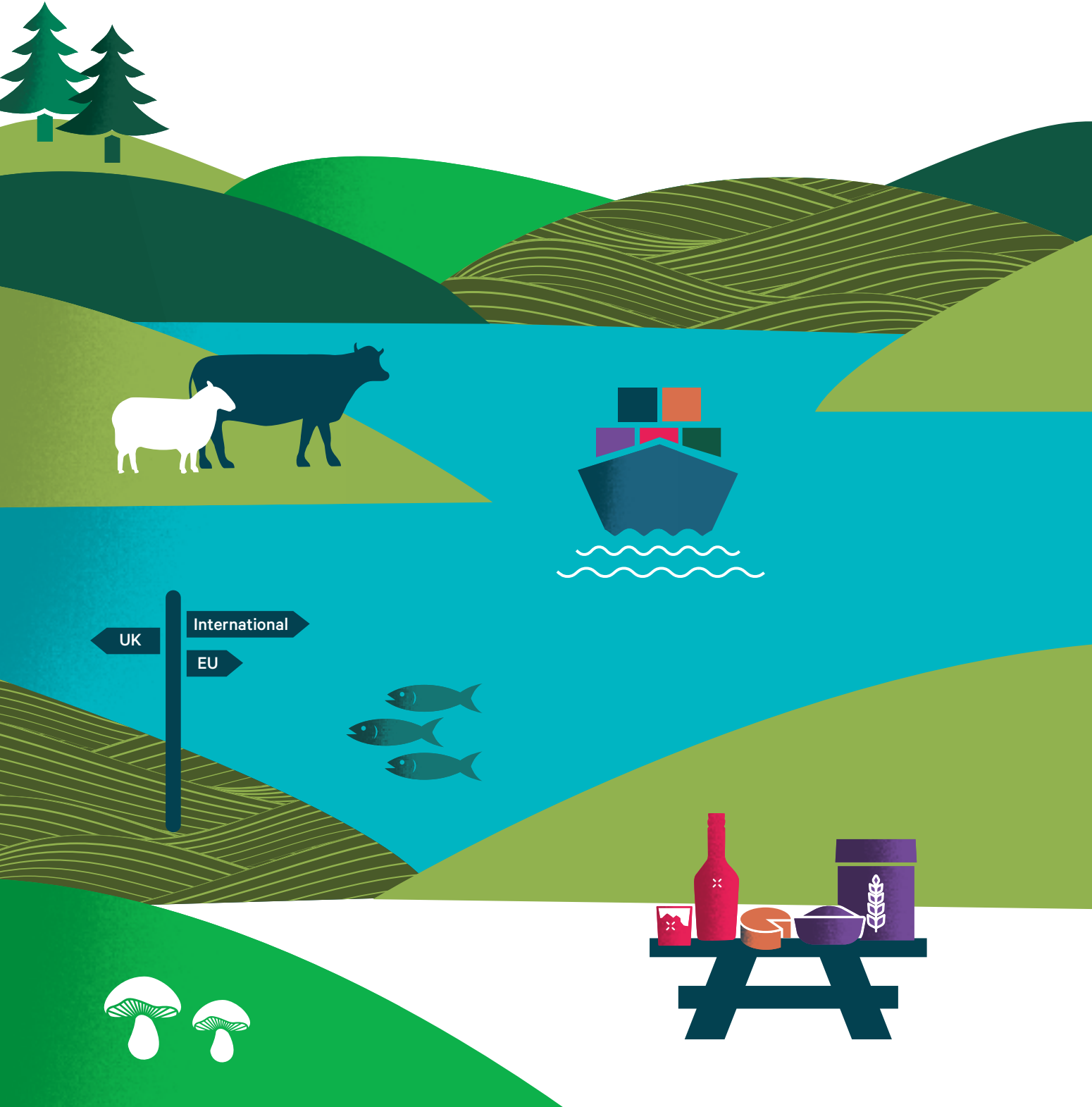


2017
2018

Export
Performance
& Prospects

Irish Food, Drink
& Horticulture

Bord Bia
Irish Food Board



Ireland's Agri-Food Sector

The agri-food sector, which is classified as primary production (Agriculture, Fishing and Forestry) along with food and beverages and the wood processing sector, is critical to the Irish economy accounting for 8.6 percent of total employment.

The Department of Agriculture, Food and the Marine (DAFM) and the Central Statistics Office (CSO) have identified and agreed a number of agri-food categories in the CSO's trade statistics. These categories include traditional food products such as beef, dairy and beverages; along with non-edible items such as animal foodstuffs, forestry, and animal hides and skins.

Exports of non-edible agri-food sector goods are estimated by DAFM at around €890 million in 2017.

Adding this estimate to the Bord Bia figures for the food, drink and horticulture sectors, which are the focus of this report, suggests that total agri-food sector exports in 2017 amounted to at least €13.5 billion.



€13.5bn

**Total agri-food sector
exports in 2017 amounted
to at least €13.5 billion**

Disclaimer

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

Executive Summary 5

Overview 9

Meat & Livestock 16

Beef 17

Pigmeat 21

Sheepmeat 25

Poultry 28

Live Animals 30

Dairy Products & Ingredients 32

Prepared Consumers Foods 38

Prepared Foods 41

Beverages 44

Seafood 48

Horticulture 54

Edible Horticulture 55

Amenity Horticulture 58

Irish Food & Drink Exports



€12.6bn

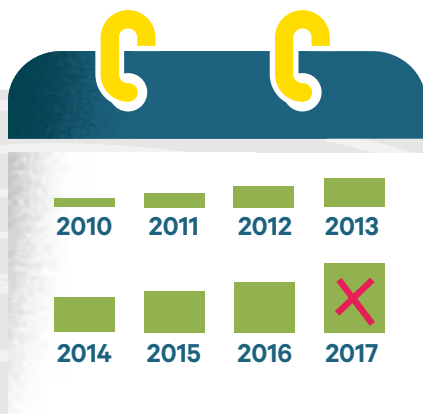


Irish food and drink exports
are valued at €12.6bn,
an increase of 13%

↑ **13%**
increase

Growth of c.60%
since 2010 or €4.7bn

↑ **60%**
growth



8th

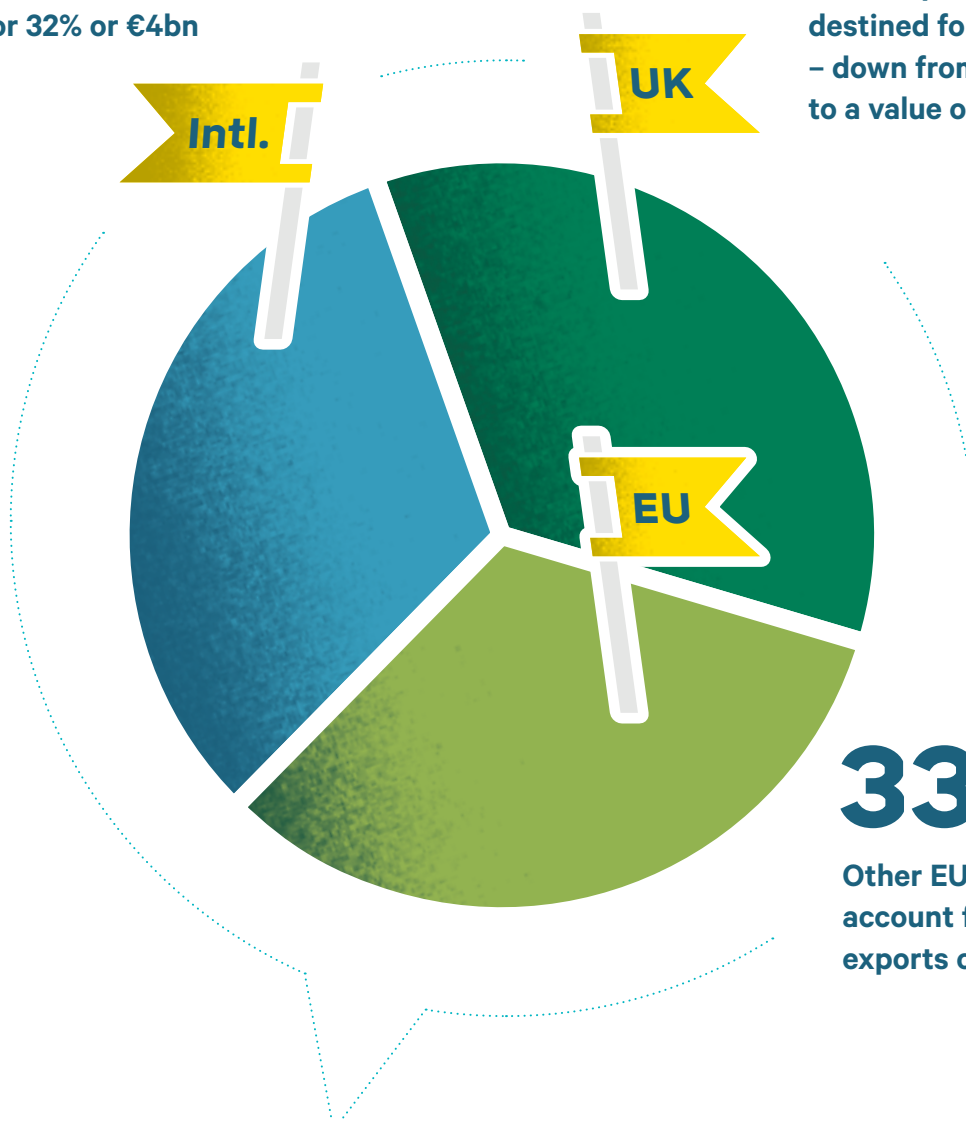
The 8th consecutive year
of export growth in 2017

32%

International markets account for 32% or €4bn

35%

35% of Irish food and drink exports are destined for the UK – down from 37% – to a value of €4.5bn



33%

Other EU markets account for 33% of exports or €4.1bn



180

Irish food and drink is sold in 180 markets worldwide

The high levels of demand witnessed in the dairy sector in 2017 look set to continue in 2018 with butter and powders in strong growth mode in key EU and international markets.



FOOD & DRINK EXPORTS

€12.6bn



↑ 13%
growth



For the year it is estimated that the value of food and drink exports increased by 13 percent to €12.6bn – representing growth of almost 60 percent or €4.7bn since 2010.



↑ €4bn

Shipments of Irish food and drink to international markets grew by some 17 percent to €4bn.

Executive Summary

Performance and Outlook

The Irish food and drink sector recorded the eighth consecutive year of export growth in 2017. It was boosted by increased output in key sectors, rising demand in some major markets and, in line with Bord Bia's Market Diversification Strategy, the emergence of newer markets for Irish Food and Drink exporters. **For the year as a whole it is estimated that the value of food and drink exports increased by 13 percent, (€1.5bn) to €12.6bn – representing growth of almost 60 percent or €4.7bn since 2010.**

The strongest performers in terms of export growth in 2017 were the dairy sector which comprises a third of the total; followed by seafood, pigmeat, sheepmeat and live animals. Strong competition and market conditions limited growth in the edible horticulture market whilst beef, poultry and prepared foods also achieved lower levels of growth in relative terms

Trade insight indicates the demand witnessed in the dairy sector in 2017 should continue to yield positive returns with butter and powders in strong growth mode in key EU and international markets. Other sectors with good growth prospects include beverages and pigmeat. Prepared foods and edible horticulture will continue to be susceptible to currency exposure and pressure from UK competitors and retailers.

Destinations for Irish food and drink

Exports to the UK rose by an estimated 7 percent to some €4.4bn despite the ongoing weakness of sterling. However, the share of exports to the UK has continued to fall despite the topline growth figure; the market share for exports to the UK is now estimated at 35 percent – down two points on last year.

Exports to other EU countries have risen to over €4bn accelerating last year's growth rate, in line with Bord Bia's Market Diversification Strategy. This performance was mainly driven by strong dairy exports - which rose by over 40 percent to €1.2bn, as well as enhanced growth for seafood and pigmeat sales and continued strong presence of beverages and prepared foods.

Shipments of Irish food and drink to international markets grew by 17 percent to €4bn underpinned by increases in sales of dairy, beverages and prepared foods – reflective of Bord Bia's increased focus on emerging markets through our enhanced route to market network. Expansion was recorded for the year in the Middle East and Asia and Africa, where it grew by almost 30 percent to over €600m, and the United States which recorded robust growth levels to exceed €1bn for the first time.

KEY DRIVERS OF EXPORT PERFORMANCE

—
€\$£¥

Euro exchange rates remained strong against sterling impacting adversely on Irish exports to the UK. The Euro strengthened against most global and competitor currencies towards the latter part of the year putting pressure on exporters to key international markets.

—
↑ 6%

Milk Availability

↑ 4%

Beef Exports

Increased export volumes were recorded in key categories. Milk availability was over 6 percent higher for the first half of the year, while beef export volumes rose by 4 percent. Wholesale prices particularly in the dairy sector were the foundation for much of the year's performance.

—
↑ 10%

Global Prices

Global agricultural commodity prices as measured by the FAO Food Price Index were up almost 10 percent for the year to November, driven largely by a very strong performance in the dairy sector which has seen global prices rise by almost 40 percent versus the same period in 2016. The meat market has also climbed by some 10 percent for the year.

↑ 8%

Total value of meat and livestock exports increased by 8 percent to almost €3.9bn, more than reversing the decline recorded in 2016.



Meat and Livestock

→ See pages 16-31

The total value of meat and livestock exports increased by 8 percent to almost €3.9bn, more than reversing the decline recorded in 2016. This market now equates to 31 percent of all food and drink exports. In terms of route to market, the UK remains our key export market, still accounting for 50 percent of the overall market.

The value of Irish beef exports climbed by 5 percent to almost €2.5bn, the volume of beef available for export increased to 615,000 tonnes with the average price increasing marginally by 1 percent per tonne.

The volume of pigmeat exports increased by 3 percent – to 247,000 tonnes, bringing the total value of exports to about €712m. Some 56 percent of these exports go to the UK. Thirteen percent of pigmeat exports went to China – the second largest market, a four point fall versus 2016.

Sheepmeat export volumes rose by 14 percent to 57,000 tonnes, coupled with a minor fall in prices this yielded an overall growth of 12 percent in value terms to almost €275m. France and the UK remain the largest markets. Performance in important value added markets in Northern Europe and Switzerland continued to make gains in 2017.

For the year it is estimated that the value of poultry exports increased to €295m, up 2 percent – driven by slightly higher volumes and improved unit prices.

The value of the livestock export trade increased by some 21 percent to €175m, reversing the decline in trade reported last year. Increased shipments of cattle and pigs to the UK and key continental markets drove this performance as well as the re-emergence of the Turkish market for live cattle.

The United Nations Food and Agriculture Organisation (FAO) forecasts an overall expansion in global meat trade for 2017 of 2.5 percent to 32 million tonnes, with pigmeat recording the strongest overall growth levels at some 4 percent. Increased export opportunities were evident across far eastern markets – particularly China, as well as in the MENA area. The FAO meat price index rose by almost 8 percent for the first half of 2017 bolstered by positive price uplifts for pigmeat and sheepmeat in particular followed by poultry and bovine meat.

↑ 5%



The value of Irish beef exports climbed by 5 percent to almost €2.5bn, the volume of beef available for export increased to 615,000.

↑ 3%



The volume of pigmeat exports increased by 3 percent - to 247,000 tonnes, bringing the total value of the overseas market to about €712m.

↑ 19%



Dairy and ingredients exports for the year reached €4.02bn, a 19 percent increase on 2016.

Dairy products and ingredients

→ See pages 32-37

The value of dairy and ingredients exports for the year reached €4bn, a 19 percent increase on 2016. Confirming its position as the number one exporting sector, dairy has increased its market share in EU markets to 31 percent, while contracting slightly its market share in other international markets to about 45 percent. Exports to the UK remain steady in terms of market share – accounting for one quarter of all dairy trade.

Specialised nutritional powders remain the leading dairy export at about €1.3bn, but growth has been flat. The largest increase is for butter which rose by more than 60 percent to nearly €900m, driven by high demand and prices on EU and international markets.

The setbacks in the cheese market recorded in 2016 have been rolled back – with the export market expanding by 22 percent to about €848m. Trade into the UK still comprises about 50 percent of the market.

Other dairy products that enjoyed substantial growth this year were skimmed and whole milk powders, each attained export sales of some €180m, up 46 and 55 percent respectively.

The prospects for the dairy industry in 2018 look reasonably positive based on the rates of growth recorded this year for key product areas and the ongoing demand levels in Europe and international markets for powder based products, butter and cheese. Wholesale prices remain very high reflecting international demand.

↑ 12%

Exports under this heading reported an uplift of 12 percent for the year.

Prepared Consumer Foods

→ See pages 38-40

Exports under this heading reported an uplift of 12 percent to €2.9bn for the year. The largest growth was recorded for value added pigmeat which increased its exports by some 30 percent to €276m, putting it in third place just behind processed beef in the category as a whole. This performance was offset to some extent by declines in seafood and edible horticulture.

The UK retains its position as the main market for prepared consumer foods with a 62 percent market share. This market has grown by some 7 percent to reach almost €1.8bn; expansion across a number of categories underlies this positive performance including pigmeat and beverages.

↑ 17%



Prepared food exports recorded an estimated 17 percent uplift for 2017 to €2.2bn.

Prepared Foods

→ See pages 41-43

Prepared food exports recorded an estimated 17 percent uplift for 2017 to €2.2bn. Much of this is driven by the continued growth in shipments of dairy based enriched powders which remain the largest product in the sector – rising by 10 percent to in excess of €730m. This product alone continues to account for some 33 percent of total exports within the category.

Negative export growth was recorded for chocolate based confectionary – although it remains the second largest category, as well as for biscuits, extruded products and milk protein concentrate.

Once again this year, international markets recorded the strongest growth levels for prepared foods – at 46 percent overall – with sales of over €800m increasing market share by 7 points to 36 percent. The UK market grew at 7 percent to €830m but market share declined to 37 percent, whilst the EU market rose by just 4 percent for the year reducing its market share slightly to 27 percent.

