



*Export*  
**PERFORMANCE  
& PROSPECTS**  
IRISH FOOD, DRINK AND  
HORTICULTURE – 2013/14

Growing the success of Irish food & horticulture

***Bord Bia***  
Irish Food Board



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**40%** Food and drink exports in 2013 were 40% or €3bn higher than the levels recorded in 2009

## EXECUTIVE SUMMARY PERFORMANCE & OUTLOOK

### Overview

- The Irish food and drink sector continued the strong export performance of recent years during 2013 despite the ongoing competitive nature of most markets. Trade was boosted by strong global prices and higher output in key sectors, which helped offset some strengthening of the euro against major currencies.
- For the year it is estimated that the value of Irish food and drink exports increased by 9% to approach €10bn for the first time. This leaves export revenues some 40% or €3bn higher than 2009 levels.
- The strongest performers were dairy, meat & livestock and prepared foods. A competitive market environment led to slower beverage exports, although whiskey continued to perform very strongly. Seafood saw a levelling off in exports following a rise of almost 65% over the 2009 to 2012 period.
- Figures from the CSO for the first 10 months of 2013 show that overall merchandise exports from Ireland fell by more than 6%. The performance of food and drink exports during the period was in direct contrast with growth of over 8% recorded. Food and drink exports now account for two thirds of total indigenous exports.
- The market environment for Irish food and drink exports remains broadly positive for the year ahead. Some further rise in output is expected across key sectors and ongoing strong demand is anticipated in emerging economies. Much will depend on developments in more established markets with consumer sentiment to remain a critical driver.

### Destinations for Irish Food & Drink

- The market distribution of Irish food and drink exports settled down during 2013 following the rise in the share of trade going to International markets over recent years. This was led by the stronger performance of Continental

EU markets. International trade continued to be driven by strong exports to Asia and Russia.

- The share of exports destined for the United Kingdom remained at 42%. Trade increased in line with overall food and drink exports to stand at an estimated €4.1 billion. The main drivers of export growth were beef, dairy and to a lesser extent prepared foods.
- Following a difficult trade in 2012 due to slow economic demand and more favourable trade elsewhere, exports of food and drink to Continental EU markets rebounded impressively in 2013. Exports are estimated to have increased by 11% to reach around €3.2 billion, which represents over 32% of the total. Key markets included Germany, France and the Netherlands, all of which recorded double digit growth.
- Shipments of Irish food and drink products to International markets built on the impressive performance of the previous two years, which saw the value of trade jump by almost 30%. Exports increased by around 6% to exceed €2.6 billion.

### Key drivers of export performance

- In a reversal of trends evident over recent years, there was some growth in volumes across key categories, most notably beef and dairy. Beef output was almost 5% higher while milk production jumped by more than 2%. Both categories also recorded price increases and in the case of dairy this was the key driver of growth.
- Price inflation across the eurozone remained tentative in 2013. The year started brightly with 4% retail food price inflation evident before slowing as the year progressed. A considerable degree of variation was evident depending on the market and product in question. Up to the end of October, a rise of almost 3% was evident.
- Retail food price increases were well ahead of overall inflation with the October index showing food price inflation running at more than twice overall inflation in the eurozone economy. This is in direct contrast to 2010/2011 when food prices lagged overall inflation.

- Global agricultural commodity prices as measured by the FAO Food Price Index showed a marginal decline in farmgate prices during 2013. This was led by weaker sugar, oil and cereals as supply responded to the higher prices of 2011/2012. This offset a substantial increase in dairy prices with meat prices also increasing, albeit modestly. Prices remain some 60% ahead of the 2000 to 2010 average.
- The euro strengthened against both sterling and the US dollar in 2013, rising by 5% and 3% respectively. However, euro exchange rates remain considerably lower than the levels seen in 2010/2011.

### Meat & Livestock

- It is estimated that the combined value of meat and livestock exports increased by 8% or almost €245 m to reach €3.3 billion in 2013. This leaves the sector accounting for a third of food and drink exports.
- A combination of higher output in some categories, most notably beef and sheepmeat together with stronger prices for cattle and pigs helped boost the value of trade.
- The value of beef exports increased by almost 10% reflecting a rise of 5% in output and 4% in average prices. As a result, exports were valued at just under €2.1 billion.
- Despite a drop of around 2% in pigmeat production, a rise of almost 6% in pig prices helped to boost the value of Irish pigmeat exports by 3% to €525 million.
- The competitive market environment for poultry persisted in 2013 although some improvement in prices led to the value of poultry exports rising by 4% to an estimated €230m.
- A rise of 7% in sheep output helped offset lower carcass weights and a marginal drop in prices to leave the value of Irish sheepmeat exports 4% higher at €220m.
- A jump of a third in cattle exports and a doubling in sheep shipments helped drive a rise of 11% in the value of livestock exports to an estimated €240m.

# 15%

Prepared Foods exports were 15% higher in 2013 led by strong growth in fat filled milk powders

- The prospects for the meat & livestock sector in 2014 remain broadly positive with relatively tight supplies persisting across the EU for most species. While slow consumer demand is likely to continue, the overall trading environment is expected to be broadly positive, helped by strong global prices.

## Dairy Products & Ingredients

- Strong global dairy prices combined with increased Irish availability as the year progressed helped boost the value of dairy product and ingredients exports by an estimated 15% to exceed €3 billion for the first time.
- Tight global supplies and a spike in Chinese demand led to international dairy prices reaching record levels in April with Fonterra auction WMP prices reaching \$6,283 USD/tonne compared to \$2,766 in April 2012. Prices eased from this peak for around two months but started to firm again to year end, reflecting the ongoing tight supply situation.
- Milk deliveries in Ireland were significantly impacted by poor weather during the spring. April deliveries were some 11% behind the same month in 2012. Good weather, excellent grass growth rates and good ground conditions resulted in a surge in Irish milk deliveries from June with volumes for July – October running 9% above 2012.
- The strongest performing product categories were butter, cheese, infant formula, milk & cream, WMP and whey.
- Strong double digit growth was evident across most European markets for Irish dairy products in 2013. In terms of International markets significant increases to China and parts of South East Asia offset reduced exports to the United States, Saudi Arabia and South Africa.
- The prospects for Irish dairy exports in 2014 remain broadly positive with global demand likely to help clear any increase in output to keep prices well ahead of historical averages. Global stock levels and the relative strength of the euro will largely determine price prospects. Some further growth in Irish output is likely as producers gear up for the removal of quotas in 2015.

## Prepared Foods

- Prepared Food exports showed varied trends in 2013 with fat filled milk powders increasingly strongly on the back of good global demand while some traditional categories faced a strongly competitive marketplace reflecting higher input costs, negative currency movements, difficulty in securing higher prices and competitor activity.
- Overall, exports of products covered under the prepared foods category increased by 15% to an estimated €1.65 billion. If value added meats and poultry are included, exports were in excess of €2 billion.
- The strongest performing categories were fat filled milk powders – which accounted for 80% of the export growth in the category – cooked meats, pizza, sauces, bakery and to a lesser extent confectionery. These helped to largely offset a slower trade in the frozen ready meal category in particular.
- While the UK continues to account for almost 40% of exports, ongoing diversification to markets across the rest of Europe and niche opportunities in International markets help improve the market mix of the sector.
- The strong focus by the sector on new product development, innovation and the identification of new customers leave it well positioned to identify and develop market opportunities as they emerge.
- As always, there are a number of factors outside the direct control of exporters that could significantly impact on export performance such as input costs, trends in consumer sentiment and the potential to deliver higher food prices. However, most exporters anticipate increased sales in 2014.

## Beverages

- The Irish beverage sector put in a solid performance in 2013 as ongoing growth in whiskey combined with stronger exports of non-alcoholic beverages helped to offset reduced trade in cider, beer and cream liqueurs. Overall, exports are estimated to have declined marginally to reach €1.25bn.
- Despite the ongoing competitive pressures exports to the UK performed reasonably well at €400m. Lower beer,

cream liqueur and cider exports were offset by increased shipments of whiskey and mineral waters. Internationally, slower trade was reported to markets such as Canada, Australia and Russia, which offset increased exports to South Africa and the Middle East.

- The outlook for Irish beverage exports in 2014 remains positive helped by an anticipated further rise in whiskey sales, the ongoing development of emerging markets and an anticipated return to growth for some key categories. The ability of the sector to continue to develop new markets and innovative product solutions for developed markets will be critical.

## Seafood

- Seafood exports recorded a slight decline in 2013. This follows growth of almost 65% in the value of exports over the 2009 – 2012 period. The main factor behind this easing was production and raw material limitations as unit prices were around 7% higher in the 10 months to the end of October.
- Overall for the year, the value of seafood exports is estimated to have eased by 2% to an estimated €520 million.
- Any increase in seafood exports in 2014 will be driven by price increases as volumes are not likely to change greatly. Demand levels seem set to remain strong for most species in emerging markets and a number of smaller European markets. Together these offer the potential for modest growth in export values.

## Edible Horticulture & Cereals

- Stronger mushroom exports were offset by lower grain prices as the year progressed to put some pressure on exports in 2013. Overall, exports of edible horticulture and cereals are estimated to have declined marginally to €225 million.
- The relative strength of the Euro will continue to be a major factor influencing mushroom exports in 2014. However, further growth is anticipated in UK retail sales over the course of 2014, which will help boost trade.

**75%** The results of Bord Bia's annual industry survey suggests that 75% of exporters anticipate higher sales in 2014

## Industry Issues

- The results of the annual Bord Bia industry survey, completed in late December 2013, shows good optimism among food and drink manufacturers across all categories. In total, more than 8 out of 10 reported higher or similar turnover over the last 12 months.
- Looking ahead to 2014, some 75% of exporters expect their sales to grow.
- For those respondents that reported an increase in turnover over the last 12 months, the following were the principal reasons listed;
  - o **72% had increased sales of existing products to existing customers.**
  - o **72% had increased sales of existing products to new customers.**
  - o **59% had delivered sales of new products to existing customers.**
  - o **59% had developed sales of new products to new customers.**
- Innovation remains important for many food and drink manufacturers with 91% of exporters reporting that they had introduced new products in the last three years. The majority of these involved variations of existing products rather than the scientific development of new products e.g. new pack sizes (74%), new flavours or variants of existing products (72%), products new to the company but using established technology (67%) and new pack types (61%).

## Consumer Trends

- Bord Bia's global PERIScope study helps us to fully understand today's consumer by exploring consumer eating behaviours, purchasing attitudes and shopping & cooking trends among consumers in the Irish and UK markets as well as globally. The results of this study allow us to identify strong consumer themes that dominate the consumer landscape. These include:
  - o **A Foodie World**  
Across the countries surveyed that there is a new 'Foodie' attitude - one where food is enjoyable and plays a stronger role in our lives. An encouraging behaviour is the reported increase in scratch cooking with 2/3 consumers claiming to scratch cook. On the flip side is the decline in usage of prepared meals.
  - o **Back to Basics**  
As our interest in food increases and our scratch cooking improves we are also seeing a 'back to basics' approach to buying and preparing food – more people are seeking more time with the family, are seeking out local and seasonal ingredients and produce, and transparency is being seen as a strong mark of quality and trust.
  - o **The Environment**  
Consumer's awareness of the environment and environmentally conscious companies and whether or not it is a key driver in purchase decisions has begun to change. However, it is not currently their top priority given the continuing economic pressure people find themselves under.

## o Health & Wellness

People are looking for a balanced approach to their health and to have greater control through the choices they make. However with the increase in availability of information and more education and awareness as to ingredients and product benefits, there can often be confusion as to what is actually healthy. Shoppers are therefore looking to manufacturers and producers to help them regain control over their health.

Technology is one of the key catalysts affecting our shopper behaviour and it will continue to change the way in which we shop. The increasing levels of smartphone ownership deliver more information to consumers and they are able to access more information at the touch of a button whether it is at the shelf or at home.

# Food & Drink Export Trends & Drivers



The value of Irish food and drink exports **INCREASED BY 9%** to approach **€10BN** for the first time

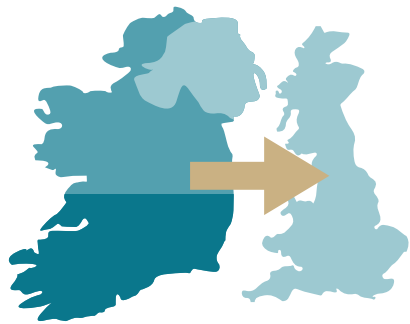
This leaves exports 40% or almost €3bn higher than 2009 levels



The euro strengthened against both sterling and the **US dollar** in 2013, rising by **5%** and **3%** respectively



Price inflation across the eurozone moved tentatively upwards in 2013, **rising** by almost **3%** to the end of October

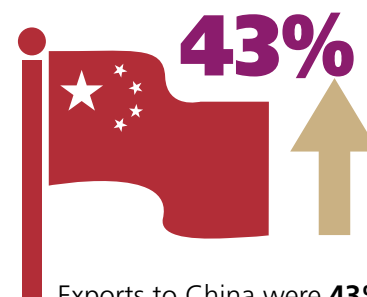


The United Kingdom accounted for of exports in **42%** 2013 with trade valued at **€4.1 billion**

**Continental EU markets** rebounded impressively in **2013** with exports increasing by **11%**



**75%** of exporters that took part in Bord Bia's annual industry survey expect their sales to grow in 2014



Exports to China were **43%** higher at **€390m**. Trade has **trebled since 2010**



The **FAO Food Price Index** declined slightly in **2013** led by weaker sugar, oil and cereals prices

However it remains **60%** ahead of the 2000 to 2010 average

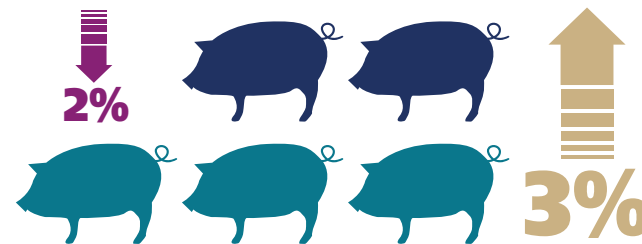
International markets built on the impressive performance of recent years with trade growing by **6%** to exceed **€2.6 billion**

# Performance by Category

Exports of edible horticulture and cereals were marginally lower at



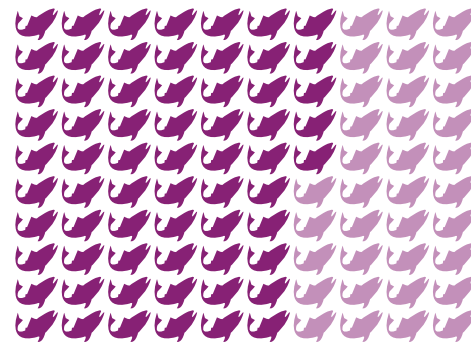
Exports of prepared foods increased by **15%** to an estimated **€1.65BN** led by strong growth in fat filled milk powders



Despite a drop of around **2%** in pigmeat production, the value of Irish pigmeat exports grew by **3%** to **€525 million**

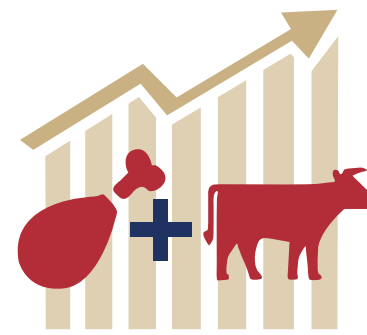


Beef exports were **10% HIGHER** at almost **€2.1bn**. This reflects a rise of **5%** in output and over **4%** in average prices



**65%**

Seafood exports declined slightly. However this follows **growth** of almost **65%** over the 2009 – 2012 period



The combined value of meat and livestock exports increased by **8%** to reach **€3.3BN** IN 2013



Strong global **dairy prices** and higher Irish **output** led to the value of dairy product and ingredients exports rising by **15%** to exceed

**€3BILLION**  
for the first time



Irish beverage exports were marginally lower at **€1.25bn** as slower **beer, cider** and **liqueur** exports offset strong growth in **whiskey** and **mineral waters**



## MARKETING ENVIRONMENT

**The value of Irish food and drink exports approached €10bn for the first time in 2013 as exports recorded a further 9% growth.**



### **Overview**

The Irish food and drink sector continued the strong export performance of recent years during 2013 despite the ongoing competitive nature of most markets. Trade was boosted by strong global prices and higher output in key sectors, which helped offset some strengthening of the euro against key currencies.

