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Bank of Ireland   
**economic pulse**  
August 2019

 Agri  
Pulse

# Agri Pulse

August 2019

“Agri has been in the eye of the storm lately and unsurprisingly the mood among farmers took a turn for the worse in August.”

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

The Bank of Ireland Agri Pulse finds that sentiment was at a low ebb in August 2019. Growing fears that the UK will leave the EU without a deal at the end of October, protests at the gates of beef processing factories and a renewed focus on agricultural emissions made for an unsettled backdrop and compared with April – when the survey was last carried out – farmers were more downbeat about production and the outlook for market prices. Investment intentions for the coming year and growth ambitions further out were also softer, with eight in ten expecting Brexit and one in two expecting climate change policies to negatively impact their business.

## KEY POINTS

- Sentiment subdued in August
- Farm profitability under pressure
- Production expectations in the red

## CHARACTERISTICS

7 in 10

Main farmers are aged 50 or over

2 in 5

Are involved in outside activities to supplement the family farm income

4 in 5

Are sole traders

# Agri Pulse

## August 2019

“It was a soft set of readings this time out, with farmers sounding a note of caution on a number of fronts.”

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

### FARM PROFITABILITY

Past 12 Months



Balance -38% (-6 on previous reading)

### FARM OUTPUT

	Past 12 Months	Next 12 Months
^	27%	17%
No change	53%	52%
v	20%	31%
Balance	+7%	-13%
Change on previous reading	-5	-31

### INPUT COSTS (excluding labour)

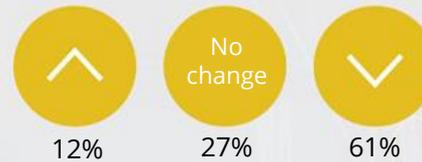
Past 12 Months



Balance +57% (-15 on previous reading)

### MARKET PRICES

Next 12 Months



Balance -50% (-17 on previous reading)

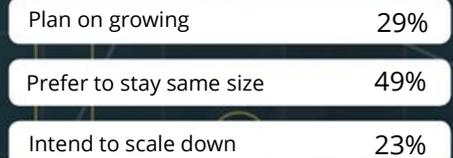
### INVESTMENT PLANS

Next 12 Months



### BUSINESS AMBITIONS

Next 1 to 3 years



# Agri Pulse

August 2019

“Weather has dropped down the list of farming woes in 2019 while price volatility and uncertainty have moved up it.”

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

## FARM OUTPUT

The mood was muted in August, with farmers downgrading their assessment of the current situation. While price volatility and heightened uncertainty are, inter alia, hampering cattle, tillage and sheep production, land shortages are still a big issue for the dairy sector.

Production prospects for the coming year were also scaled back and with just 17% expecting to increase farm output in the next 12 months but three in ten expecting to reduce it, the balance of positive and negative responses moved firmly into the red.

## INPUT COSTS AND MARKET PRICES

On the costs front, pressures appear to have eased slightly. Excluding labour but including the likes of feed, fertiliser, fuel, veterinary and land rental, 67% indicated that input costs have risen over the past year compared with 75% in the April survey.

Farmers were much gloomier about market prices however. Some three in five expect the prices they receive to fall in the next 12 months, meaning farm profitability which is already feeling the pinch will likely continue to do so.

## INVESTMENT PLANS

The latest results show that 18% are planning on increasing investment in the farm in the coming year (down from 28% in April), while around three in five expect to spend the same. Replacing and maintaining worn-out buildings, equipment & vehicles; purchasing livestock; and investing in new farm buildings, land and equipment & vehicles are all in scope, with the bulk of cattle, tillage and sheep farmers factoring in outlays of up to €20,000 and dairy farmers looking at sums of up to €50,000 in the main.

## BUSINESS AMBITIONS

The August data point to some softening in growth ambitions further out. While three in ten farming businesses are planning on expanding in the next 1 to 3 years, this figure had been running at around two in five. Almost a quarter also indicated that they intend to scale down their operations, which is up from 18% last April.

Dairy and younger farmers remain the more go-getting, whereas those thinking about calling it a day are mostly older and concentrated in the suckler cow and sheep trades.

# Agri Pulse

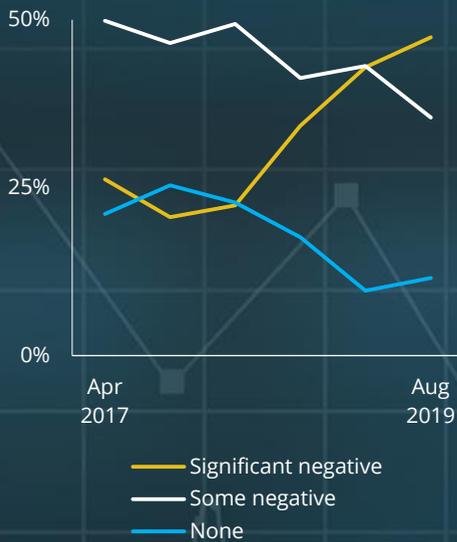
## August 2019

“Brexit is not the only headwind for the agri sector as conversations around climate change are also becoming more challenging.”

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

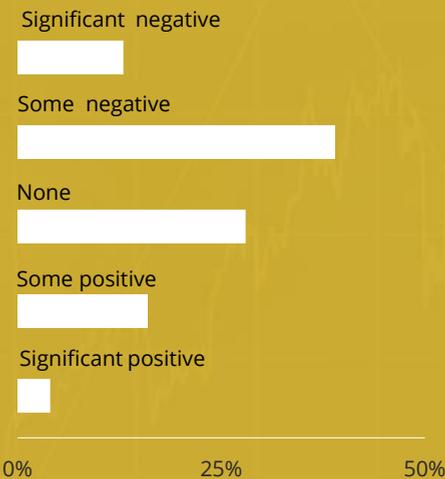
### BREXIT IMPACT

Next 12 Months



### IMPACT OF CLIMATE CHANGE POLICIES

Next 1-3 Years



### STRUCTURAL ISSUES

Brexit continues to loom large over the agriculture sector. Pricing and access to the UK market are key worries and as fears of a no deal exit have risen, the share of farmers expecting Brexit to have a significant negative impact on their business over the next 12 months has gone up.

In light of the ‘green wave’ currently sweeping the country, the August research also asked survey participants for their views on the impact of policies that might be put in place in the coming years to enable Ireland to meet its climate change targets.

The results point to a wide variety of concerns, ranging from reductions in livestock and restrictions on the use of fertilisers and pesticides to increased compliance costs and red tape. In terms of upsides, a better environment and more efficient and sustainable farming were called out, along with the possibility of grants and funding for new ways of doing things.

# 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.

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

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