Current financial context & campaign themes

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Context for Campaign

- Exciting time for farming
  - Economy is recovering & Agri-food sector has a high profile
- But financial challenges
  1. Low farm incomes and reliance on subsidies
     Theme 1: increasing farm incomes
  2. Volatile Incomes
     Theme 2: managing risk
  3. Investment Required
     Theme 3: sound financial planning
Theme I
Low Farm Income
Increasing Farm Income
Theme 1
Challenge: low farm incomes

Source: Teagasc National Farm Survey Data 2013
Theme 1
Challenge: low farm incomes

Source: Teagasc National Farm Survey Data 2013
Classifying the farm population

Farms fall into three broad groups

- **Economically viable**
  - Farm can return the basic agricultural wage & return on capital

- **Not economically viable but ‘sustainable’**
  - Farm not viable but there is off-farm income

- **Economically Vulnerable**
  - Farm business is not viable and there is no off farm income
Classifications of the Farm Population 2013

Source: Teagasc, National Farm Survey

The Irish Agriculture and Food Development Authority
Theme 1: increase farm incomes

- Maximising the farm potential is important
  - Managing costs, investments, maximising subsidies
- For many off-farm income is as or more important
  - Retaining & finding off-farm employment
- Managing household income
Theme 2
Volatile Income

Managing Risk and Volatility in Day to Day Farm Business
## Challenge: Risk in Farm Incomes

<table>
<thead>
<tr>
<th>Risk Factor</th>
<th>Description</th>
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<tbody>
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Volatility in Farm Incomes

Average Family Farm Income

Source: Teagasc National Farm Survey Data (various years)
Theme 2: manage risk

- Raise awareness about tools available to manage volatile prices and other risks
Theme 3
Planning for the Future and Making Investments
Sound Financial Planning
Future Investment needs

- Current farm financials good
- Irish farmers have a low debt to asset ratio
- Future investment needs planning
  - Dairy expansion
  - Farm Diversification
- Will the investment make a return?
Future Investment needs – dairy farms

- Teagasc/Bank of Ireland report highlights
  - €1.5 billion investment to increase milk production by 50%

- What will dairy expansion do for income levels?

- It depends on the level of existing and future profitability
  - Existing farm margins – know your costs
  - Future farm margins will depend on uncertain factors
Theme: plan investments

- Sound financial planning
In Conclusion
Get Farm Financially Fit

- Positive mood in farming
- But challenges remain
- Manage farm business & off-farm opportunities
- Manage Risk
- Careful investment planning

The Irish Agriculture and Food Development Authority