Annual Review & Outlook For Agriculture & Food 2005/2006

THE DEPARTMENT OF
AGRICULTURE & FOOD
AN ROINN TALMHAÍOCHTA AGUS BIA

In memory of Michael Kelly (1943 to 2006) who worked on the Annual Review and Outlook for many years.

Foreword
Réamhrá

Mary Coughlan, T.D.
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In 2005, Irish farming underwent a historic change with the introduction of the Single Payment Scheme. Over €1.2 billion has been paid to more than 125,000 farmers under the new decoupled support scheme which allows farmers the freedom to produce based on consumer demands and at the same time give recognition to the production of public goods such as the enhancement of the environment. This historic policy shift has not impacted on the relative importance of the agri-food sector, which still accounts for 8.6% of GDP and 8.5% in both employment and exports.

In terms of farm incomes, 2005 was an unusual year with an overlap in arrears under the old premia schemes and payment of the bulk of the single payment scheme causing a substantial once-off increase in income. Beef markets performed well, with prices and output value up 4% on 2004. Market conditions for dairy produce continued to improve, with exports up by over 8% on 2004 and milk prices being maintained at broadly similar levels to 2004.

The major shift in agricultural policy combined with more liberalised trade policy and changes in life-style and consumer trends requires a readily adaptable agri-food sector. In response to these and other challenges outlined in the Report of the Agri Vision 2015 Committee, the Agri Vision 2015 Action Plan was published in March 2006. It outlines over 160 specific actions to be implemented to ensure that the Irish agri-food sector can compete with the best in the world in terms of knowledge base, competitiveness, innovation and marketing. It is a demanding task but one that the sector and all the major players are capable of achieving.

The Annual Review and Outlook for Agriculture and Food is a very useful resource for anyone working in, or with an interest in, the agri-food sector. It illuminates trends in the sector as well as providing an overview of most recent policy developments. It covers a large range of diverse and interesting policy areas including sections on the consumer, forestry, the environment and international developments.

Mary Coughlan T.D.
Minister for Agriculture and Food

I 2005, tharla athrú stairiúil i bhfeirmeoireacht in Éirinn le tosú na Scéime Íocaíochta Singil. Tá níos mó ná €1.2 billiún íoctha le breis agus 125,000 feirmeoir faoin scéim tacaíochta díchúpláilte nua a ligeann d'fheirmeoirí táirgeadh bunaithe ar éilimh thomhaltóra, agus ag an am céanna aitheantas a thabhairt d'earraí poiblí a tháirgeadh ar nós feabhsú an chomhshaoil. Ní raibh tionchar ag an athrú polasaí stairiúil seo ar thábhacht choibhneasta na hearnála agraibhia, a dhéanann suas 8.6% de OTI agus 8.5% i bhfostaíocht agus onnmhairí araon.

Maidir le hioncaim fheirme, ba bhliain neamhghnách í 2005 le forluí i riaráistí faoi na sean-scéimeanna préimhe agus an mhórchuid den scéim íocaíochta singil á íoc, le méadú suntasach in ioncam aon-uaire mar thoradh. Bhí feidhmíocht mhaith sna mairgí mairteola, le praghsanna agus luach aschuir suas 4% ar 2004. Lean na cúinsí margaidh do tháirgí déiríochta ag dul i bhfeabhas, le honnmhairí suas níos mó ná 8% ar 2004 agus praghsanna bainne á choinneáil ag comhleibhéil le 2004 go forleathan.

Tá earnáil agraibhia atá solúbtha go héasca ag teastáil mar thoradh ar an athrú mór i bpolasaí talmhaíochta mar aon le polasaí trádála níos fairsinge agus athruithe i dtreochtaí tomhaltóra agus stíl bheatha. Mar fhreagra orthu seo agus ar dhúshláin eile atá léirithe i dTuarascáil an Choiste Agraí-Físe 2015, foilsíodh an Plean Gníomhaíochta Agraí-Físe 2015 i Márta 2006. Léiríonn sé breis agus 160 gníomh ar leith le bheith curtha i bhfeidhm lena chinntiú go bhfuil earnáil agraibhia na hÉireann in ann dul in iomaíocht leis an gcuid is fearr ar domhan i dtéarmaí bunúis eolais, iomaíochais, nuálaíochta agus margaíochta. Is tasc dúshlánach é, ach ceann a bhfuil ar chumas na hearnála agus na n-imreoirí móra go léir a chomhlíonadh.

Is acmhainn fíor-úsáideach é an tAthbhreithniú agus Forbhreathnú Bliantúil ar Thalmhaíocht agus Bia d'aon duine atá ag obair, nó a bhfuil suim acu, san earnáil agraibhia. Léiríonn sé treochtaí san earnáil chomh maith le hachoimre a thabhairt ar na forbairtí polasaí is déanaí. Clúdaíonn sé raon leathan de limistéir pholasaí suimiúla agus éagsúla lena n-áirítear rannóga ar an tomhaltóir, ar fhoraoiseacht, ar an gcomhshaol agus ar fhorbairtí idirnáisiúnta.

Máire Ní Chochláin T.D.
Aire Talmhaíochta agus Bia

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The Agri-Food Sector in the National Economy

1.1 The National Economy

Review of the Economy in 2005

The economy performed well in 2005 with growth estimated at 5.4% in GNP and 4.7% in GDP growth. The domestic economy was the main driver with GNP growth outstripping GDP. Exports of goods and services increased by approximately 2% and imports by 3%, with net exports lower than anticipated. Employment growth, helped by migration and people returning to the workforce, increased by approximately 5% and the unemployment rate dropped to 4.4%. Prices increased slightly due to higher oil prices in the autumn.

Table 1.1 Indicators of the National Economy, 2004-2006

Annual % Volume Changes (unless stated)	2004	2005	2006^
GNP	4.0%	5.4%	4.6%
GDP	4.5%	4.7%	4.8%
Exports of Goods and Services*	7.0%	2.0%	4.0%
Imports of Goods and Services*	7.6%	3.0%	4.5%
Inflation (%)	2.2%	2.5%	2.7%
Employment – Growth	3.0%	4.7%	3.1%
Unemployment Rate ILO basis (%)	4.4%	4.4%	4.3%

Source: CSO, NIE, CPI,
* & ^ Dept of Finance, Ireland – Stability Programme, December 2005 Update

Outlook for the Economy in 2006

The momentum gained in the international economy is expected to continue into 2006. Irish GDP and GNP is expected to benefit from this upturn as well as the maturation of SSIA's. However, appreciation of the euro, increased oil prices or the failure of the pick-up in the eurozone would dampen Irish growth. Employment is expected to expand, albeit at a lower rate than in 2005 and the unemployment rate should increase slightly. Inflation is expected to increase slightly in 2006 due to the carryover of oil price increases into 2006 and increased mortgage repayments.

1.2 Contribution Of The Agri-food Sector To The Economy

Gross Domestic Product

The agri-food sector makes a significant contribution to the Irish economy and accounted for approximately 8.6% of GDP at factor cost in 2005. The share of primary agriculture increased from 2.5% in 2004 to 2.7% in 2005 due in part to an overlap in direct payments. The gross valued added (GVA) of agriculture increased by 16.7%, the food industry by 3.6%, the drink industry by 5.3%, while the tobacco industry's GVA decreased by approximately 40%. The total GVA of the agri-food sector increased by 5.6% during 2005.

