

Farm Incomes and the Macro Economy

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Outlook 2010: Economics of Agriculture

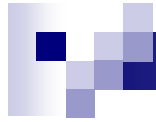


Rural Economy Research Centre

RERC

Outline

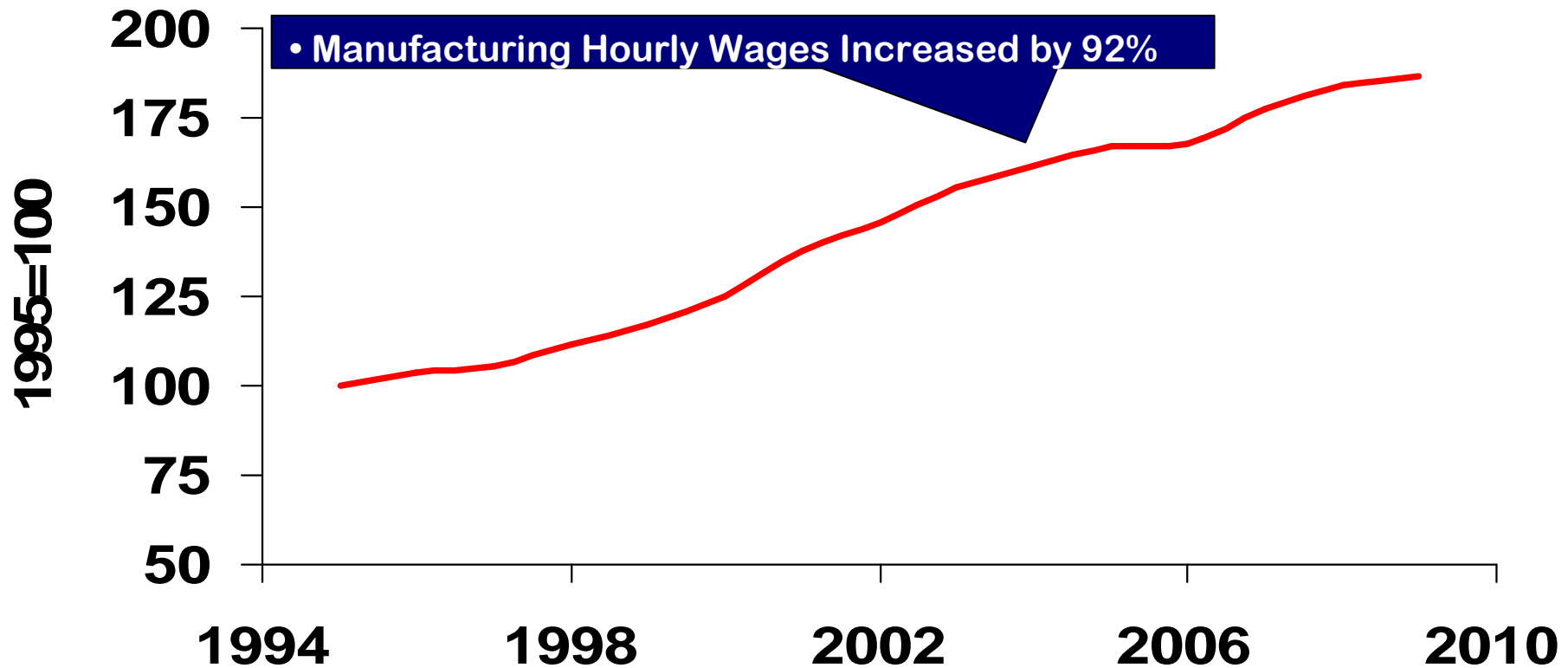
- Most of conference focus: Short-term
- Here: Taking a long-term look
- Broader farm household income concept
- Impact of wider economy
- Macro-Outlook



Farm Prices, Volumes and Incomes 1995-2009

Cost-Price Squeeze

(Price Growth 1995-2009)

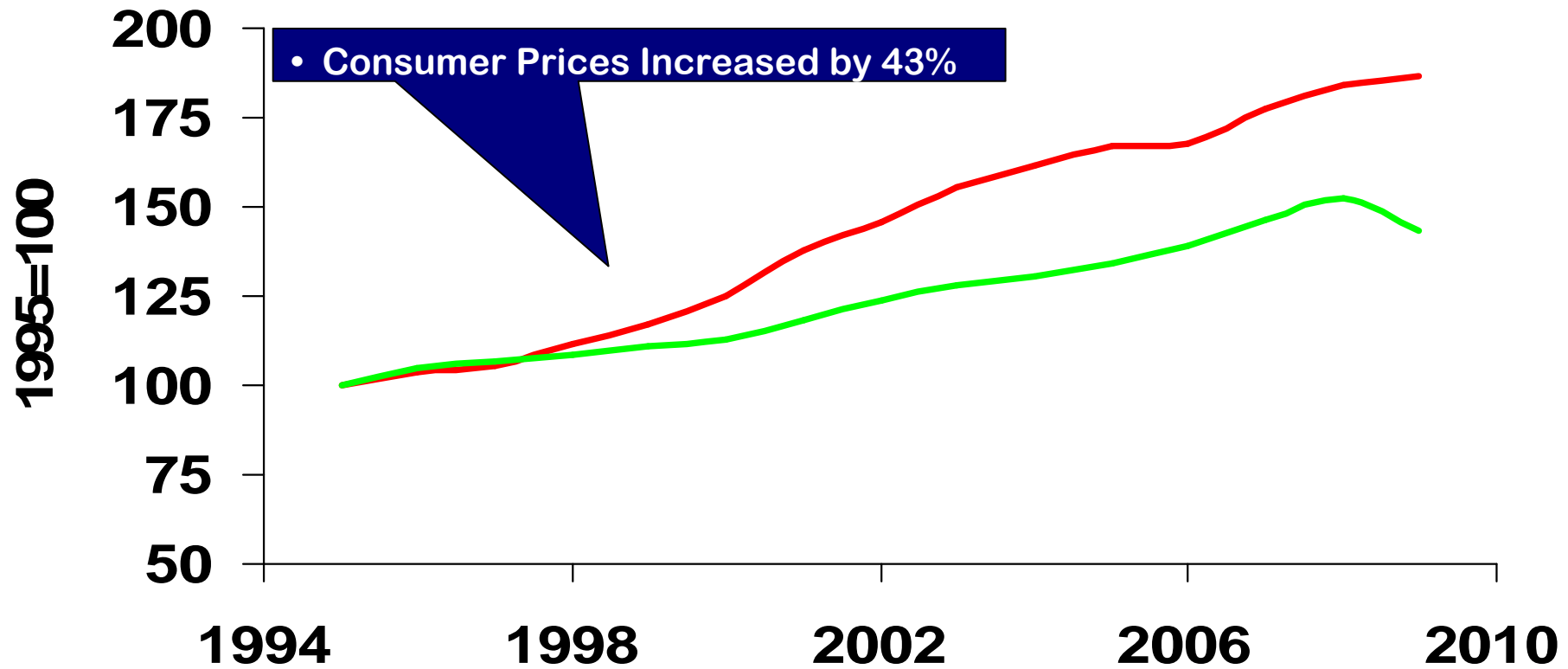


— Manufacturing Hourly Wages



Cost-Price Squeeze

(Price Growth 1995-2009)



