



AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY

The Irish Agriculture and Food Development Authority

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

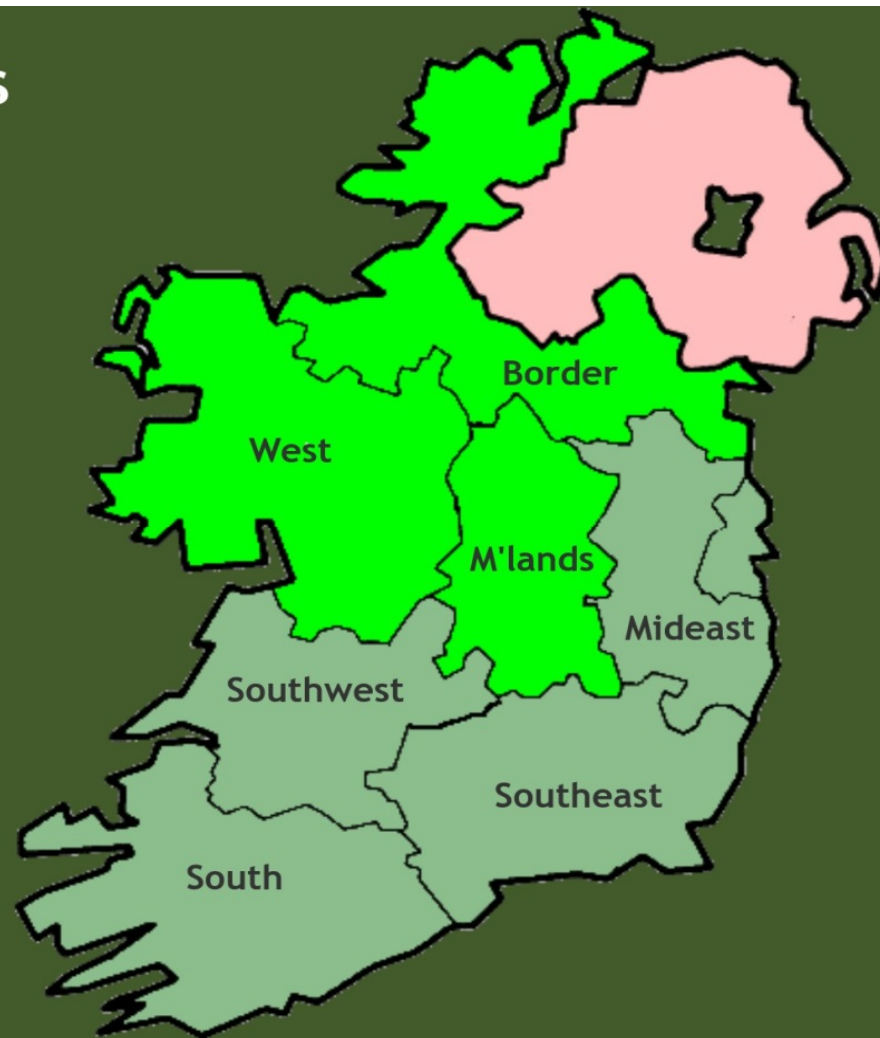
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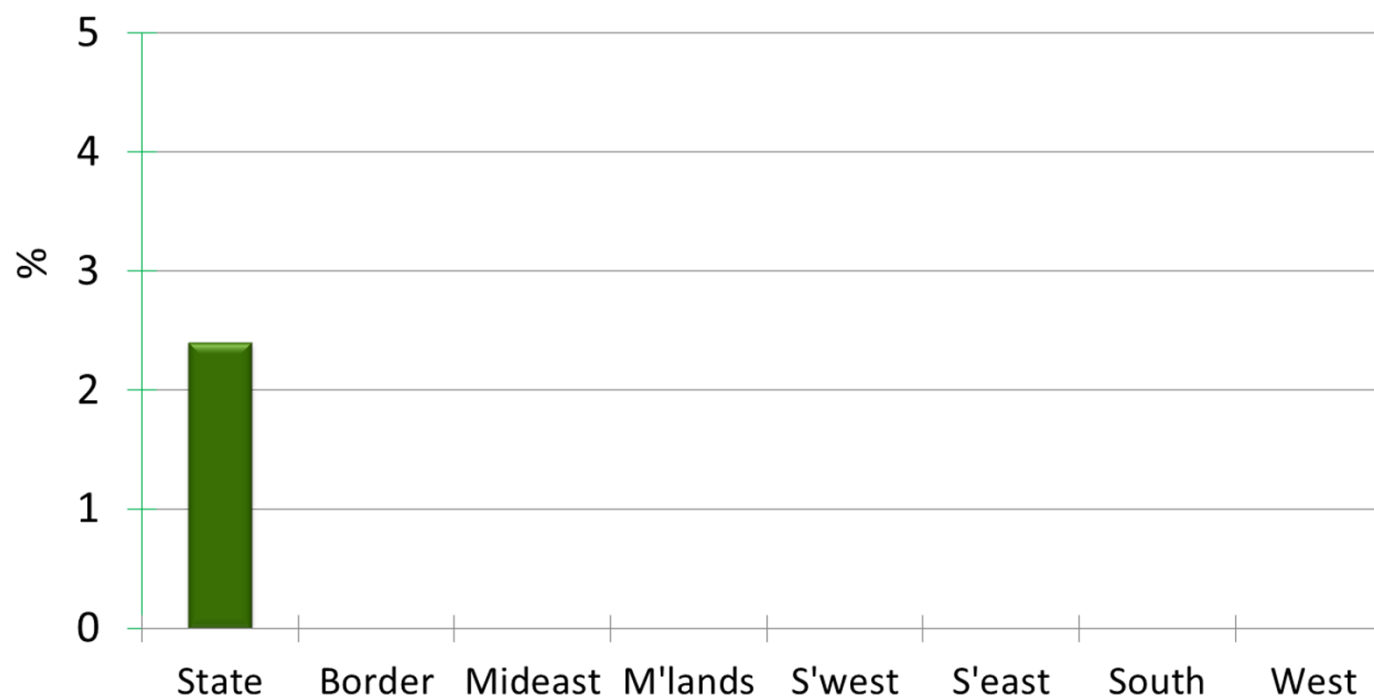
Outline

