Overview

- **Present**
  - Relative tillage sector income and direct payments

- **Future**
  - Where we are going in terms of the farm gate?
  - Special focus on Brexit
Past trends... at the farm gate
Commodity Price Trends
- Output and Input Prices

- Prices trending upwards
  - Outputs and Inputs

- Items to consider
  - Trend in outputs versus inputs
    - Grain versus fertilisers
    - Inputs rising faster than outputs

Source: FAPRI Ireland
Area devoted to cereals is decreasing over the past 3 decades
But very evident since 2012
Farm level area of cereals

- Area devoted to cereals is decreasing over the past 3 decades
- But very evident since 2012
  - Decrease in trend line in later time period

Source: CSO
Present Situation at the Farm Gate in Ireland

**Income**

**Direct Payments**
Situation in 2017

Family Farm Income

€ per farm

- Dairy: 86,115
- Tillage: 37,158
- Sheep: 16,897
- Cattle: 16,651
- Cattle Rearing: 12,680

Definition of Family Farm Income
- Return to all owned resources on the farm

Specialist tillage farms in 2\textsuperscript{nd} place, after dairy farms

Some recovery in 2018, but still in 2\textsuperscript{nd} place to dairy

Source: Teagasc, National Farm Survey
Situation in 2017
Reliance on Direct Payments

Source: Teagasc, National Farm Survey
Dear Past, thank you for all the lessons.

Dear Future, I am ready!!!

InspirationBoost.com
What About Brexit?
BREXIT IS A IDEA

???
Brexit Assumption

• Brexit timeline (as things stand on Jan 30th 2019)
  • Withdrawal Agreement to allow transition period rejected by House of Commons
  • UK will leave the EU on March 29th 2019
  • A new EU/UK trade relationship at end of 2020 has been talked about
    • At present, no future trade relationship in place
    • Move from the current trade arrangement to WTO terms on March 30th

• Our Scenarios for Assessment (Year 2026)
  • Baseline: No Brexit, status quo of present
  • Scenario 1: ‘No Deal’ Brexit
Baseline versus ‘No Deal’

**Baseline**
- Year: 2026
- No Brexit
- Assume all trade relations remain the same
- Assume no price changes due to the policy

**‘No Deal’**
- Year: 2026
- ‘No Deal’ Brexit
- WTO Tariffs apply on imports and exports from/to UK
- Non-tariff barriers to trade also assumed

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**Bound WTO tariff rates on imports***

<table>
<thead>
<tr>
<th>Product</th>
<th>Rate (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>95</td>
</tr>
<tr>
<td>Barley</td>
<td>93</td>
</tr>
<tr>
<td>Oats</td>
<td>89</td>
</tr>
</tbody>
</table>

*Except for the preferential rates agreed for certain TRQs
Farm Level Brexit Analysis

• To examine the potential impact of Brexit on Irish tillage farm income
  • Impact on the average farm
  • Impact on the distribution of farm incomes

• Methods
  • Food Agricultural Policy Research Institute (FAPRI) Ireland model
  • Teagasc, National Farm Survey (NFS) data
  • Simulate the impact on Irish prices and farm level income
    • Analysis conducted at the system level
    • Important for understanding results

• Assumptions
  • Static analysis
  • Note on ‘what ifs’?
Price Assumptions, Baseline versus ‘No Deal’ by 2026

Factors affecting relative price change:

- **Status of the sub sector:**
  - Net importer or exporter of a product

- **Trade Competitiveness**
  - Size of the tariff if applied
  - Price competitiveness

- **Trade Openness**
  - Amount of trade with the UK

- **Non-Tariff Barriers to Trade (NTB)**
  - Low digit per cent increase
FFI Specialist Tillage Farms, Baseline versus ‘No Deal’, 2026

Relative income change:

- Input prices also affected:
  - Seed
  - Concentrates
  - Non tariff barriers to trade

- Remember looking at system changes (- 3%)
- Importance of beef & sheep on tillage farms
- Most severe price changes for beef output produced by tillage farmers

Source: FAPRI Ireland, farm level model
Distribution of Income, Specialist Tillage Farms

Source: FAPRI Ireland, farm level model
A brief look at cereals only......
Winter wheat (Economics per ha.)

Relative income change:

• NOTE: looking at enterprise level here
• System decrease (last slide) becomes net margin increase
• System income effect diluted by large decrease in beef output

Source: FAPRI Ireland, farm level model
Other ‘What Ifs?’

• Other key unknowns for the ‘No Deal’ scenario
  • Long list…..
  • Exchange rate movements
  • CAP payments post 2020
  • Nature of the modelling exercise
    • Partial equilibrium model versus general equilibrium model
    • Economy wide impacts of Brexit on GDP
  • Other output and input price changes such as straw receipts?
  • Structural change
    • Assumed price changes in this exercise do include interaction between sectors
    • Key assumption is that this a static analysis at the farm level
    • BUT structural change is extremely difficult to model
Other ‘What Ifs?’
Other Future Trade Policy Scenarios

• What about a Free Trade Agreement (FTA) scenario?
  • NTB to trade still to apply to imports

• What about a Unilateral Trade Liberalisation (UTL) scenario?
  • UK decides to liberalise trade and reduce/ remove its import tariffs
  • For the tillage sector, a net importer of cereals
    • Without a bilateral agreement, WTO tariffs still apply on exports from the UK to Ireland
Other ‘What Ifs?’
The Future of the CAP

- CAP Policy Post 2020
  - Previous Brexit analysis included changes

- Extra demands on CAP post 2020
  - Various different sources
  - Brexit, security, migration etc

- Current figures are preliminary
  - But suggestive
  - Matthews (2018)
  - 6% reduction in CAP supports to Ireland

CAP Allocations from MFF
(Current/Nominal terms)

Member State (Ireland) Million €’s

Source: Matthews, 2018
Conclusions

• Present
  • Specialist tillage farming FFI 2<sup>nd</sup> place to dairying

• Future
  • Cereal enterprise net margin to increase slightly in a ‘No Deal’ scenario
  • But remember the system income story not very positive

• Key Take Home Message
  • Productivity improvement is the key to remaining competitive
Thank you ....
Questions for Slido (1)

• With reference to implications for the Irish tillage sector, do you think Brexit is a:

• Good, bad or indifferent idea?
Questions for Slido (2)

• Due to Brexit, by the year 2026, do you think Irish cereal area will:
  • Stay the same
  • Increase by 1 - 10%
  • Increase by > 10%
  • Decrease by 1-10%
  • Decrease by > 10%