

Bank of Ireland Sectors Team Agriculture H1 2025 Insights / H2 2025 Outlook

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Solid foundations set to drive strong finish to farming year.

Irish agriculture entered 2025 on a firm footing. Since January, favourable weather conditions have continued and driven solid farm output in terms of grass growth, crop yields and animal performance. Near record farm gate prices¹ have supported strong financial performance across all farms so far in 2025. Relatively stable input costs² have aided strong cashflows in the first half of the year, evidenced by an increase in farm deposit levels³, a reduction in overdraft use⁴ and a continued pay down of farm debt.⁵

The fundamentals of supply and demand in global agri commodity markets look set to bolster farm gate prices in the near term affirming the strong outlook for increased farm incomes in 2025. However, given the elevated farm gate price levels, coupled with heightened geopolitical risk, there is increased downside risk on the horizon in the next 6-12 months across key agri commodities.

As we enter into the final months of 2025, attention is now turning to the likely shape of a reformed Common Agricultural Policy along with the evolution of EU-US relations and associated trade tariffs. As food prices continue to rise and hit record levels, climate change and the sustainability agenda appear to limit the potential for supply to expand and put a lid on food price inflation. While this may appear positive for farmers, it remains to be seen how consumers react and if demand holds up.

Over the longer term the outlook remains optimistic, with well invested and lowly geared farms with increasing balance sheets. Variable productivity continues to be a key risk at individual farm level as we enter into a more uncertain and volatile economic period.



Record meat prices continues to drive global food prices higher

The FAO Food Price Index, which is a benchmark for world agri-food commodity prices hit its highest level in two and a half years in July driven by rising meat and dairy prices⁶.

Global meat prices reached an all-time high in July (+6% year-on-year) driven by tight global supplies of cattle and sheep and continued robust global demand.⁷ In July, global dairy prices were up 22% year on year and close to records hit in mid-2022.⁸

In contrast, global cereal prices have fallen to a five-year low, pressured by abundant global grain supplies following strong harvests.⁹ Prices are now 4% lower than a year ago and 37% below their peak hit in Spring 2022.¹⁰

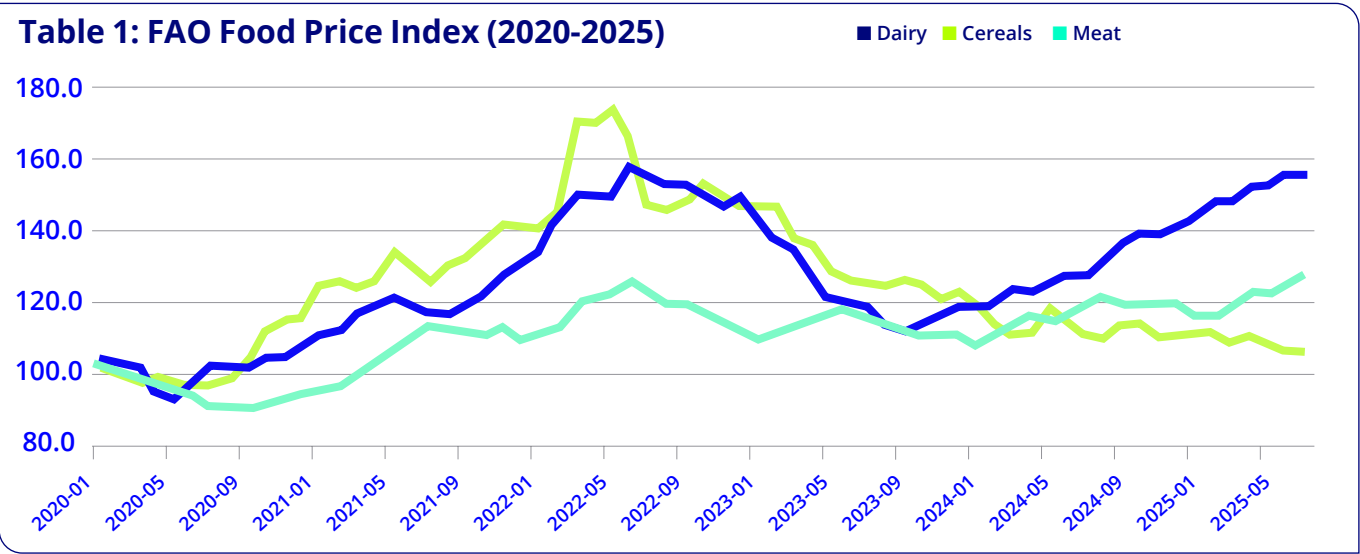


Table 1 Source: FAO Food Price Index, August 2025

Farm Gate prices climb as input costs stabilise

Irish farm gate prices rose sharply (+19%) in the 12 months to June 2025, driven primarily by strong performance in the beef and dairy sectors.¹¹ Cattle prices surged by 43%, while milk prices increased by 12% over the same period.¹² Notably, calf prices nearly doubled, rising by 95% since June 2024.¹³ In contrast, pig and sheep prices remained stable, and crop prices declined by 5%.¹⁴

