



Food and Drink 2023 Insights / 2024 Outlook

January 2024



**Bank of
Ireland**

Classification: **Green**

Summary

Whilst 2023 saw some reprieve for food and beverage companies from further input cost hikes, very high food inflation, 13.1% in spring 2023¹, weakened consumer spending power. Nonetheless the sector had a solid year's performance with exports remaining strong at €16.3bn (-4%) compared to a record 2022² and the Irish grocery market ended the year very strongly with Kantar reporting the highest-ever recorded December spend of €1.4bn³ with inflation playing its part.

Heading into 2024, geopolitical uncertainties continue to create an ambiguous global backdrop. Whilst industry has learned to adapt to an ever-evolving global situation, the war in the Middle East has led to commercial shipping attacks in the Red Sea. Looking ahead, Bord Bia recently reported that 73% of food and drink exporters remain optimistic about expected market growth in the year ahead⁴.

Sector activity & update for 2023/2024

- Export value of food and drink slowed by 4% to €16.3bn compared to a bumper 2022⁵.
- Input costs eased in 2023 but global volatility remains with shipping & supply chains complex and container prices increasing⁶.
- The after-effects of high input costs resulted in high food inflation, at 13.1% (YoY) in Ireland in April '23, dropping to 5.6% in December⁷.
- Staffing remains an industry challenge with very low unemployment rate of 4.8% in Nov 2023⁸. The minimum wage change in 2024 and the increased salary threshold for foreign work permit holders adds further cost pressures.
- The Board of newly-created Agri-food regulator - An Rialálaí Agraibhia- was completed in Dec 2023 and is now operational, promoting fairness and transparency in the agri-food supply chain⁹.
- Brexit continues to feature as importation rules for certain goods into GB change in 2024.



Key Sector Trends Jan-Dec 2023

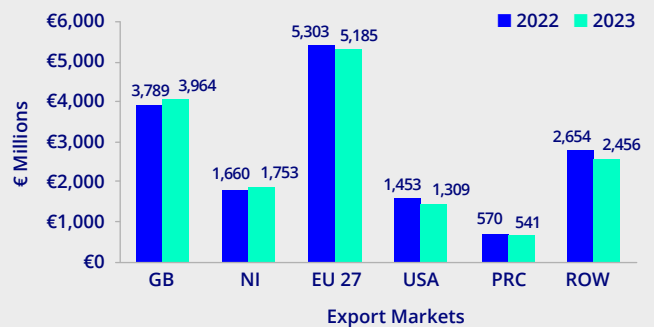
Food & Beverage Exports:

- The value of Irish food and drink exports fell back 4% to €16.3bn albeit after a very strong 2022.
- Whilst most sub sectors experienced some decline in 2023, after 22% value growth in 2022, prepared consumer foods showed strong growth growing 7% to €3.1bn¹⁰.
- January-November sector exports to Great Britain and Northern Ireland grew 5% YoY with other markets in decline.
- In the 12 week period to 26th November, Kantar reported the UK grocery market grew +7.5% vs 2022 with Lidl continuing strongly at +14.1% to gain highest ever share of 7.8%, Aldi +11.1% and Sainsburys +10.1%. Aldi is firmly the fourth largest retailer in the market with 9.6% market share and Morrisons now in fifth place¹¹.

Jan-Dec Exports Bord Bia	2022 €bn	2023 €bn	Variance	% of total
Dairy	6.8	6.3	(8%)	39%
Meat & livestock	4.2	4.2	(1%)	26%
Prepared Cons. foods	3.0	3.1	7%	19%
Drinks	2.0	1.8	(8%)	11%
Seafood	0.6	0.55	(14%)	3%
Horticulture/cereals	0.3	0.295	(6%)	2%
Total	16.7	16.3	(4%)	100.0%

