

2015 - 2016

EXPORT PERFORMANCE & PROSPECTS IRISH FOOD, DRINK & HORTICULTURE



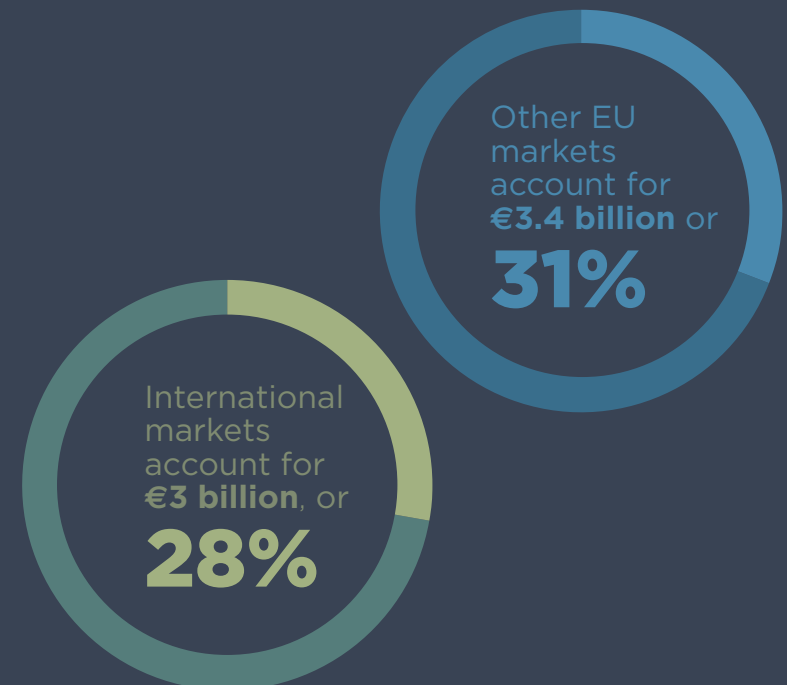
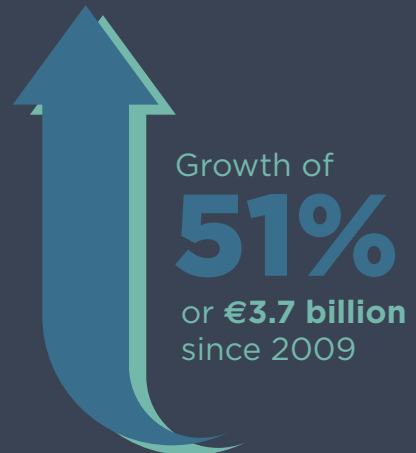
Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

Food & Drink Exports



The sector recorded the **6th** consecutive year of growth in exports during 2015



Contents

Executive Summary	2
Overview	6
Meat & Livestock	14
Beef	15
Pigmeat	19
Sheepmeat	22
Poultry	26
Live Animals	28
Dairy Products & Ingredients	30
Prepared Consumers Foods	36
Prepared Foods	38
Beverages	42
Seafood	46
Edible Horticulture & Cereals	50
Amenity Exports	52

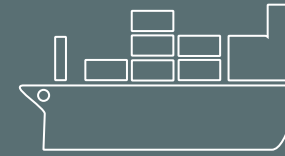
This publication has been produced solely for information purposes and has been prepared on the basis of information which is publicly available, internally generated or from other sources, which are believed to be reliable. Projections and forecasts are, estimates only, based on assumptions involving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

Executive Summary

IRISH FOOD AND DRINK EXPORTS RECORDED THE SIXTH CONSECUTIVE YEAR OF GROWTH IN 2015, RISING BY 3% TO EXCEED €10.8 BILLION



51% Rise
in food and drink
exports since
2009



Exports to the UK
increased by an
estimated **7% to**
€4.4 billion

Performance & Outlook

- The Irish food and drink sector recorded the sixth consecutive year of export growth in 2015 as increased output in key sectors, favourable exchange rate developments and better returns for beef, seafood and beverages helped to offset a considerable weakening in dairy prices.
- For the year it is estimated that the value of Irish food and drink exports increased by 3% to exceed €10.8 billion. This represents a new high for exports and marks growth of over 51% or €3.6 billion since 2009.
- The strongest performers in terms of export growth were beverages, beef and seafood. A sharp increase in milk volumes helped offset lower dairy prices while weaker prices negatively affected the value of pigmeat exports.
- There are a number of factors that point to 2016 being a mixed year in terms of export growth. The pressure on global dairy markets is likely to persist for the early part of 2016 while increased beef export volumes are anticipated as the year progresses. The prepared foods and beverages sectors are likely to face ongoing competitive pressures although the demand for premium products will present further opportunities in key markets.

Destinations for Irish Food & Drink

- Growth of 7% in the value of exports to the United Kingdom (UK) led to the market accounting for 41% of the total at an estimated €4.4 billion. Stronger export values for beef, prepared foods, mushrooms and poultry helped offset lower beverage and dairy values.
- Little change was recorded in the value of exports to Other European Union (Other EU) markets in 2015 with trade valued at an estimated €3.4 billion or 31% of the total. Increases were recorded in dairy, seafood and Prepared foods.

- Shipments of Irish food and drink products to International markets showed a modest rise at around €3 billion. This leaves the region accounting for 28% of exports. Trade in 2015 was led by stronger exports of dairy, beverages and beef which offset declines in pigmeat and prepared foods. Dairy accounted for more than 45% of exports to International markets.
- North America recorded a 19% growth in exports while China and the Middle East also recorded higher exports. This offset a 70% fall in exports to Russia, reflecting ongoing trade suspensions, and reduced trade to Africa.

Key drivers of export performance

- Increased export volumes were recorded across a number of key categories. Milk availability was 11% higher during the first 10 months of 2015 while pigmeat export volumes were up by an estimated 8%. The combined impact of higher output across key sectors is estimated to be in the region of €450 million.
- The euro weakened 16% relative to the US dollar and 10% relative to sterling in 2015. These developments helped to boost the competitiveness of Irish exports by around €950 million.
- Global agricultural commodity prices as measured by the FAO Food Price Index showed a decline of 19% between January and December of 2015. Dairy prices were 28% lower followed by sugar at 21% and oils at 19%. However the overall index remains around 25% ahead of the 2000 – 2010 average.
- Consumer price inflation across the eurozone was relatively static in 2015. Mixed trends were evident with countries such as Germany, France and the Netherlands showing modest inflation. Food prices were running ahead of overall inflation with a rise of 0.7% evident for the period.
- Ireland's relative competitiveness continues to improve



The value of meat and livestock exports were **2% higher** at an estimated **€3.7 billion**



Milk deliveries in Ireland were 11% or almost **600 million litres higher** in the first 10 months of 2015

with the figures from the IMD's World Competitiveness Yearbook putting Ireland in 10th place in 2015 compared to 24th in 2011.

The prospects for sheep remain broadly positive and the market for Irish pigmeat is set to be helped by an anticipated reduction in supply.

Meat & Livestock

- Despite the difficult market environment for some meats in 2015, most notably pigmeat, the value of meat and livestock exports, including offals, grew by 2% to €3.7 billion (€3.5 billion when beef offals are excluded). This equates to 34% of total food and drink exports.
- The value of Irish beef exports stood at €2.41 billion. The volume of beef available for export was around 4% lower at 500,000 tonnes while average prices were 11% higher.
- Increasing numbers of Irish export meat plants gained approval to supply the United States during the course of 2015 and resulted in around 2,000 tonnes of beef being exported to the market.
- The value of Irish pigmeat exports was marginally lower at an estimated €570 million. Increased pigmeat export volumes were offset by a drop of 10% in average pig prices.
- For sheepmeat, a 2% increase in volumes available to export coupled with a rise of 2% in lamb prices led to the value of Irish sheepmeat exports jumping by 5% to reach €230 million.
- For the year it is estimated that the value of Irish poultry exports increased by 3% to reach €320 million, helped by stronger processed poultry exports.
- Reduced shipments across all categories of live animals were recorded in 2015. For the year the value of Irish livestock exports was down 20% at an estimated €195 million.
- The prospects for the meat and livestock sector in 2016 suggest increased beef output as the year progresses.

Dairy Products & Ingredients

- Strong milk production growth in some of the main export regions combined with a slowdown in Chinese import demand and Russian restrictions on dairy imports resulted in the global market experiencing downward pressure for much of 2015.
- Global dairy wholesale prices in December 2015 showed significant declines on 2014 across all dairy product categories and regions with a 10% to 30% decline reported on corresponding 2014 levels.
- Irish milk supplies were over 11% or 600 million litres higher for the first ten months of 2015. This reflected the ending of quotas combined with excellent grass growing conditions for much of the year.
- The significant increase in Irish output, a change in the product mix and favourable exchange rate movements helped to offset slower international demand to leave the value of Irish dairy and ingredient exports around 4% higher at €3.2 billion.
- The strongest performing categories were specialised nutritional dairy powders and butter while spreads, whey, chocolate crumb and yogurt all recorded growth, albeit from a smaller base.
- Specialised nutritional dairy powders continued its growth in export value with higher volumes reflecting significant industry investment. The volume of exports to China increased by almost 40% in 2015. Overall exports are estimated to have increased by 25% in value terms.
- Despite higher volumes, the value of cheese exports declined by around 7% in 2015 to €700 million. Lower

THE COMBINED
IMPACT OF THE
WEAKER EURO
RELATIVE TO
STERLING AND
US DOLLAR IS
ESTIMATED AT
€950M FOR 2015

EXPORTS OF VALUE ADDED FOOD AND BEVERAGE PRODUCTS, WHICH ARE CAPTURED UNDER THE NEW, PREPARED CONSUMER FOODS, CATEGORY WERE 7% HIGHER IN 2015 AT AN ESTIMATED €2.5 BILLION



Export volumes of specialised nutritional dairy powders to China **increased by almost 40% in 2015**



Exports of products covered under the prepared foods category showed little change in 2015 at an estimated **€1.8 billion**

trade to the UK, which accounts for over 60% of exports, was partly offset by a modest rise in exports to other EU markets with some increase also evident to North Africa and the Middle East.

- The prospects for Irish dairy exports remain challenging, particularly for the early part of 2016. A recent report from Rabobank anticipates a gradual improvement in global market demand during the first half of 2016 on the back of modest growth in global dairy consumption and more limited supply growth. This is expected to help price levels as the year progresses.

Prepared Consumer Foods

- A new product category included in Food Wise 2025 is that of Prepared Consumer Foods. This category encompasses value added exports from all food and drink sectors. Exports under this heading put in a strong performance in 2015, rising by 7% to stand at an estimated €2.5 billion.
- Growth in the Prepared Consumer Foods category was led by bakery, chocolate confectionery, value added meats and seafood.
- The UK accounts for around 70% of exports within the category with trade 11% higher at €1.7 billion. Exports to other EU markets were 9% higher at €520 million while trade to International markets declined by over 10%.
- Further growth is anticipated for 2016 with new markets and product innovation likely to be key drivers for exporters.

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. Prepared

Foods excludes the value added components from other food and drink categories that are included under the broader Prepared Consumer Foods heading.

- Prepared Food exports showed some decline in 2015 driven by lower exports of dairy based enriched powders, which now accounts for 37% of total exports within the category. Overall, exports of products covered under the prepared foods category marginally lower at an estimated €1.8 billion.
- The strongest performing categories were bakery and chocolate confectionery while sugar based products also recorded a rise. Lower exports of sauces were recorded while pizzas remained relatively steady.
- The UK was the highest performing destination with growth of around 18% offsetting a sharp decline in trade to international markets. Trade to the UK was boosted by the euro weakening against sterling.
- The outlook for prepared food exports is broadly positive for 2016. However, the prospects for dairy based enriched powders looks set to remain challenging for the early part of 2016. Key drivers of growth will be product development in relation to new products and formats.

Beverages

- The global beverages market showed further growth in 2015 as the market benefited from a continued rise in demand for premium alcoholic products. This reflects growing demand in many developing regions for luxury products and the association of the premium label products with quality and taste.
- Irish beverage exports put in a robust performance in 2015 driven by ongoing growth in whiskey combined with a further rise in 'craft' exports. Overall, beverage exports are estimated to have increased 10% in 2015 to stand at €1.26 billion.



Seafood exports **grew by a further 4%** in 2015 to reach **€560 million**



The value of edible horticulture and cereals exports **increased by 4% to stand at an estimated €240 million**

- Beer and cream liqueurs also recorded some growth while cider exports eased. Exports of non-alcoholic beverages were boosted by strong sales of juices, which offset reduced exports of mineral waters.
- Exports to the UK were steady at €365 million accounting for around 29% of the total. Increased exports of whiskey, juices and cream liqueurs helped to offset slower exports of mineral water and cider. Exports to other EU markets showed little change at an estimated €250 million.
- Shipments to International markets increased strongly, largely due to higher whiskey exports. Growth was led by the United States, Africa, Asia and the Middle East. International markets accounted for more than 50% of beverage exports for the first time in 2015.
- The outlook for Irish beverage exports in 2016 looks broadly positive helped by an anticipated further rise in whiskey sales, the ongoing development of emerging markets and the ever increasing range of beverages produced in Ireland.

Seafood

- Seafood exports recorded further growth in 2015, rising by an estimated 4% to reach €560 million. This growth was largely driven by increased unit prices with lower volumes recorded for a number of key species.
- The main EU markets, namely France, Spain, UK, Italy and Germany continue to dominate seafood exports, accounting for around 55% of the total.
- France remained the largest export market and continued to show growth while seafood exports to International markets were helped by increased trade to Africa. Overall, exports to international markets grew by more than 20%.
- Prospects for seafood exports in 2016 remain reasonably positive for most species. Volumes are expected to be boosted by a 48% increase in the horse mackerel quota

and higher whitefish quotas while some movement in aquaculture licences is also anticipated. Prospects for prices remain reasonably positive for most species.

Edible Horticulture & Cereals

- The value of edible horticulture and cereals exports increased by 4% to an estimated €240 million in 2015. Some reduction in the volume of mushroom exports was offset by favourable exchange rates coupled with growth in cereals.
- The value of mushroom exports remained steady in 2015, on the back of favourable exchange rates despite reduced volumes to the United Kingdom.
- The EU supported Just Add Mushrooms campaign continued throughout 2015 and helped to bring growth into the market. Some further continuation of the growth in value and volume of mushroom sales is expected for 2016.
- Overall, prospects for 2016 remain reasonably positive for the category.

Amenity Horticulture

- Exports of amenity horticulture crops were valued at €16 million in 2015 which is an increase of 10% over 2014.
- Prospects for amenity horticulture exports in 2016 look positive as some further growth is anticipated in exports to the UK. Factors driving exports include higher demand for amenity plants, higher quality crops and increased consumer awareness activity.

IRISH BEVERAGE EXPORTS PUT IN A ROBUST PERFORMANCE WITH THE VALUE OF EXPORTS INCREASING BY AN ESTIMATED 10% TO STAND AT €1.26 BILLION

Overview

INCREASED OUTPUT IN KEY SECTORS, A MORE COMPETITIVE EURO AND BETTER RETURNS FOR BEEF, SEAFOOD AND BEVERAGES BOOSTED THE VALUE OF TRADE FOOD AND DRINK EXPORTS IN 2015.



Food and drink exports in 2015 were almost **€3.6 billion** ahead of 2009 levels

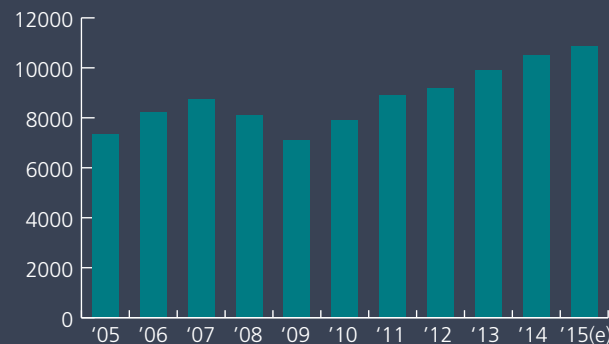


Despite the sharp downturn in global dairy prices, increased volumes resulted in dairy exports accounting for **30% of overall exports in 2015**

For the year it is estimated that the value of Irish food and drink exports increased by 3% to exceed €10.8 billion. This represents a new high for exports and marks growth of 51% or €3.6 billion since 2009.

Much of the growth was recorded in trade to the UK where further weakening in the euro relative to sterling helped improve the competitive position of Irish exports. On an international level favourable exchange rate movement boosted trade to North America in particular while the Middle East and China also recorded strong increases. Good market demand in these regions helped to offset the ongoing challenges evident across other EU markets where consumer sentiment remained fragile.