Consumers are starting to look ahead again and focussing on enjoying what they have rather than mourn what they have lost. They expect that times ahead will remain challenging and meeting the cost of everyday essentials can still weigh heavily on consumer's minds. This emerging landscape offers many opportunities for brands and companies, provided they clearly understand the evolving needs of consumers.

# €3bn

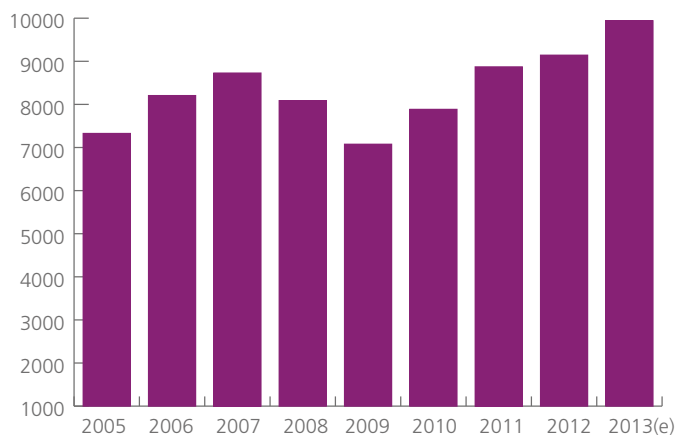
The value of Irish food and drink exports increased by 40% or €3bn during the 2009 - 2013 period

## OVERVIEW

The Irish food and drink sector continued the strong export performance of recent years during 2013 despite the ongoing competitive nature of most markets. Trade was boosted by strong global prices and higher output in key sectors. Ongoing austerity measures across a number of developed markets continued to create a price competitive environment for exporters as consumers maintain a strong focus on spending. However, exporters have shown strong resilience in the face of this pressure.

For the year it is estimated that the value of Irish food and drink exports increased by almost 9% to approach €10bn for the first time. This growth reflects the increased diversification of exports and the progress made by the sector to boost the market position of food and drink products across key markets.

## Irish Food and drink exports, 2005 to 2013 (€m)



Source: Bord Bia estimates

The strongest performers were dairy, meat and livestock and prepared foods. A competitive market environment led to slower beverage exports, although whiskey continued to perform very strongly while seafood saw a levelling off in export values following a rise of almost 65% during the 2009 – 2012 period.

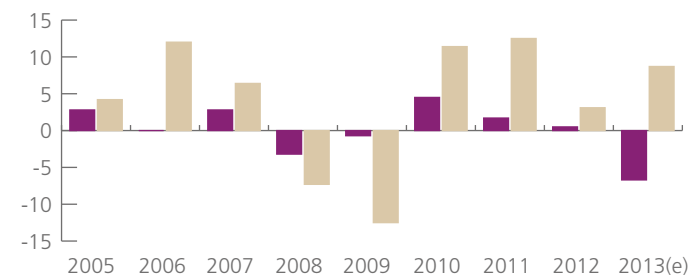
## Irish food and drink exports

	2012 €m	2013 (e) €m	2013/ 2012 % +/-
Dairy products & ingredients	2,640	3,045	+15
Beef	1,900	2,090	+10
Prepared Foods	1,424	1,645	+15
Beverages	1,257	1,250	-1
Pigmeat	510	525	+3
Seafood	534	520	-3
Edible Horticulture & Cereals	227	225	-1
Poultry	221	230	+4
Sheepmeat	212	220	+4
Live Animals	217	240	+11
<b>TOTAL FOOD &amp; DRINKS</b>	<b>9,141</b>	<b>9,990</b>	<b>+9</b>

## Resilience of sector remains strong

Figures from the CSO for the first 10 months of 2013, show that overall merchandise exports from Ireland fell by more than 6%. The performance of food and drink exports during the period was in direct contrast with growth of over 8% recorded. CSO figures show that relative to 2009 levels total merchandise exports were 4% higher in 2013, which compares to growth of 40% in food and drink exports. Food and drink accounts for two third of total indigenous exports.

## Trend in food & drink versus overall merchandise exports, 2005 to date (% change on previous year)



■ Merchandise  
■ Food and Drink

Source: Bord Bia based on CSO

## Higher volumes reported in key categories

In a reversal of trends evident over recent years, some volume growth was recorded across key categories, most notably beef and dairy. Finished cattle supplies are estimated to have increased by 7% in 2013 and despite lower average carcase weights due to poor grazing conditions in the spring of the year, output was around 5% higher. After a slow start to the year milk production up to the end of October was running 2% ahead of year earlier levels. However, both categories also recorded price increases and in the case of dairy this was the key driver of growth while for beef the rise in exports was a combination of volume and value increases.

The combined impact of higher beef and milk output in 2013 is estimated to be in the region of €160m, which equates to less than 30% of the growth in export values for these categories.

Higher volumes were also recorded in sheepmeat and mushrooms while reduced output was evident in some key beverage categories and pigmeat.

# 11%

Exports to Continental European markets rebounded impressively in 2013, rising by 11% to reach €3.2 billion

## Consolidation anticipated for 2014

Following the strong growth recorded in 2013, the market environment for Irish food and drink exports remains broadly positive for the year ahead.

Some further rise in output is expected across key sectors and ongoing strong demand is anticipated in emerging economies. Much will depend on demand developments in more established markets with consumer sentiment to remain a critical driver.

The outlook for the global dairy sector remains broadly positive although much will depend on the supply response to the recent high prices. The ever improving market position achieved by the Irish dairy sector leaves the industry well placed to deal with pressures that may emerge.

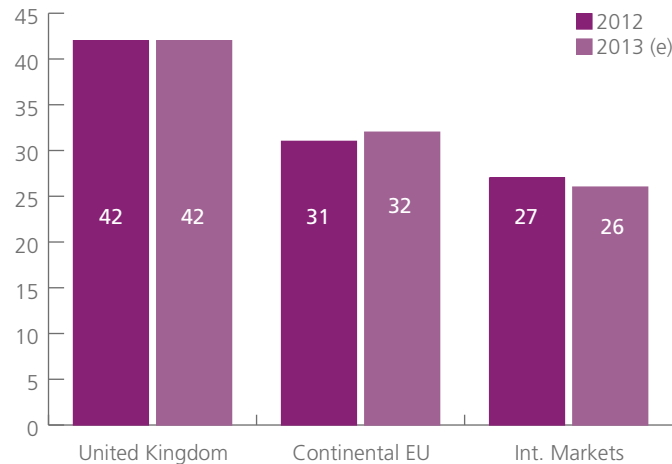
Similarly in relation to beef, the market profile of Irish beef continues to grow across key accounts and with a broadly stable EU market expected in 2014, prospects remain generally positive, although some pressure may be evident in the early part of the year.

The beverage sector remains competitive in most categories and this trend seems set to continue although further growth in whiskey and a renewed rise in cider exports is anticipated. Prepared food export values are likely to be driven to a large extent by demand for fat filled milk powders, which seems set to remain positive. Other categories such as confectionery, ready meals and pizzas are expected to record some growth.

## Stronger trade to euro markets

There was a settling down in the market distribution of Irish food and drink exports in 2013 following the rise in the share of trade going to International markets over recent years. This was led by the stronger performance of 'Continental EU' markets. International trade continued to be driven by strong exports to Asia and Russia.

## Market distribution of Irish food and drink exports (%)



Source: Bord Bia estimates

### United Kingdom

The share of exports destined for the United Kingdom remained at 42% in 2013. Trade increased in line with overall exports to stand at an estimated €4.1 billion. The main drivers of export growth to the UK were beef, dairy and to a lesser extent prepared foods. A slower demand left beverage exports largely unchanged.

### Continental EU

Following a difficult trade in 2012 due to slow economic demand and more favourable trade elsewhere, exports of food and drink to Continental EU markets rebounded impressively in 2013. For the year exports are estimated to have increased by 11% to reach around €3.2 billion, which represents over 32% of total exports.

Exports were driven by the strong performance of key markets such as Germany, France and the Netherlands all of which recorded double digit growth.

The drivers of this growth were dairy, prepared foods and beef.

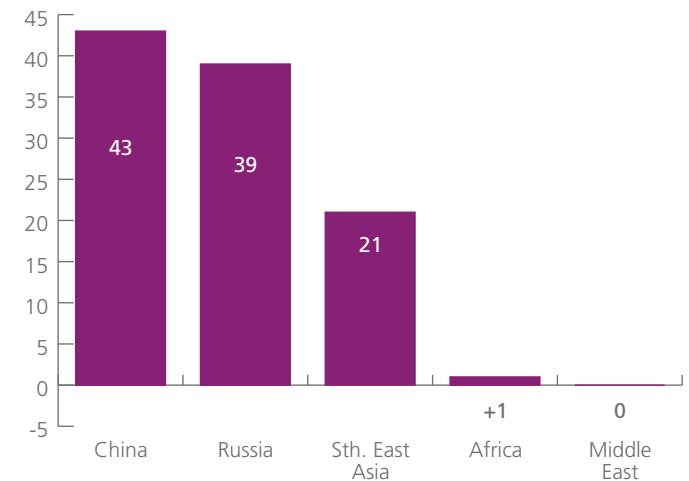
## International markets

Shipments of Irish food and drink products outside of Europe built on the impressive performance of the previous two years, which saw the value of trade jump by almost 30%. For the year a rise of 6% was recorded to exceed €2.6 billion. The region accounted for 26% of exports, back marginally on a year earlier.

Trade in 2013 was led by stronger exports of dairy, fat filled milk powders, seafood and meat.

The growth in exports was led by China, South East Asia and Russia. Solid trade was also recorded in Africa and the Middle East.

## Growth in exports by region, 2013 vs. 2012 (%)



Source: Bord Bia estimates

# 3%

Eurozone consumer food price index recorded a rise of almost 3% in the first 10 months of 2013

## Key drivers of export performance

### Consumer prices tentatively rising

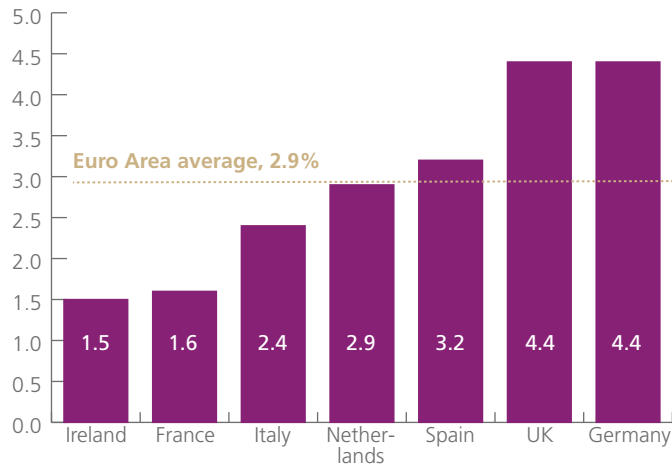
Retail price inflation across the eurozone remained tentative in 2013. The year started brightly with an acceleration of the growth levels evident in late 2012 and for much of the first six months prices were 4% ahead of year earlier levels. However, prices slowed during the course of the autumn in many markets despite ongoing relatively high input costs. As was the case in 2012, a considerable degree of variation was evident depending on the market and product in question.

Data from Eurostat for October 2013 shows the consumer food price index running less than 2% ahead of the corresponding month a year earlier. On a year to date basis, a rise of almost 3% was evident.

Food price developments were well ahead of overall inflation during the year with the October index show food prices inflation running at more than twice overall inflation in the eurozone economy. This is in direct contrast to 2010/2011 when food prices lagged overall inflation.

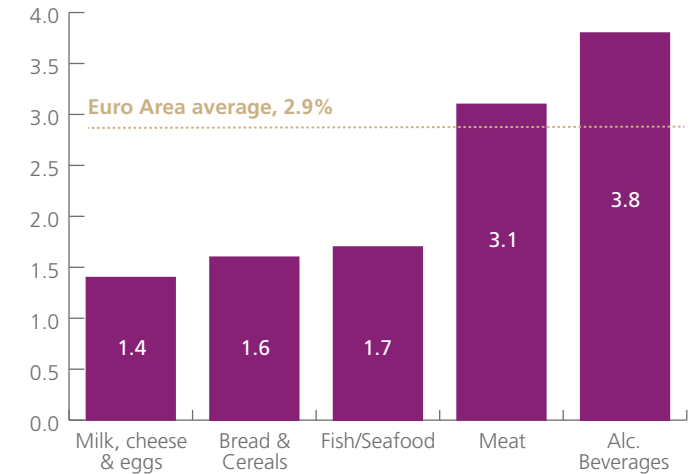
Varying trends have been evident across the eurozone with Germany, the Netherlands and Spain showing higher than average inflation. The UK recorded inflation of 4.4% for the first 10 months of 2013.

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



Looking at the index for the 10 months to the end of October there was some variation of trends evident across food and drink with alcoholic beverages showing the highest inflation at 3.8% led by the Netherlands, Spain and France. The other category to record higher than average inflation was meat at just over 3% driven by higher meat prices in Germany.

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



The outlook for food price inflation across the eurozone remains difficult to predict. The forecasts of stronger economic growth in 2014 should help boost consumer confidence and in turn spending. However, any increase is likely to be gradual.

### Competitiveness of sector

The competitiveness of the Irish manufacturing sector as measured by Ireland's Competitiveness Scorecard published by Fórfas continues to improve according to the 2013 report.

The report highlights that Ireland ranked 15th out of 185 countries in the World Bank's competitiveness ranking for 2012. Ireland was ranked in the top 10 in terms of the ease of starting a business, paying taxes, protecting investors and resolving insolvency. However, issues were highlighted in relation to construction permits and electricity access.

# 60%

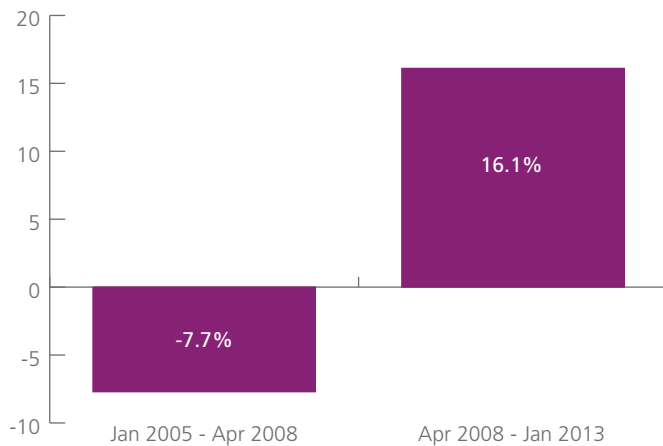
The FAO Food Price Index continues to run 60% ahead of the average level recorded during the 2000 -2010 period

Following a 7.7% loss in cost competitiveness in real terms between January 2005 and April 2008, Ireland has regained some of its competitiveness, helped by a fall in relative prices and exchange rate movements. From April 2008 to January 2013, the harmonised competitiveness indicator for Ireland improved in real terms fell by more than 16%.

A report by the IMF in 2013 suggested that the full benefits of recent cost competitiveness gains may not have been fully realised. The report suggested that exports from Ireland continue to increase for up to 36 months after cost competitiveness gains.

Analysis of unit labour costs in Ireland show that they have fallen by twice as much as the euro average in recent years and this is expected by the EU Commission to continue into 2014. Productivity levels over the 2006 to 2012 period improved by 12.5% in GNP terms.

