Department of
Agriculture,
Fisheries and Food
An Roinn
Talmhaíochta,
Iascaigh agus Bia

ANNUAL REVIEW AND OUTLOOK FOR AGRICULTURE, FISHERIES AND FOOD

2008 - 2009

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Foreword

The global economic and financial crisis has impacted on all areas of our economy, including agricultural markets which have changed significantly in the past twelve months. International commodity forecasts prepared during last year's peak in agricultural and food prices concluded that prices were unlikely to be sustained at such high levels, however the rapid decline in certain commodity prices was not foreseen. The decline in the price of dairy products has been particularly significant with the result that the EU Commission agreed to reactivate the range of market management mechanisms at its disposal. Other agricultural commodities also face difficulties on export markets due to an appreciation of the euro and some switching to lower value meat cuts in key markets. On a more positive note a decline in inflation and lower oils prices should reduce input costs in 2009.

Despite the downturn in our economy the Irish Government's commitment to the agri-food sector remains strong. In the Supplementary Estimate for 2009, €1,985 million was provided for agriculture, fisheries and food, which includes additional funding already agreed for the pigmeat recall scheme and the arrangement for the payments of grant aid under the farm waste management scheme. However, given the deterioration in public finances, which are now back to 2003 levels in revenue terms, it was necessary to make a number of changes to payments and services. However, the most important issue is that the Government continues to support the agri-food, fisheries and forestry sector to the fullest extent possible within the constraints of the public finances. Total public expenditure will amount to over €3.3 billion when the Department's Vote is combined with EU funding of €1.4 billion.

The agri-food sector remains one of our most important indigenous sectors accounting for over 6.6% of gross value added and 8.5% of employment. Agri-food exports in 2008, were almost €8.2 billion which was a strong performance considering the challenging market environment that prevailed in the latter part of the year. In terms of foreign earnings, the wider "bio-sector", is estimated to account for approximately one-third of the net flow of funds from primary and manufacturing industries. In addition, the high proportion of expenditure on local raw material and services as well as the dispersed nature and composition of the sector will ensure that the agri-food sector will play an integral part in the recovery of our economic success and the continued viability of rural and coastal areas.

Brendan Smith, T.D.
Minister for Agriculture, Fisheries and Food

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1.1 The National Economy

Review of the Economy in 2008

2008 was a very difficult year for the domestic economy. Exceptionally unfavourable global economic and financial conditions coupled with a weakening in domestic demand meant that for 2009, the Irish economy faced into a second consecutive year of contraction and adjustment. National accounts data show that economic activity went into reverse in 2008, the first time this has happened in a quarter of a century. The full-year decline in GDP was 2.3% while that for GNP was 3.1% (Dept Finance).

Much of the contraction in activity in the Irish economy is attributable to the rapid deterioration in the international economic environment and the sharp downturn in domestic demand, which is inexorably linked to recent developments in the construction sector. The impact of the adjustment in the housing market, where house completions were approximately one-third lower than in 2007, has spread to other sectors of the economy including non-housing investment and consumption. Table 1.1 outlines a range of macroeconomic indicators based on Department of Finance estimates and projections for the years 2008 to 2010.

TABLE 1.1 INDICATORS OF THE NATIONAL ECONOMY, 2008-2010

Annual % Volume Changes unless otherwise stated.	2008	2009	2010
GNP	-3.1%	-8.0%	-2.8%
GDP	-2.3%	-7.7%	-2.9%
Exports of Goods and Services	0.9%	-6.1%	-3.1%
Imports of Goods and Services	-2.9%	-10.1%	-6.1%
Inflation (%)	4.1%	-3.9%	0.3%
Employment - (% Growth)	-4.0%	-7.8%	-4.6%
Unemployment Rate ILO basis (% rate)	6.1%	12.6%	15.5%

Source: Department of Finance.

Falling employment in the labour-intensive construction sector was the initial cause of weakness in the labour market for 2008, but by the final quarter, employment was on a downward path in almost all parts of the private sector with the annual rate of overall employment loss reaching just over 4%. The level of employment stood at 2.05 million by the fourth quarter 2008. In terms of unemployment, there was a steep increase in the numbers seeking work, with 170,000 persons falling into this category by the end of 2008, compared to 101,000 one year previously. The unemployment rate averaged 6.1% for the year as a whole, up from 4.5% in 2007. This compared to an EU average of 7.0% in 2008.

Personal consumption expenditure fell by 0.8% in 2008, a reflection of modest disposable income growth combined with a deterioration in consumer sentiment over the course of the year. This in turn was reflected in retail sales data confirming that consumer spending became increasingly negative in the second half of 2008. Export growth weakened due to the slowdown in Ireland's main export markets and against the background of an appreciating exchange rate.

Focussing on prices, inflation averaged 4.1% for 2008, driven primarily by external factors such as increases in commodity prices and mortgage interest rates. On a harmonised basis (HICP), inflation averaged 3.1% for the year as a whole. Recent months have seen an easing in inflationary pressures due to a combination of weaker domestic demand, exchange rate factors, moderating commodity prices, favourable base effects and ECB interest rate cuts.

Outlook for 2009

Projections for global as well as domestic economic activity in 2009 and beyond have continually been revised downwards over the recent past. The most recent domestic forecasts from the Central Bank and the Department of Finance continue this trend. The speed and frequency of revisions to both world and domestic growth forecasts in recent months are a reflection of the extreme volatility of the current situation.

On the domestic front, 2009 to date has seen a general deterioration in the situation facing the Irish economy with a gloomy international environment compounded by a worsening budgetary situation. Further decline in the level of new housing output is expected, with data relating to housing starts pointing to completions of around 20,000 units for 2009 as a whole. This represents a decline of two-thirds, which is equivalent to a reduction of 3.75% in the level of economic activity. Other elements of construction, particularly in the commercial sphere, appear to be set for continued decline also.

On the labour market front, job losses this year will exceed gains with the result that total employment is projected to fall by 7.8%, an unprecedented rate of decline. On a fulltime equivalent basis, it is possible that the decline in employment will be even larger, as there is evidence that some of the lower demand for labour is being met by reduced working time (rather than actual employment losses) at least in the short-term. Notwithstanding this, the level of employment in the economy will remain close to 2 million persons. Unemployment is forecast to continue to rise this year averaging 12.5% for the year as a whole.

The significant appreciation of the euro vis-à-vis sterling in recent months, if sustained, will weigh further on our export performance. As a result of these developments, the outlook for the exporting sector is unfavourable, with a decline in exports assumed for this year.

In terms of prices a significant easing in the average rate of inflation is already underway for 2009 due to moderating commodity prices, favourable base effects (such as the impact of higher oil prices in 2008 falling out of the annual comparison), exchange rate factors and a slowdown in economic activity. The recent ECB interest rate cuts will also underpin an easing in the rate of CPI inflation. The forecast is for CPI inflation to fall by around 3.9% in 2009. HICP inflation will also moderate but, given that the impact of the recent interest rate cuts is excluded from this measure, its decline is expected to be less substantive, with a 1.4% decrease anticipated for 2009 as a whole.

It must be recognised that there is considerable uncertainty attached to all current sets of economic forecasts. The possibility exists that the various stimulus packages being introduced will result in a more rapid global recovery. However, the main risks to the outlook appear to be on the downside and include a steeper or more prolonged downturn in our main trading partners, or the possibility that global financial market problems deepen or persist for some time. Given our export patterns, any further exchange rate appreciation, particularly against sterling, would be extremely detrimental.

Table 1.2 outlines the forecasts for some of the aforementioned variables from the Department of Finance and the Central Bank[1]. A poll of 11 economists[2] carried out in March 2009 was broadly in line with these projections. The consensus overall is for a difficult period ahead for the Irish economy.

TABLE 1.2 COMPARISON OF ECONOMIC FORECASTS FOR IRELAND, 2009

	Annual Percentage Change				% Rate
Institution	GNP	GDP	HICP	Employment	Unemployment
Department of Finance	-8.0%	-7.7%	-1.4%	-7.8%	12.5%
Central Bank	-6.9%	-7.1%	-1.3%	-7.5%	11.8%

1.2 Contribution of the Agri-Food Sector to the Economy

Gross Value Added

It is estimated that the agri-food sector[3] accounted for approximately 6.6% of Gross Value Added[4] (GVA) at factor cost in 2007. The primary agriculture, fisheries and forestry sectors together accounted for approximately 2.5% of GVA. The food (including fish) and beverage industry, together with the wood-processing sector, accounted for circa 4.1% of GVA in 2007.

[1] Does not take budgetary measures announced in April 2009 into account.
[2] Poll of 11 predominantly financial sector economists carried out by Rueters.
[3] The Agri-Food Sector is taken to include primary production (Agriculture, Fishing and Forestry) along with the food and beverage and wood processing sectors (excludes tobacco).
[4] Gross value added at factor cost is GVA at market prices less any indirect taxes plus any subsidies.

TABLE 1.3 CONTRIBUTION OF THE AGRI-FOOD SECTOR TO GVA, 2007

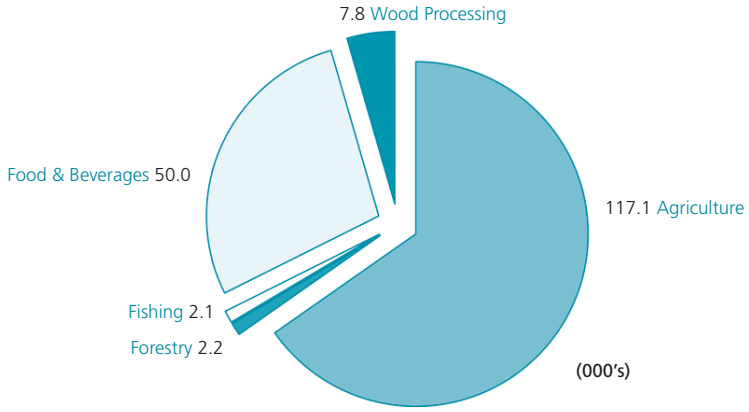
	€m
Gross Domestic Product (GVA) at Factor Cost	167,547
GVA in Primary Agriculture, Fisheries and Forestry at Factor Cost	4,190
GVA in Food & Beverages Sector	6,420
GVA in Wood Processing	436
Total	11,046
GVA in Primary Sector as a % of GDP	2.5%
GVA in overall Agri-Food Sector as % of GDP	6.6%

Employment

Employment in the agri-food sector accounted for 179,200 jobs[5], or 8.5% of total employment in 2008. The composition of employment[6] in the sector is outlined in Figure 1.1.

FIGURE 1.1 COMPOSITION OF EMPLOYMENT IN THE AGRI-FOOD SECTOR

Source: CSO, QNHS



Exports

Bord Bia estimates[7] bear out the fact that the Irish food and drink sector faced a challenging market and export environment throughout 2008, with significant currency volatility, slowing consumer spending and problems with regard to access to credit all impacting on exporters. According to the report, exports are estimated to have declined by close to 7% to approximately €8.2 billion with marked declines across a number of sectors (See Table 1.4). This followed a significant rise of €1.4 billion during the 2006-2007 period (more detailed information is outlined in Chapter 5).

TABLE 1.4 AGRI-FOOD EXPORTS, 2007-2008 (BORD BIA)

	2007	2008*	% Change	% Share of Agri-food Exports
Dairy Products & Ingredients	2,329	2,202	-5.5%	27.0%
Prepared Foods	1,822	1,543	-15.3%	18.9%
Beef	1,570	1,687	7.5%	20.7%
Beverages	1,440	1,246	-13.5%	15.3%
Seafood	352	352	0.0%	4.3%
Poultry	243	223	-8.2%	2.7%
Pigmeat	368	360	-2.2%	4.4%
Sheepmeat	184	166	-9.8%	2.0%
Edible Horticulture & Cereals	249	236	-5.2%	2.9%
Live Animals	170	148	-12.9%	1.8%
TOTAL FOOD & DRINKS	**8,727**	**8,163**	**-6.5%**	**100.0%**

*2008 Provisional
Source: Bord Bia estimates

[5]These employment figures correspond to International Labour Organisation definitions and as such relate to persons who indicated that agriculture was their principle source of income in the week prior to the Quarterly National Household Survey (QNHS). As such, persons that work in agriculture but whose primary source of income is off-farm are not included.
[6] QNHS quarter 2 is used for this calculation.
[7] Performance and Prospects; Export Review and Outlook 2008/2009. Bord Bia, 2009.

1.3 Public Expenditure

Total public expenditure on the agri-food sector by the Department of Agriculture, Fisheries and Food was €3,562 million in 2008. EU Guarantee expenditure of €1,457 million accounted for approximately 41% of total expenditure with the Single Payment Scheme accounting for over 89% of EU Guarantee expenditure.

TABLE 1.5 EXPENDITURE ON IRISH AGRICULTURE, 2008

(Period 1 January to 31 December 2008)	€m	
EAGF Guarantee direct expenditure		**1,457.34**
Single Farm Payment	1,298.79	
Premia/area Aid	0.47	
Export Refunds	14.33	
Sugar Restructuring	149.26	
Other Market Supports	-5.51	
Intervention Purchases (1)		**0.00**
Voted Expenditure (excluding Administration)		**1,800.70**
Rural Development (2)	623.33	
Structural Measures (2)	475.08	
State Bodies	247.37	
Animal Health (3)	219.08	
Research and Training	36.82	
Market Support Costs (4)	13.88	
Forestry and Bio-Fuels	125.51	
Fisheries (5)	28.33	
Food Aid	11.96	
Other	19.35	
Administration		**303.86**
Total Voted Expenditure		**2,104.57**
Total Expenditure		**3,561.90**

(1). This is the amount paid by DAFF on product purchased into Intervention in the year. There were no purchases of stock into intervention 2008. The cost of Intervention purchases is fully recouped from the EU through depreciation of stock value during the year of purchase and at the time of sale of the product.

(2). Rural Development measures and certain Structural development measures are part financed by the EU and the Vote. These figures are total Vote expenditure on these measures in the calendar year, as payments are made from the Vote. The EU contribution to expenditure is subsequently recouped to the Vote as appropriations in aid, some of which is received in a subsequent calendar year. Expenditure on REPS, Early Retirement, Compensatory Allowances post 2006 is being part financed by the EU under the new Rural, Development programme 2007-2013 and funded from the new European Agricultural Fund for Rural Development (EAFRD)

(3). This Vote expenditure relates to expenditure on animal health measures. The EU Commission part finances certain expenditure on measures towards monitoring, prevention and eradication of animal diseases.
(4). This Vote expenditure relates to expenditure on IACS and to Intervention financial (interest) and operational costs. The latter costs are subsequently claimed back from the EU on basis of standard amounts.
(5) Responsibility for Fisheries functions transferred to the Department in October 2007

1.4 Agricultural Situation in Ireland

Analysis of data for aggregate income in Irish agriculture reveal trends that are at variance for the main components that go towards calculation of aggregate income, or Operating Surplus. In terms of these broad trends, the CSO preliminary estimate of Output, Input and Income in Agriculture for 2008 shows that while the value of output from the sector increased in 2008, appreciably higher input costs served to more than erode these gains. As a result, operating surplus decreased by 12.4% to €2,263 million in 2008. This follows an 11.8% increase in operating surplus in 2007 and illustrates the volatility of farm incomes in the recent past (See Figure 1.2). Net subsidies in 2008 were estimated at approximately €1,892 million, accounting for 84% of operating surplus. Expenditure on intermediate consumption in agriculture increased by 12.3% to €4,577 million in 2008 with much of this increase attributable to feed, fertiliser and energy costs.

FIGURE 1.2
TRENDS IN OPERATING SURPLUS, GOODS OUTPUT AND INTERMEDIATE CONSUMPTION, 2004-2008

Source: CSO, Output, Input and Income in Agriculture, February 2009

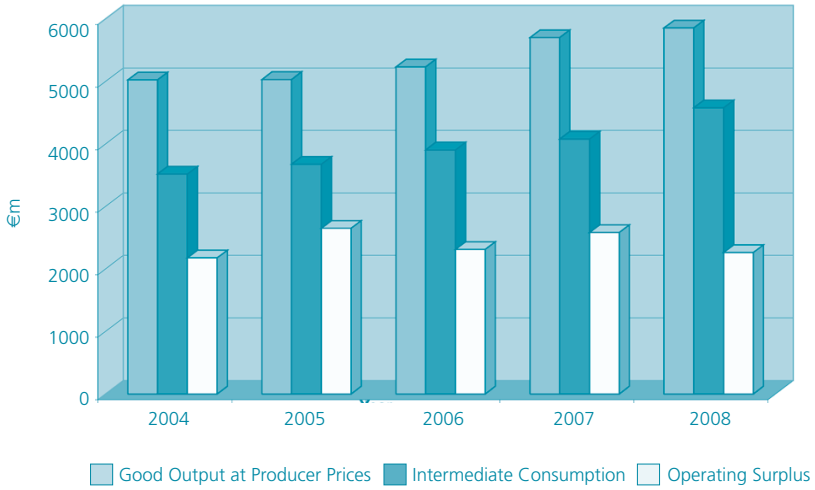


TABLE 1.6 OUTPUT, INPUT AND INCOME IN AGRICULTURE, 2008

	Value €m	% Change 2008/2007
Goods output at producer prices	5,852.5	2.6%
Contract work	316.8	9.9%
Subsidies less taxes on product	6.2	
Agricultural output at basic prices	6,175.5	3.4%
Intermediate consumption	4,577.3	12.3%
Gross value added at basic prices	1,598.2	-15.7%
Fixed capital consumption	768.1	6.4%
Net value added at basic prices	830.1	-29.3%
Other subsidies less taxes on production	1,885.4	1.4%
Factor income	2,715.4	-10.5%
Compensation of employees	452.1	0.8%
Operating surplus[1]	2,263.3	-12.4%

[1]This is calculated before deduction of interest payments on borrowed capital and land rental paid by farmers to landowners. The estimates are Interest less FISIM:- €397.6m; Land Rental:- €144.1m
Source: CSO, Output, Input and Income in Agriculture, February 2009

1.5 Outlook for Agriculture

International Outlook-Emerging Trends

The OECD-FAO Agricultural Outlook 2008-2017[8] prepared last year during the peak in agricultural and food prices concluded that prices were unlikely to be sustained at such high levels as farmers would respond by boosting plantings/increasing supplies and more normal growing conditions would return in the main food producing regions. However, other factors contributing to the world food price equation such as: growing feedstock demand from an increasing biofuel industry; sustained high oil prices; continued strong growth in food demand as income rises in emerging economies; as well as historically low global food stocks were expected to keep prices higher than the average seen in the past decade and possibly more volatile.

Since then prices have fallen, but further and faster than can be explained by production gains alone. The FAO's Food Outlook in November 2008[9] attributes the price slide to a combination of factors including the financial crisis, the halving of world crude oil prices and the appreciation of the euro. A decline in food intake, particularly for those in developing countries, is also a risk that may arise from any further deepening of the financial crisis or economic slowdown.

Additional concerns are that from a supply perspective the global response to the price hike was uneven, with most of the increase in cereal production confined to developed countries. However, gloomy economic outlooks, high input costs and more difficult access to credit may lead to a reversal of the increase in plantings and see a tightening of supplies again. Also low prices as well as the restriction on credit in the banking sector could deter the much needed investment in the agriculture sector in developing countries necessary for productivity growth and commercialisation over the longer-term.

[8] OECD-FAO Agricultural Outlook, Agricultural Outlook 2008-2017, Published by the FAO in 2008.
[9] Food Outlook, Global Market Analysis, Published by the FAO, November 2008

EU Medium Term Outlook

For the European agricultural sector, the most recent outlook is based on EU Commission projections[10] for the period 2008-2015. The report is based on information available at the end of January 2009, takes into account the current macro-economic environment, and assumes the continuation of the Uruguay Round Agreement and other existing trade commitments.

Even though the agricultural sector is generally more resilient to economic crisis than other sectors, the current economic and financial crisis is expected to impact negatively on the agriculture sector. In the dairy sector, the short-term perspectives appear particularly difficult, as the decline in the prices of dairy products over 2008 will induce a fall in producer prices in 2009 leading to a slight contraction in EU milk production. The report also suggest that market measures will be necessary to support bulk commodity markets leading to an accumulation of intervention stocks of butter and skimmed milk powder as well as renewed use of export refunds.

The medium-term outlook for agricultural commodity markets display a gradual recovery supported by structural factors like growth in global food demand, the development of the biofuel sector and the long-term decline in food-crop productivity growth. The Commission forecasts that EU cereal prices will recover over the medium term to somewhat higher levels than seen in the past decade, but will be subject to greater fluctuations. The oilseed sector will be supported over the medium-term by increasing demand for biodiesel and rising demand for oilseed meal and vegetable oil on world markets.

The medium-term outlook for the meat sector is moderately positive with increased production and consumption of poultry and pigmeat, while production of beef and sheep/goat meat are projected to decline further. As demand growth would outpace the increase in total meat production the net exporting position of the EU would weaken.

The medium-term prospects for milk production display gradual growth during the phasing-out of milk quota but it is expected to remain below aggregate EU quota levels throughout the period. Bulk commodities are expected to decline in production due to increasing output of value added dairy commodities and depressed prices throughout the intervention destocking period.

Their forecasts are, however, subject to important uncertainties related to future economic, market and policy developments the path of technological change and future climatic conditions which could alter the projections presented by the Commission.

Domestic Outlook

The prospects for the Irish agriculture sector in 2009 are mixed with the dairying sector likely to find the year particularly challenging. The EU Commission has agreed to activate the range of market management mechanisms at its disposal, with export refunds restored for all products and APS for butter introduced on 1st January and this should assist with the market situation.

The shortfall on EU beef markets offers Irish beef producers an opportunity to further consolidate their position in this market, especially as potential importers, such as Brazil and Argentina, are restricted in how they can respond. The impact of exchange rate developments will be important, particularly in relation to the UK and, given the economic recession, a continuing switch to lower value cuts in key markets is anticipated.

The decline in the ewe flock seen over the last year will impact on the lamb supplies to factories in 2009. Production is also forecast to decline in the UK, France and New Zealand, with the latter resulting in a fall in supplies to the French market.

In the pig sector, the EU price forecast for the first half of 2009 is for an increase of 5% in the average price compared to 2008. Present indications are that feed prices in 2009 will remain low relative to 2008, which may help the pig and other sectors.

The outlook for the poultry industry for 2009 is for one of stability but imports will continue to exert competitive pressures on the indigenous poultry industry. As was the case in 2008 there will be a balanced demand for eggs in 2009 and prices are expected to remain stable.

Early indications are that lower cereals prices, together with a late and difficult harvest, and wet autumn, have resulted in a decrease in the sowings of winter cereals. However, total cereal production is expected to continue at the long-term average level of approximately 2 million tonnes, subject to favourable weather conditions.

[10] Prospects for Agricultural Markets and Income 2008-2015. EU Commission March 2009.

Chapter Two:
Farm Income

2.1 Introduction

Data from the CSO shows that the increase in family farm income in 2007 was reversed in 2008, as increased operating costs exceeded the increase in output value derived from higher market prices for certain commodities. While initially looking at preliminary data for 2008, more detailed farm level trends are examined using the National Farm Survey 2007 and total household income data from the EU-SILC 2007.

2.2 Farm Income in 2008

The CSO's preliminary estimate of output, input and income in agriculture shows that operating surplus declined by 12.4% to €2,263 million in 2008 following an increase of 11.8% in 2007. The decline in operating surplus occured despite an increase of 2.6% in the value of goods output in the agriculture sector. Increases in the output value of cattle and pigs reflected strong market conditions for most of the year, while the output value of the sheep sector was down due primarily to lower slaughterings. While milk prices were strong in early 2008, they deteriorated rapidly toward the end of the year, and output value was down marginally on the high achieved in 2007. The value of the cereals sector also deteriorated on the high achieved in 2007. However, the most significant factor giving rise to the decrease in income was the rise in intermediate consumption, the increase in fertiliser cost was particularly significant as well as the increase in feedingstuffs and energy. In 2008, direct payments to farmers totalled over €1,997 million[1]. For the computation of operating surplus, the CSO deducts levies leaving net subsidies of €1,892 million accounting for 84% of operating surplus.

FIGURE 2.1
OPERATING SURPLUS AND NET SUBSIDIES, 2000-2008

Source: CSO and DAFF

Most European countries experienced a decline in operating surplus or agricultural incomes in 2008, across the EU-27 operating surplus is estimated to be down by 6%, ranging from –62% in Malta to plus 33% in Romania, (most of the countries which experienced substantial declines in incomes in 2008 had reported significant increases in 2007). When account is taken of inflation and of the number of workers, real agricultural income per worker is estimated to have decreased by 4.3% in 2008 according to first estimates from EUROSTAT. Most of the decrease was attributed to rising input costs as agricultural output at producer prices had increased. Reduced net subsidies and a rise in depreciation were also factors.

[1] This figure excludes afforestation grants and premia, all on farm investment grants and payments to retired farmers under the early retirement scheme.

FIGURE 2.2.
% CHANGE IN OPERATING SURPLUS IN EU-27 MEMBER STATES, 2008

Source: EUROSTAT

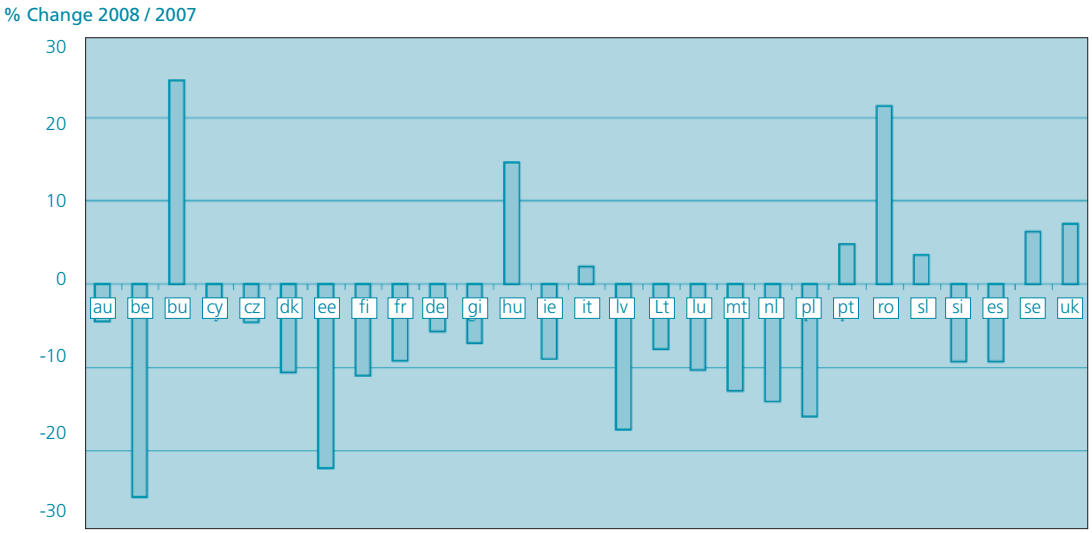
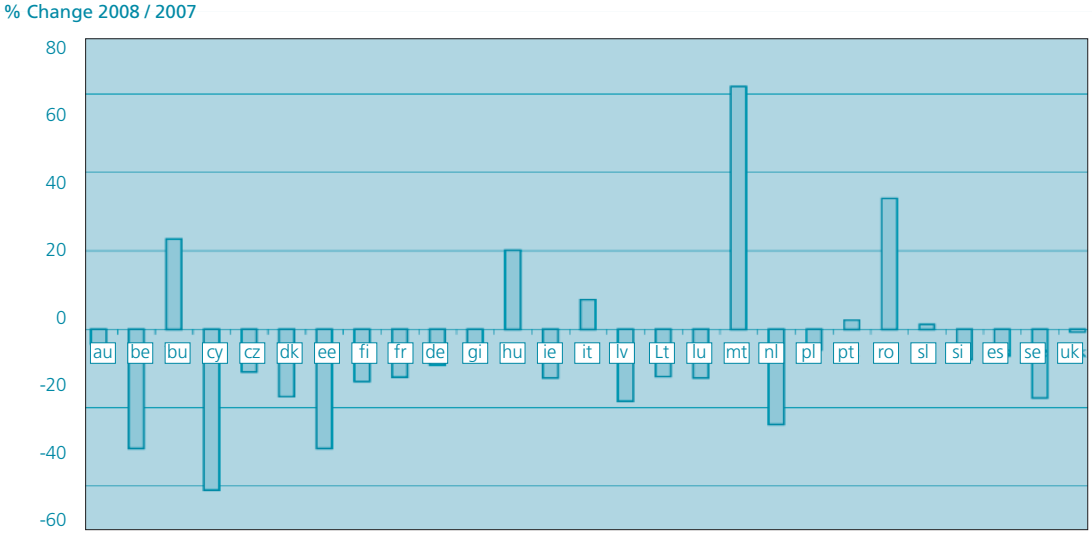


FIGURE 2.3
% CHANGE IN REAL INCOME PER AGRICULTURAL WORKER IN EU-27 MEMBER STATES, 2008.

Source: EUROSTAT



2.3 National Farm Survey 2007

The most recent survey data relating to average farm incomes is the National Farm Survey 2007, which shows usual variation in family farm income depending on the size of farm and system of farming, etc. The highest incomes were reported on dairy and tillage farms, which were up 41% and 42% respectively on 2006. In the other livestock sectors, incomes were reported to be down: 10% on mainly sheep, 7% on cattle rearing and 5% on other cattle systems.

In 2007, direct payments averaged €16,524 per farm and were estimated to have contributed to 31% of gross farm output and 84% of family farm income.

TABLE 2.1 NATIONAL FARM SURVEY 2007 RESULTS BY SYSTEM OF FARMING

	Dairying	Dairying + other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All systems
% of farms represented	15%	8%	24%	28%	19%	7%	100%
Market output (€)	109,021	68,198	12,755	16,956	14,073	73,299	37,148
Direct Payments (DPs) (€)	19,543	21,375	12,763	15,492	15,328	24,730	16,524
Gross output (€)	128,564	89,573	25,518	32,448	29,401	98,029	53,672
Direct Costs (€)	41,555	29,418	7,696	9,821	8,404	28,204	16,630
Overheads (€)	35,992	29,087	10,120	11,916	10,315	29,214	17,354
Family Farm Income (FFI)	**51,017**	**31,068**	**7,702**	**10,710**	**10,682**	**40,611**	**19,687**
DPs as % of FFI	38%	69%	166%	145%	143%	61%	84%

Source: National Farm Survey 2007, Teagasc 2008

A comparison of farming characteristics and financial return for full-time and part-time farms is shown in Table 2.2. Average farm income for the 32% of farms[2] classified as full-time was €43,923 in 2007. Full-time farms are the larger more viable farms, of which, 58% are involved in dairying, 33% in other livestock system and 9% in tillage. The average farm size for full-time farms was 59.5 hectares.

For the two-thirds or so of farms classified as part-time, the average family farm income was €7,993. Approximately 88% of these farms were involved in drystock production. Direct payments on part-time farms averaged €11,417 or 143% of family farm income. On 60% of part-time farms either the holder or spouse had off-farm employment, while 93% were identified as having another source of income from employment, pension and/or social assistance.

TABLE 2.2 NATIONAL FARM SURVEY 2007 RESULTS FOR FULL-TIME AND PART-TIME FARMS BY SYSTEM OF FARMING

	Dairying	Dairying + other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All system
FULL-TIME							
% of pop	14%	4.7%	2.6%	3.9%	4.2%	3%	32.4%
UAA (ha)	46.2	67	51.9	68.1	69.5	91.5	59.5
Family farm income (FFI)	€52,844	€50,209	€17,665	€28,361	€22,870	€65,960	€43,938
FFI/ha	€1,144	€749	€340	€416	€329	€721	€738
Direct payments (DPs)	€20,136	€29,476	€25,780	€36,592	€30,743	€39,927	€27,115
DPs as % of FFI	38%	59%	146%	129%	134%	61%	62%
PART-TIME							
% of pop	0.9%	3.5%	20.9%	23.8%	14.4%	3.7%	67.1%
UAA (ha)	24.7	22.5	24.8	23.9	23.3	25.9	24.1
Family farm income (FFI)	€21,380	€5,234	€6,445	€7,814	€7,109	€20,631	€7,993
FFI/ha	€866	€233	€260	€327	€305	€797	€332
Direct payments (DPs)	€9,923	€10,442	€11,120	€12,030	€10,810	€12,752	€11,417
DPs as % of FFI	46%	200%	173%	154%	152%	62%	143%

Source: National Farm Survey 2007, Teagasc 2008

2.4 Off-farm Employment Income

The National Farm Survey estimates that 40.7% of farm holders had an off-farm occupation, down from 42% in 2006. Most of the farmers with off-farm jobs were classified as part-time (in terms of labour input on farm). Average off-farm earnings based on data from those who were willing to provide such details was estimated to be €25,200 (Table 2.3)[3].

Of the 59% of farm holders who stated that they had no off-farm income, 26% were estimated to have full-time farms with an average family farm income of €44,900, while the remaining 33% were part-time with a family farm income of €8,800.

TABLE 2.3 ESTIMATE OF OFF-FARM EMPLOYMENT INCOME OF THE FARM HOLDER, 2007

	Sample no.	% of pop	Average off-farm income	Farm income	Income (Off and on farm)
FARMER HAS OFF-FARM JOB AND STATED INCOME					
All farms	372	41	25,200	12,100	37,300
Full-time farms	106	6	20,200	39,600	59,800
Part-time farms	266	35	26,100	7,300	33,400
FARMER HAS NO OFF-FARM JOB					
All farms	778	59	-	24,900	24,900
Full-time farms	495	26	-	44,900	44,900
Part-time farms	283	33	-	8,800	8,800

Source: National Farm Survey 2007, Teagasc 2008

While on 41% of farms the holder was identified as having an off-farm job, it is estimated that on 80% of farms either the farmer and/or spouse had another source of off-farm income, be it from employment, pensions or social assistance.

[2] In the NFS full-time and part-time farms are based on labour input, with farms requiring 0.75% of a standard labour unit being defined as full-time and those requiring less as part-time.
[3] Based on information given without verification.

2.5 Direct Payments

Table 2.4 shows the distribution of direct payments[4] by decile of family farm income using National Farm Survey data. As well as presenting information on the spread and distribution of direct payments the data also shown the extent to which direct payments are being used to cover costs on farms, for instance, for the first seven deciles average direct payments per farm exceeded average family farm income. These farms received approximately 44% of direct payments in 2007.

TABLE 2.4 SHARE OF 2007 DIRECT PAYMENTS BY DECILES OF FAMILY FARM INCOME

Deciles for FFI	Average DP per Farm	% of Total DP	Average FFI
Decile 1	8,248	5	-3,522
Decile 2	5,157	8	1,246
Decile 3	8,110	2	3,289
Decile 4	9,751	3	5,435
Decile 5	10,758	6	8,062
Decile 6	14,507	9	11,277
Decile 7	18,097	11	16,013
Decile 8	22,516	14	24,660
Decile 9	29,322	18	41,076
Decile 10	37,337	24	84,896
All	16,524	100	19,687

Source: Kinsella, A., Analysis by Decile, National Farm Survey 2007

As mentioned in section 2.2 total direct payments to farmers were estimated to be €1,997 million[5] in 2008. This figure relates only to direct payments which are included by the CSO in the calculation of operating surplus in agriculture, of which some of the main elements were the Single Payments Scheme, REPS, Compensatory Allowances for Disadvantaged Areas and disease compensation payments. When all payments to farmers are incorporated total payments to farmers rises to over €2.63 billion which includes expenditure on investment schemes, installation aid and afforestation grants and premia. Table 2.5 provides a breakdown of all payments included in the 141,000 Annual Payment Statements that were issued to farmers detailing all payments made to him or her by DAFF for period 1st January 2008 to 31st December 2008. (See Table 12.8 in the Statistical Annex for a breakdown by county.)

TABLE 2.5. DISTRIBUTION OF ALL PAYMENTS MADE TO FARMERS BY DAFF BY PROVINCE.

