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AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY

The Irish Agriculture and Food Development Authority

Irish Agriculture: the Current State of Play

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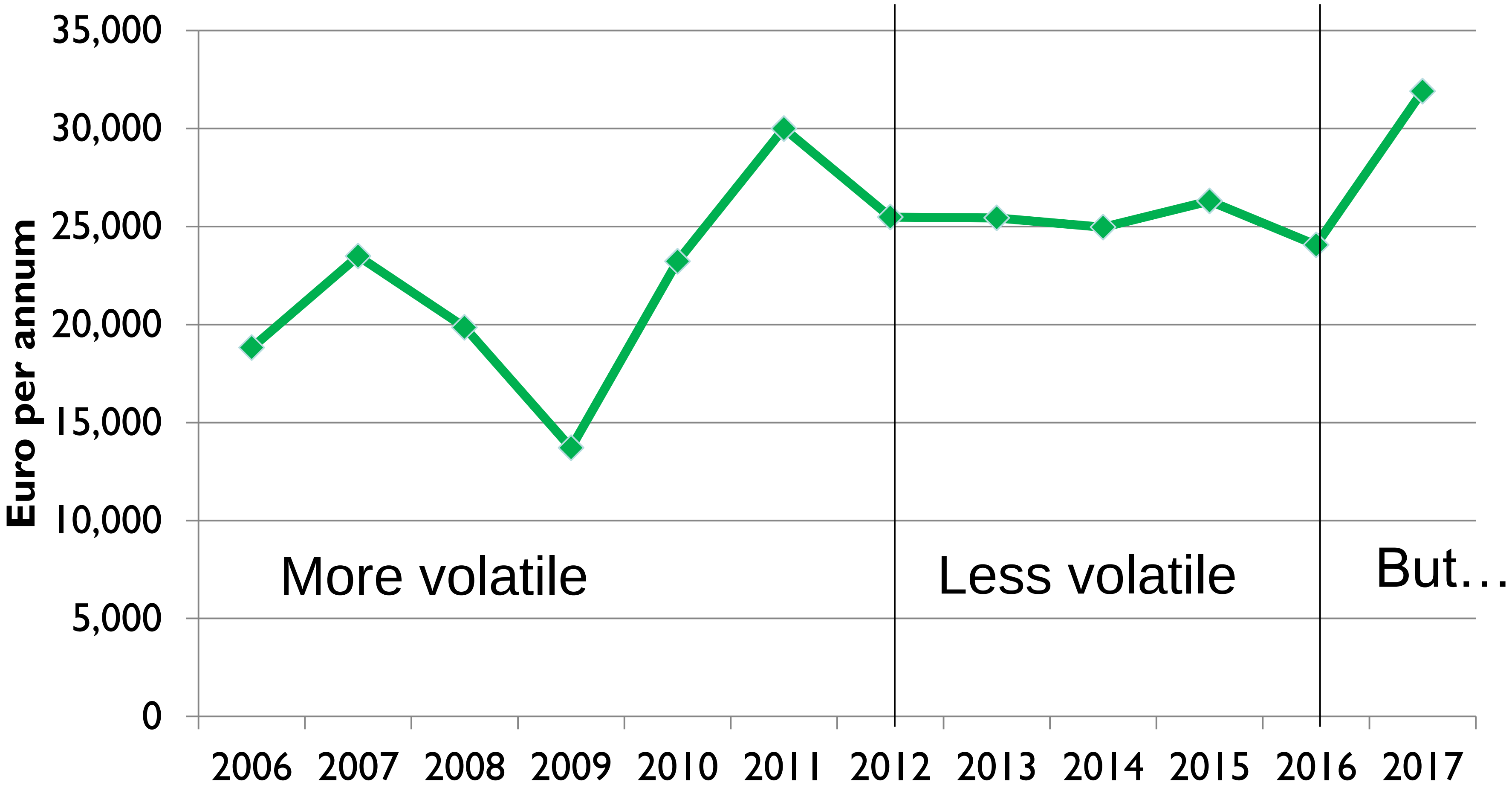
Overview

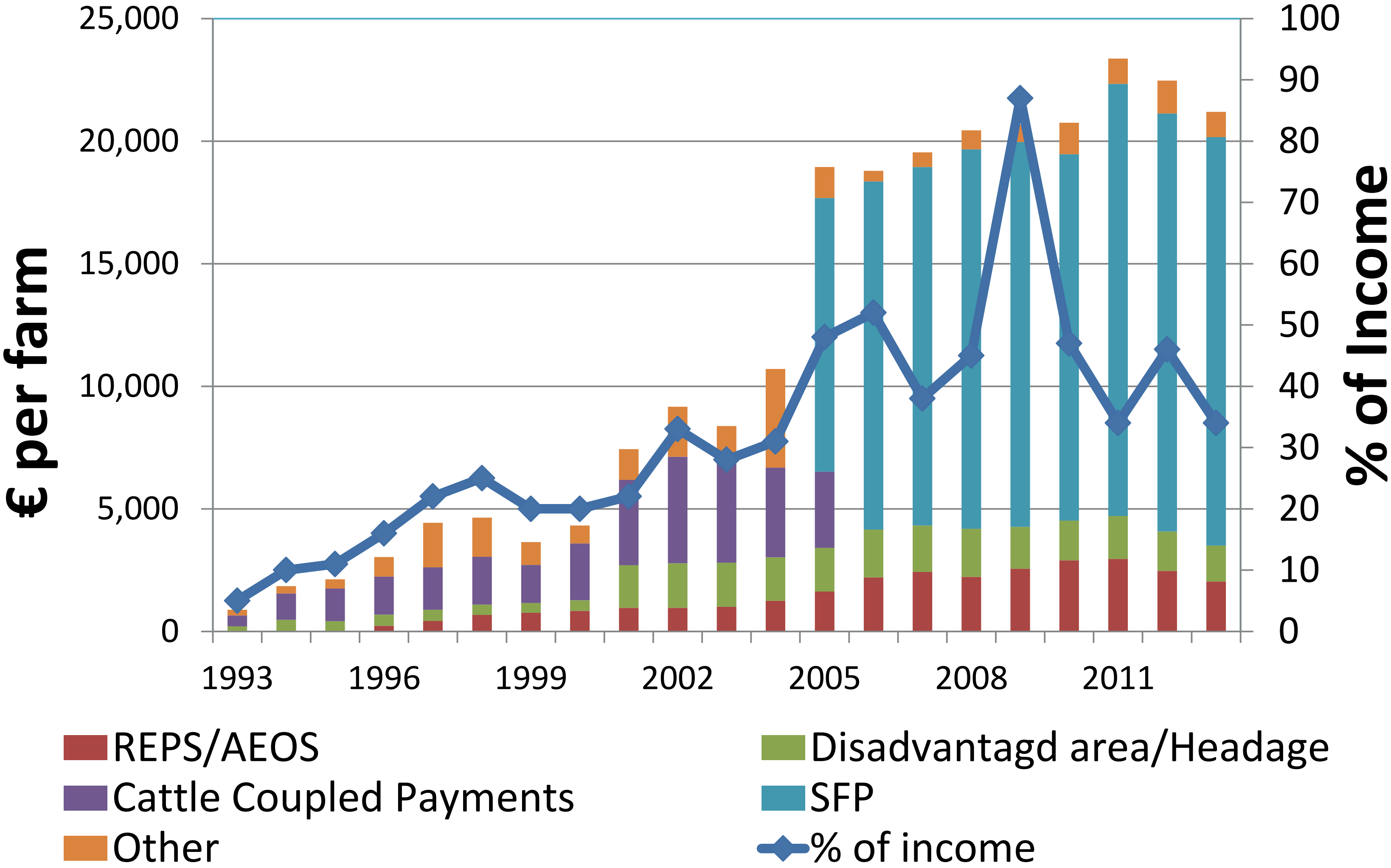
- Average farm income levels
- Level of dependency on support payments
- Types of support received by farm type
- Regional disparity in support dependency
- Volatility in system level farm incomes
- Sources of farm income volatility
- Evolution of dairy farm output
- Debt levels by farm system

