Farm Incomes and the Macro Economy

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Outlook 2010: Economics of Agriculture

Outline

- Most of conference focus: Short-term
- Here: Taking a long-term look
- Broader farm <u>household</u> income concept
- Impact of wider economy
- Macro-Outlook

Farm Prices, Volumes and Incomes 1995-2009

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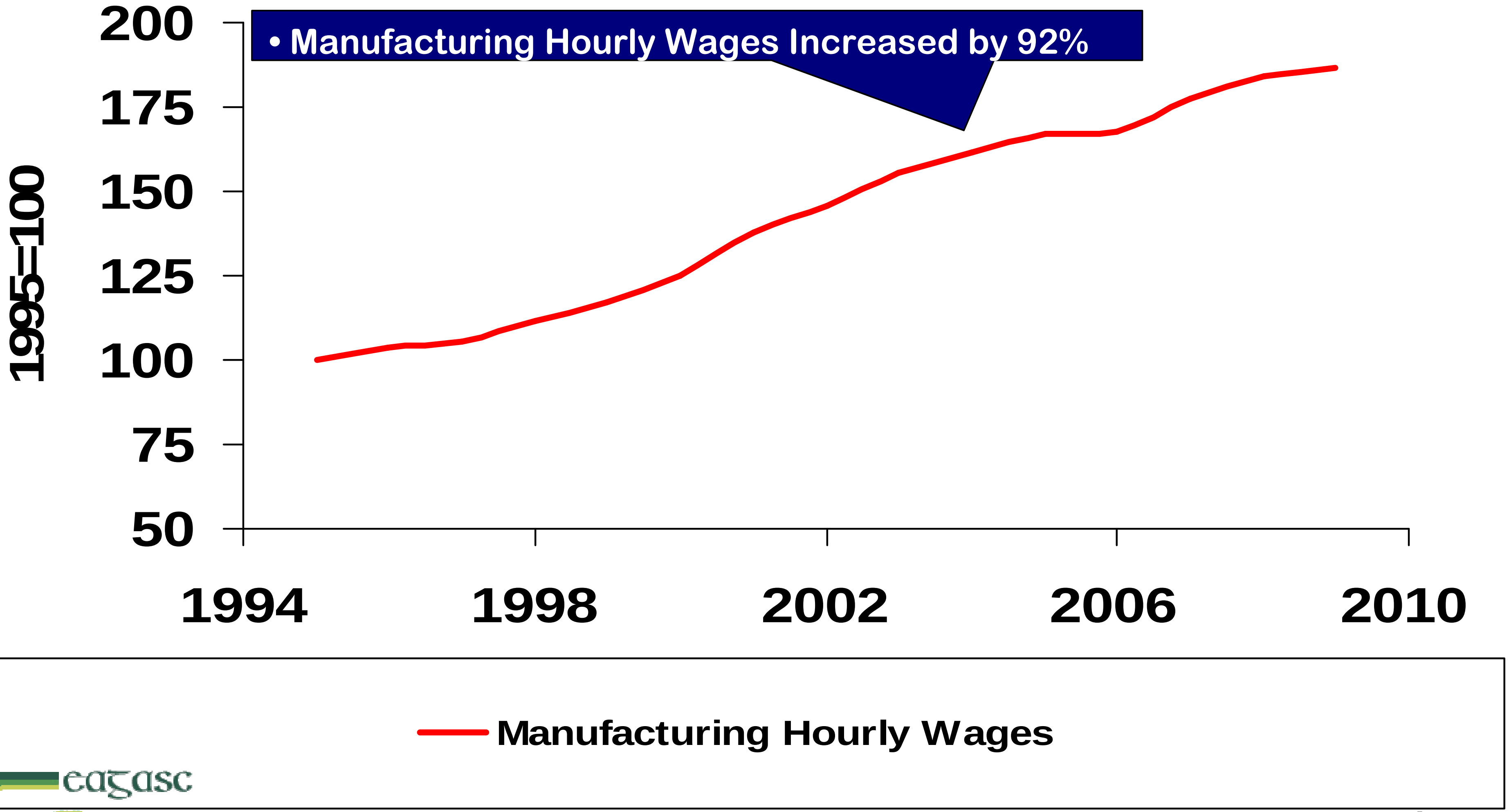
Cost-Price Squeeze

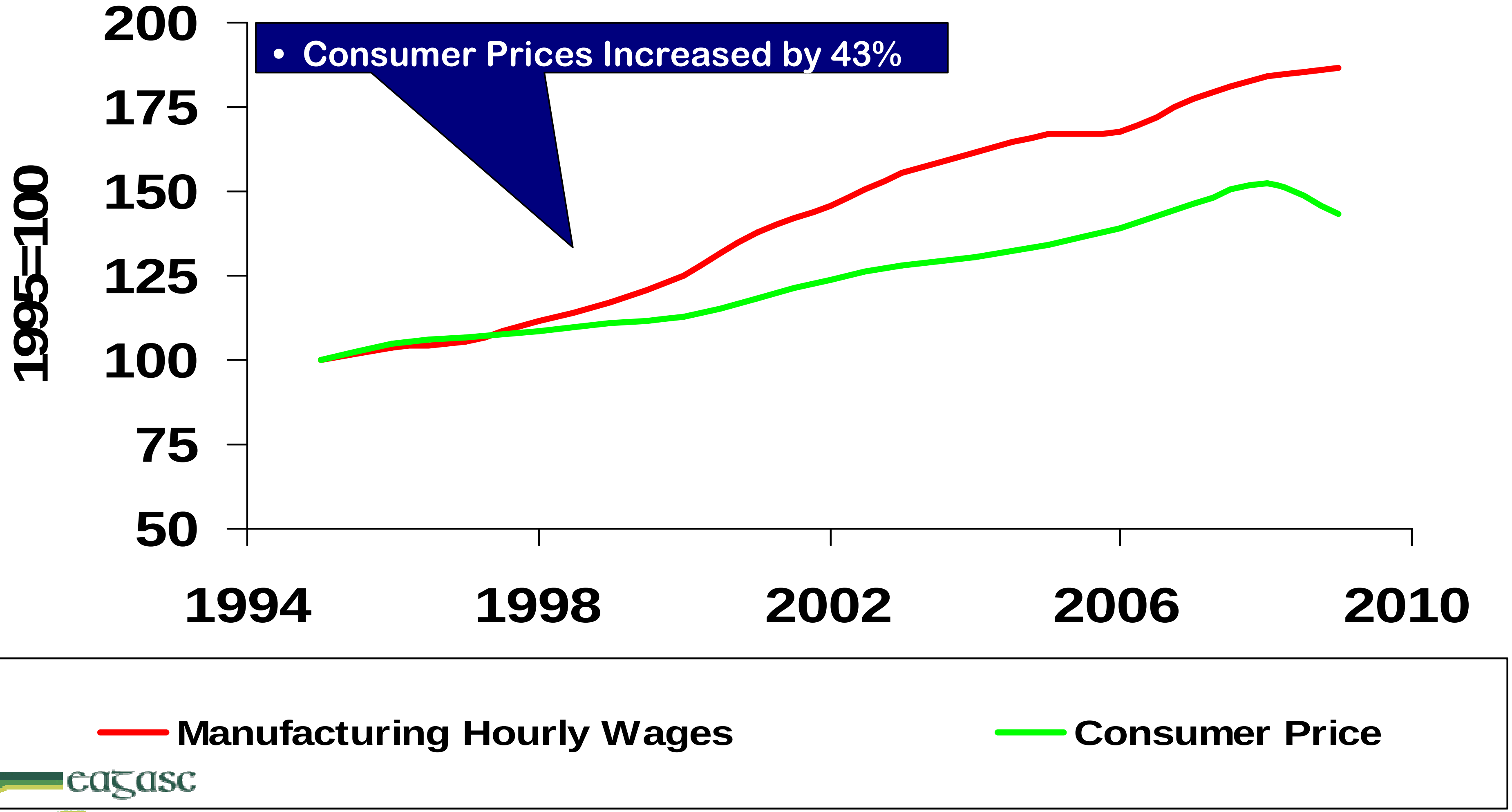
(Price Growth 1995-2009)



Source: CSO Price Indices

Cost-Price Squeeze

(Price Growth 1995-2009)



