



Teagasc Farm Business Conference ‘The Lie of the Land’

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To Be Discussed

- International Overview
- Domestic economic overview & challenges
- The Agri-food sector
- Some issues for Agri-food sector
- Food Harvest 2020

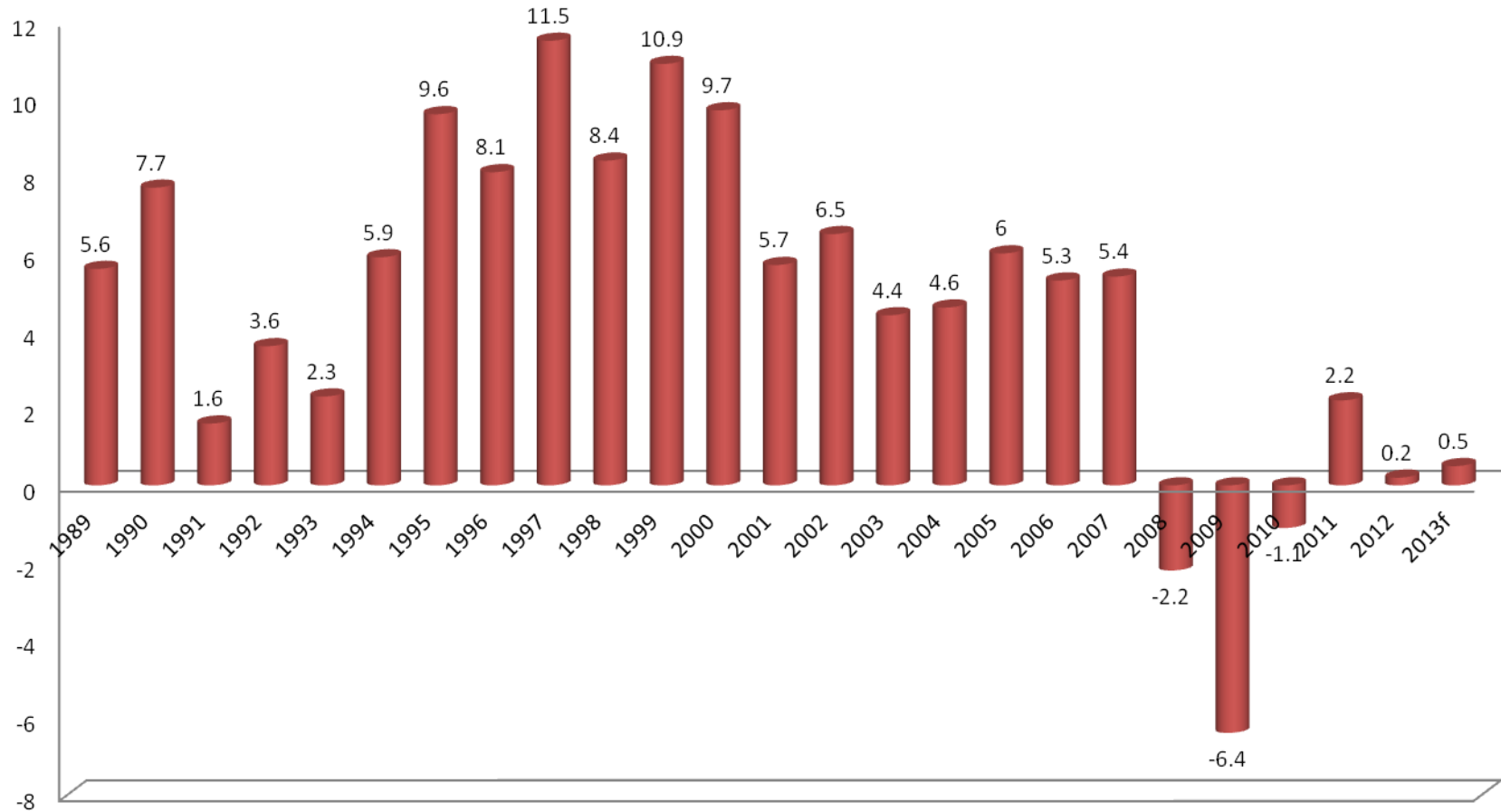
International Overview

- Global policy makers remain committed to doing whatever is required
- Euro Zone recovery still very fragile
- UK economy surprising on upside
- US doing reasonably well
- ECB will continue with accommodative stance – some concerns about bank liquidity – more LTROs
- Federal Reserve committed to continuation of bond buying programme, accommodative monetary policy stance will continue after bond buying ends
- Inflation very subdued everywhere 0.1% in Ireland, 0.7% in Euro Zone
- Interest rates will remain at historic lows for some time

