



BORD BIA
IRISH FOOD BOARD

**Export
performance
and prospects
report**

2021 – 2022

Ireland's Agri-food Sector

Ireland's agri-food sector encompasses primary production (agriculture, fishing and forestry) as well as food, beverage and horticulture production and wood processing.

BORD BIA
IRISH FOOD BOARD



An Roinn Talmhaíochta,
Bia agus Mara
Department of Agriculture,
Food and the Marine

According to the most recently available annual data (2020) from the Department of Agriculture, Food and the Marine (DAFM), employment in the agri-food sector accounts for approximately 163,600 jobs or 7.1% of total employment in Ireland. It represents over 6% of modified Gross National Income and 9% of exports in value terms.

DAFM and the CSO statistics for the agri-food sector include food, drink and edible horticulture along with non-edible items such as live horses, animal foodstuffs, forestry and amenity horticulture, and animal hides and skins.

Exports of non-edible agri-food sector goods are estimated by DAFM at €1.7 billion in 2021. Adding this estimate to the Bord Bia figures for the food, drink and horticulture sectors, which are the focus of this report, indicates that total agri-food sector exports in 2021 amounted to €15.2 billion – a 6% increase year-on-year (YOY).

163,600
people
employed
in agri-food
sector

7.1% of total
employment in
Ireland



€15.2bn
total agri-
food sector
exports



6%
of modified
Gross
National
Income







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Introduction



From farm to processor, the relentless drive to deliver what today's consumer in over 180 countries wants has enabled the industry to continue to grow the value of exports.

2021 was the second year of significantly disrupted and abnormal trading and market realities, as a result of the Covid-19 pandemic. The ongoing pandemic also continued to change what consumers are buying and how they are buying it with continued disruption to the foodservice channel evident in key markets across the EU. 2021 also marked the first year of trading with the UK outside the EU's customs union. In this context – the value of Irish food and drink exports increased 4% in 2021 to be worth €13.5 billion.

This is a testament to the ingenuity, innovation and resilience that characterises Ireland's largest indigenous industry. From farm to processor, the relentless drive to deliver what consumers in over 180 countries want has enabled the industry to continue to grow the value of exports.

The growth in the value of Irish exports is to be welcomed and celebrated. However, the extent of challenge and pressure that the industry is facing should not be understated. Irish food and drink exporters are operating in the context of a fundamental re-ordering of food systems globally – derived both of the pandemic and also pre-existing trends.

Global shipping has been disrupted and costs have significantly increased. As a small

island nation exporting over 90% of our food and drink, Ireland's exporters have been particularly exposed in this area.

Cost increases have been far from limited to shipping. From labour to energy to critical inputs like feed and fertiliser, costs have been rising across the supply chain for Irish producers, processors and exporters – putting pressure on already tight margins.

Gastro-nationalism continues to manifest in key destinations for Irish exports. Expressed political preference for domestically produced food and drink, has challenged Irish exporters in some instances, but not had a substantial effect on exports as of yet. The realities of domestic production capacity and the ability of Irish produce to meet and

exceed required standards for sustainability and quality have minimised the effect of this trend in 2021.

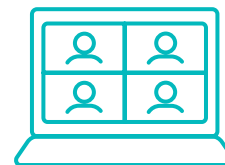
While the UK did exit the EU on January 1st, 2021, the withdrawal agreement remains only partially implemented and critically the UK government has yet to begin making physical inspections of food and drink exports – currently scheduled to be introduced on July 1st, 2022.

The pandemic has accelerated channel disruption and innovation across the globe. The pace of adoption of digital channels accelerated through 2021 for consumers in retail, while the foodservice channel continued a move to online fulfilment and increasingly automated processes.

In parallel to these dynamics, customer and consumer expectations around sustainability are evolving rapidly. COP26 in Glasgow in November and the publication of the Irish government’s carbon budgets crystallised the extent to which agriculture will be expected to reduce emissions to meet 2030 whole economy commitments.

Bord Bia – and Irish food and drink exporters – see success and opportunity in these challenges. The post-Covid-19 consumer is seeking healthy, natural, sustainable food – and Irish exporters can position themselves strongly in this space with ongoing investment in delivering real impact and proof points that can smartly differentiate us.

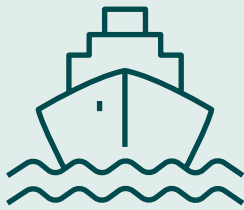
Over the coming pages, Bord Bia sets out in detail the performance of the different parts of Ireland’s food and drink exports. Bord Bia looks in detail at the sector specific challenges and successes that have been observed through 2021. And finally, the contours of what will shape the prospects for those exports in 2022 and beyond are set out.



The pace of adoption of digital channels accelerated through 2021

Performance

€15.2bn
total agri-
food sector
exports



Irish food and drink exports for 2021 were worth €13.5 billion – a 4% increase on 2020’s figure and a 2% increase on the pre pandemic value reached in 2019.

This performance comes in the context of the ongoing disruption to normal market performance wrought by the pandemic and the pressures it has instigated in various parts of the global trading environment. The ability to eclipse even 2019’s export value is extraordinary in this context.

The performance is driven by particularly strong returns in beef and sheepmeat in 2021, by the dairy sector countering challenges in some of its key export subcategories with strong growth in cheese and butter, by an impressive rebound in the drinks category and robust trading within the Prepared Consumer Foods (PCF) category.

Value of food and drink export growth 2016–2021
€ Billion

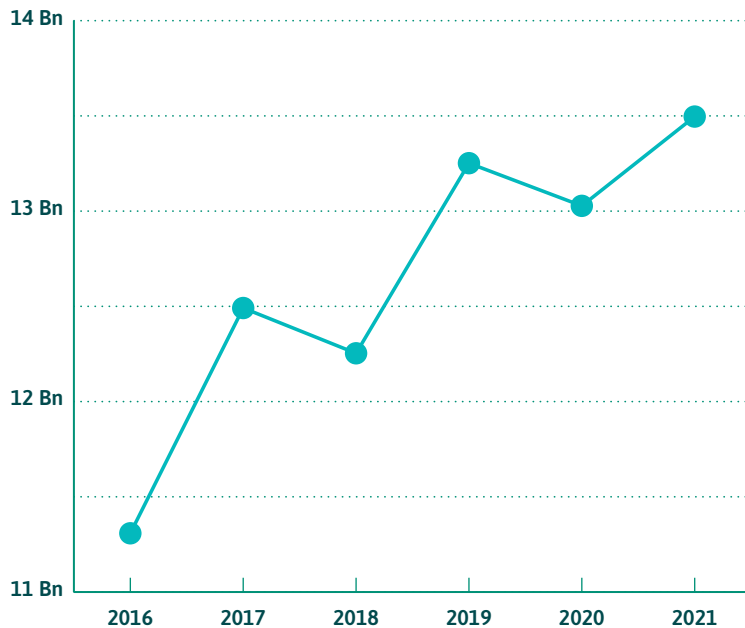
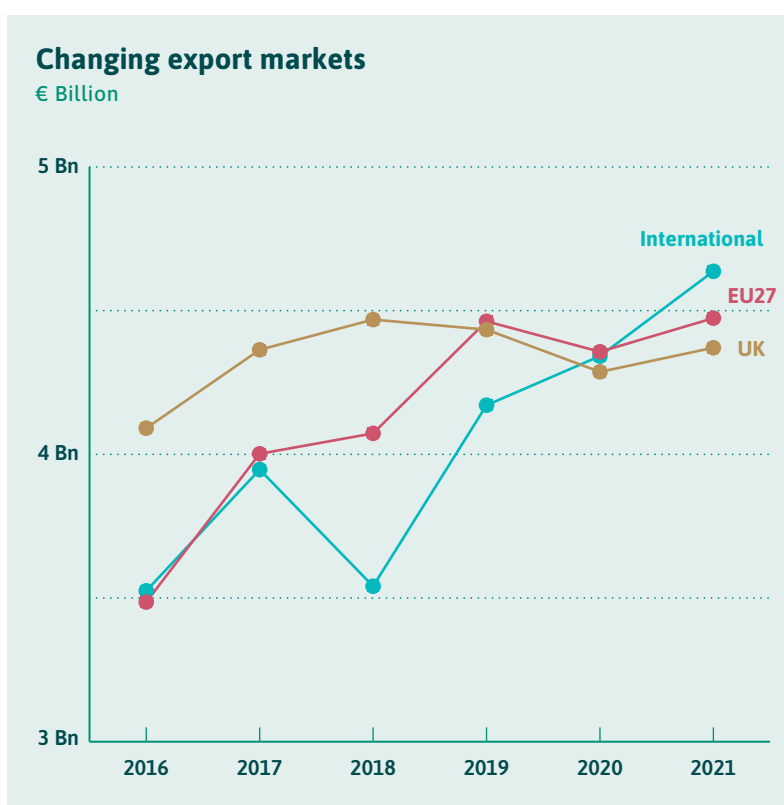
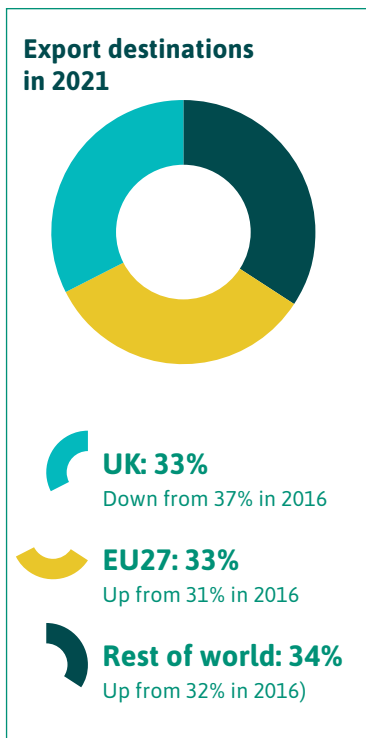


Table of category exports

	FY2019 €	FY2020 €	FY2021 est €	% change YoY	% change 2021 v 2019
Dairy	5,043,698,547	5,093,445,809	5,041,044,741	-1%	0%
Meat and Livestock	3,316,481,324	3,414,744,567	3,544,153,325	4%	7%
Beef including offals	2,125,480,631	2,125,964,589	2,236,463,921	5%	5%
Pigmeat	516,732,750	560,665,871	541,973,269	-3%	5%
Sheep	319,431,504	363,628,807	419,890,448	15%	31%
Poultry	157,689,932	150,993,340	128,344,339	-15%	-19%
Other Meat	13,676,086	11,953,550	2,984,997	-75%	-78%
Live Animals	183,470,421	201,538,410	214,496,350	6%	17%
Seafood	487,022,083	457,307,368	484,026,237	6%	-1%
Horticulture	205,881,236	238,186,007	270,921,324	14%	32%
PCF	2,596,874,100	2,459,901,285	2,526,422,066	3%	-3%
Drinks	1,601,722,264	1,364,162,384	1,619,915,935	19%	1%
Total	13,251,679,554	13,027,747,420	13,486,483,628	4%	2%



Destinations



2021 Exports to UK:
€4.4 billion



2021 Exports to EU27:
€4.5 billion
+2% since 2020

The continued success of the strategy for the Irish food and drink industry of maintaining and developing those established near-to-home markets, while investing in diversification and development of high potential emergent markets, can be seen in export figures for 2021 and, looking at a more medium-term picture, in how they have shifted since the Brexit referendum in 2016.

In 2021, 34% of Ireland’s food and drink exports went to international markets outside the UK and EU. 33% went to the EU27 and 33% to the UK. In 2016, the value of food and drink exports was €2.1 billion less than it was in 2021 and the split was 32% to international markets, 31% to EU27 and 37% to the UK.

The EU remains the largest single regional destination for Irish food and drink exports and remains amongst the highest paying in most categories. It was the destination for €4.5 billion worth of Irish food and drink exports in 2021, a 2% increase on 2020. The incremental growth rates reflect the maturity of many of the markets in this region, but also conceals significant variances within categories. There was significant growth in beef (+22%) and sheepmeat (+20%) driven by a more buoyant price environment. While there was a decline in dairy exports, driven by reduced specialised infant nutrition shipments.

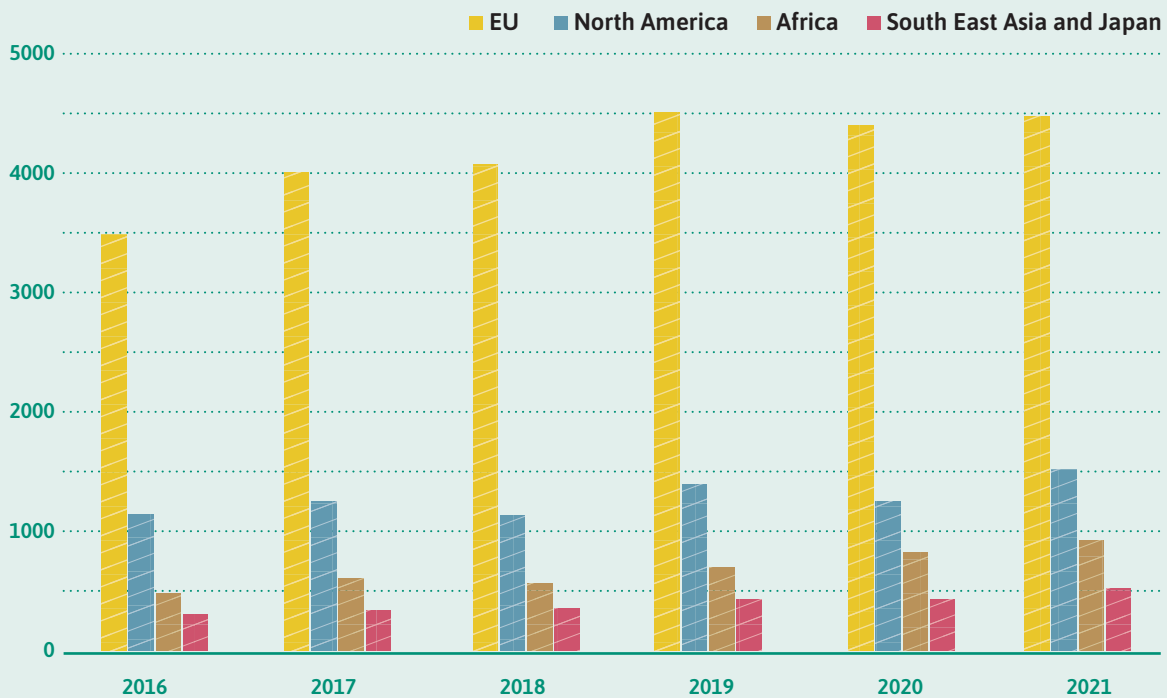
The value of exports to the UK in 2021 was €4.4 billion – a very slight decline on the value of exports in 2020. And a significant increase on the €4.1 billion exported in 2016 – the year of the Brexit referendum. Exporters

to the UK have traded through significant uncertainty, particularly in the first quarter of 2021 when there were high expectations of disruptions at UK ports. Robust demand for Irish produce across dairy, beef and PCF, in combination with the interlinked and interdependent supply chains between the two nations, ensured the trade recovered as the year progressed. A shift in some categories to greater exports to Northern Ireland rather than to Great Britain was evident– and this can be seen as serving new customers in Northern Ireland partly and partly as an easy route for onward shipment to northern parts of Britain.

Bord Bia has remained focused on enabling client companies to maintain and develop share in this crucial market. Bord Bia tracked UK consumer sentiment towards Irish produce since the Brexit vote and consistently found Irish to be considered local and understood to be produced to the same standards as UK produce. Engagement with customers across the retail, foodservice and manufacturing channels as to the benefits of sourcing from Ireland remains high.

Growth in Value of Exports, by region

€ MILLION



Within International markets, there are a number of distinct regional dynamics at play. The US market has rebounded extraordinarily from depressed 2020 – increasing the value of export by 22% YOY to be worth €1.3 billion. The overwhelming majority of that increase is accounted for by whiskey and liqueur. The market for these products was significantly negatively affected by the closures of the on-trade in 2020, so this growth in exports can be interpreted as a return to previous norms, albeit with sales not matching the growth in exports during the year.

Exports to Africa grew 12% to be worth €918 million. This follows significant growth in 2020. Since 2016, the value of Irish food and drink exports to Africa has almost doubled (+95%) reflecting a broader range of products being shipped with whiskey exports

increasing by more than 150% to be worth over €40 million.

Performance to Asia in 2021 was tempered by a reduction in the value of exports to China, as a result of reduced specialised infant nutrition exports. Concentrating on South East Asia and Japan, these markets delivered more than 20% growth to exceed €500 million for the first time. This success is dairy led, but increasingly beef, pigmeat and drinks export constitute a bigger part of the export mix to these rapidly growing, import dependent markets.

Market Challenges

Just as the emergence of Covid-19 defined 2020's market reality, the fitful, uneven and incomplete exit from that pandemic and the emergence of the consequential challenges, bottlenecks and disruption define 2021's.

Vaccine access is the principal fault-line along which global economic developments and prospects have diverged over 2021. On one side of this fault-line lie many advanced economies, where vaccine roll-out has progressed rapidly since the beginning of the year have seen public health restrictions that weigh on economic activity gradually being eased. At the same time, extensive policy support has also helped fuel a rapid recovery in demand. At the end of 2021, while those restrictions were coming to the fore again, the rapid deployment of booster vaccines are likely to limit the extent of any return to restrictions on trading.

On the other side of the fault-line lay many emerging and lower income economies where vaccination coverage is much lower and, accordingly, the more transmissible Delta variant has weighed on economic activity. These countries have, broadly, had less scope for policy interventions to support domestic demand. The demand for consumer goods and the price of oil – both of which are critical to emerging markets – through the year have been strong and rising, providing some economic buttress to those countries.

That rapid recovery of demand in established markets and the normalisation of household savings behaviour after an extraordinary 2020, has left

global trade volumes at 5% above pre-pandemic levels.

Several bottlenecks have recently emerged to disrupt the free-flow of goods around the globe. The most significant of these for food and drink exporters relates to transport infrastructure. Approximately 90% of traded goods are transported by sea, requiring:

1. Containers to store the goods in transit;
2. Port infrastructure to on-load and off-load;
3. Sea freighters to ship them around the globe;
4. Heavy goods vehicles (HGV) for land transit to / from port.

Issues have arisen in all areas. A scarcity of shipping containers has emerged. This is primarily a logistical issue, with containers in high demand in East Asia sitting empty in ports in other parts of the world, having been stranded during the contraction in global trade during the most acute phase of the pandemic. Port capacity has been affected by worker shortages and social distancing requirements. A mismatch between demand and supply for shipping services has pushed up the price of shipping services, with some of these costs being passed onto consumers. Finally, a shortage of HGV workers has added to transport bottlenecks in some jurisdictions, notably the UK and the US.

This reality has affected all Irish exporters of food and drink, and most acutely those exporting to Asia and the US. Few analysts believe that shipping will return to the pre-pandemic norm in 2022.

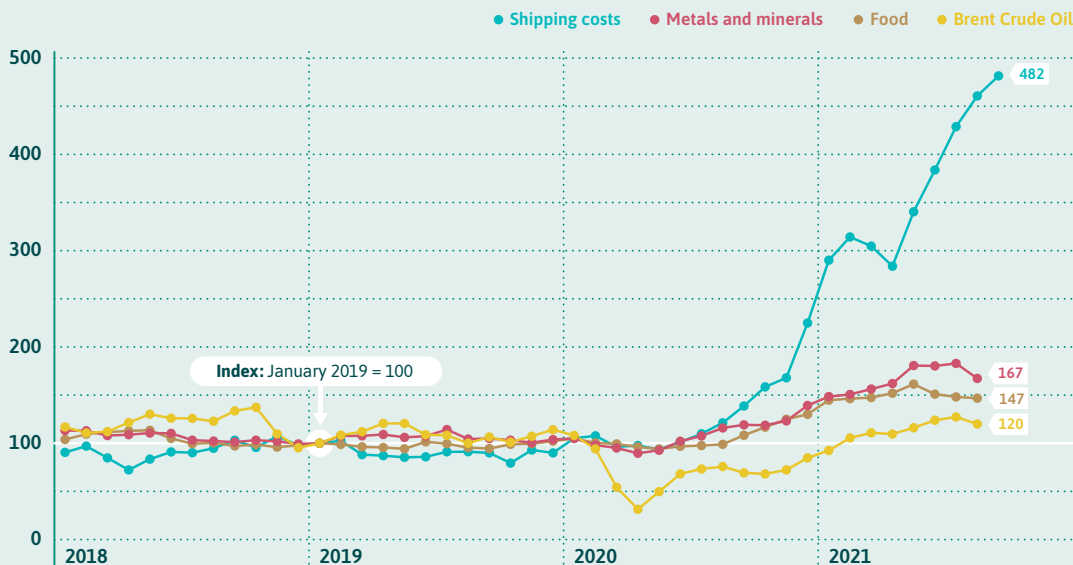
Inflationary pressures manifested across supply chains and production in food and drink throughout the year, but became more acute as 2021 progressed. A Food Drink Ireland survey of food producers found that the majority have incurred cost increases of over 20% across a range of inputs including labour, packaging and energy. Food commodity prices have increased 33% YOY, according to the Food and Agriculture Organisation of the United Nations (UN FAO) Food Price Index.

Throughout 2021, these input cost increases have not been passed onto consumers to a great extent. Whilst general inflation is now over 5%, consumer price inflation for food and beverages is still less than 1%. It is difficult to imagine these cost increases not needing to be passed onto consumers over the course of 2022.

Tightening labour market supply in the agricultural and manufacturing sectors has been reported by many of Bord Bia's client companies as being a driver of increased cost, and at times as a limit on production, as sufficient labour has not been available.

Global trading arrangements went through changes, formally and in tone in 2021. The tariffs that had been applied to Irish and other EU butter and cream liqueur exports to the US were

Input prices are pushing up inflation



Note: Shipping costs refer to the China (Shanghai) containerised freight rate.

Source: Refinitiv; and OECD calculations.

removed by the new Biden administration, eliminating what had been a near two-year impediment to the free-flow of those products into that key market.

