Farm Income Review 2014

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Foreword
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National Farm Income in 2014 is estimated to have fallen by almost 2% on 2013. In 2014, the conditions were very favourable for farmers to have a significant recovery in income from 2013 levels, with excellent weather conditions, reduced input volumes, a fall in input costs across the main commodities of feed and fuel, and an increase in output for most sectors.

The lack of improvement on 2013 farm incomes is significantly due to the fall in the prices farmers received for their products, across almost all sectors, including beef, dairy, pigmeat, cereals and potatoes.

In the main farming sectors, similar to 2013, there was a significant gap in incomes between the dairy sector and all other sectors, with the income of the majority of farmers in the tillage, beef and sheep sectors coming entirely from direct payments. In other words, the costs of production were equal to, or in some cases, greater than, the market returns for their product.

In the beef sector, the decrease in prices of over 10% for finished animals was greater than the reduction in costs, leading to an overall fall in income. While suckler farmers experienced a slight increase in prices, initial Teagasc estimates for average incomes are less than €10,000 for a suckler farm, and less than €15,000 for beef finishers. On tillage farms, average incomes were slightly below €30,000, with average dairy income of just above €60,000. The sheep sector was the only major sector that recorded an increase in prices, resulting in a slight increase in the estimated income on sheep farms, to about €13,500.

Across other sectors, the potato sector recorded a drop in price of over 50%, with a decrease in the area of land sown, albeit with an increased yield. This led to an overall reduction of about 5% in production. The pigmeat sector recorded a fall in price and a continued increase in output, reflecting further advances in productivity. However, the fall in feed costs, which make up 70% of pigmeat production costs, meant that margins for 2014 on pig farms were up slightly on 2013. Finally, in the horticulture sectors, production was steady, with an increased output recorded in the mushroom sector.

Direct payments in 2014 continued to fall, to an estimated €1.42b, or almost 6%, behind the 2013 figure. This was due mainly to the continued reduction in environmental payments under the Rural Development Programme and a slight reduction in the SFP.

Overall, it is estimated that National Farm Income fell by almost €40m in 2014 to €2.2b. When increases in the cost of living are taken into account, National Farm Income in 2014 is estimated to be only 62% of farm income levels in 1994.

With an estimated 139,000 farms in Ireland, this equates to a return per farm of almost €16,000. However, this figure includes all farm enterprises, no matter how small. On the 80,000 farms which produce 93% of total output, the Average farm income for 2014 was estimated to be €25,000.

Having fallen significantly in the early part of the decade, new lending to the agriculture sector increased slightly in 2013 and 2014. However, the overall stock of borrowing by the agriculture sector continued to fall, suggesting that farmers have increased their investment on farms in the past two years, while continuing to pay down a significant amount of debt.

Farm Income Review 2014 seeks to present the main relevant economic and statistical analyses on farm income this year and over a number of recent years. It draws on published data from the CSO, Teagasc, the Central Bank and the Department of Agriculture. It seeks also to look ahead to the main issues in 2015. The information in this Review is designed to assist the officers and members of IFA in understanding the components of farm income, in preparing future IFA policies, and in presenting IFA policies to Government, public representatives and the media.

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1. Review of Agricultural Output and Income 2014

1.1 Detailed Changes to Farm Income in 2014

It is estimated that the level of National Farm Income fell by 1.6% in 2014. Overall, the gross value of Agricultural Output fell by 4.3% in 2014 with the price received by farmers falling by over 7% in 2013, while the volume of output produced increased by an estimated 3%.

Total expenditure on inputs fell significantly during 2014, by almost 8%, with reductions in both price and volume across the main commodities, in particular, fertiliser and feed.

For the cattle sector, the value of output is estimated to have fallen by 9%, or almost €200m. Prices for cattle fell throughout 2014 with average prices down by an estimated 11% on 2013. Output volume increased by an estimated 2%, with slaughterings and live exports up 10% and 13% respectively on 2013. However, the expected reduction of almost 120,000 of prime cattle available for slaughter in 2015 is reflected in significantly reduced stock numbers on farms at the end of the year.

