

Annual
Review & Outlook
for Agriculture,
Food and the
Marine
2012/2013



Department of
**Agriculture,
Food and the Marine**
An Roinn
**Talmhaíochta,
Bia agus Mara**

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Foreword

Following two very good years, the agri-food sector had a challenging time in 2012. Severe weather conditions in many areas led to increased costs and lost harvests, meaning family farm incomes decreased for the first time in three years. The very cold weather this spring has caused further problems and grass growth is poor in many areas. Nonetheless, there is no doubt that the medium-term outlook for the agri-food sector is very positive and so we must ensure that short-term difficulties, caused mainly by irregular weather conditions, do not block progress towards our long-term goals.

Irish food and drinks firms export to some 170 markets worldwide and, with these exports growing faster than many other sectors in recent years, in 2012 reached more than €9bn. I am delighted that my visit to China has been followed by strong growth in Irish exports to that country. In fact, the value of Irish agri-food exports outside Europe overall grew strongly - For example, I am pleased that agri-food exports to Africa are now over €500m and that in recent months almost 3,000 live cattle were shipped to Libya, with talk of another large shipment being prepared. The fact that these impressive figures come at a time of very difficult economic circumstances worldwide is a tribute to whole sector and a sign of its continued vitality.

Overall, the sector remains one of Ireland's most important indigenous industries, accounting for 7.7% of gross value added at factor cost and 8% of employment. Furthermore, the agri-food sector sources 74% of raw materials and services from Irish suppliers, compared to 40% for all manufacturing concerns and the low import dependence and the low level of profit repatriation in the industry means that the net inflow of funds to the Irish economy from these exports is much higher than that from other sectors. So, every €100 from the exports from the bio-sector (agriculture, forestry, fisheries, food & drink industries) contributes around €52 to GNP while the 'non bio-sector' equivalent contributes around €19.

These impressive statistics show how the agri-food sector is playing an important part in Ireland's economic recovery, however, I am still very conscious of the challenges that lie ahead. Farm input prices remain high and are still rising in some sectors. New markets are being reached but the increased openness of EU markets to global competition must also be faced. Ireland must prepare for increased volatility, particularly in dairy prices - While current prices are very good, they are now much more dependent on global economic factors than in the past.

In my role as president of the EU Council of Agriculture Ministers, I have brokered an agreement on CAP reform among the Ministers for Agriculture of the 27 Member States. This agreement includes allowing Member States a good deal of flexibility on the degree to which farm payments should move towards the national average rate per hectare, as well as revisions to the Commission's 'greening' proposals to make them more practical to operate in a real farming situation. This agreement was a major step forward but a great deal of negotiation remains to be done between the Council, the European Parliament and the Commission before CAP reform is finally agreed.

Ireland's vision for the agri-food sector is encapsulated in the Food Harvest 2020 report, which proposes a strategy of Smart, Green, Growth that will map the future direction of the agri-food sector up to 2020. The targets agreed by the industry are challenging and it is a tribute to the hard work and global vision of the sector that such ambitious goals have been agreed. I have ensured that the targets are being monitored, and progress can be tracked through the 'Milestones for Success 2012' report published last year. I have been very impressed with progress to date but I am conscious that it is only the beginning of the journey and I am determined to build on this good start.

The Annual Review and Outlook for Agriculture, Food and the Marine for 2012/2013 provides a reference for all those who are interested in monitoring the performance of the agri-food sector. It provides an analysis of the structure and performance of the sector and it quantifies the benefits EU membership has had in terms of budget and trade. It also provides a view of likely trends in the sector over the coming months. I expect the agri-food sector to play an integral part in the recovery of our economy and the continued viability of our rural and coastal areas.

Simon Coveney T.D.

Minister for Agriculture, Food and the Marine

Chapter One:

The Agri-Food Sector in the National Economy

Chapter 1 The Agri-Food Sector in the National Economy

1.1 The National Economy

Review of the Economy in 2012

The Irish economy grew slightly again in 2012 continuing the slow recovery that began in 2011 following a series of deficit years. Economic activity has been unsteady but there has been a level of economic stability over the past 24 months. Unemployment has been relatively static since 2011, although it was still very high at 14.7% for 2012. The number of people employed has declined in the last number of years, mainly due to the fall-off in the construction sector. However, some sectors, such as ICT, have done well throughout the period. Preliminary data from the CSO indicates that the full-year growth in GDP was 0.9%. The Department of Finance estimates GDP for 2012 at 0.9% and GNP at 1.4%¹ - GNP growth was projected to be stronger than GDP growth, taking into account the large reduction in net factor outflows recorded in the second quarter. While the domestic economy remained stagnant, exports of goods and services grew by 5% in the year, which was double the world trade growth, and shows a return to competitive strength in some sectors of Irish industry. The growth was mainly in the services sector however. Pharmaceuticals and chemicals showed no growth, but medical devices grew at 6%. Some growth (2%) was also seen in the agri-food sector, thus consolidating the strong performance of the previous two years. Agri-food also recorded very encouraging results for third countries, with sales to China increasing by over 35% and sales to Africa now over €500m per annum. Finally, figures for 2012 suggest that house prices have finally begun to stabilise, with some increases being shown in Dublin.

The economic and financial difficulties associated with the global downturn continued with persisting economic stress in some European countries. Following a decline in the value of the euro throughout most of 2012 a new deal by Finance ministers in the summer appears to have stabilised currency markets. In Ireland, the consolidation of the public finances continued and this will extend into 2013. A number of traditional economic indicators are also still underperforming. For example, only 8,500 new houses were built in 2012, the lowest number since records began in 1970. Car sales (traditionally seen as an indicator of consumer activity) increased overall by 1.5% in 2012, with an increase also in the number of light and heavy goods vehicles, though the numbers for January 2013 were very disappointing. The unemployment rate remained relatively high throughout the year, but there appears to have been a stabilization over the last year and a slight decrease is possible in 2013.

Table 1.1

Indicators of the National Economy 2013-2015

Annual % Volume Changes unless otherwise stated.	2013	2014	2015
GNP	0.9%	1.7%	2.1%
GDP	1.5%	2.5%	2.9%
Exports of Goods and Services	3.3%	4.3%	4.8%
Imports of Goods and Services	2.3%	3.9%	3.8%
Inflation - HICP (%)	1.7%	1.8%	2.0%
Employment - % Growth	0.2%	0.9%	1.3%
Unemployment Rate ILO basis (%)	14.6%	14.1%	13.1%

Source: Department of Finance Budget 2013 Economic & Fiscal Outlook

¹ Department of Finance Budget 2013 Economic & Fiscal Outlook

Outlook for 2013

Based on projections from a range of institutions, the broad consensus for domestic economic activity in 2013 is for low activity levels in the near-term. Consumer spending has remained relatively stagnant and the banking sector has still not recovered from the global crisis of 2008. Internationally, prospects for the major western economies have improved in recent months but growth is still sluggish. Irish exports to our major markets have risen over the last three years and stable exchange rates are likely to favour a continuation of this trend through 2013. The stabilisation of the Euro towards the end of 2012 has led to a strengthening against both sterling and the dollar, but the rates are still manageable for Irish exporters. Growth was maintained in 2012 despite a very challenging economic climate and the expectation is for further growth in 2013. Developments in the banking and financial sectors, as well as the public finances, will be central in facilitating any medium to long-term renewal.

Significant uncertainty remains attached to all economic forecasts. There is a strong possibility of weaker world growth, with even the fast-growing BRIC economies predicting slower growth than in recent years. The Eurozone has returned negative growth for the past three quarters suggesting that stagnation is the best that can be expected this year, with the hope of improvement in 2014. The main downside risks on the international front would be any stalling or renewed downturn for our main trading partners. A weak euro benefits agricultural exports but also increases input costs that are denominated in dollars. Input costs have remained persistently high for producers and this is likely to continue in 2013 as feed costs increase due to poor harvests and a weak euro leads to higher costs for Irish importers.

Table 1.2 outlines the forecasts for some of the aforementioned variables from various institutions. The consensus overall is that both GNP and GDP will grow slightly, while unemployment will decline very slightly with a corresponding small rise in employment.

Table 1.2

Comparison of Economic Forecasts for Ireland 2013

Institution	Annual Percentage Change				% Rate
	GNP	GDP	HICP	Employment	Unemployment
Department of Finance	0.90%	1.50%	1.70%	0.20%	14.60%
Central Bank	0.60%	1.20%	1.50%	0.30%	14.50%
ESRI	0.70%	2.10%	1.80%*	0.20%	14.60%

Sources: Dept Finance Budget 2013 Economic & Fiscal Outlook; Central Bank April 2013 Quarterly Bulletin; ESRI Quarterly Economic Commentary (*CPI)

1.2

Contribution of the Agri-Food Sector to the Economy

Gross Value Added

It is estimated that the agri-food sector² accounted for approximately 7.7% of Gross Value Added³ (GVA) at factor cost in 2011. The primary agriculture, fisheries and forestry sectors together accounted for approximately 2.7% of GVA. The food (including fish) and beverage industry accounted for circa 4.8% of GVA in 2012. The sector is responsible for 23% of all Industry Turnover (26% of all Manufacturing Industry Turnover).

² The Agri-Food Sector is taken to include primary production (Agriculture, Fishing and Forestry) along with Food, Beverages & Tobacco (grouped together in the National Income & Expenditure classification) and wood processing sectors.

³ Gross value added at factor cost is GVA at market prices less any indirect taxes plus any subsidies

Table 1.3

Contribution of the Agri-Food Sector to GVA, 2011

	€m
Gross Domestic Product (GVA) at Factor Cost	143,238
GVA in Primary Agriculture, Fisheries and Forestry at Factor Cost	3,905
GVA in Food & Beverages Sector	6,894
GVA in Wood Processing (estimated)	216
Total	11,015
GVA in Primary Sector as a % of GVA	2.7%
GVA in overall Agri-Food Sector as % of GVA	7.7%

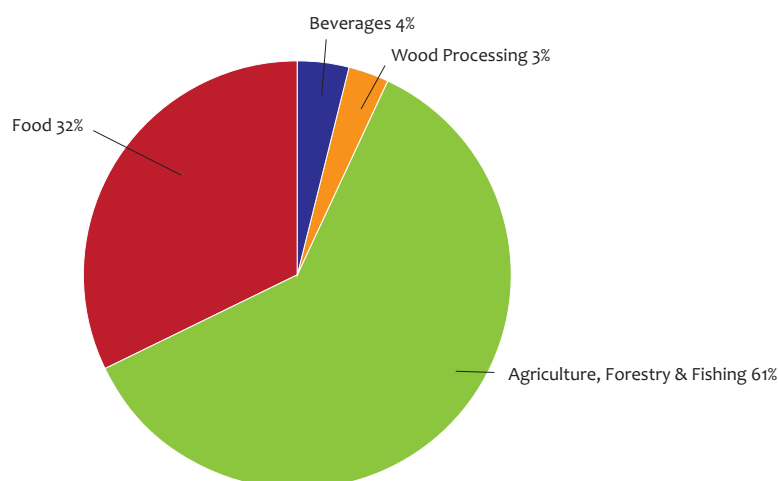
Source: CSO National Income & Expenditure

Employment

Employment in the agri-food sector accounted for 148,100 jobs⁴, or 8% of total employment, at the end of quarter four of 2012⁵. The composition of employment in the sector is outlined in Figure 1.1

Figure 1.1

Composition of Employment in the Agri-Food Sector, 2012



Source: CSO, QNHSQuarter 4, 2012

Exports

The food and drink sector performed well in terms of exports in 2012, although the increase in exports was more modest than in the previous two years. Figures from the CSO show that total Irish merchandise exports increased by just under 1% to €92bn. During the same period, food and drink exports as categorised by Bord Bia recorded growth of 2% and accounted for 10% of merchandise exports.

Bord Bia estimates that such exports reached a record €9 billion in 2012, consolidating the two-digit percentage increases seen in both 2010 and 2011. The further 2% growth achieved in 2012 means that over the last three years exports from the sector have risen by 27%, or €2bn, in total.

The Dairy and Beef sectors were still the biggest categories in 2012, representing €2.7 billion (29%) and €1.9 billion (21%) of total food and drinks exports respectively. Prepared Foods accounted for €1.4bn (15%), while Beverages contributed €1.3bn (14%).

The biggest increases in 2012 were seen in the Seafood and Pigmeat categories which grew by 18% (to €493m) and 15% (to €457m) respectively.

The value of exports to the UK market increased by 5% in 2012 and accounted for 42%, or €3.8 billion, of total Irish food and drink exports, while exports to other European markets totalled €2.8 billion or 31%. Further afield, the Food & Beverages trade to outside Europe grew by 8% or €200 million, reaching almost €2.4 billion.

⁴ These employment figures correspond to International Labour Organisation definitions and as such relate to persons who indicated that agriculture was their principal source of income in the week prior to the Quarterly National Household Survey (QNHS). As such, persons that work in agriculture but whose primary source of income is off-farm are not included.

⁵ QNHS Quarter 4, 2012.

Table 1.4

 Agri-Food Exports,
2011–2012, (Bord Bia)

	2011 (f)	2012(p)	2011/2012	% Share of Agri-Food Exports
	€m	€m	%	Change
Dairy Products & Ingredients	2,724	2,658	--2%	29%
Beef	1,860	1,900	+2%	21%
Prepared Foods	1,416	1,382	--2%	15%
Beverages	1,221	1,258	+3%	14%
Pigmeat	396	457	+15%	5%
Seafood	418	493	+18%	5%
Edible Horticulture & Cereals	238	243	+2%	3%
Poultry	210	208	--1%	2%
Sheepmeat	191	205	+7%	2%
Live Animals	205	217	+6%	2%
	8,879	9,021	+2%	100%

From Bord Bia Performance & Prospects 2012/13

1.3

Public Expenditure

Table 1.5

 Expenditure on Irish
Agriculture, 2012

(Period 1 January to 31 December 2012)	€m
EAGGF Guarantee direct expenditure	1,292.5
Single Farm Payment	1,248.0
Grassland Sheep, Burren Life, Dairy Efficiency Schemes	39.0
Private Storage	1.0
Export Refunds	0.0
Other Market Supports & Recoveries	4.5
Intervention Purchases ¹	0.0
Voted Expenditure (excluding Administration)	1,095.1
Rural Development ²	479.9
Structural Measures ²	49.3
State Bodies	192.2
Horse and Greyhound Fund	56.3
Animal Health	111.3
Research and Training	32.4
Market Support Costs ³	21.2
Forestry and Bio-Fuels	112.7
Fisheries	9.9
Food Aid	9.9
Other	20.0
Administration	222.9
Total Voted Expenditure	1,318.0
Total DAFM Expenditure	2,610.5

1). This is the amount paid by DAFM 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). EAFRD 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 2012 under the new CAP Rural Development program, 2007 to 2013, comprises REPS, AEOS, Early Retirement, Compensatory Allowances and TAMS.

(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 1.5. On the plus side the value of Goods Output rose by 4.9% to €6,615m, though this was negated by a significant increase (9%) in the cost of Intermediate Consumption.

So, in terms of the bottom line, the CSO preliminary estimate of Output, Input and Income in Agriculture for 2012 shows that Operating Surplus decreased 12.3% to €2,135 million although it must be remembered that 2011 was an exceptional year and the 2012 figures are still relatively good.

Figure 1.2

Trends in Operating Surplus, Goods Output and Intermediate Consumption, 2008-2012

Goods Output at Producer Prices (Euro Million)

Intermediate Consumption (Euro Million)

Operating Surplus (Euro Million)

Source: CSO, OII

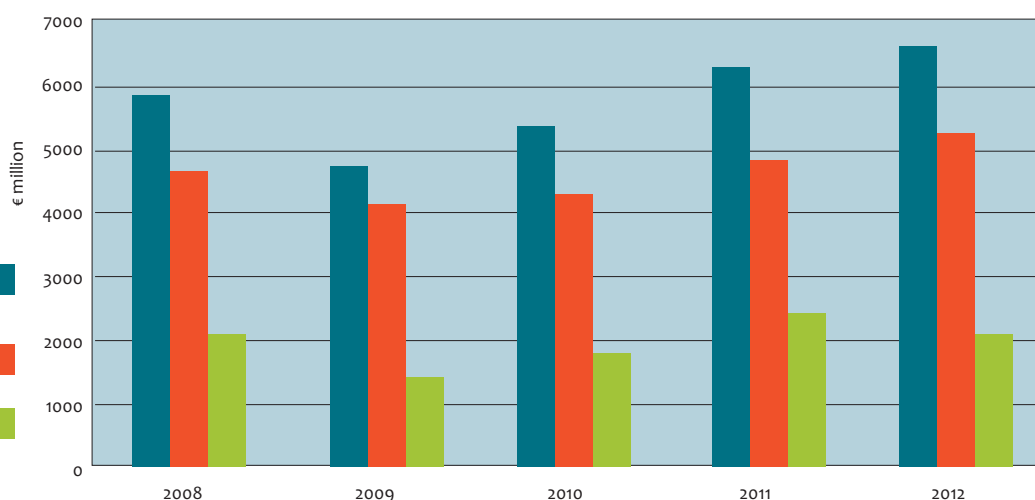


Table 1.6

Output, Input & Income in Agriculture, 2012

	2011	2012	%Change 2011/2012
	Value €m		
Goods Output at Producer Prices (Euro Million)	6,307.8	6,614.8	+4.9%
Contract Work (Euro Million)	335.7	352.4	+5.0%
Subsidies less Taxes on Products (Euro Million)	-11.0	-28.6	
Agricultural Output at Basic Prices (Euro Million)	6,632.4	6,938.5	+4.6%
Intermediate Consumption (Euro Million)	4,854.9	5,293.3	+9.0%
Gross Value Added at Basic Prices (Euro Million)	1,777.5	1,645.3	-7.4%
Fixed Capital Consumption (Euro Million)	713.3	707.3	-0.8%
Net Value Added at Basic Prices (Euro Million)	1,064.3	938.0	-11.9%
Other Subsidies Less Taxes on Production (Euro Million)	1,824.6	1,654.3	-9.3%
Factor Income (Euro Million)	2,888.8	2,592.3	-10.3%
Compensation of Employees (Euro Million)	453.4	457.4	+0.9%
Operating Surplus (Euro Million)	2,435.5	2,134.9	-12.3%

CSO—Output, Input & Income in Agriculture Preliminary Estimates 2012

1.5 Outlook for Agriculture

International Outlook

The international outlook for food availability and prices over the long term is underpinned by the need for global food production to increase by 60% to 70% to meet expected population demands by 2050. There is increasing pressure for land, water and energy, which creates a significant challenge for the world's producers. Commodity prices reached record levels at the beginning of 2011 and have continued at historically high levels for two years. Global food production is further complicated by the issue of climate change and extreme weather events such as those of 2012. In addition, while agricultural production benefits from the increased use of biofuels the transfer of crops to fuel production lowers the amount available for food. The required increase in food production has to be made in a sustainable manner. Several countries are now acquiring land in Africa and South America to build their capacity for food production with this leading to allegations of 'land-grabbing' and increased tensions in developing countries over land tenure.

The 2008 food price spike led to increasing international focus on the security of global food supply. Price volatility has increased in recent years, with claims of speculation being made against hedge funds. Commodity prices remained high in 2011, but food prices were about 8% lower in 2012 when compared to 2011⁶. Nonetheless, recent drought in key production areas has contributed to an increase in cereal prices since the summer of 2012 and the reduced production is likely to keep prices high. Wheat and coarse grain prices are also high due to tight production levels with meat and milk prices are also expected to increase, but rice and sugar prices are declining.

A further issue complicating food price levels has been an increase in volatility of prices in global markets. During the 2008 price crisis the effect of export bans was clearly seen in the soaring price of rice and during 2010 the effects of export bans such as that imposed by the Russian Federation immediately put pressure on prices in food importing countries. However, although prices are still very high the adverse weather and production forecasts in mid 2012 have not caused the same trends. It seems that the AMIS system created by the G20 has been successful in providing clear market information and that fewer countries have tried to impose unilateral trade restrictions.

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

EU Medium Term Outlook

The outlook for EU agricultural markets remains subject to a number of uncertainties regarding future market developments. Climate change will continue to influence the market outlook, with unpredictable weather patterns leading to supply fluctuations, as happened in 2012. The expected increase in input costs will limit the profitability of production. Tighter supplies in some sectors could lead to price increases, though this may be offset by bilateral trade deals (such as the bilateral deal being negotiated with Canada, or a future EU bilateral agreement with Mercosur). On the other hand, commodity markets are expected to remain balanced over the medium term, supported by growth in global food demand and the development of the biofuel sector.

Domestic Outlook

Although the prospects for Irish dairy exports appeared good at the start of 2012, prices fell globally. Producers were also badly affected by poor weather conditions in the summer, which led to lower production and also higher input costs. Milk prices in Ireland fell by 9.5%, exports fell by 2% and deliveries were down by 2.5%. Internationally, prices began to increase towards the end of 2012 and this is expected to continue during 2013. Increasing global demand is expected to outstrip any additional supply, which should mean that Irish exports will have a good year. However, high input prices (particularly feed and fuel) may also play a part in dampening production.

Following a large increase in live cattle exports in 2010 the numbers were lower across all types in 2011 and this continued in 2012. Overall, cattle exports fell by 25% in 2012, with calf exports down by 60%. Strong prices in Ireland meant that fewer animals were available for export, however, the number of finished cattle exported increased by 10%. The number of pigs exported remained broadly stable but the number of sheep exported declined by 7%, with the majority sent to the UK. There are no signs of any significant change for 2013, with feed costs remaining high and good prices being paid in Ireland. Nonetheless, 2,900 young bulls were exported to Libya in February 2013, showing that there is still a market for Irish cattle, even outside the EU.

The value of beef exports is estimated to have increased by 2% despite a drop of 11% in production. Cattle prices in Ireland rose by 13%. Exports to the EU as a percentage of all Irish beef exports increased to 99% as other markets declined. Supply has tightened again both in Ireland and in the EU and this decline is expected to continue in 2013. Prices are also expected to remain steady or perhaps decline slightly in 2013 but input costs should also decline as less feedstuffs should be required. Demand is uncertain due to economic uncertainties - Beef is a premium product and other protein sources may prove more popular as economic difficulties continue throughout Europe, while a strengthening of the Euro against sterling could also cause difficulties for beef exports to the UK.

Lamb prices declined by an estimated 5% in 2012, due to weaker demand in the EU. Rising input costs led to declining margins. However, a weak Euro helped exports to the UK and there was a reduction in imports to Europe from New Zealand. Output has declined in both the UK and France, but EU consumption also declined in 2012. Supplies of sheepmeat increased by 11%, continuing an upward trend since 2010. Despite lower prices, sheepmeat exports are estimated to have increased by 7%. Sweden, Belgium and Germany also grew, and other international markets also performed very well. France is still the largest market but its share is declining. Shipments to Portugal and Spain declined, possibly due to austerity measures there. Prospects for 2013 are similar to 2012. No increase in imports is expected from New Zealand, which is expected to concentrate on Asian markets. Output prices should remain similar to 2012. Declining EU demand is being matched by declining production, while production in Ireland is expected to grow, by 2-3%. However, further reductions in margins may affect production.

Pig production declined in Europe by about 2%, but in Ireland there was an increase of 2%. Production was higher in the early part of 2012, with a drop off after the summer. EU consumption has also dropped slightly. Irish pigmeat exports increased by 6% in volume and 15% in value terms. EU markets were sluggish but a 6% higher volume was recorded in exports to the UK and there was also strong growth in sales to China, Russia and the USA. The outlook for 2013 is for continued high input costs, as pig feed prices were the highest in twenty years at the end of 2012. New welfare legislation may also lead to further declines in production. There may be some increase in demand from emerging markets. However, it is expected that Irish production will drop by 2-3% in 2013.

Overall, poultry production remained stable, with a 6% increase in broiler production and reduced turkey production. This mirrors the relatively stable production of recent years. Trade to the UK, our main market for poultry, was stable, with slightly lower volume and slightly higher value but there was a particularly strong demand for chilled poultry. However, exports to France declined. Poultry production is increasing in the EU and imports are falling. Consumption within the EU is also higher as poultry is increasing in popularity compared to other protein sources. High feed costs may impact on production in 2013 but there should be a modest rise in broiler prices.

Crops had a difficult year in 2012. Adverse weather led to poor output volumes, with a 20% drop in yields in some crops. Drought in key world growing regions led to low supply worldwide, with a consequent spike in commodity prices in the Autumn of 2012. Prices have since stabilised, although still at very high levels historically. In Ireland, price increases were more than offset by higher input prices. Futures prices for key agriculture commodities suggest that prices will remain high during 2013. Average tillage farm income is estimated to have declined by 19%. An increase of 4% in farm income is expected in 2013 and a return to normal weather conditions should see increased yields.

Potato growers had a difficult year due to particularly adverse weather conditions. This led to low output and higher prices. However, it was another good year for Irish mushrooms, with an estimated 4% increase in both the value and volume of exports. Exports benefited from a strong sterling rate against the euro. An EU-supported publicity campaign has continued to help sales, even in the traditionally slow summer season. The expected weakening of sterling against the euro may impact on exports in 2013 but tightening supply in the EU should help to maintain volume levels.

Chapter Two:

Farm Income

Chapter 2 Farm Income

2.1 Introduction

Data from the CSO shows that the agriculture sector, after a very good year in 2011, reverted to something closer to average in 2012. Encouragingly, however, the value of goods output rose by 5% with cattle up 19.1%, pigs up 8.2% and sheep up 5.8%. The drop in profit, therefore, is largely attributable to rises in input costs stemming from the inclement weather conditions experienced during the year. Most notable was the increase of 22% in the value of feedingstuffs used, reflecting a 14.5% jump in the volume used.

2.2 National Farm Income in 2012

The CSO's preliminary estimate of output, input and income in agriculture for 2012 shows that operating surplus decreased by 12.3% to €2,135 million, back closer to the average over the last five years after a very good year in 2011. The overall value of goods output by the sector increased by 4.9%, or €307 million, while expenditure on intermediate consumption increased by 9% or €438 million.

- Cattle output increased by 19.1%, or €342.6m.
- The output value of the pig sector increased by 8.2% or €32.5m.
- There was also an increase in the output value of the sheep sector – 5.8% or €11.1m.
- Cereals output evidenced the effects of the year's harsh weather and its impact on the harvest with volumes down 29.8%, though the overall value of output dropped by just 8.8% due to high demand.
- The output volume of milk dropped by 3.2% while the value decreased by 11.1%

In 2012, direct payments to farmers totalled €1,790 million¹. For the purposes of comparison with the annual operating surplus, the CSO estimated net subsidies figure, from its 2012 Preliminary Estimates, of €1,626 million equated to 76% of the year's operating surplus.

Figure 2.1

CSO Operating Surplus and Net Subsidies, 2006-2012

- Operating surplus
- Net Subsidies
- NSs as % of OS

Source: CSO



European

2012 saw mixed fortunes among the EU-27 when it came to changes in Operating Surplus. Across the EU-27, real income per agricultural worker increased by just 1% in 2012, following an increase of 8% in 2011. This rise resulted from a growth of 0.5% in real agricultural income, together with a fall in agricultural labour input, also of 0.5%. The former was the result of a 1.8% increase in the value of agricultural output at producer prices in real terms, tempered by a rise of 1.6% in input costs.

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

Real agricultural income per worker in 2012 is estimated to have risen in 16 Member States and to have dropped in 11, with changes ranging from +30% (Belgium) to -16.4% (Romania). The volatility of such rankings is evidenced by the fact that, in 2011, Romania had the greatest increase and Belgium the biggest fall.

In 2012, the estimated increase of 1.8% in the value of EU27 agricultural output at producer prices was mainly due to a small increase in real terms in the value of crop production (+0.5%) and a larger one for animal production (+3.8%).

The rise in the value of crop production was the product of an increase in real prices (+6.3%) counterbalanced by a decrease in volume (-5.4%). Volumes fell for most groups of crops, including fresh vegetables (-2.0%), cereals (-7.3%), oilseeds (-7.9%), and particularly potatoes (-13.8%). Prices rose for all groups of crops, including potatoes (+3.2%), fruits (+4.7%), fresh vegetables (+7.8%), oilseeds (+8.8%) and cereals (+9.1%).

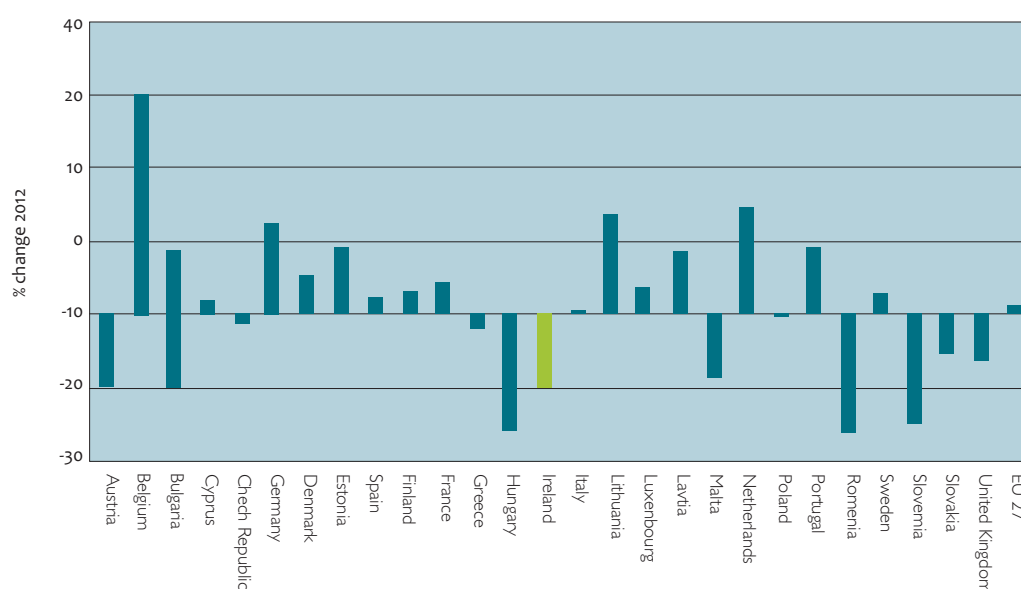
The increase in the value of animal production was mainly due to an increase in prices (+3.9%), while volume decreased slightly (-0.2%). Volumes fell for cattle (-2.4%), eggs (-1.8%), sheep and goats (-1.2%) and pigs (-1.0%), but rose for milk (+0.9%) and poultry (+2.7%). Prices fell for milk (-5.4%) and sheep and goats (-1.3%), while they rose for poultry (+1.9%), cattle (+8.5%), pigs (+10.2%) and most significantly for eggs (+36.2%).

EU27 agricultural input costs (intermediate consumption) are estimated to have risen by 1.6% in real terms, mainly due to an increase in prices (+3.2%), in particular for maintenance of buildings (+3.5%), feedingstuffs (+3.7%), seeds and planting stocks (+4.7%), energy and lubricants (+6.3%), financial intermediation services (+6.6%) and fertilisers and soil improvers (+6.7%).

Figure 2.2

% Change in Real Income per
Agricultural Worker in EU-27
Member States, 2012

Source: eurostat 179/2012



2.3 National Farm Survey 2011²

The most recent survey data relating to average farm incomes is the Teagasc National Farm Survey 2011. As in previous years, family farm income varies significantly depending on the size of farm and system of farming, etc. In 2011, average family farm income was estimated to have risen by 30% to €24,461, following on from a rise of more than 40% in 2010. The increase in 2011 was primarily due to market gains, as gross output increased by 12%, the value of subsidies declined slightly and total direct costs increased by 7%.

Direct payments averaged €17,929 per farm in 2011, accounting for 27% (down from 31%) of gross output and 73% (down from 98%) of family farm income.

Table 2.1

Main Results from National Farm Survey, 2011

Source: Teagasc National Farm Survey 2011

	Dairying	Cattle Rearing	Cattle Other	Sheep	Tillage	Mixed Livestock	All Systems
% of farms represented	14.7%	25.4%	32.4%	14.4%	7.1%	5.6%	99.8%
Direct Payments (DPs) (€)	23,361	13,407	16,795	17,490	26,266	21,135	17,929
Market Output (€)	150,710	17,338	25,010	24,603	9,536	82,372	49,446
Gross output (€)	174,071	30,745	41,805	42,093	115,802	103,507	67,375
Less...							
Direct Costs (€)	60,016	9,311	13,180	11,820	39,987	37,623	22,225
Overheads (€)	45,486	10,980	14,053	13,469	40,519	30,982	20,689
Totals Costs	105,502	20,291	27,233	25,289	80,506	68,605	42,914
Family Farm Income (FFI)	68,569	10,454	14,572	16,804	35,296	34,902	24,461
DPs as % of FFI	34.1%	128.2%	115.3%	104.1%	74.4%	60.6%	73.3%

A comparison of farming characteristics and financial return for full-time and part-time farms³ is shown in Table 2.2. Average farm income for the 30% of farms classified as full-time was €56,378 in 2011, an increase of 35%. Full-time farms are the larger more viable farms, of which, 45% are involved in dairying, 46% in other livestock systems and 9% in tillage.

On 47% of full-time farms the farmer and/or spouse had an off farm job and, overall, on 62% of full-time farms the farmer and/or spouse had some source of off-farm income be it from employment, pension or social assistance.

For the roughly 70% of farms classified as part-time the average family farm income was €10,408 (up from €7,554). These farms were particularly reliant on direct payments to cover production costs with average payments of €12,662 accounting for 122% of family farm income.

On 51% of part-time farms the farmer and/or spouse had an off farm job and, overall, on 85% of part-time farms the farmer and/or spouse had some source of off-farm income be it from employment, pension or social assistance.

² http://www.teagasc.ie/publications/view_publication.aspx?PublicationID=1293

³ 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 parttime.

Table 2.2

Main Results from National Farm Survey for Full-time and Part-time Farms, 2011

Source: National Farm Survey 2011

	Dairying	Cattle Rearing	Cattle Other	Sheep	Tillage	Mixed Livestock	All Systems
Full-time							
% of pop	13.7%	1.6%	5.0%	3.8%	2.8%	n/a	30.5%
UAA (ha)	57.1	69.9	70.9	65.6	117.3	n/a	67.6
Family farm income (FFI)	72,066	33,949	35,473	30,242	64,877	n/a	56,378
FFI/ha	1262	486	500	461	553	n/a	834
Direct payments (DPs)	24,324	33,389	36,279	28,882	45,307	n/a	29,889
DPs as % of FFI	33.8%	98.4%	102.3%	95.5%	69.8%	n/a	53.0%
Part-time							
% of pop	0.9%	23.7%	27.4%	10.5%	4.3%	n/a	69.3%
UAA (ha)	23.3	28.4	26.9	32.4	30.5	n/a	28.2
Family farm income (FFI)	19,816	8,789	10,753	11,879	16,019	n/a	10,408
FFI/ha	850	309	400	367	525	n/a	369
Direct payments (DPs)	9,936	11,992	13,234	13,314	13,857	n/a	12,662
DPs as % of FFI	50.1%	136.4%	123.1%	112.1%	86.5%	n/a	121.7%

2.4 Off-farm Employment Income

The National Farm Survey 2011 estimates that 32% 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 €33,700. Those with full-time farms and off-farm employment had an average income of €68,100. Overall average off-farm earnings, for those who had off-farm jobs was estimated to be €22,900 (Figure 2.3), while average family farm income for these farms was €14,400 giving a combined income of €37,200.

Of the 68% of farm holders who stated that they had no off-farm income, 40% were estimated to have full-time farms. These full-time farms had an average family farm income of €56,400. The remaining 60% were classified as part-time farms and had no off-farm earnings. These had an average family farm income of €10,200.

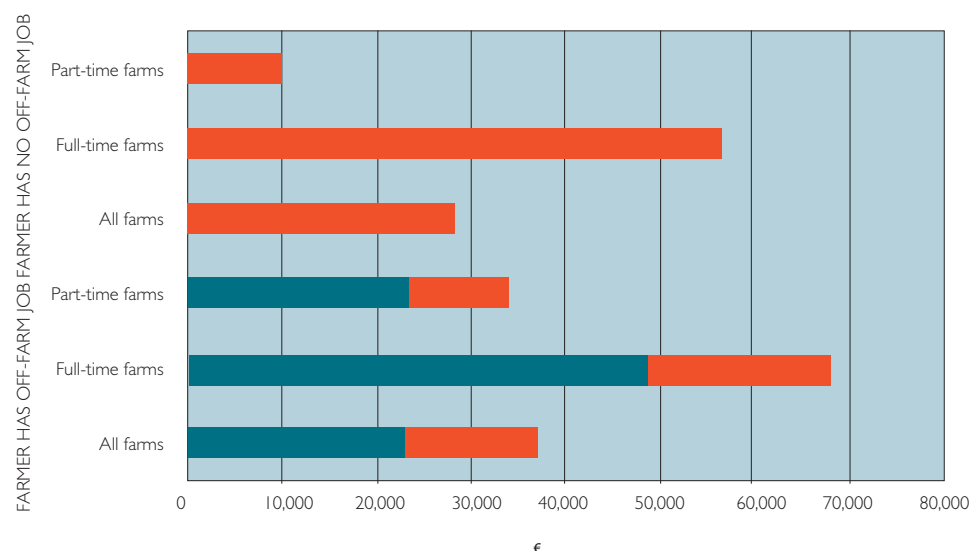
Overall, it is estimated that on 78% of farms, either the farmer and/or spouse had another source of off-farm income, be it from employment, pensions or social assistance.

Figure 2.3

Estimate of Off-Farm Employment Income of the Farm Holder, 2011

Average off-farm income
Farm income

Source:
National Farm Survey 2011 data request



2.5 Direct Payments

Table 2.3 shows the distribution of direct payments⁴ 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 8.1% of direct payments while the top 20% of producers received 39.5% of payments. The data also indicates that average direct payments exceeded family farm income for all but the top 30% of producers.

Table 2.3

Share of 2011 Direct Payments by Deciles of Family Farm Income

Source: G.Quinlan (Teagasc), Analysis by Decile, National Farm Survey 2011

Deciles for FFI	Average DP per Farm	% of Total DP (include SFP)	Average FFI
Decile 1	7,872	4.50%	-3,674
Decile 2	6,537	3.60%	2,783
Decile 3	9,420	5.20%	5,513
Decile 4	10,000	5.70%	7,666
Decile 5	12,447	6.80%	10,256
Decile 6	15,909	9.00%	14,137
Decile 7	21,596	12.00%	20,023
Decile 8	24,307	13.60%	30,496
Decile 9	31,468	17.50%	50,626
Decile 10	39,468	22.00%	104,641
All	17,880	100.00%	24,189

As mentioned in Section 2.2, total direct payments to farmers were estimated to be €1,790 million⁵ in 2012. 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, net total payments to farmers rise to €1.9bn, 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 2012 calendar year.

Table 2.4

Distribution of All Payments to Farmers by DAFF by Province, 2012

	Overall Payments	Total No. of Recipients	Payments with value > = €10,000	Average payment
Ulster	€198,194,796	18,302	2,128	€10,829
Connaught	€413,939,218	39,511	3,092	€10,477
Leinster	€568,988,400	33,347	13,891	€17,063
Munster	€713,148,993	45,316	14,488	€15,737
State	€1,894,271,406	136,476	33,599	€13,880

⁴ Direct payment in Table 2.3 include the Single Payment Scheme, REPS and area based disadvantaged area compensatory allowance scheme.

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

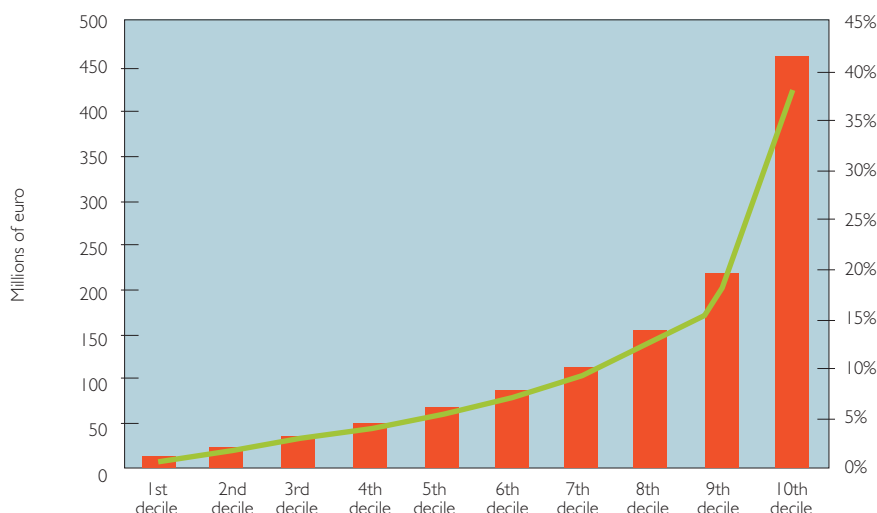
Figure 2.4 below shows the distribution of the Single Payment Scheme to farmers. The average payment under the SPS was €9,860 (though over 70% of recipients received payments under this amount). 38% of payments went to the 10% of farmers with the highest SPS incomes.

