



THE GENFITT KNOWLEDGE 2022



**PERFORMANCE TRENDS
IN THE IRISH AGRICULTURAL SECTOR**

FOREWORD



Paul Duggan
Chairman,
Genfitt

Welcome to the 7th edition of Genfitt's Knowledge Report.

The Irish Farming Sector enjoyed a good year in 2020, followed by an exceptional 2021. Despite the cost challenges of 2022, strong farm gate prices for produce will result in farm incomes exceeding 2021 levels. Positively, indications signpost another strong year in 2023.

Every year holds another existential threat to our industry – which we overcome. 2022 saw a vital conversation on improving food security and reducing the Irish farming system's environmental impact. Our need to act to address these issues is accepted, even if the scale appears intimidating. I remain confident that the Irish farming sector, with the support of its customers (the processors) and the Government will rise to the challenge.

Irish agriculture's willingness and capacity to adapt has never been acknowledged or recognised in the way it should. It is this ability which will secure our future. We have significant competitive advantages, not least in the men and women who work and protect the land.

My father grew up on a farm outside Edenderry. When I think back to the farming enterprise on this farm and our neighbours' in the early 1970s, comparing what they were then to what they are today, they're unrecognisable. I struggle to identify an industry which has adapted and reinvented itself the way Irish farming has: I'm in awe of its resilience, especially considering the recurring threats and challenges it's had to overcome. I've no doubt the industry will, again, respond in a creative way.

Culling herds will merely result in production moving off our island to distant locations where standards (including environmental) are lower than Ireland's (and increasing food miles). The solution lies in creativity, innovation, and adaptation. We already see evidence of this in research (or rediscovery) into animal breeds with lower carbon footprints; we already see it in research around feedstocks (including the rediscovery of seaweeds abundant around our shores).

I've no doubt that, regardless of challenges, agriculture will continue to be one of the most important indigenous industries in Ireland.

Thanks to all who worked hard to create this year's edition of Genfitt's Knowledge Report.



Donal Whelton
AIB Head of Agriculture

The Agri sector has changed greatly over recent years, even since early 2022. Input costs remain elevated; thankfully, output prices for most Agri commodities remain high by historical standards, with prices in dairy (in particular) at record levels. If this trajectory continues, we expect most sectors' margins to meet or exceed 2021 levels – a reasonably good year for Irish farmers.

Medium-to-long-term, significant changes made to the Nitrates Action Plan, a new CAP Strategic Plan introduced in 2023, and a 25% emissions reduction target for 2030 will influence the sector. One element alone would create great impact; combined, they'll majorly affect Irish agriculture's landscape.

AIB knows, from its many years' service, that farmers (and indeed the sector) are very resilient. Farmers want to produce quality, safe, traceable, sustainable food. They want to sustain the environment, reduce emissions, and become more carbon efficient. What they need is technology, support, and direction to enable this.

Now is a time of considerable change: challenges lie ahead. I want to reaffirm AIB's position: the Agri sector is a significant part of our business and will continue as such in future.

CONTENTS

Introduction	4
Methodology	5
The macro trends affecting the Irish Farming Sector in 2022	6
The state of the market in 2022	8
Factors affecting the Agri sector	10
Online ordering and e-commerce	14
Environmental and technical influences	18
Predictions for 2023 and beyond	24
2022: a year of adaptation and uncertainty	28
A closer look at the year 2022	30
A round up of expert views and opinions	32
A recap of 2021	32
The state of the market	33
Ireland compared to the rest of the world	34
Biggest positives in 2022	35
Biggest challenges in 2022	36
A mixed view of the year ahead	38
Summary	39
Final word	39

INTRODUCTION

Welcome to the annual Genfitt Knowledge Report

For seven years now, this independently commissioned research project has been undertaken in order to understand the key factors and trends of Ireland's Agri sector: the companies serving our farmers and comprising their customers.

Despite its challenges, 2022 has been a very positive year in many respects. A lack of stock for our customers and rising input prices (such as fuel and fertiliser) for our farmers have hampered profits – particularly in the earlier part of the year. This has been significantly impacted by general inflation (for example the raised product costs in China, the increasing cost of energy, transport, and raw materials). However, the dairy, beef, and tillage markets have held strong.

Research was done, for the most part, remotely, via an online survey and telephone interviews, although expert and customer focus groups were held in a face-to-face setting.

This report is based on qualitative research and therefore is not statistically representative of the market, but does provide a robust review of trends for 2022.

Genfitt is a well-established supplier to the Agri sector, continuing to invest in research and insight to support their customers, to ensure they outperform the markets. This report is essential reading for anyone who wants to stay ahead, and is integral to Genfitt's customer commitment of ***"Generations of knowledge at your service."***

The Genfitt team in County Mayo would like to say a special thank you to all participants. Without their time and commitment it would not have been possible. We hope you find the insights of value, and please do not hesitate to contact us directly with any feedback or suggestions for 2023. We hope the remainder of 2022 will be positive for you all.

FTMTA
Farm Tractor & Machinery Trade Association

eaqasc
Agriculture and Food Development Authority

AIB

This report was conducted by an independent researcher over a 12-week period from July to September 2022. There were four distinct phases of the research:

1. Desk research

Identifying the macro issues in the industry in 2022.

2. Online survey

Our desk research informed an online survey. Respondents were as follows:

- 164 responders to the survey.
- 50% reseller, 21% manufacturer, 29% dealer (more representative split vs previous 6 years – on avg 80% reseller dominant).
- 54% have 1-5 employees.
- 14% have over 20 employees.
- Represented the four Provinces evenly (Connacht, Leinster, Munster, Ulster).
- 74% of businesses trading over 20 years.

3. Telephone interviews

The learnings from Phases 1 and 2 were explored in greater depth.

4. Face-to-face expert groups

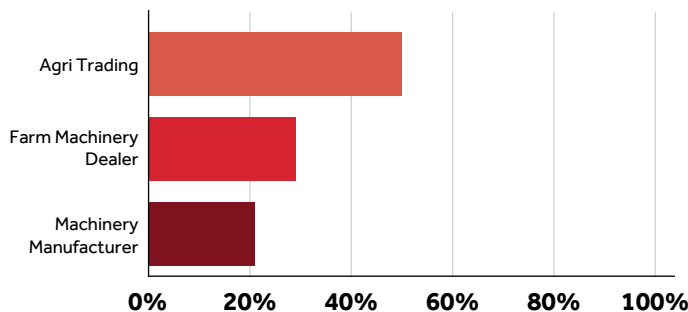
Outcomes of the first three phases were discussed in face-to-face groups to draw conclusions concerning the key trends of 2022, as well as predictions for 2023 and beyond.

The resulting report provides a review of 2022 as an assessment and the outlook for 2023. It is split into two main sections:

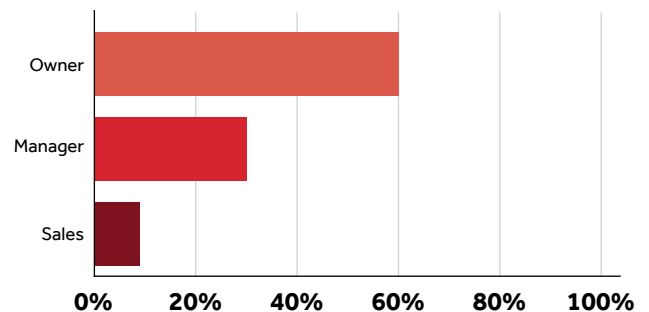
Macro trends, as identified through the survey.

Further examination of these trends through detailed interviews and expert group feedback.