The outlook for prepared foods should remain reasonably healthy, albeit with the usual competitive pressures, given the ongoing demand for dairy based goods on all export markets – especially for dairy enriched powders. The importance of the UK market has declined further this year, nonetheless continued product innovation and value added premium products will be required drivers of continued success in that market.

↑ 10%



Dairy based enriched powders, which remain the largest product in the prepared foods sector, rose by 10 percent to in excess of €730m.

Executive Summary

 **8%**



The overall beverage market grew by an estimated 8 percent to some €1.5bn

Beverages

→ See pages 44-47

The global market for Irish drinks continued to enjoy robust export growth, driven in large measure by the demand for premium Irish alcoholic brands.

The overall Irish beverage export market rose by an estimated 8 percent to some €1.5bn. Driving this sales performance is the continued demand for Irish whiskey in global markets. The whiskey market grew by almost 20 percent to almost €600m. Cream liqueurs also fared well, rising by about 10 percent to over €300m. The juice market was also buoyant, increasing by some 30 percent to almost €90m and offsetting some of the declines evidenced in water and other non-alcoholic beverages.

About one quarter of all beverage sales continue to go to the UK based on a small uplift in shipments to some €390m. The other EU markets rose by 4 percent for the year to about €330m and still account for 22 percent of the market.

Shipments to international markets continued apace – caused largely by the ongoing demand for Irish Whiskey and also - cream liqueurs. International market sales have risen by about 10 percent to some €780m – just over half of exports. Major growth territories include North America, Africa and some non EU markets like Russia.

The outlook for Irish beverage exports in 2018 seems positive, driven by the ongoing growth trajectory of Irish Whiskey, the popularity of premium brands and product innovation such as craft beers that are also in growth mode in key international markets.

 **16%**



Seafood exports' value has increased by 16 percent to reach €645 million

Seafood

→ See pages 48-53

The value of seafood exports have increased by 16 percent in 2017, to reach €645 million in line with the increase in export volumes during this period.

The main EU markets, namely France, Spain, UK, Italy and Germany continue to dominate seafood exports, accounting for approximately 57 percent of total export values.

A range of international markets are emerging as key to growth in the sector, in line with Bord Bia's market diversification strategy. African and Asian markets now account for over one-fifth of the value of all Irish seafood exports.

Route to market support in both China and Japan will be a key focus for Bord Bia in 2018 with growth strong in both markets. Seafood exports have grown by 12 percent in China and 29 percent in Japan over the course of the last twelve months.

Total shellfish exports recorded a drop in sales value in 2017 with export values decreasing significantly. However, the shellfish sector has made great strides in achieving a more balanced market position between sales to Europe, Asia and the US. Under ordinary circumstances the prospects for 2018 should be relatively stable, but the potential impact of Brexit remains unknown with the prospects of tariffs and other legislation a key concern for Irish exporters.

Irish Salmon exports have enjoyed significant growth in volume and value terms over the course of 2017. Bord Bia's market insight work in the sector suggests demand will continue to outstrip supply into 2018 driving growth further. However, over the longer terms Norwegian supply; particularly organic, is expected to increase significantly.

€230m



Dominated by the UK market, this sector is particularly sensitive to currency fluctuation with sterling and its impact on margins.

Horticulture

→ See pages 54-59

Edible horticulture recorded a flat overall trade of €230m. Dominated by the UK market, this sector is particularly sensitive to currency fluctuation with sterling and its impact on margins. The growth in mushroom shipments seen in 2016 has been replaced with static sales at around €91m and volume little changed versus 2016.

The cereals sector, predominantly barley and oats has declined sharply – by some 9 percent to €69m although it still remains the second most important product within the category. Other vegetables have grown steadily to €13m – up 7 percent, whilst the market for potato exports is up by a similar proportion to in excess of €5m.

 **20%**



The whiskey market grew by an estimated 20 percent to almost €600m.



↑ €4bn

Export performance driven by a surge in dairy sales to over €4bn – comprising one third of all food and drink exports

Overall market share by export destination did not change markedly for 2017, the share of exports to the UK declined by two points to 35 percent – compared to 37 percent in 2016

Overview

Another year of export growth

Irish exports of food and drink have recorded the eighth consecutive year of growth with increased output and good global demand in key sectors driving revenues to almost €12.6bn for 2017 – a 60 percent increase versus 2010. This export performance has been driven by a surge in dairy sales to over €4bn – comprising one third of all food and drink exports - as well as continued buoyant sales of Irish beef which make up a fifth of all exports at almost €2.5bn based on 5 percent growth. Notable growth was also recorded for prepared foods and beverages. Strong demand in traditional European and North American export markets has been augmented this year by further significant inroads into newer markets in Africa and Asia. Moreover the trade with the UK has grown in overall terms despite the difficulty presented by weaker sterling.

In terms of yearly growth rates the dairy sector grew by 19 percent making it the strongest performer by some distance. Pigmeat and seafood had strong results as well with 14 and 16 percent growth respectively. At a lower level in absolute terms, live animal exports also registered a big lift in sales for the year. Prepared Foods and Beverages also performed well with 8 percent growth. Edible horticulture and poultry had the lowest levels of uplift - constrained by price sensitivity and volume.

Market share by destination

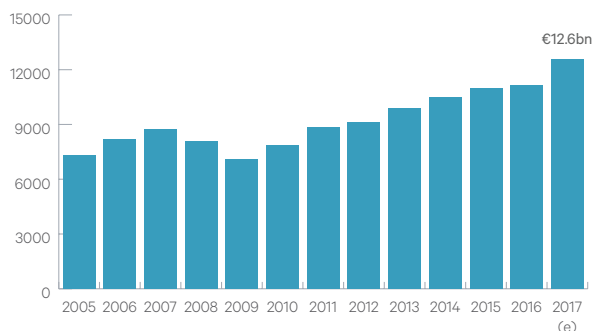
Overall market share by export destination did not change markedly for 2017, the share of exports to the UK declined by two points to 35 percent – however this reduction disguises the fact that sales still increased for the year to almost €4.5bn. Other EU markets rose by a single point to 33 percent with strong underlying growth in major markets like Germany, France, the Netherlands and Belgium all in evidence.

The share of exports destined for international markets is largely unchanged for the year at 32 percent but rising in overall terms to some €4bn for the first time. These are driven by strong sales of Dairy products in North America, Africa and Asia and beverages which performed well in North America. Dairy accounts for some 45 percent of all sales to international markets, while beverages comprise some 19 percent of international exports.

The North American market grew by 24 percent for the year driven by a 30 percent uplift in the US to over €1bn. Elsewhere, significant progress was made in markets as diverse as Japan, the Philippines, Ghana, Nigeria and South Africa, all of which posted impressive sales percentage increases.

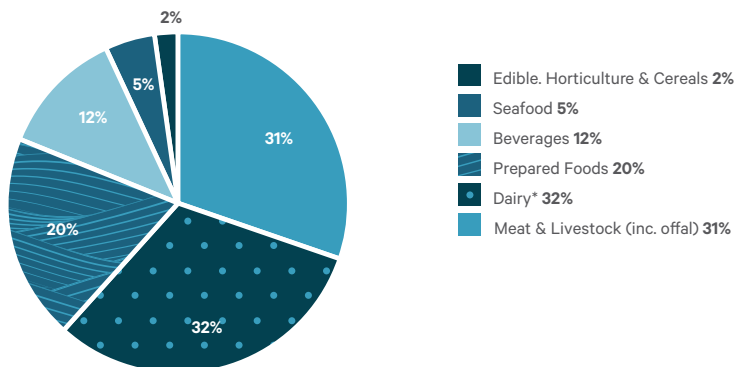
Irish Food and Drink exports, 2005 to 2017 (e)(€m)

Source: Bord Bia estimates



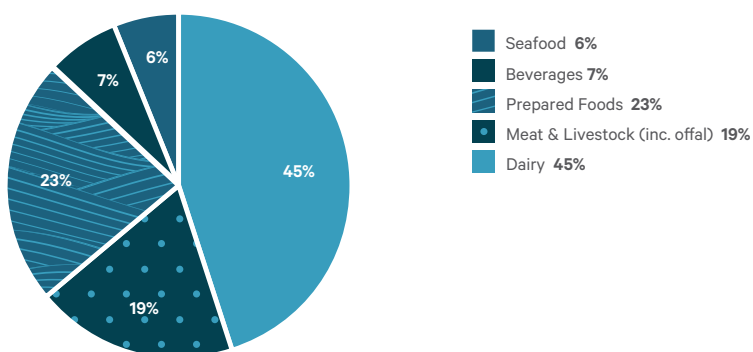
Breakdown of exports by category

Source: Bord Bia estimates



Categories driving export growth in 2017 (% of export growth)

Source: Bord Bia estimates



Overall sector performance 2016 v 2017 (€m)

	2016	2017(e)	% Change 17/16
Dairy	3,368	4,023	19%
Beef (incl. offal)	2,370	2,496	5%
Prepared Foods	1,913	2,243	17%
Beverages	1,391	1,497	8%
Pigmeat	626	712	14%
Seafood	556	645	16%
Poultry	284	295	3%
Edible Horticulture & Cereals	230	230	0%
Sheepmeat	245	275	12%
Live Animals	146	175	21%
	11,129	12,591	

Exports to China, driven principally by dairy and pigmeat, grew by 5 percent for the year to some €700m. Sales to Hong Kong grew at a similar pace to about €180m. The Middle East market reversed the decline recorded last year, with a growth rate of 8 percent to €400m. However, there were quite mixed fortunes across markets with losses in Kuwait, Lebanon and Jordan offset by gains in UAE and a largely stable market – mostly for dairy exports, especially specialised nutritional dairy powders – in Saudi Arabia.

The Global economy and Irish exports

Global Growth

The uplift in global growth projected in the world economic outlook (IWEQ) is set to continue into 2018. The overall growth rates are forecast to be 3.6 percent for 2017 and 3.7 percent for 2018. Increased performances in investment, trade and industrial production coupled with rising consumer confidence levels all underlie the global positive outlook. Upward revisions to growth are widely based including the Euro area, Japan, China and Russia all of which offset the downward revisions for growth in the United States and the UK.

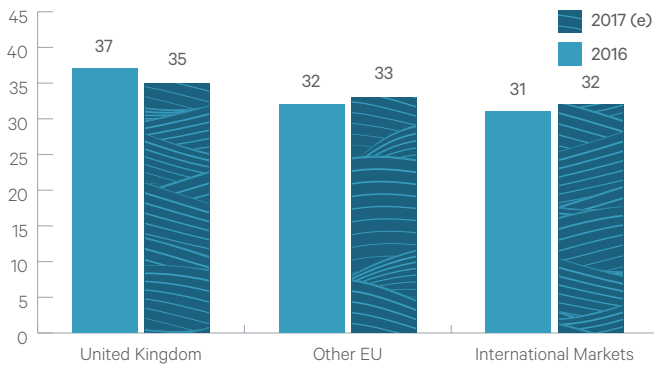


↑ **3.6%**

The overall growth rates are forecast to be 3.6 percent for 2017 and 3.7 percent for 2018.

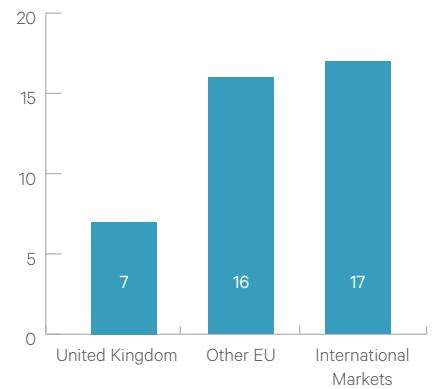
Market distribution of Irish food and drink exports (%)

Source: Bord Bia estimates



Regional Change in value of Irish food and drink exports 2017 (%)

Source: Bord Bia estimates



UK outlook

PWC project UK growth to slow down from 1.8 percent to 1.5 percent for 2017 and to 1.4 percent in 2018. These forecasts are based on slower consumer spending and overall Brexit sentiment – which are offset to some extent by growing exports on the back of a weaker currency. According to the European Commission inflationary pressures will continue to be ahead of targets and real wage growth will remain quite subdued, both of which are likely to dampen overall consumer demand in the economy. Overall employment levels are however expected to remain quite resilient despite the downside pressures.

The overall situation in the UK prompted the ESRI to comment in its quarterly outlook for December 2017:

‘One growing risk for the domestic outlook is the performance of the UK economy. The recent revision downwards of the UK forecast by the Office for Budget Responsibility (OBR) illustrates the precarious nature of the UK economy especially given the uncertainty of the Brexit outcome. While Ireland’s trade has diversified in recent times, the performance of our closest neighbour is still important in generating external sources of growth for the domestic economy’.

USA

The Federal Open Market Committee forecasts GDP growth to rise to 2.4 percent in 2017, this is forecast to fall to 2.1 percent in 2018 and 2.0 percent in 2019. The European Commission says the economy’s momentum has been underpinned by labour market strength, comprising robust employment growth and further falls in the unemployment rate.

China

The IMF forecasts economic growth of 6.8 percent for 2017 and 6.5 percent for 2018. This performance is underpinned by supply side reforms and should aid ongoing consumer demand. Growth for structural factors, including a falling labour supply and declining returns on investment weigh on potential growth.

Euro area

The European Commission forecasts the fastest growth in the euro area for a decade at 2.2 percent for the year as a whole; this is set to continue at some 2.1 percent in 2018, the forecast for the EU as a whole is also ahead of expectations at 2.3 percent. Ongoing job creation is set to drive domestic demand with unemployment at its lowest rate since 2009 and set to decrease further to 8.5 percent in 2018 and 7.9 percent in 2019. With the total number of people employed now at a record high helping to drive consumer confidence and

spending power. Overall inflation in the eurozone is predicted to be 1.5 percent in 2017 and is expected to dip to 1.4 percent in 2018 before climbing up to 1.6 percent in 2019. These trends should help uphold consumer demand for Irish produce in some key markets.

Germany

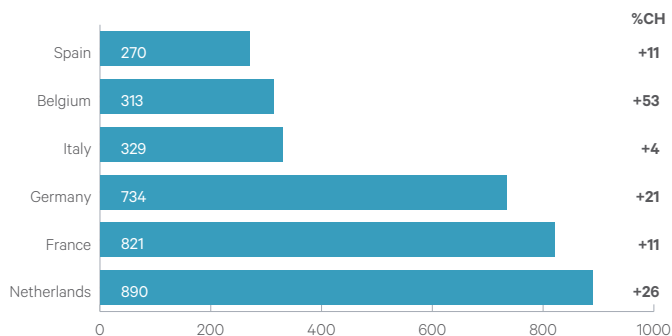
In Germany the European Commission forecasts strong growth momentum driven by domestic demand and the general recovery in the euro area. A robust labour market should drive a rise in real wages and increased consumption growth as well as high levels of demand. Moderate levels of inflation in the medium term, generally in line with the euro area, should support household purchasing power in general.



The European Commission forecasts the fastest growth in the euro area for a decade at 2.2 percent for the year as a whole.

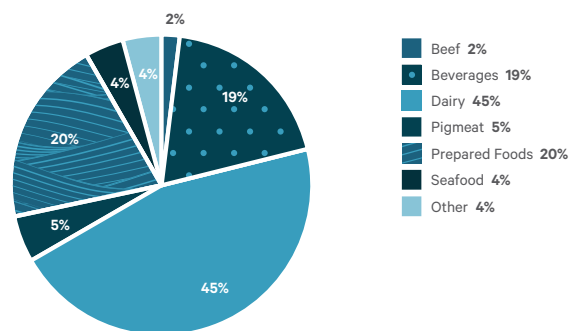
Growth in European markets, 2017 vs. 2016 (€m)

Source: Bord Bia estimates



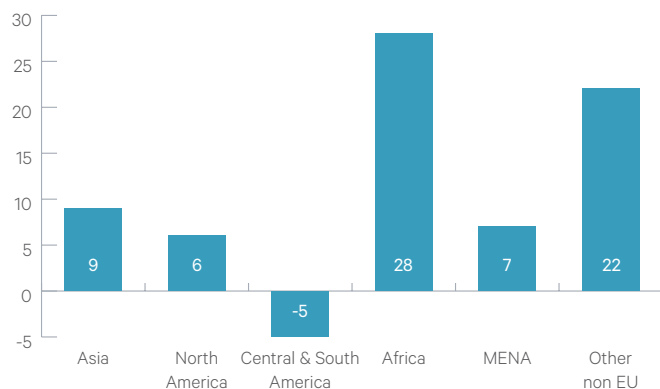
Breakdown of Exports to International Markets in 2017 (%)

Source: Bord Bia estimates



Growth in International markets, 2017 vs. 2016 (%)

Source: Bord Bia estimates



France

The Commission also has a positive outlook for the French economy stating:

‘Growth is expected to remain solid in the coming quarters, as economic sentiment has continued to improve in recent months, with some confidence indicators reaching their highest levels since the 2008 financial crisis. All in all, GDP growth is expected to reach 1.6 percent in 2017, 1.7 percent in 2018, and to slightly decelerate to 1.6 percent in 2019 as spare capacities in the economy are reabsorbed.’

World Bank oil and commodity prices

The world bank forecasts oil prices to climb to \$56 a barrel in 2018 from \$53 in 2017, this is an increase from the \$43 registered in 2016 and is driven by global economic demand in the main developed economies. Agreed production cuts by OPEC and stabilizing US shale oil production underlie these price trends on the supply side. All energy commodities are forecast to rise by 4 percent in 2018 according to the commodity markets outlook. Non energy commodities such as iron ore are expected to fall sharply in 2018 while other metals will see a tightening of supply pushing up prices. Agricultural prices are forecast to increase in 2018 due to reduced supplies with marginal increases for grain and oils.

Global food prices rise

The FAO global food price index reached 175.8 for November 2017 up four points or 2.3 percent versus the previous October -, however it is some 50 points short of its all time high recorded in 2011. All food areas were higher than for 2016 but the stand out performance was in the dairy area which was at 204 points for November – its first fall since May – but the index is almost 10 percent higher than 2016. International quotations for butter, skim milk powder (SMP) and whole milk powder (WMP) fell in November, while those of cheese remained more stable. Butter and WMP prices fell as importers held back on purchases, awaiting arrival of new supplies from Oceania.

