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Agri Matters

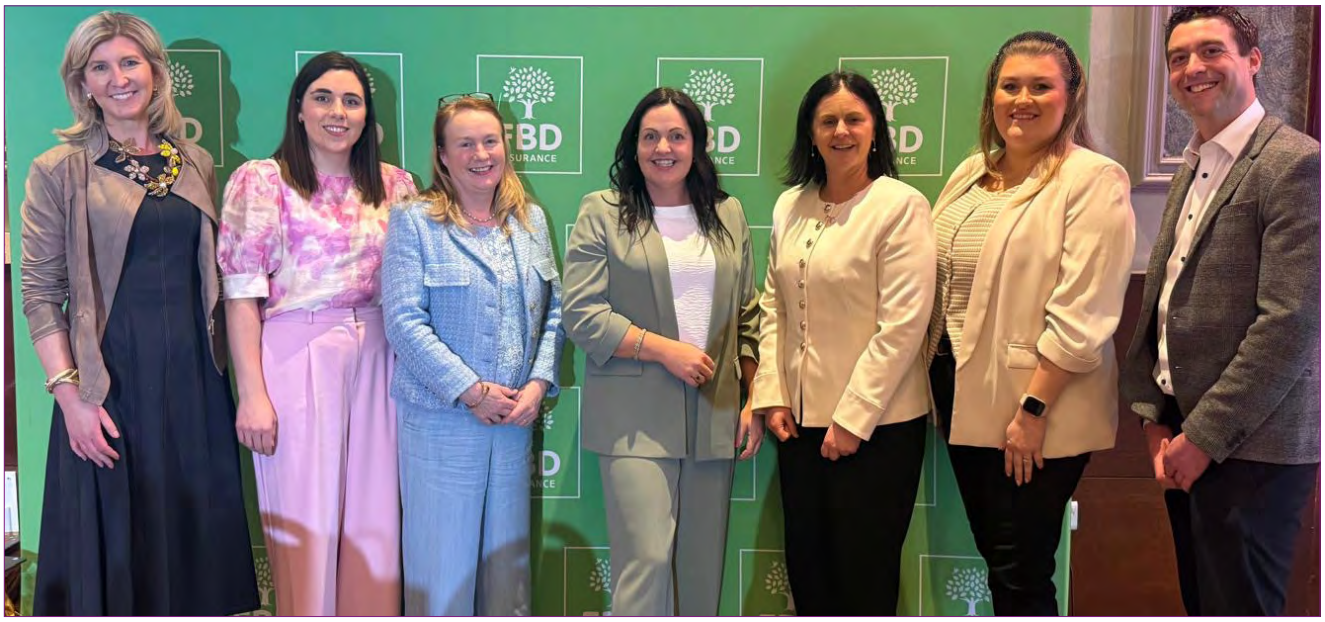
Spring 2026

Welcome to our Spring 2026 Edition of Agri Matters

Dónal Walsh
Chief Editor

Irish farmers are once again being asked to plan ahead in a world that feels increasingly unpredictable. A persistently wet start to 2026 has slowed early season progress, with saturated soils and limited field access adding pressure just as spring work should be gathering pace. Geopolitical uncertainty is also increasingly feeding through into farm economics. Ongoing conflict in the Middle East, fragile global trade relations and wider international instability are feeding through into fertiliser and energy markets, heightening price volatility across sectors. While output prices remain reasonably supportive in parts of the industry, cost inflation risks have not gone away. In this environment, disciplined decision making and close attention to both input costs and market signals will be essential to protect farm profitability through the year ahead.

This edition of Agri Matters reflects those challenges and priorities. Daniel Noonan from the AIB Economic Research Unit sets the scene with his financial update, examining the economic backdrop and what it means for farm margins in a more volatile global environment. With milk prices under pressure, Clodagh Forbes, Agri Advisor, then looks at breakeven milk prices in a low price year and the key levers dairy farmers can pull to protect profitability. Pat Butterly, Agri Advisor, builds on this by exploring how farmers can invest wisely in 2026, weighing when it makes sense to expand, upgrade or hold back. From a productivity and cost perspective, Teagasc's John Maher highlights the role of lime in improving soil performance and long term efficiency. Donal Whelton provides his regular review and outlook for the sector, while Agri Advisor Eamonn O'Reilly rounds out the edition interviewing one young farmer who has built a 250 cow share milking operation.



AIB Agri Team attend ASA & Macra International Women's Day Event
Pictured from L to R; Noreen Lacey, Head of Banking, IFAC; Nicola Fetherstone, AIB Agri Team; Agusta Waters, AIB farming customer; Hazel Scott, AIB farming customer; Kelley Lyons, AIB Agri Team; Clodagh Forbes, AIB Agri Team and John Farrell AIB Agri Team.

Donal Whelton AIB Head of Agriculture, Food & Fishing

Review & Outlook: Managing Risk and Opportunity in 2026

Donal Whelton
Head of Agri Sector

For many farm businesses, 2026 is about managing risk as much as driving output. Cashflow, cost control and timing of investment are firmly to the fore as farmers respond to a more uncertain trading environment. Market signals are mixed across sectors, reinforcing the need for careful planning and close monitoring of cashflow.

Global uncertainty continues to feed directly into farm economics. Geopolitical tensions, fragile international trade relationships and ongoing volatility in energy markets are contributing to fluctuating input prices, particularly for fertiliser and fuel. These pressures are playing out unevenly across sectors. While output prices remain reasonably supportive in parts of the livestock sector, margins will be squeezed by cost pressures depending on the length and impact of the Middle East conflict. In tillage, grain markets remain subdued relative to recent peaks, leaving profitability highly sensitive to yield and cost discipline.