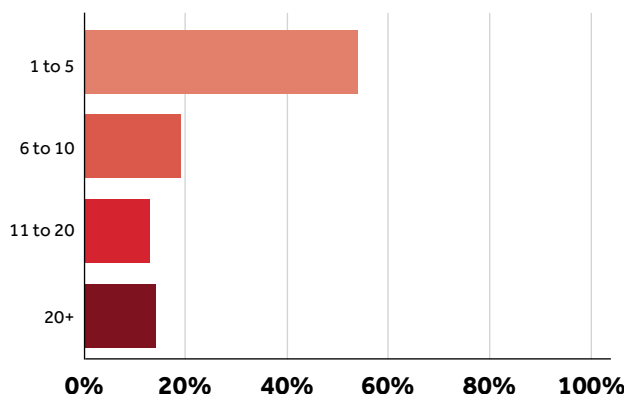
Q How would you describe your business?



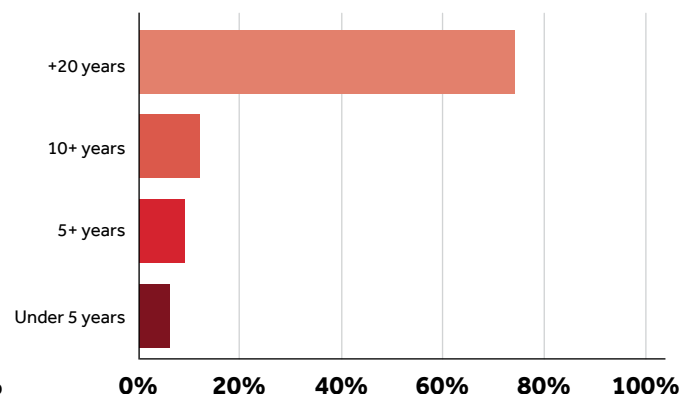
Q What is your role in the business?



Q How many people are employed by your business?



Q How long has your business been trading?





THE MACRO TRENDS AFFECTING THE IRISH AGRICULTURAL SECTOR IN 2022



The online survey asked participants for comments on the following topics:

- The state of the Agri sector in 2022
- Factors affecting the Agri sector
- Online ordering and e-commerce
- Other factors: environmental and technical influences

Let's see in detail what they said...

Q Overall, how would you rate the state of the Agri sector out of 10?

(1 being poor, 10 being excellent)

44% of respondents rated the market 7 or 8, which is down 10% from last year (54%).

The average score was 7, as opposed to 8 in 2021.

The number of respondents rating the market at 4 or below has risen from 2% last year to 15%.

A lower score than last year overall for the businesses serving our farmers.



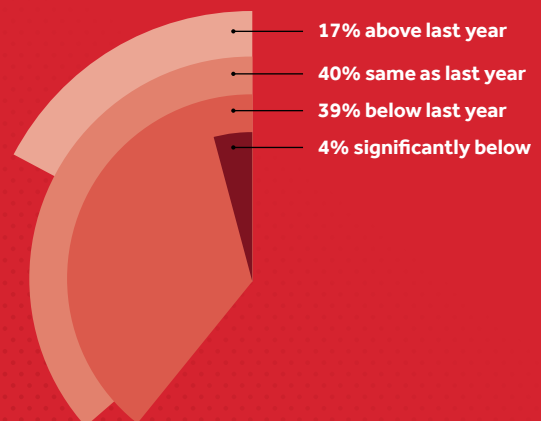
Q How has your business performed so far this year compared to 2021?

17% of respondents reported business performance above last year, compared to 44% in 2021.

40% reported their business experiencing the same performance compared to last year, as opposed to 42% in 2021.

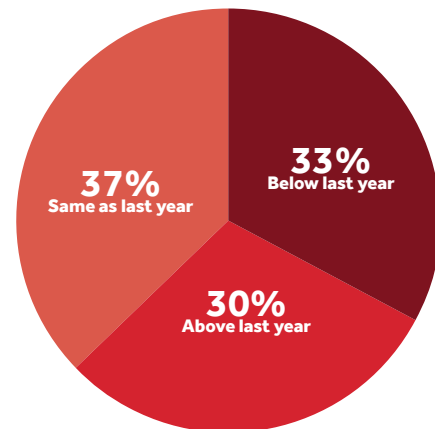
39% stated that business performance was down overall compared to only 14% last year.

4% say that business performance has come significantly down versus last year.



Q How would you compare your spending on agricultural parts and/or components between this year and last?

30% of respondents stated that spending was higher than last year (vs 36% in 2021). It should be noted that this does not necessarily imply an increase in volume, as inflation has also increased costs.

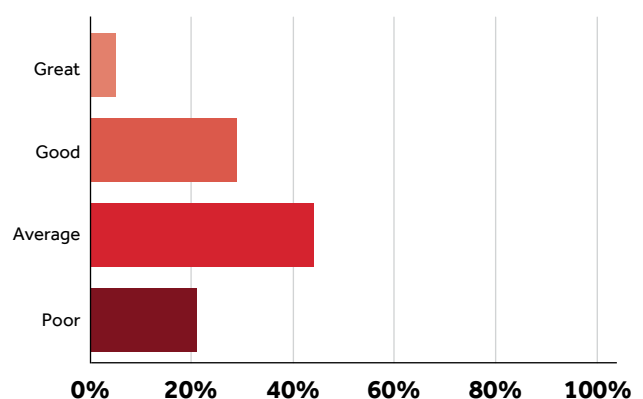


37% stated that spend was the same as in 2021 (vs 49% in 2021).

33% stated that spend was below last year.

Q How would you describe the weather so far this year?

Overall, the weather across Ireland has been variable in 2022: earlier in the year, it was cold and wet, but improved significantly from June (after our questionnaire was conducted).

