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AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY

The Irish Agriculture and Food Development Authority

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Irish Agriculture

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- **Current position**
- **What does Brexit mean?**
- **Implications of Brexit?**

Overview

- Irish agriculture and its place in the Irish economy
  - Output, Input and Income
  - Regional Importance of Agriculture
  - Farm Structures
- Main systems of production
  - Farm Incomes
- Future Policy Implications
  - Brexit

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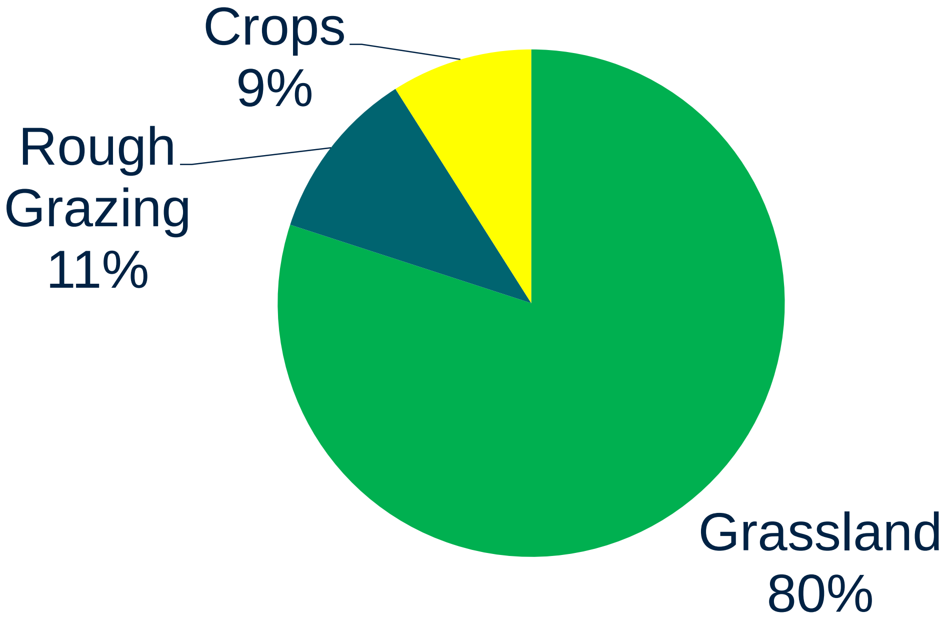
Irish agriculture

- Total land area **6.9 million hectares**
  - about **65%** of total land area is used for **agriculture**
  - and about **11 %** of total land area used for **forestry**
- Composition of agricultural area
  - grass (silage, hay and pasture) 80%
  - rough grazing 11%
  - crop production 9%.

65%

11%

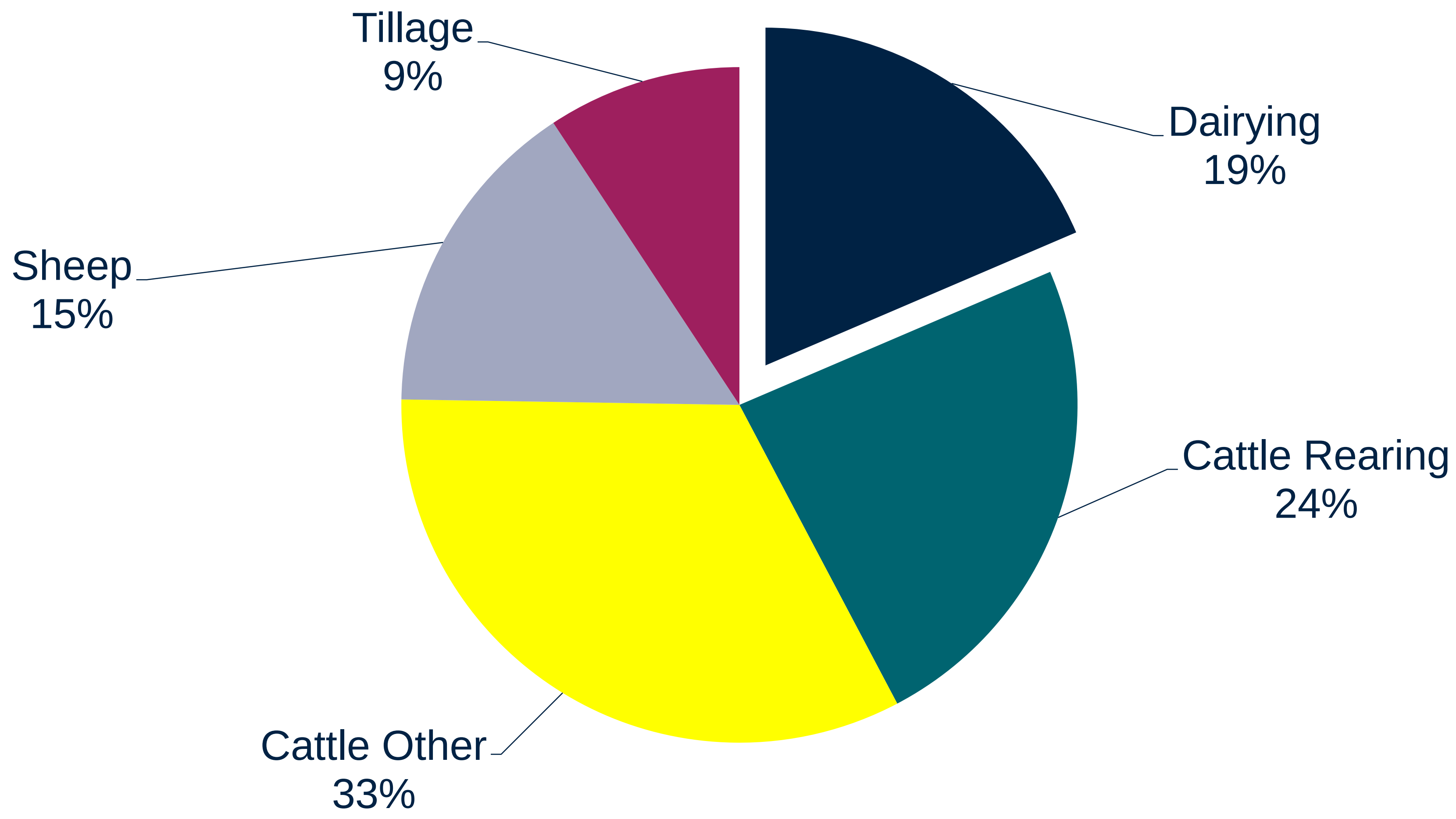


Irish agriculture

- Approximately 140,000 family farms
- Export orientated sector
- Predominantly grass based
- Dominant sectors are dairy and cattle
  - Other important sectors are pigs, sheep, cereals and poultry
- Beef and milk production currently account for around 58% of agricultural output at producer prices (2016)

<u>140,000 farms</u>

Composition of Irish Farm Population (excludes very small farms)



Source: Teagasc National Farm Survey

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Farm Structures in Ireland

	2000	2013	2016
No. of farms	141,527	139,600	137,100
Average farm size	31.4	32.5	32.4