The meat index was largely unchanged between October and November at 173.2 points, whilst cereals rose by some 8 percent for the year to November; oils reached a 9 month high in November and sugars were the main drag on the overall figure declining by some 26 percent for the year to November.

The OECD forecasts that most commodity groups will record a slowing in growth rates over the coming decade, the exception to this is the fresh dairy sector which is forecast to continue to register high growth levels largely driven by per capita demand in developing countries and population growth.

Currency Movements

Currency movements continue to impact on Irish export competitiveness, Sterling has remained weak in relation to the Euro averaging around £0.88 but has fluctuated higher at times, averaging £0.92 in August and September. In contrast to continued weakness in Sterling, the Dollar had strengthened in relation to the Euro versus 2016. As of May 2017, the Euro/Dollar exchange rate was \$1.10 compared with \$1.13 in May 2016, however the dollar lost value as the year went on to reach \$1.18 in December and for year to date averaged \$1.13. As about one third of trade is conducted in sterling and almost the same amount on international markets that predominantly trade in dollars Irish food exports have a considerable currency exposure. Further currency considerations include the Chinese Yuan which has averaged 7.59 to the Euro for the past year but has weakened generally over the 12 month period making euro imports more expensive. The Japanese Yen appreciated to as high as 116 to the euro in April before falling back to about 132 by December. Exchange rates for the Russia Rouble and Brazilian Real followed a similar pattern with earlier gains against the euro falling back towards the end of 2017. The Australian dollar followed a similar trajectory, gaining on the euro before falling back in the autumn averaging at about \$1.47 for the year.

Brent Crude 2017

Source: World Bank



Sterling exchange rate versus euro 2017

Source: World Bank



Euro versus US dollar 2017

Source: World Bank



The New Zealand dollar has generally depreciated against the euro over the course of the year from about \$1.50 to about \$ 1.70. This appreciation of the euro against a number of key competitor's and customers' currencies in international markets provides further pressure on Ireland's food and drink exports.

Competitiveness

The competitiveness of the Irish manufacturing sector as measured by Ireland's Competitiveness Scorecard published by Forfas reports that:

'While the overall economic outlook for Ireland is positive, the economy faces significant threats from external factors, including the outcome of Brexit, changes in trade and taxation policy in the US, a post Brexit slowdown in the UK, and the uncertain nature of the political economy of the EU'.

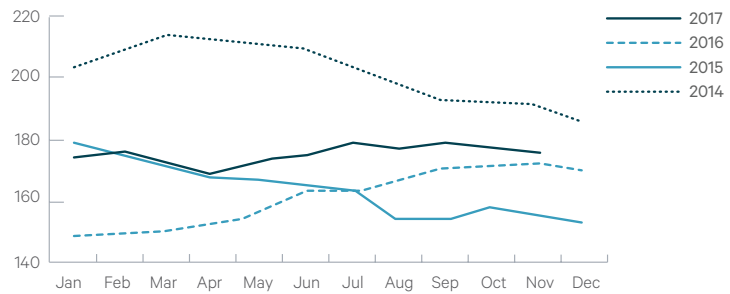
Competitiveness scores

Since 2011, Ireland's relative international competitiveness as measured by a range of international indices has improved. Ireland moved from 7th to 6th in 2017 in the IMD's World Competitiveness Yearbook

The World Bank's Ease of Doing Business report currently ranks Ireland 18th out of 190 economies. The World Economic Forum Global Competitiveness Report assesses regulations affecting SMEs and measures regulations applying to companies throughout their life cycle. In 2017 Ireland is ranked 18th overall and 5th in the Euro area, a decline of 1 place from last year. The Institute for Management Development measure of competitiveness ranks Ireland 6th most competitive out of 63 countries. Other rankings also put Ireland in a positive context – the UN ranks Ireland in 8th place on its human development index and Forbes places Ireland 4th on its best country to do business.

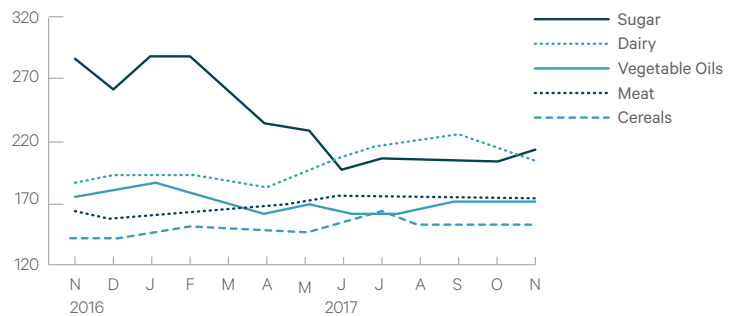
FAO Food Price Index (2002 – 2004=100)

Source: FAO



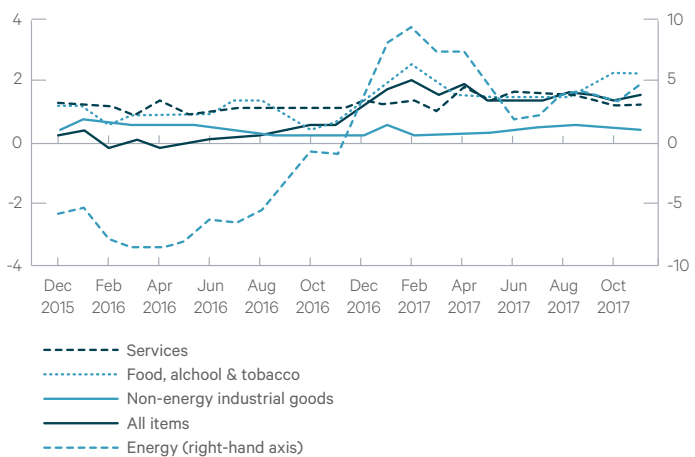
FAO Food Commodity Price Indices (2002 – 2004=100)

Source: FAO



Euro Area annual inflation and components

Source: Eurostat



//////
The competitiveness of the Irish manufacturing sector as measured by Ireland's Competitiveness Scorecard published by Forfas reports that:

'While the overall economic outlook for Ireland is positive, the economy faces significant threats from external factors, including the outcome of Brexit, changes in trade and taxation policy in the US, a post Brexit slowdown in the UK, and the uncertain nature of the political economy of the EU.'

//////

Prospects for Irish Food and Drink Exports in 2018

More buoyant economic forecasts in major European and international markets with enhanced consumer purchasing power should help demand for Irish food and drink in 2018. North American, European and Asian markets all present significant opportunities for exporters to expand their footprint and diversify further into international markets. Opportunities in dairy, beverages and prepared foods should all be open for enhanced innovation and premiumisation as added value exports are developed. Irish Whiskey's growth path looks set to continue, while baked goods, miscellaneous ingredients and fruit tarts amongst others, all have further opportunities to expand their reach.

Demand for dairy products on international markets should remain positive in the medium term; this fact coupled with forecasted increases in Irish output will help drive this sector to further growth in traditional and newer markets in the developing world. While Ireland continues to lead the way on sustainability on the global stage, this is likely to have a growing influence on the sector into the future.

However the currency risk remains for all sectors especially those such as horticulture that are hugely dependent on the UK market. This combined with anaemic growth and wage forecasts for the UK market will put further pressure on the UK as an export destination and provide additional incentives for Irish exporters to find new markets within the EU 27 and beyond.

HIGHER VOLUMES REPORTED IN KEY CATEGORIES

Increases in volumes in a number of key categories helped fuel export growth in 2017

—
Milk intake was 7.2 percent higher to October with an estimated annual yield in excess of 7bn litres.

—
Beef export volumes were up 4 percent to 556,000 tonnes.

—
Pigmeat export volumes predicted to rise for full year to 247,000 tonnes.

—
Sheepmeat volumes up 14 percent to 57,000 tonnes.



Meat & Livestock

84



Irish meat and livestock is exported to 84 markets



€3.95bn

↑ 8% The value of meat and livestock exports, an increase of 8 percent



31%

This sector represents 31 percent of total food exports

5th

Ireland is the 5th largest net exporter of beef in the world



€2.5bn

↑ 5% Beef exports were valued at €2.5bn, an increase of 5 percent



€712m

↑ 14% Pigmear exports increased by 14 percent to €712



€295m

↑ 3% Poultry exports increased by 3 percent to €295m



€275m

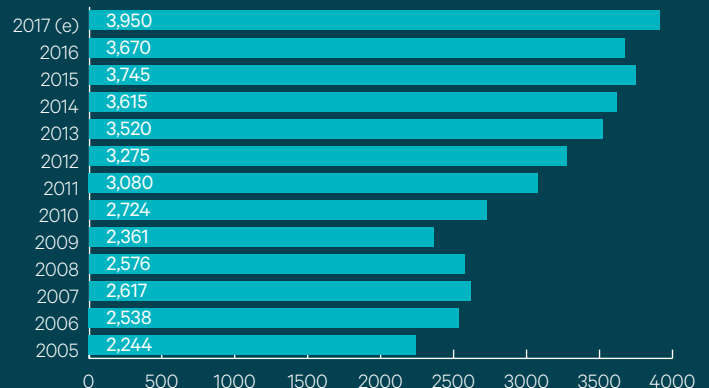
↑ 12% Sheepmeat exports increased by 12 percent to €275m

€175m

↑ 21% Livestock exports increased by 21 percent to €175m

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

Source: Bord Bia estimates *includes beef offals



BEEF EXPORTS
€2.5bn



**↑ 5%
growth**

//////
The impact of higher cattle supplies has been partly offset by a decline in carcase weights. Up to the end of September carcase weights were running 3.5kg lighter on average versus the same period in 2016.



51%

The UK remains the dominant destination for Irish beef exports – retaining its 51 percent market share.

Beef

Market Value

Total production of Irish beef has risen by 4.5 percent to 615,000 tonnes in 2017. This growth was anticipated early in the year due to growing calf registrations and relatively low calf exports in recent years. The total value of beef exports (excluding offal) increased to €2.26 bn – an uplift of 5 percent year on year and exceeding the 2015 overall value. The value of offal also recorded strong growth with a 9 percent increase to €230m - reversing the decline recorded in 2016. The total value of beef exports – including offal – was €2.5 billion – an increase of 5 percent overall. Beef accounts for 20 percent of all Irish food and drink exports and 9 percent of all export growth.

Irish Cattle Market

Overall Irish cattle supplies rose by more than 100,000 head or 6.5 percent. Prime cattle throughput has increased strongly with 85,000 (7 percent) higher numbers. Steer throughput increased by over 50,000 head while heifers increased by over 30,000 head. Cow slaughterings are also 16,000 head higher (+4 percent) with young bull slaughterings roughly on par with the previous year. The impact of higher cattle supplies has been partly offset by a decline in carcase weights. Up to the end of September carcase weights were running 3.5kg lighter on average versus the same period in 2016. Analysis on the AIM database indicates that strong cattle supplies are likely to continue for the foreseeable future, with male cattle between 24-36 months up over 12,500 head. For female beef bred cattle the numbers in the same age cohort also increased by more than 22,500 head - revealing the strength of the national herd.

KEY DRIVERS

Production rose by 4.5 percent to 615,000 tonnes.

Cattle supplies up by more than 100,000 head.

Strong supply increase forecast into medium term.

Exposure to UK market remains high at 51 percent of exports.



**↑ 615,000
tonnes**

Total production of Irish beef has risen by 4.5 percent to 615,000 tonnes in 2017.

Export performance

Total exports for 2017 rose to an estimated 556,000 tonnes. The UK remains the dominant destination for Irish beef exports – retaining its 51 percent market share. In 2017 there was a limited impact of Brexit in this market despite the weakness of sterling. Tight global supplies and strong consumer demand are to an extent protecting Irish beef prices from currency effects; nevertheless, these results underline the potential impact of the UK leaving the EU on the country's second largest food export sector.

Other EU markets accounted for 43 percent of Irish beef exports, a 1 percent decline versus 2016. The key markets of France and the Netherlands both record some slippage in overall exports this year but still remain the top two destinations on the continent. Recovering Italian consumption and the repositioning of Irish beef across many foodservice and retail accounts, saw the Italian market rising by 7 percent to 35,500 tonnes whilst competitive conditions on the Swedish market saw a drop back to 21,600 tonnes.

1.9%

The UN FAO reports that the world market for bovine meat will grow by 1.9 percent to 69.9 million tonnes.



The German market has remained very steady this year increasing marginally to almost 24,000 tonnes with Irish beef now well established as the premium alternative to local production. Elsewhere in Europe there were mixed performances: the Danish market recovered ground lost in 2016 to over 14,000 tonnes and gains were also made in Portugal, the Czech Republic, Poland and Austria.

International export markets

Irish beef performed very strongly in international markets with total tonnage increasing from just under 25,000 to over 34,000 – or 37 percent overall, to 6 percent market share in total. The largest market was the Philippines where exports increased by over 70 percent to 13,000 tonnes. Strong growth was also recorded albeit at

lower volumes in Hong Kong and Ghana with the latter growing threefold to almost 2,000 tonnes. Other growth markets for the year include Israel, Saudi Arabia, Vietnam, Singapore and Thailand.

World Markets

Overall EU beef production is forecast to increase by +0.5 percent in 2018 following four years of moderate growth, a fact driven by gains in live exports as well as productivity gains in the dairy sector over the medium term. Overall EU exports are likely to remain strong, aided by the opening of the Turkish market and buoyant sales to Israel, Asia and North Africa. The EU cow herd has been affected by low confidence in dairy on the continent, however, this is shifting toward a positive outlook and would result in higher beef output.

Beef production in the US is expected to have incremental growth in 2018, while strong domestic demand and the competitiveness of US beef overseas will ensure the US remains the world's largest producer of beef.

The UN FAO reports that the world market for bovine meat will grow by 1.9 percent to 69.9 million tonnes with substantial output increases anticipated for the US, Brazil and also Argentina where a four year period of herd expansion is coming to an end - leading to an export growth rate in excess of 4 percent. The presence of buffalo meat from India, the world's largest exporter of bovine meat will continue to be felt in Asian and MENA markets. Chinese production continues to expand with more large scale herds. However, this will not keep pace with consumption growth of 3 percent.

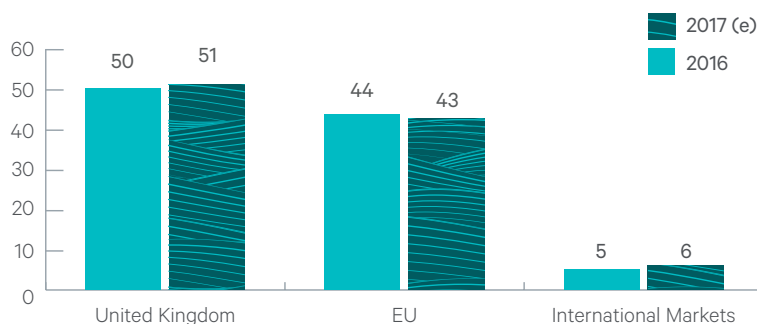
Australia is entering a period of herd rebuilding and is forecast to record a fall in output of about 3 percent for 2018. The cattle industry in New Zealand is in a similar position.

The Brazilian cattle industry is set to take advantage of the growth in the international market - with domestic demand subdued it is set to increase its export reach.

China will remain the key driver of global demand for beef with other key markets including Korea, Japan and Iran. The USA, Canada and Russia are all likely to reduce imports in 2018.

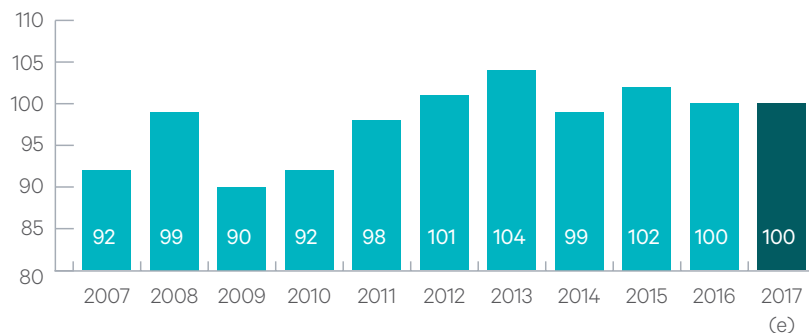
Distribution of Irish beef exports (% in value terms)

Source: Bord Bia estimates



Irish R3 steers as % of EU-15 weighted R3 male cattle prices, 2007 to date

Source: Bord Bia estimates





David O'Flynn and Paul Nolan, Dawn Meats

Case Study

Dawn Meats

Bord Bia: Food and Drink Sustainability Award Winners 2017



Dawn Meats sells approximately 90 percent of its products in overseas markets and employs more than 3,400 people at 24 locations in Ireland, the UK, Continental Europe and Asia. Dawn Meats has been a verified member of Origin Green since 2012 and its updated sustainability strategy was developed with stakeholder engagement during 2015/2016.

This strategy is built across five key pillars including Sustainable Sourcing; Animal Welfare; Resource Management; People and Community; and Innovation and Nutrition. Dawn Meats launched its first formal CSR report "Together" in 2017 which outlined the company's significant achievements and leadership in this area. Dawn Meats believes that its sustainability programme, and association with Origin Green, offers a distinct commercial advantage in engagement with customers, stakeholders and thought leaders across the world. To date Dawn Meats has achieved a 57 percent reduction in CO₂ intensity, 45 percent reduction in water intensity, and a 41 percent reduction in energy intensity. Through the installation of heat exchange pumps, air source heat pumps, operational efficiencies, solar powered street lighting, an integrated constructed wetland and 100 percent renewable energy, one Dawn Meats site is now operating with a 95 percent reduction in CO₂ equating to a saving of approximately 4,200 tonnes of CO₂ annually. In November 2015 through new waste management contracts, the company set a target of zero waste to landfill by 2020, which was achieved at the end of 2016. These commitments among others made them worthy recipients of the Bord Bia: Food and Drink Sustainability Award 2017



The value of Irish beef exports climbed by 5 percent to almost €2.5bn, the volume of beef available for export increased to 615,000.

Outlook for 2018

Looking ahead to 2018 national slaughterings will increase further, given the growth that is evident in male cattle and beef – bred females within the 12-24 month age category. Again, this rise in animal numbers is mainly attributable to higher calf registrations, combined with lower live exports during 2016.

