

NATIONAL FARM SURVEY 2004

by

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TABLE OF CONTENTS

	Page
INTRODUCTION	1
SUMMARY	2
RESULTS	
• Overview of 2004	4
• Trends in Farm Incomes	4
• Average Family Farm Income	5
• Regional Analysis	8
• Full-time and Part-time Farms	9
• Income Distribution	12
• Farm Income Change Analysis	13
• Analysis by Farming System	13
• Direct Payments and Subsidies	14
• Gross Output and Costs	17
• Gross Margins	17
• New Investment	18
• Other Gainful Activity	19
APPENDIX A - LIST OF TABLES	2.01
APPENDIX B – 2004 NFS SAMPLE	3.01
APPENDIX C - FARMING SYSTEMS CLASSIFICATION	3.03
APPENDIX D – REVISED 2003 RESULTS	3.04
GLOSSARY OF TERMS	3.10

INTRODUCTION

The objectives of the National Farm Survey (NFS) are to

- a) determine the financial situation on Irish farms by measuring the level of gross output, costs, income, investment and indebtedness across the spectrum of farming systems and sizes,
- b) to provide data on Irish farm incomes to the EU Commission in Brussels (FADN),
- c) measure the current levels of, and variation in, farm performance for use as standards for farm management purposes, and
- d) provide a database for economic and rural development research and policy analysis.

To achieve these objectives, a farm accounts book is recorded for each year on a random sample of farms, selected by the CSO, throughout the country.

The National Farm Survey is designed to collect and analyse information relating to farming activities as its primary objective. Information and data relating to other activities by the household are considered secondary and as such where this information is presented it should be interpreted with caution.

For 2004 there are 1194 farms included in the analysis, representing 113,261 farms nationally. Additional details on the 2004 estimated farm population distribution and the sample numbers and their representation by size and system are contained in Appendix B.

Farms falling into the Pigs/Poultry System are not included in the sample, due to the inability to obtain a representative sample of this system.

In 2004 the CSO discontinued the Agricultural Buildings Price Index, used by the National Farm Survey in calculating building depreciation since 1985, and replaced it with the Capital Goods Price Index, Buildings and Construction. This new index was used in calculating 2004 building depreciation. Also from 2004 onwards buildings and machinery, exceeding 25 and 20 years respectively, have been written off. The 2003 NFS results have been revised to include the above changes and summary tables are detailed in Appendix D.

SUMMARY

- For 2004, Average Family Farm Income (FFI) was €15,557, an increase of 5.4% on 2003 (€14,765). Gross output on farms increased by 4%, whilst direct costs and overhead costs increased by 1% and 5%, respectively.
- On Full-time farms average FFI was €30,650 compared to €28,467 in 2003, an increase of 7.6 %. The average FFI for Part-time farms was €6,407 (€6,427 in 2003), a decrease of 0.3%.
- Total direct payments/subsidies per farm increased by only 0.4% between 2003 and 2004. As a percentage of FFI direct payments/subsidies were at 86% in 2004 (90% in 2003). FFI from the market place (i.e. FFI less direct payments) showed an increase of 5.2%.
- Average FFI varied across farming systems ranging from €7,286 on the Cattle Rearing System to €34,421 on the Specialist Dairying System. The average FFI for the Mainly Tillage System and Mainly Sheep System were €24,012 and €10,966 respectively.
- Approximately 40% of all farms had an income from farming of less than €6,500. On an estimated 50% of these farms, the farmer held an off-farm job. For this latter group, 92% of farms, the farmer and/or spouse had other income from off-farm employment, pension or social assistance.
- 10% of farms had an FFI exceeding €40,000, with 11% having FFI between €25,000 and €40,000
- Incomes on Specialist Dairy farms increased by 17% in 2004, due mainly to increased direct payments.
- Both the cattle systems showed an increase in FFI, 2% in the Cattle Rearing System and 10% in the Cattle/Other System.
- Average FFI on Mainly Sheep farms decreased by 16% in 2004 due mainly to a 5% decline in direct payments. This sheep system represents mainly Hill sheep. Gross output declined by over 2% with direct and overhead costs increasing by 5% and 10% respectively. The previous four years showed increases in sheep farmers incomes so that this is quite a significant turnaround for 2004.
- Average FFI in the Mainly Tillage System declined by 3%. This resulted from a decline of 3% in output, whilst direct payments declined by 8%. Overhead costs and direct costs decreased by 3% and 2%, respectively. Gross output from crops declined by 3%, whilst livestock output on tillage farms declined by 1%.
- Average net new investment was estimated at €4,840 per farm in 2004, an increase of 18% on 2003. This was equivalent to 31% of average FFI in 2004.
- 37% of farms achieved a gross margin of over €1,000 per hectare in 2004 and 64% of these were in Specialist Dairying system with a further 16% in the Dairy Other system.

- On 52% of all farms the farmer and/or spouse had an off-farm job compared to 48% and 50% in the years 2002 and 2003 respectively. On 36% of farms a job was held by the farmer, with the highest incidence of off-farm employment occurring in the drystock systems. Overall, on 78% of farms the farmer and/or spouse had some source of off-farm income be it from employment, pension or social assistance.

RESULTS

Overview of 2004

Family Farm Income (FFI) increased from €14,765 in 2003 to €15,557 in 2004 – an increase of 5.4%. This increase in 2004 was due to an increase of 4% in gross output combined with an increase of 1% and 5% in direct and overhead costs, respectively. Average gross margin per farm increased by 5%. FFI on Dairy, Dairy Other, Cattle Rearing and Cattle Other farms increased, the largest increase of 17% on the dairy farms, whilst incomes on the Mainly Sheep and Mainly Tillage systems declined. The largest decline in FFI occurred in the Mainly Sheep system – a decline of 16% from €13,088 in 2003 to €10,966 in 2004. Direct payments only increased by 0.4% or €58 per farm. Net new investment per farm accounted for €4,840 (an increase of 18% on 2003) or 31% of farm income in 2004. In relation to off-farm employment the farmer and/or spouse had an off-farm job on 52% of all farms. On 36% of farms the off-farm job was held by the farm holder, with the highest incidence of off-farm employment occurring on drystock farms, as in previous years.

Trends in Farm Income

In the Teagasc National Farm Survey (NFS), the principal measure of the income which arises from the year's farming activities, is **Family Farm Income per Farm (FFI)**. This is calculated by deducting all the farm costs (direct and overhead) from the value of farm gross output. FFI represents the financial reward to all members of the family, who work on the farm, for their labour, management and investment. It does not include income from non-farming sources and thus may not be equated to household income. However where it does represent all the income of the farm family, it is expected to provide for that family's living expenses as well as being a source of future investment in the farm business.