For the dairy sector the value of milk output rose slightly by an estimated €20m, or 1%, in 2014. The price of milk is estimated to have fallen by 4%, while the volume produced increased by an estimated 5%. This increased volume will result in a significant super-levy bill in 2015, which in addition to the negative price outlook, will impact on farmers' incomes in 2015.

For the sheep sector, the value of output rose by approximately 5% in 2014, to €214m, due to a combination of a slight increase in volume and price. For the pigmeat sector the value of output remained almost static, as increased volume was offset by a price drop of 3%. It is estimated that the poultry sector saw a similar outcome in 2014, with a rise in volume offset by reduced price. For both sectors, the fall in feed costs of 8% should have had a positive impact on margins.

For the cereal sectors, 2014 was another difficult year with a reduction in the harvest price of an estimated 10%. While the area planted fell slightly, most likely in response to the poor prices in 2013, good yield resulted in a slight overall increase in output volume. Overall, however, the value of the sector fell by a further €20m, to below €270m. The potato sector suffered a collapse in price of greater than 50%, leading to decimation in the value of the sector. For the horticulture sector there was little change in price or volume; however, the mushroom sector produced an increased volume of 5%.

In complete contrast to 2013, the favourable weather conditions and price drops experienced in some of the main commodities, resulted in a fall in the overall spend by farmers on inputs. It is estimated that input expenditure fell by 8%. This was driven primarily by a fall in both price and volume for feedstuffs. Overall, it is estimated that expenditure on feed fell by almost €300m, or 19% in 2014.

It is estimated that fertiliser use also fell, by an estimated 6%, which, along with a price drop of 4%, led to an overall drop in expenditure of more than €50m. Across the other main inputs, such as energy, veterinary, and other goods and services, there was little estimated change in price or volume usage. It is estimated that energy usage increased slightly due to the increased activity on-farms (e.g. increased silage volumes).

The Single Farm Payment in 2014 is estimated to be almost €1.2b, reflecting the reduced budget agreed in the new CAP Reform. Most notable however, is the reduction in expenditure on schemes through the Rural Development Programme. The steady reduction in Direct payments has been the cumulative impact of the closure of the REPS environmental scheme, the various reductions in the Disadvantaged Areas Scheme and the closure of the Suckler Cow Scheme. Net Direct payments (net of taxes and levies on products) are estimated to be €1,420m in 2014. This is over €80m less than the 2013 figure.

When depreciation and wages paid to farm workers are deducted, National Farm Income (as defined by the CSO) for 2014 is just over €2.2b, which is a reduction of 1.6% on 2013.

Table 1.1 IFA Estimate of Agricultural Output, Input and Income 2013/2014 – Detailed

IFA Estimate of Agricultural Output and Income 2013 and 2014					
	2013 €m	Price	Volume	2014 €m (est)	% change
Gross Value of Agr. Output (incl. stock changes)	**6,114**			**5,824**	**-4.7%**
Cattle	2,152	89%	102%	1,954	
Milk	2,073	96%	105%	2,090	
Sheep	204	103%	102%	214	
Pigs	476	97%	104%	478	
Poultry	131	98%	103%	132	
Horses	192	98%	98%	184	
Other livestock product	60	97%	103%	60	
Cereals	289	90%	103%	268	
Potatoes	165	45%	95%	71	
Mushrooms	120	100%	105%	126	
Other fresh veg	90	99%	99%	88	
Fresh fruit	49	98%	99%	48	
Turf	36	100%	100%	36	
Other crops (incl net forage)	77	100%	100%	77	
Current Inputs and Services	**4,176**			**3,828**	**-8.3%**
Feedingstuffs	1,611	92%	89%	1,312	
Fertilisers	614	96%	94%	554	
Seeds	70	94%	95%	63	
Energy and lubricants	504	98%	101%	499	
Maintenance of materials and buildings	467	100%	101%	472	
Crop protection products	59	100%	98%	58	
Veterinary expenses	311	102%	101%	320	
Other goods and services	492	102%	100%	502	
Intermediate bank charges	48	100%	101%	49	
= Gross Agricultural Product	**1,937**			**1,997**	**3%**
+ Direct payments (less levies)	**1,505**			**1,420**	**-6%**
- Depreciation	725			730	
- Wages to Agr. Workers	478			483	
= National Farm Income *	**2,239**			**2,204**	**-1.6%**
- Bank Interest and Charges (Net)	303			303	
- Land Rental	209			209	
(= Entrepreneurial Income)	**1,727**			**1,692**	