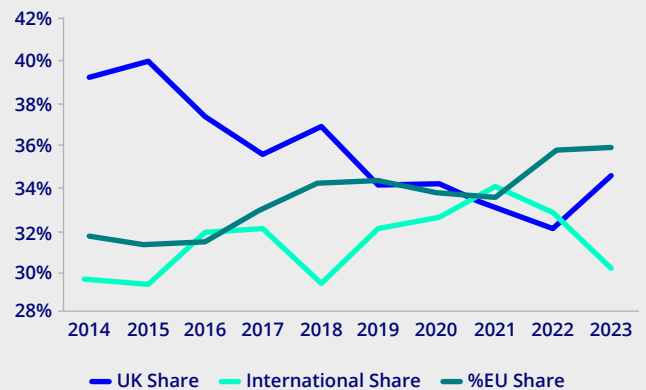
Source: Bord Bia

Fig 1: Food & Bev. Export Markets (Jan-Nov) €15.2bn



Source: Bord Bia

Fig 2: Percentage share of exports to the EU, UK and International markets



Source: Bord Bia

¹ Ireland Food Inflation (tradingeconomics.com) Dec2023

² Performance and Prospects 2023 - 2024 (bordbia.ie) 10th January 2024

³ Record-breaking December for grocery sales in Ireland as spend surpasses €1.4 billion (kantar.com)

⁴ Performance and Prospects 2023 - 2024 (bordbia.ie) 10th January 2024

⁵ Bord Bia (bordbiaperformanceandprospects.com)

⁶ Drewry - Service Expertise - World Container Index - 18 Jan

⁷ Ireland Food Inflation (tradingeconomics.com) Dec2023

⁸ Monthly Unemployment - CSO - Central Statistics Office

⁹ Agri Food Regulator

¹⁰ Performance and Prospects 2023 - 2024 (bordbia.ie) 10th January 2024

¹¹ Record grocery sales predicted: stage set for bumper £13 billion Christmas (kantar.com)

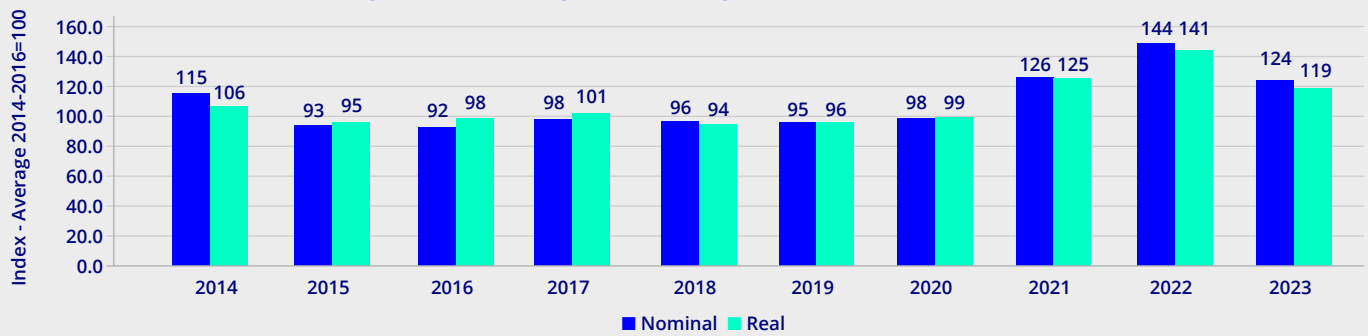
Food Inflation:

Significant input cost increases in the last few years led to very high food inflation in 2023. There was a time lag in consumer price inflation, as producers grappled with cost increases, trying to find ways to manage the higher cost base and maintain margins. In 2023 the Food and Agricultural Organisation (FAO) basket of commodities dropped (Fig 3) with all commodities except for sugar, lower than in late 2022¹². Kantar reported food inflation continuing to fall to 7.1% in the last three months of 2023¹³. However with higher wage costs in 2024, and supply chain cost challenges back in the mix, inflationary pressures remain for the sector.

Further afield, Hungary, with the highest food inflation in the EU at 46.9% in January '23¹⁴, dropping to 4.6% in December 2023, has taken drastic measures to tackle shrinkflation. From March 2024, it requires large food retailers to display price warnings on products that have shrunk in size¹⁵.

There is continued consumer price sensitivity and consumers are very focussed on cutting food costs through reduced higher-value purchases and more private label purchases. Shoppers continue to make more frequent and smaller shopping trips to avoid unnecessary purchases.

Fig 3: UN Food & Agriculture Organisation Food Price Index



Source: [FAO Food Price Index](#) | [World Food Situation](#) | [Food and Agriculture Organization of the United Nations](#)

The Windsor Framework brought changes for goods entering Northern Ireland from GB in 2023 with the latest changes from October 2023. The green/red lane system means goods for circulation in N.I. pass easily through the green channel with 'Not for EU' labels. Goods intended for the EU go through the red lane with customs declarations and some checks.

