

Current financial context & campaign themes

Presenters

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Rural Economy and Development Programme



The Irish Agriculture and Food Development Authority

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

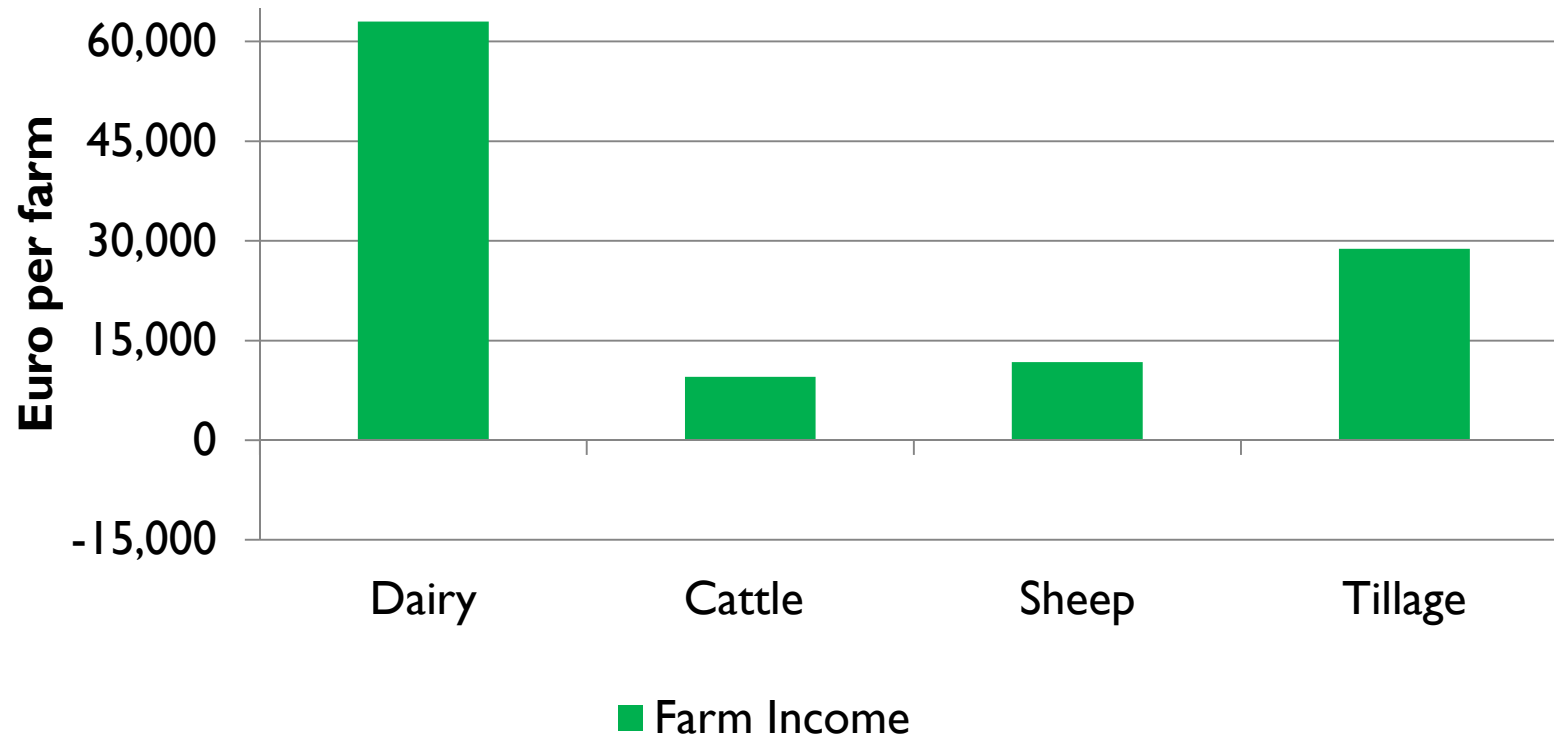
Theme 1

Low Farm Income

Increasing Farm Income

Theme I

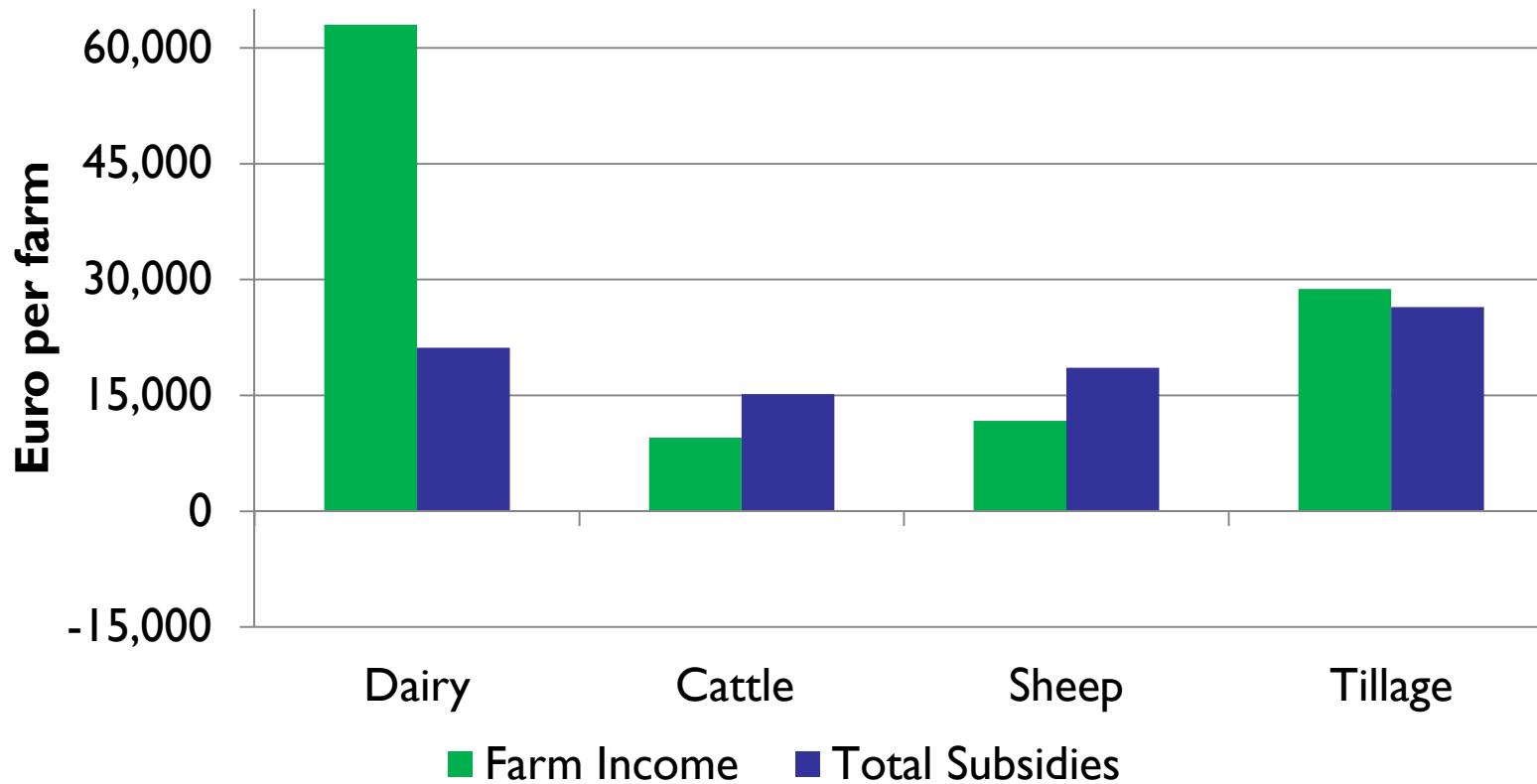