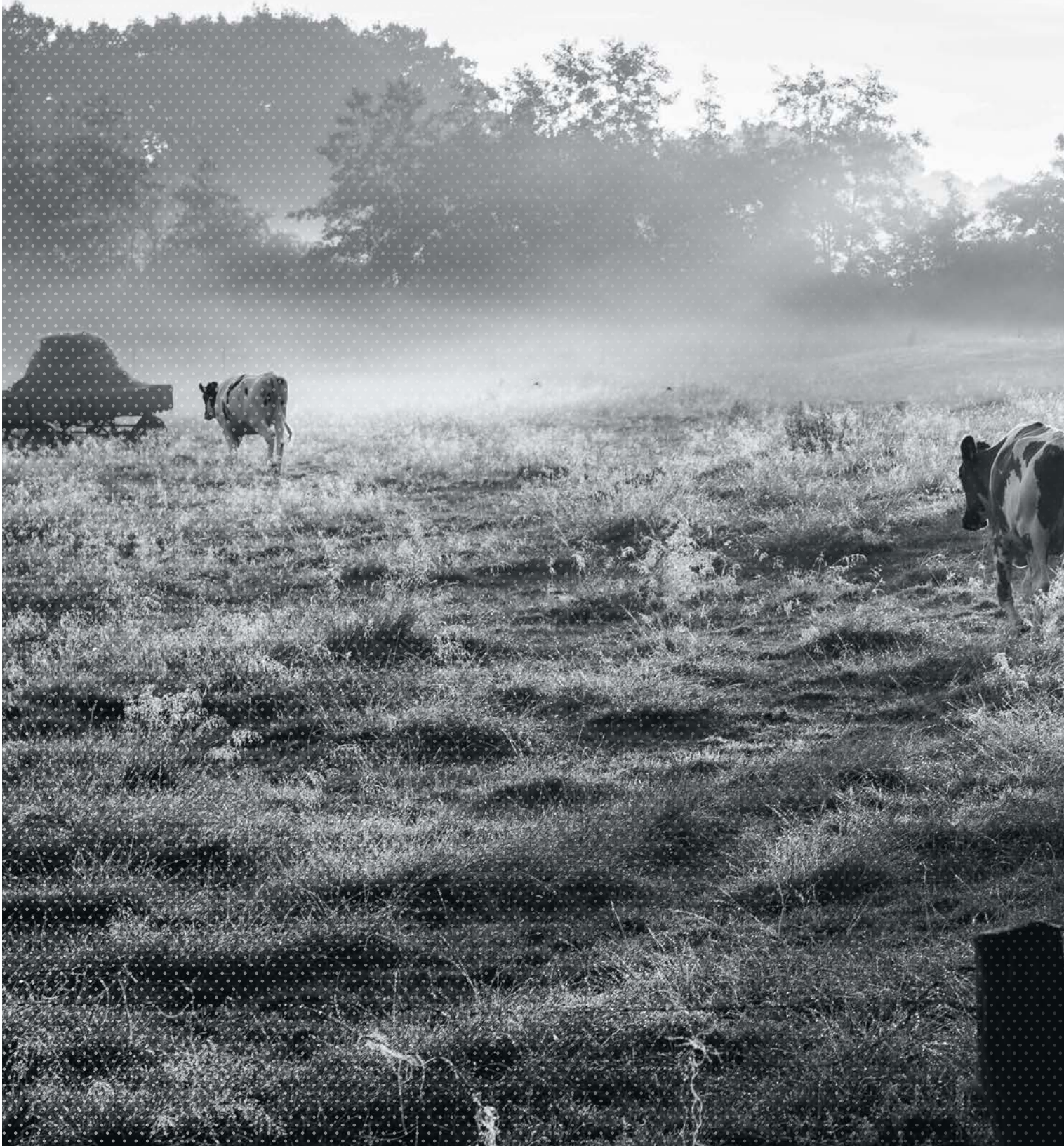


Only 35% stated the weather was good or great.

This year, a higher percentage of respondents stated the weather was average (44%) and poor (21%).

The second half of the year saw improved weather in some regions. Parts of the Midlands, the South, and South East were badly affected by drought and a lack of grass growth since our online survey was done. In contrast, the North West was relatively unaffected. In fact, the weather there was perfect for cutting silage, harvesting, and general field work.

FACTORS AFFECTING THE AGRI SECTOR





After a difficult couple of years navigating the immediate impact of Covid-19...

... and Brexit, the industry had found ways to adapt and move forward. New factors, however, have made 2022 a tricky time for many in the Agri sector.

Let's take a look at what's been impactful this year...

FACTORS AFFECTING THE AGRI SECTOR

Q What would you say the biggest challenge has been for the sector this year?

Overall, the four biggest challenges this year were:

- Price increases of products.
- Availability of products.
- Inflation across the market.
- Cost increases such as rising fuel prices, energy, and fertilisers.

Q Looking at the factors below, how have they influenced your business?

Respondents were asked to rate factors out of very positive, good, no impact, negative, very negative.

On an extremely positive note, 100% of respondents stated that pricing/credit were good. 65% rated milk/beef/crop prices as good or very positive.

The vast majority of factors had negative or very negative responses. The availability of input products was the biggest issue for respondents. This was followed by input prices – 49% of respondents rated them very negative.

FACTORS	Very positive	Good	No impact	Negative	Very negative
Milk/beef/crop prices	20%	45%			
Pricing/credit		100%			
Changing regulations			43%	39%	
The Green Agenda			33%	36%	
Input prices i.e. fertilisers, diesel, sprays etc				42%	49%
Availability of input products				62%	
Cost and availability of farm machinery				47%	
Labour costs				44%	
Labour availability				44%	25%

Q Out of the previous list, please pick the number one factor affecting your business in 2022 and briefly explain why and how you are dealing with this?

“

Rising input prices mean we need to reduce expenses wherever we can.

”

“

Delivery charges have risen due to fuel prices soaring. So, if a supplier is offering cheaper delivery, it's a more competitive option.

”

“

Low availability of input products – I'm constantly looking for new suppliers because my regulars are out of stock.

”

“

Farmers and contractors are having to spend so much more on diesel and fertiliser that they're sacrificing machinery maintenance.

”

“

It's impossible to get workers in our farm machinery workshop; we have to limit our intake and work longer hours ourselves.

”



ONLINE ORDERING AND E-COMMERCE





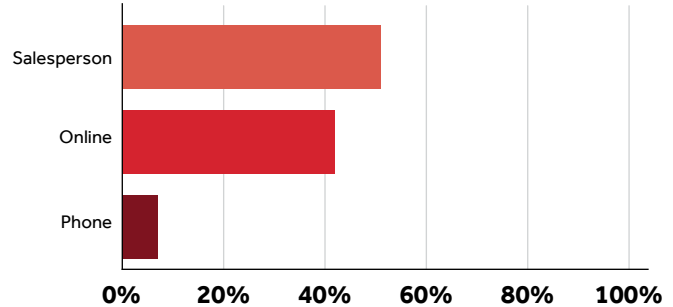
In recent years, online ordering and selling has increased in popularity amongst farmers and the businesses supporting them.

We investigate how this has impacted our customers...

ONLINE ORDERING AND E-COMMERCE

Q What is your preferred method of ordering products and why?

Genfitt customers were asked this question for the first time in our survey's history. The balance stood predominantly between in-person and online ordering – using the telephone was the least preferred method.



The majority of respondents (51%) preferred the human connection of a salesperson.

42% of respondents preferred to order online or via an app, with many noting the ease, accessibility, and the flexibility of doing it outside working hours.

This is one of the reasons we launched our Genfitt app in March 2022, to streamline the ordering process for our customers.



Genfitt app launched in March 2022.

Feedback from our respondents

“

It's easier to deal with a person – you get much clearer communication.

”

“

With one-to-one interaction, I know whether components are available straight away.

”

“

When I speak to someone face-to-face, it's quicker and there are fewer mistakes: less chance of ordering the wrong thing.

”

“

Ordering online means I can do it during my lunch break or at the end of the day, so it's quicker to slot into my day.

”

“

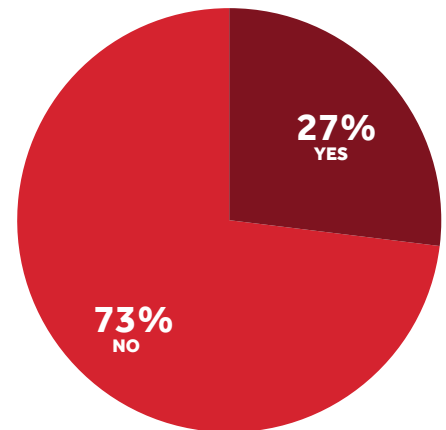
During office hours, the workshop is constantly busy. If I order online, I can place orders long after the staff have gone home. It's just more flexible.

”

Q Do you offer your customers the opportunity to buy online?

Only 27% of respondents provide their customers the opportunity to buy online; the overwhelming response was a 'no', at 73%.

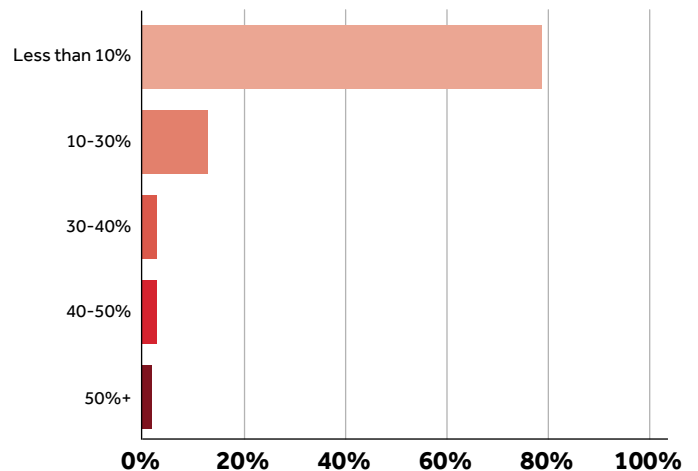
Although respondents do see the benefit of having an online shopping option for their businesses, it is not something they widely offer to their customers.



Q What % of sales are completed through your website?

