



AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY

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

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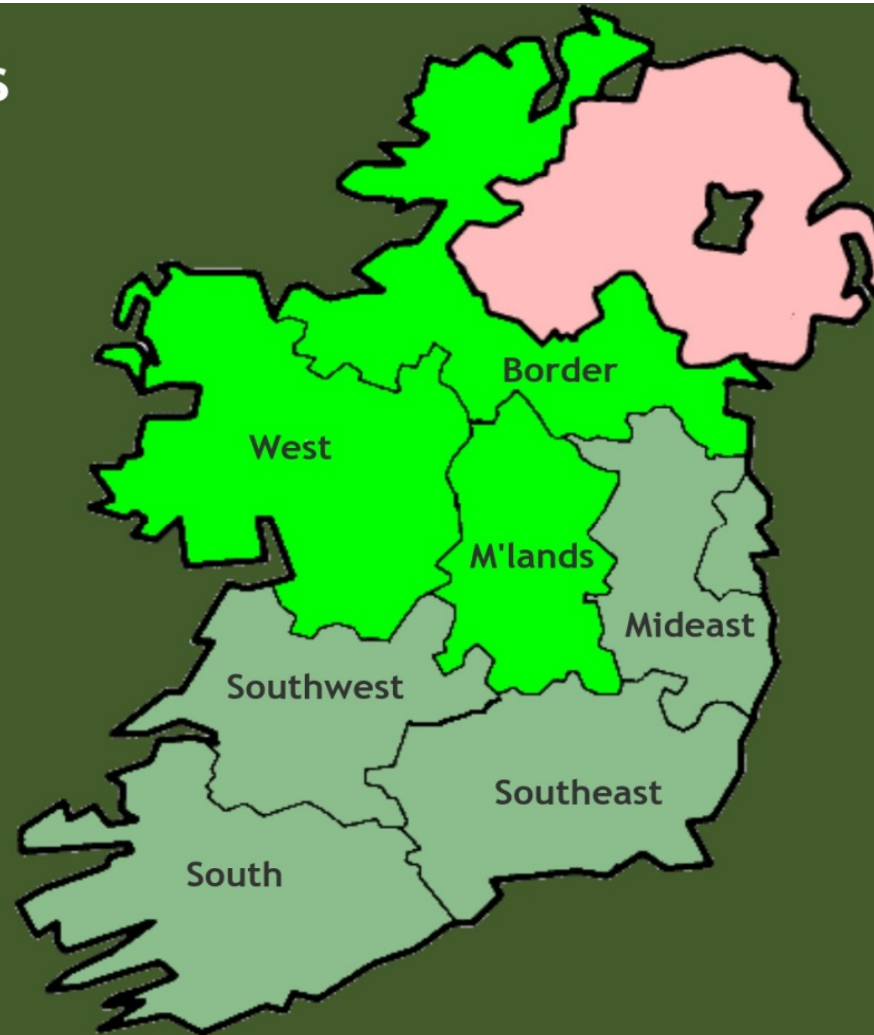


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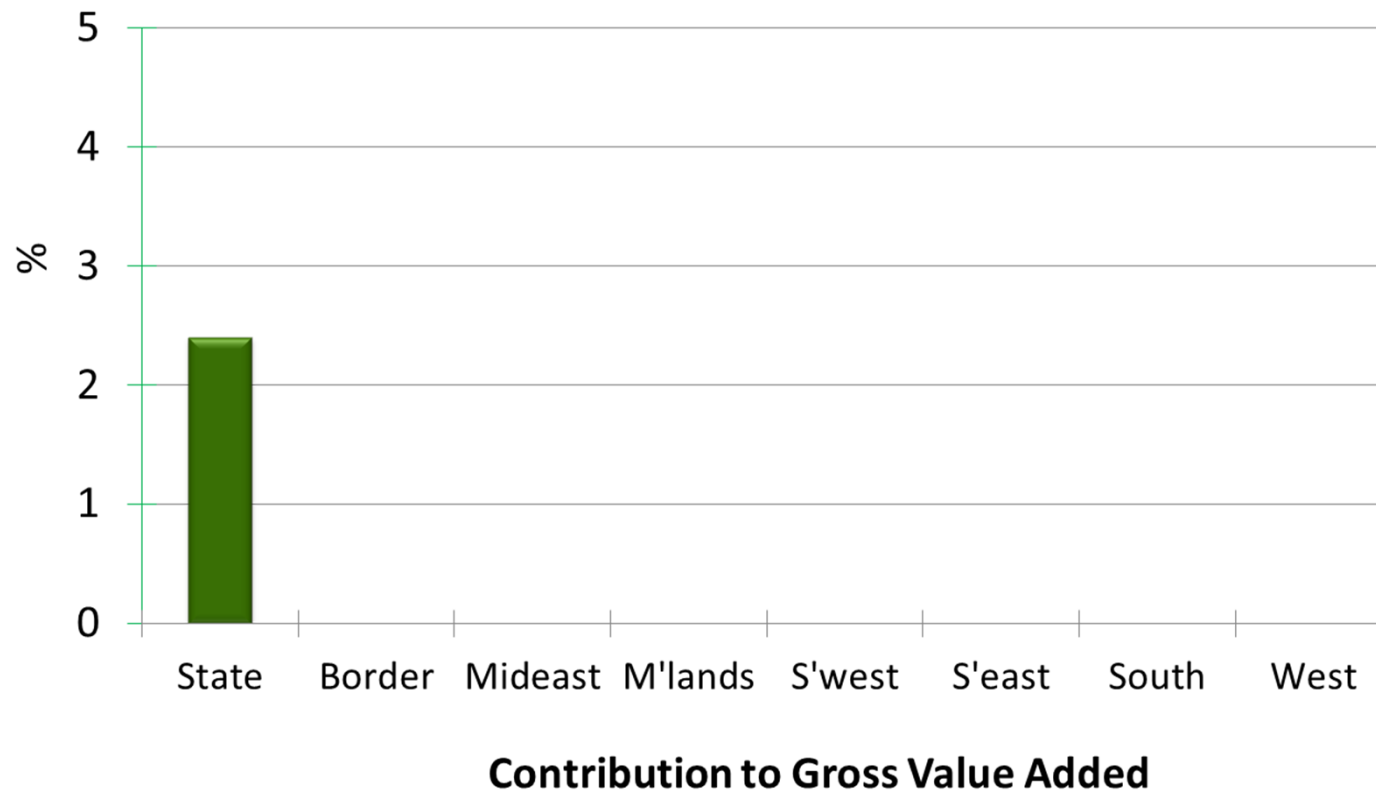
Outline