	Overall Payments	Total No. of Recipients	No of Payments with value > = €10,000	Average payment
Ulster	322,779,933	18,593	6,989	17,360
Connaught	561,306,063	40,949	12,191	13,707
Leinster	827,266,726	34,454	20,160	24,011
Munster	918,878,014	46,732	24,990	19,663
State	2,630,230,736	140,728	64,330	18,690

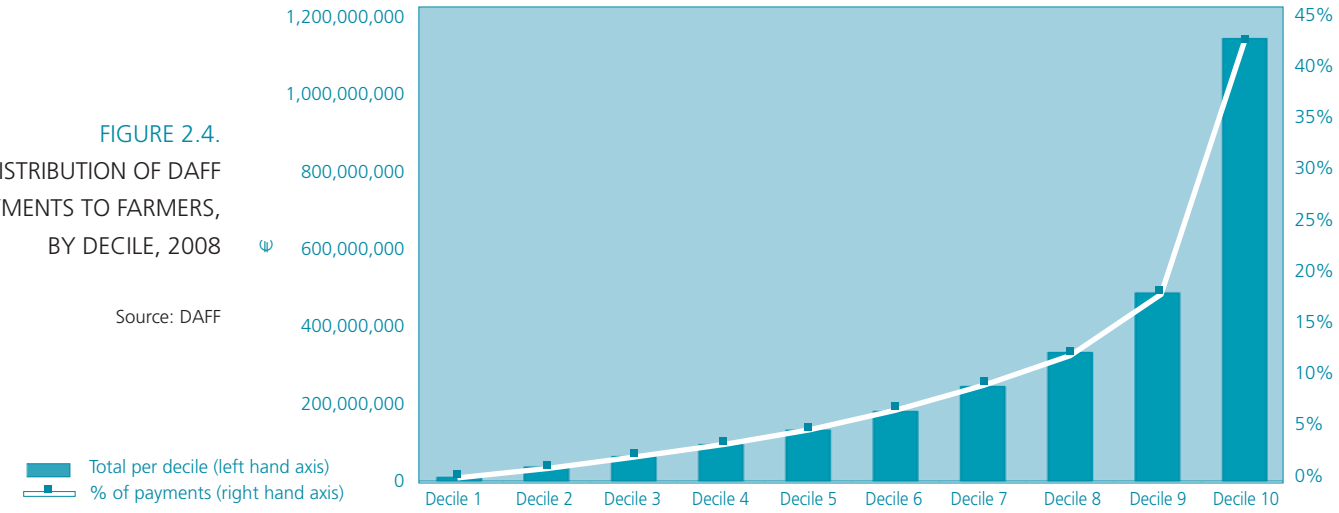
Source: DAFF

Figure 2.4 shows the distribution of all payments made by DAFF to farmers. While the average payment was around €19,000, half of the recipients received payments under €10,000, indicating that the average was influenced by payments to those at the high end of the scale.

[4] Direct payments in Table 2.4 include the Single Payment Scheme, REPS and area based disadvantaged area compensatory allowance scheme.
[5] This figure excludes afforestation grants and premia, all on farm investment grants and payments to retired farmers under the early retirement scheme.

FIGURE 2.4.
DISTRIBUTION OF DAFF PAYMENTS TO FARMERS, BY DECILE, 2008

Source: DAFF



2.6 Total Farm Household Income

Data on total farm household income and the gross income of other households obtained from the EU Survey of Income and Living Standards (EU-SILC) 2007 is set out in Table 2.6 and Table 2.7.

Depending on definition average total farm household income is estimated to be either €56,184 per annum or €48,708 per annum. The former figure is based on a broad definition which classifies any households with an income from farming as a farm household (Table 2.6). Using this definition farm income accounted for 29% of total farm household income. An alternative approach is to restrict farm households to households where either the head of household is a farmer or the head is a retired farmer and there is a least one other farmer in the household (Table 2.7). In such cases, the total farm income figure is estimated to be the lower amount with 40% coming from agricultural activity.

In general, other rural households tend to have similar or lower household incomes while urban households tend to be higher. The average household income for the state was €59,819.

TABLE 2.6 COMPOSITION OF HOUSEHOLD INCOME FOR FARM, RURAL NON-FARM AND URBAN HOUSEHOLDS USING A BROAD DEFINITION OF FARM HOUSEHOLDS

	Farm households*	Rural Non-farm households	Urban Non-farm households	State
Persons per household	3.44	2.90	2.99	3.18
Farm income	16,164	0	0	1,399
Non-farm employment	21,770	27,400	43,877	37,260
Other direct income	8,634	8,583	9,170	8,956
State transfers	9,615	12,863	12,261	12,204
Gross Income	**56,184**	**48,846**	**65,308**	**59,819**
Less tax and social contributions	8,773	8,029	13,983	11,832
Disposable income	47,412	40,818	51,325	47,986
Gross income per household member	16,322	16,844	21,857	18,822
Disposable income per household member	13,773	14,075	17,177	15,099
Gross income as % of state average	94%	82%	109%	100%
Disposable income as % of state average	91%	193%	114%	100%

Source: CSO, EU-SILC 2007 (special request)
Uses SILC definition of urban and rural and defines a farm household as any household in which a farm is owned or rented and there is some income from farming in the household. Households where the only farm income is from the renting out of agricultural land are excluded.

TABLE 2.7 COMPOSITION OF HOUSEHOLD INCOME FOR FARM, RURAL NON-FARM AND URBAN HOUSEHOLDS USING A NARROW DEFINITION OF FARM HOUSEHOLDS

	Farm households*	Rural Non-farm households	Urban Non-farm households	State
Persons per household	3.15	3.01	2.99	3.18
Farm income	19,442	1,474	17	1,399
Non-farm employment	15,117	27,598	43,885	37,260
Other direct income	4,651	8,664	9,427	8,956
State transfers	9,499	12,489	12,259	12,204
Gross Income	**48,708**	**50,226**	**65,587**	**59,819**
Less tax and social contributions	9,499	12,489	12,259	12,204
Disposable income	42,028	41,902	51,564	47,986
Gross income per household member	15,461	16,681	21,950	18,822
Disposable income per household member	13,341	13,916	17,257	15,099
Gross income as % of state average	81%	84%	110%	100%
Disposable income as % of state average	88%	87%	107%	100%

Source: CSO, EU-SILC 2007 (special request)
*Uses SILC definition of urban and rural and defines a farm household as any household in which the head of household is a farmer or the head of household is a retired farmer and there is at least one other farmer in the household.

2.7 Low Income Households

Focusing on farm income alone suggests that there is a high proportion of low income farm families, however, data on consistent poverty shows that farm households tend to have much lower rates of consistent poverty than other urban or rural households. This has been a pattern for a number of years and suggests that farm households have lower rates of basic deprivation than other household groups.

Also, the risk of poverty was lower among farm households than for urban households when compared at the 60% relative poverty line.

TABLE 2.8 CONSISTENT POVERTY FOR FARM, OTHER RURAL AND URBAN HOUSEHOLDS

	Broad definition	Narrow definition
	%	%
60% consistent poverty line		
Farm households	2.1	1.4
Other rural households	6.8	6.8
Urban households	5.2	4.8
60% relative poverty line		
Farm households	17.0	16.4
Other rural households	15.1	15.1
Urban households	19.5	19.3

Source: CSO, EU-SILC (2007)

The Farm Assist is a means tested scheme aimed at low income farm families, which is administered by the Department of Social and Family Affairs. At the end of 2008, there were approximately 7,495 participants on the scheme.

The Rural Social Scheme (RSS) was launched in May 2004 to provide an income supplement to low income farmers and fisher persons while at the same time harnessing their skills for the benefit of rural communities. The scheme requires participants to work 19.5 hours per week and is administered in a farmer/fisher friendly manner allowing participants to work flexible hours. Since November 2006, all of the 2,600 participant places and 130 supervisor places have been allocated with individual quotas assigned to each of the Implementing Bodies.

Chapter Three:
Agricultural Commodities & Inputs

3.1 Overview

In 2008, agricultural commodity markets both at home and internationally returned to levels more in line with previous years, after numerous factors throughout 2007 culminated in historically high prices and output values in certain sectors, such as dairy products and cereals. Notwithstanding this return to a more familiar market environment, the Irish agriculture sector performed well in respect of a number of areas, such as beef, where prices and exports increased, facilitated by a significant fall in EU imports from South America and a decrease in UK beef production. Dairy markets faced a challenging year in the context of international dairy markets falling back from the record highs of 2007. Nonetheless, milk output was only down marginally on 2007. The continued and notable reduction in sheep stocks held on farms was a key contributor to a significant decline in output for the sector, whilst live exports were also down on 2007 levels. 2008 proved to be another challenging year for the Irish pigmeat sector, with low margins as feedingstuff prices remained high. However, the output value of the sector still increased by almost 8%. In the cereals sector, a number of factors, including Commission measures and an ensuing increase in the area planted facilitated an expansion in supply and moderated prices in 2008. This led to a 13% reduction in the output value of the sector in 2008 following on from a record 51% increase in 2007.

At an aggregate level operating surplus in Irish Agriculture decreased by 12.4% to €2,263 million in 2008. This follows an 11.8% increase in operating surplus in 2007 and illustrates the volatility of farm incomes in the recent past. While the overall value of goods output by the sector increased by 2.6%, or €150 million approx (increases were focussed in the cattle and pig sectors), higher input costs in 2008 have played an increased role in eroding these gains. Expenditure on intermediate consumption in agriculture increased by 12.3% to €4,577 million in 2008 with a high proportion of this increase attributable to the feed, fertiliser and energy sectors.

TABLE 3.1 OUTPUT AND INPUT IN AGRICULTURE, 2008[1] - VALUE, VOLUME AND PRICE

	Value	% Change 08/07			Share of GO/Inputs
	€m	Value	Volume	Price	
Gross output at producer prices	**5,852.5**	**2.6**	**-1.52**	**4.2**	**100%**
Milk	1,626.0	-2.2	-3.3	1.1	28%
Cattle and Calves	1,662.7	10.6	-4.3	15.6	28%
Pigs	316.6	7.9	-1.2	9.2	5%
Sheep and Lambs	165.3	-9.3	-13.3	4.6	3%
Poultry	158.0	4.1	-3.7	8.1	3%
Cereals	210.8	-12.8	28.6	-32.2	4%
Root Crops	94.1	-14.0	5.1	-18.1	2%
Fresh Vegetables and Fruit	219.1	n/a	n/a	n/a	4%
Forage Plants	1,034.0	12.1	2.2	9.6	18%
Other	366.1	n/a	n/a	n/a	6%
Intermediate consumption (Inputs)	**4,577.3**	**12.3**	**-0.5**	**12.9**	**100%**
Animal Feed	1,140.6	9.7	-4.4	14.8	25%
Fertilisers	507.1	41.4	-4.7	48.3	11%
Energy and Lubricants	385.0	18.8	1.6	16.9	8%
Maintenance and Repairs	387.8	6.0	-0.3	6.4	8%
Agricultural Services	316.8	9.9	5.3	4.3	7%
Forage Plants	1,016.0	12.0	2.2	9.6	22%
Other	824.0	n/a	n/a	n/a	18%

[1] Preliminary Estimate Source: CSO

Stock Changes

Early estimates for stock changes on Irish farms in 2008 are illustrated in Table 3.2. With the exception of cattle, there were continued declines in the volume of livestock held on farms, most notably in the sheep sector.

TABLE 3.2 ESTIMATED VALUE AND VOLUME[1] (000's) OF STOCK CHANGES ON FARMS, 2007-2008

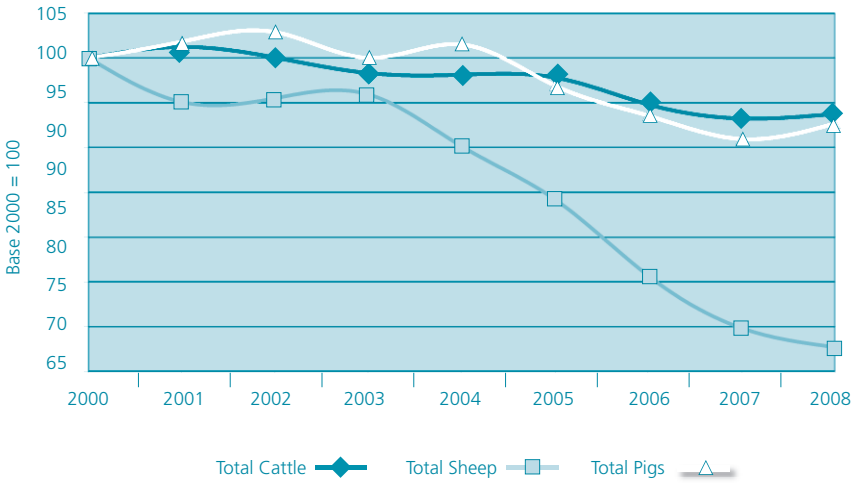
	2007 Value (€m)	Volume (000's)	2008[2] Value (€m)	Volume (000's)
Cattle	-59.3	-99.4	4.1	6.6
Sheep	-18.1	-295.8	-14.0	-239.3
Pigs	-3.1	-45.4	-6.0	-122.8
Poultry	-2.2	508.7	-2.7	508.7
Crops	-8.1	-52.5	-5.7	-52.5
Total	n/a	15.6	n/a	100.7

[1] Volume of Livestock is in heads (000s), volume of crops is in tonnes (000s)
[2] Early Estimate
Source CSO

The trends in stock levels for cattle, sheep and pigs are further outlined in Figure 3.1, which gives an index for stock numbers between 2000 and 2008 based on CSO December Livestock Surveys (Base 2000=100).

FIGURE 3.1 INDEX OF LIVESTOCK NUMBERS, 2000-2008

Source: CSO



Terms of Trade

Agricultural input prices increased by almost 19% in 2008 relative to an increase of 3.6% in output prices. These price developments equated to a detrimental movement in the terms of trade index for farmers of –12.8%. The increase in the annual input price index was largely due to increases in fertilisers, feeding stuffs and energy costs.

TABLE 3.3 TERMS OF TRADE, 2007-2008

Base 2000=100	2007	2008	% change 2008/2007
Output	118.0	122.3	3.6%
Input	131.3	155.9	18.8%
Terms of Trade	**89.9**	**78.4**	**-12.8%**

Source: CSO Agricultural Price Indices

3.2 Milk

General Market Situation 2008

During 2008 international dairy markets fell back from the record high levels they had reached in 2007 and there was increased volatility in the second half of the year. Global supply had increased in response to the high prices and demand contracted during 2008 as a result of the economic slump.

Increased production in early 2008 saw large quantities of butter go into private storage. The weak market situation led to increased pressure for a reintroduction of market supports and in November the Commission decided to bring forward the 2009 scheme of private storage for butter by 2 months to 1st January.

World milk production is estimated to have increased by 2.5% in 2008. The EU accounts for 22% of world milk production.

Output in Ireland

In 2008 there was a slight decrease (circa 2.2%) in the value of the milk sector to €1,626 million. Deliveries were estimated to be down marginally on 2007.

TABLE 3.4 MILK OUTPUT AND DISPOSAL[1] (WHOLE MILK ONLY), 2007-2008

Million litres	2007	2008	% Change
Manner of Disposal			
Milk sold off farms	**5,090**	**4,950**	**-2.8%**
Milk used in farm households[2]	22	22	0.0%
Imported milk intake	**473**	**464**	**-1.9%**
Total Milk Output	**5,585**	**5,436**	**-2.7%**
Of which:			
Used for liquid consumption	485	472	-2.7%
Used in the manufacture of:			
Cream[3]	228	226	-0.9%
Milk Powder	270	253	-6.3%
Butter	3,150	2,763	-12.3%
Cheese	1,283	1,740	35.6%
Chocolate Crumb	107	98	-8.4%
Miscellaneous products	843	820	-2.7%

[1] Milk output and disposal will not reconcile due to the existence of different production processes in the production of milk based products
[2] Including milk used for the production of farm butter, cream and cheese and milk given as payment in kind to agricultural employees
[3] Includes milk for the manufacture of cream by creameries and pasteurisers.

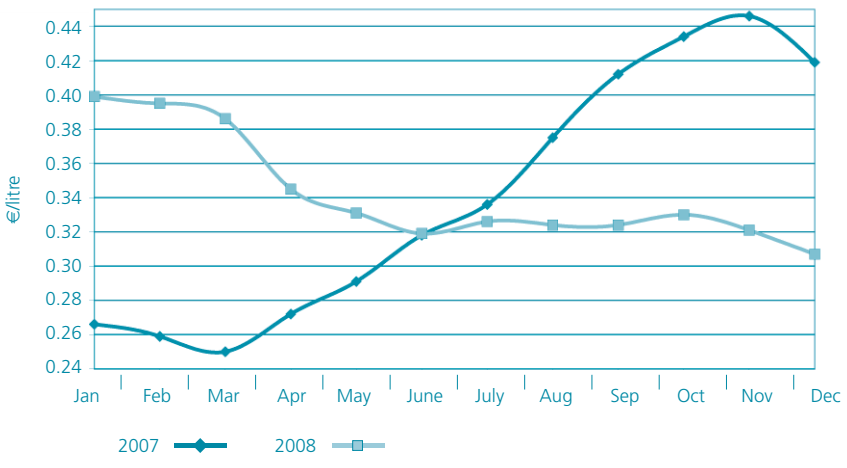
Source: CSO 2007; DAFF estimates 2008

Prices

The average price paid to producers in 2008 was 34 cents/litre, similar to the return to producers in 2007. In addition, dairy farmers received a dairy premium of 3.6 cent/litre. In the EU the average milk price was 35 cents/litre. In the EU not all Member States have taken the option to fully decouple as of yet.

FIGURE 3.2
MILK PRICES, 2007-2008

Source: CSO

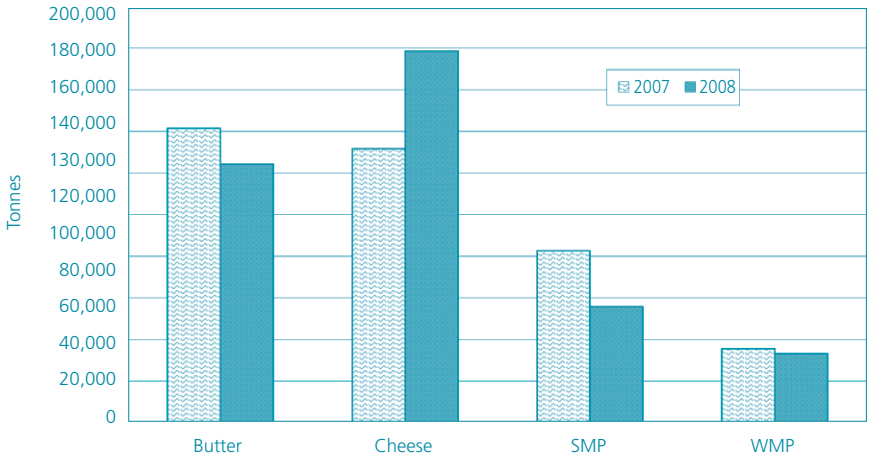


Production of Dairy Products

The Department of Agriculture, Fisheries and Food estimate that Irish butter, SMP and WMP production increased by 12%, 33% and 6% respectively in 2008. The production of cheese increased significantly by 38%.

FIGURE 3.3
PRODUCTION OF DAIRY PRODUCTS, 2007-2008

Source: DAFF



Exports

Exports of Irish dairy products and ingredients were robust with some €2.2 billion worth of produce exported in 2008. This represented a decrease of 5% on 2007 as international dairy markets saw a slump in demand.

Intervention/Market Management

In 2008 no Irish butter went into the Intervention Scheme, and all stocks were exhausted. However, increased production in early 2008 saw large quantities of butter placed in private storage. All remaining internal aids and export refunds remained suspended in 2008.

"Health Check" Reform

In the Health Check reform of the CAP, the intervention systems for butter and SMP were retained in their current format, as was the butter PSA scheme. The other proposals on dairy aids were agreed: PSA for cheese and internal butter aids abolished; disposal aid for SMP in feed and casein aid were made optional.

Quota Management

There were an estimated 19,686 active milk producers in 2008, a reduction of approximately 2.5% on 2007 (See Statistical Annex Table 12.7).

The Milk Quota Trading Scheme was the main means by which milk quota was acquired by producers. The Trading Scheme is comprised of two elements, namely, a Priority Pool and a Market Exchange. The Priority Pool distributes quota to priority categories such as young farmers and small-scale producers at a maximum price, which in 2008 was set by the Minister at 10 cent per litre. The Market Exchange is responsible for the remainder - typically about 70 per cent - of the quota trade. Buyers and sellers determine the price on the exchange, and the exchange takes place typically on a Co-op area level.

In 2008 the Trading Scheme was responsible for the transfer of about 56 million litres of quota in respect of the 2008/2009 milk quota year, and a further 32 million litres was traded in the November 2008 exchange, which was the first of two exchanges allocating quota in respect of the 2009/2010 milk quota year.

In the milk quota year 2007/2008 Ireland's deliveries of milk exceeded the national quota by 39,010,446 litres (0.74%) and a super levy of €11,067,236.59 was paid to the EU Commission. An additional 2% was added to each producer's quota from 1st April 2008 as a result of an adjustment to quota at EU level consequent on a report by the Commission recommending quota expansion.

Outlook 2009

The prospects for 2009 are mixed and Irish and EU dairy exports will find market conditions challenging. The EU Commission has agreed to activate the range of market management mechanisms at its disposal. Export refunds have been restored for all products and APS for butter was introduced on 1st January. The Commission is committed also to continuing to buy product into intervention after reaching the mandatory limits. In addition, consequent to the Health Check negotiations, Irish producers will benefit from a further increase in quotas of 1% from 1st April 2009 and an adjustment to butterfat reference which will increase deliveries by an aggregate of 2% overall. In the medium term most analysts forecast strong demand and high prices for dairy products, as population growth and greater prosperity in developing countries will induce higher levels of demand.

3.3 Cattle

General Market Situation 2008

In 2008 the market for Irish beef showed a considerable improvement on the previous year. Despite the current economic conditions, Irish beef exports increased by over 7% to €1.68bn. Steer prices rose by almost 15%, twice the EU average. This came about as a result of a significant fall in EU imports from South America and a decrease in UK beef production. However, during the autumn a noted slowdown in consumer spending was evident, which resulted in a switch to cheaper cuts and meats and this impacted on market returns. Furthermore, the weakening of sterling also made trade more difficult towards the end of the year. Reduced availability and increased volumes of French young-bull beef slowed trade to the Netherlands, France and Italy while exports to Scandinavia rose by 5%. Slaughterings were down almost 7% on 2007 figures to just under 1.58 million. This resulted from less finished cattle being carried over into the spring of 2008 and high feed costs.

Output in Ireland

In 2008, the output value of the beef sector increased by over 6% to approximately €1.66 billion. This was primarily a reflection of strong prices that were evidenced throughout 2008 compared to 2007, with the total number of disposals actually falling by over 8%.

TABLE 3.5 OUTPUT VALUE[1] AND NUMBER OF CATTLE AND CALVES, 2007-2008

	2007		2008[2]	
	Value (€m)	Number (000's)	Value (€m)	Number (000's)
Live Exports	81.68	206	70.99	148
Export Slaughterings	1,435.71	1,692	1,539.62	1,591
Other Slaughterings	45.84	79	49.09	74
Total Disposals	**1,563.23**	**1,977**	**1,659.70**	**1,813**
Imports	1.17	1	1.17	1
Changes in Stocks	-59.32	-99	4.14	7
Total	**1,502.73**	**1,877**	**1,662.66**	**1,819**

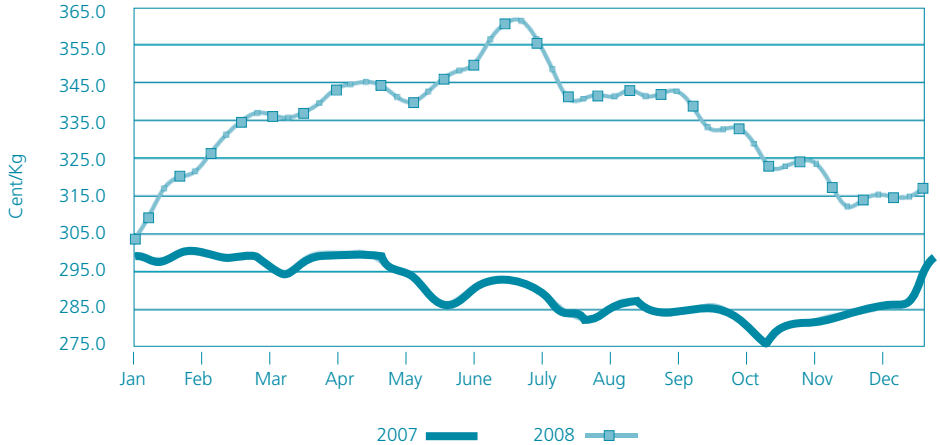
1 Values shown are after deductions for transport costs
2 Early Estimate
Source: CSO

Prices

Prices across all categories increased significantly in 2008, reflecting improved trading conditions, lower UK production, lower supplies across Europe and restrictions on Brazilian beef imports. Overall, steers increased by almost 15%, heifers were up by 14%, while cow prices showed the greatest increase, rising by almost 20%. Relative to EU-15 averages, Irish steer (R3) prices performed well during 2008. For the year, Irish steer prices averaged 99% of the EU weighted average price during 2008, compared with 92% in 2007 and 89% in 2006.

FIGURE 3.4
STEER PRICES, 2007-2008

Source: DAFF

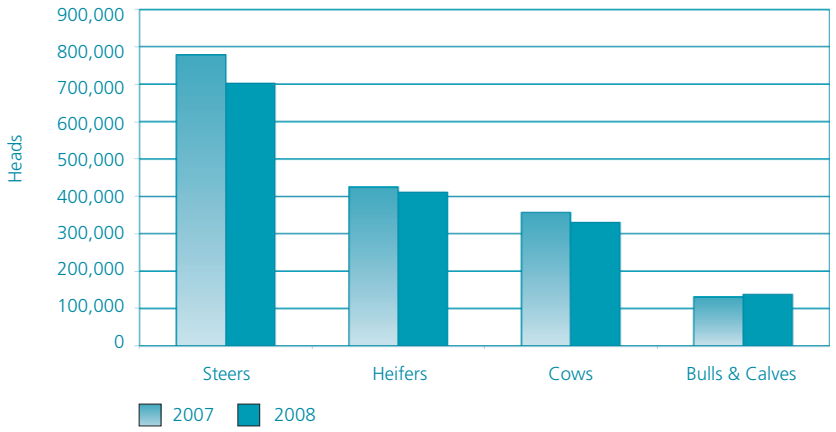


Slaughterings

Total cattle throughput at meat export premises in 2008 was down over 6.5% on 2007 figures to just under 1.58 million. This reflected a fall in carryover of finished cattle into the spring of 2008 and high meal feeding costs. There was a small decrease in average carcase weights across most categories as higher meal costs led to producers selling cattle earlier.

FIGURE 3.5
CATTLE SLAUGHTERINGS AT MEAT EXPORT PREMISES, 2007-2008

Source: DAFF

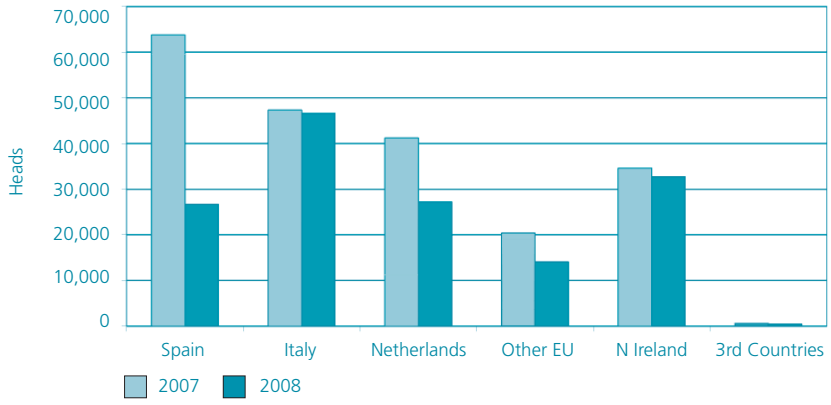


Live Cattle Exports

Live exports also continued to be an important outlet for our cattle, providing an essential element of competition with the beef trade. Following the abolition of Export Refunds on live animals, other than for breeding, this trade is now almost exclusively with other EU Member States. Live cattle exports for the year fell by 30% to 148,000 head. The value of this trade is estimated at just over €93m, representing a fall of 16%. The principal reasons behind the decline in export levels in 2008 were a lack of profitability in the spanish feedlot sector and lower veal demand as the year progressed.

FIGURE 3.6
LIVE EXPORTS OF CATTLE, 2007-2008

Source: DAFF



Beef Exports

The value of Irish beef exports increased in 2008 by more than 7% to almost €1.69 billion. Trade was helped by lower UK production and the reduced presence of Brazilian beef on the market. However, the weakening of Sterling made trade more difficult as the year progressed. This increase in the value of exports was achieved despite a drop of almost 7% in export meat plant supplies, at 1.58 million head. Exports to the UK fell by 6% to some 261,000 tonnes, however, the value of these exports rose by more than 9% to €847 million.

After six consecutive years of growth, shipments of beef to Continental EU markets fell by 8% to an estimated 217,000 tonnes. Shipments to the Netherlands, France and Italy were lower as reduced availability and increased volumes of French young bull beef impacted on trade. Shipments to international markets amounted to 5,000 tonnes, with Russia being the principal destination. However, rising stock levels and difficulties securing export credit insurance impacted on trade as the year progressed.

Third Country Developments

Despite the continuation of the shift in Irish exports towards Continental Europe, efforts continued during 2008 to reopen international markets. A veterinary health certificate was negotiated with the Saudi Arabian authorities, which will allow exports of boneless beef to that country and Ireland hosted a visit from an Israeli state veterinarian with regard to the possible re-opening of that market. The Filipino authorities announced that they were lifting the ban on the importation of beef from Ireland, subject to the approval of plants. The Market Access Group, established to facilitate trade in Irish beef to non-EU markets, continued to meet in order to monitor developments.

Outlook 2009

The deficit on the EU market in 2009 is forecast to rise by 17% to almost 190,000 tonnes and this shortfall offers Irish beef producers an excellent opportunity to further consolidate their position in this market. Potential importers such as Brazil and Argentina are limited in what they can do because of either health or export restrictions. However, the impact of exchange rate developments will be important, particularly in relation to the UK and, given the economic recession, there is a continuing switch to lower value cuts in key markets. A further increase in cattle disposals is anticipated in Ireland given the sharp fall evident in export meat plant supplies since late October 2008. As a result, Irish export volumes in 2009 are anticipated to rise by less than 15,000 tonnes. In terms of Continental EU markets, the best market prospects are likely to be in Scandinavia, Italy and Spain. Trade to International markets looks set to remain competitive as availability of export credit insurance is also becoming an issue in some markets.

3.4 Sheep and Lambs

General Market Situation 2008

Sheepmeat production during 2008 is estimated at 58,000 tonnes, a decline of 12% on 2007 levels. The decline in production is closely linked to decline in the national sheep flock, in particular the breeding flock, which declined by 8% between June 2007 and June 2008.

Output in Ireland

In 2008 the output value of the sheep and lamb sector fell approximately 9.3% to €165.3 million, primarily a reflection of reduced export slaughterings. The continued and notable reduction in stocks held on farms also contributed significantly to the decline in output, whilst live exports were also down on 2007 levels.

TABLE 3.6 OUTPUT VALUE[1] AND NUMBERS OF SHEEP AND LAMBS, 2007-2008

	2007		2008[2]	
	Value (€m)	Number (000's)	Value (€m)	Number (000's)
Live Exports	4.84	76.00	2.66	40.06
Export Slaughterings	187.68	2,944.00	172.12	2,607.90
Other Slaughterings	23.96	319.77	23.10	309.00
Total Disposals	**216.47**	**3,339.77**	**197.88**	**2,956.97**
Imports	16.15	233.27	18.64	261.58
Changes in Stocks	-18.09	-295.77	-13.98	-239.29
Total	**182.24**	**2,810.72**	**165.26**	**2,456.09**

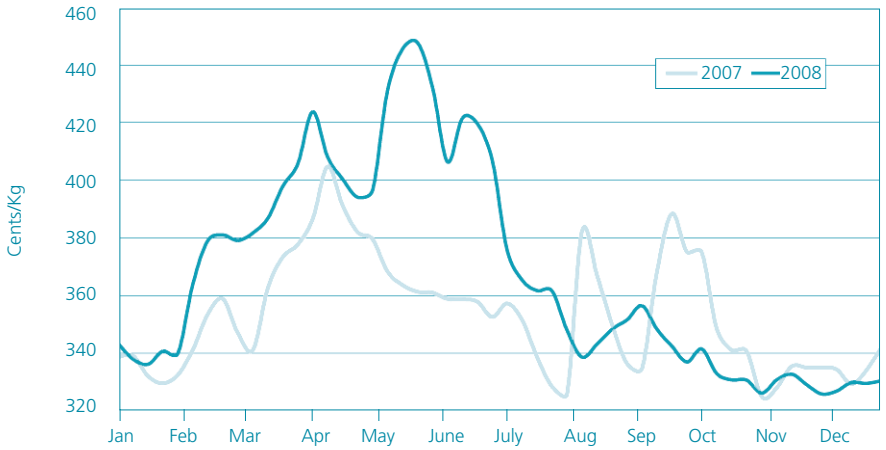
1 Values shown are after deductions for transport costs
2 Early Estimate
Source: CSO

Prices

Average factory prices for the year were up 3.9% on 2007 levels, however towards the end of the year they were generally below 2007 levels.

FIGURE 3.7
SHEEP PRICES AT MEAT EXPORT PREMISES, 2007-2008

Source: DAFF

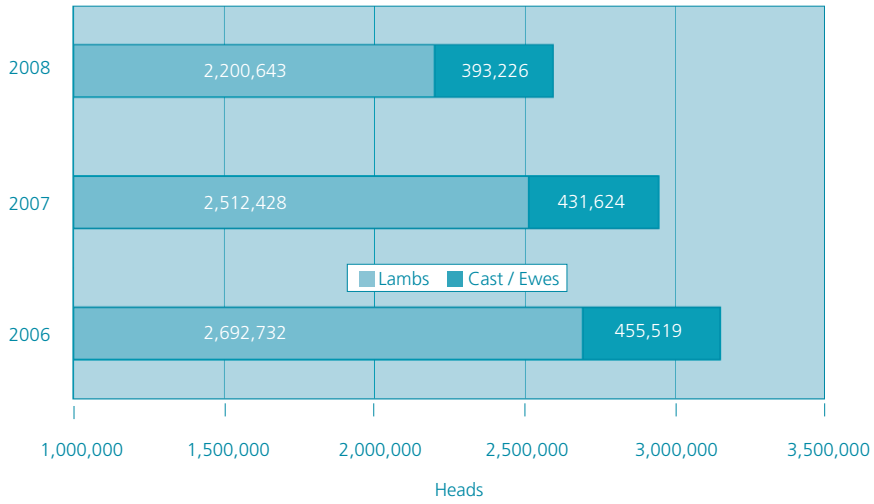


Slaughterings

Slaughterings at DAFF supervised export plants totalled 2.594m head in 2008. This represented a decline of 12% on the 2007 figures. The decline can be attributed to a reduction in the availability of lambs due to the contraction in the national breeding flock in recent years. A summary of slaughterings at export plants in the period 2006 - 2008 is shown below.

FIGURE 3.8
SHEEP SLAUGHTERINGS AT MEAT EXPORT PREMISES, 2006-2008

Source: DAFF



Exports

The decline in production coupled with more or less static domestic consumption meant that there was less sheepmeat available for export. Exports are estimated to have fallen by 7,500 tonnes (15%) to reach 41,500 tonnes in 2008.

Outlook for 2009

The fall in the breeding flock between June 2007 and June 2008 will impact on the lamb crop and ultimately supplies to factories in 2009. Reduced production is also forecast for the UK, France and New Zealand. As New Zealand export lamb supplies are forecast to decline by up to 23%, this will mean a dramatic fall in supplies to the French market.

3.5 Pigs

General Market Situation 2008

2008 proved to be another challenging year for the Irish pigmeat sector. Profitability margins for pig producers were low, as feedingstuff prices remained high for most of the year. Low margins were also experienced throughout the EU. Export refunds on fresh and frozen pork going to non-EU countries remained in place until August 2008 and were instrumental in maintaining reasonable pig prices. At the end of the year, the Irish pork industry was hit by a recall of pork due to a dioxin incident in feedingstuffs with a resulting loss of market share and international consumer confidence. An EU APS scheme for 30,000 tonnes specifically for Ireland was introduced in December 2008 to help alleviate storage problems. In addition to this, other measures made available were a facility of up to €180m State Aid for the Pigmeat Recall Scheme and EU funding of up to €20.7 million for the destruction of up to 130,000 pigs, 7,000 cattle and 9,050 tonnes of pig meat (See section 6.6).

Output in Ireland

In 2008, the output value of the pig sector increased by almost 8%. Whilst the volume of export slaughterings fell very slightly the substantial increase in value of this component accounted for the vast bulk of increased output value in the sector.