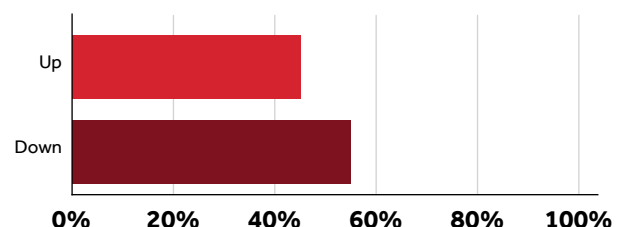
Internet sales were not material for the vast majority of companies serving farmers: nearly all respondents stated they received under 50% of their transactions through their website.

In fact, only 2% of respondents completed over half their sales via web ordering. This suggests e-commerce is currently not the most effective method to secure sales, correlating with people's preference for in-person ordering.



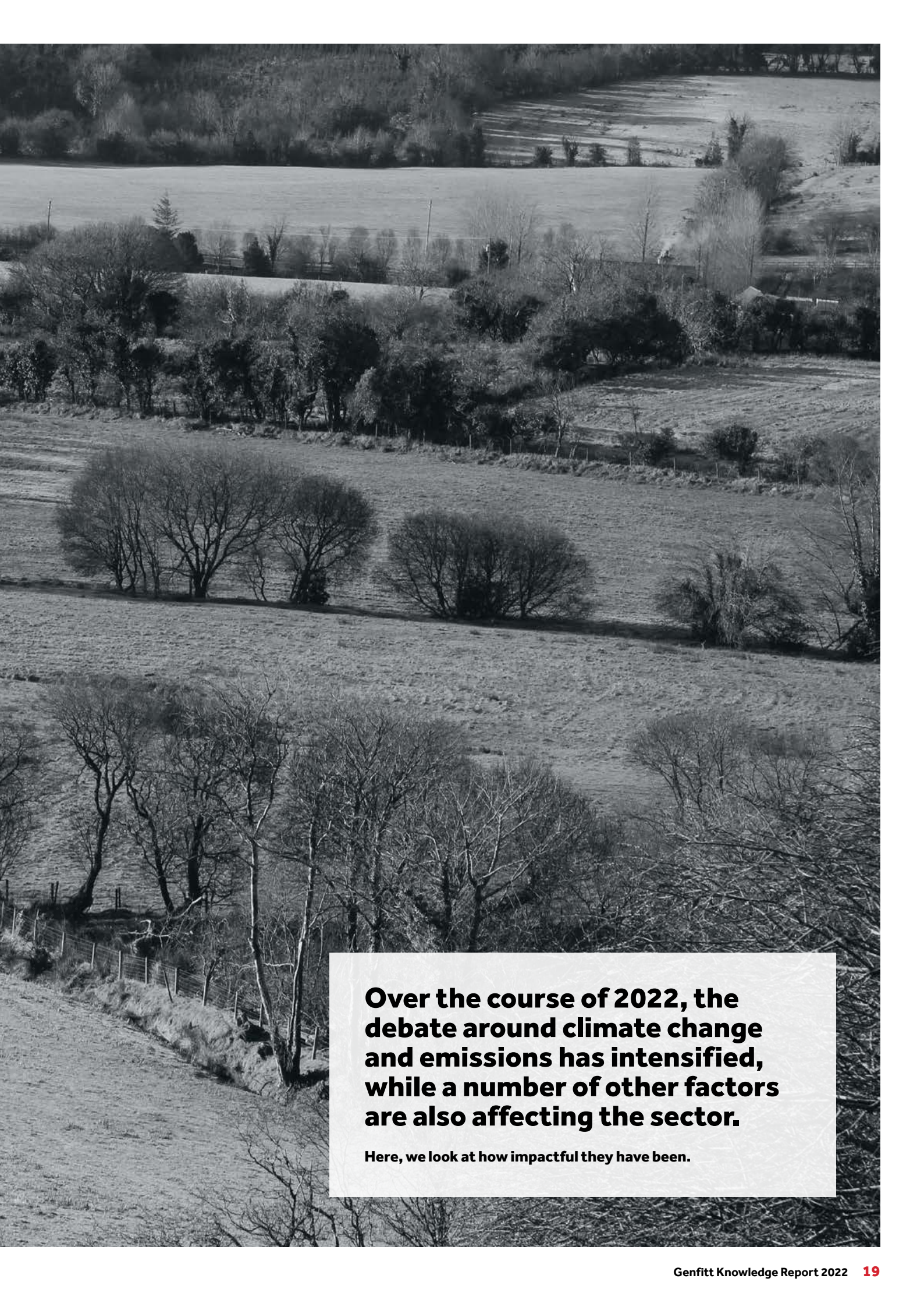
Q Have you seen your online sales go up or down compared to last year?

The majority of respondents (55%) saw their online sales go down.





ENVIRONMENTAL AND TECHNICAL INFLUENCES



Over the course of 2022, the debate around climate change and emissions has intensified, while a number of other factors are also affecting the sector.

Here, we look at how impactful they have been.

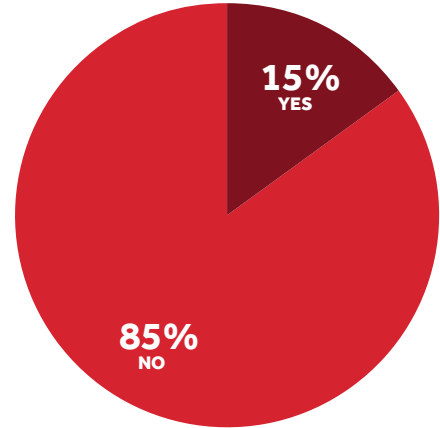
ENVIRONMENTAL AND TECHNICAL INFLUENCES

Q In 2022, was your business impacted by any legislation changes?

Legislation changes have had very little impact on businesses, according to 85% of respondents.

Although Brexit has not been a major issue this year, its repercussions (such as higher costs and administration of imports and exports) have impacted some respondents.

Whilst few legislative changes were applicable to the majority this year, some respondents were affected.



“

With Britain moving out of the EU's single market, shipping and customs have been affected – so things take longer and cost more to import and export.

”

“

As some of our stock was being bought from England, because of new levies, we've had to source new suppliers.

”

“

Brexit means we now require dual certification (1 x EU, 1 x GB) for one of our product ranges. Cost, workload, and delays have increased, as we're now dealing with several regulatory bodies rather than just one.

”

Q Has the Green Agenda affected your business or business plans in 2022?

Again, we saw a limited effect on businesses surveyed, this time from the Green Agenda.

82% said they were unaffected by it and its implications, demonstrating no imminent material impact.

In fact, Irish farmers are already actively working to minimise adverse effects of the industry. Since our survey, the government has set a 25% reduction in emissions target for Irish Agriculture by 2030. This will impact output, payments, and the cost of farming in the future. Although the exact steps required are still unclear, farmers and the Agri sector will have to adapt to meet these obligations.

Some aspects of the Green Agenda to take into consideration are:



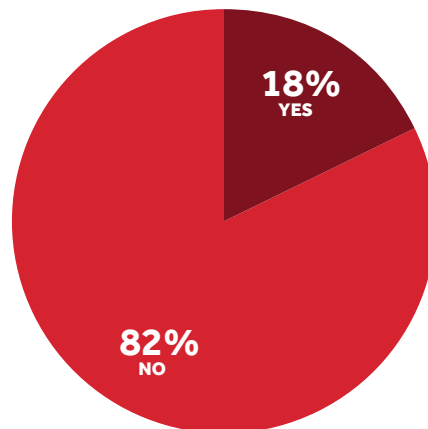
Farmers are afraid of what's to come down the line – they're not spending money.



It's hard to be critical of the overall goals, but implementing taxes and abolishing (or threatening to abolish) certain key elements without having viable alternatives in place is ludicrous.



