



Export Performance and Prospects Report

2022 – 2023

BORD BIA
IRISH FOOD BOARD

Bord Bia’s Performance and Prospects report aims to inform stakeholders in the food industry of the performance of Irish food and drink exports for the year gone by and the prospects for the year ahead. Created by Bord Bia’s sector and market specialists around the world, this report can help Irish suppliers gain insights that better inform their current and future market strategies.

To stay up to date on Irish food and drink exports throughout the year please [click here](#).

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Jim O'Toole
Chief Executive

Irish food and
drink exports
2022

↑ 22%

to
€16.7
billion

Foreword

Record-breaking performance in challenging times

In my first Export Performance and Prospects Report as CEO of Bord Bia, I'm pleased to welcome a record-breaking increase in Irish food and drink exports of 22% in 2022, to be worth €16.7 billion.

However, behind this growth, Irish food and drink businesses have had to operate in an incredibly difficult trading environment over the last 12 months, and obstacles remain on the horizon as we look to the year ahead. Rising energy costs, inflationary pressures at farm and manufacturing level, as well as the impact of the war in Ukraine and Covid-19 on international supply chains have contributed to a profoundly challenging period for the food and drink sector.

Nurturing a Thriving Future

In an environment of ongoing uncertainty, it is more important than ever for Irish food and drink

exporters to remain focused on anticipating consumer needs and offer agile solutions to global customers. The Bord Bia strategy, 'Nurturing a Thriving Future', launched in 2022, and aligned to the national Food Vision 2030 strategy, has been developed to guide us through these oncoming challenges and in bringing Ireland's outstanding food, drink and horticulture produce to the world, enabling the long-term growth and sustainability of our producers.

In our mission to build food brand Ireland, Bord Bia delivers a number of national and international marketing campaigns. In 2023 we aim to further align these campaigns with our clients and

Nurturing industry talent and driving client capability will be crucial to allow businesses to adapt and cope with the changing demands of the current market landscape.

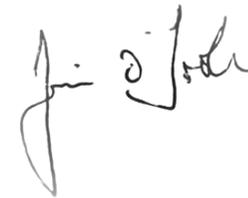
enhance the use of an umbrella campaign on food brand Ireland whilst undertaking proactive reputational communications. Origin Green will remain of critical importance as we seek to maintain our global position as a leader in sustainably produced food and drink, and deliver on the commitments of the sector to the Climate Action Plan.

Fostering customer and client engagement post Covid-19 remains a critical need, as is supporting the agility and resilience of the sector's capability to develop and grow in the current market conditions.

Enhancing Bord Bia's digital offering to create and facilitate better and more efficient opportunities for clients has and will continue to be a key element of engagement in the coming year, while nurturing industry talent and driving client capability will be crucial to allow businesses to adapt and cope with the changing demands of the current market landscape. Bord Bia's thought leadership role has also been critically important in 2022 and will be even more so in 2023, as we seek to enable clients and their customers to effectively engage with consumers around the world.

Looking to 2023

The food and drink industry's 2022 performance is a testament to the resilience of one of Ireland's most important export industries. While challenges and tensions will persist in 2023, our sector's focus on serving consumers at home and abroad and our commitment to high-quality, sustainable produce will continue to guide our ambitions for the future.



Jim O'Toole
Chief Executive

Nurturing a Thriving Future

In an environment of ongoing uncertainty, it is more important than ever for Irish food, drink and horticulture exporters to remain focused on anticipating consumer needs and offer agile solutions to customers.

Bord Bia's strategy, 'Nurturing a Thriving Future' was launched in early 2022, and aims to support just that. It is derived from the national Food Vision 2030 strategy, which sets out an ambition and pathway to being a world leader in sustainable food systems, and at its core

focuses on the resilience and innovativeness of the sector, key attributes essential in the current environment. The "Nurturing a Thriving Future" three year specific plan focuses on four major areas:





Build Food Brand Ireland and further develop its proof points

Positioning Irish food and drink to maximise its global potential remains a core effort of the organisation. In Bord Bia's most recent customer studies, there was 81% prompted awareness across all markets of Ireland as source of sustainably produced food and drink. This has been enabled through ongoing national and international marketing campaigns, and underpinned by sustainability credentials which the Origin Green programme delivers. In 2023 Bord Bia aims to further align these campaigns with Irish food and drink clients and enhance the use of an umbrella campaign on food brand Ireland whilst undertaking proactive reputational communications.

Following Ireland's commitments to legally binding targets on reduction of green-house gases in the 2021 Climate Act, and to the delivery of this through the Climate Action Plan 2023, an ambitious and challenging route for the industry lies ahead. Origin Green's further development, in collaboration with Teagasc and the Irish Cattle Breeders Federation, will become a critical support mechanism for the industry. In 2023, the provision of a new digital platform that supports sustainability learning, development and planning, will be a key deliverable for Irish farmers. Bord Bia will also be launching a retail and foodservice charter this year as well as focusing on tools and supports for processors and manufacturers which enable them to continue to deliver world class standards and progressive sustainability improvements.



Develop Better Ways for our clients and customers to connect

Through prioritisation and focus on key trade shows, market showcases, inward and outward visits, and other direct engagement activities, Bord Bia facilitated over 1,300 customers meetings during 2022 to help maintain and grow Irish food and drink exports. During the year, over 1,500 new direct opportunities were generated for the industry, across the globe, supporting client goals to expand or premiumise their businesses.

In 2023, our strategic ambition on retaining, recruiting, premiumising or increasing the weight of purchase with customers by market, will continue to direct our activity by sector. A prime example of this focussed work will be the development of the organic opportunity across the markets to support and enable the national investment and significant uptake in the Organic Farming Scheme.

The specific focus of activities is directed by client needs, enabled through individual and sector planning, and facilitated on an ongoing basis by over 750 one to one client meetings.

Enhancing Bord Bia's digital offering to facilitate and accommodate creating better and more efficient opportunities for clients is, and will continue to be a key element of engagement in the coming year.

As 2023 is predicted to be another disruptive year of economic difficulty and challenging supply chains, Bord Bia will continue to be agile and responsive to client and sector needs.





Nurture and attract industry talents and drive client capability

Business capability is essential to help enable client companies to adapt and cope with the changing demands of the current market landscape. Commercial and marketing skills, such as key account management, negotiation, and digital marketing, have been thoroughly tested in 2022, and will continue to be so in 2023. Over 230 clients engaged directly in client capability supports in 2022, and more are expected in

2023, as Bord Bia further adapts its capability services to reflect the deepening cost inflation impact on customers. Whilst the immediate market challenges are clear, the overarching sustainability needs of the sector remain. 2022 saw the initiation of the first executive education course for leaders within the industry, receiving very positive feedback from the 25 strong cohort, and broader sign up for 2023.

Champion insight-led innovation and brand development

Bord Bia's thought leadership role has also been critically important in 2022 and will be even more so in 2023, as the organisation seeks to enable clients and their customers continue to engage and deliver relevancy in a challenging marketplace. Bord Bia will continue to carry out highly relevant consumer, market and thought leadership insight studies on an array of topics

from the consumer and carbon to the impact of inflation, to the future of dairy. Enabling clients to interpret needs, adjust and validate within their brands, remained one of the most sought after services within the organisation in 2022.



2022 Performance

The value of Irish food and drink exports in 2022 was more than a quarter ahead of pre-pandemic levels.



Exports are more than a quarter ahead of pre-pandemic levels

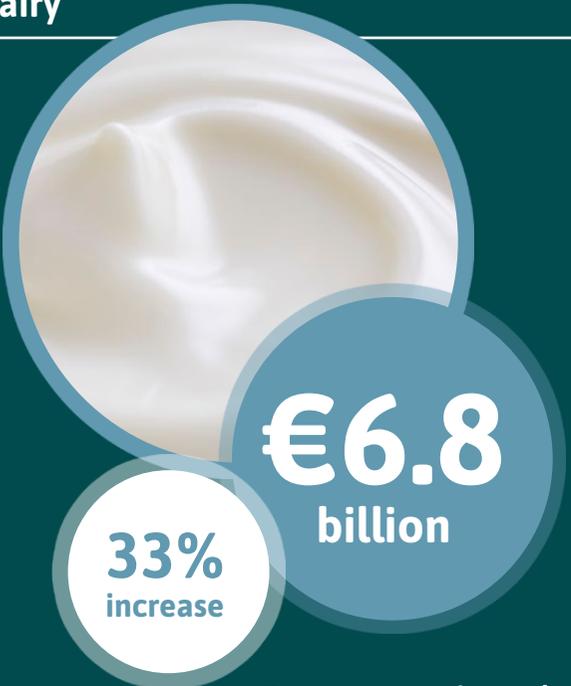
The volume of exports for sectors such as Beef and Dairy recorded increases in 2022, rising by 9% and 5% respectively relative to 2021.

However, the most significant driver was the improvement in unit prices, which for the most part has been a common theme across sectors.

In addition to exports of food and drink, the Irish agri food sector also exports 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 €2.0 billion in 2022. Adding this estimate to the Bord Bia figures to the food and drink sectors, which are the focus of this report, indicates that total agri-food sector exports in 2022 amounted to €18.7 billion – a 21% increase year-on-year (YOY).

Irish Food and Drink Exports in 2022

Dairy



Exports are estimated to amount to €6.8 billion, an increase of 33% in value terms.

Top performers were **butter and cheese**, which recorded another year of strong performance, up **26%** and **25%** respectively in value.



Meat and Livestock



Meat and Livestock exports in 2022 are valued at just over €4 billion resulting in a 15% value increase.

Beef was the largest contributor to this growth, though product prices increased across all species.



Prepared Consumer Foods



PCF exports recorded a 17% increase in value to exceed €3 billion in 2022.



The **UK** market accounts for two thirds of exports.

Value added meat products increased by 30% compared with 2021, helped by the sustained reopening of the foodservice channel in most markets.



Drinks



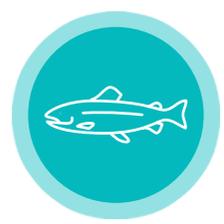
Drinks exports are estimated to have increased by 22% approaching €2 billion.

Whiskey exports are estimated to be just under €1 billion with exports to the **US** accounting for almost 57% of the total.

Seafood



Improved prices helped drive the performance in seafood with exports rising by 3% at €530 million.



This was despite a drop of 19% in volume, largely due to lower Pelagic exports.

Horticulture



Exports of Horticulture are estimated to have exceeded €300 million.



Mushrooms account for half of the value with exports largely destined for the UK.

Destinations of Irish food and drink exports in 2022



Key to the success of the Irish food and drink industry is maintaining a diverse range of markets and channels.

In 2022, 34% of Ireland’s food and drink exports in value terms were destined for international markets, while the EU and UK’s share of was 34% and 32% respectively. In 2018 the UK’s share stood at 37% and international markets accounted for 29% of the value of Irish food and drink exports. This represents a loss of five percentage points in the share of exports destined for the UK over the period, which means that over €825 million of exports that would have previously been destined for the UK were shipped to other markets in Europe and beyond.

However, the UK remains the largest single market for Irish food and drink exports with exports valued at an estimated €5.4 billion in 2022, which represents a rise of 20% on year earlier levels. Irish exporters have navigated their way through considerable uncertainty in terms of the new trading environment with the UK and more recently a rapidly slowing British economy. The latter is likely to remain a key challenge for Irish exporters in 2023. To help Irish food and drink businesses exporting to the UK, Bord Bia continues to invest strongly in consumer insight studies and market intelligence, coupled with direct customer engagement opportunities, to help support Bord Bia clients in planning and activating their business strategy for the market

Within the EU, France, Germany and Netherlands remained the most important destinations for Irish food and drink exports for direct sale and further processing. Exports to the EU increased by 29% in 2022. Dairy is by far the most important category accounting for almost half of the exports to these markets. Beef is the second most important category with exports increasing by an estimated 26% in value terms. PCF exports to the EU are the third largest category, with average unit prices to the EU higher than the UK, when compared to the UK. The EU remains a key focus for diversification away from the UK for PCF, and as such market intelligence and customer activation have been prioritised.

Exports to international markets increased by 23% to an estimated €5.6 billion. There continued to be a number of different factors influencing Irish food and drink exports to international markets. China's zero Covid-19 policy along with the rebuild of its pig herd and the absence of beef exports resulted in the value of shipments to this market standing at an estimated €680 million. Growth in the value of exports to the Philippines, India, Malaysia and Japan more than offset this decline and resulted in Ireland's food and drink exports to Asia as a whole increasing by an estimated 9% to €1.5 billion. In 2022, Bord Bia organised a trade mission to Japan and South East Asia with exports to the region growing at annualised rate of in excess of 12% over

recent years. The region presents significant further opportunities for Irish food and drink exports over the medium term, supported in particular by on-going co-funded EU campaigns for meat and dairy.

Exports to North America are estimated to have reached €2.1 billion with the US market accounting for 85% of this value. Exports to the US grew by almost 40% or half a billion euros relative to a year earlier to reach an estimated €1.75 billion. Dairy and drinks are the two key export categories to the market. Within dairy, butter leads the way, followed by casein. In 2022, exports of specialised nutritional powders saw a notable uplift, with values more than trebling. Looking at drinks exports to this market, whiskey is the key player with exports to the US up almost 30% helped by the on trade returning to normality. Throughout 2022, Bord Bia's Spirit of Ireland showcase has been heavily utilised in the US to further enhance Irish spirits' appeal with the trade. The Spirit of Ireland showcase is an educational programme designed for off-trade staff in export markets, to increase their knowledge and appreciation of the Irish spirits portfolio.



Living with Uncertainty



EU inflation

Inflation in the EU as of November was 11.1% down from 11.5% in October but up from 5.2% in November 2021. Energy and food continue to be the largest contributors to this inflation (Eurostat, 2022f).



Slowing global growth

Growth is forecast to be 3.2% in 2022 and 2.7% in 2023. This is the weakest outlook for the last two decades with the exception of the global financial crisis (IMF, 2022).



Export value 22% higher

Value of Irish food and drink exports is estimated to be c. €16.7 billion up 22% on the performance in 2021.



Unit prices approx. 18.5% higher

In 2022, the largest contributor to the growth in value has been improvements in unit prices, while volumes have also increased but to a lesser extent as of October 2022.



Exchange rates impacting competitiveness

The US Dollar has achieved parity in 2022 for the first time in two decades, though more recently the Euro has recovered some of the ground lost. (Euro Exchange Rates | Central Bank of Ireland, n.d.)



Energy prices were extremely volatile in 2022

Gas prices peaked at almost €350 per mwh in August, though more recently have fallen back to similar levels compared with early January of last year at approx. €78 per mwh, though price risks remain.



Increasing share of exports destined for EU

Exports to EU increased by 29% compared with the prior year, and the region increased its share of Irish food and drink exports in value terms to 34% up 2 percentage points on last year.



Successfully operating in the current challenging market environment requires considerable agility. **Living with uncertainty** is the dominant theme as we move into 2023.

Market environment facing Irish food and drink exports

While the Irish food and drink sector recorded a strong performance in 2022, it was delivered against a backdrop of unprecedented challenges and uncertainty across the value chain.



Net margins on dairy farms were estimated to be up 70%

Some sectors performed very strongly as can be seen from Teagasc's *Situation and Outlook for Irish Agriculture* report December 2022, which estimates that net margins on dairy farms were up 70% in 2022 relative to a year earlier. However, the current situation and

outlook for 2023 is less positive for livestock and tillage enterprises (Teagasc, 2022).

The general sentiment amongst Irish food and drink businesses as 2022 progressed was one of an increasingly challenging market



John Tobin
Data and Intelligence Specialist, Market Environment

environment with a continuation of this trend expected into 2023 as inflationary pressures and challenging macroeconomic conditions persist. Overall, the general theme is that the market delivered improved pricing, although not always at a level sufficient to offset the higher cost environment being faced.

According to a report by the Food and Drink Federation in the UK, increased energy costs, labour shortages, the fall in the value of the British pound and the extraordinary economic, environmental, geopolitical and political uncertainty of the last two

years has been quite challenging for food and drink firms there. The impact of these challenges has been such that insolvencies in food and drink manufacturing sector in the UK for the year to August 2022 surpassed the levels seen for the full year in 2019. In addition, it highlights how British consumers are already spending less on food and essentials to cope with the cost of living (Food and Drink Federation, 2022).

The following pages discuss some of the key conditions facing Irish food and drink manufacturers in 2022 and anticipated developments in early 2023.



British consumers are already spending less on food

A slowing global economy

Since the onset of Covid-19 the global economy has entered a new era of volatility characterised by geopolitical and economic changes. At the beginning of 2022 it looked like the world was on track to return to more normal economic conditions as positive indications in relation to Covid-19 restrictions in many regions and an easing in global supply chain disruptions began to emerge. However, Russia's invasion of Ukraine, the effects of which, along with continuing concerns about outbreaks of Covid-19 in certain regions, dented economic growth and resulted in significant upward pressure on prices for energy and food (OECD, 2022). Russia and Ukraine are important players in the global marketplace and in Russia's case is particularly important for Europe's energy supplies. Russia has historically accounted for over 40% of the EU's natural gas requirements and 37% of its crude oil needs (Eurostat, 2022a). Russia and Ukraine are amongst the top ten largest global producers for sunflower seed, wheat, barley and maize.

According to the September 2022 International Monetary Fund (IMF) economic update, the volatile economic and geopolitical conditions resulted in the second quarter of 2022 seeing global real GDP modestly contract with negative growth in China, Russia, and the US, as well as a sharp downturn in Eastern European countries most directly affected by the war in Ukraine. Overall, it is expected that more than a third of the global economy will contract in 2022/2023 while the three largest economies – the United States, EU and China – will continue to stall (IMF, 2022).



More than a third of the global economy will contract in 2022/2023



EU consumer price inflation running six times ahead of 1997–2021 average

EU % change in inflation
average was 1.8% between 1997 and 2021



Source: Eurostat

Between 1997 and the end of 2021, consumer price inflation in the EU averaged 1.8%. Since the second half of 2021 inflation in the EU has been on an upward trajectory and is now in double digit territory, representing a six-fold increase on the historical average. The war in Ukraine has exacerbated a market that was already experiencing a tight supply situation in relation to energy and food commodities and has contributed to the upward momentum in inflation.

To combat inflation many central banks have sought to raise interest rates. This was followed by slowdown in economic activity as the cost of borrowing increases. Added to the challenge of controlling inflation is the fact that consumer and investor sentiment has deteriorated. This is highlighted in the chart on the right of this page which shows a persistent decline in the consumer confidence index in Europe, US and the UK markets. The drop in consumer confidence in the UK market is of particular concern and could result in the market becoming more challenging for Irish food and drink exporters if cost of living factors for UK consumers continue to deteriorate.

OECD consumer confidence index



Consumer confidence is running at historical lows across key economic regions



Rapidly rising input prices

A universal challenge facing farmers, food producers, trade customers and consumers throughout 2022 was the rapid increase in input costs. This can be seen in the below chart from the OECD which shows the rise in price levels for food ingredients in the last two years. The rise in input prices for energy and fertiliser has outpaced the rise in oils and meals and grains is of concern.

The severity of the impact of rising input prices varies by sector and geography. For example, improved dairy product pricing offset increased input costs in 2022. However, if EU natural gas prices recover to the highs seen in August 2022 it may force dairy processors to make decisions on their product mix.

For other sectors the pressure of rising input prices has been such that they have had to engage with customers on several occasions during 2022 seeking price increases to offset increased production costs. This has contributed to consumer price inflation as these prices get passed down the line. In many cases the full extent of cost increases have yet to be passed on to consumers. The pig sector is an example of a sector where even though prices reached an all-time high from late summer, feed and energy price increases in 2022 more than eroded these gains.

