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Bank of Ireland economic pulse

April 2019

Agri Pulse

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April 2019

"Farming sentiment was mixed in April, with the drag from last year's bad weather wearing off but uncertainty high."
Dr Loretta O'Sullivan,
Group Chief Economist, Bank of Ireland

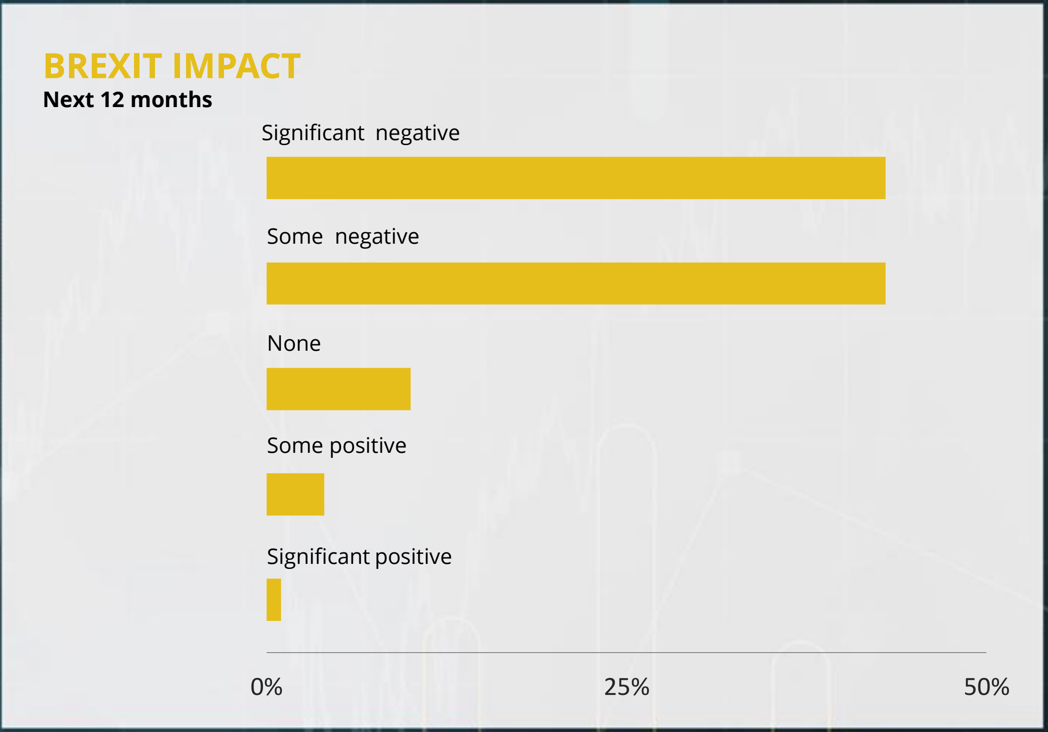
The Bank of Ireland Agri Pulse for April 2019 paints a mixed picture. Compared with August 2018 – when the survey was last carried out – farmers were more positive about production but more downbeat on costs and the outlook for market prices.

While the UK's departure from the EU has been delayed to October 31st, Brexit uncertainty remains a headwind and along with price volatility, cashflow issues and land shortages, is exercising minds.

Investment plans for the next 12 months and growth ambitions over the medium term were not much changed on the autumn readings though.

KEY POINTS

- Sentiment mixed in April
- Production up as weather effects dissipate
- Gloomier outlook for market prices



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"With input costs heading north and market prices going south, farm profitability is feeling the pinch."

Dr Loretta O'Sullivan,

Group Chief Economist, Bank of Ireland

FARM PROFITABILITY

Past 12 Months

14%	Improved
40%	No change
46%	Deteriorated

Balance -32% (-11 on previous reading)

FARM OUTPUT

	Past 12 Months	Next 12 Months
^	25%	35%
No change	62%	48%
v	13%	17%
Balance	+12%	+18%
Change on previous reading	+17	+12

INPUT COSTS (excluding labour)

Past 12 Months

^	No change	v
75%	22%	3%

Balance +72% (+4 on previous reading)

INVESTMENT PLANS

Next 12 Months

^	No change	v
28%	54%	17%

MARKET PRICES

Next 12 Months

^	No change	v
14%	39%	47%

Balance -33% (-19 on previous reading)

BUSINESS AMBITIONS

Next 1 to 3 years

Plan on growing	43%
Prefer to stay same size	39%
Intend to scale down	18%

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"Farmers look to have taken little comfort from the delay to Brexit and the extension of Article 50."

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

FARM OUTPUT

On the output front, the mood was more upbeat in April with farmers upgrading their assessment of the current situation and near-term prospects.

One in four indicated that production was higher than a year ago – when adverse weather conditions held things back – while just over a third expect to increase farm output in the next 12 months.

Sentiment was mixed across the sectors though, with dairy in the driving seat for the most part and suckler cows bringing up the rear.

INPUT COSTS AND MARKET PRICES

The data also point to continuing cost pressures. Excluding labour, but factoring in inputs like feed, fertiliser, fuel, veterinary and land rental, 75% indicated that costs were up on last April. This has weighed on business profitability, with the balance of positive and negative responses dipping further into the red.

Over the coming 12 months, almost half think the prices they receive on the market will fall, while two in five said they are already involved in outside activities to supplement the family farm income.

INVESTMENT PLANS

When it comes to investment, a quarter or so expect to increase spending on the farm in the next year, led by dairy and tillage farmers. Replacing and maintaining worn-out buildings, equipment & vehicles top the list across the board, with purchasing livestock and investing in new farm buildings, land and equipment & vehicles also on the radar.

Most are looking at an outlay of up to €50,000, with smaller holdings typically at the lower end of the range (<€20,000) and bigger ones at the upper end and above.

BUSINESS AMBITIONS

Further out, the April survey finds that 43% are planning on growing their operations in the next 1 to 3 years, with younger and larger farmers particularly ambitious. Another two in five intend to keep the farm the same size, whereas 18% (generally older farmers and those in the cattle and sheep trade) are likely to scale down.

As for Brexit, worries around prices and accessing the UK market are continuing to rattle nerves and over eight in ten are now expecting a negative impact on their business (up from three in four in August).

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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 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.