Bank of Ireland Sectors Team Agriculture Insights 2024 / Outlook 2025

January 2025

Bank of Ireland

Classification: Green

2024 Review – A year of recovery to rebuild

In short:

Following a turbulent 2023, overall 2024 will go down as a year of recovery for farm output and incomes as agri commodity prices stabilised[1] along with favourable weather in the second half of the year supporting animal and crop performance. In the first half of the year, farmers felt the impact of a prolonged winter and late spring with cash positions weakening and animals and crops underperforming. Thankfully the second half of the year more than compensated with more favourable weather and higher farm gate prices.

This saw overall farm incomes increase 49% in 2024 compared to 2023[2]. Sentiment at farm level was subdued for most of the year which impacted farmer confidence to invest on farm in the short-term preferring to build up cash buffers and pay down short-term debt taken on in Winter 2023. By year-end the result on farm is seen in lower overdraft utilisation rates[3], lower overall farm debt levels[4] and higher deposit levels[5] than at the start of the year. Given the postponement of investment in 2024, it is expected that the appetite to invest on-farm will return to more normalised levels in 2025.

Cereals -13%

The global price for cereals for 2024 as a whole, was down 13% from the 2023 level, underpinned by lower wheat and coarse grain prices, and marking a second annual decline from the 2022 record level[9]. This was as a result of subdued international demand and higher seasonal availability from harvests in South America and Australia[10].

Meat +3%

The global price for meat for 2024 as a whole, was up almost 3% from 2023, driven by robust import demand from key meat-importing countries, amid slower global production growth[11]. This sustained higher average prices for cattle, sheep and poultry meats. Average pig meat prices declined, prompted by subdued import demand, particularly from China.

Dairy +5%

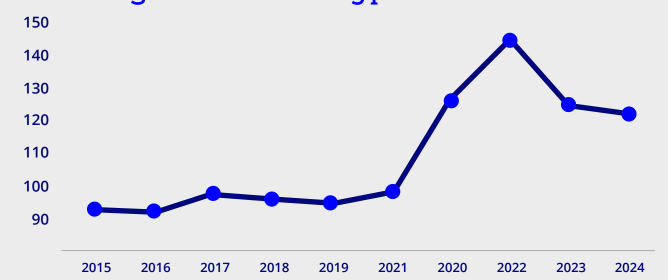
The global price for dairy for 2024 as a whole, was up almost 5% from 2023[12]. This increase was mainly attributed to a sharp surge in butter prices, on the back of a high global demand and constrained exportable supplies, resulting from erratic weather patterns that negatively impacted production.

The global Picture

Agri commodities fall off record highs

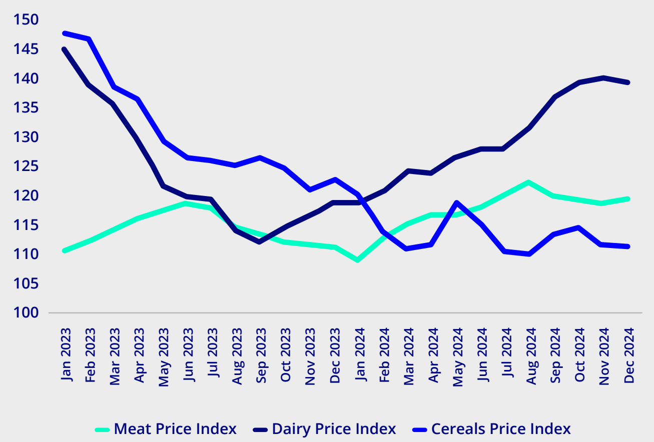
Following a 14% fall in 2023 compared to 2022, the FAO Food Price Index fell a further 2% in 2024[6]. The international index, which tracks the price of agri-food commodities, made steady monthly increases for most of 2024 and finished the year 8% above its corresponding level at the end of 2023[7]. It still remains 21% below the peak reached in March 2022[8].

Agrifood commodity price tracker



Source: FAO Food Price Index

Evolution of Prices 2023 & 2024



Source: FAO Price Index

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2 Teagasc Review & Outlook 2025, December 2024
3 Bank of Ireland data
4 Central Bank of Ireland: SME and Large Enterprise Credit and Deposits, Sept 2024
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6 FAO Food Price Index, 3 Jan 2025
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Agricultural output increases overall in 2024

Agricultural output increased by 4% (+€430m) to €11.7bn in 2024[13] due to a combination of increased prices and volumes across the key commodities. Cattle output values grew 1.5% due to a 3% increase in prices despite a 2% decline in volumes[14]. Pig output values increased 9% on the back of an 8% rise in volumes[15].