Average Family Farm Income



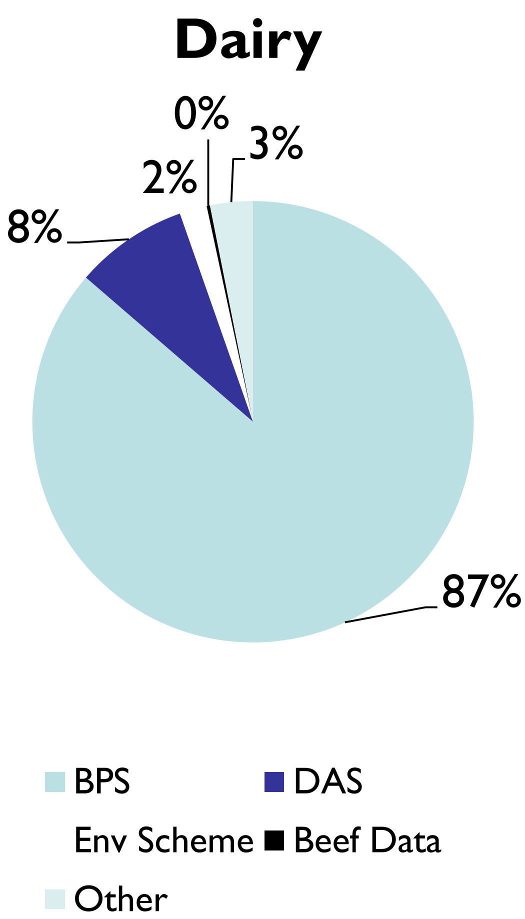
Source: Teagasc National Farm Survey

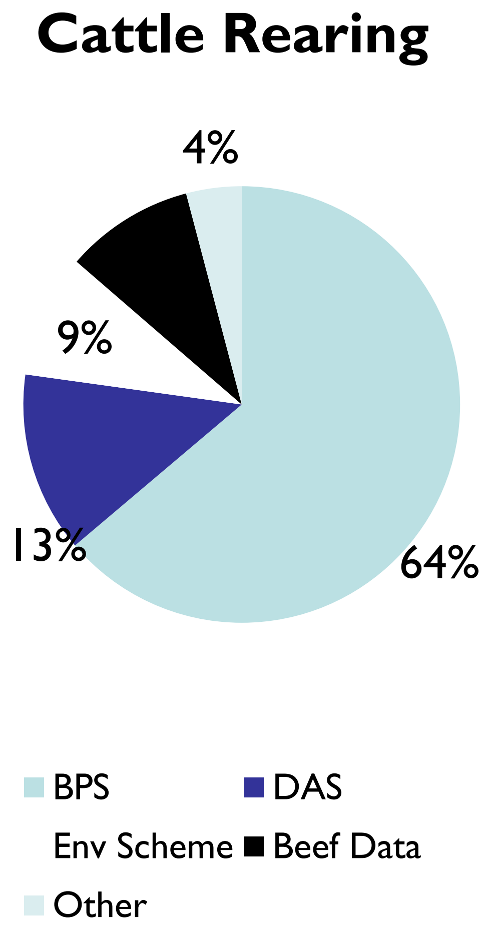
Income supported by subsidies

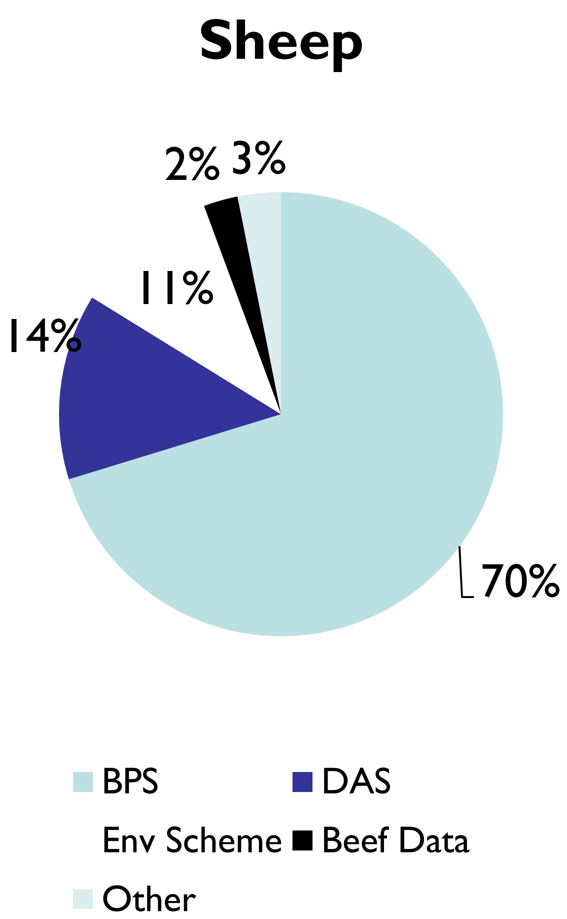


Source: Teagasc National Farm Survey

Composition of Direct Payments by System in 2016



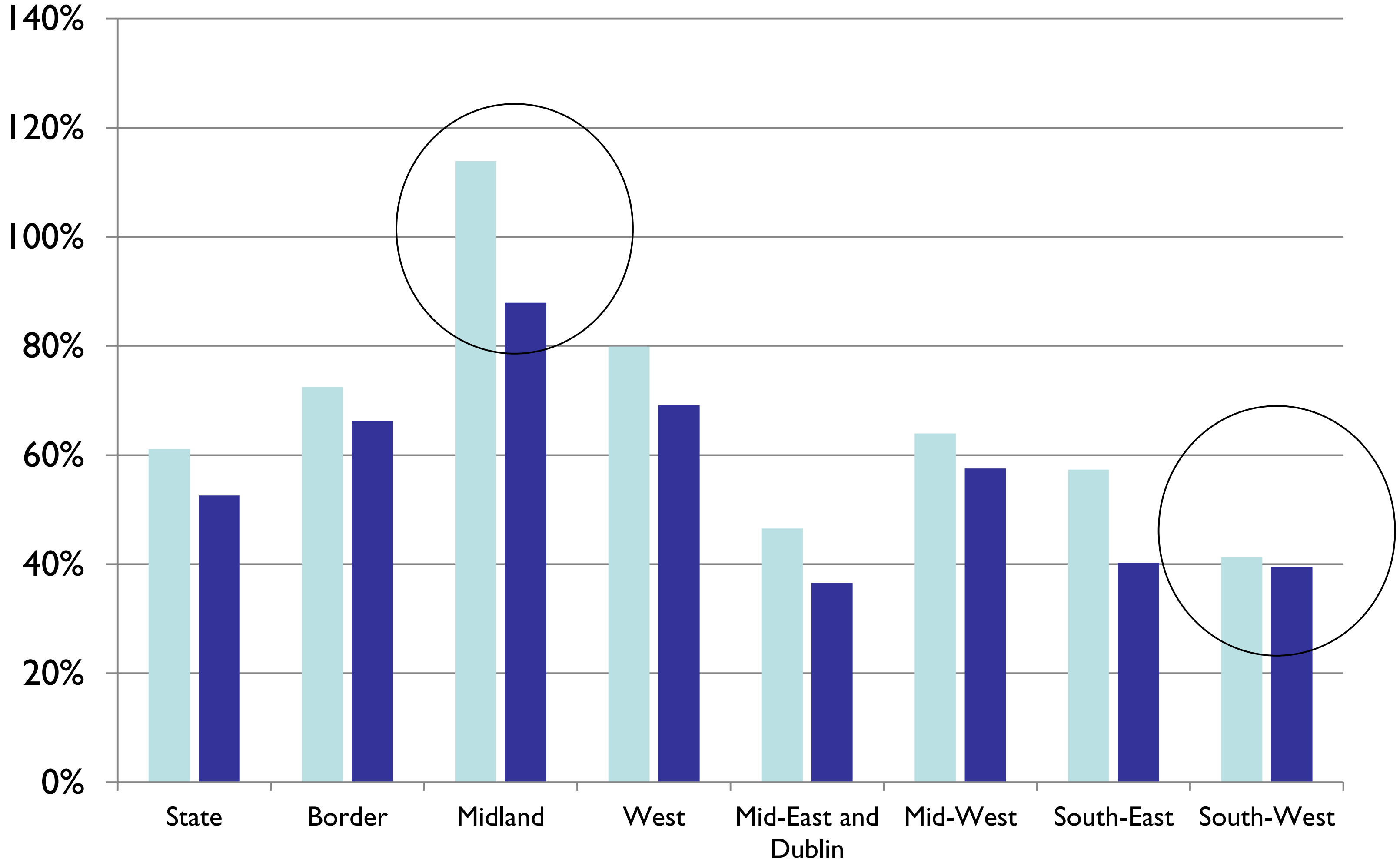