Global exports are forecast to rise by 3 percent to 10m tonnes driven by increased shipments from the US, South America and Australia. Demand in China and East Asia will remain strong as growing consumption is not being met by domestic production. Demand in oil producing countries will remain positive if somewhat muted in line with lower oil prices which reduces demand.

The US is set for a record year in beef production – reaching some 12m tonnes after four years of herd rebuilding. Increased supplies and lower prices will increase exports to Asian markets – where Australian beef is the main competitor and enjoys a significant tariff advantage in the Japanese market. In 2017 US beef regained access to the Chinese market after a 13 year absence, however exports are limited to 'natural' (hormone free beef) and it faces most competition from South American and Australian producers.

Ongoing uncertainty over Brexit and its impact on sterling has continuing potential to impact beef trade and prospects for Irish meat achieved in the largest single marketplace.

PIGMEAT EXPORTS
€712_m



**↑ 14%
growth**

↑ 30%

The EU market for Irish pigmeat has grown by 30 percent in 2017.

Pigmeat

The recovery in the EU pigmeat sector that was evident in the latter period of 2016 continued into 2017 reflecting supply challenges across key European member states. In addition, reasonable demand from China, in particular during the first quarter of 2017, along with other key markets such as Japan helped strengthen EU pig producer prices that peaked during July. With strong producer margins being recorded in key export regions during 2017, this has led to some herd expansion in the EU which will lead to production growth higher for 2018.

EU pig prices strengthen

Higher prices at the end of 2016 and for the first half of 2017 have helped restore some confidence back into the pigmeat sector across the key EU member states. Since the start of January, the average EU reference price has increased by 15c/kg or 11 percent to €1.62/kg dw excluding VAT up to the beginning of December. Prices have risen across most markets reflecting strong demand across key international markets coupled with restricted supplies across Europe.

Increased carcass weights driving Irish production

Export meat plant pig supplies in Ireland are estimated to remain largely unchanged at around 3.3 million head during 2017. This performance though masks the increase in productivity that has occurred at farm level this year. In response to strong producer price and genetic improvements, this has led to a significant increase in carcass weights during the year which is expected to leave total net production 3 percent higher at 292,000 tonnes.

KEY DRIVERS

Exports rise 14 percent in value to over €712m, driven by higher prices in EU markets.

Lower UK supply drives exports with market share unchanged at 56 percent.

Slowdown in Chinese trade in 2017 expected to be reversed in 2018.

EU production set to increase in 2018 due to higher prices.

The UK remains by some distance our main trading partner in this sector and further market diversification will be required to hedge against this risk.

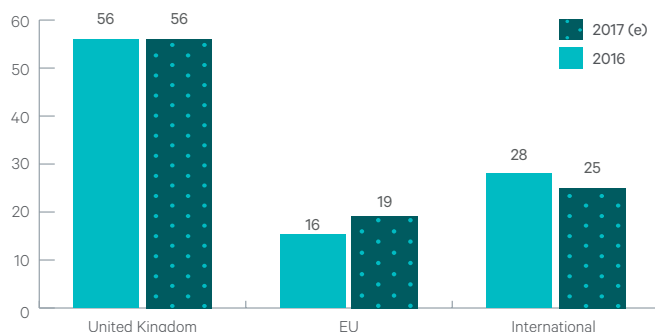
EU and German pig prices (c/kg dw excl. VAT)

Source: EU Commission



Distribution of Irish pigmeat exports (% value)

Source: Bord Bia estimates



Exports to Japan more than doubled to €22m putting it in second place in International markets.

Ongoing strengthening in export values

Irish exports increased by around 3 percent year on year to 247,000 tonnes with a 14 percent increase in total value to €712m. The UK continues to be the largest destination for pigmeat exports consisting of 56 percent of total market share in value terms rising by 13 percent to almost €400m. This reflected strengthening demand for imported product as the UK's domestic supplies were over 2 percent lower for the first nine months of the year.

Markets for Irish pigmeat

EU Markets

The EU market for Irish pigmeat has grown by 30 percent in 2017 but there have been contrasting performance variations across the primary destination markets. Denmark has grown by 11 percent in value terms to €32m - retaining its position as the leading EU export market principally for frozen boneless pigmeat. German imports have grown by almost one fifth, with most of this increase attributable to firm demand for sow meat and value added meats. Significant gains were made in the Czech Republic and Poland for chilled boneless pigmeat. Exports to France, Spain and the Netherlands remain modest, however these markets remain a valuable outlet for high value products. Elsewhere, Sweden remains a key territory for chilled boneless pigmeat. The growth in exports to the EU should provide a platform

to further develop market diversification in the EU which should help reduce dependence on the UK in the future.

International Markets

The growth rate for Irish pigmeat exports to international markets has been positive but slower; rising just 2 percent to €181m for the year accounting for 25 percent of total share. The main drag on this performance has been the falloff in trade to China - the largest international market - which fell by 14 percent to €93 million. This performance is however expected to show some improvement in 2018 as the Chinese breeding herd was 5 percent lower during August 2017 as producers continue to cull less productive sows, combined with legislation forcing some farm closures due to environmental risks around water contamination and waste disposal.

In other international markets, there are a number of key markets that represent an opportunity to strengthen market diversification in the future: exports to Japan more than doubled to €22m putting it in second place in international markets, reflecting lower domestic output coupled with strengthening demand for loin, belly and manufacturing products. Existing strong relationships in Japan have been strengthened with a recent trade mission to that market. Growth in the Philippines was also strong at 54 percent making it the third largest international market. Other important countries while smaller, yielded mixed results - exports to the US and Korea both

fell reflecting increased domestic output on back of strong producer margins, whilst Canada recorded in excess of 100 percent export growth for the year - albeit from a low base.

2017 World Market Dynamics

Brazilian pork has faced a number of challenges this year in relation to meat inspections and corruption, despite these difficulties the industry's exports declined by just 4 percent during the first five months of the year.

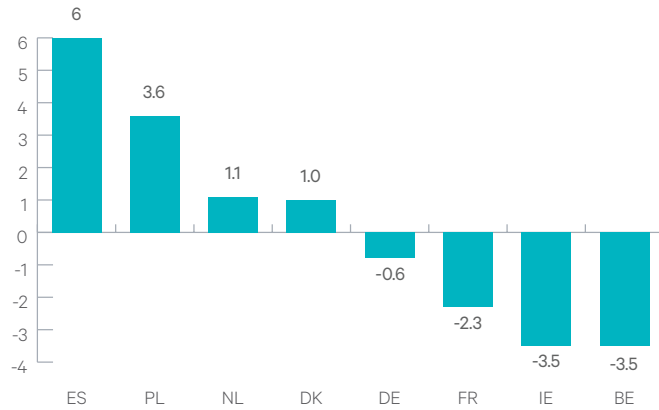
Overall imports of pigmeat to China are expected to end 2017 24 percent lower at 1.7 million tonnes. According to the USDA Chinese pigmeat production is expected to increase slightly for the second year in 2018 as the breeding herd recovers, carcass weights increase and productivity per sow improves.

Pigmeat is already the primary EU agricultural export to Japan with total shipments (excluding offal) worth over €1.4 billion in 2016. This accounted for 21 percent of the export market value. For the first seven months of 2017, EU exports of pigmeat have risen by 7 percent to 244,000 tonnes compared to the previous year.

The new free trade agreement with Japan (JEEPA) will significantly boost pigmeat sales as Japanese tariffs will be significantly reduced from 2019 onwards. This should allow European countries to take market share from the US where the full tariff will still apply.

EU Breeding Sows, Jun Census % change 2017 v's 2016

Source: European Commission



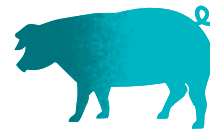
Increasing market access is one the main areas where Irish pigmeat companies can grow their market export reach. By focussing on insight-led growth strategies in these markets, the sector will ensure continue to thrive beyond the UK into the future.

A further drop in Russian imports is expected as output continues to grow. At the end of June, Russia signed a decree to extend the current Russian import embargo on some imports of food products including pork from the EU and US until the 31st December 2018. While Russian pork imports have been declining since the embargo came into force in 2014, domestic production has been climbing. The USDA currently forecasts Russian pigmeat production for 2017 to reach a record 3 million tonnes.

These developments could prove particularly challenging for the EU pork market, which supplies two thirds of China's pork imports.

This issue may be exacerbated in the short term as US production expands, increasing competition for market space. The latest US pig herd shows a 2 percent increase for 2017 at 73.5 million – the highest since records began in 1983. Increased processing capacity in the US will help to absorb this extra supply and exports will become more important to the US pig industry.

↑ 3%



The volume of pigmeat exports increased by 3 percent - to 247,000 tonnes, bringing the total value of the overseas market to about €712m.

2018 Outlook

The dip in EU production that was evident during 2017 is likely to be reversed during 2018 on the back of the European breeding herd increasing by 1 percent to 11.6 million head due to higher producer prices.

As a result of stagnating consumption, the European pig industry will be reliant on exports for 2018.

The key market outlet for European pigmeat products is China. However, a temporary oversupply on the market is anticipated early next year, with some farm closures in restricted areas now required by the end of 2017. This will result in pigs that cannot be relocated being slaughtered; temporarily further boosting domestic supplies on the market. While Chinese imports are forecast to be somewhat sluggish in the early part of 2018, they should recover as the Chinese breeding herd was 5 percent lower during August 2017.

- A key challenge facing the Irish pigmeat industry is the uncertainty surrounding Brexit – the UK remains by some distance our main trading partner in this sector and further market diversification will be required to hedge against this risk.
- The pigmeat industry also faces challenges due to animal health related issues. These relate to both processed meat products and the use of antibiotic drugs in herds and consequent antimicrobial resistance.
- Increasing market access is one the main areas where Irish pigmeat companies can grow their market export reach. By focussing on insight-led growth strategies in these markets, the sector will ensure continue to thrive beyond the UK into the future.

A silhouette of a sheep stands on a grassy hill in the foreground, facing right. The background is a dramatic sunset sky with horizontal bands of orange and yellow light, transitioning to a darker blue at the top. The overall mood is serene and rural.

2.94m

Irish sheep numbers
surpassed 2.94m head
in 2017 representing
a 10 year high.

SHEEPMEAT EXPORTS

€275_m



↑ 12%
growth



€4.84

New season lamb
prices reached a record
high of €4.84.

Sheepmeat

Irish Market

Irish sheep meat exports for 2017 are expected to reach 57,000 tonnes, a 14 percent increase on the previous year. Despite the weakness in sterling, the value of exports grew by 12 percent to €275 million. The market diversification evident over recent years was largely maintained with over 42 percent of shipments destined for markets other than France and the UK in 2017. These high value markets such as Belgium, Germany and Sweden continue to outperform others both in value and volume growth.

Throughputs reach a 10 year high

Irish sheep numbers surpassed 2.94m head in 2017 representing a 10 year high. A total of 806,000 hoggets were processed at Irish export plants, equivalent to an 18 percent increase or an additional 125,000 head on the previous year. This additional throughput in hogget supply had a downward effect on prices in the first five months of the year. Nevertheless a tighter supply of new season lamb was supportive in delivering stronger producer prices throughout the summer months.

At €4.80/kg, average producer prices were marginally back by 5c/kg on 2016 largely due to an overhang of hoggets. Nevertheless, average prices for new season lamb (May to December) reached a record high of €4.84, equivalent to a 23c/kg above the equivalent period in 2016.

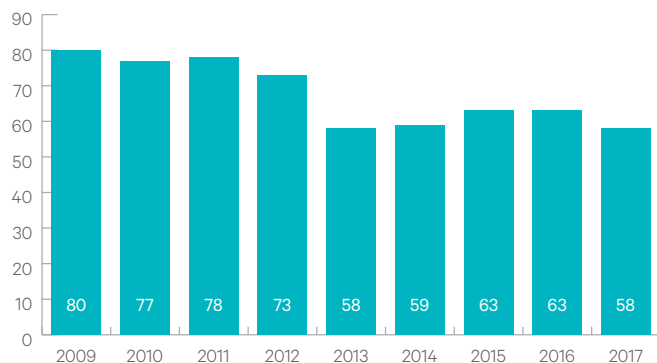
Irish exports

Total Irish sheepmeat production is estimated to rise by 10 percent for 2017 to 67,000 tonnes. Exports have risen by 14 percent in volume and 12 percent in value to 57,000 tonnes based on a small 2 percent decline in the price per tonne to €4,805.

France remains the top market for Irish sheepmeat accounting for one third of the market growing at 4 percent to €95m. The UK market grew at 11 percent yielding €51m. In other EU markets Sweden recorded dynamic growth of 14 percent for 2017 consolidating its place as Ireland's third largest export market for sheepmeat. The German market also retains its fourth place position with a 9 per cent growth rate bringing exports to €26m.

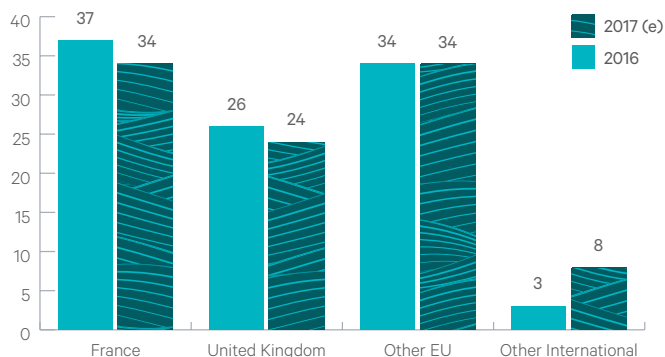
Proportion of sheepmeat exports destined for UK & France (% of export volumes)

Source: Bord Bia estimates



Distribution of Irish sheepmeat export volumes (%)

Source: Bord Bia estimates



Germany represents strong growth potential with a large meat-eating population base and very low consumption per head at approx. 600g. There is a growing appreciation of lamb among gourmet and fine-dining restaurants and the ‘foodie’ scene, with premium retailers and food service providers listing lamb or increasing its availability. Mainstream availability of high quality fresh lamb, however, still remains a barrier to growth. This fits Irish lamb’s premium positioning in the market and plans will feed into these trends.

Elsewhere in Europe the Italian market performed particularly well with exports increasing to about €10m, the Danish market reached a similar overall value. The Irish sheep meat industry commands a strong position in the Nordic market, accounting for over one in every five tonnes of sheep meat imported. Irish lamb commands a 60 percent premium above average global export price there.

The Belgian market remains in fifth place overall on the export table but it actually declined slightly – by 3 percent – for 2017. At lower levels the reduction in exports to Poland has been offset by increased exports to Spain. The overall picture for the EU is market growth of 6 percent increasing total value to €195m.

Belgium and Luxembourg are strategic markets for Irish client companies given their premium status and although exports are growing year on year, competition is strong from both New Zealand and the UK. Exports to Belgium will be on par to 2016 levels circa 3,400 (+1 percent) and €25m. There is now an opportunity for Irish client companies to create a preference for Irish lamb in these two markets.

World markets

Switzerland remains the largest non EU market with exports recording a strong performance to almost €17m – an increase of 60 percent on 2016. Another growth story is Hong Kong where exports have increased to €5m in 2017, reflecting the overall increase in demand for sheepmeat in south

east Asia and the strength of the Chinese market. In 2017, Canada also recorded a fivefold increase in Irish sheepmeat imports from a small base. Developing this North America market is an important milestone for the Irish sheep sector particularly ahead of the opening of the US market to Irish sheep exporters. In other developing markets there is some uplift in Vietnam and Taiwan both of which did not feature in 2016. Some African markets have also delivered growth this year notably South Africa and Cote D’Ivoire, but these remain at early stages of development.

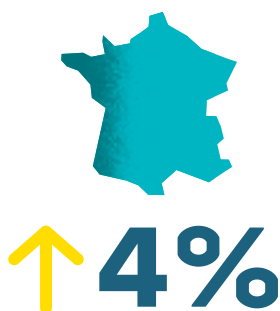
EU trends

Total EU sheepmeat production is forecast to rise to some 900,000 tonnes this year reversing the declines that began in 2013. Growth is forecast to continue in 2018 to approximately 917,000 tonnes. Since the beginning of the millennium however the industry has been in longer term decline when total production exceeded 1m tonnes.

The UK has also recorded significant growth of 3 percent to 300,000 tonnes offsetting declines in Spain - the other major EU producer.

World Markets

According to Beef & Lamb New Zealand, the year to 30 June 2017 the breeding ewe flock decreased 1.9 per cent to 17.80 million. Despite the small decrease in the number of breeding ewes, the 2017/18 lamb crop is expected to be up 1.1 percent, to 23.5 million, equivalent to an additional 300,000



France remains the top market for Irish sheepmeat accounting for one third of the market growing at 4 percent to €95m.



Switzerland remains the largest non EU market with exports recording a strong performance to almost €17m – an increase of 60 percent on 2016.

KEY DRIVERS

Herd throughputs reached a 10 year high with overall exports at some 57,000 tonnes.

Exports to reach almost €275m, with strong market diversification.

France and UK remain key markets but Germany, Sweden and Italy also performing well.

High value European markets to continue to be targeted for future export expansion.

head on last season. The lamb market in New Zealand has become much stronger in recent months and prices to producers are now up around 20 percent on July last year. With reports of excellent lambing conditions, and tightness in global supplies New Zealand lamb farmers are optimistic about 2017 and beyond.

Despite a strong first half to 2017 Australian sheep and lamb production looks less certain for the remainder of 2017 largely due to a very dry season and reductions in processor capacity. Increased carcase weights have flowed into increased production and export volumes.

China remains the world's largest importer of sheepmeat and imports have grown in 2017 on the back of increased domestic demand, which is driving volume and price. The vast majority of Chinese imports – some 95 percent – come from New Zealand and Australia. Mutton is the primary source of domestic consumption in China; demand for lamb is however on the rise which has presented more opportunities for global exporters to meet this demand as the numbers of middle class rise with proportionate spending power. Increased domestic production in China is likely to see demand for imports relatively unchanged.