Challenge: low farm incomes



Source: Teagasc National Farm Survey Data 2013

Theme I

Challenge: low farm incomes



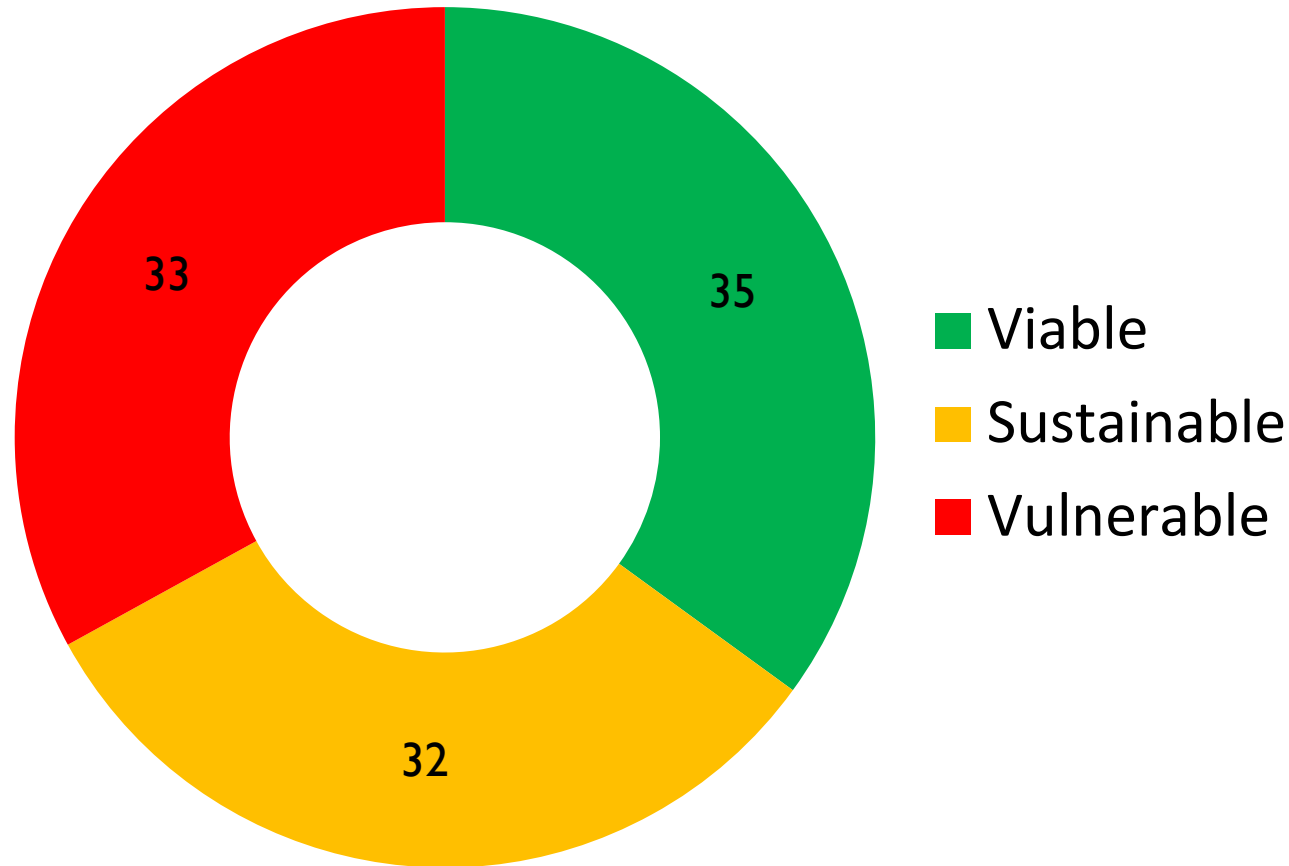
Source: Teagasc National Farm Survey Data 2013