With the carbon tax on coal and some products now having an environmental charge, that will see our expenses rise in the future.



ENVIRONMENTAL AND TECHNICAL INFLUENCES

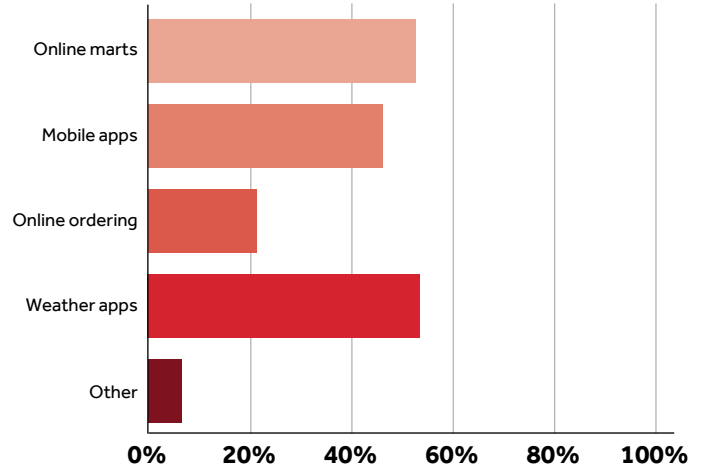
Q What important technologies are farmers using?

The industry has seen the use of farming technology increase steadily in recent years.

Only 21% of respondents said farmers were ordering online.

53% of farmers are logging into online marts on a regular basis – this has been one of the success stories of the pandemic.

54% of respondents cited weather apps as farmers' most important technological tool.



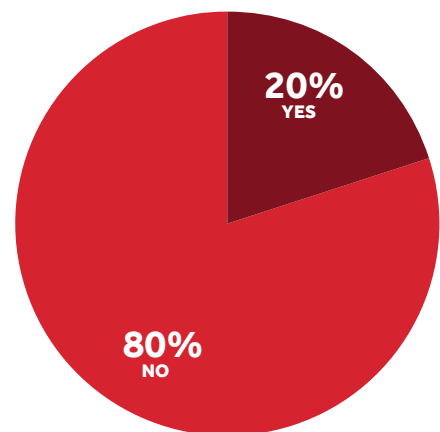
Q Are you planning any investment in technology?

The vast majority of respondents (over 80%) are not planning investment in technology.

Apart from new computers, upgrading of systems, and some investment in websites and e-commerce, there was limited predicted spend on technology.

The 20% of respondents that said yes to investment in technology described their investments as:

- New computers
- New inventory systems
- Website overhaul
- EID recording and pricing
- Automating processes to boost productivity
- New scanner tills in the shop.





LOOKING INTO THE FUTURE: PREDICTIONS FOR 2023 AND BEYOND

Q How would you rate the prospects for the Agri sector in 2023?

Respondents were asked to rate their outlook on a scale from 1 (poor) to 10 (excellent).

This year, the average score was 5, a notable drop from the 2021 report, where respondents looking towards 2022 gave an average score of 7.

52% of people rated the market between 5 and 7, indicating they still felt it would be relatively positive next year.



Q Please briefly explain the reason for your score above

Respondents predicted that the rising costs will negatively affect the Agri sector in 2023; however, they also emphasised the resilience of the sector and the fact that food is essential.

“

We've weathered foot-and-mouth, the credit crunch, BSE, EU regulations, global instability, bad press from the Greens, and much more over the past 20 years. We'll adjust as we always do.

”

“

Rising input costs may well hit at the end of 2022 and affect available spend – driving some farmers out of business.

”

“

We're still facing some of the same challenges that we have for decades: e.g. viability of 'part time' or lower-scale farms. But with higher prices, there's still money in the system. Larger, more organised farmers bought products before the impact of the Russian invasion, and we could find alternative sources for the 2023 season – it's still open.

”

“

People have to eat: food is an essential commodity.

”

Q How would you rate the future for your business in 2023?

Respondents were asked to rate their outlook on a scale from 1 (poor) to 10 (excellent).

Again, the average score was 5, in comparison to 7 when looking towards 2022 in the 2021 report.



Q Please briefly explain the reason for your score above

Responses were mixed: mainly focused on the ability to adapt and adjust to future events, with some comment on uncertainty and negative influences on the market.

“

I'm really optimistic that next year materials, price, and availability will stabilise. Pricing and staffing challenges will always exist but we've a stronger order book and a clear strategy.

”

“

There's uncertainty with the Russian invasion of Ukraine driving up prices; sales are slowing down as people are only buying essentials.

”

“

Increasing costs and difficulty securing labour makes running the business harder. Customers cutting back on expenditure will affect sales too.

”

“

A lot depends on whether the world economy holds up or as expected falls into recession. If products become too expensive, people will hold off making that investment, having a knock-on effect.

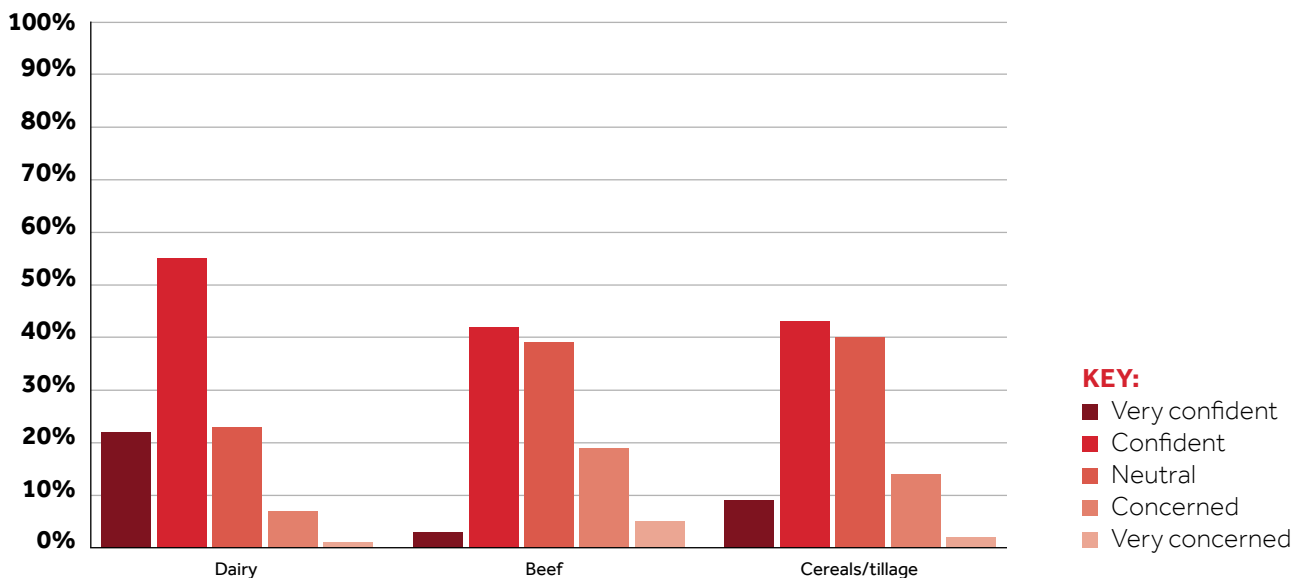
”

LOOKING INTO THE FUTURE: PREDICTIONS FOR 2023 AND BEYOND

Q Thinking about the farming sector, how confident are you about the following farm activity in 2023?

It was extremely positive to see significant confidence in the dairy sector, with 71% of respondents being very confident to confident.

Beef and tillage sectors typically trended between confident to neutral. Tillage was placed at 76%, whilst beef scored 74%.



Q Over the next 12 months, what are the three key focuses in your business?

The top three focuses reported in order were:

Sales – encouraging returning custom and generating new leads in business or the market.

Cost – managing and balancing running costs against the increase in input prices where possible.

