Situation and Outlook in Agriculture 2001/02

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W. A. Fingleton

Summary

Both the years 2000 and 2001 have been relatively good years for dairy farming. Margins from milk production rose substantially in 2000 and were largely maintained at this higher level in 2001. Average annual producer prices for manufacturing milk are estimated to have reached their highest level ever in nominal terms. But a large increase in production costs in 2001 due mainly to higher input prices has left margins from dairying at similar levels to last year.

The financial outlook for milk production in 2002 is less favourable. Producer prices are on a downward trend due to major falls in market prices for the main internationally traded dairy products. At the same time most of the current higher costs being incurred in milk production will persist into next year. The most likely outcome is that there will be a serious squeeze on margins in 2002. In the absence of a reversal in current price trends or a major reduction in the use of purchased inputs by dairy farmers, net margins, on a pence per gallon or pence per litre basis, are likely to fall to their lowest level since 1991.

Review of 2000/01

Dairy farming performed extremely well in terms of financial results for 2000. There was an increase in milk prices of 3 per cent, stronger calf prices (+ 20 per cent), lower cow replacement costs and only a marginal increase in total input costs that year. Milk producers also benefited from the increase in the national quota of 20.5 million gallons (93m.lit.) and a major reduction in the costs of renting quota arising from the introduction of new national quota regulations. The net result of all these factors was that the average total net margin from manufacturing milk production on specialist dairy farms increased by about 15 per cent per farm. There was an additional boost given to total farm income on those types of farms from the improved financial margins from cattle production in 2000. The actual results for 2000 for gross output, costs and margins per cow and per hectare from National Farm Survey data are shown in Table1.1 for farms on the better soils.

Table 1.1 also shows the estimated results for the current year 2001. As expected gross margins per cow and per hectare were fairly similar to those for 2000 but after allowing for higher overhead costs, net margins are slightly lower in 2001. A further increase in the annual average milk price is estimated for 2001 at 4.2 pence per gallon (ppg) or 0.93 pence per litre (ppl). However, dairy calf values were down and the expected major increase in direct costs was realised. Total direct costs per cow were up from £346 to £372 (+7.5 per cent). The more favourable weather conditions for

pasture growth in the second half of the year did allow for some cost savings. However, the late spring, in conjunction with restrictions due to Foot and Mouth Disease (FMD) controls, resulted in higher purchased feed bills on most dairy farms.

Table 1.1: Gross output, costs and margins for manufacturing milk per cow and per ha (good soils)

	2000	2001[1]	2002[2]
		£/cow	
Gross Output	1139	1168	1103
Direct Costs	346	372	377
Gross Margin	793	796	726
Overhead Costs	306	319	319
Net Margin	487	477	407
		£/ha	
Gross Output	2305	2364	2232
Direct Costs	700	753	763
Gross margin	1605	1612	1469
Overhead Costs	619	646	645
Net Margin	986	966	824

Source: Teagasc National Farm Survey and own estimates
[1]Estimate; [2]Forecast

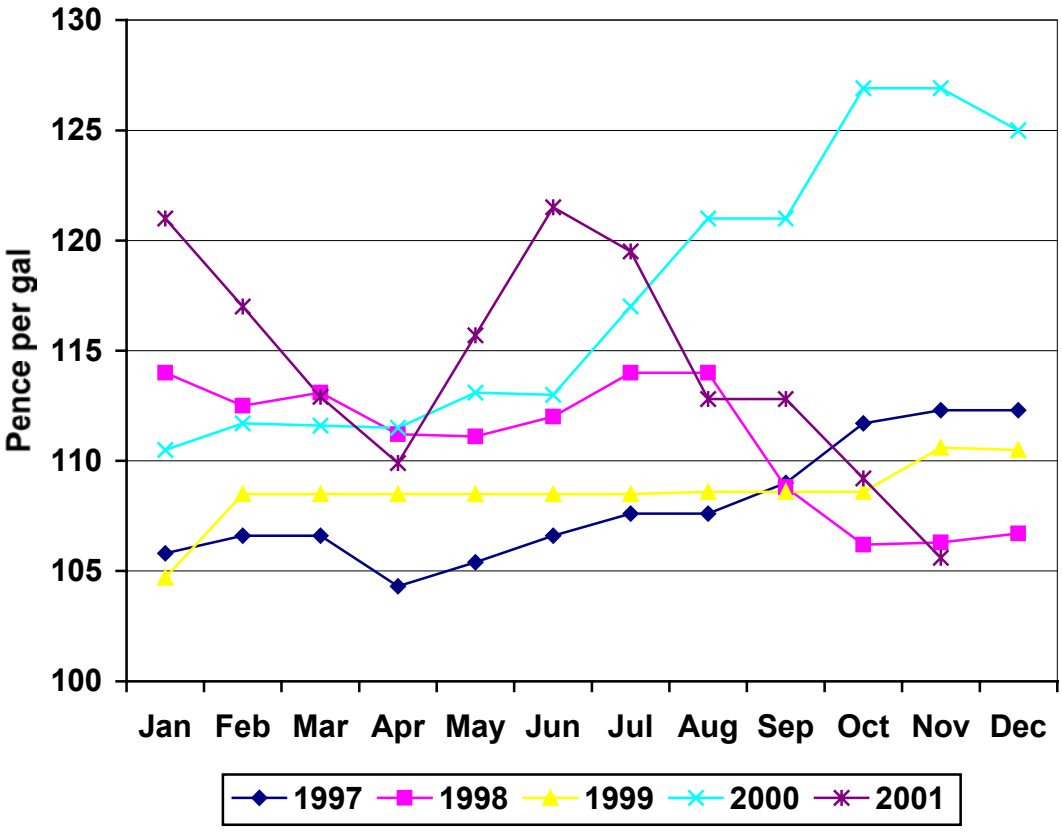
The increase in milk prices in the current year was expected to be stronger as milk producers did not get the major benefit in 2000 of the large rises in dairy product prices which occurred mainly in the second half of that year. Against expectations and due largely to some unpredictable events, there was a rapid decline in dairy commodity prices, especially Skim Milk Powder (SMP), in the early months of 2001. From the beginning of January to early April, the SMP price returned by the Irish Dairy Board (IDB) fell by 19 per cent. This brought down the gross milk price equivalent from 125ppg to 110ppg, a fall of 15ppg (3.3ppl) equivalent for milk. The main factors causing the fall in demand for SMP at the time were the detection of BSE in several continental EU member states and then the discovery of FMD in late February in the UK. The BSE scares had adverse affects on demand for calf milk replacer and exports of EU commodity products to third countries were temporarily suspended in most instances due to the occurrence of FMD (although limited) in EU countries other than the UK.

There were also some very positive factors impacting on milk prices in 2001. Renewed health concerns due to the more widespread occurrence of BSE gave another boost to cheese consumption and cheese prices in most EU countries. Another positive influence on dairy product prices was the continued weakness of the euro relative to the US$ and sterling. Irish cheese producers and exporters have

particularly benefited from the strength of sterling. In fact the volume of Irish cheese production should reach record levels this year, with an estimated increase of about 15 per cent over last year. UK cheese prices remained very strong all year until a significant downturn occurred in recent weeks (especially from early October). It now appears that UK milk production is very much on target to reach its national quota entitlement despite the large scale disruption caused on British farms due to the prolonged campaign to bring the FMD outbreak under control.

Prices for SMP, and even for butter, strengthened again briefly from mid-April until early July to reach the IDB equivalent of 121.5ppg (26.7ppl). But due to a sustained series of price reductions from July to date, SMP is now below its intervention equivalent price and butter is at its intervention equivalent price. This has resulted in the lowest IDB on-account milk price equivalent being paid out since late 1998–early 1999, at 105.6ppg or 23.3ppl (See Figure 1).

Figure 1: IDB 'Monthly' Price Equivalents (ppg) 1997-2001



Source: Irish Dairy Board
Note: Price equivalents based on the on-account prices for butter and SMP

The elimination of export refunds for SMP in July probably precipitated the fall in SMP prices but the gradual deterioration in the economies of many importing countries was, and still is, a contributory factor. The reported major weakening in the US food service sector has evidently contributed to the collapse in internal dairy product prices. The knock on effect has been a reduction in US import prices for casein which is a very important and remunerative Irish export product to that market. It also should be noted that casein production is now the primary outlet for skim milk use in Ireland rather than SMP.

Changes in the costs of milk production were also of major significance in 2001. Fertiliser prices rose to their highest level for many years due mainly to the increases of over 20 per cent in the prices of CAN and urea. The P and K compounds increased in price by a less significant but still substantial 8 per cent. As a consequence of such large price increases and mainly favourable climatic conditions for grass growth from May/June onwards, there was an estimated reduction of about 12 per cent in the use of nitrogen on dairy farms. There was an even larger fall estimated in the application of P and K compounds, of the order of 20 per cent lower use. More effective use of slurry on dairy farms combined with the price increases in P and K fertilisers over the last two years are posited as the main reasons for the reduced quantities used. Another major cost increase occurred in purchased concentrates fed to dairy cows. The price increase estimated at 6.5 per cent or about £10 per tonne was above expectations but the estimated average increase of 43kg per cow (almost 6 per cent) was totally contrary to expectations. Additional animals had to be fed due to the movement restrictions under the regulations imposed by the DAFRD to prevent the spread of FMD. A period of unfavourable weather in late spring also restricted grass growth and extra concentrates were used. Thus total feed costs rose by almost £20 per cow which is an increase of 9 per cent. Other direct costs were increased more in line with inflation but lower milk quota rental charges and the absence of superlevy bills alleviated the rise in 'other costs'. Average overhead costs were also estimated to have risen by the more modest amount of 4 per cent, mainly due to increases in hired labour, fuel and energy costs and land rental charges.