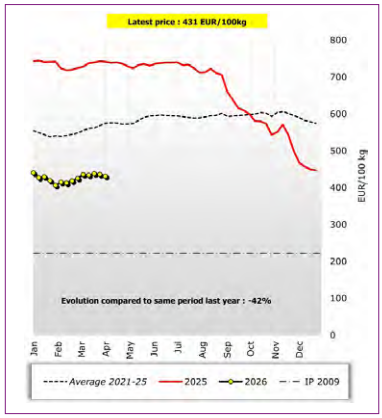
Policy and regulatory ambiguity also remains a key feature of the outlook. Some uncertainty remains around the long term future of the nitrates derogation, which continues to factor into planning decisions for dairy farmers, particularly where expansion or investment is being considered. Although a three year extension has been granted, longer term clarity would support greater confidence in decision making. Alongside this, animal disease risks such as Bluetongue, changing environmental requirements and evolving trade dynamics underline the need for vigilance at farm level. It seems for many farmers, challenge and uncertainty are no longer exceptions, but a routine part of everyday work.

Dairy

Irish dairy experienced a year of two very distinct halves in 2025. After two consecutive years of declining output, milk production rebounded strongly, supported by favourable grass-growing conditions across much of the country. Domestic milk intake for the year is estimated to have increased by 4.8%, with CSO data showing milk collections reaching 8.8bn litres in 2025[1]. This recovery was driven more by improved productivity than herd expansion, as national dairy cow numbers continued to edge lower, falling by an estimated 2.2% to 1.58 million head[1].

Milk prices during 2025 told a very different story depending on the time of year. Strong global demand and relatively tight international supply early in the year supported milk prices through the spring and early summer. The average Irish milk price for 2025 is estimated at approximately 53c/l (VAT inclusive, actual constituents) 'boosted by strong early-year pricing, representing a modest increase on 2024 levels and contributing to a strong income performance for many dairy farms[2]. However, this headline figure masks a sharp and rapid deterioration in market conditions from mid-summer onwards.

By the second half of 2025, global milk supply responded aggressively to earlier price signals. Strong production growth across the EU, the US and New Zealand led to a surplus of dairy products on international markets. This was particularly evident in butter, a key component of Ireland's product mix, where European prices fell sharply during Q4. EU butter prices declined by more than 30% between July and December 2025, placing significant downward pressure on processor returns.



Weekly EU Butter prices[3]

These market movements fed directly into Irish farmgate milk prices. Base milk prices fell in the second half of the year, with the average base price for December supplies dropping to approximately 35c/l, at levels generally viewed as below the estimated average cost of production range of 35–42 c/l[2,4]. This marked a sharp reversal from June 2025, when average base prices were close to 49c/l, and significantly altered sentiment across the sector heading into winter.

Despite the late year price drop, overall dairy farm margins for 2025 remained positive. Higher fertiliser usage and prices were offset by steady concentrate costs and manageable energy prices. Strong cull cow and calf prices provided an important buffer, adding materially to farm income. As a result, average net margins are estimated at over 21c/l, making 2025 one of the stronger income years for Irish dairy since 2022.

Outlook for 2026

The outlook for 2026 is more challenging. The year begins with dairy markets still working through excess supply, a low milk base and most indicators suggest that lower milk prices will persist through the first half of the year. Industry analysts and processor guidance point towards an average milk price of approximately 42–43c/l for 2026, with prices during the spring peak likely to remain in the mid 30s c/l range. Any meaningful recovery is not expected until the second half of the year and will depend on a slowdown in global milk production growth.

Forecasting input costs in light of the Middle East conflict is difficult as fuel costs are far from certain and fertiliser prices will remain elevated due to global uncertainty, regulatory pressures and carbon-related costs. Taken together, total dairy production costs in 2026 are expected to surpass 2025 levels, leaving farm incomes highly exposed to milk price movements. With output value per litre forecast to fall, and costs largely volatile, dairy margins are expected to contract. While strong beef prices will again help cushion the blow, overall income levels on dairy farms are set to come under pressure.

[1]Central Statistics Office; 2Teagasc, Outlook 2026; [3]European Union, European Milk Market Observatory; [4]IFAC, 2026

In this environment, efficiency — not expansion — will define 2026. Farmers with strong grass utilisation, compact calving patterns and tight cost control will be best placed to weather the dip. While the short term outlook is difficult, the underlying fundamentals of Irish dairy — a low-cost, grass-based system with strong export market access — remain intact. As supply and demand rebalance, the sector is well positioned to recover, but 2026 will likely test resilience, discipline and financial planning across dairy farms nationwide.

Sheep

Sheep markets continue to reflect firm underlying fundamentals, underpinned by constrained supplies and steady consumer demand. This supply tightness is increasingly structural, with the national sheep flock declining to approximately 5.1 million head in 2025, down from around 5.7 million in 2023, contributing to lower lamb output and tighter availability. Recent factory activity highlights the ongoing strength in the trade, with hogget prices moving up towards €9.46/kg (inc. VAT), while spring lambs have opened at close to €10.30/kg (inc. VAT), reflecting very tight early-season availability and strong competition among processors[5]. This divergence between hogget and spring lamb pricing underlines the premium being paid for new-season supplies as throughput remains subdued.

On the supply side, sheep throughput remains below recent years with year to date running 16% behind the same period last year, although the gap has narrowed modestly as seasonal supplies have improved. Lower processing volumes reflect a smaller national flock and reduced lamb output following tighter ewe numbers, trends that are broadly mirrored across the UK and wider EU.