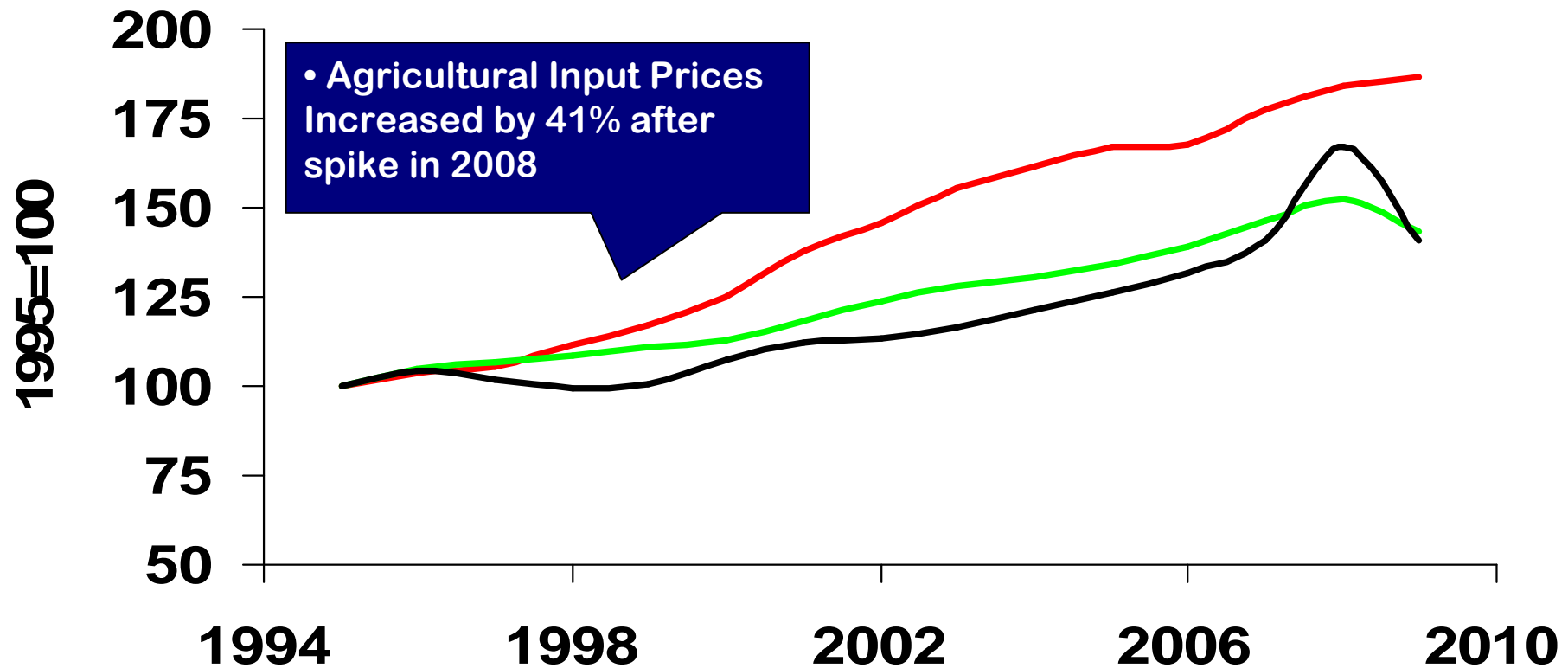
— Manufacturing Hourly Wages

— Consumer Price



Cost-Price Squeeze

(Price Growth 1995-2009)

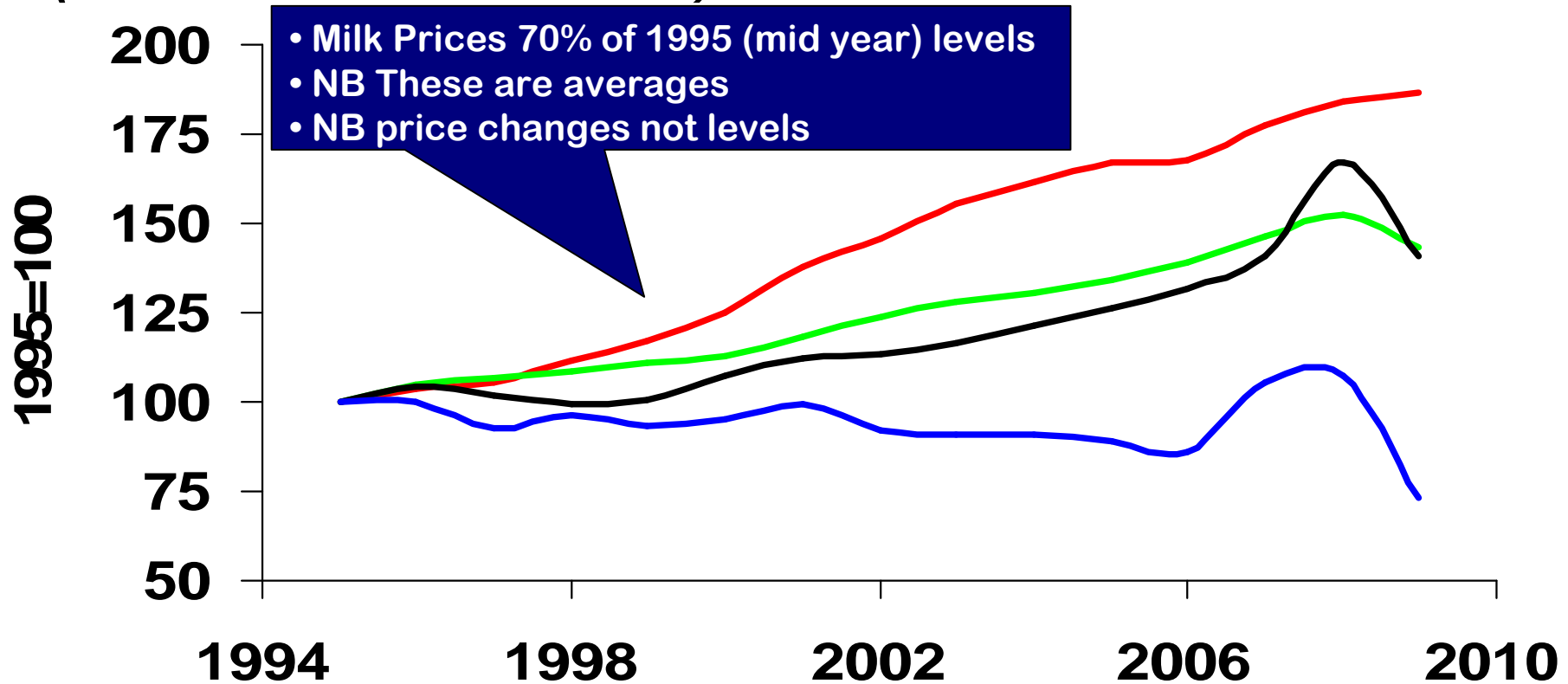


— Manufacturing Hourly Wages — Consumer Price — Input Costs



Cost-Price Squeeze

(Price Growth 1995-2009)



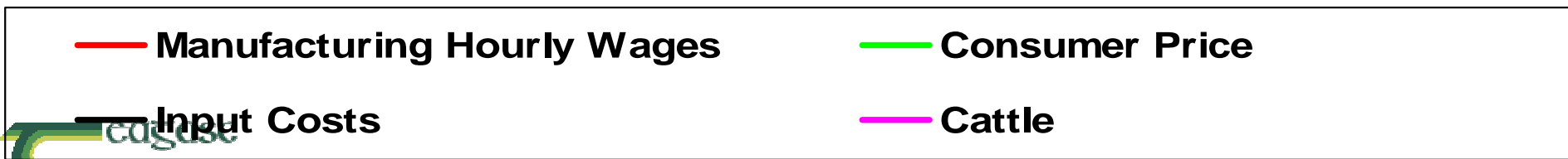
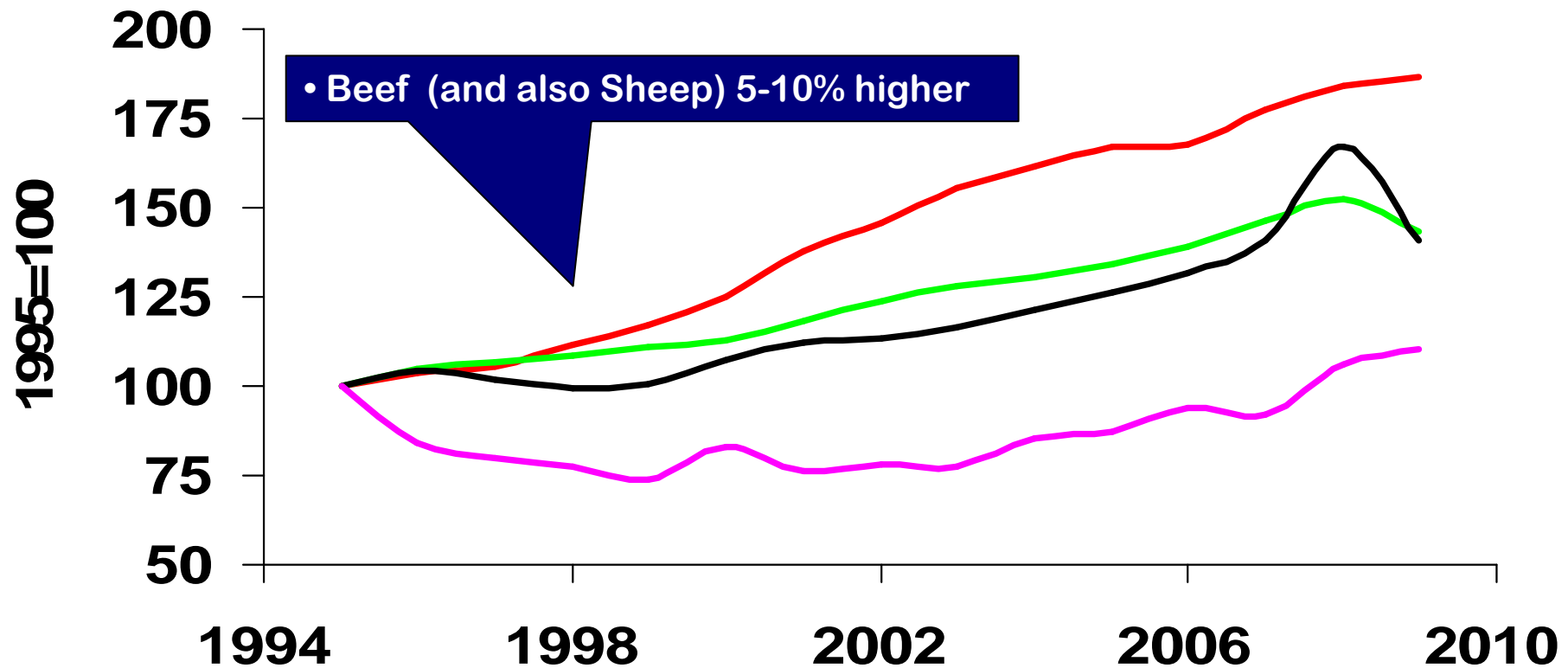
- Milk Prices 70% of 1995 (mid year) levels
- NB These are averages
- NB price changes not levels

