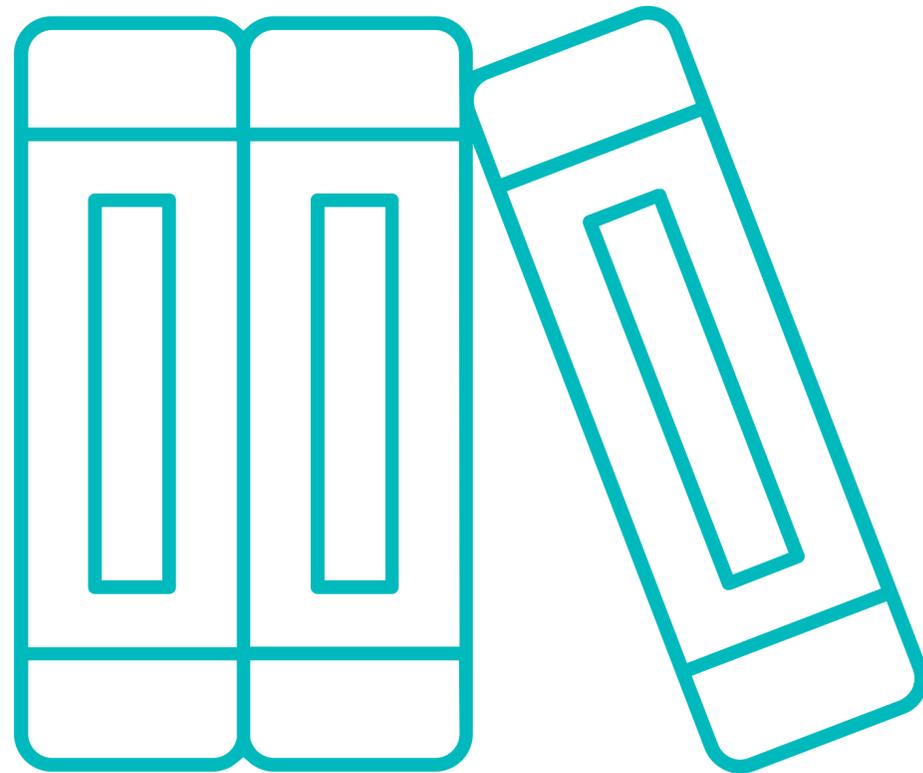


Export Performance & Prospects

BORD BIA
IRISH FOOD BOARD



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IRELAND'S AGRI-FOOD SECTOR

Ireland's Agri-Food sector encompasses primary production (agriculture, fishing and forestry) as well as food, beverage and horticulture production and wood processing.

According to the most recently available annual data (2019) from the Department of Agriculture, Food and the Marine (DAFM), employment in the agri-food sector accounts for approximately 164,400 jobs or 7.1% of total employment in Ireland. It represents 6.7% of modified Gross National Income and 9.5% of total merchandising exports. Data from the Central Statistics Office (CSO) shows that the food and beverages sector accounts for 19% of all industrial turnover and 21% of all manufacturing industry turnover.

DAFM and the CSO statistics for the Agri-Food sector include food, drink and edible horticulture along with non-edible items such as live horses, animal foodstuffs, forestry and amenity horticulture, and animal hides and skins.

Exports of non-edible Agri-Food sector goods are estimated by Ireland's Department of Agriculture, Food and the Marine at €1.3bn in 2020. Adding this estimate to the Bord Bia figures for the food, drink and horticulture sectors, which are the focus of this report, indicates that total Agri-Food sector exports in 2020 amounted to €14.3 bn.





The world kept eating in 2020 despite the global pandemic, but the channels by which Ireland's food and drink arrives to consumers were disrupted, and consumers across the world have begun adopting new behaviours. 2020 has been a challenging year for people across all continents, and one that presents both difficulty and opportunity to Ireland's Food and Drink prospects.

In 2020, we saw a slight decline of -2% on global exports of food and drink. This decline is minimal in the face of towering pandemic challenges such as the effective closure of foodservice, an increase in shipping costs, and dramatic life and behaviour changes at a consumer level driven by working from home, and a new relationship with time, commuting, public spaces and leisure.



This year has played out with three issues happening or looming on the horizon: the global pandemic, Brexit (and the multitudinous scenarios of how it may eventually fall), and the incessant and growing climate crisis.

Behind overall performance in exports (expressed as a relatively modest decrease) are massive challenges at a strategic, category and channel level.

Irish food and drink exports occur in the midst of a challenging global environment. We remain cognisant and engaged with the shifting context that our exporting client companies are operating in, and 2020 was challenging in unique ways.

The pandemic affected every country in the world and demonstrated repeatedly the interconnected and interdependent nature of the modern global order. Emerging economies in Asia and Africa were, comparatively, domestically

spared but the market for the exports those countries produce was significantly challenged.

Driven by lockdown and uncertainty about the future, the savings rate in nearly all economies increased rapidly. Less funds were dedicated to consumption as a result.

Recovery in China in particular has been quicker than expected. The OECD has revised its expectations for the extent of global recession to be far less significant than originally expected.

The group now expects China to grow in 2020 —by 1.8%. Every other market will shrink in GDP terms, but the expectations for return to growth have improved.

The red thread that connects all is the need to carefully focus on **shifting cultural and behavioural markers (the desire to eat locally, home as sanctuary, the urge to consume more efficiently, reducing food waste)**. Within these meta themes lies the strategic response from our food and drink producers, and a way to make 2020 a pivotal year of learning for positive change.

We present the performance of the Irish food and drink industry in 2020 and its prospects in 2021 in the following document.

The lens through which we are analysing performance is year-on-year changes for the most part. We also look at the changes since the Brexit vote in 2016 — particularly relevant and instructive as the Withdrawal Agreement comes to an end at the end of a tumultuous 2020.



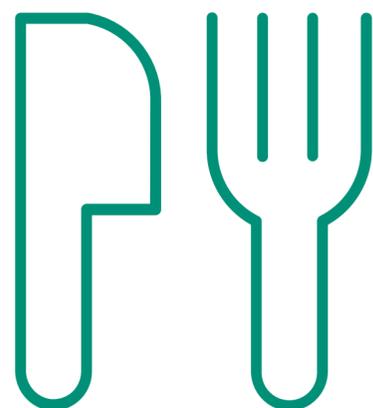


Performance 2020

€13
BILLION

FOOD &
DRINK
EXPORTS





Irish food and drink exports for 2020 were worth €13bn, a 2% decline on the 2019 figure. This slight decline comes in the context of the largest disruption to normal market operation globally since the end of World War II. Within this decline are increases in the value of Irish dairy, pigmeat and sheepmeat exports and increases in the value of exports to Asia, Africa and the Middle East.

Category	FY2019 (€)	FY2020 est. (€)	% Change YoY
Dairy	5,032,197,309	5,166,544,104	3%
Meat and Livestock	3,309,787,944	3,379,698,911	2%
• Beef (inc. offals)	2,123,166,413	2,071,003,434	-2%
• Pigmeat	514,819,131	586,176,683	14%
• Sheep	319,440,128	356,858,628	12%
• Poultry	155,279,410	152,088,357	-2%
• Other Meat	13,612,441	12,033,398	-12%
• Live Animals	183,470,421	201,538,410	10%
Horticulture	204,721,696	220,681,823	8%
Seafood	492,575,397	442,895,371	-10%
PCF	2,592,179,363	2,493,120,272	-4%
Alcohol	1,600,751,241	1,297,261,690	-19%
Total	13,232,212,950	13,000,202,172	-2%

FULL
YEAR
EXPORT
VALUES



Exports of food and drink from Ireland have increased 16% in value since 2016 — the year that the UK voted to leave the European Union. The majority of that growth has been to markets in the EU27 or further afield, but it is notable that the value of food and drink exports to the UK has increased to €4.3bn over that period.

Food and drink exporters to the UK have focused on protecting the well-earned reputation of Irish produce for our nearest neighbour while at the same time investing in diversification into new markets where demand is increasing. Both efforts have been rewarded in recent years, as Irish exports sustained in the UK and grew rapidly elsewhere.

MARKET CHALLENGES

The emergence of Covid-19 at the end of 2019 in China appeared at first as a regional health challenge, which quickly morphed into a global pandemic, with social, cultural and economic implications. As lockdowns and travel restrictions spread across the globe through February and March 2020, the global trade in goods including food and drink entered challenging straits, with an emerging emphasis on local produce.

The Irish government designated food production as essential early in the crisis which enabled businesses to continue to function. The cost and logistics of shipping were challenging. Shipping costs doubled for many, and some key routes became unavailable, due to displacement of many containers from their normal routes. For Asian routes, elevated costs persisted throughout the year.



Both sterling and the dollar weakened slightly against the Euro over the year, but the core economic disruption of Covid-19 was focused on channel, and not currency.

This was partly due to the range and substance of government intervention to prop up businesses and incomes. Across most Western governments, significant increases in unemployment assistance for those rendered out of work as a result of the pandemic could be observed alongside supports for businesses. Significant government spending was supported by low interest bond purchases. The European Union committed to significant spending to support member state economies while retooling for a changed future.

Consumption habits globally shifted as people moved to working from home. The closure of food service — a channel that is the destination for a disproportionate part of Ireland’s higher value food and drink exports, notably in alcohol, beef and seafood — presented significant challenges, balanced somewhat by increases in at-home consumption and retail sales.



Exports to the UK sustained through 2020, despite Brexit trade negotiations injecting uncertainty into trade with our largest trading partner. In late December a Trade and Cooperation Agreement was struck between the EU27 and the UK removing the risk of immediate imposition of tariffs and quotas in 2021.

Decline in demand as a result of Covid-19 restrictions and job losses drive the 5% decline in the value of exports to the UK while exporters made contingency plans for a no-deal Brexit. This included extensive participation in customs readiness schemes developed and delivered by Bord Bia alongside entire supply chain assessments and customer engagement in the UK.



Trade disputes and unpredictability in international trade persisted, alongside the pandemic. Tariffs imposed by the US on European agri-food produce continued. The results of the US election in November may bring some favourable change to elements of US trade policy, though the removal of existing tariffs on exports of alcohol and dairy products is unlikely.



China's internal challenges with African Swine Fever (ASF) continues to impact the global demand and price for pigmeat, across the agri-food sector. The rapid rate at which China is rebuilding domestic capacity to supply pigmeat may have implications in 2021 and 2022.



The EU-Vietnam Free Trade Agreement came into force in July, which will reduce tariffs on beef to zero over three years and on dairy over five years. Irish exports to Vietnam have been in growth over previous years and this FTA along with the underlying positive demographic and socio economic trends in the country will increase Vietnam's importance as a key importer.



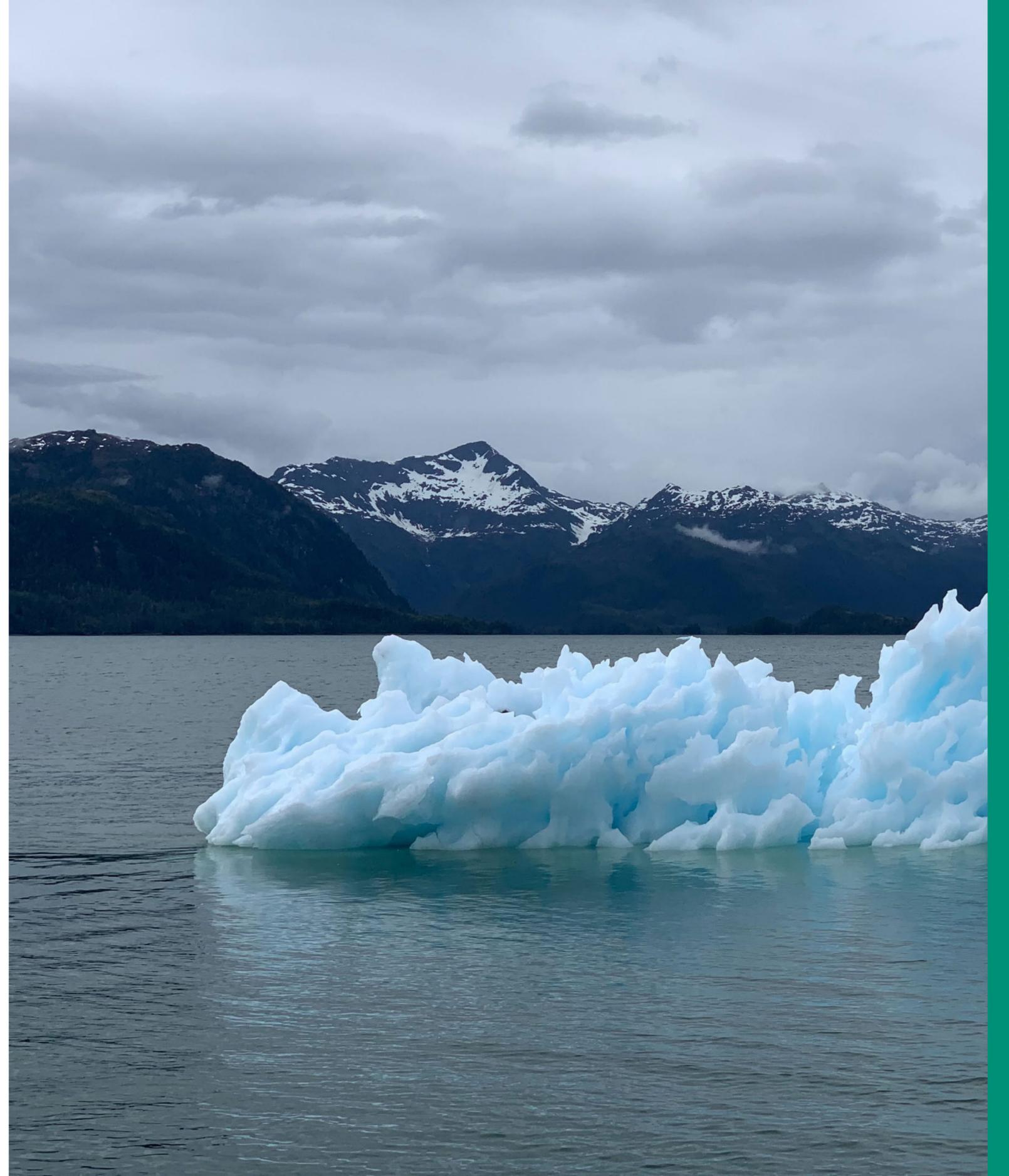
Following the agreement and publication of the EU-Mercosur association agreement in 2019, it has not yet entered into force. Ratification in its current form will be difficult as farmers across the EU have been focussing their campaigning particularly on Brazilian meat production. If ratified, it would lead to significant increases in the flow of beef from South America to the EU.



Climate continued its disruptive force around the globe in 2020. **A World Meteorological Society report assessed that 2020 was one of the three hottest years on record, and that the decade 2010-2020 will be the warmest on record.** This has led to disruption in production of agricultural commodities and consequent limits on growth.

Despite the impact of Covid-19 on travel and other energy consumption, atmospheric concentrations of greenhouse gases continue to rise. This will continue to create high-impact events including extreme heat, wildfires and floods, as well as the record-breaking Atlantic hurricane season compounding threats to human health, security and economic stability.

Climate change will present multifaceted challenges for the Irish food and drink sector. The price and availability of input commodities will become more disrupted, and on the consumer side there will be increasing expectation of certified processes to minimise greenhouse gas emissions. **Communications on Ireland's production systems and the third party verified Origin Green standards will become more essential** for exporters when speaking to potential customers in a wider range of markets in coming years.





Farm income in Ireland rose 6% in 2020 on average according to Teagasc. The key drivers of this increase include a reduction in animal feed, fertiliser and fuel prices, along with additional subsidy supports for cattle producers to alleviate the negative effects of Covid-19 on the beef market. Milk prices in 2020 were equivalent to those in 2019, while beef, sheep, cereal and pig prices all increased for the farmer.

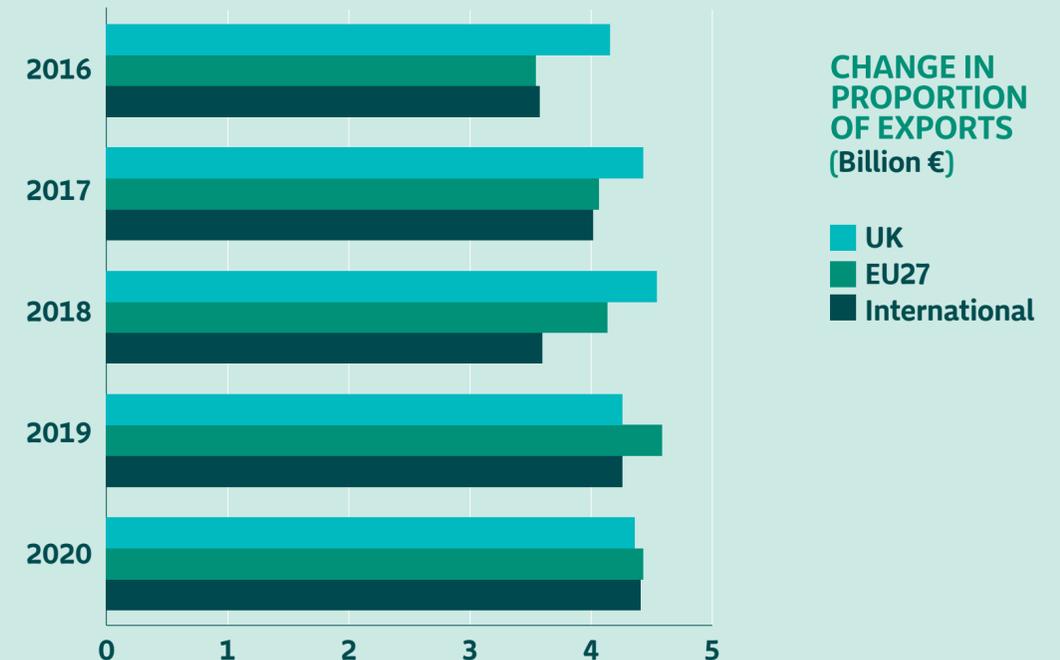
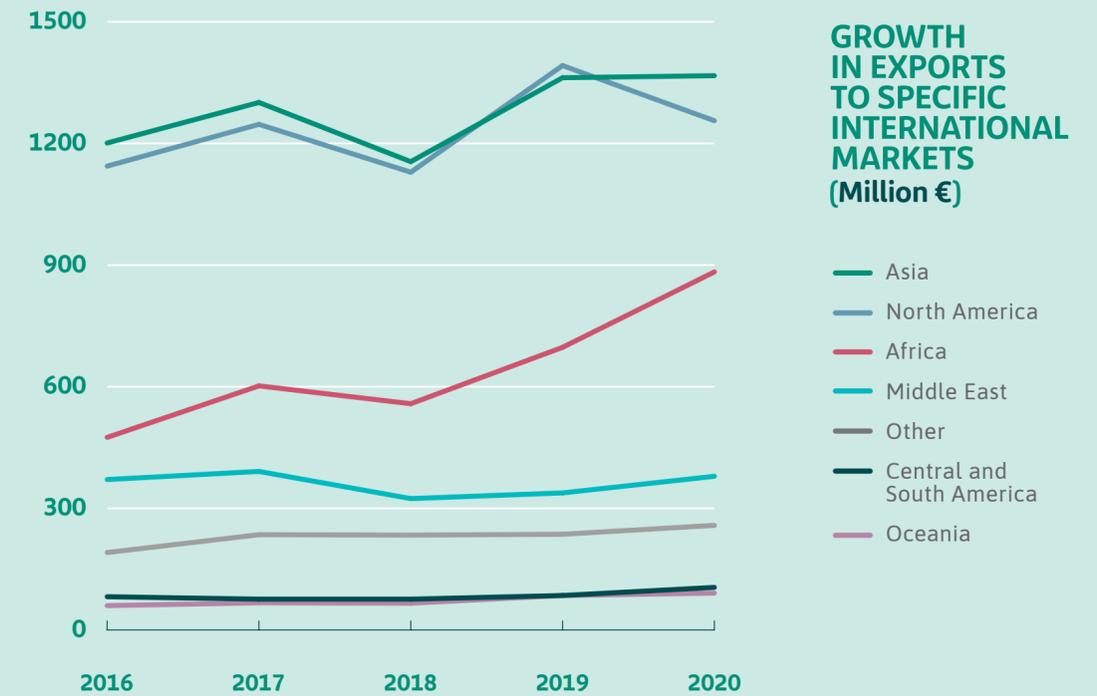
The farm income increase was not evenly distributed. While the average income on dairy farms increased 5% with benefits of lower production costs and higher yields accruing, the average income in suckler farms increased 17% according to Teagasc. In contrast, tillage farm income declined 11% as a result of a sharp drop in cereal yields as a result of adverse weather conditions.

DESTINATIONS

The success of the diversification strategy of the Irish food and drink industry can be seen in export figures for 2020 and in how they have shifted since the Brexit referendum in 2016.

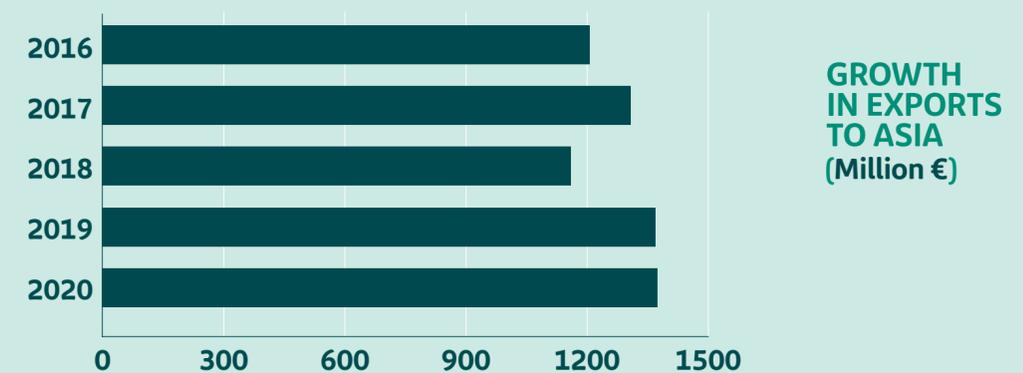
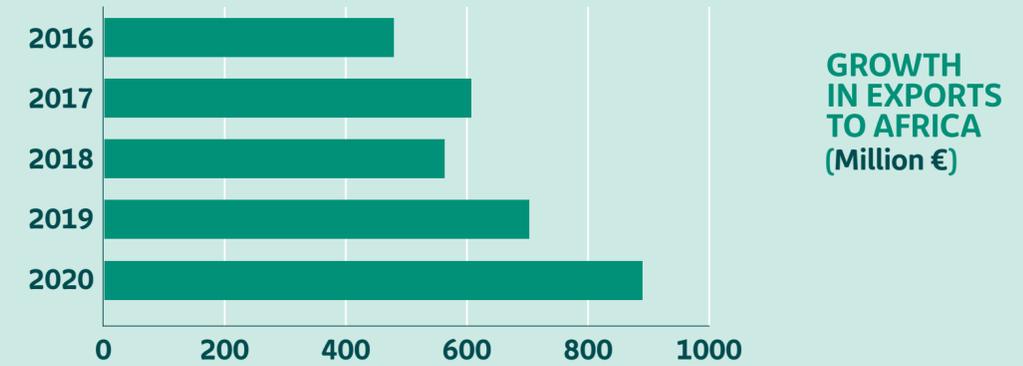
In 2020, 33% of Ireland’s food and drink exports went to International markets outside the UK and EU. 34% went to the EU27 and 33% to the UK. In 2016, the value of food and drink exports was €1.8bn less than it was in 2020 and the split was 32% to International markets, 31% to EU27 and 37% to the UK.

Ireland’s food and drink exporters have been expanding the value of exports while increasing the proportion of those exports that are destined for high-growth, high-potential priority markets, largely in Asia but also in the Middle East, Africa and North America.



The rapid emergence of some Asian economies from lockdown and the relative lack of disturbance at a macro level in many African economies facilitated a sustaining of demand in those markets. This enabled significant **increases in the value of Irish exports to Africa and the maintenance of the very high level of exports to Asia. Both of these were primarily driven by dairy.**

Since 2016, the value of Irish food and drink exports to Asia has increased 14% to €1.4bn. Exports to Africa over the same period have increased by 86% to €883m in value. Exports to the UK have grown since 2016, but by a more modest 2% to €4.3bn – still by some distance Ireland’s largest food and drink export destination.





GROWTH
IN VALUE
OF EXPORTS
SINCE 2016
(Billion €)



Looking at these figures on a year-on-year basis, we observe a decline in the UK where market disruption and dampened consumption — including a closure of the foodservice channel for significant amounts of the year — caused a 5% decline in the value of exports. In the EU27 similar dynamics led to a 3% decline in the value of exports. Exports to Africa increased by 27% and to the Middle East by 12%.



Exports to North America were the most negatively affected of our key markets, being reduced 10% year-on-year. This is a result of the large proportion of whiskey exports which are exported to the region, and the extent to which whiskey exports have been affected by Covid-19 restrictions. Also at play was the extent of whiskey stocks already in the US market in particular. North America remains on a positive long-term trajectory; since 2016 the value of exports have grown by 10%.