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

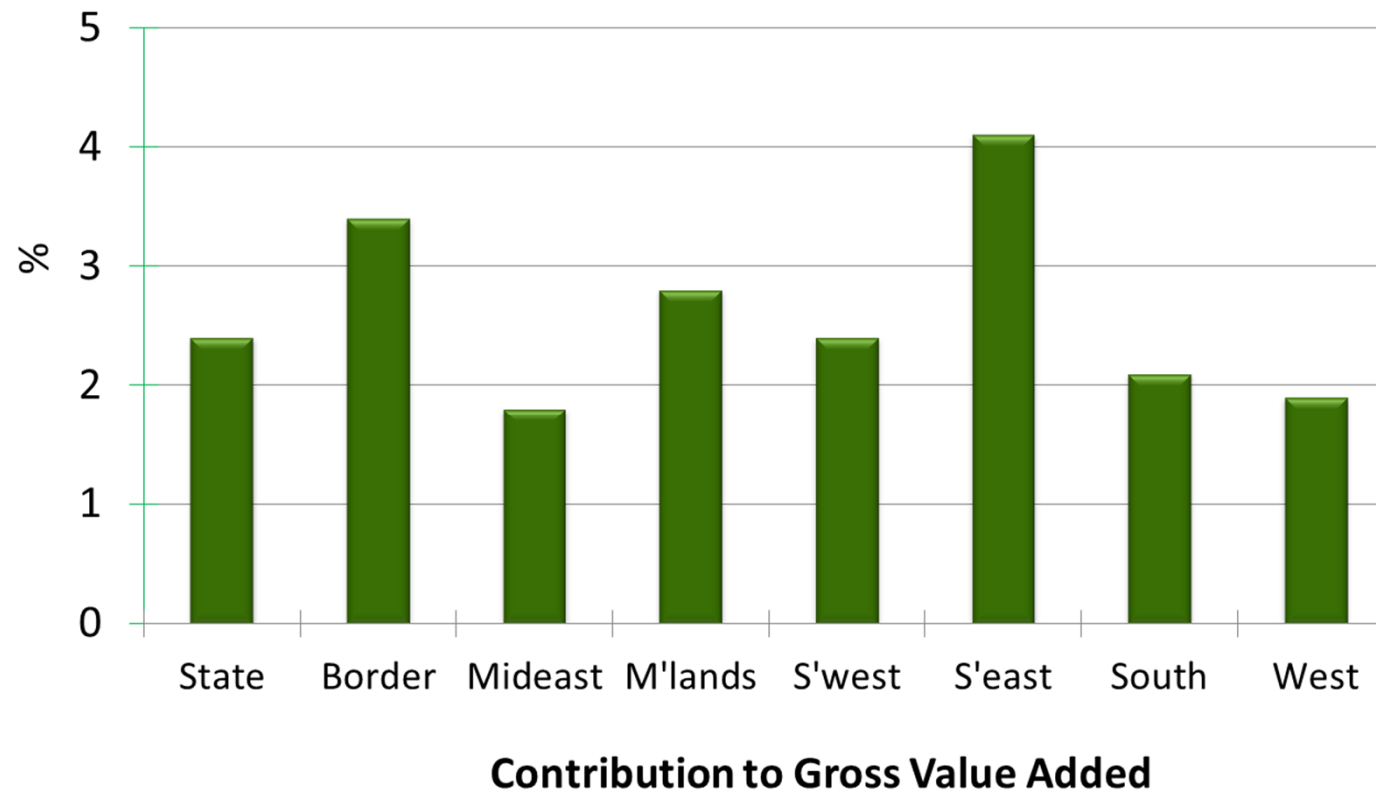
Regions of Ireland



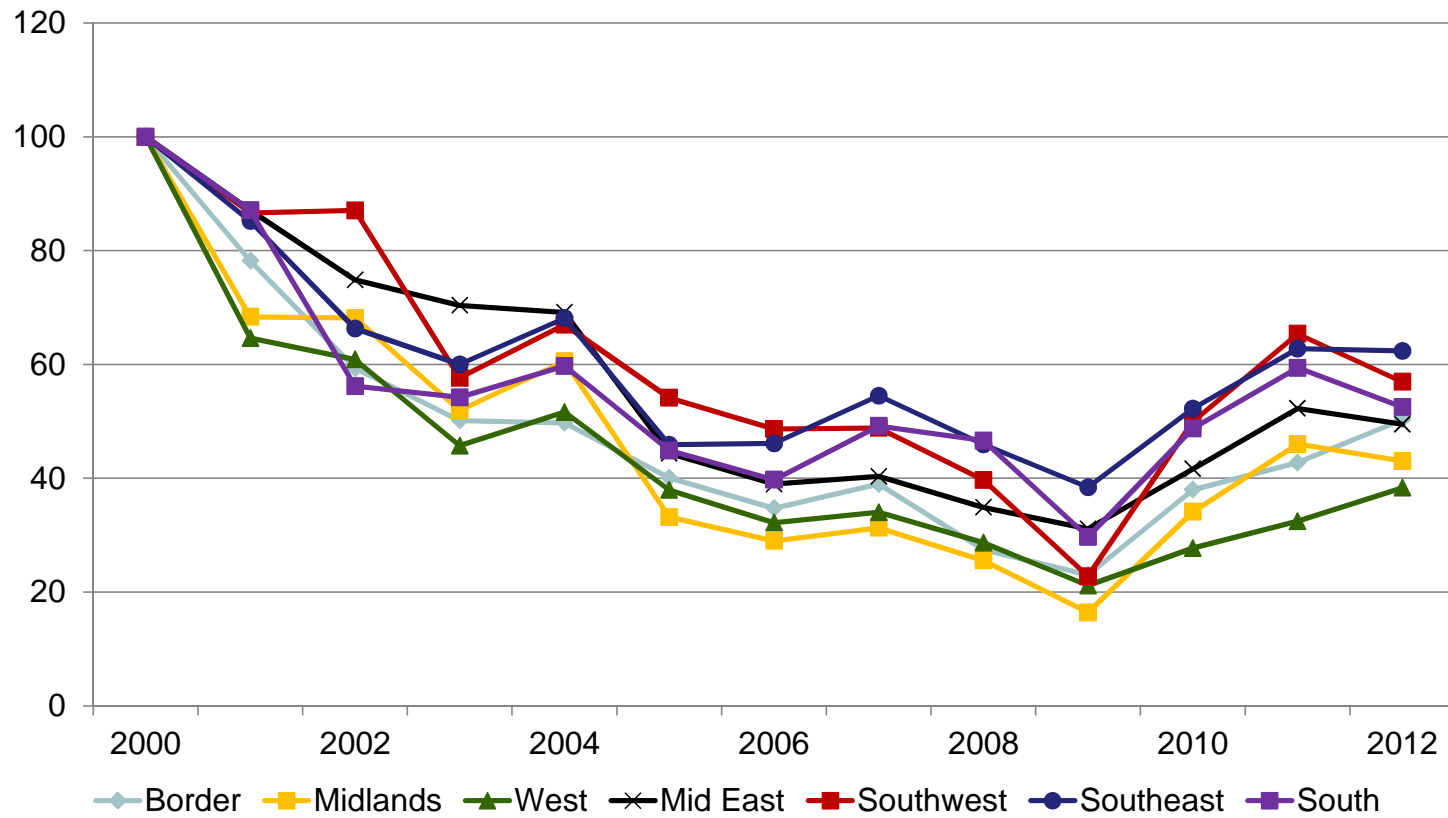
Importance of Agriculture