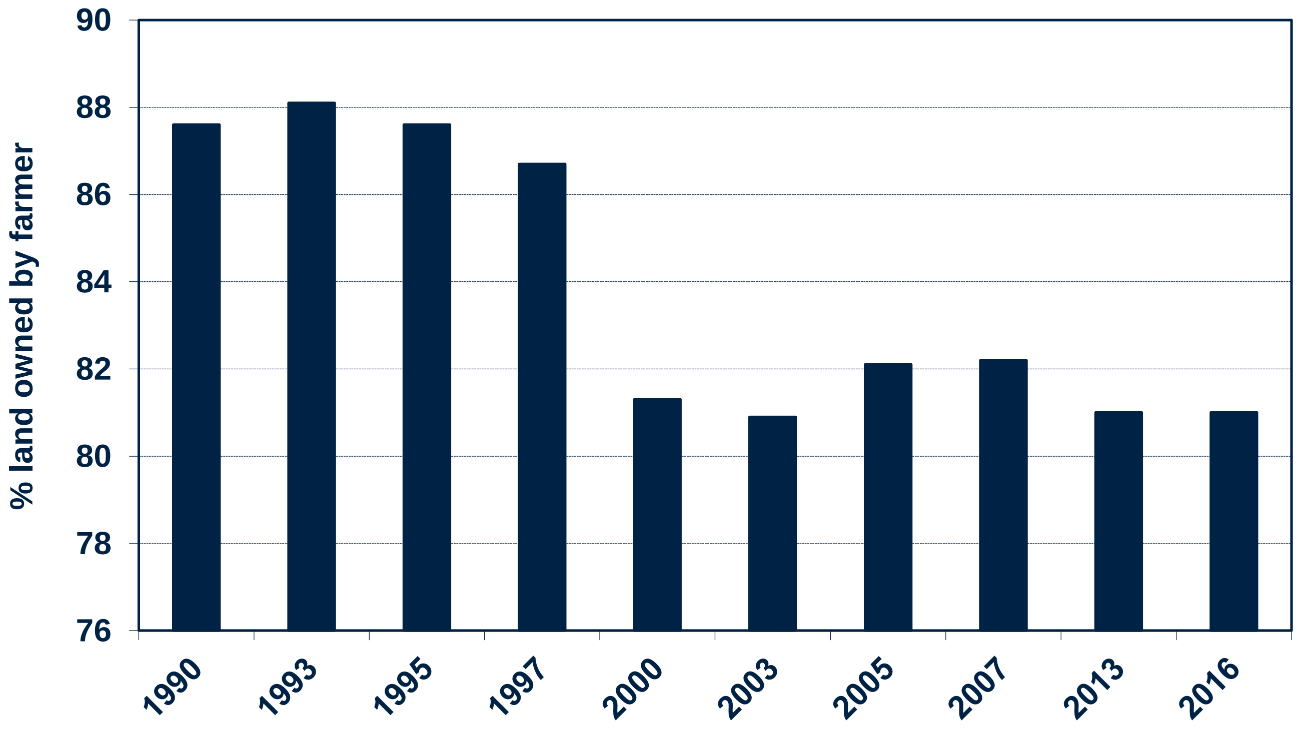
Land Market

- Less that ½ of one percent of land is sold annually
- 1/3 of farms are involved in the land rental market
- 18% of the agricultural land area is rented

Scale of the Land Rental Market

- Majority of farmed land is owned
- 2016: 19% of total UAA was rented-in
  - 830,000 ha
- 47,000 farms rented in land
- Average of 18 ha per farm rented in
- Mostly by larger farms
  - 2016 average farm size was 32.5 ha
  - 79% of land rented in was by farms > 20 ha in size

% of land owned by the farmer

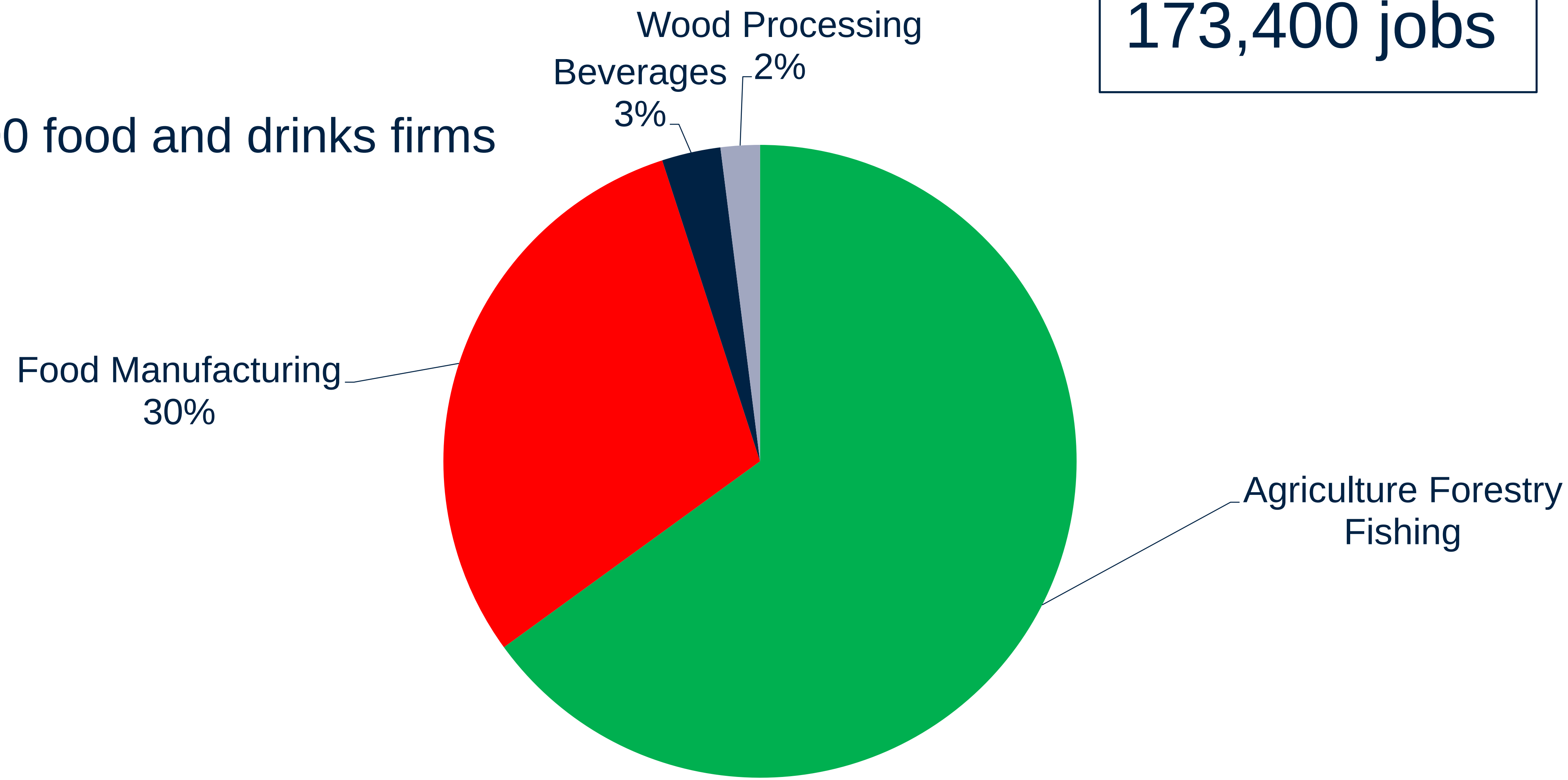


Source: CSO Farm Structures Surveys

Employment in the Agri-Food Sector (2015)