Figure 2.4

Distribution of SPS
Payments to Farmers by
Decile 2012

Total payments per decile
(left axis)

% of Payments (right axis)



2.6 Relevant Schemes in other Departments

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 2012, there were 11,162 participants the scheme, a decrease of 171, or 1% on 2011. Expenditure over the year was €114m⁶.

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.

⁶ Provisional

Chapter Three:

Agricultural Commodities and Inputs

Chapter 3 Agricultural Commodities and Inputs

3.1 Overview

World food prices remained stable in 2012, at about 7% lower than in 2011, but still higher than at other times during the previous decade with the FAO food price index remaining more than twice as high as it was a decade ago. In 2012, increases in the prices of dairy products and oils/fats were largely balanced out by declines in the prices of cereals and sugar while meat prices were generally stable over the period.

World cereal prices briefly reached new highs in the late Summer and have remained stubbornly high for the last two years, having almost tripled over the last decade. Dairy prices, on the other hand, fell considerably during 2012 with production falling as input costs increased. Drought conditions in New Zealand and elsewhere have led to considerably reduced output. This has helped global prices to recover since the end of 2012. 2013 has started strongly for dairy prices but poor weather conditions in Ireland could hamper production.

Exchange rates between the Euro, Sterling and the US dollar remained relatively stable throughout 2012. Initial indications for 2013 were that sterling would fall, leading to pressure on Irish exports, however, the exchange rate has remained relatively stable during the first quarter of 2013.

Overall, 2012 was a difficult year for Irish producers, due to heavy rain at key production times. Harvesting was complicated by unseasonal weather and there was a significant increase in input costs, particularly for feedstuffs and energy. Global feed prices rose considerably over the summer, at the point when demand in Ireland was increasing. It was, nonetheless, a good year for Irish food exports as the gains of the previous two years were consolidated and third country markets, particularly China, showed very strong growth.

Teagasc are forecasting¹ an average increase of 5% in the farm milk prices in 2013 though margins may continue to be tight if the poor weather experienced in the Spring continues. Margins in the beef sector improved in 2012 due to higher cattle prices and income on cattle farms increased. 2013 should see relative stability in cattle prices and output is expected to increase but, once again, adverse weather may lead to continued high costs. Lamb prices declined by 5% due to weaker European demand, while increased costs affected this sector as well. Some mixed farms were able to make up for these losses through increases in cattle prices. Little change is expected in 2013, although costs may decline slightly. Feed is a particularly substantial input for the pigmeat sector and costs in 2012 continued to rise above the previous records set in 2011. However, pig prices also increased as exports improved. Despite this, the sector is still facing high costs for both feed and new housing to comply with EU regulations. So, prices are expected to rise again in 2013, but feed prices will remain high. In cereals, yields were poor during 2012 due to adverse weather and margins were considerably lower than in 2011. A return to more normal yields is expected for 2013. With prices remaining high, gross margins are also expected to increase in 2013.

The decrease in margins in 2012 follows two good years in 2010 and 2011, which in turn were preceded by a particularly poor year in 2009. This shows the volatility of farm incomes in recent years. A key issue for 2013 is the continuing increase in costs, notably for feed, fertilizer and fuel. The outlook for the main sectors in 2013 suggests that output prices will increase, but the improvement will not be consistent across sectors.

In summary, 2012 was a mixed year for Irish agriculture generally with operating surplus estimated to have decreased by approximately 12.3% to €2,135 million². It must, however, be remembered that 2011 was an exceptional year and the value of goods output actually increased by 5% in 2012. Overall though, price reductions for dairy and cereals, combined with the inclement summer weather and consequent increase in feed usage, were the dominant factors in play.

¹ <http://www.agresearch.teagasc.ie/rerc/downloads/outlook2013/outlook2013.pdf>

² <http://www.cso.ie/en/releasesandpublications/er/oiap/outputinputandincomeinagriculturepreliminaryestimate2012/>

Table 3.1 sets out the latest details for Output, Input and Income in Agriculture for 2012. The overriding factor that contributed to a decreased operating surplus was a 9% increase in the value of Intermediate Consumption, including rises of 22% for feedingstuffs and 9.6% for energy. That said, Gross Output also increased, by 5%. The largest increases in value came in Cattle (19%), Poultry (16%), Pigs (8%) and Sheep (6%).

Table 3.1

Output and Input in
Agriculture 2012 - Value,
Volume and Price.

	Value	% Change 2012 over 2011			Share of GO/Inputs
	€m	Value	Volume	Price	%
Gross output at producer prices	6,614.8	4.9	-0.75	5.7	100%
Cattle and Calves	2,137.5	19.1	3.5	15.0	32%
Pigs	426.7	8.2	-1.1	9.4	6%
Sheep and Lambs	200.9	5.8	13.0	-6.4	3%
Poultry	161.9	16.3	4.5	11.3	2%
Milk	1,631.7	-11.1	-3.2	-8.2	25%
Cereals	263.5	-8.8	-29.8	30.0	4%
Potatoes	53.1	-27.9	-43.4	27.4	1%
Fresh Vegetables and Fruit	232.2	n/a	n/a	n/a	4%
Forage Plants	1,124.5	7.0	0.7	6.3	17%
Other	382.9	n/a	n/a	n/a	6%
Intermediate Consumption (Inputs)	5,293.3	9.0	4.1	4.7	100%
Animal Feed	1,433.6	22.0	14.5	6.5	27%
Fertilisers	489.5	-0.8	-4.4	3.7	9%
Energy and Lubricants	526.7	9.6	1.7	7.8	10%
Maintenance and Repairs	437.1	0.6	0.1	0.4	8%
Forage Plants	1,107.4	7.0	0.7	6.3	21%
Contract Work	352.4	5.0	3.7	1.2	7%
Others	946.6	n/a	n/a	n/a	18%
Gross value added at basic prices	1,645.3	-7.4	-14.3	8.0	n/

Source: CSO

Stock Changes

Early estimates for stock changes on Irish farms in 2012 are illustrated in Table 3.2. There were increases in the number of cattle and sheep held on farms and a decrease in the number of pigs.

Table 3.2

Estimated Value (€m) and Volume¹ (000s) of Stock Changes on Farms 2011/2012

	Value	2011 Volume	Value	2012 ² Volume
Cattle	-64.8	7.6	209.5	327.9
Sheep	12.5	199.3	6.3	109.0
Pigs	1.2	52.6	-1.7	-60.0
Poultry	-7.6	-161.1	0.0	0.0
Crops	7.8	55.9	-20.4	-116.1
Total	n/a	154.4	n/a	260.9

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

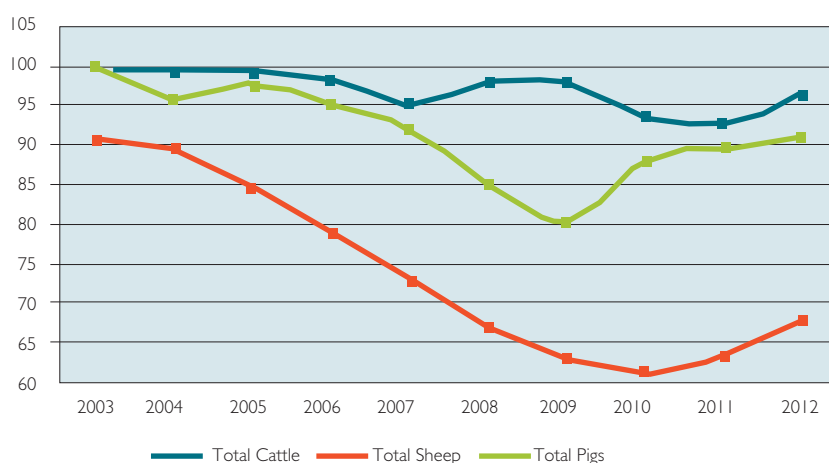
² Early Estimate

Source CSO

Longer term trends in stock levels for cattle, sheep and pigs are outlined in Figure 3.1, which gives an index for stock numbers between 2003 and 2012 based on CSO June Livestock Surveys (Base 2000=100).

Figure 3.1

Index of Livestock Numbers, 2003-2012



Source: CSO, June data

Terms of Trade

Agricultural input prices increased by 4.6% in 2012 relative to an increase of 3.8% in output prices. These price developments equated to a negative movement in the terms of trade index for farmers of 0.8% in 2012.

The increase in the output price index was mainly attributable to increases in cereals (16.6%), cattle (12.1%), pigs (10.8%) and potatoes (30.5%), though milk and sheep prices decreased by 9.4% and 4.4% respectively. On the input side there were increases in energy, seeds, feedingstuffs and fertilisers of 8.2%, 7.4%, 6.3% and 3.0% respectively.

Table 3.3

Terms of Trade, 2011-2012

	Base 2005=100	2011	2012	% change 2011/2012
Output		127.9	132.7	3.8%
Input		129.2	135.1	4.6%
Terms of Trade		99.0%	98.2%	-0.8%

Source: CSO Agricultural Price Indices as at 11 April 2013

3.2 Milk

General Market Situation 2012

In 2012, international dairy markets were unstable with a sharp downward adjustment in the first half of the year as excess supply led to a drop in dairy commodity prices. However, extreme weather conditions around the world affected supply leading to a recovery in prices in the second half of the year and a level of stability had returned by year end. EU milk deliveries were ahead of 2011 levels and ended the year approximately 1% up, while average producer milk prices across the EU were slightly below the previous year. World milk production is estimated to have increased by 3% in 2012, with the EU accounting for around 20% of global production.

Output in Ireland

In 2012 there was a decrease of 11% in the value of the milk sector to €1,632 million, following an increase of almost 20% in 2011. Deliveries were estimated to be down on 2011 by 2.7%, due to a combination of very poor weather conditions and a lower producer milk price.

Table 3.4

Milk Output
(whole milk only)
2007 – 2012

million litres	2007	2008	2009	2010	2011	2012	% change 2011/12
Manner of Disposal							
Milk sold off farms	5,074	4,943	4,785	5,173	5,377	5,231	-2.7%
Milk used in farm households	22	22	22	21	21	21	0
Imported Milk Intake	473	464	427	388	356	406	14.0%
Total Milk Output	5,569	5,429	5,234	5,582	5,754	5,658	-1.7%

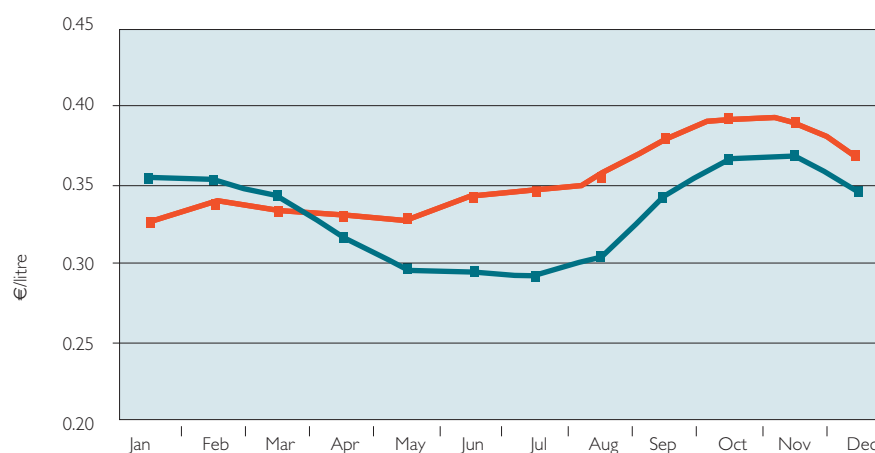
Prices

The average milk price paid to producers in 2012 was 33 cent/litre (including VAT), a 5% decrease on the 2011 price of 35 cent. In addition, dairy farmers continued to receive the dairy premium of 3.6 cent/litre.

Figure 3.2

Milk Prices, 2011-2012

— 2011
— 2012



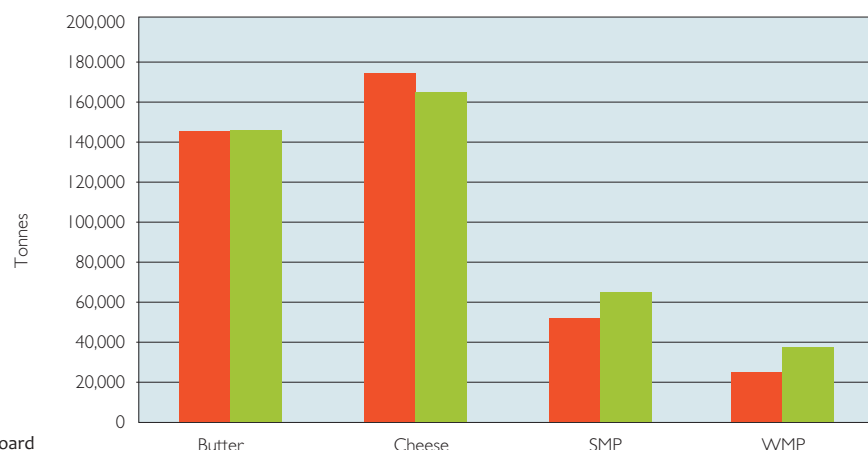
Source: CSO

Production of Dairy Products

Figure 3.3

Production of Dairy Products, 2011-2012

2012
2011



Source: Irish Dairy Board

Figures from the Irish Dairy Board estimate that while Irish butter production was relatively unchanged in 2012, cheese production grew by 6% while SMP and WMP production decreased by 20% and 33% respectively compared to 2011.

Exports

Exports of Irish dairy products and ingredients were valued at some €2.66bn billion in 2012. This represented a slight decrease of 2% from 2011 as the Irish dairy sector had a strong performance despite the drop in global product prices and weakening of international markets.

Intervention/Market Management

Despite the sharp drop in EU dairy prices in the first half of 2012 there was no buying in of Intervention butter or SMP under the annual schemes. The 2012 Private Storage Aid scheme for butter operated as usual from March to August, with a total of 133,000 tonnes of EU butter taken up (24,000t in Ireland). Export refunds for dairy products were not required and remained at zero throughout the year.

Outlook 2013

After a volatile year in 2012, EU and world dairy markets have stabilised to some extent, and despite an uncertain start to 2013, the outlook is generally positive with global demand likely to maintain prices and export levels. In the medium term, most analysts forecast strong demand and higher prices for dairy products with increased demand fuelled by population growth and rising prosperity in developing countries.

Milk Quota Management

Due to poor weather conditions and resultant feed supply shortages, milk production in 2012 was about 2.3% less than the volume produced in 2011. As a consequence it is highly unlikely that Ireland will incur a super levy fine for the milk quota year 2012/2013, ending on 31 March 2013.

Notwithstanding the challenges posed in 2012 and the increase of the national quota by 1% on 1 April 2013 - as part of the 'soft landing' - the two remaining quota years (2013/14 and 2014/15) are still going to be challenging for farmers to remain within quota. Consequently, farmers are consistently reminded to plan their production activities carefully and pay close attention to the limitations imposed by the quota regime.

Milk Quota Trading Scheme

The Milk Quota Trading Scheme continued to be implemented successfully in 2012 with 84% of all quota offered for sale being taken up by buyers. A total of 58.0 million litres of milk quota was offered for sale, with 48.8 million litres successfully traded. Of this total, some 32.1 million litres was sold on the exchange at prices ranging from 8 cents to 50 cents per litre. The remaining 16.7 million litres was sold through the priority pool at a maximum price of 5 cents per litre.

New Entrants to Dairying

The fourth of five aforementioned annual increases of 1% in national milk quota agreed under the Health Check became available on 1 April 2012. As in the previous years (2009 – 2011), three-quarters of the increase was allocated as a top-up to the quotas of all active producers while the remaining 0.25% was distributed to 92 new entrants to dairying under the New Entrants to Dairying Scheme. Allocations of quota, up to a maximum of 200,000 litres, were made to each successful applicant, who must commence production by 1 April 2014.

Dairy Efficiency Programme

The three-year Dairy Efficiency Programme, which commenced in 2010, was completed in 2012. Over the three years of the Programme almost €18m of unspent Single Payment Scheme funds were distributed (€6m per annum), with the aim of encouraging significant efficiency gains on Irish dairy farms. The funding supported participation in discussion groups which were formed and assisted by facilitators (both Teagasc and private) who have been trained by Teagasc to a FETAC-accredited standard. The Discussion Groups placed particular emphasis on the adoption of best practice in grassland management, breeding and financial management. Participants in the programme had their progress monitored by their facilitator, and they were required to meet certain standards on attendance and project completion. In return they receive a payment in the region of €900, paid out in February of the following year. In 2010 some 5,916 farmers qualified for payments totalling €5.4m while in 2011 5,584 received €5m. Payments amounting to €5 million to over 5,000 eligible participants in the 2012 Programme have been made to date.

3.3

Cattle

General Market Situation in 2012

The combined value of Irish meat and livestock exports in 2012 is estimated by Bord Bia at almost €3.1 billion, with the value of beef exports estimated to have increased by 2% to €1.9 billion overall, as higher average cattle prices compensated for lower output and export volumes. Similarly, a fall in the total quantity of live cattle exports was more than offset by stronger prices for larger volumes of finished cattle to the UK. The EU market was characterised by supply constraints and reduced import volumes which helped mitigate the effects of sluggish consumer demand in certain key markets and reduced exports to international markets. Market segmentation was evidenced by a trend towards added value and premium offerings juxtaposed against efforts to maintain the competitiveness of beef products in uncertain economic conditions.

Because it produces some six times more than is required to meet domestic demand, the Irish beef industry is highly dependent on exports and cattle prices are strongly influenced by developments in external markets.

Output in Ireland

Total cattle slaughterings decreased by 9.7% from 1.64m head in 2011 to 1.48m head in 2012. Declining throughput at meat plants caused Irish beef production to fall around 10% to an estimated 495,000 tonnes despite modest increases in carcase weights for prime cattle (steers, heifers & young bulls). Cattle supplies at DAFM-approved plants were almost 1.4 million head with prime cattle numbers 150,000 head or 13% lower. The steer, heifer and cow categories fell by 19%, 15% and 2% respectively. By contrast, the supply of young bulls continued to grow, albeit at a slower pace than in recent years, reaching 207,000 head and this category now comprises 31% of male cattle supplies at export meat plants.

Consequent on reduced output and lower imports negatively impacting on total beef availability, the volume of beef available for export fell to around 453,000 tonnes but rising average cattle prices resulted in the overall value of beef exports increasing by an estimated €40 million.

Having declined by 16% during the 2010 to 2012 period, a recovery in Irish cattle disposals, particularly steer disposals, at meat export plants is forecast in 2013. A halving in the number of live exports in the last two years coupled with a surge in calf registrations will be the main contributory factors. Export availability is expected to reach 500,000 tonnes in 2013.

Figure 3.4

Cattle Slaughterings
at Meat Export Premises,
2011-2012

2011
2012



Source: DAFM

Table 3.5

Output Value¹ (€m) and
Numbers (000's) of Cattle
and Calves, 2011/2012

	2011		2012 ²	
	Value	Number	Value	Number
Live Exports	110.63	216	143.38	163.29
Export Slaughterings	1,697.62	1,570	1,717.31	1,400.64
Other Slaughterings	54.86	73	72.37	83.88
Total Disposals	1,863.11	1,859	1,933.06	1,647.81
Imports	3.43	5	5.06	4.84
Changes in Stocks	-64.80	8	209.46	327.92
Total	1,794.88	1,861	2,137.46	1,970.89

¹ Values shown are after deductions for transport costs

² Early Estimate

Source: CSO

Prices

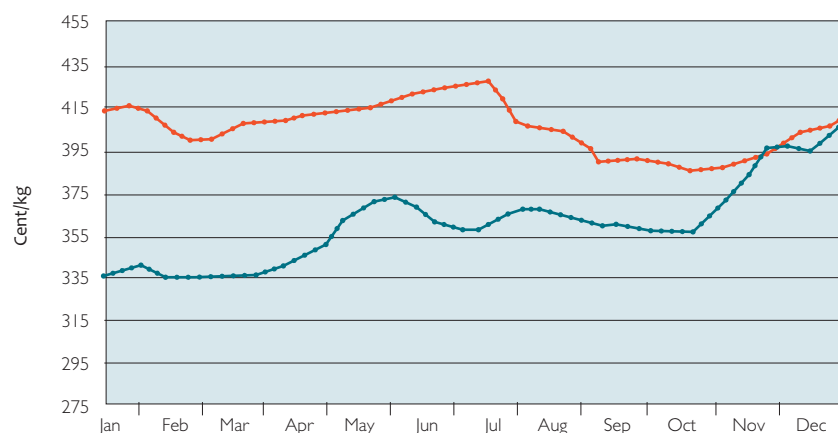
Despite lower consumer demand for beef in 2012, cattle prices in Ireland and the EU strengthened on the back of supply shortages. Cattle prices across Europe increased significantly as the year progressed with the weighted average price for EU-15 R3 male cattle up almost 11% to €3.87/kg for the year. Substantial increases in Irish cattle prices relative to 2011 contributed to an improvement in producer margins despite some increase in direct costs of production. Gross margins per hectare for suckler beef and cattle finishing systems are estimated by Teagasc to have increased by 21% and 19% respectively in 2012.

Figure 3.5

Steer (R3) Prices,
2011-2012

— 2012
— 2011

Source: DAFM



Beef Exports

Slower demand in Russia and in other international markets meant that the proportion of Irish exports going to European markets reached 99% in 2012, compared to 96% in 2011. Irish beef exports outside the EU fell back considerably to an estimated 5,000 tonnes.

However, the positioning of Irish beef in key European markets continued to improve and this is reflected in the fact that over 60% of export volumes are now destined for the higher value standard retail, premium foodservice and retail or quick service outlets. Export volumes to the Continent faced some price resistance during the year as consumer demand weakened in response to higher retail prices. Household and food service demand tended to suffer most with cheaper cuts performing well in comparison to more expensive hindquarter cuts.

The United Kingdom accounted for 52% of total exports by volume and 48% by value. Total exports to the UK for the year are estimated at 237,000 tonnes, valued at over €910 million. Exports to Continental European markets also fell in response to lower availability in 2012, reaching 211,000 tonne worth around €960 million. All major markets with the exception of Germany recorded lower volumes with the most marked declines recorded in the Netherlands, Italy and France. However, while volumes were down, the overall value of Irish beef exports rose to €1.9 billion, an increase of 2% over the figure for 2011.

Non-EU Market Developments

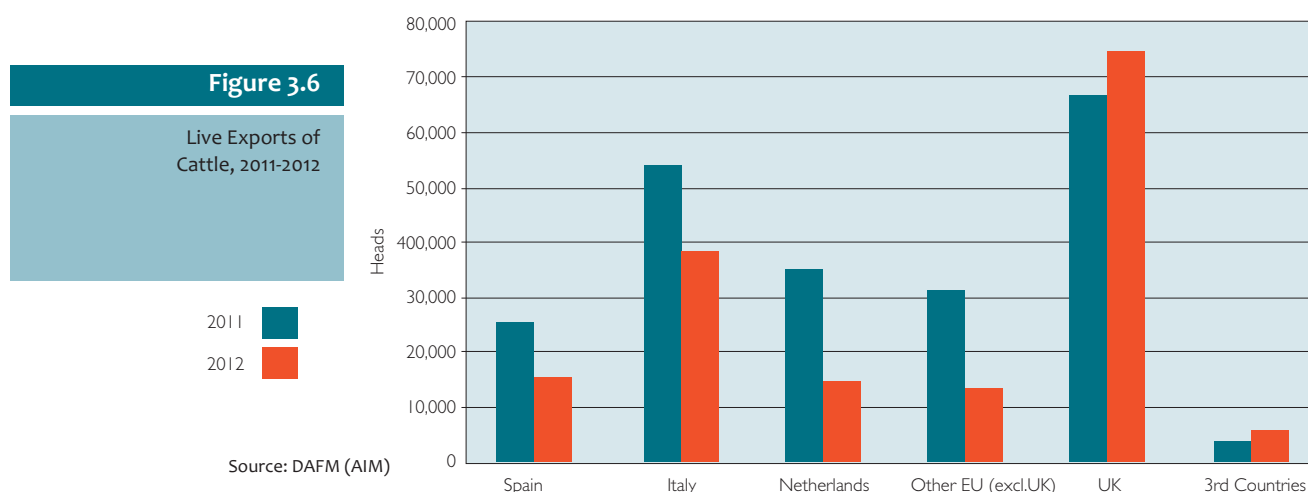
Although the preponderance of Irish beef exports are destined for other EU Member States, diversifying into international markets is helpful in maximising overall returns for the beef industry and provides alternative market outlets when required. In 2012, Ireland secured access to the Iranian beef market and the United Arab Emirates lifted its age restriction on Irish beef imports.

Live Cattle Exports

The live export trade remains an important outlet for Irish cattle output by providing an essential element of competition in the beef trade. With export refunds abolished for all live bovines, this trade is almost entirely with other EU countries. Export demand is influenced by a number of factors such as: the prevailing veal/beef price; the cost of milk replacer/feed; supply availability from alternative sources like Germany and Eastern Europe.

Live cattle exports amounted to 160,000 head, a decrease of approximately 54,000 head (or 25%) on the level recorded for 2011. The decline in trade was particularly marked for calves, which fell by 50,000 head (or 57%). Demand from overseas veal producers traditionally provides a floor for domestic calf prices.

Aggregate demand for calves, stores and weanlings was generally weak in Belgium, the Netherlands and among Italian and Spanish feedlots. However, exports to the UK rose by roughly 7,500 head owing to their relative price competitiveness in the sterling area with exports of finished cattle to Northern Ireland accounting for 60% of this trade. Exports to third country markets increased by 47% to over 5,200 head.



Prospects for 2013

Domestic supplies of finished cattle are expected to grow by approximately 10% in 2013, with the bulk of the increase likely in the second half of the year. The most pronounced increase is expected in steer disposals with a more modest growth anticipated in young bulls. Both EU and domestic cattle prices are expected to remain relatively stable at or close to current historically high levels.

Global supplies are also forecast to remain stable, with the result that EU import volumes are unlikely to exceed 290,000 tonnes in 2013 – this figure is well below the historical peaks of over 500,000 tonnes last seen in 2007. Ongoing constraints in European beef production are expected to persist during 2013. Further tightening in French and Italian supplies will be partially offset by higher Irish, Belgian and Dutch output. Increased feed costs and a slower milk market may lead to more cow beef production in some member states. Gross indigenous production in the EU is forecast to remain unchanged in 2013 at 6.94m tonnes.

Following an estimated 3% decline in EU consumption in 2012, a more modest decline is predicted for 2013. Output stability will reduce the scope for further price rises which, in turn, could influence trade flows within the EU. In conclusion, no increase in current levels of consumer demand for beef is anticipated, given the challenging economic environment and the relative price gap between beef and other proteins. However, continued demand weakness should be balanced out by supply constraints. Downside risks to the outlook for 2013 include uncertainty concerning the European macroeconomic situation, a sustained depreciation of sterling vis-à-vis the euro and adverse weather conditions such as those affecting many parts of the country in 2012 which could substantially impact on the feed requirement for direct beef production.

Sectoral Supports

While the Animal Welfare Recording and Breeding Scheme (AWRBS) came to an end in December 2012, it proved invaluable in improving the quality of animals produced from the suckler herd over its lifetime. Significant improvements were achieved in the collection and processing of breeding data submitted under the Scheme. In order to consolidate the gains made during the past five years, a sum of €10m was allocated from unspent Single Farm Payment funds to finance a new support programme for suckler beef farmers, the details of which are still being finalised. Taken together with residual payments of €10m under the AWRBS, this will amount to €20m in direct payments to suckler farmers in 2013. The new scheme is designed to assist farmers in improving the genetic quality of their stock and maintain the data flows to the ICBF which will further develop the national breeding infrastructure and ultimately enhance producer profitability. In addition, funding of €5m has been set aside to support the continuation for another year of the Beef Technology Adaptation Programme (BTAP), a scheme that provides farmers with better information and improved skills to increase the output of their beef enterprises.

By the end of 2012, a total of 4,809 farmers involved in some 440 discussion groups had successfully completed year one of the BTAP and nearly €4.5m million was paid out by the Department. Subject to validation of their applications, approximately 7,500 farmers will participate in the second year of the Programme.

3.4 Sheep and Lambs

General market situation 2012

2012 proved to be a reasonably steady year for the sheep sector. There was a modest decline in producer prices for the year as a whole. The 2011 National sheep and goat census showed an increase in the sheep population of approximately 365,000 head (12%) on the December 2010 figure. This upward trend was confirmed by the provisional results of the June 2012 livestock survey conducted by the CSO and is further evidence of a recovery in the national flock over the past couple of years.

Output in Ireland

Sheep slaughterings across all plants (both DAFM-approved plants and local authority approved plants) are estimated to have increased by 11.6% on the 2011 level. The average factory price for the year 2012 is estimated to be 3.5% lower than for 2011. The combination of these factors means that the output value of the sheep sector is estimated by the CSO to have increased by roughly 6% in 2012.

Table 3.6

Output Value¹ (€m) and Numbers (000's) of Sheep and Lambs, 2011/2012

	2011 Value	Number	2012 ² Value	Number
Live Exports	1.47	17.09	3.09	37.63
Export Slaughterings	193.80	2,171.24	204.43	2,439.82
Other Slaughterings	23.48	238.72	23.32	250.91
Total Disposals	218.74	2,427.06	230.84	2,728.37
Imports	41.60	452.58	36.23	412.23
Changes in Stocks	12.54	199.33	6.27	109.03
Total	189.69	2,173.81	200.87	2,425.17

¹ Values shown are after deductions for transport costs

² Early Estimate

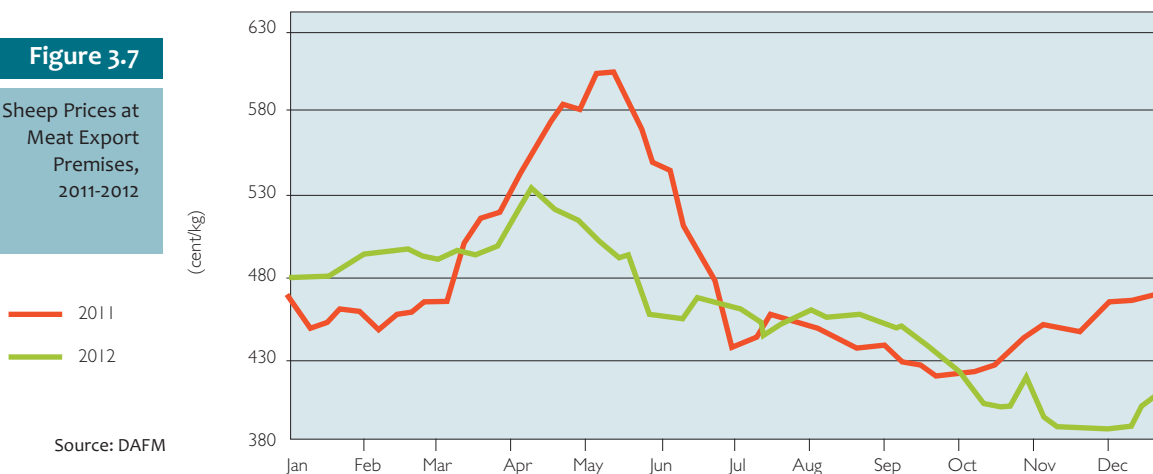
Source: CSO

Prices

The average factory price for 2012 was 460.94 c/kg, a decrease of approximately 3.5% on the figure for 2011. The market price did not benefit from the strong post-Easter boost or the end of year boost which it received in 2011. However, it must be remembered that this follows the strong price increases experienced in 2010 and 2011.

Figure 3.7

Sheep Prices at Meat Export Premises, 2011-2012



Source: DAFM

Slaughterings

The number of sheep slaughtered at DAFM-approved export premises in 2012 was 2,431,283 head. This compares with a total of 2,171,242 head in 2011, an increase of 260,041 head or 12%. The slaughter figures include imports directly for slaughter from Northern Ireland which totalled 406,619 head in 2012. This compares with a total of 462,091 head for 2011, a decrease of 55,472 head or 12%.

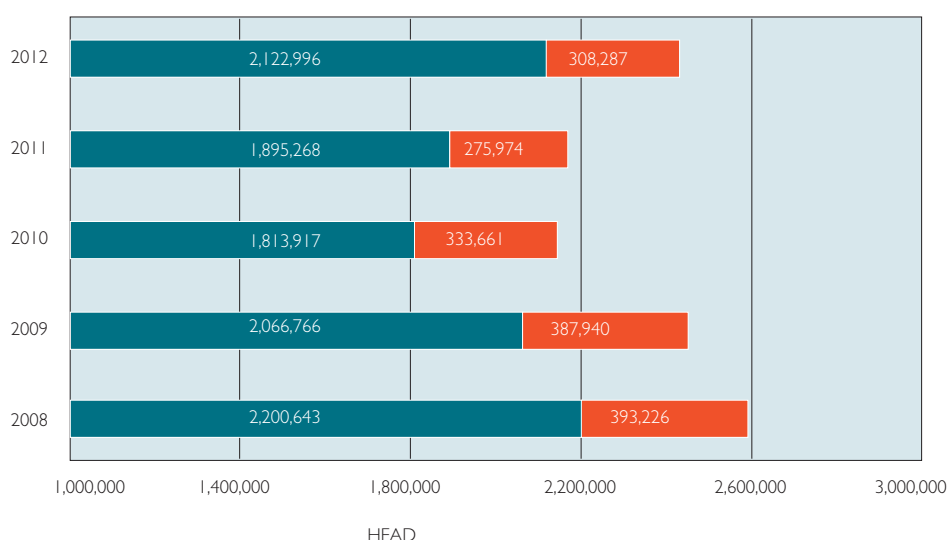
Live exports during 2012 totalled 37,633 head. This compares with a total of 17,094 head for 2011, an increase of 20,539 or 120%.

The lower level of live imports and the stronger live exports are consistent with the slightly weaker returns available in the domestic market in 2012.

Figure 3.8

Sheep Slaughtering
at Meat Export
Premises,
2008-2012

■ Lambs ■ Cast/Ewes



Source: DAFM

Exports

The volume of sheepmeat exported in 2012 increased by 12% to 43,000 tonnes with the overall value of sheepmeat exports increasing by 7% to €205m. France and Britain remain the two most important outlets for Irish sheepmeat, accounting for 70% of exports between them. There was also impressive growth in higher value markets such as Germany, Belgium, Sweden and the Netherlands.

Outlook

The upward trend in the national flock is expected to continue for 2013. While rising input costs are putting pressure on farmers' margins, domestic consumption is expected to remain strong. With French production expected to fall, there should be an opportunity for Ireland to increase its market share. There will be further opportunities to grow exports into higher value markets in Europe and beyond.

3.5

Pigs

General market situation in 2012

Notwithstanding continued improvement in returns, 2012 was another difficult year for the pig sector. Upward pressure on feed costs, together with ongoing challenges in respect of non-feed costs, combined to keep margins under pressure. A number of operators ceased production during the year with this reflected in a 7% decline in the breeding herd in the June survey. Output, prices and export values increased by 2%, 10% and 16% respectively, although much of these increases occurred in the early part of the year. There was a further shift in exports from Continental Europe to international markets, with China and Russia now accounting for almost three quarters of this burgeoning trade.

Pigmeat prices, production and exports continued to increase during 2012, although export meat plant supplies declined in the second half of the year. Prices were ahead week-on-week for the majority of 2012, with this upward movement coming on the back of significant increases in 2011.

Despite that, the impact of cereal price increases on the pig sector remained significant. Margins continued to remain below long-term averages in both Ireland and the EU and were under pressure for most of the year.

Given that cereals account for up to 75% of pig feed, the impact of this development on the pig sector has been considerable. While there has been some easing of soya prices in recent months, thus ameliorating some of the effects, they continue to remain significantly above historic averages. The weather continued to affect harvests with drought in the USA and the Black Sea region leading to lower output and consequent upward pressure on prices. The downward movement in export refunds continued in 2012 with these causing difficulties for some exporters.

Pig producers and the Department of Agriculture, Food and the Marine worked towards achieving compliance with the Loose Sow Housing regulations which came into force on 1 January 2013.

Output in Ireland

In 2012 the output value attributable to pig production is estimated to have increased by 8% to almost €427 million.

Table 3.7

Output Value¹ (€m) and
Numbers (000s) of Pigs
2011/2012

	2011 Value	Number	2012 ² Value	Number
Live Exports	76.38	746.80	69.03	704.39
Export Slaughterings	312.69	2,846.96	353.39	2,902.74
Other Slaughterings	5.28	57.88	6.92	69.58
Total disposals	394.36	3,651.64	429.34	3,676.72
Imports	1.30	11.69	0.92	8.85
Changes in stock	1.19	52.63	-1.71	-59.98
Total	394.24	3,692.59	426.72	3,607.897

¹ Values shown are after deductions for transport costs

² Early Estimate

Source: CSO

Prices

Producer prices continued to increase during 2012 and remained ahead of 2011 levels on a weekly basis for the entire year. Weekly prices ranged between €145.70/100kgs in mid January to €171.56/100kgs at the end of the year. While the 'barbecue season' increase was not as pronounced as in previous years, the usual Quarter 3 decline did not materialize as prices continued to strengthen as the year progressed.

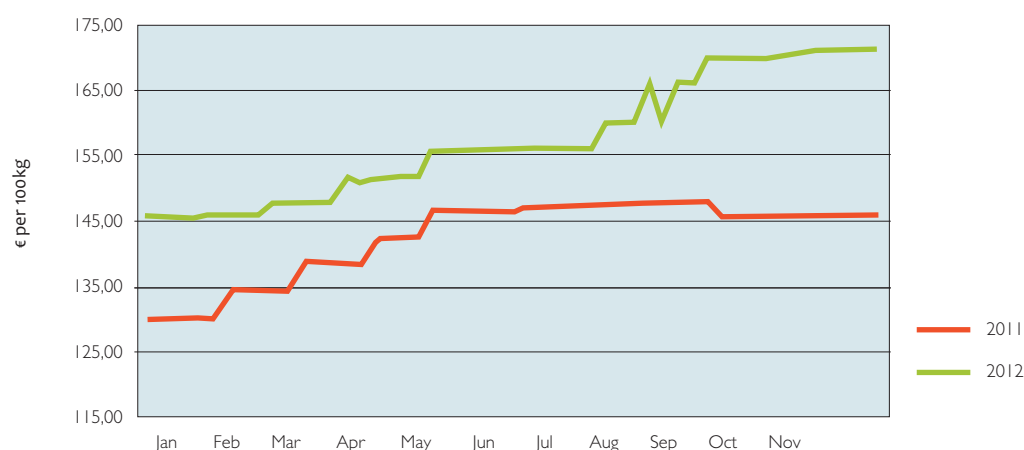
The average price during 2012 was €158.13/100kgs which was 15c/kg higher than 2011. At the end of the year, prices were over 25c/kg higher than the previous year, an increase of 17.5%.

Following nine months of upward movement, EU prices declined by approximately 11% in the final quarter of 2012, but still ended the year over 9% ahead. This coupled with the continued increase in Irish prices, led to Irish prices matching the EU average by the end of 2012.

Figure 3.9

Pig Prices at Meat Export Premises, 2011-2012

Source: DAFM



Slaughtering

During 2012, approximately 2.90 million pigs were slaughtered in Department of Agriculture, Food and the Marine export-approved plants. This equates to an increase of almost 2% compared to 2011. Production increased by more than 5% in the first half of the year but lower breeding numbers led to a 2% fall between July and December. Approximately 93,000 sows are included in this 2012 figure, continuing the upward trend seen in previous years. Pork accounted for almost 97% of the total. The export of live pigs to Northern Ireland remained stable at approximately 630,000 head.

Exports

Pigmeat export values increased by 15% during 2012, and amounting to €457 million. This builds on significant increases seen since 2009.

The UK continues to be the largest single market for Irish export product and witnessed an 8% increase in values to almost €265 million. Volumes are estimated to have increased to 78,000 tonnes. The volume of trade to Continental European markets fell by almost 3% as exporters continued to seek more favourable international markets. The value of exports to these markets still reached some €80m, a marginal increase on 2011, reflecting higher prices. Performance in International markets was far more positive. Export volumes grew by over 12% and reached some 60,000 tonnes. The value of this product is in the region of €110 million. Much of the increase was in the key destinations of China and Russia, two markets where Ireland continues to strengthen its foothold.

It is important to note that, while exports performed strongly during 2012, the domestic market remains the main volume output for Irish pigmeat. Consumption in this marketplace eased back by almost 3% and reached approximately 143,000 tonnes,

Outlook 2013

Following rebuilding and recovery efforts in recent years, post-dioxin, the future for the Irish pig sector remains challenging. While feed prices have come back somewhat in recent months they are forecast to remain above long-term averages for the foreseeable future. In addition, difficulties in the non-feed elements of production such as credit availability, energy costs and compliance with the EU Loose Sow Housing Directive which came into force in January 2013, together with the decline in the size of the breeding herd will present significant challenges to producers. EU output is forecast to decline by 2-3% in 2013 which conversely will offer increased opportunities to Irish producers. However, the ongoing issues referred to above together with the near 7% decline in the Irish breeding herd in 2012, will limit Irish producers' scope to benefit.

All of these factors will strongly influence the production decisions of Irish producers and a marginal decline in export supplies is forecast.