More diverse range of supports in drystock sectors

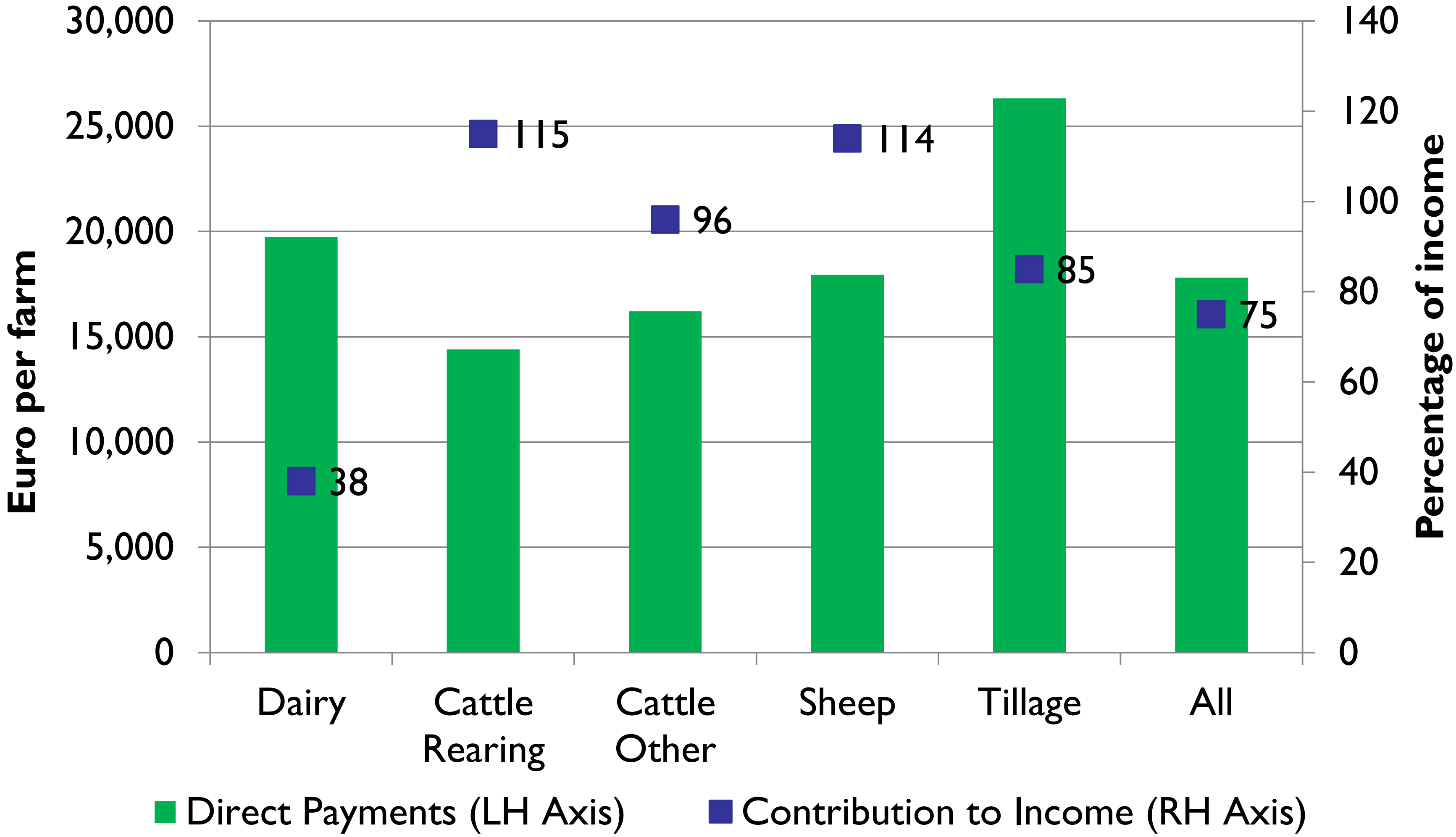
Source: Teagasc National Farm Survey

Support Payments as a share of income by region 2014 and 2015

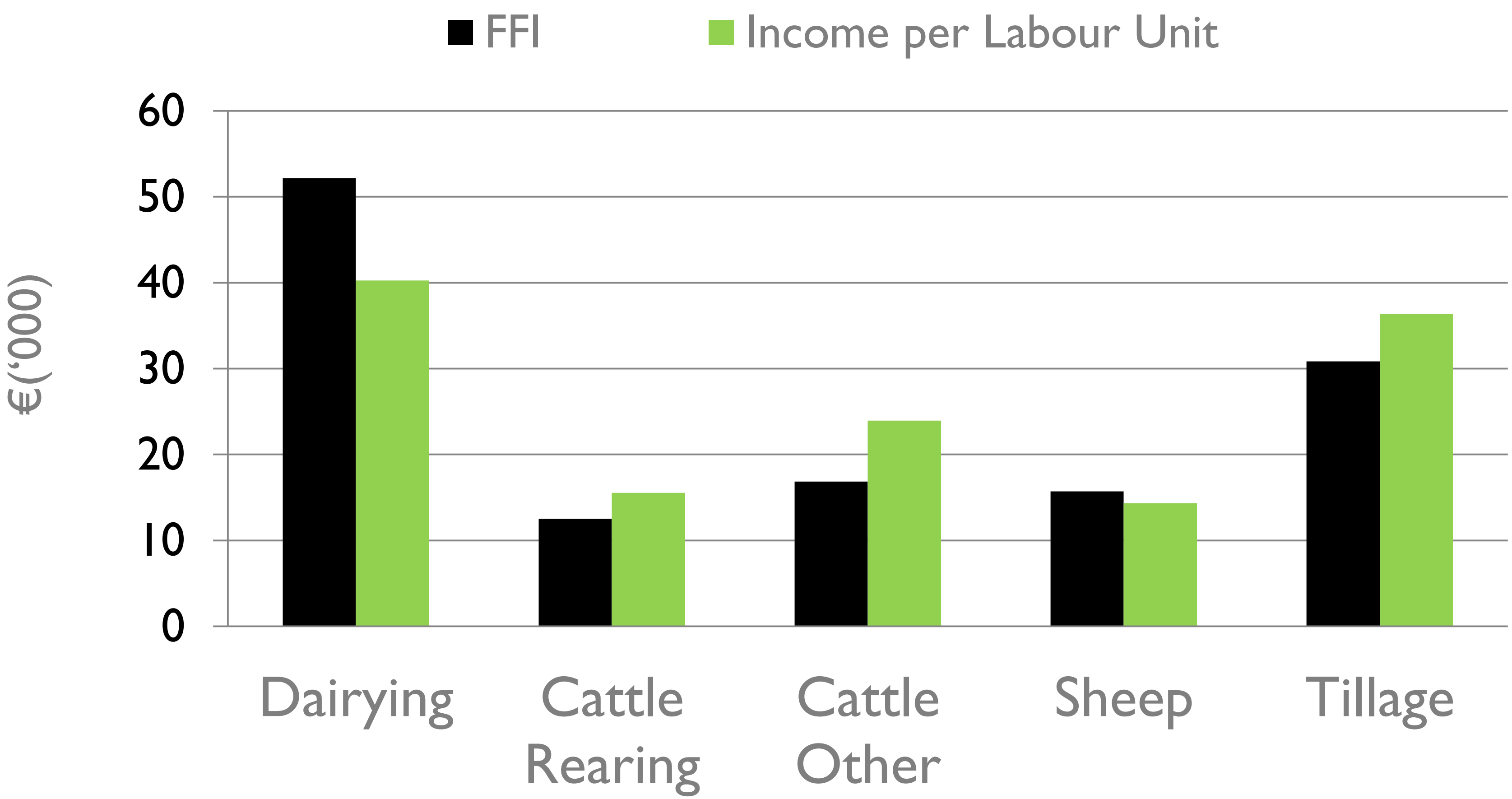


Source: Adapted by Author from CSO data

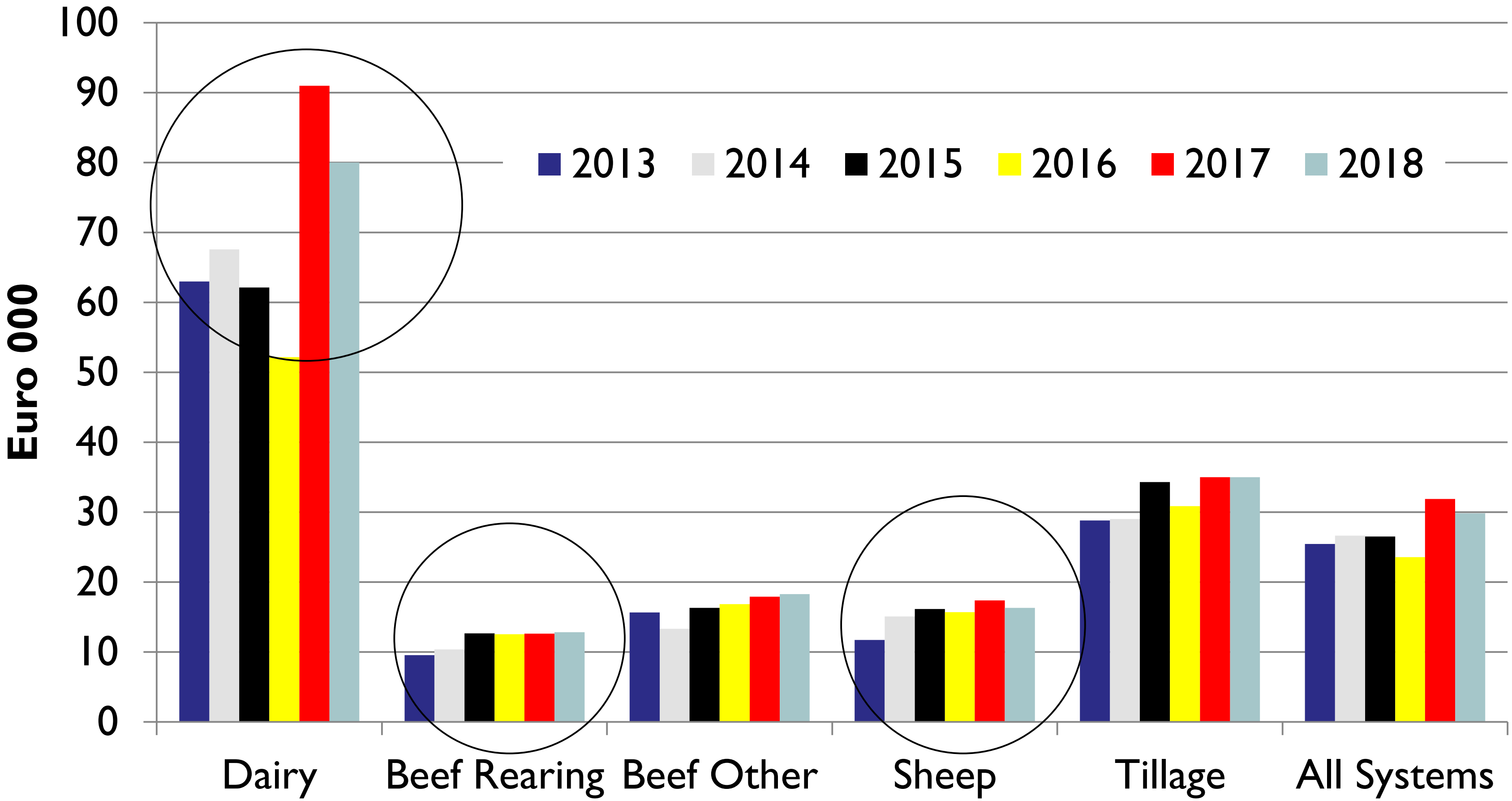
Average level of support payments by farm system in 2016