173,400 jobs

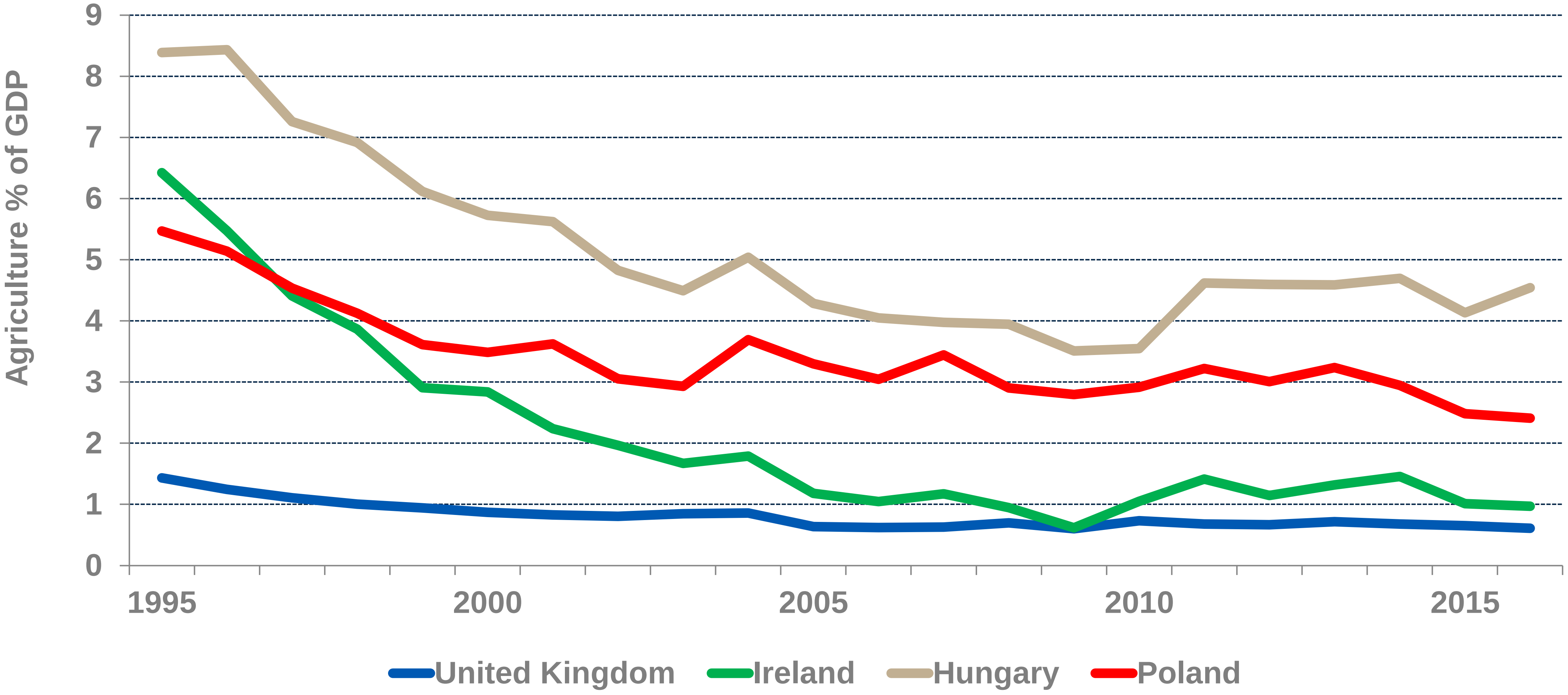
- 700 food and drinks firms



Exports of Agri-Food Products

- Agri-food 8.6% of GNI
- Agri-food almost 9% of merchandise exports
  - low import content of agriculture
  - low repatriation of profits
  - agri-food sector accounts for around 40% of net foreign earnings (2008).
- Irish food and drink exports valued at €12.2 billion (2016).
  - Exports to 160 countries
  - From 2009 to 2016, value of Irish exports grew by 56%
  - Government's target is to grow this figure to €12 billion by 2020
  - Agri-food imports over €8 billion (2016) – much of it from UK

Agriculture, Forestry and Fishing: % Share of GDP

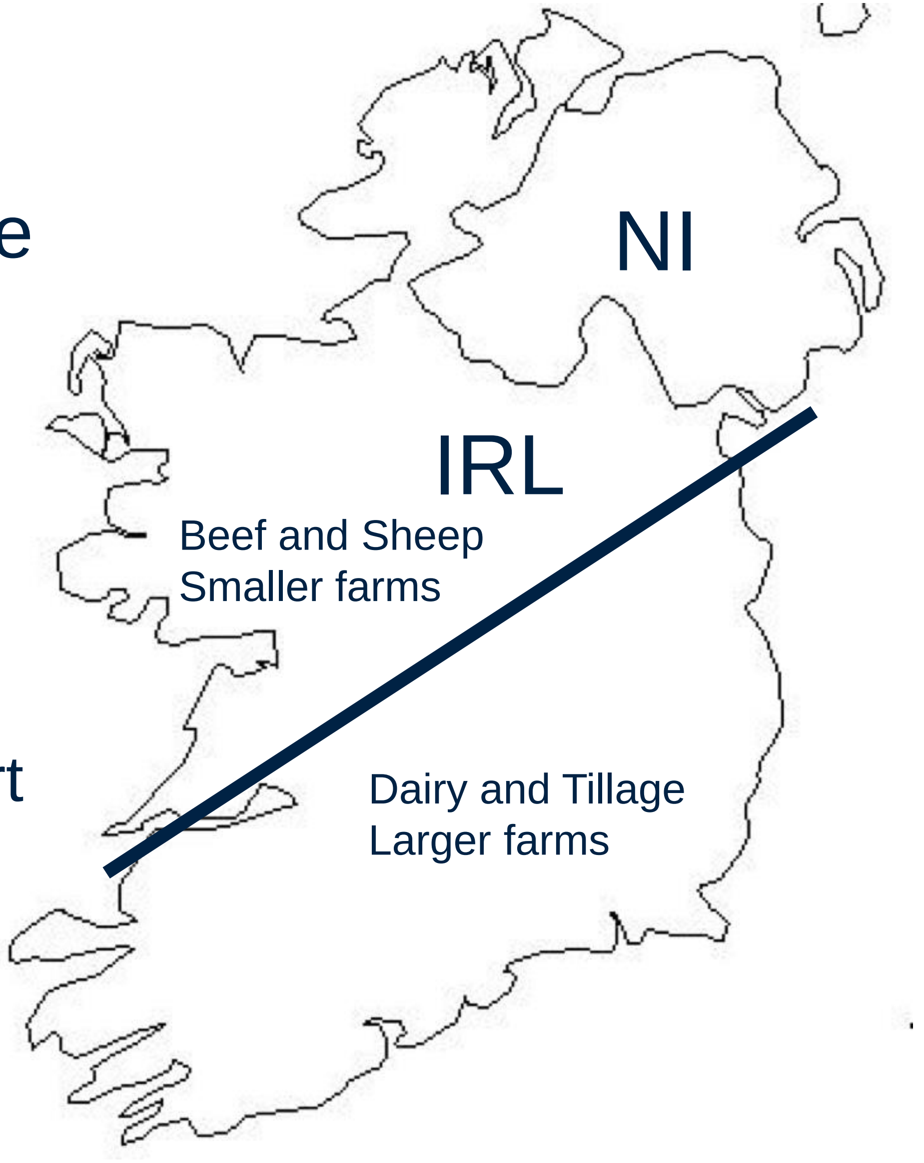


Regional Importance of Agriculture in Ireland

- Regional variations in
  - Soils
  - Topography
  - Climate (rainfall, temperature and sunshine)
- Nature of agricultural industry differs across Ireland
  - Larger farms in south and east
  - Smaller farms elsewhere
- Size of the regional non-agricultural economy
  - Prevalence of industry and services influences local importance of agri-food

The Agriculture Divide in IRL

- Crudely speaking more profitable agriculture in **south and east**
  - Farms tend to be larger, more modern and full time basis
- Less profitable in **west and north**
  - Farms tend to be smaller, less advanced and part time basis
- There are of course exceptions to this generalisation



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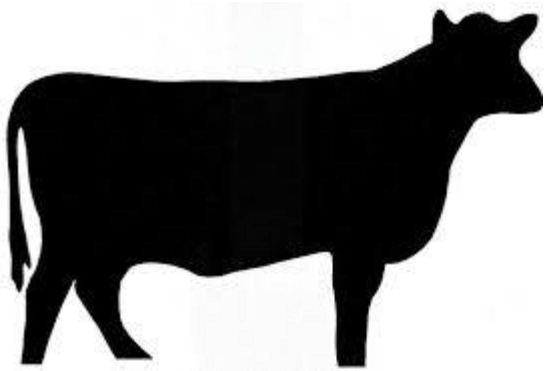
Importance of Agriculture by region in Ireland

Cattle and Beef Sector in Ireland in 2017

- Irish beef production - predominately grass based
  - 588,000 tonnes of beef produced in 2016
- 7.36 million cattle (June livestock survey 2017)
  - this represents a 2% increase on prior year level
- Exports
  - 535,000 tonnes
  - €2.5 billion (2017)
- 180,000 cattle were exported live
  - Over 50% are calves (mainly to Netherlands)
  - Live exports to the UK are in decline



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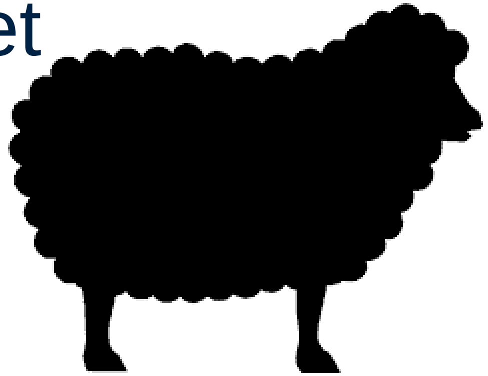
Sheep and Sheep meat sector in Ireland in 2017