Having said that, it is important to remember that pigmeat remains the most consumed meat worldwide and this will continue to present opportunities for Irish producers, given our self-sufficiency. In addition, the progress made in the last few years in establishing and consolidating a presence in important international markets will better position Irish producers to take advantage of growing demand.

3.6 Poultry & Eggs

General Market Situation 2012

Poultry meat has long been seen as a value for money food and this has underscored an increase in demand, particularly in recent years. However, the poultry sector continued to face considerable challenges during 2012. Chief among these were the continued increase in cereal, and ultimately feed costs, together with energy costs and significant pressure from imports.

Output in Ireland

In 2012 the output value of the poultry sector was €162m, up 16% on 2011.

Table 3.8

Output Value (€m) and
Volume of Poultry (000)
2011/2012

	2011 Value	Number	2012 ¹ Value	Number
Poultry	139.2	72,609.9	161.9	78,109.2

¹ Early Estimate
Source: CSO

Prices

Notwithstanding the significant increase in cereal prices, producer and wholesale prices in the sector increased marginally throughout 2012. 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. EU broiler prices increased by approximately 4% in 2012.

Slaughtering

Slaughtering of poultry amounted to 88.4 million birds during 2012 – an increase of almost 4% on 2011 levels.

Exports

The value of Irish poultrymeat exports in 2012 is estimated to have fallen slightly and amounted to some €208 million. Despite some competitive pressures in processed product, values to the UK have risen slightly. Volumes to Continental Europe and Asia both declined, but there was some growth in emerging international markets.

Eggs – Enriched Cages

New EU plans providing for the conversion of production systems to ‘enriched cages’ came into operation on 1 January 2012. Following the operation of an aid package amounting to €16 million to assist producers to convert, the size of the caged egg flock remained stable, at approximately 1.25 million, due to new entrants and consolidation amongst existing producers. Ireland was subject to an audit from the Food and Veterinary Office (FVO) and was found to have complied fully with the legislation.

Outlook 2013

Irish production is forecast to remain stable during 2013 as EU production is estimated to increase marginally. However, as with pigmeat, the impact of cereal price increases will influence output decisions by producers as the year progresses.

3.7 Cereals

General Market Situation 2012

The EU cereal harvest for 2012 is estimated at 272 million tonnes, a 4.7% decrease on 2011 and below the five year average, with a marginal reduction in stock levels. Production is broken down by common wheat of 123 million tonnes, barley 54 million tonnes, oats 7.8 million tonnes, while maize is estimated at 55.4 million tonnes, a decrease of nearly 19% on 2011. EU cereal prices fell back during 2012 but are expected to remain relatively high due to a tight market situation and concerns regarding effect of adverse weather conditions on crop development. On the world market, global grain production is forecast to be down 4% year-on-year and global consumption is forecast to contract for the first time in 14 years. Stocks are forecast to reduce further to a six year low, with maize stocks at historically low levels. World cereal prices peaked in early September 2012 but saw steep declines through December and early January. Prices have rebounded due to increased US feed use estimates. The International Grains Council has its estimate of 2012 global grain production in the region of 1,777 million tonnes, down from 1,851 million tonnes in 2011/12. Wheat production is forecast at 656 million tonnes, while maize production is estimated at 845 million tonnes. World barley production is estimated at 130 million tonnes.

Output in Ireland

The preliminary estimate of output value of cereals in 2012 is €263.5m, a decrease of 8.8% on 2011 primarily due to the exceptionally bad weather during the year.

Table 3.9

Output Value (€m) and
Volume of Cereals (000
tonnes) 2011/2012

	2011 Value	Volume	2012 ¹ Value	Volume
Barley	163.2	975.4	65.7	777.2
Wheat	104.9	653.5	76.3	319.9
Oats	20.8	118.3	21.5	89.1
Total Cereals	288.9	1,747.3	263.5	1,186.2

¹ Early Estimate
Source: CSO

Area, Yield and Production in Ireland

The 2012 Cereals harvest is estimated at 2.05 million tonnes, 18% or 456,400t below the 2011 harvest but close to the long term average of 2 million tonnes. The overall area sown to cereal was in the region of 310,000 hectares, an increase of 4.5% on the area sown in 2011. Total production of wheat is 680,000 tonnes, down 27% on 2011 with yields for winter wheat significantly lower; barley production is 1.223 million tonnes down by 13%, while production of oats decreased 10% to 151,000 tonnes. National cereal yields are lower than might be expected, given the increase in area sown. Grain quality suffered due to the adverse weather where below average sunshine and above average rainfall during the grain formation period affected grain fill. Regional yield and quality variations in all crops were evident across the country with barley being the most resilient crop with yields of 6.1t/ha for spring barley and 7.7t/ha for winter barley. Winter wheat yields decreased to 7.2t/ha, a 29% drop on 2011 and spring wheat 6.0t/ha, a decrease of 27% on 2011.

Table 3.10

Area yields and production of cereals 2012*

	Production 000 tonnes	Area 000 ha	Yield t/ha
Winter	600	83	7.2
Spring	80	13	6
Total Wheat	680	96	6.6
Winter	312	41	7.7
Spring	911	149	6.1
Total Barley	1,223	190	6.9
Winter	67	10	6.8
Spring	84	13	6.2
Total Oats	151	23	6.5
Total Cereals	2,054	310	7.1

Source: Teagasc Estimate

*refers to all production, which is subsequently sold or used alternatively typically for feed

Prices

Ireland is a deficit market for cereals and, as such, is greatly affected by world prices and supplies. According to provisional figures from the CSO, cereals were the best performing farm output in 2012 with grain prices increasing 17% on 2011 due to concerns of lower production figures in US. However, these price rises were more than offset by increased production costs and lower yield levels. Producers who availed of forward selling did not benefit from the price increases and also suffered further losses due to the poor quality of this year's harvest.

Intervention

There is no change to the price of grain sold into intervention in the 2012/2013 marketing year, with the basic buying-in price standing at €101.31 per tonne. The current intervention period runs from 1 November 2012 to 31 May 2013, however no offers have been made so far this marketing year.

Outlook 2013

At world market level, the International Grain Council forecast the global wheat area planted in 2013 would expand by 2.1% to 223 million hectares, boosted by relatively strong prices. However, persistent drought conditions in the main wheat growing areas of the US may result in higher than normal abandonment. In the EU, total area planted to barley, durum wheat and maize is to increase slightly to 56.7mt with increases in areas in France, Germany and Poland and decreases in UK and Sweden.

In Ireland, as a result of the difficulties faced by tillage farmers in 2012, Teagasc estimate a decrease of 41% in the acreage sown for winter cereals. Winter wheat is estimated at 45,000 hectares, down 46%, with winter barley of 30,000 hectares, down 26% and winter oats down 59% to 4,000 hectares.

3.8 Horticulture & Potatoes

General Market Situation

The value of output in the horticultural sector very much depends on prevailing weather conditions. Unfortunately wet weather conditions meant 2012 was a very difficult year for many sectors within the horticultural industry. After a reasonably good start to the year, the extremely wet weather from the summer onwards significantly reduced production in a number of sectors particularly potatoes, field vegetables, apples and soft fruit. However, the difficult growing season for producers across all of Western Europe gave rise to a relative scarcity of these products. This allowed some Irish producers to achieve higher returns which helped compensate for reductions in yield.

The horticultural sector continues to face downward pressure from the retail multiples as competition within the retail trade increases in response to the on-going economic recession. During 2012 there appeared to be an improvement in cash flow for some horticultural producers, coupled with an easing of the restrictions on the availability of credit. This contributed to a very significant improvement in the uptake of investment approvals for grant aid to assist capital investments by the sector under the National Development Plan. Over recent years many Irish growers have made significant capital investments to improve production efficiency as well as the quality of output. Energy costs have become a significant issue for the industry, especially those operating under heated glass. This is leading many growers to invest in alternative energy sources. Most areas within the horticultural sector are well placed to increase production output in 2013 assuming a return to more “normal” weather conditions.

Horticulture Output in Ireland

The horticulture (excluding potatoes) sector contributed approximately €297m to farm output in 2012.

Table 3.11

Output Value of
Horticulture, 2011/2012

Product	Value €m 2011	Value €m 2012	% Change Y on Y
Mushrooms	100.2	111.9	11.6%
Field Vegetables	61.1	55.8	-8.6%
Protected Crops	83.8	79.9	-4.7%
Outdoor Fruit Crops	7.5	6.3	-15.2%
Bulbs, outdoor flowers and foliage sector	4.2	3.6	-13.7%
Hardy nursery crops and other Horticulture sectors	44.5	39.1	-12.0%
Total	301.2	296.7	-1.5%

Source: DAFM Estimates

Irish grower numbers remained stable at around 80 however the value of output from the mushroom sector increased significantly in 2012 due to an increase of ~10% in production volume coupled with a small increase in value per unit. This was largely attributable to increased consumer demand in the UK. The EU Industry co-funded 3-year mushroom promotion campaign on the UK market, which commenced in autumn 2010, continues to be very successful in increasing demand for fresh mushrooms on the UK market. While the current campaign is due to end in 2013 it will hopefully be followed by a further 3-year co-funded campaign.

The sector continues to perform well and, given the level of efficiency and investment achieved by growers, has positive future prospects, though, given the sector's reliance on the UK market, returns will be influenced by currency changes. The recent weakening of Sterling against the Euro will reduce returns to Irish growers.

Fruit and Vegetables

Most field vegetable growers experienced significant difficulties due to wet weather in 2012 disrupting planting schedules, slowing growth and giving rise to product quality issues. To some extent this was offset by better returns from retailers and in some cases an easing of product specification requirements, however for many growers 2012 was a poor year.

Soft fruit producers also suffered due to wet weather significantly reducing fruit yields. This situation was compounded by very poor consumer demand for soft fruit through the summer months due a combination of poor weather and the economic recession and there was little scope for producers to increase returns to offset the decline in output.

Apple production in 2012 was down significantly due to many growers experiencing frost damage arising from late frost that occurred during blossoming in May, followed by the wet summer which resulted in poor pollination and development of fruit. While production from cider apple varieties was not as badly affected by the weather, yields for dessert apple varieties and to a lesser extent culinary varieties were down significantly. Growers succeeded in recovering some of their losses through increased apple prices but this was not sufficient to compensate them for their reduction in output.

Nursery Stock

The nursery sector continues to feel the effects of the severe slow-down in economic activity, the collapse in construction activity and the its knock-on effect on what was the nursery sector's main market: landscaping. This situation was further exacerbated by the poor weather in 2012 significantly reducing consumer spending on plants and gardening.

While people are still willing to buy plants they are no longer willing to spend significant sums on high value plants. This has left a number of specialist tree nurseries with large stocks of high value trees for which there is now very limited domestic demand. Due to the change in their market situation, many growers in the nursery sector have re-aligned their production systems to supply alternative markets including the export market.

Detection of *Chalara fraxinea* (ash dieback) on a number of Irish nurseries in late 2012 / early 2013 represents a significant risk to those nurseries with large numbers of ash trees. This disease's impact on Ireland's nursery sector and the wider environment remains to be seen.

Potato Sector

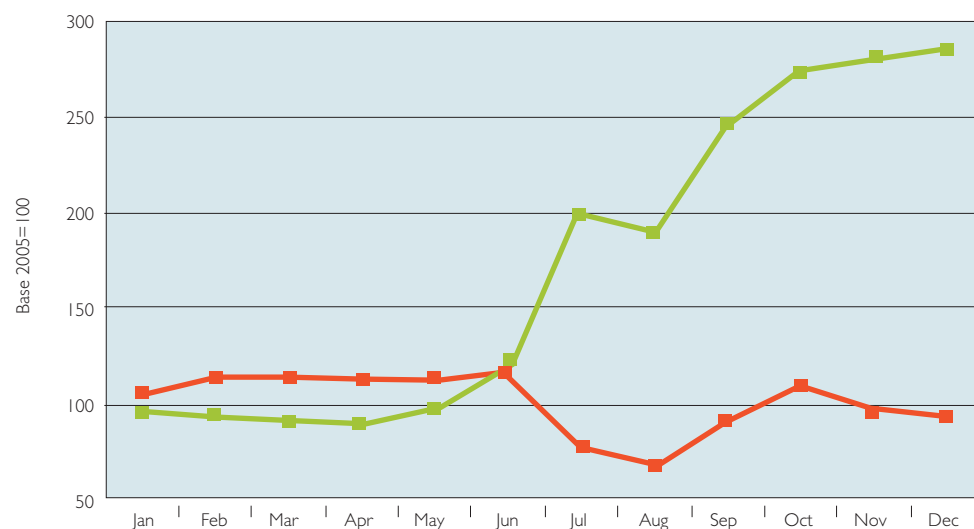
An 8% decline in the potato production area in 2012 compared to 2011, combined with a very difficult growing year, significantly reduced the volume of potatoes produced in 2012. Growers experienced very high disease pressure and harvesting difficulties due to the weather, resulting in lower marketable yields and significantly higher production costs. However, these increased costs have to a large extent been offset by exceptionally strong demand for the available Irish potatoes since summer 2012. Producer prices remain very much influenced by the volume of Irish potato production relative to demand. The variety "Rooster" became even more dominant in 2012 accounting for an estimated 58% of the total area planted.

The industry is becoming increasingly specialised with a small number of large scale growers accounting for an increasing proportion of total production. Given the high prices achieved for potatoes in 2012 it can be expected that there may be some increase in the area planted in 2013 despite the very high production costs associated with this crop.

Figure 3.10

Potato
Price Indices,
2011-2012

— 2011
— 2012



Source: CSO Agricultural Price Indices

Table 3.12

Area, Yield & Production
of Potatoes, 2011-12

Year	Area (000 Ha.)	Estimated Average Yield (tonnes per Ha.)	Production (000 tonnes)
2011	9.61	40	384.4
2012	8.86	29.7	263.1

Source: DAFM Estimates

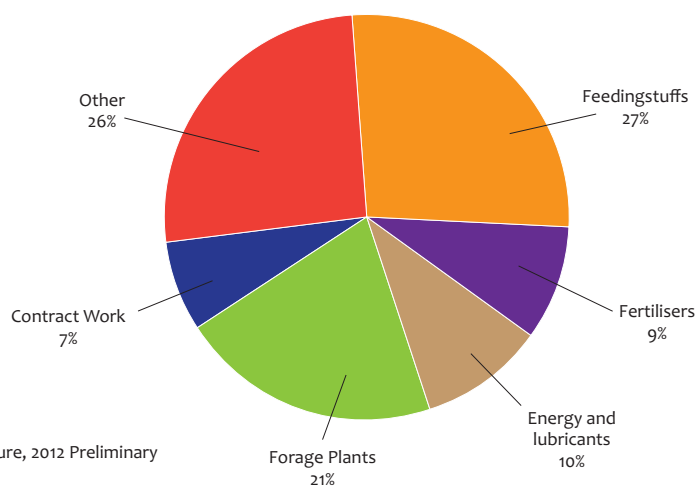
3.9 Intermediate Consumption In Agriculture (Inputs)

Expenditure on Intermediate Consumption

2012's intermediate consumption expenditure in agriculture was up 12% to €5,293.3m. Feedingstuffs, which account for over one-quarter of total intermediate consumption in the sector (see Figure 3.11), saw an increase of 22% while energy and lubricants increased by 9.6%.

Figure 3.11

Intermediate
Consumption 2012 -
% Share of Selected Items



Source: CSO Output, Input and Income in Agriculture, 2012 Preliminary

Price Indices for Agricultural Inputs

In 2012, the price level of agricultural inputs increased by 5% following on from an 11% rise in 2011. The price of both feedingstuffs (up 6%) and fertilisers (up 3%) both continued to rise during the year but at a much slower rate than before. Energy costs also increased, by 8%, driven by an 11% rise in electricity.

Table 3.13

Agricultural Input Price
Index, 2011-2012

Input Prices	2011 10.81%	2012 4.57%
Feedingstuffs, including	15.48%	6.30%
Straight	16.89%	6.03%
Cattle	16.29%	6.60%
Pig	17.40%	8.80%
Poultry	10.99%	3.38%
Fertilisers, including	22.61%	2.95%
Straight	27.09%	2.80%
NPK	21.94%	3.01%
PK	13.28%	5.94%
All Energy, including	15.13%	8.21%
Motor Fuels	18.05%	7.71%
Electricity	6.62%	11.37%
Seeds	2.39%	7.37%
Veterinary Expenses (incl A.I.)	-0.27%	0.72%

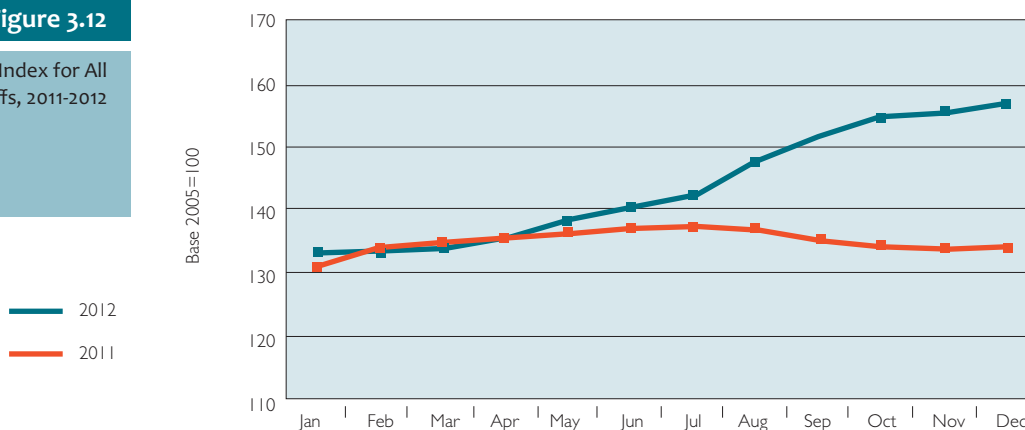
Animal Feedingstuffs

The volume of compound feedingstuffs produced in 2012 was significantly more than production volumes in the previous year, with 4.447 million tonnes produced in 2012 compared to 3.725 million tonnes produced in 2011. The overall cost of feedingstuffs increased from €1.18 billion in 2011 to €1.43 billion in 2012 – a jump of 22%.

The CSO Agricultural Price Index indicates a 6.3% increase in prices in 2012.

Figure 3.12

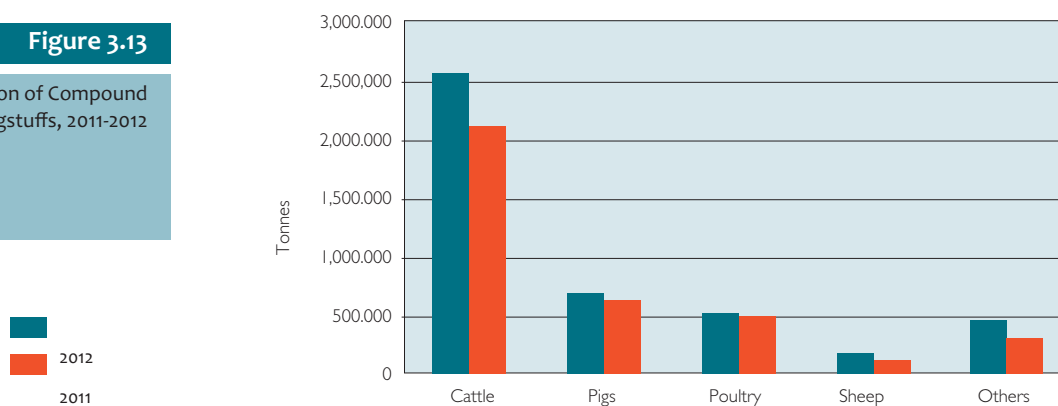
Price Index for All
Feedingstuffs, 2011-2012



Source: CSO, Agricultural Price Indices

Figure 3.13

Production of Compound
Feedingstuffs, 2011-2012



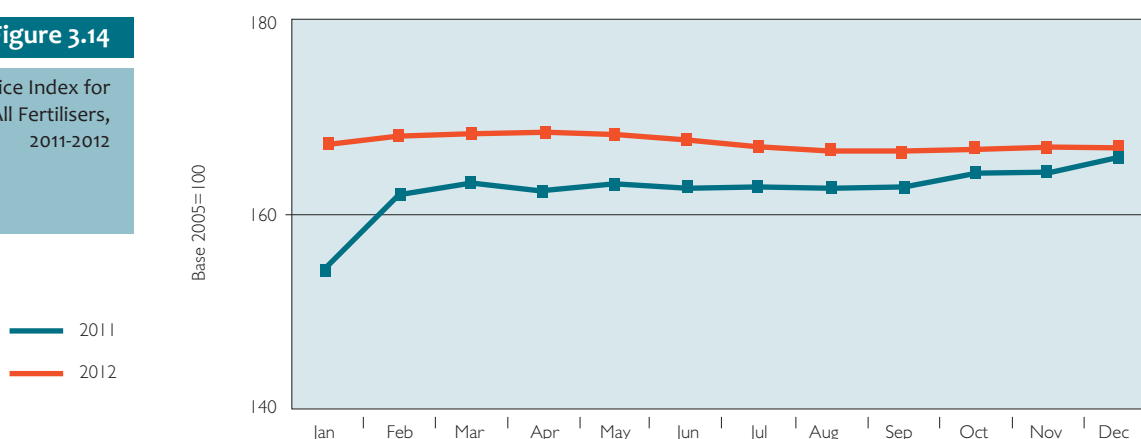
Source: DAF

Fertiliser & Ground Limestone

CSO estimates for 2012 indicate that the fertiliser (including ground limestone) price increased by 3.0% while the volume consumed decreased by 4.4%. This equated to a 0.8% decrease in the value of fertiliser consumed – from €494 million to €490 million.

Figure 3.14

Price Index for
All Fertilisers,
2011-2012



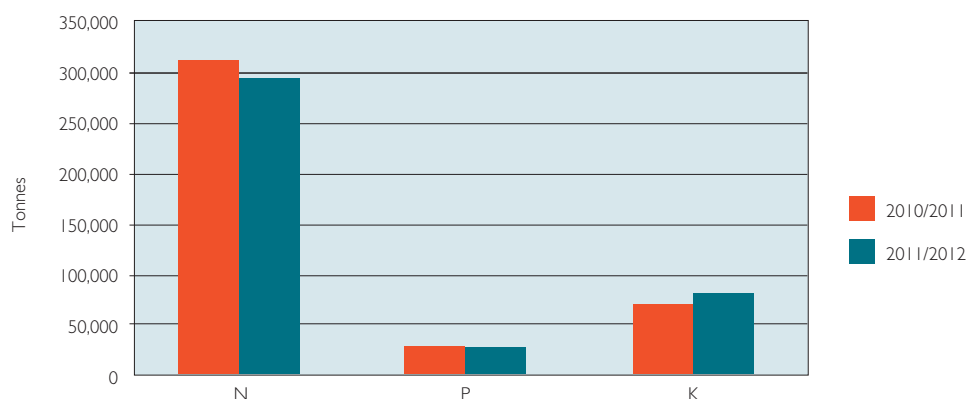
Source: CSO, Agricultural Price Indices

A comparison shows that for the sale year October 2011 to September 2012 total sales by volume of NPK fertiliser decreased by 2.8% to 1.231 million tonnes. The most significant decrease in usage occurred for Nitrogen with nutrient sales decreasing by 5.5%, while nutrient sales of Phosphorous decreased by 4.7%. In contrast, nutrient sales of Potassium increased by 11.2%. Ground Limestone sales in 2012 (calendar year) amounted to 521,355 tonnes compared to 819,724 tonnes in 2011, a decrease of 36%.

2012 showed a decrease in fertiliser usage primarily because of inclement weather conditions and an increase in price. Forecasts of continued good commodity prices and income returns in 2013 would signal a similar fertiliser usage in the coming year. Early indications are that fertiliser prices in 2013 will continue at similar levels to 2012, however they are highly sensitive to the cost of energy, and supply and demand considerations.

Figure 3.15

Sales of Fertilisers by
Nutrient Content, 2010/2011
and 2011/2012



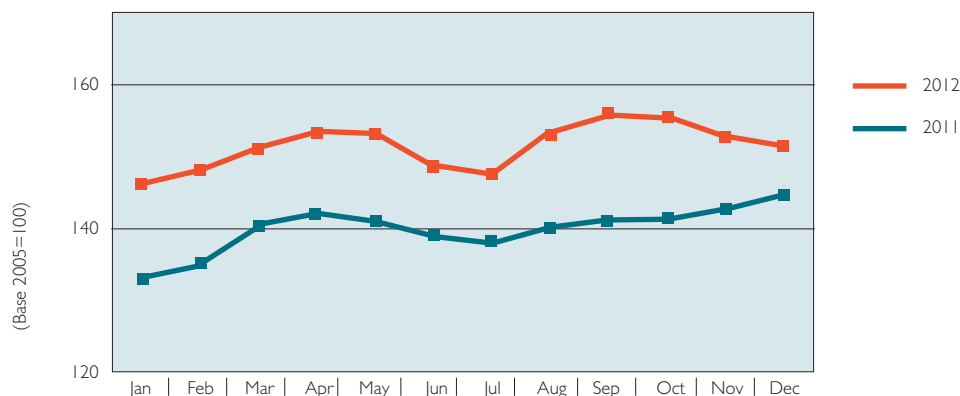
Source: DAFM

Energy Costs

In 2012, within the sector, the price of all energy products rose by 8%, with Motor Fuels increasing by 8% and the cost of electricity by 11%.

Figure 3.16

Price Index for
all energy,
2011-2012



Source: CSO, Agricultural Price Indices

Chapter Four:

Farm Structures

Chapter 4 Farm Structures

4.1 Overview

This Chapter looks at farm structures in Ireland using data from the results of the Census of Agriculture 2010 and the Teagasc National Farm Survey 2011, amongst other sources. It also presents analysis of the age profile of farmers based on DAFF client data.

4.2 Farm Numbers and Farm Size ¹

The results of the CSO's Census of Agriculture 2010 show there were 139,860 farms in Ireland in 2010 compared to 141,527 farms in June 2000, a decrease of only 1.2% over 10 years. However, the CSO has emphasised that the data collection methodology used for the Census of Agriculture 2010 differs fundamentally from that used in the previous Censuses and therefore the results may not be directly comparable.

That said, the preliminary Census 2010 results indicated that utilised agricultural area increased by 2.8% over the ten year period, from 4,443,071 hectares in June 2000 to 4,568,938 hectares in June 2010. Meanwhile, at individual farm level the average size of an agricultural holding increased from 31.4 hectares to 32.7 hectares.

Table 4.1

Number and Size of farms,
2000 and 2010

	2000	2010	% Difference
Number of farms	141,527	139,860	-1.18%
Utilised agriculture area excluding commonage (ha)	4,443,071	4,568,938	2.83%
Average farm Size (ha)	31.4	32.7	4.14%

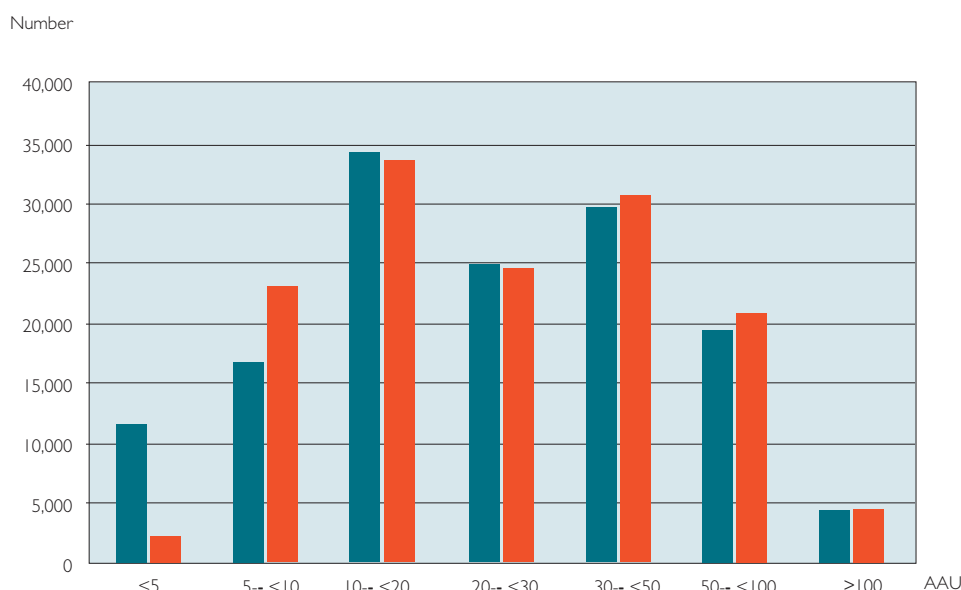
Source: CSO Census of Agriculture 2010

The Census of Agriculture 2010 results include a breakdown of farm numbers by size category too. Although the results are broadly similar across the categories over the ten years, there has been a marked drop in the number of the very smallest farms. Still, over 42% of farms were less than 20 hectares while just over 3% had 100ha or more.

Figure 4.1

Number of Farms
by Size of Farm
(AAU), 2000 and 2010

2000
2010



Source: CSO Census of Agriculture 2010

¹ The CSO's average farm size is arrived at by dividing the total UAA excluding commonage by the number of farms. The standard Eurostat definition uses the total UAA including commonage which explains the differences in the figures from both sources.

4.3 Age Profile of Farmers

We can also draw on the Census of Agriculture 2010 for an age profile of farm holders. The most striking aspect is again at the lower end of the spectrum, where the percentage of farmers under the age of 35 has more than halved. At the other end of the scale 51% of farmers are now over 55 compared to 39.5% ten years ago.

Table 4.2

Number of Farms* by Age of Farm Holder, 2000 / 2010

	2000		2010	
	Number '000	%	Number '000	%
< 35	18,382	13.0%	8,683	6.2%
35-44	30,780	21.8%	24,562	17.6%
45-54	36,332	25.7%	34,614	24.8%
55-64	27,805	19.7%	35,058	25.1%
>65	28,043	19.8%	36,639	26.3%
Total	141,342	100%	139,556	100%

* Family Farms only

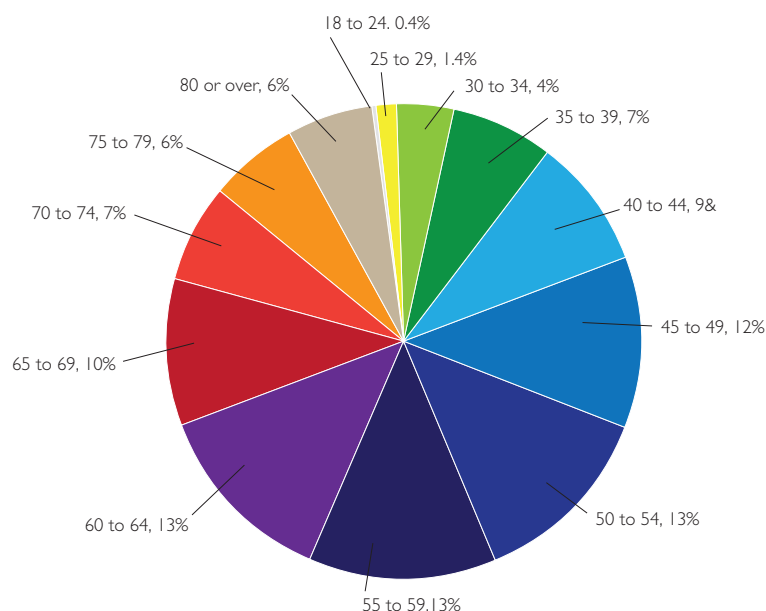
Source: CSO Census of Agriculture 2010

Age profile of DAFM clients, based on CCS data ²

Another view of farmers' age profile is from an analysis of data from the DAFM Department's Corporate Customer System (CCS) for 2011 - Both a herdnumber and a date of birth, based on the individual's PPSN, are recorded on the CCS. More details are available in last year's publication.

Figure 4.2

Age profile of DAFM clients 2011, based on CCS data



² Caveats

There are a number of important caveats to this analysis. Firstly, this data is based on DAFM clients who received payments in 2010 or 2011 (excluding re-issued cheques), and where records show both a herdnumber and a PPSN with date of birth attached. Secondly, it excludes companies. It also excludes clients where the payment is in more than one name – e.g. husband & wife, or partnerships where payments are made to more than one payee. In all, about 5,000 clients have payments in more than one name. Those excluded are likely to be at the younger end of the age spectrum – e.g. new entrants to farming in partnership with a parent or uncle. Finally, CCS data reflects the 'name on the cheque' as the Department's client, even where a younger relative may be doing the farm work.

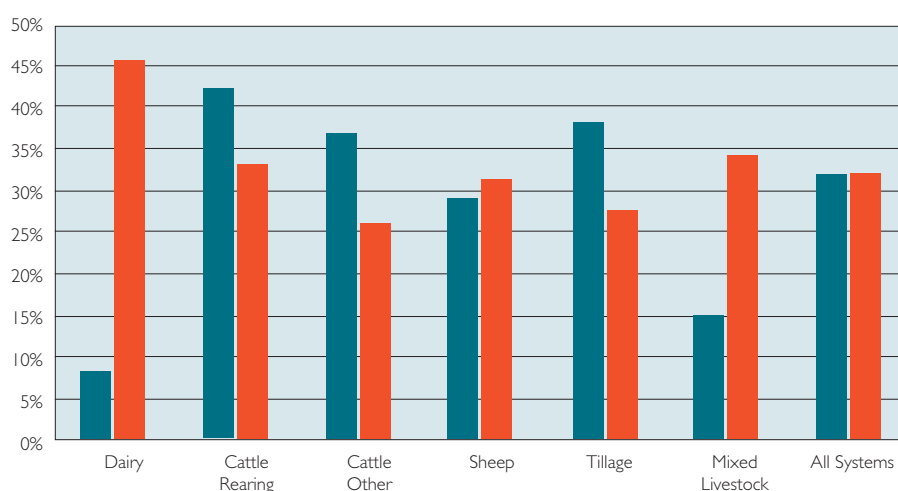
4.4 Off-farm Employment

The Teagasc National Farm Survey 2011 which represented 105,535 farms³ nationally, indicated that 32% of both holders and spouses had an off-farm occupation. In 50% of cases, down from 51% the previous year, either the holder and/or spouse had off-farm employment⁴. The highest incidence of farm-holder off-farm employment was reported on 'cattle other' and tillage farms, while spouses were more likely to have off-farm employment on dairy farms. Overall it is estimated that on 78% of farms either the farmer and/or spouse had another source of off-farm income, be it from employment, pension or social protection.

Figure 4.3

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

Holder
Spouse



Source: Teagasc National Farm Survey 2011

4.5 Labour Input

Again, the most recent data available on labour input on farms is from the CSO's Census of Agriculture 2010. Total labour input was calculated as 168,000 annual work units 2% down on the 172,000 recorded 10 years previously. 5.5% more people are involved in the supply of this labour though. Of these 272,000 individuals, 51% are farmholders, 17% spouses, 26% other family and 6% non-family. The notable change from 2000 is a 4% drop for farmholders and an equal rise for other family members.

Figure 4.4

Labour Input in Agriculture, 2000 and 2010

Non-family workers
Other Family
Spouse
Farmholder



³ The National Farm Survey excludes farms with less than 2 ESU's

⁴ 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.

Meanwhile, data from the National Farm Survey 2011 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 43%. Under-employment is particularly evident on part-time drystock farms, whilst full-time farms, particularly dairy and tillage, have less labour available than required.

Table 4.3

Comparison of Actual Labour versus Estimated Labour Requirement (Standard Man Days), 2011

	Dairy	Cattle Rearing	Cattle Other	Sheep	Tillage	Mixed Livestock	All Systems
Full-time farms							
Total actual labour units*	1.64	1.48	1.48	1.40	1.68	1.66	1.58
SMD** labour units	2.10	1.17	1.26	1.18	2.29	1.94	1.80
Total actual labour as % SMD	78%	126%	117%	119%	73%	86%	88%
Part-time farms							
Total actual labour units	1.18	0.92	0.90	0.97	0.85	1.20	0.93
SMD labour units	0.65	0.34	0.30	0.39	0.40	0.51	0.34
Total actual labour as % SMD	182%	272%	305%	250%	212%	235%	271%
All farms							
Total actual labour units	1.61	0.95	0.99	1.09	1.19	1.47	1.13
SMD labour units	2.00	0.39	0.45	0.60	1.17	1.36	0.79
Total actual labour as % SMD	80%	245%	222%	182%	101%	108%	143%

Source: Kinsella, A. Quinlan, G, (2013) Analysis using National Farm Survey 2011 data.

*Actual labour unit is defined as 1,800 hours or more worked on a farm by a person over 18 years.

**Standard Man Days (SMD) Labour Unit eight hours of work supplied by a person over 18 years of age. The number of SMD required per hectare for the different crops and per head for various categories of livestock is used to calculate the total number of SMDs required to operate the farm

4.6 Employment

CSO's Quarterly National Household Survey (QNHS) for 2012 shows a 2% year on year increase, to 87,100, in the number of people identifying agriculture, fisheries and forestry as their main occupation/source of earnings. Male employment in the primary sector rose 0.4% while female employment rose 12.1% year on year. However, since 2008, such employment has fallen by almost exactly the same percentage for either sex, with both showing decreases of just under a quarter in the totals employed.

Table 4.4

Employment in Agriculture by Gender, 2010/2012

	2010	2011	2012	2012/11 change
	('000)	('000)	('000)	
Male	75.3	76.6	76.9	+0.4%
Female	9.8	9.1	10.2	+12.1%
Total	85.1	85.7	87.1	+1.6%

Source: CSO, Quarterly National Household Survey, (Quarter 2), 2012

4.7 Land Prices and Land Mobility

Official data on land sale transactions has not been available for the last few years, however, a number of private surveys are carried out each year. According to the Society of Chartered Surveyors of Ireland⁵, agricultural land prices have increased in most parts of the country during 2012, with strong interest in most regions though poor weather conditions in the second half of the year affected sales. The national average price for agricultural land is now just over €10,000, according to this study with prices for agricultural land having increased marginally compared with 2011. There is still demand for good quality parcels and usually local demand is sufficient to meet the limited supply. Compared to other sectors agricultural land is doing very well, with the price increase in 2012 continuing the upward trend from the previous year.

Still, supply remains very limited. Well located plots of land achieve far higher prices than the national average, especially where there may be a number of local interested parties or where there are outbuildings present. Cash buying is very common now for agricultural land sales with purchasers generally being active farmers or those from a farming background who know that prices are now at more realistic and sustainable levels for farming.

Conacre prices increased slightly during 2012, but less than in previous years. Prices for land used for silage increased by about 4%, with average prices at €143 per acre. Further rental price rises are expected in 2013, given the need to make up for inadequate fodder supplies in 2012 due to poor weather. Demand is strong, particularly in Munster, where prices are now back to pre-crisis levels but prices remain stagnant in Connaught/Ulster with a continuing decline in tillage land prices.

Elsewhere, the survey by Knight Frank⁶ states that 12,100 acres of farmland were sold in 2012, a 28% increase on 2011, despite prolonged weather difficulties. The average price paid for agricultural land in 2012 was €10,586 per acre, a 5% increase on 2011, and there were 30% more sales completed than in 2011. Prices in the Dublin, Kildare and Wicklow region increased by 14.3%, following a decline last year. Prices overall increased by 5% (or 3% if the Dublin Kildare and Wicklow region is excluded). The highest price per acre was paid for a large (275 acre) dairy farm with 229,000 gallons of quota in Cork, which fetched 17,000 per acre. Strong demand is likely to continue, with a further 5% increase in values being forecast for 2013. While these trends are positive, they are still based on a very limited number of sales (209) - There were only 22 reported sales for 2011 in the whole of Connaught and Clare, with no sales at all recorded for Donegal and Leitrim. Prices for this region were also lower than in 2011. Only 8% (390 acres) of the land brought to market was sold. Sales of less than 20 acres were generally excluded from the survey unless it was specified that a farmer was the purchaser.

The most comprehensive information, comes from the 2012 agricultural land price report in the Irish Farmers Journal⁷. According to this report, a total of 1,218 land parcels were offered for sale, but less than half (515) were actually sold. This gave a total of almost 24,000 acres recorded as sold. Sales of less than 10 acres were excluded, but this survey captured many sales that were not recorded in other studies. It also bears out the findings in other reports that the market appears to have recovered, that prices and the amount of land offered are increasing and that farmers are now more confident that speculation has ended and prices are more realistic. Farmers were the active bidders and usually a local farmer was the purchaser.

The report provides evidence of firming in the land market, with prices increasing in most counties. The total amount offered for sale (63,756 acres) and the total amount sold (23,977 acres) both a significant increase on the previous year. However, the survey also bears out

⁵ The Society of Chartered Surveyors Ireland Annual Property Report 2012 – 6th February 2013

⁶ Farm Market, January 2013, Knight Frank

⁷ Agricultural Land Price Report 2012, a supplement in the Farmers Journal of 7th March 2013

the findings elsewhere that there is a very low level of sales in the North-West, with just 19 farms (959 acres) offered for sale in Donegal, 14 farms (440 acres) in Leitrim and just 10 farms (468 acres) in Sligo. The average price per acre in 2012 was €9,954 an increase of about 14% on the previous year, though, while prices went as high as €24,692 per acre and averaged €13,724 in Dublin they dipped to an average of €4,517 in Leitrim, with a low of €3,500 per acre in one sale.