NFS FFI and income per labour unit across systems 2016



NFS Family Farm Income
2013-2016, 2017e & 2018f



Source: Teagasc National Farm Survey

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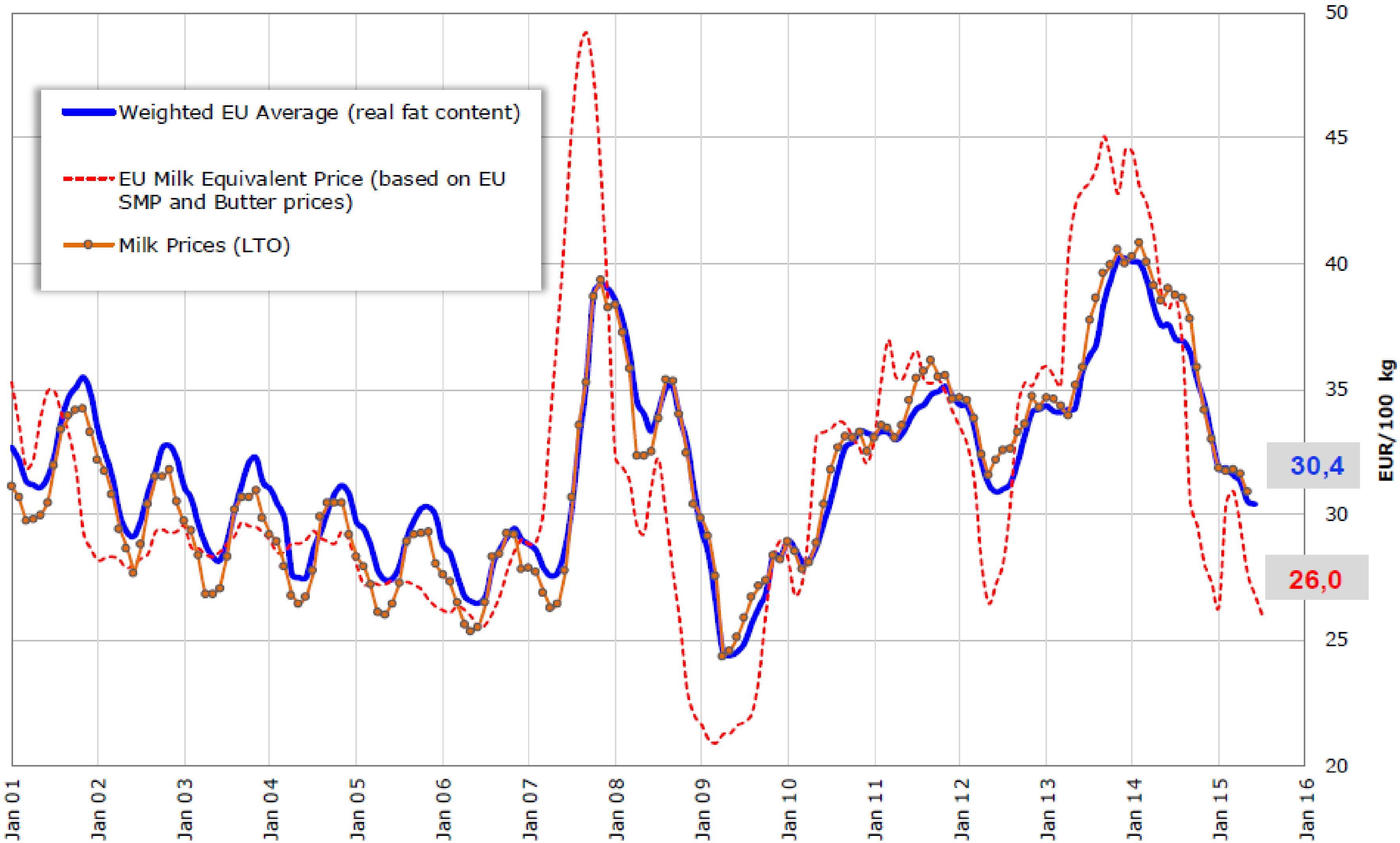
EU Milk Price trends 2001-2016

Source: European Milk Market Observatory



Source: European Milk Market Observatory

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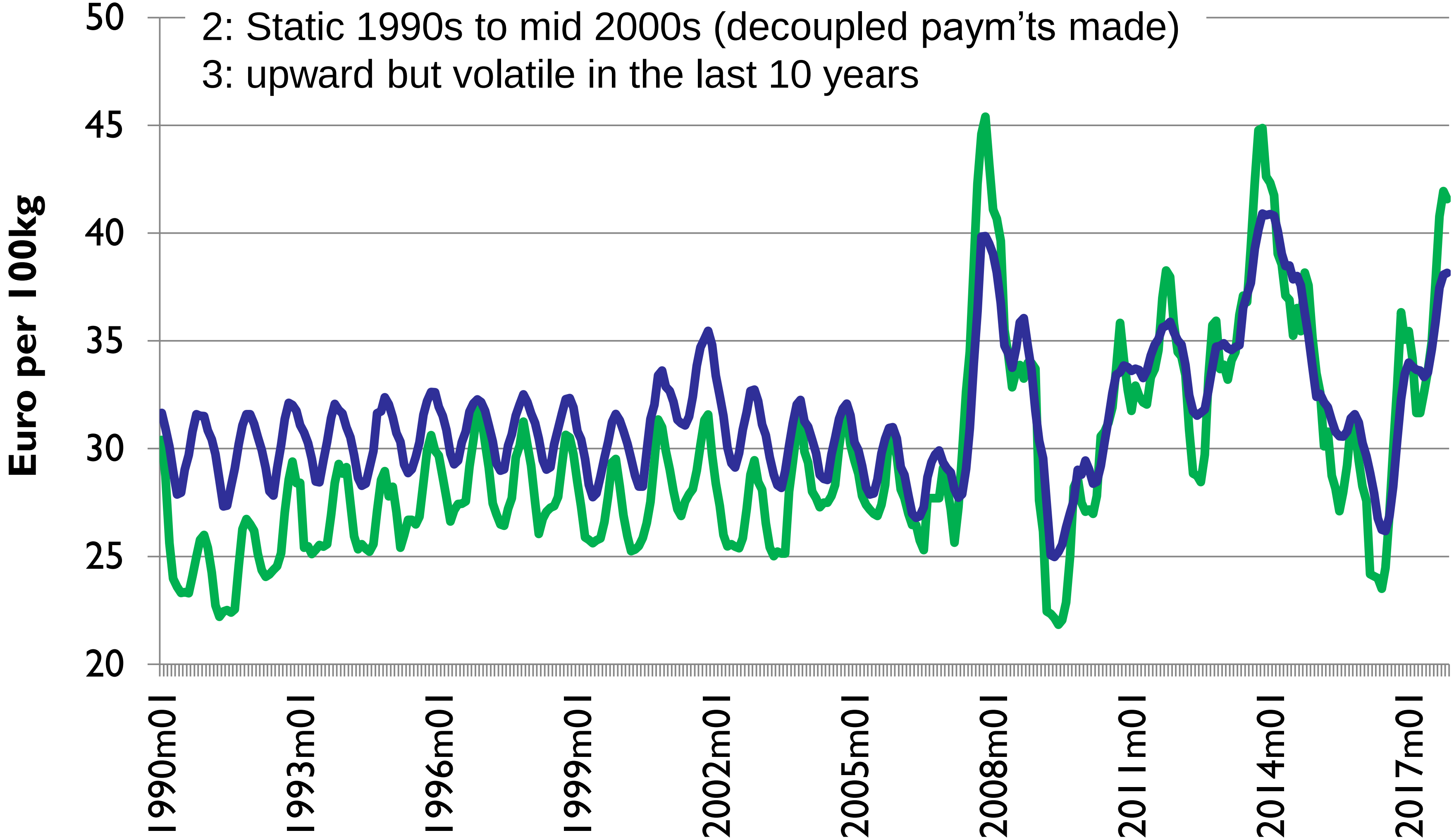
Irish and EU Milk Prices

