

ANNUAL REVIEW & OUTLOOK FOR AGRICULTURE, FISHERIES & FOOD 2010/2011



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



Foreword

2010 was a very positive year for the Irish agri-food sector following a very difficult year in 2009. Exports in the sector have grown faster than many other sectors and are now worth close to €8bn per annum. The cereals and dairy sectors had a particularly good year, while new markets were found for the forestry sector in the UK and for potatoes in Russia. This shows the ability of the sector to adapt to new market needs and compete on a global scale. The agri-food sector remains one of Ireland's most important indigenous manufacturing sectors, accounting for over 6% of GVA and approximately 7% of national employment. It is the primary outlet for the produce and output of family farms and includes approximately 600 food and drinks firms throughout the country that export to some 140 markets worldwide.

However the challenges ahead should not be underestimated. Global competition presents a major challenge and exchange rates are still relatively unstable. The future of the sector is also heavily dependent on the outcome of negotiations both within Europe and between the EU and other global economies.

In order to meet the challenges ahead, the Food Harvest 2020 report proposes a strategy of smart green growth that will map the future direction of the agri-food sector for the next decade, a period that will be crucial for the development of a dynamic and forward-looking industry. The targets agreed by the industry include increasing the value of primary output from the sector by 33%, increasing value-added by 40% and increasing exports by 42%. These are indeed challenging targets and it is a tribute to the hard work and global vision of the sector that such ambitious targets have been set. Despite the economic difficulties the agri-food sector continues to make a significant contribution to the national economy, generating 6.3% of gross value added and providing 7.4% of employment. Much of the employment in the agri-food sector, both direct and indirect, is dispersed throughout the country making it particularly important to rural areas. The industry accounts for 61% of total manufacturing's consumption of Irish raw materials. In addition the low import dependence and the low level of profit repatriation in the sector means that the net inflow of funds to the Irish economy is much higher than in other sectors.

The Annual Review and Outlook for Agriculture, Fisheries and Food 2010/2011 provides a reference for all those who are interested in monitoring the performance of the agri-food sector. It provides an analysis of the structure and performance of the sector and it quantifies the benefits EU membership has had in terms of budget and trade. It also provides a view of likely trends in the sector over the coming months. I expect the agri-food sector to play an integral part in the recovery of our economy and the continued viability of our rural and coastal areas.

Simon Coveney
Minister for Agriculture, Fisheries and Food.





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CHAPTER I

THE AGRI-FOOD SECTOR IN THE NATIONAL ECONOMY



CHAPTER I

THE AGRI-FOOD SECTOR IN THE NATIONAL ECONOMY

I.1 The National Economy

Review of the Economy in 2010

The economic and financial difficulties associated with the global downturn continued in 2010. The number of housing units built fell to about 15,000 (over 40% below the figure for 2009). Unemployment continued above 13.5% and the banking sector required further funding, leading eventually to IMF involvement in Ireland. However, Government targets for tax revenues were met and there was a large rise (55%) in car sales compared to 2009. Economic activity began to stabilise early in 2010 and positive GDP growth figures were recorded in the first quarter. Preliminary data indicates that the full-year growth in GDP was 0.3% while that for GNP was -2.0%.

While the domestic economy remained stagnant exports of goods and services increased at an annual rate of 6.7% for the year (18% for the fourth quarter). There was strong export growth in the pharmaceuticals, chemicals and medical devices sectors, which are less sensitive to the global economic cycle. Strong growth was also seen in the agri-food sector, where exports were 8% above 2009 figures.

Employment losses were especially severe in the construction, retail and manufacturing sectors. The numbers in employment declined again in 2010, by 4%. Table 1.1 outlines a range of macroeconomic indicators based on available data and projections for the years 2009 to 2011.

Table 1.1

Indicators of the National Economy 2010-2012

Annual % Volume Changes unless otherwise stated.	2010	2011	2012
GNP	-2.00%	1.00%	2.60%
GDP	0.30%	1.70%	3.20%
Exports of Goods and Services	6.20%	4.90%	4.90%
Imports of Goods and Services	2.70%	2.80%	3.10%
Inflation (%)	-1.80%	0.80%	1.00%
Employment - % Growth	-4.00%	-0.20%	1.30%
Unemployment Rate ILO basis (%)	13.40%	13.20%	12.00%

Source: Department of Finance Economic & Fiscal Outlook

Outlook for 2011

Based on projections from a range of institutions, the broad consensus for 2011 is that domestic economic activity will remain at lower levels in the near-term. Consumer spending has remained relatively stagnant and the banking sector has suffered further damage to confidence. Internationally, prospects for the major economies have brightened during the course of 2010. Irish exports have risen to our major markets and exchange rates are likely to favour a continuation of this trend through 2011. Developments in the banking and financial sectors, as well as the public finances, will be central in facilitating any road to medium to long-term renewal.



Significant uncertainty remains attached to all economic forecasts. The possibility of stronger world growth certainly looks more plausible than one year ago. The main downside risks on the international front would be any stalling or renewed downturn for our main trading partners, along with exchange rate risks and/or commodity price (particularly oil) price increases.

Table 1.2 outlines the forecasts for some of the aforementioned variables from various institutions. The consensus overall is that both GNP and GDP will grow, but unemployment will remain relatively unchanged while the level of employment will fall.

Table 1.2

Comparison of Economic Forecasts for Ireland 2011

Institution	Annual Percentage Change			% Rate	
	GNP	GDP	HICP	Employment	Unemployment
Dept. of Finance	1.00%	1.70%	0.70%	-0.20%	13.20%
Central Bank	-0.30%	1.00%	0.30%	-1.00%	13.70%
ESRI	0.25%	1.50%	1.00%	-1.25%	13.50%

1.2 Contribution of the Agri-Food Sector to the Economy

Gross Value Added

It is estimated that the agri-food sector¹ accounted for approximately 6.3% of Gross Value Added² (GVA) at factor cost in 2009. The primary agriculture, fisheries and forestry sectors together accounted for approximately 2.4% of GVA. The food (including fish) and beverage industry, together with the wood-processing sector, accounted for circa 4% of GVA in 2009.

Table 1.3

Contribution of the Agri-Food Sector to GVA, 2009

	€m
Gross Domestic Product (GVA) at Factor Cost	149,583
GVA in Primary Agriculture, Fisheries and Forestry at Factor Cost	3,555
GVA in Food & Beverages Sector	5,768
GVA in Wood Processing	150
Total	9,473
GVA in Primary Sector as a % of Total GVA	2.4%
GVA in overall Agri-Food Sector as % of Total GVA	6.3%

Source: CSO

Employment

Employment in the agri-food sector accounted for 133,400 jobs³, or 7.2% of total employment in 2010⁴. The composition of employment in the sector is outlined in Figure 1.1

¹ 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).

² Gross value added at factor cost is GVA at market prices less any indirect taxes plus any subsidies.

³ These employment figures correspond to International Labour Organisation definitions and as such relate to persons who indicated that agriculture was their principal 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.

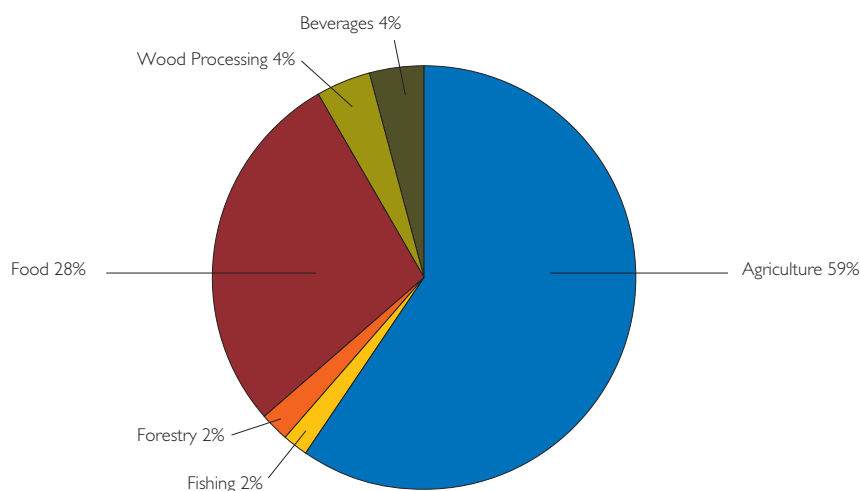
⁴ QNHS quarter 2 is used for this calculation.



Figure 1.1

Composition of Employment in the Agri-Food Sector, 2010

Source: CSO, QNHS Quarter 2, 2010



Exports

Food and drink exports in 2010 are expected to show an increase of 11% to €7.88bn. Dairy exports rose 17% to €2.29bn and meat and livestock exports rose by 8% to €2.66bn. Overall food and drink exports accounted for 30% of the growth in total merchandise exports. The UK market improved, greatly helped by a better exchange rate (weaker euro against sterling). There was also a very big improvement in other EU markets.

Bord Bia estimates a 17% rise in dairy exports to €2.39bn and an 8% increase in meat and livestock exports to 2.44bn. A weaker euro against sterling and the dollar later in 2010 helped this strong performance. Overall food and drink exports accounted for 30% of the growth in total merchandise exports. More details on the export performance of various commodity sectors is contained in Chapters 3 and 5.

Table 1.4

Agri-Food Exports, 2009-2010, (Bord Bia)

	2009 €m	2010 (e) €m	2010/2009 % Change	% Share of Agri-Food Exports
Dairy Products & Ingredients	1,960	2,285	+17%	29%
Beef	1,397	1,510	+8%	19%
Prepared Foods	1,296	1,395	+8%	18%
Beverages	1,060	1,190	+12%	15%
Pigmeat	289	317	+10%	4%
Seafood	315	370	+18%	5%
Edible Horticulture & Cereals	198	200	+1%	3%
Poultry	183	200	+9%	3%
Sheepmeat	164	170	+4%	2%
Live Animals	213	245	+15%	3%
	7,075	7,882	+11%	100%

From Bord Bia Performance & Prospects 2010/11



1.3 Public Expenditure

Total public expenditure on the agri-food sector by the Department of Agriculture, Fisheries and Food was €2,887.84 million in 2010. EU Guarantee expenditure of €1,157.01 million accounted for approximately 40% of total expenditure with the Single Payment Scheme accounting for 99% of that EU Guarantee expenditure.

Table 1.5

Expenditure on Irish Agriculture, 2010

(Period 1 January to 31 December 2010)	€	€
EAGF Guarantee direct expenditure		1 157.01
Single Farm Payment	1 144.9	
Premia/area Aid	0.09	
Export Refunds	8.86	
Pork Dioxin	0	
Sugar Restructuring	0.19	
Other Market Supports	2.97	
Intervention Purchases (1)		0.048
Voted Expenditure (excluding Administration)		1,486.98
Rural Development (2)	567.14	
Structural Measures (2)	341.59	
State Bodies	195.63	
Animal Health	143.71	
Research and Training	35.45	
Market Support Costs (3)	13.11	
Forestry and Bio-Fuels	120.61	
Fisheries	11.94	
Food Aid	9.9	
Other	47.9	
Administration		243.8
Total Voted Expenditure		1,730.78
Total Expenditure		2,887.84

1). This is the amount paid by DAFF on product purchased into Intervention in the year. 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). CAP Rural Development measures and certain Structural development measures are part financed by the EU and the Exchequer. 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 in 2010 under the CAP Rural Development program, 2007 to 2013, includes REPS, Early Retirement, Compensatory Allowances.

(3). 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.

1.4 Agricultural Situation in Ireland

Analysis of data for aggregate income in Irish agriculture is outlined in Table 1.6. Overall for 2010, although expenditure on intermediate consumption rose slightly, this was more than offset by a significant increase (13.1%) in output.

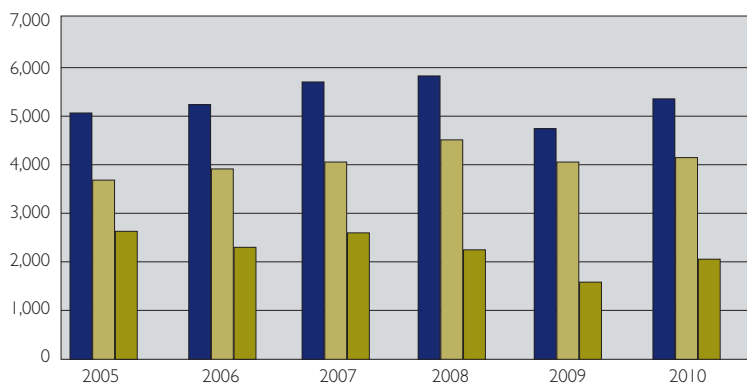
In terms of the outcome from these broad trends, the CSO preliminary estimate of Output, Input and Income in Agriculture for 2010 shows that Operating Surplus increased very significantly to €2,070.8 million, an increase of 31.5% compared to 2009. This clawed back 70% of the significant decline recorded in 2009. Elsewhere, Net Value Added showed a very big improvement in 2010, up 388%.



Figure 1.2

Trends in Operating Surplus, Goods Output and Intermediate Consumption, 2005-2010

- Goods Output at Producer Prices (Euro Million) ■
- Intermediate Consumption (Euro Million) ■
- Operating Surplus (Euro Million) ■



Source: CSO

Table 1.6

Output, Input & Income in Agriculture, 2010

	2009	2010	% Change 2009/2010
		Value €m	
Goods Output at Producer Prices (Euro Million)	4,728.4	5,348.0	13.1%
Contract Work (Euro Million)	268.7	268.7	0.0%
Subsidies less Taxes on Products (Euro Million)	15.1	17.0	12.6%
Agricultural Output at Basic Prices (Euro Million)	5,012.2	5,633.7	12.4%
Intermediate Consumption (Euro Million)	4,070.9	4,104.6	0.8%
Gross Value Added at Basic Prices (Euro Million)	941.4	1,529.0	62.4%
Fixed Capital Consumption (Euro Million)	780.6	744.5	-4.6%
Net Value Added at Basic Prices (Euro Million)	160.8	784.5	387.9%
Other Subsidies Less Taxes on Production (Euro Million)	1,841.5	1,710.2	-7.1%
Factor Income (Euro Million)	2,002.3	2,494.7	24.6%
Compensation of Employees (Euro Million)	427.7	423.9	-0.9%
Operating Surplus (Euro Million)	1,574.6	2,070.8	31.5%

CSO - Output, Input & Income in Agriculture Preliminary Estimates 2010

1.5 Outlook for Agriculture

International Outlook

The international outlook for food availability and prices is underpinned by the need for global food production to increase by 70% to meet expected population demands by 2050. Meeting this goal, in an era of increasing pressure for land, water and energy, will be a significant challenge. Achievement of this goal is further complicated by the issue of climate change. Increasing food production has to take into account the ongoing requirement to reduce greenhouse gas emissions and therefore this increase in food production has to be made in a sustainable manner.

In 2008 a food price spike led to increasing international focus on the security of global food supply. Although price levels fell afterwards, global food prices have begun to climb upwards again, from mid 2010 with prices rising sharply towards the end of the year. The FAO Food Outlook November 2010 notes that the October figures are only 16 points short of the 2008 peak and warns of increasing prices for consumers. January 2011 figures show that prices continue to rise, with all products, except meat, increasing.



A further issue complicating food price levels has been an increase in volatility of prices in global markets. During the 2008 price crisis the effect of export bans was clearly seen in the soaring price of rice. During 2010 it has been possible to observe again the effects in markets of export bans such as that imposed by the Russian Federation which immediately put pressure on prices in food importing countries.

Overall production of cereals declined slightly in 2010 by 1.4%. Weather conditions affected production in Australia, Russia, USA and Canada. Reliable forecasts for 2011 cereal production have not been available to date and there is continued uncertainty regarding the effect of the 'La Nina' weather phenomenon on production. However total utilisation of grain for 2010/11 is expected to exceed supply and stocks will have to be drawn on.

Longer term projections of agricultural markets, such as the USDA long term projections to 2019, continue to forecast agriculture prices to remain above 2006 levels due to increasing world demand for grains, oilseeds and livestock products, combined with increasing costs of inputs, such as oil, and some growth in demand for biofuels.

EU Medium Term Outlook

The outlook for EU agricultural markets remains subject to a number of uncertainties regarding future market developments. Climate change will continue to influence the market outlook, with unpredictable weather patterns leading to supply fluctuations. The expected increase in input costs would limit the profitability of production. On the other hand, commodity markets are expected to remain balanced over the medium term, supported by growth in global food demand and the development of the biofuel sector.

Domestic Outlook

The prospects for Irish and EU dairy exports are positive for 2011. Milk prices have increased by up to 30% and output increased by 7%. Global supply has been limited by drought in New Zealand and demand continues to rise. Prices are expected to stay at their current levels or perhaps increase slightly. However, volatility has increased in recent years and input costs are also expected to increase in 2011.

There has been a drop in domestic cattle supplies for beef following a large increase in live exports in 2010. A buoyant live export trade continues to be an important source of demand for Irish cattle output. Most of the growth in live exports in 2010 was in calf exports, which increased by 35 percent in 2010 on the 2009 levels. Low returns from cattle production have led to some contraction in suckler cow numbers in the UK and Ireland and this contraction is expected to continue. While supply will decrease throughout the EU due to lower cattle numbers and a continuing ban on most Brazilian beef, imports are only expected to increase slightly and increases in input costs will offset this.

The decline in the value of the euro relative to the pound sterling in 2010 contributed to the much improved prices Irish sheep farmers received in 2010. Aggregate EU demand for lamb has been largely stable in recent years with minor declines in EU per capita consumption being offset by increases in population. Lower supply in the EU should lead to stable or increased prices for Irish sheep farmers. New Zealand is also experiencing declining production and is therefore not expected to be able to increase supply to the EU. The weakness of the Euro against sterling will also help Irish exports to the UK.



Pig production was particularly difficult towards the end of 2010 due mainly to the high cost of feed. This input cost is expected to continue rising in 2011. Output prices are expected to rise slowly and this coupled with high feed prices may lead to producers being 'squeezed' in 2011. The dioxin incident in Germany may also cause a reduction in both supply and demand in the EU. However it is expected that the sector will recover later in 2011 as prices start to reflect the increased production costs.

The Irish poultry market remained relatively stable during 2010. In the current economic climate consumers regard poultry as a value-for-money food although the issue of rising feed costs is posing challenges for producers and will inform production decisions as 2011 progresses. While export volumes declined, they increased in value and are estimated to have reached €200 million for 2010. Weakness in the UK market was offset by stronger demand in Europe and International markets. However, the indigenous industry is under competitive pressure from imports.

2010 was a very good year for tillage farming in Ireland. Third quarter figures in 2010 suggested an 88% increase in cereal output. World prices for cereals are expected to increase in the first part of 2011, following lower production in 2010 and weather-related problems in some regions. Estimates for world production of wheat and barley for 2010/11 relative to 2009/10 are for a 5% and 15% decrease in production respectively. Carry out stocks compared to carry in stocks in 2010/11 are estimated to be down 10 percent for wheat and 25 percent for barley. However, input costs, including fertilizer and energy costs, are also expected to increase. This will reduce producer margins. Given recent volatility it is very difficult to estimate prices for 2011. Futures markets in January 2011 are predicting a continuation of the current high prices for the first 6-9 months of 2011 and small price decrease towards the end of 2011 as new production comes to the market.



CHAPTER 2

FARM INCOME



CHAPTER 2 FARM INCOME

2.1 Introduction

Data from the CSO shows that the agriculture sector had a good year in 2010, with operating surplus increasing by 31.5%. This follows two very difficult years and is a welcome turnaround for the sector. Output has increased across all the main commodities with cereals and milk being particularly strong. Input costs have begun to rise again, with fertiliser prices rising rapidly in 2010 and feedstuffs rising towards the end of the year. There was also a drop in fixed capital consumption.

2.2 National Farm Income in 2010

The CSO's advance estimate of output, input and income in agriculture for 2010 shows that operating surplus increased by 31.5% to €2,070.8 million. This followed a decrease of 31.1% in 2009. The overall value of goods output by the sector increased by 13.1%, or €619.6 million, while expenditure on intermediate consumption increased slightly, by 0.8% or €33.7m.

- It was a particularly positive year for the cereals sector, with a dramatic increase of 88.8% or €95m in output value. Output volume increased by 7.6%
- There was a significant increase in the output value of the milk sector in 2010, up €435.3m million or 39.6% on 2009. There was a 7.3% increase in the volume of milk produced during the year.
- The beef sector showed a modest increase in output value of 1.8%, up €27m.
- The output value of the pig sector increased by 8.6% or €26.4 million.
- There was an increase in the output value of the sheep sector of 6% or €9.5m

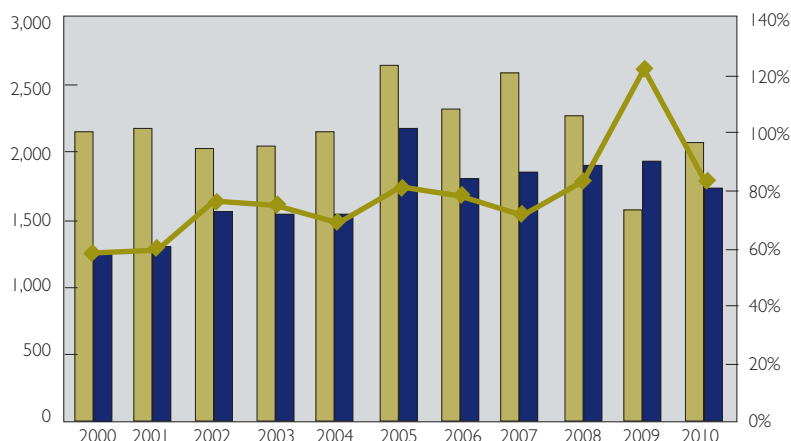
In 2010, direct payments to farmers totalled €1,729 million¹. For the purposes of comparison with the annual operating surplus, the CSO estimated net subsidies figure, from its 2010 Preliminary Estimates, of €1,727.4 million, equated to 83% of the year's operating surplus.

Figure 2.1

Operating Surplus and Net Subsidies, 2000-2010

- Operating surplus ■
- Net Direct Payments ■
- DPs as % of OS ◆

Source: CSO and DAFF



European Farm income

Like Ireland, most European countries experienced an increase in operating surplus or agricultural incomes in 2010. Across the EU-27 real income per agricultural worker increased by 12.3% in 2010, reversing the decrease of 12.2% in 2009. This rise resulted from a growth of 9.9% in real agricultural income, together with a fall in agricultural labour input of 2.2%. The former was the result of a 4.3% increase in the value of agricultural output at producer prices in real terms, combined with a low (0.4%) rise in input costs in real terms.

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

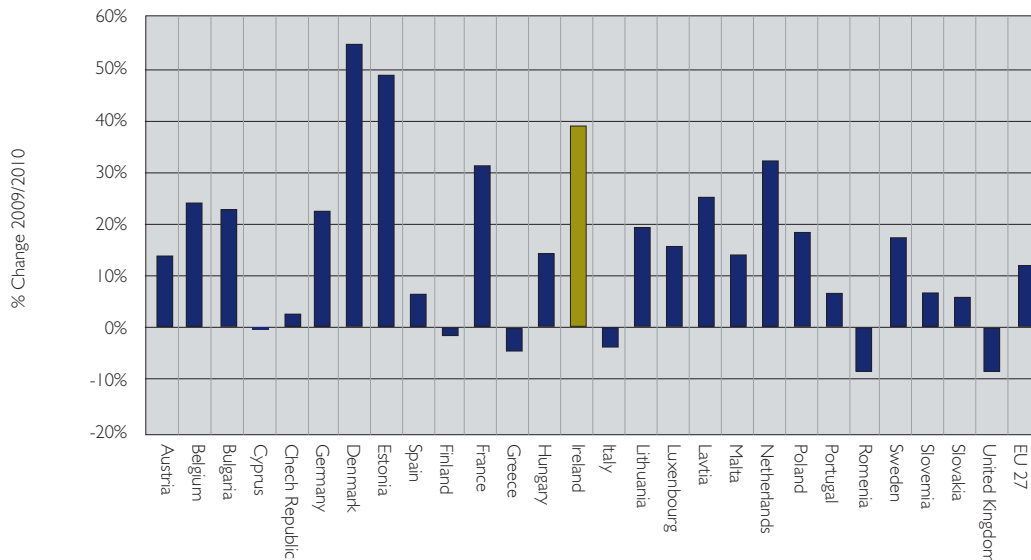


Real agricultural income per worker in 2009 is estimated to have risen in 21 Member States and to have dropped in just five, with changes ranging from +54.8% to -8.2%.

Figure 2.2

Change in Real Income per
Agricultural Worker in EU-27
Member States, 2010

Source: EUROSTAT



The value of livestock production increased as a result of an increase in both producer prices (2%) and volume (0.4%). Prices increased for milk (9.4%), sheep and goats (7%) and cattle (0.4%). The output volume increased for milk (1.4%), was stable for pigs and decreased for cattle (0.8%).

2.3 National Farm Survey 2009

The most recent survey data relating to average farm incomes is the National Farm Survey 2009. As in previous years family farm income varies significantly depending on the size of farm and system of farming, etc. In 2009, average family farm income was estimated to have fallen by 30% to €11,968. The decline was entirely attributable to a drop of 14% in the value of gross farm output, as total costs actually fell by 7%. Especially hard hit were specialist dairy farms, where incomes dropped by 48% year-on-year to €23,684. Sheep farms were the only ones to record an increase in incomes, albeit of only 1%.

As mentioned above, total costs actually fell by 7% and helped avoid an even worse year all around. Feedingstuffs, fertilisers and overall energy costs all showed notable decreases in cost.

Direct payments averaged €17,109 per farm, accounting for 36% (up from 31%) of gross output and 143% (up from 103%) of family farm income.





Table 2.1

Main Results from National Farm Survey, 2009

	Dairying	Dairying + other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All Systems
% of farms represented	15.2%	6.8%	19.0%	36.1%	16.2%	6.4%	100.0%
Direct Payments (DPs)(€)	20,663	24,351	13,396	15,437	15,780	24,668	17,109
Market Output (€)	84,510	59,430	12,292	17,062	12,456	51,924	30,844
Gross output (€)	105,173	83,781	25,688	32,499	28,236	76,592	47,953
Less...							
Direct Costs (€)	46,659	33,572	9,089	11,577	8,925	32,395	18,872
Overheads (€)	34,830	32,928	10,036	11,621	9,623	28,951	17,113
Totals Costs	81,489	66,500	19,125	23,198	18,548	61,346	35,985
Family Farm Income (FFI)	23,684	17,281	6,563	9,302	9,688	15,247	11,968
DPs as % of FFI	87.2%	140.9%	204.1%	166.0%	162.9%	161.8%	143.0%

Source: National Farm Survey 2009, Teagasc 2010

A comparison of farming characteristics and financial return for full-time and part-time farms² is shown in Table 2.2. Average farm income for the 30.4% of farms classified as full-time was €24,214 in 2009, a decrease of 35%. Full-time farms are the larger more viable farms, of which, 60% are involved in dairying, 32% in other livestock system and 8% in tillage. On 14% of full-time farms, the farmer had an off-farm job, whilst on 43% of full-time farms the spouse had an off-farm job.

For the roughly 70% of farms classified as part-time the average family farm income was €6,611 (down from €7,580) and 89% were involved in drystock production. These farms were particularly reliant on direct payments to cover production costs with average payments of €12,077 accounting for 183% of family farm income. On 54% of part-time farms either the holder or spouse had off-farm employment – down from 56% in 2008 and 60% in 2007. Nearly all (96%) part-time farms had off-farm income from one of employment, pensions or social assistance.

Table 2.2

Main Results from National Farm Survey, 2009, for full and part-time farms.

	Dairying	Dairying +other	Cattle Rearing	Cattle other	Mainly Sheep	Mainly Tillage	All Systems
				Full-time			
% of pop	13.9%	4.3%	2.1%	4.3%	3.1%	2.5%	30.4%
UAA (ha)	49.7	72.4	62.6	72.2	79.1	100	64.2
Family farm income (FFI)	25,498	24,974	17,261	26,698	19,387	23,319	24,214
FFI/ha	513	345	276	370	245	233	377
Direct payments (DPs)	21,738	32,069	31,957	36,799	31,087	40,908	28,60
DPs as % of FFI	85.3%	128.4%	185.1%	137.8%	160.3%	175.4%	118.2%
				Part-time			
% of pop	1.2%	2.5%	16.8%	31.8%	13.1%	3.9%	69.5%
UAA (ha)	21.5	23.6	25.5	25.3	24.3	29.2	25.2
Family farm income (FFI)	3,371	3,796	5,213	6,944	7,407	10,078	6,611
FFI/ha	157	161	204	274	305	345	262
Direct payments (DPs)	8,633	10,821	11,053	12,542	12,180	14,269	12,077
DPs as % of FFI	256.1%	285.1%	212.0%	180.6%	164.4%	141.6%	182.7%

Source: National Farm Survey 2009, Teagasc 2010

² In the NFS full-time and part-time farms are based on labour input, with farms requiring 0.75% of a standard labour input being defined as full-time and those requiring less as part-time.




2.4 Off-farm Employment Income

The National Farm Survey 2009 estimates that 39% of farm holders had an off-farm occupation. Most of the farmers with off-farm jobs were classified as part-time (in terms of labour input on farm) and had combined farm and non-farm earnings of €31,100. Those with full-time farms and off-farm employment had an average income of €42,600. Overall average off-farm earnings, for those who had off-farm jobs was estimated to be €24,700 (Figure 2.3), average family farm income for these farms was €7,800 giving a combined income of €32,500.

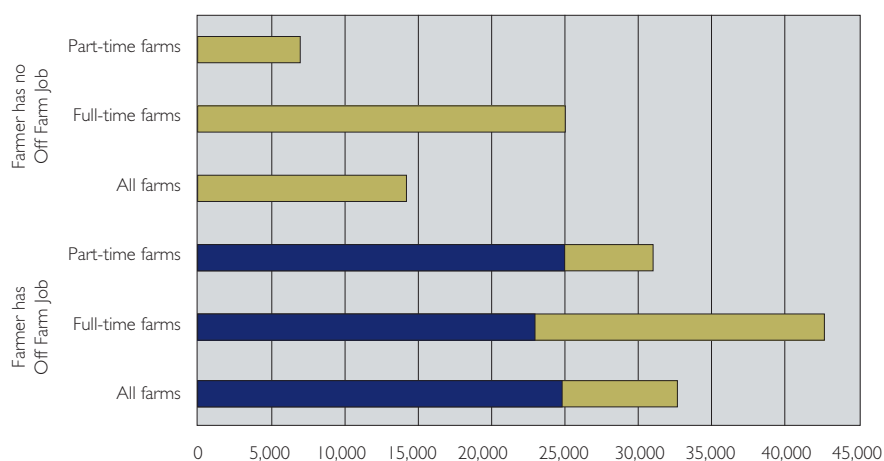
Of the 65% of farm holders who stated that they had no off-farm income, 40% were estimated to have full-time farms. These full-time farms had an average family farm income of €25,000. The remaining 60% were classified as part-time farms and had no off-farm earnings. These had an average family farm income of €7,000.

Figure 2.3

Estimate of Off-Farm Employment Income of the Farm Holder, 2009

Average off-farm income* 
Farm income 

Source:
National Farm Survey 2009



On 35% of farms the holder was identified as having an off-farm job. However, it is estimated that on 79% of farms, either the farmer and/or spouse had another source of off-farm income, be it from employment, pensions or social assistance.

2.5 Direct Payments

Table 2.3 shows the distribution of direct payments³ by decile of family farm income using national farm survey data. The data shows that the lowest 20% of producers in terms of family farm income received 13% of direct payments while the top 20% of producers received almost 32% of payments. The data also indicates that average direct payments exceeded family farm income for all but the top 20% of producers.

³ Direct payments in Table 2.5 include the Single Payment Scheme, REPS and area based disadvantaged area compensatory allowance scheme.



Table 2.3

Share of 2009 Direct Payments by Deciles of Family Farm Income

Deciles for FFI	Average DP per Farm (include SFP)	% of Total DP	Average FFI
Decile 1	10,210	5.90%	-7,254
Decile 2	11,806	7.00%	58
Decile 3	11,536	6.70%	3,486
Decile 4	14,482	8.50%	6,331
Decile 5	15,463	9.10%	9,465
Decile 6	17,823	10.50%	11,609
Decile 7	16,534	9.50%	14,541
Decile 8	19,332	11.20%	17,965
Decile 9	25,046	14.80%	25,937
Decile 10	28,621	16.80%	36,299
All	17,092	100.00%	11,845

Source: G.Quinlan (Teagasc), Analysis by Decile, National Farm Survey 2009

As mentioned in Section 2.2 total direct payments to farmers were estimated to be €1,729 million⁴ in 2010. This figure relates only to direct payments which are included by the CSO in the calculation of operating surplus in agriculture, some of the main elements of which 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 rise to €2.1bn, which includes expenditure on investment schemes, installation aid and afforestation grants and premia. Table 2.4 provides a breakdown of payments by province for the 2010 calendar year.

Table 2.4

Distribution of All Payments to Farmers by DAFF by Province, 2010

	Overall Payments	Total No. of Recipients	Payments with value >= €10,000	Average payment
Ulster	263,454,751	18,441	4,875	14,286
Connaught	472,233,838	39,982	5,642	11,811
Leinster	613,856,721	33,437	15,453	18,359
Munster	787,641,963	46,005	17,084	17,121
State	2,137,187,273	137,865	43,054	15,502

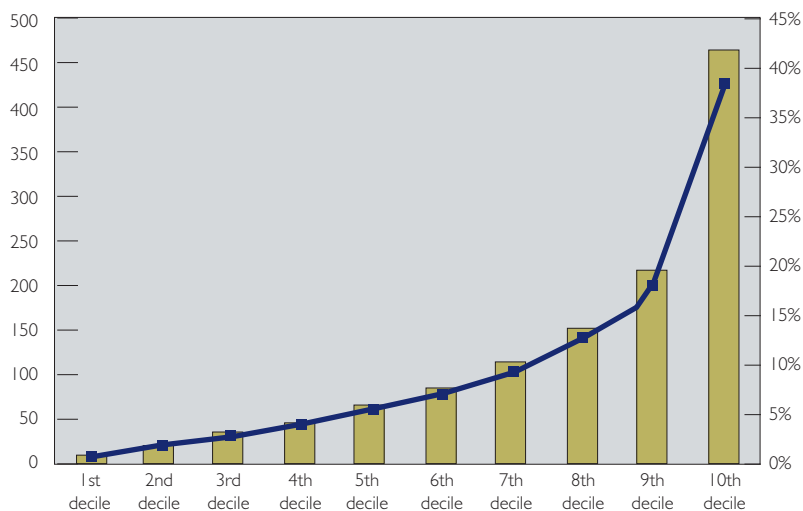
Source: DAFF (Note: Does not include a approx €50m of payments which are not paid via the Department's SAP Accounts System)

Figure 2.4

Distribution of SPS Payments to Farmers by Decile 2010

Total payments per decile (left axis) ■
% of Payments (right axis) ■■

Source: DAFF



⁴ 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 below shows the distribution of the Single Payment Scheme to farmers. The average payment under the SPS was €9,830 (but over 70% of recipients received payments under this amount). 38% of payments went to the 10% of farmers with the highest SPS incomes.

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) 2008 is set out in Table 2.5.