EU Growth

	Quarter on Quarter	Year on Year
Euro Area	+0.1%	-0.4%
EU 28	+0.2%	+0.1%
Germany	+0.3%	+0.6%
Spain	+0.1%	-1.2%
France	-0.1%	+0.2%
Italy	-0.1%	-1.9%
Netherlands	+0.1%	-0.8%
Austria	+0.2%	+0.2%
Portugal	+0.2%	-1.0%
UK	+0.8%	+1.5%

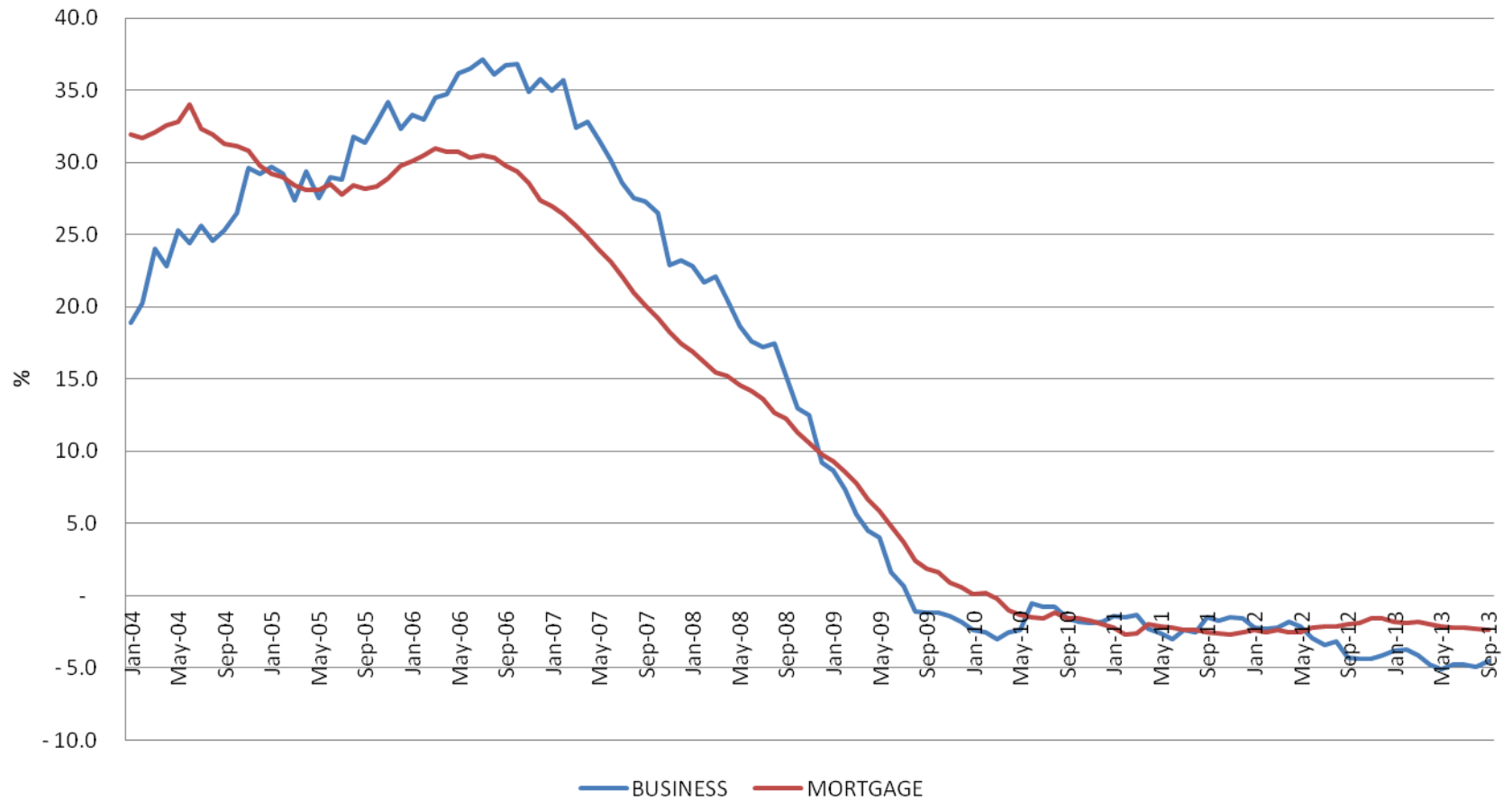
Irish GDP Growth (% Year on Year)