- 5.2 million head of sheep
- Breeding flock 2.59 million head (June 2017)
- Exports
  - 57,000 tonnes of sheep meat
  - €275 million
- France is the main market for Irish sheep meat exports
  - 34% by volume
- UK is also a substantial export market
  - 25% by volume



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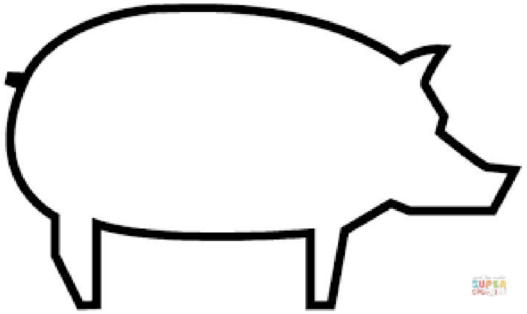
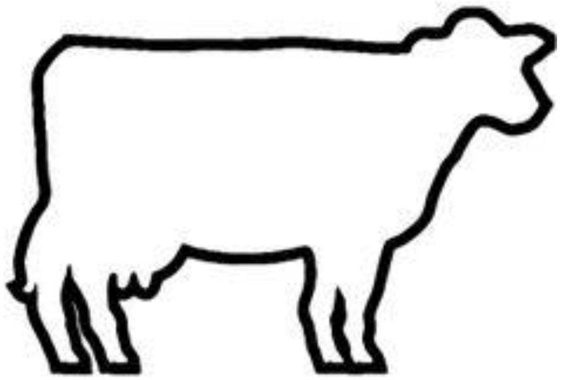
Pigs and Pig meat sector in Ireland in 2017

- 1.56 million pigs in Ireland (June 2017)
- In 2016, Ireland exported an estimated 247,000 tonnes
- Total pigmeat export were worth approximately €712 million.
  - UK main market for Irish pig meat (56%)
  - EU is next largest export market
  - China growing in importance as an export market



Dairy Sector in Ireland in 2017

- Total milk processed (incl. milk imports) was 8,065 million litres
- Within total milk output
    - Just 526 million litres (6.5%) was consumed as liquid milk
    - Domestic consumption of dairy products is low relative to production
    - Roughly 90% (by volume) of dairy production is exported
- Total dairy product and dairy ingredient exports of €4.2 billion.



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Farm Incomes and Farm Population

Farm Incomes

- National Farm Survey – official source
- Member of Farm Accountancy Data Network
- Approx. 900 farms surveyed annually – weighted
- Income reported by system

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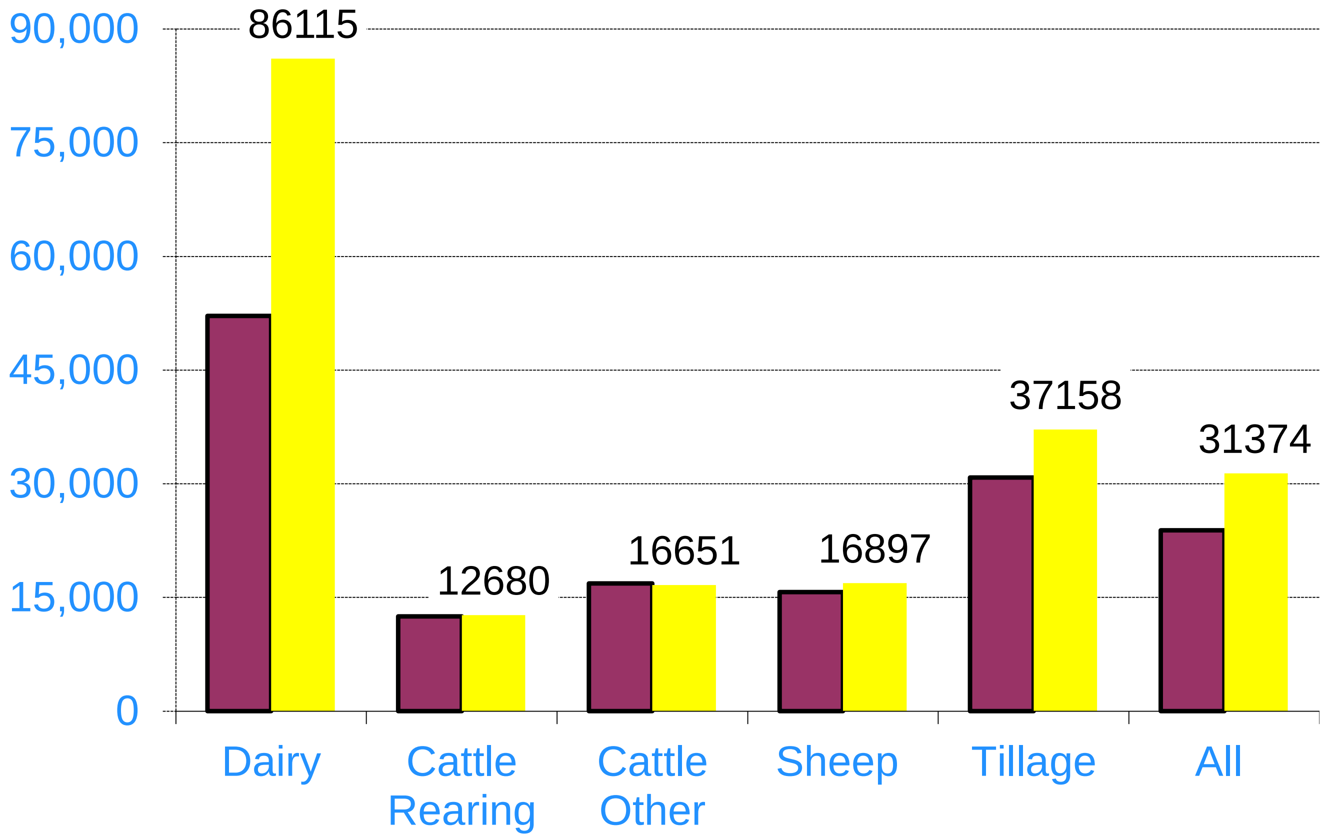
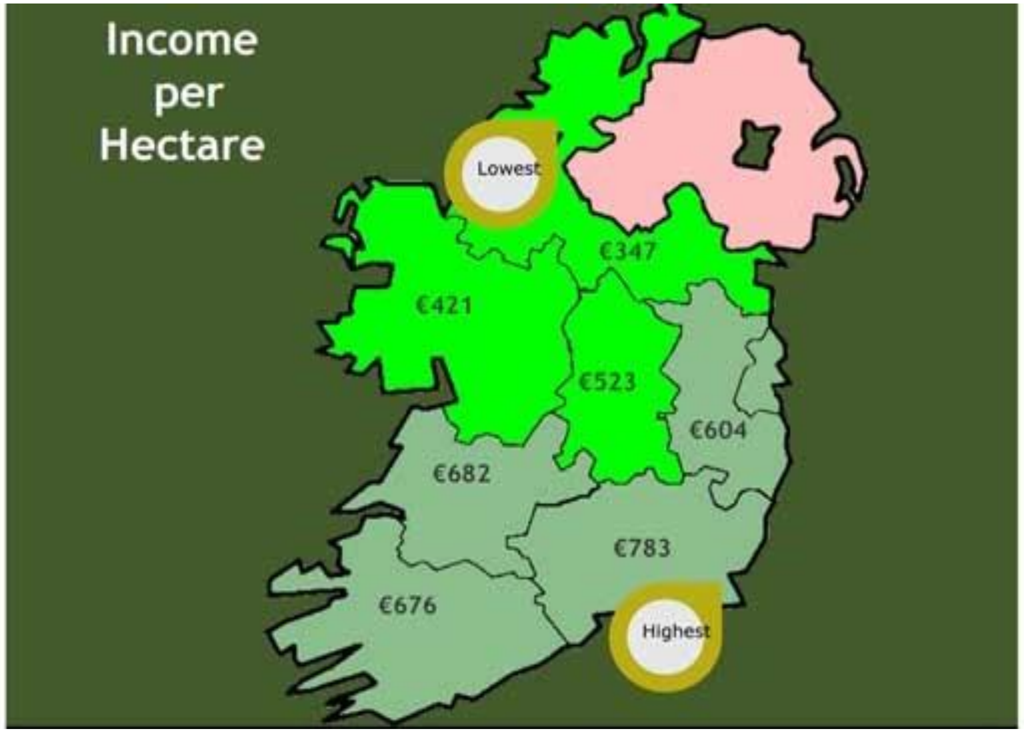
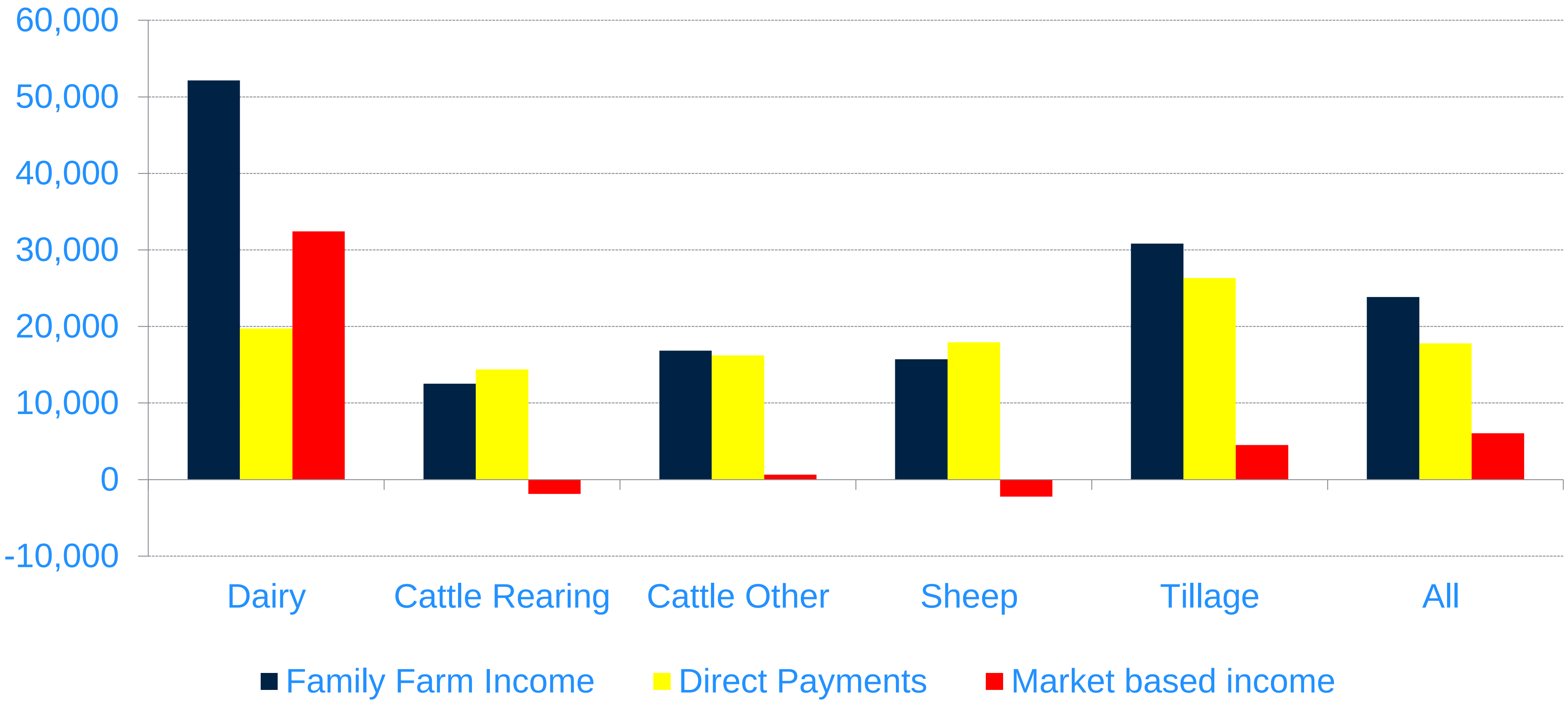
Average Family Farm Income € per Farm 2016 & 2017