Depending on definition average total farm household income is estimated to be either €61,053 per annum or €53,484 per annum. The former figure is based on a broad definition which classifies any household with an income from farming as a farm household (Table 2.5). Using this definition farm income accounted for 27% of total farm household income. An alternative approach is to restrict farm households to those 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 2.6). In such cases, the total farm income figure is estimated to be the lower amount with 37% coming from agricultural activity.

In general, other rural households tend to have similar or lower household incomes than farm households while urban households tended to have higher incomes. The average household income for the State was €60,579.

Table 2.5

Composition of Household Income for Farm, Rural Non-Farm and Urban Households using a Broad Definition of Farm Households, 2008

	Farm Households	Rural Non-farm Households	Urban Non-farm Households	State
Persons per household	3.15	2.83	2.96	2.94
Farm income	16,502	0	0	1,328
Non-farm employment	22,890	27,582	45,058	38,081
Other direct income	9,991	7,740	7,356	7,683
State transfers	11,670	13,827	13,561	13,488
Gross Income	61,053	49,149	65,975	60,579
Gross income per household member	19,367	17,367	22,279	20,627
Less tax and social contributions	9,064	8,165	13,467	11,537
Disposable income	51,988	40,085	56,911	51,515
Disposable income per household member	16,492	14,164	19,218	17,541
Gross Income as % of state average	101%	81%	109%	100%
Disposable income as % of state average	94%	81%	110%	100%

Source: CSO, EU-SILC 2008 (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 2.6**

Composition of Household Income for Farm, Rural Non-Farm and Urban Households using a Narrow Definition of Farm Households, 2008

	Farm Households	Rural Non-farm Households	Urban Non-farm Households	State
Persons per household	3.15	2.86	2.96	2.94
Farm income	20,013	1,255	21	1,328
Non-farm employment	17,863	27,736	45,037	38,081
Other direct income	3,346	8,813	7,394	7,683
State transfers	12,262	13,522	13,558	13,488
Gross Income	53,484	51,325	66,011	60,579
Gross income per household member	16,998	17,938	22,286	20,627
Less tax and social contributions	7,547	8,424	3,480	11,537
Disposable income	45,938	42,900	52,531	49,042
Disposable income per household member	14,600	14,994	17,735	16,699
Gross Income as % of state average	88%	85%	109%	100%
Disposable income as % of state average	94%	87%	107%	100%

Source: CSO, EU-SILC 2008 (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 poverty⁵ 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 2.7

Consistent Poverty for Farm, Rural Non-Farm and Urban Households, 2008

	Broad Definition %	Narrow Definition %
60% consistent poverty line		
Farm Households	2.2	3.6
Other rural households	5	4.5
Urban households	4.1	4.1
60% relative poverty line		
Farm Households	20.1	21.8
Other rural households	18.2	18.2
Urban households	11.9	11.9

Source: CSO, EU-SILC 2008

⁵ Consistent poverty is defined as being identified as at risk of poverty together with being deprived of two or more of the eleven basic deprivation items.



Farm Assist, administered by the Department of Social and Family Affairs, is a means tested income support scheme aimed at low income farm families. At the end of December 2010, there were 10,714 participants the scheme, an increase of 1,742 on the end of 2009 figure. In total there were 25,369 beneficiaries including recipients, qualified adults and children, an increase of almost a quarter year-on-year.

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. Responsibility for administration of the scheme transferred from the Department of Community, Equality & Gaeltacht Affairs to the Department of Social Protection on 1st September 2010.



CHAPTER 3

AGRICULTURAL COMMODITIES & INPUTS



CHAPTER 3 AGRICULTURAL COMMODITIES & INPUTS

3.1 Overview

World prices for many agricultural commodities rose in 2010, but key input costs such as feed, fertiliser and energy are also moving upwards. It was a very good year for Irish producers following a very difficult year in 2009. It was particularly good for exporters given the performance of international and domestic agricultural commodity markets. The market volatility experienced since the historic high prices of 2007 has continued, with cereal prices surging again towards the end of 2010. Commodity prices increased for all of the major commodities during 2010, with cereals and dairy doing particularly well. The value of output from all of the main farm enterprise increased in 2010 (relative to a difficult 2009). Margins in 2010 increased in most sub-sectors of Irish agriculture, although pigmeat sector margins declined.

Despite the ongoing economic challenges and exchange rate uncertainties output estimates for 2010 provide evidence that the Irish agricultural sector is recovering from the negative effects of the global recession. For cereals, lower costs of production, a substantial increase in harvest prices and favourable weather conditions at harvest gave rise to a very substantial increase in cereal crop margins in 2010 relative to 2009. The outlook for 2011 is quite uncertain given the extent of the output price volatility in the market. Global cereal prices will also affect the cost of input prices for Irish livestock farmers. The Irish dairy sector had the double benefit of an increase in milk prices of about 30 percent and an increase in the volume of milk output of over 7 percent. The increase in the value of milk output was achieved with little change in aggregate costs. The outlook for 2011 is good, with Teagasc forecasting an average increase of 5% in the price of milk. Margins will however depend on good grass growing conditions. Margins in the beef sector did not improve significantly relative to 2009, but this may be because the decline in 2009 was not as severe in beef as it was in other sub-sectors. While prices should continue to rise, input costs are also expected to rise, which could mean a further fall in margins. The sheep sector experienced a good year with margins up considerably. Irish lamb prices increased by 17 percent in 2010 relative to 2009. This far surpassed the increase in beef and pigmeat prices. Contraction in EU production and a favourable exchange rate meant that 2010 gross and net margins were up considerably on 2009. Lower exports from New Zealand and the fall in EU lamb production present a positive outlook for Irish lamb prices in 2011 although rising production costs will affect margins. The pigmeat sector had a difficult year. Irish pig prices have been slow to react to the upward movement in feed costs in 2010. Higher pig production costs seem inevitable in 2011 but pig prices should show an upward trend as 2011 evolves. An increase in pig prices of 10 to 15 cent per pig by mid 2011 is in prospect which would facilitate the beginnings of a recovery in margins for pig producers, according to Teagasc.

In summary, it seems that 2010 was a good year for much of Irish agriculture with operating surplus estimated to have increased by approximately 31.5% to €2,071 million in 2010. However, this follows a large decrease in 2009, showing the volatility of farm incomes in recent years. A key issue for 2011 is the continuing increase in costs, notably for feed, fertiliser and fuel. The outlook for the main sectors in 2011 suggests that output prices will increase, but the improvement will not be consistent across sectors.



Table 3.1 sets out the latest details for Output, Input and Income in Agriculture for 2010.

The overriding factor that contributed to increased operating surplus was a 13.1% increase in the aggregate value of goods output from the sector. The largest increase in value came in Cereals (88%) and the dairy sector (38.8%). The table also show that input costs increased and this trend is likely to continue in 2011.

Table 3.1

Output and Input in
Agriculture, 2010

	Value €m	% Change 2010 over 2009			Share of GO/Inputs %
		Value	Volume	Price	
Gross output at producer prices	5,348.0	13.1	2.52	10.3	100%
Cattle and Calves	1,498.5	1.8	-0.1	1.9	28%
Pigs	333.1	8.6	8.3	0.3	6%
Sheep and Lambs	167.0	6.0	-10.2	18.1	3%
Poultry	121.1	1.0	3.8	-2.7	2%
Milk	1,535.5	39.6	7.3	30.0	29%
Cereals	202.0	88.8	7.6	75.5	4%
Potatoes	102.5	31.8	29.2	2.0	2%
Fresh Vegetables and Fruit	240.2	n/a	n/a	n/a	4%
Forage Plants	862.1	1.2	-1.7	2.9	16%
Other	285.8	n/a	n/a	n/a	5%
Intermediate Consumption (Inputs)	4,104.6	0.8	3.4	-2.5	100%
Animal Feed	1,052.9	-2.4	0.6	-3.0	26%
Fertilisers	450.6	8.3	23.7	-12.4	11%
Energy and Lubricants	342.7	13.1	1.3	11.6	8%
Maintenance and Repairs	349.3	-2.1	0.0	-2.1	9%
Forage Plants	848.5	1.3	-1.7	3.0	21%
Contract Work	268.7	0.0	0.5	-0.5	7%
Others	792.0	n/a	n/a	n/a	19%
Gross value added at basic prices	1529.0	62.4	1.1	60.6	n/a

Source: CSO

Stock Changes

Early estimates for stock changes on Irish farms in 2010 are illustrated in Table 3.2. There were declines in the number of livestock held on farms, most notably in the cattle sector.

Table 3.2

Estimated Value (€m) and
Volume¹ (000s) of Stock
Changes on Farms 2009/2010

	2009		2010 ²	
	Value	Volume	Value	Volume
Cattle	-0.8	-72.2	-154.8	-314.0
Sheep	-13.7	-240.4	-1.8	-26.3
Pigs	1.3	-2.5	0.7	16.0
Poultry	-1.1	470.3	-1.1	470.3
Crops	1.5	42.0	0.0	0.0
Total	n/a	197.3	n/a	146.1

¹ Volume of Livestock is in heads (000s), volume of crops is in tonnes (000s)

² Early Estimate

Source CSO

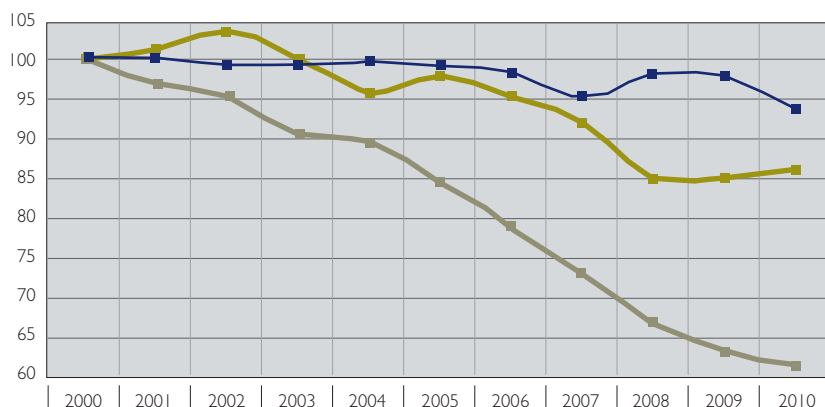


Longer term trends in stock levels for cattle, sheep and pigs are outlined in Figure 3.1, which gives an index for stock numbers between 2000 and 2010 based on CSO June Livestock Surveys (Base 2000=100).

Figure 3.1

Index of Livestock Numbers,
2000-2010

Total Cattle ■
Total Sheep ■
Total Pigs ■



Source: CSO, June data

Terms of Trade

Agricultural input prices decreased by 1.76% in 2010 relative to an increase of 11.65% in output prices. These price developments equated to a positive movement in the terms of trade index for farmers of 13.65% in 2010.

The increase in the output price index was mainly attributable to increases in cereals (58.8%), milk (28.3%) and sheep (17.0%). Elsewhere fertilisers, seeds and feedingstuffs fell by 12.3%, 7.2% and 3.6% respectively.

Table 3.3

Terms of Trade,
2009-2010

Base 2000=100	2009	2010	% change 2009/2010
Output	103	115.3	11.9%
Input	142.2	139.9	-1.6%
Terms of Trade	72.4%	82.4%	13.8%

Source: CSO Agricultural Price Indices 2010, 23/02/11

3.2 Milk

General Market Situation 2010

During 2010 international dairy markets recovered from the 2009 slump. EU dairy commodity prices increased steadily during the first half of the year before levelling off in the second half. The market measures that helped to stabilise the situation in 2009 were not required in 2010, as exports increased without refunds and intervention buy-in was not triggered. EU milk production increased from April onwards and ended the year approximately 1% up on 2009. Milk prices increased across the EU reflecting the market upturn.

World milk production is estimated to have increased by 1.7% in 2010, with the EU accounting for around 19% of the total.



Output in Ireland

In 2010 there was a very significant increase (circa 40%) in the value of the milk sector to €1,536 million. This followed a decrease of about 32.5% in 2009.

Table 3.4

Milk Output and Disposal

million litres	2005	2006	2007	2008	2009	2010	% change 2009/10
Manner of Disposal							
Milk sold off farms	4,915	5,074	5,074	4,943	4,785	5,173	8.11%
Milk used in farm households	25	25	22	22	21	21	-1.41%
Imported Milk Intake	550	566	473	464	427	388	-9.25%
Total Milk Output	5,491	5,665	5,569	5,429	5,234	5,582	6.65%

Prices

The average milk price paid to producers in 2010 was 30 cent/litre, a 25.5% improvement on the 2009 price of 24 cent. On top of that, dairy farmers continued to receive the dairy premium of 3.6 cent/litre. In the EU the average milk price was also around 30 cent/litre, up from just over 26 cent in 2009.

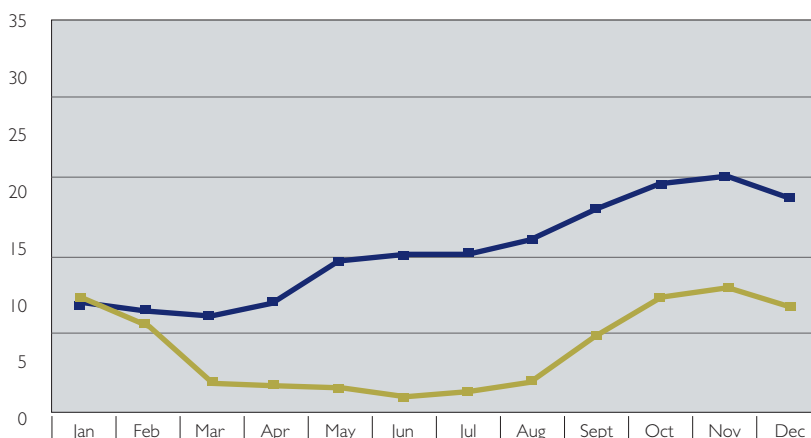
Figure 3.2

Milk Prices, 2009-2010

2009

2010

Source: CSO



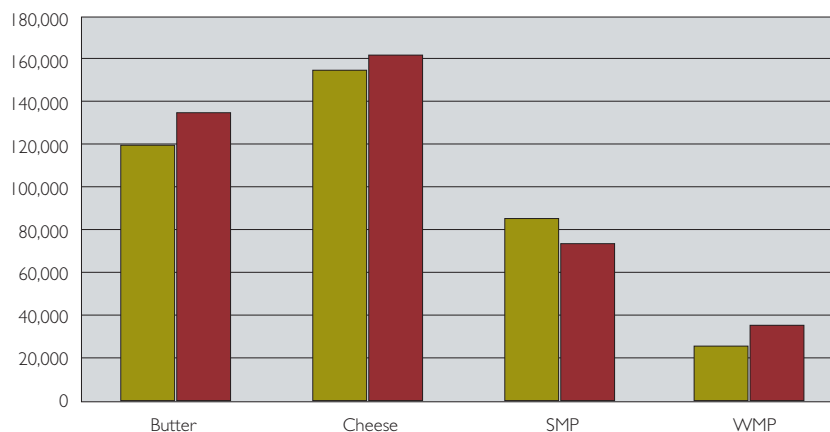
Production of Dairy Products

Figure 3.3

Production of Dairy Products, 2009-2010

2009

2010





Initial figures from the Irish Dairy Board estimate that Irish butter, cheese and WMP production increased by 12.5%, 4.5% and 36% respectively in 2010. SMP production (which includes buttermilk) decreased by 12.9%.

Exports

Exports of Irish dairy products and ingredients were valued at some €2.29 billion in 2010. This represented an increase of 17% from 2009 as international dairy markets saw strong improvement. Dairy exports were helped by improved global demand, stronger prices and higher production in Ireland.

Intervention/Market Management

Due to the improved market situation in 2010 there was no buying in of Intervention butter or SMP, and the Commission sold 23,696 tonnes of butter (13,922t Irish) and 12,560t of SMP onto the market. Under the 2010 most deprived persons scheme, a total of 50,000t of butter and 65,000t of SMP was released to charities. By year end Intervention stocks in the EU were 190,000t of SMP and zero butter. Under the 2011 most deprived persons scheme, 93,000t of SMP will be released to charities between June and September. There remains some 80,000t of SMP (8,663 Irish) for sale under the market tender procedure.

The 2010 Private Storage Aid scheme for butter reverted to the usual period of operation from March to August, and 83,000t of EU butter was stored under the scheme (18,800t in Ireland). Export refunds for dairy products remained at zero throughout the year.

Outlook 2011

EU and world dairy markets are positive at present as market forecasts predict global demand exceeding supply in 2011, and the short term prospects are good. In the medium term most analysts forecast strong demand and higher prices for dairy products, with increased demand fuelled by population growth and growing prosperity in developing countries.

Quota Management

There were an estimated 18,294 active milk producers in 2010, a reduction of approximately 3.4% on 2009. (See Statistical Annex Table 12.6).

The Milk Quota Trading Scheme remains the main means by which milk quota is 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 2010 was reduced by the Minister from 6 to 5 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 2010 the Trading Scheme was responsible for the transfer of about 28 million litres of quota in respect of the 2010/2011 milk quota year, and a further 46 million litres was traded in the December 2010 exchange, which was the first of two exchanges allocating quota in respect of the 2011/2012 milk quota year.

In the milk quota year 2009/2010 Ireland's deliveries of milk did not exceed the national quota and no super levy was paid to the EU Commission.



New Areas of Interest

New Entrants to Dairying

The second of five annual increases of 1% in national milk quota agreed under the Health Check became available on 1 April 2010. Three quarters of this increase was allocated as a top-up to the quotas of all active producers. The remaining 0.25% was set aside for allocation to new entrants to dairying. The New Entrants Scheme subsequently identified 73 successful applicants who will be allocated quotas of between 180,000 and 200,000 litres each in the period up to 1 April 2012 to allow them to commence dairy farming on a scale that is immediately viable. The Scheme will be repeated in 2011, and in addition to attracting 'brand new' entrants to dairying, provision will be made for producers who purchased quota either as new entrants or successors through the Milk Quota Trading Scheme since its inception in 2007.

Dairy Efficiency Programme

A new three-year Dairy Efficiency Programme commenced in 2010. Under the Programme €18 million of unspent Single Payment Scheme funds is being spent in encouraging significant efficiency gains on Irish dairy farms. The funding supports the transfer to milk producers, through participation in discussion groups, of technology and knowledge that will help them to adopt best practice in the running of their enterprises. These groups, which are formed and assisted by facilitators who have been trained by Teagasc to a FETAC-accredited standard, place particular emphasis on the adoption of best practice in relation to grassland management, breeding and financial management. Participants have their progress monitored by their facilitator, and are required to meet certain standards in relation to attendance and project completion. In return they receive a payment at the end of each year, with the level of payment determined by the participation rate in the Programme.

Support for Dairy Research

Starting in 2010, significant amounts of milk quota are being made available to a major research project aimed at assisting the development of profitable, expanding dairy farms as the sector moves towards quota abolition in 2015. The project is a collaboration between Teagasc Moorepark, the Agricultural Trust, AIB Bank and Glanbia. It consists of three dairy farms, one of which is a large farm developed on a greenfield site, and the other two family farms of different sizes with potential to expand. The information and management data generated is being made available to all Irish dairy farmers through Teagasc's advisory network and the BETTER farm programme. The quota requirements run from just over 125,000 litres in the 2009/2010 milk quota year to just under 3 million litres in 2014/2015.

3.3 Cattle

General Market Situation in 2010

Because Ireland exports some 90% of its net beef output, external market developments inevitably play a crucial role in determining Irish cattle prices. The price of Irish cattle and beef improved marginally in 2010 and this improvement is forecast to persist in 2011. Continued growth in the live export trade seen in 2010 along with a declining EU cattle population and ongoing restrictions on Brazilian beef imports to the EU will underpin this positive price development. Teagasc estimates that Irish cattle prices will be 4% higher in 2011 than in 2010.

The aggregate value of Irish meat and livestock exports in 2010 is estimated at €2.44 billion. This represents a rise of around 9% when compared to 2009 with most of the revenue growth evident in export returns for beef, live animals and pigmeat. Reflecting the fragile nature of the incipient economic recovery, the European beef market stabilised during the course of 2010 following weak retail sales, particularly of high value cuts, throughout much of 2009 and early 2010. Trading conditions



improved as a result of tighter cattle supplies, the decline in the value of the euro relative to sterling and stronger demand for European beef in the Russian and Turkish markets.

Output in Ireland

In 2010 the output value of the beef sector increased to approximately €1.5 billion as trade was boosted by increased export volumes and largely stable cattle prices.

Table 3.5

Output Value¹ (€m) and Numbers (000's) of Cattle and Calves, 2009/2010

	2009		2010 ²	
	Value	Number	Value	Number
Live Exports	116.58	256	150.23	339.86
Export Slaughterings	1,311.29	1,525	1,457.96	1,642.59
Other Slaughterings	45.65	76	46.29	74.21
Total Disposals	1,473.52	1,856	1,654.47	2,056.65
Imports	1.17	1	1.17	0.85
Changes in Stocks	-0.79	-72	-154.81	-313.98
Total	1,471.55	1,783	1,498.49	1,741.82

¹ Values shown are after deductions for transport costs

² Early Estimate

Source: CSO

Prices

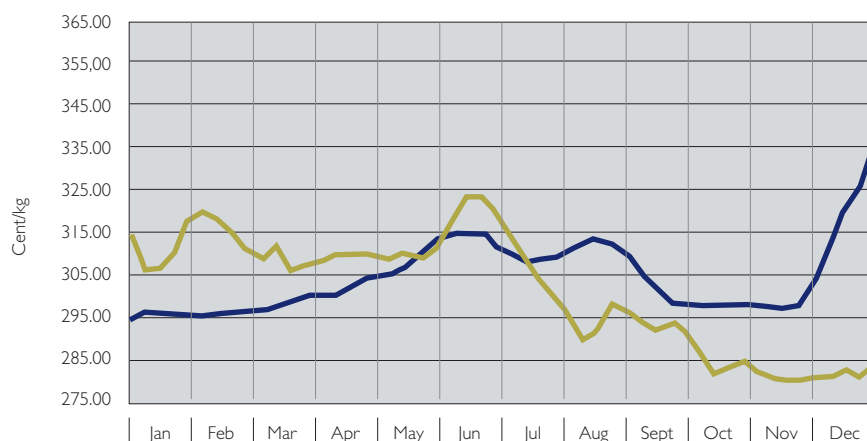
Irish cattle prices increased in 2010 relative to 2009. The average price for finished cattle (R3 steer) increased by just under 2% to €291/100kg ex VAT (note the graph below displays prices over the two years inclusive of VAT at 5.2%). Average prices of weanlings and store bullocks increased by approximately 2% and 3% respectively. Nevertheless, despite an improvement in margins arising from slightly higher output prices and lower input costs, the majority of Irish cattle farms still earned a negative net return from cattle production in 2010.

Figure 3.4

Steer Prices, 2009-2010

2009 —■—
2010 —■—

Source: DAFF



Slaughterings

At just over 2 million head, overall cattle disposals in 2010 were 9% above the levels for 2009 owing to higher export meat plant supplies and greater live export activity. Total cattle throughput at meat export premises in 2010 was up by 8% on 2009 levels to just under 1.64 million head with higher disposals evident across all categories. The main reasons for the increase were a carryover of animals from 2009, the availability of more finished cattle due to lower live exports in 2008 and some earlier marketing by producers reacting to higher feed costs. Average carcass weights were broadly similar to those in 2009.

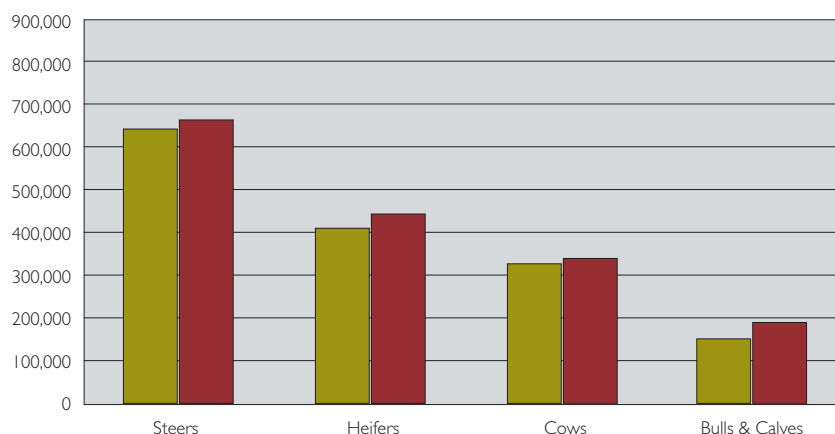


Figure 3.5

Cattle Slaughtering at Meat Export Premises, 2009-2010

2009 
2010 

Source: DAFF



Beef Exports

The United Kingdom and Continental EU markets together comprised 98% of exports in 2010. The value of beef exports is estimated to have risen 8% in 2010 to nearly €1.51 billion with the volume of beef available for export increasing by 8% to almost 0.5 million tonnes (cwe). In tonnage terms, some 40% of such exports went to the higher value standard, premium retail and premium foodservice markets.

Ireland sells over half of its beef exports to the United Kingdom. Trade with Britain was helped by higher availability of finished cattle, a recovery in retail sales and the appreciation of sterling against the euro. Overall, exports to the UK rose by 4% to an estimated 254,000 tonnes and were worth €685 million.

Shipments of beef to Continental EU markets increased by 11% to 237,000 tonnes in 2010 and were valued at €817 million. Improved demand in key markets along with greater supply availability and increased export flows from competitors to countries outside the EU all contributed to a strong performance in our major markets (France, Italy and the Netherlands).

Non-EU Market Developments

Beef exports to international markets are estimated to have reached 6,000 tonnes in 2010, with Russia emerging as the principal destination as other EU suppliers concentrated on penetrating the Turkish market.

Notwithstanding the fact that the vast bulk of our beef exports go to EU countries, our ability to access international markets is important in maximising overall returns for the beef industry. Last year, the Moroccan and Tunisian markets were re-opened to Irish beef. Also, Israel and Russia raised the age of testing to 48 months in line with OIE (World Organisation for Animal Health) requirements.

Live Cattle Exports

A buoyant live export trade continues to be an important outlet for Irish cattle output, providing a floor for prices and an essential element of competition in the beef trade. Following the abolition of Export Refunds on live animals, except for breeding purposes, this trade is now almost exclusively with other EU Member States. Live cattle exports climbed to almost 339,000 head in 2010 – the highest level recorded since 2000 and up 18% on 2009. Most of the growth was in calf exports which were around a third ahead of 2009 levels. Between them, the main destinations in order of magnitude – Northern Ireland, Italy, Netherlands and Spain – accounted for 85% of the total.

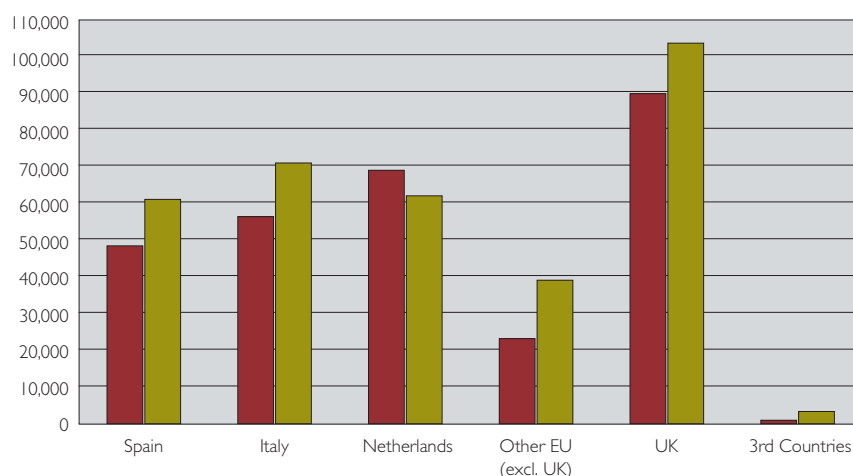


Figure 3.6

Live Exports of Cattle,
2009-2010

2009 ■
2010 ■

Source: DAFF (AIM)



Outlook 2011

The immediate outlook for the beef industry is generally positive. Market returns will be driven by a diminution in finished cattle supplies in Ireland and the EU, a strong live export trade and a competitive global market environment characterised by converging cattle prices and burgeoning demand in Asia and the Middle East.

Indigenous EU beef supplies are contracting as a consequence of ongoing reductions in the dairy and beef cow herds but South American imports look set to remain constrained. Over two-thirds of EU beef production is based on the offspring of dairy cows. Low returns from cattle production has led to some reduction in suckler cow numbers in the UK and Ireland and this trend is expected to continue. Supplies of finished cattle at Irish export meat plants are predicted to decrease by around 100,000 head. Meanwhile, some improvement in beef consumption is likely in the short term as the EU slowly recovers from the effects of the recent economic crisis. However, analysis from Teagasc points out that rising input prices will put more pressure on producer margins in 2011.

3.4 Sheep and Lambs

General market situation 2010

Sheepmeat production during 2010 is estimated at 47,600 tonnes, a decline of 14% on the figure for 2009. The decline in production is a consequence of the reduction which has taken place in the national breeding flock in recent years.

Output in Ireland

In 2010 the output value of the sheep and lamb sector rose by roughly six percent to €167m.

Table 3.6

Output Value¹ (€m) and
Numbers (000's) of Sheep
and Lambs, 2009/2010

	2009		2010 ²	
	Value	Number	Value	Number
Live Exports	2.18	32.76	3.68	46.59
Export Slaughtering	166.82	2,430.75	171.19	2,119.85
Other Slaughtering	22.94	299.11	24.09	267.05
Total Disposals	191.94	2,762.62	198.96	2,433.48
Imports	20.76	285.81	30.21	385.55
Changes in Stocks	-13.66	-240.37	-1.80	-26.26
Total	157.52	2,236.44	166.95	2,021.67

¹ Values shown are after deductions for transport costs

² Early Estimate

Source: CSO

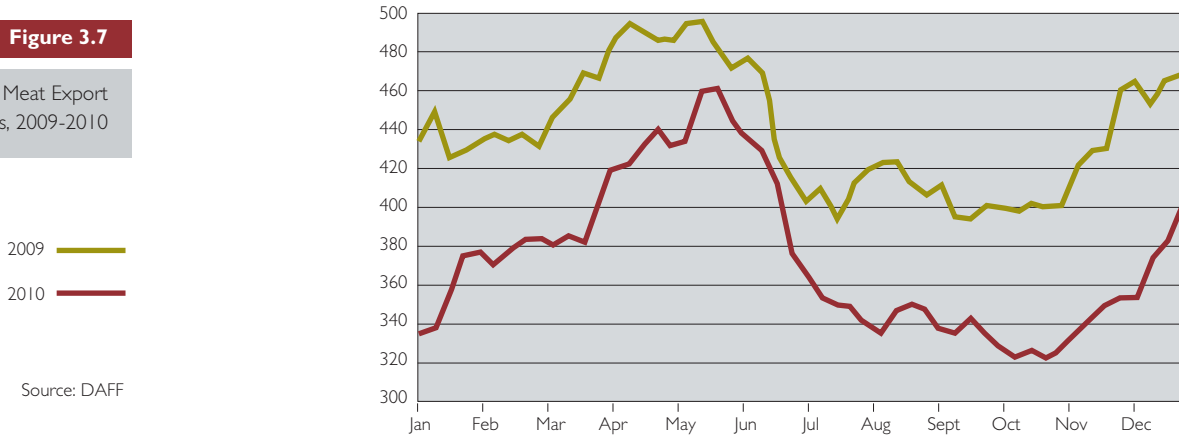


Prices

Average factory prices for 2010 were up 17% on 2009 level. This reflects the intense competition among processors for scarce supplies.

Figure 3.7

Sheep Prices at Meat Export Premises, 2009-2010



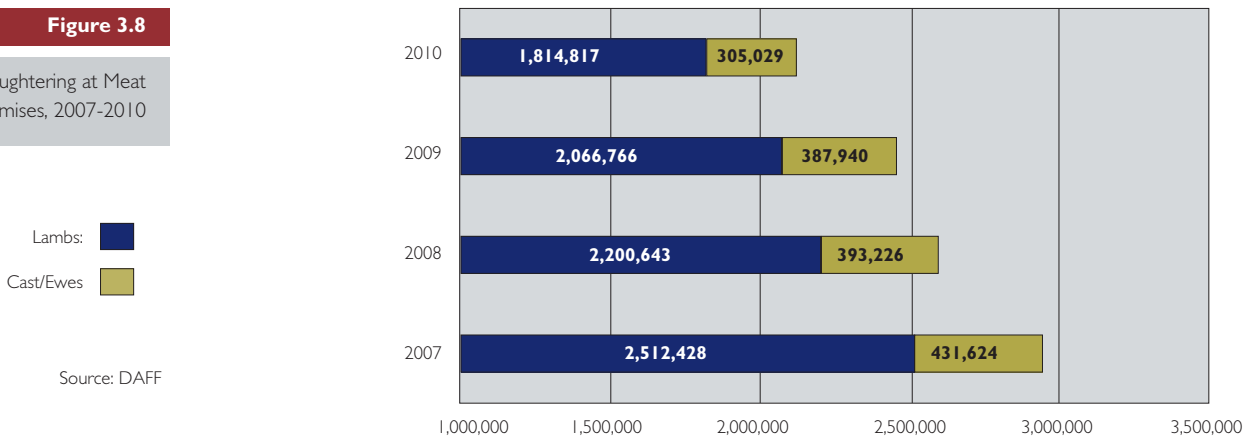
Source: DAFF

Slaughtering

Slaughtering at DAFF-supervised premises in 2010 totalled 2.120 million (calendar year). This represents a decline of 13% on the 2009 figure (calendar year), reflecting the tight supply situation.

Figure 3.8

Sheep Slaughtering at Meat Export Premises, 2007-2010



Source: DAFF

Exports

Consumption of sheepmeat on the home market is estimated to have fallen by 15% to 15,100 tonnes in 2010. The volume exported declined by 11% to 36,500 tonnes in 2010. The reduction in the quantity consumed on the domestic market can be attributed to competition from other cheaper proteins. The reduction in the quantities exported is a consequence of the lower production.

Outlook for 2010

The low carryover of hoggets from 2010 has got 2011 off to a strong start and the market environment for sheepmeat for the remainder of the year is set to remain positive. Although all indications are that flocks in the UK and Ireland are stabilising, there is a continued tightening of supplies in continental Europe with overall production set to fall 1% in the coming year, and to tighten by 3% by 2015. This combined with an expected drop of up to 10% in the 2010/11 volume of NZ exports due to severe weather conditions during their Spring, will help to insulate farmer prices from what remains a lacklustre demand on the home market.



Supplies at the Irish export plants tightened by 13% to 2.120m in 2010. With the effects of higher retention rates this coming year we could see a further, though more marginal, decline of about 2%. Average farm-gate prices for the coming year should compare well with those of 2010. Exports declined in volumes by 11% to 36,500 tonnes in 2010, but with tighter availability on all markets, the total value increased by 4% to €170m. Assuming that consumption on the home market stabilises, exports for the coming year should be in the region of 36,000 tonnes. Currency movements, in particular the strengthening of the NZ dollar, should support the competitiveness of Irish lamb overseas. There is a positive outlook from France, our largest export market, which is predicting a drop of around 1% in domestic production, while consumption is forecast to recover by 2%. This will lead to an estimated rise of 4% or 5,000 tonnes in import demand. Global demand for lamb is growing with experts predicting a rise of 6% in consumption over the next 10 years, driven mostly by China, North Africa and the Middle East.

