to the Netherlands grew 4% to a value of over €200m. The Italian market was close behind worth €192m, 6% growth. The values to Germany were worth €136m, as they were in 2017. Generally, the EU market was adequately supplied with competitively priced beef from continental Europe. While beef demand throughout the EU was robust and experienced marginal growth of 0.5%, beef output and non-EU imports increased by 2% and 6% respectively. As a result, prices, especially those for manufacturing beef, were challenging and decreased in the second half of the year.

Exports to international markets declined in 2018. Conditions in key Asian markets such as the Philippines and Hong Kong were highly competitive as more South American and Australian beef targeted these markets and price levels fell, meaning that Irish producers found better prices closer to home.

The Chinese market opened to Irish beef in June 2018 and demand has been strong. By the end of 2018 more than 1000 tonnes of Irish beef will have been landed in China.

The conditions of access for Irish beef limit what can be exported to boneless cuts and those cuts must come from one of six approved meat plants. The rate of growth in beef consumption in China and the limits of its own domestic production capacity make the prospects for significant gains in the values and volumes of beef being shipped to China in 2019 strong.

Beef Exports



50%

The UK remains the dominant destination with 50% of exports going to the UK



633,000 tonnes

Total Irish production of beef has risen 3% in 2018

Prospects

A normalization in the supply of beef on the European market is expected in 2019. However, with plentiful supplies from major international beef exporters, Irish producers can expect to see continued price competition on the EU and international markets. In Europe the prospect of greater supplies of beef under a Mercosur deal and uncertainty over a Brexit deal overshadow the market outlook.

Growth in international exports will depend on improved Irish access to Asian markets and relative price levels.

Opportunities for Irish beef will continue due to growing demand for beef with a premium image and high-quality assurance and sustainability standards.

Consumer and NGO challenges over sustainability, animal welfare and levels of meat consumption are likely to persist.

Pigmeat

Pigmeat

Against a backdrop of relatively strong pig prices during the first nine months of 2017, Irish producers had retained more breeding pigs in their herd by the end of December 2017. This expansion in the breeding herd combined with ongoing improvements in pigmeat efficiencies at farm level left production for 2018 4% higher at 306,000 tonnes compared to the previous year.

On the back of increased production, exports for 2018 are expected to increase by almost 6% to 264,000 tonnes. However even allowing for volume gains, significant downward pressure on prices this year is expected to leave the value of exports 6% lower at €666m for 2018.

Globally, the pigmeat trade was affected by an overhang of product in the marketplace reflecting some increase in pig production across key regions such as the EU and the US during 2018. Figures from the US Department of Agriculture show that global production is expected to increase by 2% to 113m tonnes during 2018 compared to the previous year.

Global trade was adversely affected also by the outbreak of African Swine Fever (ASF) in China, which has spread to 10 geographically dispersed provinces in China since August of this year. Resulting bans on the transport of pigmeat have made it difficult for affected provinces to move pigmeat inventories. This inability to process pigs in affected regions led to reduced prices and forced herd liquidation.

Recent ASF outbreaks in Europe also raise the possibility of more trade interruptions and the potential for greater herd losses especially in Eastern Europe, where the breeding herd in Romania has been particularly affected. In addition, the EU pigmeat sector felt the negative effects of the drought that prevailed across Northern Europe during the summer months, which led to significantly lower yields and higher feed costs for pig producers.

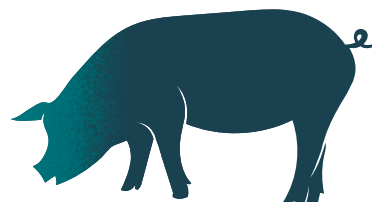
Elsewhere, US production is forecast to grow by 3% during 2018 to 12m tonnes. The industry has been affected somewhat by retaliatory tariffs placed on US pork by Chinese authorities. However, lower prices have benefited exports to their key neighbouring market, Mexico.

PIGMEAT EXPORTS

€666m



↓ 6%
decline

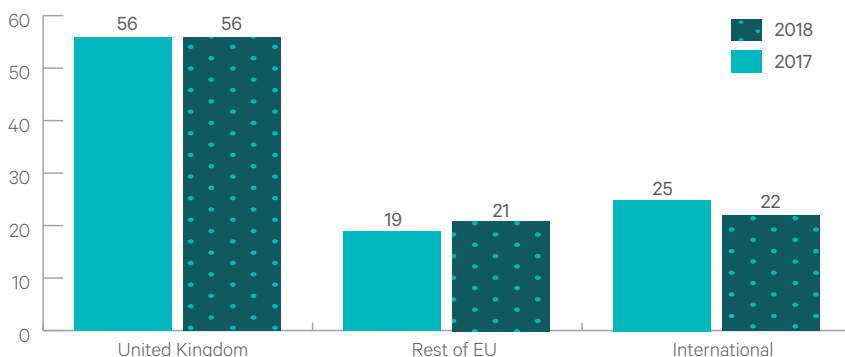


4.1%

The volume of pigmeat production increased 4.1% in 2018. Significant price declines ensured that the value of exports would nonetheless decline.

Distribution of Irish Pigmeat exports

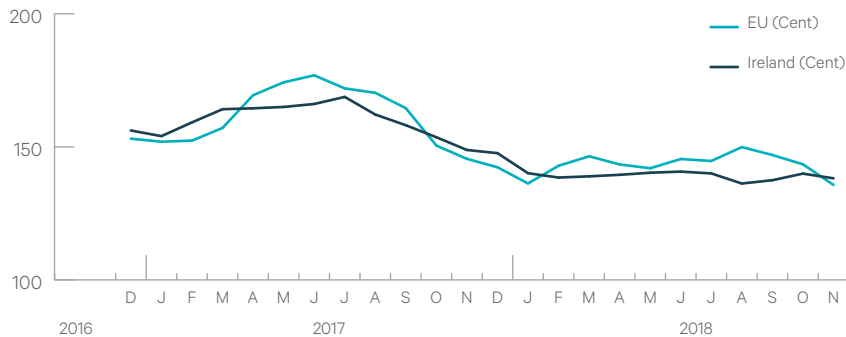
(% value)



Domestic market

Ireland consumes more than 50% of the total output of pigmeat in this country, a uniquely high proportion across the species. The pigmeat sector in Ireland had a reasonably strong performance in 2018. In the year ending 3rd December 2018, the volume of pork and sausages sold at retail level increased by 4% and 3% respectively, to over 20,000 tonnes and 17,000 tonnes. Sales of sliced cooked ham increased by over 5% breaching 20,000 tonnes as consumers purchased the product more frequently combined with new shoppers buying this product. However, the overall category was affected somewhat by the slowdown in bacon sales of almost 5%. Domestic retail sales of pigmeat products were over €670m in 2018.

Irish, EU, Pigprices



€35m

Exports to South Africa
increased by 30% to
€35m in 2018

Exports

56% of pigmeat exports from Ireland went to the UK in 2018, which remains the dominant destination for these exports. The best performing markets for Irish pigmeat shipments were seen in International markets such as Japan and South Korea. Exports to Japan increased by 36% to €30m and exports to South Korea were 29% higher at €11m compared to 2017. This helped to offset some of the decline in export activity to China, the second largest market for Irish pigmeat exports. Values in 2018 were back to €59m, having been at €93m in 2017. This was due to lower pricing in that market for most of the year, along with stock movement challenges as a result of African swine fever.

Prospects

Looking ahead to 2019, success for the Irish pigmeat trade will be underpinned by strengthening demand from Asia combined with access to new potential markets and some stabilization in supplies from other European markets.

African Swine Fever has the potential to cause significant structural change in the Chinese pork industry. Price pressure in the affected regions has already forced some smaller producers to exit the market. The latest government figures show that the country's breeding herd was 5% lower in August 2018 compared to the previous year. By the end of 2018, the herd could decline by double digits.

In Europe ASF is already present in Belgium, if ASF was to spread to other Western European countries, such as the Netherlands and Germany, this could have a very damaging effect on overall European trade during 2019. The outbreak of ASF in Belgium has affected local exporters significantly. However, in the overall context of European trade, this event has had little impact to date, with Belgium accounting for just 3% of EU pigmeat exports.

While pigmeat output is expected to come under further pressure in China and in the EU to some extent during 2019, production in the US is expected to increase by around 5% to 12.6m tonnes. This follows substantial

investment in production capacity by processors whose confidence was boosted somewhat with both the recovery in US pig prices and in the wake of the discovery of ASF in China. US exports of pork to China have been affected by tariffs introduced in the middle of the year, but the effect has been cushioned by strong demand from the largest customers for US pork in Japan and South Korea.

Brexit poses a further unpredictable but undeniable challenge to the Irish pigmeat industry, both in terms of potential tariff and non-tariff barriers as well as currency exposure. With 56% of pigmeat exports from primary and secondary processors is currently shipped to the UK, and 99% of live exports, this risk is significant.

As part of the industry response to this risk, Ireland continues to seek access to new markets and to develop existing global markets. During 2018 the Department submitted draft veterinary health certificates to the Mexican authorities. Also during 2018, Mexican authorities undertook veterinary inspections at key Irish pigmeat export plants. This should help pave the way for market access in 2019. Initial discussions have occurred with Malaysian authorities with a view to organising a visit to Ireland in 2019 to review export pigmeat plants.

↓ 6%

Values of exports down by 6%

Sheepmeat

SHEEPMEAT EXPORTS

€315m

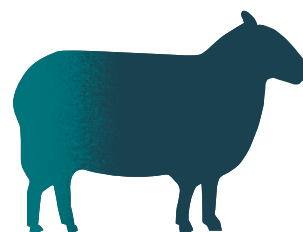


↑ 15%
growth

Sheepmeat export values for 2018 are €315m, a 15% gain on last year on the back of strong price gains

Irish sheepmeat exports for 2018 are expected to reach 55,800 tonnes, a 2% decline in volumes on the previous year. While 2018 saw higher total sheep slaughterings (3.23m head), the potential volume gains as a result were offset by lighter carcase weights as lamb thrive suffered due to the difficult spring and summer drought.

These weather extremes had a favourable impact on farmgate prices, which was reflected in the early part of the year when prices for hoggets reached record highs. Global lamb prices, too, reached record highs as strong demand in Asian markets such as China was met by constrained supply. This saw the overall value of Irish exports grow by 15% to €315m.