Importance of Agriculture



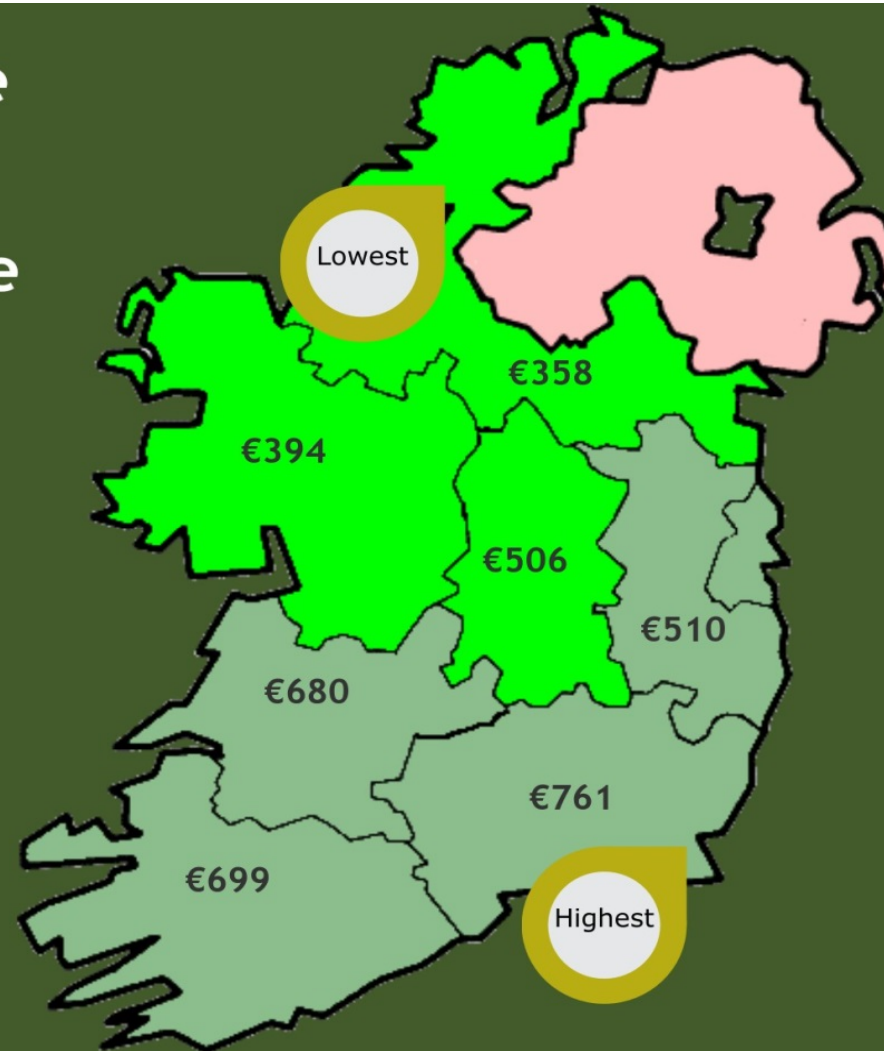
Changing Importance of Agriculture



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How does our farm economy differ by region?

