

EXPORT PERFORMANCE & PROSPECTS

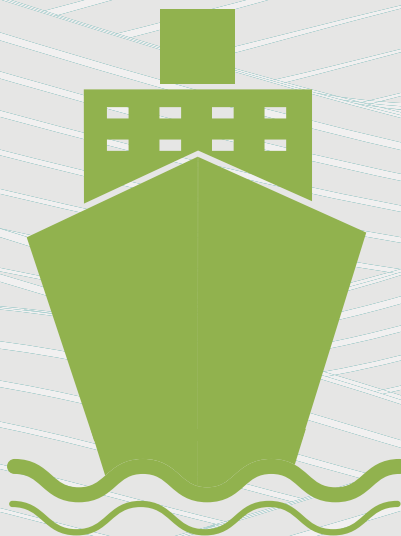
IRISH FOOD, DRINK & HORTICULTURE
2016 - 2017



FOOD & DRINK EXPORTS

Source: Bord Bia 2017

The sector
recorded the
7th
consecutive
year of growth
in exports
during 2016



37%

of Irish food & drink
exports are destined
for the UK, valued
at **€4.13 billion**



**€11.15
billion**

the value of Irish
food & drink
exports, an
increase of **2%**



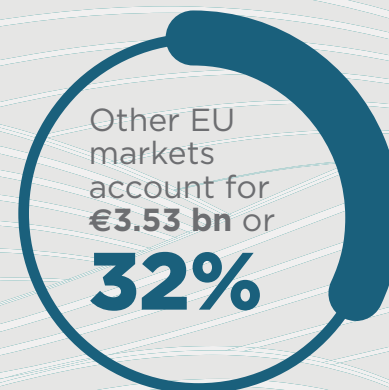
Growth of

41%

or **€3.27 billion**
since 2010



Other EU
markets
account for
€3.53 bn or
32%



Irish food &
drink is sold in

180

markets worldwide



International
markets
account for
€3.49 bn, or

31%



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Disclaimer

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EXECUTIVE SUMMARY

FOR THE YEAR IT IS ESTIMATED THAT THE VALUE OF IRISH FOOD AND DRINK EXPORTS INCREASED BY 2% TO REACH €11.15 BILLION. THIS MARKS GROWTH OF OVER 41% OR €3.3 BILLION SINCE 2010



Shipments of Irish food and drink products to International markets **grew by 13%** in 2016 to around **€3.5 billion**



The **Euro strengthened 13% relative to sterling** in 2016 while little change was evident in exchange rates with the US dollar

Performance & Outlook

- The Irish food and drink sector recorded the seventh consecutive year of export growth in 2016 as increased output in key sectors and an improvement in market demand in some key sectors boosted the value of trade. Key growth sectors included premium beverages, prepared foods, and as the year progressed dairy.
- Uncertainty arising from the Brexit referendum in June 2016 resulted in fluctuating exchange rates for much of the year, which negatively impacted Irish food and drink exports in our main export market.
- For the year it is estimated that the value of Irish food and drink exports increased by 2% to **€11.15 billion**, representing growth of over 41% or €3.3 billion since 2010.
- The strongest performers in terms of export growth in 2016 were prepared foods, sheepmeat, beverages, pigmeat and dairy. Slower market demand and weaker prices negatively affected the value of edible horticulture exports while beef and seafood exports were also lower.
- Export markets look set to remain challenging in 2017 amid ongoing market uncertainty. However, the pickup in global dairy demand is expected to continue while further opportunities for growth are likely in beverages. Increased beef export availability may put some pressure on returns while prepared consumer foods exports are likely to face on-going competitive pressures, most notably the UK.

Destinations for Irish Food & Drink

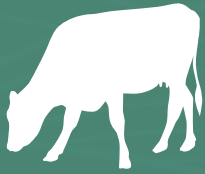
- Exports to the **UK** fell by an estimated 8% in 2016 to €4.1 billion as weaker sterling and better returns elsewhere impacted trade. The share of exports

destined for the UK fell by four percentage points to 37%

- Exports to other **European markets** recovered by 3% to €3.53 billion largely driven by stronger exports of beverages, seafood, prepared foods and meat.
- Shipments of Irish food and drink products to **International markets** grew by almost 13% in 2016 to almost €3.5 billion. This represents 31% of all food and drink exports. Significant growth in exports to North America and China were recorded, offsetting slower trade to the Middle East and Africa.

Key drivers of export performance

- The Euro strengthened by 13% against sterling in 2016 while there was little change in exchange rates with the US dollar. The underlying weakness and volatility of sterling negatively affected the competitiveness of Irish exports reducing the value of trade by a potential €570 million.
- Increased export volumes were recorded across a number of key categories. Milk availability was over 5% higher during the first 10 months of the year while beef export volumes were 5% higher. The combined impact of higher output in these sectors is estimated to be in the region of €250 million.
- Global agricultural commodity prices as measured by the FAO Food Price Index showed a decline of 3% between January and November 2016. However, prices recovered as the year progressed with November 10% ahead of the same month in 2015. This reflects the recovery in global markets, especially for dairy, as the year progressed.
- Consumer prices showed little change across the eurozone in 2016 though Germany and France experienced modest inflation over the period while



The volume of beef available for export **increased by 5%** to around **535,000 tonnes**, while average prices eased by 6%



Irish dairy & ingredients exports were **2% higher** at an estimated **€3.38 billion**

Ireland and Spain showed some price deflation.

- The competitiveness of the Irish manufacturing sector as measured by Ireland's Competitiveness Scorecard published by Fórfas consolidated in 2016. Among OECD countries Ireland is ranked 4th in the Forbes Best Countries for Business Index.

Meat & Livestock

- Higher volumes for all categories were offset by a difficult market environment for some meats in 2016, leaving the value of **meat and livestock exports 2% lower at around €3.66 billion**. This equates to 33% of total food and drink exports.
- The value of **Irish beef exports showed a slight fall, standing at €2.38 billion**. The volume of beef available for export increased by 5% to around 535,000 tonnes, while average prices eased by 6%.
- The volume of pigmeat exports lifted by 2% while average pig prices were almost 2% higher. This left **the value of Irish pigmeat exports up by 4% in 2016 at €615 million**.
- An increase of 3% in sheepmeat volumes available to export coupled with steady lamb prices saw **the total value of Irish sheepmeat exports increasing by over 4% in 2016 to reach €240 million**.
- For the year it is estimated that **the value of Irish poultry exports fell by 14% to €275 million**, due to lower volumes coupled with weaker export prices.
- The **value of Irish livestock exports was down 23% at an estimated €150 million** as lower exports of cattle and pigs and more competitive prices in key export markets affected trade.
- The prospects for the meat and livestock sector in 2017 are mixed with a strong rise in finished cattle

supplies expected, while prospects for sheep and pigmeat remain broadly positive amid anticipated steady supplies.

Dairy Products & Ingredients

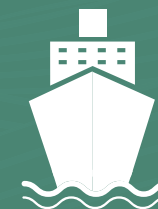
- The global dairy market remained weak during the first half of 2016 as supply growth continued to outpace import demand, before rebalancing as the year progressed leading to an improved price environment.
- For the year global dairy wholesale prices fell by over 10%. However, prices in the final quarter were significantly ahead of year earlier levels, reflecting the improved market environment.
- A rise of 5% in Irish milk output and a recovery in international demand as the year progressed combined to leave **the value of Irish dairy and ingredient exports for the year around 2% higher at €3.38 billion**.
- The strongest performing category was specialised nutritional dairy powders while whey, whole milk powder and yogurt also recorded growth but from a lower base.
- Despite higher volumes, the value of cheese exports declined by around 4% in 2016 to €675 million. The UK accounted for over 50% of cheese exports and trade into that market is estimated to have shown a double digit decline due to unfavourable exchange rates.
- The prospects for Irish dairy exports in 2017 look reasonably positive. Recovering global dairy prices and increased demand from key global dairy importers on the back of anticipated stronger oil prices should help exports.

HIGHER VOLUMES
FOR ALL CATEGORIES
WERE OFFSET BY A
DIFFICULT MARKET
ENVIRONMENT FOR
SOME MEATS IN
2016, LEAVING THE
VALUE OF MEAT AND
LIVESTOCK EXPORTS
2% LOWER AT AROUND
€3.66 BILLION

THE GLOBAL BEVERAGES MARKET CONTINUED TO GROW IN 2016 DRIVEN BY DEMAND FOR PREMIUM ALCOHOLIC PRODUCTS



Exports of products covered under the prepared foods category **increased by 9%** to an estimated **€1.9 billion**



Overall, beverage exports are estimated to have **increased 4%** in 2016 to stand at **€1.4 billion**

Prepared Foods

- Prepared Food exports showed some recovery in 2016 driven by increased exports of dairy based enriched powders, which account for 37% of total exports within the category.
- Overall, exports of products covered under **the prepared foods category increased by 9% to an estimated €1.9 billion.**
- The strongest performing categories within Prepared Foods were dairy based enriched powders, bakery and chocolate confectionery while sauces and sugar based products also recorded growth. Lower exports were reported for pizzas, sauces and ice-cream.
- International markets exhibited the strongest growth with exports 16% ahead at €620 million. This helped offset a 4% reduction in exports to the UK.
- The outlook for prepared food exports for 2017 is mixed. Anticipated positive developments in the dairy sector should help trade of dairy based enriched powders while exchange rate developments will determine the environment for prepared foods categories in the UK.
- Key drivers of growth for the sector will be product innovation, growth in premium preparations and the delivery of customer service levels that can improve Ireland's competitive advantage.

Prepared Consumer Foods

- Across all food and drink categories **€2.5 billion or 23% of total food and drink exports can be classified as Prepared Consumer Foods** (a new category included in the Food Wise 2025 report). Exports under this heading fell slightly due to reduced exports of value added meat and dairy products, which offset growth in exports of value added seafood, beverages, sugar confectionery and sauces & extracts.
- The UK remains the principal destination for prepared consumer foods accounting for approximately 65% of export value with trade around 9% lower in 2016 at an estimated €1.6 billion.
- Exports to other EU markets were around 15% higher at €615 million helped by stronger exports of value added seafood, beverages, bakery, confectionery and sauces. Key growth markets on the continent included France, Germany, Italy and Poland.

Beverages

- The global beverages market continued to grow in 2016 driven by demand for premium alcoholic products.
- Overall, **beverage exports are estimated to have increased by 4% in 2016 to €1.4 billion.**
- Sales were helped by sustained growth in whiskey demand combined with a further rise in 'craft' exports. Beer and cider also recorded growth while liqueurs remained relatively steady. Exports of non-alcoholic beverages were boosted by stronger sales of mineral waters.
- Exports to the UK were marginally lower at €380 million. Increased sales of whiskey, juices and cream



Seafood exports **declined by an estimated 3%** in 2016 to €555 million



The value of edible horticulture and cereals exports **fell by 8% to an estimated €230 million**

liqueurs helped offset slower exports of cider and mineral water.

- Exports to other European markets showed little change at an estimated €315 million.
- Shipments to International markets increased strongly, due mainly to higher whiskey exports. Increased trade was reported to North America, Africa, Asia and the Middle East with overall exports to international markets estimated at €705 million.
- The outlook for Irish beverage exports in 2017 looks broadly positive helped by continued growth in whiskey sales, ongoing growth in emerging markets and the ever increasing range of craft products such as beers, whiskey and cream liqueurs produced in Ireland.

Seafood

- Seafood exports **fell by an estimated 3% in 2016 to €555 million** due to a decline of over 20% in volumes. This was partly offset by strong price increases.
- The main EU markets, namely France, Spain, UK, Italy and Germany continue to dominate seafood exports, accounting for some 63% of total exports by value.
- France the largest export market grew by 13% to an estimated €140 million while seafood exports to International markets were boosted by increased trade to Asia. This offset lower trade to West African markets, which account for over 10% of exports.
- Prospects for 2017 look positive on the back of higher demand and increased quota allocation. However much will depend on the macroeconomic environment.

Edible Horticulture & Cereals

- Stronger mushroom export volumes were offset by unfavourable exchange rates while exports of cereals, fruit and vegetables fell to leave total edible horticulture and cereals exports **8% down at an estimated €230 million**.
- The UK retail market for mushrooms increased in volume terms, however declines in average prices resulted in lower prices for Irish mushroom exports.
- The anticipated currency uncertainty for 2017 will lead to ongoing challenges for the horticulture sector.

STRONGER VOLUMES OF MUSHROOMS WERE OFFSET BY UNFAVOURABLE EXCHANGE RATES AND THIS COMBINED WITH DECLINES FOR CEREALS, FRUIT AND VEGETABLES NEGATIVELY AFFECTED THE VALUE OF EDIBLE HORTICULTURE EXPORTS

OVERVIEW

LOWER TRADE TO THE UNITED KINGDOM TRIGGERED BY CHALLENGING EXCHANGE RATES AND COMPETITIVE PRESSURES WAS OFFSET BY INCREASED EXPORTS TO MARKETS SUCH AS NORTH AMERICA AND CHINA



Irish food and drink exports sector recorded the **seventh consecutive year of growth**



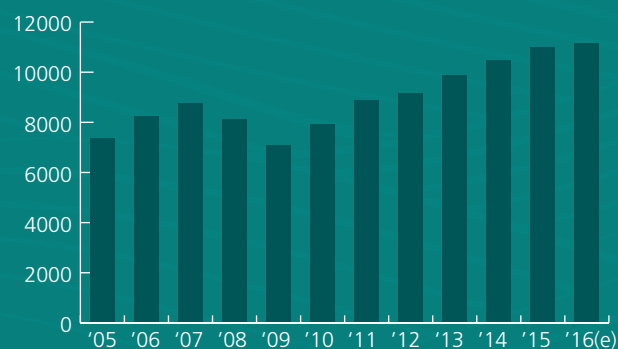
The value of Irish food and drink exports **increased 2%** to reach **€11.15bn** in 2016

The Irish food and drink sector recorded the seventh consecutive year of export growth as increased output in major sectors and an improvement in market demand for key categories boosted the value of trade in 2016.

Much of the growth was recorded in trade to international markets where higher demand, improved market positioning and relatively steady exchange rates helped improve the competitive position of Irish exports. Lower trade to the UK triggered by challenging exchange rates and competitive pressures was offset by increased exports to markets such as North America and China. A good recovery was also seen in continental EU markets as improving economic conditions led to stronger demand in key categories.

It is estimated that the value of Irish food and drink exports increased 2% to reach €11.15bn in 2016. This marks growth of over 41% or €3.3 billion since 2010.

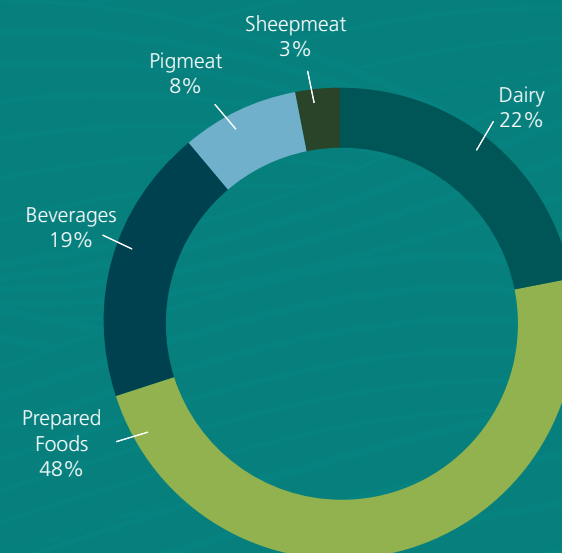
Irish Food and drink exports, 2005 to 2016 (€m)



Source: Bord Bia estimates

The strongest performers in terms of export growth in 2016 were prepared foods, sheepmeat, beverages, pigmeat and to a lesser extent dairy. Weaker prices negatively affected the value of beef and edible horticulture exports while lower volumes affected seafood exports. Livestock exports declined in value terms largely due to a significant reduction in live cattle shipments, while poultry exports recorded a significant decrease due to both reduced prices and lower volumes.

Categories driving export growth in 2016 (% of export growth)



Source: Bord Bia estimates

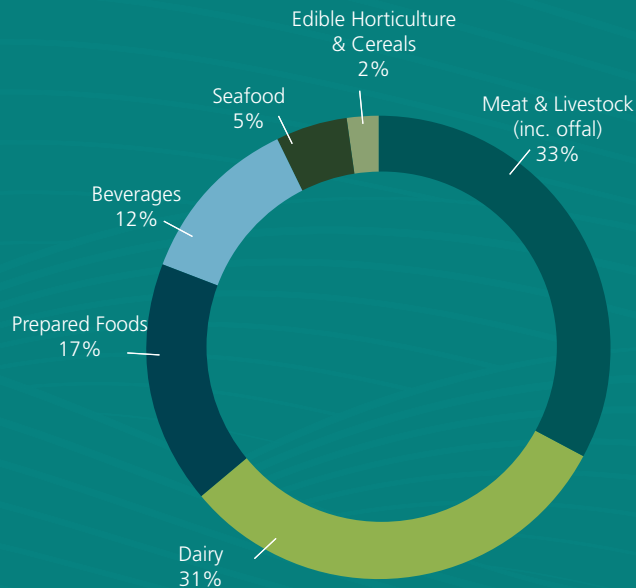


International markets contributed over **80% of total growth in food and drink exports**



Food and Drink exports in 2016 were **41% higher** than 2010 levels

Breakdown of exports by category

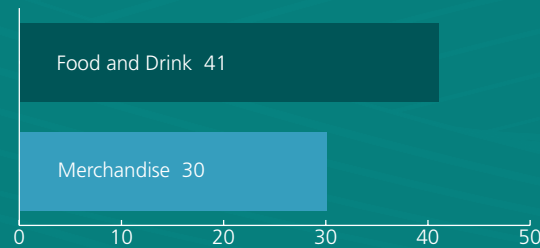


Source: Bord Bia estimates

Growth in food & drink exports running higher than total merchandise

Relative to 2010 levels total merchandise exports were an estimated 30% higher in 2016, which compares to growth of 41% in food and drink exports. Merchandise exports continued to show growth in 2016 and were up 5% year on year for the January to September period.

Trend in food & drink versus overall merchandise exports, 2016 vs. 2010 (% change)



Source: Bord Bia based on CSO

Higher value of exports going to International Markets

International Markets led the growth in exports during 2016 driven notably by the US and China. International markets contributed over 80% of total growth in food and drink exports. Growth was also recorded in trade to Continental EU markets but at a lower level. This helped offset a decrease in value of exports to the UK, which declined by an estimated 8% year on year.