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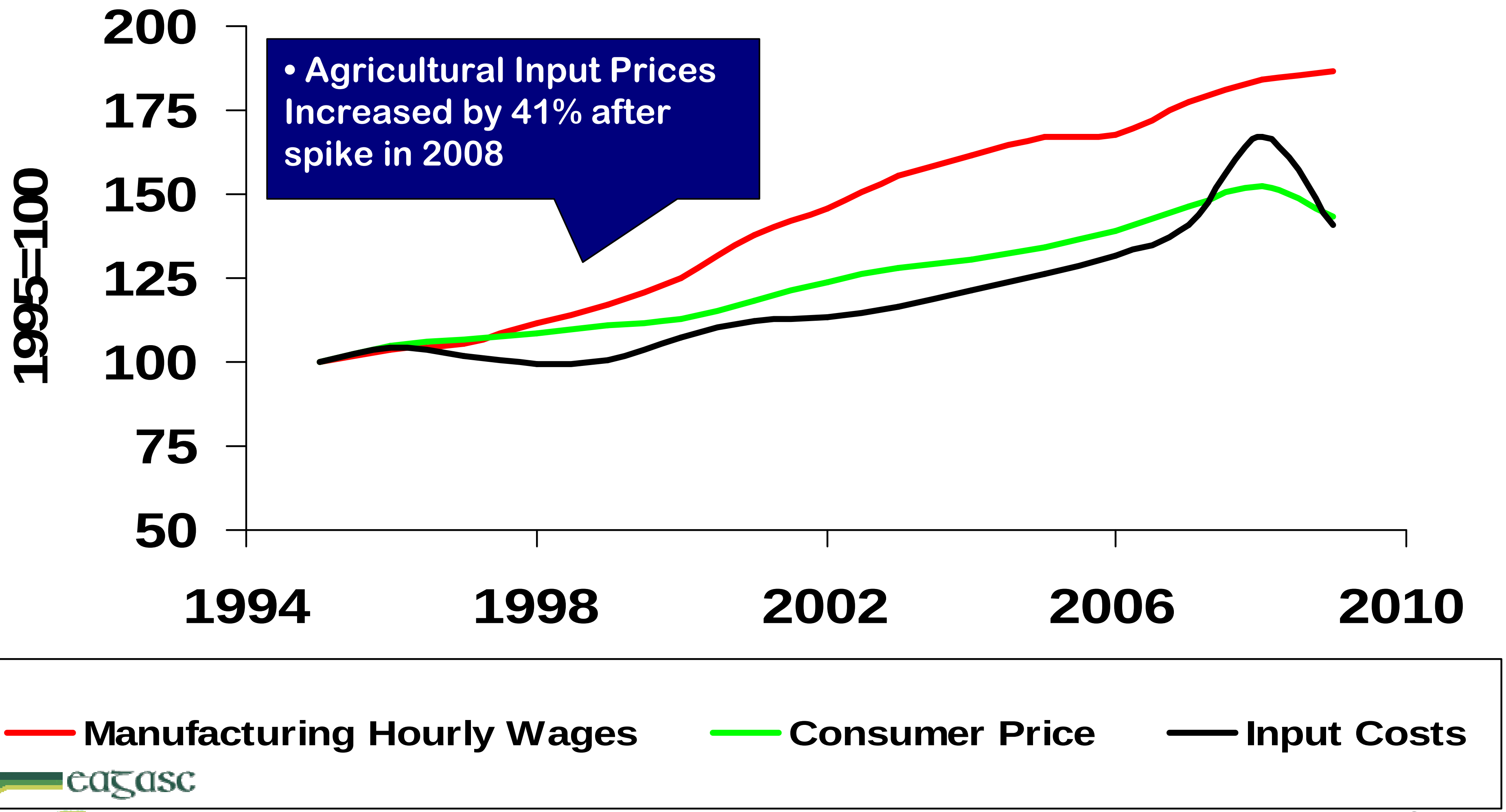

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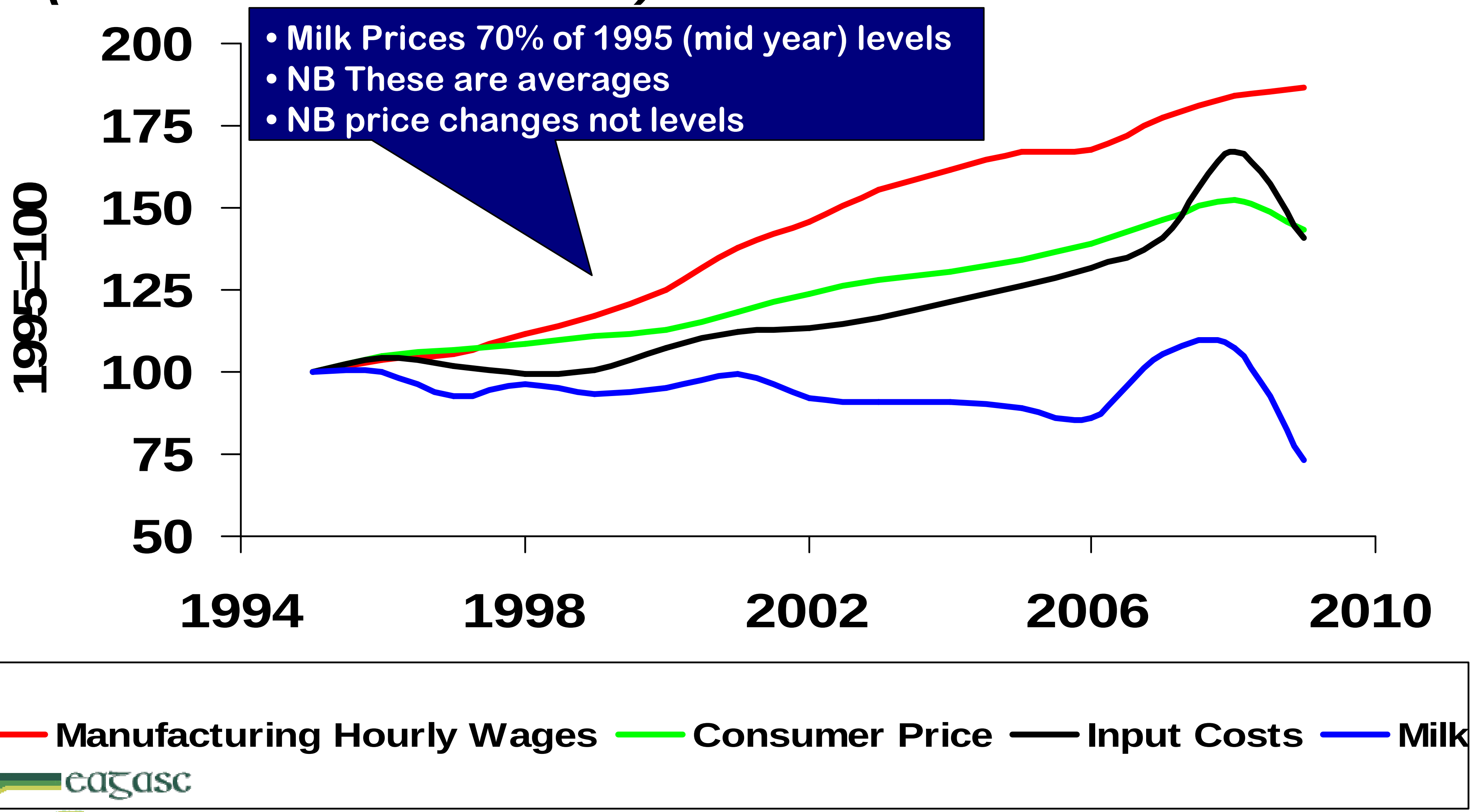

