

Prepared by the New Zealand Embassy in Dublin

Summary

- Forecasts of a significant COVID-19 related drop in Irish farm incomes for 2020 seem to have been averted following a gradual recovery in commodity prices and the provision of additional government support to the sector¹.
- Regional lockdown restrictions, however, introduced on 7 August in three mid-land counties, were linked to a further outbreak of COVID-19 associated with meat processing factories in the region, putting further pressure on Ireland's beef sector.
- Ireland's new government has provided a number of financial supports for the agricultural sector, including a €50 million support scheme for up to 42,000 farmers with beef finishing enterprises, and a loan guarantee scheme to assist lenders providing much needed liquidity to both SMEs and farmers.
- Opportunities remain for New Zealand Agritech and Agribusiness to export solutions such as genetics, machinery and digital solutions for Irish farmers, with a growing trend of Irish farmers looking to convert to dairy farming.

Report

A significant drop in Irish farm incomes for 2020 may have been averted following a gradual recovery in commodity prices and the provision of additional supports to the sector, according to a Mid-Year Outlook by Irish farm advisory body, Teagasc (August 2020). Assistance for beef farmers has come through additional government supports and in the dairy sector via price stabilising payments from milk processors. Many New Zealand agritech companies have enjoyed success in Ireland in recent years, and sales during the COVID pandemic have held up well, with only minor difficulties related to supply chains. However delays have been reported by farmers looking to secure government grants and loans from banks.

Dairying

2 Ireland is coming to the end of its peak milk delivery season, but if weather conditions continue to be favourable and milk prices hold, then the average income on dairy farms in 2020 could be close to the €67,000 achieved in 2019 (Teagasc forecast). The dairy cow population has continued to increase in 2020, helping to lift Irish milk production by 3 to 4 percent if normal weather persists through the rest of the season.

Beef sector

3 New regional lockdown restrictions were introduced in three Irish mid-land counties on 7 August 2020, linked to an outbreak of COVID-19 associated with meat processing factories in the region (some of these were subsequently lifted on 21 August). Working conditions in meat factories have been scrutinised following ongoing outbreaks since the start of the pandemic, including concerns that a lack of sick pay has been a factor in the spread of the virus in plants.

4 Around 90% of Ireland's beef and dairy output is exported, and excess supply internationally has led to a fall in prices for farmers. Ireland's food promotion agency, Bord Bia, expects beef consumption across Europe to decline by 7-8% this year, with other key global markets declining by some 3%. As COVID-19 has driven the balance of demand from food service to retail, it has been challenging for meat processors to balance carcasses of high value cuts to lower value products like mince. Low prices are also likely to persist due to the backlog of slaughter animals.

Sheep

5 Sheep prices are stronger in 2020, with Teagasc forecasting an overall increase of 5% compared to 2019. Fewer UK exports to key continental EU markets, reduced imports from New Zealand and a contraction in EU production have had a combined effect of lifting EU and Irish prices, despite the disruption to demand caused by COVID-19. With lower direct costs of production on Irish sheep farms due to savings on feed, fertiliser and energy prices, incomes for Irish sheep farmers are forecast to grow by 15% in 2020 to approximately €17,000.

Government Supports

6 The Irish government has announced that a new €2 billion **COVID-19 Credit Guarantee Scheme** to support lending to small and medium enterprises will include farmers. The support will take the form of State guarantees of up to 80 per cent on new loans provided by participating lenders, with loans ranging from €10,000 to €1 million available (over a maximum 7 year period). In addition, a **Future Growth Loan Scheme** for longer-term financing (8-10 years) will be expanded by an additional €200 million due to COVID-19 (from its existing €300 million). Further supports include:

- a €50 million support **scheme for beef finishing farms** who have suffered from both reduced prices and restrictions in getting animals to market. To qualify for payment, farmers must have slaughtered an animal between 1 February 2020 and 12 June 2020 inclusive, subject to a limit of 100 animals per herd. Based on estimates of eligible animals, the Department of Agriculture has said that a rate in the region of €100 per animal will be payable.
- increased funding for a **Calf Investment Scheme** (up from €1.5 million to €4 million), to ensure that farmers have facilities to care for extra calves on farm; and
- the bringing forward of balancing payments under the **Low-Carbon Agri-Environment Scheme (GLAS)** worth €26 million by a month, to provide cashflow to 42,300 farmers.

7 The **Targeted Agricultural Modernisation Scheme (TAMS II)** will also open for a further tranche of funding after 22 August. The scheme provides farmers with grant aid to improve and/or build a specific range of farm buildings or purchase equipment that may benefit their farm businesses. TAMS has been co-funded by the Irish government and the EU, with a total allocation of over €395 million over its duration (2014-2020). The Irish Farmers' Association (IFA) has called for an allocation of €120 million in extra TAMS funding for 2021. New Zealand companies operating in Ireland have said the scheme has played an important role in supporting conversions to dairy farming.

8 Following July's European Council meeting, the government has sought to assure farming groups that levels of funding available to Ireland under the Common Agricultural Policy (CAP) have been maintained, and noted a special allocation of €300m in recognition of the structural challenges which face the Irish agricultural sector. The EU Commission has already provided €76 million across all Member States for Aids to Private Storage for Dairy, Beef and Sheep Meat that cannot be put on the market.

Opportunities

9 Beef farming was already under pressure in Ireland before COVID-19 hit, with comparatively low incomes and poor profitability driving conversions to dairying in some parts of Ireland, and for those remaining in the sector, lower confidence in investing in farm enterprises. Better management and tools to support productivity and profitability in suckler herds will be essential, alongside ongoing discussions about the structure and reform of the sector.

10 New initiatives such as Bord Bia's Grass Fed Standard for Dairy (a similar standard for beef is in the pipeline), and a continued emphasis on more sustainable and efficient farming practices (driven by both proactive action in the sector and regulation), also present an opportunity for New Zealand Agritech and Agribusiness providers of genetics, machinery and digital management tools to support Irish farmers to achieve better results in pasture focussed production systems. We expect these types of opportunities will grow for New Zealand and Irish agritech in both our markets with the conclusion and implementation of a modern and high quality free trade agreement between New Zealand and the EU.

Assessment

Farming and agri-food exports have been a major success story for Ireland over the past decade, with exports growing by some 67% since 2010 (to a total of €14.5 billion in 2019). This has been made possible by a competitive and efficient indigenous farming sector, CAP reform (decoupling of direct payments and quota reform), and successful marketing and promotion of Irish produce including through Ireland's Origin Green programme. Although the industry is under pressure from the impact of COVID-19, and the risks and impact of Brexit remain uncertain, Ireland continues to be a sizeable and growing market for New Zealand technology and services as dairy sector growth and performance remains strong and with the new Irish government continuing to have a strong focus on promoting environmental sustainability in the sector.

ⁱ Mid-Year Outlook, Teagasc (August 2020)

More reports

View full list of market reports from MFAT at <https://www.mfat.govt.nz/en/trade/mfat-market-reports>

If you would like to request a topic for reporting please email exports@mfat.net

To contact the Export Helpdesk

Email exports@mfat.net

Call 0800 824 605

Visit [Tradebarriers.govt.nz](https://www.tradebarriers.govt.nz)

Disclaimer

This information released in this report aligns with the provisions of the Official Information Act 1982. The opinions and analysis expressed in this report are the author's own and do not necessarily reflect the views or official policy position of the New Zealand Government. The Ministry of Foreign Affairs and Trade and the New Zealand Government take no responsibility for the accuracy of this report.