National Farm Survey

2010 Estimates

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SUMMARY OF NATIONAL FARM SURVEY 2010 ESTIMATES

- Overall 2010 was a good year for farming with average farm income up 48%, albeit from a very poor year in 2009. Average family farm income in 2010 is estimated at €18022, while this represents an increase of 48% on 2009, it is only an increase of 6% on 2008 and a decline of 9% on 2007.
- The average income figures conceal the mixed fates of the various farming sectors. While family farm income increased substantially on dairy and tillage farms, up 92% and 119% respectively, cattle and sheep farms did not fare as well. Family farm income on cattle rearing farms increased by 7% and income on sheep farms increased by 8%.
- Dairy farms benefited from the substantial recovery in global dairy commodity markets, with farm gross output up 23% on the 2009 level.
- Tillage farms also gained from more buoyant cereal markets. Gross output on tillage farms increased by 21% from 2009 to 2010.
- Gross output on cattle rearing farms increased by 7% from 2009 to 2010, however gross output on cattle other farms decreased slightly by 1%.
- Gross output on sheep farms increased by 6% in 2010. Sheep farmers benefited from more favourable lamb prices and the introduction of the Sheep Grassland Payment. This subsidy, worth approximately €9.20 per ewe, is coupled to production and so is included in farm gross output.
- Across all farm systems input expenditure declined by less than 1%. Total subsidies per farm declined by 2% in total.
- While farming in general continues to be very reliant on subsidies, subsidies accounted for 94% of family farm income on average in 2010, increases in the market value of produce has seen market based gross output per farm increase by 21% from 2009 to 2010.
- In line with developments in the wider macro-economy the number of households where the farmer and/or the spouse has an off-farm income declined in 2010, from 54% of households in 2009 to 49% in 2010.

INTRODUCTION

Approximately 1,050 farms participated in the Teagasc National Farm Survey (NFS) in 2010, these farms are weighted to represent a national population of approximately 99,500 farms. As of May 2011 the financial records of 817 of these farms had been returned and fully validated. The following report is a preliminary estimate of farm income for 2010 based on this sample of 817 farms. The final results, based on a sample of approximately 1,050 farms, will be published in June 2011. While the income figures may change somewhat between the preliminary and final results, the weighting methodology applied to these preliminary estimates means that the overall results are unlikely to change significantly.

The NFS has been conducted on an annual basis by Teagasc since 1972. The purpose of the survey is to determine the financial situation on Irish farms by measuring the level of gross output, costs and income across the spectrum of farming systems and sizes. A random nationally representative sample is selected each year in conjunction with the Central Statistics Office. Each farm in the survey is assigned a weighting factor so that the results of the survey are representative of the national population of farms. The survey is operated as part of the Farm Accountancy Data Network of the EU and it fulfils Ireland's statutory obligation to provide data on farm output, costs and income to the European Commission on an annual basis.

Standard gross margins (SGM) have been used since 1985 to sort farms into the various systems in the survey and assign the appropriate weighting. The SGM was estimated taking into account gross output, subsidies and certain deductible specific costs. Given that subsidies are now decoupled from production, this means that negative SGMs are possible and hence a change in this methodology was necessary. In 2010 the Standard Output (SO) methodology has been used for the first time. Farms are now classified on the basis of the main output of the farm and only farms with a SO of €4,000 or greater are included in the 2010 sample. In order to ensure consistency in comparing year on year results, the 2009 results referred to in this report have been reproduced using the SO methodology.

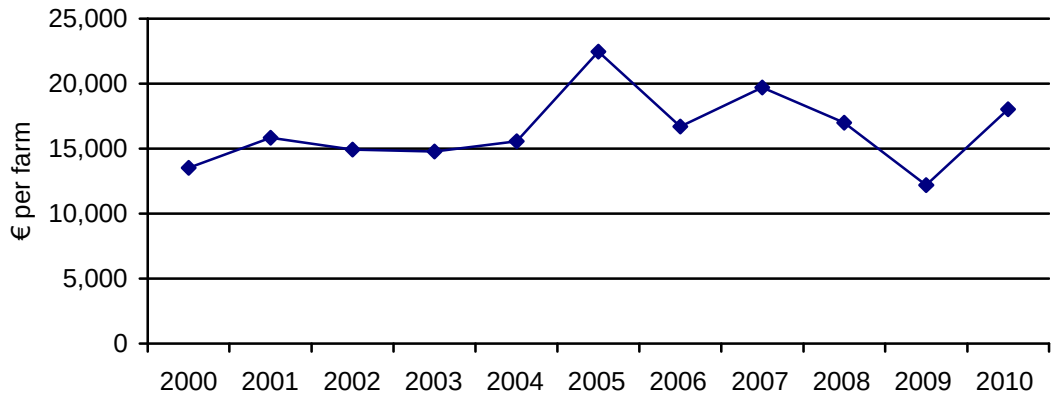
The 2010 population estimates are based on the CSO 2007 Farm Structures Survey. Farms falling into the Pigs and Poultry System are not included in the survey, due to the inability to obtain a representative sample of these systems.

