# Farm Income Review 2013

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# Foreword
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National Farm Income in 2013 is estimated to have risen by 2.4% on 2012. This represents a modest recovery in National Farm Income when recorded against a 14% decline in 2012. Output volumes in 2013 are estimated to have risen significantly for the dairy and cereals sector while there was also some rise in volumes for cattle, sheep and poultry. The dreadful weather conditions experienced in the first six months of 2013 resulted in significantly higher input costs with both notable price and volume increases for feed and fertiliser.

Product prices varied across the commodities in 2013, with increases in price for cattle, pig, poultry and especially milk, but reduced prices recorded for sheep, horses and, most notably, cereals.

Input costs rose in all commodities, which was on top of major cost increases experienced in 2011 and 2012. Input usage increased for feedstuffs and fertiliser in particular, while energy and lubricant use fell back slightly, possibly in response to lower machinery running costs due to improved weather in the second half of the year.

Direct payments in 2013 were an estimated €139m below the 2012 figure. This was due to EU Financial discipline for SFP budget allocation and particularly the reduction in funding for farm schemes, including REPS/AEOS, the Disadvantaged Areas, Suckler Cow Welfare Scheme (SCWS) and Sheep Grassland Scheme.

Overall, it is estimated that National Farm Income rose by €53m on the 2012 figure, with Average Farm Incomes of €21,400 in 2013, compared with €20,709 in 2012. The fall in farm income varied considerably in 2013, depending on enterprise and location. Average Farm Incomes in 2013 are estimated to be about 66% of the Average Industrial Wage.

The number of families receiving Farm Assist dropped in 2013, to 10,500. While this figure is almost 42% higher than the numbers claiming Farm Assist in 2007 the drop on 2012 numbers is due to more stringent means testing for eligibility. The number of farm households in which a spouse or the farmer held an off-farm job fell further in 2012, to 48.5% of households, compared to a peak of almost 58% in 2006[1].

The past number of years has seen a significant increase in product prices. However, these gains have been largely eroded by increased input costs. In comparison with a general rate of inflation of 13% since 2005, product prices have increased by 46%, while input costs have increased by 42%.

[1] NFS (2012) National Farm Survey data for on farm investment and off farm employment available up to 2012.

National Farm Income in 2013 is estimated to be 66% of the income level in 1993. This highlights the downward trend in farm income in real terms.

Farmers continue to invest on-farm, with gross investment recorded of €703m in 2012, an increase of 1% on 2011[2]. However, the credit environment for the agriculture sector tightened in 2013, with the amount of new credit extended to the agriculture sector falling. This suggests a tightening of lending conditions in 2013. A functioning banking system will be critical for the future growth and development of the agriculture sector.

*Farm Income Review 2013* 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 2014. 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.

[2] NFS (2012) National Farm Survey data for on farm investment and off farm employment available up to 2012.

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# 1. Review of Agricultural Output and Income 2013

## 1.1 Overview of Farm Income in 2013

It is estimated that the level of National Farm Income rose by 2.4% in 2013. With inflation of 0.5%, farm income in real terms rose by 1.9%

*Table 1.1: % Change in Farm Income 2013*

| National Farm Income | | |
|---|---|---|
| **Year** | **Money Terms** | **Real Terms** |
| 2013 | +2.4% | +1.9% |

## 1.2 Detailed Changes to Farm Income in 2013

Overall, the gross value of Agricultural Output rose by 7.5% in 2013 with price changes contributing approximately 4% and volume changes 3%. However, the gross value of input costs rose by 7%, driven both by increased volume demand for feed and fertiliser and a significant price increase for feed.

For the cattle sector, the value of output is estimated to have risen over 3%, or €68m. The average price increase for cattle was almost 3%. Output volume also increased with slaughterings and live exports up 9% and 34% respectively on 2012. As the output volume of cattle takes account of year on year differences in stock changes, the significant increase in the number of stock on farms at year end 2012 resulted in a more moderate estimated increase of 1% overall in the output volume of cattle for 2013.

For the dairy sector the value of milk output rose 22% in 2013. The price of milk output increased by 15% in 2013 whilst volume increased by 6%. This led to an increase in the output value of the sector of approximately €350m.

For the sheep sector, the value of output rose by 4% in 2013. Prices were down 1% on average in 2013. There was a significant increase in production in terms of slaughterings with some increase in live exports also. This resulted in an increase in output volume from the sector of an estimated 5%, when taking account of decreased stock on farms at the end of December. This resulted in an overall increase in output value for sheep in 2013 of €8m.

For the pigmeat sector the value of output also increased in 2013, by an estimated €14m. While output volume for the sector was down by 2%, the price level rose by 6%. The poultry sector saw a slight rise in both price and volume leading to an increase in value in 2013.