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Source: CSO Price Indices

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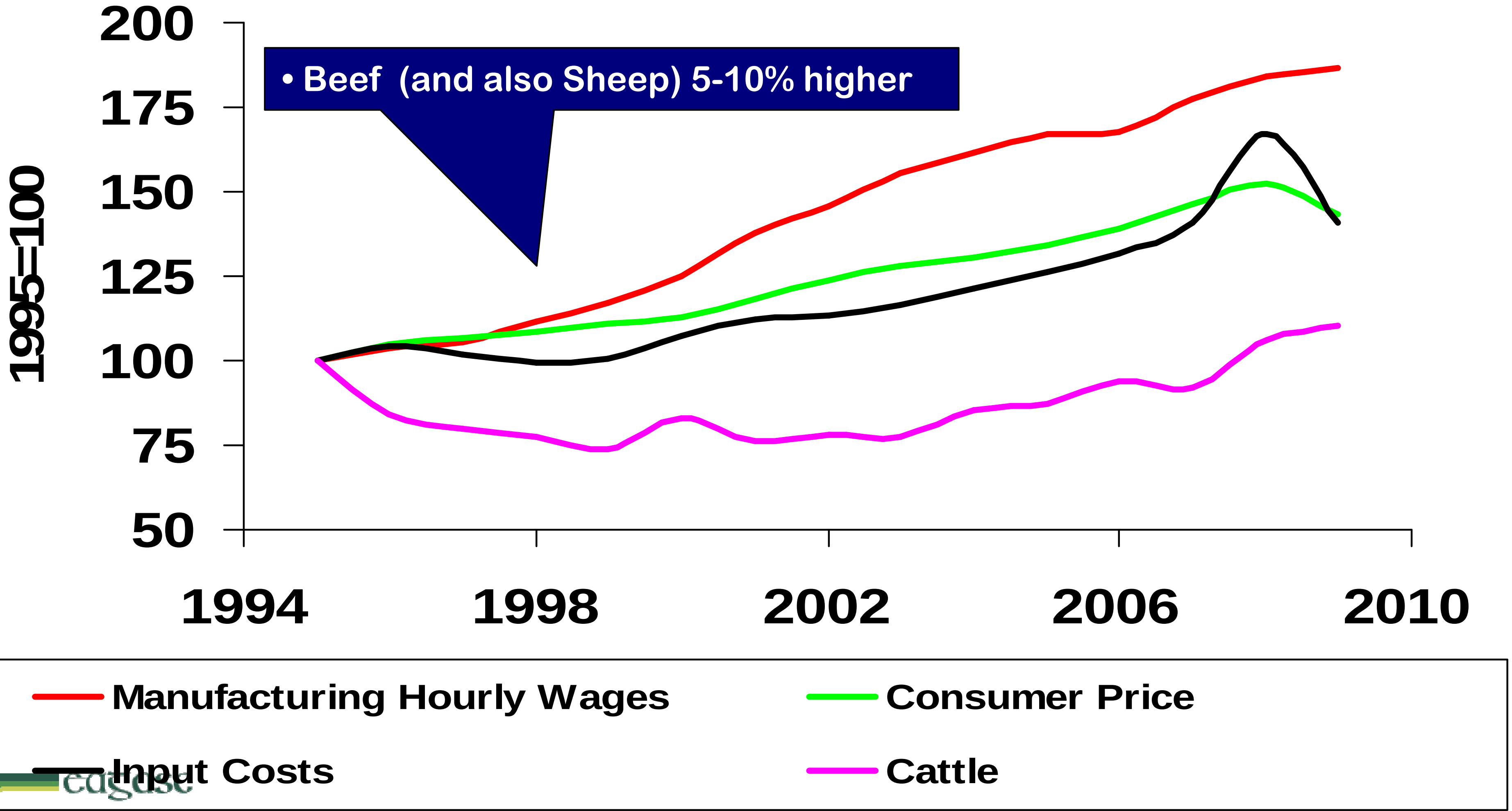
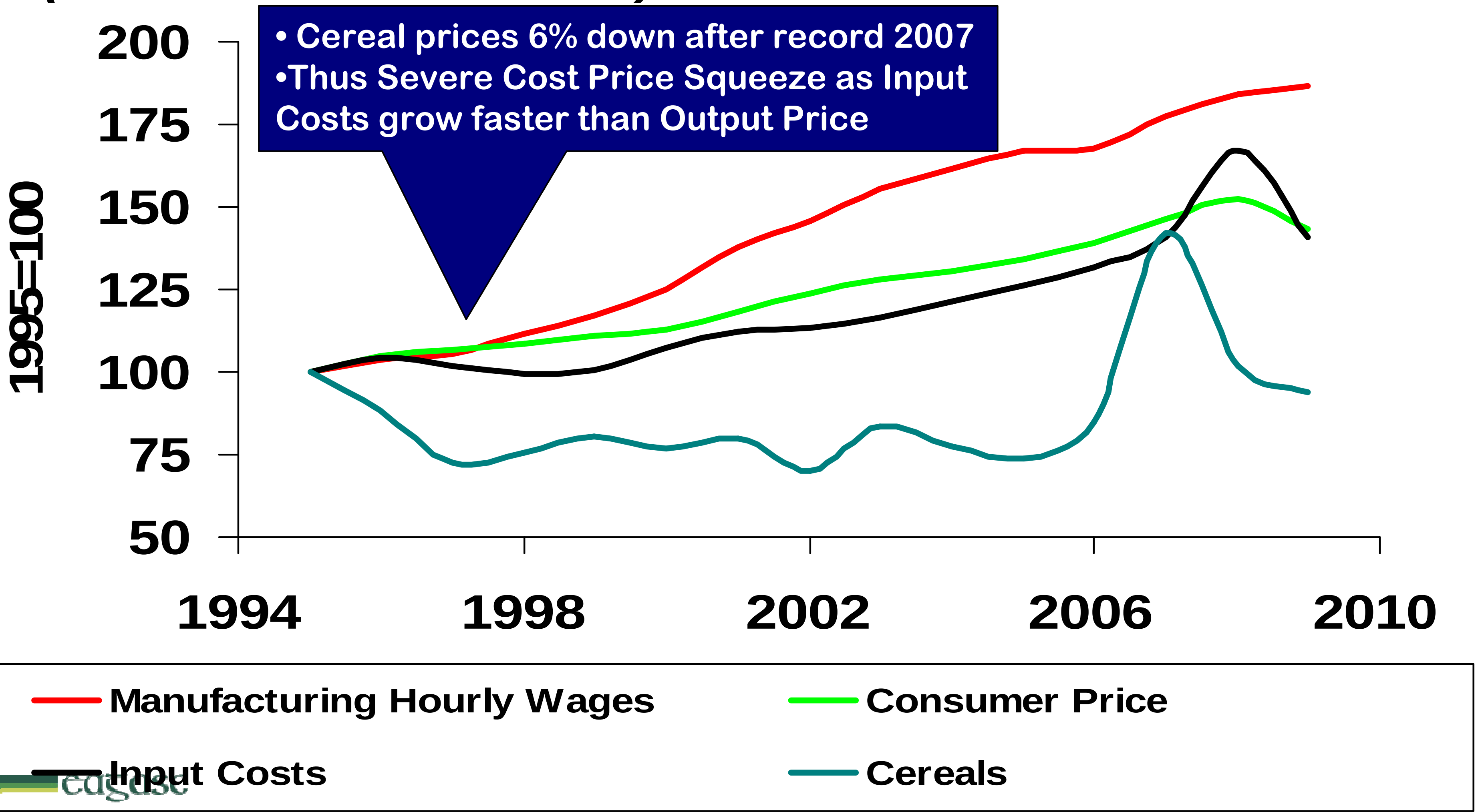


Source: CSO Price Indices

Cost-Price Squeeze

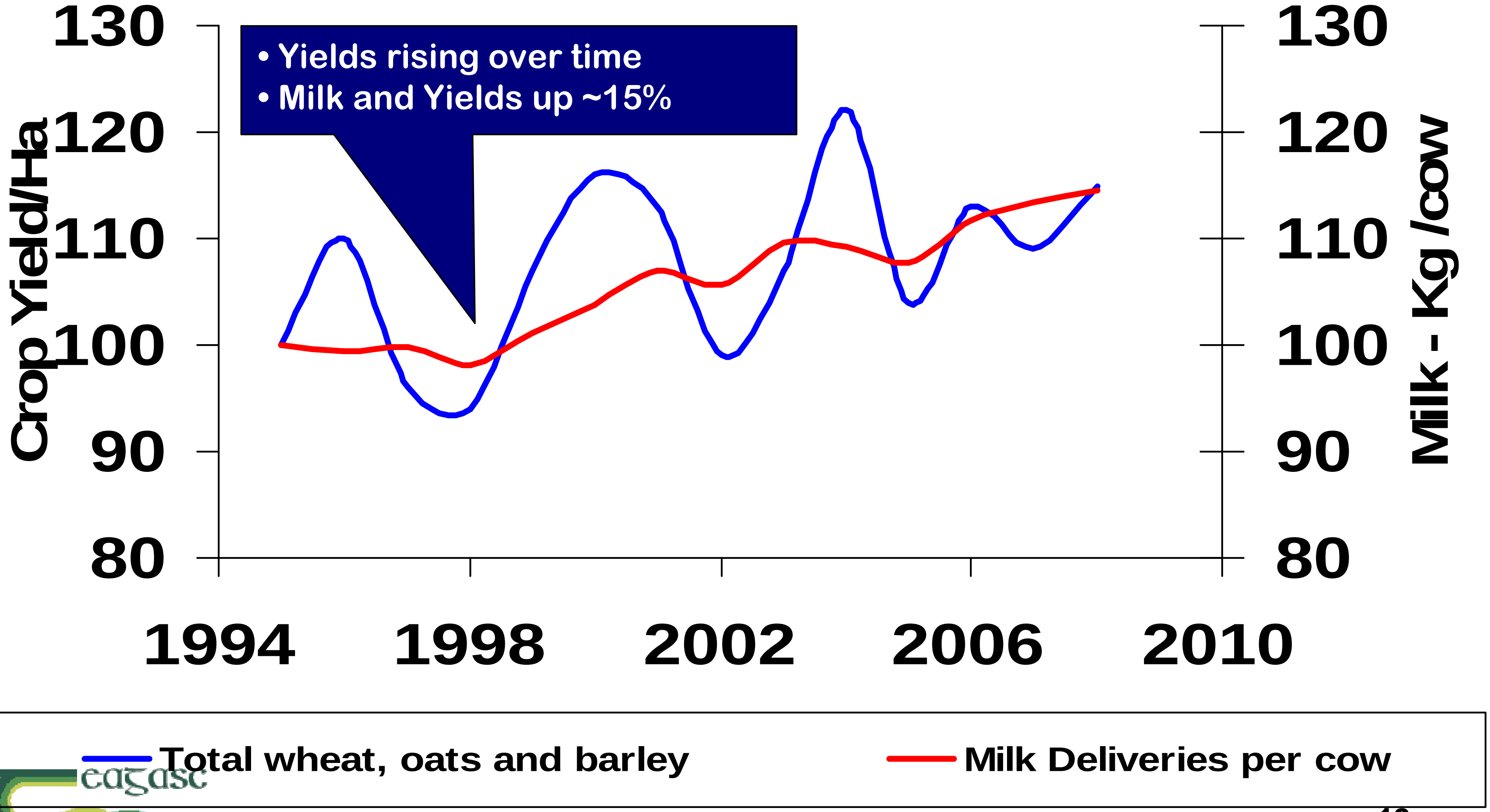
(Price Growth 1995-2009)