TABLE 3.7 OUTPUT VALUE[1] AND NUMBERS OF PIGS, 2007-2008

	2007		2008[2]	
	Value (€m)	Number (000's)	Value (€m)	Number (000's)
Live Exports	50.01	540	48.15	539
Export Slaughterings	253.81	2,563	272.23	2,528
Other Slaughterings	4.61	52	4.78	50
Total disposals	**308.43**	**3,155**	**325.15**	**3,117**
Imports	12.04	117	2.58	27
Changes in stock	-3.05	-45	-5.99	-123
Total	**293.33**	**2,992**	**316.58**	**2,967**

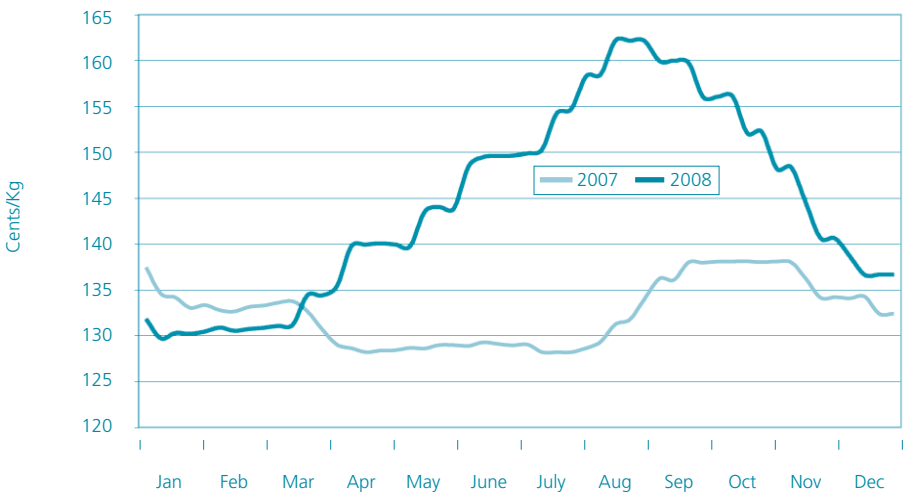
1 Values shown are after deductions for transport costs
2 Early Estimate
Source: CSO

Prices

Producer prices in 2008 were 9% higher than those in 2007. The average price for 2008 was €144.34/100 kgs and reached a high of €162.17/100 kgs. The Irish price averaged 94% of the EU average.

FIGURE 3.9
PIG PRICES AT MEAT EXPORT PREMISES, 2007-2008

Source: DAFF



Slaughterings
Slaughterings at DAFF export approved plants, at 2.5m, were down 2.3% on 2007 levels. However there was a more substantial decline in sow slaughterings, which were down 21%. The export of live pigs to Northern Ireland remained strong at 540,000 animals.

Exports
Exports in tonnage terms in 2008 amounted to approximately 131,000 tonnes and in value terms was €360 million. The UK market accounted for 53% of exports while continental EU and international markets accounted for 29% and 18% respectively. While exports to the UK were down 10% on 2007 levels, both continental EU and international markets were on a par with last year.

Outlook 2009
Because of the dioxin incident, consumer and key export markets confidence will have to be vigorously rebuilt and restored to the levels that were in place before this incident. The EU price forecast for the first half of 2009 is for an increase of 5% in the average price compared to 2008. Present indications are that feed prices in 2009 will remain low relative to 2008. The Irish breeding herd is forecast to decline in 2009 and it is estimated that production will drop in the region of 5%. EU-27 slaughtering figures are expected to decrease in quarter 1 by 4.5% and by 2.9% in quarter 2.

3.6 Poultry & Eggs

General Market Situation 2008
There was a relatively stable market for the poultry industry in 2008. Consumption of poultry meat increased, as did consumption across the EU. The level of profitability was very tight. Factors that have led to this can be attributed to feed and environmental costs, (although feed costs began to drop toward the end of 2008), a very competitive retail environment and competition from imports. The farm gate value of the poultry industry in Ireland was in the region of €158 million and the sector employed almost 6,000 people.

Output in Ireland
In 2008 the output value of the poultry sector increased to €158 million representing a 4% increase.

TABLE 3.8 OUTPUT VALUE AND VOLUME OF POULTRY, 2007-2008

	2007		2008[1]	
	Value (€m)	Number (000's)	Value (€m)	Number (000's)
Poultry	151.8	69,458	158.0	68,054

[1] Early Estimate
Source: CSO

Prices
Producer and wholesale prices in the poultry sector remained steady for 2008 in Ireland. Feed costs reduced towards the end of the year and this is expected to continue for 2009.

Slaughterings
Slaughtering of poultry totalled 73.4 million birds in 2008 – a nominal increase on 2007 levels.

Exports
The value of Irish poultrymeat exports in 2008 decreased by circa 8% to €223m, and returns were affected by competitive pressures in the UK market, which continues to account for the vast bulk of Irish poultry exports.

Outlook 2009
The outlook for the poultry industry for 2009 is for one of stability but imports will continue to exert competitive pressures on the indigenous poultry industry. As was the case in 2008 there will be a balanced demand for eggs in 2009 and prices are expected to remain stable. At EU level, 2009 import demand will increase as domestic consumption is growing faster than production. This will also lead to a reduction in exports.

3.7 Cereals

General Market Situation 2007

In the European Union, the grain market returned to a more normal situation in 2008, following the turmoil of the previous year, when a lower than expected harvest led to tightening supplies and to historically high prices. In response to this situation, the Commission introduced a number of measures to help alleviate the tight supply situation, including setting the obligatory set-aside rate at zero for the 2008 harvest. It is estimated that this measure alone increased the EU cereals harvest by in excess of 10 million tonnes. The high price levels of 2007 gave rise to an increase in the area planted to cereals across the Community for the 2008 harvest, with a resultant increase in production. The EU Commission estimates that total production for the 2008 harvest was in the region of 312 million tonnes, which would be a record and represent a 54 million tonne (or 21%) increase on 2007. This figure includes common wheat production of 140 million tonnes (an increase of 25% on 2007), barley production of 65 million tonnes (an increase of 13%) and maize production of 62 million tonnes (a 29% increase on 2007).

On the world market, the International Grains Council estimates that total grain production for the 2008 harvest was in the region of 1,788 million tonnes, an increase of 101 million tonnes on the 2007 harvest, which in itself was a record. The largest increase is in the production of wheat, which is forecast at 687 million tonnes, an increase of 78 million tonnes (13%) on 2007, mainly due to higher EU production. Maize production is forecast at 788 million tonnes, which is similar to the 2007 record. World barley production is estimated at 156 million tonnes, 17% above the 2007 total.

Output in Ireland

The preliminary estimate of output value of cereals in 2008 is €210.8 million, a decrease of 13% on 2007, due to an expansion of supply and moderated prices.

TABLE 3.9 OUTPUT VALUE AND VOLUME OF CEREALS, 2007-2008

	2007		2008	
	Value (€m)	Volume (000 tonnes)	Value (€m)	Volume (000 tonnes)
Barley	137.7	725.4	112.1	825.4
Wheat	83.5	403.5	88.5	693.4
Oats	20.6	109.4	10.2	81.7
Total	**241.8**	**1,238.4**	**210.8**	**1,600.5**

Source: CSO

Area, Yield and Production in Ireland

The overall area sown to cereals in Ireland in 2008 is estimated to be in the region of 314,000 hectares, up by 15% on the area sown in 2007. Despite the adverse weather conditions experienced last harvest, yields held up surprisingly well on most farms to produce an estimated 2.4 million tonnes. This estimate represents a 21% increase on the 2007 harvest and would be the second highest production on record, after the 2.5 million tonnes achieved in 2004. Wheat production at 985,000 tonnes represents a 30% increase, barley production at 1.265 million tonnes is up by 12%, while production of oats increased by 7% to 171,000 tonnes.

TABLE 3.10 AREA, YIELD AND PRODUCTION OF CEREALS, 2008

	Area (000 hectares)	Yield (tonnes per hectare)	Production[1] (000 tonnes)
Total Cereals	**314**	**7.7**	**2,421**
Wheat	**108**	**8.2**	**985**
Winter	86	9.8	839
Spring	22	6.6	146
Barley	**184**	**7.6**	**1,265**
Winter	21	8.5	176
Spring	163	6.7	1089
Oats	**22**	**7.0**	**171**
Winter	18	8.0	146
Spring	4	6.0	25

[1]Refers to all production, which is subsequently sold or used alternatively, typically for feed
Source: Teagasc estimate

Prices

In line with trends on world and EU markets, grain prices in Ireland dropped significantly in 2008, after the price explosion of the previous year. A consequence of high prices was an increase in cereal sowings right across the Community, resulting in a bumper EU grain harvest for 2008. This rise in production means that grain prices for the current marketing year, while expected to remain steady, will not reach the record levels attained during the 2007/2008 marketing year.

Intervention

There is no change to the price of grain sold into intervention in the 2008/2009 marketing year, with the basic buying-in price standing at €101.31 per tonne. The current intervention period runs from 1st November 2008 to 31st May 2009. Currently there are no intervention grain stocks held in Ireland.

The CAP Health Check agreement introduces a number of changes to the EU intervention regime, with effect from 2010. The intervention mechanism is retained for barley, with a ceiling of zero being fixed. However, the Commission can propose to raise this ceiling in future years, should the market situation so require. For bread-making wheat, a ceiling of 3 million tonnes per intervention period has been introduced, with a tendering system applicable on any volumes above this quantity. In order to allow time to adapt to the new grain intervention requirements, the changes will apply from the 2010/2011 marketing year, which begins on 1st July 2010.

Outlook 2009

At world market level, the International Grain Council forecasts that following the record world harvest in 2008, the global wheat area planted in 2009 is expected to decline by 1% to 222 million hectares. World wheat production will be in the region of 650 million tonnes, a drop of 37 million on the 2008 record, but still well above average. Sowings of barley and maize crops are also expected to decline, due to lower prices.

In the EU, assuming yields return to more normal levels, total wheat output for 2009 is projected to fall by around 11 million tonnes to 142 million tonnes. Spring barley areas are forecast to decline, offsetting an increase in winter sowings, resulting in a 2% reduction in total barley area. A reduction in maize sowings is expected in all major producing EU countries, resulting in a 3.5% fall to 8.8 million hectares. Falling prices and high input costs are the contributory factors affecting sowings for the 2009 harvest.

In Ireland, early indications are that lower cereals prices, together with a late, difficult harvest and wet autum have seen a decrease in the sowings of winter cereals. However, it is expected that production in Ireland will continue at the long-term average level of 2 million tonnes, subject to favourable weather conditions.

Compulsory set-aside of EU tillage land has been abolished under the CAP Health Check agreement, with effect from 1st January 2009. Therefore, from that date onwards, farmers are not required to set aside land from production in order to qualify under the EU Single Payment Scheme.

3.8 Horticulture & Potatoes

Horticulture Output in Ireland
In 2008 the output value of the horticulture sector was estimated at €291 million, which was an increase of 2.4% on 2007.

TABLE 3.11 OUTPUT VALUE OF HORTICULTURE, 2007-2008

	2007*	2008*	% change 2007/2008
	€m	€m	
Mushrooms	99.6	106.4	+6.8%
Other Fresh Vegetables	84.4	84.6	+0.2%
Fresh Fruit	32.2	32.5	+0.9%
Other	67.9	67.4	-0.7%
Total	**284.1**	**290.9**	**+2.4%**

*Source DAFF estimates

Mushrooms: The number of mushroom growers in 2008 was identical to the previous year at 85 growers. The value of the sector increased on 2008, with an overall output of €106 million. This was largely due to an improvement in yield, with an increase in the use of phase three compost. The proportion of phase three compost used by growers in 2007 was 52% which increased to 64% in 2008. Detrimental developments in the sterling exchange rate meant margins were extremely tight during the year with the devaluation of the Polish Zloty also increasing competitive pressure for Irish exports. The squeeze on profit margins was compounded by the high price of oil and labour during the year and price pressures from supermarket chains. However the fall in oil prices towards the end of the year helped profits recover slightly.

Fruit and Vegetables: Field vegetable crops suffered very badly from the wet summer with yields back from 20% to as much as 40% in some cases. The continuous rainfall meant that harvesting conditions were often very poor. This was compounded by the cold weather which caused some frost damage towards the end of the year. Increased input costs reduced profits in most sectors. The soft fruit sector did not suffer as much as expected from the persistent rain due to the increased production of fruit, especially strawberries, under protection.

Due to maturing cider orchards, the cider harvest was up; however difficult weather conditions during harvest and a reduction in the contract price (based on euro/sterling exchange rate) led to no appreciable increase in the overall value of the crop. Increased volume in culinary and dessert orchards and a reduction in the demand for cull apples for cider production led to downward price pressures in the sector.

Nursery Stock: Following steady growth in the nursery stock sector over recent years, there was a significant slow down in 2008. The spring was buoyant; however after July/ August, due to the slow down in the landscape business, output fell sharply and continued to fall for the rest of the year.

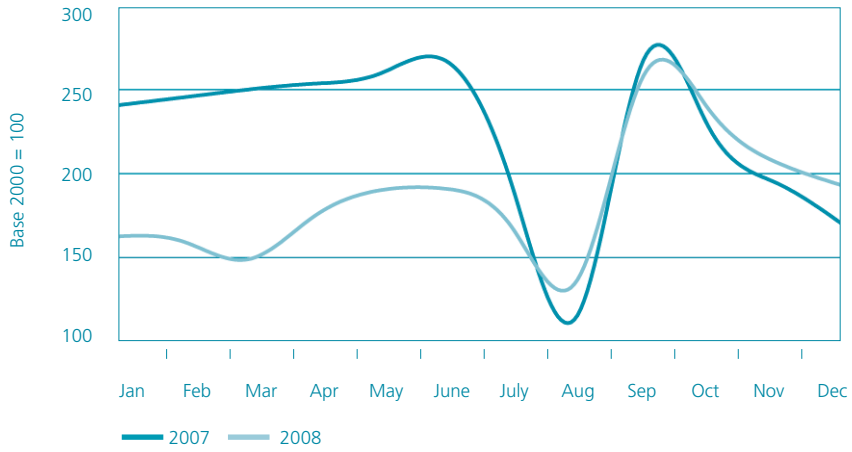
Importation of all plant types decreased considerably due to significant contraction in the market, reduced cash flow and the huge fall off in demand. Exports to the UK were affected by exchange rate developments with sterling, which forced some businesses to drop their prices to maintain market share. 2009 will bring many challenges in the continuing slow economic climate.

Potato Sector

There was a slight increase in potato production and some downward movement in prices in the first half of the year although prices finished the year up on 2007 levels. (See Figure 3.10 for potato price indices). Traditional varieties of rooster and kerrs-pink continue to account for the bulk of production.

FIGURE 3.10
POTATO PRICE INDICES, 2007-2008

Source: CSO Agricultural Price Indices



Area, Yield and Production

Potato production is estimated to have marginally increased in 2008 (Table 3.12). While there was a slight decrease in potato acreage there was a marginal increase in overall production due to improved yields.

TABLE 3.12 AREA, YIELD AND PRODUCTION OF POTATOES, 2007-2008

	Area (000 hectares)	Yield (tonnes per hectare)	Production (000 tonnes)
2007	11.7	34.0	398
2008*	11.6	34.5	400

* 2008 DAFF Estimate
Source: CSO 2007

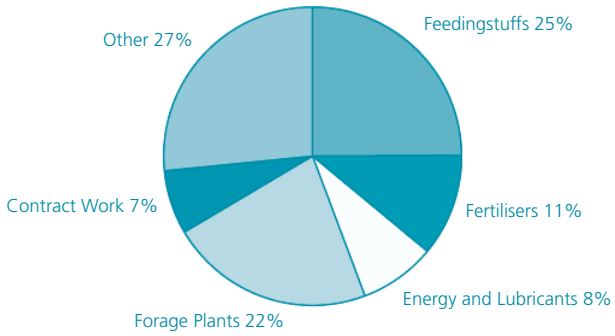
3.9 Intermediate Consumption In Agriculture (Inputs)

Expenditure on Intermediate Consumption

Expenditure on intermediate consumption in agriculture increased by 12.3% to €4,577 million in 2008. Despite decreased usage, expenditure on fertilisers increased by over by 41%. Feedingstuffs, which account for one-quarter of total intermediate consumption in the sector (see Figure 3.11), saw a 9.7% increase and energy costs were up 18.8%. These increases for intermediate consumption acted as the significant drag on overall operating surplus in 2008.

FIGURE 3.11 INTERMEDIATE CONSUMPTION 2008, - % SHARE OF SELECTED ITEMS

Source: CSO Output, Input and Income in Agriculture, Feb 2008



Price Indices for Agricultural Inputs

In 2008, the price level of agricultural inputs increased by 18.8%. While feedingstuffs and motor fuels experienced significant price increases, the cost of fertilisers (across all categories) exhibit the greatest increases (62% overall). Table 3.13 gives a detailed breakdown.

TABLE 3.13 AGRICULTURAL INPUT PRICE INDEX, 2007- 2008

	Average Change 2007	Average Change 2008
Input Prices	**6.7%**	**18.8%**
Feedingstuffs	**13.0%**	**14.2%**
of which		
Straight	15.6%	13.1%
Cattle	13.9%	16.3%
Pig	11.0%	11.8%
Poultry	11.4%	11.6%
Fertilisers	**2.5%**	**61.7%**
of which		
Straight	2.4%	55.8%
NPK	2.4%	68.3%
PK	6.6%	89.7%
Seeds	**8.9%**	**8.5%**
Veterinary Expenses (incl A.I)	**3.1%**	**2.2%**
Motor Fuels	**2.2%**	**17.8%**
Electricity	**11.3%**	**1.5%**

Source: CSO, Agricultural Price Indices

Animal Feedingstuffs

The volume of compound feedingstuffs produced increased from 3.6 million tonnes in 2007 to 3.7 million tonnes in 2008. The overall cost of annual feedingstuffs rose from €1,039m in 2006 to € 1,140 million in 2007 due to the dramatic increase in prices. CSO estimates indicate a 14.2% increase in prices in 2008.

FIGURE 3.12
PRICE INDEX FOR ALL FEEDINGSTUFFS, 2007-2008

Source: CSO, Agricultural Price Indices

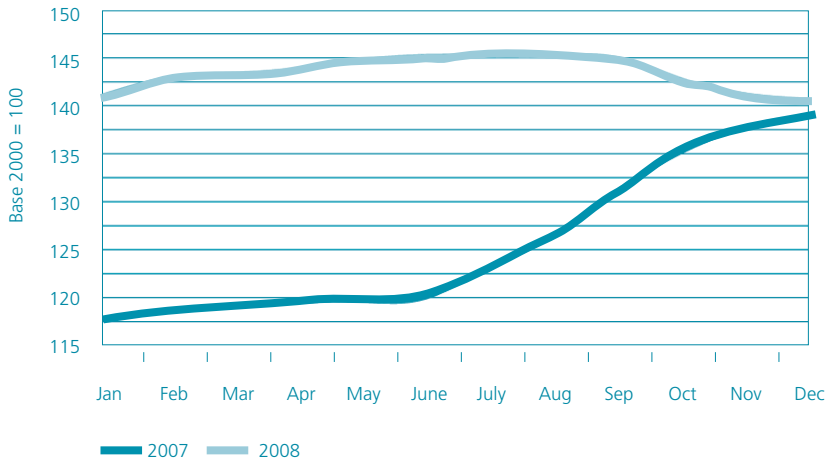
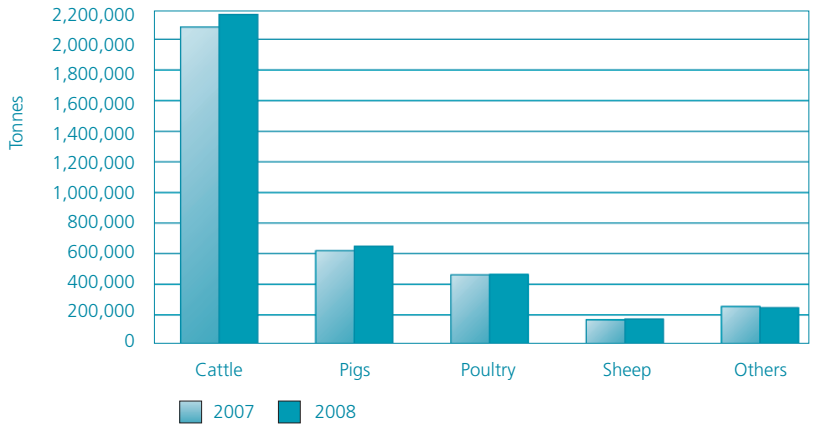


FIGURE 3.13
PRODUCTION OF COMPOUND FEEDINGSTUFFS, 2007-2008

Source: CSO, Agricultural Price Indices

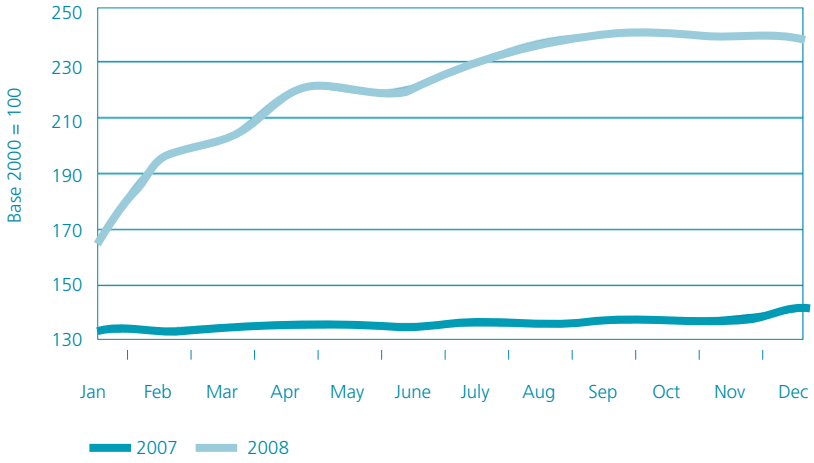


Fertiliser

CSO estimates for 2008 indicate that fertiliser (including ground limestone) price increased by 61.7% and volume consumed decreased by 4.7%. This equated to a 41.4% increase in the value of fertiliser consumed - from €359 million to €507 million.

FIGURE 3.14
PRICE INDEX FOR ALL FERTILISERS, 2007-2008

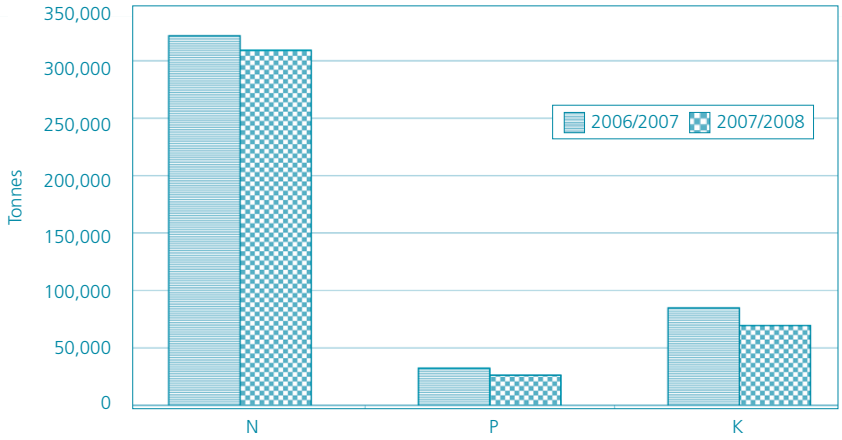
Source: CSO, Agricultural Price Indices



A comparison of 2006/2007 and 2007/2008 fertiliser years shows that for the sale year October 2007 to September 2008, total sales of NPK fertiliser decreased by 6.6%. There were decreases across each of the nutrients, with Nitrogen (N), Phosphorus (P) and Potassium (K) sales down by 3.9%, 18.7% and 17.9% respectively.

FIGURE 3.15
SALES OF FERTILISERS BY NUTRIENT CONTENT, 2006/2007-2007/2008

Source:DAFF

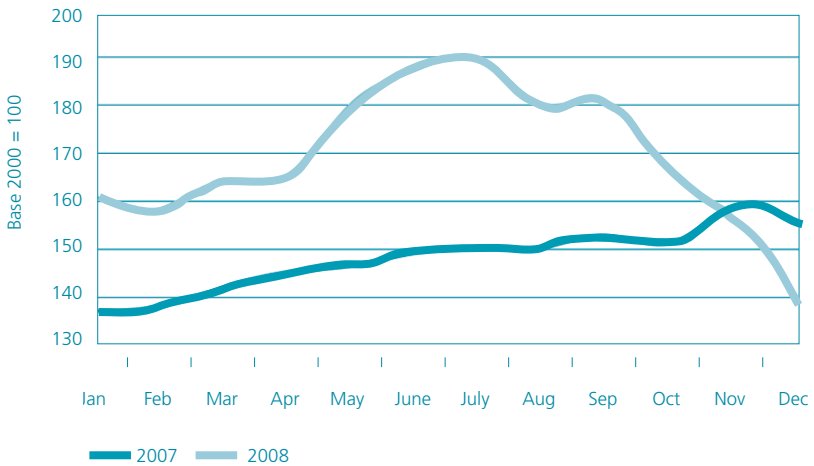


Energy Costs

In 2008, the price of all energy products increased by 14%. Included in this increase were average changes in the year of 17.8% for motor fuels and 1.5% for electricity.

FIGURE 3.16
PRICE INDEX FOR ALL ENERGY, 2007-2008

Source:DAFF



Chapter Four:
Farm Structure and Competitiveness

4.1 Overview

The most recent data available on current farm structure is from the CSO's Farm Structures Survey 2007; the data shows a slight slow down in the rate of decline in farm numbers along with a continuing emphasis on cattle and beef enterprises. CSO data is used to quantify overall labour input on farms, while National Farm Survey data distinguishes between full and part-time farms in terms of labour input and how underemployment corresponds with a greater prevalence of off-farm employment among drystock farmers. At the end of the Chapter there is a commentary on the competitiveness of Irish agriculture.

4.2 Farm Numbers and Farm Size

In 2007, the total number of farms was 128,200 (CSO, Farm Structure Survey 2007). Since 2000, there has been a decline in the number of farms in all size categories, but most notably in the smallest size group. Average farm size increased marginally to just over 32 hectare, with one-fifth of farms under 10 hectares and 63% under 30 hectares. Overall, the rate of decline over the period is estimated to have been1.4% per annum, which is a slight reduction on the rate of decline over the previous 7-year period[1].

TABLE 4.1 NUMBER OF FARMS BY SIZE OF FARM, 2000 AND 2007

	2000		2007	
	Numbers ('000)	%	Numbers ('000)	%
< 5	11.7	8%	8.4	7%
5-10	16.7	12%	16.2	13%
10-20	34.3	24%	30.5	24%
20-30	25.0	18%	24.1	19%
30-50	29.6	21%	26.3	21%
50-100	19.5	14%	18.2	14%
>100 ha	4.6	3%	4.5	4%
Total Farms	**141.5**	**100%**	**128.2**	**100%**
Average farm size (ha)	31.4		32.3	

Source: CSO, Census of Agriculture 2000 and Farm Structure Survey 2007

4.3 Age Profile of Farmers

In 2007, seven percent of farmers were estimated to be under 35 years, this is a substantial decline in both the number and overall proportion of young farmers since 2000. A large number of farmers also entered the older age categories over this period.

TABLE 4.2 NUMBER OF FARMS BY AGE OF HOLDER, 2000 AND 2007

	2000		2007	
	Number ('000)	%	Number ('000)	%
< 35	18.4	3%	8.9	7%
35-44	30.8	22%	22.7	18%
45-54	36.3	26%	31.4	24%
55-64	27.8	20%	33.3	26%
>65	28.0	20%	31.9	25%
Total	**141.3**	**100%**	**128.2**	**100%**

Source: CSO, Census of Agriculture 2000 and Farm Structure Survey 2007

[1] The rate of decline between 1992 to 1999 is estimated to have been 1.7% per annum.

4.4 System of Farming

The relative importance of the various systems of production remained unchanged with specialist beef production accounting for more than half of all farms. There was a contraction in the number of dairy farms while the number of specialist sheep farmers increased over the period.

TABLE 4.3 NUMBER OF FARMS BY SYSTEM OF FARMING, 2000 AND 2007

	2000		2007	
	Number ('000)	%	Number ('000)	%
Specialist tillage	4.7	3%	5.0	4%
Specialist dairying	26.2	19%	19.4	15%
Specialist beef production	72.0	51%	68.3	53%
Specialist sheep	12.2	9%	15.5	12%
Mixed grazing livestock	20.7	15%	16.0	12%
Mixed crops and livestock	3.6	3%	3.1	2%
Other	1.7	1%	1.0	1%
Total	**141.3**	**100%**	**128.3**	**100%**

Source: CSO, Census of Agriculture 2000 and Farm Structure Survey 2007

4.5 Labour Input

In 2007, two-thirds of the labour input on farms was provided by the farmholders, 30% was provided by other family members (including spouses) and 5% of labour was hired. These proportions are pretty much similar to 2000, however, the numbers involved and their total labour input (in terms of annual work units) have declined by 6% and 12% respectively.

TABLE 4.4 LABOUR INPUT IN AGRICULTURE, 2000 AND 2007

	2000		2007	
	Persons ('000)	Annual Work Units ('000)	Persons ('000)	Annual Work Units ('000)
Farmholder	141.3	105.8	126.4	95.5
Spouse	45.1	25.2	41.5	19.8
Other family	57.2	25.0	59.1	21.0
Non-family workers	14.4	8.0	15.2	7.5
Total	**257.9**	**163.9**	**242.3**	**143.9**

Source: CSO, Census of Agriculture 2000 and Farm Structure Survey 2007

Table 4.5 shows the numbers of persons involved in agriculture that have an off-farm occupation. Almost half of farm holders were estimated to have an off-farm job in 2007. The proportions were higher for other household members at 70% for spouses and almost 80% for other family members. The increase over the period corresponds with a decline in labour input.

TABLE 4.5 % OF FARM LABOUR FORCE WITH OFF-FARM EMPLOYMENT, 2000 AND 2007

	2000		2007	
	Persons ('000)	%	Persons ('000)	%
Farmholder	62.6	44%	60.1	48%
Spouse	23.6	52%	29	70%
Other family	37.5	66%	46.9	84%
Non-family workers	n/a	n/a	n/a	n/a
Total	**123.8**	**51%**	**136**	**57%**

Source: CSO, Census of Agriculture 2000 and Farm Structure Survey 2007

Comparison of National Farm Survey data on actual labour supply and standard man day requirements indicate the level of under-employment or surplus of labour on farms. Labour input is estimated to exceed the required labour (based on standard man days) by 45% on average. Under-employment is most evident on drystock farms, whilst dairy and tillage farms have less than the SMD requirements. In the breakdown between full-time and part-time it is clear that excess labour is particularly problematic on part-time farms.

TABLE 4.6 COMPARISON OF ACTUAL LABOUR WITH ESTIMATED LABOUR REQUIRMENT (STANDARD MAN DAYS), 2007

	Dairy	Dairy & other	Cattle Rearing	Cattle Other	Sheep	Tillage	All Systems
All Farms							
Total Actual Labour Units*	1.51	1.32	0.95	0.95	0.94	1.1	**1.07**
SMD labour units**	1.66	1.29	0.41	0.42	0.57	0.97	**0.74**
Total actual labour as % SMD	91	102	232	226	165	113	**145**
Full-time farms							
Total actual labour units	1.54	1.55	1.27	1.42	1.34	1.4	**1.46**
SMD labour units	1.73	1.95	1.03	1.32	1.34	1.78	**1.61**
Total actual labour as % SMD	89	79	123	108	100	79	**91**
Part-time farms							
Total actual labour units	n.a.	0.94	0.81	0.77	0.81	0.83	**0.8**
SMD labour units	n.a.	0.53	0.33	0.27	0.35	0.32	**0.32**
Total actual labour as % SMD	n.a.	177	245	285	231	259	**250**

Source: Kinsella, A, (2009) Analysis using National Farm Survey 2007 data.
*Actual labour unit is defined as 1,800 hours or more worked on a farm by a person over 18 years.
**Standard Man Days (SMD) Labour Unit eight hours of work supplied by a person over 18 years of age. The number of SMD required per hectare for the different crops and per head for various categories of livestock is used to calculate the total number of SMDs required to operate the farm

4.6 Female Employment and Labour Input

CSO's Quarterly National Household Survey (QNHS) for 2008 shows a 7.6% increase in the number of people identifying agriculture as their main occupation/source of earnings. The increase was most notable for females, up 25% on 2007. This brings the number of females employed in agriculture back to their 2000 levels.

TABLE 4.7 EMPLOYMENT IN AGRICULTURE BY GENDER, 2000, 2007 AND 2008

	2000 ('000)	2007 ('000)	2008 ('000)	% change
Male	102.8	97.4	102.8	5.5%
Female	14.3	11.4	14.3	25.4%
Total	**117.1**	**108.8**	**117.1**	**7.6%**

Source: CSO, Quarterly National Household Survey, (Quarter 2)

The female employment data corresponds closely with the number of farms owned by women. There was a substantial drop in female farmers between 2000-2007.

TABLE 4.8 FAMILY FARM HOLDER CLASSIFIED BY GENDER, 2000 AND 2007

	2000	2007
Males	126,243	113,600
Females	15,099	12,700
Total	**141,342**	**126,400**

Source: CSO, Census of Agriculture 2000 and Farm Structure Survey 2007

While the number of female farm holders was less than 13,000, over 65,000 women contribute to farmwork, accounting for over a quarter of the people working on farms and a similar proportion of labour input.

TABLE 4.9 PERSONS WORKING ON FARM HOLDINGS BY GENDER, 2007

	Women ('000)	AWU* ('000)	Men ('000)	AWU* ('000)
Holders	12.7	7.8	113.6	87.7
Spouses	36.8	17.1	4.7	2.7
Other family workers	14	3.9	45.1	17.1
Non-Family	2.2	1.2	13.1	6.4
Total	**65.7**	**30**	**176.5**	**113.9**

*Annual work unit = 1,800 hours or more of labour input per person per annum
Source: CSO, Farm Structure Survey 2007

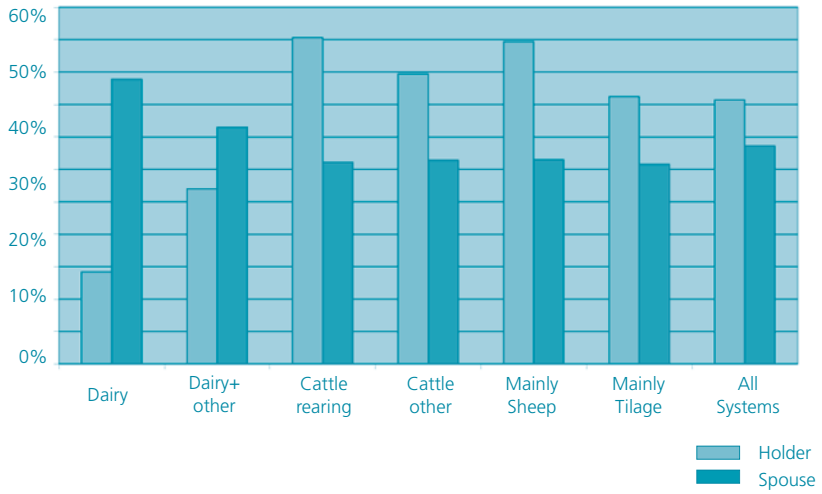
4.7 Off-farm Employment

National Farm Survey 2007 represented some 113,210 farms[2]. While the main focus of the survey is on financial and technical indicators, it also covers some demographic characteristics, which may differ from CSO indicators due to the difference in the number of farms represented.

In 2007, 41% of holders had an off-farm occupation and 34% of spouses. In 58% of cases either the holder and/or spouse had off-farm employment[3]. The highest incidence of off-farm employment among holders was reported on cattle and sheep farms, while spouses had more of a tendency to have off-farm employment on dairy farms.

FIGURE 4.1
PERCENTAGE OF FARMERS AND/OR SPOUSES WITH OFF-FARM EMPLOYMENT BY SYSTEM OF FARMING, 2007

Source: National Farm Survey 2007



Data from the CSO for 2007 suggests that 48% or 60,923[4] farm holders have off-farm occupations.

TABLE 4.10 NUMBER OF FARMHOLDERS WITH OFF-FARM EMPLOYMENT, 2000 AND 2007

	2000	2007
	('000)	('000)
Sole occupation	78.7	66.6
Major occupation	19.6	22.4
Subsidiary occupation	43.0	38.0
Not engaged in farmwork	0.0	1.1
Totak Farmholders	**141.3**	**128.1**

Source: CSO, Census of Agriculture 2000 and Farm Structure Survey 2007

[2] The National Farm Survey excludes farms with less than 2 ESU's.
[3] The figures are lower than those reported by the CSO which would in part be due to the fact that farms with less than 2 ESU are excluded.
[4] Farmers who said they were not engaged in farm work were divided proportionally between other categories.

4.8 Land Mobility

Reports on land sales suggest that the volume of agricultural land sold remains at very low levels while land prices are contracting. Official data on land sales is not available for the last few years, however, the Irish Farmers Journal Agricultural Land Price Report 2008 suggest that the average price for land in 2008 was €15,867 per acre. They also state that a feature of 2008 was a return of the farmer buyer and while business people are remaining in the market, developers, investors and speculators appear to have left the market.

A significant proportion of agricultural land is leased, either on a long or short-term basis. In 2007, 42,500 or 32% of farms had leased land with approximately 17% of total agricultural area leased.