Global trends

Global sheepmeat output is estimated to grow 0.6 percent for 2017 to reach 14.5 million tonnes – reflecting the relatively flat growth of recent years. Developing countries remain the largest producers, with China

continuing to record steady output based on productivity gains and herd expansion.

EU live sheep exports continued to grow in 2017 and were expected to stabilize for 2018 – the primary markets are around the Mediterranean and the Middle East including Libya, Jordan, Israel and Lebanon which together account for 95 percent of all live sheep exports from the EU.

Thanks to the weaker pound sterling UK exports have had a particularly strong year with indications that export volumes will be up by an order of 15,000 tonnes on the previous year, equivalent to a 13 percent increase. Sheepmeat exports to the EU dropped 18 percent for the first half of 2017, with NZ exports focussing on Asia and the US absorbing much of the additional supply but NZ continues to account for 80 percent of EU sheep imports.

Growth markets for imports are signalled to be the US, Canada, UAE and Malaysia where demand is increasing.

Global outlook

Global consumption of sheepmeat remains in long term decline and overall EU production reflects this, due to the structure of the industry and the age profile of the farmers. Sheepmeat also remains a more expensive option in most EU markets which is pushing consumers towards cheaper options. Consumption is also quite concentrated on particular times of year around Christmas and Easter as well as Muslim festivals which impacts on sales patterns.

Outlook

Diversification & Market Access key to growth

Irish processing sector continues to diversify towards markets which deliver a higher value return: Sweden, Denmark, Belgium, Germany and Switzerland. There is significant scope to develop these markets.

Securing market access to non-EU markets of US and China remains a priority and will help manage the carcase balance of cuts/offals.

With approximately 15-18 percent of our national throughput being sourced from Northern Ireland there is an immediate need to find a solution around the free movement from North to South.

Some 95 percent of Irish exports are shipped through the UK land-bridge.

POULTRY EXPORTS
€295_m



**↑ 3%
growth**

//////////
The key challenges facing the Irish poultry industry are Brexit and HPAI.
//////////

↑ 10%

The EU's market share of Irish poultry has edged upwards to 10 percent.

Poultry

Irish export performance

The overall value of Irish Exports have increased by around 3 percent for the year to €295 million in value, with volumes only rising by 1 percent during the same period. The number of poultry birds processed in Ireland reached record levels at 96m birds. During the same period Irish imports decreased by 7 percent reflecting increased preference for Irish product in the foodservice channel, although sales at a retail level have declined by 3 percent to 36kg per capita.



24.1kg

EU per capita consumption is set to reach some 24.1kg in 2017.

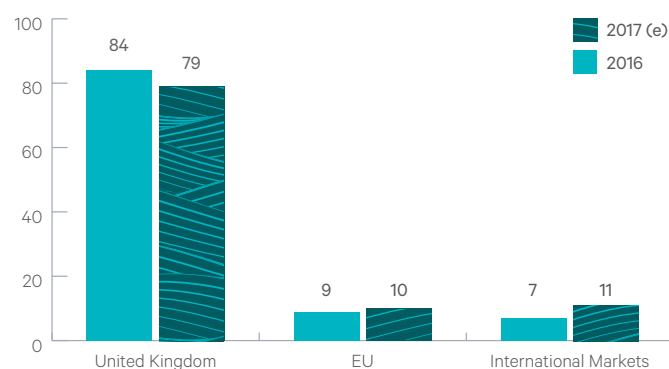
Poultry Exports

The great majority of Irish poultry exports continue to go to the UK which records almost 80 percent market share for 2017 or some €240m, a certain amount of which is destined for markets further afield. Overall, this is a shift downwards by 5 percentage points in value suggesting some diversification in export markets – albeit at a low level for now. The share of Irish poultry exports going to other EU markets has edged upwards to 10 percent, with France maintaining its position as the most important market especially for leg meat that is not consumed on the home market.

The Scandinavian markets were the fastest growing – albeit at lower levels, and Spain also remains a consistent importer. Other International markets have gained 4 points to account for 11 percent of exports, with South Africa – against the overall EU trend – the strongest performer, with 9 percent market share overall. A number of major EU producers are still restricted from the South African market and Irish producers have benefitted from this with shipments increasing by 80 percent for the first eight months of the year. Hong Kong and the UAE record some development but at low levels.

Distribution of poultry exports (% by value)

Source: Bord Bia estimates



EU Market Situation

The HPAI (Avian Influenza) virus continues to impact EU production and all global trade, with export performance in major producer countries falling in output for the first half of the year – including the Netherlands, France, Germany, Italy and Spain. In contrast the largest producer – Poland, recorded 4 percent growth with the UK also recording a positive performance.

Total EU production rose by 0.6 percent for the first half of 2017 with accelerated output in the second half of the year set to deliver a growth rate of 1.3 percent to 14.7 million tonnes for the year. This is forecast to slip somewhat during 2018 to 1.2 percent.

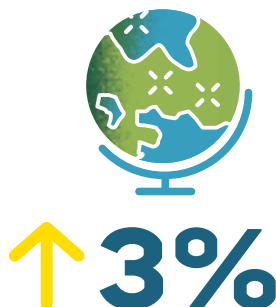
EU prices exceeded 2016 levels at €183/100kg for most of the year. These contrast strongly with Brazilian broiler prices at €89/100kg, which has underpinned much of Brazil's strong export performance in global markets. The strength of EU prices are expected to dampen export performance which is forecast to fall by 0.5 percent for 2017. If export bans are lifted as expected in 2018 export results should recover from this negative position.

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The strength of EU prices are expected to dampen export performance which is forecast to fall by 0.5 percent for 2017.

Export performances in global markets are mixed for European poultry in 2017. Declines in exports to South Africa, The Philippines and Saudi Arabia have been offset to some extent by developing markets in Hong Kong, Ukraine and some sub-Saharan African markets.

EU imports are estimated to fall by around 6 percent for the year as a whole, before rebounding in 2018 by about 4 percent. Brazil and Thailand – the two main exporters into the EU – both experienced sharp declines, much of which is made up for by imports from Ukraine.

EU per capita consumption is set to reach some 24.1kg in 2017 and this is forecast to increase slightly in 2018 to 24.3kg driven by domestic demand.



Global export trade in poultry is forecast to grow by almost 3 percent to 13m tonnes in 2018.

World Market Trends

According to the USDA, global broiler meat production is expected to grow by 1 percent in 2018 to 91.3 million tonnes, reflecting some increase across key regions such as the United States, Brazil, India and the EU. Increased output from the US and Brazil is being driven by strong export growth due to key competitors being negatively impacted by HPAI. The greatest concern to the global broiler production is a return of AI, risks are at their highest level in the northern hemisphere during the winter months, when cases usually increase due to bird migration. Ongoing biosecurity and industry responses to any outbreaks will be key.

The HPAI virus continues to impact on production and export performance in many markets but there have also been some substantial increases in output – notably in Brazil, Thailand, US and the EU. Much of the rising global demand is fuelled by the price differential between poultry and other meats. The main exception is China where production could fall by 10 percent to 15.5m tonnes; HPAI has limited production there as well as restricting the importation of breeding stock.

Global poultry production is forecast to rise marginally by one percent for 2018. Much of this will be driven by Brazilian and US exports and domestic demand in the EU and India. Offsetting these growth regions will be the continuing decline in the Chinese poultry production which is forecast to retract by a further 5 percent.

KEY DRIVERS

Exports increased by 3 percent in value to €295m, with almost 80 percent bound for the UK market.

EU markets have reached 10 percent, exports to South Africa have risen strongly.

US and Brazilian exports expected to drive global growth in 2018.

China to account for much of increased global imports in 2018.

Global export trade in poultry is forecast to grow by almost 3 percent to 13m tonnes in 2018. China will account for the bulk of the increase in world trade. Affordability is also driving rising domestic consumption and exports into many international markets including: Vietnam, Mexico, Chile, UAE, Philippines, Korea and Singapore. EU exports to South Africa – its main export market – in contrast, have fallen by half since 2016 as the South African government applies restrictions to protect its poultry industry. Brazilian poultry exports have been the prime beneficiary of these actions.

Brazil's HPAI free status is opening new markets for its poultry exports which are set to rise by 3 percent to 4.5m tonnes for 2017. US exports are also set to grow by around 3 percent to almost 4m tonnes. EU exports look set to be little changed with a 1 percent uplift in the face of strong domestic demand.

US production is set to rise by 2 percent to 19m tonnes in 2018, with exports to rise at a similar pace to almost 4m tonnes. The US has been HPAI free since August 2017 which will spur further growth, with export demand to Mexico being particularly strong.

Irish Outlook

The key challenges facing the Irish poultry industry are Brexit and HPAI.

Increasing market access is a key priority for the sector and will support further export reach.

However, some recent developments to open trade could lead to new opportunities, such as the EU-Japan free trade agreement.

LIVESTOCK EXPORTS

€175_m



↑ 21%
growth

Overall cattle exports for the year reached approximately 190,000 head in 2017, up from 145,000 head the previous year. Shipments of all age categories of livestock recorded significant increases year-on-year.

Live Animals

Irish Market Trends

The downward trend in live animal exports recorded in 2016 was reversed during 2017. Live exports are estimated to have increased by 21 percent in 2017 to €175m - with €115m of these accounted for by the live cattle market. Up to the beginning of December, cattle exports have totalled almost 181,000 head, which represents an increase of 34 per cent, or 46,000 head, on last year's levels.

Overall cattle exports for the year reached approximately 190,000 head in 2017, up from 145,000 head the previous year. Shipments of all age categories of livestock recorded significant increases year-on-year. Adult or finished cattle numbers increased by 24 percent to around 28,000. Store cattle recorded a 37 percent increase to 27,000 head. Exports of weanlings reported growth of 23 percent - yielding about 32,000 head.

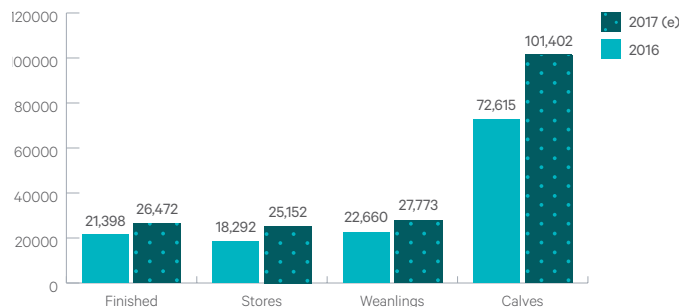
Calf Trade

Calf exports dominate the trade in live cattle shipments, and the decline of 2016 was reversed during 2017 with a 40 percent growth rate to over 101,000. Irish calf exports are highly seasonal, in line with the supply of male dairy calves in spring.

The principal markets for Irish calves include the Netherlands, Spain, Belgium and France. For the Dutch market, demand is mostly focused on light Holstein-Friesian bull calves which go for veal production. Irish calf exports to the Netherlands increased by 55 per cent this year to 42,000 head. Exports of Irish calves to Belgium recovered to over 5,000 head, having been curtailed in that market by IBR restrictions in recent years. Calf exports to Spain increased by 38 percent this year, to over 43,000 head. Spanish feedlots specialise in finishing these as young bulls at 12-13 months of age.

Breakdown of Irish live cattle exports ('000 head)

Source: Bord Bia estimates





↑ 55%

Irish calf exports to the Netherlands increased by 55 per cent this year to 42,000 head.

30,000

In 2017, 30,000 animals were exported to Turkey.

The strong uplift in exports of weanlings (aged 3 to 12 months) and store cattle (aged 12 to 21 months) from Ireland this year reflects improved demand across several markets. There has been a 7 per cent recovery in Irish exports to the Italian market, to 20,000 head. Irish animals were slightly more price-competitive than during recent seasons, relative to French cattle which account for over 75 per cent of the Italian imports. The Turkish market opened to Irish cattle in autumn 2016, taking almost 20,000 young bulls by year-end. During 2017, almost 30,000 animals were exported there, including some heifers for breeding. The Turkish market now accounts for 16 per cent of the Irish live cattle trade. There were also 1,800 head of cattle shipped to Libya, and 1,000 head to Greece. Other markets for breeding heifers this year have included Romania (1,000 head) and Russia (500 head).

Live cattle exports to Great Britain were 11 percent below 2016 levels, at just 6,000 head. However, over 27,000 cattle were sent to Northern Ireland: an increase of 12 percent. These movements remain well-below historic levels however, on account of a preference for UK-born animals by Northern Irish meat plants, combined with less favourable exchange rates.

The key destinations for Irish live exports remained very stable, therefore, throughout 2017. Overall, the UK market accounted for approximately 33,000 head, or just over 17 percent of live cattle exported.

Meanwhile, continental EU markets accounted for 66 percent of animals shipped, with International markets taking the remaining 17 percent. Although exports of calves from Ireland to the French market declined, this impact was more than offset by the increases recorded in Spain and the Netherlands. Turkey continues to be the major non EU market for Irish cattle.

Other Livestock

Overall live pig exports have risen by some 16 percent year on year to €53m, the main market is Northern Ireland.

Live sheep exports were very similar to the previous year and remain at about €8m and 48,000 head. Religious festivals continue to play an important part in the sheep trade, with almost 60 percent of live exports occurring in September as part of demand for the Muslim Eid-al-adha festival.

Outlook for 2018

For 2018, continued robust demand is expected for Irish livestock. Contraction in dairy herds across several major European producers, including the Netherlands, is expected to strengthen calf prices. Uncertainty in relation to the availability of roll-on-roll-off transport next spring is the main threat facing this trade. With regard to weanlings and store cattle, Irish exporters are optimistic that the higher prices being received for finished cattle around Europe during late 2017 will translate into greater orders from customers in the New Year.

KEY DRIVERS

Exports up 21 percent to €175m driven by uplift in live cattle market.

Cattle market reaches 190,000 head up from 145,000 in 2016.

Calf trade up 40 percent to over 100,000.

Opening of Turkish market in 2016 continues to drive export growth.

The Turkish market looks set to remain of particular significance, with potential for further growth in both young bull and heifer exports. Other markets in the Middle East / North Africa region show promise for both feeding and slaughter animals, with Egypt and Algeria most likely the target destinations for trade to resume in 2018.

Live exports represent an important source of competition and a valuable market outlet for the various categories of stock.



€53m

Overall live pig exports have risen by some 16 percent year on year to €53m, the main market is Northern Ireland.

Dairy Products & Ingredients

↑19%

Exports have increased
by 19 percent since 2016



€4bn

↑19% The value of dairy
products & ingredients, an
increase of 19 percent



↑44%

Exports to EU26 markets have
expanded by 44 percent to €1.2bn



€850m

↑20% Cheese export rose to almost
20 percent to over €850m

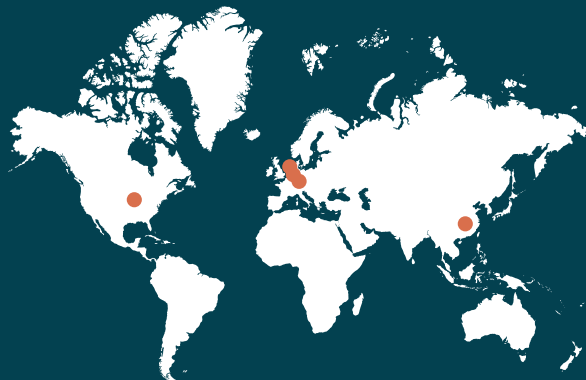


↑60%

Butter reached a remarkable
growth rate of 60 percent
in 2017

The top 5 markets

are the UK, China, the Netherlands,
Germany & the United States



DAIRY EXPORTS

€4bn



↑ 19%
growth



Irish milk production is forecast by producers to increase by a further 30 percent by 2020.

Irish dairy exports increased by 19 percent in 2017 to €4.02 billion, an increase of €655 million.

Irish output – Domestic supplies

Following two years of low dairy prices, 2017 was a welcome reprieve for Irish dairy farmers. However, difficult weather from mid-summer onwards resulted in the earlier housing of stock, and fodder shortages in some parts of the country. Ultimately the overall impact this will have remains unknown until spring 2018.

With Ireland's growing dairy herd and increased cow productivity Irish milk production increased by around eight percent or over 500 million litres reaching 7.1 billion litres for 2017.

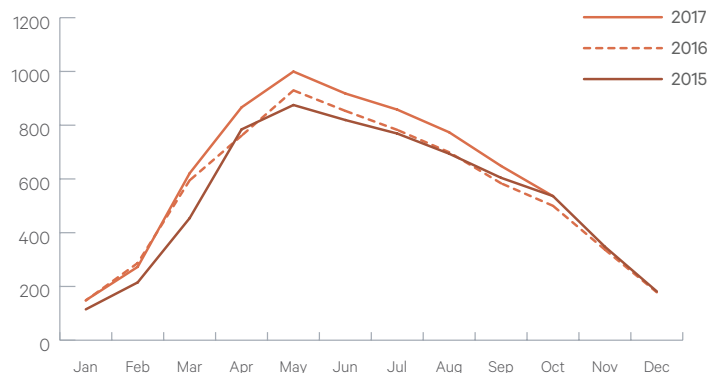
Ireland's dairy herd has grown to over 1.4 million cows, an increase of 300,000 head in the past four years.

Irish farm gate milk prices have averaged close to 30 percent higher during 2017 and the latest EU weighted average price for October 2017 was 25 percent above the same month a year previous.

Irish farm gate milk prices have averaged close to 30 percent higher during 2017.

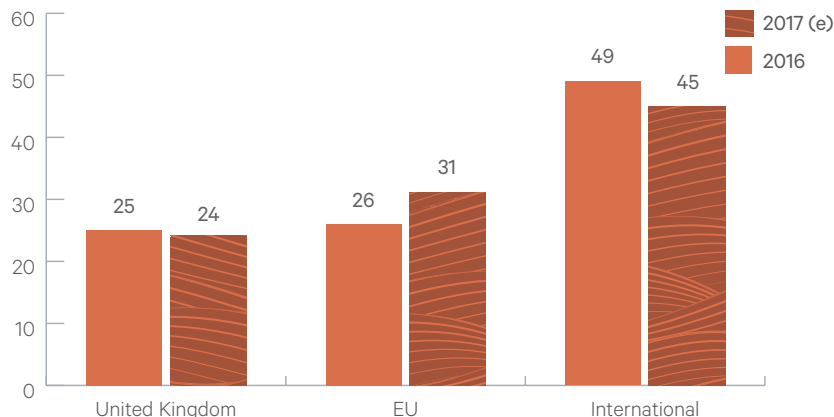
Irish Milk Production, 2015 to date (million litres)

Source: CSO Ireland



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

Source: Bord Bia estimates



Export markets for Irish Dairy products

Driven by increased production and higher dairy market returns Irish dairy exports increased by 19 percent in 2017 to €4.02 billion, an increase of €655 million.