Table 1.2 Contribution of the Agri-Food Sector to GDP 2004-2005

	2004 €m	2005^ €m
Gross Domestic Product (GVA) at Factor Cost	131,567	141,961
GVA in Agriculture at Factor Cost	3,309	3,860
GVA in Food	5,596	5,797
GVA in Drinks	2,125	2,238
GVA in Tobacco	542	324
Total (Agriculture, Food, Drinks and Tobacco)	11,572	12,219
GVA in Agriculture as a % of GDP	2.5%	2.7%
Agri-Food Sector as % of GDP	8.8%	8.6%

Notes:
^ estimate
GVA in Agriculture at factor cost is calculated as – GVA at basic prices + other subsidies less taxes on production
GVA in food, drink and tobacco is at market prices.
Source: GDP- CSO and Department of Finance 2005 (est.)
GVA in Agriculture – CSO Output, Input and Income in Agriculture
GVA in Food, Drinks and Tobacco – CSO Census of Industrial Production (2004 early estimate) and Census of Industrial Production Annual Index, 2005

Employment[1]

Total employment (Table 1.3) increased by 5% to 1,929,200[2] with employment in the agri-food sector accounting for 163,100 jobs, or 8.5% of total employment. There was a decrease of approximately 3,000 employed in the agri-food sector between 2004 and 2005.

1 These employment figures relate to persons who indicated that agriculture was their principle source of income in the week prior to the survey. Therefore, persons that work in agriculture but whose primary source of income is off-farm are not included.

2 QNHS quarter 2 is used for comparison with employment in the agri-food sector also in quarter 2.

Table 1.3 Employment in the Agri-Food Sector, 2004-2005		
Numbers employed (000s)	**2004**	**2005**
Agriculture	112.1	109.6
Food, Drinks and Tobacco (FDT)	54.0	53.5
Total Agriculture and FDT	166.1	163.1
Total Employment	1,836.2	1,929.2
Agriculture as a % of Total Employment	6.1%	5.7%
Agriculture, Food, Drinks and Tobacco as a % of Total Employment	9.0%	8.5%
Source: Quarterly National Household Survey (Quarter 2)		

Exports

CSO estimates of agri-food exports for 2005 were over €7.5 billion. Beef and dairy products and ingredients account for over 45% of the total agri-food trade and are worth almost €3.4 billion with other foods accounting for almost an additional €1.5 billion. Exports of cereals and cereal preparations increased by over 15% in 2005, with potato, fruit and vegetables increasing by 11.6%.

Table 1.4 Agri-food Exports, 2004-2005				
	2004 €m	**2005^ €m**	**% Change**	**% Share of Agri-food Exports**
Dairy Products and Ingredients	1,845	1,997	8.2%	26.5%
Other Food	1,436	1,444	0.5%	19.1%
Beef	1,300	1,380	6.1%	18.3%
Beverages	949	1,022	7.7%	13.5%
Pigmeat	296	324	9.6%	4.3%
Poultry & Eggs	253	260	2.7%	3.4%
Cereals and Cereal Preparations	201	231	15.2%	3.1%
Live Animals	229	226	-1.5%	3.0%
Potatoes, Fruit & Vegetables	218	243	11.6%	3.2%
Sheep	184	193	4.9%	2.6%
Sugar, Sugar Preps and Honey	142	135	-5.0%	1.8%
Tobacco	88	90	2.3%	1.2%
Total	**7,141**	**7,545**	**5.6%**	**100.0%**
^ 2005 Provisional Source: CSO, Trade Stats				

1.3 Public Expenditure On Agri-food

Total public expenditure on the agri-food sector by the Department of Agriculture and Food was €3,259 million in 2005. EU Guarantee Expenditure of €2,237 million and Guidance Receipts of almost €30 million[3] accounted for 69% of total expenditure.

Table 1.5 Expenditure on Irish Agriculture, 2005	
(Period 1 January to 31 December 2005)	**€m**
EAGGF Guarantee direct expenditure	**1,840.77**
Single Payment Scheme	1,058.42
Premia/Area Aid	614.33
Export Refunds	159.89
Other Market Supports	8.13
Intervention Purchases (1)	**62.91**
Voted Expenditure (excluding Administration)	**1,077.24**
Rural Development (2)	687.46
Structural Measures (2)	46.92
Animal Health/State Bodies	311.59
Market Intervention and other (3)	31.27
Administration	**278.11**
Total Voted Expenditure	**1,355.35**
Total Expenditure	**3,259.03**

(1) This is the amount paid by DAF on product purchased into Intervention in the year. The cost of Intervention purchases is fully recouped from the EU through depreciation of stock value during the year of purchase and at the time of sale of the product.

(2) CAP Rural Development measures and certain Structural Development measures are part financed by the EU and the Vote. These figures are total Vote expenditure on these measures in the calendar year, as payments are made from the Vote. The EU contribution to expenditure is subsequently recouped to the Vote as appropriations in aid, some of which is received in a subsequent calendar year.

Rural Development comprises REPS, Early Retirement, Compensatory Allowances and Forestry.

(3) This vote expenditure relates to expenditure on IACS and to Intervention financial (interest) and technical operational costs. The latter costs are subsequently claimed back from the EU on the basis of standard amounts.

Agricultural Situation in Ireland

In 2005 the CSO preliminary estimate of Output, Input and Income in Agriculture shows an increase in operating surplus to €2,765 million (see Statistical Annex Table 11.1). The increase in income was mainly attributable to a large once-off increase in direct payments as farmers received over €1 billion under the Single Payment Scheme as well as arrears on 2004 premia payments.

Intermediate consumption was largely unchanged with decreases in expenditure on feedingstuffs, forage plants and contract work being offset by increases in fertilisers and most significantly in energy and lubricants.

Table 1.6 Output, Input and Income in Agriculture, 2005		
	Value €m	**Change 2005/2004**
Goods output at producer prices	4,931.8	-1.8%
Contract Work	261.1	-0.8%
Subsidies less taxes on product	408.6	-53.5%
Agricultural output at basic prices	5,601.5	-9.1%
Intermediate consumption	3,443.1	-0.2%
Gross value added at basic prices	2,158.4	-20.5%
Fixed capital consumption	669.0	+2.0%
Net value added at basic prices	1,489.4	-27.7%
Other subsidies less taxes on production	1,701.5	+186.4%
Factor income	3,190.9	+20.3%
Compensation of employees	425.5	-0.6%
Operating Surplus [1]	2,765.3	+24.3%

1 This is calculated before deduction of interest payments on borrowed capital and land rental paid by farmers to landowners. The estimates are Interest: €304.1m; Land Rental: €169.3m

Source: CSO, Output, Input and Income in Agriculture, February 2006

1.4 Outlook For Agriculture

Outlook for Irish Agriculture in 2006

Milk: World prices for dairy products are expected to remain relatively stable though somewhat lower than in 2005. On internal EU markets, producer prices are expected to fall as the new intervention prices take effect. Oil prices and the value of the US dollar/euro exchange rates will be important factors in determining the effectiveness of Irish and EU traders in competing on the global market.

Beef: The outlook for Irish beef exports is largely positive with decreasing production throughout Continental Europe offering an opportunity for Irish beef producers to further consolidate their position in this high value market. The ending of the Over Thirty Months Scheme in the UK may necessitate adjustments by Irish exporters if displacement of Irish produce occurs.

3 Total Guidance Receipts of almost €30m relates to expenditure by the Department of Agriculture & Food (€19.1m) as well as the Departments of Community Rural & Gaeltacht Affairs (€9.9m) and Environment, Heritage and Local Government (€0.6m)

Sheep: Stable domestic consumption coupled with firm export demand and decreasing EU production is expected to help keep lamb and sheepmeat prices strong.

Pigmeat: Marginal increases in domestic and EU production is expected to bring about short-term price decreases but the position is expected to be more positive in the second half of the year in line with seasonal trends.

Cereals: Prices are expected to remain low if the anticipated 5% increase in production proves correct. The current strength of the euro against the US dollar is a consideration and the potential to reduce intervention stocks will largely depend on how competitive the EU is on export markets.

Medium-term Outlook for EU Agriculture

A medium-term outlook for EU agricultural markets was published[4] by the European Commission in February 2006 showing reasonably favourable trends for the period to 2012.