1: price increased in late 1980s

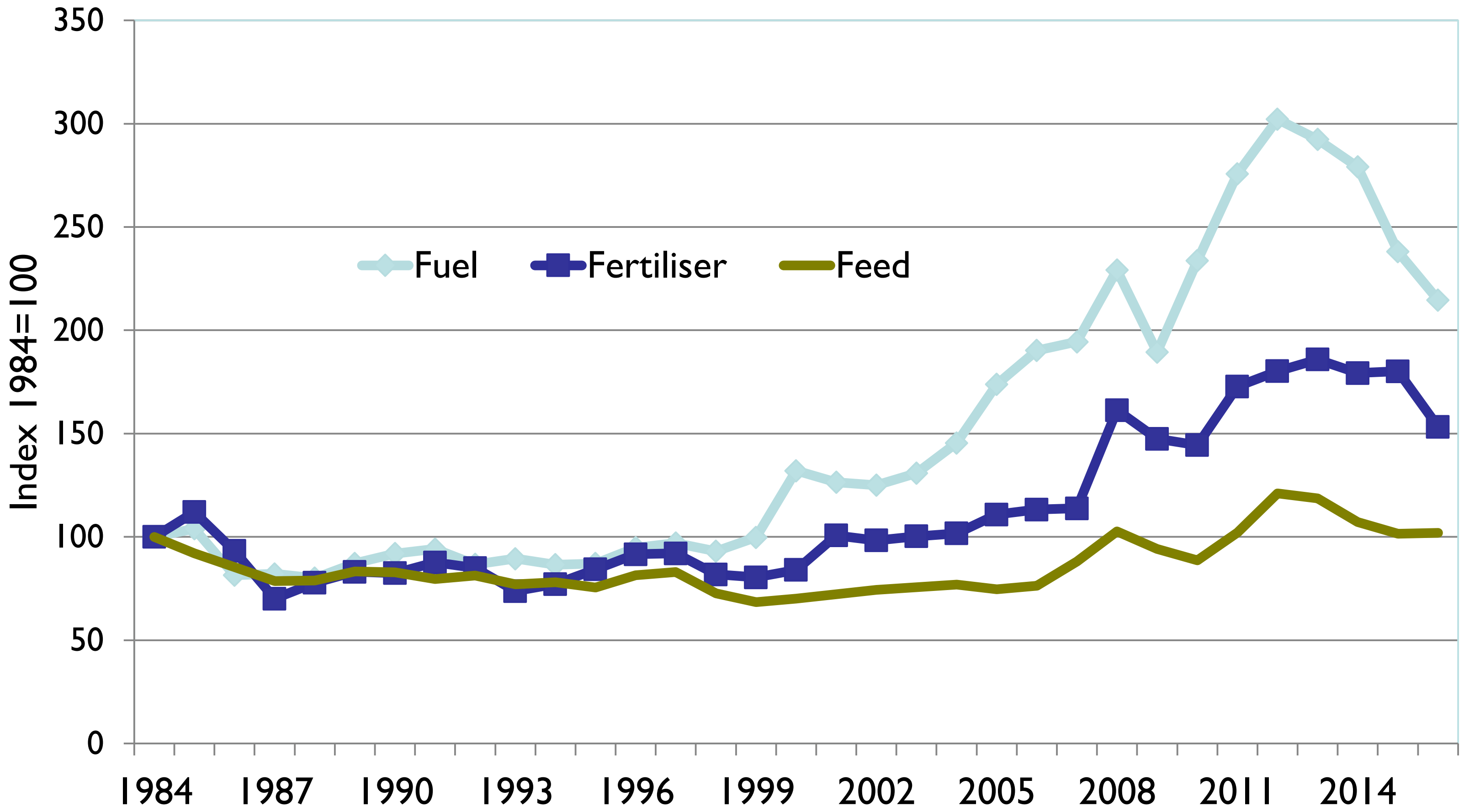
2: Static 1990s to mid 2000s (decoupled paym’ts made)