In general, there have been strong increases in prices countrywide, with only Kerry and Louth experiencing strong decreases. The belief amongst auctioneers and the farming sector is that values are likely to continue to stabilize and may even increase in 2013. Despite the increasing number of transactions, however, it is still the case that only about 0.2% of all agricultural land was sold last year.

4.8 Investment, Borrowings and Interest in Agriculture

Gross fixed capital formation, or capital investment, in agriculture experienced a dramatic collapse back in 2009 having climbed to record highs in the few years preceding. Most of the decrease was attributable to investment in farm buildings which, based on CSO data, reached a record level of €1,306 million in 2008, up 105% on 2007, only to drop by 81% to €244m in 2009. Although it should be noted that the increase in investment in farm buildings in 2007/8 was largely attributable to the Farm Waste Management Scheme, with one of the criteria of the scheme being that all building work had to be completed by the end of 2008, the overall investment amount (excluding breeding stock) dropped by a further 36% in 2010.

However, as the graphics below show, the situation has improved considerably over the last two years. Investment overall (again excluding breeding stock) has risen by 81% in two years, with farm buildings spend up 45% and Agricultural machinery and other equipment expenditure up circa 200% on the 2010 figures. This brings the total investment level back roughly in line with 2006, before both the spike associated with the FWMS and the subsequent financial crisis.

Figure 4.5

Capital Investment in Agriculture, 2003-2012

Source: CSO

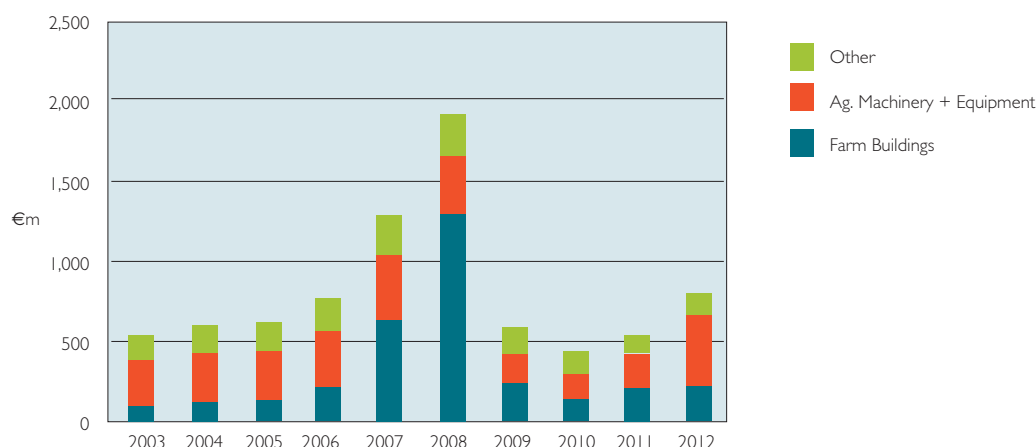
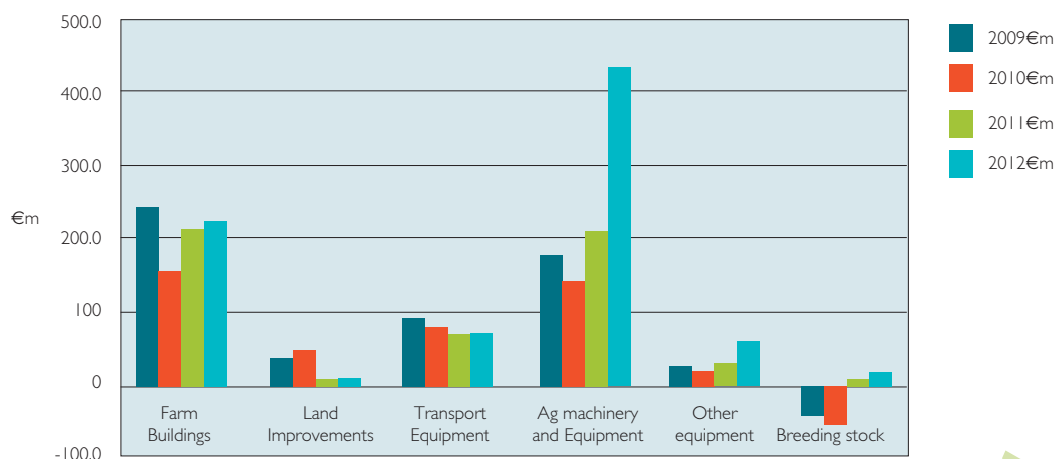


Figure 4.6

Gross Fixed Capital Formation €m in Agriculture, 2009-2012

Source: CSO



Borrowings

In the 12 months to September 2012, there was a 4% decrease in total borrowings by the primary sector, following on from last year's 3% drop. Meanwhile, interest paid by the agriculture sector declined by less than one per cent to €314 million between 2011 and 2012, consolidating last year's sudden slowing of the rate of decline after sharp dips in the two preceding years.

Table 4.5

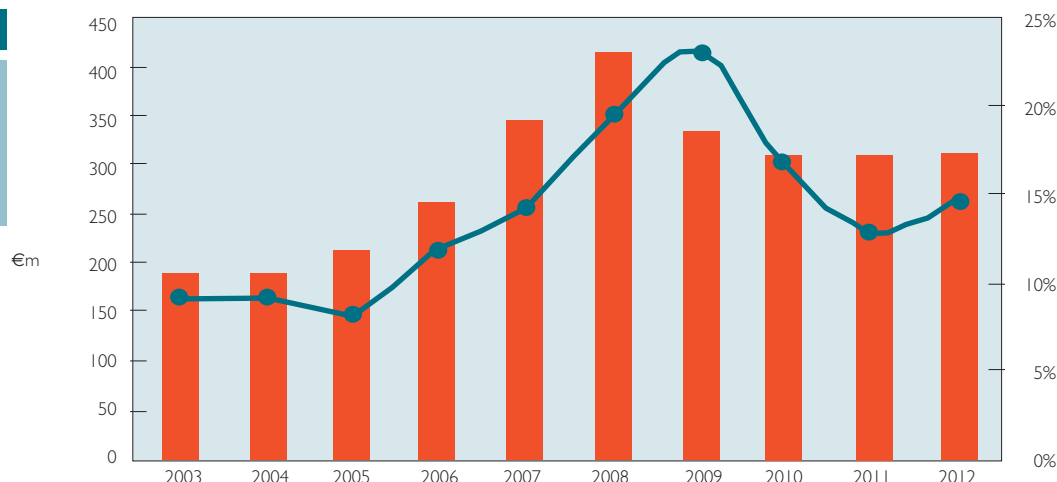
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Borrowings by Agriculture, Forestry & Fisheries Sectors, 2004-2012 (€m)									
Agriculture	3,163	3,542	4,085	4,532	5,173	4,960	4,595	4,435	4,277
Forestry, Logging, Mining & Quarrying	401	484	515	664	828	704	575	566	538
Fishing & Aquaculture	394	420	410	404	412	374	316	322	295
Primary Production Total	3,959	4,422	4,994	5,583	6,412	6,038	5,486	5,323	5,110

Source: Central Bank Table A.14 (2011 Revised categorisation), September data for each year

Figure 4.7

Interest paid as a percentage of Operating Surplus 2003-2012

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



Source: CSO Output, Input & Income

4.9

Competitiveness of Irish Farms

Accountancy Measures of Competitive Performance – Dairy Sector

Analysis of the relative competitive performance of the Irish dairy sector at farm level is outlined below and based on research by Donnellan et al., (2011). The analysis is based on accountancy measures of competitive performance using Farm Accountancy Data Network (FADN) data and other sources for selected countries for the period 2008-2010. The results outlined below are broadly consistent with the findings of previous reports on the competitive position of Irish dairy farming.

Costs and returns in Ireland and a number of key competitor countries were examined namely: Belgium, Denmark, France, Germany, Italy, the Netherlands and the United Kingdom. Comparing the average dairy farm in these countries Ireland has amongst the lowest cash costs relative to output value. However, the costs of the farmer's own labour, owned land and owned capital must be taken into consideration in the longer term, as, to make a true profit over the longer term a dairy farmer needs to cover its full economic costs. When the full economic costs of doing business are taken into consideration, including a payment to the dairy farmer for his owned land, labour and capital, the average size Irish dairy farm would be considered to be a high cost producer in the EU15. This is because land and labour costs in particular are high in Ireland compared to competing dairy producers in the EU. On a more positive note, looking at cash and economic costs across the EU15 for larger sized farms (farms with 50 to 99 cows), Irish farms perform better than in the comparison of average sized farms.

Figure 4.8

Estimates of Economic and Cash Costs for specialist Milk Producers in EU (2008-10)



Reference:

Donnellan, T., Hennessy, T., Keane, M., Thorne, F. (2011) Study of the International Competitiveness of the Irish Dairy Sector at Farm Level, National Report, Funded by AIB, Teagasc, available at www.teagasc.ie

Chapter Five:

The Food Industry

Chapter 5 The Food Industry

5.1 Overview

Estimates for 2012 provide evidence that the Irish agri-food sector is continuing its impressive recovery from the negative effects of the global recession. The manufacture of food and drink products remains one of Ireland's most important indigenous industries as well as providing the primary outlet for the produce and output of the country's 140,000 family farms. This importance is exemplified across a wide range of variables. Annual turnover in the sector was just under €25 billion in 2010. The manufacture of food and beverages employs in the region of 55,000 people directly, as well as supporting a multiple of this when those indirectly employed are taken into account. Both the sector's direct and indirect employment has an extensive geographic spread throughout all regions of the country with higher than typical concentrations in rural areas.

Bord Bia estimates that the value of food and drink exports in 2012 increased to a record €9 billion, which gave a 27% increase in the last three years. The 2012 performance more-or-less consolidated the large gains in the preceding two years though there was also further growth of 2%. The reach of such exports continued to broaden, helped by steady demand and favourable exchange rates, in particular the weak euro relative to Sterling which boosted trade to the UK. The UK is estimated to have accounted for 42% of food and drink exports in 2012, with 31% going elsewhere in Europe and 27% going to international markets.

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

Table 5.1

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

	Estimated Values	% of Total
Food & Drinks GVA (2011)	€6,894m	4.8%
Agri-Food Exports* (2012)	€9,970m	10.8%
Employment (Q4 2012)	53,600	2.9%

Source: CSO National Accounts, CSO Trade, CSO QNHS Q4 2012,

* Includes primary agri-food production, forestry and food and beverages

5.2 Size and Structure of the Food and Drinks Sector

Output-Turnover and Gross Value Added

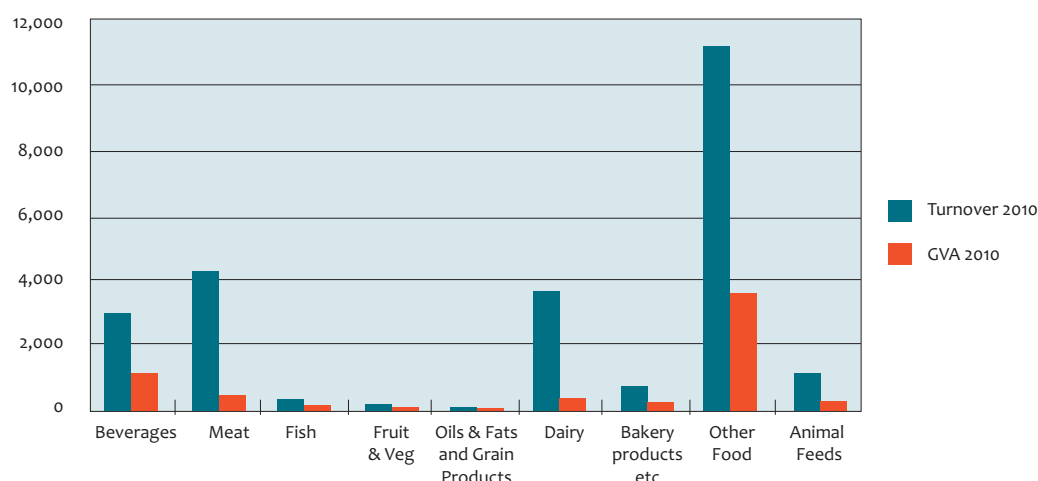
Data from the CSO Census of Industrial Production 2010 shows that the Food and Beverages sector accounted for slightly under €25 billion in turnover or over one-quarter of total turnover for all manufacturing industries. The food sector (excluding beverages) accounts for circa 88% of turnover in the Food & Beverages sector with meat and dairy production accounting for just below one third of turnover. In terms of Gross Value Added (GVA), the meat and dairy sectors account for 14% of the sector's total, while beverages accounted for some 19%. "Other Foods" which would include processed food products, unsurprisingly accounted for a high proportion of total GVA for the sector at 56% or some €3.6 billion. The composition of output as measured by both turnover and gross value added by broad sector for 2010 is outlined in Figure 5.1.

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

Figure 5.1

Composition of F&D Industry Turnover and Gross Value Added by Broad Sector 2010

Source: CSO, Census of Industrial Production 2010



The GVA attributable to the food and drink sector was a little under €6.5 billion in 2010 with the food sector component representing over four fifths of this (82% or €5.2 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 (2010).

Table 5.2

GVA of F&D Sector at Market Prices, 2010

	GVA 2010 (€m)	%
Meat & Meat Products	531	8.28%
Fish, crustaceans & molluscs	80	1.25%
Fruit & Vegetables	71	1.11%
Oils & Fats and Grain Products	33	0.51%
Dairy Products	394	6.14%
Bakery Products etc.	304	4.74%
Other food products	3,613	56.31%
Prepared animal feeds	208	3.24%
Food Total	5,232	81.55%
Beverages	1,184	18.45%
GrandTotal	6,416	

Source: CSO 2010 Census of Industrial Production

The meat sector, along with dairying, continues to play a highly important role in the overall food sector, with the Other Foods category providing a vital source of demand for all indigenous primary production. Focussing on the meat and dairy areas, Figures 5.2 and 5.3 show breakdowns for overall turnover and GVA for the meat sector by its sub-components. In 2010, the turnover for the entire meat sector increased by 5.8% compared to the previous year, whilst GVA decreased by 4.6%. The Beef Sector represented over half of the total Turnover and over a third of total GVA.

Figure 5.2

Turnover in the Meat Sector, 2010

Source: CSO

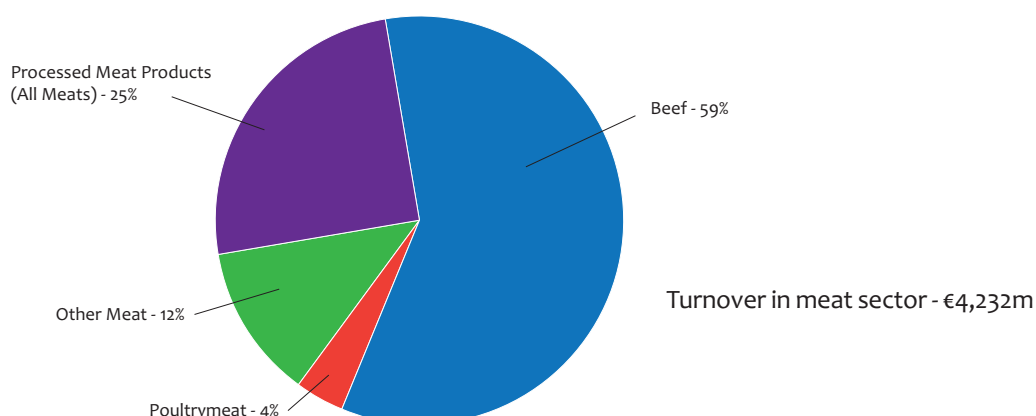
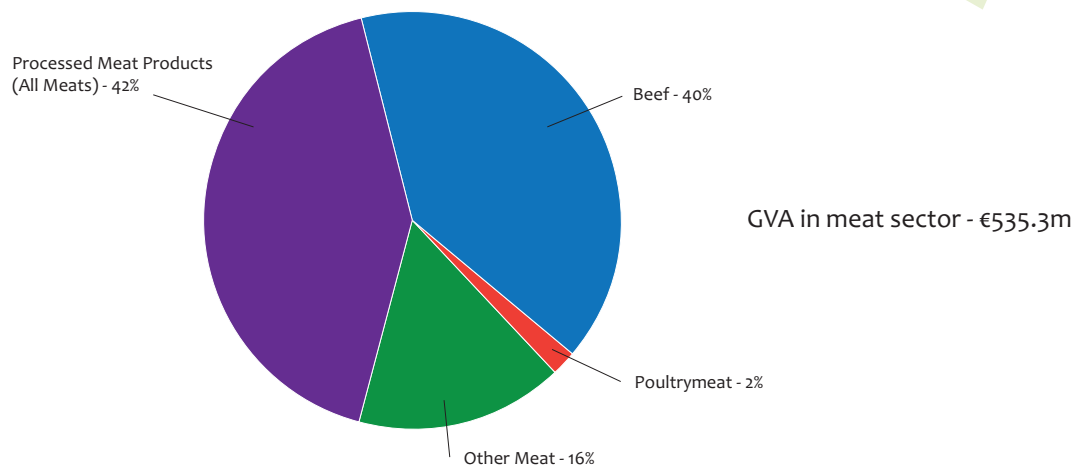


Figure 5.3

GVA in the Meat Sector, 2010

Source: CSO



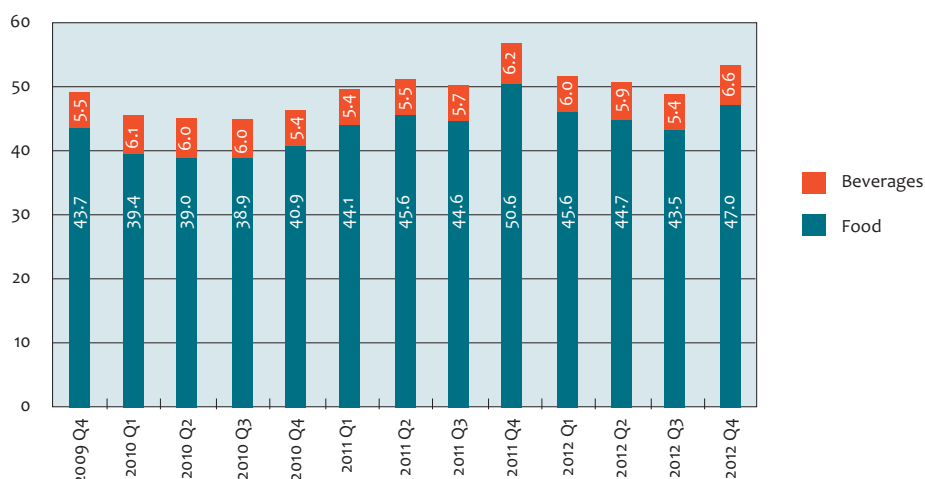
Employment

According to the most recent data from the CSO, employment in the Food and Beverage sector stood at 53,600 in the fourth quarter of 2012, up 9% on the same quarter in 2010. Figure 5.4 illustrates the employment trends for the food and beverages sectors over the past few years (2009-2012 Q4).

Figure 5.4

Employment in the F&B Sector, 2009-2012

Source: CSO



Size and Structure

According to the CSO's Business Demography data the food and beverage sector encompasses in the region of 1,200 enterprises, of all sizes, across a wide spectrum of types, from small independent farmhouse producers to the large, often multinational, food processors and marketers.

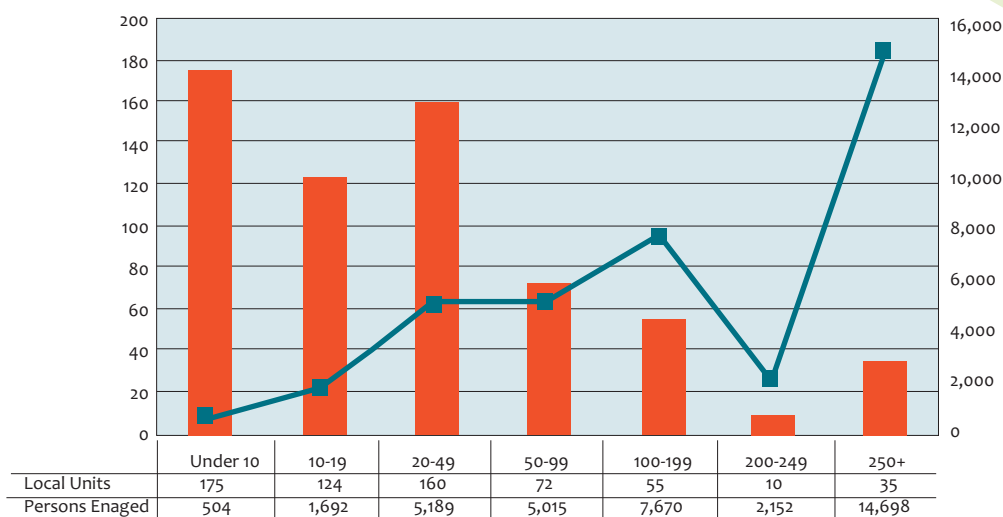
The CSO's more narrowly based Census of Industrial Production focusses on businesses with three or more people. The latest (2010) data shows that the sector, whilst accounting for 17% of manufacturing units in Ireland, provided some 30% of manufacturing employment. These percentages were up from 14% and 21.5% respectively in 2009 reflecting the sector's relative resilience during the recession.

Figure 5.5, below, illustrates the structure of the sector in terms of company sizes and in employment levels². Some 5.6% of units in the sector, typically larger companies and cooperative concerns, account for just under two-fifths of persons engaged. Approximately three-quarters of local manufacturing units in the sector, those employing 50 persons or less, account for exactly 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).

² It should be noted that the CIP includes only enterprises with 3 or more employees. It is also non-comparable with the QNHS.

Figure 5.5

Food & Beverages Industry
Structure, 2010



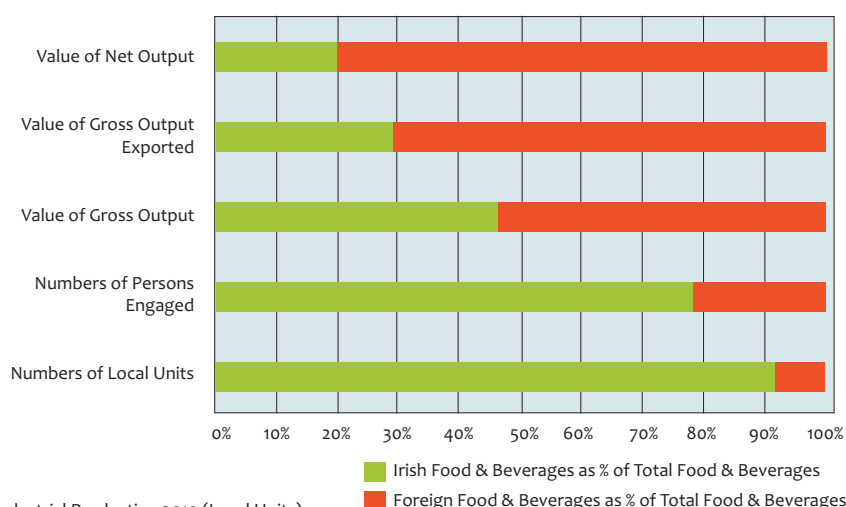
Source: CSO, Census of Industrial Production (2010)

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 Food & Beverage sector. The majority of employment in the sector is in Irish owned units, which account for more than nine out of every ten. The value of gross output remains fairly evenly split between Irish and foreign owned units but the gross value exported by Irish F&D units increased by almost 23% in 2010 (the latest available figures), to €4 billion. Furthermore, Irish owned Food & Beverage exports accounted for more than half (51%) of gross value exported by all Irish owned manufacturing units. Lastly, the comparatively high percentage of net Food & Beverage output by non-Irish owned enterprises, 80%, is largely explained by a small number of very large concerns operating in Ireland.

Figure 5.6

Distribution of key variables
between Irish and Foreign
ownership within the Food
& Beverage Sector, 2010



Source: CSO, Census of Industrial Production 2010 (Local Units)

The Annual Business Survey of Economic Impact (ABSEI)³ for 2011, 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 74% 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 40%. Also striking is the fact that the FD sector accounts for 69% of total manufacturing consumption of Irish Raw Materials.

³ The ABSEI survey covers the client base of Enterprise Ireland, IDA Ireland, Shannon Development and Údarás na Gaeltachta, and the population comprises all manufacturing and internationally traded services firms in Ireland with 10 or more employees – approximately 3,600 client companies.

Table 5.3

Irish Economic
Expenditure, 2011

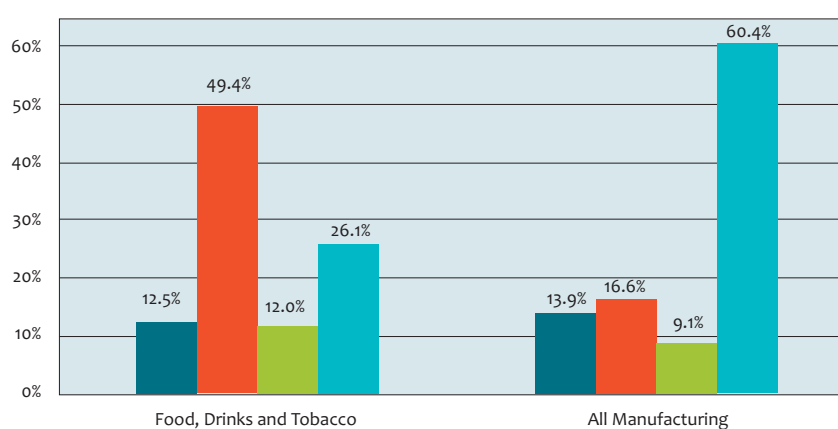
	F&D Sector	All Manufacturing	F&D % of All
€m			
Payroll Costs	1,711	8,236	21%
Irish Raw Materials	6,771	9,866	69%
Irish Services	1,649	5,369	31%
Corporation Tax	163.3	1,726	9%
Total Irish Economy Expenditure (IEE)	10,131	23,471	43%
Total Expenditure	13,710	59,289	23%
IEE as % of Total Expenditure	74%	40%	
Sales	16,369	89,064	18%
IEE as % of Sales	62%	26%	

Source: Forfás, Annual Business Survey of Economic Impact, 2011

Figure 5.7

Breakdown of Expenditure
in F&D Sector compared
with overall manufacturing
sector, 2011

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



Source: Forfás, Annual Business Survey of Economic Impact 2011

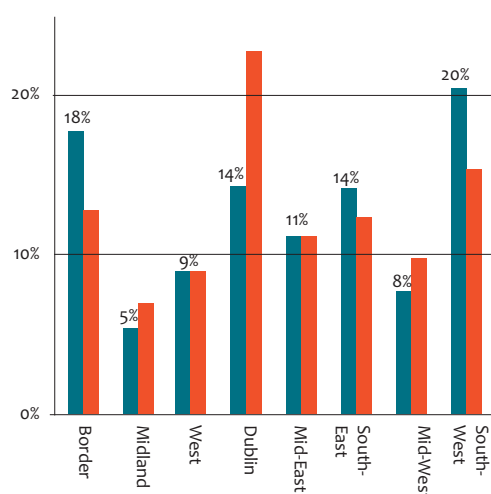
Regional Spread

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

Figure 5.8

Regional dispersion of F&D
compared to other
manufacturing
industries, 2010

■ Total Food and
Beverage Local Units
■ Percentage of other
Manufacturing Local
Units



Source: CSO

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

Table 5.4

Regional Dispersion of Food & Beverages and All Manufacturing Sectors, 2010

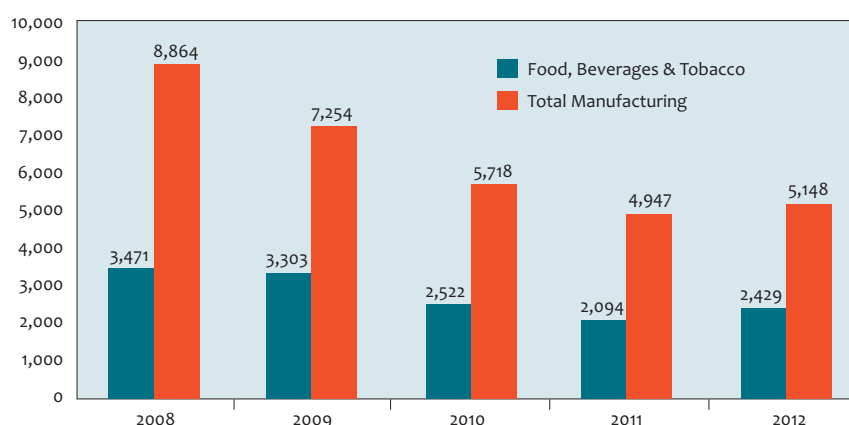
No of Local Units	Regional Authority Area								
	Border	Midland	West	Dublin	Mid-East	South-East	Mid-West	South-West	Total
Food & Beverage Sector	112	34	56	91	70	89	50	129	631
Other Manufacturing	475	259	334	847	412	453	364	575	3719
Total Manufacturing	587	293	390	938	482	542	414	704	4350
Food & Beverages as % of Regional Total	19%	12%	14%	10%	15%	16%	12%	18%	15%
Regional % of Total Food & Beverages No of Local Units	18%	5%	9%	14%	11%	14%	8%	20%	100%
Meat	26	14	14	11	22	21	8	16	132
Dairy	11	20	42*	72*	48*	16	7	22	403
Other Foods	70			8		44*	35*	91*	65
Drinks	5			8		8			31

*Breakdowns unavailable due to confidentiality.

Borrowings and Capital Acquisitions

Figure 5.9

Outstanding Credit Advances to Food & Drinks Sector, 2008-2012

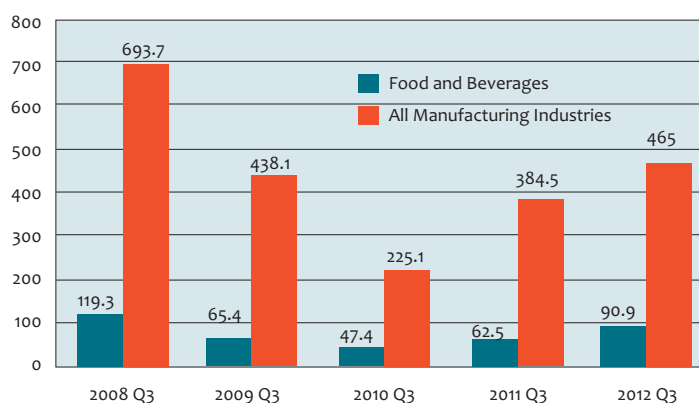


Source: Central Bank Quarterly Bulletins - September data

The F&D sector has significant capital requirements for both capital assets as well as working capital. Figure 5.9 gives a breakdown in the amount of outstanding borrowings to F&D companies as at September 2012, compared to the same period in the preceding four years. The level of borrowings extended to Food & Beverage companies fell by 30% over that time, significantly less than the 42% drop across All Manufacturing. At the same stage in 2011 the percentages were roughly the same for both but the divergence is accounted for by a 16% increase in outstanding credit advances for the FB&T sector, compared to just 4% for all manufacturing. These are the first such rises since 2008.

Figure 5.10

Capital Acquisitions in the Food & Drinks Sector versus Overall Manufacturing 2008/2012



Source: CSO

Quarter 3 2012 showed the Food & Beverage sector accounting for approximately 20% of total capital acquisitions by manufacturing industries, broadly in line with the figures for the last five years. The level of Capital Acquisitions within the Food & Beverages sector for the past five years are outlined in Figure 5.10. Comparing the same periods for each year (Q3), Capital Acquisitions in the Sector rose by 45%, compared to the 21% seen for manufacturing overall. Over the same period Capital Sales for the sector accounted for just under a quarter of all those in Manufacturing Industry.

5.3 Exports of Food and Drink

Export Performance 2012

Bord Bia produces detailed annual estimates for the export performance of the Irish food and beverages sector⁴. According to its latest report, trade was helped by continued growth to emerging markets, a more positive exchange rate environment, improving market position in major categories and relatively good prices in the meat sector. These helped offset an 8% easing in global commodity prices, lower output in some key sectors and an ongoing search for value among consumers and saw Food & Beverage exports consolidate the impressive growth of the previous two years.

This saw these exports grow to a record €9 billion in 2012, cementing the two-digit percentage increases seen in both 2010 and 2011. The further 2% growth achieved in 2012 means that over the last three years exports from the sector have risen by 27%, or €2bn, in total.

The dairy and beef sectors were the strongest performing categories in 2012, representing €2.7 billion (29%) and €1.9 billion (21%) of total food and drinks exports respectively. Prepared Foods accounted for €1.4bn (15%), while Beverages contributed €1.3bn (14%).

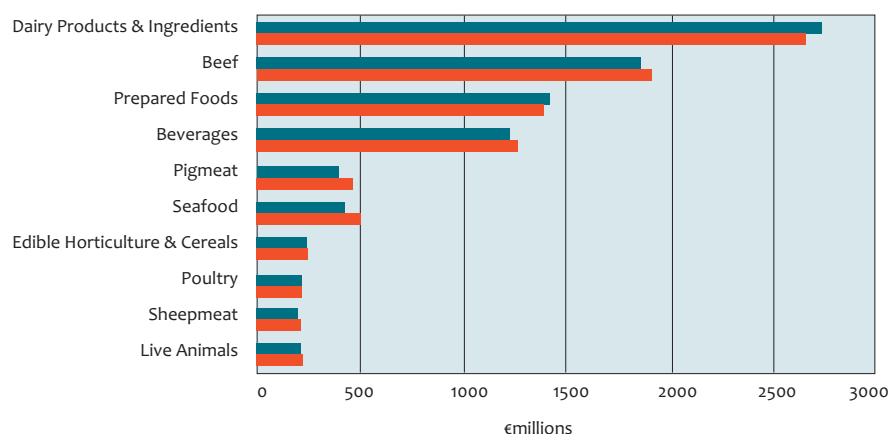
The biggest growth in 2012 was seen in the Seafood and Piguemeat categories which grew by 18% (to €493m) and 15% (to €457m) respectively.

The value of exports to the UK market increased by 5% in 2012 and accounted for 42%, or €3.8 billion, of total Irish food and drink exports, while exports to other European markets totalled €2.8 billion or 31%. Further afield, the Food & Beverages trade to outside Europe grew by 8% or €200 million, reaching almost €2.4 billion.

Figure 5.11

Trends in Exports of Food & Beverages by Category, 2011-2012

■ 2011
■ 2012



Source: Bord Bia Performance & Prospects 2012 - 2013

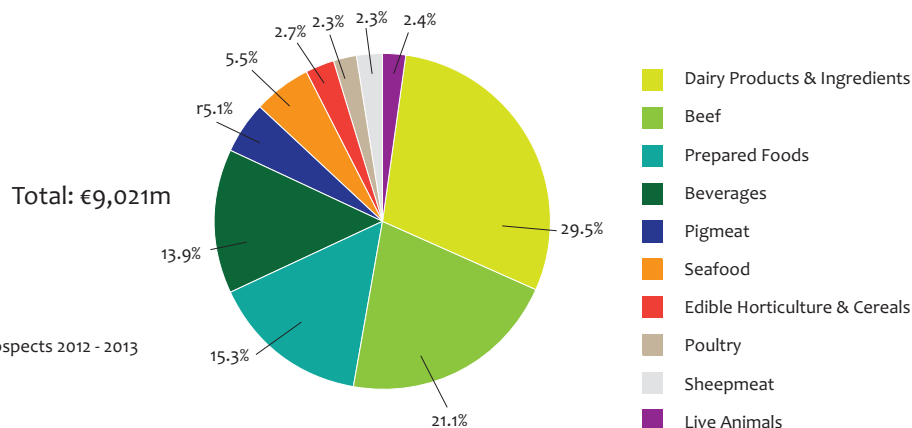
⁴ Performance & Prospects. Bord Bia Export Review and Outlook 2012/201

Figure 5.12 shows the composition of Irish Food & Beverage exports using percentages. Once again it is clear that Dairy Products & Ingredients and Beef have a dominant position, representing more than half the total. Dairy Products & Ingredients exports were down 2% at €2.66bn, while Beef was up 2% at €1.9bn. Prepared Foods, though down 2% year-on-year, still account for €1.38bn or 15% while beverages grew by 3% to more than €1.25bn. Together, these four sectors contribute 80% of Irish Food & Beverage exports.

Figure 5.12

Composition of Food & Beverage Exports, 2012

Source: Bord Bia Performance & Prospects 2012 - 2013



Agri-Food Exports by Destination

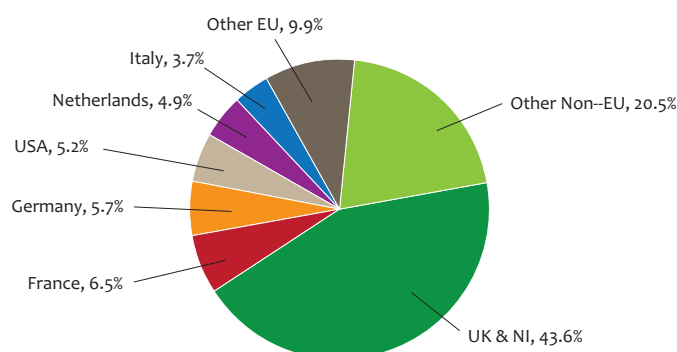
The UK remained the principal export market, with sales of €3.8bn, up 5% to 42% of Ireland's total Food & Drink exports. Elsewhere, the effects of the recession on European economies combined with more favourable exchange rates with both sterling and the US dollar, saw exports to other EU countries down 8% to just under €2.8 billion. This still represents 31% of total exports, but is down from 34% in 2011. Food and drink exports to International markets put in another strong performance during 2012 with trade estimated to have increased by 8% or almost €200m to exceed €2.4 billion. As a result, the region now accounts for 27% of total exports.

The table below shows the major destinations for Ireland's Agri-Food exports, which includes Food and Drink plus non-processed agricultural products, forestry etc.

Figure 5.13

Share of Agri-Food Exports by destination, 2012

Source: CSO Trade data



Key Food & Drink export markets

Despite the drop in global product prices, the Irish dairy sector performed strongly during 2012 though it was a more difficult year for the global dairy market as a supply response to the strong price prevailing over the previous 18 months led to a significant softening in prices. Over the course of the spring and early summer prices eased by 20% to 25%, however, from late summer, a good was evident.

The combined value of meat and livestock exports increased by 4% or approximately €130m, to reach almost €3 billion and this equated to a third of food and drink exports, with growth running at twice that of total exports. A combination of stronger prices in some categories, most notably beef and pigmeat helped offset lower finished cattle supplies. Live cattle exports fell by an estimated 25% or 55,000 head in 2012 to stand at 160,000 head.

The value of beef exports is estimated to have increased to €1.9 billion helped by a 13% rise in average cattle prices. The proportion of exports destined for European markets reached 99% in 2012 as a slower demand was evident from other international markets. The positioning of Irish beef in our key markets continues to progress, with over 60% of export volumes now destined for the higher value standard retail, premium foodservice and retail or quick service sectors.

A rise of 3% in pigmeat production during 2012 combined with a slower domestic consumption and a rise of 10% in average pig prices helped to boost the value of Irish pigmeat exports by 16% or €60m. The growth in Irish pigmeat exports to International markets that emerged during 2011 continued strongly throughout most of 2012. This growth was at the expense of Continental European markets which continued to be affected by more favourable markets outside of Europe. Exports of Irish pigmeat to International markets performed strongly as growth to key markets such as China, the United States and Russia more than offset declines to South East Asia. Almost three quarters of exports outside of the EU are now destined for China and Russia.

A strong increase in export availability, reflecting a jump of 11% in output and a slower domestic demand in the latter half of the year, helped offset some easing in lamb prices. This led to the value of Irish sheepmeat exports rising by 7% to reach €205m as higher Irish disposals were met with lower UK and NZ supplies on the European market, which helped to maintain demand for Irish lamb. A significant weakening of the euro relative to both sterling and the New Zealand dollar helped the competitiveness of Irish lamb.

Outlook for 2013

The prospects for Irish dairy exports in 2013 remain generally positive with global demand likely to keep exports well ahead of historical averages. Global stock levels, demand in key regions and the relative strength of the euro will largely determine price prospects.

The European beef market in 2013 is expected to continue to be characterised by tight supplies with little change expected in EU beef output. The current level of consumer demand has meant that beef is positioned at a relatively high price for consumers. If the challenging economic situation persists and the relative price gap between beef and other proteins remains at current levels, consumer demand for beef will be slow to increase. The outlook for Irish live cattle exports is for some recovery in 2013 with the total expected to move back towards the 200,000 head level.

The prospects for the pigmeat sector in 2013 will be helped by lower EU output, reduced production among some key global players and good international demand for pigmeat. However, demand for pigmeat within the EU may come under some further pressure.

A further decline in EU sheepmeat output will help to offset some likely recovery in EU sheepmeat imports in 2013. Price prospects will rely to a large extent on consumer demand for lamb relative to other meats. Trade for Irish lamb will be largely influenced by strength of the euro against sterling and the New Zealand dollar and the level of demand for our anticipated higher export volumes. All things being equal, market prospects look reasonably good in 2013.