Milk: A decline in the production of butter and SMP is expected over the medium-term as more milk is used for the production of cheese and other high value-added dairy products. This combined with increased consumption will help in offsetting EU price pressures due to the effects of increased world output on the market and decreases in support prices.

Beef: The current situation in the EU beef market, where consumption is higher than domestic production, is expected to persist over the 2005-2012 period with third country imports increasing to meet demand. The medium-term scenario exhibits a declining trend in beef values, in line with the assumed continuation of the ongoing restructuring.

Sheep: After the limited increase recorded in 2004, sheepmeat production and per capita consumption are expected to follow a slight downward trend over the medium-term. This is in line with past long-term trends and takes into account the likely impact of decoupling of the ewe premia. Sheepmeat imports are expected to broadly stagnate at existing levels or possibly increase slightly in response to somewhat better use of market access commitments granted to some third countries.

Pigmeat: The expectation is that strong increase in extra-EU-25 pigmeat exports of 2004 will be followed by a return to more normal export levels in 2005. Over the medium-term there is scope for a slight increase in extra-EU-25 exports, while the intra-community trade is projected to show stronger developments, with the slight decrease in EU-25 pigmeat production in 2004-2005 is forecast to be followed by a steady increase over the medium-term driven mostly by internal and external demand.

Cereals: The medium-term prospects for cereal markets is reasonable as CAP reform, moderate prospects for yield growth and the return to a high rate of set-aside, should gradually improve EU market balance. An assumed return to a weaker euro over the medium term would also help to restore a moderate level of competitiveness for cereals on world markets.

4 European Commission, (2006). "Prospects for agricultural markets and income 2005-2012". The report does not take account of the decisions adopted in the framework of the WTO negotiations in Hong Kong in December 2005 nor the conclusions of the European Council from December 2005 on the 2007-2013 financial perspectives.

Chapter 2
Farm Incomes And Rural Poverty

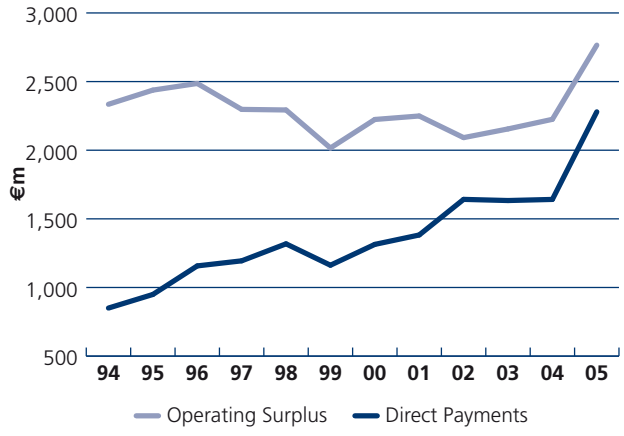
2.1 Overview

This chapter examines aggregate farm income, average farm income and total farm household income using data from the Central Statistics Office (CSO) and Teagasc's National Farm Survey. It also examines rural poverty and details social welfare schemes available to assist low-income farm families.

2.2 Aggregate Farm Income

Aggregate farm income[1] or operating surplus increased by 24% to almost €2.8 billion in 2005. The substantial increase was due primarily to a once-off overlap between payment of arrears on 2004 premia schemes and payment of the bulk of the Single Payment Scheme in December 2005. This resulted in over €2.2 billion being paid in direct payments in 2005 compared with €1.6 billion in 2004. Positive trading conditions on beef markets in particular, also helped improve incomes in 2005.

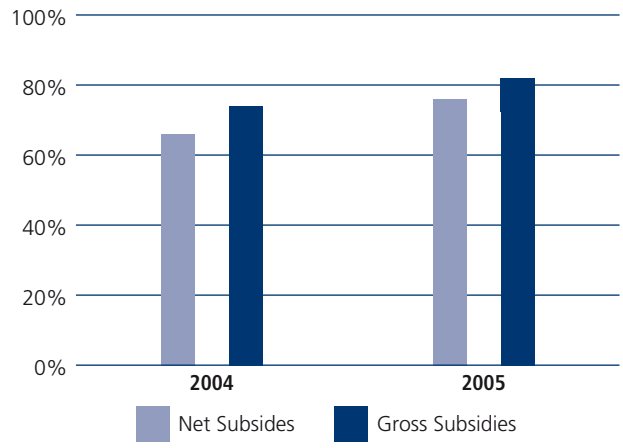
Figure 2.1 Operating surplus and direct payments, 1994-2005



Source: CSO and DAF

Subsidies account for a significant percentage of aggregate farm income. In 2005, gross subsidies accounted for 82% of aggregate income and net subsidies accounted for 76%. In 2004, the corresponding figures were 74% and 66% respectively.

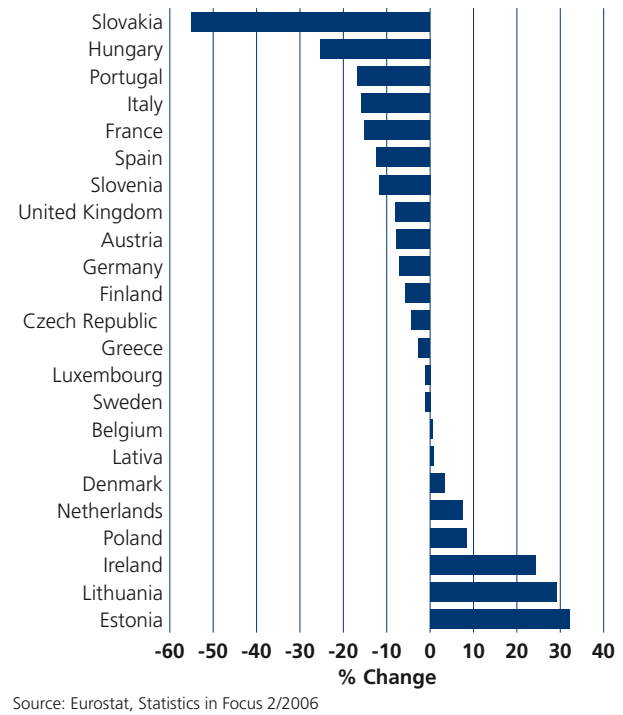
Figure 2.2 Net and Gross Subsidies as a % of Operating Surplus, 2004-2005



Source: CSO and DAF

In 2005, Eurostat estimates that operating surplus in agriculture for the EU-15 and EU-25 decreased by 9.6% and 9% respectively. However, there were large variations between Member States and these are presented below.

Figure 2.3 % Change in Operating Surplus for the EU-25, 2005



Source: Eurostat, Statistics in Focus 2/2006

1 The operating surplus figure is comprised of the operating surplus earned by farmers and that earned by agricultural contractors. It is calculated before deductions for interest payments on borrowed capital and before deductions for land annuities and for rent paid by farmers to landowners for the use of their land.

2.3 Average Farm Income

Average Farm Income in Ireland

A number of approaches can be used to estimate average farm income, as follows:

(i) divide operating surplus (CSO Output, Input and Income in Agriculture) by the number of farm holdings (CSO Agricultural Labour Input Survey) to give an estimate of **average income per farm**;

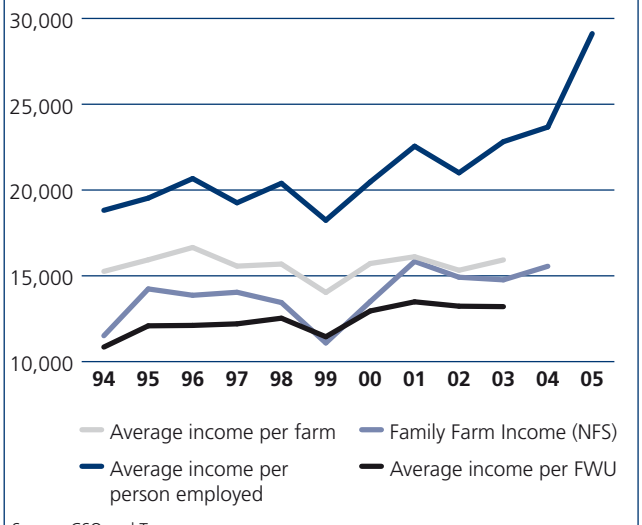
(ii) divide operating surplus by the number of annual family work units (CSO, Agricultural Labour Input Survey) to estimate **average income per family work unit;**

(iii) divide operating surplus plus wages by the number of persons employed in agriculture[2] (CSO, Quarterly National Household Survey – ILO definition) to estimate **average income per person employed**; however this omits part-time workers;

(iv) Teagasc's National Farm Survey, which uses a different definition of income to that used by the CSO, to estimate **average family farm income**.