Income per Hectare

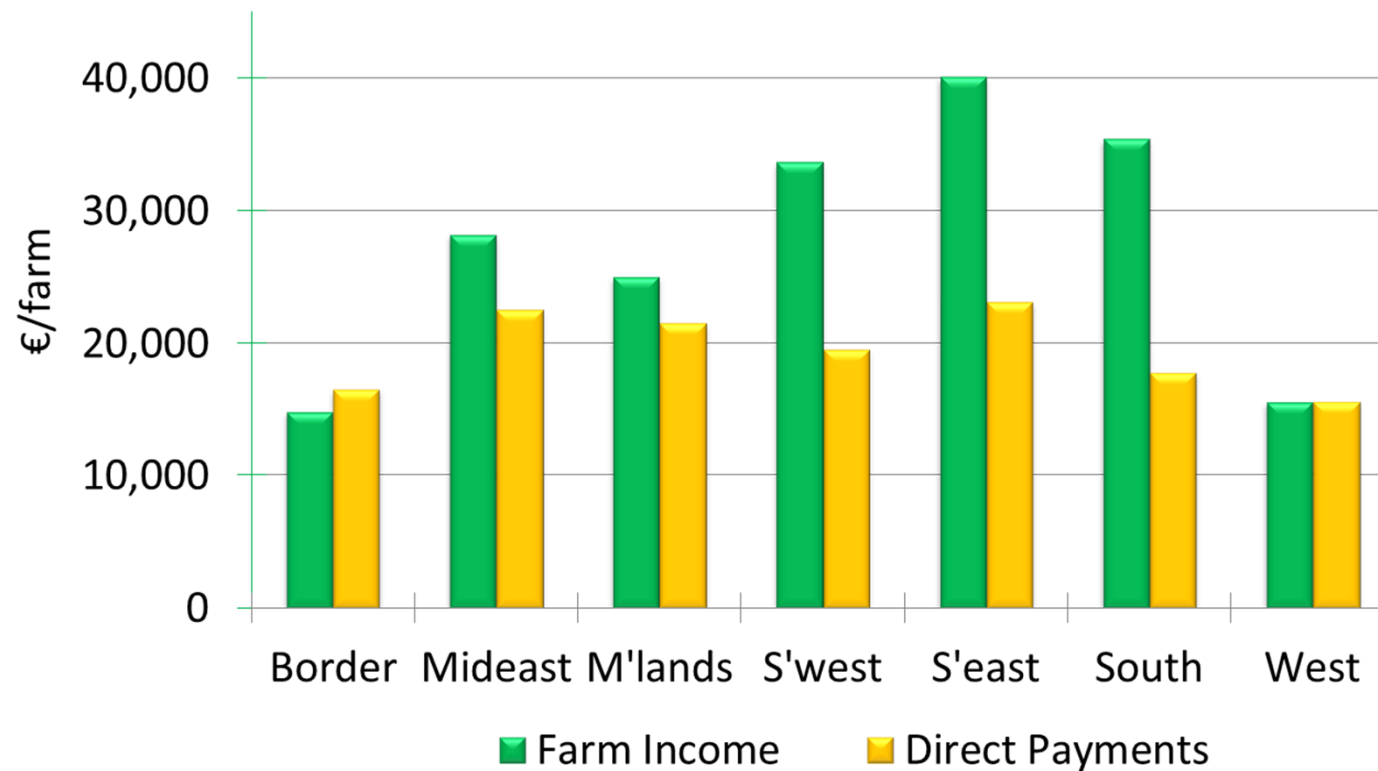


Farm Income by region 2014

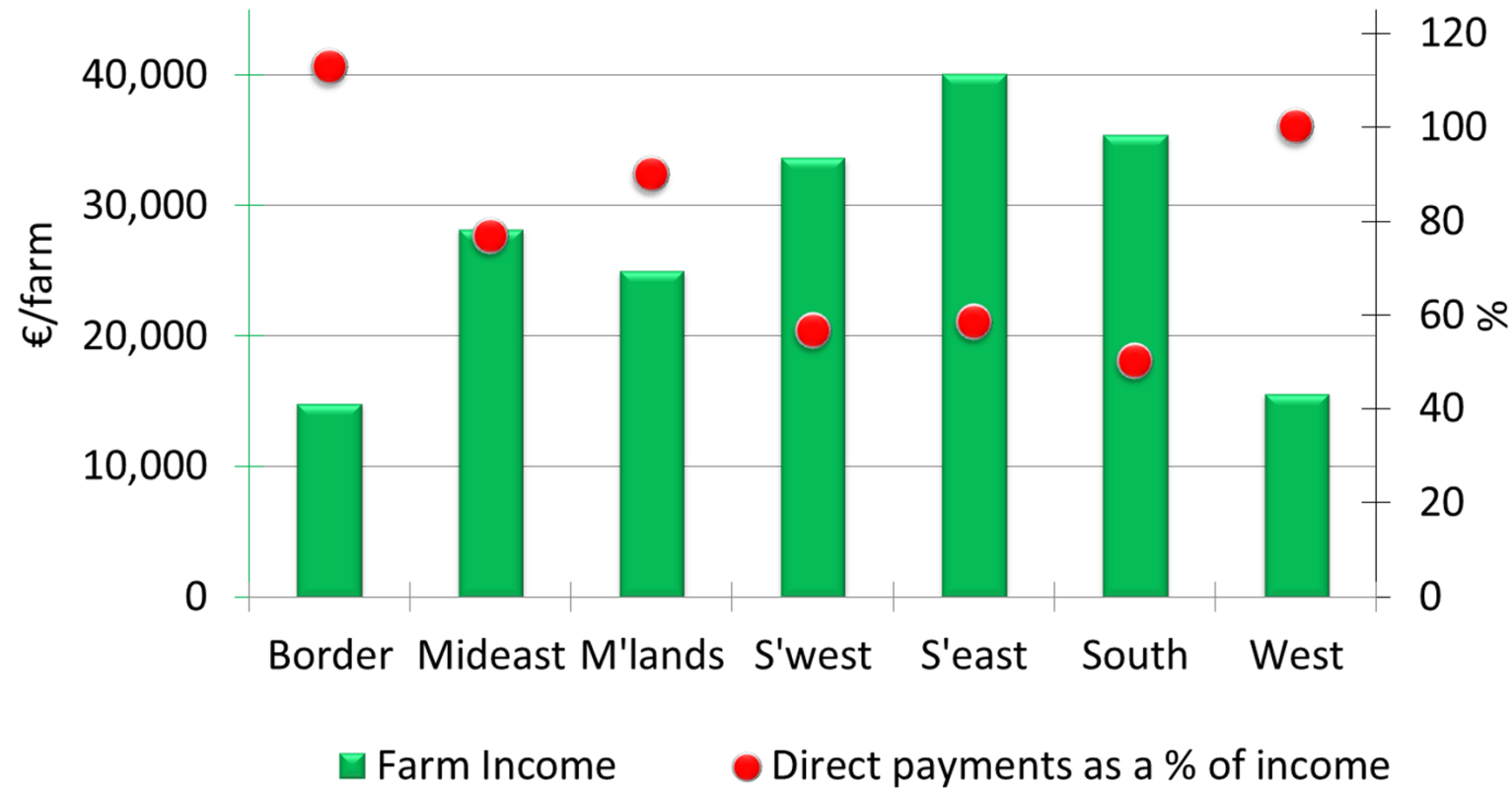


Farm Income by region 2014

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Importance of direct payments 2014