All Irish food and drink businesses were faced with more expensive input prices in 2022. The severity of this varied with larger companies having more scope to hedge prices. For smaller firms this option wasn't always available and hence the impact of higher energy prices was more severe.

If firms did opt to hedge prices for inputs at lower levels in 2022 it certainly helped reduce the need for improved pricing. However, as these hedged positions start to come to the end of their terms companies will have to purchase these inputs at higher prices, which will create a headwind in 2023.

Commodity price indices, October 2019 – 2022



Source: OECD

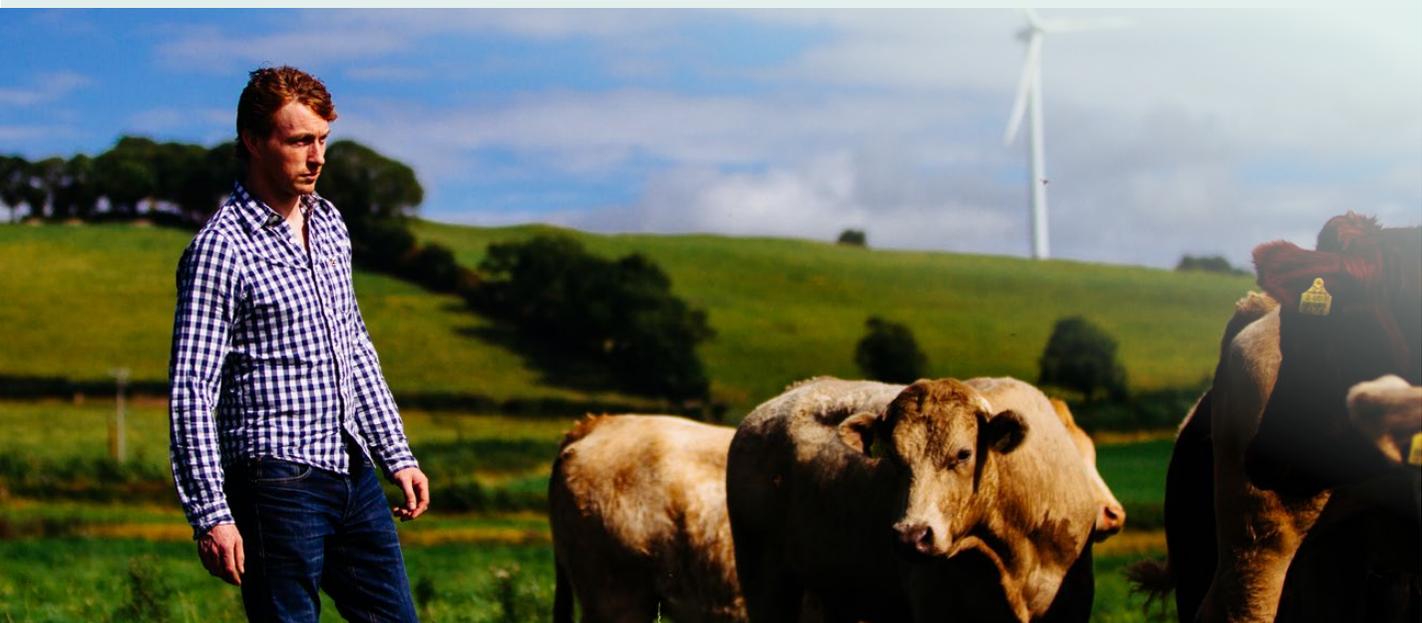
EU monthly change in annual inflation



Source: Eurostat

Consumer inflation

According to a recent presentation by Kantar, retail inflation in Ireland for October 2022 was estimated to be 12.4%. A survey of Irish consumers showed that the proportion deemed to be struggling stood at 32% in September 2022, which compares to 23% in March (Kantar, 2022a). Similarly, a survey of adults in the UK found almost eight in ten adults were worried about the rising cost of living with over 60% of respondents saying they would spend less on non-essentials and use less fuel in heating their homes (ONS, 2022). It is a similar situation across Europe where consumers are increasingly focused on necessities (Financial Times, 2022a).



Inflation in the EU is at its highest level in over 25 years



Own Label's share of UK grocery market stood at 51.1% in September 2022, its highest level in the last five years according to Kantar.

Changing consumer behaviour

The need for higher costs to be passed down the supply chain to the consumer has undoubtedly had an impact. According to Kantar UK data, own label's share of groceries as of September 2022 was 51.1% (Kantar, 2022b).

More recent data for October suggests a continuation of this trend with sales for own label lines up 10.3% while sales of branded items only grew by 0.4% (McKevitt, 2022c). In addition, UK consumers are turning to other methods to save money such as purchasing visually imperfect fresh produce and seeking out products that can help reduce or contain soaring energy bills (Kantar, 2022c). For consumers across the EU, major purchases are being put on hold as intentions of expenditure on cars and houses are at their lowest levels for two decades (Financial Times, 2022a).

Kantar data for the Irish market highlighted how Irish consumers average expenditure on groceries for the 12 weeks ending August 7th 2022 had increased by €150 to €1,600 compared with the same period in 2021 and sought savings of €70 on average by trading down. However, on a per trip basis it meant consumers were only saving €1.15 per trip (Kantar, 2022d). Recognising this and offering solutions that help consumers continue

to buy their favoured products is key for food producers. Another key consideration is that many consumers managed to save money during 2020 and 2021 which may help them weather the storm and hence delay having to make decisions about trading down or cutting back (Central Bank of Ireland, 2022).

In developing economies, the impact of a cost of living crisis may be felt more acutely and by a larger number of consumers. During the latter part of 2022 there were increasing indications that higher prices for products such as butter was leading to affordability issues in markets such as North Africa (Bord Bia, 2022b). Asia as a region recorded the highest food inflation rate in the second quarter of 2022 according to UN figures, while food security as a topic has risen up national agendas (FAO, 2022b).

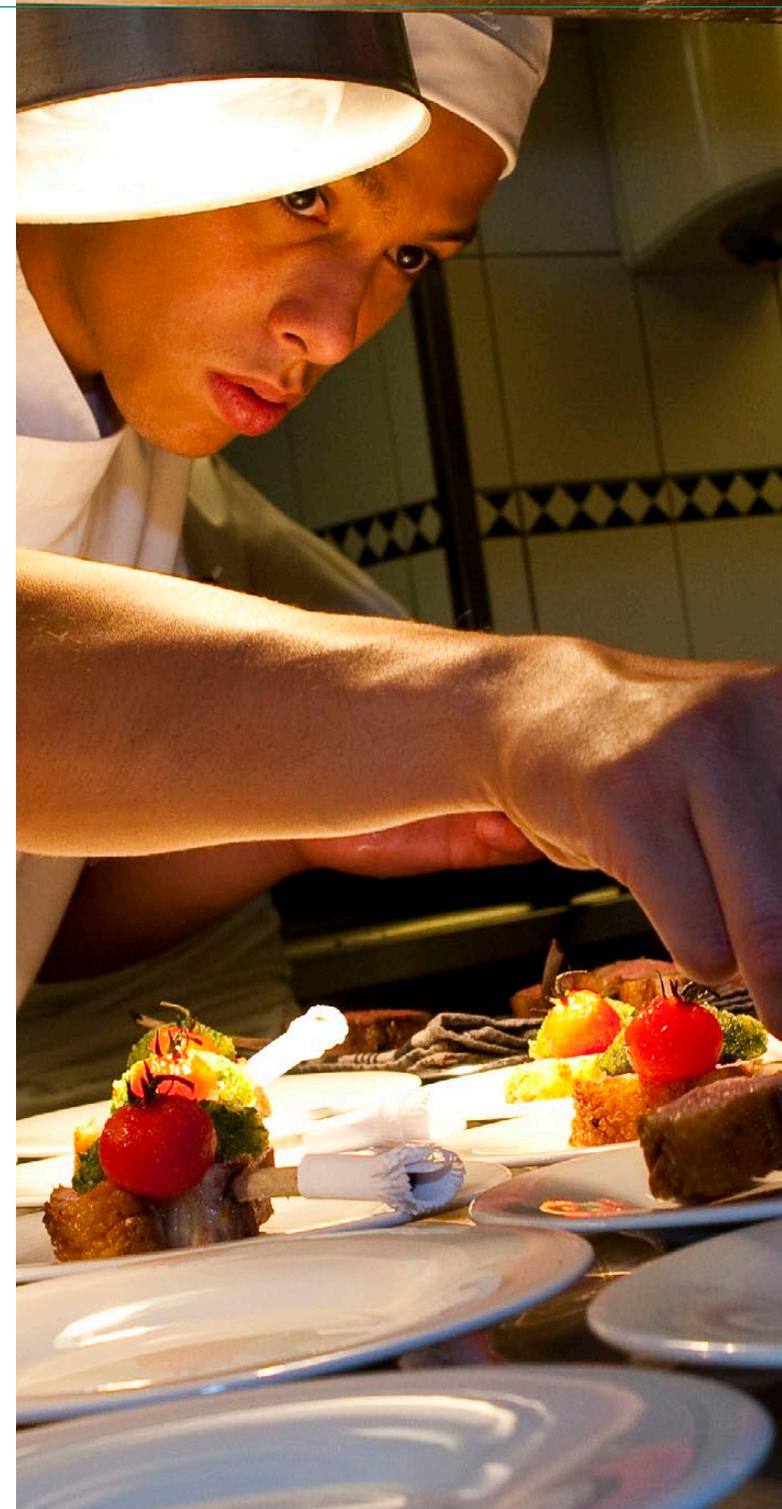
Changing dynamics in the foodservice sector

2022 was the first full year consumers in Europe were able to return to restaurants and enjoy a meal out post pandemic. Reports suggest that the global foodservice sector recorded a good performance in 2022 growing by almost 33% in the first half of 2022 relative to the same period in 2021 (Kantar, 2022e). How consumers interact with foodservice is also changing now that offices have reopened, although workplace canteens are set to decline relative to pre-pandemic levels as hybrid working becomes more common (GIRA, 2022).

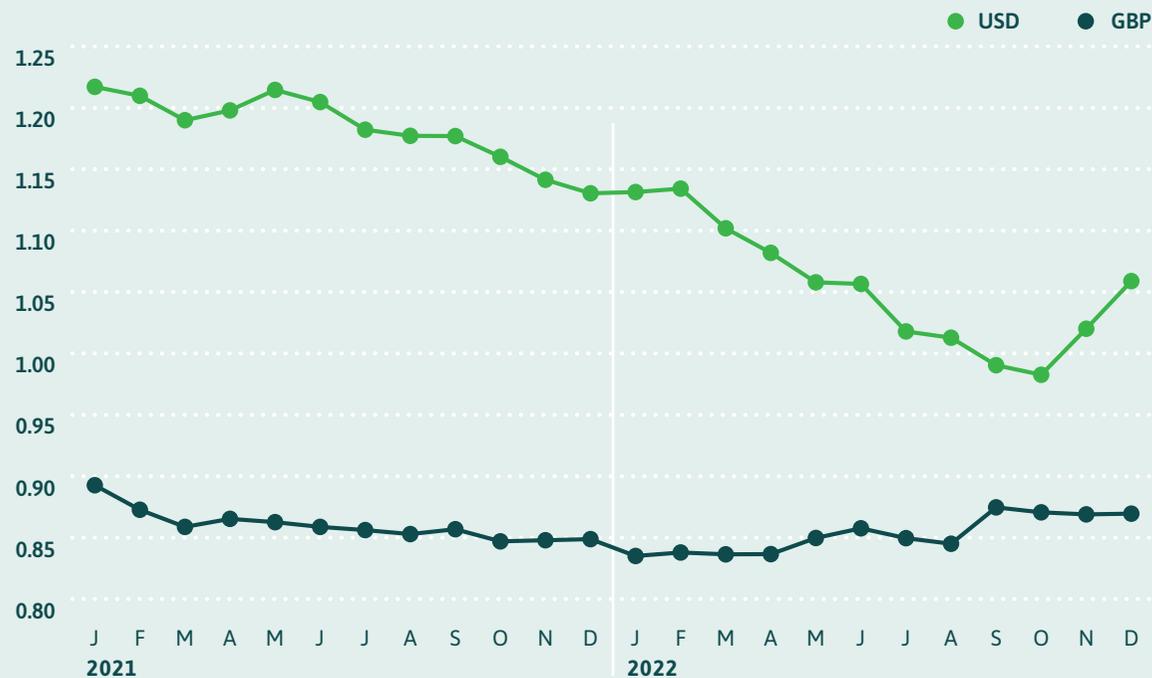
In addition, according to Bord Bia's latest foodservice report, growth on the island of Ireland in the foodservice sector has recovered compared with 2021, but still lies behind prepandemic levels in value. The changing dynamics in how people work is also spilling over into the foodservice sector, with Thursday increasing in terms of eating out preference for professionals over the traditional Friday trend (Bord Bia, 2022a).



The global
foodservice sector
grew by almost **33%**
in the first half of
2022



Euro vs USD and GBP exchange rates



Source: Central Bank of Ireland

More volatile exchange rates

2022 saw noticeable movements in global currency exchange rates with the US dollar achieving parity against the euro for the first time since 2002. This reflected a general consensus that US monetary policymakers acted decisively to control inflation by increasing interest rates. In addition, demand for products such as US government bonds increased hence pushing up their value (BBC, 2022b). While UK policymakers faced similar challenges, the mini budget in September further eroded confidence in sterling (Reuters, 2022). Since September the euro has strengthened by about 3% against sterling with further volatility evident. This presents a risk for Irish exporters.

The US dollar achieving parity with the euro has a positive impact for Irish exporters in that it makes Irish exports more competitive in markets that purchase in US dollars. However, it also makes imports of inputs quoted in US dollars more expensive. For example, in euro terms US wheat for flour in Q3 2021 cost €270 per tonne, rising to €393 in 2022, an increase of 45%. Some 38% of this increase is attributable to movement in euro/US\$ exchange rates. The immediate prospects for 2023 suggest ongoing strength in the US dollar, which would lead to a continuation of this trend.



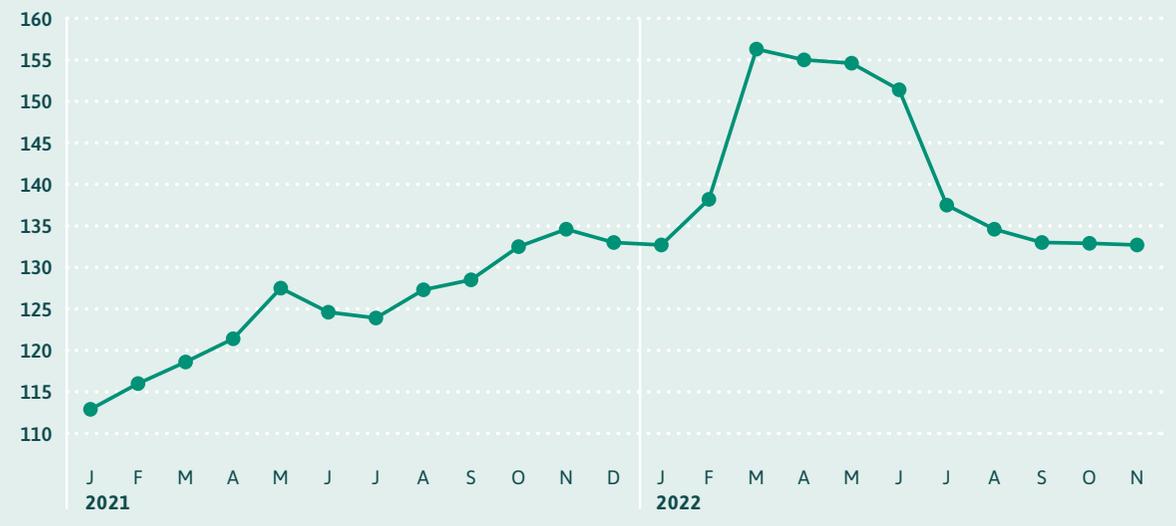
US Dollar has strengthened against the euro in 2022, boosting competitiveness of Irish exports

Stronger output prices

Since the middle of 2020 global food prices have been on an upward trajectory as shown by the FAO food price index. The war in Ukraine caused prices to surge, such that food prices are now at an all time high throughout 2022 with the October index running 43% ahead of the same month in 2019.

The upward pressure on food prices eased in the second half of 2022 as the FAO food price index started to decline, from a high of 156.3 in March to 136 as of October 2022. With the exception of the cereal price index, prices for other food subcategories have been in decline in recent months. For dairy somewhat slower demand from China and other importing countries contributed to a decline of 7% in the dairy index since June 2022. For meat currency movements, seasonally increasing supplies from Oceania and more subdued import demand have resulted in a decline of 6% in the meat price index since June 2022(FAO, 2022a). This may provide some relief to consumers struggling to cope with a cost of living crisis. However, prices are still significantly higher compared with prior years.

FAO Food Price Index



Source: FAO

↑ 34%

November 2022 FAO Food Price Index running **34%** ahead of November 2019

Likely developments for 2023

With the current macroeconomic and geopolitical conditions the world is currently facing, uncertainty will continue to be a feature in 2023.

The latest forecast from the International Monetary Fund (IMF), suggests that a further slowdown is likely, with a projection that global growth will stand at 2.7% in 2023 with a 25% probability it could be below 2%. While natural gas prices in Europe appear to have eased somewhat for the moment, risks to the global economic outlook remain. It is likely that the continuation of inflationary pressures, higher interest rates and a slower global economy will be a feature for much of 2023. In 2022, climate change played a role in creating some challenging conditions in the global food supply chain and it is likely that weather or other external factors will have an impact on output and prices in 2023.

The latter stages of 2022 provided few definitive signs of input prices for items such as fertiliser, energy or grains easing significantly. In the current volatile environment the decision to hedge or forward buy inputs for 2023 may be seen as a higher risk.

In the absence of a sustained decline in input prices, food businesses will require output prices to continue to remain firm. For Irish food and drink exporters, it will be increasingly important to be aware of how consumers respond to the current cost of living crisis and to position their products accordingly. This could be in the form of seeking out opportunities by offering products that are perceived to offer value to consumers, be it in the form of saving money on food expenditure, energy required to cook items or offering a sense of wellbeing.

For the foodservice sector, 2023 may be a more difficult period, following an enthusiastic return to eating out of home in 2022. While evidence for retailing seems to show a definite trend amongst consumers to reduce their grocery bills (Kantar, 2022c).



Global growth will stand at **2.7%** in 2023 with a **25%** probability it could be below 2%.