↑ 3.6%

Irish sheepmeat production in 2018 was 69,500 tonnes, a 3.6% growth on 2017

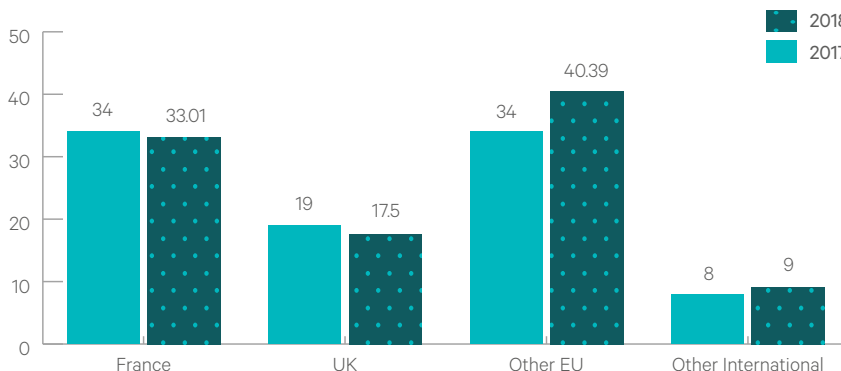


↑ 10%

France remains top export market for Irish sheepmeat with 10% value growth Year-on-Year

Distribution of Irish Sheepmeat exports

(% value)



Exports

In the first quarter of 2018, Irish sheepmeat export volumes were almost on a par with 2017 levels, at 16,397 tonnes. The early Easter in 2018 (1 April) contributed to the drive in exports in the first quarter. However, the extreme weather conditions that followed in spring had an impact on lamb thrive and, as a result, peak supplies of new spring season lamb did not materialize till mid to late summer. This saw Irish sheepmeat exports slip in the early part of the second quarter, thus delivering a 16% reduction in export volumes for the first seven months of the year.

With increased throughputs of new season lamb and heavier carcase weights in the third and fourth quarters, together with a continued strong supply of culled ewes, total exports reached 55,800 tonnes.

Tight supplies underpinned firm prices throughout 2018.

Notwithstanding the higher input costs incurred due to the adverse weather conditions in spring and summer 2018, farm gate price returns have performed well. Achieving €5.14 per kg, average sheep prices were some 33 cents per kg above 2017 levels.

Adding value

The value of Irish sheep exports continues to grow despite pressure on volumes due to the shift away from trading in carcasses and into developing value-added primal products. This offers greater scope to optimize the product and market mix and to seek out the best-paying markets for primal cuts. In 2008, approximately 70% of Irish sheep exports were shipped as carcase with the balance in primal format. By 2018, this ratio was inverted, with carcasses accounting for approximately 30% and primal product 70%. This continued drive toward higher-value products and markets remains a priority into the future.

Destinations

The strategic market diversification drive evident in recent years was maintained, with over 50% of shipments by value destined for markets other than France and the UK in 2018, an increase from 47% in 2017.

It is worth noting, however, that the values realized for the exports to France and the UK actually showed a gain. Diversified, high-value markets such as Belgium, Germany and Sweden, which now account for 29% of export values, (up 3% on 2017) continue to outperform others both in value and volume growth. Bord Bia has been developing deeper market and consumer understanding in these key markets to support exporters.

World markets

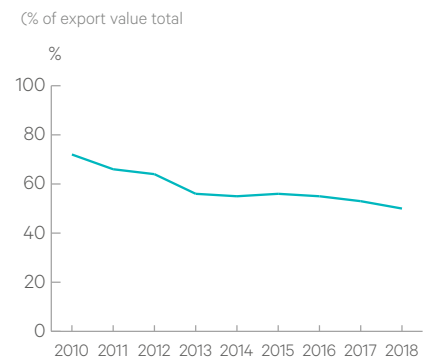
UK

2018 proved to be a challenging year for UK producers on account of the extreme weather conditions in the spring and summer. According to the UK Agriculture and Horticulture Development Board, the 2018 lamb crop was down one million head. In line with the decline in production, UK exports are expected to reach 82,500 tonnes in 2018, a 12% decline on the previous year. Domestic demand for sheepmeat has been subdued in 2018, especially during the summer months, due to the hot weather and higher retail prices.

New Zealand

There is strong confidence in the New Zealand sheep sector. Prices reached record highs of NZ\$8 per kg at one point in the season. These record highs were achieved as a result of strong global demand, especially from China, up 23% in volume and a 2% decline in lamb exports, which stand at 289,000 tonnes reflecting a decrease in average carcase weights and a smaller lamb crop. The decline in lamb numbers was due to a fall in breeding ewes as farmers availed of high mutton prices. China continues to be a major driver for the New Zealand lamb sector. Since 2011 it has taken pole position as the key export destination by volume. The outlook for 2019 looks promising, helped by reduced supplies of Australian lamb and the anticipated lift in demand arising from Chinese New Year.

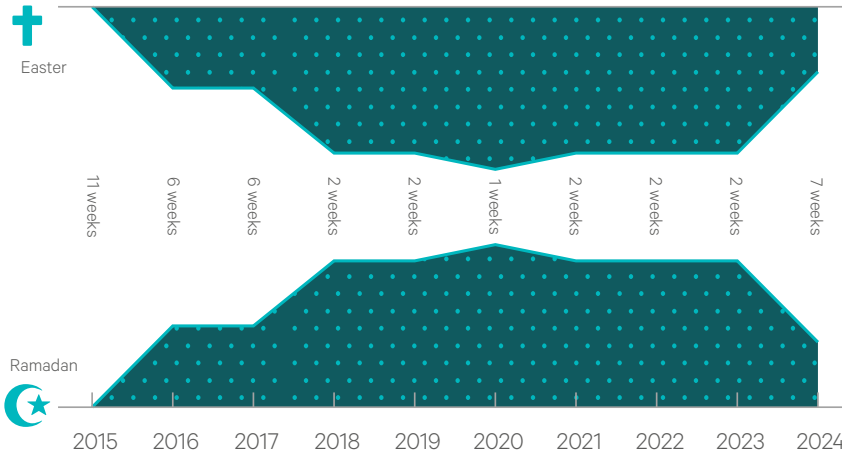
Proportion of sheepmeat exports destined for UK and France



The strategic market diversification drive evident in recent years was maintained, with over 50% of shipments by value destined for markets other than France and the UK in 2018, an increase from 47% in 2017

Significance of religious festivities for Sheep exports

(% value)



Prospects

Ramadan and Easter converging

Sheepmeat commands a privileged position with its long-running traditional link with religious festivals such as Easter, Ramadan and Eid-Ul-Fitr. As a protein of choice for Muslim consumers, sheepmeat commands an all-year-round demand in some of our key export markets such as France, Sweden and the UK.

In 2019, Easter will fall on 21 April. This will be followed by Ramadan some two weeks later, for the period 5 May to 5 June. The timing of these festivities will provide a significant impetus to trade demand over that period. Beyond 2019, both Easter and Ramadan will converge again, with just one week separating them, in 2021.

Enhanced traceability

Since 2009, Ireland has been exempted from the EU's electronic identification (EID) for sheep under one year and intended for slaughter. Sheep older than one year, i.e., breeding ewes and rams, required EID tagging. With effect from 1 June 2019, all sheep moving off a holding must be identified with an EID tag. This move to full EID will protect Ireland's reputation as a source of safe and secure food and animals. It will put Ireland's sheep traceability system on a par with other major competitor exporting countries in maintaining and securing new international markets for Irish sheepmeat.

Brexit

The form that Brexit will take will be important for the lamb export industry. The consequences of a hard Brexit would include:

- » disruption to north-south live trade, which accounts for 14%-17% of throughputs from the Republic of Ireland
- » prospective renegotiation of the EU Tariff Rate Quota (TRQ) for New Zealand lamb (227,000 tonnes) and Australian (19,000 tonnes).

The implications of a hard Brexit will compound the logistical issues for Irish exporters of using the UK land bridge in the lead-up to two of the busiest weeks in the year, Easter and Ramadan. Nevertheless, Ireland will have a competitive advantage over UK exports to the EU. Some 95% of UK exports are destined for EU26 countries, of which France accounts for 50%, followed by Germany at 10%.

Through 2018 Bord Bia has been promoting EU lamb as part of a broader EU meat campaign in China, Japan and Hong Kong. This campaign will continue through 2019 and serve to increase awareness in those countries, which are currently the destination for very small amounts of Irish sheepmeat exports.

69,500t

Irish sheepmeat production in 2018



Poultry

The value of poultry exports from Ireland are up 8% to €316m

Irish poultry production is expected to increase by around 3% to almost 157,000 tonnes during 2018 compared to previous years' levels. This is the highest production ever recorded for poultry production in Ireland and reflects the continuous increase in popularity for white meat protein as consumers perceive poultry meat to be a versatile and healthier choice compared to other sources of meat protein.

Destinations

Of the poultry exported from Ireland in 2018, 67% went to the UK, of which 87% went to the mainland. The second largest export market for Irish poultry is South Africa, which attracted €35m in exports in 2018, 11% of the total and a 30% increase year on year. The prospects for this market however are less bright for the future as South Africa imposed in October an 'agricultural safety levy' of 35% on all imported bone-in poultry cuts.

Global trends

The global poultry market had a mixed performance during 2018, with trade being affected by EU restrictions on several Brazilian export plants, changing halal standards in Saudi Arabia, the impact of the truckers' strike during the second quarter in Brazil and recent anti-dumping restrictions on Brazilian chicken imports set by China.

The reduction in Brazilian exports due to state investigations of a number of plants accused of fraud in safety inspections during the second half of 2018 led to significant opportunities for some exporters. The Ukraine was the principal beneficiary. During the first half of 2018, their total export volumes reached record levels at 155,000 tonnes with prices around 15% higher.

Latin American exporters other than Brazil have also benefited, with fast-growing exports into the EU from Chile and, to a lesser extent, Argentina. Thailand has also benefited from the weakening Brazilian trade position with export volumes up by 11% during the first half of 2018.

The US and EU are also gradually increasing export volumes. The US has seen strong exports to Cuba, Taiwan and Africa, while the EU is more focused on South-East Asia, with rising exports to the Philippines and Vietnam.