Market Based Income € per Farm 2016



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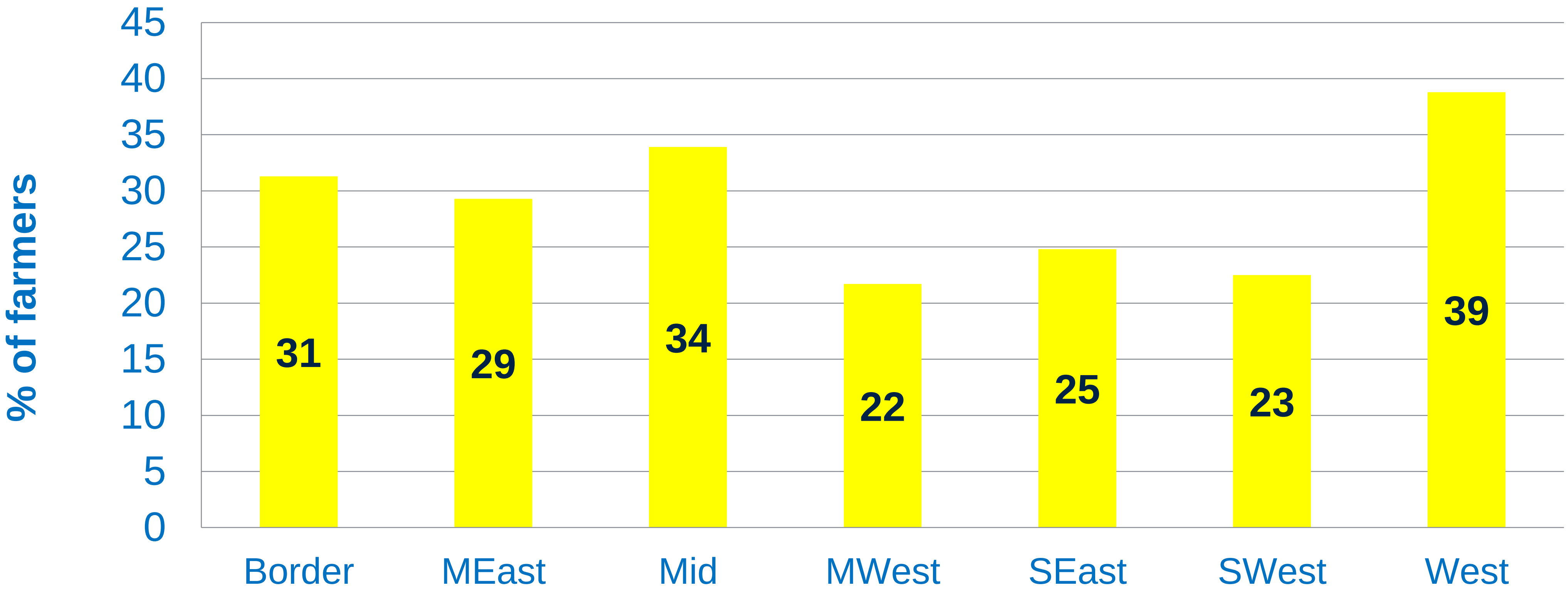
A review of farm incomes

- How is negative income possible?
- Costs of running the business exceeds market profit
- Rational when subsidies were coupled to production
- Why now?
  - for some losses from production are less than costs of compliance
  - for others losing money is a lifestyle choice
- Is farming sustainable?
  - depends on number of commercial farmers and reliance on farm income

Proportion of farmers employed off-farm by region in 2016



Source: Teagasc National Farm Survey

Brexit: what could mean for Irish farm level economic viability and competitiveness?

