REDP

A comparison of dairy production systems the North and the South

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Overview

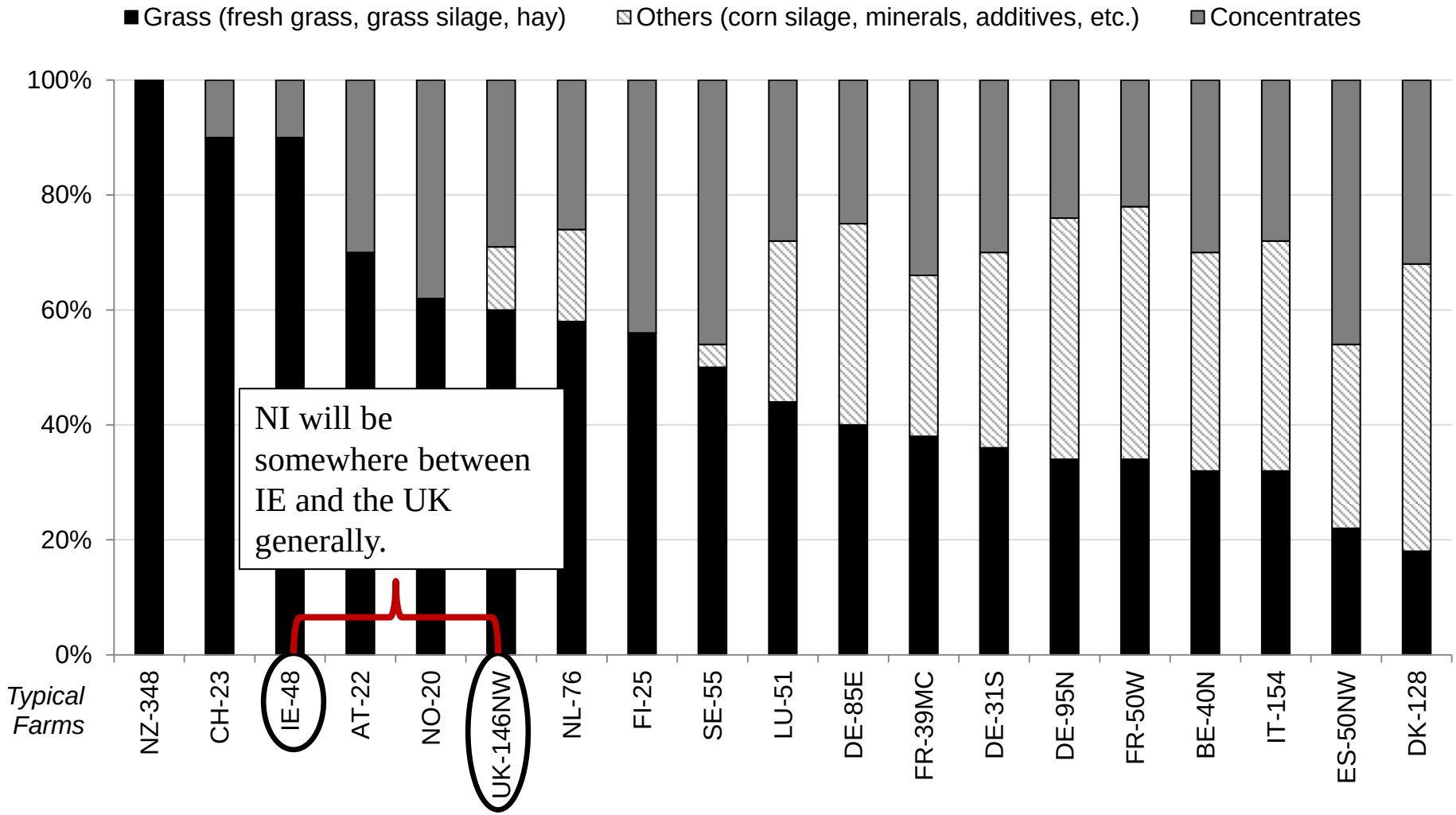
- Motivation and background
- Structural differences
- Trends and structural change
- Enterprise output and costs
- IE, BMW, and NI comparison (Net margins)
- Conclusions

Motivation and background

- Milk quota ends in 2015
  - Quota has not been binding in NI since 1995.
  - May make a useful comparison.
- Important differences
  - Policy (*i.e.* quota and deregulation)
  - Farm structures
  - Agronomic
- However, systems in both countries are grass-based.

Structural Differences

Ration composition on average sized farms (selected dairy regions)



Source: IFCN Dairy Report, 2012

Structural differences (whole farm average basis)