DAIRY

Summary of Performance

The value of dairy exports in 2020 was €5.2bn — a 3% increase on the value in 2019. This is the second year that dairy exports have been worth more than €5bn. This growth was achieved despite commodity price reductions for key elements of the export mix including butter.

Driving this growth was a very strong performance in butter, in specialised nutritional powders and in other key powders including SMP, WMP and casein.

Butter performed ahead of expectations despite significant commodity price declines and a 25% tariff on exports to the US. **Butter exports were worth €961m in 2020, the most valuable of all the dairy sub categories.** The volume of butter exports increased 12% to 290,000 tonnes. There was a significant increase in the volume of butter going to the US, despite the tariff imposition which has been broadly passed directly onto consumers.

Exports of cheese were slightly (1%) up on 2019's value to €961m.

Cheese exporters continued to have some success in the drive to diversify destinations beyond the UK. Cheese exports to Asia, North Africa and to EU27 accounted for the largest portions of growth. Cheese exports to Asia grew by 32%, while exports to Africa increased by 12% and exports to EU27 were up

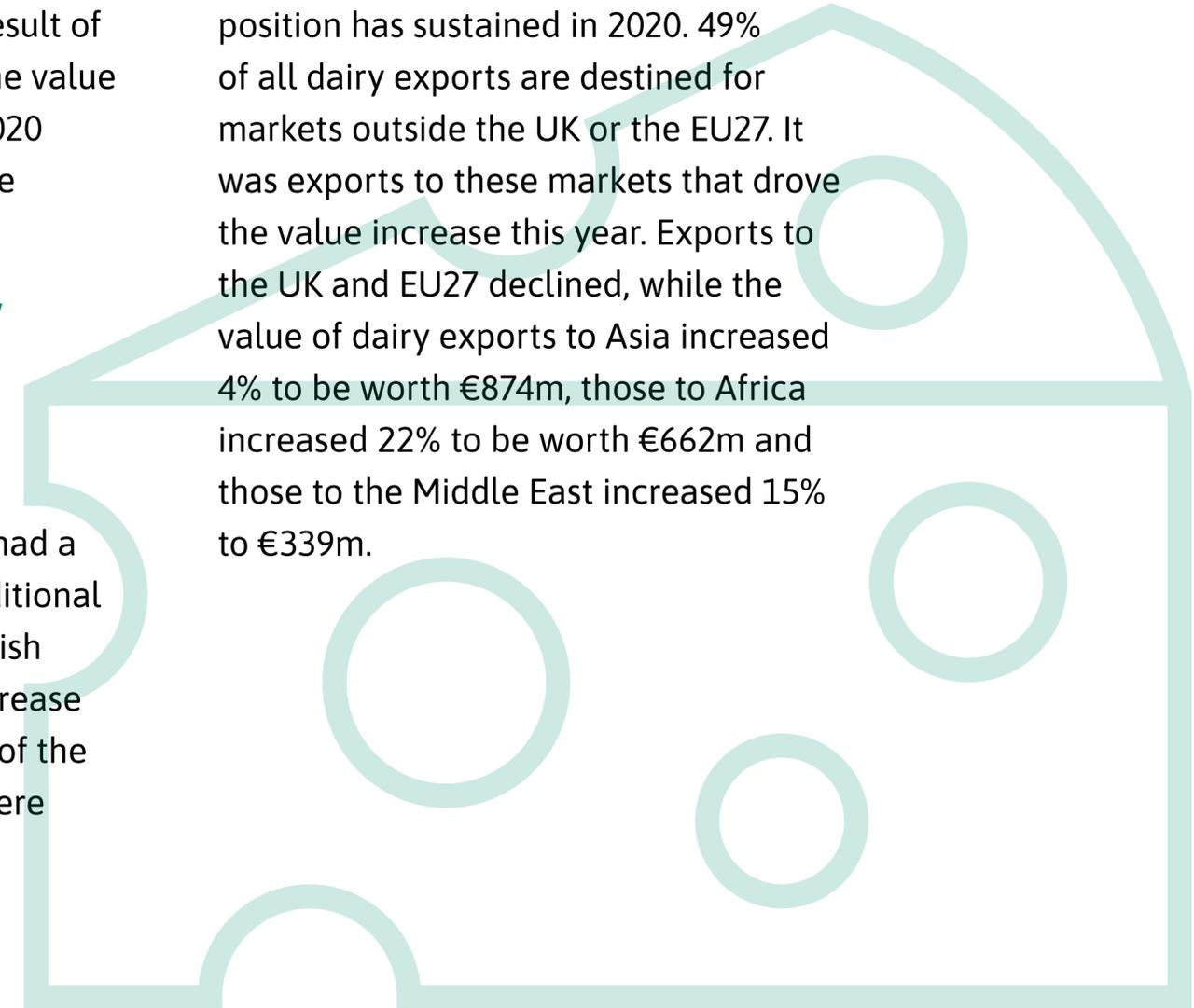
2%. The value of cheese exports to the UK declined by 6% to be worth €381m — a decline attributed to the fact that 2019's value was elevated as a result of contingency planning activity. The value of cheese exports to the UK in 2020 remains significantly ahead of the €301m it was in 2016.

SMP prices and demand globally were strong throughout 2020, facilitating export value growth on the same volume of export.

Specialised nutritional powders had a positive year, with growth to traditional and new markets. The value of Irish exports grew by 5% with that increase concentrated in the first quarter of the year. In the latter part of 2020 there have been more challenges to imported SNP in China.

Dairy is the most diversified category in terms of destinations of all the major Irish food and drink exports. That

position has sustained in 2020. 49% of all dairy exports are destined for markets outside the UK or the EU27. It was exports to these markets that drove the value increase this year. Exports to the UK and EU27 declined, while the value of dairy exports to Asia increased 4% to be worth €874m, those to Africa increased 22% to be worth €662m and those to the Middle East increased 15% to €339m.





MEAT & LIVESTOCK

Summary of Performance

Meat and Livestock was the second largest category in Irish food and drink exports in 2020, where the **total value of exports increased 2% to €3.4bn.**

The largest part of that category — beef exports — experienced a decline in the value of exports however. **The value of primary beef exports was €1.9bn in 2020 — a 2% decline on 2019.**

The challenging year for beef exports was offset by strong growth in the value of pigmeat and sheep exports. The live export sector also experienced a return to growth in 2020.

Beef exports declined because of Covid-19 disruption in the core destination markets, alongside continued challenges in access to mainland China. In the UK, representing 44% of primary beef exports, extensive retail channel demand did somewhat counteract the decline in foodservice.

European foodservice beef purchases declined by 35% in 2020 according to GIRA. This channel is particularly important for high-value Irish steaks. While retail demand did increase, the carcass balance challenge sustained for Irish exporters in this category alongside downward pressure on prices. Beef consumption in the EU27 is estimated

to have declined 2% in 2020. The primary driver of that decline was the closure of the foodservice channel for the majority of the year in most European countries, but an element of this can be accounted for by changing consumer habits. The EU Commission expects a further 1.2% decline in 2021.

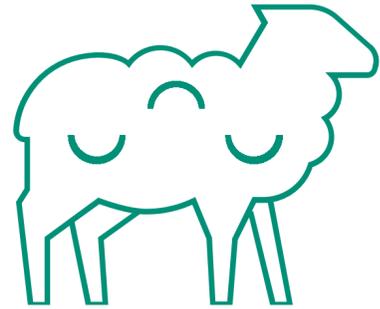
Having gained access in 2018, Irish beef access to mainland China was disrupted from May 2020 as a result of an import permission suspension. Growth to other international destinations was strong however. The Philippines was the destination for €53m worth of Irish beef in 2020, and the US was a market in strong growth from a low base, up 75% year-on-year to a value of €34m.





Pigmeat exports benefitted from the positive global price environment for suppliers, driven as in 2018 and '19 by the ASF situation in China. The scale of China's pigmeat demand drove sustained price increases through the year with ASF in Germany reducing the potential import countries available for China. The price available in every export market increased. European destinations were less attractive as the Covid-19 restrictions reduced consumption and the German export ban to China meant German pigmeat was widely available across the EU27 markets.

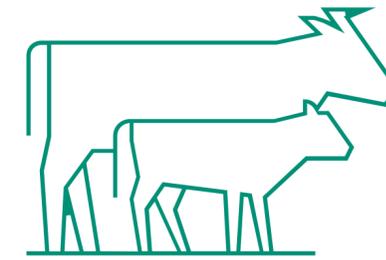
Primary pigmeat exports were worth €586m in 2020, a 14% increase on 2019. This increase came on the back of a smaller (3%) increase in the volume of exports. Prices for primary producers held at record highs for the first quarter of 2020 before moderating slightly as the Covid-19 effects intensified. 41% of all Irish primary pigmeat exports are now destined for Asia, with China accounting for the majority. Increases in exports to other markets like South Korea and Japan were only limited by availability of supply.



Sheepmeat values increased 12% to €357m in 2020, following a contraction of exports in 2019. Tighter supplies of sheepmeat globally and some improvement in demand in key EU markets drove the increase in value which was ahead of the 4% increase in the volume of exports. The decline in UK exports to EU27 markets created an opportunity for Irish produce and this can be seen in significant growth to France, Sweden, Germany and Belgium during 2020.



Primary poultry exports declined 2% in value in 2020 despite a 4% increase in the volume of exports. While the sector has continued to increase output at farm level, Covid-19 brought significant headwinds for prices available. Exports to the UK market declined significantly by 14% to be worth €81m. This was offset by significantly higher exports to International markets which rose by 16% to €43m. Exports to particular markets like South Africa performed a balancing function for utilisation of the entire animal.



Live exports increased in value by 10% in 2020 to be worth €221m. This increase was despite a decline in the number of animals exported by 30,000 head. This was driven by a decline in the proportion of calves in the live export mix — the lowest value element. Exports of more valuable store, weanling and finished cattle increased strongly during 2020, primarily due to an increase in trade with Northern Ireland. Cattle exports to several other regions in the EU27 and North Africa have also increased.



HORTICULTURE

Summary of Performance

The export of horticulture and cereals from Ireland increased in value by 8% to €220m in 2020. The primary constituents of this export mix are mushrooms, primary cereals and amenity horticulture.

The category is dependent on the UK as a destination market and this has not changed in 2020. 94% of horticulture exports were destined for that market, the same proportion as in 2019.

Mushroom exports – which were valued at €115m in 2020 – increased in value by 14% year-on-year. This was despite a 4% reduction in the total volume of exports. The retail environment for mushrooms in the UK — where functionally all of the export is destined — was positive in 2020. Consumers increased the quantity of mushrooms in their baskets throughout

the lockdown period and increasingly turned to more expensive varieties.

Cereal exports declined by 5% to be worth €46m while at the same time the volume of cereal produced in the country declined in 2020 following on from a harsh winter in 2019, drought in the spring and challenging harvest conditions leading to a reduction in the overall area of less planting of cereal crops and output. The vast majority of export in this category is to Northern Ireland.

Amenity horticulture exports were worth €17.5m in 2020, a decline from €18.5m last year. The closure of garden centres in the UK and across Ireland affected growers significantly. The home market remains the focus for this category.



SEAFOOD

Summary of Performance

Disruption of exports in the shellfish category normally destined for the foodservice channel caused a decline in the value of primary seafood exports in 2020 of 10% to €443m. Shellfish exports were affected by the closure of the foodservice channel in key EU27 markets and also in Asia.

Pelagic producers caught the majority of the quota very early in the year as ambiguity around the future of access to British waters continued throughout 2020. As a result of the early catch and the global disruption to shipping during the early stages of Covid-19, the industry exported significantly more pelagic catch to West Africa than in previous years. **The total value of seafood exported to Africa was €111m — a 113% increase year-on-year.** The price being attained for Irish seafood in Africa increased 19% to over €1000 a tonne in 2020. This was still less than 50% the €2200 a tonne paid on average in Asia however.

Freshwater export — the vast majority of which is salmon — realised a 5% increase in the value of export. This was despite the constraint on volume of export keeping it constant. The major challenge for producers in this category is maintenance of supply.

Whitefish exporters were challenged as a result of the pandemic. The value of whitefish exports is 8% down to €49m. The closure of the foodservice channel forced exporters to adapt on channel. Some consumers shifted to lower priced fish away from species such as monkfish. Key markets of France and Spain experienced severe lockdown throughout the summer months.



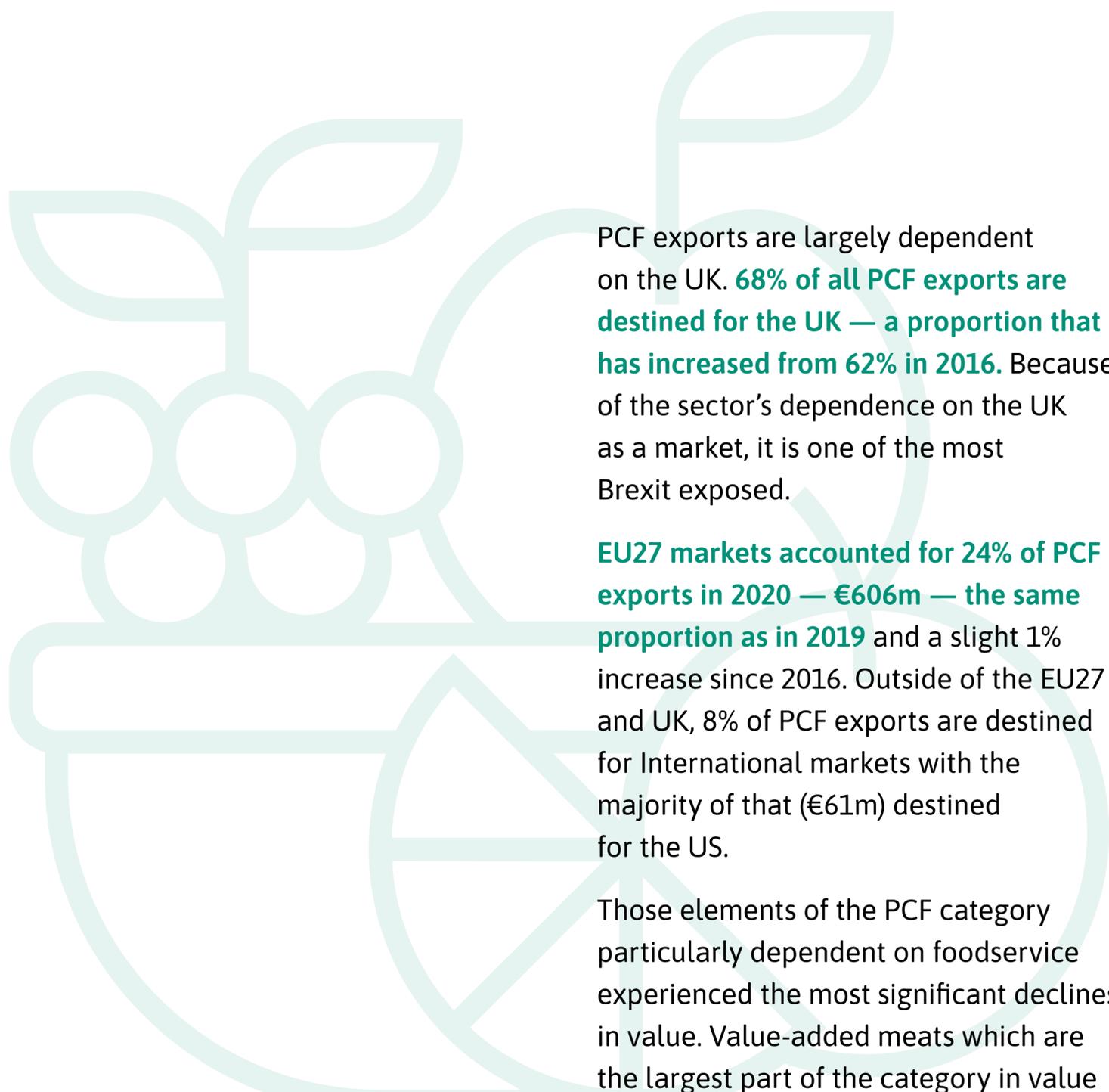


PREPARED CONSUMER FOOD

Summary of Performance

Prepared Consumer Food (PCF) exports in 2020 were worth €2.5bn, a 4% reduction on 2019's value. This category includes meal solutions, confectionary, non-alcoholic beverages, ingredients and value-added meat, seafood, and horticulture. This category is highly responsive to consumer behaviour change.

Channel disruption as a result of Covid-19 was the major theme of PCF performance in 2020. Foodservice closures challenged many elements of this category, and those dependent on retail had to adapt to the rise of online shopping, the increasing basket sizes and the new challenges on packaging.



PCF exports are largely dependent on the UK. **68% of all PCF exports are destined for the UK — a proportion that has increased from 62% in 2016.** Because of the sector's dependence on the UK as a market, it is one of the most Brexit exposed.

EU27 markets accounted for 24% of PCF exports in 2020 — €606m — the same proportion as in 2019 and a slight 1% increase since 2016. Outside of the EU27 and UK, 8% of PCF exports are destined for International markets with the majority of that (€61m) destined for the US.

Those elements of the PCF category particularly dependent on foodservice experienced the most significant declines in value. Value-added meats which are the largest part of the category in value

terms also had the most significant declines. **Value-added meats declined 14% to €648m.**

In contrast, elements of this category dependent on the retail channel had a positive year. The Meal Solutions subcategory — which includes pizzas, ready meals and soups — increased the value of exports by 8% to be worth €506m.

Confectionery exports from Ireland are heavily influenced by multinational production decisions. While **chocolate exports increased by 6% in 2020,** indigenous manufacturers focused on premium offerings have been challenged by the reduction in gifting occasions including Easter throughout 2020 and the effective removal of the travel purchase channel.

Non-alcoholic beverage exporters have found balance between the decline in foodservice demand and the increase in retail demand. Exports in this category are worth €217m, a 1% decline on 2019's value.

Producers in exposed sectors like bakery have been working with retailers and leveraging consumer insights to minimise and overcome sales decline and packaging challenges. **The value of bakery exports declined 2% over 2020 to a value of €178m. Sweet bakery accounts for 56%, €100m of that total** with bread accounting for the balance. The switch to at-home consumption has benefitted some sub-categories such as sweet bakery.



ALCOHOL

Summary of Performance

Some categories have been particularly challenged in 2020, and none more so than the alcohol category. The closure of the on-trade for extensive periods and dramatic declines in sales in the airline travel channel have reduced the value of exports in this category by 19% to be worth €1.3bn. With that decline, the value of alcohol exports remains 12% higher than they were in 2016, underscoring the trajectory of growth that category has experienced.

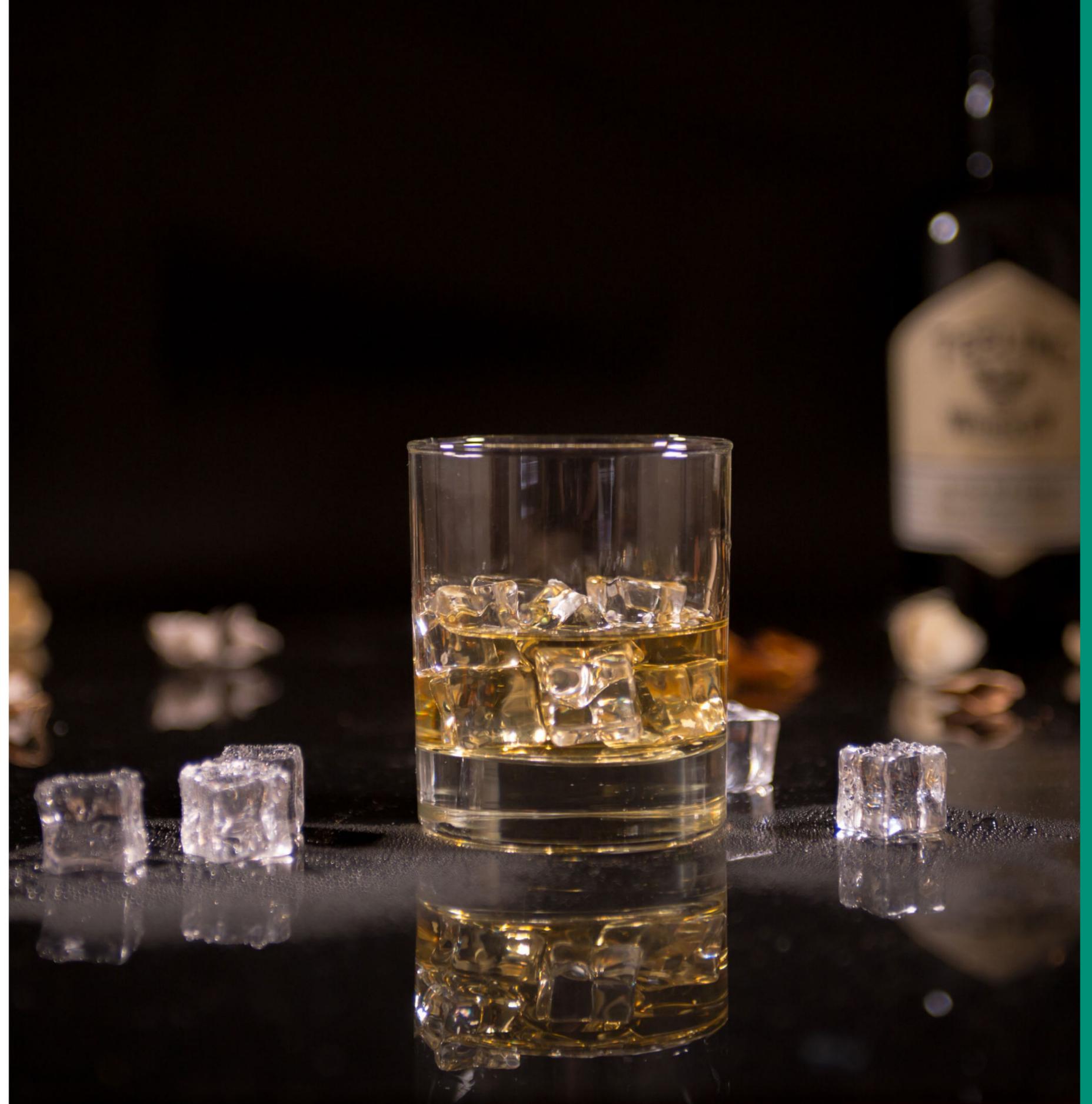
The majority of the decline can be accounted for by declines in the value of exports of whiskey (-€205m), cream liqueurs (-€53m) and beer (-€51m).

Declines in export do not necessarily reflect the decline in sales. It is understood that a significant volume of whiskey was in place in the US market at the start of 2020 and that sales figures have not been as negative as reflected in the export figures.

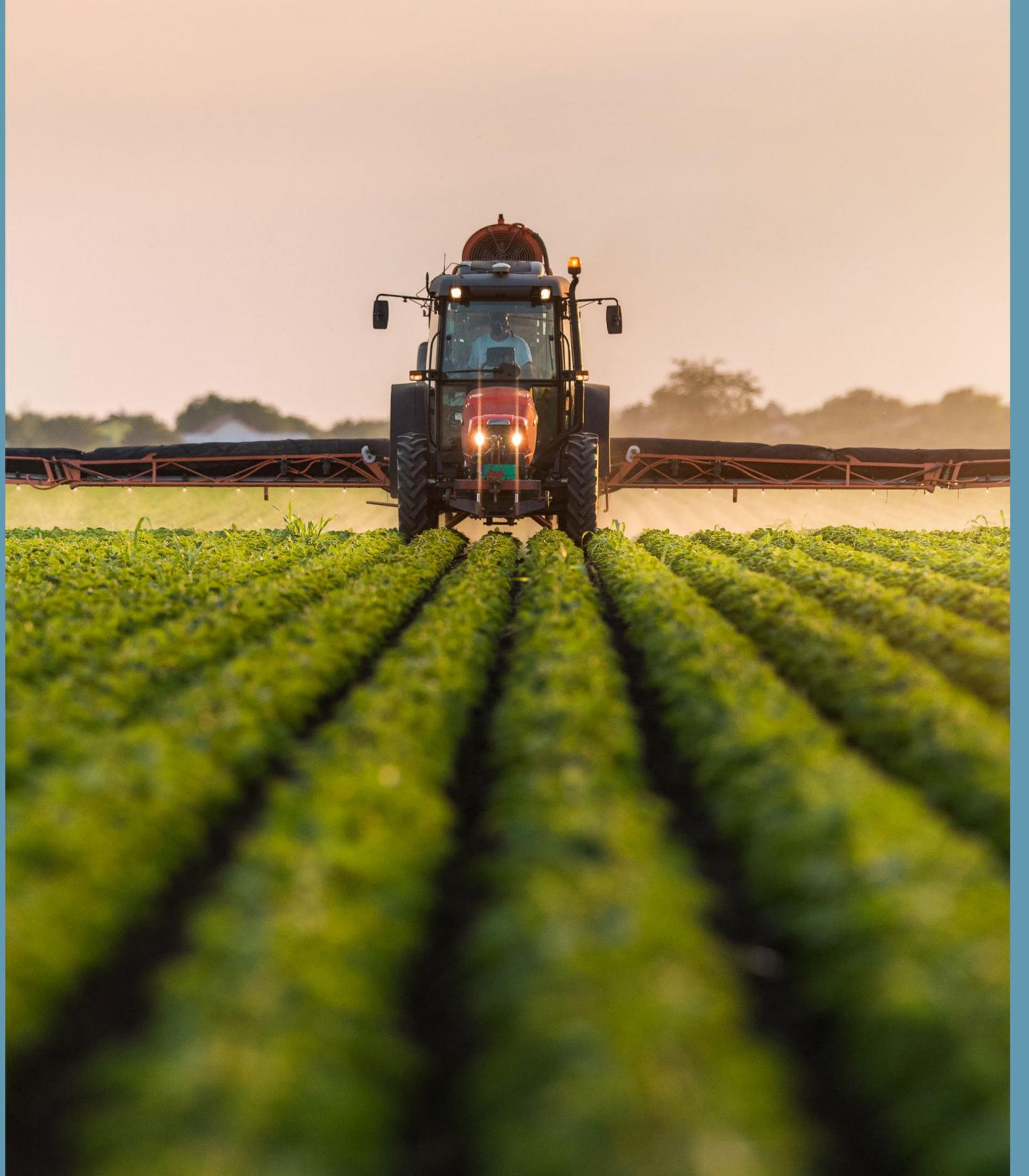
Alcohol has been one of the most successfully diversified categories and has one of the lowest dependency rates on the UK market of any major food and drink category with just 15% of exports destined for that market. Nonetheless it is an important market particularly for beer exporters.