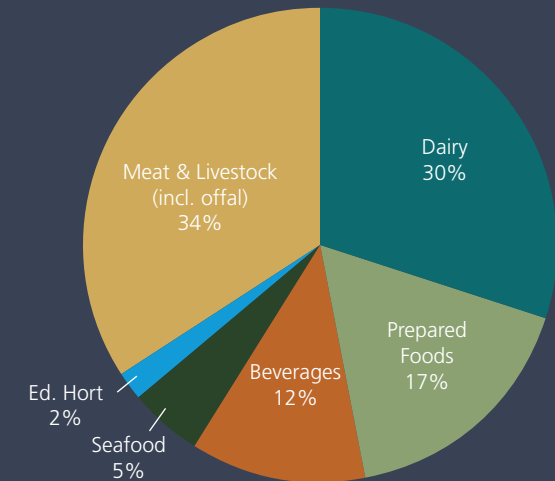
Irish Food and Drink exports, 2005 to 2015 (€m)



Source: Bord Bia estimates

The strongest performers were beef, beverages, seafood and edible horticulture. Slower market demand and weaker prices negatively affected the value of pigmeat exports despite a rise in volumes while live animals showed a significant decline driven largely by a drop in live cattle shipments.

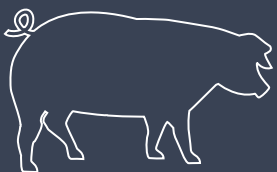
Breakdown of exports by category, 2015 (% of total value)



Source: Bord Bia estimates

Growth in Food & Drink exports running higher than total merchandise

Relative to 2009 total merchandise exports were an estimated 27% higher in 2015, which compares to growth of over 50% in food and drink exports over the period. Merchandise exports made up some ground in 2015 with CSO figures for



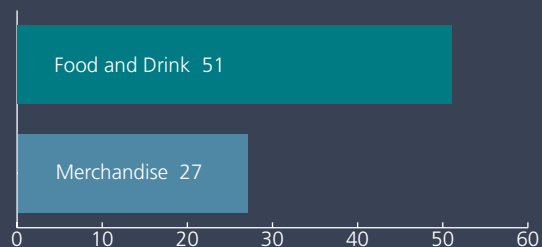
2015 Food and drink exports were **51%** ahead of 2009 levels



The euro weakened by 16% relative to the US dollar in 2015

the first 10 months of the year showing a rise of 20% relative to the same period in 2014.

Trend in Food & Drink versus overall merchandise exports, 2015 vs. 2009 (% change)



Source: Bord Bia based on CSO

Higher volumes reported in key categories

Increased export volumes were available across a number of key categories in 2015.

- Milk deliveries were over 11% higher during the first 10 months of the year
- Pigmeat export volumes were 8% higher
- Increased volumes were also evident in a number of key beverage and prepared food categories

The combined impact of higher output across the main product categories is estimated to be in the region of €450 million.

Currency movements

With 41% of exports going to the UK and 28% to markets that predominantly trade in US dollars, any change in exchange rates has the potential to impact on competitiveness.

The euro weakened by a further 10% relative to sterling in 2015, while a 16% decline relative to the US dollar was recorded. In December 2015, the euro was over 12% and 8% weaker against the US dollar and sterling respectively. These developments have helped to boost the competitiveness of Irish exports.

The combined impact of the weakening in the euro relative to sterling and the US dollar is estimated at almost €950 million.

The euro also weakened by 15% against the Chinese yuan while a marginal decline was recorded against the New Zealand dollar. In contrast the strengthening of the euro relative to the Russian rouble and Brazilian real continued with the euro 37% and 17% higher respectively. This reflects the ongoing trading difficulties with Russia and this combined with trade suspensions continues to have a negative impact on trade from Ireland.

The anticipated economic developments in these regions over the next 12 – 24 months suggests ongoing weakness of the euro relative to sterling and the US dollar. This should help to maintain competitiveness of Irish exports, although it will also have the impact of pushing up import prices for inputs and raw materials.

Irish Food and Drink Exports

	2014(p) €m	2015(e) €m	2015/2014 % +/-
Dairy products & ingredients	3,105	3,240	+4
Beef	2,280	2,410	+6
Prepared Foods	1,810	1,800	-1
Beverages	1,150	1,260	+10
Pigmeat	580	570	-2
Seafood	540	560	+4
Poultry	310	320	+3
Edible Horticulture & Cereals	230	240	+4
Sheepmeat	220	230	+5
Live Animals	245	195	-20
TOTAL FOOD & DRINKS	10,470	10,825	+3

Prepared Consumer Foods Exports*

	2014 €m	2015(e) €m	2015/2014 % +/-
	2,330	2,505	+7

*This section includes Prepared Foods products and Value Added components of other sectors. (For further details, see page 36).

THE UK LED THE GROWTH IN FOOD AND DRINK EXPORTS IN 2015, RISING BY 7% TO REACH €4.4 BILLION

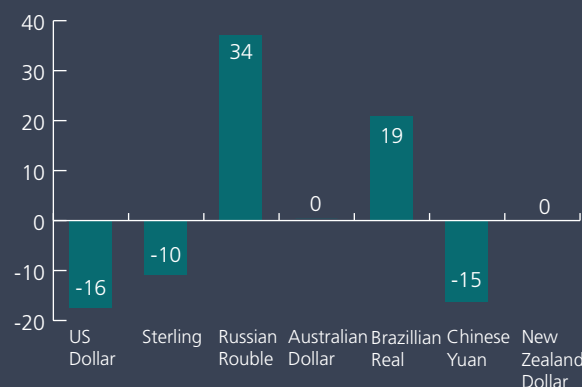


The euro weakened by 10% relative to sterling in 2015



The share of exports destined for the UK increased from 39% to **41%**

Key euro exchange rate developments, 2015 (% Change on previous year)

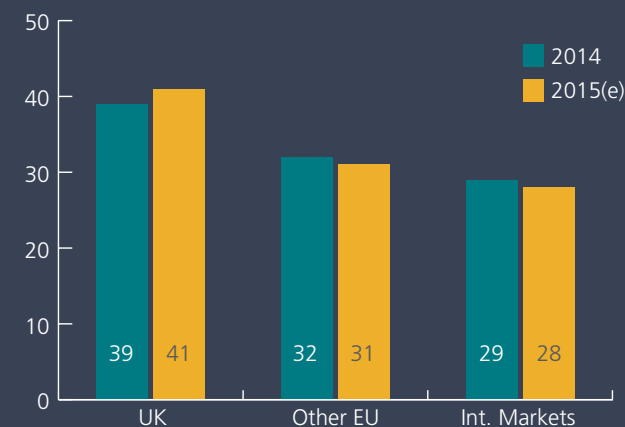


Source: Central Bank of Ireland

UK leads growth in exports

During the course of 2015 the UK led the growth in exports with little growth recorded in trade to other EU markets. In terms of international markets, a rise of over 19% in the value of trade to North America coupled with significant increases to China and The Middle East helped offset a slowdown to other regions, most notably Africa.

Market distribution of Irish food and drink exports (%)



Source: Bord Bia estimates

UK

The share of exports destined for the UK recovered from 39% to 41% in 2015. The value of this trade increased 7% to reach €4.4 billion.

Stronger exports for beef, prepared foods, mushrooms and poultry helped offset reduced trade in beverages and dairy.



Exports to the Netherlands increased by an estimated 14% in 2015 to stand at **€665 million**



The value of exports to international markets showed little change in 2015 with trade worth around **€3 billion**

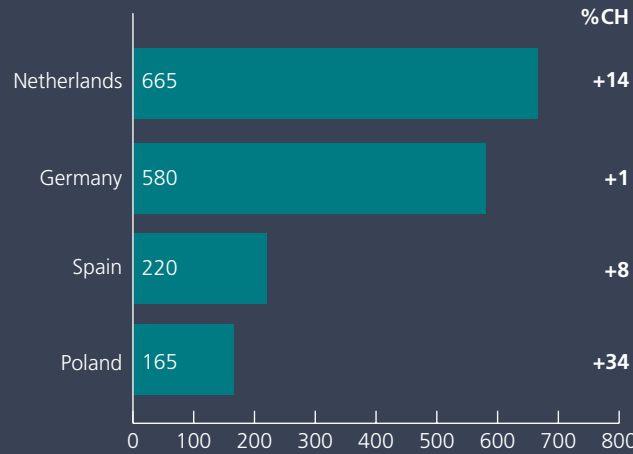
Other EU

The value of exports to other EU markets showed little change in 2015. This reflects a weaker euro and a more tentative consumer environment across key EU markets. For the year exports are estimated to have been worth €3.4 billion, which represents 31% of exports.

Increases were recorded in dairy, seafood and prepared foods while a decline was evident in meat.

Exports were driven by the strong performance of key markets such as the Netherlands, Spain, and Poland and to a lesser extent, Germany, which offset lower trade to France, Italy, Denmark and Sweden.

Trends in exports to key European markets, 2015 vs. 2014 (€m)



Source: Bord Bia estimates

International markets

Shipments of Irish food and drink products outside of Europe showed little change in 2015 as the value of exports stood at an estimated €3 billion. This leaves the region accounting for 28% of exports.

Trade in 2015 was led by stronger exports of dairy, beverages and beef which offset declines in pigmeat, prepared foods and seafood. Dairy accounts for more than 45% of exports to International markets with beverages accounting for over 20%.

EXPORTS TO OTHER EU DESTINATIONS WERE DRIVEN BY KEY MARKETS SUCH AS THE NETHERLANDS, SPAIN, POLAND AND TO A LESSER EXTENT GERMANY, WHICH OFFSET LOWER TRADE TO FRANCE, ITALY, DENMARK AND SWEDEN

FOOD AND DRINK EXPORTS TO NORTH AMERICA WERE 19% HIGHER IN 2015 AT €875 MILLION. THIS WAS LED BY THE UNITED STATES, WHICH RECORDED A JUMP OF 40% TO REACH AROUND €750 MILLION

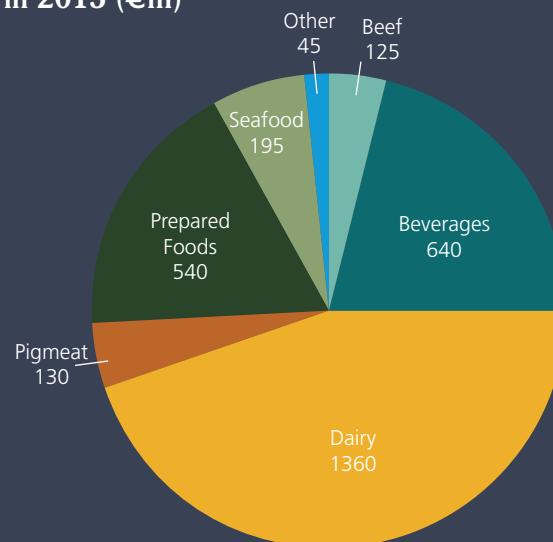


Exports to China were **16% higher** driven by increased dairy, pigmeat and to a lesser extent seafood exports



Trade to Russia was negatively affected by ongoing trade suspensions with **exports back 70%** to around €50 million

Breakdown of exports to International markets in 2015 (€m)

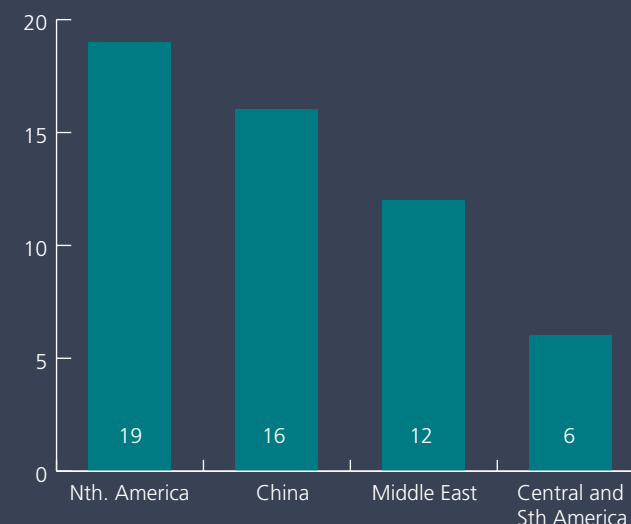


Source: Bord Bia estimates

The growth in exports to international markets was led by North America, which showed a rise of around €130 million to reach almost €870 million. This was driven largely by the United States, which recorded a further jump of 40% to around €750 million. Dairy, beverages and prepared foods were the key drivers of export growth.

Exports to China were 16% higher driven by increased dairy and pigmeat and to a lesser extent seafood exports. Trade to the Middle East showed an increase of 12% while exports to Central and South America were 6% higher. Shipments to Russia continued to be negatively affected by trade suspensions with exports falling by an estimated 70% to around €50 million while exports to Africa were down 14% on the back of reduced dairy and prepared foods exports.

Growth in exports by region, 2015 vs. 2014 (%)



Source: Bord Bia estimates



Data for January to November 2015 shows food price inflation of **0.7%** across the Eurozone



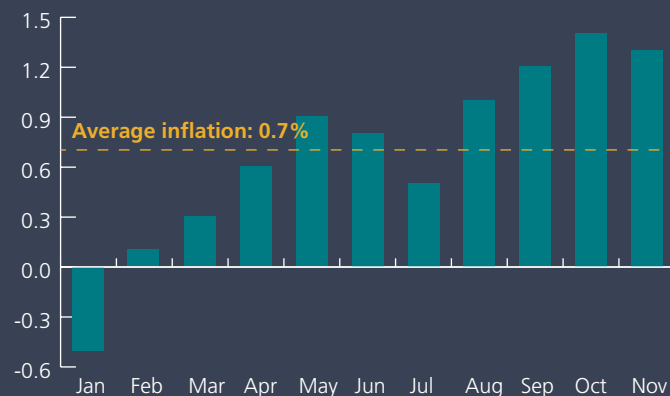
Ireland's ranking in the IMD World Competitiveness Yearbook has improved from 24th in 2011 to **10th** in 2015

Market drivers

Overall price inflation across the eurozone was relatively static in 2015. Modest inflation was seen in the middle of the year after a first quarter of deflation. Mixed trends were evident with countries such as Germany, France and the Netherlands showing modest inflation while Ireland and Spain recorded some price deflation as the year progressed. Consumer prices in the UK remained static. This data puts consumer price inflation in the eurozone at its lowest level since 2009.

Food price developments across the Eurozone are running ahead of overall inflation, with a rise of 0.7% evident for the year up to the end of November.

Consumer food price index developments, 2015 (% change vs. same month in 2014)



Source: Eurostat

Considerable variation was evident across different categories with alcoholic beverages and fish showing the highest level of inflation at 2.2% and 1.5% respectively while bread recorded a modest rise. Milk and dairy products showed price deflation of 1.8% while meat showed little change.

The outlook for consumer food prices across the eurozone remains difficult to predict. The forecasts for economic growth in 2016 are relatively uncertain due to heightened global risks and the slower than expected rebound in economic activity to date. These factors are likely to result in little change in consumer confidence levels. Given this backdrop any price inflation across the eurozone is likely to be modest.

Competitiveness of the sector

The competitiveness of the Irish manufacturing sector as measured by Ireland's Competitiveness Scorecard published by the National Competitiveness Council continues to improve according to the 2015 report.

Improvement is most notable in relation to the labour market with a continuation of the downward trend in unemployment, improved job security and Ireland's continued success in export markets has led to a rise in consumer demand.

These factors combined with the restoration of the State's borrowing capacity on financial markets and our improving fiscal situation are reflected in Ireland's performance in the various international competitiveness rankings – for example, in the IMD's World Competitiveness Yearbook Ireland's ranking has improved from 24th position in 2011 to 10th in 2015.

While the challenge to remain cost competitive will persist

OVERALL PRICE INFLATION ACROSS THE EUROZONE WAS RELATIVELY STATIC DURING 2015. FOOD PRICE DEVELOPMENTS ARE RUNNING AHEAD OF OVERALL INFLATION

DESPITE A FURTHER FALL IN GLOBAL AGRICULTURAL COMMODITY PRICES IN 2015, THE LATEST FAO/OECD AGRICULTURAL OUTLOOK TO 2024 SUGGESTS A BROADLY POSITIVE MARKET ENVIRONMENT, ALBEIT WITH SIGNIFICANT VOLATILITY



Despite a further fall in agricultural commodity prices in 2015, the FAO Food Price index remains 25% ahead of the 2000 – 2010 average



Dairy prices led the decline in the FAO Food Price Index in 2015, falling by 28%

over the medium term, the progress made over recent years leaves the manufacturing sector in a stronger position to compete.

Slowdown in global commodity prices

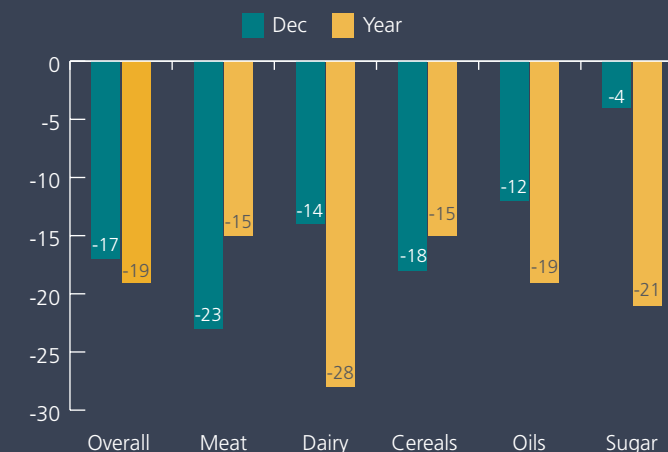
Global agricultural commodity prices as measured by the FAO Food Price Index showed a decline of 19% in 2015 relative to 2014. This follows smaller declines over the previous two years. However, the overall index remains over 25% higher than the 2000 – 2010 average.

