

Annual Review & Outlook for **Agriculture, Fisheries & Food** 2009/2010

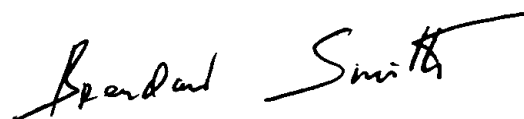


Foreword

While 2009 was an extremely difficult year for the agri-food sector there have been some tentative signs of economic recovery, both domestically and internationally in early 2010. This general improvement will help to boost demand for agri-food exports which are crucial to the performance of the sector. There have already been some positive developments on agri-food markets, especially with an earlier than anticipated strengthening of dairy markets. The euro/sterling exchange rate remains a particular challenge for the sector, as despite significant market diversification in recent years, the UK market remains vitally important for our food exports.

Despite the economic difficulties the agri-food sector continues to account for a significant proportion of our economy at 6.1% of gross value added and 7.8% 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 accounted for €8.7 billion or approximately half of purchased Irish goods and services by manufacturing industries in 2008 and just over half of exports by indigenous manufacturing industries. This underlines the vital role the sector must and will play in an economic recovery.

The Annual Review and Outlook for Agriculture, Fisheries and Food 2009/2010 is a useful document for all those who are interested in monitoring the performance of the agri-food sector. As well as providing an analysis of the structure and performance of the sector, it quantifies the benefits EU membership has had in terms of budget and trade. It is hoped that this document will serve as a useful reference for those interested in the sector.

A handwritten signature in black ink, reading "Brendan Smith". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Brendan Smith, T.D.

Minister for Agriculture, Fisheries and Food.

Contents

1	The Agri-Food Sector in the National Economy	1
1.1	The National Economy	2
1.2	Contribution of the Agri-Food Sector to the Economy	4
1.3	Public Expenditure	5
1.4	Agricultural Situation in Ireland	6
1.5	Outlook for Agriculture	8
2	Farm Income	11
2.1	Introduction	12
2.2	Farm Income in 2009	12
2.3	National Farm Survey 2008	13
2.4	Off-farm Employment Income	15
2.5	Direct Payments	16
2.6	Total Farm Household Income	17
2.7	Low Income Households	19
3	Agricultural Commodities & Inputs	21
3.1	Overview	22
3.2	Milk	25
3.3	Cattle	28
3.4	Sheep and Lambs	31
3.5	Pigs	33
3.6	Poultry & Eggs	35
3.7	Cereals	36
3.8	Horticulture & Potatoes	38
3.9	Intermediate Consumption In Agriculture (Inputs)	40
4	Farm Structures	45
4.1	Overview	46
4.2	Farm Numbers and Farm Size	46
4.3	Age Profile of Farmers	46
4.4	Off-farm Employment	47
4.5	Labour Input	48
4.6	Female Employment and Labour Input	49
4.7	Land Prices	50
4.8	Investment, Borrowings and Interest in Agriculture	50
4.9	Competitiveness of Irish Farms	52
5	The Food Industry	55
5.1	Overview	56
5.2	Size and Structure of the Food and Drinks Sector	57
5.3	Exports of Food and Drink	64

6	The Consumer	67
6.1	Overview	68
6.2	Food Prices and Consumption	68
6.3	Food Consumption	73
6.4	Retail Sector Price Surveys	74
6.5	Consumer and Retail Trends	76
6.6	Maintaining Confidence in the Food Chain	78
7	EU and International Agriculture Policy	81
7.1	Overview	82
7.2	Benefits of the CAP to Ireland	82
7.3	International Comparisons of Agricultural Support	85
7.4	EU & International Agriculture Policy Developments and Outlook	88
8	National Developments	95
8.1	Overview	96
8.2	Rural Development Programme 2007–2013	96
8.3	2020 Strategy	97
8.4	Estimates 2010	97
8.5	Income Tax Yield From Farmers	98
8.6	The Net Contribution of the Agri-Food Sector to the Inflow of Funds to Ireland	99
9	Environment	101
9.1	Overview	102
9.2	Nitrates Directive	102
9.3	National Climate Change Strategy	103
9.4	Ammonia Emissions	104
9.5	CAP Reform & Cross Compliance	104
9.6	Rural Environmental Protection Scheme	105
9.7	Organic Farming	106
9.8	Farm Waste Management Scheme	106
9.9	Biofuels	107
9.10	Energy Crops	107
9.11	Biodiversity	109
10	Forestry	111
10.1	Overview	112
10.2	Forest Cover in Ireland and the EU-25	112
10.3	Irish Woodflow	113
10.4	Size, Structure and Output of Irish Wood Processing Sector	115
10.5	Socio-Economic Contribution of Forestry in Ireland	115
10.6	Forest Strategy and Financial Supports	116
10.7	Wood Biomass	117
10.8	Outlook for Forestry Sector	118
11	Fisheries	119
11.1	Overview	120
11.2	The Irish Fishing Fleet	121
11.3	Primary Production from Fisheries	122
11.4	Seafood Market and Processing Sector	123
11.5	Employment in the Fisheries Sector	124
11.6	Key Policy Developments	125
12	Statistical Annex 2010	129

Tables

Table 1.1	Indicators of the National Economy, 2009-2011	3
Table 1.2	Comparison of Economic Forecasts for Ireland, 2010	3
Table 1.3	Contribution of the Agri-Food Sector to GVA, 2008	4
Table 1.4	Agri-food Exports, 2008-2009, (Bord Bia)	5
Table 1.5	Expenditure on Irish Agriculture, 2009	6
Table 1.6	Output, Input and Income in Agriculture, 2009	7
Table 2.1	Main Results from National Farm Survey, 2008	14
Table 2.2	Main Results from National Farm Survey for Full-time and Part-time Farms, 2008	15
Table 2.3	Share of 2008 Direct Payments by Deciles of Family Farm Income	16
Table 2.4	Distribution of Payments to Farmers by DAFF by Province, 2009	17
Table 2.5	Composition of Household Income for Farm, Rural Non-Farm and Urban Households using a Broad Definition of Farm Households, 2008	18
Table 2.6	Composition of Household Income for Farm, Rural Non-Farm and Urban Households using a Narrow Definition of Farm Households, 2008	19
Table 2.7	Consistent Poverty for Farm, Rural Non-Farm and Urban Households, 2008	20
Table 3.1	Output and Input in Agriculture, 2009 ¹ - Value, Volume and Price	23
Table 3.2	Estimated Value and Volume ¹ (000s) of Stock Changes on Farms, 2008-2009	24
Table 3.3	Terms of Trade, 2008-2009	24
Table 3.4	Milk Output and Disposal ¹ (whole milk only), 2008-2009	25
Table 3.5	Output Value ¹ and Number of Cattle and Calves, 2008-2009	29
Table 3.6	Output Value ¹ and Numbers of Sheep and Lambs, 2008-2009	32
Table 3.7	Output Value ¹ and Numbers of Pigs 2008-2009	34
	Output Value and Volume of Poultry, 2008-2009	35
Table 3.9	Output Value and Volume of Cereals, 2008-2009	37
	Area, Yield and Production of Cereals, 2009	37
Table 3.11	Output Value of Horticulture, 2008-2009	39
Table 3.12	Area, Yield and Production of Potatoes, 2008-2009	40
Table 3.13	Agricultural Input Price Index, 2008- 2009	41
Table 4.1	Number of Farms by Age of Farm Holder, 2000 and 2007	47
Table 4.2	Number of Farm-holders with Off-Farm Employment, 2000 and 2007	48
Table 4.3	Comparison of Actual Labour versus Estimated Labour Requirement (Standard Man Days), 2008-2009	49
Table 4.4	Employment in Agriculture by Gender, 2007-2009	50
Table 4.5	Borrowings by the Agriculture and Forestry Sectors, 2008-2009	52
Table 5.1	The Food and Drinks Industry in the National Economy, 2008	56
Table 5.2	GVA of FD Sector at Market Prices, 2008	58
Table 5.3	Irish Economic Expenditure, 2007-2008	61
Table 5.4	Regional Dispersion of FD and All Manufacturing Sectors, 2007	63

Table 6.1	Consumption of Selected Food Items, 2006-2008	73
Table 7.1	Net Budget Effect, 2008-2009	83
Table 7.2	Net Trade Effect for Selected Commodities, 2008-2009	84
Table 7.3	Combined Budget and Trade Effect, 2008-2009	85
Table 7.4	Producer Support Estimate for Selected OECD Countries, 1986-88, 2006-2008 and 2008	86
Table 7.5	Consumer Support Estimate for Selected OECD Countries, 1986-88, 2006-2008 and 2008	87
Table 7.6	Total Support Estimate for Selected OECD Countries, 1986-88, 2006-2008 and 2008	88
Table 8.1	Farmers' Income Tax and PRSI, 2005-2009	98
Table 8.2	Average Income Tax Paid by Sector, 2005-2009	99
Table 9.1	Family Farm Income and Direct Payments for REPS Farms by System of Farming, 2008	105
Table 9.2	Family Farm Income and Direct Payments for Non-REPS Farms by System of Farming, 2008	105
Table 9.3	Area Devoted to Energy Crops in Hectares, 2005-2009	108
Table 9.4	Planting of Bioenergy Crops under the Bioenergy Scheme, 2007-2009	108
Table 10.1	Sources and Uses of Wood Fibre in the Republic of Ireland, 2008	114
Table 10.2	Value and Volume of Irish Timber Imports and Exports, 2008	114
Table 10.3	Size, Structure and Output of Wood Processing Sectors, 2008	115
Table 10.4	Annual Expenditure on Forestry Schemes, 2004-2009	117
Table 10.5	Contribution of Renewables to Total Primary Energy Requirement, 2007	117
Table 11.1	Overview of the Irish Fishing Fleet, 2009	122
Table 11.2	2008 Fish Landings	123
Table 11.3	Employment in Fisheries Sector, 2005/06	125
Table 12.1	Output, Input and Income in Agriculture, 2008-2009	130
Table 12.2	Estimated Direct Payments to Farmers (National and EU), 2008-2009	131
Table 12.3	Guarantee Claims Submitted to EAGF, 2008-2009	132
Table 12.4	EAGGF/FEOGA Guidance Receipts, 2008-2009	132
Table 12.5	Total EU Receipts on EAGF Guarantee, EAFRD Rural Development, EAGGF Guidance and Veterinary Funds, 2008-2009	133
Table 12.6	Vote-Expenditure on Agriculture, Fisheries and Food, 2009	133
Table 12.6	Vote-Expenditure on Agriculture, Fisheries and Food, 2009 (continued)	134
Table 12.6	Vote-Expenditure on Agriculture, Fisheries and Food, 2009 (continued)	135
Table 12.6	Vote-Expenditure on Agriculture, Fisheries and Food, 2009 (continued)	136
Table 12.7	Milk Quota Structure at 1 April 2009 (Provisional Estimate)	137
Table 12.8	Distribution of all DAFF Payments to Farmers' by County, 2009	138
Table 12.9	Annual Rates of Price Increase in Selected Food Products, 2007-2009	139
Table 12.10	Personal Consumption Expenditure (PCE) at Current Prices, 2007-2008	140

Figures

Figure 1.1	Composition of Employment in the Agri-Food Sector, 2009.	5
Figure 1.2	Trends in Operating Surplus, Goods Output and Intermediate Consumption, 2005-2009	7
Figure 2.1	Operating Surplus and Net Subsidies, 2000-2008	13
Figure 2.2	% Change in Real Income per Agricultural Worker in EU-27 Member States, 2009.	13
Figure 2.3	Estimate of Off-Farm Employment Income of the Farm Holder, 2008	16
Figure 2.4	Distribution of SPS Payments to Farmers by Decile, 2009	17
Figure 3.1	Index of Livestock Numbers, 2000-2009	24
Figure 3.2	Milk Prices, 2008-2009	26
Figure 3.3	Production of Dairy Products, 2008-2009	26
Figure 3.4	Steer Prices, 2008-2009	29
Figure 3.5	Cattle Slaughterings at Meat Export Premises, 2008-2009	30
Figure 3.6	Live Exports of Cattle, 2008-2009	30
Figure 3.7	Sheep Prices at Meat Export Premises, 2008-2009	32
Figure 3.8	Sheep Slaughterings at Meat Export Premises, 2007-2009	33
Figure 3.9	Pig Prices at Meat Export Premises, 2008-2009	34
Figure 3.10	Potato Price Indices, 2008-2009	40
Figure 3.11	Intermediate Consumption 2009 - % Share of Selected Items	41
Figure 3.12	Price Index for All Feedingstuffs, 2008-2009	42
Figure 3.13	Production of Compound Feedingstuffs, 2008-2009	42
Figure 3.14	Price Index for All Fertilisers, 2008-2009	43
Figure 3.15	Sales of Fertilisers by Nutrient Content, 2007/2008 and 2008/2009	43
Figure 3.16	Price Index for All Energy, 2008-2009	44
Figure 4.1	Number of Farms by Size of Farm, 2000 and 2007	46
Figure 4.2	Percentage of Farmers and/or Spouses with Off-Farm Employment by System of Farming, 2008	47
Figure 4.3	Labour Input in Agriculture, 2000 and 2007	48
Figure 4.4	Capital Investment in Agriculture, 2000-2008	51
Figure 4.5	Gross Fixed Capital Formation in Agriculture, 2007-2008	51
Figure 4.6	Interest Paid and as a Percentage of Operating Surplus, 2000-2009	52

Figure 5.1	Composition of FD Industry Turnover and Gross Value Added by Broad Sector, 2008	57
Figure 5.2	Turnover in the Meat Sector, 2007	58
Figure 5.3	GVA in the Meat Sector, 2007	59
Figure 5.4	Employment in the FD Sector, 2007-2009	59
Figure 5.5	FD Industry Structure, 2007	60
Figure 5.6	Distribution of Key Variables between Irish and Non-Indigenous Ownership Within the FD Sector, 2007	61
Figure 5.7	Breakdown of Expenditure in FD Sector Compared with the Overall Manufacturing Sector, 2008	62
Figure 5.8	Regional Dispersion of FD Compared to Other Manufacturing Industries 2007	62
Figure 5.9	Credit Advances to FD Industry, 2008-2009	63
Figure 5.10	Capital Acquisitions in the FD Industry, 2007-2008	64
Figure 5.11	Trends in Exports of Agri-Food Produce by Category, 2008-2009	65
Figure 5.12	Composition of Agri-Food Exports, 2009	65
Figure 5.13	Share of Agri-Food Exports by Destination, 2009	66
Figure 6.1	Monthly CPI and FPI-% Change versus Previous Year, 2008-2009	69
Figure 6.2	FD Sub-Index Compared to Overall CPI and Other Sectors, 2008-2009	70
Figure 6.3	Annual Rates of Price Increase for Selected Food Products, 2007-2009	71
Figure 6.4	Average Price Level Comparisons for Selected Items- Dublin v Outside Dublin, 2008-2009	72
Figure 6.5	HICP and Food HICP, EU Comparisons, 2009	72
Figure 6.6	Personal Consumption Expenditure on Food, by Food Type, 2008	73
Figure 6.7	Details of Annual BSE Confirmations, 2002-2008	80
Figure 6.8	Brucellosis Depopulation Statistics, 1998-2009	80
Figure 6.9	Bovine Tuberculosis Statistics, 2005-2009	80
Figure 7.1	Total EU Agriculture Payments to Ireland and estimated Irish Contribution, 1973-2009	83
Figure 10.1	Annual Public, Private and Total Plantings, 1980-2009	112
Figure 10.2	Total Forested Area and Amount Privately Owned, 1980-2008	113
Figure 10.3	Wooded Area as a Percentage of Total Land Area in the EU-25, 2005	113
Figure 11.1	Breakdown of Irish Fleet by Type of Vessel, 2009	122
Figure 11.2	Aquaculture Production - Value and Volume, 2000-2007	123
Figure 11.3	Main Export Destinations for Irish Fisheries, 2009	124
Figure 11.4	Distribution of Fishery Sector Employment 2006, (Full & Part-time)	125



Chapter One

The Agri-Food Sector in the National Economy

Chapter One

The Agri-Food Sector in the National Economy

1.1 The National Economy

Review of the Economy in 2009

The economic and financial difficulties associated with the global downturn provided a backdrop to other domestic factors such as the continued fall-out from the correction in the housebuilding sector. National accounts data show that economic activity, having gone into reverse for the first time in a quarter of a century in 2008, decelerated very sharply in 2009. CSO preliminary data indicates that the full-year decline in GDP was 7.1% while that for GNP was 11.3%. This was the largest decline in output ever recorded in a single year.

The impact of the slowdown continued to spread to other sectors of our economy in 2009. Consumers reduced their outlays on foot of falling disposable incomes, which, in turn, reflect lower levels of employment, nominal wage reductions (partly offset by declining consumer prices) and a rising direct tax burden. Exports of goods and services declined at an annual rate of 2.3% for the year, which was relatively resilient compared with EU trends, and is explained by strong export growth in the pharmaceuticals/chemicals sectors, which are less sensitive to the global economic cycle.

Employment losses were especially severe in the construction, retail and manufacturing sectors. The level of employment stood at 1.88 million by the fourth quarter 2009, a decrease of 170,000 persons year on year with the annual level of employment down by 8.1% on average for the year as a whole. 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, 2009-2011

Annual % Volume Changes unless otherwise stated.	2009	2010	2011
GNP	-7.5%	-1.7%	3.0%
GDP	-10.4%	-1.3%	3.3%
Exports of Goods and Services	-2.7%	0.4%	3.4%
Imports of Goods and Services	-9.0%	-2.8%	2.6%
Inflation (%)	-4.5%	-0.8%	1.8%
Employment - % Growth	-8.1%	-3.4%	1.0%
Unemployment Rate ILO basis (%)	11.8%	13.2%	12.6%

Source: Department of Finance, CSO.

Outlook for 2010

Based on projections from a range of institutions, the broad consensus for domestic economic activity in 2010 is that while activity will remain at lower levels in the near-term, the worst of the economic decline as evidenced since the second half of 2008 may have passed. On the domestic front, a sharp deterioration in the situation facing the Irish economy compounded by a worsening budgetary situation was evidenced in 2009. In terms of the international context, prospects for the major economies have brightened during the course of 2009 and it appears there will be a supportive international environment facing Ireland throughout 2010 and 2011. Notwithstanding this evidence of stabilisation and tentative renewal on the international front, which would be helpful to Irish exporters, a large degree of uncertainty remains. 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, not least following an almost unprecedented period of volatility. The possibility of stronger world growth and more robust domestic consumer activity on the basis of an improvement in consumer confidence 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 (particularly oil) price increases.

Table 1.2 outlines the forecasts for some of the aforementioned variables from various institutions. The consensus overall is that while uncertainties remain and the economy will remain fragile in the near-term, the depths of the trough have been passed.

Table 1.2 Comparison of Economic Forecasts for Ireland, 2010

	Annual Percentage Change				% Rate
Institution	GNP	GDP	HICP	Employment	Unemployment
Department of Finance	-1.7%	-1.3%	-1.2%	-3.4%	13.2%
Central Bank	-1.5%	-0.5%	-1.3%	-3.9%	13.7%
ESRI	0.0%	-0.5%	-1.5%	-3.7%	13.7%

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 6.1% of Gross Value Added² (GVA) at factor cost in 2008. The primary agriculture, fisheries and forestry sectors together accounted for approximately 2.3% of GVA. The food (including fish) and beverage industry, together with the wood-processing sector, accounted for circa 3.8% of GVA in 2008.

Table 1.3 Contribution of the Agri-Food Sector to GVA, 2008	
	€m
Gross Domestic Product (GVA) at Factor Cost	162,069
GVA in Primary Agriculture, Fisheries and Forestry at Factor Cost	3,669
GVA in Food & Beverages Sector	5,865
GVA in Wood Processing	433
Total	9,967
GVA in Primary Sector as a % of GDP	2.3%
GVA in overall Agri-Food Sector as % of GDP	6.1%

Source: CSO

Employment

Employment in the agri-food sector accounted for 151,500 jobs³, or 7.8% of total employment in 2009⁴. 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).

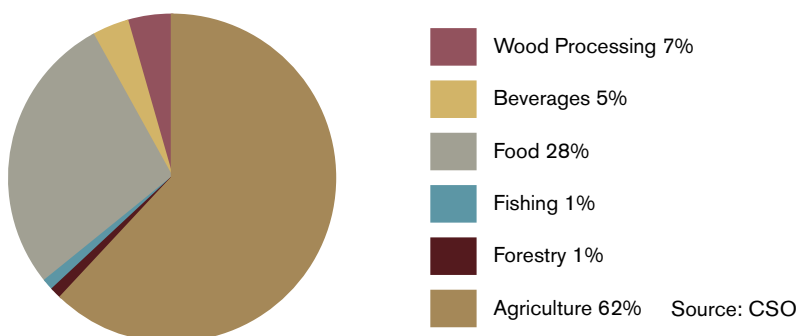
2 Gross value added at factor cost is GVA at market prices less any indirect taxes plus any subsidies.

3 These employment figures correspond to International Labour Organisation definitions and as such relate to persons who indicated that agriculture was their principle source of income in the week prior to the Quarterly National Household Survey (QNHS). As such, persons that work in agriculture but whose primary source of income is off-farm are not included. QNHS quarter 2 is used for this calculation.

4 QNHS quarter 2 is used for this calculation.

Figure 1.1

Composition of Employment in the Agri-Food Sector, 2009.



Exports

Food and drink exporters faced unprecedented challenges in 2009 from a combination of a double digit decline in the value of sterling together with the on-going recession and weaker commodity prices. Bord Bia's publication *Performance and Prospects: Food and Horticulture Exports 2009/2010* estimate that agri-food exports declined by 12% in 2009 to €7,123 million. Bord Bia estimate that the decline in the value of sterling reduced the value of Irish exports to the UK by some €400 million while also making UK exporters more competitive on other euro markets. More details on the export performance of various commodity sectors is contained in Chapters 3 and 5.

Table 1.4 Agri-food Exports, 2008-2009, (Bord Bia)

	2008	2009*	% Change	% Share of Agri-food Exports
Dairy Products & Ingredients	2,290	2,000	-13%	28%
Prepared Foods	1,499	1,282	-14%	18%
Beef	1,607	1,400	-13%	20%
Beverages	1,229	1,071	-13%	15%
Seafood	335	303	-10%	4%
Poultry	203	180	-11%	3%
Pigmeat	343	290	-15%	4%
Edible Horticulture & Cereals	265	218	-18%	3%
Live Animals	148	213	44%	3%
Sheepmeat	167	166	-1%	2%
TOTAL FOOD & DRINKS	8,086	7,123	-12%	100%

*2009 Provisional
Source: Bord Bia estimates

1.3 Public Expenditure

Total public expenditure on the agri-food sector by the Department of Agriculture, Fisheries and Food was €3,388.62 million in 2009. EU Guarantee expenditure of €1,365.34 million accounted for approximately 40% of total expenditure with the Single Payment Scheme accounting for over 93% of EU Guarantee expenditure.

Table 1.5 Expenditure on Irish Agriculture, 2009

(Period 1 January to 31 December 2009)		€m
EAGGF Guarantee direct expenditure		1,365.34
Single Farm Payment	1,278.85	
Premia/area Aid	25.21	
Export Refunds	26.05	
Pork Dioxin	15.00	
Sugar Restructuring	0.53	
Other Market Supports	19.70	
Intervention Purchases¹		85.44
Voted Expenditure (excluding Administration)		1,661.02
Rural Development ²	612.18	
Structural Measures ²	371.76	
State Bodies	221.82	
Animal Health	236.90	
Research and Training	35.48	
Market Support Costs ³	18.44	
Forestry and Bio-Fuels	119.08	
Fisheries	21.05	
Food Aid	9.96	
Other	14.36	
Administration		276.82
Total Voted Expenditure		1,937.84
Total Expenditure		3,388.62

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 Vote. These figures are total Vote expenditure on these measures in the calendar year, as payments are made from the Vote. The EU contribution to expenditure is subsequently recouped to the Vote as appropriations in aid, some of which is received in a subsequent calendar year. Expenditure in 2009 under the new CAP Rural Development program, 2007 to 2013, comprises 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 2009, a significant and welcome decrease of 9.5% (€428 million approx) in expenditure on intermediate consumption as brought about by decreased input costs was not enough to mitigate the €1.1 billion or 18.8% collapse in the aggregate value of goods output from the sector. In terms of the outcome from these broad trends, the CSO preliminary estimate of Output, Input and Income in Agriculture for 2009 shows that Operating Surplus decreased very significantly to €1,615 million, a decrease of over 30% compared to 2008. This followed an 11.8% increase in operating surplus in 2007 and illustrates the volatility of farm incomes in the recent past (See Figure 1.2). Net subsidies

in 2009 were estimated at approximately €1,861 million, accounting for 115% of operating surplus. Expenditure on intermediate consumption in agriculture decreased by 9.5% to €4,066 million in 2009 with much of this decrease attributable to feed, fertiliser and energy costs.

Figure 1.2

Trends in Operating Surplus, Goods Output and Intermediate Consumption, 2005-2009

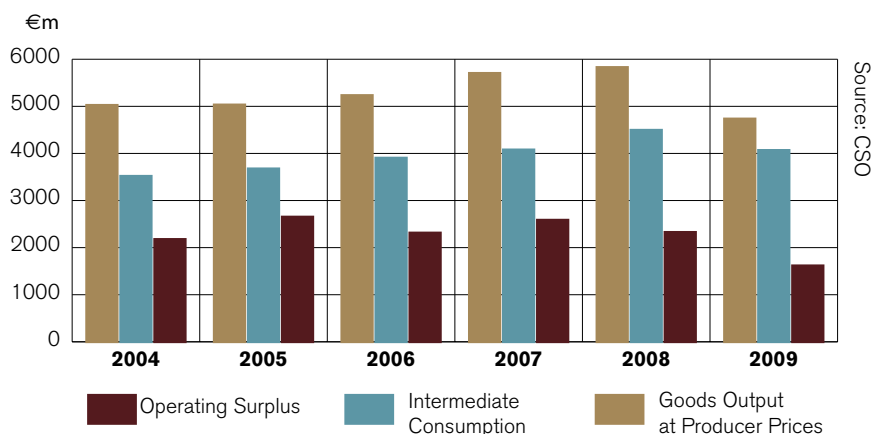


Table 1.6 Output, Input and Income in Agriculture, 2009

	Value €m	% Change 2008/2009
Goods output at producer prices	4,733.2	-18.8%
Contract Work	269.2	-4.2%
Subsidies less taxes on product	15	141.9%
Agricultural output at basic prices	5,017.5	-17.9%
Intermediate consumption	4,065.8	-9.5%
Gross value added at basic prices	951.6	-41.3%
Fixed capital consumption	756.1	-0.9%
Net value added at basic prices	195.6	-77.2%
Other subsidies less taxes on production	1,846.3	-3.1%
Factor income	2,041.9	-26.1%
Compensation of employees	427.2	-2.1%
Operating Surplus ¹	1,614.7	-30.6%

¹ This is calculated before deduction of interest payments on borrowed capital and land rental paid by farmers to landowners. The estimates are Interest less FISIM:- €328 million; Land Rental:- €153 million

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

1.5 Outlook for Agriculture

International Outlook

The OECD-FAO Agricultural Outlook, 2009-2018 predicts that continued weakness in the global economy will further dampen commodity prices over the next 2-3 years, which should then strengthen with economic recovery. Once economic recovery begins most of the growth in agricultural production and consumption will continue to come from developing countries, especially in the livestock sector where the primary drivers of demand are income and population growth.

The medium term situation varies by commodity, but average prices in real terms (adjusted for inflation) for the next 10 years, are expected to strengthen with economic recovery. Meat prices in real-terms are not anticipated to surpass the 1997-2006 average, while reduced consumer incomes in the beginning of the projection period will tend to encourage substitution to cheaper meats, favouring poultry over beef. Average dairy prices in real terms are likely to be slightly higher in 2009-2018, relative to 1997-2006, with a 12% increase in average butter prices being the most notable.

Using FAO longer-term population and income projections, global food production needs to increase more than 40% by 2030 and 70% by 2050, compared to the average 2005-2007 levels. These also suggest that there is substantial additional land available with some 1.6 billion hectare available (half of which is in Africa and Latin America) to be added to the current 1.4 billion hectare of cropland. However, historical expansion of arable land has been slow, and bringing more marginal land into production can involve considerable investment and lower average yields, while possibly incurring social and environmental costs.

EU Medium Term Outlook

Similar to the OECD, the EU Commission projections for the period 2008-2015 suggest that the economic and financial crisis is expected, over the short term, to negatively impact on the prospects for most agricultural commodities in the EU and at global level, even though the agricultural sector is generally more resilient to economic crises than other sectors. Over the medium term agricultural commodity markets are expected to display gradual recovery supported by structural factors like:

- » the growth in global food demand;
- » the development of the biofuel sector; and
- » the long-term decline in food crop productivity growth.

Domestic Outlook

The prospects for Irish and EU dairy exports are uncertain for 2010, although international dairy commodity markets have been increasing since the final quarter of 2009, albeit from particularly low levels. However, considerable intervention stock have accumulated in the EU and the US, and these are likely to impact negatively on prices when they are released. The EU Commission has, however, agreed to adopt a cautious approach to the release of these stocks.

On the beef side some increase in cattle supplies to Irish meat plants is anticipated during 2010 given the drop in live exports in 2008. However, the strength of the weanling and store cattle trade in 2009 is expected to impact on finished cattle availability as the year progresses. Overall the on-going recession is set to dominate the outlook for cattle prices in the short term.

The continued fall in the ewe numbers will impact on both the lamb crop and supplies to factories in 2010. Reduced production is also forecast for other major producing countries, including the UK and Spain, and while French supplies are expected to increase, overall supplies are expected to be down in 2010 which should lead to improved market prices.

Finished pig supplies in Ireland are expected to increase by 10% as farms destocked following the product recall re-enter the market. However, European pig supplies are expected to decline marginally during 2010, which will be of assistance to Irish exporters as they re-enter the market following the impact of the dioxin incident.

The outlook for the poultry industry for 2010 is one of both stability in prices and production. However, imports will continue to exert competitive pressures on indigenous poultry production.

For cereals early indications are that sowings of winter cereals are similar to last year, with an increase in the area sown to barley. However, spring sowings could be significantly reduced due to the continuing downward trend in prices and high production costs. It is expected that production in Ireland will be lower than the long-term average of 2 million tonnes.



Chapter Two

Farm Income

Chapter Two

Farm Income

2.1 Introduction

Data from the CSO confirmed that the agriculture sector had another very challenging year in 2009, with operating surplus down for a second consecutive year. Weak demand led to lower prices on many commodity markets resulting in a substantial decline in the value of agricultural output. Although there was also a decline in the cost of inputs, this was not sufficient to offset the drop in output value.

2.2 Farm Income in 2009

National

The CSO's advance estimate of output, input and income in agriculture for 2009 shows that operating surplus declined by 30.6% to €1,614.7 million. This decline was mainly a result of lower commodity prices. The value of goods output declined by 18.8% while the volume decrease was 4%. The dairy sector faced particularly difficult trading conditions, (with output value down 32.5% despite the re-introduction of market supports). Output value also declined for most of the livestock sectors with cattle, pigs and sheep down 11.0%, 10.2% and 5.9% respectively. The cereals sector also had a difficult year with both volume and value declines of 34.2% and 52.7 % respectively.

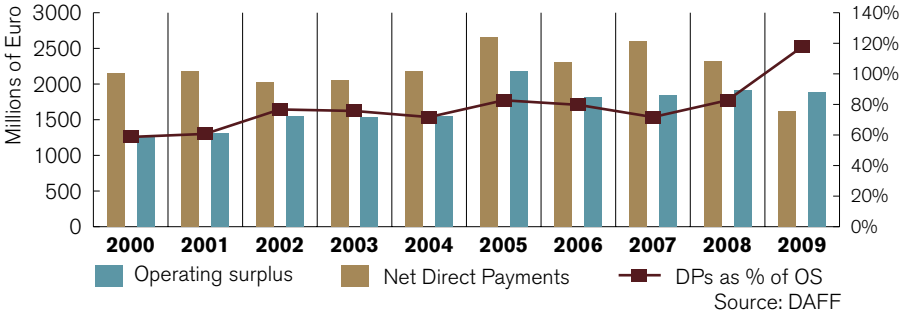
There was also a decline in intermediate consumption, with expenditure on inputs down 9.5%. This decline was due mainly to a reduction in the price of inputs rather than a reduction in the level of usage.

In 2009, total direct payments to farmers totalled over €1,924 million⁵. For the computation of operating surplus, the CSO deducts levies leaving net subsidies of €1,861 million or 115% of operating surplus.

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

Figure 2.1

Operating Surplus and Net Subsidies, 2000-2008



European

Like Ireland, most European countries experienced a decline in operating surplus or agricultural incomes in 2009. Across the EU-27 real income per agricultural worker decreased by 12.2% in 2009, following a decrease of 2.5% in 2008. This decline comprised of a reduction in real agricultural income (-14.2%), together with a fall in agricultural labour input (-2.2%). The former was the result of a sharp fall in the value of agricultural output at producer prices in real terms (-10.9%) while input costs in real terms also decreased (-9.2%).