1.2 Incomes across the different farm enterprises

In its 2015 outlook conference in early December, Teagasc provided initial estimates of farm income for 2014 across the main farm enterprise types. The figures for 2014, as with 2013, reveal a significant disparity between the returns generated from the market for dairy enterprises, by comparison with the other main enterprise types – beef, tillage and sheep.

Table 1.2: Estimate of 2014 income by farm enterprise type[1]

Income €	2013	2014 (est)
Dairy	62,994	62,000
Cattle Rearing	9,541	9,700
Cattle Other	15,667	14,700
Tillage	28,797	28,000
Sheep	11,731	13,000
All farms	**25,437**	**24,925**

1.3 Farm incomes vs. other economic sectors

Table 1.3 highlights that Farm incomes continue to lag behind average earnings in the rest of the economy. In 2014, average income from farming was approximately 70% of the Average Industrial wage and slightly greater than 50% of average public sector earnings. While the income figures vary across the different farm enterprises, the continuing profitability challenge in many farm enterprises is significant.

Table 1.3: Incomes across different economic sectors

	2013	2014 (est)
Average Public Sector Earnings[2]	47,650	47,145
Average Industrial Wage[3]	32,207	35,405
Average Family Farm Income – all farms	25,437	24,925

1 IFA estimate, based on Teagasc Outlook projections. Final income figures for the farm enterprise types will be provided in the Teagasc National Farm Survey 2014 in mid-2015.

2 CSO, Employment, Hours and Earnings by Private or Public Sector, Quarter and Statistic (2013 and Q1-3 2014)

3 CSO, Industrial Earnings - Production, transport, craft and other workers, Q2 2013-Q2 2014

1.4 Farm Income in Real Terms 1994-2004

Farm income is particularly vulnerable to inflation as there is no indexation for inflation built into EU direct payments. Table 1.4 outlines the changes in the level of National Farm Income since 1994 when inflation is taken into account. While National Farm Income in 2014 is 97 % of the 1994 figure, when this is adjusted for inflation, in real terms it is only 62% of the 1993 level.

Table 1.4: Trends in National Farm Income in Money and Real Terms 1994-2014

Year	Farm Income €m	Farm Income 1994 = 100	Inflation 1994 = 100	Farm Income in Real Terms
1994	2,279	100	100	100
2004	2,177	96	135	71
2012	2,221	97	155	63
2013	2,254	99	156	64
2014	2,204	97	156	62

2. Agricultural Product Price and Cost Trends 2014

2.1 Product Price Trends

Table 2.1 sets out the price trends for the main agricultural products and the weighted average price change for total agricultural output in index form, with 2005 (base year) prices = 100. In the decade since 2005, output prices have increased by, on average, 35%.

Table 2.1 Product Price Trends 2005-2014[4]

Commodity	2005	2009	2010	2011	2012	2013	2014 est
Cattle	100	109.6	111.6	134.2	151.7	154.9	139.0
Milk	100	83.2	107.5	122.9	112.3	136.9	131.3
Pigs	100	98.9	99.3	108.8	120.6	126.6	122.2
Sheep	100	110.9	130.0	140.3	135.4	136.3	137.5
Poultry	100	114.5	114.5	121.5	130.8	133.3	130.8
Total Output	**100**	**101.5**	**111.6**	**128.6**	**135.3**	**147.1**	**134.7**

2.2 Input Price Trends

The increase in input costs over the same time period show that input prices are 37% higher than the 2005 price levels. Therefore, while the past decade has seen a significant increase in product prices, these gains have been largely eroded by increased input costs.