Irish Food and Drink Exports

	2015 €m	2016 (e) €m	2016/2015 % +/-
Dairy products & ingredients	3,310	3,380	+2
Beef (incl offal)	2,410	2,380	-1
Prepared Foods	1,770	1,925	+9
Beverages	1,340	1,400	+4
Pigmeat	590	615	+4
Seafood	570	555	-3
Poultry	320	275	-14
Sheepmeat	230	240	+4
Edible Horticulture & Cereals	250	230	-8
Live Animals	195	150	-23
TOTAL FOOD & DRINKS	10,985	11,150	+2

Prepared Consumer Foods Exports*

	2015 €m	2016(e) €m	2016/2015 % +/-
	2,545	2,505	-1

*This section includes Prepared Foods products and Value Added components of other sectors. (For further details, see Prepared Foods Section on page 44)

EXPORTS TO OTHER EUROPEAN MARKETS INCREASED BY 3% IN 2016 TO REACH €3.5 BILLION OR 32% OF TOTAL FOOD AND DRINK EXPORTS

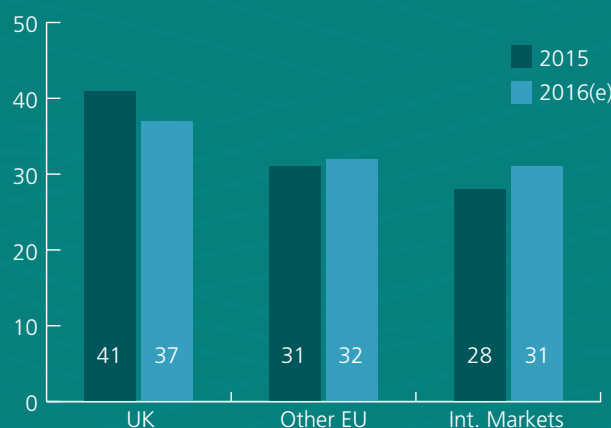


The share of exports destined for the United Kingdom **declined from 41% to 37%** in 2016



Exports to International Markets increased by over **13%** in 2016

Market distribution of Irish food and drink exports (%)



Source: Bord Bia estimates

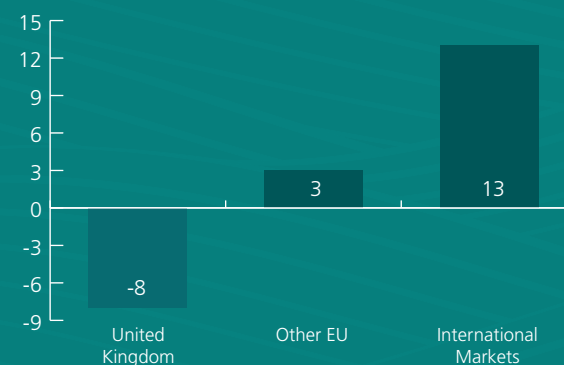
UK

The share of exports destined for the UK declined from 41% to 37% in 2016. Exports were 8% lower at €4.1 billion with the weaker sterling creating additional competitive pressures. This resulted in a decline in value for most categories of food and drink with the exception of seafood.

Other EU

Exports to other European markets increased by 3% in 2016 to reach just over €3.5 billion or 32% of total food and drink exports. This reflects some recovery in the economic environment in key EU markets, which is helping consumer confidence. Increases were recorded in meat, seafood and prepared foods. Exports were driven by the strong performance of key markets such as the Netherlands, Germany and France while stronger trade was also recorded to Spain, Poland and Scandinavian markets.

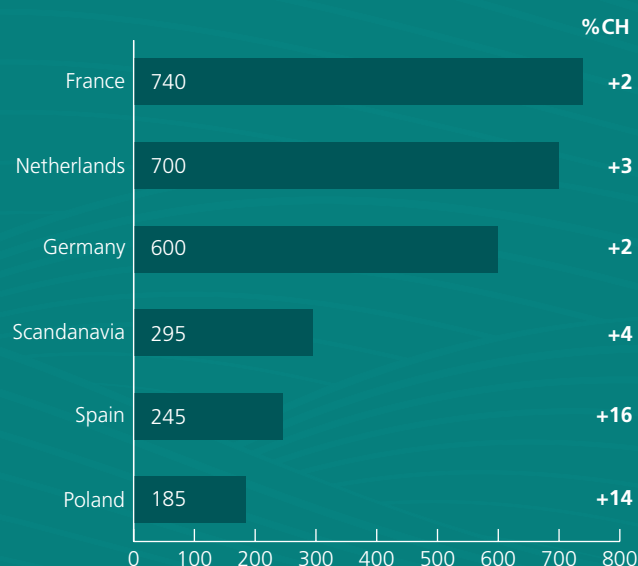
Regional Change in value of Irish food and drink exports (%)





Dairy accounts for more than **47% of exports** to International markets

Trends in exports to key European markets, 2016 vs. 2015 (€m)



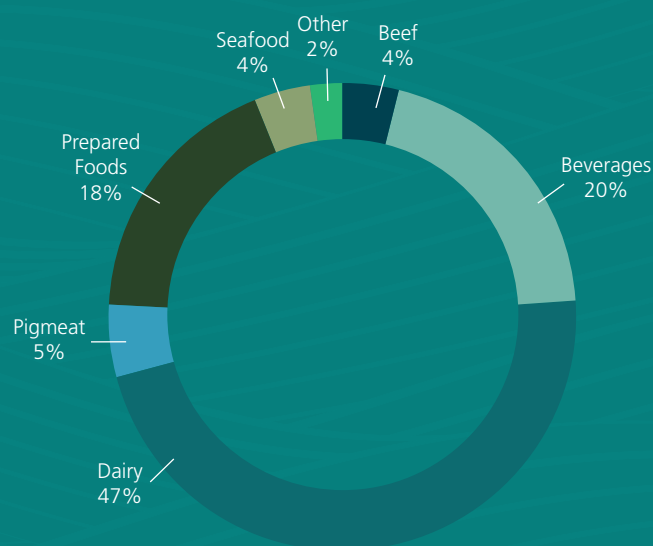
Source: Bord Bia estimates

International markets

Shipments of Irish food and drink products outside of Europe exhibited strongest growth in 2016 rising by an estimated 13% to just under €3.5 billion, or 31% of exports.

Trade in 2016 was led by stronger exports of dairy, beverages, prepared foods, pigmeat and beef which offset declines in seafood. Dairy accounts for some 47% of exports to International markets with beverages accounting for 20%.

Breakdown of Exports to International Markets in 2016 (%)



Source: Bord Bia estimates

SHIPMENTS OF IRISH FOOD AND DRINK PRODUCTS OUTSIDE OF EUROPE SHOWED THE HIGHEST LEVELS OF GROWTH IN 2016, RISING BY 13% TO REACH AN ESTIMATED €3.5 BILLION. THIS LEAVES THE REGION ACCOUNTING FOR 31% OF EXPORTS

SHIPMENTS TO RUSSIA RECOVERED BY SOME 41% DUE TO INCREASED DAIRY AND PREPARED FOODS EXPORTS BUT FROM A LOW BASE AND 30% BELOW LEVELS SEEN PRIOR TO THE CURRENT MARKET RESTRICTIONS



Exports to China were **35% higher** driven by increased dairy and pigmeat exports

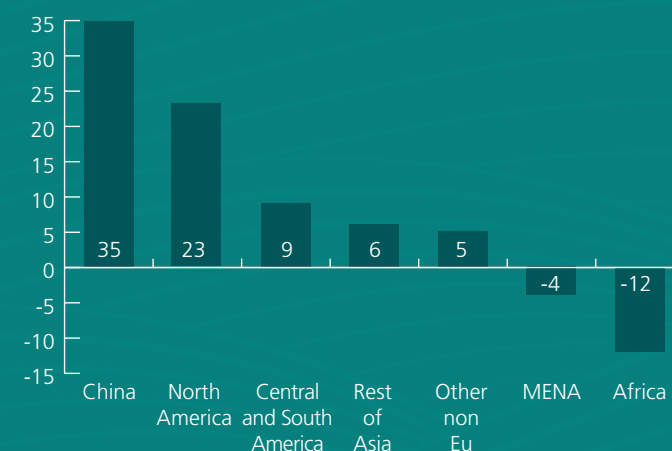


Trade to North America showed **a rise of 23%**

The growth in exports to non EU markets was led by North America, which showed a rise of around €200 million to over €1.1 billion. This was driven largely by the United States, which recorded a further jump of some 23% to €955 million. Beverages, dairy based prepared foods and to a lesser extent beef were the key categories driving export growth.

Exports to China were 35% higher driven by increased dairy and pigmeat and to a lesser extent seafood exports. Trade to the rest of Asia recorded a 6% rise due largely to increased exports to Japan, Philippines and Vietnam. Exports to the Middle East and Africa showed a decline by around 4% and 11% respectively on the back of lower prepared foods exports while trade to Central and South America showed a rise of 9%. Shipments to Russia recovered by some 41% due to increased dairy and prepared foods exports but from a low base and 30% below levels seen prior to the current market restrictions.

Change in International exports by region, 2016 vs. 2015 (%)



Source: Bord Bia estimates



The combined impact of the fluctuation in the euro relative to major currencies is estimated at around **€570 million**

DRIVERS OF EXPORT PERFORMANCE

Export performance in 2016 continued to be affected by factors such as exchange rate movements coupled with higher output in key categories. Movements in the global economy and food price developments also impacted export performance.

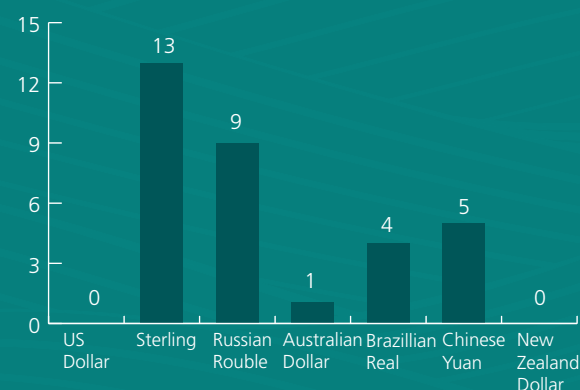
Currency movements

With 37% of food and drink exports destined for the UK and a further 31% to markets that predominately trade in US dollars any movement in exchange rates can significantly impact exports.

In 2016 the euro strengthened by an average of 13% relative to sterling. During the first half of 2016 the euro strengthened by 6% relative to sterling and this rose to 18% and 20% in quarters three and four respectively. Little change was reported in the euro relative to the US dollar while it was 5% higher against the Chinese yuan, 9% higher versus the Russian Rouble and 4% higher relative to the Brazilian Real. The euro also strengthened against the Australian dollar by around 1% and remained steady with the New Zealand dollar. The combined impact of the fluctuation in the euro relative to sterling and the US dollar is estimated at around €570 million.

Current market uncertainty particularly in the UK is expected to lead to further exchange rate volatility throughout 2017.

Key euro exchange rate developments, 2016 (% Change on previous year)



Source: Central Bank of Ireland

Higher volumes reported in key categories

There was an increase in volumes available for export across a number of key categories in 2016.

- Milk deliveries were over 5% higher during the first 10 months of the year
- Beef export volumes were 5% higher
- Pigmeat export volumes were 2% higher

The combined impact of higher output across the main product categories in 2016 is estimated to be in the region of €250 million.

WITH 37% OF FOOD AND DRINK EXPORTS DESTINED FOR THE UK AND A FURTHER 31% TO MARKETS THAT PREDOMINATELY TRADE IN US DOLLARS ANY MOVEMENT IN EXCHANGE RATES CAN SIGNIFICANTLY IMPACT EXPORTS

GDP Growth Projections

	2016	2017 (f)	Diff
World	3.1	3.4	0.3
USA	1.6	2.2	0.6
China	6.6	6.2	-0.4
Middle East	3.4	3.4	0
Sub Saharan Africa	1.4	2.9	1.5
Euro Area	1.7	1.5	-0.2
Ireland	4.1	3.6	-0.5
UK	2.0	1.5	-0.5
Germany	1.9	1.5	-0.4
France	1.3	1.4	0.1
Spain	3.2	2.3	-0.9
Netherlands	1.7	1.7	0

Source: International Monetary Fund and Eurostat



Crude oil prices averaged at \$43 per barrel in 2016 and are **projected to rise to \$55 per barrel** in 2017



According to the IMF the global economy is **forecast to grow by 3.4%** in 2017

Global Economy

According to the International Monetary Fund Global Outlook the global economy grew by an estimated 3.1% in 2016 with a slight increase to 3.4% anticipated for 2017, driven mainly by developing economies.

Growth in advanced economies remained subdued arising from uncertainty due to a slowdown in the US, particularly in the early part of the year. The euro area economy grew by an estimated 1.7% in 2016 with a growth of 1.5% predicted for 2017. Following Brexit, growth in the UK is expected to drop 0.5% to 1.5% in 2017. Growth in the US is expected to reach 2.2% in 2017 while growth in China is expected to stand at 6.6% for 2016 before easing to 6.2% in 2017. Lower oil prices have resulted in slower growth in the Middle East while a number of large economies in sub Saharan Africa have also slowed on the back of reduced commodity prices.

Global Commodity Market

Oil prices were 20% lower in 2016 according to the latest World Bank Commodity Outlook. Some recovery was evident from September on the back of OPEC's agreement to limit production. Crude oil prices averaged \$43 per barrel in 2016 and are projected to rise to \$55 per barrel. Non energy commodities such as metals are expected to decline for the full year 2016 followed by a recovery in 2017, while fertilisers prices are also forecast to see some recovery in 2017. Agricultural prices are expected to increase in 2017 on the back of higher energy costs.

Monthly Crude Brent Oil Price (USD per barrel)



Source: World Bank

Further easing in global food prices

Global agricultural commodity prices as measured by the FAO Food Price Index showed a decline of 3% between January and November 2016 relative to the same period a year earlier. The decline was driven by lower cereals, dairy and meat prices.

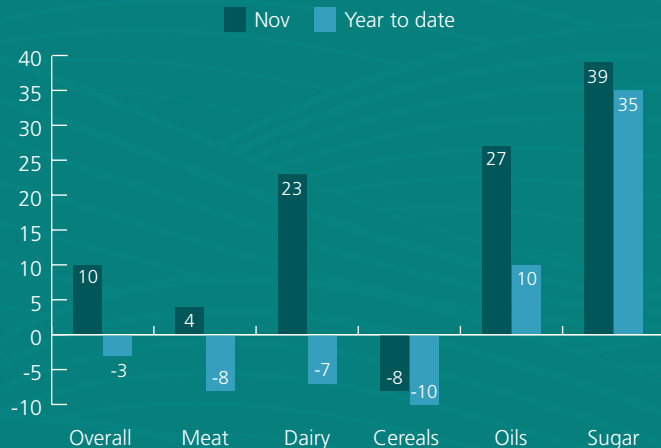
The index improved as the year progressed. November prices compared to year earlier prices are as follows: sugar 39% higher, oils +27%, dairy +23% and meat +4%. The overall index for the month was some 10% higher than 2015 levels.



The FAO Food Price index was **21% higher** than the 2000 – 2010 average

The FAO Food Price Index decreased by 3% during the first 11 months of 2016. However, the November index was 10% higher than the same month in 2015.

FAO food price index trends, 2016 versus 2015 (2002 – 2004=100)



Source: FAO

The global outlook for agricultural commodities remains relatively positive over the medium term, with growth projected albeit with significant volatility. According to the latest FAO/OECD agricultural outlook for the period to 2025, growth will continue but at a lower rate. This is attributed to a slowdown in demand on the back of a signalled decline in global population growth and some anticipated decline in emerging economies. Despite this, demand for meat, seafood and dairy products will see further growth over the period, particularly in developing countries with large population bases. This should help present a solid backdrop for Irish food and drink exports.

Consumer Prices

The latest European Commission economic forecast projects euro area GDP growth to slow to between 1.5% and 1.7% over the period 2016 to 2018, down from the 2% growth seen in 2015. Unemployment in the euro area is expected to decline in the short term from an estimated 10.1% in 2016, to 9.7% in 2017 and 9.2% by 2018. This should leave more disposable income for consumers. GDP growth in France, Germany and the UK are not expected to exceed 2% in 2017 while Ireland and central European countries such as Poland are projected to see growth above 3%.

Following some deflation in the first half of 2016 consumer prices in the euro area started to pick up in the third quarter. Inflation is forecast to reach 0.3% in the euro area for the full year rising to 1.4% in both 2017 and 2018. Trends varied by country so that while Germany and France saw modest inflation over the period, Ireland and Spain recorded some price deflation. Consumer prices in the UK have increased and were running ahead of the EU average for the January to October 2016.

ACCORDING TO THE LATEST FAO/OECD AGRICULTURAL OUTLOOK FOR THE PERIOD TO 2025, DEMAND GROWTH WILL CONTINUE BUT AT A SLIGHTLY LOWER RATE

FOOD PRICE DEVELOPMENTS ACROSS THE EUROZONE ARE RUNNING AHEAD OF OVERALL INFLATION



Milk and dairy products showed **consumer price deflation of 1.1%** while meat showed little change

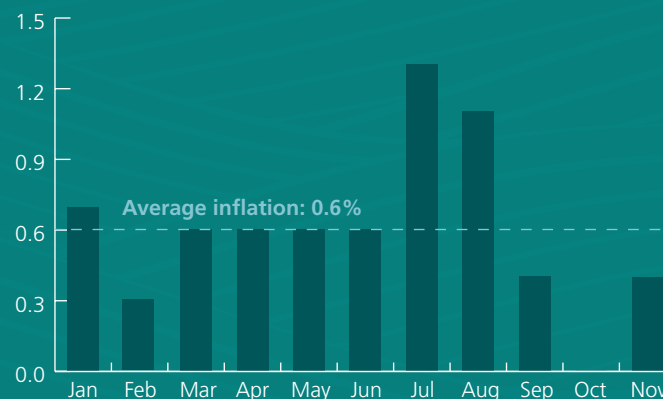


Irish cattle supplies are anticipated to increase by over **100,000 head**, which will lead to export volumes increasing by 6%

Food price developments across the Eurozone are running ahead of overall inflation, with a rise of 0.6% evident for the year up to the end of November.

uncertainty and contrasting economic activity in EU member states. However at this stage little change is expected in consumer confidence levels and any consumer price inflation across the eurozone is likely to be modest.