Overall input costs remained unchanged year-on-year to June 2025.¹⁵ However, there were notable shifts within individual categories.

12 months to June 2025	
Farm Gate Prices ¹⁶	
Overall increase	+19%
Cattle	+43%
Milk	+12%
Calves	+95%
Pigs & Sheep	N/C
Cereals	-5%
Input Prices ¹⁷	
Overall	N/C
Fertiliser	+11%
Veterinary	+5%
Energy	-4%
Feed	-2%
Plant Protection	N/C



Livestock prices expected to drive increase in farm incomes in 2025

Average farm income across all systems is forecast to increase 39% and reach €48,500 in 2025 compared to 2024.¹⁸ This growth is primarily driven by strong performance across all livestock enterprises.

Beef farms are set for a significant uplift, with beef prices projected to rise by 38% year-on-year.¹⁹ Gross margins are expected to increase by 90% on suckler farms and 44% on cattle finishing enterprises.²⁰

Sheep farms are also forecast to see income growth, as prices are expected to exceed the five year average and supported by an 8% increase in lamb prices relative to 2024.²¹

Dairy farms are anticipated to benefit from a 30% increase in income, driven by a 7% rise in milk prices, a 5% increase in milk production (following a return to more typical spring deliveries).²¹

Tillage farms are projected to experience a decline in income due to lower cereal prices, despite an increase in output.²²

Financial strength returning to farming sector in 2025

As a result of a strong start to the year on the back of a solid second half of 2024, farms are rebuilding balance sheets and cash reserves. This can be seen across the key financial indicators on farms- an increase in overall farm deposit levels, reduced overdraft utilisation levels and an overall reduction in farm borrowings.

- Overdraft utilisation levels are currently at the lowest level in over three years and are 25% lower than H1 2024.²⁴
- Farm deposits are set to reach record levels by year end. While there is no direct data available analysis of this dataset from the Central Bank suggests that farm-related deposits are on track to rise by €1bn in 2025.²⁵
- Total farm debt stood at €2.65 billion at the end of March 2025—the lowest level in over 25 years. It is now 10 years since the removal of dairy quotas and remarkably, despite a surge in investment on farm of over €1bn, farm debt has reduced by nearly €0.75bn.²⁶
- This shift highlights a significant transformation in the financial structure of Irish agriculture: farmers have been funding growth primarily through cashflow rather than borrowing, while simultaneously paying down existing debt.
- The trend continues. In the 12 months leading up to March 2025, farm debt decreased by €74 million—a 3% drop.²⁷ This ongoing reduction underscores the sector's improved financial resilience and disciplined approach to investment.

Deeper concerns around farmer confidence and investment appetite

New lending to farmers in the first three months of 2025 fell by 19% compared to the same period in 2024,²⁸ marking the lowest level of new lending to farmers recorded in the first quarter in over a decade. While part of this decline reflects the improved financial position of many farms, there are deeper, more concerning trends at play.

It also highlights a growing reluctance among farmers to invest in growth and expansion. This hesitancy is being driven by a combination of factors:

- Policy uncertainty, particularly around environmental regulations such as changes to the nitrates derogation, is creating hesitation around long-term investment decisions.
- An ageing farming population, with limited succession planning, is dampening appetite for expansion.
- Geopolitical and trade instability is adding further unpredictability to the sector.
- Low confidence at farm level, exacerbated by regulatory burdens and unclear future direction, is discouraging risk-taking and capital investment.

Together, these factors suggest that while farm balance sheets may be stronger, the sector's long-term growth prospects are being undermined by uncertainty and a lack of strategic clarity.