The UK exited the customs union on January 1st, 2021 and the terms of the withdrawal agreement – which removed the risk of tariffs but left in place the need for Sanitary and Phytosanitary (SPS) and customs checks – came into force. However, this agreement remains only partially implemented. The introduction of pre-notification and of physical check requirements on imports from the EU has been delayed a number of times by the UK government. These have been implemented by the EU on imports from the UK. But for exporters to the UK from Ireland, while they have been operating outside the Customs Union, the full gamut of third country bureaucracy has yet to become a reality.

The re-opening of foodservice – a channel that is the destination for a disproportionate part of Ireland’s higher value food and drink exports (notably in drinks, beef and seafood where the proportion of exports destined for foodservice can approach 50%) was fitful and uneven. Re-opening did not become widespread in Ireland’s key export markets until deep into the second half of 2021. These challenges were balanced somewhat by continued increases in at-home consumption and retail sales. Within those, channel disruption was most evident in the rise of online shopping and in the surge in food to go offerings available at traditional retailers.

Climate change and the global drive to counter it rose ever higher on the agenda throughout 2021. As the COP26 conference was taking place, the Irish government published its carbon budget, setting out how sectors would be expected to reduce emissions, in order that Ireland

reduces emissions by 51% by 2030. The agriculture sector in Ireland under this budget is expected to reduce emissions by 22% to 30%.

For consumers across the world there are increasing expectations of verified sustainability credentials for the food they buy. 75% of global consumers, surveyed by Bord Bia as part of its Global Sustainability research, made efforts in the past year to buy more sustainably produced food. Origin Green provides Irish exporters with that third-party verified record that their customers are increasingly looking for. In 2021, 71% of Origin Green companies – responsible for the vast majority of Irish food and drink export – advised they believe that Origin Green provides a competitive advantage for their business.



Dairy

summary of performance

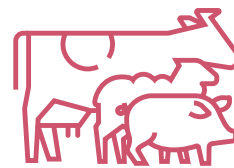
Irish dairy exports performed positively in 2021, with exports exceeding €5 billion for the third year in a row. Strong market returns across the core categories of butter, cheese, and powders, coupled with a diversified market mix sustained demand. This demand, particularly in North America and Africa which saw exceptional growth, countered the dampening effect of softer demand for specialised infant nutrition in Asia.

From a destination perspective 2021 demonstrated the diversified nature of Irish dairy exports as trade was recorded to 147 markets, with destinations outside of the EU and UK exceeding 50% of all exports for the first time.

Exports of cheese were worth more than €1 billion, a significant 15% increase on 2020. Customers were willing to pay higher prices for Irish cheese, not only in the established markets of the UK and EU, but also in Africa, particularly in north Africa.

The value of butter exports closely tracked that of cheese and were worth €997 million in 2021. This was 3% growth on 2020's value achieved despite a decline in exports to the UK. It was driven by sustained demand in the EU market and continued growth in exports to the US.

Reduced demand for imported finished and base powders to Asia for the specialised infant nutrition sector proved to be a key factor in countering overall Irish dairy growth with the category recording a drop of over €220 million in exports. However, this decline was more than offset by the strong performance in ingredients for manufacturing to China and wider Asia as well as increased exports of traditional dairy products.



Meat and Livestock

summary of performance

As the second largest category for Irish food and drink exports, the meat and livestock sector saw varying trends in 2021, but strong prices and demand in the beef and sheepmeat sectors saw total exports reach €3.5 billion, a 4% increase YOY and a 7% increase when compared to 2019.

The largest element of that category – **beef exports** – grew in value by 9% in 2021 to be worth €2.1 billion. This growth was underpinned by sustained strong demand in the UK and the EU. Irish exporters navigated the new trading realities with the UK following its exit from the Customs Union in January and export volumes increased after a slow Q1. The price environment was positive as the tightness of supply in the UK and in key EU destinations revealed itself.

Unwinding of Covid-19 related restrictions, particularly on the foodservice channel, in Q2 and Q3 supported robust demand. Ireland's export values grew despite a 11% YOY reduction in the volume of export. The strongest value growth was to EU destinations, where there was also a reduction in domestic beef availability in Sweden.

Pigmeat exports decreased by 3% in value to be worth €542 million, as lower pricing available on international markets affected the industry. This was despite an increase of 3% in the volume of exports to 248,000 tonnes in 2021. The pattern of Irish pigmeat exports were heavily influenced by trade

developments in Asia and the UK throughout 2021. This YOY decrease in value comes after years of record highs for Irish pigmeat exports driven by high global prices and voracious Chinese demand.

Shipments of Irish pigmeat to Asia now account for 67% of the total export value at €360 million and represents an increase of 42% on 2020 levels, with China remaining the key destination. However, given the slowdown in Chinese demand that materialised as the year progressed, most of the growth in exports to the Asian region was driven by markets such as Japan, South Korea and the Philippines where lower domestic output levels boosted import demand.

Tighter global and EU supplies of **sheepmeat**, combined with firm demand, resulted in an extremely positive market for Irish sheepmeat during 2021. Irish exporters were also able to take advantage of the increased complexity for UK exporters accessing their traditional markets including France. The value of exports increased strongly for the second consecutive year, rising by 15% to reach €420 million.

This was despite a drop of 9% in export volumes during the year at 69,000 tonnes.

Irish exporters benefited from reduced sheepmeat production in the EU (-1.5%). The UK is Ireland's biggest competitor on the EU market for sheepmeat. Reduced production in the UK

and an increased focus on the domestic market reduced the availability of sheepmeat for export, with the latest available figures showing a 22% decline in the volume of UK sheepmeat exported to the EU during 2021 with data available January to September.

The reduced availability of imported sheepmeat on the EU market had a positive impact on the demand and opportunities for Irish sheepmeat. Lower export capacity in New Zealand, due to reduced production levels and a redirection of available product away from the EU into Asian markets and the US, resulted in less New Zealand origin lamb available in our key export market.

Primary **poultry exports** fell by an estimated 15% to €128 million during 2021. This decline occurred primarily to Ireland's major market for poultry, the UK, where the value of trade fell by 16% to €74 million. Poultry exports to the UK are heavily exposed to foodservice, which was disrupted for large portions of the year.

European poultry exporters were negatively affected by market access restrictions during 2021, and progress around re-establishing these trading partnerships will be critical towards maximising carcass utilisation and rebuilding export performance. In August 2021, South Africa renewed 'anti-dumping duties' it has imposed on imports of poultry from the UK, Germany and the Netherlands. A decision on the

renewing of those same duties on Irish imports is expected in January 2022.

These developments were reflected in EU poultry exports, which are estimated to have fallen by 5% to 2.2 million tonnes in 2021. The principal markets that reduced import demand from EU suppliers included the Philippines, South Africa, Hong Kong and the UK.

The value of Irish **livestock exports** increased by an estimated 6% in 2021 to reach €214 million. Increased returns from live cattle exports helped to offset lower export values for both pigs and sheep.



Seafood

summary of performance

Overall exports of primary seafood returned to growth in 2021, recovering by 6% to €485 million, albeit with varying trends across species. Compared to 2019, exports were 1% lower, a good result given the difficulties faced by the sector.

Pelagic exporters experienced a difficult 2021, with a cut to the mackerel quota as a result of the EU-UK Trade and Cooperation Agreement (TCA), leaving the Irish processing sector challenged for raw material supplies. As in previous years, and as a result of uncertainties around Brexit, there was a concerted effort by the Irish pelagic sector to catch a large proportion of the mackerel quota allocation at the start of the season and this drove an increase in exports in the early part of the year. The value of pelagic exports for the year were down by 1% in value at €169 million, but was 6% ahead of exports in 2019. The Asian markets were strong with Irish exports to this region increasing by 56% in value to €25.7 million, as markets opened and demand increased for imported pelagics.

Exporters of shellfish were helped by the re-opening of foodservice channels in Europe and Asia in 2021. Total shellfish exports were up by 25% at €165 million, with volume increases running behind at around 17%. Shellfish exports to Asia recovered by more than 29% in value, but were 44% lower than 2019 exports. EU markets also showed good recovery,

increasing by almost 26% in value. Demand for Irish shellfish in China and Hong Kong was particularly strong, increasing by over 23% and 33% respectively. There was also good recovery in the Japanese market.

Freshwater exports – the vast majority of which is salmon – had a challenging year in 2021. Increased competition into the organic market from other countries offering year-round supply, impacted on prices secured by Irish exporters. In overall terms, exports declined by 8% in value to €98 million during 2021. Whilst prices held firm in the French market, exports of Irish organic salmon fell sharply in both value and volume terms to Poland.

The whitefish export market was challenging in 2021. Good supplies from French and Spanish vessels, coupled with prioritisation by French buyers for sourcing from local vessels, meant it was difficult for Irish whitefish exporters throughout the year. Whitefish export values declined by around 15% to €40.6 million, with volumes reducing significantly more by over 40% during the year. Lower quotas for some whitefish species, greater consumption of whitefish on the domestic market and difficult catching conditions, all contributed to the overall reduction in 2021.



Horticulture

summary of performance

The export of horticulture and cereals from Ireland increased in value by 14% to €271 million in 2021. The primary constituents of this export mix are mushrooms, primary cereals and amenity horticulture.

The category is dependent on the UK as a destination market, and this has not changed in 2021. 95% of horticulture exports were destined for that market, the same proportion as in 2020.

Mushroom exports – which were valued at €151 million in 2021 – saw good growth. The value of exports in 2021 was 31% ahead of 2020.

In 2021 the value of cereals exports was €61.8 million, which is a value increase of 9% YOY (and 23% up when compared with 2019). Exports are primarily to Northern Ireland.

Exports of amenity horticulture were worth €20 million in 2021 – an increase from €17 million in 2020. Christmas tree sales are projected to be up in 2021 compared to 2020. Bulb and daffodil exports are up on 2020, due to Brexit disruptions to the UK crop.



Prepared Consumer Foods (PCF) summary of performance

PCF exports were valued at €2.5 billion in 2021, which represents a recovery of almost 3% on 2020 despite ongoing disruptions with some channels closed for significant periods of time. This performance reflects sustained strong sales across retail, most notably for the meal solutions category, but also bread and value-added pigmeat. Foodservice closures, due to the pandemic in the first-half of the year, continued to cause significant declines in processed cheese, value-added beef and sweet bakery.

This category of food and drink export contains a breadth of products ready for consumer consumption, and success heavily tracks consumer lifestyle trends. It is also amongst the categories most dependent on the UK, with 68% of all exports destined for that market. This proportion has increased from 62% in 2016.

The largest single element of this category is value-added meats. These products are destined for quick service restaurants (QSR) and retail ready environments and were significantly negatively affected by pandemic closures in 2020. In 2021 as foodservice, particularly QSR, returned, they sustained exports at a value of €677 million.

Elements of the PCF category dependent on the retail channel had a positive year. The Meal Solutions subcategory – which includes pizzas, ready meals and soups – increased the value of exports by 5% to be worth €517 million, a 10% increase on 2019's record value.

Non-alcoholic beverage exporters balanced between the return of foodservice demand and continued robust retail demand during the year. Exports in this category were worth an estimated €110 million in 2021, a 27% increase on 2020's value and an increase on 2019's value.



Drinks summary of performance

Overall drinks exports increased by 19% to be worth €1.62 billion – a strong recovery after the unprecedented difficulties for the sector in 2020. This left the value of exports similar to 2019 levels. That recovery was most dramatic in Irish whiskey and cream liqueur exports, notably to the US. The US market has long been the dominant destination for these export categories, and the market emerged quicker from the Covid-19 related restrictions which have limited the rate of recovery in other markets, notably in the EU.

Whiskey exports were worth €856 million in 2021 – a 25% recovery on 2020's exports. The growing trend of premiumisation and the position of Irish whiskey in this segment led to the value of Irish whiskey exports increasing at a stronger pace than volumes. The value and trajectory of exports do not always fully reflect the value of sales in market. In the drinks category, the sales channels for Irish whiskey remained disturbed for much of 2021.

Not all categories within the drinks sector experienced the same levels of recovery. Overall, beer exports were down by 3% to €246 million. Beer exports are, to a much greater extent than other parts of the drink export mix, exposed to the near markets of the UK and EU, and exposed to the on-trade. The closure of the on-trade channel for large portions of the year in many markets made trade in this product extremely challenging.

Prospects

Global Outlook for 2022 and beyond

Advanced economy output is forecast to exceed pre-pandemic medium-term projections

The International Monetary Fund (IMF) assesses in its World Economic Outlook report that global growth in 2022 will be 4.9%. This growth expectation has been slightly moderated, as 2021 progressed and was published prior to the late winter Covid-19 surge in infections and attendant return of some restrictions in advanced economies, particularly in Europe.

The IMF emphasises the extent of uncertainty around re-opening. Established market predictions are limited in part by the supply disruptions, which will continue into 2022 and beyond. Emerging markets dependent on commodity export have stronger short-term prospects, as prices are likely to stay elevated. For all economies, there is limited room to manoeuvre following the extent of fiscal and monetary support throughout 2020 and 2021.

In the medium term, growth is likely to divide along the established economies and the emerging economies, driven to a great extent by vaccine access. The IMF expects that beyond 2022, global growth is projected to moderate to about 3.3%.

Advanced economy output is forecast to exceed pre-pandemic medium-term

projections – largely reflecting sizable anticipated further policy support in the United States. By contrast, persistent output losses are anticipated for emerging economies, due to slower vaccine rollouts and generally less policy support compared to advanced economies.

The rise in inflation – most notably in the US, but in all established economies and in some emerging – is linked intrinsically with the pandemic related supply-demand mismatches and commodity price increases. The IMF expects both of these drivers to dissipate throughout 2022, and inflation rates to return to target levels as a result. This expectation is heavily hedged however, and inflation risks could manifest if supply-demand mismatches do not resolve as expected in early 2022.

At the start of 2021, there was an expectation that unwinding the significant government payments and protections associated with Covid-19 would prove difficult for many established economies, particularly in Europe. This was achieved with reasonable success and twinned effectively with successful vaccine rollouts and resulting re-opening. At the end of 2021, as case numbers increased significantly, several European governments

re-imposed restrictions at varied levels. These are likely to impact consumption behaviour, particularly in the foodservice channel. They will also necessitate the re-introduction of those supports in tandem with a third vaccine shot roll-out programme.

Commitments made by nearly all governments under the auspices of the UN Conference of Parties on Climate Change (COP26) in Glasgow in November foreshadow a radical restructuring of how economies operate with broad commitments to reduction of greenhouse gas emissions over the coming decade. The detail of how those reductions will be achieved, and the financing of transition and protection for vulnerable states remains a work in progress. What is clear is that how food, drink and horticulture is produced will increasingly be under scrutiny.

Overview of the World Economic Outlook Projections – IMF

Year-on-year comparison, percent change

	2020	PROJECTIONS	
		2021	2022
World Output	-3.1	5.9	4.9
Advanced Economies	-4.5	5.2	4.5
United States	-3.4	6.0	5.2
Euro Area	-6.3	5.0	4.3
Germany	-4.6	3.1	4.6
France	-8.0	6.3	3.9
Italy	-8.9	5.8	4.2
Spain	-10.8	5.7	6.4
Japan	-4.6	2.4	3.2
United Kingdom	-9.8	6.8	5.0
Canada	-5.3	5.7	4.9
Other Advanced Economies	-1.9	4.6	3.7
Emerging Market and Developing Economies	-2.1	6.4	5.1
Emerging and Developing Asia	-0.8	7.2	6.3
China	2.3	8.0	5.6
ASEAN-5	-3.4	2.9	5.8
Saudi Arabia	-4.1	2.8	4.8
Sub-Saharan Africa	-1.7	3.7	3.8
Nigeria	-1.8	2.6	2.7
South Africa	-6.4	5.0	2.2

UK ECONOMY IN 2021 AND 2022

From January 2021, UK relations with the EU were governed by the withdrawal agreement and the EU-UK Trade and Cooperation Agreement. At the start of 2021, there was an immediate and significant reduction in the value of UK exports across all categories of goods, but particularly food and drink to the EU. Throughout 2021, those exports recovered to something closer to historical norms, but with sustained declines in food and drink.

UK imports of food and drink from EU member states continued through 2021. There was no large-scale substitution of EU import with products from the wider Anglosphere, as had been feared by some commentators. In the nine months between January and September 2021, the UK imported €24.3 billion worth of food and drink from the EU27 member states – a slight decline on the €25.8 billion in the same period 2020. An agreement, in principle, was reached with Australia on the terms of a free-trade agreement, which would ease access and remove tariffs on meat and dairy products. This deal has not yet been ratified in parliament and is subject to some political resistance from the UK farming lobby.

Domestically, the UK government took a more aggressive attitude to re-opening society than many European states. All restrictions on gathering or activity were removed in July, which induced a quicker return to consumption. However, the UK was affected by a shortage of HGV drivers and of labour across many lower-skill sectors, which has put a break on some consumption increase.

The Bank of England sustained its base rate of 0.1% throughout the year – sustaining that even as inflation continued to rise through the year. Inflation in the UK was 3.1% in September and the Bank expects it to rise to 5% in spring 2022. In common with many other central banks, the Bank of England expects this to fall back thereafter. The Bank signalled in its monetary policy report that it expects interest rates will have to rise in order for inflation to return to the 2% target, but it has not yet implemented any increase.

Unemployment has not spiked in the UK following the ending of the UK governments furlough scheme. The Office for National Statistics reported an unemployment rate at the end of 2021 of 4.5%, contrasted with 4% pre-pandemic. The larger challenge for the UK economy is the lack of available labour for key sectors. In October 2021 there were 1.1 million vacancies, concentrated in the service and food industry. Many businesses were reporting being unable to fill these vacancies and it was creating a break on production in some sectors, notably meat production.

The Organisation for Economic Co-operation and Development (OECD) expects that economic growth in the UK will be 5.2%, very close to the G20 average of 4.8%. This is because of the extent to which that economy is orientated to entertainment, travel and services. The economic contraction in the UK in 2020 was the largest of all the major economies. Its recovery in 2021 has been strong, but the total size of the UK economy remains below what it was pre-pandemic. The Bank of England expects that continued recovery through 2022 will enable that economy to exceed its pre-pandemic size. This recovery remains contingent on the sustained demand enabled by the re-opening.

The UK will remain the largest single destination for Irish food and drink exports in 2022 and beyond. While exporters are wise to invest resources in diversification beyond this one market, its geographical proximity, shared language and shared cultural understanding – in combination with the UK's need to import food and the UK consumers' appreciation of the sustainability credentials of Irish food and drink – ensure that the UK will remain a significant destination for Irish food and drink exports in 2022 and beyond.

EURO AREA ECONOMY 2021 AND 2022

The European Commission’s (EC) economic forecast for 2021 expects growth of 5%, and for that growth to sustain into 2022 at an annual rate of 4.3%. The rapid recovery of the Euro area economies following removal of restrictions and successful vaccination programmes over Q1 and Q2 2021 returned the size of the economy to pre-pandemic levels. However, towards the end of 2021, global logistics challenges affected many major manufacturing industries across the economic bloc, and sporadic localised pandemic-related lockdowns, together with emerging labour shortages added to the disruptions.

For 2022, growth is expected to be supported by an improving labour market, still high savings, favourable financing conditions and the full deployment of the Recovery and Resilience Facility (RRF).

The inflationary environment has manifested in the Euro area. Annual Harmonised Index of Consumer Prices (HICP) inflation in the Euro area hit a ten-year high of 3.4% in September. The largest single driver of that inflation is energy prices. The European Commission expects inflation to peak at the end of 2021 and dissipate through 2022. It is forecasting bloc-wide inflation of 2.5% in 2022.

The European labour markets reflected a familiar contradiction. The persistence of higher than pre-pandemic unemployment levels (6.8% in September 2021, just above 2019 levels) coexisting with labour shortages, concentrated in industries like agriculture and HGV driving,

where activity has bounced back strongest and the reliance on cross-border labour is highest.

The EC expects RRF investments to drive productivity gains and lessen the labour shortage challenge.

For European economic developments, the level of certainty in forecasts is low for all analysts. Recovery is dependent on the evolution of Covid-19 and the vaccination programme. The main upside risk to the growth outlook is related to potential strong efficiency gains and durable productivity advances triggered by the pandemic-induced structural changes. Investments fostered by the RRF and the accompanying structural reforms will be instrumental in this respect. Inflation may turn out higher than forecast if supply constraints are more persistent and above-productivity wage increases are passed on to consumer prices.

Europe has been the centre of a rise in gastro-nationalism. Despite this, Ireland continues to record growth in food and drink exports to the region. Bord Bia has invested significantly in understanding consumers’ needs in European markets and has developed marketing campaigns to reassure and reinforce the already existing impressions of Irish produce. Irish produce is understood to be produced as nature intended and to deliver on the taste and safety needs of consumers.

Success in gastro-nationalism campaigns could affect Irish exporters, and this is an area Bord Bia will continue to pay close attention to and continue to respond to.

The EU is the destination for 33% of Irish food and drink exports, the largest single destination for a regional bloc. This status, alongside the reality that the customers for Irish produce in those countries are amongst the highest paying and most demanding of the sustainability credentials that Irish produce can provide, ensures that it will remain a significant part of the destination mix for Irish produce into the future.

US ECONOMY 2021 AND 2022

The US economy expanded by 6% in 2021 according to the IMF. Employment and consumption recovery over 2021 has been robust through the year. However, congestion and issues around access to shipping has put some constraint on the latter towards the end of the year.

Inflation in the US has been the highest of any of the major established economies. It was expected to be short-term, but has persisted into the end of 2021, while the Federal Reserve expects it will be 'transitory' and decline through 2022.

While the US is the established economy with the greatest amount of vaccine hesitancy, this hesitancy varies significantly state-to-state. Additionally, restrictions on activity are in the hands of local and state authorities and they have all been reticent to re-impose restrictions.

As a result, consumption behaviour in the US has most closely resembled pre-pandemic behaviour for more of 2021 than any other established market. And this will persist into 2022, with there being limited political will to re-impose restrictions – save the emergence of a new very significant variant.