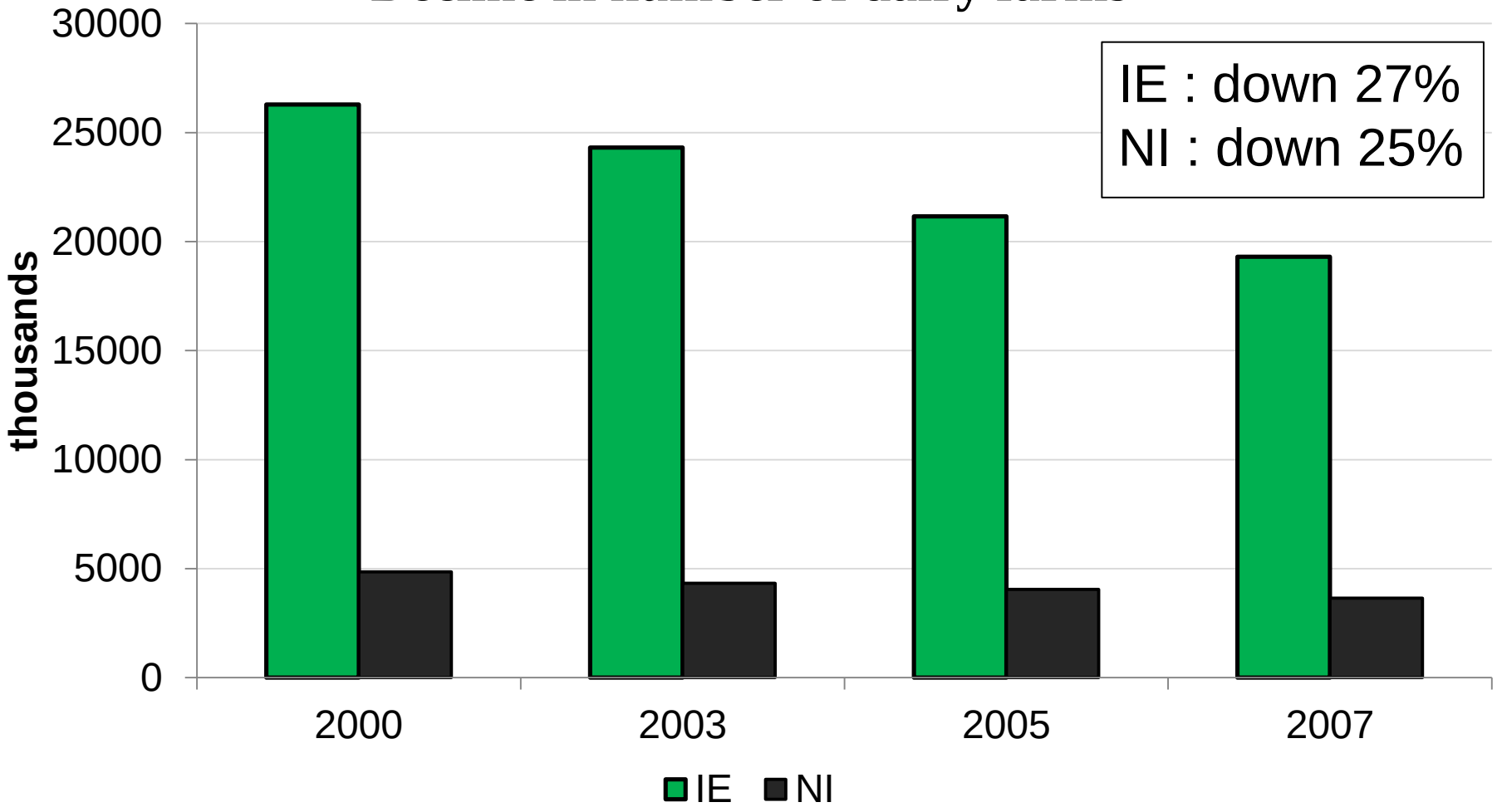
	Ireland	N. Ireland
Dairy Cows (LUs/farm)	64	84
Other Cattle (LUs/farm)	46	50
Total UAA (ha)	58	71
Rented UAA (ha)	14	25
Dairy Forage (ha)	34	44
Stocking rate (LUs/ha)	1.93	1.95
Labour (hours/farm)	3,839	5,176
Labour (hours/LU)	60	62
Milk Yield (litres/LU)	5,358	6,596
Total liabilities	71,580	84,263

Source: FADN public database (averaged over 2009, 2010, and 2011)