Overview of the farming sector

In the following report the principal measure of the income used is **Family Farm Income per Farm** (**FFI**). This is calculated by deducting all the farm costs (direct and overhead) from the value of farm gross output. Unpaid family labour is not included as a cost. FFI therefore represents the financial reward to all members of the family, who work on the farm, for their labour, management and investment. It does not include income from non-farming sources and thus may not be equated to household income.

The average FFI across all sizes and systems of farming increased from €12,190 per farm in 2009 to €18,022 in 2010, an increase of 48%. This increase in income follows a very poor year in 2009 and restores income to slightly above the 2008 level but still below the highs of 2007, see Figure1.

Figure 1: Family Farm Income 2000 to 2010: average of all farms



The increase in FFI in 2010 was entirely due to higher market gross output as expenditure increased and subsides declined slightly. Table 1 presents the main components of FFI.

Table 1: Components of Family Farm Income 2009 and 2010: average of all farms

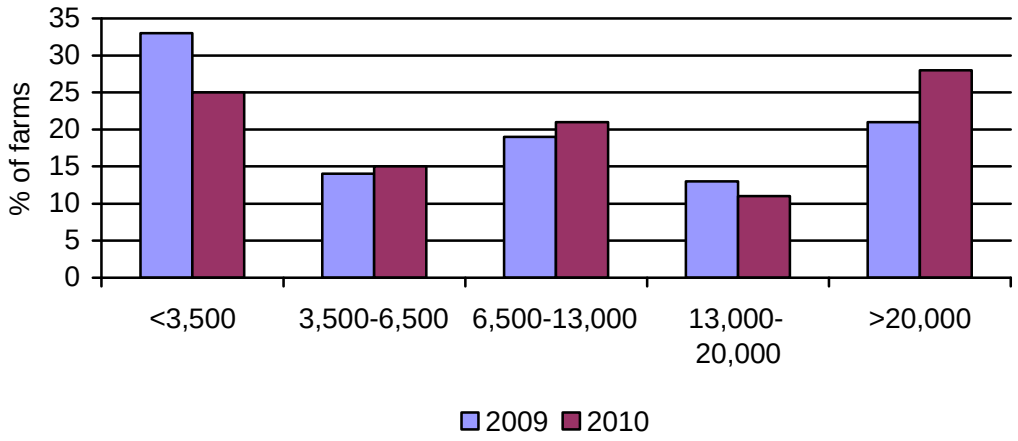
	2009	**2010**	**% change 2009 to 2010**
Gross output	48,989	55,499	+13
*(of which is direct payments)**	17,347	17,005	*-2*
Input expenditure	36,799	37,477	+2
(of which is direct costs)	19,262	19,162	No change
(of which is overhead costs)	17,537	18,315	+4
Family Farm Income	**12,190**	**18,022**	**+48**

** in this case direct payments refers to all non-capital direct payments made to farmers*

In 2010 direct payments contributed 31% of farm gross output. Although the sector's reliance on direct payments is still very high, it has decreased somewhat from the 2009 situation when direct payments per farm exceeded income by 42%.

The average farm income figures conceal the large variation that exists across the sector. Figure 2 show the distribution of income across all farms. As can be seen almost one-third of all farms earned a FFI of less than €3,500 in 2009. This percentage declined to 25% in 2010. Despite the significant increase in incomes in 2010, three-quarters of all farmers still earned farm incomes of less than €20,000.

Figure 2: Distribution of Family Farm Income 2009 and 2010: all farms



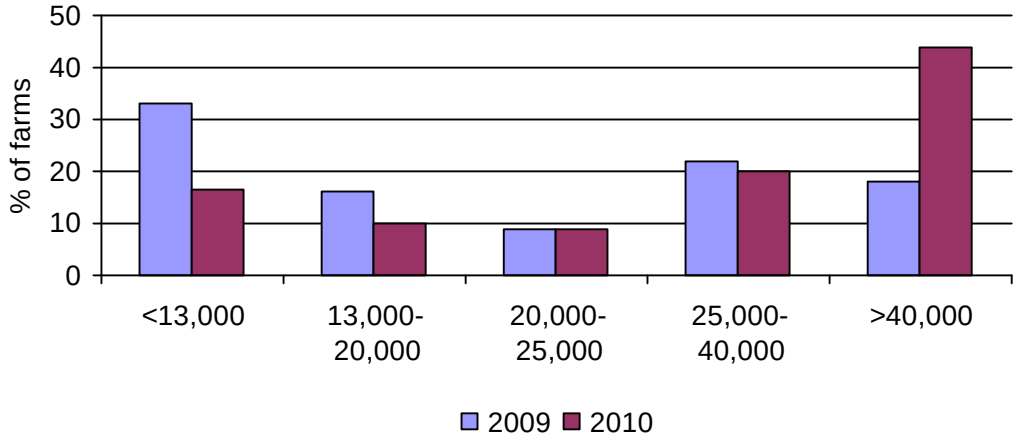
The large proportion of farmers earning very low incomes is symptomatic of the fact that there are a very large number of small farms. To examine the more commercial sector of farming in isolation, the sample can be separated into full and part-time farms. Full-time farms are those that have sufficient agricultural activity to employ at least one full-time labour unit. In 2010 29% of farms in the population were classified as full-time farms. Table 2 presents the number of full and part-time farms.

