Agriculture Sector H2 2025 Insights and H1 2026 Outlook

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H2 2025 Insights

Weather continued to play a key role in the performance of the agricultural sector in 2025. Favourable weather throughout the year, delivered strong grass growth and improved crop yields. The value of total agricultural output in Ireland grew 9%[1] in 2025, with cattle and milk as key contributors. High production costs persisted in 2025, with higher prices for fertiliser and most other inputs, with the exception of concentrate feed. Compared to 2024, milk production increased 4%,[2] finished cattle volumes were 12%[3] lower, and crop yields in the main cereal crops were mixed in 2025.

In 2025, the annual average base milk price increased 6% (3c/L) to 48c/L.[4] Harvest '25 green grain prices decreased by approximately 10% to €185-190/T for green feed barely.[5] Average prices for finished cattle increased 40% to €7.14/kg in 2025 compared to 2024.[6] The average pig price reduced 6% (-13c/kg) to 207c/kg in 2025.[7]

Overall there was strong income growth with average farm incomes increasing 33% to €49,000 in 2025[8] driven largely by higher livestock and milk values and good weather. All major systems (dairy, beef, sheep, tillage) saw income rises relative to 2024. Despite market volatility and price declines for milk in H2, along with livestock number declines and persistent cost pressures, the sector ended 2025 in robust financial shape.

+6% YOY — Increase in base milk prices[9]

+40% YOY — Increase in finished cattle prices[10]

-10% YOY — Decrease in harvest grain prices[11]

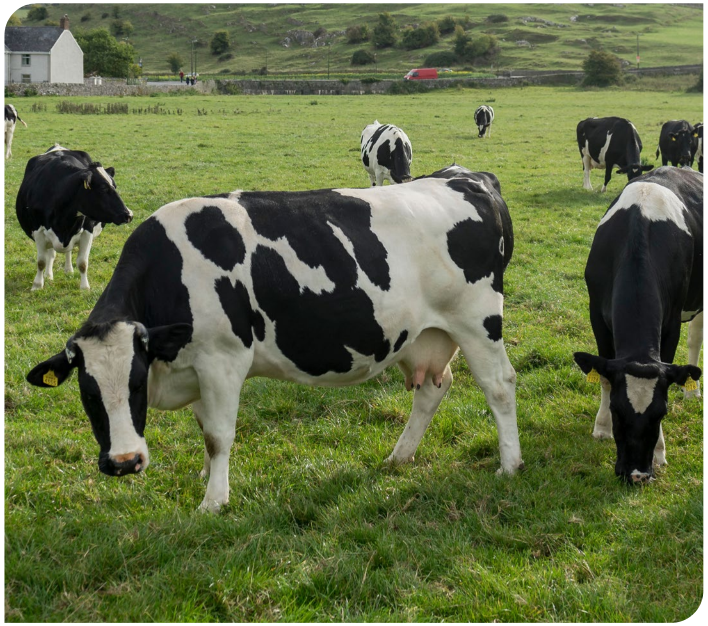
+33% YOY — Increase in average farm family incomes[12]

Key Trends

- Agricultural commodities are expected to remain soft over 2026 as global production remains ample particularly across grains and dairy.[13] Despite the oversupply, volatility will remain high, driven by weather shocks, geopolitics, and trade policy rather than underlying demand growth. Margins will favour low-cost producers, such as Irish dairy farmers with cost inflation easing but still elevated relative to pre-2020 levels.
- This year will see early positioning for the post-2027 CAP, with political debate on budgets, simplification, and competitiveness versus sustainability. Expect tighter conditionality, stronger enforcement of eco-schemes, and climate targets. There will be pressure to rebalance supports toward environmental delivery, generational renewal, and smaller or more vulnerable farm systems.
- In 2026 Ireland will operate under the newly approved Nitrates Action Programme, with the EU granting a three-year extension (2026-28) of its nitrates derogation, allowing higher organic nitrogen limits under stricter environmental conditions. The derogation relief recognises Ireland's grass-based system but is contingent on ongoing water quality assessments and stronger nutrient management measures. Future regulatory tightening is a live issue.