Looking ahead, the outlook for the sheep sector remains positive. Continued supply tightness, together with supportive policy measures such as enhanced payments under the sheep welfare scheme, will underpin farm incomes. Constrained output and firm market demand points towards a stable and relatively profitable year for sheep producers.

Beef

Last year the Irish beef sector benefitted from firm demand and tightening cattle availability, which supported historically strong price levels. However, factory base quotes have eased in recent weeks, with steers currently being quoted at around €7.60/kg (inc. VAT), heifers typically trading slightly higher, and select lots continuing to attract premiums[5]. While prices remain well ahead of longer term averages, reflecting the increasingly constrained supply environment, the recent pull back has had a more pronounced impact on certain production systems.

In particular, winter finishers are coming under renewed margin pressure. This has been especially challenging for producers who purchased stock at elevated prices in autumn, leaving limited scope to absorb any softening in factory quotes.

Throughput data continues to confirm the tightening supply picture. Year to date cattle throughput at Irish plants is running approximately 16% below the same period last year, with prime cattle supplies down over 13% and cow throughput declining by more than 23% YoY[5]. This reflects the smaller national herd, strong live export activity in recent seasons and tighter on farm availability following elevated culling in previous years.

Looking ahead, reduced processing throughput points towards continued supply tightness through the year, which should underpin cattle prices provided consumer demand remains steady. While margins for winter finishers remain under pressure in the short term, particularly where cost bases are high, the overall outlook for the Irish beef sector remains one of firm fundamentals and supportive pricing relative to historical norms, notwithstanding ongoing market and political volatility.

Pigs

The pig sector continues to demonstrate resilient supply levels despite softer price trends in recent months. Irish Grade E pig prices have stabilised at approximately €1.81/kg (inc. VAT), remaining below last year's levels (-15%) but broadly steady week-to-week as processors maintain relatively consistent base quotes. Across the EU, prices have improved with the European average around €1.65/kg (inc. VAT), albeit behind the same time period last year, reflecting ample supply across key producing regions[5].

On the supply side, slaughter throughput remains robust. Combined throughput for the opening ten weeks of 2026 exceeded 677,000 head, running approximately 30,000 head ahead of the same period in 2025. Fattener pig throughput in particular is estimated to be up over 5% YoY, indicating continued strong production flows[5].

Looking ahead the steady increase in throughput suggests that supply availability will remain comfortable in the near term, which may continue to cap price recovery. However, stable processing demand and disciplined output growth are expected to support overall market balance. As a result, the outlook for the Irish pig sector is one of stable throughput and relatively steady pricing, with producer profitability likely to remain closely tied to feed cost movements and broader EU market dynamics over the remainder of the year.

Tillage

The Irish tillage sector is entering the 2026 season from a subdued position. Native spot prices for wheat and barley are currently trading in the €210–€220/t range, broadly unchanged year-on-year but notably more stable than in recent seasons. Forward indicators have strengthened, with MATIF December 2026 wheat pricing around €10/t above nearby values, reflecting tighter global supply dynamics and heightened geopolitical risk in key exporting regions. Recent Middle East conflict has reinforced upside margin risk given the uncertainty on oil and gas markets and also impacting on fertiliser supply and price.

On the supply side, harvest 2025 marked a recovery for the sector. Total Irish cereal production is estimated at approximately 2.23m tonnes, above the five-year average, driven by improved winter crop yields and a return to more normal planting conditions. While total tillage area remained broadly stable, higher cereal output reflects favourable weather at key points in the growing season. Internationally, global grain production remains historically high, though slightly reduced forecasts and lower opening stocks point to a marginally tighter supply-demand balance.

Looking ahead, margins remain sensitive to input costs, with fertiliser pricing emerging as a key risk for the 2026–2027 cropping seasons. While input inflation has eased from peak levels, renewed volatility could influence planting decisions and production intensity. Overall, the outlook for the Irish tillage sector is cautiously positive, supported by steadier prices, improved yields, and resilient farm management, albeit against a backdrop of ongoing cost and market uncertainty.

Outlook

Looking ahead, the year will reward those who remain financially disciplined and adaptable. Strong cost control, without impacting the underlying performance of the business, clear understanding of breakeven points and careful sequencing of investment will be critical in protecting cashflow and long term viability. While challenges persist, there are also opportunities for well managed farm businesses that can respond proactively to market signals and continue to build resilience in an increasingly uncertain operating environment.

[5]Bord Bia, Market Trends

Irish economy remained resilient throughout 2025

Daniel Noonan
AIB Economic Research Unit

Unsurprisingly given the open nature of the Irish economy, uncertainty – largely stemming from frequent changes in US trade policy – had a significant impact on headline growth last year. Data from the CSO indicates that despite contracting in each of the final two quarters of the year, Irish GDP surged by 12.3% overall in 2025. This was largely driven by a massive frontloading of exports in the first half of the year, as firms tried to avoid higher tariff rates from the US. Indeed, goods trade data shows that exports jumped by 37.6% year-on-year in H1 but fell by 3.5% annually in H2. In total, goods exports were 16.4% higher in 2025 compared to 2024. An increase in pharma related exports (up 39%), due to the emergence of weight-loss drug production in the south of the country, also contributed heavily to the rise in total exports.

Meanwhile, the domestic economy remained solid in 2025. Modified domestic demand (MDD), a better measure of how the domestic economy is performing compared to GDP, expanded by 4.9%, up from 1.8% in 2024. However, this was partly due to an increase in investment in intangible assets and airplanes in Q3, which may have inflated growth compared to underlying activity in the economy. Indeed, other indicators point to a more modest pace of expansion, with gross-value-added from domestically orientated sectors rising by just 0.9% in 2025. The national accounts data also show that personal consumption and government expenditure rose by 2.9% and 4.1%, respectively, last year.

