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## IFA ESTIMATE OF FARM INCOME 2012

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November 2012

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## **Overview**

IFA's preliminary estimate shows that National Farm Income in 2012 is likely to be down by 22% on 2011, or over €500m. Overall, National Farm Income is back to 2010 levels.

The changes in total (aggregate) farm income mask very divergent trends between different sectors of farming.

The single biggest factor affecting farm incomes and profitability in 2012 was the dreadful weather conditions experienced during the year. This impacted negatively on output in many sectors, including cattle, dairy, cereal and potato. All farm enterprises were negatively impacted by an increase in input costs, most notably feed, fertiliser and fuel. In addition, demand for feed increased significantly, due to the poor silage harvest.

Strong product prices in a number of commodities, including cattle, cereals, potatoes, and the pigmeat and poultry sectors, mitigated the negative impact of the increased input costs somewhat. However, there was a fall in prices for both the dairy and sheep sectors.

In addition, Net Direct Payments fell by an estimated €80m in 2012. This was due to a combination of cuts in funding for farm schemes over the last number of years and a higher than average payment of the Single Farm Payment recorded in 2011 (due to a carry-forward into early 2011 of payments that were due in 2010).

Farmers were negatively impacted by the disastrous silage harvest, with a reduction in both the quantity and quality saved. The resulting increased demand for feed has come at a time of increased prices. It is estimated that feed prices are up 11% for the year on average, with an increase of 25% in volume for cattle feed. This resulted in an overall increase in volume of 18% for feed.

It is expected that this will negatively impact on farm incomes into early 2013, as demand for purchased feed is expected to remain high. Access to working capital to meet this increased demand will be critical.

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

## **Output Prices**

Milk prices fell during 2012, with some price recovery emerging towards the end of the year. The overall price fall is expected to be around 6%, with a fall in production of 4%.

In the cattle sector, strong prices in the early part of the year in particular, led to an overall estimated increase in price of 14%. Throughput is down, with a fall of 15% in slaughterings and live exports. However, there has been a significant increase in stock on farms, resulting in an estimated fall in volume, including stock changes, of 8%.

For the Cereals sector, there is an estimated fall in production of 25%, despite an increase in the area planted in 2012. Prices are estimated to have increased by 25%.

For the Sheep sector, the increase in both throughput and stock on farm of an estimated 11% highlights the restoration of the ewe flock that over the past two years. However, prices fell by 3% in 2012.

The Pigmear sector experienced an increase in prices of 9% and an increase in production of 2%, due mainly to increased breeding efficiencies. In the poultry sector, production was up about 5% on 2011, with both sectors negatively impacted by increased feed prices.

Following a number of disastrous years, during which the value of the sector at farmgate had fallen by more than 40%, there was a strong recovery in potato prices in 2012. However, there was a significantly reduced acreage planted, which, combined with the difficult harvesting conditions, will lead to an estimated overall fall in production of 30%.

### **Input Costs**

On the cost side, prices for the major inputs, including feedstuffs, fertiliser and energy were all up from 2011.

Feed prices overall increased by an estimated 11%, with some feed inputs, such as soya, increasing by more than 35% as a whole over 2012 compared with 2011.

Feedstuff use increased significantly in 2012, with an estimated increase overall of 18%. This will vary significantly in 2012 depending on the farm enterprise and, in some cases, farm location.

Fertiliser use fell by 7%, while energy use is estimated to have increased slightly.

### **Direct Payments**

The decoupled Single Payment amounted to approximately €1.23 billion in 2012, with additional Net Direct Payments<sup>1</sup>, including REPS, Disadvantaged Areas and the Suckler Cow Scheme amounting to a further €500 million.

### **National Farm Income**

Overall, the Farm Income situation deteriorated significantly from 2011, showing a reduction of over €530m, or 22%, to €1,862m. At farm level, average farm income is estimated to be €18,000.

The 2012 figures show again the huge importance of the CAP Direct Payments and other farm schemes for farm incomes and viability. In 2012, these payments comprised over 90% of National Farm Income.

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<sup>1</sup> Payments are net of levies and taxes

**Table 1: IFA Estimate of Agricultural Output and Income 2011-2012**

<b>Estimated Agricultural Output and Income 2011 and 2012</b>				
	<b>2011 €m</b>	<b>Price</b>	<b>Volume</b>	<b>2012 €m</b>
<b>Gross Value of Agricultural Output (incl. stock changes)</b>	<b>5,269</b>			<b>5,211</b>
<i>(Of which)</i>				
<i>Cattle</i>	1,795	14%	-8%	1,883
<i>Milk</i>	1,835	-6%	-4%	1,656
<i>Sheep</i>	190	-3%	11%	206
<i>Pigs</i>	393	9%	3%	440
<i>Poultry</i>	143	12%	5%	168
<i>Cereals</i>	289	25%	-25%	271
<i>Potatoes</i>	74	100%	-30%	104
<b>Current Inputs and Services</b>	<b>3,521</b>			<b>3,931</b>
<i>(Of which)</i>				
Feedingstuffs	1,175	11%	18%	1,539
Fertilisers	494	3%	-7%	471
Energy and lubricants	480	9%	2%	532
<b>= Gross Agricultural Product</b>	<b>1,748</b>			<b>1,279</b>
+ Net Direct Payments	1,814			1,733
- Depreciation	713			700
- Wages to Agr. Workers	453			450
<b>National Farm Income</b>	<b>2,395</b>			<b>1,862</b>