

Irish Beef in a Global Market

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2023 has been a remarkable year for the Global beef industry. Considerable headwinds at the end of 2022 in the form of both rising costs for producers and industry, combined with inflation pressure on consumers and a real decline in disposable incomes. The European industry is also under pressure from the sustainability agenda, which is both increasing costs and limiting investment potential in beef production, as mid-term uncertainty around environmental restrictions make planning difficult.

The expected result was a meat consumption shock over the winter of 2022-23, that would be reinforced by high energy costs in the wake of the Ukraine war. The reality was different, the demand for beef has held up remarkably well under the circumstances, although some volume has been lost to other meats, notably chicken.

At a global level, poultry meat is the winner. Driven by its cost-competitive position to the consumer, and ease of investment for the industry, growth in poultry dominates. It is now the most produced and consumed meat. However, beef production continues to grow at a global level, bolstered by a recovery in Australia, but also growing interest in beef in the Asian markets.

In terms of the global beef outlook, production becomes the main story, with weather, rather than cost, the main driver. US production is in decline after 2 years of drought led to significant cow culling in 2022, and ongoing dry conditions in 2023 prevented rebuilding. On the other end of the spectrum, Australian beef production has largely recovered from the drought that led to a significant reduction in their herd in 2018-19. The resultant surge in Australian beef production has driven both their and the Brazilian price down, making them more competitive in export markets (Figure 1).

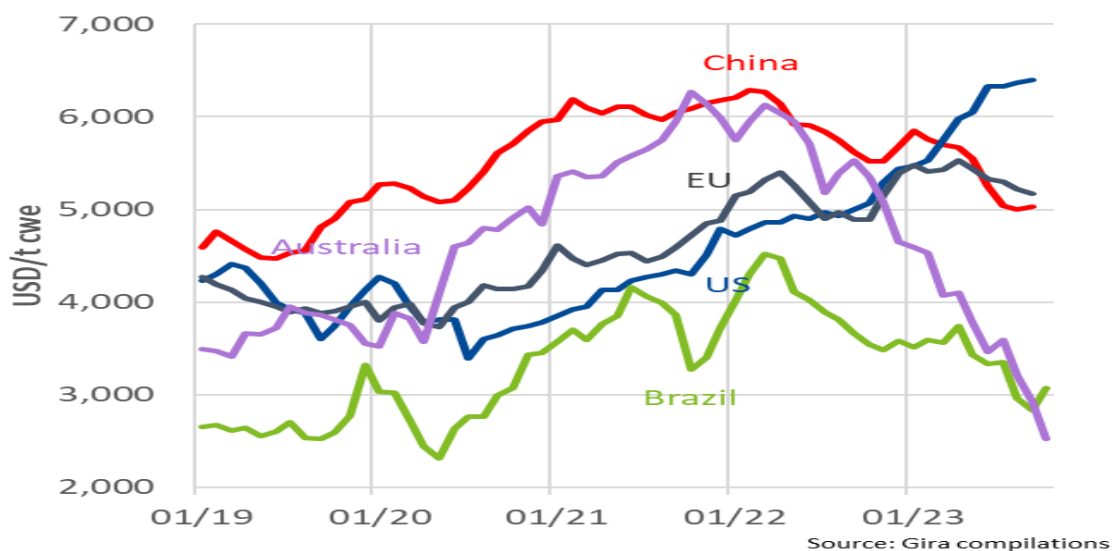


Figure 1. Key Cattle Producer Prices – Monthly

The overall decline in EU beef production is linked to the long-term trend, as well as the significant dairy base. Low milk prices in 2023, have contributed to a deep cow cull, the

result of which will be a further decline in calf availability in 2024, and less beef in 2025. This short-term pressure reinforces the long-term trend of low confidence in beef production, especially in the face of increased regulation. Will European dairy farmers reinvest?

Focusing world trends onto the Irish market helps understand the long-term potential for Ireland. Global beef consumption is good, and rising demand for high quality and manufacturing beef in many Asian markets points to future market potential. Increased regulation on environmental issues will be most stringent in Europe, and applied here ahead of other major producers. But Ireland has abundant natural capital on which to further develop its sustainable story.

Gira's outlook is therefore for a small mid-term decline in production, reflecting downturns in the dairy cycle, rather than a real structural shift out of cattle. However, little upside is seen as this is now limited by environmental regulation. Ireland remains export focussed, and the neighbouring markets of the UK and EU27 are the key outlets (Figure 2). Demand for Irish beef in the UK remains strong, and a shortage of slaughter cattle in the UK is seen in high UK farm gate prices. This suggests more mid-term potential to supply the UK, as UK production itself struggles with the increased regulation, ageing farmer base, and competition for farm land from other uses. The current price differential suggests a strong import pull into the UK, in at least the first half of 2024.

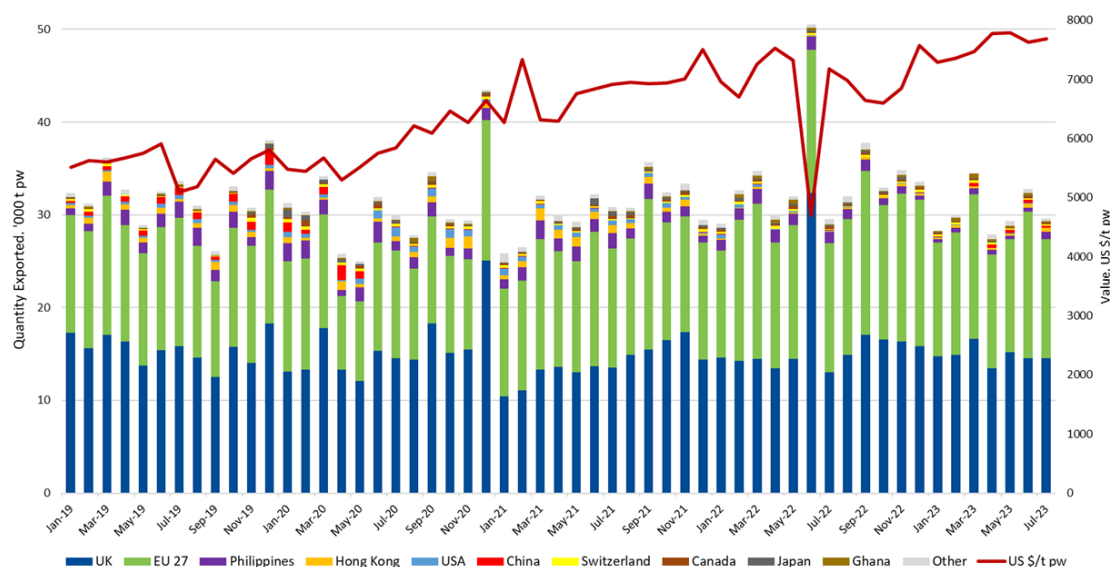


Figure 2. Irish Beef Exports

There are undoubtedly challenges to beef demand today in the EU27 and UK as the twin negatives of environmental messaging, and the high relative cost of beef, pressure consumers to look to other meats. However, the mid-term outlook is more positive. Beef is still important in the diet, as demonstrated by having held market share at high prices through a difficult 2023. The challenge will remain to keep beef at a price that is both incentivising to the industry to invest, and not so high that base consumption is lost.