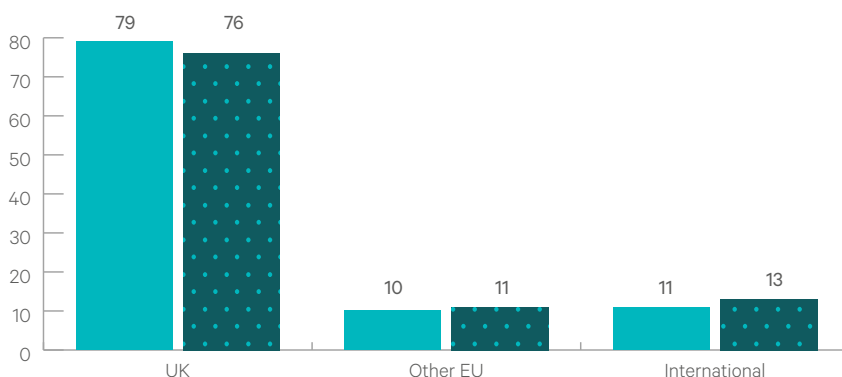


€35m

€35m in poultry exports went to South Africa in 2018 - largest destination outside of UK for Irish poultry

Distribution of poultry exports

(% value)



POULTRY EXPORTS

€316m



↑ 8%
growth

Domestic market

The poultry category at retail level in Ireland has shown a reasonable performance to date this year. For the year ending 2nd December 2018, the volume of poultry sold increased by 3% as consumers purchased this category more frequently while the average price per kilogram remained flat at €5.56.

To maintain the momentum that has been evident in the chicken category over the past number of years, Bord Bia, in partnership with industry, has created a new campaign that will be launched in early 2019 that promotes the versatility of the product especially among younger consumers and families who consume less chicken compared to other population groups.

The foodservice channel has also been more supportive of Irish Quality Assured poultry over the last two-year period and this is helping build demand for Irish poultry meat.

Prospects for 2019

Opening up new trade access is a priority for the industry. There are attractive opportunities for sales of feet and other offcuts in Asia particularly in the context of the South African imposition of levies on EU chicken.

In 2019, the global poultry industry will face challenges from rising volatility in grain and oilseed prices arising from tightening global grain stocks. Much will depend on EU restrictions on access for Brazilian exports in the first half of 2019.

The outlook for the EU industry for the next year remains broadly positive on the back of restrictions that have seen 20 Brazilian plants removed from the EU approved list. This is expected to continue to support a positive market balance with ongoing strong demand and tight supply. However, the opening of new or expanded facilities in Eastern Europe is likely to challenge the supply situation in the EU over the coming months.

On the Irish market, production is set to increase further next year as demand for chicken continues to benefit from Irish consumers making more convenient lifestyle choices.

It is likely that the number of birds processed in Ireland will reach a record-breaking 100m during 2019 as producers continue to invest in new and existing facilities within the sector, reflecting the ongoing strengthening in demand within both the retail and foodservice channels.

In 2019, the global poultry industry will face challenges from rising volatility in grain and oilseed prices arising from tightening global grain stocks

Live animals

The overall value of exports of live animals is estimated to have declined by 8% in 2018 to €161m

The value of live cattle exports is estimated to have fallen by 6% to €110m. This decline comes in spite of a 27% rise in the number of live cattle exported, to 238,000 head. The higher trade levels consisted fully of calf exports, which have a far lower value per head than other categories. Additionally, average prices for weanlings, stores and finished cattle decreased in 2018.

Calf exports totalled 156,000 head, representing an increase of 56% or 56,000 head. Exports of weanlings and stores declined slightly and these categories collectively accounted for exports of 57,000 head. Adult or finished cattle numbers decreased by 15% to around 25,000.

As in recent years, the principal markets for Irish calves in 2018 included Spain, the Netherlands, Belgium and France. The Spanish market recorded significant growth, accounting for over 71,000 Irish calves, a 60% increase on the previous year. These were mainly comprised of better-quality Holstein-Friesian males, as well as some beef-cross calves. Irish calf exports to the Netherlands grew by 15% to 48,000 head, which mainly included lighter Holstein-Friesian bull calves destined for veal production.

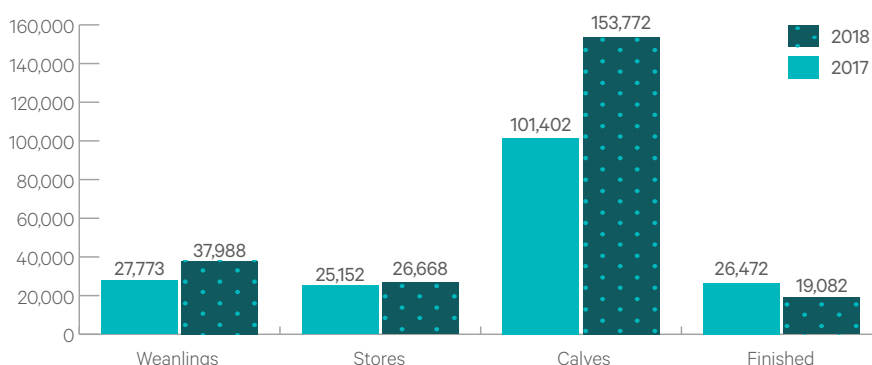
Irish exports to other markets also recovered strongly with trade to France and Belgium more than doubling to 9,000 and 14,000 head respectively.

The decline in exports of weanlings (aged three to 12 months) from Ireland this year is closely linked to economic and political instability in Turkey. Over 30,000 Irish cattle were sent to Turkey in 2017 and exporters were optimistic of further growth in early 2018, with the opening of the market to private buyers and a minister led trade mission. However, significant weakening in the value of the Turkish lira detrimentally affected demand. As a result, Irish exports to Turkey declined by almost 60% to just 13,000 head.

There has been a 22% recovery in Irish exports to the Italian market, to 24,000 head, as Irish animals became more price competitive than in recent seasons, relative to French cattle, which account for over 75% of Italian imports. There were also 6,000 head of cattle shipped to Libya and 1,500 head to Greece. Other markets included Poland (2,500 head), Slovakia (1,500 head), Romania (1,000 head), Czech Republic (600 head), Morocco (800 head), Tunisia and the Lebanon.

Breakdown of Irish live cattle exports

Source: Bord Bia estimates



Live cattle exports to Great Britain were 6% below 2017 levels, at just 5,500 head. Some 24,000 cattle were sent to Northern Ireland, a decline of 12%. The continued preference for UK-born animals by UK retailers, combined with less favourable exchange rates, contributed to this situation.

Other livestock

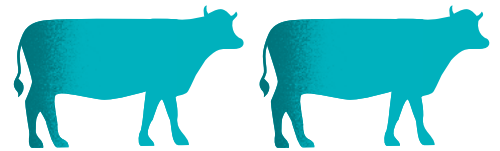
The overall value of live pig exports declined marginally year on year to €49m. The main market is Northern Ireland, and the trade is significantly exposed to potential Brexit effects. Live sheep exports declined by 50% on 2017 levels to approximately €2m and 25,000 head. Religious festivals continue to play an important part in the sheep trade, with 80% of live exports occurring in the four weeks leading up to the Muslim Eid-UI-Fitr festival.

LIVE ANIMALS EXPORTS

€161m



↓ 8%



52,000

More calves were exported
in 2018 than 2017



238,000

Live cattle exported in 2018

Dairy



€4bn

A 78% increase in export values since 2010



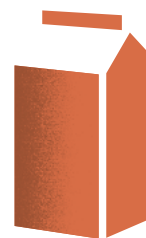
↑ €1bn

Butter exports worth more than €1bn for the first time - value increase of 22.2% on 2017



€800m

Cheese exports worth €800m in 2018



↑ 13%

Skimmed Milk Powder exports up 13% on 2017

The top 5 markets

are the UK, China, the Netherlands, Germany & the United States



Exports of dairy, Ireland's largest food export sector, exceeded €4bn in 2018, as they did in 2017.

Dynamics within the sector include,

- » an exceptional year for butter prices being met with significantly more output from Irish manufacturers
- » cheese exports shrinking slightly as Brexit fears affect exports to the UK. Asian markets – Japan, China and South Korea – are the focus of Irish producer's diversification efforts.
- » strong volume growth in specialised nutritional powders exports to China – up 15% on 2017's volumes.

—
Irish milk output continued to increase in 2018 but at lower rates than were expected due to weather conditions. Output is estimated to be up by approximately 3%
—

Irish Output - domestic supplies

2017 was a good year for farm milk prices and in 2018 milk producers experienced a 7 percent drop in output prices. The decrease in the Irish milk price was restricted by lower than anticipated growth in global production. At an EU level, EU weighted average price for November 2018 was 4.8% down on the same month a year previous.

Milk production was affected for the first half of 2018 by extreme weather and poor grass growth, with some recovery in Q4.

Due to adverse weather reducing grass growth in 2018, it is estimated that feed bills increased by €25k–€30k during 2018 for the average dairy herd of 90 cows.

Milk production in Ireland is up over 50% in total since the removal of the milk quota in 2015. In 2018, Irish milk output continued to increase but at lower rates than were expected due to weather conditions. Output is estimated to be up by approximately 3% in 2018, despite the difficult weather conditions through the spring and summer. The increase in output reflects a very strong last quarter.

Global output

Global milk supply grew only modestly year on year driven by tight on-farm margins and the lingering effects of adverse weather.

EU: Rabobank forecasts domestic EU dairy demand to expand by 1% into 2019 and for milk output growth to remain below 1% year on year reflecting both weather conditions and environmental constraints.

US: For the first eight months of 2018, US milk production stood at 64.3bn litres, which is 1.1% ahead of 2017. The US Department of Agriculture forecasts production for 2019 to increase 1.5% in 2019 to a total of over 100bn litres, driven by higher cow inventories.

New Zealand: Due to favourable weather conditions, New Zealand has had a very strong start to the season with milk production strong even past their peak months. Records show milk production for the first four months (June to September) of the 2018–19 milking season at 4.4bn litres, which is 5.8% ahead of the same period last year. USDA forecasts total production in New Zealand in 2019 will be slightly less than in 2018, led by a slight decline in the total herd size.

Australia: Autumn rainfall came later than expected thus creating a very difficult start to the season for dairy farmers. Dairy Australia is predicting Australian milk supply could plummet by as much as 7% this season in a 'worst case scenario'.

Destinations

Ireland produced more dairy products and exported more volume in 2018 than in any previous year.

Exports to continental Europe were valued at €1.35bn, a 6% increase on last year. To the UK, exports were valued at €1.03bn which was also a 6% growth on 2017's values.

Growth in exports to continental Europe was supported by strong demand in the Netherlands, which has seen growth of 20% compared to the 2017 value. A proportion of this will be destined for onward shipping, likely to other parts of continental Europe. The biggest export increases to the Netherlands were in butter, cheese and SMP, up 42%, 45% and 28% respectively.