Both product prices and input costs have increased at a far greater rate than changes in the general cost of living. Since 2005, inflation has increased by 13%. The erosion of product price gains by input cost increases, coupled with the moderate increase in the cost of living over the last decade, illustrates clearly one of the reasons behind the decline in real farm incomes over time.

Table 2.2 Input Price Trends 2005-2014

Input	2005	2009	2010	2011	2012	2013	2014 est
Feeding stuffs	100	119	117	136	146	158	144
Fertilisers	100	148	133	163	168	167	161
Energy	100	105	122	140	154	151	149
Seeds	100	113	105	111	127	134	126
Veterinary expenses	100	112	112	112	112	112	115
Total Inputs	**100**	**119**	**118**	**131**	**138**	**142**	**137**

[4] Source: *CSO Agricultural Price Indices*, with estimates for 2014.

3. Direct Payments/Single Farm Payment 2014

3.1 Value of Direct Payments

Table 3.1 sets out the estimated value of direct payments included in National Farm Income. It is estimated that €1,420m of direct payments (payments net of taxes and levies) have been made in 2014. The figure does not include forestry premium payments.

The reduced direct payments figure of 2014 shows the cumulative impact of the cuts in farm schemes that have been introduced over successive budgets since 2008, and the reduced Basic Payment envelope for Ireland in the new CAP reform. In 2008, total direct payments to farmers were worth almost €1.9b. The fall in direct payments of €500m has had a significant impact on farm incomes, particularly in the lower income, drystock sectors, which have high levels of participation in farm schemes. It is expected that funding for farm schemes through the new Rural Development Programme will increase substantially over the coming years.

Table 3.1 Estimate of Direct Payments included in Farm Income (€m)

Payment Type	2013	2014
CAP Reform Direct Payments		
Single Farm Payment	1,202	1,185
Grassland Sheep Scheme/Dairy Efficiency	19	15
CAP RD Measures		
REPS/ AEOS	205	160
Disadvantaged Areas	201	190
Other Items		
Disease eradication compensation	13	13
Suckler Cow Welfare Scheme	9	-
Total Direct payments	**1,649**	**1,563**
(less Taxes and levies)	144	143
Net Direct payments	**1,505**	**1,420**

4. Demographic and Financial Data by Farm Enterprise 2013

A detailed breakdown of farm incomes and output by farm enterprise type is produced annually by Teagasc through the National Farm Survey (NFS). The 2013 survey calculated the average family farm income per farm at €25,437 (income from farming only).

It should be noted that the NFS is based on a sample of 922 farms, (representing 79,103 farms nationally). The survey does not include the intensive sectors, including pigs, poultry and intensive horticulture, and also does not include smaller farms with a Standard Output of less than €8,000.

4.1 Level and Distribution of Family Farm Income

There was a wide spread of farm incomes, with many farms concentrated in the lower income brackets. In 2013, 62% of farms still had an income of less than €20,000, while 18% had an income of greater than €50,000.

Table 4.1 Distribution of Family Farm Income 2013

€	< 5,000	5,000 - 10,000	10,000 - 20,000	20,000 - 50,000	50,000-100,000	>€100,000
%	23	16.5	22	20.5	14	4
Number	18,200	13,050	17,400	16,213	11,040	3,200