TABLE 4.11 PERCENTAGE OF FARMERS RENTING-IN FARMLAND AND AREA RENTED-IN, 2007

	Number of farms renting-in	% of farms renting-in	Area rented-in	% of total area rented-in
Specialist tillage	2,000	5%	92,100	13%
Specialist dairying	10,800	25%	200,800	28%
Specialist beef production	20,400	48%	306,000	43%
Specialist sheep	3,200	8%	5,100	1%
Mixed grazing livestock	4,700	11%	76,000	11%
Mixed crops and livestock	1,200	3%	31,700	4%
Other	200	0%	4,400	1%
Total	**42,500**	**100%**	**716,100**	**100%**

Source: CSO, Farm Structure Survey 2007

4.9 Investment, Borrowing and Interest in Agriculture

Gross fixed capital formation or capital investment in agriculture rose significantly in 2007. Most of the increase was attributable to investment in farm buildings. Investment in land improvements, agricultural machinery and equipment also increased. The value of breeding stock declined over the period.

FIGURE 4.2
CAPITAL INVESTMENT IN AGRICULTURE, 2000-2007.

Source: CSO

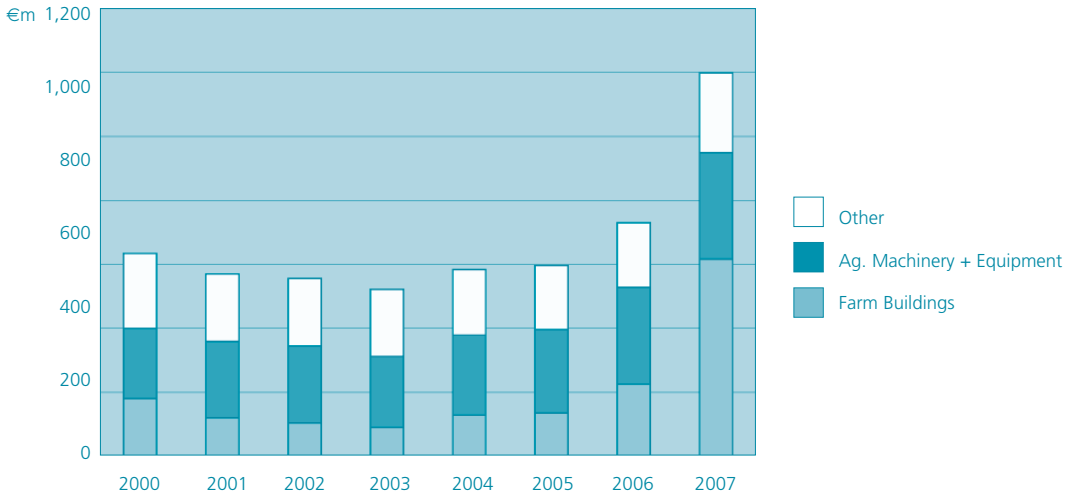


TABLE 4.12 GROSS FIXED CAPITAL FORMATION IN AGRICULTURE, 2000 AND 2007

	2000	2007
	€m	€m
Farm Buildings	224.43	615.56
Land improvements	16.78	46.01
Transport Equipment	108.90	106.00
Ag machinery and Equipment	303.30	333.22
Other equipment	76.00	96.96
Total (excl breeding stock)	**729.40**	**1,197.76**
Breeding stock	-57.71	-28.37
Total (incl breeding stock)	**671.69**	**1,169.39**

Source: CSO

Teagasc's survey of farmers' investment plans suggests that capital investment in 2008 reached a record level of €1.9 billion (Connolly et al., 2008)[5]. The recent spikes coincide with substantial investment in the Farm Waste Management Scheme. Investment levels in 2009 are predicted to return to the levels seen before the recent hikes.

Borrowings

Figure 4.3 shows the substantial increase in borrowings since 2000. The most significant increase in borrowings was by the livestock sector (excluding dairying). However, in the past year there was a noticeable increase in borrowings by the dairy sector which were up 26% compared with 15% for other cattle systems and 6% for other agricultural activity.

FIGURE 4.3
BORROWINGS BY THE AGRICULTURE SECTOR, 2000-2008

Source: Central Bank and Financial Services Authority of Ireland

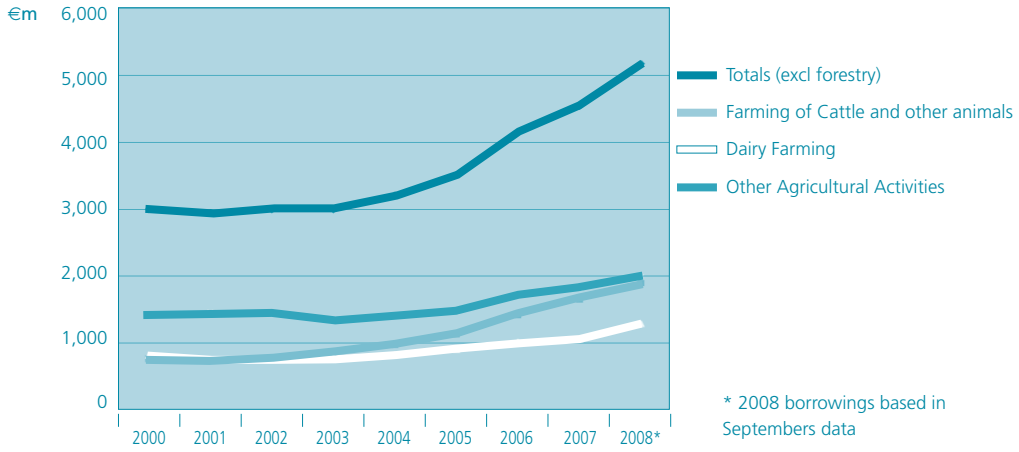


TABLE 4.13. BORROWINGS BY THE AGRICULTURE AND FORESTRY SECTORS, 2007 AND 2008

	September 2007	September 2008
	€m	€m
Agriculture and forestry	4,749	5,444
Farming of cattle and other animal	1,644	1,897
Dairy farming	1,027	1,290
Other agricultural activities	1,875	1,985
Forestry and logging	222	271

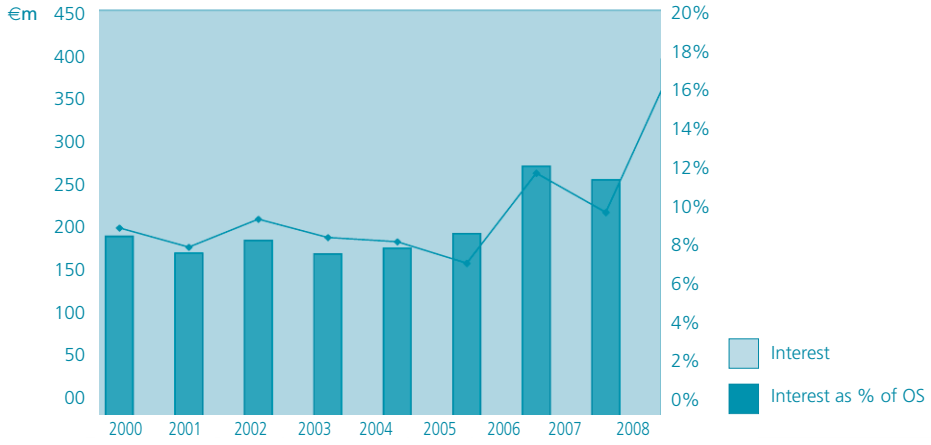
Source: Central Bank and Financial Services Authority of Ireland (Quarterly Bulletins)

[5]Connolly, L. Cushion, M. and Quinlan, G. (2008), "Farm Income/ Farm Investment 2008/2009" in proceedings of the Teagasc, Situation and Outlook Conference 2008/2009, December 2008.

Interest on borrowings rose by 8% to €397.6 million in 2008 and amounted to 18% of operating surplus.

FIGURE 4.4
INTEREST PAID AND AS A PERCENTAGE OF OPERATING SURPLUS, 2000-2008.

Source: CSO



4.10 Competitiveness of Irish Farms

Analysis of the relative competitive performance of the main sectors of Irish agriculture is outlined below based on research by Carroll et al. (2008)[6]. The analysis is based on accountancy measures of competitive performance using Farm Accountancy Data Network (FADN) data for selected countries[7] the period 1996-2005. The performance over the period 1996-2003 was separated from 2004 and 2005[8] in an attempt to illustrate the effect of decoupling on the competitiveness of the individual sectors.

Dairying

There was a slight deterioration in the cash cost competitive positioning over the period for Irish milk producers, however, cash costs remained below the average of all the countries examined. However, this competitive advantage deteriorated when total economic costs were considered. As a per cent of output, total economic costs were highest in Ireland for the average size farm at 122 per cent of output (1996-2003) and 110 per cent of output in 2004-2005. The most significant imputed cost that contributed to the relatively high figure was the charge for owned land. This has implications for the long-run competitive position of Irish milk production.

Beef Sector

The accountancy indicators for specialist beef systems, over the period 1996 to 2005, show that Irish producers had a competitive advantage when cash costs were examined as a per cent of total output. However, the competitive position exhibited by Irish beef farms was much weaker when cash costs were expressed as a total of market based output in 2004/2005. For example, in Ireland for cattle rearing farms cash costs were 39% higher than market based output in 2004/2005.

When total economic costs were considered the competitive position of Irish beef producers deteriorates further. In 2004/2005 total economic costs as a per cent of total output were 22 per cent and 10 per cent higher than the average of all countries for beef rearing and finishing farm, respectively. Again the imputed charge for owned land and labour had a large negative influence on the relative competitive advantage of Irish beef farms.

Cereals Sector

Irish cereal producers maintained a competitive advantage relative to the average of the other countries in the analysis. Irish cereal producers had the second lowest cash cost to total output ratio compared to the other countries examined for 2004/2005. Even when total economic costs were measured Irish cereal producers maintained a competitive advantage compared to the average of all countries. When non-market based output was excluded from the analysis and costs were expressed as a per cent of market based output, Irish cereal producers remained competitive during the period 2004/2005.

Sheep Sector

Irish sheep producers had a comparative advantage compared to France and the UK, over the period 1996 to 2005 when cash costs as a per cent of total output were examined. Irish producers have the lowest cash costs as a percentage of output, but this result changed when cash costs were expressed as a per cent of market based output only. In 2004/05, cash costs were 55% higher than market based output, which was 10% higher than the average market based output of all countries examined. This result not alone highlights a competitive issue but a viability issue given that cash costs are well in excess of market based output.

[6] Carroll, J., Newman, C., and Thorne, F. (2008) The Relative Productivity and Competitiveness of Irish Agriculture 1996-2006 (2008), National Report, RERC, Teagasc publication.
[7] The competitive position of Irish (i) dairy farms was compared against Belgium, Denmark, France, Germany, Italy, the Netherlands and the UK; (ii) sheep farms were compared against the UK and France; (iii) beef farms were compared against France, Germany and the UK; and (iv) cereal farms were compared against Denmark, Germany, France, Italy and the UK.
[8] The authors acknowledge that decoupling was only introduced in 2005 but the issues associated with observation of single year data was considered more of an issue than the need to isolate 2005 from previous years.

Chapter Five:
The Food Industry

5.1 Overview

The manufacture of food and drink products is one of Ireland's most important indigenous industries. This is evidenced across a range of variables. Annual turnover in the sector approached €25 billion in 2007. The sector employs in the region of 50,000 people directly, as well as supporting those indirectly employed. These jobs have a wide geographic spread throughout all regions of the country especially rural areas. The industry provides the primary outlet for the produce and output of the country's 128,000 family farms. The industry accounted for €8.5bn, (or approximately half), of purchased Irish goods and services by manufacturing industry in 2007. The sector accounts for approximately half of exports by indigenous manufacturing industries.

Bord Bia estimates that the value of food and drink exports in 2008 was approximately €8.2 billion. Approximately three-quarters of exports go to high-value markets in the UK and the EU, with the balance going to the rest of the world.

The table below outlines the sector's contribution across some key macroeconomic variables[1].

TABLE 5.1 THE FOOD AND DRINKS INDUSTRY IN THE NATIONAL ECONOMY, 2007

Food and Drinks	Estimated Values	% of Total
GVA @ Factor Cost	€ 6.9 bn	3.8%
Employment Q2 2008	50,000	2.4%
Agri-Food Share of Exports	€8.6 bn	10.0%

Source: CSO, QNHS Q2, DAFF, Dept. Finance

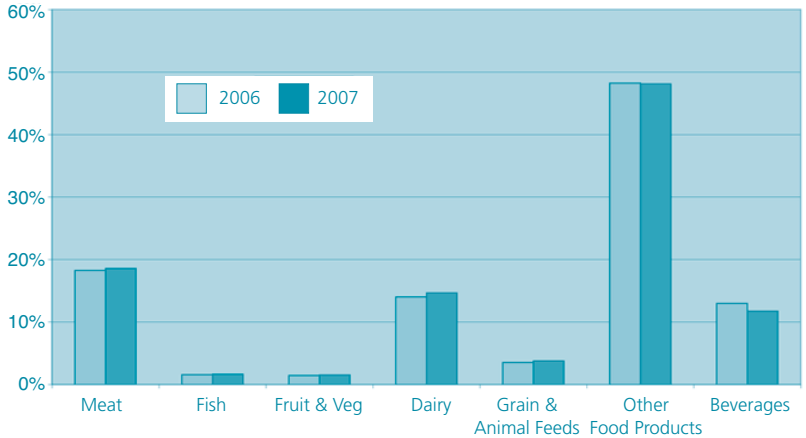
5.2 Size and Structure of the Food and Drinks Sector

Output

Early estimates for 2007 from the CSO indicate that the Food and Drink (FD) sector accounted for approximately one-fifth of total turnover for all manufacturing industries. Turnover in the FD sector was just short of €25 billion, an increase of 7% on the previous year. The food sector (excluding beverages) accounted for circa 88% of turnover in the FD sector. Meat and dairy production accounted for one-third of turnover in the overall sector. The composition of turnover by broad sector for the years 2006 and 2007 is outlined in Figure 5.1

FIGURE 5.1
COMPOSITION OF FOOD AND DRINKS TURNOVER BY BROAD SECTOR, 2006-2007

Source: CSO, Census of Industrial Production, 2007 Early Estimates



Gross Value Added

Gross value added (at market prices) attributable to the food and drink sector increased by 6.7% between 2006 and 2007, while the food sector component showed impressive growth of over 11% to €5.2 billion. Table 5.2 elaborates on the components and trends in GVA in the food sector for the most recent Census of Industrial Production data.

[1] Figures for GDP and Employment relate exclusively to the food and drink sector whilst figures for exports relate to both processed and unprocessed agri-food produce. Employment data refers to 2008. Export data included forestry and other unprocessed agriculture products.

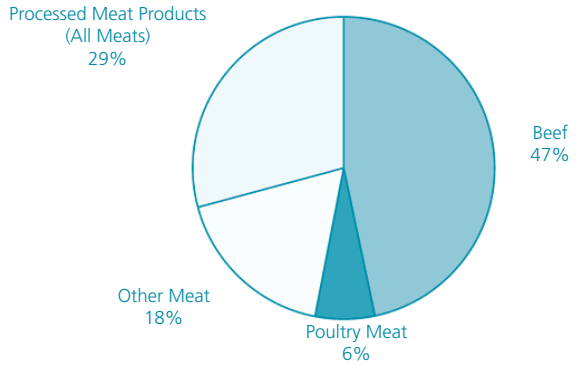
TABLE 5.2 GVA OF FD SECTOR AT MARKET PRICES, 2006-2007

Description	2006	2007	% Change
	€m	€m	
All Manufacturing Industries	**35,571**	**36,562**	**2.8%**
Food	**4,703**	**5,237**	**11.4%**
Of which			
Meat	647	674	4.2%
Fish	77	87	13.0%
Fruit, Veg & Oils	107	93	-13.1%
Dairy	520	569	9.4%
Grain & Animal Feeds	157	155	-1.3%
Other Food Products	3,195	3,659	14.5%
Beverages	**1,771**	**1,670**	**-5.7%**
TOTAL Food and Drink (FD)	**6,474**	**6,907**	**6.7%**

Source: CSO, Census of Industrial Production 2007 Early Estimates (Enterprises)

The meat sector, along with dairying, plays a predominant role in the overall food sector. Focussing on this area, Figures 5.2 and 5.3 show breakdowns for overall turnover and GVA for the meat sector by its sub-components. The turnover for the entire meat sector increased by just over 14% compared to the previous year whilst GVA increased by circa 4.3%. The turnover for the beef sector represents almost half of turnover for the entire sector whereas the production of processed meat exhibits a higher value-added (GVA).

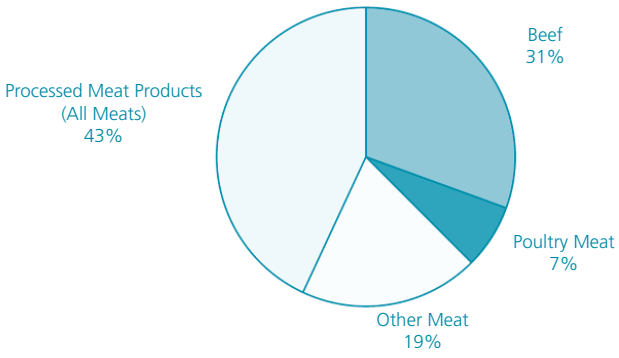
FIGURE 5.2 TURNOVER IN THE MEAT SECTOR, 2006



Turnover in meat sector €4,246.2m

Source: CSO, Census of Industrial Production

FIGURE 5.3 GVA IN THE MEAT SECTOR, 2006



GVA in meat sector €674.5

Source: CSO, Census of Industrial Production

Employment

According to the most recent data from the CSO, employment in the FD sector stood at 54,800 in the third quarter of 2008, up slightly on the same quarter for the 2007. Figure 5.4 illustrates the employment trends for the sector over the past few years (2006-2008Q3).

FIGURE 5.4
EMPLOYMENT
IN THE FD SECTOR, 2006-2008

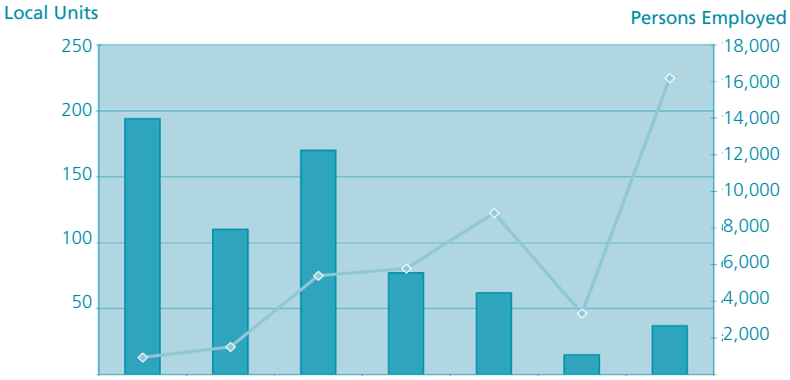
Source: CSO, QNHS

Size and Structure

The food and beverage sector encompasses a wide range of company types and sizes, from the small independent farmhouse producer to the large food processors. Figure 5.5 below illustrates the wide spectrum of company sizes and the wide variations in employment levels within the sector. Some 5.5% of units in the sector, typically larger companies and cooperative style concerns account for just under two-fifths of persons engaged. Approximately 70% of local manufacturing units in the sector, those employing 50 persons or less, account for around one-fifth of total people engaged. Employment in the sector exhibits a wide regional spread, providing jobs in rural areas and not confining itself to urban centres (see section on Regional Spread).

FIGURE 5.5
FOOD AND DRINK INDUSTRY STRUCTURE, 2006

Source: CSO, Census of Industrial Production



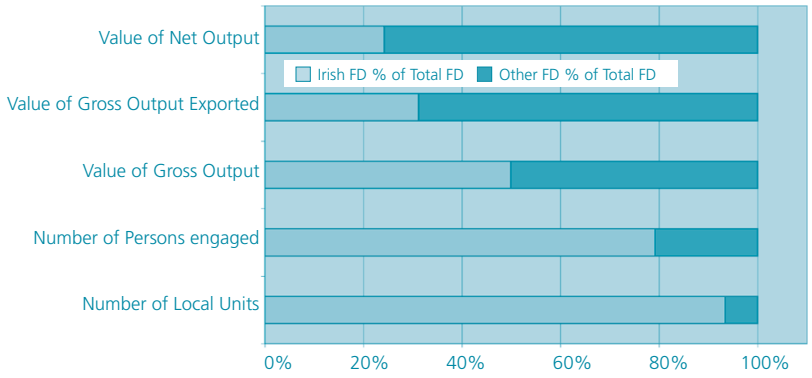
	Under 10	10-19	20-49	50-99	100-199	200-249	250+
Local Units	194	110	170	77	62	15	37
Persons Engaged	938	1,502	5,397	5,790	8,822	3,329	16,188

Contribution to the Irish Economy

The importance of the sector to the indigenous economy is analysed in Figure 5.6. This looks at the breakdown between resident and non-resident factors across key variables in the FD sector. In terms of employment in the sector, the vast majority of persons engaged (almost 80%) are in Irish owned units, which comprise well over 90% of local units in the sector. The value of gross output is evenly split between Irish and foreign owned units whilst Irish owned FD units accounted for over half of gross value exported by all Irish owned manufacturing units (FD and non-FD).

FIGURE 5.6
DISTRIBUTION OF KEY VARIABLES BETWEEN IRISH AND NON-INDIGENOUS OWNERSHIP WITHIN THE FD SECTOR, 2006

Source: CSO, Census of Industrial Production (Local Units)



The Annual Business Survey of Economic Impact (ABSEI)[3] for 2007, conducted by Forfás, provides aggregated estimates for all Irish-owned and foreign-owned firms across a range of variables. As part of this survey, Forfás collates data on Irish Economic Expenditure (IEE), taken to consist of wages, Irish raw materials and Irish services. An analysis of expenditures by companies operating in Ireland highlights the close ties the FD sector retains with the national economy in terms of IEE. Table 5.3 illustrates absolute comparisons between the FD Sector and the overall manufacturing sector in terms of this breakdown in expenditures whilst Figure 5.6 demonstrates proportional comparisons. Irish Economic Expenditure accounts for over 70% of total expenditure in the FD sector. This compares favourable to the manufacturing sector when taken as a whole, where the equivalent rate of IEE is just over 40%.

[3] The ABSEI survey covers the client base of Enterprise Ireland, IDA Ireland, Shannon Development and Údarás na Gaeltachta, and the population comprises all manufacturing and internationally traded services firms in Ireland with 10 or more employees – approximately 4,000 client companies.

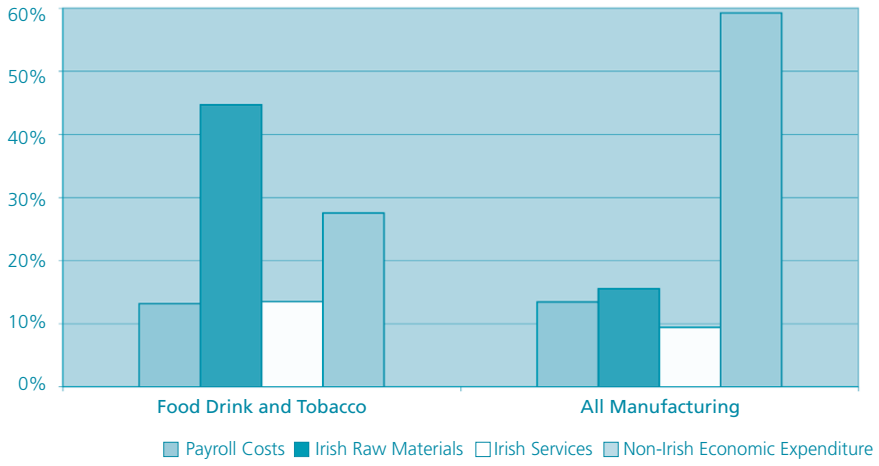
TABLE 5.3 IRISH ECONOMIC EXPENDITURE, 2006-2007

	FD Sector		All Manufacturing	
€m	2006	2007	2006	2007
Payroll Costs	1,796	1,881	8,594	9,218
Irish Raw Materials	6,305	6,384	10,408	10,652
Irish Services	1,814	1,925	5,844	6,452
Corporation Tax	167	162	1,601	1,641
Total Irish Economy Expenditure (IEE)	10,082	10,352	26,447	27,963
Total Expenditure	13,641	14,287	64,412	68,629
IEE as % of Total Expenditure	**73.9%**	**72.5%**	**41.1%**	**40.7%**
Sales	16,370	16,964	87,560	93,221
IEE as % of Sales	**61.6%**	**61.0%**	**30.2%**	**30.0%**

Source: Forfás, Annual Business Survey of Economic Impact 2007

FIGURE 5.7
BREAKDOWN OF EXPENDITURE IN FD SECTOR COMPARED WITH OVERALL MANUFACTURING SECTOR, 2007

Source: Forfás, Annual Business Survey of Economic Impact 2007



Regional Spread

The FD Sector exhibits a wide geographic spread throughout the country. Whereas the Dublin area dominates the overall manufacturing sector, this is not evident when analysing the FD sector. Figure 5.8 compares the dispersion of units in the FD sector with other manufacturing industries.

FIGURE 5.8:
REGIONAL DISPERSION OF FD COMPARED TO OTHER MANUFACTURING INDUSTRIES, 2006

Source: CSO, Census of Industrial Production

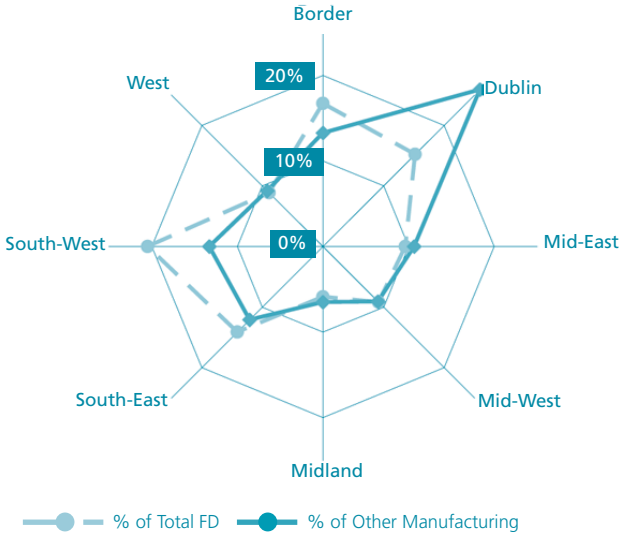


Table 5.4 elaborates on further regional details for the sector. Approximately 44% of FD units are located in the Border, Midlands and West (BMW) region. This compares favourably to the rest of the manufacturing sector where less than one-third are located in the region. Regional concentrations can be delineated across broadly sectoral lines with the beef sector more concentrated in the mid-east and border regions whilst the dairy sector is primarily concentrated in the southern regions, particularly evident in the south-west.

TABLE 5.4 REGIONAL DISPERSION OF FD AND ALL MANUFACTURING SECTORS, 2006

	Regional Authority Area								
No of Local Units	Border	Midland	West	Dublin	Mid-East	South -East	Mid -West	South -West	Total
FD Sector	111	39	59	101	64	94	61	136	665
Total Manufacturing	645	301	428	1,143	493	582	428	669	4,689
FD as % of Regional Total	**17%**	**13%**	**14%**	**9%**	**13%**	**16%**	**14%**	**20%**	**14%**
% of Total FD	**17%**	**6%**	**9%**	**15%**	**10%**	**14%**	**9%**	**20%**	**100%**
No of Local Units									
Meat	25	14	14	12	25	24	10	15	139
Dairy	10	19*	45*	82*	39*	11	10	18	526
Other Foods	71					47	37	99	
Drinks	5	6		7		12	4	4	

*Breakdowns unavailable due to confidentiality.

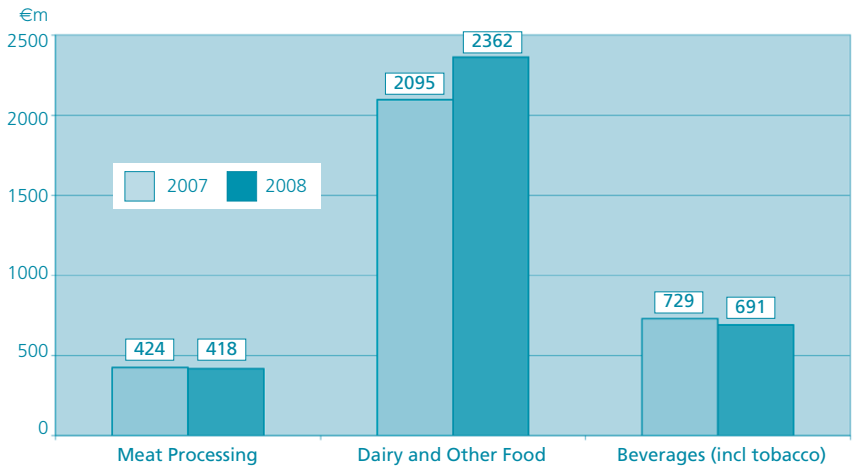
Source: CSO, Census of Industrial Production

Borrowings and Capital Acquisitions

The FD sector has significant capital requirements for both capital assets as well as working capital. Figure 5.9 gives a breakdown in the amount of borrowings extended to FD companies up to September 2007, compared to the same period the previous year. There was a 12% increase in the level of borrowings extended to FD companies in the dairy and other food sector over the period.

FIGURE 5.9
CREDIT ADVANCES
TO FOOD INDUSTRY, 2007-2008

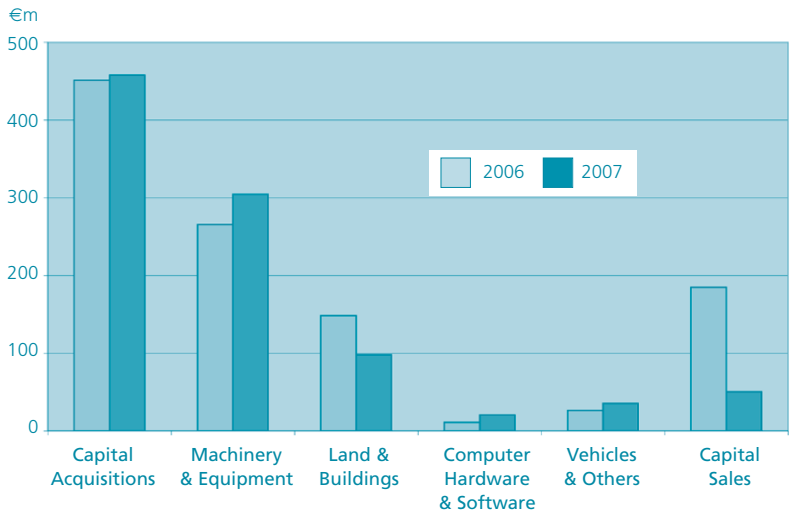
Source: Central Bank Q1 Bulletin



Capital acquisitions within the FD sector for 2006 and 2007 are outlined in Figure 5.10. Total capital acquisitions remained in line with that evidenced in the previous year and the FD sector accounted for just under 15% of total capital acquisitions by manufacturing industries. Net capital expenditure decreased significantly due to the marked decrease (-72%) in capital sales in 2007. This followed the spike in sales evidenced in 2006 (€184.7m).

FIGURE 5.10
CAPITAL ACQUISITIONS IN THE FOOD INDUSTRY, 2006-2007

Source: CSO



5.3 Exports of Food and Drink

Export Performance 2008

Bord Bia produces annual estimates for the export performance of the Irish food and beverages sector[4]. According to their report, the Irish food and beverage sector faced a challenging market and export environment throughout 2008 with significant currency volatility, slowing consumer spending and problems with regard to access to credit, all impacting on exporters.

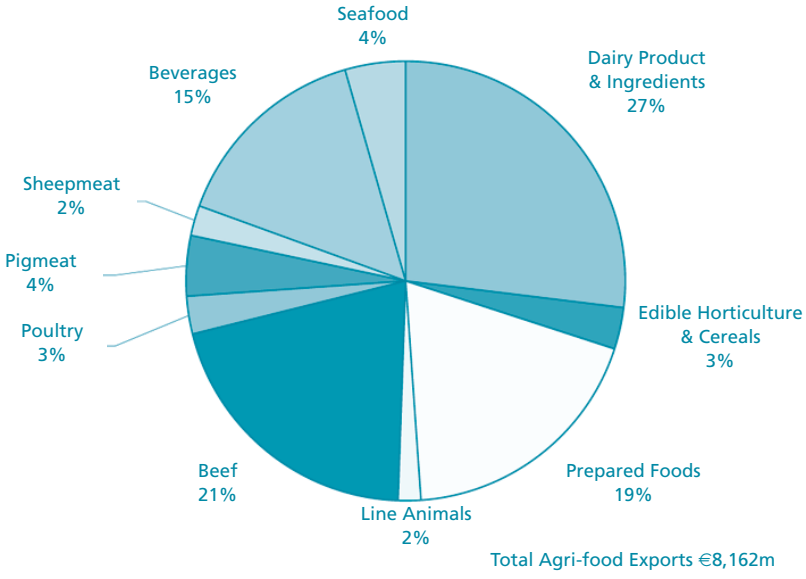
For the year, exports are estimated to have declined by close to 7% to approximately €8.2 billion. This followed a significant rise of €1.4 billion during the 2006/2007 period. There were marked declines across a number of sectors, including the prepared foods (-15.3%) and beverages (-13.5%) sectors, reflecting a slower market for alcoholic beverages. An easing in dairy prices also affected export values in this category.

Beef exports bucked the overall trend and performed very strongly during the year, rising by more than 7% to €1,687 million with tighter Irish cattle supplies combining with a significant fall in EU beef imports from South America to provide a more positive market environment for Irish beef in key markets.

Dairy products and ingredients remain Ireland's largest agri-food export sector, representing 27% of agri-food exports by value. Beef is now Ireland's second biggest export sector with over one-fifth of exports by value. Along with prepared foods and beverages these sectors constitute the vast majority of agri-food exports in terms of value (82% in 2008, see Figure 5.11).

FIGURE 5.11
COMPOSITION OF AGRI-FOOD EXPORTS, 2008

Source: Bord Bia Export Review & Outlook, 2008/2009



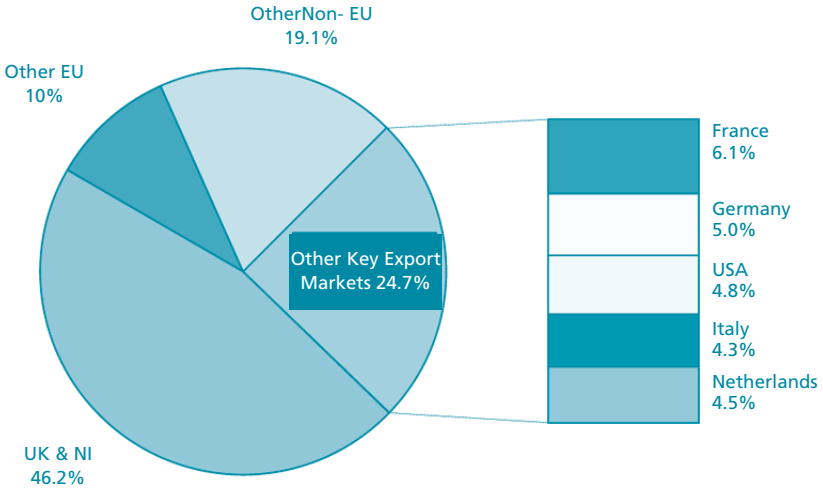
[4] Performance & Prospects. Bord Bia Export Review and Outlook 2008/2009

Agri-Food Exports by Destination

While strides towards greater market diversification continue, particularly towards the wider EU and Far East, established high value markets remain the primary destination for Irish agri-food exports. These include the UK and Northern Ireland as well as the more proximate continental markets. In 2008, it is estimated that over 75% of exports in the sector were destined for EU markets (see Figure 5.12 for more details).

FIGURE 5.12
SHARE OF AGRI-FOOD MARKETS BY DESTINATION, 2008

Source: CSO



The UK, including Northern Ireland remains a key market for exports and accounted for over 46% of Agri-food exports in 2008. This is despite significant weakening of Sterling against the Euro during 2008 and reflects a strong performance, particularly evident in the beef and cheese categories.

Beef exports to the UK continued to perform well and in 2008 were valued at an estimated €847 million, an increase of 10% on 2007. This was despite lower overall availability of Irish beef resulting in export volumes falling by an estimated 6%. France continues to account for more than 50% of Irish **sheepmeat** exports by volume. Demand for sheepmeat in France remained slow during the year reflecting a fall of eight per cent in retail lamb sales while the significant weakening of Sterling made UK lamb very competitive on the market. The UK remains the principal destination for Irish **pigmeat**. Exports to the UK in 2008 declined by over 10% by volume on 2007 levels, which did not include the impact of the product recall as brought about by the dioxin alert at the end of 2008. A more competitive UK market with strong supplies of Dutch and Danish product combined with the ongoing weakening of sterling to impact on Irish export trade. The value of **Irish livestock** exports fell by 13% in 2008 to an estimated €148 million. This was largely due to lower live cattle and pig exports while live shipments of sheep continued their decline of recent years. In the dairy products and ingredients sector the principal destinations remained the United Kingdom followed by Continental EU markets, the Middle East, Asia and the United States.