Key Trends (Cont.)

- There continues to be an ongoing threat of seasonal airborne diseases including highly pathogenic avian influenza (bird flu) as it continues to circulate widely in wild birds and poultry across Europe. Heightened biosecurity measures curb spill-over into commercial flocks. Bluetongue virus poses a seasonal risk in cattle and sheep, driven by midges, reinforcing the need for vigilant monitoring and potential vaccination. Another disease is African swine fever (ASF) which remains a persistent threat, particularly in wild boar populations with numerous cases reported across EU member states.
- This year geopolitical tensions continue to shape agri-food trade flows and risk, with fragmentation and tariff uncertainty influencing sourcing and market access. Major trade developments including the paused EU–Mercosur deal reflect pushback from farmers wary of import pressures. Broader trade policy shifts and diversifying partnerships are prompting de-risking and supply-chain realignment as countries hedge exposure to China, the U.S. and other blocs amid geopolitical competition.



Market Dynamics, Conditions & Drivers

- **Dairy:** Continued strong global milk supply driven by increased cow numbers, favourable weather and relatively cheap feed as a result of low grain prices will dictate dairy commodity prices in 2026. A period of lower prices will be necessary in order to return to a situation of balanced supply and demand. Lower milk prices are expected through the peak milk production period with an average base price for milk of 35c/L in 2026 forecast[14] - a reduction of 26% compared to 2025. Despite higher cull cow and calf prices buffering lower net margins, input costs are not expected to reduce. Therefore, average net margins are forecast to decrease by 45% in 2026 relative to the 2025 level.[15]
- **Beef:** Irish beef supply is expected to remain tight in 2026 coupled with lower beef supplies in the UK and EU. This will support relatively high prices in 2026, with average finished cattle prices forecast to increase 5% in 2026. As a result, margins on cattle farms are expected to continue higher in 2026 relative to long term averages.
- **Tillage:** Global grain production remains high, with major exporting regions harvesting large crops, keeping supplies abundant and near record harvest expected for the 2025/2026 season. This will continue to put pressure on grain prices for 2026 Harvest and into 2027. Current forward offered grain prices indicate that 2026 harvest prices will be similar to those of the 2025 harvest. Margins are expected to remain static in 2026 however this outcome will be largely dependent on weather over the coming months.
- **Pigs:** The sow population is expected to remain the same in Ireland in 2026. Pig prices are expected to decline 10% to €1.86/kg compared to 2025. Feed prices, the key input on pig farms are expected to reduce 2%. The margin over feed cost, is forecast at 61c/kg, down 23% (18c/kg) on 2025 level. The Irish pig sector generated good profitability in 2024, which continued into 2025. The outlook for 2026 is for the profitability of the sector to be marginal.
- **Poultry:** Avian Flu remains a critical risk in 2026. Recent outbreaks and EU wide bird flu incursions continue to threaten flocks. Disease risks could disrupt production, increase costs or cause temporary supply shortfalls. Continued rising costs for feed, energy labour and welfare improvements continue to squeeze margins.

H1 2026 Outlook

Against a backdrop of global geopolitical uncertainty coupled with a changing trade policy environment, 2026 looks like a year of consolidation for farming. Commodity prices are broadly stable to softer, costs remain elevated and margins stay tight, pushing farmers to continue to double down on efficiency rather than expansion. Those with scale, strong cost control, diversified income streams (mixed farming, sustainability payments, additional scheme payments coupled with manageable levels of debt should remain resilient.) The World Bank projects global agricultural commodity prices will remain broadly stable in 2026. Record global production pressures especially in grains and dairy are keeping prices subdued. Equipment and investment signals point to a transition phase, where farmers are cautious and focused on balancing cost pressures with the needs to modernise. Policy and trade will remain key determinants of competitiveness and market access in 2026. That said, given wider population growth and food demand tailwinds, family farms will continue to be central to global food systems, supported by international frameworks in the longer term.