— Manufacturing Hourly Wages
 — Consumer Price
 — Input Costs
 — Milk



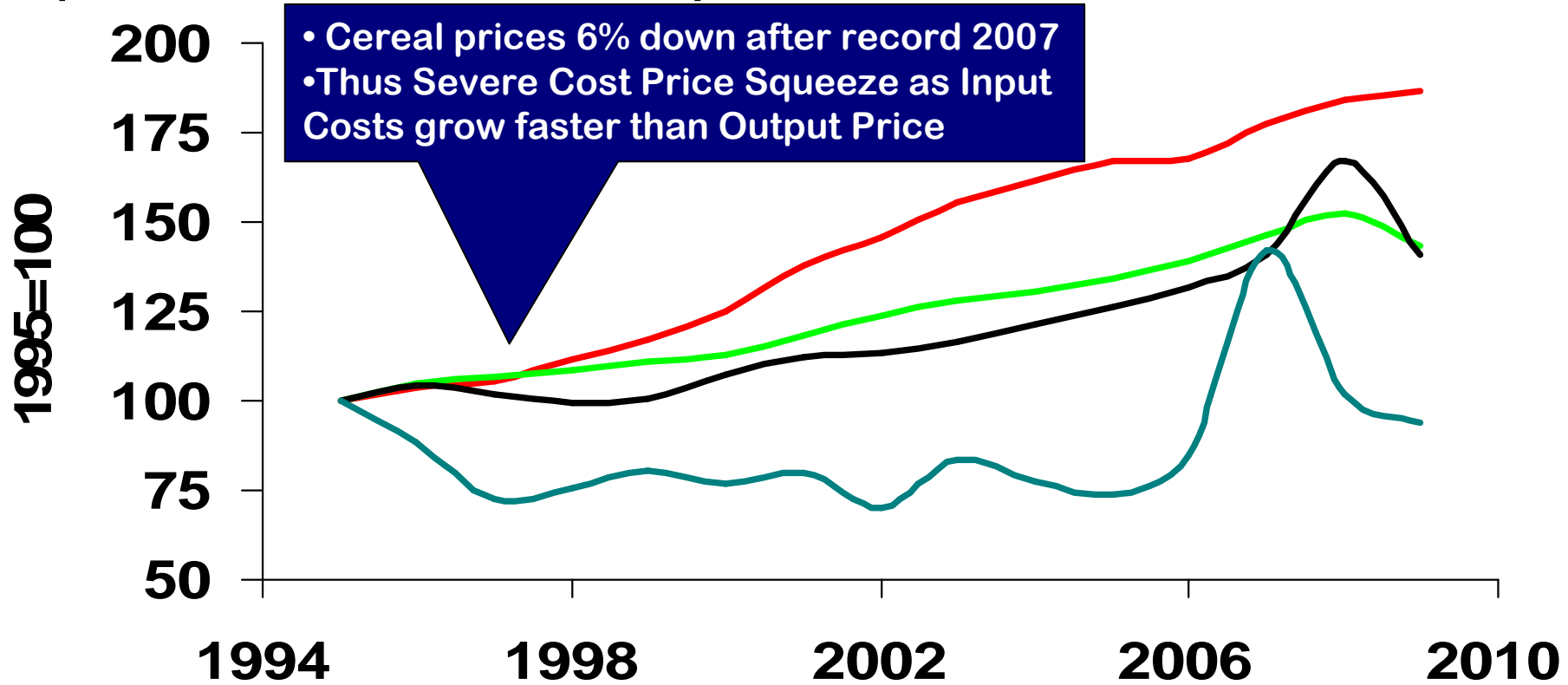
Cost-Price Squeeze

(Price Growth 1995-2009)



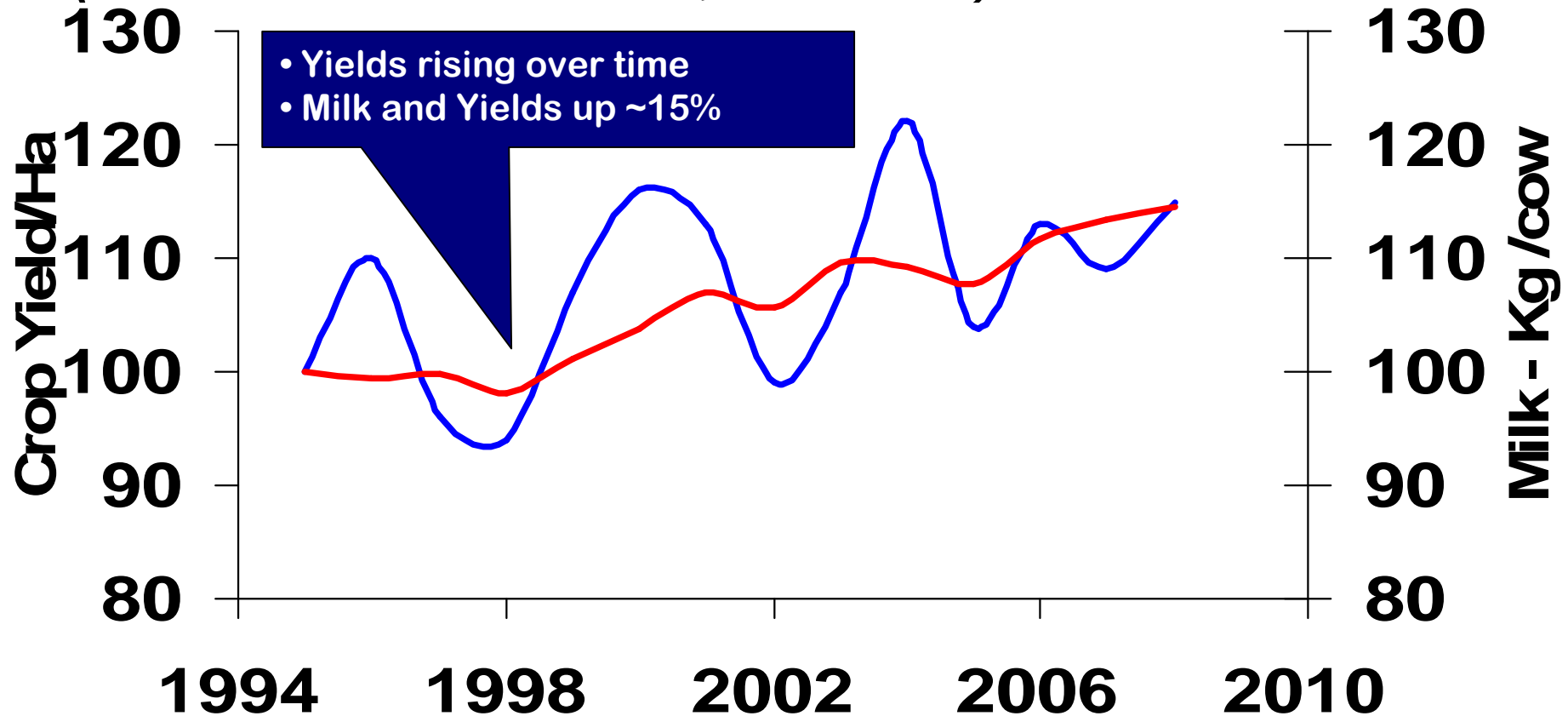
Cost-Price Squeeze

(Price Growth 1995-2009)



Yield

(Yield Growth 1995-2008, 1995=100)