Chapter Six:
The Consumer

6.1 Overview

Throughout 2008 the emergence of a more price conscious consumer in an environment of higher food prices was very much in evidence in retail trends as well as other dynamics of the marketplace, such as, changing lifestyles, demographics and a more health-conscious consumer. Food prices were characterised by stronger volatility than normal but the year ended with strong signs that the mid-year high in food price inflation represented a peak that had been passed. This chapter examines key areas of concern to consumers, synopsising relevant recent studies and data. Issues with regard to maintaining confidence in the food chain, with particular emphasis on developments relating to food safety, are also reviewed.

6.2 Food Prices

International and EU Trends

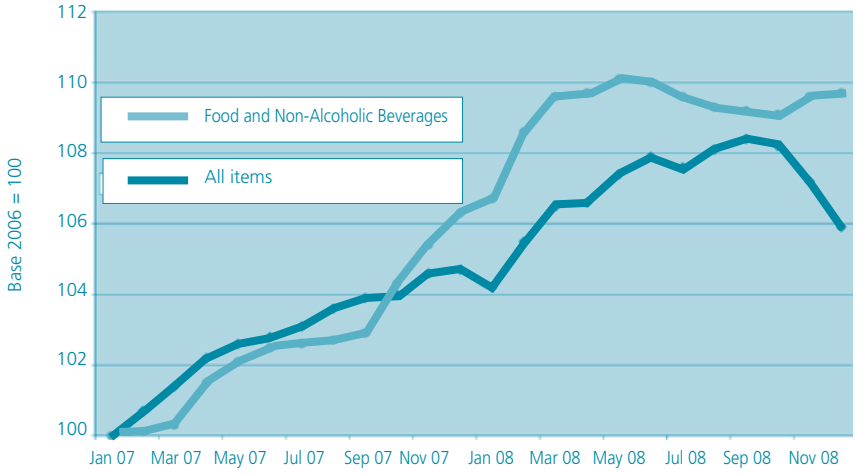
Changes in food prices are primarily a function of market forces operating at international, EU and national levels. Numerous factors combined in the latter part of 2007 and early 2008 which lead to higher food prices. Strong economic growth and changing dietary patterns in emerging economies facilitated a shift in world food demand towards high-value agricultural products and processed foods. Increasing demand for feed, food and fuel, especially biofuels, were concurrent with slow growing supply, low stocks and supply shocks and contributed to the global price increases. Towards the end of 2008, the dynamic changed and price pressures dissipated somewhat, with lower oil prices as well as marked movements in global commodity markets releasing some of the pressure on the supply chain. Latest figures confirm that food prices in the EU were on a downward trend. In particular, the annual rate of increase in processed food prices fell in December, down from the peak of July 2008, in an environment of lower agricultural commodity prices. In terms of an outlook on prices, in its February Bulletin the ECB cited commodity prices, including those in the agriculture sector as a key risk to price stability, either in terms of unexpected further declines or the possibility of the recent falls in commodity prices being reversed.

Food Prices in Ireland

Historically, food and beverage prices in Ireland (as measured by the food price index or FPI) had, at least until 2002, showed little deviation with the rate of increase in overall consumer prices as measured by the Consumer Price Index (CPI). Between 2003 and 2007, inflation in the food and non-alcoholic beverage lagged behind the overall CPI. Over that period the overall percentage change in food and non-alcoholic beverage prices was 3.2% while the overall CPI increased by 14.1%. For 2008 as a whole, food and non-alcoholic beverages prices increased by 6.5% on average for the year. This was a higher level of increase than the overall annual rate of inflation, as measured by the Consumer Price Index (CPI), which averaged a 4.1% increase during 2008. Figure 6.1 shows the trends[1] in the CPI and FPI for 2007 and 2008.

FIGURE 6.1
MONTHLY CONSUMER PRICE INDEX AND FOOD PRICE INDEX, 2007-2008

Source: CSO



The upward trajectory in food prices as evidenced globally and across Europe throughout 2007 and into 2008 is illustrated in Figure 6.2. Towards the end of 2008, the dynamic changed somewhat, with lower oil prices contributing to a fall in commodity prices from the high levels recorded in the middle of the year.

[1] Rebased to 2006=100 so not comparable to previous ARO publications.

FIGURE 6.2
MONTHLY CPI AND FPI - % CHANGE OVER PREVIOUS YEAR, 2007-2008

Source: CSO

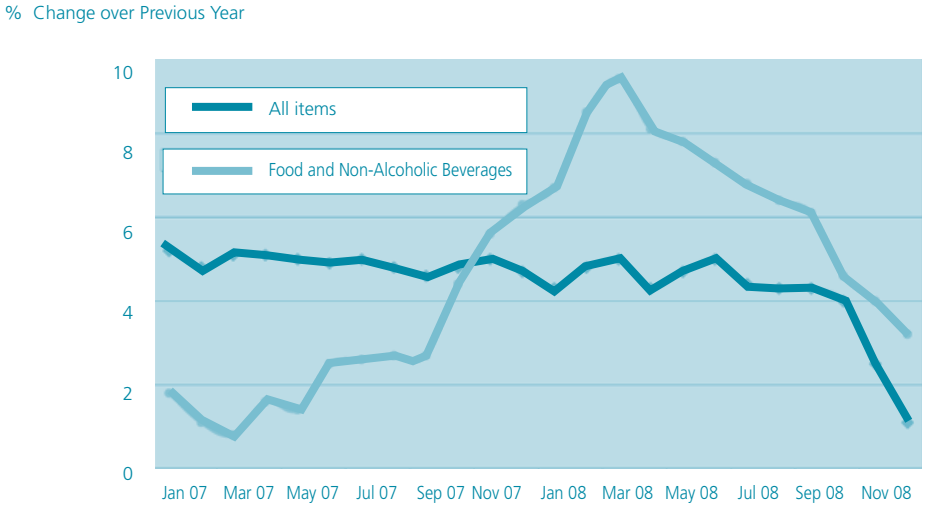
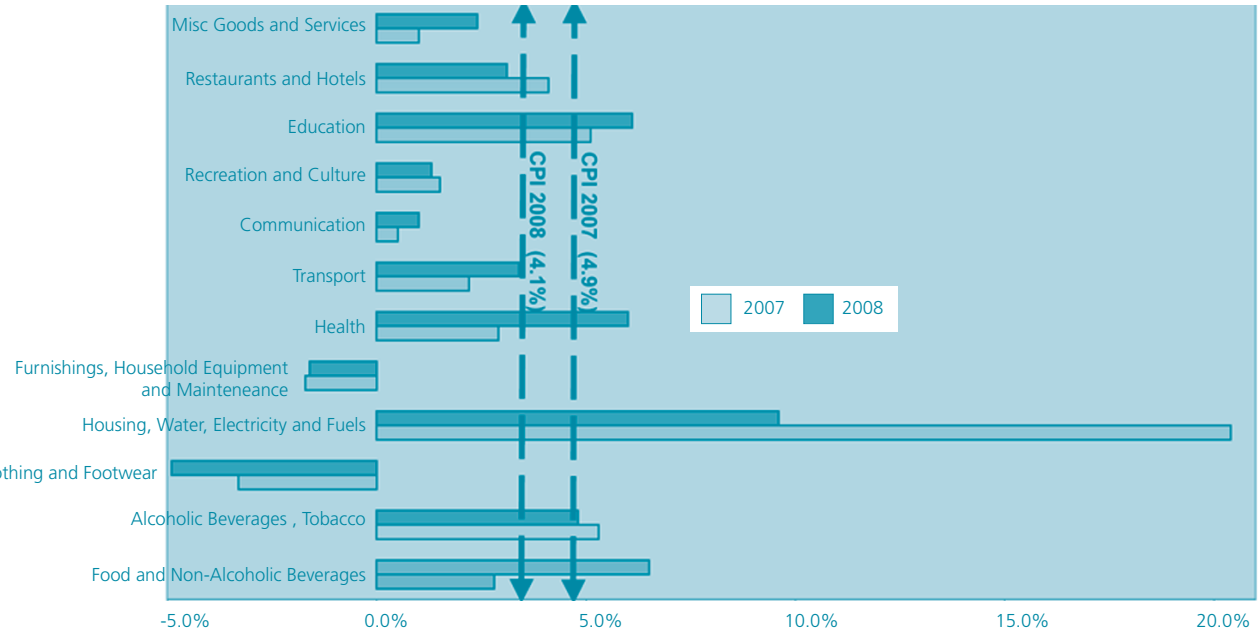


Figure 6.3 compares the overall level of inflation with its 12 constituent categories (including food and non-alcoholic beverages) for the years 2007 and 2008. While food price inflation for 2007 as a whole lagged behind the overall CPI this was not the case in 2008, when food and beverage prices increased by 6.5% compared to an overall increase of 4.1% in the CPI.

FIGURE 6.3
FD SUB INDEX COMPARED TO OVERALL CPI AND OTHER SECTORS, 2007-2008

Source: CSO

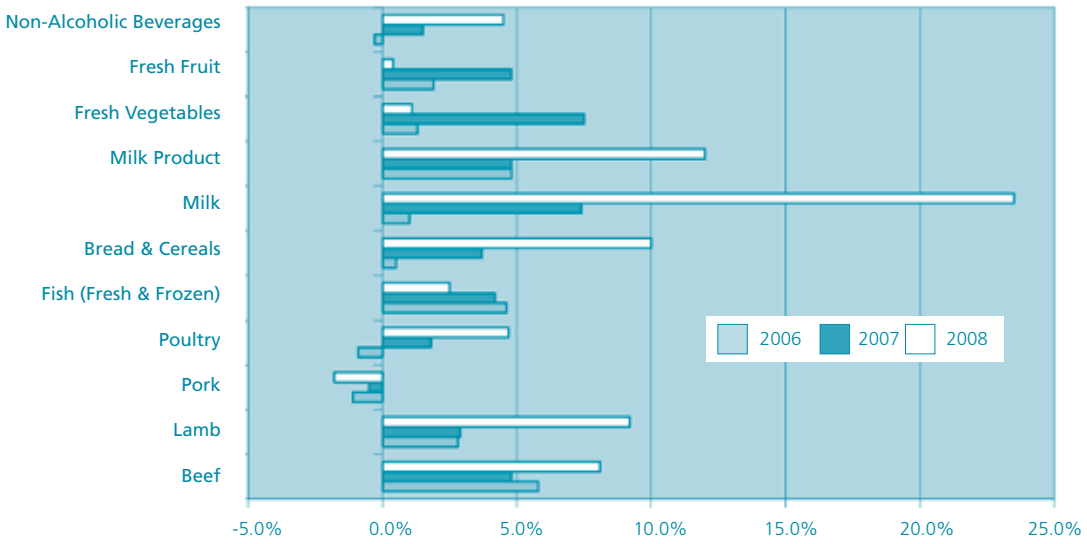


Prices for Food Products

Whilst price trends for individual food products vary by sector and will depend on numerous factors, the selection of goods as illustrated in Figure 6.4 is representative of price developments for many food products between 2006 and 2008. The majority of products have experienced price increases over the period and continued to do so in 2008, although the rate of increase slowed as the year progressed. For 2008 as a whole there were significant price increases across a range of food products, including milk (23.5%), milk products including butter and cheese (12.0% overall) and bread and cereals (10.0%). Overall, meat prices increased by 4.7%, with the price of beef and lamb increasing by 8.2% and 9.1% respectively. The trends for a selection of products are outlined in Figure 6.4 and further produce are outlined in Table 12.9 in the Statistical Annex.

FIGURE 6.4
ANNUAL RATES OF PRICE INCREASE FOR SELECTED FOOD PRODUCTS, 2006-2008

Source: CSO



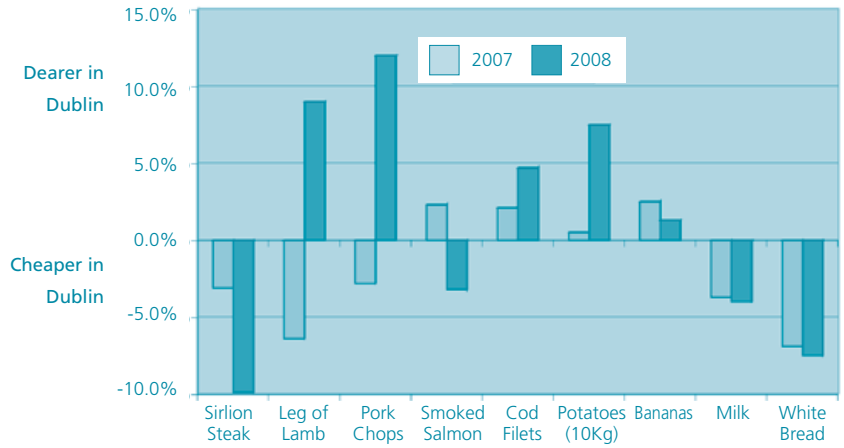
Regional Comparisons

The CSO performs a biannual analysis for a representative sub-basket of goods and services both inside and outside of Dublin. While patterns are by no means obvious, some trends were evident. Overall, of the 49 products in the food and non-alcoholic beverages category that were analysed, 27 were more highly priced in Dublin. Figure 6.5 looks at a selected number of items from the analysis and makes comparisons between 2007 and 2008.

An analysis by product shows that 11 of the 18 meat products analysed were more expensive in Dublin. The differences ranged from back rashers, which were 37.4% more expensive in Dublin to ham fillet, which was 14.3% cheaper in Dublin. In the fruit and vegetable category 9 out of 10 items analysed were more expensive in Dublin with the difference ranging between mushrooms, which were 10.2% more expensive, to grapes, which were 3.8% cheaper in the capital. Other products where a wide divergence in price was evident included eggs, which were 7.5% dearer in Dublin whilst white (7.5%) and brown (4.9%) bread as well as milk (6.0%) were cheaper in Dublin.

FIGURE 6.5
AVERAGE PRICE LEVEL COMPARISONS FOR SELECTED ITEMS- DUBLIN V OUTSIDE DUBLIN, 2007-2008

Source: CSO Consumer Price, Average Price Analysis, November 2008

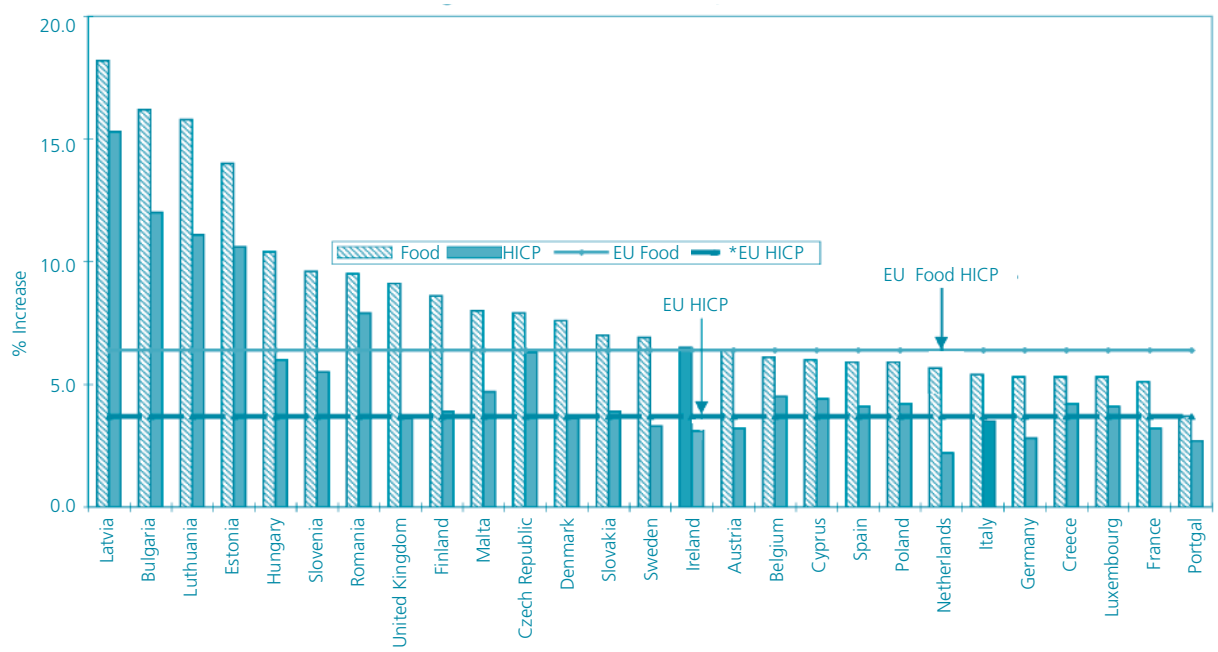


EU Price Comparisons

The Harmonised Index of Consumer Prices (HICP) measures the increase in prices on a monthly basis for the EU-27 member states. It offers the most reliable means by which to compare rates of inflation across the EU. Unlike the Consumer Price Index, it excludes (among other things) interest on mortgage repayments and certain forms of tax and insurance. Ireland's annual average rate of HICP inflation for 2008 was 3.1% as compared to 2.8% in 2007. It was the highest rate of HICP annual average inflation since the year 2003. Ireland's rate of HICP food inflation, at 6.5% was broadly in line with the EU-27 average for 2008 (but slightly ahead of the EU-15 average). Figure 6.6 gives HICP comparisons[2] with other EU-27 countries across all items as well as food and non-alcoholic beverages.

FIGURE 6.6
HICP AND FOOD HICP, 2008

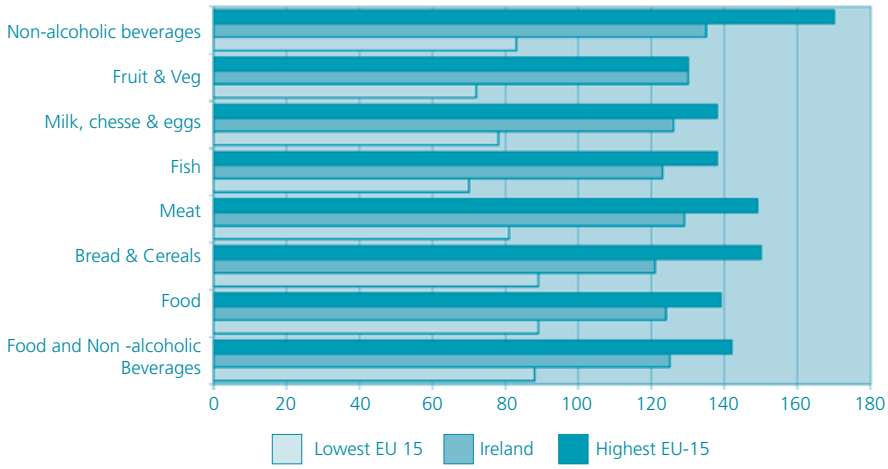
Source: EUROSTAT



The most recent EU price level comparisons[3], which use **Price Level** Indices[4] (PLI) for comparative purposes, indicate that, when compared with the EU-27 average, Ireland is relatively more expensive for food and non-alcoholic beverages than almost all its counterparts in the EU. This needs to be viewed in the context of Ireland's position regarding overall food expenditure, where the proportion of household income spent on food is among the lowest in the EU (see section 6.3). Figure 6.7 compares Irish PLI's with those for the overall EU-27 across a number of product groups and sub-groups. The highest and lowest PLI's in each sector (for EU-15 countries) are also included. Table 12.10 in the Statistical Annex provides a more thorough breakdown.

FIGURE 6.7
COMPARATIVE PRICE LEVEL INDICES WITH MAIN FOOD SUB-GROUPS IN EU-15, 2006

Source: EUROSTAT



[2] Eurostat data which refers to the average annual rate of change during 2007.
[3] Eating, drinking, smoking–comparative price levels in 37 European countries for 2006. Eurostat
[4] Price level indices provide a comparison of the countries' price levels with respect to the European Union average, which is taken as 100. Therefore if the price level index is higher than 100, the country concerned is relatively expensive compared to the EU average and vice versa.

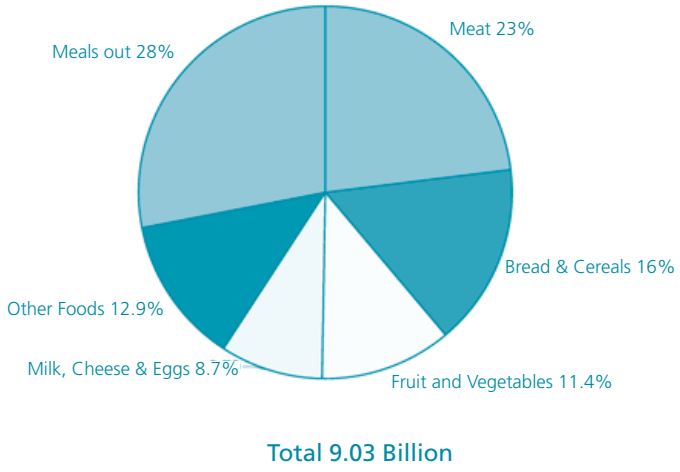
6.3 Food Consumption

Personal Consumption Expenditure

Estimates from the CSO indicated that Personal Consumption Expenditure (PCE) on food and drink (not including meals out) accounted for €14.2 billion in 2007, a 5.1% increase on the previous year. This represented 15.5% of total PCE. Expenditure on food in terms of meals outside the home accounted for approximately €2.5 billion in 2007, an increase of 9.3% on the previous year (See Statistical Annex Table 12.11 for further details). As illustrated in Figure 6.8, well over one quarter (€2.53 billion approx) of all expenditure on food (total €9 billion) is accounted for in meals outside the home. In common with countries such as the UK, Germany and Luxembourg, Ireland spends a significantly lower proportion of total household expenditure on food when compared to the EU-27 average.

FIGURE 6.8
% OF PERSONAL CONSUMPTION EXPENDITURE ON FOOD BY FOOD TYPE, 2007

Source: CSO National Accounts



Average per capita consumption of meat and dairy products are shown in Table 6.1 for 2005 to 2007. It is estimated that meat consumption decreased in 2007, when Irish consumers averaged 20.4kg of beef, 35.5kg of pigmeat, 27.0kg of poultrymeat and 3.8kg of lamb per capita consumption in 2007, whilst principal cereals remained steady at around 92kg per capita consumption (CSO Supply Balance Estimates).

TABLE 6.1 CONSUMPTION OF SELECTED FOOD ITEMS, 2005-2007

Kg/Litres per Capita	2005	2006	2007
Beef	21.2	20.9	20.4
Pig Meat	36.1	38.0	35.5
Sheep Meat	3.9	4.0	3.8
Poultry Meat	32.1	29.9	27
Drinking Milk & Buttermilk*	142.2	N/A	N/A
Cream	2.7	N/A	N/A
Butter	2.8	N/A	N/A
Cheese	8.1	N/A	N/A
Principal Cereals	86.4	92.3	91.9

*Litres Per Capita
Source: CSO Supply Balances

6.4 Retail Sector Price and Structure Surveys

Overview

A number of surveys and studies released in 2008 sought to throw light on evolving price and retail trends. This section looks briefly at some of the key findings.

Competition Authourity Reports on Retail Sector.

The Grocery Monitor Project by the Competition Authority sought to review and monitor the structure of the grocery trade in the changed legislative environment as brought about by the abolition of the Groceries Order. The Competition Authority subsequently produced two publications[5] in March 2008.

At **wholesale level**, the review found that over 95% of the wholesale turnover in the Irish grocery sector is attributable to a small group (7) of operators. In 2006, the combined turnover of these operators was €4.7bn, of which, €3.6bn was due to the sale of groceries[6].

At **retail level**, the review found that there are a variety of operators retailing groceries in the State[7]. These include the vertically-integrated retailers (retailers that own and operate their retail outlets, e.g. Tesco, Dunnes Stores), 18 groups of affiliated retailers (retailer groupings operating retail brands under licence from a wholesaler, e.g. SuperValu, Spar, Centra) and some 3,500 independent retailers. The combined turnover of grocery retailers in the State is estimated at €14.6bn, of which, €11.6bn is attributable to the sale of groceries. Across all retailer groupings, Tesco, SuperValu and Dunnes Stores accounted for approximately half of all turnover.

The second component of the Competition Authourity Report focused on the behaviour of prices for "foodstuffs and necessaries" that came under the scope of the Groceries Order. The report found that the prices of this subcomponent of groceries behaved differently to that of the overall basket of goods prior to the removal of the Groceries Order. Specifically, when grocery prices were rising, the price of Groceries Order items tended to rise more rapidly than Non-Groceries Order items and when the prices of Grocery Order items were falling, the prices of Non-Groceries Order items tended to fall more rapidly.

National Consumer Agency Surveys and Reports

The National Consumer Agency (NCA) is a statutory body established by the Irish Government in May 2007. It aims to defend consumer interests and to embed a robust consumer culture in Ireland. The Government has given the NCA a mandate to defend and promote consumer rights through advocacy targeted research, consumer information, education, and awareness programmes. During 2008 and early 2009 the NCA released a number of reports with regards to retail prices in Ireland.

The National Consumer Agency published its latest grocery price survey in February 2009. This ongoing survey covers branded and own-brand goods across multiples, symbol groups as well as discounters Aldi and Lidl. The range of products surveyed includes branded goods taken from a top 100 Brands list[8], the Central Statistics Office and comparative own-brand products. The outlets surveyed were Dunnes Stores, Superquinn, Tesco, Supervalu, Spar, Centra, Eurospar, Aldi and Lidl. The most recent survey highlighted three key findings, namely:

- The price difference between multiples widened on a basket of branded goods
- The gap between discounters and the multiples narrowed on own brand goods
- The price difference between Aldi and Lidl had shrank.

The NCA noted that while positive trends towards price competition between grocery retailers was in evidence, it was important to highlight that over the period since they commenced their survey, the aggregate cost of a basket of goods had continually increased. A survey carried out by the NCA in January 2009 on a selection of clothing, homeware, maternity/nursery and electrical goods showed that Irish consumers are being charged an average of 51% more than consumers in the UK. The survey looked at the prices of 44 products across 13 stores. Prices were not adjusted to reflect the different VAT rates in ROI/UK. However the NCA noted that factors such as differing VAT rates do not adequately explain the differentials that are evident from the survey.

[5] A Description of the Structure and Operation of Grocery Retailing and Wholesaling in Ireland: 2001 to 2006 Grocery Monitor: Report No. 1 March 2008
Price Trends in the Irish Retail Grocery Sector: A Description of the Evolution of Retail Grocery Prices between 2001 and 2007 Grocery Monitor: Report No. 2 March 2008
[6] For the purposes of the Competition Authourity Report, 'grocery goods' were defined as food and drink sold for human consumption as well as "household necessaries", which included items outside the scope of the FPI, e.g. household detergents, shampoo, other cleansing materials etc.
[7] The large number of retail groupings tends to overstate the actual number of entities involved – the 18 retail brands are owned by the seven wholesalers.
[8] Compiled by AC Nielsen

Forfás Report- The Cost of Running Retail Operations in Ireland

This study, led by Forfás, was commissioned in response to claims by retailers that higher business costs south of the border were a major factor in the higher cost of retail goods here. The study undertook to examine the composition of retail business costs at home and determine how their cost base compared with retailers in other jurisdictions.

The key finding of the report was that although higher operating costs in the Republic of Ireland add no more than 6% to the total cost base of a retail operation compared with one in Northern Ireland, the available evidence suggests that the gap between prices North and South is substantially higher. In comparing Dublin and Belfast, the study found that operating costs in Dublin were, on average 25% higher than in Belfast. However, given that operating costs typically account for 25% or less of the total cost of a retail good, a differential of around 6% on the retail price of the same good in Dublin and Belfast was the most that could reasonably be justified.

6.5 Consumer and Retail Trends

Overview

Consumer trends continued to evolve in 2008 as a new economic environment led to significant changes in shopping behaviour. Consumers became more price sensitive in seeking quality and retailers sought to deliver products meeting this requirement. The market share of discounters approached 8% by end 2008, an approximate 1% increase on 2007.

National Trends

Bord Bia research, entitled 'Feeling the Pinch'[9], examined consumer attitudes and behaviour with regard to the economy and their personal finances. The recent easing in oil prices, the drop in interest rates and signs of some easing in grocery costs are helping to alleviate immediate concerns.

Despite the slower economic environment, consumer purchasing and eating behaviours continue to show a strong demand for convenience foods and prepared meals. However, there are also indications of increasing levels of cooking from scratch with a recovery in the level of packed lunches also being reported. Bord Bia research also identified significant market demand for speciality and premium foods among an important niche target audience of consumers, who came to be labelled 'Foodies' in the research.

Expenditure in the foodservice sector has eased overall as consumers cut back on spending. Within the sector, however, sales in fast food restaurants are reported to be performing well, assisted by price competitiveness and the inclusion into their menus of healthy alternatives such as salads. While consumers are less likely to eat out in gourmet restaurants, they may spend more in these establishments when they are there to "treat" themselves (Euromonitor International).

EU Trends

Results from Bord Bia's Continental PERIscope study undertaken in mid 2008 highlight variations in purchasing and eating behaviour in France, Spain, Sweden, the Netherlands and Germany. Convenience remains a strong factor in food choices across all countries with dinner often being a last minute choice. This is leading to a strong demand across all markets for quick meal solutions. There is a strong variation in the proportion of respondents cooking a meal from scratch on a daily basis across markets. Spain showed most respondents cooking a meal from scratch (63% daily) followed by Dutch and French consumers at 48% and 44%, respectively.

Consumers across all markets examined showed a strong desire to eat healthier foods. They generally shop in the same store on a regular basis but increasingly look for best value by opting for private label brands and availing of sales and promotions. Price was important across all markets, particularly in the Netherlands. Spanish, Swedish and Irish consumers place a premium on quality of fresh food. Spanish and Swedish consumers are more likely to rate branded products ahead of private label offerings. Buying local was most important to French, Spanish and Irish consumers with 6 in 10 consumers rating it very/fairly important. Dutch consumers showed the lowest level of affiliation to locally produced food.

Farmers' Markets

Farmers markets continue to evolve with over 140 markets (in addition to country markets) in Ireland today compared to 80 in 2002. These markets are important to small food producers for many reasons including the fact that they offer an alternative route to market and allow companies deal directly with consumers and gain vital product feedback. There are now many cases of companies in Ireland who started selling at the market and went on to supply small independent retailers and indeed some multiples.

Organic Food

Organic food sales in Ireland had reached €104 million at retail selling prices in the year to July 2008 (Bord Bia). Recent Bord Bia research shows that 45% of Irish grocery shoppers purchased an organic product in the previous month, compared with 20% in 2003. National Organic Week was developed further in 2008 to increase consumer awareness.

[9] Feeling the Pinch? A report on how key trends in Ireland and the UK will be affected by the current economic squeeze; Bord Bia, 2009

6.6 Maintaining Confidence in the Food Chain

Overview

The Department of Agriculture, Fisheries and Food continues to place huge emphasis on safety and quality. Over many years the Department has driven up standards and has contributed to the international recognition of Ireland as a centre of excellence for food production.

Food Safety Governmental Bodies

There is continued collaboration between Departments and relevant agencies on the development of food safety policy and legislation. The following are the main bodies involved with food safety issues in Ireland:

- **The Food Safety Authority of Ireland (FSAI)** is a statutory, independent, science-based agency dedicated to protecting public health and consumer interests in food safety and hygiene.
- **Sea Fisheries Protection Authority** was established in 2007. It has functions in relation to the enforcement of food safety legislation in respect of fish and fish products.
- **The Food Safety Promotion Board**, now known as Safefood[10] was established in 1999 to foster and maintain confidence in the food supply in the island of Ireland by working in partnership with others to protect and improve the public health.
- At EU level, **The European Food Safety Authority (EFSA)** is an independent European agency dedicated to improving consumer confidence by providing independent scientific advice and clear communication on all matters related to food safety.

Developments in 2008

Dioxin contamination in pigmeat and live pigs and cattle

In 2008, the National Residue Plan (involving analysis of over 30,000 samples from a wide range of food/feed products) detected dioxin contamination from animal feed. This led to the full recall of potentially contaminated product. Following the recall and pursuant to intensive contact between the Department and the Commission, financial assistance from the Irish Government was agreed for the Irish industries concerned (given the impact of the product recall on the industry), and for the culling of pigs and cattle that had been exposed to the contaminated feed.

A facility of up to €180m was made available through the Pigmeat Recall Scheme. The scheme was confined to Irish processors who had suffered losses as a result of the recall with funding made available to compensate on an ex-gratia basis for the product which was required to be destroyed. State Aid approval for this scheme was obtained from the EU Commission on 24th December 2008. The Scheme Document for the Pigmeat Recall Scheme was published by the Department on the same day. In addition to State Aid approval, some €10.3m of co-funding was approved by the EU towards the disposal of some 9,050 tonnes of primary product. To end March 2009, some **€45m** had been paid out by way of interim payments to Irish processors, pending destruction of all product and submission and evaluation of final claims. A further €1.5m had been paid out in respect of rendering charges to end March 2009.

As part of the overall package of measures an estimated €20 million was made available to cover the compensation, slaughter, rendering and destruction of live pigs and cattle that have been, or may have been, exposed to contaminated feed. In addition, the EU agreed to provide part-financing equivalent to 50% of the expenditure incurred equivalent to not more than a maximum average amount of:

- €54.77 per head for not more than 130,000 pigs, and
- €468.62 per head for not more than 7,000 cattle.

To end-March, payments made to farmers amount to almost €13m – €8.8m to pig farmers and €4.2 to cattle farmers. A further €1.1m has been paid in respect of rendering, €1.2m in respect of slaughter costs and €0.27m in respect of transport costs to end-March. The very exceptional decision to co-fund part of the recall was taken on foot of the support received from the 27 heads of Government at the European Council which expressed "its support for Ireland's effort to deal with the situation relating to pigmeat and its prompt precautionary action".

Furthermore, an inter Agency task Group was established to examine the dioxin contamination incident in late 2008. It is chaired by Dr. Patrick Wall (Professor of Public Health, U.C.D.).

The quick and effective action taken to deal with this major food scare meant that safe Irish pork was back on the market after one week and authoritative independent bodies such as the FSAI and the European Food Safety Authority (EFSA) viewed the actions taken as both correct and effective as a guarantee to food safety.

[10] Safefood (formerly known as FSPB). It's purpose is to foster and maintain confidence in the food supply in the island of Ireland by working in partnership with others to protect and improve the publics' health.

FVO Audits

The Department participated in a number of FVO missions as part of a general audit on the Food and Feed Hygiene legislation.

Labelling

In July 2006 'Country of Origin' Regulations came into operation requiring the labelling of beef at catering level. Until then labelling requirements applied only to the retail level. Implementation of these measures is the responsibility of the Food Safety Authority of Ireland. Regulations extending country of origin labelling to poultrymeat, pigmeat and sheepmeat were submitted for approval to the European Commission in December 2007. In March 2008, the EU Commission delivered a negative opinion on the regulations but afforded Ireland an opportunity to provide further information in support of them. Ireland provided additional details but the EU Standing Committee on the Food Chain and Animal Health formally adopted a negative opinion in December 2008.

Animal Health

With food safety in mind, a number of national schemes are in place to ensure the identification and traceability of animals/meat. These systems provide further assurances to consumers of the safety of Irish meat and have benefits in terms of disease control and monitoring. In Ireland, control and eradication measures for BSE, Bovine Tuberculosis and Brucellosis involving a combination of testing, routine inspections and investigations, mandatory and voluntary reporting and codes of practice, are operated by the Department of Agriculture, Fisheries and Food.

There has been a continued improvement in the overall disease situation in recent years as illustrated in Figures 6.9 to 6.11. The incidence of BSE has fallen dramatically in recent years (Figure 6.9), which confirms that the control measures adopted in the mid-nineties were effective in reducing the exposure of cattle born after that time.

Ireland is free of Brucellosis in sheep and pigs. In cattle, the incidence of Brucellosis has fallen each year since 1998. This trend continued in 2008 (Figure 6.10) and brucellosis is now at an historically low level. There was no confirmed case of brucellosis in cattle in Ireland in 2008 and no herd was depopulated as a result of brucellosis. If this situation persists into 2009, Ireland will be eligible to apply to the EU for brucellosis-free status.

The herd incidence of bovine TB fell from 6.0% in 2007 to 5.9% in 2008. However, the number of TB reactors was 29,901, which was 2,190 higher than in 2007 (Figure 6.11). Total expenditure for the TB and Brucellosis Programmes in 2008 was €61.6 million, 25% higher than in 2007. This was mainly as a result of the increase in the number of Tuberculosis reactors.