In summary, the increase in the value of gross output per cow and per ha was matched by a very similar rise in direct costs and this left gross margins largely unchanged from last year (Table 1.1). Net margins were however somewhat lower in 2001 after an estimated increase in overhead costs is taken into account. The results for output, costs and margins in terms of pence per litre of milk produced on specialist dairy farms are shown in Table 1.2.

Table 1.2: Output, costs and margins per litre produced on specialist dairy farms- manufacturing milk (1998-2002)

	1998	1999	2000	2001[1]	2002[2]
			Pence/litre		
Gross Output	23.10	21.96	23.21	23.82	22.48
Direct Costs	7.19	7.16	6.95	7.48	7.57
Gross Margin	15.91	14.80	16.26	16.35	14.91
Overhead Cost	6.54	6.11	6.38	6.63	6.63
Total Costs	13.73	13.27	13.33	14.11	14.21
Net Margin	9.36	8.69	9.88	9.71	8.27

Source: Teagasc National Farm Survey and own estimates
[1]Estimate; [2]Forecast

Outlook for 2002

The downturn in most dairy commodity markets is so pronounced and extensive that the outlook for Irish milk prices next year is not rosy. Nevertheless given the degree of price volatility experienced in the trading of dairy products in the last few years as reflected in Figure 1, one could not be in any way certain that prices will not improve again some time next year. At least SMP should return approximately 2.6ppg (0.6ppl) above its current price equivalent when intervention opens on March 1. Another positive from an Irish perspective has been the recent reintroduction of export refunds for SMP and increases in the refunds for Whole Milk Powder (WMP) and butter. The absence of any EU intervention stocks of SMP and the current low level of public intervention stocks of butter can only be favourable for prices as demand recovers. Cheese returns have given a major boost to milk prices this year and although prices are weaker now, they are still well above the average price level for 2000. The sustained growth in cheese consumption throughout the EU is expected to continue albeit at a reduced rate. The absence of any novel animal disease problems or related human health concerns in 2002 could only be beneficial to a major animal products exporting country like Ireland.

It has been assumed that the euro will not appreciate significantly against the US dollar or sterling in 2002. This is a fairly critical assumption. Even though the bulk of our dairy exports are traded within the EU, exports to third country markets are still of major significance financially. Apart from SMP and limited butter exports, the export returns from WMP, casein and non-annex 1 products such as infant formulas and fat filled powders are considerable. The returns from casein exports to the US in the past two years have been extremely buoyant. Prices have fallen in the last quarter due in part to the decline in demand for food service products in the US following September 11 events.

The recent weakening in international demand for dairy products (especially for milk powders) can be expected to continue if, as is generally being predicted, there is

further deterioration in growth in the global economy. New Zealand has again surpassed the all-time record peak level of milk production in the current year. The peak passed in October was 6 per cent above the year earlier record. The resulting additional product supplies are likely to add to downward pressure on prices in an already weakened market place, unless economic growth in Asian and Central/South American economies is stronger than expected next year. The weaker New Zealand dollar has also enhanced their trading capabilities.

In a more uncertain outlook than usual, it was concluded that producer milk prices next year would be much more closely reflective of intervention price equivalents. As cheese and other smaller volume but higher value added products are likely to yield somewhat better returns, the overall average prices should remain above the intervention equivalent. The most likely outturn is for a decrease of about 6 per cent (-6.6ppg or -1.5ppl) in the average manufacturing milk price in 2002. Of the other elements of gross output – calf values are expected to improve about 5 per cent whilst cow replacement costs may remain close to their current level.

Total milk production costs for next year are expected to show only a marginal increase after the substantial increase estimated for this year. The higher fertiliser prices are expected to remain at around similar levels in 2002. A further small increase in the price of purchased concentrates is expected as the prices of protein supplements and feed grains are tending to remain firm. In the absence of the FMD problem, it is anticipated that the quantity fed per cow will be back down to at least the amount fed in 2000. Reductions in feed use and cost savings could be greater if producers show a more immediate rational response to falling milk prices in the early part of next year. Some elements of overhead costs will probably continue to inflate but reductions in investment related costs and in fuel prices should at least neutralise any tendency for an overall increase in overheads.

The fall in the forecast for gross output per cow and per hectare of nearly 6 per cent together with costs remaining at or slightly above 2001 levels, will result in a serious erosion of margins in dairying in 2002. The average gross margins are shown to fall by 7 per cent and the average net margins by close to 15 per cent. This translates into a fall of 6.54ppg (-1.44ppl) in the unit net margin. The expected net margin per gallon (per litre) at 37.6ppg (8.3ppl), if realised would be the lowest achieved since 1991. The large transfers of milk quota quantities to active producers together with the overall increase of 2.9 per cent in the national milk quota entitlement over the last two years, have contributed in a major way to consolidating dairy farm incomes in 2000 and 2001. The re-distribution of milk quotas from those exiting the industry will still continue to increase productivity on many of the farms which remain in milk production. However, there will be an urgent need also to roll back costs in order to maintain incomes at their current level in the immediate years ahead.

Acknowledgements

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The Situation and Outlook for Cattle 2001/02

W. Dunne

Summary

After a very poor financial year in 1999 and an unexpected recovery in cattle prices in the spring of 2000, Irish cattle farmers were suddenly absorbed in a second BSE crisis in the late autumn of 2000. As a consequence, farmers entered 2001 even more anxious about cattle prices and the availability of markets than in previous years. Much of this uncertainty still remains as we approach 2002.

The apprehensions arising from the BSE crisis were further fuelled by the outbreak of Foot and Mouth disease (FMD) in the UK and its subsequent introduction into Ireland in the spring of 2001. Fortunately, the outbreak in Ireland was successfully contained at a single incident but it seriously disrupted the cattle trade, inter-farm movements of animals and the management practices on-farm.

Despite the considerable annual fluctuations in cattle prices, the overall gross margin for cattle has been remarkably stable for a number of years, excluding 1999. This has been achieved by strategic adjustments to the administrative arrangements on the rate of pay-out of the 1st moiety of the DPs.

An analysis of actual accounts for the cattle enterprise on farms in the Teagasc National Farm Survey (NFS) showed that the overall gross margin for cattle increased by £98 per hectare in 2000. This was a welcome recovery following a very poor year in 1999. The recovery arose from the combination of higher cattle prices, increases in direct payments (DPs) and a return to more normal feed costs.

A further analysis of the gross margins shows that most cattle farmers already obtain almost two thirds of their gross margin from DPs and one third from the market. This percentage will increase further as farmers adjust to the progressive implementation of the EU policy move to lower beef support prices and higher value DPs. Under the Agenda 2000 agreement, there is an added incentive for extra farms and cattle to avail of extensification, especially at the high rate of payment. When the direct and indirect impacts of the DPs are taken into account, Irish cattle farmers have double the financial incentive to comply with the criteria for the DPs compared with the need to respond to the requirements of the beef consumer.

A more detailed examination of the gross margins showed that the change in the overall gross margin for the entire cattle sector masks the very diverse changes in the fortunes of individual cattle systems. The margins for the breeding systems of "single suckling" and "rearing on dairy farms" increased by £111 and £138 per hectare

respectively, an increase of 40%. In contrast, the recovery in the margins for the fattening stages was much more modest. For the "weanlings to stores/finish" system, the margin in 2000 was similar to 1999. The margins in 2000 for the "stores to stores/finish" system increased by £87 per hectare or 30% compared to an unusually low figure for 1999.

The cattle trade in 2001 was seriously disrupted following the second BSE crisis in late 2000 and the FMD outbreak in the spring of 2001. These resulted in the collapse of some markets, serious trading difficulties in others and an increased reliance on official market support systems. Throughout the year the evolving support systems largely contained the worst effects of the poor trading conditions on cattle prices.

Extra revenue was also available to cattle farmers from the additive effects of again increasing the size of the advance payment of the DPs and the rising value of the DPs themselves, which are part of the phased implementation of the Agenda 2000 agreement. As the increase in costs was rather modest, the estimated decline in the overall margin was confined to about £9 per hectare.

Irish cattle farmers entering 2002 are still facing considerable uncertainty about their immediate future. But, compared to a year ago, Irish cattle prices are more stable, some markets are open, others are in the process of developing, and the EU market support system is functioning even if resulting prices are considered unsatisfactory.

For cattle prices, the central issue is whether the improvements in markets and market outlets will be sufficient to offset the impact of the next phase of the implementation of the official price reduction which is part of the Agenda 2000 agreement, scheduled for July 2002.

The additional revenue that would be expected to arise from the increase in the value of the DPs will be seriously curtailed if the rate of pay-out reverts to the normal 60% in the autumn of 2002. Costs are also increasing and the scope for adjustment is severely constrained by the increasing severity of the compliance criteria for DPs and the added pressure to market animals younger to meet the plethora of market specifications that now operate.

It is forecast that the overall margin in the cattle sector will decline by a further £10 per hectare in 2002 even if cattle prices are maintained in 2002 and the pay-out rate for DPs reverts to the standard 60%. Should Irish cattle prices decline by the same order of magnitude as the official reduction in the intervention price (6.7%), then the reduction in the margin could exceed £50 per hectare. This would be equivalent to a reduction of over 13% on the estimate for 2001 or a deterioration of over 15% on the actual outcome for 2000. Such a price reduction may be avoided if markets in 3rd countries are reopened and significant volumes of beef can be exported with the aid of export refunds.

A decline of this magnitude would probably result in pressure to again increase the percentage of the pay-out on the 1st moiety of the DPs from 60% to 80%. Such an administrative adjustment would confine the scale of the margin decline in 2002 to about £20 per hectare, about a 5% reduction on the estimate for 2001. This in effect would delay a portion of the margin reduction for another year.