Current Outlook by sector:

Tillage: Abundance of global grain driving prices lower

Grain prices remain under sustained pressure, driven primarily by an abundant supply of US maize and elevated ending stocks.²⁹ This oversupply is pushing maize futures toward five-year lows, as global demand continues to lag behind production. EU barley production for the 2025/26 season is estimated to increase 7% (3.7m Tonnes) to reach the highest output in 5 years.³⁰ Uncertainty around tariffs and shifting trade policies—particularly those involving the US—are adding volatility and further suppressing prices. Broader geopolitical instability, from the Middle East to the ongoing Russia-Ukraine conflict, is contributing to market hesitation and reactive trading behaviour.

Global wheat prices are trading below €200/tonne, implying a green price of approximately €170-180/tonne.³¹ Domestically, some merchants are offering green barley prices between €160 and €170/tonne on account.³² Oilseed rape has seen on-account prices of €370/tonne this season. Malting barley prices are also under pressure, with expectations that they will settle €30-€40 lower than last year at c.€235/tonne.³³

Dairy: Record butter prices continue to drive milk returns

The continued strength in butter prices remains the primary driver behind the rise in milk price in 2025 which is expected to reach 49c/litre (excl. VAT) for the full year.³⁴ Net margin per litre is forecast to grow 29%, reaching 17c/litre on the back of stronger output volumes and stable costs.³⁵

Dairy commodity prices are anticipated to remain broadly stable for the remainder of 2025. Downward pressure could come in the next 6 months if butter prices ease or if Trump tariffs disrupt trade.

Grass growth conditions have generally been favourable this year, although recent dry spells in some regions have posed challenges. On average, feed usage is expected to increase slightly in 2025, in line with higher milk production volumes.

Beef : Tight supplies drive beef prices to record levels

In the first half of 2025, Irish finished cattle prices that often touched €8/kg were 34% higher compared to the same period in 2024.³⁶ These record prices were supported by a continued decline in beef production across Ireland, the UK and key EU countries.

EU beef supply is forecast to fall 3% in 2025, while UK beef production is forecast to be 6% lower year-on-year.³⁷ Irish beef supply is expected to be back 5% in 2025 with Irish cattle slaughter forecast to decrease by 87,000 head this year.³⁸

Total cattle numbers in Ireland are expected to reach a 10-year low in 2025.³⁹ Analysis of cattle production figures suggest cattle supplies will tighten further into 2026 coming from the prolonged winter of 2023/2024, changes to the nitrates derogation along with the changing demographic of farmers and an increase in live exports in the past 2 years.

Pigs: High beef prices support demand for pigmeat

Following a number of years of decline, overall EU pigmeat supply has now stabilised. Pig prices fell by 4% in the first half year, averaging €2.05/kg compared to the same period last year.⁴⁰ Both Irish and EU pig prices are expected to remain relatively stable for the remainder of the year supported by tight pig supply and the high consumer price point of alternative protein sources.

Sheep: Tight supplies driving sheep meat to 5 year highs

Sheep numbers are forecast to hit a 10-year low in 2025, with sheep meat production anticipated to fall by nearly 13% year-on-year.⁴¹ Irish lamb prices for the year to date are averaging 7% higher than in 2024, and remain well above the five-year average (2020-2024).⁴² Tighter lamb supplies across Irish, EU, and UK markets, combined with strong global prices, are expected to continue supporting Irish lamb prices throughout the remainder of 2025. With EU sheep prices remaining elevated, imports of sheep meat from the UK, New Zealand, are projected to increase in the coming months.





Key Sector Trends

Agricultural Emissions Fall, but still remain off target:

In 2024, Ireland's agricultural emissions declined by 1.7%, largely due to a 2.9% reduction in cattle numbers.⁴³ However, new data on greenhouse gas emissions from agriculture across the EU shows that emissions from agriculture in Ireland rose 8.7% in the first quarter of 2025 compared to the same period last year.⁴⁴ This is despite a 1.4% reduction in agricultural emissions across the EU for the same period.⁴⁵

According to a recent report published by the Environmental Protection Agency (EPA), total greenhouse gas emissions from Ireland's agriculture sector are projected to range from a 1% increase to a 16% decrease between 2018 and 2030.⁴⁶ These projections depend heavily on the uptake of measures outlined in the Climate Action Plan, AgClimatise strategy, and Teagasc's Marginal Abatement Cost Curve (MACC) but still fall short of the 25% reduction target set for agriculture.