Dairy



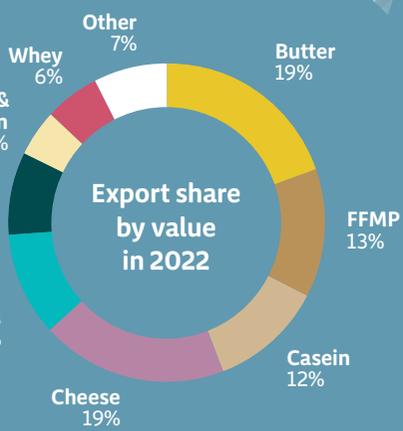
Dairy exports in 2022

€6.8 Billion



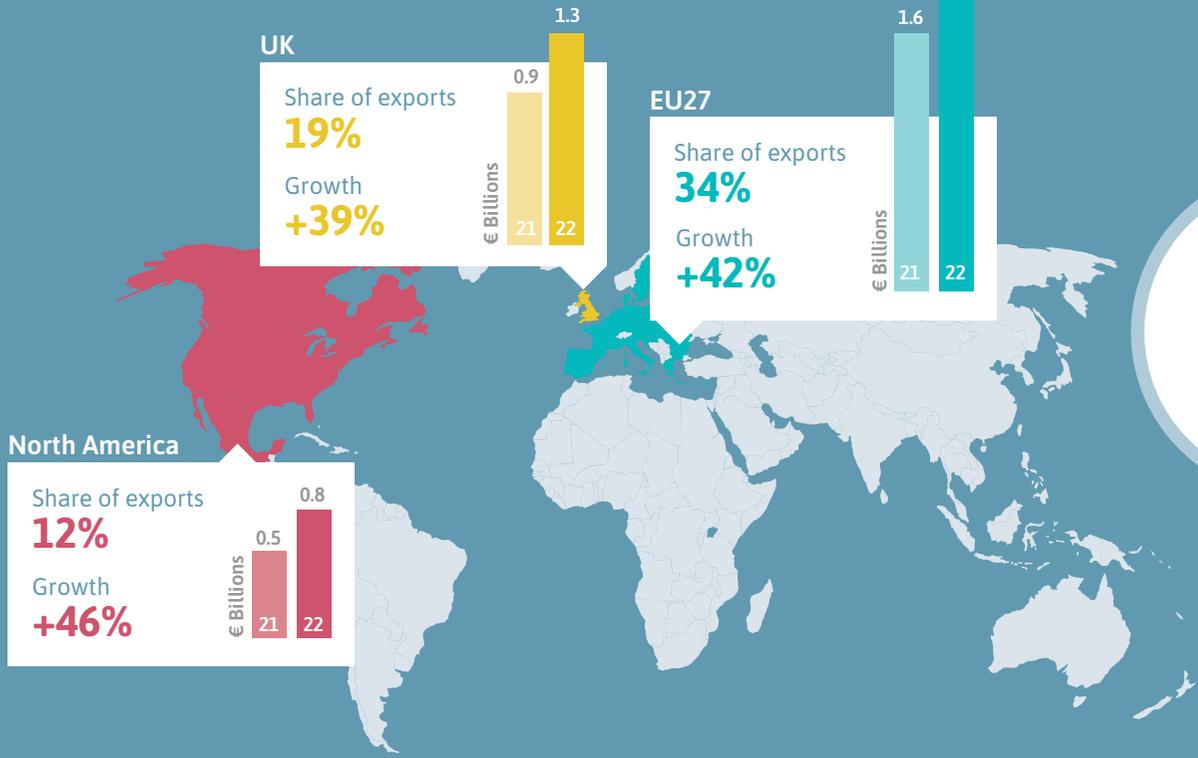
Exports grew by

€1.7 billion



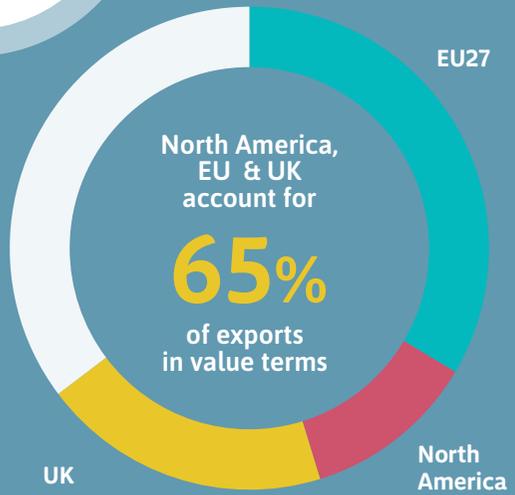
€
Export Values
48%
higher than
2017

Trends by region



133
markets served

North America, EU & UK account for **80%** of value growth



Leading Indicators

Agricultural input price index is **35%** higher in Oct 2022 vs. Oct 2021

EU dairy product prices
Jan to Nov 2022 vs. Jan to Nov 2021

- SMP prices** ↑ **46%**
- Cheddar prices** ↑ **33%**
- Butter prices** ↑ **66%**

Overall performance and drivers of dairy performance



David Kennedy
Senior Sector Manager,
Dairy

Irish dairy exports reached a record value of €6.8 billion in 2022 representing 33% growth versus 2021 with over 1.7 million tonnes of product shipped to over 130 markets worldwide.

The foundation for this growth was a solid year in milk collections on Irish farms, estimated to be close to 2021 levels at approximately 8.7 billion litres for the year. This was despite evidence of lower fertiliser usage and relatively slow grass growth in the spring and early summer.

In contrast, weaker milk flows were a feature in the key exporting regions of Europe and Oceania with collections flat or behind 2021 levels as high input costs, low availability of labour and environmental regulation impacting the ability, or willingness, of farmers in both regions to produce more milk. Even though higher farm-gate prices were on offer in comparison to previous years.

Output from the Americas fared better with Argentina increasing their milk pool significantly.



Combined, it is estimated that overall milk collections from the exporting regions of the Americas, Europe and Oceania were on a par with, or slightly behind 2021 levels.

From a global demand perspective, lower import activity from China and Russia (embargo-driven for the latter) was countered by strong demand elsewhere. Channels and markets restricted by Covid-19 lockdowns in 2020 and 2021 rebounded, driven by recovering consumption in foodservice whilst not overly adversely affecting retail. The

port congestion seen in recent years abated allowing products to flow more freely globally, encouraging supply chains to back-fill to pre-pandemic levels.

The strong trading momentum building at the end of 2021 continued into 2022 supported by reasonable dairy demand and weaker global milk flows across peak season. This helped to sustain record-high returns for dairy commodities for much of the year.

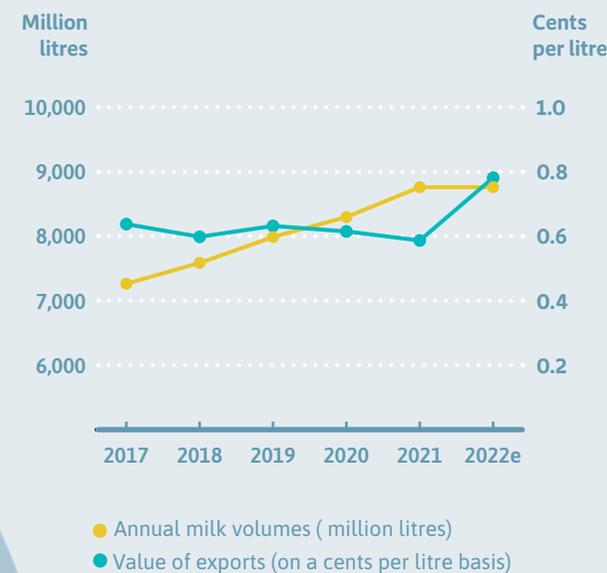
According to Eurostat, average prices for EU (European Union) butter were up 74% for January to September versus the same period in 2021. The equivalent figure for cheese and Skim Milk Powder (SMP) was 29% and 45% respectively (European Commission, 2022d). These three categories accounted for just under 40% of Irish dairy volume exports in 2022.

From a market perspective, all priority regions performed strongly in value terms. However, regions where butter, cheese and casein have a larger proportion of trade such as EU, North America, and UK (average combined value growth of 43%) performed ahead of markets in Africa, Asia, and Middle East (average combined value growth of 19%) where milk powders are more of a focus.



The value of dairy exports in c/litre terms a third higher in 2022 relative to 2017 with milk volumes rising by 20% over 2017–2022 period

Trends in export volume and value in milk terms



Milk input and output price trends

Despite the strength of this overall performance, 2022 presented a particularly challenging year in the form of increasing inflationary pressures. Muted buyer activity in some key import regions and continued uncertainty exacerbated by the war in Ukraine are factors which will impact on prospects into 2023.



Milk price index vs. input price index (2015=100)



CSO milk price index almost 44% higher than the input index in October 2022 reflecting strong market returns

Product performance

Butter exports increased by **26%** or **€270 million** in 2022 to a record value of approximately **€1.32 billion**.

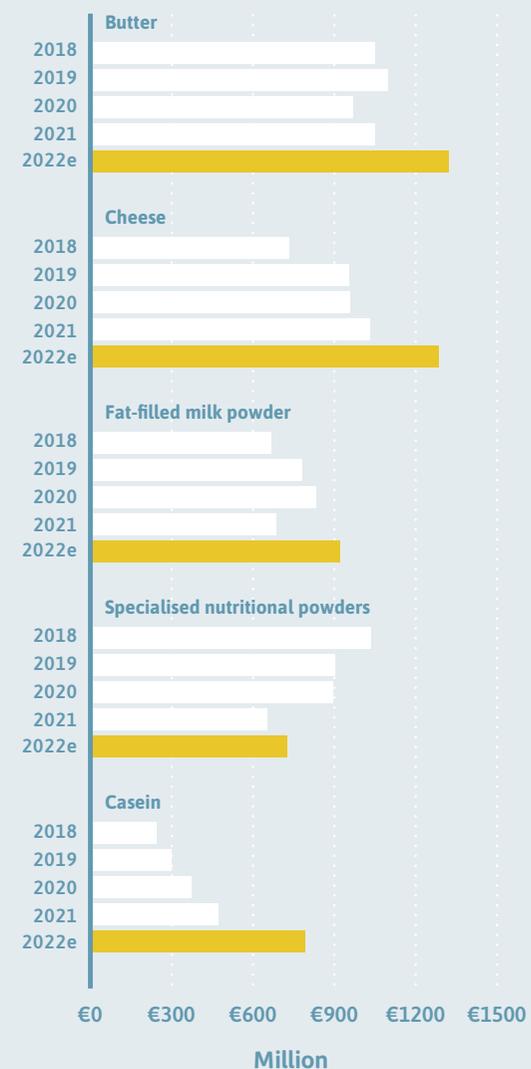


Butter

The EU, United Kingdom and North America remain the key markets for this product accounting for 95% of exports. The increase in exports to the UK is based on a return to normal trading patterns in 2022.

The EU Milk Market Observatory reported a range of €5,800 - €7,200 per tonne of butter traded over the year with prices sustaining over €7,000 from May to September. The comparable range in 2021 was from €3,400 to €5,800 presenting significant value increases in 2022 for Irish butter exports (European Commission, 2022d).

Dairy exports by subcategory





Cheese

Cheese exports increased by an estimated €260 million in 2022 to a record value of approximately €1.3 billion, rising by 25% on 2021's figures.

EU markets accounted for over half of this growth with strong trade to France, Netherlands and Germany, fulfilling demand based on lower local supply. Spain and Belgium also performed very strongly from an Irish cheddar exports perspective; rising by approximately 40% and 70% respectively.

Trade to North America and United Kingdom was largely in line with 2021 volumes but with a higher value being achieved. In terms of Asia, Japan remains a key market for Irish cheddar with further value growth evident.

The EU Milk Market Observatory reported a range of €3,400 - €4,750 per tonne of cheddar traded over the year with prices sustaining over €4,000 from June to the end of the year. By contrast, the equivalent pricing for cheddar in 2021 was largely static at between €3,200 and €3,400, boosting 2022 export values (European Commission, 2022d).





Fat filled milk powder (FFMP)

Exports of FFMP increased by an estimated €230 million in 2022 to a value of approximately €920 million, 34% up on a relatively slow performance in 2021.

With volumes shipped 15% lower than on 2020, values were driven by significantly higher input costs in terms of skim milk powder (SMP) and vegetable oils being reflected in global pricing for finished product.

Strong energy prices, coupled with a strong dollar versus euro exchange rate offered favourable trading conditions into the key west Africa markets of Nigeria, Senegal, and Ghana. There were some indications of slower demand toward the end of the year, perhaps signifying an affordability challenge starting to impact on consumption.



Specialised nutritional powders

Exports of specialised nutritional powders increased by an estimated €70 million in 2022 to a value of approximately €730 million, 11% up on 2021's figures and arresting a five-year trend of declining export value.

Production challenges in the United States served to drive import demand there and across the globe. Ireland benefited from this directly with the value of trade to the market more than three times 2021 levels. This one-off activity is, however, unlikely to be repeated in 2023.

Exports of finished product to China continue to decline, albeit at a slower pace than seen in recent years. This is driven by lower birth rates and increased government support for

local manufacturers, who are now estimated to account for approximately 60% market share. In contrast, other destinations across Asia including Indonesia, the Philippines and Thailand performed strongly and contributed to overall exports to the region increasing by approximately 5%.

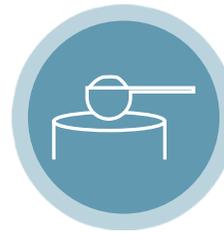




Skimmed milk powder (SMP)

Skimmed milk powder (SMP) export volumes largely mirrored 2021 levels but with average weekly EU prices quoted between €3,500 – €4,000 per tonne for much of the spring and summer versus €2,500 – €3,000 for the equivalent period in 2021. The impact of this saw SMP export values reach an estimated at €560 million for the year. This is the first time that SMP exports have broken the €500 million and represents value growth of €170 million or 44% in 2022.

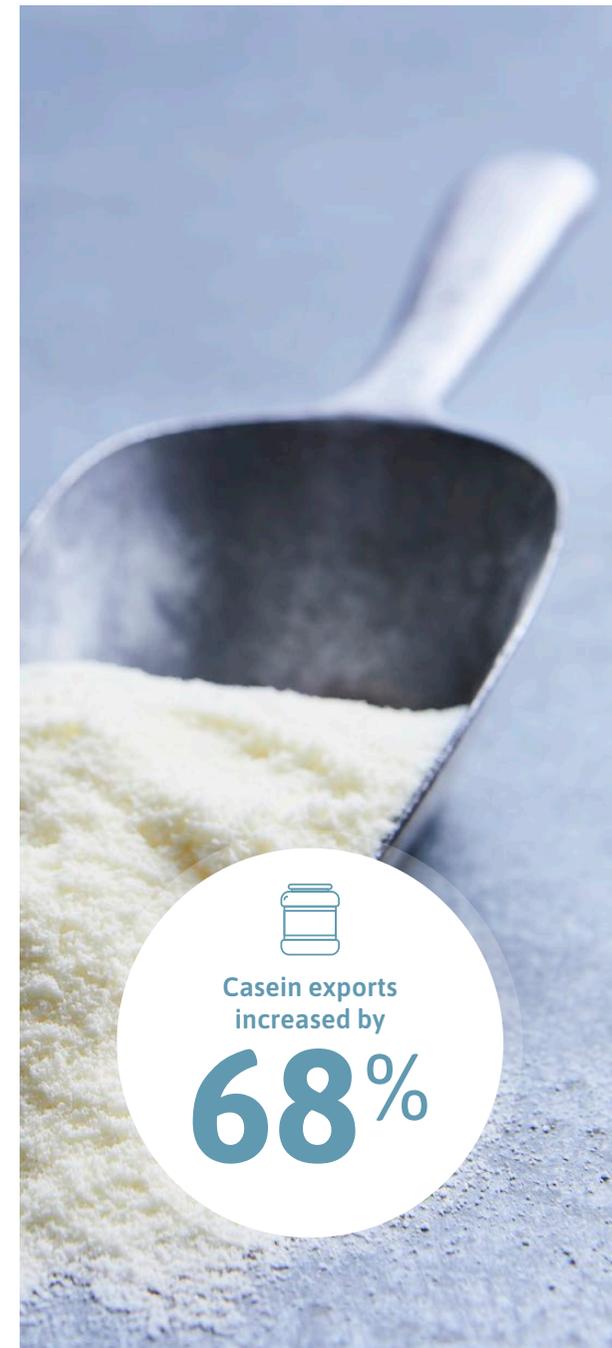
EU markets were the key drivers of growth, estimated to be up by 77%, driven by lower local production and the benefit of overlapping relatively weak volumes in 2021. Germany, Italy and Netherlands were the drivers of increased demand bolstering increased Irish volume exports to the EU versus third country markets where cost remained a key barrier throughout most of the year. Notwithstanding the relative affordability factor, Africa performed well delivering 36% growth. Exports to Asia grew at a more modest 16% where reduced demand for WMP in China saw increased availability of powders across the region from Oceania, and in particular New Zealand.



Casein

Exports of casein powders increased by €320 million in 2022 to a value of approximately €790 million, 68% up on 2021's figures and affirming the strategic decisions the Irish dairy industry has made in investing in the manufacture of this product.

Lower global production served to maintain prices well over €10,000/tonne for the course of 2022 and Irish processors produced and shipped an additional 10% volume in comparison to the previous year. Growth was seen across all traditional markets but EU (Germany, Italy, Poland, Spain) and North America (United States and Mexico) still accounted for over two-thirds of total exports and growth.



Casein exports increased by

68%

Destination performance

€2.3 billion

+42% YOY



EU

The EU remains Irish dairy's largest primary destination, accounting for 34% of all value exports in 2022, up from 31% in 2021. Exports to the region grew by 42% or €672 million to total an estimated €2.3 billion.

With cheese and butter, accounting for over two thirds of volume into Germany, the market value grew by 32% to reach an estimated €482 million. France rebounded from a relatively poor performance in 2021 with export values to the market up by €80 million in 2022, representing growth of 47%.

The hub markets of the Netherlands and Belgium performed particularly well, contributing €300 million and €89 million respectively to the overall EU growth figure.

€1.3 billion

+39% YOY



UK

Although Irish dairy exports to the UK grew by 39% in 2022, its share of dairy exports remained relatively static at 19%. Cheese and butter account for over 50% of exports.

Butter volumes exported increased by over 70% with corresponding value jumping by around 150%. This performance comes off the back of a modest volume performance in 2021 where product was forward shipped into the market in significant volumes in Q4 2020 ahead of impending Brexit related trade barriers, that were enacted on January 1st, 2021. Kantar reported that in the 52 weeks to September 4th 2022, yellow fats saw a decline in retail sales volume of 9.6% whereas spend for the same period grew by 1.5%.

From a cheese perspective it is interesting to note that export values dropped slightly reflecting lower volumes shipped from Ireland. Kantar reports that to the 52 weeks to September 4th, 2022, volumes of cheese declined by 5.8% year-on-year. Despite average price rises of 5.3% year-on-year, retail spend on cheese declined by 0.8% in the year due to the loss in volume (AHDB, 2022c).

€800 million

+46% YOY



North America

North America grew its share of Irish dairy exports to 12% in 2022 driven by an increase in volumes shipped of 12% and an estimated total regional export value of €800 million. This represents 46% growth equating to an additional €250 million relative to 2021.

Butter, cheese and casein are the key products relevant in the region and are the drivers behind the US and Mexico growing by 54% and 45% respectively.

North America grew its share of Irish dairy exports to 12% in 2022, growing by 46% to €800 million.

€925 million

+33% YOY



Africa

Irish dairy exports to Africa amounted to €925 million in 2022, representing a year-on-year increase of €230 million or 33%. The continent now accounts for 14% of exports in value terms.

The West African markets of Nigeria, Senegal, Ghana, Burkina Faso and Mali were the leading drivers of growth with FFMP performing strongly.

In North Africa, where dairy fats are a larger proportion of Irish exports there was a more mixed performance with modest value growth in Algeria and Tunisia countered by a significant decrease in volume and value of cheese shipped into Egypt.

South Africa has rebounded from a relatively poor 2021 with 10% value growth year-on-year with butter, casein and fat-filled milk powders the main drivers.

There was a significant increase seen in specialised nutritional powders, particularly in the United States as reduced availability of domestic supplies saw product being airfreighted into the market during the early summer to satisfy demand. This resulted in additional exports of approximately €80 million relative to 2021. It is, however, driven by exceptional circumstances, unlikely to be repeated in 2023.