Review of 2000

Cattle farmers entered 2000 with limited expectations after a very poor financial year in 1999 arising from the combination of low beef prices and high feed costs. Fortunately, cattle prices recovered sharply in the early spring of 2000 against expectations. Apart from a carry-over of a residual fodder problem from 1999, fodder supplies and feed costs reverted to a more normal situation. However, the renewed optimism was suddenly dashed in the late autumn of 2000 by another BSE crisis, this time in Continental EU. However, with most of the slaughter cattle already sold, the collapse in prices had only a small impact on the overall value of off-farm sales. The latter period of the live trade of weanlings to the Continent was curtailed by the collapse in demand.

The abrupt price collapse and lack of markets precipitated a larger than normal end of year carryover of cattle on farms. It also presented a bleak outlook for farmers involved in winter fattening who had already purchased store cattle at high prices relative to the market outlook for early 2001.

In response to the market situation approaching in late 2000, the Minister for Agriculture, Food and Rural Development sought and obtained EU permission to increase the value of the 1st moiety of the direct payments (DPs) from 60% to 80% of the total. As the normal 60% had already been paid out in October-November, the additional 20% was dispatched to farmers in late December.

The structural flexibility allowed in adjusting the level and timing of the pay-out of the DPs was generally welcomed by farmers. However, such adjustments can seriously complicate the analysis and interpretation of year to year comparisons in the economics of cattle farming. These complications are particularly acute when the trends in the margins for individual cattle systems and components of a system are being compared.

The direct impact of adjusting the level of pay-out of the DPs is merely to move revenue between years. However, the cattle systems that are most affected by the timing and level of the pay-out of the DPs are those that are least affected by changes in cattle prices. In this context, adjusting the administration of DPs is a rather crude method of income support and does little to offset the direct impact of cattle price fluctuations.

Gross margins

The results for the year 2000 for the cattle enterprise on the farms in the Teagasc National Farm Survey (NFS) are presented in Table 2.1. These are in line with expectations when the original estimates are amended for the adjustments in the rate of pay-out of the DPs in late December 2000.

The overall gross margin for cattle increased by £98 to £410 per hectare in 2000. This is a 31% increase on 1999 which itself was very poor relative to other years. This was a welcome recovery from the results for 1999, but this is still lower than the comparable figure for the period in the mid 1990's.

Table 2.1: Trends in Gross Margins for Cattle (£/ha)

	1998	1999	2000
Single Suckling	371	282	393
Rearing – Dairy Farms	463	344	482
Weanlings to Stores/Finish	430	361	359
Stores to Stores/Finish	369	282	369
All Cattle Systems	401	312	410

Source: Teagasc, National Farm Survey

A more detailed examination of the gross margins presented in Table 2.1 shows that the change in the overall gross margin for cattle masks the very diverse changes in the fortunes of individual cattle systems. The margins for the breeding systems of "single suckling" and "rearing on dairy farms" increased by £111 and £138 per hectare respectively, an increase of 40%. This represents a recovery to a level in excess of the comparable figures for 1998 but still less than earlier years.

In contrast, the recovery in the margins for the fattening stages was much more modest. For the "weanlings to stores/finish" system, the margin in 2000 was similar to 1999 and that for earlier years with the exception of 1998 when it was unusually high. The margins in 2000 for the "stores to stores/finish" system increased by £87 per hectare or 30% compared to an unusually low figure for 1999.

Market based margins

A somewhat different picture emerges when the direct payments are excluded and the market based margins are calculated (Table 2.2). The market based margin for "all cattle systems" increased by £33, equivalent to a 26% increase. With the exception of 1999, this is the lowest market based margin in recent years.

The market margin per hectare for the single suckling and rearing on dairy farms increased by £57 and £80 respectively. Expressed in percentages these increases

represent changes of 74% and 46% which are large in relative terms, but the market based margins are still small and represent a declining proportion of the total margin.

In contrast to the breeding systems, the market margins for the fattening systems declined in 2000 compared to 1999. The weanlings to stores/finish system declined by £75. This represents a 43% reduction on 1999 and is the lowest margin for many years. The decline in the market margin for the stores to stores/finish system in 2000 was £11 per hectare, representing a reduction of 8% on 1999.

Table 2.2: Trends in Market-based gross margin for cattle (£/ha)

	1998	1999	2000
Single Suckling	120	77	134
Rearing – Dairy Farms	244	175	255
Weanlings to Stores/Finish	186	175	100
Stores to Stores/Finish	125	141	130
All Cattle Systems	162	126	159

Source: Teagasc, National Farm Survey

Summary and implications

As the data in Tables 2.1 and 2.2 show, the cattle sector is far from being homogeneous. The margins for the individual production systems reflect the combined impact of volatile beef prices and the "administrative juggling" of the DPs. As noted earlier, adjusting the administration of DPs does not necessarily offset the impact of cattle price fluctuations because the systems most dependent on cattle prices are least dependent on DPs for their margin and *vice versa*.

The differences in the respective outcomes for the year 2000 for the various cattle systems in Tables 2.1 and 2.2 can be mainly explained by revenue changes and the increased cost of animals purchased by the fattening systems. Since breeding systems purchase very few animals their costs are largely independent of cattle prices. These systems benefited from the additive effect of:

- an increase in cattle prices
- the increased value of the individual DPs arising from the implementation of the 1st phase of the Agenda 2000 agreement
- the additional pay-out of the DPs arising from the increase in the 1st moiety from 60% to 80% of the total value.

In contrast to cattle breeding systems, rising beef prices in early 2000 had both a positive and a negative impact on margins in cattle fattening. As the price of beef increases, prices of the various cattle cohorts quickly follow. Therefore, the cost of the calves, weanlings and stores that are being purchased by farmers in fattening systems also increases and sometimes excessively so in a buoyant market.

The seasonal pattern of beef prices in 2000 was as follows:

- a sudden increase by about 15 pence per kg in late January
- a continued gradual increase to a peak in June
- the normal autumn gradual decline until late September
- a sharp decline of about 30 pence/kg between late September and early December as a consequence of the lack of markets due to the BSE crisis.

Some cattle farmers entered 2000 with low cost weanlings and stores purchased in the autumn of 1999. If these animals were sold for slaughter within the period February to September a good market margin was realised. Replacement costs were high if young animals were purchased before October 2000, but if purchases were deferred until later in the year the replacement costs would have been much lower.

Farmers involved in summer grazing and purchasing cattle in the spring of 2000 and selling post October suffered a financial loss. The BSE crisis in the late autumn seriously disrupted the trade in live animals to Continental EU. This had a negative impact on weanling prices and the volume of export trade from late October onwards was curtailed.

The value of the DPs are now of such a magnitude that they seriously distort the prices of the different cattle cohorts. With declining beef prices and rising costs, almost all cattle farmers are becoming more dependent on DPs for their margins and incomes. As the financial focus on the DPs increases, much of the value of the special beef premiums (SBPs), the related extensification premium and even the slaughter premium becomes capitalised into the prices of animals being purchased by farmers involved in the fattening stages.

The advancement, by one month, in the age eligibility for the SBPs under Agenda 2000 further facilitates the ability of the farmers involved in the earlier stages of cattle production to:

- benefit from the capitalisation process, or
- even directly collect the SBPs and extensification on weanlings and stores.

Farmers involved in finishing systems are therefore finding it more difficult to obtain animals with an unclaimed SBP and related extensification premium. Even when they do identify animals with unclaimed DPs, the capitalisation of a significant portion of the value of the DPs into cattle prices increases the cost of the animals purchased. Finishers, having “paid” for part of the DPs at the time of purchase are then unable to secure the full value of the DPs from the Department for almost a year. For example, finishers purchasing cattle during 2000 would have “paid” for part of the slaughter premium at the time of purchase of the animals. But, due to the combined impact of the seasonality of the slaughterings and administrative lags in

the payment system, these farmers may not have been fully paid the slaughter premium until well into 2001.

The higher cattle prices for most of the year 2000 were not sufficient to increase the proportion of the total margin obtained from the market, (Table 2.3). The extra benefits of the high cattle prices were offset by the increase in the pay-out of the 1st moiety of the DPs to 80%. With the exception of the system of "rearing on dairy farms", the market margin accounts for less than 50% of the total gross margin. The consequence of this is that farmers will increasingly focus their management efforts towards the DP system rather than the consumer beef market.

Even for the system of "rearing on dairy farms" which still appears to obtain over half of its margin from the market, this proportion is excessively flattering. Much of it is due to the capitalised value of the DPs that these animals will eventually realise on other farms, rather than the ultimate carcass value of the animals themselves.

Table 2.3: Market-based gross margin as a % of total

	1998	1999	2000
Single Suckling	32	27	34
Rearing – Dairy Farms	53	51	53
Weanlings to Stores/Finish	43	48	29
Stores to Stores/Finish	34	50	35
All Cattle Systems	40	40	39

Estimates for 2001

Irish cattle farmers entered 2001 even more anxious about cattle prices than in previous years. The large beef oversupply, approximately a million tonnes of carcass beef, arising from the BSE crisis was seriously undermining market outlets, beef prices and cattle margins.

The financial impact was further compounded by the scheduled reduction of just under 7% in the EU intervention price for beef in July 2001. This was the second official price reduction that was part of the phased implementation of changeover to lower support prices available under the Agenda 2000 agreement.

Apart from this official price reduction, there was much apprehension as to:

- the level at which the official price support mechanism would be activated
- the capacity of the intervention system, or some other beef supply withdrawal mechanism, to cope with the immediate volume of beef oversupply that was likely to result from the collapse in demand

- the eventual potential outlets for any product that might be withdrawn from the market
- the availability of monetary compensation to cattle farmers for the sudden collapse in cattle and beef prices
- the form of this compensation once the more traditional method of paying "top-ups" on existing DPs was being excluded due to EU budget cost.