FIGURE 6.9
DETAILS OF ANNUAL BSE CONFIRMATIONS, 2002-2008

Source: DAFF

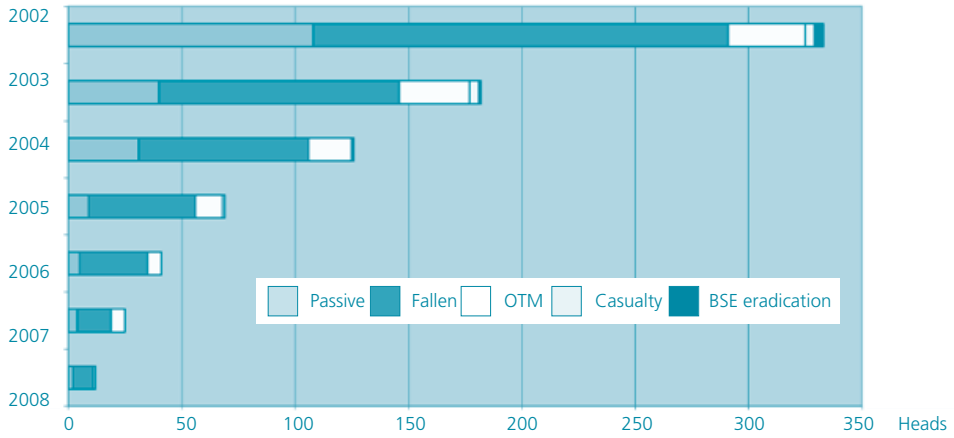


FIGURE 6.10
BRUCELLOSIS DEPOPULATION STATISTICS, 1998-2008

Source: DAFF

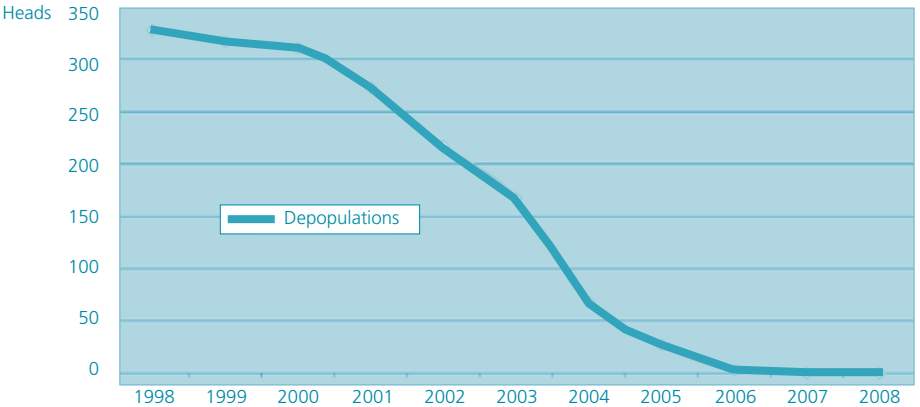
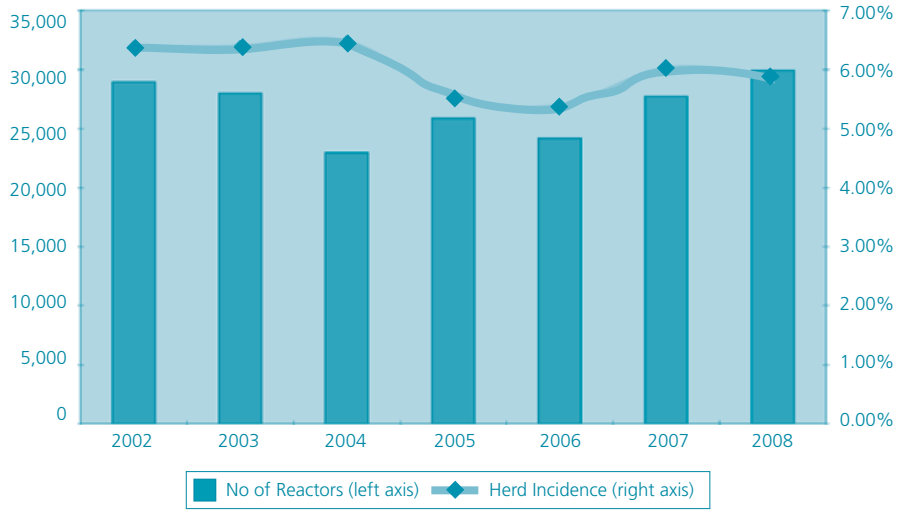


FIGURE 6.11
BOVINE
TUBERCULOSIS
STATISTICS, 2002-2008

Source: DAFF



Veterinary medicines and vaccines play a crucial role in ensuring that Ireland's animal population, particularly those animal species which are a source of food, remains healthy. A robust and up to date legislative code is in place to ensure that only authorized medicines are used and that the specifications governing their distribution and use are observed. The National Residue Plan under which extensive monitoring of animals and animal products takes place provides a further important safeguard for consumers. Tests are carried out for a wide range of substances, including banned products, violative residues of authorised products and environmental contaminants.

In a typical year, in the region of 30,000 samples are tested. The overall safety of Irish food is demonstrated by the fact that levels of positives have consistently been at very low levels over a number of years (less than 1%). However, all positive results are followed up to the farm of origin and appropriate enforcement is taken. The ongoing effectiveness of the National Residue Plan as a means of monitoring food hazards can be seen from the discovery in November 2008 of a potentially significant threat to consumer health through Dioxin contamination (see section on Developments in 2008). The immediate follow-up actions taken, in terms of identifying the source of the contamination to an animal feed manufacturing facility and the removal of any potentially contaminated food from the market, ensured that the incident did not lead to a significant risk to public health.

Chapter Seven:
EU and International Agriculture Policy

7.1 Overview

Despite the economic slowdown evidenced in 2008, Ireland's role within and relationship with the EU continues to evolve. The economic success evidenced during the years of the Celtic Tiger and the successive accession of emerging economies, predominantly in eastern Europe are indicating that Ireland continues to advance towards the status of net contributor to the EU. In 2008 total net receipts to Ireland from the EU were equivalent to 0.2% of GDP, the lowest level since accession in 1973. Nonetheless Ireland has undoubtedly benefited to a great extent from EU membership. Net receipts from the EU were the equivalent of approximately 3.0% of GDP in the period 1973-2008 and peaked at 6.2% of GDP in 1991.

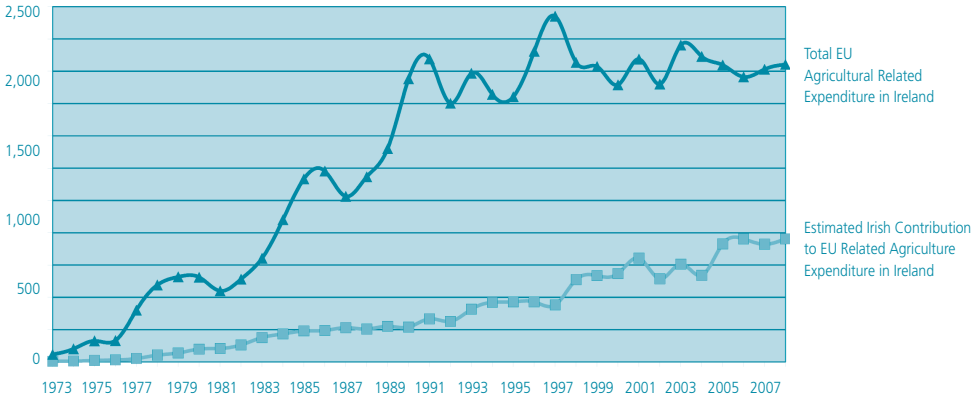
The vast majority (circa 70%) of payments in this period were directly related to agriculture, while much of the remaining funding was undoubtedly of indirect benefit to the agriculture sector through regional development and cohesion funding instruments. This Chapter seeks to quantify some of these benefits to the sector through estimation and analysis of the net budget and trade effects of Ireland's participation in the EU. International comparisons of agriculture support are analysed and recent relevant policy developments at EU and international levels are outlined.

7.2 Benefits of the CAP to Ireland

Budget and Trade Effects

As mentioned, a high proportion of EU payments to Ireland since accession in 1973 have been in the agriculture sector. These direct payments, now most typically exemplified by the Single Farm Payment, constitute the most obvious and visible benefit derived by Ireland from the Common Agricultural Policy. The evolution of trends in total agriculture related payments and the estimated Irish contribution to these payments since EU accession in 1973 is outlined in Figure 7.1 below. The graph illustrates how Ireland experienced significant net disbursements in terms of EU CAP related payments.

FIGURE 7.1
TOTAL EU AGRICULTURE RELATED PAYMENTS TO IRELAND AND ESTIMATED IRISH CONTRIBUTION (€M), 1973-2008



This net transfer of resources, entitled the net budget effect (NBE), is further examined for 2007 and 2008 in Table 7.1. In 2008, the estimated net transfer to Irish agriculture through the EU budget was €1,079 million, which was broadly in line with the level experienced in 2007.

TABLE 7.1 NET BUDGET EFFECT (€M), 2007-2008

	Total EU Agriculture-related Expenditure	Estimated Irish Contribution	Net Budget Effect
	€m	€m	€m
2007	1,812.2	729.1	1,083.1
2008*	1,842.0	762.9	1,079.1

* 2008 Estimate
Source: DAFF, Dept. of Finance

Another facet of the benefits derived from Ireland's EU membership and participation in the CAP is that agricultural commodity prices are generally higher on EU markets than on world markets. Ireland benefits from trading agricultural commodities at these higher prices. Estimates of the benefits derived for a range of our most traded produce is made in Table 7.2. The price gap, which exists between Irish and world prices for each commodity, is calculated from OECD data for world prices and DAFF data for domestic prices. The relevant price gap for each commodity is then applied to the balance of trade between Ireland and the rest of the EU for those commodities providing an estimate of the net trade effect (NTE).

The net trade effect is estimated to have been worth €759.9 million in 2008, an 11% decrease from an estimated €859 million in 2007. The decreases in prices of most dairy commodities in 2008 have contributed to the reduction in the net trade effect as Irish prices experienced a greater decrease than world prices. In fact, the 30% higher Irish price for butter over the world price in 2007 was completely removed in 2008.

However, some of the agricultural meat commodities became more expensive on the EU market in 2008, both in monetary amounts and relative to the world prices in 2008. Beef, sheep and pigmeat had a 44%, 59% and 32% differential between the Irish and world prices respectively in 2008.

TABLE 7.2 NET TRADE EFFECT FOR SELECTED COMMODITIES, 2007-2008

	2007			2008*		
	Net Trade	Price Gap Coefficient	Net Trade Effect	Net Trade	Price Gap Coefficient	Net Trade Effect
	€m	%	€m	€m	%	€m
Beef	1,469.8	37.5%	551.0	1,506.2	43.6%	657.0
Live Cattle	93.5	37.5%	35.1	83.4	43.6%	36.4
Sheep Meat	168.4	51.5%	86.8	149.6	58.9%	88.1
Pig Meat	142.0	20.9%	29.7	101.5	32.4%	32.9
SMP	179.7	-6.1%	-11.0	92.6	-6.7%	-6.2
WMP	140.1	4.2%	5.9	145.9	-11.5%	-16.8
Butter	405.3	30.0%	121.6	340.3	0.0%	-0.1
Cheese	338.3	-1.6%	-5.5	456.3	2.2%	9.8
Casein	239.7	9.2%	22.1	259.5	-12.3%	-32.0
Wheat	-79.6	-16.2%	12.9	-64.7	6.4%	-4.2
Coarse Grains	-64.7	-16.2%	10.5	-78.3	6.4%	-5.0
Total	**3,032.6**		**859.0**	**2,992.2**		**759.9**

*Figures for 2008 are provisional estimates.
Source: CSO, OECD & DAFF

The combined budget and trade effects for 2007 and 2008 are outlined in Table 7.3. The combined budget and trade effect decreased by 5.3% in 2008 and was worth approximately €1.84 billion.

TABLE 7.3 COMBINED BUDGET AND TRADE EFFECT, 2007-2008

	2007	2008*
	€m	€m
Net Budget Effect	1,083.1	1,079.1
Trade Effect	859.0	759.9
Budget and Trade Effect	**1,942.1**	**1,839.0**

Source: CSO, OECD
* Provisional estimates

7.3 International Comparisons of Agricultural Support

Agriculture Support in the EU Budget

The EU Budget for 2008 made total commitments for payments of over €115 billion. Approximately 46% of this expenditure was in respect of agriculture and rural development related activities. This overall level of agriculture related expenditure is expected to remain broadly constant in 2009.

International Comparisons of Agricultural Support

The Organisation for Economic Co-operation and Development (OECD) has since the mid 1980's measured the value of gross transfers from consumers and taxpayers to support agricultural producers in the form of both the producer support estimate (PSE) and the consumer support estimate (CSE). Support is expressed in both monetary terms and as a percentage of gross farm receipts. This is with a view to meaningful cross-country comparisons in the level of support afforded to the agriculture sector.

The PSE is an indicator of the annual monetary value of gross transfers from consumers and taxpayers to producers, measured at farm gate level, arising from policy measures that support agriculture.

A focus on the PSE (Table 7.4) highlights the fact that the EU remains the largest supporter of agriculture in terms of total expenditure, providing €98,114 million in 2007, approximately double the US and Japan combined. While Switzerland, Korea and Japan have lower absolute PSE's than the EU, each of them has higher PSE's as a percentage of gross farm receipts. On the other hand, both New Zealand and Australia have very low PSE's, in both monetary and % terms, reflecting their lack of CAP type agricultural support.

TABLE 7.4 PRODUCER SUPPORT ESTIMATE FOR 1986-1988, 2005-2007 AND 2007.

	Average 1986-1988		Average 2005-2007		2007	
	€m	% of Gross Farm Receipts	€m	% of Gross Farm Receipts	€m	% of Gross Farm Receipts
Australia	937	7	1,224	5	1,368	6
Canada	5,516	36	5,370	21	5,114	18
EU*	89,534	40	102,482	29	98,114	26
Japan	44,911	64	30,954	50	25,734	45
Korea	10,821	70	19,223	62	18,598	60
New Zealand	413	10	83	1	60	1
Switzerland	4,860	77	3,813	60	3,054	50
US	33,621	22	27,151	12	23,859	10
OECD**	217,507	37	204,176	26	188,632	23

*EU-12 in 1986-88, EU-15 to 2003 and EU-25 from 2004-06 and EU-27 from 2007.

**Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU from 2004. The OECD total does not include the six non-OECD EU member states.
Source: OECD, Agricultural Policies in OECD Countries: Monitoring and Evaluation 2008.

The CSE indicates the value of gross monetary transfers from consumers to producers of agricultural commodities, measured at farm gate level, arising from policy measures that support agriculture. It is expressed in both monetary terms and as a percentage of consumer expenditure on domestically produced output. It measures how much domestic price is inflated by agriculture policy.

In line with the trend since 1986, Japan and the EU have the highest level of CSE expenditure. However, in CSE percentage terms Switzerland, Korea and Japan have the highest CSE %, while Australia, the US and New Zealand have the lowest. It is worth noting that since 1986 the percentage CSE support provided by the EU has fallen significantly to its 2007 level of 10%. This is down from a yearly average of 37% in the period 1986-88.

TABLE 7.5 CONSUMER SUPPORT ESTIMATE FOR 1986-1988, 2005-2007 AND 2007

	1986-1988		Average 2005-2007		2007	
	€m	% of Consumer Expenditure on Domestically Produced Food	€m	% of Consumer Expenditure on Domestically Produced Food	€m	% of Consumer Expenditure on Domestically Produced Food
Australia	226	6	155	2	151	2
'Canada	2,558	24	2,523	15	2,099	11
EU*	67,886	37	38,762	14	33,445	10
Japan	55,248	64	35,853	47	28,791	40
Korea	10,567	66	22,671	59	22,964	57
New Zealand	56	6	44	2	29	2
Switzerland	4,451	73	2,285	44	1,468	30
US	4,032	4	12,162	7	9,471	5
OECD	146,477	30	97,554	15	84,664	12

*EU-12 in 1986-88, EU-15 to 2003 and EU-25 from 2004-06 and EU-27 from 2007.
**Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU from 2004. The OECD total does not include the six non-OECD EU member states.
Source: OECD, Agricultural Policies in OECD Countries: Monitoring and Evaluation 2008.

The Total Support Estimate (TSE) calculates the annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture, net of the associated budgetary receipts. The percentage TSE measures the overall transfers from agricultural policy as a percentage of GDP (see Table 7.6).

The EU and the US have the highest TSE expenditures at €112,030 and €73,613 million respectively. In percentage terms of GDP, Korea (3.0%) is significantly higher than all the other regions listed. The percentage TSE provided by the EU has fallen from an average of 2.7% of GDP in the period 1986-88 to an average of 1.0% in the most recent period of 2005-07.

TABLE 7.6 TOTAL SUPPORT ESTIMATE FOR 1986-1988, 2005-2007 AND 2007

	Average 1986-1988		Average 2005-2007		2007	
	€m	% of GDP	€m	% of GDP	€m	% of GDP
Australia	1,180	0.6	1,702	0.3	1,874	0.3
Canada	6,875	1.8	7,370	0.7	7,120	0.7
EU*	102,804	2.7	117,515	1.0	112,030	0.9
Japan	52,703	2.4	38,207	1.1	33,110	1.0
Korea	11,842	9.0	21,954	3.2	21,408	3.0
New Zealand	521	1.6	220	0.3	204	0.2
Switzerland	5,883	3.8	4,193	1.4	3,399	1.1
US	58,501	1.3	79,220	0.8	73,613	0.7
OECD**	272,433	2.49	285,906	0.97	266,680	0.89

*EU-12 in 1986-88, EU-15 to 2003 and EU-25 from 2004-06 and EU-27 from 2007.
**Austria, Finland and Sweden are included in the OECD total for all years and in the EU from 1995. The Czech Republic, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU from 2004. The OECD total does not include the six non-OECD EU member states.
Source: OECD, Agricultural Policies in OECD Countries: Monitoring and Evaluation 2008.

7.4 EU & International Agriculture Policy Developments

Health Check of the CAP

EU policy in 2008 was dominated by negotiations on the CAP Health Check. The background to these negotiations was planned reviews of milk quotas and the Single Payment Scheme. These reviews were amalgamated together with an evaluation of the effectiveness of market management measures and an examination of the capability of the Community to address new and emerging challenges such as climate change, bio-energy, bio-diversity and water management.

The main elements of the final agreement are set out below:

Milk Sector

- Milk Quotas increased by 5% over 5 years, with the Italian increase front-loaded in year one.
- Additional super levy for excess of 6% of quota.
- Adjustment of butterfat reference generating an additional 2% increase for Ireland.
- Private storage aid for butter and intervention for butter and SMP remained unchanged.
- Other dairy disposal aids abolished.

Single Payment Scheme (SPS)

- The scope of Article 68 has been expanded allowing for targeted aid to certain vulnerable sectors or areas expanded within an overall ceiling of 10% and a ceiling for coupled payments of 3.5%.
- Funding opportunities for Article 68 were extended to national reserve funds and to unspent SPS funds. Provision was made to allow the use of such funds to address new challenges in Pillar 2 (Article 136).
- Provision was also made to allow Member States, at their own discretion, to approximate SPS payment entitlements and/or to move to regional payment models.
- A timetable for decoupling of remaining coupled subsidies was fixed, except the suckler cow and sheep/goat premia.
- There was modest simplification of Single Payment, cross-compliance and GAEC provisions and a commitment to further simplification.

Modulation / rural development

- The compulsory modulation rate will be increased by 5% between 2009 and 2012. Furthermore there will be additional progressive modulation of 4% on payments over €300,000.
- Funds generated will be devoted to new challenges of climate change, water management, bio-energy, bio-diversity, dairy restructuring and innovation.
- A national co-financing rate of 25% was fixed.

Other

- A ceiling of 3 million tonnes per intervention period for fixed-price intervention for bread-making wheat with tendering above this limit.
- Zero ceilings for intervention for other cereals and rice.
- Pigmeat intervention was abolished.
- Energy crops premium is abolished and €90 million funds allocated to new Member States to fund rural development measures to address new challenges.

Implementation of CAP Health Check Agreement

The majority of decisions taken in the CAP Health Check will apply with effect from 2010. Thus a number of follow-up actions and decisions fall to be taken in 2009. These include decisions on the distribution of additional milk quota, the application of Article 68, the distribution of additional funding from unspent SPS funds, the speed of decoupling of protein aid and whether or not to move from the historic model to flatter rates of SPS payments. In addition, the Rural Development programme will be revised to accommodate the new challenges identified in the Health Check.

Future shape of the CAP

Following implementation of the CAP Health Check Agreement, the focus will turn to the longer-term situation and, in particular, the upcoming review of the EU budget and the shape of the CAP beyond 2013. The Budget review due in 2009/2010 will determine spending allocations post-2013. Already there are signs that post-2013, there will be competing pressures for limited resources.

A first policy debate on the future of CAP after 2013 took place at the Informal Agriculture Council in September 2008. While a large majority of Member States favoured maintaining a strong EU agriculture policy, there were differences in emphasis from different Member States.

The Health Check Agreement, recent position papers from Member States and recent Commission statements provide indications of the thinking of the Commission and other Member States, e.g. there are demands from some Member States for a lower budget share for agriculture and for eventual dismantling of CAP whilst at the same time the relatively new Member States are urging for a "re-balancing" of Member States' shares of agricultural funding. Another trend evident are the increasing calls for changes to the Single Payment System to move from the historic to a regional model.

WTO

International policy in 2008 was dominated by the ongoing WTO negotiations on the Doha Development Agenda. A WTO Ministerial Conference took place in Geneva in July 2008 with a view to agreeing the modalities or detailed rules for the agriculture and non-agricultural market access (NAMA) strands of the negotiations. The expectation was that, if agreement had been reached on the modalities, in the time taken to draw up detailed binding schedules, the remaining strands of the negotiations could be completed by the end of the year. In the event, this meeting failed to reach agreement despite emerging convergence on a range of headline numbers and detailed technical issues.

The agriculture negotiations were, at that point in time, at a very advanced stage. The sticking point was irreconcilable differences between US, India and China on the extent of remedies, called the Special Safeguard Mechanism or SSM, that developing counties would be allowed to apply, to counter import surges in agricultural products that might arise following the application of the proposed import tariff cuts. Other issues such as Tariff Rate Quota creation, tariff simplification, green box provisions dealing with developing countries, blue box disciplines, the treatment of sensitive products and cotton were also unresolved at the conclusion of the ministerial. The negotiations on NAMA were equally unresolved as regards the depth of tariff cuts, the differentiation between developed and developing countries and the sectors that might be singled out for deeper tariff cuts.

Despite a series of intensive meetings from September to December to resolve outstanding issues, attempts by WTO DG Lamy to hold a further Ministerial meeting in December were unsuccessful, even following the release of further revised Agriculture and NAMA texts. In his overview to the Trade Negotiating Council (TNC) on 17 December, the DG stated that there would be no Ministerial in December because of the unacceptably high risk of failure. He highlighted that progress on the key issues of Sectorals, SSM and cotton was necessary and that three underlying assumptions will underpin work into 2009, namely adherence to the Doha Development Agenda mandate, preservation of the revised agriculture and NAMA texts with early efforts to resolve outstanding differences and active consideration of the other strands of the negotiations including services, rules and trade facilitation.

WTO Outlook

Side by side with any discussion on the future shape of the CAP, the ongoing WTO negotiations will be a feature of 2009. Prospects for agreement are uncertain. On the one hand, the new administration in the US, elections in India, changes in EU Commissioners and the changed economic situation militate against agreement. On the other hand there is the determination of the WTO DG Lamy and a number of WTO members to reach agreement. Paradoxically, the changed economic situation might equally stimulate calls for an agreement. On balance, it is difficult to see negotiations restarting until later this year and any conclusion in 2009 is unlikely.

The Irish view in regard to the ongoing negotiations has not changed, i.e. that any agreement must be balanced within and between the various negotiating strands, must deliver real benefits to Ireland and must not sacrifice the agricultural sector.

Food and Agriculture Organisation (FAO)

DAFF is the lead Irish Department in relation to the UN Food and Agriculture Organisation (FAO) and pays Ireland's main annual subscription to the Organisation, which was some €1.5 million in 2008. Irish policy towards UN Organisations includes an emphasis on their commitment to reform and to bring about greater efficiency and effectiveness.

A Special Conference took place in November 2008 to adopt an Immediate Action Plan (IAP) for the implementation of the reform of the FAO. These recommendations will take approximately three years to implement (2009-2011). It is estimated that the reform will cost $42.7 million of which $21.8 million is required for 2009. Ireland provided funding of €101,826 to the reform process in December last year.

DAFF also gave €250,000 towards the implementation of the International Treaty for Plant Genetic Resources for Agriculture and Food and €215,893 towards the Codex Alimentarius Trust Fund.

The International Year of the Potato

FAO was the lead UN agency in implementation of the International Year of the Potato in 2008. The International Year of the Potato aimed at raising the profile of this globally important food crop and commodity, giving emphasis to its biological and nutritional attributes, and thus promoting its production, processing, consumption, marketing and trade. Ireland viewed International Year of the Potato in 2008 as an opportunity to make a contribution towards meeting the Millennium Development Goals by focusing on the potato and the vital role that agriculture can play in improving nutrition and supporting food security. DAFF provided €315,062 to IYP in 2007. The Famine Museum in Johnstown Castle hosted an exhibition of potatoes from the International Potato Centre (CIP) in Peru from 7 July until 22 August. Irish Aid provided core funding of €200,000 to CIP in 2007 and in 2008 and 2009. They also provided €320,000 in 2007 and 2008 for a potato research project undertaken by CIP in Malawi.

Reducing Food Insecurity

It is estimated that 925 million people are now hungry in the world today. Although progress is being made at the global level towards the attainment of the first Millennium Development Goal (MDG) of halving extreme poverty and hunger by 2015, it is unlikely that this MDG will be attained in either sub-Saharan Africa or South Asia.

The years 2007 and 2008 saw dramatic rises in basic food prices worldwide, sparking food riots in several countries. The global increase in food prices evidenced in late 2007 to mid 2008 has hit the poor hardest, as they spend the highest proportion of their income on staple foodstuffs. Demand for food is growing and while food prices have fallen back somewhat they are still at a high level compared to 2005 and are expected to remain at this higher level for some time. The United Nations predicts that the world's population will reach 9 billion by 2050, with most of the extra 2.5 billion people living in the developing world.

Investment in agriculture in developing countries has been neglected over the past two decades, both by donors and developing country governments. Over twelve percent of ODA was spent on agriculture in the mid 1980s; by 2006, this had declined to just 3.1%. It is now widely accepted that increased investment in agricultural productivity in developing countries – and particularly in Africa – is critical to tackling the hunger challenge.

Ireland's contribution to the fight against hunger, poverty and under-development is mainly through its Official Development Assistance (ODA) programme, which is channelled through Irish Aid within the Department of Foreign Affairs. This programme includes bilateral aid to selected countries in Africa and Asia, extensive support for Non Governmental Organisation (NGO) activities and financial assistance to International organisations and UN agencies. Around 80% of this funding is from Irish Aid but other Departments are also involved in the provision of ODA. The Department of Agriculture, Fisheries and Food actively participates through membership in, and financial support to two UN agencies, and in 2008 its total contributions to FAO and World Food Programme (WFP) amounted to over €14 million.

Hunger Task Force

The Hunger Task Force was established following the publication of the Government White Paper on Irish Aid in 2006. The Task Force began work in 2007 with fifteen Irish and international experts who identified the most appropriate and effective contribution that Ireland might make to the international efforts to reduce hunger and achieve the first Millennium Development Goal. The final report was presented to an Taoiseach in New York on 25 September 2008 in the presence of UN Secretary General Ban Ki Moon, as well as Bono, Jeffrey Sachs and other members of the Task Force.

The Report of the Hunger Task Force presents three key areas of action: governance and leadership priorities, increasing agricultural productivity in Africa and support for improving nutrition status. The Irish Government welcomed the overall findings of the Hunger Task Force Report and supported its focus on three key elements to be addressed namely (i) the need to prioritise the abolition of hunger as a shared objective and to follow through on commitments already made, (ii) to target agriculture and particularly the need to radically improve smallholder productivity in sub-Saharan Africa and (iii) to highlight the need to take effective actions to counter maternal and infant undernutrition.

A new Division has been established within Irish Aid to focus on hunger and food security. A Special Envoy for Hunger, Mr Kevin Farrell was appointed in January 2009. Mr Farrell and the new Division will work together for the next 18 months reporting directly to Minister of Overseas Aid in the Department of Foreign Affairs.

UN High Level Task Force

The UN High Level Task Force (UNHLTF) was established in Bern in April 2008. It was set up by Secretary General Ban Ki Moon, as the UN system reaction to increasing food prices. The UNHLTF consists of the heads of UN agencies, World Bank (WB), International Monetary Fund (IMF) and UNICEF. The Task Force's aim is to develop an international response to the food prices crisis and fuel crisis. It launched the Comprehensive Framework for Action (CFA) in July 2008. The CFA has called on Members to double ODA for food assistance, other types of nutritional support and safety net programmes and to increase the percentage of ODA to be invested in food and agriculture to 10% within five years. The CFA supports immediate and long-term responses to the current crises without creating new mechanisms.

Chapter Eight:
National Context

8.1 Overview

This Chapter gives an overview of national policy developments impacting on the agri-food sector, including progress on measures under the National Development Plan 2007-2013, Rural Development Programme 2007-2013, Towards 2016, the Agri-vision 2015 Action Plan as well as other expenditure and budgetary items. In addition, the Chapter provides a brief summary of the main findings of a recent study of the contribution of Irish agriculture to our economy.

8.2 National Development Plan

The NDP, which was launched in January 2007, incorporated eight agri-food and fisheries sub-programmes with a total public expenditure allocation of €9.2bn (€8.7bn for agri-food and €583m for fisheries). Of the €8.7bn an amount of €5.78bn is allocated to the Rural Development Programme (RDP). EU co-funding for the RDP amounts to €2.3bn.

This NDP funding is earmarked for agriculture and food development under four sub-programmes addressing competitiveness (€1.7bn), the environment (€6bn), the food industry (€289m) and agri-food research (€641m). On fisheries issues a total of €583m has been allocated for marine research (€141m), coastal protection (€23m), development of the seafood sector (seafood processing and marketing, training, aquaculture) (€216m) and development of the fisheries and coastal infrastructure (piers and harbours) (€203m).

In the period 2007 - 2008 the NDP spent approx €2.443bn on competitiveness (€843m), the environment (€1,391m), the food industry (€58m) and agri-food research (€151m). A total of €195m was spent on fishery measures including marine research (€60m), coastal protection (€4m), development of the seafood sector (seafood processing and marketing, training, aquaculture) (€90m) and development of the fisheries and coastal infrastructure (piers and harbours) (€41m). This gave a total spend of €2.638bn on the agricultural and fishery measures under the NDP.

Rural Development Programme 2007 – 2013

Under the Rural Development Programme (RDP) support measures included schemes for early retirement, on farm investment, installation aid, agri-environmental supports and the disadvantaged areas scheme. The wider rural economy measures under the RDP have a funding allocation of €425m and support improvements to the quality of life in rural areas and the diversification and development of the rural economy. The Department of Community, Rural and Gaeltacht Affairs deliver this sub-programme through a new network of Local Action Groups.

In the period 2007 - 2008 approx €1.251bn was spent on rural development measures, including Axis I measures: Installation Aid (€5m), Early Retirement (€99m) and Farm Investment (€13m) and Axis II measures: Disadvantaged Areas (€510m) and REPS (€624m). Following the budget of 14 October 2008 the RDP was adjusted with the suspension from 15 October 2008 of the Young Farmer Installation Aid and Early Retirement schemes and a reduction of the funding for the Disadvantaged Area Scheme for 2009 to €220 million.

Health Check – RDP

Under the Health Check Agreement an additional €120 million will be available under the RDP from 2010 to 2015. This amount must be used to address the four new challenges of climate change, water management, bio-energy and bio-diversity. Also two additional supports were introduced and relate to innovation supports linked to the four new challenges and dairy support measures. Ireland's priorities will likely be climate change and bio-diversity. Following a consultation process Ireland's RD Strategy and Programme must be amended and forwarded to the Commission by the end of June 2009 for implementation in 2010. Under the new measures payment rates will be 10% higher than existing rates. Co-financing of 25% from national funds is required.

8.3 Towards 2016

Progress continued on implementing the agriculture provisions of Towards 2016 with the result that by end December 2008, over 80% of the 90 commitments were being implemented on an ongoing basis.

8.4 Agri-vision 2015 Action Plan

The third and final report on the implementation of the Agri-Vision 2015 Action Plan was produced showing progress achieved up to the end of 2008. The Action Plan contained 167 specific actions, under the action heads of consumer focus, innovation, competitiveness and sustainability. Progress on each of these actions has been evaluated on a four-point basis, with overall progress to December 2008 categorised as shown in Table 8.1. Overall, there has been a very satisfactory outcome, as 98 % of the action points have been completed or are being implemented on an ongoing basis.

TABLE 8.1 PROGRESS ON AGRI-VISION 2015 ACTION PLAN

	Description	No. of Actions	Percentage
A	Action completed	20	11. 5%
B	Action implemented on an ongoing basis	143	85. 5%
C	Substantive action taken but further work required	4	2%
D	Minimal action taken	0	0%

8.5 Estimates 2008

Following the Supplementary Estimate on 7 April 2009 provisions of more than €1.9 billion were made for the Department of Agriculture, Fisheries and Food in 2009. In addition, the Department will spend approximately €1.4 billion in EU funding, primarily in the form of EU direct payments, which will bring total expenditure by the Department to over €3.3 billion in 2009.

8.6 Budget and Taxation

The Finance Act (2) 2008 extended a number of existing provisions aimed at the farming sector, including:

- Stamp duty relief for young trained farmers was renewed for a further 4 years until the end of 2012.
- Both the general and the young trained farmers rates of stock relief were renewed for a further two years until 31 December 2010.
- Stamp duty relief for farm consolidation was renewed for two years from 1 July 2008 to 31 June 2011.
- The accelerated rate of capital allowances for investment in on farm pollution control facilities has been renewed for two years until 31 December 2010.

Other general tax provisions will also apply to the farming community, including the new income levy.

8.7 Income Tax Yield From Farmers

There are approximately 90,000 farmers on record with the Revenue Commissioners. Provisional estimates show that approximately €159 million tax was paid on farm profits in 2008.

TABLE 8.2 FARMERS INCOME TAX AND PRSI (€M), 2000-2008

Year	Tax (€m)	PAYE on Other Earned Income (€m)	PRSI (€m)	Total (€m)
2000	110	187	36	333
2001	107*	227	36	370
2002	126*	217	42	385
2003	115*	259	32	406
2004	124*	232	30	386
2005	130*	319	29	478
2006	156*	338	39	533
2007	173*	n/a	43	n/a
2008	159*	n/a	39	n/a

*Includes yield from special investigations. The figures for the years 2000 to 2003 inclusive relate to tax on farm profits. For the years 2004 to date the figures relate to "farming sector" as identified by the relevant four digit "NACE" code used on tax records. Source: Revenue Commissioners

Tax from the farming sector accounted for 1.4% of the total income tax-take in 2008. This compares to 84.9% from the PAYE sector and 13.7% from other self-employed.

TABLE 8.3 AVERAGE INCOME TAX PAID BY SECTOR, 2000-2008

	PAYE[1] (€)	Farmers[2] (€)	Other Self-employed[2] (€)
2000	4,558	1,423	8,158
2001	4,602	1,048*	9,533*
2002	4,008	1,829*	9,592*
2003	4,180	1,693*	6,911*
2004	4,512	1,195*	8,549*
2005	4,411	1,274*	11,220*
2006†	4,575	1,688*	13,926*
2007†	4,767	1,845*	15,023*
2008†	4,756	1,721*	12,247*

†Provisional
*Excludes yield from special investigations
Source: Revenue Commissioners

[1] Average tax payment for the PAYE sector is obtained by dividing the net receipt of PAYE tax by the total number of income earners on the PAYE tax record including those who are exempt from tax.
[2] For farmers and other self employed the estimated net receipt of income tax paid by farmers/self employed is divided by the number of farming tax units/estimated number of self employment units assessed for tax. These numbers exclude those who are not required to file annual tax returns and whose position is reviewed periodically because their incomes are too low to attract a tax liability on an individual basis.

8.8 The Net Contribution of the Agri-Food Sector to the Inflow of Funds into Ireland

A report[1] commissioned by the Department and completed by Brendan Riordan, Research Consultant, provides estimates of the net inflow of funds to the Irish economy associated with the biosector[2] while also making comparisons with other sectors in the economy. These net inflows are measured as the net value of exports, that is the inflows associated with exports, minus the associated outflows on importing materials and repatriation of profits by foreign export businesses using Ireland's Balance of International Payments (BOP).

The results showed a surprisingly large net contribution from the 'biosector'. In 2005 net foreign earnings of the 'biosector', amounted to 32 percent of the total net earnings from primary and manufacturing industries. This was double the sector's 16 percent contribution to exports in that year. These findings are consistent for the period from 2000 to 2005 (Table 8.4).