Since the mid-1960s, the NFS measures farm incomes across the main farming systems and size categories. The exception to this is pigs and poultry which are excluded from the sample. Also since 1995 very small farms (under 2 European Size Units (ESUs) – see Glossary of Terms) are excluded from the survey. These exclusions result in the NFS survey representing 113,261 farms in 2004 compared to overall farm numbers nationally of 136,200 (latest figure available for 2002, CSO). Refer to Appendix B for additional details on population distribution and representation of the sample.

Table 1 shows average Family Farm Income (FFI) per farm in current and real terms over the period 1995 to 2004. The base year 1995 was chosen as this was the commencement of the existing sample of farms having a minimum of 2 ESUs.

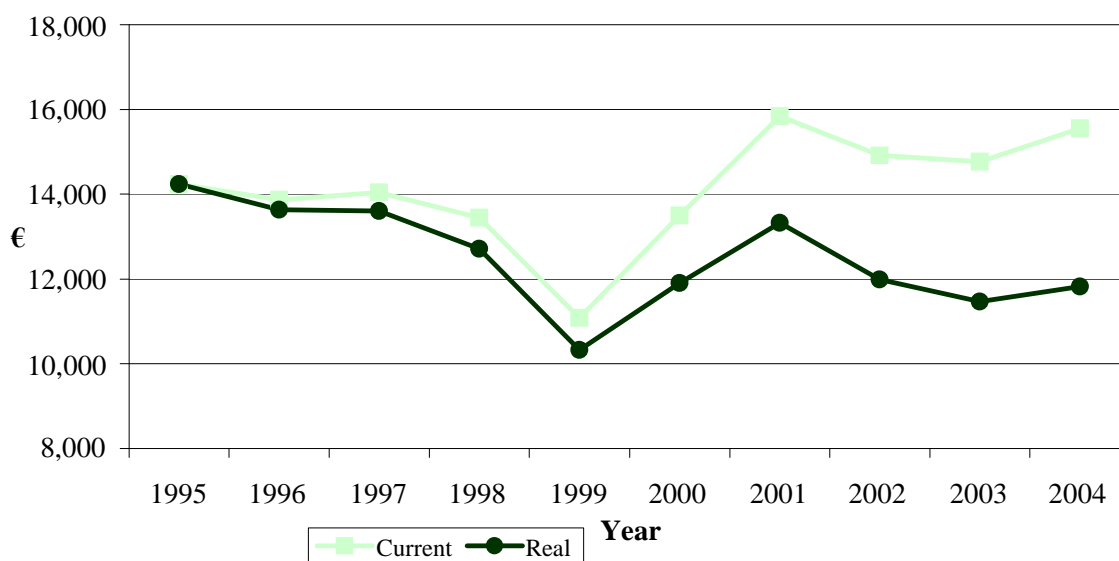
Table 1: Family Farm Income (FFI) per farm 1995-2004

	FFI (Current) €/farm	FFI (Real 1995 = 100) €/farm
1995	14,236	14,236
1996	13,866	13,634
1997	14,042	13,607
1998	13,442	12,717
1999	11,088	10,324
2000	13,499	11,903
2001	15,840	13,322
2002	14,917	11,991
2003 (revised)	14,765	11,467
2004	15,557	11,822

Source: National Farm Survey, Teagasc (current)

The data shows farm income in 2004 was 9% above that for 1995 in current terms. However when inflation (CPI) is taken into account it shows that FFI has declined from €14,236 in 1995 to €11,822 in 2004, a decline of 17% in real terms. The trend in FFI in current and real terms is shown in Fig 1. It is disappointing also to report that the average FFI of €15,557 in 2004 was 2% less than the FFI of €15,840 of 2001, both expressed in current terms.

Figure 1: Family Farm Income per Farm (€) 1995 - 2004



Average Family Farm Income

It is important to point out that the average national FFI figure conceals the wide range of variation that exists across the different farm systems and sizes. The data in Table 2 summarises the average levels of Family Farm Income per farm which were achieved in 2004 across the range of farming systems and size groups. When evaluated in

conjunction with the main tables at the end of this report (Appendix A) the following conclusions can be drawn.

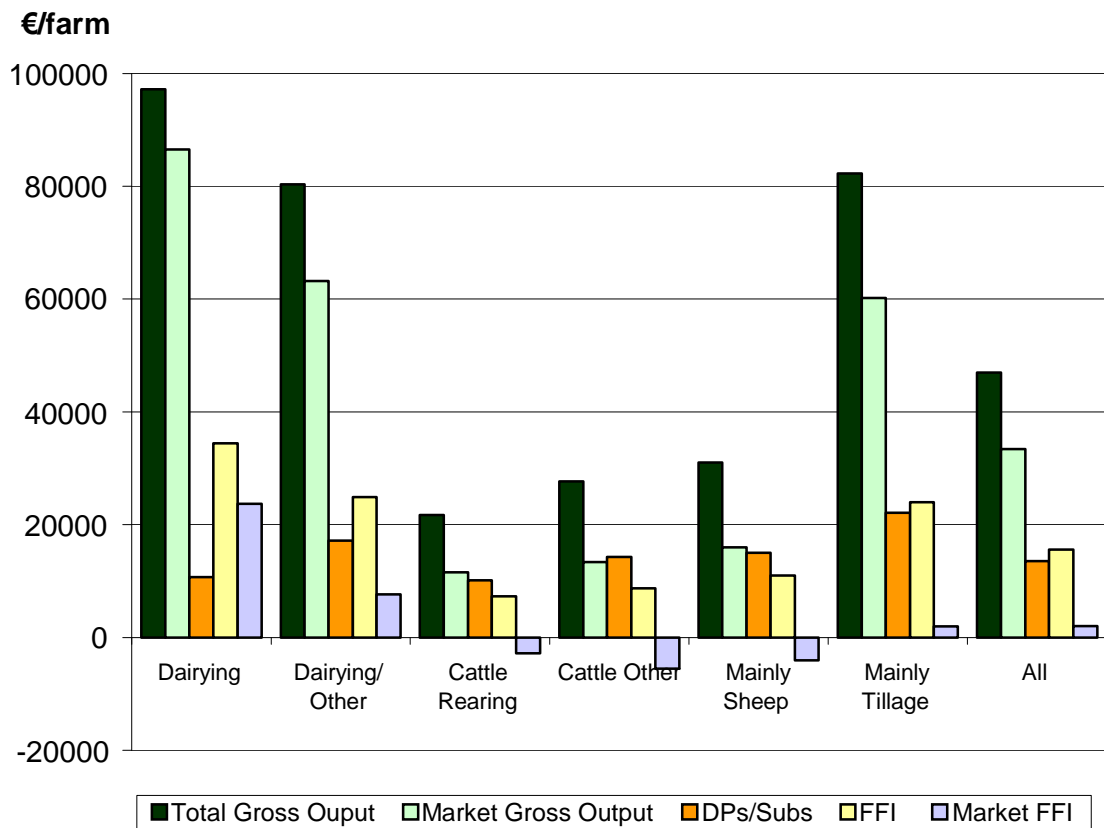
- As in previous years there is a positive relationship between farm size and FFI. In many instances, particularly in the intermediate size groups, income per hectare also increases with farm size. In these circumstances, smaller farms cannot compensate for their lack of scale and hence, with the exception of the specialist Dairy system, extremely low incomes result in the less than 20 hectare group.
- There is considerable difference in the levels of average FFI across the farming systems. As in previous years the average FFI on the Dairy and Tillage systems are far higher than those on the drystock based systems. Average farm income on the larger Cattle Rearing and Cattle Other Systems was €18,747 and €25,411, respectively per farm, compared to €74,725 on the larger Specialist Dairying System.
- The average FFI for many sub-groups, especially in the Cattle and Sheep systems is below the average agricultural wage rate of €14,581 so that those farm families do not receive a full return for their labour and no return on management or investment.

