Rialtas na hÉireann
Government of Ireland

Focus on Agri-food & Beverages

August 2020

Prepared by the Department of Business, Enterprise and Innovation

Agri-food & Beverages

Description

The Agri-Food and Beverages (AFB) sector is diverse, consisting of food suppliers, manufacturers, producers, processors and retailers. It is constantly evolving to adjust to the tastes and needs of consumers and the increasing global demand for a wider variety of higher quality product. The main sub-segments associated with the AFB sector are: dairy; beef; beverages; other meats including pig, sheep, and poultry; prepared consumer foods, seafood; cereals & horticulture; live animals, forestry and wood products.

Snapshot

		Market Size	Growth Forecast
Global	Agricultural Products [i]	$2,246.8 billion (2018)	$2,372.2 billion by 2022
	Biotechnology [ii]	$420 billion (2018)	$553.6 billion by 2022
	Aquaculture [iii]	$6,948.4 billion (2018)	
National (CSO)	Exports [iv]	€14.5 billion (9.5% of merchandise exports) 2019	
	Employment [v]	164,400 (7.1% of national employment)	

i. Global Agricultural products, MarketLine, February 2020
ii. Global Biotechnology, Marketline, December 2019
iii. Global Aquaculture, Marketline, December 2019
iv. Trade Factsheet 2019, Department of Agriculture, Food and the Marine
v. CSO total employment: LFS 2019 Total employment, average over 4 Quarters

Pre-COVID-19 Position

Prior to the COVID-19 global pandemic, there was growth in the global demand for agricultural products driven by population growth and increasing demand for protein and innovative and sustainable food and drink solutions

- Current estimates suggest that by 2050 the global population will reach 10 billion which will require dramatic changes to food supply.[1]
- The rise of an affluent global middle class resulted in changing eating habits for a substantial proportion of the global population, most notably an increased demand for meat and dairy in the developing world. [2]
- Challenges facing the global food system include balancing meeting increasing global demand with the large environmental footprint while at the same time maximizing benefits to society in terms of employment, particularly in rural areas where food and drink production is often the most important economic activity. Other considerations impacting food and drink production and quality include climate change affecting yield and quality, declining soil quality and agricultural sustainability.

The sector in Ireland is a significant contributor to Ireland's economy, providing employment throughout the regions, with increasing export diversification although remaining vulnerable to Brexit.

- Prior to the pandemic, over 250,000 people were working in agri-food and drink and supporting services supplying the majority of produce to Ireland's €15 billion domestic grocery and food service/hospitality sector as well as €14.5 billion of exports to overseas markets.
- The agri-food sector is Ireland's largest indigenous industry and plays a crucial role in Ireland's economic performance. The total value of Irish agri-food exports across the world was €14.5bn in 2019, marking growth of over 63% since 2010.
- The agri-food and drink sector makes a significant contribution to employment. The sector accounts for 7.1% of total employment or 164,400 jobs including primary production (61,000 in exporting activities supported by the agencies). Outside Dublin and mid-east region, the agri-food sector provides between 10% and 14% of total employment highlighting the importance of the agri-food sector to the economy especially in rural and coastal areas.
- Irish food and drink is sold in 180 markets worldwide by a countrywide network of around 1,843 businesses (2017).[3]
- The meat processing sector was generating annual exports of €4 billion, direct employment of 15,000 and processes the output from some 100,000 livestock rearing farms. It plays a critical social and economic role in Ireland's rural economy.[4]
- The primary dairy sector is worth €11.3 billion annually to the Irish economy.

[1] Marketline: Global Agriculture
[2] The OECD-FAO Agricultural Outlook 2017-2026
[3] CSO Statbank AIA30
[4] Ibec Reboot & Reimagine, 2020

- The Prepared Consumer Foods (PCF) sector accounted for over €2.7 billion in agri-food sector exports in 2019, and €3.8 billion in imports. Between the period 2012 – 2019 prepared consumer food exports increased by 35% from €2 billion to over €2.7 billion.
- Ireland's alcohol industry is worth over €1.4 billion in exports, supports over 92,000 jobs and contributes over €2.3 billion in excise and VAT to the Exchequer annually.[5]
- Agriculture generates a third of Ireland's total greenhouse gas emissions. The long-term challenge for the sector is to meet the national policy objective of an approach to carbon neutrality which does not compromise our capacity for sustainable food production.
- Brexit poses enormous challenges for the agri-food and fisheries sectors due to their exposure to the UK market. 38% (€5.5 bn) of total agri-food sector goods are exported to the UK.