Dairy

The increase in exports to the UK was formed by large increases in the amount of liquid milk and cream being processed in Northern Ireland and a significant rise in the volume of skimmed milk powder (SMP), whole milk powder (WMP) and whey.

The North American market grew by 36% to €366m. This was driven by growth in the US economy. Butter exports increased by 90% to €161m. The value of cheese exports to the US grew by 20% this year.

Dairy exports to China beyond specialised nutritional powders saw strong growth of over 30% in cheese and butter destined for the food service channel, coming from low bases. SMP exports to China grew more than 110% to be worth more than €14m and UHT milk increased 90% to be worth more than €10m.

Exports to north-east Asian and east Asian markets grew, with a 27% increase in exports to Japan and a 49% increase in exports to Malaysia, albeit from a small base. This reflects the potential of these markets as destinations for both dairy ingredients and, increasingly, for cheese, going to both the retail and foodservice channels.

Specialised Nutritional Powders

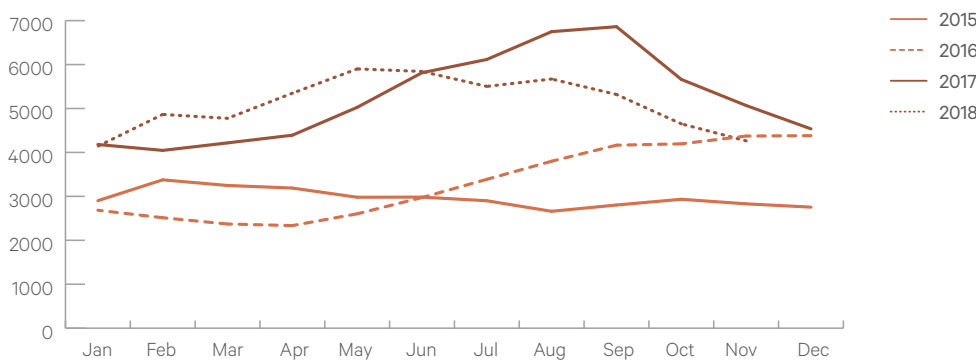
One of the most valuable elements of Irish dairy exports in the last years has been specialised nutritional powders. The value of exports for this product has increased from less than €600m in 2010 to €1.1bn in 2018. This product has been most successful in exports to China, where Irish dairy's safety and outdoor reared credentials have particular salience. China is the destination for 50% of the specialised nutritional powders exported in 2018.

The demand for Irish specialised nutritional powders in China was strong this year, with volume growth of 15%. This was not reflected in the value of the exports, however, which was down by 35% to China and 17% at a global level. The value of Irish specialised nutritional powder exports to China this year fell and this can be attributed to a significant degree to a change in accounting processes in one of the large multinational manufacturers as in market prices were stable over the last year.

Even with that change, the value of Ireland's specialised nutritional powders exports for 2018 is 183% higher than it was in 2010.

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Butter exports, for the first time, were worth more than €1bn in 2018
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Butter price (€ per tonne)



Dairy

Butter

Butter exports, for the first time, were worth more than €1bn in 2018, as prices stayed at near-record highs throughout the first three quarters of the year. In addition, Irish manufacturers are moving up the value chain by developing capacity to export butter pre-packed in alufoil rather than in the bulk formats that were previously the only option.

Commodity prices for butter have retracted significantly in the last quarter of 2018. Maintenance of these levels of pricing are likely to continue into 2019. In December 2018 commodity sales of butter were realising prices around €3,300 per tonne, significantly back on the highs seen in May 2018 of over €5,500 per tonne. This will have an impact on the value being realized by Irish exporters. While butter values were up 22.2% compared to 2017, the volumes leaving the country were up 8.5%.

Demand for butter is not likely to change in the short term as consumers turn away from vegetable fats for perceived health reasons and market supply remains relatively tight. Anticipated increased output from the southern hemisphere affected butter prices somewhat at the latter half of the year.



↑ **€670m**

Dairy exports to continental Europe have increased more than €670m since 2010

Cheese

Cheese is Ireland's largest dairy export in terms of volume and exports in 2018 are valued at €800m, a 2% reduction on 2017 with a 4.5% reduction in volumes shipped. Production figures have not dropped and this suggests that the decline is due to stock holding in Ireland.

Irish producers who have traditionally used UK facilities to age their cheese have chosen this year, as a result of currency concerns and costs, to age it in Ireland, particularly in the first half of the year. Reports suggest a significant move of stock to the UK towards the end of the year but this did not counter the overall volume reduction. Overall, cheese exports to the UK are down 9% for the year.

Almost half the cheddar exported from Ireland is exported to the UK and the industry is particularly exposed to conditions in that one destination. Exporters are working to expand the range of destinations for Irish cheddar exports, with some success in Asia. Japan is now the fourth largest destination for Irish cheddar exports, importing over €27m worth in 2018, a 49% increase on its 2017 imports. Significant consumer insight work is being undertaken in China to understand the needs of consumers there and it is hoped that work will yield significant opportunities for Irish cheese producers.

In 2018, China was a destination for less than 1,000 tonnes of Irish cheese. With its overall cheese import quantities increasing from 80,000 tonnes in 2015 to over 120,000 tonnes in 2018, the scope for significant increases in the Irish proportion of that import mix is significant.



10%

China accounts for 10% of the total dairy export market

Irish producers in 2019 will be producing an increasing quantity of non-cheddar cheeses, recognizing the tastes and needs of the emerging markets in south-east Asia and elsewhere. Mozzarella exports, particularly into the foodservice channel, have potential to become an important part of the cheese export mix in the coming years. At the end of 2018 there are not yet any significant mozzarella production facilities online but at least two of the major Irish producers are currently in the process of building facilities to produce mozzarella.

Dairy Powders

Skim milk powder production and export have increased in line with butter production. The volume of SMP exports in 2018 has increased 30%. Volumes were strengthened and prices challenged by the release of large volumes of SMP from intervention. The Netherlands is the largest destination for this product, with 25% of the total exports going there.

Dairy

Prospects

Global production volume increases are unlikely to match the growth in global demand in 2019, according to Rabobank. In combination with relatively low stock levels on a global level, the supply demand dynamic for dairy produce in 2019 is reasonably positive.

As with many other sectors, Brexit is the largest trading challenge for the dairy sector with continuing uncertainty in 2019. A quarter of all dairy exports go to the UK, with significant cross-border milk flow processing.

The Netherlands, France and New Zealand have increased significantly their exports of specialised nutritional powder to China. A number of Chinese-owned facilities in New Zealand and in France are now in production and sending product to China. Similar investments are ongoing in Ireland, a testament to the perceptions of Irish dairy in that market.

Overall demand in China remains likely to continue to grow in the short term despite ongoing Chinese government efforts supporting domestic production Ireland will be maintaining and looking to grow its position in a growing market. Irish producers are increasing the mix of products on the shelf to respond to market needs.

Butter prices look set to ease somewhat through 2019 having enjoyed a sustained, record high. Volume demand for Irish butter is unlikely to fall. Premium positioning in the US market and the investment in manufacturing facilities in Ireland will ensure that butter remains a central component of dairy export success.

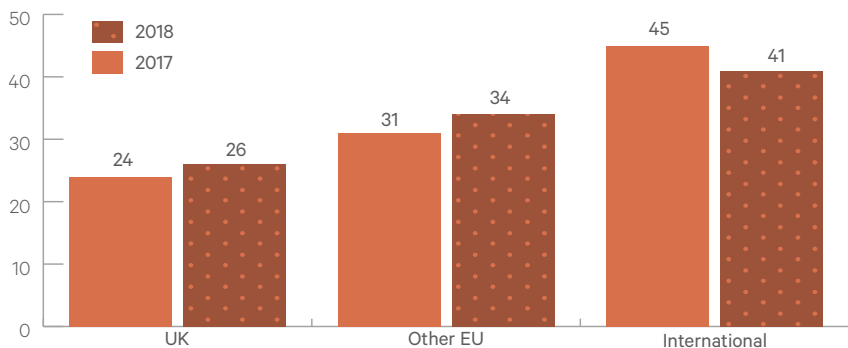
The industry are increasingly realising opportunities, supported by Bord Bia's priority markets work, to supply Asian markets that have low dairy self-sufficiency with dairy product, particularly on the ingredients side. Dairy company efforts in R&D and in staffing are reflecting the long term opportunity in that region. In the last year, the volume of SMP, WMP and whey going to Asia and the Middle East increased by 10%.

The Irish dairy industry is responding to the sustainability challenge that is confronting the industry worldwide by building on the strong foundations that SDAS has established.

In Ireland, increased production in the latter part 2018 has left many producers with higher stocks in place across all categories. The impact of those stock sales will be felt in early 2019, which is likely to be a challenging one in terms of prices, at minimum for the first half of the year.

There are increasing opportunities, informed by Bord Bia's priority markets work, to supply emerging countries that have low dairy self-sufficiency with dairy product, particularly on the ingredients side