The various methods, most of which aren't available for 2005, have limitations but together they provide useful indicators of trends in average farm income.

Figure 2.4 Average Farm Income Indicators, 1994-2005

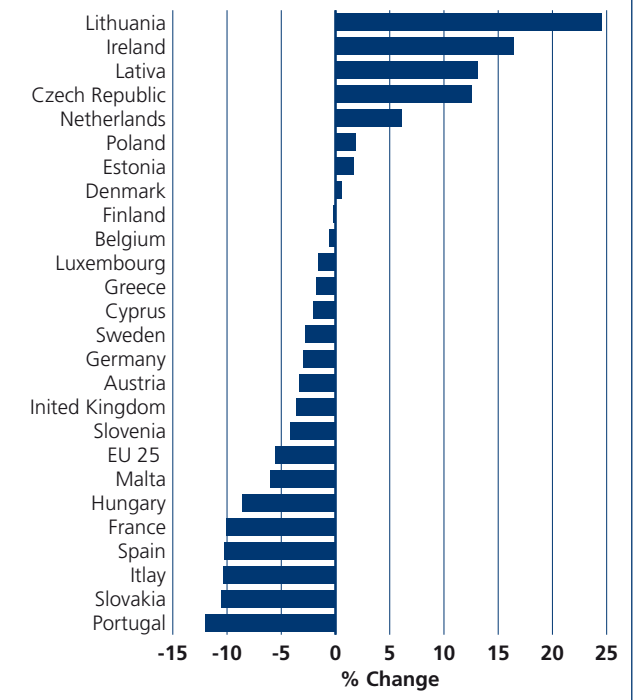


Source: CSO and Teagasc

Average Income Change in the EU

For the EU-25, Eurostat estimates that real agricultural income per worker[3] fell by 5.6% in 2005 following an increase of 6.3% in 2004. This decrease was brought about by falling producer prices, which were partly offset by reduced input costs, depreciation and increased net subsidies. Also, some of the loss in income was compensated for by a decline in labour input (-2.4%). Changes varied across member states with substantial increases observed in Lithuania (+24.6%) and Ireland (+16.5%) and large decreases in Portugal (-12.0%) and Slovakia (-10.6%).

Figure 2.5 % Change in Real Agricultural Income per Worker in the EU-25, 2005



Source: Eurostat

2 'Persons employed in agriculture' is based on the CSO's Quarterly National Household Survey (second quarter). It covers people who identified agriculture as their primary source of income in the week preceding the survey.

3 Comprises income generated by agricultural activities as well as inseparable non-agricultural secondary activities over a given period.

2.4 National Farm Survey Results, 2004

Family Farm Income by System

In 2004, average family farm income[4] (FFI) was €15,557 but this, as usual, varied substantially by system of farming with dairy and tillage systems providing higher incomes. On average, direct payments accounted for 87% of incomes, but again this varied by system.

Farm Income on Full and Part-time Farms

In 2004, 38% of farms were full-time (defined in terms of labour units[5]) with 64% of farms in the two dairying systems, 24% in drystock and 12% in tillage. Average FFI was €30,650 an increase of 7.6% on 2003. On 47% of full-time farms the farmer and/or spouse had off-farm employment.

Sixty-two percent of farms were part-time and predominantly in drystock production with an average FFI of €6,407. On 54% of part-time farms either the farmer and/or spouse had off-farm employment with 89% having income from off-farm employment, pensions and/or social assistance.

Table 2.1 National Farm Survey Results by System, 2004

System	Dairying	Dairying & Other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All Systems
% of farms represented	16.2%	10.4%	26.1%	24.6%	16.2%	6.5%	100.0%
Family Farm Income (FFI) €	**34,421**	**24,858**	**7,286**	**8,712**	**10,966**	**24,012**	**15,557**
Direct Payments €	10,702	17,174	10,152	14,271	15,017	22,087	13,549
Direct Payments as a % of FFI	**31%**	**69%**	**139%**	**164%**	**137%**	**92%**	**87%**
% of holder and/or spouse with off-farm job	49.9%	39.8%	57.2%	51.2%	52.5%	49.9%	51.5%

Source: National Farm Survey 2004, Teagasc 2005

Table 2.2 Results for Full-time and Part-time Farms by System of Farming, 2004

System	Dairying	Dairying & Other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All Systems
Full-time Farms							
% of Population	14.8%	7.2%	2.8%	4.7%	4.8%	3.4%	37.7%
UAA (Ha)	43.2	63.8	57.6	63.5	72.3	91.9	58.8
Family Farm Income (FFI) €	36,275	32,902	15,610	23,785	20,371	37,934	30,650
Direct Payments (DPs) €	11,172	21,615	20,263	31,228	26,077	33,346	20,233
DPs as a % of FFI	**30.8%**	**65.7%**	**129.8%**	**131.3%**	**128.0%**	**87.9%**	**66.0%**
% of Holders and/or Spouse with Off-farm Job	50.1%	41.1%	54.1%	39.6%	52.8%	41.3%	46.9%
Part-time Farms							
% of Population	1.4%	3.2%	23.3%	19.8%	11.4%	3.1%	62.3%
UAA (Ha)	21.9	19.9	23.3	21.8	23.9	23.0	22.7
Family Farm Income (FFI) €	15,041	6,764	6,290	5,131	6,957	9,083	6,407
Direct Payments (DPs) €	5,790	7,183	8,943	10,242	10,302	10,013	9,497
DPs as a % of FFI	**38.5%**	**106.2%**	**142.2%**	**199.6%**	**148.1%**	**110.2%**	**148.2%**
% of Holders and/or Spouse with Off-farm Job	47.2%	36.7%	57.5%	54.0%	52.5%	59.1%	54.3%

Source: National Farm Survey 2004, Teagasc 2005

4 Average family farm income is calculated by deducting all the farm costs (direct and overhead) from the value of farm gross output. It represents the financial reward to all members of the family, who work on the farm, for their labour and, management and investment. It does not include income from non-farming sources and cannot be equated to household income.

5 The NFS defines a full-time farm as one which requires at least 0.75 standard labour units to operate, as calculated on a standard man day basis. A part-time farm is defined as one which requires less than 0.75 standard labour units to operate. Farms are divided into full-time and part-time on the basis of the estimated labour required to operate their business as distinct from labour available which is often in excess of that required. Off-farm employment does not enter into this definition.

Table 2.3 Results by Farm Income Category, 2004							
	<€6,500	**€6,500-€13,000**	**€13,000-€20,000**	**€20,000-€25,000**	**€25,000-€40,000**	**>€40,000**	**All**
% of farms represented	39.7%	22.3%	10.7%	5.6%	11.0%	10.2%	99.5%
UAA	20.4	29.0	39.8	54.5	59.4	75.7	36.3
Family Farm Income €	**1,334**	**9,557**	**16,212**	**22,422**	**31,613**	**62,119**	**15,557**
Direct Payments €	6,828	11,334	17,017	19,663	23,414	26,855	13,546
Direct Payments as % of FFI	**511.8%**	**118.6%**	**105.0%**	**87.7%**	**74.1%**	**43.2%**	**87.1%**
Off-Farm Job, Holder/Spouse	55.2%	47.8%	54.9%	48.4%	55.4%	39.2%	51.5%
Source: National Farm Survey 2004, Teagasc 2005							

Family Farm Income by Income Category

In 2004, the NFS estimated that 21% of farms had a FFI in excess of €25,000. Almost 40% of farms, which were primarily in drystock production, had an income less than €6,500. On 92% of these farms the farmer and/or spouse had some source of other income either from off-farm employment, pension or social assistance.