During the year, declines were evident across all categories with the largest fall evident in dairy and sugar at 29% and 22% respectively.

Looking at December prices compared to a year earlier, meat prices were 23% lower, dairy 14%, cereals 18% and oils 12%. The overall index was 17% below year earlier levels.

The FAO Food Price Index fell by 19% during the year to December 2015.

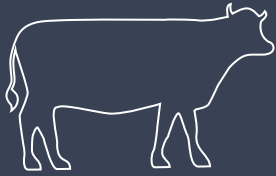
FAO food price index trends, 2015 versus 2014 (2002 – 2004=100)



Source: FAO

The global outlook for agricultural commodities remains positive over the medium term, albeit with significant volatility. This volatility seems set to persist for dairy and cereals in the short term.

The latest FAO/OECD agricultural outlook for the period to 2024, points towards a positive market balance on the back of rising consumption particularly in the developing world. The report suggests that meat and dairy will see further upward trends over the period, which should help present a solid backdrop for Irish food and drink exports.



Increased cattle supplies as the year progresses is expected to boost beef export volumes by **up to 5%** in 2016



The pressure on global dairy markets seems set to persist for the early months of 2016. Recent forecasts from Rabobank suggest some recovery towards the middle of the year

Prospects for 2016

There are a number of factors that point to 2016 being a mixed year in terms of further growth in the value of food and drink exports.

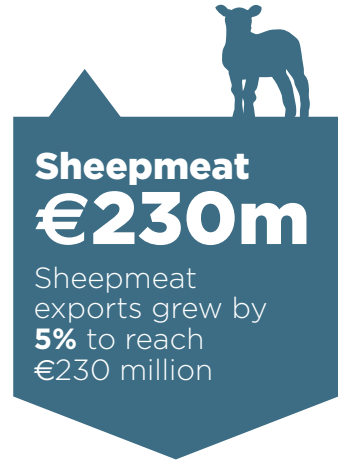
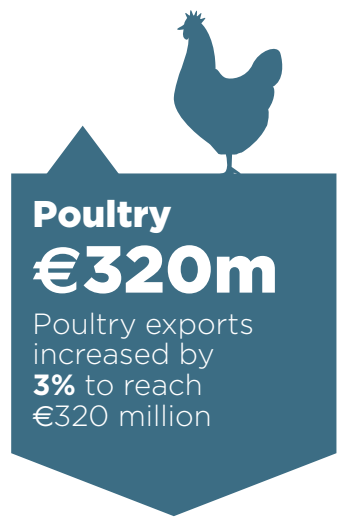
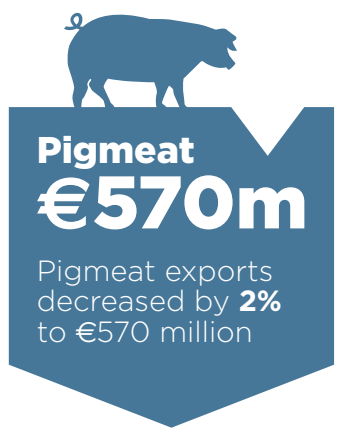
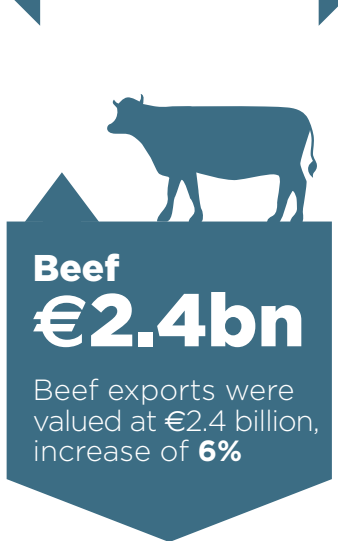
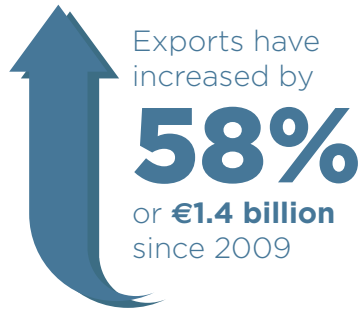
The pressure on global dairy markets due to higher stocks and increased output is likely to impact negatively on global milk prices for the early months of 2016. Some further growth is anticipated in Irish milk supplies.

Cattle supplies are expected to recover by more than 60,000 head, which will lead to export volumes recovering by around 5%. Much will depend on demand developments in more established markets with consumer sentiment to remain a critical driver.

Prepared foods and beverages are likely to face ongoing competitive pressures although the demand for premium products will present further opportunities in key markets. Further strong growth potential exists for whiskey in particular while a number of key prepared food categories such as confectionery, ready meals and bakery are expected to record further growth.

THERE ARE A
NUMBER OF
FACTORS THAT
POINT TO 2016
BEING A MIXED
YEAR IN TERMS OF
FURTHER GROWTH
IN THE VALUE OF
IRISH FOOD AND
DRINK EXPORTS

Meat & Livestock





Meat & Livestock Exports

were 2% higher at €3.7 billion



Beef Exports

increased by 6% to €2.41 billion

DESPITE THE DIFFICULT MARKET ENVIRONMENT FOR SOME MEATS IN 2015, MOST NOTABLY PIGMEAT, **THE VALUE OF MEAT AND LIVESTOCK EXPORTS, INCLUDING OFFALS GREW BY 2% TO €3.7 BILLION.**

Key drivers of export performance

- Cattle supplies 5% lower.
- Stable EU demand for beef but slow demand for pigmeat.
- Pig supplies up 6%.
- Good trade for sheepmeat.
- Increase in processed poultry exports.

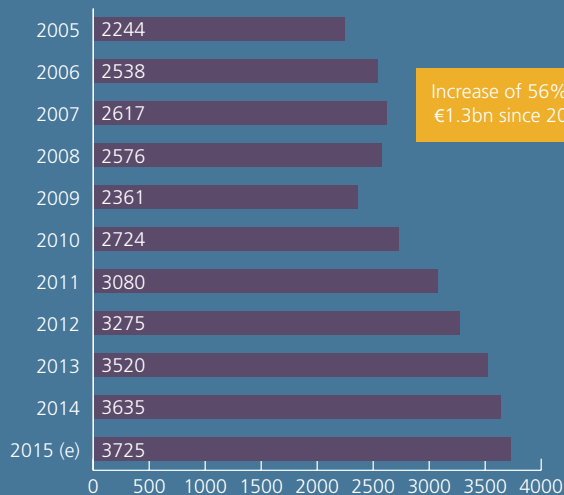
Beef

Tighter finished cattle supplies in Ireland, a rise in cattle prices and some stability in beef consumption across most export markets helped exports in 2015.

Key beef export market developments in 2015

- Rise of 2% in EU beef output.
- Stabilisation in EU consumption.
- Small decline in EU beef imports while exports increased by almost a quarter.
- Irish beef export availability 4% lower.
- European male cattle prices marginally higher.

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



Increase of 56% or €1.3bn since 2009

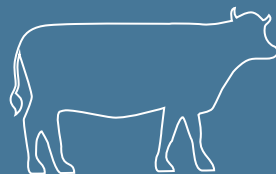
Export meat plant cattle supplies in Ireland are estimated to have decreased by more than 5% in 2015 to around 1.56 million head. Reductions were evident across all categories with the exception of steers.

An increase of over 2% in average carcass weights offset the lower throughput somewhat to leave net production at an estimated 560,000 tonnes, including local abattoir output.

With domestic consumption levels unchanged, the volume of beef available for export stood at just over 500,000 tonnes, some 4% below 2014 levels. This decline in volumes was offset by a rise of more than 11% in average cattle prices. This led to the value of Irish beef exports showing a 6% rise, standing at €2.41 billion when offals are included. Trade for fresh, frozen and processed beef products was 7% higher at €2.19 billion.

Irish Meat & Livestock Exports

	2014 €m	2015(e) €m	2015/2014 % +/-
Beef (incl. offals)	2,280	2,410	+6
Pigmeat	580	570	-2
Poultry	310	320	+3
Sheepmeat	220	230	+5
Live Animals	245	195	-20
TOTAL MEAT & LIVESTOCK	3,635	3,725	+2



The UK remains the main market for Irish beef accounting for **52%** of export values



Exports to other EU markets stood at **€1 billion** in 2015

THE VOLUME OF IRISH BEEF EXPORTS WAS 4% LOWER IN 2015 AT AN ESTIMATED 500,000 TONNES WITH LOWER SUPPLIES MORE THAN OFFSETTING HIGHER AVERAGE CARCASE WEIGHTS

Beef Exports (€m)

2014 €m	2015 (e) €m	2015/2014 % +/-
2,280	2,410	+6

Markets for Irish beef

The retail market across Europe continues to be driven by a search for value among consumers with beef facing strong competition from cheaper protein sources such as pork and poultry. Similar trends are evident at foodservice level. Origin of meat remains an important priority for many consumers and meat retailers are focussing on local sourcing to build trust in the category.

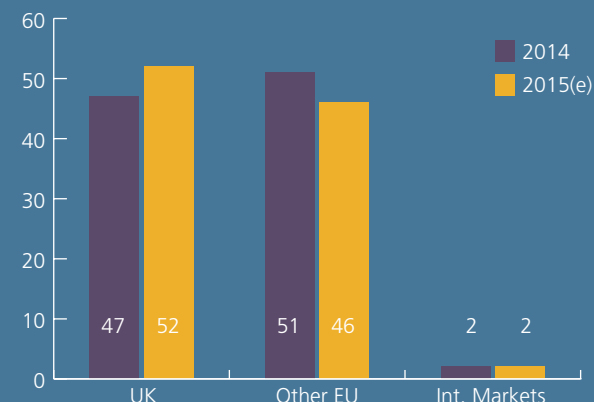
Volumes of Irish beef destined for the UK was largely unchanged in 2015 at an estimated 272,000 tonnes. This equates to just over 54% of total exports. UK beef consumption eased marginally in 2015 with imported beef remaining competitively priced. In value terms, exports were worth almost €1.1 billion.

After a significant rise in 2014, exports to other EU markets declined by an estimated 8% in 2015 to stand at 214,000 tonnes. Lower exports were recorded to most markets, particularly France, Italy and Scandinavia. However, this was offset somewhat by steady trade to Germany and a rise in exports to Belgium. Trade was valued at around €1 billion.

Exports of Irish beef to International markets were more than 6% lower in 2015 at around 17,000 tonnes and was valued at around €60 million. The absence of Russia was offset by some recovery in exports to Switzerland while the opening of the US market also helped the trade. Increasing numbers of Irish export meat plants gained approval to supply the United States during the course of 2015 and resulted in around

2,000 tonnes of beef being exported to the market. Similarly, shipments to Asian markets such as the Philippines recovered as the year progressed and recorded increases for the year as a whole.

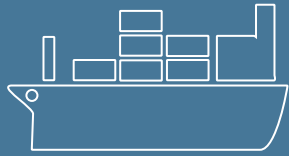
Distribution of Irish beef exports (% in value terms)



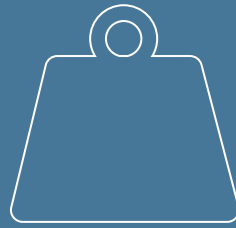
Source: Bord Bia estimates

Outlook for 2016

The prospects for the EU beef market in 2016 remain mixed. Preliminary forecasts show beef output in the EU-15 region is expected to remain relatively steady. Growth in production is expected in France, Denmark, the UK and Spain. In contrast, production is pointing towards some decline in Italy and Germany. Following a stabilisation in consumption in 2015, little change is expected in 2016. However, much will depend on consumer spending levels with many key countries reporting lower retail sales over recent months.



Brazilian exports are forecast to rise by **4%** in 2016



Irish beef exports are forecast to be in the region of 525,000 tonnes in 2016, **a rise of around 5%**

The re-opening of trade with Turkey coupled with increased exports to African and Asian markets has helped maintain trade levels with the EU remaining a net exporter. However, the trade situation with Russia has negatively impacted on volumes as the market had accounted for up to 25% of EU exports over recent years. Current indications suggest that it could be the latter half of 2016 before any relaxation in restrictions takes place.

In the United States, beef supplies are set to recover by 2% while Australian production is likely to be constrained due to herd rebuilding with a decline in excess of 10% forecast.

In Brazil, supplies are expected to remain flat, however, exports are forecast to rise by 4% in 2016 with more volumes expected to go to China with a weakening Brazilian Real expected to boost competitiveness.

With little change in global supplies overall, prices are expected to remain relatively stable internationally.

Recovery in Irish cattle supplies

An increase of almost 28,000 head in live cattle exports in 2014 helped partly offset a rise of more than 100,000 head in calf registrations. However, this increase points to a pick-up in finished cattle supplies as 2016 progresses.

Figures from the Department of Agriculture's AIM database for September 1st 2015 show a decline of 37,000 head in the number of male cattle aged 18 – 24 months while numbers in the 12 – 18 months category were 36,000 head higher relative to a year earlier. Female numbers in the 18 – 24 months age bracket were 35,000 head lower while numbers of heifers aged 12 – 18 months were 30,000 head higher.

Taking these figures into account, supplies at export plants are expected to be tight in the first half of 2016 before recovering in the second half to leave supplies for 2016 up between 60,000 and 80,000 head.

Following two years of growth in carcase weights some stability is anticipated in 2016, however much will depend on weather conditions throughout the year. These developments would leave export availability standing at around 525,000 tonnes, a rise of around 5%.

Factors affecting 2016 Irish finished cattle supplies

- Increase of 28,000 head in live exports in 2014.
- Rise of 100,000 in 2014 calf registrations.
- Increased retention of breeding heifers on dairy farms.

Key beef market drivers for 2016

- Steady EU beef production.
- Stable EU consumer demand anticipated.
- Recovery in global supplies.
- Rise of up to 5% in Irish cattle supplies.

IRISH FINISHED CATTLE SUPPLIES ARE EXPECTED TO RECOVER BY 60,000 TO 80,000 HEAD IN 2016 TO AROUND 1.63 MILLION HEAD



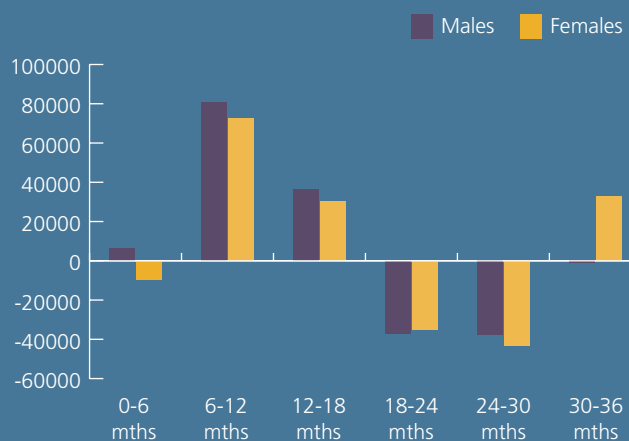
Figures from the DAFM AIM database for September show a **rise of 66,000 head** in the number of cattle in the 12 - 18 months age bracket



The Irish R3 steer price was 103% of the EU - 15 average male R3 price in 2015

IRISH MALE CATTLE PRICES STOOD AT 103% OF THE EU-15 AVERAGE AND 83% OF THE UK PRICE IN 2015

Trends in cattle numbers by age, Sept 1st 2015 (change in head vs. 2014)

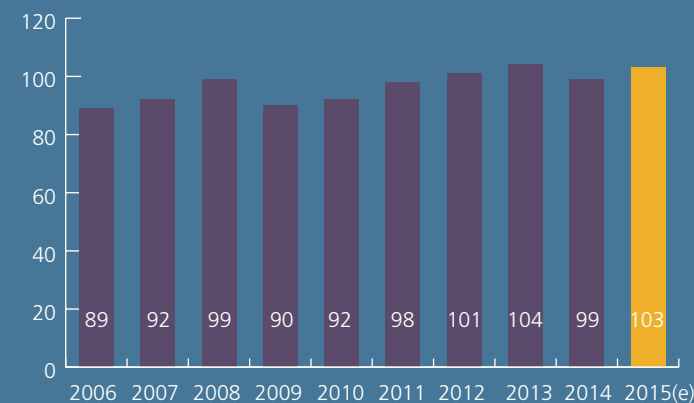


Source: Department of Agriculture, Food and the Marine

Cattle price developments

During 2015 Irish male cattle prices averaged 103% of the EU average compared to 99% in 2014. The average male cattle prices across the EU in 2015 showed a marginal rise and stood at €3.91/kg. Male cattle prices in the UK showed an 11% rise reaching €4.82/kg with the Irish equivalent price standing at 83% of this figure.