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Importance of UK to Irish agri-food exporters

UK is **important export market** for agri-food

- 43% of IRL agri-food exports in 2015
- 52% of IRL beef exports
- 22% of IRL dairy exports

UK is also important export market for

- Prepared Consumer Foods
- Timber
- Mushrooms

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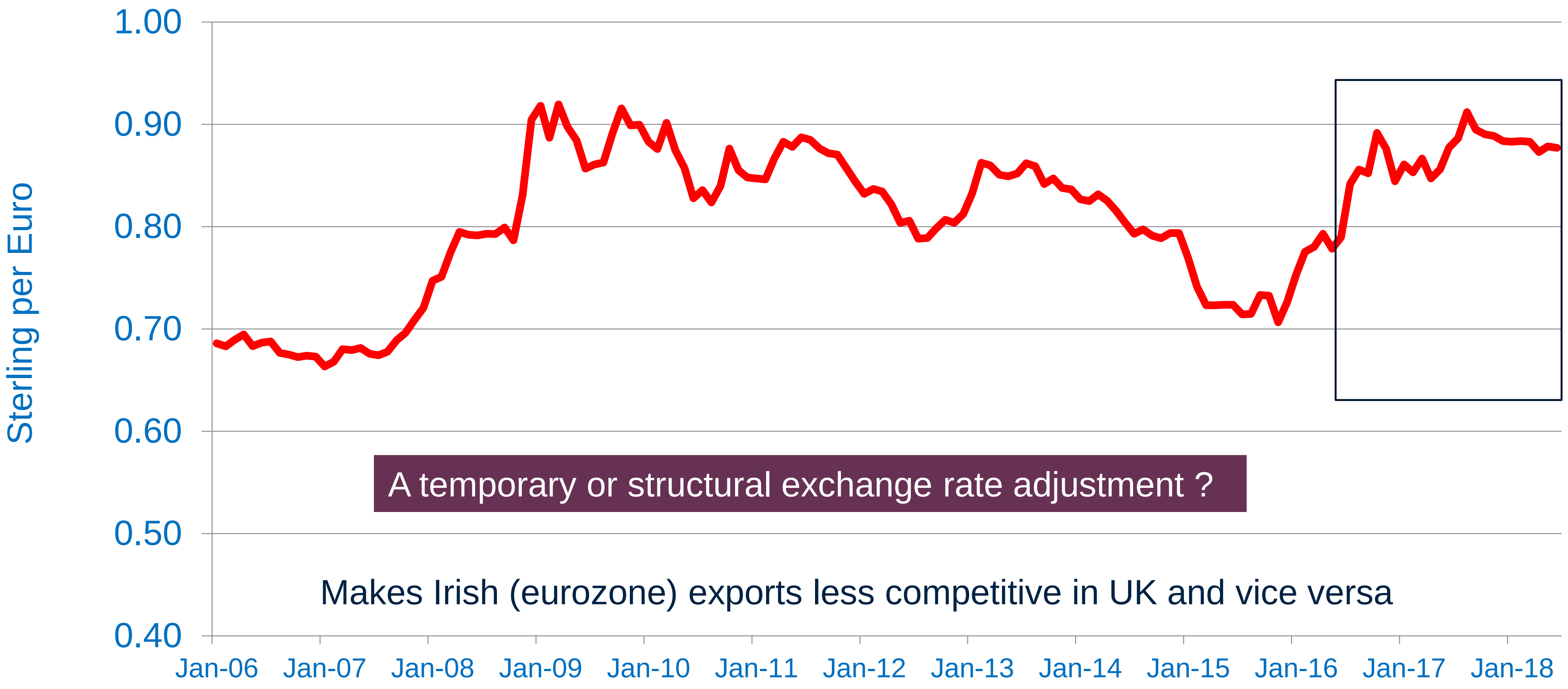
Brexit effects

Ways in which Brexit affects Irish agriculture

1. Immediate impact via **exchange rate**
2. Future **tariff & non-tariff** barriers to trade
3. Impact of Brexit on **EU budget** and CAP
4. Impact of **future UK Ag policy** on UK agri-food self-sufficiency

Brexit has not yet happened but has had some impact !
Sterling Rate v Euro



Four Possible Brexit Outcomes ?

Very Soft Brexit: (BINO – Brexit in Name Only)

- UK agrees to stay in SM & CU
- No tariffs with EU
- No non-tariff barriers with EU (regulatory alignment)
- UK cannot do its own trade deals
- UK contributes to EU Budget






Soft/Medium Brexit: UK/EU FTA Agreement

- UK leaves SM and CU
- UK/EU reach an FTA (but how comprehensive?)
- No tariffs apply to UK-EU trade
- Non-tariff barriers between UK-EU (no regulatory alignment)
- UK might have ability to do its own trade deals
- UK might contribute to EU Budget


Hard Brexit A: UK/EU WTO MFN Rules

- UK applies EU WTO Bound Tariffs
- EU treats UK like a MFN WTO member
- Non-tariff barriers & tariffs between UK-EU
- UK can do its own trade deals
- UK no longer contributes to EU Budget



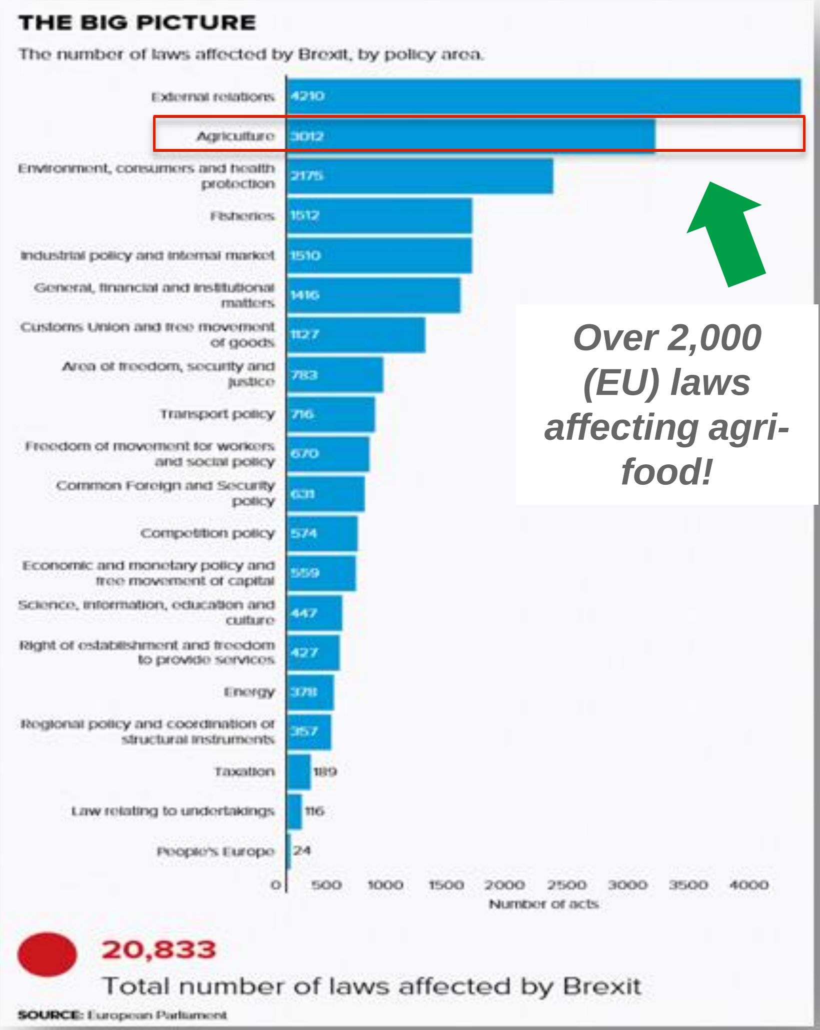
Hard Brexit B: UK Unilateral tariff elimination

- EU treats UK like a WTO MFN member
- Non-tariff barriers between UK-EU
- UK liberalises unilaterally or via FTA with non-EU countries
- UK can do its own trade deals
- UK no longer contributes to EU Budget



Source: Author's own elaboration

Regulatory Divergence Is a Big Deal



Over 2,000 (EU) laws affecting agri-food!