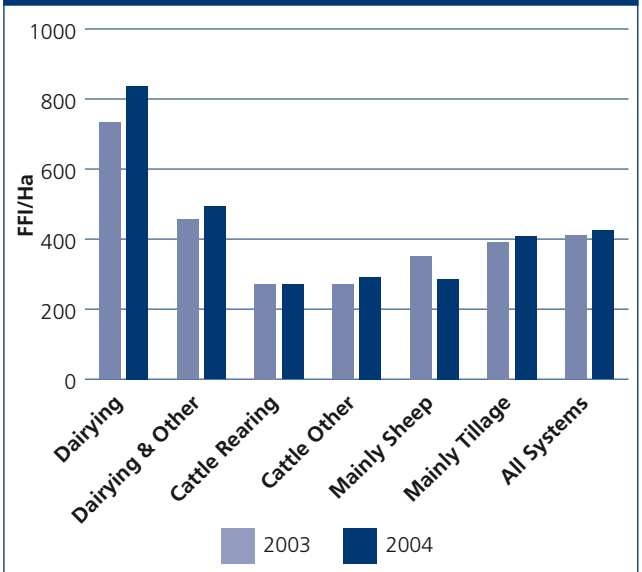
Family Farm Income per Hectare

Figure 2.6 shows FFI per hectare by system of farming in 2003 and 2004. Returns were highest on dairy systems, which also showed an increase over 2003. The dairy premium was introduced in 2004 to compensate for agreed reductions to support prices for milk.

Off-Farm Employment and Family Farm Income

Farmers with off-farm jobs[6] had average off-farm earning of €21,200 combined with a farm income of €7,700. These figures however, would underestimate total household income as income earned by spouses or other family members or any income from social welfare, pensions or investments are not included.

Figure 2.6 Family Farm Income per Hectare, 2003-2004



Source: National Farm Survey 2004, Teagasc 2005

Table 2.4 Estimate of Off-farm Employment of Farmer Only , 2004[7]					
	Sample No.	**% of Population**	**Average Off-Farm Income**	**Farm Income**	**Income (Off and On Farm)**
Farmer has off-farm job and income stated					
All farms	271	31	€ 21,200	€7,700	€28,900
Full-time farms	71	5	€18,100	€20,600	€38,700
Part-time farms	200	26	€21,700	€5,400	€27,100
Source: National Farm Survey 2004, Teagasc 2005					

6 271 farmers out of a total of 331 with off-farm jobs.

7 The NFS state that these figures should be interpreted with caution because the underlying data are not sufficiently robust. This is due to the problem of non-response and the fact that the information is received from respondents without documentary verification.

Distribution of Direct Payments

Table 2.5 provides an estimate of average direct payments to farmers according to farm income category. The farm income categories are broken down by deciles from the 10% with the lowest income to the 10% with the highest income. The results show that 38% of direct payments went to the 20% of farmers with the highest FFI (i.e. deciles 9 and 10) while half of all farmers (i.e. those in deciles 1 – 5) received 28% of total direct payments.

Table 2.5 Share of Direct Payments (DP) by Deciles of Family Farm Income, 2004

Deciles for FFI	Average DP per Farm (€)	% of Total DP	Average FFI (€)
Decile 1	7,456	5%	-4,331
Decile 2	5,495	4%	853
Decile 3	6,165	5%	3,012
Decile 4	7,957	6%	5,492
Decile 5	10,093	8%	7,668
Decile 6	12,270	9%	10,591
Decile 7	15,253	11%	14,393
Decile 8	19,592	15%	21,564
Decile 9	23,823	18%	32,597
Decile 10	26,925	20%	62,599
All	13,485	100%	15,505

Source: National Farm Survey 2004, Teagasc 2005

2.5 Total Farm Household Income

There has been a deficit of data on total farm household income for many years, however the 2004 EU Survey of Income and Living Conditions (EU-SILC) conducted by the CSO has addressed this significant gap in data. The primary focus of the EU-SILC is the collection of information on poverty, deprivation and social exclusion. During 2004, the CSO sampled 5,477 households, of which 520 completed farm questionnaires.

In analysing the data one of the issues of concern is whether all households that completed a farm questionnaire should be classified as farm households. This is a concern, as many farm households would only derive a small proportion of their income from farming. Following on from these concerns the CSO have provided two sets of analysis, one based on a broad definition of farm households and another based on a narrow definition. The CSO have also provided estimates of relative and consistent poverty based on both definitions.

Using the broad definition of farm households (Table 2.6), all households (including those in urban areas) that have an income from farming are classified as farm households. The annual gross income for these farm households was €43,704 or approximately 90% of the state average of €49,319. These compare with an income of €55,042 in urban households, and €39,644 in other rural households, which are 112% and 80% of the state average, respectively.

Farm households pay lower levels of income tax but also had less social insurance contributions, bringing disposable income among farm household to 93% of the state average. Due to larger family size, both gross and disposable income per household member was lower for farm households than for the other household groups.

The proportion of household income derived from farming is continuing to decline with only a third of farm household income coming from farming activities, half from other employment and 16% from state transfers.

The CSO's Household Budget Survey used a narrower approach to define farm households. It defines a farm household as a household in which the head of the household is a farmer or the head of the household is a retired farmer and there is at least one other farmer in the household. This definition would exclude part-time farmers who have another major occupation and who are not living with a retired farmer.

Applying this narrower definition to EU-SILC data (Table 2.7), total farm household income declines to €39,847 or 80% of the state average. Disposable income also declines but is 87% of the state average.

Using this approach, income from farming accounts for 45% of gross farm household income, 36% is from other employment and 16% from state transfers.

Table 2.6 Household Income and its Composition for Farm, Non-Farm Rural and Urban Households based on a broad definition of Farm Households, 2004				
	Farm households	**Rural Non-farm households**	**Urban Non-farm households**	**State**
% of population represented	8%	29%	63%	100%
Persons per household	3.1	2.74	2.97	2.91
	€	**€**	**€**	**€**
Farm Income	14,382	0	0	1,138
Non-farm employment	21,692	29,747	44,084	37,819
Other direct income	806	745	1,407	1,152
State Transfers	6,825	9,151	9,551	9,210
Gross Income	**43,704**	**39,644**	**55,042**	**49,319**
Less tax and social contributions	7,806	7,597	12,659	10,689
Disposable Income	**35,898**	**32,047**	**42,383**	**38,630**
Gross Income per household member	14,076	14,486	18,556	16,976
Disposable income per household member	11,562	11,710	14,288	13,297
Gross Income as % of state average	89%	80%	112%	100%
Disposable Income as % of state average	93%	83%	110%	100%
Source: EU SILC 2004				

Table 2.7 Household Income and its Composition for Farm, Non-Farm Rural and Urban Households based on a narrow definition of Farm Households, 2004				
	Farm households[1]	**Rural Non-farm households**	**Urban Non-farm households**	**State**
% of population represented	5%	35%	61%	100%
Persons per household	3.05	2.78	2.97	2.91
	€	**€**	**€**	**€**
Farm Income	18,320	809	33	1,138
Non-farm employment	14,369	29,616	44,231	37,819
Other direct income	930	722	1,412	1,152
State Transfers	6,228	9,033	9,534	9,210
Gross Income	**39,847**	**40,180**	**55,210**	**49,318**
Less tax and social contributions	6,055	7,662	12,752	10,689
Disposable Income	**33,792**	**32,518**	**42,458**	**38,629**
Gross Income per household member	13,057	14,468	18,609	16,975
Disposable income per household member	11,073	11,709	14,310	13,296
Gross Income as % of state average	81%	81%	112%	100%
Disposable Income as % of state average	87%	84%	110%	100%
1 Narrowing the definition of farm households impacts on the results for urban and rural household as some households that were classified as farm households using the broad definition becomes either urban or rural households.				
Source: EU SILC 2004				

Relative Poverty

Data on relative and consistent poverty had also been provided by the CSO using both the broad and the narrow definitions of farm households. Using the broad definition, the 40% and 50% relative poverty thresholds show a notably higher risk of poverty for farm households than all other households. However at higher thresholds of 60% and 70% the risk of poverty among farm households is lower than the risk for other rural households. This would indicate substantial income inequality among farm households. The narrow definition of relative poverty data shows a significantly higher risk of poverty for farm households at all four thresholds.