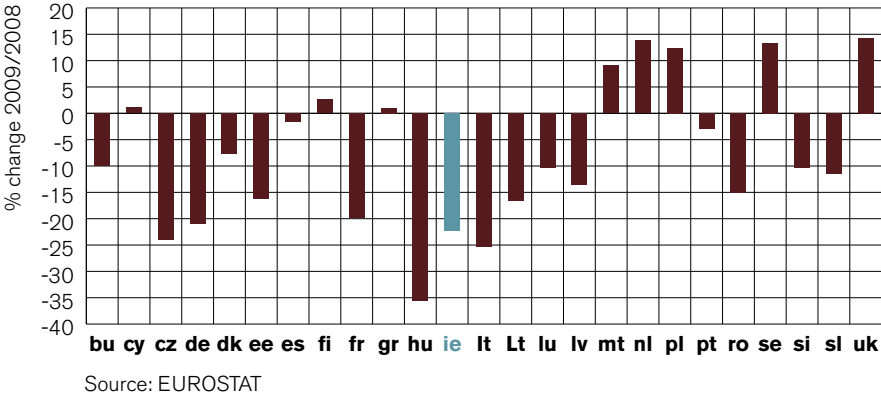
The value of livestock production decreased as a result of a clear fall in producer prices (-8.7%) and a slight decrease in volume (-1.1%). Prices fell for the three main animal products : milk (-20.3%); pigs (-4.2%) and cattle (-1.8%). The output volume remained the same for milk production, was nearly stable for pigs (-0.3%) and decreased for cattle (-2.9%).

A small fall in the real value of subsidies net of taxes (-0.8%) and the slight decrease in depreciation in real terms (-0.2%) also had a marginal impact.

Real agricultural income per worker in 2009 is estimated to have fallen in 22 Member States and to have risen in five with these ranging from -35.6% to +14.3%.

Figure 2.2

% Change in Real Income per Agricultural Worker in EU-27 Member States, 2009.



2.3 National Farm Survey 2008

The most recent survey data relating to average farm incomes is the National Farm Survey 2008. As in previous years family farm income varies significantly depending on the size of farm and system of farming, etc. In 2008, average family farm income was estimated to have fallen by 13.7% to €16,993. Higher costs and a sharp decline in returns on dairy and tillage farms were the main contributing factors to the decline in farmers' incomes. For tillage farms incomes halved in 2008, while incomes on dairy farms were down 10%. Incomes on drystock farms remained low, however, these farms are pre-dominantly part-time and most have additional sources of income.

One of the main contributing factors to the decline in income in 2008 was the rise in input costs, which, were up 13.8% with the price of most inputs including feed, fertiliser, plant protection products and fuel all increasing.

Direct payments averaged €17,467 per farm accounting for 31% of gross output or 103% of family farm income.

Table 2.1 Main Results from National Farm Survey, 2008

	Dairying	Dairying + other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All system
% of farms represented	15.1%	7.6%	18.8%	35.8%	35.8%	16.1%	6.3%
Market output (€)	117,272	59,995	13,937	19,748	13,441	62,662	38,203
Direct Payments (DPs) (€)	20,445	21,900	14,195	16,318	15,816	25,393	17,467
Gross output (€)	137,717	81,895	28,132	36,066	29,257	88,055	55,670
Direct Costs (€)	50,554	29,390	8,969	11,521	8,963	34,412	19,358
Overheads (€)	41,432	28,772	11,424	13,345	10,701	34,263	19,319
Family Farm Income (FFI)	45,732	23,733	7,739	11,200	9,593	19,380	16,993
DPs as % of FFI	45%	92%	183%	146%	165%	131%	103%

Source: National Farm Survey 2008, Teagasc 2009

A comparison of farming characteristics and financial return for full-time and part-time farms⁶ is shown in Table 2.2. Average farm income for the 31.3% of farms classified as full-time was €37,590 in 2008. Full-time farms are the larger more viable farms, of which, 56% are involved in dairying, 35% in other livestock system and 9% in tillage. On 20% of full-time farms, the farmer had an off-farm job, whilst on 43% of full-farms the spouse had an off-farm job.

For the two-thirds or so farms classified as part-time the average family farm income was €7,580 with 87% of these farms involved in drystock production. These farms were particularly reliant on direct payments to cover production costs with average payments of €12,410 accounting for 164% of family farm income. On 58% of part-time farms either the holder or spouse had off-farm employment – down from 60% in 2007 and 63% in 2006. Nearly all (97%) part-time farms had off-farm income from either employment, pensions or social assistance.

6 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.

Table 2.2 Main Results from National Farm Survey for Full-time and Part-time Farms, 2008

	Dairying	Dairying + other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All system
Full-time							
% of pop	13.6%	4.0%	2.3%	4.6%	3.6%	2.7%	31.3%
UAA (ha)	50.4	69.3	56.8	66.9	68.2	98	62.1
Family farm income (FFI)	49,404	38,434	19,413	29,825	21,047	29,356	37,590
FFI/ha	980	555	342	446	309	300	605
Direct payments (DPs)	21,734	30,810	30,739	35,573	31,126	40,526	28,497
DPs as % of FFI	44%	80%	158%	119%	148%	138%	76%
Part-time							
% of pop	1.5%	3.6%	16.4%	30.9%	12.5%	3.6%	68.6%
UAA (ha)	21.9	21.3	25.8	25.3	24.1	28.0	25.1
Family farm income (FFI)	12,634	7,009	6,049	8,235	6,251	11,951	7,580
FFI/ha	577	329	234	325	259	427	302
Direct payments (DPs)	8,833	11,767	11,792	13,238	11,288	14,120	12,410
DPs as % of FFI	70%	168%	195%	161%	181%	118%	164%

Source: National Farm Survey 2008, Teagasc 2009

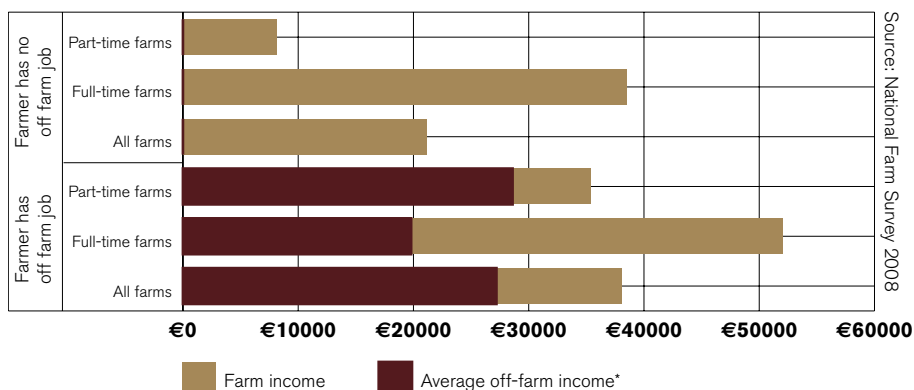
2.4 Off-farm Employment Income

The National Farm Survey 2008 estimates that 40% 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 €35,400. Those with full-time farms and off-farm employment had an average income of €52,000. Overall average off-farm earnings, for those who had off-farm jobs was estimated to be €27,200 (Figure 2.3), average family farm income for these farms was €10,900 giving a combined income of €38,100.

Of the 60% of farm holders who stated that they had no off-farm income, 43% were estimated to have full-time farms. These full-time farms had an average family farm income of €38,500, which is similar to the combined on and off-farm earnings for farmers with other jobs. The remaining 57% were classified as part-time farms and had no off-farm earnings. These had an average family farm income of €8,100.

Figure 2.3

Estimate of Off-Farm Employment Income of the Farm Holder, 2008



On 40% 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 payments⁷ 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 10% of direct payments while the top 20% of producers received almost 40% of payments. Also the data shows that average direct payments exceeded family farm income for all but the top 20% of producers.

Table 2.3 Share of 2008 Direct Payments by Deciles of Family Farm Income

Deciles for FFI	Average DP per Farm (include SFP)	% of Total DP	Average FFI
Decile 1	9,395	5%	-5,871
Decile 2	8,419	5%	1,157
Decile 3	8,025	5%	3,434
Decile 4	8,115	5%	4,925
Decile 5	13,379	8%	7,358
Decile 6	15,310	9%	10,219
Decile 7	19,022	11%	14,669
Decile 8	24,526	14%	22,020
Decile 9	29,666	17%	35,439
Decile 10	38,748	22%	76,455
All	17,470	100%	16,990

Source: A.Kinsella, Analysis by Decile, National Farm Survey 2008

⁷ Direct payments in Table 2.5 include the Single Payment Scheme, REPS and area based disadvantaged area compensatory allowance scheme.

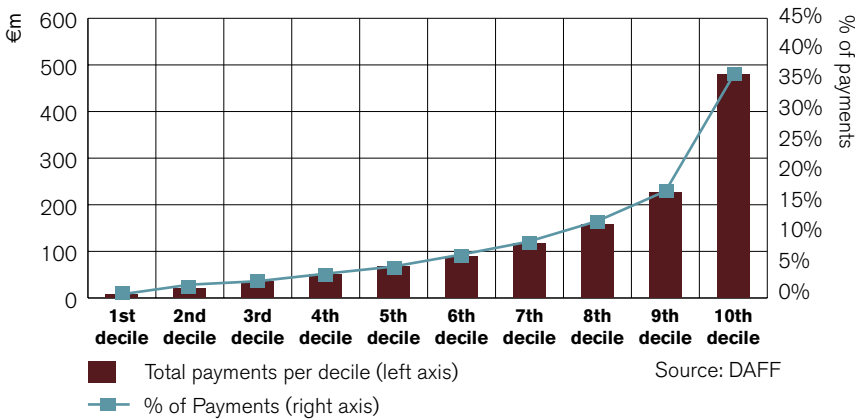
As mentioned in Section 2.2 total direct payments to farmers were estimated to be €1,924 million⁸ in 2009. This figure relates only to direct payments which are included by the CSO in the calculation of operating surplus in agriculture, some of the main elements of which were the Single Payments Scheme, REPS, Compensatory allowances for Disadvantaged Areas and disease compensation payments. When all payments to farmers are incorporated total payments to farmers rises to over €2.33 billion, 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 2009 calendar year (see further details in Section 12.8).

	Overall Payments	Total No. of Recipients	% of Payments with value > = €10,000	Average payment
Ulster	283,818,064	18,503	30.8%	15,339
Connaught	516,210,893	40,403	19.1%	12,777
Leinster	676,973,877	33,942	51.7%	19,945
Munster	854,046,733	46,183	44.4%	18,493
State	2,331,049,567	139,031	37.0%	16,766

Source: DAFF

Figure 2.4 shows the distribution of the Single Payment Scheme to farmers. The average payment was €10,160, but over 70% of recipients received payments under this amount. 38% of payments went to the 10% of farmers with the highest family farm incomes.

Figure 2.4
Distribution of SPS Payments to Farmers by Decile, 2009



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.

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

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
Less tax and social contributions	9,064	8,165	13,467	11,537
Disposable income	51,988	40,085	56,911	51,515
Gross income per household member	19,367	17,367	22,279	20,627
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
Less tax and social contributions	7,547	8,424	13,480	11,537
Disposable income	45,938	42,900	52,531	49,042
Gross income per household member	16,998	17,938	22,286	20,627
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 poverty⁹ shows that farm households tend to have much lower rates of consistent poverty than other urban or rural households. This has been a pattern for a number of years and suggests that farm households have lower rates of basic deprivation than other household groups.

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

⁹ 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.

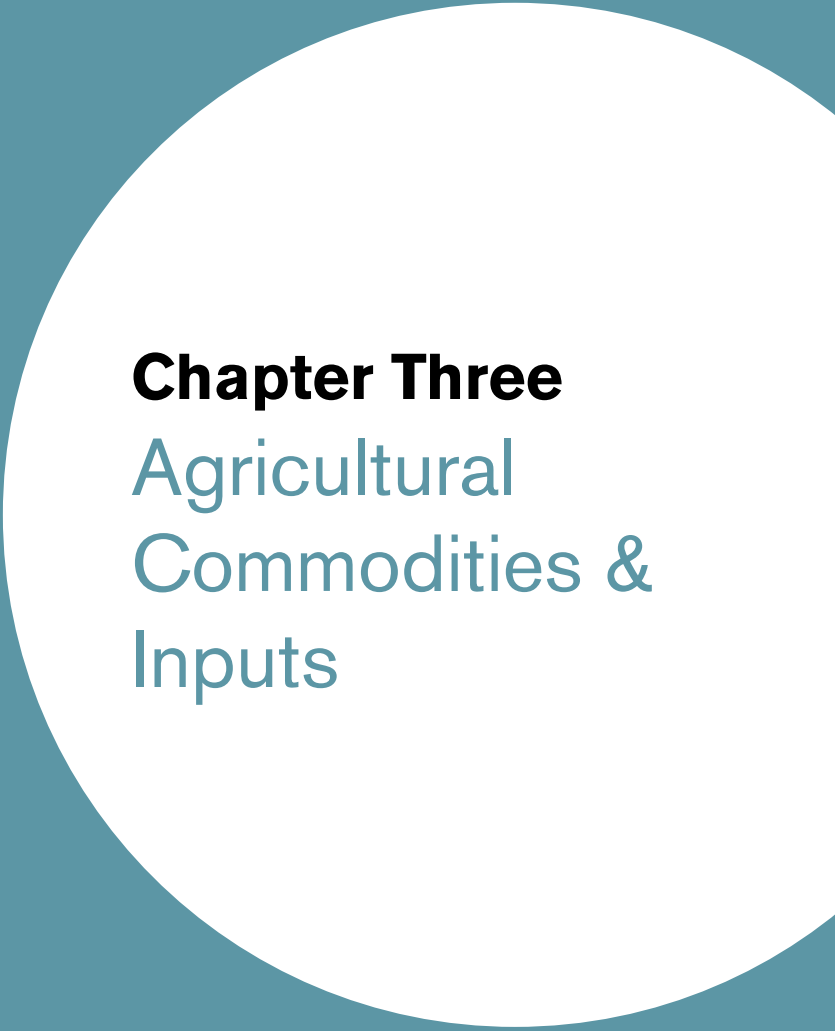
Table 2.7 Consistent Poverty for Farm, Rural Non-Farm and Urban Households, 2008

	Broad Definition	Narrow Definition
	%	%
60% consistent poverty line		
Farm households	2.2	3.6
Other rural households	5.0	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

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 2009, there were 8,972 participants the scheme, an increase of almost on 1,600 the previous year. In total there were 22,660 beneficiaries including recipients, qualified adults and children of the scheme.

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



Chapter Three

Agricultural Commodities & Inputs

Chapter Three

Agricultural Commodities & Inputs

3.1 Overview

2009 was an extremely difficult year for those reliant on the performance of international and domestic agricultural commodity markets. Following the historic high prices experienced in 2007 and partial stabilisation in 2008, numerous factors in 2009 culminated in lower commodity price returns and significantly deflated output values across the majority of sectors, with the dairy products and cereals sectors experiencing particularly acute reductions in this respect.

The current economic recession and exchange rate movements were the primary factors influencing the market performance of agricultural commodities generally in 2009 and this was evident in the beef sector where a combination of reduced volumes and lower prices also had an impact on export returns. Dairy markets remained weak following the decline in 2008, reaching a low point in spring before offering tentative signs of recovery in the second half of the year. The continued reduction in sheep stocks held on farms continued to be the primary contributor to a decline in output value for the sector, albeit at a slower rate of decline than evidenced in recent years. For the pigmeat sector, the fallout from the dioxin incident dominated the early part of the year. Considerable work was done to restore international confidence in the safety of Irish pork resulting in the reopening of the majority of markets closed in the immediate aftermath of the incident. Profitability margins for pig producers remained low with feed prices remaining high for most of the year. It was also a difficult year for the cereals sector, with dramatic reductions in both prices and harvest. The European Union grain market was characterised by falling prices, weaker demand and high levels of carry over stocks following the bumper harvest of 2008.

At aggregate level, operating surplus in Irish agriculture decreased by 30.6% to €1,615 million in 2009. This follows a decrease of 10.8% in 2008 and an increase of 12.4% in 2007 illustrating the volatility of farm incomes in recent years (see Figure 3.1).

Despite a significant and welcome decrease of 9.5% (€428 million approx) in expenditure on intermediate consumption, brought about by decreased input costs, the overriding factor that contributed to decreased operating surplus was an approximate €1.1 billion (18.8%) decrease in the aggregate value of goods output from the sector. Table 3.1 sets out the latest details for Output, Input and Income in Agriculture for 2009.

Table 3.1 Output and Input in Agriculture, 2009¹ - Value, Volume and Price

	Value	% Change 09/08			Share of GO/Inputs
	€m	Value	Volume	Price	
Gross output at producer prices	4,733.2	-18.8	-4.03	-15.4	100%
Milk	1,100.8	-32.5	-3.2	-30.2	23%
Cattle and Calves	1,485.3	-11.0	-1.4	-9.7	31%
Pigs	299.9	-10.2	-2.2	-8.1	6%
Sheep and Lambs	161.2	-5.9	-9.9	4.4	3%
Poultry	147.7	-2.2	-0.1	-2.1	3%
Cereals	94.5	-52.7	-34.2	-28.2	2%
Root Crops	82.0	10.3	-9.0	21.1	2%
Fresh Vegetables and Fruit	210.3	n/a	n/a	n/a	4%
Forage Plants	857.5	-14.9	-2.0	-13.2	18%
Other	293.9	n/a	n/a	n/a	6%
Intermediate Consumption (Inputs)	4,065.8	-9.5	-3.6	-6.2	100%
Animal Feed	1,069.4	-11.0	-1.6	-9.5	26%
Fertilisers	416.0	-18.0	-10.6	-8.2	10%
Energy and Lubricants	300.5	-12.8	-0.7	-12.2	7%
Maintenance and Repairs	369.4	1.9	-0.2	2.1	9%
Forage Plants	843.6	-14.9	-1.9	-13.2	21%
Contract Work	269.2	-4.2	-8.2	4.3	7%
Others	797.7	n/a	n/a	n/a	20%

¹ Preliminary Estimate Source: CSO

Stock Changes

Early estimates for stock changes on Irish farms in 2009 are illustrated in Table 3.2. There were declines in the number of livestock held on farms, most notably in the sheep sector.

Table 3.2 Estimated Value and Volume¹ (000s) of Stock Changes on Farms, 2008-2009

	2008		2009 ²	
	Volume ¹ (000's)	Value (€m)	Volume ¹ (000's)	Value (€m)
Cattle	10.8	32.5	-5.0	-9.0
Sheep	-8.0	-107.6	-9.9	-169.0
Pigs	3.0	30.1	-0.7	-16.0
Poultry	-4.5	-165.7	-4.5	-165.7
Crops	5.2	75.7	-17.8	-130.7
Total	n/a	-135.1	n/a	-490.5

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

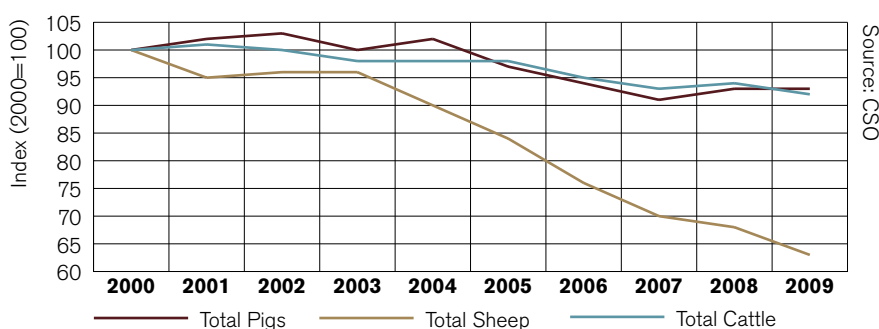
² Early Estimate

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 2009 based on CSO December Livestock Surveys (Base 2000=100).

Figure 3.1

Index of Livestock Numbers, 2000-2009



Terms of Trade

Agricultural input prices decreased by almost 9% in 2008 relative to a decrease of 15.4% in output prices. These price developments equated to a detrimental movement in the terms of trade index for farmers of -7.3% in 2009.

The most significant price movements year on year were: milk, cereals, cattle and pigs were down by 30.8%, 28.9%, 10.5% and 9.4% respectively. While fertilisers, energy, feeding stuffs and seeds fell by 16.2%, 13.5%, 8.8% and 7.3% respectively.

Table 3.3 Terms of Trade, 2008-2009

Base 2000=100	2008	2009	% change 2008/2009
Output	122.3	103.4	-15.4%
Input	155.9	142.2	-8.8%
Terms of Trade	78.4	72.7	-7.3%

Source: CSO Agricultural Price Indices

3.2 Milk

General Market Situation 2009

During 2009 international dairy markets remained weak following the decline in 2008, reaching their lowest point in spring before recovering gradually in the second half of the year. The European Union's (EU-27) milk production started to contract in late 2008, under unprofitable conditions, ending the year down from 2007. Milk prices in the European Union have fallen considerably, and have been subject to much volatility and uncertainty. This weak market situation led to the Commission reintroducing the range of market supports at its disposal. Export refunds were reactivated in January 2009 and were increased during the year before being reduced to zero again by December in response to rising prices. Intervention for butter and SMP continued after reaching the mandatory limits, and was extended beyond the August closing date. Private storage for butter started two months early, and was also extended.

World milk production is estimated to have increased by 1.6% in 2009 (FAO) with the EU accounting for approximately one fifth of this total. Virtually all additional global output was accounted for by increased output in developing countries.

Output in Ireland

In 2009 there was a very significant decrease (circa 32.5%) in the value of the milk sector to €1,101 million. Deliveries were estimated to be down around 3% on 2008.

Table 3.4 Milk Output and Disposal¹ (whole milk only), 2008-2009

Million litres	2008	2009	% Change
Manner of Disposal			
Milk sold off farms	4,959	4,801	-3.18%
Milk used in farm households ²	22	22	1.17%
Imported milk intake	464	427	-7.95%
Total Milk Output	5,444	5,261	-3.37%
Of which:			
Used for liquid consumption	439	458	4.23%
Used in the manufacture of:			
Butter	2,758	2,686	-2.60%
Cheese	1,702	1,606	-5.62%
Cream ³	284	210	-26.12%
Whole Milk Powder	252	188	-25.41%
Miscellaneous Products	1,106	885	-19.95%

¹ Milk output and disposal will not reconcile due to the existence of different production processes in the production of milk based products

² Including milk used for the production of farm butter, cream and cheese and milk given as payment in kind to agricultural employees

³ Includes milk for the manufacture of cream by creameries and pasteurisers.

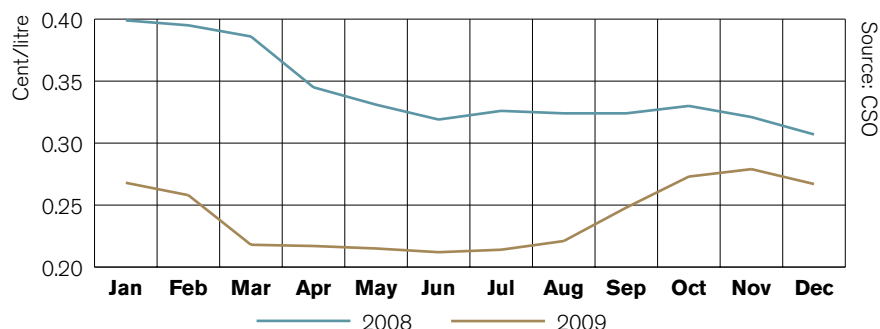
Source: CSO 2008; DAFF estimates 2009

Prices

The average milk price paid to producers in 2009 was 24 cent/litre, a 30% drop on the 2008 price of 34 cent. In addition, dairy farmers continued to receive the dairy premium of 3.6 cent/litre. In the EU the average milk price was 26 cent/litre, down from 34 cent in 2008.

Figure 3.2

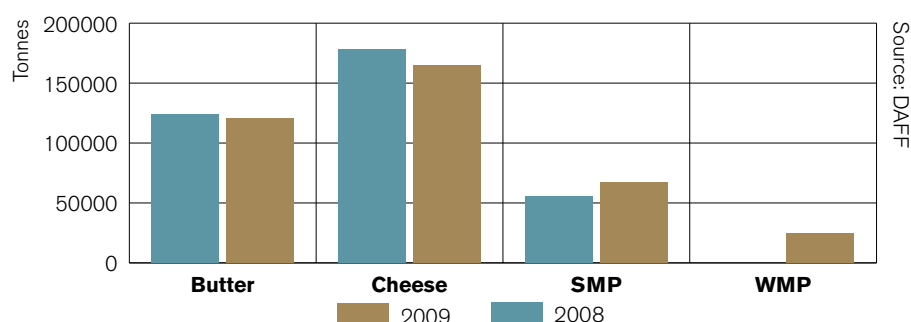
Milk Prices, 2008-2009



Production of Dairy Products

Figure 3.3

Production of Dairy Products, 2008-2009



The Department of Agriculture, Fisheries and Food estimate that Irish butter, WMP and cheese production decreased by 2.8%, 25.9% and 7.7% respectively in 2009. Provisional data for SMP production estimate an increase in the order of 20%.

Exports

Exports of Irish dairy products and ingredients were valued at some €2 billion in 2009, which represented a decrease of approximately 13% (€290 million) on 2008. As well as the challenges posed by the global recession and Sterling's exchange rate with the Euro, the volume of dairy products available to export fell during the year due to a combination of lower milk output and increased use of intervention storage.

Intervention/Market Management

In March 2009, EU public intervention schemes for butter and skimmed milk powder (SMP) were opened which allowed the purchase of product up to set limits at a fixed price. When the mandatory limits of 30,000 tonnes and 109,000 tonnes respectively were reached at the fixed intervention price the schemes were continued under tendering arrangements at close to the intervention prices, and were extended beyond the normal August closing date,

to February 2010. Some 14,000 tonnes of Irish butter and 32,000 tonnes of Irish SMP have been funded under these schemes. The aid for private storage scheme for butter opened early and was also extended beyond its August closing date, and 16,000 tonnes of Irish butter was aided under the scheme. Export refunds were reactivated in January and were increased during the year before being reduced to zero again by December in response to rising prices.

Quota Management

There were an estimated 18,929 active milk producers in 2009, a reduction of approximately 3.8% on 2008 (See Statistical Annex Table 12.7).

The Milk Quota Trading Scheme remains the main means by which milk quota was acquired by producers. The Trading Scheme is comprised of two elements, namely, a Priority Pool and a Market Exchange. The Priority Pool distributes quota to priority categories such as young farmers and small-scale producers at a maximum price, which in 2009 was reduced by the Minister from 10 to 6 cent per litre. The Market Exchange accounts 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 basis.

In 2009 the Trading Scheme was responsible for the transfer of about 22 million litres of quota in respect of the 2009/2010 milk quota year, and a further 18 million litres was traded in the November 2009 exchange, which was the first of two exchanges allocating quota in respect of the 2010/2011 milk quota year.

In the milk quota year 2008/2009 Ireland's deliveries of milk did not exceed the national quota and no super levy was paid to the EU Commission.

Other Developments in 2009

New Entrants to Dairying

The first of five annual increases of 1% in national milk quota agreed under the Health Check became available on 1 April 2009. 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 a major new initiative aimed at attracting new entrants into milk production. The New Entrants Scheme subsequently identified 72 successful applicants who will be allocated quotas of 200,000 litres each in the period up to 1 April 2011 to allow them to commence dairy farming on a scale that is immediately viable.

Dairy Efficiency Programme

A new three-year Dairy Efficiency Programme was announced in December 2009. Under the Programme €18 million of unspent Single Payment Scheme funds will be spent in encouraging significant efficiency gains on Irish dairy farms. The funding will support the transfer to milk producers of technology and knowledge that will help them to adopt best practice in the running of their enterprises.

Support for Dairy Research

Late 2009 saw a commitment to make significant amounts of milk quota 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. The information and management data generated will be made available to all Irish dairy farmers through Teagasc's advisory network and the BETTER farm programme.

Outlook 2010

The prospects for 2010 are uncertain and Irish and EU dairy exports can expect to find market conditions challenging. The EU Commission has agreed to adopt a cautious approach to the release of intervention stocks on the market. In the medium term most analysts forecast strong demand and high prices for dairy products, as population growth and greater prosperity in developing countries will induce higher levels of demand.

3.3 Cattle

General Market Situation 2009

The current economic recession and exchange rate movements were the primary factors influencing the market performance of agricultural commodities generally in 2009. The aggregate value of Irish meat and livestock exports in 2009 is estimated at €2.25 billion. This represents a drop of around 9% when compared to 2008 with most of the decline evident in beef exports where a combination of reduced volumes and lower prices impacted on export returns. The European beef market was affected by a slowing demand for beef and falling consumer spending which resulted in a switch to lower value cuts and meats. While export volumes to the UK market were curtailed by the continuing weakness of sterling, this was offset somewhat by higher shipments to Continental markets. The UK market accounted for 52% of beef exports in volume terms with almost all the remainder destined for the Continent. Notwithstanding the difficult economic climate, Irish beef exports were relatively resilient in maintaining their position in European markets. Over 200,000 tonnes of beef is now sold in the higher value segments of the European market.

The main trends in Irish production during 2009 were a significant increase in live exports and a slowdown in supplies to export meat plants because of poor grazing conditions and less meal feeding of livestock.

Output in Ireland

In 2009, the output value of the beef sector decreased by 11% to approximately €1.5 billion. This was primarily a reflection of slowing demand for beef as reduced consumer spending, particularly at food service level, impacted on overall volumes.

Table 3.5 Output Value¹ and Number of Cattle and Calves, 2008-2009

	2008		2009 ²	
	Value (€m)	Number (000's)	Value (€m)	Number (000's)
Live Exports	69.24	146	134.10	277.48
Export Slaughterings	1,540.18	1,591	1,311.29	1,524.69
Other Slaughterings	48.97	74	46.12	76.37
Total Disposals	1,658.39	1,811	1,491.51	1,878.54
Imports	1.17	1	1.17	0.85
Changes in Stocks	10.77	32	-5.02	-9.03
Total	1,667.99	1,843	1,485.32	1,868.65

1 Values shown are after deductions for transport costs

2 Early Estimate

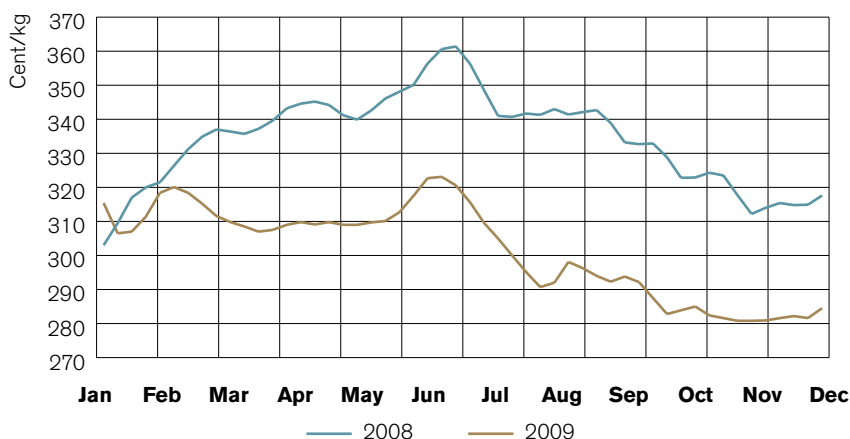
Source: CSO

Prices

Cattle prices in 2009 were down in all categories in response to difficult trading conditions and lower consumption levels across Europe. Overall, steer prices declined by 9%, heifer prices by 7% and cow prices by 10%. Irish steer and heifer prices were 95% and 94% respectively of EU average carcass prices. Officially recorded factory prices for R3 grade steers were almost 10% lower in 2009 at €2.87 kg deadweight (excluding VAT). This figure still represented a gain of 4% on the yearly average for 2007. Similar trends were evident in respect of R3 heifer and O4 cow prices.

Figure 3.4

Steer Prices, 2008-2009



Slaughterings

Total cattle throughput at meat export premises in 2009 was down by 4% on 2008 levels to just under 1.53 million head. A reduction in prime cattle supplies during the year can be attributed to lower calf registrations in 2007 together with elevated volumes of live exports to Northern Ireland, particularly in the finished steer category. There was little change in average carcass weights across most categories as lower feed costs led to producers retaining stock despite lower prices.

Figure 3.5

Cattle Slaughterings at Meat Export Premises, 2008-2009

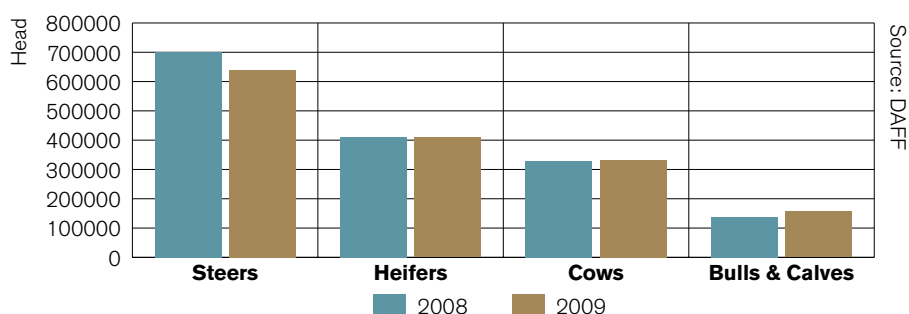
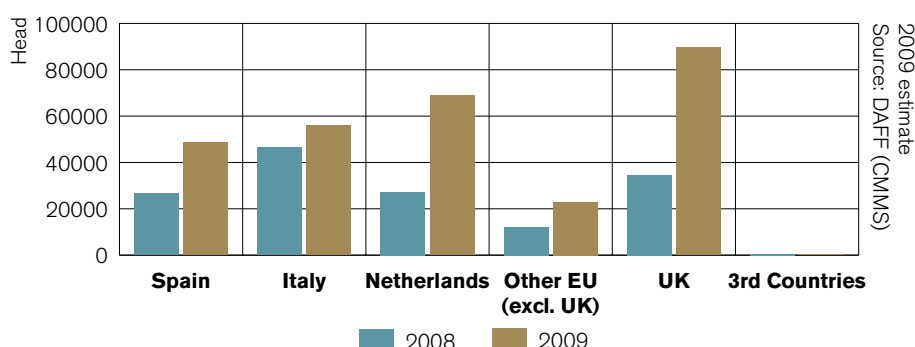


Figure 3.6

Live Exports of Cattle, 2008-2009



Beef Exports

Irish beef exports in recent years have been targeted at the high value segments of the UK and Continental EU markets, with these markets accounting for approximately 99% of exports in 2008 and 2009. The value of beef exports decreased by more than 13% in 2009 to nearly €1.4 billion. A combination of lower cattle supplies and virtually unchanged carcase weights led to the volume of beef available for export declining by 8% to 461,000 tonnes (cwe).