Market support measures

After a rather uncertain inauguration, a range of EU market supports were finally agreed and introduced during 2001. The main ones were:

- the purchase for destruction scheme (PFD) for cattle over 30 months of age which was introduced and operated in Ireland and some other member states in the first half of the year
- the special beef purchase scheme (SPS) for cull cows which was introduced in the second half of the year to replace the PFD scheme
- the volume ceiling on intervention purchases was increased
- the operational procedures and prices at which "safety net" intervention were clarified and implemented
- the introduction of a BSE test, and its eventual extension to include all slaughter and "fallen" animals, which helped to steady consumer confidence
- a second stage SBP payment for "castrate bulls" which was introduced on a temporary basis to help stabilise the market for bull beef
- the extension of the "maiden heifers" concept and its compulsory inclusion in the compliance criteria for suckler cow premium payments to help reduce the future supply of calves and beef
- the gradual tightening in 2002 and 2003 of the stocking density limits for eligibility for SBPs on intensive farms which was introduced to encourage extensive production methods and reduce future supplies.

Foot and mouth disease

The apprehensions of Irish cattle farmers were further fuelled by the outbreak of Foot and Mouth disease (FMD) in the UK and its subsequent introduction into Ireland. Fortunately, the outbreak in Ireland was successfully contained at a single incidence. Nevertheless, it seriously disrupted cattle movements and trade within Ireland from late February to the middle of June.

Since the animal movement restrictions included the first few months of the grazing season they resulted in a serious mismatch between cattle numbers and pasture availability on individual farms. The net result was that many heavily stocked dairy farms had to retain extra calves and young animals and purchase fodder and concentrate feed to maintain them. Equally, there were many cattle farms with adequate supplies of fodder and grass but they could not obtain animals to use them.

The constraints on cattle movements resulted in extra costs and additional purchases of concentrates. These extra costs were subsequently offset by a good and extended grazing season with a particularly mild autumn. Also, the potential negative impact of the cattle movement restrictions on the stocking densities for individual farms aiming for extensification were ameliorated by the introduction of an adjustment coefficient in the overall administration of the system.

Market performance

As a consequence of FMD, a large volume of beef and sheepmeat was removed from the market in the UK. This resulted in strong prices and created extra demand for imports which was readily captured by Ireland. The strong value of Sterling against the IR£ (euro) helped to sustain Irish cattle prices. The overall impact was to provide a strong and unexpectedly large market for Irish beef in the UK at reasonable prices.

The effectiveness of the product withdrawal schemes can be judged from the volume of beef that was removed from the market. By November 2001, about 800,000 tonnes of carcass beef had been removed by a combination of the PFD, SPS and the FMD and BSE culling schemes. Most, but not all, of this product would have been destined for the food market. It is estimated that about 240,000 tonnes was taken off the market by the PFD. Over 250,000 tonnes has been sold into intervention within the EU, Ireland accounted for less than 3% of this total. Approximately 125,000 tonnes of cow beef has been removed under the SPS in the EU, with Ireland accounting for about 40% of the total.

Apart from beef sales to Russia, there was an almost complete collapse of the trade in beef and live cattle to 3rd countries. With the exception of the UK, the beef trade within the EU became fully re-nationalised and product from Ireland was almost excluded from most markets. Due to the collapse in demand in Germany, substantial volumes of bull beef from Germany were being sold in a number of other member states at seriously discounted prices, especially in the first half of the year.

Fortunately for Irish cattle farmers, the Irish government was one of the few EU countries that opted to:

- fully implement the purchase for destruction scheme (PFD) for cattle over 30 months of age, and
- avail of the opportunity to increase the support price by using the 30% national financing option.

Irish beef exports to the EU in the first half of the year were severely hindered by the lack of demand and were squeezed between the discounted beef prices prevailing in the markets and relatively high Irish cattle prices supported by the PFD.

Cattle prices

For most of the first half of the year, these measures sustained steer beef prices in Ireland at a level close to those prevailing in the previous year. During this period many of the traditional export markets were not available and where markets were available within the EU there was serious price discounting. Steer beef prices began to decline once it became clear that the PFD would not be extended beyond June and would be replaced by the SPS for cull cows. The price slippage accelerated to about 20 pence/kg as supply of slaughter cattle increased in the autumn. The price slippage was even larger for the over 30 month steers as these were ineligible for the UK market which had re-emerged as the main commercial market supporting the price of steers in 2001. It appears that the volume of steer slaughterings may be two to three per cent higher than in 2000.

In contrast to steers, the volume of cows and heifers slaughtered could, respectively, decline by about 10% and approaching 20%. The PFD and its replacement the SPS helped to sustain the price of cull cows throughout 2001. However, cull cow prices were at certain periods of the year 20-30 pence/kg lower in 2001 compared to 2000.

Even as the end of the year approaches, 3rd country exports, apart from Russia and a few smaller markets, have still not recovered from the trade restrictions arising from BSE. The volume of beef exports to Continental EU will be much reduced compared to 2000 due to the BSE induced reductions in demand and the re-nationalisation of markets. However, by the end of 2001 beef consumption in the EU has recovered significantly. The EU Commission, based on estimates provided by the Member States, indicates that consumption has recovered to about 5% of the expected level of demand. As the experience with the first BSE crisis showed, the recovery of the remainder of the "lost demand" may be slower and more difficult.

Live exports

The export trade in live animals suffered severely from the combined consequences of BSE and FMD. The overall trade declined by about 340,000 head. Calf exports to the Continent in the spring of 2001 were likely to be very small anyway due to BSE, but the season was truncated by the FMD outbreak. It is estimated that this trade declined by in excess of 120,000 compared to the previous year.

Similarly, the autumn export trade for weanlings to the Continent was very weak reflecting the lack of demand for beef in importing countries, poor beef prices, and tightening margins in feedlots. This export demand for weanlings is now almost exclusively confined to weanling heifers. Bulls are too expensive relative to beef prices in the importing country. It is estimated that this trade could have declined by 140,000 head compared to the 2000 season which itself was truncated early due to the BSE crisis.

The live trade to 3rd countries was closed in 2001 due to the fallout arising from the second BSE crisis. Trade with the Lebanon is now open but operates at low volume. This 3rd country trade was partly replaced by some additional exports of store cattle to Northern Ireland, which was an indirect consequence of the FMD cull of cattle in England.

Direct Payments

Similar to 2000, the most optimistic issue for cattle farmers in 2001was the scheduled increase in the value of the DPs arising from the implementation of the 2nd phase of the Agenda 2000 agreement. This involved an increase in the value of the premiums for suckler cow (SCP), male beef animals (SBP), the slaughter premium for all animals and the extra payments arising from the "national envelope".

This potential increase in revenue was diluted by the earlier decision of the Minister for Agriculture, Food and Rural Development in December 2000 to increase the size of the 1st moiety of the direct payments (DPs) from 60% to 80%. As noted previously, this effectively converted potential revenue and income from 2001 into actual income in 2000.

In response to the uncertain outlook and to help maintain the margins and incomes for cattle farmers in 2001, the Minister again sought and obtained EU permission to increase the value of the 1st moiety of the direct payments (DPs) from 60% to 80%. Unlike in 2000, the decision was made in late October 2001 and implemented immediately, thereby increasing the probability that the actual pay-outs would have occurred within the calendar year. With the same percentage pay-out, the overall revenue from DPs is likely to have increased due to the additive effects of the higher value of the payments themselves and the more timely pay-out.

The first phase of the dual stocking rate extensification payment system arising from the Agenda 2000 agreement was implemented in 2000, but the actual payments to farmers arise in 2001. The revenue from extensification in 2001 increased due to a greater number of farms and cattle availing of extensification payments, especially at the high level of payment under the dual system. The value of the extensification premiums were unchanged in 2001, the pay-out of these payments does not arise until 2002.

Headage

Irish cattle farmers have for many years benefited from the disadvantage area (headage) payments. The NFS results for 2000 show that the value of headage payments to the cattle enterprise was almost £40 per hectare.

Beginning in 2001, the administration of headage was changed from an animal based system to "land area" payments. The new land area payments, like REPS, relate to the total farm rather than specific animals or enterprises. Therefore, it is not possible to allocate the "headage" to a specific farm enterprise, like cattle. This complicates the usual inter-year comparisons for the cattle enterprise from 2000 onwards.

In the Irish cattle enterprise, land has a "significant value" in relation to the stocking density compliance criteria for extensification (see Dunne *et al*). It can therefore be reasonably assumed that most if not all of the land available for cattle prior to 2001 will continue to be used for cattle production in 2001 and 2002. The switch to area based payments will change both the payment method and the farm accounting procedure to a REPS type approach, but the revenue is likely to remain broadly the same. Therefore, for reasons of continuity and to facilitate comparisons with earlier years, a revenue credit of £40 per hectare for area (headage) payments was included in the estimate for 2001 and the forecast for 2002.

Gross margin estimate

Taking into account the above changes in cattle prices, DPs, direct costs and animal numbers it is estimated that the overall margin in the cattle sector will decline slightly in 2001 compared to 2000. The figures in Table 2.4 show that this is due to the additive impact of a small decline in revenue plus a small increase in costs.

Table 2.4: Trends in revenue, costs and margins for all cattle systems (£/ha)

	1998	**1999**	**2000**	**2001**[1]	**2002**[2]
Revenue	663	593	694	691	689
Direct Costs	262	281	284	289	296
Gross Margin	401	312	410	402[3]	393[3]

Source: Teagasc, National Farm Survey and author's estimates
[1] estimate [2] forecast [3] includes a revenue estimate of £40/ha *in lieu* of headage

Forecast for 2002

As the end of 2001 approaches, Irish cattle farmers still face considerable uncertainty about their immediate future. Compared to a year ago, Irish cattle prices are more stable, some markets are open, others are in the process of developing, and the EU market support system is functioning even if resulting prices are considered unsatisfactory.

A number of important issues are still unresolved. These include:

- the immediate availability and accessibility of markets both within and outside the EU

- the shifting market and product requirements reflecting the considerable inter-market movement that has and is occurring for Irish exports of beef and live cattle
- the continued availability of the SPS for product withdrawal and level of price support available beyond December 2001
- the impact on cattle prices of the scheduled reduction of almost 7% in the EU intervention price for beef in July 2002.

