



AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY

The Irish Agriculture and Food Development Authority

Agricultural Market Outlook, Food Harvest and Agricultural Land Markets

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Outline

- Agriculture and the Irish economy
- Policy, policy change and Irish agriculture
- Baseline Outlook for Irish agriculture
- Food Harvest 2020
- Food Harvest 2020 projections
- Achieving Food Harvest targets
 - Changes in Factor Markets
 - Key role of agricultural land markets

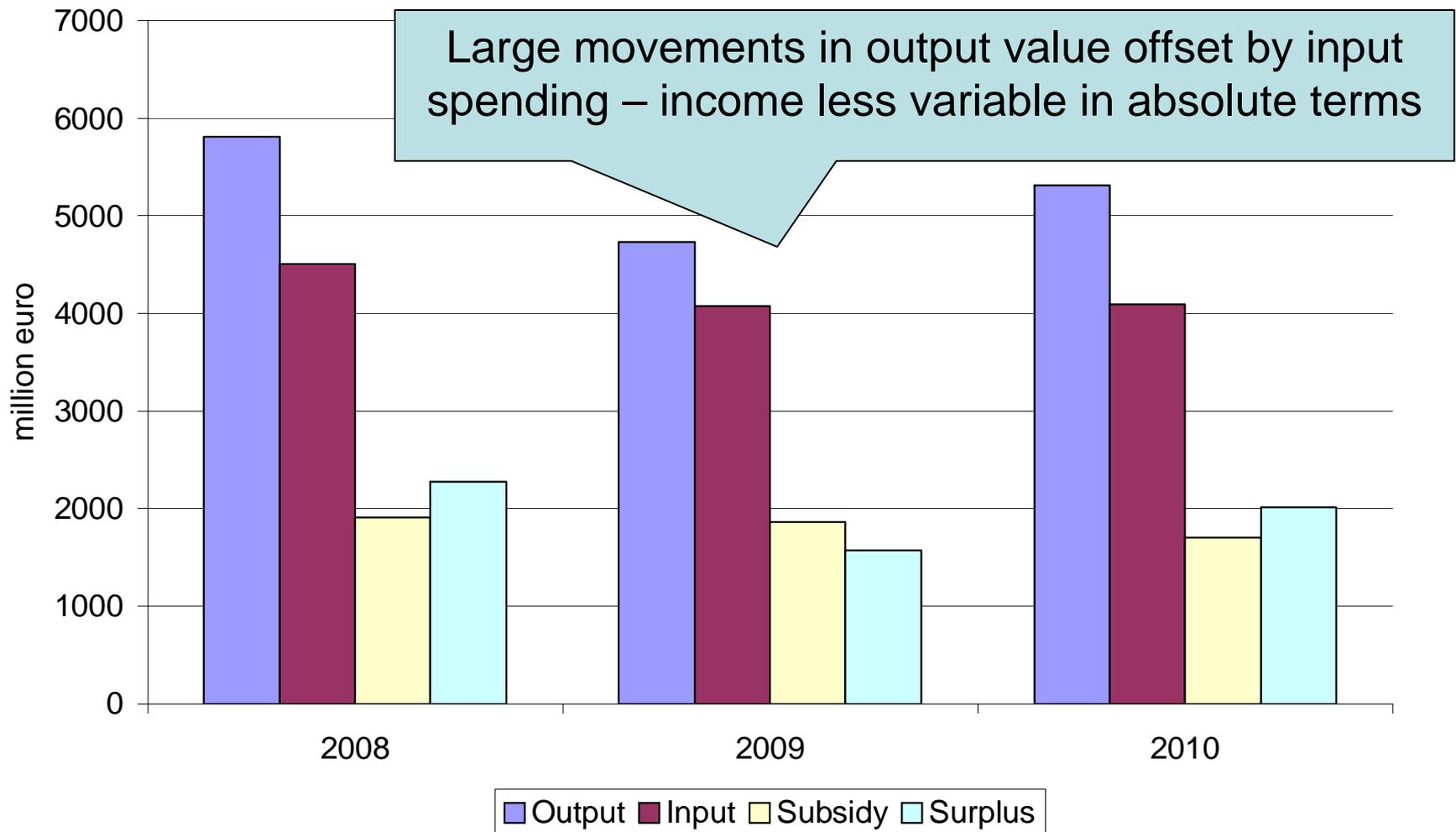
Agriculture in today's Irish Economy

- **Today's Irish Economy a Dr Jekyll and Mr Hyde story**
 - A booming export sector and stagnating non-traded sector
- **The agricultural and food sector part of the booming export sector**
 - Economic recovery currently dependent on dynamic export sector
 - Sustained and more widespread recovery (jobs and output) will require recovery in the non-traded sector
- **The recovery in the non-traded sector will depend on Keynesian “animal spirits” and a resolution to monetary uncertainty**
- **IMF-ECB-EU programme survival will continue to depend on fiscal restraint and economic growth**
- **The export orientated agri-food sector will be important in providing growth in output and exports and income**