Exports to the United Kingdom were hindered by the persistent weakness of sterling, lower demand for higher value cuts and higher UK production. Overall, exports to the UK fell by some 6% to an estimated 245,000 tonnes and were worth €660 million.

Shipments of beef to Continental EU markets remained broadly similar to 2008 levels, at 214,000 tonnes, and were valued at €730 million. While improved demand in key markets such as Italy, Spain and the Netherlands helped to offset lower volumes elsewhere, market returns were affected by slower sales and slackening consumer spending.

Non-EU Market Developments

Shipments to international markets amounted to no more than 2,000 tonnes in 2009, with Vietnam and Hong Kong emerging as the principal destinations. However, lower market prices, slower import demand and continuing difficulties in securing export credit insurance have all served to inhibit this trade.

Despite the continuing emphasis on European markets, efforts continued during 2009 to reopen international markets. As a result of these endeavours, access was secured to new markets in Indonesia and the United Arab Emirates, and for beef offal exports to South Africa. The Market Access Group, established to facilitate trade in Irish beef to non-EU markets, continued to meet in order to discuss and monitor developments.

Live Cattle Exports

Live exports continue to be an important outlet for Irish cattle, providing an essential element of competition with the beef trade. Following the abolition of Export Refunds for live animals, other than for breeding, the live export trade is now almost exclusively with other EU Member States. Live cattle exports surged to an estimated 286,000 head in 2009 – almost double the level recorded in 2008. The value of this trade grew by around 70% to an estimated at €157 million. The main reasons for the resurgence in live exports were stronger calf exports to the Netherlands, greater feedlot demand in Spain and Italy along with a sharp rise in finished cattle exports to Northern Ireland.

Outlook 2010

With the ongoing recession set to dominate the outlook for beef prices over the short term, the market environment in 2010 will hinge on an uplift in consumer demand and exchange rate developments. All things being equal, the European beef market is likely to remain stable albeit with pronounced competitive pressures. Against this background, some decline in EU beef production should help to strengthen demand for Irish cattle provided import availability is insufficient to make up the shortfall. Some increase in cattle supplies to Irish meat export plants is anticipated during 2010 given the drop in live exports in 2008. However, the strength of the weanling and store cattle export trade in 2009 is expected to impact on finished cattle availability as the year progresses. The prospects for live cattle exports remain broadly positive with trade to the Continent buoyant towards the end of 2009.

3.4 Sheep and Lambs

General Market Situation 2009

Sheepmeat production during 2009 is estimated at 55,500 tonnes, a decline of 4% on 2008 levels. The decline in production is closely linked to decline in the national sheep flock, in particular the breeding flock, which declined by 6% between June 2008 and June 2009.

Output in Ireland

In 2009 the output value of the sheep and lamb sector fell approximately 5.8% to €161 million, primarily a reflection of lower supplies and reduced demand on the home market. The continued reduction in stocks held on farms also contributed significantly to the decline in output.

Table 3.6 Output Value¹ and Numbers of Sheep and Lambs, 2008-2009

	2008		2009 ²	
	Value (€m)	Number (000's)	Value (€m)	Number (000's)
Live Exports	2.63	40.06	2.21	32.76
Export Slaughterings	172.25	2,607.90	166.45	2,430.75
Other Slaughterings	23.16	310.99	23.11	301.59
Total Disposals	198.04	2,958.95	191.77	2,765.11
Imports	18.70	261.58	20.68	285.81
Changes in Stocks	-7.97	-107.59	-9.88	-168.97
Total	171.37	2,589.78	161.21	2,310.32

¹ Values shown are after deductions for transport costs

² Early Estimate

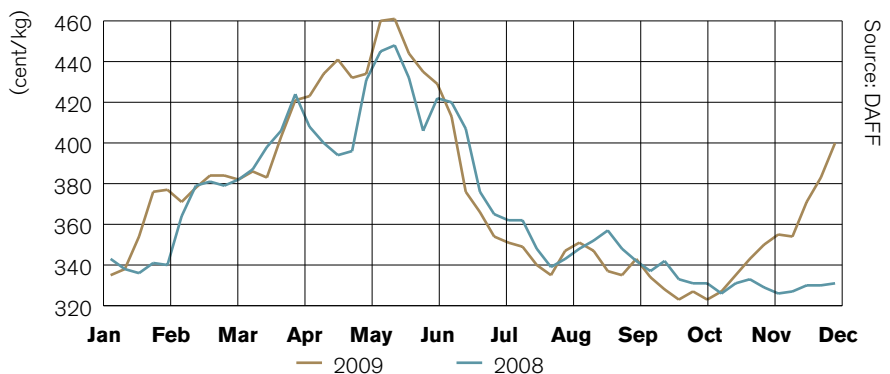
Source: CSO

Prices

Average factory prices for the year were up 2.3% on 2008 levels, boosted by an increase in prices towards the end of the year. The average price recorded for sheepmeat, at meat export premises during 2009 compared to the previous year is shown in Figure 3.7.

Figure 3.7

Sheep Prices at Meat Export Premises, 2008-2009

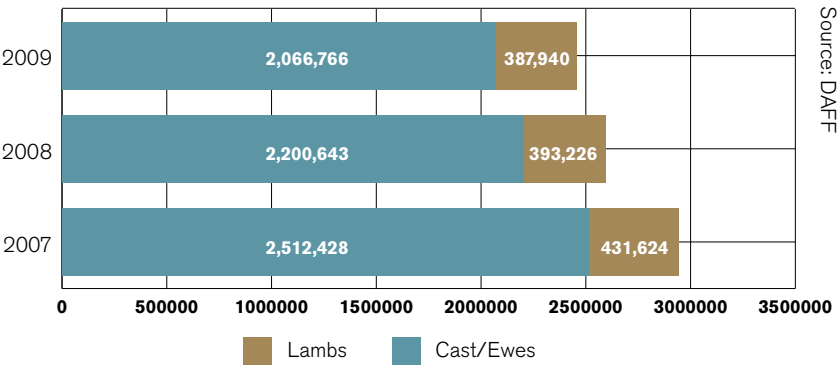


Slaughterings

Slaughterings at DAFF supervised export plants totalled 2.4 million head in 2009. This represented a decline of 7% on the 2008 figures. The decline can be attributed to a reduction in the availability of lambs due to the contraction in the national breeding flock in recent years. A summary of the slaughterings at export plants in 2009 is shown in the figure below.

Figure 3.8

Sheep Slaughterings at Meat Export Premises, 2007-2009



Exports

Exports are estimated to have fallen by 1,000 tonnes (2%) to reach 40,500 tonnes for 2009. A slight reduction in the quantity of sheepmeat available for export was brought about by a decline in production accompanied by a drop in domestic consumption.

Outlook for 2010

The continued fall in the breeding flock between June 2008 and June 2009 will impact on the lamb crop and ultimately supplies to factories in 2010. Reduced production is also forecast for other major producing countries including the UK and Spain, while French supplies are expected to increase by 5% due to better lambing percentages and higher carcase weights. New Zealand is expected to fill its quota. The overall reduction in supplies expected for 2010 should lead to improved market returns during 2010.

3.5 Pigs

General Market Situation 2009

In what proved to another challenging year for the Irish pigmeat sector, 2009 witnessed the continuation of lower margins for pig producers as feedingstuff prices remained high for most of the year. Similarly low margins were experienced throughout the EU. The fallout from the dioxin incident dominated the early part of the year with an EU APS scheme for 30,000 tonnes specifically for Ireland in place. The Government introduced two schemes, namely the Pigmeat Recall Scheme and the Pig and Cattle Disposal Scheme. Significant payments have been made to qualifying applicants under both schemes and, while all claims have not yet been finalised, expenditure in this regard will be within the confines of the total State Aid facility of €180 million made available by the Government following the dioxin outbreak. Considerable work was done to restore international confidence in the safety of Irish pork with the result that the majority of markets closed in the immediate aftermath of the incident were quickly reopened. The 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.

Output in Ireland

During 2009 the output value attributable to pig production declined by some 10%. The loss of 10,000 breeding sows following the pigmeat recall impacted strongly on Irish pig supplies. Disposals at meat plants fell by 7% with live exports to Northern Ireland rising slightly.

Table 3.7 Output Value¹ and Numbers of Pigs 2008-2009

	2008		2009 ²	
	Value (€m)	Number (000's)	Value (€m)	Number (000's)
Live Exports	54.64	539.00	58.59	625.56
Export Slaughterings	274.59	2,527.60	238.68	2,371.66
Other Slaughterings	4.61	50.00	4.34	49.15
Total disposals	333.85	3,116.60	301.61	3,046.37
Imports	3.06	27.28	1.01	11.00
Changes in stock	3.01	30.06	-0.72	-16.05
Total	333.80	3,119.38	299.88	3,019.33

¹ Values shown are after deductions for transport costs

² Early Estimate

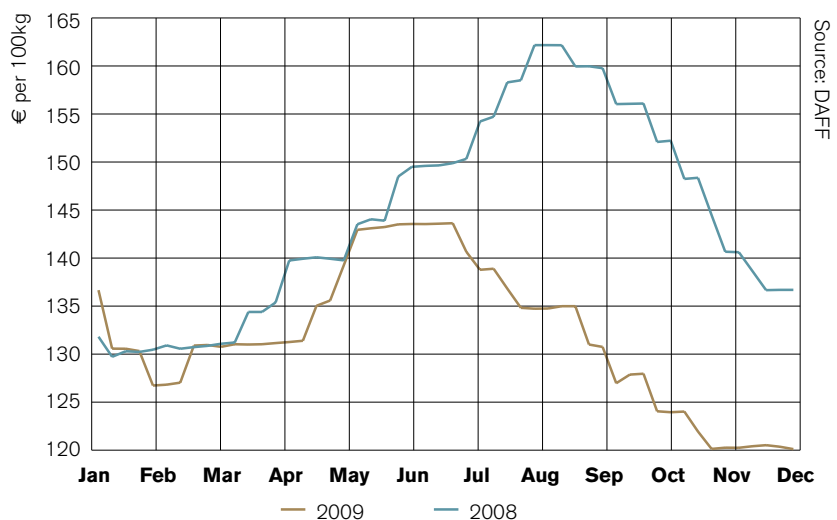
Source: CSO

Prices

Producer prices during 2009 fell by 9% higher compared to 2008. The average price for 2009 was €131.75/100 kgs and reached a high of €143.63/100 kgs. The Irish price averaged 92% of the EU average.

Figure 3.9

Pig Prices at Meat Export Premises, 2008-2009



Slaughterings

Slaughterings at DAFF export approved plants at 2.36 million were down almost 6% on 2008 levels. Within this, pork accounted for almost 97% of the total with a stable outturn in other categories. The export of live pigs to Northern Ireland remained strong at 470,000 animals.

Exports

Pigmeat exports declined in value by 15% and amounted to approximately €290 million. This was due largely to the decline in supplies and the fall in prices referred to previously. In volume terms exports totalled approximately 119,000 tonnes.

The UK market accounted for over 60% of exports. Despite difficulties in the early part of 2009 following the dioxin outbreak, and a more problematic international economic environment, Irish pigmeat exports performed reasonably well during the year. Most Irish pigmeat markets and customers returned to relatively normal patterns of trade quite early in the year. Volumes to the UK rose as the year progressed while Continental trade was largely maintained. The continued suspension of the Chinese and Russian markets to Irish pork during 2009 pushed volumes exported downwards in international markets.

Outlook 2010

The concentration of efforts during 2009 in rebuilding consumer and key export markets confidence limited the impact of the dioxin incident. As 2010 progresses it is hoped that both Russia and China will reopen their markets to Irish pork. European supplies are expected to decline marginally during 2010 thus providing opportunities for Irish exporters in this important marketplace. This will be helped by the return into production of herds destocked following the product recall in late 2008, which should result in a 10% increase in finished pig supplies in Ireland. Given the importance of international markets in setting the tone for the EU market, price projections are difficult to make. However, the forecast decline in supplies should help stabilise the EU price.

3.6 Poultry & Eggs

General Market Situation 2008

The poultry industry continued to face considerable challenges during 2009. The impact of lower consumer spending together with high feed costs during the early part of the year led to a very difficult trading environment for producers. Consumption of poultry meat increased slightly, but not by as much as had been expected. Consumption across the EU fell marginally as did prices and imports. The reduction in feed costs as the year progressed helped increase margins and brought a degree of stability to the market.

The farm gate value of the poultry industry in Ireland was in the region of €158 million and the sector employed almost 6,000 people.

Output in Ireland

In 2008 the output value of the poultry sector decreased by a little over 2% to approximately €148 million.

Table 3.8 Output Value and Volume of Poultry, 2008-2009

	2008		2009 ¹	
	Value (€m)	Number (000's)	Value (€m)	Number (000's)
Poultry	151.0	-4,435	147.7	69,459

¹ Early Estimate
Source: CSO

Prices

Producer and wholesale prices in the poultry sector remained steady for 2009 in Ireland. Feed costs reduced as the year progressed and this is expected to continue for 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.

Slaughterings

Slaughtering of poultry totalled 74.9 million birds in 2009 – a 2% increase on 2008 levels.

Exports

The value of Irish poultrymeat exports in 2009 decreased by approximately 11% to €180 million, and returns were affected by competitive pressures in the UK market, which continues to account for the vast bulk of Irish poultry exports. Volumes remained stable with much of the focus on value-added products and chilled cuts.

Outlook 2010

The outlook for the poultry industry for 2010 is for one of continued stability in both production and prices. However, imports will continue to exert competitive pressures on the indigenous poultry industry. As was the case in 2009 there will be a balanced demand for eggs in 2010 and prices are expected to remain stable. At EU level, 2010 import demand is anticipated to increase as domestic consumption is growing faster than production. This will also lead to a reduction in exports.

3.7 Cereals

General Market Situation 2009

In the European Union, the grain market for 2009 was characterised by falling prices, weaker demand and high levels of carry over stocks following the bumper harvest of 2008. The EU Commission estimates that total production for the 2009 harvest will be in the region of 294 million tonnes, which represents a 19 million tonne, or 6%, decrease on 2008. Production of common wheat is forecast at 130 million tonnes, a decrease of 7% on 2008. Barley production is estimated at 62 million tonnes, a decrease of 5.5 % on the previous year while maize production is forecast at 56 million tonnes, representing an 11% increase on 2008.

On the world market, the International Grains Council estimates total grain production for the 2009 harvest in the region of 1,774 million tonnes, just 1% short of the 2008 record. Wheat production is forecast at 675 million tonnes, while maize production is forecast at 797 million tonnes, surpassing the 2007 record due to good harvests in Argentina and Brazil. World barley production is estimated at 143 million tonnes, which was 8% below the 2008 total.

Output in Ireland

The early estimate for the output value of cereals in 2009 was €94.5 million, attributable to dramatic reductions in both prices and overall harvest.

Table 3.9 Output Value and Volume of Cereals, 2008-2009

	2008		2009 ¹	
	Value (€m)	Volume (000 tonnes)	Value (€m)	Volume (000 tonnes)
Barley	117.5	839.7	67.5	698.4
Wheat	72.2	556.9	15.5	133.1
Oats	10.3	80.4	11.5	135.2
Total Cereals	200.0	1,476.9	94.5	966.8

Source: CSO

¹ Early Estimate

Area, Yield and Production in Ireland

The overall area sown to cereals in Ireland is in the region of 268,000 hectares, down 13% on the area sown in 2008. Cereal yields were below average due to a combination of weather factors throughout the growing season. Total cereal production is estimated at 1.86 million tonnes, which is a 22% decrease on the 2008 harvest. Wheat production at 627,000 tonnes represents a 29% decrease; barley production at 1.104 million tonnes is down by 12%, while production of oats decreased 27% to 128,000 tonnes.

Table 3.10 Area, Yield and Production of Cereals, 2009

	Area (000 hectares)	Yield (tonnes per hectare)	Production ¹ (000 tonnes)
Total Cereals	268	7.5	1860
Wheat	77	7.8	627
Winter	59	8.6	503
Spring	18	6.9	124
Barley	174	7.3	1104
Winter	18	8.5	151
Spring	156	6.1	953
Oats	17	7.3	128
Winter	8	8.0	66
Spring	9	6.6	62

¹ Refers to all production, which is subsequently sold or used alternatively, typically for feed

Source: Teagasc estimate

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 decreased significantly in 2009 while input costs increased. The drop in prices is due to a number of factors, including a bumper world harvest, lower than expected world demand and market uncertainty caused by the global financial crisis. Prices in Ireland were on average 30% lower than 2008 despite a significant decrease in Irish grain production.

Intervention

There is no change to the price of grain sold into intervention in the 2009/2010 marketing year, with the basic buying-in price standing at €101.31 per tonne. The current intervention period runs from 1 November 2009 to 31 May 2010. Currently there are no intervention grain stocks held in Ireland.

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 will apply from the 2010/2011 marketing year, which begins on 1st July 2010.

Outlook 2010

At world market level, the International Grain Council forecasts the global wheat area planted in 2010 is expected to decline by 1% to 222 million hectares. World wheat production will be in the region of 659 million tonnes, 16 million tonnes less than 2009, but still well above average. Sowings of maize crops are forecast to increase by 1.6% while barley sowings are expected to decline, due to lower prices.

In the EU, total grain production is expected to decrease by 1% for 2010 to 291 million tonnes. Spring barley areas are forecast to decline, offsetting an increase in winter sowings, resulting in a 7% reduction in total barley production. Maize sowings are expected to stay the same but yields are expected to increase by 5%. Falling prices and high input costs are the contributory factors affecting sowings for the 2010 harvest.

In Ireland, early indications are that sowings of winter cereals are similar to last year, with an increase in the area sown to barley. However, spring sowings could be significantly reduced due to the continuing downward trend in prices and high production costs. It is expected that production in Ireland in 2010 will be lower than the long-term average level of 2 million tonnes.

3.8 Horticulture & Potatoes

General Market Situation 2009

2009 was a very difficult year for Horticulture and Potatoes. The sector faced difficulties from downward pressure on prices from supermarkets, weak sterling which particularly affected mushrooms and a contraction in construction which affected the demand for nursery stock. The adverse weather conditions throughout the year impacted on the costs of production and the demand for certain products. Restrictions on the availability of credit and a general negative sentiment impacted on investment in the sector and only 50% of the investment approved for the sector under the National Development Plan actually went ahead.

Horticulture Output in Ireland

In 2009 the output value of the horticulture sector was estimated at €291 million, which was a decrease of 2% on 2008

Table 3.11 Output Value of Horticulture, 2008-2009

	2008*	2009*	% change 2008/2009
	€m	€m	%
Mushrooms	102.8	98.8	-3.9%
Other Fresh Vegetables**	84.9	95.4	+12.4%
Fresh Fruit	32.5	31.8	-2.2%
Other	77.1	65.4	-15.2%
Total	297.3	291.4	-2.0%

* Source DAFF estimates

** Increase in 2009 Field Vegetable Census largely due to re-basing of production areas following a census carried out of vegetable growers

Mushrooms: The number of mushroom growers in 2009 was estimated at 80 growers. The value of the sector declined on 2008, with an overall output of €99 million. Yield was good through out the year, with some problems occurring occasionally with Virus X outbreaks. The unfavourable sterling exchange rate meant margins were extremely tight during the year with the weakness of the Polish Zloty also increasing competitive pressure for Irish exports. The squeeze on profit margins was compounded by the high input costs and price squeeze from supermarket chains.

Fruit and Vegetables: Field vegetable crops once again suffered very badly from the very wet summer and autumn. The continuous rainfall meant that harvesting conditions were often very poor. This was compounded by the cold weather which caused severe frost damage towards the end of the year and into 2010 which resulted in significant crop losses. Prices held at best for most crops, but high input costs put pressure on profits.

The soft fruit sector did not suffer as much from the persistent rain due to the increased production of fruit, especially strawberries, under protection. Fruit prices were back 2- 3% in the supermarket chains, but volumes sold remained buoyant, so that overall value held reasonably steady.

The cider harvest volume fell this year due to an apple scab epidemic during the summer; combined with a small reduction in the contract price (based on Euro/ Sterling exchange rate). This led to a noticeable decrease in the value of the crop. Volumes decreased by approximately one third for the culinary industry but the price increased to reflect this shortage in supply. The dessert industry had a more minor fall in volume. Overall both value and volume were lower than the previous season for the apple sector.

Nursery Stock: Following steady growth in the nursery stock sector until mid 2007 years, there was a very significant slow down in 2009 with overall output approximately 30% down on the previous year. The spring was difficult and due to the slow down in the construction and landscape business, output fell sharply and continued to fall for the rest of the year. Importation of all plant types decreased considerably, due to significant contraction in the market, reduced cash flow and the huge fall off in demand. The number of bad debts (debtors) in the sector is becoming an issue and cash flow is limited to fund new developments. Exports are becoming an area of focus with some increase in volume exported. However the Sterling- Euro exchange rate for most of the year

reduced the potential profit margin. The difficult market situation was further exacerbated by frost damage in late 2009 and early 2010, which resulted in significant plant losses on some nurseries. 2010 will bring many challenges in the continuing slow economic climate.

Potato Sector

Potato production is estimated to have marginally increased in 2009 (Table 3.12). There was a slight increase in potato acreage and an increase in overall production due to improved yields. This led to a downward movement in prices throughout the year. (See Figure 3.10 for potato price indices). Traditional varieties of Rooster and Kerrs-Pink and British Queens continue to account for the bulk of production. The continuous rainfall in November meant that up to 25% of the crop was not harvested coming in to the winter. The consequences of this were compounded by the very cold weather which caused severe frost damage towards the end of the year and into 2010 and which resulted in significant crop losses.

Figure 3.10

Potato Price Indices, 2008-2009

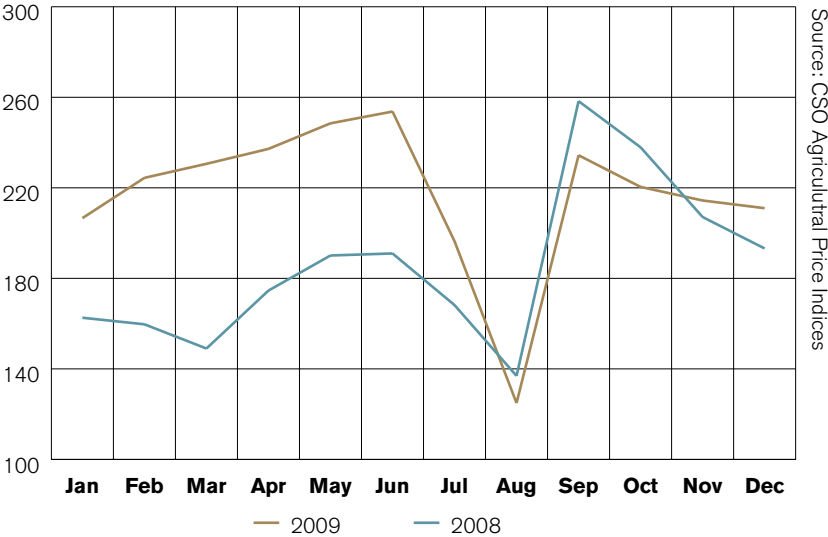


Table 3.12 Area, Yield and Production of Potatoes, 2008-2009			
	Area (000 hectares)	Yield (tonnes per hectare)	Production (000 tonnes)
2008	12.0	31.1	371
2009	12.9	32.0	415

Source: CSO 2008, DAFF Estimate 2009

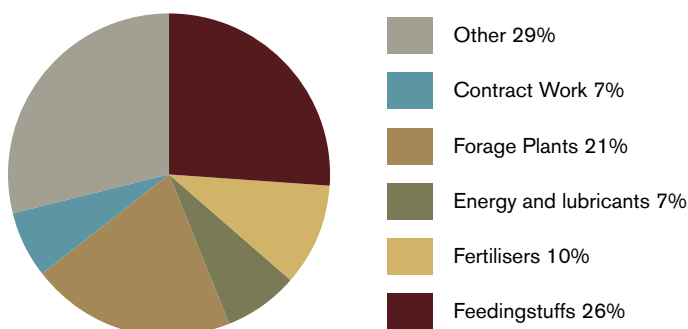
3.9 Intermediate Consumption In Agriculture (Inputs)

Expenditure on Intermediate Consumption

Intermediate consumption expenditure in agriculture decreased by 9.5% to €4,066 million during 2009. 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 an 11% decrease primarily originating from price decreases. Price decreases were also the primary factor behind a 12.8% reduction in overall energy costs.

**Figure
3.11**

**Intermediate Consumption 2009 - %
Share of Selected Items**



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

Price Indices for Agricultural Inputs

In 2009, the price level of agricultural inputs decreased by 8.8%. Following increases experienced in 2008, the price of both feedingstuffs and fertilisers decreased by 8.7% and 16.1% respectively in 2009. In the energy sector, the cost of motor fuels had the most pronounced decrease within the range of input costs examined at 17.3%, although electricity costs rose by 4.7%. Table 3.13 gives a detailed breakdown.

Table 3.13 Agricultural Input Price Index, 2008- 2009

	2008	2009
Input Prices	18.7%	-8.8%
Feedingstuffs	14.2%	-8.7%
of which		
Straight	13.2%	-12.0%
Cattle	16.3%	-10.4%
Pig	11.8%	-9.6%
Poultry	11.6%	-1.4%
Fertilisers	61.7%	-16.1%
of which		
Straight	55.8%	-22.9%
NPK	68.3%	-14.5%
PK	89.7%	8.5%
Seeds	8.5%	-7.3%
Veterinary Expenses (incl A.I)	2.1%	1.6%
Motor Fuels	17.9%	-17.3%
Electricity	1.5%	4.7%

Source: CSO, Agricultural Price Indices

Animal Feedingstuffs

The volume of compound feedingstuffs produced decreased slightly from 3.697 million tonnes in 2008 to 3.656 million tonnes in 2009. The overall cost of annual feedingstuffs fell from €1.20 billion in 2008 to €1.07 billion in 2009. Preliminary CSO estimates indicate an 8.7% decrease in prices in 2008.

Figure 3.12

Price Index for All Feedingstuffs, 2008-2009

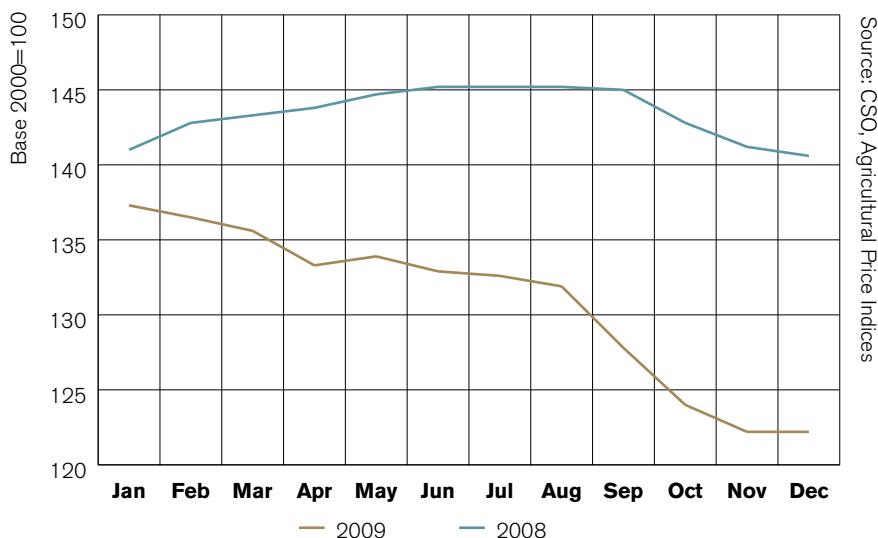
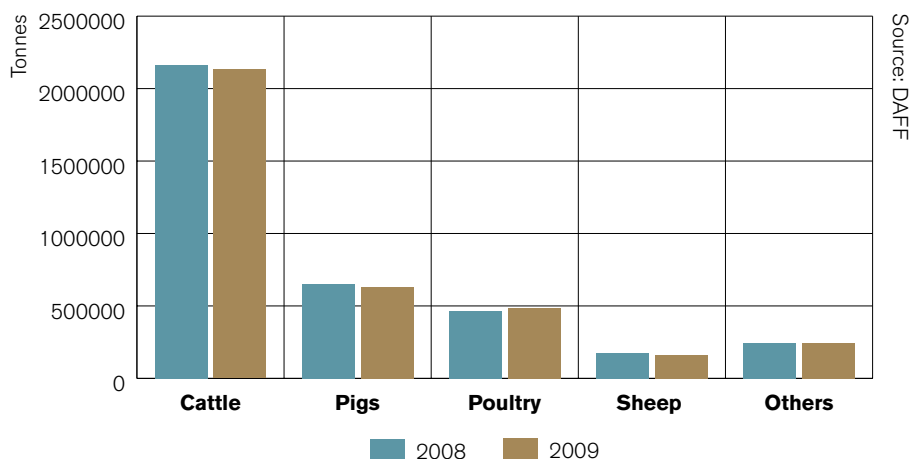


Figure 3.13

Production of Compound Feedingstuffs, 2008-2009

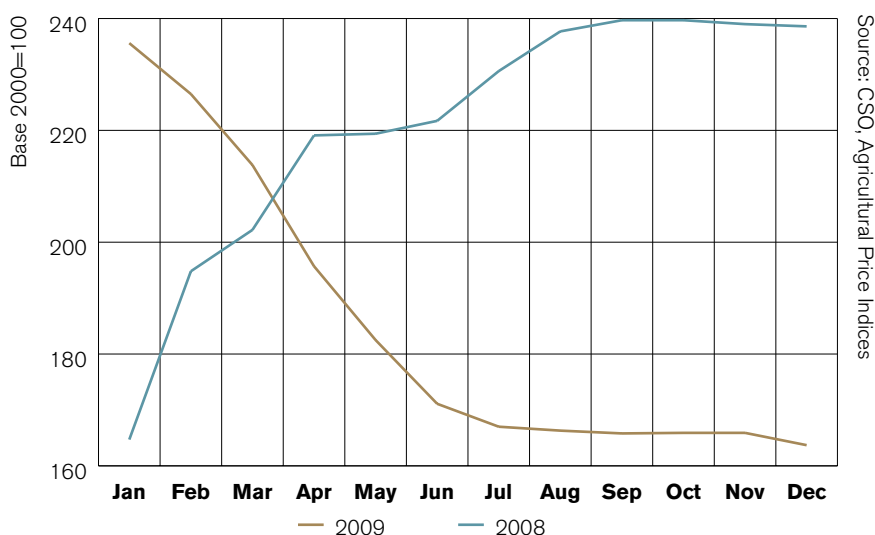


Fertiliser & Ground Limestone

CSO estimates for 2008 indicate that fertiliser (including ground limestone) price decreased by 16.1% and volume consumed decreased by 10.6%. This equated to an 18% decrease in the value of fertiliser consumed - from €507 million to €416 million.

Figure 3.14

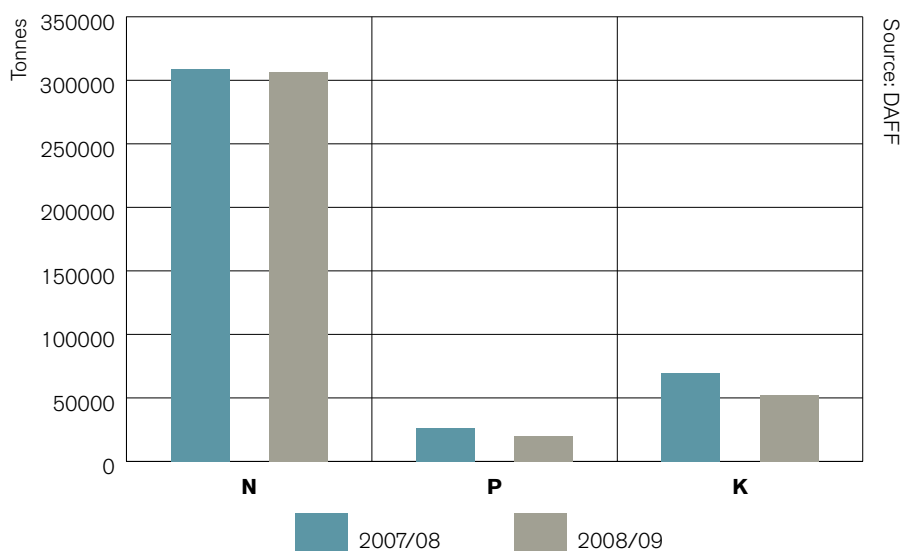
Price Index for All Fertilisers, 2008-2009



A comparison shows that for the sale year October 2008 to September 2009, total sales of NPK fertiliser decreased by 5.6% compared to the previous sale year. The most significant decreases occurred for P and K with nutrient sales down by 23.2% and 24.7% respectively, while sales of Nitrogen showed a minor decrease of 0.7%. (Figure 3.15). Ground limestone sales in 2009 (calendar year) amounted to 698,460 tonnes compared to 595,926 tonnes in 2008. The 2009 sales are in line with the previous ten-year average sales of 709,394 tonnes per annum.