The US market was positive for Irish exporters in 2021, most particularly those in the whiskey and cream liqueur categories, which account for the majority of Irish food and drink exports to the US. The re-opening of the on-trade and the pent-up demand that was realised in that channel has facilitated a return and expansion beyond 2019 levels of export. The US will remain a key market driving our drinks exports. Dairy exports – including butter to retail – have been robust and there remains scope for growth in the coming years.

CHINA ECONOMY 2021 AND 2022

China most successfully controlled the spread of Covid-19 and recovered most substantially in 2020 and 2021. The IMF records China as the only major economy to have grown in 2020, and it is expecting the economy to grow by 8% in 2021 and 6% in 2022.

There are some reported risks that pressure on the Chinese real estate sector could have a contagion effect on the wider Chinese economy, which would have a downward influence on those positive growth expectations.

A centre for manufacture of many of the world's consumable goods, the manufacturing sector has driven China's strong economic performance.

In parallel, domestic consumption has been the focus of the Chinese government's efforts

to grow the economy. In the first three quarters of 2021 it contributed 65% of GDP – a level close to the norm for developed economies.

This 'dual-circulation' strategy – aiming to have a greater proportion of Chinese domestic activity derived of domestic consumption – is nascent but, will gradually reshape the activity and strategic focus of the world's second largest economy.

The need for imports of food and drink will remain, most particularly in key sectors like dairy and meat, where Chinese ability to produce sufficient produce for their population is limited.

As a result, Ireland's exports to China have the potential to grow further over the coming years, and are likely to diversify in terms of the range of products.

Dairy is by far the largest part of Ireland's food and drink export to China, and accounted for 60% of the €802 million of exports in 2021. The mix of products involved in that dairy export is changing as finished specialised infant nutrition declines and constituent ingredients increased in 2021.

Access has been restricted for Irish beef since May 2020. Re-opening of that access along with permission for sheepmeat exports will help widen the product mix in Irish exports to China. The Chinese consumer continues to evolve rapidly and Irish producers' ability to serve this market with tailored solutions will continue to define their success.

OTHER ASIAN ECONOMIES 2021 AND 2022

Asia has been the centre of Irish food and drink export growth efforts and holds significant potential for growth. In the five major ASEAN economies (Indonesia, Malaysia, Philippines, Thailand and Vietnam) the overall size of the economy grew 2.9% in 2021. This does not counter the 3.4% decline recorded during 2020. Despite not being overwhelmed by

Covid-19 domestically, these export and tourism orientated economics were significantly affected economically. The IMF expects a return to robust growth of 6% in 2022.

Irish exports to the region have grown strongly in 2021, led not only by the export of dairy powders, which have been a key part of the export mix for many years,

but also by significant growth in pigmeat and in beef exports. In 2021 the Philippines remained the largest destination for Irish primary beef exports outside the UK and EU27. Growth in dairy consumption in this region is assured and self-sufficiency is low, so the prospects for Irish growth in the region are strong.

GLOBAL COMMODITY MARKET AND GLOBAL FOOD PRICES 2021 AND 2022

2021 was characterised by persistent and significant rises in primary commodity prices, and there is an expectation that those price increases should moderate in 2022.

After reaching all-time highs, natural gas and coal prices are expected to decline in 2022 as demand growth slows and supply constraints ease. Crude oil prices are forecast by the World Bank to average \$74 per barrel in 2022, up from a projected \$70 per barrel in 2021.

After rising more than 48% this year, metal prices are projected by the World Bank to decline by 5% in 2022. Agricultural prices are expected to broadly stabilise in 2022, following a 22% increase in 2021. High commodity prices, if sustained, could slow growth

in energy importing countries and exacerbate food insecurity in low-income countries.

The IMF's food and beverage price index, tracking the global price of commodities in the sector, rose sharply in 2021. The Index is benchmarked to 2016 and while prices through 2020 were below the benchmark index, prices in Q3 2021 were 30% higher than the benchmark. Some major international food and drink companies – Coca-Cola, Unilever, Nestlé, Mondelēz International and General Mills among them – have publicly commented that these levels of commodity price increases will have to be passed through to consumers.

Irish farmers and food producers are faced with the significant

challenge of considerably inflated input and operating costs. This is putting pressure on their ability to deliver end products in what remains a competitive marketplace. Key inputs, such as feed and fertiliser, have increased in cost for Irish producers significantly in 2021. An easing of these high prices remains unlikely for 2022. Cost of production has remained elevated, and demand will sustain through the year.

The Food and Agriculture Organisation expects the inflated commodity prices to moderate somewhat in 2022, as the supply demand mismatches ease.

Prospects for Irish Food and Drink Exports 2022

The prospects for Irish food and drink exports in 2022 remain broadly positive, albeit with significant challenges to be overcome. The global consumer wants sustainably produced products that meet their needs, and the Irish industry is practised and capable at delivering that in markets emerging and established.

Bord Bia remains convinced of the possibility and potential of future growth in the value of Irish food and drink exports.

While Bord Bia is confident in those prospects, there of course remain challenges which Bord Bia works constantly to understand and respond to. Future production growth will occur in the context of commitments to reduce greenhouse gas emissions.

The global supply demand dynamic will remain positive for producer nations like Ireland in 2022 and for the foreseeable future. Competition between those producer nations for customers will continue to increase, however, it behoves the Irish food, drink and horticulture industry to stay sharp to the changing consumer and customer expectations in each of the markets for Irish food and drink.

Trading relations are not fixed and remain in flux closest to home. In 2022, it remains possible that the UK revokes the withdrawal agreement which would undo the zero-tariff access regime currently in place. More plausibly, it remains likely that the UK will implement the withdrawal agreement in full, creating a new barrier of physical checks for the exporting companies and unclear amounts of bureaucracy in order to navigate those.

Gastro-nationalism in Europe, and further afield, remains a risk for Ireland. The sentiment has not dissipated and may come to the fore again as the Covid-19 pandemic continues into 2022. Countering those sentiments, and working through solutions with key customers, is a proactive job for Bord Bia. Consumption habits may change rapidly because of consumers increasing awareness of the input from agriculture to climate change, and this may be fused with a drive to localism.

Despite these watchouts, Bord Bia remains convinced of the possibility and potential of future growth in the value of Irish food and drink exports.

There follows an assessment of the prospects per category in 2022.





Dairy

The prospects for Irish dairy in the early part of 2022 remain positive as buyers seek to secure product amid weaker European and Oceania milk output, a factor which has also assisted in sustaining high dairy prices into the new year. The anticipated recalibration of the foodservice channel is also a key factor in the supply demand dynamic. As is the potential re-imposition of restricted access to consumption channels in the event of a return to Covid-19 physical distancing measures.

Tailwinds are further strengthened with the expectation that many exporters have closed 2021 with limited or lean carry forward positions. As always, forward sales will crystallise into actual exports in the first quarter of the year.

For Q2 and beyond, cautious optimism prevails. Chinese demand levels will be a key influencer here as will the extent to which global economic activity, consumer demand and consumption levels particularly in the foodservice channel, recalibrate after a

difficult two years where Covid-19 had a shuttering effect.

Global dairy imports will be up 3.5% in 2022, according to models by financial services network, StoneX. To that forecast, significant ambiguity around the future developments in Covid-19 related disruptions alongside the effect of currency fluctuations on customer sourcing preference have to be integrated for Irish exporters.

Although global milk output is forecasted to increase by an estimated 1.2% compound annual growth rate (CAGR) basis over the next five years, macro factors including escalating costs throughout the supply chain, erratic weather events, the revision of the European Common Agricultural Policy (CAP) and the imposition of climate actions at country and regional level are expected to have a curbing effect on milk output in the medium to long term.

The prospects for Irish dairy in the early part of 2022 remain positive as buyers seek to secure product amid weaker European and Oceania milk output

Beef

Market demand for Irish beef will be influenced by the sustained demand from our key British customers and a continuation of free access to that market in 2022.

The outlook for Irish beef exports to EU27 and the UK remains broadly positive for 2022. The markets look set to be relatively balanced in terms of supply and demand. Global market demand seems set to remain good as global supplies look to be tight as result of pressure on output from both North and South America as a result of drought conditions in both regions in 2021. Market demand for Irish beef will be influenced by the sustained demand from our key British customers and a continuation of free access to that market in 2022.

While UK beef production is forecast to increase by 10,000 tonnes in 2022, there is also an expectation that import demand will be maintained at the 2021 level of 376,000 tonnes. Beef consumption is forecast to decline by 2%, however this represents a return to 2019 consumption levels. Within this trend there is

an expectation that there will be a sustained demand for Irish beef imports from the retail and quick service sectors.

Trade to EU27 markets is expected to remain positive as consumption is largely maintained and the decline in European beef production is set to continue, with a drop of 1.4% anticipated by the EU Beef Forecast Working Group.

While it can be expected that there will be some growth in non-EU beef imports in 2022, the recovery in demand from the foodservice sector and greater exports to international markets should keep largely positive market dynamics in place. This will see further growth in the volume of Irish beef shipped to EU27 markets.



Pigmeat

Pigmeat prospects are challenged as the sector is particularly exposed to the increase in input costs being observed globally. The cost of production is likely to increase. At the same time, European consumption of pigmeat is declining and will continue to decline in 2022.

Nevertheless, the global import demand for 2022 is set to increase by over 2% to 11.9 million tonnes, reflecting the impact of lower domestic output in key regions. Chinese imports are expected to increase by around 5% during 2022, with their market share accounting for almost 40% of global imports. The next two largest global importers, Japan and Mexico, are also expected to show marginally higher import demand in 2022.

The expected strength of international demand will boost prospects although challenges in terms of production and operation costs seem set to persist.

Sheepmeat

Tighter global supplies of sheepmeat and the redistribution of global supplies have helped drive higher export values for Irish exporters and these trends seem set to continue in 2022. However, one potential negative impact is the risk of declining visibility of lamb on the supermarket shelves in major lamb consuming countries within the EU due to supply issues. This has the potential to negatively impact overall consumption of lamb in the EU.

Sheepmeat continues to have a strong association with Muslim and Christian festivals with demand for sheepmeat increasing in the weeks prior to key celebrations. In 2022, Ramadan falls on April 2nd, a week earlier than last



year, while Easter Sunday falls later on April 17th. Another key Muslim festival to consider is Eid al-Adha which is also earlier this year on July 9th.

Continuing uncertainty between the UK and the EU with regards to their trading arrangement has the potential to give Irish sheepmeat exporters further opportunities to grow market share in key EU markets. Irish sheepmeat can match the UK in terms of product quality and given the similar production systems, Irish exporters are best placed to capitalise on any current and future displacement in the market.

Poultry

The outlook for the global poultry industry shows some signs of recovery as economies re-open in response to increased vaccination levels for Covid-19. The food-service channel has benefitted from this development, with this channel traditionally accounting for around one third of global poultry consumption.

EU forecasts expect European production to be 13.7 million tonnes in 2022, a return to growth following a slight decline in 2021. For Irish exporters, the status of trade with the UK will continue to

be a determinant of the prospects for recovery and growth.

In addition, access to international markets, particularly South Africa, will be critical for achieving carcass balance and future growth.

Live Exports

Demand for Irish calves from customers in key EU markets is forecast to be similar to 2021 levels. Strong calf prices were a limiter of trade in 2021 and this is expected to continue into 2022, with the growing interest amongst Irish farmers in raising dairy origin calves for beef expected to keep a floor under calf prices. The high concentrate feed prices and the ongoing pressure on the live export of young calves also have the potential to negatively impact the level of export in 2022. The increase in the dairy cow herd in June 2021 by 34,000 head will also contribute to higher levels of calf availability in 2022.

Demand for store and adult cattle is expected to remain firm in 2022, particularly from Northern Ireland which was the stand out market for Irish cattle exports in 2021. The international trading of cattle has been heavily disrupted by the impacts of Covid-19, however there has been increased interest in Irish cattle from third country markets, including Azerbaijan, Kazakhstan, Libya and Israel, which have the potential to boost the level of cattle exports in 2022.

Seafood

Prospects for Irish seafood export in 2022 are mixed across the sub-categories.

For pelagic species, there will be a further cut of 2.5% in the Irish quota. The success in attracting foreign boats to land in Irish ports will dictate potential for increased export value. More focus on value-added opportunities will be needed to drive export value within this sector as raw material supplies continue to decline. The recovery in exports of shellfish should continue in 2022, with continued growth into key EU and Asian markets.

The prospects for Irish organic salmon remain challenging for 2022. There will continue to be pricing pressure in our key EU markets due to the greater availability of organic salmon from Norway and Scotland. Whitefish exports seem set to face ongoing challenges in 2022. However, exports to the UK should recover some of the losses in 2021 as old trading routes will hopefully re-establish themselves in the post-Brexit era. Despite these challenges the sector remains positive about its ability to grow in an increasingly diverse range of markets across the EU27 and Asia as normal business resumes.

Horticulture

Within mushrooms, it may take some time for the highs of 2021 to be realised again in the near future in terms of total value and volume of exports. A reduction in the amount of working from home is expected to soften mushroom sales at retail in the UK, which is the source of the majority of demand for Irish product.

At the same time, in common with other categories, there is some pressure from retailers to

stock more domestically grown produce, and Ireland needs to consolidate its position as next-best to British. Irish suppliers are long established suppliers to UK multiples and have developed a range of functional benefit value-added mushrooms which align with consumer needs in the market and there is significant scope for growth within this area.

For amenity horticulture producers, the UK industry's significant challenge in labour shortages and in sourcing some raw material provides continued opportunity into 2022.

Prepared Consumer Foods

PCF exports will remain dependent on the UK to the greatest extent. There remains opportunity for growth in that market, but the scope for Irish exporters to take advantage of that growth will depend to some degree on the implementation of the TCA and the relationship between the UK and the EU.

Value-added meats and the meal solutions categories will continue to deliver the largest blocks of export value in this wide and complicated category.

The opportunity for diversification rests most significantly in the EU and within the meal solutions category. The logistical challenges of chilled export to those markets should not be dismissed however.

Opportunities for Irish manufacturers across confectionary, bakery and snacking will continue to track consumer lifestyle trends.

Exporters within the sector report being optimistic for the possibility of growth within the UK, but also within other export markets.

Drinks

The prospects for the drinks sector are reasonably positive for 2022 and beyond. The recovery in exports is expected to continue in the spirits and cream liqueur sectors, notwithstanding the challenges to be overcome in relation to inflation across the supply chain. A recovery in beer exports is anticipated throughout 2022, although it may take some time to recover the losses of 2020 and 2021.

The key trends within the sector will return to their medium-term projections. Online sales will grow in many of our key target markets, especially in the US, UK, Germany and China. Globally, the e-commerce channel in the drinks industry grew by 16% in 2021 and has grown by approximately 62% since 2019.

The trend towards premium and super premium and less but better will also continue, especially in established markets which will continue to increase the value of Irish drinks exports.

Dairy

Irish dairy exports performed positively in 2021, with exports exceeding €5 billion for the third year in a row.



€5bn

Total exports



147

Exports to 147 markets worldwide



50%+

Exports outside EU and UK amount to more than 50% of total exports

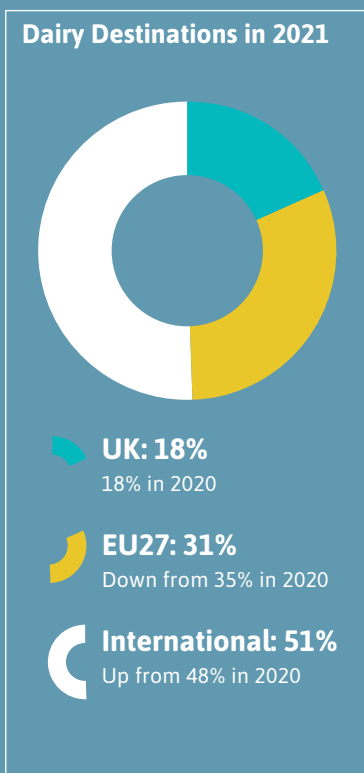


€1bn

Cheese exports were up 15%, accounting for over €1 billion in exports







Irish dairy exports performed positively in 2021, with exports exceeding €5 billion for the third year in a row. Bord Bia is actively engaged with clients across this sector, focused on delivering relevant insights and supports for Irish dairy to find new markets, develop existing relationships and explore opportunities to add value.

This will be boosted in 2022 by the start of our first EU co-funded campaign for dairy focused on South East Asia and Japan. The campaign, valued at €3.2 million over the next three years, will help us to significantly boost our awareness building activities for Irish dairy in these key import regions.

Strong market returns across the core categories of butter, cheese, and powders, coupled with a diversified market spread, helped sustain strong demand during the year. North America and Africa saw exceptional growth, which countered the dampening effect of softer demand for specialised infant nutrition in Asia. The Irish dairy industry once again demonstrated its resilience throughout 2021 by delivering this positive performance against a backdrop of ongoing global supply chain disruption, as well as soaring input, processing, and logistical costs.

Reduced milk output from major European producers like France, Germany and the Netherlands, coupled with strong demand for ingredients particularly from China, all led to a positive market environment for much of the year. Butter and cheese exports, which typically account for approximately 40% of all dairy exports, both recorded growth, with strong demand for casein and whey also contributing positively to export values. Combined these four sectors are estimated to have contributed over €300 million of additional exports during the year.

Reduced demand for imported finished and base powders to Asia for the specialised infant nutrition sector proved to be a headwind in countering overall Irish dairy growth, with exports in this category declining by an estimated €220 million. This was reflected both in direct exports to Asia and indirect exports via France, Germany, and



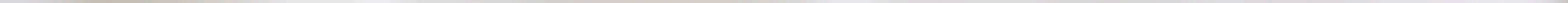
The Irish dairy industry once again demonstrated its resilience throughout 2021



**Strong market returns
across core categories
helped sustain strong
demand during the year**

Value of Dairy

	FY2019 €	FY2020 €	FY2021 est €	% change YoY	% change 2019/2021
Butter	1,097,086,907	969,412,190	997,434,614	3%	-9%
Buttermilk	53,541,461	43,032,148	60,468,685	41%	13%
Casein	298,372,086	373,655,854	467,498,721	25%	57%
Cheese	956,369,196	918,771,447	1,059,195,202	15%	11%
Dairy spreads, fats and oils	65,493,190	55,631,114	52,555,222	-6%	-20%
FFMP	780,056,739	835,006,539	677,626,900	-19%	-13%
Specialised infant nutrition	904,794,833	896,069,236	681,689,879	-24%	-25%
Margarine	518,774	512,480	3,338,611	551%	544%
Milk and cream	91,005,914	112,077,978	121,501,411	8%	34%
Milk protein concentrate	79,640,894	75,264,962	97,066,473	29%	22%
SMP	343,956,874	362,160,211	397,938,370	10%	16%
Whey	197,756,794	203,179,610	254,464,835	25%	29%
WMP	157,791,199	198,537,622	157,602,718	-21%	0%
Yogurt	17,313,686	11,885,418	12,663,102	7%	-27%
Total	5,043,698,547	5,055,196,809	5,041,044,741	0%	0%
Total ex IMF	4,138,903,714	4,159,127,573	4,359,354,862	5%	5%



Netherlands. When this category is excluded, Irish dairy exports to Asia grew by approximately 30% or €100 million in 2021.

Fat filled milk powder recorded an estimated €160 million decline (-19%) YOY in part owing to the industry's strategic utilisation of the milk pool to maximise value return. This was particularly evident in relation to exports of fat-filled powders for further processing into European destinations. However, exports of finished product to Africa grew by 20%, driven by improved economic conditions in key West African markets.

From a destination perspective, 2021 truly demonstrated the diversified nature of Irish dairy exports as trade was recorded to 147 markets. Indeed, 2021 was the first year where exports of Irish dairy to markets outside of the EU and UK exceeded 50% of all exports.

Greatest growth gains were seen in North America (+€90 million) and Africa (+€74 million) in the year, whereas Asia and Europe were impacted by direct and indirect demand for specialised infant nutrition and fat-filled milk powders. It should be noted, however, that when these products are excluded both regions

demonstrated significant growth. Exports to the United Kingdom were in line with 2020 values, at €926 million, a positive performance given high inventories in the market at the start of the year. The Middle East declined in export value by €34 million, owing to a combination of macro factors, including logistical issues and, in particular, a pronounced shortage of shipping containers and delays at ports. The effects of Covid-19 on the economies of the region and the high price of dairy imports also played a role.

Primary Producer | Farm Level

Reflecting those firm markets and sustained demand, Irish farmgate milk prices saw gains month-on-month throughout most of 2021, with milk prices estimated to have increased up to 10% between January and May, importantly coinciding with peak milk, and then a further 6% over the shoulder of the season. An early start to the calving season resulted in particularly high output in March, setting up strong milk output performance for the year, with estimated collections up by approximately 6% for the full year.

Mounting costs

Increased input costs throughout the dairy supply chain were a key feature of 2021. Costs at farm level including feed, fertiliser, and energy, all increased strongly during the year in line with global trends. Similarly, processors and exporters faced significant cost increases from pallets to freight, with a stark outlook for the latter, as freight forwarders quotes were approximately 80% above 2020 prices.

Logistical Challenges

Procurement of haulage and freight equipment proved a challenge throughout the past twelve months, with China's strong economic recovery cited as a significant contributor to global demand for shipping containers in the first half of the year, coupled with a severe shortage of heavy good vehicle (HGV) drivers across the United Kingdom, due to Brexit and Covid-19.

Congestion at ports around the world, in part due to labour shortages owing to Covid-19, exacerbated the challenges as costs associated with delays and jammed sea lanes accrued. The cyclical movement of containers through international sea lanes

was also impeded resulting in elongated lead times for loadings and by default, a reduction in export volume off the island of Ireland.

These combined factors had a significant impact on exports as quantities of sold stock remained

in Irish warehouses waiting on availability of shipping equipment and vessel connections. This was particularly evident in the first half of the year where export volumes were back almost 20% or 160,000 tonnes in comparison to the same period in 2020.

Destination Performance

United Kingdom

A significant feature of 2020 and each year proceeding since the 2016 Brexit referendum was the logistical movement of stock from Irish ports to British ports and alternative EU destinations in a concerted effort by the Irish industry to mitigate against a hard Brexit.