Post-Brexit changes: Whilst no longer in the headlines, further Brexit changes will take place in 2024, adding complexity and cost for exporters. The Border Target Operating Model requires exporters of animal & plant-based products to GB to classify exports based on the UK's new classification as low, medium or high risk. Products include live animals, meat/fish-based and germinal products, animal by-products, plants, fruit and vegetables.

- From 31st January Export Health Certificates and Phytosanitary Certificates will be required for medium-risk animal products, plants and plant products moving from EU & Ireland to GB.
- Pre-notification of imports of Sanitary and Phytosanitary (SPS) goods from Ireland on the UK's SPS import system (IPAFFS) will be required, something already in place for other EU countries exporting to GB.
- From October 2024, there will be documentary and physical identity checks for medium-risk animal products, plants and plant products imported to GB from Ireland.

Supply Chain: Geopolitical events including the war in Ukraine, the discontinued Black Sea grain deal, extreme weather, the lingering effects of the Covid pandemic, and more recently the disruption to commercial shipping in the Red Sea, continue to impact supply chains. The Red Sea conflict has put further strain on already-fragile supply chains with shipping companies forced to avoid the Suez canal and take an alternative longer route. The unknown nature and timelines of this disruption has led to a significant rise in container costs.

ESG and sustainable food production: Whilst food and beverage producers in Ireland recognise the urgency to produce sustainably, there are varying degrees of action. Energy-saving initiatives remain to the fore of activity. Operators have been keen to avail of green transition supports, such as from Enterprise Ireland, to advance their green transition. SMEs do cite lack of expertise or bandwidth in their operations and cost constraints as being factors in delaying their green transition.

B Corp certification has gained traction with a small number of Irish food & beverage operators now B-Corp certified. B Corp Certification is a designation that a business is meeting high standards of verified performance, accountability, and transparency on various factors from employee benefits and charitable donations to supply chain practices and input materials. This is very positive from an ESG perspective. B Corp set up an office in Ireland in late 2023 which will encourage further participation.

Approval Activity

Transactions include approvals for stock management, loans for enhanced production capacity and for heightened seasonal activity. There are operators looking to increase production and to increase automation. Loans for green initiatives are being employed for the introduction of green technologies such as solar panels, heat pumps, CO2 recovery and more sustainable food production methods.

¹² [FAO Food Price Index](#) | [Food and Agriculture Organization of the United Nations](#)

¹³ [Grocery price inflation falls again to 7.1% - Kantar \(rte.ie\)](#)

¹⁴ [Hungary Food Inflation \(tradingeconomics.com\)](#)

¹⁵ [Hungary targets 'shrinkflation' with mandatory warnings \(rte.ie\)](#)



2024 Outlook

- The outlook for the sector in 2024 remains optimistic despite global uncertainty. Food and beverage producers continue to show remarkable strength and flexibility weathering the shocks of recent years.
- Inflationary challenges remain with increased staffing costs a key concern.
- Food inflation will continue to feature but to a lesser extent than 2023.
- It is likely that consumer food shopping and consumption patterns will remain cautious.
- ESG - Sustainable /local food production and reduction of food waste will become increasingly important to the sector.
- The UK's Border Target Operating Model will introduce new controls for products entering GB, Ireland's largest food & beverage export market.
- Producers are increasingly focussed on innovation in response to evolving food trends.



Bank of Ireland

Bank of Ireland is committed to its role as a key partner and supporter of Ireland's largest indigenous Industry. Our continuing support of the Blas Na hEireann food quality awards and our breadth of sectoral knowledge highlight this.

We understand the requirement for food and beverage companies to have an in-market, long-term, stable, finance partner that can offer support, dedicated relationship managers and an understanding of the various sub-sectors.



Lucy Ryan

✉ lucy.ryan@boi.com

📞 087 766 3661

Lucy joined Bank of Ireland in Jan 2023 as Head of the Food & Beverage Sector, to support the Bank's lending in this important, indigenous industry.

She brings an in-depth understanding of the Food & Drink sector to the role having worked for 25 years in food and drink operators in Ireland, Italy and UK across a number of companies and product categories.

She has held various senior commercial positions, many of them customer-facing, in consumer goods' companies including Diageo, C&C Group (Bulmers Ltd), Mark Anthony Brands International, Valeo Foods and BFree Foods.

Lucy holds a French & Italian languages degree from UCC and a Post Graduate qualification from UCD Smurfit Business school.

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