Figure 3.15

Sales of Fertilisers by Nutrient Content, 2007/2008 and 2008/2009



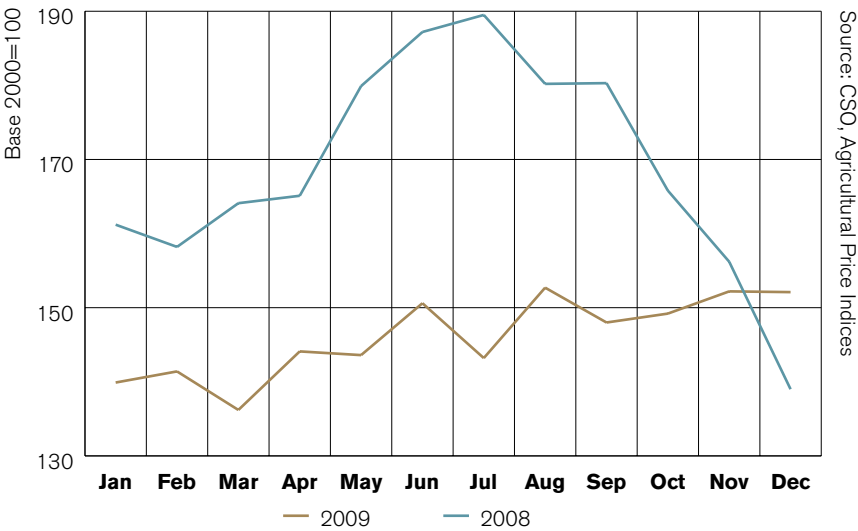
Fertiliser sales have shown a continued decline over the past six years indicating that sales are unlikely to increase in 2010. Continuing low commodity prices and reduced income returns in 2009 due to difficult weather conditions and reduced farm incomes point to reduced fertiliser use in 2010. Fertiliser prices have stabilised in early 2010 relative to the high prices in 2008, but prices will remain highly sensitive to the cost of energy and supply and demand considerations.

Energy Costs

In 2009, the price of all energy products decreased by 13.5%. Within the sector, the cost of motor fuels decreased by 17.3%, although electricity costs rose by 4.7%.

Figure 3.16

Price Index for All Energy, 2008-2009





Chapter Four

Farm Structures

Chapter Four

Farm Structures

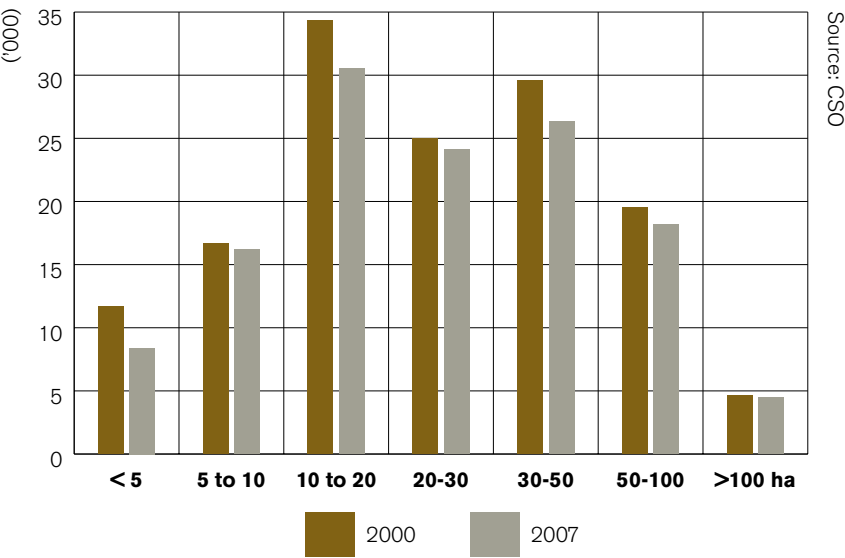
4.1 Overview

This Chapter looks at farm structures in Ireland using data from the CSO's Farm Structures Survey 2007 and the National Farm Survey 2008. 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, a decline from 141,500 since 2000, at an average rate of 1.4% per annum over the period. The average farm size in 2007 was 32.3 hectares, a marginal increase on 2000.

Figure 4.1
Number of Farms by Size of Farm, 2000 and 2007



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%.

Table 4.1 Number of Farms by Age of Farm Holder, 2000 and 2007

	2000		2007	
	Number	%	Number	%
	('000)		('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%

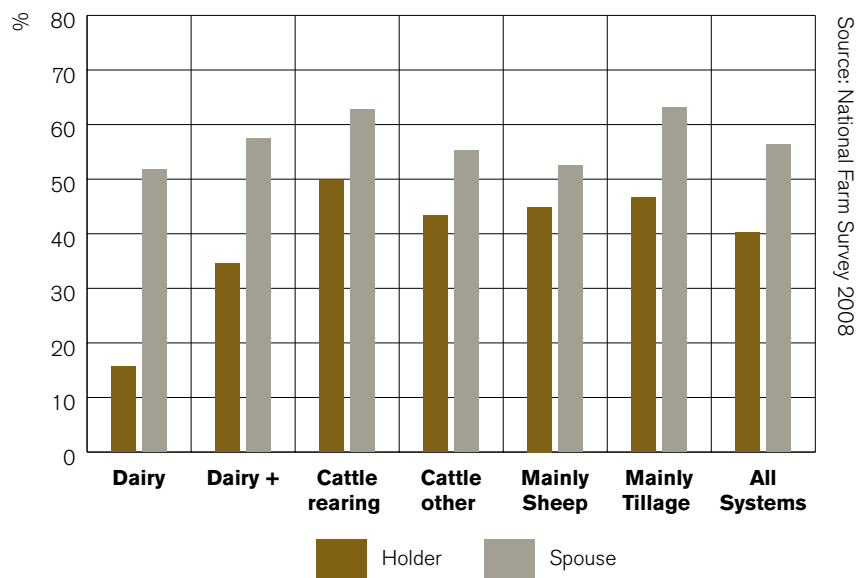
Source: CSO, Census of Agriculture 2000 and Farm Structures Survey 2007

4.4 Off-farm Employment

National Farm Survey 2008 which represents 104,800 farms¹⁰ nationally, indicates that 40.2% of holders had an off-farm occupation along with 34% of spouses. In 56% of cases either the holder and/or spouse had off-farm employment¹¹. The highest incidence of off-farm employment was reported on cattle and sheep farms, while spouses had more of a tendency to have off-farm employment on dairy farms. Overall it is estimated that on 79% of farms either the farmers 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, 2008



¹⁰ The National Farm Survey excludes farms with less than 2 ESU's.

¹¹ 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.

Data from the CSO for 2007 suggests that 48% or 60,923¹² farm holders have off-farm occupations.

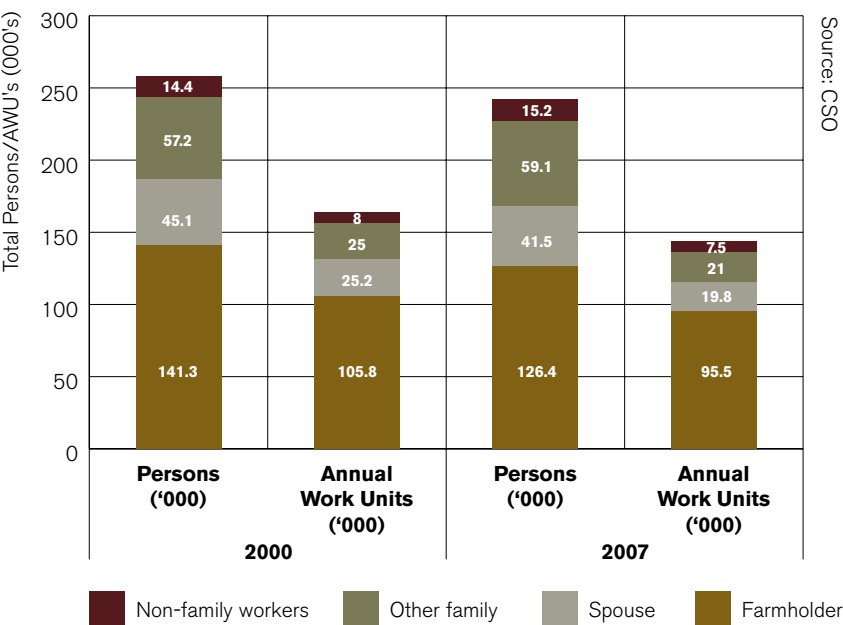
Table 4.2 Number of Farm-holders with Off-Farm Employment, 2000 and 2007		
	2000	2007
	('000)	('000)
Sole occupation	78.7	66.6
Major occupation	19.6	22.4
Subsidiary occupation	43.0	38.0
Not engaged in farmwork	0.0	1.1
TOTAL	141.3	128.1

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

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 143,900 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 numbers involved in farm work and their total labour input have declined by 6% from 257,900 and 242,300 respectively.

Figure 4.3
Labour Input in Agriculture, 2000 and 2007



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

Data from the National Farm Survey 2008 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 39%. Under-employment is particularly evident on part-time drystock farms, whilst full-time farms have less labour available than required. The latter is particularly the case on dairy and tillage farms.

Table 4.3 Comparison of Actual Labour versus Estimated Labour Requirement (Standard Man Days), 2008							
	Dairy	Dairy & other	Cattle Rearing	Cattle Other	Sheep	Tillage	All Systems
All farms							
Total actual labour units	1.54	1.23	0.95	0.95	0.91	1.08	1.06
SMD labour units	1.75	1.36	0.44	0.43	0.56	1.06	0.76
Total actual labour as % SMD	88%	90%	216%	221%	163%	102%	139%
Full-time farms							
Total actual labour units	1.59	1.57	1.29	1.40	1.28	1.39	1.48
SMD labour units	1.85	2.20	1.03	1.29	1.35	1.94	1.69
Total actual labour as % SMD	86%	71%	126%	108%	95%	72%	88%
Part-time farms							
Total actual labour units	1.03	0.84	0.9	0.87	0.79	0.83	0.86
SMD labour units	0.64	0.41	0.35	0.29	0.33	0.38	0.33
Total actual labour as % SMD	161%	203%	260%	300%	241%	220%	262%

Source: Kinsella, A, (2010) Analysis using National Farm Survey 2008 data.
 *Actual labour unit is defined as 1,800 hours or more worked on a farm by a person over 18 years.
 **Standard Man Days (SMD) Labour Unit eight hours of work supplied by a person over 18 years of age. The number of SMD required per hectare for the different crops and per head for various categories of livestock is used to calculate the total number of SMDs required to operate the farm

4.6 Female Employment and Labour Input

CSO's Quarterly National Household Survey (QNHS) for 2009 shows a 16% decrease in the number of people identifying agriculture as their main occupation/source of earnings. This more than reverses the increase in agricultural employment reported between 2007-2008. The percentage drop in female employment was higher at 25%.

Table 4.4 Employment in Agriculture by Gender, 2007-2009

	2007	2008	2009	09/08 change
	('000)	('000)	('000)	
Male	97.2	101.6	87.3	-14%
Female	11.3	13.2	9.9	-25%
Total	108.5	115.8	97.2	-16%

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

4.7 Land Prices

Official data on land sales is not available for the last few years, however, various commentators report continuing declines in agricultural land prices. A report by independent global property consultants Knight Frank¹³ state that sales of Irish farmland fell significantly in 2009 for the second year running. They report that the national average price paid for farmland in 2009 was €9,678 per acre for the entire country, which represents a drop of 43.3% on 2008 (based on an average price of €17,081 per acre excluding the Dublin, Kildare and Wicklow region). Knight Frank also report that the total area of land sold was 9,693 acres compared to 5,743 in 2008, an increase of 68% in the amount of land sold.

The Irish Auctioneers and Valuers Institute (IAVI) also report that agricultural land values in Leinster, Munster and Connaught continued to decline in 2009¹⁴. Both Knight Frank and IAVI report that the premium on agricultural land values in Leinster relative to that of Munster has narrowed in the past year.

Meanwhile the IAVI report that rents on agricultural land have also fallen in 2009 across all land types and locations, having registered some increase during 2008. In 2007, 42,500 or 32% of farms had leased land with approximately 17% of total agricultural area leased.

4.8 Investment, Borrowings and Interest in Agriculture

Gross fixed capital formation or capital investment in agriculture rose significantly exceeding one billion in both 2007 and 2008. Most of the increase was attributable to investment in farm buildings, which based on CSO data reached a record level of €726 million in 2008. Investment in land improvements, agricultural machinery and equipment also increased although there was a decline in investment in transport equipment. The value of breeding stock increased between 2007 and 2008.

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

14 The Property Valuer, published by Irish Auctioneers and Valuers Institute, Volume 29 – No.1 – January 2010

Figure 4.4

Capital Investment in Agriculture, 2000-2008

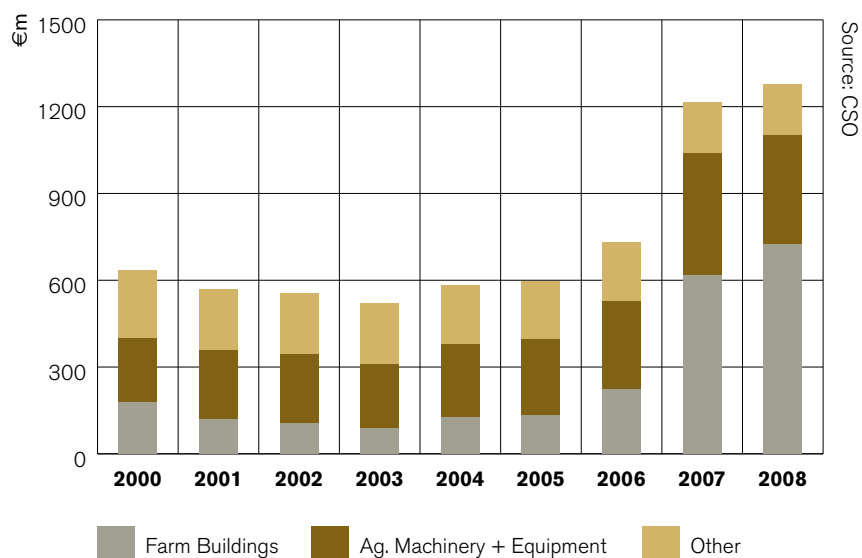
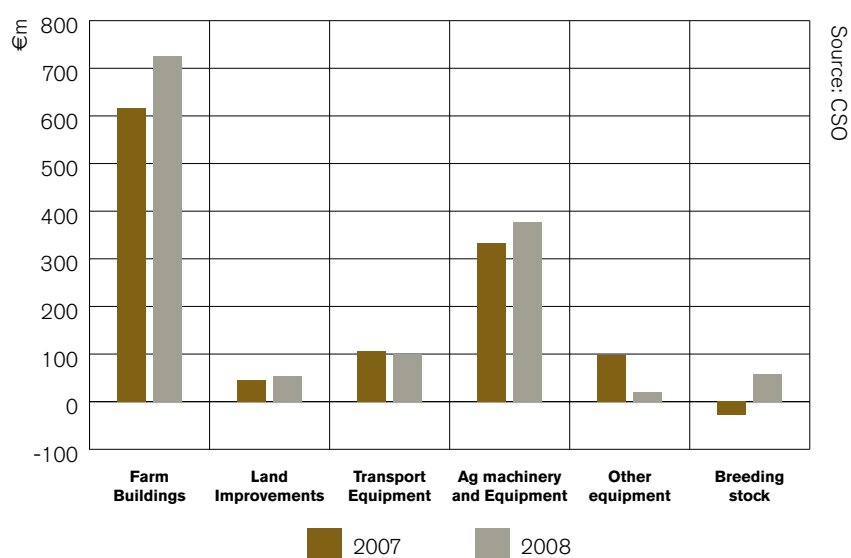


Figure 4.5

Gross Fixed Capital Formation in Agriculture, 2007-2008



Borrowings

In the 12 months to September 2009, there was a 4% decrease in total borrowings by the agriculture and forestry sector, while interest paid by the agriculture sector declined by 20% to €335.6 million.

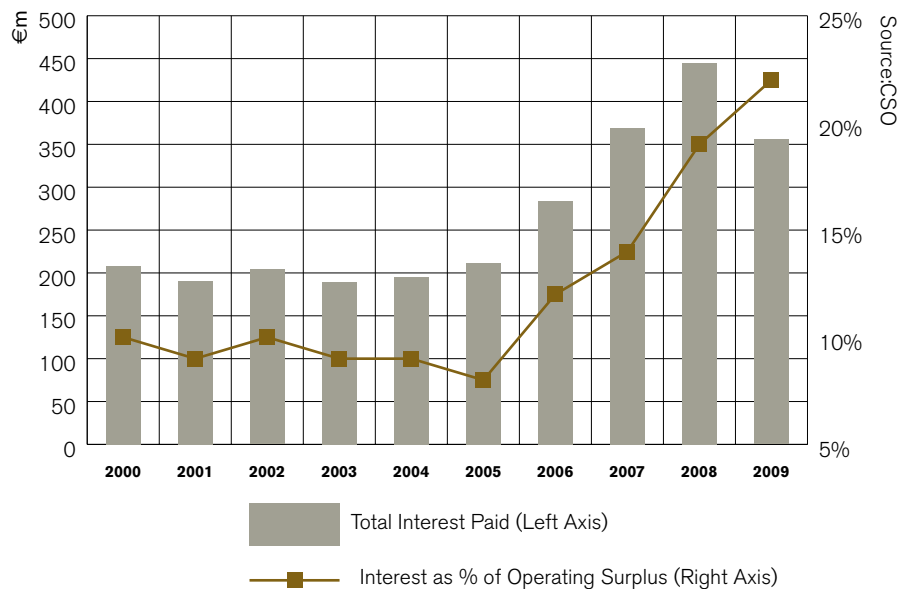
Table 4.5 Borrowings by the Agriculture and Forestry Sectors, 2008-2009

	September 2008	September 2009
	€m	€m
Agriculture and forestry	5,444	5,210
Farming of cattle and other animal	1,897	1,948
Dairy farming	1,290	1,266
Other agricultural activities	1,985	1,746
Forestry and logging	271	251

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

Figure 4.6

Interest Paid and as a Percentage of Operating Surplus, 2000-2009



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 Carroll et al. (2008)¹⁵. The analysis is based on accountancy measures of competitive performance using Farm Accountancy Data Network (FADN) data for selected countries¹⁶ the period 1996-2005. The performance over the period 1996-2003 was separated from 2004 and 2005¹⁷ in an attempt to illustrate the effect of decoupling on the competitiveness of the individual sectors.

¹⁵ Carroll, J., Newman, C., and Thorne, F. (2008) The Relative Productivity and Competitiveness of Irish Agriculture 1996-2006 (2008), National Report, RERC, Teagasc publication.

¹⁶ The competitive position of Irish (i) dairy farms was compared against Belgium, Denmark, France, Germany, Italy, the Netherlands and the UK; (ii) sheep farms was compared against the UK and France; (iii) beef farms was compared against France, Germany and the UK; and (iv) cereal farms was compared against Denmark, Germany, France, Italy and the UK.

¹⁷ The authors acknowledge that decoupling was only introduced in 2005 but the issues associated with observation of single year data was considered more of an issue than the need to isolate 2005 from previous years.

Dairying

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

Beef Sector

The accountancy indicators for specialist beef systems, over the period 1996 to 2005, show that Irish producers had a competitive advantage when cash costs were examined as a per cent of total output. However, the competitive position exhibited by Irish beef farms was much weaker when cash costs were expressed as a total of market based output in 2004/2005. For example, in Ireland for cattle rearing farms cash costs were 39% higher than market based output in 2004/05.

When total economic costs were considered the competitive position of Irish beef producers deteriorates further. In 2004/05 total economic costs as a per cent of total output were 22 per cent and 10 per cent higher than the average of all countries for beef rearing and finishing farm respectively. Again the imputed charge for owned land and labour had a large negative influence on the relative competitive advantage of Irish beef farms.

Cereals Sector

Irish cereal producers maintained a competitive advantage relative to the average of the other countries in the analysis. Irish cereal producers had the second lowest cash cost to total output ratio compared to the other countries examined for 2004/05. Even when total economic costs were measured Irish cereal producers maintained a competitive advantage compared to the average of all countries. When non-market based output was excluded from the analysis and costs were expressed as a per cent of market based output, Irish cereal producers remained competitive during the period 2004/06.

Sheep Sector

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



Chapter Five

The Food Industry

Chapter Five

The Food Industry

5.1 Overview

Notwithstanding the knock on 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 approached €25 billion in 2007. The manufacture of food and beverages employs in the region of 50,000 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 €8.7 billion, (or approximately half), of purchased Irish goods and services by manufacturing industries in 2008. The sector accounts for just over half of exports by indigenous manufacturing industries.

Bord Bia estimates that the value food and drink exports in 2009 declined by 12% to approximately €7.1 billion. This was attributable to a number of factors including significant declines in the value of sterling as well as the ongoing global recession and weaker 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 variables¹⁸.

Table 5.1 The Food and Drinks Industry in the National Economy, 2008

Food and Drinks	Estimated Values	% of Total
GVA	€ 5,865m	3.8%
Employment	51,900	2.5%
Agri-Food Exports	€8,634	10.0%

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

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

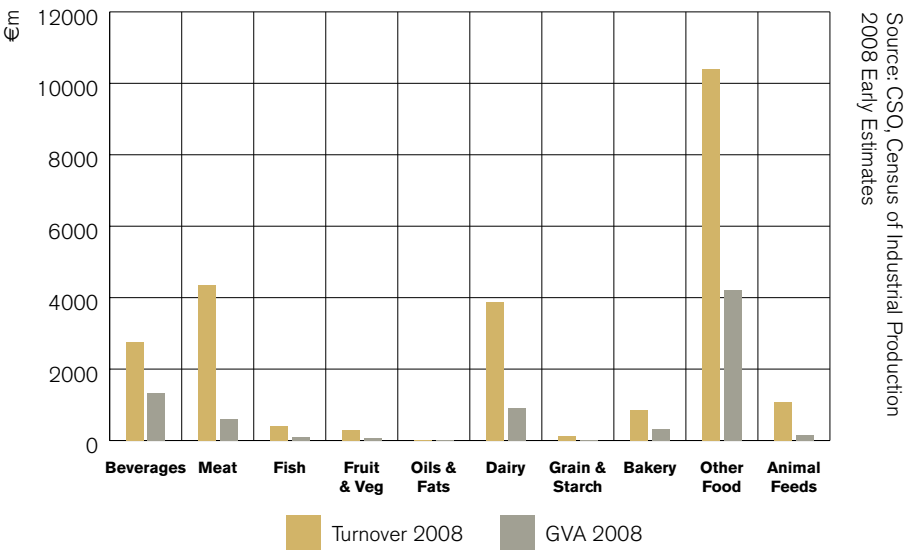
5.2 Size and Structure of the Food and Drinks Sector

Figure 5.1

Composition of FD Industry Turnover and Gross Value Added by Broad Sector, 2008

Output- Turnover and Gross Value Added

Early estimates for 2008 from the CSO indicate that the Food and Drink (FD) sector accounted for approximately €24.1 billion in turnover or approximately one-fifth of total turnover for all manufacturing industries¹⁹. This represented a marginal decrease on 2007. The food sector (excluding beverages) accounts for circa 88% of turnover in the FD sector with meat and dairy production accounting for just over one third of turnover. In terms of Gross Value Added (GVA), the meat and dairy sectors account for just less than one-fifth of the sectors total, while beverages accounted for some 17% of GVA. “Other Foods” which would include processed food products, unsurprisingly accounted for a high proportion of total GVA for the sector at 54% or some €4.2 billion. The composition of output as measured by both turnover and gross value added by broad sector for 2008 is outlined in Figure 5.1.



The GVA (at market prices) attributable to the food and drink sector was a little under €7.4 billion in 2008 with the food sector component representing over four-fifth of this (82% or €6.4 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 (2008).

19 Based on previous year's estimates.

Table 5.2 GVA of FD Sector at Market Prices, 2008

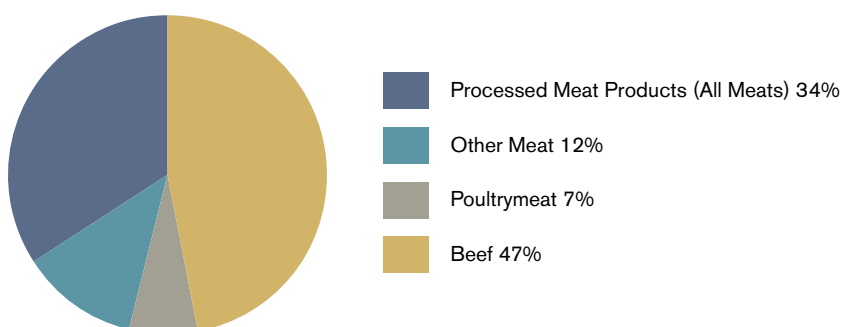
Description	€m	% of FD GVA
Total Food and Drink	7,737	
Beverages	1,320	17.1%
Food Products	6,417	82.9%
Of which		
Meat	594	7.7%
Fish	108	1.4%
Fruit & Veg	69	0.9%
Oils & Fats	5	0.1%
Dairy	911	11.8%
Grain & Starch	17	0.2%
Bakery	333	4.3%
Other Food	4,218	54.5%
Animal Feeds	161	2.1%

Source: CSO, Census of Industrial Production 2008 Early Estimates (Enterprises)

The meat sector, along with dairying, continues to play a highly important role in the overall food sector. Focussing on this area, Figures 5.2 and 5.3 show breakdowns for overall turnover and GVA for the meat sector by its sub-components. The turnover for the entire meat sector increased by just over 8.2% compared to the previous year whilst GVA increased by circa 3.4%. Whilst turnover for the beef sector represents almost half of turnover for the entire sector and actually increased by 9% compared with the previous year, GVA in the sector decreased by 13% due to increased purchase costs in that year. The overall increase for GVA in the sector was mainly attributable to the poultrymeat and processed meat sectors which had increases of €22 million (45%) and €60 million respectively.

Figure 5.2

Turnover in the Meat Sector, 2007

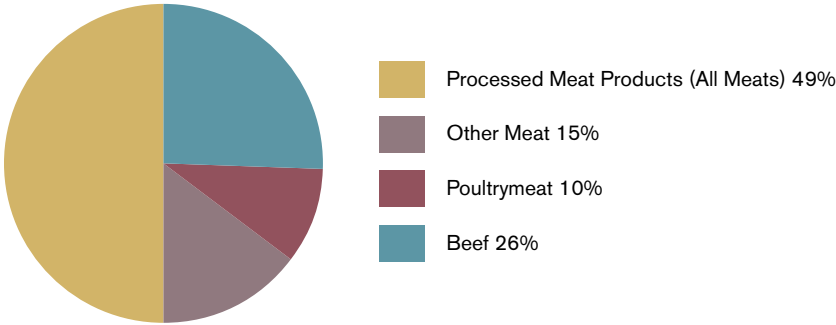


Turnover in meat sector €4,593m

Source: CSO

Figure 5.3

GVA in the Meat Sector, 2007



Source: CSO

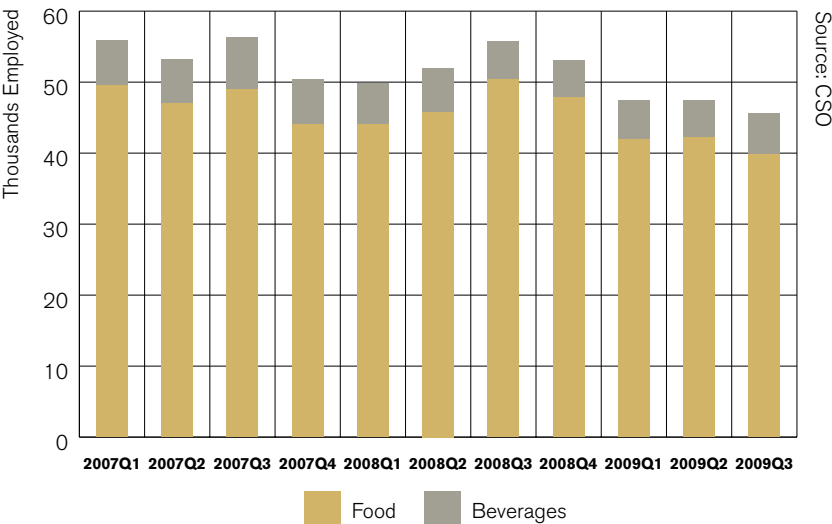
GVA in meat sector €713.5m (2007)

Employment

According to the most recent data from the CSO, employment in the FD sector stood at 47,500 in the second quarter of 2009²⁰, down 8.5% on the same quarter for the 2008. Figure 5.4 illustrates the employment trends for the food and beverages sectors over the past few years (2007-2009 Q3). As illustrated in the graph, the majority of recent employment decreases can be attributed to the food sector.

Figure 5.4

Employment in the FD Sector, 2007-2009



Source: CSO

Size and Structure

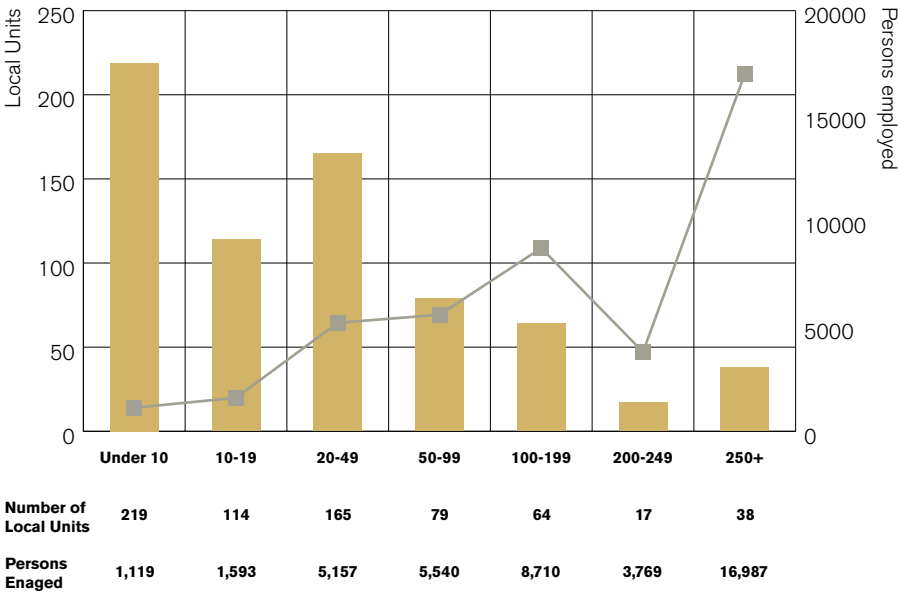
The food and beverage sector encompasses in the region of 700 companies across a wide spectrum of enterprise types from small independent farmhouse producers to the large, often multinational food processors and marketers. Whilst accounting for some 12.5% of manufacturing units in Ireland, the sector accounted for some 20% of manufacturing employment. Figure 5.5 below illustrates the structure of the sector in terms of company sizes and in

20 Varies with data in Table 5.1 which refers to Q2 2008 to retain consistent timeframe with other variables estimated therein.

employment levels²¹. Both variables illustrate a wide variation. Some 5.5% of units in the sector, typically larger companies and cooperative style concerns account for just under two-fifths of persons engaged. Approximately 70% of local manufacturing units in the sector, those employing 50 persons or less, account for around one-fifth of total people engaged. Employment in the sector exhibits a wide regional spread, providing jobs in rural areas and not confining itself to urban centres (see section on regional spread).

Figure 5.5

FD Industry Structure, 2007



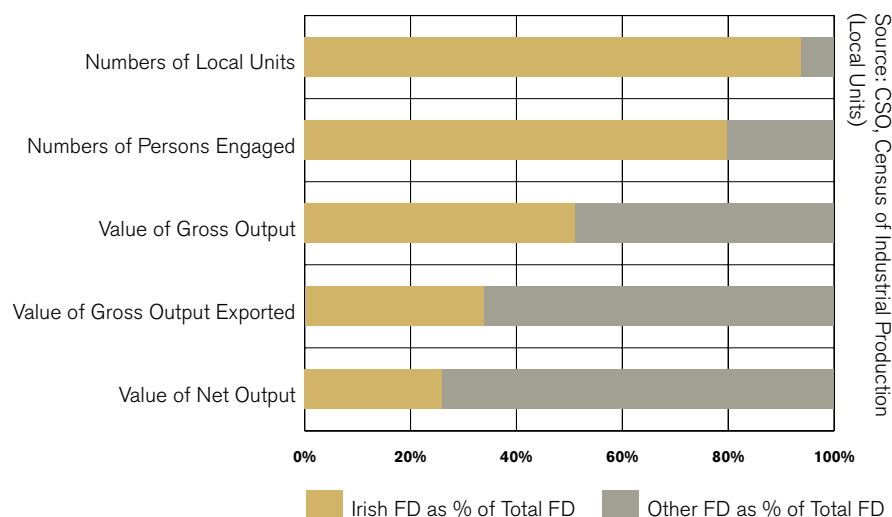
Contribution to the Irish Economy

The importance of the sector to the indigenous economy is analysed in Figure 5.6. This looks at the breakdown between resident and non-resident factors across key variables in the FD sector. 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. While these proportions remain consistent with previous years, the proportion of both persons engaged and local units in the FD sector as a share of the total Irish manufacturing sector has increased slightly. The value of gross output remains evenly split between Irish and foreign owned units. The gross value exported by Irish FD units increased by 16% over the previous period to €4.35 billion and this accounted for just over half of gross value exported by all Irish owned manufacturing units (FD and non-FD).

21 It should be noted that the CIP includes only enterprises with 3 or more employees. Neither is it directly comparable with the QNHS.

Figure 5.6

Distribution of Key Variables between Irish and Non-Indigenous Ownership Within the FD Sector, 2007



The Annual Business Survey of Economic Impact (ABSEI)²² for 2008, conducted by Forfás, provides aggregated estimates for all Irish-owned and foreign-owned firms across a range of variables. As part of this survey, Forfás collates data on Irish Economic Expenditure (IEE), taken to consist of wages, Irish raw materials and Irish services. An analysis of expenditures by companies operating in Ireland highlights the close ties the FD sector retains with the national economy in terms of IEE. Table 5.3 illustrates absolute comparisons between the FD Sector and the overall manufacturing sector in terms of this breakdown in expenditures whilst Figure 5.6 demonstrates proportional comparisons. Irish Economic Expenditure accounts for 71% of total expenditure in the FD sector. This compares favourably to the manufacturing sector when taken as a whole, where the equivalent rate of IEE is 42%.