Chapter Six:

The Consumer



Chapter 6 The Consumer

6.1 Overview

The slow rise out of recession continued to be visible in the CSO Consumer Price Index in 2012 after 2011 had seen the first upwards movement in the index overall, and in Food & non-Alcoholic Beverage prices on their own, since 2008. The inflationary momentum had slowed, however, as the CPI overall rose 1.7% (compared to 2.6% in 2011) and Food & non-Alcoholic Beverage prices were up just half a per cent (compared to 1.1% in 2011).

This chapter examines key areas of concern to consumers and reviews issues with regard to maintaining confidence in the food chain.

6.2 Food Prices

International and EU Trends

The World Bank's last quarterly Food Price Watch of 2012 cautioned that "Even as the world seems to have averted a global food price crisis, a growing sense of a "new norm" of high and volatile prices seems to be consolidating. The new norm demands an unambiguous prioritization of food security in the global policy agenda, regardless of food price fluctuations. Simply put, the world cannot afford to get used to or be complacent with high and volatile food prices."

The Bank's overall Food Price Index reached a record high in August 2012, and even small declines over the following two months left the index 7% higher than a year earlier. That it wasn't even higher was primarily due to the lowest sugar prices in two years. The price of grains, however, was 12% higher year-on-year and close to its record high of 2008. The uncertainty attached to weather conditions in key cereal production areas, so volatile over the last few years, is likely to continue in 2013.

The dairy price index dipped markedly in the first half of 2012 but bounced back since, to end the year relatively unchanged, with the recent recovery spurred by supply limitations combined with firm international demand causing the prices of all milk products, in particular butter and milk powder, to move upwards.

Meat prices also showed limited change in 2012 despite the strong rise in feed costs, which negatively affected margins within the sector. High feed prices continue to be of prevailing concern to the industry, while at the same time consumption growth is limited, though some upward movement is to be expected in 2013.

A pick up in global sugar output affected price levels for that commodity with the November 2012 index some 19% lower than a year earlier on expectation of a relatively large world production surplus and improved export availabilities in the 2012/13 marketing season, most notably in Brazil and Thailand. Sugar production is also foreseen to be good in the traditional importing countries, a factor which also weighs on prices.

Overall, prospects for prices in 2013 remain reasonably positive but much will depend on the balance between supply and demand across key commodities. Gains are most likely in meat and dairy with some decline in grain prices expected as the year progresses.

Food Prices in Ireland

For 2012 as a whole, the price of food and non-alcoholic beverages prices (as measured by the Food Price Index; FPI) increased by 0.5%, while the overall rate of inflation, as measured by the Consumer Price Index (CPI), increased by 1.7% during the year. (See Figure 6.1).

Figure 6.1

Monthly CPI and FPI-%
Change over Previous Year,
2011-2012

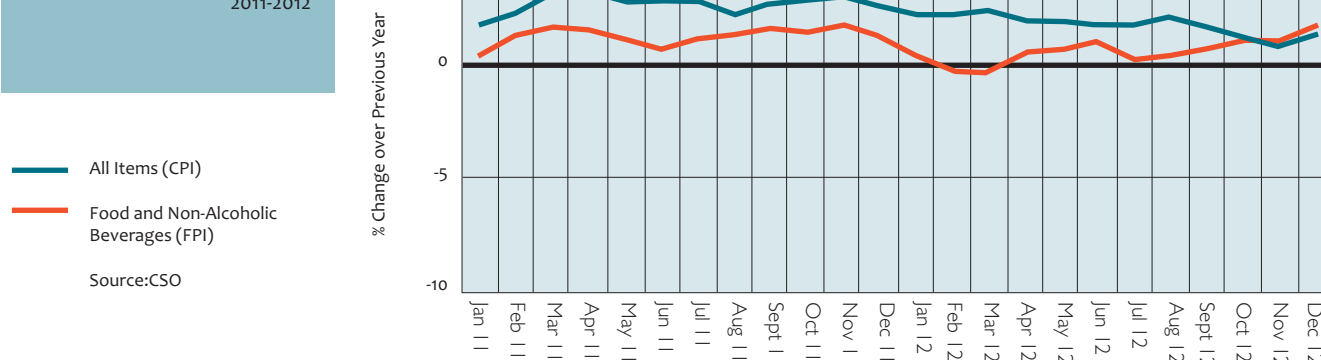
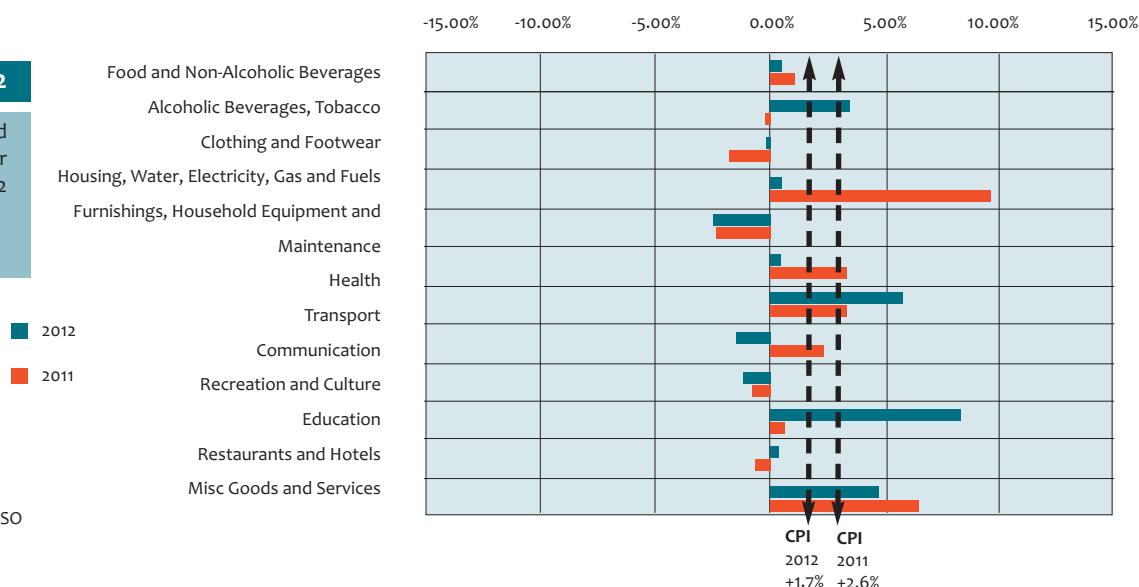


Figure 6.2 compares the overall level of inflation with its 12 constituent categories (including food and non-alcoholic beverages) for the years 2011 and 2012.

Figure 6.2

Food Sub Index Compared
to Overall CPI and Other
Sectors, 2011-2012



Prices for Food Products

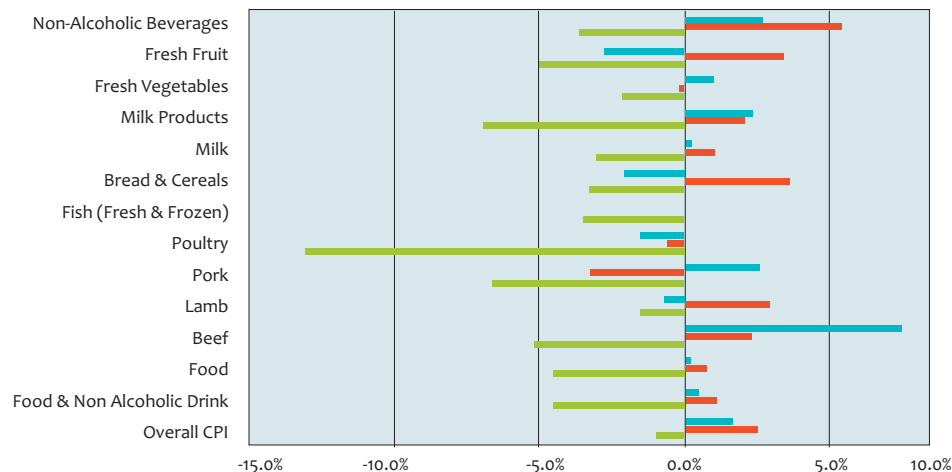
Price movements over any given period for individual food products vary by sector and will depend on numerous factors, including volatility in commodity and input costs, tightening of supply and, in recent years, the world economic crisis. The majority of products initially experienced price increases of varying degrees in 2007 and 2008 before showing exclusively deflationary price movements in 2009 and 2010. 2011 saw the general direction change again, with the price of many foodstuffs becoming inflationary once more and this trend continued in 2012, though at a lesser rate.

In 2012, price increases were particularly evident in sugar (21.7%), beef (7.6%) and Edible Oils (6.4%). The trends for a selection of product categories are outlined in Figure 6.3 and further produce is listed in Table 12.7 in the statistical annex.

Figure 6.3

Annual Rates of Price Increase for Selected Food Products, 2010-2012

2012
2011
2010



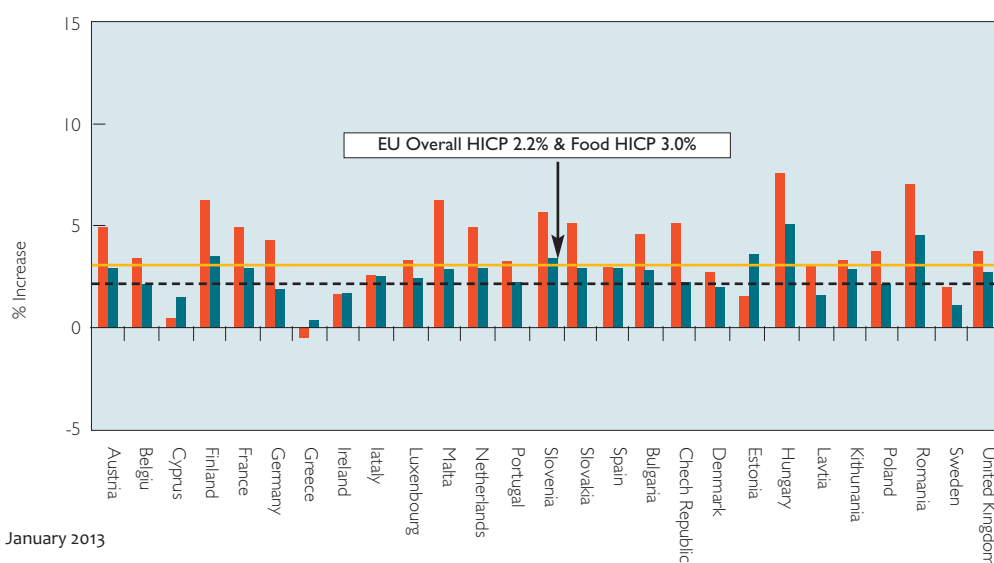
EU Food Price Trends and Comparisons

The Harmonised Index of Consumer Prices (HICP) measures the increase in prices on a monthly basis for the EU-27 Member States and is the most reliable comparison of inflation across the EU. It excludes interest on mortgage repayments and certain forms of tax and insurance. Ireland's annual percentage change of HICP inflation in the year to December 2012 was +1.7% compared to 2.4% to December 2011. Figure 6.4 demonstrates the almost exclusively inflationary trends across the EU-27 during 2012.

Figure 6.4

HICP and Food HICP, EU Comparisons, Changes in the year to December 2012

Food
HICP
EU Food
EU HICP



Source: CSO CPI January 2013

6.3

Food Consumption

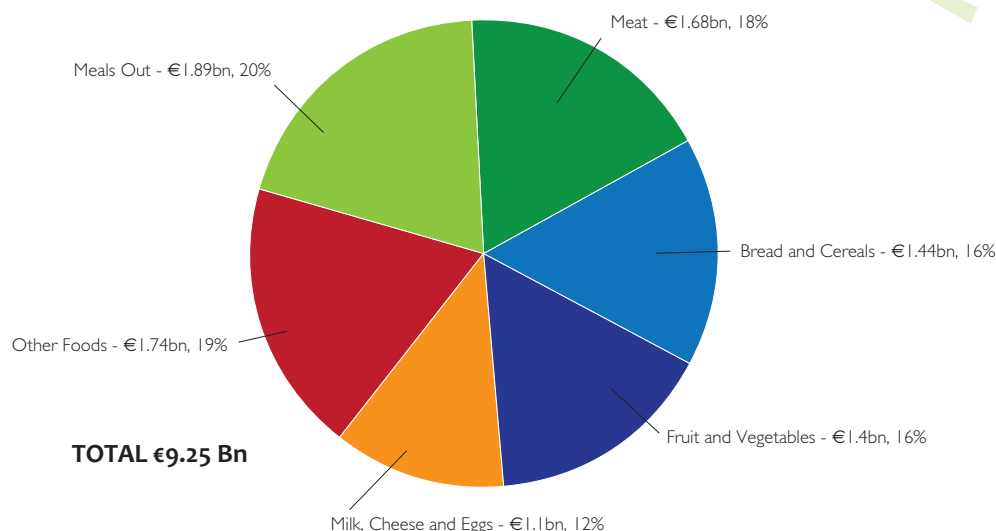
Personal Consumption Expenditure

Estimates from the CSO indicated that Personal Consumption Expenditure (PCE) on food and drink (not including meals out) accounted for €14.3 billion in 2011, a 4% increase on 2010. This represented 17.6% of total PCE. Expenditure on food in terms of meals outside the home accounted for just under €1.9 billion in 2011, a 9% drop year-on-year. As illustrated in Figure 6.5, this still accounts for one fifth of all expenditure on food (total €9.25 billion).

Figure 6.5

Personal Consumption
Expenditure on Food (€Bn)
by Food Type, 2011

Source: CSO, National Accounts



Average per capita consumption of meat and dairy products from 2008 to 2011 is shown in Table 6.1. It is estimated that meat consumption stayed relatively static in 2009, with Irish consumers averaging 20kg of beef, 29kg of pigmeat, 26kg of poultrymeat and 3kg of lamb per capita, whilst principal cereals declined to around 80kg p.c.c estimated. (CSO Supply Balance Estimates).

Table 6.1

Consumption of Selected
Food Items, 2008-2011

Kg/Litres per Capita	2008	2009	2010	2011
Beef	19.6	19.7	19.8	20.9
Pig Meat	27.5	31.1	29.6	28.2
Sheep Meat	3.3	3.2	2.5	1.3
Poultry Meat	28.5	25.4	25.9	25.7
Drinking Milk & Buttermilk ¹	137.0	134.0	134.0	135.0
Cream ¹	3.0	2.0	2.0	2.0
Butter	3.0	3.0	3.0	3.0
Cheese	6.0	6.0	7.0	7.0
Principal Cereals	86.3	81.2	85.8	80.4

¹ Litres Per Capita

Source: CSO Supply Balances

6.4 Retail Sector Price Survey

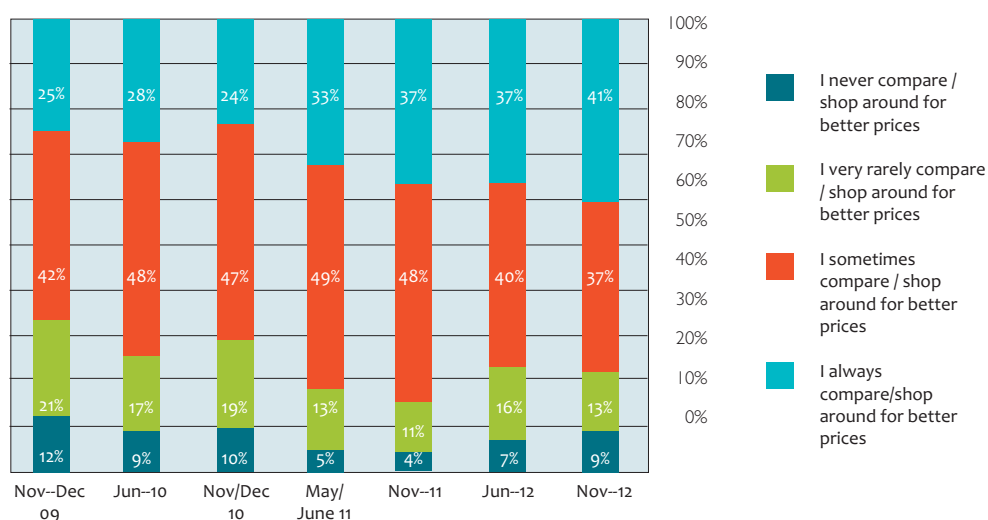
Overview

A number of surveys have provided information on consumers' increased price consciousness and shopping around for value in over the last few years. A survey conducted for The National Consumer Agency and released in February 2013 reported that 78% of shoppers shop around for better prices sometimes or always, more than the 67% recorded in 2009 but down since the same period in 2011 (85%). Possibly more indicative of the shift in consumer behaviour since the recession is the continued increase in those who "always compare/shop around for better prices", up to 41% from 25% at the end of 2009.

Price remains the most persuasive factor in determining where consumers shop, with 58% saying it was the primary influence on their choice of retailer.

Figure 6.6

Comparing Shops and Prices sector, 2011



Research by Kantar Worldpanel during 2012 confirmed this willingness to shop around among grocery shoppers and showed that they were exhibiting a number of other cost-saving behaviours. Willingness to split their shop between different outlets was evidenced by the fact that they were making more shopping trips but the average spend per trip had fallen by 3.7%. On an aggregate level, the grocery market had shown volume growth year-on-year but value was down, pointing to consumers' increasing tendency to shop around but also to shop to a budget, plan ahead and trade down to own brand. The latter element saw "private label" spending reaching a market share of 35%.

6.5 Consumer and Retail Trends

Overview

The slower than expected recovery in the global economy, particularly in key regions such as the United States and Europe, continues to impact on consumer confidence and their spending. Consumers in many countries have seen little improvement—or even a worsening situation—over the last year. They are more wary and vigilant, so it is more difficult for businesses to engage with them in the marketplace. Consumers are more demanding about getting the most for their money.

However, adjusting to uncertainty has also brought some unexpected positive shifts. The need to scale back and at the same time realising what is important in their lives has led to positive lifestyle choices. The 'new normal' has opened up new opportunities for consumers.

Food is one of the core elements that underpins the positive shifts in lifestyle and balances some of the tensions between competing priorities in people's lives. Food and drink can play an even stronger role in consumers' lives as the benefits are seen to enhance lifestyle shifts - better budgeting, and a reason to connect more with friends and family. Food adds to a sense of purpose, with more people cooking more often. Food is also a very strong way in which consumers can take more control over their health.

National Trends

The value of the grocery market in Ireland remained largely unchanged throughout 2012 as some price inflation helped to maintain the overall spend despite some fall in volumes purchased. Kantar¹ figures for the year ending December 2012 show that the grocery market is still worth €8.9 billion. In the 12 weeks to December, the average spend per trip on groceries stood at €23.90, down some 40c on the same period a year earlier.

Within the grocery market, varying trends have been evident with increases recorded in fresh meat, healthcare and alcohol, while sales of frozen food, ambient food, household and toiletries have shown year on year declines. Growing Private label sales are increasingly important to the success of some retail groups.

¹ Kantar Worldpanel track consumer retail grocery spending through a panel of 3,000 households in the Republic of Ireland.

Consumer Trends

During 2012 Bord Bia updated its Consumer Lifestyle Trends programme to capture the key drivers of consumer purchasing behaviour globally. The Consumer Lifestyle Trends programme involves 28,000 consumers spanning 21 countries and a worldwide network of streetscapers to uncover the latest products, foodservice ideas and menu examples in 40 countries. Six major trends were identified :

1. Fluid Lives

“I want to manage my busy life and make sure that I am at my best for whatever the day presents”

Life is still busy and finding time to fit in everything we want remains a challenge for consumers. Convenience is still king but, financial pressures mean that this cannot come at any price. For some, life has slowed as the economy has slowed and work pressures have eased, making it more accessible to take moments to slow down and take time out. For others, pressures remain high and the pace of life still feels relentless, time out is needed to unwind or recharge.

Five sub-trends for Fluid Lives and one of our most prominent sub-trends is *Simple by design*. Consumers are continuing to look for solutions that help them to save time or reduce complexity.

Consumers have become more aware that maintaining energy levels is critical in order to get the most from what the day presents; avoiding peaks and slumps, and maintaining concentration and focus are top of mind. Food and drink plays a critical role and consumers are becoming more sophisticated in their approach to managing their mental and physical energy needs.

With the growing number of products and increased access to information it has become more challenging and time consuming to make the right choice. Guided Choice describes how the consumer is looking for help with interpreting information and gathering recommendations based on personal experiences.

2. Simple Pleasures

“I want to get more enjoyment from the simple things in life; to have experiences that add more fun and meaning”

The economic crisis has forced consumers to re-adjust their lifestyles, often changing the foundations on which their lives are built. People are spending more quality time with others and trying new things in order to make life more enjoyable, even whilst managing on a budget.

Rich Rewards is a sub-trend that continues to grow in relevance since it's about ensuring that you have indulgent experiences that offer reward.

People are seeking to reach out again, either to connect with friends and family in different ways from the past or, to establish new connections with people who share their new found approach to life. People are setting their own goals to gain a sense of achievement and rebuild a sense of pride or, indulging in small rewards and moments of fun in order to feel they are more than just getting by.

The consumer's increased desire to connect with others is played out in the *seeking connections* sub-trend. More and more people are spending time with friends and family and brands have realised the importance of this and have begun to tap into this connectivity.

3. Responsible Living

“I am mindful that I need to live more responsibly; I want to make better choices that make a difference without having to compromise”

Social and environmental concerns remain of high importance for people. But high priority does not always mean the top priority and, many people seek to balance the issues of ethics and finances as well as they can manage. Affordable choices and easy to do actions resonate with people wanting to live more responsibly.

War on Waste is a self explanatory sub-trend as it is about reducing the wasteful results of consumption. When considering more responsible choices, where the outcome is more tangible, the benefit is clearer. Where the outcome leads to a local or personal benefit (as well as a wider social or environment benefit), the choice is more motivating.

As concern is heightened through either direct exposure or media attention, many people are increasingly looking toward companies and institutions to lead the way; expecting real proof of the positive impacts they claim to make.

4. Quest for Health & Wellness

“I want a balanced approach to health and wellness, to have greater control through the choices I can make”

Brands and institutions continue to help educate people about how to live more balanced lifestyles and make healthier choices. But with levels of information and options reaching overwhelming levels, people often struggle to navigate the complex array of choice now at their fingertips. Finding the right strategy and approach to health and wellness has become a key challenge.

With financial constraints creating added pressures, many people have begun to adopt a more balanced approach to life and their diets, recognising that whilst physical health is important, their mental health and outlook on life is equally as important.

People are turning to food and drink to help them manage their emotional and mental wellbeing. Within *Finding Balance* we’re seeing a growing number of more sophisticated products and tools that meet different moods or emotional states at different times.

Food is becoming core to people’s health strategies and overall sense of wellbeing, whether they are looking for healthier options that do not compromise on quality and a feeling of indulgence or solutions that set their children up for a good start to life and a healthier future. Good Start is a new sub-trend as parents are recognising the importance of education about good eating habits as offering a healthy diet is not enough.

5. Consumer in Control

“I like to pursue better value, to help maintain my lifestyle and to get the most from the money I have”

The financial crisis has fundamentally changed attitudes to the marketplace and what represents good value; consumers are smarter and savvier with their money and more willing to shop around than ever before. Budgeting is now the norm for many, who have devised tools to keep their spending in check.

There has been a growth in the pursuit of knowledge and discernment for identity and status. Being a well known brand is no longer enough as consumers look for more proof points of the benefits products claim to offer, whether taste, quality or nutritional value.

Redefining Value explores this drive for transparency around benefits and also new models to increase buying power.

6. Keeping it Real

“I am looking for products and brands that are real, authentic and honest, because I know I can trust what's in them and where they come from”

As the recession struck, brands that had stood the test of time and remained true to their values became points of stability and comfort amongst the turmoil. But as life has settled into new routines the meaning of authenticity is changing.

Celebrating Tradition is evolving from celebrating products that have stood the test of time, more toward a desire to revive traditional products and processes for discerning and leading edge audiences.

The past has to have modern relevance to maintain its meaning and value; genuine benefits need to lie behind the origins or craftsmanship that is used in their making. Provenance or sourcing need to deliver unique or distinctive product attributes.

Locality and seasonality are becoming increasingly important; and are seen as a way of accessing products at their best whilst protecting local interests.

Embracing the Seasons highlights how retailers are demonstrating a commitment to sourcing seasonal produce and high end brands are using seasonality as an exclusive selling point.

European Food Supply Chain

The programme for Government includes a commitment to enact legislation to regulate certain practices in the grocery goods sector. The Department of Jobs, Enterprise and Innovation will include an enabling provision in draft legislation on merging the National Consumer Agency and the Competition Authority, which would allow for the introduction of a statutory Code of Practice. The value of such a Code is that regulation of problematic practices in the grocery goods sector would promote a fair balance between the competing interests of the stakeholders including the consumer.

At EU level some progress has been made through the High Level Forum on the better functioning of the food supply chain. Stakeholders have agreed on a list of general and specific principles of good practice in commercial relations but so far have not agreed on implementing arrangements or whether there should be a statutory provision. The Commission has extended the term of the Forum to facilitate agreement.

Irish Drinks Industry

The Irish beverage sector is now a billion euro industry. In its report “Forecasting the Future” International Wine and Spirits Research expects the global alcohol market to continue to experience growth in the foreseeable future with whiskey benefiting from the highest annual growth levels. Irish beverages are a success story with sales in over 100 countries worldwide. These global Irish drinks exports support jobs at home directly in the industry and its associated sectors. They also support the livelihood of farm families who supply the quality raw materials that fuel the industry. Tourism related to the drinks industry, is now an important sector within the tourism industry. Irish Whiskey and Irish Cream are part of the European Union system of Geographical Indications which recognises the quality of local food and drinks. Their protection is recognised in bilateral international agreements with countries as far away as Peru.

Irish Whiskey is the fastest growing spirit category in the world. A small player, Irish whiskey exports have now reached 222m Euros (2011). Whiskey exports continued to enjoy double digit growth in 2012 and strong growth is expected to continue. This expansion is marked also by decisions to set up new whiskey distilleries. Investment by international drinks companies has resulted in greater marketing spend and made a global distribution network available for premium products. A current trend in the drinks sector, and clearly illustrated in the case of Whiskey, is the desire of consumers to trade up to Premium, super-premium and ultra-premium branded whiskey. Even in developing countries there are strong opportunities for such products as consumers' branded beverage selection choice becomes a part of lifestyle choices.

6.6 Maintaining Confidence in the Food Chain

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

Food Safety Governmental Bodies

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

The Food Safety Authority of Ireland (FSAI) is a statutory, independent, science based agency dedicated to protecting public health and consumer interests in food safety and hygiene.

Sea Fisheries Protection Authority was established in 2007. It has functions in relation to the enforcement of food safety legislation in respect of fish and fish products.

The Food Safety Promotion Board, now known as **Safefood**² was established in 1999 to foster and maintain confidence in the food supply on the island of Ireland by working in partnership with others to protect and improve the public's health.

At EU level, **The European Food Safety Authority (EFSA)** is an independent European agency dedicated to improving consumer confidence by providing independent scientific advice and clear communication on all matters related to food safety.

Animal Health

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

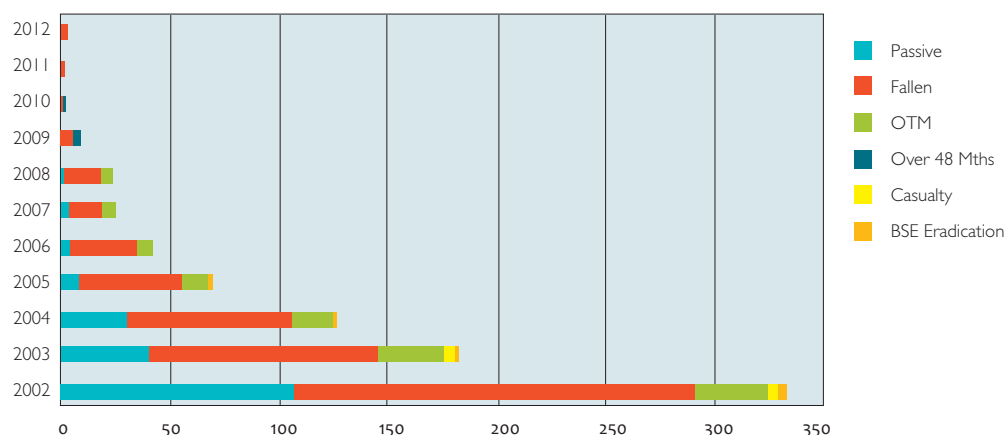
² Safefood (formerly known as FSPB). Its purpose is to foster and maintain confidence in the food supply in the island of Ireland by working in partnership with others to protect and improve the public's health.

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

Figure 6.7

Details of Annual BSE Confirmations, 2002-2012

Source: DAFM



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

the age threshold for annual round testing has been increased to 24 months;

the validity period of the pre-movement test has been increased from 30 days to 60 days;

the age-limit for the pre-movement test has been increased from 18 to 24 months;

from 1 January 2013, only 20% of all herds with eligible animals are required to be tested every year for the round test;

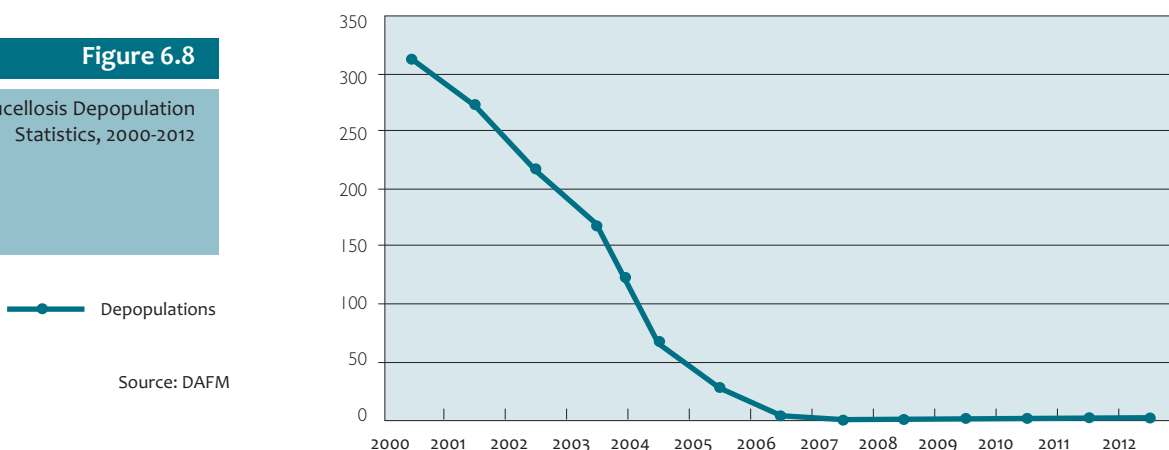
The one movement per test rule was abolished as from 1 January 2013.

Following the above changes, the number of cattle required to be tested in 2013 will have been reduced by 3.3m compared with 2008, the last year prior to the achievement of Brucellosis free status, with significant benefits to farmers in terms of reduced testing costs, estimated at approximately €13m in 2013.

Figure 6.8

Brucellosis Depopulation Statistics, 2000-2012

Source: DAFM

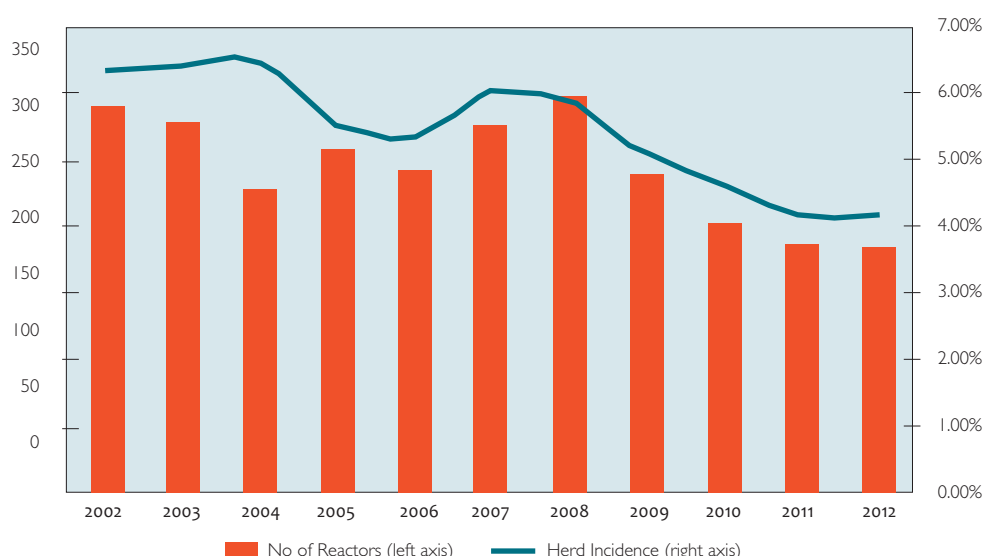


With regard to bovine TB, the incidence of this disease remained at the record low levels achieved in 2011. Herd incidence in 2012 was 4.21% compared with 4.10% in 2011. The number of TB reactors in 2012 was 18,430 which was 0.4% lower than in 2011.

Actual expenditure on the TB and Brucellosis programmes in 2012 was €38m compared with €40m in 2011 and €52m in 2009. The reduction in expenditure since 2009 was mainly due to a decrease in number TB reactor numbers, reduced compensation payments, higher prices paid by meat factories for reactors and changes to the Brucellosis testing arrangements.

Table 6.9

Bovine Tuberculosis Statistics, 2002-2012



Veterinary Medicines

Veterinary medicines and vaccines play a crucial role in ensuring that Ireland's animal population, particularly those animal species which are a source of food, remains healthy. An effective and up to date legislative code is in place to ensure that only authorised medicines are used and that the specifications governing their distribution and use are observed. A further important safeguard for consumers is provided by the National Residue Plan under which extensive monitoring of animals and animal products takes place.

Tests are carried out for a wide range of substances, including banned products, violative residues of authorised products and environmental contaminants.

In a typical year, in the region of 20,000 samples are tested. The overall safety of Irish food is demonstrated by the fact that levels of positives have consistently been at very low levels over a number of years (less than 1%). In the case of each residue breach identified, a consumer risk assessment is carried out by the Food Safety Authority of Ireland to evaluate any threat to human health and to assess if food should be withdrawn from the market. In addition, all positive results are followed up to the farm of origin to determine the cause and enforcement action, including a penalty on the farmer's Single Farm Payment or legal action, is taken as appropriate.

Chapter Seven:

EU and International Agriculture Policy

Chapter 7 EU and International Agriculture Policy

7.1 Overview

Notwithstanding the economic downturn of recent years Ireland's progress since accession to the EU can be seen through our gradual, if somewhat slowed at present, advance towards becoming a net contributor to the EU. In 2011 total net receipts to Ireland from the EU represented approximately 0.4% of Irish GDP¹, the same as the previous year. Though this is a long way down from the high of 6.1% of GDP in 1991, Ireland has undoubtedly benefitted to a great extent from EU membership, receiving over €40 billion in net receipts since joining the EEC in 1973.

The vast majority 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 policy developments at EU and international levels are outlined.

7.2 Benefits of the CAP to Ireland

Agriculture Support in the EU Budget

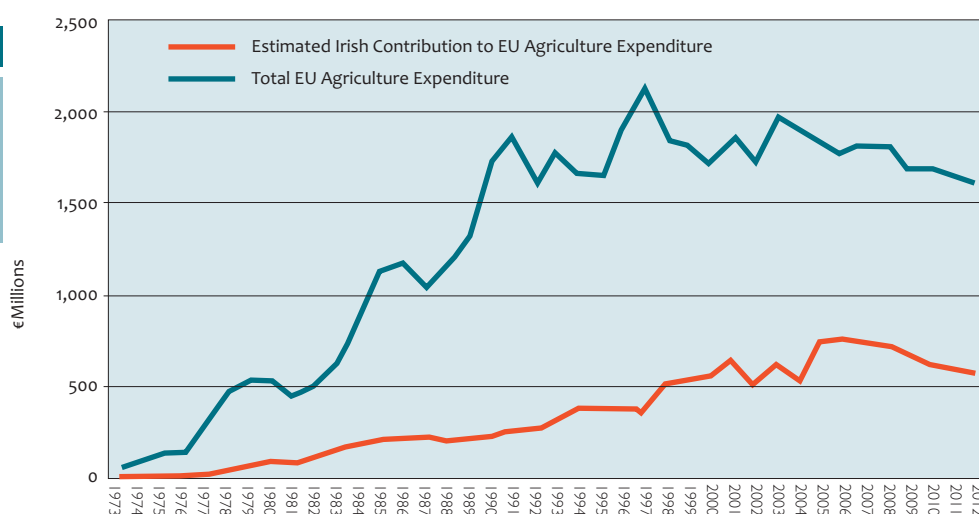
The EU Budget for 2012 made total commitments for payments of about €129 billion. Approximately 43% of this expenditure was in respect of agriculture and rural development related activities. This overall level of agriculture and rural development related expenditure is expected to remain broadly consistent in 2013. The 2013 and future outlook for agriculture supports in the EU budget is dealt with later in section 7.4.

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 typically exemplified by the Single Farm Payment, constitute the most obvious and visible benefit derived by Ireland from the Common Agricultural Policy (CAP). The evolution of trends in total agriculture-related payments to Ireland and the estimated Irish contribution to these payments since EU accession in 1973 is outlined in Figure 7.1. The graph illustrates how Ireland has experienced significant net disbursements in terms of EU CAP related payments.

Figure 7.1

Total EU Agriculture Payments to Ireland and estimated Irish Contribution, 1973-2012



Source: DAFM, Department of Finance, EU Commission

¹ <http://www.finance.gov.ie/documents/publications/economicstatsetc/budgeteconom.pdf>

This net transfer of resources, entitled the net budget effect (NBE)², is further examined for 2011 and 2012 in Table 7.1. In 2012, the estimated net transfer to Irish agriculture through the EU budget was €1,031.4 million.

Table 7.1

Net Budget Effect, 2011-2012

	Total EU Agriculture related Expenditure	Estimated Irish Contribution	Net Budget Effect
	€m	€m	€m
2011	1,645.7	585.2	1,060.5
2012*	1,611.0	579.6	1,031.4

* Provisional estimates

Source: DAFM, Department of Finance, EU Commission

Another facet of the benefits derived from Ireland's EU membership and participation in the CAP is that agricultural commodity prices have been generally higher on EU markets than on world markets. However in recent years this trend has not always been stable for all agricultural commodities due to the evolving changes in both the CAP and international trading conditions arising from agreements at WTO level. Under the decoupled CAP model, payments are now made directly to farmers instead of through market based price supports in the form of export refunds. These changes, allied with ongoing reductions in EU import tariffs and quota restrictions on agricultural commodities from competing non-EU countries, have brought Irish/EU prices more in line with world prices.

The Net Trade Effect (NTE) provides a measure of benefit accruing to Ireland by measuring the price gap which exists between Irish and world prices for the main agricultural commodities. The data is sourced from OECD/FAO for world prices and from Department of Agriculture, Food and the Marine (DAFM) for domestic prices. The relevant price gap for each commodity is then applied to the balance of import/export trade between Ireland and the rest of the world for those commodities, providing an estimate of the NTE.

A positive NTE means Ireland benefits from trading agricultural commodities at the higher prices arising from its EU membership. Negative NTE also occurs when world prices for a commodity exceeds the Irish price, which for reasons outlined earlier is not uncommon any more.

Estimates of the NTE derived for a range of our most traded agricultural produce are provided in Table 7.2. The overall NTE is estimated to have decreased by a factor of about 18% from €342.1 million in 2011 to an estimated €281.5 million in 2012. Looking back just 5 years ago the overall NTE was at a significantly higher level when a figure of €859 million³ was estimated for 2007.

The weakening of the NTE in 2012 was due to world prices converging and in some cases exceeding the Irish prices, for a majority of the ten selected agricultural commodities, with a noticeable increase in world butter prices which moved from an estimated +8% in Ireland's favour in 2011 to -6% against in 2012.

Interestingly four of the five dairy commodity prices on world markets were estimated to be higher than Irish prices in 2012 (the exception was Casein); a general trend that has continued since 2010 when all five dairy commodities were achieving higher prices in the world market. Beef, Ireland's most heavily traded agricultural commodity, continues to attract a stable price premium over world prices which was estimated at about 14% in 2012; about the same as 2011.

² 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.

³ Annual Review and Outlook, for Agriculture, Fisheries and Food, 2008 – 2009

Table 7.2

Net Trade Effect for
Selected Commodities
2011-2012

	2011			2012*		
	Net Trade	Price Gap Coefficient	Net Trade Effect	Net Trade	Price Gap Coefficient	Net Trade Effect
	€million	%	€million	€million	%	€million
Beef	1,745.7	14.72%	256.9	1,818.8	13.57%	246.8
Live Cattle	128.8	14.70%	18.9	118.5	13.60%	16.1
Sheep Meat	179.2	25.88%	46.4	198.7	28.11%	55.9
Pig Meat	198.7	-1.75%	-3.5	262.8	3.63%	9.5
SMP	144.1	-15.87%	-22.9	75.6	-9.34%	-7.1
WMP	183.8	1.36%	2.5	99.3	-0.77%	-0.8
Butter	561.4	8.03%	45.1	467.0	-6.08%	-28.4
Cheese	450.7	-3.30%	-14.9	492.6	-2.53%	-12.5
Casein	267.0	6.85%	18.3	252.0	5.42%	13.7
Wheat	-27.9	5.41%	-1.5	-63.8	18.36%	-11.7
Total	3,831.4		345.4	3,721.4		281.5

*Figures for 2012 are provisional estimates.
Source: CSO, DAFM & OECD

Sheep meat prices continue to record the most significant commodity Irish/world price differential, which is estimated at about 28% in favour of Irish prices in 2012. In contrast, on cereal markets, Ireland's wheat prices in 2012 were estimated to be lower than world prices by almost 12% - a much bigger gap than the 1.5% differential estimated in 2011.