Other metrics indicate that the Irish economy continued to perform very well last year. The labour market, in particular, remained in robust shape, albeit conditions softened somewhat. Employment rose by 2.2% in 2025, down from 2.7% and 3.4%, in 2024 and 2023. Meantime, the unemployment rate drifted slightly higher, averaging 4.7% last year compared to 4.3% in 2024. However, the data need to be put into perspective. There are now over 2.83 million people at work in Ireland, up by around 20% (or 464,000) since the start of this decade. Furthermore, a jobless rate below 5% is essentially full employment in the Irish economy. The continued strength of the labour market contributed to a 4.3% increase in the total income tax take, while steady rises in VAT receipts (+4.3%) and excise duties (+3.7%) also suggest that economic activity expanded at a solid pace last year.

Healthy conditions in the labour market also gave rise to sustained wage growth, with average weekly earnings increasing by over 4% in 2025. Importantly, this means that for a second consecutive year, real wage growth (wage growth minus inflation) was positive. Headline HICP inflation (the EU-wide standard measure) averaged just 2.1% last year, despite significant base effects in the second half of the year, as policies announced as part of Budget 2024 lapsed (most notably, cuts to third-level education fees and energy cost credits).

Turning to the agricultural sector, the preliminary estimate from the CSO shows that the total operating surplus rose by 29.1% last year, to €5.5bn, due to a significant increase in the value of cattle. However, the CSO notes that the figures are provisional estimates and that they are subject to revision up until the final reading, which is generally released in June. Nevertheless, looking at the key underlying trends for 2025 from the data that are currently available, cattle prices moved 43% higher, albeit volumes were down by 4%, meaning their value grew by €1.2bn (36%) to €4.2bn. The value of milk production increased by 10% to €4.5bn last year. Similar to cattle, the price of horses rose but volumes fell, resulting in a 14% rise in overall value. Elsewhere, both prices and volumes of poultry increased, lifting the value by 9%. The value of pigs and sheep remained broadly static last year. Crop output fell by 3.7% to €2.7bn in 2025, as an increase in cereal volumes was offset by a fall in prices, and the value of forage plants and other crops declined.

Exports of food and live animals jumped by 10.1% last year to €16.7bn. Furthermore, the rise in exports was broad-based, with all sub-categories except cereals expanding. The value of meat and dairy exports led the way, however, and remained by far our largest agri-related exports. The former increased by 12% and the latter by 15.3%. Geographically, agri and food related exports to all of our key partners except China rose last year. The EU remained our largest trading partner in the sector, hoovering up 38% of our exports, followed by Great Britain (28%), Northern Ireland (13%), the US (6%), and China (2%).

Meanwhile, the CSO estimates that the cost of farming inputs rose outright by 2.5% in 2025, primarily due to an increase in the price of fertilisers, which rose by around 5%. The volume of fertilisers bought also rose sharply by 16%. At the same time, expenditure on animal feed was up by 3.5%, despite a 2% fall in prices. Similarly, farm spending on wages and contract work is projected to have increased by 8.1% and 2.8%.

Looking ahead, it is clear that the outlook for the Agri-sector, much like the wider Irish economy, will depend on the evolution of the global economic backdrop. A more protectionist US, as well as heightened geopolitical tensions, has created an uncertain global trading environment. Indeed, the recent US Supreme Court ruling, barring the Trump administration from using the International Emergency Economic Powers Act to conduct its trade policy, appears to have scuppered the EU-US trade framework reached last July, which limited tariffs on EU exports to the US to a maximum 15% rate, and provided significant carve outs for some of Ireland's key exporting sectors. Although the White House is continuing with its protectionist view of the world via other legal means, the recent episode serves as a reminder that significant uncertainty remains regarding the eventual landing spot for trade relations between the EU and US.

Initially, another year of steady growth was anticipated for the global economy this year, with the IMF expecting that headwinds from shifting trade policies would be offset by tailwinds from continued investment in technology, particularly AI-related infrastructure. Against this backdrop, in its latest Quarterly Bulletin released in Q4 2025, the Central Bank of Ireland (CBI) noted that the Irish domestic economy was expected to expand at a solid pace out to 2028, supported by resilient household consumption and an uptick in construction activity related to housing. Overall, the CBI was pencilling in MDD and GDP growth of 2.8-3.0% and 3.2-3.4% per annum between 2026-2028.

However, the emergence of the war in the Middle East, and the associated disruption to the world's energy markets has cast a large shadow over these forecasts. The outlook for the world, and in-turn, the Irish economy has become more uncertain. The IMF has warned that a sustained 10% rise in oil prices could add up to 0.4 percentage points to global inflation. Recently, brent crude has flirted with the $100 per barrel level, which is up by over 60%

since the turn of the year, meaning inflation could be around 2.5 percentage points higher in 2026 globally, than previously expected. Much will depend on how long the conflict continues for, and if oil and gas exports from the region can return to their pre-war levels in a timely manner. The risks of another inflation shock have undoubtedly risen though.

While Ireland is exposed to the energy price shock, it should be noted that we have built-up significant fiscal resilience. In particular, the continued surge in tax receipts (albeit heavily reliant on the FDI sector) means that the Exchequer has recorded substantial surpluses in recent years. At the same time, household and business balance sheets remain in a healthy position, characterised by low debt levels and high savings. Together, these factors provide a buffer which should help the economy navigate another potential crisis.