Table 5.3 Irish Economic Expenditure, 2007-2008

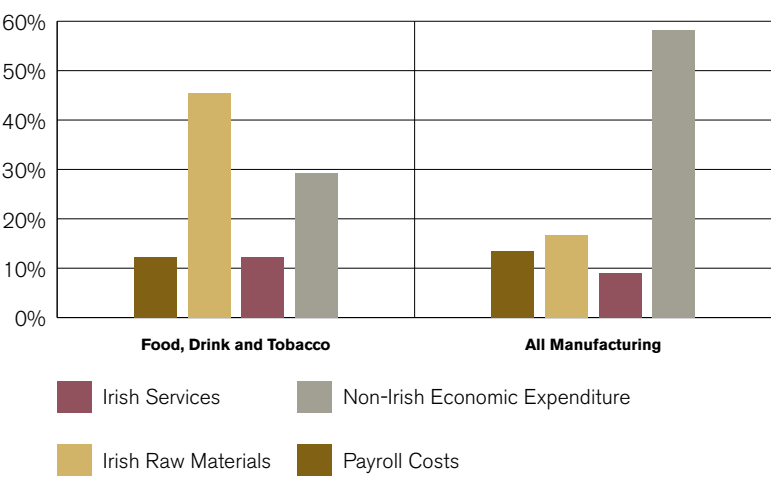
	FD Sector		All Manufacturing	
€m	2007	2008	2007	2008
Payroll Costs	1,832	1,832	9,201	9,170
Irish Raw Materials	6,659	6,839	11,358	11,359
Irish Services	1,889	1,854	6,415	6,137
Corporation Tax	192	154	1,708	1,688
Total Irish Economy Expenditure (IEE)	10,572	10,679	28,682	28,354
Total Expenditure	14,774	15,078	68,126	67,935
IEE as % of Total Expenditure	71.6%	70.8%	42.1%	41.7%
Sales	17,530	18,608	94,195	95,539
IEE as % of Sales	60.3%	57.4%	30.4%	29.7%

Source: Forfás, Annual Business Survey of Economic Impact 2008

²² 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 FD Sector Compared with the Overall Manufacturing Sector, 2008



Source:Forfás, Annual Business Survey of Economic Impact 2008

Regional Spread

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

Figure 5.8

Regional Dispersion of FD Compared to Other Manufacturing Industries 2007

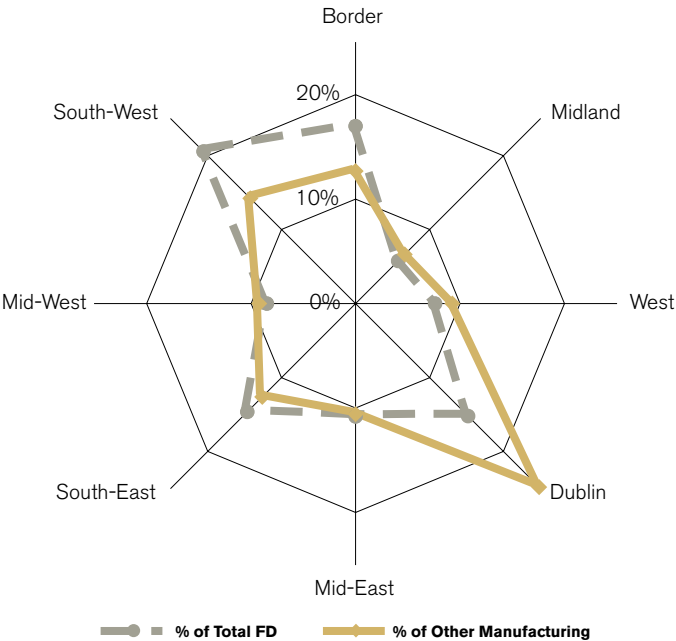


Table 5.4 elaborates on further regional details for the sector. This illustrates that the proportion of total FD units located in all regions outside Dublin exceeds the proportion of overall manufacturing industries located therein. Regional concentrations can be delineated across broadly sectoral lines with the beef sector more concentrated in the mid-east and border regions whilst the dairy sector is primarily concentrated in the southern regions, particularly evident in the south- west.

Table 5.4 Regional Dispersion of FD and All Manufacturing Sectors, 2007

No of Local Units	Regional Authority Area								
	Border	Midland	West	Dublin	Mid-East	South-East	Mid-West	South-West	Total
FD Sector	118	40	53	106	75	102	59	143	696
Total Manufacturing	613	322	448	1,201	512	609	446	688	4,839
FD as % of Regional Total	19%	12%	12%	9%	15%	17%	13%	20.8%	14%
% of Total FD	17%	6%	8%	15%	11%	15%	8%	20.5%	100%
No of Local Units									
Meat	26	12	14	15	29	23	11	16	146
Dairy	10	24*	39*	80*	46*	15	8	21	550
Other Foods	75					50	37	101	
Drinks	7	4		11		14	3	5	

*Breakdowns unavailable due to confidentiality.

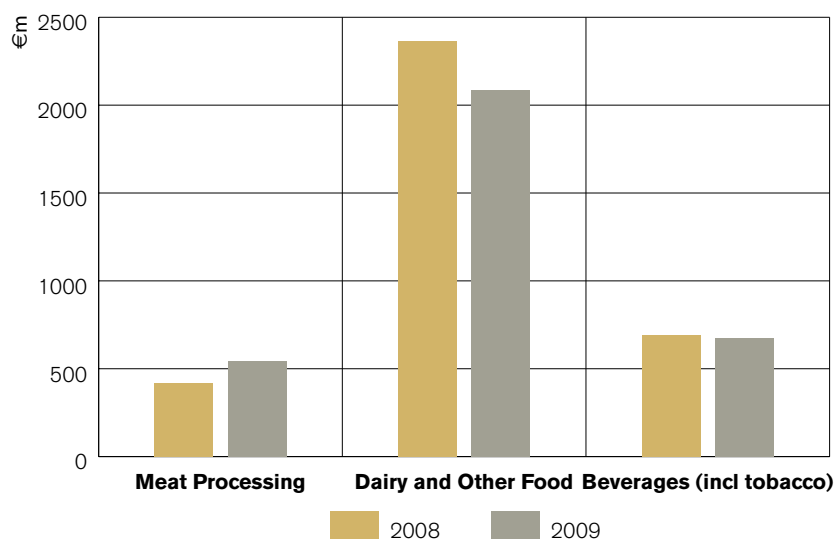
Source: CSO, Census of Industrial Production 2007

Borrowings and Capital Acquisitions

The FD sector has significant capital requirements for both capital assets as well as working capital. Figure 5.9 gives a breakdown in the amount of borrowings extended to FD companies up to September 2009, compared to the same period the previous year. Although there was a 30% increase in the level of borrowings extended to meat processing companies over the period. This was offset, however, by reductions in advances in the dairy and other foods sector. Advances in the overall FD sector fell by just under 5% year-on-year.

Figure 5.9

Credit Advances to FD Industry, 2008-2009



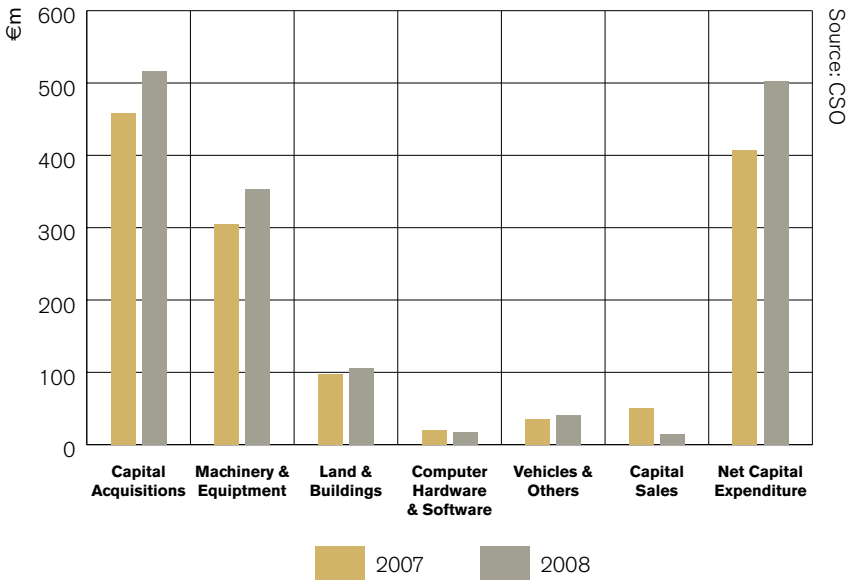
Source: Central Bank Quarterly Bulletins, 3rd Quarter for both

The FD sector continues to account for just approximately 15% of total capital acquisitions by manufacturing industries. Capital acquisitions within the FD sector for 2008 and 2009 are outlined in Figure 5.10. In line with overall manufacturing sector trends, total capital acquisitions for the period were up by 12.7%, primarily attributable to increased investment in machinery

and equipment in the sector. In line with this and also, significantly, due to a continued marked decrease (-72%) in capital sales to €14.1million (down for the second year since the high of €184.7 million in sales evidenced in 2006), net capital expenditure increased by 23%.

Figure 5.10

Capital Acquisitions in the FD Industry, 2007-2008



5.3 Exports of Food and Drink

Export Performance 2009

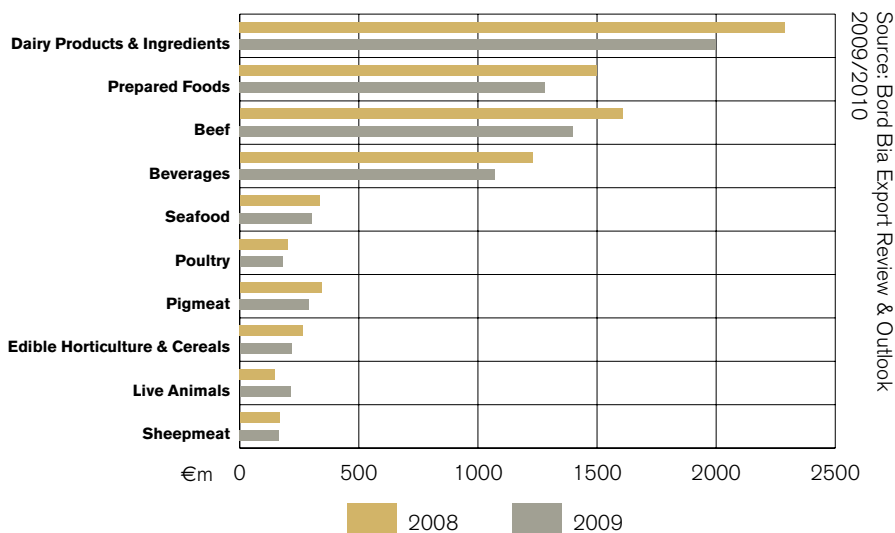
Bord Bia produces detailed annual estimates for the export performance of the Irish food and beverages sector²³. According to their report, declines in the value of Sterling combined with the impact of the ongoing recession and weaker commodity prices to create unprecedented challenges for Irish food and drink exporters throughout 2009. For the year, it is estimated that the value of Irish food and drink exports declined by 12% or just under €1 billion to stand at €7.12 billion.

While declines were evident across most categories, the big four sectors (in terms of value) of dairy products and ingredients, beef, prepared foods and beverages all declined in the order of 13%-14%. This reduction totalled circa €870 million across these four sectors. The volume of dairy products available to export fell during the year due to a combination of lower milk output and increased use of intervention storage. Similarly, beef output declined due to a combination of lower availability and stronger exports of finished cattle to Northern Ireland. Further comparisons with last year are outlined in Figure 5.11.

23 Performance & Prospects. Bord Bia Export Review and Outlook 2009/2010

Figure 5.11

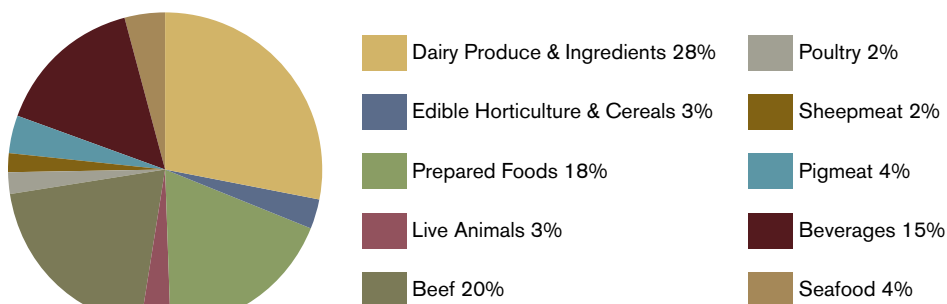
Trends in Exports of Agri-Food Produce by Category, 2008-2009



Dairy products and ingredients remain Ireland's largest agri-food export sector, representing 28% of agri-food exports by value or two billion. Beef remains Ireland's second biggest export sector accounting for one-fifth or €1.4 billion of exports. Along with prepared foods (€1.2 billion) and beverages (€1.1 billion) these sectors constitute the vast majority of agri-food exports in terms of value (see Figure 5.11).

Figure 5.12

Composition of Agri-Food Exports, 2009



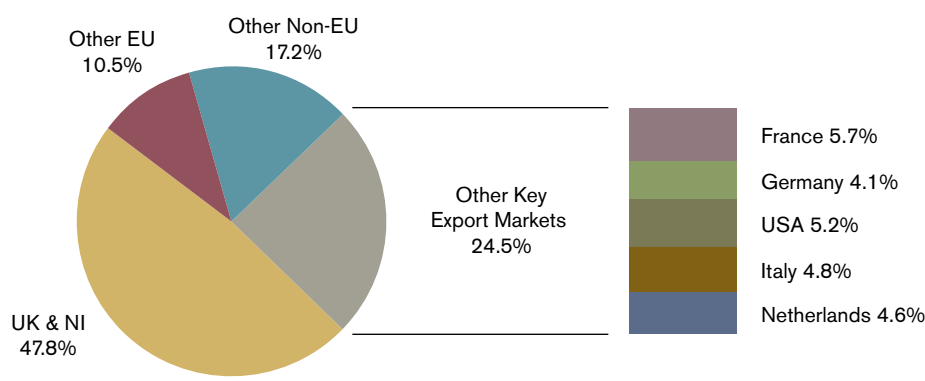
Source: Bord Bia Export Review & Outlook 2009/2010

Agri-Food Exports by Destination

Continued strides towards greater market diversification to international markets was adversely affected for much of the year by the weaker global dairy market and lower alcoholic beverages exports to many regions were also a factor in this regard. Established high value markets remain the primary destination for Irish agri-food exports. The UK and Northern Ireland (despite the ongoing issue regarding the value of Sterling) as well as the more proximate continental markets continue to account for in and around three-quarters of exports by value (see Figure 5.12 for more details).

Figure 5.13

Share of Agri-Food Exports by Destination, 2009



Based on 2008 data

The UK and Northern Ireland remain key markets for exports and accounted for over 47% of exports in 2008 for the year as a whole although the proportion declined as the year progressed. All major categories showed a decline to the UK with prepared foods, beef, dairy and beverages most strongly affected. Mushroom exports held up well, thanks to stronger prices in the first half of 2009. The share of exports destined for other EU markets increased in 2009 with a higher share of beef exports destined for the Continent together with a stronger focus on the region by prepared foods manufacturers.

Beef exports to the UK came under pressure in 2009 due to currency developments, a slower demand for higher value cuts and somewhat higher than expected UK supplies. While this led to a slight realignment in the proportion of beef destined to the UK it nonetheless remains the largest market for Irish beef accounting for over half of exports (52%). For **sheepmeat**, France continues to account for more than 50% of Irish exports. Although market diversification helped maintain overall exports value on a par with 2008 levels, exports came under pressure from UK sheepmeat sector due to the weakness of sterling as well as New Zealand's continued efforts to build market presence of chilled lamb in the EU market. The UK remains the principal destination for Irish **pigmeat**, where the negative impact of the pigmeat recall on the trading status and reputation of Irish pigmeat product was slight and temporary. On the Continent trade was largely maintained with exports to Germany, Italy, France and the Netherlands at normal levels for most of the year. Most countries that placed suspensions on Irish pigmeat have been lifted with the exception of China and Russia with progress expected in this regard expected in early 2010. The value of **Irish livestock** exports increased by 44% to an estimated €213 million in 2009. Live cattle exports were almost double the level recorded in 2008, with the value of this trade up by nearly 70% to €157 million. The principal factors driving this were a resurgence in calf exports to the Netherlands, stronger feedlot demand in Spain and Italy and a significant rise in the level of finished cattle exports to Northern Ireland. In the **dairy products** and ingredients sector the principal destinations remained the United Kingdom followed by Continental EU markets. The strongest performing categories during the year were infant formula and to a lesser extent, cheese and chocolate crumb. The volume of cheese exports performed well although average prices declined. Butter exports eased during 2009 in response to a significant volume being placed into intervention and lower production as the year progressed. The value of butter exports is estimated to have decreased by around 20%.



Chapter Six

The Consumer

Chapter Six

The Consumer

6.1 Overview

As the global recession and its knock on effects continued in 2009, the attitude exhibited in the marketplace continued to evolve with consumers displaying increased price consciousness whilst retaining a keen awareness of quality considerations. Food prices were characterised by a subsidence in the volatility exhibited in late 2007 and much of 2008, with mitigation of the factors that brought that increase facilitating reduced commodity and consumer prices. This chapter examines key areas of concern to consumers synopsising relevant recent studies and data. Issues with regard to maintaining confidence in the food chain, with particular emphasis on developments relating to food safety, are also reviewed.

6.2 Food Prices and Consumption

International and EU Trends

Changes in food prices are primarily a function of market forces operating at international, EU and national levels. Numerous factors combined in the latter part of 2007 and early 2008 which lead to higher food prices. In 2009 many of these factors were mitigated somewhat facilitating a return to a less volatile price environment. A stronger than expected agricultural commodity supply response last year, particularly in developed countries, and much lower oil prices has resulted in significantly lower commodity prices from the highs of 2007 and 2008. Any continued weakness in the general global economy would have the effect of further dampening commodity prices over the next 2-3 years, which should then strengthen with economic recovery. While commodity prices have declined, food prices have remained high in a sizeable minority of countries. However the overriding trend has been to see food inflation coming down. Since October 2009 some tentative stabilisation in food prices has been observed. Within food prices, a progressive easing of price pressures (measured in annual growth rates) has been observed, especially in areas exposed to food commodity price developments (such as meat, cereals, dairy, and oils and fats).

Among the factors explaining these developments in the latter part of 2009 and early 2010, the pass-through of the previous falls in food commodity prices to consumers can be seen to have dampened food price inflation. Furthermore, strong competition in food retailing coupled with weak consumer demand has exerted downward pressure on food prices. Looking ahead, the ECB, amongst others, considers that annual food price inflation in the EU is likely to start slowly increasing again in the coming months, partly on account of upward base effects.

Food Prices in Ireland

For 2009 as a whole, food and non-alcoholic beverages prices (as measured by the Food Price Index; FPI) decreased by 3.5% on average for the year. This was a smaller decrease than that evidenced in the overall annual rate of inflation, as measured by the Consumer Price Index (CPI), which averaged a 4.5% decrease during 2009. As of early 2010 the FPI was at a level similar to that which existed prior to the significant increases in food prices evidenced throughout late 2007 and into much of 2008. Looking at the slightly longer-term picture, in the 5-year period between 2005 and 2009 food and non-alcoholic beverages prices increased by 7.2% compared to an overall increase of 8.4% in the CPI.

The trajectory in food prices as evidenced in Ireland throughout 2008 and 2009 is illustrated in Figure 6.1. In March 2008 the annual rate of food price inflation stood at 9.3% which represented a peak. This stemmed from a mix of global and local factors including strong economic growth and changing dietary patterns in emerging economies, increasing demand for feed, food and fuel (especially biofuels) as well as slow growing supply, low stocks and supply shocks. Towards the end of 2008, the dynamic changed somewhat, with lower oil prices contributing to a fall in commodity prices from the high levels recorded in the middle of the year. Other factors including the global recession and a strong agricultural commodity supply response served to mitigate the factors that gave rise to the price increases of 2007 and early 2008.

Figure 6.1

Monthly CPI and FPI-% Change versus Previous Year, 2008-2009

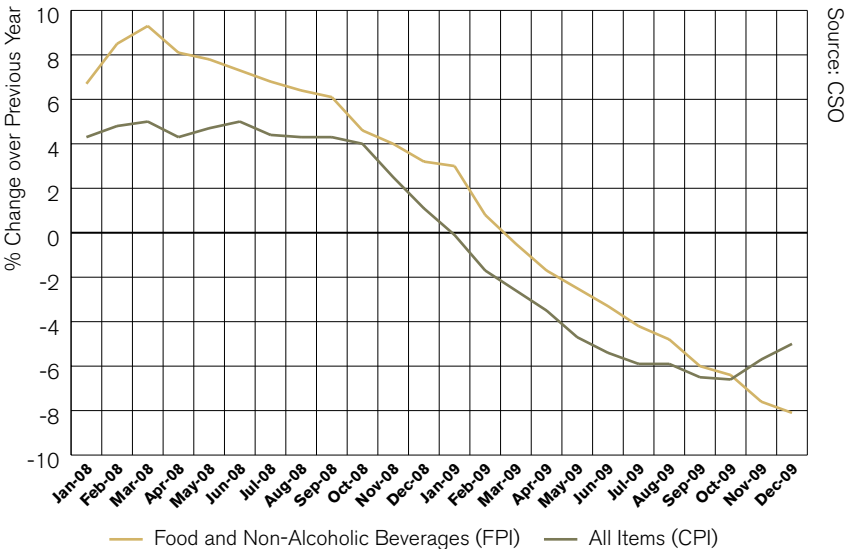
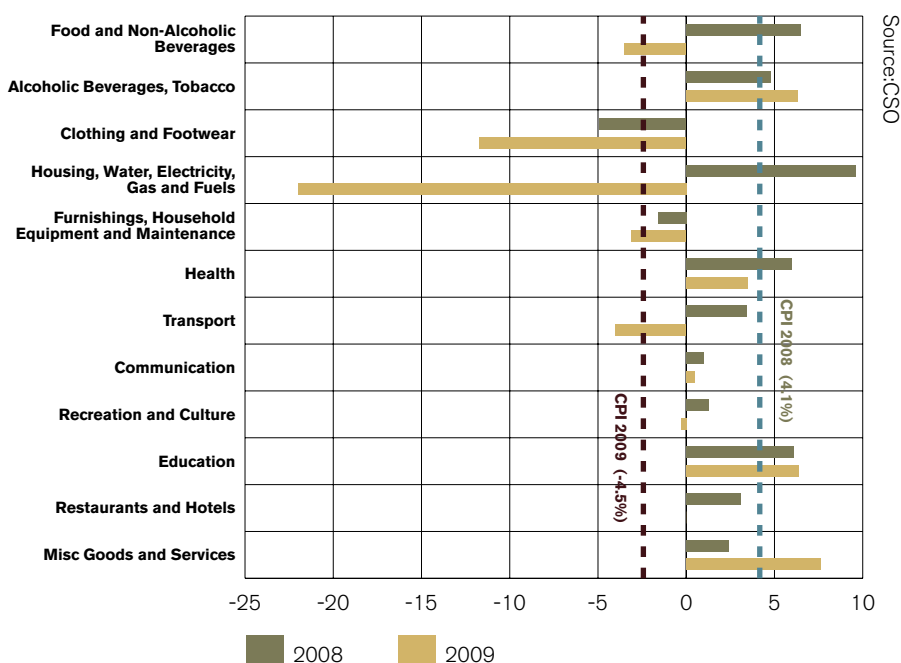


Figure 6.2 compares the overall level of inflation with its 12 constituent categories (including food and non-alcoholic beverages) for the years 2008 and 2009. Food price inflation for 2008 increased by 6.5% compared to an overall increase of 4.1% in the CPI. In 2009 the swing towards price decreases in the food sector was not as significant (-3.5%) as that evidenced for overall prices (-4.5%). While there were more significant decreases in prices for a few sectors decreases in food prices compared favourably to a number of sectors where price increases continued into 2009.

**Figure
6.2**

**FD Sub-Index Compared to Overall
CPI and Other Sectors, 2008-2009**



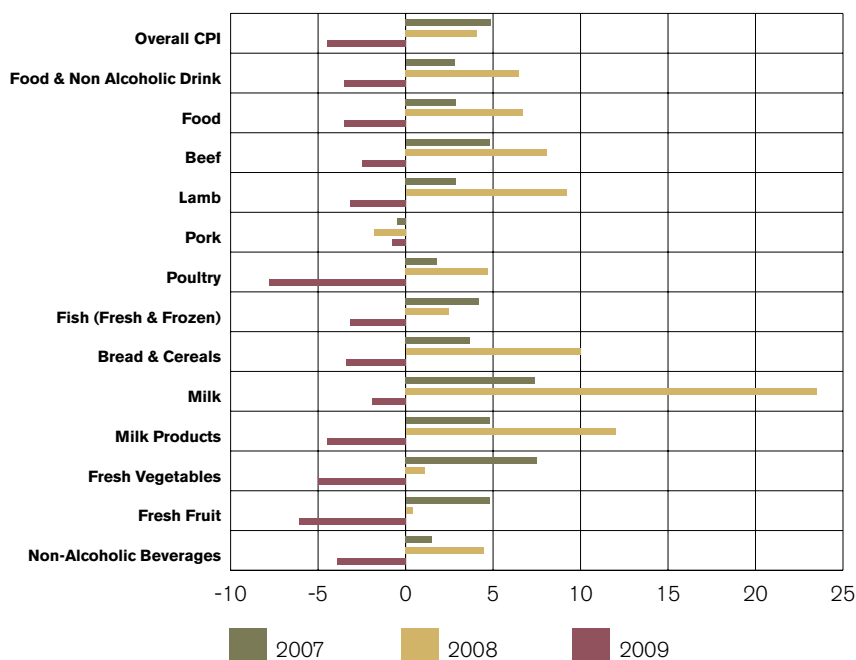
Prices for Food Products

Price movements over any given period for individual food products vary by sector and will depend on numerous factors. While the volatility in both the commodity and overall price (including input costs and overheads) environment over the past few years makes each specific sector unique to its own set of circumstances, the selection of goods as illustrated in Figure 6.3 can be seen as fairly representative of general price developments for many food products between 2007 and 2009. The majority of products initially experienced price increases of varying degrees in 2007 and 2008.

For 2008 as a whole there were significant price increases across a range of food products, such as milk, milk products including butter and cheese as well as bread and cereals. In 2009 these aforementioned increases gave way to price moderation and then price decreases. Taking 2009 as a whole, price decreases in food products were evident across the majority of products but were particularly noticeable in areas such as poultry (-7.8%) fresh fruit (-6.1%) and vegetables (-5.0%), and milk products including butter cheese (-4.5%). The trends for a selection of products are outlined in Figure 6.3 and further produce are outlined in Table 12.9 in the Statistical Annex, 2010.

**Figure
6.3**

**Annual Rates of Price Increase for
Selected Food Products, 2007-2009**



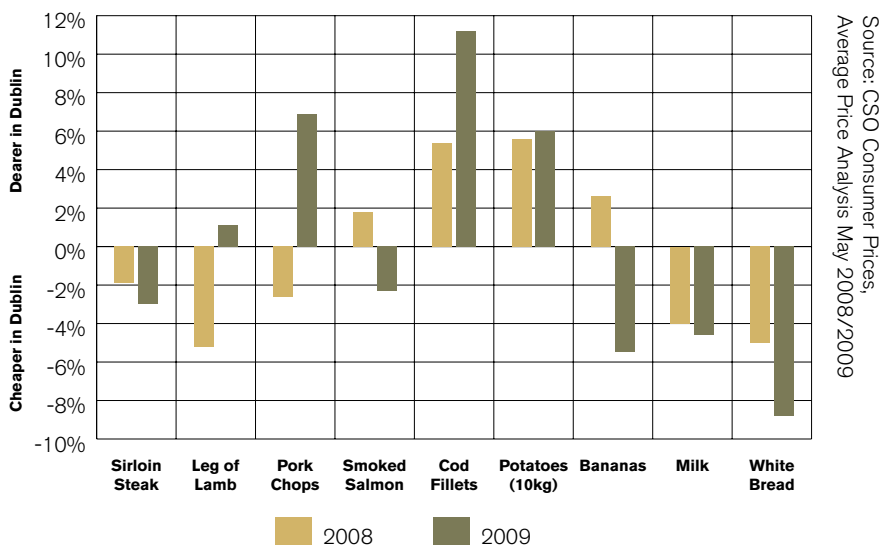
Regional Comparisons

The CSO performs a biannual analysis for a representative sub-basket of goods and services both inside and outside of Dublin. Patterns based on location are by no means obvious with variations in prices between Dublin and the rest of the country fluctuating between time periods for numerous products. Overall, of the 49 products in the food and non-alcoholic beverages category that were analysed in May 2009, 28 were more highly priced in Dublin. Figure 6.4 looks at a selected number of items from the analysis and makes price comparisons between May 2008 and May 2009.

An analysis by product sector shows that 10 of the 18 meat products analysed were more expensive in Dublin. The differences ranged from a medium uncooked chicken, which was 27.3% more expensive in Dublin to lambs liver, which was 7.5% cheaper in Dublin. In the fruit and vegetable category 8 out of 10 items analysed were more expensive in Dublin with the difference ranging between tinned tomatoes, which were 8.2% more expensive to bananas, which were 5.5% cheaper in the capital. Other products where a wide divergence in price was evident included eggs and orange juice, which were 10.1% and 14.9% dearer in Dublin respectively whilst white (8.8%) and brown (8.0%) bread as well as milk (6.8%, 2 litres) were cheaper in Dublin.

Figure 6.4

Average Price Level Comparisons for Selected Items- Dublin v Outside Dublin, 2008-2009

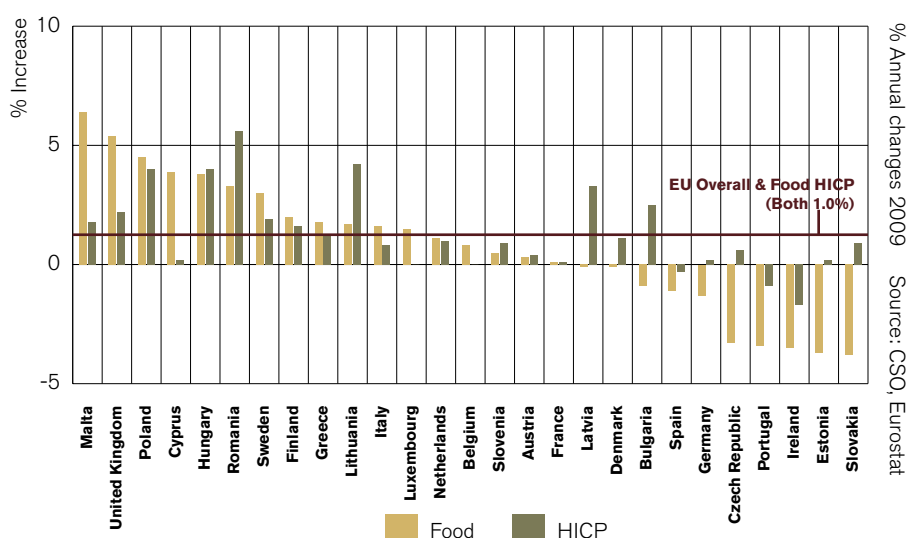


EU Food Price Trends and Comparisons

The Harmonised Index of Consumer Prices (HICP) measures the increase in prices on a monthly basis for the EU-27 member states. It offers the most reliable means by which to compare inflation across the EU. Unlike the Consumer Price Index, it excludes (among other things) interest on mortgage repayments and certain forms of tax and insurance. Ireland's annual average rate of HICP inflation for 2008 was (-1.7%) as compared to 3.1% in 2008. Ireland's rate of HICP food inflation, at (-3.5%) was well below the EU-27 average (+1.0%) for 2009, exhibiting the 3rd largest decrease in food prices for the EU-27 (the largest for the EU-15). Figure 6.5 gives HICP comparisons²⁴ with other EU-27 countries across all items as well as food and non-alcoholic beverages. It demonstrates the wide divergence in food and overall price developments in the EU-27 for 2009 with food prices increasing by over 5% in 2 countries (Malta and UK) whilst prices fell by over 3% in 4 countries including Ireland.

Figure 6.5

HICP and Food HICP, EU Comparisons, 2009



24 Eurostat data which refers to the average annual rate of change during 2009.

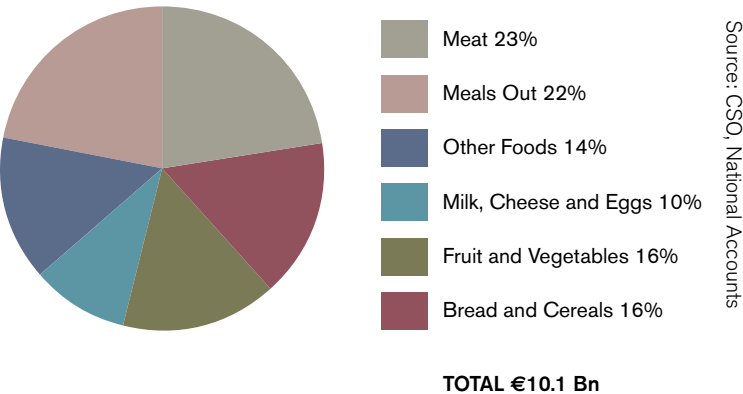
6.3 Food Consumption

Personal Consumption Expenditure

Estimates from the CSO indicated that Personal Consumption Expenditure (PCE) on food and drink (not including meals out) accounted for €15.5 billion in 2007, a 2.5% increase on the previous year. This represented 16.6% of total PCE. Expenditure on food in terms of meals outside the home accounted for approximately €2.2 billion in 2008, in line with the previous year. As illustrated in Figure 6.6, over one fifth (€2.21 billion approx) of all expenditure on food (total €10.1 billion) is accounted for in meals outside the home. In common with countries such as the UK, Germany and Luxembourg, Ireland spends a significantly lower proportion of total household expenditure on food when compared to the EU 27 average.