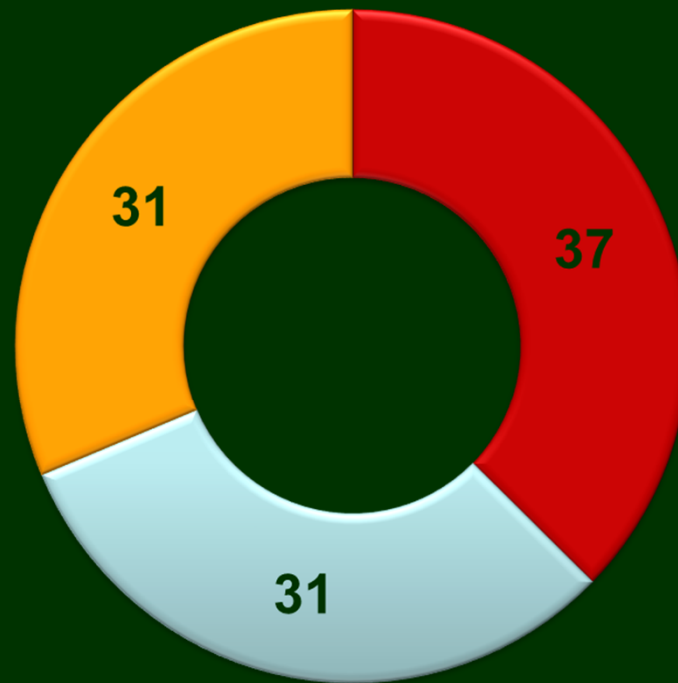
Taking a broader view of farm income

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

Measuring Viability

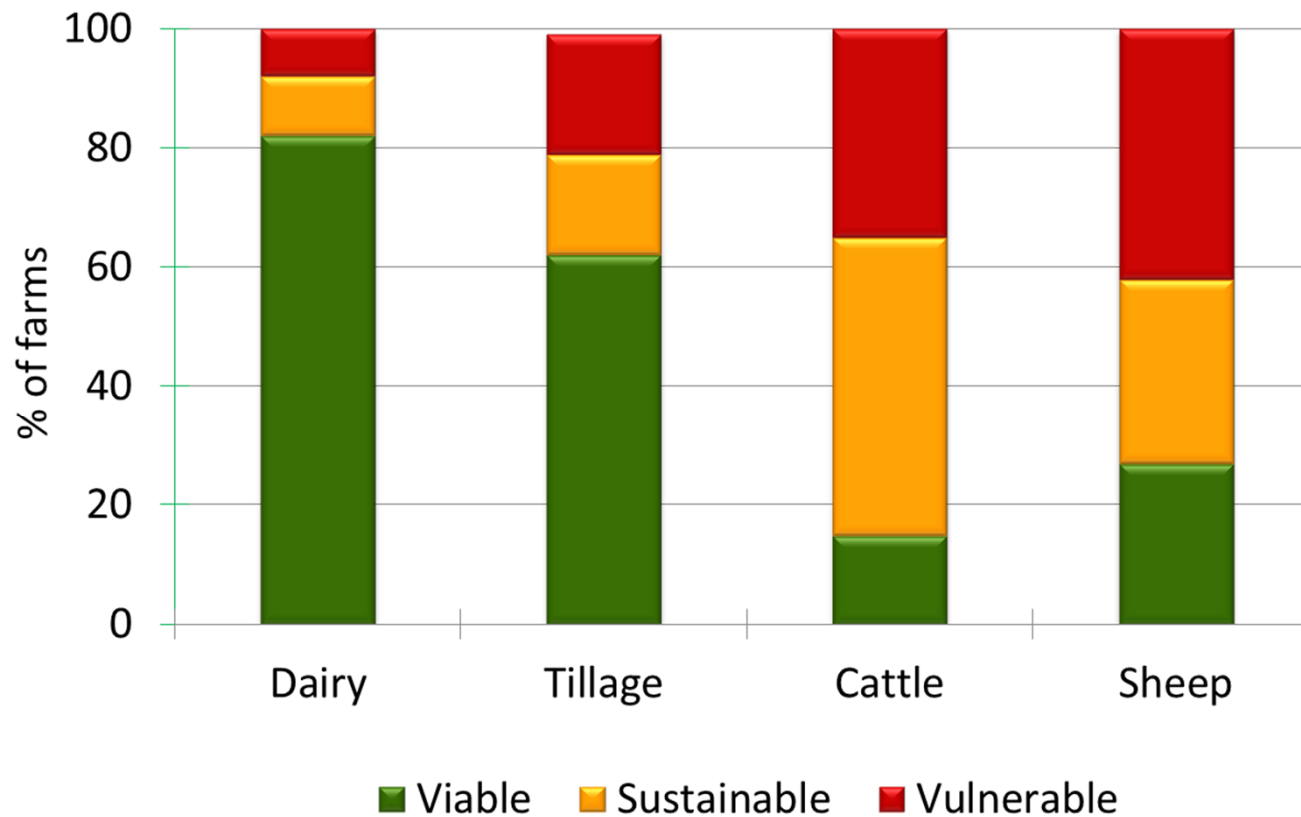
- Farm is economically viable business if
 - Profit rewards investment – family labour & capital invested
- The business may not be viable but the household may be sustainable
 - If off-farm income is present (farmer or spouse)
- A farm household is vulnerable
 - If the business is not viable and if there is no off-farm income present