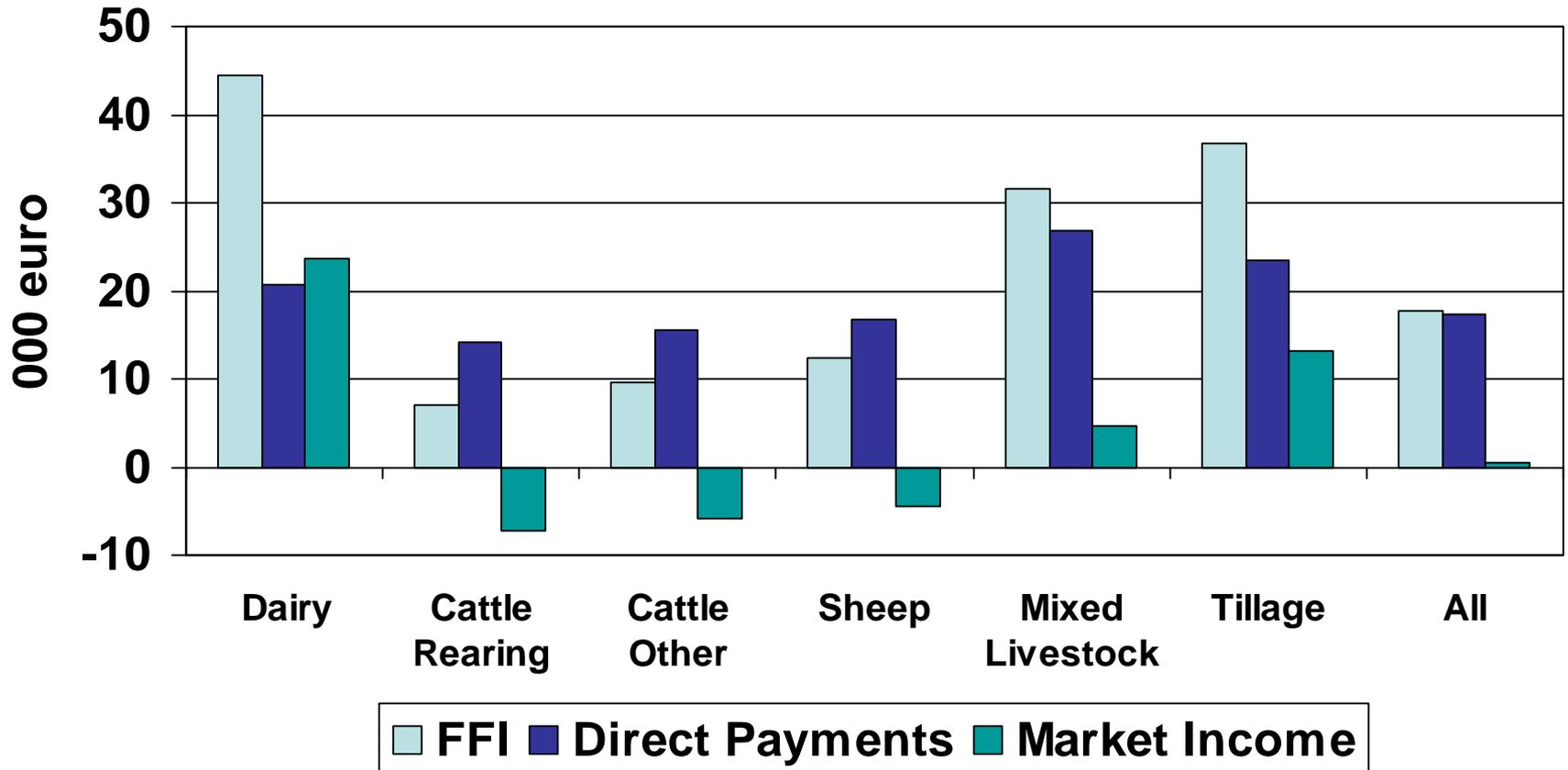
Agriculture and the Irish Economy

- **Agriculture, Fisheries and Food**
 - €3,032 m in 2010
 - 2.7% of Gross National Income
 - Highest share since 2005
- **Food Industry**
 - 3.9% of GDP in 2009
- **The agri-food sector accounts for 7.2% of total employment**
 - Agriculture 4.2% and Food 2.3%
- **Links between Agri-food and wider economy**
 - Deeper than in most other sectors