€955 million

+15% YOY



Asia

Irish dairy exports value to Asia stood at €955 million in 2022, representing a year-on-year increase of €125 million or 15%. The continent now accounts for 14% of all value exports.

After a sharp export value decline in 2021, trade with China stabilised in 2022 with exports estimated at €500 million, representing growth of approximately 12%. Exports of specialised nutritional powders, the key driver of decline over the last three years were largely in line with 2021 figures while the momentum around other dairy ingredients including casein, SMP and whey continued.

Japan continues to be an important market for Irish cheddar and grew by 20% value to an estimated total of €80 million. Other products exported include casein and milk protein concentrate. However, it is notable that volumes of Irish dairy exports to the market are estimated to have slowed.

The Southeast Asian markets of Indonesia, Thailand, Philippines, and Vietnam all performed strongly with additional opportunities for European and Irish dairy ingredients due to lower availability from Oceania.



Irish dairy exports to Asia were 15% higher in 2022 at €955 million with China and Southeast Asia recording growth

Prospects

Looking forward to 2023 it is expected that Irish dairy supply will be modestly ahead of 2022. Increased availability of fertiliser early in the year and favourable weather conditions would provide support to volumes. Volatility in energy costs and availability of labour will be other factors that may influence production decisions.

Environmental considerations, and indeed regulations, are playing a more prominent role in the direction of dairy production globally. Dutch farmers took to the streets in 2022 to protest at their government's plans to cut nitrogen use by 50% by 2030 (Financial Times, 2022b). **New Zealand** has announced plans to apply a levy on methane emissions from livestock as part of their national climate efforts. Although not signed into law yet this is likely to feed into farmer sentiment and could provide some of the context as to why the USDA is predicting a further modest reduction in New Zealand supply.

The European Commission is predicting that **EU milk collections will continue to decline** marginally in 2023, although fat and protein levels should improve to counter this deficit.

The USDA is predicting that **US production will increase by less than 0.5% in 2023**. This will be driven by a modest increase in herd size and better yields per cow. This forecast is liable to change should the gap between market prices and cost of feed close or widen significantly, motivating farmers to increase or reduce production accordingly.

Argentina was an outlier in terms of growing supply in 2022, this year looks to be more challenging. The country's National Drought Monitoring Board outlined in November 2022 that 'the accumulated precipitation deficit in the core dairy production region between 2020 and 2022 is worse than that recorded between 2007 and 2009, one of the most intense droughts ever to affect the region.'

In terms of demand, **China** remains heavily reliant on imported products despite domestic dairy collections increasing by 5-7% per annum. Imports in 2022 are estimated to have been 20% lower than the record levels of 2021. However, industry commentators are suggesting that volumes imported into China during 2023 will be 5-8% ahead of 2022 levels. A return to these levels would have a positive impact on global dairy demand and provide a boost to Irish dairy prospects both in China and elsewhere.

Countering this will be a continuation of the factors that led to slower dairy commodity markets in the final months of 2022. The weakening in prices reflected weaker than expected consumption, which was being increasingly influenced by the cost of food and lower disposable income of global consumers as energy costs and other inflationary pressures impacted household spending power.

Affordability will also be a challenge on the Business to Business (B2B) and manufacturing side of dairy exports, notably regarding FFMP and SMP. There was evidence of reducing volumes into west and north Africa in the latter half of 2022. Parts of Southeast Asia and Middle East will also be exposed to these challenges.

Overall, 2023 looks to be a year of both challenge and opportunity for the Irish dairy industry. The prospect of a modest increase in milk supply against a potentially lower global supply is positive. These prospects are tempered however, by an uncertain global economic forecast and its impact on consumer spending and the ongoing cost and input availability pressures facing farmers and processors. It remains to be seen how commodity prices respond to these challenges in 2023. On a positive note, the diversified nature of the Irish dairy industry in terms of product output and markets served, not to mention its agility and sustainability credentials, positions it well to navigate these factors over the coming year.



Meat and livestock

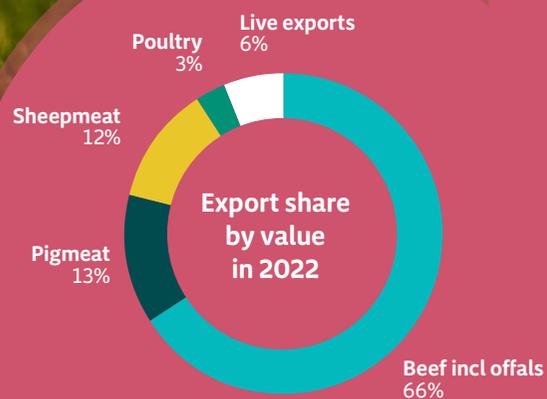


Meat & livestock exports in 2022

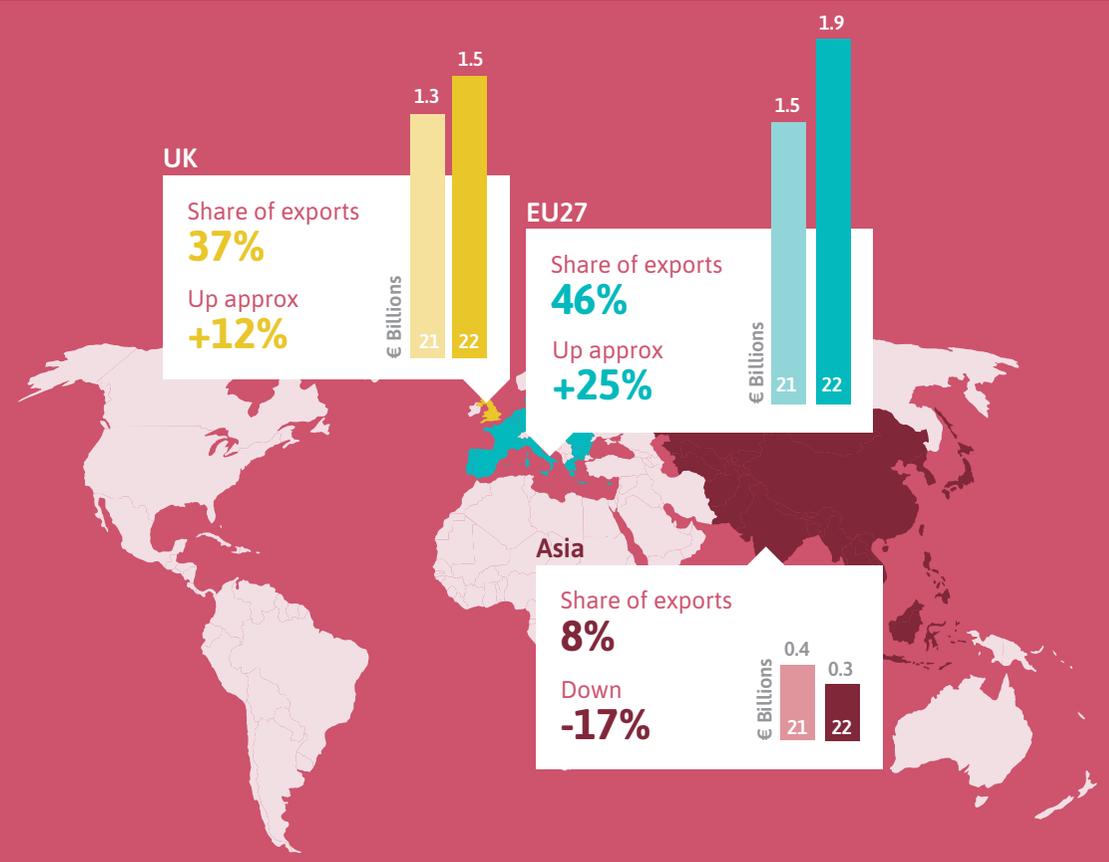
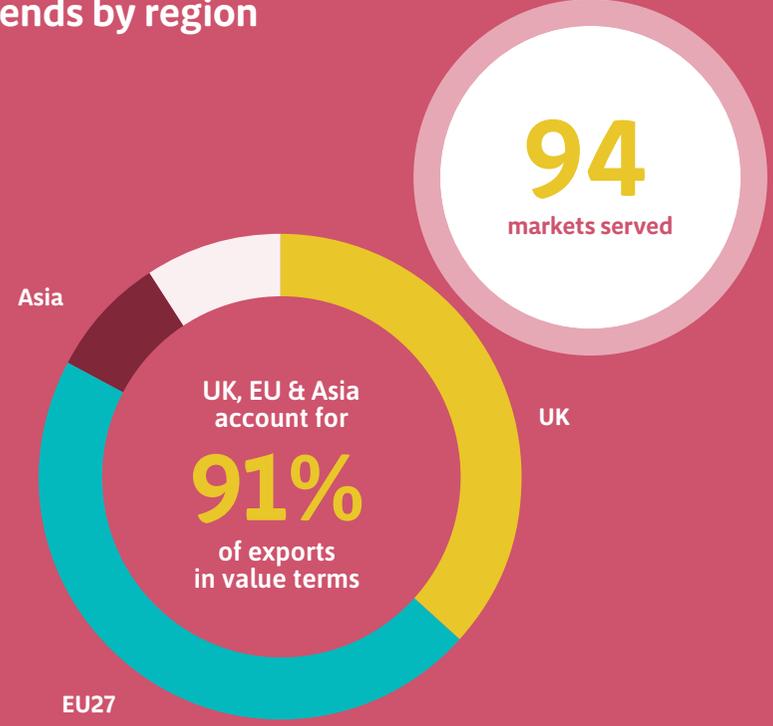
€4 Billion



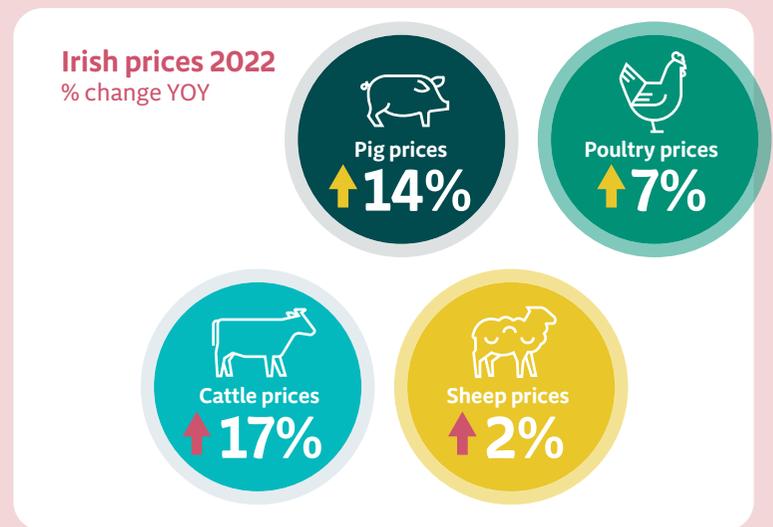
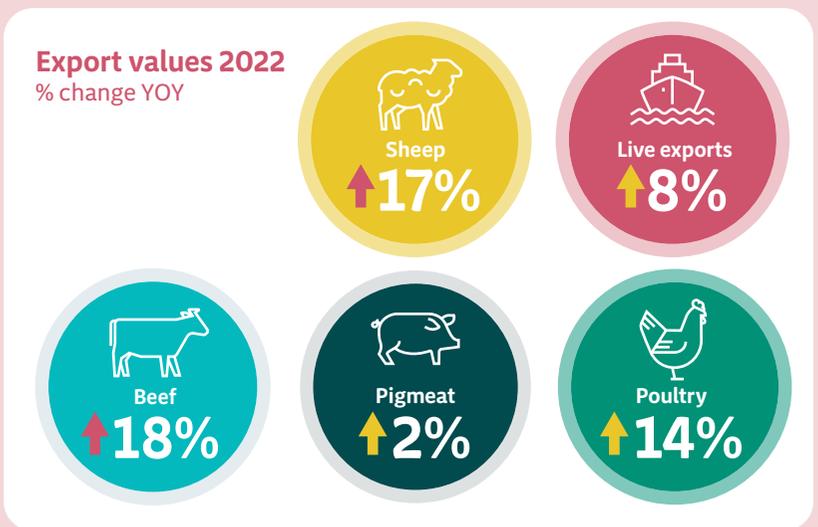
Exports grew by
€520 million



Trends by region



Leading Indicators



The meat and livestock sector represents the second largest category within Ireland's food and drink exports. During 2022, Irish meat and livestock exports grew by 15% to reach a value of over €4 billion. This robust performance reflects increases in output levels and average prices for beef and sheepmeat.

Meanwhile, lower production was recorded for pigmeat and poultry, although the impact on overall exports was offset by higher average prices.

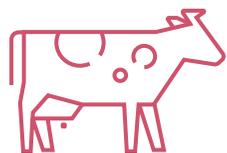
Throughout the year, rising production costs spanning feed, fertilizer and energy inputs presented significant challenges for the intensive pig and poultry enterprises, as well as for the grass-based cattle and sheep farming systems.



Joe Burke
Senior Sector Manager,
Meat and Livestock



Beef exports including offal



Irish beef exports in 2022 were almost a quarter higher than 2019

Beef

Overall performance

The value of beef exports in 2022 is estimated at €2.52 billion, which represents an increase of €384 million or 18% on 2021. Similarly, the value of beef offal exports rose by 17% to €134 million leaving the combined value of beef and offal exports 18% higher at an estimated €2.65 billion.

Cattle throughput grew by more than 7% or 120,000 head at Irish meat plants, contributing to a 9% increase in the volume exported at 512,000 tonnes. The slightly higher export volumes are partly attributable to the more orderly exporting pattern in 2022. In contrast, trade to the UK was distorted at the start of the previous year as the threat of a no-deal Brexit eased.

During the first half of the year, the Irish beef sector benefited from continued strong demand from the UK and EU markets. Prices for all of the main cuts were particularly strong, reflecting lower volumes of beef available in the UK and across the EU and reduced imports of beef from third countries. These factors contributed to European cattle prices reaching a historic high in April, with the average German R3 young bull price hitting €6.03/kg (European Commission, 2022c).

The early summer months saw greater availability of non-EU beef on the market, in anticipation of a strong steak market. The Russian invasion of Ukraine started to impact on food price inflation and consumer sentiment. There was also increased resistance to higher prices, especially in the case of higher priced steak cuts. The European Commission estimates that beef consumption across the EU decreased by 1% (EU Commission, 2022e), while beef imports to the EU rose by an estimated 17% (European Commission, 2022a).

Destination trends

Exports of Irish beef to the United Kingdom (UK) increased 15% to reach an estimated €1.1 billion. The UK market accounted for 43% of Irish exports in value terms, down slightly from 44% in 2021.

Domestic beef supplies remained tight during the first half of 2022, before recovering somewhat in the second half of the year. Imports in the first half of the year compared very favourably with year earlier figures (which included the post-Brexit deadline downturn in imports in early 2021).

The foodservice channel enjoyed strong growth post Covid-19, resulting in a 26% growth in beef volumes, according to AHDB (AHDB, 2022a). Retail sales were challenged by reduced consumer spending power, with volumes contracting by an estimated 8%. The decline was particularly evident in steak sales, which were 18%, lower (AHDB, 2022b). This contributed to a cooling of the market in the second half of the year in the retail channel, while foodservice demand for both manufacturing beef and steaks remained more robust.

Irish beef exports to Continental European markets grew by 26% to €1.3 billion in 2022, accounting for 50% of the overall value of this trade.

Beef supplies across many markets tightened, most notably in France, Sweden and Spain by between 3% and 4% (European Beef Forecast Working Group, 2022). EU cattle prices peaked at the end of April and were up by more than €1.30/kg over a year earlier (European Commission, 2022d).

Demand was particularly strong for forequarter and manufacturing beef while higher value cuts such as steaks were in lesser demand as food inflation concerns focused attention on value offers. Beef consumption reportedly declined in Germany, France, Sweden and Spain, while Italy saw a marginal increase (European Beef Forecast Working Group, 2022).

Irish beef exports to international markets are estimated to have declined by 10% to €162 million. This equates to a 6.5% share of Irish beef exports in value terms. This reflected the

strength of prices available in the EU, particularly during the first half of the year. Demand from Japan and the Philippines started the year strongly resulting in other countries' exports increasing slightly to these markets. Meanwhile exports to the US were impacted by the filling of the import quota early in the year and as a result Irish exports declined considerably with this partly offset by higher trade to Canada in 2022.



Prospects

The outlook for beef export markets remains uncertain for 2023. Global and EU supplies look set to remain well balanced, however the impact of cost of living factors and consumer sentiment on beef purchasing behavior will remain a critical factor in determining price developments.

EU cow herd
x1,000 head



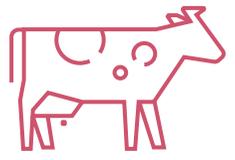
Source: Eurostat

Global beef supplies to decline marginally

The EU beef herd is forecast by the EU Commission to decline further, with notable reductions likely across several markets, including France, Spain, Italy and the Netherlands. UK supplies are expected to show a small increase in 2023.

In global terms beef supplies are forecast by the USDA to decrease marginally, largely driven by a decline in the US herd resulting from recent drought conditions. In terms of import demand, growth is likely from Asian markets such as Japan and South Korea, while the Chinese economic situation and growing domestic herd is likely to result in reduced demand from China in 2023, according to the USDA. This may result in a stronger focus on the European Union from large global exporters such as the Mercosur countries and Australia.

The cost-of-living crisis is expected to continue to impact on beef demand in the UK and the EU, as the EU Commission forecasts a 1.5% decline in consumption (European Beef Forecast Working Group, 2022). In this environment, it will be more important than ever for Irish beef to be positioned as a reliable, innovative supplier of high quality beef with strong sustainability credentials.



EU beef consumption forecast to decline by 1.5% in 2023

Sheepmeat

Sheepmeat exports



Overall performance

The value of sheepmeat exports increased by 17% to €475 million while the volume of exports increased by 10% to 75,000 tonnes. This is the third consecutive year in which Irish sheepmeat exports recorded volume and value growth.

However, it was a year of two halves. Relatively tight global supplies of sheepmeat combined with stable consumer demand contributed to strong prices for Irish sheepmeat producers in the first half of 2022, despite an increase in domestic sheepmeat production.

During the second half of the year, higher costs of production and more difficult grass growing conditions had a negative impact on lamb performance and ultimately the availability of lambs for processing. The lower availability of product for export coincided with a weakening in demand for lamb in some key export markets due to inflationary pressures on consumer spending power. Despite weaker demand, prices remained relatively stable, albeit below the level recorded in the corresponding period in 2021.

Irish sheepmeat faced increased competition due to a recovery in the availability of UK sheepmeat, as well as an increase in product from the southern hemisphere.

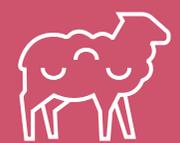
Destination trends

The EU remains the priority market for Irish sheepmeat exports and accounting for approximately 75% of exports in both volume and value terms, with trade valued at €353 million, up 18% from 2021 levels.

France continues to be the largest export market for Irish sheepmeat, accounting for 40% of all exports to the EU. Exports to Germany jumped by 30% to reach €78 million, while the value of exports to Sweden were 21% higher. These three markets accounted for 78% of our exports to the EU in value terms. A decline in exports to Belgium and Denmark was offset by growth to a range of other EU markets including the Netherlands, Luxembourg and several eastern European countries.

Exports to the UK increased in value and volume terms, driven in part by some of the major Irish lamb processors also having facilities in the region and sought to optimise utilisation of their operations. Exports were valued at €78 million in 2022, up 15% from 2021 levels.