Sheep output values grew 16% as a result of a 16% increase in sheep prices[16]. Despite a c.2% fall in volumes, milk output values grew 2% supported by 7% stronger prices[17]. Adverse weather conditions at planting caused a significant reduction in both the area planted (-20%) and production (-24%) of winter Cereals[18]. However, the area planted with spring Cereals increased by 8%, and with higher yields, production grew by 25%[19]. This resulted in the cereal output values increasing by 10% with no increase in prices.

Key agricultural input costs continued to fall in 2024

Farm input costs fell c.5% (- €377m) in 2024[20] mainly as a result of lower feed and fertiliser costs. The cost of fertilisers fell by c. 27% (-€223m) due to their average price falling by 30%, while the cost of feed was down c. 6% (-€143m) also due to lower prices (-13%)[21]. Volumes of feed increased c. 8% in 2024 compared to 2023 as a result of the adverse weather during the year[22]. Energy costs (diesel and electricity) were down 6% in 2024 compared to 2023[23].

Recovery in agricultural incomes in 2024

With the value of farm output increasing coupled with costs falling, farm incomes as measured by the operating surplus is expected to increase by 33% (+€951m) to €3.9bn in 2024[24]. This is a reversal of the €1.5bn hit taken in 2023 compared to 2022[25].

In 2024, average farm incomes increased 49% compared to 2023[26]. Average dairy farm incomes for 2024 were up 82% to €89,000, average tillage incomes increased 43% to €30,000, average cattle rearing incomes increased 36% to €10,000, average cattle finishing incomes increased 21% to €17,000 and average sheep incomes increased 25% to €15,000[27].

Source: CSO

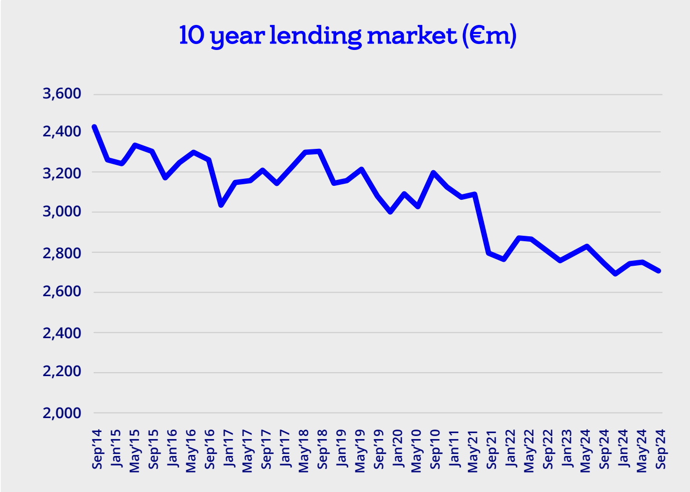
Costs on farm continue to increase

Analysis conducted by Bank of Ireland based on CSO figures shows that key costs on farms are up 19% in 4 years[28]. Feed which is the largest farm input costs has increased 21% between 2021 and 2024 inclusive driven mainly by increased usage[29]. Energy costs, which make up 7% of costs on farm, have increased 32% in the same period driven by the increased price of energy (fuel and electricity).

The cost of farm contractors has increased in line with the increase in fuel costs and is up 31% since 2021[30]. Fertiliser costs which account for 8% of farm costs have reduced 15% (mainly driven by lower usage) since 2021. Land rental charges have increased 26% since 2021[31].

Farm Debt reduces 2% in 2024

Farmers continue to deleverage as they pay down existing debt at a faster rate than taking out new debt. At the end of September 2024, the total debt on Irish farms was €2.7bn – a reduction of almost €50m (2%) compared to the end of September 2023[32]. In the first 9 months of 2024, farmers took out €469m of new loans: a similar level to the same period in 2023[33]. Despite industry expansion and investment overall, farmers have reduced the level of debt carried on farms by €0.5bn (-20%) over the past 10 years[34].



Source: Central Bank of Ireland

Bank of Ireland continued commitment to farmers during 2024

Bank of Ireland continues to grow its lending to farmers in Ireland. In 2024, Bank of Ireland captured 55% of all new lending to farmers, demonstrating its commitment and appetite to support farmers in their business ambition[35]. Underlining Bank of Ireland's ongoing support of Irish farmers, the Bank has increased its market share of outstanding debt on Irish farms from 34% in 2020 to 43% in 2024 at a time when the overall debt on Irish farms decreased by 13%[36].

Farmers enter 2025 in relatively strong position

Driven by the positive farm income growth in 2024, agricultural deposits held by Bank of Ireland recovered in 2024 driven by strong performance across the main agri sectors during the year.

Overdraft utilisation rates, another key indicator of financial health on farms, which increased in Spring 2024, fell to 12-month lows of c.12% utilised balance in December[37].