Irish dairy exports to the UK in 2021 lagged 2020 volumes, as the strategic movement of contingency stocks to mitigate against the ill-effects of a hard Brexit abated. This was exacerbated by less UK butter and cheese being exported. Higher inventories of dairy products in the UK meant that pull through was slow at the start of 2021, with overall import volumes of cheese from any origin back 18% into the autumn and butter back 32%.

However, the second half of 2021 saw monthly demand return to more recognisable levels with full-year volume declines covered by value increases to deliver a YOY performance seeing the region grow by 1% to an estimated value of €926 million, or 18% of all exports.

European Union

Exports of Irish dairy to the EU declined by 11% to a value of €1.57 billion in 2021, or 32% of all exports.

Butter, cheese and casein to the region all performed strongly, with exports of these categories exceeding €1 billion, growing by an estimated 14%.

The reduced movement and value of both finished and base ingredients for the specialised infant nutrition sector, with volumes back over 60% from a value and volume perspective, affected overall trade. These figures are indicative of the demand challenge in Asian markets, where this product would be consumed, but the impact can be seen across Germany, France, and Netherlands, where many of the global manufacturers of these products have further manufacturing facilities.

When these products are excluded, exports to the EU would have seen growth in the region of 6%, supported by a flat performance in Germany and expansion in France (+11%), Netherlands (+12%), and Spain (+34%).



+80%

Freight forwarders quotes are **80% above 2020 prices.**



UK:

€926 million

+1% YOY



EU27:

€1.57 billion

-11% YOY



Asia:
€150 million
 –2% YOY



North America:
€533 million
 +90m since 2020
 +100% since 2016



Africa:
€700 million
 +12% YOY



Middle East:
€272 million
 –11% YOY

Heading into 2022, prospects for growing Irish dairy exports to the EU remain positive. As lower output forecasts in France, Germany and Netherlands will reduce supply available on the continent and encourage demand for butter, cheese and powders.

Asia

Similar to Europe, exports to Asia were impacted by the declining demand for imported specialised infant nutrition, which reduced exports of these products to the region by approximately €150 million.

Overall exports of Irish dairy to Asia declined by an estimated 2%. However, this masks a positive performance, as other dairy products saw a significant increase in exports. Milk and cream, casein, powders, and whey all grew by between 10 – 150% for the year.

From a destination performance, Bangladesh (+€15 million), Malaysia (+€16 million), Indonesia (+€11 million) and Thailand (+€17 million) all performed strongly. China came in at €474 million, €78 million lower than the record performance of 2020 due to the decline in specialised infant nutrition, although some of this was offset by an upside of the remaining basket of exported ingredients. Demand in priority markets of Japan and Singapore remained robust at €65 million and €26 million respectively, an encouraging sign given ongoing Covid-19 restrictions in both markets.

North America

North America performed particularly positively in 2021, exceeding the half a billion mark for the first time to deliver an estimated €533 million worth of exports, a €90 million increase on 2020 figures and a more than doubling in the value of dairy exports since 2016. A modest volume decline in butter was countered by better returns, whereas cheese exports grew both in value and volume as foodservice re-opening supported consumption. Casein is a key product for both the US and Mexico markets. High demand for this delivered an additional €25 million in the year.

Africa

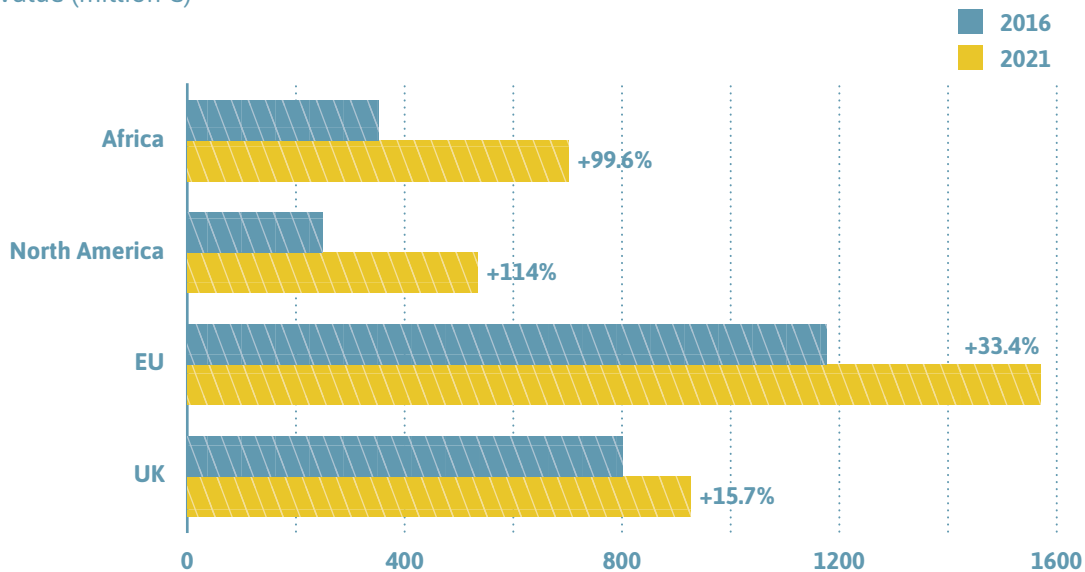
A similarly positive story was seen in Africa, where record exports of approximately €700 million delivered year-on-year growth of 12%, €74 million thanks to strong demand for powders in sub-Saharan markets and cheese in Egypt and Algeria.

Within the continent there is a clear disparity in performance between those markets for fat-filled milk powders, largely West Africa, and the markets for other dairy products in North Africa. Indeed, the big drivers of demand have been Nigeria, Côte d'Ivoire, Benin, Niger, and Senegal.

The North African countries of Algeria, Egypt, Morocco, and Tunisia by comparison struggled in the year, with trade back approximately 18%. Local trading requirements complicated butter exports to the region, whereas strong global skim and whole milk powder prices meant that Irish suppliers didn't partake in local tenders to the same

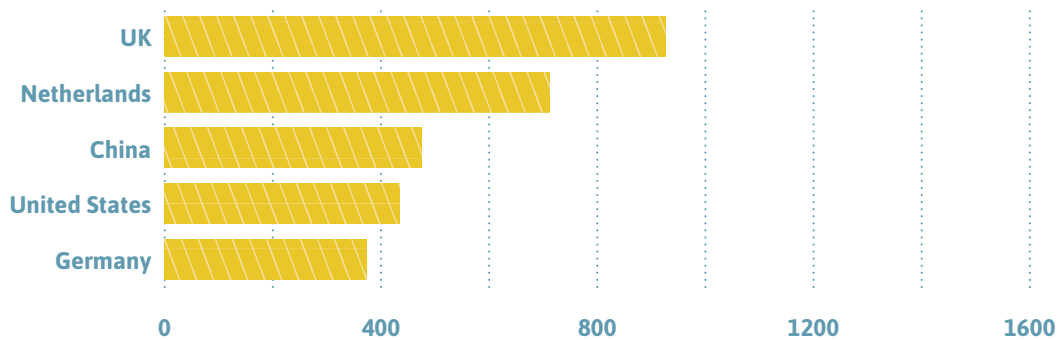
Notable Growth Markets

Value (million €)



Top 5 markets for Dairy overall

Value (million €)



extent as other years. However, there is a positive trend emerging in North Africa regarding cheese exports that increased by approximately 10% to be worth €149 million.

Middle East

Irish dairy exports to the Middle East totalled €272 million in 2021, representing a decline of 11% versus 2020. The major drivers of this decline, like in Europe and Asia, were fat-filled milk powders and specialised infant nutrition with in market

reports of logistical challenges meaning that Irish exporters sent product elsewhere. On a positive note, exports to Saudi Arabia – the largest market in the region – grew in the year by 3% and prospects are positive in 2022 for the United Arab Emirates with increased tourist footfall predicted.

Global Output

Irish Output

Irish milk collections grew to approximately 8.8 billion litres in 2021, representing growth of 6% on 2020. Weather conditions were favourable for much of the year, with some regionalised challenges. Elevated levels of rainfall impacted parts of the border, midlands, and western region during the spring with drought conditions impacting parts of the southern half of the country for short periods during the summer. In general, however, conditions were favourable with an excellent back end leading to extended grazing.

New Zealand

Producing around 3% of the world's milk, but exporting around 94% of its production, New Zealand ranks among the world's largest dairy exporting countries and is therefore highly reliant on open markets and stable global trade rules. In 2021, record production and exports were achieved with firm market prices and historically high farm incomes. In 2021, New Zealand milk production increased by 2.4%, with the first six months of the year exceptionally strong

followed by a weaker second half of the year, which was running 3.4% lower up to the end of October.

Australia

In 2021, Australia's dairy sector enjoyed one of its best years in recent history. Favourable operating conditions in key dairy districts combined with strong domestic demand and firm international prices resulted in sentiment moving into a positive space for the first time in five years. Australia is now the world's 15th largest dairy producer and the fourth largest dairy exporter. Climatic challenges have had a significant impact on the dairy production landscape in recent years, with eight of Australia's ten warmest years on record having occurred since 2005. Milk production increased by approximately 0.5% in 2021 after jumping almost 3% in 2020.

Europe

Despite being boosted by strong prices during the first period of the year, milk production slowed during the summer due to the continued rise in input costs,

which counteracted the milk price increase. In 2021, supply witnessed a modest increase of 0.4% with the growth driven by Ireland (+6%), Poland (+1.5%) and Italy (+1.8%). Germany and France, which combined account for almost 40% of European production, were back 0.5% and 1.5% respectively due to a reduction in cow numbers, number of dairy farms, and rising input costs.

US

US dairy cow numbers strongly increased in the first half to 2021, totalling 9.5 million head by June, which is the highest level in 20 years. This translated into strong milk production growth, with record production in the first half of the year, however higher feed costs leading to lower farmgate margins resulted in a slowdown in production and a cut back in cow numbers in the second half of the year. Production growth in 2021 increased by approximately 2.2%, having achieved similar growth in 2020.

Category performance

Cheese

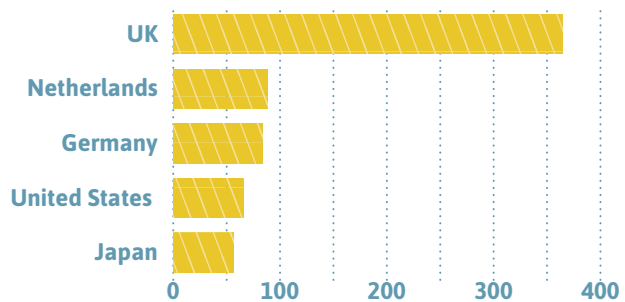
2021 was the first year that Irish cheese exports exceeded €1 billion – a 15% increase in export values. This was a particularly impressive performance given the headwinds of ongoing food-service closure worldwide. The YOY comparison is also comparing to a year of extraordinary export as producers maximised stock in the UK prior to the end of the Withdrawal Agreement.

The key driver of this growth was better overall pricing return from the marketplace, with the value/kg reported via the CSO growing by 13% YOY as well as increased volume demand in EU27 (+15%), North America (+65%) and Africa (+9%).

The UK is historically Ireland’s largest market for cheese, typically taking approximately 40% of all volumes exported since 2016. In 2020, this volume grew to 49% in the year with Brexit ‘just in case,’ stockpiling a feature. Early 2021 saw this volume worked through and exhibited lower, on the face of it, demand for Irish imports. Demand has re-emerged through 2021. The record volumes seen in 2020, as exporters maximised exports while Brexit negotiations continued, were not repeated. But a total export volume of 21,000 tonnes was recorded. However, value appreciation covered much of the shortfall in volume in the UK.

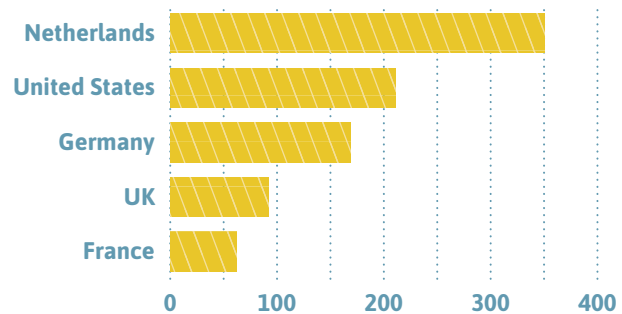
Top 5 markets for Cheese

Value (million €)



Top 5 markets for Butter

Value (million €)



Butter

Butter exports from Ireland grew 3% to be worth almost €1 billion for the year. This value increase was despite a decrease in the volume of butter exported YOY following the record volumes of 2020.

Global prices on butter performed well in the year with prices quoted via Dutch Dairy Board in November 2021, up by as much as €2,000/tonne versus the same time in 2020.

Supply chain restrictions on volume traded into non-EU markets were countered by robust pricing and demand in Europe, where exports grew 16% to €625 million supported by strong import demand in Germany, Netherlands, and France in particular.

Demand for Irish butter in North America also mirrored 2020, with exports exceeding €210 million for the year. Butter exports to the UK performed modestly, being behind by up to €50 million, but were in line with overall UK import butter demand, which is estimated to be back by 10% in the year.

Specialised nutritional powders

2021 was a challenging year for global exports of specialised nutritional powders as a perfect storm of factors coincided. Demand in China continued to move in favour of domestic brands, which increased their share of the local market to around 55%. In addition, lower travel numbers reduced the quantities picked up in specialist outlets in Hong Kong and other Asian travel hubs. Ireland was not immune to this and saw volume exports below 100,000 tonnes for the first time in over 10 years,

delivering around €680 million in export value. Export values fell by over €200 million, with the impact felt in Asia and in key intermediary European destinations of Germany, Netherlands, and France. However, some of this decline was offset by an increased import demand for ingredients for this sector in China in particular.

Powders

There was a positive performance for dairy powders, with notable gains in prices achieved across whole milk powder, skim milk powder, whey powders, casein and fat filled milk powders.

Irish dairy exports benefitted from the strength of demand for **casein and caseinates**, with exports increasing by around €60 million. Irish processors, as one of the few global producers of this product, have been developing capabilities and customers over many years, and were well positioned to benefit from demand for this highly adaptable protein dense ingredient used in a variety of applications from cheese manufacture to nutraceuticals.

Strong pricing underpinned the value of **skim milk powder (SMP)** exports, with prices quoted on international trading indices up by €1,000/tonne YOY. Although slightly less volume shipped for the year, the value of SMP exports exceeded 2020 values at approximately €370 million.

The market value available for more complex dairy ingredients in 2021 meant that alternative product mixes to **whole milk powder (WMP)** production were strategically prioritised by Irish exporters. Consequently, exports declined in the year by almost 20,000 tonnes, and to a value of

approximately €41 million, but this should by no means be seen as a negative given the context. Prospects of higher demand in China in 2022 because of predicted lower potential supply from New Zealand could see potential growth in 2022.

2021 was a challenging year for **fat filled milk powder** given the soaring costs of component ingredients required to produce it and its exposure to shipping challenges and higher costs. Firming prices for butter and skim, coupled with sustained record prices for casein and other protein dense powders meant that alternative mixes were seen as offering better return for manufacturers. Although this product is largely destined for non-EU markets, much of the trade is consolidated in Europe, meaning this reduced output is most felt on the continent, where volumes were back to less than 50% of 2020 volumes. On a positive front, the African continent performed strongly with value and volume of exports up 20% YOY driven by demand in sub-Saharan markets.

Whey powder continued to perform exceptionally well in 2021, with Irish exports exceeding €235 million or a 16% increase in value YOY on the back of sustained high prices and steady demand. The UK and EU27 are established markets for Irish whey and demand from each was consistent throughout the year.

Prospects for 2022

The outlook for the first part of 2022 remains positive as, at the turn of the year buyers seek to secure product amid weaker European and Oceania milk output, a factor which has also assisted in sustaining high dairy prices into the new year. The anticipated recalibration of the foodservice channel is also a key factor in the supply demand dynamic, which will continue to be guided by the level of Covid-19 restrictions in place.

Tailwinds are further strengthened with the expectation that many exporters have closed 2021 with limited or lean carry forward positions. As always, forward sales will crystallise into actual exports as customers call-off contracts to fulfil pipelines particularly in the first quarter.

For Q2 and beyond, cautious optimism prevails. Chinese demand levels will be a key influencer here as will the extent to which global economic activity, consumer demand and consumption levels, particularly in the foodservice channel as the channel continues to, recalibrate after a difficult two years where Covid-19 had a shuttering effect.

As input, processing, and route to market costs continue to move in step with general commodity increases, food inflation remains a credible concern.

Prevailing strong and sustained high pricing have been counter-balanced somewhat by increases in costs throughout the supply chain. Assuming no change in the quantity of inputs at farm level in 2022, Teagasc estimates that fertiliser costs alone could double next year when compared to 2020 levels and this, along with other costs taken into consideration, could require an increase in milk price of 3.5 – 4.0c/l to offset.

Weaker supply in the typically demand driven pre-Christmas and New Year period has aided in firming the market as 2022 emerges. Although global milk output is forecasted to increase by an estimated 1.2% CAGR basis over the next five years, macro factors including escalating costs throughout the supply chain, erratic weather events, the revision of the European Common Agricultural Policy (CAP) and the imposition of climate actions at country and regional level are expected to have a curbing effect on milk output in the medium to long term.

Global milk output for 2022 is forecast to reach 850 million tonnes. On a geographical basis, the EU is forecast to grow by 0.7%, North America by 1.4%, Latin America by 1.3%, China by 3% and Oceania forecast to remain flat in 2022.

Given the circumstances, prospects for Irish dairy exports remain broadly positive as we head into 2022.

Bord Bia will continue to work proactively with clients to ensure the delivery of ongoing, relevant insights and supports for Irish dairy to find new markets, develop existing relationships and explore opportunities to add value. Through Origin Green and the Sustainable Dairy Assurance Scheme (SDAS), Bord Bia will continue to invest in our proof points with enhanced activation of the grass fed standard for dairy planned in the year ahead. This will be further enhanced by the roll out of our first EU co-funded campaign in South East Asia and Japan, which will focus on building strengthened awareness of our credentials with key buyers in the region.

Meat and Livestock





€2.1bn

Beef exports
+9%



€542m

Pigmeat exports
-3%



€420m

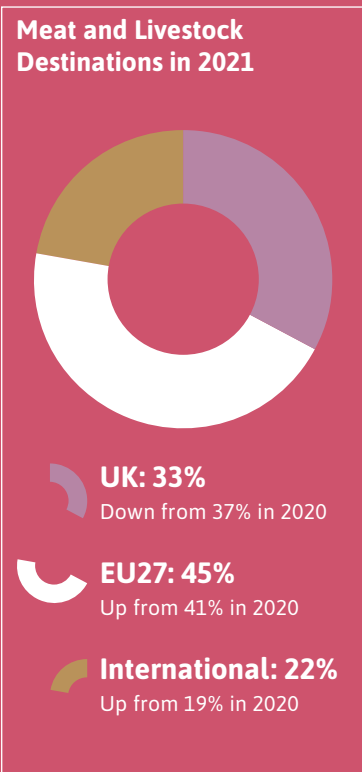
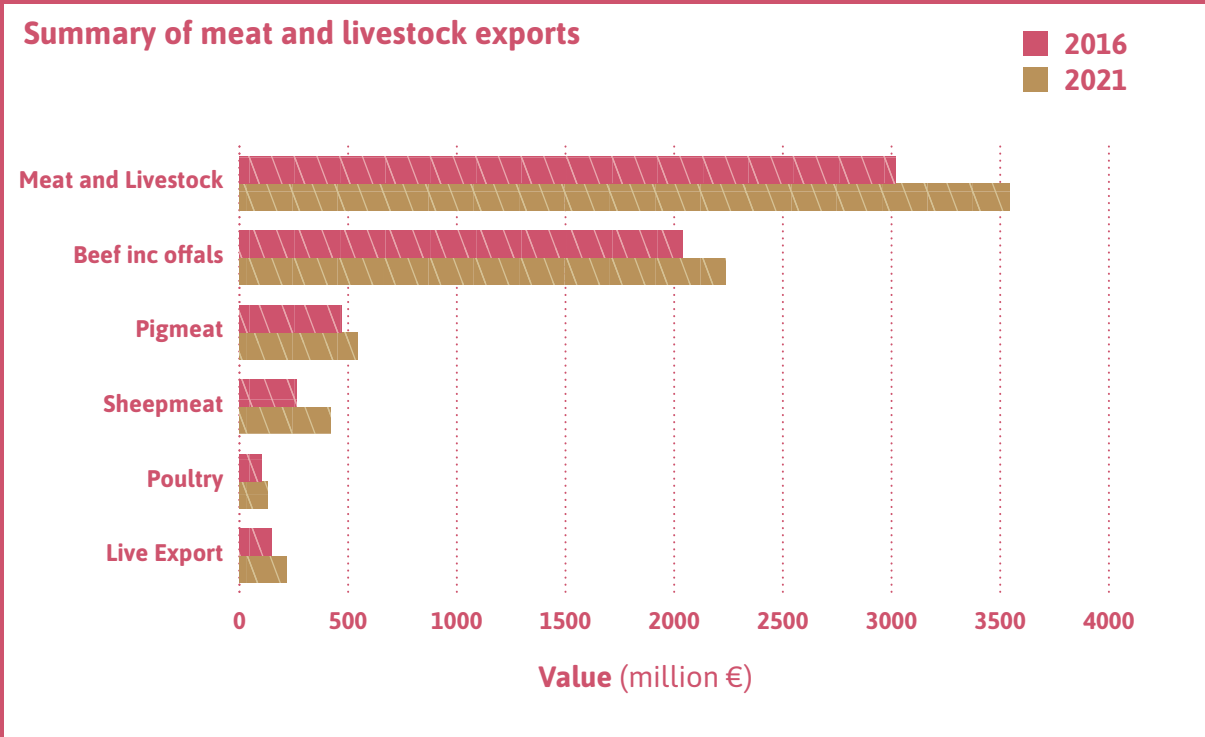
Sheepmeat exports
+15%



€128m

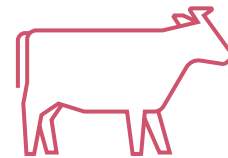
Poultry exports
-15%





Beef

Total exports of primary beef in 2021 was valued at €2.1 billion in 2021, a 9% increase on 2020 reflecting stronger prices for much of the year. Higher prices helped offset a drop of 12% in export volumes of beef and offal to 504,000 tonnes. The value of offal exports stood at €137 million, a drop of 29% on 2020.