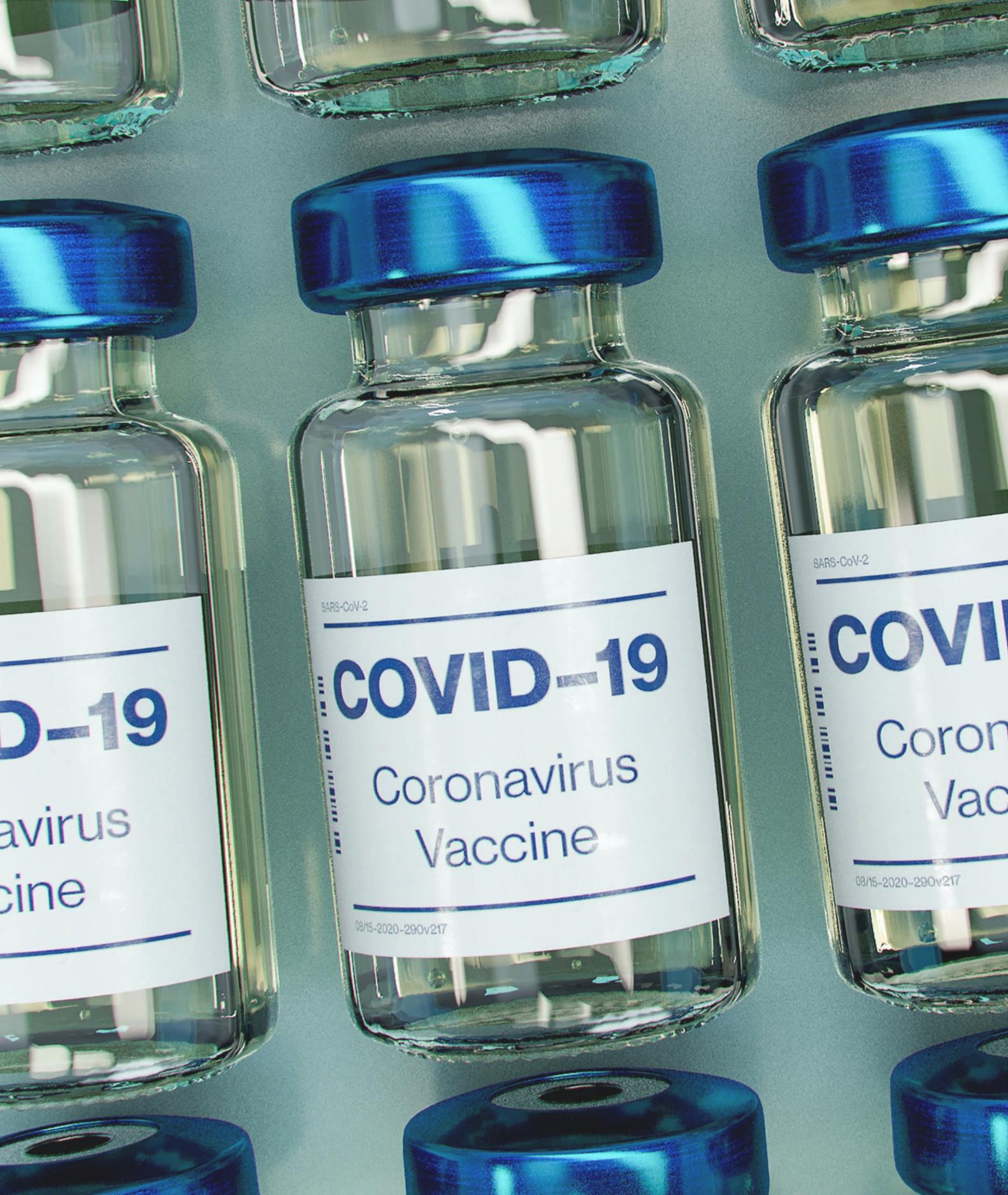
Growth in exports has largely been to the EU27 and to North America over previous years. **In the four years since 2016, there has been €140m of growth in the value of alcohol exports. 58% of that growth was to EU27, and 41% to North America. Of that 41%, the majority was to the US.**

The closure of the major foodservice channel for sales in this category in most major destination markets for 2020 presented significant challenges for the sector. Channel innovation and providing for the at-home occasion has limited the declines for some exporters in this category.



Prospects 2021





GLOBAL OUTLOOK FOR 2021 AND BEYOND

The IMF, in its November World Economic Outlook, expects a return to global growth of 5% in 2021. Successful and speedy roll out of vaccines may improve that outlook. If accurate, at the end of 2021, the global economy will be 0.6% larger than it was in 2019.

There is some expectation that economies will be scarred by recession in 2020 and that scarring will affect productivity growth and limit investment in capital. The OECD warns that “the median advanced and emerging-market economy could have lost the equivalent of four to five years of per capita real income growth by 2022”.

After a projected rebound in 2021, global growth is expected to gradually slow to about 4% into the medium term.

This implies only limited progress toward catching up to the path of economic activity for 2020–25 projected before the pandemic for both advanced and emerging market and developing economies. It is also a setback to the projected improvement in average living standards across all countries.

The pandemic may reverse the progress made since the 1990s in reducing global poverty and will increase inequality.

The burden has fallen on people outside formal social security systems or who live in countries without safety nets, and will continue to do so.

There has been a significant increase in the stock of sovereign debt as a

result of Covid-19 interventions. In the medium term, servicing of that debt may imperil future growth. This would be compounded if sustained declines in output lead to smaller tax bases for countries.

The unwinding of the significant government employment protections or specific Covid-19 unemployment benefits will be a challenge in many rich countries over the next year. Removal too early will endanger fragile economies and likely presage the failure or bankruptcy of large numbers of businesses. But sustaining the large bills much further is becoming less viable. Marring unwinding of the supports with the roll out of effective vaccines will be a challenge for many governments in 2021, particularly in Europe.





UK ECONOMY 2020 AND 2021

The political uncertainty around the form of Brexit continued throughout 2020. Following the striking of a withdrawal agreement in December 2019, which allowed the status quo to maintain for 12 months after the UK formally exited the European Union, negotiations on the future relationship between the UK and its largest trading partner continued throughout the year.

On December 24th 2020, the EU and UK negotiating teams agreed a Trade and Cooperation Agreement (TCA). The TCA facilitates tariff free trade of goods and services between EU27 Member States and the UK.

The TCA was ratified by the UK parliament on December 30th and is being provisionally applied until EU parliament ratification which is expected to occur in January.

The TCA ensures that there will be no tariffs or quotas on the export of goods from Ireland to Great Britain and Northern Ireland. However, as a result of Great Britain leaving the EU customs area, customs formalities are required between the two parties, and VAT and certain other duties apply upon import. These changes will increase cost and complexity for Irish exporters

The Bank of England cut its interest rate to 0.1% in March and has maintained it at that level since. It has engaged in bond and gilt purchasing scheme, adding £450bn to the Bank's balance sheet.



Because of the extent to which that economy is orientated to entertainment, travel and services, the economic contraction in the UK for 2020 is the largest of all the major economies. The OECD in its most recent revision expects the **UK economy to contract 11% in 2020. This is the largest drop in output in a year for the UK in centuries.**

Unemployment in the UK has remained low as it has in other economies as a result of the furlough scheme introduced in late March. HMRC has paid 80% of the wages of staff for any company to prevent them being laid off. The scheme has paid the wages of 9.5m workers.

The scheme has been extended until March 31st, 2021. The extent to which jobs being protected under the scheme are not economically viable any more

remains disputed. The success and speed of vaccine roll out will have some effect.

The ability of the UK to export to the EU27 with ease will be a critical aspect. The TCA struck does remove the possibility of tariffs and quotas — but customs procedures will impede the flow of goods and services — and there is some concern about the proportion of UK exporters that are not prepared for the changes necessary.

The Office of Budget Responsibility is forecasting an increase in unemployment to 7.5% after the furlough support is withdrawn.

The TCA agreed results in new customs and Sanitary and Phytosanitary procedures for goods. This will have

a disruptive effect on goods using the landbridge from Ireland to access the European continent. The opening of new routes directly from Ireland to EU27 ports will reduce this risk and provide new options for exporters.

The UK will remain the largest single destination for Irish food and drink exports in 2021 and beyond. While exporters are wise to invest resources in diversification beyond this one market, its geographical proximity, shared language and shared cultural understanding — in combination with the UK's need to import food and the UK consumers appreciation of the sustainability credentials of Irish food and drink — ensure that the UK will remain a key strategic partner for Irish food and drink exports.



EUROPE OUTLOOK FOR 2021 AND BEYOND

The European Commission's economic forecast for 2020 expects a GDP decline of -7.8% for the Euro area. In the third quarter of 2020, restrictions on activity were broadly lifted across the Euro area and the rebound activity appeared quite strong. The re-imposition of widespread lockdowns and the resurgence of positive virus cases in Q4 has interrupted that recovery.

In 2020, the Euro area went through its most significant economic contraction since the creation of the currency in 1999. The Covid-19 pandemic has put EU labour markets under strain. Job losses during the first half of the year were high, though the decline was much more contained than the drop in economic activity, as was the rise in the unemployment rate. The muted shock on labour markets is due to the successful implementation of policy measures in all Member States, such as short-time work schemes and other support policies to avoid mass lay-offs and income losses.

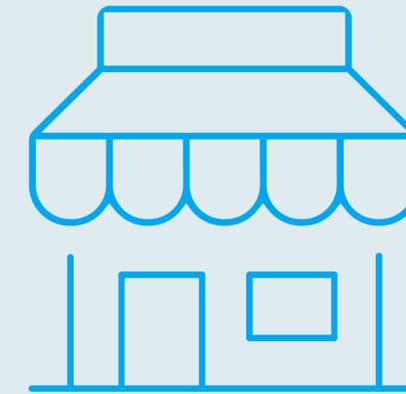
Inflation remained minimal throughout the Euro area, with total inflation of 0.3% for the year in 2020. This is expected to rise moderately to 1.1% in 2021 as economic activity returns and pent up consumer spending manifests.

Activity is set to pick up again in the first quarter of 2021 but to remain constrained by virus containment measures and the impact of the less beneficial trading relations with the UK. Over the following quarters of 2021, the technical rebound from this year's dip should continue and the gradual decline in the level of stringency assumed should support a pick-up in activity. As these factors lose importance in 2022, economic growth is expected to moderate. **Overall, EU GDP is forecast to rebound by 4% in 2021, which**

is less than previously forecast, and by 3% in 2022. This implies that the output in the European economy would return to pre-pandemic levels in 2022.

The European Commission has committed to €700bn in spending on recovery and investment across the EU member states. The scale of the commitment is more than previous EC initiatives.

Free passage of people and goods throughout the Schengen area was curtailed during the pandemic response. Within weeks, the flow of goods returned to normal. **For Irish food and drink exporters the more concerning tendency has been the rise of gastro-nationalism in a number of European destinations.**



Country residents are being encouraged by officials to prioritise shopping for locally produced food. Ireland is an exporter of 90% of the food and drink we produce. Bord Bia has invested significantly in understanding consumers' needs in European markets and has developed marketing campaigns to reassure and reinforce the already existing impressions of Irish produce. Irish produce is understood to be produced as nature intended and to deliver on the taste and safety needs of consumers.

Success in buy local campaigns could affect Irish exporters, and this is a factor to which Bord Bia will continue to respond.

IN 2021



IMF EXPECTS
US ECONOMIC
GROWTH

3.1%

US ECONOMY 2020 AND 2021

The United States economy has contracted 4.3% in 2020 according to the IMF. In common with other rich world nations, the US took very significant and wide ranging monetary policy steps to minimise the economic damage as a result of Covid-19. Unlike many other rich world countries, the US did not enter into a programme to sustain employment levels by direct payment.

Lockdowns and the associated restrictions were the responsibility of individual states and in some instances municipal government in the US. Lockdown levels were therefore variable across the US. Economic activity remained constrained to a similar degree.

Along with the Euro zone and the UK, following an easing of restrictions over the summer and a rebound in activity, the US is entering into another period of widespread lockdowns at the end of 2020.

The election in November signals a change of President, and the results of the run-off elections in Georgia in January means that Democrats will hold the casting vote in a 50/50 split Senate. Major decisions and policies require a two thirds majority vote in that chamber however. The Biden Administration is unlikely to immediately remove the tariffs in place on European produce and wider trade initiatives have the potential to be stymied by a deadlocked political system.

The IMF expect US economic growth in 2021 to be 3.1%. The rate of reopening and the return to wider economic activity will, as in other markets, be dependent on vaccine rollout and efficacy.

For Irish food and drink exports to the US, the major challenge is in the return of the on-trade in particular for whiskey which accounts for over one third of the total value of exports. The success of Irish butter exports to the US, despite the passage of the tariff cost onto consumers, is encouraging.

CHINA ECONOMY 2020 AND 2021

The Covid-19 pandemic originated in China late in 2019, and it is the major economy that has recovered most substantially. Through extensive lockdowns and comprehensive testing regimes, China controlled the spread of the virus faster than many other countries, particularly in Europe and North America.

As a result, China is expected to grow the size of its economy by 1.8% in 2020. That growth is expected to continue into 2021 at 8.2%, the highest projection for any major economy.

Fourth-quarter GDP is forecast to rise 5.8% year-on-year, quickening from 4.9% in July-September. China's consumer price index (CPI) in 2020 will likely rise 2.7% from the previous year, slowing from a 2.9% rise in 2019. CPI is expected to rise 2.1% in 2021.

Irish exports to China have been dairy dominated and that will remain the case, and the dairy product mix is evolving. The long-term demand for specialised nutritional powders will decline as domestic production is championed and fewer children are born.

Access has been restricted for Irish beef since May 2020. Reopening of that access along with permission for sheepmeat exports will presage a widening of the product mix in Irish exports to China and contribute to the Chinese need to find alternative sources of protein as a result of the ASF led reduction of their pig herd. The rebuilding of that herd is continuing but there will be a sustained need for higher than normal levels of protein imports through 2021 at least.





OTHER ASIAN ECONOMIES 2020 & 2021

Asia has been the centre of Irish food and drink export growth efforts and holds significant potential for growth. In the five major ASEAN economies (Indonesia, Malaysia, Philippines, Thailand and Vietnam) the overall size of the economy has contracted 10% in 2020. Despite not being overwhelmed by Covid-19 domestically, these export and tourism orientated economies were significantly affected economically.

They will hope to rebound quickly driven by a swift return of export demand and tourism. The IMF forecasts a growth rate of 8.8% for these countries next year.

Irish exports to the region have grown, led by growth in dairy powders. The Philippines has been the largest destination for Irish primary beef exports outside the UK and EU27 this year. Growth in dairy consumption in this region is assured and self-sufficiency is low so the prospects for Irish growth in the region are strong.

GLOBAL COMMODITY MARKET AND GLOBAL FOOD PRICES 2020 AND 2021

Despite the volatility in global economies through 2020, primary commodities remained broadly stable. This broad stability over the full year was made up of a significant decline — 24% between February and April, and a 31% recovery between April and August.

Non-oil commodity prices have risen slightly over 2020 – the IMF averages at 5.6% — reflecting the sustained demand, particularly on agri-food commodities. The oil price declined 32% over the year reflecting the depth of the economic slowdown and the attendant use of oil.

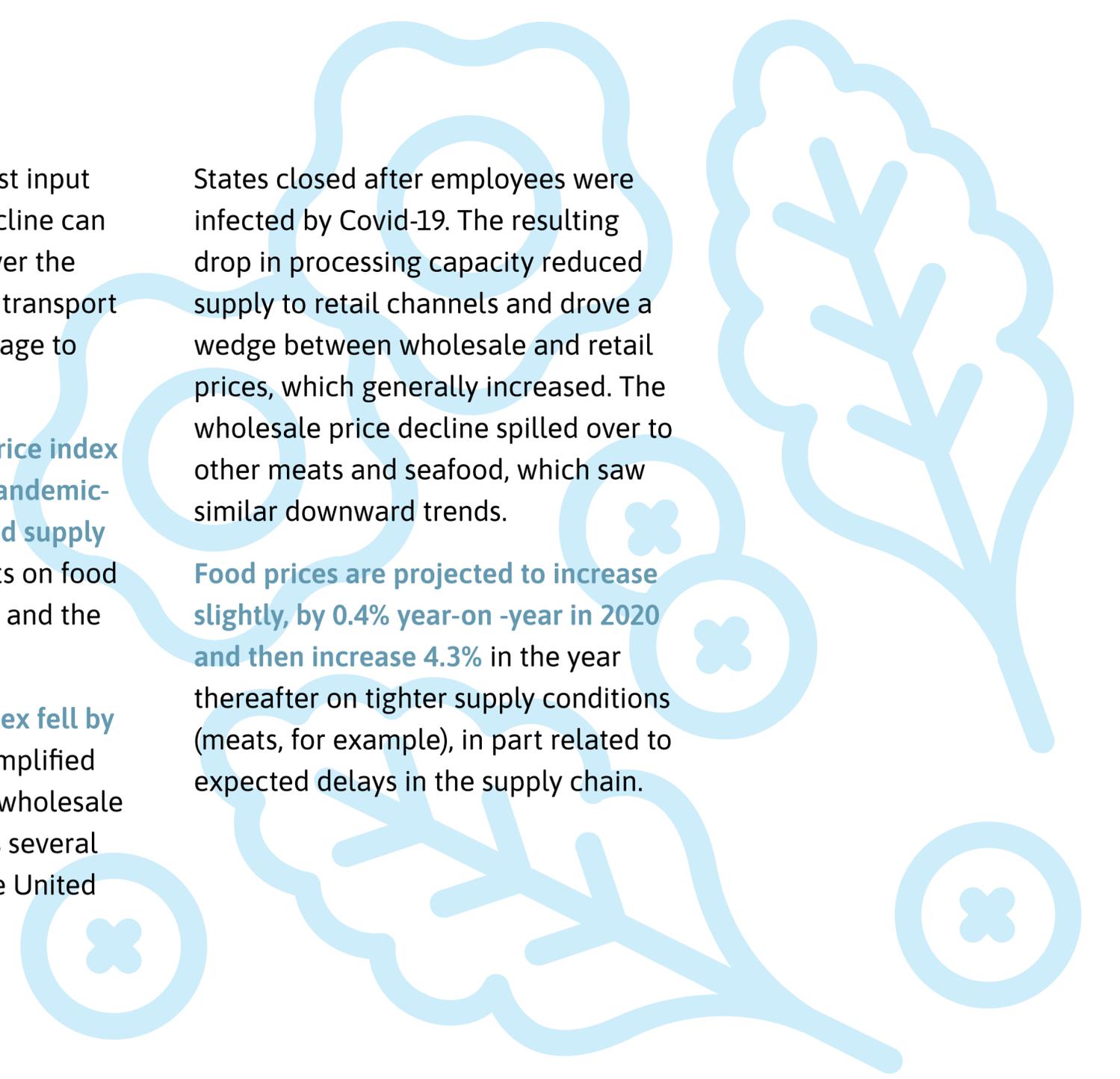
Brent crude oil is part of the cost input for food producers and so a decline can be seen to benefit them, however the broader economic context and transport disruption removed any advantage to be gained.

The IMF's food and beverage price index increased by 0.7%, reflecting pandemic-induced changes in demand and supply conditions, with different effects on food prices depending on the region and the agricultural commodity.

Led by pork, the meat price index fell by 7.1% from the April baseline. Amplified by large seasonal farm supply, wholesale pork prices declined by 4.5% as several meat processing facilities in the United

States closed after employees were infected by Covid-19. The resulting drop in processing capacity reduced supply to retail channels and drove a wedge between wholesale and retail prices, which generally increased. The wholesale price decline spilled over to other meats and seafood, which saw similar downward trends.

Food prices are projected to increase slightly, by 0.4% year-on-year in 2020 and then increase 4.3% in the year thereafter on tighter supply conditions (meats, for example), in part related to expected delays in the supply chain.



PROSPECTS FOR IRISH FOOD AND DRINK EXPORTS 2021

For Irish food and drink producers, the global supply and demand dynamic for their produce remains positive in 2021. The likely end of the pandemic will enable a return to growth. Dairy demand growth will continue to outpace supply. The global meat supply balance will continue to favour producers, particularly in Asia.

Beyond the macro, the consumer and customer increasingly expects credentials around sustainability and welfare that Ireland is well placed to supply, and to differentiate from competitor exporting nations.

Trade disruption and increased barriers to trade can stymie potential growth however. The future trading relationship with the UK is uncertain. This is further complicated by the extent to which the UK acts as a bridge for logistics to the EU27. Disruption in this area is likely to be a temporary phenomenon however, not lasting beyond Q1 2021.

Below is set out the assessment of the prospects for exports per category in 2021.





DAIRY

Despite the disruptions Covid-19 brought to global dairy markets, farm gate milk prices have been resilient, facilitating global dairy supply growth which is forecasted to sustain into 2021. It has been a dry start to the crop growing season in South America, which has the potential to increase feed costs and as a result hamper EU/US milk supply in the second half of 2021, however it is premature to estimate the level of impact. NZ grass supply has been under pressure during the first half of the season as the pasture growth index ran consistently below the 5-year average for a month during the peak grass growing season. However production for the season is still predicted to be up 1.5% – 2%. Rabobank predicts supply growth across the 7 major exporting regions of 1% in H1 2021, and 0.8% in H2 2021.

Behaviour in 2020 has shown that consumers have responded to the pandemic as opposed to the recession which in some cases meant spending more than normal on healthy, nutritious foods that are associated with strong immunity such as dairy. This narrative is relevant for Asia in particular, with some commentators attributing this to stronger than expected dairy demand despite negative GDP throughout 2020 as we transitioned through the various stages of lockdown. In developed countries, people have been able to save money due to government supports, however in less developed regions this has not been the case and we expect to see reduced dairy demand in these regions as a consequence.

StoneX dairy models predict global dairy imports to be up 2.5% in 2021. However these models are driven by GDP which we now know during a pandemic, is

not an entirely accurate forecaster of dairy demand. **Currency fluctuations as experienced in 2020, have the ability to disrupt trading for European exporters** as we see the Euro less competitive against the dollar, making the US and Oceania the favoured trading partners for Asia in particular. For some time now commentators have been leaning more bearish in the expectation that carried forward stocks/undersold positions added to fresh production will outstrip demand into 2021, in turn leading to downward price pressure across dairy categories. Adding to this more negative leaning sentiment is the ambiguity surrounding Covid-19 in 2021 and should new waves of the virus materialise, the probability of a doubling down in efforts to mitigate against further spread. Chinese import demand in 2020 exceeded expectations with some concern raised around high levels of inventory carried into 2021.





More recently however, a more sober view borne out of a stabilisation in pricing is evident. A contributory factor to this stabilisation across core dairy ingredients was the introduction of government supports particularly in the USA and by internal measures (PSA) in the EU. The expiration of these measures may be influential in determining the countenance of 2021 from a pricing perspective particularly in light of high stocks of both butter and SMP in the US at time of writing.

Domestic milk supply growth next year is expected to be 3 - 4%, as we see the national dairy herd continue to increase in size and production per cow also

on the rise. Irish dairy exports should also increase assuming dairy demand increases in line with forecasts. However, although the Irish dairy industry is well positioned, **it will be increasingly important that it can address the questions being asked on sustainability and Animal Welfare** and show demonstrable actions are being taken to protect and encourage biodiversity, water quality and the welfare of our cows and their offspring, which will ensure the longer-term prospects for the dairy industry are realised. In addition the pace of delivering both market and product diversification for Irish cheese will be more in focus as the true impact of Brexit unfolds in 2021 and beyond.