### Trends in Ireland's Competitiveness (% change)



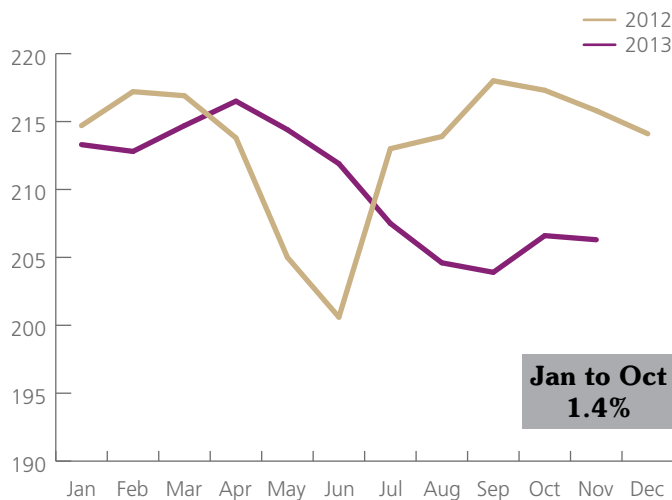
Source: Fórfas, Ireland's Competitiveness Scorecard, 2013

### Slowing in most global commodity prices

Global agricultural commodity prices as measured by the FAO Food Price Index showed some further softening in 2013. The decline was led by weaker sugar, oil and cereals as supply responded to the higher prices of 2011/2012. This offset a substantial increase in dairy prices with meat prices also increasing, albeit marginally.

The FAO Food Price Index fell marginally during the first 11 months of 2013. However, the index continues to run 60% ahead of the average level recorded during the 2000 -2010 period.

### FAO food price index trends, 2013 versus 2012 (2002 - 2004=100)



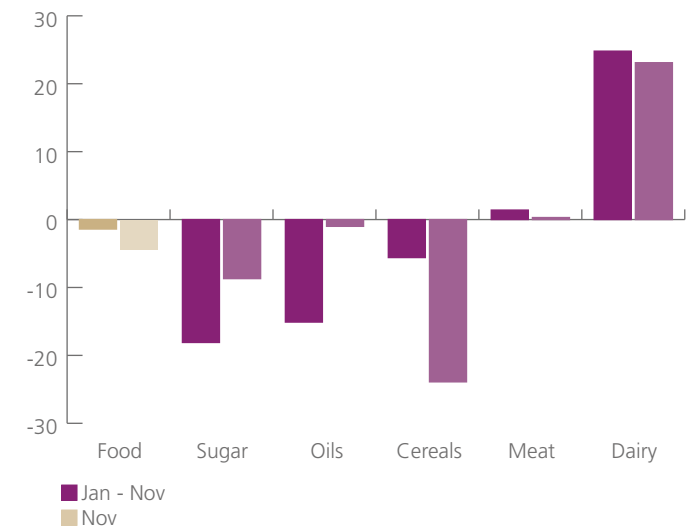
Source: FAO

Relative to November 2012, the cereals price index was 24% lower reflecting a stronger harvest in key exporting regions. Sugar and oils were 9% and 1% lower respectively.

The dairy price index in November was 23% ahead of the same month a year earlier while meat was marginally lower.

Prospects for prices in 2014 remain reasonably positive but much will depend on the balance between supply and demand across key commodities. Little change is expected in most product areas.

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



Source: FAO

**5%** The euro strengthened against sterling and the US dollar in 2013, rising by 5% and 3% respectively

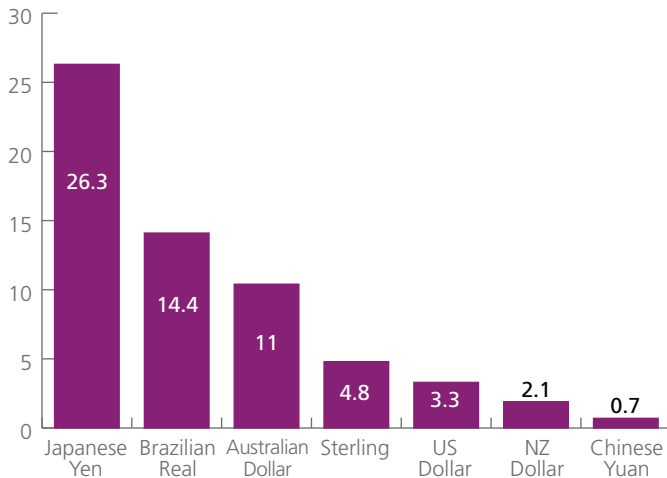
### Euro strengthens against key currencies

The Euro strengthened against both sterling and the US dollar in 2013, rising by 5% and 3% respectively. However, despite this exchange rates remain considerably lower than the levels seen in 2010/2011.

With more than 40% of food and drink exports destined for the sterling area and a further 26% going to markets, which predominantly trade in US dollars any strengthening has the potential to impact on competitiveness. However, exporters appear to have been able to absorb the level of strengthening evident to date. Also, recent months have seen some recovery in sterling, which has helped ease some pressure.

Similar trends were evident with other major currencies such the Australian dollar and the Brazilian real, which has helped boost their competitiveness on the EU market. The euro exchange rate with the Chinese yuan was largely unchanged.

### Key euro exchange rate developments, 2013 (% Change on previous year)



Source: Central Bank of Ireland

### CONSUMER ATTITUDES & BEHAVIOUR

The consumer theme for 2013 was *realism*.

Today's consumers have become more wary and vigilant and as a result it has become more difficult to engage with them. With the beginning of economic recovery we have seen stirrings of economic recovery and signs of increased competitiveness from companies. As the recession has endured, so has the resilience of consumers and attitudes have changed to give us this theme of *realism*.

### A New Era of Realism

Consumers are starting to look ahead again and focussing on enjoying what they have rather than mourn what they have lost. From this a new era of realism is emerging, one where happiness has more currency than affluence or economic growth.

Reconnection is the key to a rising sense of wellbeing and happiness: belonging to a group or community gives us a sense of identity, it helps us understand who we are and feel part of something larger. Reaching out and finding new points of connection is becoming a key factor in shaping the consumer outlook and sense of happiness in life.

This emerging landscape offers many opportunities for brands and companies. As consumers' orientation has shifted from retrenchment and self-preservation towards re-connection, brands have greater permission to act as facilitators in reaching this goal.

With this new era of realism, consumers expect that times ahead will remain challenging and meeting the cost of everyday essentials can still weigh heavily on consumers minds. Attitudes and (arguably) values have permanently shifted as times have remained challenging and as ever, understanding the lives of consumers today is of fundamental importance.

### The Consumer Landscape

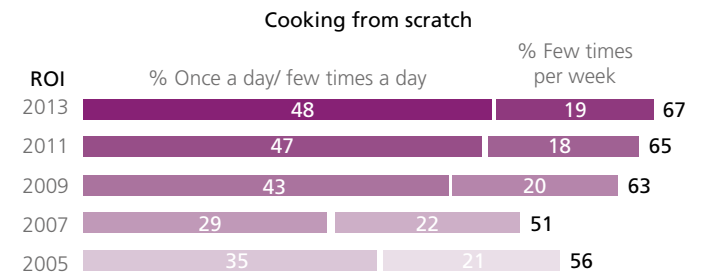
Our global PERIscope study helps us to fully understand today's consumer by exploring consumer eating behaviours, purchasing attitudes and shopping & cooking trends among consumers in the Irish and UK markets as well as globally. The results of this study allow us to identify strong consumer themes that dominate the consumer landscape.

### A Foodie World

We know today the economic situation is a top of mind theme in many of World's developed markets. However consumers are finding new ways to cope with the pressures of a new reality. The need to scale back and at the same time realising what is important in consumers' lives has led to positive lifestyle choices. Food is one of the core elements that underpins the positive shifts in lifestyle and balances some of the tensions people have between competing priorities in their lives.

We are seeing across the countries surveyed that there is a new 'Foodie' attitude - one where food is enjoyable and plays a stronger role in our lives. In Ireland, we are beginning to take more enjoyment from cooking and our confidence levels in our cooking abilities are steadily increasing. Another encouraging behaviour is the reported increase in scratch cooking with two thirds of consumers claiming to scratch cook (only using raw, fresh ingredients) and the frequency of this behaviour is increasing. On the flip side is the decline in usage of prepared meals suggesting that despite time pressures, people want to feel more involved in the cooking experience.

### Scratch cooking on the increase

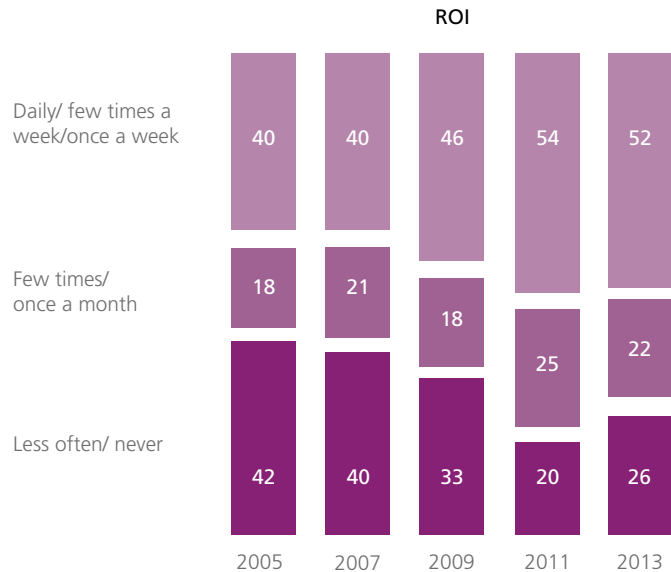


**64%** PERIscope shows that 64% of consumers look at price first thing when shopping

**Back to Basics**

As our interest in food increases and our scratch cooking improves we are also seeing a ‘back to basics’ approach to buying and preparing food – more people are wanting to spend more time with the family, are seeking out local and seasonal ingredients and produce, and transparency is being seen as a strong mark of quality and trust.

**Frequency of “local food” purchases**



Seven out of ten people in Ireland believe buying local food is important (up from 50% eight years ago). We’re also buying local food more often, with half buying at least once a week and the frequency of purchasing local food is gradually improving. Consumers are seeking out products from local producers as local is a synonym for quality, trust and transparency.

Three out of four people in Ireland are regularly seeking out the country of origin labelling and Quality marks on packs as an indicator of quality and trust. Out of the ten countries we looked at, Ireland ranked second in looking for Quality Marks and fifth in the importance of looking for Country of Origin labelling.

Our *Irishness 2013* study sought to further understand the growing importance of local to consumers. Consumers want to do the right thing and purchase Irish products and they want the retailers to help them to make this decision. However, consumers are still very much price sensitive and since they view Irish brands as being more expensive than foreign brands, they tend to purchase them where possible. There are certain categories where they will always buy Irish for example meat and dairy and it is these categories in which the quality mark and country of origin symbols have a central role of importance to play. *Irishness* helps to facilitate that local connection that consumers seek.

**The Environment**

A new mindset of realism means that consumers now must carefully consider what causes they can support and where their budget can be allocated too. Consumer awareness of the environment and whether or not it was a key driver in purchase decisions and their awareness of environmentally conscious companies has begun to change. There is increasing awareness in Ireland around environmental terms such as food miles, carbon footprint and sustainability which has continued to improve over time.

The environment continues to be of importance to consumers. Almost six in ten in Ireland are conscious of environmental issues when buying groceries. However it is not currently their top priority given the continuing economic pressure people find themselves under and is therefore not a key purchase driver.

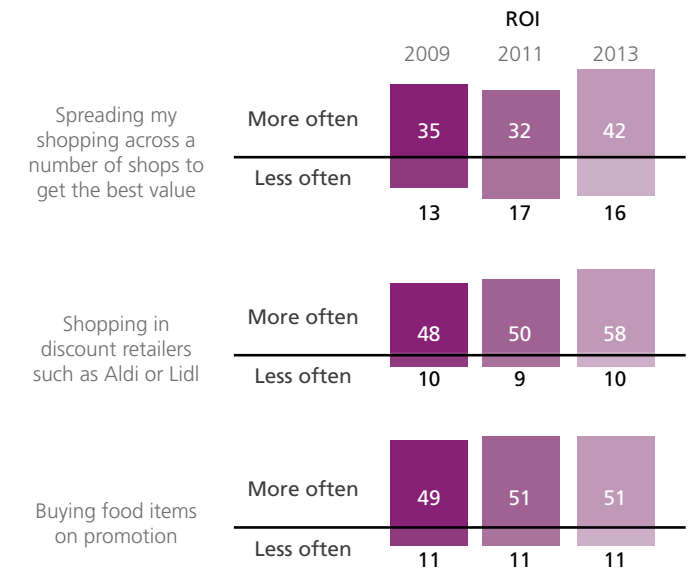
**Shopping Around**

The global recession has fundamentally changed attitudes to the marketplace and what represents good value; with this consumer’s shopping behaviour and attitudes have changed. Consumers today are smarter and savvier with their money and more willing to shop around than ever before.

Some 64% of consumers agree that they look for price first thing when shopping. This figure has increased steadily since 2005. However what is encouraging is that nearly 8 out of 10 consumers agree that the quality of fresh food is more important than price. So just because consumers are more likely to check

price first, it doesn’t necessarily mean that this will be the main purchase driver and instead are likely to look at the quality and the value that brings. The shopper increasingly wants greater transparency and to know where their food is coming from. Companies need to respond to this demand accordingly.

**Irish shopping behaviour changing (%)**



The marketplace has seen an influx of promotions by brands in an attempt to attract consumers enticing them to make a saving. This may have been one of the more common behaviours in the early days of the economic recession however today, consumers are less likely to shop on promotion or purchase on impulse. Consumers are more frugal and shopping is frequently dictated by a shopping list to avoid the risk of waste or lackadaisical spending.

As expected, shopping in discounters is becoming a more mainstream behaviour as 58% of shoppers report that they are shopping these outlets more often than they did a year ago.

# 28%

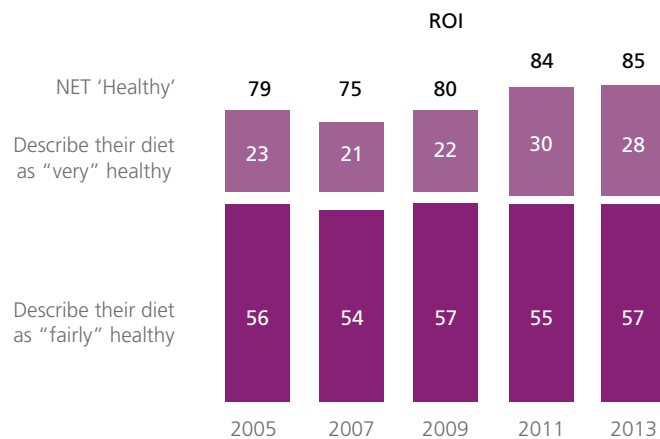
Some 28% of Irish consumers describe their diet as being very healthy, reflecting an increased focus on their diet

We have also seen a rise in the number claiming to spread their shopping among several stores as they search for the best value. The online channel continues to develop and although the behaviour of online grocery shopping is more prevalent with our GB counterparts, it is slowly increasing among Irish shoppers.

### Health & Wellness

Health & wellness continues to increase in significance and is one of the most prominent consumer trends over the last decade. People are looking for a balanced approach to their health and to have greater control through the choices they make and aim to manage their diet more responsibly.

### Perception of health



This is reflected in the number of consumers who claim to be eating healthier than they did 12 months ago as 1 in 3 report this behaviour. Consumers are actively looking to eat healthier and make the right decisions for their diet and lifestyle. However with the increase in availability of information and more education and awareness as to ingredients and product benefits, there can often be confusion as to what it actually healthy. Shoppers are therefore looking to manufacturers and producers to help them regain control over their health with 67% agreeing that they would like help from manufacturers.