Destination of Irish dairy exports





€1bn

Butter exports worth more than
€1bn for the first time

Prepared Consumer Foods and Prepared Foods



**Prepared
Consumer Foods
€2.5bn**

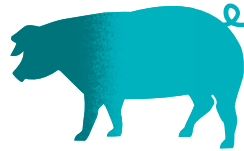
UK

UK dominant
destination



66%

66% of total PCF exports
went to UK in 2018



↑18%

Processed pigmeat exports
up 18.21% YoY



€690m

value of the largest element
of Prepared Foods category -
enriched milk powders



**Prepared Foods
€1.9bn**

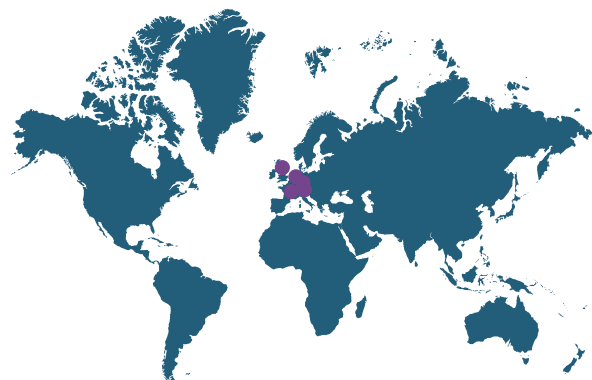


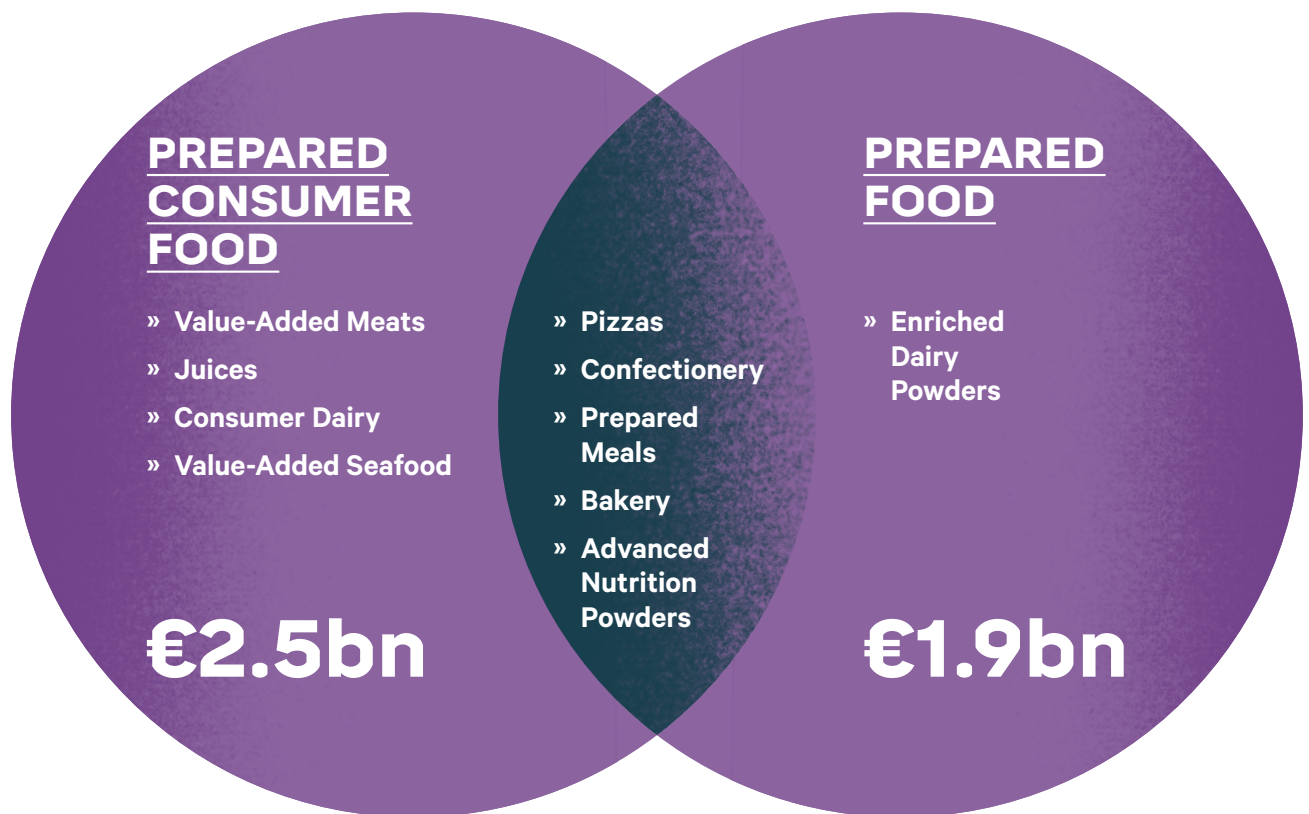
45%

The UK accounted for 45%
of the total Prepared Foods
exports in this category

The top 5 markets

are the UK, Netherlands, Germany, Poland and France





Prepared food and Prepared Consumer Foods are two separate but largely overlapping categories.

Prepared Consumer Foods (PCF) is a category defined by Irish industry and IBEC. It is a key part of the development plan for Irish exports in the Department of Agriculture's Foodwise 2025. PCF aims to capture all consumer foods which have had value-added processes applied.

Prepared foods is defined and agreed by government agencies and differs from PCF in the inclusion of enriched dairy powders and the exclusion of value-added meats and seafood, consumer dairy and juices.

Both categories include a wide range of value-added food products among that have received further processing – bakery, pizza, chocolate, confectionery, biscuits, snacks, extracts, sauces and soups. Common to both categories are advanced nutrition powders used in performance and elder nutrition.

Common to both sectors, the sub-sectors of confectionery, chocolate and frozen food exports saw stand out growth in 2018. This was driven mainly by innovation, new product development and newer channels for exporters in mature markets.

Exports from the prepared foods sector in 2018 are valued at €1.9bn, and the total value of PCF exports are €2.5bn.

As a result of significant declines in the value of protein powder exports to the US in 2018, the overall value for both the prepared food and the PCF sectors declined in 2018

Common to both sectors, the sub-sectors of confectionery, chocolate and frozen food exports saw stand out growth in 2018. This was driven mainly by innovation, new product development and newer channels for exporters in mature markets.

As a result of the weak sterling rate and the dependence on UK exports, cost reduction has become a focus. Many companies have reviewed their supply chain structure and focused on improving their sales and operations planning procedures to assist with margin recovery.

Frozen Food

The frozen food category has demonstrated a return to growth recently due to new products that meet the consumer needs of premium quality and health. Domestically, retail performance of frozen prepared foods is up 7.3% in 2018. This is reflected in the UK market also and is expected to continue as new consumers buy this category of food.

Exports to the UK of frozen food were worth over €100m in 2018. Manufacturers have achieved growth by targeting premium, value-added innovations and the health and wellness trend.

Chilled

The chilled convenience sector has remained focused on exporting to the UK market due to the constraints of shelf life. The chilled ready meal category in the UK is worth £1.7bn and is experiencing growth of over 6.8%. Like many others, this sector is reporting concerns over the potential challenges of supply chain complexities and delays arising from Brexit.

Confectionary

Irish chocolate manufacturers enjoyed an exceptional year of export growth, at 13%. Chocolate confectionary exports were worth over €240m in 2018 and now account for over one quarter (26%) of Ireland's prepared food exports to the UK.

This growth is driven by Irish producers targeting the out-of-home market and private label retail opportunities.

In 2019 Bord Bia will continue to support all of these subsectors in the market through insight and innovation programmes and through innovation partnerships with major UK retailers.

Bakery

Bakery is one of the larger exports in the prepared foods category and exports were worth more than €120m in 2018. Bread exports held their sales value in 2018, with exports to Northern Ireland up 7% to €13.5m and British exports holding steady at €110m.

Quality and strong innovation are differentiators that have helped Irish bakery exporters secure UK business during this difficult trading period. New business won in France and in northern European markets also have helped to offset a fall in exports to markets such as the US and Australia.

While a number of PCF specific sectors such as juices, sausages and value-added meats showed growth year on year, dairy powders used in producing performance nutrition products showed a significant decline, driving the overall decline in performance by the PCF sector.

Enriched Milk Powders

Specific to the Prepared Food category, the largest single element in this category is enriched milk powders which include bulk specialised nutritional powder preparations. The volume of exports of these products increased 6% on the 2017 figure to over 330,000 tonnes while the value dropped 1.4% to €707m.

Enriched milk powders are also put to direct retail sale in West Africa as well as being used in follow on milk and other dairy products. Exports of enriched milk powders to Africa were worth more than 220m in 2018, a reduction of 12% on 2017. This was driven by diversion of product produced in Ireland to further processing into more profitable specialised nutritional powders as well sluggish economic recovery in key West African export markets.

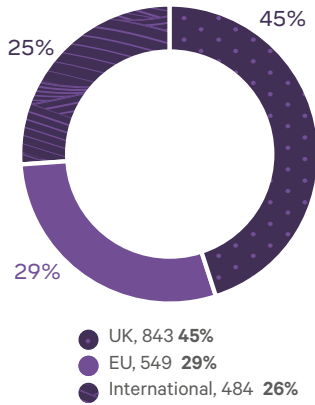
Key Drivers

- » Further drive in relation to innovation and product development
- » Broader range of channels being targeted in mature markets
- » Development of retail innovation partnerships in mature markets

Prepared Consumer Foods and Prepared Foods

Destinations

Prepared Food



The UK was the destination for almost half (45%) of all prepared foods exported from Ireland in 2018. The value of prepared foods exported from Ireland to the UK was €832m in 2018.

For PCF, the dependency on the UK is even greater. In 2018 66% of all PCF exports were destined for the UK market which is an increase from 62% in 2017. This relative increase resulted from the decline of exports to international markets rather than an absolute increase in exports to the UK. The value of exports to the UK declined by 4% to €1.5bn.

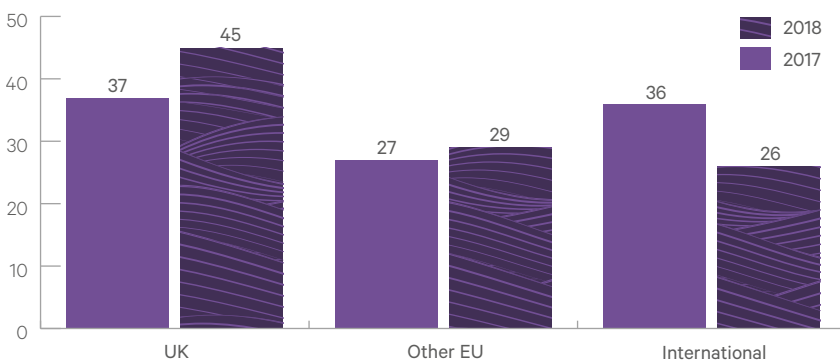
After the UK, the core continental EU markets of France, Netherlands, Germany, Italy and Spain are the next biggest export markets, accounting collectively for over 17% of PCF exports. Exports to France declined 14% in 2018, led by a decline in prepared beef exports and in advanced nutrition powders.

The value of prepared foods exported to the US was €22m in 2018. This figure represents a 93% annual decline in the value of prepared foods exported to this market. The decline was driven entirely by a total reduction of some advanced nutrition powder exports to the US under which large values had been exported in 2016 and 2017.

Growth in exports of prepared foods to Asia at 8% is encouraging and now totals €66m. The enriched milk powder category has driven this growth as demand for dairy ingredients in China and south-east Asia continues apace. Bord Bia is continuing to support exporters targeting these emerging markets through trade missions, the extension of our office network in the region and increased provision of market insight for client companies.

In 2019 Bord Bia will continue to support all of these subsectors in the market through insight and innovation programmes and with innovation partnerships through major UK retailers.