Eurozone Consumer Food Price Index Developments, 2016 (% change vs. same month in 2015)



Source: Eurostat

Over the 11 month period to the end of November, considerable variation was evident across different food categories with fruit and vegetables showing the highest level of inflation at 4.7% and 3.2% respectively. Milk and dairy products showed price deflation of 1.1% while meat showed little change.

The outlook for consumer food prices across the eurozone remains difficult to predict. Forecasts for economic growth in 2017 are tentative due to political

Competitiveness of the sector

The competitiveness of the Irish manufacturing sector as measured by Ireland's Competitiveness Scorecard published by Fórfas consolidated in 2016 with positive developments recorded in relation to economic growth, a declining debt and increased investment.

These factors combined with productivity gains, a streamlined regulatory process and fiscal sustainability are reflected in Ireland's performance in the various international competitiveness rankings. For example, in the IMD's World Competitiveness Yearbook Ireland's ranking has improved from 24th position in 2011 to 7th in 2016. Ireland is ranked 4th among OECD countries in the Forbes Best Countries for Business Index, 6th for the UN Human Development Index and 13th in the World Bank Doing Business Index. Threats to our international competitiveness in the short to medium term include commodity price and exchange rate volatility.

Prospects for Irish Food and Drink Exports in 2017

Currency volatility and uncertain economic growth prospects suggest a mixed market outlook for Irish food and drink exports in 2017. The recovery in global dairy markets is set to continue with declining supply anticipated in key export markets coupled with steady

import demand. Irish cattle supplies are anticipated to increase by over 100,000 head, which will lead to export volumes increasing by 6%. Prepared foods are likely to face ongoing competitive pressures arising from currency fluctuations although there is potential for growth in key markets particularly for confectionery, ready meals and bakery. Further strong growth potential exists for premium beverages such as whiskey, craft beer and cream liqueurs which continue to have a premium position in the global market.

2017 MARKETING ENVIRONMENT

THE MOST RECENT
BORD BIA CONSUMER
LIFESTYLE TRENDS
PROGRAMME
IDENTIFIES THE
BIGGEST TRENDS
SHAPING PEOPLE'S
LIVES OVER THE NEXT
THREE TO FIVE YEARS



Momentum - Consumers need to feel momentum in their lives and the challenge for businesses, brands and marketers is to create motion



Busy lives - As lives get ever busier and more mobile, people want smarter ways of managing their lives and maximising their time

Setting the Scene

2016 was a difficult year on many fronts amid numerous security concerns and political polarisation. 2017 will focus on a call for businesses, brands and marketers to create 'motion'.



Kantar Futures with Bord Bia survey 28,000 consumers around the world and deep dive into the branded environment across 60 cities. Findings point to global consumers being largely united in their stress, frustration and insecurity about their prospective futures. There is a general sense that consumers feel stuck, they want progress but it is slow and in some cases feels like regression. Consumers need to feel momentum in their lives.

Slower growth is the new normal within the global economy. Confidence in the 'direction my country is headed' and confidence in 'my personal financial situation' is at a 5 year low globally. There is an uneasiness among consumers created by a slow-growth economy, cultural anxiety and unforeseen risks to their physical & virtual

wellbeing. This uneasiness is realised in a rise in risk aversion among consumers. In this global environment consumers are hesitant but want to move forward. They need to feel they are progressing in some manner - the imperative will be to help them feel forward momentum, and to ensure their lives do not feel stuck.

Consumer Lifestyle Trends

Companies and brands can better connect with global consumers and help them feel momentum by tapping into what is important to them. The most recent Bord Bia Consumer Lifestyle Trends programme identifies the biggest trends shaping people's lives over the next three to five years and helps companies better prepare for the future needs and wants of their consumers both in Ireland and abroad. The challenge for manufacturers is to take into account the busy lives of consumers while merging the need for convenience, sustainability and authenticity into an affordable high quality product. There continues to be a greater focus on healthy lifestyles while creativity and sustainability remain key factors shaping consumers' decisions. The six trends identified were Busy lives, Shared Experiences, Personal Value Seekers, Responsible Living, Health and Wellbeing and Keeping it Real that are briefly summarised below.

BUSY LIVES:

"I want help managing and making the most of the time I have"

As lives get ever busier and more mobile, people want smarter ways of managing their lives and maximising their time. Technology has, on the one hand, made our lives more complicated, and brands that are able to cut through and make daily decisions feel simple really connect with consumers. On the other hand,



Social Media - Online social networks continue to play an ever-more significant role as consumers want shared experiences



Environmental concerns amongst consumers prevail

technological innovation is raising the bar, and facilitating a wave of sophisticated services that deliver a new level of convenience. Consumers now expect brands to be there exactly where and when they are desired, or ideally even just before. Leading brands are anticipating problems and needs before consumers even realise a decision needs to be made, and providing them with a range of smart, yet simple, solutions. In this new world of hyper-convenience, the quality and health credentials of food and drink are



as important as ever. To stay relevant, products and services must seamlessly fit into people's busy and complex lives, providing a consumer experience that is refreshingly straightforward and fuss-free.

is shared – the meaning is in the sharing. Brands that facilitate sharing in innovative ways will gain traction and engagement.

RESPONSIBLE LIVING:

"I want to live more responsibly and make better choices that make a difference, without having to compromise"

Consumer concerns about the environment prevail, but there are heightened expectations of businesses and with that the realisation that each one of us need to make a difference. While people remain disappointed with government efforts to tackle the world's big social and environmental problems, a new era of optimism is emerging. People are increasingly relying on themselves and their communities to instigate positive change. In particular, individuals are recognising that they have significant power if they work together with other members of their social networks. Brands should look to support consumers in their networked efforts to stand up and make a difference.

Meanwhile, consumers continue to expect companies to provide products and services that enable them to live an eco-friendly and ethical lifestyle without added cost or

CONSUMERS
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COST OR EFFORT

SHARED EXPERIENCES:

"I'm seeking experiences I can share with others, to enrich my daily life and escape life's pressures"

Enjoyable and novel experiences continue to form moments of escapism in consumers' lives and these experiences are increasingly geared towards sharing. The recession reminded people to value the simple pleasures of life – to find enjoyment in spending quality time with family and friends, and from other activities that don't require spending too much money. Interest in small pleasures continues, but a desire for more intense and meaningful experiences and new sensations is emerging, driven by a more positive economic environment and a sense of status increasingly derived from spending on experiences rather than possessions. Online social networks continue

FOOD WASTE IS A PARTICULARLY HOT TOPIC AT THE MOMENT FOR CONSUMERS, WHO ARE INCREASINGLY AWARE OF THE ENVIRONMENTAL AND FINANCIAL IMPLICATIONS OF WHAT THEY THROW AWAY



Transparency - Real products, made from real ingredients, by real people are increasingly important anchors for consumers



Value - Consumers want exceptional functional performance from products and services



effort. With the advent of new technologies – and older technologies becoming more mainstream and affordable – the bar for sustainable products and services rises

by the day. Expectations of how brands keep their own houses in order remain high as ever. New legislation and greater connectivity brings freely available information on the workings and supply chains of a company. Sustainable actions speak louder than words and consumers continue to require proof that brands are acting responsibly. Food waste is a particularly hot topic at the moment for consumers, who are increasingly aware of the environmental and financial implications of what they throw away. Brands should do all they can to minimise waste in their own supply chains, and also help consumers to reduce their personal food waste.

PERSONAL VALUE SEEKERS:

"I'm willing to spend money on the things that are valuable to me, and am pursuing more creative ways of getting what I want"

Getting the best value for money remains a top priority for consumers, although what 'value' represents continues to evolve. Despite a more favourable economic outlook, people are still paying careful attention to how the monthly pay cheque gets used – they are ready to spend, but not

on any old thing. They are insisting on defining value on their own terms, rather than letting brands dictate what they should find valuable. While 'value seeking' is a highly personal exercise, expectations of brands remain high across the board. Consumers still want exceptional functional performance from products and services, but are increasingly prioritising brands whose personalities and values align with their own – 'values' can be a new form of value. To ensure they get maximum benefit for what they spend, consumers continue to reach out for advice and guidance at every step. Online networks for review



and recommendation are ever more popular, and facilitating the emergence of new breed of consumer expert. These sources of information are considered to be increasingly credible, and are helping consumers achieve maximum value – as they define it.

KEEPING IT REAL:

"I am looking for products and brands that have real, authentic and honest origins"

Real products, made from real ingredients, by real people are increasingly important anchors for consumers in our ever more digitalised, intangible and shifting world. Both the increasingly globalised market place and the rapid pace of technological change are leaving consumers swimming



Traditional
ingredients and
production processes
are becoming more
important



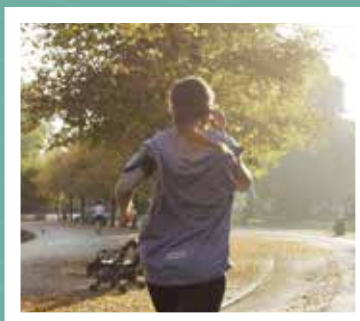
With a greater focus
on **health** there's
more emphasis on
sugar

in a sea of overwhelming choice and change. Simple and traditional ingredients and production processes are playing an increasingly important role in reassuring and 'grounding' consumers, connecting them to the tangible and unchanging aspects of life. Searching for products with total transparency about origins and ingredients has become an ever more important consumer coping strategy – no longer just a desire, but a necessity. 'Keeping it Real' remains an absolutely central trend for food and drink categories. However, brand activity in this space has become crowded, and in order to succeed, brands must have clear values and stick to them 100%. But to really stand out, brands need to do more than just talk about origins and tell stories about provenance; they need to find ways of allowing consumers to experience the joy and simplicity of products for themselves.

HEALTH AND WELLBEING:

"I want to achieve a holistic approach to physical health and emotional wellbeing"

To deal with their maxed-out lives, today's consumer has fully embraced a more holistic approach to looking after their wellbeing, which increasingly focuses on the mind as well as the body. People are embracing both science and nature to create sophisticated and tailored lifestyle plans. Paying attention to all facets of health has become a symbol of status. With this mind-set comes a growing desire to plan, track and measure different aspects of one's health, and an appetite for smart health management tools. Meanwhile, achieving balance amid busy lives is creeping higher on the consumer agenda; the desire to take care of mental and emotional wellbeing is growing, as well as interest in tools and solutions that help the



becoming more aware of how the social context in which they eat and drink contributes to holistic wellbeing. Brands that can celebrate social meaning around food have an opportunity to build a real emotional connection with consumers.



Sugar & The Consumer

With more focus on health, the spotlight has increasingly turned to sugar. More and more there is a focus in the media on the demonisation of sugar. The reality is there

consumer find the 'headspace' they are looking for. Food and drink remain key health and wellness strategies. Consumers continue to watch out for 'nasties' and scrutinise what goes into their mouths; 'natural' is an ever more important shortcut for 'good for me'. On the

other hand, people are becoming more aware of how the social context in which they eat and drink contributes to holistic wellbeing. Brands that can celebrate social meaning around food have an opportunity to build a real emotional connection with consumers.

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QUALITIES OF VITALITY,
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PERFORMANCE



1 in 4 - Almost one in four people have changed their breakfast choice for health reasons



21% - Baby boomers account for 21% of the global population

is little consumer understanding of the topic, and in many cases there is utter confusion. Consumers do know there is a role for sugar in terms of taste and preservative, however they are very confused with on-pack messaging; they feel powerless around packaging claims and can feel betrayed by hidden sugars. Interestingly, almost 1 in 4 (23%) people have recently changed their breakfast choices for health reasons. For instance, some 44% claim to be cutting back on sugar, while 13% of people are trying to reduce their carbohydrate intake.

There are over 30 technical terms for sugar, which is further confused by marketing definitions such as reduced sugar, low sugar and no sugar.

Manufacturers need to take the lead in the sugar debate and ensure that they are honest and transparent; strive to educate consumers about what the right choices are, and offer clear communication on pack.

Ageing Well

We are becoming more responsible when it comes to managing our health and wellbeing and more emphasis is being placed on how we manage our health for the future. Although we are a growing global population we are also ageing. Africa is the exception and the only continent that is not ageing. Baby boomers now account for 21% of the global population.

According to Dick Stroud, the author of Marketing to the Ageing Consumer, "Population ageing will soon equal sustainability as a global trend. For companies the challenge is one of marketing tactics and execution."

Understanding the effects of ageing and the evolving needs of the Baby Boomer generation enables brands to tap into this market. In order to develop innovative food and drink products and brands we must understand the differences amongst this generation to others. Above



all they are not homogeneous, therefore any targeting of them should be done on lifestyle not age. Companies should utilise an intergenerational positioning to steer away from age-specificity and more towards lifestyle and preference targeted offerings.

According to Ernst & Young, baby boomers spend the most across all product categories but are targeted by just 5-10% of marketing. Brands and manufacturers will have an opportunity to help preserve and maintain the lifestyles of an aging workforce. Qualities of vitality, energy, nurture and longevity will need to be instilled into food and drink products as aging employees seek to maintain performance. Things like snack, takeaway, and vended products will need to be targeted more aggressively at working seniors looking for on-the-go meals, and may need to take on a healthier, more energetic dynamic. Importantly, seniors prefer these qualities delivered as natural – rather than synthetic – benefits.

This is the first generation that grew up with the idea of brands as an expression of individuality and self. As they age they will still seek out new experiences and more importantly they have the money and motivation to pay for them.



Centennials are driving real, immediate changes in the marketplace



Brands of the future will find new sources of growth through better understanding of consumers

Centennials

Understanding the differences in lifestyles is vital when targeting consumers.

Centennials (or Generation Z who were born in 1997 to present), named based on their status as the first generation of the new century, are a critically important generation for marketers to understand. Despite their young age, Centennials are driving real, immediate changes in the marketplace. The Centennial generation doesn't refer to a static age range; they are today's youth cohort, and will quickly be the young adult cohort. Which means that the familiar Millennial "youth" cohort is all grown up.



Centennials are experiencing volatility, uncertainty, complexity and ambiguity in their daily lives like no generation before. They are the first generation ever to live in a world in which the 'population pyramid' doesn't actually look like a pyramid, as people are living longer. They are also the first mobile natives: they are coming of age in a time when every person has the same piece of technology in their hands, and that just happens to be a super computer that provides them with access to anything they need, when they need it. Economic

instability and slow growth is all they know. They have grown up amidst this turbulence.

A new generation is here, and they're projected to be even larger than Millennials, therefore understanding how they behave and what they believe in is a must for every business.

The Future of Women



Brands of the future will find new sources of growth through better understanding of consumers. This growing group of consumers; women who have spending power, and are shaping the future of society through their actions and choices.

Women represent just under half of the

global population and are the fastest growing group of consumers worldwide, yet analyses of their role in society are often one-dimensional and linear. Women act as catalysts for fundamental changes, which are shaping not just their own world, but everybody's world. It is important to understand women both because they are potential new sources of growth, and because the changes in how women think and act have repercussions for their wider society and, by implication, for popular and consumer culture.

Acknowledging that women effect change (as well as being affected by change) does not mean that women are always in a position to make pro-active, empowered decisions about their own circumstances. Freedom of women does and will be different within and between markets and brands need to understand the variances.

WOMEN REPRESENT
JUST UNDER HALF
OF THE GLOBAL
POPULATION AND
ARE THE FASTEST
GROWING GROUP
OF CONSUMERS
WORLDWIDE

MEAT & LIVESTOCK

Source: Bord Bia 2017

This sector represents

33%

of total food and drink exports

Irish meat and livestock is exported to **84** markets



€3.66 billion

the value of meat and livestock exports, a decrease of **2%**

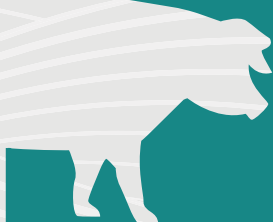
Beef
€2.38bn

Beef exports were valued at €2.38 billion, a decrease of **1%**



Pigmeat
€615m

Pigmeat exports increased by **4%** to €615 million



Ireland is the **5th largest** net exporter of beef in the world



Exports have increased by

34%

or **€900 million** since 2010

Poultry
€275m

Poultry exports decreased by **14%** to reach €275 million



Sheepmeat
€240m

Sheepmeat exports grew by over **4%** to reach €240 million



Livestock
€150m

Livestock exports declined by **23%** to €150 million



Meat & Livestock Exports

were 2% lower at
€3.66 billion

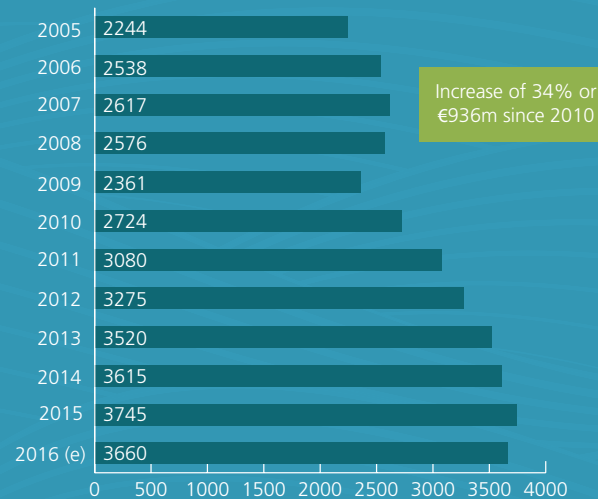


Beef Exports

decreased by 1%
to €2.38 billion

A difficult market environment for some meats was partly offset by higher volumes across all meat categories in 2016. This left the value of meat and livestock exports, including offals 2% lower at around €3.66 billion. This equates to 33% of total food and drink exports.

Trend in meat & livestock exports*, 2005 to date (€m)



Source: Bord Bia estimates

*includes beef offals

Key drivers of export performance

- Increased supplies across all categories
- High global pig prices
- Slower consumer demand in EU
- Exchange rate volatility

Beef

A recovery in finished cattle supplies largely offset lower average prices to leave the value of beef exports marginally lower in 2016.

Key beef export market developments in 2016

- Rise of 4% in EU beef output.
- Stability in EU consumption.
- Small rise in EU beef imports while exports increased by almost 20%.
- Irish beef export availability 5% higher.
- Fluctuating euro v sterling exchange rate affecting trade.

Export meat plant cattle supplies in Ireland are estimated to have increased by 5% in 2016 to around 1.64 million head. Increases were highest for young bulls and cull cows with heifer throughput up by around 3% and steers on a par with 2015 levels. A recovery in throughput numbers was partially offset by lower carcass weights to leave net production at some 590,000 tonnes including local abattoir output, a rise of 5%.