Table 2.8 Household Categories by Relative Poverty Status[1], 2004

	Broad definition used for farm households	Narrow definition used for farm households[2]
40 per cent line (State)	**4.4**	**4.4**
Farm households	8.7	8.6
Rural Non-farm households	5.9	5.8
Urban Non-farm households	3.3	3.3
50 per cent line (State)	**11.1**	**11.1**
Farm households	15.2	18.5
Rural Non-farm households	13.8	13.6
Urban Non-farm households	9.2	9.2
60 per cent line (State)	**19.4**	**19.4**
Farm households	22.0	28.8
Rural Non-farm households	24.5	23.4
Urban Non-farm households	16.6	16.6
70 per cent line (State)	**28.7**	**28.7**
Farm households	30.6	38.1
Rural Non-farm households	36.5	34.9
Urban Non-farm households	24.7	24.6

1 Based on an equivalised income scale

2 Narrowing the definition of farm households impacts on the results for urban and rural household as some households that were classified as farm households using the broad definition becomes either urban or rural households.

Source: CSO, EU-SILC (2004)

Consistent Poverty

The revised National Anti-Poverty Strategy (NAPS) published in February 2002 has specific targets for combating poverty in both urban and rural areas with one of the primary objectives being to reduce "consistent poverty" below 2% and if possible eliminate it among farm and non-farm rural dwellers over the period to 2007. The NAPS targets are defined in terms of 50-60% consistent poverty, that is, a person having below 50-60% of average disposable income and experiencing enforced basic deprivation.

In contrast with relative poverty indicators, consistent poverty data from the EU-SILC shows considerably lower levels among farm households than other household groups indicating a much lower rate of enforced deprivation among farm families.

Table 2.9 Household Categories by Consistent Poverty Status[1,2], 2004

	Broad definition used for farm households	Narrow definition used for farm households[3]
	%	%
50 per cent line	**3.9**	**3.9**
Farm households	*	*
Rural Non-farm households	3.8	3.5
Urban Non-farm households	4.3	4.3
60 per cent line	**6.8**	**6.8**
Farm households	2.8	*
Rural Non-farm households	6.2	5.6
Urban Non-farm households	7.6	7.6
70 per cent line	**9.6**	**9.6**
Farm households	4.5	6.9
Rural Non-farm households	9.3	8.5
Urban Non-farm households	10.4	10.4

1 Based on an equivalised income.

2 Sample sizes for consistent poverty among farm household were small and therefore subject to a higher standard error.

3 Narrowing the definition of farm households impacts on the results for urban and rural household as some households that were classified as farm households using the broad definition becomes either urban or rural households.

*Sample occurrence too small for estimate.

Source: CSO, EU-SILC (2004)

2.6 Farm Assist

The Farm Assist, which is designed to support low-income farm families, was introduced in April 1999. It replaced the former Smallholders Unemployment Assistance Scheme. It is administered by the Department of Social and Family Affairs and in 2005 total expenditure was €67.3 million. The numbers in receipt of Farm Assist at the end of 2005 was 7,824, a decrease of 6% on 2004. Applicants who were former recipients of the Smallholder's Unemployment Assistance Scheme received an average payment of €190.38 per week. Other applicants received an average payment of approximately €166.74 per week. Budget 2006 increased personal payment rates by €17 per week from €148.80 to €165.80 in line with other social welfare increases. The scheme, which requires a "means test", is open to farmers between the ages of 18 to 66.

2.7 Rural Social Scheme

The Rural Social Scheme (RSS) announced in Budget 2004 was rolled out in three phases in May, July and September 2004 and is now being implemented throughout rural areas of the country. Overall responsibility for the operation of the scheme rests with the Department of Community, Rural and Gaeltacht Affairs, however it is managed at a local level on their behalf, by the LEADER Groups and Údarás na Gaeltachta. The scheme aims to provide:

- income support to low income farmers and fishermen who are in receipt of specific, primarily, long-term social welfare payments; and
- certain services of benefit to rural communities by harnessing the skills and talents available among low-income farmers and fishermen.

To be eligible to participate an individual must be in receipt of Farm Assist or have a herd number and be in receipt of Unemployment Assistance, Unemployment Benefit (if previously on CE[8]), or Disability Allowance. The dependent spouse of a qualifying person will be eligible to participate in the scheme as an alternate, i.e. instead of the spouse to whom the herd number is allocated. There are 2,500 places made available on the RSS allocated on a county basis. The total number of participants on the RSS on 31 December 2005 was 1,994. The breakdown of participants by social assistance scheme is shown in Table 2.10.

Table 2.10 Breakdown of Participants in the Rural Social Scheme, 2005

Social Assistance Scheme	Percentage	Numbers
Farm Assist	40%	789
Unemployment Assistance	10%	196
Unemployment Benefit (CE)	31%	618
Community Employment Transfers	18%	355
Disability Allowance	2%	36
Total Numbers	100%	1,994

Source: Department of Community, Rural and Gaeltacht Affairs

In addition 105 supervisors are employed under the RSS to supervise and co-ordinate RSS projects.

Total expenditure under the RSS was €25.5 million in 2005. The scheme requires participants to work 19.5 hours per week and is administered in a farmer-friendly manner allowing participants to work flexible hours. Participants cannot undertake any other significant employment, other than farming or fishing, yielding income in excess of €88.88 per week. The payment rates vary as shown in the table below.

Table 2.11 Rural Social Scheme Weekly Rates, 2006

Participant without Adult Dependent	€190.20
Participant with Adult Dependent	€300.20
Each Child Dependent (Full-Rate)	€16.80
Each Child Dependent (Half-Rate)	€8.40

Source: Department of Community, Rural and Gaeltacht Affairs

8 Community Employment

Chapter 3
Agricultural Commodities And Inputs

3.1 Overview

2005 was a reasonably steady year for the Irish agriculture sector, with beef markets continuing to perform well for most of the year and EU and international dairy markets contributing to a high degree of milk price stability. However, reduced demand on export markets filtered through to a reduction in sheep and lamb prices. For cereals and other crops, reduced yields, compared to the bumper harvest of 2004, resulted in some upward movement in prices, although these were partly dampened by continued strength in international supplies.

Overall gross output at producer prices in Ireland decreased by 1.8% due primarily to decreases in milk production and crop yields. Intermediate consumption was static with notable reductions in the cost of animal feeding stuffs and the usage of fertiliser being offset by higher energy prices.