TABLE 8.4 'BIOSECTOR' AS A PERCENTAGE OF ALL PRIMARY AND MANUFACTURING INDUSTRIES FOR BALANCE OF PAYMENTS FLOWS ARISING FROM EXPORTS, 2000-2005

	2000	2001	2002	2003	2004	2005
Exports	13%	13%	13%	15%	17%	16%
Net inflow from exports	38%	29%	29%	29%	28%	30%
Net foreign earnings of exports	39%	30%	30%	30%	29%	32%

Source: O'Riordan, B. (2008)

[1] Brendan Riordan, "The Net Contribution of the Agri-Food Sector to the Inflow of Funds into Ireland: a New Estimate", May 2008
[2] Agriculture, forestry and fishing as well as the industries processing their products, namely the food, beverage and tobacco industries

Reasons for the sector's disproportionately large net contribution to earnings from exports include the following:

- Import Requirement[3]: The import requirements per euro of 'biosector' exports were found to be lower than in the 'non-biosector'.
- Profit Repatriation[4]: Foreign ownership, and thus profit repatriation outflows, was lower than in other sectors. This was despite strong growth in the activities of foreign-based enterprises in some of the food and beverage industries.
- EU Receipts[5]: Receipts of EU payments were almost entirely in support of agriculture and its exports. Nevertheless, the results of the study show that the contribution of the sector is not heavily dependant on EU receipts in any of the years from 2000 to 2005.

Analysis of BOP flows per €100 of exports, in Table 2, shows how the 'biosector' accounted for significantly higher net foreign earnings than the 'non-biosector' in 2005. The largest disparity between the 'biosector' and the 'non-biosector' was in the import content of exports where these were €38 per €100 euro in the 'biosector' but amounted to €58 per €100 euro of exports in the 'non-biosector'.

Also contributing to the disparity are the 'biosector's' lower outflows arising from foreign ownership of businesses in the sector and the inflows of payments for elements of the EU Common Agricultural Policy (CAP).

TABLE 8.5 OUTFLOWS PER €100 OF EXPORTS, 2005.

	'Biosector'	'Non-Biosector'
Exports of Enterprises at purchasers' prices	100	100
EU Transfers related to exporting industries	16	0
Imports exported without further processing	-12	-1
Imports for production of exports	-38	-58
Operating surplus of foreign businesses from exports	-15	-20
Consumption of imported plant etc. in production of exports	-2	-2
Net foreign earnings of exports	**48**	**19**

Source: Riordan, B. (2008)

While more conventional measures of the contribution of the agri-food sector to the economy would value it below 10 per cent, the research highlighted above, measures the 'biosector' contribution at close to 30 percent of the net flow of funds into the economy generated by the primary and manufacturing industries. While this analysis of the 'biosector' includes the net flow of funds associated with the components of the agri-food as well as tobacco sectors, it nonetheless highlights their significant contribution. This measure of contribution has been consistent for the period 2000 to 2005.

[3] The amount of imported goods and services used in the production of the goods and services exported
[4] The sending of profits back to one's parent country
[5] Amount of monies received from EU budget

Chapter Nine:
Environment

9.1 Overview

Environmental protection is an increasingly important element of modern agricultural policy, which must now take on board a range of international commitments, EU Directives and national legislation concerning the environment. This Chapter provides an overview of some of the more significant environmental measures in place and schemes to encourage environmentally friendly farming.

9.2 Nitrates Directive

The Nitrates Regulations (SI no. 378 of 2006) were made in July 2006 by the Minister for the Environment, Heritage and Local Government following a lengthy and comprehensive consultative process. They represent the agriculture sector's primary response to the requirements of the Water Framework Directive, which seeks to restore waters to good ecological status by 2015.

The Regulations set standards and requirements in relation to:

- the timing and procedures for the land application of fertilisers;
- limits on the land application of fertilisers;
- requirements on the capacity of storage vessels for livestock manure;
- general provisions on storage management; and
- the monitoring of the effectiveness of such measures.

The Department has sought to minimise the burden of compliance and to assist farmers in meeting their obligations under the Regulations. The Explanatory Handbook and other information previously provided to farmers is available on the Department's website and the Department continues to make available to farmers annual statements of organic nitrogen and phosphorus produced on their farms based on information held in Department databases.

The EU Commission decision dated 22 October 2007 approved Ireland's application for a derogation from the 170 kg per hectare organic nitrogen limit in the Nitrates Directive. The derogation provision is to allow grassland farmers to operate at up to 250 kg per hectare, subject to certain conditions. The derogation provision, along with other amendments required in response to a European Court of Justice judgement in relation to the Dangerous Substances Directive, will be enshrined in new consolidated Nitrates Regulations. These amendments were open to public consultation during 2008 and it is expected that the Minister for the Environment, Heritage and Local Government will sign the new Regulations into law in 2009. In 2008 farmers applied for a derogation by means of their Single Payment application. In order to make the derogation process easier to follow, and to ensure that only those farmers who really need it apply for it, the Department will introduce a separate application form in 2009, details of which will be published in the farming press and on the Department's website.

9.3 National Climate Change Strategy

In 2007, the Government published the National Climate Change Strategy 2007–2012, which set out a range of measures, building on those already in place under the 2000 Strategy, to meet Ireland's commitments under the Kyoto Protocol. The Department contributed to the development of the Strategy, and conducted a research needs analysis in 2007 to identify and support the development of future measures to reduce greenhouse gas emissions.

The Strategy projects a reduction in emissions from the agricultural sector through a number of measures including Common Agricultural Policy reforms, participation in REPS & Organic schemes, supports for manure management in line with the EU Nitrates Directive, new supports for afforestation and through development of renewable energy resources.

While the achievement of the 2008–2012 commitment is the immediate concern in terms of addressing greenhouse gas emissions, Ireland has also agreed to reduce national greenhouse gas emissions by 20% compared to 2005 emissions levels, by 2020, as part of an EU Climate and Energy Package for the post-Kyoto period 2013-2020. In the event of an international agreement on global emissions reductions, which the EU Commission and EU Parliament expect to be completed at the UN Convention in Copenhagen, in December, Ireland's target will increase from 20% to a 30% reduction in emissions by 2020. New EU Directives, to give effect to the Climate Change Package for 2013 to 2020 period, including new rules governing the EU Emissions Trading Scheme, are nearing completion.

Achieving these targets presents a very considerable challenge to all sectors of the economy including the agriculture sector. Ongoing research will continue to develop further measures and technologies to reduce emissions from the agriculture sector. The Department has committed €15.5 million to climate change research projects since 2005 under the Research Stimulus Fund and continues to monitor ongoing research both nationally and internationally.

9.4 Ammonia Emissions

In 2005 the Government approved a National Programme for the progressive reduction of emissions of four transboundary pollutants – sulphur dioxide, nitrogen oxides, volatile organic compounds, and ammonia. The programme arises from a requirement under the UN Gothenburg Protocol to control and reduce emissions of these pollutants. Agriculture is the main source (c. 98%) of ammonia emissions in Ireland with animal manures producing about 92 per cent of ammonia emissions and chemical fertilisers accounting for the remainder.

The European Communities (National Emissions Ceilings) Regulations 2004[1] made by the Minister for the Environment, Heritage and Local Government, implementing EU Directive 2001/81/EC concerning national emissions ceilings for certain atmospheric pollutants, set a limit on national annual ammonia emissions, to be achieved by 2010, of 116 kilotonnes (kt). The level of ammonia emissions in 2001 was 122 kt, in 2003 it was 116 kt and by 2005 the level of emissions had declined to 112.7 kt.

However, Ireland may shortly face more demanding targets for ammonia emissions to be achieved by 2020. The National Emissions Ceilings Directive is under review by the European Commission.

9.5 CAP Reform & Cross Compliance

Under the Single Payment Scheme farmers are required to respect the various Statutory Management Requirements (SMRs) set down in EU legislation (Directives and Regulations) on the environment, on public, animal and plant health and on animal welfare. There is also a requirement to maintain land in Good Agricultural and Environmental Condition (GAEC). This is known as Cross-Compliance and it involves two key elements:

- a requirement for farmers to comply with 18 Statutory management requirements (SMRs) set down in EU legislation on the environment, food safety, public, animal and plant health and animal welfare; and
- a requirement to maintain the farm in good agricultural and environmental condition (GAEC).

From 2007 Cross-Compliance applies to the Disadvantaged Areas Scheme and from 2008 it applies to REPS 4 participants. The Nitrates SMR was introduced in Ireland in 2006.

Farmer's compliance with these requirements can now be checked through inspection visits. Failure to meet the requirements may result in payments being withheld, either partially or fully.

9.6 Rural Environment Protection Scheme

In 2008 approximately 10,500 farmers applied for REPS 4 and some 51,000 farmers continued to farm under REPS 3. Spending on REPS in 2008 amounted to €310 million. The Programme for Government envisages REPS numbers growing to 70,000. Approximately 42% of all farmers are now in REPS, with approximately 1.8 million hectares or 40% of the total agricultural area being farmed to REPS standards. Over half of all REPS participants are located in counties along the western seaboard, with 24% in counties Galway and Mayo. REPS continues to deliver enhanced environmental benefits through improved biodiversity and supplementary measures. Participants who wish to enter REPS 4 must comply with 11 basic compulsory measures. They must also select at least two out of a range of twenty-five undertakings designed to increase biodiversity at farm level.

Teagasc National Farm Survey data for REPS and non-REPS farms in Tables 9.1 and 9.2 shows higher returns for REPS farms compared with their non-REPS extensive counterparts. This was particularly notable on cattle and sheep systems, but was not the case for tillage systems.

[1] S.I. No. 10 of 2004

TABLE 9.1 FINANCIAL PERFORMANCE INDICATORS FOR REPS AND NON-REPS FARMERS, 2007 .

	REPS €/ha	Non REPS extensive €/ha	Non-REPS Intensive €/ha
Gross output	1,412	1,404	3,163
Direct costs	388	457	1,151
Gross margin	1,023	946	2,013
Overheads	467	464	905
Family Farm Income	557	482	1,108

Source: Financial and Technical Performance of REPS farms 2007, Kinsella, A., Connolly, L., Quinlan, G. (2008)

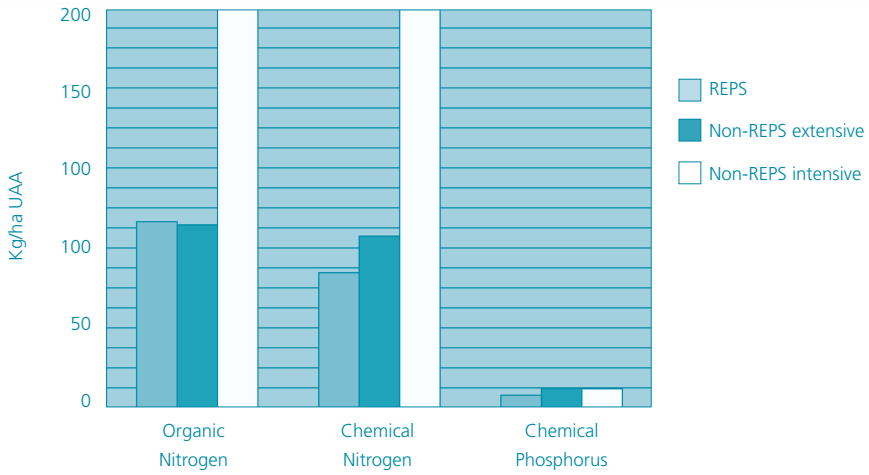
TABLE 9.2 FAMILY FARM INCOME BY SYSTEM OF FARMING FOR REPS AND NON-REPS FARMERS, 2007

	REPS €/ha	Non REPS extensive €/ha	Non-REPS Intensive €/ha
Dairying	49,267	51,242	52,680
Dairying and other	28,188	27,100	63,327
Cattle rearing	12,061	4,136	-
Cattle other	14,011	7,712	-
Mainly sheep	15,153	4,692	-
Mainly tillage	34,210	46,177	-
All systems	19,994	16,107	41,323

Source: Financial and Technical Performance of REPS farms 2007, Kinsella, A., Connolly, L., Quinlan, G. (2008)

FIGURE 9.1
FERTILISER APPLICATION RATES FOR REPS AND NON-REPS FARMS, 2007

Source: Kinsella, A., Moran, J. and Quinlan, G., (2008).



9.7 Organic Farming

In 2008 there were 1,450 organic operators in Ireland, of which 1,220 were producers and 230 were processors of organic produce. The total area of land used for organic production has increased by almost 50% since 2002 and now stands at 44,751 hectares. This equates to just over 1% of the total utilisable agricultural area (UAA) in the country. The Programme for Government target is to have 5% of the UAA under organic production by 2012. In response the Department published its Organic Farming Action Plan 2008-2012 in 2008. It has four main objectives; increase production in line with market trends, increase the knowledge base, develop the organic market at home and abroad, and encourage the development of public procurement opportunities for organic products. The Plan outlines over 60 actions to assist in achieving the Government target.

The organic sector receives substantial financial support through REPS and a Scheme of Grant Aid for the Development of the Organic Sector. Since 1996, organic producers who participate in REPS have received approximately €63 million in total, of which €25 million was a supplementary payment in relation to organic farming. In 2008, €2.9 million was paid in respect of the organic supplementary payment.

The Organic Farming Scheme, introduced in August 2007 under the Rural Development Programme 2007–2013, aims at encouraging producers to respond to the market demand for organic food. One significant change this time round is that organic producers can obtain organic support payments without having to join REPS. This should encourage small-scale horticultural producers to convert to organic production, and also conventional tillage producers to convert part or even all of their holdings.

Organic farmers and processors can also avail of the capital grant schemes launched in June 2007 providing grant aid for investments in equipment and facilities, both on and off-farm. The allocation for these Schemes, at €1.5m, was fully used in 2008.

9.8 Farm Waste Management Scheme

The revised version of the Farm Waste Management Scheme introduced in March 2006 in order to assist farmers meet the additional requirements of the Nitrates Directive provided that all work must be completed by farmers and a payment claim submitted to the Department by 31 December 2008.

17,397 payment claims remained to be processed to full payment stage under the Scheme at the beginning of 2009. Payment of these grants will be made on a phased basis with 40 per cent being paid in 2009 as claims are approved. A further 40 per cent will be paid in early January 2010 and the remaining 20 per cent in January 2011. A special ex-gratia payment not exceeding 3.5 per cent of the value of the deferred amount will be made to farmers whose grants have been partially deferred. This payment will be made in January 2011 along with the final instalment.

Expenditure under the Scheme in 2008 amounted to €413.7 million, compared to €113.9 million in 2007. This brought the total expenditure under the Scheme, since its introduction in 2001, to €614.8 million at the end of 2008.

9.9 Tax Relief for Investment in Pollution Control Facilities

In Budget 2009, the accelerated rate of capital allowances available for necessary investment in pollution control facilities was extended to 31 December 2009. The capital allowance is provided at 33% per annum over a three-year writing-off period with the option to avail of a more flexible writing-off arrangement in respect of the lesser of €50,000 or 50% of the qualifying expenditure in any one year.

9.10 Biofuels

Various National and EU policy documents emphasise the importance of promoting the use of renewable energy including bioenergy. In 2008, the promotion of renewable energy was recognised as one of the 'new challenges' facing EU agriculture during the CAP Health Check reform process. Currently renewable energy accounts for approximately 2.9% of Ireland's total primary energy consumption. Under the new EU Renewables Energy Directive, Ireland is required to obtain 16% of our energy from renewable sources by 2020 and ensure that renewables make up 10 per cent of transport fuel. Since the targets far exceed current output levels, production needs to be rapidly expanded.

Biofuels are expected to make a significant contribution to the 10% transport fuel target. Indigenous biofuels are not widely produced at present, however, there is potential to expand production[2]. In 2007, market penetration of biofuels had risen to 0.5% up from 0.1% in 2006. The dominant fuel is biodiesel, representing 76% of biofuel usage in 2007, followed by bioethanol (16%) and pure plant oil (8%). Figures for 2008 are expected to show a further significant increase.

The Biofuels Obligation Scheme planned for 2010 is designed to provide a long-term market based framework for the development of a biofuels sector in Ireland. Under the scheme, suppliers will be compelled to use biofuel in the fuel mix providing a valuable boost to the biofuels industry generally.

9.11 Energy Crops

The cultivation of energy crops provides an alternative land use option for farmers and is part of the solution to displacing fossil fuel use and mitigating greenhouse gas emissions. Less than 0.2% of the agricultural land in Ireland is under energy crops made up of oilseeds, miscanthus, willow and small quantities of wheat and oats used for energy purposes. The area devoted to energy crops for each of the last four years is detailed in Table 9.3.

[2] Source: SEI Renewable Energy in Ireland 2008 Report – Focus on Wind Energy and Biofuels

TABLE 9.3 AREA DEVOTED TO ENERGY CROPS, 2005-2008

	Hectares
2005	2,590
2006	4,456
2007	9,057
2008	5,000

Source: DAFF

2008 was a difficult year for energy crop production due to a mix of factors, including high rapeseed prices, cheap imports of feedstock and the steep fall in oil prices. In spite of these problems, progress was made. The second phase of the Bioenergy Scheme providing establishment grants worth €1,450 per hectare to plant miscanthus and willow generated increased interest in 2008. Overall plantings increased from 694 hectares in 2007 to 945 hectares in 2008 (see Table 9.4).

TABLE 9.4 PLANTING OF BIO-ENERGY CROPS UNDER THE BIO-ENERGY SCHEME, 2007 - 2008

Year	2007 Area (ha)	2008 Area (ha)	No. of applicants
Miscanthus	631	817	198
Willow	63	128	26
Total	**694**	**945**	**224**

Source: DAFF

Aid has been made available to plant a further 1,800 hectares in 2009. Overall the area planted should exceed 4,000 hectares by the end of 2009.

9.12 Biodiversity

The Department has continued to work closely with the DEHLG on bio-diversity issues arising in relation to Department schemes etc., the EU Communication on Halting the Loss of Biodiversity and the UN Convention on Biological Diversity.

The Rural Environment Protection Scheme (REPS 4) contains an increased emphasis on biodiversity. In addition to the fundamental measures to protect and maintain habitats, water courses and hedgerows, REPS 4 contains supplementary measures designed to further support biodiversity and an expanded list of biodiversity options from which an applicant must choose to implement at least two options appropriate to the holding.

The Biodiversity Unit within the Department supported two research projects that were completed during 2008. Funding was provided for an NUI Maynooth study on the characterisation, conservation and assessment of the genetic diversity of wild rape (Brassica Rapa) and for a project by Genetic Heritage Ireland to research and create an Irish Plant Genetic Resources Inventory. The Department also supported the Science and Technology in Action programme, a science-oriented teaching resource produced under the auspices of the Department of Education and Science. Each year, a range of lesson plans are produced, dealing with different scientific disciplines and applications, and circulated to all Irish schools as a teaching aid. In 2008, DAFF sponsored and contributed to a lesson plan on the importance of biodiversity and will sponsor a new lesson plan in the 2009 edition.

The Department's involvement in the consultation process for the development of a new National Biodiversity Plan by the DEHLG continued in 2008 and is ongoing.

Chapter Ten:
Forestry

10.1 Overview

Forest cover in Ireland has grown from a very modest 1% at the beginning of the 20th century to 10.5% in 2008. Up until the mid 1980s most of the planting was undertaken by the State, and it was not until the introduction of EU funded support programmes that there has been an increase in the level of privately funded afforestation.

10.2 Forest Cover in Ireland and the EU-25

Forest cover in Ireland amount to almost 730,500 hectares in 2008, which is estimated to be over 10% of total land area. Table 10.1 shows the trends in total forest area since the 1980's and how the level of private plantings exceeded public plantings by the mid to late 1980s, with the latter decreasing substantially thereafter. Private plantings peaked around the mid 1990's and have been in decline in recent years. The proportion of afforested land privately owned had increased to 46% by 2008.

FIGURE 10.1
ANNUAL PUBLIC AND PRIVATE PLANTINGS, 1980-2008

Source: DAFF Forest Service

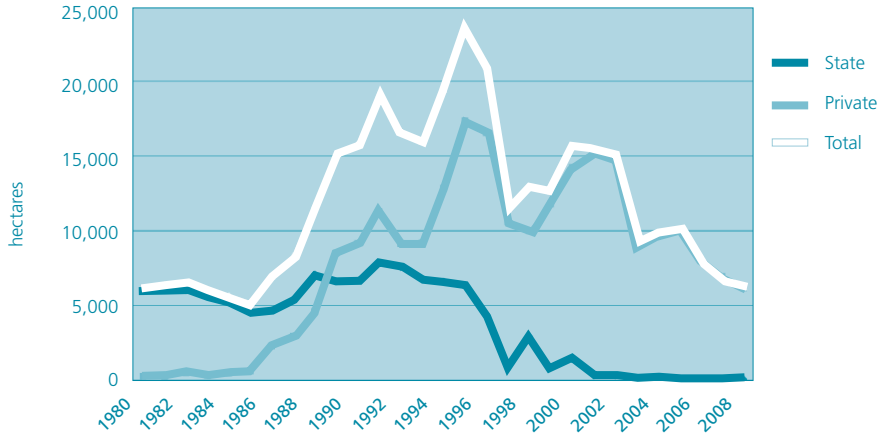
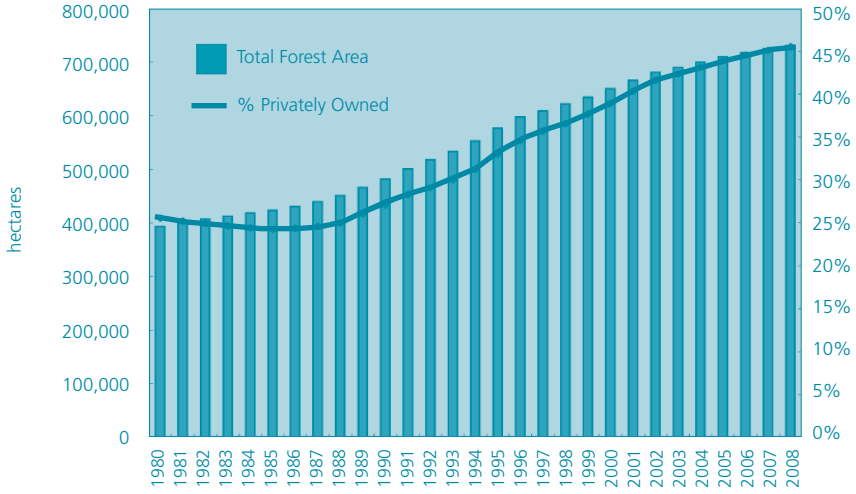


FIGURE 10.2
TOTAL FORESTED AREA AND % PRIVATELY OWNED, 1980-2008

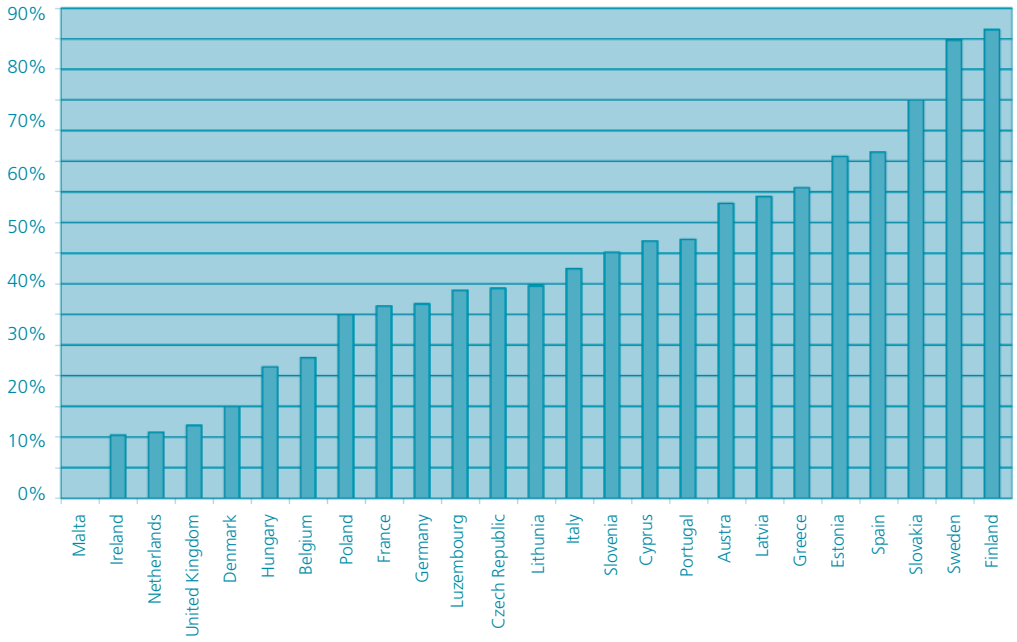
Source: DAFF Forest Service



Data for 2005 shows that forest cover in Ireland remains one of the lowest in Europe. Over 40% of total land area in the EU-25 was estimated to be woods/forest compared with approximately 10% in Ireland. Also, more afforested land is privately owned in Europe (59% in 2000).

FIGURE 10.3
WOODED AREA AS A PERCENTAGE OF TOTAL LAND AREA IN THE EU, 2005

Source: European Commission, Agricultural Situation in the EU, 2007



In recent years there has been difficulty in maintaining planting levels. In 2008, 6,249 hectares (all apart from 67 hectares were private) were planted. This is a 10% decrease on 2007. The average area planted was 8 hectares. There has been a significant increase in broadleaf planting since 1996 reflecting the revised support structure for such plantings. Broadleafs accounted for 31% of plantings in 2007.

TABLE 10.1 ANNUAL, PUBLIC AND PRIVATE AFFORESTATION AND % BROADLEAF IN 1996, 2002, 2007 AND 2008

Year	Total (ha)	Public (ha)	Private (ha)	% broadleaf
1996	20,982	4,426	16,556	15%
2002	15,054	319	14,735	17%
2007	6,947	0	6,947	31%
2008	6,182	67	6,249	n.a.

n.a. not available
Source: DAFF Forest Service

10.3 Irish Woodflow

Ireland has a well developed timber processing sector which provides a market for the pulp, stake and sawlog harvested in Ireland each year. Coford[1] estimate that in 2007, timber production in the Republic of Ireland exceeded three million cubic meters of commercial round wood, of which approximately 65% is categorised as sawlog, 30% is pulpwood and 5% is stakewood. Coillte provides most of this harvest (87%) with the balance coming from an expanding private forest estate. Coford also estimate that the private forestry sector has the capacity to increase its output ten-fold over the coming decade.

Most output from manufacturing timber products is used for construction but the biomas/bioenergy sector is taking more material. Sawn timber products accounted for 984,000 m^3 of output which was primarily used by construction, pallet, fencing and other markets. Wood based panels amounted to a further 918,000m^3 of output while stake production amounted to 164,000m^3.

[1] Coford Connects: Estimated woodflow in the Republic of Ireland in 2007.

Sawmilling

The primary products produced from the sawmilling sector include construction lumber, pallet and fencing products. Construction lumber is largely sold on the home market while pallet and fencing products make-up the bulk of sawn timber exports.

Wood Based Panels

The wood based panel sector is an active buyer of wood pulp, sawmilling residues (i.e sawdust, woodchip and bark) and recycled wood fibre. The estimated wood fibre requirements of the sector is 1.7 million cubic meters, so reliance on imports is necessary. The sector is also export orientated with 75% of its produce destined for overseas markets.

Residues and Recycled Wood Fibre (RWF)

Sawmill residues and recycled wood fibre are primarily used as a feed stock for board mills. A small volume of residues are exported. Other uses for wood fibre have emerged in recent years including manufacture of bark mulch, manufacture of wood pellets and boiler fuel.

TABLE 10.2. ESTIMATED SOURCES OF WOOD FIBRE IN THE REPUBLIC OF IRELAND, 2006 -2007

	2006 Volume cubic meters	2007 Volume cubic meters
Irish timber harvest for 2007	3,154,000	3,0003,000
Coillte harvest	2,700,000	2,556,000
Private harvests	240,000	390,000
Sawmill residues	1,097,000	966,000
Wood residues produced by the Irish wood based panel processing sector	_	125,000
Recycled	250,000	264,000
Total	_	**4,358,000**

Source: Coford 2008

In 2007, the export value of Irish forest products exceeded €425 million. Wood based panels accounted for the bulk of exports in value terms. The sector also relies heavily on imports in order to meet feedstock requirements etc. Imports are primarily in the form of pulp and paper products as well as sawnwood and panel boards.

TABLE 10.3 VALUE OF IRISH TIMBER IMPORTS AND EXPORTS, 2007

		Imports		Exports	
	Unit of measurement	Volume	Value €'000	Volume	Value €'000
Sawnwood	1,000 m^3	724	251,200	381	70,977
Wood based panels	1,000 m^3	358	145,706	757	262,410
Pulp and paper products	1,000 tonnes	546	466,526	85	92,026
Total	_		**863,432**	_	**425,413**

Source: CSO figures cited in Coford Connects

10.4 Size, Structure and Output of Irish Wood Processing Sector

Table 10.4 show details on the size and structure of the Irish wood processing sector in 2007. In 2007, the Census of Industrial Production identified 377 enterprises as being involved in the manufacture of wood and wood products.

Of the 7,300 involved in the processing of wood and wood products, 53% are employed in the production of builders' carpentry and joinery, and 20% in sawmilling and 10% in the production of boards, veneers, etc. These three sectors also account for most of the turnover and GVA in the sector. Earnings per person employed were better in the panel board and pulp/paper products sector, while GVA per person employed was highest in the sawmilling sector followed by the panel board sector.

TABLE 10.4 SIZE, STRUCTURE AND OUTPUT OF WOOD PROCESSING SECTOR, 2007

	No. of enterprises	Persons Engaged	Turnover per person employed	GVA per person employed	Earnings per persons employed
	No.	No.	€	€	€
(Nace 20) Manufacture of:					
Sawmilling,planing and impregnating of wood.	38	1,468	286,785	88,556	31,335
Veneers, plywood, laminboard, particle board, fibre board, and other panel board	12	748	331,551	80,214	40,107
Builders carpentry and joinery	176	3,884	132,080	43,512	27,549
Wooden containers	29	329	142,857	42,553	24,316
Other wood products, cork, straw and plaiting materials	56	871	122,847	42,480	25,258
Total Wood and Wood Products	**311**	**7,300**	**183,014**	**56,027**	**29,041**

Source: CSO, Census of Industrial Production

10.5 Socio-Economic Contribution of Forestry in Ireland

In 2006, an analysis of the socio-economic contribution of forestry in Ireland[2] was undertaken by Ní Duibháin et al. The report looked at data on the direct, indirect and induced impact of forestry at regional level and undertook three case-studies on the perceived benefits or disadvantages of forestry at local level. Using the multipliers and 2003 data the overall value of forestry to the Irish Economy is estimated to be €472 million and 7,182 in terms of employment. However, there may be some overlap with employment in wood processing, where 12,246 full-time equivalents were associated with three processing sectors (panelbaords, sawmills and other wood products) and the related total expenditure (including direct and induced) amounted to €1.65 billion.

The employment multipliers are not unlike the 2004 findings by Bacon and Associates, which suggested that for every five jobs created in forestry, an additional three jobs are supported elsewhere in the economy, thus indicating that forestry supports something of the order of 16,000 jobs in the Irish economy.

[2] Ní Dhubháin, Á., Flechard, M., Moloney, R., O'Connor, D., and Crowley, T., (2006), Analysis of the socio-economic contribution of forestry in Ireland – An interdisciplinary approach. Coford (2006).

The analysis by Ní Duibháin et al. also reported on the economic impacts of forestry at regional level, focusing on the West, South-West and Mid-West. The West had the largest forestry sector with 22% of national direct forestry expenditure occurring in that region. The regional multipliers were comparatively lower reflecting a leakage of economic activity that arises due to the expenditure on inputs from outside the region, such as the mid west region, where the industry is more developed, making it possible for a greater proportion of the inputs to forestry to be purchased there than in the other two regions.

Non-timber Benefits from Forestry

There has been growing recognition of the non-timber benefits of forestry. The public goods most commonly associated with forestry include:

- Leisure and recreation – with benefits for public health;
- Landscape;
- Climate change mitigation – carbon sequestration;
- Soil and erosion control;
- Bio-diversity and conservation.

While ascribing values to non-timber benefits can be difficult they were estimated at over €88 million per annum by Bacon and associates (2004)[3]. It was estimated that the carbon sequestrated by Irish forests will be worth €31 million[4] annually for the first commitment period of 2008-2012 inclusive.

The social impacts of forestry were also assessed by Ní Duibháin et al (2006) in three case-study areas. In an area where the forests were youngest and where afforestation had occurred at the fastest rate, forestry was perceived to have contributed little in terms of employment and amenity, while impacting negatively on the environment. In another area there was concern about the dominance of conifers in the afforestation programme. The amenity and recreational value of forest was more appreciated in areas with a long history of forestry.

10.6 Forest Strategy and Financial Supports

Public goods benefits along with the need for a viable level of planting to ensure sufficient capacity in the future underpins the public support for the forestry sector. The forestry sector in Ireland is strategically guided by the 1996 strategic plan – "Growing for the Future: A Strategic Plan for the Development of the Forestry Sector in Ireland". The overall aim of this plan is to develop forestry to a scale and in a manner which maximises its contribution to the national economic and social well-being on a sustainable basis but which is also compatible with environmental concerns.

The Forest Service continues to promote afforestation as a viable land use for farmers through the provision of planting grants and the payment of annual premiums over 20 years. In 2008, over €115 million was spent on afforestation grants and premiums (Table 10.5). As can be seen in the Table, €19.8 million was spent on Afforestation 1st Instalment Grants, €9.5 million on Afforestation 2nd Instalment Grants, €74.3 million on Afforestation Premium payments and €12.1 million on other forestry support schemes for forestry and woodland development projects. A total of €124.8 million in funding has been allocated for the various forestry programmes in 2009. Despite public investment planting levels have not reached the annual targets set out in the strategy.

TABLE 10.5 ANNUAL EXPENDITURE ON PREMIUMS AND AFFORESTATION GRANTS 2004-2008

Year	Total Expenditure	Total Afforestation Programme	1st Instalment	2nd Instalment	Afforestation Premiums	Forestry Support Schemes Structural
	€m	€m	€m	€m	€m	€m
2004	102	89.9	25.2	10.7	54.1	12
2005	110.8	97	26.9	12	58.1	13.8
2006	111	93.6	22.7	10.9	60	17.4
2007	117.1	103.2	21.1	10.5	71.6	13.9
2008	115.7	103.7	19.8	9.5	74.3	12.0

Source: DAFF Forest Service

[3] Bacon et al (2004),
[4] On the assumption that the price of 1 tonne of CO2 = €15.

In 2008, Mr John Malone, former Secretary General of the Department, published a report identifying a number of factors that adversely affect planting levels, including the value of land, the need for land for farming purposes, negative attitudes toward forestry, environmental conditions attached to afforestation, the requirement to re-afforest, the application process and balance between REPS and FEPS among others. The report outlined a total of 18 recommendations designed to promote forestry, including greater coherence between the Forest Service, National Parks and Wildlife Service on application process and referrals, a balanced approached to environmental considerations especially in the context of acid sensitive soils, review the distinction between farmer and non-farmer applicants, review promotional strategies, establish a Forest Council and consider a more targeted (regional) strategy with likely timber and recreational benefits in mind. Some of these have been implemented while others are currently under review within the Department.

As agriculture and the rural economy continue to change, alternative land-use options are assuming increased importance. Forestry is one option that can deliver an alternative source of income. However, attaining the rate of planting envisaged by the current strategic plan may still be difficult.

10.7 National Forest Inventory

The Forest Service of the Department of Agriculture, Fisheries and Food published the first National Forest Inventory in 2007. This inventory involved a detailed field survey of Ireland's forests to assess the extent, composition and condition of the entire national forest estate, both public and private.
The NFI results confirm that:

- The total forest area in Ireland is 10% of the total land area;
- 57% of the national forest estate is in public ownership and 43% is in private ownership;
- Almost two thirds of the national forest estate is less than 20 years old;
- The percentage of broadleaf and conifer tree species present in the national forest estate is approximately 25% and 75% respectively;
- There is an estimated 70 million cubic metres growing stock in the national forest estate, equating to 112 cubic metres per hectare;
- The national deadwood volume stock has been quantified at 5.7 million cubic metres e.g. stumps, deadlogs and standing dead trees (deadwood is of major importance in terms of forest-biodiversity);
- An estimated 2.4 billion trees are present in the national forest estate, and it is estimated that this number of trees contain 30 million tonnes of carbon;
- No significant threats to health and vitality of the national forest estate were discovered;
- In relation to ground vegetation, the NFI has identified the substantial range and quantity of plant species present in the national forest estate.

The NFI needs to be repeated on a regular basis in order to maintain the validity and currency of the data. This is also vital to enable an accurate calculation of carbon sequestration in the national forest estate. The preferred repeat cycle is every five years and, on this basis, it is planned to start conducting the NFI again in 2009.

10.8 Wood Biomass

Solid biomass, primarily in the form of solid wood, is the largest source of renewable energy in Ireland accounting for 45% of the renewable energy contribution to Total Final Consumption (TFC) in 2006[5]. Wood biomass is mostly used by the product service sector which uses it for process drying and for energy purposes (Coford, 2008). However, the use of wood energy by commercial and domestic users has risen considerably.