- **EU Law**
  - **EU quality certification schemes (PDO, PGI, TSG, organic, etc.)**
  - **General Food Law, incl. secondary legislation**
  - **Official food and feed controls**
  - **RASFF (food and feed safety alerts) & EFSA**
  - **Applications (e.g. novel foods, health claims, food improvement agents)**
  - **Consumer information / labelling**
- **'SOFT' POLICY (MIXED COMPETENCE)**
  - **Nutrition and public health policy**
  - **Audio-visual Media Services Directive (AVMSD)**
  - **Unfair Commercial Practices (UCP) Directive**
- **'EMERGING' EU POLICY/REGULATORY FIELDS**
  - **Sustainability (food waste, packaging, animal welfare)**

Source: IBEC

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Hard Brexit Tariff Cliff?
EU MFN Tariff Example: **Fresh Boneless Beef**

02013000 “Fresh or Chilled Bovine Meat, Boneless”

- Value of UK imports from Ireland in 2016: **€600.33 m**
- Volume of UK imports from Ireland in 2016: **93,316 tonnes**
- Average value per 100kg: **€643.33**/100kg

EU bound MFN tariff is a compound tariff

- 12.8% ad valorem **plus** **€303.4**/100kg

So AVE of the compound tariff @ 2016 prices is

- ([€643.3*(1.128) + 303.4]/€643.3 – 1)*100 = **59.96%**
- **Tariff paid price would rise to over €1,000/100kg**

2,700
Agri-food tariff lines

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Ireland/UK border concerns
Land border between Ireland and Northern Ireland

- Ireland became independent of UK in 1922
- Customs checks until1992
  - Single Market
- Heavy security on border from 1960 to 2000
  - Historically a contested border
- Good Friday Agreement 1997
  - Border is currently non existent in practical terms
  - 500kms long with 275 crossing points
- Lots of cross border movement of intermediate goods
  - Trade in finished goods is less important

Ireland/UK border concerns
Land border between Ireland and Northern Ireland

- But the key issues is free movement of people rather than goods
- Historical basis for free movement of people
  - Ireland would not be treated as a foreign country by UK (Rep of Ireland Act, 1949)
- However, with Brexit, free movement of people potentially compromised by need to implement border check on goods (So called Hard Border)
- Hard Border issue commonly (and erroneously) perceived as only an issue about tariffs
  - Seen (erroneously) as resolvable if UK and EU were in Customs Union
- However, non tariff (regulatory) issues also suggest a Hard Border requirement
  - Resolvable via UK membership of the EU Single Market
  - But this would then remove UK's ability to do its own trade deals (Red Line Issue)
  - UK Gov seeking other solutions that would not compromise free movement

Brexit Impact Scenario

- Assessment of Impact on Farm Income
  - Teagasc, NFS, data used in FAPRI-Ireland static farm level model
  - Looking at our four principal sectors
    - Beef, dairy, sheep and tillage
    - Analysis conducted at the *system level*
- Look at the implications of
  - Sector specific % output price reduction and
  - 10% reduction in CAP support in all sectors

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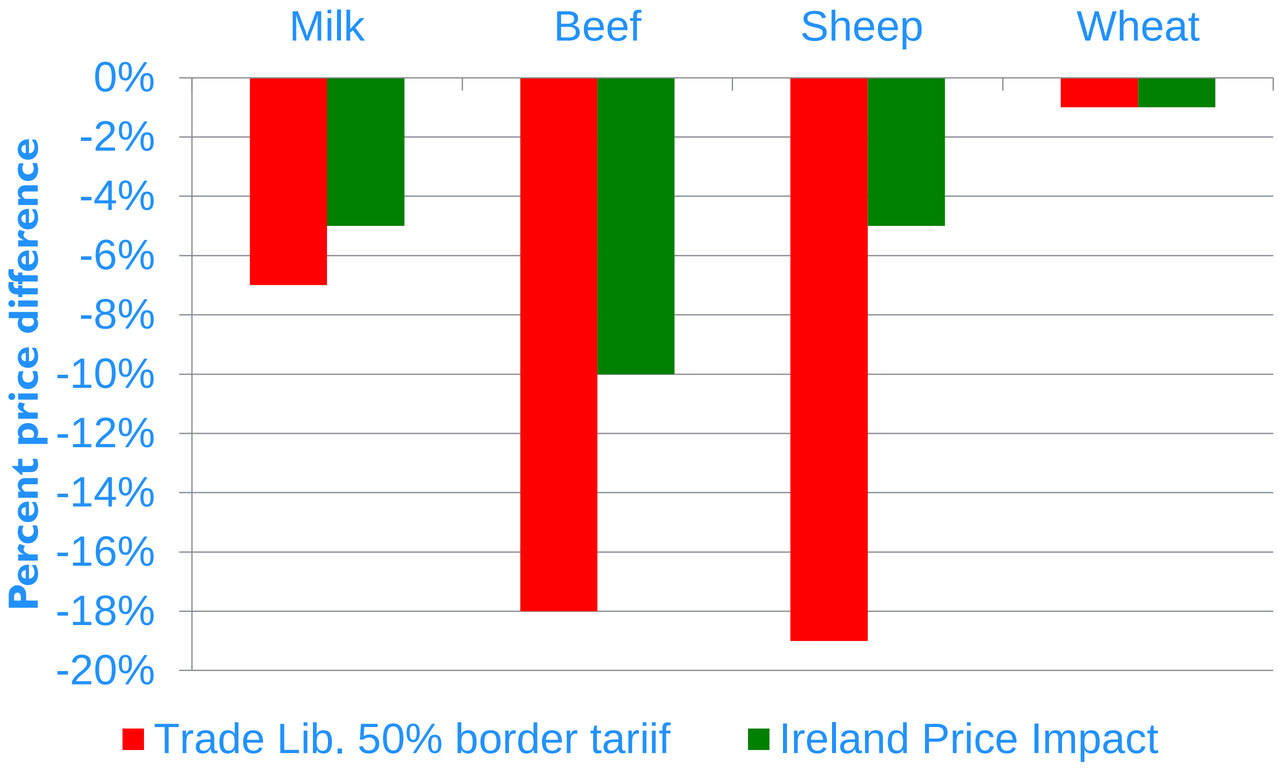
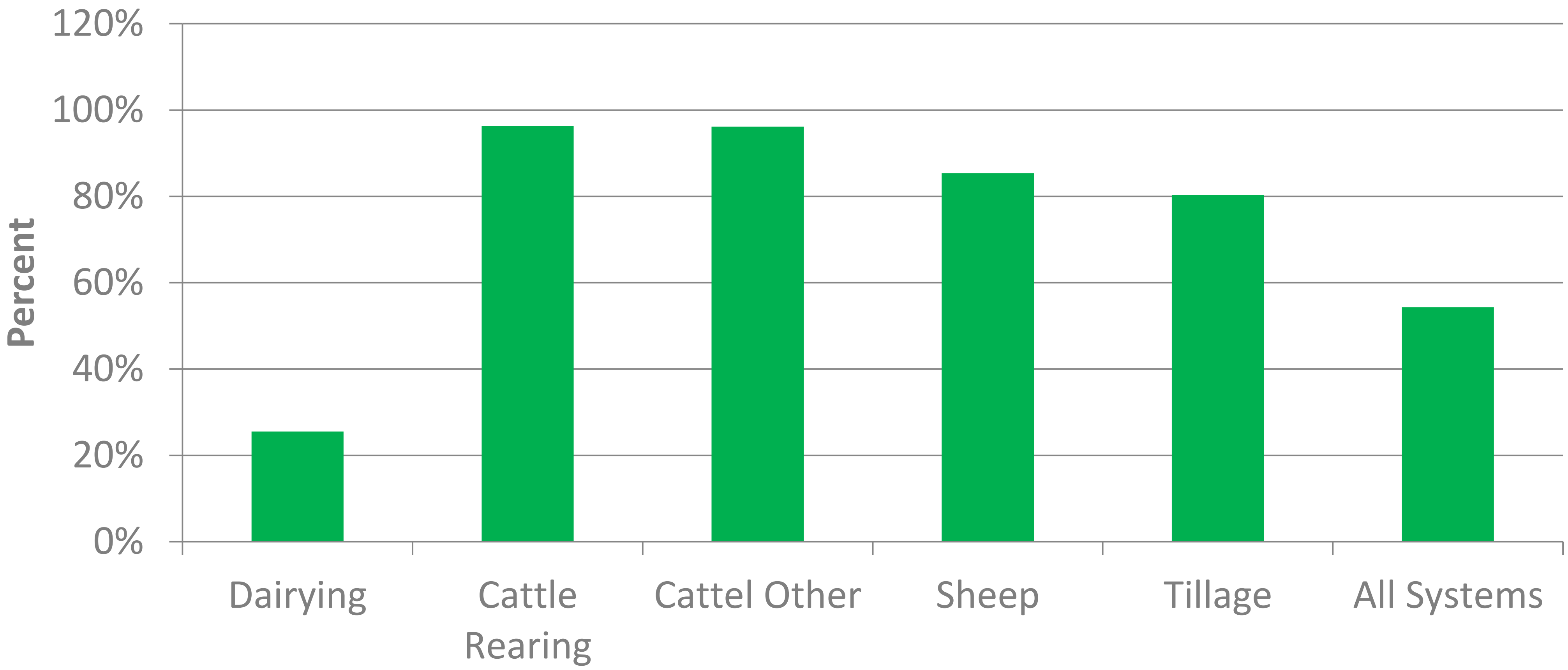
Price Impacts for Brexit Scenario