Figure 6.6

Personal Consumption Expenditure on Food, by Food Type, 2008



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

Table 6.1 Consumption of Selected Food Items, 2006-2008			
Kg/Litres per Capita	2006	2007	2008
Beef	20.9	20.4	N/A
Pig Meat	38.0	35.5	N/A
Sheep Meat	4.0	3.8	N/A
Poultry Meat	29.9	27.0	N/A
Drinking Milk & Buttermilk ¹	141.8	139.8	137.2
Cream ¹	2.7	2.6	3.1
Butter	2.7	2.6	2.6
Cheese	6.7	7.1	6.1
Principal Cereals	92.3	90.2	89.3

1 Litres Per Capita
Source: CSO Supply Balances

6.4 Retail Sector Price Surveys

Overview

A number of surveys and studies released in 2009 sought to throw light on evolving price and retail trends. This section looks briefly at some of the key findings.

Competition Authority Report on the Retail-related Import and Distribution Sector

In June 2009, the Competition Authority published its report on the Retail-related Import and Distribution sector. The report followed a request by the Tánaiste and then Minister for Enterprise, Trade and Employment Ms Mary Coughlan, TD. The terms of reference given by the Tánaiste were for the Authority to examine:

- » how the retail-related import/distribution sector operates and how competition works in that sector;
- » whether any practice or method of competition affects the supply and distribution of goods within that sector;
- » the impact on competition within the sector of direct importation from source countries, rather than indirectly through the UK.

The report noted that the Irish retail sector, and the supply chain that feeds it, is undergoing a major and necessary adjustment. The large numbers of consumers travelling to Northern Ireland in 2008 and early 2009 exposed some fundamental problems within the Irish retail sector. While Government can no longer devalue Ireland's currency, addressing the high cost of doing business in Ireland will help all types of businesses as well as consumers.

The report found that increasingly price-conscious consumers were shopping around for the best prices and encouraging more competition between retailers and their suppliers. This was contributing to price decreases. The Competition Authority urged Government to reduce the cost of doing business in Ireland to help Irish suppliers compete and survive.

The Report's key findings are that many factors contribute to differences in prices between Northern Ireland and the Republic of Ireland. The response of retailers and suppliers to these price differences varies across different sectors. In the groceries sector, retailers are pressuring suppliers for better deals and finding alternatives and prices to consumers have fallen as a result. The report noted that encouraging more competition at retail level through changes to the planning system would benefit consumers further and this was a key recommendation of the report.

National Consumer Agency Surveys and Reports

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

The National Consumer Agency published its latest grocery price survey in July 2009. This ongoing survey covers branded and own-brand goods across multiples, symbol groups as well as discount outlets Aldi and Lidl. The range of products surveyed includes branded goods taken from a top 100 Brands list²⁵, the Central Statistics Office and comparative own-brand products. The outlets surveyed were Dunnes Stores, Superquinn, Tesco, Supervalu, Spar, Centra, Eurospar, Aldi and Lidl. The most recent survey noted that there had been significant reductions in prices for both branded and own brand grocery goods since the NCA's previous survey in January 2009.

The results of the latest survey indicate that there is increased competition in the market for branded goods. When comparing a basket of branded goods between Dunnes Stores, Superquinn and Tesco, the difference between the cheapest and dearest has widened significantly since the last survey. The cost of this basket was practically identical in Dunnes Stores and Tesco Change for Good (CFG) stores. Prices in separate baskets of branded goods for Tesco, Dunnes Stores and Superquinn all recorded a decrease.

SuperValu and Centra stores along the border which are participating in a "Sterling Match" initiative performed very strongly in the branded segment, closely tracking the performance of Dunnes Stores and Tesco

For own brand goods the gap between Aldi and Lidl on a basket of common goods narrowed significantly since the previous survey. Separate baskets for Aldi, Lidl, Dunnes Stores and Tesco all became cheaper.

The gap between Dunnes Stores and Tesco on own brand goods increased significantly, while Tesco own brand ranges closed the gap with Aldi and Lidl

The survey noted that while the results were good news for consumers, it remained the case that the best value is to be found by astutely splitting the basket between the various retailers, informed by their relative competitiveness across the branded and own brand segments. NCA market research suggests that own brand products now account for about one third of the typical shopping basket, suggesting that retailers will need to compete in all segments to attract value conscious shoppers. This assertion is backed up by further research carried out for the NCA which found that 22% of those surveyed had switched from their main grocery in 2009 with a little less (19%) switching for their top-up grocery provider.

A survey carried out by the NCA in January 2009 on a selection of clothing, homeware, maternity/nursery and electrical goods showed that Irish consumers are being charged an average of 51% more than consumers in the UK. The survey looked at the prices of 44 products across 13 stores. Prices were not adjusted to reflect the different VAT rates in ROI/UK. However the NCA noted that factors such as differing VAT rates do not adequately explain the differentials that are evident from the survey.

25 Compiled by AC Nielsen

6.5 Consumer and Retail Trends

Overview

As the global recession and its local effects continued in 2009, the change in the attitude of the consumer to the marketplace became more marked. Consumers were increasingly seeking more value for their money, while, at the same time, quality considerations remain very important. The retail sector developed in response to these changing consumer trends and various other competitive challenges. These trends, both in terms of consumer detail and retail structure, have considerable implications for the food industry at producer and processor level.

National Trends

The new economic environment has led to significant changes in shopping behaviour. Discount outlets (Aldi & Lidl) increased their combined percentage from 8% in 2008 to 8.9% in 2009. Increased competition from Northern Ireland made a real impact on retail sales and in particular groceries. A report by Mintel²⁶ showed that 86% of cross border shoppers purchase groceries. The same research showed that food prices in the Republic are on average of 20% higher than in Northern Ireland. The strength of the Euro against the Sterling has in particular contributed to the increased volumes of cross border shopping.

In 2009, concerns were also raised in relation to the nature of relationships in the sector and in particular the relationships between suppliers and retailers of grocery goods. In response to this, the Department of Enterprise, Trade and Employment carried out a public consultation in relation to the introduction of a Code of Practice for grocery goods undertakings. Pending any introduction of statutory Codes of Practice in areas such as the grocery goods sector, exploration with all the relevant stakeholders for the possibility of agreeing a Voluntary Code, which would respect the interests of all parties, is being investigated.

Survey data from IGD²⁷ showed that price is still a main concern for 6 out of 10 shoppers while the importance of brands and wide consumer choice is declining. Despite the economic downturn, more shoppers claim to be influenced by ethical decisions in their food purchases and demand more local produce. The nutritional content of food and healthy eating continues to be important while there is growing interest in reduced waste. Meanwhile, products that make it easier to cook from scratch are likely to experience greater demand.

EU Trends

The results from the Bord Bia PERIscope²⁸ study undertaken in 2009 showed that price is important across all European markets, particularly in the Netherlands where price is more important than quality of fresh food. Irish, Spanish and Swedish consumers placed a premium on the quality of fresh food. Continental Europeans were generally found to shop in the one store on

26 Mintel (2009) Impact of Cross-Border Shopping, Irish Series

27 Institute of Grocery Distribution (2009) Shopper Trends 2009, Food Shopping in Recession

28 This research is the second wave of a series looking at the attitudes and behaviour of Continental consumers. It is *based on* the PERIscope (Purchasing and Eating in the Republic of Ireland) series that focuses on the domestic market. The fieldwork was conducted in five markets – France, Germany, the Netherlands, Spain and Sweden.

a regular basis but this was balanced by seeking better value, opting for private labels and availing of sales and promotions within the selected store. 35% of consumers in Ireland indicated they were spreading their shopping across a number of shops more often so as to get the best value.

It was found that local food is often considered to involve higher levels of food safety, be of a higher quality and tends to be more expensive. Purchasing local food was important to 61% of Irish customers, this compares to 52% in Britain. Local food is most important to French and Spanish consumers while those in the Netherlands exhibited the lowest level of affiliation to locally produced food.

In 2009, Bord Bia identified 6 consumer lifestyle trends, which resonate around the world. These trends are based on a study of the macro forces shaping the lives of consumers around the world such as social, technological, economic, environmental and political factors and the consumer behaviour in response to these drivers. The trends are “Consumers in control” which refers to the consumer’s quest for better value, “Fluid lives” which refers to the consumer’s need to stay in control of life, “Making the most of life” which refers to the consumer’s need to balance the stresses of life with fun, “Sustainable lives” which refers to the consumer’s desire for products that create less negative impact on the world, “Quest for Health & Wellness” which refers to the consumer’s aspiration to stay in control of health and wellness by making better choices and “Keeping it Real” refers to the consumer’s desire for products and brands that are real and authentic and have stood the test of time.

Planet Retail²⁹ noted that the 5 key trends for European retailers are better value, increased market share for private labels, the development of opportunities as more consumers cook for themselves, a slowdown in the demand for organic produce and a customer-centric approach to building loyalty as an alternative means to growth.

Another development in 2009 was a publication by the European Commission of a paper³⁰ in which it outlined proposals to make the European supply chain more transparent. The priorities which are:

Promotion of sustainable and market-based relationships;

- » Increased transparency to encourage competition and improve resilience to price volatility;
- » Increased integration and competitiveness of the European food supply chain,

The food supply chain connects three important sectors of the European economy: agriculture, the food processing industry and the distribution sectors. Its performance has direct consequences for citizens since food represents 16% of European households expenditures and takes on increased importance in the path towards recovery from the current economic crisis.

29 Planet Retail (2009) Trends and Forecasts for Europe’s Food Retailers

30 European Commission Communication (COM (2009) 591)

6.6 Maintaining Confidence in the Food Chain

Farmers' Markets

Bord Bia's Local Food report in 2007 showed that 29% of Irish shoppers buy local food at farmers markets. Farmers markets continue to evolve with over 150 markets (in addition to country markets) in Ireland today compared to 80 in 2002. These markets generate estimated sales of €28 million annually at retail selling prices.

Based on PERIscope³¹ results, 23% of consumers in Ireland are now buying from farmers markets more often compared to 12% - 14% in the UK. However 17% report buying from these markets less often.

Farmers' markets are important to small food producers for many reasons including the fact that they offer an alternative route to market and allow companies deal directly with consumers and gain vital product feedback. A Voluntary Code of Good Practice for farmers markets is in operation for farmers markets since May 2009. Farmers Markets signing up to the Good Practice Standard will 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. 34 markets are operating to the Standard.

Organic Food

Organic food sales in Ireland had reached €124 million at retail selling prices in the year up to the end of December 2009. Current trends in relation to the production and consumption of food in this country indicate that Ireland has increasingly health-conscious consumers who also demand quality, convenience and value. As the majority of organic produce sold in Ireland is imported, it is clear that there are market opportunities for producers to increase the level of home production.

National Organic Week and the National Organic Awards, which are co-ordinated by Bord Bia and funded by the Department of Agriculture, Fisheries and Food, was held for the 5th consecutive year in September 2009. The events serve to raise awareness among consumers about what organic food and farming is all about and where they can source organic produce.

Overview

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

Food Safety Governmental Bodies

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

31 PERIscope (Purchasing and Eating in the Republic of Ireland) is Bord Bia's biennial study that tracks the Irish, British and Northern Irish consumer.

- » **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 Safefood³² was established in 1999 to foster and maintain confidence in the food supply in the island of Ireland by working in partnership with others to protect and improve the public'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, control and eradication measures for BSE, Bovine Tuberculosis and Brucellosis involving a combination of testing, routine inspections and investigations, mandatory and voluntary reporting and codes of practice, are operated by the Department of Agriculture, Fisheries and Food. 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.

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.

Ireland is free of brucellosis in sheep, pigs and cattle. In cattle, the incidence of Brucellosis has fallen each year since 1998 (Figure 6.8). Ireland obtained Official Brucellosis Free status in July 2009 which led to a controlled reduction in Brucellosis testing in the second half of 2009. The reduced controls are estimated to reduce the cost of testing to farmers by about €5 million. Further reductions in controls are being implemented in 2010.

32 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.

In 2009, herd incidence of bovine TB fell from 5.9% in 2008 to 5.1% in 2009, the lowest herd incidence for many years. The number of TB reactors was 23,805, which was 6,096 lower than in 2008 (Figure 6.9).

Total expenditure for the TB and Brucellosis Programmes in 2009 was €52 million, 17% lower than in 2008. This was mainly as a result of a decrease in number TB reactor numbers and reduced compensation payments arising from lower cattle prices.

Figure 6.7
Details of Annual BSE
Confirmations, 2002-2008

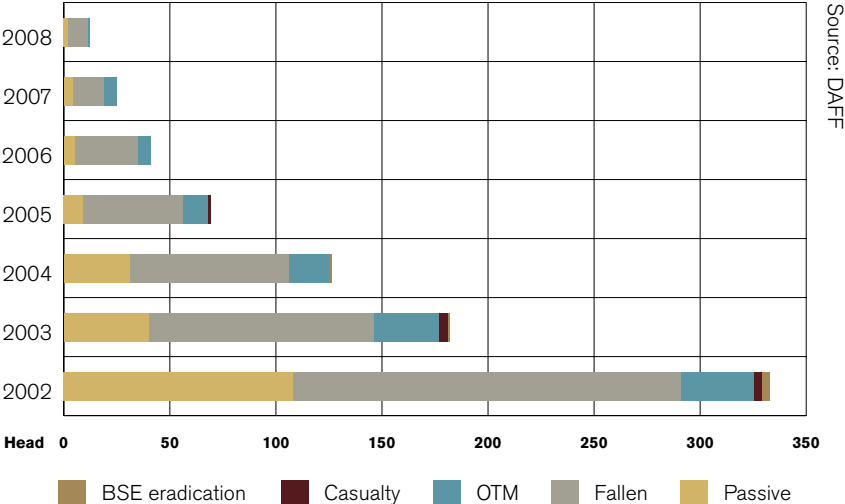


Figure 6.8
Brucellosis Depopulation Statistics,
1998-2009

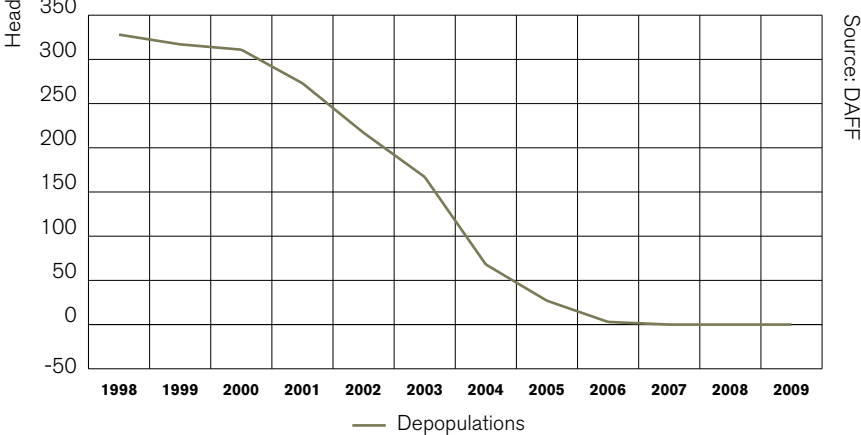
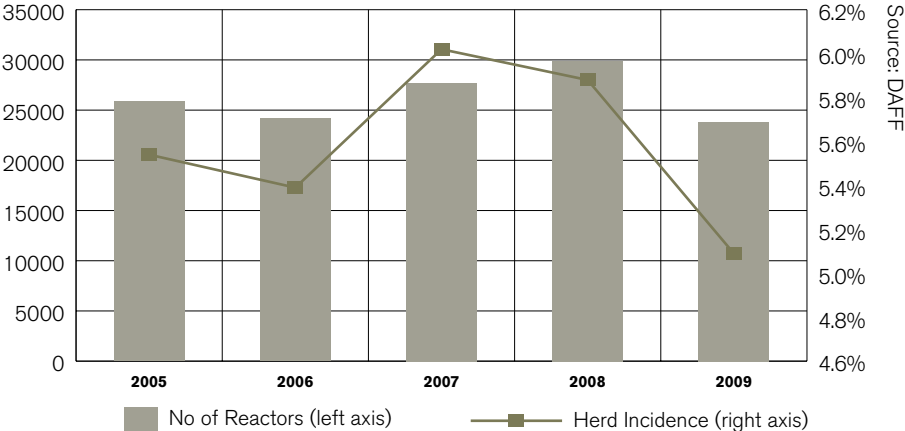



Figure 6.9
Bovine Tuberculosis Statistics,
2005-2009





Chapter Seven

EU and International Agriculture Policy

Chapter Seven

EU and International Agriculture Policy

7.1 Overview

Notwithstanding the more recent economic downturn Ireland's progress since accession to the EU can be enumerated through our continued advance towards the status of net contributor to the EU. In 2008 total net receipts to Ireland from the EU were equivalent to approximately 0.3% of GDP, which (along with last year) represented the lowest level since accession in 1973. Ireland has undoubtedly benefited to a great extent from EU membership. Net receipts from the EU were the equivalent of approximately 3.0% of GDP in the period 1973-2009³³ and peaked at 6.2% of GDP in 1991.

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

7.2 Benefits of the CAP to Ireland

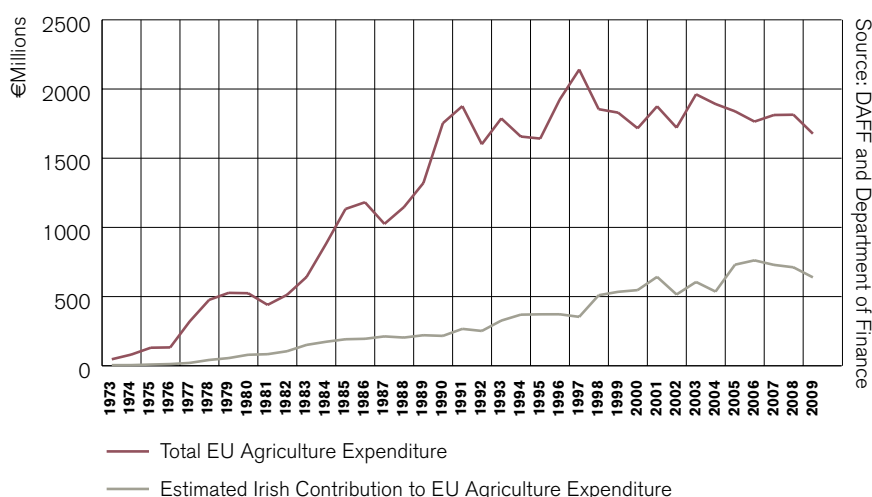
Budget and Trade Effects

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

33 Department of Finance

Figure 7.1

Total EU Agriculture Payments to Ireland and estimated Irish Contribution, 1973-2009



This net transfer of resources, entitled the net budget effect (NBE)³⁴, is further examined for 2008 and 2009 in Table 7.1. In 2009, the estimated net transfer to Irish agriculture through the EU budget was €1,038 million, which was broadly in line with the level of experienced in 2008.

Table 7.1 Net Budget Effect, 2008-2009

	Total EU Agriculture-related Expenditure	Estimated Irish Contribution	Net Budget Effect
	€m	€m	€m
2008	1,814.3	711.7	1,102.6
2009*	1,677.2	639.0	1,038.2

* 2009 Estimate

Source: DAFF, Dept. of Finance

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

Ireland's net trade position for most agricultural commodities disimproved in 2009, due to the value of exports decreasing by more than the value of imports. However the net trade effect is estimated to have increased by 16% from €790.8 million in 2008 to an estimated €920.2 million in 2009. This

34 This is derived firstly by calculating the proportion of Irish payments into the EU Budget that can be attributed to Agriculture related payments (taken to equal the proportion of the EU budget spent on Agriculture). This is then subtracted from EU Agriculture receipts to Ireland to give the Net Budget Effect.

increase more than offsets the decrease experienced in the 2008 net trade effect figure compared to 2007. The principal cause for this 16% increase has been dairy commodity prices on world markets reverting to positions below Irish prices. With butter and WMP experiencing the greatest change in their price differentials in 2009, of over 25%.

The price differential for beef and sheep meat was largely static between 2008 and 2009, with a 44% and 61% difference between the Irish and world prices respectively in 2009, and therefore remain the commodities with the highest price differential. On cereal markets, both Ireland and world cereal prices declined sharply in 2009, the decline being more pronounced in Ireland, with the Irish price in 2009 now lower than the world price.

Table 7.2 Net Trade Effect for Selected Commodities, 2008-2009

	2008			2009*		
	Net Trade	Price Gap Coefficient	Net Trade Effect	Net Trade	Price Gap Coefficient	Net Trade Effect
	€m	%	€m	€m	%	€m
Beef	1,522.8	44.9%	684.1	1,397.0	43.6%	608.5
Live Cattle	84.1	44.9%	37.8	118.0	43.6%	51.4
Sheep Meat	149.3	58.9%	87.9	144.8	61.0%	88.3
Pig Meat	110.4	32.4%	35.8	56.8	20.1%	11.4
SMP	91.2	-6.7%	-6.1	58.8	5.7%	3.3
WMP	147.6	-11.5%	-17.0	86.8	14.1%	12.2
Butter	341.2	0.0%	-0.1	262.6	26.7%	70.1
Cheese	454.6	2.2%	9.8	368.9	12.2%	45.0
Casein	259.8	-12.4%	-32.2	157.5	2.3%	3.7
Wheat	-64.5	6.4%	-4.1	-59.7	-18.4%	11.0
Coarse Grains	-78.5	6.4%	5.0	-83.2	-18.4%	15.3
Total	3,017.9		790.8	2,508.3		920.2

*Figures for 2009 are provisional estimates.
Source: CSO, OECD, DAFF and Bord Bia

The combined budget and trade effects for 2008 and 2009 are outlined in Table 7.3. The combined budget and trade effect increased by 3.4% in 2009 and was worth approximately €1.95 billion.

Table 7.3 Combined Budget and Trade Effect, 2008-2009

	2008	2009*
	€m	€m
Net Budget Effect	1,102.6	1,038.2
Trade Effect	790.8	920.2
Budget and Trade Effect	1,893.40	1,958.40

Source: DAF, CSO, OECD, Board Bia

* 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 €113 billion. Approximately 43% 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 2010.

International Comparisons of Agricultural Support

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

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.

A focus on the PSE (Table 7.4) highlights the fact that the EU is the largest supporter of agriculture in terms of total expenditure, providing €102,902 million in 2008, which equates to 25% of gross farm receipts. While the EU's percentage PSE has reduced, to its current level of 25%, from 40% for the period 1986-88, 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, 1986-88, 2006-2008 and 2008

	Average 1986-88		Average 2006-2008		2008	
	€m	% of Gross Farm Receipts	€m	% of Gross Farm Receipts	€m	% of Gross Farm Receipts
Australia	865	7	1,597	6	1,514	6
Canada	5,491	36	4,882	18	3,784	13
EU*	90,536	40	101,999	27	102,902	25
Japan	44,967	64	28,605	49	28,469	48
Korea	10,821	70	17,371	61	12,554	52
New Zealand	413	10	75	1	63	1
Switzerland	4,860	77	3,807	60	3,857	58
US	33,118	22	21,858	10	15,909	7
OECD**	218,064	37	192,402	23	181,589	21

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

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

Source: OECD, Agricultural Policies in OECD Countries: Monitoring and Evaluation 2009.

Consumer Support Estimate (CSE)

The CSE indicates the value of gross monetary transfers from (or 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 level of CSE expenditure. However, in CSE % terms Switzerland, Korea and Japan have the highest CSE % while Australia and New Zealand have the lowest negative values. It is worth noting 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 2008 level of 10%. This is down from a yearly average of 37% in the period 1986-88.

Table 7.5 Consumer Support Estimate for Selected OECD Countries, 1986-88, 2006-2008 and 2008

	1986-88		Average 2006-2008		2008	
	€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	-354	-7	-148	-1	-144	-1
Canada	-2,583	-25	-2,838	-16	-1,889	-11
EU*	-67,631	-37	-36,095	-12	-34,787	-10
Japan	-55,248	-62	-33,127	-42	-32,388	-41
Korea	-10,567	-66	-20,474	-58	-13,664	-48
New Zealand	-56	-6	-45	-3	-35	-2
Switzerland	-4,451	-73	-2,275	-43	-2,291	-41
US	-3,491	-3	14,674	9	19,119	11
OECD	-145,937	-30	-86,317	-13	-73,862	-10

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

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

Source: OECD, Agricultural Policies in OECD Countries: Monitoring and Evaluation 2009.

Total Support Estimate

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

The EU and the US have the highest TSE expenditure at €114,629 million and €65,920 million respectively. In % terms of GDP, Korea (2.4%) is significantly higher than all the other regions listed. The % TSE provided by the EU has fallen from an average of 2.7% of GDP in the period 1986-88 to an average of 0.9% in the most recent period of 2006-08.

Table 7.6 Total Support Estimate for Selected OECD Countries, 1986-88, 2006-2008 and 2008

	Average 1986-88		Average 2006-2008		2008	
	€m	% of GDP	€m	% of GDP	€m	% of GDP
Australia	873	0.4	2,129	0.3	1,923	0.3
Canada	6,849	1.8	6,795	0.7	5,665	0.6
EU*	103,251	2.7	115,218	0.9	114,629	0.9
Japan	52,758	2.4	35,700	1.1	35,823	1.1
Korea	11,842	9	19,976	2.9	14,708	2.4
New Zealand	521	1.6	214	0.2	201	0.2
Switzerland	5,883	3.8	4,165	1.3	4,203	1.2
US	57,998	1.3	73,310	0.7	65,920	0.7
OECD**	272,000	2.5	270,890	0.9	257,145	0.8

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

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

Source: OECD, Agricultural Policies in OECD Countries: Monitoring and Evaluation 2009.

7.4 EU & International Agriculture Policy Developments and Outlook

There were a number of important policy developments in the agri-food sector in 2009. Of most significance to Ireland were the follow-up actions and decisions resulting from the adoption of the Health Check legislation in January 2009, continued discussion on "The Future of the CAP", agreement on the European Economic Recovery Package and measures to address the crisis in the dairy sector.

Implementation of the CAP Health Check Agreement

Under the agreement reached in November 2008 on the Health Check of the CAP, Member States secured approval to use previously inaccessible unspent Single Payment System funds to address specific disadvantages affecting certain sectors in economically vulnerable or environmentally sensitive areas. Member States could also provide support to farmers for specific agricultural activities providing agri-environmental benefits.

Resulting from this agreement Ireland gained access to in the region of €25 million in additional funding for each of the three years 2010, 2011 and 2012 for these targeted measures. With a view to achieving the most effective and efficient outcome for Irish agriculture and following consultation with all the relevant stakeholders it was decided to allocate the available funds as follows:

€18 million each year for the next three years on a Grassland Scheme to support incomes in the sheep sector,

- » €6 million each year for the next three years on a Dairy Efficiency Programme aimed at encouraging a significant improvement in efficiencies on dairy farms, and

- » €1 million for each of the three years 2010, 2011 and 2012 to support high environmental value farming, with tourism spin-off, in the Burren, Co. Clare, continuing and mainstreaming the pilot scheme operated by the Department of Environment, Heritage and Local Government.
- » In addition to this agreement, Ireland successfully negotiated for the use of the national reserve element of these funds from 2009. These additional monies which amounted to approximately €7 million, were set aside specifically for hill sheep farmers with payments worth in the region of €5 million made in 2009, with the remaining €2 million to be paid in 2010.

Future of the CAP

Policy analysis and debates on the broad outline and general principles of future EU agriculture policy gathered momentum in 2009 with discussions at Member State and EU level. A number of common themes and key issues are emerging from these debates and they, together with discussions on the future EU budget, are set to inform the concrete proposals that will be tabled in 2011. A Commission Communication on CAP post 2013 is expected in mid 2010.

The emerging issues include:

- » Demands from some Member States for a lower budget share for agriculture and for eventual dismantling of CAP.
- » Demands from “new” Member States for “re-balancing” of Member States’ shares of agricultural funding.
- » Increasing calls for changes to the Single Payment System (SPS) to move from the historic model to flatter rates of payment. There are also calls from some Member States for greater targeting of single payments to link them to the delivery of public goods.
- » Calls for a greater focus on pillar 2 (Rural Development) and the introduction of more specific selection criteria and indicators to measure the effectiveness, outputs and impacts of rural development programmes.
- » Suggestions for integration of rural development policy into regional policy (territorial cohesion).
- » The prospect of increased re-coupled payments. The agreement on the “Health Check” of the CAP has already provided for re-coupling under certain circumstances and it could continue in the period beyond 2013.
- » Continuing pressures to reduce traditional supply and market management mechanisms with a greater reliance on crisis management although pressure will increase to introduce new mechanisms to address price volatility

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.

European Economic Recovery Package (EERP)

In June 2009 proposals for an EERP worth €1.02 billion and payable to Member States via the European Agricultural Fund for Rural Development (EAFRD), were adopted. The purpose of the funding is to develop broadband internet in rural areas and to strengthen funding for the so called “new

challenges" of climate change, renewable energies, water management, biodiversity, dairy restructuring and innovation as defined in the context of the Health Check of the CAP. Ireland received a €26 million share of the funding which will be split 50:50 between rural broadband and the new challenges.

Dairy Sector

The European dairy industry faced serious challenges in 2009, as international markets for dairy products remained fragile. In response the European Commission reactivated a range of support measures provided for in the CAP Health Check (intervention, export refunds, aid for private storage) to help stabilise the dairy sector. In October it 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 is comprised of representatives from all Member States and the Commission and is due to produce a final report at the end of June 2010.

At the November Agriculture Council approval was given for some short-term measures to be implemented to assist the dairy sector. An additional €300 million was made available for the dairy sector in the 2010 budget of which Ireland will receive approximately €11 million. Other measures include the option for Member States to implement a quota buying-up scheme for the quota years 2009/10 and 2010/11.

WTO

Following the failure to reach agreement at the WTO Ministerial in July 2008 and the decision not to hold a Ministerial in December 2008, the prospects for reaching an agreement in 2009 were uncertain. Ultimately no final agreement was reached in 2009. The 7th Ministerial Conference of the WTO was, however, held in Geneva from 30 November to 2 December 2009. Unlike previous Ministerial meetings this meeting was not a negotiating session for the Doha Round. Rather it was a 'regular' Ministerial, which reflected in a broad manner on WTO activities, including the Doha Development Agenda (DDA) and the WTO contribution to recovery, growth and development in the context of the current global economic climate.

The outcome of the Ministerial, as summarised by the Chair of the Ministerial, was that:

Members reaffirmed their commitment to conclude the DDA Round in 2010;

- » There was a commitment to a stock-taking exercise in the first quarter of 2010 to assess whether sufficient progress has been made which would allow the 2010 deadline for conclusion to be met;
- » Senior Officials will continue to meet to develop a roadmap to achieve these goals;
- » There was general support for progress made to date and that stabilised texts should not be reopened.

The most significant WTO related development in 2009 was that agreement was reached on the long standing 'Banana Dispute' between the EU, Latin American suppliers and the US, setting the conditions for the settlement of the current disputes and claims regarding bananas. That Agreement was initialled on 15 December 2009.

EU Outlook 2010

The debate on the future of the CAP will continue apace in 2010 and Ireland will continue to seek to secure sufficient resources to preserve the principles of solidarity, support for primary production, food security, quality and food safety. The reality is that the overall level of funding available will, in many respects, determine the future shape of agricultural policy. 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 – as well as competition between Member States. Discussions on the budget review will therefore be inextricably linked to the ongoing debate on the future shape of the CAP. Publication of the Commission Budget Communication is expected early in 2010 in advance of proposals for the next financial perspectives, 2014-2020.

In terms of the WTO, prospects for an agreement remain uncertain. The position of the US will be a key determinant as to whether there can be progress in 2010. There appears, however, to be a growing recognition that at this point in time, a conclusion of an agreement is unlikely in 2010.

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

World Food Security

The number of undernourished in the world rose to 1.02 billion in 2009, the highest level since 1970. The United Nations predicts that the world's population will reach 9 billion by 2050 with most of the extra 2.5 billion people living in the developing world. There is an increasing awareness that the security of the global food supply cannot be taken for granted in a world where demand is rising rapidly and where there is expected to require a 70% increase in global food supply by 2050. There have been increased demands in the agriculture sector to examine the growing pressure between food, feed and fuel in terms of production.

The recent food price crisis that started in 2008 has brought greater focus to the issue of food security. There has been a widespread international re-engagement with agriculture, which has included additional funding (e.g. EU €1 billion facility) and a series of international fora focussing on this area (L'Aquila G8 meeting and the World Food Summit). Developing countries themselves are increasing their focus on agriculture with initiatives such as the CAADP (Comprehensive Africa Agriculture Development Programme) in Africa, which includes a commitment to increase the budget devoted to agricultural activities to 10%.

Ireland's contribution to the fight against hunger, poverty and under-development is mainly through its Official Development Assistance (ODA) programme, which is channelled through Irish Aid based in the Department of Foreign Affairs. The Department of Agriculture, Fisheries and Food actively participates through membership in, and financial support to two UN agencies, and in 2009 its total contributions to FAO and World Food Programme (WFP) amounted to approx € 12.6 million.