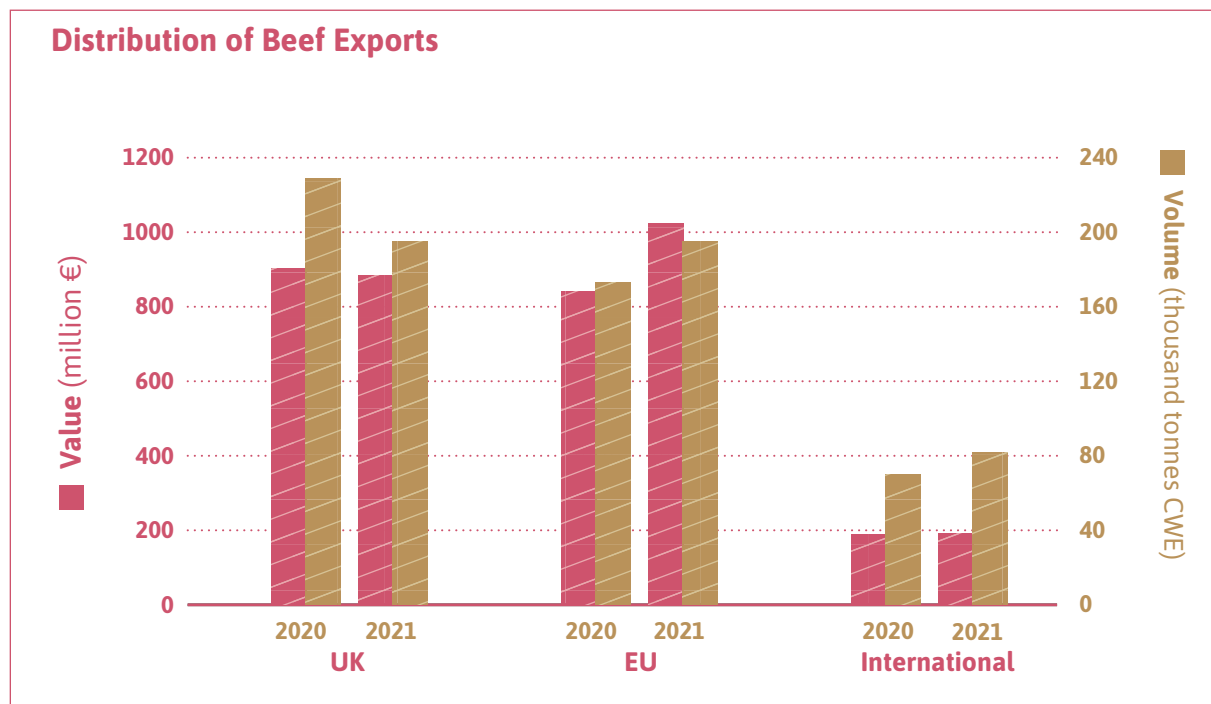
Total beef exports: €2.1 billion
+9% YOY

Bord Bia activities for beef focused on promoting the positive credentials of Irish beef and supporting exporters in their efforts to enhance the position of Irish beef with key customers, establish relationships with potential new customers in priority markets through the delivery on ongoing shopper and market insights.

While 2021 initially started with a number of challenges for Irish beef exports, the supply demand

landscape changed significantly to the benefit of Irish exporters in the second quarter, with this dynamic prevailing for the rest of the year.

The strong market and stockpiling of beef for the British market ahead of the December 31st, 2020 deadline, created a situation where demand for frozen manufacturing beef from the British market was exceptionally low in the first three months of 2021. This combined with the



early 2021 return to Covid-19 related restrictions in most markets for Irish beef, created uncertainty in demand and resulted in UK customers only topping up on essential supplies.

However, towards the early summer, a number of positive influences from an exporter’s perspective emerged. Global export supplies were still tight and beef import demand from China remained strong. It became evident that supplies of beef across Britain and Europe were tightening considerably and at the same time, Covid-19 restrictions were being relaxed across many geographies, allowing foodservice to re-open. These dynamics created a positive price environment and robust demand.

Beef consumption in the EU27 is estimated to have declined slightly in 2021. While Covid-19 dictated foodservice restrictions impacted heavily on consumption in this channel in the first half the year, demand recovered very

rapidly in the second half. While retail sales remained in growth early in the year, when consumers took increasing advantage of the re-opened foodservice channel, retail sales slowed, reverting to more ‘normal’ levels, more-or-less on a par with where they were in 2019.

On international markets there was a cooling off in demand for beef and offals in many of Bord Bia’s main markets in Asia and North America. This is partially down to the impact of Brazil’s suspension from the Chinese market and the corresponding build-up of very significant stocks that would normally be destined for that market. This combined with other import-related issues in Asian markets left international markets import demand relatively flat for the final months of the year. In contrast, demand and prices for beef in the UK and Ireland are at an eight-year high point.

Finished cattle supplies in Ireland fell by 6% in 2021 to stand at an estimated 1.7 million head, while average carcass weights declined by around 1.3%. In addition, beef production across the EU is estimated to have decreased by just over 1% in 2021, with UK output 4% lower. Imports of beef into the EU fell by around 3%, which followed a 21% decline in 2020.

This resulted in a tightly supplied European market and put strong upward pressure on prices. Average, R3 steer prices in Ireland increased by 12%, while UK R3 steer prices increased by 15%. Strong growth was also evident in Continental EU, particularly in the second half, with R3 young bull prices, increasing on average by 10%.

The Irish composite cattle price, as captured in Bord Bia’s beef price tracker was ahead of the export benchmark prices for all cattle and prime cattle in 2021, recording an increase of almost 13%. When the UK is excluded,



Irish composite prices were almost 23c/kg higher than the export benchmark for prime cattle in 2021.

Exports of offals came under pressure in the second half of the year and saw significant declines.

While the declines were in part down to lower cattle kill and weakening market demand, the greater part of the decline can be attributed to a change in exporter coding of certain product from offal to beef.

Trends by destination

Total beef exports to the **United Kingdom** were down by 2% in 2021 at around €880 million. Within the UK total, exports to Britain decreased by 8%, while exports to Northern Ireland increased by 37%.

In 2021, cattle supplies remained tight in the UK and demand from large retail and foodservice customers for higher specification beef strengthened considerably, following the initial post-Brexit-deadline lull. While demand for Irish beef, in the foodservice and manufacturing channels, has been significantly reduced, there has been an intensification in demand for higher value product. The UK now accounts for 42% of Irish beef exports in value terms, compared to 51% in 2016. In volume terms, the UK accounted for 214,000 tonnes carcass weight equivalent (CWE), representing a reduction of 15% on 2020 levels.

EU markets collectively accounted for €1 billion of Irish beef exports during the year. Total volumes to EU27 countries totalled 190,000 tonnes (CWE). This reflected strong growth of 22% in the value of exports and lower beef supplies in many of our key markets. In the key markets of France, Netherlands, and Sweden, there were production decreases of 0.6%, 1.7% and 4.3%

respectively. The EU27 accounted for 49% of Irish beef exports.

France remains the largest EU destination for Irish beef, with exports of €212 million in 2021. Exports to Germany saw a marginal decrease to €131 million. Italy increased by 1% to reach €170 million. The Netherlands increased by 6% to reach €190 million, while Sweden recovered strongly to reach exports of €104 million.

Exports to **international markets** increased by an estimated 2% to €190 million. This largely reflects a sustaining of the markets in North America and Asia, which account for the majority of Ireland's beef exports outside of the UK and EU. The Philippines was in strong growth for 2021, with exports of beef worth €46 million, a 21% YOY increase.

Exports to Hong Kong increased 45% to €33 million, countering somewhat the complete removal of mainland China as a destination for the entirety of 2021. While global import demand remained high in 2021, there were some difficulties for Irish exporters. Irish beef remained suspended from the Chinese market, which remains the main driver of the global beef trade. Chinese imports reached three million tonnes in 2021, increasing



Beef exports to UK:
€880 million
-2% YOY



Beef exports to EU:
€1 billion
+22% YOY

by 7.8%. The suspension of Brazilian beef from the Chinese market in September placed considerable uncertainty over a sizeable proportion of the global beef trade and this put downward pressure on global beef prices.

In Japan, where Irish beef imports grew strongly in 2020,

volumes decreased by 30% in 2021. However, with high prices in the market, the overall value of beef exports still grew.

The value of Irish primary beef exports to the US market declined in value by 13%, as large volumes of domestic beef became available in the second half of the year due to culling

of female breeding animals following a drought in the Western United States. This was countered by an increase in the volume and value of beef offal exports to the US. Meanwhile, the value of exports to Canada grew by 6%.

Prospects

The outlook for Irish beef exports to EU27 and the UK remains broadly positive for 2022 with the markets set to be relatively balanced in terms of supply and demand. Global market demand seems set to remain good as global supplies look set to be tight as result of pressure on output from both North and South America as a result of drought conditions in both regions in 2021. Market demand for Irish beef will be influenced by the sustained demand from our key British customers and a continuation of free access to that market in 2022.

While UK Beef production is forecast to increase by 10,000 tonnes in 2022, there is also an expectation that import demand will be maintained at the 2021 level of 376,000 tonnes. Overall beef consumption is forecast to decline by 2% however this represents a return to 2019 consumption levels. Within this trend there is an expectation that there will be a sustained demand for Irish beef imports from the retail and quick service sectors.

Trade to EU27 markets is expected to remain positive as consumption is largely maintained and the decline of in

European beef production is set to continue, with a drop of 1.4% anticipated by the EU Beef Forecast Working Group.

While it can be expected that there will be some growth in non-EU beef imports in 2022, the recovery in demand from the foodservice sector and greater exports to international markets should keep largely positive market dynamics in place. This will see further growth in the volume Irish beef shipped to EU27 markets.

China's import demand for beef continues to grow and is expected (by the United States Department of Agriculture) to reach 3.25 million tonnes in 2022. If market access can be regained, this will pose a sizeable opportunity to grow exports to that market on the same trajectory as in the first half of 2020. A return to previous import demand levels and a growing interest in Irish beef in Japan should also see growth in that market.

Increased access to Asian markets can offer further attractive opportunities for Irish exporters. Lower production levels, resulting from the drought conditions across North and South America

in 2021 can also lead to further import opportunities in North American, Asian and other global markets.

Irish cattle availability is expected to increase in the second half 2022. Bord Bia's analysis of the Department of Agriculture, Food and the Marine's Animal Identification and Movement (AIM) database and related production and trade factors, indicate an increase of 50,000 head (+3%) in finished cattle supplies for 2022 as a whole.

Pigmeat

Irish primary pigmeat export values were 3% lower at an estimated €542 million in 2021, as a strong increase in domestic output boosted supplies but failed to totally offset lower export prices. Value-added pigmeat exports are analysed as part of the PCF category.

Overall, Irish primary pigmeat exports increased by 3% to 248,000 tonnes in 2021. The pattern of Irish exports were heavily influenced by trade developments in Asia and the UK throughout 2021.

EU funded promotional campaigns remain a key focus for Bord Bia pigmeat activities and are focused on expanding demand in the emerging markets of China, Mexico, South Korea, Vietnam, and the Philippines. Shipments of Irish pigmeat to Asia now account for 67% of the total value of Irish pigmeat exports at €360 million and represents an increase of 42% on 2020 levels. Within Asia, China remains the key partner destination for Irish pigmeat exporters.

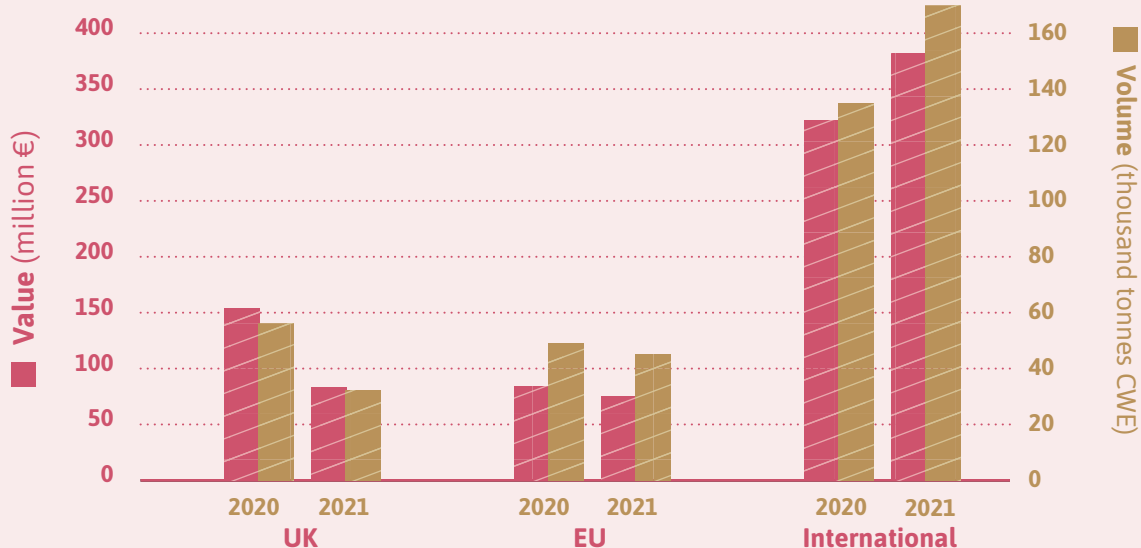
However, due to a slowdown in Chinese demand as the year progressed, most of the growth in exports to the Asian region in 2021 was driven by markets such as Japan, South Korea, and the Philippines, where lower domestic output levels boosted import demand.



Shipments of Irish pigmeat to Asia now account for 67% of the total value of Irish pigmeat exports at €360 million.



Distribution of Pigmeat Exports



Other international markets that performed strongly included Australia and the United States, where export values rose by 54% to €49 million and 20% to €27 million respectively.

The availability of competitively priced European pigmeat affected Irish shipments to the UK during the year resulting in the value of primary pigmeat exports to this market falling by 46% to €83 million for the year.

Exports to the EU27 were affected by an oversupply of pigmeat across the region, which was compounded by trading restrictions placed on German suppliers to international markets. This resulted in Irish pigmeat exports falling by 11% to €75 million during 2021.

Elsewhere, despite the headwinds evident in the German market, exports fell by just 13% to €15 million. Helping to offset some of this decline in exports to the EU was a stronger performance from Denmark and Poland. Denmark strengthened its position as the top European destination for Irish pigmeat, with €38 million worth of pigmeat exported during 2021 – 24% higher compared to prior year levels. Exports to Poland more than doubled to reach €5 million.



Exports to Australia:

€49 million

+54% YOY

Market Developments

The global pigmeat market was adversely impacted by subdued Chinese import demand from the end of the first quarter due to herd liquidation triggered by renewed African Swine Fever (ASF) outbreaks. This led to some redistribution of pigmeat across the global market during the remainder of 2021. European pigmeat suppliers were particularly exposed, as pigmeat production reached record levels. Meanwhile, leading suppliers such as Germany were affected by international market access suspensions due to the detection of ASF in their herds.

Following strong import demand for pigmeat in China during the first quarter of 2021, the second quarter was more subdued, with Chinese pigmeat imports falling by 9% to 1.4 million tonnes, compared to 2020 levels. This trend continued throughout the second half of 2021 following the emergence of a new ASF variant in China, which triggered herd liquidation. As local prices fell, producers that retained pigs for extended periods marketed their pigs to avoid further price reductions. It is estimated by the Chinese Statistics Bureau that Chinese pig production rose by 36% during the first half of 2021 compared to 2020 levels. However, for the second half of

the year production is estimated to have slowed down as liquidation eased.

The impact of ASF continues to threaten other Asian markets, while in Europe this disease has been detected in commercial piggeries across key producing member states, most notably in Germany, Poland, Romania, and Serbia.

In the Philippines, pigmeat production is expected to reach one million tonnes during 2021, around 40% below pre-ASF levels. Producers have been hesitant to repopulate herds due to fears around further outbreaks. In addition, the local government placed price ceilings on retail pork to control prices, and this has created a disincentive for expanding pigmeat production. As a result, Philippine pigmeat imports are expected to have reached record levels of 425,000 tonnes for 2021 as the government reacted to lower domestic output by temporarily lowering tariffs and increasing quota volumes.

Irish pigmeat production increased by around 5% to 336,000 tonnes in 2021, as productivity at farm level continues to improve. Production across Europe showed single digit growth earlier in the year,

which then tapered off as the year progressed, reflecting the impact of lower producer prices and higher costs of production. However, European pigmeat output increased by 2% for the year to reach record levels of 23.7 million tonnes driven by growth in member states such as Spain and Denmark.

European pigmeat exports started the year strongly, increasing by 9% to 3.7 million tonnes for the first eight months of the year, before slowing as the year progressed to finish the year around 5% higher at 5.7 million tonnes. Strong increases in demand from countries such as the Philippines, South Korea, Vietnam, the US, Australia, and the Ivory Coast were reported. Shipments of European pigmeat to China fell by around 5% to two million tonnes for the first eight months of 2021 although it continued to account for 54% of total EU pigmeat shipments for the period.

Price Trends

The EU pigmeat market was severely affected by the slow-down in Chinese demand as the year progressed. In addition, the combination of surplus product in the market due to increased output levels and more German product being available due to market suspensions adversely impacted on EU prices. The

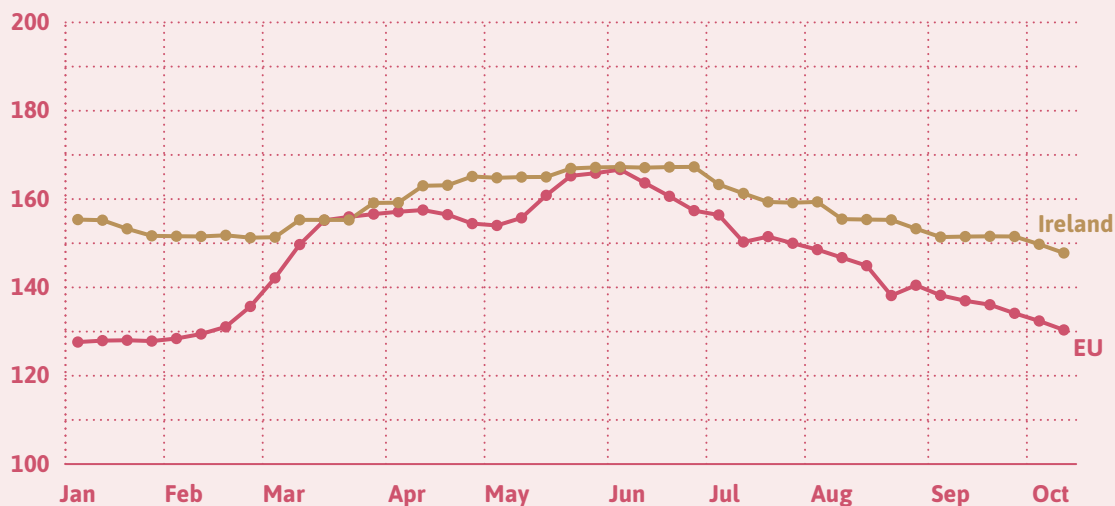
European average pigmeat price for 2021 fell by around 11% to €1.43/kg compared to year earlier levels.

Irish pig prices, while 8% above the EU average for 2021, were still 8% below 2020 levels at €1.55/kg, reflecting the impact of more difficult trading conditions

as the year progressed. This coincided with a significant increase in feed, energy and labour costs, leaving producers in a potential loss-making situation.

Pigmeat prices outperforming EU average during 2021

Prices in cents/kg



Source: Bord Bia

Prospects for 2022

Global pig producers are facing a challenging outlook as the world emerges from the global pandemic. According to Rabobank, structural and transitional supply chain disruptions combined with tight grain stocks are raising the cost of production. Labour challenges in North America and Europe have created significant challenges within the supply chain. Tight global stocks of maize and soya, together with the recent surge in fertiliser and chemical costs, are expected to drive increased volatility in feed markets for 2022.

The economic outlook emerging from Covid-19 is increasingly challenged, as significant cost inflation may impact on global consumption. The EU commission forecast that pigmeat consumption across the Eurozone will fall by over 1% to 18.4 million tonnes in 2022 as inflationary pressures influence consumer behaviour.

The United States Department of Agriculture (USDA) 2021 Autumn outlook points to global pork production falling by 2% to 104.2 million tonnes during 2022. The majority of this decrease in output is associated with Chinese production, which it anticipates will drop by around 5% to 43.8 million tonnes.

Recent forecasts from the EU Commission suggest a marginal increase in European pigmeat production in 2022, although much will depend on the cost environment and demand from key markets such as China.

ASF also remains an issue in many parts of the world, with active cases in China, the Philippines, South Korea, Vietnam, and Europe. More recently, the virus has reappeared in a commercial holding in Russia and

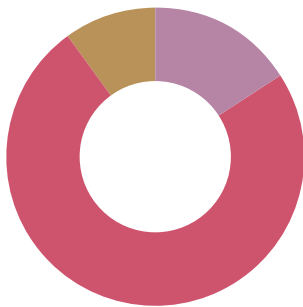
was discovered off the coast of America in the Dominican Republic and Haiti. These new cases, while not economically meaningful, create new risks for regional production.

Global import demand for 2022 is set to increase by over 2% to 11.9 million tonnes, reflecting the impact of lower domestic output in key regions. Chinese imports are expected to increase by around 5% during 2022, with their market share accounting for almost 40% of global imports. The next two largest global importers, Japan and Mexico, are also expected to show marginally higher import demand in 2022.

All of these factors combine to leave an uncertain outlook for Irish exporters. Import demand for pigmeat is likely to recover in key markets such as China, which will help provide a more positive backdrop for exports. However, the cost environment faced by both producers and processors remains uncertain.