Table 2: Family Farm Income by System and Farm Size (UAA) – 2004

Size (Ha)	<10	10-20	20-30	30-50	50-100	> 100	Hill Farms	All
€/Farm *								
Dairying	-	14633	25074	37297	52269	74725	23657	34421
Dairying/ Other	-	-	-	18363	41252	62842	11862	24858
Cattle Rearing	2637	4100	5288	13061	18747	-	6610	7286
Cattle Other	-	3288	7340	12306	25411	-	5564	8712
Mainly Sheep	-	4824	8355	13764	17981	30836	11750	10966
Mainly Tillage	-	-	-	18631	34414	70380	-	24012
All	2179	4956	9677	20281	35017	54498	10592	15557

Figure 2 shows output, direct payments and FFI by farm system. The impact of excluding direct payments from output and FFI are also shown in Figure 2. It is clearly evident that market output for the drystock systems is not sufficient to cover production costs and that a major contribution of direct payments is needed to make up the shortfall. In the decoupled situation of 2005 where the Single Farm Payment can be obtained without the necessity for livestock or crop production, farmers will need to seriously examine their production systems in an effort to cut costs and at a minimum, retain their Single Farm Payment.

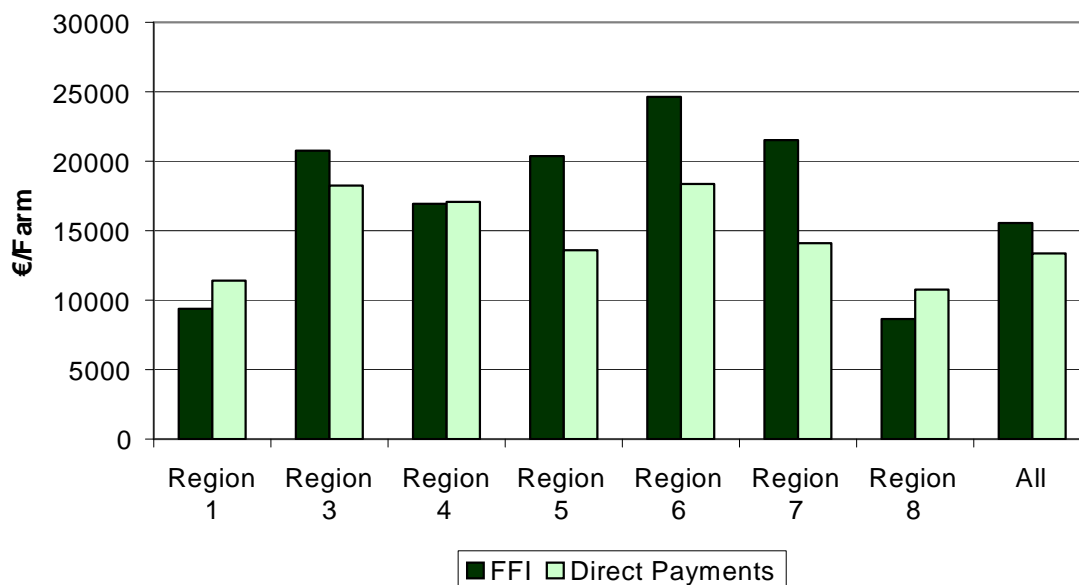
Figure 2: Gross Output, Direct Payments & FFI by Farm System -2004



Regional Analysis

Farms in the NFS are divided into 8 regions¹. Farms in Region 2 (Dublin) have been excluded from this regional analysis owing to the small sample of farms for this region. There is quite an amount of variability between FFI, ranging from €9,378 in Region 1 (North-West) to €24,643 in Region 6 (South-East). Only two of the regions (Region 1 and 8) have FFI below the national average of €15,557.

Figure 3: FFI, Direct Payments/Subsidies by Region - 2004



Analysing the demographic data by region produces some interesting details. The highest incidence of off-farm employment occurred on farms in the western region, Region 8. The incidence of off-farm job for the farmer and/or the spouse was 55.2% compared to the national average of 51.5%. However if we look specifically at the incidence of having an off-farm job for the holder only, then Region 4 (Midlands) shows the highest % at 42.3 (compared to national average of 36.2%). The average age of holder was highest in Region 1 at 56 years and youngest in Region 6 at 51 years. Seventy five per cent of households were classified as demographically viable in Region 6 while this is only 52% in Region 1 (average for all farms 60%). Additional demographic data by region is contained in Table 14(e), Appendix A.