Aggregate Sector Level Analysis

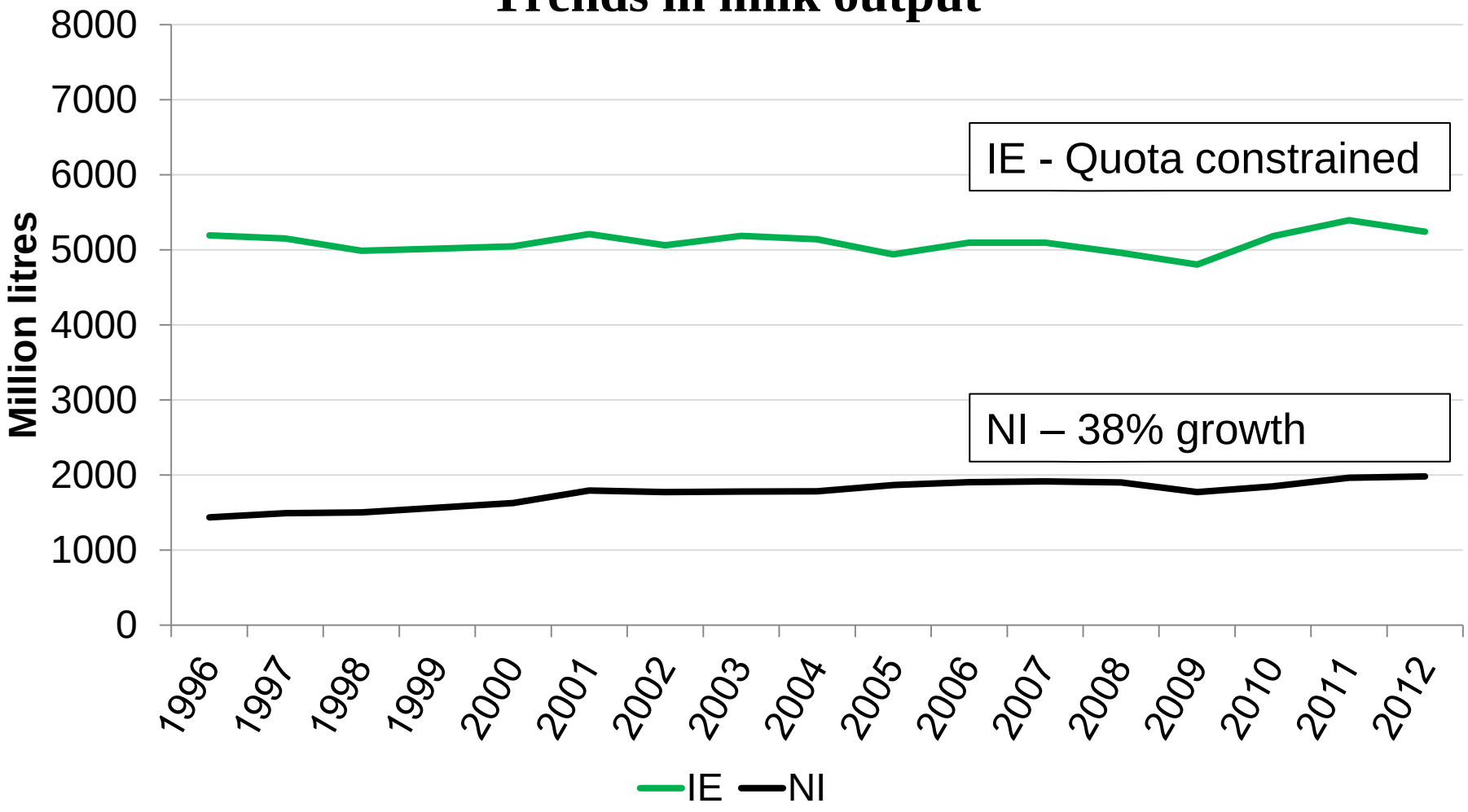
Trends and structural change

Decline in number of dairy farms



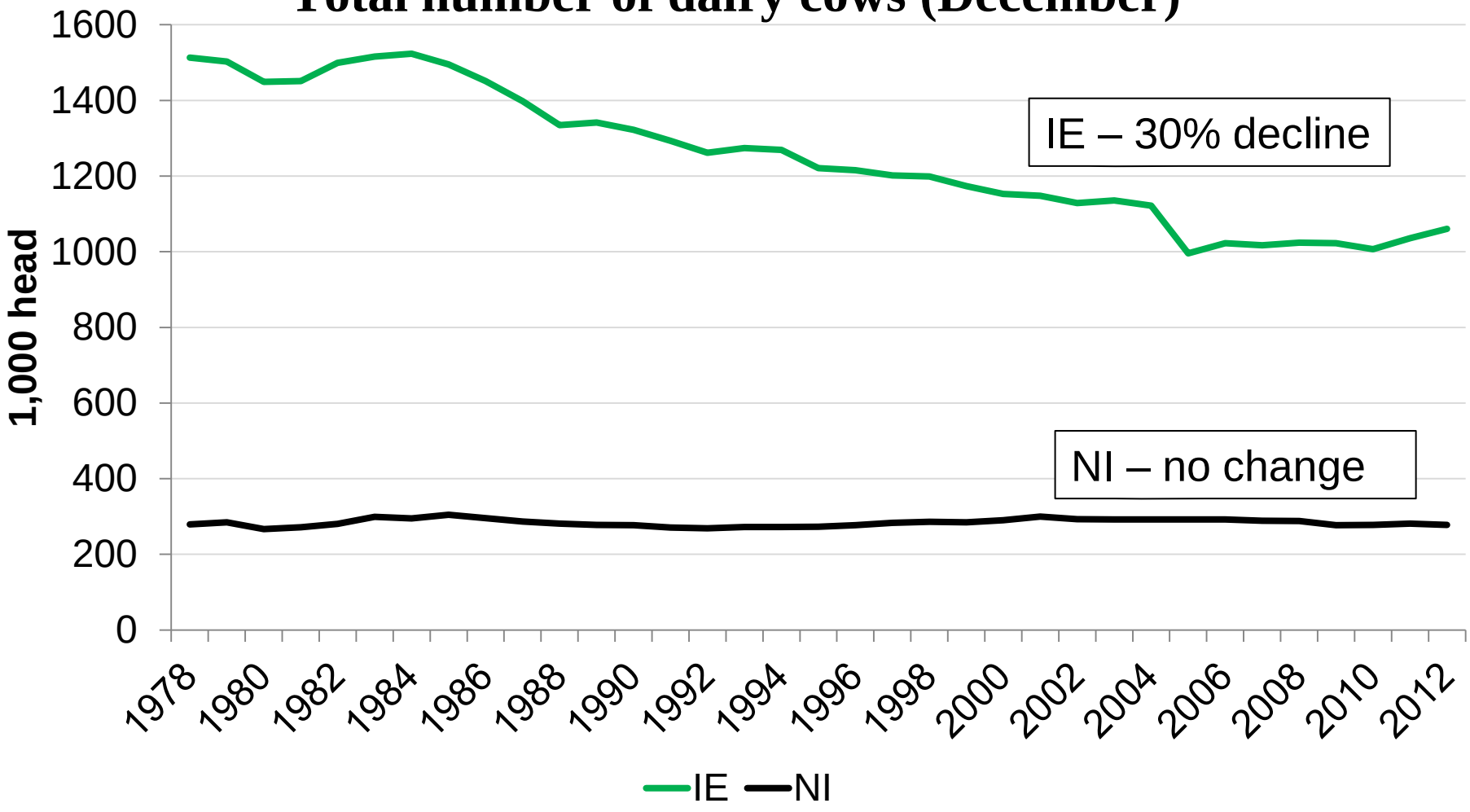
***Source*:** Eurostat (Specialist dairy holdings)

