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Bank of Ireland economic pulse

April 2018



Agri
Pulse

Agri Pulse

April 2018

“Farming sentiment was softer on a number of fronts in April, which isn’t surprising given the recent environment.”

Dr Loretta O’Sullivan,
Group Chief Economist, Bank of Ireland

The Bank of Ireland Agri Pulse found farmers in a relatively sombre frame of mind in April 2018.

Compared with last August – when the previous survey was carried out – respondents were less positive about production, costs, farm profitability and the outlook for market prices.

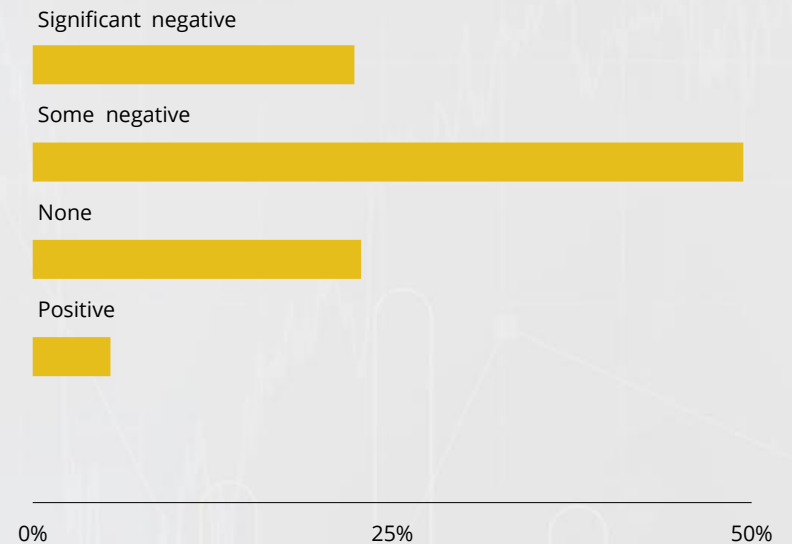
Adverse weather conditions, the fodder crisis and the lack of progress in moving the Brexit talks on have all taken a toll on farming sentiment, and also look to have tempered growth ambitions somewhat.

KEY POINTS

- Sentiment down in April
- Weather impacting production
- Higher input costs

BREXIT IMPACT

Next 12 months



Agri Pulse

April 2018

“With costs rising and bottom lines feeling the pinch, one in four reported a deterioration in farm profitability over the past 12 months.”

Dr Loretta O’Sullivan,
Group Chief Economist, Bank of Ireland

FARM PROFITABILITY

Past 12 Months



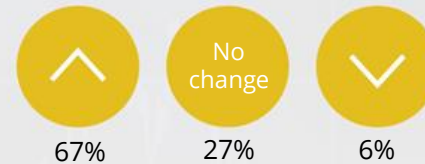
Balance +8% (-18 on previous reading)

FARM OUTPUT

	Past 12 Months	Next 12 Months
^	33%	20%
No change	48%	56%
v	18%	24%
Balance	+15%	-4%
Change on previous reading	-7	-34

INPUT COSTS (excluding labour)

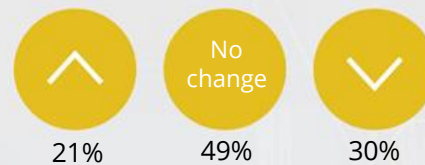
Past 12 Months



Balance +60% (+29 on previous reading)

MARKET PRICES

Next 12 Months



Balance -10% (-18 on previous reading)

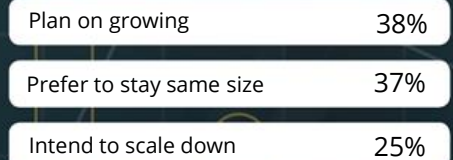
INVESTMENT PLANS

Next 12 Months



BUSINESS AMBITIONS

Next 1 to 3 years



Agri Pulse

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“While Brexit is a headwind, the opening up of the Chinese market to Irish beef and the new EU-Japanese trade deal are a potential boost for farming businesses.”

Dr Loretta O’Sullivan,
Group Chief Economist, Bank of Ireland

FARM OUTPUT

The mood was subdued in April, with farmers downgrading their assessment of the current situation. Production has been held back by the bad weather, with land shortages weighing on activity as well, especially in the dairy and tillage sectors.

Expectations for the next 12 months were also softer. While the bulk of farmers still expect to increase or keep production the same, a quarter expect to reduce their output.

INPUT COSTS AND MARKET PRICES

The April data point to significant cost pressures. Excluding labour, but including inputs like feed, fuel, fertiliser, veterinary and land rental, two thirds of farmers indicated that costs were higher than a year ago.

On the pricing front, around half expect no change to the prices they receive on the market. Dairy farmers were more downbeat though and were mostly of the view that prices will fall over the coming year.

INVESTMENT PLANS

More positively, one in four expects to increase investment in the farm in the next 12 months.

Replacing and maintaining worn-out buildings, equipment & vehicles is a key focus, with purchasing livestock and investment in new farm buildings, land and equipment & vehicles on the cards as well.

The majority are factoring in an outlay of up to €50,000.

BUSINESS AMBITIONS

Looking further ahead, the results show that 38% have ambitions to expand their business in the next 1 to 3 years (down from 55% in August 2017). A similar number indicated that they see the farm remaining the same size, while one in four - mainly older farmers - are planning on scaling down (up from 14% last August).

Given the importance of the UK market for agricultural produce, Brexit is a worry, with seven in ten farming businesses expecting it to negatively impact them.

Background

ABOUT THE AGRI PULSE

The Agri Pulse forms part of the Bank of Ireland Economic Pulse series. 250 farmers in Ireland are asked for their views on a wide range of topics including farm output, input costs, market prices, their investment plans and business ambitions. Dairy, cattle (suckler cow and other), tillage, sheep and other farming activities are covered, with the fieldwork for the surveys undertaken by Ipsos MRBI on behalf of Bank of Ireland.

“Farming remains important for rural communities and local economies throughout the country. The Agri Pulse provides an insight into what is happening in the sector, the issues and the trends.”

Dr Loretta O’Sullivan,
Group Chief Economist,
Bank of Ireland

THE ECONOMIC PULSE

Bank of Ireland’s economic indicator for Ireland – the Economic Pulse – is based on a series of surveys. Each month households and firms are asked for their views on various topics including the economy, their financial situation, spending plans, house price expectations, business activity and hiring intentions. Key business sectors such as industry, services, retail and construction are covered, as well as regions. The information gathered is combined into high level indices, with responses to individual questions also provided along with analysis and insights.

THE EU DIMENSION

Bank of Ireland is partnering with the European Commission on the consumer and business surveys. The data collected will feed into the Joint Harmonised EU Programme of Business and Consumer Surveys. This is a Europe-wide sentiment study which has been running since the 1960s. The data generated within this framework are particularly useful for monitoring economic developments at EU and Euro area level and also allow for the situation in Ireland to be compared with that of other Member States.

Contact us at

EconomicPulse@boi.com

Dr Loretta O’Sullivan,
Group Chief Economist,
+353 (0) 766 244 267

Patrick Mullane,
Senior Economist,
+353 (0) 766 244269

Mark Leech,
Media Relations Manager,
+353 (0) 766 234 773

Note: Balances are calculated as the difference between positive and negative responses.

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