### The Lunchtime Occasion

The lunchtime occasion is growing in significance for consumers as they begin to use this occasion to control their budget and also their ingredients as a way to manage diet and health. Our *Lunchtime Occasion* study which was completed early in 2013 explored the eating habits around the lunchtime occasion and the various tools and foods that consumers are using to control their budget and ingredients. Almost two thirds of lunches consumed in the workplace are brought from home which is one way to control your food budget and limiting frivolous spending on lunches. Bringing lunch from home is also one tool for managing ingredients used and calories consumed. The sandwich is still the most consumed lunchtime food with over 40% of consumers opting for bread based lunches. The versatility of the sandwich in terms of fillings and healthy ingredients and the combined cost effectiveness, makes the sandwich the lunchtime hero.

### Tomorrow's Shopper: Looking to the Future

We delved further into how such shopper behaviour is changing with our *Tomorrow's Shopper* study which looks at how shoppers' behaviour will continue to change and develop in the future.

Technology is one of the key catalysts affecting our shopper behaviour and it will continue to change the way in which we shop. The increasing levels of Smartphone ownership deliver more information to consumers and they are able to access more information at the touch of a button whether it is at the shelf or at home. Shopping behaviour is evolving and it is the rise of digital technology that has become a macro driver and enabler for how we interact with brands and how this will evolve in the future.

By 2015, 9 out of 10 of Irish people will own a smartphone and by the end of this year smartphones in the UK will outnumber PCs. With the rise of 4G networks we will see greater upload and download speeds enabling better interactions with brands and shoppers. Brand needs to be aware of the various channels in which shoppers interact on their path to purchase and have a corresponding multi-channel digital strategy looking at online, mobile and social commerce.



# SECTORAL REVIEW AND OUTLOOK



## **Overview**

The strongest export performers in 2013 were dairy, meat & livestock and prepared foods. A competitive market environment led to slower beverage exports, although whiskey continued to perform very strongly. Seafood saw a levelling off in exports following a rise of almost 65% over the 2009 to 2012 period.

The market environment for Irish food and drink exports remains broadly positive for the year ahead. Some further rise in output is expected across key sectors and ongoing strong demand is anticipated in emerging economies. However, much will depend on developments in more established markets with consumer sentiment to remain a critical driver.

# €3.3bn

It is estimated that the combined value of meat and livestock exports increased by 8% or almost €245m to reach €3.3 billion

## MEAT & LIVESTOCK

The meat and livestock sector built on the strong performance of recent years in 2013. A combination of higher output in some categories, most notably beef and sheepmeat together with stronger prices for cattle and pigs helped boost the value of trade.



For the year, it is estimated that the value of meat and livestock exports increased by 8% or €245m to reach €3.3 billion. This leaves the sector accounting for a third of food and drink exports.

### Key drivers of export performance

- Higher pig and cattle prices, rising by 6% and 4% respectively.
- Stronger cattle, sheep and poultry volumes.
- Well balanced EU market.
- Good international demand for pigmeat, poultry and sheepmeat.
- Sluggish EU demand for most categories.

### Summary performance by category

The value of **beef** exports increased by almost 10% reflecting a rise of 5% in output and a 4% increase in average prices. As a result, exports were valued at just under €2.1 billion.

Despite a drop of around 2% in pigmeat production, a rise of almost 6% in pig prices helped to boost the value of Irish **pigmeat** exports by 3% to reach €525 million.

The competitive market environment for poultry persisted in 2013 although some improvement in prices led to the value of **poultry** exports rising by 4% to an estimated €230m.

A rise of 7% in sheep output helped offset lower carcass weights and a marginal drop in prices to leave the value of Irish **sheepmeat** exports over 4% higher at €220m.

A jump of a third in cattle exports and a doubling in sheep shipments helped drive a rise of 11% in the value of livestock exports to leave trade valued at an estimated €240m.

### Irish Meat & Livestock Exports

	2012 €m	2013 (e) €m	2013/ 2012 % +/-
Beef	1,900	2,090	+10
Pigmeat	510	525	+3
Poultry	221	230	+4
Sheepmeat	212	220	+4
Live Animals	217	240	+11
<b>TOTAL MEAT &amp; LIVESTOCK</b>	<b>3,060</b>	<b>3,305</b>	<b>+8</b>

## BEEF

A further tightening in EU beef output helped offset some increase in EU imports and ongoing slow demand in a number of key markets. The stable market is reflected in the fact that EU male cattle prices were largely unchanged in 2013.

### Key beef export market developments in 2013

- Drop of 2% in EU beef output.
- EU beef imports up by 9% with exports down by 25%.
- Irish beef production 5% higher.
- Stable European male cattle prices.



Export meat plant cattle supplies are estimated to have increased by almost 7% in 2013 to almost 1.5 million head. This increase was led by stronger steer, heifer and cow disposals, which more than offset a decline in young bull availability.

The poor weather witnessed during the spring and early summer had a negative impact on average carcass weights, which were around 3% lower for the year.

As a result, total beef production reached an estimated 520,000 tonnes. With domestic consumption levels showing a modest decline, the volume of beef available for export stood at around 470,000 tonnes. This combined with a rise of 4% in average prices led to **the value of Irish beef exports increasing by 10% to just under €2.1bn.**

**10%** The value of beef exports increased by 10% to just under €2.1 billion

## Beef Exports (€m)

2012 €m	2013 (e) €m	2013/2012 % +/-
1,900	2,090	+10

The proportion of exports destined for European markets remained at almost 99% in 2013. The positioning of Irish beef in our key markets continues to progress, with almost two thirds of our export volumes now destined for the higher value standard retail, premium foodservice and retail or quick service sectors.

## Markets for Irish beef

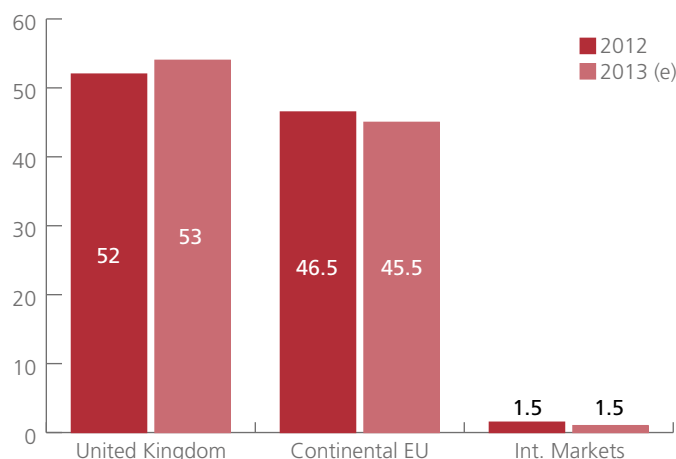
Volumes of Irish beef destined for the **United Kingdom** increased during 2013, reflecting higher availability and the relatively high prices prevailing in the UK. For the year shipments are estimated to have increased by 5% to 250,000 tonnes or 53% of total exports. In value terms, trade was worth an estimated €1.1 billion, a rise of almost €90 million on year earlier levels.

Exports to **Continental Europe** showed marginal growth at 214,000 tonnes. Higher exports to Scandinavia, France, Germany and the Netherlands helped offset slower trade to Italy. Trade was valued at around €960 million, a rise of €60m on 2012 levels.

Exports to the Continent faced some price resistance during the year in response to slow consumer demand and relatively high beef prices.

Exports of Irish beef to **International markets** were somewhat higher as stronger trade to Switzerland and to a lesser extent Russia and Africa helped offset slower trade to some other markets. For the year, it is estimated that Irish beef exports outside of the EU reached 8,000 tonnes and were worth over €25 million.

## Distribution of Irish beef export volumes (%)



Source: Bord Bia estimates

## Outlook for 2014

The prospects for the EU market in 2014 point to a modest increase in output with demand remaining somewhat slow. In terms of demand, much will depend on consumer spending levels. It is interesting to note that the meat consumer price index for the eurozone was ahead of overall food inflation for much of 2013, which helped boost returns somewhat. However, it also put pressure on purchase volumes among relatively high priced meats such as beef with retail sales volumes showing a drop of 3% in some markets. Slow consumer demand seems set to persist into much of 2014.

### Key beef market drivers for 2014

- Modest recovery in EU beef production.
- Slow EU consumer demand anticipated.
- Rise of 4% in global beef trade, driven by Brazil, India and Argentina.
- Rise of 6% in Irish cattle supplies.

## Global beef supplies to show little change

Little change is expected in global beef supplies in 2014 although trade levels seem set to grow further driven largely by rising import demand from China.

The main drivers of output growth globally in 2014 are set to be Brazil and India where output looks set to grow by 3% and 5% respectively. However, this will be largely offset by a drop of 6% in US output reflecting the drop in their cattle herd.

In terms of exports, trade by the top five exporters is forecast to rise by 5% with most this increased trade destined for Asia and the Middle East.

## EU output to recover slightly

Beef output in the EU-15 region is expected to increase by around 1% in 2014 with a number of countries that experienced declines in 2013 forecasting some recovery. For example, French output is expected to increase by 2% and Italian output is to level off following a significant decline in 2013. In the Netherlands, a 3% growth in output is anticipated. Little change is expected in consumption levels.

In terms of trade, the EU is expected to remain a net exporter of beef in 2014 as increased demand from North Africa, the Middle East and Asia help trade.

EU beef imports recorded a rise of around 9% in 2013 reflecting higher shipments from Brazil, Australia in particular. However, volumes remained 40% below peak levels. For 2014 some further recovery in imports is anticipated with North American shipments likely to increase, albeit from very low levels.

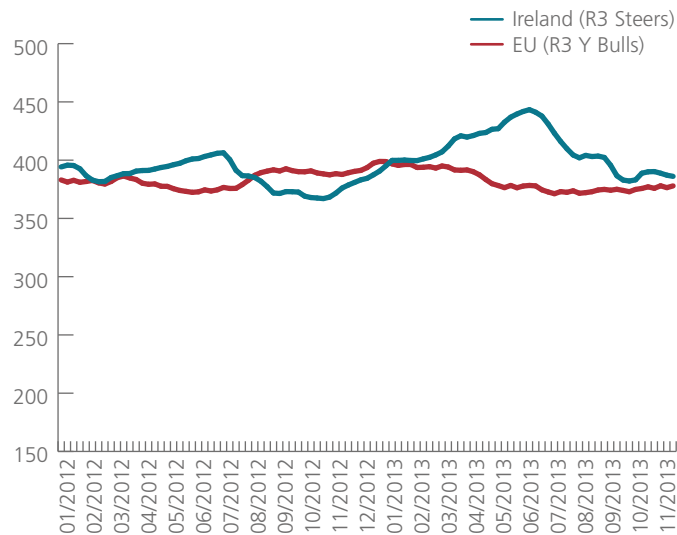
## Irish prices remain ahead of EU levels

Following a rise of more than 20% in the previous two years, EU R3 young bull prices were largely unchanged in 2013. The prospects for 2014 point to reasonably stable price levels, helped by a tightening in supplies during the second half among some key producers.

**6%** Irish finished cattle supplies are expected to rise by 6% in 2014

Irish cattle prices remained ahead of EU levels in 2013 averaging around 106% of EU R3 male cattle prices. It is hoped that the Irish beef sector will be well placed to maintain this momentum in 2014, despite some further increase in supplies. The recent relief in feed costs is to be welcomed although fertiliser and energy costs continue to put pressure on producers.

**Irish R3 steers versus EU R3 male cattle prices, 2012 to date (c/kg dw)**



Source: Bord Bia based on EU Commission

The depreciation in the Real has left Brazilian cattle prices running at less than 60% of the EU average while US prices stand at just under 90% of the EU average. Little change is expected for 2014.

**Further rise expected in Irish cattle supplies**

Weak live cattle exports and a rise of more than 100,000 in calf registrations during 2012 point to increased finished cattle availability in 2014. Figures from the Department of Agriculture's AIM database for September 1st 2013 show a rise of 83,000 head in the number of male cattle aged 18 – 24 months. Female numbers in this age bracket were 61,000 head higher although at least some of this increase is down to higher breeding heifer retention in the dairy sector.

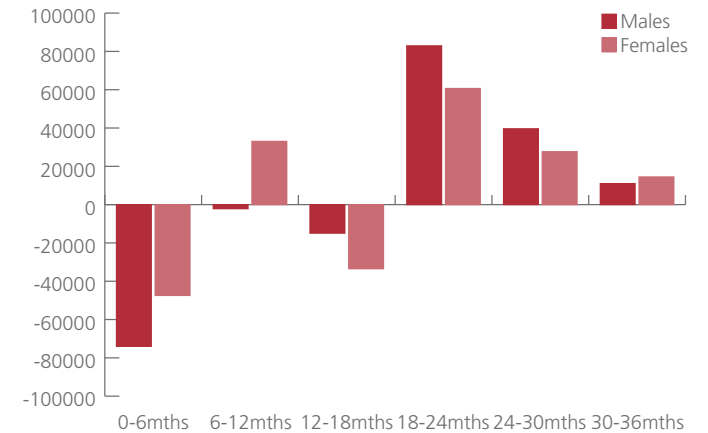
Taking these figures into account, supplies at export plants are expected to increase by around 100,000 or 6% in 2014. However, all age categories under 18 months recorded lower numbers in September 2013, which points to some tightening in supplies in the latter part of 2014.

Some recovery is likely in average carcass weights following the decline recorded in 2013. These developments would leave export availability standing at more than 500,000 tonnes, a rise of around 7%.

**Factors affecting 2014 Irish finished cattle supplies**

- Increase of 115,000 in calf registrations in 2012.
- Drop of 40,000 in live exports in 2012.
- Increased retention of breeding heifers on dairy farms.

**Trends in cattle numbers by age, Sept 1st 2013 (change in head vs. 2012)**



Source: Department of Agriculture, Food and the Marine

# 65,000 tonnes

Irish pigmeat exports to International Markets grew by 7% to 65,000 tonnes

## PIGMEAT

A slight drop in EU production and a solid international demand helped offset any weakness in consumer demand during 2013. This is reflected in pig prices, which for the year are estimated to have increased by around 3% to average €1.75/kg.

This combined with some easing in feed prices as the year progressed led to a better market environment for Irish pigmeat.



### Key pigmeat export market developments in 2013

- Lower EU pigmeat production.
- Good international demand for pigmeat.
- Tighter availability leading to lower EU exports.
- Irish pigmeat production down by around 2%.
- EU pig prices up by 3%, Irish prices almost 6% higher.

### Lower pig supplies in Ireland

Export meat plant pig supplies in Ireland are estimated to have fallen by just over 2% in 2013 to reach 2.84 million head.

This slow down reflects a response to higher feed prices by producers and the impact of Porcine Reproductive & Respiratory Syndrome (PRRS) on some herds. However the CSO June pig survey showed a recovery of 1% in the breeding herd, which may give some indication of increased supplies for 2014.

When this decline is combined with a drop of 5% in live exports to Northern Ireland at around 575,000 head, it leaves total pig output down by almost 3% in 2013.

Irish pigmeat production is estimated to have fallen by around 2% to stand at 235,000 tonnes.

### Stable retail sales

Retail sales of pigmeat on the Irish market were reasonably stable during 2013 with Kantar data for the 52 weeks ending 10th November showing little change overall. However, varying trends were evident within the category. Bacon sales were around 3% higher, sausages were maintained while pork was under some pressure.

With little change reported in the foodservice sector, it is estimated that total pigmeat consumption in Ireland was unchanged at 142,000 tonnes.

### Export value increases further

Data from the CSO shows a rise of 3% in pigmeat imports for the first nine months of 2013. A continuation of this trend would leave imports at 84,000 tonnes for the year. This combined with steady consumption resulted in the volume of pigmeat available to export falling by 2% to 177,000 tonnes cwe.

When combined with average export prices rising by almost 6% it left **the value of Irish pigmeat exports some 3% higher in 2013 at €525m.**

### Pigmeat Exports (€m)

2012 €m	2013 (e) €m	2013/2012 % +/-
510	525	+3

### Markets for Irish pigmeat

The growth in Irish pigmeat exports to International markets evident over recent years was less prevalent in 2013 as reduced trade to Japan partly offset strong growth elsewhere.

