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Bank of Ireland 
economic pulse
August 2018

 Agri
Pulse

Agri Pulse

August 2018

“With the summer drought coming on top of the bad weather and the fodder crisis earlier in the year, the farming mood was muted in August.”

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

The Bank of Ireland Agri Pulse for August 2018 found farmers rather downbeat. Compared with April – when the survey was last carried out – sentiment was softer on a number of fronts, including current production, costs, farm profitability and the outlook for market prices.

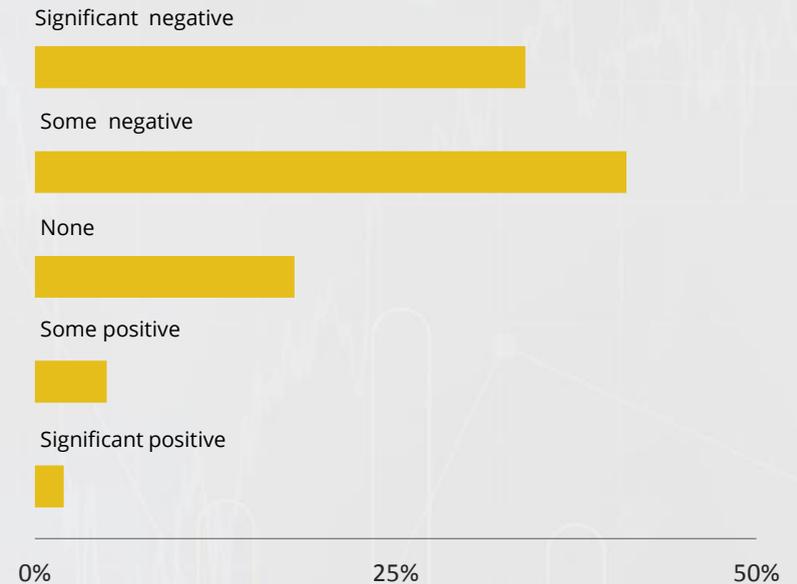
Drought conditions and renewed Brexit uncertainty over the summer period dampened the mood. Production expectations were up on April though and investment plans were little changed, which suggests that a number of farmers are also looking through present difficulties and keeping an eye on potential opportunities.

KEY POINTS

- Sentiment softer in August
- Weather conditions at play
- Farm profitability under pressure

BREXIT IMPACT

Next 12 months



Agri Pulse

August 2018

“Costs were up on this time last year for most farmers, with a knock on impact on business profitability.”

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

FARM PROFITABILITY

Past 12 Months



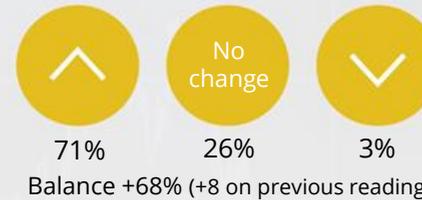
Balance -21% (-29 on previous reading)

FARM OUTPUT

	Past 12 Months	Next 12 Months
^	20%	30%
No change	54%	46%
v	25%	24%
Balance	-5%	+6%
Change on previous reading	-20	+10

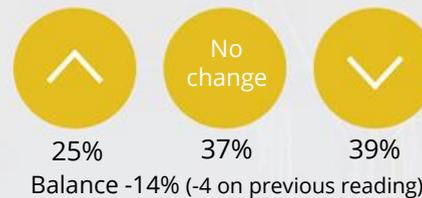
INPUT COSTS (excluding labour)

Past 12 Months



MARKET PRICES

Next 12 Months



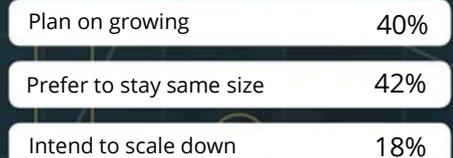
INVESTMENT PLANS

Next 12 Months



BUSINESS AMBITIONS

Next 1 to 3 years



Agri Pulse

August 2018

“Notwithstanding a difficult year in 2018 and Brexit to come, two in five farming businesses remain on a growth trajectory.”

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

FARM OUTPUT

Farmers’ assessment of their current situation was subdued in August, with one in four indicating that output was down on the same time a year ago and just over a half citing no change. Unsurprisingly weather conditions were the main factor limiting production, though land shortages remain a concern particularly for the dairy and tillage sectors.

Farmers were more positive about production prospects however. Some three in ten expect to increase farm output over the coming 12 months and just under half expect to keep it constant.

INPUT COSTS AND MARKET PRICES

The August data point to ongoing cost pressures. Excluding labour, but including inputs such as feed, fertiliser, fuel, veterinary and land rental, 71% reported that costs were higher than a year ago.

While the picture for market prices was muted on the whole, it was mixed across the sectors. A large number of cattle and sheep farmers expect the prices they receive to fall in the next 12 months, whereas the bulk of tillage farmers are anticipating an increase and half of dairy farmers expect prices to hold steady.

INVESTMENT PLANS

On the investment front, around a quarter are planning on increasing investment in the farm over the coming year, with dairy farmers leading the way. Along with replacing and maintaining worn-out buildings, equipment & vehicles, consideration is being given to purchasing livestock as well as investing in new farm buildings, land and equipment & vehicles. The majority are factoring in an outlay of up to €50,000 – most smaller farmers are looking at spending less than €20,000 with the bigger sums coming from larger-sized businesses in the main.

BUSINESS AMBITIONS

As for business ambitions, the results show that two in five see themselves as being on a growth track (dairy and younger farmers especially). Another two in five expect the farm to stay the same size in the next 1 to 3 years, while 18% (generally older and cattle farmers) intend to scale down.

Brexit of course remains a cloud on the horizon. Pricing and market access are key worries, with three in four farmers expecting the UK’s withdrawal from the EU to negatively impact their business.

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.

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

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