3.5 Pigs

General Market Situation 2010

While prices, production and exports recovered somewhat during 2010, the impact of cereal price increases on the pig sector was significant. Margins fell below the long-term average in both Ireland and the EU and remained under pressure for most of the year. Increases in cereal prices in the early part of 2010 were exacerbated by severe weather events in both Russia and Australia during the summer. The supply restrictions arising from these incidents were added to by the continued shift in production towards ethanol which has resulted in upward price pressure on quantities produced for animal feed and human foodstuffs. The more than doubling of both wheat and barley prices since September 2009 has impacted most severely on the pig sector given that these cereals account for almost 75% of pig feed. There was progress in reopening remaining markets closed following the dioxin incident, namely Russia and China and trade recovered in both these countries. The programmes launched in the wake of the dioxin outbreak; the Pigmear Recall Scheme and the Pig and Cattle Disposal Scheme, were managed successfully during the year with significant claims settled. The continued absence of Export Refunds on fresh and frozen pork destined for non-EU countries has made the situation more difficult for exporters and Ireland, in common with a number of Member States, has strongly pressed for their reintroduction. In recognition of the fact that the sector across Europe is facing difficulties the Commission held a gathering of stakeholders from throughout the sector and has pledged to establish a high level group to monitor developments during 2011.

Output in Ireland

During 2010 the output value attributable to pig production reached over €330 million, an increase of almost 8% on 2009 values. Much of the production and herd declines experienced in the wake of the pigmeat recall were recovered and this was reflected in the level of both disposals at meat plants and live exports to Northern Ireland.

Table 3.7

Output Value¹ (€m) and Numbers (000's) of Pigs, 2009/2010

	2009		2010 ²	
	Value	Nos.	Value	Nos.
Live Exports	63.29	625.56	68.56	752.46
Export Slaughtering	239.11	2,371.66	260.12	2,600.58
Other Slaughtering	4.08	49.11	4.87	57.37
Total disposals	306.48	3,046.33	333.55	3,410.40
Imports	1.15	11.00	1.14	13.27
Changes in stock	1.34	-2.47	0.72	16.02
Total	306.67	3,032.86	333.14	3,413.16

¹ Values shown are after deductions for transport costs

² Early Estimate

Source: CSO



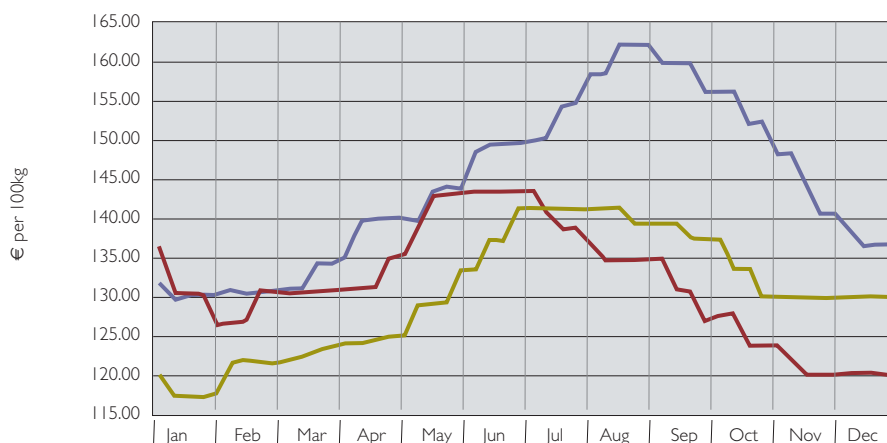
Prices

Producer prices continued to fall in the early part of 2010 but recovered from mid March onwards. The average price during 2010 was €130.59/100 kgs which amounted to 93% of the EU average. Weekly prices ranged from €117.50/100 kgs in January to €141.41/100 kgs during the summer and ended the year over 8% ahead year-on-year.

Figure 3.9

Pig Prices at Meat Export Premises, 2008-2010

2008 — blue line
2009 — red line
2010 — yellow line
Source: DAFF



Slaughtering

During 2010, approximately 2.6 million pigs were slaughtered in DAFF export-approved plants. This equates to an increase of over 10% compared to 2009. Approximately 81,000 sows are included in this 2010 figure, some 5,500 higher than the previous year. Pork accounted for almost 97% of the total.

Exports

Pigmeat export volumes increased during 2010 by almost 10% and reached 134,000 tonnes. Coupled with largely unchanged average prices, this led to an increase in value terms to some €317 million. The UK continues to be the largest single market for Irish product despite a near 10% decline in volumes. Trade in pigmeat to this market amounted to almost €195 million and accounts for around half of volume and two thirds of total value. Despite a difficult trading environment in many Continental European markets, the volume and value of trade increased marginally. The reopening of the Chinese and Russian markets to Irish pork following the dioxin outbreak, together with a robust performance in Japan, saw both the value and volume of pigmeat exports increase significantly in international markets.

Outlook 2011

Following the rebuilding efforts during 2009 and 2010 which have largely proven successful, the Irish pig sector faces a difficult and uncertain short term future. Recent increases in cereal prices are having a significant impact on pig producers and these developments will inform production and supply decisions during the coming year. While cereal price increases impact on most agricultural sectors, pig producers are especially affected given that cereals account for almost 75% of feed. Margins declined considerably during 2010 and the EU Commission are not forecasting any recovery before mid year. Coupled with this are difficulties in obtaining credit from feed mills and general cash flow issues and this is putting the sector under considerable pressure. The Commission are further predicting a small increase in supplies during the first half of 2011. Pigmeat remains the most consumed meat worldwide and this will continue to present opportunities for Irish producers, given our self-sufficiency, but further recovery in prices is essential if production is to remain viable.



3.6 Poultry & Eggs

General Market Situation 2010

The poultry sector continued to face considerable challenges during 2010. Chief among these were the continued increase in cereal, and ultimately feed, costs and significant pressure from imports. In the current economic climate consumers regard poultry as a value-for-money food and this has been reflected in a small increase in consumption.

Output in Ireland

In 2010 the output value of the poultry sector was €121.1m up 1% on 2009.

Table 3.8

Output Value (€m) and
Volume of Poultry (000)
2009/2010

	2009		2010 ¹	
	Value	Number	Value	Number
Poultry	119.8	73,872.6	121.1	68,509.5

¹Early Estimate
Source: CSO

Prices

Notwithstanding the significant increase in cereal prices, producer and wholesale prices in the sector remained steady throughout 2010. Poultry is normally reared under contract to processors, for a pre-agreed price, and therefore poultry producers are not subject to the same price fluctuations as other farmers.

Slaughtering

Slaughtering of poultry amounted to 82.1 million birds during 2010 – an increase of 9.6% on 2009 levels.

Exports

The value of Irish poultrymeat exports in 2010 increased by over 9% and reached some €200 million. Competitive pressures in processed product contributed to a decline in both volume and value in the UK which remains our largest single market. This was offset by growth in export value to both the EU and international markets, the latter albeit from a very small base.

Outlook 2011

Irish production is forecast to remain stable during 2011 in common with the EU as a whole. However, the impact of cereal price increases may have a detrimental impact on output as the year progresses. Egg production is expected to increase slightly during 2011 with balanced demand helping keep prices stable. New EU proposals providing for the conversion of production systems to 'enriched cages' come into operation from 1 January 2012. These proposals, which are being made on animal welfare grounds, have been in train for a number of years. To this end the Department has introduced the Poultry Welfare Scheme in order to facilitate compliance with the new requirements.



3.7 Cereals

General Market Situation 2010

In the European Union, 2010 saw a sharp increase in the price of cereals in line with global markets. This was due in part to adverse weather conditions, lower harvests in the main cereal exporting regions of Canada and Russia and the ban on grain exports imposed by Russia. The EU Commission estimates that total production for the 2010 harvest will be in the region of 277 million tonnes, which represents a 17 million tonne (or 6%) decrease on 2009. Production of common wheat is forecast at 127 million tonnes (a decrease of 2% on 2009). Barley production is estimated at 53 million tonnes (a decrease of 15 %). Maize production is forecast similar to that of 2009 at 57 million tonnes.

On the world market, global grain supplies are expected to tighten in 2010/11 as production of wheat, maize and barley fall short of forecast consumption. As a result global carry-over stocks are expected to fall to their lowest level since 2007/08. The International Grains Council estimates total grain production for the 2010 harvest in the region of 1,726 million tonnes. Wheat production is forecast at 647 million tonnes, while maize production is forecast at 809 million tonnes. World barley production is estimated at 123 million tonnes, 18% down on last year and the lowest production in 40 years mainly due to adverse weather in Canada, Russia and parts of Europe.

Output in Ireland

The CSO advance estimate of output value of cereals in 2010 is €202m, an increase of 89% due to the sharp rise in prices.

Table 3.9

Output Value (€m) and
Volume of Cereals (000
tonnes) 2009/2010

	2009		2010 ¹	
	Value	Volume	Value	Volume
Barley	63.9	740.9	99.2	714.0
Wheat	33.9	326.0	93.8	469.9
Oats	9.2	82.1	9.0	49.5
Total Cereals	107.0	1,149.0	202.0	1,233.4

¹Early Estimate
Source: CSO

Area, Yield and Production in Ireland

The overall area sown to cereals in Ireland is in the region of 256,000 hectares, down 11% on the area sown in 2009 due to falling prices and higher input costs in the previous two years. Cereal yields were slightly above average mainly due to excellent harvest conditions and good growing conditions during grain fill. Total cereal production is estimated at 1.933 million tonnes, which is almost a 3% decrease on the 2009 harvest. This drop was due to lower acreage sown rather than poor yields. Total production of wheat is 639,000 tonnes which represents a 5% decrease; barley production at 1,149 million tonnes is down by 1.5%, while production of oats decreased 1% to 145,000 tonnes. Good harvest conditions meant that average moisture contents were low.

**Table 3.10**

Area, Yield & Production of Cereals, 2010

	2010	2010	2010
	Production	Area	Yield
	000 tonnes	000 ha	t/ha
Winter	510	56	9.1
Spring	129	17	7.6
Total Wheat	639	73	
Winter	232	27	8.6
Spring	917	137	6.7
Total Barley	1,149	164	
Winter	78	10	7.8
Spring	67	9	7.4
Total Oats	145	19	
Total Cereals	1933	256	

Prices

Ireland is a deficit market for cereals and, as such, is greatly affected by world prices and supplies. In line with trends on the world and EU markets, grain prices in Ireland increased significantly in 2010 following two difficult years. The sharp increase in prices took market commentators by surprise. Prices in Ireland have increased on average 89% on this time last year.

Intervention

There is no change to the price of grain sold into intervention in the 2010/2011 marketing year, with the basic buying-in price standing at €101.31 per tonne. The current intervention period runs from 1 November 2010 to 31 May 2011, but no offers have been made so far this marketing year. The Commission have opened a tender for the resale of all intervention stocks of cereal on the internal market.

As a result of the CAP Health Check agreement, a number of changes to the EU intervention regime come into 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. The changes apply from the 2010/2011 marketing year, which began on 1st July 2010.

Outlook 2011

At world market level, the International Grain Council forecasts the global wheat area planted in 2011 to rise by 3% to 224 million hectares, boosted by higher prices. Assuming average yields world wheat production is forecast to rise to 670 million tons, up 23 million tonnes on 2010. Sowings of maize and barley crops are forecast to increase also.

In the EU, total grain production is expected to increase for 2011 to 286 million tonnes due to higher prices and increased profitability in the sector. The area planted to wheat, barley and maize is expected to rise, resulting in a 4% increase in total wheat production, with an increase of 3% for barley and maize production.

In Ireland, early indications are that sowings of winter cereals have increased 29% on last year, due to renewed optimism in the sector and strong forward prices. Winter wheat is estimated at 75,000 hectares (recent average 59,000ha), winter barley is up from 27,000 hectares to 35,000 hectares. Winter oats is estimated to be 11,000 hectares.



3.8 Horticulture & Potatoes

General Market Situation

Weather conditions meant 2010 was a very difficult year for the potato industry and many sectors within the horticultural industry. While the summer weather provided much more favourable growing conditions than recent years, the severe weather at the start and the end of 2010 significantly reduced the value of output for the sector. This was largely due to frost damage rendering produce un-saleable. Losses at the start of the year were so severe that a Frost Damage Compensation Scheme was provided for potato and vegetable producers that had losses of over 30% of their annual production. 180 growers received almost €4 million in compensation. Given the scale of the losses experienced this Scheme was essential to preserve Ireland's horticultural and potato production capacity as well as its food security.

The sector continued to face downward price pressure as competition within the retail trade increased in response to the economic downturn. Cash flow and restrictions on the availability of credit also impacted on investment at grower level with the result that less than 50% of the investment approved for the sector under the National Development Plan actually went ahead.

Horticulture Output in Ireland

The horticulture (excluding potatoes) sector contributed approximately €291m to farm output in 2009, the latest year for which data is available.

Table 3.11

Output Value of Horticulture,
2009

Product	Value €m
	2009
Mushrooms	98.8
Field Vegetables	71.4
Protected Crops	70.6
Outdoor Fruit Crops	5.5
Bulbs, outdoor flowers, foliage	3.4
Hardy nursery crops, Christmas trees and honey	41.7
Total	291.4

Source: DAFF Estimates

Mushrooms:

The value of output from the mushroom sector remained reasonably static in 2010 and grower numbers appear to have stabilised at around 80 growers. Given that over 70% of production continued to be exported to the UK market, the weakening of sterling against the euro improved grower returns. During the year, growers made significant investments in energy saving measures, technology to improve product quality and overall investments to improve technical efficiency. The sector continues to perform well and, given the level of efficiency and investment achieved by growers, has very positive future prospects.

Fruit and Vegetables:

Winter field vegetable crops (carrots, cauliflowers, cabbage and swedes) suffered the most severe losses due to the cold weather which caused severe frost damage at both the start and the end of 2010. In many cases frost damage rendered entire crops valueless. The frost damage in December 2010 was compounded by lying snow resulting in severe bird damage on many brassica crops as flocks consumed crops in the absence of other food. While field vegetable growing conditions during the year were favourable and yields were good, the two consecutive severe winters have lead many



growers to consider whether it's viable to continue to take the risk of producing winter vegetables, whilst others are considering investment in frost protection measures.

The soft fruit sector did reasonably well in 2010 with strong yields arising from good summer weather. Strong consumer demand helped minimise price falls for growers despite strong competition between the retail multiples. The apple sector achieved very strong yields in 2010 resulting in an increase in production of approximately 25% compared to 2009 when production was severely hit by an apple scab epidemic. The weakening of Sterling against the Euro also improved the contracted price for Irish cider apples. However, the prices for culinary and dessert apples suffered to an extent due to strong supply coupled with a very competitive retail market.

Potato Sector

While the potato production area fell in 2010 compared to 2009, this was more than offset by a very good growing season and good harvesting conditions combining to give very high saleable yields. Growers who suffered severe financial losses due to frost damage at the start of the year took every available opportunity to harvest potatoes during Autumn 2010 with the result that the severe weather towards the end of the year didn't impact significantly on the output of the crop.

The high yields coupled with relatively poor demand lead to difficult market conditions as traders envisaged a large surplus of potatoes coming onto the market. However the opportunity to export potatoes opened up for the first time in recent decades with a significant quantity of potatoes being shipped to Russia in late 2010. This trade continued into early 2011 with the effect of firming up the domestic market and stimulating demand for good washing quality potatoes.

Figure 3.10

Potato Price Indices,
2009-2010

2009 
2010 

Source: CSO Agricultural Price Indices

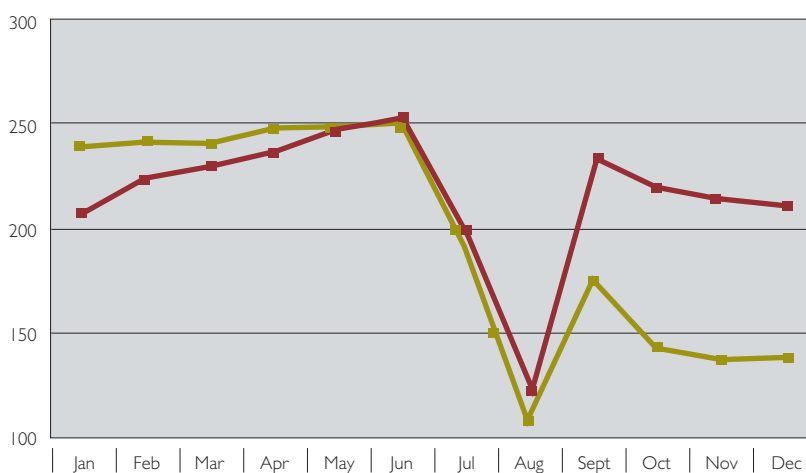


Table 3.12

Area, Yield & Production of
Potatoes, 2009-10

Year	Area (000 Ha.)	Estimated Average Yield (tonnes per Ha.)	Production (000 tonnes)
2009	12.9	32	415
2010	11.2	40	448

Source: DAFF Estimates



Nursery Stock:

Like the field vegetable sector, many of growers in the nursery sector suffered severe losses due to frost damage to their plants at the start of the year. This was compounded in a number of cases by severe damage to replacement plants when severe frosts returned at the end of 2010. Those who had the option of heating protected structures to avoid frost damage incurred very significant increases in production costs as they struggled to keep plants alive.

The nursery sector also continued to suffer from the severe slow-down in economic activity. Improved weather at critical times during the spring and summer increased sales to the gardening market, however the sector continued to struggle in light of the collapse in construction activity and the knock-on effect that has had for what was the nursery sector's main market; landscaping. Many growers in the nursery sector have re-aligned their production systems to supply alternative markets (including the export market) in response to changing customer demands (high value plants are harder to sell due to tighter budgets).

3.9 Intermediate Consumption In Agriculture (Inputs)

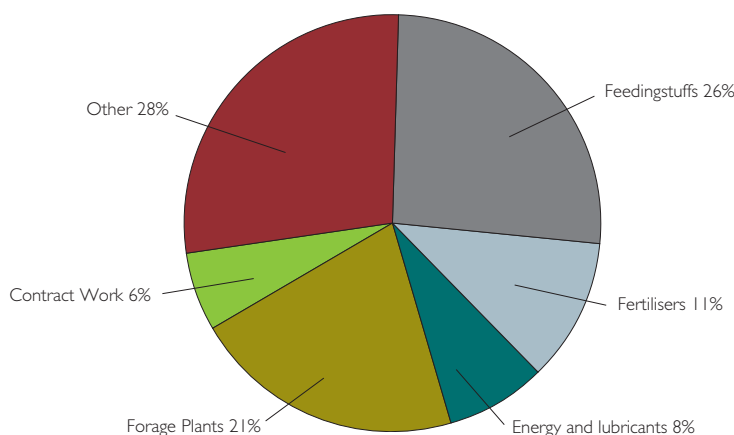
Expenditure on Intermediate Consumption

2010's intermediate consumption expenditure in agriculture was almost exactly the same as in 2009, at €4,083m. Expenditure on fertilisers decreased by 18% derived from usage and price decreases. Feedingstuffs, which account for over one-quarter of total intermediate consumption in the sector (see Figure 3.11), saw a 4.7% decrease primarily originating from price decreases. Price Increases were the primary factor behind a 12.9% increase in the cost of energy usage.

Figure 3.11

Intermediate Consumption 2010
- % share of selected items.

Source: CSO Output, Input
and Income in Agriculture, 2010
Preliminary



Price Indices for Agricultural Inputs

In 2010, the price level of agricultural inputs decreased by 1.6% following on from an 8.8% drop in 2009. Included in this, the price of both feedingstuffs and fertilisers also followed decreases in 2009 with -3.6% and -12.3% drops in 2010. At the other end of the scale overall energy costs increased by 12.7%, driven by a 17.5% rise in Motor Fuels that totally reversed a drop of that magnitude in 2009.



Table 3.13

Agricultural Input Price Index, 2009-2010

	2009	2010
Input Prices	-8.80%	-1.60%
Feedingstuffs, including	-8.70%	-3.60%
Straight	-12.00%	-1.90%
Cattle	-10.40%	-6.80%
Pig	-9.60%	1.80%
Poultry	-1.40%	-1.60%
Fertilisers, including	-16.10%	-12.30%
Straight	-22.90%	-10.20%
NPK	-14.50%	-12.90%
PK	8.50%	-24.00%
All Energy, including	-13.50%	12.70%
Motor Fuels	-17.30%	17.50%
Electricity	4.70%	-6.30%
Seeds	-7.30%	-7.20%
Veterinary Expenses (incl A.I)	1.60%	0.20%

Source: CSO, Agricultural Price Indices

Animal Feedingstuffs

The volume of compound feedingstuffs produced increased by just over 2% in 2010, from 3.656 million tonnes in 2009 to 3.736 million tonnes. The overall cost of animal feedingstuffs fell slightly, from €1.08 billion in 2009 to €1.03 billion in 2010. The CSO Agricultural Price Index indicates a 3.6% decrease in prices in 2010.

Figure 3.12

Price Index for All Feedingstuffs, 2009-2010

2010

2009

Source: CSO, Agricultural Price Indices

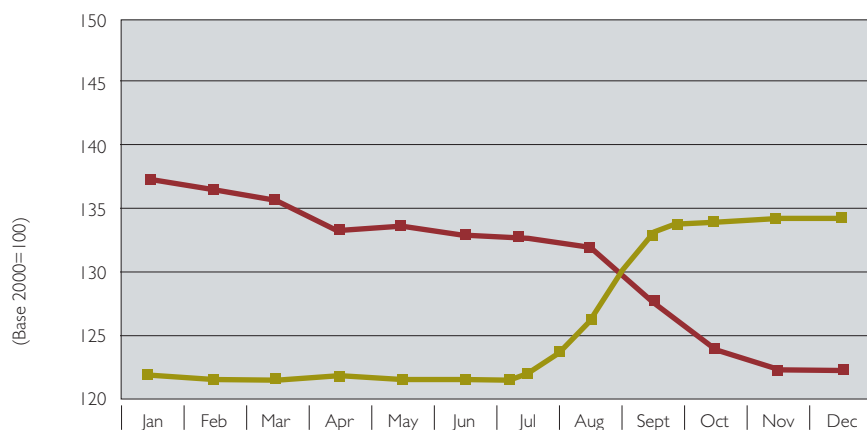


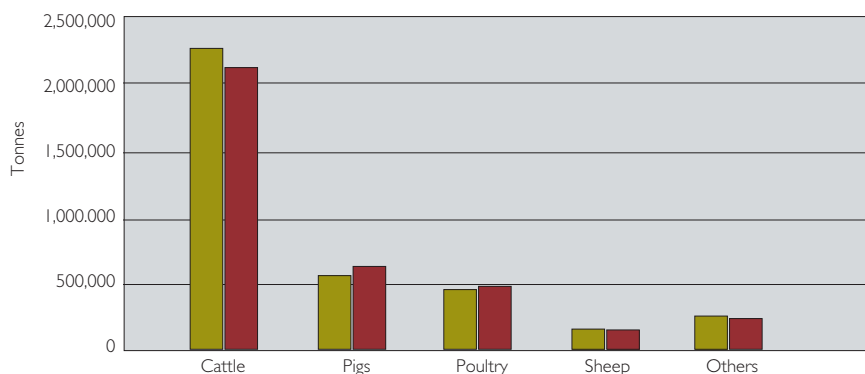
Figure 3.13

Production of Compound Feedingstuffs, 2009-2010

2010

2009

Source: DAFF





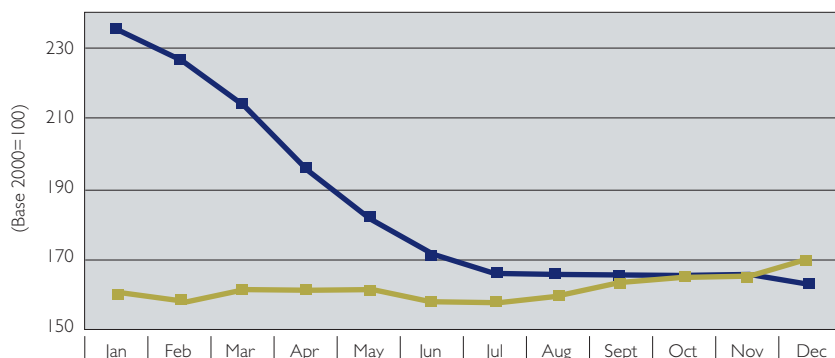
Fertiliser & Ground Limestone

CSO estimates for 2010 indicate that the fertiliser (including ground limestone) price decreased by 12.3% while the volume consumed increased 23.7%. This equated to an 8% increase in the value of fertiliser consumed - from €416 million to €451 million.

Figure 3.14

Price Index for All Fertilisers, 2009-2010

2009 2010



Source: CSO, Agricultural Price Indices

A comparison shows that for the sale year October 2009 to September 2010 total sales by volume of NPK fertiliser increased by 18% to 1.424 million tonnes. The most significant increases occurred for P and K with nutrient sales increasing by 45% and 43% respectively, while sales of Nitrogen showed an increase of 18% (Figure 3.15). Ground Limestone sales in 2010 (calendar year) amounted to an estimated 942,131 tonnes compared to 698,460 tonnes in 2009, an increase of 35%.

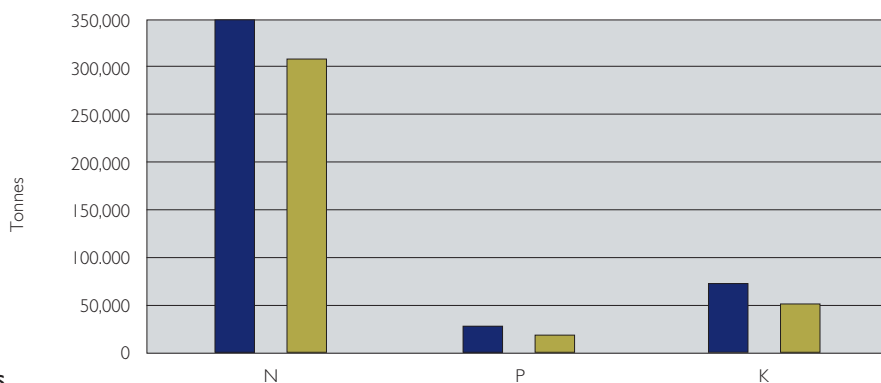
2010 showed an increase in fertiliser sales following a period of continued decline over the past six years. Forecasts of improved commodity prices and increased income returns in 2011 point to another increase in fertiliser usage in 2011. Fertiliser prices are likely to increase in 2011, as they are highly sensitive to the cost of energy and supply and demand considerations.

Figure 3.15

Sales of Fertilisers by Nutrient Content, 2008/2009 and 2009/2010

2009/2010 2010/2011

Source: DAFF



Energy Costs

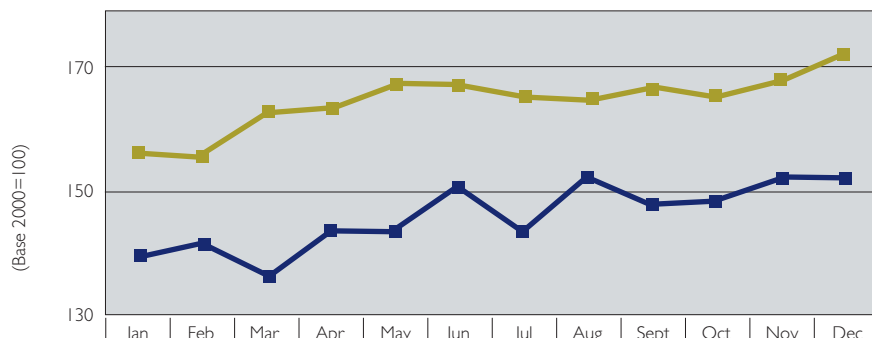
In 2010, the price of all energy products rose by 12.7%. Within the sector, the cost of motor fuels increased by 17.5%, although electricity costs fell by 6.3%.

Figure 3.16

Price Index for All Energy, 2009-2010

2009 2010

Source: CSO, Agricultural Price Indices





CHAPTER 4

FARM STRUCTURES



CHAPTER 4 FARM STRUCTURES

4.1 Overview

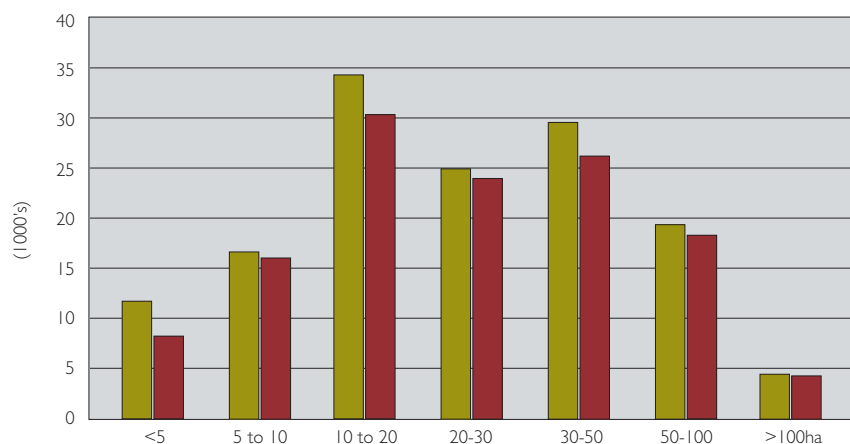
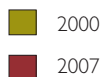
This Chapter looks at farm structures in Ireland using data from the CSO's Farm Structures Survey 2007 and the National Farm Survey 2009. There is also a brief commentary on borrowings and investments in agriculture, as well an analysis on the competitiveness of agricultural production in Ireland.

4.2 Farm Numbers and Farm Size

The total number of farms recorded by the CSO Farm Structures Survey 2007 was 128,200, down from 141,500 in 2000, a decline of more than 9% over the period. The average farm size in 2007 was 32.3 hectares, a marginal increase on the 2000 equivalent of 31.4 hectares. The average EU-27 farm size is estimated by Eurostat to be 22 hectares.

Figure 4.1

Number of Farms by Size of Farm, 2000 and 2007



Source: CSO

4.3 Age Profile of Farmers

Table 4.1 shows the age profile of farmers in 2000 and 2007. There has been a decline in the number of farmers in the younger age categories over the period, with the proportion of farmers aged 44 or younger decreasing from 35% to 25%. However, Ireland has a higher percentage (7%) of farmers aged under 35 than the EU-27 average of 6%.

Table 4.1

Number of Farms by Age of Farm Holder, 2000 and 2007

	2000		2007	
	Number ('000)	%	Number ('000)	%
< 35	18.4	13%	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%



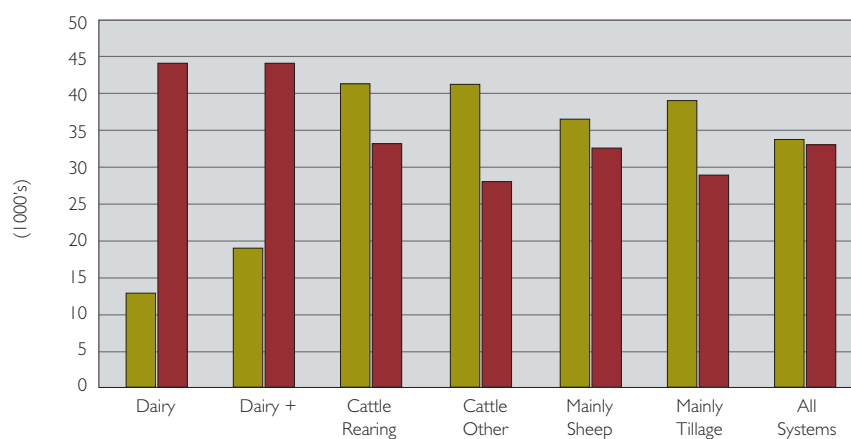
4.4 Off-farm Employment

The Teagasc National Farm Survey 2009 which represented 102,270 farms¹ nationally, indicated that 35% of holders and 34% of spouses had an off-farm occupation. In 53% of cases, down from 56% the previous year, either the holder and/or spouse had off-farm employment.² The highest incidence of off-farm employment was reported on cattle and tillage farms and spouses were more likely to have off-farm employment on dairy farms, though all farm types showed 50%+ off-farm employment. Overall it is estimated that on 79% of farms either the farmer and/or spouse had another source of off-farm income, be it from employment, pension or social assistance.

Figure 4.2

Percentage of Farmers and/or Spouses with Off-Farm Employment by System of Farming 2009

■ 2000
■ 2007



Source: Teagasc National Farm Survey 2009

Data from the CSO for 2007 suggests that 48% or roughly 61,000³ farm holders had off-farm occupations.

Table 4.2

Number of Farm-holders with Off-Farm Employment, 2000 and 2007

	2000 (‘000)	2007 (‘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
TOTAL	141.3	128.1

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

¹ The National Farm Survey excludes farms with less than 2 ESU's.

² 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.

³ Farmers who said they were not engaged in farm work were divided proportionally between other categories.

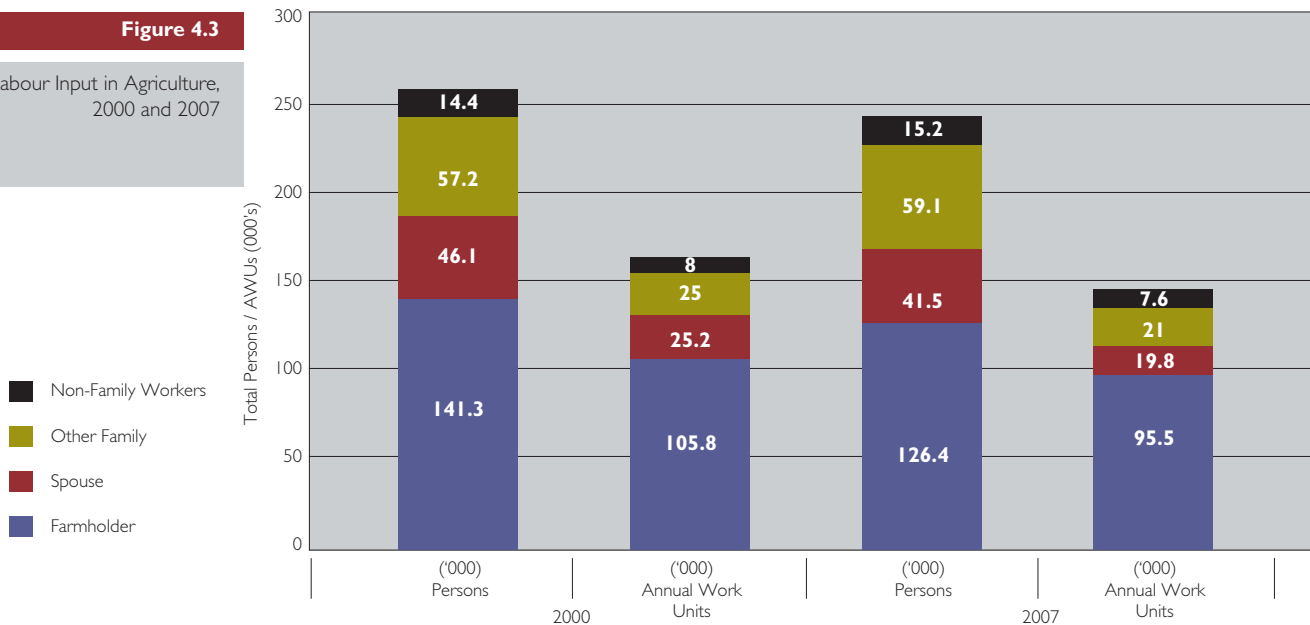


4.5 Labour Input

The most recent data available on labour input on farms is also from the CSO's Farm Structures Survey. Total labour input was calculated as 143,800 annual work units, of which two-thirds was provided by the farm-holders, 30% by other family members and 5% was hired. Since 2000, the number involved in farm work in some way has declined by 6% from 258,000 to 242,000.