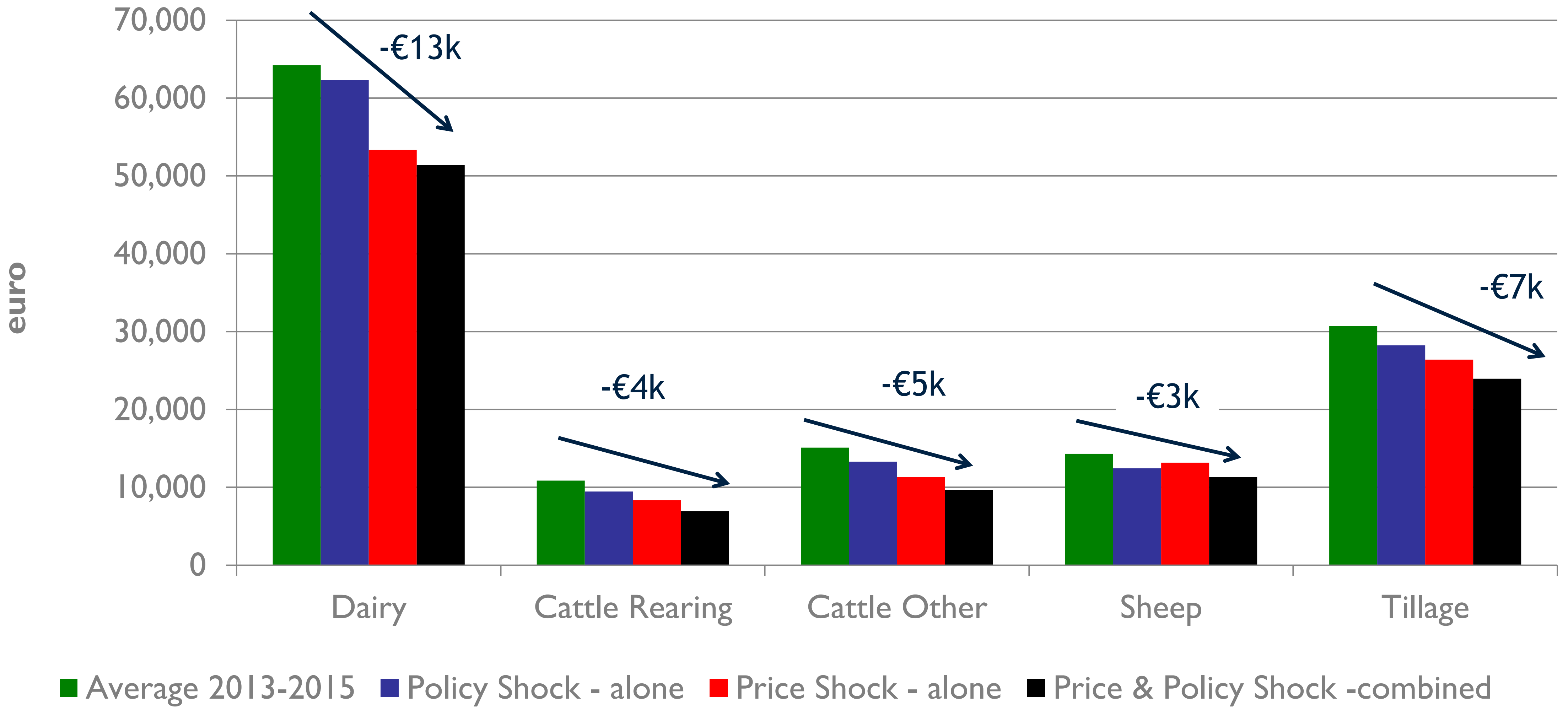
- Based on LEI Paper
  - van Berkum et al., (2016)
- 3 scenarios examined
- Based on 'hard Brexit' assumption
  - Trade liberalisation is assumed
  - 50% on WTO import tariffs



Structure in Irish Farming: Single Farm Payment as a % of income (2016)



Brexit Shock: Static Impact on System FFI



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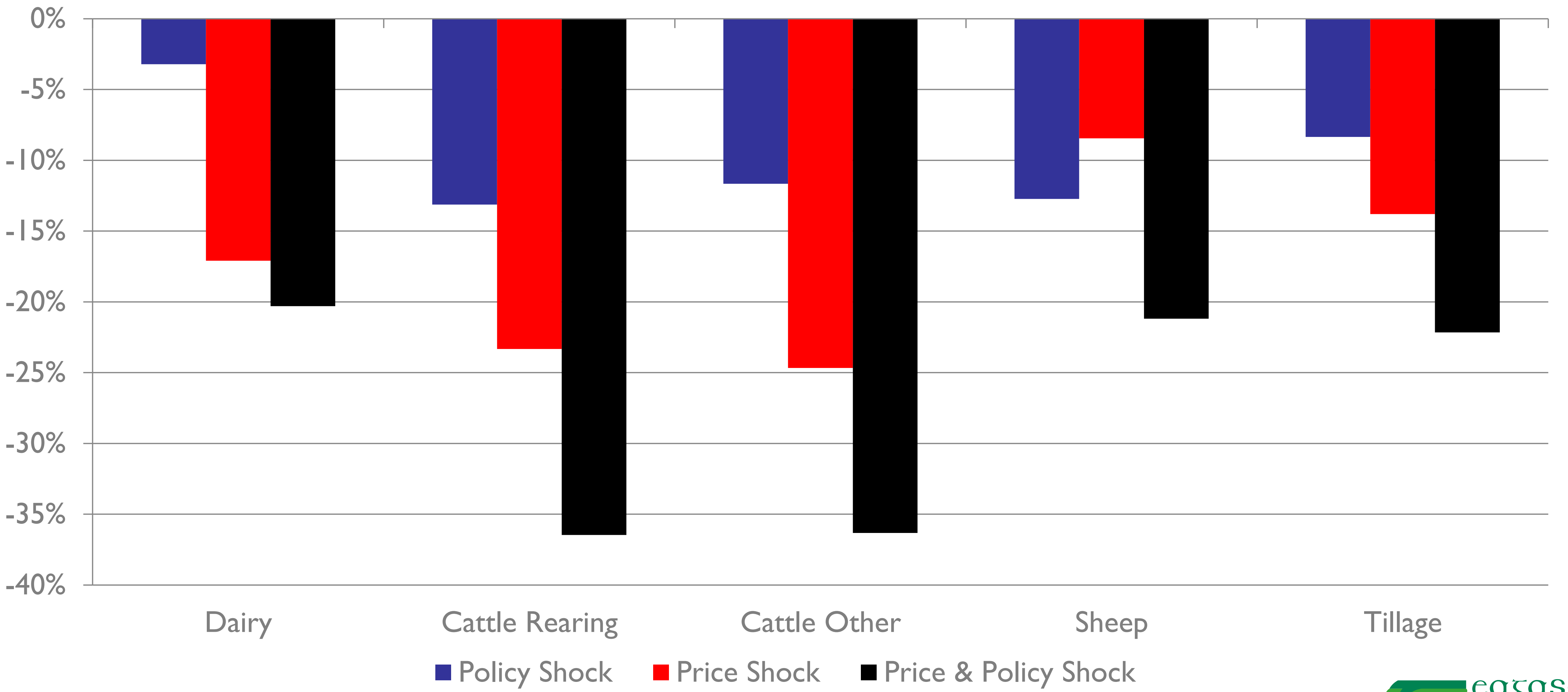

Thank You

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