



KNOWLEDGE

PERFORMANCE TRENDS IN THE
AGRICULTURAL SECTOR



Forewords



Paul Duggan

**Chairman
Genfitt**

On behalf of Genfitt I want to welcome you to Genfitt's Knowledge Report.

I want to thank those who contributed to the Knowledge Report in particular our partner KPMG and The Hub who carried out the independent research.

Around this time in 2016 we commissioned a small piece of research to assess the likely out-turn for farming in 2016 and identify the factors which drove this. We also wanted to get a sense of the outlook for 2017.

Such was the level of interest this generated amongst our suppliers, customers and others working in the sector we decided to expand the scope of the research and repeat it in 2017.

We hope that Genfitt Knowledge will be particularly useful at a time of year when most enterprises are developing their plans for the coming year. It is our intention that the Genfitt Knowledge Report will be produced annually.

Reflecting the importance of grass based farming, the Genfitt Knowledge Report concentrates on the dairy and beef sector, but also comments on other farming activity including tillage.



David Meagher

**Partner
KPMG in Ireland**

KPMG is delighted to partner with Genfitt and The Hub in the production of this report.

It is extremely heartening to see that Irish agribusiness is in a good place. This is no surprise to us in KPMG – we know that Irish farmers and agribusiness companies have a global mindset, are resilient and have taken many of the right steps needed to compete in the market. Of particular interest is the confidence that farmers have in respect of the coming year - a year which will inevitably present challenges as well as opportunities.

We are all aware of the many challenges facing business generally, and agribusiness in particular, including exchange volatility, changing consumer preferences and the impact on technology. We urge Irish businesses to stay focused on the customer, embrace technological change and think globally.

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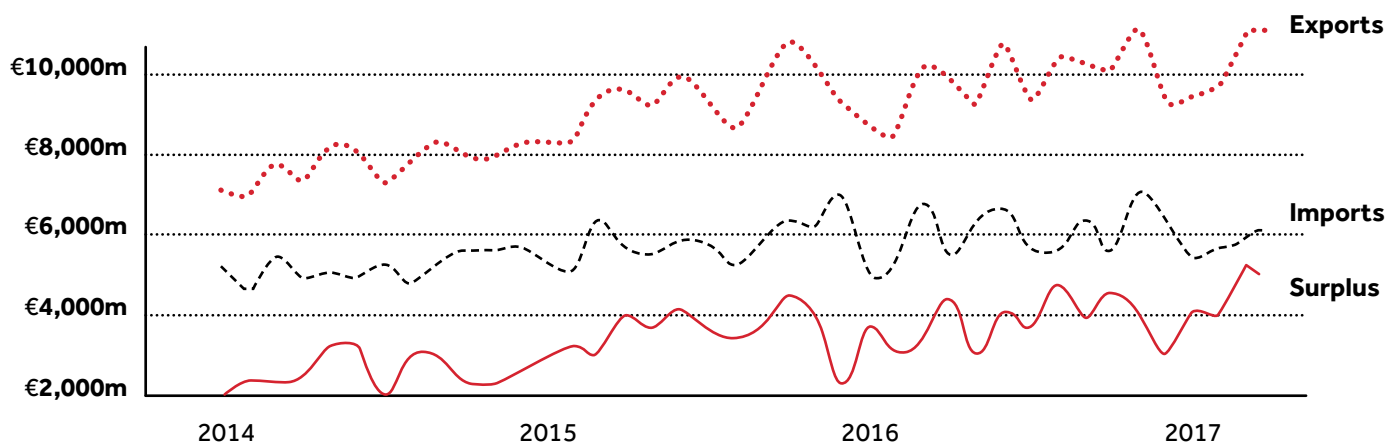


Brexit on the backburner.

Contrary to expectations, and for reasons not yet entirely clear, the sector has managed to absorb the slump in sterling.

Anxiety over Brexit has been put to one side: people are sick of talking about it and happy to (in some cases literally) make hay while the sun shines.

Average growth reported by machinery exporters was around 7%.



Exports to Great Britain increased by €162 million (+15%) to €1,276 million in June 2017 compared with June 2016. Exports to Great Britain increased in January to June by €895 million (+14%) compared with the first six months of 2016.

"You'd think [manufacturers] would be having a disaster... That's not the case"

Trade Body / Trade Press, National

"Generally up... [Thanks mainly to] overseas [non-UK] exports"

OEM, National

"More work if we wanted it... just can't get [enough] good skilled workers"

OEM 2, National

"Brexit might have been worse... definitely a lot of machines this year"

OEM, Connacht

"[Manufacturers are] having a good time in the UK market, despite sterling"

Trade Body / Trade Press, National

Technology

Q. What are the most important technologies that will affect the future of farming in Ireland?



Breakdown

How will it affect your farming?

Ireland was often seen to lag behind in terms of the application of new technology. In part, this is due to structural constraints: a fragmented market with very few large-scale farms able to take full advantage of automation to improve efficiency.

To date this has ruled out certain technologies, for example, larger and self-driving vehicles. There is scope for a regional player to take on hi-tech tracking and measurement services and for smaller-scale and more affordable products to find their way onto more farms and contractors' yards.



Developments likely to have a greater impact over the next 2-3+ years included:

Precision farming

Use of GPS systems for example to monitor and manage spraying, cutting, harvesting etc, has already increased.

Big data

In the future it will not be the design of more powerful farm machines that offers the greatest potential. It will be gathering and usage of the information they produce.

Automation and specialisation

There is a trend towards machines that need less human input, but due to their increasing complexity, dealers and operators will be less likely to be involved with repair and maintenance.

Driven by data: who will support a new type of farming, and the next generation of farmers?

Together, these trends point to:

- A diminishing market for independent repairs (and for second-hand vehicles and machines).
- Increasing pressure on authorised independent dealers and service engineers to keep up with a brand's proprietary technology.
- An expanding role for connected machines and software that can gather and interpret their data.
- A clear opportunity for any business that can offer a farmer the broadest possible range of technical assistance he or she will require.

Over the longer term, the use of drones and electric vehicles were all identified as likely to affect the Irish market within the next 5+ years. CAP2020 will play a major role in accelerating some of that change.

Drones

The cost of mapping and monitoring technology by drone is coming down and usability increasing; some have even been used to spread fertiliser.

Electric vehicles

Once viable and affordable these could drastically lower input costs.

Future farming – one scenario

As farm machinery becomes more connected, opportunities will arise for a new kind of relationship between farmers and machinery specialists.

One scenario would see farm owners and manufacturers or dealers controlling and monitoring the machine's activity together in real time and remotely.

Retail / after-sales partner anticipating repairs, and taking a more collaborative and active role in recommending how to use the equipment most effectively.

The qualitative research which underpins this report provides an overview of the Irish agricultural sector as 2017 draws to a close. It reviews the likely out-turn for 2017 and looks forward to 2018. The study follows from a smaller piece of research that Genfitt commissioned in the Autumn of 2016.

The scope for the 2017 Knowledge Report was expanded by increasing the desk research and the number of interviews completed. The interviews were with businesses supplying farmers as well as industry experts, trade associations and specialist press.

Genfitt plans to carry out this research and publish Genfitt Knowledge annually. We hope that, coming at the end of the year, Genfitt Knowledge will offer a useful, independent barometer of the state of the agricultural industry that will highlight developing trends and issues that are relevant for participants in what is one of the most important indigenous sectors in the Irish economy.