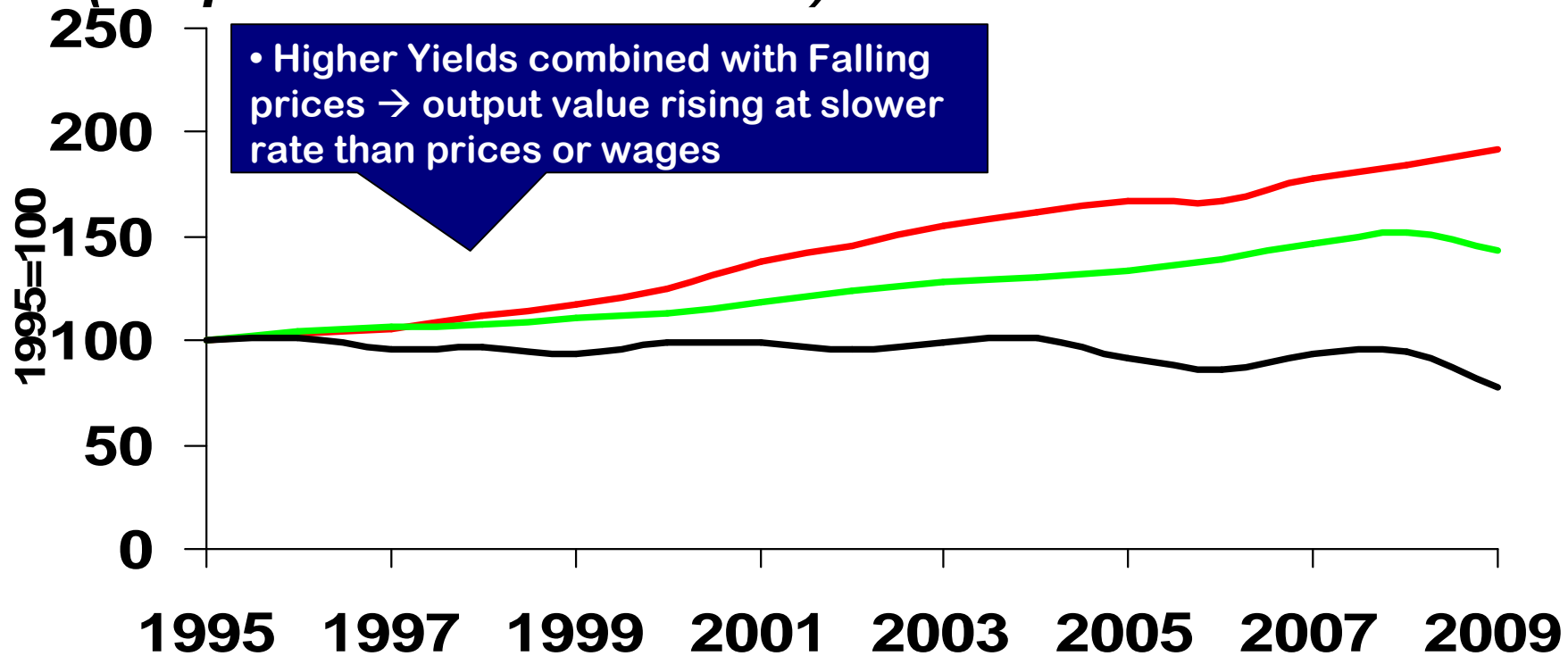


— Total wheat, oats and barley
 — Milk Deliveries per cow



Income Growth (1995-2009)

(Output Value – 1995 = 100)



— Manufacturing Hourly Wages

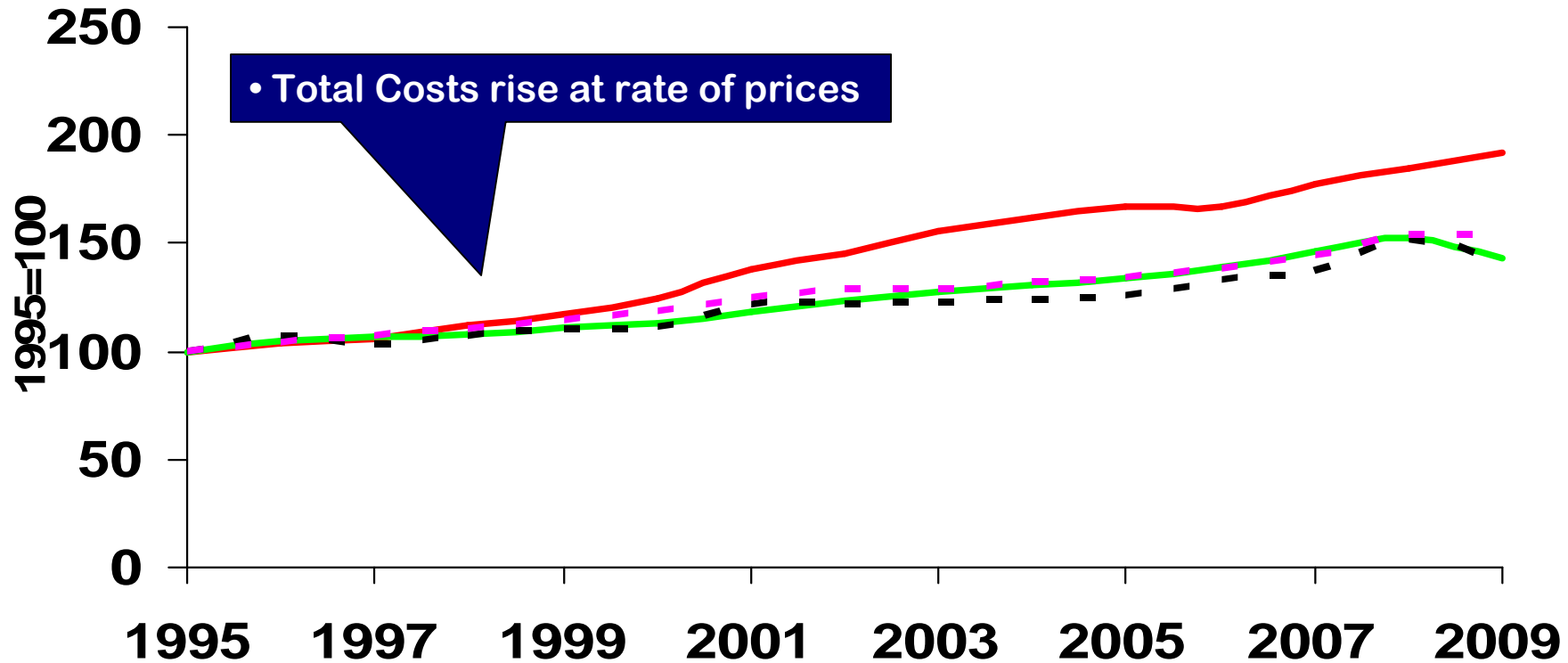
— Inflation

— Output

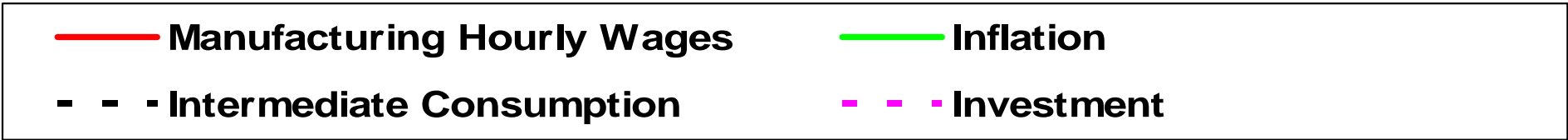


Income Growth (1995-2009)

(Costs – 1995 = 100)