Source: CSO Price Indices

Yield

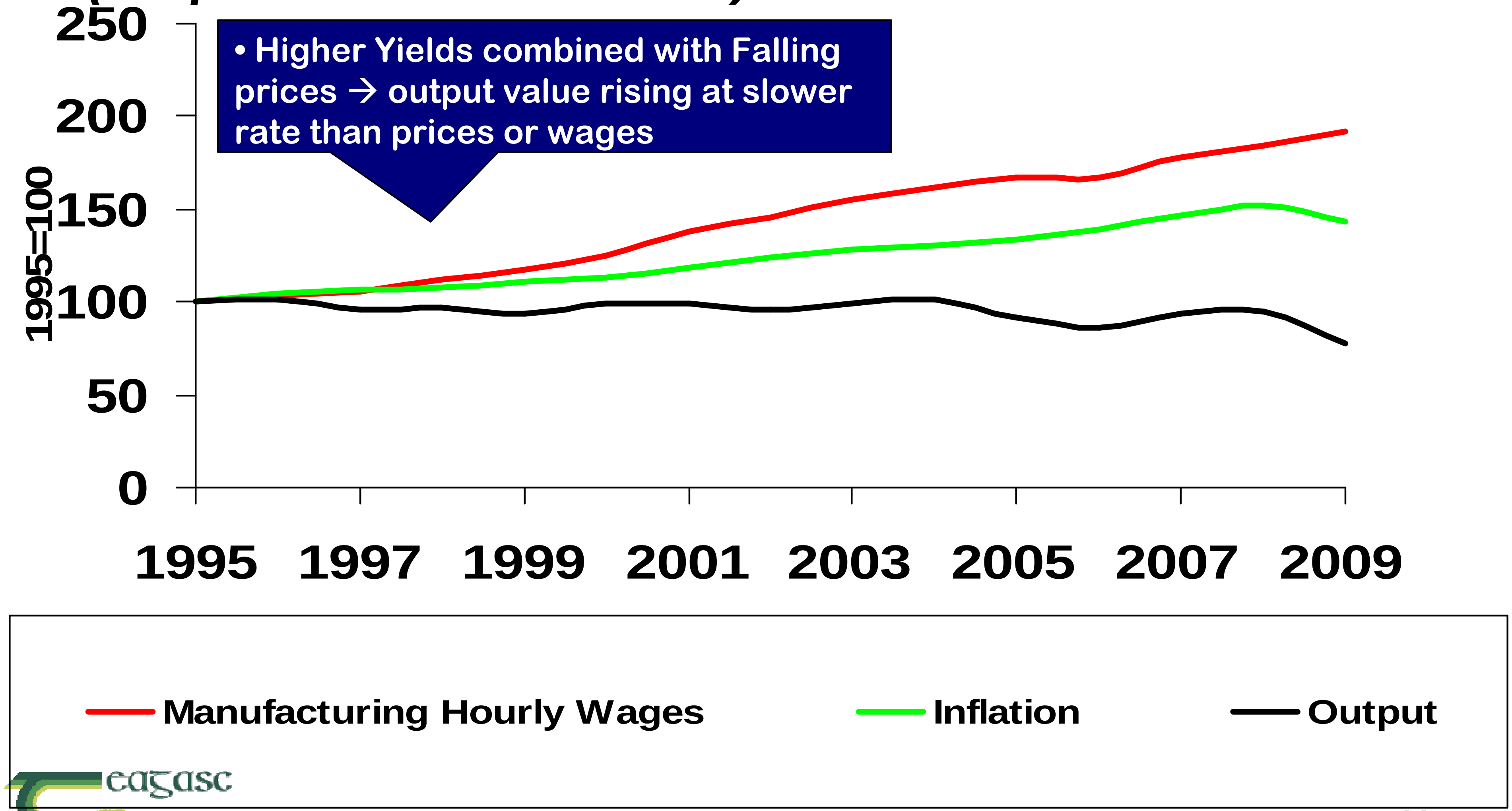
(Yield Growth 1995-2008, 1995=100)



Source: CSO Ag Stats

Income Growth (1995-2009)

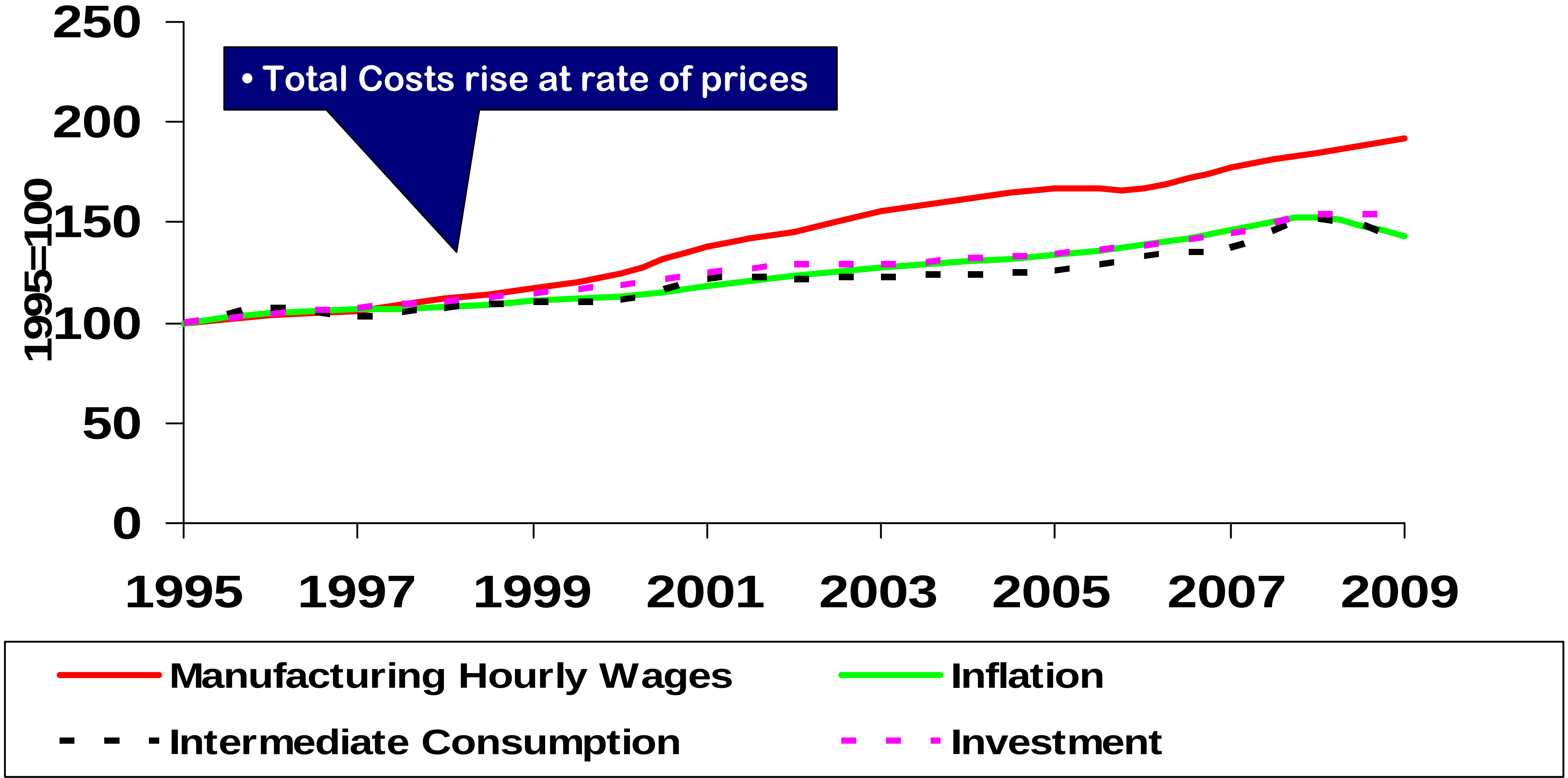
(Output Value – 1995 = 100)



Source: CSO Ag Stats

Income Growth (1995-2009)

(Costs – 1995 = 100)