Agricultural Output, Input and Income

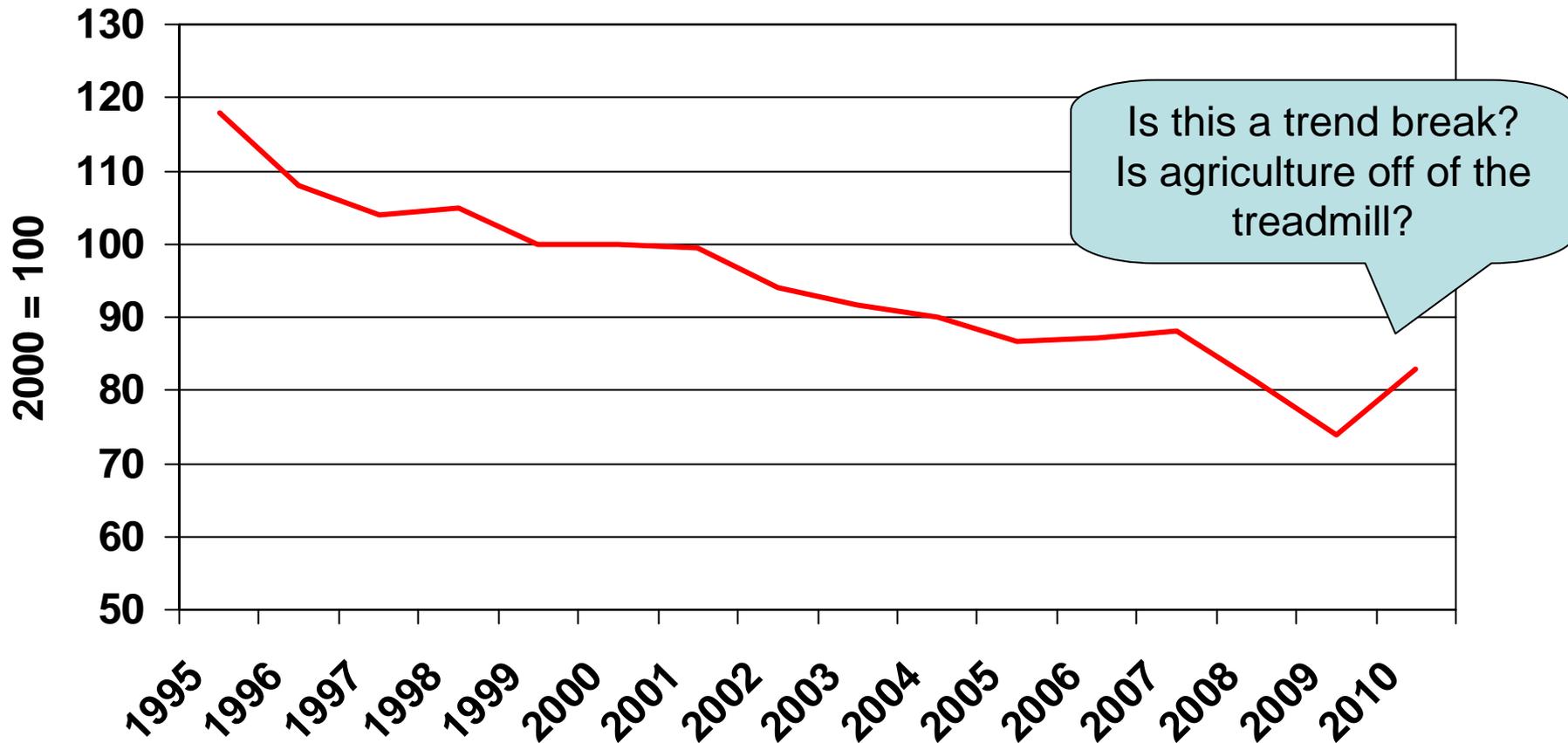


Farm Level Incomes 2010

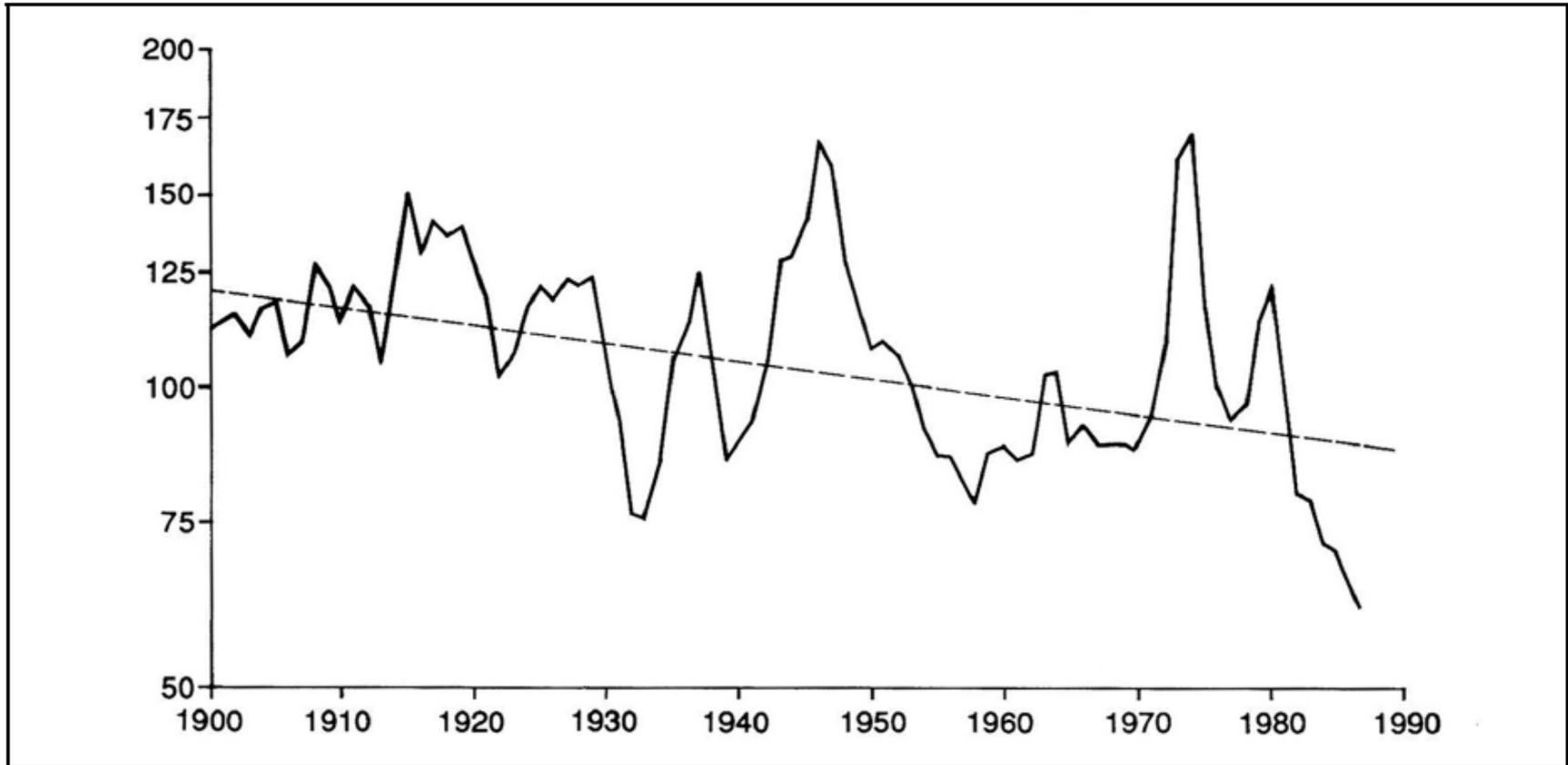


Source: Teagasc NFS 2010

Agriculture's Terms of Trade



Long Term Trend in Agriculture's Terms of Trade



*Index of agricultural market prices, deflated (1977-1979 = 100).