Irish pigmeat performed well in a competitive **United Kingdom** market throughout 2013 with shipments largely maintained at 77,000 tonnes. Higher average prices led to the value of trade rising by 6% to reach €320m.

Exports to **Continental EU** markets continued to lose share to markets outside of Europe. For the year, exports to the Continent fell by more than 10% to around 35,000 tonnes and were worth an estimated €80m. Stronger trade to Germany and France were more than offset by lower to shipments to most other markets.

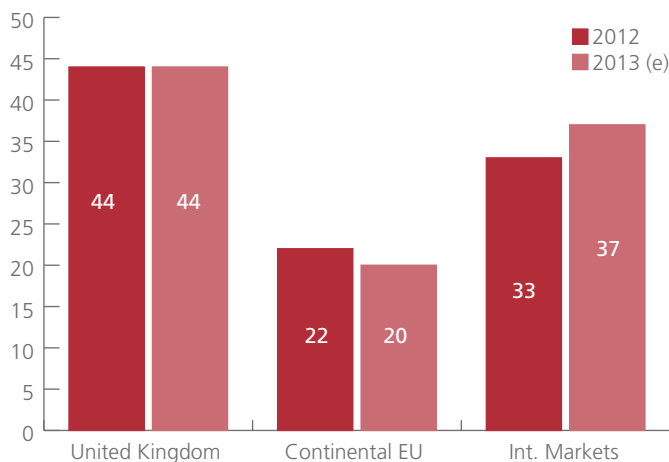
Exports of Irish pigmeat to **International markets** performed strongly for much of the year led by higher sales to Russia and solid shipments to China and the United States. Russia was driven by a strong demand for legs, the absence of US and Canadian pork and the increased number of Irish plants approved. However, some of this growth was offset by reduced trade to Japan reflecting a slow belly demand.

The Australian market reopened for uncooked pigmeat product in March. Up to the end of September, around 1,000 tonnes had been exported.

For the year exports of Irish pigmeat to markets outside of the EU grew by 7% to 65,000 tonnes. This trade was valued at an estimated €125m.

**25%** Global pigmeat trade has expanded by 25% over the past five years

### Distribution of Irish pigmeat volumes (%)



Source: Bord Bia estimates

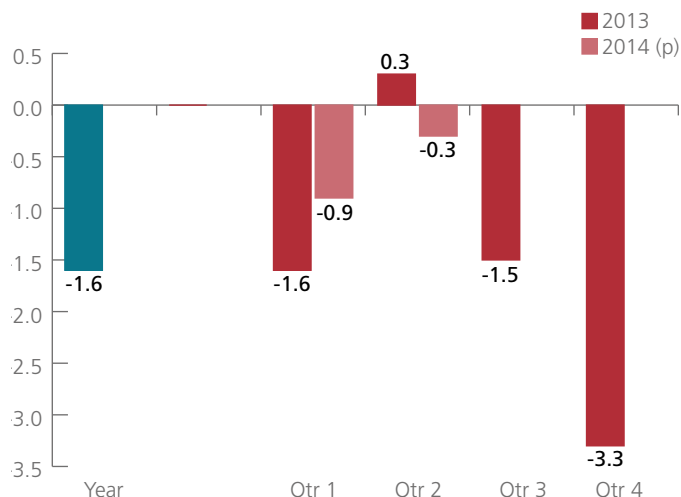
### Outlook for 2014

The prospects for the pigmeat sector in 2014 will be helped by relatively tight EU supplies, ongoing steady global demand and some easing in feed prices. However, it remains to be seen how pig prices evolve following the downward pressure evident in the latter months of 2013.

Despite EU breeding sow numbers falling by around 2% in the June 2013 livestock survey, increased productivity levels combined with some lift in gilt numbers is expected to result in a marginal rise in EU-28 net production in 2014.

### EU GIP pigmeat production in 2014

(% change on previous year)



Source: EU Commission

Demand levels are expected to be helped by some further recovery in the eurozone economy with consumption across the EU forecast to rise by almost 1%.

#### Factors affecting 2014 pigmeat prospects

- Modest increase in EU output with better demand
- Global output to grow by more than 1% on back of lower feed costs and ongoing demand.
- Slight pickup in Irish supplies.

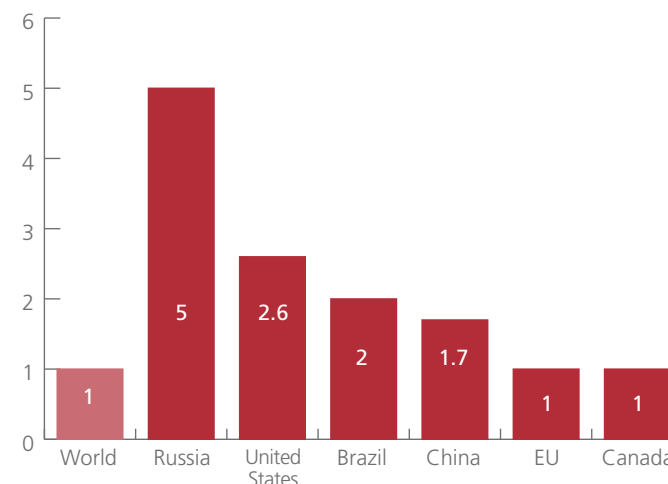
### Further growth in global pigmeat output

Global pork production is expected to grow by over 1% in 2014 on the back of expected lower feed costs and growing demand.

This will be largely driven by higher output in China, Russia and the United States. Global trade has expanded by about 25% in just five years due to rising incomes and expanding import demand particularly East Asia and North America. Marginally higher import demand is forecast for 2014.

### Global pigmeat production trends, 2014

(% change on 2013)



Source: Bord Bia based on USDA/GIRA

### Some recovery in Irish pig supplies

Irish finished pig supplies are likely to show a slight recovery in 2014 as the effects of PRRS recede and more favourable feed costs prevail. This combined with a 1% increase in breeding pig numbers to 147,500 head in the June 2013 livestock survey should help boost supplies by around 2%.

This will lead to some recovery in export volumes to around 180,000 tonnes.

Emerging markets such as Vietnam and Thailand are expected to open to Irish pigmeat exports in 2014. Import demand across key international markets is expected to rise in 2014, with the strongest growth forecast in South Korea and China, 6% and 3% higher, respectively. Across other key markets like Russia and Japan, low single digit growth in import demand is expected.

**12%** Global maize output is expected to rise by 12% in 2014, which will help balance feed costs

### Better feed prices anticipated

The latest USDA monthly cereals report (December) raised its forecast for world wheat stocks for the 2013/14 marketing season by another 4.3 million tonnes to 182.8 million tonnes, citing the Canadian crop upgrade, and higher hopes for Australia's harvest.

Chinese imports of wheat are expected to treble in 2013/14 to 8.5 million tonnes compared to the previous marketing season.

This recovery in global wheat production is illustrated by the Liffe UK wheat futures market with all prices reported lower.

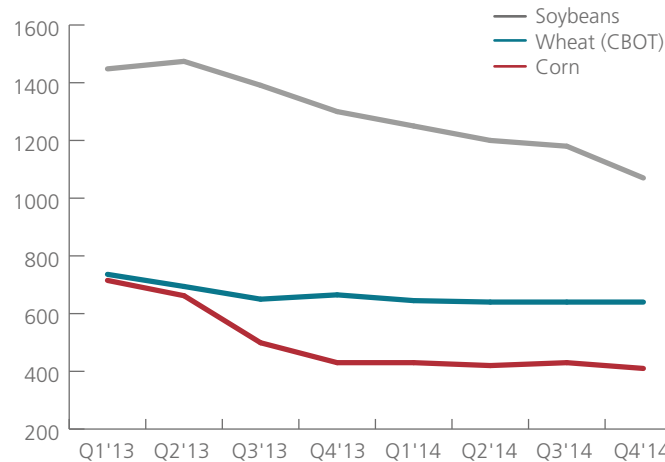
- Nov 12 £204/tonne
- Nov 13 £163/tonne down 20% on 12 levels
- Nov 14 £156/tonne down 4% on 13 levels

Global maize and soya bean output for the 13/14 season is expected to be 12% and 6% higher at 964 million tonnes and 285 million tonnes respectively. This reflects improved weather conditions and increased planting which has helped boost yields.

Rabobank's latest agri commodity outlook released in December 2013 suggests that 2014 is shaping up as a relatively balanced year for most agri commodities. Global stock levels were replenished to varying degrees in 2013 and with further output increases likely in the 2013/2014 season, Rabobank expect some further softening in grain and oilseed prices.

Rabobank agri commodity price forecasts suggest the following trends in price levels:

### Agri commodity price forecasts, 2014 (USc/bushel)



Source: Rabobank, 2013

### SHEEPMEAT

Given the competitive market environment, Irish sheepmeat exports performed reasonably well in 2013. Stronger Irish disposals were met with sluggish consumer demand and competition from higher UK and New Zealand supplies. The strengthening of the euro relative to sterling helped boost the competitiveness of UK lamb in key markets.

#### Key sheepmeat export market developments in 2013

- Further slight fall in EU production.
- NZ shipments up by 10% in first eight months.
- Irish supplies 7% higher but carcass weights down by 4%.
- Substantial rise in live sheep exports.

EU Sheepmeat output contracted by almost 1% to 756,000 tonnes in 2013. This decline in production was driven by lower output in France, Spain, Italy and Germany. However, higher supplies in both the UK (up 4%) and Ireland offset some of this decline.

Consumption is still being hampered by poor consumer confidence and lack lustre demand across retail and foodservice given the price of lamb relative to other meats. Figures from the EU Commission suggest a further slight fall in EU consumption in 2014.

Lower EU availability was partly offset by increased imports from New Zealand, particularly in the first half of the year. Figures for the first eight months of 2013 show a rise of 10%

**5%** Total sheepmeat exports increased by over 5% to reach 44,000 tonnes

in imports of NZ lamb at 125,000 tonnes although they are still expected to only fill 72% of their annual quota in 2013.

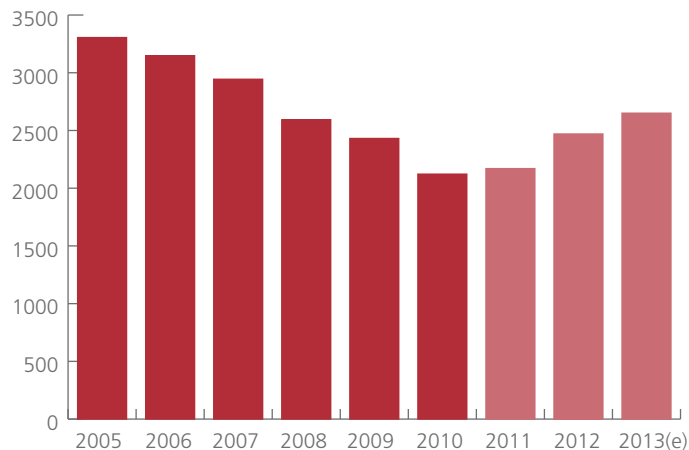
### Higher Irish sheepmeat output

For the third consecutive year Irish sheep throughput grew, reaching 2.61 million head, a rise of 7%. This increase was largely driven by a 26% lift in hogget supplies. Throughput of new season lambs was marginally higher.

Against a backdrop of reduced fodder supplies and a difficult lambing season the year got off to a slow start. The poor spring negatively affected carcase weights with lamb weights back by 0.8kg or around 4%.

These developments led to sheepmeat production rising by around 3% to stand just over 55,000 tonnes.

### Sheep supplies at export meat plants ('000 head)



Source: Bord Bia estimates

### Market demand developments

Domestic consumption remained under pressure with retail sales of lamb falling by 6% in the 52 week period ending 10 November 2013. For the year, total sheepmeat consumption is estimated at 15,200 tonnes.

Given the increase in production and slower domestic demand, total sheepmeat exports increased by over 5% to reach 44,000 tonnes.

With lamb prices easing marginally to around €4.60/kg, **the total value of Irish sheepmeat exports is estimated to have increased by over 4% in 2013 to reach €220m.**

### Sheepmeat Exports (€m)

2012 €m	2013 (e) €m	2013/2012 % +/-
212	220	+4

### Markets for Irish Sheepmeat

The domestic market continues to account for almost 30% of total sheep output. The core export markets remain France and the UK. However, their share of exports fell from 70% to less than 60% in 2013 reflecting a significant drop in trade to the UK.

Exports to **France** were largely unchanged at 18,000 tonnes, which was valued at around €90 million.

Trade to the **United Kingdom** was back by almost 25% to around 9,000 tonnes as increased domestic supplies and alternative markets elsewhere affected shipments.

The growth markets of **Belgium, Germany and Sweden** continued to outperform other market destinations as they delivered double digit export growth. Sweden is now our third most important market destination for Irish lamb exports with shipments around 30% higher for the year.

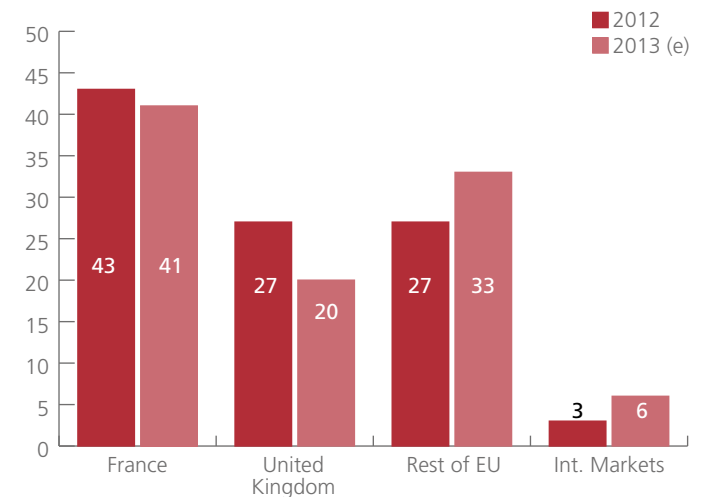
Irish sheep processors continue to strengthen their positioning within the **Belgian** market with shipments estimated to have grown by 50% to 3,000 tonnes.

Emerging International markets continued to grow with **Hong Kong** being the primary destination of Irish sheep meat exports with shipments doubling to almost 1,200 tonnes cwe. **Tunisia** was also an important destination for sheep exports in 2013 importing over 400 tonnes.

Albeit volumes are small relative to other markets, **Switzerland** is delivering a strong value return with exports reaching 650 tonnes in the first nine months of 2013.

Securing access to Canada in 2013 has delivered new business while the anticipated opening up of the US will provide a further boost.

### Distribution of Irish sheepmeat volumes (%)



Source: Bord Bia estimates



**5%** NZ lamb production is set to fall by 5% in the 2013/14 season, reflecting the severity of the widespread drought on both islands in 2012/13

### Outlook for 2014

Ongoing tight EU sheep supplies and a reduced presence of New Zealand lamb should help provide a reasonably stable market for Irish sheepmeat in 2014. However, much will continue to depend on consumer demand. All things considered 2014 should provide a solid year for the sheepmeat sector.

#### Factors affecting 2014 sheepmeat prospects

- Further slight fall in EU sheepmeat production.
- Slow consumer demand.
- Reduced availability of NZ and UK lamb.
- Tighter Irish sheep supplies.

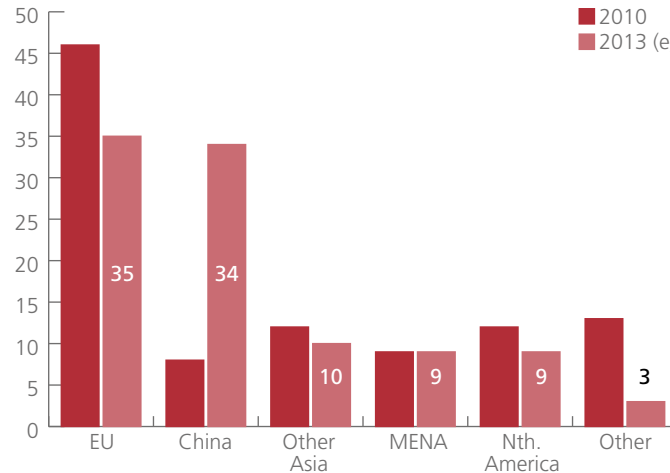
### Tightly supplied EU market anticipated

Some further fall is anticipated in EU output for 2014 as breeding ewe flocks in some key European producing regions decline. By the end of 2013, the breeding ewe flock in the UK and France is expected to be 4% and 3% lower respectively.