Market outlook

At the present time, Irish cattle farmers welcome any and all market outlets. However, the shifting of markets has resulted in a plethora of specifications for product and age requirements for Irish cattle. Unstable markets and product specifications create a number of difficulties and uncertainties for cattle farmers in targeting specific market segments and in planning production systems.

Compared to this time last year, the demand within the EU has recovered significantly and the gross over supply and serious price discounting that existed in many of the member states has disappeared. However, the beef market in the EU remains largely re-nationalised which makes it difficult for Irish exports to penetrate commercial existing markets.

The market for Irish beef in the UK is likely to remain strong due to the ongoing reduction in domestic supplies arising from the FMD cull. The returns from this market will of course be influenced by the strength of Sterling against the euro. Many factors can affect this exchange rate but, as of now, no immediate downside is anticipated.

This market is confined to animals under 30 months which presents some adjustment problems for Irish cattle farmers using long production systems. Before adjusting production methods, such farmers have to balance any extra carcass value derived from the sale of younger animals against any additional feed and management costs incurred in producing these younger animals. Identifying the best production strategy is not straightforward as it involves a mix of:

- uncertain beef prices
- the risks and/or opportunities that may arise for different types of cattle from the shifting markets both within and outside the EU
- the direct and indirect financial impact of the ongoing changes in the DP arrangements on production systems and costs and the revenue arising from the DPs themselves.

It is nevertheless expected that many Irish farmers will aim cattle at the UK market and slaughter them within the 30 month age limit during 2002.

The world beef market is relatively strong and there are indications that 3rd countries are again becoming interested in importing beef and live cattle from the EU, and especially Ireland. The details remain unclear on the product specifications and prices available from the Egyptian market. When these are resolved and the Egyptian market re-opened, it could facilitate further trade with other 3rd countries.

Once markets open, trade with 3rd countries could be greatly facilitated by a continuing strong US $, and a favourable EU budget situation could provide the finance required for export refunds. A significant increase in the demand from Russia and other 3rd countries would help to shift increased volumes of Irish and EU beef. However, the upward impact on cattle prices could be modest while substantial volumes of beef remain in EU intervention stores.

At this stage, the general expectation in the industry is that the SPS will continue to operate in 2002. This expectation is based on the continued market requirement for product withdrawal and price support. This view is also reinforced by a lower than anticipated expenditure on beef in 2001 and a favourable farm budget situation.

The overall uncertain market and cattle price outlook is further compounded by the scheduled reduction of almost 7% in the EU intervention price for beef in July 2002. This is the third and final reduction in the official support price that was part of the phased changeover to lower beef prices and the higher DPs under the Agenda 2000 agreement.

Unfortunately for Irish cattle farmers, this official price reduction will be occurring at a time of the year when Irish supplies of beef are increasing towards their traditional autumn peak. The Irish requirement for intervention price support at that time of year will, of course, depend on the buoyancy of the export market for beef and live store cattle. Exports to the UK are likely to remain strong due to the reductions in domestic beef supplies and the increasing need for heifers for herd rebuilding.

As this is difficult to predict at this stage, the degree to which cattle prices will decline in line with the intervention price reduction is also uncertain. Should Irish cattle farmers have to rely heavily on intervention purchases next autumn, it is likely that the price slippage will be gradual. But, as an earlier Teagasc study concluded, the changes introduced over the years in the operational procedures for intervention purchasing has greatly undermined its effectiveness in supporting Irish cattle prices (see O'Connell *et al)*.

Live exports

In the last two seasons most of the weanling trade to the continent in the autumn was heifers. It is probable that this will remain the situation in the future because the scale of export trade in weanling bulls will be sensitive to:

- any narrowing of the differences between market price for beef in Ireland and other EU countries, plus
- the EU policy shift to lower beef prices and higher direct payments.

Teagasc studies have shown that Irish beef production systems, with their relatively long production cycles, are well placed to avail of the EU direct payments which are structured to favour extensive production methods (see Murphy *et al)*. For example, under the Agenda 2000 agreement, a male calf using Irish steer beef production methods would secure an extra SBP payment of £70 compared to bull beef production systems. This advantage could be extended to £100 or even £165 depending on the extensification options chosen. Such a DP advantage is of considerable price significance for Irish cattle fatteners in "bidding" for a relatively fixed supply of male weanlings, especially when beef prices are also declining and at best uncertain.

The export trade in male calves to the Continent in the spring will be similarly affected, particularly if the importing country plans to use these calves for veal production. Therefore, the prices of male calves and weanlings in Ireland are likely to remain strong. Irish farmers involved in extensive production of stores and slaughter animals will continue to purchase these male calves and weanlings at these high prices or as they would see it a high cost. As already noted, the margins and incomes for the fatteners are largely derived from the DPs.

Direct payments

As in previous years cattle farmers in 2002 can look forward to the scheduled increase in the value of the DPs arising from the implementation of the 3rd and final phase of the Agenda 2000 agreement. This involves an increase in the value of the premiums for suckler cows (SCP), male beef animals (SBP), the slaughter premium and the extra payments arising from the "national envelope".

However, this potential increase in revenue has been diluted by the earlier decision by the Minister for Agriculture, Food and Rural Development in the autumn of 2001 to increase the size of the 1st moiety of the direct payments (DPs) from 60% to 80%. This decision effectively converted potential revenue and income from 2002 into actual income in 2001. Unless this administrative change is repeated in the autumn of 2002, the value of the actual pay-out of SCPs and SBPs will decline by about 14% compared to 2001.

The reduction of the maximum stocking density for SBPs from 2 livestock units per hectare (LU/ha) to 1.9 could restrict the capacity of some intensive farmers to collect these premiums. But the overall impact is likely to be small as the "surplus animals" are likely to collect the SBPs and related extensification on other farms. There will be a significant increase in the revenue arising from the slaughter premium. As there was no change in the value of the extensification premium in 2001, the revenue pay-out

from extensification will be approximately the same. However, some increase could arise if more farmers and/or eligible animals shifted to avail of the higher value of the two extensification options.

The final phase of the move to the dual stocking rate extensification payment system arising from the Agenda 2000 agreement will be implemented in 2002. This will result in a considerable tightening of the stocking density requirements, but the value of both extensification premiums will increase. However, the actual pay-out of these payments does not arise until 2003.

Animal numbers and feed costs

The indications are that the Irish cattle breeding herd in 2001 has stabilised from its earlier downward trend. The number of slaughter animals is likely to increase in 2002 and 2003 due to a combination of earlier marketing to avoid having over 30 month animals, the end of season curtailment of live exports in 2000, and the almost complete lack of live exports in 2001. Unless prices decline further this will increase the overall sales revenue slightly. With more "eligible animals" in the national cattle herd some additional revenue from DPs will also arise.

As input prices are affected by inflation, costs can be expected to increase also. Some reduction in the volume of concentrate feed would normally be expected, but with increased emphasis on earlier slaughtering of animals for the UK market, this reduction may not occur. However, the expenditure on fertilisers is likely to be reduced because the volume of fertilisers used continues to decline as a consequence of the increase in the number of cattle farmers joining REPS. The earlier marketing and slaughtering of animals for the UK could reduce cattle numbers and also reduce the demand for grassland fertilisers.

After taking into account the above outlook for cattle prices, DPs, direct costs and animal numbers it is forecast that the overall margin in the cattle sector will decline by about £10 per hectare in 2002 following an estimated reduction of a similar magnitude in 2001. The forecast presented in Table 2.4 shows that this is due to the additive impact of a small decline in revenue plus a somewhat larger increase in costs.

Gross margin forecast

This forecast is based on the assumption that Irish cattle prices can be maintained at close to those prevailing in 2001 and the pay-out of the DPs reverts to its usual level of 60% in the autumn of 2002. If cattle prices were to decline by the same order of magnitude as the official reduction in the intervention price, then the reduction in the margin could exceed £50 per hectare. This would be equivalent to a reduction of over 13% on the estimate for 2001 or a deterioration of over 15% on the actual outcome for 2000.

Should cattle prices decline by this order of magnitude during 2002, it is probable that the percentage of the pay-out on the 1st moiety of the DPs would again be increased from 60 to 80%. Such an administrative adjustment would delay a portion of the margin reduction for another year but would confine the scale of the margin decline in 2002 to about £20 per hectare, about a 5% reduction on the estimate for 2001.

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The Situation and Outlook for Sheep 2001/02

L. Connolly

EU sheepmeat production is expected to fall by 11% in 2001 to slightly over 1 million tonnes. The large decline in 2001 resulted from 27% reduction in UK production caused by Foot and Mouth Disease (FMD). Up to early November 2030 cases of FMD were reported in the UK and 3.2 million sheep slaughtered as a direct consequence of FMD while a further 1.3 million sheep were removed under the livestock disposal scheme. The Meat and Livestock Commission (MLC) estimate UK sheepmeat production to increase by 5% in 2002, but will still be lower than that of 2000. Smaller declines in sheep meat production in 2001 are also forecast for the Netherlands, Spain and Italy. EU sheepmeat consumption is also forecast to decline by 7% in 2001 to 1.34 million tonnes with the biggest decline occurring in France where consumption is likely to decline by over 20% due to higher lamb prices and reduced imports. Prior to FMD the decline in sheepmeat consumption was forecast at 1.2%. Total EU consumption and production is forecast to increase in 2002 but still remain below 2000 levels.

FMD also impacted on sheepmeat prices in 2001. Prior to FMD prices were forecast to remain broadly similar to 2000. FMD resulted in no exports from the UK causing a shortfall in supplies of sheepmeat in European markets. The EU Forecasting Group expect that average EU sheepmeat prices will be 10% higher in 2001 over 2000. Reduced supplies in 2001 resulted in the average price of imported lamb in France increasing by 43% in 2001.