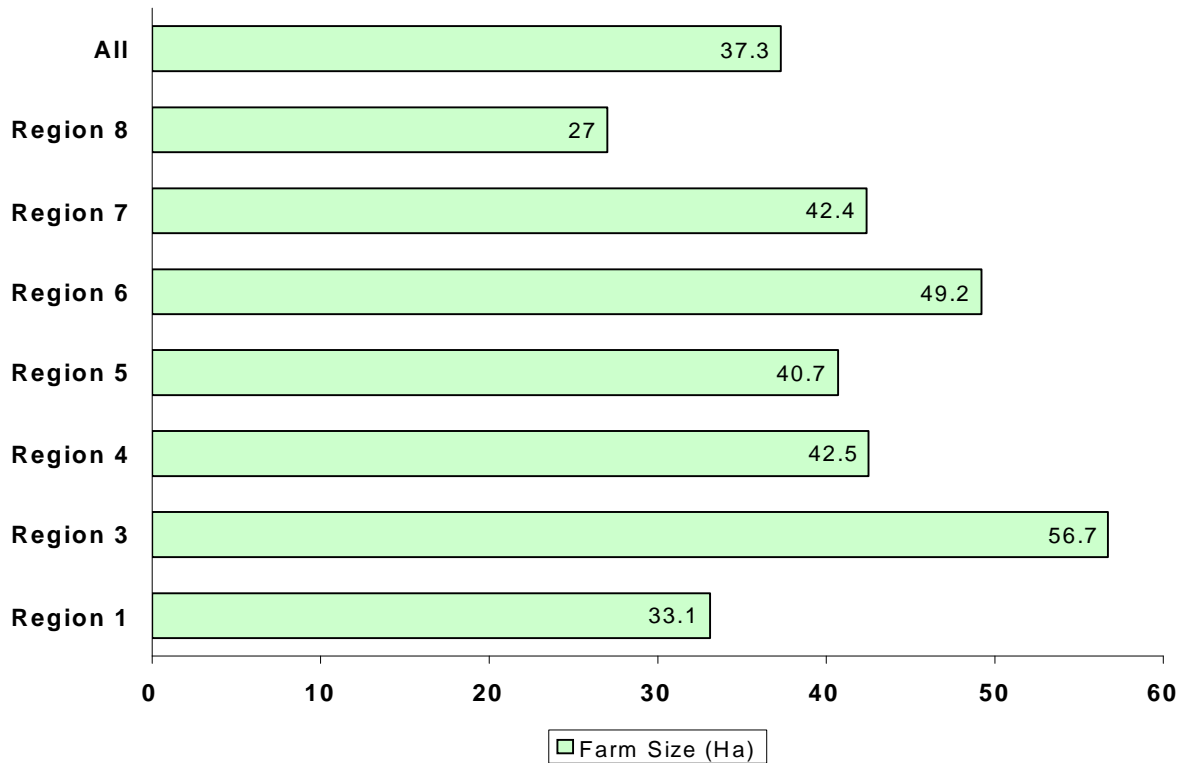
¹

Region 1 - Louth, Leitrim, Sligo, Cavan, Donegal, Monaghan
 Region 4 - Laois, Longford, Offaly, Westmeath
 Region 6 - Carlow, Kilkenny, Wexford, Tipp. S.R., Waterford.
 Region 8 - Galway, Mayo, Roscommon

Region 3 - Kildare, Meath, Wicklow.
 Region 5 - Clare, Limerick, Tipp. N.R
 Region 7 - Cork, Kerry

The average farm size (UAA) for all farms is 36.3ha. However within the regions the average farm size is higher in all regions except for Region 8 (West), where it is only 26.7ha. Region 3 (East) has the highest average farm size, being 49.9 ha. Table 14(b) in Appendix A gives additional information on all regions and farm sizes.

Figure 4: Farm Size (Ha) by Region - 2004



Full-time and Part-time Farms

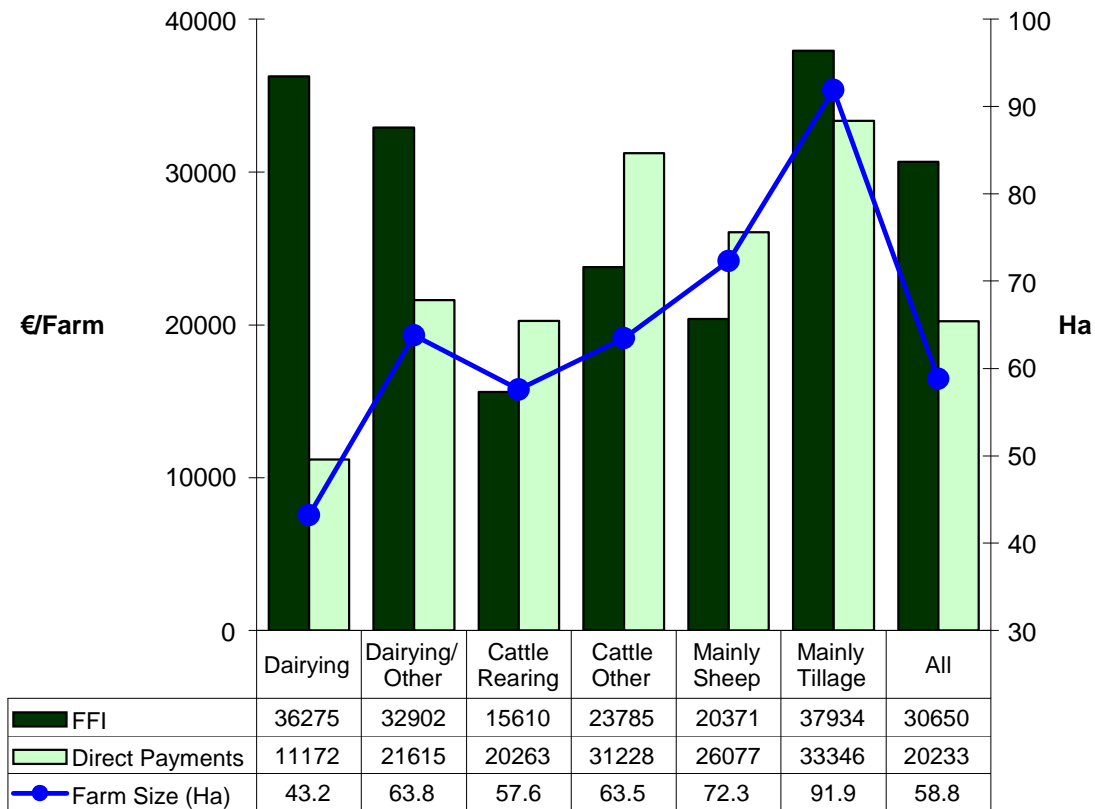
In the NFS Full-time farms are defined as farms which require at least 0.75 standard labour units to operate, as calculated on a Standard Man Day basis (SMD), whilst Part-time farms require less than 0.75 labour units. Farms are therefore divided into Full-time and Part-time on the basis of the estimated labour required to operate their business as distinct from labour available which is often in excess of that required. The presence or absence of an off-farm job is not taken into consideration in the definition.