Sheepmeat

Sheepmeat destinations
in 2021



UK: 16%
Down from 19% in 2020

EU27: 74%
Up from 71% in 2020

International: 10%
10% in 2020



The European Union remains the priority market for Irish sheepmeat exports, accounting for 74% of exports in value terms.

Tighter global supplies of sheepmeat combined with firm demand resulted in an extremely positive market for Irish sheepmeat during 2021. The value of exports increased strongly for the second consecutive year, rising by 15% to total €420 million.

This continued improvement in the value of sheepmeat exports has been driven primarily by the further improvement in the deadweight trade. This more than offset a drop of 9% in export volumes during the year at 69,000 tonnes.

The impacts of Covid-19 restrictions continued to have a bearing on the market outlets for Irish sheepmeat, with the industry adjusting to the new balance in demand for product from retail and foodservice customers. The EU however remains the priority market for Irish sheepmeat exports, accounting for 74% of exports in value terms compared to 71% in 2020. This reflects a rise of 30% in the value of exports to EU markets in 2021, with strong growth in export values to France, Germany, Belgium, and Sweden. The value of exports to Denmark, the Netherlands, and Romania continued to grow in value terms, albeit from a smaller base.

The UK accounted for a further 16% of Irish sheepmeat exports in value terms during 2021, back from 18% in 2020.

During 2021, international markets accounted for just 10% of Irish sheepmeat exports in value terms. However, access to third country markets such as Hong

Kong provide an important carcass balancing function for the Irish sheepmeat sector. Exports to Singapore have continued to grow strongly from a small base, while Switzerland has been the standout international market for Irish sheepmeat in 2021, with exports continuing to grow in both value and volume terms.



Market developments

Irish exporters benefited from reduced sheepmeat production in the EU (-1.5%) and the continued decline in the volume of sheepmeat exports from the United Kingdom. The UK is Ireland's biggest competitor on the EU market for sheepmeat. However, its export availability has continued to decline due to reduced production in the UK and an increased focus on the domestic market, with the latest available figures showing a 22% decline in the volume of sheepmeat exported to the EU during 2021 to date. The primary markets for UK lamb are France, Germany, and Belgium. The tightening UK supply has created further opportunities for Irish exporters to displace UK product in these markets.

The reduced availability of imported sheepmeat on the EU market has had a positive impact on demand and increased opportunities for Irish sheepmeat. Lower export capacity in New Zealand, due to reduced production levels and a redirection of available product away from the EU into Asian markets and the US, resulted in less New Zealand origin lamb available in our key export markets. In Australia, there was some recovery in sheepmeat production during 2021 and an associated increase in exports. However, the volumes destined for the EU markets remained quite small. Longer term forecasts for Australia have indicated further growth in sheepmeat production in 2022. No increase is expected in New Zealand sheepmeat production.



The UK is Ireland's biggest competitor on the EU market for sheepmeat however its export availability has continued to decline.

A firm deadweight trade, good production conditions and some concerns around the impact of Brexit on trade encouraged many producers to finish 2020 born lambs earlier, which resulted in a notable decline in the number of lambs carried into 2021 as hoggets. This resulted in tight supplies for slaughter on the domestic market, which combined with firm demand for sheepmeat, pushed deadweight price to record levels. The average deadweight price during the first four months of 2021 was €6.80/kg, with the highest weekly sheep price of €7.79/kg recorded in late April. In the corresponding period in 2020, the average deadweight price was €5.35/kg.

Total sheep throughput in Irish processing plants was operating 8% lower than year earlier levels during the first four months of 2021.

However, the strong deadweight trade, firm demand from processors and an improvement in lamb supplies as the summer months came in encouraged producers to present lambs for slaughter as they became fit. Lamb throughput between January and mid-November 2021 totalled 2,048,252 head, back marginally from the same period in 2020. This decline can be attributed to the firm store lamb trade, high cereal prices pushing out finishing dates on some farms, and a reduction in lamb imports from Northern Ireland for direct slaughter. Total sheep throughput in Irish plants for 2021 is forecast to reach 2.8 million head, back 3.5% from 2020 levels.

Tighter supplies for slaughter and stable demand for sheepmeat, combined with the reduced availability of imported sheepmeat from Oceania in key export markets, have contributed to the record deadweight prices recorded throughout 2021. The average deadweight lamb price during 2021 to date was €6.61/kg compared to €5.25/kg in the same period in 2020. This is an increase of €1.36/kg YOY and €1.63/kg ahead of the five-year average price of €4.98/kg.

Prospects for 2022

2021 was another exceptional year for Irish sheepmeat exports in value terms with growth driven by higher deadweight lamb prices and a reduction in the global availability of sheepmeat. Prospects for 2022 remain largely positive for the sector.

Growing demand for sheepmeat in China has continued, albeit at a slower rate than seen in previous years. The US is another key driver in the global sheepmeat trade, where growing consumer demand has seen sheepmeat imports from both New Zealand and Australia grow strongly. The strength of import demand in these two markets has been a key factor in the lower availability of imported product on the EU market.

Direct access to these markets remains the focus of the Irish sheepmeat sector, with some positive progress made in advancing access during 2021. In September last year, Ireland and China signed and exchanged formal protocols that will allow the export of lamb from Ireland to China, which is the first step towards getting direct access for Irish sheepmeat. The Chinese market is primarily a foodservice opportunity and given the demand in the region for products not fully valued on the domestic or EU markets, it offers a huge opportunity to enhance carcass balance.

There has also been some progress on access for Irish sheepmeat to the US following on from the UK gaining access to the market during autumn 2021. In December, the United States Department of Agriculture lifted a ban on the import of EU sheepmeat. This decision will pave the way for the full market access for Irish sheepmeat to the US. While lamb is a very niche product in the US, the growth in demand in terms of both value and volume for imported sheepmeat from New Zealand and Australia is very encouraging.

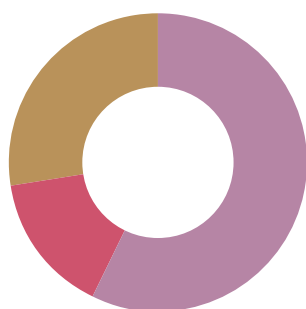
Tighter global supplies of sheepmeat and the redistribution of global supplies have helped drive higher export values for Irish exporters and these trends seem set to continue in 2022. However, one potential negative impact is the risk of declining visibility on the supermarket shelves in major lamb consuming countries within the EU due to supply issues. This has the potential to negatively impact overall consumption of lamb in the EU, which may be difficult to regain when supplies of sheepmeat improve.

Sheepmeat continues to have a strong association with Muslim and Christian festivals, with demand for sheepmeat increasing in the weeks prior to key celebrations. In 2022, Ramadan falls on April 2nd, a week earlier than last year, while Easter Sunday falls on April 17th. Another key Muslim festival to consider is Eid al-Adha, which is also earlier this year on July 9th.

Continuing uncertainty between the UK and the EU with regards their trading arrangement has the potential to give Irish sheepmeat exporters further opportunities to grow market share in key EU markets. Irish sheepmeat can match the UK in terms of product quality and given the similar production systems, Irish exporters are best placed to capitalise on any current and future displacement in the market. The one limiting factor is the seasonality of lamb production in Ireland and the availability of product to match increases in demand across the year.

Poultry

Poultry Destinations in 2021



UK: 58%
58% in 2020

EU27: 15%
15% in 2020

International: 27%
Up from 26% in 2020

Irish primary poultry exports fell by an estimated 15% to €128 million during 2021.

There was further decline in poultry exports to the UK, with the value of trade falling by an estimated 16% to €74 million, reflecting the exposure to food-service this category has, and the increased complexity of export particularly for smaller exporters due to Brexit.

Poultry exports to other EU markets were around 16% lower at €19 million, reflecting a competitive market as the year progressed. However, Irish poultry exports to France rose by 25% to almost €7 million, reflecting a quicker rebound from Covid-19 related lockdowns than anticipated.

Poultry exporters were adversely affected by the closure of the South African market throughout

the year, as local authorities stalled on reinstating market access for Irish suppliers arising from a case of avian influenza (AI) detected in the commercial flock back in December 2020. While some product destined for South Africa was reallocated to other African markets, total exports to Africa were still back 63% to €33 million for the year.

Bord Bia is implementing the EU Pork and Poultry campaign in China and Mexico, which is delivering an improved understanding of the quality and food safety credentials in those markets to facilitate export growth while also working with industry to deliver a promotional programme for Irish chicken on the domestic market.

Market Developments

The global poultry category showed strong resilience throughout 2021 as the re-opening of economies across Europe helped underpin some sectoral recovery as the year progressed. However, European exporters were negatively affected by market access restrictions during 2021, and progress around re-establishing these trading partnerships will be critical towards maximising carcass

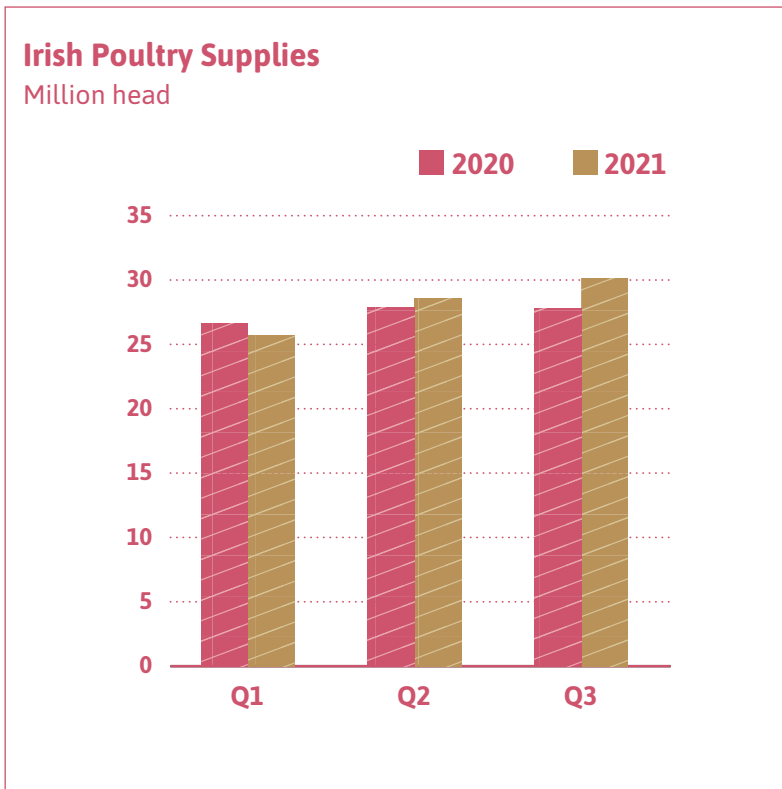
utilisation and rebuilding export performance.

These developments were reflected in EU poultry exports, which are estimated to have fallen 5% to 2.2 million tonnes in 2021. The principal markets that reduced import demand from EU suppliers included the Philippines, South Africa, Hong Kong, and the UK.

In addition, rising feed costs, AI risks and labour issues are major factors limiting production growth. These factors started to challenge EU Poultry output towards the back end of 2021. The EU commission forecast that output during 2021 was around 1% lower at 13.6 million tonnes.

Irish poultry supplies for the first nine months of 2021 were running around 3% higher at 84.5 million head. However, poultry production during the last quarter of the year was negatively affected by higher feed and energy costs combined with tighter labour availability. Overall for 2021, poultry output is estimated to have increased by 1% to 112.7 million birds.

Poultry consumption across the EU performed strongly in 2021 as the sector overcame the challenges presented by the absence of a ‘normal’ foodservice channel for significant parts of the year. Retail sales continued to perform strongly and helped to offset the



reduced volumes through food-service. For the year, EU poultry consumption is estimated to have been maintained at 12 million tonnes. In Ireland, according to Kantar, poultry sales at retail

increased marginally during the latest 52-week period ending the October 3rd 2021, which follows strong growth in 2020 through this channel.

Prospects for 2022

The outlook for the global poultry industry shows some signs of recovery as economies re-open in response to increased vaccination levels for Covid-19. The foodservice channel has benefited from this development, with this channel traditionally accounting for around one third of global poultry consumption.

For Irish exporters, the status of trade with the UK will continue to be a determinant of the prospects for recovery and growth. The UK government has yet to fully introduce the physical checks on food imports called for by the

withdrawal agreement reached with the EU. Introduction of these may introduce further complexity and challenge for poultry exporters. Concerns around AI outbreaks at the time of writing create further uncertainty for the sector.

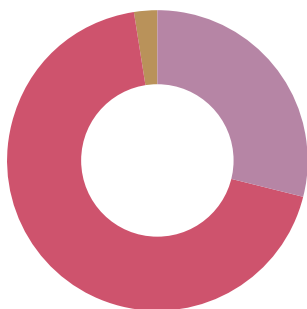
Additional challenges such as high and volatile feed prices remain evident and continue to affect industry profitability. There has been significant price increases for grains globally during the last quarter of 2021 reflecting tight global stocks. If these prices remain elevated

for a prolonged period, this will have significant implication for global poultry production for 2022.

Similarly, the status of market access to South Africa and other markets will play an important role in determining the prospects for the sector in 2022.

Live Exports

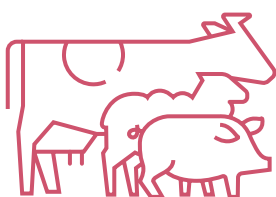
Live Export Destinations in 2021



UK: 29%
Up from 24% in 2020

EU27: 69%
Up from 68% in 2020

International: 2%
Down from 7% in 2020



Livestock exports:
€214 million
+6% YOY

The value of Irish livestock exports increased by an estimated 6% in 2021 to reach an estimated €214 million. Increased returns from live cattle exports helped to offset lower export values for both pigs and sheep.

Cattle

The Irish live cattle trade performed strongly in what was a very challenging year in 2021. The overall value of live cattle exports increased strongly for the second consecutive year to total €157 million. This accounts for an 18% increase from 2020 levels. This was despite the number of cattle exported falling marginally to 261,000 head.

The increase of the value of exports was driven by an improvement in the value of all types of cattle exported due to a firmer beef trade on both the domestic and export markets for Irish cattle. An upward shift in the age and value of the cattle being exported during 2021 has also contributed to this trend.

While the number of calves and weanlings declined by 2% and 30% respectively during 2021, the number of store cattle exported increased by 2%. The strongest growth has been in the export of adult cattle, up 8% from 2020 levels.

Calf exports are an important component of Irish live cattle exports, with most calves

exported between February and May each year. There was a difficult start to the calf export season in 2021, with the negative impacts of Covid-19 on demand for veal from foodservice, weather interrupting ferry sailings, increased competition for spaces on the ships due to Brexit, and strong calf prices making Irish calves less competitive in key export markets. However, as the season progressed, the level of exports improved, with shipments to the end of June 2021 totalling 135,000 head, which was marginally ahead of 2020 levels. Calf exports during the main calf exporting season in 2021 remained notably lower than the 184,000 calves exported during the first half of 2019.

For the second consecutive year Spain is the largest market for Irish calves, accounting for 41% of total calf exports. There has been growing interest in beef sired calves originating from the dairy herd in the Spanish market in recent years where they will be predominantly used for beef production. These higher value beef sired calves accounted for 60% of exports to the market during 2021, with the remaining

40% being predominantly dairy sired male calves.

The Netherlands was the second largest market for Irish calves in 2021, accounting for 36% of overall calf exports. These calves are predominantly dairy male calves intended for veal production. Smaller numbers of Irish calves were also exported to Italy, France, Belgium, Hungary, and Poland during 2021. A further 9,000 calves were also exported to Northern Ireland for further production this year.

There was a strong increase in the number of store and adult cattle exported during 2021 and this was driven primarily by an increase in the number of cattle being exported to Northern Ireland. Cattle exports to the region during 2021 increased in the region of 25% from the 64,000 head exported during 2020 and were significantly ahead of the 33,500 head cattle exported in 2019. Tighter supplies of cattle north of the border and firm demand from processors combined with a price differential were the key drivers behind the increase. Cattle exported for

direct slaughter accounted for approximately one third of cattle exported to Northern Ireland while the remaining two thirds were destined for farms for further breeding or production.

While increased numbers of store and adult cattle were exported to Northern Ireland, exports to other markets were much more subdued. Some older cattle were exported to other EU markets including Spain, Italy, and Greece, however the numbers involved were lower than previous years. There was also a small number of cattle traded internationally with some cattle exported to Libya, Kazakhstan, and Russia during 2021, but the level of trade was significantly lower than previous years. The high cattle prices on the domestic market for all types of cattle made it difficult for Irish cattle to compete in key export markets, particularly in markets where the demand for beef from major foodservice customers continues to be negatively impacted by Covid-19 restrictions.

The high cattle prices on the domestic market for all types of cattle made it difficult for Irish cattle to compete in key export markets.

Other Livestock

During 2021, Irish live pig exports totalled 396,000 head, a notable 11% reduction from the 443,000 exported in 2020. Production difficulties in processing plants in Northern Ireland that would typically have handled Irish origin pigs has been a key driver behind the drop in live pig exports, particularly in the second half of the year. The reduction in the level of pig exports, combined with a drop in the average price to €136/head contributed to a 17% decline in the value of live pig exports to €54 million during 2021.

During 2021, Irish live exports of sheep totalled 20,000 head, a decrease from the 28,000 exported in 2020. While an increase in the average value to €125/head compensated for some of the decline, the value of live sheep exports fell to €2.5 million during 2021. Two thirds of Irish live sheep exports are destined for France, although smaller numbers were exported to Belgium, Italy, Uzbekistan, and the Netherlands in 2021.



Production difficulties in processing plants in Northern Ireland have been a key driver behind the drop in live pig exports.

Prospects for 2022

Cattle

Demand for Irish calves from customers in key EU markets is forecast to be similar to 2021 levels. Strong calf prices were a barrier to the trade in 2021 and this is expected to continue into 2022, with the growing interest amongst Irish farmers in raising dairy origin calves for beef expected to keep a floor under calf prices. The high concentrate feed prices and the ongoing pressure on the live export of young calves also have the potential to negatively impact the level of export in 2022.

Demand for store and adult cattle is expected to remain firm in 2022, particularly from Northern Ireland, which was the standout market for Irish cattle exports in 2021. The international trading of cattle has been heavily disrupted by the impacts of Covid-19, however there has been increased interest in Irish cattle from third country markets including Azerbaijan, Kazakhstan, Libya, and Israel, which have the potential to boost the level of cattle exports in 2022.

Sheep

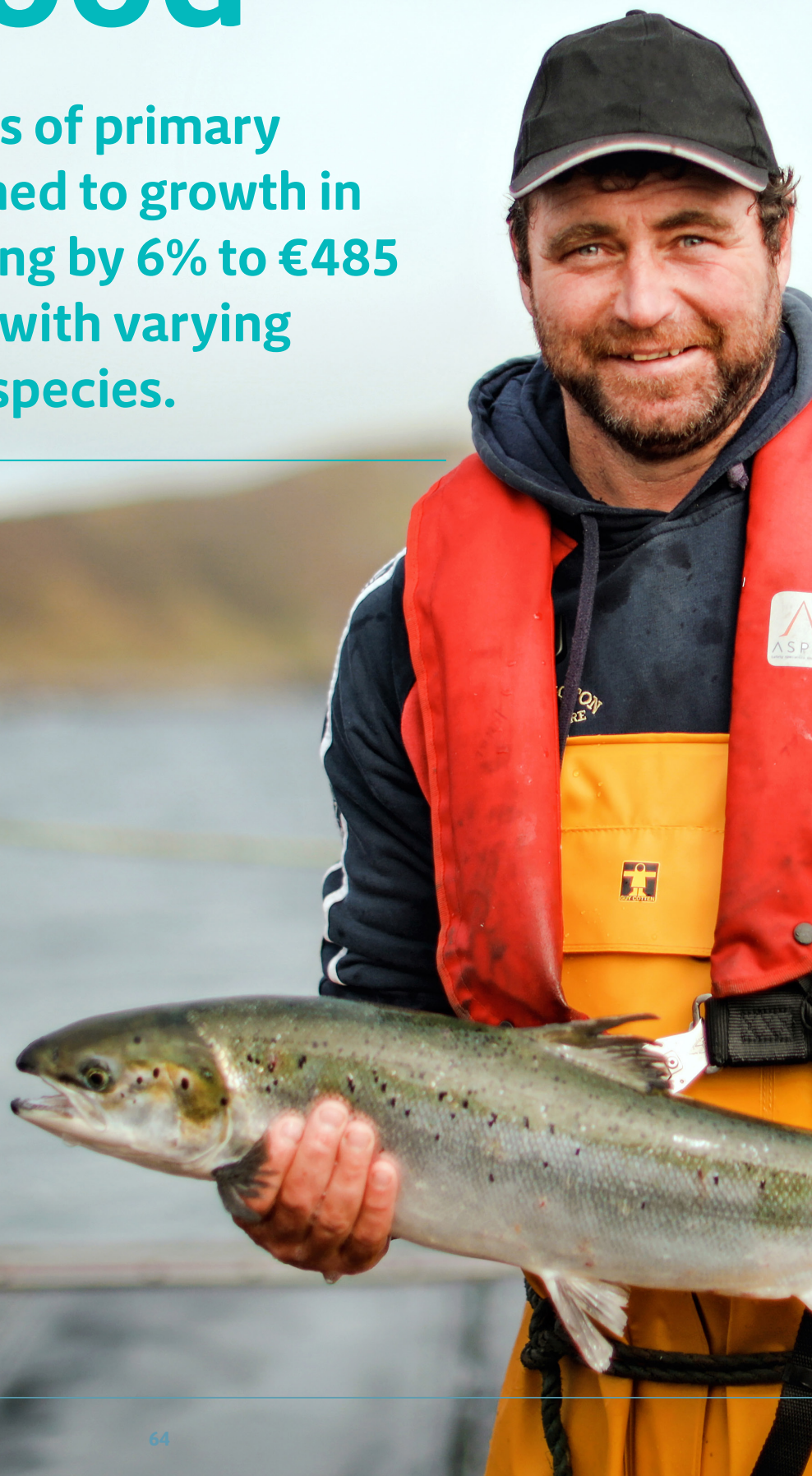
The global sheepmeat trade has continued to perform strongly which has created a firm demand for live sheep on both the domestic and export markets. The live sheep export trade is relatively small, however it has the potential to grow from this small base in 2022. There has been interest in exporting Irish lambs to some EU markets, in particular to France where deadweight prices tend to be stronger than the domestic market. As with previous years, export demand is expected to align with increased demand in the run up to key Muslim festivals.