BEEF

The stronger than expected supply of finished cattle numbers presented at meat export plants in the latter half of 2020 is expected to result in tighter supplies during the first half of 2021. Analysis of the Department of Agriculture, Food and the Marine's Animal Identification and Movement (AIM) database numbers would suggest that a drop of around 50,000 head in finished cattle supplies may be anticipated for the year as a whole.

Market demand for Irish beef will be influenced by the trading relationship between the EU and the United Kingdom and level of recovery that occurs in the Foodservice sector across key markets. Regardless of the TCA removing the immediate risk of tariffs access to the UK market for Irish exporters will become more complicated in 2021 due to new customs procedures, which will result in higher costs to get exports to the market. However the relative value of the market is likely to result in volumes remaining high.



The UK beef market will remain around 75% self-sufficient in 2021. Therefore, absent a significant decline in consumption, a similar volume of imports will be required. Irish supply is well established and understood by customers and consumers alike and as a result, it is hoped that Irish beef can retain its strong market position.



Trade to EU27 markets will be largely determined by the lockdown status of key markets in the early part of the year. Recent forecasts from GIRA suggest that the European Foodservice market could return to within 10% of pre Covid-19 levels by the end of 2021 but remain 24% lower for the year as a whole. Competitively-priced pork is also likely to impact on beef demand in some European markets. For example, Germany is a major pigmeat exporter, but has lost access to key international markets, on account of ASF.

The expectation is that consumer demand will remain relatively weak in the EU27 in 2021, due to further direct impacts and the economic after effects of Covid-19. The EU Short Term Outlook for European Markets predicts an overall fall of 1.2% in EU beef consumption.

We can expect to see a greater share of Irish beef shipped to EU27 markets. A 1.5% drop in European cattle production and no further growth in EU imports, as predicted by the EU Short Term Outlook for European Markets suggests some increase in import levels across key markets.



China's foodservice sector is expected to return to growth with a projected increase of over 5% in the same period. This is leading to predictions of further import demand growth in international markets of Asia as well as the Middle East, North Africa and North America, which should help export volumes. However, much will depend on the timing of a resumption of Irish Beef exports to the Chinese market.

Cattle prices will be influenced to a large degree by the demand for Irish beef in the UK and the level of foodservice demand across Europe. Tighter cattle supplies will help insulate prices to some extent. However, some increase in the levels of beef being held in storage in the UK at the end of 2020 is likely to dampen demand in the early part of 2021. As a result of the favourable outcome in EU UK trade negotiations, it is anticipated that beef demand should strengthen somewhat as the year progresses.





PIGMEAT

According to the United States Department of Agriculture (USDA) 2020 Autumn outlook, global pork production could rise by 4% in 2021 to 102 million tonnes. They expect that production growth in China could be 9% higher compared to 2020 levels. Although it should be noted that 2020 marks the trough in their pigmeat production, following the discovery of African Swine Fever (ASF) in the pig herd during 2018. It is widely expected by many industry spectators that China may struggle to get back to pre ASF production levels over the short to medium term.

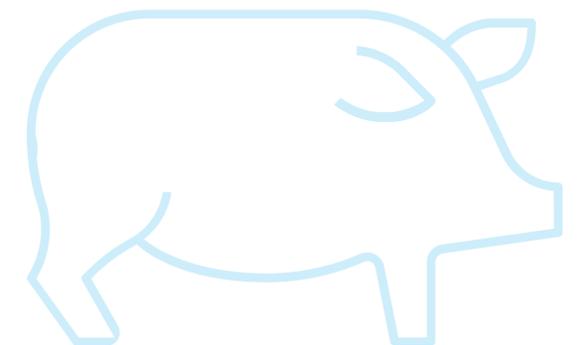
During 2021, the EU Commission expects production to fall further by 1% to 22.7 million tonnes reflecting the uncertainty the sector faces following the discovery of ASF from wild boars in the Brandenburg region of Germany in early September. This development is significant as **Germany is one of the leading EU pigmeat suppliers, and exports 27% and 41% of pigmeat and offals, respectively to China alone.** As a result, German pig producer prices have fallen sharply since September as pigmeat exports to key partner markets such as China, Japan and South Korea were banned.

If German suppliers face being blocked from supplying these incredibly important markets for a prolonged

period, this will put further pressure on German suppliers to reduce production and also live piglet imports from Denmark. This will have knock on effects on Danish production as that country's finishing capacity is strictly limited and it relies on live piglet exports to Germany. However some of the Danish co-operative processors have recently signalled to their producers that they are willing to provide support to help build more capacity.

Irish pigmeat production is expected to stabilise for 2021 reflecting a more cautious approach from producers as the European region continues to be impacted by Covid-19 and African Swine Fever (ASF) related events.

The USDA predict that Chinese pork imports are forecast to fall by 6% to 4.5 million tonnes during 2021, although they will remain supported in the near term. Lower global pork prices are forecast, as the mechanism by which pork is channelled away from China to other price-sensitive markets. China's meat imports generally are expected to fall as producers rebuild sow herds and production recovers. Elsewhere, the USDA suggests global meat imports are largely recovering, as economies recover following Covid-19, and foodservice demand improves.





SHEEPMEAT

Irish sheepmeat exports have performed very strongly in 2020 and this is expected to carry through into 2021. Reductions in global supplies of sheepmeat and growing demand in Asian markets, particularly China, is expected to continue to redirect product away from the EU27 market in 2021. As pork production in China recovers from the impacts of African Swine Fever some reports have indicated a slowing down in import demand for sheepmeat in recent months, however demand for all imported proteins in China is expected to remain firm in 2021.

While direct access to China is the ultimate aim for the Irish sheepmeat sector the redirection of product from the global market will create opportunities for Irish exporters in markets closer to home in the shorter term. This is expected to provide some stability for the deadweight trade for sheep during 2021 provided that the supply and demand of sheepmeat remain balanced and there are no interruptions to trade with our key export markets.

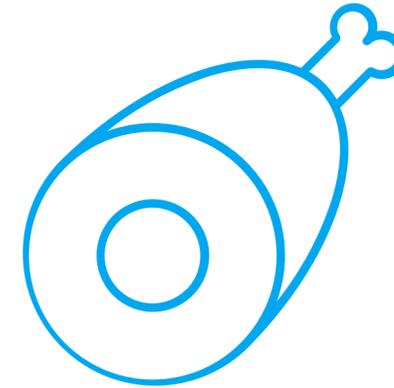
While tighter supplies of sheepmeat globally and the redirection of product away from the EU27 market is generally a good thing for Irish exporters one potential negative impact is the risk of lamb losing visibility on supermarket shelves of major lamb consuming countries in the EU27 due to supply issues. This has the potential to negatively impact consumption of lamb which may be difficult to regain when supplies of sheepmeat improve.

Uncertainties around Brexit and the UK's future trading arrangement with the EU27 has the potential to give Irish sheepmeat exporters further opportunities in key EU27 markets, in particular France, Germany and Belgium where the majority of UK sheepmeat exports are currently destined. Ireland

has similar production systems for sheep and can match the UK in terms of product quality so is best placed to capitalise on any displacement in the market as the impacts of Brexit continue to unfold.

The long term association of sheepmeat with key Muslim and Christian festivals has meant demand for sheepmeat tends to increase in the weeks prior to a celebration. In 2021 Easter Sunday falls on the 04 April and Ramadan is just nine days later on 13 April. This is expected to lead to high demand for sheepmeat in late March/early April 2021 and will be an important opportunity for Irish processors to capitalise on growing demand for sheepmeat on both the domestic and export markets.

While the international market for sheepmeat accounts for just 10% of Irish



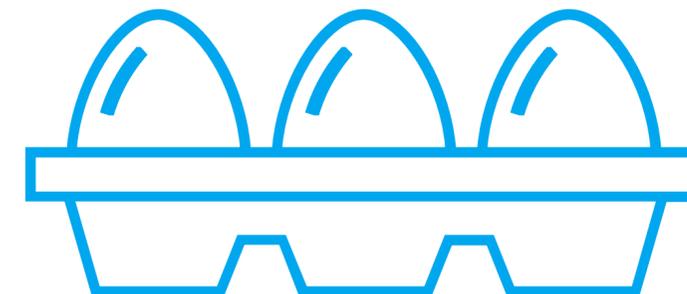
exports, efforts to secure direct access for Irish exporters to key markets such as China are continuing. The Chinese market offers a huge opportunity to enhance carcass balance for sheepmeat given the demand in the region for products not fully valued on the domestic or EU27 markets. Work is also continuing to gain access to the valuable US market where, although lamb remains a minority meat, the demand for imported product has shown encouraging growth in terms of both value and volume.



POULTRY

The growth in poultry meat production is expected to continue into 2021 reflecting the shift in demand from other meats to poultry as European economies and consumers struggle in response to Covid-19. Poultry output has benefitted from strong investment in recent years around Europe, and Poland in particular. This trend is likely to continue but at a slower rate over the short to medium term as companies in numerous countries adapt to fragile consumer sentiment and poultry related diseases such as Avian Influenza. For 2021, EU poultry output is anticipated to grow by 1% to 13.7 million tonnes. Irish poultry production has also benefited from surging retail demand during 2020, as consumers similar to other European consumers, shopped the category more frequently and purchased more poultry items on these visits.

Some recovery in EU poultry imports is anticipated for 2021, however much will depend on the fallout of Covid-19 next year. Poultry meat exports are expected to fall by 6% during 2020 due to Avian Influenza bans on key poultry producing countries, including Ireland. These bans will limit exports to international markets. These bans will be lifted when agreements are in place with competent authorities.



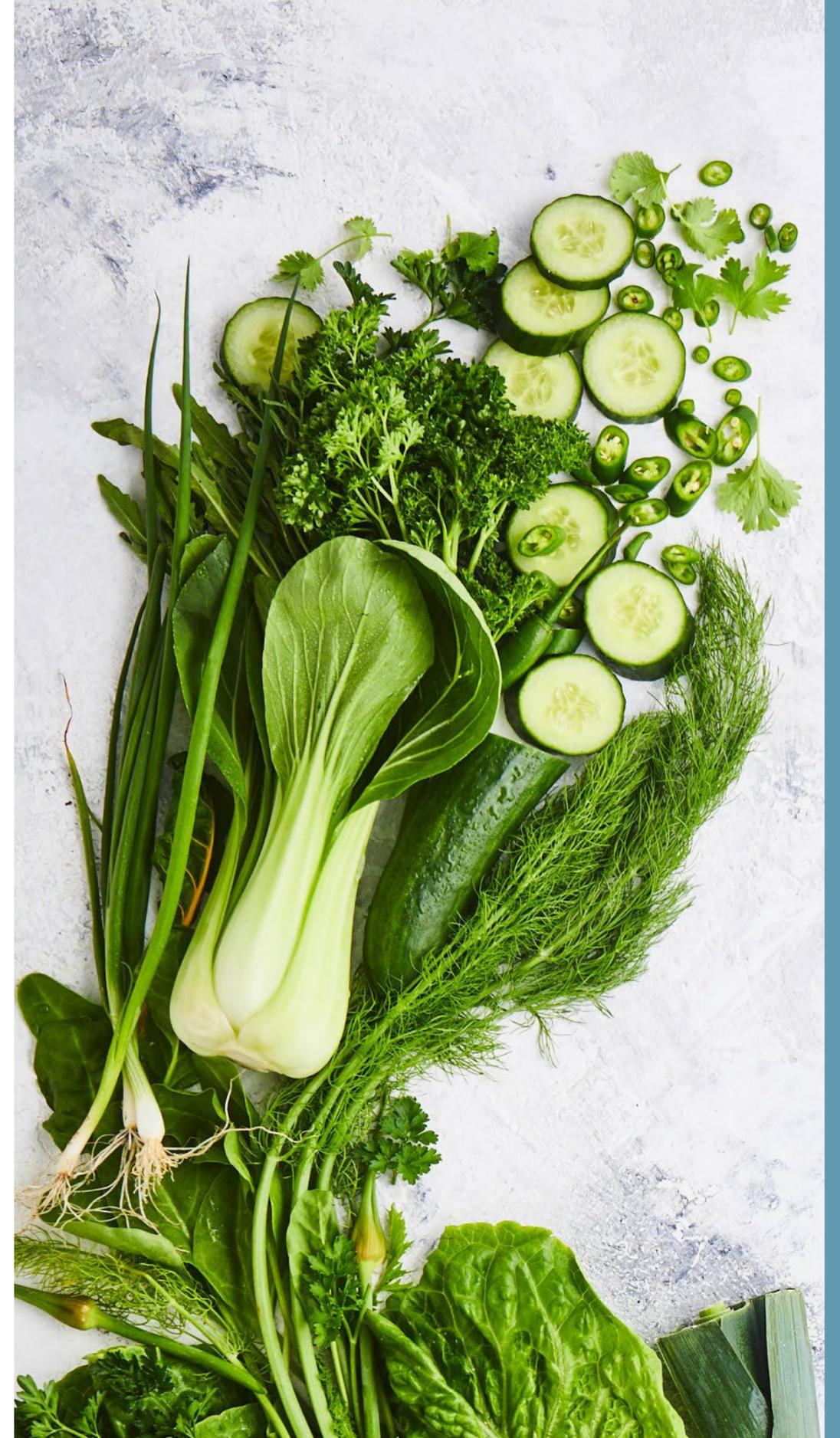
HORTICULTURE

The mushroom industry will continue to face challenges arising from the UK exit from the EU. Although a deal had been agreed which means that tariff free trade will take place, the industry is still faced by extra procedural cost associated with the filing of customs documents, and accounting for VAT.

The mushroom industries in the UK and Ireland are closely integrated, and this benefits Irish exporters. Irish exporters also have long term relationships with British retailers, and have service and freshness advantages over suppliers from the continent.

There are increasing sales of Polish mushrooms in the UK. Bord Bia is assisting the industry with trade initiatives to build market relationships further.

The Irish industry continues to strive for productivity gains which will help to insulate them from currency volatility and other cost increases. In parallel the industry is working on extensive innovation to improve returns and remain relevant for the consumer. **Innovations have included mushrooms with added vitamin D which addresses deficiency concerns for many vegetarian and vegan consumers.**





SEAFOOD

Sectoral prospects for 2021 are varied depending on the category. In December 2020, the EU agreed that one quarter of 2020 quotas will apply for member states for the first three months of 2021. Quotas for the rest of 2021 will be negotiated early in the year following ratification of the EU UK Trade and Cooperation Agreement (TCA).

Under the TCA between the EU and UK, the EU fishing quota in UK waters will be reduced by 15% in the first year and 2.5 percentage points each year thereafter for a total reduction of 25% by June 2026.

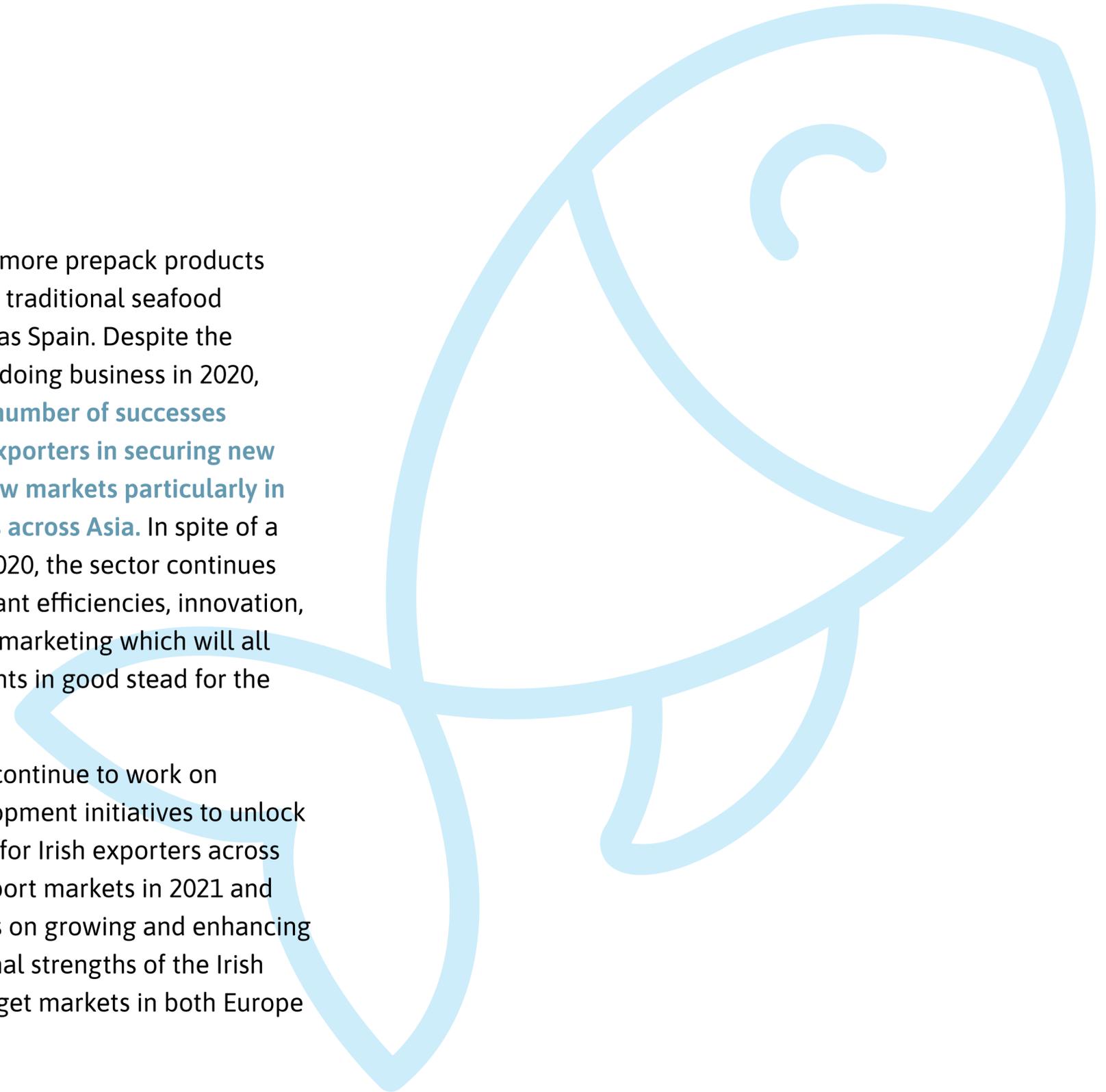
Uncertainty remains within the sector about the impact of Covid-19 on business until at least the third quarter of 2021

with the view widely shared that the recovery will be slow and realistically it will most likely be 2022 before the sector returns to the levels seen in 2019. Concerns around keeping Covid-19 out of processing plants and staff safety are all issues weighing heavily as they consider production planning for the first quarter of 2021. There is some cautious optimism that the sector will be better prepared to deal with the Covid-19 challenges in 2021 with good systems in place in processing plants to alleviate the risks and also customers adapting to different sales formats leading to developments in new sales channels such as on line, shellfish boxes and pop up outlets for takeaway.

Across the EU27, in the short term Irish exporters expect consumers to continue to support local brands where available in the interest of national economic recovery. This will continue to impact on clients exporting into these markets in the short term. **The increase in organic supply of salmon from Scotland and Norway is expected to place further pressure on the Irish organic sector in 2021**, putting pressure on prices and necessitating the sector to continue to tell the Irish organic story and what sets it apart. The industry remains positive about its ability to grow in an increasingly diverse range of markets across the EU27 and Asia once normal business resumes. Some NPD opportunities are also due to the retail demand for more ready to cook whitefish product formats to reduce the risk of fish handling and to accommodate

the growth in more prepack products particularly in traditional seafood markets such as Spain. Despite the challenges of doing business in 2020, **there were a number of successes reported by exporters in securing new business in new markets particularly in niche markets across Asia**. In spite of a challenging 2020, the sector continues to invest in plant efficiencies, innovation, branding and marketing which will all stand the clients in good stead for the years ahead.

Bord Bia will continue to work on market development initiatives to unlock opportunities for Irish exporters across a range of export markets in 2021 and will also focus on growing and enhancing the reputational strengths of the Irish offering in target markets in both Europe and Asia.





PREPARED CONSUMER FOOD

Brexit presents the most significant challenge to the PCF sector in the coming year. **68% of PCF exports went to the UK in 2020 demonstrating the high level of dependence on the market.** PCF companies have invested significant effort into understanding what Brexit means to their businesses, both operationally and financially. **Customs changes will come into effect from the 1st of January which will increase the administrative workload and increase costs.** PCF client companies are preparing for delays in the supply chain due to increased customs checks and potential product inspections on products of animal and plant origin.

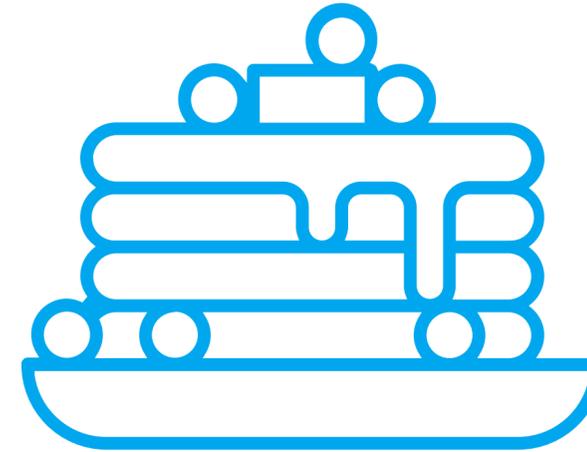
There are also concerns in relation to currency volatility and weakening consumer sentiment. Companies have actively invested time and resources into market diversification as part of their Brexit planning. Where possible companies are holding buffer stocks of finished products in the UK and ingredients and packaging in Ireland to minimize any initial disruption. Despite a high level of preparation among many companies, the additional costs and complexity of doing business with the UK will be a challenge.

Another key change for the sector has been the increase in demand from the retail channel and the contraction of demand from the foodservice and out of home channels. The foodservice channel is seeing recovery in some markets however the stop/start nature of demand due to intermittent lockdowns is challenging. PCF companies remain cautious in their outlook for the first half of 2021.

Although retail sales have grown overall, the demand has not been even across all sectors and more impulse type categories with a high dependence on the convenience channel or the frequency of consumers in stores have seen reductions in sales volumes and purchase occasions. This is also expected to continue until consumers behaviours return to pre-Covid-19 patterns

Diversification has become more challenging. Buyers are more reluctant to meet with new suppliers or review innovation slowing down new listings, product range extensions and seasonal promotions. Companies are aware that they need to develop a more digitally focused engagement plan to meet and present to buyers who may be hesitant to travel or meet at large international events next year.

Technology will continue to play a huge role in how PCF companies will do business in 2021 and beyond. Technology has enabled clients to engage with customers virtually and this new virtual reality will become the business as usual approach for the PCF sector as they conduct more lead generation activity virtually. **E-commerce and direct to consumer channels will also remain**



a spotlight of interest for PCF clients in 2021.

As European markets move into recession there is an increase in requests for private label supply, although the demand from UK retailers for private label innovation has generally slowed. Innovation for private label is often heavily influenced by trends in foodservice and the slow-down in this channel has impacted the momentum behind NPD requirements of retailers.



ALCOHOL

It is clear that for the alcohol category, recovery will be slow and realistically, it will be 2022 before a recovery to 2019 levels is seen. The sector continues to face a number of challenges. The closure or reduced capacity in the on trade will continue to negatively impact exports into key markets. How quickly this channel opens up will directly impact Irish alcohol exports. Restoration of market and consumer confidence, and sustained trade engagement will be key to recovery.

The beer category in particular, will be challenged to rebuild to pre-Covid levels.

For all the reasons cited above, it will be dependent on consumer confidence to regain its share of the on-trade channel.

Travel retail is facing a challenging couple of years until air travel returns to its previous levels.

Reduced dependence on the on-trade is likely to be one lasting element as a result of Covid 19. While the on-trade is vital to

brand-building and will remain so, the balance between all channels will need to be carefully managed going forward.

In 2021 premiumisation and “Less but Better” trends among discerning consumers will return as consumer confidence returns. Telling the story of the provenance and quality of Irish spirits and beers will be important in this context.

Digital and Ecommerce will be the big winners post pandemic. The involvement of brands in the digital space was underscored by the crisis, and has proven to be the forum of most marketing innovation. This will continue as it means smaller businesses with less financial resource, can target both trade and end customers in promotional efforts.

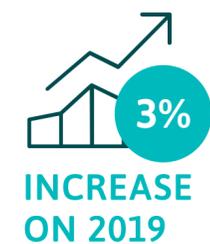
According to IWSR, alcohol ecommerce has grown by 42% in 2020 and will reach \$24 billion in the top 10 alcohol markets this year.