13 CSO, Output, Input and Income in Agriculture, 6 December 2024
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Key performance highlights 2024

Milk Price

+15%

Dairy

Following a 3% decline in milk volumes[38] in 2023, the long winter and challenging Spring impacted grass growth and animal performance in 2024. The declines in milk output continued for the first 8 months of 2024 with milk volumes back 5% at the end of August compared to the same period in 2023[39]. However favourable weather and relatively strong milk price saw farmers push production into late Autumn seeing the year end with milk volumes more or less in line with 2023 at 8.4bn litres[40]. Overall, average base milk price (weighted) for the year increased 15% (6cpl) to €0.45/L including VAT[41]. The price increased 32% (12cpl) between January 2024 and December 2024[42].

Beef

Cattle slaughterings in the 11 months to November 2024 increased 29,000 heads (+1.7%) to 1.8m heads, compared with the same period in 2023[43]. In 2024, average prices for prime finished cattle were 4% higher than the average levels in 2023[44]. The number of suckler cows continues to decline and is down 5% or 47,000 heads over the 12 months to June 2024[45]. In the past two years, there are almost 100,000 fewer suckler cows on Irish farms[46].

Beef Price

+4%

Sheep Price

+15%

Sheep

EU sheep meat production in 2024 has continued to decline, due to a structural decrease in the sheep EU flock[47]. As a result, European prices are higher in 2024 than in 2023 and are well ahead of the 5 year average price level[48]. The average lamb price in Ireland for 2024 is c.15% higher than 2023[49].

Tillage

There was mixed performance in relation to yields of the main cereal crops in Ireland in 2024. Irish spring barley yields increased by 16% on a per hectare basis, while winter wheat yields decreased by 7% per hectare, compared to 2023[50]. Harvest grain prices remained flat at c.€200/T for green barley[51]. Straw prices hit record levels driven by reduced supply and strong demand.

Grain Price

0%

Pig Price

+2%

Pigs

While the average pig price fell 4c per kg to 220c per kg in 2024 it is higher than the 5 year average of 192c per kg[52]. The annual average feed cost in 2024 fell 25c per kg to 134 cent per kg similar to the five-year average of 134.5 cent per kg[53]. The 2024 Margin Over Feed (MOF) per kg is up 25% to 86 cent per kg. There was a 3% increase in Irish pigs slaughtered to 3.58m in 2024[54].

Land

The average price per acre of agricultural land declined slightly in 2023[55], bringing to an end a seven-year period of uninterrupted price growth. The Farmers Journal concluded that average agricultural land prices fell 3% to €11,925 per acre in 2023, alongside a 5% drop in volume of land sold compared to 2022[56]. High quality land, particularly in areas of strong demand are achieving prices well above the average– and in excess of €20,000 per acre in some cases.

Land Price

-3%

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43 CSO, Livestock Numbers, June 2024
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55 Irish Farmers Journal Land Report, March 2024
56 Irish Farmers Journal Land Report, March 2024

2025 Outlook

In short:

The fundamentals of supply and demand in global agri commodity markets look set to bolster farm gate prices in the near term. Therefore, the prospects for farm incomes in 2025 look promising. However with heightened geopolitical risk, driven by the potential for increased supply chain disruption as tensions continue across the Black Sea and the change of Government in the US may create some downside risk during 2025. Uncertainty around weather patterns due to climate change continues to impact agricultural productivity. The price of key inputs, such as fertiliser and feed, have stabilised at lower levels. Short term environmental compliance costs continue to impact farm profitability. Targeted Government supports such as TAMS (Targeted Agriculture Modernisation Scheme) are reducing the investment cost and future risk to farmers. Uncertainties such as potential tariffs on agri imports to US, tariff free beef imports from South America and the risk of Foot and Mouth are key watch outs for the year ahead.

Farm outlook for 2025:

1. **Farm incomes expected to rise in 2025:** Global agricultural markets are showing signs of stabilisation. Notwithstanding external factors such as weather and geopolitical events, 2025 is expected to see a 20% rise in farm incomes to the highest level in three years[57]. This is driven by a stable firm outlook for key agri commodities along with higher outputs. The one exception will be the pig sector due to lower prices. Overall input costs are expected to be unchanged in 2025 compared to 2024[58]. Cashflow is expected to be stronger in 2025 in general- assuming a normalised weather year.

2. **Renewal of investment appetite on farm:** Given the challenging weather last year which impacted farm cashflows in the short term along with sentiment and confidence, farmers postponed investment decisions such as machinery and farm building upgrading. To what level these recover depends on the evolution of commodity prices and weather over the coming months. It is expected that there will be an increase in investment in slurry storage facilities for compliance but also to produce headroom for longer winters. The uncertainty around key agri policies such as the nitrates derogation casts a shadow on expansion plans on some farms. The appetite for land acquisition is expected to continue strong, driven by the limited supply.