Full-time farms therefore represent the larger more commercial sector of farming and in 2004 accounted for almost 38% (or 42,700) of all farms represented. Data in Figure 5 details FFI, direct payments and farm size for the full-time farms by farming system. Sixty four per cent of Full-time farms were in the two dairying systems, with a further 12% in the Mainly Tillage System and the remaining 24% in drystock.

The average FFI on Full-time farms in 2004 was €30,650 compared to €28,467 in 2003 – an increase of 7.6%. The income situation by system for Full-time farms is similar to that of all farms i.e. specialist dairying and tillage farms obtain the highest incomes at €36,275 and €37,934 respectively, whilst incomes on Cattle Rearing and Mainly Sheep Systems were €15,610 and €20,371 respectively. On 16% of Full-time farms, the farmer had an off-farm job whilst on 36% of farms the spouse had an off-farm job.

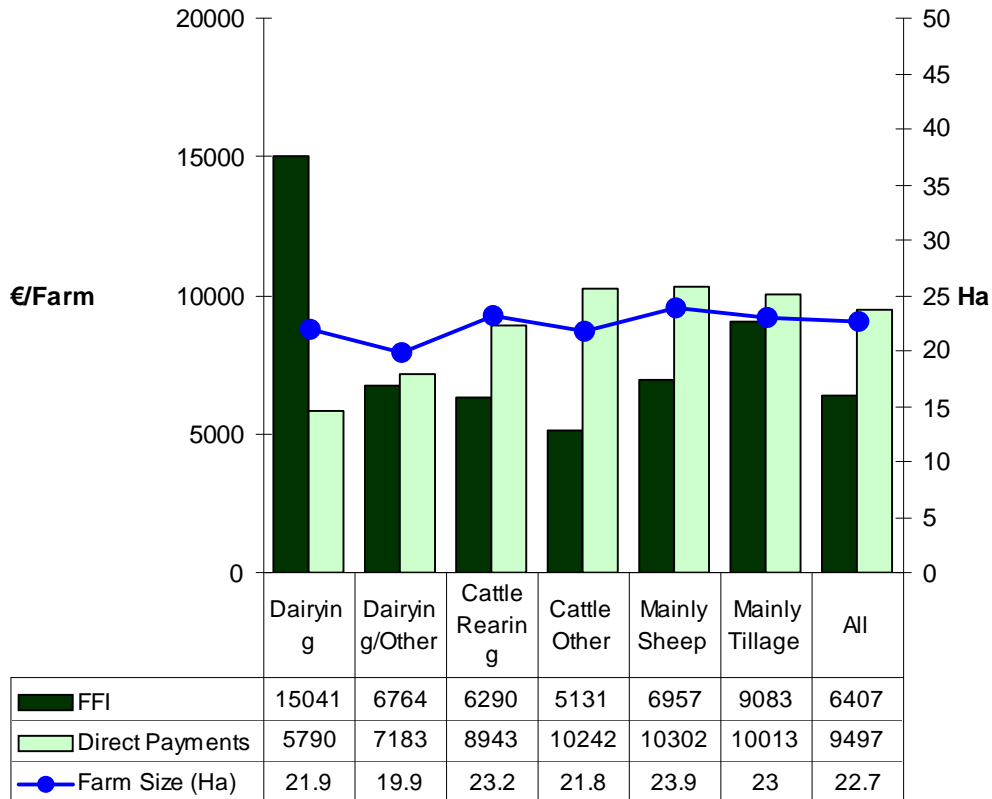
Details of FFI, direct payments and farm size for Part-time farms are detailed graphically in Figure 6. Approximately 62% (or 70,600) of farms were part-time in 2004, with 87% in the drystock systems. The average FFI for all part-time farms was €6,407 and this ranged from €15,041 on specialist Dairy system to € 5,131 on the Cattle Other system. The average cash income on part-time farms was higher at €9015. Average direct

Figure 5: FFI, Direct Payments/Subsidies for Full-time farms by farming system - 2004



payments and subsidies were €9,497 in 2004 i.e. 148% of FFI, reflecting the general situation on drystock farms where output from the market place is insufficient to cover total production costs. As already pointed out, farmers in these systems, and indeed in the Mainly Tillage system, will need to re-plan their enterprises and enterprise mix to take account of the decoupled policy introduced in 2005.

Figure 6: FFI, Direct Payments/Subsidies for Part-time farms by farming system - 2004



On 54% of these Part-time farms either the farmer or spouse had off farm employment and on 89% of farms there was another source of income – either from off farm job, pension or social assistance. The farmers on part-time farms were older (56 years) than those on full-time farms (50 years) and 62% were married compared to 75% on full-time farms. Refer to Table 11, Appendix A for further details on off-farm employment, output, costs and incomes for this category of farms.

Income Distribution

The variation in incomes is further reflected in the distribution of income as shown in Table 3 for 2001 to 2004 and shows that percentages in each income category have remained almost completely static over the four years.

Table 3: Distribution of Family Farm Income 2000-2004 (%)

(€000)	< 6.5	6.5 – 13	13 – 20	20 – 25	25 – 40	> 40
% Farms						
2001	40	22	12	5	11	10
2002	40	22	13	6	12	8
2003	39	22	14	6	10	9
2004	40	22	11	6	11	10

- For 2004, 40% of farms had an income of less than €6,500 which was 1% more than that for 2003
- 21% of farms had an income from farming greater than €25,000. This represents an increase of 2% on 2003. The average farm size for this group was 67.3 ha compared with the overall average size of 36.3 ha. The holder was younger than average at 49 years (overall average 54 years) and 83% were married compared with 67% in the overall farming population. The majority of farms in this group (52%) were in dairying systems.
- In the lowest income group, i.e. less than €6,500 per farm, 85% of farms were in drystock systems. For this group, on 92% of farms the farmer and/or spouse had some source of other income either from off-farm employment, pension or social assistance.
- Also in the lowest income group the farmer and/or the spouse had an off-farm job on 55% of farms, and on 50% of farms the farmer held an off-farm job.
- For farms with an income of over €25,000, 71% of farms were in the dairying systems and a further 13% were tillage farms.

Farm Income change Analysis

Average family farm income per farm in 2004 was €15,557, an increase of 5.4% on the 2003 figure of €14,765. There are many ways of looking at the composition of this increase and the following two approaches shown in Table 4 have been chosen

- (i) The changes in output and costs.
- (ii) The changes in enterprise outputs.