IRISH ECONOMY SO FAR IN 2013

- Economy technically out of recession Q2 2013
- Retail Sales (J-S) Volume +0.4%, Value -0.2%
- Merchandise Exports (J-S) -6.7% Food +7.8%
Chemicals -9.1%
- +33,800 jobs in year to Q2, 64% full-time jobs
- Government deficit falling gradually
- Credit conditions still very difficult
- Housing activity stabilising, Dublin market showing strong signs of life in a pretty dysfunctional market
- Greater sense of optimism

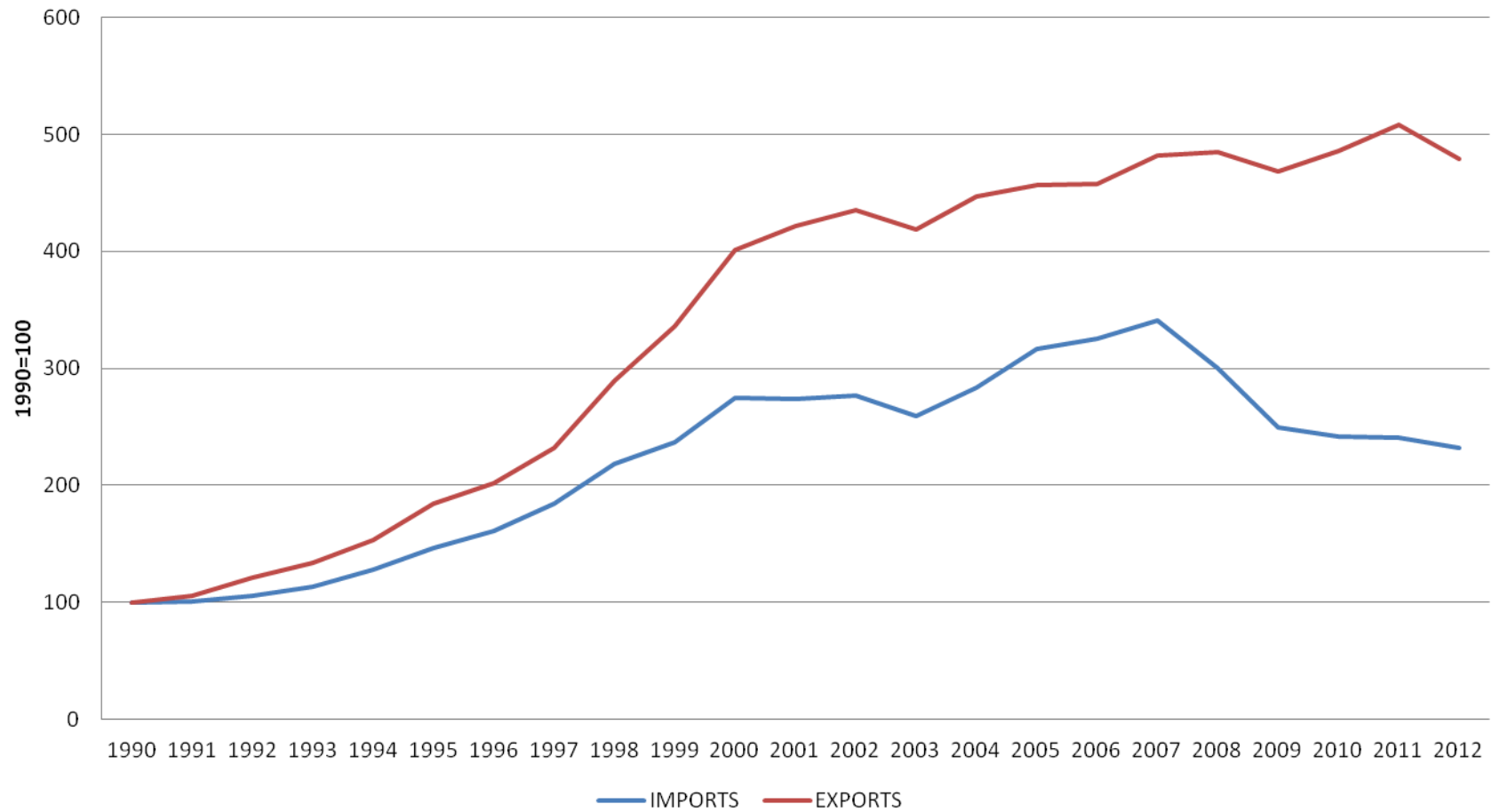
Growth in Credit (YoY)