The outlook for the EU in 2002 is that production and consumption are likely to increase but will still be below 2000 levels. The MLC forecast for the UK is that the active breeding flock in December 2001 will be 2.5 million head down on the 2000 figure resulting in a 20% decline in clean sheep slaughterings in 2002 over the 2000 figure. This will result in reduced UK exports to the French market and demand and prices for Irish lamb should remain firm in 2002, but with prices lower than 2001.

In the year to early November 2001 Irish lamb prices increased by 38% on the 2000 figure. However if the first quarter in 2001 is excluded then the price for lambs born in 2001 increased by 45% over that of 2000. Lamb supplies increased by 3% from January 2001 to November 2001 compared to the same period in 2000. Farmers encouraged by high lamb prices have disposed of large numbers of ewe lambs normally retained for breeding. The number of 2001 lambs coming on the market in Spring 2002 will also be lower than in 2001. Sheep numbers in Ireland have continued to decline in 2001. Changes in ewe and flock numbers from 1993 to 2001 are shown in Table 3.1.

Table 3.1: Ewe and flock numbers 1993 – 2001 based on ewe premium applications

	Applicants claimed	Ewes claimed ('000)
1993	52,955	5,338
1998	44,583	4,889
1999	43,707	4,762
2000	41,177	4,499
2001	38,597	4,259

Source: Department of Agriculture, Food & Rural Development

Flock numbers fell by 2,580 with ewe numbers down 240,000 head in 2001 compared to 2000. This is the seventh year in which ewe and flock numbers have fallen since 1993 following the 1992 CAP Reform. There are now 14,358 fewer sheep farmers and 1.1 million less breeding ewes than in 1993.

The annual sheep premium is shown in Table 3.2 from 1999 to 2001. The premium declined by £5.27 from 2000 to 2001. This was due to the increase in EU lamb price discussed previously.

Table 3.2: Ewe and rural world premia, 1999 to 2001 (£/ewe)

	1999	2000	2001[1]
Ewe premium	17.06	13.76	8.49
Rural world premium	5.21	5.21	5.37

Source: Department of Agriculture, Food & Rural Development; [1]Estimate

Gross margins for early lamb, mid-season lamb and Scottish Blackface production systems are shown in Table 3.3. Actual margins are presented for 2000 with estimates for 2001 and forecasts for 2002. The 2000 lowland sheep margins are based on data from sheep flocks being farmed on the better soils with a wide use range.

Table 3.3: Gross margin (£) per ewe, 2000-2002

	2000	2001[1]	2002[2]
Early lamb	49	61	56
Mid-season lamb	48	65	59
Hill-Blackface	30	26	31

Source: Teagasc National Farm Survey
[1]Estimate; [2]Forecast

Margins for early lambs are estimated to have increased in 2001 due to higher prices in April and May. Prices for early lamb were 30% higher in 2001 than 2000. However, ewe replacements costs were also higher in 2001. Margins per ewe and per ha are higher for early than for mid-season lamb production, as it is much more labour and management intensive. The outlook for 2002 is that margins will be down

on 2001 as it is likely that the supply of UK lamb will be higher than that of 2001. The French proposal on the spinal cord removal from all carcasses over six months from January 2002 could also have a negative effect on prices of lambs born in spring 2001. On the positive side the ewe premium in 2002 should be twice that of 2001, if current EU proposals are introduced.

Mid-season lamb is the predominant system of sheep production in Ireland and the trend in the gross margin for this system is shown in Table 3.4. The 2001 year was excellent from sheep producers viewpoint with record prices and very favourable production conditions, resulting in the profit margin exceeding £60 per ewe for the first time ever.

Table 3.4: Gross margin (£) per ewe, mid season lamb 1996 – 2002

1996	**1999**	**2000**	**2001[1]**	**2002[2]**
58	42	48	65	58

Source: Teagasc National Farm Survey
[1]Estimate; [2]Forecast

The main contributor to the increased margin in 2001 was the increase in lamb price, as the ewe premium declined by £3.30 per ewe and headage on hoggets was replaced by area based payment in 2001. The 2001 year was excellent from a grass production point of view resulting in low concentrate requirements. The forecast for 2002 is that the margin will drop by £6 per ewe as prices will decline but the ewe premium will increase to approximately £17 as the new fixed EU premium should be in place, which will partially compensate for the decline in lamb prices. Direct payments contributed £16.8 or 35% to gross margin per ewe in 2000 but are estimated to have declined to 18% in 2001.

The trend in output, costs and gross margins per hectare for the mid-season lamb system is shown in Table 3.5.

Table 3.5: Trend in output, costs and gross margin (£/ha), mid-season lamb, 2000-2002

	2000	2001[1]	2002[2]
Gross output	727	861	846
Direct costs	262	285	302
Gross margin	465	576	544

Source: National Farm Survey; [1]Estimate; [2]Forecast

Hill sheep are more dependent on direct payments with 92% of the gross margin coming in the form of subsidies in 2000. This is the first time in over a decade that less than 100% of the gross margin from hill sheep came from direct payments. In 2000 the average headage per ewe entered for payment was £8.10 for the Blackface system. Headage payments have now been replaced by an area based payment and

therefore do not appear in the 2001 sheep gross margin. The decline in the ewe premium in 2001 sheep also had a negative effect on the hill sheep margin. However, the higher fixed rate payable under the new sheep premium regime should help maintain margins in 2002. From 1999 onwards it was decided to base all per ewe data on the number of ewes qualifying the ewe premia for the Blackface Mountain system. The data shown in Table 3.3 therefore are based on ewes qualifying for premia rather than ewes let to the ram.

A major review of EU sheep policy took place in 2000 and 2001, which resulted in the proposal to abolish the link between EU lamb price and the support premium and to introduce a fixed ewe premium instead. The current proposal by the Commission is that the ewe premium would be fixed at 21 Euros for 5 years with a possible 1 Euro extra to be paid from the National Envelope. A decision on the ewe premium rate will probably be made by the end of 2001. The proposal to either include ewes for extensification payment or exclude them from the stocking rate will also be made. The Rural World premium will continue to be paid in disadvantaged areas.

The Situation and Outlook for Pigs 2001/02

M.A. Martin, P.W. Kelly and T. Donnellan

Higher pig prices have resulted in a return to profitability in pig production in 2001 despite increases in production costs.

Background

In 2001 Foot and Mouth Disease (FMD) affected pigmeat markets including EU exports to Japan and Russia. Pig slaughterings in the UK related to FMD were 432,000 with the majority slaughtered under the "Welfare Disposal Scheme". Irish pig prices continue to be lower than and recover more slowly than in other EU countries including net exporters such as Denmark and the Netherlands. In Ireland pig production is concentrated now in 554 commercial units. The average size of breeding herds is 363 sows. Units less than100 sows produce less than 3 per cent of the pigs.

The returns in pig production are influenced by currency exchange rates. The current weakness of the Euro is providing some insulation from competitive pressures outside the common currency area.

Pig Prices

In the 10 months January – October 2001 the average price of slaughter pigs was 118.5p per kg deadweight. Despite a sharp decline in prices from a peak of 126.1p per kg in June, the average price for the year is likely to be in excess of 116p. This is the highest annual average price realised since 1996.

Table 4.1: Trends in the price of slaughter pigs 1992 – 2001 (p/kg deadweight)

Year	Price
1992	**116.4**
1993	**100.9**
1994	**100.6**
1995	**112.3**
1996	**129.1**
1997	**112.7**
1998	**89.4**
1999	**80.5**
2000	**102**
2001	**116.5 (est)**

Source: Teagasc National Monitoring of Prices and Margins in Pig Production

The average pig price over the last 10 years was 106p per kg deadweight with a range in the annual average price from 80.5 to 129.1p per kg.

The average price for the last 5 years at 100.2p results from the historically low prices which prevailed from July 1998 to early 2000. The anticipated decline in prices in the second half of 1998 was exacerbated by the loss through fire of substantial slaughtering capacity in Northern Ireland.

Pig Supplies

Table 4.2: Pig Breeding Herd (000) in Republic and Northern Ireland (June 2001)

	No. Sows and Served Gilts
Republic of Ireland	174.0
Northern Ireland	42.6
Total	216.6

Sources: Central Statistics Office, Department of Agriculture and Rural Development for Northern Ireland (DARDNI).

Pig numbers

There is considerable cross-border trade between the Republic and Northern Ireland. Accurate data is not available on this trade so for purposes of estimating production, the whole island is considered as a single production unit. The pig breeding herd (Sows + Served Gilts) for the island currently stands at 216.6 m (Table 4.2).

While there has been little change in the size of the sow herd in the Republic in recent years sow numbers have decreased significantly in Northern Ireland.

Table 4.3: Trends in sow no. (000) in Republic and N. Ireland 1997 – 2001 (June Enumeration)

Year	Republic	N. Ireland	Total
1997	174.4	71.0	245.7
1998	170.2	66.9	237.1
1999	171.5	47.1	218.6
2000	170.7	41.8	212.5
2001	174.0	42.6	216.6

Sources: CSO, DARDNI

This decline in the Northern Ireland sow herd has been totally responsible for the reduction in pig slaughterings on the island.

Table 4.4: Pig slaughterings[1] in Republic and N. Ireland 1997 – 2001

Year	No. (million)	No. Per Week
1997	4.299	82672
1998	4.506	86649
1999	4.614	88722
2000	4.309	82870
2001 (43 weeks)[2]	3.471	80725

Notes: [1]The figures for the Republic are for licenced export premises only and for Northern Ireland are total throughput; [2]Average slaughterings in the 13 weeks to 10th Nov. 2001 at 83,600 pigs per week are well above the levels expected from the data available on sow herd size.

Pig weights

Slaughter weights in the Republic of Ireland have increased steadily contributing to an increase in the pigmeat supply.