Table 4: Analytical Breakdown of FFI Change - 2003/04

Approach 1: Changes in Output and Costs		Approach 2: Changes in Enterprise Outputs	
%		%	
Gross Output	+ 11.6	Dairying	+ 5.3
Direct Costs	+ 0.7	Cattle	+ 4.1
Gross Margin	+ 10.8	Sheep	- 1.0
Overhead Costs	+ 5.5	Other Livestock	+ 0.8
		Total Livestock	+ 9.3
		Crops	+ 0.7
		Other	+ 1.7
		Total Output	+ 11.6
		Direct Costs	+ 0.7
		Overhead Costs	+ 5.5
Family Farm Income	+ 5.4	Family Farm Income	+ 5.4

- (i) The increase of 5.4% in FFI resulted from a increase of 11.6% in gross output, an increase of 0.7% in direct costs and 5.5% in overhead costs.
- (ii) The increase in output from total livestock was the most significant contributor to the increase in FFI, accounting for 9.3%. Dairying contributed an increase of 5.3% and cattle contributed to an increase of 4.1%. FFI was increased by 0.7% owing to the crop sector. "Other" output contributed an increase of 1.7% to the change in FFI.

Analysis by Farming System

- Average FFI per farm on the Specialist Dairy farms increased by almost 17% in 2004. Output increased by 10% resulting from an increase of 31% in direct payments with output from the market place increasing by 8%. Direct and overhead costs also increased by 4% and 11%, respectively.
- In the Dairy/Other System, FFI per farm increased by 2%. This resulted from a combination of lower direct payments (1%) combined with a reduction in direct and overhead costs of 8% and 3% respectively. Market based output also declined by 3%

- Income on Cattle Rearing System was €7,286 per farm in 2004, an increase of 2% on 2003. Market based gross output increased by almost 2%, whilst there was a decline of 2% in direct costs but an increase of 5% in overhead costs. Income on the Cattle Other System increased by 10% as a result of gross output increasing by 4% and market based gross output increased by 9%. FFI in 2004 was only €8,712 per farm. Average incomes on cattle farms continue to be extremely low and 2004 was no exception with incomes on these farms only 50% and 60% respectively of the Average Agricultural Wage (€14,581) for Cattle Rearing and Cattle Other System. FFI on these systems were only 25% and 30%, respectively, of the Average Industrial Wage (€29,151) in that year.
- Income on the Mainly Sheep System decreased from €13,088 in 2003 to €10,966 in 2004 a decline of 16%, following increases in the three previous years. Market based gross output declined by 0.2% whilst direct payments decreased by 5%. Direct costs increased by 5% while overhead costs declined by almost 10%.
- Average FFI in the Mainly Tillage System decreased by 3% in 2004 in comparison to 2003 which was an extremely good year financially for tillage farmers. The Mainly Tillage System, includes farms which can have a high proportion of output from livestock, as well as from crops, as described in Appendices B and C. Output from crops declined by 3% whilst livestock output on tillage farms declined by 1%. Direct payments declined by 8%. Both direct and overhead costs fell on Tillage farms in 2004 by 2% and 3%, respectively.

Table 5: Family Farm Income per Hectare 2003 – 2004

	FFI/Ha 2003 €	FFI/Ha 2004 €	% Change 2003/04
Dairying	733	837	+14
Dairying/Other	455	494	+9
Cattle Rearing	272	271	-0.4
Cattle Other	270	292	+8
Mainly Sheep	352	286	-19
Mainly Tillage	392	409	+4
All Systems	410	425	+4

The above summary in Table 5 in relation to farming systems refer to changes in per farm output, costs and incomes and does not allow for year to year changes in farm size. However the effect of changes in farm size is shown in Table 6 which shows average return per hectare of land farmed across the different farming systems. Average FFI/Ha in 2004 at €425 showed an increase of 4% on 2003 figure. As in previous years dairying yielded the highest FFI/ha, followed by tillage with cattle systems yielding the lowest returns.

Direct Payments and Subsidies

The impact on incomes of direct payments/subsidies to farmers has increased significantly in the aftermath of Agenda 2000. In 2004 these payments accounted for 87% of average farm income. Average direct payments/subsidies increased only marginally from €13,314 per farm in 2003 to €13,372 in 2004 - an increase of 0.4%. Direct payments/subsidies contribute a higher proportion to net income in the National Farm Survey compared to national statistics as pigs, poultry and other output on which

direct payments are not made are excluded from the NFS results. In the two lower size groups direct payments as a percentage of FFI were 143% and 121%.

Table 6: Direct Payments/Subsidies as a Percentage of Family Farm Income– 2004

Size (Ha)	<10	10-20	20-30	30-50	50-100	> 100	Hill Farms	All Farms
%								
Dairying	-	31	24	30	32	39	47	31
Dairying/ Other	-	-	-	65	60	77	107	69
Cattle Rearing	122	137	172	125	132	-	154	139
Cattle Other	-	204	152	169	135	-	250	164
Mainly Sheep	-	147	121	128	164	130	141	137
Mainly Tillage	-	-	-	100	85	92	-	92
ALL	143	121	94	77	73	90	125	87

Note: Direct payments/subsidies account for more than 100% of income whenever market based output is not sufficient to cover total costs.

A more detailed presentation of the impact and incidence and components of direct payments/subsidies can be seen in the Appendix A tables.

The main elements as summarised in Table 6 are:

- The total amount of direct payments/subsidies increased by only 0.4% in 2004, whilst direct payments/subsidies as a percentage of FFI was 87%.
- Direct payments/subsidies accounted for 139% and 164% of average FFI in the Cattle Rearing and Cattle Other Systems respectively. In the Mainly Sheep System direct payments/subsidies accounted for 137% of FFI in 2004.
- The contribution of direct payments/subsidies to average FFI in the Tillage Systems was 92% in 2004.
- Direct payments/subsidies contributed approximately 31% to specialist dairy farm incomes in 2004 as milk is supported through EU price support mechanisms rather than direct subsidies. However since Agenda 2000 and the change to Area Based Headage System (DACAS) in 2001 plus the milk decoupling payment agreed in the Luxembourg Agreement, a larger percentage of dairy farmers incomes have been coming through the "cheque-in-the-post" system. In 2004 direct payments/subsidies contributed 69% to the Dairying and Other farmers incomes, compared to 71% for the previous year. It is clear, as stated earlier, that the decoupling of subsidies from production will require farmers to seriously examine and re-plan their farm businesses.