3: upward but volatile in the last 10 years



Source: European Milk Market Observatory

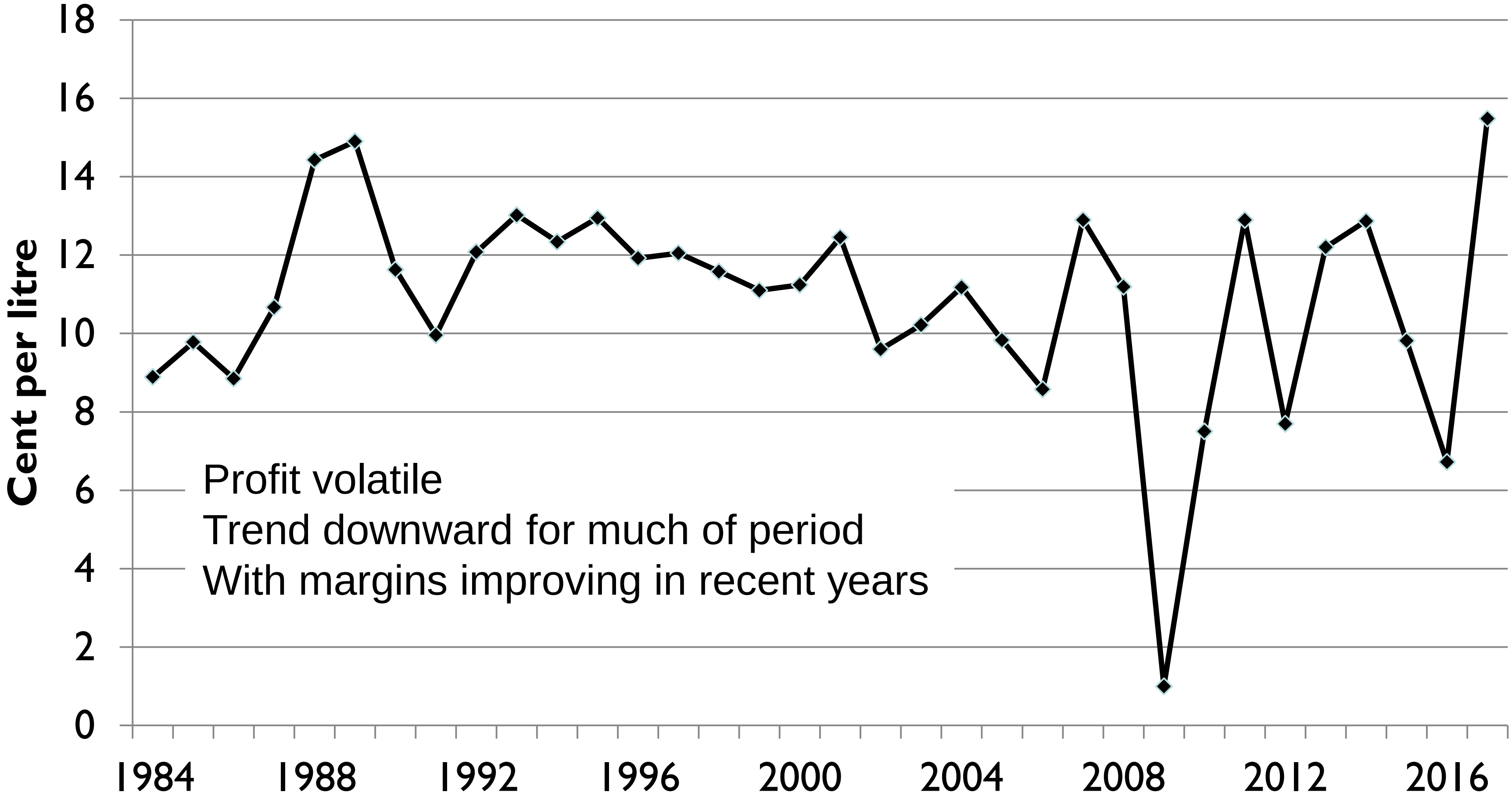
Cost Developments in the 30 year period



Significant Inflation since the early 2000s

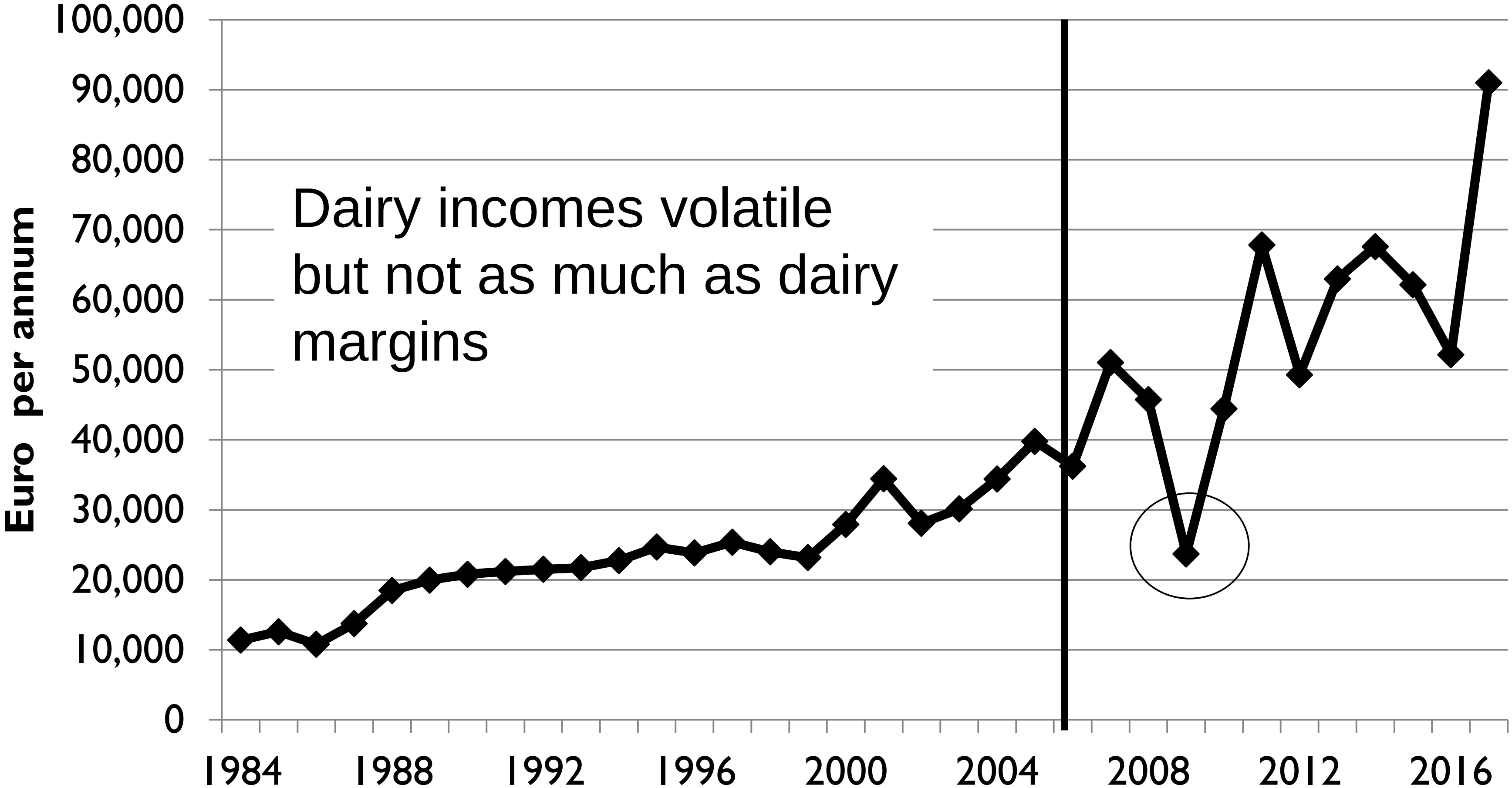
Source: Adapted from CSO data

Development in Dairy Net Margin / litre



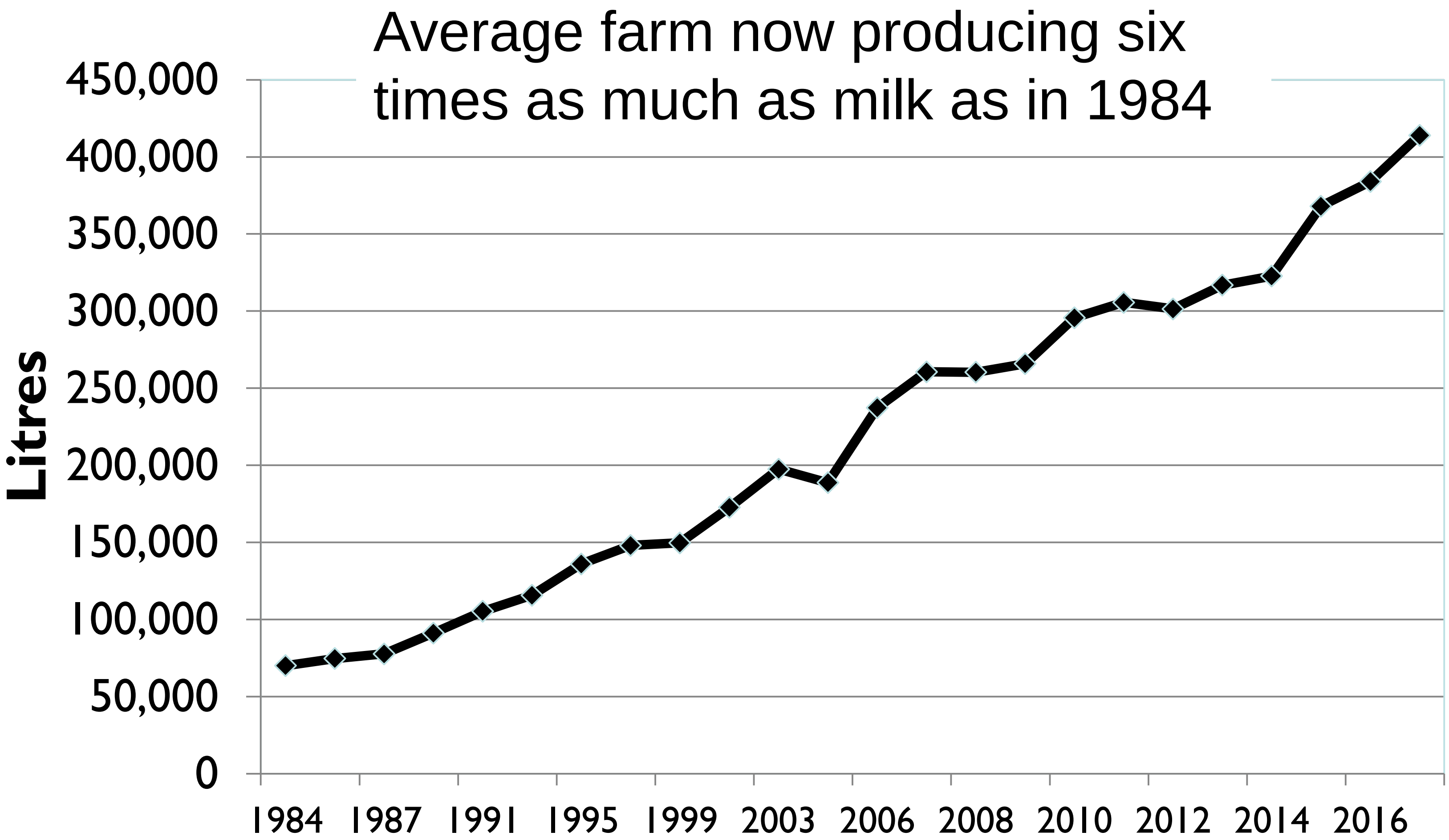
Source: Teagasc National Farm Survey

Average Dairy Farm Income over time



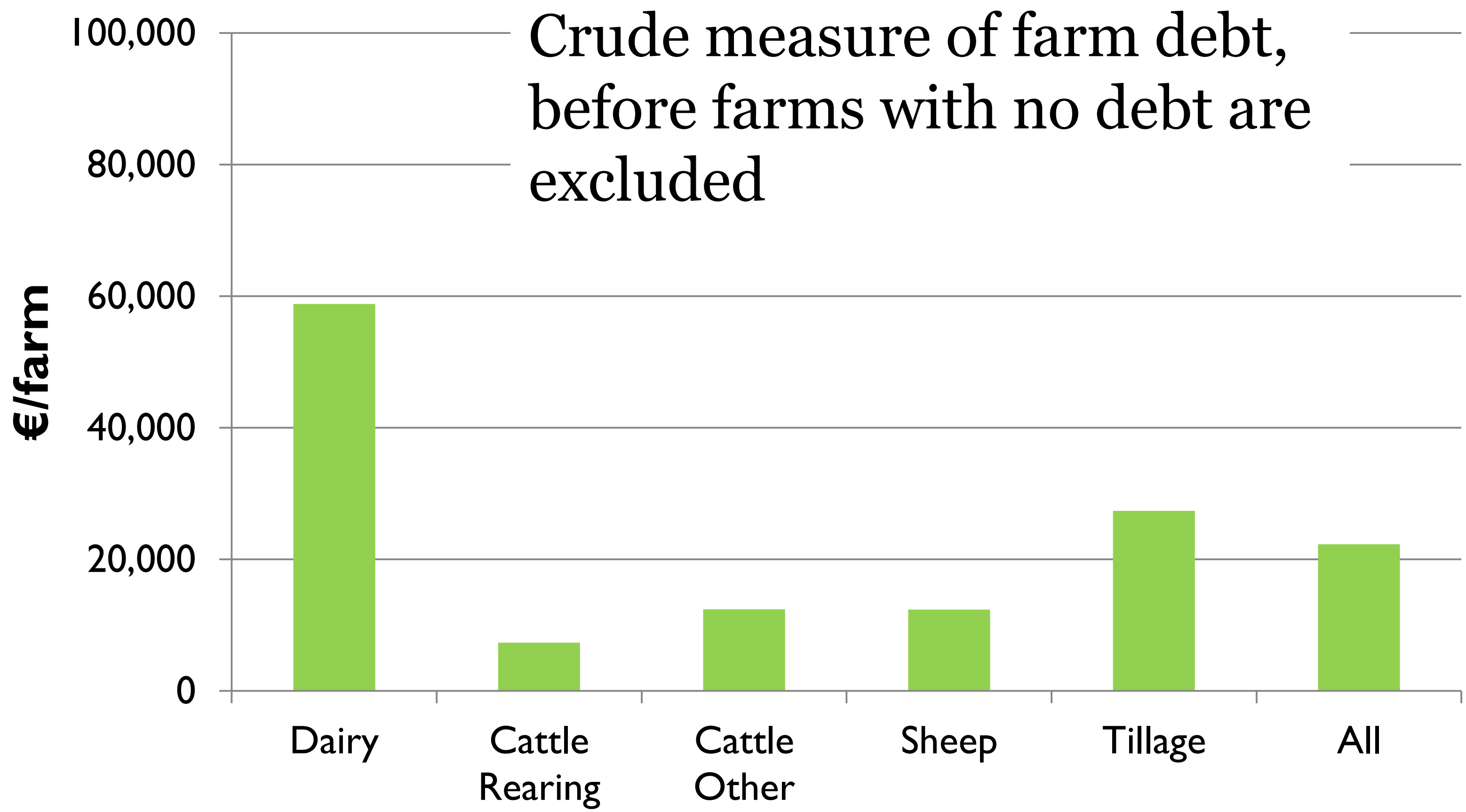
Source: Teagasc National Farm Survey

Average total output per farm



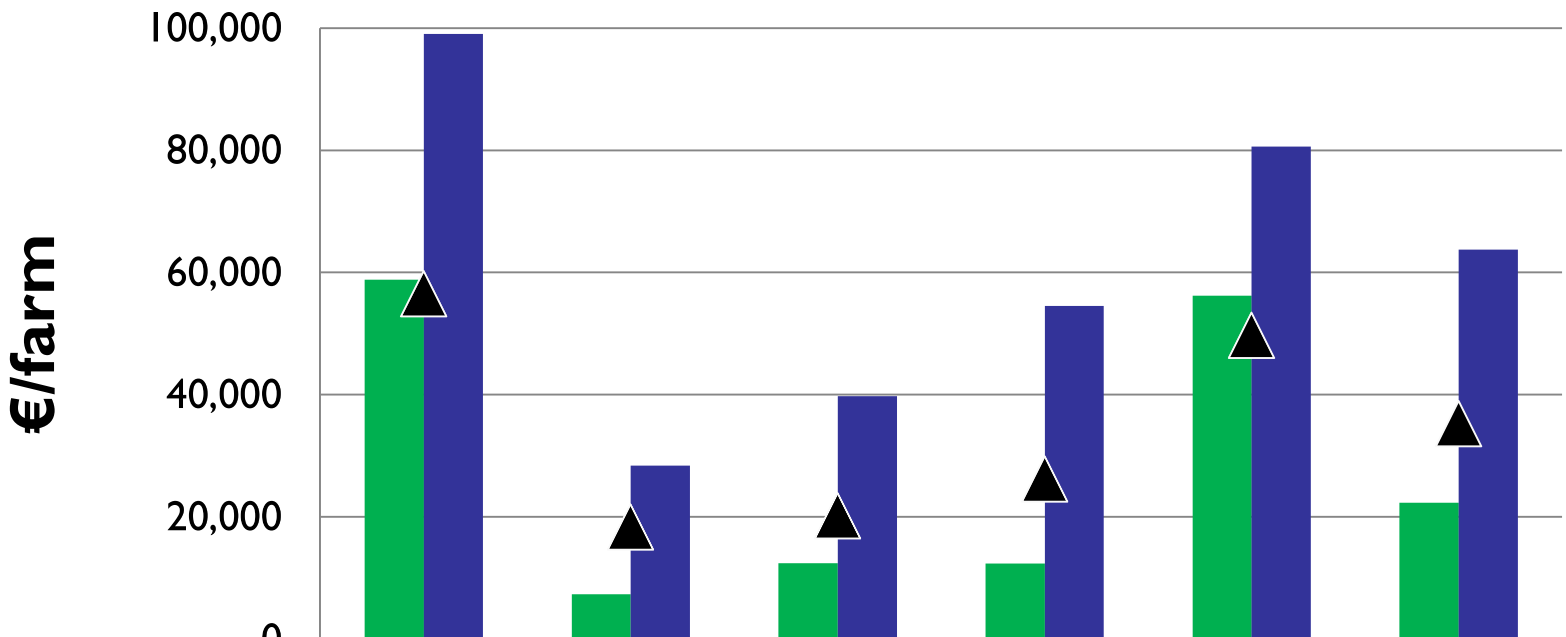
Milk Volume increased while Fat and Protein % increased also

Farm Debt – by Farm System in 2016 with all NFS farms included



Source: Teagasc National Farm Survey Preliminary Estimates

Average Farm Debt levels 2016 inclusive and exclusive of farms with zero debt



	Dairy	Cattle Rearing	Cattle Other	Sheep	Tillage	All