Table 2: Composition of the 2010 farming population: full and part-time

	Dairy	Cattle Rearing	Cattle Other	Sheep	Mixed livestock	Tillage	All
Full-time Farms	13,831	2,289	3,881	3,184	3,483	2,488	29,154
Part-time Farms	1,692	21,194	27,960	14,030	1,194	3,781	69,849

The average income on full-time farms in 2009 was €23,832. This increased by 80% in 2010 to an average of € 42,829. Figure 3 presents the distribution of income on full-time farms in 2009 and 2010. Approximately 44% of full-time farms, or about 12,750 farms, earned a farm income of €40,000 or more in 2010. This figure is up substantially on the 2009 situation when only 18% of full-time farms earned an income of €40,000 or more.

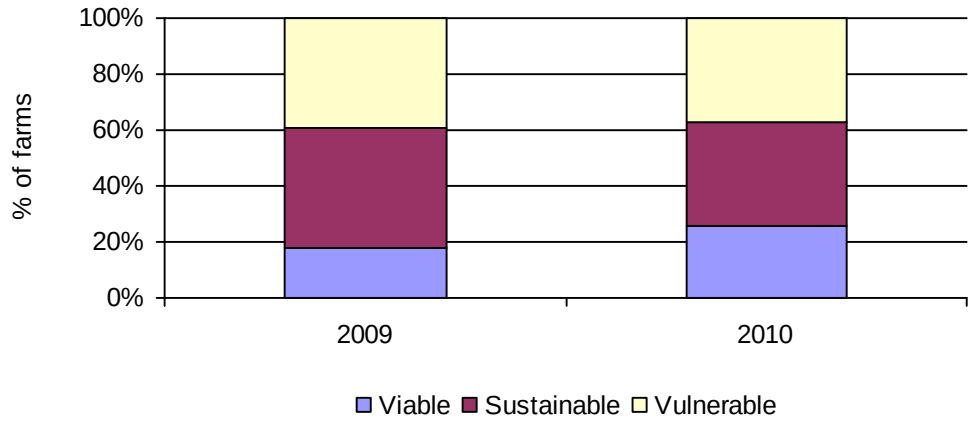
Figure 3: Distribution of Family Farm Income 2009 and 2010: Full-time farms



Although the definition of part-time farming presented above does not refer to the presence of off-farm employment, this data is also recorded by the NFS. For the third consecutive year, the number of farm households where the farmer and/or spouse are employed off the farm declined. The number of farm households where the farmer and/or the spouse were engaged in off-farm employment was 49% in 2010 compared to 54% in the previous year.

Figure 4 classifies the farm population on the basis of viability, sustainability and vulnerability. An economically viable farm is defined as one having (a) the capacity to remunerate family labour at the average agricultural wage, and (b) the capacity to provide an additional 5 per cent return on non-land assets.[1] Farms that are not economically viable are sustainable if the farmer and/or the spouse are employed off the farm. If the farm business is not economically viable, and if the farmer and/or the spouse do not have an off-farm income, then the farm household is classified as being economically vulnerable.

Figure 4: Classification of the Farm Population 2009 and 2010: all farms



[1] The average agricultural wage rate for 2009 was €18,652 per labour unit and it increased to €19,084 in 2010. This data is obtained from the labour court.

There were approximately 26,000 economically viable farm businesses in 2010. The improvement in FFI in 2010 resulted in an increase in the proportion of the population classified as economically viable, from 18% in 2009 to 26% in 2010. Despite this positive development, and the large number of farmers and farmers' spouses working off the farm, 37% of the farming population were classified as economically vulnerable in 2010, this represents about 37,000 farms nationally.

Overview by farm system

Farm income varies widely across the different farm systems and sizes. Table 4 summarises the average levels of FFI per farm, which were achieved in 2010 across the range of farming systems and size groups. As expected, income increases with farm size. On average, and across most size groups, dairy and tillage farms generate the highest incomes.

