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Bank of Ireland 
economic pulse
August 2020

 Agri
Pulse

Agri Pulse

August 2020

“The virus and weather-related disruption of recent months contributed to the muted farming mood in August.”

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

The Bank of Ireland Agri Pulse for August 2020 found farming sentiment to be relatively subdued. Market disturbance related to COVID-19 along with drought and storm conditions have impacted production and profitability is an issue for many.

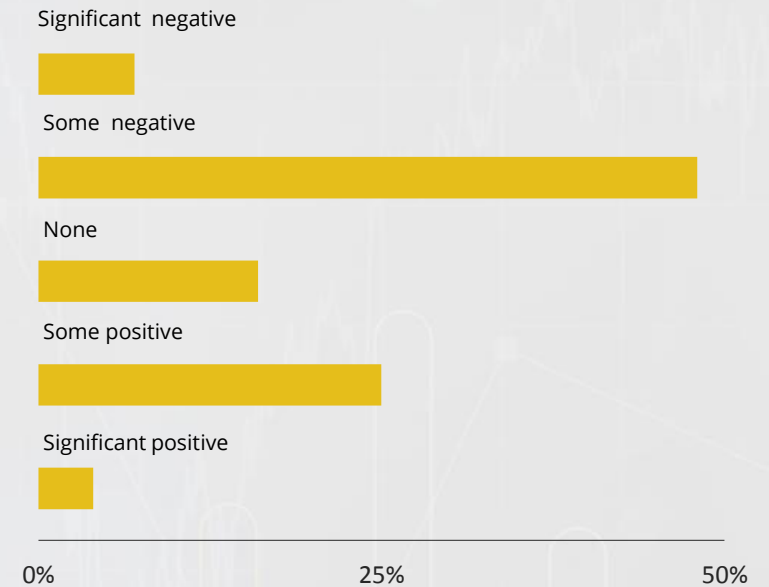
Compared with April - when the survey was last carried out - farmers were more optimistic about the outlook for market prices however. Investment plans and growth ambitions ticked up a notch in August too, albeit the UK’s departure from the EU and climate change mitigation actions will pose structural challenges for the sector going forward.

KEY POINTS

- Mixed picture in August
- Farm output down on a year ago
- Expectations for market prices improve

IMPACT OF CLIMATE CHANGE POLICIES

Next 1-3 Years



Agri Pulse

August 2020

“The improvement in the outlook for market prices was a bright spot in the data this survey wave.”
 Dr Loretta O’Sullivan,
 Group Chief Economist, Bank of Ireland

Brexit Impact

Next 12 Months

Significant negative



Some negative



None



Positive



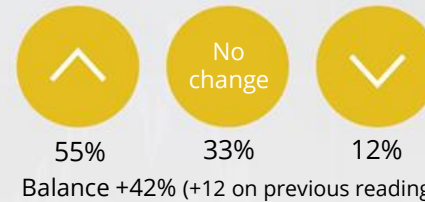
0% 25% 50%

FARM OUTPUT

	Past 12 Months	Next 12 Months
^	15%	23%
No change	62%	53%
∨	24%	23%
Balance	-9%	0%
Change on previous reading	-10	+13

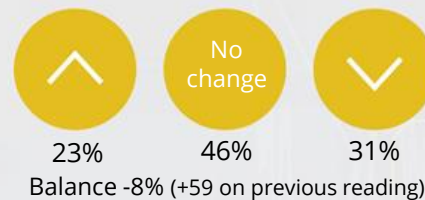
INPUT COSTS (excluding labour)

Past 12 Months



MARKET PRICES

Next 12 Months



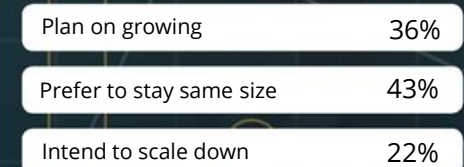
INVESTMENT PLANS

Next 12 Months



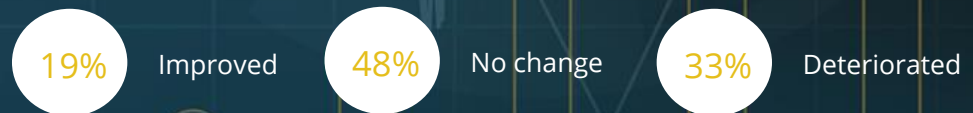
BUSINESS AMBITIONS

Next 1 to 3 years



FARM PROFITABILITY

Past 12 Months



Agri Pulse

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“Grants and funding to support new ways of farming are seen as a potential upside to climate change policies.”

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

FARM OUTPUT

The picture for production was mixed in August. Farmers downgraded their assessment of the current situation - which pushed the balance of positive and negative responses into the red - but were a little more positive about prospects for the period ahead. Almost a quarter of those surveyed said that they expect to increase production over the coming year, up from 18% in April.

Brexit remains a headwind for the agricultural sector though, with seven in ten farmers expecting it to negatively impact their business model.

INPUT COSTS AND MARKET PRICES

On the costs front, around half the participants in the August survey indicated that input costs (excluding labour) were unchanged or lower than a year ago, while the other half pointed to some upward pressure.

The outlook for market prices was brighter than in the April wave however, with the share of farmers expecting to receive higher prices in the next 12 months edging up to 23% in August (from 9% previously) and the share anticipating lower prices falling sharply (to 31% from 75%).

INVESTMENT PLANS

The latest results indicate that 20% are planning on upping investment in the farm in the coming year (led by dairy farmers, tillage farmers were more cautious than before), while two in three 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 on the cards, with most cattle, tillage and sheep farmers factoring in outlays of up to €20,000, whereas over half of dairy farmers are looking at sums above this.

BUSINESS AMBITIONS

As for intentions further out, 36% of farming businesses plan to expand in the next 1 to 3 years, with dairy and younger farmers the most go-getting. Another two in five expect the farm to stay the same size, while 22% (typically older farmers and those in the cattle and sheep trades) mean to scale down. Climate change is firmly on farmers’ medium-term radar and the August survey finds that 29% think that policies in this area will benefit them. But 55% expect an adverse impact on foot of factors like reductions in livestock, restrictions on the use of fertilisers/pesticides and increased compliance costs/red tape.

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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