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

Regions of Ireland



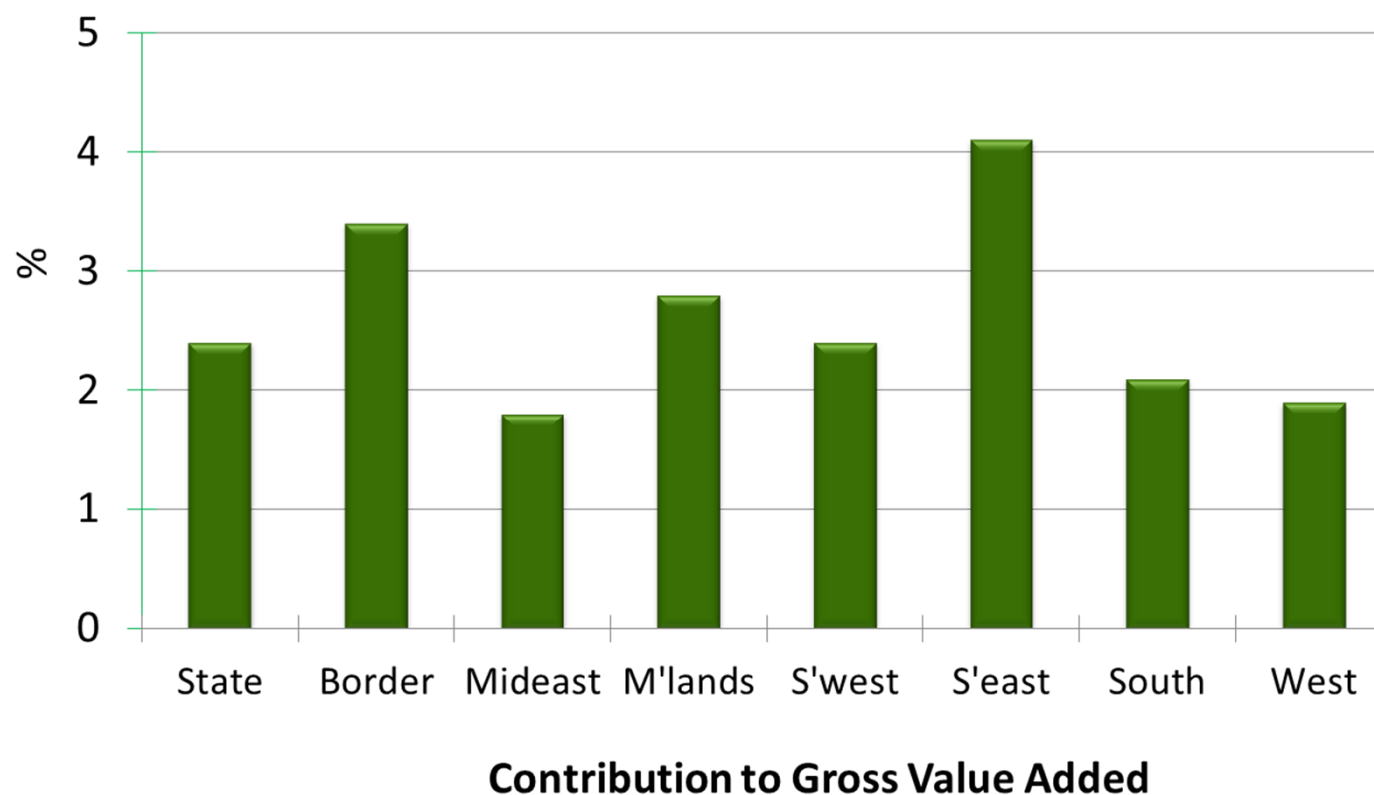
Importance of Agriculture



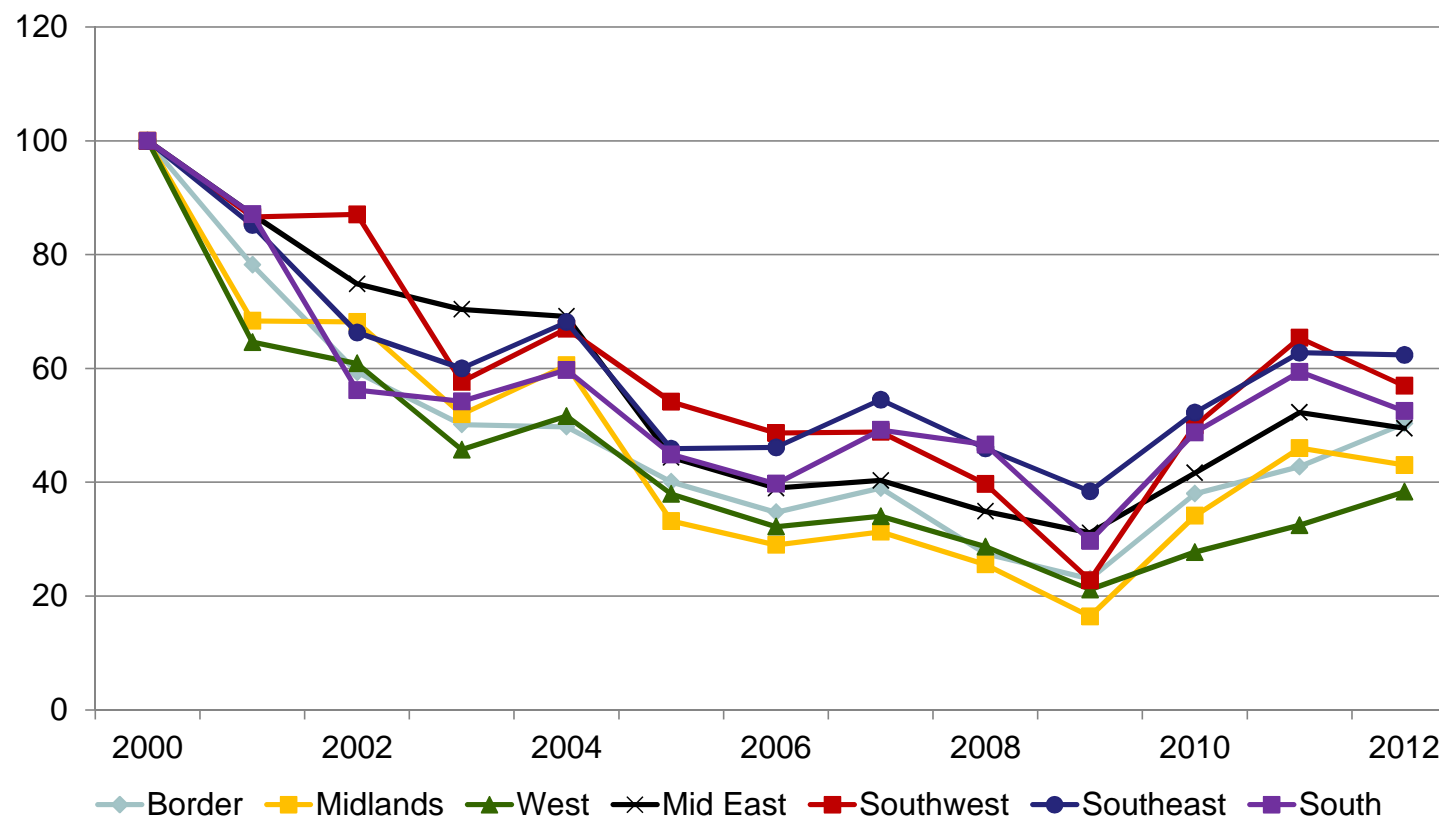