Aided by strong growth to leading markets including the Netherlands, Germany, France and Belgium, exports to Continental Europe grew by 44 percent to €1.2 billion. As a result, the overall market share for the region increased from 26 to 31 percent of dairy exports. Continental EU markets accounted for 59 percent of Irish butter exports, with the value of butter shipments doubling in 2017, reflecting higher volumes and significantly higher butter prices. The value of butter exports to both the Netherlands and Germany doubled in 2017.

There was an improvement in International markets during 2017 due to a combination of higher oil prices, improved economic conditions in some markets, competitively priced SMP and stronger than forecast demand from China. Exports to International markets increased by nine percent to almost €1.8 billion. Exports to Asia grew six percent to €850 million, trade with Africa recovered by almost 20 percent to €203 million, the Middle East region was stable at €290 million and the North American market grew by seven percent to €270 million, driven by growth to Mexico and the US. China at €657 million, accounts for 37 percent of our International dairy trade and 16 percent of

total dairy exports, making it our second largest market after the UK. Trade with China grew by four percent during 2017.

Some African and South East Asian markets have seen significant growth in their imports of Irish dairy products, albeit at much lower levels than more developed markets. This trend, while a reflection of market conditions, reflects the growth and diversification strategy and also the expanding reach of the Irish dairy industry. Markets such as the Philippines, Algeria, Mexico, UAE, Nigeria and Turkey have all grown during 2017.

With an increase in export volumes and higher prices, dairy shipments to the UK grew by 15 percent to €968 million, despite

the decline in the value of sterling. The UK's share of our exports was relatively stable at 24 per cent. Butter and cheese are the key categories in the UK market, accounting for almost two thirds of our UK dairy trade. The UK is critical for both of these categories, taking 24 percent of our butter and half of our cheese exports.

Main Dairy Category trends

Specialised nutrition accounts for the greatest proportion of our dairy exports at €1.3 billion, or almost one third of the total export value. The industry is a significant user of Irish dairy ingredients, both within Ireland and internationally.

In volume terms, cheese is our largest dairy export and with stronger market conditions and eight per cent higher volumes, exports grew by 22 percent to €848 million. While trade to the UK was four percent higher.

Butter has been the strongest performing category within dairy, accounting for over half of the growth in dairy exports, reflecting higher production and the surge in the dairy fats markets. Butter's export values increased by 62 per cent to €879 million.

Skimmed (+46 percent) and whole milk (+55 percent) powders enjoyed substantial value growth this year on the back of increased demand from International markets, less product going into EU intervention compared to 2016 and firmer fat prices, with both products achieving export sales of €180 million. The bulk of the increase in trade of dairy powders came from International markets.

Global Dairy Markets

Throughout 2017, milk volumes in the main producing regions, the EU, US and Oceania moved from a period of contraction, following two years of low prices, to growth. Milk production globally, grew by almost two per cent during January to September this year with the EU leading the way, but also growth coming from the US, New Zealand and Australia.





37%

China accounts for 37 percent of our International trade and 16 percent of total dairy exports, making it our second largest market after the UK.

Globally, output recovered strongly from mid 2017, due to rising prices, leading to a shift in the supply / demand balance, which combined with EU intervention SMP stock levels has been causing market uncertainty in recent months.

Milk deliveries across Europe started to ease in early summer 2016 and fell significantly throughout the remainder of 2016 and into early 2017. This easing in supplies, along with EU SMP intervention removed product from the market and led to a strengthening in prices. Stronger prices combined with excellent weather conditions led to milk volumes increasing from May 2017.

For September, volumes were four percent higher, with France and Germany, the two largest European producers showing significant increases.

EU dairy export volumes for the first nine months of 2017 increased for SMP (+41 percent), cheese (+5 percent), WMP (+2 percent), while butter exports have fallen (-17 percent).

Commodity prices have seen divergent patterns in Europe this year, with butter reaching record levels in mid-September before falling sharply in the weeks following by almost €2,000 /tn, but remaining at very strong levels. In contrast dairy proteins are in a much different situation with SMP prices rising early in the year and having reached €2,000 /tn in mid-June, fell to historically low levels in December. EU production of SMP and butter fell as the returns from this stream are marginally less lucrative than those where cheese or WMP production is an option. This led to a further tightening of butter supplies.

Milk production in the US has increased by almost two percent this year, due to a growing dairy herd and improved productivity per cow. Cow numbers are reported to be at a 21 year high in the States and dairy farm margins remain profitable. US dairy exports were nine per cent higher this year (Jan – Aug), with most of the key categories showing increases, in particular for SMP, cheese and whey volumes.

The USDA are forecasting a further 1.8 per cent growth in production in 2018 which combined with a favourable exchange rate and easing domestic prices, should see US dairy exports grow further in 2018.

For the 12 months to October 2017, New Zealand milk volumes were flat compared to the year previous. New Zealand milk supply normally peaks in mid-October, however very wet weather during their spring delayed peak and impacted on milk volumes for this season (June 2017 – May 2018). With a growing herd and forecasted higher farmgate milk prices, overall production for this season is forecast to grow 2 – 3 percent.

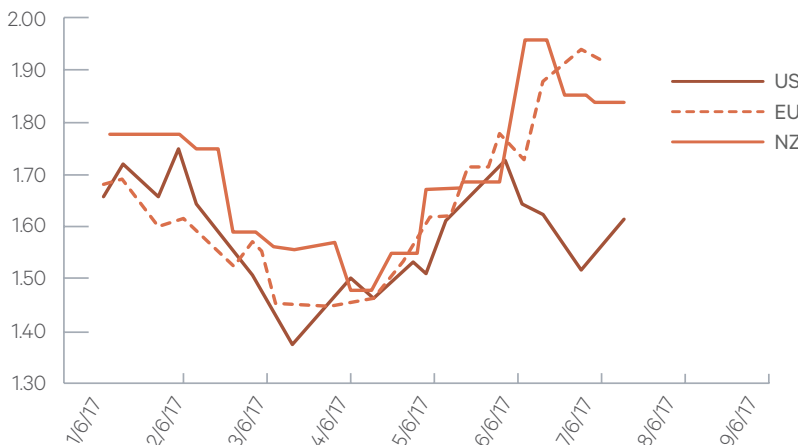


↑ 15%

Dairy shipments to the UK grew by 15 percent to €968m, despite the decline in the value of sterling.

Global Cheese Prices (US dollars)

Source: Dairy Market Outlook



Cathy Kidd and
Angelica Schiavone,
Kerry Foods



Case Study

Kerry Foods Bord Bia: Food and Drink Export Award Winners 2017



Kerry Foods is one of the leading suppliers of added-value branded and customer branded chilled food products. Included in the Kerry Foods portfolio of consumer branded products are over 20 high profile brands, many of which are category leaders in the chilled cabinet. Cheestrings was initially launched in Ireland and Great Britain in 1996 and today the brand is available to more than 350 million consumers across ten European markets.

At the heart of the marketing strategy for Cheestrings are 'actionable consumer insights' which have helped to deliver the international success story. Kerry Foods currently invests over €5 million annually to grow its export business and building export sales has been part of the Cheestrings story from the beginning, starting with a dual market launch in Ireland and Great Britain. Once the brand was well established in these markets, further export opportunities were considered and the first European launch took place in 2004 in France.

The learnings from the French launch built the foundations for a three-step market analytics process which was then successfully employed to evaluate and select seven further markets for launch: Germany, Holland, Belgium, Austria and more recently Spain, Portugal and Italy. The three-step process includes a thorough study of any new market, supported by the local Bord Bia office and/or a Bord Bia Marketing Fellowship assignment to define the "readiness" of market for launch; dedicated resources on qualitative and quantitative research to understand the local consumer needs, including any cultural differences and investigation to find a distribution partner that will give quick market access while helping the brand to overcome any of the market barriers identified.

The success of this strategy is widely recognised as Cheestrings now has a brand value of more than €100m per annum.

KEY DRIVERS

Rise in butter prices accounted for over half the growth in dairy exports.

Milk output up 7 percent to reach some 7bn litres for 2017.

Exports up 20 percent to in excess of €4bn.

Chinese demand to remain strong engine for international dairy growth.

Butter price (euro per tonne)

Source: Thomson Reuters Datastream



Market demand

Global dairy imports have expanded this year and this import demand has been supportive of the expansion recorded in dairy supplies from many export regions. For 2017, Asia has been the main driver of growing dairy imports, with China leading the way. Following a slow start to their imports in 2017, Chinese imports picked up in May /June 2017, with volumes 50 percent higher than the year previous, indicating lower domestic production and depleted inventories. Import volumes for the January to October period were 14 per cent or 170,000 tonnes ahead of 2016.

In Japan and South East Asia for the 12 months to June 2017, imports grew by five percent and three percent, respectively. Increased volumes to South East Asia were driven principally by competitively priced SMP. For Middle East and North African countries, the story has been very different with trade 14 per cent lower for the first seven months of the year.

Countries like Saudi Arabia, UAE, Egypt and Oman have all imported lower volumes during 2017. In contrast, Algeria has been quite active in purchasing stocks of European dairy powders.

Outlook

Looking ahead at 2018 it remains likely that the increase in production in the second half of 2017 will continue into the first half of 2018, with potential oversupply on the market. Global import demand can typically support milk expansion growth of circa 1.5

Global dairy imports have expanded this year and this import demand has been supportive of the expansion we have seen in dairy supplies from many export regions.

per cent globally. Above this level dairy expansion can result in a market oversupply. Growing EU and global milk supplies along with EU SMP intervention stocks are causing some market uncertainty and a current bearish market sentiment. However, import demand has remained robust throughout 2017, in particular from China and South East Asia and is likely to remain so through next year. Demand for butter and strong prices are not likely to change in the short term as consumers turn away from vegetable fats for perceived health reasons and market supply remains tight.

↑17%

US exports have performed very strongly with 17 percent growth for the first half of the year.



Prepared Consumer Foods

↑12%

Exports have increased
by 12 percent since 2016



€2.9bn

↑12% The value of prepared
consumer food, an
increase of 12 percent

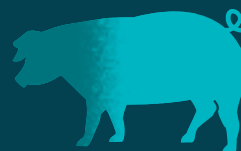
UK



↑7% The UK remains the main
export market, rising
7 percent to €1.8bn

Overall sector performance 2016 v 2017
(€m)

Estimates	Value €' Millions		YOY
	2016	2017(p)	% Change
Beef	281	282	0
Beverages	224	234	4
Dairy	220	226	2
Edible Horticulture	62	57	-8
Pigmeat	213	276	30
Poultry	185	178	-3
Prepared Foods	1,199	1,455	21
Seafood	179	161	-10
Grand Total	2,562	2,868	12



↑30%

Processed pigmeat had a very
strong year with exports up
over 30 percent to €276m –
driven by much stronger demand
in Asian and EU markets

PREPARED CONSUMER
FOODS EXPORTS

€2.9bn



↑ 12%
growth

Exports
increased
by some
12 percent
to €2.9bn.

Prepared Consumer Foods is a category defined in Foodwise 2025. Prepared Consumer Foods differs from Prepared Foods by including value added meat, seafood, soft drinks and dairy products, but does not including dairy enriched powders.

Prepared Foods encompasses a wide range of value-added food and beverage products amongst which are food products that have received further processing – bakery, pizza, chocolate, confectionary, biscuits, snacks, extracts, sauces, soups, value-added meats, consumer dairy products, value-added seafood, value added horticulture and non-alcoholic beverages.

Exports in the Prepared Consumer Foods category are expected to increase by 12 percent to over €2.9bn for the year as a whole. Edible Horticulture and processed seafood showed declines. Processed beef was flat, while non-alcoholic beverage and consumer dairy both showed modest growth rates. Processed pigmeat had a very strong year with exports up over 30 percent to €276m driven by a stronger demand from Asian and EU markets.

KEY DRIVERS

Processed pigmeat exports up over 30 percent to €276m.

Stronger demand from Asian and EU markets.

North America key source of growth with shipments doubling in 2017.

The UK remains the key export market for Prepared Consumer Foods with a 7 percent increase in value expected bringing the UK market value to €1.8bn or a 62 percent market share for this category. This represents a continued decline in dependency from the 65 percent in 2016. Despite the uncertainty caused by Brexit, the current results show that values have not been impacted and that companies are, for the most part maintaining supply despite the challenges to margin that the sterling rate has caused. The sector has put a greater focus on diversifying into new markets and channels.

Germany, France, The Netherlands and Italy are the key EU export markets for Prepared Consumer Food categories. The EU market declined marginally by 1 percent and also saw a change in its export market share from 25 percent in 2016 to 22 percent in 2017. The North American market performed very strongly, more than doubling in value driven by several processed food products. Asia and MENA also registered uplifts but off a more modest rate.



Case Study

Butlers Chocolates

Bord Bia: Food and Drink Consumer Insight Award Winners 2017



This award recognised Butlers Chocolates for their demonstration of how research and the identification of consumer insight led to commercial growth. Established in 1932, the Butlers Chocolates brand is exported all over the world and is now available in over 40 countries and 60 airports worldwide as well as online on their newly relaunched website www.butlerschocolates.com.

Through feedback from both trade and consumers, the brand identified that premium chocolate buyers were looking to dial-up luxury with increased demand for ultra-premium chocolate assortments presented in exclusive packaging. In response Butlers began developing the “Platinum Collection”. With extensive qualitative research in London and Dubai. This gave an in-depth appreciation that emerged of the ‘ritual’ relating to the customer journey from receiving the box through to opening it and enjoying the first bite. This concept of ‘ritual’ informed every detail in the packaging design in order to enhance the experience of the consumer. The finished product is presented in a rigid rose gold box encased in a clutch bag style sleeve in platinum and metallic tones with a high-quality finish inside. The Platinum Collection was launched in November 2016 and has proven to be very successful. It is performing well in over 15 countries in high profile locations such as Dubai and Changi airports and a new size variant was launched for Christmas 2017.

Prepared Foods

↑ **17%**

Exports have increased by 17 percent since 2016



€**2.2**bn

↑ **17%**

The value of prepared food, an increase of 17 percent



↑ **46%**

Exports to international markets have recorded a very healthy 46 percent increase to in excess of €800m



Shipments to North America

doubled

The top 5 markets

are the UK, China, the Netherlands, Germany & the United States



€**730**m

↑ **10%**

Dairy based enriched powders export rose 10 percent to some €730m



150

Ireland exports prepared foods to 150 markets worldwide

PREPARED FOODS
EXPORTS

€2.2bn



↑ 17%
growth

Building on success of increased market diversification away from sterling zone as recorded for 2017, particularly into international markets, further development of these markets should be prioritised.



37%

The UK accounted for 37 percent of market share for prepared foods – down 4 points from the 2016 figure.

Exports of Prepared Foods increased by some 17 percent to €2.2bn.

Prepared Foods exports showed strong growth in 2017 rising by 17 percent year on year to €2.2bn. Dairy based enriched powders (FFMP) account for a large proportion of this category and grew by 10 percent to €730m for the year. The other key growth drivers of the Prepared Foods category are food products that have received further processing – bakery, sugar confectionery, chocolate confectionery, sauces and soups – which grew by 10 percent to over €500m,

Baked goods continue to demonstrate strong growth despite having a heavy reliance on exports to the UK market. Many segments, such as gluten free, premium and value ends of the market continue to grow strongly, as the UK multiple retailers focus on innovation and in-store theatre to drive demand. The MENA market declined in the UAE, Saudi Arabia and Qatar, however, this decline was compensated by export growth in North America where sales have increased almost fourfold for the year to in excess of €7m. In the EU, the bakery category has also performed well with a rise of almost 10 percent. Key EU markets, including the Netherlands, Germany, France and Denmark were also buoyant for the year.

The chocolate sector demonstrated a decline in sales to its important European markets last year, but is still an important area estimated to be worth €227m. The chocolate category is also reliant on the UK market where it has maintained its position. Gains in African and MENA markets as well

as significant gains in The Netherlands, Belgium and Denmark have helped to offset the declines in EU markets such as France, Poland and Portugal. This 2017 decline in chocolate goes against the growth trend demonstrated in recent years. In contrast, sugar confectionery achieved 6 percent growth, with exports reaching €150m.

Export Markets

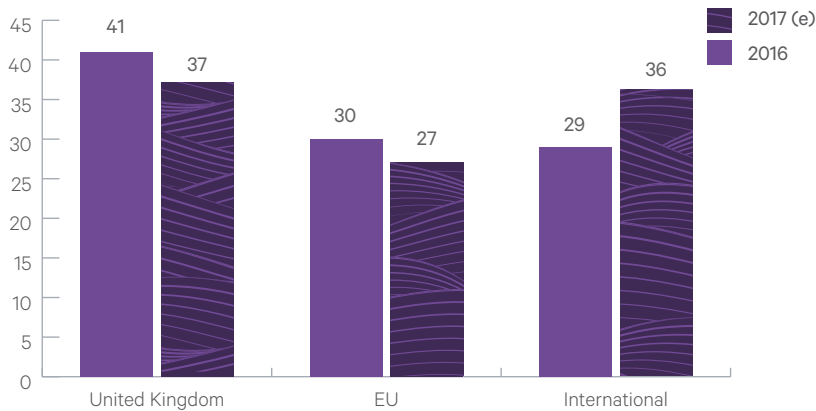
The UK market grew in value for Prepared Foods in 2017 by 7 percent and is now valued at €830m. Although the UK is growing in value terms, the dependence by the category continues to decline, with the UK now accounting for 37 percent of the Prepared Food exports, down 4 percentage points from the 2016 demonstrating the continued diversification of the category.