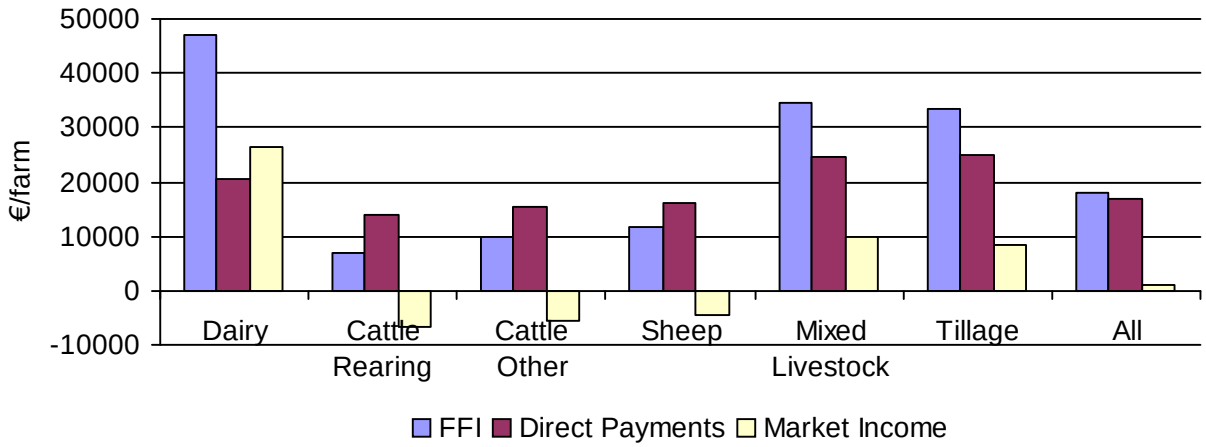
Table 4: Family Farm Income (FFI) by System and Farm Size (UAA) – 2010

Size (Ha)	<10	10-20	20-30	30-50	50-100	> 100	Hill Farms	All
Dairy	-	-	18515	42365	72365	100245	-	47171
Cattle Rearing	-	2,417	3,274	9,891	16,193	37,992	7,672	7,013
Cattle Other	-	4,989	6,995	12,347	22,925	37,292	7,211	9,781
Sheep	-	3,896	9,202	14,615	26,947	29,588	17,240	11,586
Mixed Livestock	-	-	-	15,340	55,937	93,097	-	34,404
Tillage	-	-	-	22,358	47,182	79,041	-	33,381
All	**3,594**	**4,718**	**8,355**	**20,110**	**44,047**	**65,891**	**13,351**	**18,022**

Where there are less than 10 farms in any given cell this is shown as - resulting in the "All" figure not corresponding to the individual figures shown.

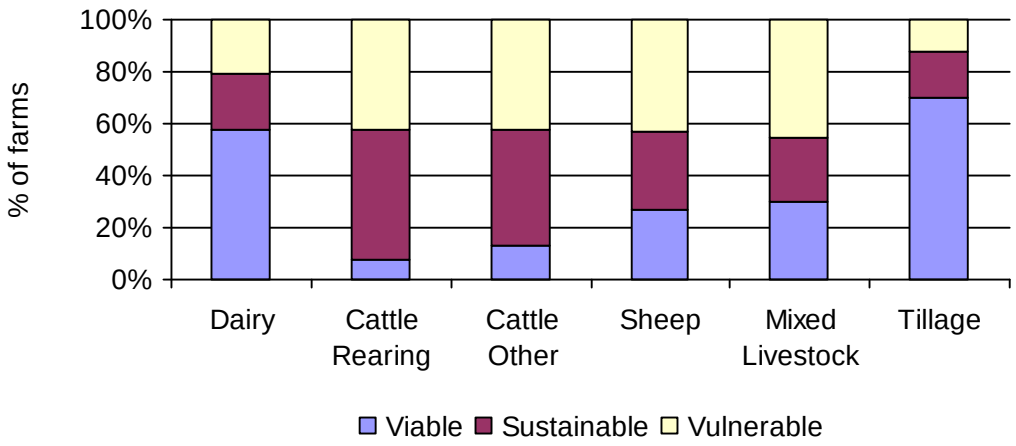
The dependency of each system on direct payments is shown by excluding direct payments from FFI, resulting in a market based FFI by farm system (Figure 5). On average across all farm systems, the market based output is marginally positive. On average, market output on cattle and sheep farms is insufficient to cover production costs.

Figure 5: Family Farm Income, Direct Payments and Market Income by Farm System – 2010



The proportion of farms that are viable, sustainable and economically vulnerable in each farm system is presented in Figure 6. In line with the income figures above, the dairy and tillage farm systems have the highest proportion of economically viable farm businesses. Across the other systems of farming over 40 percent of farms are classified as economically vulnerable. Less than 10 percent of cattle rearing farms are deemed economically viable businesses.