Source: CSO Ag Stats

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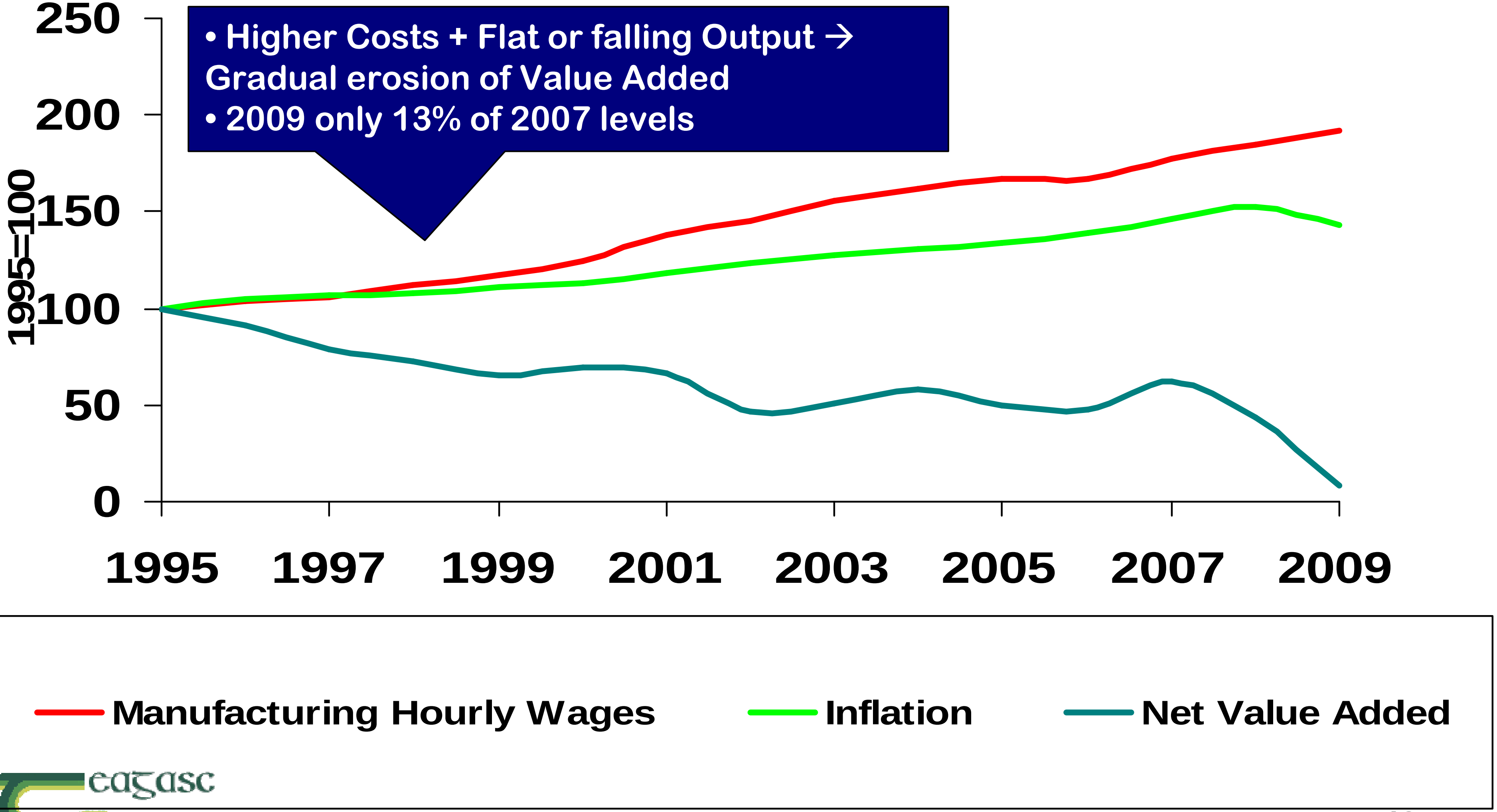
Income Growth (1995-2009)

(Net Value Added: Output – Costs: 1995 = 100)



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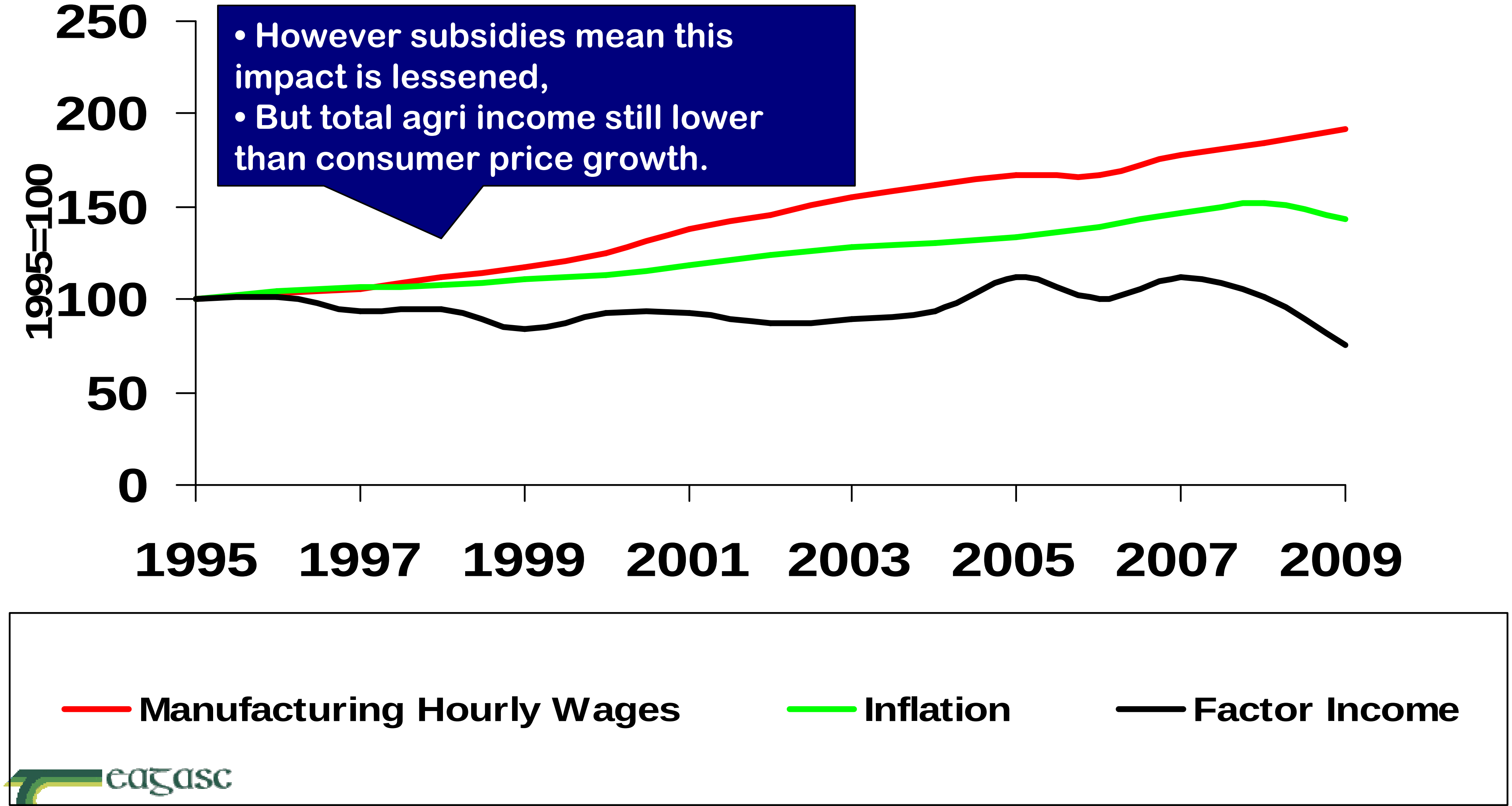
Source: CSO Ag Stats

Income Growth (1995-2009)

