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Bank of Ireland economic pulse

April 2020



Agri
Pulse

Agri Pulse

April 2020

“The COVID-19 shock is being keenly felt by farmers, with seven in ten reporting a negative impact on their business.”

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

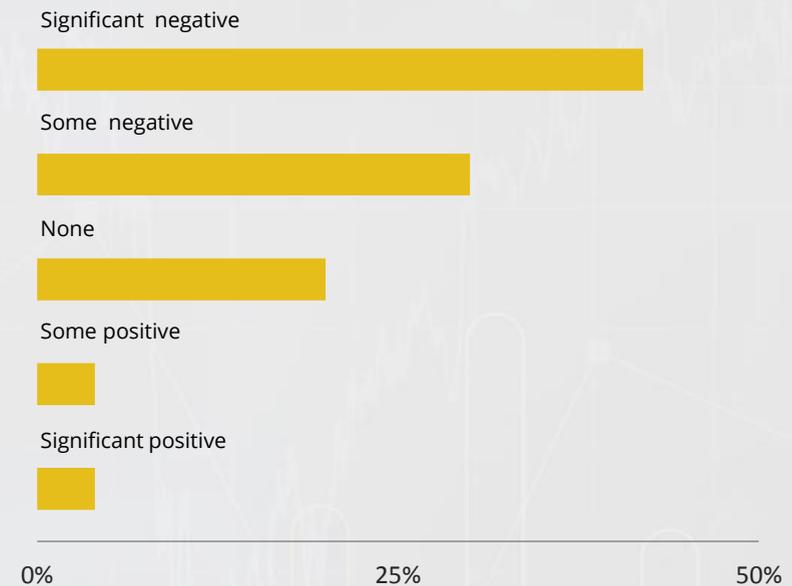
The Bank of Ireland Agri Pulse for April 2020 paints a subdued picture. The COVID-19 pandemic has imparted a huge shock to the economy and even though farming has been classed as an essential business, reduced demand from overseas customers and the closure of the food service industry at home is taking a toll on the sector.

Production sentiment was at a low ebb in April and compared with August 2019 - when the survey was last carried out - farmers were more pessimistic about the outlook for market prices. Investment plans and growth ambitions held steady though as a no deal Brexit was avoided at the start of this year and the transition period took effect.

KEY POINTS

- Sentiment subdued in April
- COVID-19 concerns to the fore
- Brexit worries take a step back

COVID-19 IMPACT



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“Production expectations moved into negative territory last August and remained there in April.”

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

FARM PROFITABILITY

Past 12 Months



Balance -23% (+15 on previous reading)

FARM OUTPUT

	Past 12 Months	Next 12 Months
^	24%	18%
No change	54%	51%
v	23%	31%
Balance	+1%	-13%
Change on previous reading	-6	0

INPUT COSTS (excluding labour)

Past 12 Months



Balance +30% (-27 on previous reading)

MARKET PRICES

Next 12 Months



Balance -67% (-17 on previous reading)

INVESTMENT PLANS

Next 12 Months



BUSINESS AMBITIONS

Next 1 to 3 years

Plan on growing 30%

Prefer to stay same size 54%

Intend to scale down 15%

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“It was a case of steady as she goes for farm investment and business growth plans in this survey wave.”

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

FARM OUTPUT

The mood was subdued again in April, with farmers gloomier about the current situation. Those involved in the cattle and sheep trade were especially downbeat amid price volatility and COVID-19-related disruption to marts and markets, while land and labour shortages were among the factors hampering dairy and tillage production.

Looking ahead, 18% said that they expect to increase farm output in the next 12 months but with three in ten signalling a reduction, the balance of positive and negative responses remained in the red.

INPUT COSTS AND MARKET PRICES

The April data point to some softening in cost pressures. Excluding labour but including the likes of feed, fertiliser, fuel, veterinary and land rental, 42% indicated that input costs have risen in the past year. This is down from 67% in the August survey and contributed to the slightly less negative assessment of farm profitability this time out.

The outlook for market prices was decidedly muted however, with three in four expecting the prices they receive to fall over the coming year.

INVESTMENT PLANS

On the investment front, the share expecting to increase spending on the farm in the next 12 months was unchanged in April at 18% (tillage farmers were more gung-ho than previously, dairy farmers were a bit less so).

Replacing and maintaining worn-out buildings, equipment & vehicles; purchasing livestock; and investing in new farm buildings, land and equipment & vehicles are all on the radar, with investment for environmental purposes ticking up in the latest survey too.

BUSINESS AMBITIONS

As for business intentions further out, three in ten plan to expand in the next 1 to 3 years, while just over a half prefer to stay the same size. The results also show that 15% are considering scaling down, which is less than the August figure of 23% and is due in part to the reduction in Brexit uncertainty in recent months.

Dairy and younger farmers are still found to be the more ambitious - though tillage is catching up - whereas those likely to call it a day are mostly older and concentrated in cattle and sheep.

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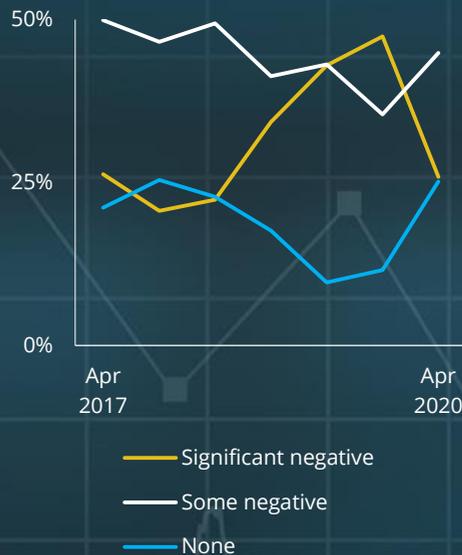
April 2020

“The ‘status quo’ transition period looks to have taken the edge off Brexit for the time being.”

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

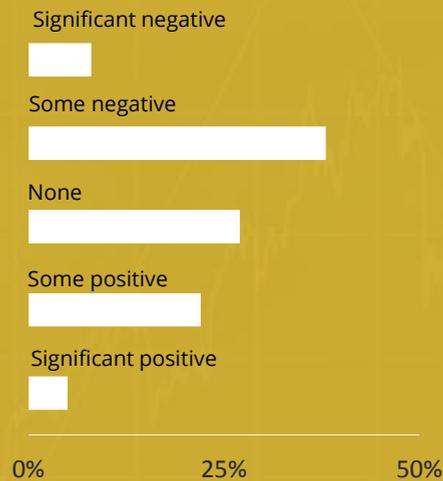
BREXIT IMPACT

Next 12 Months



IMPACT OF CLIMATE CHANGE POLICIES

Next 1-3 Years



STRUCTURAL ISSUES

The UK left the EU on January 31st on the basis of Prime Minister Johnson’s revised Withdrawal Agreement, as opposed to a crash out departure. The ‘status quo’ transition period that applies until the end of 2020 has provided some breathing space, so while Brexit still hangs over the agriculture sector, the share of farmers expecting a significantly negative impact on their business in the next 12 months has eased to one in four, from almost a half last August when no deal fears were rising.

The climate change agenda also remains relevant for farming businesses, with 46% expecting policies in this area to negatively affect them over the coming 1 to 3 years. Concerns raised in the April survey included reductions in livestock numbers, restrictions on the use of fertilisers and pesticides, increased compliance costs and red tape, carbon taxes and changes to working methods. 28% think that the impact will be positive though, citing benefits such as a better environment, more efficient and sustainable farming and the potential for grants and funding supports.

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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