Stock – healthy stock management to combat availability issues, supply, and demand.

There was an additional trend of businesses focusing on online offerings and services.



2022: A YEAR OF ADAPTATION AND RESILIENCE

In summary, our online survey shows:

- For a number of reasons, the overall state of the Agri market in Ireland is slightly down (7/10) versus that of the previous year (8/10).
- Weather was stated as an impacting factor, being generally worse in the first half of the year. However, the second half of 2022 (after our survey was conducted) was much stronger. Our finding might have been quite different had our survey been done in Autumn.
- Despite increasing input costs (such as fertiliser, fuel, feed, and energy), farm gate prices of milk, beef, and cereals have been at record levels. This has given dairy farmers in particular an extremely profitable year.
- Although not something respondents explicitly raised when answering our specific questions, stock availability has been the biggest issue to date. Closely followed, however, is the ongoing and escalating labour shortage. Year on year, fewer and fewer people are interested in working in the Agri sector – most notably at farm level and in the workshops of machinery dealers.
- Since transitioning during the pandemic, online ordering has remained high. Respondents stated the advantage of flexible ordering when shops are shut and working hours are over as a dominant factor.
 - To date, this online channel has yet to be transferred to the end users – however, signs suggest this is where the Agri sector will invest over time as they pursue new markets and increased sales.



What's to come in 2023?

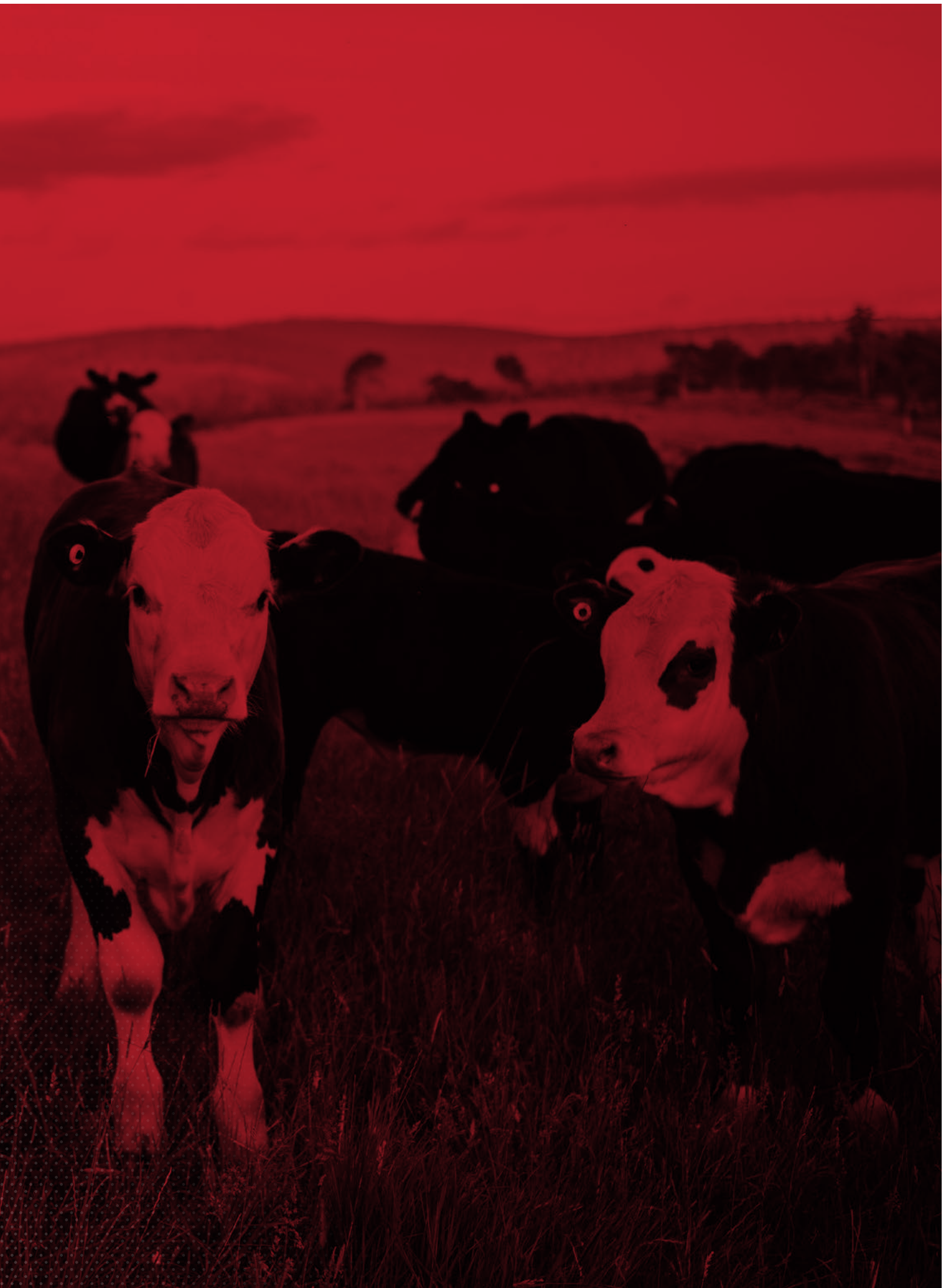
Our respondents made these predictions for the advancing year:

- In some respects, 2023 will be a worse year than 2022 for the sector and its businesses (5/10 vs 7/10 in 2021). This was mainly due to the impact of inflation and the lack of labour.
- Overall, however, the dairy market will remain significantly high, with average confidence in beef whilst tillage farming is looking good thanks to strong crop prices.
- The farming industry will remain as resilient as ever; after all, people still need to eat. Farm gate prices for milk, beef and cereals have been at record highs in 2022; there is nothing to suggest strong demand and high prices won't continue into 2023.
- Going forward, farming will look to adapt further to meet the demands of upcoming challenges. This could be through a diversification of businesses, using mixed farming practices (incorporating tillage crops) to balance the risk, or investment in seeking new channels and markets.



A CLOSER LOOK AT THE YEAR 2022

Expert market analysis



A ROUND-UP OF EXPERT VIEWS AND OPINIONS

Following the online survey conducted in the first half of the year and reviewed in the first part of this report, the Knowledge Report sought to dig deeper into the identified market factors affecting this year, as well as look ahead to 2023.

In addition to one-to-one interviews with Genfitt customers (including Agri co-ops, dealers, and OEMs), for the first time in two years (due to Covid) Genfitt commissioned a face-to-face expert group discussion with representatives from the FTMTA, Agriland, and the AIB Head of Agriculture, as well as a correspondent from the Farmers Journal and a dairy and beef farmer.

This year the group debated:

- The state of the market in 2022
- The challenges that the Agri sector has faced this year
- A look to the future – 2023 and beyond

The following pages summarise our findings...

A RECAP OF 2021

A year on, we reflect on a very strong 2021.

In terms of scores, 2021 was the best we've seen in the 7 years of this report. Our research awarded the sector 8.5/10. We saw minimal adverse impact from Brexit or ongoing issues from Covid on the market – in fact, it was quite the opposite.

Indeed, 2021 was greatly positive across the global market. Output prices were strong, spare part spending was high, as was the investment in new machinery – the lockdowns of the previous year had given people time to plan and think.

So, how has the market been this year?



THE STATE OF THE MARKET 2022

Ultimately, 2022 has been a year of two halves.

At the beginning of the year, there was a great deal of uncertainty due to the war in Ukraine. This brought a shock to the system with sudden cost increases and supply shortages (an unimaginable factor – clearly not something we could have predicted in 2021).

However, in the second half of the year, this score has slowly risen to 7/10 for the market; as farm gate prices remained high, the weather for farming improved and stock issues began to be less of a problem in later months when supply chain issues diminished.



Looking in more detail at the key factors influencing these scores:

- Farm gate prices remained high with both dairy and beef.