Figure 4.3

Labour Input in Agriculture, 2000 and 2007



1 One annual work unit equals 1,800 hours or more of labour input per person per annum.

Source: CSO.

Data from the National Farm Survey 2009 can be used to examine the extent to which there is excess labour supply on farms. On average, labour input on Irish farms is estimated to exceed labour requirements by 44%. Under-employment is particularly evident on part-time drystock farms, whilst full-time farms, particular dairy and tillage, have less labour available than required.

Table 4.3

Comparison of Actual Labour versus Estimated Labour Requirement (Standard Man Days), 2009

	Dairy	Dairy & other	Cattle Rearing	Cattle Other	Sheep	Tillage	All Systems
Full-time farms							
Total actual labour units	1.58	1.60	1.37	1.45	1.38	1.50	1.52
SMD labour units	1.90	2.07	1.15	1.34	1.32	2.07	1.75
Total actual labour as % SMD	83%	77%	119%	108%	105%	72%	87%
Part-time farms							
Total actual labour units	1.13	1.07	0.90	0.85	0.88	0.77	0.88
SMD labour units	0.64	0.50	0.33	0.27	0.33	0.37	0.32
Total actual labour as % SMD	177%	214%	273%	315%	267%	208%	275%
All farms							
Total actual labour units	1.54	1.41	0.96	0.93	0.97	1.08	1.08
SMD labour units	1.77	1.51	0.43	0.40	0.51	1.09	0.75
Total actual labour as % SMD	87%	93%	223%	233%	190%	99%	144%

Source: Quinlan, G, (2011) Analysis using National Farm Survey 2009 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 Employment and Labour Input

CSO's Quarterly National Household Survey (QNHS) for 2010 shows a 12% decrease, to 84,900, in the number of people identifying agriculture as their main occupation/source of earnings, though Quarter 2 2010 saw the first overall quarterly increase in two years and was followed up by a further rise in Q3. The percentage drop in female employment from 2009 to 2010 was 4% and 28% from 2008 to 2010, compared to 14% and 26% respectively for men.

Table 4.4

Employment in Agriculture
by Gender, 2008-2010

	2008 (‘000)	2009 (‘000)	2010 (‘000)	09/10 change
Male	101.6	87.3	75.4	-14%
Female	13.2	9.9	9.5	-4%
Total	114.8	97.2	84.9	-12%

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

4.7 Land Prices and Land Mobility

Official data on land sales is not available for the last few years. However, various commentators report continuing declines in agricultural land prices. The decline has slowed in 2010 compared to 2009 and there is a wide difference between regions. For example, a report by independent global property consultants Knight Frank⁴ states that the cost of Irish farmland fell significantly again in the North-East region, by up to 38.5%, but the Dublin/Kildare/Wicklow region showed a significant increase (19.5%) on 2009 prices. The report states that the national average price paid for farmland in 2010 was €8,776 per acre for the entire country, which represents a drop of 9.3% on 2009. The drop in agricultural land is lower than that for residential sales and the positive figures for the Dublin region suggest that prices may begin to stabilise in 2011.

However, the survey is based on the small amount of sales across a wide range of land quality nationwide. No sales were recorded in five counties (Galway, Leitrim, Sligo, Donegal and Waterford). The Irish Auctioneers and Valuers Institute (IAVI) also report that agricultural land values continued to decline in 2010⁵. The decline is less than the decline in land for industrial use. The IAVI also note that sales have been primarily by farmers purchasing neighbouring land or joint venture transactions. They say that farmers are more positive about their business now than in 2008 or 2009 but there can still be difficulties in accessing credit.

Meanwhile the IAVI report that rents on agricultural land have only fallen marginally in 2010 in Leinster and have actually increased in Munster.

4.8 Investment, Borrowings and Interest in Agriculture

Gross fixed capital formation, or capital investment, in agriculture experienced a dramatic collapse in 2009 having climbed to record highs in the preceding years. Most of the decrease was attributable to investment in farm buildings which, based on CSO data, reached a record level of €1,312 million in 2008, up 105% on 2007) only to drop by 88% to €153m in 2009. However, it should be noted that the increase in investment in farm buildings in 2007/8 was largely attributable to the Farm Waste Management Scheme, with one of the criteria of the scheme being that all building work had to be completed by the end of 2008. That said, investment in land improvements showed a similar percentage drop, with agricultural machinery and equipment experiencing lesser but still substantial decreases. The overall decrease in capital investment in agriculture, excluding breeding stock, was just short of 80%.

⁴ Farm Market, January 2010, Knight Frank, available on line at www.knightfrank.ie

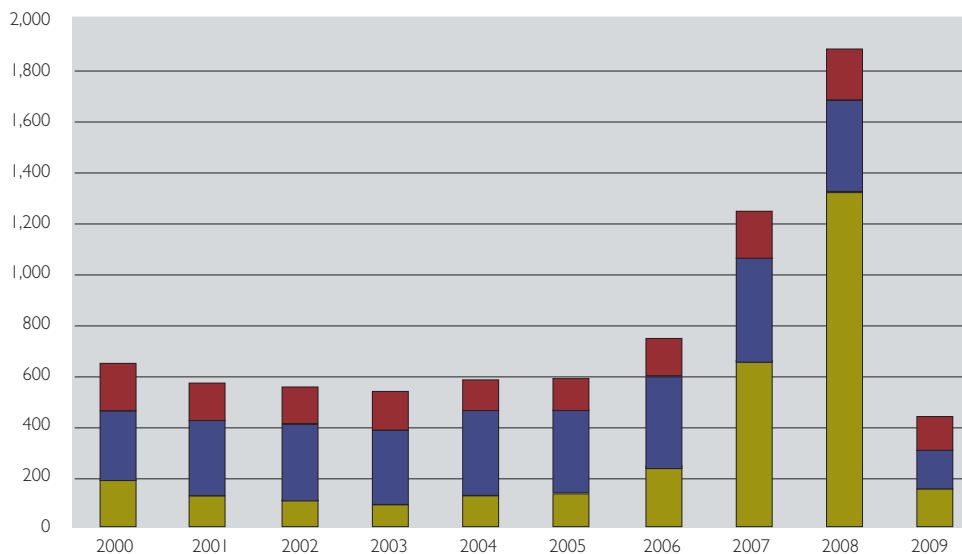
⁵ Available at http://www.magico.ie/files/admin/uploads/WV153_Field_2_55372.pdf



Figure 4.4

Capital Investment in Agriculture, 2000-2009

- Other
- Ag. Machinery + Equipment
- Farm Building

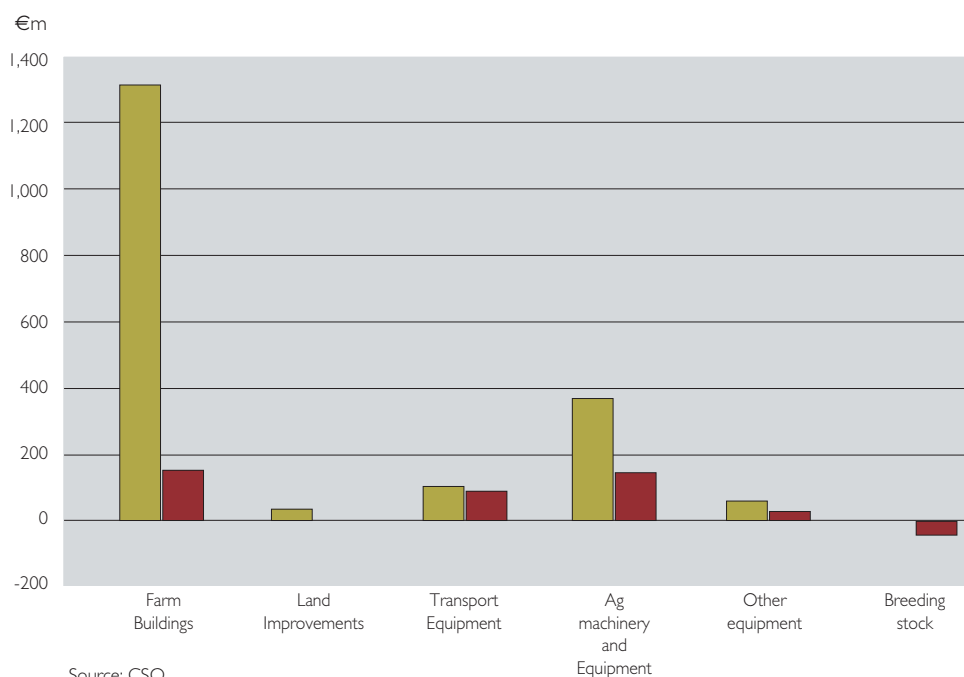


Source: CSO

Figure 4.5

Gross Fixed Capital Formation in Agriculture, 2008 - 2009

- 2008 €m
- 2009 €m



Source: CSO

Borrowings

In the 12 months to June 2010, there was a 10% decrease in total borrowings by the agriculture and forestry sector. However the results for June 2010 did show the first quarterly increase in the amount borrowed since March 2009. Meanwhile, interest paid by the agriculture sector declined by 17% to €272 million between 2009 and 2010.



Table 4.5

Borrowings by the Agriculture and Forestry Sectors, 2009-2010

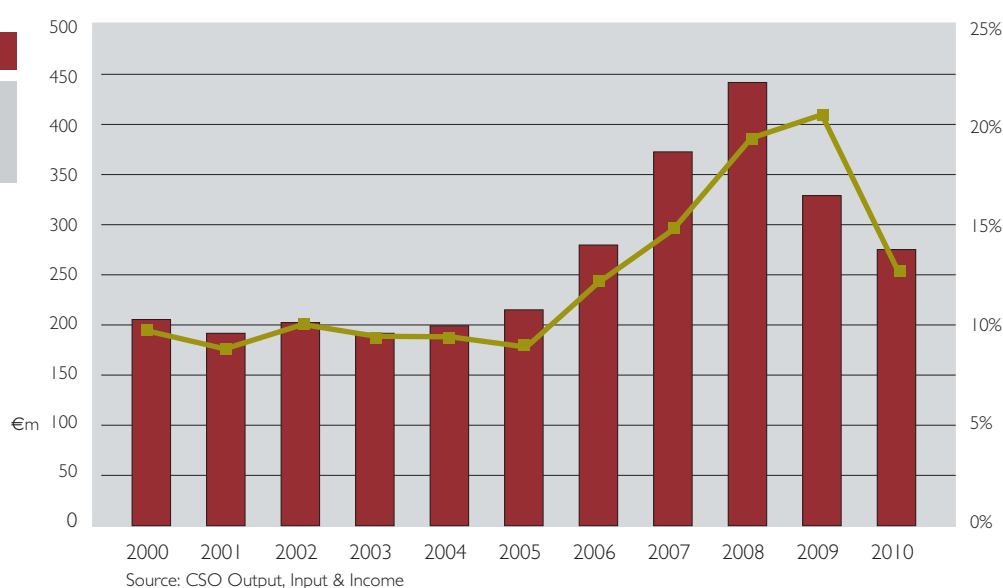
	June 08 €m	Sept 08 €m	Dec 08 €m	Mar 09 €m	June 09 €m	Sept 09 €m	Dec 09 €m	Mar 10 €m	June 10 €m
Agriculture and forestry	5,221	5,444	5,418	5,457	5,341	5,210	4,933	4,546	4,797
Farming of cattle and other animals	1,811	1,897	2,011	2,018	1,990	1,948	1,807	1,719	1,844
Dairy farming	1,224	1,290	1,246	1,313	1,282	1,266	1,236	1,170	1,114
Other agricultural activities	1,928	1,985	1,912	1,864	1,812	1,746	1,641	1,437	1,674
Forestry and logging	258	271	248	262	257	251	249	220	166

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

Figure 4.6

Interest Paid and as a Percentage of Operating Surplus, 2000 -2010

■ Total Interest Paid (Left Axis)
— Interest as % of Operating Surplus (Right Axis)



4.9 Competitiveness of Irish Farms

Analysis of the relative competitive performance of the main sectors of Irish agriculture is outlined below based on research by Thorne (2011)⁶. The analysis is based on accountancy measures of competitive performance using Farm Accountancy Data Network (FADN) data for selected countries⁷ for the period 2006 and 2007 (the latest available data from FADN at the time of preparation). The results outlined below are broadly consistent with the findings of previous reports on the competitive position of Irish agriculture (Thorne, 2004; and Carroll et al., 2008)⁸.

Dairying

Costs as a percent of dairy output on specialist dairy farms in Ireland were below the average of the selected EU countries examined for the period 2006 and 2007 (see footnote). However, this competitive advantage deteriorated when total economic costs were considered. Total economic costs for specialist dairy farms in Ireland, including imputed costs for owned land and labour, were 10% higher than the average of the selected EU countries examined. The most significant imputed cost that contributed to the relatively high figure was the charge for owned land which has implications for the long-run competitive position of Irish milk production.

⁶ Thorne, F. (2011, forthcoming) The Competitiveness of Irish Agriculture 1996-2010, National Report, Teagasc publication.

⁷ The competitive position of Irish dairy farms was compared against Belgium, Denmark, France, Germany, Italy, the Netherlands and the UK; Sheep farms were compared against the UK and France. Beef farms were compared against France, Germany and the UK and cereal farms was compared against Denmark, Germany, France, Italy and the UK.

⁸ Carroll, J., Newman, C., and Thorne, F. (2008) The Relative Productivity and Competitiveness of Irish Agriculture 1996-2006 (2008), National Report, RERC, Teagasc publication.



Beef Sector

Accountancy indicators for specialist beef systems, over the period 2006 and 2007, show that Irish producers did not hold a competitive advantage when cash costs or economic costs were examined as a per cent of total output. In 2006/07 total cash costs and economic costs as a percent of output were 1% and 40% higher respectively than the average of all countries for beef rearing and finishing farms. Again, the imputed charge for owned land and labour had a large negative influence on the relative competitive advantage of Irish beef farms. Furthermore, in 2006/2007 cash costs were higher than beef market based output. These results not alone highlight a competitive issue but a viability issue given that cash costs were well in excess of market based output.

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 2006/07. Even when total economic costs were measured Irish cereal producers maintained a competitive advantage compared to the average of all countries.

Sheep Sector

Accountancy indicators for specialist sheep farms, over the period 2006 and 2007, show that Irish producers did not hold a competitive advantage when cash costs or economic costs were examined as a per cent of total output. In 2006/07 total cash costs and economic costs as a percent of output were 1% and 50% higher respectively than the average of all countries examined. Again the imputed charge for owned land and labour had a large negative influence on the relative competitive advantage of Irish sheep farms. In 2006/2007 cash costs were higher than sheep market based output. As noted for the beef sector, these results not alone highlight a competition issue but a viability one.



CHAPTER 5

THE FOOD INDUSTRY



CHAPTER 5 THE FOOD INDUSTRY

5.1 Overview

Estimates for 2010 provide evidence that the Irish agricultural sector is recovering from the negative effects of the global recession. The manufacture of food and drink products remains one of Ireland's most important indigenous industries as well as providing the primary outlet for the produce and output of the country's 128,000 family farms. This importance is exemplified across a wide range of variables. Annual turnover in the sector was €22 billion in 2008. The manufacture of food and beverages employs in the region of 43,000 people directly, as well as supporting a multiple of this when those indirectly employed are taken into account. Both direct and indirect employment in this sector has an extensive geographic spread throughout all regions of the country with higher than typical concentrations in rural areas. The industry accounted for €11.5 billion (or approximately half) of sales by Irish-owned manufacturing industries in 2009. The sector also accounted for just under two thirds of exports by Irish-owned manufacturing industries in the same year.

Bord Bia estimates that the value of food and drink exports in 2010 increased by 11% to approximately €7.88 billion. This was attributable to a number of factors including significant declines in the value of the euro against sterling and the dollar, improved relative competitiveness, a recovery in worldwide markets and stronger commodity prices. Over three quarters of exports go to high value markets in the UK and the EU, which accounted for 44% and 34% of exports in the sector respectively, with the balance going to the rest of the world.

Table 5.1 outlines the sector's contribution across some key macroeconomic variables¹.

Table 5.1

The Food and Drinks Industry in the National Economy, latest data

Food and Drinks	Estimated Values	% of Total
GVA (2009)	€ 5,768m	3.90%
Employment (Q2 2010)	43,200	2.30%
Agri-Food Exports (2009)	€7,350m	9.00%

Source: CSO, QNHS Q2 2010, DAF, Dept. Finance

5.2 Size and Structure of the Food and Drinks Sector

Output-Turnover and Gross Value Added

Early estimates for 2009 from the CSO indicate that the Food and Drink (F&D) sector accounted for approximately €22 billion in turnover or just under one-fifth² of total turnover for all manufacturing industries. This represented a decrease on the 2008 turnover figure which was over €24bn. The food sector (excluding beverages) accounts for circa 88% of turnover in the F&D sector with meat and dairy production accounting for just below one third of turnover. In terms of Gross Value Added (GVA), the meat and dairy sectors account for just less than 16% of the sector's total, while beverages accounted for some 26%. "Other Foods" which would include processed food products, unsurprisingly accounted for a high proportion of total GVA for the sector at 47% or some €2.7 billion. The composition of output as measured by both turnover and gross value added by broad sector for 2009 is outlined in Figure 5.1.

¹ Figures for GVA and Employment relate exclusively to the food and drink sector whilst figures for exports relate to both processed and unprocessed agri-food produce.

² Based on CIP 2009 early estimate of €110.7bn turnover for all industries.

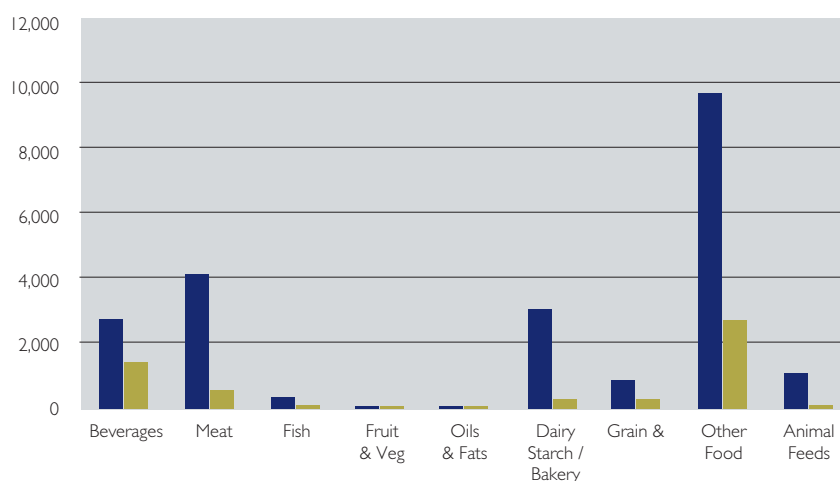


The GVA attributable to the food and drink sector was a little under €5.8 billion in 2009 with the food sector component representing just under three quarters of this (74% or €4.3 billion) total. Table 5.2 elaborates on the components of total GVA in the food and drink sector for the most recent Census of Industrial Production data (2009).

Figure 5.1

Composition of F&D Industry Turnover and Gross Value Added by Broad Sector 2009

■ Turnover 2009
■ GVA 2009



Source: CSO 2009 Census of Industrial Production Early Estimates

Table 5.2

GVA of F&D Sector, 2009

	GVA 2009 (€m)	%
Meat & Meat Products	567	9.83%
Fish, crustaceans & molluscs	137	2.38%
Fruit & Vegetables	29	0.50%
Vegetable, animal oils and fats	2	0.03%
Dairy Products	337	5.84%
Grain mill products and starches / Bakery & farinaceous products	328	5.69%
Other food products	2,736	47.43%
Prepared animal feeds	157	2.72%
Food Total	4,293	74.43%
Beverages	1,475	25.57%
Grand Total	5,768	

Source: CSO 2009 Census of Industrial Production Early Estimates

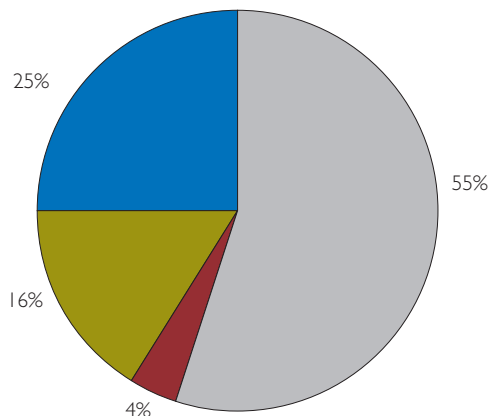
The meat sector, along with dairying, continues to play a highly important role in the overall food sector, with the other foods category providing a vital source of demand for all indigenous primary production. Focussing on the meat and dairy areas, Figures 5.2 and 5.3 show breakdowns for overall turnover and GVA for the meat sector by its sub-components in 2008. In 2008, the turnover for the entire meat sector decreased by just under 10% compared to the previous year whilst GVA decreased by just under 7%. However, turnover for the beef sector represented over half that of the entire sector and increased by 32% compared with the previous year.



Figure 5.2

Turnover in the Meat Sector, 2008

- Beef
- Processing of Poultrymeat
- Other Meat
- Production of Meat and Poultry Products



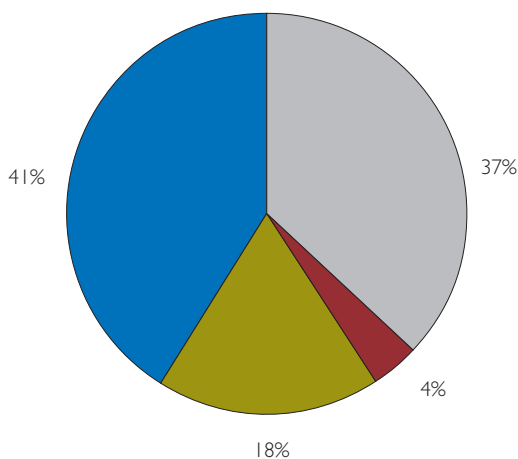
Turnover in meat sector €4,275m

Source: CSO

Figure 5.3

GVA in the Meat Sector, 2008

- Beef
- Poultrymeat
- Other Meat
- Processed Meat Products (All Meats)



GVA in meat sector €641.8m (2008)

Source: CSO

Employment

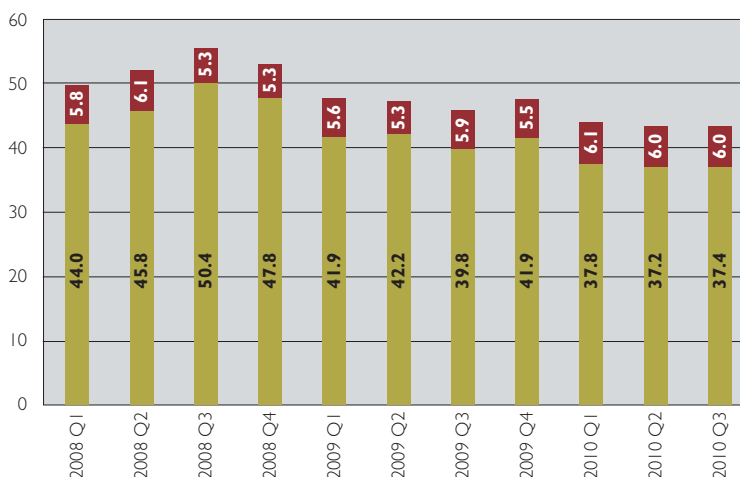
According to the most recent data from the CSO, employment in the Food and beverage sector stood at 43,200 in the second quarter of 2010, down 9% on the same quarter in 2009. Figure 5.4 illustrates the employment trends for the food and beverages sectors over the past few years (2008-2010 Q3). As illustrated in the graph, the majority of employment decreases in the sector over the last three years affected food (down 15%), with beverage employment showing a small rise.

Figure 5.4

Employment in the F&D Sector, 2008-2010

- Beverages
- Food

Source: CSO



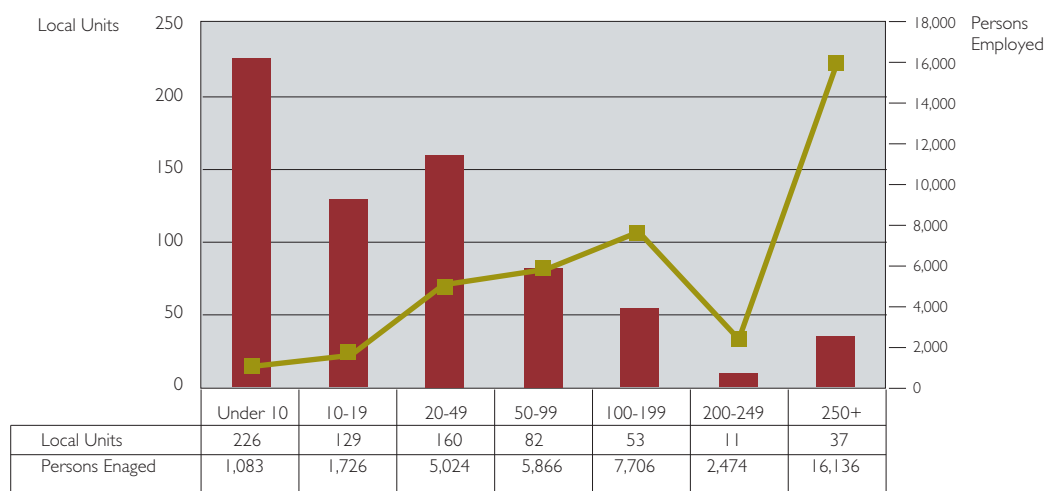


Size and Structure

The food and beverage sector encompasses in the region of 600 companies across a wide spectrum of enterprise types, from small independent farmhouse producers to the large, often multinational food processors and marketers. Whilst accounting for some 13.5% of manufacturing units in Ireland, the sector accounted for some 20% of manufacturing employment. Figure 5.5 below illustrates the structure of the sector in terms of company sizes and in employment levels³. Some 5.3% of units in the sector, typically larger companies and cooperative concerns account for just over two-fifths of persons engaged. Approximately three-quarters 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

F&D Industry Structure, 2008



Source: CSO

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 F&D sector. The majority of employment in the sector is accounted for in Irish owned units, which account for more than nine out of every ten of these units, consistent with previous years' data. The value of gross output remains evenly split between Irish and foreign owned units. The gross value exported by Irish F&D units decreased by 7% over the previous year, to €4.05 billion. This decrease can be compared to a 38% fall in total Irish manufacturing exports in that year. This meant that, despite the 7% decrease, Irish owned F&D exports accounted for 77% of gross value exported by all Irish owned manufacturing units, up from 52% in 2007. The comparatively high percentage of net output by non-Irish owned enterprises is largely explained by a small number of very large concerns operating in Ireland.

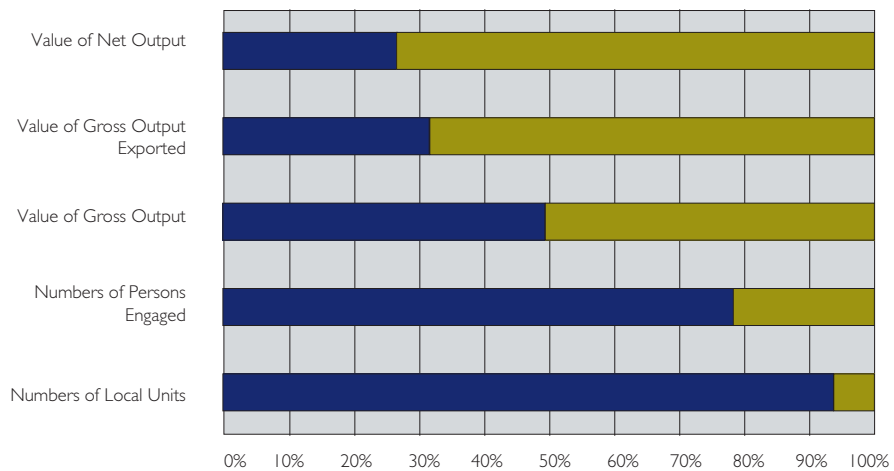
³ It should be noted that the CIP includes only enterprises with 3 or more employees. It is also non-comparable with the QNHS.



Figure 5.6

Distribution of key variables between Irish and non-indigenous ownership within the F&D Sector, 2008

Irish F&D as % of Total F&D ■
Other F&D as % of Total F&D ■



Source: CSO, Census of Industrial Production

The Annual Business Survey of Economic Impact (ABSEI)⁴ for 2009, 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 F&D sector retains with the national economy in terms of IEE. Table 5.3 illustrates absolute comparisons between the F&D Sector and the overall manufacturing sector in terms of this breakdown in expenditures whilst Figure 5.7 demonstrates proportional comparisons. Looked at either way, Irish Economic Expenditure accounts for 71% of total expenditure in the F&D sector, comparing favourably to the manufacturing sector as a whole, where the equivalent rate of IEE is 44%. Also striking is the fact that the F&D sector accounts for 61% of total manufacturing consumption of Irish Raw materials.

Table 5.3

Irish Economic Expenditure, 2008-2009

	F&D Sector		All Manufacturing	
	2008	2009	2008	2009
€m				
Payroll Costs	1,889	1,740	9,576	8,590
Irish Raw Materials	6,781	6,037	12,021	9,836
Irish Services	1,892	1,614	7,382	6,399
Corporation Tax	154	133	1,502	1,373
Total Irish Economy Expenditure (IEE)	10,716	9,524	30,481	26,198
Total Expenditure	15,309	13,467	72,580	59,611
IEE as % of Total Expenditure	70.0%	70.7%	42.0%	43.9%
Sales	18,652	16,403	99,759	88,696
IEE as % of Sales	57.5%	58.1%	30.6%	29.5%

Source: Forfás, Annual Business Survey of Economic Impact, 2009

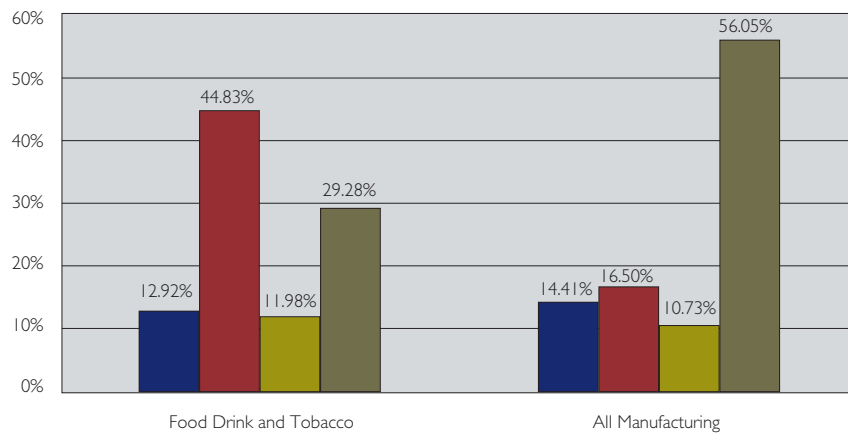
⁴ The ABSEI survey covers the client base of Enterprise Ireland, IDA Ireland, Shannon Development and Údarás na Gaeltachta, and the population comprises all manufacturing and internationally traded services firms in Ireland with 10 or more employees – approximately 4,000 client companies.



Figure 5.7

Breakdown of Expenditure in F&D Sector compared with overall manufacturing sector, 2009

- Payroll Costs ■
- Irish Raw Materials ■
- Irish Services ■
- Non-Irish Economic Expenditure ■



Source: Forfás, Annual Business Survey of Economic Impact 2009

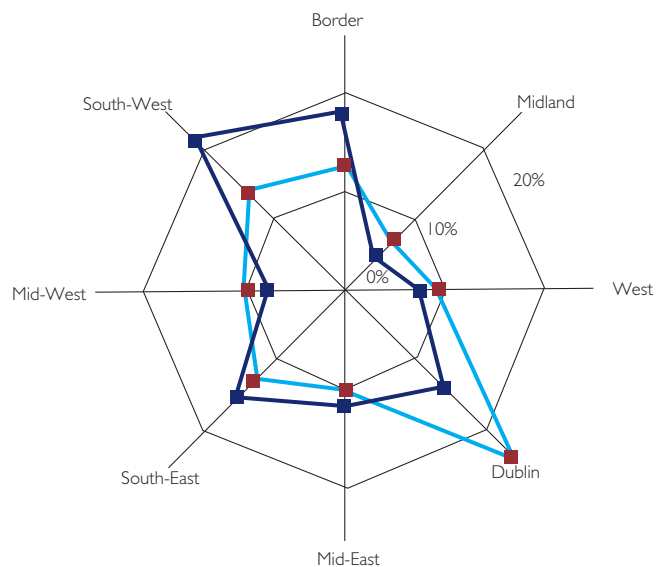
Regional Spread

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

Figure 5.8

Regional dispersion of F&D compared to other manufacturing industries, 2008

- % of Total FD ■
- % of Other Manufacturing ■



Source: SCO

Table 5.4 elaborates on further regional details for the sector. This illustrates that the proportion of total F&D units located in all regions outside Dublin exceeds the proportion of overall manufacturing industries located therein. Regional concentrations can be delineated across broadly sectoral lines with the beef sector more concentrated in the mid-east, south-east and border regions whilst 'Other Food' concerns are more densely represented in the south-west, south east and border regions.



Table 5.4

Regional Dispersion of F&D and All Manufacturing Sectors, 2008

Regional Authority Area No of Local Units	Border	Midland	West	Dublin	Mid-East	South-East	Mid-West	South-West	Total
IF&D Sector	123	34	55	98	81	106	54	147	698
Total Manufacturing (excluding F&D sector)	593	305	415	1029	470	591	420	662	4485
F&D as % of Regional Total	21%	11%	13%	10%	17%	18%	13%	22%	16%
% of Total F&D	18%	5%	8%	14%	12%	15%	8%	21%	100%
No of Local Units									
Meat	23	12	14	14	27	24	11	14	139
Dairy	15					18	8	23	
Other Foods	79			76*		53		106	
Drinks	6	22*	41*	8	54*	11	35*	4	559

Breakdowns unavailable due to confidentiality. Source: CSO, Census of Industrial Production 2008 NACE Rev.2 is the classification used in 2008. F&D covers NAC Manufacturing covers NACE 10-33.

