Review of Teagasc Activities in 2014 and Prospects for the Dairy Sector

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The Irish Agriculture and Food Development Authority
Teagasc mission

To support science-based innovation in the agri-food sector and wider bioeconomy so as to underpin profitability, competitiveness and sustainability
GOAL 1
*Improve the competitiveness of agriculture, food and the wider bioeconomy*

GOAL 2
*Support sustainable farming and the environment*

GOAL 3
*Encourage diversification of the rural economy and enhance the quality of life in rural areas*

GOAL 4
*Enhance organisational capability and deliver value for money*
The Teagasc model of innovation
Teagasc programmes

- Animal and Grassland
- Crops, Environment and Land Use
- Rural Economy and Development
- Food
- Education
- Advisory
- Operations
Selected highlights in 2014

- Promotion of genomics in animal breeding and new beef breeding indices to underpin profitability (with ICBF)
- Completion of National Soils Survey
- Scientific verification of Ireland’s sustainability credentials and roll out of the “Carbon Navigator” (with Bord Bia)
- Policy support to the CAP negotiation and implementation
- Advisory service – 43,000 clients and 13,000 in Discussion Groups
- Collaborations with food industry ~ 250 companies per year
- Teagasc /Irish Farmers Journal BETTER Beef programme
- Science-based policy support to Nitrates Action Programme and Climate Change Policy
- Educating a new generation of farm managers – 3,600 in Teagasc courses, including, Professional Diploma in Dairy Farm Management, plus 3,500-5,000 in Adult Education and Training plus response to education needs as a result of the RDP
Current expenditure € m. 2008 – 2015

c. 39 % own generated income (excl. pensions)
Teagasc staff numbers 2001 to 2014

- 25%
Teagasc sites’ map March 2015

March 2015

Advisory offices 52
Teagasc colleges 4
Private colleges 3
Research centres 7

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Trends in client and adviser numbers 2000 to 2014

Critical advisory shortages in majority of regions especially Cork, Meath, Mayo and Tipperary, Galway / Clare and Kerry /Limerick

- 42%
College enrolments, teachers and technicians

Enrolments +154%

Staff shortages in all colleges
Refereed publications by permanent researcher 2009 to 2013

Critical vacancies in Food, Animal Science, Soils Science, Fertiliser Science, Beef, Tillage, Horticulture
Challenges and opportunities for Teagasc

- Innovation on farms and in processing industries never more important
- Continued reduction in frontline personnel due to recruitment and promotions’ embargo
- Securing on-going investment for infrastructural needs
- Responding to RDP education demand – an extra 1,000 + applicants for Teagasc Green Cert
- Supporting farmers’ participation in GLAS – 15,000 + Teagasc clients
- Supporting dairy and beef farmers post quota
- Gearing up to support innovation drive in dairy and beef processing – MTL investment and “Food Technology Hub” at Teagasc Moorepark
- Climate Change and Sustainability – Kildalton Sustainable Farm Project
- Teagasc must continue to innovate and change and ensure value for public money
Prospects for dairying ...
# Key economic metrics on dairy farms

<table>
<thead>
<tr>
<th>Spring milk producers</th>
<th>Average</th>
<th>Top 10%</th>
<th>Bottom 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk price, c/l</td>
<td>39.4</td>
<td>40.8</td>
<td>38.2</td>
</tr>
<tr>
<td>Gross output, c/l</td>
<td>39.5</td>
<td>42.1</td>
<td>37.0</td>
</tr>
<tr>
<td>Variable Costs, c/l</td>
<td>12.8</td>
<td>10.6</td>
<td>15.3</td>
</tr>
<tr>
<td>Fixed Costs, c/l</td>
<td>10.1</td>
<td>7.6</td>
<td>13.5</td>
</tr>
<tr>
<td>Total Costs, c/l*</td>
<td>22.9</td>
<td>18.2</td>
<td>28.8</td>
</tr>
<tr>
<td>Net Profit, c/l</td>
<td>16.4</td>
<td>23.9</td>
<td>8.2</td>
</tr>
</tbody>
</table>

* excl. family labour, owned land and capital

Source: Teagasc Profit Monitor analysis, 8/2/2015

- Big range in performance
- Relatively low levels of debt (all dairy farms €62k; all dairy farms with debt €94k)
- A significant number of dairy farmers face a potentially challenging 2015
- Proportion of farmers using financial management tools is low

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The future

What will this mean?

• 330,000 more cows
• €1.5 – 1.9 bn new investment
• Larger dairy farms and more specialisation
• Increased on-farm/ off-farm employment
• More land used for milk production

Milk production plans 2015 - 2017

Planned increase 2015 - 2017

Milk deliveries (m litres; CSO)
Price volatility

- Total costs of production have increased from 22.0 c/litre (2007) to 27.4 c/litre (2013) (Teagasc NFS)
- Expansion will cost money – costs to increase further?

Source: CSO Manufacturing Milk Prices 3.7% fat and 3.3% protein; various years
Coping with volatility

Managing price volatility

- Improve cost control
- Produce high solids milk
- Build cash reserve
- Increase/reduce capital spending
- Appropriate finance for expansion
- Develop a cash flow budget
- Fixed milk price scheme

Other risks

- Weather
- Animal disease
- Interest rates
- Increased debt

Response to price volatility will depend on current cost structure of farm business

High cost:
- Competitiveness problem

Medium cost:
- Needs to manage price risk

Low cost:
- Can ride out the volatility

Teagasc Dairy KT Programme

- *Equipping dairy farmers for a sustainable future* …
- Emphasis on resilient dairy systems
- Cash Plan Programme (DAFM funded, 2014)
- Discussion Groups
- eProfit Monitor analysis
- ‘My Farm, My Plan’ strategic planning booklet
- Series of Spring Dairy Seminars
- Business planning tools
- Proposal to develop a new service – *Dairy Expansion Service*
Summary Teagasc approach to dairy expansion

• Teagasc promotes ‘resilient dairy systems’
• Teagasc recommends expansion only from an efficient base – ‘better before bigger’
• Farmers will have to adapt to cope with milk price volatility
• Industry stakeholders also need to provide potential solutions
• Potential cash flow issues for some farms in 2015
• Teagasc will support dairy farmers to expand in a sustainable manner
THANK YOU