The combined budget and trade effects for 2011 and 2012, which are outlined in Table 7.3, decreased by 6.4% in 2012, providing an estimate for the overall value of EU agricultural transfers to Ireland in 2012 of €1.31 billion.

Table 7.3

Combined Budget
and Trade Effect
2011-2012

	2011 €m	2012* €m
Net Budget Effect	1,060.50	1031.4
Net Trade Effect	342.1	281.5
Budget and Trade Effect	1,402.60	1,312.90

Source: CSO, DAFM & OECD
* Provisional estimates

7.3

International Comparisons of Agricultural Support

The Organisation for Economic Co-operation and Development (OECD) has been mandated since the mid-1980s to record indicators for its member countries in order to monitor and evaluate developments in agricultural policy. The indicators that the OECD collates provide economic data to assess the effectiveness and efficiency of policies, and also provide a common base for policy dialogue between countries.

Examined here are three selected key indicators recorded by the OECD;
Producer Support Estimate (PSE)
Consumer Support Estimate (CSE)
Total Support Estimate (TSE)

Support is expressed in both monetary terms for all three parameters and as a percentage of gross farm receipts for PSE, percentage of consumer expenditure on domestically for CSE and percentage of Gross Domestic Product for TSE.

Producer Support Estimate (PSE)

The PSE is an indicator of the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at farm gate level, arising from policy measures that support agriculture. In 2011, the PSE for all OECD countries was estimated at over €181 billion (Table 7.4), a 5.8% increase on 2010, thereby bucking the general trend of steady decline in PSE since 2004. This may indicate a shift in the medium term policy by OECD members countries of reducing the level of support transfers made from consumers and taxpayers to producers, but ongoing analysis will be needed to confirm this. Interestingly, the PSE expressed as a % of gross farm receipts has declined to some extent since analysis commenced in the mid 1980's for all OECD countries except Turkey, which has remained stable at 20%.

PSE data presented in Table 7.4 highlights the fact that the EU is the largest supporter of agriculture in terms of total expenditure, providing over €74 billion in 2011, which equates to 18% of gross farm receipts. The EU's percentage PSE has reduced over the period analysed, broadly tracking the decrease in the same figure for all OECD countries. Switzerland, Korea, Japan and Turkey had lower absolute PSEs than the EU in 2011 – However, their PSE as a % of gross farm receipts is significantly higher in the case of the first three countries and marginally so in Turkey's case. On the other hand, both New Zealand and Australia have very low PSEs, in both monetary and % terms, reflecting the low levels of supports transfers to agriculture producers from taxpayers and consumers in these countries.

Table 7.4

Producer Support Estimate
for selected OECD
Countries, 1986-1988, 2009-
2011 & 2011

	Average 1986-1988		Average 2009-2011		2011 [†]	
	€million	% of Gross Farm Receipts	€million	% of Gross Farm Receipts	€million	% of Gross Farm Receipts
Australia	1,321	10	912	3	1,114	3
Canada	5,490	36	5,104	16	5,043	14
EU*	88,005	39	79,056	20	74,203	18
Japan	45,110	64	39,693	51	43,939	52
Korea	10,803	70	13,749	50	15,990	53
New Zealand	416	10	65	1	96	1
Switzerland	4,800	76	4,178	56	4,458	54
Turkey	3,558	20	13,046	25	11,220	20
US	33,299	22	22,196	9	21,991	8
OECD**	217,205	37	181,101	20	181,533	19

*EU-12 for 1986-94, EU-15 1995-2003, EU-25 from 2004-06 and EU-27 from 2007.

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

[†]2011 figures are provisional estimates

Source: OECD, Producer and Consumer Support Estimates Database

Consumer Support Estimate (CSE)

The CSE indicates the value of gross monetary transfers from (to) consumers of agricultural commodities, measured at farm gate level, arising from policy measures that support agriculture. It is expressed in both monetary terms and as a percentage of consumer expenditure on domestically produced output. It measures how much domestic price is inflated by agriculture policy. The CSE is almost always negative because transfers from consumers due to market price support policies outweigh any consumption subsidies from taxpayers that might be provided to consumers. The negative amounts are reflective of an implicit tax on consumers.

As outlined in Table 7.5 and in line with the trend since 1986, Japan has the highest levels of CSE expenditure amongst the OECD regions, with transfers approaching €46 billion in 2011 recorded. However, when the CSE is presented in % of consumer expenditure terms, Switzerland, Korea and Japan have the highest for the regions listed, while New Zealand has the lowest negative value. It is worth noting that the US figure has become positive in recent years representing the fact that the monetary transfers are to and not from consumers in that country.

Since 1986 the % CSE support provided by the EU has fallen significantly to its 2011 level of -2%, down from a yearly average support level of -36% of consumer expenditure in the period 1986-88.

Table 7.5

Consumer Support Estimate
for selected OECD
Countries, 1986-1988, 2009-
2011 & 2011

	Average 1986-1988		Average 2009-2011		2011 [†]	
	€million	% of Consumer Expenditure on Domestically Produced Food	€million	% of Consumer Expenditure on Domestically Produced Food	€million	% of Consumer Expenditure on Domestically Produced Food
Canada	-2,586	-23	-3,370	-16	-3,287	-14
EU*	-65,589	-36	-12,497	-4	-6,957	-2
Japan	-55,381	-63	-43,215	-43	-45,807	-43
Korea	-10,594	-66	-15,131	-46	-19,326	-50
New Zealand	-58	-7	-47	-2	-76	-3
Switzerland	-4,382	-72	-2,055	-34	-1,918	-30
Turkey	-2,640	-19	-7,167	-16	-4,403	-10
US	-3,494	-3	23,679	13	25,697	13
OECD**	-144,721	-30	-62,026	-8	-58,302	-7

*EU-12 for 1986-94, EU-15 1995-2003, EU-25 from 2004-06 and EU-27 from 2007.

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

[†]2011 figures are provisional estimates

Source: OECD, Producer and Consumer Support Estimates Database

Total Support Estimate (TSE)

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

As outlined in Table 7.6, the US and the EU had the highest TSE expenditure in absolute terms at €105.5 billion and €86.3 billion respectively in 2011. In % terms of GDP, Korea and Turkey at 2.3% and 2.2% respectively had significantly higher TSE's than the other regions in 2011. The % TSE provided by the EU has fallen from an average of 2.6% of GDP in the period 1986-88 to an average of 0.7% in the most recent period of 2009-11.

Table 7.6

Total Support Estimate for selected OECD Countries, 1986-1988, 2009-2011 & 2011

	Average 1986-1988		Average 2009-2011		2011†	
	€million	% of GDP	€million	% of GDP	€million	% of GDP
Australia	1,407	0.7	1,427	0.2	1,726	0.2
Canada	6,848	1.8	7,345	0.7	7,299	0.6
EU*	100,838	2.6	91,056	0.7	86,292	0.7
Japan	52,901	2.4	46,953	1.2	51,593	1.2
Korea	12,236	9.1	15,905	2.2	18,244	2.3
New Zealand	524	1.6	268	0.3	357	0.3
Switzerland	5,823	3.8	4,542	1.1	4,859	1.1
Turkey	3,835	3.7	14,010	2.7	12,248	2.2
US	54,918	1.3	98,930	0.9	105,499	1
OECD**	268,786	3	284,542	0.9	292,517	1

*EU-12 in 1986-94, EU-15 1995-2003, EU-25 from 2004-06 and EU-27 from 2007.

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

†2011 figures are provisional estimates

Source: OECD, Producer and Consumer Support Estimates Database

7.4

EU & International Agriculture Policy Developments and Outlook

POLICY DEVELOPMENTS

Agriculture and Food

The key agriculture-related policy developments internationally in 2012 had a predominantly European flavour, in the form of the negotiations on the EU budget, or Multiannual Financial Framework (MFF), for the period 2014-2020 and the negotiations on the reform of the Common Agricultural Policy (CAP), which will also cover the period to 2020. Both sets of negotiations are enormously significant from an Irish perspective. The MFF sets the overall parameters for EU expenditure across a broad range of policy areas, including agriculture, through which Ireland receives about 85% of its total public sector receipts from the EU. The CAP, which itself accounts for about 40% of the EU budget, in turn sets the policy framework for European and for Irish agriculture in areas such as direct payments, rural development and market supports. Although both can be characterised as works in progress, significant forward movement was recorded in 2012. The negotiations on the reform of the Common Fisheries Policy (CFP) were also progressed during 2012.

The Commission's proposals were published on 29 June 2011, and were updated in mid-2012 in anticipation of Croatian accession to the EU. Member States' analysis and discussion of the proposals in the early part of 2012 was intensified in mid-year following the drafting by the Danish Presidency of the first version of the so-called "Negotiating Box" (the framework around which detailed negotiations take place between Member States). Successive modifications of the Negotiating Box under the Cyprus Presidency culminated in the unsuccessful attempt by Heads of State and Government to reach agreement on the budget at the European Council in November.

The original Commission proposal envisaged the maintenance of agriculture funding at 2013 levels in nominal terms. Although this represented a cut in real terms over the 2014-2020 period, Ireland's view was that it represented a reasonable starting point in the negotiations. However, throughout 2012 there was considerable pressure from some Member States for cuts in the overall EU budget and in the amount allocated to the CAP. The final proposal considered by the European Council involved a 4.5% reduction in CAP expenditure compared to the Commission proposal, including a 1.8% reduction in Pillar 1 (direct payments and market supports) spending.

Ireland's priority in the negotiations has been to secure the maximum possible CAP funding. The CAP underpins Ireland's development strategy for the agri-food sector, which will be central to our economic recovery. It also makes an important contribution to economic growth and job creation, and can contribute significantly to European economic recovery. From an Irish perspective, it is also vital that we maintain our levels of funding for both direct payments and for rural development.

CAP Reform

On 12 October 2011 the Commission published its proposals for the CAP post-2013. The proposals comprise texts of seven draft regulations covering four main aspects of the CAP:

- direct payments
- common organisation of the markets,
- support for rural development
- financing, management and monitoring arrangements

The proposals were discussed extensively during 2012 at both technical (Council Working Group) and political (Special Committee on Agriculture and Council of Ministers) levels. A wide range of issues was examined in bilateral and multilateral contacts between Member States and revised texts were considered. The Cyprus Presidency produced a Progress Report in December outlining the progress made and detailing the outstanding technical and political issues that remained to be resolved.

The key issue for Ireland in the negotiations is the distribution of direct payments within Member States. Also known as "internal convergence", it was perhaps the most contentious outstanding issue in the reform package at the end of 2012. The Commission wants uniform national or regional rates of payment by 2019, but this would cause significant transfers of funds between farmers in many Member States (including Ireland). These Member States generally want to tailor payment models and transitional arrangements to their own farming circumstances. Other countries - such as the newer Member States who already implement an area-based system - want alternative solutions, while still others favour the flat rate system.

Dairy Sector

The CAP Health Check agreement of November 2008 confirmed the expiry of the milk quota regime on 31 March 2015 and agreed transitional arrangements in the form of five annual 1% quota increases from 2009-2013, together with a change to butterfat adjustment calculations. It also requested the Commission to present a report to the Parliament and the Council before 31 December 2010, and again before 31 December 2012, on the evolution of the market situation and the conditions for smoothly phasing out the milk quota system. The second review report was released on 10th December 2012 and presented to the December Council of Ministers.

Forestry

The first meeting of the Intergovernmental Negotiating Committee (INC) on the Legally Binding Agreement on forests in Europe (LBA) took place from 27 February to 2 March 2012 in Vienna. A possible structure of the LBA and a roadmap for the negotiation process were discussed. This was followed by the second session in Bonn from 3-7 September. During INC 2 the Committee undertook a first reading of the Draft Negotiating Text for a Legally Binding Agreement providing general comments and concrete proposals.

Other Sectors

The Commission report on the Organic sector, adopted in May 2012, was presented to the Agrifish Council in June. Revised proposals on organic production and labelling of organic products are expected towards the end of 2013.

In parallel with the CAP post-2013 reform process, the Commission launched a wide-ranging consultation process in 2011 with the aims of increasing the added value of the agri-food sector and its contribution to the European economy by moving towards a European and global promotion policy more focused on the commercial aspects of the sector. The Commission adopted a communication in March 2012 to launch a debate on the future promotion policy on an inter-institutional level. This communication should lead to legislative proposals in the second quarter of 2013.

Council conclusions on the Commissions report on a strategy for the protection and welfare of animals 2012-2015 were adopted at the June Council of Agriculture Ministers.

INTERNATIONAL TRADE NEGOTIATIONS

WTO Negotiations: At the 8th WTO Ministerial Conference, held in Geneva in December 2011, Ministers agreed to mandate negotiators to reach provisional agreement on specific elements of the Doha Development Agenda in advance of an overall agreement across all negotiating areas (Single Undertaking Agreement). In 2012, some momentum built in the lead up to the Bali Ministerial in December 2013 to agree a partial package of early harvest outcomes that could include elements of the agriculture package, such as export refunds. This work is continuing.

EU Mercosur: Free trade negotiations between the EU and Mercosur restarted in May 2010. In 2012, FTA negotiations focused on the legal text of the draft Agreement, which includes such issues as domestic regulation and licensing, export subsidies and taxes, dispute settlement mechanisms, rules of origin, trade facilitation and intellectual property rights. The last substantial talks took place in March 2012 and, while further talks took place in October, they did not relate to agriculture or sanitary or phytosanitary measures.

EU Singapore: Negotiations for a Free Trade Agreement with Singapore were concluded politically on 16 December 2012. The Singapore FTA will cover more than one third of EU trade with Asia and is seen as a gateway agreement to other ASEAN members, Malaysia – Vietnam – Thailand, with whom talks are either underway or anticipated at some stage in the future. The precedence effect is particularly important as regards the outcome on geographical indications, notably with other TPP (Trans Pacific Partnership) members. Singapore was not able to grant direct protection for all GIs due to its dualist legal system and use of trademarks, however, the EU managed to secure a sufficient level of legal certainty, conditioning the provisional entry into force of the agreement to the effective protection of a quantitatively and qualitatively acceptable list of EU GIs.

EU Vietnam: The Foreign Affairs Council on 31 May 2012 endorsed the launching of negotiations for a FTA with Vietnam. Commissioner De Gucht and Minister Hoang officially launched the FTA negotiations at a ceremony in Brussels on 26 June. A first negotiating round took place from 8-12 October in Hanoi, Vietnam.

EU India: Negotiations were launched in June 2007, and 11 full rounds of negotiations have taken place to date. In 2012, the negotiators began meeting in smaller more targeted clusters rather than full rounds. In relation to market access for goods, Ireland has an interest in obtaining market access for dairy products and alcoholic beverages.

EU Japan: On the 29 November 2012, the Council decided to give the Commission 'the green light' to start trade negotiations with Japan. One of Ireland's key issues in relation to Japan is market access for beef. At a bilateral level, following on the completion of questionnaires by the Irish authorities, the Japanese authorities carried out an inspection visit to Ireland in 2012.

EU US: The OIE risk assessment for BSE classification is the international standard for world trade in beef and beef products and Ireland has a 'controlled risk status' similar to the US. However, the US remains closed to Irish (and EU) beef and beef products while the US is allowed to export beef to the EU. The U.S. Department of Agriculture (USDA) published a draft BSE rule on 16 March 2012 that would, in time, open the US market to EU beef imports. This marked the start of a public consultation period, which ended on 14 June 2012. After the consultation period, the Rule then went back to the USDA for analysis of comments and finalisation.

World Food Security

The number of undernourished people in the world declined to 870 million in the latest estimates by the FAO⁴ in 2012. This is a substantial drop from a high of 1023 million in 2009 and the reduction is a reflection of increased economic growth in developing countries and a reduction in food prices from the peaks of 2008. The FAO now believes that the Millennium Development Goal (MDG) of reducing by half the share of hungry people in the developing world by 2015 is still within reach, however, a crisis period like 2008 leaves vulnerable populations less able to cope with the next problem as they may have sold off assets and be in a less healthy state that the would have been otherwise. For example, drought and war continue to impact on several vulnerable countries and, in particular, the number of hungry in Sub-Saharan Africa has increased by 2% each year since 2007.

Social protection can improve nutrition for young children - an investment that will pay off in the future with better educated, stronger and healthier adults. With effective social protection complementing inclusive economic growth, hunger and malnutrition can be eliminated.

⁴ The State of Food insecurity in the world, (SOFI) available at <http://www.fao.org/publications/sofi/en/>

Global food prices increased rapidly in 2010 and reached a high in early 2011. This led to food shortages in many countries and contributed to political unrest across Northern Africa. However, prices fell in 2012 and remained below the 2011 level throughout the year⁵. Initial indications for 2013 suggest a continued stability but at prices that remain very high compared to the previous decade. Although there is not always a direct transmission from global prices to local markets, high global prices present particular difficulties for low income food deficit countries. Meat prices have remained consistently high for two years, as have cereals. Global dairy prices decreased significantly during 2012 but had returned to their previous high levels by the end of the year, as lower production led to higher prices. However, the price of sugar has fallen to its lowest level in four years.

United Nations Food and Agriculture Organisation (FAO)

The third meeting of the reformed **Committee on World Food Security (CFS)** took place in October 2012. The CFS was created to provide a platform for discussion and coordination to strengthen collaborative action among governments, regional organizations, international organizations and agencies, NGOs, and other relevant stakeholders. The reformed Committee is intended to be the most inclusive international and intergovernmental platform for all stakeholders to work together to ensure food security and nutrition for all. It now works in a coordinated manner in support of country-led processes that lead to food security. Civil Society Organisations participated in the October meeting as equal partners in a broad discussion that included a ministerial discussion on price volatility, the state of food insecurity, food security and nutrition, tracking progress in eliminating hunger, new principles of responsible agricultural investments, responsible governance of land tenure and a **Global Strategic Framework (GSF)** for Food Security and Nutrition⁶. The GSF offers guidelines and recommendations for coherent action at the global, regional and country levels. The overall purpose of the GSF is to support global, regional and country-led plans and processes designed to prevent future food crises, eliminate hunger and ensure food security and nutrition for all human beings.

A **High Level Panel of Experts** was set up to provide independent scientific advice to CFS Members through scientific and knowledge-based assessment and analysis of the current state of food security and nutrition. In 2012 they produced a further two expert reports, dealing with “**Food security and climate change**” and “**social protection for food security**”⁷. A further two expert reports will be presented in October 2013.

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

Codex Alimentarius

The Codex Alimentarius Commission, frequently referred to simply as “Codex”, was established in 1963 by the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO) to implement their Joint FAO/WHO Food Standards Programme. The main aims of Codex are to protect the health of consumers, ensure fair practices in food trade and promote coordination of all food standards work undertaken by international governmental (IGO) and non-governmental organizations (INGO). The Codex today comprise 185 member countries and one member organisation (EU) while 208 IGO’s and INGO’s have observer status.

⁵ <http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/>

⁶ <http://www.fao.org/cfs/cfs-home/global-strategic-framework/en/>

⁷ http://www.fao.org/fileadmin/user_upload/hlpe/hlpe_documents/HLPE-price-volatility-and-food-security-report-July-2011.pdf

Ireland's participation in Codex is coordinated through the Irish Codex Contact Point based in Research & Codex Division of the Department of Agriculture, Food and the Marine (DAFM). DAFM also operates an Irish Codex Advisory Committee (ICAC) that affords the main stakeholders in Ireland an opportunity to contribute to the formulation of the Irish position on all Codex issues. DAFM officers as well as officers from some other Government Departments and state agencies represented Ireland at 11 Codex sessions in 2012 reflecting the mix of expertise needed to deal with the complex range of issues under discussion.

Food Aid Committee

During 2011 agreement was reached on a new **Food Assistance Convention** to replace the existing Food Aid Convention which expired in June 2012. The new Convention came into force in January 2013. Ratification of the new Convention by Ireland is ongoing. Ireland's national position has been to focus on the provision of cash for the delivery of humanitarian untied food aid and, where possible, using the cash to purchase surplus food from within the affected region. This is in line with best international practice as recognised by the OECD.

United Nations World Food Programme (WFP)

During 2012 the Department continued its support for the vital work of the **United Nations World Food Programme** providing €9.96 million for food assistance. Funding for food assistance is provided on a fully untied basis.

OUTLOOK 2013

MFF

A further attempt to reach agreement on the budget for 2014-2020 will be made by Heads of State and Government at the European Council meeting on 7 and 8 February 2013. Ireland will do everything it can to facilitate a deal, but the CAP remains our over-riding financial priority. The Government is determined to protect the CAP to the maximum extent possible and to defend Ireland's share of it.

CAP Reform

The Cyprus Presidency's Progress Report will provide the basis for the Irish Presidency's work on the CAP reform package in the first six months of 2013. The intention is that the Agriculture Council will finalise its position on all outstanding issues in February and March, leading to a comprehensive Council position by the end of March. This should coincide with the European Parliament's finalisation of its position in March, which will in turn provide the basis for formal negotiations between the three institutions - including the Commission - with the objective of reaching inter-institutional political agreement by the end June.

Irish Presidency of the Council of the EU – January to June 2013

Ireland assumed the Presidency of the Council of the EU in January 2013; the first in the trio of Presidencies that we share with Lithuania and Greece.

The overarching theme of the Irish Presidency is promotion of stability, growth and jobs. In that regard, the sectoral policy priorities in the agriculture and fisheries areas are aimed at creating the conditions for renewed and sustainable economic growth in the context of the Europe 2020 Strategy.

In addition to progressing the Reform of the CAP and the CFP the Commission is expected to publish a major reform package covering **Animal and Plant Health, Official Controls and Seeds**, during the second quarter of 2013. This is an important set of legislative proposals, clarifying and modernising the EU's harmonised animal and plant health rules. The Irish Presidency is ready to lead in the Council discussions on this package with a view to achieving maximum progress by the end of June. The fifth element of the package provides for a single **Financial Framework** to be put in place to restructure and clarify existing measures in the animal health, plant health and official controls sectors. The Presidency is committed to prioritising discussions on this dossier.

Negotiations for a **Legally Binding Agreement on forests in Europe** are currently under way, with the two final sessions scheduled to take place in the first half of 2013. The overall aim is to reach an agreement that will represent a milestone for the protection and the sustainable management of forests in Europe. The Irish Presidency will make all efforts to facilitate progress towards such an agreement.

It is also expected that the Commission will publish a Forest Strategy in the first half of 2013 that will set the framework for discussions on future management of the EU network of Forests.

WTO

Ireland is of the view that we should remain cautious in relation an early harvest of some DDA outcomes as it may undermine efforts to conclude an overall DDA agreement. Ireland argues that that only a comprehensive, balanced and ambitious outcome across all elements of DDA negotiations will be acceptable.

EU MERCOSUR

It is difficult in the current political climate to see a momentum building in relation to these negotiations. Nevertheless, the Commission is still committed to these negotiations as seen in the EU/ Brazil summit declaration in January 2013.

EU Canada/CETA

EU/Canada (CETA) trade negotiations are due to be finalised in early 2013. One of the major stumbling blocks in concluding the negotiations is the establishment of tariff quota volumes for agricultural products which would be acceptable to both sides. Canada is seeking significant quotas for beef, in particular fresh and chilled, as well as for pork, while offering very modest dairy volumes in exchange. Ireland has real concerns regarding proposed market access for beef, both because Canada currently refuses to allow imports of beef from the EU and because of concerns about the size and composition of any quota awarded to Canada.

EU Vietnam

The second round of negotiations is scheduled to take place from 22-25 January 2013 in Brussels. Strong enforcement of Geographical Indicators and other intellectual property rights will be a necessary part of any agreement.

EU US

It is hoped in 2013 that the BSE rule will become law allowing the export of EU beef to the US.

The draft final report of the EU-US High Level Working Group on Jobs and Growth is progressing well. There is still some work left on specific issues, such as on SPS files of interest to both sides, regulatory coherence, and how to take this important area of work forward. The timing of issuance of the final report is still under consideration but is expected to occur early in 2013.

Chapter Eight:

National Developments

Chapter 8 National Developments

8.1 Overview

This chapter gives an overview of strategic commitments and policy developments relating to the agriculture sector under the Rural Development Programme 2007-2013, the Food Harvest 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 2007-2012, €3.74bn was spent on rural development measures, including Installation Aid (€12.7m), Early Retirement (€212m) Farm Investment/TAMS (€78m), Disadvantaged Areas (€1,280m), Natura 2000 (€80.6m) and REPS/AEOS (€1,899m).

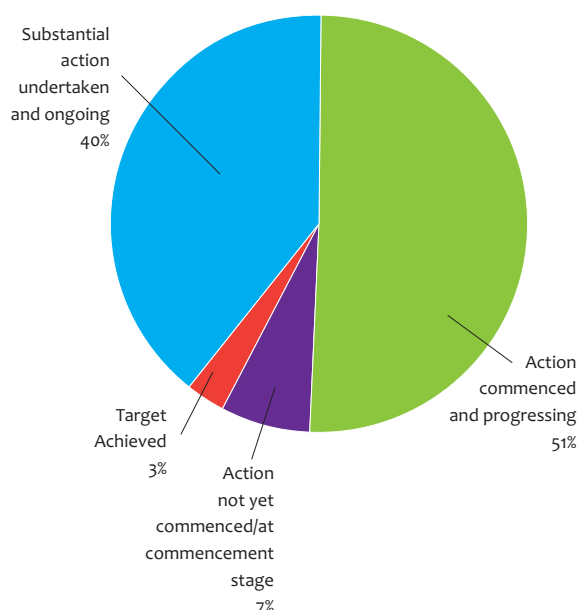
8.3 Food Harvest 2020 & Milestones for Success

Implementation

The implementation of the Food Harvest 2020 report through the High Level Implementation Committee (HLIC) was again of strategic importance in 2012. The HLIC, chaired at ministerial level, met five times in 2012 and in August produced “*Milestones for Success 2012*”, its second progress report. This showed that substantial progress had been made on 40% of the 215 FH2020 recommendations while action had been taken on a further 50%. The outcome was that the value of exports and primary production had risen by 10% and 19% on the Food Harvest baseline figures, vis a vis the respective 2020 target increases of 42% and 33%.

Figure 8.1

Food Harvest 2020
Implementation Progress
as at publication
of Milestones for Success



Milestones for Success 2012 also contained details on the broad range of innovative, capability and developmental ventures which were undertaken in 2012. Four specific areas of note were highlighted:

- A number of successful trade missions were undertaken, the most extensive being the one to China which involved over 50 companies and had five separate trade programmes focusing on dairy, meat, seafood, bloodstock and agri-services. This Chinese mission had significant business and networking outcomes. These included MOUs, new trade and diaspora networks and commercial outcomes on dairy and nutritional ingredients, seafood products, machinery and sales of horses. A “China Food Hub”, involving Bord Bia and Irish beef, pork and seafood companies, has been established in Ireland House in Shanghai to assist each other and provide practical support for other Irish companies dealing with the Chinese market.
- Bord Bia launched ‘Origin Green’. This is a sustainability charter for food and drink companies to differentiate Irish product on the basis of sustainability and to advance our reputation as a source of high quality, sustainably produced food and drink. Building on the successful carbon footprinting models already in use by beef and dairy farmer, industry will sign up to specific measures to reduce their carbon count. The goal is to have 75% of our exports supplied by companies which have publicly committed to rigorous sustainability targets by the end of 2014.
- To find and foster food entrepreneurs, FoodWorks was developed and launched in March by Bord Bia, Enterprise Ireland and Teagasc. This is an inter-agency mentoring and support programme to assist budding entrepreneurs develop their enterprises and products. Some 300 potential entrepreneurs attended the first events and, following a year long programme, 11 successful entrepreneurs are preparing investor-ready, stress-tested business plans for launch in 2013.
- BIM, working with the Marine Institute, took significant steps to progress the development of a major off-shore aquaculture project. They identified a potential location for this innovative undertaking, have scientifically assessed this site, prepared a full scale environment impact study and submitted a formal aquaculture and companion foreshore licence application to the licensing authority. Extensive local and national consultations have taken place to promote awareness and acceptance of this novel project and potential commercial interest has also been identified. If licenced, this project has the potential to generate 15,000 tonnes of organic grade Irish salmon annually with substantial export potential.

Around 60 further actions were identified as key to ongoing success in 2013 and these will be continually monitored by the HLIC.

Research and Innovation

DAFM operates competitive research funding programmes for agriculture, food & forestry that contribute to the competitiveness, sustainability, resilience, innovation and safety of the sector/industry by building & maintaining capacity and expertise in public organisations with a research performing capability.

A Call for Research proposals was launched in late 2011 under the three public good research programmes: the Food Institutional Research Measure (FIRM), the programme of Competitive Forest Research for Development (CoFoRD), the Research Stimulus Fund (RSF) and, in addition, a new Joint RSF/FIRM Initiative. This resulted in the award of 55 grants totalling €32 million to research institutes for collaborative research projects in late 2012.

The projects funded are addressing research needs identified in the two Strategic Research Agendas (SRAs): 'Food Research Ireland – meeting the needs of Ireland's food sector through research and innovation' and 'Stimulating Sustainable Agricultural Production through Research and Innovation (SSAPRI)'. A Strategic Research Agenda for the Forest sector is currently being developed and will be completed in 2013.

The awards cover a broad range of research activities relating to sustainable food production and processing as well as forestry. Many of the projects funded are applied and pre-commercial in nature while there is also a heavy emphasis on research involving the modern biosciences. Meat-related research features prominently which, when taken with additional investment in the dairy research, ensures that the two main parts of the sector continue to be supported to the maximum possible extent.

In addition, DAFM led a multi-funder Working Group which developed Action Plans for two of the priority areas identified under the National Research Prioritisation Exercise (NRPE) namely 'Sustainable Food Production and Processing' and 'Foods for Health', which will be progressed further in 2013.

DAFM continues to extend use of competitive funding allocations to facilitate Irish researcher participation in transnational Calls under a number of European Research Area Networks (ERA-Nets), including EMIDA (animal health), RURAGRI (rural development), ICT-Agri (linking ICT with agriculture), ERACAPS (plant science) and Wood Wisdom (wood products); and a GHG mitigation Call linked to FACCE Joint Programming Initiative (JPI) which also involves New Zealand, Canada and the USA. This develops international linkages thereby raising Irish researcher profiles and ultimately easing entry into major externally funded research project consortia.

8.4

Estimates 2012

Substantial provisions were made for the agriculture sector for 2012. Of particular note were the following:

- The actual expenditure under the 2012 Disadvantaged Areas Scheme was €206 million
- Total expenditure on agri-environment schemes in 2012 was €253 million which provided for payments to existing REPS participants as well as a new agri-environmental scheme
- A total of €28 million was spent on the Suckler Cow Welfare Scheme in 2012
- Expenditure on forestry and bio-energy in 2012 was almost €113 million which included capital expenditure of €108 million.

Significant expenditure (€21 million) was incurred in respect of investments in fish processing as well as for marketing and processing grants for the Beef and Dairy Investment Schemes.

Total vote expenditure of €1.3 billion taken together with EU funding brought total expenditure by the Department of Agriculture, Food and Marine to over €2.6 billion in 2012.

8.5 Income Tax Yield From Farmers

In the 2011 tax year approximately 111,000 farmers were assessed for tax.

Table 8.1

Farmers' Income Tax and PRSI (€m), 2005-2012

Year	Tax (non-PAYE) (€m)	PAYE on Employment Income (€m)	PRSI (non-PAYE) (€m)	Total (€m)
2005	130*	319	29	478
2006	156*	338	39	533
2007	173*	356	43	572
2008	159*	352	39	550
2009	99*	299	30	428
2010	117*	N/A	31	-
2011	148*	284	25	457
2012	163*	N/A	23	-

*Includes yield from special investigations and income levy (2009 et seq.)
Universal Social Charge included in 2011 and following years.

The figures in the “**Tax (non-PAYE)**” column are the tax on combined farming profits and other non-PAYE income returned by the “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 about 1% of the total income taxtake in 2012. This compares to 90% from the PAYE sector and 9% from other self-employed.

Table 8.2

Average Income Tax Paid by Sector, 2005-2011

	PAYE ¹ (€)	Farmers ² (€)	Other Self-employed ² (€)
2005	4,411	1,274*	11,220*
2006	4,395	1,495*	13,622*
2007	4,507	1,532*	14,197*
2008	4,519	1,437*	12,104*
2009†	4,132	753*	9,668*
2010†	3,936	936	9,138
2011†	4,351	932	9,191

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. Analysis¹ completed by economist Brendan Riordan provides a provisional estimate of the contribution of the ‘biosector’ to Ireland’s net foreign earnings from exports of merchandise in 2008. The ‘biosector’ comprises the agriculture, forestry and fishing industries, as well as the industries processing their products, namely the food and beverage industries. In total, these industries constitute a large part of Ireland’s natural resource based industries and are distinguished by the biological origin of their products. For this reason the report refers to this group of industries as the ‘biosector’, to distinguish its coverage from any narrower definition of the agri-food sector.

These net foreign earnings are measured in terms of the net value of merchandise exports: that is the inflows associated with exports from the sector, plus international subsidy transfers, minus the associated outflows, principally on importing materials and repatriation of profits by foreign owned firms.

This report finds that, in 2008, the biosector accounted for **40** percent (over €8 billion) of net foreign earnings from merchandise exports. This is more than double the biosector’s **19** percent share (almost €16 billion) of merchandise exports in that year.

The main reasons for the biosector’s disproportionately large contribution to net foreign earnings from merchandise exports are:

- lower import requirements per euro of exports
- low level of profit repatriation among its processing firms
- and higher receipts of EU payments

Another way of expressing these results is in terms of balance of payment flows per €100 of merchandise exports. Put this way, in 2008, every €100 of exports from the biosector generated **€52** in net foreign earnings. This compares with every €100 of exports from the non-biosector, which generated only **€19** in net foreign earnings.

¹ Brendan Riordan, “The Contribution of the “biosector” to Ireland’s net foreign earnings: a provisional estimate for 2008”, June 2012

Chapter Nine:

The Environment

Chapter 9 The Environment

9.1 Overview

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

9.2 Nitrates Directive

National Action Programme

Ireland's current National Action Programme under the Nitrates Directive will expire at the end of 2013. The Department of Environment, Community and Local Government (DECLG) is the lead Department in preparing the Action Programme and getting it approved by the Commission. This is done in close co-operation with DAFM. In 2013, both Departments will work towards preparing a new action programme with a view to having it in place by 2014. As heretofore, appropriate consultation will take place with stakeholders in advance of formulating proposals for the new programme.

Nitrates Derogation

Ireland's derogation under the Nitrates Directive is also up for renewal at the end of 2013. The derogation allows more intensive farms to operate at higher stocking rates subject to certain conditions and approximately 5,000 farmers avail of the derogation on an annual basis. Ireland will be requesting an extension to the current derogation which will require approval by the EU Nitrates Committee, comprising representatives of Member States and chaired by the EU Commission.

On-line Derogation Applications

Farmers must apply to DAFM on an annual basis for a nitrates derogation, which is subject to certain qualifying criteria. Applications to date have been totally paper based but on-line applications, through agfood.ie, are being introduced in 2013. It is also planned to extend the use of text messaging to farmers, giving information during the year on various nitrates issues, including N&P levels where appropriate. This will reduce costs within the Department and also provide a more efficient service to farmers.

Agricultural Catchment Programme

This programme was established by the DAFM to provide the scientific evidence base to underpin Irish agricultural policy in relation to responsibilities under the EU Nitrates Directive and the EU Water Framework Directive. Over 300 farmers are participating in six monitor catchments established across the country.

The second four year phase of this important programme began in 2012, with a view to building on the work already done in phase one and enhancing the knowledge base of scientific evidence over the period which will inform policy decisions in relation to sustainable agricultural production.

9.3 Environmental Impact Assessment (EIA)

The European Communities (Environmental Impact Assessment) (Agriculture) Regulations (S.I. No 456 of 2011), were introduced by DAFM in October 2011 following a judgement by the Court of Justice of the European Union in relation to the implementation of the Environmental Impact Assessment (EIA) Directive. The Court found that Ireland was overly reliant on size thresholds to determine if an EIA was required for certain projects and did not take sufficient account of other relevant criteria such as the nature, location and cumulative effects of those projects.

The Department of the Environment, Community & Local Government (DECLG), the lead Department with responsibility for this issue, consulted with DAFM to find a resolution to the case. It was agreed that certain activities covered by the judgment would more appropriately be regulated by DAFM to provide a more accessible and timely screening and consent process for farmers.

This case was finalised in December 2012. The Court found that Ireland failed to take the necessary measure to fulfil its obligations under the EIA Directive and ordered Ireland to pay a lump sum fine of €1.5 million. Initially, the Commission had sought a fine of €4.4 million.

The application of a fine in this case arose from a historical failure to remedy the earlier findings of the Court. Both the Commission and the Court accepted that the measures introduced by DAFM, in tandem with DECLG now fully address the failings found in the earlier judgement.

The new approval system provides a balanced response to the concerns of the Court by introducing an effective and practical system to protect the environment, while taking a pragmatic view of farming practice and need.

DAFM issued the EIA Guide for Farmers, which support the regulations in late 2011 and a summary information leaflet was sent to all farmers in February 2012.

150 applications were received under the Regulations in 2012. Over 60% of the applications relate to field boundary/hedgerow removal, with commencing to use uncultivated land making up approximately 17% of the applications, and land drainage activities standing at 15%. Details of Screening application decisions were published on the Department's website in October 2012

9.4 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.

Over recent years, agricultural GHG emissions have been falling steadily (-17.6%) since a peak in 1998 of 22.35Mt CO₂. This steady reduction has been maintained through a number of measures, including Common Agricultural Policy Reforms, participation in REPS, AEOS & Organic Schemes, supports for manure management in line with the EU Nitrates Directive, supports for afforestation and through development of renewable energy resources.

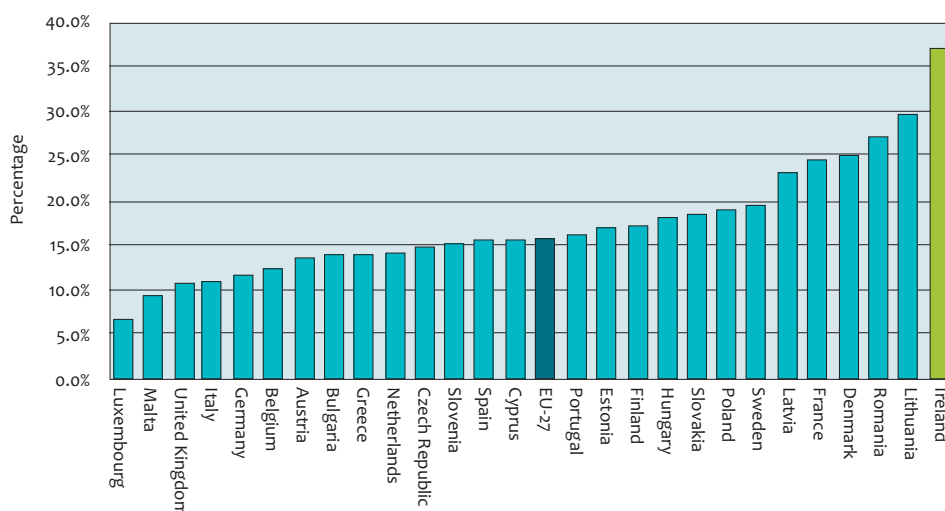
As part of the EU Climate and Energy Package in 2008 for the post-Kyoto period 2013-2020, Ireland has also agreed to reduce national greenhouse gas (GHG) emissions by 20% compared

to 2005 emissions levels, by 2020. When communicating their willingness to be associated with the Copenhagen Accord the EU reiterated the conditional offer to increase the overall EU 2020 emission reduction target from 20% to 30% in the event of a comprehensive agreement on global emissions reductions. This will lead to the establishment of new targets for individual EU Member States, based on a number of set criteria.

In Ireland, a larger than average proportion of our GHG emissions are in the agriculture sector. Figure 9.1 below shows the agriculture emissions as a proportion of national emissions covered by the EU 2008 Effort Sharing Decision (ESD) i.e. those from the Non-Emission Trading Sector which excludes emissions from the large installations covered by the EU wide Emission Trading Scheme. Clearly Irish agriculture sector emissions are far in excess of the EU average and uniquely high in a European context. In the developed world only New Zealand has a higher proportion of emissions from agriculture. Because of this unique emissions profile there has been a substantial amount of work carried out on the analysis of potential mitigation options for the sector.

