The Viability of the Farm Sector and its Contribution to Regional Economies

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Outline

- How important is agriculture to the regions of Ireland?
- How is the farming sector performing by region?
- What future for farming in the regions?
Importance of Agriculture

Contribution to Gross Value Added

The Irish Agriculture and Food Development Authority
Importance of Agriculture

Contribution to Gross Value Added

The Irish Agriculture and Food Development Authority
How does our farm economy differ by region?
Farm Income by region 2014

- Border: Farm Income, Direct Payments
- Mideast: Farm Income, Direct Payments
- M'lands: Farm Income, Direct Payments
- S'west: Farm Income, Direct Payments
- S'east: Farm Income, Direct Payments
- South: Farm Income, Direct Payments
- West: Farm Income, Direct Payments

The Irish Agriculture and Food Development Authority
Importance of direct payments 2014

- Farm Income
- Direct payments as a % of income

The Irish Agriculture and Food Development Authority
Taking a broader view of farm income

- Farm income does not tell whole story
  - Many small but profitable farms
  - Many part-time farms with off farm income

- Viability analysis
Measuring Viability

- Farm is economically **viable** business if
  - Profit rewards investment – family labour & capital invested

- The business may not be viable but the household may be **sustainable**
  - If off-farm income is present (farmer or spouse)

- A farm household is **vulnerable**
  - If the business is not viable and if there is no off-farm income present
The National Viability of Farming

- Viable: 31
- Sustainable: 31
- Vulnerable: 37

The Irish Agriculture and Food Development Authority
Regional Viability Analysis 2014

% of farms

Border  Mideast  M'lands  S'west  S'east  South  West

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Regional Viability Analysis 2014

% of farms

Border | Mideast | M'lands | S'west | S'east | South | West

- Viable
- Sustainable

The Irish Agriculture and Food Development Authority
Regional Viability Analysis 2014

The Irish Agriculture and Food Development Authority
Farmers’ Off-farm employment by Region – 2003 to 2013

The Irish Agriculture and Food Development Authority
Is the gap between regions widening?

- Availability of off-farm employment contributing to gap
  - Off-farm employment recovering faster in certain regions

- Gap between farm sectors is widening
  - Dairy farms surging ahead while drystock farms stagnating

- Will milk quota removal & CAP reform correct the regional imbalance?
Impact of milk quota removal

- Target to increase milk production by 50% by 2020
- Teagasc research
  - Existing farmers could increase production by 32%
  - €1.7 billion to be invested by the farm sector
  - 10,000 jobs to rural Ireland

- How will this expansion be distributed regionally?
  - Expansion depends on profitability & expansion capacity
  - South and southeast to expand by over 40%
  - Less than 20% in west and border
Impact of Policy Reform

- Single Farm Payment – linked to historical production levels
- Recent CAP reform aimed to redistribute payments
  - From those with high payments per hectare to those with low
- Agreed transfers modest relative to early proposals
  - Payments still linked to farm size
  - Average farm size in the west 41 hectares compared to 55 hectares in the mideast
Conclusions

- Importance of agriculture varies by region
  - Most important in the southeast
  - Relatively less important in the west

- Large regional differences in farm viability
  - Almost half of all farm households in the west are vulnerable

- Differences in viability driven by farm systems
  - Gap likely to widen following quota removal
  - Policy reforms unlikely to remedy situation