The National Viability of Farming

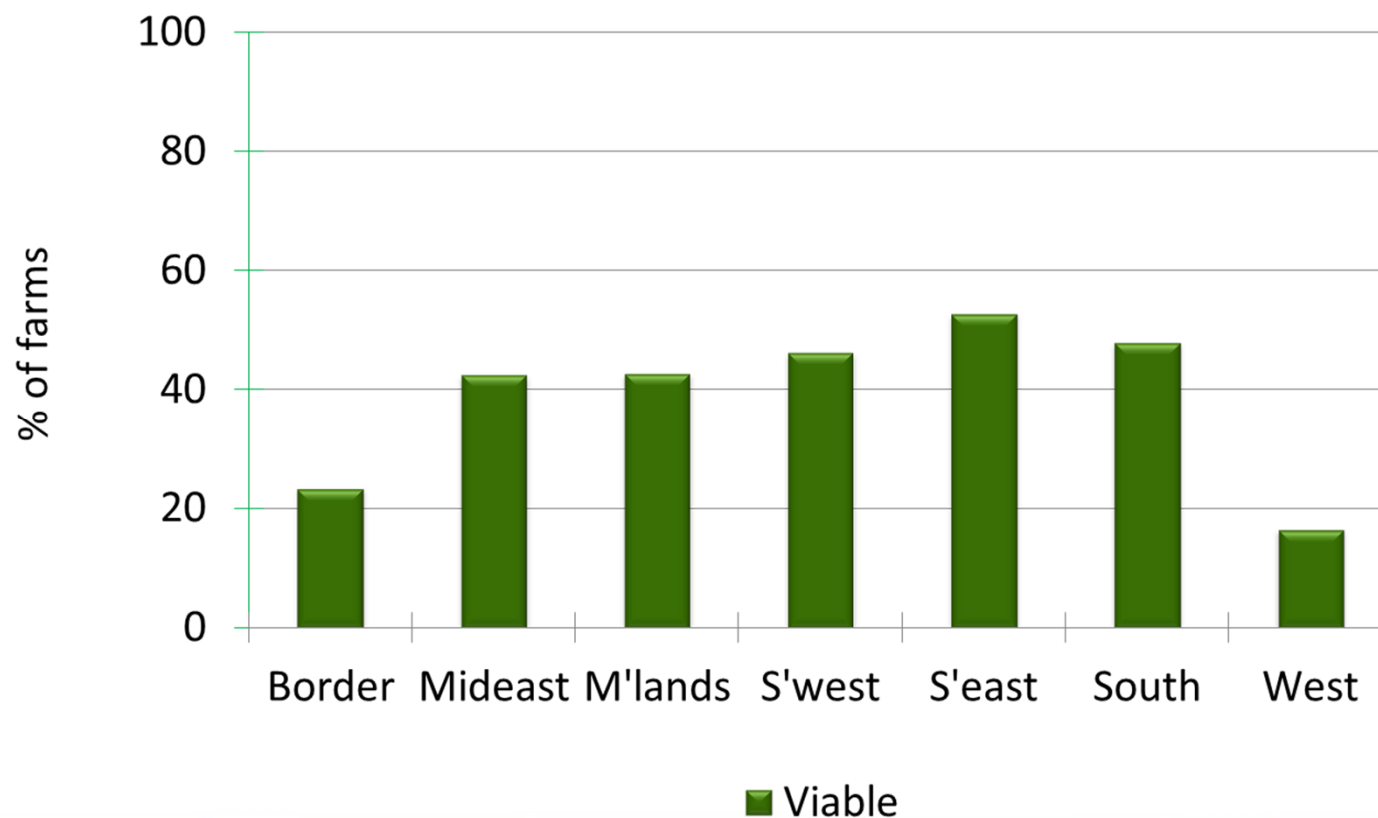


■ Viable ■ Sustainable ■ Vulnerable