For the cereal sector, 2013 was another difficult year with a reduction in total output value of an estimated €46m. While the sector had significantly improved yields and an increase in output volume of 23% due to the improved weather conditions in the second half of 2013, a sharp drop in prices of 30% resulted in a 14% fall in output value. For the horticulture and fresh fruit sectors volumes were up slightly on 2012, while prices decreased.

For the potato sector, output volume was up by an estimated 33%, accounting for a 15% increase in the acerage planted and a 16% increase in yields. Prices remained strong for the first half of the year in the sector and are estimated to have risen 30% on average in 2013, despite a severe drop in prices towards the end of the year. For the mushroom sector, prices and volume were in line with 2012 levels.

For all sectors, on-farm profitability was put under pressure by increased input costs for the main agricultural cost items in 2013. The price of feedstuffs rose by 10% in 2013 while the price of fertilisers rose 1%. These price increases followed on the back of 2012 and 2011, where prices for these same inputs had already risen significantly.

It is estimated that fertiliser use rose significantly, with volume up by 21% while feedstuff volume also increased by an estimated 1% on the already elevated levels of 2012. There was an increase of 21% in the volume of feed recorded in first quarter of 2013 compared with the same quarter in 2012. This strong demand for fertiliser and feed was due to the dreadful weather conditions and resultant depletion of fodder stocks. Energy and lubricant prices and volumes were at, or slightly below, 2012 levels.

The decoupled Single Payment amounted to approximately €1.21b in 2013, with other Net Direct Payments, including REPS/AEOS and Disadvantaged Areas amounting to a further €439m. Net Direct Payments (net of taxes and levies on products) are estimated to be €1,528m in 2013. This is over €139m back on the 2012 figure, due to EU Financial discipline which reduced the SFP budget allocation and particularly the reduction in funding for farm schemes, including the REPS/AEOS, Disadvantaged Areas, Suckler Cow Welfare Scheme SCWS and Sheep Grassland Scheme.

When depreciation and wages paid to farm workers are deducted, National Farm Income (as defined by the CSO) for 2013 is €2,287m, which is a rise of 2.4% on 2012. Entrepreneurial Income (Farm Income less interest payments and land rental) in 2013 was €1,792m.

*Table 1.2 Agricultural Output, Inputs and Income 2012/2013 – Detailed*

| | 2012 €m | Price | Volume | 2013 €m |
|---|---|---|---|---|
| **Gross Value of Agricultural Output (includes stock changes)** | **5,601** | | | **6,019** |
| Cattle | 2,120 | 103% | 101% | 2,187 |
| Milk | 1,630 | 115% | 106% | 1,980 |
| Sheep | 204 | 99% | 105% | 212 |
| Pigs | 442 | 106% | 98% | 455 |
| Poultry | 158 | 101% | 102% | 163 |
| Other livestock (Including horses) | 267 | 98% | 86% | 225 |
| Cereals | 337 | 70% | 123% | 291 |
| Potatoes | 80 | 130% | 133% | 138 |
| Mushrooms | 112 | 100% | 100% | 112 |
| Other fresh veg | 89 | 99% | 101% | 89 |
| Fresh fruit | 46 | 99% | 101% | 46 |
| Turf | 33 | 100% | 101% | 33 |
| Other crops (incl net forage) | 84 | 100% | 103% | 86 |
| | | | | |
| **Current Inputs and Services** | **3,824** | | | **4,078** |
| Feedingstuffs | 1,442 | 110% | 101% | 1595 |
| Fertilisers | 492 | 101% | 121% | 598 |
| Seeds | 72 | 97% | 105% | 73 |
| Energy and lubricants | 501 | 99% | 99% | 496 |
| Maintenance and repairs | 458 | 100% | 100% | 458 |
| Crop protection products | 66 | 99% | 101% | 66 |
| Veterinary expenses | 282 | 99% | 101% | 282 |
| Other goods and services | 469 | 101% | 104% | 469 |
| Intermediate bank charges | 42 | 100% | 100% | 41 |
| **= Gross Agricultural Product** | **1,776** | | | **1,941** |
| **+ Direct Payments (less levies)** | **1,639** | | | **1,528** |
| - Depreciation | 720 | | | 720 |
| - Wages to Agr. Workers | 461 | | | 462 |
| **= National Farm Income** * | **2,234** | | | **2,287** |
| - Bank Interest and Charges (Net) | 312 | | | 308 |
| - Land Rental | 202 | | | 188 |
| **( =Entrepreneurial Income)** | **1,720** | | | **1,792** |

## 1.3 Sectoral Incomes in 2012 and 2013

Estimates for the 2012 and 2013 Average Family Farm Income in the following table are based on the farm income figures provided in the 2012 Teagasc National Farm Survey and the IFA estimate for farm incomes in 2013.

Estimates of average public sector earnings and the average industrial wage[3] are provided for comparison. In 2012, farm income was 64% of the average industrial wage, and this figure rose to approximately 66% in 2013.

