



IFA ESTIMATE OF FARM INCOME 2009

November 2009

IFA Chief Economist, Rowena Dwyer

Overview

IFA's preliminary estimate shows that National Farm Income in 2009 is likely to be down by approximately 28% on 2008.

The main factors affecting farm incomes in 2009 have been the fall in product prices in almost all of the main farming systems, Government cuts in farm schemes and continuing high input costs. The depreciation of sterling has also had a significant impact on producer prices, as the agri-food sector exports more than 40% of its output to the UK.

While input prices have fallen from the record highs of 2008, the fall has not been sufficient to offset the reduction in output prices. Uncompetitive business costs continue to undermine the potential of the exporting agriculture sector.

In addition, Net Direct Payments fell by €100m in 2009, due to the Government cuts in funding for farm schemes, in particular the 14% cut in Disadvantaged Areas Payments, Modulation and the ending of payments of the Sugar Beet Restructuring Aid. It should be noted that the full impact of Government cuts in farm schemes announced in 2009 will not be felt until 2010.

The changes in total (aggregate) farm income mask very divergent trends between different sectors of farming. While prices fell for almost all commodities, the extent of the price drop varied greatly, from huge price falls in the dairy and cereal sectors to a situation of effective price stability for the sheep and poultry sectors.

The income implications of the current flooding situation are not included in this Farm Income estimate, as the costs will take some time to assess in the areas most affected. Clearly, it will add to farm costs both this year and into 2010.

The following are the most important factors contributing to the overall outturn for the sector this year.

Output Prices

Milk prices in 2009 collapsed. A slight price recovery has begun to emerge at the latter stages of the year, but the overall price drop is expected to be approximately 28%. Production for the sector is expected to have reduced by almost 3%, leading to an overall reduction in output of the sector of 30%.

For the Cereals sector, the severe price drop experienced in 2008 continued, with a further fall of 27% on 2008 prices, and a fall in production of 25%. The value of this sector has fallen by 60% since the peak of 2007.

In the Cattle sector in 2008, production remained reasonably stable, falling back by about 2%, but price dropped by 10%.

For the Sheep sector, there was a very slight increase on the 2008 price; however production fell by about 5%, reflecting the continuing decline in the ewe flock.

The Pigmeat sector experienced a fall both in prices, of 8%, and a fall in production of about 13%. The fall in production was directly as a result of the reduction in the breeding herd due to the Pork Dioxin Crisis at the end of 2008. Towards the end of 2009, production is beginning to increase again, and it is expected that volume in 2010 will return to 2008 figures.

For the Poultry sector, production was up 6% in 2009, reflecting a growing demand for lower priced meat during the economic downturn. Price remained on a par with 2008.

The Horticulture sectors experienced a very mixed 2009, with prices down from between 3% for Mushrooms, 5% for Field Vegetables and 15% for Fresh Fruit. Production was up approximately 10% for the Fresh Fruit sector. In the Mushroom sector, which was particularly badly impacted during the year by sterling, production was down by about 4%.

The Potato harvest price in 2009 is down on 2008 and presenting difficulties for the sector. However the average price for the year overall is up on 2008. Production for the sector is up by approximately 8%.

Input Costs

On the cost side, prices for the major inputs, including feedstuffs, fertiliser and energy were all down from the exceptionally high 2008 prices. However, uncompetitive input costs, including labour, energy, utility and service costs are continuing to put pressure on the sector.

Feed prices fell by about 8%, while energy prices fell by about 15% and fertiliser prices by 18%. Prices for other inputs, including services, maintenance and repairs, veterinary and crop protection products all stayed the same as 2008, or rose slightly.

Feedstuff use remained unchanged from 2008. Other inputs, including energy, fertiliser, services and repairs are estimated to have fallen on average by between 5% and 6%.

The decoupled Single Payment amounted to approximately €1.26 billion in 2009, with additional Net Direct Payments, including REPS and Disadvantaged Areas amounting to a further €550 million.

Due to the fall in the number of agricultural employees, it is estimated that Wages fell to €400 million, while Depreciation is expected to increase to €800 million to reflect the increase in on-farm investment in recent years.

National Farm Income

Overall, the Farm Income situation is very negative in 2009, showing a reduction in National Farm Income of €643m, or 28%, to €1,659m.

When the 28% drop in National Farm Income in 2009 is added to the 13% drop experienced in 2008, there has been an overall fall in Farm Income of 36% since 2007.

The 2009 Farm Income figures also show that, arising from the price: cost squeeze, farming is now extremely dependent on EU and National Direct Payments.

Table 1: IFA Estimate of Agricultural Output and Income 2008-2009

	2008(€M)	Price	Volume	2009 (€m)
Gross Value of Agr. Output (incl, stock changes)	4,814			3,950
<i>(Of which)</i>				
<i>Cattle</i>	1,668	-10%	-3%	1,464
<i>Milk</i>	1,630	-27%	-3%	1,154
<i>Pigs</i>	334	-8%	-13%	266
<i>Poultry</i>	151	1%	6%	162
<i>Sheep</i>	171	1%	-5%	164
<i>Cereals</i>	195	-27%	-24%	108
<i>Potatoes</i>	74	15%	8%	92
<i>Mushrooms</i>	103	-3%	-4%	96
Current Inputs and Services	3,148			2,822
<i>(Of which)</i>				
<i>Feedingstuffs</i>	1,201	-8%	-	1,105
<i>Fertilisers</i>	507	-18%	-6%	391
<i>Energy and lubricants</i>	345	-15%	-6%	275
+ Direct Payments (less levies)	1,906			1,800
- Depreciation	763			800
- Wages to Agr. Workers	438			400
- Other Costs	70			70
= National Farm Income	2,301			1,659