€0.5bn hit to agriculture if Nitrates derogation lost:

New analysis from Dairy Industry Ireland (IBEQ) and EY indicates that the loss of nitrates derogation after 2026 could see up to €555m knocked off milk cheques to farmers as a result of a need to cut the dairy herd by up to 15%.⁴⁷

The assessment predicts a cumulative loss of €45 billion in economic output from 2026-2035, a 15% drop in dairy exports (including a 24% fall for butter and a 21% fall in milk powders); and 29% of processing capacity during peak supply months being left idle.⁴⁸

Ireland is actively seeking an extension of its nitrates derogation beyond 2025. If Ireland secures a derogation renewal from 2026-2029, the Commission is expected to attach tighter conditions along with habitat related restrictions – particularly around Natura 2000 sites, wetlands, estuaries and high biodiversity farmland.

Trump, tariffs and trade:

Since April, the agrifood sector (and EU farmers) has faced uncertainty around future US trade policy. While the recent agreement means an end to that uncertainty it also avoids the very significant threats associated with a No-Deal scenario.

The United States is the second most important market for Irish agri-food, with exports valued at €2 billion last year and accounting for c.11% of Irish total food and drink exports.⁴⁹ Within the €2bn figure, dairy at €830m and drinks, and whiskey, at €900m account for 91% of what is exported to the US market.⁵⁰ The exports of pigmeat (€23m), beef (€8.8m) are relatively small.⁵¹

While we await the finer details of the agreement, it is currently understood that the 15% tariff rate agreed will be a maximum tariff rate (i.e. a replacement for existing tariffs), and will not be stacked on existing tariffs. Kerrygold is now the second best-selling butter brand in the US, where we sent almost €500m worth of product in 2024.⁵² The market accounts for about 7.5% of our total dairy exports.⁵³

Malting Barley demand to lower in short term:

It has been well reported that the whiskey sector is facing some challenges given over production on the back of a post pandemic boom, coupled with tariffs and trade disputes, especially involving the US and EU, which have added uncertainty and reduced competitiveness. The fall off in global demand has been evident for a while. Higher interest rates and cost-of-living pressures have reduced consumer spending on discretionary items like whiskey. Major producers have paused production or scaled back operations due to falling demand and efficiency reviews. Whether this is a short term market correction or evidence of a longer term shift in consumer behaviour remains to be seen. For farmers and the grain supply chain, as demand has softened, whiskey inventories have been piling up and demand for barley used in distilling is expected to be lower over the next 2-3 years.

The next EU Common Agricultural Policy discussions begin:

New EU priorities including defence, enlargement and migration challenge the capacity to deliver greater funding for environmental transition. As discussions around the next CAP begin (2028 onwards), it comes at a time where the CAP is increasingly being asked to do more. This involves looking beyond protecting family farm incomes and supporting the rural economy, to include the production of high-quality, safe food and increasingly protecting rural landscapes and the environment. In essence farmers will increasingly need to do more to get access to CAP funds and this creates a level of uncertainty around farm incomes into the future.

Bank of Ireland ready to support environmental ambition:

Bank of Ireland continues to be the leading lender to Irish farmers and the agri-food sector in Ireland with over €4bn invested across the Irish agrifood supply chain with over €1.2bn of this at farm level.⁵⁴ Banking over 80,000 family farms, many for generations, Bank of Ireland is confident about the future of the sector and is committed to supporting farmer's transition to a greener footprint. Banks have a unique role in helping to bridge the gap between finance and sustainability. We expect there will be a requirement for continued investment in infrastructure that improves the overall environmental sustainability of farms, and we will continue to work with farmers and stakeholders to support their future business requirements.



Sources:

^{1,2} CSO, Agricultural Price Indices June 2025

^{3, 5, 25, 26, 27, 28} Central Bank of Ireland: SME and Large Enterprise Credit and Deposits, June 2025

^{4, 24, 32, 34, 38, 53} Bank of Ireland data

^{6, 7, 8, 9, 10} FAO Food Price Index, August 2025

^{11, 12, 13, 14, 15, 16, 17} CSO, Agricultural Price Indices June 2025

^{18, 19, 20, 21, 22, 23, 29, 30, 35, 36, 40, 41, 42} Teagasc Situation and Outlook for Irish Agriculture, July 2025

³¹ Agriculture and Horticulture Development Board, UK, August 2025

^{33, 39} Irish Farmers Journal, August 2025

³⁷ European Commission, June 2025

^{43, 46} Environmental Protection Agency (EPA), 2025

^{44, 45} Eurostat, August 2025

^{47, 48} IBEQ, Dairy Industry Ireland, August 2025

^{49, 50, 51, 52} Bord Bia, Export Performance and Prospects 2024-2025, January 2025.

⁵³ Bord Bia, Analysis, June 2025



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