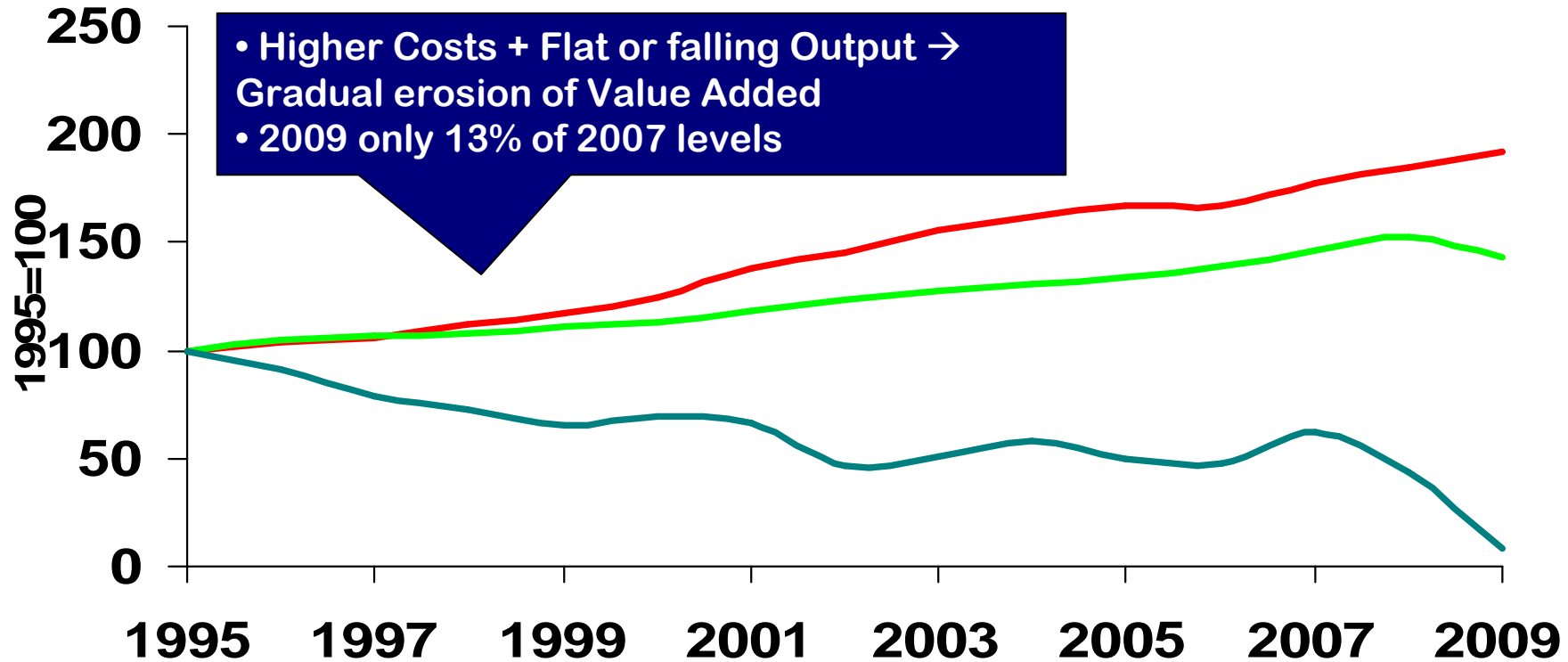


• Total Costs rise at rate of prices



Income Growth (1995-2009)

(Net Value Added: Output – Costs: 1995 = 100)



— Manufacturing Hourly Wages

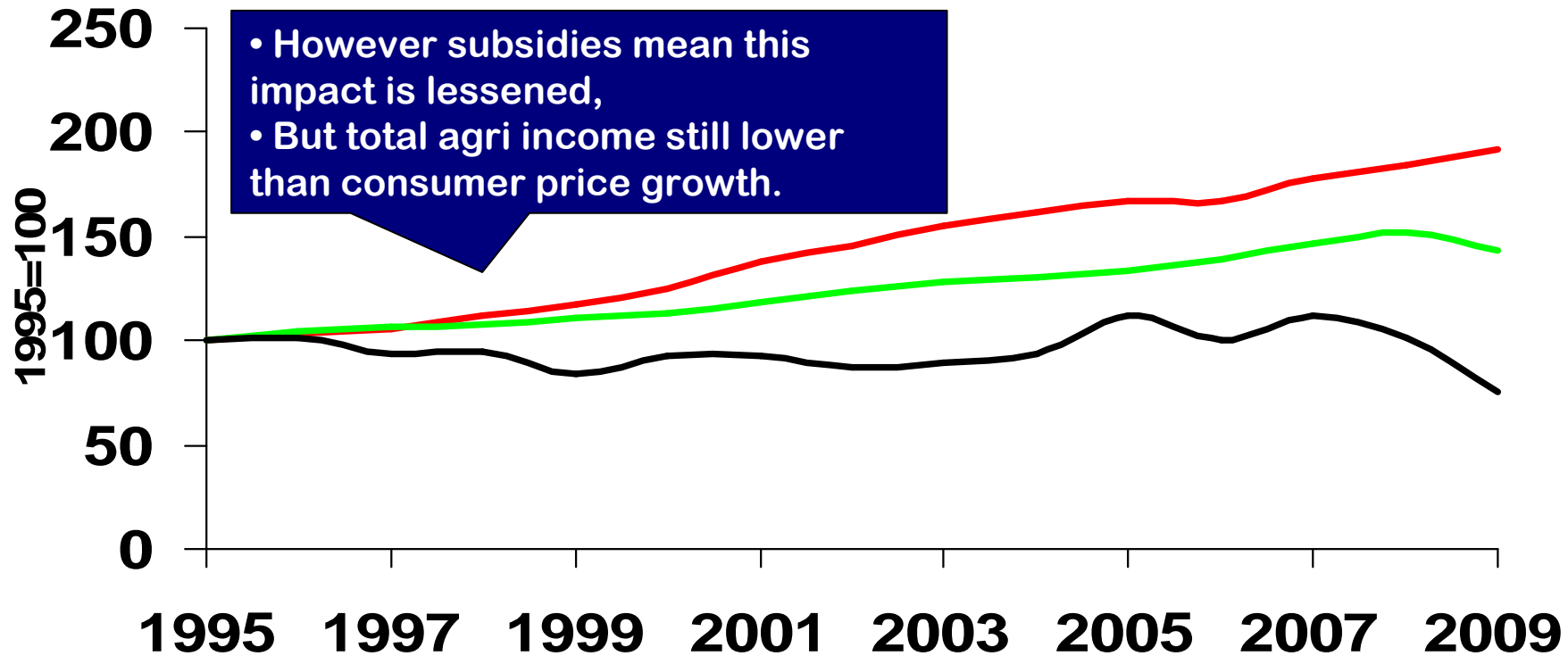
— Inflation

— Net Value Added



Income Growth (1995-2009)

(Factor Income: Net VA + Subsidies – 1995 = 100)



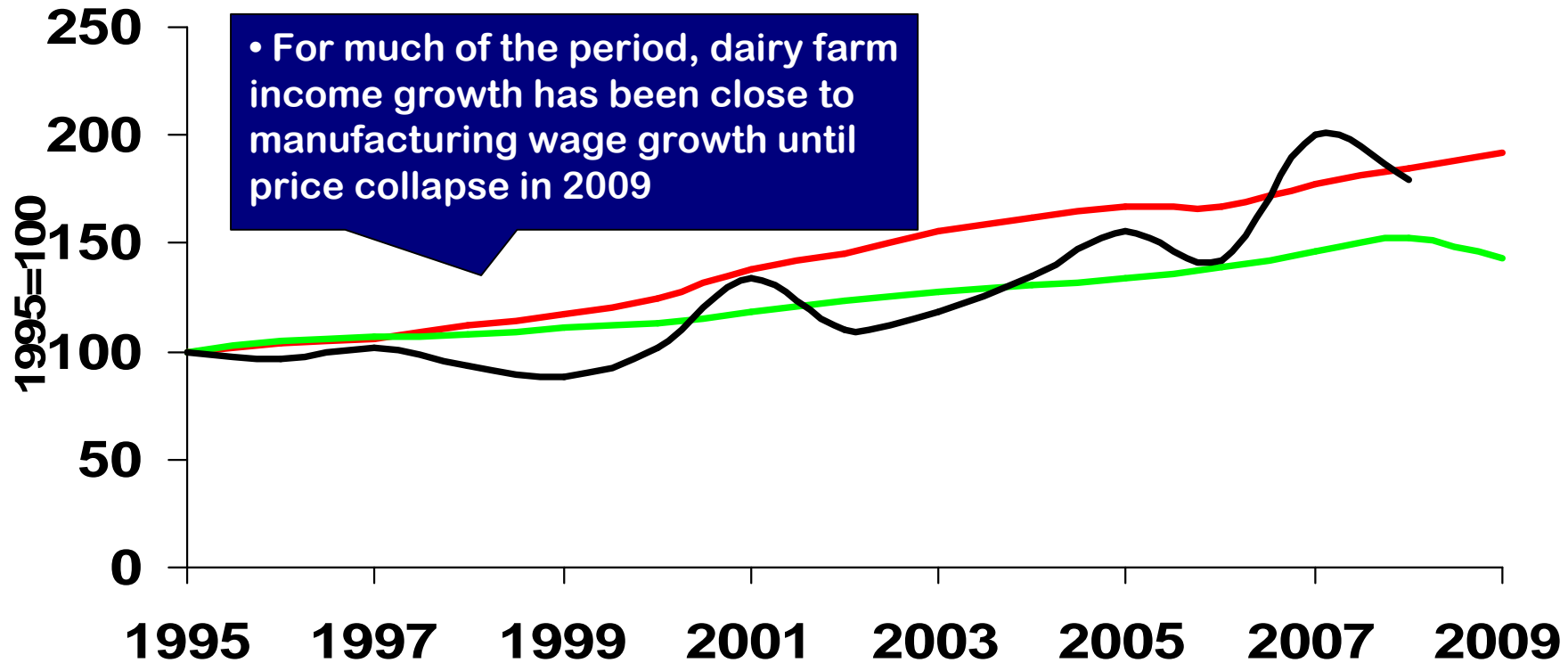
• However subsidies mean this impact is lessened,
 • But total agri income still lower than consumer price growth.