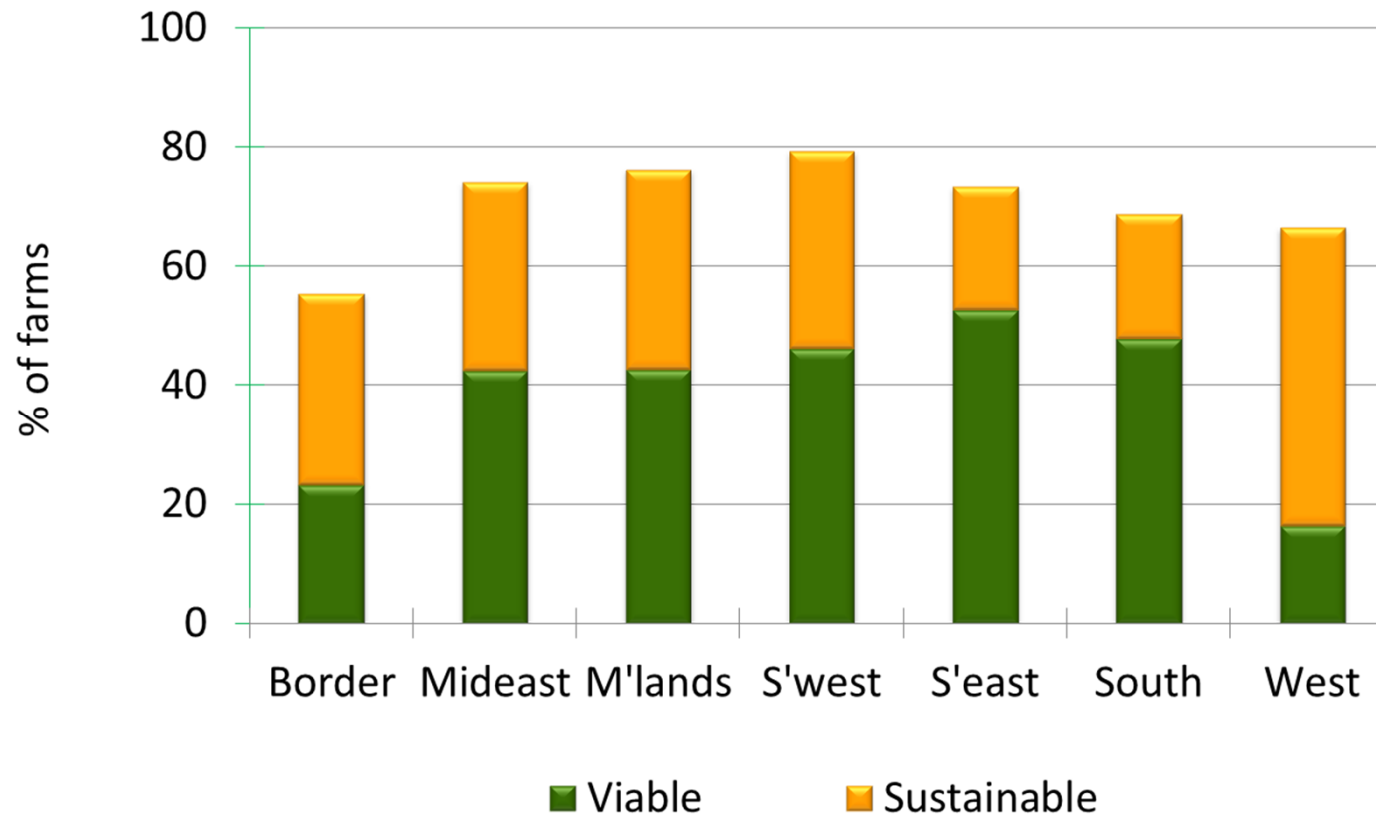
Viability Analysis by system 2014



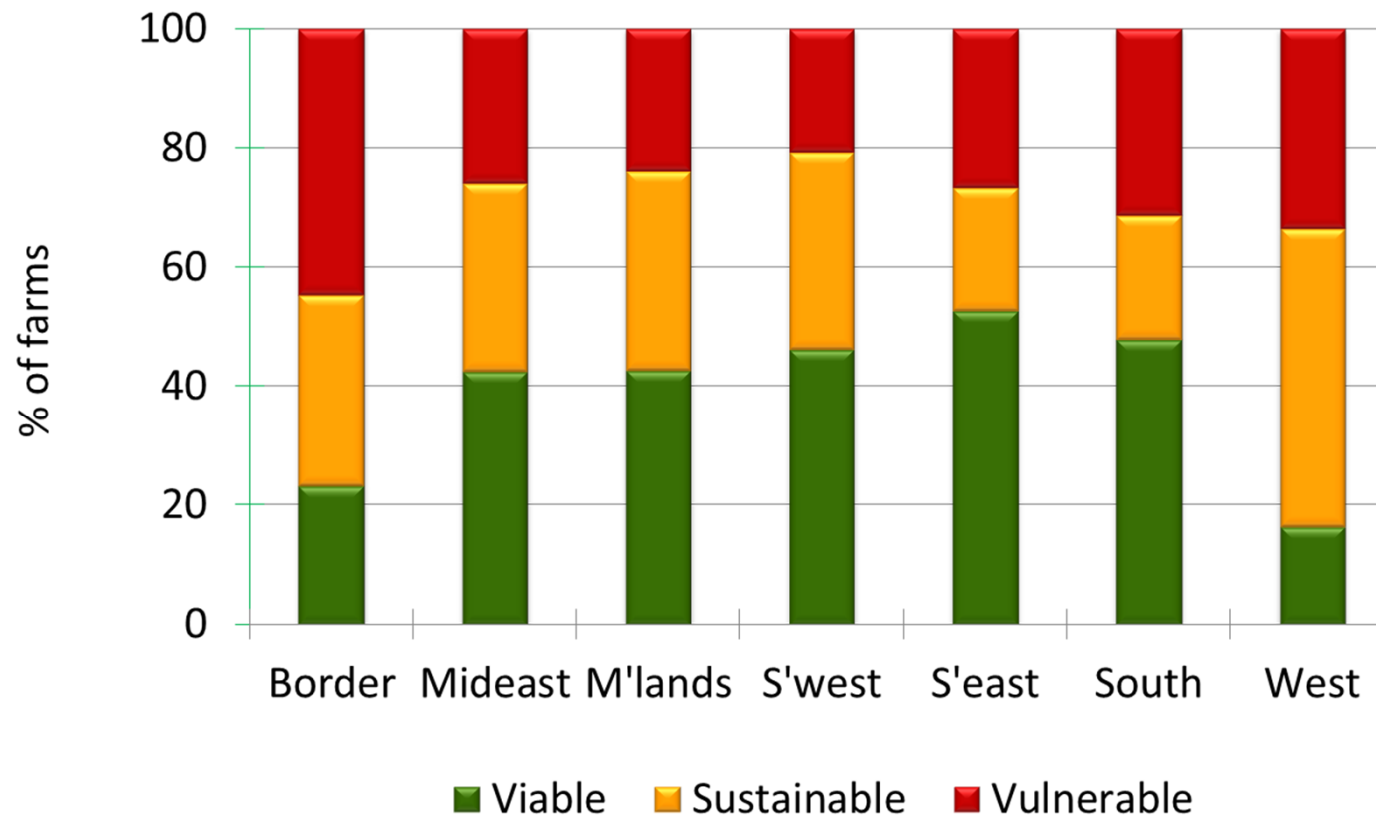
Regional Viability Analysis 2014