Table 3.1 Output and Input in Agriculture, 2005[1] – Value, Volume and Price

	Value €m	% Change 05/04			Share of GO/Inputs
		Value	Volume	Price	
Gross output at producer prices	**4,931.8**	**-1.8**	**-3.5**	**1.7**	**100%**
Milk	1,332.4	-6.0	-4.4	-1.6	27.0%
Cattle and Calves	1,402.5	4.3	0.1	4.2	28.4%
Pigs	291.6	-1.8	-0.1	-1.8	5.9%
Sheep and Lambs	192.1	-5.4	2.6	-7.8	3.9%
Poultry	147.7	-0.9	0.5	-1.4	3.0%
Cereals	125.1	-31.1	-35.3	6.5	2.5%
Root Crops	165.5	-0.8	-13.0	14.0	3.4%
Fresh Vegetables and Fruit	219.3	n/a	n/a	n/a	4.4%
Forage Plants	681.9	-0.6	0.0	-0.6	13.8%
Other	373.6	n/a	n/a	n/a	7.6%
Intermediate consumption (Inputs)	**3,443.1**	**-0.2**	**-1.9**	**1.8**	**100.0%**
Animal Feed	864.4	-4.4	-0.7	-3.7	25.1%
Fertilisers	364.1	1.7	-4.5	6.5	10.6%
Energy and Lubricants	267.4	9.2	-7.2	17.7	7.8%
Maintenance and Repairs	345.5	4.4	-0.4	4.8	10.0%
Agricultural Services	261.1	-0.8	-11.1	11.6	7.6%
Forage Plants	671.7	-0.7	0.0	-0.7	19.5%
Other	668.9	n/a	n/a	n/a	19.4%

1 Preliminary Estimate
Source: CSO

Stock Changes

Table 3.2 shows early estimates of stock changes on Irish farms. The most notable change was in the sheep sector with numbers declining by nearly 300,000. The value of cattle held on farms was up on 2004 whilst numbers were down.

Table 3.2 Estimated Value and Volume[1] of Stock Changes on Farms, 2004-2005

	2004		2005[2]	
	Value €m	Volume 000's	Value €m	Volume 000's
Cattle	-9.80	-17	18.51	-15
Sheep	-16.22	-293	-17.02	-298
Pigs	-0.56	26	-2.92	-80
Poultry	-2.94	40	-2.46	72
Crops	8.16	93	-8.67	-88
Total	**-21.36**	**n/a**	**-12.55**	**n/a**

1 Volume of Livestock is in heads (000s), volume of crops is in tonnes (000s)
2 Early Estimate
Source CSO

Terms of Trade

Agricultural output prices increased by 0.4% in 2005 relative to much stronger increases in input prices. The unfavourable price movements resulted in a negative terms of trade for farmers of -3.8%.

Table 3.3 Terms of Trade, 2004-2005

Base 2000=100	2004	2005	% change 2005/2004
Output	101.8	102.2	0.4%
Input	113.1	118.0	4.4%
Terms of Trade	**90.0**	**86.6**	**-3.8%**

Source: CSO Agricultural Price Indices

3.2 Milk

General Market Situation 2005

Despite fears that the agreed further reductions in institutional support prices, brought about by CAP reform, would impact negatively on EU and international markets, the dairy sector enjoyed a large degree of stability in 2005. Prices and demand for Irish dairy products on all markets were strong for the majority of the year. Irish exporters continued to perform well with approximately €2 billion in dairy products exported during the year. Market conditions for dairy products continued to improve in 2005 even though there was a 2.4% increase in world cow's milk production as estimated by the FAO. The use of intervention in the EU and Ireland, although higher than in 2004, remained at historically low levels.

Output in Ireland

In 2005 there was a 6% decline in the value of the milk sector to €1,332.4 million. Deliveries are estimated to be down approximately 4% on 2004.

Table 3.4 Milk Output and Disposal[1] (whole milk only) 2004-2005

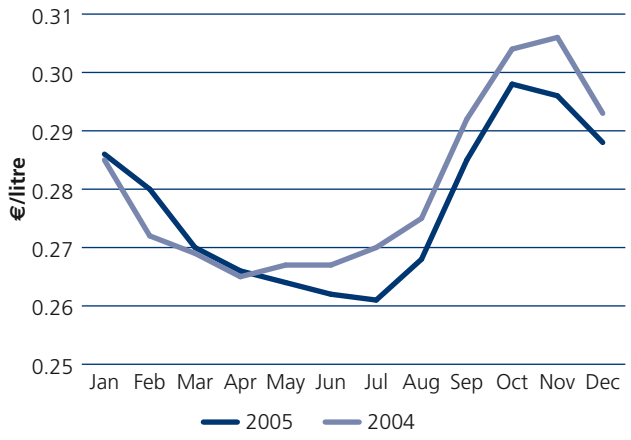
million litres	2004	2005	% change
Manner of Disposal			
Milk sold off farms	5,116	4,913	-4.0%
Milk used in farm households[2]	34	34	0.0%
Imported Milk Intake	377	550	45.9%
Total Milk Output	5,528	5,528	0.0%
of which:			
Used for liquid consumption	479	476	-0.6%
Used in the manufacture of :			
Butter	3,050	3,137	2.9%
Cheese	1,151	1,248	8.4%
Cream[3]	215	215	0.0%
Whole Milk Powder	242	269	11.3%
Miscellaneous Products	612	569	-7.0%

1 Milk output and disposal will not reconcile due to the existence of different production processes in the production of milk based products
2 Including milk used for the production of farm butter, cream and cheese and milk given as payment in kind to agricultural employees
3 Includes milk used for the manufacture of cream by creameries and pasteurisers.
Source: CSO 2004; DAF 2005 estimate

Prices

Despite the reduction in the support prices in July 2004 and 2005, the price paid to milk producers in 2005 remained broadly similar to 2004 with prices averaging approximately 28c/litre in both years. On 31 March 2005 the dairy premium was decoupled from production and incorporated into the single payment scheme. In 2006 the decoupled dairy premium will rise to 3.6 cent/litre. The combination of market returns plus the premium has maintained the relative profitability of the sector.

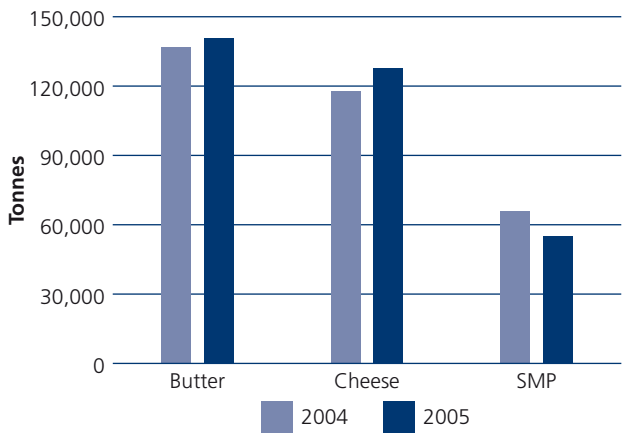
Figure 3.1 Milk Prices, 2004-2005



Source: CSO

Production of Dairy Products

Figure 3.2 Production of Dairy Products, 2004-2005



Source: DAF

The Department of Agriculture and Food estimate that butter production and cheese production increased by 2.9% and 8.5% in 2005 while production of skimmed milk powder fell by 16.5%.

Exports

Exports of Irish dairy products and ingredients continued to perform well with approximately €2 billion in dairy products exported during the year as Irish exporters continued to respond well to improved demand.

Intervention/Market Management

Market conditions for dairy products continued to improve in 2005. As a consequence the use of intervention in the EU and Ireland, although higher than in 2004, remained at historically low levels. Usage of intervention was particularly low for both butter and skimmed milk powder (SMP) with world prices for these products averaging 8% above 2004 levels.

Quota Management

There were 22,386 active milk producers in 2005, a reduction of approximately 6% on 2004. (See Statistical Annex Table 11.7)

For 2005 and 2006, the Milk Quota Restructuring Scheme is the main means by which producers acquire milk quota and in 2005 a total of 1750 quota holders sold into the scheme. The subsequent disposals, totaling almost 178 million litres (39 million gallons) were purchased by 11,180 producers, approximately half those currently in production.

Significant changes were made to the scheme for the allocation of unused quota (flexi-milk) in the 2005/2006 quota year. These changes give further recognition to active and committed dairy farmers who manage their production efficiently having regard to their available quota. The Minister for Agriculture and Food recently announced that a more market-based approach to the transfer of quotas would be utilised in the post 2006 horizon.