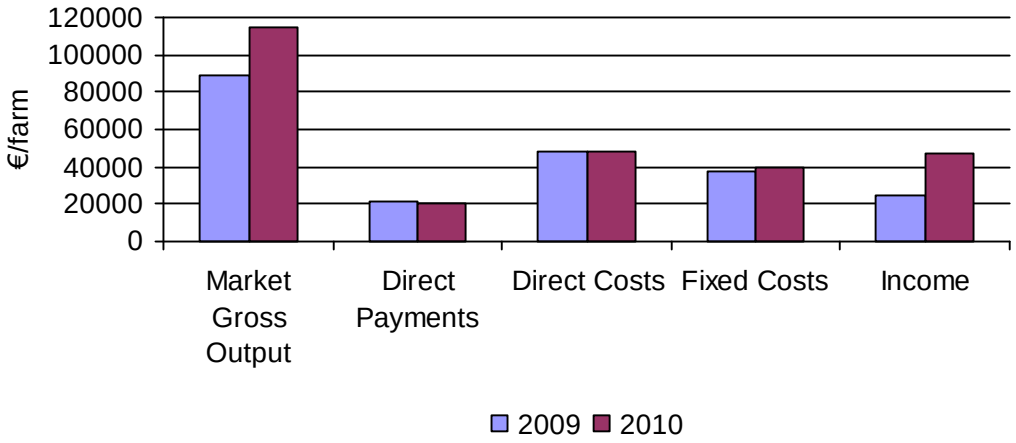
Figure 6: Classification of the 2010 Farm Population by system



Overview of the dairy farm system

There are approximately 16,000 specialist dairy farms represented in NFS in 2010. Income on these farms increased substantially in 2010 on the back of a very poor year in 2009. Gross output on dairy farms increased substantially, by 23% from 2009 to 2010, see Figure 7. This increase in gross output emanated from both volume and value of production increases. The average milk price paid to farmers in the survey increased by 29% from 2009 to 2010 and volume of milk delivered for sale increased by almost 8%. The total value of direct payments fell by 3% from 2009 to 2010 and comprised 15% of total farm gross output on dairy farms in 2010.

Figure 7: Components of Family Farm Income for Dairy farms: 2009 and 2010

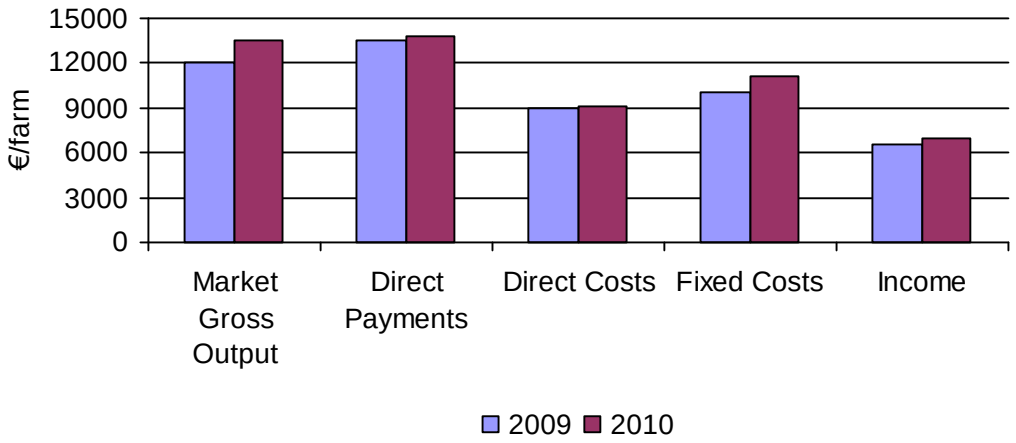


Expenditure on direct and fixed costs was more or less unchanged from 2009 to 2010. The most notable changes were the increases in expenditure on concentrate feeds up 5%. Both the volume of concentrate feeds and price per kilogram of feed purchased increased from 2009 to 2010.

Overview of the cattle rearing system

There are approximately 23,500 cattle rearing farms represented in the NFS in 2010, suckler cow production is the dominant system on these farms. On the back of stronger cattle prices, market based gross output increased by 11% from 2009 to 2010, see Figure 8. The total value of direct payments was more or less unchanged from 2009 to 2010 and comprised 50% of total farm gross output on cattle rearing farms in 2010. With input expenditure up 6%, the average FFI on cattle rearing farms increased by 7% from 2009 to 2010.