Figure 9.1

Agriculture as a Share of ESD Emissions 2008



(Source EEA)

In the context of the FH2020 targets, meeting GHG reduction targets presents a very considerable challenge for the agriculture sector where analysis has projected agriculture emissions in the absence of abatement measures to increase 10% above 2010 levels.

During 2012, as part of the work being undertaken by the Secretariat of the National Economic and Social Council on National Climate Policy Development, DAFM has engaged deeply at expert level with a view to explaining the costs and options of reducing greenhouse gas emissions in the sector, the implications of setting targets which exceed the capacity of the sector, the actions being taken to reduce emissions in the sector, the evidence that these actions are effective and the need for a deep analysis of the efficacy of proposed actions, in a very complex system, before policy decisions are made.

Ongoing research will continue to develop further measures and technologies to reduce emissions from the agriculture sector. During the year the Department committed approx €3 million to climate change research projects under the Research Stimulus Fund. This brings the total funding committed since 2005 to almost €20 million. The Department continues to monitor ongoing research both nationally and internationally in an effort to find suitable

mitigation technologies and approaches. One of the larger projects funded is the ‘Gaseous Emissions and Land Use Network – GHG Ireland’, a Network that aims to bring together all principal investigators working in the field of agricultural climate change research after a 4 year initiative. The main focus of this network is to improve our understanding of carbon stock changes in agricultural soils in order to contribute to the development of a more satisfactory inventory and underpin future accounting for these categories as set out in a recent EU decision on LULUCF accounting. There is close co-operation between DAFM and the EPA in ensuring that their respective environmental research programmes on greenhouse gas emissions are complementary. Ireland is engaged with the EU Joint Programming Initiative – Agriculture, Food Security and Climate Change and is also a founder member of the Global Research Alliance on Agricultural Greenhouse Gases, which was established in December 2009. In 2011 and 2012, the Department also made additional contributions to the FAO to contribute to projects on Benchmarking and Monitoring the Environmental Performance of Livestock Supply Chains and also to the Global Initiative on Food Loss & Waste Reduction.

9.5

Ammonia Emissions

Following negotiations during 2012, Ireland’s target for ammonia emissions is a 0.5% reduction on 2005 levels by 2020 which equates to a value of 108.6 kt of ammonia in 2020. It is envisaged that the Gothenburg Protocol will be ratified by Ireland during 2013 and Ireland will be bound by these 2020 targets. In addition, a revised National Emissions Ceilings Directive will be developed during 2013 which will establish these targets in EU legislation. These ambitious targets for 2020 will pose challenges for the agriculture sector especially in the context of the production increases outlined in FH 2020.

9.6

Agri-Environment Options Schemes

The first Agri-Environment Options Scheme was launched in March 2010 and the Scheme re-opened for applications in 2011 and 2012. AEOS 1 has just under 8,000 active participants at an average payment of €4,000 per annum and AEOS 2 has 6,250 active participants at an average payment of €3,400 per annum.

Approximately 9,500 applications have been received for AEOS 3. As AEOS 3 has a provision of €20 million per year, with a maximum of €4,000 per individual farmer, the predetermined ranking and selection process will be used to identify those with the most potential to deliver environmental benefits to meet the selected challenges. It is expected that approximately 6,250 applicants will be awarded approvals and that these approvals will issue in the second quarter of 2013.

Under the Scheme, farmers are paid to undertake actions which specifically target three challenges, namely:

1. Halting the loss of Biodiversity,
2. Contributing to the improvement of Water Quality, and
3. Combating Climate Change.

Farmers with commonage land or designated Special Areas of Conservation or Special Protection Areas, who apply for AEOS, must follow a Sustainable Management Plan prepared by a planner.

In order to ensure that the scheme is as accessible to as many farmers as possible, it consists of a menu of actions, most of which had been found previously in REPS. Unlike REPS, however, AEOS is not based on a whole farm approach with farmers having the option of choosing to implement those measures which are best suit their individual circumstances. The overall objective is to deliver the maximum environmental benefit for the funds available.

The total expenditure on AEOS in 2012 was €55m.

9.7 Rural Environmental Protection Scheme

REPS is an agri-environment measure under the current Rural Development Programme (2007-2013). It is designed to encourage farmers to go beyond basic good farming practice and to farm in a way that benefits the landscape, biodiversity and water quality. Every member state must have an agri-environment measure and REPS is co-funded by the EU. The scheme has proven to be very popular with Irish farmers and confirms their commitment to farming to the highest environmental standards, a commitment that fits very comfortably with the vision of smart, green, growth as set out in the Department's Food Harvest 2020 strategy statement. It is worth noting that at the height of the scheme it included some 60,000 farmers, which equates to approximately half of the active farmers in the country.

REPS 3 was introduced in February 2004 and at this stage all REPS 3 farmers have completed their 5 year contracts under that scheme. Although REPS 4 closed to new applicants on 9th July 2009 payments will continue to issue to REPS farmers up to the end of 2015. By then, the total payments made to farmers since the scheme was first introduced in 1994 will have come to over €3 billion.

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. REPS also supports the built heritage in rural Ireland in its Traditional Farm Building Scheme, which is run by the Heritage Council on behalf of the Department. In 2012, more than €650,000 was paid to 43 farmers towards the restoration of traditional buildings on their farms.

At the end of 2012 there were approximately 30,000 participants in REPS 4. Over half of all these REPS participants are located in counties along the western seaboard, with just under 20% located in Counties Galway and Mayo. A quarter of Ireland's agricultural area is being farmed to REPS standards while total expenditure under the REPS Schemes in 2012 was €195m.

Table 9.1

Family Farm Income and Direct Payments for REPS Farms by System of Farming, 2011

	Dairying	Cattle Rearing	Cattle Other	Sheep	Tillage	Mixed Livestock	All Farms
	€/Farm						
FFI	73,115	15,079	22,149	21,790	29,677	42,074	30,589
Direct Payments	28,790	19,310	25,624	24,201	24,798	26,624	24,216
REPS Contribution	8,487	6,621	7,209	8,301	5,383	6,993	7,232
Farm Size (Ha)	54.8	32.6	39.4	40.8	47.9	50.3	41.9

Source: Teagasc: Kinsella, A., Quinlan, G. Analysis of REPS / Non-REPS Farms, NFS 2011

Table 9.2

Family Farm Income and Direct Payments for Non-REPS Farms by System of Farming, 2011

	Dairying	Cattle Rearing	Cattle Other	Sheep	Tillage	Mixed Livestock	All Farms
€/Farm							
FFI	65,144	8,074	12,161	13,511	39,550	30,844	21,372
Direct Payments	20,177	10,788	14,084	13,873	27,372	17,835	15,057
Farm Size (Ha)	54.9	30.3	32.1	40.7	77.5	45.9	39.59

Source: Teagasc: Kinsella, A., Quinlan, G. Analysis of REPS / Non-REPS Farms, NFS 2011

Table 9.3

Family Farm Income and Direct Payments for All farms by System of Farming, 2011

	Dairying	Cattle Rearing	Cattle Other	Sheep	Tillage	Mixed Livestock	All Farms
€/Farm							
FFI	67,851	10,313	14,531	16,280	35,307	35,060	24,224
Direct Payments	22,212	12,459	16,149	15,881	25,541	19,729	17,890
REPS Contribution	2,882	2,116	1,711	2,776	2,313	2,626	2,237
Farm Size (Ha)	54.8	31.0	33.8	40.8	64.8	47.6	40.2

Source: Teagasc: Kinsella, A., Quinlan, G. Analysis of REPS / Non-REPS Farms, NFS 2011

9.8 Organic Farming

At the end of 2012, there were 1,760 organic operators in Ireland, of which 1,400 were producers while the remainder comprises retailers, wholesalers and processors of organic produce. The total area of land under organic production has increased by almost 65% since 2002 and was slightly less than 55,000 hectares at the end of 2012. This equates to just under 1.2% of the total utilisable agricultural land area (UAA) in the country. The main objectives of the Organic Farming Action Plan 2008-2012, which was published by the Department in 2008, were to:

- increase production in line with market trends
- increase the knowledge base, develop the organic market at home and abroad
- encourage the development of public procurement opportunities for organic products

A new Action Plan is currently being developed by the Organic Focus Group, which was established in July 2012 to drive the development of the organic sector in Ireland. Organic Focus replaces Fóras Orgánach the previous group responsible for the development of the Organic Sector which completed its three year term in 2011.

The organic sector receives substantial financial support through the Organic Farming Scheme, which is now a stand-alone organic scheme - It was previously included as a supplementary measure under the Rural Environment Protection Scheme (REPS). A total of €4 million has been allocated under the Organic Farming Scheme 2013. The scheme, introduced in August 2007 under the Rural Development Programme 2007-2013, aims to deliver enhanced environmental and animal welfare benefits and to encourage producers to respond to the market demand for organically produced food.

Organic farmers and processors can also avail of the capital grant schemes which provide aid for both on-farm and off-farm investments in equipment and facilities. The aim of the Schemes is to facilitate the development of the organic sector so as to ensure a regular supply of high quality organic produce to the market. The allocation for these Schemes, at €1 million, was fully committed in 2012 and a further allocation of €1 million has been made to the schemes for 2013.

9.9 Biofuels

EU and National policy documents highlight the necessity of promoting the use of renewable energy, including bioenergy produced from agriculture sources. The EU Directive on Renewable Energy requires Ireland to achieve targets of a 16% share of energy from renewables by 2020 and 10% in transport by the same date. In 2011, penetration of renewable energy in final consumption in Ireland was 6.5%.

Responsibility for ensuring these targets are met is a matter for the Department of Communications, Energy and Natural Resources (DCENR) in the first instance. A 'Renewable Energy Action Plan' for Ireland, detailing the targets, policies and measures required to give effect to the EU targets mentioned above was submitted to the EU Commission in June 2010.

In early 2012, DCENR introduced the REFIT III Scheme which provides support for energy generation through technologies such as biomass combustion, biomass CHP, AD CHP and non-CHP. These tariffs have the potential to underpin the development of the bioenergy sector in Ireland.

DCENR intends to publish a National Bioenergy Strategy in early 2013. This strategy will examine all aspects of the bioenergy sector so as to inform the actions required to maximise its contribution to achieving the 2020 targets under the Renewable Energy Directive. The Department of Agriculture, Food and the Marine is working closely with DCENR in assessing the potential of bioenergy from the agriculture and forestry sectors to contribute to the 2020 targets. Any decisions in relation to future developments in the bioenergy sector will be taken in the context of this exercise.

The Biofuels Obligation Scheme requires all fuel supply companies to ensure that a certain percentage (currently 6%) of the transport fuel used in the State consists of biofuels. This Scheme is a key component to achieving the 10% penetration target of renewable energy in Transport by 2020.

9.10 Energy Crops

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

A pilot Bioenergy Scheme was launched in 2007 to support the planting of miscanthus and willow by giving farmers a grant up to a maximum of €1,450 per hectare to cover 50% of

establishment costs. Grants were paid in two instalments – 75% following establishment of the crop and 25% in the year after establishment. The pilot Scheme supported 364 farmers in the planting of some 2,500 hectares (2,100 miscanthus and 360 willow) to the end of 2009 for use as a renewable source of energy.

A new Bioenergy Scheme, co-funded by the EU under the Rural Development Programme, was launched in February 2010 to build on the progress made during the pilot phase. Under this Scheme farmers receive a grant up to a maximum of €1,300 per hectare to cover 50% of establishment costs (reflecting the reduction in crop establishment costs since the launch of the Pilot Scheme). The Schemes from 2010 to 2012 facilitated the planting of an additional 312 hectares of miscanthus and 479 hectares of willow.

The Scheme for 2013 was launched on 1st August 2012 and closed for receipt of applications on 2nd November 2012. Applications have been received to plant a further 200 hectares of willow and 160 hectares of miscanthus under the Scheme in 2013.

Details of the areas planted under the Bioenergy Scheme from 2007 – 2012 are contained in Table 9.4 below.

Table 9.4

Details of planting to date under the Bioenergy Scheme

Year	Miscanthus (hectares)	Willow (hectares)	Total (hectares)
2007	617	64	681
2008	775	128	903
2009	709	168	877
2010	165	188	353
2011	83	141	224
2012	64	150	214
Total:	2,413	839	3,252

9.11 Targeted Agricultural Modernisation Schemes

Applications continued to be received under the Targeted Agricultural Modernisation Schemes (TAMS) during the course of 2012 in respect of investments in relation to dairy equipment, sheep fencing & handling, rainwater harvesting and sow welfare. A revised Sow Welfare Scheme was introduced with effect from 1 July 2012 in order to further assist the pig sector to comply with the new EU animal welfare rules which came into effect for it with effect from 1 January 2013. Total expenditure under the TAMS (excluding the Bioenergy Scheme) during 2012 amounted to €15.175 million.

Chapter Ten:

Forestry

Chapter 10 Forestry

10.1 Overview

By the end of 2012, forest cover in Ireland had reached nearly 760,000 hectares, or 11% of total land area. This compares to a European average of about 43%. In Ireland, most afforestation (new planting) was undertaken by the State up until the mid 1980s, when the introduction of State and EU co-funded support programmes was a catalyst for a significant increase in private afforestation.

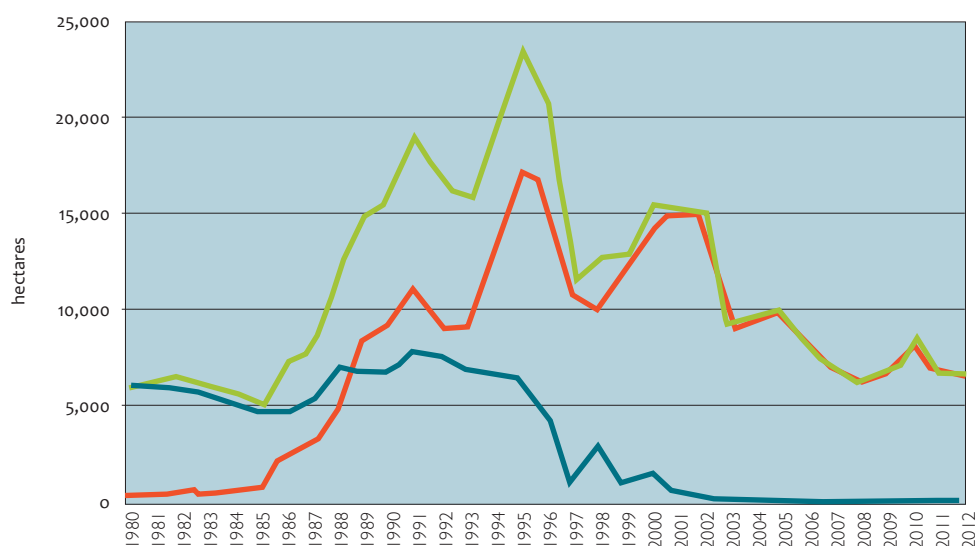
10.2 Forest Cover in Ireland and the EU-27

Figures 10.1 and 10.2 describe the trend in new planting since 1980. The level of afforestation by the private sector exceeded public planting² by the mid to late 1980s, with the latter decreasing substantially thereafter and 48% of forestry land is now owned by the private sector. In 2012 a total of 6652 hectares of new forestry was funded by the Department of Agriculture, Food and the Marine, which is a similar outturn to that planted in 2011. Broadleaves accounted for nearly 31% of new planting in 2012, thereby exceeding the current annual target of 30%.

Figure 10.1

Annual Public, Private and Total Afforestation, 1980 - 2012

State
Private
Total

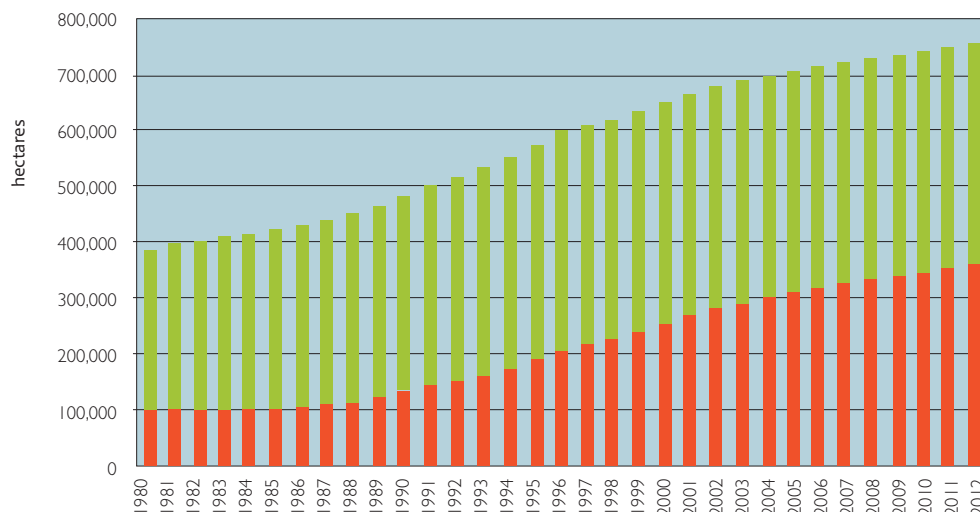


Source: DAFF Forest Service

Figure 10.2

Total Forest Area and % Privately Owned, 1980-2012

Publicly Owned
Privately Owned



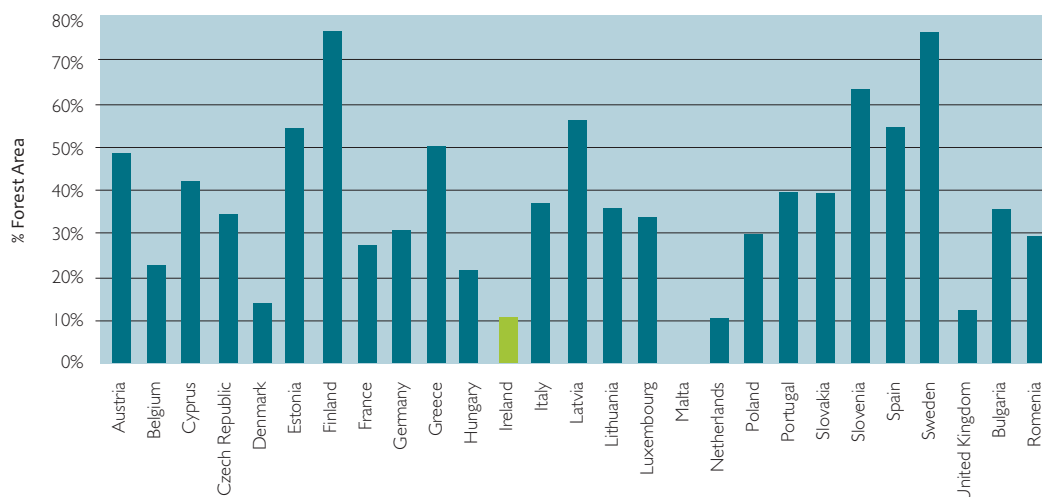
1 Source: FOREST EUROPE, UNECE and FAO 2011.

2 Public planting in this case excludes reforestation following clearfelling.

Figure 10.3

Forest Area as a Percentage of Total Land Area in the EU-27, 2010

Source: Forestry in the EU and the World, Eurostat 2011



10.3 National Forest Inventory (NFI)

The primary purpose of the NFI is to assess on an ongoing basis changes to the forest estate. The first phase, completed in 2006, was the starting point against which subsequent stages must be measured and compared. The field data collection for the second phase was completed in December 2012. Data analysis is currently underway and reporting of results will take place during 2013. The continuation of the NFI for a 3rd cycle is being planned for 2014 and is essential to:

- meet Ireland's commitment to Sustainable Forest Management
- comply with our international and national reporting obligations, e.g. FAO;
- forecast timber production at national level, which is a prerequisite for national forest industry planning and development; and
- provide information to help ensure that Ireland can fully comply with reporting and accounting for forestry related aspects of land use, land-use change and forestry (LULUCF) under the UN Framework Convention on Climate Change and the recent EU decision on accounting for LULUCF.

10.4 Roundwood harvest and woodflow, including forest-based biomass

Including firewood, the total roundwood harvest in 2011 was 2.90 million cubic metres. Eighty six percent of the harvest came from Coillte, with the balance coming from the private forest sector. Roundwood available for processing, which excludes firewood, and includes imports (mainly from Northern Ireland and Scotland) was 2.74 million cubic metres and which was processed into sawnwood, wood-based panels and products such as wood chip and pellets (Table 10.1)³.

³ For further information on wood harvest and forest products trade see: Woodflow and forest-based biomass energy use on the island of Ireland (2011); COFORD Connects Note Processing/Products No 28.

Table 10.1

Roundwood available for processing (2008-2011)

	2008	2009	2010	2011
	000 m ³ overbark			
Imports less exports	106	-63	28	55
Coillte harvest	2,279	2,354	2,217	2,299
Private sector harvest	118	130	463	386
TOTAL	2,503	2,421	2,708	2,740
<i>Of which</i>				
Sawlog	1,619	1,602	1,603	1,580
Stakewood	80	88	118	116
Pulpwood	804	731	987	1,044

The wood fibre sources for the processing and wood energy sectors in the Republic of Ireland are shown in Table 10.2, while the product output is in Table 10.3.

Table 10.2

Sources of wood fibre (2008-2011)

	2008	2009	2010	2011
	000 m ³ overbark			
Roundwood	2,503	2,421	2,708	2,740
Sawmill residues	846	838	842	829
Wood-based panel residues	106	94	101	115
Harvest residues	0	0	0	40
Post-consumer recovered wood	208	200	280	270
TOTAL	3,663	3,553	3,931	3,994

Table 10.3

Uses of wood fibre (2008-2011).

	2008	2009	2010	2011
	000 m ³ overbark			
Sawmilling	1,619	1,602	1,603	1,580
Round stake	80	88	118	116
Wood-based panels	1,462	1,286	1,400	1,340
Wood biomass energy use by the forest products sector*	378	431	554	572
<i>Other uses</i>				
Horticultural bark mulch	44	54	27	34
Wood chip for commercial biomass use	30	55	39	41
Export of forest product residues	50	37	58	196
<i>Other uses</i>			132	115
TOTAL	3,663	3,553	3,931	3,994

*Wood biomass is used by the forest products sector for process drying, heating and for the generation of electricity.

In 2011, exports of forest products from the Republic of Ireland were valued at €308 million, un-changed on 2010. Wood-based panels accounted for €173 million, the balance comprising paper and sawn timber exports (Table 10.4). Export volumes of WBP declined by 6.6% over 2010. This was due to the cessation of manufacturing at Finsa Forest Products in early 2011, which also led to exports declining marginally in value (-3.4%) in 2011 (Table 10.4).

In value terms, Ireland became a net exporter of sawn timber in 2010. This was for the first time since 1961, when global forest products statistics began to be compiled by the Food and Agriculture Organisation (FAO). In 2011, 45% of the Irish market for sawn softwood timber was supplied by domestic production with the balance being imported.

Table 10.4

Timber and paper products
trade, volume and value
(2008-2011).

	Imports							
	2008	2009	2010	2011	2008	2009	2010	2011
	000 m ³				€ million			
Sawn timber	412	232	242	201	141	66	74	64
Wood-based panels	264	181	166	195	108	68	65	68
	000 tonnes							
Pulp products	29	32	41	54	20	22	31	45
Paper and paper-board products	526	379	370	383	520	308	313	333
TOTAL					789	464	483	510
	Exports							
	000 m ³				€ million			
Sawn timber	389	564	658	619	54	51	85	83
Wood-based panels	614	580	660	616	195	147	179	173
	000 tonnes							
Pulp products	2	0	1	0	0	0	0	0
Paper and paper-board products	77	45	33	59	69	45	44	52
TOTAL					318	243	308	308

In 2011, 33% of the roundwood harvested in the Republic of Ireland was used for energy generation, mainly within the forest products sector. In 2011, the output of the forest-based biomass energy sector grew by 4.5% over 2010 (Table 10.5). In 2011, 214,000m³ of firewood was used in Ireland to a value of €31million, showing that it is providing a steady and a growing market for first thinnings. In addition, firewood is also harvested by forest owners for their own use.

Table 10.5

Use of forest-based biomass and as a proportion of total roundwood harvest (2010-2011).

	2010	2011
	000 m3 overbark	
Forest-based biomass use by Edenderry Power	79	85
Forest-based biomass used for energy production and process drying in sawmills and wood-based panel mills	475	487
Roundwood chipped for primary energy use	39	41
Domestic firewood use	199	214
Short rotation coppice	1	5
Wood pellets and briquettes	121	129
Charcoal	2	2
TOTAL	916	963
Roundwood harvest		
Roundwood available for processing	2,708	2,740
Firewood harvest	199	214
TOTAL	2,907	2,954
Forest-based biomass as a % of total roundwood harvest	31.5%	32.6%

Since 2006, the use of wood biomass energy in Ireland has resulted in an estimated greenhouse gas (GHG) emission saving of 2.56 million tonnes of carbon dioxide (CO₂) (Table 10.6).

Table 10.6

Output use of forest-based biomass and associated emissions mitigation, 2008-2011.

Unit	2008	2009 Output	2010	2011
Heat Terajoule	4,857	5,273	6,306	6,604
Electricity Terajoule	112	240	372	378
TOTAL Terajoule	4,969	5,513	6,678	6,982
CO ₂ abated 000 tonnes	380	422	511	534

10.5 Socio-Economic Contribution of Forestry in Ireland⁴

In 2010, direct output in the forestry (i.e. growing sector; excludes the processing sector) sector was €378.14 million. Of this €31.7 million was gross value-added (GVA) representing 0.02% of GDP. The type 2 forestry output multiplier was 1.78, thus for every one million euro in expenditure in the forestry sector a further €780,000 in expenditure was generated in the rest of the economy.

When the indirect and induced effects are taken into account using the multiplier, the overall value of forestry to the Irish economy was €673.0 million in 2010.

Direct employment in forestry was 3,125. The type 2 employment multiplier was 1.77, thus for every 100 jobs in the forestry sector an extra 77 full-time equivalent jobs are provided in other

⁴ Data source for section 10.5 is "An Economic Evaluation of the Market and Non-Market Functions of Forestry" by Áine Ní Dhubháin, Craig Bullock, Richard Moloney and Vincent Upton; see www.coford.ie

sectors of the economy. Accounting for the induced and indirect effects, the total employment supported by the forestry sector was estimated to be 5,531.

Direct output in the wood products sectors (i.e. panel board mills, sawmills and other wood products sector) was €1,330.0 million. Of this €375.2 million was gross value-added (GVA) representing 0.24% of GDP.

Direct employment in the wood products sectors was 3,907. Accounting for the induced and indirect effects, the total employment supported by the wood products sector was estimated to be 6,408. Output and employment multipliers for the wood products sectors were somewhat lower than for the forestry sector. The output multipliers for the panel board mills, sawmills and other wood products sector were 1.61, 1.70 and 1.65 respectively while the employment multipliers were 1.62, 1.72 and 1.61 respectively.

The multipliers were used to determine the indirect and induced impact of the three wood products sectors. The total value to the economy of the three wood processing sectors was €2.20 billion nearly 3.3 times the forestry sector figure of €673.0 million.

Public goods and 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). It is estimated that the carbon sequestered by Irish forests could be worth an average of €33 million annually for the first commitment period of 2008-2012 inclusive.

10.6 Forest Strategy and Financial Supports

The Forest Service promotes afforestation as a viable land use for landowners through the provision of planting grants and payment of annual premiums. In 2012, just over €101.6 million of capital expenditure was invested in afforestation grants and premiums (Table 10.7) – mainly comprising €19.2 million on Afforestation 1st Instalment Grants, €6.3 million on Afforestation 2nd Instalment Grants and €75.7 million on Afforestation Premium payments. An additional €6.6 million was spent on other forestry support schemes for forestry and woodland development projects.

A total of €112.538 million in funding for capital and current expenditure has been allocated for the overall forestry programme in 2013. This should facilitate payment for between 6,500 and 7,000 hectares of new planting.

Table 10.7

Annual Capital Expenditure
on forest schemes,
2005 – 2012

Year	Total Expenditure €m	Total Afforestation Programme €m	1st Grant €m	2nd Grant €m	Premia €m	Forestry Support Schemes €m
2005	110.8	97	26.9	12	58.1	13.8
2006	111	93.6	22.7	10.9	60	17.4
2007	117.1	103.2	21.1	10.5	71.6	13.9
2008	117	*104.8	20.2	9.5	73.8	12.2
2009	111	*102.3	22.1	8.7	70.5	8.7
2010	114.4	*107.8	27.6	7.4	72.3	6.6
2011	110.9	*103.8	20.5	7.7	75	7.1
2012	108.2	*101.6	19.2	6.3	75.7	6.6

*Balance of €1.3m for 2008, €1m for 2009, €0.5m for 2010, €0.6m for 2011 and €0.4m for 2012 expended on sundry capital expenses

10.7 Forest Protection

The Forest Service of the Department has regulatory responsibility for implementing the forestry aspects of the EU Plant Health Directive with the objective of maintaining Ireland's relatively favourable pest and disease free status.

Under an international wood packaging pest standard, ISPM No. 15, the Forest Service is also responsible for the regulation of wood packaging material (pallets, crates etc.) associated with exports from Ireland of goods of all kinds.

Chalara fraxinea (Ash Dieback disease)

Chalara fraxinea causes the serious disease known as "ash dieback". The disease is relatively new and since 2008 the Department's Forestry Inspectorate has been carrying out surveys to monitor and determine its status in Ireland. The disease has spread rapidly in continental Europe over the past 10 years and is now widespread in several countries, including Great Britain.

Following confirmation of an outbreak in Ireland in October of 2012, a major survey of Ash plantations was undertaken, focusing on trees planted between 2009 and 2012. This survey was completed in January 2013 and further findings of the disease were confirmed. The survey was broadened to an ongoing survey of ash planted over a much wider period. In addition to the plantation survey, staff are also surveying forest and non forest nurseries, roadsides and farms. The situation regarding findings is as follows:

Table 10.8

Confirmed findings of
Chalara fraxinea

Location type	No. of confirmed findings of ash dieback (<i>Chalara fraxinea</i>)
Forestry Plantations	26 in the following counties: Carlow, Cavan, Clare, Galway, Kildare, Kilkenny, Leitrim, Longford, Meath, Tipperary, Waterford
Horticultural Nurseries	14
Garden Centres	1
Private Garden	1
Farm landscaping	1
Roadside landscaping	3

In addition to the 26 plantations with findings of *Chalara fraxinea* confirmed by laboratory analysis, there are well over 100 plantations that were planted with material from the same batch. Department policy is that these plantations of ash would be removed to reduce the risk of the disease becoming established in Ireland. A grant scheme to facilitate the re-establishment of affected plantations is available to the owners affected.

Ash has been delisted temporarily as an approved species under the afforestation grant scheme.

On 26th October, 2012, legal measures were introduced to prohibit the importation into Ireland of plant material from ash dieback infected areas. On 6th November 2012, further legislation was introduced to restrict the movement of ash wood into the country. These legal measures were introduced in conjunction with similar measures taken by Northern Ireland authorities.

***Phytophthora ramorum* forest disease outbreaks**

Phytophthora ramorum is a highly contagious disease of tree and shrub species which was first identified in the mid 1990s. The disease is commonly known as “Sudden Oak Death” but this is somewhat a misnomer in a European context as, to date, European oak species have not been seriously damaged by the disease.

In July 2010, the disease was detected in Japanese larch at a forest in Co. Tipperary. Following the initial finding, the Forest Service instigated its Contingency Plan and established an Advisory Group and an Action Control Group to oversee and implement the Plan. In August 2010 a national aerial and ground survey of Japanese larch forests was initiated with the assistance of the Aer Corps and Coillte Teoranta to identify other potentially infected sites. The disease was confirmed on Japanese larch at a number of locations throughout the country. The disease is causing significant damage to Japanese larch and is also affecting noble fir and beech and Spanish chestnut at a number of these sites.

All sites where the disease has either been confirmed or is suspected are subject to strict quarantine controls. Felling Notices have been issued to landowners requiring them to undertake sanitation felling and remove all timber from confirmed infected sites. The key challenges are to ensure that sanitation felling, haulage and processing of infected material is carried out in compliance with the Disposal Notices issued by the Department in order to prevent the further spread of the disease. The outbreaks on Japanese larch are unique to Ireland and the UK and there is ongoing close co-operation with the Northern Ireland and GB authorities in combating the disease.

The Department has continued to carry out surveys for the disease throughout 2011 and 2012. As of February 2013, there are 16 larch *Phytophthora ramorum* outbreak sites in larch plantations. As a precautionary measure, Japanese larch has been delisted as an approved species under the Forest Service afforestation schemes and also for reforestation under the Felling Licence system.

10.8 The forest sector and climate change

Forests play a significant role in mitigating climate change by removing carbon dioxide from the atmosphere and converting it to carbon, which is then stored in the wood and vegetation of trees. This process is known as carbon sequestration. In 2008, 2009 and 2010, the net contribution of Ireland's Kyoto eligible forests (i.e. new forest planted since 1 January 1990) amounted to 2.701, 2.858 and 3.029 million tonnes CO₂, respectively or 8.598 million tonnes CO₂ over the three years.

Forests also play a role in reducing Ireland's carbon emissions from the combustion of fossil fuels (see Table 10.9). Wood from sustainably managed forests is carbon neutral fuel and is used in heating, and in combined heat and power (CHP) and electricity generation. The increased use of indigenous wood fuel also offers significant opportunities to reduce Ireland's dependence on imported fossil fuels and contribute to national fuel security.

Following agreement at the UN climate change convention in Durban at the end of 2011, harvested wood products (including sawn timber, panel products and pulp and paper) are now included in the carbon accounting framework for forests for the period up to 2020. This development provides recognition for the climate change mitigation benefits of harvested wood products in replacing emission intensive products, such as steel, plastic and aluminium. Furthermore, a number of wood products can be recycled, or else combusted at end of life, thereby closing the carbon cycle.

10.9 Forest genetic resources

Compilation of the National Register of basic material⁵

The objective of compiling the National Register of basic material is twofold: to comply with EU Directive 199/105/EC on the marketing of forest reproductive material, and to satisfy national forest reproductive material requirements, where possible, from well adapted, productive and suitable forest reproductive material from home sources. The register is reviewed and updated annually.

A number of new stands, comprising 60.5 ha, were selected and added to the register during 2012 (Table 10.9).

Table 10.9

Additions to the National Register of basic [reproductive] material in 2012

Species	Number of stands/orchards	Catalogue number	Area ha
Sitka spruce	4	PSI 360-363	71.5
Sitka spruce hedge orchards	5	PSI 355-359	
Norway spruce	6	PAB 169-174	59.8
Douglas fir	2	PME 32-33	6.2
Scots pine	2	PSY 41-42	23.0
Birch	1 indoor orchard	BPU 7	Not available
Alder	1 indoor orchard	AGL 14	Not available

The emphasis in adding new areas was on the inclusion of stands to meet seed demands for the main commercial conifer species including Douglas fir, Norway spruce, Sitka spruce and Scots pine. In line with the continued usage of improved Sitka spruce cuttings, a number of new clonal hedge orchards established at Clone Nursery, Aughrim were added to the register.

⁵ Under Directive 199/105/EC basic material means any of the following: seed sources (trees within an area where seed is collected), stands, seed orchards, parents or family, clone or clonal mixture.

Two new indoor broadleaf seed orchards developed by Teagasc at Kinsealy, Co Dublin were also registered, comprising native birch (*Betula pubescens*) and alder (*Alnus glutinosa*). Both orchards result from COFORD-funded tree improvement programmes. Categorised as ‘Qualified’, forest reproductive material from the orchards is undergoing field trials, with the aim of in-orchard selection and culling, followed by upgrading to the ‘Tested’ category.

The recent discovery in Ireland of ash dieback caused by *Chalara fraxinea* reinforces the continued need to harvest and utilise Irish planting stock grown from home-collected seed.

Seed orchards

Seed orchards are areas dedicated to the production of seed from selected or improved forest genetic material, and are an important element in the national forest genetic resources programme. They are located in the Coillte estate (Table 10.13). The Department, in cooperation with Coillte, continued to support the maintenance and assessment of national broadleaf seed orchard at Rathluirc.

Table 10.10

Seed orchards in the Coillte estate.

Species	Origin	Selection	Type	Location	Established	No. of Genotypes
Sitka spruce	Irish	Nursery bed selections cuttings	Rooted	Ballintemple nursery	2003	
Sitka spruce	Irish	Tested plus trees	Grafts	Ballintemple nursery	2011	35
Sitka spruce	Irish	Tested plus trees	Rooted cuttings	Gorey nursery	2011	30
Sitka spruce	Oregon, USA	Selected stands	Seedlings	Macroon nursery	2004	
Lodgepole Pine	UK	Interprov. Hybrids	Grafts	Ballintemple nursery	2011	91
Scots Pine	UK + Irish	Part-tested plus trees	Grafts	Kilmacurra	1980	53
Scots Pine	Irish	Selected stand	Seedlings	Coolgreany		58
Scots pine	Irish	Part-tested plus trees	Grafts	Camolin	2009	37
Scots pine	Irish	Tested plus trees	Grafts	Ballintemple nursery	2011	39
Alder	Irish	Nursery bed selections	Seedlings	Rathluirc	2004	1,500
Alder	Irish	Untested plus trees	Seedlings	Tinahely nursery	2008	
Ash	Irish	Untested plus trees	Grafts	Rathluirc	2003	85
Ash	Irish	Untested plus trees	Grafts	Rathluirc	2006	92
Ash	Irish + UK	Untested plus trees	Grafts	Ballintemple nursery	2009	
Birch	Irish	Untested plus trees	Grafts	Rathluirc 2003		
Cherry	Irish + European	Untested plus trees	Grafts	Gorey nursery	2011	74
Oak	UK, Irish and European	Selected plus trees	Seedlings	Rathluirc	2003	46
Sycamore	Irish	Untested plus trees	Grafts	Rathluirc	2003	46

International liaison and collaboration

The Future Trees Trust of the UK and Ireland continued improvement programmes in ash, birch, cherry, oak, Spanish chestnut, walnut and sycamore.

National Coordinators from member countries of the European Forest Genetic Resources Network (EUFORGEN) met in Paris for the 8th Steering Committee meeting in December 2012. It was attended by representatives from 22 countries. The meeting reviewed the agreed work schedule and planned outputs for the period (2013–2014). Draft reports from working groups were presented as follows:

- Progress on the development of a pan-European genetic conservation strategy for forest trees.
- Progress on the development of genetic monitoring systems for the dynamic conservation of forest trees.
- Review and identification of critical issues relating to the use and transfer of forest reproductive material in the context of climate change.

The working groups are expected to complete and finalise their reports by autumn 2013, when they will be presented at a Steering Committee meeting in late 2013.

For the remainder of Phase IV (2013 – 2014) the Steering Committee recommended the appointment of two further working groups with briefs to:

- Review policy issues relating to conservation and use of forest genetic resources and
- To commence the development of genetic conservation proposals for forest resources in the light of climate change.

The Steering Committee also reviewed and discussed a number of new initiatives proposed by the European Commission in relation to:

- A new updated draft regulation on the marketing of forest reproductive material within the European Community,
- The outline draft of a new regulation on rural development within the Community and
- The proposed review of a new EU Forest Strategy.

The meeting also reviewed the draft text for a legally binding agreement on forests in Europe, which was prepared by the Intergovernmental Negotiating Committee during the latter part of 2012 and it was agreed that the Secretariat of EUFORGEN should liaise on agreed follow-up actions in relation to the suggested activities.

In 2010, the United Nations Food and Agriculture Organisation (FAO) sought help from EUFORGEN and National Coordinators on preparations for the State of the World's Forest Genetic Resources Report. At the meeting a representative of the FAO presented preliminary results. The Report is scheduled to be published in 2013.

10.10 Council for Forest Research and Development – COFORD

The COFORD research and development advisory council was appointed for a 3-year term in December 2011, under the chairmanship of Mr Michael Lynn of Woodfab Timber Ltd. The membership is drawn from the public and private sectors, covering the forest sector production chain. It has an advisory role in relation to the national forest research programme and addresses development issues related to the forest sector.

The council has established four working groups to:

- Update the national forest research strategy
- Examine land availability and constraints and incentives to achieving afforestation
- Develop a national forest management planning system
- Improve the mobilisation of wood supply, and review the national roundwood production forecast.

The groups will report over the course of 2013 and 2014.

In addition, the council is updating the Forestry 2030 series of issue papers⁶.

10.11 Outlook for the forest products sector

The current strong demand for roundwood is expected to continue through 2013. There is scope to grow exports and to increase the level of harvest from the private sector to meet increasing demands for forest-based biomass for heat and power generation. The projected level of demand for roundwood on the island of Ireland in 2020 from both the conventional timber processing sectors and from the emerging forest-based biomass sector is shown in Table 10.11. Most of the additional harvest to meet this level of demand will have to come from the private sector.

Table 10.11

Estimated roundwood demand on the island of Ireland in 2020⁷.

Demand source	000 cubic metres over bark
Conventional demand	3,830
Wood biomass energy demand	3,084
Residues from conventional demand which are used to meet energy demand	-876
TOTAL	6,038

Historically, the construction sector has been the primary demand driver for demand for forest products. However, the European and North American housing market has not yet shown any strong recovery from the recession. Economic conditions remain difficult in the UNECE region and the associated uncertainty has affected markets for forest products.