Source: TYERS and ANDERSON (1992).

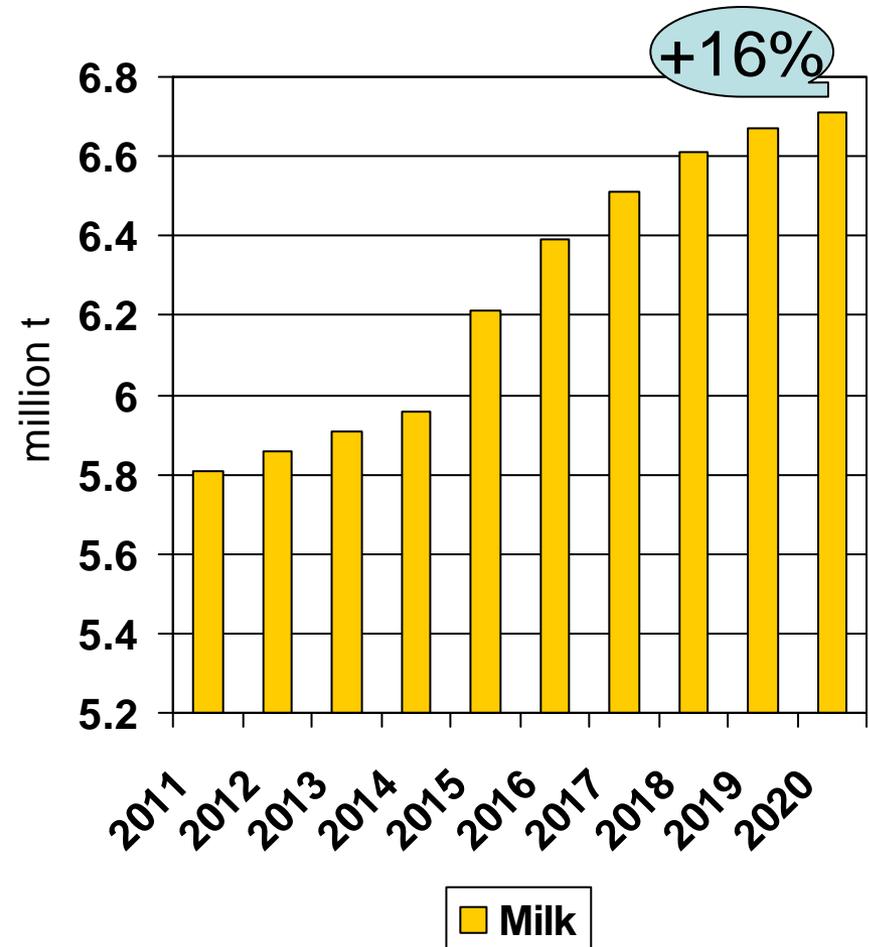
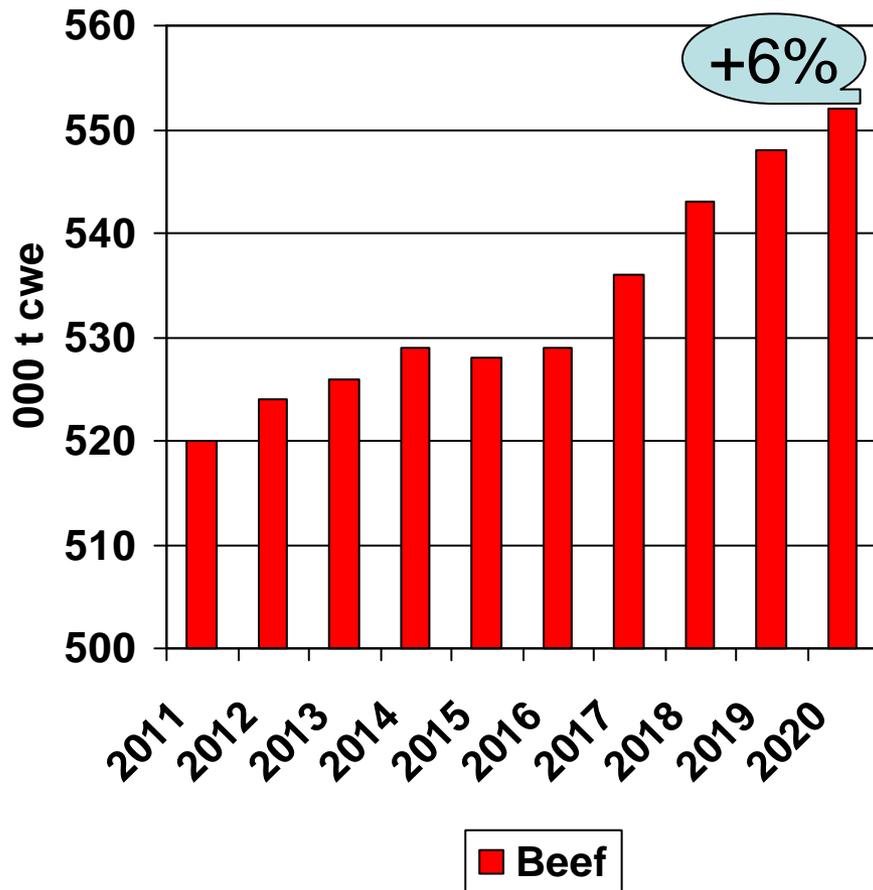
Policy, policy change and Irish agriculture