Figure 8: Components of Family Farm Income for Cattle Rearing farms: 2009 and 2010



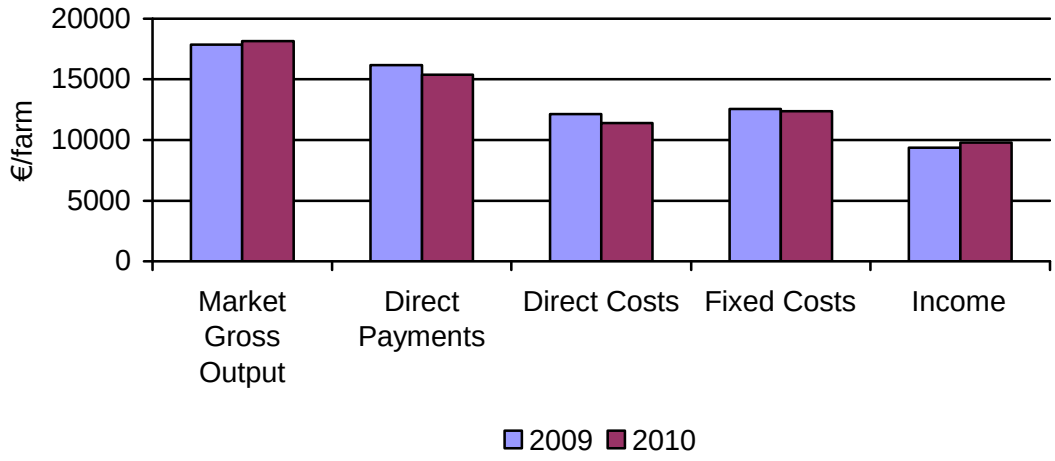
The majority of cattle rearing farms are operating small farm businesses. Of the 23,500 farms in the survey, only 8,000 of them farm 30 hectares or more. An analysis of the distribution of income across all cattle rearing farms reveals that almost 40% of them earned €3,500 or less in 2010, while less

than 10% earned €20,000 or more. Despite these very low incomes, over two-thirds of cattle rearing farmers are not employed off the farm, hence the large number of cattle rearing farms classified as economically vulnerable.

Overview of the cattle other system

There are approximately 32,000 cattle other farms represented in NFS in 2010. Cattle, other than suckler cow production, is the dominant system on these farms. Market based gross output on cattle other farms increased by 2% from 2009 to 2010, see Figure 9, this was insufficient to offset the 5% decline in the value of direct payments. With input expenditure decreasing by 4%, average FFI was 5% higher on cattle other farms in 2010 compared to 2009.

Figure 9: Components of Family Farm Income for Cattle Other farms: 2009 and 2010

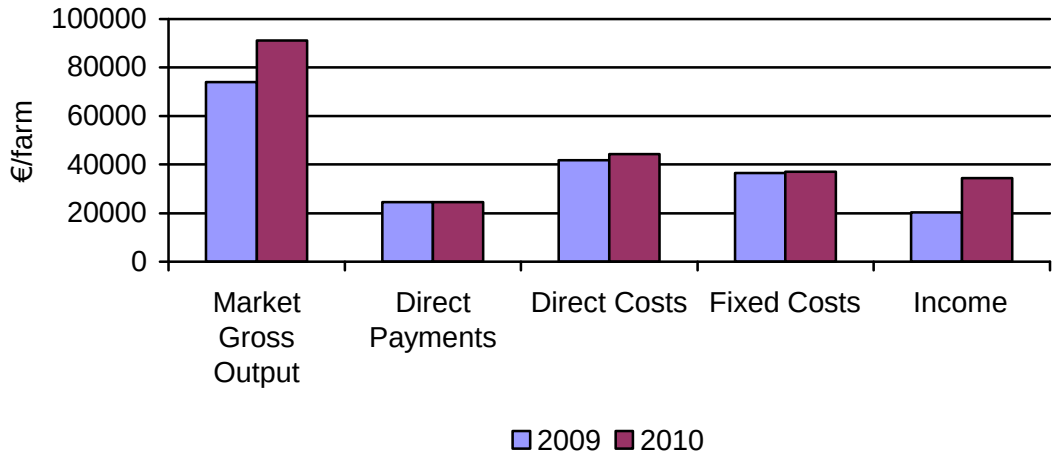


In 2010 direct payments comprised 45% of farm gross output on cattle other farms and almost 157% of FFI. While the average FFI on these farms is less than €10,000, approximately 10% of farms in this system earned a farm income of €25,000 or more in 2010.

Overview of the mixed livestock system

There are approximately 5,000 mixed livestock farms represented in NFS in 2010, the majority of these farms have a dairy enterprise but it is not the dominant system on the farm, hence the title "mixed livestock". As these are mixed system farms they have benefited from both the increases in milk price and to a lesser extent grain prices. Gross output from the dairy enterprise comprises almost 64% of total farm gross output on these farms and income on these farms increased by 68% from 2009 to 2010. Market based gross output increased by 23% from 2009 to 2010 and the total value of direct payments was more or less unchanged, resulting in a 17% increase in farm gross output.