AIB CEO Colin Hunt at the National Ploughing Championships

Connecting with Customers at the Heart of Irish Agriculture: AIB CEO Colin Hunt at the National Ploughing Championships 2025

Breakeven Milk Price in a Low Milk Price Year: Outlook and Strategies

Clodagh Forbes
AIB Agri Advisor

As we move into 2026, dairy farmers are facing a more challenging milk price environment. Following a period of relatively robust payouts through 2024 and early 2025, milk prices have weakened amid global oversupply and softer commodity markets. In Ireland, farmers achieved record milk intake levels in 2025, with production reaching 8.84 billion litres, a 5% year on year increase. Against this backdrop, analysts are currently forecasting base milk prices in the region of 36–37 cent per litre in the first half of the year.

At the same time, production costs on many Irish farms—driven primarily by feed, energy and labour—remain elevated, with the estimated average cost of production range of 35–42 c/l. This creates a challenging margin dynamic, with breakeven milk prices on some farms exceeding both current and forecast base prices. Operating below breakeven, even for a relatively short period, can quickly erode profitability and place pressure on cash reserves.

A practical example illustrates this clearly. For a 100 cow spring calving herd, total farm income of approximately €316,000 (including non milk sales) may generate a surplus before drawings, tax and financial repayments. However, once household expenditure, tax and loan repayments are accounted for, the effective cost base can translate into a breakeven milk price of approximately 43.7 c/l. At a projected milk price of 40 c/l, this type of system would face an annual cash deficit of c. €19,000, underlining how easily margins can turn negative in a lower price environment.

In this context, cash flow management becomes critical. The first step for any farm business is to identify potential cash flow shortfalls early. This means preparing realistic cash flow forecasts under multiple milk price scenarios and assessing upcoming commitments against expected income. Working with an accountant or financial adviser to stress test budgets can help flag liquidity pressures before they become acute. We would also encourage farmers to prepare their 2025 financial accounts as early as possible, allowing any emerging tax liabilities to be identified and planned for.

Where a deficit is identified, the next step is to determine the scale, timing and duration of any funding requirement. In some cases, short term cost adjustments may be sufficient; in others, more structured financial support may be required. Understanding this upfront enables informed and constructive discussions with your bank around the most appropriate solutions. Within AIB, a range of supports are available, including working capital facilities, term loans, and retrospective financing of capital expenditure incurred in the past 18 months.

To support this process, AIB has also made available a blank breakeven milk price template, allowing farmers to input their own costs, drawings and repayments to calculate a farm specific breakeven price. This practical tool can help inform decision making and provide a clear basis for conversations with advisors and lenders.

We strongly encourage farmers not to wait until financial pressure peaks before engaging. Early, proactive conversations enable tailored solutions that align with the individual farm business and help bridge periods of lower milk prices while protecting long term viability. If milk price pressure or breakeven concerns are emerging on your farm, early engagement remains the key to navigating a more challenging year successfully.

Table 1. How to calculate your Breakeven Milk Price

Example: 100 cow Spring Calving dairy herd		(€)
Farm Income (incl €35,950 non-milk sales)	316,450	
Farm Expenditure	173,400	
Surplus before drawings, tax & financials		**143,050**
Less:		
Household expenses	52,000	
Taxation	14,500	
Financial repayments	18,500	
		85,000
Net Surplus		**58,050**

Break-even Calculation	c / litre
Co-op Milk price received	**55**
Less Net Surplus in c/litre (€58,050 / 510,000 litres)	**11.3**
Break-even milk price	**43.7**

Table 2. Blank breakeven milk-price template

Example: 100 cow Spring Calving dairy herd	(€)
Farm Income	
Farm Expenditure	
Surplus before drawings, tax & financials	
Less:	
Household expenses	
Taxation	
Financial repayments	
Net Surplus	

Break-even Calculation	c / litre
Co-op Milk price received	
Less Net Surplus / litres of milk	
Break-even milk price	

Make Lime a Priority in 2026

John Maher
Teagasc

In the National Climate Action Plan, there is a target to use 2.5 million tonnes of lime annually. The Department of Agriculture reported recently that in 2025 we used just 1 million tonnes of lime. We need to use more lime. It's a win-win technology – good for the farmers' pocket, good for reducing greenhouse gas emissions and good for water quality.

Lime is the key to unlock and increase the efficiency of the main sources of nitrogen (N) – Soil N, Organic N (cattle slurry / FYM) and Chemical N (fertiliser). Nitrogen is a key driver of our productive agricultural systems, with a demand for increased nitrogen use efficiency (NUE) to maintain farm productivity levels. This has been driven by a continued tightening of farm N limits, plus increased fertiliser prices due to carbon taxes and trade tariffs.

Improving nitrogen use efficiency delivers many benefits: reducing farm N balances, maintaining productivity, improving profitability and reducing potential losses of N to the environment. Improving NUE is a key sustainable farming practice and plays a significant role in mitigating the impacts of climate change.

Correcting soil pH to the optimum level for the specific crop is the starting point for improving the supply of soil N. High levels of soil acidity will impede soil N supply from soil organic matter, and increasing the soil pH has the potential to increase N supply by up to 30 kg N/ha/year on a drystock farm and up to 70 kg N/ha/year on a dairy farm. This offers a financial saving in fertiliser N bills of €35 to €80/ha/year. It is very important to adjust N application rates to account for increased soil N supply when soil pH has been optimised.

Target pH is 6.3 to 6.5 for grass and 6.5 to 6.8 for grass-clover swards on mineral soil types.

