

# The status quo on small farms

A snapshot of the sustainability of small farming in Ireland using the **TEAGASC** National Farm Survey.



A special survey of small farms conducted through the Teagasc National Farm Survey (NFS) in 2015 examined the economic, social and environmental sustainability of small farms in Ireland. Small farms, defined as those producing a standard output of €8,000 per year or less (the equivalent of 14 suckler cows) are not normally represented by the Teagasc NFS in its annual income report and hence very little is known about their circumstances. Although over one-third of all farms in Ireland (52,000 farms) are classified as small, they have a low intensity of production and collectively contribute less than 5% of all agricultural output in the State. Despite this, they occupy 16% of the total farmland area of the country, with two-thirds of them situated in the Border, Midland and West regions.

The small farms survey was undertaken on cattle and sheep farms, as these are the predominant production systems on these farms. Results from the survey are compared to a subsample of the regular Teagasc NFS cattle and sheep farms in 2015 (referred to here as larger farms since their standard output exceeds €8,000). Family farm income (FFI) is the principal economic measure produced by the Teagasc NFS and represents the return from farming to the farm family for their labour, land and capital. This measure does not include the non-farm component of farm household income. In 2015, small farms typically earned farm incomes of less than €3,000 with three-quarters of them reporting an FFI of less than €5,000. Clearly, an adjustment must be made for the difference in farm size across the two groups, with the

average utilised land area of small farms being 14 hectares in 2015, compared to 40 hectares on the larger farms. **Table 1** illustrates that small farms typically produce less output per hectare and have higher costs per unit of output. The level of direct payments per hectare is very similar, but larger farms are more efficient, with costs consuming 68% of output on larger farms compared to 74% of output on small farms. This seems to be driven by the relatively high overhead costs on the small farms. There is a very significant income differential of €163 per hectare between the two groups, with larger farms producing an income per hectare 80% higher than small farms.

Given the extremely low levels of farm income, it is not surprising that a large proportion of small farms (88%) have some alternative form of income. In terms of the sources of that income, either the farmer or spouse had an off-farm job in almost half of all households. Given the slightly older age profile on small farms (one-third of all farmers are aged over 65), a relatively high proportion (39%) are in receipt of pensions.

Finally, an overview of the economic viability of small farms is contained in **Figure 1**. Based on the work of Frawley and Commins (1996), a farm is defined as being economically viable if it can remunerate family labour at the average agricultural wage, and provide a 5% return on non-land assets. Two further categories exist. The first are farms deemed 'sustainable' (not economically viable based on farm income alone, but due to the presence of another income earned from an off-farm job). The final group is

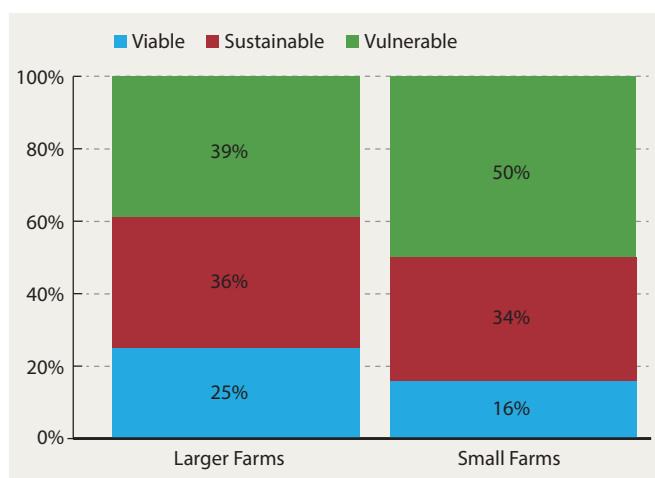


FIGURE 1: Viability of cattle and sheep farms 2015. (Source: Teagasc National Farm Survey.)

deemed vulnerable if the farm is not viable and there is no off-farm income present in the household.

Clearly, the economic situation on small farms is worrying, with only 16% classed as viable in 2015. Although more than one-third of farm households are classed as sustainable, the proportion of small farms classified as vulnerable is extremely high at 50%. In other words, half of all small farms are not economically viable businesses and neither the farmer nor the spouse works off the farm.

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**Future concerns**

Given the low levels of economic sustainability in these small farm households, one would expect that a major change is about to occur: that these farms will cease to exist, more of them will go part-time, or they will diversify. However, the survey found that little change is expected. Just 15% of small farm households would consider leasing their land. Of those that are not already working off the farm just 7% are looking for employment, although age may be a limiting factor for many. Just 4% would consider planting forestry as a viable alternative. As small farms receive over €200 million each year from the Basic Payment Scheme, there is an ongoing debate about the future of these farms and the role they play in the rural economy. Clearly, these small farms plan to continue in production and for many this is good news. The social and economic presence that these farmers provide in rural areas that are often bereft of

Table 1: Average family farm income per hectare – cattle and sheep farms, 2015.

	Larger farms	Small farms
Gross output	1,137	801
(of which direct payments)	373	387
Total costs	769	596
(of which direct costs)	371	233
(of which overheads)	398	363
<b>Family farm income</b>	<b>368</b>	<b>205</b>

Source: Teagasc National Farm Survey.

other economic activity is essential. The upcoming CAP reform and the future of direct payments, which are vital to this group of farms, will be the ultimate deciding factor in their long-term sustainability.

Full report available at: <https://www.teagasc.ie/publications/2017/small-farms-survey.php>.

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