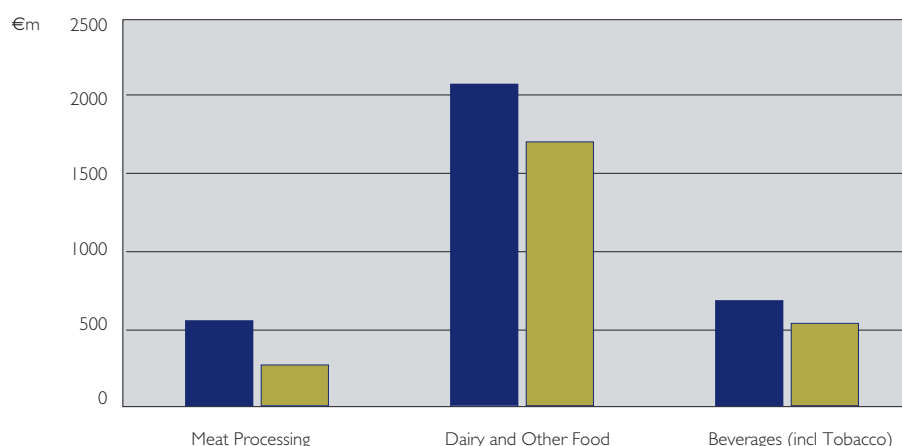
Borrowings and Capital Acquisitions

The F&D 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 F&D companies at September 2010, compared to the same period the previous year. The level of borrowings extended to meat processing companies fell by over 50% over the period, with reductions in advances in the dairy and other foods sector approaching one-fifth. Advance credit to the overall F&D sector fell by 24% year-on-year, compared to 22% for all manufacturing.

Figure 5.9

Credit Advances to the Food Industry, 2009-2010

2009 ■
2010 ■



Source: Central Bank Quarterly Bulletins -September data

Over the first three quarters of 2010 the F&D sector accounted for approximately 23% of total capital acquisitions by manufacturing industries, up from 17% for the same period in 2009. The level of Capital Acquisitions within the F&D sector for 2009 and 2010 are outlined in Figure 5.10. Comparing the same periods for each year (Q3), capital acquisitions in the sector fell by 21%, compared to a decline of 43% seen for manufacturing overall. Capital sales in the sector accounted for 9% of the total by manufacturing industries compared to 18% last year. The sectoral capital sales in the first nine months of 2010 were down 58% compared to 17% for overall manufacturing.

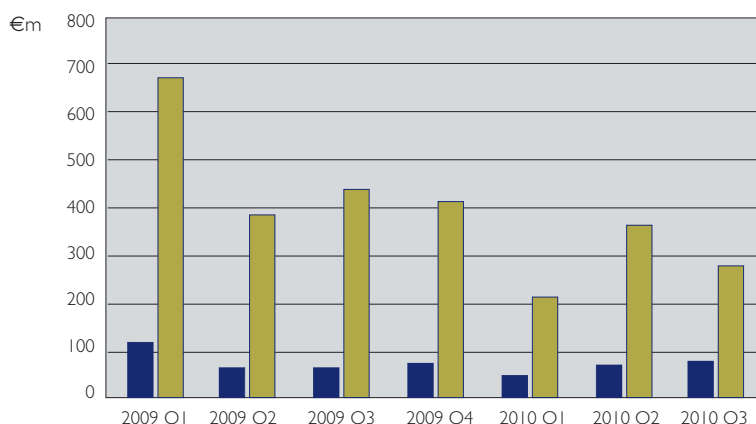


Figure 5.10

Capital Acquisitions in the F&D Sector versus Overall Manufacturing 2009/10

Food and Beverages ■
All Manufacturing Industries ■

Source: CSO



5.3 Exports of Food and Drink

Export Performance 2010

Bord Bia produces detailed annual estimates for the export performance of the Irish food and beverages sector⁵. According to their latest report, export performance was boosted by a more stable consumer environment, somewhat reduced exchange rate pressures, improved relative competitiveness of Irish manufacturers and higher global prices for most agricultural commodities. The strength of this performance is highlighted by the fact that during the first nine months of 2010, food and drink exports accounted for 30% of the growth recorded in total merchandise exports. All major categories recorded increased export revenues in 2010. The strongest growth was in Dairy, which jumped by more than €300 million or 17 per cent, helped by stronger prices, higher production in Ireland and the release of SMP and butter from storage. This means that Dairy products and ingredients remain Ireland's largest agri-food export sector, representing 29% of agri-food exports by value. Meat and livestock exports were almost €200 million higher while beverage and prepared food exports recorded growth of €130 million and €100 million respectively. For the year, it is estimated that export sales expanded by 11% to reach €7.9bn.

Figure 5.11

Trends in Exports of Agri-Food Produce by Category, 2009-2010

2010 ■
2009 ■

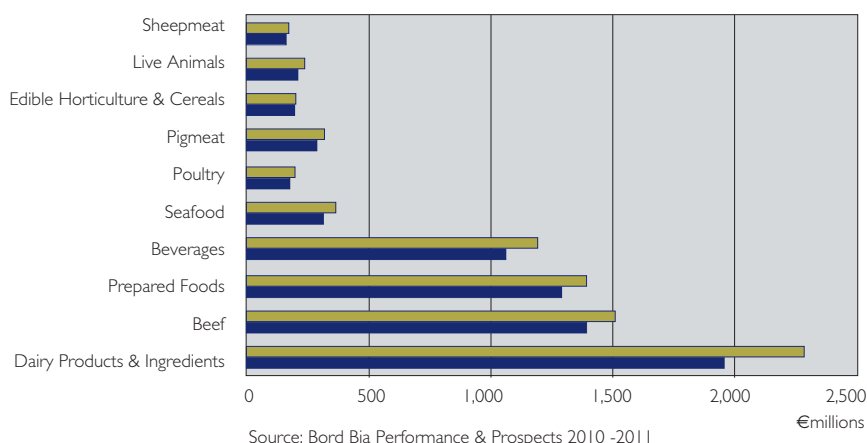


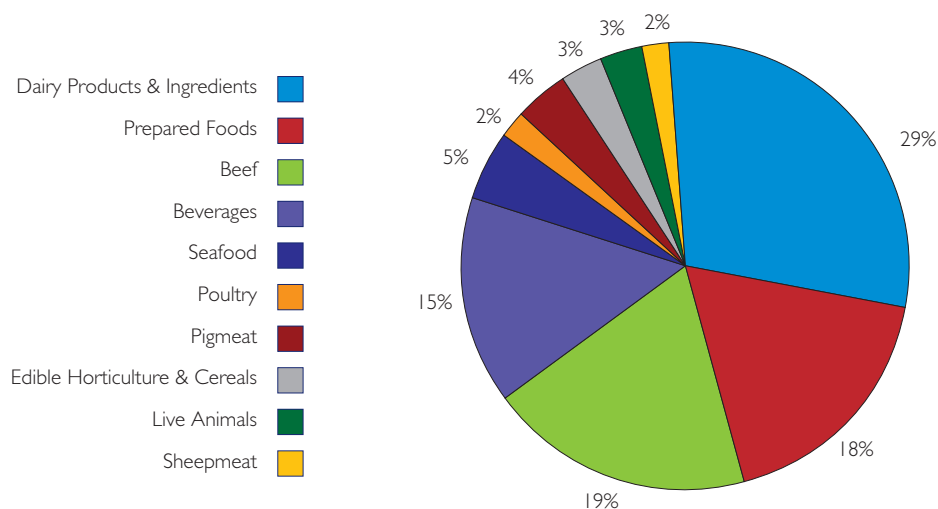
Figure 5.12 shows the composition of Irish Agri-food exports using percentages. Once again it is clear that dairy products and ingredients have a dominant position. The export value of prepared foods grew by 8% and now represents 17.7% of Irish agri-foods exports - at €1.4bn, the third largest category. Beef, still in second place, represented 19% or €1.5 billion of exports, also an 8% increase on 2009, while beverages increased by 12% to represent 15.1% of agri-food exports at €1.2bn. Together, these four sectors represent over 80% of Irish agri-food exports.

⁵ Performance & Prospects. Bord Bia Export Review and Outlook 2010/2011



Figure 5.12

Composition of Agri-Food Exports, 2010



Total Agri-food Exports €7,882m

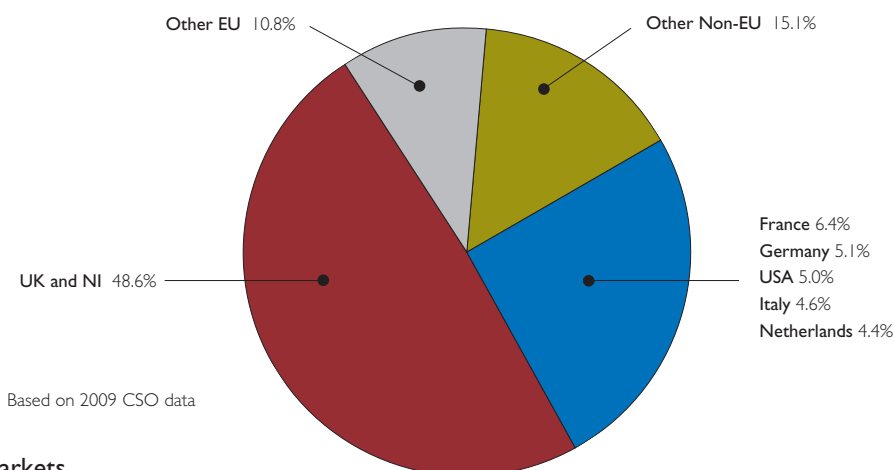
Source: Bord Bia Performance & Prospects 2010 -2011

Agri-Food Exports by Destination

The UK remained the principal market, with sales of just over €3.4bn, helped by a weaker euro against sterling. While this represents a rise of 4% on 2009 levels, sales to the UK as a proportion of overall sales declined to under 44%. In contrast, sales to continental EU markets rose proportionately to represent 34% (€2.7bn) of all food and drinks exports, helped by stronger dairy, prepared foods, beverage and seafood exports. Over half of beef and 28% of dairy exports in value terms go to the continent. Growth in non-EU markets (22% of total exports) was helped by strong performances in beverages, pigmeat, seafood and dairy. Figure 5.13 below provides more details.

Figure 5.13

Share of Agri-Food Markets by Destination, 2009



Based on 2009 CSO data

Key markets

Beef represents 62% of all livestock exports and exports rose by 8% in 2010. About 50% of these exports (254,000 tonnes) go to the UK and a further 48% to continental EU MS (mainly France, Italy and the Netherlands). Lower import levels from third countries provides further opportunities to build premium markets. Although prospects are good due to tightening supply by other EU member states and also by lower supply from South America, supply of Irish produce is also expected to tighten considerably in 2011.



Irish pigmeat exports performed reasonably well throughout 2010, increasing by 10% to €317m. Exports to the UK accounted for about 2/3 of the total value even though the volume was down by 10% due to a fall in UK imports and strong competition by Dutch pigmeat. Strong demand from the Czech Republic, Poland and Estonia made up for lower shipments to Germany and France. International markets also performed strongly with Russia, China and Japan being the main recipients. At production level, high feed prices are causing severe difficulties in the Irish pigmeat sector and this is expected to continue until late in 2011.

Lower supplies from the UK, New Zealand and Ireland helped to boost worldwide sheepmeat prices in 2010. As a result the value of Irish sheepmeat exports rose by 4% to €170m. The French and UK markets accounted for 75% of exports. Increased demand from Portugal and fresh demand from Switzerland and Tunisia will help prospects in 2011. Market stability should continue with lower imports from New Zealand and renewed producer confidence suggesting a continuation of the improved performance of 2010.

Live animal exports increased by 15% in 2010 to an estimated €245m, following a particularly good year in 2009. Cattle increased by 16%, and pigs by 10% but there was a significant decline in sheep exports. Cattle exports account for about 75% of all livestock exports. There was strong demand for Irish calves within the European veal sector. Weanlings and store cattle also performed well, especially in the Italian and Spanish markets. 2011 should see a continued strong demand but high feed prices may increase costs for purchasers and so lower demand for live animals.

Irish production in the dairy products and ingredients sector increased in 2010 with milk deliveries up by 6%. There was a shift towards increased cheese production but SMP production declined. Following a difficult year in 2009, dairy and ingredients exports increased by 17% in 2010, to €2.28bn. Cheese, powders and butter performed best, while the volume of infant formula exports declined. Two-thirds of exports went to the UK. Exports to Germany performed well and exports to emerging markets in Africa and parts of the Middle East also showed strong growth. For 2011 it is expected that global supply will tighten due to higher feed costs and limited growth in Southern Hemisphere supplies outside of New Zealand. Demand should remain strong with economic growth in importing regions and strong demand from China and Russia. Prices are expected to be broadly stable. Irish producers are in a good position to withstand higher feed costs due to Ireland's predominantly grass-based production system.

Outlook for 2011

The prospects for Irish food and drink exports remain positive, helped by strong global demand for commodity products and a relatively tight supply situation in a number of key product categories. Growth in global demand is set to underpin food markets well into the future, albeit with some volatility to be expected. Irish food and drink manufacturers across all categories are more optimistic and showing a more positive outlook, according to Bord Bia's food industry survey (December 2010). In total, 70 per cent of exporters involved in the survey viewed the prospects for their business in 2011 as 'good' or 'very good'. When asked to compare their prospects to a year earlier, 56 per cent rated them as better. There are still challenges, however. Changing consumer purchasing behaviour with a focus on value for money is part of the new environment facing exporters. Volatility in exchange rates continues to be an issue, with the value of the euro relative to sterling being particularly important. The value of the euro declined against both sterling and the dollar during 2010 but there is still uncertainty about future trends.



CHAPTER 6

THE CONSUMER



CHAPTER 6 THE CONSUMER

6.1 Overview

Consumer outlook in 2010 was strongly affected by recessionary factors. Consumers displayed increased price consciousness and a willingness to shop around for value. Food prices decreased on average by 4.4% for the year but the rate of decline slowed steadily during the year as world commodity prices increased. This chapter examines key areas of concern to consumers and reviews issues with regard to maintaining confidence in the food chain.

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. An easing of price pressures in 2009 was succeeded by a return to strong world commodity prices in 2010, primarily due to adverse weather conditions in key production regions and an increase in food prices in a number of countries. The FAO Food Price Index¹ "rose for the seventh consecutive month, averaging 231 points in January 2011, up 3.4 percent from December 2010 and the highest (in real and nominal terms) since 1990".

Cereal prices are now back to the high levels experienced in 2007/2008 and sugar prices are extremely high. Meat prices have not risen to the same extent, however feed prices may well impact on these during 2011. The EU HICP for January 2011 does suggest only modest increase in meat products but a larger increase in fruit and vegetables. Strong competition in food retailing coupled with weak consumer demand has exerted downward pressure on food prices in some countries. Some supermarkets in these countries appear reluctant to pass prices on to consumers and are instead using various offers to attract customers.

Food Prices in Ireland

For 2010 as a whole, the price of food and non-alcoholic beverages prices (as measured by the Food Price Index; FPI) decreased by 4.5% on average for the year, while the overall rate of inflation, as measured by the Consumer Price Index (CPI), averaged only a 1.0% decrease during the year. However the rate of decline in food prices steadily slowed during the year until the December 2010 FPI showed the first increase, 0.1%, since February 2009 (See Figure 6.1).

Household grocery spend has seen a significant reduction during 2010. Consumer sentiment has recovered somewhat in early 2011 but the risk of a return to negative growth still remains for later in 2011².



Figure 6.1

Monthly CPI and FPI-
% Change over Previous Year,
2009-2010

All Items (CPI) —
Food and Non-Alcoholic
Beverages (FPI)

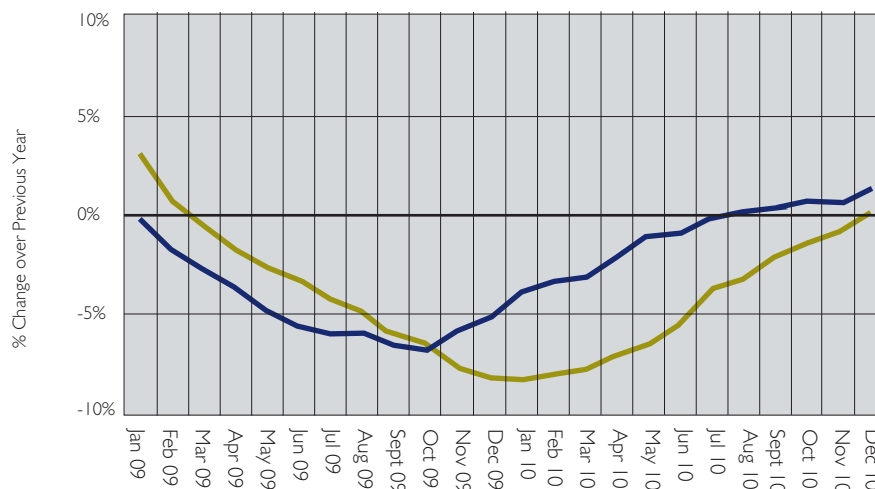


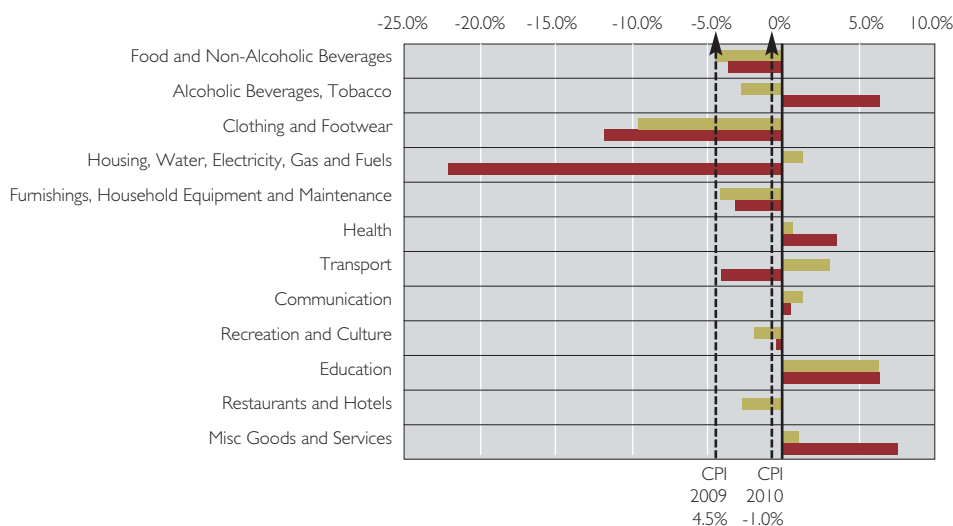
Figure 6.2 compares the overall level of inflation with its 12 constituent categories (including food and non-alcoholic beverages) for the years 2009 and 2010.

Figure 6.2

Food Sub Index Compared to
Overall CPI and Other
Sectors, 2009-2010

2010 —
2009 —

Source: CSO



Prices for Food Products

Price movements over any given period for individual food products vary by sector and will depend on numerous factors, including volatility in commodity and input costs, tightening of supply and, above all recently, the world economic crisis. The majority of products initially experienced price increases of varying degrees in 2007 and 2008 before showing exclusively deflationary price movements in 2009 and 2010.

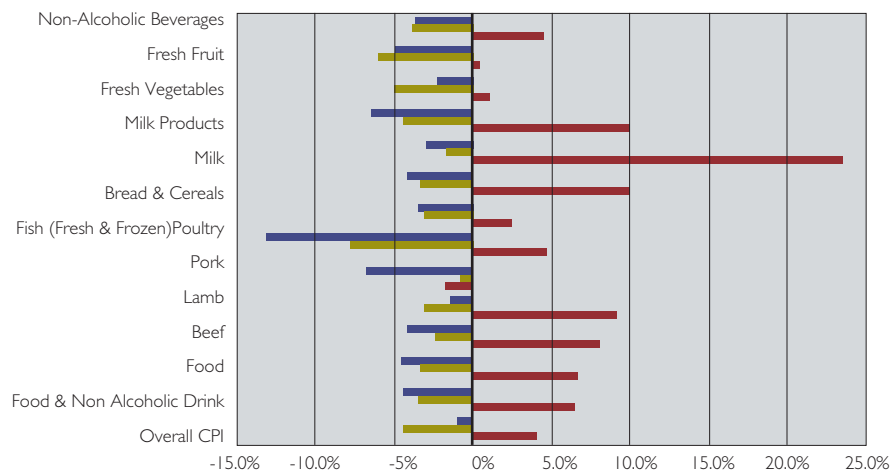
In 2010 price decreases continued across the range of products, being particularly evident in poultry (-13.2%) pork (-6.7%) and milk products (-6.5%) and fresh fruit (-5.0%). The trends for a selection of products are outlined in Figure 6.3 and further produce is listed in Table 12.8 in the statistical annex.



Figure 6.3

Annual Rates of Price Increase for Selected Food Products, 2008-2010

- 2010 ■
- 2009 ■
- 2008 ■



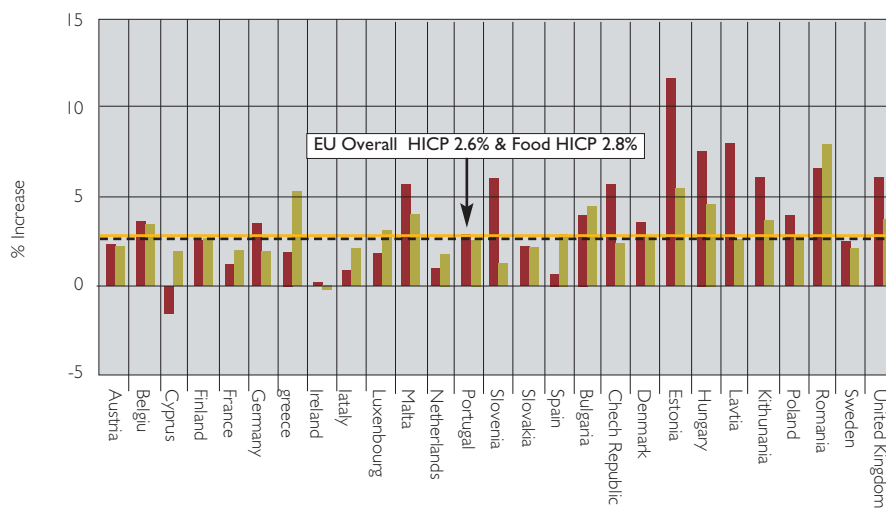
EU Food Price Trends and Comparisons

The Harmonised Index of Consumer Prices (HICP) measures the increase in prices on a monthly basis for the EU-27 Member States and is the most reliable comparison of inflation across the EU. It excludes interest on mortgage repayments and certain forms of tax and insurance. Ireland's annual percentage change of HICP inflation in the year to December 2010 was -0.2% compared to -2.6% to December 2009. Figure 6.4 demonstrates the wide divergence in food and overall price developments in the EU-27 for 2010.

Figure 6.4

HICP and Food HICP, EU Comparisons, Changes in the year to December 2010

- Food ■
- HICP ■
- EU Food —
- EU HICP ●●●●



Source: CSO CPI January 2010 and 2011, Eurostat

6.3 Food Consumption

Personal Consumption Expenditure

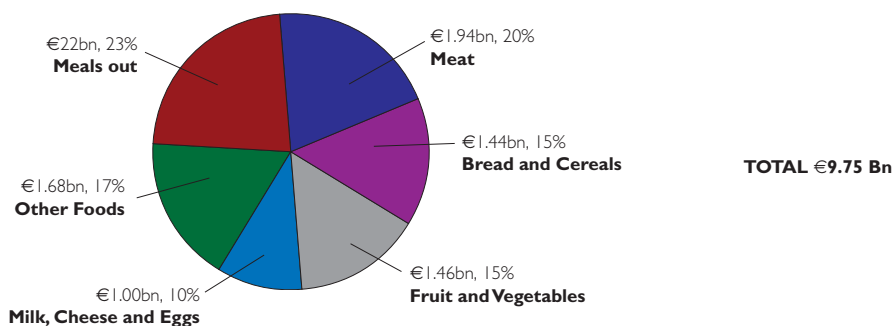
Estimates from the CSO indicated that Personal Consumption Expenditure (PCE) on food and drink (not including meals out) accounted for €14.7 billion in 2009, a 5.5% decrease from 2008. This represented 17.45% of total PCE. Expenditure on food in terms of meals outside the home accounted for just over €2.2 billion in 2009, roughly in line with the two preceding years. As illustrated in Figure 6.5, this accounts for over one fifth of all expenditure on food (total €9.75 billion).



Figure 6.5

Personal Consumption Expenditure on Food (€Bn) by Food Type, 2009

Source: CSO, National Accounts



Average per capita consumption of meat and dairy products from 2006 to 2009 is shown in Table 6.1. It is estimated that meat consumption stayed relatively static in 2009, with Irish consumers averaging 20kg of beef, 32kg of pigmeat, 26kg of poultrymeat and 3kg of lamb per capita, whilst principal cereals continued to decline with around 81kg p.c.c estimated. (CSO Supply Balance Estimates).

Table 6.1

Consumption of Selected Food Items, 2006-2009

Kg/Litres per Capita	2006	2007	2008	2009
Beef	21	20	20	20
Pig Meat	38	36	28	32
Sheep Meat	4	3	3	3
Poultry Meat	30	28	27	26
Drinking Milk & Buttermilk ¹	142	140	137	134
Cream ¹	3	3	3	2
Butter	3	3	3	3
Cheese	7	7	6	6
Principal Cereals	92	90	86	81

¹ Litres Per Capita

Source: CSO Supply BalancesTable

6.4 Retail Sector Price Surveys

Overview

A number of surveys provide information on consumers' increased price consciousness and shopping around for value in 2010.

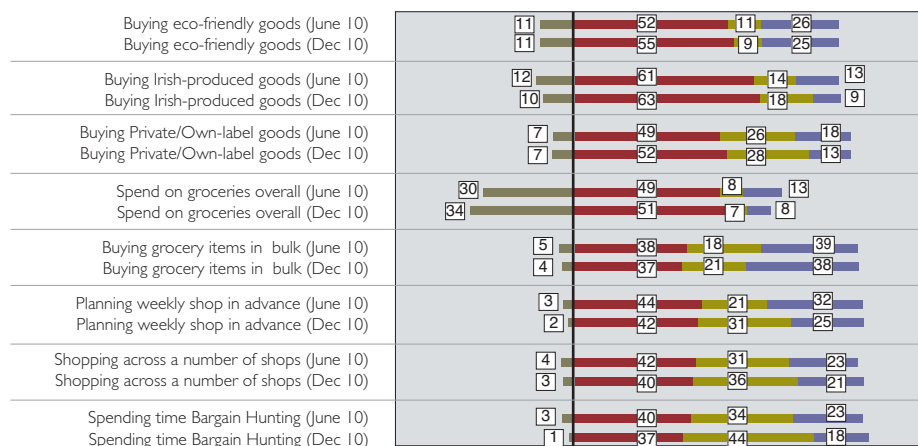
A survey conducted by The National Consumer Agency in November/December 2010 relating to "Household Budgeting and Impact of the Recession" reported 72% saying they would continue to shop around for better deals even when the economy stabilises and returns to growth. In addition, two-thirds have learnt to manage their finances better as a result of the recession. 44% were spending more time "bargain hunting" when buying groceries, with 36% spreading their shopping across a number of shops and 34% of consumers spending less on groceries overall.

Figure 6.6

Changes in Behaviour as a Result of the Recession

- Less % ■
- The Same % ■
- More % ■
- Never did it % ■

Source: National Consumer Agency data, 1000 subjects aged 15-74





This bears out the findings of an earlier study (“Shopping and Pricing Household Budgeting and Impact of the Recession, January 2010”)³, wherein The National Consumer Agency analysed the grocery shopping habits of consumers and found that a total of 55% of grocery shoppers had changed their behaviour during 2009 – a slight increase on the previous research carried out.

The main changes include cutting back on treats for the family, something which has increased by 14% to 56%. The proportion of those buying less continues to climb, with almost half of shoppers (46%) saying they are now doing so.

Seven in 10 Irish consumers claimed to be aware of the prices of everyday goods such as milk, bread and petrol. Those responsible for the main shop were buying more own brand goods than in previous years, with 38% of the main grocery shop now consisting of own brand goods.

The greatest change was in the number of shoppers who are beginning to take advantage of special offers - up 15% - with over half (54%) seeking out special offers. When asked, over 3 in 4 of those responsible for the main grocery shop would prefer to see supermarkets offering more long term lower prices than short-term special offers.

However, only 13% of consumers who are responsible for the main grocery shop believe that they know how promotions and special offers are funded and almost two in five believe that it is through lower prices and that the retailers make no profit. When asked if they were aware that retailers sometimes sell items at a loss in order to entice customers into the stores, 38% said yes.

Value also emerges as the dominant theme in consumer research carried out by Bord Bia. Its “Consumer In Control” study also reports that functionality and performance of products has increased in prominence over the emotional aspects of brand values. However, the need to cut back on ‘big ticket’ expenditure has meant that people want to compensate through more indulgent choices in everyday purchasing behaviour. Their research suggests that products that offer a luxury experience will increase in appeal again as prosperity returns but the pursuit of value is likely to remain even after the recession.

The Bord Bia “Price and Value Study – Second Wave” report (May 2010) found 80% of consumers saying that they pay more attention to grocery prices than previously and a similar number are shopping around for value more than before. 90% purchase brands on promotion as part of their grocery shopping.

6.5 Consumer and Retail Trends

Overview

The initial strong rebound in the world economy from recession has eased due to structural weaknesses in some economies, suggesting that major economies may face a period of below-average growth. Consumers continue to adjust their spending behaviour to lower economic activity. The Bord Bia “Feeling the Pinch” survey of consumer outlook for 2011 shows high uncertainty among Irish and British consumers with the only certainty appearing to be consumers adapting to the “new normal”.

National Trends

The value of the grocery market in Ireland declined in 2010 due to deflation and shoppers trading down price tiers and also switching between outlets and promotions. Kantar figures for the year ending November 2010 show a drop of over 4% in the grocery market to €8.85 billion. Deflation

³ Available at http://www.consumerconnect.ie/eng/News+_Research/Press%20Releases/Market_research_on_consumers_and_the_recession.html



and changing consumer behaviour have resulted in the average household reducing annual household bills by over €600, or 10%, compared to 2008. Price deflation was a significant element but may have bottomed out at -6.4% in the final quarter of 2009 before returning to 2.7% inflation in the final quarter of 2010. The search for value remains strong among Irish consumers with value lines the only market segment to report market growth in 2010.

At retail level Kantar data for the year ending November 2010 shows that the discounters have increased sales and expanded store numbers. Private labels have increasingly become more important in the Irish grocery market and now account for 33% of grocery sales.

The ESRI Consumer sentiment index weakened considerably in the second half of 2010, going from 67.9 in June to 44.4 in December as the impact of budget changes became clear. This suggests that consumer spending could remain sluggish for much of 2011, however the index for February had recovered to 50.3, a five-month high, and well above the all time low of 23.6 noted in July 2008.

Retail Code of Practice

Following a public consultation process, the Renewed Programme for Government included a commitment to “implement a Code of Practice for doing business in the Grocery Goods sector to develop a fair trading relationship between retailers and their suppliers” and “to review progress of the Code and if necessary to put in place a mandatory code”. A facilitator was appointed by the then Minister for Enterprise, Trade and Innovation to explore with all the relevant stakeholders the possibilities of agreeing a Voluntary Code and his report is expected to be presented early in 2011.

EU Trends

The results of Bord Bia's 2010 PERIscope study, which examined consumer purchasing and eating behaviour in 8 countries across Europe and globally, shows that while price remains a key consideration in driving shopping behaviour, the quality of fresh food continues to grow in importance, particularly amongst Spanish and Swedish consumers. The drive for value by consumers across Continental Europe is leading to similar developments to those in Ireland with consumers increasing their purchases of private label lines, following promotional offers and shopping between retailers more frequently. Some of the results to emerge from the study regarding consumer behaviour across Europe in 2010 were:

Canny Shoppers - The shopper has changed in profile as male shoppers are increasing in numbers and consumers focus increasingly on value. For most consumers value is not solely a function of price.

Keeping it Local – The study shows an increasingly positive perception of locally produced food with more consumers wanting to know the source of their food. For many consumers local foods offer stability and reassurance while also providing a sense of helping the economy. However, the understanding of local tends varies considerably, for some it means purchasing food produced within a very short distance of where they live while for other it applies to any food produced by the country in which they live.

Increased Family Dining – The study shows that families across Europe are eating together more and consumers are becoming more emotionally engaged with cooking and food. Use of time is still important to consumers but there is a move away from a food culture founded on convenience alone.

Healthy Eating - Consumers want a healthy diet and improving and maintaining their health and wellness is becoming a priority. However, many find it difficult to decode the labeling on products and the various nutritional claims they carry.



Clean & Green - Half of consumers continue to want to buy products that have sound environmental credentials but the consumer has shifted the emphasis back to the retailer and the manufacturer.

A recent report by Leatherhead suggests that the combination of the recession and government spending cuts in a number of Member States means that consumers will be more likely to stay in and tighten their belts and opt for small treats rather than large indulgences. Factors at play apart from the recession include the nostalgia driven baby boomers segment, brands playing on their heritage to drive sales and a growing consumer desire for overall simplicity and transparency from manufacturers. Retailers across Europe are looking for products that deliver this and are seeking to communicate that they provide the type of products that consumers are seeking.

In 2010, the European Commission established a High Level Forum for a Better Functioning Food Supply Chain to assist the Commission with the development of industrial policy in the agro-food sector. The forum will follow the recommendations of the High Level Group on the Competitiveness of the Agro-Food Industry which was established by the Commission in 2008 and will implement the initiatives proposed by the Commission in its Communication 'A better functioning supply chain in Europe'.

Organic Food

Organic food sales in Ireland reached almost €100 million at retail selling prices in 2010. Current trends indicate that Ireland has increasingly health-conscious consumers who seek quality, convenience and value. 70% of organic produce sold in Ireland is imported and 30% is produced domestically from 1.2% of agricultural land. There are market opportunities for producers to increase home production. Fruit and vegetables comprise the largest organic food type, with meats, dairy and other groceries making up the balance. Significant export opportunities exist in major European markets. The UK market is estimated to be worth over €2 billion and the German organic market is valued at €5.85 billion.

National Organic Week and the National Organic Awards, coordinated by Bord Bia and funded by the Department of Agriculture, Fisheries and Food, were held for the 6th year in a row in September 2010. The events raise consumer awareness of what organic food and farming is all about and where they can source organic produce.

The Organic Demonstration Farm Programme, which is run by Teagasc together with the Department, has proven to be a major success with very large numbers of existing organic farmers and those considering converting to organic production methods attending the various farm walks around the country. This is a major instrument in encouraging conventional growers to switch to organic.

Farmers' Markets

Research commissioned by Bord Bia in February 2010 highlighted a nostalgia among consumers for pre-boom times, with consumers seeking out simpler foods such as meat, fish and vegetables and many spending more time on food preparation as they have more time and less cash due to the downturn. The definition of local food has shifted from a geographic one to one that is more producer-centric. Local food is now seen as food that is not mass-produced; it is about small-scale production and hand-made produce. Farmers' Markets are therefore seen as an obvious source of local food.

This research shows a shift in consumer shopping habits, with 35% of shoppers now tending to buy some local food at Farmers' Markets, (up from 29% in 2007). Farm Shops feature as a source of local food for 12% of consumers, a 7% increase on 2007, and supermarkets are declining as places to shop for local foods. The research also indicates that 79% of consumers buy local food to support the local economy, 74% prefer to buy foods from local producers rather than large mass-producers and 61%



buy local food because they know and trust the producer. This illustrates that direct access to consumers is crucial to small food producers as a means of building rapport and illustrating the small-scale production that they operate.