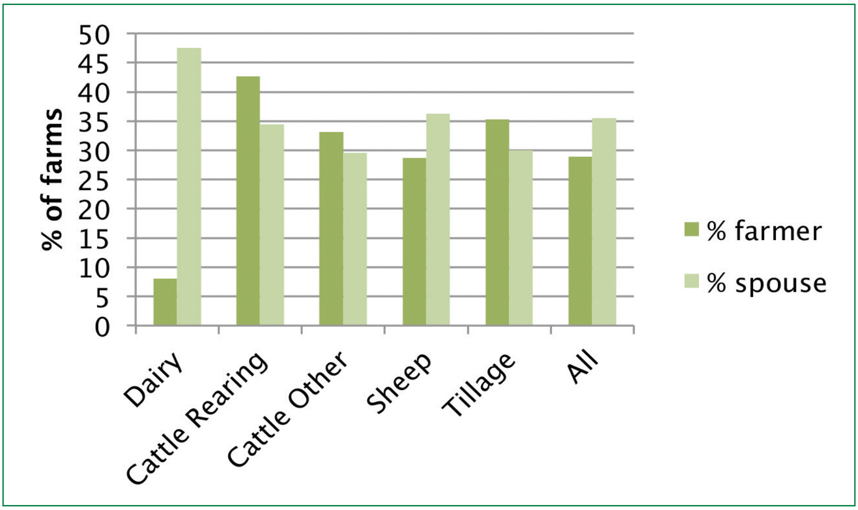
4.2 Incidence of Off-Farm Employment

The National Farm Survey shows that, in 2013, 30% of farmers had an off-farm job, 2% lower than the 2011 figures. The number of households in which the farmer or the spouse had an off-farm job increased in 2013, from just over 49% in 2011 to 51%, which may reflect the improvement in the general economy. This remains significantly below the 2007 peak of 58%.

Of interest, however, is the breakdown of off-farm employment incidence between the different enterprise types. In 2013, while only 8% of dairy farmers had an off-farm job, on cattle-rearing farms this figure was above 40%. For all farm types, outside of dairying, more than 30% of farmers had off-farm employment.

By contrast, the highest level of off-farm employment for farm spouses was on dairy farms, at 48%. This was significantly higher than the average off-farm employment figure of 36% for all farms. The incidence of off-farm employment for spouses has potentially significant implications for the overall farm household income by enterprise type, but is also likely to reflect the age profile on the different farm types.

Figure 4.1 Off-Farm Employment by Enterprise type 2013



4.3 Value of Single Farm Payment and Direct payments by System

The following table gives the average family farm income (FFI) and the average Single Farm Payment (which is included in FFI) by system for 2013. The average farm size in hectares is also shown, along with the average age of the farmer. The results highlight that the SFP and other direct payments continue to represent the majority of farm incomes in most farm enterprises.

In 2013 the SFP represented 57% of average FFI. When all direct payments are included (e.g. SFP/REPS/DAS/Suckler Cow), this comprised 73% of Family Farm Income in 2013, and over 100% of Family Farm Income on Cattle and Sheep enterprises. The average direct payments figure of €18,494 reflects a decline of almost €1,000, or 5% on the 2012 figure.

In terms of farm structure, the average farm size was almost 48 ha, ranging from 38 ha on cattle rearing farms to 63 ha on tillage farms. The age profile of farmers remains very high, with the youngest farmers in dairy, with an average age of 53, while all other farmer enterprise types had an average age of greater than 55.

Table 4.2 Direct Payment, Farm Size and Age of Farm Owner by Farm Enterprise

System	Dairying	Cattle Rearing	Cattle Other	Mainly Sheep	Tillage	All
Average Size (hectares)	**55.4**	**38.1**	**40.3**	**53.3**	**62.6**	**47.6**
Average age of farmer	52.6	56.5	58.6	59	58.5	56.9
Average FFI (€)	62,994	9,541	15,667	11,731	28,797	25,437
o/w SFP (€)	16,664	9,949	14,077	12,198	23,064	14,385
o/w all Direct payments	20,354	14,718	17,836	17,182	25,681	18,494
SFP as % of FFI	26%	104%	90%	104%	80%	57%
Direct payments as a % of FFI	**32%**	**154%**	**114%**	**146%**	**89%**	**73%**

5. Investment Trends 2013 and Farm Borrowing 2014

5.1 On-farm investment

Capital investment on farms increased by 12% between 2012 and 2013, from €650m to €725m[5]. This resulted in a Net Investment (net of grants) per farm of almost €8,200. However, there are significant differences in the investment by farm enterprise type, as outlined in Table 5.1, with investment on dairy farms of almost €19,000 per farm, compared with investment of just over €3,000 in sheep enterprises. This is a reflection both of income levels on the different enterprises and expansion plans.