Import demand is expected to be at least maintained. In this scenario the level of imports into the EU will play a major role in determining price levels. Production forecasts for the 2013/14 marketing year, which commenced on the 1st October, suggest a drop of 5% in NZ lamb production. This decline reflects the severity of the widespread drought on both islands in summer/autumn 2012/13.

The distribution of New Zealand lamb exports continues to lean towards Asia with China accounting for 34% of shipments during the first 10 months of 2013, similar to the EU.

### Distribution of NZ sheepmeat export volumes (%)



Source: GTIS

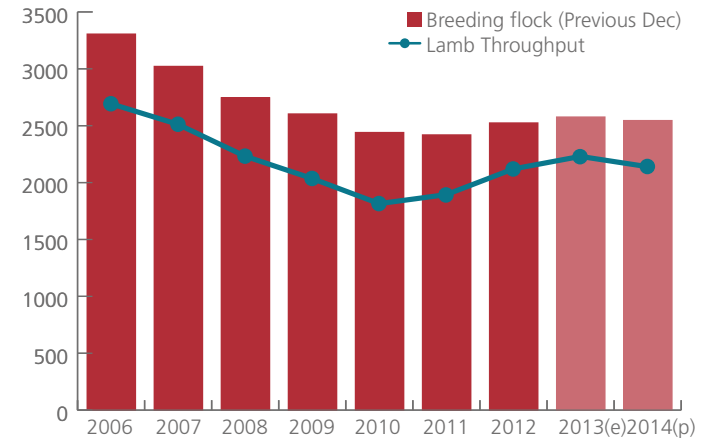
At a time when global sheepmeat demand is growing particularly in the Middle East and China and NZ supplies are back, global sheep prices are expected to strengthen.

### Lower Irish sheep output anticipated

According to the CSO June livestock survey 2013, the Irish breeding flock declined by almost 1% with numbers under two year of age down by 2.6%. This will impact on the 2014 lamb crop. Similarly, the carryover of hoggets into 2014 is likely to be considerably lower than recent years.

These factors are expected to combine to result in sheep disposals falling by 2% to 4% in 2014. Assuming stable domestic consumption this would result in export availability falling by a similar percentage to 42,500 tonnes.

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



Source: Bord Bia based on CSO/DAFM

**83%** The UK market accounted for an estimated 83% of poultry exports in value terms

## POULTRY

The relief in feed costs as the year progressed combined with stable consumer demand helped the poultry sector across Europe in 2013 although prices came under some pressure as the year progressed.



EU poultry production is estimated to have increased by less than 1% in 2013 with lower output for much of the first half being followed by a rise of around 3% in the third quarter. This increase was driven entirely by broiler production as both turkey and duck recorded lower output levels.

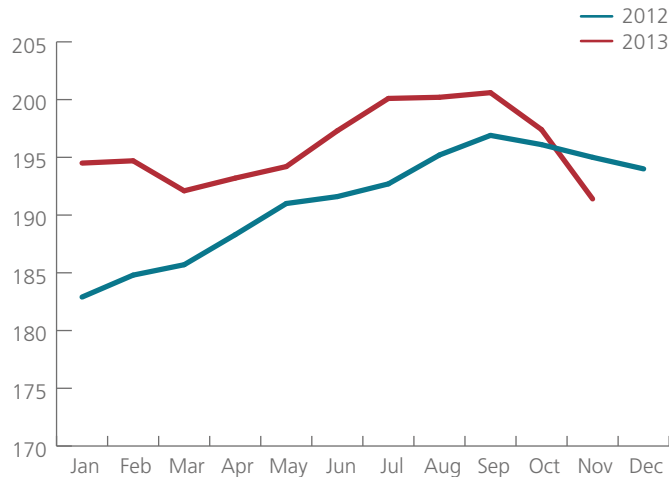
In terms of trade little change was evident. In the case of EU poultry imports a drop on shipments from Brazil more than offset increased supplies from Thailand and China. Exports recorded stronger trade to the Middle East and South Africa to boost shipments by 2% to the end of September.

### Key poultry export market developments in 2013

- Slight increase in EU poultry production.
- EU imports down by 2% due to tighter Brazilian availability
- Marginal growth in EU exports led by Middle East & South Africa.
- Stable consumer demand across Europe.

Broiler prices across Europe were almost 3% higher in 2013 at €1.95/kg. Prices were 4% higher up to June before easing to be 3% lower than a year earlier by December.

## EU monthly broiler prices (c/kg)



Source: EU Commission

### Modest rise in Irish output

Lower poultry production was recorded in Ireland in 2013. Lower broiler output more than offset a rise in duck production.

Retail sales of fresh chicken on the Irish market showed a drop of 3% for the 52 weeks ending 10th November 2013, reflecting the competitive nature of the Irish retail meat sector. This is despite the fact that retail chicken prices continue to run at less than 80% of the average retail meat price.

**For the year it is estimated that the value of Irish poultry exports increased by 4% to reach €230m**, helped by stronger processed poultry exports, which more than offset a drop in fresh/chilled shipments.

## Poultry Exports (€m)

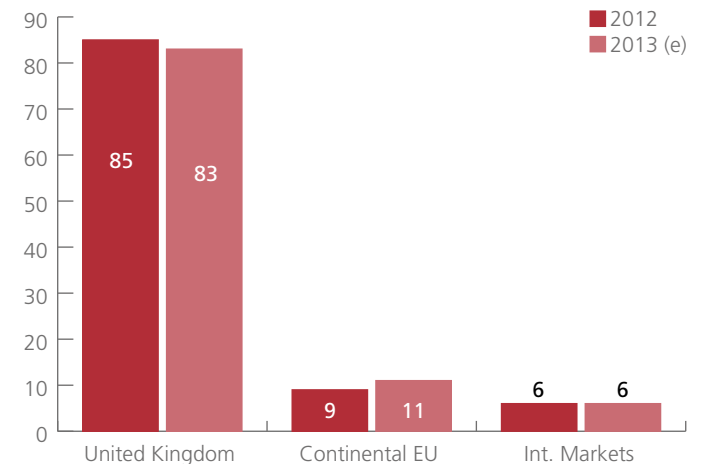
2012 €m	2013 (e) €m	2013/2012 % +/-
221	230	+4

The value of trade to the **United Kingdom** was largely unchanged in 2013 as stronger exports of processed poultry helped offset lower fresh and frozen volumes. For the year trade was valued at an estimated €190m or some 83% of the total.

Exports to **Continental EU markets** performed well in value terms led by France, which saw a sharp rise in exports of frozen product. The value of exports to the region is estimated at around €30m.

Trade to **international markets** showed little change with stable exports reported to South Africa and the rest of Africa. The value of trade stood at €13m.

### Distribution of poultry exports (% by value)



Source: Bord Bia estimates

## Outlook for 2014

Some further growth is anticipated in EU poultry production for 2014. Global output is expected to grow by almost 3% with all major producers expected to grow led by China, Brazil, India, the United States and Russia. Output will be helped by declining costs and price competitiveness vis-à-vis other meat proteins. Global trade will continue to be driven by Middle Eastern and Sub-Saharan African demand.

With global consumption set to rise, the prospects for EU exports remains reasonably good with increased shipments expected to Africa and Asia. Little change is anticipated in EU imports.

These developments suggest that EU broiler prices may show modest growth in 2014. However, EU consumer demand and international trade developments will be critical.

Little change is expected in Irish poultry production.

## LIVE ANIMALS

Stronger cattle and sheep exports helped boost the value of livestock exports in 2013. For the year the **value of Irish livestock exports increased by 11% to an estimated €240m.**



### Livestock Exports (€m)

	2012 €m	2013 (e) €m	2013/ 2012 % +/-
<b>TOTAL</b>	<b>217</b>	<b>240</b>	<b>+11</b>
<i>Of which:</i>			
-Cattle	144	162	+13
-Pigs	70	71	+1
-Sheep	3	7	+125

### Live cattle exports

Total live cattle exports up to mid December were a third higher than during the same period in 2012. This recovery follows a low point for live exports last year, when shipments reached just 160,000 head in total. Overall exports for 2013 are expected to exceed 210,000 head, slightly below the number of live cattle exported in 2011.

There were two principal drivers of the stronger live export trade: namely that domestic calf prices became a lot more competitive, followed by the resumption of live exports to Libya.

However, exports of weanlings and store cattle to many of our traditional markets continue to be impacted by the relatively high prices being paid for stock by domestic beef producers.

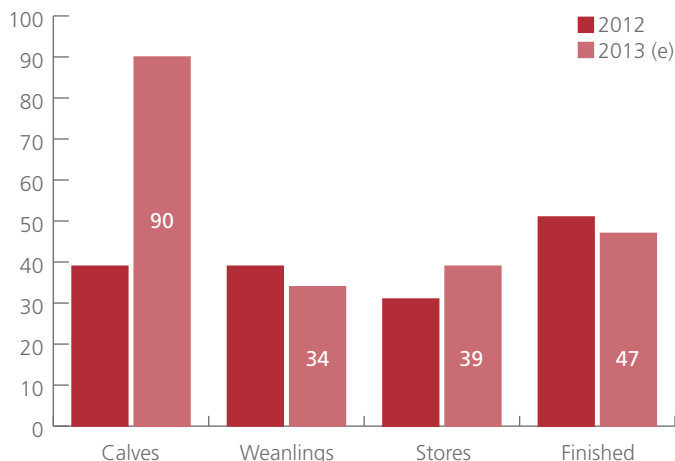
Shipments of most categories of stock have increased. Most significantly, the number of calves exported jumped by almost 140%, while exports of weanlings and stores were slightly ahead of the same period last year. Finished cattle exports were 10% lower.

With regard to the major calf markets, exports to Belgium increased by 146%, followed by 114% for the Netherlands. Calf exports to France resumed and reached almost 7,000 head. Exports to Spain have also increased by 140%, mainly consisting of calves. Weanling exports to Italy fell by 32%. Exports to Northern Ireland were 13% lower.

An important feature in the livestock trade was the resumption in exports to Libya, which accounted for almost 15,000 cattle along with 21,000 sheep up to the end of November. Other North African markets included Tunisia (4,000 head) and Morocco (1,300 head).

**27%** During the second quarter of 2013, China imported 27% more dairy product than a year earlier

### Breakdown of Irish live cattle exports ('000 head)



Source: Bord Bia estimates

In terms of destinations, the UK accounted for 30% of total trade followed by Spain and the Netherlands at 18% and 16% respectively. Libya accounted for 6% of trade.

### Other livestock

Shipments of live pigs eased slightly in 2013 with numbers affected by PRRS in the spring. For the year numbers were back by around 5% to 575,000 head.

Live sheep exports remained brisk throughout the year following the commencement of trade to Libya. For the year exports doubled to reach an estimated 80,000 head.

### Outlook for 2014

The outlook for live cattle exports is for a continuation of the trend evident in 2013. As always much will depend on the relative price of Irish cattle.

Calf exports are likely to remain steady while exports to Libya also seem set to remain strong. However, ongoing relatively high costs allied with transport costs and the reduced availability of credit to exporters may dampen trade somewhat.

The prospects for live sheep and pig exports will be largely determined by availability and relative prices in potential markets.

### DAIRY PRODUCTS & INGREDIENTS

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

A combination of a cold wet spring across Europe, the worst drought in New Zealand for 75 years and production issues in two of the main importing nations, Russia and China led to severe global supply challenges, particularly in the first half of 2013.

China the world's largest dairy buyer imported 27% more product during the second quarter of 2013. For the first time in four years, the international trade in dairy products declined in the second quarter due to the lower global production volumes.



As result of this tight supply situation and spike in Chinese demand, international dairy prices reached record levels in April with Fonterra auction WMP prices reaching \$6,283 USD/tonne compared to \$2,766 in April 2012. Prices eased from this peak for around two months but started to firm again thereafter reflecting the ongoing tight supply situation.

Average prices for 2013, to week 48. (compared to same period in 2012)

- WMP; Oceania US\$ 4,665/tonne (+33%)
- SMP; Oceania US\$ 4,368/tonne (+34%)
- Cheese; English cheddar € 3,285/tonne (+11%)
- Butter; Netherlands bulk € 3,895/tonne (+31%)

**2.1%** For the 10 months to October milk deliveries in Ireland were running 2.1% higher

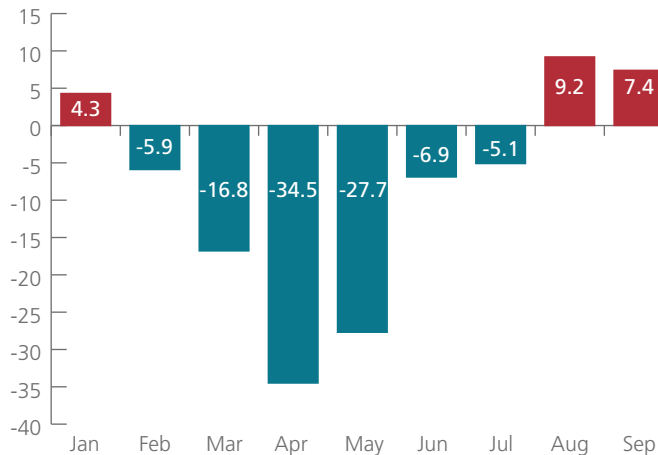
**Key drivers of Dairy export performance in 2013**

- Tighter global supplies due to NZ drought and high feed costs.
- Strong Chinese demand for imported powders.
- High global product prices for most of year.
- Little build up of stocks.

**Tight global dairy supplies**

New Zealand milk supplies finished the 2012/13 season down 1%. However, a severe drought late in the season led to a drop of 25% in production for the March to May period. Some recovery has been evident over recent months due to a return of favourable weather conditions. Figures for the first four months of their 2013/14 season (June – September) show a rise of 7%.

**Monthly trend in NZ milk supplies**  
(% Change on same month last year)



Source: DCANZ

In Australia production has been affected by record heat waves and severe flooding in some of the main dairy producing regions. Milk supplies for the first half of 2013 were running 7% behind. Supplies for the 2013/14 season are also lower with cumulative figures for July to October down by 4%.

Despite some lower production volumes during the spring 2013, US production has been running 1 – 2% higher on a monthly basis.

Closer to home, EU milk deliveries have recovered from a slow spring with volumes for the 3rd quarter some 3% higher.

	Jan to June 2013	July to Oct 2013
NZ	-13%	+7%
Australia	-7%	-4%
EU	-2%	+3%*
United States	n/c	+1%

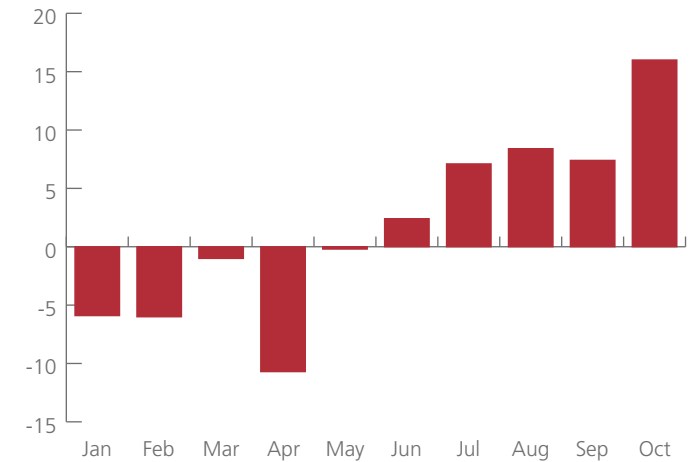
\*Europe deliveries for July to September

Sources: USDA, DCANZ, Dairy Co, Bord Bia

Milk deliveries in Ireland were significantly impacted by poor weather during the spring. April deliveries were some 11% behind the same month in 2012. Good weather, excellent grass growth rates and good ground conditions have resulted in a surge in Irish milk deliveries from June with volumes for July - October 9% above 2012.