Farmers' markets are an important part of the Irish food culture landscape for consumers and food tourism. By the end of 2010, 39 markets had secured the Code of Good Practice for Farmers' Markets which was launched in 2009. Farmers Markets signing up to the Good Practice Standard undertake to hold markets regularly; to source a substantial proportion, ideally 50%, of local produce from the county or neighbouring counties; to accommodate seasonal and local garden/allotment produce and to comply with food safety/labelling rules and criteria on good governance. Markets holding banners for 2009/2010 will be invited to apply for renewal in 2011 as new markets are invited to apply.

6.6 Maintaining Confidence in the Food Chain

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**⁴ was established in 1999 to foster and maintain confidence in the food supply on the island of Ireland by working in partnership with others to protect and improve the public's 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.

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, the Department of Agriculture, Fisheries and Food operates the control and eradication measures for BSE, Bovine Tuberculosis and Brucellosis. This involves a combination of testing, routine inspections and investigations and mandatory and voluntary reporting and codes of practice. DAFF is also a significant stakeholder and funder of Animal Health Ireland (AHI), established in January 2009, which is an industry-led, not-for-profit partnership between livestock producers, processors, animal health advisers and government. Its remit includes diseases and conditions of cattle that are endemic in Ireland, but which are not currently subject to regulation and coordinated programmes of control. A decreased burden of these diseases in the national cattle herd benefits consumers and the industry by reducing the need for veterinary treatments and by improving the processability of animal products.

⁴ Safefood (formerly known as FSPB). Its 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 public's health.

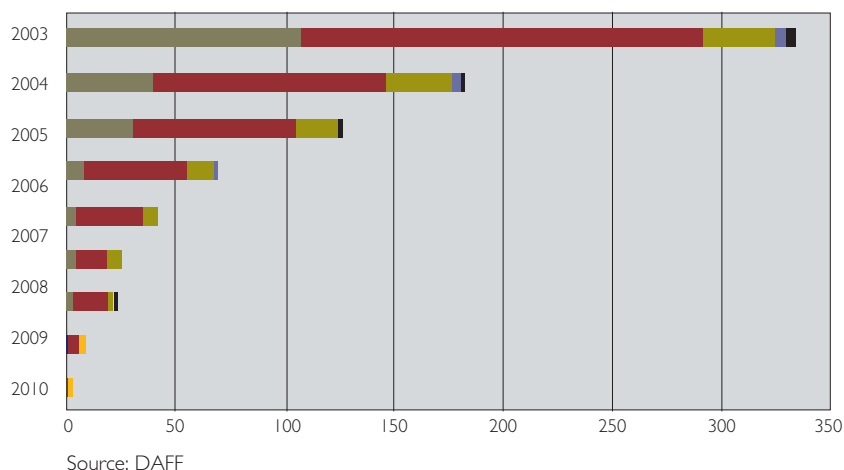


There has been a continued improvement in the overall disease situation in recent years as illustrated in Figures 6.7 to 6.9. The incidence of BSE has fallen dramatically in recent years (Figure 6.7) which confirms that the control measures adopted in the mid-nineties were effective in reducing the exposure of cattle born after that time.

Figure 6.7

Details of Annual BSE Confirmations, 2002-2010

- Passive
- Fallen
- OTM
- Casualty
- BSE Eradication
- Over 48 Mths



Ireland is free of Brucellosis in sheep, pigs and cattle. There has been no outbreak of Brucellosis in cattle in Ireland since April 2006 and Ireland obtained Official Brucellosis Free status in July 2009, following which a controlled reduction in Brucellosis testing requirements is being implemented. The main changes made to the testing regime since the attainment of Brucellosis free status are as follows:

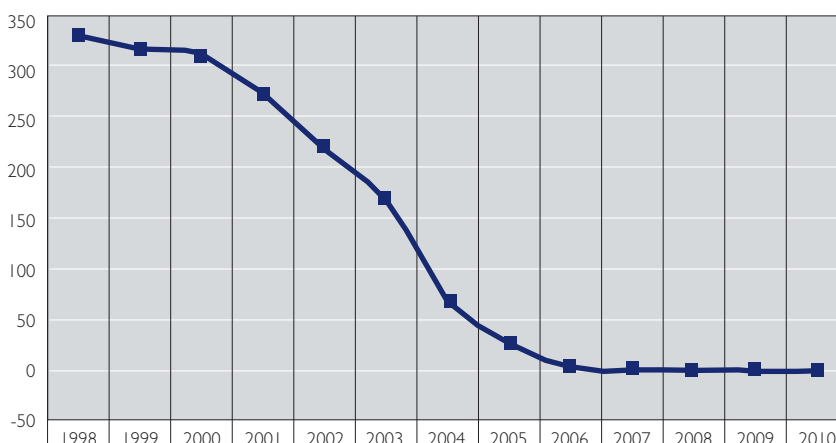
- the age threshold for annual round testing has been increased from 12 to 24 months;
- all herds are to be tested every second year in the annual round;
- the validity period of the pre-movement test has been increased from 30 days to 60 days;
- and
- the age-limit for the pre-movement test for female animals has been increased from 12 to 18 months and, in view of the lower risk attached to their movement, to 24 months for bulls.

These changes are estimated to reduce the cost of testing to farmers by approximately €7 million per annum compared with the position prior to the attainment of officially Brucellosis free status.

Figure 6.8

Brucellosis Depopulation Statistics, 1998-2010

Depopulations ■





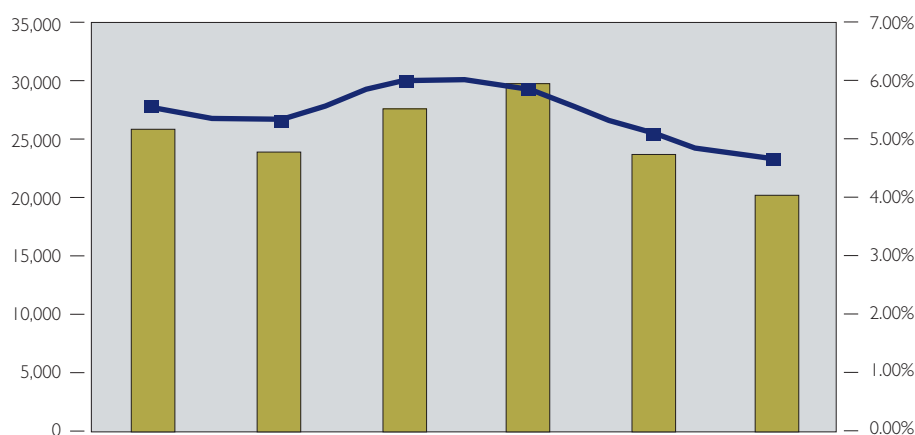


With regard to bovine TB, the incidence of this disease has continued to decline. Herd incidence in 2010 was 4.65% compared with 5.1% in 2009. The number of TB reactors in 2010 was 20,211, which was 3,594 lower than in 2009 (-15%). (Figure 6.9). These disease indicators are the lowest for many years.

Figure 6.9

Bovine Tuberculosis Statistics, 2005-2010

No of Reactors (left axis) 
Herd Incidence (right axis) 



Total expenditure for the TB and Brucellosis Programmes in 2010 was €40m, 23% lower than in 2009 (€52m). This reduction in expenditure was mainly as a result of a decrease in the number of TB reactor numbers, reduced compensation payments arising from lower cattle prices and changes to the Brucellosis testing arrangements.

Veterinary Medicines

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. A further important safeguard for consumers is provided by the National Residue Plan under which extensive monitoring of animals and animal products takes place. Tests are carried out for a wide range of substances, including banned products, violative residues of authorized products and environmental contaminants.

In a typical year, in the region of 25,000 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%). A further reassuring aspect of the results is that there continues to be no evidence of the use of banned substances in food animals in Ireland.

In the case of each residue breach identified, a consumer risk assessment is carried out by the Food Safety Authority of Ireland to evaluate any threat to human health and to assess if food should be withdrawn from the market. In addition, all positive results are followed up to the farm of origin to determine the cause and enforcement action, including a penalty on the farmer's Single Farm Payment or legal action, is taken as appropriate.



CHAPTER 7

EU AND INTERNATIONAL AGRICULTURE POLICY



CHAPTER 7

EU AND INTERNATIONAL AGRICULTURE POLICY

7.1 Overview

Notwithstanding the economic downturn of recent years Ireland's progress since accession to the EU can be seen through our continued advance towards becoming a net contributor to the EU. In 2010 total net receipts to Ireland from the EU are expected to be approximately 0.3% of GDP. Net receipts for the last five years have all been less than 0.5% of GDP. Ireland has undoubtedly benefited to a great extent from EU membership, receiving over €30bn in net receipts over the last 20 years. Since joining the EU Net receipts are the equivalent of approximately 2.9% of GDP for the entire period 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

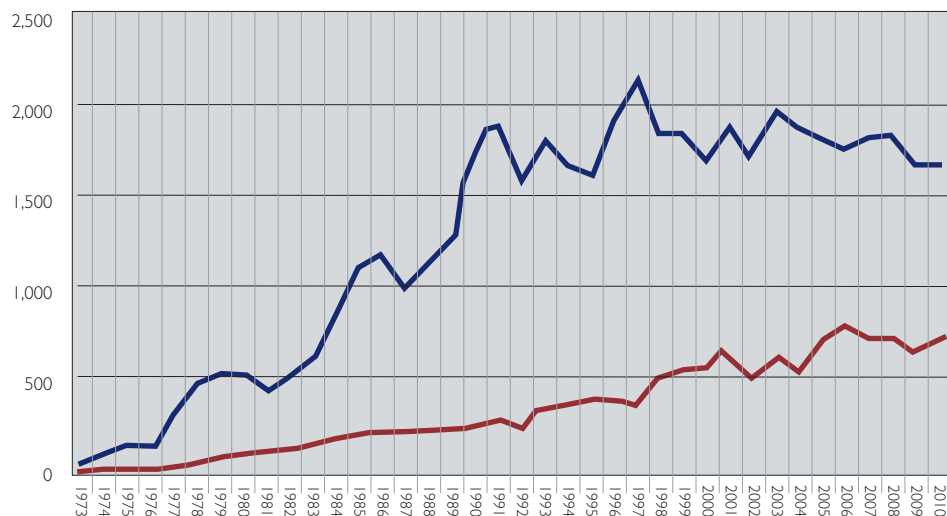
As mentioned, a high proportion of EU payments to Ireland since accession in 1973 have been in the agriculture sector. These direct payments, now most typically exemplified by the Single Farm Payment, constitute the most obvious and visible benefit derived by Ireland from the Common Agricultural Policy. The evolution of trends in total agriculture related payments to Ireland 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 Payments to Ireland and estimated Irish Contribution, 1973-2010

Estimated Irish contribution to EU Agriculture Expenditure

Total EU Agriculture Expenditure for Ireland



Source: EU Commission, DAFF, Department of Finance



This net transfer of resources, entitled the net budget effect (NBE)¹, is further examined for 2009 and 2010 in Table 7.1. In 2010, the estimated net transfer to Irish agriculture through the EU budget was €978.3 million.

Table 7.1

Net Budget Effect,
2009-2010

	Total EU Agriculture-related Expenditure €m	Estimated Irish Contribution €m	Net Budget Effect €m
2009	1,695.5	644.0	1,051.5
2010*	1,690.0	711.7	978.3

Source: CSO, OECD, DAFF & USDA
* Provisional estimates

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 primarily 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).

Ireland's net trade position for most agricultural commodities improved in 2010, to almost the 2008 value, due to the general improvement in agricultural commodity prices in 2010 and Ireland being a net exporter of these commodities. However the net trade effect is estimated to have decreased significantly, by 60% from €678.8 million in 2009 to an estimated €271.4 million in 2010, which is a historically low level for this measure. This decrease in 2010 is due to world prices increasing by greater than the Irish prices, for all the selected agricultural commodities except cereals.

Interestingly dairy commodity prices on world markets were higher than Irish prices in 2010, which was a reversal on the 2009 situation, this reversal included quite significant price gap changes in butter and casein prices. The price differential between the Irish and world price for beef has narrowed significantly over the last couple of years, resulting in sheep meat having by far the most significant commodity price differential, which was 38.5% in 2010. In cereal markets, Ireland's prices increased by greater than world prices, resulting in the prices converging.


Table 7.2

Net Trade Effect for Selected Commodities 2009-2010

	2009			2010*		
	Net Trade €m	Price Gap Coefficient %	Net Trade Effect €m	Net Trade €m	Price Gap Coefficient %	Net Trade Effect €m
Beef	1,397.4	26.3%	368.0	1,466.2	18.6%	273.3
Live Cattle	119.5	26.3%	31.5	128.8	18.6%	24.0
Sheep Meat	144.6	49.8%	71.9	141.0	38.5%	54.2
Pig Meat	64.7	32.0%	20.7	133.1	21.2%	28.2
SMP	58.8	5.7%	3.3	118.5	-11.6%	-13.7
WMP	86.9	14.1%	12.2	119.8	-2.6%	-3.1
Butter	262.3	28.4%	74.5	372.0	-5.1%	-18.9
Cheese	371.5	8.7%	32.3	397.7	-13.7%	-54.6
Casein	157.8	24.4%	38.5	210.2	-11.4%	-23.9
Wheat	-58.7	-18.4%	10.8	-39.7	-4.3%	1.7
Coarse Grains	-81.5	-18.4%	15.0	-98.8	-4.3%	4.3
Total	2,523.2		678.8	2,948.9		271.4

*Figures for 2010 are provisional estimates.

Source: CSO, OECD, DAFF & USDA

The combined budget and trade effects for 2009 and 2010 are outlined in Table 7.3. The combined budget and trade effect decreased by 27.8% in 2010, providing an estimate for the overall value of EU agricultural transfers to Ireland in 2010 of €1.25 billion.

Table 7.3

Combined Budget and Trade Effect 2009 - 2010

	2009 €m	2010* €m
Net Budget Effect	1,051.5	978.3
Trade Effect	678.8	271.4
Budget and Trade Effect	1,730.3	1,249.7

Source: CSO, OECD, DAFF & USDA

* Provisional estimates

7.3 International Comparisons of Agricultural Support

Agriculture Support in the EU Budget

The EU Budget for 2009 made total commitments for payments of over €123 billion. Approximately 46% of this expenditure was in respect of agriculture and rural development related activities. This overall level of agriculture and rural development related expenditure is expected to remain broadly consistent in 2011.

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.



Producer Support Estimate (PSE)

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. In 2009 the PSE for all OECD countries was estimated at €182 billion, which was slightly higher than in 2008, but this was the first increase in support levels after a steady decline since 2004. Interestingly the %PSE has declined to some extent over the period analysed in all OECD countries except Turkey, where in % PSE terms it now exceeds the OECD average.

The PSE does highlight the fact that the EU is the largest supporter of agriculture in terms of total expenditure, providing €87 billion in 2009, which equates to 24% of gross farm receipts. While the EU's percentage PSE has reduced over the period analysed, it remains slightly above the OECD average. Switzerland, Korea and Japan have lower absolute PSEs than the EU, however their PSE as a % of gross farm receipts is significantly higher. On the other hand, both New Zealand and Australia have very low PSEs, in both monetary and % terms, reflecting their lack of CAP type agricultural support.

Table 7.4

Producer Support Estimate for selected OECD Countries, 1986-1988, 2007-2009 & 2009

	Average 1986-88		Average 2007-2009		2009p	
	€m	% of Gross Farm Receipts	€m	% of Gross Farm Receipts	€m	% of Gross Farm Receipts
Australia	1,321	10	1,015	4	667	3
Canada	5,612	36	4,861	17	5,610	20
EU*	88,005	39	91,155	23	86,980	24
Japan	45,110	64	29,447	47	33,465	48
Korea	10,482	68	13,752	52	12,609	52
New Zealand	413	10	48	1	25	0
Switzerland	4,800	76	3,938	58	4,469	63
Turkey	3,523	20	15,829	34	16,269	37
US	33,118	22	21,592	9	22,025	10
OECD**	216,540	37	182,601	22	181,765	22

*EU-12 for 1986-94, EU-15 1995-2003, 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 non-OECD EU member states.

Source: OECD, Producer and Consumer Support Estimates Database

The structure of support varies considerably too among countries, with the most distorting policies representing around 90% of producer support in Japan and Korea, while only approximately 30% in the EU, in the period 2007-09.

Consumer Support Estimate (CSE)

The CSE indicates the value of gross monetary transfers from (to) consumers 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. When negative, as it is for most regions, the amounts represent an implicit tax on consumers.

In line with the trend since 1986, Japan and the EU have the highest levels of CSE expenditure. However, in CSE % terms Switzerland, Korea and Japan have the highest CSE %, of the regions listed,



while Australia and New Zealand have the lowest negative values. It is worth noting though that the US figure is positive in recent years representing the fact that the monetary transfers are to and not from consumers.

Since 1986 the % CSE support provided by the EU has fallen significantly to its 2009 level of 7%. This is down from a yearly average of 36% in the period 1986-88. This is in contrast to Turkey where the % CSE support has increased over the period.

Table 7.5

Consumer Support Estimate for selected OECD Countries, 1986-1988, 2007-2009 & 2009

	1986-88		Average 2007-2009		2009p	
	€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	-631	-13	-148	-1	-147	-1
Canada	-2,701	-26	-2,899	-16	-3,659	-21
EU*	-65,589	-36	-24,639	-8	-19,952	-7
Japan	-55,381	-62	-33,703	-41	-38,987	-42
Korea	-10,232	-64	-14,993	-46	-13,940	-46
New Zealand	-56	-6	-32	-2	-11	-1
Switzerland	-4,382	-72	-2,235	-40	-2,480	-44
Turkey	-2,589	-19	-10,725	-26	-10,638	-27
US	-3,494	-3	16,019	10	20,609	14
OECD	-144,420	-30	-74,530	-11	-70,075	-11

*EU-12 in 1986-94, EU-15 1995-2003, 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 non-OECD EU member states.

Source: OECD, Producer and Consumer Support Estimates Database

Total Support Estimate (TSE)

The 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 % TSE measures the overall transfers from agricultural policy as a percentage of GDP.

The EU and the US have the highest TSE expenditure at €100 billion and €90 billion respectively in 2009. In % terms of GDP, Turkey at 4% is significantly higher than all the other regions and is the only country that has increased in % terms over the period. The % TSE provided by the EU has fallen from an average of 2.6% of GDP in the period 1986-88 to an average of 0.9% in the most recent period of 2007-09.

**Table 7.6**

Total Support Estimate for selected OECD Countries, 1986-1988, 2007-2009 & 2009

	Average 1986-88		Average 2007-2009		2009p	
	€m	% of GDP	€m	% of GDP	€m	% of GDP
Australia	1,329	0.7	1,437	0.2	988	0.1
Canada	6,970	1.8	6,679	0.7	7,252	0.8
EU*	100,720	2.6	105,051	0.9	100,031	0.8
Japan	52,901	2.4	36,877	1.1	40,932	1.1
Korea	11,502	8.8	15,970	2.4	14,529	2.4
New Zealand	521	1.6	197	0.2	162	0.2
Switzerland	5,823	3.8	4,316	1.3	4,852	1.4
Turkey	3,799	3.7	16,629	3.6	17,486	4
US	57,998	1.3	77,737	0.8	89,654	0.9
OECD**	270,676	2.25	266,758	0.89	276,218	0.93

*EU-12 in 1986-94, EU-15 1995-2003, 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 non-OECD EU member states.

7.4 EU & International Agriculture Policy Developments and Outlook

Policy Developments

Agriculture and Food

There were a number of important policy developments in the agri-food sector in 2010. Of most significance to Ireland was the continued discussion on the future of the CAP. The role of the agriculture sector in the EU's economic recovery was recognised by the Heads of State and Government in its Spring Council Conclusions on the EU 2020 strategy. The competitiveness of the EU Agri-food model and how the food supply chain could function to greater effect was to the fore in discussions at Council and ran alongside the Commission High Level Group on Milk which examined the medium and long term challenges facing the industry arising from the abolition of milk quotas in 2015.

The Commission adopted a Green Paper on Forest Protection and information in the EU setting out options for an EU approach to the protection of forests and to information about forest resources and their conditions. The public consultation process concluded in July 2010.

EU Budget Review

The expiry of the current EU Financial Perspective in 2013 and the negotiation of a new multiannual financial framework mean that the funding arrangements for the CAP require review. The EU budget review released in October 2010 did not propose overall figures or shares by Member State or by sector for the next multi-annual financial framework. The overall level of funding available from the EU budget will determine in many respects the future shape of agricultural policy. It is expected that there will be strong competition for funding both between the different EU budget headings and, within agriculture, between Pillar 1 - direct payments to farmers - and Pillar 2 - Rural Development - and between Member States. Discussions on the budget review will therefore be inextricably linked to the on-going debate on the future shape of the CAP.

Future of the CAP

The Minister for Agriculture, Fisheries and Food launched a consultation process in July 2009 to seek the views of stakeholders on the most appropriate policies to be pursued by Ireland in the upcoming



negotiations. Policy analysis and debates on the broad outline and general principles of future EU agriculture policy continued in 2010 with discussions at Member State and EU level. Ireland participated actively in these debates and organised a series of bilateral meetings at official and political level with the Commission, the European Parliament and other Member States. A substantial number of policy position papers and discussion documents were produced by Governments, stakeholder organisations, interest groups and research entities.

The Commission communication setting out broad policy options for the future CAP “The CAP towards 2020” was presented on 18 November 2010. A public stakeholder consultation on it was launched on 23 November 2010.

Main elements of the Communication

The Communication advocates a strong future CAP based on two complementary pillars with three strategic aims of preserving food production potential in the EU, sustainable management of natural resources and maintaining viable rural areas. The communication favours the continuation of decoupled direct payments and the retention of market management measures at safety-net level, with some enhancement. The communication proposes the introduction of new policy elements concerned with the functioning of the food supply chain. Whilst no specific proposals are outlined the key issues are described as contractual relations, the current imbalance of bargaining power along the chain, the need for restructuring and consolidation at farm level, transparency and the functioning of derivative markets. The revised quality policy proposals and the proposals emanating from the Milk High Level Group are mentioned as integral elements of the reform.

It is suggested that objective criteria should be used for the distribution of rural development funds between Member States. There appears to be an intention to focus spending on green issues by e.g. linking investments to both economic and environmental performance. There is also an intention to target specific groups or regions with specific mention made of support for business creation and local governance, direct sales and local markets.

A new risk management toolkit is proposed to address both production and income risks in the light of increased market volatility and income uncertainty.

Dairy Sector

In response to the crisis in the dairy sector in 2009, in October of that year the Commission established a High Level Group (HLG) of representatives to examine medium term and long-term ways of stabilising dairy farmers’ incomes and improving market transparency. The Group was comprised of representatives from all Member States and the Commission. The Minister for Agriculture, Fisheries and Food established a Dairy Consultative Group, representative of all the main stakeholders, to advise on the work of the HLG.

The High Level Group published its report mid-June 2010 and recommended seven groups of measures. In addition to those related to the contractual relations between milk producers and dairies, producers’ collective bargaining power and the role of inter-professional organisations, the recommendations also cover price transparency, market instruments, quality and labelling as well as innovation and research.

WTO Negotiations

The failure to reach agreement at the WTO Ministerial in July 2008, followed by the decision not to hold a Ministerial in December 2008 and the lack of any real progress in the negotiations on the Doha Development Agenda (DDA) in 2009, left the prospects for concluding a deal in 2010 as marginal, despite the advanced stage of the negotiations, and this proved to be the case in 2010. No final agreement was reached.



A stock taking exercise held in Geneva at official level at the end of March 2010 failed to provide an impetus for renewed negotiations. Throughout the year work continued to progress technical issues and to find ways of moving the talks forward politically. However, the OECD meeting in May and the G20 in June failed to provide the political impetus necessary. At the end of 2010 and in the lead up to the Davos Economic Forum, there was some renewed optimism that there may be a possibility of concluding these talks in 2011.

EU Mercosur Negotiations

Negotiations for an agreement with the Mercosur group of South American countries (Argentina, Brazil, Paraguay and Uruguay) were originally launched in 1999 but were suspended in 2004 arising from major differences between the two sides in expectations across a range of headings including industrial goods, agriculture, services and intellectual property.

At the initiative of both the Spanish Presidency and the Argentinean Presidency of Mercosur, the EU Commission College took a decision in early May to re-launch negotiations with Mercosur. Three negotiating rounds took place in the second half of 2010 focusing on process and texts.

A number of Member States are supportive of the launch of the negotiations. However, Ireland and some other Member States have raised serious reservations concerning the re-launch of the talks. Ireland's principal concern is with the impact of additional import quotas on the EU and Irish beef sector. Ireland has been very active in highlighting its concerns and in pursuing the issue of mitigating measures in relation to the beef sector with the Commission.

Outlook 2011

Future of the CAP

The communication is being debated currently at Council, SCA and Working Groups with a view to drawing up conclusions at the March 2011 Council of Ministers. In tandem the European Parliament has produced a first report and is set to produce two more, one on the communication and a second on the legislative proposals. Meanwhile the Commission is carrying out a detailed impact assessment of the various policy options. The formal legislative proposals are expected later this year. Ireland will continue to play a proactive role in these negotiations.

Dairy

2011 will see progress in the discussions on the Commission's legislative proposals on contractual relations in the milk sector.

Quality package

Discussions on the recently published Agricultural Product Quality legislative package which is aimed at better communicating to consumers the qualities of EU and local agricultural products will also commence with a view to political agreement in the June Council.

Work on alignment of the CAP legislation to the Treaty of Lisbon will continue during 2011 and will focus on aligning four major legislative acts namely the Regulations on the Single CMO, financing of the CAP, Rural Development and Single Payment (Direct Payments).

On animal health discussions will focus on the the evaluation of the Community Animal Welfare Strategy 2006-2010, review of the bluetongue Directive to allow for vaccination.

Forestry

A report by the Commission services on the stakeholder consultation was circulated in December. The Commission has proposed the establishment of an ad-hoc Group during 2011 to focus on forest



information. The drawing up of a strengthened policy framework for sustainable forest management throughout Europe will be on the agenda of the Ministerial on the Protection of Forests in Europe in Oslo and will be discussed at the 9th session of the UN Forum on Forests (UNFF9).

WTO

The Davos process, combined with a report by the former DG of the WTO, Peter Sutherland, has reactivated expectations of a political breakthrough in 2011.

MERCOSUR

In the event that the momentum for conclusion of the WTO talks remains, this will have implications for the early conclusion of the EU MERCOSUR trade negotiations.

World Food Security

The number of undernourished people in the world declined to 925 million in 2010 from a high of 1023 million in 2009. The reduction in the number of hungry people is a reflection of increased economic growth in developing countries and a reduction in food prices from the peaks of 2008. However a crisis period like 2008 leaves vulnerable populations less able to cope with the next problem as they may have sold off assets and be in a less healthy state after the initial crisis.

Although food prices dropped back in 2009, in many low income countries prices remain higher than they were before 2008. Global prices began to rise in the second half of 2010 and have continued to do so in 2011. Although there is not always a direct transmission from global prices to local markets rising prices present particular difficulties for low income food deficit countries.

United Nations Food and Agriculture Organisation (FAO)

October 2010 saw the inaugural meeting of the reformed Committee on World Food Security (CFS). The reformed Committee is intended to be the most inclusive international and intergovernmental platform for all stakeholders to work together to ensure food security and nutrition for all. It will work in a coordinated manner in support of country led processes that lead to food security.

Civil Society Organisations participated in the October meeting as equal partners in a broad discussion covering price volatility, chronic food insecurity and land tenure. The Committee agreed to start work on drawing up a Strategic Framework for Food Security and Nutrition. In addition a High Level Panel of Experts has been set up to provide independent scientific advice to CFS Members.

In 2011 Ireland will assume a seat on the FAO Council and will be a Member of the Council until 2014. FAO Council is an important governing body which will be a key body for implementing the ongoing reforms in FAO.

Food Aid Committee

During 2010 work continued on bringing together consensus amongst Food Aid Convention members on how best to improve the Convention. In December a decision was taken to renegotiate the Convention and work on this has started in 2011. European Members of the FAC have stressed that this work must proceed swiftly.

Hunger Task Force

The report of the Special Envoy for Hunger was launched in November 2010. The report notes the bleak situation worldwide for hungry and undernourished people but commends the Irish Government on its continued advocacy on this issue.

United Nations World Food Programme (WFP)

During 2010 the Department continued its support for the vital work of the United Nations World Food Programme providing €9.96 million for food assistance. Funding for food assistance is provided on a fully untied basis. In 2011 Ireland will assume a seat on the WFP Executive Board.



CHAPTER 8

NATIONAL DEVELOPMENTS



CHAPTER 8 NATIONAL DEVELOPMENTS

8.1 Overview

This chapter gives an overview of strategic commitments and policy developments relating to the agriculture sector under the Rural Development Programme 2007-2013, the 2020 Strategy and the Estimates/Budgetary process.

8.2 Rural Development Programme 2007–2013

The Rural Development Programme (RDP), under Pillar II of the Common Agricultural Policy (CAP) and based on the EU framework as well as the National Rural Development Strategy, was introduced in 2007. The RDP continued to build on the success of the two previous programmes. The RDP sets out three main priorities - competitiveness, protection of the environment through land management and the improvement of the quality of life in the wider rural economy. In the period 2007-2009, €1.89bn was spent on rural development measures, including Installation Aid (€10.5m), Early Retirement (€138.5m), Farm Investment (€40m), Disadvantaged areas (€733.6m) and REPS (€965.7m). However in 2009 a major revision of the programme took place in view of factors such as the changed economic situation, the introduction of the Health Check and the European Economic Recovery Package (EERP). Included in this revision were the closure of the REPS scheme to new applicants and the introduction of a number of new schemes including a new agri-environment scheme and a targeted investment scheme.

8.3 Health Check and the European Economic Recovery Package

Under the CAP Health Check Agreement (HC) an additional €120 million was made available under the RDP from 2010 to 2015. Furthermore an additional €26.8 million was allocated under the European Economic Recovery Plan (EERP). Following a consultative process it was decided that the total Health Check funds and half of the EERP fund should be allocated to an agri-environment measure, called "Agri-Environment Options Scheme" (AEOS). This investment amounts to €132.9 million made up of €119.5 million arising from the Health Check plus €13.4million from the EERP. The balance of the EERP fund of €13.4m is allocated to a broadband measure which will be implemented by the Department of Communications, Energy and Natural Resources.

The EU funding under the HC and EERP has been allocated specifically to meet EU prescribed requirements including the new challenges of climate change adaptation and mitigation, renewable energies, water management, biodiversity, innovation, restructuring of the dairy sector and broadband internet infrastructure in rural areas. In addressing the new challenges Ireland opted to prioritise biodiversity, water management, climate change and broadband.

Further to the allocation of the HC and EERP funds, a new scheme titled Targeted Agricultural Modernisation Scheme [TAMS] launched under the RDP will address other challenges relating to dairy restructuring, renewable energies and water management. The TAMS schemes are: - dairy equipment, sheep fencing/handling, sow welfare, poultry welfare, water conservation and bio-energy (miscanthus and willow production). The Miscanthus scheme was launched in February 2010 to



encourage uptake of the scheme ahead of the planting season in 2010. The Sow Welfare and Poultry Welfare Schemes were introduced on 16 June 2010. The Sheep Fencing/Handling Scheme opened for applications on 1 November 2010 whilst the Dairy Equipment and Rainwater Harvesting Schemes were introduced on 4th and 8th March respectively

Over the period of the programme the revised RDP will now have a total funding commitment of €5.1Bn, including an amount of €448m for the wider rural economy which is implemented by the Department of Community, Rural and Gaeltacht Affairs.

8.4 Food Harvest 2020

Food Harvest 2020 (FH2020) a strategy to chart the direction of agri-food, forestry and fisheries for the next decade, was published in July 2010. This strategy, which is primarily industry-led, was underpinned by a comprehensive range of analytical papers prepared by the Department and relevant State Bodies, views received from the public consultation process, and input from the Harvard Business School and senior farming and food industry figures.

The detailed report contains over 200 recommendations and suggestions towards which Government and private enterprise will work. It also sets clear and ambitious targets to be achieved by 2020. These include

- Increasing the value of primary output of the agriculture, fisheries and forestry sector by €1.5 billion (a 33% increase compared to the 2007-2009 average.)
- Improving the value added in the sector by €3 billion.
- Achieving an export target of €12 billion for the sector which is a 42% increase compared to the 2007-2009 average,
- Increasing milk production by 50%;
- Adding 20% to the value of the beef sector.

In addition the report points out the necessity of improving cost competitiveness by 20%, relative to our competitors, and of doubling the industry spend on R&D.

Its implementation is being driven by the High Level Implementation Committee (HLIC). This is chaired by the Minister and comprises the CEOs of Bord Bia, Enterprise Ireland, BIM, Teagasc, the Environmental Protection Agency and senior officials. The HLIC met twice in 2010 and to date progress has been made on progressing the dairy sector, scoping a credible sustainable agenda, including Brand Ireland and prioritising a research call focused on the priorities outlined in FH2020.

The first progress report on implementation will be published in the 3rd quarter of 2011.

8.5 Estimates 2011

Substantial provisions were made for the agriculture sector for 2011. Of particular note were the following:

- Spending on the Disadvantaged Area Scheme is being maintained at the 2010 level of €220 million;
- Total expenditure on agri-environment schemes in 2011 to reach €337 which provides for payments to existing REPS participants as well as a new agri-environmental scheme;
- An allocation of €61.5 million under the Suckler Cow Welfare Scheme to cover payments for animals calved in both 2010 and 2011 at the 2010 rate of €40 per animal;



- €36 million in payments under the Farm Waste Management Scheme to cover the remaining instalment of the deferred payment; as well as €7 million under the farm improvement scheme;
- Expenditure on forestry and bio-energy of almost €120 million, which includes a capital provision of over €114 million.

Significant funding has also been provided for investment in fish processing and aquaculture as well as for marketing and processing grants for the Beef and Dairy Investment Schemes. Total vote expenditure of €1.6 billion taken together with EU funding will bring total expenditure by the Department of Agriculture, Fisheries and Food to over €3 billion in 2011.

8.6 Income Tax Yield From Farmers

There are approximately 108,000 farmers on record with the Revenue Commissioners and estimates show that approximately €99 million tax was paid on farm profits in 2009, the latest year for which data is available.

Table 8.1

Farmers' Income Tax and PRSI, 2005-2009

Year	Tax (€m)	PAYE on Other Earned Income (€m)	PRSI (€m)	Total (€m)
2005	130*	319	29	478
2006	156*	338	39	533
2007	173*	356	43	572
2008	159*	n/a	39	n/a
2009	99*	n/a	30	n/a

*Includes yield from special investigations and income levy (2009 et seq.)

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 0.9% of the total income tax-take in 2009. This compares to 89.9% from the PAYE sector and 9.2% from other self-employed.

Table 8.2

Average Income Tax Paid by Sector, 2005-2009

	PAYE ¹ (€)	Farmers ² (€)	Other Self-employed (€)
2005	4,411	1,274*	11,220*
2006	4,395	1,495*	13,622*
2007	4,507	1,532*	14,197*
2008 [†]	4,506	1,437*	11,447*
2009 [†]	4,142	753*	7,370*

[†]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.