With domestic consumption up marginally, the volume of beef available for export was just over 535,000 tonnes, some 5% ahead of 2015 levels. The rise in export volumes was offset by a decline of more than 6% in average cattle prices. The net result was a slight decline in **the value of Irish beef exports to €2.38 billion.**

Irish Meat & Livestock Exports

	2015 €m	2016(e) €m	2016/2015 % +/-
Beef (incl. offals)	2,410	2,380	-1
Pigmeat	590	615	+4
Poultry	320	275	-14
Sheepmeat	230	240	+4
Live Animals	195	150	-23
TOTAL MEAT & LIVESTOCK	3,745	3,660	-2

THE RETAIL MARKET ACROSS EUROPE CONTINUES TO BE DRIVEN BY A SEARCH FOR VALUE AMONG CONSUMERS WITH BEEF FACING STRONG COMPETITION FROM CHEAPER PROTEIN SOURCES



Volumes of Irish beef destined for the United Kingdom stood at an estimated 270,000 tonnes, which equates to **50% of total exports**



Exports to **Continental European markets** increased by 9% in 2016 to stand at an estimated 240,000 tonnes

Beef Exports (€m)

2015 €m	2016 (e) €m	2016/2015 % +/-
2,410	2,380	-1%

Markets for Irish beef

The retail market across Europe continues to be driven by a search for value among consumers with beef facing strong competition from cheaper protein sources such as pork and poultry. Similar trends are evident at foodservice level. Origin of meat remains an important priority for many consumers and meat manufacturers with this becoming more apparent in France and the UK.

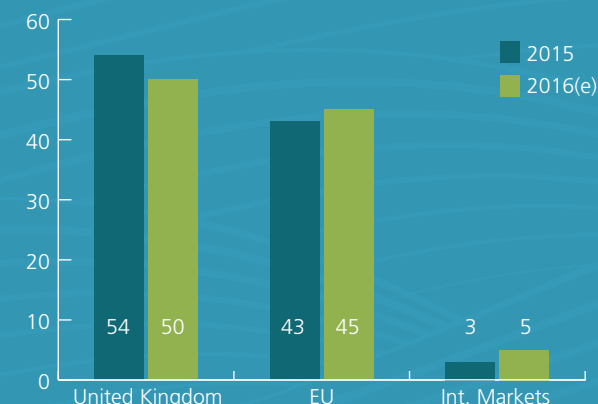
Volumes of Irish beef destined for the **UK** declined by around 2% in 2016 to an estimated 270,000 tonnes, which equates to 50% of total exports. UK beef consumption increased slightly in 2016. In value terms, Irish exports were less competitive due to a 12% weakening of sterling against the euro. Total exports were worth around €1.1 billion some 3% down on 2015 levels.

Exports to **Continental European** markets increased by 9% in 2016 to an estimated 240,000 tonnes. With Irish prices more competitive in 2016, increases were recorded in exports to the Netherlands, Germany, Italy, Spain and Scandinavia. Increased promotional activity in Germany and the Netherlands throughout the year helped improve market presence. Overall, higher volumes to the continent were partly offset by lower unit prices and left trade for the year valued at almost €1 billion.

Exports of Irish beef to **International markets** grew sharply in 2016 to over 25,000 tonnes and were valued at €60 million. Growth markets for Irish beef included the Philippines, with volumes more than double 2015 levels, the US which exceeded 3,000 tonnes following the

reopening of trade in 2015 and Switzerland which also exceeded 3,000 tonnes.

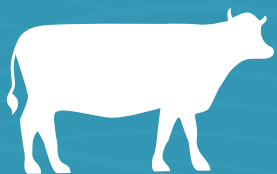
Distribution of Irish beef exports (% in value terms)



Source: Bord Bia estimates

Outlook for 2017

The prospects for the **EU** beef market in 2017 are mixed. Preliminary forecasts suggest some further growth in output in the EU-15 region in 2017 but at a slower rate. Higher production is expected in France, Ireland and Spain which will offset anticipated reductions in the UK and Germany. Consumption levels within the EU-15 remained relatively steady in 2016. This is likely to continue in the short term with total consumption of around 6.75 million tonnes. Consumption in Germany is expected to remain steady with modest growth forecast in the Netherlands, Spain and Nordic markets such as Sweden.



In the United States, beef supplies are set to **rise by 4%** in 2017



Global beef trade set to **increase by over 2%** in 2017

EU exports showed double digit growth in 2016 boosted by significant growth in trade with Turkey coupled with increased trade to African and Asian markets. The trade situation with Russia continues to negatively impact export potential.

In the **United States**, beef supplies are set to rise by 4% in 2017 following growth of almost 6% in 2016. This has been helped by stronger feeder cattle supplies coupled with increased carcase weights due to lower feed costs. This rise in production coupled with slower consumption is expected to lead to an 11% decline in imports in 2017.

Australian cattle supplies were at their lowest level in twenty years in 2016 due to herd rebuilding. Looking ahead to 2017, a further 2% decline is expected in production. In terms of exports, shipments in 2017 are expected to be 4% below 2016. This will leave exports 25% lower than 2015 levels.

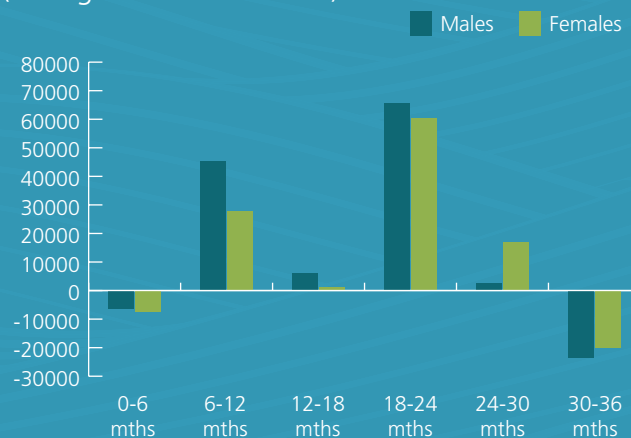
In South America, supplies are expected to rise amid increased production from Brazil while Argentine production is set to grow modestly on the back of a removal of export taxes. Brazilian production is forecast to rise by 2% in 2017 with exports jumping a further 5% to make Brazil the largest beef exporter in the world. However, much will depend on currency developments, as a weaker Real helped Brazilian exports become more competitive throughout 2016.

Although global production is expected to ease modestly next year global beef exports are set to increase by over 2% driven by anticipated higher volumes from Brazil and the US. Little change is anticipated in beef prices internationally.

Key beef market drivers for 2017

- Small increase in EU beef production.
- Steady EU consumer demand anticipated.
- Stronger global export supplies.
- Currency fluctuations in UK market.
- Rise of up to 6% in Irish cattle supplies.

Trends in cattle numbers by age, Oct 1st 2016 (change in head vs. 2015)



Source: Department of Agriculture, Food and the Marine

Recovery in Irish cattle supplies

A decrease of almost 58,000 head in live cattle exports in 2015 combined with a rise of over 133,000 head in calf registrations is pointing to a significant increase in finished cattle supplies in 2017.

IRISH FINISHED CATTLE SUPPLIES FOR THE FULL YEAR 2017 ARE EXPECTED TO RISE BY BETWEEN 100,000 AND 110,000 HEAD WHICH REPRESENTS A 6% RISE

DURING 2016 IRISH MALE CATTLE PRICES REMAINED SLIGHTLY AHEAD OF THE EU AVERAGE AT €3.77/KG



The average male cattle prices across the EU in 2016 showed a **decline of over 4%** and stood at €3.76/kg



During 2016 Irish male cattle prices remained **ahead of the EU average** at 100% of the EU equivalent

Figures from the Department of Agriculture's AIM database for October 1st 2016 show a recovery of almost 66,000 head in the number of male cattle aged 18 – 24 months while numbers in the 12 – 18 months category were around 6,000 head higher relative to a year earlier. Female numbers in the 18 – 24 months age bracket were 60,000 head higher while numbers of heifers aged 12 – 18 months were 1,000 head higher.

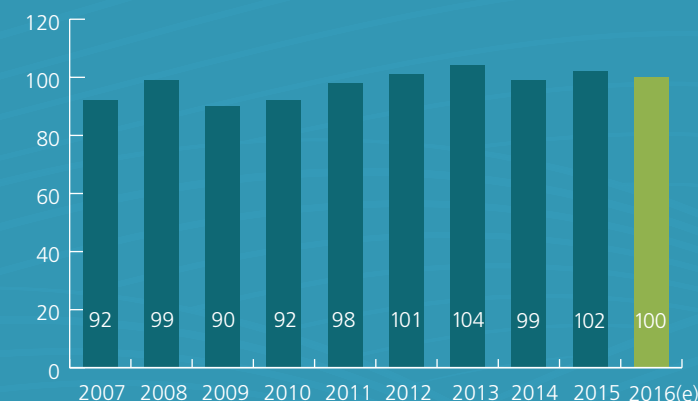
Taking these figures into account, supplies at export plants are expected to increase throughout 2017 with most of the increases likely in the early part of the year. Finished cattle supplies for the full year 2017 are expected to increase by between 100,000 and 110,000 head or 6%.

Little change is expected in average carcase weights in 2017. However, much will depend on weather conditions throughout the year. These developments would leave export availability standing at around 565,000 tonnes, a rise of over 6%.

Cattle price developments

During 2016 Irish male cattle prices remained slightly ahead of the EU average at €3.77/kg. The average male cattle prices across the EU in 2016 showed a decline of over 4% and stood at €3.76/kg. In contrast the average male cattle price in the UK showed a decline of over 10% at €4.15/kg leaving Irish prices at 92% of the UK average.

Irish R3 steers as % of EU-15 weighted R3 male cattle prices, 2007 to date



According to the CSO, feed costs in general were back by around 2% while fertilizer and energy prices have each reduced by over 10% which eased some pressure on producers.

Looking ahead to 2017 it is anticipated that higher Irish cattle supplies particularly and currency volatility will create challenges for prices. However it is hoped that further growth in exports to international markets will provide additional options for exporters.

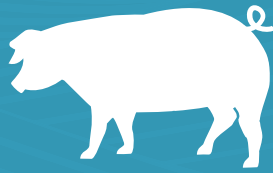
Factors affecting 2017 Irish finished cattle supplies

- Decline of 58,000 head in live exports in 2015.
- Rise of over 130,000 in 2015 calf registrations.
- Increased retention of breeding heifers on dairy farms.



Pigmeat Exports

were 4% higher at €615 million



Export meat plant pig supplies in Ireland are estimated to have **increased by 3%** in 2016 to reach 3.26 million head

Pigmeat

A 3% rise in domestic production, a modest increase in EU output and higher global prices led to an improvement in the market environment for Irish pigmeat in 2016. This is reflected in pig producer prices, with Irish prices up almost 2% for the year at €1.46/kg while EU prices were 3% higher compared to 2015 levels.

Key pigmeat export market developments in 2016

- Higher international demand.
- Increased EU production.
- Stronger consumer demand in Europe.
- EU pig prices up by 3%, Irish prices over 1% higher.

Higher pig supplies in Ireland

Export meat plant pig supplies in Ireland are estimated to have increased by around 3% in 2016 to reach 3.26 million head.

This increase reflects a rise of around 4% in finished pig supplies on the back of stronger numbers of breeding sows coupled with increased productivity per sow. Supplies were also boosted by a 18% decline in live exports. Production volumes were offset by some reduction in carcase weights. This left production for the year at almost 285,000 tonnes.

Higher pigmeat retail sales

Retail sales of pigmeat on the Irish market were stronger for all categories in 2016. Pork sales for the year to December 4th were up by around 1% in volume terms. Similarly increases were evident for sausages, bacon and sliced cooked meats. Overall pigmeat consumption increased marginally to 148,000 tonnes for 2016.

Recovery in value of exports

Irish pigmeat imports are estimated to have fallen by 3% in 2016 to around 97,000 tonnes largely due to reduced imports from continental EU markets. This combined with higher production and consumption resulted in the volume of pigmeat available to export rising by 2% to around 233,000 tonnes.

An increase in pig prices particularly in the second half of the year **left the value of Irish pigmeat exports up by 4% in 2016 at €615 million.**

Pigmeat Exports (€m)

2015 €m	2016(e) €m	2016/2015 % +/-
590	615	+4

Markets for Irish pigmeat

Irish pigmeat shipments to the UK showed some decline due to unfavourable exchange rate movement post Brexit which led to a 4% drop in shipments to 88,000 tonnes. The value of this trade is estimated at €345 million, some 5% lower than year earlier levels.

Exports to **Continental EU** markets showed little change with some increase in shipments to Denmark and the Netherlands offset by lower volumes to Germany and

HIGHER OUTPUT AND AN INCREASE IN PIG PRICES PARTICULARLY IN THE SECOND HALF OF THE YEAR LEFT THE VALUE OF IRISH PIGMEAT EXPORTS UP BY 4% IN 2016 AT €615 MILLION

EXPORTS OF IRISH PIGMEAT TO INTERNATIONAL MARKETS GREW BY 20% DRIVEN BY HIGHER DEMAND FROM ASIA, PARTICULARLY CHINA



China remains the second largest market for Irish pigmeat, with exports reaching over **65,000 tonnes**



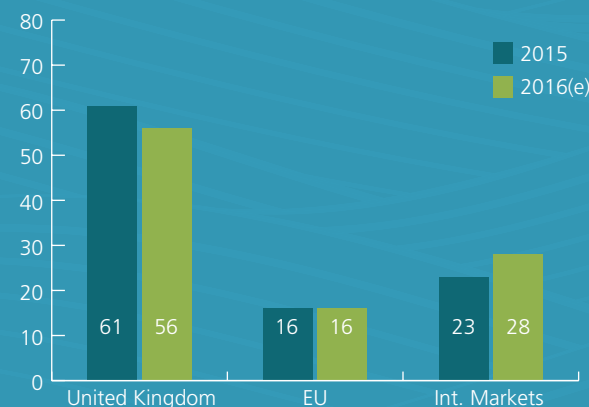
Brazilian production is forecast to **rise by a further 3%** in 2017

France. For the year, exports to the Continent stood at 50,000 tonnes with the value of trade increasing marginally to almost €100 million.

Exports of Irish pigmeat to **International markets** grew strongly driven by higher demand from Asia, particularly China. The continued evolution of Chinese consumer behaviour towards a more westernised diet has led to a significant increase in demand for higher value products such as bone in leg and shoulder meat resulting in higher unit prices for pigmeat exports. China remains the second most important market for Irish pigmeat, with exports exceeding 65,000 tonnes. Slower demand from some markets across South East Asia has been offset by increased exports to Japan following a decline in 2015.

For the full year exports of Irish pigmeat to international markets are estimated to have grown by over 20% to 95,000 tonnes. This trade was valued at an estimated €170 million.

Distribution of Irish pigmeat exports (% of value)



Source: Bord Bia estimates

Outlook for 2017

Early indications suggest market prospects for the global pork market in 2017 are mixed due to a forecast recovery in supply in key producing countries. The ongoing absence of the Russian market combined with an anticipated easing in demand from some Asian countries could have a negative impact on trade. Production levels are expected to remain relatively stable in Ireland with some slowdown across the EU on the back of a decrease in the breeding herd in major producing countries such as Spain.

In the **United States**, the market is recovering with stronger herd growth recorded in 2016 and this is expected to continue into 2017. Production is expected to rise by 4% in 2017 driven by herd expansion with exports projected to increase by an equivalent amount. This is likely to result in increased US trade with Asian markets.

In **Brazil**, increased production and favourable exchange rates boosted exports, with Russia the principal destination. Brazil has been the main beneficiary of the Russian embargo on EU product; however its dependence on this market has declined somewhat due to improved market access in Asia. Brazilian production is forecast to rise by a further 3% in 2017, which should boost export volumes, although much will depend on currency developments.

In **China**, sow numbers were 4% lower in May 2016, however herd replenishment continues, albeit at a slow rate. Despite this, pork imports are estimated to have reached a record level of 2.4 million tonnes in 2016. Domestic supplies are expected to recover in 2017 which coupled with increased competition from major global producers is likely to lead to some softening in import demand during the second half of 2017.

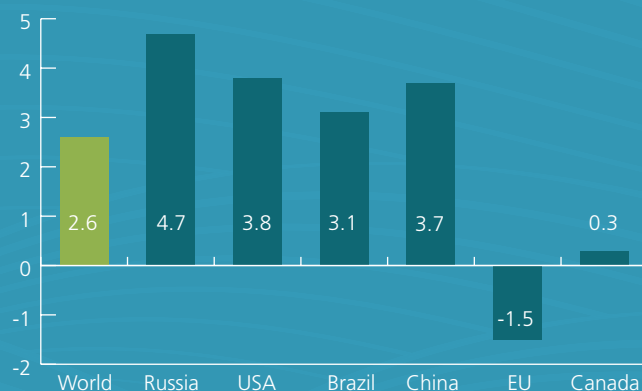


China will remain a key market for Irish exports, however much will depend on Chinese domestic production



Input prices to be helped by ongoing high grain supplies

Global pigmeat production forecast trends, 2017 (projected % change on 2016 levels)



Source: Bord Bia based on USDA and GIRA

Steady Irish pig supplies

Any growth in Irish production in 2017 is expected to be modest. Assuming all other factors are unchanged, export availability in 2017 is forecast to be maintained at 2016 levels.

China will remain a key market for Irish exports. However, much will depend on Chinese domestic production, competition from global exporters and exchange rate fluctuations. A prolonged period of uncertainty around Brexit will continue to determine the competitiveness of Irish pigmeat product in the UK, in particular for secondary processing companies. Some increase is expected in trade to international markets due to higher demand from South East Asian markets.

Domestically, consumption on the home market has benefited from some improvement in the economy as consumers are purchasing within the category more frequently. Bord Bia supported promotional activity in 2017 is expected to support consumption particularly in the pork subcategory.

Looking at input prices at producer level, the latest Rabobank agri commodity outlook has pointed towards record production in the US for corn and soybean while European supplies of wheat are predicted to remain at historically high levels. This should help underpin competitive feed prices in the short term.

Factors affecting 2017 pigmeat prospects

- Modest decrease in EU output.
- Euro exchange rate against the US dollar.
- Mixed demand in Asia.
- Russian restrictions to persist.
- Stronger supplies in the US.