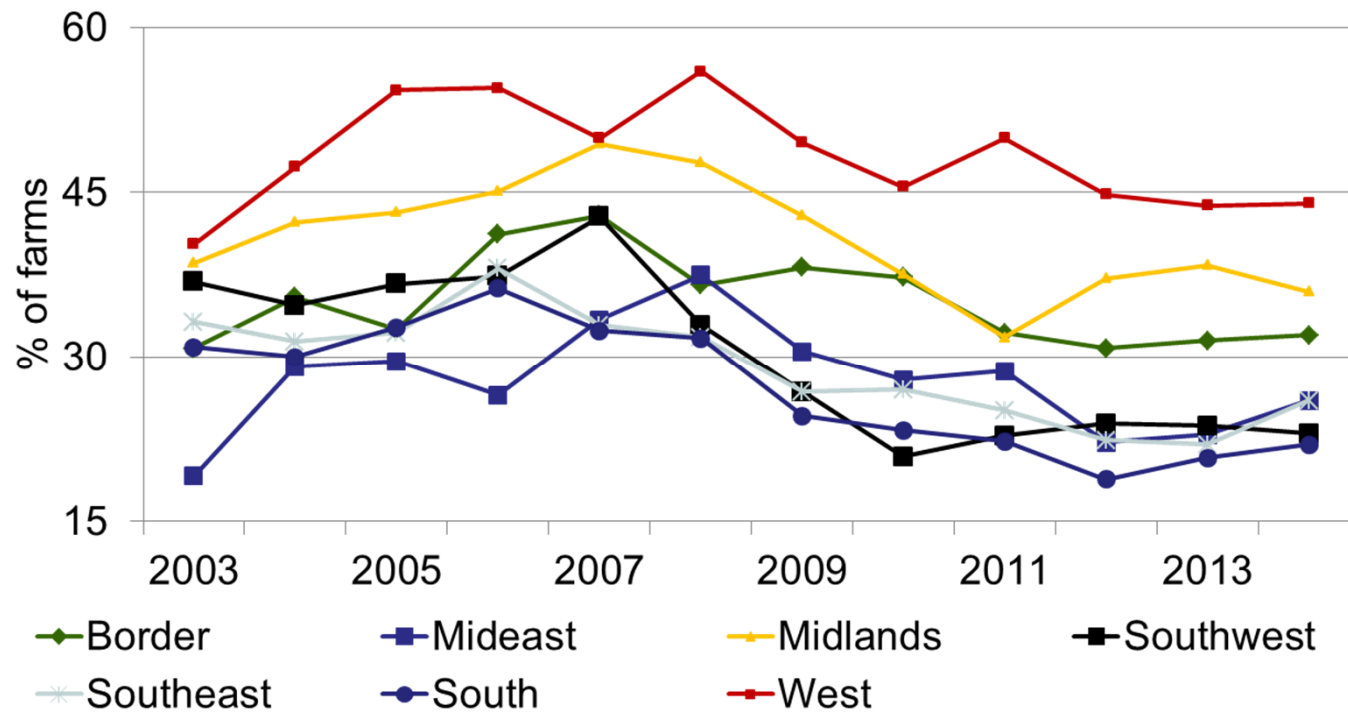
Regional Viability Analysis 2014



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