Ireland-Employment Q2 2013

SECTOR	ANNUAL CHANGE	EMPLOYMENT	% OF TOTAL
Agriculture F&F	+16,300	103,400	5.5%
Industry	+6,700	238,400	12.7%
Construction	+3,100	102,700	5.5%
Wholesale & Retail Trade	+3,300	271,500	14.5%
Transportation & Storage	-4,900	86,000	4.6%
Accommodation & Food Services	+9,600	129,600	6.9%
Information & Communication	-800	80,400	4.3%
Financial, Insurance & Real Estate	-400	98,900	5.3%
Professional & Scientific	+5,400	108,000	5.8%
Administrative & Support Services	-5,000	58,000	3.1%
Public Admin & Defence	-4,500	95,100	5.1%
Education	+4,000	150,300	8.0%
Health & Social Services	+200	244,600	13.1%
Total (may not add up due to rounding & omission of Other Category)	+33,800	1,869,900	

Merchandise Trade Volumes



Ireland's Merchandise Export Potential (Jan-Sept)

COUNTRY	%	€ million	% Growth (YoY)
UK	15.7%	10,284	-11.4%
Euro Zone	37.4%	24,485	-11.1%
US	21.6%	14,130	+2.3%
BRICS	3.6%	2,352	-7.8%
- China	2.3%	1,472	-14.5%
- India	0.3%	188	+10.6%
Canada	0.87%	573	-0.5%
Japan	1.9%	1,282	-19.2%

Breakdown of Merchandise Trade (Jan-Sept 2013)

CATEGORY	% of Total	% Change (YoY)
Food & Live Animals	9.8%	+7.8%
Beverages & Tobacco	1.3%	-1.8%
Crude Materials	2.0%	-1.7%
Mineral Fuels	1.0%	-53.4%
Animal & Veg Oils	0.1%	-7.5%
Chemicals & Related	59.0%	-9.1%
Manufactured Goods by Material	1.9%	-2.3%
Machinery & Transport Equipment	11.6%	-3.1%
Miscellaneous Manufactured	12.1%	-4.2%

Economic Outlook 2014

	2012	2013f	2014f
GDP	0.2%	0.3%	2.1%
GNP	1.8%	1.1%	1.8%
Consumption	-0.3%	0.2%	1.8%
Investment	-1.0%	4.5%	8.0%
Exports	1.6%	1.0%	3.4%
Imports	0.0%	0.1%	2.5%
CPI	1.7%	0.7%	1.5%
Unemployment	14.7%	13.3%	12.5%