Exports to the rest of the EU reflected a similar picture with 4 percent value growth estimated for 2017, bringing the market value to €603m. Again due to the growth in other regions, the export market share for Prepared Foods to Continental EU is expected to be 27 percent. Bakery and food products which have received further processing have driven the growth in the region.

The Dutch market remains the largest EU export market by value and has increased by 13 percent to €192m. The German and French markets also recorded robust growth levels of 10 and 14 percent. The important Polish market did however demonstrate a decline.

Distribution of prepared food exports (% of export value)

Source: Bord Bia estimates



Exports to the International markets for the Prepared Foods category have shown a very strong 46 percent increase and are now estimated to be worth in excess of €800m. The market share for this region has also risen significantly to 36 percent of total export sales, indicating considerable diversification to global export destinations. The growth has been driven by the performance of enriched powders which declined slightly in Asia but grew in the African markets to over €280m. This was built on strong growth in Nigeria, up to €70m, and Senegal which grew to over €50m. Smaller markets such as Ghana, The Democratic Republic of Congo, Mali, Burkina Faso and Togo also posted positive sales growth.

The MENA market also demonstrated positive growth in 2017 mainly driven by dairy powders. Exports increased to €90m in 2017 due to the growth in Iraq and the UAE.

Category Considerations

Irish manufacturers will continue to face the challenges of entering new markets in the Eurozone and International markets in 2018. There are often established or local players in these markets and the importance of a differentiated, competitive product will be essential to compete.

The cost of ingredients, packaging and labour are typically the main costs within the sector. Often the ingredients used in manufacturing for Prepared Foods, such as flour, sugar, fruit, seeds, grains, nuts and honey need to be imported into Ireland, therefore logistics and cost implications

related to these products will continue to be a focus to ensure manufacturers remain competitive against UK and European competitors.

Challenges

- Currency fluctuations, commodity price increases, incumbent suppliers and subsequent impacts on consumer demand will all impact on Irish Prepared Foods exports in 2018. However there is still room for growth in the UK and further afield.

Opportunities

- Irish suppliers offer high levels of innovation and value-added propositions to new markets and customers. Understanding the consumer and market insight for new markets is essential to build on success of increased market diversification.

Irish manufacturers will need to differentiate in the Eurozone markets with clearly defined USPs, innovative solutions and flexibility on volumes and packaging.

KEY DRIVERS

Buoyant sales of FFMP, currently valued at €730m.

UK up to €800m in value terms.

High expected demand for frozen foods expected in 2018.

Innovation and value added propositions to help drive market diversification.



↑ 46%

Exports to international markets have recorded a very healthy 46 percent increase to in excess of €800m.



€280m

Sales to African markets rose for the year to over €280m.

This performance was built on impressive growth predominantly in Nigeria and Senegal.

Beverages

↑ 8%

Exports have increased
by 8 percent since 2016



Whiskey	36%	Cider	4%
Liqueur	21%	Juices	5%
Beer	20%	Other	5%
Waters	9%		

130

Ireland exports
beverages to 130
markets worldwide



€300m

↑ 10%

The value of cream liqueur
exports rose by 10 percent
in 2017 to €300m



↑ 30%

The Japanese market was the
best performing of the Asian
countries with sales rising
by 30 percent to €9m



€600m

↑ 20%

Whiskey exports continue
to drive exports with
20 percent growth
recorded in 2017

The top 5 markets

are the United States , UK, Canada, Germany & France



BEVERAGE EXPORTS

€1.5bn



↑ 8%
growth

Growth in beverage exports continued to build on the 2016 performance with an increase of 8% to reach €1.5 billion.

Growth in beverage exports continued to build on the 2016 performance with an overall global rise of 8 percent to almost €1.5bn. Continued demand for premium spirit and liqueur products drives this performance across key international markets. Consumers continue to seek out status brands in this sector and the association with Ireland has proved a compelling narrative in the building of brand equity for Irish products.

Consumers continue to seek out status brands in this sector and the association with Ireland has proved a compelling narrative in the building of brand equity for Irish products.

Irish beverage exports continue to benefit from the surge in popularity for Irish whiskey in global markets which has recorded almost 20 percent growth as a category to some €600m. Cream Liqueurs also had a buoyant year rising 10 percent overall to in excess of €300m. The other major beverage category – beer – had a relatively flat performance overall, declining marginally to €280m. Other products fluctuated in overall sales: for example declines in cider were offset by gains for juices, whilst the gains water recorded in 2016 were pushed back to below 2015 levels and under the €100m mark. Other non-alcoholic beverages also declined for the year to around €17m.

Export market for beverages

Overall market share by region for beverages remains largely consistent with 2016; the share in international markets has moved up by 2 points to 52 percent, whilst the UK share has declined slightly. In sales terms the UK and the EU have both recorded modest uplifts, with steady growth in EU markets such as Germany, France, the Netherlands and Spain. Overall EU sales rose to €327m or 4 percent versus 2016.

Exports to North America also rose steadily to some €650m, driven in large measure by the growing popularity of Irish whiskey as well as strong performance from cream liqueurs in the United States.

The Japanese market was the best performing of the Asian countries with sales rising by 30 percent to €9m, Russia also recorded solid growth to €14m. Sales to Africa increased with Nigeria a traditional market for Irish beer and South Africa growing steadily. Sales to MENA countries fell slightly for the year mostly due to reduced shipments to UAE.



16%

The US market for Irish Whiskey grew by 16 percent to over €240m.

Beverages

//////////
The robust growth for cream liqueurs is a further manifestation of the success in marketing premium luxury Irish alcoholic beverages.
//////////

Main product trends

Ireland exports some 40 percent of all beer produced in the country. Beer exports for the year declined slightly overall: the biggest setback was in the US where sales fell by 8 percent to €40.5m. The category had a better performance elsewhere with gains in the MENA area matched by strong growth in key EU markets like France, Germany and Italy pushing overall exports to the region up by around 10 percent to almost €44m.

Irish Whiskey continues to fuel international export beverage growth. The US market for Irish Whiskey grew by 16 percent to over €240m, whilst European markets were also positive including France to €17.6m and the EU27 as a whole by 14 percent to some €111m. This growth trajectory looks set to continue for Irish Whiskey as new markets are developed and premium products gain market share.

The robust growth for cream liqueurs is a further manifestation of the success in marketing premium luxury Irish alcoholic beverages. With trade worth in excess of €300m and strong year on year performance in Asia, North America and key European markets this category remains a mainstay of export success.

Juices are another success area for the beverage sector this year, despite setbacks in international markets such as North America and MENA countries the category performed very well in EU markets rising by one third to almost €21m – Spain remains the biggest market with over €5m in Juice shipments for the year and Belgium, France, Germany, Italy, Czech Republic and Romania all importing in excess of €1m of juice products.

Beverages

KEY DRIVERS

Recovery in demand
in more developed markets.

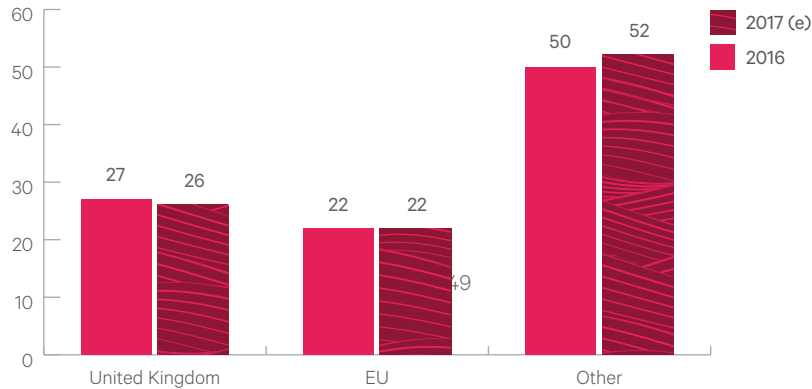
Whiskey increases
driving overall growth.

Mixed performance
in non-alcoholic beverages.

US, Continental EU
and Asia driving growth.

Distribution of beverage exports (% of value)

Source: Bord Bia estimates



Outlook for 2018

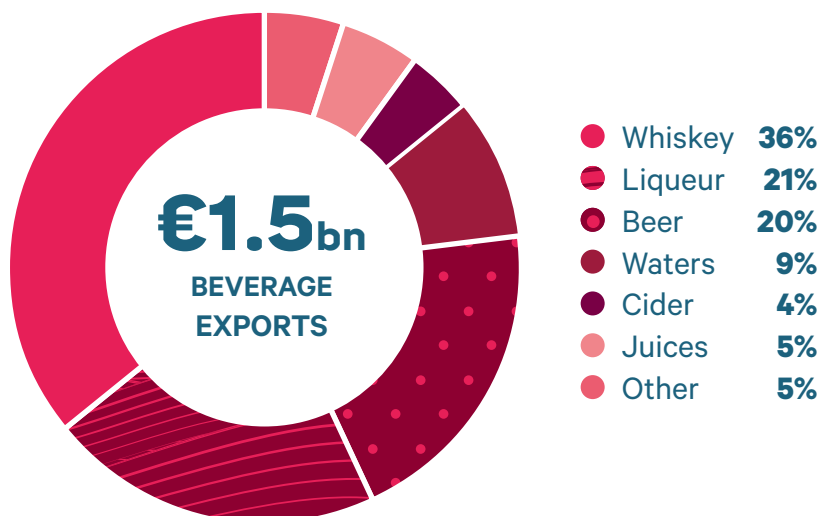
Demand for Irish whiskey is set to continue – production is forecast to double between 2015 and 2020 and double again in the following decade. Irish whiskey is the fastest growing spirit category in the world – growing by 131 percent – in the past decade and many major drinks conglomerates are seeking to have Irish whiskey brands in their portfolios. Production capacity is increasing in line with this demand: from just four distilleries in 2013 the industry now has eighteen with a further sixteen in planning. Whiskey manufacturing also has a strong relationship with the tourism industry.

In tandem with the growth in whiskey distilling has come a surge in domestic gin production with a multitude of premium brands emerging; exports are growing fast albeit from a very low base.

The craft beer industry is another area where premium brands are being produced around the country with domestic market share growing to 34 percent. The growth in new entrants to the craft beer category has slowed however. This is not surprising as the number of brands now exceeds 100, and export has become more of an imperative. The category as a whole is continuing to grow internationally, with innovation at

the core. Irish suppliers are well placed to develop exports to these markets, with the US, France and Italy offering the greatest potential.

The smaller, boutique production facilities in Ireland rely on quite focussed, specialist distributors in their key markets. This is proving challenging in many target markets, where mergers and acquisitions are frequently leading stories in the trade press.



Seafood

↑16%

Exports have increased
by 16 percent in 2017



€645_m

↑16% The value of seafood exports,
an increase of 16 percent



57%

The main EU markets account
for approximately 57 percent of
total export values



10%

10 percent of Ireland's seafood
exports are destined for Africa

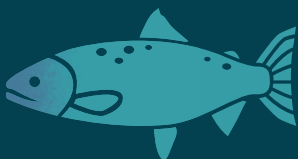
72

Irish seafood is
exported to 72
countries worldwide



The top 5 markets

are France, Spain, the UK, Italy & Nigeria



95%

Ireland is a leader in organic
aquaculture with 95 percent of Irish
salmon farmed as organic



SEAFOOD EXPORTS

€645m



↑ 16%
growth

//////////
For the January to October period, France remained the largest export market showing strong growth of over 16 percent in value.



The value of Seafood exports has increased by 16 percent in 2017, to reach €645 million.

The value of Seafood exports has increased by 16 percent in 2017, to reach €645 million in line with the increase in export volumes during this period. Average unit prices remained relatively stable at approximately €2,637/tonne across all species exported during this period.

Export markets for seafood

The main EU markets, namely France, Spain, UK, Italy and Germany continue to dominate seafood exports, accounting for approximately 57 percent of total export values; the relative performance in these key European markets varied however.

For the January to October period, France remained the largest export market showing strong growth of over 16 percent in value largely fuelled by a 14 percent increase in average unit prices to this market. Volumes increased by around 2 percent during this period. The Spanish market, however, experienced a decline in export values of 8 percent driven by declining export volumes. Similarly, export values to Italy decreased by 15 percent and to the UK by 12 percent. Average unit prices to the UK actually increased during this period by around 4 percent but a drop in volume of 15 percent affected the overall value of sales to this market which now accounts for just 10 percent of our total seafood exports.

The German market in contrast recorded a strong performance increasing in value by 12 percent driven by a 62 percent increase in average unit prices despite a volume drop of 32 percent. This reflects the strength of demand for high quality Irish seafood in this market. Other significant markets within Europe in 2017 include Poland which moved into 6th position in terms of overall exports, largely driven by a very substantial increase in exports of Irish fresh salmon to this market.

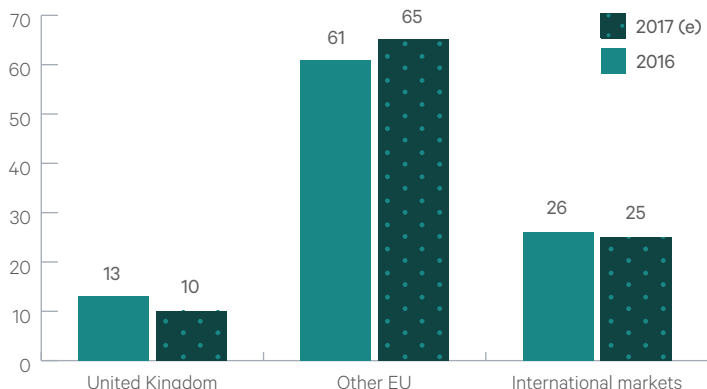


↑ 330%

Exports to Poland increased by 330 percent driven by Irish fresh salmon sales.

Distribution of Seafood exports (% of export value)

Source: Bord Bia estimates



The share of seafood exports to International markets remained relatively stable at roughly 25 percent of total export values. Exports to the four main markets in Africa – Nigeria, Cameroon, Egypt and Ghana accounted for a total of 10 percent of total seafood export values, in line with 2016. Trading conditions in the Nigerian market continue to be difficult, with a decline in value driven by a significant drop in the average prices secured in this market despite volume gains during the period. Seafood exports to Egypt fell by 63 percent terms whilst exports to Ghana and Cameroon recorded very positive performances in value and volume terms.



25%

Exports to international Markets remained stable at roughly 25 percent of total export values.

Exports to the four main Asian markets (China, Hong Kong, South Korea and Japan) increased by 5 percent in value terms up to the end of October 2017. Overall this region accounted for an estimated 11 percent of total seafood export values in 2017. Strong value rises were recorded to China (+12 percent), Japan (+29 percent) and South Korea (+3 percent) during the period. Exports to Hong Kong remained stable at around €8mn.

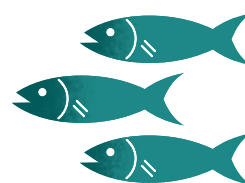
Main product trends

Pelagic

Based on export data, volumes of pelagic fish exported from Ireland were running 14 percent higher with the value of trade 5 percent higher during the period. The pelagic sector currently accounts for 27 percent (down from 30 percent in 2016) of total seafood export values and up to 59 percent of the total volume exported (down from 63 percent in 2016). The largest volume market for Irish pelagics, Nigeria, recorded another disappointing performance in 2017 with a drop in export value by 46 percent and by volume by 5 percent. Core markets in Europe performed well with pelagic exports to the UK increasing by 31 percent in value terms; to France by 35 percent, Poland by 6 percent and Holland by 9 percent. Similarly, the growing focus by the pelagic sector in driving sales in Asia is paying dividends with pelagic sales to Japan growing by 54 percent and to China by 22 percent. Exports to Cameroon and Ghana increased impressively in 2017 growing to a combined value of €25m up from €4m for the same period in 2016.

Overall, the full year performance will be reasonably stable in value terms.

There were a number of pressures bearing on the pelagic sector in 2017 including lower prices especially for the valuable mackerel fishery. Further pressures arose from steadily rising input costs particularly as catching vessels are auctioning their catch, thereby placing pressure on processors to return the best price to them. This has led to some significant increases in raw material cost. Other adverse factors affecting the sector's performance were increasing production costs (electricity/labour/packaging), intense competition from within both the Irish processing sector and their international rivals and a weakening USD currency.



↑ 14%

In 2017 pelagic fish exports increased by 14 percent in volume

Although the Nigerian currency crisis has levelled off, it is still impacting on trade in this important market for the Irish sector. The on-going closure of the Russian market is a continuing issue for the sector, placing an increased emphasis on the need to open up and grow sales in new markets.

Positive factors in 2017 were strong demand from regular European and Japanese customers coupled with growing business in select markets in Eastern Europe.

It is expected that there will be a 10 percent reduction in the pelagic fish quota in 2018 which will have a significant impact on export performance. For the valuable mackerel fishery, there will be a 20 percent decrease in the quota which will affect raw material supply and drive prices higher, which will pressurise export volumes.

////////////////////
The growing focus by the pelagic sector in driving sales in Asia is paying dividends.
////////////////////

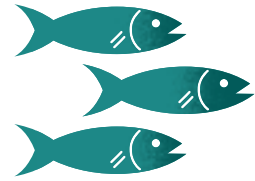
Processors are hopeful that the blue whiting catch size will improve in 2018 which will give an opportunity for additional production volumes to compensate for the lower mackerel quota.

Total whitefish exports for 2017 recorded an increase of 7 percent in value terms. The core markets remain Spain, France and the UK. The value of exports to Spain increased by 10 percent reflecting a 10 percent increase in average unit prices as volumes remained static. Exports to France were stable whilst exports to the UK reduced in value by 9 percent. Export demand remains strong so strategies to increase the volume of fish landed in Ireland will remain crucial

for the processing sector. The impact of Brexit remains the great unknown in this sector and may present as an opportunity or threat. Companies are concerned by the prospect of tariffs and non trade barriers potentially increasing the cost of transiting through the UK. In contrast as the main competition for Irish processors in the whitefish sector is from Scottish companies, the Irish sector could benefit if the EU introduces any costs/customs on goods coming into the EU.