In 2011, the consumption of sawn softwood in Europe increased by 2.8%. In value terms, Ireland became a net exporter of sawn timber in 2010. This was for the first time since 1961, when global forest products statistics began to be compiled by Food and Agriculture Organisation (FAO). It marked the continuation of a trend apparent since 2008 (and more apparent in the case of export volumes) with the gap between the value of exports and imports closing due to the collapse of the domestic construction market and increased levels of exports, mainly to the UK. The UK remains the most important export market for Irish forest products.

⁶ See www.coford.ie

⁷ COFORD Roundwood Demand Group. 2011. All Ireland Roundwood Demand Forecast 2011-2020. COFORD Dublin.

However, in 2011, housing starts in the UK were 2.2% lower than in 2010. Over the same period, the volume of repair, maintenance and improvement work in the housing sector (housing RMI) fell by nearly 3% and the value of output by manufacturers of wooden packaging and pallets fell by 7.7%. Despite difficult market conditions, Irish sawn softwood had a UK market share of 6% (Table 10.12). Irish sawmillers have also developed new markets for Irish sawn timber in Europe.

2011 was a challenging year for the European wood-based panel industry, with a 1.5% decline in particleboard production and a 5.2% decline in OSB output. In contrast, MDF production rose by 3.7% and plywood production by more than 10%. In 2011, the Irish wood-based panel sector was the second largest exporter of particleboard and oriented strand board (OSB) to the UK. Over the same period, Ireland was the largest exporter of medium density fibreboard (MDF) to the UK (Table 10.12).

Table 10.12	Sawn softwood	Particleboard including OSB	Fibreboard including MDF
Irish forest products UK market share (2011).	6%	24%	36%

In the UN Economic Commission for Europe (UNECE) region, wood energy is the principal source of renewable energy. Most of this demand is concentrated in the European Union, driven by the EU 2020 renewable energy targets.

Efforts to exclude illegal timber from markets are being strengthened via the EU Timber Regulation and the Lacey Act. The EU Regulation will take effect from 3 March 2013. Its objective is to prevent illegally sourced wood and products derived from such wood from entering the European market by prohibiting the placing of such products on the EU market; requiring due diligence by operators and traceability throughout the supply chain.

Chapter Eleven:

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 seafood industry is based on the utilisation of a high quality, indigenous, natural resource which has excellent potential for added value and makes a significant contribution to the national economy in terms of output, employment and exports. The sector generated sales of some €800 million in 2012 and provided approximately 11,000 jobs in coastal regions around the country. Furthermore, 60% of the employment and added value created in the marine sector is located outside the most developed regions of the country, making the seafood sector hugely important to maintaining economic viability in rural coastal communities.

The Seafood Sector has significant potential to grow and increase the value of output in the next few years. Demand for seafood is growing globally and this is driven both by per capita consumption increases in the developed world and overall global population growth. It is estimated that an additional 40 million tonnes of seafood per annum will be needed globally by 2030. Ireland has the potential to capitalise on this rapid growth. The Food Harvest 2020 strategy targets an increase in the annual sales value from the Irish seafood sector to €1 billion and an increase in employment of 3,000 in sea fisheries and aquaculture, with a 78 per cent increase in aquaculture volume production by 2020.

The seas around Ireland (ICES Sub Areas VII and VI) contain some of the most productive and biologically sensitive areas in EU waters. Most of the fisheries stocks within these areas come under the remit of the Common Fisheries Policy (CFP). The 2011 fishing opportunities (i.e. Total Allowable Catches, TAC's) for the international fleets that operate in the waters around Ireland were 937,924 tonnes of fish, with an estimated landed value of €1.04 billion¹. Ireland's share of these fishing opportunities represented 21% by tonnage and 17% by value. Ireland also possesses valuable inshore fisheries - particularly shellfish such as lobster, crab, whelk and scallop - which represent a very important resource base for the coastal communities around Ireland.

The prospects for seafood, both at a global and European level, are very favourable, especially in the medium to long term. The world's population is growing strongly and is not expected to stabilise until c. 2050 when there will be more than nine billion people on the planet, representing a massive new market for food. As a consequence, it is inevitable that demand for seafood will continue to grow for the foreseeable future.

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

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

The reform of the Common Fisheries Policy, currently underway, is of critical importance to the future of the sector for the next decade, particularly with respect to access to resources for the Irish industry.

¹ based on 2009 average prices

The main elements of the revised CFP are:

- A multi-annual ecosystem-based management of the fishery resource
- The banning of discards
- Making fishing profitable through a system of transferable catch shares, known as 'transferrable fishing concessions'
- Supporting small-scale fisheries which are important in the economic development of many coastal areas
- Developing sustainable aquaculture with appropriate environmental, societal and economic standards including member state plans to remove administrative barriers
- Improving scientific knowledge through collecting, maintaining and sharing scientific data about fish stocks and the impact of fishing at sea-basin level - Activity will be coordinated through national research programmes
- More decentralised governance giving member states larger roles and responsibilities in relation to the resource

Ireland welcomes the reform of the Common Fisheries Policy and agrees with many of the objectives set out in the Reform Proposals in particular those regarding bringing fish stocks within sustainable levels, increasing the use of long term management plans, addressing the wasteful practice of discards and the greater integration of science in the decision making process.

However, there are concerns regarding the details of the application of these objectives that will require further negotiation to ensure the continued future of a vibrant Irish seafood sector. In particular, the proposal for the introduction of a mandatory scheme of Transferrable Fishing Concessions (TFC's), otherwise called individual transferable quotas (ITQ's), has the potential to lead to a privatisation of fish quotas and their concentration in the hands of multi-national companies with limited or no links to Ireland's coastal communities. The introduction of TFCs is likely to lead to the loss of the economic benefit and, ultimately, Irish jobs, as currently Irish fish quotas are allocated to Irish fishing vessels. The impact of these proposals would not be limited to economic aspects: the unique social and cultural fabric of Irish coastal communities would be devastated if the link between the fleet, the ports and processors was broken.

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

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

Geographically, the fisheries industry is predominantly concentrated on the western seaboard and the harbour towns of the south and east coastline areas. In terms of the fish catching sector, fish and shellfish are landed at six major fishery harbour centres (Killybegs, Castletownbere, Howth, Rossaveal, Dunmore East and An Daingean), at 40 secondary ports and a further 80 piers and landing places where fish landings are recorded. The main industry

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

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

- Recessionary effects – reduced prices for seafood, difficulties in obtaining working capital, increasing interest rates
 - Need to expand the raw material supply base
 - Access to the resource – a stronger emphasis on environmental protection and conservation
 - Need to build scale and an efficient logistics chain and need to attract investment into the sector
 - The growth of low cost imports from countries operating from significantly lower cost bases and a lack of differentiation of Irish seafood
 - Changing consumer preferences – a premium on convenience, versatility and price
- During 2012, BIM continued to deliver on the actions set out in its three year strategic plan in response to the challenges and opportunities facing the industry and continued close consultation on its work programmes with the key stakeholders across the sector.

11.2 The Irish Fishing Fleet

The Irish fleet contains 5 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 multipurpose and include small inshore vessels (netters and potters) and medium and large offshore vessels targeting whitefish, pelagic fish and bivalve molluscs.

Specific Segment: This segment contains vessels which are permitted to fish for bivalve molluscs and aquaculture species.

Aquaculture Segment: These vessels must be exclusively used in the management, development and servicing of aquaculture areas and can collect spat from wild mussel stocks as part of a service to aquaculture installations.

The vast majority of the fleet is within the polyvalent segment, which comprised 1,933 vessels in 2012. A breakdown of the fleet by type of vessel is outlined in figure Table 11.1.

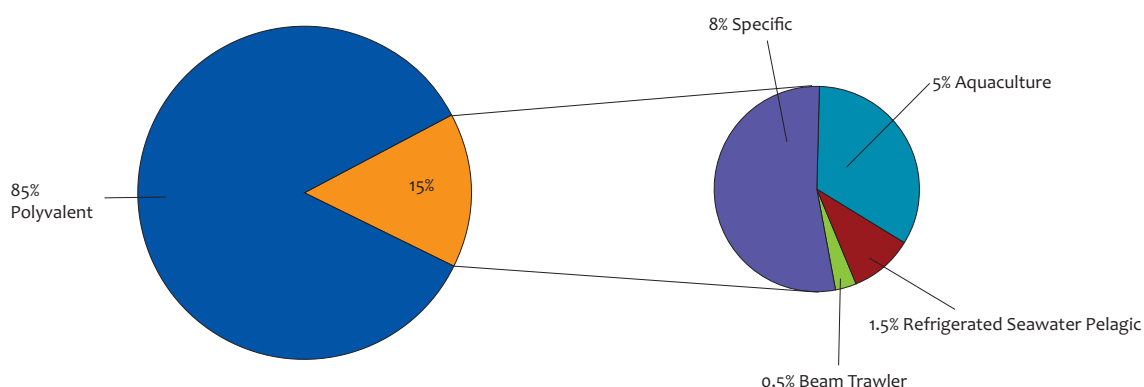
Table 11.1

Overview of the Irish Fishing Fleet, 2012

Fleet Segment	Number of Vessels	Gross Tonnage (GT)	Kilowatts (KW)
Specific	147	2,697	13,324
Polyvalent	1,933	33,798	123,280
Beam Trawl	10	1022	2,715
RSW Pelagic	23	22,614	43,900
Total	2,113	60,131	183,219
Aquaculture	104	4,746	13,180

Figure 11.1

Breakdown of Irish Fleet by Type of Vessel, 2012



11.3 Primary Production from Fisheries

Landings

The latest data (2010) on landings by Irish vessels is outlined in Table 11.2 on the basis of broad species type. The volume and value of fish landed by Irish vessels in home ports for 2010 amounted to over 160,000 tonnes, worth approximately €159 million.

Table 11.2

2010
Fish Landings

	Weight Tonnes	Value €m
Irish Ports Total	164,615	159
Irish Vessels @ Foreign Ports Total	153,439	N/A
Total Landings by Irish Vessels	318,054	58
of which:		
Demersal (e.g. Cod, Saithe, Haddock, Whiting, Hake, Megrin, Monkfish, Ling)	112,510	49 (Irish Ports Only)
Pelagic (e.g. Mackerel, Herring, Sprat, Sardine)	179,551	47 (Irish Ports Only)
Deepwater	51	0.024 (Irish Ports Only)
Shellfish	25,942	63 (Irish Ports Only)

Aquaculture Licensing

During 2012, significant progress was made in a number of key areas which will enable the continued sustainable growth of the industry.

While there have been serious difficulties with the aquaculture licensing system in Ireland for some years now, the solutions to these difficulties lie in bringing Ireland into full compliance with a number of key EU Environmental Directives. Since the majority of aquaculture sites are located in NATURA 2000 designated areas, appropriate licensing processes have to be implemented to meet the requirements of these Directives. A comprehensive programme to gather the necessary baseline data appropriate to the conservation objectives for Natura sites is ongoing and significant progress has been made. Considerable progress has also been made in processing existing and new licence applications in non-Natura areas, resulting in 115 licence determinations in 2012.

Furthermore, the Department has also comprehensively updated aquaculture licence templates to make them fit for purpose to meet the challenges and opportunities facing the industry. Key new features of the licence templates include:

- a move to Standing Stock Biomass for finfish as the means of measuring production capacity at an aquaculture site
- enhanced provisions on environmental monitoring
- greater clarity on the requirements for operators in relation to operational conduct and monitoring
- the possibility of group-marking of sites for navigational purposes
- specific provisions covering company registration/dissolution, tax certificates, payment of fees etc.
- the new licence templates are also species specific.

In addition to the ongoing work being carried out by the Department in relation to aquaculture licensing, it is now intended to radically expand the production of Irish organic farmed salmon by creating new fish farming production areas in deeper waters. The placement of farms in deep waters will ensure that there is no impact on NATURA 2000 sites. BIM estimates that just one of these production areas could generate over 100 million euro in exports p.a. and create 350 direct jobs. A further 150 jobs will be created indirectly in the service sector, supplying fish feed, netting, transportation and other services.

An application for an aquaculture licence in respect of a site off Inis Oirr, Galway Bay, has been submitted to the Department by BIM. The application is in respect of a production area comprising of two separate sites designed to facilitate the production of 15,000 tonnes of Salmon at peak production.

This application is being assessed in accordance with the provisions of the 1997 Fisheries (Amendment) Act.

Site Investigation Works Co Mayo

Site investigation works are underway at another site off the coast of Co Mayo with a view to determining its suitability for deep sea aquaculture. It is expected that results from these investigation works will be available in early 2013, with the possible subsequent submission by BIM of a full aquaculture licence application.

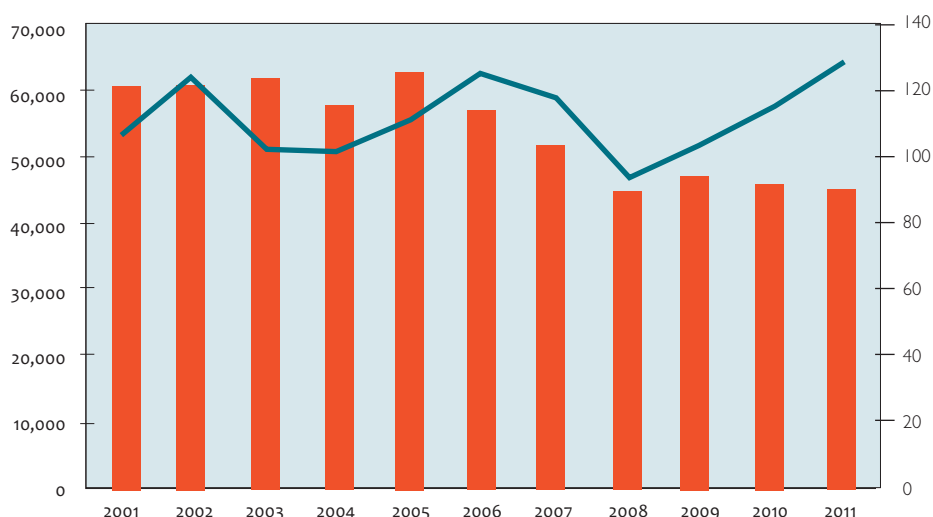
Figure 11.2

Aquaculture Production - Value and Volume, 2001-2011

Tonnes ('000's)- Left Axis

Value (€M)- Right Axis

Source: BIM



11.4 Seafood Market and Processing Sector

As with other Irish food sectors, Irish seafood operates in two very differently performing markets: buoyant export markets and a difficult home market. Together they were worth €800 million in 2012 up from €728 million in 2011, the increase almost all accounted for in strong exports.

Exports

Irish seafood exports were worth €490 million in 2012, up from €430 million in 2011. Market conditions varied in 2012 with Irish salmon, predominantly organic, valued at €61 million, a 12% increase on the 2011 value of €55 million. The unit price of fresh salmon remained unchanged, an indication of the high prices being obtained by organic Irish salmon.

The market for pelagic fish remained buoyant in 2012 with exports of all product forms valued at €213 million, an increase of 45% on 2011. The contributing factors to this performance included higher quotas and strong prices from international markets in addition to the significant expansion in the volume and value of blue whiting, which reached €43 million in 2012.

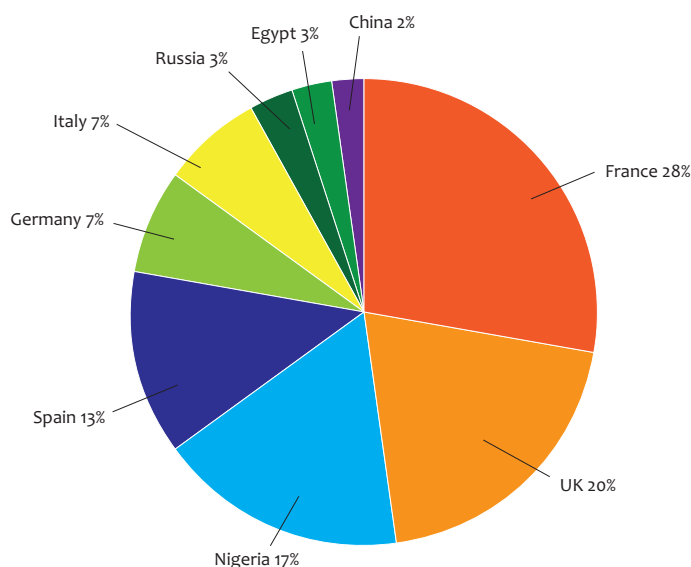
Trade in shellfish products, at €145 million, marked an 8% decline in 2012 reflecting the economic situation in the main markets, namely France, Spain and Italy.

In all, the European Union (EU) accounted for €352 million of Irish seafood exports. The EU share of the total seafood export trade was lower than in earlier years mainly due to the increase in pelagic exports to markets outside of the EU and the decline in the demand for high value shellfish products in France, Spain and Italy in particular. France, however, remains the largest market for Irish seafood, valued at €113 million in 2012, while Great Britain accounts for €78 million, Spain €52 million, Germany €29 million and Italy €26 million.

Further afield, exports to non-EU countries grew in 2012 due mainly to increased exports of pelagic fish to Africa and the expansion of Irish exports to the Asian markets. In 2012, exports to Japan, China and South Korea were valued at €26 million, an increase of 26% from the 2011 value.

Figure 11.3

Main Export Destinations
for Irish Seafood, 2012



Source: BIM

The domestic market was again difficult in 2012 with sales estimated at €310 million. Patterns of seafood purchases by household were broadly similar to the previous years with households shifting to less expensive seafood varieties. Demand for convenience and pre-packed products continued.

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 150 firms, mainly SMEs, engaged in handling, distribution and processing of fish. Less than 5% of these companies had more than 50 people employed fulltime, while a significant number of small operators supply a local market or sell to niche market outlets.

A major challenge facing the sector is the need to build competitiveness in the face of issues of scale within the sector and route to market considerations. BIM business development programmes are aimed at facilitating the processing sector to address this challenge and in particular to grow the businesses. The strategy in Food Harvest 2020 is to increase the overall turnover of the sector by €100 million by 2015.

11.5 Employment in the Fisheries Sector

The seafood industry supports the economic viability of many coastal communities, directly generating or supporting approximately 10,600 jobs. This includes full and part time/casual employment in the fisheries, aquaculture, seafood processing and ancillary services sectors such as net making, chandlery, engineering and refrigeration. Table 11.3 outlines the employment figures and is based on BIM survey data .

Table 11.3 Employment in Fisheries Sector, 2010/11

Table 11.3

Employment
in Fisheries Sector,
2010/11

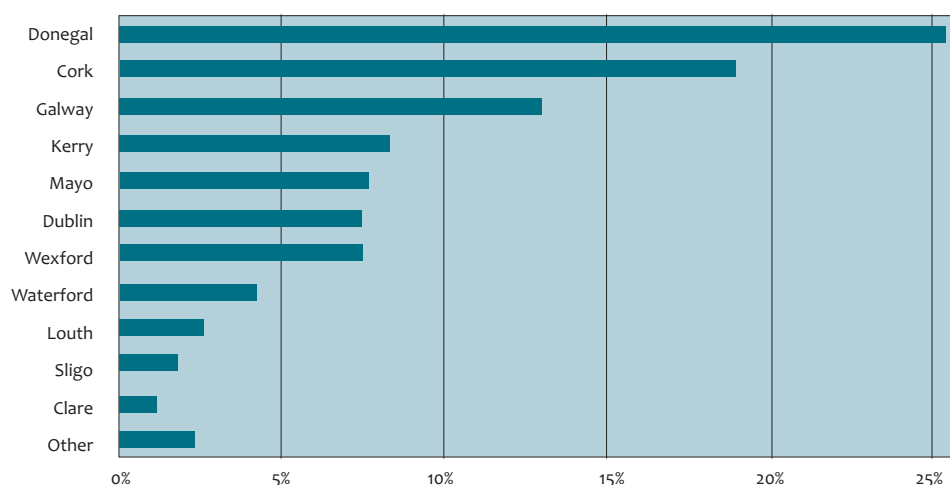
	Full time	Part time/ Casual	Total
Fisheries	3,924	1,063	4,987
Aquaculture	693	1,023	1,716
Processing	2,200	660	2,860
Ancillary		1,000	1,000
TOTAL		10,563	10,563

Source: BIM Data

Figure 11.4

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

Source: BIM



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

Sea Fisheries Training

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

Aquaculture Training

The FETAC Certificate in Aquaculture is designed for new entrants and existing fish farm workers alike. In addition, a number of specialist modular courses are also available, ranging from a basic training module providing new entrants with a foundation in finfish and shellfish

farming methods, to higher skilled training courses suited to those who already have experience of fish farming or wish to learn about seaweed on-growing techniques. Engineering, power boat handling, farmed fish welfare and safety skills are also taught to fish farm personnel.

Safety Training

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

Seafood Processing Training

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

BIM Seafood Development Centre (SDC)

The BIM Seafood Development Centre (SDC), in Clonakilty, is the first dedicated seafood development facility in Ireland. The SDC seeks to increase the value added seafood offerings and is continuing to play a pivotal role in maximising the potential of indigenous Irish Seafood through a market-led innovation approach. In line with the targets in Food Harvest 2020, the SDC will contribute to the effort to generate an additional €100 million worth of new seafood products over the next five years. The SDC also assists in the creation of seafood company start-ups through the provision of supported incubation spaces.

11.6 Key Policy Developments

Developing the Seafood Industry

Food Harvest 2020 identifies the potential of the seafood industry to increase employment from the present level of 11,000 to 14,000 jobs by 2020, mostly in peripheral coastal communities. It also identifies the potential to increase turnover in the sector from €700 million to €1 billion by 2020.

The Department and its agencies are pursuing three key strategies to grow the Irish seafood industry and realise the potential identified in Food Harvest. These are:

- growing our aquaculture production to increase raw material supply to our processing sector
- adding value to our raw product and improving the scaling
- competitiveness of our processing sector.

An additional €50 million in value added sales is seen as possible by 2013 and has been targeted through a number of actions which commenced in 2011 and continued into 2012. By encouraging the European fishing fleet to partner with Irish processors, value can be added

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

³ Global Maritime Distress and Safety System

to raw material here rather than shipping direct to the continent. Meetings were facilitated between Irish processors and foreign fishing vessels operating in Irish waters.

During 2012, the Seafood Processing Investment Scheme operated by BIM supported value added investments in the processing sector worth €15.5 million in 2012, including State grant aid of €3.2 million. The 21 projects supported are projected to generate 142 jobs and increased sales of €44 million by 2015.

In January 2012, the Minister launched a BIM workshop with senior managers of Irish seafood processing companies to consider the challenges of scaling and competitiveness facing the sector and to encourage the industry to work together to overcome them. BIM followed up on the strategy identified in the workshop during 2012 and provided supports through a range of programmes.

Common Fisheries Policy

Reform of the Common Fisheries Policy

The Common Fisheries Policy (CFP) of the European Union was first put in place in 1983 and has been subject to review every 10 years. A detailed proposal for significant reform of the CFP was first published by EU Commissioner for Fisheries, Maria Damanaki, on 13th July 2011. The proposals set down a framework for the sustainable management of EU fisheries policy from 2013 to 2022 and cover all aspects of the CFP such as access to waters, conservation and management of the fish stocks, external fisheries policy, aquaculture, market organisation and consultation mechanisms with stakeholders.

Reform of the EU Common Fisheries Policy (CFP) is one of the key priorities for the Irish EU Presidency. The Irish Presidency's overall aim is to build a modern, competitive and sustainable European fisheries sector based on maximising jobs and growth and contributing to long-term global food security. The Minister for Agriculture Food and the Marine, Simon Coveney, has committed to advancing the CFP reform agenda and the related legislative proposals to completion of the stated objectives by the end of Ireland's Presidency in June 2013. This will require significant inter institutional cooperation at EU level and a genuine willingness from Member States to compromise so that an agreed formula can be put in place. In order to be able to enter into negotiations with the Parliament as soon as possible, an ambitious three track parallel approach has been devised:

- The January 2013 Fisheries Council had an exchange of views on the work program and the political focus concerning the reform process during the Irish Presidency. Ministerial colleagues and Commissioner Damanaki supported the general work program.
- The Council's position on the Basic Regulation was finalised after protracted negotiations during the February 2013 Fisheries Council meeting. Discussion focused in particular on the operational aspects of the discards ban, the so-called "obligation to land" proposal. This addressed one of the most controversial elements of the existing CFP and represents a considerable achievement for the Irish Presidency.
- Individual amendments by the European Parliament will be analysed on an ongoing basis. This will enable negotiators to have a clear mandate to enable detailed negotiations to get under way. At time of writing, the reform process is firmly under way but success will depend to a large degree on the cooperation of the Commission, Council and Parliament so that an agreed outcome can be delivered by Mid June 2013.

The ultimate aim of the CFP reform programme is to move towards a more sustainable and ecologically sound fisheries management system for all Member States of the European Union, including Ireland. It is hoped that the revised arrangements, once agreed by all Member States, will eventually lead to a truly sustainable fisheries management policy for the EU which will protect the industry while respecting the environment and also facilitating innovation and diversification in the industry in the coming years.

TACs and Quotas for 2013

The EU Fisheries Council agreed TACs and quotas for 2013 on 20 December 2012. The negotiations delivered some 36,538 tonnes of whitefish and 180,000 of pelagic (mackerel, herring etc) quotas. The direct value of the total package for the Irish fishing fleet will be €213 million for 2013. In the context of preparing for the annual EU negotiations, a Sustainability Impact Assessment on TACs and quotas for 2013 was presented to the Dáil by the Minister on 5th December, 2012.

The Minister's consultations were informed by the Assessment and the Dáil debate. The Minister met and discussed the Commission proposals with all stakeholders and discussed and consulted on the issues arising with them during the Fisheries Council negotiations.

There is a 29% increase for the Whiting quota in the Celtic Sea for 2013 which will provide an additional 1,500 tonnes of whiting for the fishing fleets along the southern and western coasts. A modest increase in the Celtic Sea cod quota was secured and the important hake, megrim and monkfish quotas were maintained.

At EU level, there were intensive negotiations in relation to the management of the mackerel stock involving Norway, Iceland and the Faroe Islands. Mackerel is Ireland's most important fishery economically and efforts to deliver proper management arrangements have been vigorously pursued by Minister over the year. A series of meetings was held during 2011 and 2012 to try to bring a resolution to a long standing disagreement on the management of this highly important stock. Iceland, for the last four years and the Faroe Islands for the last three, have been operating unilaterally and their fishing levels have risen.

A continuation of the current impasse will ultimately result in a depletion of the mackerel stock with resultant negative impacts for our fleet and the processors who depend on their catch. Consistent attempts to reach a fair and sustainable management framework for mackerel have so far failed.

Implementation of Natura 2000 Directives:

Arising from a 2007 judgment of the European Court of Justice against Ireland concerning non-compliance with the Habitats and Birds Directives, the Department continued in 2012 to implement an agreed programme to bring sea-fisheries and aquaculture into full compliance.

While prior to 2011 the focus of the programme was necessarily on gathering and analysing scientific data on the benthic habitats and bird use of each marine Natura site, the focus moved in 2011 to roll-out of the process of conducting appropriate assessments of fisheries and aquaculture activities within individual Natura sites, and consequent determination of licensing and consent arrangements for the activities concerned.

The Castlemaine Harbour mussel seed fishery and Dundalk Bay cockle fishery both opened in 2012 for the second successive year under the terms of their 2011 assessments. The public and statutory consultation process for aquaculture licence applications for Castlemaine Harbour was completed in 2012 and Ministerial determinations are expected to issue during 2013.

A number of new appropriate assessments were initiated in 2012 by the Marine Institute on behalf of the Department. These included assessments for Lough Swilly and Donegal Bay. Finalised assessments for these are expected in 2013.

Progress generally on the appropriate assessment work programme has been affected by legal uncertainties around the treatment of fishing activities under the Habitats Directive. Discussions aimed at clarifying this matter are continuing with the EU Commission.

Chapter Twelve:

Statistical Annex

Chapter 12 Statistical Annex

Table 12.1 Output, Input and Income in Agriculture, 2011-2012

	2011 €m	2012 €m	% Change Value	2011/2012 Volume
Livestock (incl stock changes)	2,662.0	3,131.8	17.6%	4.2%
of which				
Cattle	1,794.9	2,137.5	19.1%	3.5
Pigs	394.2	426.7	8.2%	-1.1%
Sheep	189.8	200.9	5.8%	13.0%
Livestock Products	1,894.0	1,704.9	-10.0%	-2.5%
of which				
Milk	1,834.8	1,631.7	-11.1%	-3.2%
Crops (incl. stock changes)	1,751.8	1,778.2	1.5%	-7.2%
of which				
Cereals	288.9	263.5	-8.8%	-29.8%
Forage Plants	1,051.3	1,124.5	7.0%	0.7%
Goods Output at Producer Prices	6,307.8	6,614.8	4.9%	-0.8%
Contract Work	335.7	352.4	5.0%	3.7%
Subsidies less Taxes on Products	-11.0	-28.6		
Agricultural Output at Basic Prices	6,632.4	6,938.5	4.6%	-1.1%
Intermediate consumption	6,854.9	5,293.3	9.0%	4.1%
of which				
Feedingstuffs	1,175.0	1,433.6	22.0%	14.5%
Fertilisers	493.7	489.5	-0.8%	-4.4%
Energy and Lubricants	480.7	526.7	9.6%	1.7%
Forage Plants	1,035.2	1,107.4	7.0%	0.7%
Contract Work	335.7	352.4	5.0%	3.7%
FISIM (Note 1)	43.0	43.0	0.0%	0.0%
Gross Value Added at Basic Prices	1,777.5	1,645.3	-7.4%	
Fixed Capital Consumption	713.3	707.3	-0.8%	
Net Value Added at Basic Prices	1,064.3	938.0	-11.9%	
Other Subsidies less Taxes on Production	1,824.6	1,654.3	-9.3%	
Factor Income	2,888.8	2,592.3	-10.3%	
Compensation of Employees	453.4	457.4	0.9%	
Operating Surplus (Note 2)	2,435.5	2,134.9	-12.3%	

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:- 2011, €314.9m; 2012, €313.5m; Land Rental:- 2011, €201.0; 2012, €194.6m.

Source: CSO 2012 Output, Input and Income in Agriculture (Preliminary Estimate)

Table 12.2 **Estimated Direct Payments to Farmers (National and EU), 2011-2012**

Schemes	2011 €m	2012 €m	% change 2011/2012
Single Payment Scheme	1,316.000	1,248.256	-5.1%
Area-Based Compensatory Allowance Scheme	233.800	206.300	-11.8%
Upland Sheep Scheme	0.000	0.430	
Grassland Sheep Scheme, Burren Life & Dairy Efficiency	22.500	39.092	73.7%
Premia Schemes	0.664	0.334	-49.7%
Arable Aid	0.268	0.152	-43.3%
Suckler Cow Scheme	30.845	28.198	-8.6%
Disease Eradication Schemes			
Bovine Tuberculosis Eradication Scheme	13.781	14.261	3.5%
Brucellosis Eradication Scheme	0.000	0.000	
BSE Scheme (slaughter of herds)	0.104	0.770	640.4%
Scrapie Eradication Programme	1.057	0.381	-64.0%
Forestry			
Forestry Premia	71.908	73.014	1.5%
Bioenergy	0.433	0.260	-40.0%
Rural Environment Protection Scheme & AEOS	274.201	250.961	-8.5%
Installation Aid for Young Farmers	0.397	0.182	
Sub-Total (excluding Forestry Premia)	1,894.050	1,789.577	-5.5%
Total	1,965.958	1,862.591	-5.3%

Source: DAFM

Table 12.3 **EU Receipts under EAGF, EAFRD and Veterinary Funds**

	2011 €m	2012 €m	
EAGF	1,298.00	1,285.00	
EAFRD*	348.00	326.00	
Veterinary Fund	20.00	19.00	
Fisheries (FIFG, EFF, EAGF)	1.30	10.00	
Other	10.00	2.00	
Total	1,677.30	1,642.00	

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

Source: Department of Agriculture, Food and the Marine

Table 12.4
Vote - Expenditure on Agriculture, Food and the Marine 2012

	€ 000s
Administration	222,915
Salaries Wages and Allowances	177,550
Travel and Subsistence	7,286
Incidental Expenses	4,062
Postal and Telecommunications	4,340
Office Machinery	17,404
Office Premises Expenses	6,052
Consultancy Services	76
Supplementary Measures to Protect the Financial Interests of the EU	634
Laboratory Equipment	5,511
Agri-Food Policy, Development and Trade	325,570
Research and Training	32,407
Development of Agriculture and Food	25,936
Teagasc Grant-in-Aid	117,060
Bord Bia Grant-in-Aid	27,120
Marine Institute Grant-in-Aid	22,449
Bord Iascaigh Mhara Grant-in-Aid	16,250
Food Aid Donations	9,960
Horse and Greyhound Racing Fund	56,290
Other	18,098
Food Safety, Animal Health & Welfare and Plant Health	111,316
Bovine Tuberculosis and Brucellosis Eradication	42,571
BSE	3,357
Meat Inspection	17,634
Fallen Animals Scheme	5,778
Animal Welfare	3,607
Suckler Cow	28,198
Other	10,171
Rural Economy, Environment and Structural Changes	430,578
Rural Environment Protection Scheme/AEOS	253,213
Land Mobility	20,471
Targeted Agricultural Measures (TAMS)	15,174
Forestry	112,817
Fisheries	9,862
Sea Fisheries Protection Authority	9,341
Farm Improvement Scheme	3,356
Horticulture Industry	3,211
Organic Sector	1,216
Farm Waste Management	392
Other	1,525

Table 12.4
Vote - Expenditure on Agriculture, Food and the Marine 2012

	€ 000s
Direct Payments	227,633
Income Support in Disadvantaged Areas	206,303
Clearance of Accounts	10,595
IACS	6,187
Short-Term FEOGA Financing	3,273
School Milk Scheme	725
Other	550
Total Gross Expenditure	1,318,012
Appropriations in Aid	-378,255
Recoupment of Salaries	-995
Forfeited Deposits and Securities	-636
Refunds Vets Fees	-15,232
Receipts from Veterinary Inspection Fees for Live Export	-1,215
Receipts from Dairy Inspection Fees	-5,096
Receipts from Sale of Vaccines, Livestock, etc.	-989
Receipts from Seed Testing	-2,235
Receipts from Farmer Contribution toward the Cost of Eradicating Bovine Disease	-5,194
Land Commission Receipts	-1,005
Other Receipts	-1,584
Market Intervention	-1,275
Receipts for Intervention Stock Losses	0
EAFRD Receipts	-294,428
Vetinary Fund	-18,898
Other Guarantee Receipts (Agriculture)	-1,012
Other Guarantee Receipts (EAFG Fisheries)	-9
Fines, Forfeitures for Sea Fishery Offences	-197
Foreshore Acts/State Property Act Receipts	-111
EU Receipts for Fisheries Conservation etc.	-1,167
Aquaculture Licence Fees	-972
EU Co-Funding for Aquaculture Development	-1,399
European Fisheries Fund Receipts	-6,960
Pension levy	-17,646
Net Expenditure	939,757

Table 12.5
MILK QUOTA STRUCTURE AT 1 APRIL 2012 (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	438	15,035,167	151,109	607	6,882,466	172	4,849,515
Percentage of Total	2%	0%	0%	54%	6%	29%	6%
50,001 to 100,000	1,344	108,170,019	1,524,663	161	12,011,969	148	10,601,531
Percentage of Total	7%	2%	1%	14%	11%	25%	13%
100,001 to 150,000	1,941	251,471,019	1,353,850	90	10,856,774	971	1,935,971
Percentage of Total	11%	5%	1%	8%	0%	16%	14%
150,001 to 200,000	2,402	430,884,569	3,961,977	83	14,382,491	52	9,193,164
Percentage of Total	13%	8%	4%	7%	13%	9%	11%
200,001 to 250,000	2,742	624,089,930	4,404,385	591	2,900,801	26	5,738,587
Percentage of Total	15%	12%	4%	5%	12%	4%	7%
250,001 to 300,000	2,388	657,839,405	4,693,399	27	7,480,744	27	7,112,321
Percentage of Total	13%	12%	5%	2%	7%	5%	9%
300,001 to 350,000	1,864	605,858,637	7,888,201	23	7,375,993	25	7,855,196
Percentage of Total	10%	11%	8%	2%	7%	4%	10%
350,001 to 400,000	1,442	539,431,169	9,214,748	16	6,093,985	18	6,704,824
Percentage of Total	8%	10%	9%	1%	5%	3%	8%
400,001 to 450,000	944	401,157,462	8,487,765	9	3,813,084	9	3,741,611
Percentage of Total	5%	7%	9%	1%	3%	2%	5%
Over 450,000	2,633	1,728,253,043	57,457,712	43	29,366,705	20	14,864,507
Percentage of Total	15%	32%	58%	4%	26%	3%	18%
Totals	18,138	5,362,190,420	99,137,809	1,118	111,165,012	594	82,597,227

Table 12.6 **Distribution of all DAFM Payments¹ to Farmers by County, 2012**

County	Total value (€M)	Total Recipients	Average Payment (€)
CARLOW	37.2	1,994	€18,640
CAVAN	58.8	5,118	€11,488
CLARE	85.8	6,688	€12,832
CORK	239.6	14,182	€16,894
DONEGAL	92.7	9,008	€10,290
DUBLIN	16.2	1,054	€15,392
GALWAY	144.4	13,224	€10,918
KERRY	111.0	8,560	€12,964
KILDARE	40.8	2,398	€17,001
KILKENNY	74.0	3,668	€20,168
LAOIS	50.3	2,867	€17,534
LEITRIM	40.2	3,843	€10,470
LIMERICK	78.2	5,636	€13,878
LONGFORD	33.4	2,647	€12,635
LOUTH	26.4	1,631	€16,177
MAYO	117.9	12,225	€9,641
MEATH	63.8	3,810	€16,741
MONAGHAN	46.7	4,176	€11,185
OFFALY	48.4	3,018	€16,023
ROSCOMMON	66.6	5,832	€11,422
SLIGO	44.9	4,387	€10,224
TIPPERARY	145.6	7,651	€19,026
WATERFORD	53.0	2,599	€20,388
WESTMEATH	54.0	3,520	€15,336
WEXFORD	84.3	4,514	€18,665
WICKLOW	40.4	2,226	€18,137
Totals	1,894.27	136,476	€13,880

¹ Includes direct payments to farmers as well as capital and other grants. Includes both EU and exchequer related payments.

Source: DAFM (2012 payments)

Table 12.7 Annual Rates of Price Increase in Selected Food Products, 2009-2012

	Average Annual Rate		
	2010	2011	2012
Overall CPI	-1.0%	2.6%	1.7%
Food & Non Alcoholic Drink	-4.5%	1.2%	0.5%
Food	-4.6%	0.8%	0.3%
Beef & Veal	-5.1%	2.3%	7.6%
Lamb & Goatmeat	-1.5%	3.0%	-0.7%
Pork	-6.7%	-3.3%	2.7%
Poultry	-13.2%	-0.6%	-1.6%
Fish (Fresh & Frozen)	-3.5%	0.0%	-0.2%
Bread	-3.3%	3.6%	-2.1%
Milk (Fresh Whole)	-3.0%	1.1%	0.3%
Other Milk Products	-7.0%	2.1%	2.4%
Cheese	-4.1%	3.5%	1.6%
Eggs	-3.3%	3.6%	4.6%
Butter	-0.8%	11.5%	2.8%
Sugar	-2.1%	12.9%	21.7%
Potatoes	-7.5%	-10.1%	4.8%
Fresh Vegetables	-2.1%	-0.1%	1.1%
Fresh Fruit	-5.0%	3.4%	-2.7%
Fruit & Vegetable Juices	-7.5%	4.4%	3.2%
Coffee, Tea and Cocoa	-2.0%	4.6%	0.2%
Non-Alcoholic Beverages	-3.6%	5.4%	2.8%
Source: CSO CPI			

Table 12.8
Personal Consumption Expenditure (PCE) at Current Prices, 2010-2011

	2010		2011	
	€m	% of Total PCE	€m	% of Total PCE
Total Personal Consumption Expenditure	82,060	100.0%	81,308	100.0%
Food and Drinks (Not incl meals out)	13,671	16.7%	14,286	17.6%
<i>Of Which</i>				
Food	6,921	8.4%	7,366	9.1%
Drinks	6,751	8.2%	6,920	8.5%
	2010		2011	
	€m	% of Total Food	€m	% of Total Food
Total Food (incl meals out)	8,993	100.0%	9,253	100.0%
<i>Of Which</i>				
Bread and Cereals	1,361	14.7%	1,442	15.6%
Meat	1,623	17.5%	1,682	18.2%
Fish	266	2.9%	268	2.9%
Milk, Cheese and Eggs	1,029	11.1%	1,060	11.5%
Oils and fats	175	1.9%	191	2.1%
Fruit and Vegetables	1,309	14.1%	1,444	15.6%
Potatoes and other Tubers	247	2.7%	245	2.6%
Sugar	33	0.4%	37	0.4%
Coffee, Tea and Cocoa	103	1.1%	102	1.1%
Other Foods, Preserves etc	774	8.4%	895	9.7%
Meals Out	2,072	22.4%	1,887	20.4%
Source: CSO				