"The milk price got really good. We couldn't imagine how good it would get. This time last year milk was 37 cents per litre. We are on 65c now."

"Beef prices are stable, and they would be adequate if we were talking this time last year. Beef prices have gone from €4 a kilo to almost €5. Yet when you go into a supermarket, there's a massive increase in the price of steak. You'd imagine we were getting €10 a kilo, which we're certainly not."

- More mixed farming than in previous years, with an increase in tillage. Due to the war in Ukraine, this was incentivised by the Irish government in the first week of April. This, along with some good weather, meant tillage production increased.

"We're coming out of very high prices because global grain prices are very high due to the war in Ukraine. It's driving grain prices to historic levels. This year has been very, very good. Last year we were getting €180 to €190 a ton for grain. This year it'll be in the region of €300 a ton."

Positive machinery sales

Whilst some people cancelled orders due to price increases, government grants have resulted in a queue of people wanting to buy new machinery. Although initially a reluctant market, machinery sales have been spurred on by grants and perceived supply issues i.e. 'If I don't buy now, will I be able to get what I need in the future?'

IRELAND COMPARED TO THE REST OF THE WORLD

The expert group discussed their views and observations on how Ireland compares globally – this is what they told us:

- Irish Milk prices in 2022 have been on par with those of Europe – the prediction is that Irish milk prices will stay high due to the ability to process milk and export dried milk product overseas.
- The price of Irish beef is below that of Europe. “With 85% of Irish beef being exported, it is getting harder to get beef off our island. New legislation and export admin is, in turn, causing the price of beef to be impacted.”
- Compared to the rest of the world, Ireland has one of the lowest levels of farming debt (having paid it back over recent years) compared to markets such as Denmark and New Zealand. This is a good position for Irish farmers, as interest rates are predicted to increase; therefore those farms with bigger debt will feel the impact on farm cash flow and, as a result, reduce spend.
- Elsewhere, Holland has seen some uncertain times: the Dutch government mandate to reduce emissions has caused farming roadblocks across the country (as seen in the image below).
- New Zealand has seen taxes on emissions increasing (another cost to factor into overheads), leaving its farmers with increasing overheads year on year.
- It is fair to say that Ireland is one of the leading carbon-efficient farming nations for dairy (currently second globally) and nearly as high for beef, being fifth worldwide.
- Finally, whilst we are one of the wettest nations compared to Europe, this year our rainfall has been a positive contributor. Due to droughts, yields have decreased across Europe. Contrastingly, Ireland’s more fluctuating weather has been a huge advantage.

“Thousands of farmers gathered in the central Netherlands on Wednesday to protest the Dutch government’s plans to rein in emissions of nitrogen oxide and ammonia.

They drove their tractors across the country, blocking traffic on major highways in their wake.

The protest was organised earlier this month after the government published nationwide targets for reducing emissions, sparking anger from farmers who claim their livelihoods — and those of thousands of people who work in the agricultural service industry — are on the line.”

Source: Euronews.com, June 2022

BIGGEST POSITIVES IN 2022

Sales still high for our customers

Whilst input prices have increased, sales remain similar to those of last year at good to high – demonstrating that the market remains happy to buy. The question is, at what point do price increases impact sales negatively? When talking to our experts, they suggested that, rather than passing on the full hit of the price increases to customers, businesses are taking some of the hit in profit margins so as to keep the business and sales positive.



The fast rate at which the market refocused to tillage

Whereas in 2021 we saw a good year for tillage due to the weather, this year has been fantastic for this sector – driven by the requirement to change.

Due to the war in Ukraine, the Irish Agricultural minister, Charlie McConalogue, opened up the Tillage Incentive Scheme (400 euros per hectare) back in April 2022. Rather than leave land as pasture, farmers were incentivised to cultivate their fields and plant crops. In essence, farmers got 400 euros a hectare, on top of whatever they gained by selling the crop (used for animal feed, not human consumption). This combatted the reliance on Ukraine for grain. Coupled with the incentive scheme was the fact that the weather for crops this year was good, therefore yields were high. Consequently, we have seen more and more farmers moving to a long-term mixed farming solution, so as to spread risk and increase farm incomes.



According to our respondents, the speed the market adapted was impressive, using underutilised machinery and quickly planting seeds to be harvested in the second half of 2022.

Weather

The earlier part of the year was not as positive in terms of weather, but later on was much stronger. As always, varied weather is essential for farming and this year saw a mixed weather outlook, allowing farmers a chance to grab an important third cut of silage: an average start but a great finish in terms of weather for 2022.



BIGGEST CHALLENGES IN 2022

Input prices at a record high

At the start of 2022, stock was an issue, with delays in supply chains meaning the time taken to get products was lengthened. Short-term, buyers were impacted by ordering more than usual and holding stock to ensure they had what their customers needed. Over the course of the year, however, the stock issue seems to have minimised whilst input prices have come to the forefront.

As identified in the positives, footfall and transactions are on par with last year. The challenge lies in the rise in input costs, which is eroding margins. Therefore, this year we have a margin challenge that is predicted to go into 2023. The question is, at what point does the Agri sector pass on rising costs to the customer and improve margin at the risk of losing sales?

A volatile market has seen rising input costs across the board:

Energy and fertiliser

Energy and fertiliser costs are at an all-time high (three times as much as in previous years) as a direct result of the war in Ukraine. Ireland previously would have imported fertiliser from Ukraine and Russia; however, with production shut overseas, Ireland adapted by using fewer fertilisers (measuring 20% down on fertiliser use) and adopting other methods, such as slurry, to increase growth. With an increased focus put on slurry, there was LESS spreading to maximise efficiency. Whilst energy and fertiliser costs caused a negative impact initially, the proactive response is another good indication of how adaptive and resilient our farming sector is. In addition, the less artificial fertilisers are used, the better it is for the environment: a positive headline for the sector.

Product costs

Product costs increased alongside an incline in freight costs, longer delays in products, and heightened costs of raw materials such as steel. These were an impact resulting from multiple factors, such as Covid, Brexit and its new regulations, and the war.

The two questions regarding high input prices are:

1. Will costs continue to increase – are we seeing the full effect? Or is there more to come in Winter 2022/ Spring 2023?
2. With low farm debt and good output prices, currently farm income remains positive; but how long can farmers absorb cost increases, simply accepting it, before they need to act?

Labour – increasingly challenging year on year

Year on year, the ongoing labour challenge increases. This is down to not being able to source or retain staff, coupled with wage inflations increasing the costs of existing labour.

With the average age of a farmer between 55 and 58 (according to the Irish Farmers Journal, Dec 2021), the challenge is that, stereotypically, younger generations don't want unsociable hours and hard physical work when there are other, more flexible, industries for employment. If we go back a couple of decades, typically, Irish families were one generation removed from a farming business; today, they are statistically three generations apart.

So, what do we do?

Whilst some farms will continue to invest in automation such as robotic milking, the question is, how much work can be transferred to technology? With farm income high and debt low, perhaps now is the time to consider investments into automation – there will be no quick fix to labour over the coming years.

In the machinery sector, however, automation is less available; therefore the most feasible option – based on the lack of labour – will be to cut back on production. Our respondents said that whilst the orders will be there, manufacturers can only produce the volume they can manage, possibly driving up prices as a result. An alternative viewpoint is that more work will be contracted out to bigger operators to specialised Agri contractors. This will lead to bigger machines, greater output, and more efficiencies and technologies being employed.

Tractor sales a confusing outlook

Latest tractor sales figures released by the Farm Tractor and Machinery Trade Association (FTMTA) show total sales for the first third of this year were down by 150 units compared to 2021's figure. According to the FTMTA, this could have been due to low confidence in the early part of the year, or the varying lead times for different stock affecting the figures.