World Food Summit

The World Food Summit was held at FAO in November 2009. The Summit provided an opportunity to keep up the momentum built up by the UN High Level Task Force in 2008 and the G-8 process in 2009, including L'Aquila. There was a firm pledge to renew efforts to achieve the Millennium Development Goal of halving hunger by 2015, and of eradicating hunger from the world at the earliest date.

A declaration was agreed to take urgent action to eradicate hunger. Then Minister Sargent addressed the Conference. The Global Partnership for Agriculture, Food, Security and Nutrition (GPAFSN) was officially launched at the World Summit. It highlights countries commitment to work together towards enhanced global governance of food security and better coordination of efforts at all levels with an inclusive approach that builds on field experience. The five Rome principles for Sustainable Global Food Security were adopted:

- » invest in country-owned plans, aimed at channelling resources to well-designed and results-based programmes and partnerships
- » foster strategic coordination at national and global level to improve governance, promote better allocation of resources, avoid duplication of efforts and identify response-gaps
- » strive for a comprehensive twin-track approach to food security that consists of (i) direct action to immediately tackle hunger for the most vulnerable and (ii) medium and long-term sustainable agricultural, food security, nutrition and rural development programmes to eliminate root causes of hunger and poverty, including through the progressive realisation to the right to adequate food
- » ensure a strong role for the multilateral system by sustained improvements in efficiency, responsiveness, coordination and effectiveness of multilateral institutions
- » ensure sustained and substantial commitment by all partners to investment in agriculture and food security and nutrition with provision of necessary resources in a timely and reliable fashion aimed at multi-year plans and programmes.

L'Aquila Statement

At the G8 meeting at L'Aquila in July, G8 nations and a number of others signed up to the L'Aquila Food Security Initiative. Under the L'Aquila process, Governments will come together to support realistic country led investment plans for agriculture. A World Bank led trust fund that has been set up to support this.

The L'Aquila joint statement included a commitment by the countries represented to mobilise \$20 billion over three years focusing on sustainable agricultural development while still ensuring adequate emergency food aid assistance. The European Commission alone will contribute approx €4 billion.

Food and Agriculture Organisation

In addition to paying Ireland's subscription of over €1.5 million to FAO, extra budgetary funding of €416,500 was also provided to support vulnerability mapping activities.

The FAO Committee on Food Security (CFS) was reformed in October. It has been expanded to include representation from all stakeholders including NGOs, civil society and the private sector. The CFS will now become the main global forum for discussion and policy coherence on food security issues.

The CFS will receive input from the High Level Panel of Experts (HLPE), which will provide scientific support for decision-making. The reformed CFS will be a platform where Member States and its wider range of stakeholders will seek to improve coordination, policy convergence and collaborative action based on input from the field, follow-up and the best expertise.

World Food Programme

During 2009 the Department continued its support for the vital work of the United Nations World Food Programme (WFP) with a total contribution of €9.96 million. This was Ireland's core multilateral funding as part of our overall support to WFP.

Food Aid Committee

The 1999 Food Aid Convention (FAC) is the main international agreement on the provision of food aid. It works both as a code of conduct regarding best practice, and as a commitment to provide a certain minimum level of food aid annually. A DAFF official, Ms Sharon Murphy became the chairperson of this Committee for a one-year period commencing on the 1 July 2009. The Irish Chair is focusing on the objectives and structure of a potential new Convention and the continuing efforts of members to enhance the effectiveness of the Convention.

Hunger Task Force

The Government are committed to the key recommendations of the Hunger Task Force. The issue of hunger is now a key component of Ireland's foreign policy and overseas aid programme. Mr Kevin Farrell was appointed the Special Envoy for Hunger and will produce a report in 2010 on Ireland's progress towards implementing the recommendations of the Report. An Interdepartmental Hunger Task team was established and DAFF is represented on it.

UN High Level Task Force (UNHLTF)

The UN High Level Task Force (UNHLTF) continued its work during 2009. It was set up by Secretary General Ban Ki Moon, as the UN system reaction to increasing food prices. The Task Force's aim is to develop an international response to the food prices crisis and fuel crisis. The Comprehensive Framework for Action (CFA) called on Members to double ODA for food assistance, other types of nutritional support and safety net programmes and to increase the percentage of ODA to be invested in food and agriculture to 10% within five years. The CFA supports immediate and long-term responses to the current crises without creating new institutional mechanisms. The UNHLTF is a member of the CFS Reform Committee.



Chapter Eight

National Developments

Chapter Eight

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.

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, titled "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] to be launched under the RDP will address other challenges relating to dairy restructuring, renewable energies and water management. The proposed TAMS schemes are: - dairy enterprises, sheep enterprises, pig welfare, poultry welfare, water conservation and bio-energy (miscanthus and willow production). Preparations for the launch of each scheme are well advanced. The Miscanthus scheme was launched in February 2010 to encourage uptake of the scheme ahead of the planting season in 2010. The welfare schemes for pigs and poultry and the agri-environment measure will be operational in 2010 with the remaining schemes being phased in over the lifetime of the programme.

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.

8.3 2020 Strategy

In February 2010, a 2020 Strategy for the agri-food sector was launched by the Minister for Agriculture, Fisheries and Food, Brendan Smith, T.D. The development of the strategy will be guided by a broadly based committee with members drawn from farming, industry and a range of agencies with direct interest and involvement in the agriculture, food and fishing industries and their markets. This 2020 Committee will also make use of a web based public consultation process seeking submissions from interested bodies on strategies and policies to guide the future development of the agriculture, food and fishing and forestry sectors.

The 2020 Committee will prepare, and present to the Minister for Agriculture, Fisheries and Food, a draft strategy for the medium-term development of the agri-food (including drinks) fisheries and forestry sector for the period to 2020. The strategy will outline the key actions needed to ensure that the sector contributes to the maximum possible extent to our export-led economic recovery and the full development of the smart economy.

The strategy report will be short and specific and will focus on recommendations addressed to all the key players in the sector. It is not expected to contain detailed analysis of the sector, rather drawing on analysis already prepared, including discussion and background papers³⁵ and such other material as the Committee considers relevant. The Committee will also have access to the submissions made in the public consultation process being launched contemporaneously with the Committee.

It is expected that the draft strategy will be presented to the Minister in June 2010.

8.4 Estimates 2010

Substantial provisions were made for the agriculture sector in 2010. Of particular note were the following:

- » Spending on the Disadvantaged Area Scheme is being maintained at the 2009 level of €220 million;

35 www.agriculture.gov.ie/2020strategy

- » Total expenditure on agri-environment schemes in 2010 to reach €330 which provides for payments to existing REPS participants as well as a new agri-environmental scheme;
- » A allocation of €33 million under the Suckler Cow Welfare Scheme in 2010 to continue at the 2009 rate of €40 per animal;
- » €200 million in payments under the Farm Waste Management Scheme to cover the remainder of the second 40% instalment of the deferred payment; as well as €19 million under the farm improvement scheme;
- » Expenditure on forestry and bio-energy of more than €121 million, which includes a capital provision of over €116 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 €1.7 billion taken together with EU funding will bring total expenditure by the Department of Agriculture, Fisheries and Food to over €3 billion in 2010.

In addition to these measures, Budget 2010 provides relief from the income levy to be allowed in respect of certain expenditure incurred by farmers to comply with the requirements of the EU nitrates Directive 91/676/EEC. This measure is estimated to cost approximately €6 million over a three years period and will cost €1.8 million in 2010.

8.5 Income Tax Yield From Farmers

There are approximately 108,000 farmers on record with the Revenue Commissioners. Provisional estimates show that approximately €99 million tax was paid on farm profits in 2009.

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

	PAYE¹ (€)	Farmers² (€)	Other Self-employed² (€)
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*

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.

† Provisional

* Excludes yield from special investigations

Source: Revenue Commissioners

8.6 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. Analysis³⁶ completed by economist Brendan Riordan highlights that the net foreign earnings of the 'biosector'³⁷ contributes approximately 30% of the total net earnings from primary and manufacturing industries. 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'.

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

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

Chapter Nine

Environment

Chapter Nine

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 international commitments, EU Directives and national legislation concerning the environment.

9.2 Nitrates Directive

In March 2009, revised Nitrates Regulations were introduced by the Minister for the Environment, Heritage and Local Government to give further legal effect to Ireland's Action Programme for implementing the EU Nitrates Directive. The European Communities (*Good Agricultural Practice for Protection of Waters*) Regulations 2009 revise and replace the previous Regulations made in 2006 and 2007. They provide for strengthened enforcement provisions and for better farmyard management in order to comply with an ECJ judgement in relation to the Dangerous Substances Directive. They also provide the legal basis for the operation of a derogation under the Nitrates Directive granted to Ireland by the European Commission.

The Regulations set standards and requirements in relation to:

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

The main new features incorporated in the revised Regulations are –

- » strengthened enforcement powers for local authorities;
- » enhanced cross-reporting arrangements between local authorities and the Department of Agriculture, Fisheries and Food;
- » requirements for improved farmyard management;
- » provisions relating to making application to the Minister for Agriculture Fisheries and Food for a derogation

- » temporary exemption to allow an extension of time for establishment of green cover following ploughing competitions

The Department has sought to minimise the burden of compliance and to assist farmers in meeting their obligations under the Regulations. The *Explanatory Handbook* and other information for farmers is available on the Department's website. In addition, as a service to the more intensive farmers, the Department provides annual statements of organic nitrogen and phosphorus produced on their farms based on information held in Department databases.

Following an undertaking by the Minister in 2009, in February 2010 DAFF commenced farm inspections under the Nitrates Regulations on behalf of the Local Authorities (who remain the competent authorities for the purposes of the Regulations).

A risk based farm selection process, which takes account of both water quality status and farm risk, had been agreed with the DEHLG and DAFF will carry out approximately 1,500 nitrates inspections in 2010 on an agency basis on behalf of the local authorities. The system will be reviewed at the end of 2010. These inspections are in addition to inspections carried out by DAFF under the Cross-compliance arrangements attached to the Single Payment Scheme.

Ireland's Nitrates Action Programme (Nitrates Regulations) is subject to review in 2010, with a new Action Programme to be published by the Minister for the Environment, Heritage and Local Government by 30 June 2010.

This will be preceded by a consultation process, during which there will be an opportunity for all stakeholders to comment on the current Programme and its implementation by means of the Nitrates Regulations.

All aspects of the new Action Programme and any changes that may be proposed are of course subject to the agreement of the Commission.

The Department also operates the derogation application system for farmers who need to operate in excess of the 170kg/N/ha per year, as well as the control, monitoring and reporting arrangements attaching thereto. Details of the 2010 arrangements and relevant forms are available on the DAFF website, from local offices and from DAFF's Nitrates Section.

At a meeting of the Nitrates Committee in Brussels in September 2009, Ireland formally requested an extension to the Nitrates derogation (which expires on 17 July 2010). This process is ongoing and it is hoped that formal approval will be granted by mid-year.

9.3 National Climate Change Strategy

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

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

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. (There is the potential for this to 30%, if a comprehensive global agreement were reached.) When communicating their willingness to be associated with the Copenhagen Accord³⁸ the EU reiterated their 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.

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

9.4 Ammonia Emissions

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

The European Communities (National Emissions Ceilings) Regulations 2004³⁹ made by the Minister for the Environment, Heritage and Local Government, implementing EU Directive 2001/81/EC concerning national emissions ceilings for certain atmospheric pollutants, set a limit on national annual ammonia emissions, to be achieved by 2010, of 116 kilotonnes (kt). The level of ammonia emissions in 2001 was 122 kt, in 2003 it was 116 kt and by 2008 the level of emissions had declined to 103.8 kt, of which, 101.3 kt was from agriculture.

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

9.5 CAP Reform & Cross Compliance

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

- » a requirement for farmers to comply with 18 Statutory management requirements (SMRs) set down in EU legislation on the environment, food safety, public, animal and plant health and animal welfare; and

38 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.

39 S.I. No. 10 of 2004

- » 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 2009 there were approximately 29,355 participants in REPS 4, with 17,000 farmers applying to join in 2009. Some 33,000 farmers continue to farm under REPS 3. Spending on REPS in 2009 amounted to €338 million. Approximately 45% of all farmers received REPS payments in 2009, with approximately 1.65 million hectares or 37% 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 19% 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 2008, present key information in relation to farms participant in REPS and those not participating in REPS.

Table 9.1 Family Farm Income and Direct Payments for REPS Farms by System of Farming, 2008

	Dairying	Dairying/ other	Cattle Rearing	Cattle Other	Sheep	Tillage	All
€/Farm							
FFI	45,121	19,782	12,603	15,581	13,431	19,243	18,339
Direct Payments	23,282	21,713	20,437	21,782	20,865	26,493	21,817
REPS contribution	6,904	6,757	5,928	5,839	6,752	7,133	6,318
Farm Size (Ha)	43.8	40.4	34.4	34.2	38.6	49.6	37.7

Source: Financial and Technical Analysis of REPS/Non REPS Farms 2008; Kinsella, A., Quinlan, G. and Moran, B.

Table 9.2 Family Farm Income and Direct Payments for Non-REPS Farms by System of Farming, 2008

	Dairying	Dairying/ other	Cattle Rearing	Cattle Other	Sheep	Tillage	All
€/Farm							
FFI	45,948	27,095	3,781	7,685	4,429	19,573	15,869
Direct Payments	19,106	22,137	9,124	11,925	8,904	24,400	13,876
Farm Size (Ha)	49.4	52.6	25.9	28.5	28.0	65.6	35.9

Source: Financial and Technical Analysis of REPS/Non REPS Farms 2008; Kinsella, A., Quinlan, G. and Moran, B.

9.7 Organic Farming

At the end of 2009, there were 1,548 organic operators in Ireland, of which 1,298 were producers and 250 were processors of organic produce. Total area of land used for organic production has increased by almost 65% since 2002 and stood at 49,165 hectares at the end of 2009. 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 and a Scheme of Grant Aid for the Development of the Organic Sector. Since 1996, organic producers have received approximately €70 million in total for participation in REPS, which has included a supplementary payment in relation to organic farming.

The Organic Farming Scheme, introduced in August 2007 under the Rural Development Programme 2007–2013, aims at encouraging producers to respond to the market demand for organic food. The Scheme was temporarily suspended in 2009 but has been relaunched this year with some changes in the conditions. First of all, applicants who were not previously in the Organic Farming Supplementary Measure of REPS have to complete an approved training course before joining the Scheme. All applicants, whether they were in REPS before or not, will have to submit a five-year business plan. These criteria will help 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. A total of €5.7 million has been made available to farmers under the Organic Farming Scheme for 2010.

Organic farmers and processors can also avail of the capital grant schemes which were originally launched in June 2007 and were relaunched at the beginning of January 2010, having been temporarily suspended since June 2009. These grant aid Schemes provide aid for investments in equipment and facilities, both on and off-farm. The allocation for these Schemes, at €1.5 million, was fully used in 2009 and an allocation of €2.0 million has been made to the schemes for 2010.

9.8 Farm Waste Management Scheme

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

Approx. 17,400 payment claims remained to be processed to payment stage under the Scheme at the beginning of 2009 and, due to the deterioration in national finances, it was decided by the Government that these claims, when approved, would be paid on a phased basis as follows:

- (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.

In addition, the Minister also announced that a special ex-gratia payment not exceeding 3.5 per cent of the value of the deferred amount would be made to farmers whose Farm Waste Management grants were partially deferred in the manner set out above.

Payment of the first grant instalment to farmers commenced in March 2009 on the basis of the arrangements set out above and 17,351 payments of that first instalment totalling €243.7 million were made to farmers under the Scheme in 2009. In addition, 3,683 payments, totalling €49 million, of the second instalment of 40 per cent were also made at the end of 2009 as a result of the reallocation of savings from other parts of the Department's Vote. Total expenditure under the Scheme, since its introduction in 2001, was 907.6 million at the end of 2009.

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. Currently renewables make up 3% of Ireland's energy market.

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. These groups are considering the challenges and opportunities facing the Irish renewable sector and will prepare a new 'Renewable Energy Action Plan' for Ireland. This plan will detail the targets, policies and measures required to give effect to the EU targets mentioned above and will be submitted to the EU Commission by 30 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. Less than 0.2% of the agricultural land in Ireland is under energy crops made up of oilseeds, miscanthus, willow and small quantities of wheat and oats used for energy purposes. The table below details the areas sown since 2005.

Table 9.3 Area Devoted to Energy Crops in Hectares, 2005-2009

Year	Willow (ha)	Miscanthus (ha)	Oilseed rape (ha)	Hemp & switch grass (ha)	Total Hectares (ha)
2005	13		2,577		2,590
2006	67	122	4,267		4,456
2007	65	630	7,959	90	8,744
2008	127	780	3,087	137	4,131
2009	170	740	2,300	100	3,310

Source: DAFF

As the table shows, production has concentrated on the cultivation of oilseeds, willow and miscanthus. Oilseed rape is traditionally grown in Ireland as a break crop in a one-in-four year rotation for use in the biofuel, food and animal feed markets. Willow and miscanthus crops produce pellet and wood chip materials to generate heat and power in the domestic and commercial sectors.

The third phase of the pilot Bioenergy Scheme 2007 - 2009, providing establishment grants worth €1,450 per hectare to plant miscanthus and willow continued to generate interest in 2009. Details of the areas planted and the number of applicants under the Bioenergy Scheme 2007 – 2009 are contained in Table 9.4 below.

Table 9.4 Planting of Bioenergy Crops under the Bioenergy Scheme, 2007–2009

Year	2007 Area (ha)	2008 Area (ha)	2009 Area (ha)	No. of Applicants
Miscanthus	617	775	709	301
Willow	64	128	166	54
Total	681	903	875	355

Source: DAFF

Following a review of the pilot Scheme, it was evident that there is considerable interest in growing miscanthus and to a lesser extent willow in Ireland. This interest did not always translate into applications as the crops are new to Irish farmers and it will take time and investment to build a viable sector.

The need for support was recognised as one of the “New Challenges” facing the Common Agriculture Policy during the Health Check negotiations. The Commission approved an amendment to the Rural Development Regulation authorising Member States to aid the production of miscanthus and willow crops for up to 50% of the costs of establishment. A new Bioenergy Scheme 2010 – 2013 has been included in the revised Rural Development Programme. In 2010 it is anticipated that 1,000 ha of willow and miscanthus will be planted.

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., the EU Communication on Halting the Loss of Biodiversity and the UN Convention on Biological Diversity. 2010 is International Year of Biodiversity and the UN Conference of the Parties (COP 10) is scheduled for October next so biodiversity issues will be to the fore in the coming months. The EU is also reviewing its “Halting the Loss” strategy at the moment.

During 2009, DAFF was involved in the formal consultation process for the development of a second National Biodiversity Plan (NBP) by the DEHLG. It is likely that, the Plan, DEHLG will seek specific commitments and actions from DAFF and other Departments.

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, a new Agri-Environmental scheme will be launched in 2010. The new scheme will consist of a wide range of biodiversity-enhancing actions from which farmers may choose. Many of the proposed options will be familiar to REPS' participants where they appeared as biodiversity options or supplementary measures.

The Biodiversity Unit within the Department has supported a number of projects. Funding was provided for an NUI Maynooth study on the characterisation, conservation and assessment of the genetic diversity of wild rape (*Brassica Rapa*), which is due to be completed in 2010. The Department also supported the *Science and Technology in Action* programme, a science-oriented teaching resource produced under the auspices of the Department of Education and Science. Each year, a range of lesson plans are produced, dealing with different scientific disciplines and applications, and circulated to all Irish schools as a teaching aid. In the 2009 edition, DAFF sponsored a lesson plan on the importance of safeguarding genetic resources for food and agriculture. Also in 2009, DAFF assisted the Heritage Council in a case study on High Nature Value (HNV) farming in the Aran Islands and parts of Connemara. This may lead to further follow-up studies in 2010.



Chapter Ten

Forestry

Chapter Ten

Forestry

10.1 Overview

Forest cover in Ireland was approximately 737,000 hectares in 2009 or nearly 11% of total land area. The percentage of forest cover in Ireland is modest by European standards, where 40% of land area is afforested. 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. In more recent years, it has been difficult to maintain planting levels.

10.2 Forest Cover in Ireland and the EU-25

Figures 10.1 and 10.2 show trend in new planting since 1980. The level of private plantings exceeded public plantings by the mid to late 1980s, with the latter decreasing substantially thereafter. Private plantings peaked around the mid 1990s and declined in recent years although 2009 saw a reversal of this downward trend with a 6% increase in planting (6,648 hectares were planted). The proportion of afforested land privately owned was over 46% in 2009. There has been a significant increase in broadleaf planting since 1996 reflecting the revised support structure for such plantings. Broadleaves accounted for nearly 37% of new planting in 2009 exceeding the current target of 30%.

Figure 10.1
Annual Public, Private and Total Plantings, 1980-2009

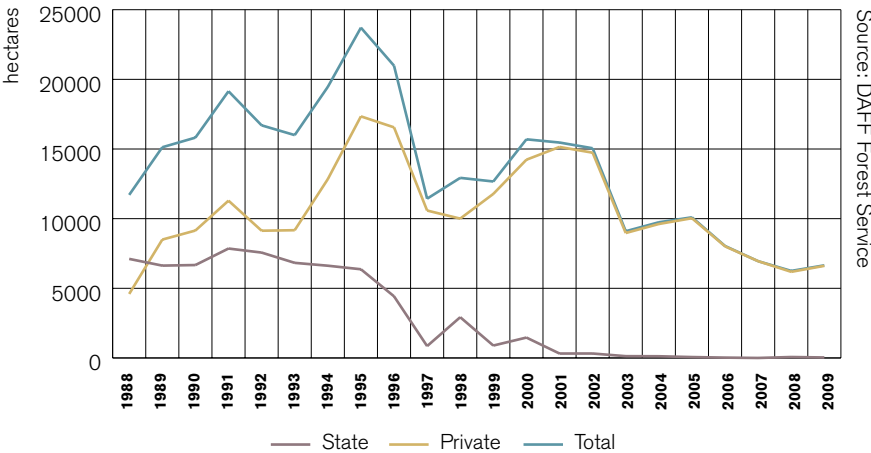
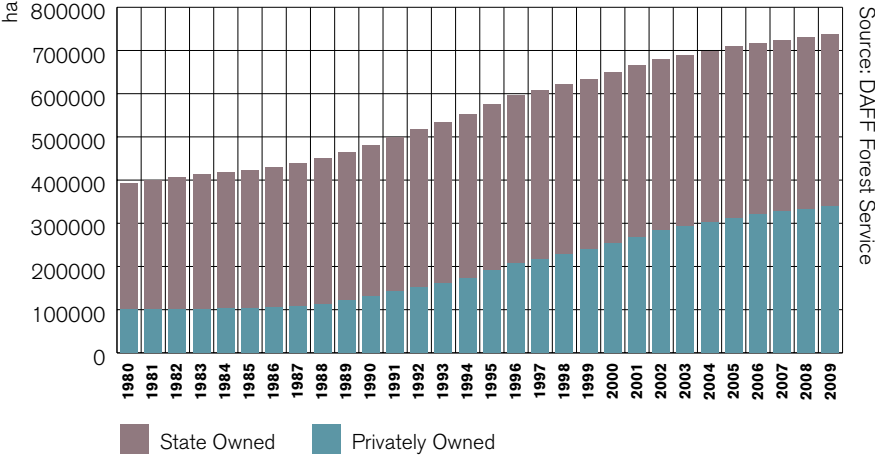


Figure 10.2

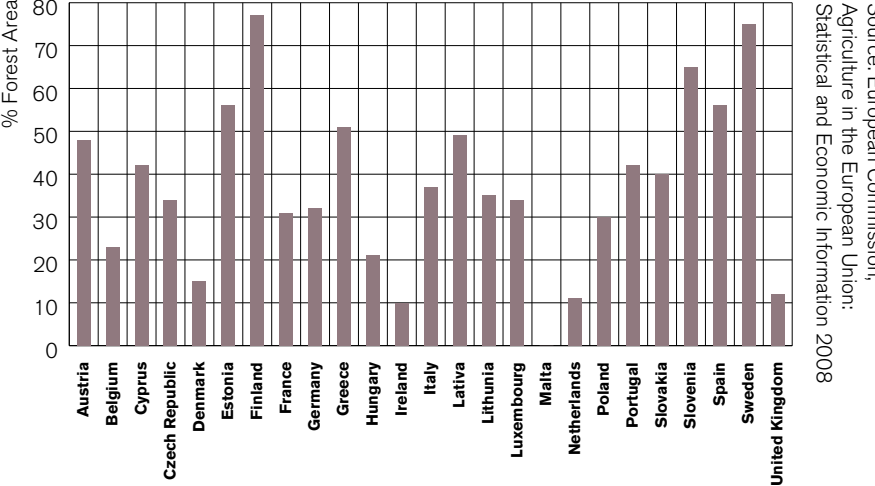
Total Forested Area and Amount Privately Owned, 1980-2008



Over 40% of total land area in the EU-25 is estimated to be woods/forest⁴⁰ while only 11% of land area in Ireland⁴¹ is afforested. Also, more afforested land is privately owned in Europe.

Figure 10.3

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



10.3 Irish Woodflow

Ireland has a well-developed timber-processing sector, which provides a market for the pulp, stake and sawlog harvested in Ireland each year. COFORD⁴² estimates that in 2008, roundwood production in the Republic of Ireland was 2,272,000 m³, of which approximately 64% was categorised as sawlog, 33% as pulpwood and 3% as stakewood. Coillte provides most of this harvest (90%) with the balance coming from an expanding private forest estate and some imports. COFORD also estimates that the private forestry sector has the capacity to increase its output ten-fold over the coming decade.⁴³

40 http://ec.europa.eu/agriculture/fore/index_en.htm

41 Forest Service, DAFF

42 COFORD Connects: "Woodflow for the Republic of Ireland for 2008" (2009)

43 COFORD "Roundwood Production From Private Sector Forests 2009-2028, A Geospatial Forecast" (2009)

In 2008, sawn timber products accounted for 1,455,000m³ of output which was primarily used by construction, pallet, fencing and other markets. Wood based panels amounted to a further 1,406,000m³ of output while stake production amounted to 56,000m³.⁴⁴

Table 10.1 Sources and Uses of Wood Fibre in the Republic of Ireland, 2008			
Fibre Source	'000m ³ OB	Uses of wood fibre	'000m ³ OB
Roundwood	2,272	Sawmilling sector	1,455
Sawmilling residues	758	WBP sector	1,406
Wood-based panel (WBP) residues	106	Round stakes	56
Post-consumer Recovered wood	208	Wood biomass use by the forest product sector	317
		Other uses	110
Total	3,344	Total	3,344

Source: COFORD Connects, Processing/Products No 20, COFORD 2009

COFORD estimate that in 2008 imports of forest products exceeded €789 million, mainly pulp and paper products (over 66%), with sawn timber and wood-based panels making up the remainder (Table 10.2). A reduction in construction output led to a significant reduction in sawn timber imports in 2008.

Table 10.2 Value and Volume of Irish Timber Imports and Exports, 2008					
	Unit of Measurement	Imports		Exports	
		Volume	Value €m	Volume	Value €m
Sawnwood	'000 m3	412	141	389	54
Wood based panels	'000 m3	264	108	614	195
Pulp products	'000 t	29	20	2	0
Paper and paperboard products	'000 t	526	520	77	69
Total			789		318

Source: CSO/COFORD, data taken from Ireland's EUROSTAT JFSQ return.

44 As above

10.4 Size, Structure and Output of Irish Wood Processing Sector

Table 10.3 show 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 persons involved in the processing of wood and manufacture of pulp and paper products etc, nearly 40% are 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 10.3 Size, Structure and Output of Wood Processing Sectors, 2008					
	No. of enterprises	Persons Engaged	Turnover per person employed	GVA per person employed	Earnings per persons 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 Ireland⁴⁵ 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 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.

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

The multipliers are not unlike the 2004 findings by Bacon and Associates⁴⁶, 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)⁴⁷. It is estimated that the carbon sequestered by Irish forests would be worth €44 million⁴⁸ annually for the first commitment period of 2008-2012 inclusive.

10.6 Forest Strategy and Financial Supports

The Forest Service continues to promote afforestation as a viable land use for farmers through the provision of planting grants and the payment of annual premiums. In 2009, over €102 million was spent on afforestation grants and premiums (Table 10.4), €22.1 million was spent on Afforestation 1st Instalment Grants, €8.7 million on Afforestation 2nd Instalment Grants and €70.5 million on Afforestation Premium payments. An additional €8.7 million was spent on other forestry support schemes for forestry and woodland development projects. A total of €119.745 million in funding has been allocated for the overall forestry programme in 2010, which should allow for the afforestation of 7,000 hectares.

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

47 As per above

48 On the assumption that the price of 1 tonne of CO₂ = €20.

Table 10.4 Annual Expenditure on Forestry Schemes, 2004-2009

Year	Total Expenditure €m	Total Afforestation Programme €m	1st Instalment €m	2nd Instalment €m	Afforestation Premiums €m	Forestry Support Schemes Structural €m
2004	102.0	89.9	25.2	10.7	54.1	12.0
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

Source: DAFF Forest Service

10.7 Wood Biomass

In 2008, COFORD undertook a review of the production and the use of wood biomass in Ireland. The output of the Irish renewable energy sector grew by 182% over the period 1990-2007, while the share of primary energy consumption, supplied by renewables increased from 2.7% in 2006 to 2.9% in 2007. The renewable energy resources which contributed to this are detailed below.

Renewable thermal energy is dominated by biomass, in particular the use of waste wood to produce thermal energy during the manufacture of wood-based panels (WBPs), in sawmilling and at wood processing plants. Thermal biomass energy is also produced using tallow from rendering plants. In 2007, the output of the Irish renewable primary energy grew by 12%. The estimated amount of CO₂ emissions avoided due to the use of renewable energy was 2.1 million tonnes in 2007.

Table 10.5 Contribution of Renewables to Total Primary Energy Requirement, 2007

Renewable energy type	Peta Joule (PJ)	%	%TPER
Wind	7.03	37.67	1.00
Biomass	7.16	38.35	1.10
Of which			
Wood	4.82	25.79	0.75
Tallow	2.34	12.56	0.35
Hydro	2.39	12.77	0.40
Other	2.09	11.21	0.40
Of which			
Landfill gas	1.00	5.38	
Biogas	0.42	2.24	
Liquid biofuel	0.63	3.36	
Solar	0.04	0.22	
Total	18.67	100.00	2.90

Source: COFORD Connects, Processing/Products No 20, COFORD 2009

Under the proposed EU renewable energy directive, Ireland target for 2020 is for renewable energy sources to provide 16% of final energy consumption.

10.8 Outlook for Forestry Sector

Housing is an important driver of timber sales and the contraction in the housing market since 2007 has adversely affects demand for timber and sawn timber imports. In 2008, many sawmills closed for short periods to better match sawn timber output with market demand for timber output down 28% as a result. An unfavourable euro/sterling exchange rate, together with the downturn in the UK construction sector are also making conditions difficult for the sector as a strengthening euro has made Irish timber exports less competitive in the UK, and has, of course, improved the competitiveness of UK producers in the Irish market.

Chapter 11

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 11,000⁴⁹ jobs in rural coastal regions, it is estimated that the industry contributed approximately €780 million to the national economy in 2008⁵⁰.

The fishing industry and associated seafood production is highly significant to the economic development of coastal regions. Almost 60% of the employment and added value created in the marine sector is located outside the most developed regions of the country. Although the fishing restrictions imposed under the reform of the Common Fisheries Policy will pose a challenge to the fishing industry, they will also help to ensure the survival of the fish stock and of the fishing industry in the future. The key challenge for the fishing industry will be to manage the transformation required in the fishing fleet to achieve a desirable balance between fleet capacity and the maintenance of economically and environmentally sustainable levels of sea-fishing. The key to the success of the industry as a whole will be the differentiation of Irish seafood products from international competition in an increasingly discerning market place, both at home and abroad.

Geographically the fisheries industry is predominantly concentrated on the western seaboard and the harbour towns of the south and east coastline areas. In terms of the fish catching sector, fish and shellfish are landed at the five major fishery harbour centres (Killybegs, Castletownbere, Howth, Rossaveal, and Dunmore East), at 40 secondary ports (each with landings exceeding €1 million) and a further 80 piers and landing places where fish

49 Based on BIM surveys, which include full and part time/casual employment in the fisheries, aquaculture, seafood processing and ancillary services sectors. This is not comparable to CSO QNHS data quoted elsewhere in this report

50 Latest year for which complete data is available. Includes seafood sales exports and landings at foreign ports

landings are recorded⁵¹. The main industry stakeholders are the primary production sectors of fish catching and aquaculture, the primary and secondary processing sectors, the marketing sectors and ancillary industries such as net making, vessel repair, transport, and a number of other services.

While consumer demand for seafood continues to be buoyant as illustrated by the growth in the sales value of Irish seafood from €617 million in 2000 to €730 million in 2008, the supply of wild fish is facing difficulties mainly due to a decline in fish stocks. This situation is being addressed through the introduction of recovery plans where required and strengthened conservation measures. In addition a substantial scheme to permanently remove larger fishing vessels from the fleet was carried out in 2008 and 2009. This resulted in the removal of 46 vessels, with a total of 6,913 GT (Gross Tonnage) and 19,356 kW (Kilowatts) being removed from the register. Significant potential exists for the growth in aquaculture production to deliver job creation and economic growth in coastal communities.

Drawing on the recommendations of the Seafood Strategy Review Group, the vision for the Irish seafood industry by 2013 is one where all sectors can be described as a “competitive, profitable, market focused industry, capable of sustainable economic growth and recognised as making the maximum economic contribution to coastal rural communities and to Ireland as a whole.”