Trends in milk output



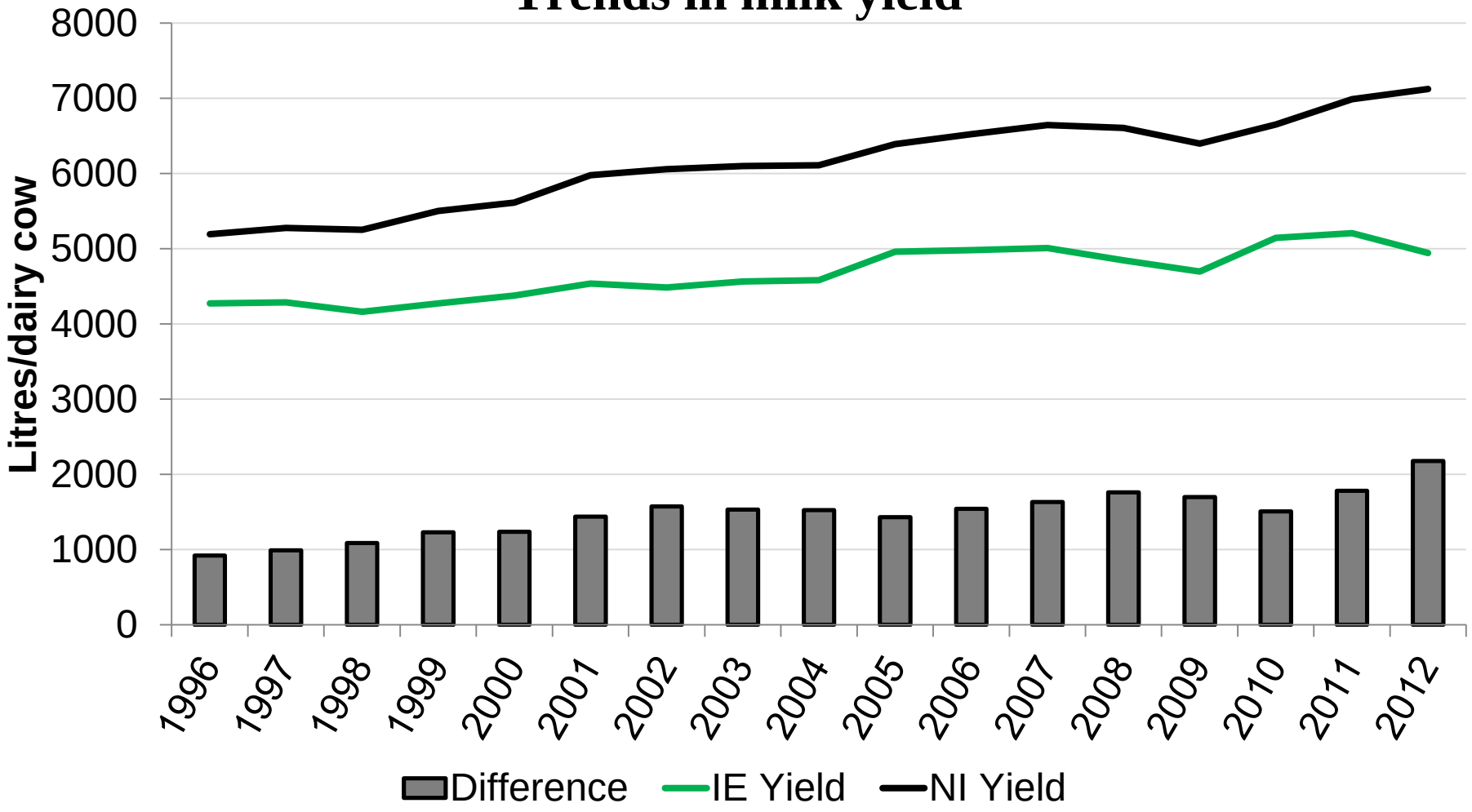
***Source*:** DARDNI, CSO

Total number of dairy cows (December)