Research from Teagasc, Johnstown Castle shows that maintaining higher soil pH levels reduces nitrous oxide (N_2O) emissions by up to 39%. Nitrous oxide is one of the most powerful and destructive greenhouse gases (GHGs). Lime is the regulator of soil pH level, which has a large effect on the biological processes responsible for the release of nitrous oxide from our soils.

Now is the ideal time of the year to:

- Check soil test results
- Identify total farm lime requirements
- Prepare a liming plan
- Put a budget in place for lime in the months ahead

Rules of Thumb:

1. Only apply lime based on a recent soil test report.
2. Leave 7 days between applying urea / slurry and lime (no interval for Protected Urea).
3. Leave 3 months between liming and cutting grass silage.
4. Don't exceed 7.5 t/ha in a single application.
5. For reseeds / tillage crops, work lime into the seedbed prior to sowing.

Correcting soil pH is the first step to reducing farm carbon emissions, and thus the carbon footprint of the food that we produce. Make lime a priority in 2026 while reducing our dependence on imported chemical N.

Lime: A Case Study

John Leahy
Dairy Farmer, Co. Limerick

John Leahy runs a 120-cow dairy farm in Athea, Co. Limerick. The land is quite heavy and located in a high rainfall area. It became clear to John, after visiting many other dairy farms, that if the farm was going to perform well and grow grass, the pH of the soil was going to have to improve. A decision was made to put a very strong focus on lime application.

After soil testing, the pH was low at around 5.5 on average across the whole farm. Lime application became the priority investment for the farm and the pH increased from an average of 5.5 to 6.2 over a three-year period. About 120 tonnes of lime was applied per year, accounting for about 10% of the total fertiliser and lime spend each year.

John was a bit of an opportunist when it came to getting lime applied. The contractor applied lime at different times during the year — at reseeding, after a cut of bales, and during longer grazing rotations in spring and autumn.

"Grass growth turned around on the farm. Grass has a healthier appearance and responds much quicker to nitrogen fertiliser application. I think it has also improved the drainage on the heavier soils on the farm. Cows graze the sward out a lot better."

For a relatively small spend, a large financial return is achieved over time. Once the target pH is reached, about €15/acre/year will go a long way towards keeping the farm at the right lime status.

How to Invest Wisely in 2026: When to Expand, Upgrade or Hold Back

Pat Butterly
AIB Agri Advisor

When studying agriculture in UCD, I remember Professor Sheehy saying that a business that fails to invest is a business that is going out of business. I remember thinking, 'what is he talking about?' At the time, I didn't really understand the meaning or implications of what he was saying. However, having come from an agricultural background followed by 7-8 years working in the Agri-industry and a further 23 years with AIB, I now fully understand that farmers need to continually invest and reinvest in their businesses to ensure their farm operations remain resilient and viable.

Irish farmers have used bank finance of approximately €650m to €700m per annum to invest into their farms over the past decade, not including cashflow investment, and this has resulted in Ireland being one of the most competitive, efficient, sustainable and green producers of food in the world[6].

Investment on farms has often been undertaken to expand and increase output, and we've seen this, in particular, with the expiry of milk quotas and the expansion in dairy cow numbers over the past decade.

Other farmers have opted not to increase output and instead have looked at improving profitability on their farms by improving efficiency (investing in grazing infrastructure, reseeding, milking facilities) and making investment in areas such as this may be the most appropriate approach for them. I recently reviewed the financial accounts for two pig farmers. The accounts showed similar profitability despite one farming 400 sows and the other farming 1,000 sows. Both farms had similar debt levels; however, the 400-sow farmer had built up considerably stronger cash reserves. In this instance, the 400-sow farmer may be in a better position to expand his pig operation. The 1,000-sow farmer on the other hand would be better placed investing and focusing on areas to improve profitability on his existing unit before considering expansion. This approach would be more rewarding from a profitability perspective, with both the borrowing costs and the associated risk profile considerably lower than those associated with expansion.

Others may have farms that are already fully developed, with substantial machinery and infrastructure in place. In these cases, maintaining strong profitability may mean that investment is primarily focused on replacing or maintaining machinery to sustain the farm operation and ensure its viability into the future. This may be the most appropriate investment approach for such farms. This is something we see more often with tillage farmers, where machinery investment is financed by replacing or renewing existing loans.

Others have invested to diversify into new farming enterprises or systems. Examples include new entrants to dairying, farmers entering contract rearing arrangements with dairy farmers, as well as those moving into contract pig fattening operations or investing in poultry. These farmers undertook this investment to either diversify away from their main core farming enterprise or to obtain another income source.

Then there will be other farmers that may have completed a significant amount of investment in recent years and for them a period of consolidation is the approach they take where they strive to ensure the investment delivers the projected return per their business plan. Even with excellent management, farms in the initial years of expansion rarely achieve the levels of on-farm efficiency that existed prior to expansion. For a dairy farmer an increased proportion of heifers in the herd will result in lower output per head, while some herds adopt lower culling rates in order to increase cow numbers, and this may compromise the overall performance of the herd for a period.

The level of investment undertaken will vary significantly between farms and will depend on factors such as the farm's stage of development, available resources, the age profile, future goals and ambitions of the farmer and whether a successor is in place.

Whatever investment is taking place on a farm, be it expansion, improving efficiency, land purchase or diversification, the number one priority and the most important aspect before one undertakes this investment is to determine the repayment capacity from the farm.

My first question to farmers seeking finance is: what is the underlying income that their farm can realistically generate? This income then must be sufficient to meet tax, personal living expenses, and financial commitments as and when they fall due.

My advice to any farmer approaching their bank is to examine their most recent 3 years financial accounts and work out what level of repayment capacity they show.

