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Bank of Ireland economic pulse

August 2016

 Agri
Pulse

Agri Pulse

AUGUST 2016

“Sentiment among farmers was broadly positive in August, with the majority expecting production to stay the same or increase in the next 12 months.”

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

The Agri Pulse is a new addition to the Bank of Ireland Economic Pulse series.

250 farmers 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 by the survey.

The results for August 2016 point to broadly positive sentiment among the farmers that participated in the study.

KEY POINTS

- Sentiment broadly positive in August
- Younger farmers more upbeat
- Dairy the most optimistic sector

HIGHLIGHTS

2 in 3

Main farmers are aged 50 or over

1 in 4

Expect farm output to increase over the next 12 months

1 in 4

Plan on increasing investment in the farm in the coming year

43%

Have ambitions to grow their business in the next 1 to 3 years

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“The survey also finds that just over one main farmer in three is involved in outside activities to supplement the family farm income.”

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

BUSINESS STRUCTURE

8 in 10 Farmers are sole traders

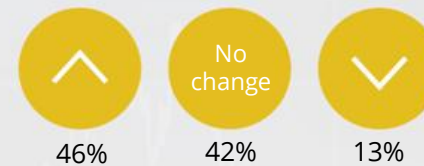
Main reasons for other structures (limited company, partnership, share farming) are labour and other cost efficiencies, tax and succession planning, access to land and infrastructure

FARM OUTPUT

	Past 12 Months	Next 12 Months
^	31%	25%
No change	52%	62%
v	17%	13%
Balance	+15%	+12%

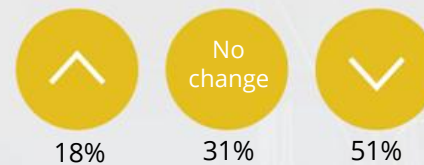
INPUT COSTS (excluding labour)

Past 12 Months



MARKET PRICES

Next 12 Months



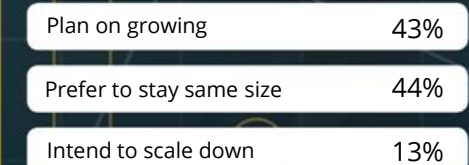
INVESTMENT PLANS

Next 12 Months



BUSINESS AMBITIONS

Next 1 to 3 years



Agri Pulse

AUGUST 2016

“The results show that a large number of farming businesses are on a growth track, with younger farmers in particular looking to expand over the next 1 to 3 years.”

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

FARM OUTPUT

Most respondents to the August survey indicated that farm output was either up or unchanged on a year ago. A number of factors were mentioned as having an impact on production, among them price volatility which topped the list for dairy and suckler cow farmers. For other cattle farmers it was cashflow, while weather conditions were called out by sheep farmers and a shortage of land by tillage farmers.

Over the coming 12 months, the majority expect to increase or keep production the same, with dairy and younger farmers particularly positive about the outlook.

INPUT COSTS AND MARKET PRICES

The data point to some pressures on the input cost front. Excluding labour, but including inputs such as feed, fertiliser, fuel, veterinary and land rental, just under half reported that costs had risen over the past year.

The picture is more mixed when it comes to the prices farmers expect to receive on the market. Most dairy farmers, for example, anticipate an increase in the next 12 months, whereas most cattle farmers expect prices to fall.

INVESTMENT PLANS

There has been considerable investment by the agri sector in recent years and further activity looks to be on the cards. The August survey results indicate that one in four expects 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 cited (especially by dairy farmers). The majority plan on spending up to €50,000.

BUSINESS AMBITIONS

Looking further ahead, 43% of survey participants see themselves as being on a growth trajectory. While most of those planning on expanding over the next 1 to 3 years are likely to do so cautiously, the rest are set to actively pursue opportunities to grow. The data also show that younger farmers are more ambitious than their elders.

44% indicated that they would prefer the farm to remain the same size as now in the years to come, with 13% intending to scale 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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