Table 4.5: Trends in Pig Slaughter Weights in Ireland 1998 - 2000

Year	Average Weight (kg dead wt.)
1998	69.9
1999	70.3
2000	71.3

Source: Dept. of Agriculture, Food and Rural Development

Production Costs

This analysis is based on the Teagasc National Monitoring of Prices and Margins in pig production and relates to the Republic of Ireland only.

Feed costs

Pig feed usually represents 60 to 65 per cent of total production costs. Pig feed costs have risen steadily since January 2000. The average price per tonne of all purchased feed fed has risen from £158.70 per tonne in January 2000 to £175.50 per tonne in October 2001;an increase of £16.80 per tonne or 10.6 per cent.

The annual average composite feed price was £159 per tonne in 1999 – when pig prices were at their lowest. The increase in feed prices has lead to a substantial increase in feed cost per kg deadweight from 60.1p in 1999 to 66.7p (October 2001).

Table 4.6: Trends in pig feed prices and feed cost per kg deadweight (1997 – 2001)

Year	Average Composite Feed Price (£/tonne)	Feed Cost (pence per kg)
1997	181.70	69.1
1998	169.80	63.6
1999	159.00	60.1
2000	163.20	62.8
2001 (est)	173	65.7

Source: Teagasc National Monitoring of Prices and Margins in Pig Production

The rise in feed prices is mainly attributable to the high price of soyabean meal.

Table 4.7: Pig Feed Ingredient Prices 1999 – 2001 (£/tonne)

Year	1999	2000	2001 Jan. – Oct.
Barley	98.60	95.22	92.67
Wheat	100.17	101.45	103.07
Soya	153.87	207.43	218.30

Source: Cereals Association of Ireland

Non- feed costs

Non-feed costs are also increasing, these include environmental and animal welfare compliance costs.

Environmental compliance
The costs associated with licensing of pig farms by the Environmental Protection Agency (EPA) are estimated to be about 2.5p per kg deadweight. (Martin,2001). Currently farms with 4000 units are subject to licensing (1 Sow = 10 units and 1 Pig = 1 unit).

About 72.5 per cent of sows are in herds of 300 sows and over and these are likely to be subject to licensing in the near future.

Restrictions imposed by the (EPA), local authorities and the Rural Environment Protection Scheme (REPS) by the owners of spreadlands is leading to increased manure handling costs including transport. This could add 1.5p – 2p per kg deadweight to costs.

Animal welfare compliance
Substantial investment in dry sow housing will be required before the end of 2005 by units using tether systems at present. Replacement of tethers with sow stalls is a short-term solution. Loose housing for about 70 per cent of the dry sows is likely to be required from the end of 2013.

Non-feed costs can vary significantly from unit to unit. Some costs are common to most if not all units i.e. Common Costs. The other non-feed costs do not occur on all units i.e. Herd Specific costs. Guideline maximum non-feed costs per kg deadweight are shown in Table 4.8.

Table 4.8: Guideline maximum non-feed costs per kg deadweight

		p/kg deadweight
Common	Energy	3
	Healthcare	3
	Transport	1.5
	labour	12
	repairs and maintenance	3
	artificial insemination	1
	stock depreciation	1
	insurance	0.8
	miscellaneous	0.7
		26
Herd Specific	interest + depreciation	10
	licence compliance	2.5
	manure transport	1.5
		14
Total		**40**

Price Prospects

Some of the major factors likely to influence the price received by pig producers in 2002 are listed below, divided into those factors likely to contribute to a price rise and those likely to cause a price fall.

Factors which may cause upward pressure on pig prices are:

(a) Reduced supplies of UK pigmeat on the UK market. The UK sow herd may decline to 540,000 sows by June 2002 (MLC 2001). This is a reduction of 32 per cent from June 1998.

(b) An increase in EU pigmeat consumption to about 44kg per head.

(c) Reduced production of pigmeat in the Netherlands: 2001 production is projected to be ten per cent less than in 2001.

(d) Reduced EU sow productivity due to viral wasting disease (PMWS/PDNS) in European herds.

(e) Expected renewed access to Third country markets such as Japan and Russia following the end of Foot and Mouth Disease restrictions.

Factors which may cause downward pressure on pig prices are:

(f) Continuing high levels of EU production with self-sufficiency levels of 107.5% forecast.

(g) The continued increase in US exports to key markets such as Japan.

(h) The expansion of the Danish sow herd and probably increased competition in markets such as Britain.

(i) Increased production in Germany and Spain – the two major producers of pigmeat in Europe.

Table 4.9: EU Pigmeat Production 1997 – 2002

Year	Production (million	Self-Sufficiency (%)
1997	16.249	105.4
1998	17.567	106.5
1999	18.026	107.9
2000	17.564	107.2[1]
2001	17.533	106.2[1]
2002	17.914	107.5 [2]

Notes: [1]Estimate; [2]Forecast

Prospects for costs

Feed

Feed prices will continue to be the major influence on production costs. Soyabean meal is a key constituent of pig diets as the main high-protein ingredient. Soya prices have remained at about £200 per tonne or over since Spring 2000. Much of this is due to the strength of the US dollar against the Euro. Each £10 per tonne reduction in Soyabean prices would lead to reductions of £2 - £2.50 per tonne in pig feed prices.

Cereal prices have been less volatile than soyabean prices in recent years but they still constitute the main ingredients in pig feed. Reduced grain prices lead to significantly reduced pig feed prices.

Non-Feed

The upward trend in non-feed costs is due mainly to "new costs" i.e. costs not previously incurred. These are mainly environmental and animal welfare costs

While labour scarcity has resulted in some increase in costs the employment of workers from abroad has averted a labour crisis. There is still a severe shortage of skilled personnel which will continue to exert upward pressure on labour costs.

Reduced interest rates have lead to some significant reductions in financial charges.

Conclusions

Pig production is a significant sector of the Irish agricultural economy with a farm-gate value of £305m expected for 2001. Profitability has been good in 2000 and 2001 and will have offset some of the severe losses of 1998-9. While it is unlikely that pig prices will achieve the 2001 levels in 2002 there is no compelling reason why prices should fall greatly. Production costs will be higher if there are no reductions in the cost of feed ingredients.

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The Situation and Outlook for Tillage 2001/02

P.W. Kelly

The crop year 2000/01 was relatively unspectacular with no new changes to the EU cereal regime apart from the area aid and intervention price changes signalled for the last three years. For cereals, sowing conditions were very poor in late Autumn 2000 but harvesting conditions were generally good in 2001.

Cereals

The area of wheat, oats and barley available for harvest in 2001 (280,300ha) was almost exactly the same as in 2000.

The total national base area claimed was 342,235ha which includes both crops and set-aside.

The base area claims by crop (not including set-aside) are shown in Table 5.1.

Table 5.1: National base area claim, by crop 1998 to 2001 (ha).

	1998	1999	2000	2001[1]
Cereals	290,864	276,700	284,498	281,406
Oilseeds	6,478	2,437	1,530	1,252
Proteins	4,445	2,781	1,583	2,953
Maize	5,058	8,079	12,615	17,223
Linseed	5,148	8,014	2,567	1,216
Total	311,993	298,011	302,793	304,051
Set-aside	20,044	32,563	29,693	37,195
Grand total	332,037	330,574	332,486	341,246

Note: [1]Provisional

The main feature of Table 5.1 is the continued steady increase in the area claimed for maize. If the total number of ha claimed for area aid and set-aside exceeds the National Base Area of 345,500ha and if the excess is due to maize claims, then the reduction in payments per ha which would otherwise be spread across the whole National Base Area is applied only to maize. Area aid payments for other crops will not be affected. Table 5.1 indicates that this is now unlikely for the 2001 season but the area of maize has brought the total claim to within just over 4,000 ha of the limit. Area aid is not claimed for all of the maize that is grown. Producers can and do class maize as 'forage', since it is made into silage. Maize area can be entered as forage area for the beef special premia, suckler premia and ewe premia. It does not count for extensification claims. Producers claiming Disadvantaged Area payments on the new (area rather than headage) basis can make their claim using maize as part of the

forage area, as long as they have livestock on the farm. The upshot of all this is that cereal producers who also have grazing livestock systems will have to think very carefully before deciding how to claim for their maize area in 2002.

The claims for oilseed crops, protein crops and linseed were all less than 3,000 ha. Linseed area continued to decline as forecast in 2000, due to the large reduction in area aid for this crop.

A comparison of the areas of the individual crops grown shows that the total areas of wheat, barley and oats grown in 2001 were very similar to 2000. In 2001 there were about 84,000 ha of wheat, 182,000 ha of barley and 18,000 ha of oats. The poor planting conditions that followed the generally late harvest of 2000 meant that the area of all autumn sown cereals was less for the 2001 harvest than for 2000. The area of winter wheat declined by about 22 per cent to 49,000 ha and winter barley by about 19 per cent to 20,000 ha. Spring wheat area increased by almost two thirds, (62 per cent) to 35,000 ha and spring barley area increased by about six per cent to 162,000 ha. Spring barley remained the most important cereal in terms of area. As winter wheat has a substantially higher yield than spring wheat, the shift from autumn to spring planting was sufficient to reduce the total amount of cereals produced during the season.

Yields and quality

In general, cereal yields in 2001 did not reach the record levels of the 2000 harvest. A comparison of provisional estimates of yields is shown in table 5.2.

Table 5.2: Prov. yield estimates cereals 2000/01 (tonnes/ha.)

	2000	2001
Winter barley	8.3	8.0
Winter oats	8.4	8.0
Winter wheat	10.0	9.8
Spring barley	7.0	6.8
Spring wheat	8.5	8.1
Spring oats	7.0	6.7

Grain quality in 2001 was again very satisfactory with assessments of "excellent", (Teagasc 2001), for all the winter cereals and also for Spring barley. Spring oat quality was described as "very good", (Teagasc 2001 *op.cit.*). Specific weights were higher for all cereals but sprouting was a problem in Winter wheat and Spring barley in isolated locations at the start of the harvest. Less straw, (20 to 30 per cent) was produced in 2001 than in 2000. The level of demand for barley straw was less than in 2000 but the demand for wheat straw for mushroom compost was slightly higher. These factors had the effect of reducing the price for barley straw and increasing the price of wheat straw.

