Irish Agriculture

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The Irish Agricultural Economy

The agri food sector accounts for 6.5% of Irish GDP (a figure that has halved over the past 15 years), over 9% of the value of Irish exports and 8% of employment (also halved since the mid 1990s). About two-thirds of Ireland's land area is farmed. Close to 90% of the farmed area is used for dairy and livestock production. Beef and dairy production account for about 70% of the value of Irish agricultural production.

Over the past ten years the cow and pig populations have been static but sheep numbers have dropped dramatically (by about one-third to 3.5 million head). Milk and cereal yields have risen by some 12%.

Farm Income

In real terms aggregate farm income is about 10% lower than just before we joined the EU but, due to declining farm numbers, family farm income is about 50% higher. Direct payments account for about one quarter of gross farm receipts and nearly three quarters of farm income. Over 40% of farmers have off farm jobs but there is some off farm income on 80% of farms.

Markets

The EU market in the products of main interest to Ireland is now in better balance than at virtually any time in the past 35 years. Global demand is rising. Market prices – while below last year's peak – are at close to historically high levels. Input costs are also at exceptionally high levels but may have peaked. The outlook for the next decade is considerably brighter than the experience of the past one.

The Future

The expected changes in the EU quota system is likely to see an increase in Irish milk production of about 10% by 2015 and, after the abolition of quotas, perhaps, a further 5% rise by 2020. Dairy farmer numbers may fall from 20000 to 12500 by the former date.

Livestock numbers are not likely to change significantly. Dairy cow numbers will probably remain static; beef numbers continue a gradual decline, with a greater drop in the size of the sheep herd. There should be a gradual increase in the area under cereals.

With agricultural market prices set to remain well above pre 2007 levels, and the rate of increase in input costs to moderate, aggregate farm income should keep pace with, and family farm income outstrip, inflation. Direct payments will remain a major part of farm income. In the longer term they are, however, likely to be capped and area based (i.e. not linked to historic payment levels).
These forecasts are predicated on the assumptions that:

- global economic growth will have recovered by the end of this decade;
- the rise in the demand for food in the emerging economies will continue, and
- the eventual WTO agreement will lead to a gradual and balanced liberalisation of agricultural trade.

These seem reasonable assumptions but, as always, predicting the future of agricultural markets is a hazardous business.

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