All Farms	58802	7318	12410	12351	56191	22293
Farms with debt	99058	28360	39763	54517	80590	63764
▲ FFI	56504	18330	20158	26182	49703	35263

Source Teagasc National Farm Survey

Conclusion

- Growing distinction between dairy & other systems in Ireland
- Average dairy farm income now multiples of average drystock farm income
- Dairy farms numbers have seen steep decline
  - with large expansion in milk production per farm
- Income supports represent a lower share of dairy income
  - in comparison with other systems
- But dairy farm income is inherently more volatile
  - than income in the other sectors
- Greater dairy farm borrowings
  - greater annual income uncertainty
- Dairy system also has highest labour input requirement
  - and this input requirement is growing

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Causes of Dairy Price Volatility

- Characteristics of the demand for food
  - inelastic demand
- Combined with unanticipated variation in supply
  - due to weather, disease, etc.,
- Small changes in supply can cause large changes in price
- Policy change in EU
  - Low dairy inventory levels in recent years
- Biology of dairy
  - Production responses small in short run (yield adjustment)
  - Greater in long run (herd size adjustment)

Consequences of Price Volatility

- Low prices cause financial problems
  - e.g. low margins, cashflow management and debt servicing
- High prices lead to substitution away from dairy
  - difficult or impossible to reverse (want stable ingredient prices)
  - Buyers favour fixed price contracts or lower levels of price variability found in price of other food ingredients
- Extreme volatility leads to procrastination
  - slows investment, innovation and R&D decisions
  - wait and see mentality takes root
  - culture of (empty pipe) minimal stockholding, which itself contributes to volatility