- **Agricultural Policy still very important to Irish agriculture and its future**
- **CAP Reform proposals for period 2014-2020**
 - WTO and Mercosur in the background
 - Climate change policy ?
- **Outcome to ongoing negotiations uncertain**
- **How might agriculture fare under current policy over the next 10 years**
 - FAPRI-Ireland Baseline projections

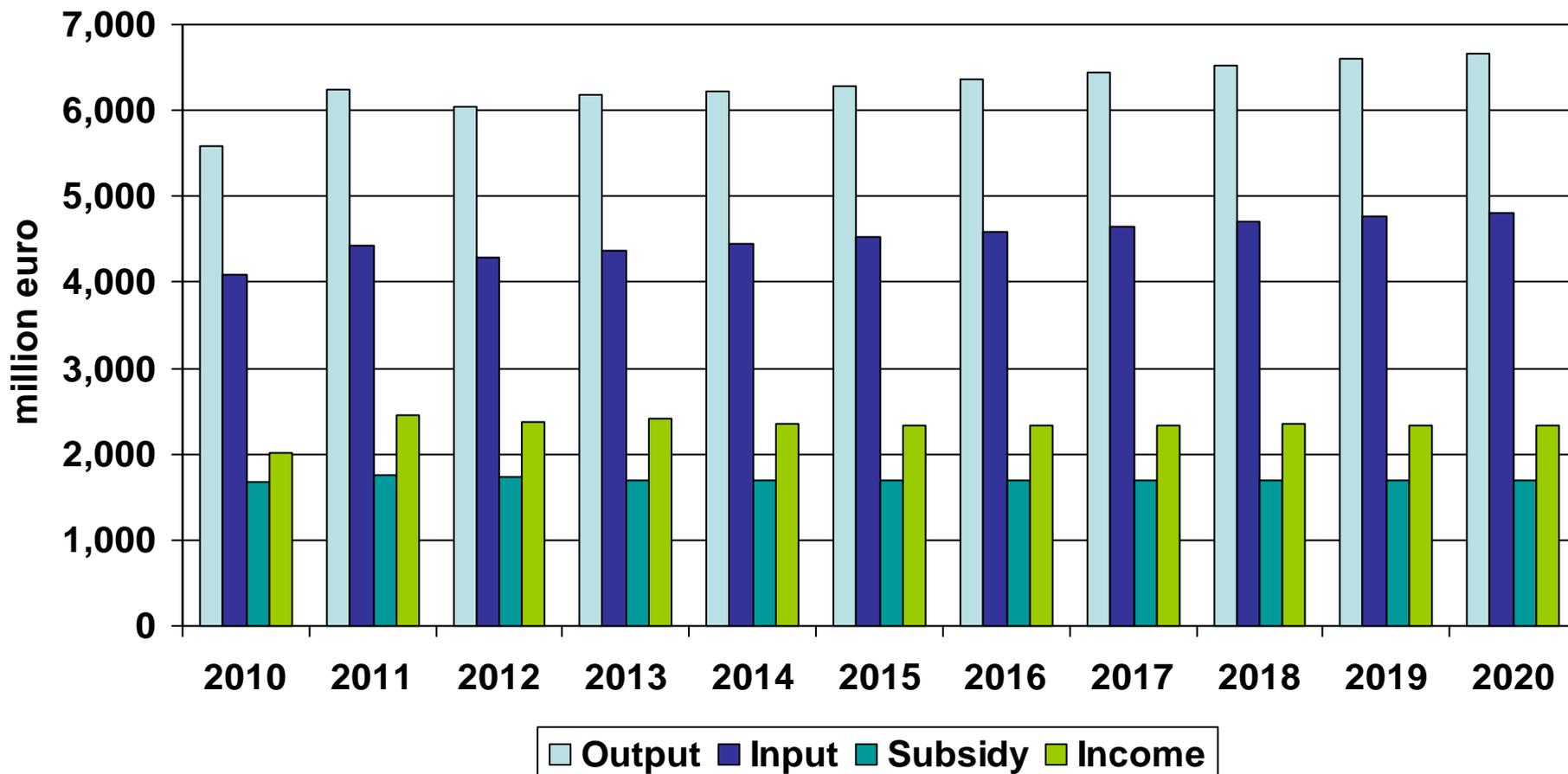
Baseline Outlook Preview

- **Policy is as currently agreed**
 - No CAP reform – but milk quotas go in 2015
 - Uruguay Round – no WTO agreement or Mercosur
- **World agricultural commodity market price outlook relatively bouyant**
 - Increasing demand for agri-food products
 - Global population and income growth
- **Irish and EU prices for dairy commodities and beef projected to grow by between 4 and 20 percent by 2020 relative to average of 2007-09**
- **Input prices also expected to increase – feed, fertiliser other inputs**
- **Agriculture likely to remain on the terms of trade treadmill**

Baseline Growth in Dairy and Beef Output



Baseline Output, Input and Income



Food Harvest 2020

- **Smart, Green, Growth**
- **Vision for the Irish agri-food, forestry and marine sectors**
- **Sets ambitious targets for output growth from the agriculture and food sectors vs 2007-09 average**