Key Economic Issues for Ireland

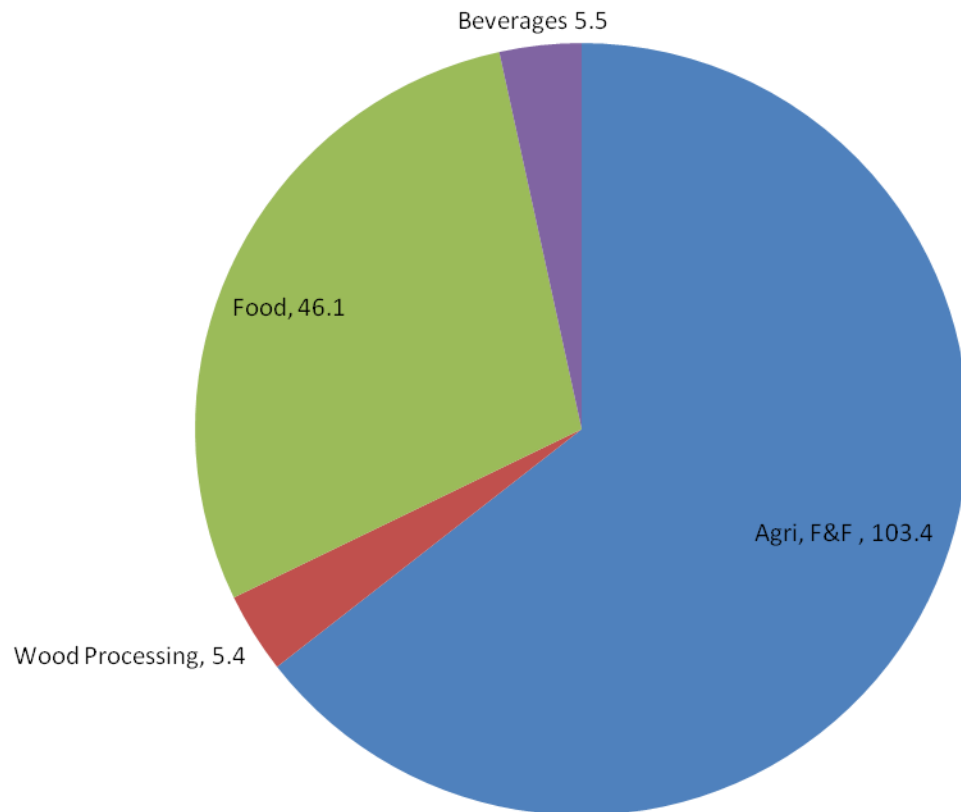
- External environment getting somewhat better
- Dangerous levels of sovereign debt
- Taxation – Personal & Corporate
- Return to market funding in December 2013
- NAMA impact on property market
- Personal Debt & Insolvency Bill
- Restoration of a functioning banking system
- Palpable sense that country has rounded the bend

The Agri-Food Sector in Ireland

- Key Indigenous Sector
- Primary Agriculture 2.4% GVA + Agri-Food 7.1% GVA
- Food & Drink Exports €9.02 bln +28% in 3 Years
- Employment 160,400 + many more indirect jobs (8.6% of Total)
- Key contributor to rural economic activity
- At last being recognised for the value and contribution that it offers.
- Harvest 2020 provides the template

Employment in the Agri-Food Sector (000s)

8.6% Total Employment



Food & Drink Exports 2012 (Bord Bia)

(Source: Bord Bia)	2011 (€m)	2012 (€m)	% CHANGE
Meat & Live Animals	2,862	2,987	+4.4%
Dairy & Ingredients	2,724	2,658	-2.4%
Prepared Foods	1,416	1,382	-2.4%
Beverages	1,221	1,258	+3.0%
Seafood	418	493	+17.9%
Horticulture & Cereals	238	243	+2.1%
Total	8,879	9,021	+1.6%