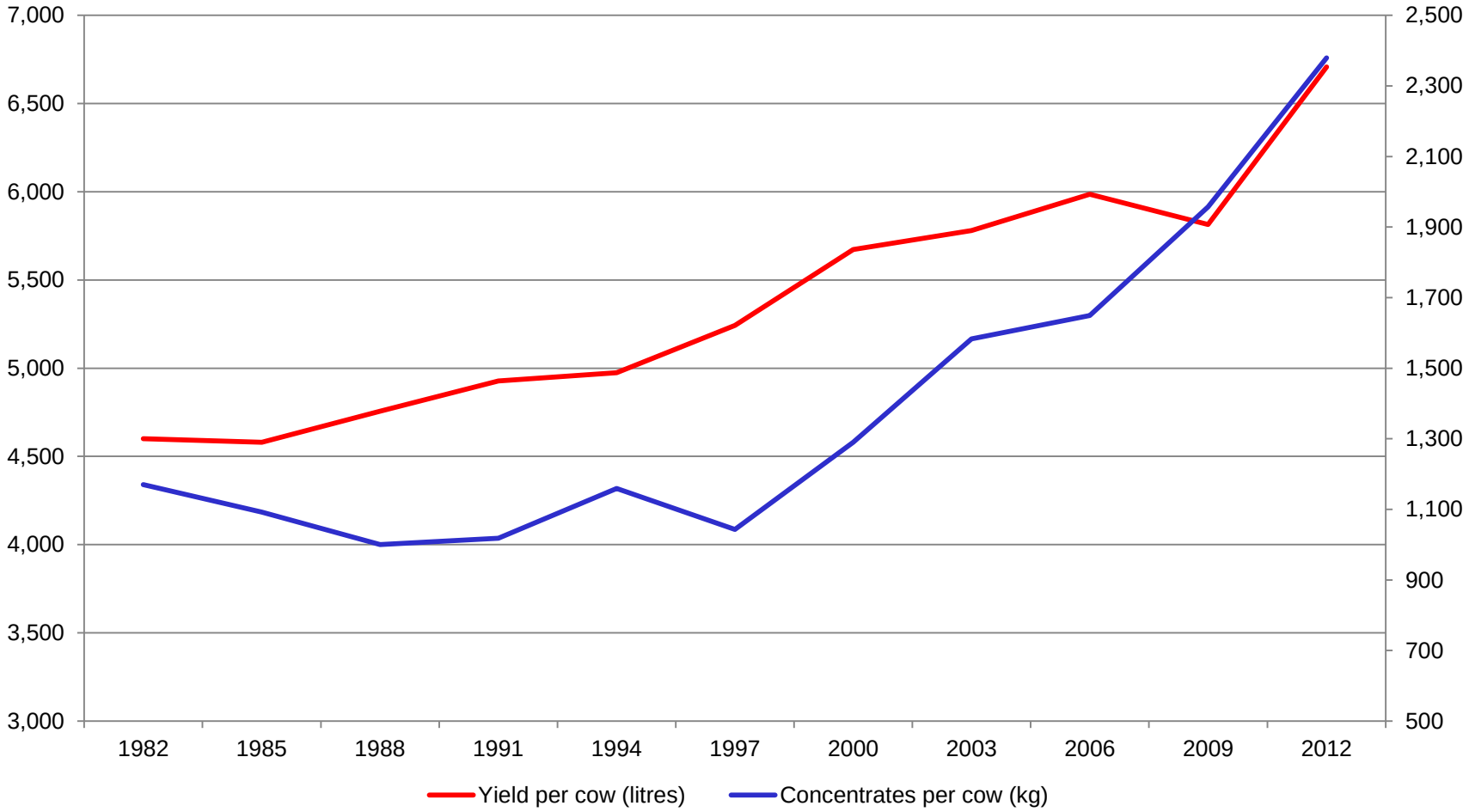
***Source*:** Eurostat

Trends in milk yield



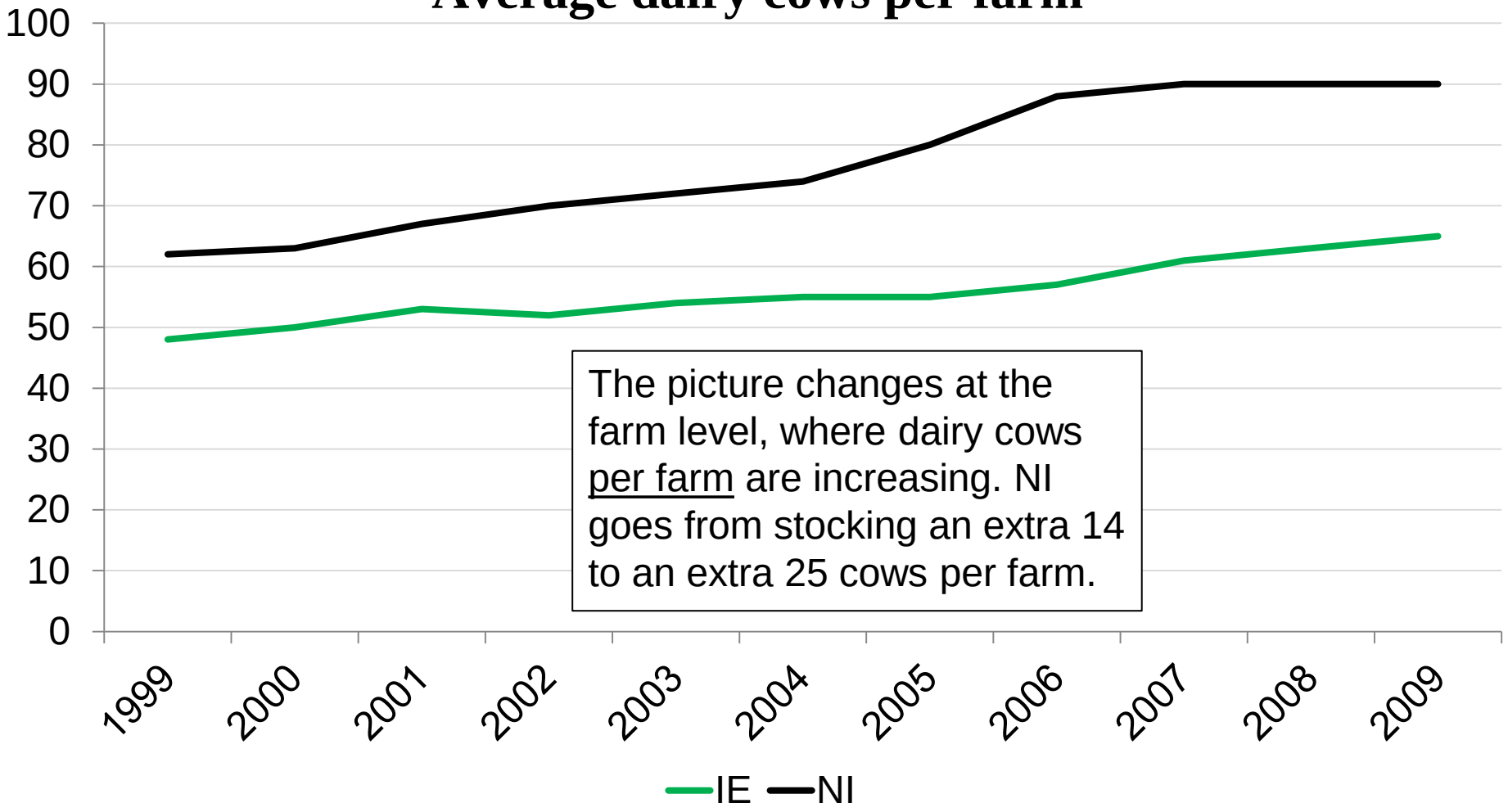
***Source*:** DARDNI, CSO

Yield (litres) & Concentrates (kg) per cow in NI



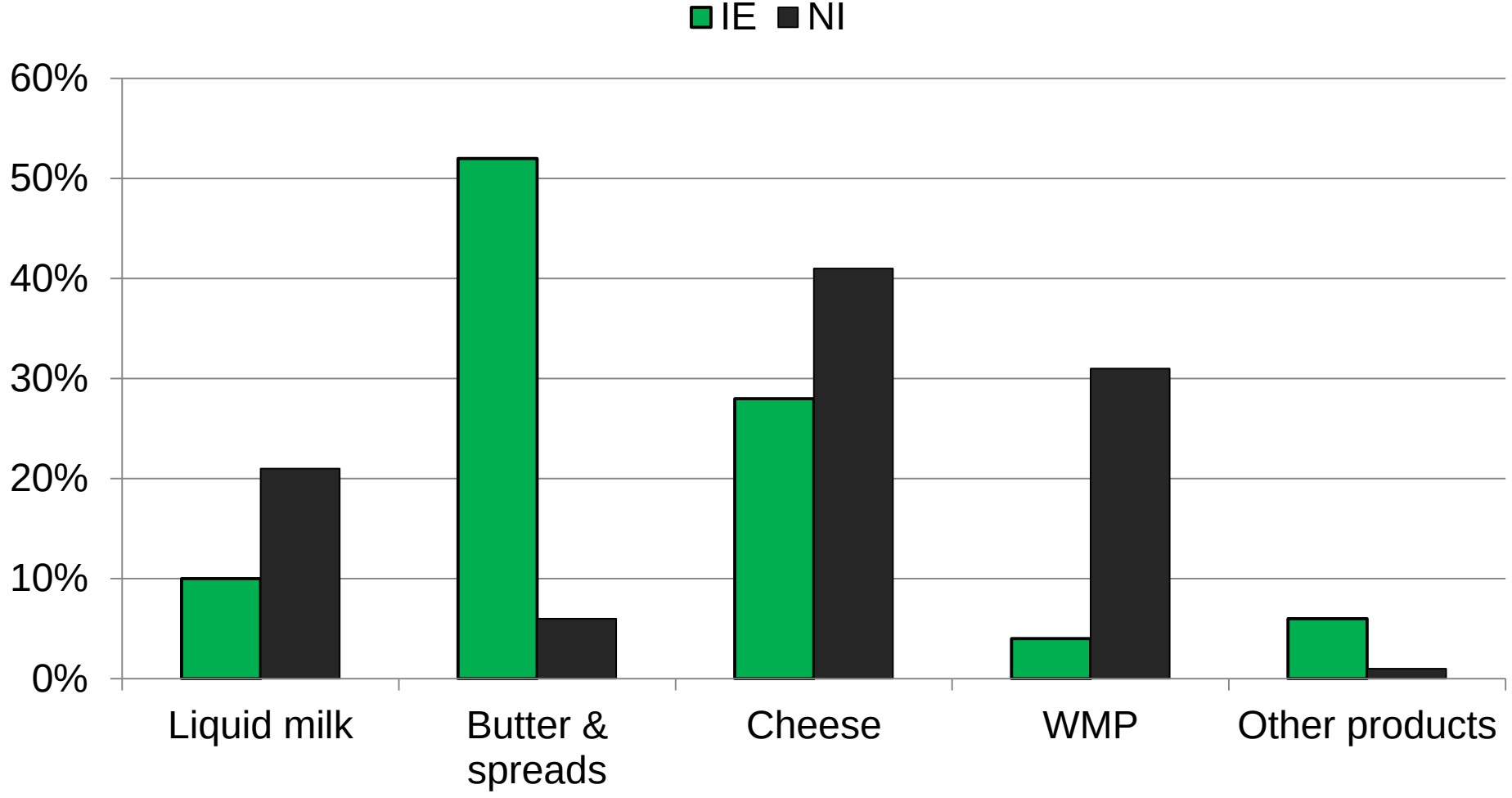
Source: DARDNI, NI Farm Business Survey

Average dairy cows per farm



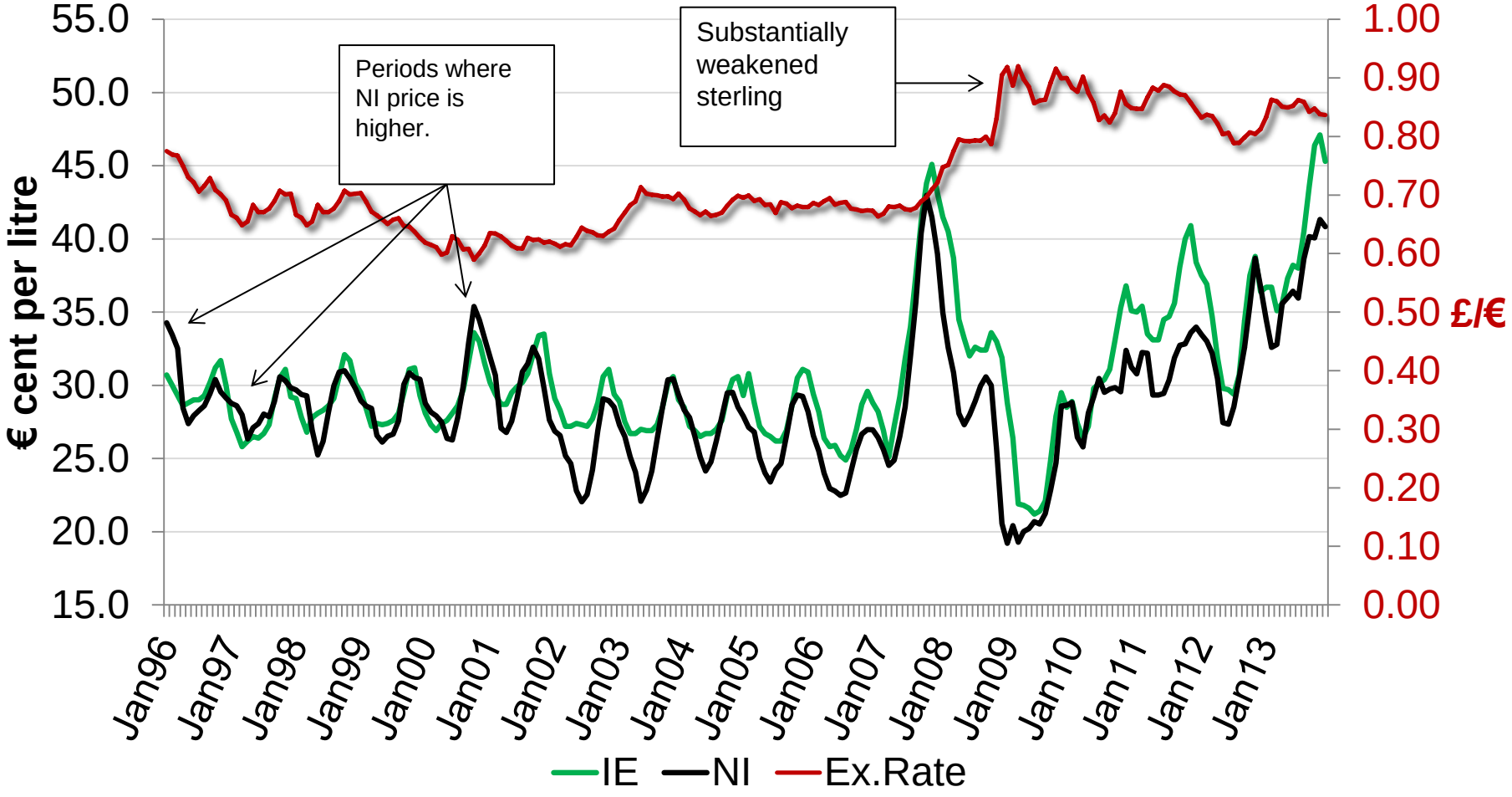
***Source*:** FADN data

Whole milk utilisation (%), 2012



***Source*:** DARDNI, IDB

Monthly exchange rate and producer prices for milk



***Source*:** CSO, DARDNI, Central Bank of Ireland

Enterprise Level Analysis

Dairy enterprise €/ha output & costs

	Ireland	N. Ireland
Gross output	2974	3828
- Direct costs	1043	1620
= Gross margin	1931	2208
- Overhead costs	1,000	1,286
= Net margin	931	922

Source: FADN data (averaged over 2007, 2008, and 2009)

Dairy enterprise €/ha output & direct costs

	Ireland	N. Ireland
Feed	641	1180
Fertiliser	177	176
Other Livestock Costs	209	246
Other costs	16	18
Total Direct costs	1043	1620

Source: FADN data (averaged over 2007, 2008, and 2009)