Distribution of prepared food exports



The UK was the destination for almost half (45%) of all prepared foods exported from Ireland in 2018.



Sales to Africa were worth €246m in 2018. Nigeria and Senegal were the largest destinations, buying enriched milk powders largely.

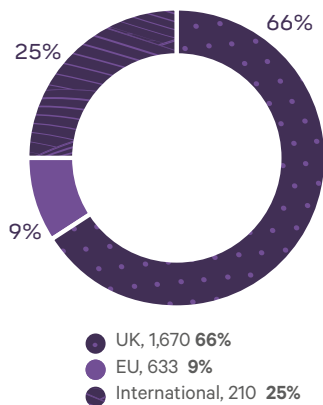
Prepared Consumer Foods and Prepared Foods

Prospects

The prospects for prepared foods exports from Ireland are challenged by Brexit. The sector is currently extremely reliant on the UK as a destination.

Sterling weakness provides an advantage to UK producers and it remains unclear what form Brexit will take in 2019. The prepared consumer foods sector is already very price competitive in the UK. Coupled with potential barriers, 2019 will be a very challenging period for the sector.

Prepared Consumer Food



Despite Brexit concerns, the majority of companies exporting prepared consumer foods believe they will continue to have opportunities to increase sales to the UK. Many prepared consumer foods companies have looked to grow within the UK market through expanding into the foodservice channel where previously they were focused only on the retail channel. In addition, innovation and new product development are looked to for growth opportunities within that mature market.

Performance in the beverages, waters and juice sector has been heavily influenced by consumer trends in health and convenience. Irish exports of juices performed extremely strongly to the UK, up 19%, and to continental EU markets, increasing 35%, in 2018.

Consumers are looking for reduced-sugar products, a trend that is driving growth in reduced-sugar juice and other alcohol-free beverage sales. In addition, the need for functionally enhanced beverages is opening up new business for Irish exporters in both the retail and foodservice channels.

The UK will remain the single most important export market for the prepared consumer foods area. However, diversifying into new markets in Europe and internationally is a hedge against Brexit-related risk and the delay in decision making due to a 'wait and see' approach being adopted by many UK buyers. Shipments of alcohol-free beverages, teas, waters and fruit tarts to the UK declined in 2018 with exporters looking to other EU markets or for international possibilities.

UK

UK dominant destination



66%

66% of total PCF exports went to UK in 2018



Processed pigmeat exports up 18.21% YoY

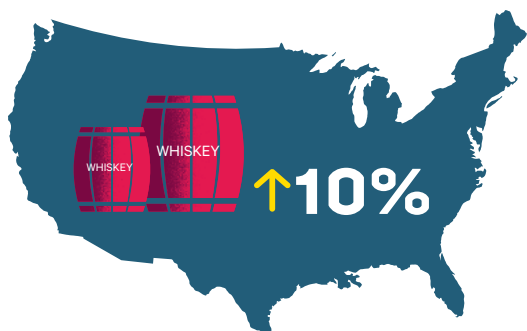
Consumers are looking for reduced-sugar products, a trend that is driving growth in reduced-sugar juice and other alcohol-free beverage sales.



13%

Irish chocolate manufacturers
enjoyed an exceptional year of
export growth, at 13%

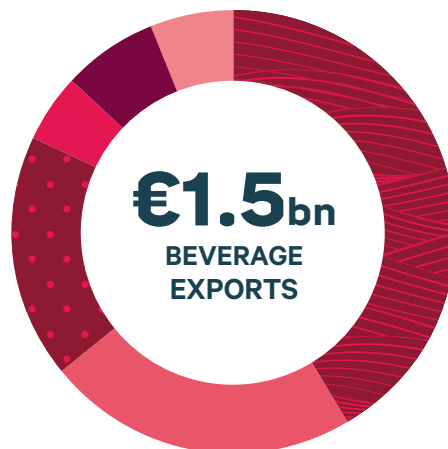
Beverages



US market for Irish whiskey
grew more than 10% in 2018

€620m

**Irish whiskey exports
dominate the category, with
consumption levels globally
expected to exceed the
projected 10m cases by the
end of 2018 for the first time**



Whiskey	42%	Waters	5%
Liqueur	23%	Juices	7%
Beer	18%	Other	6%

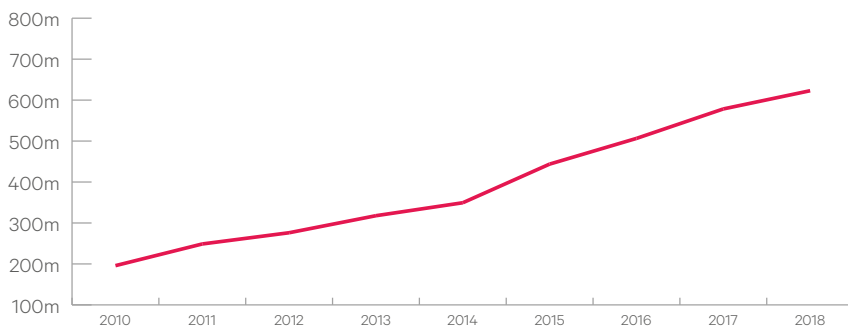
The top 5 markets

are the United States , UK, Canada, Germany & France



The value of Irish beverage exports both alcohol and non-alcoholic now stands at almost €1.5bn

Growth in value of Irish whiskey exports



Irish whiskey exports at 42% of the total are the largest single part of the category.

Growth in the sector is largely driven by continued double-digit demand for Irish whiskey in many markets and a sustained change in fortunes for the Irish cream liqueur category.

Irish whiskey exports at 42% of the total are the largest single part of the category. Whiskey consumption levels globally expected to exceed the projected 10m cases by end 2018 for the first time. This represents an increase of 9% in volume on 2017 and almost 12% in value terms.

Irish cream liqueurs also enjoyed a strong performance with growth of 9% in value, achieving sales of over 7.9m cases in 2018, up from 7.2m in 2017.

Exports of beer declined in value by 2% in 2018 to €268m. During the same period there was an overall increase in volume of beer exports of 9%, with a particularly positive performance in exports to the EU.

Beer exports to the continental EU are up more than 20% to over €70m in 2018, and the continent now accounts for over 30% of Irish beer export values.

The sources of lost exports in beer were the North American region which saw a decline of 16% to €56m, and Asia which saw a 20% decline in value to just over €5m.

Cider had a challenging time despite remarkably promising summer weather in its major markets of Ireland and the UK. It lost ground in both value and volume at -20% and -16% respectively. Consumer trends toward healthy living and an increasingly negative attitudes to sugar in the context of the introduction of the sugar tax are understood to be having an impact on the category.

Beverages

Irish gin is emerging as a category for the international consumer, with an increase of 24% in volume, albeit from a low base. The category is set to be worth more than €5m in exports in 2018.

While North America remains the most valuable target for Irish whiskey and this shows no sign of abating, developing tastes in the emerging markets are also contributing to the growth in Irish whiskey, with Australia and the South Pacific markets reflecting value growth of 35% and Central and South America showing value growth of more than 42%, both from small but significant bases.

Africa also performed exceptionally well as an emerging market, with growth of 15% in the value of Irish whiskey exports. Irish whiskey's growth in EU markets sustained double digits, at 16%.

The Irish cream liqueur category performed exceptionally well in 2018, driven by additional private label contracts and new product development. Improved markets of note include the United Kingdom, Africa and Australia, reflecting respective volume growth of 36%, almost 30% and, in the case of Australia, more than 100%, from a low base.

Performance in the alcohol-free beverages, waters and juice sector has been heavily influenced by consumer trends in health and convenience. Irish exports of juices performed extremely strongly in 2018. Exports to the UK market are now valued at €45m, up more than 19%, and at €27m to the continental EU, a rise of over 35%.

Destinations

The US remains the dominant largest destination for Irish beverage exports. €567m, 38% of the total, in beverage exports from Ireland were destined for the US in 2018. 60% of those beverage exports were accounted for by whiskey, which increased in value of exports to the US 9% in 2018. 30% was accounted for by liqueurs which also saw a year of value growth.

24% of all beverage exports went to the UK in 2018, a slight decline from 26% in 2017. Brexit is a challenge for many exporters and in production with the whole island of Ireland integrated in production for many manufacturers. Juice and whiskey exports to the UK performed notably in 2018, increasing 20% and 25% respectively.

South Africa is the largest destination on the continent of Africa and was the destination for €15m in beverage exports in 2018, 94% of which was whiskey. Emerging consumers with disposable income are spending more on imported drinks in South Africa and Irish whiskey exporters are well placed to take advantage over the coming years.

Some Asian markets such as Taiwan and Thailand are showing significant promise. Irish whiskey exports to these markets rose by 44% and 22% respectively, albeit from a low base in 2018. Irish whiskey saw strong growth as people started to broaden their interests beyond Scotch blends and single malts are becoming more mainstream.

As the Irish gin supply base expands in response to global trends, double-digit growth is recorded in the United Kingdom, South Africa, Italy and Germany and notable growth of 8% is reflected in consumption of Irish gin in Spain. The Irish category is young and is in a position to build its exports at present but it is hoped to capture some of that growth in 2019–20.



The value of cream liqueur exports rose by 5 percent in 2018 to €342m

Improved markets of note include the United Kingdom, Africa and Australia, reflecting respective volume growth of 36%, almost 30% and, in the case of Australia, more than 100%, from a low base

Beverages

Prospects

The future looks promising for the Irish beverages category. This will be led by Irish whiskey, which looks set to over-achieve on its target export volumes of 10.5m cases by end 2019. There exists however a clear over-dependence on the US market, as the destination for 38% of total beverage exports and 57% of whiskey. This is recognized by all market participants. The US market will continue to retain its importance to the category and Bord Bia will work to protect and build on the business there. However, investment will be required to forge new markets and build on emerging ones for the category to ultimately reduce that dependence.

The outcomes of Brexit are unlikely to have a positive impact on any of the beverage categories. Bord Bia is working with exporters on their supply chains in relation to Brexit and in line with Market Prioritisation work to expand those destinations for Irish beverage companies.

Trends within the beverage sector will have an impact on all producers. These include a greater consciousness of health and wellbeing among consumers. This is affecting the category in terms of alcohol by volume (ABV) and, therefore, sugar content. Irish juice manufacturers have been taking advantage and that sub-sectors exports rose 22% in 2018 to over €100m.