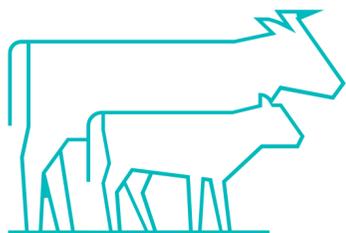
Dairy

OVERVIEW

The Irish dairy industry again proved its resilience in 2020 with a healthy performance, particularly given the disruption caused by Covid-19 and other macro influencers and is anticipated to deliver a value increase of approximately 3% on 2019, with a total worth of €5.2billion

VALUE
OF DAIRY
EXPORTS

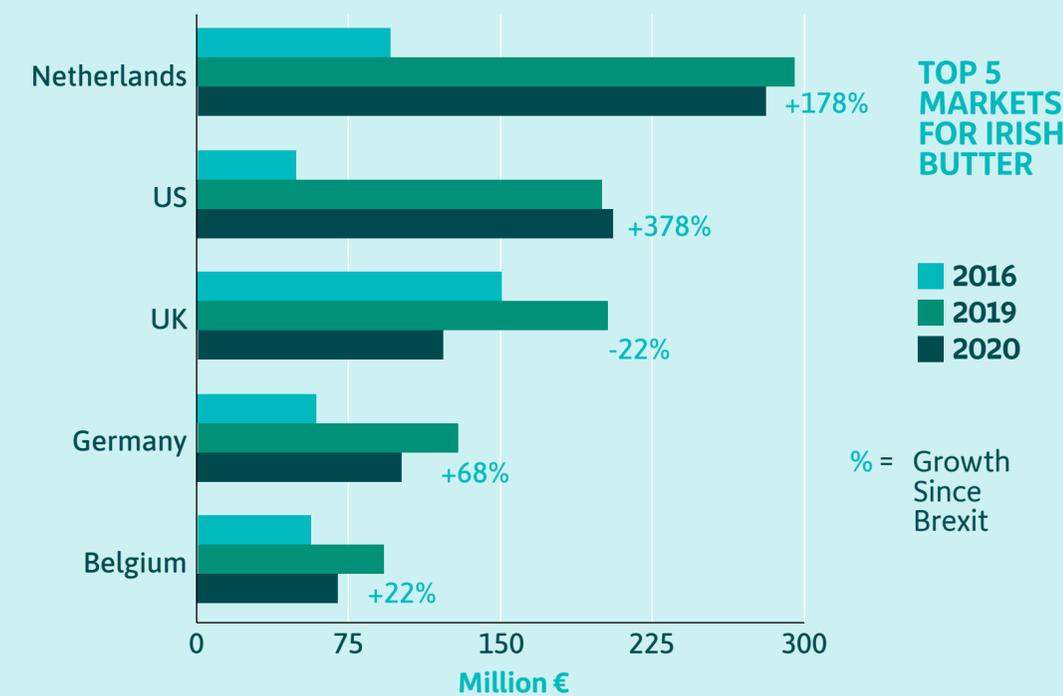
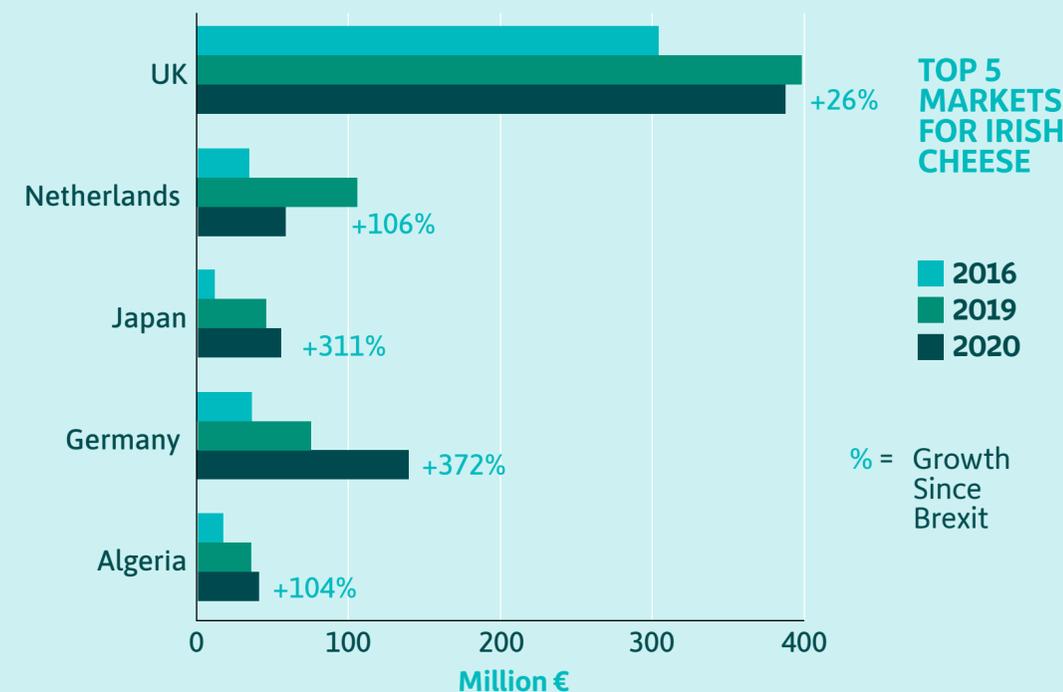




This increase in export value was achieved despite a challenging macro environment where global milk supply fundamentals remained strong, oil producing nations saw the price of their product through to record lows and Covid-19 enveloped the world reaching Ireland pre peak output. Although still navigating our way through the pandemic, its effects on dairy in 2020 were multifaceted. While some could only be described as having a negative impact — the complete shuttering and later, partial reopening of the food service channel for example —unlikely positive trends emerged. Among those, initial panic buying of staple products regressing to a sustained level of retail

demand for some core dairy products. Running concurrent to the Covid-19 challenges were the overhanging uncertainties in relation to Brexit, foreign exchange fluctuations, the 25% tariff imposed on the importation of EU dairy products into the US as well as increased global trade tensions. CSO export figures in the first half of the year saw dairy exports 8.1% ahead of the same period in 2019 followed by a more challenging second half as Brexit and other trading challenges once again came into focus.

In 2020 the global economy quickly fell into a deep recession, and historically GDP has been an accurate forecast for dairy demand. However, with the IMF predicting GDP decline of 4.4% in 2020 and global milk equivalent exports up 1.5% it proves this has been a recession like no other.





The challenge that the closure of foodservice has presented to the dairy industry in 2020 cannot be overstated, with approximately one third of cheese in the EU27 destined for foodservice and 24% of butter also destined for this channel. These figures are almost doubled in the US, where retail demand and government purchases helped mitigate a bad situation and soaked up excess product.

In order to address the imbalance as a result of the economic disruption associated with Covid-19, which saw demand for cheese as well as prices for SMP and butter drop significantly, the EU deployed its internal measure of aid for private storage (APS or PSA) in an attempt to redress the imbalance in the marketplace. The EU noted that “on the basis of skimmed milk powder and butter prices, it is estimated that raw milk equivalent wholesale prices experienced a 24 % drop between early February and the first week of April”. With such exceptional price pressures and a bearish outlook, it was deemed necessary and warranted that PSA opened for certain specifications of dairy products.



In total, 20,138 metric tonnes of SMP, 67,694mt of butter and 47,739mt of cheese was contracted into PSA. This arguably assisted in the stabilisation of EU prices for these commodities throughout 2020.

DESTINATIONS FOR IRISH EXPORTS

Despite the logistical challenges faced during 2020, Irish dairy products were exported to a total of 148 countries, up 24 on 2019. The top five export destinations remained unchanged; the UK, Netherlands, China, Germany and the US account for 56% of our total export value.

COUNTRIES	2016	2017	2018	2019	2020
Asia	€844	€893	€772	€838	€874
Africa	€351	€452	€396	€544	€662
North America	€249	€248	€349	€420	€468
Middle East	€327	€351	€286	€294	€339
Other International	€181	€203	€170	€180	€208

€ = Rounded up to the nearest million

GROWTH IN INTERNATIONAL MARKETS
GROWTH TO NON-UK, NON-EU MARKETS SINCE 2016



Exports to the UK declined across the majority of categories, resulting in an expected total value reduction of 13% when compared to 2019. It was a difficult trading year in the UK, with Brexit uncertainties prevailing making it a challenging trading environment combined with a constrained foodservice channel. We estimate that Irish dairy exports to the UK in 2020 will be 4% ahead of 2016, the latter being the year of the Brexit referendum in the UK.



Exports to the Netherlands have increased by almost 90% over the past four years, with the vast majority of goods going for re-export to other markets or for further processing before re-export to other parts of continental Europe, Asia and Africa.

The US continues to be an important export destination for Irish dairy goods.

It grew 12% in value in 2019 as efforts were made to mitigate against the financial impact of dairy tariffs in October that year. The 2020 further growth of 11% against the backdrop of Covid-19 now valued at €380 million is a phenomenal performance.

The value of dairy exports to Germany continues to grow, registering a 10%

increase in 2020 when compared to 2019 export value, to €430m — this was largely driven by butter and cheese. The value of Irish dairy exports to Germany have now increased by 55% since 2016 with butter accounting for a third of total export value.

As the Covid-19 pandemic unfolded in China, some commentators estimated that dairy imports would be back as much as 15% in 2020. With this in mind, it would have been difficult to predict an increase in Irish dairy exports to China — however it continued to be a region of significant growth for Irish dairy exports again in 2020 registering a 5% increase on 2019 export value, for an export value of €591m. It has been widely publicised that China’s

economic recovery has been faster than anticipated, however it remains unknown whether Chinese dairy imports are reflective solely of demand, or the extent to which inventory building is taking place. Although China has become more competitive in recent years in no small way a result of government incentivisation for domestic production, specialised nutritional powders continues to be a key category for Irish dairy in China, accounting for 77% of the total value of dairy exports to that country. The growing cheese exports to China are destined for the burgeoning foodservice channel. **Cheese exports to China were worth €12m in 2020.**



PRICING

It's been a turbulent year for all aspects of the global economy, and dairy markets were not unscathed. European prices got off to a strong start in 2020, with butter prices reportedly running consistently above €3,500/T for the first 2 months of the year, however as Covid-19 made its way across Asia and continental Europe, prices suffered and had declined by €1,000/T in April. SMP prices have remained resilient throughout the year, with average price as published by the Dutch Dairy Board from January — September at €2,203 which is €117 ahead of the same period last year. Prices for core products recovered somewhat in late summer however, as retail demand remained quite strong and stabilised at a relatively high level.

Categories

BUTTER

The stand out performer within the dairy category in 2020 was undoubtedly butter, driven for the most part by retail demand and consumer reactions to lockdown. Irish exports of butter to the USA are worthy of particular mention. Although the value of butter exports witnessed a decline of 13% in 2020 due to the aforementioned weak pricing environment, export volume increased by 12% which is an exceptional result in light of the challenges presented such as the shuttering of foodservice outlets, US tariffs imposed in Oct 2019, and the increasing uncertainty of Brexit which overshadowed the industry last year.

Butter exports to the US were up 25% in 2019, as exporters took logistical measures to build stock in advance of the introduction of tariffs on October 18th 2019. With that in mind, a year on year increase in butter exports due to consumption demand to the US in 2020 was extraordinary. The value of Irish butter exports to the US in 2020 was €210m — a 9% increase on 2019. The US remains our second largest export destination. The Kerrygold brand continues to be the USA's number two butter brand. Total butter export volume to the US is up 5% in 2020.

Africa and Egypt specifically have become important destinations for butter exports, and albeit from a low base, the value of exports to Egypt has increased by over 200% in 2020 with total butter exports to Africa set to exceed 10,000mt.

€961 MILLION IRISH BUTTER EXPORTS





CHEESE

When commenting on cheese exports the challenge of Brexit is very real, and despite diversification success in some priority markets in recent years such as Japan, the reality is that in 2020, 40% of our cheese exports remain destined for the UK. The closure of foodservice outlets across the globe has had a major impact on cheese demand, however strong retail demand coupled with the ingenuity and agility of the Irish industry to pivot, including new sku formats limited the impact.

Irish exports of cheese declined 10% in volume terms, but the value in 2020 stayed close to constant at what it was in 2019 — €961m — as a result of the strong price environment.

It is important to note when making year on year comparisons that 2019 exports to the UK included a significant amount

of inventory building in an attempt to mitigate against tariffs. That same exercise continued in 2020 as Brexit negotiations went down to the wire with shipments expedited particularly in Q4.

There are reasons for optimism. Within priority markets in Asia, cheese exports to Japan have grown by over a third in 2020 to approximately 15,000mt.

Germany has also been an important market for cheese exports, and in 2020 it has been the destination for volume growth of over 23% to 23,000t. While 85% of Irish cheese exports are cheddar, the industry continues to make significant investments in diversification. Mozzarella has been identified as a particularly attractive new part of the product mix, and exports in this category expanded 13% from a low base to 7,600mt in 2020.

DAIRY POWDERS

SMP

Having experienced consecutive years of downward price pressure exacerbated by an overhang of intervention stock, 2019 saw a rebound in the fortunes of SMP with export value increasing by 60% to an estimated €390 million and exported volume close to 170,000mt. The strong finish to 2019 continued into 2020, with export value up 13% year on year while export volume by year end estimated to remain on a par with 2019 (~170,000mt).

Whey

Whey proved particularly resilient throughout 2020 with export volume outperforming preceding years by 5% in value, equating to 20,000mt. Contributing significantly to this strong performance is the Netherlands, with total export volume predicted to be up more than 20% on 2019 export volume.

FFMP

Fat Filled Milk Powder (FFMP) was Ireland's fourth largest dairy export category in terms of value and our largest in terms of volume. Estimated export figures for the year are slightly back (-2%) in volume terms year on year but associated value was up 7% — €830m. Overall a robust year for FFMP particularly in light of new barriers to entry in Nigeria — an important market for Irish FFMP. The Nigerian government moved in 2020 to obligate dairy importers to invest in backwards integration in the country. As a result only six companies are now licenced to import dairy into Nigeria.

Casein

Continuing on its strong performance in 2019, Casein exports for the year topped 50,000mt back 5,000mt year on year, but growing value by 20% to €360m. Casein prices at the start of 2020 were bullish, a position largely maintained throughout the course of 2020.

Specialised Nutritional Powder

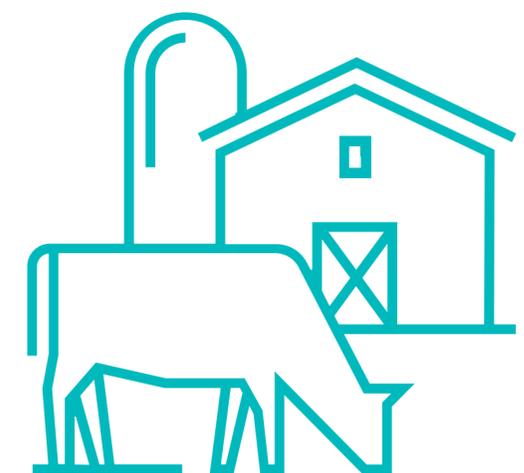
Despite total export volumes decreasing by approximately 10% over the past 5 years, specialised nutritional powders are Ireland's third largest export category in terms of value, accounting for almost 19% of total dairy export value. In 2020, export value is expected to be up approximately 5% to be worth €956m, with export volume back less than 5%. In 2020, export value is expected to be up approximately 5%, with export volume back less than 5%. The initial uplift in sales during the first quarter of 2020 which saw Irish export volumes increase by over 3% had a knock-on effect over the following months. China has been the main destination for Irish SNP — it accounts for 47% of the total value of exports in 2020; however, exports have come under pressure in recent years. China's lower birth rates, and increasing demand for domestic product which has been accelerated during Covid-19 has resulted in less demand for European product.

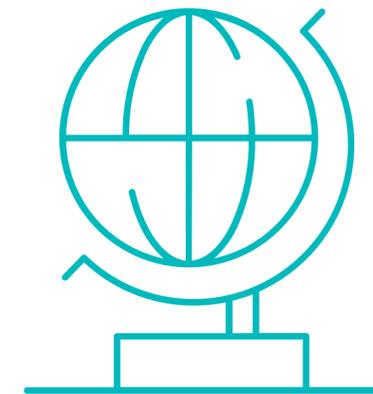
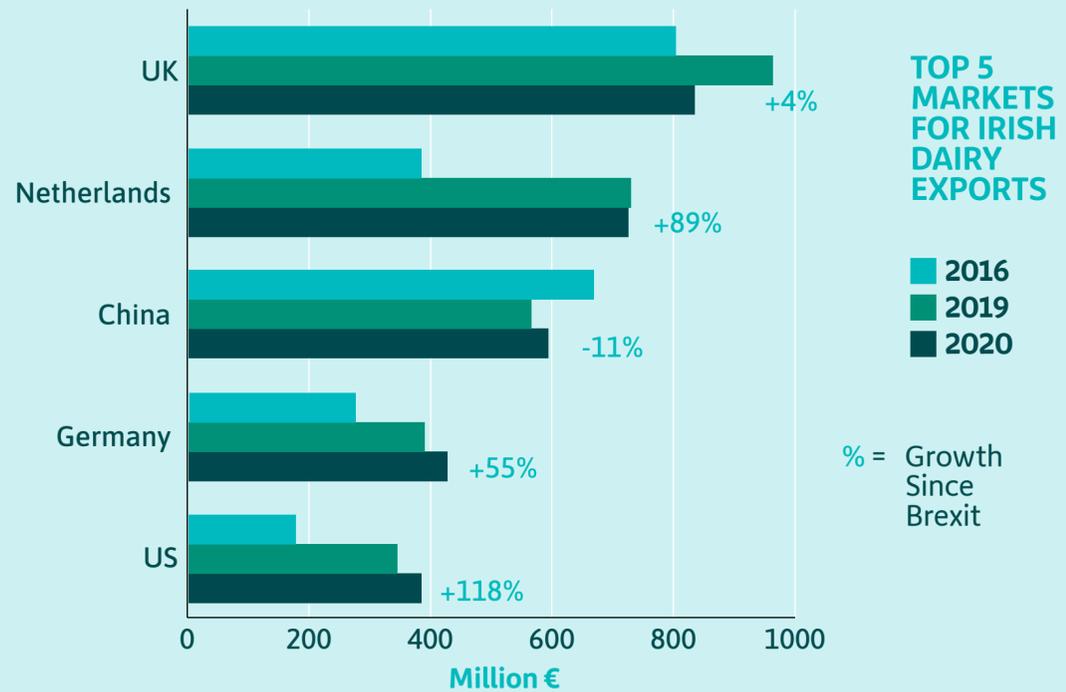
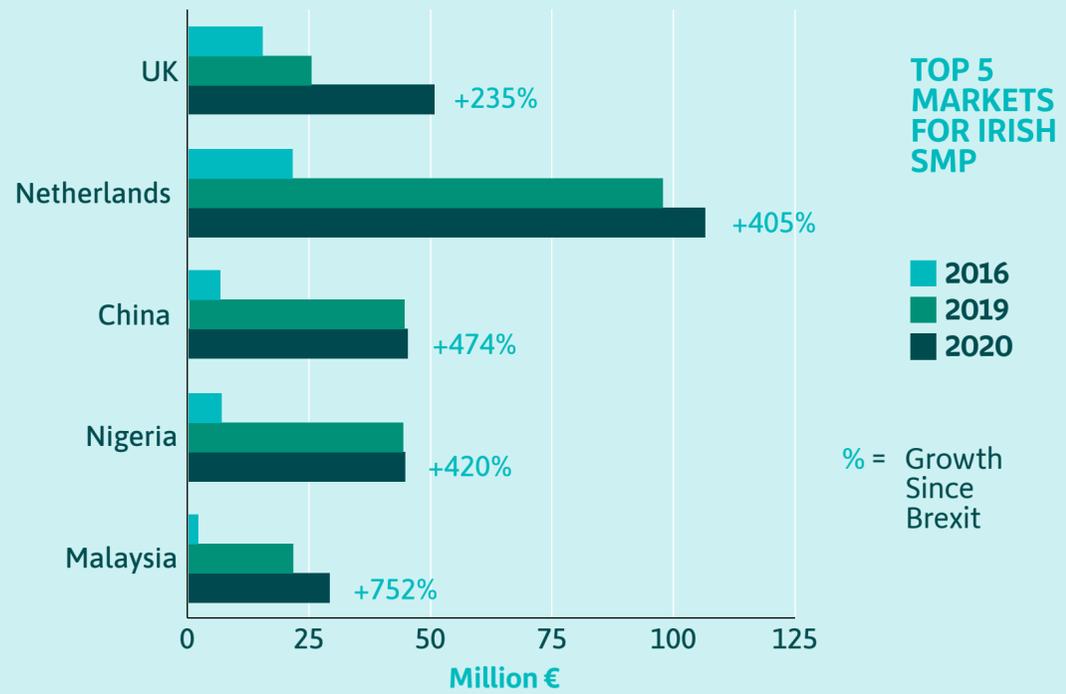
Buttermilk Powder

BMP had a reasonably steady performance year on year with value slightly back and volume broadly on par with 2019. The value of exports in this category was €41m with the largest portions of this destined for the EU27 and Asia.

Whole Milk Powder

2020 was a good year for WMP despite downward price pressure witnessed from February to April. Irish exports in 2020 were worth €208 million, representing an increase of 32% on 2019 export value.





GLOBAL OUTPUT

Global dairy supplies remained positive throughout 2020, with government support mechanisms maintaining prices on dairy products across the EU27 and US which subsequently limited the pressure on farm gate milk price. Milk production across the major exporting nations increased by approximately 1.5% in 2020 which was ahead of the <1% production growth forecasted at the beginning of the year.



Irish Output

Irish milk production growth continued in 2020 and is again on track to exceed eight billion litres, which is an increase of 3% on 2019 production. Weather conditions were favourable for much of the year, with the drought in May/June not enduring long enough to have a lasting impact. A mild autumn and resulting grass growth allowed farmers to continue to graze into the winter months. Milk prices declined in late spring as European commodity prices tumbled, however farmers never fully received the brunt of this price decline as farm gate prices stabilised and increased towards the latter part of the year.



New Zealand

New Zealand continues to be the largest dairy net exporter in the world and has over the last decade enjoyed the success of their dairy herd expansion. It has however come under more pressure in recent times, due to environmental challenges. For this reason the firm focus for New Zealand dairy farmers is to drive production growth through improved efficiencies, rather than herd expansion. The 2019/2020 season finished in May and had a mixed outcome with some regions experiencing the driest January — April on record. Milk production for the season finished -0.4% on the 2018/19 season, totalling 21.7 million tonnes. The 2020/21 season is off to a strong start, and total milk production for the season is expected to finish 1.5% ahead of the 2019/20 season.



Australia

Australia's milk production continues to improve as farmers look to recover some lost ground. Despite witnessing the worst bushfires on record during the 2019/20 season, total production came in 8.775 billion litres which was just shy of the previous season. Rabobank predicts milk production to expand by 2.8% in 2020/21, bringing national milk production back above 9 billion litres.



EU

EU milk production growth remains strong, with the European Commission predicting 1.4% growth in 2020. Weather conditions in northern and western Europe have been fairly inconsistent during the season. After experiencing an early spring drought, significant rain fell in June and early July that was followed by a heatwave in early August which abated at month end, bringing timely rain and cooler temperatures into September with pasture and crop growth affected as a result.



US

Following a number of difficult years for US dairy farmers due to consistent weak farm gate milk price, milk production growth resumed in the US in 2020 with total milk supply for the year up 1.8% on 2019 to 100.3 billion liters. This trend is predicted to continue into 2021, with growth of 0.8% anticipated for the year. The food box program was launched in the US in mid-May as a way to help farmers and distributors redirect gluts of unsold produce to food parcels and food banks. This program stabilised farm gate prices during 2020, with cheese prices running approximately \$1,000 per tonne ahead of EU prices as a result.