In the five years up to and including 2021, the average figure for January to April is 461. This year's figure is 343 – the lowest for the past six years. However, 2021's total was particularly high at 621; this year's slump could be due to last year's boom.

Historically, 53% of tractor sales occur before the end of April. Apply this to the latest sales figure of 1,102 units so far in 2022, and we can expect a total of around 2,080 units to be sold over the course of this year. Although a drop from last year's sales of 2,366 units, it is still well above the five-year average of 2,007 units.

The issue of ongoing negative reputation

Worldwide farming has a reputation issue as one of the biggest challenges to the environmental crisis. However, our expert group made the point that, in reality, Ireland probably has one of the best farming markets across Europe.

Whilst the press talks of farming as one of the contributors to the environmental challenge, there is little credit given to the positive impacts of our hedgerows on biodiversity, and of trees and crops processing carbon, thereby removing it from the atmosphere.

We need to flip this negative narrative, educating and raising awareness of the good that we do. It's time to rebrand farming.

As a sector, we should start by telling a better environmental story. The Irish farming sector needs to do a more effective job of explaining our positive environmental impact, for example our grass-based grazing farming system. We have one of the lowest environmental impacts compared to countries such as Holland and Denmark, who often employ more intensive farming practices – such as all-year-round housing. Not only does this produce lower-quality meat and dairy (not to mention the negative impact on animal welfare), it is much less natural a farming method than ours.

The broad reality is that our environmental damage is less than we think. Maybe the agricultural minister and farming organisations need to bring the same focus and PR to positive farming as they do to the sound, solid work they do on lobbying and grants.

A MIXED VIEW OF THE YEAR AHEAD

Whilst overall, 2022 was slightly down in comparison to 2021, it's wrong to rank the whole sector this way. Therefore our predictions for 2023 are as follows:

- Dairy will keep its price point.
- Beef will be challenged as more sustainable beef standards hit the sector.
- As we have seen evident from 2022's results, mixed farming and tillage (so long as the weather is good) will have a fairly good year ahead.

Whilst no one is predicting the worst year ahead, our expert panel suggested that we will go into recession. Unlike previous recessions, however, we have record employment and low farm debt. Product prices will continue to rise and be volatile, as will the cost of living. For example, over winter the energy crisis will begin to hit people hard – with inflation rising, there will be no choice but to minimise spending.



SUMMARY

Last year, we predicted 2022 would not stand as strong as 2021 and we were correct in that diagnosis.

What no one predicted was a war in Ukraine and the impact it would have on the industry. Yet again, challenges have hit the sector hard in 2022; yet again, we show our resilience and adaptability as an industry. At the end of 2020, who would have predicted the speed and ease that farmers availed themselves of the Tillage Incentive Scheme and planted crops to negate our reliance on grain from overseas? As the Agri industry – and as a nation – we are inherently adaptive; over the long term, as the world becomes more volatile, this will remain one of our sector's and nation's strengths.

Having previously weathered the financial crisis and recessions, foot-and-mouth disease, Covid-19, Brexit and the weakening of the Eurozone, and now a war, we are still going strong. Evidently, farming is the backbone of our economy.

Overall, our prediction is that 2023 will be less strong than 2021, and, indeed, 2022, due to rising costs and a predicted recession.

Nevertheless, the world needs food. Thus, whilst farming will undoubtedly hit turbulent times, we will continue to ride the storm. Admittedly, it will perhaps be with a lower profit margin – but as the pressure hits, we will adapt and build. Why? Because we always have and we always will.

FINAL WORD

We hope you find this report useful as a barometer of market trends from people in the industry as we begin to find our feet again following Brexit and Ukraine.

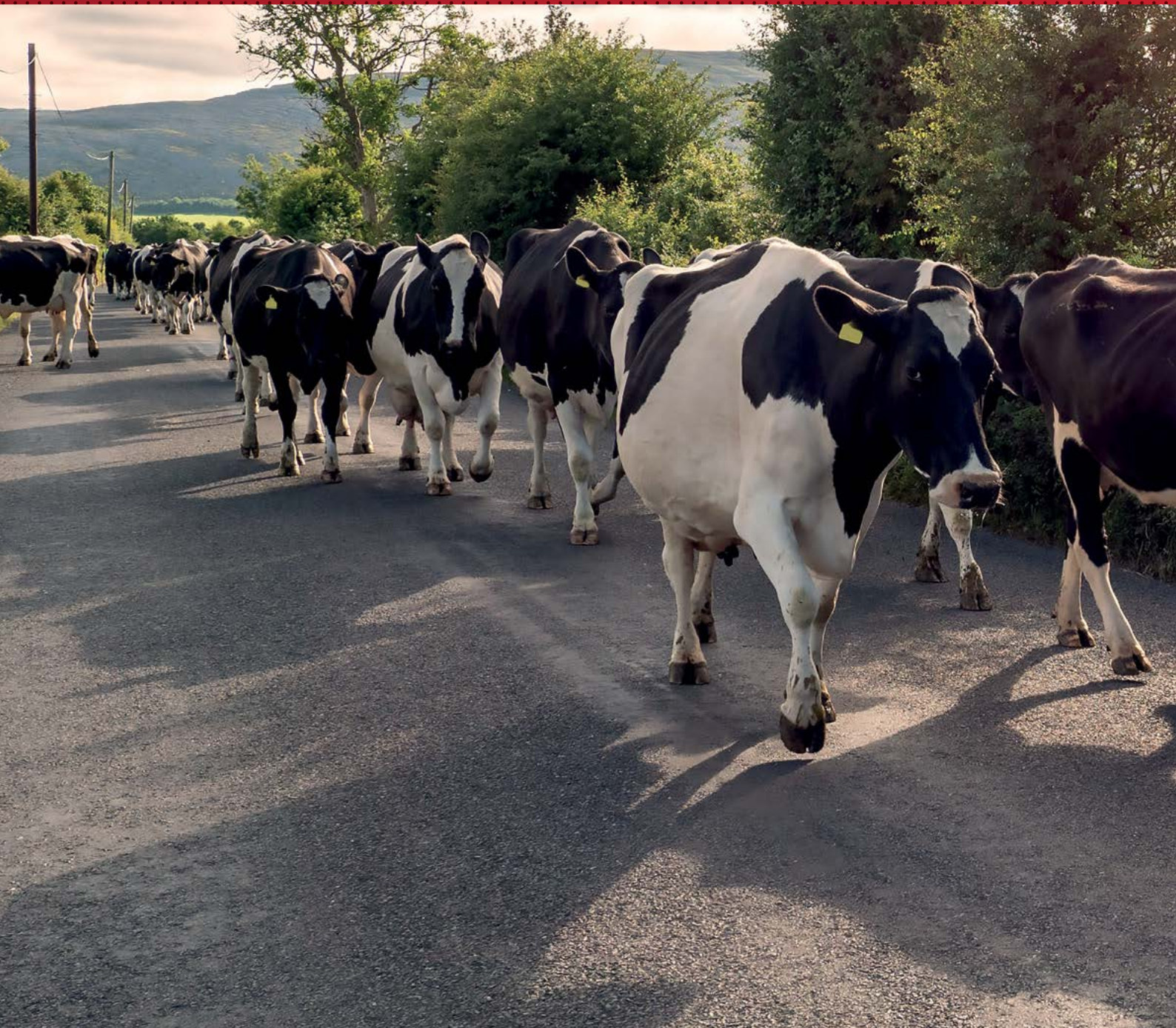
We would like to thank all the customers, trade bodies, associations, and expert commentators for their participation in 2022.

Take care of yourselves as we move into 2023 and adapt to our next economic landscape.



**We would be delighted if you would take part next year.
If you're interested in participating, or would like more
detail on this year's results, please contact Genfitt via:**

robertlyons@genfitt.ie +353 (0)94 938 1377



**GENERATIONS OF KNOWLEDGE
AT YOUR SERVICE**