Exports of sheepmeat to international markets recorded growth of 15% in value terms, driven almost entirely by higher exports to Switzerland.



Unit prices of Irish sheepmeat exports are 44% ahead of 2019 levels

Trend in sheepmeat export prices per tonne, 2019 - 2022



Prospects

The consumer response to ongoing inflationary pressure is expected to continue to affect Irish sheepmeat exports during 2023, particularly within the EU. Higher input costs at both farm and processing level will challenge margins in the sector combined with likely weaker demand from key export markets.

Lamb is a high cost protein, therefore is vulnerable to reduced consumer spending power. However, global sheepmeat production is not expected to increase significantly in 2023. There were some indications of improvements in Chinese demand for sheepmeat in the latter half of 2022, which will hopefully continue during the first half of 2023. China imports approximately 40% of all sheepmeat traded globally so has a huge impact on the global sheepmeat trade (GIRA, 2021). Meanwhile the US continues to be a key player in the global sheepmeat market and absorbs significant volumes of product from Australia and New Zealand. The strength of import demand in these two markets will be a key factor in determining the availability of imported product on the EU market.

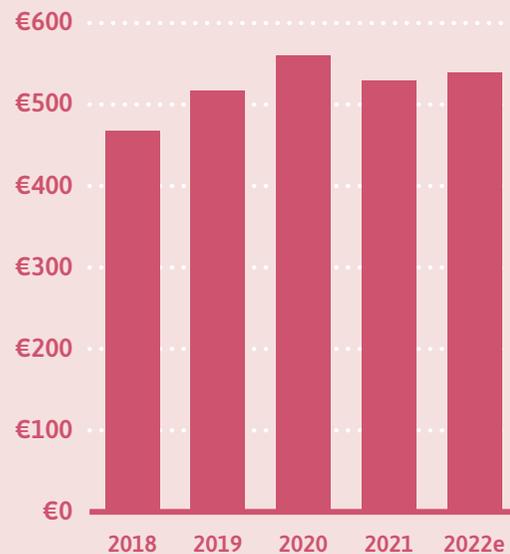
Direct access to these markets remains the focus of the Irish sheepmeat sector with some positive progress made during 2022. The Chinese market is primarily a foodservice opportunity and given the demand in the region for products not fully valued on the domestic or EU markets it offers an opportunity to enhance carcass balance. There has also been some progress on meeting the technical requirements to utilise the access announced in April 2022 for Irish sheepmeat to the US, which has the potential to offer significant opportunities for Irish exporters.



Pigmeat

Pigmeat exports

Millions



Overall performance

Despite the ongoing pressures faced by the sector, Irish pigmeat export values were 2% higher in 2022 at €540 million, as higher prices helped to offset some reduction in export volumes as the year progressed. However, pig producers were faced with unprecedented production costs, which severely impacted on viability for much of the year.

Since 2018, the global pigmeat market has been shaped by a series of challenging events, led by the impact of African Swine Fever (ASF), which caused unprecedented swings in trade flows and pricing levels. The pigmeat market in 2022 operated against a backdrop of weaker global demand as the foodservice channel remained challenging due to Covid-19 restrictions in a number of key regions. Global output recovered in the early part of 2022, before being faced with further significant increases in production costs.

Irish pigmeat production eased from the third quarter of 2022. According to the CSO, production increased by almost 5% for the first half of 2022 with this figure falling to just 1% by the end of September (CSO, 2022b). Production tightened further in the final quarter, as ongoing high production costs impacted pig retention at farm level. This drop off in producer confidence was illustrated by the increase in sow supplies at pigmeat export plants, which increased by around 8% for the first nine months of the year.

The results of the EU Commission livestock census during June showed a drop of 5% in the EU pig breeding herd compared to 2021 levels. Member states such as Germany, Poland and Denmark recorded significant drops in their respective breeding herds (Eurostat, 2022b).

The pigmeat trade across the EU started slowly in 2022, reflecting the impact of reduced import demand from China for EU pigmeat with German exports suspended due to ASF issues. However,



during the second half of 2022, tightening supplies across the EU resulted in pig prices rising sharply. The Irish pig price increased by almost 28% during the second half of 2022 to reach €2/kg. For the year as a whole, Irish pig prices increased by

approximately 14% to €1.77/kg (Bord Bia, 2022d). Irish pig prices had started the year from a low of €1.40/kg and reached peak prices of €2.03 during December.

Destination trends

The volume of Irish pigmeat exports fell marginally to 228,000 tonnes in 2022.

Pigmeat shipments to international markets accounted for 69% of export volumes at 157,000 tonnes, with China remaining the key partner destination. In value terms, trade with International markets fell by 3% to €345 million. The recovery in Chinese domestic production negatively affected Irish pigmeat exports during 2022, with the value of shipments of Irish pigmeat to China falling by 31% to €130 million. However, this decline was largely offset by stronger growth in other International markets such as Australia, the Philippines, the US, and South Korea where lower domestic output levels boosted import demand. The value of Irish pigmeat shipped to these International markets was 40% higher at €150 million.

Lower pigmeat availability across the EU mostly notably in Denmark, Germany and Poland, helped Irish exports to the region increase by 23% to €100 million during 2022.

Exports to the UK were 3% higher at €95 million driven by higher unit pricing as volumes to this market declined.

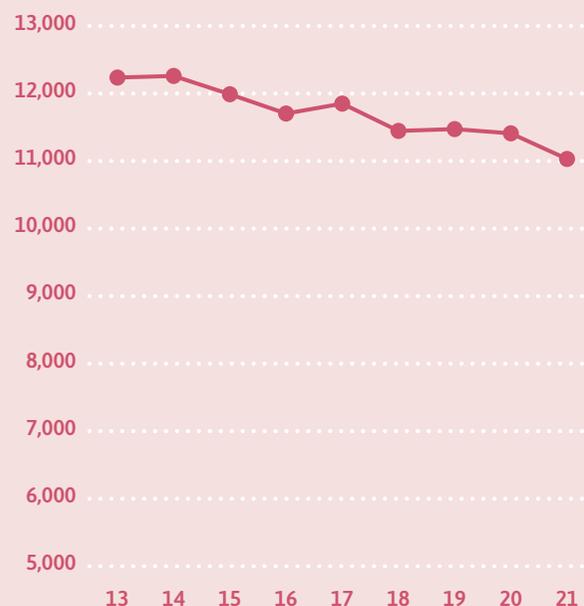
Prospects

The invasion of Ukraine continues to have a profound impact on the EU pigmeat sector due to its impact on feed and energy prices, the two main inputs for pig producers.

For 2023, the USDA is forecasting that global pigmeat production is likely to edge upwards by 1% to 111 million tonnes reflecting some further recovery in Chinese output. However, herd health challenges and the ongoing impact of ASF could reduce short-term production and negatively influence producers' willingness to invest in future growth. In addition, EU producer sentiment will be heavily influenced by feed cost volatility which looks set to continue reflecting geopolitical tensions and the impact of weather events on harvests across the northern hemisphere.

Exports from North America will be impacted by the strength of the US dollar. North America accounts for 40% of global pigmeat trade, any change in competitiveness will benefit other global exporters such as Brazil and the EU. The outlook for Chinese production for 2023 remains uncertain, the USDA is estimating that production will increase by 2% (USDA, 2022). However, Rabobank estimates that the Chinese sow herd has fallen by 10%, and depending on how quickly replenishment takes place, this is likely to pressurise production (Rabobank, 2022a).

EU breeding pig herd
x1,000 head



EU Breeding pig numbers 5% lower in June 2022

Trend in poultry export prices per tonne, 2019 - 2022



Average price of poultry exports 11% higher in 2022 YOY

Poultry

Overall performance

Overall, Irish poultry export values are estimated to have increased by 14% in value terms to €143 million during 2022, with volumes up 3% at 78,000 tonnes.

The global poultry industry showed signs of recovery in 2022 although Avian Influenza (AI) continued to have a growing impact on the sector. Europe is struggling with what has been described by European Food Safety Authority (EFSA) as the worst AI season in history. The ongoing threat of AI outbreaks is extremely challenging for the global poultry industry, as supply and trade in both hatching eggs and poultry meat are faced with disruption. Rising inflation across the EU increasingly influenced consumers to switch towards more competitively priced poultry meat in the latter part of the year.

The Irish poultry industry felt the impact of high production costs with throughput levels falling by 5% to 80 million head for the first nine months of 2022 compared to prior year levels. This rate of decline continued into the last quarter of 2022 reflecting ongoing disease risk, high feed costs and trade restrictions that curtailed industry expansion during the year.



Destination trends

Stronger pricing helped to offset lower export volumes. There was some further redirection of Irish poultry exports into the EU from international markets. The value of Irish poultry exports to the EU rose by 31% to €30 million. Key markets within Europe include the Netherlands, France, Denmark and Germany. In addition, the Spanish market grew significantly, albeit from a low base, reflecting sales of dark poultry meat products to the retail channel.

Trade with the UK increased by 19% to €85 million reflecting a strong recovery in the foodservice channel. Exports to international markets were 7% lower at almost €31 million, reflecting ongoing trade restrictions in South Africa. Irish poultry meat was exported to other African markets such as Ghana, Sierra Leone and Benin.



Irish poultry exports to the EU rose by **31%** to **€30 million** driven by the Netherlands, France, Denmark and Germany.

Prospects

The global poultry industry is expected to show further recovery in 2023 despite the operational challenges faced by the sector. A weaker economic climate will lead to more price-driven consumer behaviour, which supports poultry consumption. However, AI is now endemic in many countries, and restrictions around trading breeding stock could lead to an ongoing tight supply.

The biggest operational challenges are likely to remain; volatile feed and energy costs. Rabobank forecast that feed prices during Q1 2023 will be around 10-15% lower compared to the peak levels observed during 2022 but remaining significantly ahead of 'normal' (Rabobank, 2022b). The USDA anticipates that global chicken output will increase by 2% to 103 million tonnes during 2023.

Given the anticipated weak economic landscape, strong import demand is expected from Mexico, Saudi Arabia, the US and the EU. Brazil is expected to fulfil most of this increased demand as other key global suppliers struggle to increase export volumes (USDA, 2022).

Value added meats

Value added meat exports by species:



In addition to primary meats, value added meat exports which are captured under Prepared Consumer Foods (PCF) reached an estimated €925 million in 2022. This represented an increase of 30% with exports surpassing pre-Covid-19 levels by 23%.

This subcategory represents a vitally important outlet for traditionally lower value cuts and trimmings. It consists of products such as value-added ingredients for foodservice and manufacturing channels and products such as burgers for retail and foodservice.

Key markets for exports during 2022 included the UK, France, Germany, Spain and Denmark.

Livestock

Overall performance

The live export trade continues to provide an important alternative market for the Irish livestock sector with exports valued at €230 million during 2022. This represents an 8% increase from €215 million in 2021.

Cattle exports account for the majority of the live export trade with 285,000 cattle exported during 2022 with an export value of €170 million. Live cattle exports increased by 15% compared to 2021 levels, a trend that was mainly driven by an increase in the intra-community trading of calves. Live exports of pigs, principally to Northern Ireland, amounted to 400,000 head during 2022 at an estimated value of €60 million while live sheep exports totaled 15,000 head valued at just over €2 million.

The live cattle trade continues to be dominated by calves, which accounted for 60% of exports during 2022. An increase in calf exports in 2022 represents a return to more typical trading levels following the negative impacts of Covid-19 restrictions and weather interruptions in previous years. The Netherlands was the stand out market in 2022 with 95,000 calves exported to the region, accounting for more than half of the total. Spain also remained an important market for both dairy and beef sired calves with 55,000 calves exported.



Livestock exports
were valued at

€230m

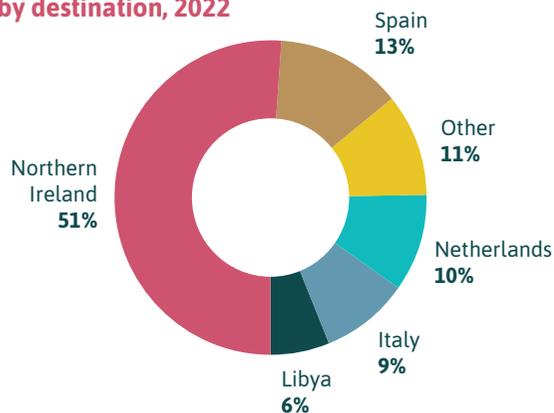
in 2022

Destination trends

The trade in weanling and store cattle to customers in key European markets also performed strongly in 2022 reflecting tighter cattle supplies in key markets driving demand. Increased activity in exports to international markets in the Middle East and North Africa also contributed to a positive export performance for the category.

Trade with Northern Ireland for both finished cattle and those for further production was more subdued for much of 2022 following a very strong performance in late 2020 and into 2021. However, tighter cattle numbers on Northern Ireland farms and stable demand for beef in the UK boosted demand for live cattle in the region as we moved into quarter four.

Share of live exports values by destination, 2022



Prospects

The short-term outlook for calf exports remains reasonably positive with firm demand and positive feedback for Irish calves from customers in key markets including the Netherlands, Spain and Italy. However, the longer-term outlook for the sector is somewhat uncertain with reviews at EU level into live exports generally, but particularly into the transport of unweaned calves. The findings and recommendations of several reviews published in 2022 will now be considered, in the drafting of new welfare of animals during transport legislation in 2023, with any proposed changes to the current legislation expected to come into effect from 2024 onwards.

The outlook for older categories of cattle remains positive in the short term with tighter domestic cattle supplies expected in some key European markets including Italy, Greece and Eastern Europe. The supply outlook remains subdued in Northern Ireland, with demand expected to be stable for Irish cattle during 2023.





Prepared Consumer Foods



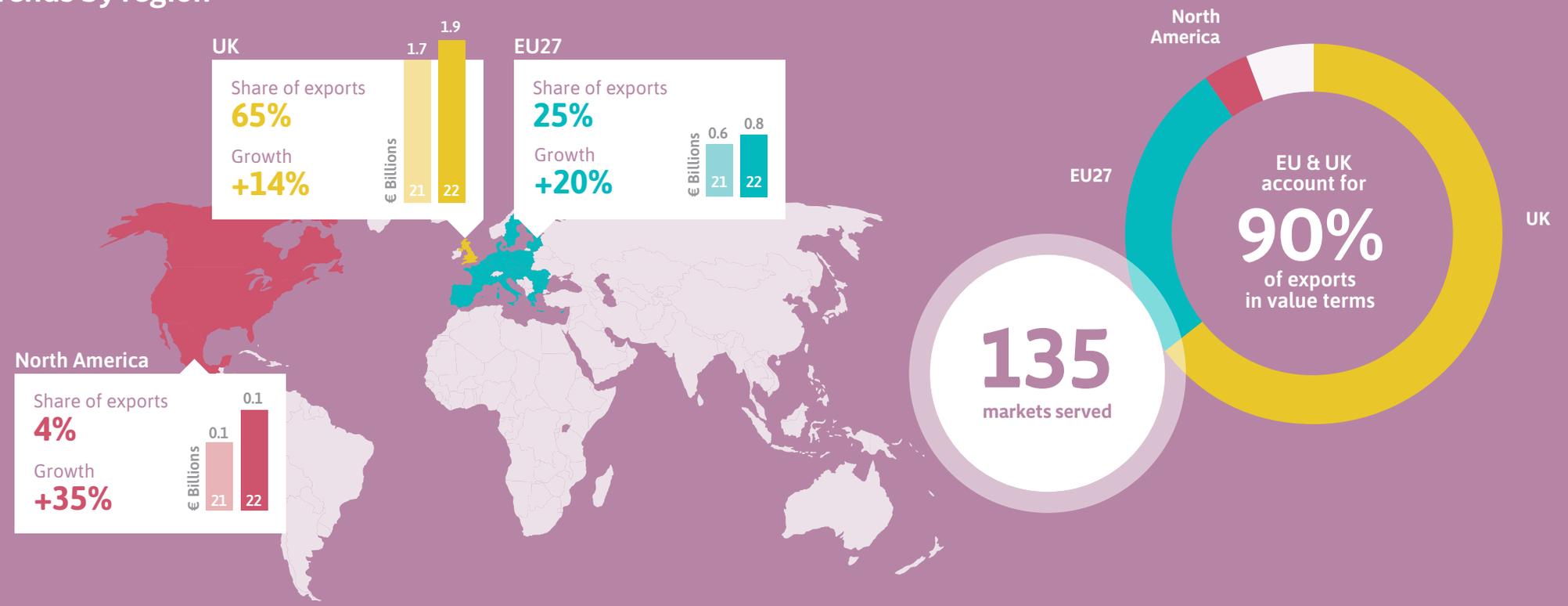
Prepared Consumer Foods exports in 2022

€3 Billion

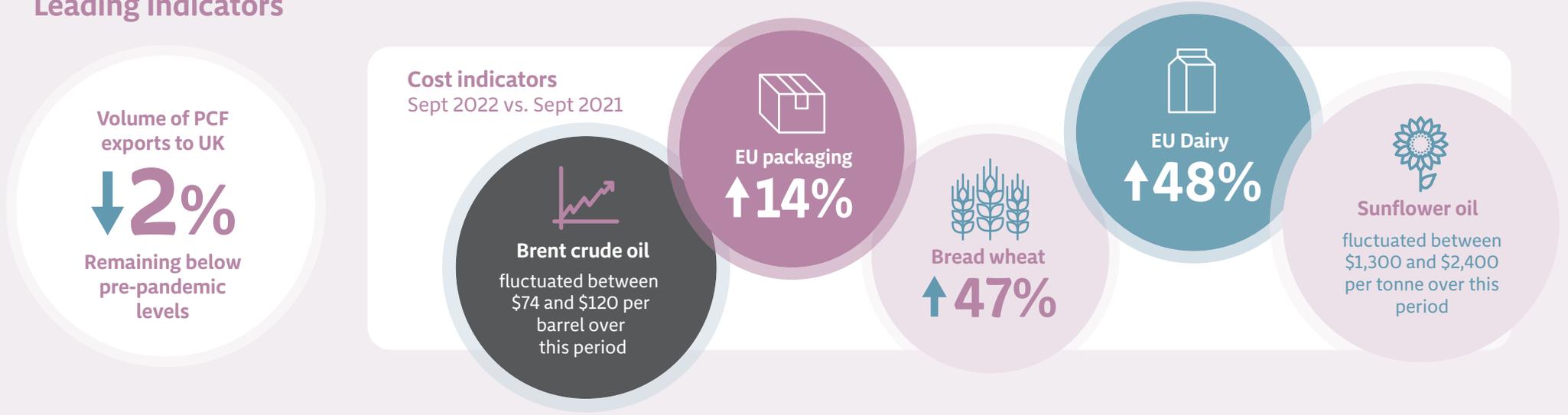
Exports grew by

€450 million

Trends by region



Leading Indicators





Value Added Meats accounted for 48% of increase in PCF exports

Main categories of Irish PCF exports



*Value added meats does not include value added seafood

Overall performance and drivers of performance

In 2022 PCF exports delivered a strong performance despite facing considerable challenges, with exports valued at over €3 billion, up 17% on 2021. Inflation played a significant role in this value increase with volumes only recording mid-single digit growth.

There was a positive start to 2022 as economies emerged from Covid-19 lockdowns and initial indicators showed steady demand in the priority markets of the UK and Europe. The Irish PCF supply base appeared well positioned to fill supply gaps in the UK. At the same time, there were also indications from Europe suggesting new opportunities for growth from a number of sources to fill the void left by UK suppliers. However, the sector also experienced challenges in terms of increased input costs, labour shortages and logistical difficulties. These challenges intensified considerably following Russia's invasion of Ukraine.