Contribution to Gross Value Added



Importance of Agriculture



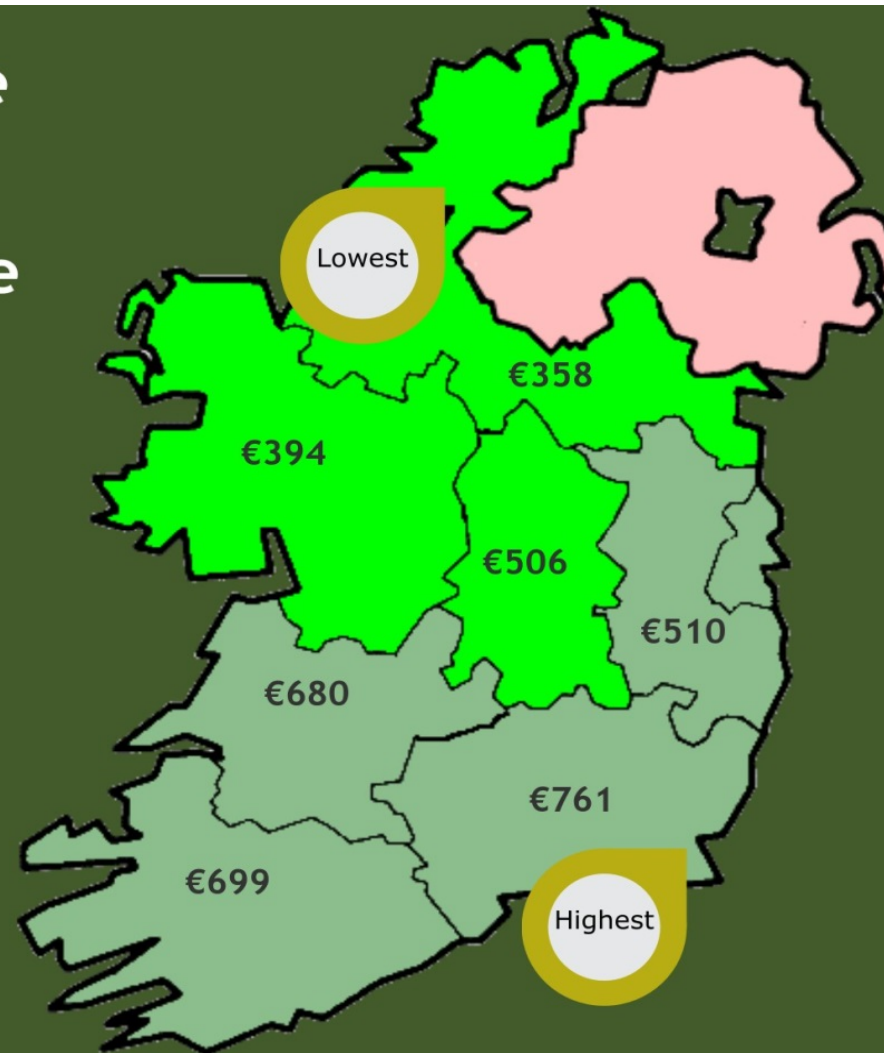
Changing Importance of Agriculture



How does our farm economy differ by region?