Table 5.1 Net Investment by Farm Enterprise 2013

Farm Type	€
Dairy	18,920
Cattle Rearing	4,178
Cattle other	4,829
Tillage	11,804
Sheep	3,293
All Farms	**8,156**

5.2 Level of Farm Borrowings and Savings

As a capital-intensive industry, there is a requirement for constant reinvestment in the agriculture sector. Central Bank data[6] indicates that, since peaking at €5.5b in 2009, the total stock of farm borrowing has continued to fall. Since 2010, the total debt outstanding on farms has fallen from €4.3 to €3.4b.

Of interest to note is that, while there was a decline in new lending in the early years of the downturn, new lending for the agriculture sector[7] has increased over the past two years. This would indicate that farmers have increased their investment on farms in the past two years, while continuing to repay a significant amount of debt, and at a greater rate.

The level of deposits[8] held by the agriculture sector has not varied significantly over the last five years, increasing by 4% between 2010 and 2014, from €2.55b to €2.66b.

5 Teagasc National Farm Survey 2013

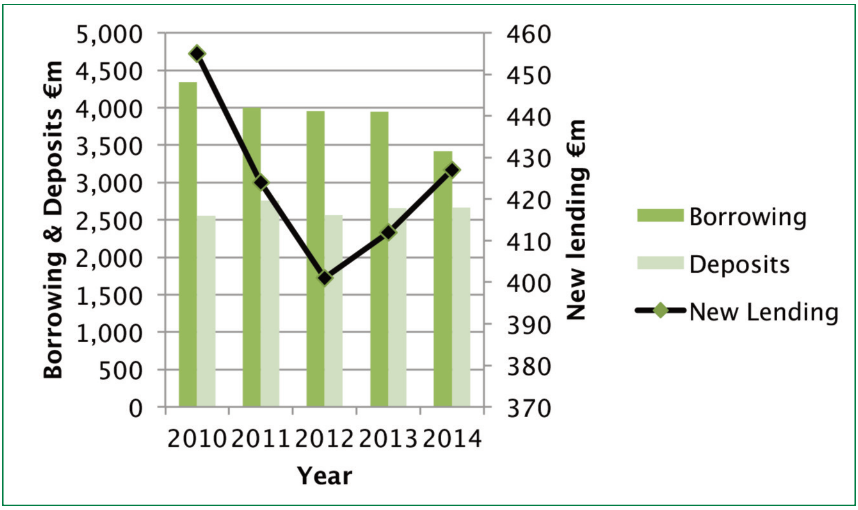
6 Credit Advanced to Irish Resident Small and Medium Sized Enterprises, September 2014

7 Gross new lending to the Agriculture Sector Q1-Q3 2010-2014 (Q4 2014 data not yet available)

8 Due to a reporting change in the Central Bank Quarterly Bulletin in 2011, the deposits figure is the figure for Primary Industries. This includes agriculture, forestry, fishing and mining. Agriculture (excluding fishing and mining) represents approximately 85% of this figure.

These figures are illustrated in Figure 5.2. The line indicates the level of new borrowing extended to the agriculture sector (value on right axis) while the columns reflect the level of debt outstanding, and amount of money on deposit, as at September 2014 (value on left axis).

Figure 5.1 Levels of Agriculture Borrowing and Deposits 2010-2014 (€ million)



6. Livestock Numbers and Crops 2014

The following are the main agricultural statistics for 2014 on the national breeding herd and area under crops, sourced from the CSO's annual Crop and Livestock Survey.