An estimated 31% of farms received REPS payments in 2004. The average FFI on those farms receiving REPS at € 15,990 was similar to the FFI of €15,360 on non-REPS

farms. Almost 74% of farms which participate in REPS are in the three drystock systems, namely Cattle Rearing, Cattle Other and Mainly Sheep. As in previous years FFI was higher on non-REPS, Specialist Dairy, Other Dairy farms and Tillage farms. On REPS cattle farms (Cattle Rearing and Cattle Other) income was higher than on non-REPS farms with the REPS payment contributing up to 75% of the difference between FFI on REPS and Non-REPS farms in these systems. In 2004 income per farm for the Mainly Sheep system was higher on REPS farms than non-REPS farms, €12,501 as opposed to €9,868 on non-REPS, a difference of €2,633. A more detailed analysis of REPS farms will be compiled and published later in 2005.

The following tables present the key information in relation to farms participating in REPS (Table 7(a)) and those not participating in REPS (Table 7(b)).

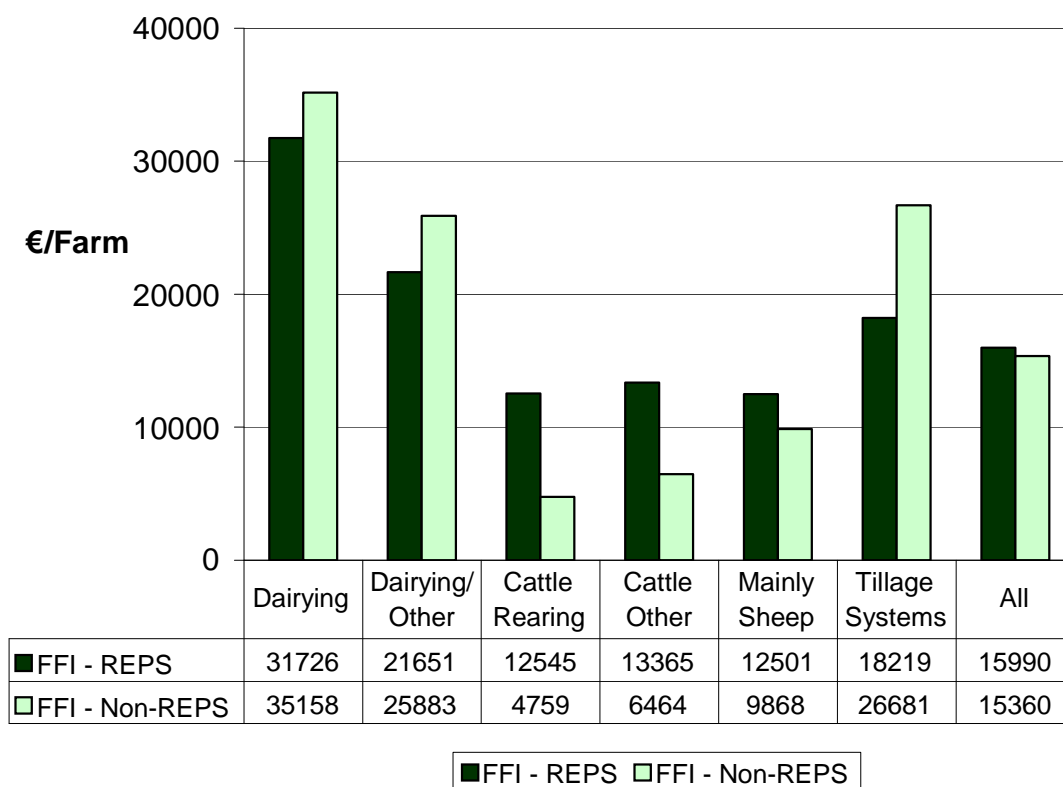
Table 7(a): FFI,Direct Payments/Subs for REPS farms by farming system - 2004

	Dairying	Dairying/ Other	Cattle Rearing	Cattle Other	Mainly Sheep	Tillage Systems	All
€/Farm							
FFI	31726	21651	12545	13365	12501	18219	15990
Direct Payments	14924	19605	16529	21195	18101	19176	18305
REPS Contribution	5803	6648	5348	5191	6246	5039	5638
Farm Size (Ha)	37.8	43.0	32.1	36.5	38.9	35.8	36.5

Table 7(b): FFI,Direct Payments/Subs for non-REPS farms by farming system-2004

	Dairying	Dairying/ Other	Cattle Rearing	Cattle Other	Mainly Sheep	Tillage Systems	All
€/Farm							
FFI	35158	25883	4759	6464	9868	26681	15360
Direct Payments	9547	16396	7088	10925	12810	23428	11383
Farm Size (Ha)	42.4	52.6	24.4	26.6	37.9	69.2	36.3

Figure 7: FFI for REPS and Non-REPS farms by farming system - 2004



Gross Output and Costs

An indicator of the efficiency and competitiveness of Irish Agriculture is the cost of production for the main products. Overall this can be examined by calculating the percentage of gross output which is absorbed by input costs in any one year. On a national basis 66% of gross output was absorbed by total costs in 2004. If direct payments are excluded from gross output, then costs as a percentage of the market based value of gross output in 2004 was 94%.

In 2004 only 21% of farms were capable of keeping total costs below 50% of output whereas 42% of farms had costs which were above 70% of output. The corresponding figures for 2003 were 20% and 41% respectively. Further details are contained on Table 8(d), Appendix A. Costs as a percentage of output have been increasing since 2000. This is a worrying trend as it reflects what occurs with rising costs and static output, resulting in deteriorating purchasing power for the sector.

Gross Margins

Gross Margin (gross output including direct payments, minus direct costs) provides a useful index of the relative profitability of the various farm systems. The distribution of farms by level of gross margin per hectare for 2004 is detailed in Table 8.

- Overall, 37% of farms achieved a gross margin of over €1,000 per ha. The Dairying Systems once again show the higher returns to land, with 64% of those farms that achieved a gross margin per ha of over €1,000 being in the specialist Dairying System and a further 16% in dairying/other system.
- 24% of farms had a gross margin per ha of less than €500 and the majority of these, approximately 95%, were in the drystock systems.

Table 8: Distribution of Farms by Level of Gross Margin (€) Per Ha by Farm System-2004

Gross Margin €/Ha	< 250	250-500	500-750	750-1000	1000-1300	1300-1500	> 1500	All*
% Farms								
Dairying	-	1	5	7	20	16	52	100
Dairying/Other	1	10	18	24	22	11	14	100
Cattle Rearing	12	36	30	16	4	1	2	100
Cattle Other	8	30	29	20	10	3	0	100
Mainly Sheep	12	29	28	22	5	3	1	100
Mainly Tillage	3	5	27	38	18	2	3	100
ALL	6	18	21	18	13	7	17	100

* Figures may not add to 100% due to rounding

New Investment

Net new investment on farms was €4,840 in 2004 – an increase of 18% on the €4,088 figure for 2003.