Impact of COVID-19

GLOBAL

- Since the beginning of the pandemic, no significant disruptions in the supply of food have been experienced so far. However, logistical challenges within supply chains, particularly cross-border and domestic restrictions of movement, as well as labour issues, may lead to disruptions in food supply, especially if they remain in place long-term.[6]

NATIONAL

- While COVID-19 restrictions had a limited impact on farm production in Ireland, there was a collapse in demand in the food service sector, both here and internationally, which has not been offset by increased food consumption within the home. The reduction in demand has led to a product surplus with a fall in market returns for food and drink processors and consequential falls in prices paid to farmers.
- The total reduction in income across primary agriculture in Ireland in 2020 is projected to range from €0.7 billion to €1.6 billion.[7]
- In terms of the percentage drop in incomes, beef farming is projected to be the worst affected sector within agriculture, while in absolute terms the reduction in average farm incomes is projected to be largest on dairy farms.
- COVID-19 has had a dramatic impact on international dairy markets. Prior to the pandemic, Irish dairy processors exported 92% of all produced products and three quarters of Irish dairy was exported to the top 15 countries most affected by COVID-19. Irish dairy has some

[5] Drinks Ireland
[6] COVID-19 and the impact on agriculture and food security- ILO
[7] Teagasc COVID-19 Initial Economic Assessment of its Impact on Irish Agriculture

specific exposure given its seasonal production cycle and reliance on export & emerging markets.[8] However, output and processing capacity has been maintained in the dairy sector.

- Seafood has also been significantly affected by the food service collapse and the loss of key export markets. High value fish cuts go predominantly to food services.
- Prepared Consumer Foods manufacturers that rely to a substantial extent, either directly or indirectly, on food service or hospitality outlets, were operating at a fraction of normal output.
- The Irish drinks industry has been impacted in particular by the global closure of hospitality businesses and tourism, both domestically and internationally.

Issues, Opportunities and Challenges for the Sector

- The majority of the sector has remained open and functioning over the period but reliant on the Temporary Wage Subsidy Scheme. The whole agri-food sector is critical to maintaining food supply chains and food security overall. This extends from farm inputs to retail distribution.
- Supermarket purchases have increased, but the products in demand in the supermarket are not necessarily the same as those no longer required in food service. There has also been shifts across categories (e.g. between beer, cider, spirits and wine), with larger companies with established brands and capacity to deliver directly to store, rather than relying on central distribution, winning out over newer smaller companies with more premium product offerings. The presence of Irish exports on supermarket shelves internationally is more limited than the presence of Irish food exports in the food service sector. The falloff in demand for Irish products for food service demand (in Ireland and internationally) is not going to be matched by increased demand for Irish products in supermarkets.
- Logistics and transport are a key vulnerability along the chain, for domestic functions as well as transporting containers for export markets. COVID-19 restrictions have led to longer journey times for shipments, concerns about the availability of refrigerated shipping containers and pressure on storage facilities. Logistics are also dependent on availability of highly skilled and experienced drivers; free movement of goods across borders; availability of shipping containers and pallets.
- The availability of specialised labour is also an issue. In horticulture, there are concerns regarding the lack of international seasonal workers due to travel restrictions.
- There are significant trends towards 'renationalisation' of food and drink purchasing amongst consumers. Together with an existing trend towards greater protectionism in some key export markets (e.g. USA and certain country of origin initiatives within the Single

[8] The Potential Impact of COVID-19 on the Irish Dairy Industry- Dairy Industry Ireland

Market), and the ongoing threat posed by Brexit disruption, the path to recovery of the previous strong annual growth in export value over the last decade will be challenging.[9]

[9] Teagasc COVID-19 Initial Economic Assessment of its Impact on Irish Agriculture