Pigs

With the impacts of staffing issues and Covid-19 on production capacity in Northern Ireland, pork processing plants the demand for Irish pigs is expected to remain subdued. Live exports of pigs to the region is expected to continue at current reduced levels, particularly in the shorter term. This expected decrease in export demand will coincide with an increase in domestic output.

Seafood

Overall exports of primary seafood returned to growth in 2021, recovering by 6% to €485 million, albeit with varying trends across species.





€485m

Seafood exports
+6% on 2020



€285m

Exports to the EU
+2% on 2020



Seafood Destinations in 2021



UK: 8%

Down from 9% in 2020



EU27: 59%

Down from 61% in 2020



International: 33%

Up from 30% in 2020

Overall exports of primary seafood returned to growth in 2021, recovering by 6% to €485 million, albeit with varying trends across species. Compared to 2019, exports were 1% lower, a good result given the difficulties faced by the sector.

Bord Bia continues to work closely with the seafood sector through a series of targeted activities on the domestic and European markets and in selected international markets. In Ireland and priority European markets, a key focus is around promoting the credentials of Irish seafood to help enhance its position in the marketplace while also looking for opportunities to add value. In international markets much of the activities focus on growing the awareness of Irish seafood and creating opportunities for Irish exporters to engage with potential buyers and strengthen relationships with existing customers.

Seafood exports to the EU were 2% higher than 2020 at €285 million, with a strong rebound evident in Italy (increasing by 22%), and more modest recoveries in France (up 6%) and Spain (up 7%), reflecting the re-opening of the foodservice sectors in these markets. However, there was a substantial fall in exports to Poland (down 37%) and Germany (back 6%) driven largely by the reduction in Irish organic salmon exports to both markets, reflecting increased competition.

Exports to Asia recovered strongly, and grew by almost 51% in 2021 to €45.6 million. Pelagic exports recovered much

of the ground lost in 2020, while shellfish exports were up by 44%. Key growth markets for Irish seafood overall in 2021 were China, Japan, and Hong Kong, which were ahead by 95%, 18% and 12% respectively delivering exports of over €38 million.

Overall exports to Africa were up by 5% to just over €97 million, with pelagic species continuing to perform well.

Primary seafood exports to the UK were down by 9%, to almost €38 million, with a fall of almost 43% in the value of whitefish exports, but growth of 38% in freshwater exports.

Sub-category analysis

The **pelagic sector** has experienced a difficult 2021 with a cut to the all-important mackerel quota as a result of the EU-UK Trade and Cooperation Agreement (TCA). This has left the Irish processing sector in difficulty for sourcing raw material supplies to service the needs of their customers in the international marketplace. As in previous years, as a result of uncertainties around Brexit, there was a concerted effort by the Irish pelagic sector to catch a sizable proportion of the mackerel quota allocation at the start of the season and this boosted exports in the early part of the year. Improving exchange rates in the early part of 2021 also meant that many processors moved significant portions of their stock early in the season rather than holding on to it for the latter part of the year. The sector managed to attract some landings of non-Irish vessels for various species and blue whiting activity improved this year compared to 2020.

Higher prices offered by many of the larger Norwegian processors to attract raw material resulted

in increased competition for supplies by Irish processors, impacting on margins and focusing their efforts on sales in the higher value Asian markets to the detriment of exports to Africa and other regions.

In overall terms, the value of pelagic exports was down 1% at an estimated €169 million, but 6% ahead of exports in 2019. The Asian markets were strong, with Irish exports to this region increasing by 56% in value to €25.7 million, as markets opened up and demand increased for imported pelagics.

Pelagic exports to the EU also recorded a slight increase at 1%. Pelagic exports to Africa were down 7% on 2020 but 33% ahead of 2019 exports. Exports to the largest market for pelagics, Nigeria, recorded a fall of 37%, as exporters sent more product to higher value Asian markets.

With the re-opening of foodservice channels in Europe and Asia, **shellfish exports** recovered some of their losses in 2021. Total shellfish exports were up by 25% at €165 million, with volume





increases running at around 17%. Shellfish exports to Asia increased by more than 29% in value, but were 44% lower than 2019 exports. EU markets also showed good recovery increasing by almost 26% in value.

Demand for Irish shellfish in China and Hong Kong was particularly strong, increasing by over 23% and 33% respectively. There was also a good recovery in the Japanese market, while exports to South Korea remain muted. Covid-19 related restrictions continue to impact on seafood demand in this market, particularly in the foodservice channel.

Growth was evident across all of Ireland's core EU markets for shellfish exports with notable strong performances being recorded in Italy, which increased by just under 50% in value, despite export volumes only rising by 25%. Ireland's most important export market, France, also showed growth of 12%, but was 10% lower than 2019.

While the shellfish markets were strong, the sector was impacted by lower volumes of raw material, which led to higher prices. Demand for Irish oysters was firm in France, but exports to China declined due to the challenges of airlines in getting perishable products into Chinese airports as

a result of Covid-19 restrictions. Mussel demand was firm across Europe and market conditions favoured Irish exporters with significant reductions in UK mussels reaching the EU markets. Demand was also strong for the larger grade prawns in Italy, but supplies were tight with demand outstripping supply. The trade for prawn tails to the UK continued to be strong. Demand was also ahead of supply for core species such as brown crab and lobster and as a result, prices increased across Ireland's main export markets.

The Irish **organic salmon** sector experienced a challenging 2021, with increased competition in the organic market segment from other countries offering year-round supply, now impacting significantly on prices secured by Irish exporters. In overall terms, exports declined by 8% in value to €98 million during 2021 with the fresh market being

particularly impacted. While prices held firm in the French market, exports of Irish organic salmon fell sharply in both value and volume terms to Poland.

On a positive note, exports of **smoked salmon** increased strongly, with sales buoyant in the Christmas period and export values increasing by more than 100% in value compared to 2020.

The **whitefish** export market was challenging in 2021. Good supplies from French and Spanish vessels coupled with prioritisation by French buyers for sourcing from local vessels meant it was difficult for Irish whitefish exporters throughout the year. European markets in France and Spain were challenging, with ongoing price volatility evident. Prices for Irish haddock in the UK were weak due to an abundance of haddock in the North Sea, which made it difficult for Irish processors and co-ops to secure reasonable prices from the market during much of 2021.

In overall terms, whitefish export values declined by around 15% to €41 million, with volumes reducing significantly more by over 40% during the year. Lower quotas for some whitefish species, greater consumption of whitefish on the domestic market, and difficult catching conditions all contributed to the overall reduction in 2021.



Prospects for 2022

Prospects for Irish seafood export in 2022 are mixed across the sub-categories.

For pelagic species, there will be a further cut of 2.5% in the Irish quota. The success in attracting foreign boats to land in Irish ports will dictate the potential for increased export value. More focus on value-added opportunities will be needed to drive export value within this sector as raw material supplies continue to decline. The continued re-opening of foodservice in Asian markets, in particular, may help the sector to achieve stronger prices in 2022.

The recovery in exports of shellfish should continue in 2022, with continued growth into key EU and Asian markets. One of the key challenges will be availability of raw material for the processing sector and the ability to service existing and new customers in key export markets. The continued cut in the Irish prawn quota as a result of the TCA will be a challenge for the sector.

The prospects for Irish organic salmon remain challenging for 2022. There will continue to be pricing pressure in our key EU markets due to the greater availability of organic salmon from Norway and Scotland, necessitating the sector to continue to tell the Irish organic story and what sets it apart.

Whitefish exports seem set to face ongoing challenges in 2022. However, exports to the UK should recover some of the losses in 2021, as old trading routes will hopefully re-establish themselves in the post-Brexit era. The sector continues to experience good growth on the domestic market,

as Irish consumers increasingly recognise the health benefits of eating seafood and continue to increase their consumption and support for locally landed seafood.

Across the EU27, Irish exporters expect consumers to continue to support local brands where available in the interest of national economic recovery. This will continue to impact on clients exporting into these markets in the short term.

Despite these challenges, the sector remains positive about its ability to grow in an increasingly diverse range of markets across the EU27 and Asia as normal business resumes. There continues to be some new product development opportunities in the retail channel, with growing consumer demand for more ready-to-cook whitefish product formats, particularly in traditional seafood markets.

Horticulture

The category is dependent on the UK as a destination market and this has not changed in 2021.



€208m

Horticulture exports
+14%



€151m

Mushroom exports
+31%



€151m

Amenity horticulture exports
+16%



€61.8m

Cereal exports
+9% on 2020
+23% on 2019



95%

of exports go to UK



Horticulture Destinations in 2021



UK: 95%
Up from 90% in 2020



EU27: 4%
Down from 5% in 2020



International: 1%
1% in 2020



The category is dependent on the UK as a destination market and this has not changed in 2021.

The export of horticulture and cereals from Ireland increased in value by 14% to €271 million in 2020. The primary constituents of this export mix are mushrooms, primary cereals and amenity horticulture.

Bord Bia is supporting horticulture clients across the breadth of the industry and is proactively engaged with a number of high growth exporting companies to enable them to continue to win in a competitive marketplace.

The category is dependent on the UK as a destination market and this has not changed in 2021. Approximately 95% of horticulture exports were destined for that market.

Mushroom exports – which were valued at €151 million in 2021 – saw good growth. The value of exports in 2021 was 31% ahead of 2020. Retail sales for the whole UK market over 2021 in comparison to 2020 were up 5% in value, and 3% in volume.

The largest sector is still pre-packed closed cup, with almost 50% share of total mushrooms. Brown, buttons, and portobello mushrooms are performing well, while flat mushrooms are declining.

While production has increased in Ireland, responding to the strong demand in the UK market, there have also been more imports from Northern Ireland in 2021, for re-export to the UK. Stripping that out, there was an 8% increase in Republic of Ireland (ROI) produced exports. This was a trend at the start of the year, when the new trading arrangement with the UK due to Brexit took effect.

The market has slowed down in the second half of the year with the lifting of Covid-19 restrictions, but the year is still forecast to be a record retail year. Bord Bia has supported industry work in the UK, which focused on Vitamin D, local produce, and the taste and versatility credentials of mushrooms. The industry has been under margin pressure towards the end of the year, as price increases hit nearly all of their input costs. The availability of labour continues to be a long term issue for the industry.

Vitamin D mushrooms, which are only available from Irish and UK producers, have risen in prominence over the last two years. While this is a small part of the sector, it is growing well, and positions Irish suppliers as premium suppliers to the market. Vitamin B12 and B6 mushrooms are also available.

Cereals

In 2021, the main cereal growing area was up by 4% on 2020 at 277,000 hectares. Although spring crop areas were back, yields were higher. Winter crops saw an increase in area, yield and tonnage. Overall tonnage is estimated to be 2.3 million tonnes, an increase of 22% on 2020. The overall average price per tonne for cereals increased in 2021, which is estimated to add significantly to the overall value output of the sector for the year. The straw quality was reported as good and prices will be higher from this year's crop.

Most Irish cereal is destined for animal feed but there are growing higher value opportunities that the industry is moving to take advantage of. These exist within the distilling industry and within food manufacturers. Select whiskey producers are utilising increasing portions of Irish grain in their processes. Within food, there is increasing utilisation of oats within offerings for meat-reducers. These consumers are often invested in and willing to pay more for provenance, and this is a source of potential value growth for tillage farmers in the future.

In 2021, the value of cereals exports was €61.8 million, which is a value increase of 9% YOY (and 23% up when compared with 2019). There was a corresponding increase in the volume exported of 1% YOY. Exports are primarily to Northern Ireland.



Amenity

The amenity horticulture sector relies heavily on the UK for sales and new Brexit enforced regulations caused disruptions at the start of the year. Overall, plant export sales for 2021 are predicted to be up in value and volume due to the increased interest in gardening due to the Covid-19 lockdowns, and the general shortage of plants in Europe.

Christmas tree sales are projected to be up in 2021 compared to 2020. Bulb and daffodil exports are up on 2020, due to Brexit disruptions to the UK crop. Total value of exports rose to €19.7 million. Nursery stock is the largest export category within amenity horticulture, accounting for €8 million, followed by foliage at €6 million. Christmas tree exports account for €3.6 million, while bulbs and flowers were valued €2.1 million.



**Total Value
of Amenity
Horticulture
Exports:
€19.7m**



**Bulbs and Flowers
€2.1m**



**Foliage
€6m**



**Christmas Trees
€3.6m**



**Nursery Stock
€8m**

There is a general shortage of plants in Europe because of an increased interest in gardening that shows no current signs of slowing down. There is a sizeable UK plant production industry, but they are facing challenges in sourcing labour due to Brexit, and UK customers are working with Irish suppliers to facilitate imports in some cases by increasing orders to create full loads.

The disease-free status of Irish stock, and the proximity to the UK market are advantages for Ireland.

The Irish market has also been buoyant, and the shortage of plants in Europe has meant that Irish plant retailers are increasingly turning to Irish suppliers for additional plant supplies.

Prospects for 2022

As the UK economy continues to re-open, there will be less working from home, less home cooking, and a lower demand for mushrooms, leading to lower mushroom exports. However, demand and exports will still be higher than pre-Covid-19 levels, and the challenge for the industry is to maintain the elevated sales rate of Irish mushrooms.

As part of the response to Brexit and internal market developments in the UK, there is an increased focus on local supplies, with expanding production in the UK, including by Irish companies. There are increasing sales of Polish mushrooms in the UK. Bord Bia is assisting the industry with promotion activity to help build on the long standing relationships with UK retailers, and cement Irish mushrooms as the best alternative to British.

The Irish industry is continuing to strive for productivity gains which will help to insulate them from currency volatility and other cost increases. A new work permit scheme in Ireland will ease fears about labour shortages for 2022, but this is an ongoing area of concern that will continue to be a challenge, with increasing mechanisation a focus of the industry in the medium term.

Within the amenity sector of horticulture, the prospects for 2022 look promising, where the shortage of plants in Europe will continue to create opportunities. The availability of local peat supplies remains a serious issue and concern for the industry. The current focus for the sector in the short term is to resolve the local supply issue and in the longer term engage in research that will deliver solutions to reduce peat usage and identify alternative viable and sustainable growing mediums.



The challenge for the industry will be to maintain the elevated sales rate of Irish mushrooms.



Prepared Consumer Foods



€2.5bn

PCF exports
+3% on 2020



68%

Exports to the UK



PCF Destinations
in 2021

UK: 68%
68% in 2020

EU27: 24%
24% in 2020

International: 8%
8% in 2020

The value of Prepared Consumer Foods (PCF) exports in 2021 was valued at €2.5 billion, which represents a recovery of almost 3% on 2020 despite ongoing disruptions with some channels closed for significant periods.

This performance reflects sustained strong sales across retail, most notably for the meal solutions category, but also bread and value-added pigmeat. Foodservice closures due to the pandemic in the first half of the year continued to cause significant declines in processed cheese, value-added beef, and sweet bakery. In addition to the channel disruption, the sector had to deal with significant inflation in relation to input and operating costs, while exporters to the UK had to manage the impact of Brexit and its associated costs and complexity.

The main categories to record growth in 2021 were as follows:

- **Meal solutions** up 5% (€517 million)
- **Bread** up 72 % (€135 million)
- **Value-added pigmeat** up 19% (€396 million).

A number of categories showed a decline during the year, most notably processed cheese, value-added beef and sweet bakery.

Bord Bia is supporting the wide range of client companies in this sector to maintain and develop their sales in the UK, while also focusing on diversification – in the majority of cases to EU and US markets. This support is delivered through insight, lead generation and business development activities as well as client capability development.

The sector had to deal with significant inflation in relation to input and operating costs while the exporters to the UK had to manage the impact of Brexit.

Performance by region

United Kingdom

Despite the impact of Brexit, the UK remains the primary focus for the PCF sector, accounting for 68% of exports in 2021, which is similar to recent years. This reflects its proximity for Irish exporters, the strength of long-standing relationships and familiarity with doing business in the market, notwithstanding the added complexity due to Brexit.

Overall exports to the UK increased marginally in 2021 to €1.7 billion. This was largely driven by the following increases:

- **Value-added meat** up 25% (€56 million)
- **Bread** up 80% (€56 million)
- **Ice-cream** up 33% (€2 million)

However, categories such as meal solutions (down 4%) recorded lower exports in 2021. It is worth noting that compared to 2019 figures there has been a 3% rise in meal solutions exports

to the market. Sweet bakery exports showed an estimated drop of 35% in 2021 due to channel closures.

The increased cost of doing business in the UK has impacted the viability of some of the low volume and low margin business. Larger operators are facing these challenges better than smaller suppliers. Some of these manufacturers have withdrawn from the GB market, but found new customers in Northern Ireland.

Exports to Northern Ireland performed very strongly in 2021, with the value of trade growing by an estimated 75% to leave the market worth €380 million. This increase was led by value-added meats (up 64%), bread (up 59%), sweet bakery (up 107%) and meal solutions (up 103%). Irish exporters have replaced suppliers from mainland Europe as retailers and foodservice operators in Northern Ireland have adjusted their sourcing activity.

MARKET DIVERSIFICATION

Whilst the UK will remain the most important market for PCF exports, many exporters are also pursuing diversification strategies. Diversifying outside of the UK can be challenging for Irish exporters. Growing a strong understanding of target markets in terms of tastes and requirement as well as the prevailing distribution network takes time. Challenges regarding internal resources within companies and increased costs across the supply chain are also factors that can

influence diversification efforts. Logistics to Continental Europe for SMEs who send Less Than Truckloads (LTL) are seeing price increases in the region of 40% to 60% for groupage transport. This issue is more prevalent in Prepared Consumer Foods than in sectors where Full Truckloads (FTL) would be the main format of shipping.

Opportunities exist for those companies with the capability to adapt to local requirements,



UK:
€1.7 billion
of exports



EU27:
€610m
+4% YOY

Growing a strong understanding of target markets in terms of tastes and requirement as well as the prevailing distribution network takes time.



EU27:
€610 million
+4% YOY



Middle East:
€21 million
-6% YOY



United States:
€81 million
+100% YOY

particularly as some markets seek alternative supply options in the wake of Brexit. PCF exporters are continuing to seek opportunities to leverage their expertise and experience in the UK market to target new potential customers in mainland Europe, United States, and the Middle East.

European Union

PCF exports to the EU27 were up by an estimated 4% in 2021 to reach €610 million. Most of the priority European markets (Netherlands, Germany, France, Sweden and Spain) recorded growth during the year.

PCF exports to the Netherlands increased by around 20%, Spain 14% and Germany 6%. There was also a solid performance in exports to Sweden and France, with the latter now worth an estimated €87 million helped by good growth in chocolate, beverages and value-added pigmeat.

Middle East

PCF exports to the region showed a decline of 6% for the year, the value of trade is at €21 million.

Lower exports of meal solutions were the main driver behind the decline, which was particularly affected to the United Arab Emirates (UAE). However, growth was recorded to Saudi Arabia, Jordan, and Israel during the year. Longer term prospects remain positive in the region, as health and wellness, and convenience, offer two potential platforms for further growth.

United States

PCF exports to the United States more than doubled in 2021 to reach an estimated €89 million. Exports were driven by growth of over 90% in meal solutions, while chocolate, grocery and bread also showed strong increases as exporters continue to grow their understanding of the market. Shipping to the United States has become more costly and lead times have been extended dramatically, which in turn has created some shelf life challenges with exports of short life product slowing as a result.

Performance by category

Value-added Meats

After another challenging year the value-added meats sector is estimated to have recorded marginal growth to reach an estimated €677 million.

The UK accounts for 77% of total value-added meats exports, with trade estimated to have

increased by 12% for the year. This recovery is testament to the strength and resilience of the sector in responding to their customers' needs, despite ongoing supply chain challenges, increased costs and restrictions in the out of home channel.

The market outlook for the quick service resaurant (QSR) channel,



Value-added meat
€677 million



a key focus for this sector, is for positive growth reflecting ongoing consumer demand for this menu type set. The UK QSR sub channel in 2021 is forecast to be back to pre-Covid-19 levels by 2023, subject to no further lockdowns or serious disruptions. The resilience of this sector was seen in its fast response to the pandemic by adopting safety measures, building consumer confidence, and pivoting to capture consumer spend at home with at home delivery.

The pandemic has unlocked and accelerated a new revenue stream for the QSR chains and has provided an opportunity to broaden their value proposition with an introduction of more premium at home sharing feast solutions. QSR operators have also noted different demographics and eating patterns emerge from its customer base and are continually innovating to deliver healthier and appropriate treat offerings to satisfy these demands. However, skills shortages continue to be a challenge and, in some cases, have caused the temporary closure of some operator units.

Value-added meat exporters have focused on assisting their customer base overcome obstacles and are continually innovating in both product and labour-saving propositions. QSR in European markets were also a source of solid performance across this region for 2021, with strong ambitions for further growth over the medium term.

The manufacturing channel is also a key driver for value-added meat exports, with the UK market of particular interest. The retail channel and in particular the frozen category has delivered a very strong performance, although the rate of growth slowed as the year progressed. The recovery of the 'food to go' channel within retail has been key for this sector and the UK market has recovered quickly due to lifting of restrictions. However, despite this growth in the channel, the manufacturing base in the UK, which are key customers for Irish exporters are facing a very challenging period due to severe labour shortages, supply chain complexities, and inflation across raw materials, packaging and shipping.

Frozen Meal Solutions

The value of frozen meal solutions exports performed strongly in 2021, rising by an estimated 5% to leave trade 10% ahead of 2019 levels.

The performance of the UK frozen food category is key to Irish exporters, as it continues to be the most significant market accounting for 68% (€350 million) of total exports. There was a slight decline in exports to Great Britain in 2021, although this was partly offset by a very strong performance to Northern Ireland, with the value of trade doubling.