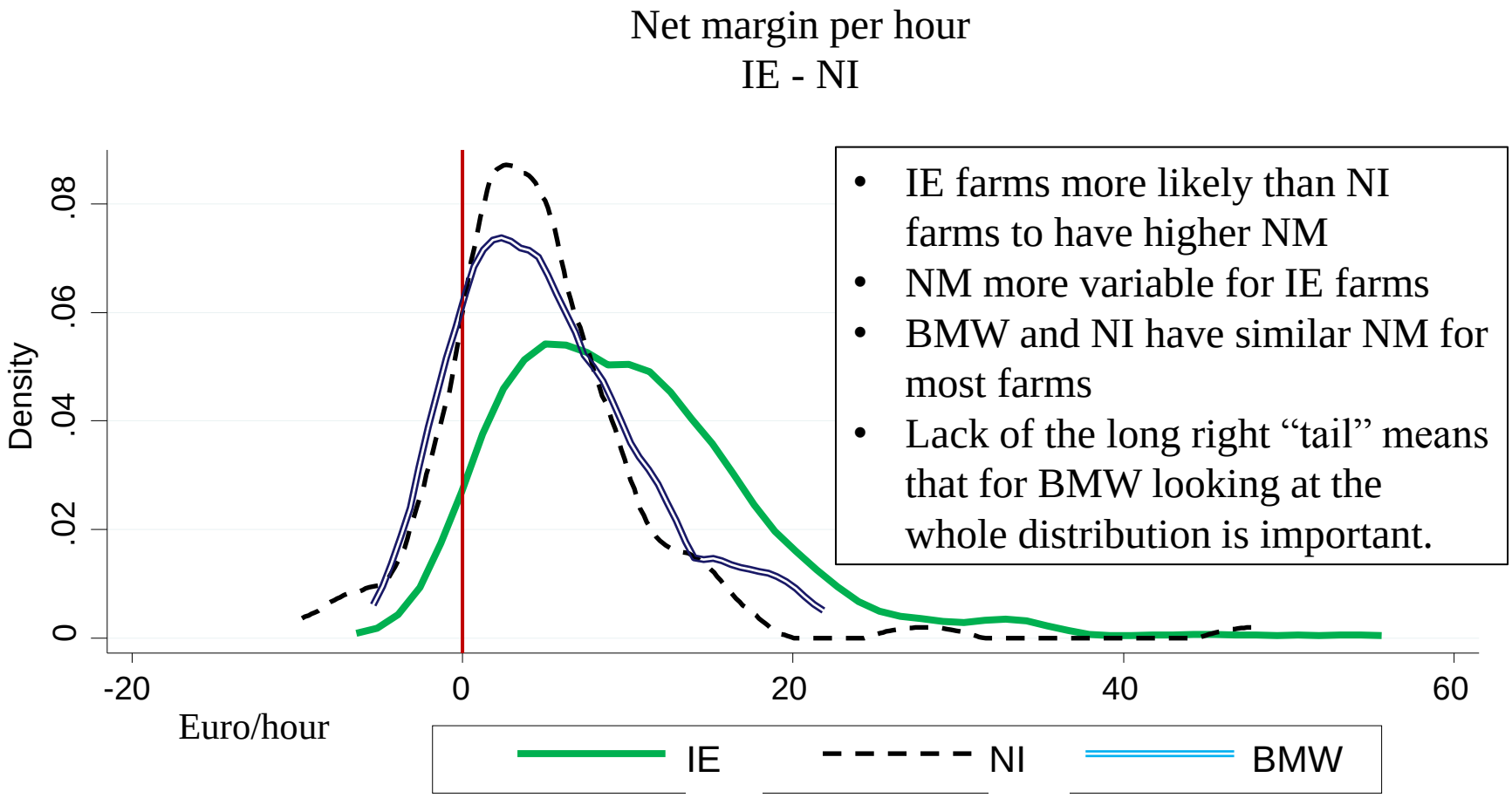
Dairy enterprise €/ha overhead costs

	Ireland	N. Ireland
Depreciation	345	438
Machinery & buildings	163	182
Contract work	121	138
Energy	99	170
Interest	67	66
Wages	72	57
Rent	68	95
Other costs	65	140
Total overheads	1,000	1,286

Source: FADN data (averaged over 2007, 2008, and 2009)

Analysis of distributions of Net Margin

Net Margin per Labour Unit



- IE farms more likely than NI farms to have higher NM
- NM more variable for IE farms
- BMW and NI have similar NM for most farms
- Lack of the long right "tail" means that for BMW looking at the whole distribution is important.

***Source*:** FADN data , 2008

Conclusions

- **FEED:** NI considerably more reliant on feed than IE, hence NI more exposed to feed price risk. However, feeds are integral to NI's current system; they are driving yields.
- **FERTILISER:** Both countries' systems are grass-based, and fertiliser expenditure is the same on average in NI and IE.
- **OVERHEADS:** Higher in NI, reflecting the relative intensity of the system. However, these make up a smaller proportion of costs than they do in IE, due to larger scale of operations.
- **NET MARGINS:** Net margin per hour is higher in IE than in NI, but individual farms will vary. In general, the BMW region is very similar to NI in terms of net margin per hour.

Take home messages

- Quota is not a constraint in NI - 38% output growth since 1996
- NI followed a “feed for yield” path to expansion
  - Although average herd size increased at the farm level
- Expansion in NI is associated with higher fixed costs and liabilities than found on Irish farms
- Any advantage in output that NI had in comparison to IE farms was completely wiped away by the extra input costs incurred
- BMW and NI are similar in terms of NM per hour
  - Despite a less intensive system in BMW
- Adverse feed price shocks will have a greater impact on net margin/ha in NI than in Ireland

Thank you for your time!