Cereal production

Production of cereals has been estimated by combining data for yield and area harvested.
Estimates of cereal production for 2000 and 2001 are shown in Table 5.3.

Table 5.3: Estimated cereal production in 2000 and 2001, (000 tonnes).

	2000	2001[1]	Change (%)
Wheat	798	762	-4.5
Barley	1,296	1,243	-4.1
Oats	133	127	-4.5
Total	2,227	2,133	-4.2

Note: [1]Provisional

Production of all cereal types declined by four per cent, or about 141,000 tonnes. Wheat production was reduced by 4.5 per cent or 36,000 tonnes and barley production was reduced by 4.1 per cent or 53,000 tonnes Oat production was 6.000 tonnes less in 2001 than in 2000. The reduction in production and consequently supply will continue to keep prices in the 2001/02 season above those of 2000/01.

Prices

Cereal prices received by farmers in 2001 were generally higher than in 2000. In Autumn 2001, feed barley at 20 per cent moisture content was fetching about £76 per tonne compared with £75 per tonne in 2000. The largest changes were in the price of feed wheat and milling wheat which rose from about £80 per tonne to £88 per tonne in the case of feed wheat and from £88 per tonne to £96 for milling wheat in 2001. The prices of oats and malting barley were virtually unchanged between 2000 and 2001, at £76 and £87 respectively. The increase in the price of feed wheat was linked to reduced production in Ireland and also an increase in the price of wheat imported from the UK. The price of UK imports rose due to supply conditions in the UK and the strength of Sterling relative to the Irish pound.

Changes in the Common Agricultural Policy (CAP) as part of 'Agenda 2000' will cause a further 7.5 per cent reduction in the intervention price for barley during the 2001/2002 cereals marketing year, (1, November 2001 to May 31, 2002). This reduction should not affect the market price for barley as this now trades for practical purposes above the intervention price.

Area aid payments

In 2000 and 2001, area aid payments were increased as an accompaniment to the reduction in the intervention price introduced in 'Agenda 2000'. This process is now complete and there will be no further increases in area aid payments in 2002. In 1999, 2000 and 2001 producers also received payments as compensation for the re-valuation of the Irish pound prior to EMU entry in 1999. These payments also end in 2001, so the total value of the various forms of "cereal aids" will be slightly less in 2002 than in 2001. From Autumn 2001 the area aid and set-aside payments should continue unchanged until the 2006/07 cereals marketing year, unless the policy is changed as part of the "Mid Term Review" of 'Agenda 2000' which is scheduled for 2003. The EU Commission has stated that the intervention price and the compensation may be changed after 2001, (Commission of the EU, 2000).

Gross margins

Trends in gross margins for the main tillage crops between 2000 and 2002 are shown in table 5.4.

Table 5.4: Trends in gross margins for the main tillage crops 2000 to 2002 (£/ha)

	2000	2001[1]	2002[2]
Winter wheat	735	772	714
Winter barley	581	605	533
Winter oats	617	570	517
Spring wheat	677	709	651
Malting barley	583	486	521
Spring feeding barley	515	532	480
Spring oats	452	534	441
Sugar beet	372	440	412
Potatoes	3320	6152	4282

Source: Teagasc National Farm Survey; *Notes:* [1] Estimate, [2] Forecast

The gross margins of all cereal crops were relatively high in 2000. This was due to the exceptionally high yields in that year. These high yields were not repeated in 2001 but area aid payments were increased by 7.5 per cent - from £280.93 per ha in 2000 to £301.67 in 2001. This was sufficient to raise gross margins of all the major cereal crops, except winter oats (a crop that is little grown) and malting barley. The price of feed wheat also increased by about ten per cent over its 2000 level in 2001.

The forecasts for 2002, assume that there will not be any further increase in area aid and that expenditure on fertiliser and casual labour will increase by about three per cent and expenditure on seeds, transport, hired machinery and 'other costs' will increase by about five per cent. Crop protection expenditure is assumed to stay constant. Cereal prices in 2002 are assumed to remain at their 2001 levels.

Under these assumptions, the gross margins for all cereal crops reduce in 2002. The greatest proportionate reductions being in spring oats and spring feeding barley. The decline in cereal gross margins in 2002 over the 2001 level is forecast to range between seven and 18 per cent.

Delays in harvesting and processing of sugar beet in 2001 mean that information on yields and sugar content is based on a smaller proportion of the crop than is usual for this report. Both yields and sugar content of beet in 2001 appeared to be lower than in 2000. Yields were about 47 tonnes per ha and sugar content was about 17.3 per cent. The 2000 price was assumed for the estimate for 2001 and the forecast for 2002.

The gross margin for potatoes is always subject to uncertainty when expressed on a calendar year basis as the potato harvest is spread from Autumn in one year to early spring in the next. For 2002, the gross margin is likely to fall from the historically high level estimated for 2001 as both yields and prices return to more normal levels.

References

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Situation and Outlook Farmer's Plans for 2002

L. Connolly

Teagasc carries out an annual survey every autumn to ascertain farmers planning intention for the coming year. The survey is conducted on farmers participating in the National Farm Survey by means of a single visit questionnaire. Farmers were asked for their plans for the 2002 year in relation to:

- Breeding stock numbers
- Arable crop planting
- Capital investment
- Participation in DAFRD Schemes

The following results are based on 1055 completed questionnaires over the last 3 months.

Livestock changes

There is a 1.9% increase planned for the dairy cow herd for 2002 (Table 6.1) with 0.5% increase in the suckler cow herd.

Table 6.1: Breeding livestock changes planned for 2002

	% change 2001/02
Dairy cows	+1.9
Suckler cows	+0.5
Ewes to ram	-3.3

The main change is in relation to the sheep breeding flock which has been in continual decline since 1993 and a further 3.3% reduction planned for the coming year. The main increase in suckler cow numbers is planned for the west of Ireland with the biggest decline in ewe numbers also occurring in the west. Dairy farmers producing milk were asked for their intentions in relation to milk quota over the next 3 years. Fifty five percent stated no change in size of quota with 41% planning on expanding and 4% planning on reducing or ceasing milk production. Of the 41% of farmers planning on increasing milk quota 11% were in the 20,000 to 35,000 gallon group with 13% and 9% in the 35,000 to 50,000 and 50,000 to 75,000 groups respectively. The majority of farmers planning on ceasing milk production were in the under 35,000 gallon category. The above responses were from farmers operating a milk quota in 2001 as compared to 7% of farmers who own milk quota and plan on ceasing milk production over the next 3 years.

Farmer's plans in relation to arable crops in 2002 are shown in Table 6.2. Specialist tillage farms account for over 75% of winter wheat, spring wheat and winter barley acreage despite comprising only 5% of the total farm population.

Table 6.2: Arable crop changes planned for 2002

	% Change 2002
Total cereals	+3.3
Winter wheat	+26.2
Spring wheat	-23.8
Spring barley	-7.0
Winter barley	+20.7
Set-aside	-3.4
Potatoes	+4.1
Total tillage crops	**+3.0**

Overall a 3% increase is planned for in total tillage crops in 2002 with virtually all of this in the acreage devoted to cereals. The large increase in winter cereal planting in autumn 2001 was due mainly to the excellent tilling conditions which occurred at the back end of 2000. Potato acreage is also set to increase in 2002 following a good harvest in 2001.

Investment plans

Approximately 20 percent or 23,800 farmers stated that they planned to make additional investment in 2002. This is a decline on the 28,000 farmers who planned to make investment in 2001, but it should be pointed out that the actual outturn for 2001 was that 38 percent of farmers made additional investment compared to the 23 percent planned i.e. 15 percent of farmers who had not planned on investing in 2001 actually did. The actual investment in 2001 was £372 m compared to the planned investment of £268 m.

Table 6.3: Farm investment planned for 2002 (£m) by investment type

	2002		2001		Change	
	£m	%	£m	%	£m	%
Machinery	54	20	48	18	+6	+13
Buildings	142	52	114	43	+28	+25
Land	34	13	38	14	-4	-11
Milk quota	29	11	51	19	-22	-43
Other	12	4	17	6	-5	-29
Total	**271**	**100**	**268**	**100**	**3**	**1**

In the past farmers have always understated planned investment in machinery and 2001 was no exception with an actual investment of £156 m compared to planned of £48 m. The actual investment in buildings, quota and land in 2001 were close to that planned in the autumn of 2000. If this pattern is to continue then the actual investment in machinery in 2002 could be well over £100 m. The re-introduction of grant aid for farm buildings may also lead to a larger than planned investment in buildings in 2002.

Table 6.4: Farm investment planned by system of farming 2002 (£m)

	2002		2001	
	£m	%	£m	%
Dairying	160	59	134	50
Cattle	63	23	87	32
Sheep	21	8	26	10
Tillage	27	10	21	8
Total	**271**	**100**	**268**	**100**

As in previous years dairy farmers accounted for the bulk of total investment at 59% with a larger proportion than in 2001. Planned investment on cattle farms was down from £87 m in 2001 to £63 m in 2001, and probably reflects the difficult year encountered by drystock farmers.

Farmers were also asked for their planning intentions in relation to forestry investment and the results on a very limited number of farms showed a decline in planting intentions for 2002 compared to 2001.

Thirty four percent of farmers interviewed had an off-farm job and these were predominantly drystock farmers. Farmers were also asked for their plans over the next three years in relation to off-farm employment and the results are shown in Table 6.5.

Table 6.5: Intentions on farming over next 3 years (%)

Farming full time	49
Off-farm job	34
Retiring from farming	6
Don't know	11

Of the 6 percent who plan on retiring only 28 percent plan on availing of the early retirement scheme.