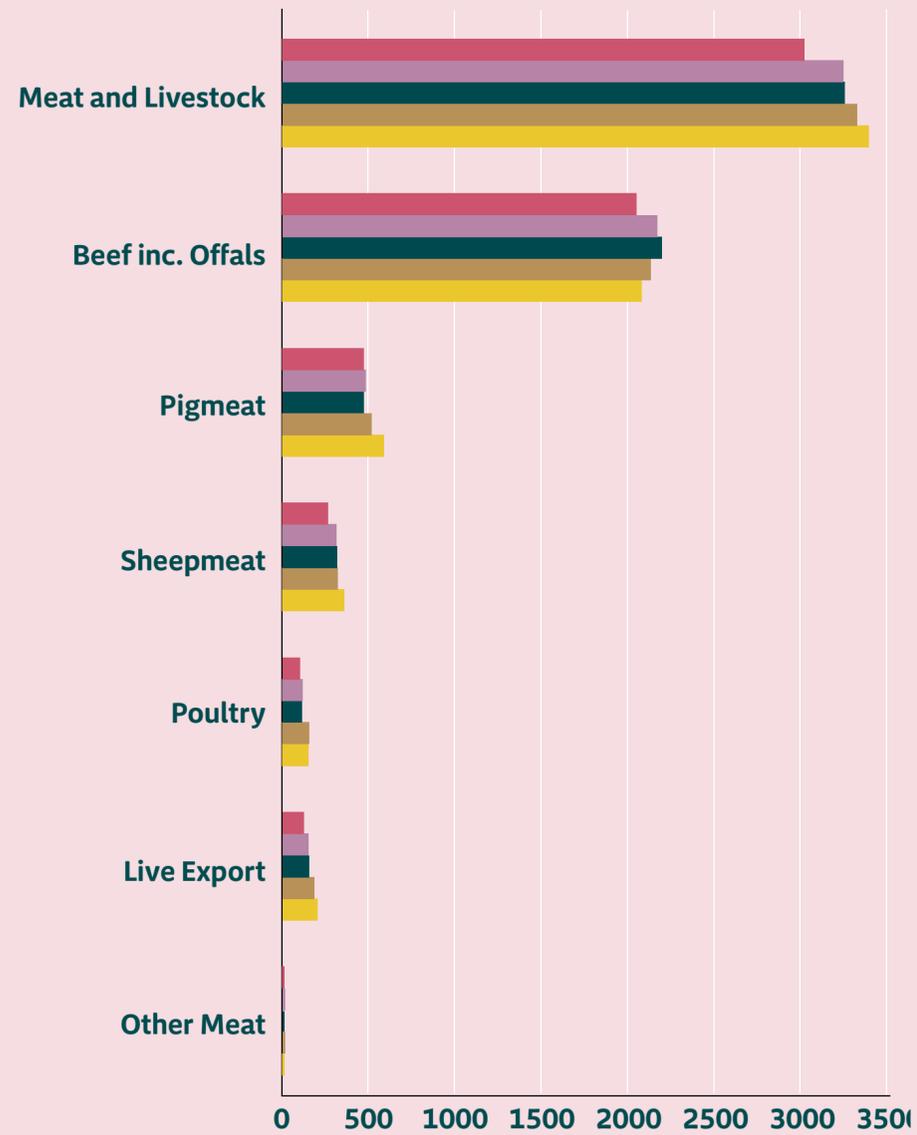
Meat & Livestock

THE VALUE-ADDED
PORTION OF THIS EXPORT IS
NOW CONSIDERED AS PART OF
THE PCF ANALYSIS ON PG. 105

€3.4
BILLION

MEAT AND
LIVESTOCK
EXPORTS





SUMMARY OF MEAT & LIVESTOCK PERFORMANCE (Million €)

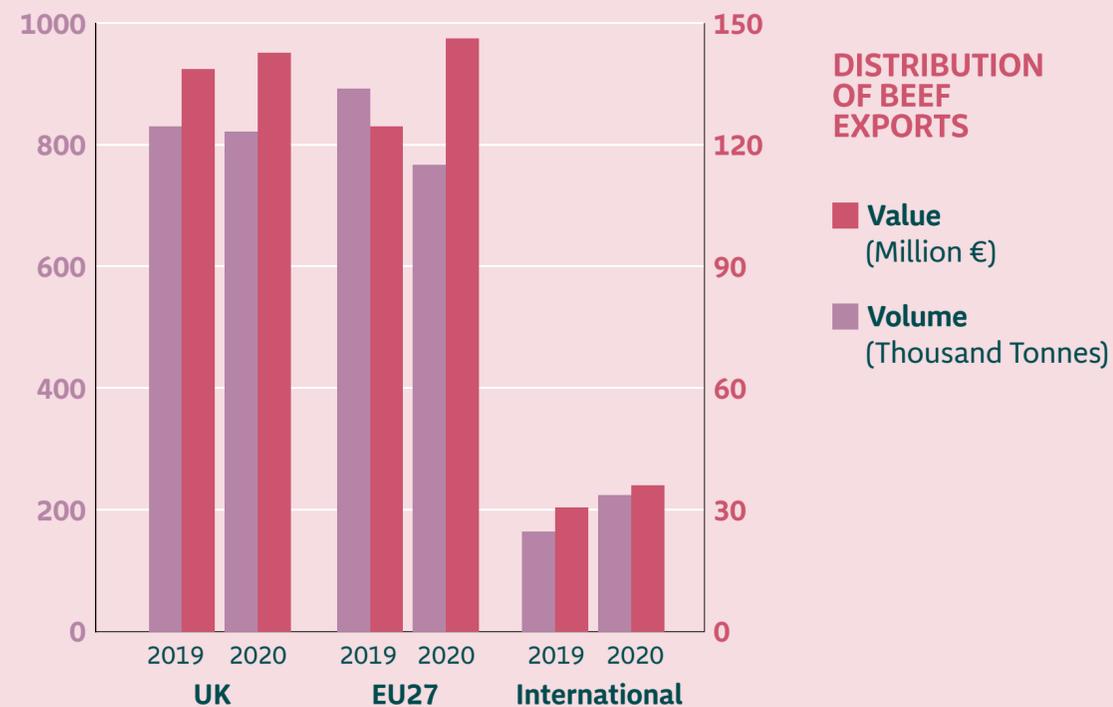
- 2016
- 2017
- 2018
- 2019
- 2020





BEEF

Irish beef exports in 2020 faced an unprecedented market challenge resulting from the Covid-19 crisis. The resulting upheavals across our geographic markets and market channels, have changed beef demand in terms of carcass balance and beef specification. The European foodservice channel which provides the balance of demand to retail and is a particularly important outlet for steaks, accounting for up to 60% of steak total export, is estimated by GIRA to have contracted by 35%. While retail demand throughout Europe has seen growth of over 10% in retail sales, it has also created a number of issues for the effective marketing of Irish Beef. Many European markets have seen an increased focus on supporting domestic production, retail promotions have been severely curtailed and new listings have been shelved in many cases.



Total exports of Irish primary beef was valued at €1.9bn, a 2% reduction on 2019. Exports of offals were valued at €180m, a 10% reduction relative to 2019. In volume terms, exports of fresh and frozen beef including offals declined by approximately 4% to 550,000 tonnes.

Finished cattle supplies increased by 0.5% to 1.71 million head, while average carcase weights decreased by 1.5%.

Beef consumption in the EU27 is estimated to have declined 2% in 2020. The primary driver of that decline was the closure of the foodservice channel for the majority of the year in most European countries. The EU Commission estimates expect a further 1.2% consumption decline in 2021. While there was some increased demand from the European retail sector, the increase was much

more subdued and was far outweighed by the effect of a severely disrupted foodservice and tourist driven demand.

EU Commission data also shows production levels to have further decreased in 2020 by 1.4%, with a further reduction in EU27 beef production in 2021 estimated at 1.5%. Indicative trade statistics suggest that the value of total EU27 imports of primary beef have declined 11% in 2020.

The upheaval in beef distribution and consumption channels put downward pressure on prime cattle prices, especially in Europe. Average, R3 steer prices in Ireland increased marginally while UK R3 steer prices increased by 2.8%. This is in contrast to Continental EU where R3 young bull prices, decreased by 2%.

Exports in offal exceeded the downward trend in beef, in both volume (-9%) and value (-10%) terms, and were worth €182m in 2020. Offal exports to the UK were up significantly (+12%) but demand declines in core markets of EU27 (-12%) and Asia (-32%) ensured that the total value of offal exports declined.

The UK, Ireland's single most important beef export market, decreased by 1% in value terms to €835m. Exports to Northern Ireland increased by 10%, but that was more than counteracted by a decline of 3% to the much larger market of Great Britain. In 2020 cattle supplies were tight in the UK and increased demand at retail across virtually all cuts led to more retail specification Irish beef shipped to the UK market.

The closure of the foodservice channel for significant portions of the year reduced the value available. The UK

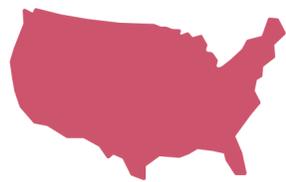
now accounts for 44% of Irish beef exports in value terms, compared to 51% in 2016.

EU markets collectively absorbed €845m of Irish beef exports during the year. This represented a 7% drop in export value to the EU27 and reflected the consumption difficulties compounded by the impact of the Covid-19 crisis. In the key markets of France, Italy and Germany, where there were decreases of 7%, 11% and 3% respectively. The EU27 accounted for 45% of exports, a drop of 1% over 2016.

Exporters availed of opportunities in global markets, especially in Asia to balance a disrupted trade pattern in the UK and Europe. International markets continued to deliver export growth opportunities, with value reaching €207m in export revenue and accounting for 11% of trade – an increase from merely 3% of the total in 2016.



The single most important market by volume for Irish beef was the Philippines, which accounted for over €53m in value. The mainland Chinese market provided excellent growth in the first half of the year — beef exports between Jan and May were 133% up on 2019's values. However exports were affected by a suspension of import permission resulting from the detection of a case of atypical BSE in an animal in Ireland. Despite this the value of exports to mainland China reached €23m. At the same time, beef exports to Hong Kong reached €22m.



The US market continued to show strong growth, accounting for over €34m in exports value compared to €19m in 2019. Canada also saw a trebling of trade with Irish beef, reaching €12m.



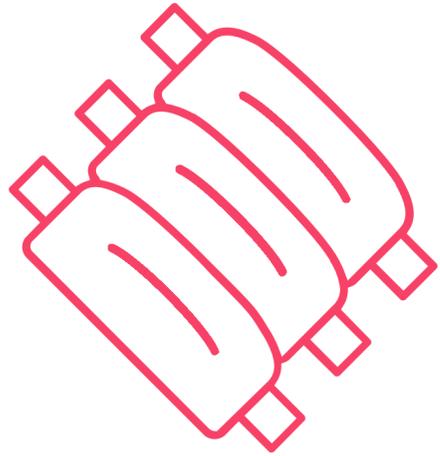


PIGMEAT

In 2020, the Irish pigmeat industry along with many other sectors of the Irish economy faced unprecedented challenges. However, despite some temporary disruption along the supply chain, it was still a reasonably positive year with best trade reported during the first half of the year. The strength of the Chinese market helped to underpin European demand for most of the year for countries that continue to have market access.

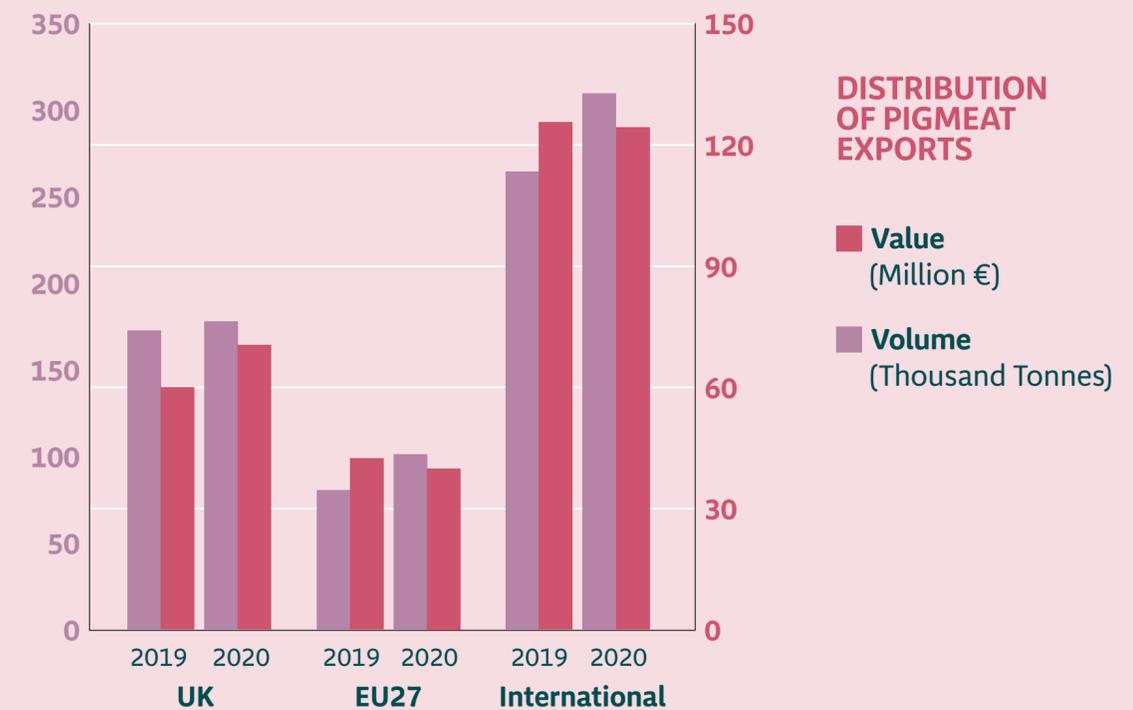
Irish primary pigmeat exports for 2020 were 14% higher at €586 million, as the sector was helped by the continuing firm international demand due to the continued impact of African Swine Fever (ASF).

STRONG
GROWTH
↑14% **€586**
MILLION



Primary producers were direct beneficiaries of strong International demand during the first half of the year in particular, as prices held at record highs during the first quarter of the year. In January and February, prices reached almost €2/kg, carrying on from the strong performance in trade that was evident from the back end of 2019. However, the fallout of Covid-19

which had serious implications for the food industry, led to significant disruption in the supply chain across many European and International countries for the pigmeat industry over the summer period in particular. In Europe, this situation has been further compounded by the discovery of ASF in Germany during September which affected prices. Despite these circumstances, the pigmeat sector has dealt with this adversity extremely well, with **the average pig price forecast to have increased by over 2% to €1.69/kg** compared to year earlier levels.





Irish & European Pigmeat Production

Irish pigmeat production increased by around 4% to 317,000 tonnes for 2020 reflecting a 3% increase in average carcass weights. In Europe, pigmeat output is expected to contract by around 0.5% to 22.9 million tonnes for the year. A number of key European member states were significantly exposed to Covid-19 during the year which had a negative impact on production.

Irish & European Pigmeat Trade

Overall Irish exports of primary pigmeat increased by 3% to 234,000 tonnes. The pattern of Irish pigmeat exports were heavily influenced by trade developments in Asia throughout 2020.

Shipments of Irish pigmeat to Asia now account for 41% of the total value and 47% of the total volume of Irish pigmeat exports at €243 million, with China as the leading destination.

Given the significant increase in pigmeat exports to the Chinese market, exports to key partner markets such as South Korea and the Philippines have declined on the back of reduced pigmeat availability. The UK market is still an important market outlet for Irish pigmeat accounting for 30% of the total. Shipments to that market increased by 3% to €177 million for the year.

European exports showed further growth in 2020 to be worth more than €100m for the first time. Growth was particularly notable to Denmark where

exports grew 27% to be worth €34m. The Czech Republic grew by 70% to be worth €17m in pigmeat exports. The other major EU market for Irish pigmeat — Germany — held steady at €22m.

During 2020, European pigmeat exports have surged by 20% to 3.9 million tonnes for the first nine months of the year compared to prior year levels. It is expected that Europe will ship around 5 million tonnes of pigmeat to third country markets during 2020. Shipments of European pigmeat to China have grown by around 65% to 2.4 million tonnes for the first nine months of 2020, but the suspension of exports from Germany in September will limit the volumes going to China. Given the number of ASF cases in Germany, and the Chinese rejection of appeals for a regionalisation of limits, Germany is likely to remain out of this market for the foreseeable. At the same time the Chinese herd recovery is continuing and will lower the need for European import.

Consumption

Irish pigmeat consumption remained high by European standards at 32kg per capita. Pigmeat as a meat category is alike with poultry for the proportion of the total production that is consumed in Ireland. 53% of total production is consumed in the home market, and the vast majority is sold under the Bord Bia Quality Assurance mark. Consumption held up despite the closure of foodservice outlets. Sales of pork at retail were up 12.1% on the previous year. Some pigmeat products performed extremely well at retail — sausage sales were up 24% and bacon by 16%, as people were forced to cook at home for the majority of 2020.

European pigmeat consumption is not expected to fall as much as was previously anticipated. The EU commission expect consumption to fall by just 1% to 18.8 million tonnes during 2020, as strong growth in retail demand helped to offset particularly weak foodservice demand.





SHEEPMEAT

A much more positive market for Irish sheepmeat during 2020 resulted in the **value of exports increasing by 12 per cent to total €357m**. This strong growth came on the back of a stronger price environment and a 4% increase in the overall volume of sheepmeat exported.

Tighter supplies of sheepmeat globally and some improvement in demand in key EU27 markets has helped to underpin the strong deadweight lamb trade in Ireland during most of 2020. Irish exporters have also been able to capitalise on reduced sheepmeat exports from the UK with the latest available HMRC data recording a 12 per cent reduction in the volume of UK lamb exported to the EU during 2020.



The EU27 has continued to be the most valuable export market for Irish sheepmeat with growth in both the value and volume of sales to key markets including France, Sweden, Germany and Belgium during 2020. There has also been some encouraging growth recorded in the volume of Irish sheepmeat sales to Denmark and the Netherlands this year. **Overall the EU27 accounted for 72 per cent of Irish sheepmeat exports during 2020 with the UK accounting for a further 18 per cent.** International markets accounted for 10% of the total exports and grew at 27% year-on-year.

Strong demand from processors and the market during the first quarter of 2020 contributed to a firm deadweight trade with an average factory price of €5.30/kg compared to €4.97/kg in the corresponding period in 2019. The

firmness in the Irish deadweight trade was also underpinned by a 7% reduction in sheepmeat production in the UK during the first quarter of 2020. Good production conditions for lamb in the UK during 2019 combined with concerns around the potential impact of Brexit on the lamb market encouraged British producers to push lambs and finish them earlier, with tighter supplies of hoggets for slaughter early in 2020 as a result.

The introduction of Covid-19 restrictions and the sharp decline in demand for lamb from the foodservice sector in both export and the domestic markets resulted in some downward

pressure on Irish producer prices as we moved into the second quarter of 2020, however the deadweight trade quickly recovered as the markets adjusted to the new balance in demand for product from retail and foodservice customers. The deadweight lamb trade has been operating well above 2019 levels for the remainder of the year. During 2020 lamb price averaged €5.24c/kg, an increase of 46c/kg from 2019 levels and 39c/kg ahead of the five year average.



The strong deadweight trade, firm demand from processors and good grass growth during spring/summer 2020 encouraged Irish producers to market lambs earlier with meat plant throughput between June-August 2020 operating 47,000 head or 7% ahead of previous years. With lambs being processed earlier there has been a reduction in the proportion of heavier lambs in the slaughter mix. The average lamb carcass weight since June 2020 was 20.2kg, back from 20.6kg in the corresponding period in 2019.

The strong throughput of lambs during the summer months resulted in tighter supplies of lambs for slaughter as we moved into the final quarter of the year which has helped support the deadweight trade. **Total sheep throughput in Irish plants for 2020 is forecast to reach 2.9 million head, up 3% from 2019 levels.**





Export Distribution

EU sheepmeat imports from Australia and New Zealand continued to decline in 2020 which created opportunities for Irish exporters in key EU27 markets. Lower export capacity in both regions this year due to the longer term impacts of drought on production, higher retention of ewe lambs for breeding and higher domestic demand for sheepmeat have all contributed to this trend. However the growing importance of China as a lamb importer has also had an impact with both regions enjoying preferential access on the back of long-standing free trade agreements. **More than 50% of New Zealand sheepmeat exports and 30% of Australian sheepmeat exports are now destined for the Chinese market**

The UK is the largest sheepmeat producer in Europe and accounts for a third of total lamb production. The EU provides an outlet for more than 90 per cent of the UK's sheepmeat

exports with France, Germany and Belgium being the largest recipients. However a reduction in UK sheepmeat production and an increase in domestic demand has seen UK sheepmeat exports to the EU27 decline during 2020 which has created opportunities for Irish exporters in these key markets.

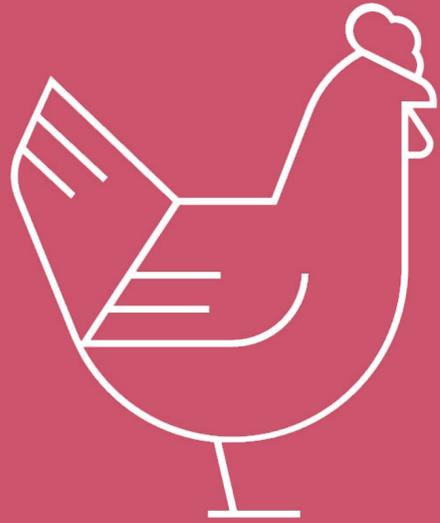
International markets account for just 10% of Irish sheepmeat exports however access to markets such as Hong Kong provide an important carcass balancing function for the Irish sheepmeat sector. Switzerland has been the stand out international market for Irish sheepmeat in 2020 with exports doubling to over 1,800 tonnes in the first eight months of the year. The Swiss market is amongst the highest paying markets for Irish sheepmeat and the value of exports to that destination increased to €26m in 2020.



POULTRY

The poultry category has managed to weather the headwinds of Covid-19 as production across Europe has increased on the back of strong consumer demand. It is the only meat category that is expected to show production growth during 2020. This reflects the impact of Covid-19 as consumers switch towards more price sensitive sources of meat protein during this period of economic uncertainty.

As a result of the emergence of H5N8 flu in Ireland in December 2020, international markets are moving to restrict exports.



POULTRY EXPORT VALUE

2% ↓
€152
MILLION

CAUSED BY COVID-19

Poultry Output

During 2020, Irish poultry production increased by an estimated 3% to 110 million birds. Similarly, EU poultry output is expected to increase by 1% to 13.6 million tonnes during the year reflecting strong demand for this type of protein as consumers respond to more challenging economic conditions.

Exports

Irish poultry exports increased by around 4% to 124,000 tonnes reflecting the continued increase in output at farm level as the industry is reliant on export markets for carcass balance utilisation. However, these **exports in value terms are expected to fall by 2% to €152 million as Covid-19 measures impacted demand levels globally**. There was some significant decline in exports

to the UK market which was 14% lower at €81 million. However, this decline was somewhat offset by significantly higher exports to International markets, which were 16% higher at €43 million, which was driven by strong import demand from South Africa in particular where exports were up 22% to €32m.

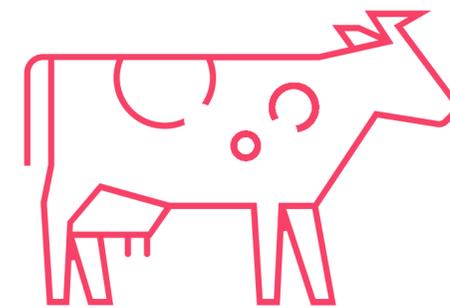
Elsewhere in Europe, poultry trade was significantly affected throughout 2020 due to Covid-19 and Avian Influenza. The European foodservice channel is heavily influenced by third market imports. However, on the back of foodservice restrictions across many EU27 member states due to Covid-19, this is expected to lead to EU poultry imports falling by 12% to 748,000 tonnes during 2020.

Duck exports were worth €6m in 2020 — a reduction from the €8m recorded in 2019. While the vast majority of these exports are to the UK, a good proportion

of those are known to be further exported to destinations in South East Asia. Duck exports are overwhelmingly destined for the foodservice channel, and as such were particularly challenged by Covid-19 lockdowns.

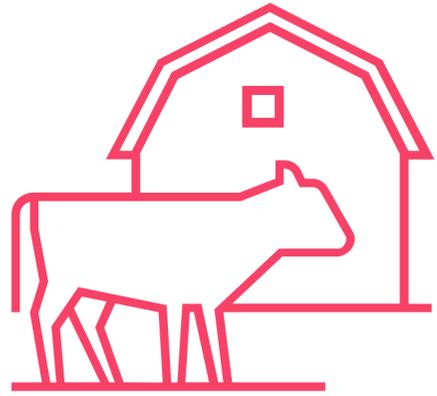
Poultry Consumption

Despite the restrictions around dining out across Europe throughout 2020, poultry consumption has increased by around 2% to 12 million tonnes reflecting increased popularity for this protein at retail level. In Ireland, according to Kantar, poultry consumption has increased by 10% during the latest 52 week period ending the 1st November 2020.