*Table 1.3 Comparisons of Sectoral Incomes 2012-2013*

| | 2012 | 2013 |
|---|---|---|
| Average Public Sector Earnings | 47,646 | 48,257 |
| Average Industrial Wage | 32,350 | 32,207 |
| Average Family Farm Income – all farms | 20,709 | 21,400 |

## 1.4 Low Income Farm Families – Farm Assist

Farm Assist is operated by the Department of Social Protection and is a means tested income support scheme for low income farm families.

Following changes in both Budget 2012 and 2013, the income and child disregards in the means test for Farm Assist have been abolished. This has impacted both current recipients of Farm Assist as well as the eligibility of new applicants. This is evident in table 1.4 which shows both the average payment received and the numbers who qualified for Farm Assist falling in the last two years.

Until 2008, numbers in receipt of Farm Assist remained very steady. However, since 2008, through a combination of falling off-farm employment and the reduction in national funding for farm schemes, the uptake of Farm Assist has increased significantly. Throughout 2011 and 2012, the number of families in receipt of Farm Assist was in excess of 11,000. This figure is estimated to have fallen back to 10,500 in 2013 due to the aforementioned budgetary changes. The following table summarises the uptake and value of Farm Assist in recent years.

*Table 1.4 Farm Assist Expenditure (€m) 2006-2013*

| | Expenditure (€m) | Number Benefiting | Average Payment (€/week) |
|---|---|---|---|
| 2006 | 71 | 7,650 | 179 |
| 2007 | 79 | 7,400 | 205 |
| 2008 | 85 | 7,710 | 213 |
| 2009 | 96 | 8,845 | 209 |
| 2010 | 111 | 10,700 | 199 |
| 2011 | 114 | 11,300 | 190 |
| 2012 | 99 | 11,200 | 171 |
| 2013 | 92 | 10,500 | 168 |

[3] Source: *CSO Earnings and Labour Costs Q2 2013*. For the industrial wage, this figure is based on the average earnings for production, transport, craft and other manual workers within the industry category.

# 2. Agricultural Product Price and Cost Trends

## 2.1 Product Price Trends

Table 2.1 sets out the price trends as recorded by the CSO for the main agricultural products and the weighted average price change for total agricultural output in index form, with 2005 (base year) prices = 100. Output prices in 2013 were 46% above the 2005 level.

*Table 2.1 Product Price Trends 2005-2013*[4]

| Product | 2005 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| **Cattle** | 100 | 122.2 | 109 | 111.6 | 134.3 | 150.5 | 155.6 |
| **Milk** | 100 | 120.1 | 83.6 | 107.5 | 122.7 | 111.8 | 135.2 |
| **Sheep** | 100 | 108.7 | 111.4 | 130 | 140.6 | 134.4 | 135.0 |
| **Pigs** | 100 | 109.5 | 99.1 | 99.3 | 108.8 | 120.6 | 127.4 |
| **Cereals** | 100 | 169.7 | 120.6 | 122.4 | 160.6 | 187.2 | 191.0 |
| **Poultry** | 100 | 114.6 | 114.2 | 114.6 | 132.1 | 144.1 | 145.9 |
| **Total Output** | **100** | **121.4** | **101.2** | **111.6** | **127.9** | **133.1** | **146.1** |

## 2.2 Input Price Trends

The trend in input costs over the same time period shows that input prices are 42% higher than the 2005 price levels. Therefore, while the past number of years has seen a significant increase in product prices, these gains have been largely eroded by increased input costs.

Whilst the general rate of inflation since 2005 is 13%, product prices have increased by 46% over this period, while input costs have increased by 42%.

*Table 2.2 Input Price Trends 2005-2013*

| Input | 2005 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| Energy | 100 | 124 | 105 | 122 | 140 | 152 | 150 |
| Fertilisers | 100 | 183 | 151 | 133 | 163 | 168 | 168 |
| Plant protection products | 100 | 99.7 | 102.8 | 103.1 | 101 | 99.9 | 100.6 |
| Veterinary expenses | 100 | 110 | 112 | 112 | 112 | 113 | 114 |
| Feeding stuffs | 100 | 134 | 119 | 117 | 135 | 144 | 157 |
| **Total Agricultural Inputs** | **100** | **130** | **119** | **117** | **129** | **135** | **141.8** |
| **Inflation: CPI** | 100 | 113 | 108 | 107 | 110 | 112 | 113 |

[4] Source: *CSO Agricultural Price Indices*, with estimates for 2013.

# 3. Direct Payments/Single Farm Payment

## 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 €1,528m of Direct Payments have been made in 2013. The figure does not include forestry premium payments of €70m (which are not currently included in the CSO measure of direct payments for the purpose of farm income).

As outlined earlier in the report, this is a reduction on the 2012 figure due to EU Financial discipline for SFP budget allocation and particularly the reduction in funding for farm schemes, including REPS, Disadvantaged Areas, the Suckler Cow Welfare Scheme (SCWS) and Sheep Grassland Scheme.