Figure 10: Components of Family Farm Income for Mixed Livestock farms: 2009 and 2010

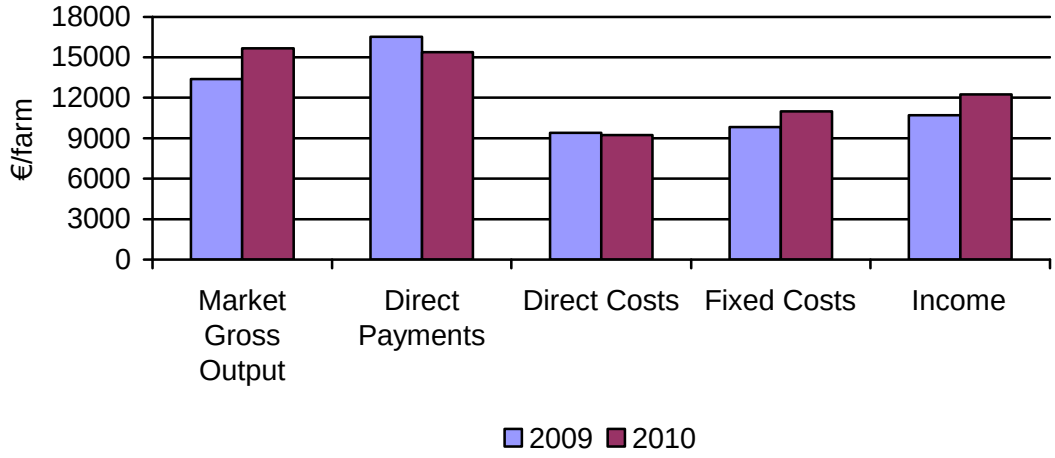


Almost 30% of farms in this farming system earned a farm income of €40,000 or more in 2010.

Overview of the sheep farm system

There are approximately 17,000 mainly sheep farms. Income on these farms increased by 8% from 2009 to 2010. This increase in income was almost entirely driven by an increase in gross output. Lamb prices increased by 17% from 2009 to 2010. Sheep farmers also benefited from the Sheep Grassland Payment, although farmers did not receive this payment until early 2011, it is accrued to the 2010 year in this analysis. The payment is worth approximately €9.20 per ewe.

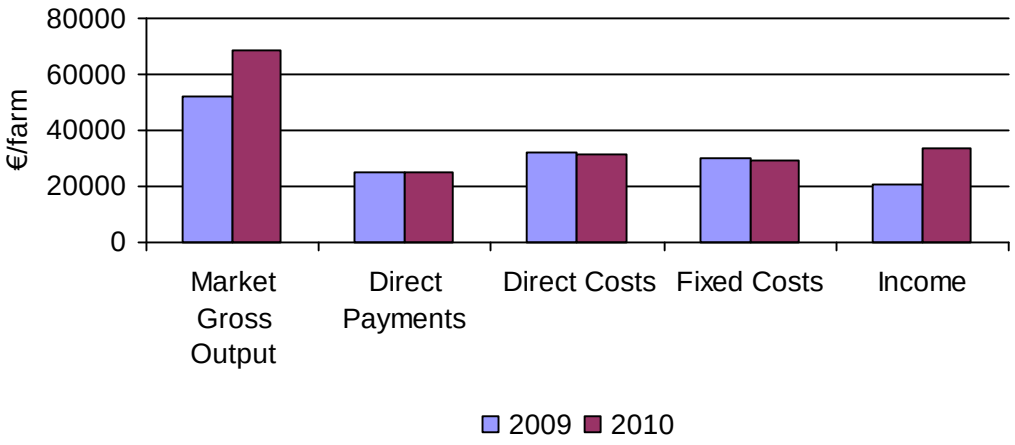
Figure 11: Components of Family Farm Income for Sheep farms: 2009 and 2010



Overview of the tillage system

Approximately 6,500 mainly tillage farms are represented by the NFS. Income on these farms increased by 125% from 2009 to 2010 but it is important to note that this on the back of a very poor year in 2009. Market based gross output increased by 31% in 2010. Yields per hectare of wheat increased by on average 5% while price per tonne increased by 56%.The value of direct payments was more or less unchanged and total input expenditure decreased very slightly, by 3%.

Figure 12: Components of Family Farm Income for Tillage farms: 2009 and 2010



There is a very large distribution around the average income on tillage farms. Approximately one-third of tillage farmers earned a farm income of less than €13,000 in 2010 but a further 31% earned an income of €40,000 or more.