Irish R3 steers as % of EU-15 weighted R3 male cattle prices, 2006 to date

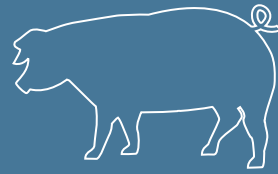


Looking ahead to 2016 it is anticipated that tighter Irish cattle supplies particularly in the first half of the year and a stable demand situation across Europe will underpin price levels. It is also hoped to build on exports to third country markets outside of the EU.



Pigmeat Exports

were 2% lower at €570 million



The volume of Irish pigmeat exports were **8% higher** in 2015 at an estimated 230,000 tonnes

Pigmeat

An 8% rise in domestic output, an increase of 3% in EU output and a more difficult global market as a result of the Russian trade situation led to a challenging market environment for Irish pigmeat in 2015. This is reflected in pig producer prices, with Irish prices down by 10% for the year at €1.43/kg while EU prices were 11% lower.

Key pigmeat export market developments in 2015

- Difficult international market conditions.
- Increased EU production.
- Slow consumer demand in Europe.
- EU pig prices down by 11%, Irish prices 10% lower.

Higher pig supplies in Ireland

Export meat plant pig supplies in Ireland are estimated to have increased by around 6% in 2015 to reach 3.16 million head

This reflects a rise in finished pig supplies on the back of a 3% increase in the breeding herd in 2014 coupled with increased productivity per sow. Supplies were also boosted by a 4% decline in live exports. An increase of almost 3% in carcass weights was also recorded. This left production for the year at around 275,000 tonnes.

Contrasting trends in retail sales

Retail sales of pigmeat on the Irish market showed mixed trends in 2015. Pork sales for the year up to the 6th December were back by around 6% in volume terms with all key consumer measures showing reductions.

Retail sales of sausages were relatively steady while bacon sales in volume terms increased by 2%. This was largely due to stronger rasher sales with shoppers visiting the category more frequently.

Overall for the full year 2015, it is estimated that pigmeat consumption was down 1% at 149,000 tonnes.

Value of exports decline

Pigmeat imports are estimated to have fallen by 6% in 2015 to around 99,000 tonnes cwe. When combined with higher domestic production and stable consumption, it resulted in the volume of pigmeat available to export rising by 8% to almost 230,000 tonnes cwe.

However, lower pig prices **left the value of Irish pigmeat exports down by 2% in 2015 at €570 million.**

Pigmeat Exports (€m)

2014 €m	2015(e) €m	2015/2014 % +/-
580	570	-2

A RISE IN VOLUMES WAS OFFSET BY A DECLINE IN AVERAGE PIG PRICES TO LEAVE PIGMEAT EXPORTS DOWN 2% AT €570 MILLION



Pigmeat exports to the UK were worth an estimated **€350 million** in 2015, up 2% on year earlier levels



International markets accounted for 23% of total pigmeat exports and were worth an estimated **€130 million**

IRISH PIGMEAT SHIPMENTS TO THE UK JUMPED BY 6% IN 2015, HELPED BY FAVOURABLE EXCHANGE RATES

Markets for Irish pigmeat

Irish pigmeat exports to the **UK** were helped by favourable exchange rates in 2015, which led to a 6% jump in shipments to 90,000 tonnes. The value of this trade is estimated at almost €350 million which is a 2% rise on year earlier levels.

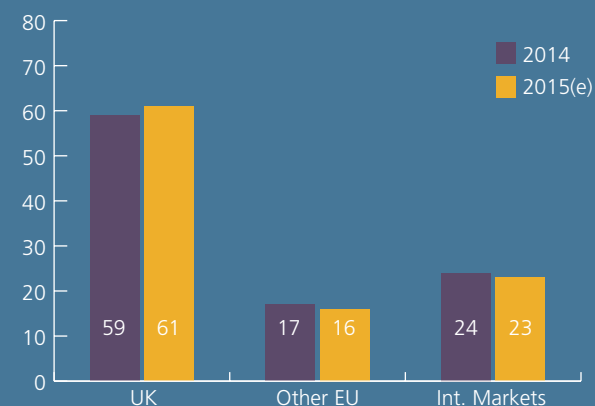
Exports to **Other EU** markets showed a further rise in 2015 driven mainly by a strong increase in shipments to Germany, Sweden, Italy and France. However this was partly offset by reduced trade to Denmark and Belgium. For the year, exports to the Continent reached 60,000 tonnes with the value of trade falling by 6% to over €90 million.

Exports of Irish pigmeat to **International markets** performed strongly despite the absence of the Russian market. China remains the second most important market for Irish pigmeat, with exports reaching over 40,000 tonnes reflecting the ongoing increase in domestic demand.

As a result of the Russian market being effectively closed to Irish exporters since January 2014, product that would usually be destined for that market has been redirected to different locations around South East Asia. Slower demand from Japan has been offset by increased export activity to Australia.

For the full year exports of Irish pigmeat to international markets are estimated to have grown by 3% to around 80,000 tonnes. This trade was valued at an estimated €130 million.

Distribution of Irish pigmeat exports (% of value)



Source: Bord Bia estimates

Outlook for 2016

The market environment for the pigmeat sector looks set to remain challenging in 2016. The ongoing absence of the Russian market combined with reduced demand from certain Asian countries will have some negative impact. However, production levels are expected to slow down in both Ireland and across the EU as the year progresses. This coupled with the current weakness in the Euro should help make Irish exports more competitive.

According to the EU Commission production is expected to slow down during the first half of 2016 reflecting a 1% decrease in the EU breeding herd in the June 2015 livestock



US pigmeat production is set to rise by almost **2%** in 2016



Sow numbers in China were 14% lower in August 2015 and while restocking has commenced, domestic output is likely to be at best maintained in 2016

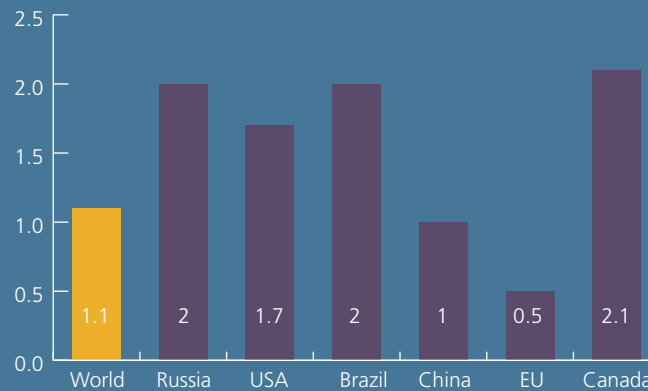
survey. The signals for the second half of 2016 suggest that there will be some reduction in supplies given the current weakness in producer prices and profitability which is expected to lead to some further culling in the EU breeding herd.

In the **United States**, the market is stabilising with modest herd growth. This reflects some recovery from the recent PEDv outbreaks and a return to growth in consumer demand. Production is expected to rise by 2% in 2016 driven by herd expansion and rising consumer demand.

The main beneficiary from the Russian import restrictions has been **Brazil** with over half of Brazilian exports destined for the market. Production is forecast to rise by a further 2% in 2016, which should boost export volumes, although much will depend on currency developments.

In **China**, sow numbers were back 14% to 38.6 million head in August 2015 compared to previous year levels. However herd replenishment has started, albeit at a slow rate. On the back of tight supplies throughout the year coupled with the depreciation of the Euro, Chinese imports for 2015 are expected to reach a record high, exceeding the 2013 level of 1.4 million tonnes. Rabobank predict that tight pork supplies will continue up until the second half of 2016.

Global pigmeat production forecast trends, 2016 (projected % change on 2015 levels)



Source: Bord Bia based on USDA/GIRA

Factors affecting 2016 pigmeat prospects

- Slowdown in EU output.
- Euro exchange rate against the US dollar.
- Mixed demand in Asia.
- Russian restrictions to persist.
- Some decline in Irish supplies.

A DECLINE IN BOTH THE EU AND IRISH PIG BREEDING HERDS IS SET TO RESULT IN LOWER OUTPUT AS 2016 PROGRESSES

IRISH SHEEPMEAT EXPORTS CONTINUED TO PERFORM WELL IN 2015 AS A MORE POSITIVE PRICE ENVIRONMENT AND FAVOURABLE EXCHANGE RATES HELPED EXPORT VALUES



EU sheepmeat imports were **6% higher** in the first 8 months of 2015



Sheepmeat Exports were 5% higher at €230m

Lower Irish pig supplies

On the back of a 2% decline in the Irish breeding herd in the June 2015 pig survey, Irish production is expected to fall marginally in 2016. This will have some impact on export availability.

Both China and the UK will remain key markets for Irish exports. Some return to more normal trading conditions is expected in Japan, which should boost exports. South East Asian markets such as South Korea and the Philippines are showing a strong recovery in production following major disease outbreaks, which is expected to result in reduced import demand in 2016.

Other markets that are expected to perform strongly include the US for ribs and Australia for middle cuts. The extension of market access to the Philippines until August 2016 will also offer another outlet for trade.

The recent introduction of the EU's Private Storage Aid scheme on the 4th January 2016 is expected to help put a floor underneath EU prices to coincide when EU prices are traditionally weak.

The latest Rabobank agri commodity outlook for grain prices remains relatively unchanged on the back of continued strong yields globally which should help underpin competitive feed prices.

Sheepmeat

Irish sheepmeat exports continued to perform well in 2015 as a more positive price environment helped export values. The weakening of the euro against sterling also boosted the relative competitiveness of Irish lamb in key markets.

Key sheepmeat export market developments in 2015

- Recovery in EU production and consumption.
- Rise in NZ shipments to EU.
- Irish supplies marginally higher and carcase weights up by 2%.

Sheepmeat output in the EU is estimated to have recovered by 1% in 2015 to approximately 753,000 tonnes.

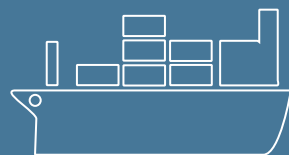
The rise in 2015 was largely driven by higher output in the UK and Ireland coupled with stable Spanish production. Some of this was offset by marginally lower French output.

EU imports of sheepmeat were 6% higher during the first eight months of 2015. This reflects increased frozen imports from New Zealand which more than offset some reduction in shipments from Australia.

Libya continues to be the main destination for EU exports. However, a decline of almost 19% in shipments was reported for the first 8 months of 2015. Similarly exports to Hong Kong showed a sharp drop. However, this has been partly offset by increased exports to Jordan, Lebanon and Switzerland. Overall EU exports are estimated to have declined over 25% in 2015.



Sheep throughput at export meat plants was steady at 2.59 million head



France and the UK continue to be core markets for Irish sheepmeat, accounting for **63%** of export volumes

EU consumption showed a rise of 2% to reach 1.06 million tonnes or 1.8kg/capita. This was led by a recovery in consumption in Germany, Italy and the UK.

Little change in Irish output

It is estimated that total sheep disposals in Ireland were broadly stable in 2015 at 2.59 million head. This reflects a 6% rise in spring lamb numbers, which more than offset tight supplies of hoggets in the early part of the season and reduced imports of lambs from Northern Ireland.

Near ideal lambing conditions combined with good grass growth helped boost average carcase weights by almost 2%. This led to sheepmeat production showing a rise of 1% to 58,000 tonnes.

Market demand developments

Domestic consumption was relatively steady in 2015. Retail sales of lamb slowed in the second half of the year following a rise earlier in the year resulting in total sheepmeat consumption of around 15,500 tonnes.

Higher output, some increase in imports and reduced domestic consumption led to volumes available for export increasing by more than 2% to 47,000 tonnes.

With lamb prices rising by 2% to €4.84/kg, coupled with favourable exchange rates, the **total value of Irish sheepmeat exports is estimated to have increased by over 5% in 2015 to reach €230 million.**

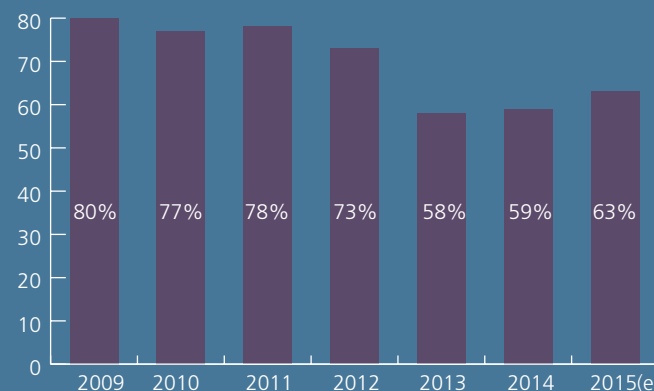
Sheepmeat Exports (€m)

2014 €m	2015(e) €m	2015/2014 % +/-
220	230	+5

Markets for Irish Sheepmeat

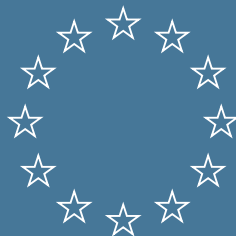
The UK and France continue to be the core markets for Irish sheepmeat accounting for 63% of total export volumes. Exports to **France** declined by around 12% to just over 16,000 tonnes and were valued at €83 million. Shipments to the **UK** were helped by favourable exchange rate and showed a sharp rise to reach almost 13,000 tonnes.

Proportion of sheepmeat exports destined for UK & France (% of export volumes)



Source: Bord Bia estimates

IRISH SHEEPMEAT EXPORTS INCREASED BY 5% IN 2015 TO AN ESTIMATED €230 MILLION ON THE BACK OF INCREASED PRICES COUPLED WITH A SMALL RISE IN VOLUMES



Irish sheep meat exports to other EU markets, excluding France, accounted for **34%** of sheepmeat exports in volume terms



Irish sheepmeat exports to Belgium showed a double digit increase to reach an estimated **3,600 tonnes**

INCREASED IRISH SHEEPMEAT EXPORTS WERE RECORDED TO GERMANY, BELGIUM AND SWEDEN

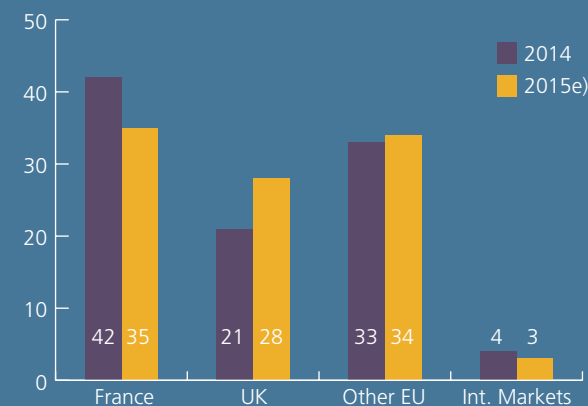
Key growth markets across Europe were Germany, Belgium, Sweden and to a lesser extent Poland. Looking at non EU markets, Switzerland remains the main destination followed by Hong Kong. Total shipments to international markets recorded a double digit decline in 2015 at an estimated 1,800 tonnes.

Shipments to **Germany** showed a small increase to reach 3,600 tonnes and were valued at an estimated €22 million. This was driven by a higher value per tonne coupled with a significant rise in demand from premium retailers and high end restaurants.

In **Belgium**, imports from New Zealand recovered following a number of years of decline while imports from the UK declined. Shipments of Irish lamb showed a double digit increase at 3,600 tonnes and were valued at €25 million. This follows a threefold increase between 2009 and 2014.

Irish exports to **Sweden** performed well with volumes estimated to have reached 4,000 tonnes, an 8% rise. Ireland supplies almost 30% of Sweden's sheepmeat imports and along with New Zealand is the main import supplier.

Distribution of Irish sheepmeat export volumes (%)

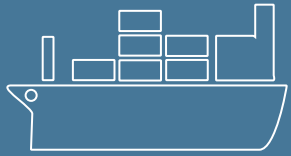


Source: Bord Bia estimates

Outlook for 2016

The global sheepmeat market continues to become more polarised between the traditional markets of Europe and emerging markets where domestic supplies struggle to match demand. These developments are leading to a narrowing of the price differential between New Zealand and European lamb. Given the attractiveness of the Irish lamb proposition European retail/foodservice buyers are increasing looking towards Ireland as a source of high quality product.

Reduced price volatility is also evident in Europe as demonstrated by the fact that during the transition from hogget to new season lamb, prices remained above the €5/kg mark and it wasn't until early July when the main volumes of UK lamb came onto the market that prices realigned downwards.



New Zealand export volumes are expected to **decline by 6%** in 2016



The EU accounted for **36%** of New Zealand lamb exports for the January to October period compared to 32% a year earlier

Following a rise in 2015, EU output is likely to remain steady in 2016. It is hoped that stable production, a strong live trade and a forecast drop in New Zealand output will help price levels. The live trade will depend on sanitary issues such as Bluetongue and Schmallenberg control measures.

In China, slower demand is expected to persist in 2016. In contrast demand in the Middle East and North America is expected to remain strong this year.