TABLE 10.6 USE OF WOOD BIOMASS IN IRELAND, 2007

Biomass type	End use	Unit	Usage
Wood pellets	Domestic heating	Tonnes/year	24,640
Wood briquettes	Domestic heating	Tonne/year	5,638
Wood chip	Commercial heating	Cubic metres	20,000
Biomass use by the forest products industry	Process drying/heating/ CHP	Tonnes/year	382,000

Source: Coford/ JWEE return for Ireland

[5] Energy in Ireland (Sustainable Energy Ireland, 2008)

Given the versatility of wood there is huge potential in this area, but it is critical that the planting rates are increased to at least 10,000 hectares per annum if a sustainable industry is to emerge. The Wood Biomass Machinery Grant Scheme was launched in 2007 with the objective of stimulating investment in machinery to produce woodchip. Approximately €500,000 in grant aid was offered to successful applicants in 2007. A further phase of the scheme was opened in November 2007 aimed specifically at smaller, more mobile machinery. A further €50,000 was offered to successful applicants in 2008. Both these schemes are now closed.

10.9 Outlook for Forestry Sector

The contraction in the housing market affects demand for timber, including sawn timber imports. The on-going decline in the number of new house builds will continue to affect demand for the foreseeable future. Timber frame manufacturing, which had been a growing share of the market, has also been influenced by the economic down turn. The demand for Irish timber exports to the UK has been affected by both the decline in the UK construction and a loss in competitiveness due to a weakening sterling.

Chapter 11
Fisheries

11.1 Overview

The Irish seafood industry makes a significant contribution to the national economy in terms of output, employment and exports. Generating approximately 11,000[1] jobs in rural coastal regions, it is estimated that the industry contributed approximately €780 million to the national economy in 2008[2].

Geographically the fisheries industry is predominantly concentrated on the western seaboard and the harbour towns of the south and east coastline areas. In terms of the fish catching sector, fish and shellfish are landed at the five major fishery harbour centres (Killybegs, Castletownbere, Howth, Rossaveal, and Dunmore East), at 40 secondary ports (each with landings exceeding €1m) and a further 80 piers and landing places where fish landings are recorded[3]. The main industry stakeholders are the primary production sectors of fish catching and aquaculture, the primary and secondary processing sectors, the marketing sectors and ancillary industries such as net making, vessel repair, transport, and a number of other services.

While consumer demand for seafood continues buoyant as illustrated by the growth in the sales value of Irish seafood from €617 million in 2000 to €730 million in 2008, the supply of wild fish is facing difficulties mainly due to a decline in fish stocks. This situation is being addressed through the introduction of recovery plans where required and strengthened conservation measures. In addition a substantial scheme to permanently remove larger fishing vessels from the fleet commenced in 2008. There is good potential for the growth in aquaculture production to deliver job creation and economic growth in coastal communities.

11.2 Fleet Size and Structure

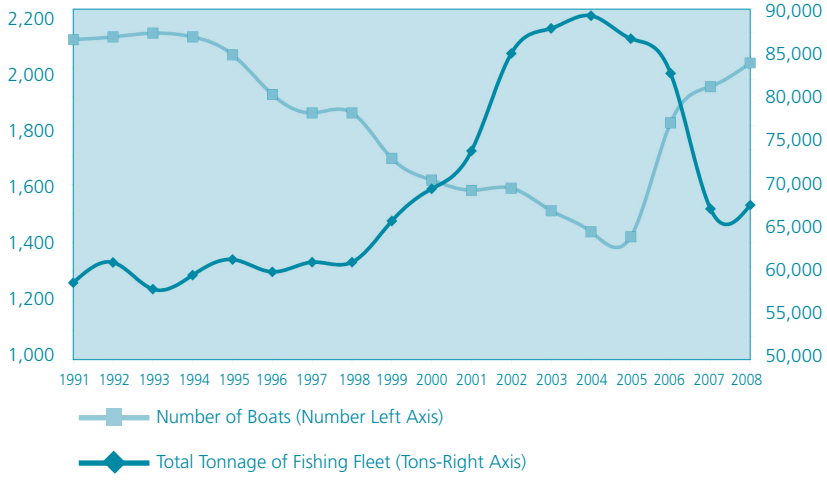
Figure 11.1 illustrates trends in the size and structure of the fleet since 1991. At the end of 2008[4] the Irish fishing fleet consisted of 2,016 vessels with a total tonnage of 66,540 tonnes and a total engine power of 188,669 KW.

The sharp increase in the number of registered ships since 2005 can be attributed to an increase in the polyvalent segment of the fleet. With regards to tonnage, the removal from the fishing boat register of the MFV[5] "Atlantic Dawn" during 2007 resulted in a significant reduction in registered fleet capacity of 14,055 GT and 12,607 KW.

Following agreement with the Department of Agriculture, Fisheries and Food and State Aid approval by the European Commission, the 2008 scheme to permanently withdraw capacity from the whitefish sector of the Irish fishing fleet was formally launched by the Minister of Agriculture, Fisheries and Food, Mary Coughlan T.D. in February 2008. A total of 71 applications were received. Forty–six of these vessels accepted decommissioning grants with a total of 6913 GT and 19,356 Kw being removed from the register. The total payout for decommissioning in 2008 was €21m.

FIGURE 11.1
SIZE AND STRUCTURE OF IRISH FLEET, 1991-2008

Source: CSO and DAFF



[1]Based on BIM surveys, which include full and part time/casual employment in the fisheries, aquaculture, seafood processing and ancillary services sectors. This is not comparable to CSO QNHS data quoted elsewhere in this report.
[2] Latest year for which complete data is available. Includes seafood sales, exports and landings at foreign ports.
[3] National Seafood Strategy Report "Cawley Report", January 2007
[4]On 31/12/2008. Source: DAFF
[5]Motor Fishing Vehicle

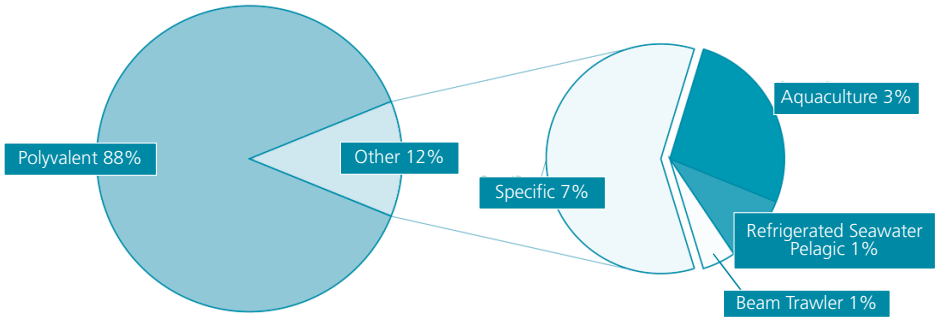
The Irish fleet contains 5 main segments:

- **Refrigerated Seawater (RSW) Pelagic Segment:** This segment is engaged predominantly in fishing for pelagic species (herring, mackerel, horse mackerel and blue whiting mainly).
- **Beam Trawler Segment:** This contains vessels, dedicated to beam trawling, a simple trawling method used predominantly in Irish inshore waters except in the southeast, where it is used to catch flatfish such as sole and plaice.
- **Polyvalent Segment:** This segment contains the vast majority of the fleet. These vessels are multi-purpose and include small inshore vessels (netters and potters), and medium and large offshore vessels targeting whitefish, pelagic fish and bivalve molluscs.
- **Specific Segment:** This segment contains vessels which are permitted to fish for bivalve molluscs and aquaculture species.
- **Aquaculture Segment:** These vessels must be exclusively used in the management, development and servicing of aquaculture areas and can collect spat from wild mussel stocks as part of a service to aquaculture installations.

The vast majority of the fleet are within the polyvalent segment, which comprised 1,770 vessels in 2008. A breakdown of the fleet by type of vessel is outlined in Figure 11.2

FIGURE 11.2
BREAKDOWN OF IRISH FLEET BY TYPE OF VESSEL, 2008

Source: DAFF



11.3 Primary Production from Fisheries

Landings

Data on 2008 landings by broad species type[6] is outlined in Table 11.1. The volume and value of fish landed by Irish vessels in 2008 is estimated to have amounted to over 150,000 tonnes worth approximately €230 million[7]. In volume terms, approximately two-third of landings were comprised of pelagic species with a value of approximately €64 million. Landings of shellfish accounted for a little over one-tenth of total landings in terms of tonnage, but accounted for over one-third (35%) of the value of total landings (€81 million). Demersal landings accounted for almost 41,000 tonnes valued at approximately €84 million.

TABLE 11.1 2008 FISH LANDINGS

	2008	
	Weight 000 Tonnes	Value €m
Irish Ports Total	150,047	165
Irish Vessels @ Foreign Ports Total	52,605	63*
Total Landings by Irish Vessels	**202,625**	**229**
of which		
Demersal	40,752	84**
Pelagic	138,377	64
Shellfish	23,446	81**

* Demersal and shellfish components of these aggregate figures are estimates.
** Foreign Port component of these aggregate figures are estimates.
Source DAFF Preliminary Estimates

[6] Main species grouping and most important species contributing to landings
Pelagic: Mackerel, Horse mackerel, Herring, Sprat, Sardines
Demersal: Cod, Saithe, Haddock, Whiting, Hake, Megrim, Monkfish, Ling
Shellfish: Nephrops, Scallops, Mussels, Crabs, Lobsters, Squid, Cuttlefish
[7] Estimated value attributable to Irish vessels only, at point of first sale.

Aquaculture

Aquaculture activities are located right around the coast with particular concentration in Donegal, Connemara, West Cork, Waterford, Wexford and Carlingford Lough. The sector includes the farming of finfish species such as salmon and trout, artic char and perch. Shellfish species such as mussels and oysters are also farmed extensively. Aquaculture derived seafood products have the potential to fill the gap between supply and demand for fish produce, given that output from traditional capture fishery is constrained by terms and conditions and quotas at EU and international level. In 2007, the aquaculture sector accounted for approximately 20% of the volume of total primary production of fish and shellfish. The volume and value of output from the sector reached 52,504 tonnes and €118 million in 2007, representing a 5.5% decline on the value in 2006. Of this amount shellfish production was valued at €59 million while finfish production was €58 million. Aquaculture production in terms of value and volume between 2001 and 2007 is outlined in Figure 11.3

FIGURE 11.3
AQUACULTURE VALUE AND VOLUME, 2001-2007

Source; BIM Data

11.4 Seafood Market and Processing Sector

In 2008 the seafood sector put in a credible performance although trading conditions were difficult in all principal markets. Total seafood sales both on domestic and export markets, excluding direct landings for Irish vessels into foreign ports, amounted to €731 million, a decline of 3.5% on the 2007 value of €757 million. When landings of fish by Irish vessels at overseas ports are included the estimated total value of seafood sales was in the order of €780 million.

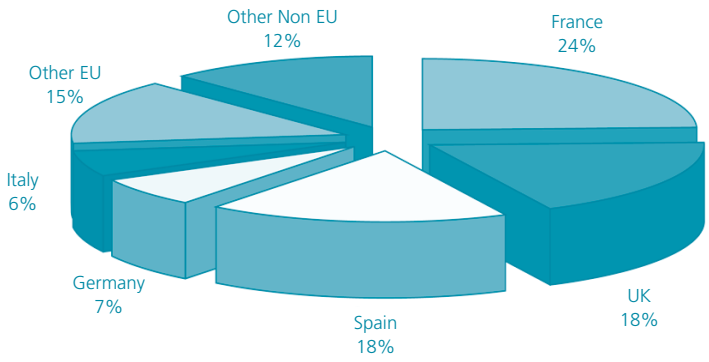
On the domestic market seafood sales amounted to €381 million in 2008. Sales through retail outlets increased 3.2% to €185.8 million in the year under review. Within the retail sector, the sales performance was particularly strong in the case of salmon which increased penetration in the market by 13%. In contrast, sales through the food service sector declined 8.7% in 2008 over 2007 in line with the general trend in food sales out of home and reflecting the current downturn in the economy.

Exports

CSO data estimates that Irish seafood exports were €352 million in 2007, a slight increase on 2006. Approximately 87% of seafood exports were directed to EU markets with the balance going mainly to Far Eastern and African markets. The main market destinations have remained largely unchanged over the years with France being the premier market accounting for approximately one-quarter of exports with a value of over €86 million in 2007. This was followed by Great Britain at a value of €64.4 million and Spain €63.1 million.

Export sales in 2008, at €350 million performed reasonably well although the value was down 3.8% on the 2007 level. This was still reasonably strong in the face of increasing competition in our main markets coupled with a shift in consumer purchasing away from high premium seafood products towards those of lower value. This had implications for trade in added value shellfish products in particular and also for certain whitefish. In contrast, a strong performance in the pelagic sector where sales of mackerel, horse mackerel, blue whiting and herring reached a value of €130 million. As a result of this the total sales volume of all seafood increased 12% on the previous year. The main markets were France, Spain, Gt. Britain and Germany. The main export destinations in 2007 are outlined in Figure 11.4.

FIGURE 11.4
MAIN EXPORT DESTINATIONS FOR IRISH FISHERIES, 2007



The Seafood Processing Sector

The seafood processing sector is concentrated in the coastal regions of Donegal, Galway, Cork, Kerry and the South East. There are approximately 200 firms, mainly SMEs, engaged in handling, distribution and processing of fish. Less than 5% of these companies had more than 50 people employed full-time, while a significant number of small operators supply a local market or sell to niche market outlets.

BIM surveys giving a breakdown of the seafood-processing companies by level of turnover point towards a lack of economies-of-scale within the industry. Less than 10% of all companies operate with annual turnovers in excess of €10 million, with the top 50 companies accounting for 80% of overall turnover in the sector.

11.5 Employment in Fisheries Sector

The seafood industry supports the economic viability of many coastal communities, directly generating or supporting approximately 11,097 jobs[8]. This includes full and part time/casual employment in the fisheries, aquaculture, seafood processing and ancillary services sectors. Table 11.2 gives a breakdown of the most recent BIM survey data available.

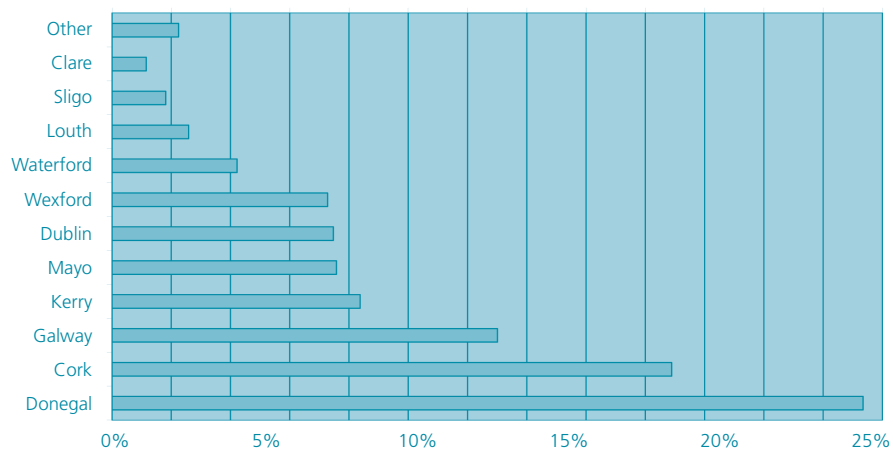
TABLE 11.2 EMPLOYMENT IN FISHERIES SECTOR 2006

	Full time	Part time/ Casual	Total	Male	Female
Fisheries	3,924	1,063	4,987	4,985	2
Aquaculture	782	1,276	2,058	1,828	203
Processing	2,205	662	2,867	1,577	1,290
Ancillary*	**1,185**		**1,185**	**1185**	
TOTAL	**11,097**		**11,097**	**8,390 (85%)**	**1,495 (15%)**

Source: BIM Survey Data

Figure 11.5 below gives the distribution of employment throughout the country in the overall fisheries sector.

FIGURE 11.5
DISTRUBUTION OF FISHERY SECTOR EMPLOYMENT 2006 (FULL & PART TIME)



[8] Based on BIM surveys, which are not comparable to CSO QNHS Data quoted elsewhere in this report.

Chapter Twelve:
Statistical Annex

TABLE 12.1 OUTPUT, INPUT AND INCOME IN AGRICULTURE, 2007-2008

	2007	2008	Change 2008/2007	
	€m	€m	Value	Volume
Livestock (incl stock changes)	**2,397.0**	**2,521.0**	**5.2%**	**-3.3%**
of which				
Cattle	1,502.7	1,662.7	10.6%	-4.3%
Pigs	293.3	316.6	7.9%	-1.2%
Sheep	182.2	165.3	-9.3%	-13.3%
Livestock Products	**1,706.9**	**1,673.6**	**-2.0%**	**-3.3%**
of which				
Milk	1,663.4	1,626.0	-2.2%	-3.3%
Crops (incl. stock changes)	**1,597.6**	**1,657.9**	**3.8%**	**4.4%**
of which				
Cereals	241.8	210.8	-12.8%	28.6%
Forage Plants	922.5	1,034.0	12.1%	2.2%
Goods Output at Producer Prices	**5,701.5**	**5,852.5**	**2.6%**	**-1.5%**
Contract Work	288.3	316.8	9.9%	5.3%
Subsidies less Taxes on Products	-17.7	6.2	13.2%	
Agricultural Output at Basic Prices	**5,972.1**	**6,175.5**	**3.4%**	**0.1%**
Intermediate consumption	**4,076.3**	**4,577.3**	**12.3%**	**-0.5%**
of which				
Feedingstuffs	1,039.3	1,140.6	9.7%	-4.4%
Fertilisers	358.8	507.1	41.3%	-4.7%
Energy and Lubricants	324.1	385.0	18.8%	1.6%
Forage Plants	907.2	1,016.0	12.0%	2.2%
Contract Work	288.3	316.8	9.9%	5.3%
FISIM [1]	87.0	87.0	0.0%	0.0%
Gross Value Added at Basic Prices	**1,895.8**	**1,598.2**	**-15.7%**	
Fixed Capital Consumption	722.0	768.1	6.4%	
Net Value Added at Basic Prices	**1,173.8**	**830.1**	**-29.3%**	
Other Subsidies less Taxes on Production	1,859.1	1,855.4	-0.2%	
Factor Income	**3,032.9**	**2,715.4**	**-10.5%**	
Compensation of Employees	448.6	452.1	0.8%	
Operating Surplus[2]	**2,584.2**	**2,263.3**	**-12.4%**	

1 Financial Intermediation Services Indirectly Measured
2 This is calculated before deduction of interest payments on borrowed capital and land rental paid by farmers to landowners. The estimates for these items are Interest less FISIM:- 2006, €283.6m; 2007, €368.8m ; 2008, €397.6m; Land rental:- 2006, €152.8m; 2007, €149.1m; 2008, €144.1m

TABLE 12.2 ESTIMATED DIRECT PAYMENTS TO FARMERS (NATIONAL AND EU), 2007-2008

Schemes	2007 €m	2008 [1] €m	% change 2008/2007
Single Payment Scheme	1301.871	1299.921	-0.1%
Area-Based Compensatory Allowance Scheme	253.833	255.824	0.8%
Premia Schemes	0.566	0.520	-8.1%
Payments to Sugar Beet Growers [2]	35.060	62.782	79.1%
Arable Aid	0.003	-0.002	-166.7%
Suckler Cow Scheme	-	31.758	n/a
Disease Eradication Schemes			
Bovine Tuberculosis Eradication Scheme	19.062	26.829	40.7%
Brucellosis Eradication Scheme	0.212	0.279	31.6%
BSE Scheme (slaughter of herds)	0.249	0.298	19.7%
Scrapie Eradication Programme	0.577	0.501	-13.2%
Forestry Premium			
Forestry Premium Scheme (1990 Scheme)	0.945	0.358	-62.1%
Forestry Premium (Accompanying Measures)	65.303	68.916	5.5%
Rural Environment Protection Scheme	311.750	309.758	-0.6%
Installation Aid for Young Farmers	5.785	9.420	62.8%
Production Aids - Dried Fodder	0.132	0.100	-24.2%
Total (excluding Forestry Premia)	1929.100	1997.988	3.6%
Total	**1995.348**	**2067.261**	**3.6%**

[1] Estimates
[2] Includes diversification and restructuring aid as well as retroactive payments to sugar beet growers.
Source: Department of Agriculture, Fisheries and Food

TABLE 12.3 GUARANTEE CLAIMS SUBMITTED TO EAGF, 2007 AND 2008

	2007 €m	2008 €m
Beef & Veal	2.80	3.17
Dairy Products	36.42	-2.85
Arable Crops	0.09	0.39
Sheepmeat	0.08	0.06
Sugar	1.34	0.32
Sugar Restructuring	79.34	149.26
Fruit & Vegetables	1.93	3.61
Pigmeat	0.00	2.44
Poultry & Eggs	0.27	0.00
Processed Products	14.59	7.09
CAP Rural Development Plan 2000-2006 [1]	-0.19	-0.05
Single Farm Payment	1,301.67	1,298.79
Clearance of Accounts	-3.50	-1.55
Other	-3.93	-3.34
Total	**1,430.89**	**1,457.34**

[1] The CAP Rural Development Plan 2000-2006 co-financed REPs, Early Retirement, Compensatory Allowances and Forestry and concluded on 15 October 2006.

In 2007 the European Agriculture Guarantee and Guidance Fund (EAGGF) was split into two separate Funds, the European Agriculture Guarantee Fund (EAGF) and the European Agriculture Fund for Rural Development (EAFRD).

The EAGF Guarantee Fund finances direct payments and market supports.

The new EAFRD fund finances Rural Development measures under the Rural Development Program 2007 to 2013.

Expenditure in 2007 under the new Rural Development programme 2007-2013 is not shown in this table. DAFF received €365.49 from the EAFRD in respect of expenditure under the Pregramme on REPS, Early Retirement, Compensatory Allowances.

Source: Department of Agriculture, Fisheries and Food

Table 12.4 EAGGF/FEOGA Guidance Receipts (€m), 2007-2008

	2007 €m	2008 €m
2000-2006 Programme period NPD S&E/BMW Regional OP's[1]	38.848	1.055
LEADER Plus[2]	8.488	7.989
Peace and Reconciliation Initiative[3]	2.863	-
Total Guidance	**50.198**	**9.044**

Notes
[1] Includes Department of Community Rural and Gaeltacht Affairs (DCRGA) Receipts €7.143 (€3.572m in 2006)

[2] All Department of Community Rural and Gaeltacht Affairs (DCRGA) receipts

[3] Includes Department of Community Rural and Gaeltacht Affairs (DCRGA) receipts of €0.999 (€9.932m in 2006) and Department Enviornment, Health and Local Government (DEHLG) € 1.864 (€0.589 in 2006)

The Guidance Fund has been replaced for the programme period post 2006 but is financing remaining expenditure up to final closure on Programmes under the programme period 2000-2006.

Source: Department of Agriculture, Fisheries and Food

TABLE 12.5 TOTAL EU RECEIPTS ON EAGF GUARANTEE, EAFRD RURAL DEVELOPMENT, EAGGF GUIDANCE, VETERINARY FUND AND FISHERIES, 2007-2008

	2007 €m	2008 €m
Guarantee EAGGF /EAGF[1]	1,387.75	1,450.33
Rural Development - EAFRD 2007-2013[2]	373.68	355.01
EAGGF Guidance 2000-2006 Programme[3,4]	50.20	9.04
Veterinary Fund	10.46	8.11
Fisheries FIFG[5]		11.51
Fisheries EFF[5]		29.59
EU Conservation and management of Fisheries[5] [DAFF portion only]		0.52
Total	**1,822.09**	**1,864.11**

[1] Guarantee figures are amounts received from the EU, which are received in arrears of expenditure and therefore do not directly relate to expenditure in the year.

[2] The EAFRD Rural Development receipts are total to Ireland for the Department of Agriculture, Fisheries and Food and the Department of Community, Rural and Gaeltacht Affairs

[3] The Guidance figures are total EU Guidance receipts to Ireland.

[4] The Guidance figures include receipts in 2008 related to the Department of Agriculture, Fisheries and Food and the Department of Community, Rural and Gaeltacht Affairs

[5] Department of Agriculture , Fisheries and Food took over responsibility for certain fisheries functions in 2007

Source: Department of Agriculture, Fisheries and Food

TABLE 12.6 VOTE – EXPENDITURE ON AGRICULTURE, FISHERIES AND FOOD, 2008

Administration	**303.927**
Salaries Wages and Allowances	233.595
Travel and Subsistence	15.231
Incidental Expenses	8.510
Postal and Telecommunications	6.761
Office Machinery	23.687
Office Premises Expenses	7.876
Consultancy Services	0.225
Supplementary Measures to protect the Financial Interests of the EU	0.690
Laboratory Equipment	7.171
Information Society	0.181
Other Services, Education, Training and Research	**195.253**
Research and Testing	36.820
Teagasc Grant in Aid	127.364
Marine Insititute Grant in Aid	31.069
Food Safety, Public Health, Animal Health & Welfare etc	**219.076**
Bovine Tuberculosis and Brucellosis Eradication	61.584
BSE	10.763
Meat Inspection	23.981
Fallen Animals	26.734
Animal Welfare	3.424
Integrated animal movement and monitoring system (including National Beef Assurance Scheme)	11.67
Suckler Cow & Pork Crisis	68.16
Other	12.762
Market Supports Operational Controls	**13.884**
Financing of the Common Agricultural Policy	5.708
Clearance of Accounts	1.976
Integrated Administration & Control System	5.262
School Milk Scheme	0.926
Other	0.012
Income Support in Disadvantaged Areas	**255.823**
Rural Environment Protection Scheme	**312.450**
Land Mobility	**55.053**
Early Retirement Scheme	45.633
Young Farmers Installation Aid Schemes	9.420
Development of Agriculture	**475.080**
Farm Improvement Scheme	12.910
Farm Waste Management Scheme	413.738
Marketing & Processing Scheme	28.909
Dairy Hygiene Scheme	4.654
Horticulture, Potatoes, Alternative & Organic Farming	7.800
Livestock and Equine Breeduiing Schemes	1.433
Animal Welfare	2.267
Other	3.369
Forestry & Bio Fuels	**125.508**

Fisheries Sector	**90.410**
Fisheries Harbours Development	22.302
Fish Processing & Aquaculture Development	2.682
Other	3.342
Bord Iascaigh Mhara	48.378
Sea Fisheries Proctection Authority	13.296
Aquaculture Licences Appeals Bord	0.410
Bord Bia Grant in Aid	**26.851**
Food Aid Donations	**11.960**
Other Expenditure	**19.353**
Food & Horticultural Promotion, Quality Assurnance	8.216
Miscellaneous Pensions	2.269
International Co operation	2.639
Legal and related costs	2.834
Other	3.394
TOTAL GROSS EXPENDITURE	**2,104.628**
Appropriations in Aid	**-408.352**
Recoupment of Salaries	0.000
Forfeited deposits and securities under EC intervention, export refunds etc. arrangements	-0.611
Refunds from fees for veterinary inspections services at poultry plants and meat inspection fees	-14.770
Receipts from veterinary inspection fees for live exports	-1.457
Receipts from fees for dairy premises inspection services	-4.867
Receipts from sale of vaccines, livestock, farm produce etc	-0.846
Receipts from seed testing fees, certification fees, Licensing fees, pesticides registration etc.	-2.261
Receipts from licences and from sale and leasing of livestock etc. (Subhead C1)	-0.030
Receipts from farmer contributions towards the cost of eradicating Bovine Disease (Subhead C2)	-5.272
Land Commission receipts (Subhead A3)	-0.659
Other Receipts	-0.711
EU Co Funding transfers	
Market Intervention expenses and financing costs for other FEOGA (Guarantee) section measures (Subhead D)	-0.475
Receipts for Intervention Stock Losses	0.000
National Development Plan - Guarantee Receipts (Subhead E, F, G, I)	-346.825
BSE Receipts (Subhead C)	-6.469
Veterinary Fund (Subhead C)	-1.637
Other Guarantee Receipts	-2.061
NDP - Structural Receipts	-1.666
Fisheries related receipts	
Fines, Forfeitures for fishery offences	-0.471
Foreshore Acts / State Property Act	-1.617
EU receoupment for fisheries conservation etc	-0.522
Aquaculture Licence Fees	-0.321
EU co funindg for aquaculture development	-6.863
EU cop funindg for fisheries development	-7.941
Net Expenditure	**1,696.276**

Source: DAFF

TABLE 12.7 MILK QUOTA STRUCTURE AT 1 APRIL 2008 (PROVISIONAL ESTIMATE)

1	2	3	4	5	6	7	8
Category	Total Number of Producers currently in Milk Production	Total Quota of Producers in milk Production in Column 2	Quantity of quota in Column 3 Leased in with Land	Total No of Persons who hold a Milk Quota but are not involved in Milk Production	Total Quota of Persons in Column 5	Total No. of persons no longer involved in milk production who have leased all of their quota with land	Total Quota of Persons in Column 7
(LITRES)		(LITRES)	(LITRES)		(LITRES)		(LITRES)
Less than 50,000	**813**	**35,448,963**	**104,814**	**535**	**7,591,465**	**314**	**8,966,252**
Percentage of Total	4%	1%	0%	45%	9%	34%	8%
50,001 to 100,000	**1,831**	**138,099,100**	**629,433**	**355**	**14,893,560**	**234**	**17,256,602**
Percentage of Total	9%	3%	1%	30%	18%	25%	16%
100,001 to 150,000	**2,503**	**314,659,222**	**2,421,806**	**100**	**12,397,619**	**161**	**19,952,057**
Percentage of Total	13%	6%	2%	8%	15%	17%	19%
150,001 to 200,000	**2,882**	**508,270,163**	**4,765,422**	**81**	**13,887,501**	**104**	**18,213,925**
Percentage of Total	15%	10%	4%	7%	16%	11%	17%
200,001 to 250,000	**2,960**	**671,624,174**	**6,590,320**	**41**	**9,147,031**	**39**	**8,976,393**
Percentage of Total	15%	13%	6%	3%	11%	4%	8%
250,001 to 300,000	**2,487**	**690,764,222**	**8,735,387**	**22**	**6,093,491**	**28**	**7,291,985**
Percentage of Total	13%	13%	8%	2%	7%	3%	7%
300,001 to 350,000	**1,784**	**582,557,155**	**9,316,382**	**19**	**6,149,984**	**17**	**5,453,650**
Percentage of Total	9%	11%	9%	2%	7%	2%	5%
350,001 to 400,000	**1,448**	**541,826,499**	**10,761,942**	**15**	**5,549,635**	**13**	**4,901,131**
Percentage of Total	7%	10%	10%	1%	7%	1%	5%
400,001 to 450,000	**876**	**371,434,732**	**8,476,891**	**3**	**1,382,648**	**5**	**2,104,625**
Percentage of Total	4%	7%	8%	0%	2%	1%	2%
Over 450,000	**2,102**	**1,351,172,230**	**54,990,844**	**13**	**7,276,989**	**17**	**12,701,754**
Percentage of Total	11%	26%	51%	1%	9%	2%	12%
Totals	**19,686**	**5,205,856,460**	**106,793,241**	**1,184**	**84,369,923**	**932**	**105,818,374**

Source: DAFF

TABLE 12.8 DISTRIBUTION OF ALL DAFF PAYMENTS[1] TO FARMERS BY COUNTY, 2008

County	Total value (€m)	Total Recepients	Average Payment (€)
Carlow	51.5	2,092	24,636
Cavan	94.8	5,310	17,854
Clare	118.0	6,920	17,051
Cork	310.5	14,541	21,351
Donegal	143.6	8,986	15,982
Dublin	103.0	1,085	94,903
Galway	199.6	13,657	14,612
Kerry	138.6	8,696	15,944
Kildare	52.9	2,531	20,898
Kilkenny	98.5	3,731	26,391
Laois	69.4	2,959	23,452
Leitrim	53.5	4,065	13,153
Limerick	98.3	5,895	16,673
Longford	45.3	2,752	16,454
Louth	32.7	1,710	19,136
Mayo	155.5	12,542	12,397
Meath	78.5	3,926	19,990
Monaghan	84.4	4,297	19,633
Offaly	64.6	3,124	20,682
Roscommon	91.9	6,076	15,129
Sligo	60.9	4,609	13,206
Tipperary	188.9	7,955	23,752
Waterford	64.5	2,725	23,687
Westmeath	70.3	3,588	19,595
Wexford	112.0	4,635	24,162
Wicklow	48.6	2,321	20,944
Totals	**2,630.2**	**140,728**	**18,690**

1 Includes direct payments to farmers as well as capital and other grants. Includes both EU and exchequer related payments.
Source: DAFF (2008 payments)

TABLE 12.9 ANNUAL RATES OF PRICE INCREASE IN FOOD PRODUCTS, 2006-2008

	Average Annual Rate		
	2006	2007	2008
Overall CPI	**4.0%**	**4.9%**	**4.1%**
Food & Non Alcoholic Drink	**1.4%**	**2.8%**	**6.5%**
Food	**1.5%**	**2.9%**	**6.7%**
Beef	5.8%	4.8%	8.1%
Bacon	0.9%	0.0%	-0.2%
Lamb	2.8%	2.9%	9.2%
Pork	-1.1%	-0.5%	-1.8%
Poultry	-0.9%	1.8%	4.7%
Fish	4.6%	4.2%	2.5%
Bread & Cereals	0.5%	3.7%	10.0%
Pasteurised Milk	1.0%	7.4%	23.5%
Other Milk Products	4.8%	4.8%	12.0%
Cheese	2.2%	1.6%	9.0%
Eggs	0.9%	6.4%	10.4%
Butter	-0.7%	2.8%	12.1%
Sugar & Sweeteners	-0.3%	-0.4%	0.3%
Potatoes	13.3%	2.0%	-7.8%
Other Fresh Vegetables	1.3%	7.5%	1.1%
Fresh Fruit	1.9%	4.8%	0.4%
Other Fruits	1.7%	1.2%	6.5%
Misc. Food Items	-0.6%	-0.7%	2.6%
Non-Alcoholic Beverages	-0.3%	1.5%	4.5%

Source: CSO CPI

TABLE 12.10 EU COMPARATIVE PRICE LEVELS INDICES FOR MAIN FOOD GROUPS 2006, EU 27 = 100

	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
Food and Non-alcoholic Beverages	110	56	69	142	105	75	125	98	92	105	115	107	69	64	115	71	83	88	110	67	88	71	87	67	120	119	113
Food	111	55	68	139	106	74	124	97	93	107	116	104	68	63	116	70	81	89	111	65	87	70	87	66	119	119	113
Bread and Cereals	109	41	61	150	108	70	121	95	112	103	109	108	59	61	119	60	76	89	126	60	95	59	93	56	141	131	103
Meat	123	48	60	149	118	64	129	91	81	122	118	81	58	50	120	65	69	105	121	52	82	60	83	58	119	133	126
Fish	128	62	76	138	121	73	123	101	89	106	122	142	71	57	110	75	82	115	111	67	70	85	102	68	111	109	91
Milk, Cheese and Eggs	109	82	80	116	87	79	126	138	96	100	126	139	75	75	112	83	111	78	98	67	105	94	83	75	110	104	115
Oils and Fats	111	95	83	135	88	88	98	118	89	107	113	134	95	91	112	90	98	66	115	83	98	95	106	100	118	118	104
Fruits, Vegetables, Potatoes	105	50	64	129	116	83	130	72	95	108	115	90	73	68	130	65	70	89	107	72	80	70	86	62	124	123	120
Other Food	100	67	83	161	99	83	121	114	100	98	116	127	82	76	106	82	101	80	107	82	109	87	94	87	113	114	107
Non-alcoholic Beverages	101	73	82	170	103	90	135	118	87	83	109	142	89	79	104	77	108	83	97	84	93	88	88	77	132	118	121
Alcoholic Beverages	97	69	86	128	82	89	181	109	81	91	113	118	92	79	88	77	117	93	81	91	99	88	86	72	170	145	152

Source: Eating, drinking, smoking–comparative price levels in 37 European countries for 2006. Eurostat

TABLE 12.11 PERSONAL CONSUMPTION EXPENDITURE (PCE) AT CURRENT PRICES, 2006-2007

	2006		2007	
	€m	% of Total PCE	€m	% of Total PCE
Total Personal Consumption Expenditure	**83,688**	**100.0%**	**91,582**	**100.0%**
Food and Drinks (Not incl meals out)	**13,534**	**16.2%**	**14,227**	**15.5%**
Of Which				
Food	6,212	7.4%	6,504	7.1%
Drinks	7,322	8.7%	7,722	8.4%
	2006		2007	
Total Food (incl meals out)	**8,528**	**100.0%**	**9,038**	**100.0%**
Of Which	€m	% of Total Food	€m	% of Total Food
Meat	1,970	23.1%	2,075	23.0%
Bread & Cereals	1,343	15.8%	1,448	16.0%
Fruit & Vegetables	936	11.0%	1,027	11.4%
Milk, Cheese and Eggs	765	9.0%	789	8.7%
Other Foods & Preservatives	405	4.7%	317	3.5%
Potatoes	267	3.1%	290	3.2%
Fish	220	2.6%	237	2.6%
Oils & Fats	160	1.9%	166	1.8%
Coffee, Tea & Cocao	102	1.2%	111	1.2%
Sugar	43	0.5%	44	0.5%
Meals Out	2,316	27.2%	2,533	28.0%

Source: CSO

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