— Manufacturing Hourly Wages — Inflation — Factor Income



Income Growth (1995-2008) – Dairy

(Family Farm Income – 1995 = 100)

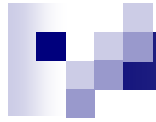


— Manufacturing Hourly Wages

— Consumer Price

— Family Farm Income (Dairy)

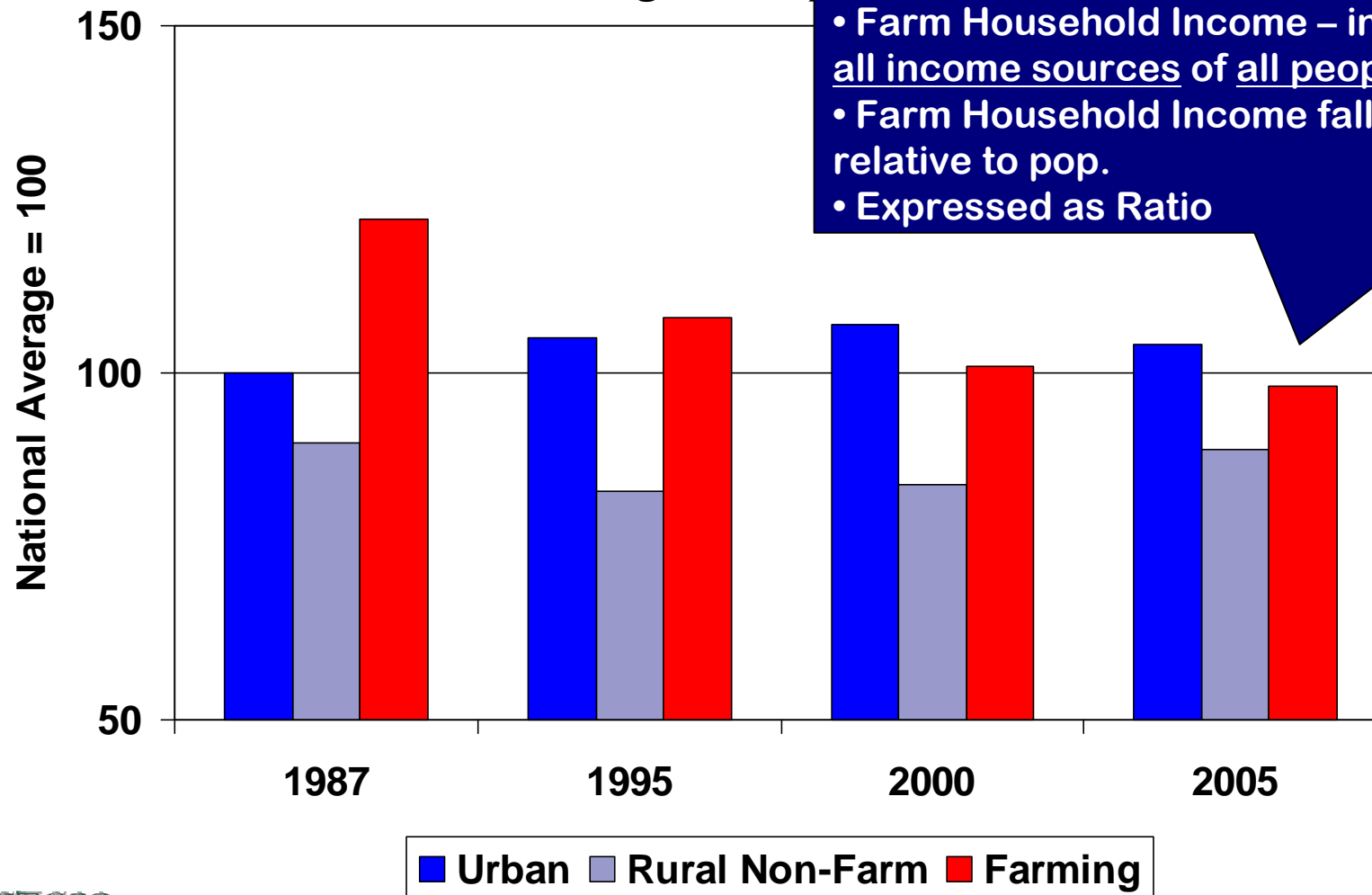




Farm Household Incomes

Urban and Rural Household Incomes

(National All Household Average = 100)

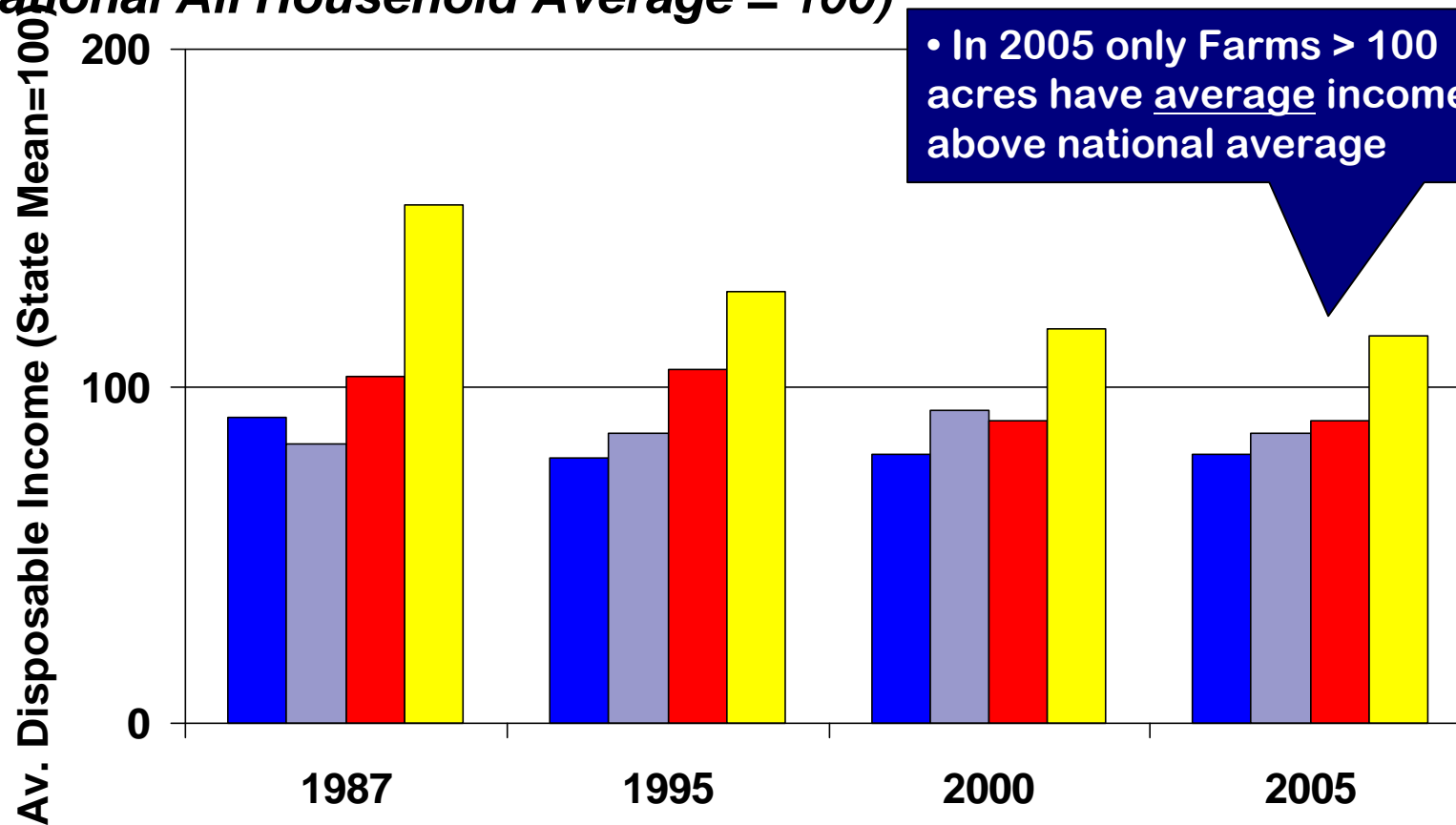


- Farm Household Income – includes all income sources of all people in HH
- Farm Household Income falling relative to pop.
- Expressed as Ratio