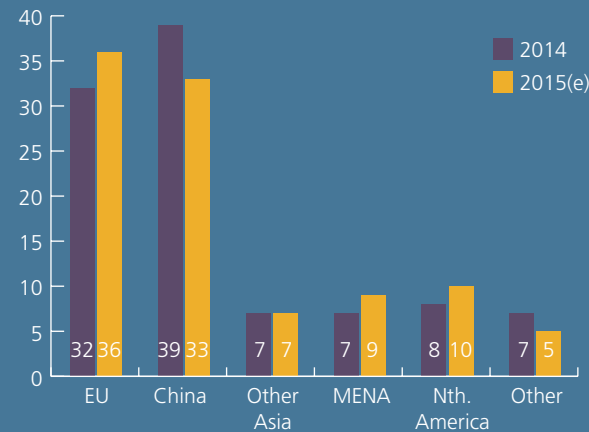
In New Zealand, exports increased by almost 2% in 2015 driven by a rise in production in the second half of the season. Reduced demand from Asia led to increased product redistribution to the EU. In 2016, NZ export volumes are expected to decline by around 6%, reflecting lower production.

With global demand likely to remain firm, lower New Zealand and Australia supplies are expected to help maintain global sheep prices.

Factors affecting 2016 sheepmeat prospects

- Steady EU sheepmeat production.
- Reduced availability of NZ lamb.
- Currency fluctuations
- Relatively tight Irish sheep supplies.

Distribution of New Zealand sheepmeat export volumes (Jan to Oct 2015 v same period in 2014)



Source: GTIS

The strength of spring lamb disposals during much of 2015 suggests tight hogget supplies in Ireland for the early months of 2016. Thereafter much will depend on lambing conditions. The more positive price environment in 2015 is likely to result in a good lamb crop again in 2016.

Religious festivals continue to impact on demand during the year. As Easter is falling earlier in 2016, this should lead to a stronger hogget trade in the first quarter of 2016 while Muslim festivals later on in the year should also boost demand.

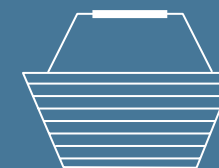
Currency fluctuations between the Euro and Sterling will also impact the trade as the weakening in the value of the euro has made UK exports relatively less competitive, therefore creating a favourable opportunity for Irish sheep meat exports. At present there is little indication from economic outlooks of the Euro strengthening against Sterling.

GLOBAL SHEEPMEAT DEMAND IS EXPECTED TO REMAIN FIRM IN 2016 WITH ANTICIPATED LOWER SUPPLIES FROM OCEANIA EXPECTED TO HELP MAINTAIN PRICES

STRONG CONSUMER DEMAND FOR POULTRY ACROSS THE EU IN 2015 HELPED OFFSET A 3% INCREASE IN EU PRODUCTION



Poultry Exports were 3% higher at €320 million



Retail sales of poultry increased by **5%** on the Irish market

Poultry

Strong consumer demand for poultry throughout 2015 outweighed some of the increase in supplies evident during the second half of the year. Poultry production across the EU is estimated to have increased by 3% in 2015 with most of this increase evident in broiler and turkey output.

Reduced shipments from Brazil were offset by a rise in imports from Thailand to leave imports into the EU marginally higher. EU Exports were marginally lower as a result of reduced trade to Asia. Broiler prices across Europe eased slightly, falling by around 1% to €1.81/kg.

Key poultry export market developments in 2015

- 3% rise in EU poultry production.
- EU imports higher but decline in exports.
- Stable consumer demand across Europe.

Up until the week ending December 6th 2015, the number of broilers processed in Ireland increased by 6% on year earlier levels to 76.9 million head.

Retail sales of fresh and chilled poultry in Ireland increased by 5% to 44,000 tonnes product weight during the 52 week period ending 6th December. Most of this increase is attributed to increased penetration which jumped by 2% combined with stability and marginal growth in terms of frequency of purchase and average purchase volumes respectively.

Irish imports of poultry remained relatively stable at 124,000 tonnes product weight for the full year 2015.

For the year it is estimated that the value of Irish poultry exports increased by 3% to reach €320 million, helped by stronger processed, fresh poultry and offal exports.

Poultry Exports (€m)

2014 €m	2015(e) €m	2015/2014 % +/-
310	320	+3

Irish exports are estimated to have increased by 3% to 109,000 tonnes for the full year 2015.

The value of trade to the **UK**, increased by 4% driven by stronger shipments of processed poultry, poultry offals and frozen poultry. For the year trade was valued at an estimated €267 million or some 84% of the total. A high proportion of these exports are being redirected to International markets once they reach the UK, for products such as chicken feet and gizzards and other offal type products.

Exports to **other EU markets** slowed during the year driven by reduced exports to France and the Netherlands. Trade was valued at €33 million.

In contrast shipments to **international markets** increased twofold in 2015 to €20 million with most product destined for Africa with some further openings in Vietnam, albeit from a considerably lower base. A high proportion of the processed product and offals going to the UK and the rest of Europe are also destined for international markets.

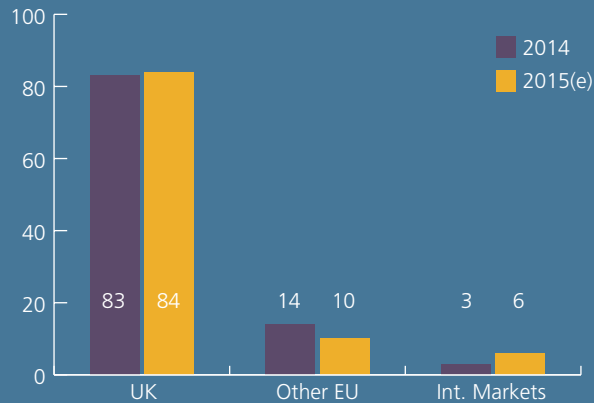


Global output is expected to **rise by 3%** in 2016, driven by a rise in Brazilian production



In 2015 an estimated **84%** of Irish poultry exports in value terms were destined for the UK market

Distribution of poultry exports (% by value)



Source: Bord Bia estimates

Outlook for 2016

The key fundamentals for the global poultry outlook for 2016 are positive. Feed prices are expected to remain at around current levels, while prices for competing proteins such as beef will be relatively high. However, global production is increasing across most regions with output forecast to rise by almost 3% led by Brazil, Russia and to a lesser extent China. Output in the United States is being affected by Avian Influenza (AI) and there are concerns that new AI outbreaks will occur and potentially spread into the South Eastern poultry sector, the key production area for poultry in the United States. This could potentially have a significant impact on global markets in 2016. Other countries that are expected to reduce their supplies for 2016 include Thailand, China and Indonesia.

Some further growth is anticipated in EU poultry production for 2016. However much of this growth will be dependent on health issues such as avian influenza and strains of this virus were detected in the UK, Hungary, Bulgaria Germany and most recently in France. Overall the global trade is expected to remain strong, but will only occur if the industry can rebalance supply and demand in their markets.

GLOBAL POULTRY TRADE IS EXPECTED TO REMAIN STRONG IN 2016. HOWEVER, MUCH WILL DEPEND ON HEALTH ISSUES SUCH AS AVIAN INFLUENZA

REDUCED SHIPMENTS ACROSS ALL CATEGORIES LEFT LIVE CATTLE EXPORTS DOWN AROUND 25% AT 178,000 HEAD



Livestock Exports were down by 20% at €195 million



Live calf exports **decreased by around 16%** in 2015

Live Animals

Reduced shipments of livestock were recorded in 2015 with live cattle, pigs and sheep all showing significant declines. For the year the value of Irish livestock exports declined by around 20% to an estimated €195 million.

Livestock Exports (€m)

	2014 €m	2015(e) €m	2015/2014 % +/-
TOTAL	245	195	-20
Of which:			
- Cattle	172	135	-22
- Pigs	66	55	-17
- Sheep	7	5	-32

Live cattle exports

Total live cattle exports fell by an estimated 25% in 2015 to around 178,000 head.

Shipments of all categories of stock showed a significant decline. The number of calves exported fell by 16%. Similarly, the numbers of adult or finished cattle eased by 18% while exports of weanlings and stores were collectively 43% lower.

Calf exports were negatively affected by IBR restrictions which reduced market access and resulted in limited exports to Belgium. However, this was offset by a 15% rise in exports to the Netherlands where calf exports reached almost 44,000 head. Calf prices were higher, driven by strong farmer demand. This coupled with reduced calf prices in some of our

main calf exports markets led to reduced competitiveness of Irish calves. For the year calf exports are estimated to have reached 86,000 head.

Exports of weanlings and stores were also lower at an estimated 43,000 head, down 43% on 2014 levels.

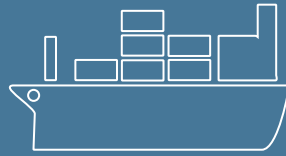
Exports to Northern Ireland showed a marginal rise driven by increased numbers of breeding cattle while exports to Britain declined by 45%.

Exports to non-EU markets were 77% lower, due to reduced shipments to Libya on the back of a difficult political situation while lower shipments were also recorded to Morocco. In contrast Tunisia continued to show growth, particularly for weanlings.

Irish exports to Italy and Spain declined by almost 20,000 head or 26% in total following some recovery in 2014. Feed prices eased significantly, which reduced costs for the intensive feedlot sector. However, consumer demand for beef remained slow in these markets. For most of the year, prices of weanlings in France, the main supplying country were quite competitive, restricting Ireland's potential to increase market share. However this was offset somewhat by a Bluetongue outbreak in the autumn of 2015.

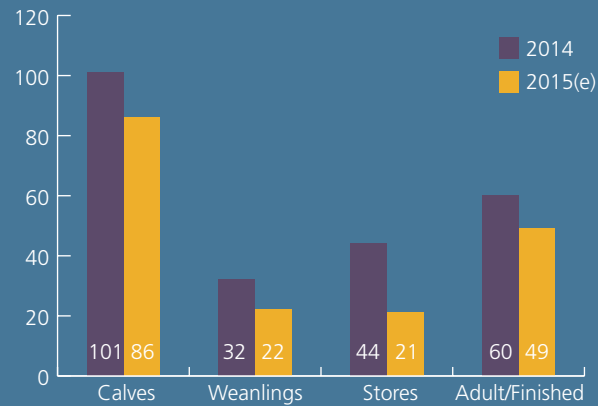


Live cattle exports **declined by 25%** to stand at 178,000 head



Exports of weanlings and stores declined by 43% in 2015

Breakdown of Irish live cattle exports ('000 head)



Source: Bord Bia estimates

Other livestock

For the year exports of live sheep are estimated to have declined by over 30% to stand at just under 30,000 head. Two thirds of Irish live exports occurred in September as part of a growing demand ahead of the Muslim Eid al-Adha festival. Irish sheep prices were relatively good in 2015, which put pressure on our competitiveness in key markets. The key export destinations for live sheep exports were France (53%), followed by Germany (15%), UK (10%) and Italy (5%).

Meanwhile, exports of live pigs to Northern Ireland were 4% lower at an estimated 510,000 head.

Outlook for 2016

The outlook for live cattle exports in 2016 appears broadly positive. Demand for calves for veal production is likely to be strong with milk replacer prices significantly lower and demand for veal remaining steady in most markets.

Improving economic situations in traditional markets such as Italy and Spain should see some improved demand for beef and ultimately some recovery in live exports to those markets, particularly for weanlings and stores.

Demand for Irish and EU livestock from markets in North Africa and the Middle East will depend on the political situation and our relative cost competitiveness. Overall, 2016 should see some recovery in livestock exports, led by increased cattle shipments.

LIVE SHEEP AND PIG EXPORTS DECLINED BY AN ESTIMATED 30% AND 4% RESPECTIVELY

Dairy Products & Ingredients



€3.24 billion
the estimated value of dairy exports, an increase of **4%**



65%
rise in the value of dairy exports from 2009 (€1.96bn) to 2015 (€3.24bn)

Exports to international markets are worth an estimated **€1.36 billion**, or **42%** of dairy exports



Ireland supplies **10%** of the global infant milk formula



By 2020, dairy production is expected to grow by **50%**

Ireland exports dairy to **130** markets worldwide



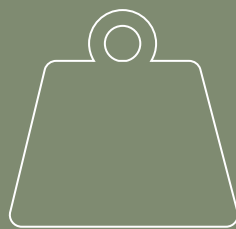
The top 5 markets are the UK, China, the Netherlands, Germany & the US





Dairy & Ingredient Exports

were 4% higher at €3.24 billion

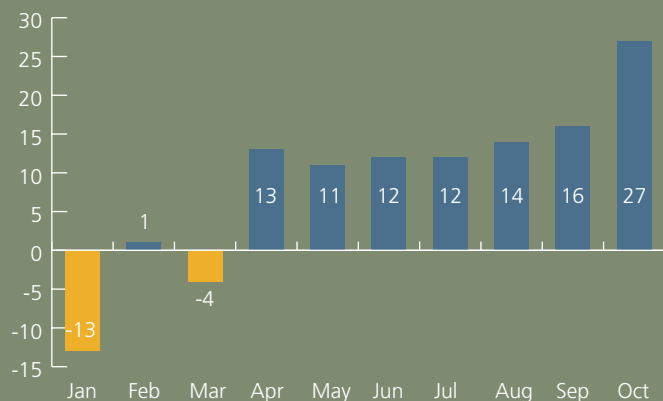


Up to the end of November 27,000 tonnes of Irish butter was placed in private storage

Global dairy market conditions started the year slowly with a fall off in product prices accelerating throughout the Spring and Summer periods. Strong milk production growth in some of the main export regions combined with a slowdown in Chinese import demand and Russian restrictions resulted in the global market experiencing downward pressure for much of the year.

Favourable weather conditions led to a strong increase in production in many of the world's largest dairying regions, while quota removal led to significant increases in the EU, particularly North West Europe. Global milk production is estimated to have increased by 2% in the January to September 2015 period. However, the rate of growth is reported to have slowed towards the end of the year as farmers responded to lower dairy prices across the globe.

Milk deliveries in Ireland (% Change on same month in 2014)



Source: CSO

Higher output across main producing regions

Irish milk supplies were over 11% or 600 million litres higher for the first 10 months of 2015 compared to the same period in 2014. This reflected milk quota removal in April 2015, a 6% rise in the dairy breeding herd and excellent grass growing conditions. Output is reported to have remained strong for the final months of 2015, which suggests an increase of around 13% for the year. Across the EU, volumes were up almost 2% for the year to October. Countries in North West Europe, which account for almost 60% of production showed increases, with the UK (+1.3%), Germany (+1.5%), Denmark (+2.1%) and the Netherlands (+5.2%) all expanding production. Outside of the EU-15 increases were recorded in Poland (+2.1%).

This increased output resulted in export surpluses and significant amounts of product in private storage. Up to the end of November 2015, over 156,000 tonnes of butter and 54,000 tonnes of SMP produced in the EU were placed in private storage. Within this, Ireland placed 27,000 tonnes of butter and 7,000 tonnes of SMP into private storage. Germany, the Netherlands and France also placed significant quantities in storage.

Milk production in **New Zealand**, was 1.3% lower for the January to October period. A significant decline in producer prices led to less supplementary feed usage and higher cow cullings. Between June and October 2015 New Zealand milk production is reported to have been 3% lower with a further decline forecast for 2016.

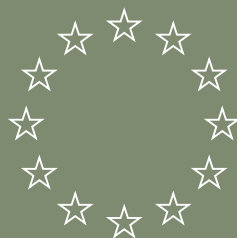
In the **United States**, milk production was over 1% higher for the January to October 2015 period, while Australian production was up by over 2% for the same period.

Combined milk supplies for the EU, New Zealand, the US and Australia were 1% ahead of 2014 levels up to the end of October.

THIS CATEGORY ENCOMPASSES BOTH PRIMARY DAIRY PRODUCTS SUCH AS BUTTER, CHEESE AND MILK POWDERS AND VALUE ADDED DAIRY PRODUCTS AND INGREDIENTS INCLUDING SPECIALISED NUTRITIONAL POWDERS, CASEIN AND CHOCOLATE CRUMB.

Dairy Products & Ingredients Exports (€m)

2014 €m	2015(e) €m	2015/2014 % +/-
3,104	3,240	+4



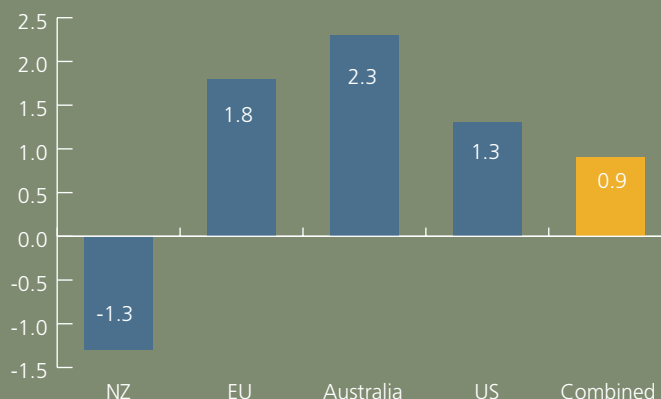
Milk production in the EU is estimated to have increased by **1.8%** in the EU 28 for the January to October period in 2015



Russian restrictions on imports from the EU resulted in the equivalent of **2.5 billion litres** of EU milk having to find alternative outlets

REDUCED IMPORT DEMAND IN KEY REGIONS, ONGOING TRADE RESTRICTIONS IN RUSSIA COMBINED WITH INCREASED GLOBAL SUPPLIES LED TO SIGNIFICANT PRESSURE ON INTERNATIONAL DAIRY PRICES

Milk supplies across major global suppliers
(% Change Jan to Oct 2015 vs. 2014)



Source: EU Milk Market Observatory

Import demand slowing

China saw a significant slowdown in dairy imports during 2015 following stock building in 2014. Production growth has outpaced demand growth leaving imports 15% lower for the January to November period. Imports of whole milk powder (WMP) were 50% lower, skim milk powder (SMP) down by over 20% and butter back by 3% for the period. Nonetheless Chinese imports of specialised nutritional powders were 38% higher up to the end of November with Ireland now the second largest import supplier.