Mary Morrissey
Senior Sector Manager,
PCF



The UK remained the largest market accounting for 65% of all Irish PCF exports. This shows some movement toward greater diversification as the UK's market share was 67% in 2021. EU markets accounted for 25% of PCF exports. International markets accounted for the remaining 10%, with the North American market the largest destination within this.

The reopening of foodservice channels across all priority markets provided a boost to exports, particularly value added meats. Consumer loyalty to Quick Serve Restaurants (QSR) when faced with budget decisions helped maintain exports throughout the year.

The retail market, which recorded a very strong performance during Covid-19, was more muted in 2022. However, categories such as bread, chocolate confectionery, juices and beverages all performed well.

UK grocery price inflation increased significantly, such that ALDI, a discount retailer, became the fourth largest retailer for the first time (Kantar, 2022c). Consumers were increasingly focused on value with own label gaining share as the year progressed. The accelerated shift to own label presented a business challenge for manufacturers as they managed the conflict of volume growth against margin compression in some cases.

The volatility in input costs and rising energy prices curtailed new growth opportunities in the UK and European markets. Therefore, while export value increased, margins came under increased strain.



Trends by key products

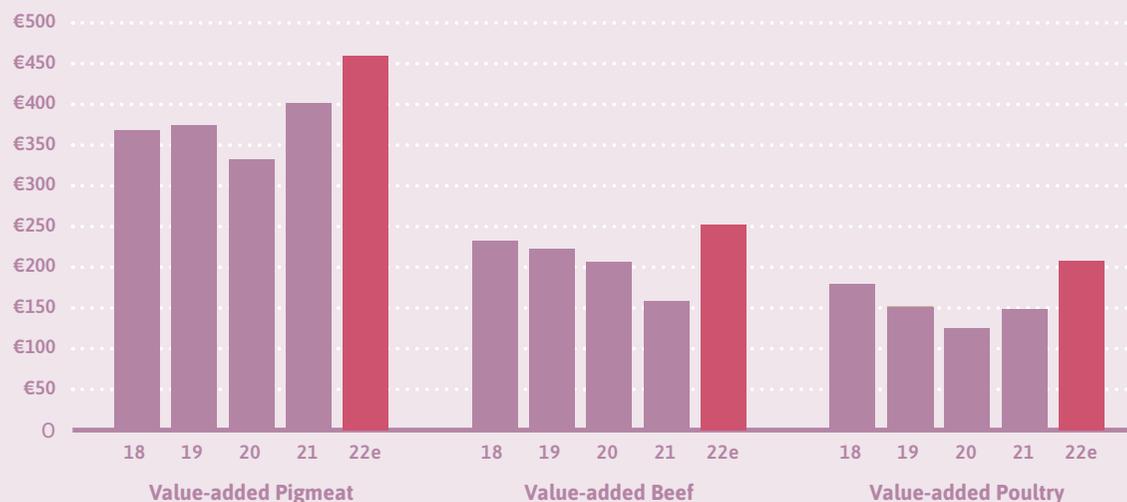
Value added meats

Total value-added meat exports (for beef, pigmeat and poultry) were valued at €920 million up 30% relative to 2021. Value added beef and poultry recorded a strong performance rising by 60% and 40% respectively. Value added pigmeat exports, which is the largest category of these products, delivered a growth of 14%. When inflation is considered, this growth is modest versus the other protein types.

This strong performance across the category is attributed to two key channels, QSR and further convenience food production both of which are vital to the continued success of this category. All players within the foodservice channel are likely to be impacted as consumers trade down and QSR will be subject to that also, however it is anticipated the QSR channel has a level of resilience not available to other foodservice channels. The UK remains the key priority market for value added meats, followed by the core European markets of France, Germany, Spain and the Netherlands.

Value added meat exports

Millions





Irish bakery exports value jumped by 17% to €280 million in 2022 with the UK market accounting for over 90% of trade.

Bakery (biscuits, bread, sweet bakery)

Total Irish bakery exports were valued at an estimated €280 million in 2022, up 17%. The UK market accounted for over 90% of the volume and value. Bread is the key product in this category, growing by 21% to €195 million. Sweet bakery and biscuits showed only marginal volume increases, while price inflation was the predominant driver behind the value growth in sweet bakery of 7% to reach €70 million.

Inflation is running high in the bakery category due to increased cost of raw materials, particularly flour, oils, liquid egg, and energy costs, which make up a high proportion of operating costs for the sector.

Evidence of down-trading within bakery was seen in retail bakery sales, especially in premium in-store bakery with strong price pressure on private label suppliers.

Meal solutions

Meal solutions saw an increase in export value of 10% to reach €525 million. This growth is largely driven by higher prices. This category was exposed to sustained pressure due to input raw material costs, energy costs and availability.

The frozen channel in the UK accounts for approximately 60% of the export value and is being adversely affected by the cost-of-living crisis in this market. Export figures for 2022 reflect initial consumer reaction to inflation as they shopped the frozen aisles less frequently and the category experienced a reduction in penetration and spend. The trading down in the category from branded items to private label resulted in a decrease in the promotional activity in store. The exception to this is the ice cream category, with consumers continuing to maintain their purchase volume of branded everyday treats. Irish exporters are well established in the market and have demonstrated

their resilience, as they continue to deliver innovative propositions to the category.

Confectionery (Chocolate and sugar confectionery, snacking)

Confectionery exports reached €400 million, up 7% on 2021. Chocolate exports accounted for €280 million of this figure. Export volumes of chocolate were down 2% in 2022 while value increased by 9%, reflecting raw material and energy inflation.

Irish exporters of chocolate continue to grow in the premium chocolate sub-category, predominantly in retail channels. The re-opening of out-of-home channels and the stabilising of gifting demand helped offset a difficult trading environment. The outlook for those with differentiated offerings is moderately positive as discerning consumers look for more premium forms of indulgence. Sugar confectionery volumes were down

18% in 2022, though the value was stable at €102 million.

This reflects a rationalised UK customer base as a result of the increased cost of doing business post Brexit, a drop in shipments to more distant markets in light of increased shipping costs, and a general decline in demand for sugar confectionery as the market seeks healthier forms of indulgence and snacks.

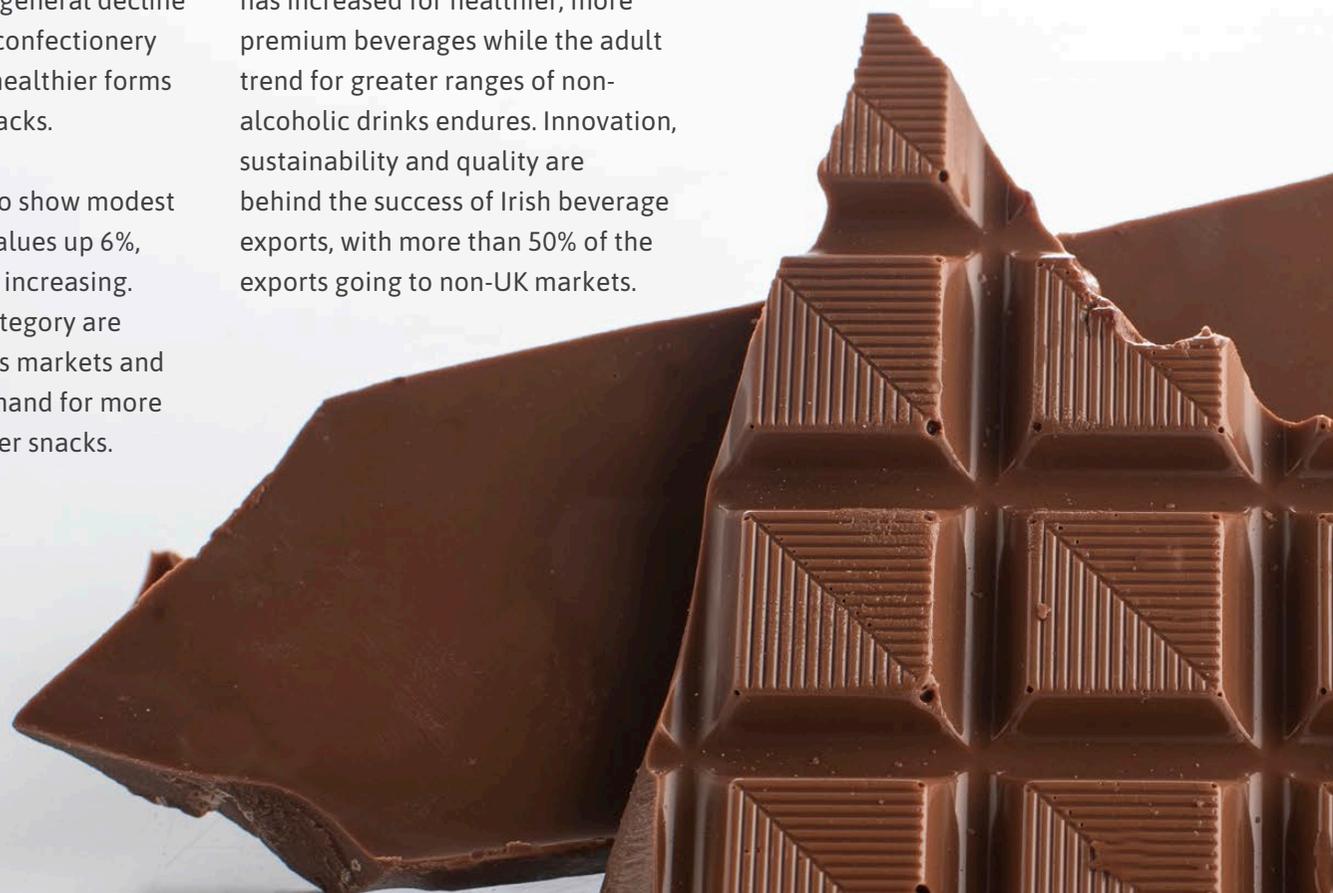
Snacking continued to show modest growth with export values up 6%, coupled with volume increasing. Exports in this sub-category are well diversified across markets and reflect consumer demand for more premium and healthier snacks.

Carbonated beverages, waters, non-alcoholic beverages and juices

Beverage exports were worth a combined €265 million in 2022. A warm summer boosted demand for non-alcoholic beverages, particularly to the UK market. Growth in juices was driven by price increases with value up 15% to reach €140 million. Demand has increased for healthier, more premium beverages while the adult trend for greater ranges of non-alcoholic drinks endures. Innovation, sustainability and quality are behind the success of Irish beverage exports, with more than 50% of the exports going to non-UK markets.



Confectionery exports stood at €400 million in 2022, an increase of 7%



Destination trends

United Kingdom

The value of Irish PCF exports to the UK stood at €1.98 billion in 2022. This represents an increase of almost 14% and reflects a long commitment by exporters in providing quality products and high service levels to UK customers. Exports to Northern Ireland and Great Britain were valued at €495 million and €1.48 billion respectively. The growth in UK exports was led by value added beef and poultry, bread, confectionery and meal solutions.

The first half of the year saw strong demand from the UK market across all channels. This helped deliver value and volume growth. Recovery in foodservice post Covid-19 accelerated in 2022 and, despite some significant challenges, it provided a positive market for the value-added beef, poultry and pork categories in particular for much of the year.

European Markets

Developing markets outside of the UK continues. While diversification has been challenging, progress is steady as exporters build business and secure new customers. Exports to the EU were worth €765 million, up 20% on 2021.

The Netherlands was the largest export market in the EU with a value of €145 million. Over the last three years the market has seen strong growth in meal solutions, bread, chocolate confectionery and juices with opportunities to date led by the retail channel. The manufacturing channel in the Netherlands also offers opportunities for ingredient suppliers.

France, the second largest EU market for Irish PCF products, saw exports of €128 million in 2022, an increase of 27% with bread, cereals, chocolate confectionery, meal solutions and sweet bakery leading the growth. Snacking, ice cream, sauces, spreads and extracts also reported growth and opportunities though from a lower base.

The German market, valued at €126 million saw modest growth of 5%. This is likely to be explained by the price sensitive nature of the market and unwillingness to absorb price increases at customer and consumer level. Well established categories such as value-added meats continued to see good growth, while emerging categories such as biscuits and snacks also increased.

International Markets

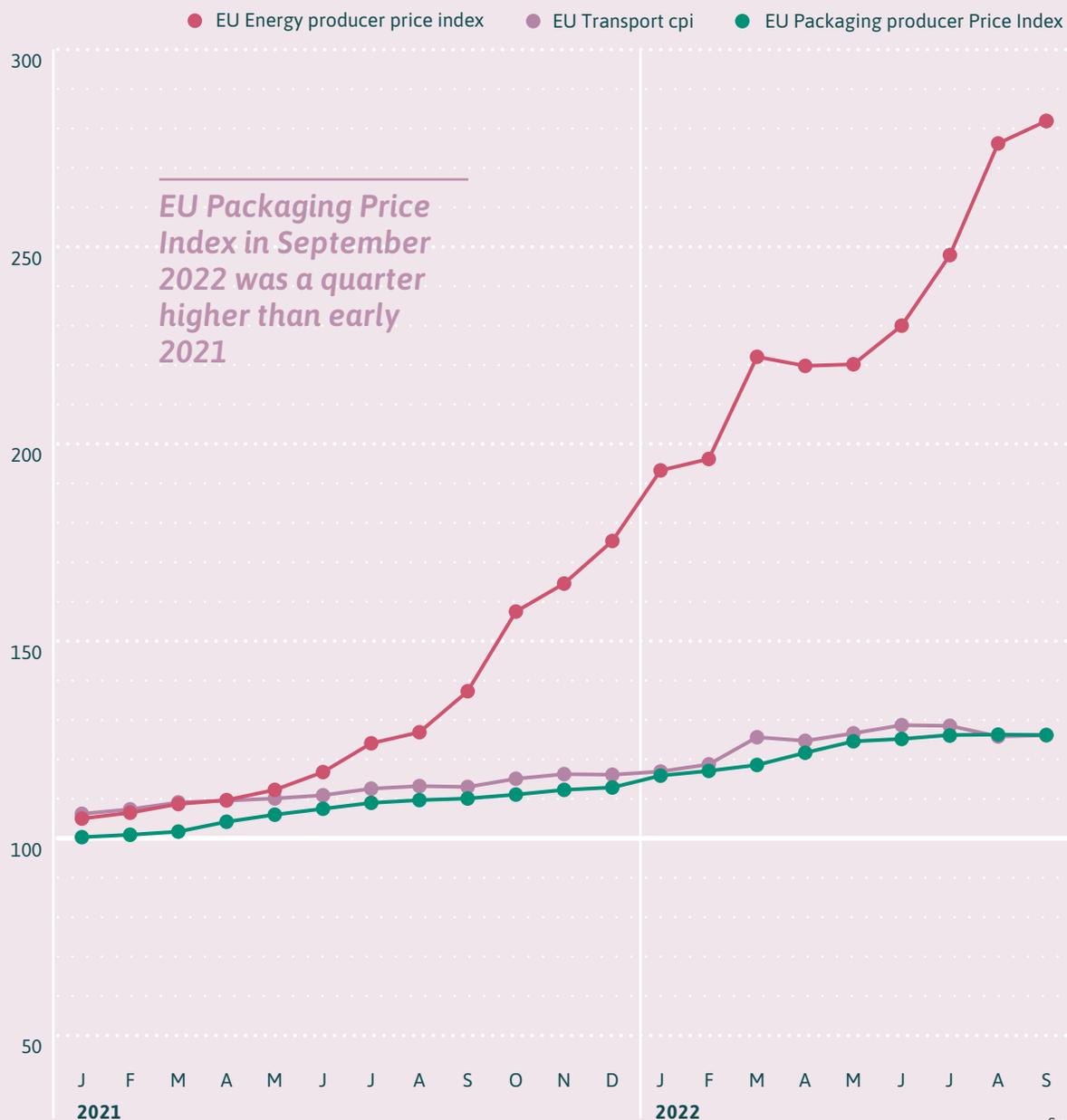
Exports to the US continue to increase over the last number of years. The market is now valued at close to €120 million. Investment in this market combined with ongoing capability and business development supports are yielding positive results. Transport costs remain a limiting factor.

The Middle East market provides opportunities in the retail and foodservice channels for branded and more premium products with exports worth €24 million.



PCF exports to the EU were 20% higher at €765 million.

EU packaging, energy and transport indices



Prospects

The outlook for PCF appears set to be challenging in 2023. The manufacturing landscape continues to be tested by input price volatility, with consumer food companies particularly exposed. Energy costs will remain a challenge for the sector, particularly categories with intensive oven usage such as bakery and value-added meats. Labour shortages and competition for labour with other higher margin sectors will be an ongoing challenge.

The economic outlook in the UK indicates that consumer spending will continue to be pressured throughout 2023. This will mean that Irish exporters will be challenged to achieve volume targets. Competition in the retail landscape is likely to intensify with a strengthening of the discounter market share and a greater emphasis on private label.

Consumers will look for excitement and products that deliver experiences for them across retail categories. It is important that the sector innovates and delivers products that are aligned with key trends including 'better for you' and 'better for the planet', as these still resonate with consumers.

Manufacturers that have consumer insight at their core combined with agility and responsiveness, will be best positioned to realise opportunities that this recessionary environment will create. Further retail heavy categories such as meals solutions, bread and beverages will need to respond to changing consumer preferences. Bakery and value added meat exporters into the foodservice channel will also be subject to price pressure and further menu rationalisation. However, exporters have shown resilience in the face of uncertain raw material forecasts, defending existing business, leveraging reformulation and smart innovation for 2023 and beyond.

Irish exporters are experienced in supplying some of the most demanding customers whether in retail or foodservice, especially in the UK, when it comes to issues such as sustainability in terms of packaging and net-zero pledges. The need to manage increased complexity and cost of doing business, will remain critical in the year ahead.

It is however expected that exporters will continue to look to new customers and channels to maintain growth, however with a more risk adverse lens.