Income per Hectare



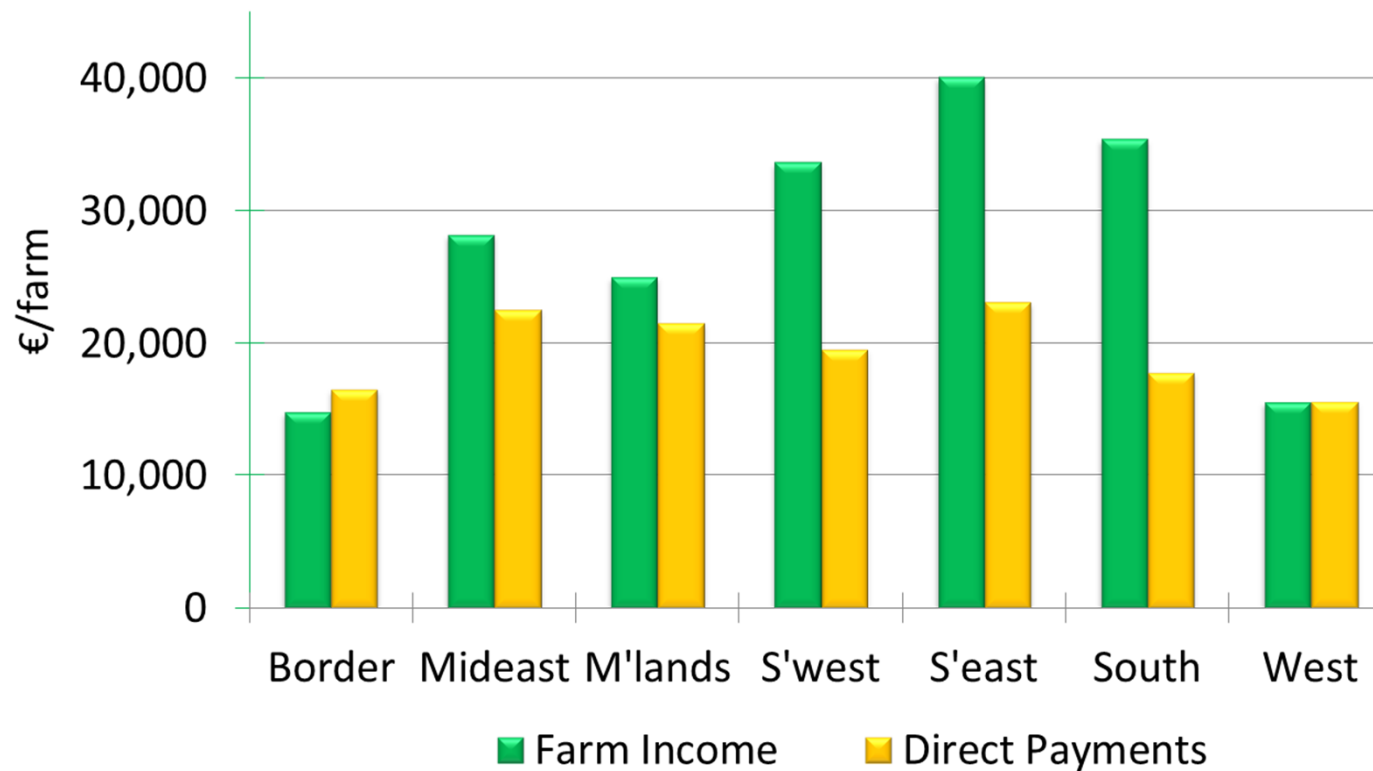
Farm Income by region 2014

REDP



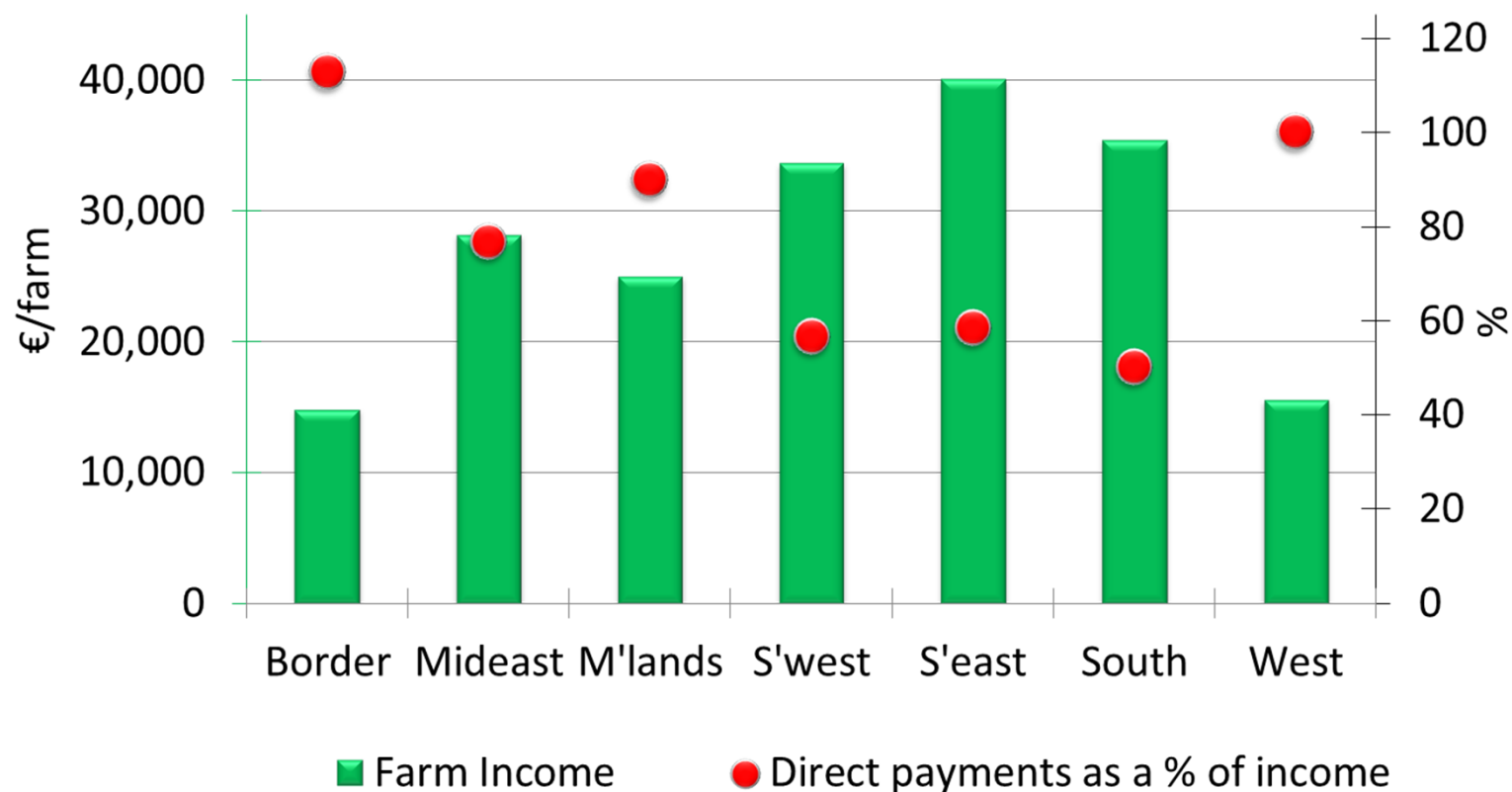
Farm Income by region 2014

REDP