IRISH EXPORT
AVAILABILITY IN 2017
IS FORECAST TO BE
MAINTAINED AT 2016
LEVELS

SHEEPMEAT OUTPUT
ACROSS THE EU
RECOVERED BY
ALMOST 2% IN 2016
TO APPROXIMATELY
825,000 TONNES



Sheepmeat Exports

were 4% higher
at €240m



Total sheep disposals
in Ireland increased
marginally in 2016 to
2.67 million head

Sheepmeat

Irish sheepmeat exports continued to perform well in 2016 as a more positive price environment helped export values.

Key sheepmeat export market developments in 2016

- Recovery in EU production and consumption.
- Rise in New Zealand shipments to EU.
- Higher Irish supplies offset by lower carcase weights

Sheepmeat output in the EU is estimated to have recovered by almost 2% in 2016 to approximately 825,000 tonnes, with most countries indicating either stable or marginally higher production for 2017. This rise in 2016 production in the EU was largely driven by higher output in Spain, France and Ireland and offset somewhat by marginally lower UK output.

EU imports of sheepmeat were 3% higher during the first nine months of 2016. This reflects increased imports from New Zealand while some reduction in shipments from Australia was reported.

Overall EU exports are estimated to have recovered by 20% in 2016. Lower trade to Hong Kong was offset by higher trade to Jordan, Israel and Switzerland. A sharp rise in shipments to Libya was reported for the first three quarters of 2016 following a decline in trade in 2015 with most of this driven by live sheep. EU consumption declined marginally by 1% throughout 2016 with decreases seen in most member states.

Rise in Irish output

It is estimated that total sheep disposals in Ireland increased 3% in 2016 to 2.67 million head. This reflects a 7% rise in supplies of hoggets in the early part of the season coupled with a significant rise in adult sheep disposals and stronger imports of lamb from Northern Ireland.

Carcase weights were somewhat lower which offset the rise in throughput. Overall sheepmeat production showed a rise of over 2% to around 60,000 tonnes in 2016.

Market demand developments

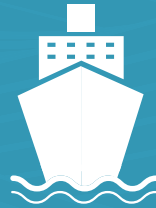
Domestic consumption declined in 2016 following a reduction in prices of key competing proteins. Retail sales of lamb slowed in the second half of the year and for the 52 week ending period 4th December were back by over 8% in volume terms due to lower frequency of purchase. For the year, total sheepmeat consumption is estimated to have decreased to just under 15,000 tonnes. This represents a drop of over 5%.

These factors led to an increase of over 3% in the volumes available for export at 49,000 tonnes.

With lamb prices on average steady at €4.81/kg, coupled with increased exports, the **total value of Irish sheepmeat exports is estimated to have increased by 4% in 2016 to €240 million.**



The **UK and France** account for just under 60% of total export volumes



Irish exports to Sweden performed strongly with volumes estimated to have reached **5,000 tonnes**

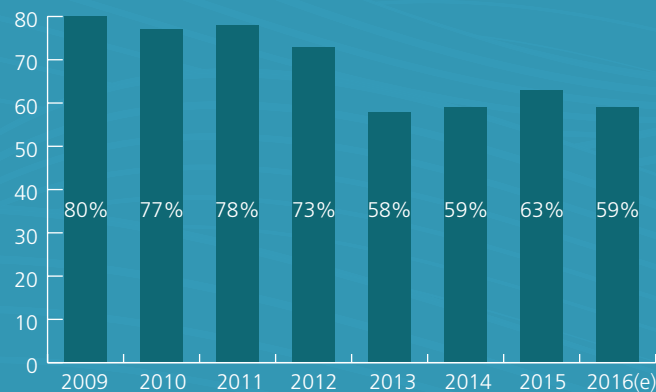
Sheepmeat Exports (€m)

2015 €m	2016(e) €m	2016/2015 % +/-
230	240	+4

Markets for Irish Sheepmeat

The UK and France continue to be the core markets for Irish sheepmeat accounting for just under 60% of total export volumes. Exports to France eased by around 2% to 16,000 tonnes and were valued at €90 million. Shipments to the UK were affected by a challenging currency environment and showed a decline of 4% to almost 13,000 tonnes.

Proportion of sheepmeat exports destined for UK & France (% of export volumes)



Source: Bord Bia estimates

Key growth markets across Europe were Germany, Belgium, Sweden and Denmark. Looking at non EU markets, Switzerland remains the main destination followed by Hong Kong. There was a strong increase in shipments to Switzerland making it one of the top five growth markets for Irish lamb. Overall international trade in 2016 was estimated at almost 2,000 tonnes accounting for around 4% of exports.

Shipments to **Germany** showed a rise of 9% to 4,000 tonnes valued at an estimated €24 million. Germany is our fourth largest market for lamb and has a growing appreciation of lamb among consumers particularly in ethnic channels. Premium retailers and foodservice providers have recognised lamb growth and have responded with increased promotional activity outside the traditional lamb consumption periods of Easter and Christmas.

In **Belgium**, imports from New Zealand declined following a recovery in 2015 while imports from the UK also decreased. Shipments of Irish lamb showed an increase of over 10% to just under 4,000 tonnes and were valued at €23 million.

Irish exports to **Sweden** performed strongly with volumes estimated at 5,000 tonnes in 2016, making Sweden our third largest market. Ireland supplies almost one third of Sweden's sheepmeat imports and is second to New Zealand as the main import supplier. Irish lamb has secured a strong presence across a number of Nordic retailers in both private label and branded offering which has helped boost our exports.

EXPORTS OF IRISH LAMB TO GERMANY SHOWED A RISE OF 9% TO REACH 4,000 TONNES AND WERE VALUED AT AN ESTIMATED €24 MILLION TO LEAVE GERMANY AS IRELAND'S FOURTH LARGEST MARKET FOR LAMB

EU SHEEP OUTPUT IS
LIKELY TO INCREASE
AGAIN IN 2017 BUT AT
A LOWER RATE THAN
2016

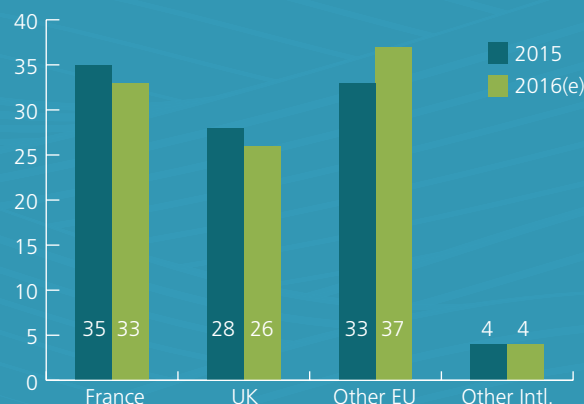


Irish sheepmeat exports to Other EU markets account for an estimated **37%** of volumes



In New Zealand, export volumes in 2017 are expected to **decline by around 6%**

Distribution of Irish sheepmeat export volumes (%)



Source: Bord Bia estimates

Outlook for 2017

The global sheepmeat market continues to be differentiated by the traditional markets of Europe and emerging markets where domestic supplies struggle to match demand. Such developments are leading to a narrowing of the price differential between New Zealand and European lamb.

Following a rise in 2016, **EU** output is likely to increase again in 2017 but at a lower rate of growth driven by increases in the UK. It is hoped that stable production growth, a strong live trade and a forecast drop in New Zealand output will help price levels. The live trade will depend on sanitary issues and the political and economic situation in key destinations such as the Middle East and North Africa.

In **China**, demand for sheepmeat imports eased in 2016 due to a recovery in domestic supplies. However consumption is growing and this looks set to continue in 2017. New Zealand is the main supplier of sheepmeat to China and the supply relationship was reinforced by a trade deal between the two countries agreed in early 2016. In contrast import demand in the Middle East is expected to remain strong in 2017 on the back of steady consumption.

In **New Zealand**, export volumes in 2017 are expected to decline by around 6%, reflecting lower production. In Australia volumes are expected to increase on the back of a recovery in their production following some decline in 2016. With global demand likely to remain steady, lower volumes from New Zealand are expected to help global sheep prices.

Factors affecting 2017 sheepmeat prospects

- Steady EU sheepmeat production.
- Reduced availability of New Zealand lamb.
- Currency fluctuations
- Stronger Irish sheep supplies.



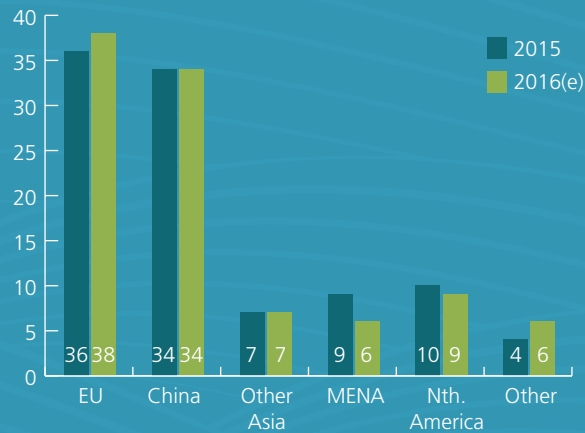
Stronger spring lamb disposals in Ireland during the latter part of 2016 suggest a steady carryover of **hogget supplies** for the early months of 2017



As **Easter** is falling two weeks later in 2017, this should lead to stronger marketings at that time

Distribution of New Zealand sheepmeat export volumes (%)

a premium position in the European market, and with increased promotional activity planned in emerging markets over the next three years bodes well for the sheepmeat sector.



Source: GTIS

Religious festivals continued to impact demand during 2016 with supplies increasing around the Muslim festival of Eid al-Adha. As Easter falls two weeks later in 2017, this should lead to stronger markets at that time while Muslim festivals later on in the year should also boost demand.

Stronger spring lamb disposals in Ireland during the latter part of 2016 suggest a steady carryover of hogget supplies for the early months of 2017. Thereafter much will depend on lambing conditions during the spring. The more stable price environment in 2016 is likely to result in good supplies again in 2017. Given the attractiveness of Irish lamb, European retail/foodservice buyers are increasingly looking towards Ireland as a source of high quality product. This has helped Irish lamb carve

EUROPEAN RETAIL/
FOODSERVICE BUYERS
ARE INCREASINGLY
LOOKING TOWARDS
IRELAND AS A SOURCE
OF HIGH QUALITY
PRODUCT

STRONGER SUPPLIES
ACROSS THE EU
AND LOWER PRICES
DURING THE YEAR
RESULTED IN A
CHALLENGING MARKET
ENVIRONMENT FOR
THE POULTRY SECTOR
IN 2016



Poultry Exports
were 14%
lower at
€275 million



Retail sales of fresh and chilled poultry in Ireland **increased by 9%** during the 52 week period ending November 6th 2016

Poultry

Stronger supplies across the EU and lower prices meant a challenging market environment for the poultry sector in 2016. Poultry production across the EU is estimated to have increased by almost 3% in 2016 with most of this increase evident in broiler and turkey output. Up until the week ending December 18th 2016, the number of broilers processed in Ireland increased by over 10% on year earlier levels to 89 million head.

Imports into the EU were higher throughout 2016 reflecting a 2% rise in shipments from Brazil and a 6% rise in imports from Thailand. EU Exports were around 10% higher as a result of increased trade to South Africa and Asian markets such as Hong Kong and the Philippines. Broiler prices across Europe decreased by around 5% to €1.78/kg.

Key poultry export market developments in 2016

- 3% rise in EU poultry production.
- EU imports higher
- Stronger EU exports
- Lower feed costs reduced input costs

Retail sales of fresh and chilled poultry in Ireland increased by 9% to 52,000 tonnes product weight during the 52 week period ending December 4th 2016 compared to previous year levels. Most of this increase was attributed to chicken, with volumes purchased per shopping trip up 8% and frequency of purchase increasing by 2% though at a lower average price per kilo.

Irish imports of poultry declined by over 7% during the year and are estimated at some 120,000 tonnes in product weight terms. This was largely due to reduced fresh and frozen imports from the UK and other EU markets. Irish export volumes decreased by some 10% to an estimated 95,000 tonnes in 2016.

For the year it is estimated that the value of Irish poultry exports decreased by 14% to around €275 million, driven by lower export prices coupled with unfavourable exchange rates in our key export markets.

Poultry Exports (€m)

2015 €m	2016(e) €m	2016/2015 % +/-
320	275	-14

The value of trade to the **UK**, decreased by over 10% in 2016 driven by lower volumes of processed poultry, poultry offals and frozen poultry coupled with a significant reduction in unit prices. Trade for the year was valued at some €235 million or 85% of total exports. A high proportion of these exports are offal type products which are redirected to International markets once they reach the UK.

Despite stronger export volumes, the value of exports to **other European markets** decreased to around €20 million in 2016 due to lower unit prices. This represents a decline of around 30% in value terms compared to 2015. The main export markets were France and the Netherlands particularly for frozen and processed product, while some growth was recorded in trade to Spain albeit from a low base.



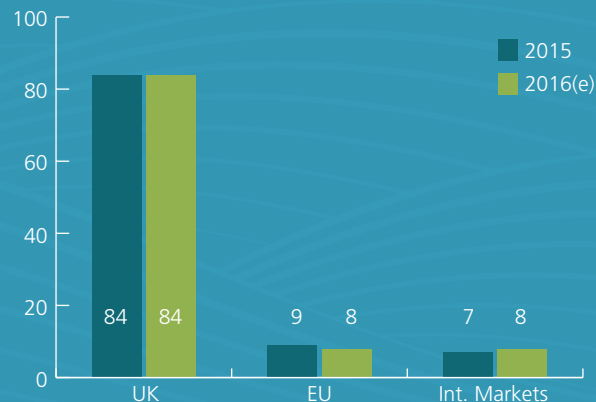
Shipments to **international markets** showed some decline and were back around 6% in 2016 at €20 million



In the US, production is expected to increase by around **2%** to reach record levels

Similarly shipments to **international markets** showed some decline and were back around 6% in 2016 at €20 million. International exports were mainly destined for Africa principally South Africa, with some volumes also exported to the Middle East and South East Asia.

Distribution of poultry exports (% by value)



Source: Bord Bia estimates

Outlook for 2017

The key fundamentals of the global poultry outlook for 2017 are positive. Feed prices are expected to remain low, while poultry is likely to remain competitively priced compared to other proteins such as beef. With Chinese supplies at historically low levels on the back of reduced live imports, some increase in global trade is anticipated throughout 2017. Global production is expected to recover in some of the main producing regions such as **Brazil** and the US. Robust demand from export markets

particularly in Asia and the Middle East should see Brazilian poultry exports increase by around 2% in 2017. In the **US**, production is expected to increase by around 2% to record levels as lower feed costs help expansion in the sector. Improved health status has resulted in a removal of HPAI related restrictions on US exports and this is set to continue in the short term. For the full year 2017, domestic consumption in the US is likely to come under pressure from reduced beef prices and ultimately exports are forecast to rise by 5%.

No significant change is expected in Irish poultry production in the short term while **EU** production is forecast to increase by over 1% in 2017. Most of this growth will come from Poland with increases also expected in Spain and the UK. Environmental constraints are expected to curtail production in the Netherlands and Germany for the year ahead while anticipated growth in overall EU production may be impacted by outbreaks of avian influenza in a number of member states during the last quarter of 2016.

GLOBAL POULTRY
OUTPUT TO
RECOVER IN 2017 AS
COMPETITIVE FEED
PRICES AND STRONG
DEMAND SEEM SET TO
CONTINUE

TOTAL LIVE CATTLE EXPORTS FELL BY 18% IN 2015 TO AROUND 146,000 HEAD WITH ALL CATEGORIES OF LIVESTOCK SHOWING SIGNIFICANT DECLINES



Livestock Exports
were down 23% at €150 million



Exports to **non-EU markets** have more than **doubled** driven by the opening of trade with Turkey

Live Animals

Reduced shipments of livestock were recorded in 2016 with live cattle and pigs showing significant declines offset somewhat by stronger sheep exports. **The value of Irish livestock exports declined by around 23% for the year to an estimated €150 million.**

Livestock Exports (€m)

	2015 €m	2016(e) €m	2016/2015 % +/-
TOTAL	195	150	-23
Of which:			
– Cattle	135	98	-27
– Pigs	55	45	-18
– Sheep	5	7	+40

Live cattle exports

Total live cattle exports fell by 18% in 2015 to around 146,000 head. Shipments of all categories of livestock showed a significant decline for the majority of the year. The number of calves exported in 2016 fell by 16%, adult or finished cattle numbers were back by around 50%. Exports of weanlings and stores were 14% higher over the full year offsetting decreases in other categories.

Calf exports continued to be negatively affected by sanitary restrictions which reduced market access and resulted in limited exports to Belgium. Tighter transport regulations coupled with relatively steady calf prices reduced our competitiveness in the Netherlands with

calf exports down almost 40% on 2015 levels at around 27,000 head. However this was offset somewhat by increased trade to traditional markets such as Spain where there was an 18% rise in calf exports. Calf prices in Ireland were 8% higher on average for dairy bred stock driven by strong farmer demand, while beef bred calves in contrast were 8% lower. This coupled with reduced calf prices in some of our main calf export markets led to reduced competitiveness of Irish calves. For the year calf exports are estimated to have reached 73,000 head.

Exports of weanling and stores were over 10% lower for most of the year but recovered strongly in the latter part of the year for a 14% rise in shipments. The sluggish early season trade was driven by reduced demand in markets such as Italy while the recovery was driven by new market access to Turkey and a renewal in North African trade particularly towards the end of the year. Overall, total exports of weanlings and stores stood at an estimated 49,000 head, up 14% on 2015 levels.

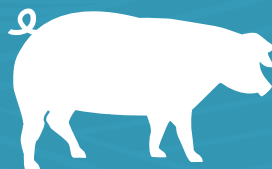
Exports to Northern Ireland and Great Britain showed a significant decline due largely to the fluctuating exchange rates which reduced our price competitiveness in these markets. Adult or finished cattle make up the majority of live cattle exports to the UK.