Key drivers of Dairy export performance in 2015

- Higher global supplies following ending of quotas in Europe & favourable weather conditions in key regions.
- Lower feed costs worldwide.
- Slower import demand due to higher stock levels.
- Exchange rate developments
- Decline in global demand.

The Russian restrictions on imports from the EU resulted in the equivalent of 2.5 billion litres of EU milk having to find alternative outlets. Tough economic conditions and reduced availability led to lower dairy consumption in Russia. Increased domestic production combined with lower consumption will further reduce import requirements when the market re-opens. Russian imports for the first half of 2015 were 50% lower for cheese and butter but higher for SMP.

Low oil prices have also impacted on market conditions as oil dependent countries including those in the GCC region and African markets such as Algeria and Egypt. These are among the top 40 global dairy import markets and have seen some of the fastest growth in recent years. Together, these markets are as important as China.

International market prices under pressure

Higher output, political instability in key exporting regions and reduced import demand from China coupled with lower oil prices caused further downward pressure on prices. Wholesale prices in December 2015 showed significant declines on year earlier levels across all dairy product categories and regions. The latest Rabobank report points towards some stabilisation in prices as surplus stocks are cleared towards the second half of 2016.



Whole Milk Powder prices in Oceania **declined by around 35%** for the year until November 2015 compared to year earlier levels



Over 30% of New Zealand dairy exports are destined for the Chinese market

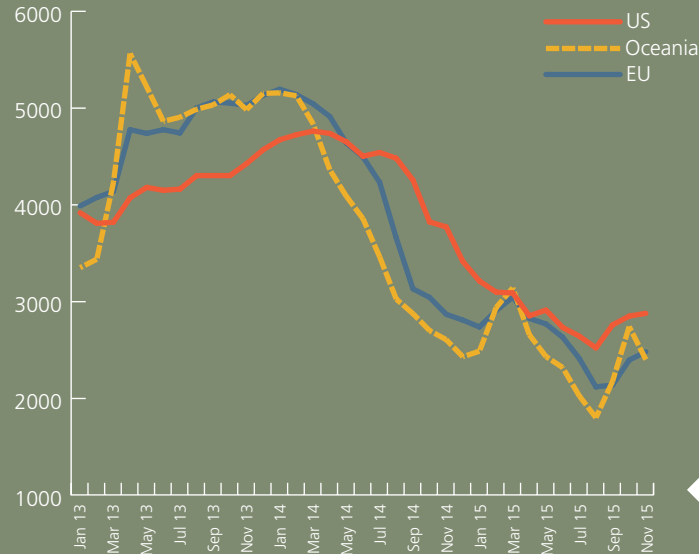
Global Dairy Product Prices

	Jan to Dec 2014	Jan to Dec 2015	% Change
(€/Tonne)			
EU butter (Netherlands, Bulk)	3,325	2,957	-11
EU SMP (Netherlands, Feed)	2,320	1,655	-29
(\$/Tonne)			
Oceania SMP	3,809	2,246	-41
Oceania Cheddar	4,495	3,395	-25

Source: Marktinfo Milch

As over 30% of New Zealand dairy exports are shipped to China, any slowdown in the Chinese market has a significant impact on New Zealand dairy prices. Whole Milk Powder prices from Oceania declined by almost 35% for the year until December 2015 compared to the same period in 2014.

World Wholesale SMP prices (US\$/Tonne)



Source: USDA

Higher volumes help Irish exports

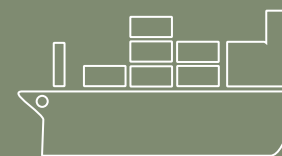
For the year, it is estimated that **the value of Irish dairy and ingredient exports increased by around 4% to €3.24 billion**. This was driven by a significant increase in volumes on the back of expansion post quota and higher exports of specialised dairy nutritional powders, which helped offset significant declines in other categories.

IT IS ESTIMATED THAT THE VALUE OF IRISH DAIRY AND INGREDIENT EXPORTS INCREASED BY AROUND 4% TO €3.24 BILLION DRIVEN BY A SIGNIFICANT INCREASE IN VOLUMES

THE STRONGEST PERFORMING CATEGORIES WERE SPECIALISED NUTRITIONAL DAIRY POWDERS AND BUTTER WHILE SPREADS, WHEY, CHOCOLATE CRUMB AND YOGURT ALL RECORDED GROWTH, ALBEIT FROM A SMALLER BASE



A decline of 4% was recorded in exports to the UK in 2015 with trade worth an estimated **€960 million**



Non EU markets are estimated to have accounted for **42%** of Irish dairy exports in 2015

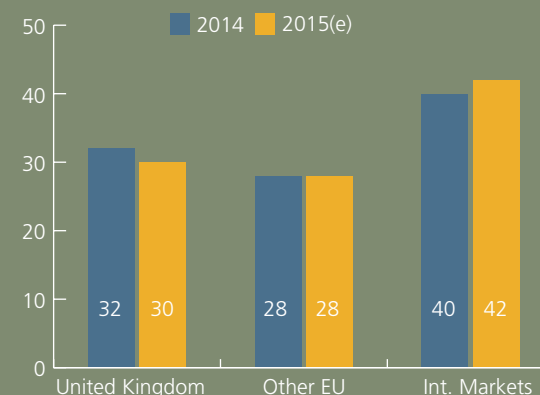
Export markets for Irish dairy products

The **UK** remains a key market for Irish dairy exports accounting for almost one third of the total. A decline of 4% was recorded in the value of exports in 2015 at an estimated €960 million. Declines in cheese, SMP and WMP exports were offset somewhat by some increase in butter and specialised nutritional dairy powder exports. The value of trade was helped by a more favourable euro/sterling exchange rate.

Exports to **Other EU markets** showed a rise of almost 8% to reach around €920 million, accounting for 28% of total trade. The best growth continued to be recorded in exports to the Netherlands, Germany, France and Italy. Specialised nutritional dairy powders and butter led the way in terms of growth on the back of considerably higher volumes.

The value of exports to **International Markets** grew by an estimated 9% to reach €1.36 billion, which equates to 42% of total exports. Asia led the way with 13% growth to account for over 18% of total dairy exports. Higher trade was also recorded to the Middle East, Africa and North America.

Distribution of Dairy products & Ingredients exports (% of export value)



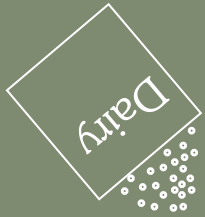
Source: Bord Bia estimates

Main product trends

The strongest performing categories were specialised nutritional dairy powders and butter while spreads, whey, chocolate crumb and yogurt all recorded growth, albeit from a smaller base.

The value of **butter** exports rose by 15% reflecting an increase of over 30% in volumes. Higher exports were recorded to most traditional EU markets on the back of higher volumes available at a lower unit price. Significant growth was recorded to the Middle East and the United States.

Despite higher volumes, the value of **cheese** exports declined by around 7% to €700 million. The UK accounts for over 60% of exports. Trade to this market fell by an estimated 7%, which led the fall in total cheese exports. A modest rise



Specialised nutritional dairy powders showed growth of around 25% to reach **€1.15 billion**



Milk production in New Zealand is forecast to **decline between 7% and 10%** in 2016

was recorded in exports to other EU markets such as the Netherlands and France with some increase also evident to North Africa and the Middle East. Increased trade was also evident to other International markets such as Japan and Malaysia, albeit from a small base.

Specialised nutritional dairy powders showed further growth in exports, reflecting a jump of around 25% in volumes coupled with a rise in demand particularly from Asian markets. The category now accounts for 35% of total dairy exports with trade estimated at €1.15 billion in 2015. Volumes exported to China jumped by almost 40%. Some easing in the value of trade to other Asian markets was offset by a rise in exports to Middle Eastern markets such as Saudi Arabia. The UK recorded a 20% growth while significant growth was also recorded to Continental EU markets such as the Netherlands, Germany and France.

Outlook for 2016

The latest dairy quarterly report from Rabobank suggests some signs of stabilisation in global dairy prices in the last quarter of 2015. Rabobank expects global market demand to gradually recover in the first half of 2016 on the back of a modest growth in dairy consumption and lower pricing. However, Russian restrictions will remain in place until the second half of 2016 at least while consumer spending there is likely to remain slow. In China, imports are likely to only stabilise in the first half of 2016 with some modest growth forecast for the second half. Recent cuts in farm prices across a number of regions may speed up the expected market rebalancing as supply growth in key export regions during the first half of 2016 is likely to be limited at best.

Milk production in **New Zealand** in 2016 will be affected by a reduced herd expansion, lower supplementary feed

rates and the increased threat of an adverse El Niño effect. Rabobank expects this to lead to reduced production for the full year 2016 by between 7% and 10%.

While market demand seems set to remain weak in the short term, the report suggests that a modest rise in consumption coupled with eroding of surplus stocks will lead to some market rebalancing as 2016 progresses.

In **Australia**, Dairy Australia has forecast a 2% rise in milk production for the 2015/16 season. However, much of this will depend on the threat of drought.

In the **United States**, the USDA anticipate a rise of almost 2% in output in the United States during 2016 while exports will remain stable and imports rising on the back of recent trade agreements.

The prospects for Irish dairy exports in the early part of 2016 look challenging. Increased stocks will need to be managed in order to overcome reduced demand and lower global dairy prices. However market rebalancing as the year progresses should help the trade.

RABOBANK
EXPECTS GLOBAL
MARKET DEMAND
TO GRADUALLY
RECOVER IN THE
FIRST HALF OF 2016
ON THE BACK OF
MODEST GROWTH
IN GLOBAL DAIRY
CONSUMPTION
AND MORE LIMITED
SUPPLY GROWTH

Prepared Consumer Foods

A NEW PRODUCT CATEGORY INCLUDED IN THE FOOD WISE 2025 REPORT IS THAT OF PREPARED CONSUMER FOODS (PCF). THIS CATEGORY ENCOMPASSES A RANGE OF VALUE ADDED FOOD AND BEVERAGE PRODUCTS INCLUDING THE FOLLOWING:

- PREPARED FOODS SUCH AS BAKERY, PIZZA, CHOCOLATE, CONFECTIONERY, BISCUITS, SNACKS, EXTRACTS, SAUCES, SOUPS AND WITH THE EXCEPTION OF DAIRY BASED ENRICHED POWDERS
- VALUE ADDED MEATS
- VALUE ADDED SEAFOOD
- VALUE ADDED HORTICULTURE
- NON-ALCOHOLIC BEVERAGES

Prepared Consumer Foods Exports (€m)

2014 €m	2015(e) €m	2015/2014 % +/-
2,330	2,505	+7



Prepared Consumer Foods

exports were 7% higher at €2.5 billion



The UK accounted for 70% of prepared consumer foods exports in 2015

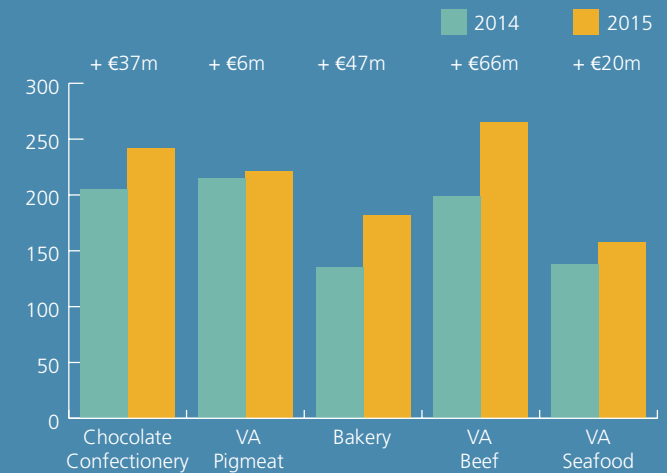
A new product category included in the Food Wise 2025 report is that of Prepared Consumer Foods (PCF). This category encompasses a range of value added food and beverage products including the following:

- Prepared foods such as bakery, pizza, chocolate, confectionery, biscuits, snacks, extracts, sauces and soups with the exception of dairy based enriched powders
- Value added meats
- Value added seafood
- Value added horticulture
- Non-alcoholic beverages

Exports under this category put in a strong performance in 2015 to stand at an estimated €2.5 billion. This equates to an increase of 7% or €170 million on 2014 levels.

Growth in the category was led by bakery, chocolate confectionery, value added pigmeat, beef and seafood. This offset lower exports of sauces, soups and dairy products.

Drivers of export growth within Prepared Consumer Foods (Change in €m versus 2014)



Source: Bord Bia estimates

UK remains key export market

In terms of destinations, the UK accounts for 70% of export value with trade around 11% higher in 2015 at an estimated €1.75 billion. Exports to other EU markets were around 9% higher at €520 million.

The growth to EU markets was partly offset by reduced trade to international markets, which was more than 10% lower at €230 million.



Value added meat was worth an estimated **€720 million** in 2015

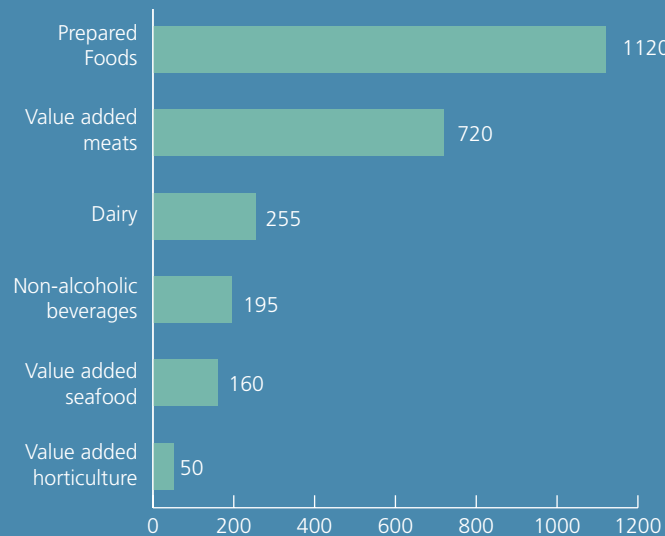


Value added seafood was worth an estimated **€160 million** in 2015

Elements of other categories included in Prepared Consumer Foods

Exports of the value added components included in Prepared Consumer Foods from other categories covered in this report are estimated in the chart below.

Distribution of Prepared Consumer Foods exports, 2015 estimates (€m)



Source: Bord Bia estimates

Please note that the value added components reported as part of Prepared Consumer Foods continue to be included in their respective category figures for the purposes of this report.

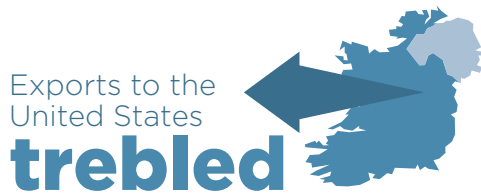
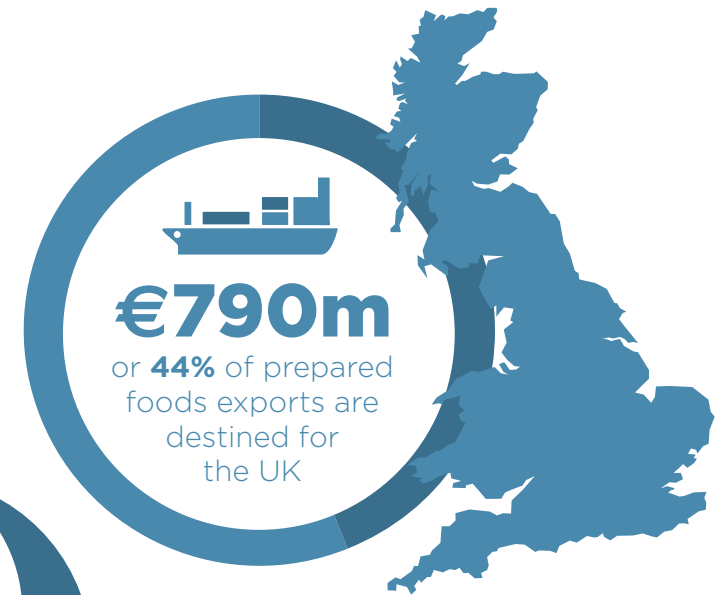
GROWTH IN THE PCF CATEGORY WAS LED BY BAKERY, CHOCOLATE CONFECTIONERY, VALUE ADDED PIGMEAT, BEEF AND SEAFOOD

Prepared Foods

Prepared foods refers to a wide range of products which have been further processed including baked goods, confectionery, snacks, ambient grocery, chilled foods, ready meals & cooked meats



Exports to International markets stand at
€540m
or **30%**

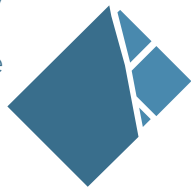


The top 5 markets
are the UK, Netherlands, Poland, Germany & Nigeria



Chocolate confectionery exports are estimated to have recorded double digit growth to reach

€240m



Bakery products and snacks was one of the strongest performing categories, growing by

35%



Dairy based enriched powders account for

37%
of total prepared food exports





Prepared Foods

exports were marginally lower at €1.8 billion



Bakery products recorded the highest growth in prepared foods with a **growth of 35%**

The market environment for Prepared Food exports showed some decline in 2015 due to a substantial fall in the value of dairy based enriched powders, which now accounts for approximately 37% of the category. Currency movements during the year helped competitiveness to the UK market in particular. Promotional campaigns and new product developments have also been critical factors in delivering enhanced diversification, and competitiveness, particularly within sectors such as confectionery and bakery.