REDP

Importance of direct payments 2014



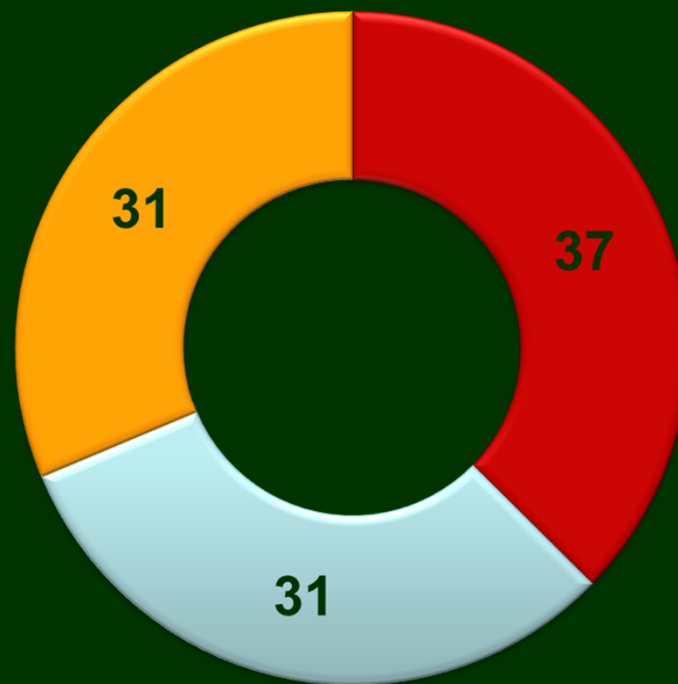
Taking a broader view of farm income

- 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