Exports to non-EU markets have more than doubled driven by the opening of trade with Turkey which has taken over 12,000 head of yearlings and stores while shipments to Libya in the last quarter of 2016 has helped the trade

Lower trade to Italy particularly for weanlings was offset by increased volumes going to Spain mainly for calves. Combined these markets saw a rise of around 3,000 head on 2015 numbers. Strong grain harvests across Europe



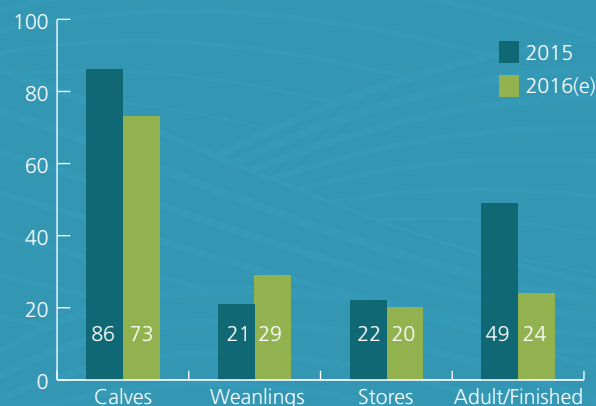
For the year exports of live **sheep** are estimated to have recovered by almost **45%**



Exports of live pigs to Northern Ireland were 18% lower at an estimated **414,000 head**

have resulted in lower feed prices, reducing costs for the intensive feedlot sector in traditional markets like Spain. However, consumer demand for beef in these markets has eased. For most of 2016, prices of weanlings in France, the main supplying country were competitive, restricting Ireland's potential to increase market share, however this was offset somewhat by Bluetongue outbreaks throughout the year.

Breakdown of Irish live cattle exports ('000 head)



Source: Bord Bia estimates

Other livestock

For the year exports of live sheep are estimated to have recovered by almost 45% to stand at just over 46,000 head. Religious festivals play an important part in live sheep trade. Almost 60% of Irish live exports occurred in September as part of a growing demand ahead

of the Muslim Eid al-Adha festival. Irish sheep prices were relatively steady in 2016, which put pressure on our competitiveness in key markets. The key export destinations for live sheep exports were France (45%), followed by Belgium (17%), Netherlands (16%) and Germany (10%).

Meanwhile, exports of live pigs to Northern Ireland were 18% lower at an estimated 414,000 head on the back of stronger domestic demand coupled with the shift in exchange rates.

Outlook for 2017

The outlook for live cattle exports in 2017 points to some recovery following two years of declines. Improving economic conditions in traditional markets such as Spain should see some improved demand for beef and ultimately further growth in live exports, particularly of calves and weanlings.

Following on from gaining market access to Turkey during the second half of 2016 there was a renewal of trade to Libya towards the end of the year with market access also granted to Egypt and Algeria. These developments should lead to a rise in trade to non EU markets for yearlings and stores in 2017. Demand for Irish and EU livestock from markets in North Africa and the Middle East however will depend on the political environment and our relative cost competitiveness. There is likely to be steady demand for calves for veal production in most markets. Overall, 2017 should see some recovery in livestock exports, led principally by increased cattle shipments.

THE OUTLOOK FOR
LIVE CATTLE EXPORTS
IN 2017 POINTS TO
SOME RECOVERY
FOLLOWING TWO
YEARS OF DECLINES

DAIRY PRODUCTS & INGREDIENTS

Source: Bord Bia 2017

€3.38 billion

the estimated value of dairy exports, an increase of **2%**

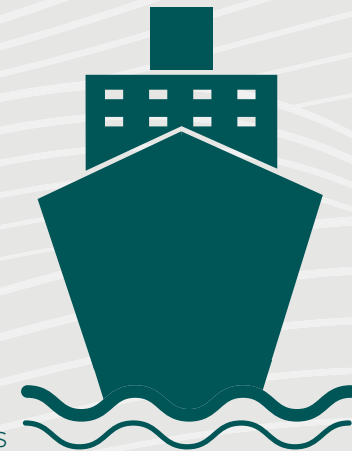


50%
rise in the value of dairy exports from 2010 (€2.25bn) to 2015 (€3.38bn)



Exports to international markets are worth an estimated

€1.66 billion,
or **49%** of dairy exports



The UK accounts for

53%
of cheese exports



According to the European Commission Medium term outlook Irish milk production is expected to grow over

40%
over the next decade

Ireland exports dairy to

155
markets worldwide



The top 5 markets

are the UK, China, the Netherlands, Germany & the United States





Dairy & Ingredient Exports

were 2% higher
at €3.38 billion



Milk output in
New Zealand has
decreased this
season

This category encompasses both primary dairy products such as milk powders, butter, cheese, value added dairy products and ingredients such as specialised nutritional powders (including infant formula), casein and chocolate crumb.

2016 was a difficult year for dairy markets. Global dairy market conditions in the early part of the year were negatively affected by strong production in key exporting regions outpacing demand. This led to downward pressure on dairy markets. Continued low milk prices led to production falling in many regions while European intervention took significant volumes out of the market contributing to a gradual rebalancing of markets in the second half of 2016. Global prices rallied in the latter half of 2016.

Global Milk Output

Across the **EU**, volumes were up almost 2% for the year to September. Most of the volume increases were seen in the first half of the year with the Netherlands (+10%) Germany (+2%), Poland (+2%) and Denmark (+2%) all expanding production. Internal measures helped take surplus milk off the market and this combined with poor weather and stronger culling rates have significantly reduced flows in recent months. EU monthly production volumes decreased from July onwards most notably in France and the UK which have seen year on year production drop by 1% and 4% respectively.

Increased output resulted in export surpluses and excess supply placed in public intervention and private storage. Intervention took approximately 2.5 billion litres of surplus milk out of the market. Up to the end of October 2016, over 76,000 tonnes of butter and almost 430,000 tonnes of SMP produced in the EU were placed in public and private storage. This included 11,000 tonnes of Irish butter and 29,000 tonnes of Irish SMP. The Netherlands, Germany and

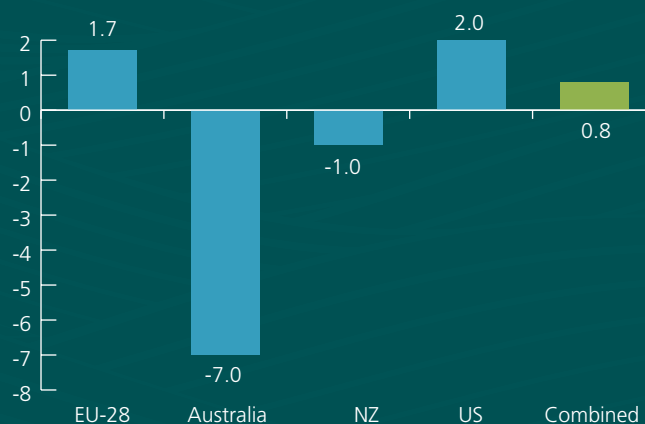
France placed the largest quantities in storage.

Milk production in **New Zealand**, was marginally lower for the January to September 2016 period. This season follows two seasons of low milk prices, higher cow cullings were undertaken which led to lower output. Poor weather conditions have also affected output.

In the **United States**, milk production was up 2% year on year for the January to September 2016 period, largely driven by lower feed costs and higher domestic demand. Higher operating costs in **Australia** coupled with lower margins led to a significant drop in production with a decline of between 6% and 10% expected over the full season.

Combined milk supplies for the EU, New Zealand, the US and Australia were up by less than 1% on 2015 levels up to the end of September.

Milk supplies across major global suppliers (% Change Jan to Sept 2016 vs. 2015)



Source: EU Milk Market Observatory

2016 WAS A DIFFICULT YEAR FOR DAIRY MARKETS. GLOBAL DAIRY MARKET CONDITIONS IN THE EARLY PART OF THE YEAR WERE NEGATIVELY AFFECTED BY STRONG PRODUCTION IN KEY EXPORTING REGIONS OUTPACING DEMAND

CHINA IS THE
WORLD'S LARGEST
DAIRY IMPORTER AND
FOLLOWING A DECLINE
IN 2015, A RECOVERY
WAS RECORDED IN
2016 BUT LEVELS ARE
STILL BELOW THE
HISTORICALLY HIGH
LEVELS SEEN IN 2014

Dairy* Products & Ingredients Exports (€m)

2015 €m	2016(e) €m	2016/2015 % +/-
3,310	3,380	+2

*Excludes Enriched Dairy Powders



Irish milk supplies were over 5% or **300 million litres higher** for the first ten months of 2016

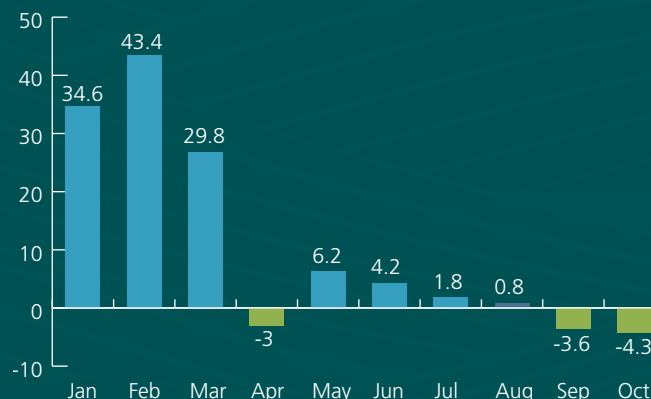


Oil prices impacted significantly on market conditions during 2016

Higher domestic supplies

Irish milk supplies were over 5% or 300 million litres higher for the first ten months of 2016 following on from the 13% increase seen in 2015. This reflects an 8% rise in the dairy breeding herd and excellent grass growing conditions particularly in mid-season. The largest increases were seen in the first half of the year, particularly in quarter one which recorded a 34% increase in production compared to 2015. Since September output has slowed somewhat with a full year increase of around 5% now expected.

Milk deliveries in Ireland (% Change on same month in 2015)



Source: CSO

Import demand recovering

China is the world's largest dairy importer. Following a decline in 2015, Chinese imports recovered in 2016 due to a combination of lower domestic supplies and growth

in consumption. However total import volumes are still below the peak levels seen in 2014. Imports of whole milk powder (WMP) were 18% higher and whey powder imports were up by 15% year on year for January until October 2016 while UHT sales have seen a decrease at retail level which is affecting imports.

Key drivers of Dairy export performance in 2016

- Stronger global supplies in the early part of the year.
- Lower feed costs worldwide.
- Exchange rate fluctuations.
- Recovery in global demand in second half of the year.

Russian restrictions on imports from a number of markets have played a big part in the downturn in global dairy markets. Challenging economic conditions and reduced product availability has led to lower dairy consumption in Russia while a weaker rouble has made imports more expensive. For the year to date, imports have shown little change with most products being supplied by Belarus, New Zealand and South American countries.

Low oil prices have also impacted significantly on market conditions. Oil dependent countries are major importers of dairy products and with oil prices over 20% lower on average between January and November 2016 (compared to the same period in 2015) demand from oil producing countries weakened significantly. However there has been some gradual recovery since October 2016.



Global wholesale prices

for WMP and cheese were 46% and 19% higher in December 2016 year on year



Cumulative prices for the full year 2016 are **down by over 10%** compared to 2015 levels

International market prices under pressure

Surplus supplies, reduced import demand, geopolitical issues and lower oil prices resulted in subdued prices for most of the year. However following a bottoming out of commodity prices, markets started to rally in the second half of 2016. Wholesale prices in December 2016 showed year on year growth driven by a 46% rise in WMP and 19% rise in cheese prices. However cumulative prices for the full year 2016 are down by over 10% compared to 2015. In Europe, butter and SMP prices recovered and were up 54% and 41% in December 2016 compared to 2015 levels.

Global Dairy Product Prices

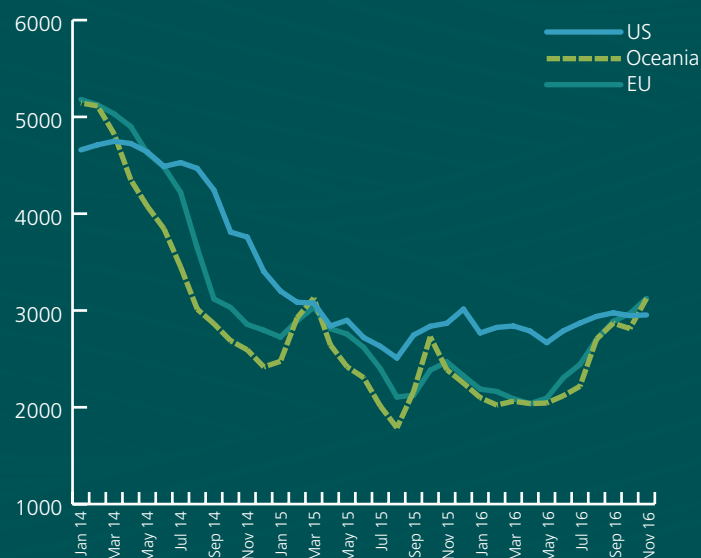
	December 2015	December 2016	% Change
(€/Tonne)			
EU butter (Netherlands)	2,850	4,390	+54
EU SMP (Western Europe)	1,500	2,120	+41
(\$/Tonne)			
Oceania WMP	2,250	3,275	+46
Oceania Cheddar	3,150	3,748	+19

Source: Bord Bia based on CLAL

As over 30% of New Zealand dairy exports are shipped to China, any slowdown in the Chinese market has a significant impact on New Zealand dairy prices. Whole Milk Powder prices from Oceania declined by over 10%

between January and November 2016 compared to the same period in 2015. However prices have rebounded in the middle of 2016 and have been rising steadily since June.

World wholesale WMP prices (US\$/Tonne)



Source: USDA

Higher volumes help Irish exports

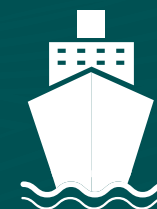
For the year, it is estimated that the value of Irish dairy and ingredient **exports increased by around 2% to €3.38 billion**. This was driven by an increase in volumes on the back of an expanded dairy industry and higher exports of specialised dairy nutritional powders, which helped offset some declines in other categories.

SURPLUS SUPPLIES, REDUCED IMPORT DEMAND, GEOPOLITICAL ISSUES AND LOWER OIL PRICES RESULTED IN SUBDUED PRICES FOR MOST OF THE YEAR. HOWEVER MARKETS STARTED TO RALLY IN THE SECOND HALF OF 2016

THE VALUE OF EXPORTS TO INTERNATIONAL MARKETS GREW BY AN ESTIMATED 19% TO REACH €1.66 BILLION, WHICH EQUATES TO 49% OF TOTAL EXPORTS



A **decline of over 10%** was recorded in exports to the United Kingdom



Exports to Other EU markets were **almost 6% lower** at around **€860 million**

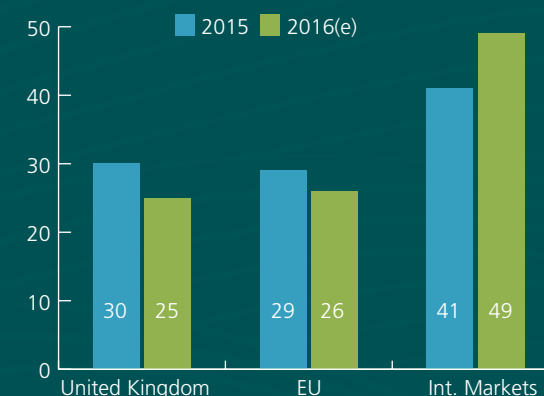
Export markets for Irish dairy products

The **UK** remains a key market accounting for around a quarter of total Irish dairy exports. A decline of over 10% was recorded in the value of exports in 2016 at an estimated €840 million. Declines in cheese, SMP and WMP volumes were somewhat offset by steady trade in butter. The value of trade however was affected by the weaker sterling relative to euro.

Exports to **Other EU markets** were almost 6% lower at some €880 million, accounting for 26% of total trade. Decreases were recorded in shipments to the Netherlands, Germany, France and Italy with some growth in trade to Spain. Lower values of dairy commodity prices largely led to this decline. Volumes of specialised nutritional dairy powders and cheese experienced growth.

The value of exports to **International Markets** grew by an estimated 19% to €1.66 billion, accounting for 49% of total exports from just 41% in 2015. Asia led the way with a 31% growth in exports to account for over 23% of total dairy exports. Higher trade was also recorded to Africa and North America.

Distribution of Dairy products & Ingredients exports (% of export value)



Source: Bord Bia estimates

Main product trends

The strongest performing categories were specialised nutritional dairy powders while whey, whole milk powder and yogurt also recorded growth.

Higher volumes of **butter** were offset by a decline in unit prices to leave butter export values back marginally. Lower exports to European markets were recorded due to weaker market prices while growth was seen in volume to North America, the Middle East and Africa.

Despite higher volumes, the value of **cheese** exports declined by around 4% in 2016 to €675 million. The UK accounts for over 50% of cheese exports and lower trade to this market led to the fall in total cheese export value. A rise was recorded in exports to continental EU markets such as the Netherlands, Germany and Spain. Increased



A **7% decline** in milk production is forecast in New Zealand this season



A **2% rise** in demand for dairy products in the Middle East and North Africa is anticipated in 2017

trade was also evident to the Middle East notably Saudi Arabia, while Asian markets such as Japan also recorded increases albeit from relatively low levels.

Specialised nutritional dairy powders also showed further export growth as higher unit values coupled with steady volumes and a rise in demand particularly from Asian markets helped drive the trade. Volumes exported to China increased strongly in 2016. Other notable growth markets included Vietnam, and continental European markets including Germany and France.

Outlook for 2017

Since the middle of 2016 we have seen a gradual rebalancing in global supply and demand for dairy products and ingredients. A tightening in global stocks has led to an uplift in dairy prices reflected in the steady rise in global commodity price indices in the latter part of 2016. Global market demand is expected to grow on the back of higher consumption particularly in Asian markets such as China which is however growing at a slower rate than in recent years.

Oil rich economies in the GCC region and African markets such as Algeria, Egypt and Nigeria are among the top 40 global dairy import markets. Recently OPEC agreed to limit oil production, which has led to upward revisions in oil prices. The World Bank now forecasts a price of around \$50 to \$55 per barrel in 2017. This is likely to result in an increase in demand for dairy products in the Middle East and North Africa with Rabobank anticipating a rise of over 2% in 2017 compared to year earlier levels.

Milk production in **New Zealand** this season has been affected by a reduced cow herd, lower supplementary feed rates and wet weather conditions particularly in

the North Island which will impact on export volumes. The New Zealand industry is diversifying its product mix, producing more value added products as opposed to commodities. In November 2016, Fonterra announced an increase in its 2016-2017 forecast farm gate price from NZD \$5.25/kg to NZD \$6/kg milk solids and have forecast a 7% decline in milk production this season.

In **Australia**, Rabobank have forecast a downturn in supply in 2017 on the back of higher operating costs with a 6% decline expected for the 2016/2017 season.

The USDA anticipate a rise of over 2% in output in the **United States** during 2017 with higher domestic demand expected to offset export surpluses. Lower feed prices are also likely to entice more output.