For the 10 months to October deliveries were running 2.1% higher according to the CSO. A further increase is expected in the final months of 2013 to leave deliveries for the year more than 2.5% ahead of a year earlier.

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



Source: CSO

The strong global dairy prices combined with increased availability as the year progressed helped boost the value of exports during 2013. For the year, it is estimated that the value of **Irish dairy and ingredient exports for the year jumped by around 15% to exceed €3 billion for the first time.**

**Dairy Products & Ingredients Exports (€m)**

2012 €m	2013 (e) €m	2013/2012 % +/-
2,640	3,045	+15

# 4%

The global demand for dairy products going into 2014 remains strong as indicated by the Dec 3rd Global Dairy Trade auction with winning bids increasing by an average of 4%

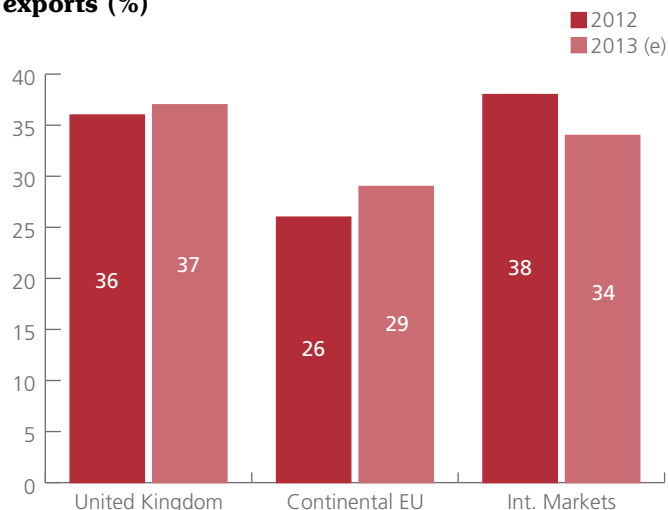
### Export markets for Irish dairy products

The **United Kingdom** remains a key market for Irish dairy exports with trade growing by over 15% to around €1.1 billion. This accounts for 37% of total dairy exports. The strongest performances were evident in butter and cheese.

Exports to **Continental EU markets** grew by more than a quarter to account for 29% of total dairy exports. Trade was valued at €875 million. The best growth was recorded in exports to Belgium, France, Germany, Netherlands and Italy, while there was some marginal decline to Eastern Europe.

The value of exports to **International Markets** did not rise in line with the EU with only a marginal increase evident to reach just over €1 billion. Significant increase in the value of exports to China, Hong Kong, Malaysia and Vietnam offset lower trade to the US, Saudi Arabia and South Africa. The share of dairy exports destined for markets outside of Europe now stands at 34%.

### Distribution of Dairy products & Ingredients exports (%)



Source: Bord Bia estimates

### Main product trends

The strongest performing product categories were butter, cheese, infant formula, milk & cream, WMP and whey.

The value of **butter** exports grew in 2013 due to a 10% increase in volumes and higher average prices. The value of butter exports to Continental Europe grew strongly boosted by significant volume increases to Belgium, France and Germany.

**Cheese** accounts for almost a quarter of dairy exports reaching €725 million. The value of exports increased by 7%, driven by a 3% rise in volume and higher unit prices. Cheese exports performed well to the UK, Germany, Netherlands, Italy, Russia and some Middle Eastern markets.

**Infant formula** exports increased due to a significant increase in the value of sales to China, Hong Kong and Vietnam offsetting declines to some Middle Eastern markets. The overall volume of infant formula sales was relatively static.

### Outlook for 2014

#### Dairy Products & Ingredients export drivers for 2014

- Recovery in output anticipated among key producers.
- Strong import demand to persist.
- Low stock levels heading into 2014
- Limited growth in EU output.

By late 2013 global monthly milk production was 400,000 to 500,000 tonnes higher compared to a year previous, reflecting a significant rebound in dairy producing conditions in many countries.

In New Zealand milk production is forecast to increase by 5% for the 2013/14 season. Australian production continues to struggle despite lower costs and better feed availability as farm debt and herd condition may hamper growth. An increase of 1% – 3% is forecast for the current year, although levels will remain below that of two seasons ago.

There is potential for a significant production response in the US given the lower feed costs with the USDA forecasting an increase of over 1% for the 2013/14 season.

China will continue to be a major driving force of global markets due to a combination of domestic milk production issues and demand for imported milk powders.

The global demand for dairy products heading into 2014 is strong as indicated by the Dec 3rd Global Dairy Trade auction with winning bids increasing by an average of 4%. Many countries that were forced to the sidelines by Chinese buyers throughout 2013 are returning to the market to re-build stocks.

The prospects for Irish dairy exports in 2014 remain broadly positive with global demand likely to help clear any increase in output to keep prices well ahead of historical averages. Global stock levels and the relative strength of the euro will largely determine price prospects. Some further growth in output is likely as producers gear up for the removal of quotas in 2015.

**40%** The United Kingdom accounted for just under 40% of prepared foods exports in 2013

## PREPARED FOODS

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

The market environment for prepared food exports showed varied trends in 2013 with dairy based fat filled milk powders increasing strongly on the back of strong global demand while some traditional categories faced a strongly competitive marketplace. This pressure came through higher input costs in many cases, negative currency movements, difficulty in securing higher prices and competitor activity.



However, the ongoing focus by the sector on securing new markets and customers through innovation and new product launches continues to pay dividends.

The range of products covered by the prepared food category continues to expand as manufacturers seek to serve a wider range of products and markets. This highlights the ability of the sector to develop products that meet the rapidly evolving needs of consumers and leaves the sector well placed to meet the ever changing needs of consumers in key markets.

### Key drivers of Prepared Foods exports in 2013

- Strong focus on innovation and product development.
- Broader range of markets and channels being served.
- Ongoing high input costs and difficulty in securing price increases.
- Intense competitive pressure in most categories.

**Overall, exports of products covered under the prepared foods category increased by 15% to an estimated €1.65 billion.** If value added meats and poultry are included, exports were in excess of €2 billion.

The strongest performing categories were fat filled milk powders, which accounted for 80% of the export growth in the category, cooked meats, pizza, sauces, bakery and to a lesser extent confectionery. These helped to largely offset a slower trade in the frozen ready meal category in particular.

### Prepared Foods Exports (€m)

2012 €m	2013 (e) €m	2013/2012 % +/-
1,424	1,645	+15

### Export markets for Prepared Foods

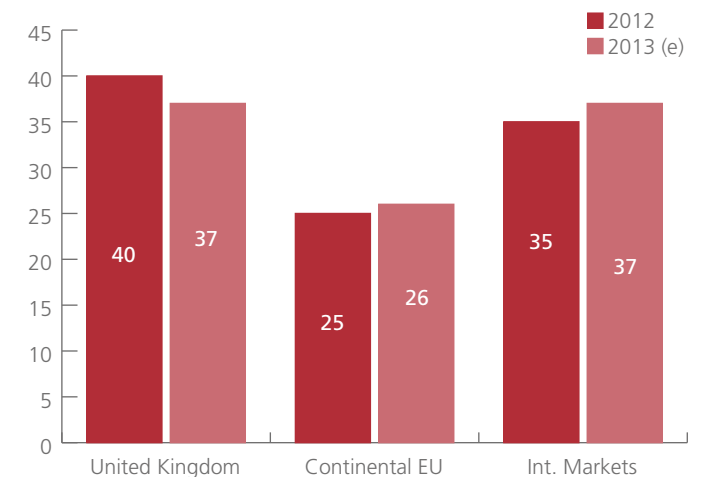
The **United Kingdom** accounted for just under 40% of prepared foods exports in 2013. Trade during the year continued to be impacted by a highly competitive retail sector, slower demand for frozen ready meals and as the year progressed the relative strength of the euro against sterling. However, the foodservice sector showed stronger demand for a number of sectors while a focus on NPD also helped exporters establish new business or bring existing business back into growth.

For the year it is estimated that the value of exports to the UK was around 6% higher at €620m. Stronger exports were recorded in bakery, sauces and cooked meats in particular.

Exports to **Continental EU** markets performed well with the region now accounting for more than a quarter of total exports. The strongest performing category was fat filled milk powders, which grew by more than 50%. Other categories to show positive growth included confectionery, cooked meats, pizzas, snacks and sauces. Trade for the year is estimated to have increased by around 20% to reach €420 million. Key growth markets included the Netherlands, France, Germany and Scandinavia.

Exports to **International markets** for products covered under prepared foods recorded further strong growth in 2013 driven by the strength of fat filled milk powder exports and increased sales of pizzas, confectionery and bakery products. Key destinations included Africa, Russia and the Middle East. The region accounted for 37% of exports in 2013. Trade was valued at almost €600m, a fifth above 2012 levels.

### Distribution of prepared food exports (%)



Source: Bord Bia estimates

# \$8bn

The Travel Retail sector continues to record growth in most major markets with wine and spirits sales approaching \$8 billion

## Main product trends

Exports of **chocolate confectionery** remained mixed with a number of smaller manufacturers reporting increased sales driven by new markets and further innovation. Trade to the UK was more difficult although foodservice sales are reported to have increased. Overall, chocolate confectionery exports are estimated to have increased by around 4% in 2013.

The market diversification evident over recent years continued with the United States, Australia and the Middle East reporting good growth.

**Sugar confectionery** exports showed modest growth in 2013 as slower consumer spending continued to impact on demand. Improved export performances were recorded to parts of Continental Europe, the Middle East and the United States.

**Bakery products and snacks** put in a good performance as a strong focus on NPD to develop products that meet consumer needs in relation to variety and health helped sales. A good trade was reported for artisanal and speciality breads while cakes were helped by the growth in demand for affordable indulgences. Exports to the UK were helped through further growth in the in-store bakery segment while niche opportunities in Australia, Asia and the Middle East showed strong increases.

One of the major exports to the UK is **frozen ready meals**. The frozen sector went through an extremely challenging year as sales dropped significantly following the equine DNA issue, which led to less retail space for the category. Some pickup in sales was reported during the latter months although Kantar data for year ending November 2013 showed sales of frozen meals down by almost 11% in value terms in Britain. This led to Irish exports for the year falling largely in line with the market.

The **pizza** market remains highly competitive in the UK. However, the Irish sector has benefited from the emergence of new customers and new markets outside of the UK, which led to overall exports growing by more than 10%. Strongest growth was reported in the Netherlands, Scandinavia and to a lesser extent the Middle East.

Exports of cooked meats and meat ingredients put in another good performance in 2013 as the sector benefits from a strong focus on innovation and extends sales across European QSR's. Exports for the year are reported to have increased by strong single digits.

## Outlook for 2014

### Prepared Food export drivers for 2014

- Ability to identify & develop new market opportunities.
- Focus on innovative product solutions.
- Economic developments and impact on consumer sentiment.
- Input costs and potential to pass on any price increases.

A continued focus on innovation, new markets and channels is expected to leave Irish exporters in a good position to deliver further export growth in 2014.

Demand levels for fat filled milk powders seem set to remain strong across key markets in Africa and Asia, which will boost overall trade. Some further recovery is also anticipated in frozen ready meals.

Other categories such as cooked meats, pizza, bakery and confectionery all have the potential to deliver higher exports in 2014.

However, as always, there are a number of factors outside the direct control of exporters that could significantly impact on export performance. These include developments in input costs, trends in consumer sentiment and the potential to deliver higher food prices. To date, it has been difficult to secure price increases from the marketplace in countries such as the UK. How this plays out in 2014 will have a significant impact on exports.

However, most exporters anticipate increased sales in 2014 driven by new product lines and new customers and markets.

## BEVERAGES

Further growth was evident in the global beverages market in 2013 as a rise in travel retail sales and a positive sales impact of trends such as premiumisation and enjoyment helped boost the value of the sector. This helped offset ongoing subdued demand in many developed markets arising from the sluggish economic environment.



Increasingly the global market is being driven by growth in demand across emerging markets in Asia, Middle East, South America and Africa.

The Irish beverage sector put in a solid performance in 2013 as ongoing growth in whiskey combined with stronger exports of non-alcoholic beverages helped to offset reduced trade in cider, beer and cream liqueurs.

An ongoing competitive market environment in the UK combined with slower demand from some traditional European markets offset impressive export growth to emerging markets.

### Key drivers of 2013 Beverage export performance

- Strong emerging market demand.
- Economic conditions impact on European demand levels.
- Some relief on input costs.
- Whiskey and non-alcoholic beverages leading export performance.



**45%** International markets accounted for 45% of beverage exports in 2013 with trade valued at €560m

New product development and innovation plays an important role and act as a growth driver for the beverages industry. This has been evident in the premiumisation trend over the last few years. This has led producers to focus on high quality ingredients, product authenticity and provenance, sustainability and craft positioning in order to avail of the opportunities it presents.

The most important consumer trends in the global alcoholic drinks market are changing life stages, indulgence, better value for money, personal space & time, and changing age structures.

Another major driver for the industry is advancement in distribution channels such as online sales, outlets in airports, etc. The Travel Retail sector continues to record growth in most major markets across the globe. Overall, the market is estimated to be worth more almost US\$50 billion and of that, wines and spirits is approaching \$8 billion. The strongest growth continues to be seen in Asia and other BRIC economies.

The weakening in grain prices during 2013 helped reduce some cost pressure although many other inputs costs remain high by historical standards. Similarly the strengthening of the euro against both the US dollar and sterling impacted on the sector's competitiveness.

**Overall, beverage exports are estimated to have increased declined marginally in 2013 to stand at €1.25bn.**

#### Beverage Exports (€m)

2012 €m	2013 (e) €m	2013/2012 % +/-
1,257	1,250	-1

#### Export markets for Beverages

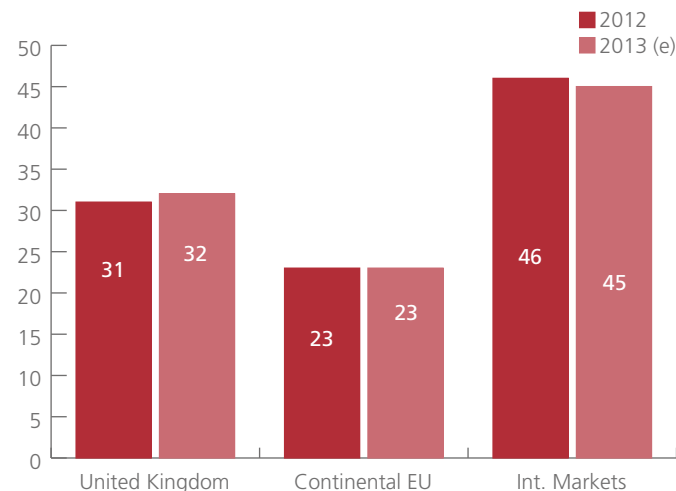
Despite the ongoing competitive pressures evident overall exports to the **United Kingdom** performed reasonably well in 2013. Lower beer, cream liqueur and cider exports were offset by increased shipment of whiskey and mineral waters. For the

year exports to the United Kingdom are estimated to have been largely unchanged at just under €400m. This leaves the UK still as the largest single market for Irish beverage exports, accounting for around 31% of the total.

Exports to **Continental EU** markets showed mixed trends with trade overall back marginally on 2012 levels. In terms of product categories whiskey put in another strong performance recording double digit growth which helped offset declines in cider, beer and cream liqueurs. France, Denmark and Belgium recorded increased trade while Spain, Italy and the Netherlands fell back reflecting lower cider and cream liqueur exports. Trade to the region was valued at an estimated €290m or 23% of total exports.

Shipments to **International** markets were negatively affected by slower exports of cream liqueurs and cider to the United States. Reduced trade was reported to markets such as Canada, Australia and Russia, which more than offset increased exports to South Africa and the Middle East. Exports for 2013 are estimated to have declined by around 2% to stand at €560m.