6.1 Livestock

Table 6.1 Trends in the National Breeding Herd (000 head, June)[9]

Year	2009	2010	2011	2012	2013	2014	2014 v 2013
Dairy cows	1,097	1,071	1,117	1,141	1,163	1,226	5%
Other cows	1,204	1,158	1,123	1,149	1,150	1,129	-2%
Cows	2,300	2,229	2,240	2,289	2,314	2,355	2%
Ewes	2,451	2,450	2,435	2,589	2,568	2,517	-2%
Female breeding pigs	147	160	155	145	147	150	3%

2014 saw contrasting developments in the cow breeding herds, with an increase in dairy cow numbers of 5% versus a decline of 2% in the beef breeding herds. This reflects the commencement of the expansion of the dairy herd in advance of milk quota abolition and potentially reflects the response to the very low income figures on suckler farms in 2013 and 2014. Following a number of years of decline driven mainly by the dioxin crisis, the pig breeding herd recorded a second annual increase in 2014.

6.2 Crops

Table 6.2 Area under Crops, (000 hectare, June)[10]

Year	2009	2010	2011	2012	2013	2014	2014 v 2013
Total wheat	84.5	77.8	94.2	98	60.6	71	17%
Winter wheat	64.3	59.8	77.7	84.6	45.4	64.5	42%
Spring wheat	20.2	18	16.4	13.5	15.2	6.6	-57%
Total oats	20.4	19.7	21.4	23.7	26.7	18.4	-31%
Winter oats	9.1	10.3	9	9.9	5.4	10.1	87%
Spring oats	11.3	9.4	12.4	13.8	21.3	8.4	-61%
Total barley	193.6	174.8	180.6	192.8	219.4	213.7	-3%
Winter barley	19.3	28.8	35.9	41	36	59.4	65%
Spring barley	174.3	146	144.8	151.8	183.5	154.3	-16%
Total cereals	**299.8**	**273.9**	**297.4**	**315.4**	**307.8**	**304**	**-1%**
Potatoes	12.2	12.2	10.4	9	10.7	9.6	-10%

The number of cereal hectares sown in 2014 was slightly reduced from 2013. Of interest, however, was the difference in area sown between winter and spring crops, with a significant increase in winter crops sown across all cereals. In response to the price drop experienced in 2013 and 2014, the area of potatoes sown fell by 10%.

[9] CSO June Crops and Livestock Survey
[10] ibid

7. OUTLOOK 2015

7.1 Product and Input Prices

As demonstrated by the fodder crisis of 2013, and the fall in product prices in 2014, price and cost volatility, coupled with the impact of severe weather events, remain an ongoing challenge for the primary agriculture sector. There is a requirement for all involved in the agri-food sector, farmers, industry and policymakers to develop long-term mechanisms to mitigate the impact of volatility on farm enterprises.

The outlook for product prices in 2015 is largely for stability or for a slight recovery for the beef, sheep and grain sectors, with a negative outlook for dairy prices in the first six months of the year in particular, due to continued strong supply, in excess of demand growth. For the pigmeat sector, the possibility of continued closure of the Russian market is a significant risk to price prospects.

High input costs continue to put significant pressure on farm profitability. In 2015, the expected continued low oil prices, due to continued strong supply and muted demand should result in a reduction in fuel costs, while feed prices should remain largely unchanged, due to the low grain price at harvest 2014.

7.2 Access to and Cost of Credit

Access to credit remains a key issue for the day to day running of and investment in farm enterprises. In 2015, it is expected that a significant number of farm enterprises, particularly in the dairy sector, will come under increased cashflow pressure. The significant anticipated superlevy bill will add to this pressure. It is critical that there is full engagement by the banking sector to work with farmers and to provide flexibility on loan products and repayments.

With the continued negative outlook for growth in the euro area and the relatively improved position of the Irish banks, it is not expected that there will be any significant movement in interest rates in 2015, with the possibility of a slight reduction in rates, as the cost of borrowing for the Irish banks should continue to fall.