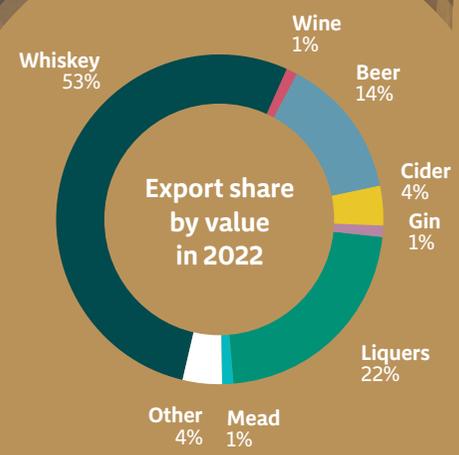


Drinks



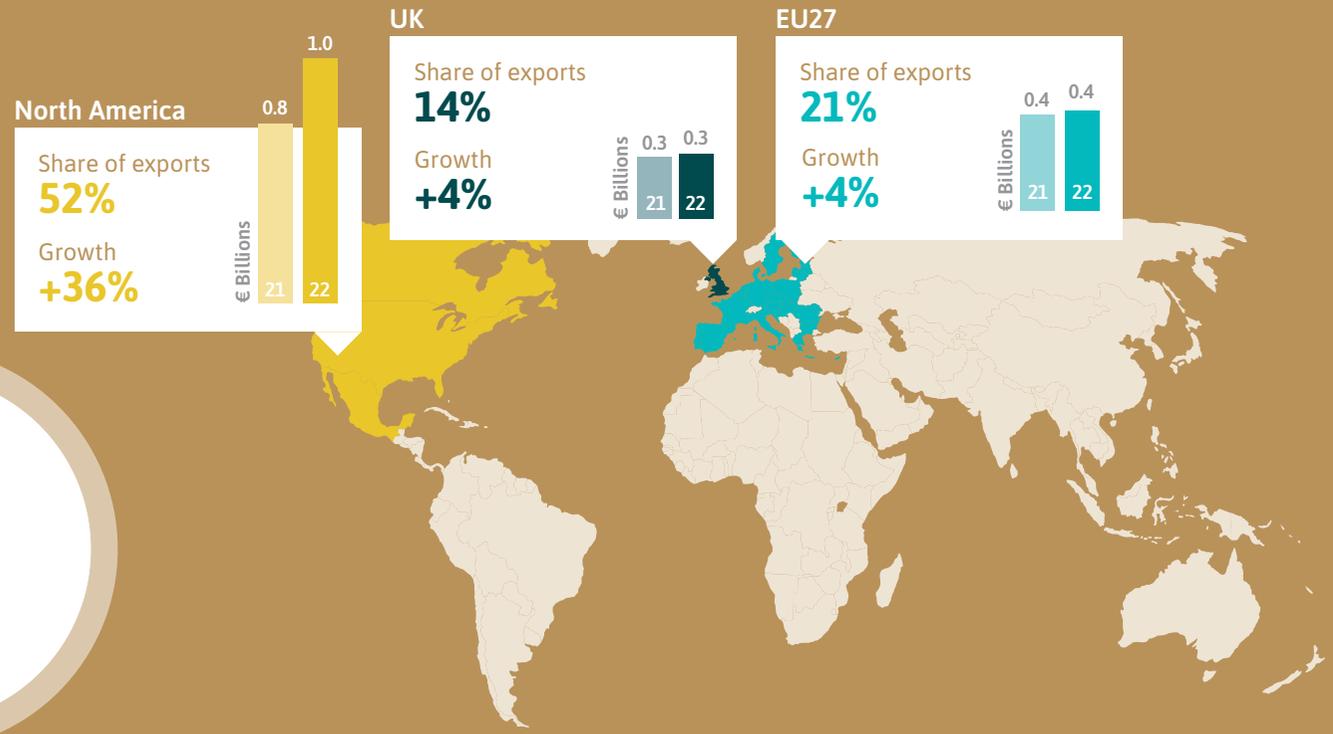
Drinks exports in 2022

**€2
Billion**



Exports grew by
**€360
million**

Trends by region




Gin exports growing at a rate of €5m per annum over the last two years to **€20m**



Exports of Liquors are estimated at **€450m** for 2022 a 23% increase on pre-pandemic levels




Premiumisation of Irish Whiskey exports to the US
Source: IWSR

90% of Irish whiskey exports to the US are premium brands



Michael Hussey
Senior Sector Manager,
Drinks

EU Glass Price Index in September 2022 almost 30% ahead of January 2021

EU glass price index



Source: Eurostat

Overall performance and drivers of performance

2022 proved to be a landmark year for Irish drinks exports as the total value of drinks exports is estimated to approach €2 billion.

This highlights the resilience of the Irish drinks industry following the unprecedented difficulties experienced in recent years. The value of exports in 2022 represents a 25% increase on 2019 levels, which reflects the extraordinary recovery and now growth of the sector. This growth helped to offset the impact of an increasingly challenging input cost environment.

This performance was driven by strong growth in the value of exports of Irish whiskey, up 25% and Irish cream liqueur, up 14%. The recovery of Irish beer exports, up 19%, and the emergence of the Ready To Drink category (RTDs) in Ireland supplemented this growth. Premiumisation of Irish drinks was one of the key factors in export value growth, with overall value growing at more than twice the rate of volumes. This continues the trend evident in the Irish drinks category over the past few years. Premiumisation and consumers demanding “less but better” remains a growing trend in key Irish drinks export markets such as the US.

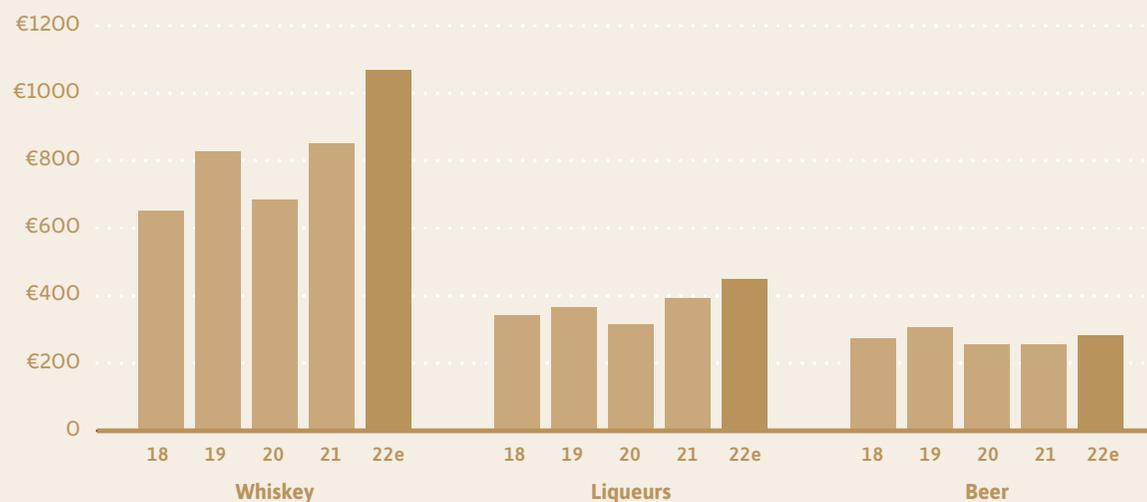
The sector still faces challenges in the wider environment. As an energy dependent sector, Irish drinks companies experienced higher input costs in 2022. The availability and cost of glass, the cost of logistics and input price inflation added to the challenges facing the sector. Additionally, some key emerging export markets such as China faced ongoing challenges related to Covid-19, but the reopening of the on-trade has benefited the industry, particularly for beer exports.



Whiskey accounted for 60% of value growth in Irish drinks exports in 2022

Irish drinks exports

Millions





Irish whiskey

Irish whiskey remains a key driver of growth with exports estimated to be just under €1 billion. Predominantly, Irish whiskey sits in the premium price category in most export markets and has benefitted from premiumisation trends globally. Similar to overall drinks exports, Irish whiskey export values grew by 25%, outpacing growth in volumes, which highlights the impact of cost inflation and premiumisation within the Irish whiskey sector.

The US continues to be the key market for Irish whiskey exports representing 57% of the total export value. Markets such as Germany and France showed positive growth of 20% and 10% respectively. There was also strong growth in emerging markets such as Czech Republic, South Africa and Australia.

In terms of new export markets for Irish whiskey, India doubled in value, to exceed €14 million representing 85% of total Irish drinks exports to the market. However, 2022 saw a decline in growth rates of some emerging markets for Irish whiskey such as Nigeria and Poland, which had seen strong growth rates in 2021. This reflects a build-up of stocks coming into 2022.



Cream Liqueur

Irish cream liqueur exports continue to benefit from the global premiumisation trends and a move to increased at-home consumption. Total exports grew by an estimated 14% to €448 million in 2022. Export markets such as the US, Mexico and Germany continued to perform strongly. China continues to emerge as a growth market for Irish cream liqueur, up 87% on the prior year.

The majority of Irish cream liqueur products sits in the premium segment of the category. Premiumisation means that Irish cream liqueur continues to outperform standard and value products in key markets such as the US, which provides strong prospects for the category over the medium term.

Irish cream liqueur exports grew by an estimated 14% to €448 million in 2022 with the category benefitting from global premiumisation trends and increased at-home consumption.





Beer

Irish beer exports were the most affected by Covid-19 restrictions, as they rely heavily on the on-trade, and the closure of this channel in the majority of export markets led to year-on-year declines for 2020 and 2021. However, 2022 saw signs of recovery with the value and volume of exports increasing by 19% and 14% respectively, reflecting a strong performance in markets such as the UK, US and Germany.

Overall beer exports amounted to €280 million, which is 7% below 2019 levels but represents the first year-on-year growth in the last two years. Some export markets such as France are still in decline, down 9%, although further recovery is expected.



Ready To Drink (RTDs)

RTDs are a relatively new category in the global drinks industry and saw robust growth in terms of export values more than doubling to €74 million. Almost 80% of exports are to markets where the category is established such as the US and Australia.



Cider

Irish cider exports declined slightly in 2022 to stand at an estimated €73 million. This shows some consolidation following a particularly strong performance in 2021. The decline is a result of lower export values to the UK down 5%, which is the key export market for Irish cider. However, there was strong increases to markets such as North America and the EU up 48% and 75% respectively.



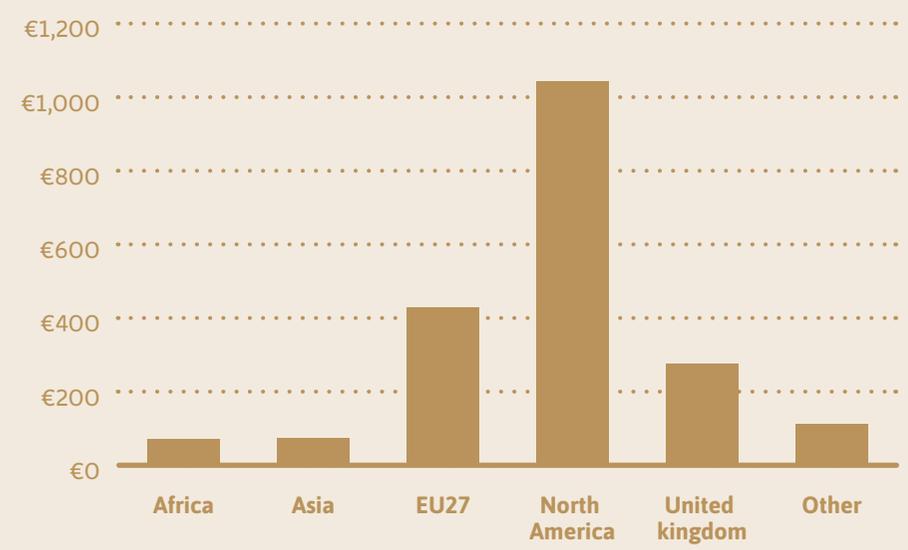
Gin

Irish gin exports continue grow, albeit from a lower base than other categories, rising by 48% to reach an estimated €23 million in 2022. Similar to other drinks categories, gin has benefited from the global premiumisation trend, which has led to strong performance for a number of brands.

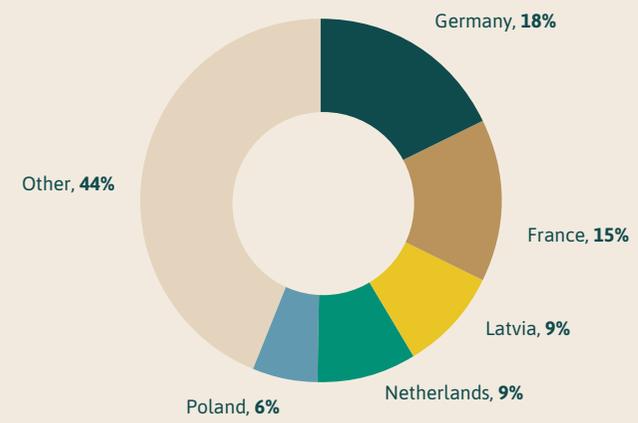
The re-opening of the on-trade in the US and the strengthening cocktail culture in major cities led to strong growth with the trade almost trebling to €12 million. This was supplemented by growth rates in emerging markets such as Nigeria and South Africa.

2022 Distribution of Irish drinks exports by region

Millions



Top EU markets for drinks exports in 2022



Destination trends

North America continues to be the key export market for Irish drinks, representing 52% of overall drinks exports. Exports to the USA are estimated to amount to just under €1 billion in 2022, nearing a milestone figure for the market. Closer to home, the EU represented 21% of total Irish drinks exports and the UK continues to be a strong market despite the difficulties caused for exporters by Brexit, accounting for 14% of total Irish drinks exports.

These key regions continue to trend positively for overall Irish drinks exports, and individual markets such as the US, Canada, France and Germany showed strong growth in 2022. This was supplemented by other markets such as Czech Republic, Italy, Spain and Mexico.

The loss of two key markets, Russia and Ukraine, forced Irish companies to change course and diversify their target markets, which is reflected in the strength of growth in emerging markets. India is now the largest Asian export market for Irish whiskey recording exceptional growth in 2022. Although there are significant regulatory and supply chain hurdles to entering the market, India is the largest whiskey market globally according to the IWSR (2022) and provides considerable growth potential for Irish whiskey in the future.

There was a reversal in growth in some key emerging markets for Irish drinks such as Nigeria and a stagnation in Poland compared to their robust growth in 2021. However, this was offset by continued growth in other emerging markets such as South Africa, Australia and China.

Prospects

The prospects for Irish drinks exports in 2023 are broadly positive. Export performance in North America remains positive and this growth will continue to contribute strongly to the industry's overall performance. The emergence of RTD exports from Ireland should further boost exports to the region.

Established EU markets, such as Germany and France are also trending positively following the difficulties of the pandemic, notwithstanding the slower recovery of beer exports to France. The recovery in beer exports is expected to continue but they are unlikely to reach 2019 levels in 2023. However, as is the case with other sectors, the operating environment in 2023 could prove challenging due to increased inflation which could weaken consumer purchasing power in addition to further potential geopolitical and macroeconomic uncertainty.

As restrictions related to the pandemic continue to be lifted in Asia, markets such as India, China, Japan and Singapore present opportunities for further growth. South Africa is now the leading growth market for Irish drinks in the African region but recovery is also expected in Nigeria as more Irish exports continue to enter the market. Other African countries such as Kenya are also trending positively as awareness of Irish spirits grows in the region.

Globally, Irish drinks exports meet the premiumisation trend amongst consumers, particularly younger consumers, with the market segment expected to continue to outperform standard and value products in key export markets. The continued growth of online sales in markets such as the US and China should also boost exports for newer entrants to the market.

The Global Travel Retail (GTR) channel, a key channel for premium spirits, is recovering albeit at a slower rate than expected. The IWSR Drinks Market Analysis expects sales in the channel to increase by 27% in 2023 but it is not forecasted to reach pre-pandemic levels until 2025 or 2026.

Seafood



Seafood exports in 2022

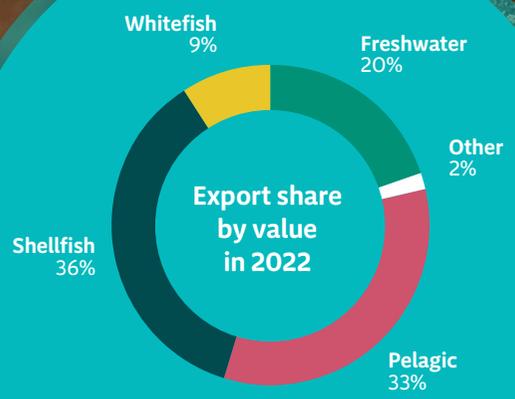
€530 Million



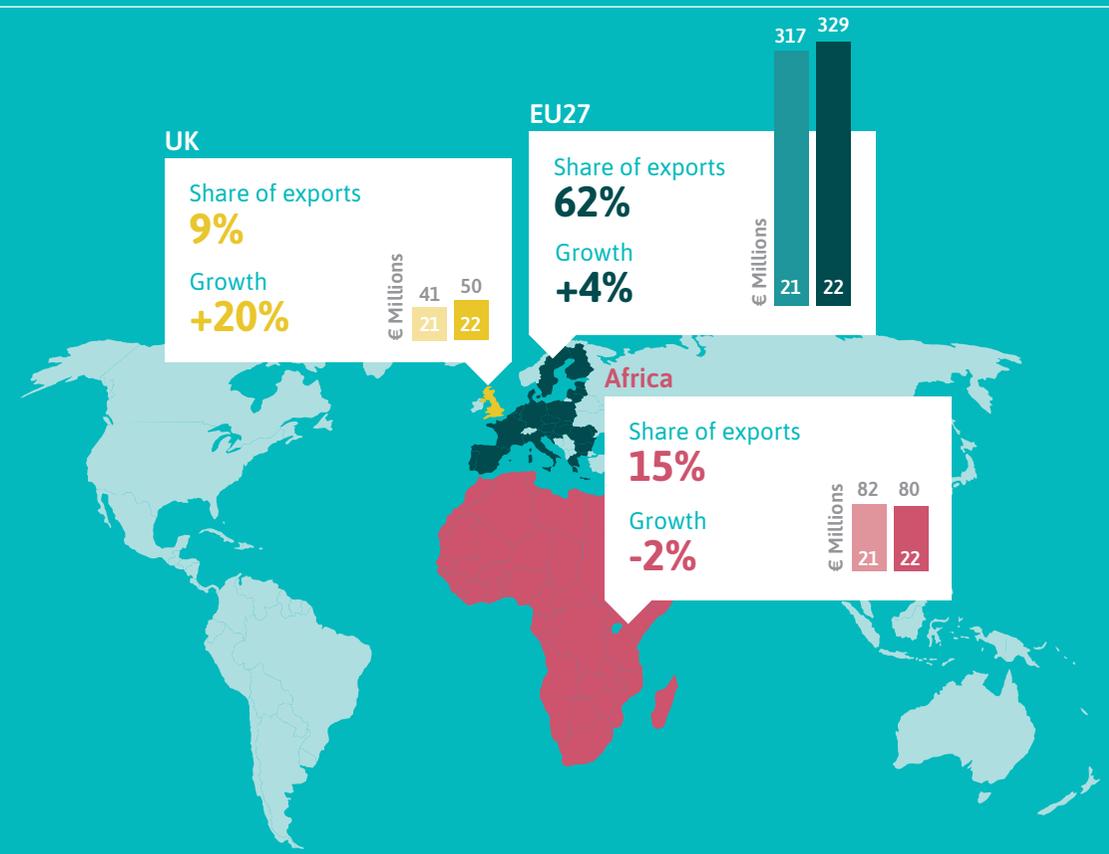
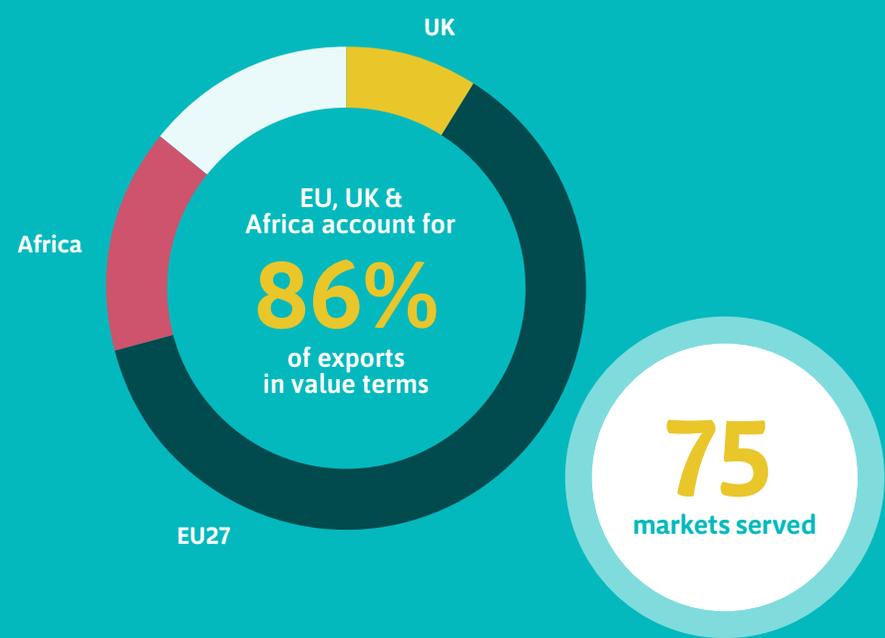
Exports grew by

€17 million

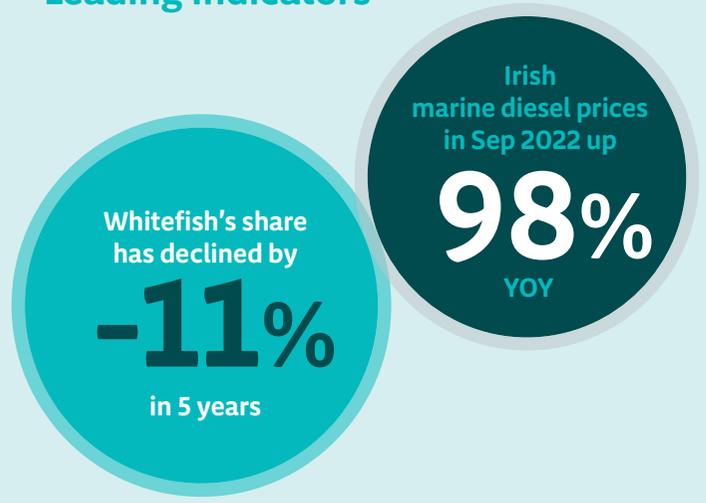
Export share by value in 2022



Trends by region



Leading Indicators





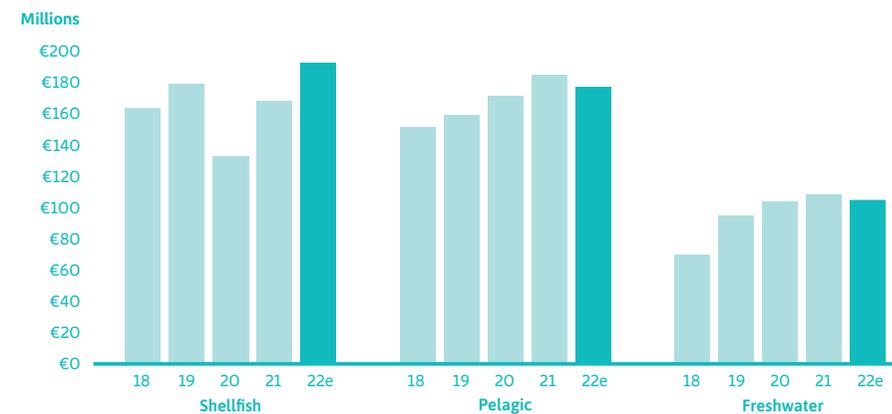
Seafood exports increased to an estimated €530 million in 2022, up €17 million compared 2021. This represented a good performance by the sector given the volume challenges, albeit with varying trends across the species.