Most farmers will have a good understanding of the revenue they generate from their farm, as they examine and focus on the importance of stock sales and farm subsidies. On the other hand, there is not the same understanding of their true cost base which can be ascertained from their financial accounts.

The most recent financial accounts are the starting point for banks in the assessment of repayment capacity for any farmer. The farmer should examine if this is a realistic guide to their income going forward, and if it is not, then they need to complete a business plan including financial projections to outline the expected farm income going forward.

The following table is a brief summary of the farm income based on an examination of the financial accounts for a tillage farm operation and contractor. The farm is showing an above average level of profitability with the 3-year profitability amounting to €82,178. The accounts were showing the household taking drawings out of the business at an average of €33,000 per annum. The average tax liability was c. €8k per annum and existing leasing repayments amounted to €23,000 per annum. After allowing for drawings €33,000, tax €8,000 and €23,000 leasing repayments there is a surplus of €18k available based on the track record of profitability to meet repayments on a new loan. The question then is will the proposed investment improve profitability and the farmer should be clearly outlining the basis for this in discussions with the bank. This may be the case if 30 acres of land becomes available which will aid to the underlying profitability on the farm.

[6]Central Bank of Ireland

Table 3. Tillage Farm income Operation

Sales	Mar-23	Mar-24	Mar-25	3 year average
Grain Sales	€170,458	€153,803	€141,458	€155,240
BISS/CRISS/ECO	€30,840	€31,382	€44,757	€35,660
Other Income	€14,625	€14,116	€37,764	€22,168
Total Sales	€215,923	€199,301	€223,979	€213,068
Total Variable Costs	€88,014	€86,720	€75,646	€83,460
Total Fixed Costs	€56,728	€40,706	€44,856	€47,430
EBITDA	€71,181	€71,875	€103,477	€82,178

When a neighbouring farm comes up for sale, it is only natural that adjoining landowners will consider purchasing it. I have often met farmers who have approached the bank enquiring about financing a land purchase, however they have not looked at their own capacity to undertake this loan. For some it is the right investment and for others it is not. Land purchase as an investment makes sense when it is to expand an already efficient, well managed farm operation. Investing in farm facilities, upgrading machinery, technology, the herd and farm buildings is a much better and stronger investment where the efficiency on said farm is below the level it should be as with the case of the pig farm example earlier.

Expansion makes sense for those farmers who:

- Have a history of strong technical and financial performance.
- The farm enterprise/business is built on solid foundations.
- A successor is identified or in place on the farm, helping with the management of the farm and will be there to continue operating the farm going forward in a sustainable and viable manner.
- There is a proven ability to manage key risks to the business – for a dairy farmer this may mean they have access to a grazing block which is secure to sustain the existing farm operation. It may also mean that their farm is fully compliant with Nitrates regulations.

There may be times when it is wise to hold back on investment, particularly where there is significant reliance on bank finance. This may be the case where:

- No own funds / savings built up to support the farmers input into the proposed investment.
- Lot of investment in recent years and where farm has high level of debt in place with the result that timing is not appropriate for more investment on the farm.
- No buffer fund in place or working capital facilities are at a low level for the existing operation to cope with the potential volatility in farm incomes.
- No successor identified to assist with managing the farm going forward.
- The timing of the expansion may not be right. A few more years to reduce existing debt levels and / or build up a cash buffer may be a better option and / or to see the cash benefits from the recent expansion flowing through.

Irish farmers have invested wisely in their farms. The Agri sector remains a key and important sector for AIB and the wider economy, and we are committed to supporting the continued and significant investment farmers make in developing their businesses.

Forging a Future in Dairy: Lessons in Investment, Finance and Farm Resilience
Pictured (left to right): Donal Whelton, Head of Agri, AIB (Chair), David Fogarty, Dairy Farmer, Katie O'Toole, Dairy Farmer and Christopher Cahill, Dairy Farmer at the annual Irish Grassland Association Dairy Conference

‘New Roots: How One Young Farmer Built a 250 Cow Share Milking Future’

Interview with Christopher Cahill, farming in partnership in Delvin, Co. Westmeath

Chris Cahill

Cavan native dairy farmer Christopher Cahill was announced as the winner of the 2024 FBD Young Farmer of the Year in September 2024. Christopher’s journey into farming could be classified as unorthodox. Christopher has kindly offered to give us some insight into his journey to date.

Christopher’s family comes from farming roots however his immediate family are not directly farming. His initial interest commenced from spending time on his uncles’ farms where he advises he ‘developed his initial grá for farming’. Helping during weekends and summers alongside his uncle, who milks cows, his real interest in dairy farming began.

After completing his second-level education in 2011, Christopher decided to pursue a career in agriculture, as he knew he wanted to work within the greater Agriculture sector. He completed the BAgrSc Dairy Business degree in UCD and subsequent Master’s degree in Sustainable Agriculture, also from UCD.

Entry into farming in his own right was always to the forefront of Christopher’s ambition however access to own/family land was his main limiting factor.

Following his studies, he initially went to work in industry, spending almost six years as a Technical Specialist progressing to Dairy Nutritionist with Lakeland Dairies. This role gave him continual exposure to Lakeland Dairies suppliers and helped to hone his technical knowledge of dairy farming. Every interaction with farmers who were running highly efficient farm businesses further fuelled his drive to try and do it himself.

Can you outline how you first connected with your business partner and how the business has developed since those early days?

Throughout my time with Lakeland, I was constantly searching for my own opportunity. I explored many potential lease and collaboration options which, for various reasons, did not work out. The key to any partnership being the ability of two parties to work together.