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

The agri-food sector makes a very significant contribution to the net inflow of funds to the Irish economy. Analysis completed by economist Brendan Riordan highlights that the net foreign earnings of the 'biosector'¹ contributes approximately 30% of the total net earnings from primary and manufacturing industries². This is approximately double the sector's contribution to exports. The main reasons for the sector's disproportionately large net contribution to earnings from exports are;

- its low import dependence, accounting for half of all purchased Irish goods and services by the manufacturing industry, and
- the low levels of profit repatriation among its processing firms.

This contribution is also reflected by the fact that for every €100 of exports, the 'biosector' accounts for significantly higher net foreign earnings than the 'non-biosector'. In 2005 this was €48 for the 'biosector' as opposed to €19 for the 'non-biosector'. The largest disparity between the 'biosector' and the 'non-biosector' was in the import content of exports. These were €38 per €100 euro in the 'biosector', but €58 per €100 euro of exports in the 'non-biosector'.

Further research will be carried out in 2011 to update this study with more recent data.

¹ Agriculture, forestry and fishing as well as the industries processing their products, namely the food, beverage and tobacco industries

² Brendan Riordan, "The Net Contribution of the Agri-Food Sector to the Inflow of Funds into Ireland: a New Estimate", May 2008



CHAPTER 9

ENVIRONMENT



CHAPTER 9 ENVIRONMENT

9.1 Overview

This chapter provides an overview of some of the more significant environmental protection measures impacting on the farming sector. This is an increasingly important element of modern agricultural policy, which must now take on board a range of EU directives and international commitments, together with national legislation concerning the environment.

9.2 Nitrates Directive

A comprehensive public consultation process on a new Nitrates Action Programme (NAP) commenced in June 2010. Forty five submissions were received in total, including submissions from the main farming organisations and environmental non-governmental organisations.

The Minister for the Environment, Heritage and Local Government and the Minister for Agriculture, Fisheries and Food set up an Expert Advisory Group to assist both Departments in taking forward the review process and in determining a common position on the measures that should be included in the new NAP.

Following completion of the Expert Group's Report, detailed discussions took place with the EU Commission on the proposed content of the new programme. Final agreement was reached with the Commission on a new NAP in November 2010. The new programme will run to the end of 2013.

Among the main new features of the 2nd National Action Programme are:

- a site-specific, risk-based approach for set-back distances from drinking water abstraction points (previously set-back distances were determined by the water abstraction rate)
- a prohibition on the application of chemical fertiliser within 2 metres of a watercourse (previously this was 1.5 metres)
- new controls on storage of baled silage;
- amendments to the maximum nitrogen and phosphorus fertilisation rates for cereal crops including a measure to address the issue of low protein levels in malting barley;
- time-limited extension for transitional arrangements covering the use of pig and poultry manure and spent mushroom compost;
- revision of certain dates where the establishment of green cover is required.

The conclusion of an agreement with the EU Commission on a new NAP cleared the way for the EU Commission to approve Ireland's request for a renewal of the derogation under the Nitrates Directive. This derogation allows more intensive farmers to operate at higher stocking levels subject to adherence to stricter rules. The new derogation will run to the end of 2013, coinciding with the new NAP.



The Department of the Environment, Heritage and Local Government introduced revised Nitrates Regulations in December 2010 [S.I. 610 of 2010 - European Communities (Good Agricultural practice for the protection of Waters) Regulations], to give effect to the agreed new National Action Programme

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, AEOS & Organic Schemes, supports for manure management in line with the EU Nitrates Directive, supports for afforestation and through development of renewable energy resources.

Ireland has also agreed to reduce national greenhouse gas emissions by 20% compared to 2005 emissions levels, by 2020, as part of the EU Climate and Energy Package for the post-Kyoto period 2013-2020. When communicating their willingness to be associated with the Copenhagen Accord¹ the EU reiterated the conditional offer to increase the overall EU 2020 emission reduction target from 20% to 30% in the event of a comprehensive agreement on global emissions reductions. This will lead to the establishment of new targets for individual EU Member States, based on a number of set criteria and would lead to an increase in the Irish reduction target, potentially to up to a reduction level of 30%.

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 in an effort to find suitable mitigation technologies and approaches. As part of the Department's 2010 research call, €1.5m was committed to funding a Network that aims to bring together all principal investors working in the field of agricultural climate change research in a 4 year initiative. Ireland is engaged with the EU Joint Programming Initiative on agriculture, climate change and food security and is also a founder member of the Global Research Alliance on Agricultural Greenhouse Gases, which was established in December 2009.

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.

¹ This Accord, which outlines certain climate change commitments, was the main output from the December 2009 UNFCCC Climate Change negotiations in Copenhagen. The Accord was noted by Parties.



The European Communities (National Emissions Ceilings) Regulations 2004², 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 2008 the level of emissions had declined to 103.8 kt, of which, 101.3 kt was from agriculture.

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

9.5 CAP Reform & Cross Compliance

Under the Single Payment Scheme farmers are required to respect the various Statutory Management Requirements (SMRs)³, 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).

Since 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 be checked through inspection visits. Failure to meet the requirements may result in payments being withheld, either partially or fully.

9.6 Rural Environmental Protection Scheme

By the end of 2010 there were approximately 29,500 participants in REPS. Some 22,000 farmers continue to farm under REPS 3. Spending on REPS in 2010 amounted to €321 million. 48,048 farmers received REPS payments in 2010, with approximately 1.26 million hectares or 29% of Ireland's agricultural area being farmed to REPS standards. Over half of all REPS participants are located in counties along the western seaboard, with 21% located in counties Galway and Mayo. REPS schemes continue to deliver enhanced environmental benefits through improved biodiversity and supplementary measures. Participants in REPS 4 must comply with 11 basic compulsory measures. They also engage in at least two out of a range of twenty-five undertakings designed to increase biodiversity at farm level.

The following Tables, from the Teagasc Farm Survey 2009, present key information in relation to both REPS and non-REPS farms.

² Incorporated into Irish law by S.I. No. 10 of 2004, 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

³ set down in EU legislation (Directives and Regulations) on the environment

**Table 9.1**

Family Farm Income and Direct Payments for REPS Farms by System of Farming, 2009

	Dairying	Dairying/ other	Cattle Rearing	Cattle Other	Sheep	Tillage	All
				€/Farm			
FFI	25,432	19,443	9,708	13,357	11,659	16,085	14,455
Direct Payments	23,256	26,198	17,517	19,751	18,451	24,395	20,234
REPS Contribution	6,329	7,136	5,406	4,659	6,161	6,110	5,577
Farm Size (Ha)	44.4	52	32.4	33.7	36.7	47.3	37.5

Source: Financial and Technical Analysis of REPS/Non REPS Farms 2009; Kinsella, A., Quinlan, G. and Moran, B.

Table 9.2

Family Farm Income and Direct Payments for Non-REPS Farms by System of Farming, 2009

	Dairying	Dairying/ other	Cattle Rearing	Cattle Other	Sheep	Tillage	All
				€/Farm			
FFI	22,504	15,517	3,894	5,799	6,552	14,501	9,695
Direct Payments	19,083	22,366	9,131	11,401	10,738	25,024	13,894
Farm Size (Ha)	49.5	56.8	27.4	28.4	31.6	65.3	36.7

Source: Financial and Technical Analysis of REPS/Non REPS Farms 2009; Kinsella, A., Quinlan, G. and Moran, B.

9.7 Organic Farming

At the end of 2010, there were 1639 organic operators in Ireland, of which 1,401 were producers and the remainder were processors of organic produce. Total area of land under organic production has increased by almost 65% since 2002 and was 52,821 hectares at the end of 2010. This equates to just under 1.2% of the total utilisable agricultural land 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 under a special organic measure and the Organic Farming Scheme which is now a stand-alone organic scheme. A total of €10.5 million has been allocated under the Organic farming Scheme to cover outstanding payments and 2011 payments under the scheme.

The Organic Farming Scheme, introduced in August 2007 under the Rural Development Programme 2007–2013 seeks to encourage producers to respond to the market demand for organic food. Following a review of the scheme in 2009 applicants who were not previously in the organic farming supplementary measure of REPS have to complete an approved training course before joining the Scheme. In addition, all applicants now have to submit a five-year business plan. These criteria aim to identify those applicants who are most likely to deliver increased organic output nationally. In particular it will target support to those operators who intend producing products which suit our climatic and



infrastructural conditions but are still under-supplied.

Organic farmers and processors can also avail of the capital grant schemes which were originally launched in June 2007 and were re-launched at the beginning of January 2010. These grant aid Schemes provide aid for investments in equipment and facilities, both on and off-farm. €2m was provided for these schemes in 2010 and a further €1.97m euros has been allocated for 2011.

9.8 Farm Waste Management Scheme

Payments continued in 2010 under the Farm Waste Management Scheme on the basis of the revised arrangements introduced by the Government in 2009, i.e.:-

- (a) first instalment of 40 per cent in 2009 as claims are approved;
- (b) second instalment of 40 per cent in January 2010; and
- (c) final instalment of 20 per cent in January 2011.

As a result of savings elsewhere in the Department's Vote, the Minister announced that he would pay approx. €100 million by way of the final instalment of 20 per cent to farmers under the Scheme before the end of 2010. This brought expenditure under the Scheme in 2010 to €298 million and total expenditure, since the Scheme's introduction in 2001, to over €1.2 billion.

9.9 Biofuels

EU and National policy documents highlight the necessity of promoting the use of renewable energy, including bioenergy, and the respective policy targets favour the production of bioenergy from agriculture sources. The EU Directive on Renewable Energy requires Ireland to achieve targets of a 16% share of energy from renewables by 2020 and 10% in transport by the same date. In 2009, penetration of renewable energy in final consumption in Ireland was 4.9%.

To ensure these targets are met, two interdepartmental groups, the "Renewable Energy Development Group" and the "Bioenergy Working Group", have been established by the Department of Communications, Energy and Natural Resources to consider the challenges and opportunities facing the Irish renewable sector. A 'Renewable Energy Action Plan' for Ireland, detailing the targets, policies and measures required to give effect to the EU targets mentioned above was submitted to the EU Commission in June 2010.

A more proactive approach is needed to develop the market in Ireland and it is recognised that supply chains and end use markets need to be developed to continue to expand production. In this regard, options for the commercial use of miscanthus and willow continue to be explored.

The Biofuels Obligation Scheme will require all fuel supply companies to ensure that a certain percentage (currently proposed at 4%) of the transport fuel used in the State consists of biofuels. This Scheme will be a key component to achieving the 10% penetration target of renewable energy in Transport by 2020 and will equally encourage the growth of the biofuels industry in Ireland by providing a long term market for the biofuel sector.



9.10 Energy Crops

Potentially the cultivation of energy crops can deliver positive outcomes in terms of reduced CO₂ emissions, better energy security and extra sources of income/employment for rural communities. To date, supports have focused on establishing the energy crops miscanthus and willow.

A pilot Bioenergy Scheme was launched in 2007 to support the planting of miscanthus and willow by giving farmers a grant up to a maximum of €1,450 per hectare to cover 50% of establishment costs. Grants were paid in two instalments – 75% following establishment of the crop and 25% in the year after establishment. The pilot Scheme supported 364 farmers in the planting of some 2,500 hectares (2,100 miscanthus and 360 willow) to the end of 2009 for use as a renewable source of energy.

A new Bioenergy Scheme, co-funded by the EU under the Rural Development Programme, was launched in February 2010 to build on the progress made during the pilot phase. Under this Scheme farmers receive a grant up to a maximum of €1,300 per hectare to cover 50% of establishment costs (reflecting the reduction in crop establishment costs since the launch of the Pilot Scheme). In 2010 the Scheme facilitated the planting of up to 165 hectares of miscanthus and 188 hectares of willow.

The Scheme for 2011 was launched in November 2010, with a closing date of 2nd February 2011. Some 90 applications have been received under the 2011 Scheme to plant up to 1,000 hectares (660 willow and 337 miscanthus).

Details of the areas planted under the Bioenergy Scheme from 2007 – 2010 are contained in Table 9.3 below.

Table 9.3

Details of planting to date under the Bioenergy Scheme

Year	Miscanthus (hectares)	Willow (hectares)	Total (hectares)
2007	617	64	681
2008	775	128	903
2009	709	168	877
2010	165	188	353
Total:	2,266	548	2,814

9.11 Biodiversity

The Department continues to work closely with the Department of the Environment, Heritage and Local Government (DEHLG) on bio-diversity issues arising in relation to Departmental schemes etc., with the EU Commission regarding Halting the Loss of Biodiversity and with the UN Convention concerning Biological Diversity.

2010 was the International Year of Biodiversity. DAFF's activities in support of biodiversity include:

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.

While REPS is now closed to new applicants two new Agri-Environment schemes were launched in 2010. The Agri-Environment Options and Natura Schemes are measures under Ireland's Rural Development Programme 2007-2013. The Schemes are jointly funded by the European Union and the national Exchequer.

The objectives of AEOS are to meet the challenges of conserving and promoting biodiversity, encouraging water management and water quality measures and combating climate change.

The objectives of the Natura 2000 scheme is to contribute to the positive environmental management of farmed natura 2000 sites and river catchments in the implementation of the Birds Directive (Council Directive) 79/409/EEC, the Habitats Directive (Council Directive 92/43/EEC) and the Water Framework Directive (Council Directive 2000/60/EC).

AEOS/Natura will build upon the gains made in conservation since 1994 under REPS and will specifically target Natura 2000 sites and areas whose landscape and biodiversity have resulted from traditional farming methods.

9.12 Targeted Agricultural Modernisation Schemes

EU Commission approval for the introduction of a number of targeted modernisation schemes focused on supporting productive investment in the agricultural sector was received in 2010. Due to the relatively short time-frames for completion of the investment works concerned, priority was given to the introduction of the Sow Welfare and Poultry Welfare Schemes which were launched on 16 June 2010. The Sheep Fencing/Handling Scheme opened for applications on 1 November 2010.

The remaining Schemes, the Dairy Equipment Scheme and the Rainwater Harvesting Scheme, opened for applications on 4th and 8th March 2011 respectively.

No payments were made in 2010 under any of the schemes concerned.



CHAPTER 10

FORESTRY



CHAPTER 10 FORESTRY

10.1 Overview

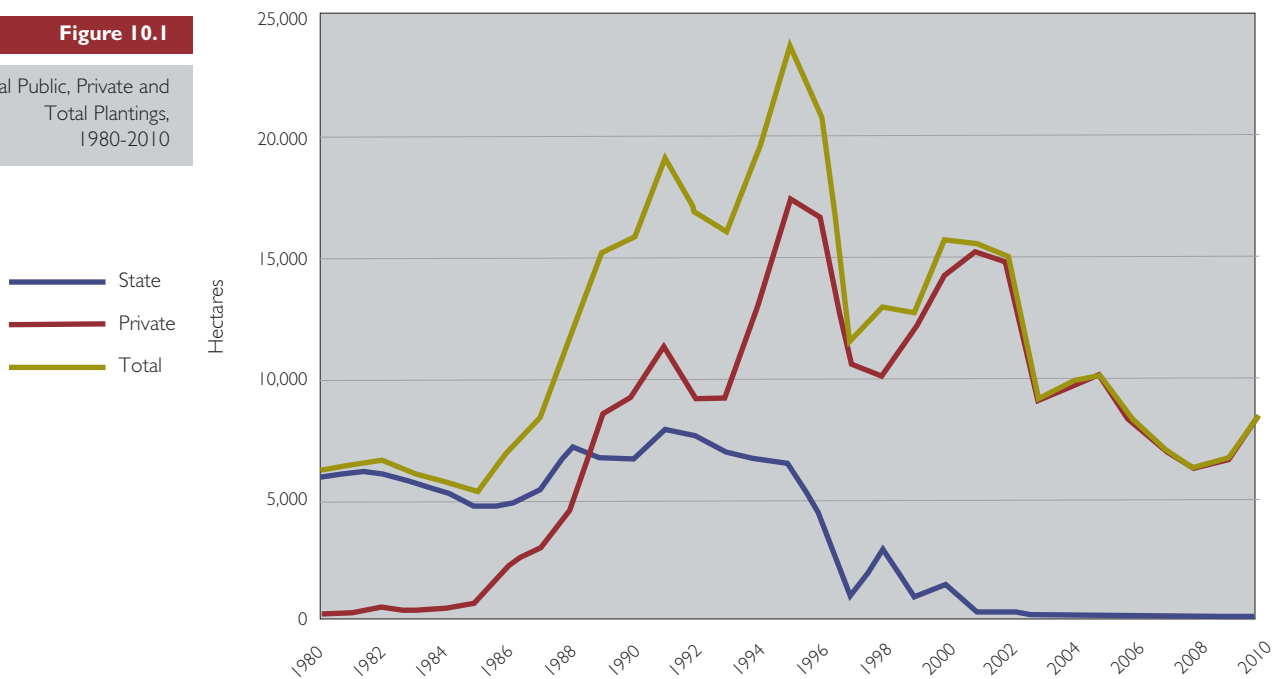
Forest cover in Ireland reached 745,000 hectares in 2010, or nearly 11% of total land area. This compares to a European average of about 40%. In Ireland, most new plantings were undertaken by the State up until the mid 1980s. However, the introduction of EU co-funded support programmes at that time was a catalyst for a significant increase in private afforestation.

10.2 Forest Cover in Ireland and the EU-25

Figures 10.1 and 10.2 describe the trend in new planting since 1980. The level of planting by the private sector exceeded public planting by the mid to late 1980s with the latter decreasing substantially thereafter. Private plantings peaked around the mid 1990s and declined in recent years although in 2010 there was a 25% increase to 8,314 hectares in the area grant aided. The proportion of afforested land privately owned was nearly 47% in 2010. There has been a significant increase in broadleaf planting since 1996 reflecting the revised support structure for such plantings. Broadleaves accounted for nearly 38% of new planting in 2010 exceeding the current target of 30%.

Figure 10.1

Annual Public, Private and Total Plantings, 1980-2010



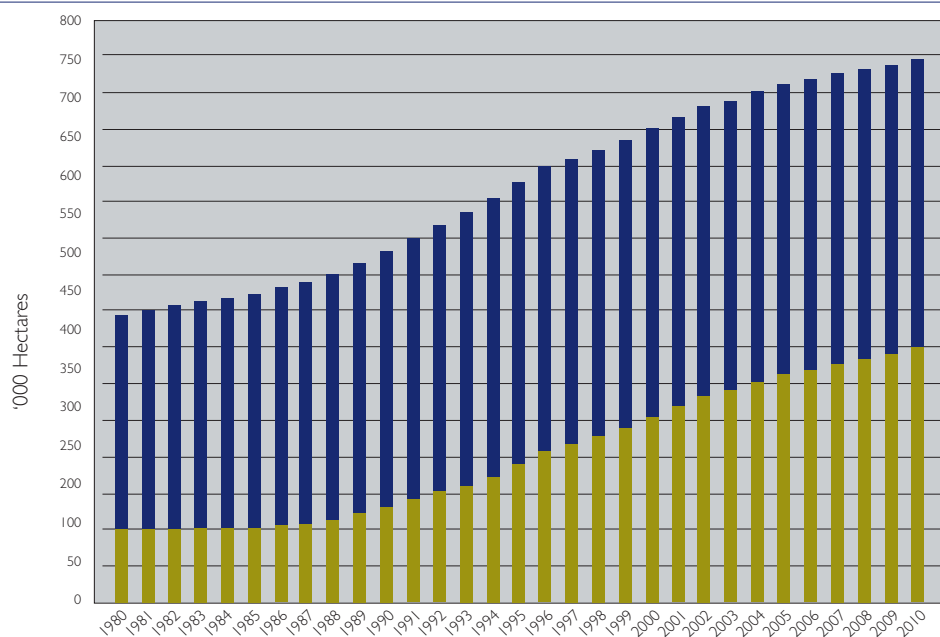
Source: DAFF Forest Service



Figure 10.2

Total Forest Area and % Privately Owned, 1980-2010.

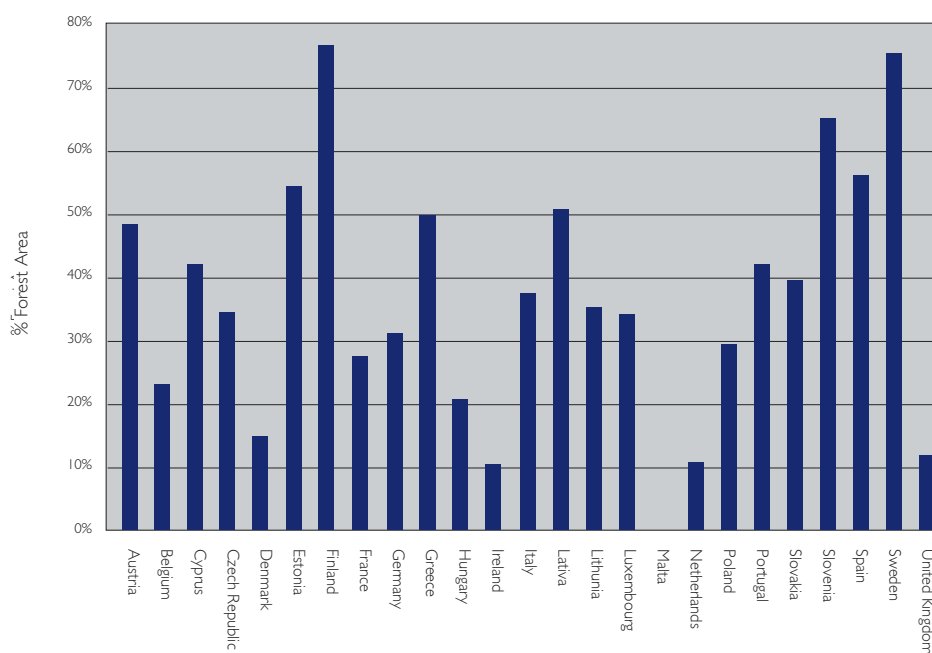
■ State Owned
■ Privately Owned



Source: DAFF Forest Service

Figure 10.3

Wooded area as a Percentage of Total Land Area in the EU-25, 2005.



Source: European Commission, Agriculture in the European Union: Statistician and Economic Information, 2009.

10.3 Irish Woodflow

Ireland's forests provide a range of roundwood assortment sizes used for board manufacture, wood energy, stake production and for the sawmill sector. The Irish wood processing sector is well-developed and, in recent years, has shown that it can adapt to changing market conditions. The COFORD¹ estimate is that the total roundwood harvest available for processing in 2009 was 2.421 million m³, a small reduction (c. 3%) on the 2008 harvest. The reduction was primarily due to reduced demand for sawn timber and wood-based panels, linked to the reduction in construction activity. The harvest was broken down as 66% sawlog, 30% pulpwood and 4% stakewood. Coillte supplied approximately 97% of the harvest, with the balance coming from the private sector estate. COFORD also estimates that the private forestry sector has the capacity to increase its output ten-fold over the coming decade².

¹ COFORD Connects: Woodflow for the Republic of Ireland 2009 (2010)

² COFORD: Roundwood Production from Private Sector Forests 2009-2028, A Geospatial Forecast (2009)

**Table 10.1**

Roundwood harvest available for processing 2007-2009

	2007 000 m ³	2008 000 m ³	2009 000 m ³
Logs imports less exports	57	106	-63
Coillte harvest	2,556	2,279	2,354
Private harvest	390	118	130
TOTAL	3,003	2,503	2,421
Assortment category			
Sawlog	1,934	1,619	1,602
Pulp	889	804	731
Stakewood	180	80	88
TOTAL	3,003	2,503	2,421

Source: COFORD Connects: *Woodflow for the Republic of Ireland 2009* (2010)

Total wood fibre available in the Republic of Ireland in 2009 amounted to 3.553 million m³, including 932,000m³ processing residue³ and 200,000m³ post-consumer recovered wood.

Table 10.2

Source of wood fibre 2007-2009

	2007 000 m ³	2008 000 m ³	2009 000 m ³
Roundwood	3,003	2,503	2,421
Sawmill residues	966	846	838
Wood-based panel residues	125	106	94
Post consumer recovered wood	264	208	200
TOTAL	4,358	3,663	3,553

Source: COFORD Connects: *Woodflow for the Republic of Ireland 2009* (2010)

Of the wood available for processing 1.602 million m³ was used by the sawmilling sector, 1.286 million m³ by the wood-based panel sector and 0.431 million m³ for process drying, heat and power in the processing sector. The balance was used for a variety of products including round stakes (88,000 m³), horticultural bark mulch (54,000 m³) and woodchip (55 m³).

Table 10.3

Use of wood fibre 2007-2009

	2007 000 m ³	2008 000 m ³	2009 000 m ³
Sawmill sector	1,934	1,619	1,602
Wood-based panel	1,673	1,462	1,286
Stakewood	180	80	88
Biomass used for energy in the wood products sector	324	378	431
Other uses			
Bark mulch	132	44	54
Woodchip	20	30	55
Export of product residues	95	50	37
TOTAL	4,358	3,663	3,553

Source: COFORD Connects: *Woodflow for the Republic of Ireland 2009* (2010)³ Wood residue includes bark, sawdust and woodchip produced in sawmills and woodbased panel plants



Output from the sawmilling sector amounted to 772,000 m³ in 2009, of which 63% was for the export market. Sawmill output was used primarily in the production of construction timber, pallets and fencing.

The volume and value of imported forest products continued to fall in 2009. Imported sawn timber and wood based panels fell from 676,000 m³ in 2008 to 413,000 m³ in 2009, while the volume of pulp and paper products fell from 555,000 tonnes in 2008 to 411,000 tonnes in 2009. The total value of imported forest products fell by 40%, from €789 million in 2008 to €464 million in 2009.

Output from the wood-based panel sector amounted to 709,000 m³, of which 82% was exported. Wood-based panel output comprises OSB, MDF, chipboard, particleboard, and moulded doorskins.

Table 10.4

Volume and value of timber imports and exports 2007-2009

IMPORTS	2007	2008	2009	2007	2008	2009
	000 m³	000 m³	000 m³	€ million	€ million	€ million
Sawnwood	724	412	232	251	141	66
Wood-based panels	358	264	181	146	108	68
	000 tonnes	000 tonnes	000 tonnes	€ million	€ million	€ million
Pulp & paper	577	555	411	489	540	330
TOTAL IMPORTS				886	789	464
EXPORTS	2007	2008	2009	2007	2008	2009
	000 m³	000 m³	000 m³	€ million	€ million	€ million
Sawnwood	381	389	564	71	54	51
WBP	757	614	580	262	195	147
	000 tonnes	000 tonnes	000 tonnes	€ million	€ million	€ million
Pulp & paper	85	79	45	92	69	45
TOTAL EXPORTS	1,223	1,082	1,189	425	318	243

Source: COFORD Connects: Woodflow for the Republic of Ireland 2009 (2010). Data based on Ireland's EUROSTAT Joint Forest Sector Questionnaire returns for 2007, 2008 and 2009

10.4 Size, Structure and Output of Irish Wood Processing Sector

Table 10.3 shows details on the size and structure of the Irish wood-processing sector in 2008. In 2008, the Census of Industrial Production identified 511 enterprises as being involved in the manufacture of furniture, 316 enterprises involved in the manufacture of wood and wood products and a further 124 in the manufacture of pulp, paper and paper products.

Of the 15,730 involved in the processing of wood and manufacture of pulp and paper products etc, nearly 40% in the "furniture" category which includes the production of builders' carpentry and joinery; over 21% are involved in the manufacture of pulp, paper and paper products; 32% are involved in the manufacture of other wood products and the remaining 7% are involved in sawmilling. Earnings per person employed were highest in the Pulp/Paper sector while the highest GVA per person employed and the highest turnover per person employed was in the sawmilling sector.

**Table 10.5**

Size, Structure and Output of Wood Processing Sectors, 2008

	No. of enterprises	Persons Engaged	Turnover per person employed	GVA per person employed	Earnings per person employed
No.	No.	€	€	€	
Sawmilling and planing of wood	35	1,030	280,582	66,019	32,978
Other wood products, cork, straw and plaiting materials	281	5,053	156,739	46,507	29,883
Pulp, paper and paper products	124	3,394	172,952	56,865	38,303
Furniture	511	6,253	123,461	46,538	30,385
TOTAL	951	15,730	733,734	215,929	131,549

Source: CSO, 2008 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 Ireland⁴ 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 (paperboards, 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 Associates⁵, 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.

Non-wood Benefits from Forestry

There has been growing recognition of the non-wood 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-wood benefits can be difficult they were estimated at over €88 million per annum by Bacon and associates (2004)⁶. It is estimated that the carbon sequestered by Irish forests could be worth an average of €33 million annually for the first commitment period of 2008-2012 inclusive⁷.

⁴ 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).

⁵ Bacon "Forestry: A Growth Industry In Ireland" (2004)

⁶ As per above

⁷ Assuming 1 tonne CO₂ = €15



10.6 Forest Strategy and Financial Supports

The Forest Service promotes afforestation as a viable land use for farmers through the provision of planting grants and payment of annual premiums. In 2010, over €107 million of capital expenditure was invested in afforestation grants and premia (Table 10.4) – mainly comprising €27.6 million on Afforestation 1st Instalment Grants, €7.4 million on Afforestation 2nd Instalment Grants and €72.3 million on Afforestation Premium payments. An additional €6.6 million was spent on other forestry support schemes for forestry and woodland development projects.

A total of €114.5 million in funding for capital and current expenditure has been allocated for the overall forestry programme in 2011. This should facilitate payment for between 7,500 and 8,000 hectares of new planting.

Table 10.6

Annual Expenditure on forest schemes, 2005 – 2010

Year	Total Expenditure	Total Afforestation Programme	1st Grant €m	2nd Grant €m	Premia €m	Forestry Support schemes €m
2005	110.8	97.0	26.9	12.0	58.1	13.8
2006	111.0	93.6	22.7	10.9	60.0	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
2009	111.0	102.3	22.1	8.7	70.5	8.7
2010	114.4	107.8*	27.6	7.4	72.3	6.6

*Balance of €0.5 million expended on sundry capital expenses.

10.7 Wood Biomass

Wood biomass from Irish forests is a sustainable, renewable, carbon-neutral and indigenous source of energy. It is predominantly used to generate thermal energy (heat) but is also used to generate electricity, or both heat and electricity, in Combined Heat and Power (CHP) plants.

Ireland's renewable thermal energy requirement in the industrial sector is dominated by biomass, particularly in the wood products sector where wood is used extensively for process heat. In 2009, the wood products sector accounted for 65% of industrial renewable thermal energy use and 43% of total renewable thermal energy use⁸.

In the residential sector, which accounted for 25% of total renewable thermal energy use in 2009, wood biomass also dominates. This is primarily due to grants under the SEAI Greener Homes Scheme for the installation of domestic renewable heating systems fuelled by woodchip, wood pellets and other renewable fuels. Between 2004 and 2009 use of renewable thermal energy in homes increased from 15 ktoe to 49 ktoe⁹.

The ReHeat Programme provides support to the commercial, public and industrial sectors for the installation of wood chip and wood pellet boilers. By June 2010, some 163 biomass projects had received support under the scheme, with a combined installed capacity of 67.6 MWth.

⁸ Renewable Energy in Ireland, 2010 Update, p.26 (SEAI, 2010)

⁹ Renewable Energy in Ireland, 2010 Update, p.26 (SEAI, 2010)



In the 2007 Energy White Paper, the government set a target of 30% co-firing with wood biomass, at the three State-owned peat power stations, to be achieved progressively by 2015, beginning with Edenderry Power Station. Trials commenced at Edenderry in 2008. In 2009, 66,000 tonnes of wood biomass were co-fired at the plant. It is estimated that wood biomass use at Edenderry Power could reach 300,000 tonnes by 2016.

There are currently two commercial wood-fuelled CHP plants in Ireland - at Grainger Sawmills Ltd and Munster Joinery Ltd, both in Co Cork -, with a combined capacity of 5 MWe and 4 MWth.

The total estimated demand for wood energy in 2011 is 0.95 million m³ and it is anticipated that will increase to 1.67 million m³ by 2028. A recent COFORD¹⁰ study estimated that up to 1.45 million m³ of wood fibre will potentially be available for the renewable energy sector by 2020, increasing to 1.81 million m³ by 2027. The estimate assumes, inter alia, that increased volumes of small roundwood from thinning operations in the private sector, downgrade material from large assortments and wood residues from the processing sector will be available over the forecast period. It should be emphasised that these volumes are potentially available – wood energy will have to compete with other end uses in order to secure the volumes indicated.

Table 10.7

Contribution of Renewables to Total Primary Energy Requirement, 2008

Renewable Energy Type	Peta Joule (PJ)	%	%TPER
Wind Total	8.67	36	1.31
Wood	5.36	22	0.81
Tallow/MBM	2.09	9	0.32
Biomass Total	7.45	31	1.13
Hydro Total	3.48	14	0.53
Landfill Gas	1.08	4	0.16
Biogas	0.38	2	0.06
Liquid Biofuel	2.30	9	0.35
Solar	0.12	0	0.02
Geothermal	0.84	3	0.13
Other Total	4.72	19	0.71
OVERALL TOTAL	24.32	100	3.68

10.8 Forestry and Climate Change

Forests plays a significant role in mitigating climate change by removing carbon dioxide from the atmosphere and converting it to carbon, which is then stored in the wood and vegetation of trees. This process is known as carbon sequestration. In 2008, the net contribution of Ireland's Kyoto eligible forests (i.e. new forest planted since 1 January 1990) amounted to 2.75 million tonnes CO₂. Assuming a carbon cost €14.03¹¹ per tonne, this represents a potential saving in the region of €38.58 million to the exchequer (in carbon credit purchases).

¹⁰ Forecast of Roundwood Production 2011-2028 (COFORD, in Press)

¹¹ This reflects the average price paid by NTMA for carbon units purchased in 2008 (see Carbon Fund Annual Report 2008, page 14)



Forests also play a role in reducing Ireland's carbon emissions from the combustion of fossil fuels. Wood from sustainably managed forests is carbon neutral fuel and is used in heating, and in combined heat and power (CHP) and electricity generation. The increased use of indigenous wood fuel also offers significant opportunities to reduce Ireland's dependence on imported fossil fuels and contribute to national fuel security.

The substitution of carbon intensive products, such as steel, plastic and aluminium, with timber products can also make a significant contribution to climate change mitigation. Furthermore, wood products can be recycled or combusted at end of life, thereby closing the carbon cycle.

10.9 Outlook for Forestry Sector

The contraction in the domestic economy since 2007, especially in the housing market, has adversely affected timber output. This has impacted on the sawmilling and wood-based panel sectors which experienced further declines in output in 2009, although the decline was less than in 2008. However, there are signs of recovery from mid 2009. While imports of sawn wood fell by c. 44% from 412,000 m³ in 2008 to 232,000 m³ in 2009, largely due to reduced demand in the domestic economy, sawn wood exports increased by 45% from 389,000 m³ in 2008 to 564,000 m³ in 2009. This was largely due to increased demand in the UK as a result of a reduced supply of Scandinavian timber and the ability of Irish sawmillers to adapt to changing market conditions. Since early 2010, the euro has fallen in value against sterling and this will help timber exporters to maintain competitiveness in the UK market, where housing construction is showing signs of recovery.