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

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

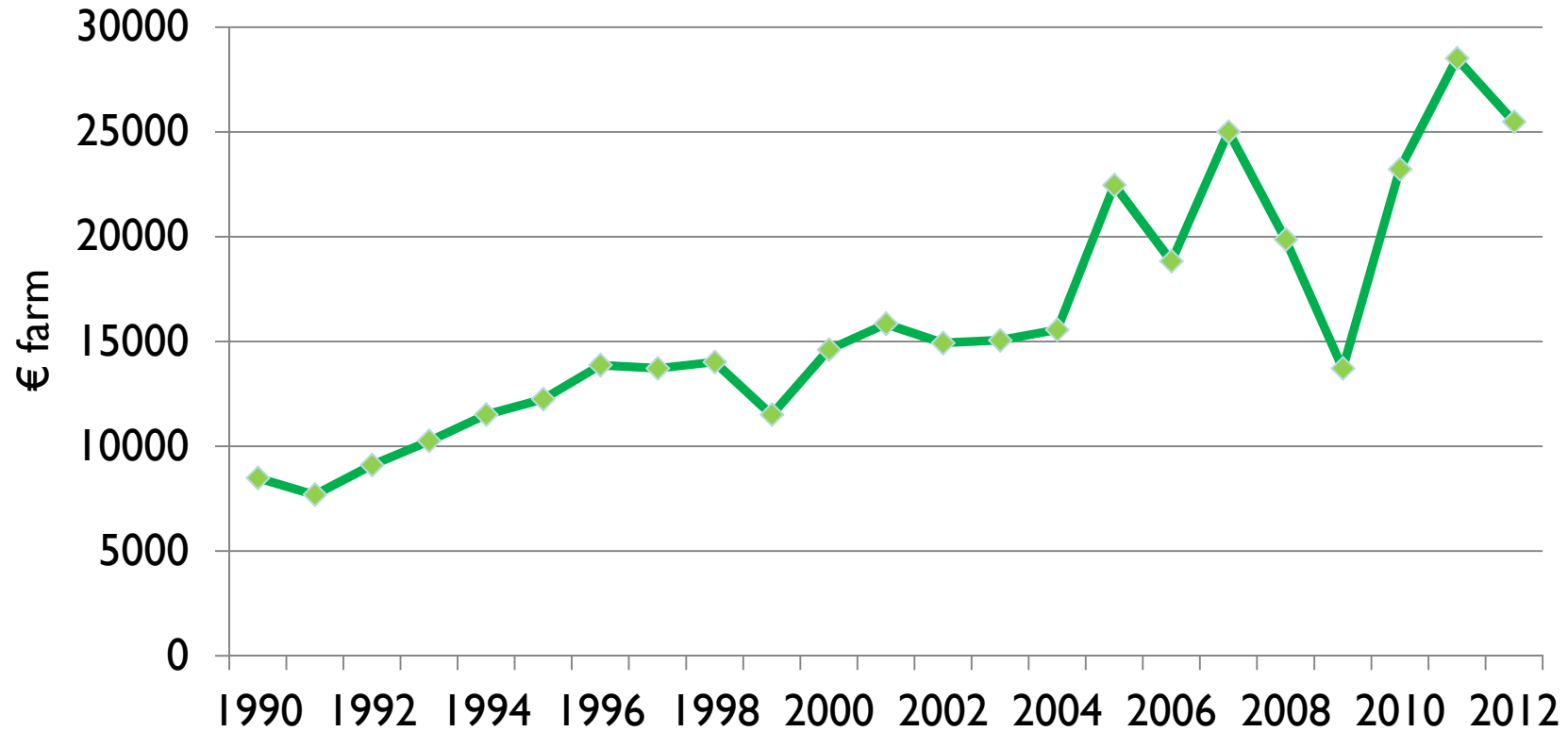
	Risk Factor	
	Market Risk	movement in milk, meat, grain & inputs prices
	Production Risk	weather or animal health related
	Personal Risk	personal health or accident on farm
	Institutional Risk	changes in CAP eg flattening of payments, GLAS scheme
	Financial Risk	interest rates movements

Risk in Farm Incomes

Rank	Risk Factor	
1	Market Risk	movement in milk, meat, grain prices & inputs
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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



The Irish Agriculture and Food Development Authority

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