#### Distribution of beverage exports (%)



Source: *Bord Bia estimates*

#### Main product trends

**Whiskey** exports led the way for beverage exports again in 2013, recording double digit growth. Exports were helped by further strong growth in the United States while other markets such as Europe, Russia, Asia and Australia also recorded strong growth.

The market environment for **cream liqueurs** showed some further pick up in 2012 as modest volume and value growth was recorded. However, a stock build up in late 2012 and production changes saw the value of exports decline in 2013. As a result reduced export values were reported to most key markets, especially the UK.

**Beer** exports showed a modest decline in 2013 as a difficult UK market dampened export values. Outside of the UK sales to emerging markets such as the beverage blending agent markets in Africa performed strongest.

Exports of Irish **cider** faced a challenging year with weak volumes in the UK in the early part of the year while distributional changes in the US and a slower trade to Australia and Spain affected export values. However, exports are reported to have picked up in the second half of 2013.

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

#### Outlook for 2014

##### Beverage export drivers for 2014

- Innovation to meet consumer demand.
- Ability of sector to focus on emerging markets.
- Strong global demand for whiskey.
- UK and European demand levels.

**55%** European markets remain the main outlet for seafood with the top five markets accounting for 55% of the total

The outlook for Irish beverage exports in 2014 continues to be broadly positive helped by an anticipated further rise in whiskey sales, the ongoing development of emerging markets and an anticipated return to growth for some key categories. The ability of the sector to continue to develop new markets and innovative product solutions for developed markets will be critical.

In terms of challenges facing the sector, ongoing uncertainty surrounding input prices, currency fluctuations and weak consumer sentiment in some key markets are likely to shape the market environment faced by exporters.

In terms of non-alcoholic beverages, the key will be to continue the consolidation of business with existing customers and target new segments and channels through innovative product offerings. This will involve the further development of markets outside of the UK.

The market position of the Irish industry and the resilience of the global beverage sector bode well for Irish exports in 2014.

## SEAFOOD

Seafood exports recorded a slight decline in 2013. However this follows growth of almost 65% in the value of exports over the 2009 – 2012 period.



The main factor behind this reduction was production and raw material limitations as unit prices were around 7% higher in the 10 months to the end of October. This highlights the ongoing strength of demand.

The pelagic sector and emerging markets performed well with Cameroon, Russia, Korea, China and Hong Kong all showing high double digit growth. The core European markets were most difficult due to a mixture of limited supply for traditional species such as salmon and whitefish but also sluggish markets due to a poor economic climate and weak consumption.

### Key drivers of Seafood export performance in 2013

- Tighter volumes of key species offsetting higher unit prices.
- Strong emerging market demand.
- Challenging trade to some core European markets.

Overall for the year, **the value of seafood exports is estimated to have eased by 3% to €520m.**

## Seafood Exports (€m)

2012 €m	2013 (e) €m	2013/2012 % +/-
534	520	-3

### Export markets for seafood

European markets remain the main outlet for Irish seafood exports with the top five markets accounting for more than 55% of total exports. However, this compares to 60% in 2012. Irish seafood exporters continued to focus on developing new business in emerging markets to offset some price resistance in core European markets.

The share of exports destined for the **United Kingdom** eased back to 12% in 2013 reflecting a lack of supply of traditional species such as salmon and whitefish. Irish whitefish exports to this market have also been impacted by cheaper UK imports from other competing markets. The value of trade stood at an estimated €60 million down about a fifth on corresponding 2012 levels.

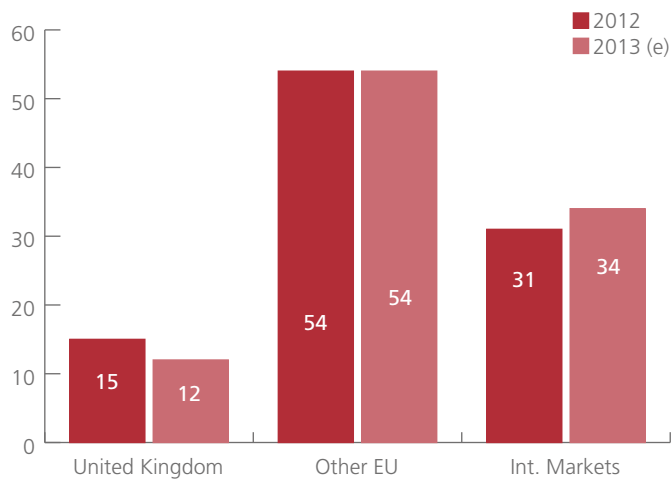
Prawn exports are significantly down as our main export of prawns to the UK is "prawn tails" for UK processors for the UK retail/pub scampi market. In 2013, Irish volumes were down 25% to 30% mainly due to monthly quota restrictions limiting the boats plus prices were also lower.

Trade to **Continental EU** markets was mixed as some core markets such as Spain, Germany and France reported lower exports. However, strong performances were recorded to Italy, the Netherlands and Denmark due mainly to good trade for prawns, mussels and pelagic species. The Netherlands has become an important market for Irish mussels due to lack of local Dutch production and also because of Dutch expertise in packing and marketing. Overall for the year, exports to Continental European markets were back marginally at around €290 million or 53% of the total.

**14%** the value of crab exports increased by 14% in 2013

Seafood exports to **International markets** grew by around 7% in 2013 to reach an estimated €175 million. The strongest emerging markets with high double digit growth have been Cameroon, Russia, Korea, China and Hong Kong. Good performance for pelagic species in these countries partly explains strong growth but also a wider range of species into Korea, China and Hong Kong where crab, razors and oysters are beginning to make significant market entry.

### Distribution of seafood exports (%)



Source: Bord Bia estimates

### Main product trends

One of the main factors behind the lower seafood volumes in 2013 was the limited volumes of **salmon**. Although demand for organic salmon rose significantly, Irish producers are not able to meet current demand levels due to limited production. Salmon output in 2013 was down an estimated 22% in volume terms compared to 2012 which had an impact on salmon exports in all its formats including smoked.

**Oyster** exports performed well with strong demand both in traditional markets and emerging markets such as Hong Kong.

Japan, Malaysia and the UAE all recorded very strong double digit growth in the value of exports albeit from a low base. The French market continues to dominate oyster exports with a value growth of 74% in 2013. The Italian market also performed well. Growers are holding onto oysters longer until they reach market size with a decrease in trading of half-grown oysters which explains the volume as well as value increase of 18% and 53% respectively.

**Crab exports** performed strongly in 2013 with an increase in value of around 14% against a background of stable volumes. A strong performance to China was recorded with an increase of 168% in value terms. The French, Italian and UK markets also performed well for this species.

Asian markets are gaining preference over traditional markets for certain shellfish species as they are offering higher returns. However, organic seafood is still selling better in traditional European markets where the label is recognised.

The total value of **pelagic** exports fell slightly in 2013 mainly as a result of the reduction in blue whiting available for processing and export. Total blue whiting export volumes reduced from 63,000 tonnes in 2012 to 45,000 tonnes in 2013 resulting in a drop in export values from €37m to €20.6m. The ban on imports of frozen fish into Nigeria for a large part of 2013 also affected the volume of trade to West Africa as Nigeria is the most important market for frozen fish in this region.

### Outlook for 2014

#### Seafood export drivers for 2014

- Product availability across key species.
- Developments among key competitors.
- Strong emerging market demand to remain.
- Mixed potential across EU countries.

Export performance in 2014 will depend very much on product supply. This is expected to remain limited for aquaculture species and quota restrictions on certain wild species, notably for prawns and whitefish, will hamper volume growth.

Unit values are already high for salmon and oysters with little potential for further price growth. Mussels, crab and prawns may have potential for unit price growth depending on macro economic factors such as consumer confidence in Europe and production potential of competing producers such as Chile, Holland, France, UK and producers of tropical prawns.

Whitefish performance will be impacted by the recently announced quota allocation for 2014 as well as the Barents Sea cod stock, which if as abundant as in 2013, will lead to another difficult whitefish market in 2014.

Overall, any increase in seafood exports in 2014 will be driven by price increases. Demand levels seem set to remain strong for most species in emerging markets and a number of European markets. On balance, there is potential for modest growth in export values.

The Irish seafood industry is expected to maintain its focus on South East Asia in 2014 where demand continues to grow for imported, quality assured seafood. Access to raw material is anticipated to be an on-going issue in 2014 as shortages continue for key species whilst at the same time, demand is growing. Companies will continue to focus on NPD and cost reduction in an effort to grow margins. There has been a reduction in overall demand in certain EU territories due to overall macroeconomic conditions, notably in Iberia. NPD will be a key driver as many markets are moving towards more consumer friendly seafood offerings.

There will also be continued opportunities in traditional markets for responsibly sourced, quality assured seafood particularly in the retail segment and Ireland will be well placed to capitalise on this. Continued price pressure is anticipated in southern Europe due to poor consumer confidence resulting in weak sales and price pressure.

**4%** It is estimated that mushroom exports increased by 4% in 2013 on the back of strong demand in the UK market

Stability and certainty will be a key performance driver within the pelagic sector. Potential large scale volumes being supplied by Russian Far East fleet, particularly for herring will have an impact on market prices. Other factors include the on-going 'mackerel war' between the EU, Norway, the Faroes and Iceland allowing large quantities of cheaper mackerel to flood the market. It will be critical that a resolution is found to this issue in the early part of 2014.

Political stability in the main pelagic markets will also be important as will the ban on imports of frozen fish into Nigeria which hopefully will be lifted from the beginning of 2014. If it is then there will be a surge in demand due to the fact that this market is currently empty of supplies. The low price of fishmeal at present coupled with the increase in quota volume of Blue Whiting in 2014 will present an opportunity for increased volume of production in 2014.

In addition, boarfish remains a significant opportunity that is as of yet unrealised. Perhaps with lower fishmeal prices in 2014, the industry will have an opportunity to offer this new species at a more acceptable price point to new customers particularly in the Chinese market where Bord Bia is already working with a number of trade customers to educate them about this new species and to raise awareness with customers in this market in an effort to drive demand. The increase in the quota to 88,000 tonnes is an opportunity that Bord Bia in tandem with the industry will try to capitalise on in 2014.

## EDIBLE HORTICULTURE & CEREALS

Stronger mushroom exports were offset by lower grain prices as the year progressed to put some pressure on the value of edible horticulture and cereal exports in 2013.



### Key drivers of Horticulture & Cereal export performance in 2013

- Value and volume growth in mushroom exports to the UK.
- Stronger British retail mushroom market.
- Sharp fall in value mushroom sales.
- Lower cereal prices but better volumes.

Lower cereal volumes were reported for much of the year, reflecting increased domestic demand due to the poor weather evident in the first half of 2013. However, some pick up was evident over the autumn months following the good harvest. Mushroom exports performed strongly during the year, recording both value and volume growth to leave the value of edible horticulture and cereals exports marginally lower at €225m.

### Edible Horticulture & Cereals Exports (€m)

2012 €m	2013 (e) €m	2013/2012 % +/-
227	225	-1

It is estimated that mushroom exports increased by 4% in 2013 on the back of strong demand in the UK market. The UK retail market has shown good growth, with a 3% increase in value, and a 2% rise in volume.

There are two main categories of growth in the retail market, namely Brown/Portobello mushrooms which grew by 20% in volume terms, and button mushrooms, which grew by 7%. The bulk of mushroom sales take place in button mushrooms, which have a 60% share of the retail market.

The most significant event in 2013 was the decline of the value mushroom category, which fell by 20% in volume terms. The Value category had been growing for several years up to 2013, and had begun to erode producer margins, as very little second grade mushrooms are actually produced.

The strengthening of the euro against sterling put some pressure on trade as the year progressed but was not a major factor for the year as a whole.

The third year of a three year EU supported mushroom campaign continued in 2013, and helped to keep sales strong in summer, traditionally a slow season for mushroom, and as well as growing sales at all times of the year. The completed 'More to Mushrooms' promotions campaign produced a cumulative increase in sales of 28,000 tonnes over the three years of the campaign. An application for funding for a follow on campaign, also for three years was successful and activity commenced in November 2013.

The UK market is currently the only large scale export market for Irish mushrooms, although trials in the French market have been taking place. Continental Europe is experiencing some mushroom shortages, which is beneficial to Irish exporters to the UK market.

# €13.75m

Exports of amenity horticulture crops increased by €2m to reach around €13.75 million in 2013

## Outlook for 2014

### Horticulture & Cereal export drivers for 2014

- EU sponsored promotional programme in the UK.
- Consumer reaction to higher retail prices.
- Currency developments.

A slowing of mushroom sales in the UK has been reported towards the end of 2013. This may be partly due to modest retail price increases but sales have also been impacted by the mild start to winter. Mushroom sales perform better during cold weather. The new three year EU cofunded promotion campaign will continue throughout 2014 and will help to boost sales.

The exchange rate of sterling to the euro has a large impact on exporters. The UK economy has been forecast to grow at pre-recession rates in 2014, which in itself is likely to be positive for mushrooms sales, but the other benefit of a growing economy may well be a strengthening pound which would benefit mushroom exporters.

## AMENITY EXPORTS

Exports of amenity horticulture crops were valued at approx €13.75 million in 2013 which is an increase of €2 million over 2012. An excellent harvest and sales period for daffodil bulbs helped to maximize returns this year with strong sales to new customers in the USA and Eastern Europe.

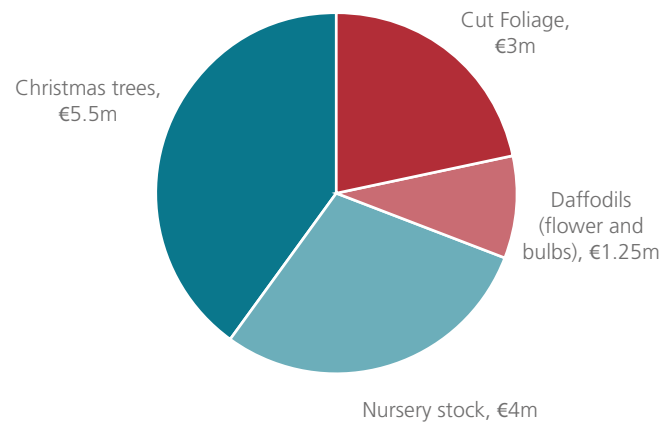
The Christmas Tree Growers Association estimated that 250,000 of the 650,000 trees harvested were exported in 2013 with an estimated export value of €5.5 million.

Cut foliage sales rose to €3 million during the year as increased production capacity in southern counties started to impact on volumes available for sale.

2013 was a challenging year for the nursery stock sector (trees and shrubs) as the fine summer weather came too late for most growers who suffered cold and unfavourable gardening

weather during the critical spring sales period. Some orders were cancelled as garden centres failed to move stock. However consumer demand in the important UK market is recovering in alignment with an improved economic outlook and despite exchange rate variability and high transport costs associated with specialized logistics, stronger sales are expected from 2014 onwards.

### Distribution of Amenity Exports (€m)



Source: Bord Bia estimates

Most nursery stock sales were achieved in the UK. As in previous years small quantities of young garden plants (plugs and liners) were sold further afield where the higher value to volume ratio supported transport costs. The development of new plant varieties through micro propagation continues to generate additional export income through the licensing of intellectual property to foreign growers and the demand for novel plant introductions bought as both young and finished plants

The amenity Export Development Programme continued in 2013 and both daffodil bulb growers and nursery stock producers participated in mentoring and sales support.



## NOTES



## NOTES

**IRELAND – HEAD OFFICE**

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

**AMSTERDAM**

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

**LONDON**

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

**MILAN**

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

**NEW YORK**

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

**SHANGHAI**

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

**DUSSELDORF**

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

**MADRID**

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

**MOSCOW**

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

**PARIS**

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

**STOCKHOLM**

Tel: +46 8 545 04058

[info@bordbia.ie](mailto:info@bordbia.ie) | [www.bordbia.ie](http://www.bordbia.ie)

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Irish Food Board