 - Dairy output volume to grow by 50% by 2020
 - Beef output value to grow by 20%
 - Other sub-sectors of agriculture have targets for growth
- **Will the Irish agri-food sector achieve these on a business as usual (baseline) basis?**
 - Probably not – changed outcomes will require changes in how agriculture and food production is organised and conducted

Food Harvest 2020

- **Achievement of increased dairy output over and above that delivered under Baseline**
 - Lower costs through adoption of new technology and changes to current practices
 - Consolidation of holdings
 - New entrants to dairying
 - Improved milk prices for Irish dairy commodities
- **Achievement of increased beef output over and above baseline change**
 - Increase as a result of growth in supply of calves from expanding dairy herd
 - Increase in suckler cow herd will require improvements in farm level profitability
 - Consolidation of holdings, exploitation of lower cost production systems
 - Improved farm gate prices for cattle contingent on moving Irish beef exports up the value chain in our export markets

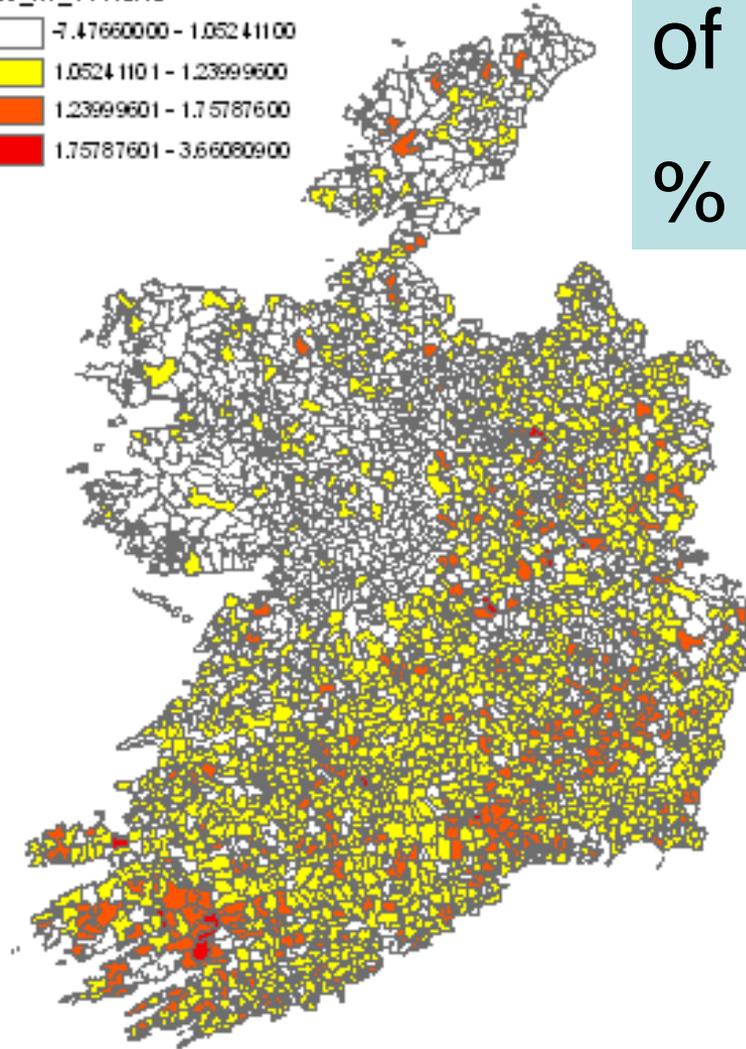
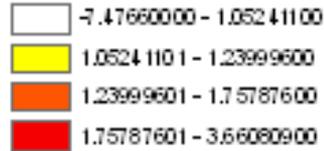
Food Harvest 2020