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

| Payment Type | 2012 | 2013 |
|---|---|---|
| **CAP Reform Direct Payments** | | |
| Single Farm Payment | 1,248 | 1,210 |
| Grassland / Upland Sheep Scheme | 39 | 15 |
| | | |
| **CAP RD Measures** | | |
| REPS / AEOS | 251 | 198 |
| Disadvantaged Areas | 206 | 200 |
| Installation Aid | 0 | 0 |
| **Other Items** | | |
| Disease eradication compensation | 15 | 16 |
| Suckler Cow Welfare Scheme | 28 | 10 |
| | | |
| **Total Direct Payments** | **1,788** | **1,649** |
| (less Taxes and levies) | 121 | 121 |
| **Net Direct Payments** | **1,667** | **1,528** |

# 4. Farm Income Trends and Inflation: 1993 - 2013

When comparing data over a long time period, it is necessary to adjust for inflation, i.e., to give the trend in farm income in real terms.

### 4.1 Impact of Inflation

Farm income is particularly vulnerable to inflation as there is no indexation for inflation built into EU direct payments. Table 4.1 outlines the changes in the level of National Farm Income since 1993 when inflation is taken into account. While National Farm Income in 2013 is 105% of the 1993 figure, when this is adjusted for inflation, it is, in real terms, 34% below its 1993 level.

*Table 4.1 Trends in National Farm Income in Money and Real Terms*

| Year | Farm Income | Farm Income | Inflation | Farm Income |
|---|---|---|---|---|
| Year | Farm Income €m. | Farm Income 1993 =100 | Inflation 1993 =100 | Farm Income in Real Terms |
| **1993** | **2,179** | **100** | **100** | **100** |
| 2003 | 2,025 | 93 | 135 | 69 |
| 2007 | 2,447 | 112 | 154 | 73 |
| 2008 | 2,123 | 97 | 160 | 61 |
| 2009 | 1,446 | 66 | 153 | 43 |
| 2010 | 1,843 | 85 | 152 | 56 |
| 2011 | 2,424 | 111 | 156 | 71 |
| 2012 | 2,241 | 103 | 158 | 65 |
| 2013 | 2,288 | 105 | 159 | 66 |

# 5. Farm Income and Non-Farm Income – National Farm Survey Data

A detailed breakdown of farm incomes and output by farm enterprise type is produced annually by Teagasc through the National Farm Survey. In addition, in December 2013, Teagasc produced an early estimate of farm income by enterprise type for 2013 and a forecast of farm income for 2014, which is outlined in the first sub-section.

All further information on the level and distribution of farm income, incidences of off-farm employment and the value of the single farm payment by enterprise type is for 2012, based on information contained in the Teagasc National Farm Survey 2012.

## 5.1 Estimate of Farm Income by enterprise type 2013 and forecast for 2014

Teagasc estimate an overall increase in income of just 1% for the overall agriculture sector in 2013. However, their results show significant differences in the income situation for the different enterprise types, with increased dairy margins, in contrast to a reduction in margins for sheep, beef and tillage producers.

The Teagasc outlook for 2014 for the Irish agriculture sector as a whole is conditioned by the assumption that the unusual weather of 2012 and 2013 is not repeated in 2014. The results of the 2014 Teagasc forecast are presented in Table 5.1. Overall, average farm income is forecast to increase by 13 percent in 2014.

*Table 5.1: Estimate of Farm Income by Enterprise type 2013 and 2014 forecast*

| Income € | 2013 | 2014 | % change |
|---|---|---|---|
| Dairy | 58,000 | 60,000 | 3% |
| Cattle Rearing | 8,500 | 11,000 | 29% |
| Cattle Other | 18,500 | 21,275 | 15% |
| Tillage | 39,000 | 39,400 | 1% |
| Sheep | 16,000 | 19,500 | 22% |
| All | 25,679 | 29,000 | 13% |

## 5.2 Level and Distribution of Family Farm Income - 2012

The 2012 Teagasc National Farm Survey (NFS) is based on a sample of 922 farms, (representing about 79,292 farms nationally), and was published in August 2013. The 2012 NFS calculates the average family farm income per farm at €25,479 (income from farming only). This was a fall of 15% on 2012. 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 (SO) of less than €8,000.

Before now, the threshold for inclusion of farms in the survey field had been €4,000 (SO). The excluded farms represent 18% of the total farm population and they contribute about 5% of the sector's gross output.

There is a wide spread of farm incomes concentrated in the lower income brackets. In 2012, 65% of farms still had an income of less than €20,000, while 15% had an income of greater than €50,000. It is expected that there will be a disimprovement in this income distribution in 2013.