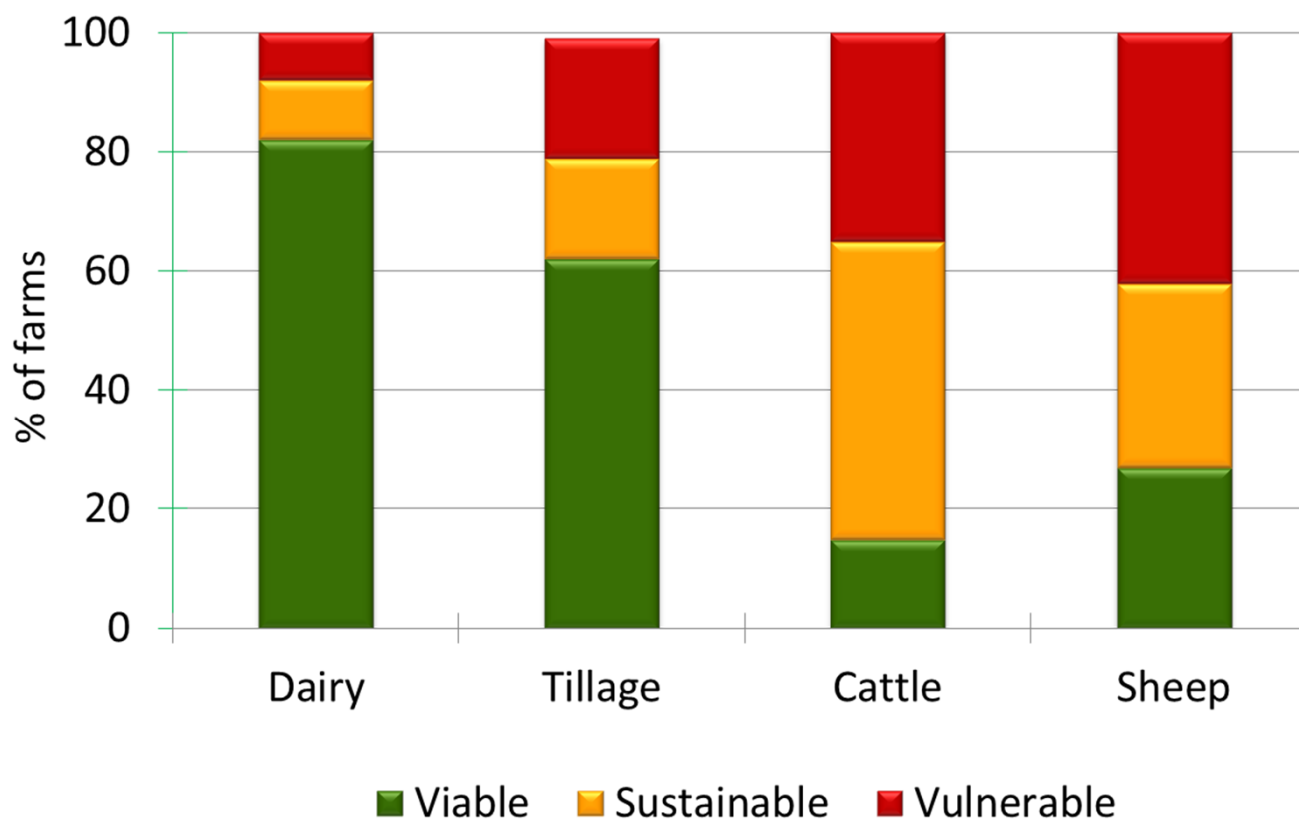
The National Viability of Farming



■ Viable ■ Sustainable ■ Vulnerable

REDP

Viability Analysis by system 2014