Key drivers of Prepared Foods export performance in 2015

- Further drive in relation to innovation and product development.
- Dairy market pressure affecting dairy enriched powders.
- Broader range of markets and channels being served.
- Positive currency impact relative to Sterling and the US Dollar.

Overall, exports of products covered under the prepared foods category were marginally lower at an estimated €1.8 billion. The value of exports under the Prepared Foods heading, excluding dairy based enriched powders was around 7% higher.

The strongest performing categories were bakery and chocolate confectionery while sugar based products also recorded a rise. Declines were seen in exports for dairy enriched powder exports and sauces reported lower exports.

Export markets for Prepared Foods

The **UK** accounted for around 44% of prepared foods exports in 2015. Trade was helped by a more positive currency environment for Irish exporters. Despite strong retail price pressure and the competitive nature of the foodservice sector, increased sales were reported by key categories.

For the year it is estimated that the value of exports to the UK was around 19% higher at €790 million. Strongest trade was reported in bread, chocolate based confectionery, sugar based products and meat based ingredients. The UK accounts for 44% of exports within the category.

Exports to **other EU markets** recovered, led by a twofold rise in bakery exports, increased sales of dairy based enriched powders and confectionery. These rises were offset somewhat by a decline in cooked meats and sauces. Trade for the year is estimated to have recovered by 9% to €470 million, accounting for around 26% of the total.

Key growth markets were France, Belgium, Scandinavia and Eastern Europe, with the Czech Republic in particular, showing a rise. Trade to Germany was slower while trade to Spain also eased.

Exports to **International markets** for products covered under the prepared foods category showed a significant decrease. This was driven largely by reduced value of dairy based enriched powders to Africa, the Middle East and Asian markets. Some growth was seen in exports to Central and South America albeit from a small base. Trade for the full year 2015 declined by around 25% to stand at €540 million or 30% of the total.

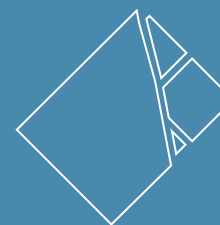
THIS CATEGORY INCLUDES A WIDE RANGE OF PRIMARY PRODUCTS, WHICH HAVE BEEN FURTHER PROCESSED AND INCLUDES READY TO EAT FOODS, CONFECTIONERY AND BAKERY PRODUCTS. THIS CATEGORY EXCLUDES THE VALUE ADDED COMPONENTS THAT ARE INCLUDED UNDER THE BROADER PREPARED CONSUMER FOODS HEADING.

Prepared Foods Exports (€m)

2014 €m	2015(e) €m	2015/2014 % +/-
1,810	1,800	-1



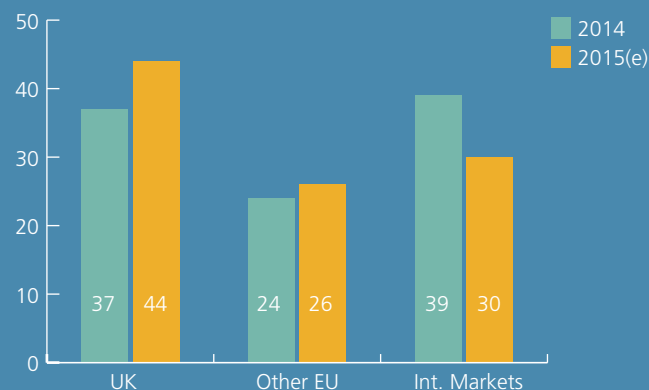
The UK was the main destination for prepared foods exports accounting for **44%** of the total



Exports of chocolate confectionery are estimated to have shown a **double digit growth** in 2015

EXPORTS OF DAIRY ENRICHED POWDERS DECLINED BY AROUND 11% AT AN ESTIMATED €670M. DESPITE THIS DECLINE, THEY CONTINUE TO ACCOUNT FOR APPROXIMATELY 37% OF PREPARED FOODS EXPORTS

Distribution of prepared food exports (% of export value)



Source: Bord Bia estimates

Main product trends

Exports of **dairy enriched powders** declined by around 11%, totalling an estimated €670 million. This decline was driven by a decline in exports to International markets. Despite this decline, dairy enriched powders continue to account for approximately 37% of prepared foods exports.

Exports of **chocolate confectionery** showed further growth, driven largely by a recovery of exports to the UK on the back of sustained investment in promotional campaigns, while some growth to other EU markets such as Germany was also noted. Key international growth was seen in the US, Canada and the Middle East. This offset a decline in exports to Australia which after a significant growth in 2014 faced

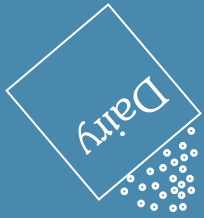
a much more challenging environment in 2015. Overall, chocolate confectionery exports are estimated to have recorded double digit growth to reach €240 million in 2015.

Sugar confectionery exports showed a rise as consumer spending recovered. Higher sales were reported to the UK while higher unit prices resulted in increased exports to other EU markets such as Germany, Belgium, Poland and the Netherlands. Reduced trade to the Middle East was offset by a sharp rise in exports to the United States.

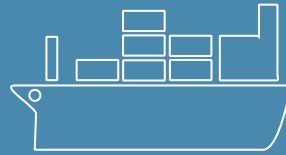
Bakery products and snacks was one of the strongest performing export categories within prepared foods in 2015, growing by over 35%. Exports within this category have grown strongly reflecting higher baked goods sales to the UK in particular. Exports from this sector have also seen a steady increase in shipments to other EU markets. There have also been a number of international markets served by bakery companies, which is boosting volumes, particularly in markets such as Australia, North America and the Middle East.

The majority of our **pizza** exports went to the UK. This market remains highly competitive and overall for the year trade was relatively steady.

Exports of **cooked meats and meat ingredients** put in another good performance in 2015, particularly in the UK foodservice sector. This more than offsets a decline of exports to other EU markets. An ever increasing focus on new product development while focussing on costs over recent years leaves the sector well placed for growth.



Exports of dairy based enriched powders remain largely dependent on developments in the dairy sector



Key factors affecting **export performance** in 2016 are input costs, trends in consumer sentiment and exchange rate movements

Outlook for 2016

Prepared Food export drivers for 2016

- NPD – products and formats.
- Focus on innovative product solutions and high customer service levels.
- Growth in premium, gourmet style products.
- Retail price and promotional pressure to persist.
- Growth in UK foodservice trade.
- Uncertainty over input costs.

Overall the outlook for prepared food exports is broadly positive for 2016. However, some challenges remain along with competitive pressures persisting. The outlook for dairy based enriched powders is largely dependent on developments in the dairy sector which currently has surplus stocks and therefore difficulties look set to remain for the first half of 2016. Looking at chocolate based confectionery, growth will be dependent on retail challenges and currency fluctuations, however all things being equal some further growth is expected.

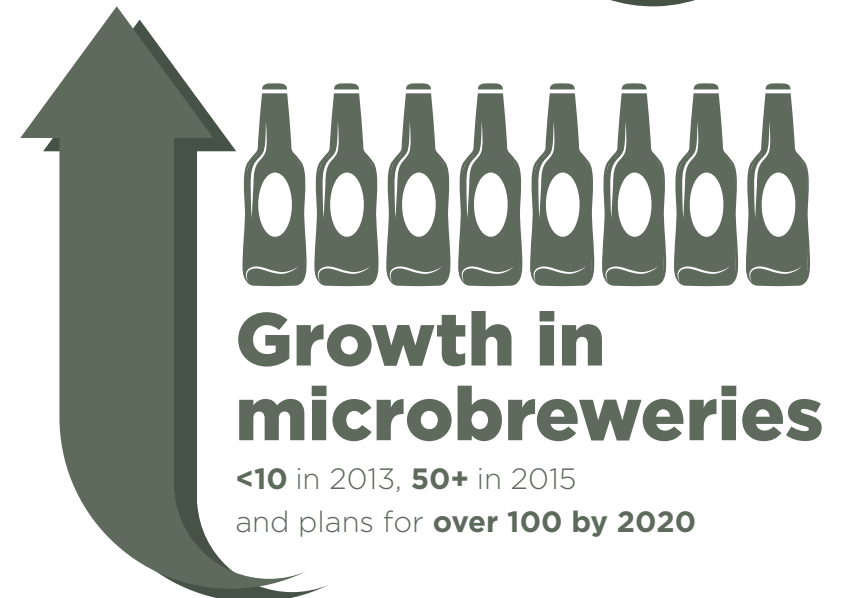
Key drivers of growth for the sector will be the delivery of customer service levels that can improve Ireland's competitive advantages while product research and development primarily in relation to new products and formats coupled with increased consumer sentiment will also positively affect growth. The on-going pick-up in the UK foodservice sector should provide opportunities for growth as well as the rising demand for the niche, premium and gourmet style products.

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 exchange rate movements.

Indications in the UK retail sector suggest that following a period of sustained promotional activity steady growth is likely, which will help margins.

KEY DRIVERS OF GROWTH FOR THE PREPARED FOODS SECTOR IN 2016 WILL BE ONGOING INNOVATION IN TERMS OF NEW PRODUCTS AND FORMATS

Beverages





Beverage Exports

were 10% higher at €1.26 billion



Irish beverage exports to international markets jumped by around 21% to **€645 million**

The global beverages market showed further growth in 2015 as the market benefited from a continued rise in demand for premium alcoholic beverages. This reflects the increase in disposable income of consumers in many developing regions.

These developments have helped offset subdued demand in many developed markets arising from the sluggish economic environment. Key growth regions include North America, Africa, Asia and to a lesser extent, the Middle East.

Irish beverage exports put in a robust performance in 2015 driven by ongoing growth in whiskey combined with a further rise in 'craft' exports while favourable exchange rates also boosted exports. Beer and cream liqueurs also recorded some growth while cider exports eased. Exports of non-alcoholic beverages were boosted by strong sales of juices, which offset reduced exports of mineral waters.

Export markets for Beverages

The **UK** showed some slowdown in demand during 2015. However, this was offset by further weakening in the euro against the sterling. For the year exports to the **UK** are estimated to have remained steady at €365 million accounting for around 29% of the total. Trade was boosted by increased sales of whiskey, juices and cream liqueurs, which more than offset slower exports of cider and mineral water.

Exports to **other EU markets** showed a small rise at an estimated €250 million. Whiskey, beer, water and juices drove this increase. However there was a decline in sales of cream liqueurs and cider.

The Netherlands, Spain and Eastern European markets all showed good growth. This was due largely to higher whiskey and beer exports while some decline was evident in shipments to France and Germany.

Exports to **International markets** increased strongly, largely due to higher whiskey exports to the US which was helped by the weaker euro versus the dollar. Increased trade was also reported to Africa, Asia and the Middle East helped by stronger shipments of whiskey, beer and cream liqueurs. Total exports in 2015 are estimated to have shown double digit growth to reach €645 million. The region now accounts for more than half of total beverage exports.

Key drivers of 2015 Beverage export performance

- Strong emerging market demand.
- Favourable exchange rates.
- Growth in whiskey.
- Non-alcoholic beverages showing mixed trends growth.
- US, Africa and Asia driving growth.

Further weakening in grain prices during 2015 helped reduce some cost pressure although many other input costs remain high by historical standards. The weakening of the euro against both the US dollar and sterling boosted the sectors competitiveness as the year progressed.

Overall, exports are estimated to have increased by 10% in 2015 to stand at €1.26 billion.

EXPORTS TO INTERNATIONAL MARKETS RECORDED DOUBLE DIGIT GROWTH IN 2015 REACHING AN ESTIMATED **€645 MILLION**

Beverage Exports (€m)

2014 €m	2015(e) €m	2015/2014 % +/-
1,150	1,260	+10%

WHISKEY CONTINUES TO DRIVE IRISH BEVERAGE EXPORTS WITH DOUBLE DIGIT GROWTH RECORDED AGAIN IN 2015 TO REACH AN ESTIMATED €410 MILLION

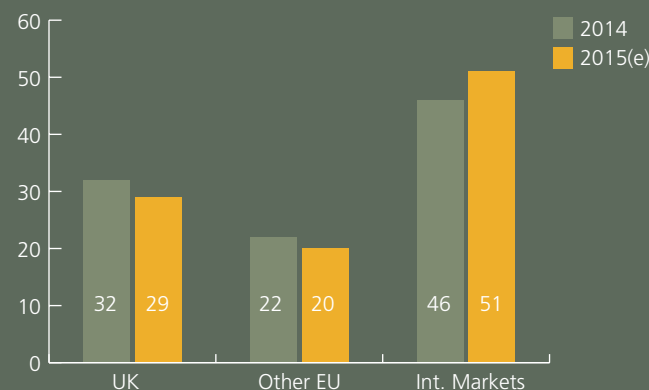


International markets are estimated to have accounted for **51%** of beverage exports in 2015



Cream liqueur exports were worth an estimated **€295 million**

Distribution of beverage exports (%)



Source: Bord Bia estimates

Main product trends

Whiskey exports continue to drive Irish beverage exports with double digit growth recorded again in 2015 to reach an estimated €410 million. This rise was led by increased trade to the United States with the eastern European markets showing impressive growth levels. Growth was also recorded in Asia, Africa, Oceania and the UK.

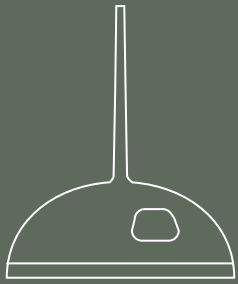
The global market environment for **cream liqueurs** showed some recovery in 2015, reflecting increased demand for premium products. Irish exports showed a modest decline in volumes while average prices improved, reflecting a more

positive currency environment. The growth in exports was led by international markets, particularly the United States. Trade for the year was worth an estimated €295 million.

Beer exports are estimated to have recorded volume growth in 2015 as stronger trade to the UK, Other EU markets and the United States helped boost trade. Exports for the year are estimated to have reached around €265 million, a rise of over 10% on 2014 levels. Trade is being boosted by the increased presence of craft beer exports to some key markets.

Exports of **Irish cider** faced another challenging year reflecting a competitive UK market. However, exports to other markets in Asia and Oceania showed impressive growth levels, albeit from a small base.

In terms of **non-alcoholic beverages**, exports of juices to the UK showed strong growth, which helped offset a drop in exports of mineral waters. Sales of juices have been helped by innovative product developments and new customers. Elsewhere, increased exports were recorded to the Middle East, North America and Asia.



There are currently over **50** operational microbreweries in Ireland with this figure set to exceed 100 by 2020



Irish whiskey exports have recorded a **fourfold increase** over the last decade to make it the fastest growing global spirits category

Outlook for 2016

Beverage export drivers for 2016

- Emerging markets to remain strong.
- Strong global demand for whiskey.
- UK and European demand levels under some pressure.
- Potential for growth in craft beers and liqueurs.

The outlook for Irish beverage exports in 2016 looks broadly positive helped by an anticipated further rise in whiskey sales, the ongoing development of emerging markets and the ever increasing range of craft products such as beers, whiskey and cream liqueurs produced in Ireland. Currency developments, uncertainty regarding input prices coupled with the persistence of sluggish consumer sentiment in some markets will continue to shape the business development of Irish exporters.

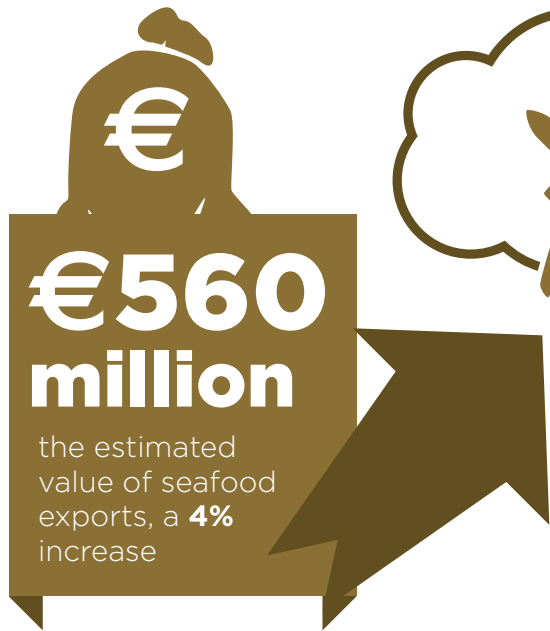
In terms of non-alcoholic beverages, the key will be to continue the consolidation of business with existing customers and target new segments and channels through innovative product offerings. This will involve the further development of markets outside of the UK.