- **Increased levels of dairy and beef output will not translate into similar increases in income**
- **Extra output will require the use of additional inputs**
 - Fertiliser use will have to increase if the intensity of grassland use increases
 - Feed use will also have to increase to support larger number of cattle being raised for beef and larger milking herd
- **Preliminary projections indicate that agriculture sector income could with the achievement of FH be more than 30% higher than under the Baseline by 2020**

Legend

ded

rav_ffi_1 / none



Regional Impact of FH2020

% chg farm inc.

How to Achieve Food Harvest

- **In the medium to long term how we farm has to change in order to get a changed (FH) outcome**
 - Price changes on EU and world markets are largely beyond our control
 - These may improve or dis-improve over period to 2020
 - Some things are in our control
 - How we manage our agricultural land resources
 - What technologies and farm practices we deploy
- **Land – Capital – Labour (human capital) – Technology**
 - Changes here can deliver sustainable increases in output and incomes in agriculture and in its contribution to Irish society

How to Achieve Food Harvest

- **Human Capital**
 - Improvement to the human capital involved in agriculture is going to be crucial in achieving smart growth – education and continuous life-long learning and advisory interaction
- **Access to capital markets (for investment in machinery and buildings & new tech.)**
 - Current macroeconomic climate is an obvious problem
 - If farms are to grow in size, become more intensive and upgrade technologies they will need access to capital
- **Land**
 - The way in which ownership and control of land in Ireland is organised will have to change to maximise the potential in terms of incomes that can be earned from agriculture and related downstream industries
- **Technology**
 - How Ireland farms will have to change – become more productive through the use of new and novel technologies and farming practices
- **These factors are interrelated & change is interdependent**

Land markets

- Agricultural land a key factor of agricultural production
- In Ireland for historical/sociological reasons we have a very thin sales market and a short term rental model (conacre)
- Both are arguably impediments to the restructuring of agricultural land ownership and control
 - Such a restructuring could contribute to the achievement of the FH targets
- Irish “aversion” to agricultural land sales will probably mean that Irish agricultural land prices will stay at very high levels
- Development of longer term leasing arrangements could be a route through which ownership and control linkage is weakened so as to allow restructuring and consolidation of Irish farms in the medium to long term

Land markets

- More liquid agricultural land market (rental and sales) will facilitate the restructuring of land control that will be required to achieve dynamic growth in Irish agriculture
- Longer lease terms will be required to create an environment in which tenants can invest in farms with a view to gaining return
- Change will most likely require changes to taxation systems so as to remove any disincentives to long term leasing & sale of agricultural land
- Current fiscal environment likely to preclude the subsidisation of agricultural holdings consolidation

Concluding comments

- Positive medium prospects for the sector
- FH2020 targets are ambitious and will be a challenge to achieve
- Land structure will remain an obstacle to realising full potential
- A more open attitude to new business models of farming coupled with fiscal supports will be needed
- Underpinned by appropriate research and technology transfer