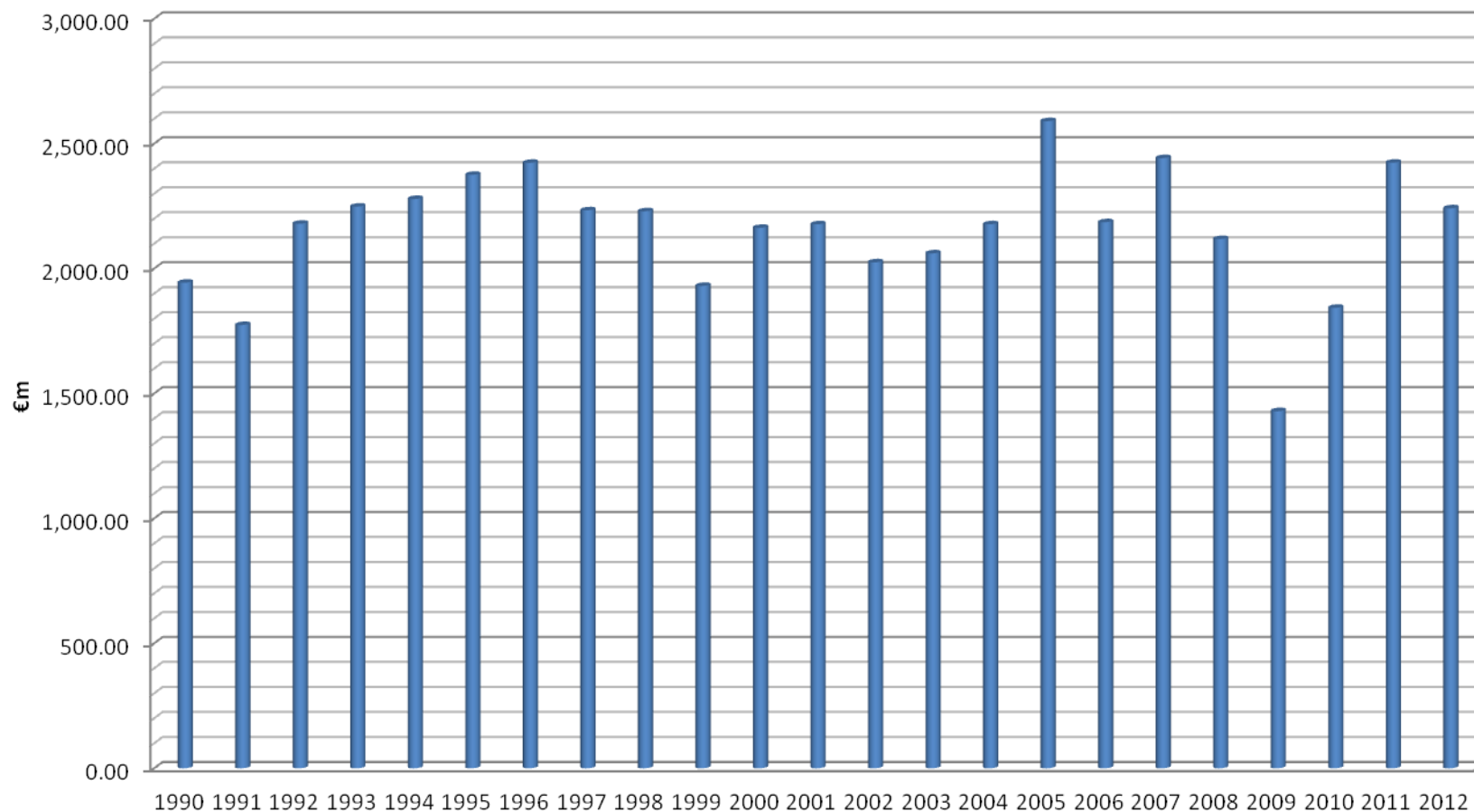
Food & Live Animal Exports (Value)

(Source: CSO)	Jan-Sep '13 / Jan-Sep '12	€ m
Food & Live Animals	+7.8%	6,389
Beverages & Tobacco	-1.7%	841
Live Animals	+21.6%	225
Dairy Products	+16.0%	1,419
Meat & Meat Products	+2.0%	2,188
Fish & Seafood Products	-5.1%	353
Vegetables & Fruit	+2.3%	179