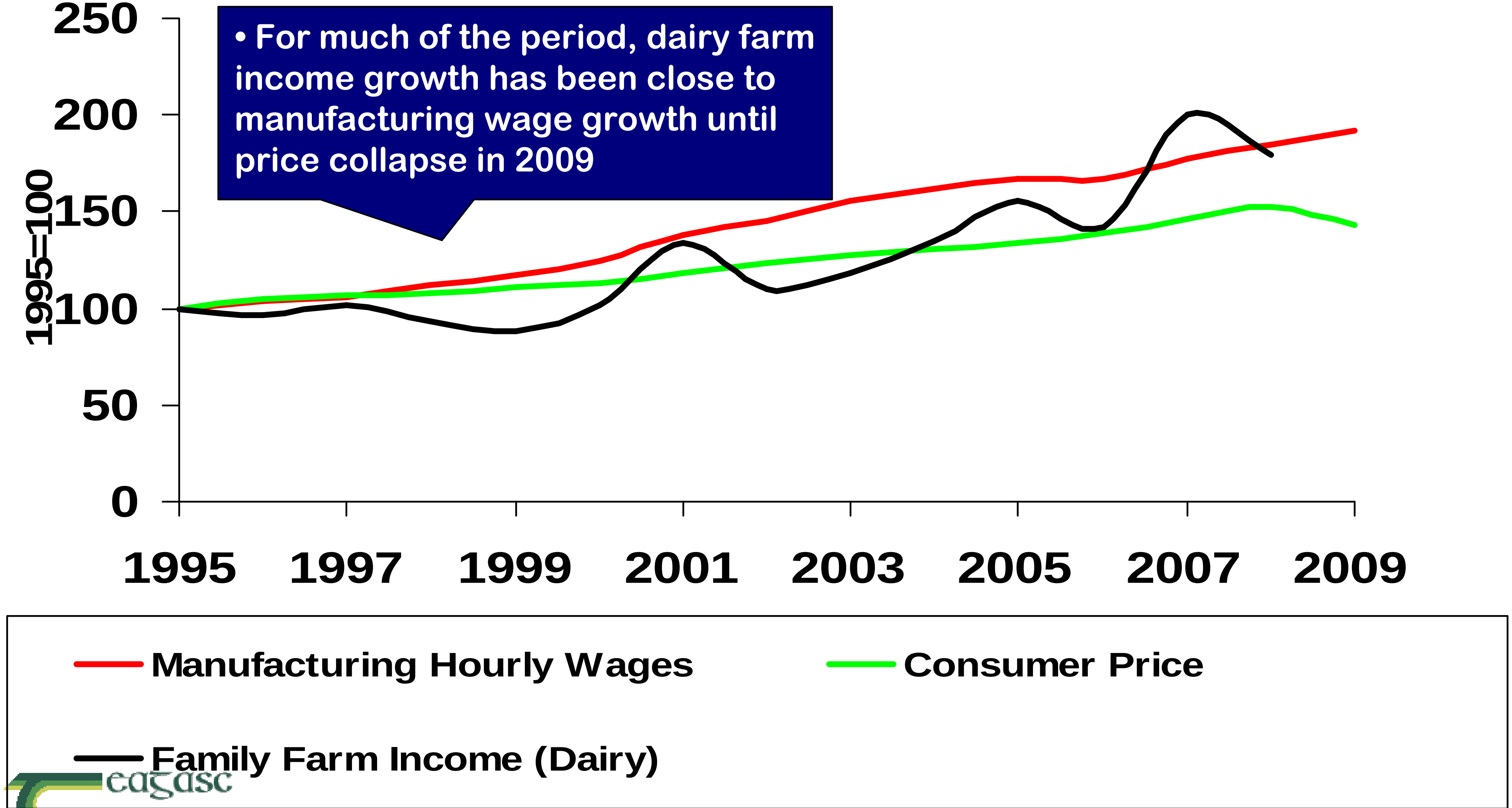
(Factor Income: Net VA + Subsidies – 1995 = 100)



Source: CSO Ag Stats

Income Growth (1995-2008) –Dairy

(Family Farm Income – 1995 = 100)

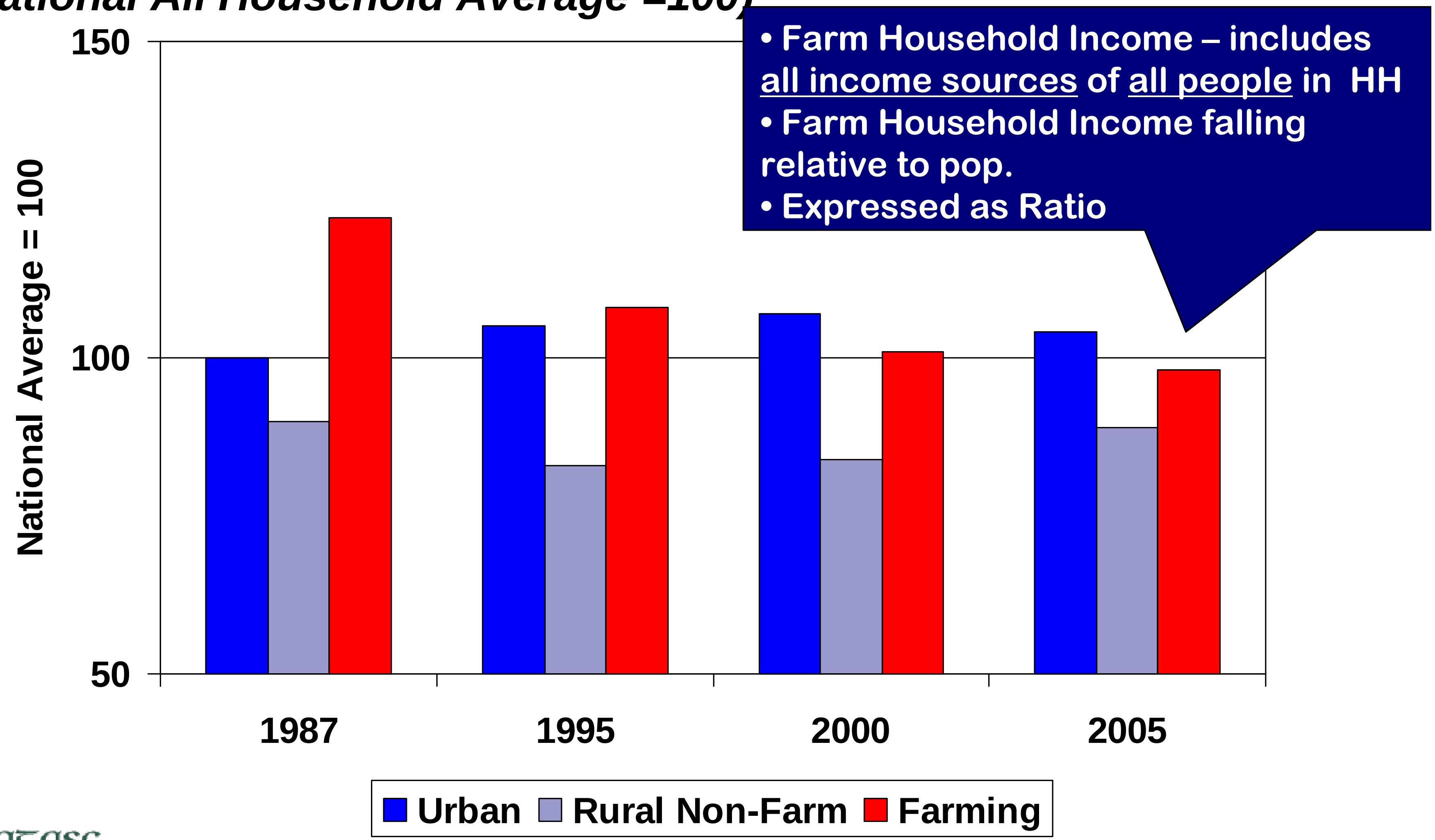


Source: NFS

Farm Household Incomes

Urban and Rural Household Incomes

(National All Household Average =100)



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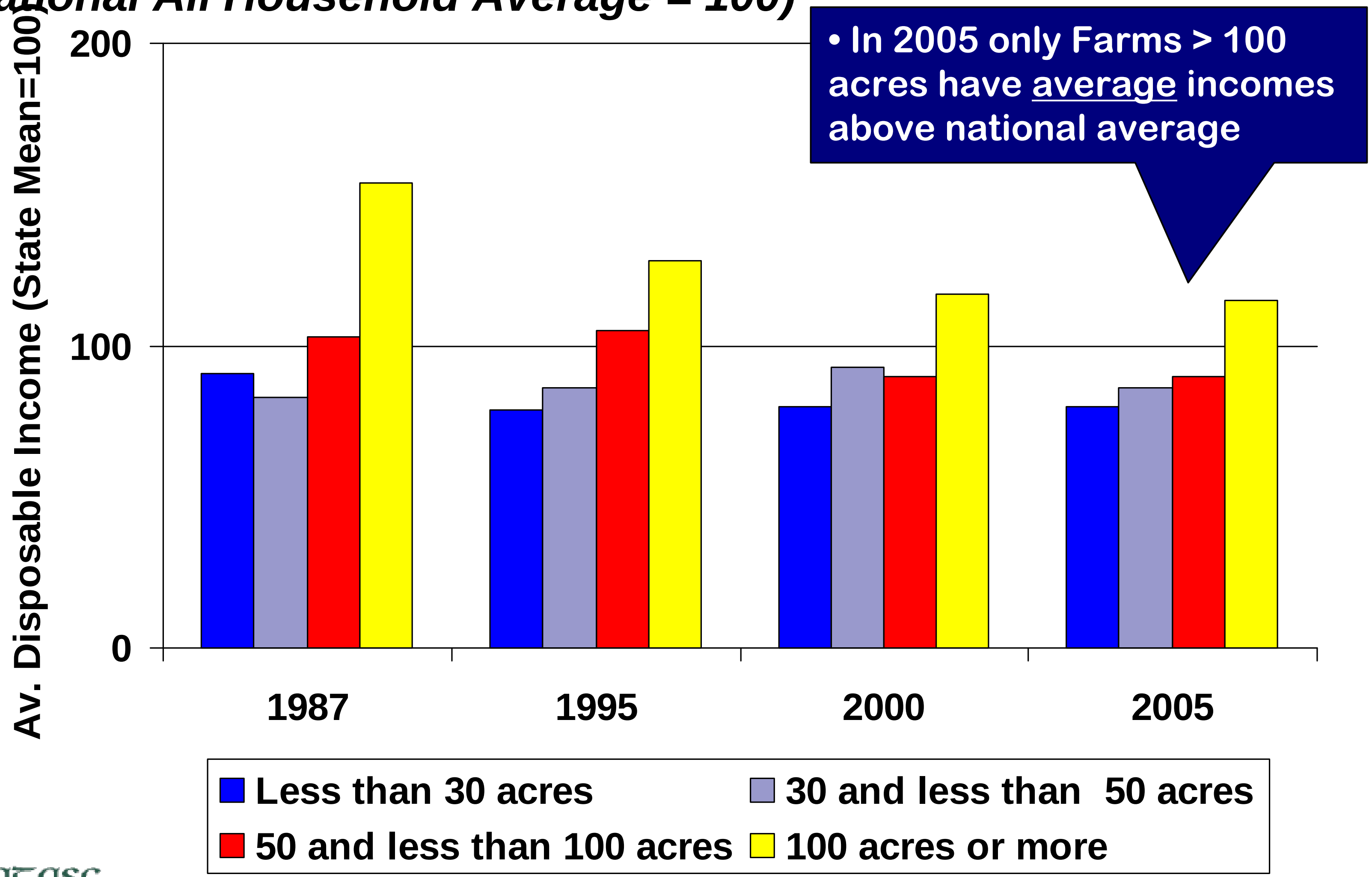
Source: CSO HBS