3. **Demand for land to continue strong:** It is expected that land values will increase slightly in 2025, driven by the usual suspects of limited supply outstripped by increasing demand[59]. There will continue to be strong interest from non-farmers in land, particularly for large blocks, despite a tightening of once favourable tax policies for these buyers. It is expected that dairy farmers will continue to be active in the land market in 2025 to reduce overall stocking rates for environmental compliance rather than expansion. The rental/leased land market looks set to continue strong, driven predominantly by dairy farmers need to reduce stocking rates.

3 things to watch in 2025:

1. **Trump & tariffs:** Farmers and agribusinesses such as the dairy and meat processors in Ireland will be watching to see if President Donald Trump imposes new tariffs and just how steep they may be on dairy and meat imports to the US. Irish food and beverage products such as butter could be at risk to the tariffs. Kerrygold products have been stockpiled in recent months in the US ahead of any potential tariff on Irish dairy being introduced[60].

   In 2023, the value of dairy exports to the US exceeded €684 million, that is, 42% of total agri-food exports from Ireland to the US[61]. Irish butter exports have grown 30% to 39,000T in 2023. Grains may get caught in the crossfire and there could be pressure on prices if a tariff trade war escalates.

2. **Mercosur trade talks:** A political deal has been signed between the European Commission and the Mercosur countries which would allow 99,000t of South American beef low-tariff access to EU markets[62]. This equates to 4m head of cattle equating to 18% of current EU beef production – the equivalent of 60% of Irish cattle number[63]. While this is seen as a good deal for the wider EU industrial economy, the beef and poultry sector are likely to be the big losers. Brazilian imports are likely to be in the form of high value cuts such as steaks, further deepening the impact. Meat Industry Ireland (MII) analysis shows that the Irish beef sector would be hit for between €100m and €130m because of our export profile. This could impact cattle prices in Ireland by approx. €75-€95/head and an annual loss of €1.3bn to EU beef market value, according to the MII analysis. The free trade agreement was 25 years in the making and was first signed in 2019 with details and terms still in negotiation. The ratification process is expected to proceed at two different speeds. Mercosur countries are likely to ratify the trade agreement relatively quickly in the coming months. In contrast, the ratification process for the EU will be lengthy. The agreement requires a legal review before its ratification by the Council of the European Union and a majority in the European Parliament.

3. **Evolution of Foot & Mouth Disease (FMD) outbreak in Germany:** A case of FMD was reported in a water buffalo in Germany in early January. The German authorities have put in place controls to prevent onward spread and are investigating the circumstances of the outbreak. No animals susceptible to foot and mouth disease have moved from Germany into Ireland since at least the beginning of November 2024. FMD is a highly contagious viral disease of cattle, sheep, and pigs. It causes very significant economic losses, due to production losses in the affected animals and due to the loss of access to foreign markets for animals, meat and milk for affected countries. FMD does not infect humans and does not pose a food safety risk. Ireland is free of FMD, having had its last case in 2001. If a FMD case were to be identified in Ireland, the infected herd would be culled, the site disinfected, and a 3km protection zone and 10km surveillance zone set up, within which very strict movement controls and testing would be imposed. If a case of FMD were to occur in Ireland, it would lead to the immediate loss of market access for Irish animals and animal products.

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Bank of Ireland ready to support environmental ambition:

Bank of Ireland continues to be the leading lender to Irish farmers and the agri-food sector in Ireland with over €4bn invested across the Irish agrifood supply chain with over €1.2bn of this at farm level[64].

Banking over 80,000 family farms, many for generations, Bank of Ireland is confident about the future of the sector and is committed to supporting farmer's transition to a greener footprint. Banks have a unique role in helping to bridge the gap between finance and sustainability. We expect there will be a requirement for continued investment in infrastructure that improves the overall environmental sustainability of farms, and we will continue to work with farmers and stakeholders to support their future business requirements.

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Eoin joined Bank of Ireland in 2020 as Head of Agri, from the Irish Farmers Journal, where he served as Agribusiness Editor upon joining the paper in 2014 and served as Deputy Editor from 2017 until his departure. He also has extensive experience in Irish and international Agri business, including 5 years as Managing Director of Target Fertilisers. Eoin holds a Masters in Agricultural Science from UCD along with MBA from Smurfit School of Business.

64 Bank of Ireland data

Sources: Teagasc, CSO, Department of Agriculture (DAFM), Bord Bia, Euromonitor, European Commission, IBEQ, MATIF, LIFFE, IMF, World Bank, FAO.