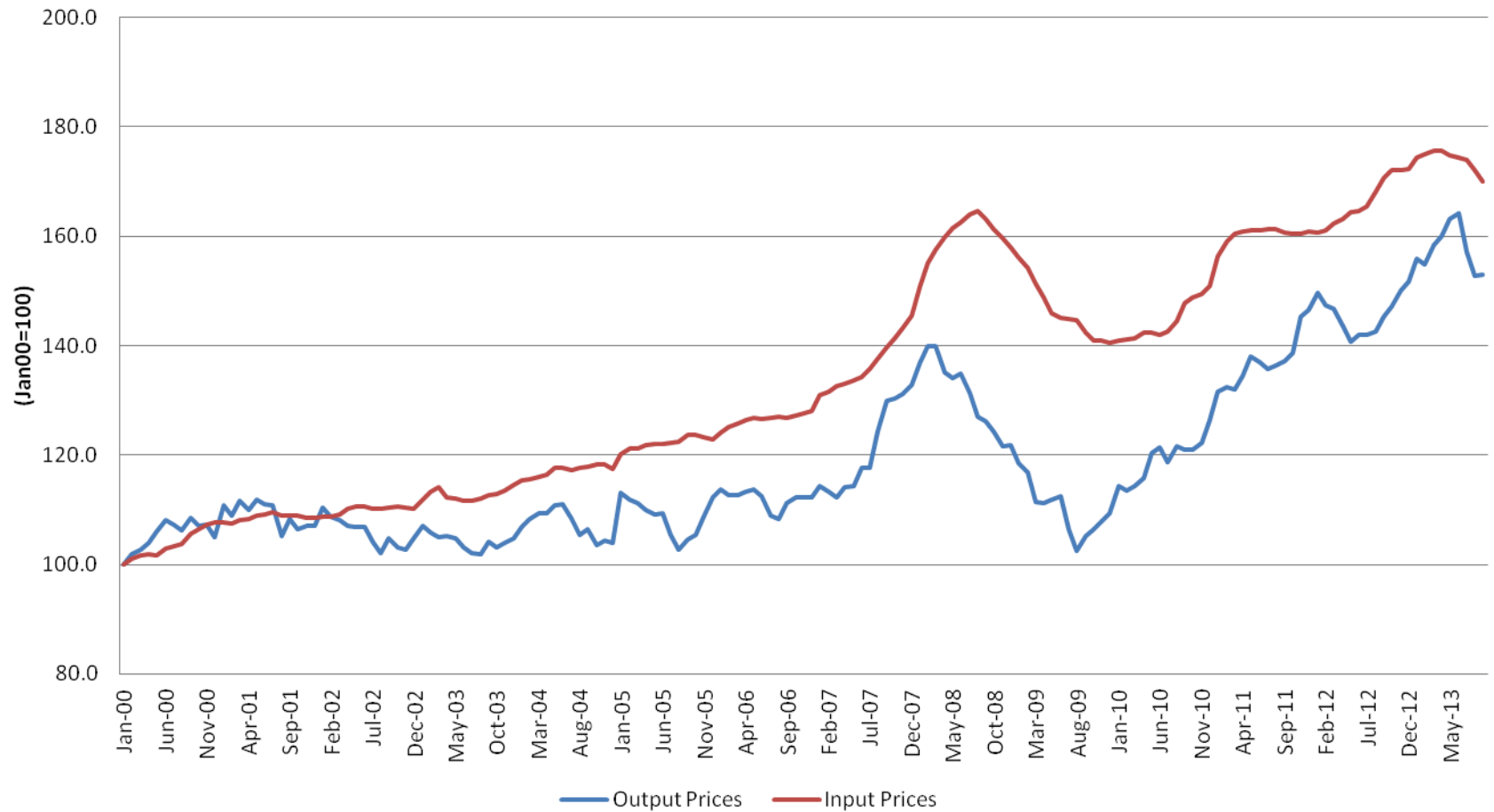
The Primary Agri Sector

- High level of optimism – more young farmers
- Operating Surplus -7.5% in 2012 (+31.5% 2011)
- Input costs high – oil, fertiliser etc
- Labour costs & availability improving
- Price compression pressure at consumer level
- Farming one of few areas where credit is available
- Better environment, but prudent approach to borrowing and investment appropriate in an environment of greater price volatility

Agricultural Operating Surplus



Agricultural Prices



The Agri-Food Producer

- Making stronger contribution to economic growth
- Challenging consumer market
- Credit conditions difficult
- Behaviour of retail multiples
- Competition from imports
- Food & Live Animal Imports €5.5 billion 2012
- How to achieve scale?
- Growth of artisan producers
- Growing, but tough environment
- Reputational risks highlighted recently