Farm Household Incomes by Size

(National All Household Average = 100)



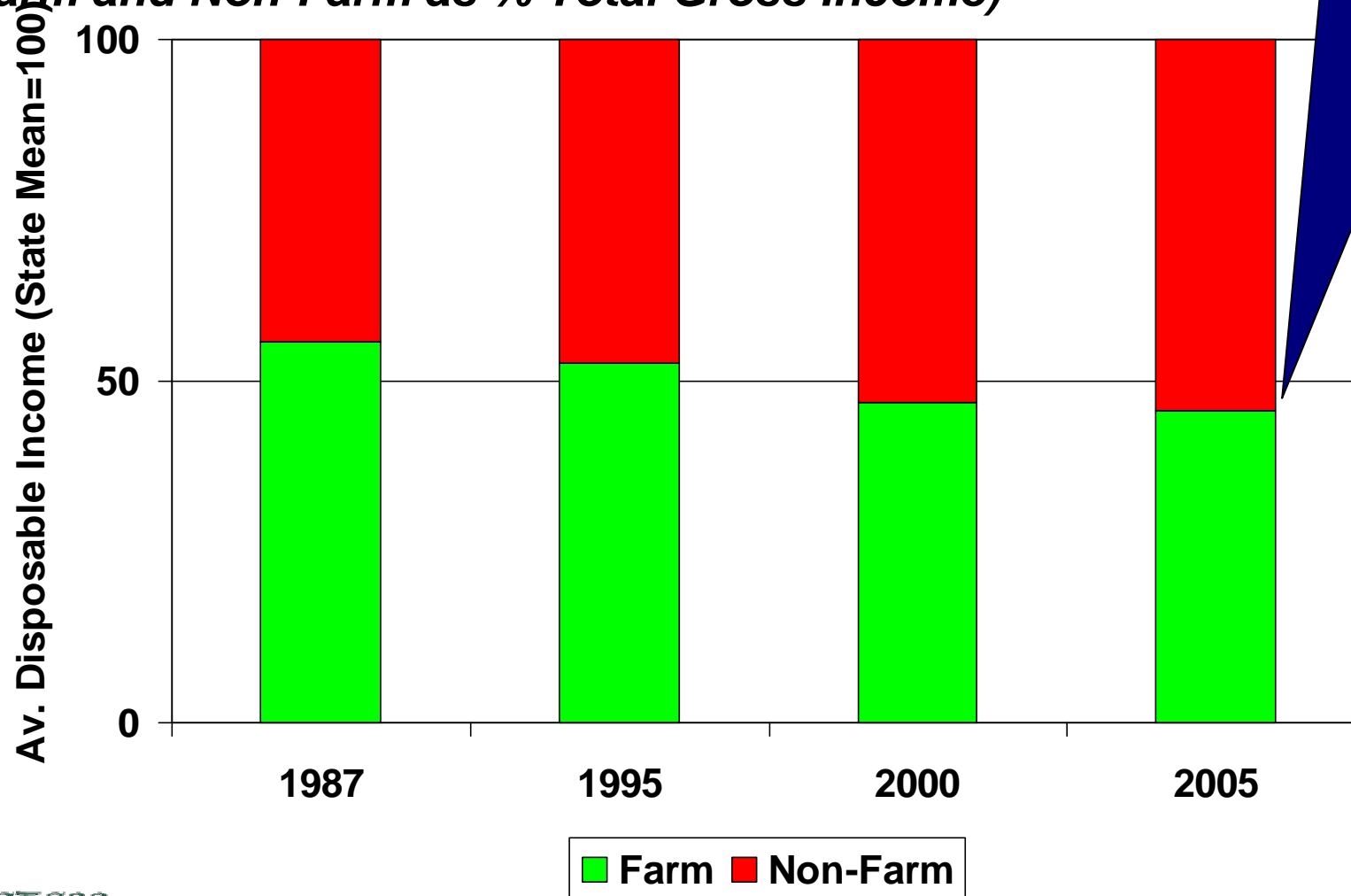
• In 2005 only Farms > 100 acres have average incomes above national average

■ Less than 30 acres ■ 30 and less than 50 acres
■ 50 and less than 100 acres ■ 100 acres or more



Farm Household Incomes

(Farm and Non-Farm as % Total Gross Income)



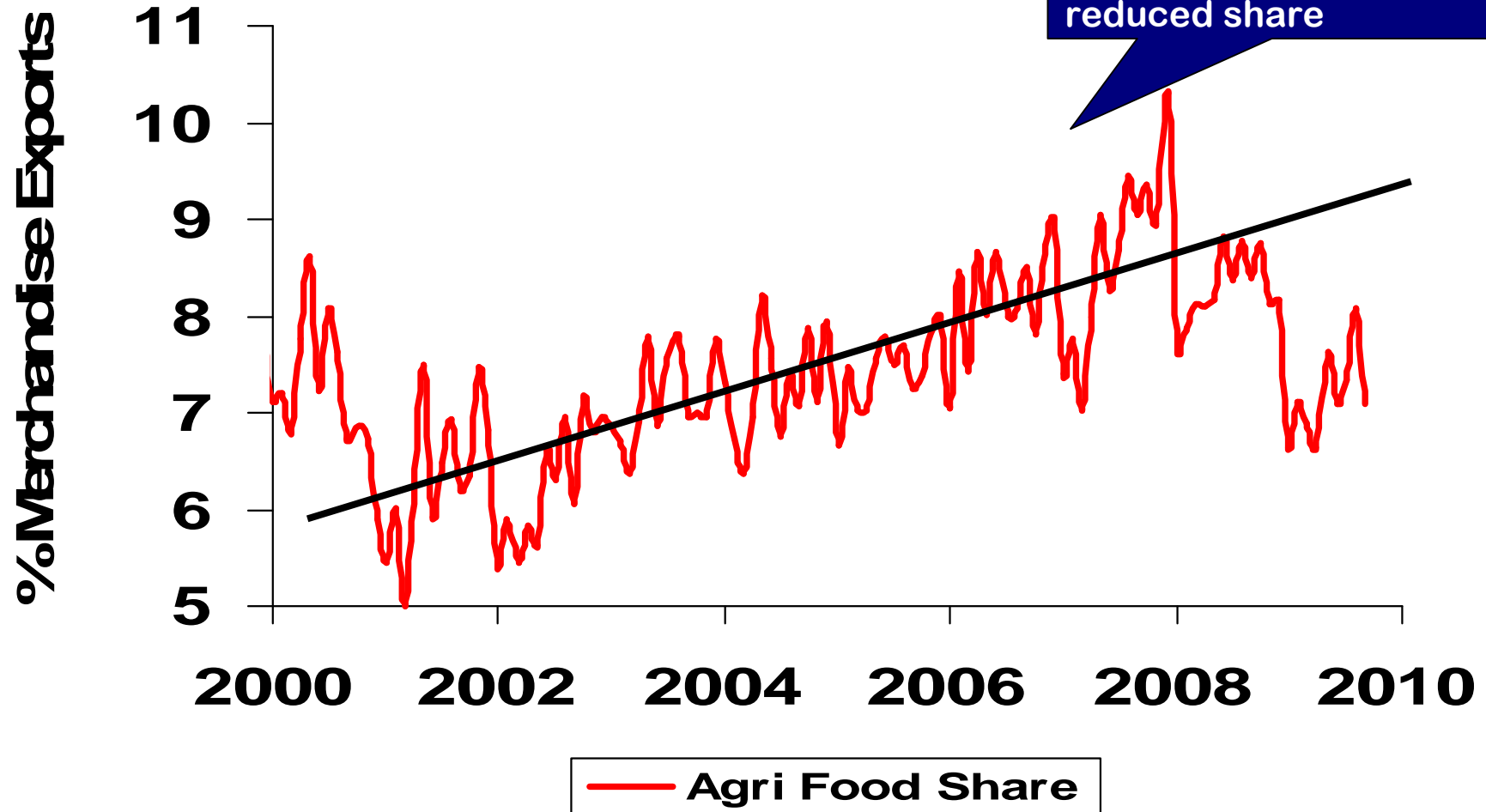
- Share of Non-Farming Income more than 50% since 2000 on average.
- Non Farming income becoming very important