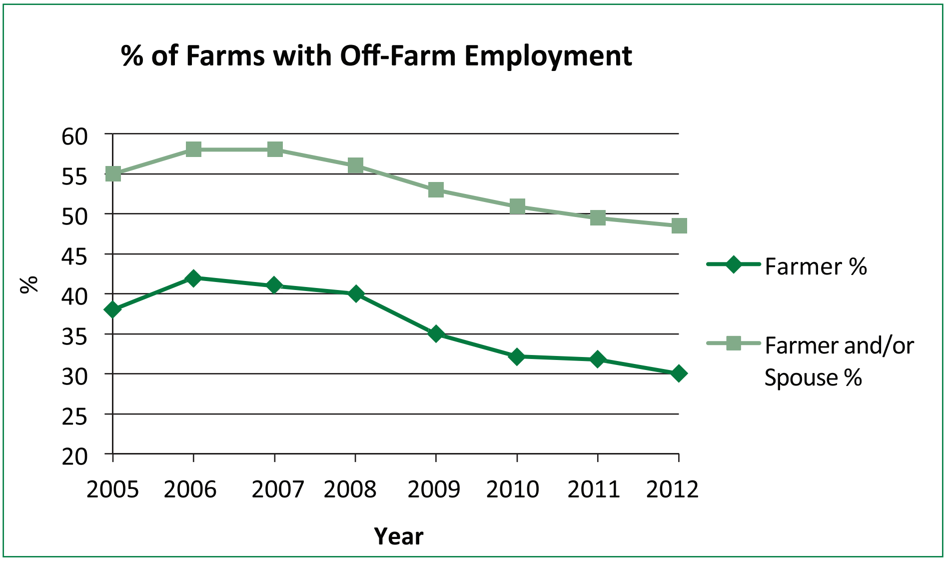
*Table 5.2 Distribution of Family Farm Income*

| € | < 5,000 | 5,000 - 10,000 | 10,000 - 20,000 | 20,000 - 50,000 | > 50,000 |
|---|---|---|---|---|---|
| % | 19 | 17 | 21 | 27 | 16 |
| Number | 15,030 | 13,448 | 16,612 | 21,358 | 12,656 |

## 5.3 Incidence of Off-Farm Employment

The National Farm Survey shows that, in 2012, 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 continued to fall, from 49.5% of households in 2011 to 48.5% in 2012. The continuing decline in off-farm employment opportunities has a negative impact on the overall income position of the farm household and highlights the increased importance of farm income for the farm household.

*Figure 5.1 Trends in Employment: % of Households with Off-Farm Job*



## 5.4 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 2012. The average farm size in hectares is also shown, so as to put these figures into perspective. Results highlight that the SFP and other Direct Payments represent the majority of farm incomes in most farm enterprises.

The decrease in farm incomes experienced in 2012 is reflected in the increased % of Family Farm Income comprising the Single Farm Payment (SFP) compared to 2011 figures. In 2012 the SFP, on average, represented 58% of Family Farm Income, up from 52% in 2011.

When all Direct Payments are included (e.g. SFP/REPS/AEOS/DAS/Suckler Cow), they comprised 77% of Family Farm Income in 2012, and over 100% of Family Farm Income on Cattle enterprises.

*Table 5.3 Average SFP by System*

| System | Dairying | Mixed Livestock | Cattle Rearing | Cattle Other | Mainly Sheep | Tillage | All |
|---|---|---|---|---|---|---|---|
| Size (hectares) | 55.6 | 62.8 | 35 | 43.4 | 48.7 | 63.9 | 47.1 |
| Average FFI (€) | 49,290 | 46,119 | 12,186 | 17,896 | 18,243 | 37,151 | 25,479 |
| o/w SFP (€) | 17,054 | 20,937 | 9,464 | 15,628 | 12,347 | 24,026 | 14,885 |
| o/w all Direct Payments/Subsidies | 21,232 | 25,847 | 14,195 | 20,117 | 18,367 | 26,914 | 19,492 |
| SFP as % of FFI | 35% | 45% | 78% | 87% | 68% | 65% | 58% |
| Direct Payments as a % of FFI | 43% | 56% | 116% | 112% | 101% | 72% | 77% |

# 6. Investment Trends and Farm Borrowing

## 6.1 On-farm investment

The following table gives the estimated gross investment levels by the agricultural sector, sourced from the Teagasc National Farm Survey (2006-2012). After peaking in 2008, with the completion of the Farm Waste Management Scheme, investment has fallen back to an average level of €6,400 per farm between 2009 and 2012.

*Table 6.1 Capital Investment in Irish Agriculture (€m)*

| Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|
| Gross investment (€m) | 788 | 1,371 | 2,041 | 654 | 660 | 696 | 703 |
| Gross Investment per farm (€) | 6,965 | 12,250 | 19,479 | 6,397 | 5,782 | 6,601 | 6,667 |

Gross new investment in farming in 2012 totalled an estimated €703m – an increase of almost 1% on the 2011 level. The average gross new investment per farm was €6,667 in 2013 while average gross new investment per dairy farm is estimated to be in the region of €16,000.

