

Project number: 5652
Funding source: Teagasc

Date: December, 2010
Project dates: Jan 2007 – Dec 2009

The relative competitiveness of Irish agriculture



Key external stakeholders:

Policy makers, national government, farm bodies, farmers, industry.

Practical implications for stakeholders:

- A serious viability issue at farm level was highlighted whereby both cash and economic costs were significantly in excess of market based returns for the beef sector.
- In a decoupled policy environment the operation of non-economically viable enterprises cannot be considered sustainable in the longer term.
- Given the importance of economies of scale found in the research, these results present a serious challenge for policy makers and for those involved in planning the future of Irish agriculture, which at present is characterised by relatively small scale operations (internationally).

Main results:

- Findings from this research have shown that while all the sectors of Irish agriculture examined may have had a relative advantage compared to competing EU countries examined based on a short term planning horizon, this competitive advantage has deteriorated somewhat in the new era of decoupled payments.
- The longer term competitive position of Irish agriculture is less positive given the large amount of owned resources employed in Irish agriculture and the relative small scale of operations compared to international standards.

Opportunity / Benefit:

- Facilitation of informed decision making at farm level. The analysis of the annual situation and outlook for Irish farming using a representative farm approach which reflects the levels of technical efficiency at farm level provides information that facilitates economically rational production decisions.
- Understanding of the key determinants of competitiveness and productivity
- Facilitate informed decision making by policy makers and stakeholders.
- To facilitate other Teagasc staff in the dissemination of timely reporting on the competitiveness and productivity of Irish agriculture.

Collaborating Institutions:

TCD

Teagasc project team: Fiona Thorne
External collaborators: Dr. Carol Newman, TCD

1. Project background:

As a result of successive reforms of the CAP, the ability of Irish producers to compete at or near world prices is of paramount concern, thus providing an immediate rationale for the completion of this project. The lack of sufficient consistent data on the competitiveness of Irish agriculture was previously highlighted by the report of the 2010 Committee (DAFRD, 2000) which stated that 'The Committee is... of the view that there is insufficient up to date evidence on competitiveness in the agricultural sector. The action programme should therefore include provision for the collection and publication on a regular basis of key competitiveness indicators, with appropriate international comparisons'. This project is a direct response to this finding. Furthermore, the report of the 2015 Committee (DAF, 2004) recommended that research be carried out on the socio-economic determinants of the productivity performance of Irish agricultural production so as to inform our understanding of the sector's competitive potential. Such research should be in addition to research on benchmarking the competitive performance of Ireland's key agricultural enterprises against international competitors. The recommendation above provides a rationale for the continuation of this research on the competitiveness of Irish agriculture. Furthermore, the extension of this research to examine the impact of alternative policy reform scenarios on the future competitiveness of Irish agriculture is consistent with the recommendations of the 2015 Committee report.

2. Questions addressed by the project:

The principal question addressed by this project was; what is the relative competitiveness and productivity of Irish agriculture?

3. The experimental studies:

The main objectives of this project were to:

- Examine and discuss indicators of competitiveness of Irish agriculture using data from the European Commission (FADN) and the International farm Comparisons Network (IFCN).
- Examine the potential future competitiveness of Irish agriculture under alternative policy scenarios, by linking the results from stage one with projections from the FAPRI-Ireland aggregate model.

4. Main results:

- Findings of the research have shown that while all the sectors of Irish agriculture examined may have had a relative advantage compared to competing EU countries examined based on a short term planning horizon in a coupled policy environment, this competitive advantage has deteriorated somewhat in the new era of decoupled payments. In both the previous coupled policy environment and the current decoupled policy environment the longer term competitive position of Irish agriculture is less positive given the large amount of owned resources employed in Irish agriculture and the relative small scale of operations compared to international standards.
- In addition to the results from the competitiveness analysis highlighting a competitive issue in the longer term, it also highlights a serious viability issue whereby both cash and economic costs are significantly in excess of market based returns for the beef sector. In a decoupled policy environment the operation of non-economically viable enterprises can not be considered sustainable in the longer term.
- From a productivity perspective, recent data are not available to compare productivity performance with other EU countries on the basis of total factor productivity measures. In absolute terms, however, the overall productivity performance of Irish agriculture between 1996 and 2006 was poor. For example, reports rates of technical change in England and Wales for arable farms in the range 3.7 to 5.2 per cent annually, and for livestock farms (excluding pigs and poultry) of between 2.0 and 3.3 per cent. Based on these comparative findings it is unlikely that productivity growth rates of the magnitude found in this study will be sufficient to maintain farm incomes in the face of inflationary increases in costs suggesting that more rapid structural change in the sector is inevitable.

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- Given the importance of economies of scale found in the research, this finding presents a serious challenge for policy makers and for those involved in planning the future of Irish agriculture, which at present is characterised by relatively small scale operations (internationally).

5. Opportunity/Benefit:

- Facilitation of informed decision making at farm level. The analysis of the annual situation and outlook for Irish farming using a representative farm approach which reflects the levels of technical efficiency at farm level provides information that facilitates economically rational production decisions.
- Understanding of the key determinants of competitiveness and productivity
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- To facilitate other Teagasc staff in the dissemination of timely reporting on the competitiveness and productivity of Irish agriculture.

6. Dissemination:

Main publications :

Donnellan, T., Hennessy, T. and Thorne, F. (2009) Perspectives on the Competitiveness of EU Dairy Farming, Volume 8, No.1, Eurochoices.

Annual (2007 - 2009) IFCN Dairy Report, International Farm Comparisons Network.

7. Compiled by: Fiona Thorne
