

Euler Hermes Irish agrifood report: a successful mix and match export strategy

- Agrifood leads Irish export: strong growth prospects
- Food and soft drinks sales fizzing, alcohol sales flat
- Farmers hit by falling global prices
- 'Brexit' would impact the meat industry hardest

DUBLIN – 19 AUGUST 2015 – Strong domestic demand and dynamic foreign trade will push Irish food and beverages output up 8% to €26bn, and agriculture output up 12% to €8bn by the end of 2016, according to Euler Hermes, the worldwide leader in trade credit insurance.

The success of these markets is significant as agrifood is Ireland's largest business sector, contributing to 25% of manufacturing sales and two thirds of manufacturing employment. It represents 12% of total Irish exports, led by meat and dairy products (40% of agrifood exports), which have grown +7% annually between 2010-2014, and are expected to maintain momentum due to the combination of dynamic domestic demand and development of new export opportunities with relaxing of current regulations, such as the lifting of EU Dairy quota on 31 March 2015.

Domestic household expenditures on food and beverages have consistently improved since the end of the financial crisis, up +2.8% a year between 2010-2014. Food and non-alcoholic beverage sales grew by +4.5% in the same period. In contrast, alcohol sales have not made headway, with sales remaining flat (+0.7%).

However, the Euler Hermes report [Irish agrifood: a successful mix and match export strategy](#) also reveals the downside to increased food production for farmers and food manufacturers alike: foreign competition and falling prices.

The downward trend in global commodity prices and agricultural prices is hurting Irish farmers. The Global Food Index declined again in June 2015 (-19.2% year on year) to a six-year low. This stems mostly from dairy products which experienced a sharp drop (-29% year on year), combined with a fall in all other agricultural commodities, including meat (-17.5% year on year).

Dean O'Brien, country manager, Euler Hermes Ireland, said: "The situation is improved by Ireland's positive net trade effect, notably its positioning as a premium food product exporter. This may reap future rewards too, with the continuing expansion of the global middle-class – forecast to nearly double to 40% of the world population by 2020 – and the shift towards finer foodstuffs as people become wealthier."

According to the Irish Central Statistics Office and the Department of Agriculture, the difference between world commodities' prices and Ireland's premium positioning favours the latter and amounted to a gain of €368mn in 2014.

Irish meat is particularly reliant on exports, as production is seven times higher than domestic consumption. Meat exports are forecast to reach €2.8bn in 2015 and €3bn in 2016. This export dependency is of particular concern as the UK assesses the possibility of exiting the EU (Brexit). Should the UK vote to leave the EU, it would have to reassess all trade agreements, including those with Ireland.

O'Brien added: "In that scenario the UK may possibly seek cheaper supply, possibly from South American alternatives like Brazil. This risk is mitigated by the higher standards expected by European consumers in terms of quality, giving Ireland a good chance of remaining in the race."

Euler Hermes currently insures approximately €6bn of production for Irish food companies trading at home and abroad.

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