**Level of Farm Borrowings and Savings**

As a capital-intensive industry, there is a requirement for constant reinvestment in the agriculture sector. Access to credit at a reasonable cost, with prompt decision making, will remain a key element for the future development of the sector.

Central Bank data[5] indicates that the total stock of farm borrowing fell over €1.3b from its peak of €5.5b in 2009 to a low of €4.15b in December 2012.

The amount of new credit extended to the agriculture sector contracted in the 12 months to June 2013, falling by 5.4% in this time period.[6] This suggests both a tightening of lending conditions for the agriculture sector in 2013 and a reduction in demand for credit, due possibly to a combination of lower income in 2012 and the paying down of debt on many farms.

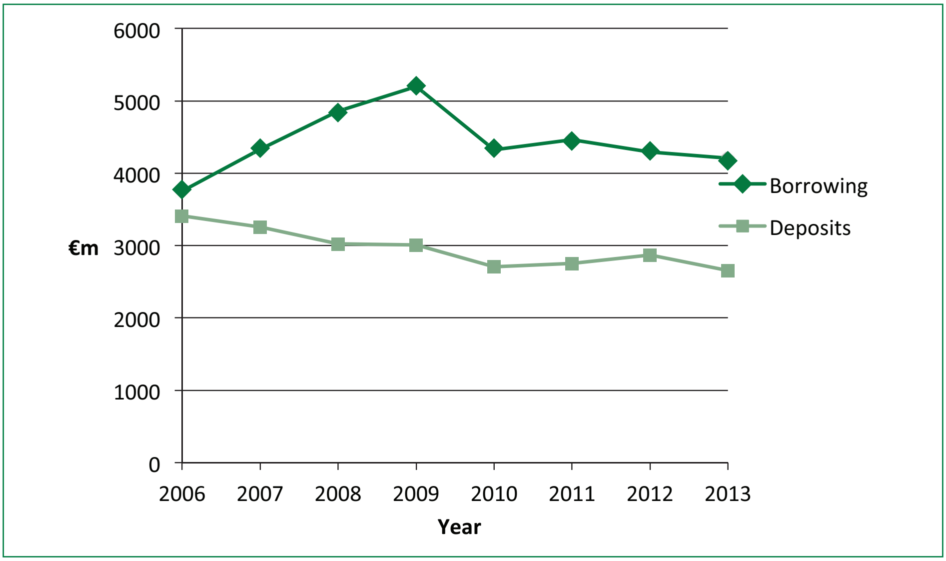
The decline in deposits[7] that occurred steadily from 2006, and which was temporarily arrested in 2012, continued again in 2013 with deposits decreasing in the 12 months from June 2012 to June 2013.

[5] Central Bank Quarterly Bulletin 4 2013.

[6] Ibid, Credit Advanced to Non-Financial Enterprises - Annual Percentage Change, Agriculture SMEs.

[7] 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.

*Figure 6.1 Levels of Agriculture Borrowing and Deposits 2006-2013 (€ million)*[8]




[8] Measured as at March of each year.

# 7. Agricultural Statistics

The following are the main agricultural statistics for 2013 on the national breeding herd and tillage area, sourced from the CSO's annual Crop and Livestock Survey.

### 7.1 Livestock

*Table 7.1 Trends in the National Breeding Herd (000 head, June)*

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | % change |
|---|---|---|---|---|---|---|---|
| Dairy Cows | 1,114 | 1,097 | 1,071 | 1,117 | 1,141 | 1,163 | 1.9% |
| Beef Cows | 1,180 | 1,204 | 1,159 | 1,123 | 1,149 | 1,150 | 2.3% |
| Total Cows | 2,294 | 2,300 | 2,230 | 2,240 | 2,290 | 2,313 | 2.2% |
| Ewes | 2,614 | 2,451 | 2,450 | 2,435 | 2,589 | 2,565 | 6.3% |
| Pig Breeding Herd | 157 | 158 | 161 | 156 | 146 | 148 | -6.7% |

Source: CSO June Livestock Survey and June Pig Survey

An increase of over 2% was recorded in both the beef cow and dairy cow herds in 2013, ewe numbers increased by almost 6% in the year, while the numbers in the pig breeding herd continued to decline.