In the **EU** milk supplies are expected to ease in some markets due to higher culling rates however low feed prices and a rise in commodity prices may encourage production. Environmental constraints from new phosphate rules in the Netherlands will limit dairy expansion there. It also remains to be seen how the market will react to the release of European dairy products from intervention.

The prospects for Irish dairy exports in the early part of 2017 look relatively positive. Steady demand growth aided by recovering oil prices and an anticipated slowdown in production in key exporting regions should continue to help the trade. However as a high proportion of our exports go to markets that trade in sterling and US dollars, exchange rate fluctuations will have a large bearing on returns in the sector.

A TIGHTENING IN GLOBAL STOCKS HAS LED TO AN UPLIFT IN DAIRY PRICES AND THIS HAS BEEN REFLECTED IN THE STEADY RISE IN GLOBAL COMMODITY PRICE INDICES IN THE LATTER PART OF 2016

Prepared Consumer Foods

Prepared Consumer Foods Exports (€m)

2015 €m	2016(e) €m	2016/2015 % +/-
2,545	2,505	-2

*This includes Prepared Foods products excluding dairy enriched powders, and Value Added components of other sectors



Prepared Consumer Foods

exports were 2% lower at €2.5 billion

A new product category included in the Food Wise 2025 report is that of Prepared Consumer Foods (PCF). This category encompasses a range of value added food and beverage products including the following:

- Prepared foods such as bakery, pizza, chocolate, confectionery, biscuits, snacks, extracts, sauces, soups and with the exception of dairy based enriched powders
- Value added meats
- Processed dairy products
- Value added seafood
- Value added horticulture, and
- Non-alcoholic beverages

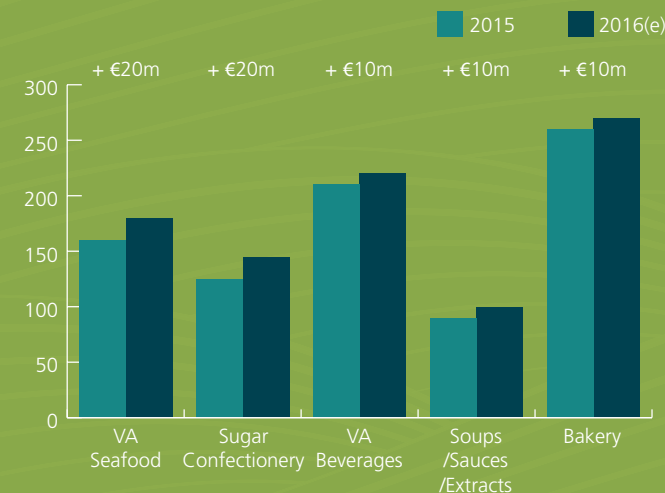
Exports under this category declined by almost 2% or €40 million in 2016 to an estimated €2.5 billion.

Declining exports of value added meat, dairy products and poultry were partially offset by growth in bakery, chocolate confectionery, value added beverages and seafood.



The **United Kingdom** accounted for approximately **65%** of prepared consumer foods exports in 2016

Drivers of export growth within Prepared Consumer Foods (Change in €m versus 2015)



Source: Bord Bia estimates

UK remains key export market

The UK is the main export market for Prepared Consumer Foods. It accounts for some 65% of exports by value though trade was 9% lower in 2016 at an estimated €1.6 billion. This decline was due mainly to reduced exports of value added poultry, beverages and dairy products. Trade to other EU markets were around 15% higher at €615 million led by growth in exports of value added seafood, beverages, bakery, confectionery and sauces. Key growth markets on the continent included France, Germany, Italy and Poland.



Trade to other EU markets were around **15% higher** at €615 million



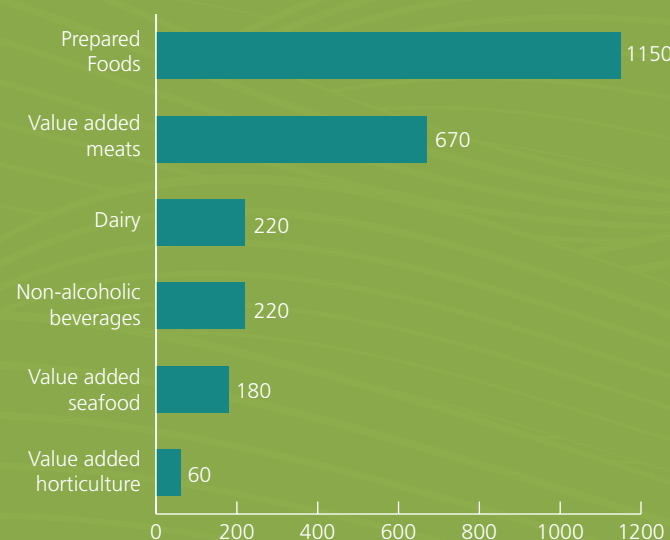
Exports to international markets, was more than **10% higher** at an estimated €275 million

Declining exports to the UK were also offset by a recovery in exports to international markets, which were more than 10% higher at an estimated €275 million. This growth was led by increased trade of sugar based confectionery.

Elements of other categories included in Prepared Consumer Foods

Exports of the value added components of other food and drink categories covered elsewhere in this report captured under Prepared Consumer Foods are estimated in the chart below.

Distribution of Prepared Consumer Foods exports, 2016 estimates (€m)



Source: Bord Bia estimates

Please note that the value added components reported as part of Prepared Consumer Foods continue to be included in their respective category figures for the purposes of this report.

DECREASES WERE SEEN MAINLY FOR VALUE ADDED MEAT AND DAIRY PRODUCTS WITH VALUE ADDED POULTRY RECORDING THE LARGEST DECLINE

PREPARED FOODS

Source: Bord Bia 2017

Prepared foods refers to a wide range of products which have been further processed including baked goods, confectionery, snacks, ambient grocery, chilled foods, ready meals & cooked meats

€1.9 billion

the value of Irish prepared food exports in 2016

Chocolate increased in value by 3% to

€255m



Bakery increased in value by

4%



Dairy based enriched powders account for

37%

of total prepared food exports



The value of prepared foods exports has grown **nearly 50%** since 2009

Ireland exports prepared foods to **150** markets worldwide



The top 5 markets

are the UK, China, the Netherlands, Germany & the United States



Exports to other EU markets reached

€560m

or **29%** of total prepared foods exports



Exports to international markets stand at

€620m

or **32%** of total prepared foods



Exports to the United States

trebled



Prepared Foods

exports were up 9% to €1.9 billion



Dairy based enriched powders accounted for approximately **37%** of total exports within the category

The market environment for Prepared Food exports remained mixed in 2016 as competitive pressures persisted in most categories, particularly in the second half of the year when sterling weakened considerably. However, increased volumes of dairy based enriched powders, which account for approximately 37% of total exports within the category, helped the trade. The value of exports was also boosted by greater market diversification and a broader range of products, particularly within the confectionery and bakery sectors.

Key drivers of Prepared Foods export performance in 2016

- Further drive in relation to innovation and product development.
- Stronger volumes boosting dairy enriched powders.
- Broader range of markets and channels being served.
- Currency challenges particularly relative to Sterling.

Overall, exports of products covered under the prepared foods category increased by 9% to an estimated €1.9 billion. Prepared Foods exports excluding dairy based enriched powders grew by around 5%.

The strongest performing categories were dairy based enriched powder; bakery and chocolate confectionery while sauces and sugar based products also recorded growth. Reduced exports were reported for pizzas, sauces and ice-cream.

Export markets for Prepared Foods

The **UK** accounted for some 39% of prepared foods exports in 2016. Increased sales volumes were recorded despite a more challenging currency environment and unchanged retail prices for most categories. Overall it is estimated that the value of exports to the UK was around 5% lower in 2016 at €745 million. Strongest trade was reported in bread, sauces and meat based ingredients but this was offset by lower exports of chocolate confectionery and sugar based products.

Exports to **Other EU** markets grew strongly, led by a threefold increase in chocolate-based confectionery as well as growth in sugar based products and dairy based enriched powders. Exports were also helped by stronger trade in cooked meats and sauces and to a lesser extent bread. Trade for the year is estimated to have jumped by 20% to €560 million, accounting for around 29% of the total. Key growth markets were the Netherlands, Germany, Poland, France and Belgium, while Scandinavia also reported increased trade.

Exports to **International** markets for products covered under the prepared foods category showed a significant rise throughout 2016. This was driven largely by a recovery in volumes of dairy based enriched powders to North America and Asia. Some growth was seen in exports of chocolate confectionery and sugar based products. Trade for the full year 2016 increased by around 16% to €620 million or 32% of the total.

THIS CATEGORY INCLUDES A WIDE RANGE OF PRIMARY PRODUCTS, WHICH HAVE BEEN FURTHER PROCESSED AND INCLUDES CONFECTIONERY, SAUCES, BAKERY PRODUCTS AND READY TO EAT FOODS, BUT EXCLUDE THE VALUE ADDED COMPONENTS INCLUDED UNDER THE BROADER PREPARED CONSUMER FOODS HEADING

Prepared Foods Exports (€m)

2015 €m	2016(e) €m	2016/2015 % +/-
1,770	1,925	+9

EXPORTS OF DAIRY ENRICHED POWDERS RECOVERED BY AROUND 12% FOLLOWING A DECLINE IN 2015 TO REACH AN ESTIMATED €700 MILLION

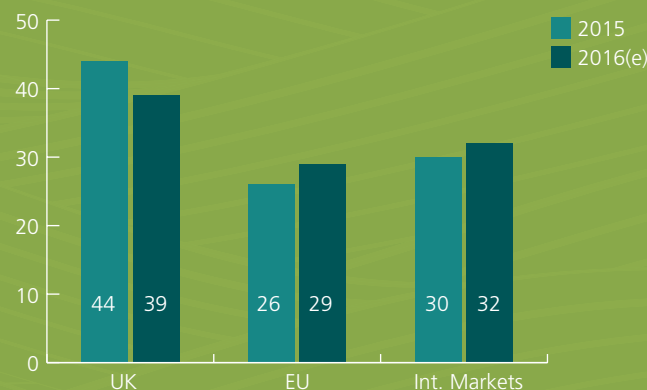


The United Kingdom accounted for around **39%** of prepared foods exports in 2016



Bakery products recorded an estimated **2% year on year growth** in 2016

Distribution of prepared food exports (% of export value)



Source: Bord Bia estimates

Main product trends

Following a decline in 2015 **dairy enriched powders** exports recovered in 2016 with growth of some 12% to an estimated €700 million. This recovery was driven by increased trade to other EU markets, Asia and North America. Overall dairy enriched powders accounted for approximately 37% of prepared foods exports.

Exports of **chocolate confectionery** showed good growth, driven largely by a significant rise in trade to Continental Europe, more than offsetting lower exports to the UK. Trade on the continent was helped by stronger trade to Poland and other Eastern European markets. Key international growth was seen in the UAE and Australia.

Overall, chocolate confectionery exports are estimated to have grown by 3% to reach €255 million in 2016.

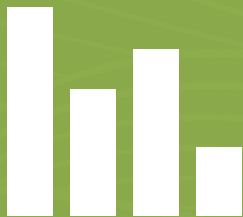
Exports of **sugar based products** were boosted by a recovery in consumer spending across key markets. Once again lower sales to the UK were offset by increased exports to Continental EU markets including Germany, France and Belgium. Outside of Europe the main growth market was the United States.

Bakery products including breads, cakes and snacks showed further growth in 2016, rising by some 4% year on year to an estimated €270 million. Despite the challenging currency environment higher sales were reported to the UK on the back of new healthier products and a rise in demand for gluten free products. Growth markets included the Nordics and North America.

The majority of Irish **pizza** exports are destined for the UK, which remains a highly competitive market. Trade for the year recorded a slight decline.

Exports of ambient **saucers and extracts** recorded some growth in 2016 on the back of stronger consumer demand. Trade to both the UK and Continental Europe increased.

Exports of **cooked meats and meat ingredients** put in a solid performance in 2016, despite exchange rate fluctuations in the UK. This sector was also helped by higher trade into continental EU markets.



Currency

fluctuations will be a key factor affecting export performance



Rising **global demand** for dairy products is expected to help trade for dairy enriched powders

Outlook for 2017

Prepared Food export drivers for 2017

- Currency fluctuations.
- NPD – products and formats.
- Focus on innovative product solutions and high customer service levels.
- Growth in premium, gourmet style products.

The outlook for prepared food exports remains mixed for 2017. The anticipated growth in global demand for dairy products is expected to help trade for dairy based enriched powders. Prospects for chocolate based confectionery will be dependent on brand awareness, retail challenges and currency fluctuations and the ability of the sector to diversify further.

Key drivers of growth for the sector will be the delivery of customer service levels that can improve Ireland's competitive advantage. Product developments that meet consumer needs while focusing on issues such as portion size and waste reduction will also positively affect growth. There is in addition growing demand for niche, premium and gourmet style products. The development of new customers by Irish exporters in 2016, particularly in Continental EU markets should provide further growth opportunities notably for bakery products.

However, as always, there are a number of factors outside the direct control of exporters that could significantly impact export performance. These include developments

in exchange rates, input and labour costs while trends in consumer demand are also challenging. Indications in the UK suggest that overall market demand will remain positive; however increased competitiveness and exchange rate movements will remain key challenges in the short term.

PRODUCT DEVELOPMENTS THAT MEET CONSUMER NEEDS WHILE ALSO FOCUSING ON ISSUES SUCH AS PORTION SIZE AND WASTE REDUCTION WILL HELP DRIVE GROWTH

BEVERAGES

Source: Bord Bia 2017

Ireland exports drinks to

130

markets worldwide

The top 5 markets are the United States, UK, Canada, Germany & France



Growth in microbreweries

<10 in 2013, 90 in 2016 and plans for over 100 by 2020



€1.4 billion

the value of Irish beverage exports, an increase of 4%

36%

Whiskey

21%

Liqueur

20%

Beer

9%

Waters

4%

Cider

5%

Juices

5%

Other

Whiskey exports continue to drive exports with 8% growth recorded in 2016 to reach

€505m



Irish whiskey is the fastest growing spirit in the world



Sales have grown by 300% over the last decade



24 million cases projected to be exported by 2030



€295m

the value of cream liqueur exports





Beverage Exports

were 4% higher at €1.4 billion



Exports to International Markets showed a rise of 25% in 2016 reaching **€705 million**

Growth in beverage exports continued in 2016 benefiting from strong demand for premium alcoholic beverages. Buoyant demand reflects a recovery in disposable incomes in many developed markets, the desire for luxury, the use of alcohol as a status-symbol and the association of the "premium" label with beverage quality and taste.

These developments have helped offset slower demand from some developing markets. The main growth markets included North America, Asia and Continental Europe.

Irish beverage exports were boosted in 2016 by ongoing growth in whiskey as well as continued growth of 'craft' exports. Beer and cider both recorded growth while liqueurs remained relatively steady. Exports of non-alcoholic beverages were boosted by stronger sales of water, offsetting reduced exports of carbonated soft drinks.

Key drivers of 2016 Beverage export performance

- Recovery in demand in more developed markets.
- Whiskey increases driving overall growth.
- Mixed performance in non-alcoholic beverages.
- US, Continental EU and Asia driving growth.

Weaker grain prices continued in 2016 alleviating cost pressure though many other input costs remained high by historic standards. Exchange rate fluctuations affected competitiveness as the year progressed.

Overall, exports are estimated to have increased by 4% in 2016 to €1.4 billion.

Export markets for Beverages

Exports to the **UK** declined by an estimated 3% to €380 million or 27% of beverage exports as stronger exports of beer, cider and whiskey were more than offset by reduced sales of non-alcoholic beverages. Reduced volumes were compounded by the strengthening of the euro against sterling further reducing the value of exports.

Exports to **other European markets** showed strong growth with an increase of more than 15% to an estimated €315 million. Stronger exports of non-alcoholic beverages, beer, cream liqueurs and robust whiskey exports helped drive the trade. France, Germany and Poland all showed good growth due largely to growing whiskey and beer exports coupled with stronger exports of non-alcoholic beverages.

Exports to **International markets** grew further, largely due to higher whiskey exports to the United States. Increased trade was also reported to Asia on the back of stronger whiskey and non-alcoholic beverages sales. This helped offset lower trade to Africa and the Middle East which reported lower exports of beer and cream liqueurs. Total exports in 2016 are estimated to have grown by 2% to some €705 million. International markets now account for half of total beverage exports.

IRISH BEVERAGE EXPORTS WERE BOOSTED IN 2016 BY ONGOING GROWTH IN WHISKEY COMBINED WITH A FURTHER RISE IN 'CRAFT' EXPORTS

Beverage Exports (€m)

2015 €m	2016(e) €m	2016/2015 % +/-
1,340	1,400	+4

WHISKEY EXPORTS CONTINUE TO DRIVE IRISH BEVERAGE EXPORTS WITH AN ESTIMATED 8% GROWTH RECORDED IN 2016 TO REACH €505 MILLION

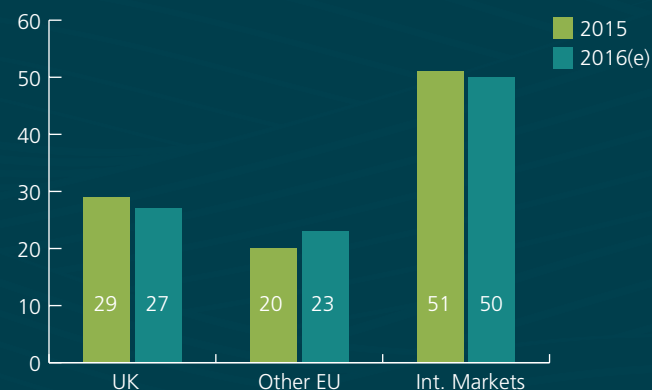


Beer exports are estimated to have **increased by 2%** in 2016



International markets account for over **50%** of beverage exports

Distribution of beverage exports (% of value)



Source: Bord Bia estimates

Main product trends

Whiskey exports continues to drive Irish beverage trade in 2016 growing by an estimated 8% to some €505 million. Growth was driven by stronger exports to the United States and Eastern Europe and to a lesser extent Germany and the UK.

The global market environment for **cream liqueurs** was relatively slow for much of the year but recovered towards year-end. Growth was recorded to Continental EU markets such as Germany while trade to North America held steady. Trade for the year was worth an estimated €305 million.