In 2021, facilitated by the Macra Land Mobility Service, I was fortunate to get the opportunity to be introduced and subsequently agree terms with landowner Tony McCormack, from Delvin, Co. Westmeath. Tony had been milking 110 cows with all offspring kept to forward stores whilst also working off-farm. With no immediate successor identified, Tony was looking for a way to step back from the day to day farm operations but still wished to remain as an active farmer.

The partnership officially began on 1st January 2022. In the intervening years, we have expanded the herd to 250 cows, with followers contract reared. We have installed the necessary infrastructure to support this expansion and are now seeking to consolidate the farm business at 250 cows and are starting to see the real potential from the herd coming to fruition. Tony owns 90 hectares, of which 69 hectares form the grazing block, and we also lease an additional 20 hectares from Tony’s brother. Stocking rate is relatively high on the grazing block at 3.5 LU/ha, while overall stocking rate across the farm is 2.2 LU/ha.

What do you see as the main profit drivers for your business?

A strong emphasis is placed on grass management. This farm is of mixed soil types, from dry free draining to some peaty soils, which provides us with both opportunities and challenges. We aim to maximise grazing whenever possible. In 2025, we grew 14.75 t DM/ha across the whole farm with 180 kg of chemical nitrogen per hectare. Over the past four years, 80% of the farm has been reseeded, with a strong focus on clover inclusion — red and white clover in grazing swards and red clover in silage swards. Cows were grazed from 8th February to 18th November 2025, missing just five days during this period where grazed grass was not included in the diet. We sold just over 460 kg MS per cow in 2025, with the herd still relatively young at an average of 2.4 lactations. Based on the genetics within the herd, I am confident we will surpass 500 kg MS per cow in the coming years as the herd matures. The two key drivers of profitability on this farm are grassland management and herd genetics.

Did you find initial funding a challenge in getting started?

Initial funding was my first major challenge; I initially approached the bank seeking funding for in-calf heifers for my first possible partnership however I had a low level of own input myself. I had a discussion with Barry Hyland, AIB Agri Adviser who advised that I did not have sufficient own funds saved or a track record built up to support the loan facility sought. I had a robust discussion with Barry who offered advice on what I needed to do to prove to the bank that I was worthy of support. Whilst I did not get funding at this juncture, this conversation gave me a blueprint of what I needed to make my next proposal an attractive proposal to the

bank. I purchased 30 breeding heifers from my own resources and went contract rearing same to provide me with base stock for my next potential venture. I also tightened my belt and increased by monthly savings.

Upon agreeing terms with Tony McCormack in 2021, I had the base stock and sufficient savings record built up to successfully apply for a €100k unsecured loan. Thankfully, at that time this loan funded 50 In-calf Heifers and 20 Maiden Heifers which assisted with my initial input to the partnership.

Where to from here?

From a farming perspective, we have reached our maximum stocking capacity on the available land in Delvin. I am actively exploring opportunities to expand into a second unit. I'm delighted to have a very strong Assistant Farm Manager, Dylan Farrell, working with me. Like myself, he does not come from an immediate farming background, and I would like to be able to offer him a pathway into stock ownership/farm management into the future.

In the future, I would like to purchase a dairy farm of my own, although at current land prices this remains a longer-term ambition. For now, the focus is on fine-tuning the system to extract the best performance from my existing farm.

From business perspective, I established Cavan Grassland Consultancy in 2018 to provide grass measurement and utilisation consultancy services to help farmers across the North Midlands and Border regions improve their grassland management and adhere to nitrates derogation requirements. My consultancy business also benefits my own on farm decision-making, as I often encounter the same issues as my client have already resolved. This business has grown organically year on year, which is serviced by nine part time staff.

My future ambition is to expand Cavan Grassland Consultancy to offer a wider range of products and services. As new technology including satellite powered imagery is becoming more available, we are currently reviewing Artificial Intelligence (AI) powered remote sensing platforms to bring cutting edge technologies to our client base to improve accuracy and efficiency within their business.

What three points would you give a young person seeking to go on a similar Farming Journey to you?

- **The Person is more important than the Farm.**

  Any partnership or collaborative arrangement requires a strong mutually beneficial relationship. There needs to be a level of autonomy given to the young farmer and ability of both parties to engage with each other to ensure the success of the arrangement.

- **Own capital resources, access to sufficient resources.**

  Have a sufficient build up of cash deposits/stock to bring to an arrangement and also sufficient support for necessary capital expenditure. Ensure you have sufficient working capital/ overdraft in place to manage seasonality of cashflow.

- **Technically Proficiency**

  Have as much personal knowledge and experience gained as possible. Have a large network of farmers/agri professionals built up which will support you.

And most of all, don't be afraid to be creative about how you bring it all together.

Christopher Cahill, sharefarmer, with AIB Agri Advisor Eamonn O'Reilly on his share farming enterprise in Devlin, Co. Westmeath

The Irish Grassland Association Dairy Summer Tour, heads to the picturesque Nire Valley in West Waterford to visit the farms of Michael & Noreen O'Gorman and Ollie & Anna O'Gorman this year.

Pictured from L to R: , Eamon Sheehan, IGA Council and DST chair, Michael O'Gorman and Ollie O'Gorman and AIB Agri Advisor Chris Nolan.

Sponsored by AIB, the event takes place on the 21st of July and will be a unique opportunity to hear the story of how a small family farm has been developed into two very successful farm businesses

AIB Agri Team

We have a dedicated Agri Advisor Team based around the country who support the needs of our farming customers. We are from farming backgrounds ourselves, so we have a practical understanding of the sector and bring a wealth of experience when looking at farm finance. Our team provide strong, objective farm financial and technical analysis on individual farm cases as needed.

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