Shellfish

Total shellfish exports recorded a drop in sales value in 2017 with export values decreasing by 42 percent. Within the overall category, Irish oyster exports performed extremely well growing by 13 percent in value terms fuelled solely by an improvement in the average unit price secured. Exports to China more than doubled and sales to Hong Kong rose by 27 percent and to Singapore by 19 percent. This reflects the investment by the Irish oyster sector in developing premium markets in Asia for Irish oysters.



↓ 20%

For 2018 there will be a 20 percent decrease in the mackerel fishery quota.



13%

Irish oyster exports performed extremely well, growing by 13 percent in value

Oysters

France remains the largest export market accounting for 71 percent of export values and experienced solid growth of 7 percent during 2017. French seed oyster mortalities for summer 2017 were similar to last year however summer oyster growth is reported to have been slow and led to a shortage of large size oysters. This should be beneficial for all oyster markets in 2018 where both French and Irish producers compete for market share and reputation. The Irish oyster sector is focused on developing a good geographic spread of premium export markets in Asia and within the EU which will see the main producers participate with Bord Bia at a number of international trade shows and buyer events during 2018.



↑ 7%

Irish crab exports to China increased by 7 percent with a corresponding 14 percent increase in average unit price.

Crabs

Irish crab exports fell by 23 percent due to supply challenges which saw a drop in volumes exported of 35 percent during 2017. The strength of demand for Irish crab in the core markets is reflected by the increase in average unit prices of 18 percent during this period. Exports to China increased by 7 percent, reflecting the extensive work done by the sector and Bord Bia in raising the profile of Irish crab amongst target customers and consumers in this market. Demand was also strong in the core European markets of France and Spain which saw average prices increase by 20 percent and 29 percent respectively.

Langoustines

Exports of Irish langoustines fell dramatically during 2017. Based on feedback from Irish processors, prices have reduced in 2017 due to large volumes available on the market and increased competition from Dutch suppliers. Exports of langoustines to Italy our largest export market for this product, fell by 40 percent in value terms, to Spain by 38 percent and to France by 30 percent, reflecting a reduction in value of almost €20m. In the recent quota negotiations, there is a 14 percent increase in Ireland's quota allocation for this species in 2018.

Mussels

Irish mussel sales improved in 2017 increasing in value terms by 11 percent whilst average unit prices remained static. Behind this figure though there are varied performances at a market level. Substantial growth was recorded to the Dutch market growing by 83 percent. The Italian market was static whilst a drop in export values was calculated for mussel exports to the UK (-10 percent), to France (-4 percent) and to Germany (-61 percent).

A noteworthy feature of 2017 was the development of a market in Hong Kong and China for prepacked Irish mussels. While coming from a small base, sales are growing strongly and more importantly, the average unit price secured in these markets is around €6/kilo which is substantially higher than prices secured in the core European markets.



↑ 11%

Irish mussel sales increased in value by 11 percent.

This is indicative of the potential demand that exists in this region for Irish mussels. Ireland's main competitors in this sector are from Chile and they have been very aggressive this year with additional supplies but also aided by the fall in the value of the dollar and the fact that because of WTO agreements, they can access most global markets without any excise duties. For example when they sell to Japan there are no import duties whereas Ireland faces a 12.5 percent duty putting us at a serious competitive disadvantage.

The French live mussel market was challenging in 2017 due to an increase in Dutch production and extremely aggressive promotion. However Dutch exporters are making efforts to maintain higher prices for the 2017/2018 season and it is hoped that this will make it easier for Irish exporters.

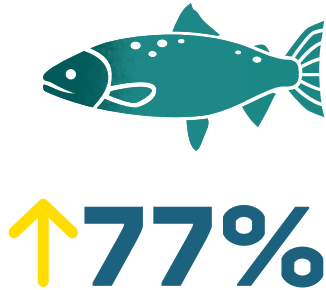
Shellfish

The potential for sales is there with an abundance of prospects and customers but demand has far exceeded supply and this has been a frustration for the sector, hampering its ability to grow. The scarcity of raw material coupled with new entrants into the sector competing for finite raw material is having an impact on the established players within the sector. It has also served to push up raw material prices during 2017. Raw material availability was also severely impacted by poor weather conditions particularly in September and October, particularly with Storm Ophelia.

On a positive note, the shellfish sector has made great strides in achieving a more balanced market position between sales to Europe, Asia and the US.

Despite all of this the shellfish sector positive about its growth prospects, operating in a growing global market for seafood.

Seafood



Salmon exports have been strong increasing by 77 percent in value.

Salmon

Salmon exports have been strong increasing by 77 percent in value and 64 percent in volume. Unit prices increased by 8 percent during this period. The French market continues to dominate Irish salmon exports, accounting for over 45 percent of total value and continuing to grow with sales increasing by 51 percent to this market in 2017. The German market also posted strong growth increasing by 42 percent in value and 53 percent in volume. The Swiss market too recorded a very strong performance with more than a doubling of sales in 2017. Exports of fresh salmon grew very strongly to Poland in 2017 increasing from 193t to 2479t equating to €22mn worth of export sales. This salmon is targeted at the processing sector in Poland, producing smoked salmon for re-export into European markets. A very robust performance was also recorded in Irish exports of fresh salmon to Holland which quadrupled to reach almost €7m.

Salmon prices have been firm due to stable global production. Demand for Irish salmon is again higher than supply. This is also being driven by strong growth for organic foods in core markets, especially France where sales of organic food in general increased by over 20 percent in 2017 compared to 2016 continuing a double-digit growth trend over several years.

//////
Demand for salmon is expected to outstrip supply for 2018 especially for Irish organic salmon where production is forecast to remain stable or even slightly decrease, the outlook is strong.

//////
Global salmon production in 2018 is not expected to increase significantly although in the long term Norway do have plans for very significant growth by 2030 based on offshore technology which could see a quintupling of production over the long term.

KEY DRIVERS

Exports rose by 16 percent to €645m, with the EU accounting for 57 percent of the market.

Strong export results in China and the Far East underpin much of international market.

Overall EU market share has climbed to 65 percent. The core markets remain Spain, France and the UK.

French and German markets grew for Salmon sales with the overall market up 77 percent.

Demand is expected to outstrip supply for 2018, especially for Irish organic salmon where production is forecast to remain stable or even slightly decrease.



Horticulture



€230_m

The value of edible horticulture in 2017



99%

99 percent of all mushroom exports went to GB

€91_m

The mushroom sector remains the single biggest export at €91m

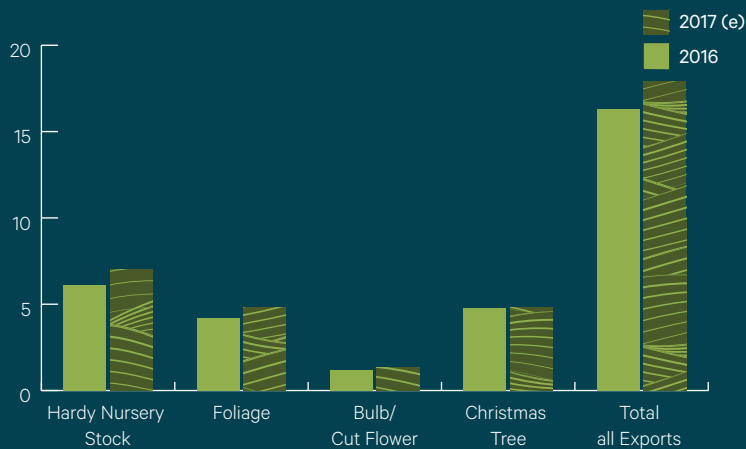


€7_m

Hardy nursery stock accounts for €7m of exports

Amenity Horticulture Exports, 2016 vs 2017(e) (€m)

Source: Bord Bia estimates



€17.9_m

The value of amenity horticulture exports

EDIBLE HORTICULTURE
EXPORTS

€230_m



Edible Horticulture

Overall performance

The overall value of the edible horticulture and cereals export market for 2017 remains largely flat year on year at some €230m.

At €91m the mushroom sector remains the single biggest export and has also recorded flat growth for the year. The UK retail market which is the main destination for Irish mushrooms has been showing good volume growth at a rate of 2.5 percent while value grew at 3 percent. At 135,000 tonnes, retail sales are at an all time high.

The largest sector remains closed cup mushrooms with almost 50 percent share of total sales. There is larger growth in smaller sectors but from a smaller base – the two areas with strongest growth are currently button mushrooms and brown mushrooms. Flat mushrooms are also growing well, and closed cup mushrooms continue to grow at a faster rate than the mushroom sector in general. Irish growers are increasing their production of brown and Portobello mushrooms, which offer a better margin than white mushrooms. Some suppliers have introduced Vitamin D enhanced brown mushrooms into the market and they have shown good sales, and helped set Irish mushrooms apart from the rest of the market. Further work by the Bord Bia

Insight Centre with the industry in the area of Vitamin enriched mushrooms shows the potential for some unique ground breaking offerings. In the retail market, some price increases have been achieved, and there has been a general inflationary trend in the market overall which has helped to lift the retail price of mushrooms and defend producer margins.

The cereals sector, predominantly barley and oats has declined sharply – by some 9 percent to €69m although it still remains the second most important product within the category.

//////////
At €91m the mushroom sector remains the single biggest export.
//////////



Irish growers are increasing their production of brown and Portobello mushrooms, which offer a better margin than white mushrooms.



Monaghan Mushrooms

**Bord Bia: Food and Drink Sustainability
Award Winners 2017**



Monaghan Mushrooms received this accolade for their outstanding commitment to sustainability. Monaghan Mushrooms is one of the world's largest fresh mushroom companies, supplying a full range of top quality fresh mushrooms to leading national and international retailers. The Monaghan Mushrooms group currently employs almost 3,500 people across its facilities in Ireland, the UK, The Netherlands, Belgium, Germany and Canada. Over 800 staff are employed in the Republic of Ireland, where they produce mainly for the export market. Monaghan Mushrooms continuously strive to incorporate sustainability into all avenues of the business and many projects have been undertaken over the last 10 years. These include significant investment into state of the art odour abatement infrastructure and technology within the company's mushroom substrate production facilities and adopting the most energy efficient heating, cooling, lighting and environmental control systems to maintain optimum growing conditions across all of their mushroom growing farms.

Since becoming a verified Origin Green member, Monaghan Mushrooms have achieved a 12.5 percent reduction in the volume of plastic used in a typical mushroom punnet and are working with customers to introduce fully recyclable paper punnets as a packaging material. They conducted feasibility research and trials to recycle used peat in the growing process in a bid to reduce the demand for new peat, achieved between 33-55 percent reduction in the volume of waste sent to landfill across all Irish sites and they conducted biodiversity surveys and developed biodiversity action plans. They have also invested in 6 new energy efficient lorries, signed up with FareShare and FoodCloud Hub to alleviate hunger by capturing surplus food and redistributing it and developed a new Vitamin D enriched product. Monaghan Mushrooms supply many of the well-known supermarket chains such as Tesco, Sainsbury's, M&S, Asda, Morrisons, Aldi, Lidl, Waitrose and Supervalu.



Irish exporters have long term relationships with British retailers, and have service and freshness advantages over suppliers from the continent.

Other vegetables have grown steadily to €13m – up 7 percent, whilst the market for potato exports is up by a similar proportion to in excess of €5m.

Export destinations

All of the edible horticulture products remain heavily dependent on the UK market. The mushroom sector is both the largest and most dependent on the UK market of all the edible horticulture categories.

Outlook

The mushroom industry will continue to face many challenges arising from the Brexit vote. At present, it is possible that some price increases maybe secured from the market which may make up for some of the losses in returns caused by the devaluation in sterling.

It remains to be seen what effect an increase in the retail prices may have on the volume of sales, although no effect has been detected thus far in 2017. There are likely to be continuing price increases amongst all the imported fresh produce lines, and an inflationary trend in general in the UK. In the context of a shopping basket, mushrooms are a relatively small cost item.

The industries in the UK and Ireland are closely integrated, and this benefits Irish exporters. Irish exporters also have long term relationships with British retailers, and have service and freshness advantages over suppliers from the continent.

Edible Horticulture & Cereals

Overall, export volumes are likely to remain similar to 2017, with the value being determined by the level of volatility of sterling. Bord Bia will continue to support the sector with promotional activity in the UK and Ireland market which will be funded by the EU and Industry. The Irish industry is also striving for productivity gains which will help to insulate them from currency volatility. Bord Bia has been supporting pilot initiatives with Lean consultancy in the mushroom sector with the aim of increasing productivity and improving profitability. This initiative is also focused on best practice solutions to the current labour shortage challenge in the sector.

Outlook for 2018

- The growth of brown mushrooms and value added Vitamin D mushrooms may provide further opportunities for Irish producers to achieve premiums above the standard market produce.
- Mushroom sector focus on lean practice implementation to improve productivity and profitability.

KEY DRIVERS

Mushroom producers are looking to value added varieties to protect margins.

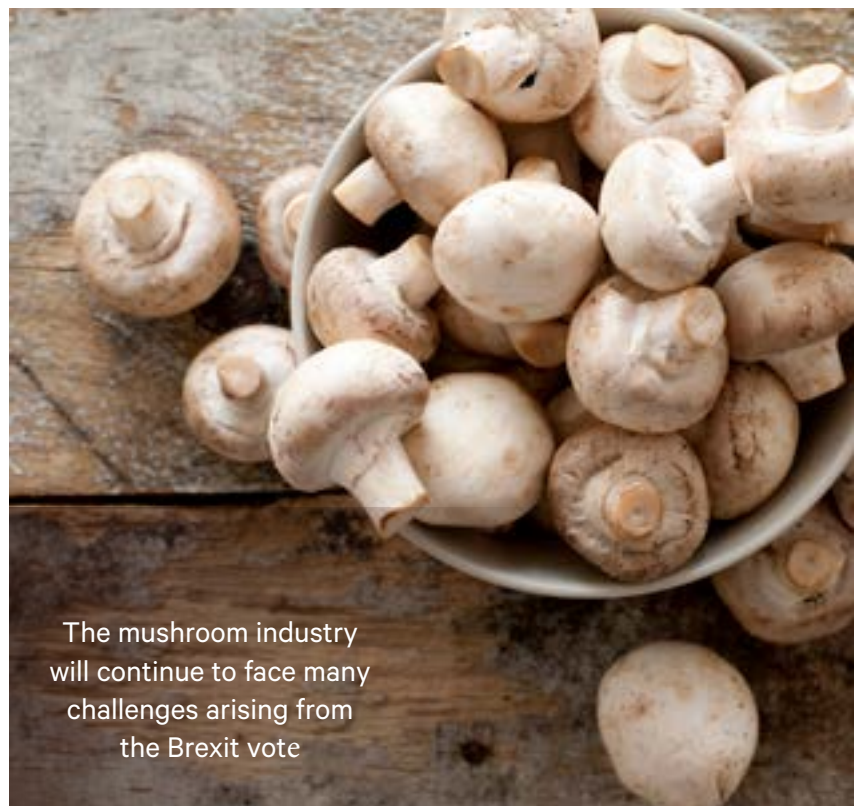
Declines in cereals offset by growth in vegetable exports.

Sector remains heavily reliant on UK market for exports with more than 95 percent of market.

Amenity horticulture exports up by 10 percent.



Bord Bia has been supporting pilot initiatives with Lean consultancy in the mushroom sector with the aim of increasing productivity and improving profitability. This initiative is also focused on best practice solutions to the current labour shortage challenge in the sector.



The mushroom industry will continue to face many challenges arising from the Brexit vote

AMENITY
HORTICULTURE
EXPORTS

€17.9m



Total value of exports
increased from €16.3m
to €17.9m in 2017



Cut foliage producers have
made significant inroads
into mainland Europe
to counteract Brexit.

Amenity Horticulture

Amenity Horticulture Exports

In 2017, the total value of amenity horticulture exports increased from €16.3m to €17.9m. The amenity horticulture sector relies heavily on the UK for sales and despite significant currency changes triggered by the Brexit referendum growers of plants, Christmas trees, cut foliage and flowers all managed to maintain or increase exports to GB and NI.

Hardy nursery stock accounts for €7m of exports. In 2017 there were 26 nursery stock producers exporting to Northern Ireland and Great Britain. There was also 5 bulb / cut flower exporters, who are exporting stock to Northern Ireland, GB and continental Europe.

Challenges remain in exporting to the UK due to the exchange rate and have resulted in some UK buyers seeking to source more stock from the UK than heretofore.

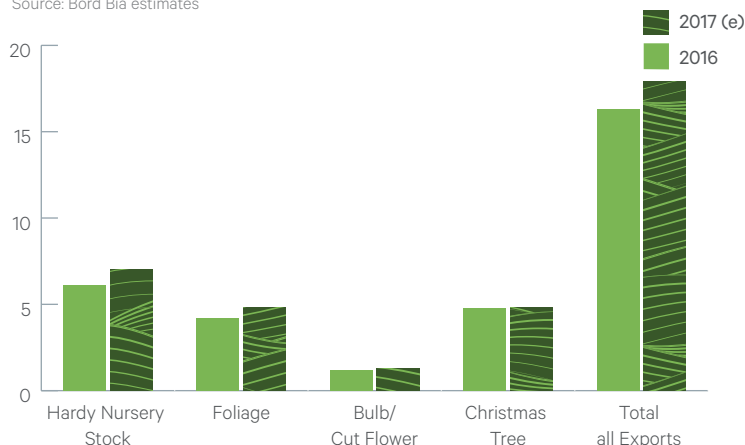
In addition, the home market is more buoyant with the uplift in house-building. Over 20 companies are actively working with Bord Bia on an amenity export programme which provides insight, advice and leads on the UK market.

Cut foliage producers have made significant inroads into mainland Europe to counteract Brexit with the mainland European market buoyant. One leading exporters' investment in a branded premium range should see significant growth in the period ahead.

Christmas Tree returns from the UK were down by circa 6 percent but a small increase in volume saw producers maintain their export value at €4.8m

Amenity Horticulture Exports, 2016 vs 2017(e) (€m)

Source: Bord Bia estimates





4.8m

Christmas Tree returns from the UK were down by circa 6 percent but a small increase in volume saw producers maintain their export value at €4.8m.

Bord Bia's Overseas Offices



New York ●



Stockholm

Moscow

Dublin

Amsterdam

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