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Bank of Ireland 
economic pulse
August 2017

 Agri
Pulse

Agri Pulse

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“While Brexit is a cloud on the horizon, improving farm profitability over the past year has helped brighten the mood.”

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

The Bank of Ireland Agri Pulse for August 2017 found farmers in an upbeat mood. Sentiment was positive on a number of fronts, and was also up on April when the survey was last carried out. An improvement in farm profitability over the past year has contributed to this, and should also support investment.

Brexit, on the other hand, remains a headwind for farming businesses. Pricing and uncertainty are key concerns, which the renewed weakness of the pound over the summer and the lack of progress in the latest round of withdrawal negotiations will do little to alleviate.

KEY POINTS

- Sentiment positive in August
- Broad based across sectors
- Brexit a headwind

HIGHLIGHTS

2 in 5

Expect farm output to increase over the next 12 months

1 in 3

Plan on increasing investment in the farm in the coming year

1 in 2

Are on a growth trajectory

2 in 3

Think Brexit will have a negative impact on their business in the next 12 months

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“The August findings point to some easing in input cost pressures and a better outlook for market prices.”

Dr Loretta O’Sullivan,
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BREXIT IMPACT

Next 12 Months

Significant negative



Some negative



None



Some positive



Significant positive

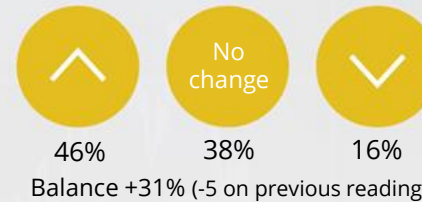
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FARM OUTPUT

| | Past 12 Months | Next 12 Months |
|----------------------------|----------------|----------------|
| ^ | 37% | 39% |
| No change | 48% | 52% |
| v | 15% | 9% |
| Balance | +22% | +30% |
| Change on previous reading | +9 | +9 |

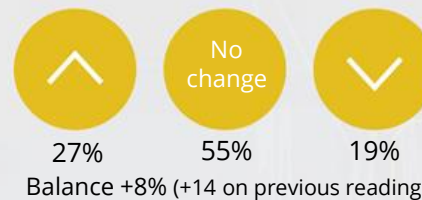
INPUT COSTS (excluding labour)

Past 12 Months



MARKET PRICES

Next 12 Months



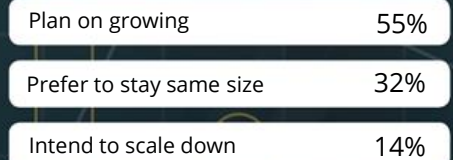
INVESTMENT PLANS

Next 12 Months



BUSINESS AMBITIONS

Next 1 to 3 years



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“The results also show that one in three main farmers is involved in outside activities to supplement the family farm income.”

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

FARM OUTPUT

Farmers were more positive about production in August, upgrading their assessment of the current situation, as well as their expectations for the coming year.

A number of factors were mentioned as having an impact on production though, with land shortages common to a lot of sectors. Cash flow and price volatility also featured on most lists (less so for dairy), whereas labour shortages appear to be an issue for dairy and sheep farmers in particular.

INPUT COSTS AND MARKET PRICES

The survey findings also point to some easing in input cost pressures (excluding labour) in the past 12 months, and to a better outlook for market prices, which bode well for further improvements in profitability.

The latter has been gaining ground for a while now, with 39% of respondents in August reporting an improvement in the farm’s financial position over the last year. This is up from 24% in April and 11% in August 2016.

INVESTMENT PLANS

When it comes to investment, one in three expect to increase investment in the farm in the next 12 months. Replacing and maintaining worn-out buildings, equipment & vehicles and purchasing livestock are the main focus, with investment in new farm buildings, land and equipment & vehicles also on the cards.

In terms of spend, the bulk of farmers are factoring in an outlay of up to €50,000.

BUSINESS AMBITIONS

Looking further ahead, the results show that 55% of farming businesses have ambitions to expand in the next 1 to 3 years. Of these, some intend to actively pursue opportunities though most plan to grow cautiously.

32% indicated that they would prefer the farm to remain the same size as now in the years to come, while 14% (mainly older farmers) are planning on scaling down.

Background

ABOUT THE AGRI PULSE

The Agri Pulse is a new addition to 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.

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

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