Farm Household Incomes by Size

(National All Household Average = 100)

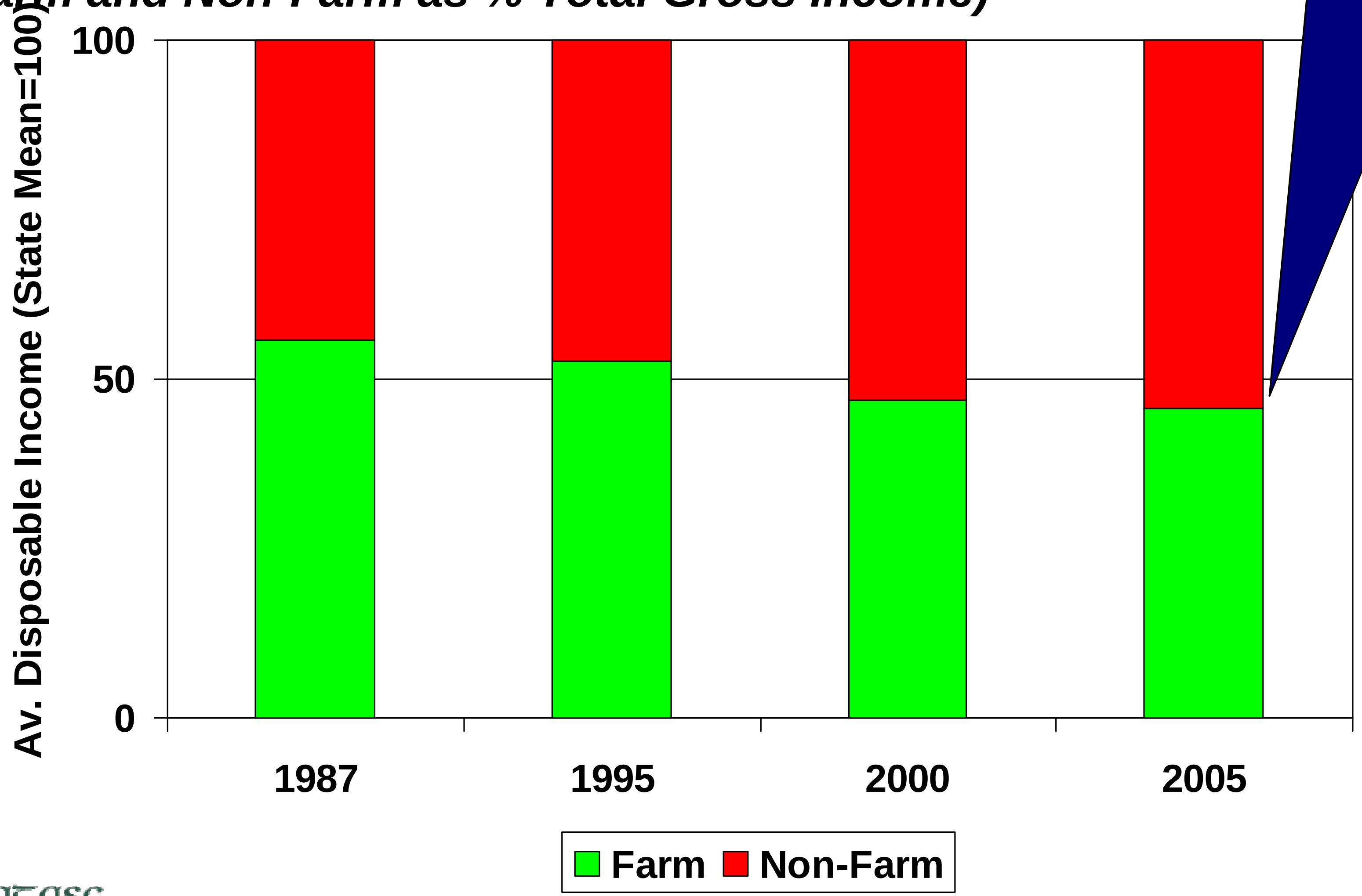


Source: CSO HBS

Farm Household Incomes

(Farm and Non-Farm as % Total Gross Income)

- Share of Non-Farming Income more than 50% since 2000 <u>on average.</u>
- Non Farming income becoming very important



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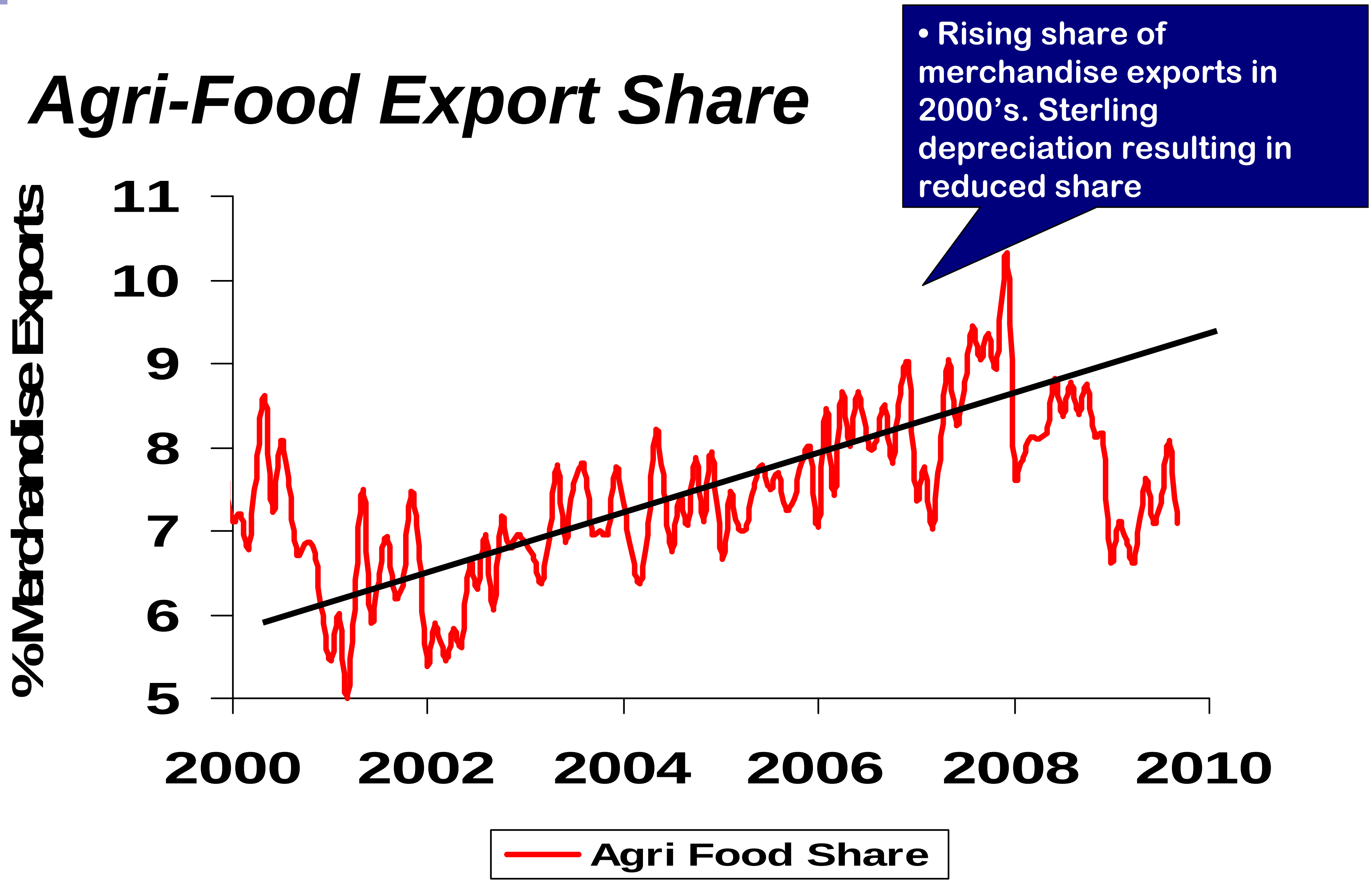
Source: CSO HBS