-26%

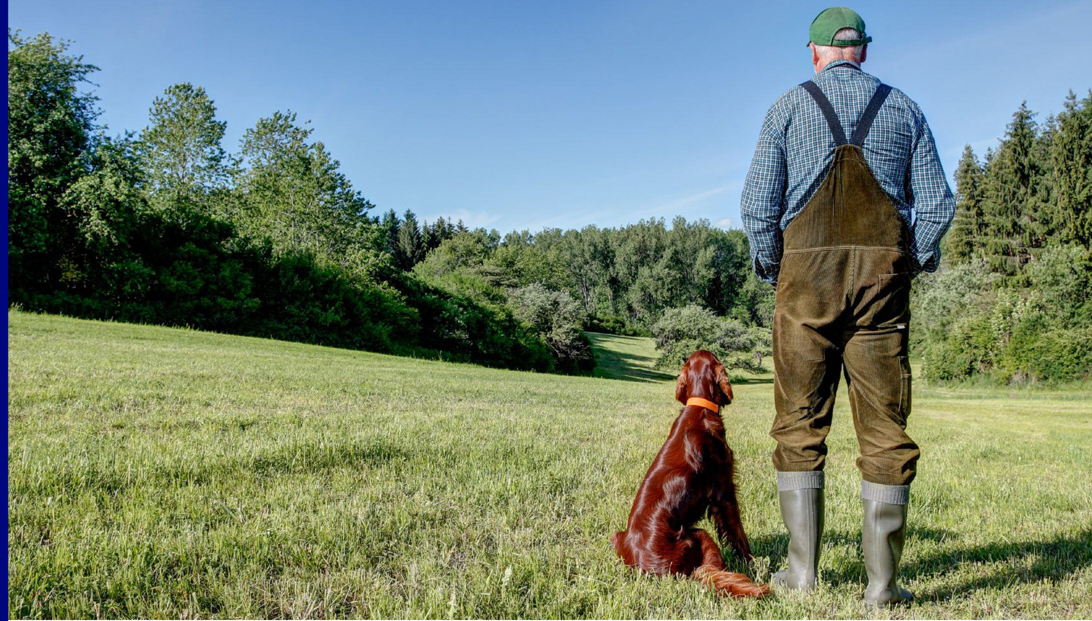
Reduction in Irish farm gate milk prices in 2026 v 2025[16]

+5%

Increase in average beef prices in 2026 v 2025[17]

+0%

No Change in Irish grain prices in 2026 v 2025[18]



Strategic implications and action points

Despite falling prices in the second half of last year, 2025 continues the recent trend where farm incomes were higher than 5 year past averages.[19] Farmers are coming into 2026 in a financially strong position continued relative to other years.

- Overdraft utilisation levels ended the year at the lowest level (11%) in over three years and are 9% lower than December 2024.[20]
- Farm deposits reached record levels in 2025- 11% higher than at year end 2024 and 40% higher than 5 years ago.[21] Data from the Central Bank suggests that farm-related deposits rose by >€0.5bn in 2025.[22]
- Total farm debt stood at €2.8 billion at the end of September 2025—5% higher than the same time last year and the highest level in over 4 years.[23] New lending increased 11% in Q3 mainly driven by increased investment in buildings and machinery along with land purchase due to higher profitability.[24]
- This shift highlights the confidence of farmers to invest in 2025, supported by strong deposit levels, changing regulations particularly around the environment along with tax planning.

2026 is expected to be a more challenging year in terms of profitability with tighter cashflows on some farms as the year progresses.

Bank of Ireland stands ready to support farmers who may need additional working capital during 2026, through a range of supports including Overdraft facilities, stocking loans, retro financing projects invested from own funds in the past 3 years along with sustainable finance products such as Enviroflex and the Green Business Loan.

Sources: [1,2,3] CSO, Department of Agriculture December, 2025 [4] CSO, 2025 [5] Irish Farmers Journal, 2025 [6,7,8,9,10,11,12,15,17,18] Teagasc, Outlook 2026 [13] World Bank, 2025 [14,16] Bank of Ireland analysis, 2026 [19] Teagasc, National Farm Survey, 2025 [20,21] Bank of Ireland Data, 2026 [22,23,24] Central Bank of Ireland: SME and Large Enterprise Credit and Deposits, 2025