The market position of the Irish industry and the resilience of the global beverage sector bode well for Irish exports in 2016.

The vibrancy of the sector is highlighted by the fact that Irish whiskey is the fastest growing global spirits category, recording fourfold growth over the last decade with an ambition to double exports by 2020 and double exports again by 2030. Similarly our craft brewing sector currently has over 50 operational microbreweries with 40% of them currently exporting. This number is set to exceed 100 by 2020. The growing number of brewers combined with developments among existing exporters will help drive renewed growth in the sector over the coming years.

THE OUTLOOK FOR IRISH BEVERAGE EXPORTS IN 2016 LOOKS BROADLY POSITIVE HELPED BY AN ANTICIPATED FURTHER RISE IN WHISKEY SALES AND THE EVER INCREASING RANGE OF CRAFT PRODUCTS

Seafood



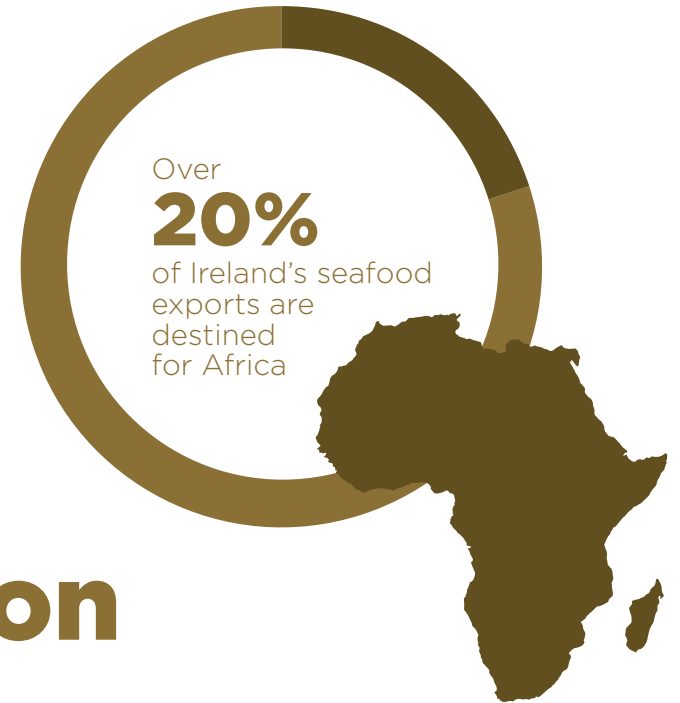
77%

rise in the value of exports from 2009 (€315 million) to 2015



The industry is worth

€890 million



The top 5 markets

are France, the UK, Spain, Nigeria & Italy





Seafood Exports

were 4% higher at €560 million



During 2015 an estimated 65% of seafood exports were destined for EU markets. This trade was worth almost **€300 million**

Seafood exports recorded further growth in 2015, rising by an estimated 4% to reach €560 million. Export values for the first nine months of the year were more than 5% higher at €417 million. This reflects a jump of 11% in average export prices, which more than off set a drop of 5% in volumes. The rise in unit prices demonstrates the on-going strength of demand in most key markets.

Export markets for seafood

The main EU markets, namely France, Spain, UK, Italy and Germany continue to dominate seafood exports, accounting for around 55% of total export values.

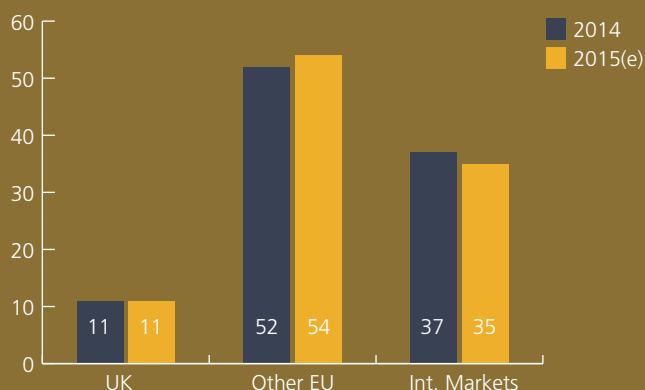
For the January to September 2015 period, **France** remained the largest export market showing strong growth of over 5% on the back of unit price increases of over 13%. The **Spanish** market continued to show strong signs of recovery with exports up by over 23% against a backdrop of a 9% volume increase. Exports to **Italy** increased by 10% in value terms while exports to the **UK** increased by a similar percentage. Trade to **Germany** fell by 21% in value terms due to a sharp fall in mackerel and herring shipments in the early part of 2015.

Seafood exports to **International markets** jumped by 25% up to the end of September to reach €140million. This equates to around 34% of exports. Exports to the four main markets in **Africa** – Nigeria, Cameroon, Egypt and Ghana accounted for a total of 20% of total seafood export values. The Nigerian market showed export value growth of 44% on the back of a 30% lift in export volumes. Seafood exports to Cameroon fell by 13% in value terms while shipments to Egypt were 20% lower.

Exports to the four main **Asian** markets (China, Hong Kong, South Korea and Japan) increased by 24% in value terms up to the end of September 2015. Strong value rises were

recorded to China (+18%); South Korea (+29%), Hong Kong (+26%) and Japan (+22%) during the period.

Distribution of seafood exports, January to September (%)



Source: CSO Trade Statistics

Main product trends

The **pelagic** sector experienced a challenging 2015 due to depressed demand globally. This reflects the ongoing restrictions in trade to Russia. Market conditions in Nigeria, the largest market for pelagic fish were very challenging as a result of a lack of foreign reserves to effect payment for fish imports. Volumes exported from Ireland were running 8% lower up to the end of September with the value of trade 11% lower during the period. The pelagic sector currently accounts for 40% of total seafood export values and up to 75% of the total volume exported.

SEAFOOD EXPORTS TO INTERNATIONAL MARKETS JUMPED BY 25% IN 2015 LED BY NIGERIA AND ASIAN MARKETS

Seafood Exports (€m)

2014 €m	2015(e) €m	2015/2014 % +/-
540	560	+4

THE FRENCH MARKET CONTINUES TO DOMINATE IRISH SALMON EXPORTS, ACCOUNTING FOR OVER 48% OF THE TOTAL



Shellfish exports recorded a strong performance, rising by **12%** up to the end of September



Mussel exports were 8% higher during the first nine months of 2015 with volumes **up by 32%** over the period

Total **whitefish** exports for the first nine months of 2015 increased by 10% in value against a backdrop of falling volumes, which are estimated to have fallen by 8%. This reflects a unit price increase of over 20% for the period. Export values to Spain, our main market for whitefish increased by 24% largely driven by increased volumes but also significant unit price increases during this period while shipments to the UK fell by 11% with trade to France 4% lower.

Total **shellfish** exports recorded a strong performance during the first nine months of 2015 with export values rising by 12% driven by a 6% increase in both export volumes and unit prices. France, the largest export market for Irish shellfish, accounting for over 32% of value, eased slightly during the period. However, this was more than offset by a rise in trade to Spain and Italy, which recorded growth of 28% and 18% respectively. Shellfish exports to Asia performed extremely well during this period. Exports to South Korea increased by 31% whilst exports to China more than doubled.

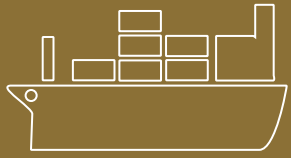
Salmon exports had another successful year with unit prices increasing by around 10% and export values growing by 70% up to the end of September on the back of a 55% increase in volumes during this period. The French market continues to dominate Irish salmon exports, accounting for over 48% of total value. The German market also demonstrated very strong growth increasing by 64% in value and 58% in volume. Salmon exports to the UK increased twofold while trade to Canada and Belgium also showed very strong growth

during the period. Poor weather conditions are impacting on this sectors ability to harvest at maximum volumes in the final quarter but the overall performance of this category for 2015 nonetheless remains very strong.

Up to the end of September 2015, **oyster** exports stood at just over €15 million, reflecting a small increase in value of 2% against a backdrop of retracting volumes (down 4%). Stock levels were high at the beginning of 2015 and this put some pressure on prices, which persisted throughout the year despite the return to a normal growth season. This was due to the carry-over of stock from late 2014 on the back of the Russian embargo and reduced promotional activity.

The French market continues to dominate Irish oyster exports accounting for over 77% of total sales. However, the value of trade was 5% lower up to the end of September due to an oversupply of large sized oysters since 2014 as well as an increased focus by Irish exporters on finding new markets outside of France for premium grade oysters. As a result, oyster exports have shown very strong growth, albeit from a relatively low base, to markets such as China and Hong Kong, Singapore, UAE and the UK

Total **mussel** exports were up by 8% for the first 9 months of 2015. This increase in value was driven by a 32% rise in mussel volumes over the period. Mussel exports to France increased by 8%, exports to Holland were static whilst the UK and Spanish markets showed strong growth of 18% and 44% respectively.



Export volumes will be boosted by the **48% increase** in the horse mackerel quota in 2016



Value added salmon exports from Ireland are showing **strong increases** with further growth anticipated for 2016

Outlook for 2016

The prospects for seafood exports in 2016 remain broadly positive. Some positive movement in aquaculture licenses should boost aquaculture output, which will help boost exports. The weak euro will be a challenge to input costs making imported raw material more expensive for processing here in Ireland.

On the pelagic side, over supply at the height of the season will be the main feature of the market in January/February 2016. This is likely to place downward pressure on prices and will also result in exporters building stocks. The most important factor that would influence the pelagic trade is an increase in oil prices. This would improve the flow of US\$ into many of the key pelagic markets and it also signals an improvement in economic activity globally. The announcement that the North Atlantic mackerel quota would be cut by 15% in 2016 should help the market although it is too early to determine if 15% is a significant enough adjustment to make a real impact on market prices. Export volumes will be improved by the announcement of a 48% increase in the horse mackerel quota in 2016.

The shellfish sector is positive about market prospects in 2016 with the focus on continued improvements in product quality to achieve higher prices. High business costs remain a challenge given the competition in key segments from lower cost producers. Competition for raw material is one of the key issues with demand very strong in key export markets. This sector is forecasting continued strong growth for 2016. The announced 8% increase in the langoustine quota for 2016 will be a positive boost to the sectors export values in the coming year. The whitefish sector will also benefit from the proposed

10% increase in whitefish quotas for 2016 to reach a total quota for this sector of 36,886 tonnes.

The outlook for organic salmon in 2016 is positive in key export markets. The continued development of new markets in Asia and ongoing growth in North America should ensure stability for this sector. Production is expected to increase at a low rate in Ireland but lag behind market demand. Ongoing increases in production and feed costs will impact the profitability of the sector and the challenge remains of lower cost organic salmon from Norway. On a positive note, valued added salmon exports from Ireland are showing strong increases and are expected to grow further in 2016.

Companies will continue to focus their new market development efforts in Asia and the United States in 2016. Bord Bia will continue to work closely with the sector to grow awareness of Irish seafood in these emerging markets with a large number of market development and promotional activities planned for 2016.

IRISH COMPANIES
WILL FOCUS THEIR
NEW MARKET
DEVELOPMENT
EFFORTS IN ASIA
AND THE UNITED
STATES IN 2016

Horticulture



Exports of amenity horticulture increased by **€1.6 million** to reach **€16 million**



Cut foliage exports increased to **€3.8 million** with the rise linked to Christmas



Nursery stock exports valued at **€6.2 million**





Edible Horticulture & Cereals Exports increased by 4% to €240 million



Some further growth in value and volume of mushroom sales in the UK is expected for 2016

Steady mushroom exports coupled with growth across other categories boosted edible horticulture exports during 2015. Exports of cereals predominantly barley and oats recorded a rise particularly to the UK on the back of favourable exchange rates. This left the value of edible horticulture **and cereals exports 4% higher at €240 million.**

sales. A key factor driving trade has been the strengthening of sterling against the euro.

The EU supported Just Add Mushrooms campaign continued throughout 2015 and helped to bring growth into the market.

Outlook for 2016

Key drivers of Horticulture & Cereal export performance in 2015

- Value growth offsetting reduced volumes of mushrooms exported.
- Weaker euro boosting competitiveness of exports to UK.
- Rise in button mushroom sales.
- British retail market stable.
- Growth in cereal exports.

Horticulture & Cereal export drivers for 2016

- Ongoing EU sponsored promotional programme.
- Expectation that euro will remain weak against sterling.
- Growth of discounter market share.

The UK market is currently the only large scale export market for Irish mushrooms, although some exports to the French market, the Netherlands and Germany have been recorded.

The value of mushroom exports remained steady in 2015, on the back of favourable exchange rates despite reduced volumes to the UK.

There are two main categories in growth across the retail sector, namely brown mushrooms which grew by 15% in volume terms, and closed cup mushrooms, which grew by 8%. Closed cup mushrooms account for 53% of retail sales. Value mushrooms continued its downward trajectory, with a drop of 21% in volumes recorded.

The retail sector is a premium market and the segment where Irish exporters are most influential. While the retail market has been flat, Irish companies have managed to consolidate their

Some growth in value and recovery in volumes of mushroom sales is expected for 2016. The EU funded Just Add Mushrooms promotion campaign will continue, which should help sales.

Irish companies have a higher market share of high value retailers, and a lower proportion share of the discounters. The discounters are likely to start influencing the price of mushrooms, which is going to put pressure on the market in the long term to continue to grow both in value and volume. The other key trend to monitor will be how the industry manages the growth in button mushrooms as button mushrooms require more labour to pick than other types of mushrooms and effectively reduce yields. This could impact profitability of growers.

The exchange rate of sterling to the euro has a large impact on exporters. Most commentators suggest that the euro will remain weak against sterling, which will help maintain the competitiveness of Irish mushroom exporters.

EDIBLE HORTICULTURE AND CEREALS EXPORTS INCREASED BY 4% DRIVEN BY FAVOURABLE EXCHANGE RATES.

Edible Horticulture & Cereals Exports (€m)

2014 €m	2015(e) €m	2015/2014 % +/-
230	240	+4

Amenity Exports

EXPORTS OF AMENITY HORTICULTURE CROPS WERE VALUED AT €16 MILLION IN 2015 WHICH IS AN INCREASE OF €1.6 MILLION OVER 2014.

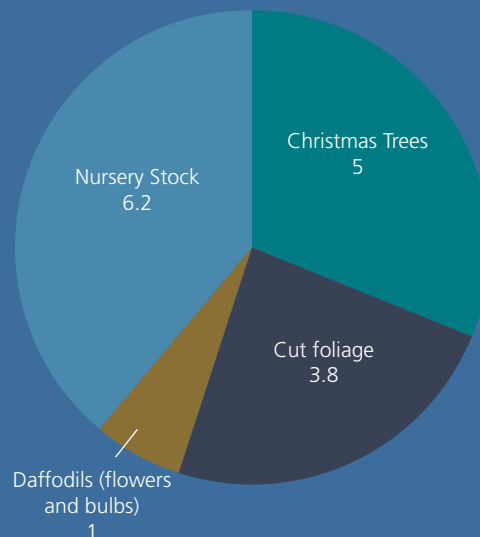


Sales of nursery stock increased to **€6.2 million** in 2015 with the majority of exports destined for the UK



Figures from the Irish Christmas Tree Growers Association show that **550,000 trees** were harvested in 2015

Distribution of Amenity Exports (€m)



Source: Bord Bia estimates

In 2015, the sales value of nursery stock increased to €6.2 million with the majority of exports to the UK. Exports were helped by a recovery in the UK landscape market coupled with favourable exchange rates.

Cut foliage exports increased in value to €3.8 million in 2015 with the majority of this rise linked to Christmas, a seasonal opportunity, which is increasing each year. There is also increased price pressure with competition from low cost wild foliage from Africa and Southern Europe. However, Irish foliage is still demanded for its high quality and new plantings are building up year on year creating good prospects for the future.

According to the Irish Christmas Tree Growers Association (ICTGA) 80 Christmas tree growers across the country harvested 550,000 trees this year with one third of the trees exported to other EU markets such as the UK, Germany and France, while the remaining trees were sold domestically. While a strong annual replanting regime exists supply is tightening resulting in a firming of prices. The export market has remained steady and a small increase in value reaching almost €5 million was recorded due mainly to the Euro/ Sterling exchange rate.

Most nursery stock sales were achieved in the UK. As in previous years a quantity 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 2015 and both daffodil bulb growers and nursery stock producers participated in mentoring and sales support. The slow recovery of demand in the Irish market due to limited activity in the construction sector highlighted the importance of export outlets to both small and large Irish nurseries.

Prospects for amenity horticulture exports in 2016 look positive as some further growth is anticipated in exports to the UK. Factors driving exports include higher demand for amenity plants due to a recovery in the landscaping market, higher quality crops and increased consumer awareness activity.

BORD BIA'S OVERSEAS OFFICES



www.bordbia.ie
info@bordbia.ie



Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board