Table 9: Average Annual New Investment - All Farms (€/farm) - 2004

	Dairying	Dairying /Other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All
€/Farm							
Gross New Investment	12578	9599	3580	3508	4077	9922	6143
Net New Investment	10895	5784	2839	2810	3153	8110	4840
Depreciation	8982	8521	2468	3296	3021	7705	4789
% of farms on which investment was made	87%	75%	48%	46%	53%	60%	63%

(Note: net new investment is equal to gross new investment in machinery, buildings, quotas and land improvements (including forestry) minus sales and capital grants received during the year.)

- Overall net new investment in 2004 was equivalent to 31% of FFI. Dairying farms (Dairying and Dairying/Other) contributed 49% of the total new investment, although these farms comprise only 27% of the farming population. 83% of dairying farms

invested in new capital structures compared to 48% and 46% on Cattle Rearing and Cattle Other farms. Farms in the Mainly Tillage System contributed 11% to total net new investment, whilst comprising only 7% of the farm population.

- The drystock systems while comprising 67% of the farming population contributed only 40% of total net new investment.
- 63% of farms made some new investment in 2004, with the majority of these farms in the Dairying system i.e. 37%. As in previous years, average FFI on these farms which had new investment in 2004, was higher across all systems than for farms where no new investment occurred. Average FFI on these farms for 2004 was €21,527. FFI income ranged from €37,555 in the Dairy System to €7,957 in the Cattle rearing system.

Other Gainful Activity

Data on family farm incomes, as presented in this report, are confined to the income earned from on-farm activity. However over the last decade off-farm employment has become more prevalent, making the situation quite different from earlier decades where the main sources of off-farm income would have been pensions and social assistance. The growth in off-farm employment continued in 2004 increasing from 48% and 50% in 2002 and 2003 respectively to 52% in 2004. The incidence of off-farm employment is shown in the following Table 10 (Estimated Percentage of Farms Where Farmer and/or the Spouse has an Off-Farm Job). This table is detailed by size and system of farming, while further information is presented in Appendix A.

In general the 2004 data reveal that, in relation to the farmer and /or the spouse:

- An off-farm job existed on 52% of farms, an increase of 2% on 2003 figure.
- On 36% of farms the farmer held an off-farm job compared to 34% in 2003.
- As in previous years, the incidence of the farmer having an off-farm job is highest in the small farm size groups, while the spouse is most likely to have an off-farm job in the intermediate size groups.
- The cattle and sheep systems have the highest incidence of the farmer and/or the spouse having off-farm employment while the dairy farms have the lowest; the same is true in relation to the farmer. However this distinction is not evident in relation to the spouse where the incidence of off-farm employment is higher for the dairying systems at 42%, with an overall mean estimate of 29% for all farming systems.
- On 78% of farms the farmer and/or the spouse had some source of off-farm income, be it from employment, pension or social assistance.

Table 10: Estimated Percentage of Farms with Off-Farm Job for Farmer and/or the Spouse– 2004 (%)

Size (Ha)	<10	10-20	20-30	30-50	50-100	> 100	Hill Farms	All Sizes
Dairying	-	56 (38)	55 (18)	50 (10)	45 (7)	36 (7)	47 (15)	50 (14)
Dairying/ Other	-	-	-	58 (27)	35 (5)	35 (7)	25 (7)	40 (14)
Cattle Rearing	-	56 (54)	61 (52)	55 (43)	53 (33)	-	60 (56)	57 (50)
Cattle Other	67 (67)	47 (42)	59 (57)	50 (40)	30 (9)	-	39 (39)	51 (44)
Mainly Sheep	-	61 (44)	53 (47)	46 (17)	55 (27)	62 (15)	35 (30)	53 (38)
Tillage Systems	-	-	-	48 (36)	44 (19)	42 (15)	-	50 (37)
All	64 (61)	54 (47)	56 (43)	52 (28)	42 (14)	52 (16)	44 (35)	52 (36)

(% in brackets refer to the incidence of off-farm employment for the **farmer only**)

The data in Table 11 shows estimates of the percentages of farmers with off-farm employment, the average off-farm income and the family farm income for 2004. The data refer to farms where the farmer had an off-farm job and also similar data where farms had no off-farm employment. These farmers are further subdivided into full-time and part-time farms as defined in the NFS Glossary of Terms (labour units employed on Standard Man Day (SMD) basis). These estimates should be regarded as indicative of relative levels rather than as accurate absolute levels.

Table 11: Estimates of Off-Farm Employment For Farmer Only - 2004.

	Sample Number	Population %	Average Off-Farm Income (1)	Average FFI (2) €	Income (1) + (2) €
Farmer has Off-Farm Job and Income Stated					
All Farms	271	31	21,200	7,700	28,900
Full-Time Farms	71	5	18,100	20,600	38,700
Part-Time Farms	200	26	21,700	5,400	27,100
Farmer has Off-Farm Job – income not stated					
All Farms	60	5	-	12,600	12,600
Farmer has no Off-Farm Job					
Full-Time Farms	597	36	-	32,000	32,000
Part-Time Farms	266	32	-	7,300	7,300

Note: The estimates should be interpreted with caution because the underlying data are not always sufficiently robust. This is due to the problem of non-response and the fact that the information is received from respondents without documentary verification.

In 2004 there were 271 farmers (out of total 331 with off-farm jobs) who disclosed their off-farm income of €21,200 . The average farm income for these farms in 2004 was €7,700 giving a combined income of almost €28,900.

In 2004, 26% of the population with off-farm employment and income stated were part-time farmers with an average off-farm income of €27,100, whilst only 4.7% with stated off-farm incomes were full-time farms with an average off-farm income of €18,100.

In 2004, an estimated 64% of farm holders had no off-farm employment. This figure has remained similar to level for 2003. Of those 36% were full-time with FFI of €31,996, whilst the remaining 32% were part-time (as defined in glossary) with a FFI of €7,335.

Table 12 gives population estimates of the incidence of the farm holder having an off-farm job broken down by FFI. On farms with FFI less than €6,500, 50% of farmers had off-farm employment compared to 12% where FFI exceeded €25,000. On farms where the FFI ranged from €6,500 to €13,000, 39% of farmers had an off-farm job.

Table 12: Incidence of Off-Farm Jobs (Farmer) by FFI – 2004

FFI	All Farms	Farmer with Off-Farm Job	Farmer with no Off-Farm Job
€	%	%	%
<6500	40	20	20
6500 – 13000	22	9	13
13000 – 25000	16	5	11
>25000	21	3	18
Total	100	36	64

Figures may not add to 100% due to rounding