New product development will involve greater investment in alcohol-free, adult beverages that target the abstaining drinker. The Millennial and Gen Z consumers will demand greater corporate responsibility from the supplier, insisting on gender-neutral targeting and sustainability cues. While its impact is only on a US level in 2018, cannabis has the potential to disrupt the alcohol category globally, both as a substitute and as an alternative product ingredient. These are all trends that will present both opportunities and challenges to alcohol beverage suppliers in the coming years.

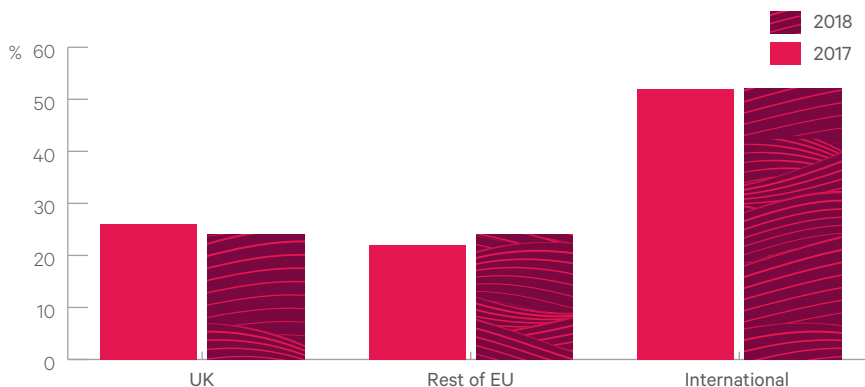
BEVERAGE EXPORTS

€1.5bn



New product development will involve greater investment in alcohol-free, adult beverages that target the abstaining drinker

Distribution of beverage exports



Seafood



€562m

↓ 8% The value of seafood exports, 8% decline on 2017 value



↑ 52%

Seafood exports to China rose by 52% in 2018, driven by high value oyster exports



↑ 50%

Seafood exports to Nigeria were worth €35m in 2018, 50% more than 2017



60%

60% of all Irish seafood exports are destined for continental Europe

The top 5 markets

are France, Spain, the UK, Italy & China



The value of seafood exports in 2018 is estimated to be €562m, an 8% decline on the record value attained in 2017

The largest shellfish export category in 2018 was frozen langoustines, which accounted for an estimated 9% of total seafood exports

Challenges were found across the category but it was particularly so in salmon, where export values declined 36% as the industry struggled to overcome limits on production capacity.

Global demand for seafood continued to increase in 2018 and Irish exporters reported strong demand for their products in the main export markets. The ability of the sector to fulfil existing customer demand in light of difficulties in accessing raw material remains the challenge.

Main product trends

Pelagic

For the pelagic sector, quota cuts of 10% in 2018 had a direct impact on volumes exported. Irish mackerel experienced a quota cut of 20% which had a large impact on the Irish pelagic sector.

Prices and demand for Irish mackerel were strong in 2018. There was a build-up of demand in Asia because of a shortage of stocks and an increase in Norwegian prices saw many Asian buyers choose Irish mackerel instead. As a result, after the quota cuts are accounted for in 2018, volumes will be down for the full year. However, increased values have compensated. The full year value for mackerel exports will exceed €50m.

The best performing pelagic markets in 2018 are in Asia and in Europe. Demand for Irish mackerel in China has increased by around 10%, worth more than €5m in 2018. Demand for Irish horse mackerel increased by 84% in Japan, and total mackerel exports to Japan exceeded €10m in value. The African markets performed well earlier in the year but are now struggling to match the new price levels. Cameroon remains the largest customer for Irish mackerel, importing more than 8,000 tonnes in 2018.

Core markets in Europe have also performed well. Mackerel exports to Germany, for example, increased by 34% to more than 2,000 tonnes. Exports to the Netherlands increased by 11% to 3,800 tonnes and to Belgium, 86% to 1,750 tonnes.

Shellfish

Export values on Irish shellfish were extremely strong throughout 2018 as demand continued to outstrip supply across many export markets.

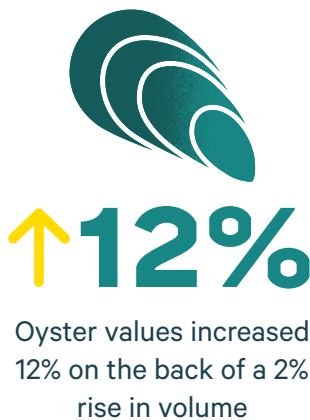
Langoustines

The largest shellfish export category in 2018 was frozen langoustines, which accounted for an estimated 9% of total seafood exports. Export values increased by 30% for this species, driven by increased demand in the core European markets and underpinned by an increase in the Irish quota for 2018. Exports to Italy increased by 46% during this period, fuelled by an increase in average price per tonne of 22%, while exports to Spain increased by 10%, with a corresponding 17% increase in average prices in 2018.



↑ 30%

Langoustine exports increased 30% in value terms, as the Irish quota increased and demand was strong from core European markets



Oysters

The Irish oyster sector had another strong value growth year in 2018, with export values increasing by 12% against just a 2% increase in export volumes. The value of oysters exported in 2018 is €33m. Exports of packed oysters to China and Hong Kong continue to drive the majority of the value gains. This value-added process has curtailed much of the bulk sales to markets such as France. Nevertheless the French market remains the export destination for 60% of Irish oysters and was worth €19m in 2018.

Production has remained relatively static in 2018 and many producers suffered significant losses in production. This continued uncertainty over production will certainly be a feature of 2019 but all indications are that the demand for quality Irish oysters will continue to remain strong into 2019.

The value of oyster exports to China increased by 121%, to Hong Kong by more than 52% while the French market is down 6%. The Irish oyster industry is focused on developing a range of premium export markets in Asia and within the EU. This will see the main producers participate with Bord Bia at a number of international trade shows and buyer events during 2019.

Crab

Irish brown crab is one of the core shellfish species exported annually and this sector has experienced very strong growth again in 2018 despite challenges in raw material supply, which has hampered the ability of the Irish processing sector to further penetrate new markets for this sought-after species.

Frozen crab is the most important category within this segment and experienced strong growth in 2018, increasing in value by 15% against a 16% drop in export volumes. Nearly all of this gain came from burgeoning demand in China, which grew by 307% in value terms during this period.

The value of prepared crab exports grew by 8% during 2018 despite a 47% reduction in export volumes. While the largest export market for this product remains France, accounting for a 30% share of exports, the real growth in 2018 came from the Portuguese market, over 76%, and the Chinese market, at more than 97%.

The live crab sector had a very strong year, growing in export value by 61% with excellent performances being recorded in China, which increased in value terms by 212% during 2018. This was driven by a doubling in export volumes to this market and a 38% increase in the average price per tonne. Irish brown crab is now a well-established product in this market. Strong growth was recorded in other Asian markets during the year, with exports to Taiwan increasing by 81% and Hong Kong by 870%, albeit from a small base.

Mussels and molluscs

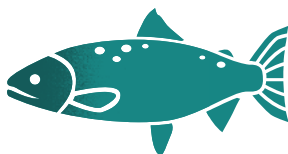
Exports of prepared molluscs, which include clams and whelks, decreased in value by 2% during the year despite volumes increasing by 24% during this period. South Korea, which remains the main export market, accounting for almost 70% of total exports in this category, decreased in value by 4% during the year. Exports to China increased by 15% while strong export growth to Hong Kong was also recorded, increasing in value by 116% during the year.

The rope mussel industry had another challenging year with an extremely competitive situation on the European market. This is partly driven by increased competition from Chile and Germany resulting in a drop in demand from key markets such as France and the Netherlands.

Overall, export volumes and prices have fallen by around 20% but end of year sales might mitigate some of this decline. More positively, the rope mussel industry has seen a significant increase in demand from the domestic market both in the food service and retail fronts. This can be attributed in part to Bord Bia's 'Flex Your Mussels Campaign', which is now in its third year. In 2019 the market is set to remain extremely competitive in Europe and uncertainties in relation to Brexit will be a feature both in terms of development of new markets and of logistics.

Shellfish summary

The shellfish sector continues to remain buoyant across all main species but access to raw material remains a severe challenge for the processing sector. Key exporters are struggling to satisfy existing customer demand and lack raw material to develop new markets. Margins are coming under pressure due to high raw material costs.



↓ 44%

Salmon exports have been limited by limitations in available produce. The price per kilo for Irish organic salmon increased in 2018, but Irish producers were limited in the amount of produce they could provide to market

Salmon

Salmon production continues to face issues in relation to maintaining a regular supply for the market. Despite prices reaching high levels for organic Irish salmon in 2018, production has reduced as operators have not been able to develop new sites for production.

Salmon exports remain one of the most valuable seafood exports from Ireland and market demand for the future should continue to be strong for organic salmon. Despite this, there are significant threats from other countries that are beginning to engage in organic production, which will be able to drive much larger volumes to the market in 2019.

In 2018, salmon export values dropped by 44% to be worth €55m. The price per kilo of Irish salmon has increased as demand drives the organic salmon sector. The French market continues to dominate Irish salmon exports, accounting for 56% of total values. Export to France decreased significantly in 2018 due to lack of availability resulting in a 31% decline in value to €29m. This was driven by a 37% drop in export volumes as prices remained strong (+10%). The German market also posted falls both in value, down 47%, and in volume, down 49%. Exports to Poland fell by 64% as volumes declined significantly.

Input costs have increased for Irish salmon producers due to, among other reasons, increasing biological issues including plankton blooms, which have significantly affected the cost base.

Brexit is a concern from the perspective of extended logistic links, which will affect the shelf life of this perishable product. Companies within this sector unfortunately have not been in a position to develop new markets and customer opportunities identified by Bord Bia due to lack of raw material supply. Producers continue to focus on adding value to their product range to improve both customer satisfaction and employment growth in these producing regions.