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 are within the polyvalent segment, which comprised 1,824 vessels in 2009. A breakdown of the fleet by type of vessel is outlined in figure Table 11.1 as well as Figure 11.1

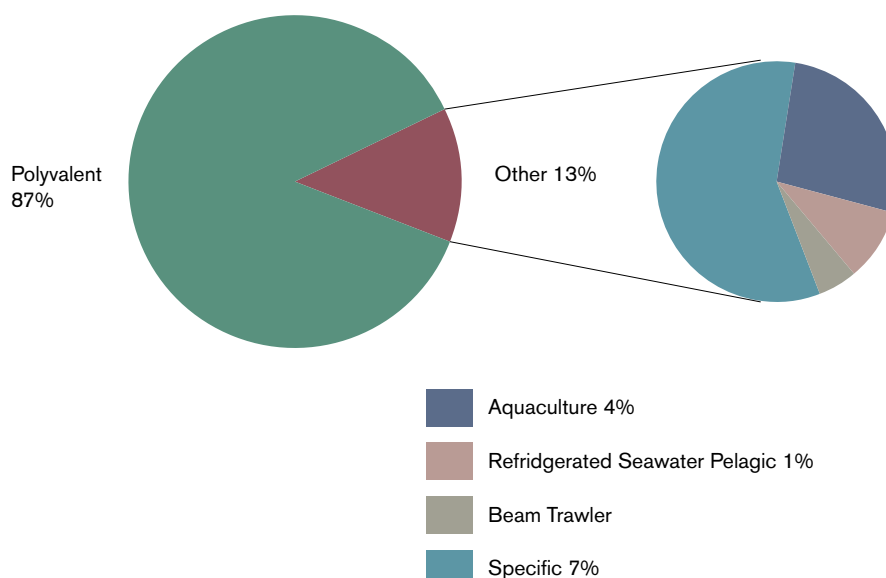
51 National Seafood Strategy Report “Cawley Report”, January 2007

Table 11.1 Overview of the Irish Fishing Fleet, 2009

Fleet Segment	Number of Vessels	Gross Tonnage (GT)	Kilowatts (kW)
Aquaculture	79	4,696	12,274
Specific	157	3,186	14,992
Polyvalent	1,824	32,957	122,701
Beam Trawl	13	991	2,732
RSW Pelagic	22	26,714	40,197
Total	2,095	68,544	192,896

Figure 11.1

Breakdown of Irish Fleet by Type of Vessel, 2009



11.3 Primary Production from Fisheries

Landings

Data on 2008 landings by broad species type⁵² is outlined in Table 11.2. The volume and value of fish landed by Irish vessels in home ports for 2008 amounted to almost 150,000 tonnes worth approximately €165 million.

⁵² Main species grouping and most important species contributing to landings

Pelagic: Mackerel, Horse mackerel, Herring, Sprat, Sardines

Demersal: Cod, Saithe, Haddock, Whiting, Hake, Megrim, Monkfish, Ling

Shellfish: *Nephrops*, Scallops, Mussels, Crabs, Lobsters, Squid, Cuttlefish

Table 11.2 2008 Fish Landings

	Weight 000 Tonnes	Value €m
Irish Ports Total	149,212	164.4
of which		
Demersal	40,951	47.4
Pelagic	138,377	41.9
Shellfish	22,604	75.0
Irish Vessels @ Foreign Ports Total	52,718	N/a
Total Landings by Irish Vessels	201,932	N/a

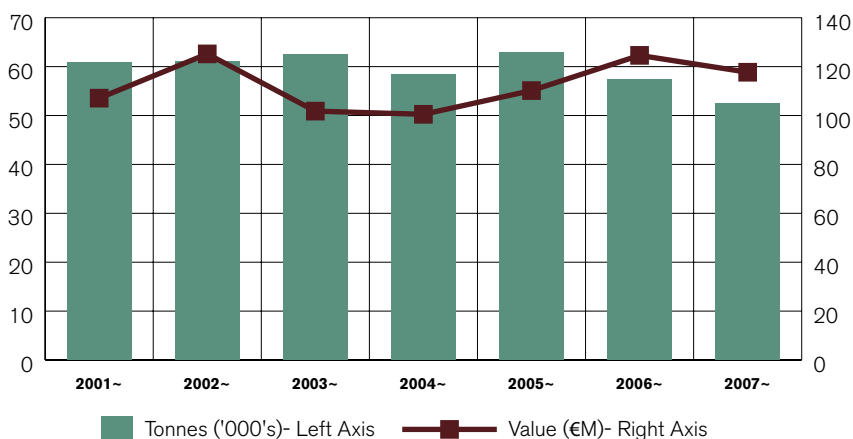
Source DAFF Preliminary Estimates

Aquaculture

Aquaculture activities are located right around the coast with particular concentration in Donegal, Connemara, West Cork, Waterford, Wexford and Carlingford Lough. The sector includes the farming of finfish species such as salmon and trout, artic-char and perch. Shellfish species such as mussels and oysters are also farmed extensively. Aquaculture derived seafood products have the potential to fill the gap between supply and demand for fish produce, given that output from traditional capture fishery is constrained by terms and conditions and quotas at EU and international level. In 2007, the aquaculture sector accounted for approximately 20% of the volume of total primary production of fish and shellfish. The volume and value of output from the sector reached 52,504 tonnes and €118 million in 2007, representing a 5.5% decline on the value in 2006. Of this amount shellfish production was valued at €59 million while finfish production was €58 million. Aquaculture production in terms of value and volume between 2001 and 2007 is outlined in Figure 11.2

Figure 11.2

Aquaculture Production - Value and Volume, 2000-2007



11.4 Seafood Market and Processing Sector

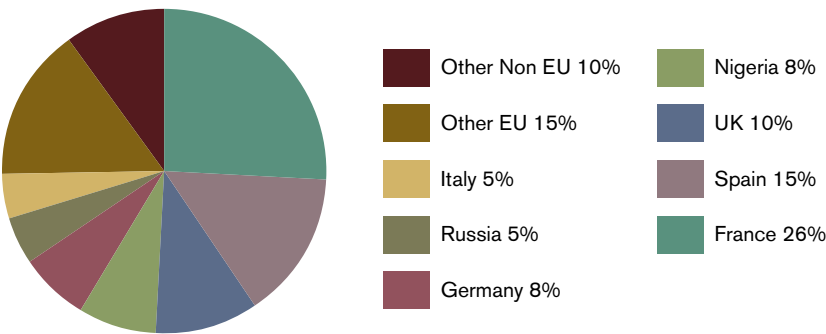
In 2008 the seafood sector put in a credible performance although trading conditions were difficult in all principal markets. Total seafood sales both on domestic and export markets, excluding direct landings for Irish vessels into foreign ports, amounted to €731 million, a decline of 3.5% on the 2007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

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

Exports

CSO data show that export sales in 2009, at an estimated €314 million performed reasonably well although the value was down 6.2% on the 2008 level. This was still reasonably strong in the face of increasing competition in our main markets coupled with a shift in consumer purchasing away from high premium seafood products towards those of lower value. The main markets were France, Spain, UK, Italy and Germany. Export destinations for Irish fish are outlined in Figure 11.3.

Figure 11.3
Main Export Destinations for Irish Fisheries, 2009



The Seafood Processing Sector

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

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

The seafood industry supports the economic viability of many coastal communities, directly generating or supporting approximately 11,097 jobs⁵³. This includes full and part time/casual employment in the fisheries, aquaculture, seafood processing and ancillary services sectors. Table 11.3 gives a breakdown of the most recent BIM survey data available.

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

11.5 Employment in the Fisheries Sector

Table 11.3 Employment in Fisheries Sector, 2005/06					
	Full time	Part time/ Casual	Total	Male	Female
Fisheries	3,924	1,063	4,987	4985	2
Aquaculture	782	1,276	2,058	1828	203
Processing	2,205	662	2,867	1577	1290
Ancillary	1,185		1,185	1185	
TOTAL	11,097		11,097	8390 (85%)	1495 (15%)

Source: BIM Survey Data

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

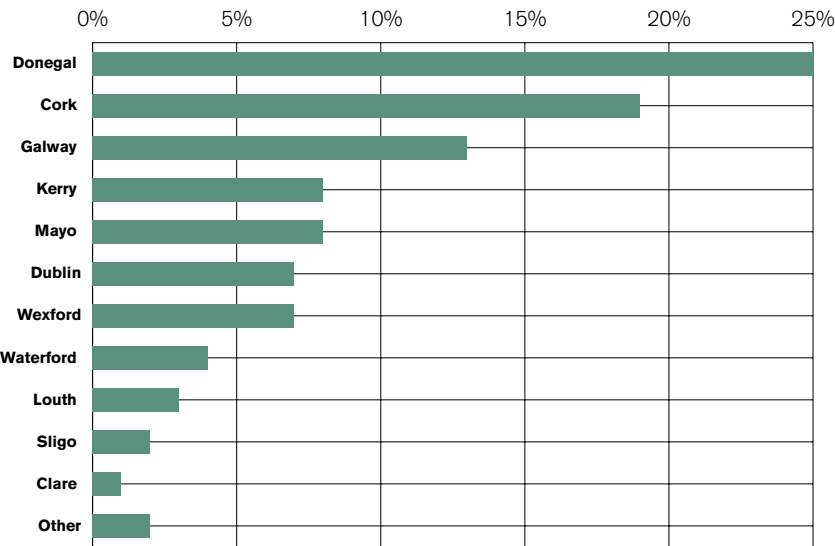


Figure 11.4

Distribution of Fishery Sector Employment 2006, (Full & Part-time)

11.6 Key Policy Developments

Implementation of ‘Cawley’ Seafood Development Strategy 2007-2013

The ‘Cawley’ Seafood Development Strategy set out in the “Steering a New Course” report requires a wide range of recommendations to be implemented in order to deliver the strategy. The strategy outlines a large number of initiatives and recommendations across the Seafood and Coastal Zone Management areas which are intended to assist the sustainable development and economic expansion of the fisheries and aquaculture sectors. The Government endorsed the main recommendations of the plan which envisaged substantial State aid support for the strategy. A significant element of the plan has been delivered with the decommissioning (permanent scrapping) of 46 fishing vessels from the whitefish fleet at a cost of €36 million (75% EU and 25% national).

The Seafood Strategy Implementation Group, under the Chairmanship of Mr. Noel Cawley represents a wide section of the sector and Government Agencies and has been charged with overseeing the implementation of the strategy. The Group meets 2 to 3 times a year.

Implementation of the National Seafood Development Operational Programme 2007-2013.

Ireland's National Development Plan 2007-2013 provides for substantial combined EU and national funding support for development of the seafood sector. This funding support will give effect to the strategic vision which is set out in the Report of the Seafood Strategy Review Group 'Steering A New Course' which has informed the National Seafood Strategy.

To realise this vision and to enable the seafood industry to restructure and innovate, two National Operational Programmes for 2007 – 2013 were compiled. The Co-funded OP which was approved by the EU Commission in September 2008 allows for funding on decommissioning, Environmental Management schemes and formation of Local Action Groups. The National programme will be delivered by BIM through a number of measures and schemes which are geared to help the industry advance towards the vision and meet the targets set out in the strategy.

The National Operational Programme has not been approved to date arising from concerns about environmental compliance and Sea Lice.

Common Fisheries Policy Review

The Common Fisheries Policy (CFP) of the European Union was first put in place in 1983 and has been subject to reviews every 10 years. The most recent was in 2002, and the next is formally scheduled for 2012. On 21 April 2009, the European Commission published a Green Paper on the latest reform of the CFP in order to launch a consultation with Member States and stakeholders and to initiate a broad public debate on the future CFP reform.

In order to ensure a wide ranging review, then Minister of Fisheries and Forestry, Tony Killeen, T.D. established a steering group, under the chairmanship of Dr. Noel Cawley, to oversee the consultation process with Irish stakeholders. This process involved a series of meetings around the country that were attended by both the Minister and Dr Cawley and also a public call for submissions. This process is now complete and was the basis for Ireland's submission which was forwarded to the Commission in February 2010

The submission sets down a number of informed recommendations to be incorporated into the new Common Fisheries Policy.

The proposed changes cover

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;
- » Access to coastal waters to be re-examined with a view to an extension of the coastal limit to 20 miles with new management arrangements in place to strengthen coastal communities dependant on inshore coastal fisheries;
- » 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.
- » New regional structure to decision making at EU level with increasing industry responsibility and the development of a culture of compliance.

Implementation of the “Sea Change” Marine Research Programme 2007-2013

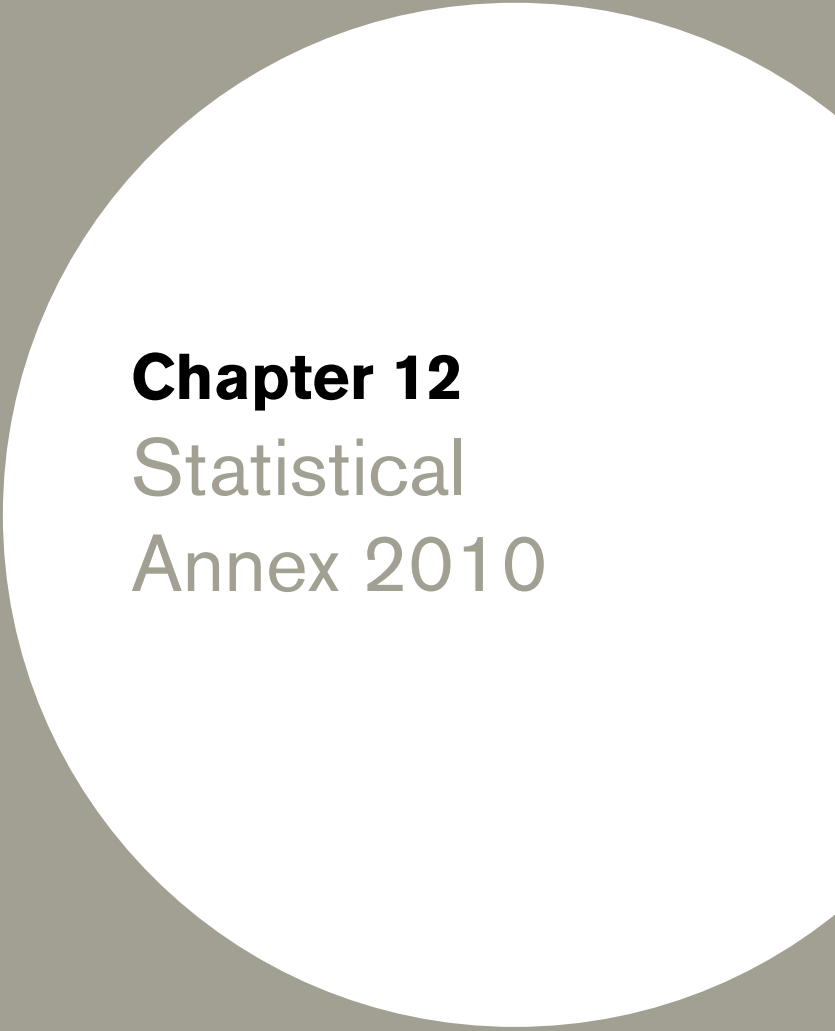
Sea Change – A Marine Knowledge, Research and Innovation Strategy for Ireland 2007-2013, presents a national agenda, comprising science, research, innovation and management, aimed at a complete transformation of the Irish maritime economy.

This major programme is being progressed under the auspices of the Marine Institute and has been funded under the NDP. It is intended to promote and develop sustainable marine economic activity in the Irish Marine 200 mile area.

Specifically it seeks to:

Strengthen the competitiveness and environmental sustainability of the marine sector by developing a much greater alignment between public sector & third-level research capacity and industry needs;

- » Build new multidisciplinary research capacity and capability in fundamental technologies that can be applied to marine-related activities, leading to the acquisition of new technical skills, the flow of personnel between the research community and industry and the creation of new commercial opportunities and applications;
- » Deliver a comprehensive planned policy research programme which will apply the knowledge gained from research and monitoring to inform public policy, governance and regulation.



Chapter 12

Statistical Annex 2010

Table 12.1 Output, Input and Income in Agriculture, 2008-2009

	2008	2009	% Change 2009/2008	
	€m	€m	Value	Volume
Livestock (incl stock changes)	2,541.0	2,250.4	-11.4%	-3.2%
<i>of which</i>				
Cattle	1,668.0	1,485.3	-11.0%	-1.4%
Pigs	333.8	299.9	-10.2%	-2.2%
Sheep	171.4	161.2	-6.0%	-9.9%
Livestock Products	1,677.5	1,142.4	-31.9%	-3.1%
<i>of which</i>				
Milk	1,629.7	1,100.8	-32.5%	-3.2%
Crops (incl. stock changes)	1,608.2	1,340.4	-16.7%	-6.7%
<i>of which</i>				
Cereals	200.0	94.5	-52.8%	-34.2%
Forage Plants	1,008.1	857.5	-14.9%	-2.0%
Goods Output at Producer Prices	5,826.6	4,733.2	-18.8%	-4.0%
Contract Work	281.0	269.2	-4.2%	-8.2%
Subsidies less Taxes on Products	6.2	15.1	143.5%	
Agricultural Output at Basic Prices	6,113.8	5,017.5	-17.9%	-4.0%
Intermediate consumption	4,493.9	4,065.8	-9.5%	-3.6%
<i>of which</i>				
Feedingstuffs	1,201.3	1,069.4	-11.0%	-1.6%
Fertilisers	507.1	416.0	-18.0%	-10.6%
Energy and Lubricants	344.5	300.5	-12.8%	-0.7%
Forage Plants	990.8	843.6	-14.9%	-1.9%
Contract Work	281.0	269.2	-4.2%	-8.2%
FISIM (Note 1)	90.0	93.0	3.3%	6.2%
Gross Value Added at Basic Prices	1,619.9	951.6	-41.3%	
Fixed Capital Consumption	763.0	756.1	-0.9%	
Net Value Added at Basic Prices	857.0	195.5	-77.2%	
Other Subsidies less Taxes on Production	1,904.4	1,846.3	-3.1%	
Factor Income	2,761.4	2,041.9	-26.1%	
Compensation of Employees	436.3	427.2	-2.1%	
Operating Surplus (Note 2)	2,325.1	1,614.7	-30.6%	

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:- 2007, €68.8m ; 2008, €45.3m; 2009, €28.0m; Land rental:- 2007, €49.1m; 2008, €53.0m; 2009, €53.0m.

Source: CSO Output, Input and Income in Agriculture (Preliminary Estimate), February 2010

Table 12.2 Estimated Direct Payments to Farmers (National and EU), 2008-2009

Schemes	2008	2009 ¹	% change 2009/2008
	€m	€m	
Single Payment Scheme	1299.921	1300.028	0.0%
Area-Based Compensatory Allowance Scheme	255.824	223.701	-12.6%
Upland Sheep Scheme	-	4.703	n/a
Premia Schemes	0.520	0.520	0.0%
Payments to Sugar Beet Growers 2	62.782	0.528	-99.2%
Arable Aid	-0.002	0.005	n/a
Suckler Cow Scheme	31.758	29.542	-7.0%
Disease Eradication Schemes			
Bovine Tuberculosis Eradication Scheme	26.829	18.345	-31.6%
Brucellosis Eradication Scheme	0.279	0.171	-38.7%
BSE Scheme (slaughter of herds)	0.298	0.209	-29.9%
Scrapie Eradication Programme	0.501	0.213	-57.5%
Forestry Premium			
Forestry Premium Scheme (1990 Scheme)	0.358	0.250	-30.2%
Forestry Premium (Accompanying Measures)	68.916	66.881	-3.0%
Rural Environment Protection Scheme	309.758	338.397	9.2%
Installation Aid for Young Farmers	9.420	7.707	-18.2%
Production Aids - Dried Fodder	0.100	0.074	-26.0%
Total (excluding Forestry Premia)	1997.988	1924.143	-3.7%
Total	2067.262	1991.274	-3.7%

1 Estimates

2 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, 2008-2009

	2008	2009
	€m	€m
Beef & Veal	3.14	3.70
Dairy Products	-2.85	19.90
Arable Crops	0.30	24.86
Sheepmeat	0.06	4.78
Sugar	0.33	3.30
Sugar Restructuring	149.26	0.53
Fruit & Vegetables	3.61	4.95
Pigmeat	2.44	15.62
Poultry & Eggs	0.00	0.00
Processed Products	7.09	14.07
CAP Rural Development Plan 2000-2006 [1]	-0.05	-0.04
Single Farm Payment	1,299.30	1,274.11
Clearance of Accounts	-1.55	-3.56
Other	-3.74	3.12
Total	1,457.34	1,365.34

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

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

The EAGF Guarantee Fund finances direct payments and market supports.

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

Expenditure in 2007 under the new Rural Development programme 2007-2013 is not shown in this table. DAFF received €23.77 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 EAGGF/FEOGA Guidance Receipts, 2008-2009

	2008	2009
	€m	€m
2000-2006 Programme period		
NPD S&E/BMW Regional OP's (Note a)	1.054	-
LEADER Plus (Note b)	7.989	0.740
Peace and Reconciliation Initiative (Note c)		-
Total Guidance	9.043	0.740

Notes

a. Includes Department of Community Rural and Gaeltacht Affairs (DCRGA) Receipts €0.00

b. All Department of Community Rural and Gaeltacht Affairs (DCRGA) receipts

c. Department Environment, Health and Local Government (DEHLG) €1.864 (€0.589 in 2006)

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

Source: Department of Agriculture, Fisheries and Food

Table 12.5 Total EU Receipts on EAGF Guarantee, EAFRD Rural Development, EAGGF Guidance and Veterinary Funds, 2008-2009

	2008	2009
	€m	€m
Guarantee EAGGF /EAGF	1,457.34	1,365.34
Rural Development - EAFRD 2007-2013	355.01	329.17
EAGGF Guidance 2000-2006 Programme	3.11	0.74
Veterinary Fund	8.11	6.42
Fisheries - FIFG - EFF, EAGF	12.03	3.14
Total	1,823.57	1,704.81

Guarantee figures are amounts received from the EU, which are received in arrears of expenditure and therefore do not directly relate to expenditure in the year. The EU has introduced new arrangements for financing Agriculture and Rural Development in the period 2007-2013. The European Agricultural Guidance and Guarantee Fund (FEOGA/EAGGF) has been replaced by two separate funds - the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development (EAFRD). The new European Agricultural Guarantee Fund is continuing to finance direct payments to farmers and market supports. The new European Agricultural Fund for Rural Development (EAFRD) is financing Rural Development schemes heretofore funded under the Guarantee Section of the EAGGF (REPS, ERS, and LFA's), along with schemes formerly funded by the Guidance fund (On Farm In). The EAFRD Rural Development receipts in 2009 includes receipts for the Department of Agriculture, Fisheries and Food (€23.77m) and the Department of Community, Rural and Gaeltacht Affairs (€5.4m). The Guidance Fund is financing remaining expenditure up to final closure on Programmes under the programme period 2000-2006. The 2008 and 2009 Guidance figures include receipts for Department of Agriculture, Fisheries and Food; the Department of Community, Rural and Gaeltacht Affairs, and Department of Environment, Health and Local Government.

Source: Department of Agriculture, Fisheries and Food

Table 12.6 Vote-Expenditure on Agriculture, Fisheries and Food, 2009

Administration	276.823
Salaries Wages and Allowances	226.126
Travel and Subsistence	9.752
Incidental Expenses	5.719
Postal and Telecommunications	5.822
Office Machinery	14.694
Office Premises Expenses	7.800
Consultancy Services	0.072
Supplementary Measures to protect the Financial Interests of the EU	0.667
Laboratory Equipment	5.861
Information Society	0.310
Other Services, Education, Training and Research	182.948
Research and Testing	35.476
Teagasc Grant in Aid	119.927
Marine Insititute Grant in Aid	27.545

Table 12.6 Vote-Expenditure on Agriculture, Fisheries and Food, 2009 (continued)

Food Safety, Public Health, Animal Health & Welfare etc	236.897
Bovine Tuberculosis and Brucellosis Eradication	51.926
BSE	6.178
Meat Inspection	21.719
Fallen Animals	16.993
Animal Welfare	1.251
Integrated animal movement and monitoring system (including National Beef Assurance Scheme)	9.237
Pork & Bovine Dioxin	83.188
Suckler Cow Welfare	34.162
Other	12.243
Market Supports Operational Controls	18.439
Financing of the Common Agricultural Policy	4.254
Clearance of Accounts	6.098
Integrated Administration & Control System	4.302
School Milk Scheme	0.899
Other	2.886
Income Support in Disadvantaged Areas	223.807
Rural Environment Protection Scheme	341.123
Land Mobility	47.248
Early Retirement Scheme	39.541
Young Farmers Installation and Schemes	7.707
Development of Agriculture	371.763
Farm Improvement Scheme	27.076
Farm Waste Management Scheme	292.764
Marketing & Processing Scheme	37.982
Dairy Hygiene Scheme	3.539
Horticulture, Potatoes, Alternative & Organic Farming	5.632
Livestock and Equine Breeding Schemes	3.069
Animal Welfare	1.646
Other	0.055
Forestry & Bio Fuels	119.080

Table 12.6 Vote-Expenditure on Agriculture, Fisheries and Food, 2009 (continued)

Fisheries Sector *	67.176
Fisheries Harbours Development	15.014
Fish Processing & Aquaculture Development	6.036
Other	0.000
Bord Iascaigh Mhara	34.933
Sea Fisheries Protection Authority	10.853
Aquaculture Licences Appeals Bord	0.340
Bord Bia Grant in Aid	28.221
Food Aid Donations	9.960
Other Expenditure	14.356
Food & Horticultural Promotion, Quality Assurance	6.231
Miscellaneous Pensions	2.536
International Co operation	2.618
Legal and related costs	0.865
Other	2.106
Total Gross Expenditure	1937.841
Appropriations in Aid	-408.140
Recoupment of Salaries	-0.997
Forfeited deposits and securities under EC intervention, export refunds etc. arrangements	-0.793
Refunds from fees for veterinary inspections services at poultry plants and meat inspection fees	-13.968
Receipts from veterinary inspection fees for live exports	-1.626
Receipts from fees for dairy premises inspection services	-4.732
Receipts from sale of vaccines, livestock, farm produce etc	-1.075
Receipts from seed testing fees, certification fees, Licensing fees, pesticides registration etc.	-1.702
Receipts from licences and from sale and leasing of livestock etc. (Subhead C1)	-0.003
Receipts from farmer contributions towards the cost of eradicating Bovine Disease (Subhead C2)	-5.243
Land Commission receipts (Subhead A3)	-0.546
Other Receipts	-0.328

Table 12.6 Vote-Expenditure on Agriculture, Fisheries and Food, 2009 (continued)

EU Co Funding transfers	
Market Intervention expenses and financing costs for other FEOGA (Guarantee) section measures (Subhead D)	-3.011
Receipts for Intervention Stock Losses	-1.947
National Development Plan - Guarantee Receipts (Subhead E, F, G, I)	-323.771
BSE Receipts (Subhead C)	-4.695
Veterinary Fund (Subhead C)	-1.729
Other Guarantee Receipts	-18.801
NDP - Structural Receipts	0.000
Fisheries related receipts	
Fines, Forfeitures for fishery offences	-0.160
Foreshore Acts / State Property Act	-1.666
EU receoupment for fisheries conservation etc	-0.617
Aquaculture Licence Fees	-0.285
EU co funindg for aquaculture development	-0.679
EU cop funindg for fisheries development	-1.847
Pension Levy	-17.919
Net Expenditure	1,529.701

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

Table 12.7 Milk Quota Structure at 1 April 2009 (Provisional Estimate)

1	2	3	4	5	6	7	8
Category	Total Number of Producers currently in Milk Production	Total Quota of Producers in milk Production in Column 2	Quantity of quota in Column 3 Leased in with Land	Total No of Persons who hold a Milk Quota but are not involved in Milk Production	Total Quota of Persons in Column 5	Total No. of persons no longer involved in milk production who have leased all of their quota with land	Total Quota of Persons in Column 7
(LITRES)		(LITRES)	(LITRES)		(LITRES)		(LITRES)
Less than 50,000	588	18,383,397	283,912	495	9,818,734	233	6,490,273
Percentage of Total	3%	0%	0%	39%	9%	31%	7%
50,001 to 100,000	1,617	125,186,077	699,143	292	19,271,538	195	13,854,543
Percentage of Total	9%	2%	1%	23%	17%	26%	15%
100,001 to 150,000	2,248	282,629,490	2,130,734	194	21,762,166	109	13,205,906
Percentage of Total	12%	5%	2%	15%	19%	15%	15%
150,001 to 200,000	2,737	480,839,307	3,192,349	116	16,375,170	88	15,210,405
Percentage of Total	14%	9%	4%	9%	15%	12%	17%
200,001 to 250,000	2,869	645,044,101	5,844,969	55	10,177,698	36	7,909,389
Percentage of Total	15%	12%	7%	4%	9%	5%	9%
250,001 to 300,000	2,434	669,144,546	7,935,596	38	8,569,427	31	7,960,985
Percentage of Total	13%	13%	9%	3%	8%	4%	9%
300,001 to 350,000	1,842	597,078,083	5,938,918	22	5,866,899	16	5,121,752
Percentage of Total	10%	11%	7%	2%	5%	2%	6%
350,001 to 400,000	1,421	529,213,455	9,690,933	24	7,068,686	15	5,583,926
Percentage of Total	8%	10%	11%	2%	6%	2%	6%
400,001 to 450,000	852	360,821,669	8,450,549	6	1,692,870	5	2,104,696
Percentage of Total	5%	7%	9%	0%	2%	1%	2%
Over 450,000	2,322	1,488,672,076	44,886,112	22	11,313,053	18	12,058,419
Percentage of Total	12%	29%	50%	2%	10%	2%	13%
Totals	18,930	5,197,012,201	89,053,215	1,264	111,916,241	746	89,500,294

Table 12.8 Distribution of all DAFF Payments to Farmers¹ by County, 2009

County	Total value (€m)	Total Receipients	Average Payment (€)
Carlow	44.9	2040	€22,029.18
Cavan	84.2	5250	€16,045.53
Clare	107.1	6858	€15,610.57
Cork	283.5	14374	€19,724.71
Donegal	128.5	8983	€14,309.79
Dublin	17.0	1050	€16,216.43
Galway	177.5	13429	€13,220.46
Kerry	136.2	8609	€15,823.94
Kildare	47.6	2478	€19,210.38
Kilkenny	91.0	3695	€24,630.32
Laois	58.5	2919	€20,040.43
Leitrim	56.5	4047	€13,950.00
Limerick	94.7	5818	€16,275.73
Longford	42.3	2738	€15,432.55
Louth	32.2	1669	€19,320.53
Mayo	142.2	12403	€11,466.48
Meath	75.9	3856	€19,688.05
Monaghan	71.0	4270	€16,635.64
Offaly	59.9	3091	€19,388.09
Roscommon	82.8	5995	€13,811.40
Sligo	57.2	4529	€12,629.61
Tipperary	171.3	7824	€21,894.56
Waterford	61.2	2700	€22,682.61
Westmeath	64.8	3577	€18,115.47
Wexford	97.3	4539	€21,438.30
Wicklow	45.4	2290	€19,844.21
Totals	2,331.0	139,031	€16,766.40

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

Table 12.9 Annual Rates of Price Increase in Selected Food Products, 2007-2009

	Average Annual Rate		
	2007	2008	2009
Overall CPI	4.9%	4.1%	-4.5%
Food & Non Alcoholic Drink	2.8%	6.5%	-3.5%
Food	2.9%	6.7%	-3.5%
Beef	4.8%	8.1%	-2.5%
Bacon	0.0%	-0.2%	-3.0%
Lamb	2.9%	9.2%	-3.2%
Pork	-0.5%	-1.8%	-0.8%
Poultry	1.8%	4.7%	-7.8%
Fish (Fresh & Frozen)	4.2%	2.5%	-3.2%
Bread & Cereals	3.7%	10.0%	-3.4%
Milk	7.4%	23.5%	-1.9%
Milk Products	4.8%	12.0%	-4.5%
Cheese	1.6%	9.0%	-2.4%
Eggs	6.4%	10.4%	-1.2%
Butter	2.8%	12.1%	-1.5%
Sugar & Sweeteners	-0.4%	0.3%	-2.7%
Potatoes	2.0%	-7.8%	-6.4%
Fresh Vegetables	7.5%	1.1%	-5.0%
Fresh Fruit	4.8%	0.4%	-6.1%
Other Fruits	1.2%	6.5%	-1.0%
Misc. Food Items	-0.7%	2.6%	-2.7%
Non-Alcoholic Beverages	1.5%	4.5%	-3.9%

Source: CSO CPI

Table 12.10 Personal Consumption Expenditure (PCE) at Current Prices, 2007-2008

	2007		2008	
	€m	% of Total PCE	€m	% of Total PCE
Total Personal Consumption Expenditure	91,948	100.0%	93,863	100.0%
Food and Drinks (Not incl meals out)	15,168	16.5%	15,555	16.6%
<i>Of Which</i>				
Food	7,308	7.9%	7,894	8.4%
Drinks	7,860	8.5%	7,661	8.2%

	2007		2008	
	€m	% of Total Food	€m	% of Total Food
Total Food (incl meals out)	8,528	100.0%	9,038	100.0%
<i>Of Which</i>				
Meat	2,096	24.6%	2,289	25.3%
Bread & Cereals	1,446	17.0%	1,583	17.5%
Fruit & Vegetables	1,190	14.0%	1,249	13.8%
Milk, Cheese and Eggs	860	10.1%	988	10.9%
Other Foods & Preservatives	763	8.9%	804	8.9%
Potatoes	344	4.0%	327	3.6%
Fish	255	3.0%	268	3.0%
Oils & Fats	183	2.2%	211	2.3%
Coffee, Tea & Cocoa	135	1.6%	137	1.5%
Sugar	36	0.4%	37	0.4%
Meals Out	2,201	25.8%	2,208	24.4%

Source: CSO



Head Office: Agriculture House, Kildare St. Dublin 2.

Lo-call: 1890 200 510

Tel: 01 607 2000