Regional Analysis

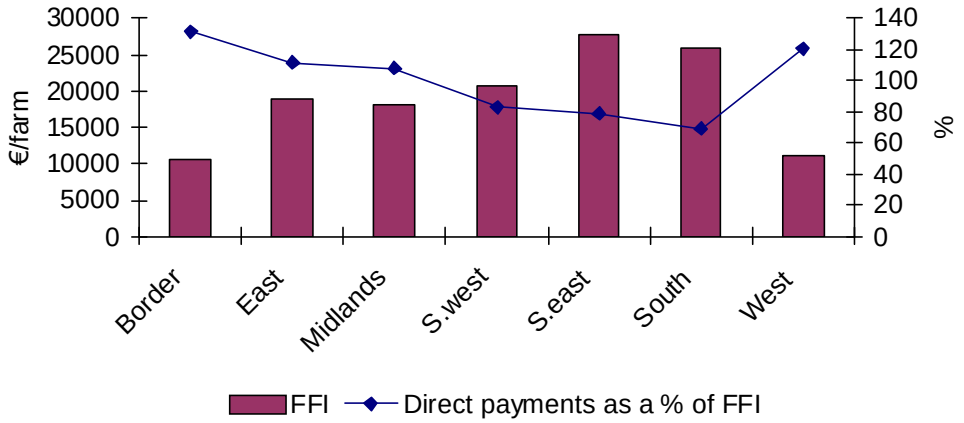
The NFS sample is designed to be representative of 8 regions[2]. Figure 13 presents the average FFI and average total direct payments per farm in each region in 2010.[3] There is quite an amount of variability in FFI across the regions. Average FFI is highest in the Southeast at €27,771 and lowest in the Border region at €10,541. Reliance on direct payments is also variable across the regions. Family farm income exceeds total direct payments in the Southwest, Southeast and South, while the reverse is the situation for the other regions.

[2]

Border - Louth, Leitrim, Sligo, Cavan, Donegal, Monaghan East - Kildare, Meath, Wicklow.
Midlands - Laois, Longford, Offaly, Westmeath Southwest - Clare, Limerick, Tipp. N.R
Southeast - Carlow, Kilkenny, Wexford, Tipp. S.R., Waterford. South - Cork, Kerry
West - Galway, Mayo, Roscommon

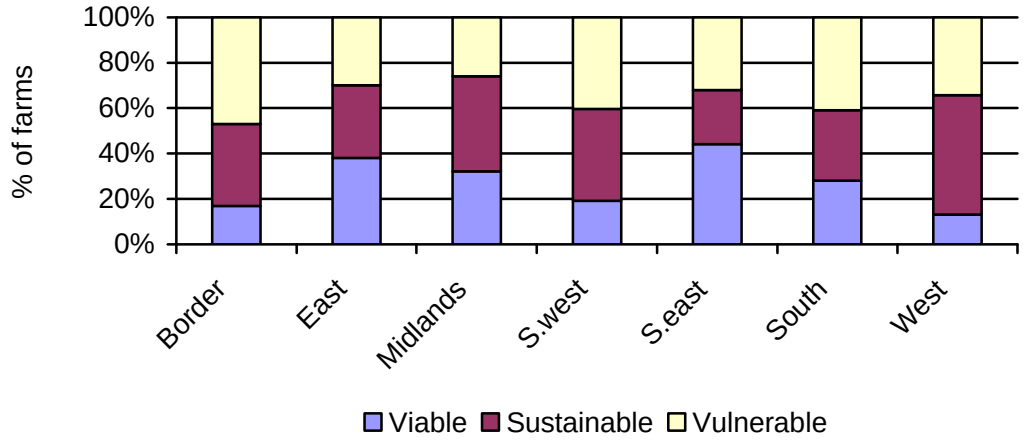
[3] Farms in Region 2 (Dublin) have been excluded from this regional analysis owing to the small sample of farms for this region.

Figure 13: Average FFI and Direct Payments as a percentage of FFI by Region: 2010



An analysis of the demographic data by region reveals that the highest incidence of off-farm employment occurred on farms in the West and Midlands regions where the incidence of off-farm employment for the farmer and/or the spouse was 59% and 54% respectively, compared to the national average of 49%. Figure 14 shows the population of each region classified on the basis of viable, sustainable and economically vulnerable.

Figure 6: Classification of the 2010 Farm Population by region



On-Farm Investment

Net new investment is defined as all capital expenditure during the year, less sales of capital and grants received. It does not include land purchase. Average gross new investment per farm in 2010 was €5,752 compared to €6,397 in 2009, a decline of 10%.

Table 5: Average New Investment - (€/farm) by Farm System: 2010

	Dairy	Cattle Rearing	Cattle Other	Sheep	Mixed livestock	Tillage	All
Gross New Investment	13,225	3,209	3,777	3,234	11,568	9,095	5,752
Net New Investment	12,143	2,463	2,921	2,450	10,250	7,830	4,850

(Note: net new investment is equal to gross new investment in machinery, buildings, quotas and land improvements (including forestry) minus sales and capital grants received during the year).

Although gross new farm investment declined from 2009 to 2010, net investment actually increased, i.e. investment less grants and subsidies. Average net new investment per farm was just €1,414 in 2009 compared to €4,850 in 2010. The difference between gross and net investment has been converging over the last couple of years as the level of government grants for farm investment declines.