Beer exports grew by an estimated 2% in value on the back of volume growth in 2016. Despite challenging exchange rates, shipments were higher to the UK while other EU markets such as France, Spain and Italy helped boost trade. Exports were boosted by the growth of craft beer exports to a number of key markets. Beer exports for the year are estimated at some €290 million.

Exports of **Irish cider** saw some recovery in 2016 following declines over recent years. This was largely driven by increased volumes to the UK, which offset currency fluctuations.

In terms of **non-alcoholic beverages**, a mixed trade was reported in the UK while across Europe non-alcoholic beverages particularly waters and juices performed strongly reflecting pressure on the carbonated drinks market.



Irish whiskey exports are projected to **double by 2020**



Currently there are over **90** operational **microbreweries** in operation

Outlook for 2017

Beverage export drivers for 2017

- Strong global demand for whiskey, liqueurs and craft premium products.
- International markets to maintain performance.
- Healthier lifestyles helping exports of non-alcoholic beverages.

The outlook for Irish beverage exports in 2017 looks broadly positive helped by further growth in whiskey sales and the consolidation of Ireland's position in existing markets coupled with growth in emerging markets. Increased exports of premium products such as whiskey, craft beers and cream liqueurs produced in Ireland have helped improve our position in the global market.

Maintaining export growth will require further product development and innovation to meet consumer demand for more authentic experiences. Currency developments, uncertainty regarding input prices coupled with the persistence of sluggish consumer

sentiment in some markets will continue to determine the business development of Irish exporters.

In terms of non-alcoholic beverages, the key will be to continue the consolidation of business with existing customers while also targeting new segments and channels. This will require further innovation and new product development while consumers are looking for more healthy options in terms of beverages.

The vibrancy of the sector is highlighted by the fact that Irish whiskey is among the fastest growing global spirits category with fourfold growth recorded over the past decade. Irish whiskey exports are expected to double in volume terms by 2020 compared to 2015 with a further twofold increase anticipated by 2030. Similarly our craft brewing sector is in growth mode. It currently has 90 operational microbreweries and this number is set to exceed 100 by 2020. This has also resulted in a growth in exports with craft beer exports increasing twofold between 2011 and 2016.

THE VIBRANCY OF THE SECTOR IS HIGHLIGHTED BY THE FACT THAT IRISH WHISKEY IS AMONG THE FASTEST GROWING GLOBAL SPIRITS CATEGORY, RECORDING FOURFOLD GROWTH OVER THE LAST DECADE

SEAFOOD

Source: Bord Bia 2017



€555 million

the estimated value of seafood exports, a **3%** decrease in 2016



The industry is worth over

€890m



50%

rise in the value of exports from 2010 (€370m) to 2016



Over

1,900

registered fishing vessels and

11,000

employed in the sector



Ireland exports to

72

countries worldwide

The top 5 markets

are France, Spain, the UK, Italy & Nigeria



Over

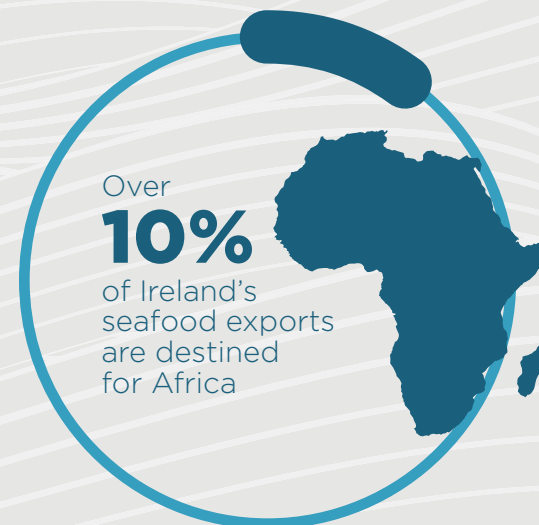
60%

of Irish seafood exports are sold in EU Markets

Ireland is a leader in organic aquaculture with

95%

of Irish salmon farmed as organic



Over

10%

of Ireland's seafood exports are destined for Africa



Seafood Exports

were 3% lower at €555 million



France remained the largest export market for Irish seafood and **grew by 10%**

Seafood exports decreased by 3% in 2016, to an estimated €555 million. This reflects a decrease of over 25% in export volumes while unit prices increased by almost 30% demonstrating the strength of demand in most key markets. However poor volumes for some key export species have an overall negative impact on the value of exports.

Key drivers of Seafood export performance in 2016

- Reduced volumes of key species.
- Increase in unit prices for most species.
- Strong recovery in Europe and continued growth in Asian markets.

Export markets for seafood

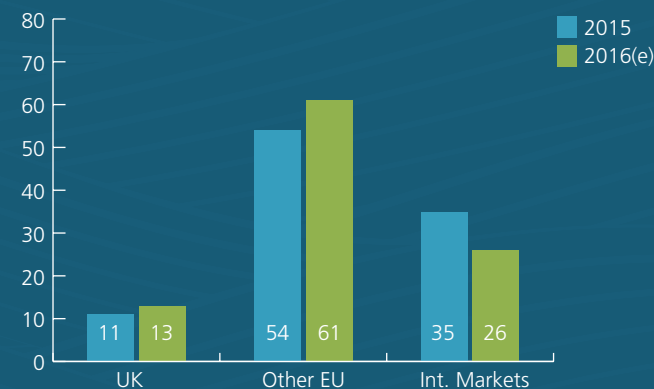
The main EU markets, namely France, Spain, UK, Italy and Germany continue to dominate seafood exports, accounting for around 63% of total exports by value.

In 2016, **France** remained the largest export market growing by over 10% despite a 6% drop of export volumes. Unit price increases of over 18% drove the value of exports to this market. The **Spanish** market showed signs of continued recovery with exports almost 7% ahead despite a 14% volume decrease. Increased unit prices drove growth reflecting the demand for Irish seafood in this market. Similarly, higher demand drove exports to Italy and the UK with increases of 29% and 8% respectively in value terms. Trade to **Germany** grew by 10% in value terms on the back of a rise in volume and improved market positioning.

Seafood exports to **International markets** decreased significantly to €145 million in 2016 representing some 26% of total seafood exports. Ireland's four main African markets – Nigeria, Cameroon, Egypt and Ghana accounted for just 10% of total seafood export value which was down on 2015. Exports to Nigeria were 58% lower in value terms due mainly to lower volumes. Cameroon also recorded a significant decline while seafood exports to Egypt and Ghana showed strong growth.

Exports to the main **Asian** markets - China, South Korea and Japan - together increased by an estimated 12% in value terms in 2016. Strong export growth to Japan and China offset a 10% decrease in the value of trade to South Korea.

Distribution of Irish Seafood Exports, (% of value)



Source: CSO Trade Statistics

THE MAIN EU MARKETS, NAMELY FRANCE, SPAIN, UNITED KINGDOM, ITALY AND GERMANY CONTINUE TO DOMINATE SEAFOOD EXPORTS, ACCOUNTING FOR AROUND 63% OF TOTAL EXPORT VALUES

Seafood Exports (€m)

2015 €m	2016 €m	2016/2015 % +/-
570	555	-3

THE PELAGIC SECTOR EXPERIENCED A CHALLENGING 2016 DUE TO DEPRESSED DEMAND GLOBALLY. BOTH VOLUMES AND VALUES WERE SIGNIFICANTLY REDUCED



Total whitefish exports increased by almost **9%** in value



For January to September, oyster exports stood at almost **€19 million**

Main product trends

The **pelagic** sector experienced a challenging 2016 due to depressed demand globally. Ongoing restrictions in trade to Russia and a currency crisis in West Africa, where there is a lack of foreign reserves to pay for fish imports have significantly impacted demand. In addition, the Irish pelagic sector has been impacted by increased competition from the Faroe Islands and Iceland, particularly for mackerel. Volumes of pelagic fish exported from Ireland were running 36% lower up to the end of September with the value of trade 26% lower during the period. The pelagic sector accounted for 30% of total seafood export values and 63% of volumes in 2016 significantly down on 2015 levels. Decreases in the boarfish and mackerel quota were the main reasons for the decline in pelagic exports. The increased cost of raw material particularly herring and mackerel has also impacted the competitiveness of pelagic processors packing value added product for export.

Total **whitefish** exports for the first nine months of 2016 increased by almost 9% in value terms despite an estimated 5% reduction in volume. This reflects a unit price increase of over 14% for the period. Export values to Spain, our main market for whitefish increased by 17% despite a 9% drop in export volumes.

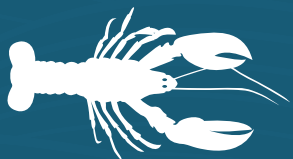
Similarly total **shellfish** exports progressed by 18% in value during the first nine months of 2016 despite a 4% reduction in export volumes. France, the largest export market for Irish shellfish, accounting for 32% of value, increased export values by 16% during this period. Trade to Italy and Spain also increased strongly by 41% and 25% respectively. Shellfish exports to China and Japan showed

strong growth despite the closure of the Chinese market to Irish live crab for the majority of 2016. Promotional activities with key customers and trade show participation boosted trade to China in particular.

Salmon exports decreased by just over 2% in value driven principally by a 6% decline in volume up to the end of September. The French market continues to dominate Irish salmon exports, accounting for over 53% of total value. Sales to this market increased by 6% in 2016. The German market also demonstrated strong growth increasing by 8% in value and 7% in volume. The Belgian market recorded a very strong performance increasing by 27% in value while the US also demonstrated continued growth in the value of Irish salmon sales. Salmon prices have been firm due to production problems in Chile and a good international demand.

Up to the end of September 2016, **oyster** exports stood at almost €19 million, up 24% on the same period in 2015 despite a drop in volumes of over 9%. The French market continues to dominate Irish oyster exports accounting for almost 75% of total sales with the value of trade increasing by 24% during this period. Volumes exported to this market decreased by 15% reflecting the continuing trend of developing the Hong Kong and China market directly from Ireland. Sales to these two regions now account for 10% of all Irish exports.

Total **mussel** exports decreased by 7% in value for the first 9 months of 2016, with volumes down by 14%. France, Irelands largest export market for mussels, was 2% ahead in value accounting for 48% of total sales. In response to a competitive market in mainland Europe Irish exporters have looked at other destinations. Sales have increased



The prospects for the **shellfish** sector are largely positive



A **9% increase** in the prawn quota for 2017 has been announced

both in the domestic market and in the UK. Promotional campaigns such as the Bord Bia *'Flex your mussels'* campaign was reported by producers to have had an extremely beneficial effect on the domestic market.

Outlook for 2017

The prospects for **pelagic** fish in 2017 are challenging due to political and economic issues in major export markets including Russia and West Africa. However recent quota negotiations for 2017 brought positive news for the sector with a 9% increase in the total pelagic quota. This includes a 14% increase in the mackerel quota for 2017 and an 86% increase in the blue whiting quota although the quota for boarfish will be reduced by 36%.

Prospects for the **shellfish** sector in 2017 are largely positive with key clients anticipating further growth through new product development and an expanded presence in emerging markets. The on-going challenge around access to a limited raw material base will continue into 2017 with a direct impact on sector output and exports. The uncertainty around Brexit will also be an on-going issue in 2017. However, prospects are buoyant, with the sector supplying a market where global population and demand is increasing and seafood remains the protein of choice in emerging markets. The deciding factor in growth in the shellfish sector in 2017 will be the landings of our main species during the year. Difficulties in fulfilling demand for products such as whole crab and shrimp bode well for prospects in 2017. The announcement of a 9% increase in the prawn quota for 2017 will also have a positive impact on seafood exports.

Export demand for Irish organic **salmon** which accounts for around 95% of all salmon production is expected to be

firm in 2017 while domestic demand for chilled prepacked seafood products is also expected to rise. Uncertainty around the Norwegian organic certification in 2017 may provide an additional boost for the sector. Finally market prospects for smoked salmon are strong but export performance will ultimately depend on salmon availability and price.

EXPORT DEMAND
FOR IRISH ORGANIC
SALMON WHICH
ACCOUNTS FOR
AROUND 95% OF ALL
SALMON PRODUCTION
IS EXPECTED TO BE
FIRM IN 2017

HORTICULTURE

Source: Bord Bia 2017

Mushroom exports account for

40%

or over **€90 million** of edible horticulture exports



Cut foliage exports increased **15%** to

€4.2 million

with the majority of this rise linked to higher peak season demand



€230 million

the value of Ireland's **edible horticulture & cereal exports**, down **8%** in 2016



Over

one third

of the **550,000** trees harvested in Ireland are exported.



Nursery stock exports valued at

€6.1 million

– helped by a recovery in the UK landscape market.



Exports of amenity horticulture increased by **2%** to reach

€16.3 million



The Amenity Export Development Programme continued in 2016 and provided mentoring and sales support



Edible Horticulture & Cereals Exports

decreased by 8% to €230 million



The **United Kingdom** market is currently the only large scale export market for Irish mushrooms

Stronger mushroom export volumes offset by challenging exchange rates resulted in lower edible horticulture exports during 2016. Exports of cereals predominantly barley and oats also recorded a decrease particularly to the UK. Overall **edible horticulture and cereals exports were 8% lower at €230 million.**

Key drivers of Horticulture & Cereal export performance in 2016

- Volume growth in mushroom exports to the UK.
- Stronger euro affecting competitiveness of exports to UK.
- Rise in closed mushroom sales.
- British retail market relatively stable.
- Decrease in cereals exports.

The UK is the only large scale export market for Irish mushrooms, although there are some exports to France and the Netherlands. Despite stronger volumes to the UK in 2016 the value of mushroom exports declined, on the back of a weaker sterling. At retail level, volume per buyer, frequency of purchase and volume per trip have all shown growth in the UK.

However the average price has declined resulting in lower values in sterling terms. The three main categories of mushroom experiencing growth in the British retail sector are closed cup mushrooms which grew by 17% in volume terms, and portobello and exotic mushrooms which grew by over 5% and 25% respectively, albeit from a low base. Closed cup mushrooms grew during the year and accounted for 56% of retail sales. Flat/open mushrooms recovered moderately while button, brown/chestnut and value mushrooms all recorded declines. Together these three categories decreased by over 10%.

Irish exporters to the UK have most influence in the premium retail sector with some growth in trade to food service. While the retail market has been flat, Irish

companies have managed to increase sales in volume terms. However a key factor affecting the trade was the depreciation of sterling against the euro which has resulted in a downward trajectory of exports to the UK in value terms.

Outlook for 2017

Horticulture & Cereal export drivers for 2017

- Expected volatile euro versus sterling exchange rate.
- Growth of discounter market share.
- Potential volume growth arising from productivity gains.

The mushroom industry will continue to face challenges in 2017 arising from the Brexit vote in 2016. Volatile exchange rates have a large impact on exporters and sterling looks set to remain relatively weak compared to the euro in the short term following a number of years of favourable exchange rates.

Irish companies have a stronger position with premium retailers, and a relatively low share of supply to discounters. Going forward discounters are expected to exert increasing influence on mushroom prices, which in turn will put downward pressure on growth in market value.

The Irish industry is striving for productivity gains to help insulate from currency volatility while growing demand for higher margin value added mushrooms may provide further opportunities. In addition Bord Bia will initiate promotional programmes and supports to help the industry deal with exchange rate volatility during 2017.

VOLATILE EXCHANGE RATES HAVE A LARGE IMPACT ON EXPORTERS AND STERLING LOOKS SET TO REMAIN RELATIVELY WEAK COMPARED TO THE EURO IN THE SHORT TERM

Edible Horticulture & Cereals Exports (€m)

2015 €m	2016(e) €m	2016/2015 % +/-
250	230	-8

AMENITY EXPORTS

EXPORTS OF AMENITY HORTICULTURE CROPS WERE VALUED AT AROUND €16.3 MILLION IN 2016 WHICH IS AN INCREASE OF SOME 2% COMPARED TO 2015. THIS INCREASE WAS LARGELY DUE TO STRONGER EXPORTS OF DAFFODILS AND CUT FOLIAGE USED IN FLORISTRY

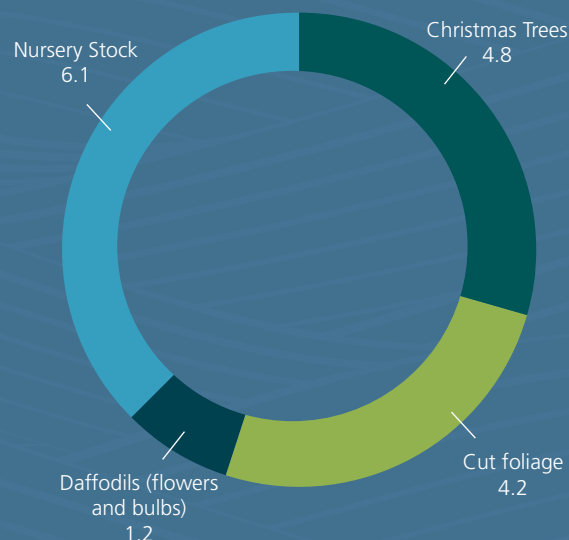


Export sales of nursery stock were steady in 2016 at **€6.1 million**



In 2016 **550,000** Christmas trees were harvested

Distribution of Amenity Exports (€m)



Source: Bord Bia estimates

In 2016, the export sales value of nursery stock was relatively steady at €6.1 million with the majority of exports to the UK. Despite challenging exchange rate fluctuations, exports benefited from consolidation of the nursery sector and a recovery in the UK landscape market.

Cut foliage exports increased by some 15% to €4.2 million in 2016 due mainly to higher demand at peak periods. Over 75% of exports go to the UK and Brexit is having a short term effect on pricing. However it is anticipated that the lack of competition will help minimise pricing declines. Furthermore, Irish foliage is well positioned

for growth due to recent investments in marketing and production.

According to the Irish Christmas Tree Growers Association (ICTGA) 80 Irish Christmas tree growers harvested 550,000 trees this year over one third of which were exported to European markets such as the UK, Germany and France, while the remainder were sold domestically. The export market has eased in value totalling almost €4.8 million on the back of less favourable exchange rates. However it is hoped to maintain and increase market share in the export market despite tighter margins.

The Amenity Export Development Programme continued in 2016 with both daffodil bulb growers and nursery stock producers participating in mentoring and sales support. Prospects for amenity horticulture exports in 2017 look relatively positive as Irish suppliers are expected to benefit from some consolidation in supply coupled with some growth in demand in the UK. However pricing margins will be affected by fluctuating exchange rates. Factors driving exports include higher quality products, increased consumer awareness and higher demand for amenity plants due to a recovery in the landscaping market.

BORD BIA'S OVERSEAS OFFICES



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Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board