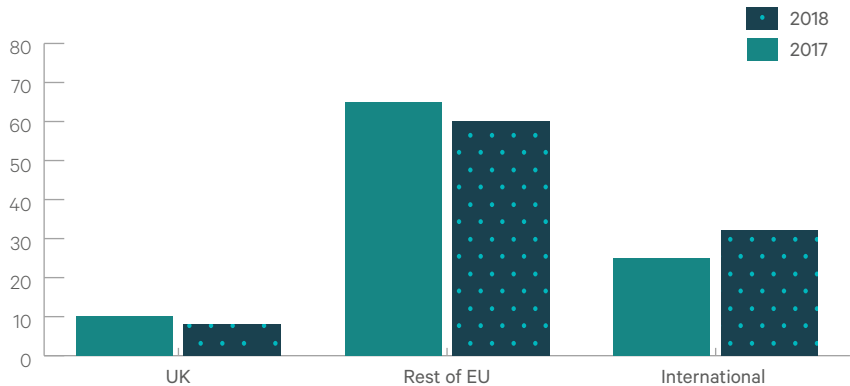
—
The shellfish sector continues to remain buoyant across all main species but access to raw material remains a severe challenge for the processing sector
—

Seafood

↑ 7%

exports to international
markets account for 32%
of the total, compared
to 25% in 2017

Distribution of seafood exports



Whitefish

Spain remains our main market for whitefish followed by the UK and France. These three markets represent over 85% of total whitefish exports. Performance of these species still depend on quotas, which were relatively stable in 2018 compared to 2017 for overall whitefish species. Some declines were recorded in export performance during 2018.

Exports of flat fish to the main market in Spain were steady. This accounts for around 95% of total sales.

Monkfish exports were down around 4% in value terms with France and Germany, between them, accounting for around 65% of total exports. Hake exports declined by 28% in value and 36% in volume during this period. Declines were also noted for exports of pollack, down by 31% in value. The UK and France, between them, account for 95% of total pollack exports and both declined in value in 2018 by 15% and 48% respectively.

In December 2018 the whitefish quota for the Irish fleet was increased 8%, however in January 2019 the landing obligation which means that all fish caught at sea will have to be landed and processed, irrespective of size. The ban could have a negative impact

on Ireland's whitefish and pelagic sectors as vessels that haul in quotas of species with low allowances, or so called choke species, could threaten the closure of fisheries.

Export demand remains strong, so strategies to increase the volume of fish landed in Ireland will remain crucial for the processing sector. The impact of Brexit remains the great unknown in this sector and may become an opportunity or threat. Companies are concerned at the prospect of tariffs and non-trade barriers that may affect logistics on route and time to market. These factors potentially could increase the cost of transiting through the UK.

Prospects

In the pelagic sector, exporters are hoping for more stability and certainty in the market but performance will certainly be affected by quota adjustments and by Brexit. Of the Irish mackerel quota, 60% is typically caught in UK waters. Brexit has serious implications as fishermen do not know whether to catch all of their quota in January–February 2019 or to retain quota to catch in November–December, when the fish are more valuable due to higher fat content.

Further deep cuts in the mackerel quota have been announced with a 20% reduction in mackerel for 2019. Thus, the main trend is forecast to be continued demand but instability and uncertainty in supply. 2019 is anticipated to be challenging as Irish prices will be high due to tight supplies and the sector is facing competitive pressures from Faroe Islands and Iceland, which can offer cheaper mackerel into the market, particular to African markets.

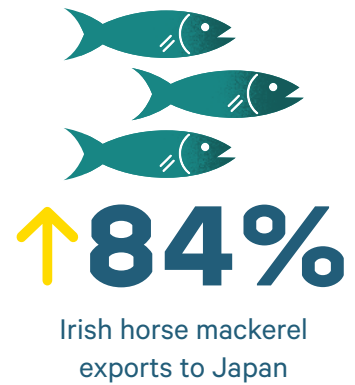
Irish pelagic processors will continue to focus on increasing their presence in Asia in 2019, particularly in China and Japan, alongside the difficult but lucrative South Korean market. Bord Bia is working with the sector in customer identification and profiling in these markets and on promotional activities to raise the awareness of Irish seafood. Pelagic companies in 2019 will focus on further developing its added-value components to achieve higher margins from a limited raw material supply.

Seafood

In shellfish, new markets and customers are not issues for Irish exporters but rather the uncertainty around future supply. Brexit remains a big uncertainty for the shellfish sector in 2019 and beyond, with the big unknown being what agreements or disagreements there might be concerning Irish boats fishing in UK waters and UK and Scottish boats fishing in Irish/EU waters, which will have a direct impact on species such as Irish brown crab and Irish langoustines.

In 2019, demand is expected to outstrip supply for Irish organic salmon once again. This is being driven also by strong growth for organic foods in core markets.

Irish salmon exporters are adding more value with the production of frozen organic salmon steaks for European retail outlets. However, as Ireland fails to expand its salmon output, new entrants to the sector from Norway and Scotland will erode Ireland's leading market position in the organic sector. Norway is again producing organic salmon under EU certification and there is a risk that, due to inconsistency of supply, Irish organic salmon will lose its foothold in the market and will be diluted by other countries that are also seeing lucrative returns for organic certification.



Edible Horticulture and Cereals



€208m

The value of edible
horticulture in 2018



€81m

Mushrooms are the largest part
of horticulture exports at €81m



99%

99% of all mushroom
exports go to the UK



↑5%

Cereals exports were
worth €74m in 2018 - an
increase of 5% on 2017

The largest elements of cereal exports from Ireland in 2018 are milled cereal grains including flour and malt, which are exported to be further processed in industry

Edible horticulture and cereal exports were worth €208m in 2018, a reduction of 10% on 2017

The retail market for mushrooms overall has been showing good volume growth at a rate of 4% while value grew at 3%

The major elements of Irish edible horticulture exports are mushrooms, which account for 40% of the total, and cereals, which account for 36%.

The only market of significant value for both is the UK. The UK takes 88% of all cereal exports and 99% of all mushroom exports.

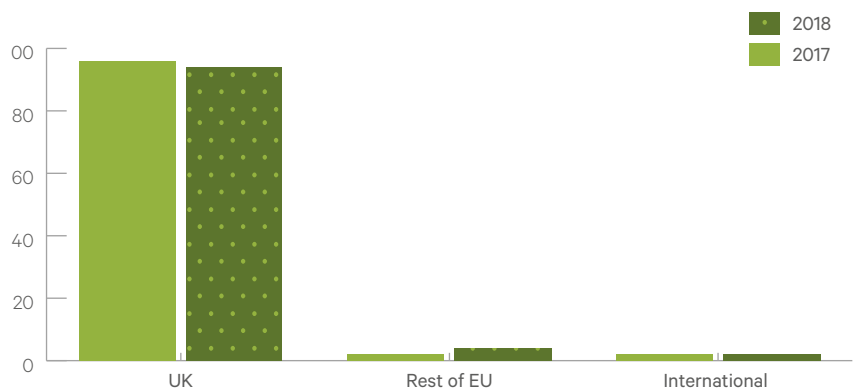
Despite a weak harvest in 2018, in which overall production of cereals was down 500,000 tonnes on 2017 production volumes, buoyant commodity prices for cereals led to a 10% increase in the value of cereal exports.

The largest elements of cereal exports from Ireland in 2018 are milled cereal grains including flour and malt, which are exported to be further processed in industry.

Mushroom exports are projected to be down 5% in volume compared to 2017 and slightly more in value. Producers cite volatility in sterling and uncertainty since the Brexit vote as reasons for the decline.

The retail market for mushrooms overall has been showing good volume growth at a rate of 4% while value grew at 3%. At 139,000 tonnes, retail sales are at an all-time high.

Destination for Irish hort and cereal exports



Horticulture and cereals

The largest sector is still pre-packed, closed cup mushrooms, which have almost 50% share of total mushrooms. Value mushrooms are the fastest-growing sector but from a small base. Brown and Portobello mushrooms are performing well, while button and flat mushrooms are declining. The decline in button mushrooms is good news for producers as these traditionally have been a low-profit line.

There has been continued consolidation of growers but, with more of the remaining growers producing brown mushrooms, income at farm level is more secure. In the retail market, some price increases have been achieved and there has been a general inflationary trend in the market overall, which has helped to lift the retail price of mushrooms. Inflation in the UK in 2018 has been lower than the year before but is increasing again.

The mushroom industry will continue to face many challenges arising from the Brexit vote. This seemed to have no effect on demand and, in actual fact, sales increased at a faster rate than last year and ahead of the market.

The biggest factor for exports in 2019 is the agreement that will be reached with regards to Brexit. If a hard Brexit is the outcome, mushrooms will face a 12.5% tariff, and with price inflation demand may drop.

The Irish industry continues to strive for productivity gains that will help to insulate them from currency volatility and other cost increases.

The Bord Bia administered and EU with industry funded 'Mushrooms Compliment Everything' campaign is running over three years across the UK and Ireland, which looks to increase consumer demand.



Christmas trees, cut foliage and flowers all managed to maintain or increase exports to Great Britain and Northern Ireland

Amenity Horticulture

The amenity horticulture sector relies heavily on the UK for sales and, despite significant currency changes triggered by the Brexit referendum, growers of plants, Christmas trees, cut foliage and flowers all managed to maintain or increase exports to Great Britain and Northern Ireland. The total value of exports increased from €17.9m to €18.5m, broken down as follows:

Hardy nursery stock accounts for €7.3m worth of exports, an increase of €300,000 over last year. In 2018, 26 nursery stock producers were exporting to Northern Ireland and Great Britain. There were also five bulb and cut flower exporters exporting stock to Northern Ireland, Great Britain and continental Europe, with increased exports to the continent.

Bord Bia is working with producers to provide insight into the UK market and prepare exporters for the potential consequences of Brexit outcomes.

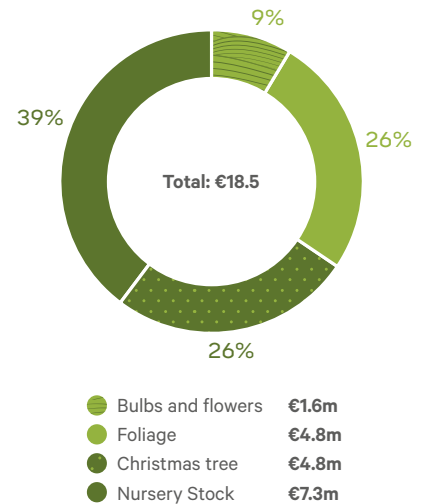
Opportunities continue in the UK but those exporters looking to make most gains in export figures need to develop alternative export markets.

Cut foliage producers have made significant inroads into mainland Europe to counteract Brexit, and the mainland European market is buoyant. In 2018, 88% of foliage exports went to the UK, and 12% went to the Netherlands.

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

Brexit is a serious challenge to the industry but it may bring opportunities to replace UK exports by exporting into Europe, for instance, in daffodils.

Opportunities continue in the UK but those exporters looking to make most gains in export figures need to develop alternative export markets



Bord Bia's Overseas Offices









Growing the success of
Irish food & horticulture

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