Total volumes exported were down an estimated 19%, reflecting the challenging situation faced by Irish seafood exporters in securing supply. The reduction in quotas from the Trade and Co-operation Agreement (TCA), affected some key species, the temporary cessation scheme, less days at sea due to difficult weather conditions, higher costs for marine diesel, energy and labour, and availability of labour a challenge for both fishers and processors, all contributed to lower volumes.



Michael Hussey
Senior Sector Manager,
Seafood

Seafood exports by subcategory





Reduced pelagic quota created a challenge to secure adequate supplies resulting in export volumes falling by 25% to an estimated 129,000 tonnes

Pelagics

The pelagic sector experienced a difficult year with the cut to the mackerel quota, creating a challenge to secure adequate raw material supplies. This category accounts for 67% of total seafood exports in volume terms. Export values, stood at an estimated €177 million, down 4% compared to 2021, with volumes almost 25% lower at 129,000 tonnes.

There was a concerted effort by sector in the first quarter of 2022 to catch a large proportion of the mackerel quota allocation at the start of the season, with 85% landed by the end of April. Lower volumes of mackerel and horse mackerel internationally meant strong demand and more intense competition for raw material, leading to prices increasing by almost 30%. Market conditions were firm for mackerel in Asia with strong prices secured, and many Eastern European customers matched these prices to secure supply. Demand for blue whiting was strong in West Africa with Russian supply precluded. It was also strong in China although Covid-19 related issues left many processors concerned around bottlenecks due to checks and congestion in ports.

Shellfish

Shellfish exports grew in value by 14% to reach €192 million during 2022 against a backdrop of stable volumes. This reflects a 45% increase in shellfish export values since 2020 and demonstrates the strength of demand for Irish seafood. During 2022, the average price per tonne increased by a further 18%. This reflects the strong demand coupled with tight supplies from all exporting countries.

Demand for langoustines remained strong throughout the year, although buyers were increasingly cautious of the emerging impact of rising inflation on consumer demand. Sales of langoustines in retail channels in France recorded a good performance, partly due to lack of supply coming from UK. The demand for 'Speciales' grade Irish oysters was also strong during 2022, due to the recent crises of Covid-19, Brexit and escalating costs of production. The strategy amongst Irish oyster exporters has been to prioritise regular, long-term customers.



Shellfish exports
grew in value by

14%

Freshwater

The Irish salmon sector continues to be an important part of the overall seafood category representing 20% of export values despite accounting for just 6% of volumes. Export values were down by 3% while volumes declined by 7%. While conventional salmon prices rose dramatically in the first half of 2022, this increase wasn't replicated by Irish organic salmon, with most being sold on contract. Challenging growing conditions at sea also had an adverse impact on supplies. The sector remains concerned about the increased supplies of organically certified salmon now available from Scottish and Norwegian producers which is resulting in greater price pressures.

Whitefish

Whitefish export values increased by 5% to €48 million, while volumes fell by 23% to 9,800 tonnes. This reflects the quota cut, the temporary tie-up scheme, increased costs and difficult weather impacting on fishing operations throughout the year. Processors found it challenging to compete for supplies and staff retention remains challenging due to the lack of a guaranteed consistent work and steady supply of raw material.



Salmon exports account for 20% of export value despite representing just 6% of volume



Destination Trends

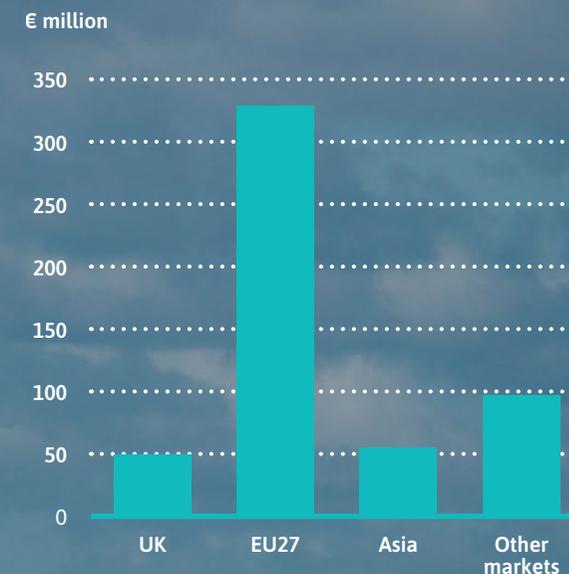
Pelagic exports to Africa declined by around 7% with the reopening of higher paying key Asian markets and growth of exports into the UK, Eastern Europe and the Middle East. Exports to the EU market also declined by around 13% due to greater competition.

The EU continues to be the largest market for Irish shellfish growing by 17% in value followed by Asia up 20% and North America up 94% (from a low base). Shellfish exports to the UK were stable reflecting the difficulties around exporting to that market.

The EU continues to be the most important market for Irish salmon, with exports to France increasing by 4% and to Belgium by 8% in value terms during 2022. Export values to Germany declined by 10% despite volumes rising by 10% reflecting the price pressures in this market. The UK market performed very strongly during the year growing by more than 50% to €15m.

Exports of whitefish to the UK increased by more than 20% during 2022 despite volumes declining by the same percentage. The French market also increased in value terms up 5% despite volumes declining by 25%. Irish exporters found market conditions in Spain difficult with values down 10% against a backdrop of falling export volumes down 20%.

Annual value seafood exports by region



Prospects

The prospects for the Irish seafood sector are mixed. The impact of higher input costs, packaging and labour costs and availability, are set to remain as challenges across all species. In addition, consumers potentially switching to cheaper proteins could have an impact on demand.

For **Pelagic** there will be another cut in the Irish quota of 2.5% in 2023. Processors will be challenged to attract foreign landings and add value to the reduced quantity of product available, which will dictate performance in 2023.

Shellfish is expected to perform well in 2023 with continued growth into the EU, and Asia. The Chinese market will remain challenging due to ongoing Covid-19 restrictions affecting their foodservice sector.

For **Salmon**, greater competition from supplies of organic product from Norway and Scotland is likely in 2023.

Whitefish exports are likely to face a difficult year but demand in the key domestic and export markets should prove resilient.

The industry is investing to ensure greater production efficiencies, installing renewable energy equipment and packaging lines to add value to their product

Exports of value-added seafood, which are captured under PCF, grew by 30% to approximately €125 million. This continues the strong growth of previous years and offers the industry better margins and more options when targeting potential customers. Most of this growth has been to the EU with notable increases to some Asian markets also. We see this trend continuing and are actively working with our seafood clients to add value to their range.



Horticulture and Cereals



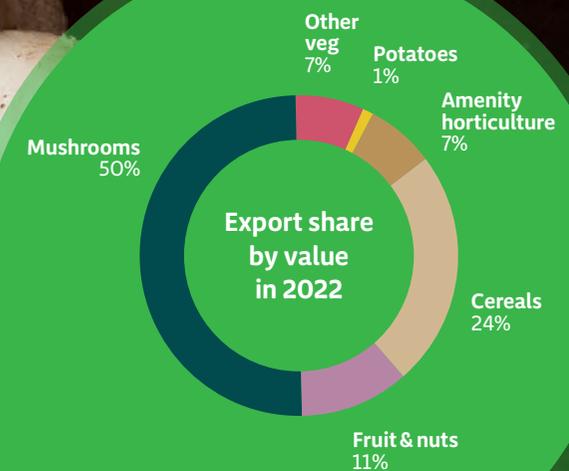
Exports grew by

**€8
million**



Horticulture & cereals
exports in 2022

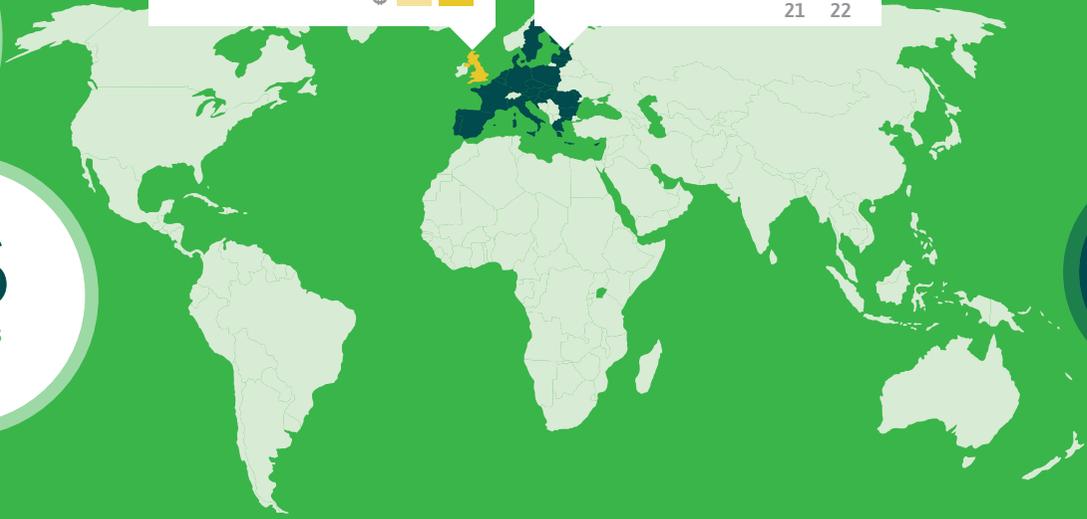
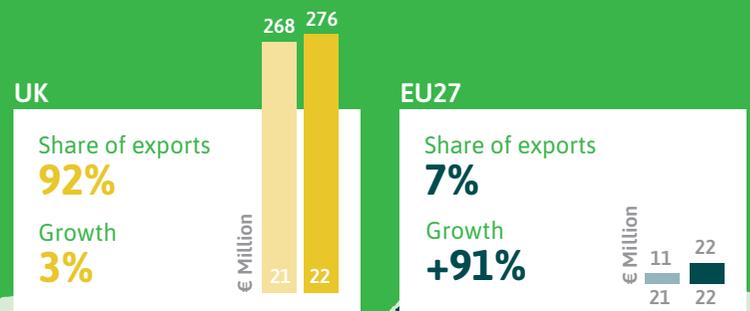
**€301
Million**



Amenity horticulture by region

UK accounts for **92%** of export value

36 markets served



Mushroom Price developments

Value of mushroom exports **€150m**

Destination **100%** to the UK

29% share of the UK market

#1 mushroom supplier in the UK

85% of Irish production is exported

28 growers countrywide

Amenity horticulture

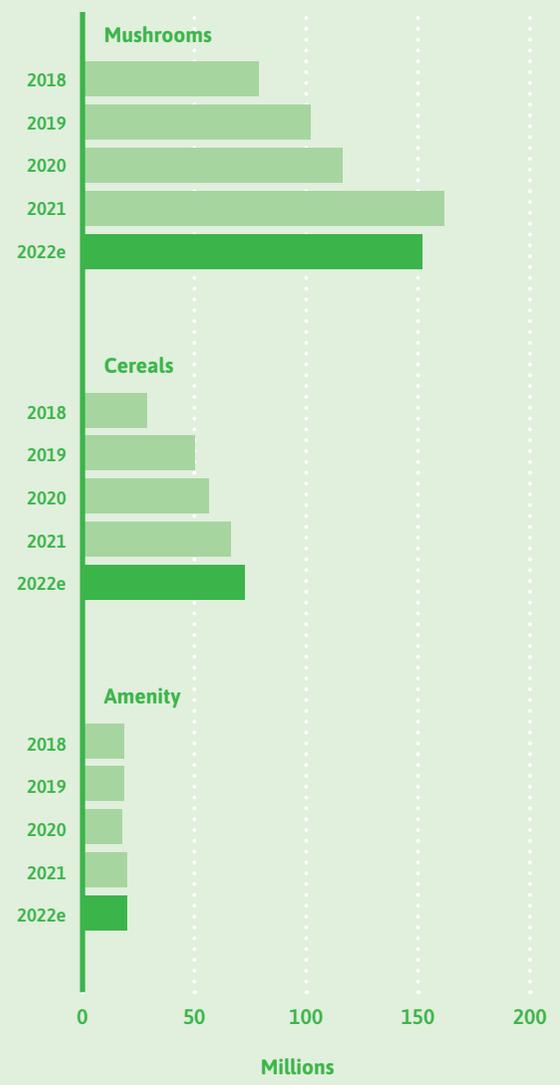
Bulbs & flowers **€2.3m**

Foliage **€7.1m**

Christmas trees **€3.6m**

Nursery stock **€7m**

Annual Mushroom, Cereal and Amenity Horticulture exports



Overall performance and drivers of performance

The Irish mushrooms sector faced challenges in its main market the UK, in terms of cost increases, currency fluctuations towards the end of the year and reduced retail sales as Covid-19 restrictions were lifted. However, the mushroom sector has shown resilience, with value down 6% at €152 million and volumes declining by 7% year on year.

Amenity exports grew again in 2022, after increased levels of sales in 2020 and 2021. Plant sales are softening, but foliage sales are increasing. There is still a heightened interest in gardening and the export opportunity still exists in the UK, the main market for Irish produce, because they are not self sufficient in plant production. Exports to all markets were worth €20 million in 2022, an increase over 2021.

Michael Slawski
Sector Manager,
Horticulture



Trends by key products

Brown mushrooms continue to grow in popularity in the UK market, the only mushroom category whose value is still above 2020 figures. Irish producers have responded by increasing the proportion of brown mushrooms as this is a higher margin line.

Mushroom producers faced a surge in production costs relating to increased energy, packaging and transport costs. This was partially offset by price increases, but more increases will be needed in future. The sector is reliant on the UK market, with trade influenced by fluctuations in the euro Sterling exchange rate. The lifting of Covid-19 restrictions has meant lower retail sales. Competitors in Europe are facing similar issues, and the transport costs makes the UK a less attractive option for them. The industry in Poland may face compost performance challenges in the coming months due to poor straw quality and availability which

could have an adverse impact on mushroom production. Amenity exports have been driven by an increase in sales of foliage, while plant sales have eased. Demand in general has plateaued post the Covid-19 generated gardening surge. But some opportunities exist in the UK, especially in Northern Ireland. Ireland's disease-free status continues to be a selling point for the industry.

Destination trends

The UK continues to be the most important market for mushrooms with exports valued at €152 million. In the amenity sector, sales to Northern Ireland have seen an increase in 2022. Northern Ireland garden centres have traditionally relied on British nurseries for their supplies, but the new Brexit arrangements mean that sales to Northern Ireland for British nurseries involves extra paper work and logistical issues. There are opportunities in Northern Ireland for Irish nurseries across the board, including niche suppliers.



Prospects

The focus for 2023 for mushroom producers will be to stay on top of costs and achieve some price increases. There is a longstanding relationship between the Irish growers and UK retailers, built on the quality of mushrooms supplied, and good service. In addition, Irish growers are positioning themselves as premium suppliers with innovative vitamin enhanced mushrooms. The indications are that the industries all over Europe face the same issues with cost increases, while transport costs to the UK further erodes their margins. The proportion of brown mushrooms sold is likely to grow.

Prospects for the amenity sector are less certain, with some decline in sales possible in 2023. Producers are facing cost increases in packaging, transport, energy and labour, which are a concern. The cost and availability of growing composts continues to be a major challenge for this sector and requires a resolution to deliver a viable supply for local growers. The potential recessionary behaviour by consumers, both at home and the UK will be something the sector will have to monitor in the year ahead.

Cereals

In 2022 the value of cereals exports was estimated at €73 million which is a value increase of 10% year on year. There was a corresponding decrease in the volume exported of 11% year on year. Exports are primarily to Northern Ireland.

Maize is the largest sub-category with exports estimated at just under €30 million in 2022. Trade is dominated by exports of maize seed to the UK.

The value of malt exports was estimated at €11 million in 2022 with a strong lift in prices helping to offset a drop of around 20% in volumes. Key markets included the United Kingdom and Belgium.

Barley exports performed strongly with increased volumes boosting the value of **trade to around €10 million. Oats** exports stood at an estimated €8 million driven by a sharp rise in shipments to the Netherlands. Exports to the UK also grew strongly, reflecting strong demand for Irish oats.

In 2022 the main cereal growing area was up by 3.8% on 2021 at 285,000ha (CSO, 2022a). While the area for spring crops was back slightly, yields and output were higher. Winter crops saw an increase in area, yield. Overall tonnage is estimated to be 2.4 million tonnes, an increase of 3% on 2021 (CSO, 2022a). The overall average price per tonne for cereals for feed increased significantly in 2022 compared with

2021 with prices in excess of €300 per tonne quoted for wheat and barley which is estimated to add significantly to the overall value output of the sector for the year. The straw quality was reported as good.

The key market for cereals produced is the domestic market and for animal feed but there is an important element supplied into the food and beverage market.

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