Operational excellence, long standing category partner relationships, and consumer led innovation are contributing to the strength of the Irish supply base in this market.

The frozen category has been well positioned to service the change in shopping and consumer behaviors because of Covid-19. The forecast for the UK frozen retail channel is for continued growth. However, the double digit growth evident in



The frozen category has been well positioned to service the change in shopping and consumer behaviors as a result of the Covid-19 pandemic.

the category in 2020 has slowed. According to Kantar, the category is valued at £7.2 billion, with growth of 2.3% in 2021, and is still growing ahead of chilled and total grocery as consumers continue to embrace the unique attributes of convenience and always available food solutions. Frozen ready meals and frozen pizza are significant categories within the UK frozen retail channel, with a market size of approximately £650 million and £533 million respectively.

The sector has been proactive in driving regular category innovation around key food trends and sustainability agendas to reduce waste and provide alternative recipes and expanding occasions. Shoppers switching to online shopping and hybrid working models has also opened up new growth opportunities for the category, especially in redefining the lunchtime occasion. Maintaining this growth momentum and continued engagement with shoppers in a post-pandemic world will be key for future growth of this category.

However, the sector in the UK is facing a challenging period, with inflation across all elements of the cost base, supply chain issues, raw material and packaging availability coupled with a limited labour market are all potentially inhibiting growth.

Outside of the UK, exports to Germany performed strongly in 2021, growing by 41%. The market continues to be driven by demand for quick and simple solutions. The trend towards sustainable healthy food continues to accelerate. While being a complex market for Irish exporters because of different taste profiles, opportunities exist for longer term growth.

The Spanish market is also delivering post-Brexit growth

opportunities for this sector in the foodservice channel. The sector is focused on deepening their understanding of the channel and working closely with the market, identifying customers, distributors and understanding their specific needs.

Ice cream exports are estimated to have grown by 19% in 2021, with a very positive result delivered for the UK market (up 33%). The UK market now accounts for 48% of ice cream exports and is the number one market for Irish exports followed by the Middle East.

Consumers are treating themselves now more than ever and this was accelerated by the ongoing pandemic. A resurgence of growth in consumer demand saw manufacturers deliver with super premium offerings. Younger consumers are interested in developments in health and wellness areas, including dairy-free, low-calorie and vegan variants. Taste is still the key driver within this category and will see consumers trade up to a more premium, natural, or value-added product. Ethical, sustainable and plant alternatives will be key elements of category innovation moving forward.

Chilled

The key market for the chilled meal solutions exporters is the UK due to its proximity and shelf-life constraints. However, it remains a difficult and competitive market coupled with supply chain complexities. Despite this, the market will continue to offer opportunities for the sector due to its scale and mature chilled retail and food-to-go channels.

The chilled prepared meals category was valued at €2.2 billion in 2020 and has returned to growth in the UK during 2021 after a

particularly challenging year as shoppers found themselves with more time to cook from scratch rather than purchasing prepared meals. However, consumers did seek out more premium ready meal family occasion solutions.

Consumers returning to the office and the re-opening of the ‘out of home’ channel has been positive for the category. The category is forecast to grow to €2.7 billion by 2025. Private label continues its domination, accounting for an 86% share. However, the growth in the category is being delivered by brands delivering premium offerings.

Innovation and new product development opportunities came back into focus as 2021 progressed. The key drivers for growth in the future will include an accelerated interest by consumers in health, clean label ingredients, consumers demanding sustainability, packaging solutions, plant-based options, and an opportunity to drive the premium style chilled ready meals category that emerged in Covid-19 with innovative recipes and new flavours. Continual innovation is required to ensure this category answers these consumers’ demands.

The UK will continue to be the most significant for the chilled sector. Bord Bia is supporting client companies in understanding market diversification opportunities in other markets, including France and the Netherlands. Advancements in shelf life and logistical solutions can support the sector to explore new market opportunities in key priority European markets.

Confectionery

The Covid-19 pandemic had a dual impact on the confectionery category. On the one hand,

channel closures saw a fall-off in physical points of sale into the first half of 2021, and the heightening of consumer health concerns and fall in impulse purchases. On the other hand, confectionery offered consumers a form of affordable escapism during restrictions, and the rise of less traditional channels and growth in online helped to offset some of those negative impacts.

Overall, **chocolate exports** are back by 4% in 2021 at €155 million, a robust performance considering the above market forces, combined with the impact of Brexit, which made export to the UK more complex and expensive, particularly for smaller exporters. Accounting for 84% of total Irish exports, the UK market saw a drop of 13% in export values. However, this loss was concentrated in the GB market, whereas Northern Ireland saw an increase in 85%, albeit from a significantly smaller base.

The EU27 accounts for 10% of Irish exports, with trade quadrupling in 2021 to €13 million, while exports to North America grew by almost 50% to just under €4 million, highlighting the opportunity for market diversification. Trade to both regions was helped by an increased demand for premium branded and private label (PL) product along with some B2B trade.

Opportunities for Irish exporters lie in the premium end of the market where consumers continue to look for differentiated product based on quality, innovation, sustainable and free-from offerings. Demand for vegan products in leading export markets has been strengthening with mainstream brands now offering plant-based versions of A-brand bars. This is a trend that is also being met by some younger Irish exporters, who are offering branded plant-based chocolate

to premium export customers in Europe and North America.

Constraints around packaging availability and labour shortages, along with inflation across the supply chain, are creating challenges for exporters in their efforts to leverage the strong demand for more premium lines.

At €68 million, **sugar confectionery** exports were steady in 2021, a positive result as demand in Western markets reflects a growing consumer demand for healthier treats, and the environment for impulse buys continues to be affected by the pandemic. One of the most diversified of PCF subcategories in terms of destinations, the UK market represents 30% of Irish sugar confectionery exports and recorded a decline of 11% or €2.5 million for 2021, predominantly reflective of the increased cost of doing business with smaller volume customers.

Beverages – Waters, Carbonates, Juices

Exports by the beverage category recorded growth of 7% or €10 million in 2021 to reach €150 million. This was largely driven by the continued growth in export of premium adult beverages to the UK retail market and new retail contracts for waters, soft drinks and juices to EU markets, notably Italy and Eastern Europe (up €7 million).

The closure of the foodservice channel impacted sales for H1 of 2021, however the combination of stock-building and orders from May onwards in the UK market helped to balance volumes for exporters servicing this channel.

The return to out-of-home routines has seen a pick-up in demand for smaller formats, though it is expected to be

2022 before volumes close to pre-Covid-19 levels return. The demand for premium adult beverages to be decanted from larger formats is growing and continues to influence NPD work. The beverage market continues to seek out functionality and many suppliers are responding with new products in this space.

Sustainability is a key concern for this sector as bottlers work towards providing more 'guilt-free' packaging formats, particularly in the water space. Irish exporters with more environmentally-friendly packaging solutions are securing new business in competitive markets.

Bakery

Consumer demand for bakery during the pandemic has been strong in key markets as in-home lunches became the norm and shoppers extended their repertoire of bakery products, spiking demand for less traditional formats such as wraps and bagels.

In-store bakery sales normalised in 2021, as retailers adapted to new shopper dynamics, increased shopping frequency and demand for fresh bakery regained momentum.

This dynamic is reflected in the performance of Irish bakery exports in 2021, with an increase of 15% recorded to reach an estimated €200 million. The UK market, which accounts for 94% of Irish bakery exports, saw exports of bread to retail bakery grow by an estimated 31% or €26 million, with €15 million of this recorded to Northern Ireland.

Bakeries also report new business has been secured that was previously supplied by Continental European bakeries which have withdrawn from the UK market. At the same

time, labour shortages in the UK have limited the ability of domestic suppliers to replace these imports.

Irish bakery exports to EU27 markets eased, reflecting lower volumes of Irish product sold through the foodservice channel in Europe, and the increased cost of logistics. On a stronger note, North American exports have almost doubled to €5 million, as exporters with health-based propositions gain traction with retail customers.

On the supply side, the combined forces of Brexit and Covid-19 have created a particularly challenging environment for Irish bakeries. Market and supply chain disruptions, inflation and a long-term shortage of skilled labour are key issues for this sector. Almost entirely reliant on imported flour, tariffs on UK flour blends containing greater than 15% Canadian wheat have negatively impacted a number of large bakeries. Evidence of supply chain re-mapping is seen in CSO import data for flour across 2021, with a shift to increased volumes coming from EU suppliers.

These supply challenges are impacting the ability of the sector to respond to new business opportunities in the UK and other export markets.

Opportunities for new business will favour those investing in innovation around health, day parts and convenience, though uncertainty around inflation, coupled with labour shortages are negatively impacting Irish manufacturers' ability to respond to market opportunities.

Grocery

This category consists of three sub-categories, namely: secondary processed cereals, soups and sauces, tea and coffee. Grocery exports have remained relatively flat over the past two years. Estimates for 2021 suggest 2% growth in the value of exports to reach €119 million. This builds on similar growth recorded in 2020.

UK destinations showed the largest change, with grocery exports to NI increasing by 53% to €16 million, while trade to Great Britain was 17% lower.

Retail sales for grocery products, which are long life, are slowing with the return of office working and thereby less people home cooking whilst working from home. This trend seems likely to continue into 2022, with near flat growth expected (around 1-2%).

Snacks

Exports of snacks in 2021 are estimated to have increased by over 65% to €16 million. This growth came largely from the UK market, where Irish exporters are leveraging increased consumer demand for healthier snacking and strong branded propositions. Trade to North America also reported a positive performance, as demand remains strong for clean label snacking products.

Prospects for 2022

The outlook for 2022 is for a challenging inflation environment to persist, while demand looks set to remain positive across a number of key categories.

Whilst PCF prospects will remain heavily influenced by Brexit, Covid-19, logistical challenges, rising input costs and labour shortages, exporters are cautiously optimistic regarding demand from the UK and further afield priority markets.

There is expected to be a re-balancing of out of home and in-home food consumption, which will affect PCF companies' margin mix.

Value-added meats are expected to show further growth in 2022 as key markets of the UK and Europe seem set to show further increases, with up to 10% growth forecast in some markets.

Meal Solutions are forecast to grow across the UK and Europe. This sector is relatively positive about the UK outlook and remaining visible in the market and deepening relationships will be very important to unlock opportunities. Differentiation and innovation is critical for success in this market. A clear understanding of consumer trends and staying close to consumers will be important to

prove category understanding. Shelf life is challenging, especially due to the ongoing supply chain difficulties in exporting to the UK, however this has led to further growth opportunities in Northern Ireland.

Trade confidence across the confectionary sector is strengthening for key occasions for H1 2022, though suppliers expect challenges across the supply chain and labour availability to prevail. Innovation and consumer insight will continue to be a key driver of new business for Irish exporters of both branded and private label product. Both product and packaging will see revisions in response to regulatory, trade and consumer pressures for healthier, less sugared, greater functionality and more sustainably sourced and packaged chocolate. From April 2022, the UK government will restrict the promotion of and placement of high fat, salt and sugar products in UK retailers.

Duty Free and airlines, important channels for Irish confectionery, are showing conservative signs of recovery, most pronounced within UK / EU travel

destinations, but expected to strengthen to longer haul destinations, including transatlantic, into 2022 as restrictions continue to loosen. 2021 global airline trade is running at about a third of pre-Covid-19 volumes.

Prospects for sugar confectionary are positive for those who can innovate and adapt to the changing consumer trends and regulatory demands. Global CAGRs of greater than 3% are anticipated by industry experts.

PCF companies have continually demonstrated significant agility and an ability to deliver solutions to customers throughout the pandemic. Similar agility and responsiveness will be required again throughout 2022 as exporters seek to grow share across priority markets.

While many challenges lay ahead, especially around the UK, there are also opportunities to be seized and the appetite for new business development among the PCF client companies remains as strong as ever.

Drinks

Overall drinks exports increased by 19% to be worth €1.62 billion – a strong recovery after the unprecedented difficulties for the sector in 2020.



€1.62bn

Total exports up by 19% on 2020



€855m

Whiskey exports up by 25% on 2020



€825m

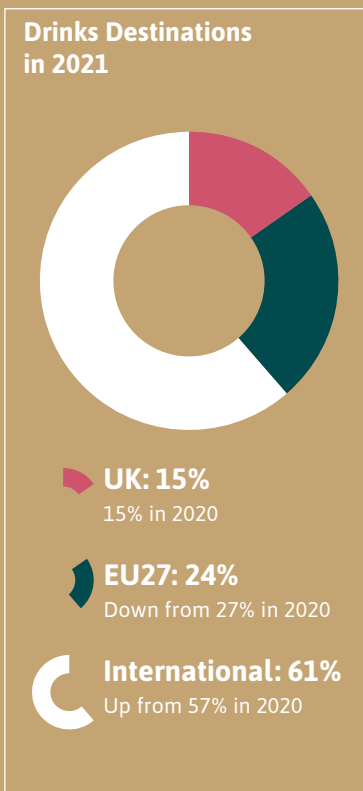
51% of drinks exports went to North America



€255m

Exports to UK up by 8% on 2019





2021 proved to be a year of recovery and resilience for the Irish drinks sector. Overall drinks exports increased by 19% to be worth €1.62 billion – a strong recovery after the unprecedented difficulties for the sector in 2020.

This left the value of exports similar to 2019 levels. It should be noted that the increase in exports was higher than the actual sales recovery, as there was a return to more normal shipping patterns during the year. This recovery also took place against a backdrop of ever increasing input inflation as the year progressed combined with the ongoing uncertain nature of the re-opening of key channels such as the on-trade and travel retail in many key markets.

For the drinks industry, Bord Bia is engaged with a wide range of client companies providing insight and understanding for Irish exporters as this sector expands. A key focus is around positioning Irish drinks as premium and thereby tapping

into this growing segment of the market. Central to this has been the development of the Spirits of Ireland programme, a highly interactive experience that tells the past, present and future story of the sector. Aimed at consumer facing staff in key customers, it seeks to educate this key touch-point on the consumer decision making journey. It will be rolled out initially in the US and will be followed in other priority markets over the coming years. In addition, Bord Bia’s activities have a strong focus on building market understanding and presence. This is done through helping clients strengthen relationships with existing customers and identifying potential new customers across priority markets.

The value of **whiskey** exports recovered by 25%, which is due partly to the factors listed above but also due to the growing trend of premiumisation. The position of Irish whiskey in this segment helped the value of Irish whiskey exports grow at a stronger pace than volumes. Total exports of Irish whiskey were worth an estimated €855 million, with 55% of that destined for the USA.

Irish **cream liqueurs** exports recovered by 19%, while gin recorded growth of 38%, albeit from a lower base. This recovery was driven by the re-opening of the hospitality sector in a number



of key export markets as the year progressed. Overall cream liqueur exports were valued at €367 million, with almost 40% of the total destined for the United States. **Cider** recorded a recovery of 50% during the year.

However, not all categories within the drinks sector experienced the same levels of recovery. Overall **beer** exports were down by 3% to €246 million. While some markets such as the USA (+72%) showed strong recovery, key markets such as France (-52%) continued to decline due to on-trade restrictions, which is the key channel for Irish beer exports. Overall exports to the EU27, which accounts for 29% of beer exports, recorded a second consecutive year of decline, falling by an estimated 34%. Beer exports to the UK were down by 9%, which was driven by a 24% decline in exports to Northern Ireland. There was a recovery however in Asia (+15%), albeit from a small base, with the gradual re-opening of the on-trade in various markets in Q2 and Q3 of 2021.

Whilst the on-trade continues to re-open globally, Covid-19 has led to the rapid development of new channels in key markets which aided the recovery of Irish drinks exports. The online channel became an area of focus in markets such as the USA, where IWSR estimates that sales via e-commerce grew to over 60,000 9L cases in 2021. This represents a 125% increase from 2019 levels. This channel is forecast to continue to grow strongly to 2025. Other key channels such as Global Travel Retail began to show the first signs of recovery, with the volume of spirits sales via this channel lifting by 37% in 2021. They are expected to increase by a further 85% in 2022. However, volumes are not expected to return to pre-pandemic levels until 2024.

Due to restrictions in markets across the globe, at home consumption also continued to outperform in 2021. This is significant as consumer drinking patterns at home have proven to differ greatly from traditional on-trade consumption. As consumers have more time to interact with brands online through channels such as e-commerce, it can make it difficult for a brand to stand out. Many brands have shifted their messaging to speak about the provenance and heritage of their products to resonate with consumers.

There has also been a significant shift in consumer behaviour towards 'less but better', as consumers are looking for more premium products. This trend is evident in a number of key drinks markets in Europe, the USA and Canada. In Europe, IWSR (2021) forecasts that spirits in the premium and super-premium price band will continue to take value share from standard and value products. This trend towards premiumisation will continue past the pandemic and is reflected in many of the new product launches globally in 2021.



Beer exports:
€246 million
-3%



2021 exports to EU27:
€413 million
-6% on 2019
+11% on 2020



Exports to Africa more than double to:
€53 million

Destinations

Irish drinks exports to **North America** showed a good recovery in 2021 following the re-opening of the on-trade, a return to more normal shipping patterns, and the exceptional growth of the online channel. Total exports to North America reached an estimated €825 million, which represents 51% of total drinks exports. In 2019, exports to North America were €850 million. The USA accounts for 87% of all drinks exports to North America, with trade valued at €710 million in 2021, recovering by an estimated 27%.

Premiumisation and the strong growth of online sales continue to be key trends in the North American market for spirits including whiskey. Many of the Irish products exported to the region fit into the premium or super-premium price range and sales of these products have grown each year since 2019. Canada and Mexico have also seen strong growth rates for Irish cream liqueur exports, growing by 24% and 146% respectively.

Irish drinks exports to the **UK market** increased by a fifth to an estimated €255 million. This represents 8% growth over 2019. Whiskey exports were the star performer, with an increase of over 80% driven by the growth of in-home consumption. This led to strong increases in sales through off-trade. Sales were further supported by the gradual re-opening of the on-trade and further increases in sales through online channels. Although suppliers are continuously growing their global footprint, the UK remains a key market for Irish drinks exporters and adjusting to the 'new normal' of online and off-trade sales will be key to their continued success in the market.

Strong recoveries were evident in a number of key markets within the EU27 in 2021. However, overall exports to the **EU27** declined by an estimated 6% since 2019. For 2021, drinks exports to the region totalled €413 million, an 11% increase on 2020. This increase reflected recovery in exports to a number of key drinks markets such as Germany (+28%), Italy (+47%) and Latvia (+17%) – most of which is destined for Russia. In Germany, Irish whiskey exports grew by 30% and the market continues to grow as a priority EU market for Irish whiskey suppliers.

There are also prospects for further recovery in 2022 across markets such as France, where exports declined again in 2021, as the on-trade re-opens and tourism returns. The gradual re-opening of the on-trade will be key to further recovery and this will be boosted as travel retail slowly returns to pre-pandemic levels over the next few years.

Some emerging markets in the EU27 also recorded strong increases, such as Poland where exports increased by 60% to €32 million after a strong performance by Irish whiskey exports to that market (+72%). Other positive increases were seen in the Czech Republic (+33%), the Netherlands (+7%) and Russia (+65%). However, these growth rates need to be viewed against the backdrop of the unprecedented declines recorded in 2020.

Africa continues to be a promising region for Irish exporters, with shipments more than doubling in 2021 to reach a value of €53 million. Although these figures are coming from a lower base than other more

established markets, this strong growth has been led by whiskey exports to the region which totalled €44 million. This growth is predominately generated by two markets, Nigeria (+140%) and South Africa (+109%) which combined to total €39 million. The growth in exports to South Africa in particular are due to the recovery of the on-trade post pandemic.

Exports to **Australia**, another promising emerging market for Irish spirits, declined by 6% to €24 million. This is as a result of stringent Covid-19 prevention measures in many regions which effectively closed the on-trade for large portions of 2021. The on-trade in Australia is expected to rebound once restrictions lift, but IWSR estimates it will not reach pre-pandemic levels until 2025. Exports to New Zealand grew by 23% totalling €5 million. The majority of the drinks trade in New Zealand is via the off-trade but this growth was supplemented by the re-opening of the on-trade for large parts of 2021 following lockdowns in 2020.

Asia continues to be an emerging region of growth for Irish spirits and will be important for the longer term growth of Irish drinks exports. Total drinks exports to the region grew by almost 40% in 2021 to reach €38 million. China and Japan continue to be key markets, with exports to these markets reaching €20 million. Other developing markets include India, which continued to see growth in 2021 with shipments doubling to reach €6 million. Whiskey accounted for €4 million of this figure following some successful launches by Irish whiskey brands in the market.

Prospects for 2022

The prospects for the drinks sector are broadly positive for 2022. The recovery in exports is expected to continue in the spirits and cream liqueur sectors, notwithstanding the challenges to be overcome in relation to inflation across the supply chain. A recovery in beer exports is anticipated throughout 2022, although it may take some time to recover the losses of 2020 and 2021.

North America is expected to show further growth, albeit at lower levels than 2021. Key EU markets are expected to continue their strong growth, especially in Germany and selected CEE markets. France is expected to return to growth in the coming year after a substantial fall since 2019.

Exports to Australia are expected to return to growth as their lockdowns finish and tourism resumes. Asian markets, in particular India, Japan and China offer potential for further growth, while exports to Africa seem set for further increases, especially exports to Nigeria and South Africa.

The key trends within the sector are expected to move closer to their medium-term projections. Online sales will grow in many of our key target markets, especially in the US, UK, Germany and China. Globally, the e-commerce channel in the drinks industry grew by 16% in 2021 and has grown by approximately 62%

since 2019. China continues to be the leading market for drinks purchases via e-commerce, but markets such as the US and the UK have seen exceptional growth over the last two years.

The trend towards premium and super premium and less but better will also continue, especially in established markets which will continue to increase the value of Irish drinks exports. As the on-trade and nightclubs return to more normal trading conditions, the growth in the mixology and cocktail culture will resume. The potential return of restrictions and uncertainty about the future of the pandemic in the context of the Omicron variant, is leading to some concern about that return. At-home cocktail culture became a growing trend, particularly in European markets, during the pandemic, but a return of the off-trade should benefit exports of spirits including gin and liqueurs.