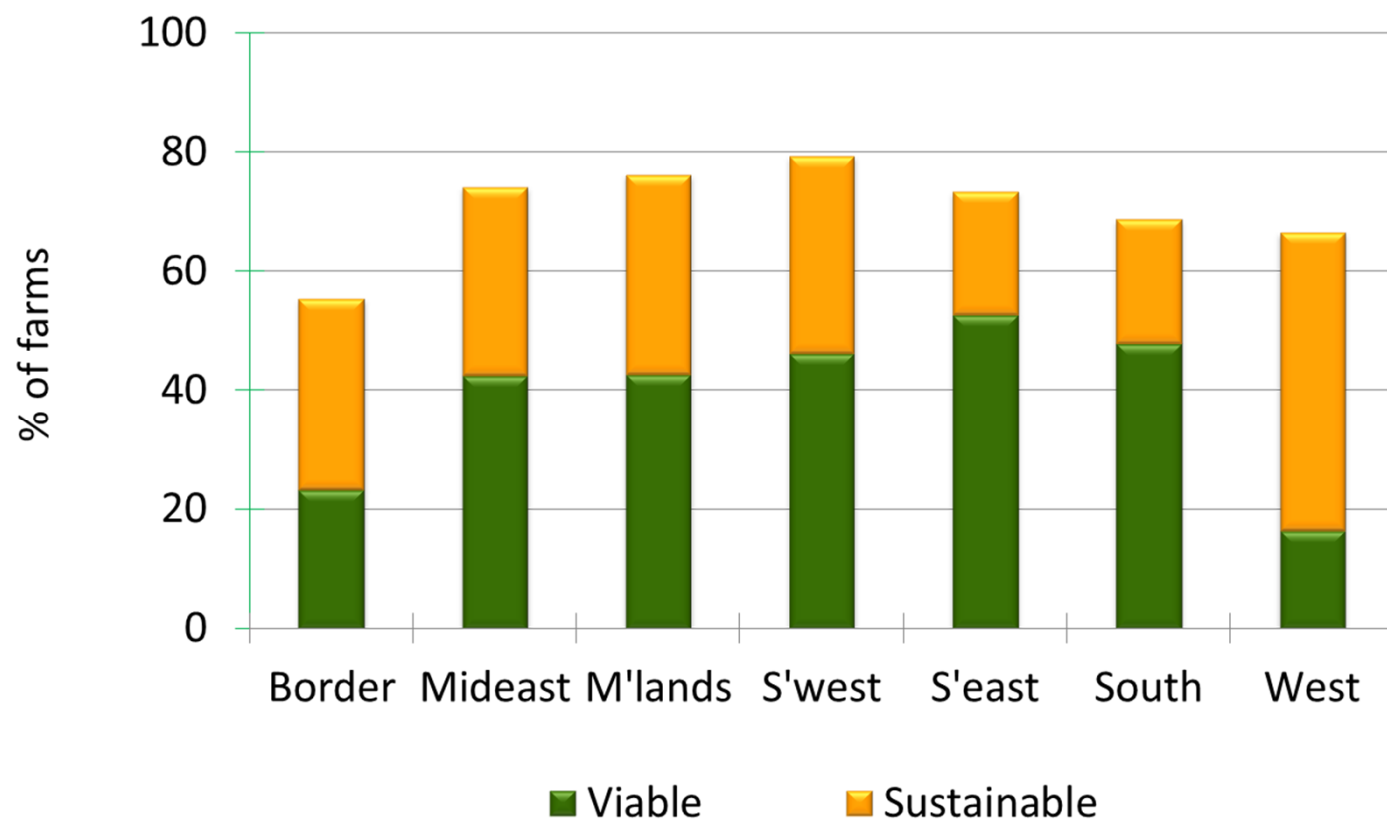
Regional Viability Analysis 2014



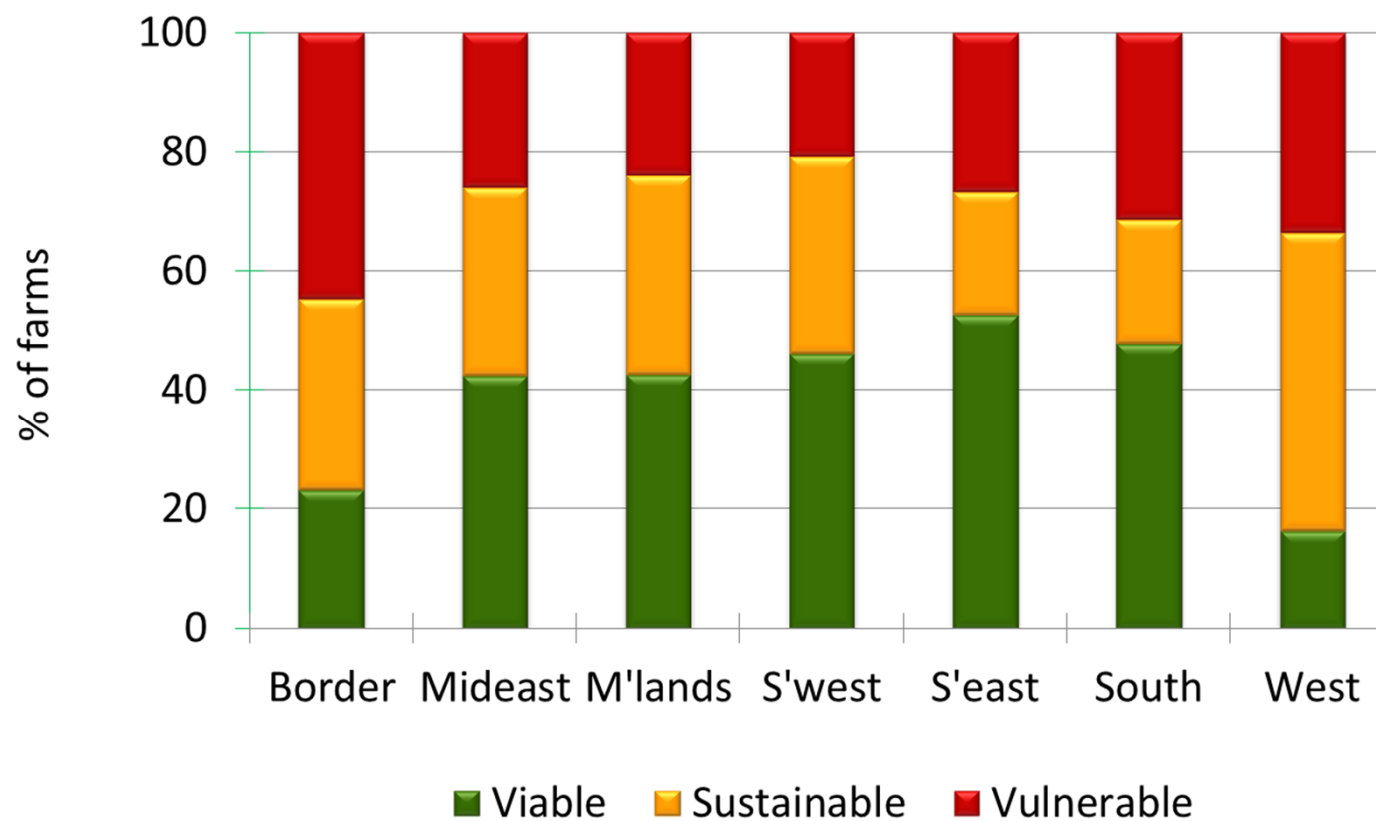
■ Viable



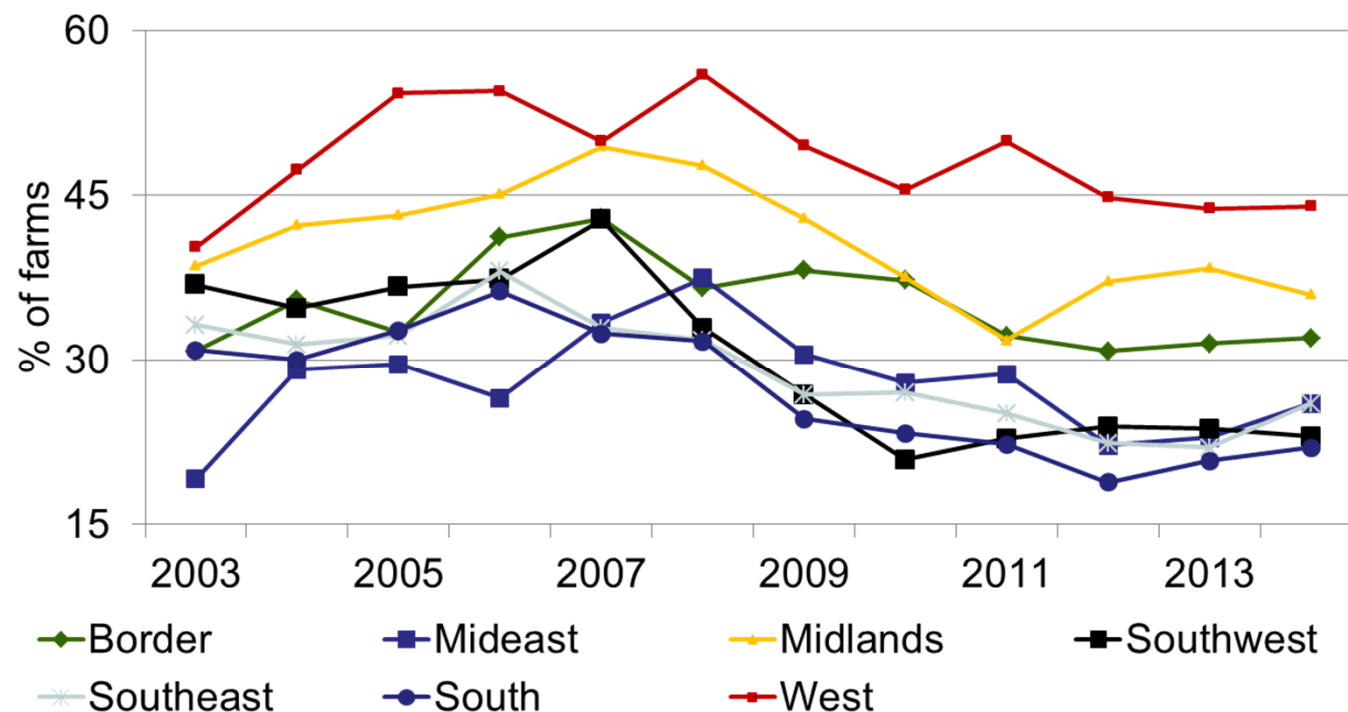
Regional Viability Analysis 2014



Regional Viability Analysis 2014 ^{REDP}



Farmers' Off-farm employment by Region – 2003 to 2013



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