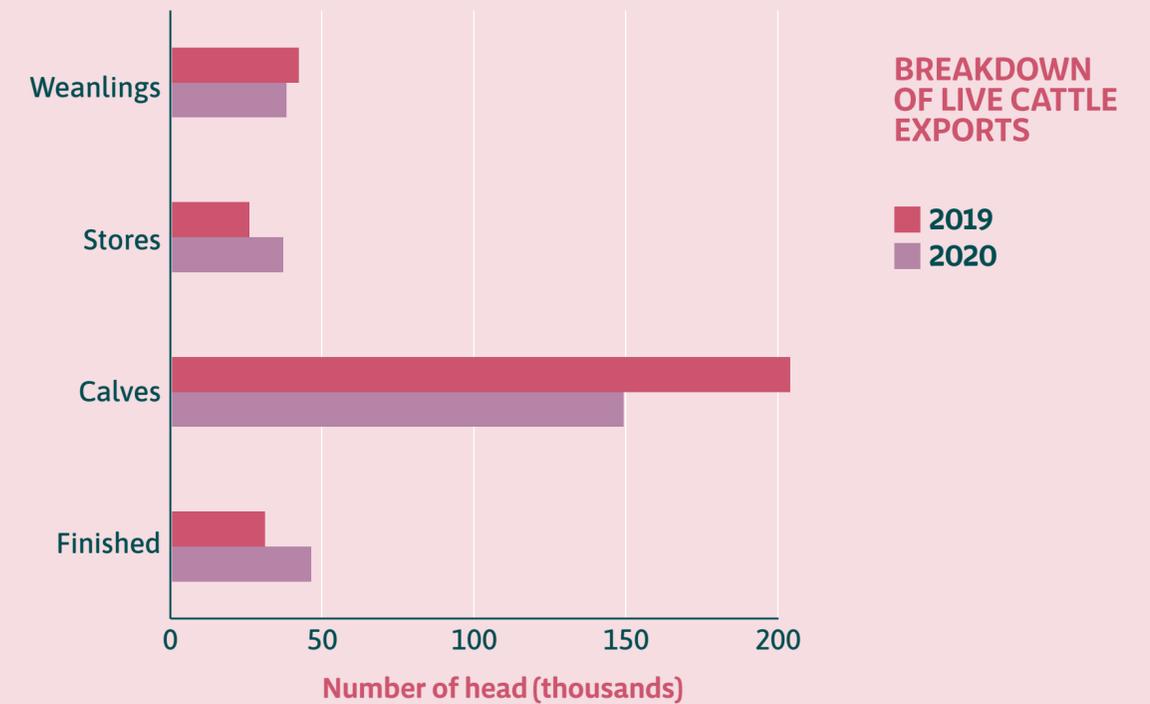
LIVE EXPORT

Live cattle exports from Ireland during 2020 totalled 265,000 head, a notable decline from the 298,000 head exported during 2019. However despite the overall decline in the number of cattle being exported the value of export sales has increased from €118 million during 2019 to €133 million in 2020 reflecting a change in the mix of animals exported. This is a 12% increase year on year.



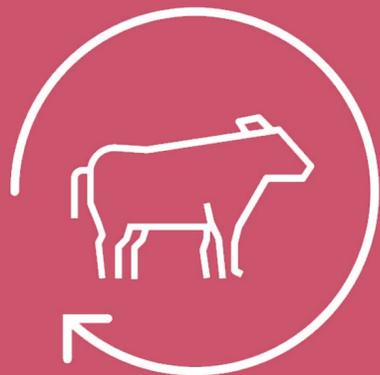
Several key factors have contributed to the decline in cattle exports during 2020. Irish calf exports are highly seasonal with peak season between mid-March and May. The introduction of Covid-19 restrictions in late March 2020 resulted in a strong decline in calf exports to the continent when compared to previous years. Meanwhile exports of more valuable store, weanling and finished cattle increased strongly during 2020, primarily due to an increase in trade with Northern Ireland. However, cattle exports to several other regions in Europe and North Africa also increased. Overall calf exports have declined by 54,000 head (-27%) while exports of older cattle have increased by 25,000 head to 118,000 head (+24%).

While the overall number of live cattle exports declined, prices for individual categories of cattle held steady during 2020. With prices per head holding steady in each category the increase in the value of sales was driven by the shift from calves to older more valuable cattle. Calf exports accounted for more than two thirds of Irish cattle exports during 2019 but this has come back to 55 per cent in 2020. The proportion of weanlings in the export mix has remained steady at 14% during 2020 while the proportion of stores and finished cattle increased to 14 per cent and 17 per cent respectively.



€93M

VALUE OF TRADE WITH NI



INCREASED
EXPORTS OF WEANLING
+ FINISHED CATTLE

Calf exports out of Ireland are predominantly destined for the Netherlands and Spain, although there has been a significant reduction in exports to both markets in 2020 due to the impacts of Covid-19 on veal demand. Irish calves reach Continental Europe via the French port of Cherbourg, with ferries currently operating three times a week. EU regulations require calves to be rested in a lairage close to the port of arrival and the two lairages in Cherbourg can collectively hold up to 4,400 calves at any one time. This has limited the number of Irish calves the two lairages can accommodate to 13,200 head per week.

Smaller numbers of Irish calves are also exported to Italy, Belgium, Poland and

France and while there was some growth in the majority of these markets during 2019 the impact of Covid-19 has meant they have all recorded a reduction in numbers during 2020.

Strong demand from Northern Ireland for Irish born cattle has contributed to the surge in live exports to the region during 2020. Tighter supplies of finished cattle for processing north of the border has seen the number of both prime cattle and cows being exported to Northern Ireland for direct slaughter increase strongly during 2020. In the first 48 weeks of the year, 58,931 cattle were exported to Northern Ireland compared to 28,226 in the same period 2019 — a 95% increase. Widening price differentials for both finished and store cattle between the two regions has also contributed to a

notable increase in the number of Irish born store cattle and weanlings being exported to farms in Northern Ireland for further production, particularly in the second half of the year. There has also been a strong increase in the number of dairy females being exported to Northern Ireland during 2020.

Whilst most of the growth in adult cattle exports has been to Northern Ireland, there has also been some strong growth recorded in cattle exports to Libya, Spain, Kazakhstan and Algeria during 2020. Exports to Algeria are more than a thousand head for the first time, while those to Libya increased nearly 50% to nearly 14,000 head.



Other Livestock

During 2020 Irish live pig exports are expected to reach 450,000 head, a 7% increase from 2019 levels. This increase in the number of pigs exported combined with an increase in the average price to €145 have contributed to an overall growth in export sales to €65 million during 2020. The most important market for Irish live pig exports is Northern Ireland, a reflection of the strong trading relationship between the two regions.

During 2020 Irish live exports of sheep are forecast to have reached 30,000 head, a notable increase from the 7,000 sheep exported during 2019. While sheep exports represent only a small proportion

of the overall trade in live animals there has been some encouraging growth in the value of exports to €3.6 million during 2020. The increase in the value of export sales has been driven by the increase in the numbers being exported but also an improvement in the average export price to €120, reflective of the strong trade for sheep in Ireland, and across the EU, during 2020. France is the biggest market for live sheep exports, accounting for two thirds of total exports, although there has been encouraging growth in the live export of sheep to Bulgaria, Italy and the Netherlands during 2020.

THE VALUE-ADDED
PORTION OF THIS EXPORT IS
NOW CONSIDERED AS PART OF
THE PCF ANALYSIS ON PG. 105



Horticulture & Cereals

€221 HORTICULTURE
MILLION & CEREAL
EXPORTS





MUSHROOMS

Exports for 2020 are marginally **down (-4%) on 2019 in volume, but 14% higher in value to €115m**. The Covid-19 pandemic produced a surge in retail sales by volume, and some shortages in the market helped to push up prices.

The largest segment in the UK retail mushroom market which is the key market for Irish mushrooms is the pre packed closed cup mushroom with almost 50% share of the total mushroom retail sales. The brown, buttons and portobello mushroom performed well, while the flat mushroom segment declined.

The Covid-19 pandemic was the biggest single factor affecting the mushroom industry in 2020, and it was a positive influence on sales for Irish producers. The UK went into a lockdown in late March, and this had a negative impact on the foodservice market, while there was a large increase in the retail market. More people at home and working from home meant a big increase in home

cooked meals, and this resulted in increased mushroom sales. Most of the mushrooms exported to the UK from Ireland are destined for the more lucrative retail market, and producers managed to switch their foodservice sales into the retail market.

There was a 10% increase in overall vegetable retail volume sales in the UK as a result of Covid-19, while mushrooms increased by 12%, indicating that UK consumers turned to mushrooms at a greater rate than to vegetables overall.

Vitamin D mushrooms, which are only available from Irish and UK producers, have risen in prominence over 2020 because of the health association between Vitamin D and Covid-19 resistance. While this is a small part of the sector, it is growing well, and positions Irish suppliers as premium suppliers to the market, addressing deficiency concerns that can be held by vegetarian or vegan consumers.

CEREALS

In 2020 the main cereal growing area was down marginally (by 2000Ha) on 2019 at 265,000Ha. This is a less than 1% change year on year. The area of winter cereal crops in total declined by approximately 40% due to the poor weather last autumn. However the area of spring barley increased dramatically in 2020. Main cereal production was also down by about 20% to just over 1.9m tonnes compared with last year's production of 2.4m tonnes. The reduction was contributed to by fewer winter crops being planted because of poor winter weather, drought in the Spring and, to a lesser extent, difficult harvest conditions. The reduction in output and yield were somewhat compensated by the increase in farm gate prices. In relation to straw it is estimated that straw availability was down almost 40% compared to last year.



EXPORTS

In 2020 the value of cereals exports was €47m which is a value reduction of 5%. There was a corresponding reduction in volume exported of 2%. This reflects a lower area grown and lower production in 2020. Exports are primarily to Northern Ireland.



AMENITY HORTICULTURE

The amenity horticulture sector relies heavily on exports to the UK for sales and **2020 produced a lot of disruptions in the market as a result of Covid-19**. Garden centres were closed in March in the UK at the start of the UK lockdown. Christmas tree sales were down on 2019 and are likely to fall further **in 2021**. Bulb and daffodil exports were down on 2019 due to disruption in the Dutch auctions. Total value of exports fell to €17.5m, broken down as follows:

Bulbs and Flowers	€2 mil
Foliage	€4.8 mil
Christmas Tree	€3.4 mil
Nursery Stock	€7.3 mil



Hardy nursery stock accounts for €7.3m worth of exports, a decrease of €1 million over the last year. This was due to the closure of UK garden centres, but Irish producers made this up in local sales. In 2020 there were 26 nursery stock producers exporting to Northern Ireland and Great Britain. There were also 5 bulb/cut flower exporters, who are exporting stock to Northern Ireland, GB and continental Europe.

Challenges remain in exporting to the UK due to the exchange rate and have resulted in some UK buyers seeking to source more stock from the UK than before. In addition, the home market is more buoyant with the uplift in house-building. There are good still potential opportunities in the UK and with a proactive and professional approach to exporting the opportunities for Irish growers are positive. The disease free status of Irish stock, and the proximity to the UK market remain advantages for Ireland.



Seafood

€443 SEAFOOD EXPORTS
MILLION





The value of primary seafood exports declined by 10% to €443m in 2020. This is against a backdrop of volumes increasing by 2% over the year. The sector has been severely impacted by Covid-19 which has affected the performance of all species across the category, particularly within the shellfish category which suffered a 29% reduction in export values. Coupled with uncertainties around Brexit, the impact of a weak dollar and the collapse in the foodservice channel across all main export markets, 2020 has been a turbulent year for the seafood industry.

Exports to the EU27 account for over 58% of total Irish seafood exports by value with the African continent the destination for a further 23%; exports to the UK accounting for 9% of sales; the Asian markets dropping to an estimated 7% and ROW accounting for the balance of exports in 2020.



Ireland's largest seafood export market, France, was extremely challenging for Irish exporters during 2020 with values declining by 28% to be worth €78m and volumes down almost 30% across the range of species sold into this market. France being a market that was particularly affected by Covid-19, took severe measures very early with full lock down from mid-March to mid-June and again in November and December. This has led to a significant decrease in exports during these months. Product categories most dependant on the food service sector and particularly the table service restaurant sector suffered most, notably seafood and above all the festive species such as shellfish. This has also led to local producers having severe difficulty in selling seafood and the

consequential preference to buy local. Again this has affected particularly the shellfish species but also whitefish as boats had to remain at harbour and auctions closed or partially closed during lockdown periods. Salmon sales were less affected as the species is not produced locally and salmon continued to sell in retail channels.

Similar trends were observed in the Spanish market with Irish exporters struggling with the closure of the foodservice channel and the support for local production at retail level leading to a negative impact on trade. Exports to Spain were down 15% in value to be worth €37m and 17% in volume during this period.





The main markets in Africa — Nigeria; Cameroon and Egypt — all recorded exceptionally strong growth during 2020 as increasing volumes of pelagic fish were targeted at this market by Irish exporters due to weaker demand in Asia and the possibility to secure reefer vessels to facilitate shipments directly from Killybegs to the region. Nigeria continued to be the most important African market for Ireland’s pelagic sector. The market grew in export value by over 100% to be worth €60m and by 62% in volume demonstrating the strength of demand for Irish pelagic fish in the market. Exports to Egypt grew in value by 20% against a backdrop of static export volumes whilst exports to Cameroon increased nearly six fold to €13m with value running ahead of volumes which increased by 442%.

9%
OF ALL EXPORTS GO TO UK



The UK market recorded a decrease in value terms of 8% to €38m as Irish exporters encountered difficulties due to the lockdown which impacted on sales of shellfish. The UK markets remains the destination for 9% of the Irish exports — the same proportion as 2019. Irish salmon exports were also reduced due to increased competition in the market but also supply issues throughout the year. Salmon exports reduced by almost 50% to the UK during 2020. On a positive note, whitefish exports increased by 19% whilst pelagic exports increased by 32% during this period.



ASIA
58%↓
€29
MILLION

Irish exports to Asia suffered major declines during 2020 as the impact of Covid-19 in these markets, resulted in lengthy foodservice closures which impacted severely on high value shellfish exports to the region. Seafood exports to Asia were worth €29m in 2020, a 58% decline year-on-year. Exports to Japan declined by 45%; exports to mainland China reduced by 70% and to Hong Kong by 18%. Exports to the region have been challenging not only because of the impact of Covid-19 but also due to huge logistical difficulties in servicing these markets due to poor availability

of container space throughout the year and also a lack of air cargo space to facilitate live shipments to the region. The increase in logistical costs also had a negative impact on the returns secured by the sector during 2020. Negative consumer sentiment in the Chinese market around imported seafood and its link with Covid-19 cases also dampened demand for certain species in the latter part of the year. An increase in inspections at ports has also resulted in increases in delays in clearing customs and a consequent increase in the costs to service this market.

SPECIES PERFORMANCE

Pelagic

An increase in the mackerel quota in 2020 softened some markets slightly and there was competition from Norway and the Faroese selling cheaper stock which presented challenges for the Irish processing sector. Generally the landed price for mackerel retracted somewhat because of the increased volumes available. Logistical issues particularly in the early parts of the year with cost and availability really challenged processors margin wise. Access and cost issues relating to freight containers impacted the servicing of higher value Asian markets throughout the year.

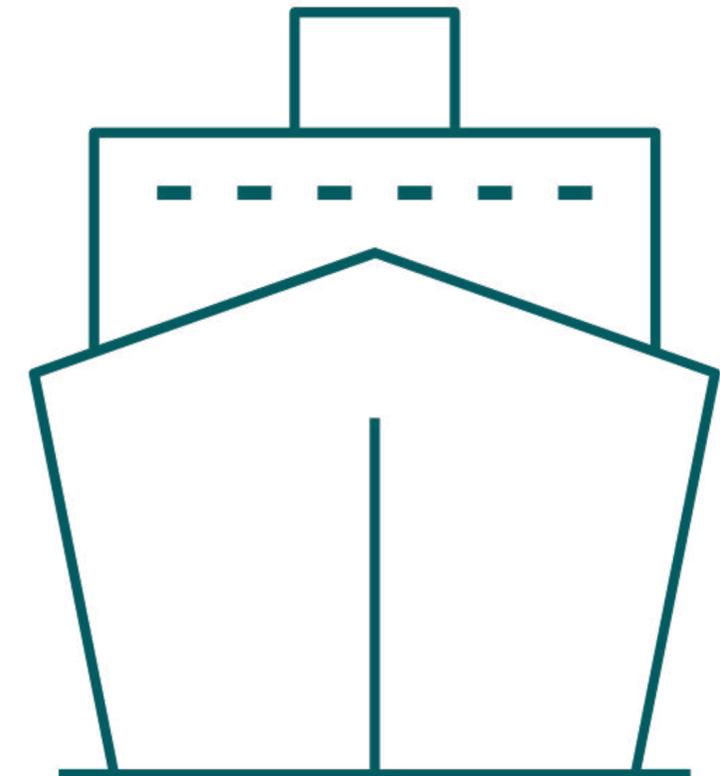
Nigeria was the main focus, with exports to the region up by more than 100% in value terms compared to the same period last year. The fact that reefer

vessels load frozen stock directly from Killybegs port presents an easier route than freight containers. As of early December there was c. 10,000MT of horse mackerel waiting to be caught and it wasn't clear yet if these stocks would be caught before end of 2020.

Despite the increased complexity of trade due to Covid-19, the pelagic sector has performed well during 2020. Overall, the consensus is that pelagic species have managed relatively well during the pandemic because they are economically affordable relative to other proteins and are often consumed in-house rather than in hotels and restaurants. Concerns continued to prevail, nonetheless, around Brexit and access to fishing rights had repercussions on fishing patterns during

the year. Most of the Irish fleet's mackerel quota was caught at the beginning of 2020, which had major follow-on consequences in terms of storage costs. The processing sector was required to deal with all landings in one short season rather than the traditional two seasons.

Nonetheless, despite the many challenges presented to the sector during 2020, **export values have increased 2% to €164m** during the period. Profitability was seriously impacted however due to the increased storage costs during the year coupled with currency fluctuations and increased cost of logistics.



Shellfish

The shellfish sector experienced an extremely difficult 2020. **The value of export declined by 29% to €126m.** Heavily dependent on the foodservice channel across all its main export markets, the various lockdowns implemented at different times throughout the year has resulted in a very challenging market environment with returns to the fishermen reduced and days at sea capped to manage supply and demand. The market for langoustines which account for the largest export value within the category was extremely difficult.

Heavily dependent on the Italian market which accounts for the majority of export sales, the sector struggled to move stock in the early part of the year due to the closure of the foodservice channel. The market for large grade prawns was challenging and a build-up of stocks in the market had a negative impact on prices secured by the sector. The market improved somewhat

throughout the summer and stocks have now sold through but values were down significantly compared to 2019.

Similarly the market for Irish oysters was extremely difficult for producers both in terms of mortalities on site and difficulties in export markets. Overall **oyster exports values are estimated to finish the year at around 70% of the values recorded in 2019.** Exports to Asia which had demonstrated really strong growth during previous years slowed dramatically running at close to 40% lower in the key markets in China, Hong Kong and Singapore. Similar trends were also observed in French oyster exports to the region as imports of live seafood into China have been hampered due to foodservice outlets being closed for large parts of the year. Reduced consumer confidence in imported seafood has also impacted on demand in the market along with a reluctance by some Chinese consumers to consume live shellfish.





Logistics posed problems throughout the year due to the cancellation of many flights to the region. Sales of high grade oysters both to Asia and to several European markets were steady. With the recent lockdowns in Europe, however, it is only retail that is showing any signs of opportunity for exporters, but the vast majority of Irish producers do not have direct access to these outlets and are reliant on distributors in these markets.

In the Asian markets demand for large grade oysters provided some outlet but the market was still significantly behind previous years. Irish brown crab exporters also had a challenging year. Exports of crab reduced by more than 25% in value terms with volumes exported dropping by more than 40%. Demand for processed crab from China picked

up in the latter months of 2020 but prices remained lower than in previous years. The demand for live crab in China was strong but changes in the procedure for securing health certs has made it difficult for the sector to avail of this opportunity and logistics also presented a barrier.

Demand in Europe was hampered for festive type shellfish such as crab. Where retailers were still purchasing crab, the prices paid were significantly back on previous years. Restrictions across many European cities were a significant blow to the sector and further weakened demand. Fishing was also poor with catches lower than normal for the time of the year.

Whitefish

Exports of whitefish continue to be dominated by three European markets — France, Spain and the UK — which

together accounted for around 80% of total whitefish exports in 2020. The markets in retail performed well throughout the year whilst foodservice sales reduced dramatically due to lockdowns across various cities in Europe. The sector had to achieve a delicate balance to manage supply and landings to match demand. The Irish market performed well for the sector during the year as retail demand was strong as consumers increased their consumption of seafood.

Whitefish exports for full year 2020 are worth an estimated €49m reflecting a decrease of 8% compared to 2019.

Exports to France were down by more than 20% whilst Spain recorded declines in the region of 18%. The UK recorded strong growth increasing by around 19% in value for the period.

Salmon

Irish salmon exports recorded a value increase of over 5% during 2020 to €99m.

The sector performed well despite the pandemic as sales through the retail channel continued to grow and **Irish organic salmon maintained its position as a premium quality product** across the main organic markets in Europe. Values continued to increase despite fairly static volumes demonstrating the strength of the sector as organic salmon prices remained strong across key export markets. The resilience of the global salmon market was evident in latest data from Kontali which reports a 5% growth in the global salmon market for October and November relative to 2019. Sales of smoked salmon performed relatively well in the build up to Christmas. Producers saw an increase both in domestic demand and in exports. Direct orders performed particularly well.

One of the key issues for Irish producers has been to maintain a regular supply to the market with a significant amount of mortality in locations along the west coast due to number of causes, in particular phytoplankton and jellyfish. This issue had an impact on volumes available for export during the last quarter. Whilst volumes of fresh organic salmon for export were down on 2019 levels, this is primarily due to lack of volume available at the start of the year as a factor of production issues. Prices remained strong for the year despite challenges from competitors producing conventional salmon and new organic entrants into the market. Demand at retail level continued to be strong and made up for the shortfall in the food service sector.



Prepared Consumer Foods

€2.5 BILLION PCF EXPORTS





OVERALL PERFORMANCE

PCF exports for 2020 are estimated at €2.5bn, a 4% reduction on 2019's value. This performance contains the sustained strong performance across retail, notably for the meal solutions category, but also the significant declines in the foodservice orientated categories like value-added meats.

In a year of significant disruption, where channels were closed for significant periods of time, where ingredient and packaging supplies were challenging and forecasting product requirement was demanding, the PCF industry demonstrated resilience and dexterity to continue to meet the evolving market requirements.



EXPORT PERFORMANCE

Exports in the Prepared Consumer Foods sector have remained relatively resilient despite significant disruption to the sector. Overall PCF exports declined 4% to €2.5bn. The main subcategories in decline are value-added pigmeat (-€64m), value-added beef (-€23m), sugar-based confectionery (-€21m) and value-added poultry (-€17m).

Meal solutions – which includes ready meals, pizzas and soups, was up 8% to be worth €506m. Chocolate confectionery exports grew 6% to €292m.

The UK remains the most important export market for the PCF sector — **68% of all PCF exports** were destined for that market in 2020 – on par with recent years.

Overall exports to **Great Britain** have declined by (-6%) versus last year with the following sub-categories driving the decline, bread (-18%), non-alcoholic beverages (-32%) and value-added meats (-16%). The meal solutions subcategory which includes pizzas, ready meals and soups experienced growth of 15% to GB equating to €177m as clients in that category fed into increased retail demand.

Exports to **Northern Ireland** are up +2% driven by sauces, soups and extracts which is aligned to the consumer shopping habits noted during Covid-19 and the practice of bulk buying longer life retail products. There are some declines coming from juices, sweet bakery and cereals.

Exports to the **European markets** are flat, however the priority PCF markets have shown growth of +2.3% driven by exports to Germany (+23%), Netherlands (+8%) and Belgium (+28%) while France & Sweden saw declines.

The **US market**, which is the largest PCF export market outside of Europe, showed growth in 2020 with an increase of €3m (+5%). This export growth was primarily driven by Sweet Bakery (+152%), Tea & Coffee (28%) and Cereals (82%). Exports to the UAE saw a decline of -11% overall, however some categories, such as Meal Solutions saw a growth of 49%.

MARKETS OUTSIDE THE EU27 AND THE UK

MARKET DIVERSIFICATION

Market diversification has been a key area of focus for the PCF sector in recent years. According to Bord Bia's 2020 Readiness Radar Report 73% of PCF respondents are actively seeking to expand into new markets in response to Brexit. In common with other sectors PCF companies have stated that networks/ contacts and knowledge of the market are the two most significant challenges to market diversification. Many PCF companies seek to capitalise on their experience of responding to consumer trends and innovation in the UK market in both the branded and private label space to target new potential customers.

Exports of PCF to EU27 markets in 2020 were worth €606m, on par with what they were in 2019. Maintaining a size of export in the context of Covid-19 and its disruptions is a success and reflects the strong relations exporters have developed.

PCF exports to markets outside the EU27 and the UK were worth €197m in 2020, with the US accounting for €61m of that — a 5% increase year-on-year.





VALUE -
ADDED MEAT

14%↓
€648
MILLION

LARGEST PART OF
PCF EXPORTS

PCF SECTOR COMMENTARY

Value Added Meats

The value-added meat category experienced significant disruption in 2020. Value-added meat demand is strongly driven by out of home consumption. The Covid-19 impact on the foodservice channels across all markets heavily impacted this category. Value added meat exports declined by 14%. The UK market which accounts for over 70% of exports showed a -16% decline to €455m while the continental market is showing a -10% decline to €183m. Although the decline is significant for the sector it is not as stark as originally forecast. In April volumes were as low as 20% of normal demand. In early May foodservice units started to slowly re-

open in Europe as governments started to relax physical distancing measures. However, it took longer for outlets to open in the UK market. The 'Eat Out to Help Out' initiative in the UK market in August also led to an increase in out of home food consumption.

The impact of the second wave of lockdowns in Q4 across EU27 appears to have had a less significant impact on the end of year export volumes. While some foodservice outlets have closed again, many operators now have established take-out and delivery options that allowed them to service consumer demand.