### 7.2 Crops

*Table 7.2 Area under Crops, (000 hectare, June)*

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 v 2012 |
|---|---|---|---|---|---|---|---|---|
| Wheat | 84.3 | 104.9 | 84.5 | 77.8 | 94.2 | 98 | 59.5 | -39% |
| Barley | 167.5 | 181.2 | 193.6 | 174.8 | 180.6 | 192.8 | 216.8 | 12% |
| Oats | 21.3 | 23.3 | 20.4 | 19.7 | 21.4 | 23.7 | 25.9 | 9% |
| Total Cereals | 278.9 | 313.8 | 299.8 | 273.9 | 297.4 | 315.4 | 303.3 | -4% |
| Potatoes | 11.7 | 12 | 12.2 | 12.2 | 10.4 | 9 | 10.3 | 14% |

Source: CSO June Crop and Livestock Survey

The number of cereal hectares decreased on average in 2013 with a significant drop of almost 40% in the area under wheat. There was a 12% and 9% increase in the area of Barley and Oats planted in 2013, possibly in response to the relatively strong prices received in 2012. Despite the decreased acreage planted, the improved weather conditions in the second half of 2013 resulted in an estimated rise in output for the sector of 23%. For the potato sector, the trends of 2011 and 2012 were reversed, and an increase in the acreage planted is a reflection of the higher prices received for potatoes and low supply at the end of 2012.

## 7.3 Demographics and Structure of the Agriculture Sector

The CSO Census of Agriculture 2010 published in 2012 provides the latest comprehensive picture of the demographics and structure of the agriculture sector. The table below shows significant differences in size, output and average age of farm holders. Specialist beef production remains the dominant enterprise type, accounting for almost 60% of all farm enterprises recorded.

*Table 7.3: Structure of Farming 2010*

| | Dairy | Beef | Tillage | Sheep | Overall |
|---|---|---|---|---|---|
| Number of farms (000s) | 15.6 | 77.7 | 4.8 | 13.5 | 139.8 |
| Average farm size (ha) | 55 | 28 | 56 | 31 | 32.7 |
| Average Standard Output[9] (€000) | 111 | 13 | 89 | 12 | 31 |
| % of farm holders aged <35 | 7% | 6% | 10% | 8% | 6% |
| % of farm holders aged >65 | 13% | 29% | 21% | 27% | 26% |
| Farming the sole/major occupation | 95% | 66% | 69% | 63% | 68% |

In the pig sector, there were 349 farm enterprises recorded with standard output greater than €100,000 and an average number of animals of 4,300.

The number of farm holders aged under 35 has fallen from 13% in 2000 to 6.5% by 2010. It is likely that this was as a result of the decline in attractiveness of farming as a career for most of the last decade. This decline has been arrested, as evidenced by the increase in numbers undertaking agricultural education and training in recent years. It should also be noted that the term "farm holders" indicates the owner of the farming enterprise and not necessarily the individual responsible for running the enterprise.

[9] Standard Output is the average monetary value of the agricultural output at farm-gate prices.

# 8. Outlook for 2014

## 8.1 Product Prices

2013 saw an overall 2.4% rise in farm incomes nationally, with variations between sectors and regions. While product prices were strong in many commodities, increased input costs resulted in a rise of 2.4% in overall National Farm Income. This represents a modest recover in National Farm Income when recorded against a 14% decline in 2012. Sheep and cereal prices are expected to improve in 2014 while beef, pig and poultry should be maintained. There is the expectation of some downward pressure on milk price, mainly in the second half of 2014.

There are some positive signs of recovery in the Eurozone economy and this should stimulate agri-food exports and domestic growth, while a continuation of strong growth in the British economy will lead to increased demand for beef, supporting the price. Positive growth forecast for the Irish economy in 2014 is contingent on recovery in Ireland's major export markets, most notably the US and the UK, where growth prospects for 2014 range between 2 and 3 per cent. Recovery in the Eurozone is also a risk factor with uncertainty surrounding the estimated 1 per cent growth forecast for 2014. Lower than expected economic growth in the Eurozone, UK and US economies would negatively affect the prospects for Irish domestic economic growth and the increased demand for agri-food exports forecast in 2014.

In Ireland, the most recent figures show an upturn in domestic consumption and employment in the second half of 2013. While estimated growth in domestic demand for 2013 is modest at approximately 1%, this signifies a positive indicator overall for demand, price and prospects for 2014. On the inputs side, costs are expected to fall somewhat with input prices and in particular feed and energy prices forecast to fall. The volume of inputs should be lower in 2014 with feed and fertiliser volumes expected to fall in 2014.

## 8.2 EU Budget and CAP Post 2013

2013 saw the conclusion of the negotiations on both the overall EU Multiannual Financial Framework (MFF) for the years 2014 -2020 and the CAP programme post 2013. In November the Council of Ministers signed off on the EU MFF Budget, marking the end of two and a half years of negotiations and allowing the new EU spending programmes including CAP to be implemented as of October 2013.

The proposed funding allocation for the SFP for Ireland for 2014-2020 agreed under the MFF CAP budget is €1.215b/year. To pay for the overall budget reduction, where the farmer's SFP exceeds €2,000, a cut of 2.45% was made to his payment above this amount in 2013. This 2.45% was broken into two parts. Firstly 1%, equivalent to €12m, was taken to establish an EU crisis fund which will be used if a crisis occurs. Where the Crisis Reserve is not required in any year, it will be paid back to farmers at the end of the year. The remaining 1.45% equivalent to €13 million represented a budget reduction. The EU funding allocation for Ireland for the Rural Development Programme for 2014-2020 is €313m/year.