Wider-Economy

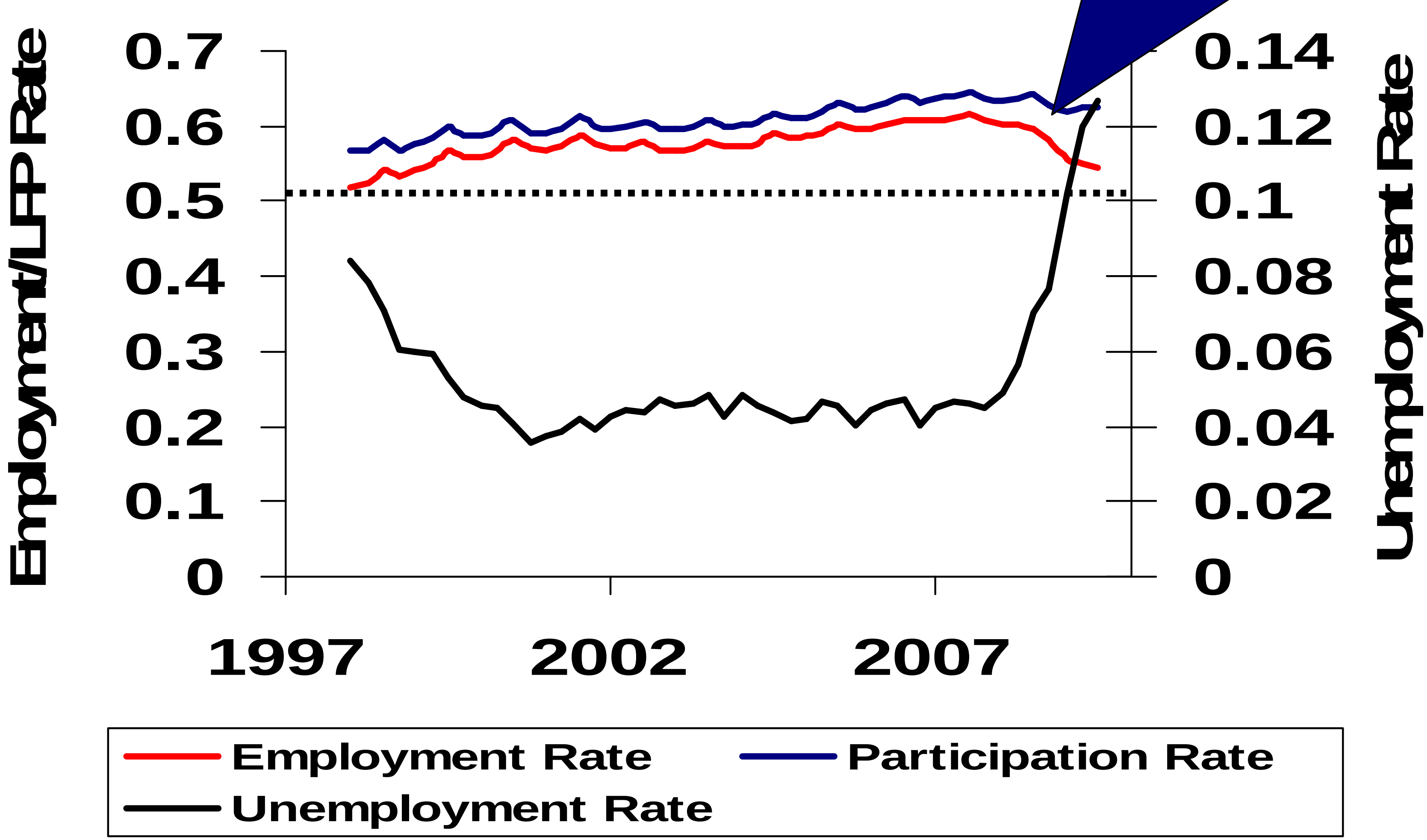
Agri-Food Export Share



Source: CSO Trade Stats

Change in Labour Market

- National Labour Market Lost most of employment gains of boom.
- PT farmers → 20-30% of farmers lost off-farm job 2008-9. (50% in construction)



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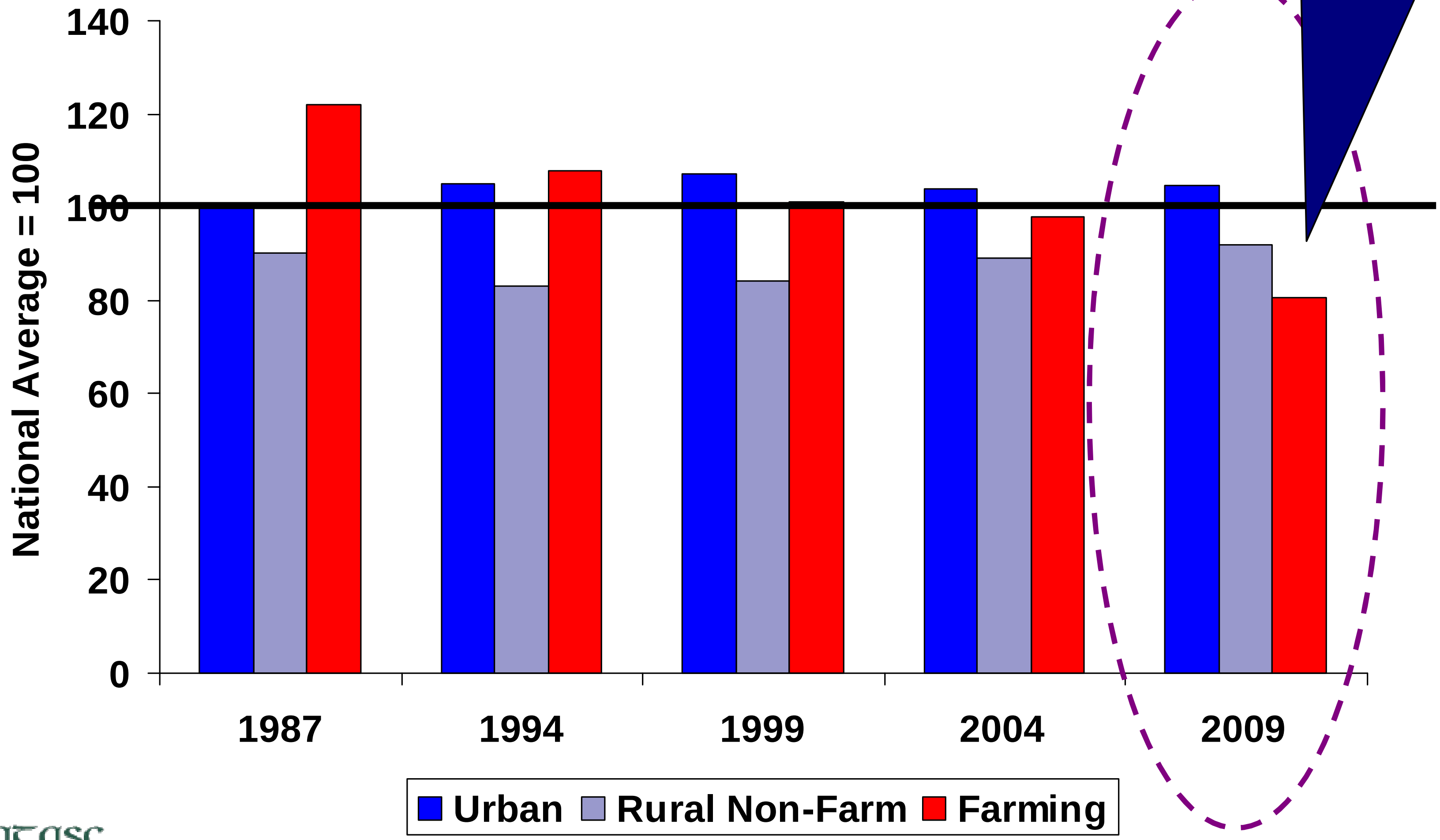
Source: CSO QHNS

Relative Impact of Downturn

Urban/Rural Household Incomes

(NB Provisional Figures -2009)

- Net Impact of Changes on Incomes
- Conservative Assumptions
- Further fall in Average Farm HH Income Relative to Average for Population



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Source: HBS and Assumptions

Outlook

Outlook

- **Irish Economy**
  - 2010 → stabilisation
  - 2010 like 2008, but lower public sect. more trade
  - Slower decline in economy
- **UK**
  - Largest market for Irish food exports
  - Recovery likely to be slower than rest-EU
  - Continued weak sterling → imports flat in 2010
- **European Economy at turning point**
  - 2010-Positive but fragile growth, faster in 2011
  - Rise in Interest Rate Expected

Take Home

- **2009→A very difficult year**
- **<u>Export led growth</u> only feasible solution**
  - Weak domestic and public sector in medium term
  - Opportunities for Agri-Food sector →strong indigenous sector + continuing global demand
- **Farm and Household Incomes Crisis**
  - Need to innovate and restructure to stand still
  - CAP reform at a critical junction for sector
  - Dust off Rural Development White Paper
    - Construction led development was not sustainable
    - Rural Irl. needs sustainable development solutions

Thank You

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