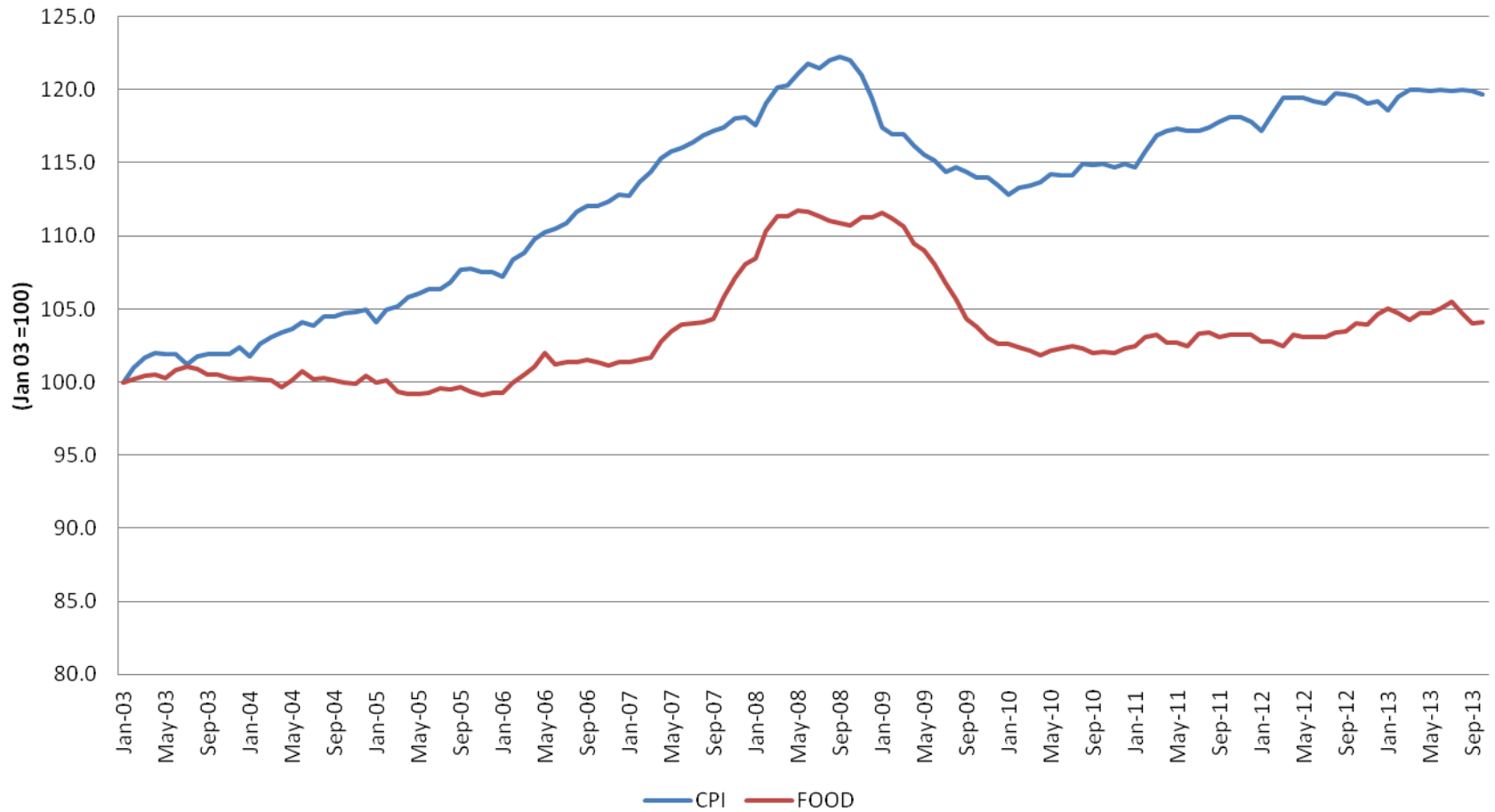
Some Issues in the Agri-Food Sector

- At global level weird weather, retail concentration, energy dependency, global population growth

In Ireland:

- Consumers want cheap food
- Retail concentration
- Viewed as a 'license to print money' by some
- Reality is that it is a competitive, low margin business that is very vulnerable to imports and retail domination
- Dilemma between price, quality and uniqueness
- Reputational Issues
- CAP reform

Consumer Price Trends



Food Harvest 2020

- Act Smart Think Green Achieve Growth
- Competitiveness; Human Capital; Focus on Customer & Consumer: Environmental Credentials; R&D;
- Increase value of primary output by €1.5 bln by 2020; +33% 2007/2009 average **+25.2% 2012**
- Increase the value-added by €3 bln: +40% on 2008 **+20.2% 2011**
- Export target of €12 bln: +42% on 2007/09 average **+13% 2012**

ANY QUESTIONS?