As with the MFF budget, the CAP reform required for the first time political agreement between the European Commission, the Council of Ministers and the European Parliament, through the so called trilogue negotiations. Under the Irish Presidency, the final trilogue, 24 to 26 June 2013, reached agreement on the main elements of the CAP Reform 2014-2020. The CAP agreement comprises rules for Direct Payments (Pillar I), Rural Development (Pillar II), Market Supports (Single CMO) and rules for financing and implementation of the CAP by Member States.

Details of the implementation of the new CAP programme were announced by the Department of Agriculture Food and the Marine on the 16th of January and set out the Pillar I (Single Farm Payment) and Pillar II (Rural Development) measures to support farmers for the period 2014 - 2020. On an annual basis, EU funding for the Single Farm Payment amounts to €1.2bn, and €313m for the Rural Development Programme. In addition, national funding will amount to approximately €270m per annum, which allows for a full drawdown of maximum funding of EU money. The key elements of the new CAP Programme are:

- A SFP applied at farm level on the basis of the new internal convergence model with variable greening which will involve some re-distribution of the SFP on a phased basis.
- 2% of the SFP will be allocated to young farmers to provide a 25% top-up, and an allocation of 3% for the National Reserve. Farmers with low payments will be moved up to a minimum of 60% of the national average;
- A new agri-environment scheme (GLAS) with a payment of €5,000 per annum for 50,000 farmers;
- A new Suckler payment (beef data and genomics scheme) worth €52m per annum with a payment of €80 per cow for 650,000 suckler cows;
- A Capital Investment Programme for all sectors to cover infrastructure and equipment, and supporting on-farm efficiency and expansion, particularly in the context of the abolition of dairy quotas;
- €195m funding for Disadvantaged Areas, to be known as Areas of Natural Constraint (ANC);
- Grant aid for slurry storage on tillage farms and a coupled payment for protein crops.
- A Sheep Grassland Payment of €13m will be incorporated into the SFP to top-up sheep farmers' payments.

The proposals on how the Rural Development Plan will be implemented will submitted by the DAFM to Brussels in the first half of 2013. The major issues for farmers will be both the final design and the speed of implementation of the new farm schemes.

### 8.3 National Debt

In February 2013, the Government received some relief on the State's debt burden, both on the "promissory notes" used to meet the losses in the failed banks and on the interest cost of recapitalisation of the surviving banks. The promissory note transaction underpins longer term debt sustainability and will significantly reduce the State's funding requirement over the medium to long-term by lengthening Ireland's debt profile.

On the 15th of December Ireland exited the EU IMF Bailout programme. This has allowed Ireland to make a return to the sovereign debt market. In exiting the programme, Ireland chose to do so without the safety net of a precautionary credit line or access to the European Central Bank's bond buying programme, but instead rely on the €25 billion in reserves held by the National Treasury Management Agency. As a result, international bond markets will closely monitor Irish policy decisions and progress in the years ahead.

In Europe the proposed European Banking Union progressed significantly in 2013. The Two Pillars of the proposed Banking Union are the Single Supervisory Mechanism and Single Resolution Mechanism which, if successfully implemented, should prevent another financial crisis of the same magnitude from recurring.

The specific conditions under which a Banking Union develop will have an important role to play in informing the ongoing negotiations between Ireland and its euro partners on measures to improve Ireland's debt position over the coming years.

### 8.4 Access to and Cost of Credit

The withdrawal of AccBank and Danske in 2013 from retail banking is a serious concern for thousands of farming customers and is a further erosion of competition in the banking sector. Danske's withdrawal from retail banking and ACC Bank's decision to give up its banking licence and focus exclusively on debt recovery means that the two pillar banks, Bank of Ireland and AIB are increasingly dominant and now account for approximately 70% of the current account market.

These announcements follow on from the loss of Halifax, Postbank, Anglo Irish Bank, Irish Nationwide and EBS and come at a time when demand for finance to fuel on-farm investment is starting to pick-up, particularly in the dairy sector. It is likely that reduced competition will result in increased banking costs, in the form of higher fees, bank charges and increased cost of capital.

### 8.5 International Trade Talks

Ongoing bilateral trade discussions between the EU and US pose a significant threat to Irish agriculture, in particular the beef and white meat sectors. In 2013 a political agreement on bilateral trade was reached between the EU and Canada. This agreement granted import concessions to Canada for an additional 45,000 tonnes of beef to EU markets.

A deal on the same basis with the US, given their magnitude, would have a significant negative impact on our livestock sector. As the largest net beef exporter in the Northern Hemisphere, increased access to the EU markets for beef exports has the potential to damage the Irish beef sector. Increased exports of beef from the US or the Mercosor trading bloc would weaken the position of Irish beef on the European market and result in a negative, downward pressure of prices.

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