MEAL SOLUTIONS

↑ 8%
€506
MILLION

INC. PIZZAS, READY
MEALS AND SOUPS



MEAL SOLUTIONS

Meal solutions comprises all the chilled and frozen prepared meal categories.

Frozen Foods

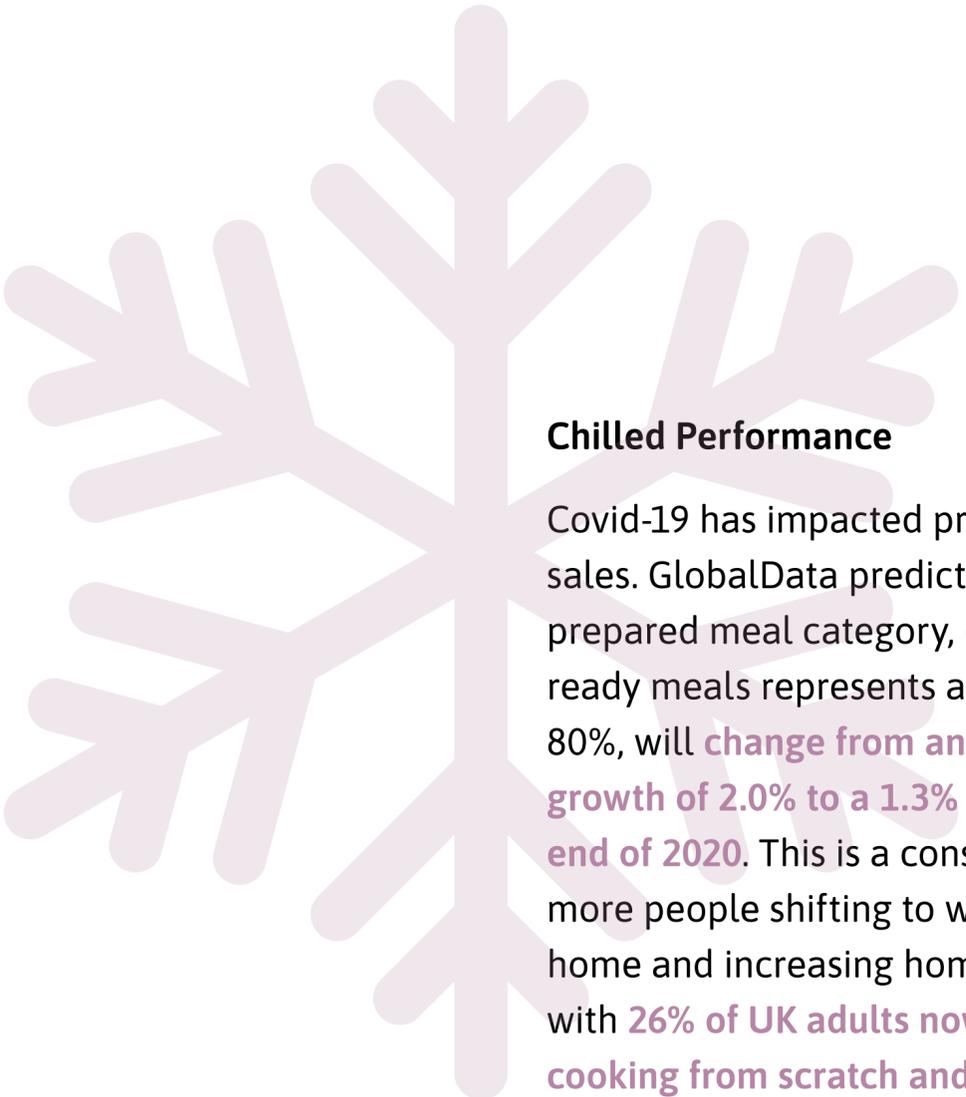
The performance of the frozen food category in the UK market is key for Irish Frozen exporters. The UK frozen retail market, now valued at €7.1bn, has continued its resurgence, experiencing growth of +12.1% in the last 12 months (Kantar Nov '20 value yoy). Consumer purchasing habits have changed due to Covid. There has been a move to longer shelf-life products as consumers shop less frequently. This has accelerated the growth in the frozen category. All segments within the frozen food category have shown value growth year on year. The growth in demand for frozen food

has been matched with a surge in sales of domestic freezers. Retailers were reporting a 200% increase in demand at the start of the lockdown period as consumers increased their freezer capacity.

The UK continues to be the most significant market for Irish exports in the meal solutions sector accounting for 73% of total exports and delivering value growth of 10% to be worth €372m in 2020. The growth in retail demand has especially benefited pizza sales. Volumes to continental markets have delivered value +28%

growth with strong performances in Germany, Belgium, Italy, Sweden and the Netherlands.

The ice cream category has shown an export decline of -22% to a value of €15m. Exports to the UK market are heavily dependent on foodservice contracts. The value of exports declined 39% to be worth €6m in 2020. Traditionally the UK has been the largest export market for Irish manufacturers. Diversification into new markets in recent years – particularly in the Middle East - has helped mitigate some of the UK decline.



Chilled Performance

Covid-19 has impacted prepared meal sales. GlobalData predicts that the prepared meal category, of which chilled ready meals represents approximately 80%, will **change from an annual value growth of 2.0% to a 1.3% decline by the end of 2020**. This is a consequence of more people shifting to working from home and increasing home cooking, with **26% of UK adults now doing more cooking from scratch and 13% preparing large batches of food to store more often** (Bord Bia Future Proofing Toolkit, 2020).

Client companies initially experienced a strong increase in demand for chilled ready meals in the early stages of the Covid-19 crisis. As consumers moved to home working the demand dropped. Chilled manufacturers have also been impacted by the drop in demand for

chilled food-to go products. Those supplying ingredients to the chilled sector have seen a recovery in demand in the second half of 2020. They do not expect the current lockdown in the UK market to have as strong an impact as the restrictions earlier in the year.

The chilled convenience sector remains focused on exporting to the UK market primarily due to its shelf-life constraints. The UK chilled sector is dominated by private label accounting for almost 87% of value sales.. The chilled ready meal companies are continuing to focus on remaining competitive to supply the UK market.

The sector is mainly positive in its outlook with the chilled ready meals sector overall expected to return to

value growth in 2021 as consumers return to work outside the home. Irish manufacturers are focused on deepening their relationships with UK retailers especially in new product development that shows an understanding of trends Consumer demands for food that is seen as less processed and healthier will lead to new opportunities in the market. Retailers are increasing their range of plant-based meal offerings as consumer interest in this segment continues to grow. However, delays in the supply chain resulting from Brexit changes are expected to result in complexities in meeting delivery requirements for customers.



CONFECTIONARY

Both chocolate and sugar confectionary export values are significantly impacted by multinational export performance. **Chocolate confectionary export values grew by an estimated 6% to €238m,** however there have been challenges for chocolate manufacturers who play in a more premium space. A decline in impulse shopping, gifting opportunities including at Easter and the fall-off in duty free airport traffic, particularly tourists, have significantly impacted sales.

Finding alternative routes to consumers has been a challenge facing the Irish chocolate industry. Companies have invested additional resources in building their online presence both through owned and third-party platforms, others are looking at increased brand building which again has been challenged by the disruption to traditional media mixes. Generating trial is continuing to be a challenge as the traditional tasting promotions around gifting occasions have been hampered.

While the forecast for Christmas is positive, some buyers are cautious about not over-stocking for other major occasions in 2021 such as Easter and Mother's Day based on their 2020 results. This will have an impact on the sectors performance at the critical seasonal occasions early next year.

The heightened focus on health is also putting pressure on suppliers to progress reformulation projects.

Areas of opportunity for client companies will be in the continued growth of private label in export markets and healthier offerings, from more permissible portion sizes, free from versions. Adding inclusions, improving functionality, co-branded opportunities, innovative formats and the online channel are all cited as being of keen interest to the sector. There is also a challenge with raw material costs, especially cocoa prices.

While globally sales of sugared confectionary are seeing growth rates of 3-4% annually, exports out of Ireland reflect the maturation of the category in European markets. In these markets

the war on sugar is more prominent and we subsequently see the cannibalization of sugar-confectionary by alternative snacking as consumers make healthier consumption and impulse decisions. Product exported out of Ireland is impacted by this consumer shift, but in 2020 the global lockdown has seen volumes sold through convenience / front of store, leisure sites and duty-free channels particularly hit. Regarding prospects for the category, **there are opportunities for growth in the areas of premiumisation, added value, and healthier products.**





NON-ALCOHOLIC BEVERAGES, JUICES AND WATERS

Exports in this category were worth €217m in 2020, which represented a 1% decline on 2019's value. For many PCF companies in the beverage space the spike in retail demand in the first half of the year compensated for the volumes lost to foodservice. This increase was concentrated in demand for beverages decanted from larger formats. For those focused on smaller ready-to-drink formats, typically consumed on the move, the loss in sales has been severe, with slow recovery rates being reported. The outlook for this Food-to-go segment expects some recovery in 2021 but will likely be 2022-23 before we will see growth returning to pre-Covid levels.

Beverages with a health claim, particularly juices, over-indexed during the Covid-19 period as consumers looked to raise their intake of vitamin C. This shift is enduring through the current winter period which would normally see a dip in juice consumption. 2020 saw supply chain issues for primary produce from Southern Hemisphere markets, along with the cost of fruit almost doubling. This combined with the increased cost of production is impacting on many suppliers. As a category, juice market diversification is better spread amongst juice exporters with the UK accounting for less than 50% of total exports.

The beverage market continues to seek out adult versions of non-alcoholic drinks and many suppliers are responding with new products in this space. Functionality, especially products that can respond to 'shielding needs', are seeing encouraging uptakes. Smaller players are particularly strong in producing high quality functional beverages. There was good evidence prior to lockdown of on-trade interest in listing some of these products with kegged versions of functional non-alcoholic drinks being distributed on the domestic market. It would be expected that this trend would sustain once normal on-trade trading returns.





The outlook for bottled water is mixed. It tends to thrive when consumer confidence is high, however it has also in recent years become the poster child of single-use plastic. **Large bottlers in the UK focused on still bottled water have reported a contraction of 9% this year.** The glass bottle market has all but disappeared since the onset of Covid-19, and the business and institutional market for large water drums has seen a severe contraction.

To insulate themselves bottlers have been investing in packaging, innovating and extending portfolios into sparkling,

flavoured or functional waters, to appeal to the renewed consumer interest in health, along with messaging on quality and provenance which may benefit well-marketed brands.

Innovation on packaging is top of the agenda with the industry in general committing to switching to more sustainable forms of packaging. The most talked about solution is R-PET, though supplies are limited, and the industry globally is pressurising governments to introduce or increase the number of deposit-return-schemes and loop systems to help with this low supply

of plastics. **Irish manufacturers are reducing packaging, working to secure future R-PET supplies or other more sustainable packaging options.**

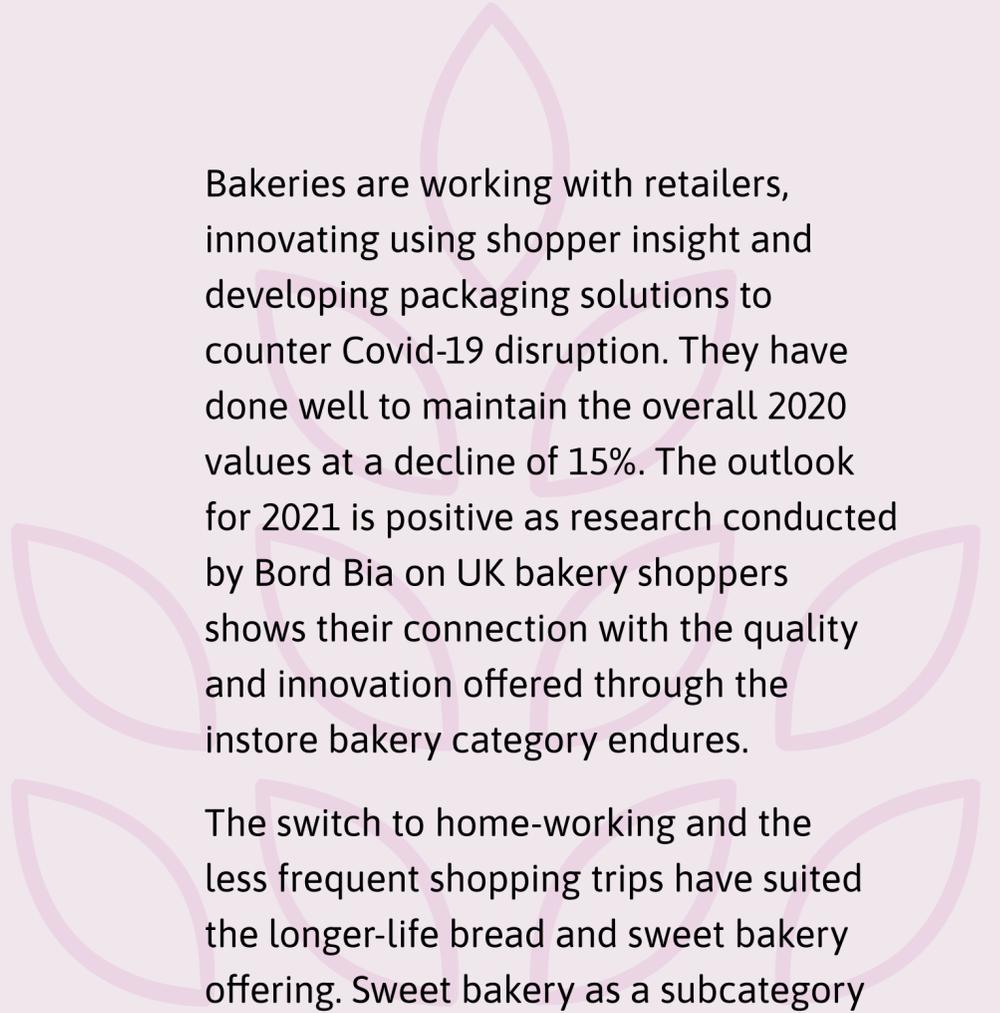
Opportunity outside of the near market in the UK remains challenging. There are high shipping costs associated with beverages and only those with higher value propositions merit export beyond the North West of the European Continent. Continued investment in innovation and premiumisation will strengthen the opportunity in further flung markets — be it in value-added water, or adult beverages.



BAKERY

The bakery category saw mixed export performances in 2020 depending on channel, shelf-life, and sweet or savoury offerings. **The value of bread and sweet bakery exports declined 2% in 2020 to be worth €178m.**

The most significant factor was the impact that Covid-19 has had on the instore bakery category which would account for a significant proportion of the **UK bread export figures of €69m — a 15% decline on 2019's value.** The almost full and immediate rejection of shoppers to loose bakery products caused dramatic fall-off in volumes in the early weeks of the lockdown. Packaged solutions were developed for retail and consumer confidence returned however, the drop in the frequency of shopping trips reduced the occasions shoppers interact with the instore bakery offering and the change in shopper mission, looking for longer shelf-life products has also had an impact on product offering. The rise in online retail sales remains a challenge for instore bakery offerings as the category under-indexes in general in this space.



Bakeries are working with retailers, innovating using shopper insight and developing packaging solutions to counter Covid-19 disruption. They have done well to maintain the overall 2020 values at a decline of 15%. The outlook for 2021 is positive as research conducted by Bord Bia on UK bakery shoppers shows their connection with the quality and innovation offered through the instore bakery category endures.

The switch to home-working and the less frequent shopping trips have suited the longer-life bread and sweet bakery offering. Sweet bakery as a subcategory had export value growth of 11% to €100m in 2020. **Approximately 97% of exports were destined for the UK.**

Remote workers have extended their bread repertoire for lunches and there has been a strong uplift in sales of alternative lunch time breads such as wraps and bagels. The coffee culture and consumer looking for affordable treats has seen double digit growth in the packaged sweet bakery sales in retail in key markets. Private label in continental EU markets continues to support market diversification from the UK for sweet bakery manufacturers, albeit from a low base. **Combined dependency on the UK across bread and sweet bakery was in the region of 94% in 2020.**

The lockdown also forced some premium bakeries, who had been focused on foodservice, to successfully pivot into retail. Bakeries supplying coffee chains have also seen much of their performance linked to the estate location of these chains with those focused on commuter population

suffering greater declines than coffee chains with more diverse locations. What's been described as the 'polo mint' effect is seeing an increase in the suburban trade for out-of-home bakery.

As foodservice reopens across the UK and European markets, we are seeing menu rationalization have an impact on product ranges. Suppliers that have been quick to offer packaged alternatives to self-serve propositions are seeing volumes return with stronger than expected performance in some channels as outlets across the EU27 settle into a new normal.

Conversely long-life bakery suppliers have seen significant increases in demand. This demand has endured past lockdown with some suppliers in this category expecting to see their 2020 retail sales up by as much as a third.

Sweet bakery, particularly those with high proportions of retail business have done particularly well this year as consumers self-treat at home. Suppliers who are committed to innovation around healthier versions of sweet bakery are out-performing those who are focused on more traditional, price-competitive sectors of the market.

At a sectoral level, and as a mature category, bakery faces incessant financial pressures. Even pre-Covid-19 bakery operations struggled to source skilled labour, had a rising cost base and an over-dependence on the UK for both ingredients and as an export market.

Approximately 90% of flour is still imported from the UK market and

>90% of bakery exports are to the UK market. Many bakeries have looked to restructure their supply chains to reduce their dependence on UK flour, however the delicate nature of the ingredient can limit potential for EU substitution for some products making Brexit a real challenge for the sector.

Suppliers that have committed resources to innovation and differentiation in recent times are showing more resilience to the above climate, and there have been positive recent examples of new listings in export markets based on propositions centred on quality, health and convenience. Continued work in this space is being prioritised to reduce dependency on the UK.





GROCERY

The grocery category is expected to remain flat. The key export markets of Northern Ireland and Great Britain benefited from consumer demand for longer shelf-life products and an increase in shopper basket size and more cooking in the home.

The sauces and spreads category exports grew by 6% to be worth €47m, predominantly in the UK with this destination accounting for 76% of the total value. The growth in scratch cooking at home drove retail demand for cooking sauces and condiments. However, companies supplying sauces to the food service sector were challenged by menu rationalization and a drop in demand.

The tea and coffee sector showed an estimated decline of 9% in exports to

€31m. Retail sales have delivered growth as the main consumption occasion has now moved to the home due to changes in where people work. This category also saw a surge in online sales as consumers looked to recreate their out of home experiences. Retailers in the UK have reported an increase in the sales of coffee machines, coffee grinders and coffee pots. However direct to consumer sales still make up only a small proportion of which has been impacted by the decline in out of home consumption. Foodservice and food to go demand for tea and coffee products has fallen considerably due to the closure of cafes and a drop in footfall in food-to-go outlets. The premium segment of the market has also been impacted by restaurant closures.



SNACKS

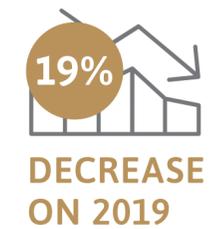
There has been a double faceted impact on the demand for snacks from Irish manufacturers; restrictions in movement have seen a decline in sales of smaller, impulse formats of snacks, predominantly distributed through the front of store and convenience retail channels, foodservice outlets and other out-of-home channels. The focus has moved to multiple retail packs and sharing bags which are now seeing the growth. Overall, exports are estimated to have declined by 6% for the year to €10m.

Suppliers in general are seeing increased demand for healthy versions of snacks including lower fat, sugar and salt and increased functionality. Snacking as a category is becoming more established in European retail and presents opportunities for suppliers who have honed their offering around the more established UK category.



Alcohol

€1.3
BILLION ALCOHOL
EXPORTS





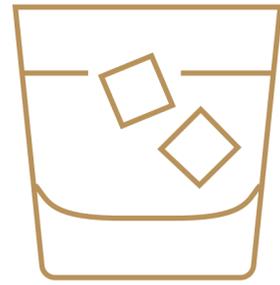
IRISH WHISKEY
EXPORTS WORTH

€620M



2020 has been a challenging year for the alcohol sector. Overall alcohol exports are down by an estimated 19% to be worth €1.3bn — a proportional decline larger than that seen at the height of the global financial crisis in 2008. Whiskey exports were down by 26%, Irish Cream Liqueurs exports fell by 14%, while beer exports fell by 17%. There were a number of factors that led to this outcome.

Exports of whiskey were worth €620m, with 57% of that (€356m) destined for the US. Cream liqueur exports were valued at €311m in 2020, and 45% (€141m) of that was destined for the US.



For whiskey and Irish cream liqueurs, a looming threat of tariffs from the USA and uncertainty in terms of future trade into the UK, late in 2019, meant that customers wanted to be sure that they ordered sufficient stock, in advance of the introduction of any tariffs or additional Brexit related costs. This meant that both markets were better prepared for a spike in consumer demand in the off-trade, which was a symptom of the on-trade shutdown and restrictions during Q2 to Q4. It also meant that exports in 2020 were negatively impacted because there were substantial stocks already in those markets coming into 2020. The pandemic caused the closure and restrictions in the on-trade in our key markets.





Overall beer exports were down by 17% to €254m and again reflects the closure of the on trade in most of our key markets. Beer exports to the US declined by 42%. This reflects the importance of the on trade to beer sales in that market, as 60% of beer sales are through the on trade. In Europe, exports were not as impacted by the on-trade closure and restrictions, declining by 20%. Exports to the UK overall were down by 7% and by 14% to Northern Ireland. Africa was similarly hit by the complete ban on alcohol sales in South Africa and Kenya, declining 13%.

In the craft beer sector, we have seen a decline this year after a strong start, but anticipate growth to resume slowly in 2021 and to continue over the medium to long term, driven by increased off-trade presence combined with the reopening of the on-trade. With Covid-19 limiting face to face engagement, many breweries took the opportunity to engage with their customers and consumers by social media. This will stand to them in the long term and is a trend that is here to stay.

The Global Travel Retail (GTR) channel is responsible for approximately 10% of the sales of Irish spirits. This dropped by almost 90% in the nine months to Dec 2020. While GTR is now open for business in many markets, recovery will be slow.

DESTINATIONS



ONE OF THE MOST
DEPENDENTLY
RATESIFIED
MARKETS

Irish alcohol exports to the UK market declined by 12% to be worth €198m, while in fact sales through off-trade and online channels have increased significantly, in a trend toward consumption in the home. Exporters view the UK as an important target for their brands and will continue to do so, but have simultaneously invested heavily in market diversification to limit dependence on the UK market.



The CSO figures report that exports fell in virtually all EU27 markets. **Overall alcohol exports to the EU27 from Ireland were €330m, a 16% decline on 2019's value.** The closure of the on trade, combined with the almost complete closure of travel retail caused this fall in exports. The worst hit were Germany, Latvia and Czech Republic, where collectively more than €34.5m in exports were lost. A large proportion of the Latvian exports are onward shipped to Russia. More than €25.7m of these losses were in the Irish whiskey category, while the rest were due to a fall in exports of Irish cream liqueurs.

On a more positive note, some interesting growth in exports was seen in the Netherlands and Sweden, with increases of 5% and 7% respectively. It should be noted that the Netherlands is used by many exporters as a hub, and so the final destination for these values is difficult to determine. The growth in Sweden is reflective of the continuous growth in Irish whiskey to that market, and is the result of the fact that Sweden did not implement a closure of the on-trade until November 11th.



Africa is a promising region for Irish exporters, and exports to African markets for Irish alcohol were in high double-digit growth pre-Covid-19. Government responses to Covid-19, particularly in South Africa, were severe, closing down all channels. As a result, **performance was dampened but held positive at 1% growth to reach €26m.**



Australia, another promising emerging market for Irish spirits, grew by 18% to €26m. New Zealand, likely as a result of more stringent measures around travel into the market and movement of people and goods within it, declined by 3% during the year, valued at €4m.



Asia is a vital region for the future of the Irish spirits category — **total alcohol exports to the region were worth €28m** — and results reflect a tale of two parts. While China and South Korea exports grew by 7% and 30% respectively, because they had less disruption to their economies, Japan, Vietnam and Singapore, with a more conservative approach to the pandemic, have declined in low double digits. Interestingly India, again from a low base, almost doubled its sales of Irish spirits in 2020.



In North America, despite the imposition of tariffs on Irish cream liqueurs, the sector has demonstrated significant resilience. **The US accounts for 87% of all alcohol exports to North America, and alcohol exports to the US were worth €552m in 2020.**

Traditionally the product has performed better in the off-trade and that, combined with the spike in cooking-at-home witnessed during the pandemic, has served the category well. Recent consumer-targeted digital marketing, promoting Irish cream liqueur as a dessert ingredient appears to have rewarded the category in sales performance. Irish whiskey exports declined by around a quarter but this does not reflect sales on the ground which held up well, especially in the second half of the year.



Many of the companies in the Irish whiskey and gin supply base are relatively new to the market, as such, growth is coming from a low base, but they have been able to continue that growth through targeting the off trade and engaging with customers and consumers online.

**€144
MILLION**

**GROWTH
SINCE 2016**