The increasing use of wood biomass in renewable energy sector is providing private forest owners with a long term sustainable market for wood, especially for small diameter logs and harvesting residues from early thinning operations.



CHAPTER II

FISHERIES



CHAPTER 11 FISHERIES

11.1 Overview

The Irish seafood industry comprises the commercial sea fishing industry, the aquaculture industry and the seafood processing industry.

The Irish seafood industry is based on the utilisation of a high quality, indigenous natural resource, which has excellent potential for added value. The Irish seafood industry makes a significant contribution to the national economy in terms of output, employment and exports. Generating approximately 11,000 jobs in rural coastal regions, it is estimated that the industry contributed approximately €713 million to the national economy in 2010.

The Seafood Sector has very significant potential to grow and increase the value of output in the coming period. Demand for seafood is growing globally and this is driven both by per capita consumption increases in the developed world and overall global population growth. It is estimated that an additional 40 million tonnes of seafood per annum will be needed globally by 2030. Ireland has the potential to capitalise on this rapid growth and that is reflected in the targets set out in the Food Harvest 2020 Report.

Food Harvest 2020 sets out a roadmap for growth in the seafood sector and the delivery of the recommendations in that report are critical for delivering on the substantial potential of this sector. This potential is based on developing non-traditional species, improving quality and developing value-added products from Irish and foreign landings into Ireland for high value EU and niche markets. The potential for growth lies in a number of areas. In sea fisheries, opportunities exist to increase the value of the fish caught by:

- (a) fishing for the market;
- (b) improving the quality and presentation of catch;
- (c) developing new higher-value seafood products and presentations;
- (d) attracting a larger share of the €1.18 billion worth of fish caught in waters from the North of France to the North of Scotland to be landed into Ireland for sale, processing and transportation;
- (e) rebuilding and managing fish stocks so as to enable higher annual fish quotas

In aquaculture there is a strong global demand for both finfish (salmon) and shellfish (mussels, oysters). Ireland is well placed to increase its growth of these products but has to overcome regulatory problems resulting from the implementation of EU Environmental Directives (Natura Directives) before it can capture the true potential of the Aquaculture Industry. Aquaculture is a labour intensive (24/7/365) industry providing high value products. The expansion of aquaculture will result in job creation in peripheral coastal communities and will drive the expansion of the seafood processing industry through increased raw material supply.

Seafood innovation and new product development, together with maintenance of an international reputation for wholesome, fresh and natural seafood, produced in the most sustainable and environmentally friendly manner, are essential to the advancement and further development of the Irish seafood sector. State support for the sector is focused on initiatives that endeavour to deliver these fundamental requirements while also seeking to increase Ireland's market share of the international seafood industry.



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 six major fishery harbour centres (Killybegs, Castletownbere, Howth, Rossaveal, Dunmore East and An Daingean), at 40 secondary ports and a further 80 piers and landing places where fish landings are recorded. 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.

The prospects for seafood, both at a global and European level, are very favourable, especially in the medium to long term. The world's population is growing strongly and is not expected to stabilise until c. 2050 when there will be more than nine billion people on the planet. The additional 4.5 billion people, on top of the current population, represent a massive new market for food. As a consequence, it is inevitable that demand for seafood will continue to grow for the foreseeable future with estimates suggesting that an extra 40 million tonnes of seafood will be required annually by 2030.

From a European Union perspective, the issue of seafood supply is already acute. Current market demand in Europe is of the order of 12 million tonnes per annum, valued at approximately €60 billion. The amount of seafood produced within the European Union, to meet local market demand, has declined substantially over the last two decades. In the 1990's, imports accounted for approximately 40% of demand, whereas today that figure is closer to 65% and is showing no sign of falling.

As the emerging powerhouse economies of the Far East grow wealthier, their demand for seafood will continue to increase substantially. It is worth noting, for example, that the middle class in China is expected to quadruple in size to 600 million citizens in the next five years. This, together with an inevitable increase in fuel prices, will reduce the availability of cheap seafood from outside Europe, which, in turn, will have significant implications for the European market and for Irish seafood producers.

Bord Iascaigh Mhara (BIM) has identified a number of key challenges to be overcome if the potential inherent in the Irish seafood sector is to be realised. These include:

- Recessionary effects – reduced prices for seafood, difficulties in obtaining working capital, increasing interest rates;
- Access to the resource – a stronger emphasis on environmental protection and conservation; Lack of scale and inefficient logistics chain;
- The growth of low cost imports from countries operating from significantly lower cost bases and a lack of differentiation of Irish seafood;
- Changing consumer preferences – a premium on convenience, versatility and price.

BIM has formulated a new three year strategic plan¹ in response to the challenges and opportunities facing the industry and following extensive engagement with all the key stakeholders.



11.2 The Irish Fishing Fleet

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 is within the polyvalent segment, which comprised 1,862 vessels in 2010. A breakdown of the fleet by type of vessel is outlined in figure Table 11.1.

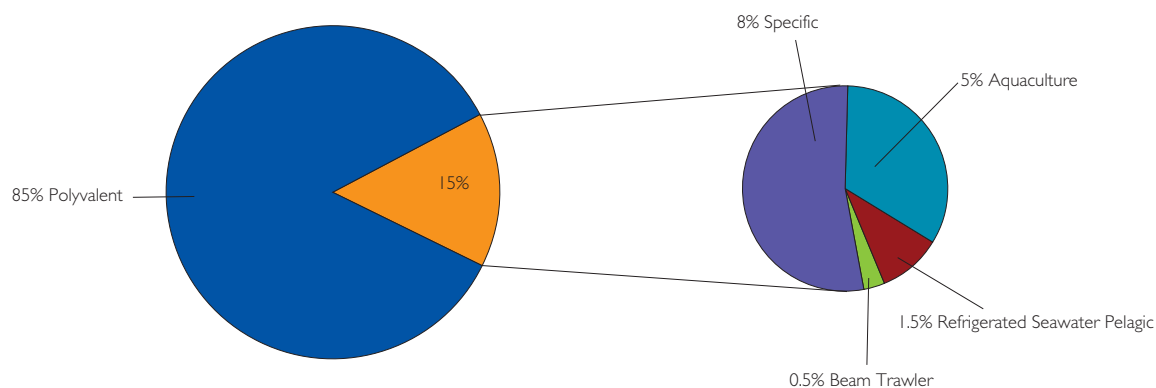
Table 11.1

Overview of the Irish Fishing Fleet, 2010

Fleet Segment	Number of Vessels	Gross Tonnage (GT)	Kilowatts (KW)
Aquaculture	86	4,654	12,256
Specific	150	3,044	14,139
Polyvalent	1,862	32,510	120,937
Beam Trawl	11	867	2,356
RSW Pelagic	23	27,912	46,801
Total	2,132	68,987	196,489

Figure 11.1

Breakdown of Irish Fleet by Type of Vessel, 2010





11.3 Primary Production from Fisheries

Landings

Data on 2009 landings by broad species type is outlined in Table 11.2. The volume and value of fish landed by Irish vessels in home ports for 2009 amounted to over 170,000 tonnes worth approximately €158 million.

Table 11.2

2009 Fish Landings

	Weight	Tonnes
Irish Ports Total	170,161	158
Irish Vessels @ Foreign Ports Total	111,945	N/A
Total Landings by Irish Vessels	282,106	158
of which were Demersal (e.g Cod, Saithe, Haddock, Whiting, Hake, Mgrim, Monkfish, Ling)	89,109	42 (Irish Ports Only)
Pelagic (e.g Mackerel, Herring, Sprat, Sardine)	155,543	53 (Irish Ports Only)
Deepwater	93	0.024 (Irish Ports Only)
Shellfish	37,360	63 (Irish Ports Only)

Source SFPA

Aquaculture

Fish farming continues to provide valuable employment around the coast of Ireland, especially in counties Cork, Donegal, Galway, Louth, Wexford and Waterford. Some 1952 people were directly employed in the sector on a full and part time basis in 2009. In 2008 the 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 47,400 tonnes valued at €104 million in 2009, representing an 11% increase on 2008. Of this amount shellfish production was valued at €36m, while the corresponding figure for finfish was €68m. Early indications are that there has been further growth in output in 2010 with aquaculture production of 50,000 tonnes.

Aquaculture Investment during 2010 under the Commercial Aquaculture Development Scheme of the NDP 2007-2013.

The Irish Seafood National Programme was approved by Government and launched in July 2010. A call for applications under the Commercial Aquaculture Development Scheme was advertised in the national press on 30th July 2010 and a closing date for receipt of applications was set for the 20th August 2010.

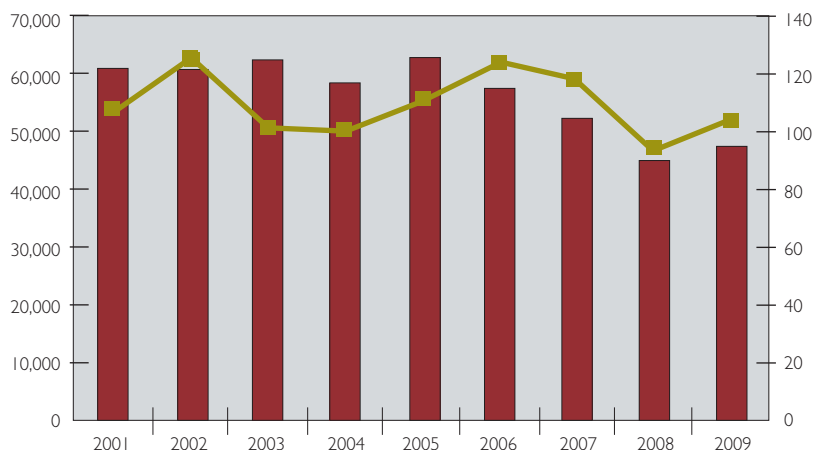
Twelve applications were received by An Bord Iascaigh Mhara and Údarás na Gaeltachta of which ten, having an aggregate investment of €1.949 million, were approved for grant assistance. Seven of the aquaculture projects, involving an investment of €1.419 million, were implemented and grant assistance of €567,693 was drawn down before the deadline 31st December 2010. Three of the seven projects involved the provision of handling and grading facilities for oysters; two projects involved the provision of handling facilities for fresh water trout; one project involved the modernisation of production facilities for sea reared rainbow trout and one project involved the modernisation of production facilities for turbot farming.



Figure 11.2

Aquaculture Production - Value and Volume, 2001-2009

Tonnes (1000's) - Left Axis ■
Value (€M) - Right Axis ■■
Source: BIM



11.4 Seafood Market and Processing Sector

As with other Irish food sectors, Irish seafood operates in two very differently performing markets: buoyant export markets and a difficult home market. Together they were worth €719m in 2010.

Exports

Export markets grew to an estimated €379M for 2010, up by 15% on 2009.

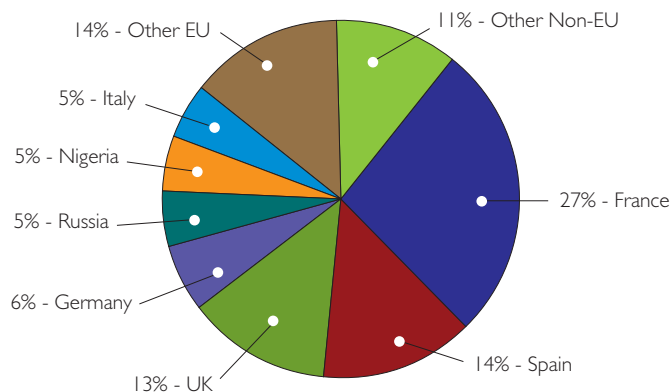
Irish salmon (predominantly organic) had an excellent performance during 2010, with exports estimated at €67m, up 33% in value compared to 2009. Shellfish also recovered strongly with exports worth an estimated €143m, up 24% on 2009. Finally, Pelagic held value and increased volumes by 10% with a total of €112m in exports.

The EU remained the main export destination with approximately 79% with the balance going to Russia, Africa and Asian markets. France accounted for 25% of exports followed by Spain 13%, UK 11%, Germany 6%, and Italy, Russia and Nigeria all at 5%.

Figure 11.3

Main Export Destinations for Irish Fisheries, 2010

Source: CSO, based on first 11 months of 2010



Ireland

The Irish market had a difficult year in 2010 with total sales estimated at €333 million, down 11.6% on 2009. The economic situation, declining consumer purchasing power and bad weather over festive time impacted heavily on both retail and food service sectors. During 2010, there was a shift from salmon and prawns to cheaper cod, coley and haddock. Allied to consumers buying cheaper seafood, there was also a trend to smaller portion sizes with continued growth in pre-packs.



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, are engaged in handling, distribution and processing of fish. Less than 5% of these companies had more than 50 people employed fulltime, 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 the Fisheries Sector

The seafood industry supports the economic viability of many coastal communities, directly generating or supporting approximately 11,000 jobs. This includes full and part time/casual employment in the fisheries, aquaculture, seafood processing and ancillary services sectors and is based on the most recent BIM survey data available.

Table 11.3

Employment in Fisheries Sector, 2008/09

	Fulltime	Part time/ Casual	Total
Total Fisheries	3,924	1,063	4,987
Aquaculture	815	1,205	2,020
Processing	2,200	660	2,860
Ancillary		1,000	1,000
TOTAL	10,867		10,867

Source: BIM Data

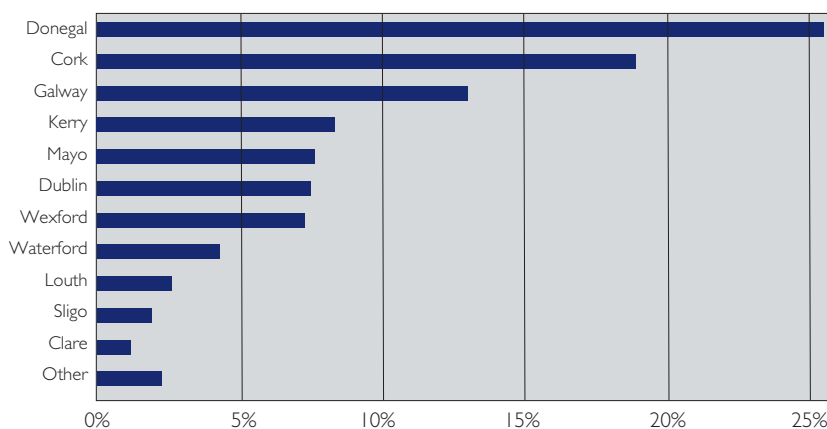
Figure 11.4 below gives the distribution of employment throughout the country in the overall fisheries sector.

Figure 11.4 below gives the distribution of employment throughout the country in the overall fisheries sector.

Figure 11.4

Distribution of Fishery Sector Employment (Full & Part-time)

Source: BIM





BIM trains new entrants and up-skills existing practitioners in the catching, fish farming and seafood processing sectors. Training courses are delivered at BIM's National Fisheries College, Greencastle, Co. Donegal, the Regional Fisheries Centre, Castletownbere, Co. Cork, on BIM's mobile Coastal Training Units and at its Seafood Development Centre at Clonakilty, Co. Cork. BIM's Strategy 2010 – 2012 commits the organisation to provide 3,500 training places to all sectors of the Irish seafood industry over the 3 year period.

Sea Fisheries Training

Training for new entrants to sea fisheries includes the FETAC Certificate in Commercial Fishing and the Department of Transport (DoT) Engineer Officer Class 3 Certificate of Competency. BIM also provides progressive higher level training courses leading to the full range of Department of Transport deck and engineer officer fishing Certificates of Competency. The required skills are imparted through a combination of traditional classroom methods, practical demonstration, electronic simulation and multi media techniques to enable course participants function safely in the capacity of DoT certificated Skipper, Second Hand and Engineer or as a fishing vessel crewmember. Conservation technology, environmental awareness and fish quality requirements are an integral part of the training.

Aquaculture Training

The FETAC Certificate in Aquaculture is designed for new entrants and existing fish farm workers alike. In addition, a number of specialist modular courses are also available, ranging from a basic training module providing new entrants with a foundation in finfish and shellfish farming methods, to higher skilled training courses suited to those who already have experience of fish farming or wish to learn about seaweed on-growing techniques. Engineering, power boat handling, farmed fish welfare and safety skills are also taught to fish farm personnel.

Safety Training

Basic Safety Training is a mandatory legal requirement for all fishing vessel crewmembers and is strongly recommended for aquaculture vessel operators, as it has been proven to have saved lives since its introduction in 2002. The Basic Safety Training course consists of Personal Survival Techniques, Elementary First Aid, Fire Prevention and Safety Awareness, completion of which leads to a BIM Safety Card. In addition, BIM provides 3 and 5-day marine fire fighting courses to STCW-95² standards in a purpose built Department of Transport approved facility in Greencastle and GMDSS³ radio communications training is delivered in all DoT approved maritime training centres.

Seafood Processing Training

BIM offers short one-day workshops as an introduction to the basic principles of hygiene and HACCP in the context of seafood processing at sea and onshore. Many who attend these workshops go on to study the FETAC accredited courses in Seafood Hygiene Management, Risk-Based HACCP for Seafood and Auditing Seafood Businesses.

BIM Seafood Development Centre (SDC)

Currently approximately 85% of Irish seafood is sold in commodity form. The BIM Seafood Development Centre (SDC) in Clonakilty is the first dedicated seafood development facility in Ireland. The SDC seeks to increase the value added seafood offerings and will play a pivotal role in maximising the potential of indigenous Irish Seafood through a market-led innovation approach which seeks to add an additional €100 million worth of new seafood products over the next five years. It will also assist in the creation of seafood company start-ups through the provision of supported incubation spaces.

² International Convention on Standards of Training, Certification and Watchkeeping for Seagoing Personnel, 1995.

³ Global Maritime Distress and Safety System



11.6 Key Policy Developments

Common Fisheries Policy Review

The Common Fisheries Policy (CFP) of the European Union was first put in place in 1983 and has since been subject to review every 10 years. The next review is formally scheduled for 2012.

Following a nationwide consultation process overseen by Dr Noel Cawley, Ireland submitted its response to the Commission's Green Paper in February 2010. Ireland's submission document sets out a number of informed recommendations and key priorities for the new CFP. These cover:

- A new focus on addressing discarding of fish at sea with a complete ban being introduced for stocks in a depleted state;
- The retention of a management system based on national quotas supported by increased flexibility and a rejection of the mandatory privatisation of fish quotas or the introduction of international trading of fish quotas;
- New measures to strengthen the market for EU producers and increase quay side prices;
- Reinvigoration of European aquaculture with continued structural support and a roadmap that establishes a route for growth in harmony with Community environmental law;
- A new regional structure to decision making at EU level with increasing industry responsibility and the development of a culture of compliance.

Under the planned EU timetable for the review, a CFP Reform Package/legislative proposal to the Council and the European Parliament is expected to be adopted mid 2011. This will involve a presentation by the Commission and exchange of views at the Agriculture and Fisheries Council in June 2011. It is anticipated that intensive negotiations will continue until the entry into force of this proposal on the 1st January 2013.

Implementation of the "Sea Change" Marine Research Programme 2007-2013

"Sea Change" is the National Research and Innovation Strategy for the Marine Sector in Ireland. It was approved by government in 2007 to be implemented over the period 2007-2013. Sea Change presents a national agenda comprising science, research, innovation and management, aimed at a complete transformation of the Irish maritime economy.

Specifically it seeks to:

- Strengthen the competitiveness and environmental sustainability of the marine sector;
- Build new multidisciplinary research capacity in fundamental technologies that can be applied to marine-related activities; and
- Deliver a comprehensive planned policy research programme.



CHAPTER 12

STATISTICAL ANNEX



Table 12.1 Output, Input and Income in Agriculture, 2009-2010

	2009	2010	% Change 2009/2010	
	€m	€m	Value	Volume
Livestock (incl stock changes)	2,219.1	2,270.6	2.3%	0.0%
<i>of which</i>				
Cattle	1,471.5	1,498.5	1.8%	-0.1%
Pigs	306.7	333.1	8.6%	8.3%
Sheep	157.5	167.0	6.0%	-10.2%
Livestock Products	1,142.0	1,580.1	38.4%	7.3%
<i>of which</i>				
Milk	1,100.2	1,535.5	39.6%	7.3%
Crops (incl. stock changes)	1,367.2	1,497.3	9.5%	1.1%
<i>of which</i>				
Cereals	107.0	202.0	88.8%	7.6%
Forage Plants	851.7	862.1	1.2%	-1.7%
Goods Output at Producer Prices	4,728.4	5,348.0	13.1%	2.5%
Contract Work	268.7	268.7	0.0%	0.0%
Subsidies less Taxes on Products	15.1	17.0		
Agricultural Output at Basic Prices	5,012.0	5,633.7	12.4%	2.6%
Intermediate consumption	4,070.9	4,104.6	0.8%	3.4%
<i>of which</i>				
Feedingstuffs	1,079.3	1,052.9	-2.4%	0.6%
Fertilisers	415.9	450.6	8.3%	23.7%
Energy and Lubricants	303.0	342.7	13.1%	1.3%
Forage Plants	837.7	848.5	1.3%	-1.7%
Contract Work	268.7	268.7	0.0%	0.0%
FISIM (Note 1)	87.0	87.0	0.0%	0.0%
Gross Value Added at Basic Prices	941.4	1,529.0	62.4%	
Fixed Capital Consumption	780.6	744.5	-4.6%	
Net Value Added at Basic Prices	160.8	784.5	387.9%	
Other Subsidies less Taxes on Production	1,841.5	1,710.2	-7.1%	
Factor Income	2,002.3	2,494.7	24.6%	
Compensation of Employees	427.7	423.9	-0.9%	
Operating Surplus (Note 2)	1,574.6	2,070.8	31.5%	

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:- 2008, €444.3m; 2009, €328.7m; 2010, €280.1m; Land rental:- 2008, €153.0m; 2009, €150.7m; 2010, €148.9m.





Table 12.2 Estimated Direct Payments to Farmers (National and EU), 2009-2010

Schemes	2009	2010	% change
	€m	€m	2009/2010
Single Payment Scheme	1299.410	1144.900	-11.9%
Area-Based Compensatory Allowance Scheme	223.800	208.195	-7.0%
Upland Sheep Scheme	4.703	2.02	-57.0%
Grassland Sheep Scheme	-	0.000	
Premia Schemes	0.354	0.091	-74.3%
Payments to Sugar Beet Growers ¹	0.528	0.190	-64.0%
Arable Aid	0.611	0.216	-64.6%
Suckler Cow Scheme	34.162	32.988	-3.4%
Disease Eradication Schemes			
Bovine Tuberculosis Eradication Scheme	18.345	12.701	-30.8%
Brucellosis Eradication Scheme	0.171	0.030	-82.5%
BSE Scheme (slaughter of herds)	0.537	0.403	-25.0%
Scrapie Eradication Programme	1.032	1.05	1.5%
Forestry Premium			
Forestry Premium Scheme (1990 Scheme)	0.000	0.000	0.0%
Forestry Premium (Accompanying Measures)	64.673	64.523	-0.2%
Rural Environment Protection Scheme	341.120	323.796	-5.1%
Installation Aid for Young Farmers	7.707	2.523	-67.3%
Production Aids - Dried Fodder	0.074	0.074	0.0%
'total (excluding Forestry Premia)	1932.800	1729.180	-10.5%
Total	1997.227	1793.699	-10.2%

¹ Includes diversification and restructuring aid as well as retroactive payments to sugar beet growers.

Source: Department of Agriculture and Food

**Table 12.3** Guarantee Claims Submitted to EAGF, 2009-2010

	2009 €m	2010 €m
Beef & Veal	1.04	0.72
Dairy Products	19.90	-12.55
Arable Crops	0.61	0.22
Sheepmeat	4.78	2.03
Sugar	3.30	0.42
Sugar Restructuring	0.53	0.19
Fruit & Vegetables	4.95	5.79
Pigmeat	18.29	0.30
Poultry & Eggs	0.00	0.00
Processed Products	14.07	6.50
CAP Rural Development Plan 2000-2006 ^[1]	-0.04	0.00
Single Farm Payment	1,299.41	1 145.00
Clearance of Accounts	-3.56	0.40
Other	2.06	8.06
Total	1,365.34	1 157.08

[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 2010 under the new Rural Development programme 2007-2013 is not shown in this table. DAFF received €306.1 from the EAFRD in respect of expenditure under the Programme on REPS, Early Retirement, Compensatory Allowances.

Source: Department of Agriculture, Fisheries and Food

Table 12.4 EU Receipts under EAGF, EAFRD and Veterinary Funds

	2009 €m	2010 €m
EAGF	1,365.34	1,305.00
EAFRD*	329.17	381.00
Veterinary Fund	6.42	14.00
Fisheries (FIFG, EFF, EAGF)	3.14	23.00
Other	0.74	4.00
Total	1,704.81	1,727.00

Source: Department of Agriculture, Fisheries and Food

* Includes receipts transmitted to the Department of Community, Rural & Gaeltacht Affairs



Table 12.5 Vote-Expenditure on Agriculture, Fisheries and Food, 2010

	'000
Administration	243.839
Salaries Wages and Allowances	194.804
Travel and Subsistence	8.306
Incidental Expenses	5.770
Postal and Telecommunications	5.088
Office Machinery	17.469
Office Premises Expenses	6.306
Consultancy Services	0.008
Supplementary Measures to protect the Financial Interests of the EU	0.569
Laboratory Equipment	5.426
Information Society	0.093
Other Services, Education, Training and Research	173.848
Research and Testing	35.456
Teagasc Grant in Aid	114.165
Marine Insititute Grant in Aid	24.227
Food Safety, Public Health, Animal Health & Welfare etc	143.716
Bovine Tuberculosis and Brucellosis Eradication	40.464
BSE	5.877
Meat Inspection	20.515
Fallen Animals	8.396
Animal Welfare	1.265
Integrated animal movement and monitoring system (including National Beef Assurance Scheme)	6.34
Pork & Bovince Dioxin	16.05
Suckler Cow Welfare	32.99
Other	11.825
Market Supports Operational Controls	13.114
Financing of the Common Agricultural Policy	3.286
Clearance of Accounts	0.919
Integrated Administration & Control System	5.596
School Milk Scheme	0.752
Other	2.561
Income Support in Disadvantaged Areas	208.195
Rural Environment Protection Scheme	323.797
Land Mobility	35.155
Early Retirement Scheme	32.633
Young Farmers Installation Aid Schemes	2.522
Development of Agriculture	341.594
Farm Improvement Scheme	12.402
Farm Waste Management Scheme	298.149
Marketing & Processing Scheme	23.236
Dairy Hygiene Scheme	0.375
Horticulture, Potatoes, Alternative & Organic Farming	3.734
Livestock and Equine Breeduiing Schemes	2.610
Animal Welfare	0.685
Other (Includes Waste Processing Facilities Scheme)	0.403
Forestry & Bio Fuels	120.612

**Table 12.5** Vote-Expenditure on Agriculture, Fisheries and Food, 2010

Fisheries Sector *	40.683
Fisheries Harbours Development	8.666
Fish Processing & Aquaculture Development	2.946
Other	0.000
Bord Iascaigh Mhara	17.425
Sea Fisheries Protection Authority	11.324
Aquaculture Licences Appeals Bord	0.322
Bord Bia Grant in Aid	28.491
Food Aid Donations	9.960
Other Expenditure	21.509
Food & Horticultural Promotion, Quality Assurance	6.557
Miscellaneous Pensions	2.500
International Co operation	2.830
Legal and related costs	3.334
Other	6.288
Horse and Greyhound Racing Ireland	59.264
Horse Racing Ireland	47.411
Bord na gCon	11.853
Total Gross Expenditure	1763.777
Appropriations in Aid	-400.981
Recoupment of Salaries	-0.790
Forfeited deposits and securities under EC intervention, export refunds etc. arrangements	-0.996
Refunds from fees for veterinary inspections services at poultry plants and meat inspection fees	-15.558
Receipts from veterinary inspection fees for live exports	-2.407
Receipts from fees for dairy premises inspection services	-4.929
Receipts from sale of vaccines, livestock, farm produce etc	-1.411
Receipts from seed testing fees, certification fees, Licensing fees, pesticides registration etc.	-1.790
Receipts from licences and from sale and leasing of livestock etc. (Subhead C1)	0.000
Receipts from farmer contributions towards the cost of eradicating Bovine Disease (Subhead C2)	-5.543
Land Commission receipts (Subhead A3)	-0.506
Other Receipts	-0.648
EU Co Funding transfers	
Market Intervention expenses and financing costs for other FEOGA (Guarantee) section measures (Subhead D)	-1.675
Receipts for Intervention Stock Losses	-0.958
National Development Plan - Guarantee Receipts (Subhead E, F, G, I)	-306.132
BSE Receipts (Subhead C)	-2.610
Veterinary Fund (Subhead C)	-11.410
Other Guarantee Receipts	-1.039
NDP - Structural Receipts	0.000
Fisheries related receipts	
Fines, Forfeitures for fishery offences	-0.234
Foreshore Acts / State Property Act	-0.144
EU recoupment for fisheries conservation etc	-2.152
Aquaculture Licence Fees	-0.387
EU co funding for aquaculture development	0.000
EU cop funding for fisheries development	0.000
Fisheries EFF Receipt	-20.590
Pension Levy	-19.072
Net Expenditure	1,362.796

Note: Fisheries figures shown are for full year, following transfer of responsibility for Fisheries functions to the Department during the year.



Table 12.6 Milk Quota Structure AT 1 April 2010 (Provisional Estimate)

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	446	14,814,760	145,858	750	13,150,905	185	4,952,045
Percentage of Total	2%	0%	0%	46%	8%	29%	6%
50,001 to 100,000	1,438	112,524,087	802,511	303	22,301,765	158	11,199,787
Percentage of Total	8%	2%	1%	19%	13%	25%	14%
100,001 to 150,000	2,103	264,855,382	1,759,566	197	24,335,096	104	12,499,637
Percentage of Total	11%	5%	2%	12%	14%	16%	16%
150,001 to 200,000	2,554	452,390,428	3,816,924	127	21,892,583	71	12,280,391
Percentage of Total	14%	9%	5%	8%	13%	11%	16%
200,001 to 250,000	2,801	630,801,366	7,481,649	73	16,169,870	34	7,215,182
Percentage of Total	15%	12%	9%	4%	9%	5%	9%
250,001 to 300,000	2,402	662,008,633	8,399,060	56	15,332,685	28	7,187,815
Percentage of Total	13%	13%	10%	3%	9%	4%	9%
300,001 to 350,000	1,799	584,559,187	6,656,397	41	13,226,677	16	5,139,683
Percentage of Total	10%	11%	8%	3%	8%	3%	7%
350,001 to 400,000	1,415	527,431,965	8,629,464	28	10,443,387	12	4,474,511
Percentage of Total	8%	10%	10%	2%	6%	2%	6%
400,001 to 450,000	889	376,388,788	7,210,860	9	3,810,017	6	2,523,997
Percentage of Total	5%	7%	9%	1%	2%	1%	3%
Over 450,000	2,447	1,578,355,079	38,355,259	47	29,580,691	17	10,650,478
Percentage of Total	13%	30%	46%	3%	17%	3%	14%
Totals	18,294	5,204,129,675	83,257,548	1,631	170,243,676	631	78,123,526



Table 12.7 Distribution of all DAFF Payments to Farmers by County, 2010

County	Total value (€M)	Total Recipients	Average Payment (€)
CARLOW	39.4	1,989	19,785
CAVAN	79.8	5,211	15,311
CLARE	95.9	6,813	14,069
CORK	260.5	14,354	18,145
DONEGAL	115.9	8,994	12,886
DUBLIN	15.7	1,039	15,064
GALWAY	167.0	13,329	12,532
KERRY	132.9	8,633	15,393
KILDARE	41.8	2,409	17,349
KILKENNY	80.9	3,639	22,218
LAOIS	53.8	2,871	18,734
LEITRIM	47.9	3,949	12,124
LIMERICK	89.7	5,760	15,570
LONGFORD	38.5	2,701	14,261
LOUTH	29.8	1,653	18,040
MAYO	131.0	12,333	10,624
MEATH	73.1	3,810	19,179
MONAGHAN	67.8	4,236	15,999
OFFALY	55.4	3,064	18,094
ROSCOMMON	75.5	5,921	12,756
SLIGO	50.8	4,450	11,408
TIPPERARY	151.4	7,734	19,576
WATERFORD	57.4	2,711	21,157
WESTMEATH	57.0	3,517	16,212
WEXFORD	87.1	4,498	19,365
WICKLOW	41.4	2,247	18,446
Totals	2,137.19	137,865	15,502



Table 12.8 Annual Rates of Price Increase in Selected Food Products, 2008 - 2010

	Average Annual Rate		
	2008	2009	2010
Overall CPI	4.1%	-4.5%	-1.0%
Food & Non Alcoholic Drink	6.5%	-3.5%	-4.5%
Food	6.7%	-3.5%	-4.6%
Beef	8.1%	-2.5%	-4.2%
Bacon	-0.2%	-3.0%	-6.5%
Lamb	9.2%	-3.2%	-1.4%
Pork	-1.8%	-0.8%	-6.7%
Poultry	4.7%	-7.8%	-13.2%
Fish (Fresh & Frozen)	2.5%	-3.2%	-3.5%
Bread & Cereals	10.0%	-3.4%	-4.1%
Milk	23.5%	-1.9%	-3.0%
Other Milk Products	12.0%	-4.5%	-6.5%
Cheese	9.0%	-2.4%	-4.1%
Eggs	10.4%	-1.2%	-3.3%
Butter	12.1%	-1.5%	-0.8%
Sugar & Sweeteners	0.3%	-2.7%	-2.6%
Potatoes	-7.8%	-6.4%	-8.2%
Fresh Vegetables	1.1%	-5.0%	-2.3%
Fresh Fruit	0.4%	-6.1%	-5.0%
Other Fruits	6.5%	-1.0%	2.0%
Misc. Food Items	2.6%	-2.7%	-5.7%
Non-Alcoholic Beverages	4.5%	-3.9%	-3.6%

Source: CSO CPI

Table 12.9 Personal Consumption Expenditure (PCE) at Current Prices, 2008-2009

	2008		2009	
	€m	% of Total PCE	€m	% of Total PCE
Total Personal Consumption Expenditure	94,825	100.0%	84,331	100.0%
Food and Drinks (Not incl meals out)	15,576	16.4%	14,715	17.4%
Of Which				
Food	7,946	8.4%	7,529	8.9%
Drinks	7,630	8.0%	7,185	8.5%
	2008		2009	
Total Food (incl meals out)	10,225	100.0%	9,750	100.0%
Of Which	€m	% of Total Food	€m	% of Total Food
Meat	2,119	20.7%	1,945	19.9%
Bread & Cereals	1,530	15.0%	1,445	14.8%
Fruit & Vegetables	1,244	12.2%	1,155	11.8%
Milk, Cheese and Eggs	1,044	10.2%	1,004	10.3%
Other Foods & Preservatives	1,051	10.3%	1,002	10.3%
Potatoes	310	3.0%	301	3.1%
Fish	268	2.6%	263	2.7%
Oils & Fats	211	2.1%	209	2.1%
Coffee, Tea & Cocoa	132	1.3%	169	1.7%
Sugar	37	0.4%	37	0.4%
Meals Out	2,279	22.3%	2,221	22.8%

Source: CSO