Wider-Economy

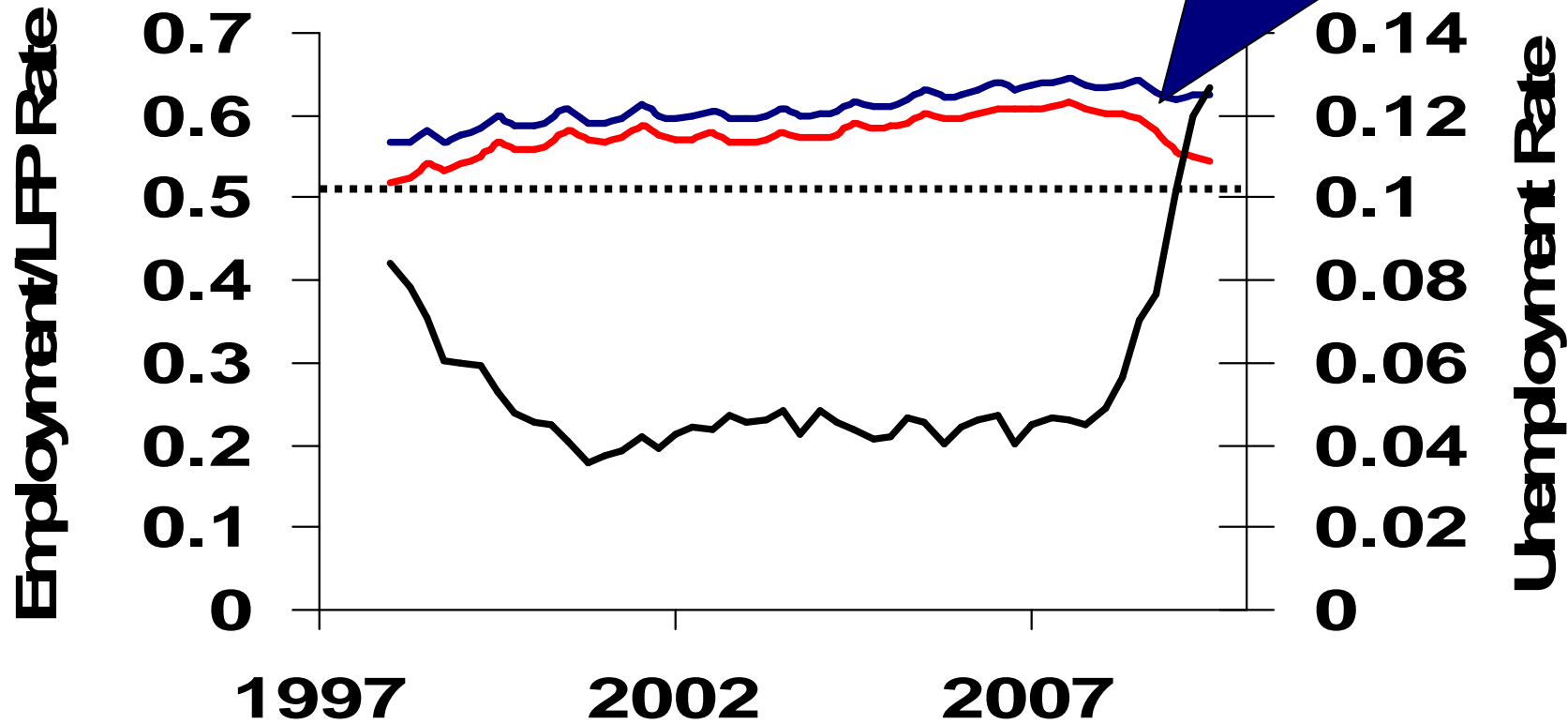
Agri-Food Export Share

• Rising share of merchandise exports in 2000's. Sterling depreciation resulting in reduced share



Change in Labour Market

- National Labour Market Lost most of employment gains of boom.
- PT farmers → 20-30% of farmers lost off-farm job 2008-9. (50% in construction)



— Employment Rate — Participation Rate
— Unemployment Rate



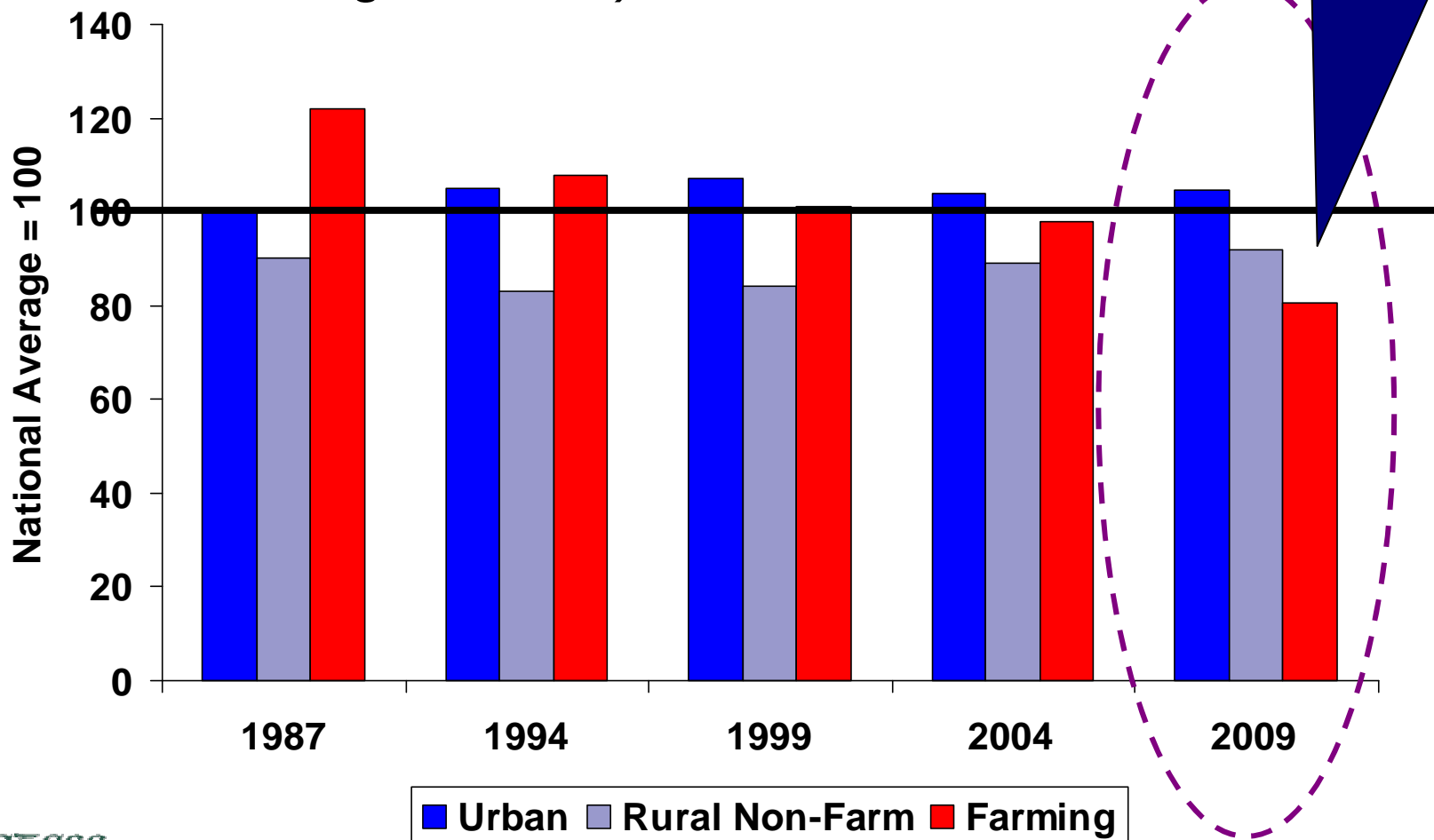


Relative Impact of Downturn

Urban/Rural Household Incomes

(NB Provisional Figures -2009)

- Net Impact of Changes on Incomes
- Conservative Assumptions
- Further fall in Average Farm HH Income Relative to Average for Population





Outlook

Outlook

■ Irish Economy

- 2010 → stabilisation
- 2010 like 2008, but lower public sect. more trade
- Slower decline in economy

■ UK

- Largest market for Irish food exports
- Recovery likely to be slower than rest-EU
- Continued weak sterling → imports flat in 2010

■ European Economy at turning point

- 2010-Positive but fragile growth, faster in 2011



□ Rise in Interest Rate Expected

Take Home

- **2009→A very difficult year**
- **Export led growth only feasible solution**
 - Weak domestic and public sector in medium term
 - Opportunities for Agri-Food sector →strong indigenous sector + continuing global demand
- **Farm and Household Incomes Crisis**
 - Need to innovate and restructure to stand still
 - CAP reform at a critical junction for sector
 - Dust off Rural Development White Paper
 - Construction led development was not sustainable
 - Rural Irl. needs sustainable development solutions



Thank You

Our Papers and Conference Slides are available:

www.agresearch.teagasc.ie/merc/



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