Of interest for farmers and other SMEs will be the impact the Government's Strategic Banking Corporation of Ireland (SBCI), will have on the availability of credit in 2015. The SCBI will offer long-term working capital and capital investment finance through both the retail banks and other non-bank lending institutions. The purpose of the SCBI is to offer more flexible products to SMEs and farm enterprises with longer maturity and capital repayment flexibility than currently offered by the mainstream banks and to offer lower cost funding to financial institutions, which will then be passed on to SMEs. With significant planned investment on farms with the abolition of milk quota and the roll out of the RDP TAMS programme, it is expected that there will be strong demand from the farming sector for matching funding via the banking system over the coming years.

7.3 General Economic Outlook

The outlook for economic growth in 2015 is largely positive. However, some uncertainties remain, due to openness and small size of the Irish economy, as it can be impacted significantly by the growth prospects of its main trading partners. On the positive side, the UK and US economies, which account for 40% of Irish exports continue to report strong growth and are projected to grow by the further 3% in 2014. By contrast, the Eurozone (which is the market for a further 40% of Irish goods), continues to flounder, with the most optimistic projections of growth of about 1% next year.

At home, falling unemployment appears to be finally beginning to contribute to an increase in consumer sentiment. Within the domestic economy, the construction, manufacturing and services sectors continue to report an increase in activity. The combination of these factors should lead to continued positive economic growth and a further fall in unemployment in 2015. The outlook for continuing low oil prices into 2015 is a positive for Irish consumers overall (both households and enterprises), and may encourage increased expenditure elsewhere, leading to an increase in domestic demand for goods and services.

It is likely that the euro will continue to weaken against the UK and US, with an expectation of weaker growth prospects in the Eurozone (potentially prompting significant action by the ECB, in the form of Quantitative Easing, to stimulate the real economy). A weaker euro will have a positive impact on the value of Irish exports, including agri-food exports. However, it will also make imports of goods and services from the UK or US more expensive, increasing costs of production.

7.4 CAP Post 2014 – Implementation

The full implementation of the new CAP, including the roll-out of the Basic Payment System and the implementation of the Rural Development Programme will have a significant impact on farm incomes and payments in 2015.

- The continued delay in agreeing clear qualifying measures for greening has created a lot of uncertainty for affected farmers in the tillage sector. It is critical that the greening criteria are finalised in early 2015 and that there are no delays to the 30% greening payment at the end of the year.
- In Rural Development, the approval of Ireland's Rural Development Plan at EU level must be prioritised in early 2015, thereby allowing the opening of new programmes, which will provide a critical support to farm incomes, in particular the GLAS. The farm income figures of the past 5 years have demonstrated the negative impact on incomes in the drystock sector arising from the closure of schemes, such as REPS.
- In addition, farmers with Basic Payments above the national average will experience the first of five cuts to their payments, while farmers with payments below 90% of the national average will receive the first of five increases to their direct payments. The young farmer top-up will be allocated for the first time in the 2015 payments. All of these changes will impact on the income levels of individual farmers in 2015.

7.5 International Trade Talks

The main focus of EU trade discussions in 2015 will be on the EU-US negotiations on the Transatlantic Trade and Investment Partnership (TTIP). While there have been seven rounds of negotiations since the discussions were launched in mid-2013, there is little evidence of significant progress having been made. IFA is clear that, with both threats and potential opportunities for the agriculture sector arising from the TTIP discussions, there must be no sacrifice of EU and Irish agriculture in pursuit of an overall deal.

With a newly appointed EU Commission, there have been recent soundings of a renewed focus to progress the discussions, with the new EU Trade Commissioner, Cecilia Malmstrom stating that the EU hope to have the 'bare bones' of an agreement by the end of 2015. It would appear that the US is less focused on achieving a deal, and that their focus remains more firmly on the conclusion of a Trans-Pacific Partnership (TPP). It is more likely therefore that the TTIP discussions will continue into 2016 rather than reaching any significant conclusions by end 2015.

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