In the milk quota year 2004/2005 Ireland's deliveries of milk exceeded the national quota by 44 million litres and a super levy liability of €15.13 million became payable to the EU Commission.

Outlook 2006

Despite pressures from anticipated increases in world milk production, world prices are expected to remain relatively stable though somewhat lower than 2005. On internal EU markets, producer prices are expected to fall as the new intervention prices take effect coupled with the continued adjustments on subsidies and aids being implemented by the EU Commission in its general management of the milk markets. Ongoing reforms in the area of milk quota transfer will facilitate adjustment to these competitive pressures by contributing to more competitive milk production in Ireland.

The longer-term prospects of the dairy industry will be influenced by its ability to identify and competitively exploit market opportunities within and outside the EU. Notwithstanding this, oil prices and the value of the US dollar/Euro exchange rates will continue to be important factors in determining the competitiveness of Irish and EU traders on the global market.

3.3 Cattle

General Market Situation 2005

Both the Irish and EU beef markets were characterised by stability and strong prices in 2005. Irish beef production decreased marginally to 524,000 tonnes, however, the value of exports increased to almost €1.4 billion representing over 18% of total Irish agri-food exports. Similar to Ireland, beef production in the EU-15 was down 2% at 7.28 million tonnes. Consumption of beef in Ireland and in Europe has recovered with consumption exceeding 2000 levels. These positive market conditions for beef are set to continue for 2006.

Output in Ireland

In 2005 the output value of the beef sector increased by 4.3% to just over €1.4 billion due to a continued strengthening of prices in the sector.

Table 3.5 Output Value[1] and Number of Cattle and Calves, 2004-2005

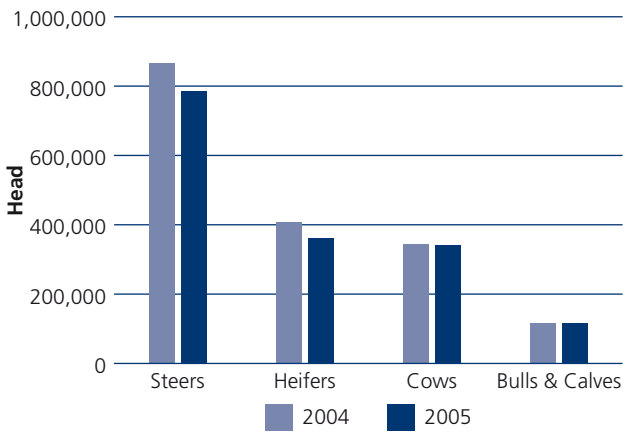
	2004		2005[2]	
	Value €m	Number 000's	Value €m	Number 000's
Live Exports	57.47	114	77.42	176
Export Slaughterings	1,247.67	1,723	1,263.96	1,606
Other Slaughterings	50.36	90	43.77	79
Total Disposals	**1,355.49**	**1,926**	**1,385.16**	**1,861**
Imports	1.07	1	1.17	1
Changes in Stocks	-9.80	-17	18.51	-15
Total	**1,344.62**	**1,908**	**1,402.50**	**1,846**

1 Values shown are after deductions for transport costs
2 Early Estimate
Source: CSO

Slaughterings and Prices

2005 began well for Irish beef producers with very tight supplies across the EU leading to strong demand. However conditions became more competitive during the summer months due to strong supplies of Brazilian beef on UK and Continental markets. Beef markets stabilised later in the year due to improved demand and the absence of Brazilian beef following a partial EU ban from areas affected by foot and mouth disease (FMD). Cattle slaughterings at Irish meat export premises fell by 6% to 1.6 million head. However, higher carcase weights resulted in a drop of only 3% in beef production to 524,000 tonnes.

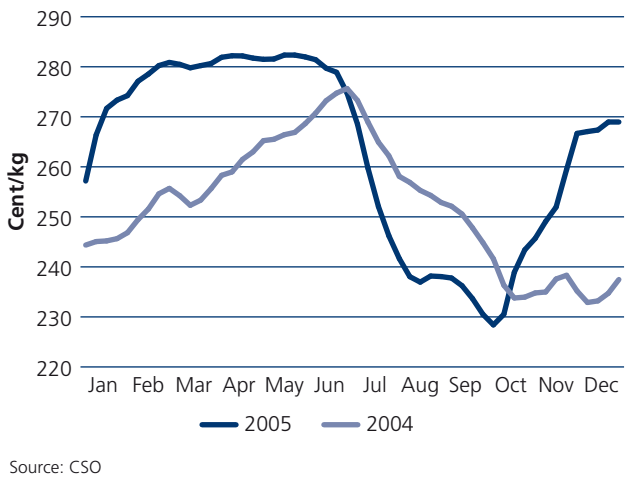
Figure 3.3 Cattle Slaughterings at Meat Export Premises, 2004-2005



Source: DAF

Cattle prices responded to the increased demand and the three main categories showed increases with steers and heifers up 5% and cows up 10%, leading to an overall average price increase of 6% for 2005. This follows a record year for beef prices in 2004, when a 6-year high was achieved.

Figure 3.4 Steer Prices at Meat Export Premises, 2004-2005



Source: CSO

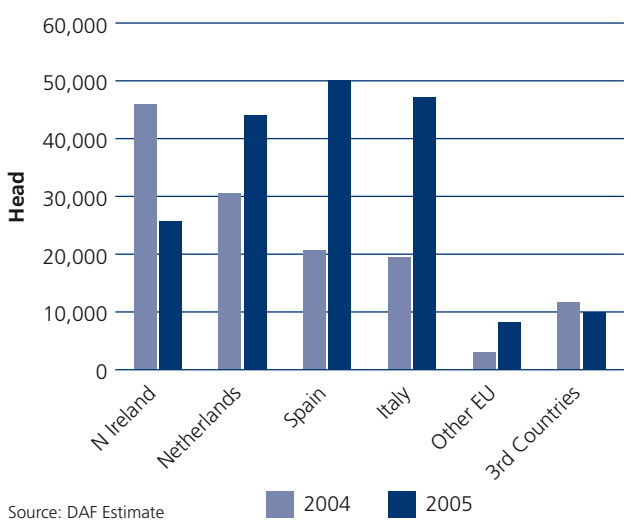
Exports

Beef exports remained strong at 487,000 tonnes with 2005 seeing a consolidation of the Irish beef position in higher value Continental EU markets with 192,000 tonnes or 40% of our beef exports sent to this prime destination. Within this block, France, Italy and the Netherlands are our biggest customers. The UK remains our largest single destination receiving exports of 260,000 tonnes or almost 50% of Irish beef production.

Live Exports of Cattle

Exports in live cattle increased by approximately 40% during 2005. Eighty percent of these exports went to the Continental EU markets, approximately 15% to the UK and 5% to third countries, most notably, the Lebanon.

Figure 3.5 Live Exports of Cattle, 2004-2005



Source: DAF Estimate

Beef Licensing Applications

The shift in overall trade in beef toward the EU market resulted in another fall in the number of EU export licence applications. Russia continued to be the main third country outlet, accounting for 98% of all licences issued.

Table 3.6 Export Licence Application by Category, 2003/2004-2004/2005

Tonnes carcase weight equivalent	2003/2004		2004/2005	
	EU	Ireland	EU	Ireland
Live Animals	63,906	5,409	61,360	3,518
Fresh Chilled	161,712	55,218	163,771	47,010
Frozen	123,160	12,609	40,278	2,181
Other	35,931	74	26,094	52
Total	**384,709**	**73,310**	**291,503**	**52,761**

Source: EU Commission

FMD in Brazil

From the middle of October 2005 the EU suspended imports of deboned and matured beef from the states of Mato Grosso do Sul, Parana and San Paolo in Brazil due to confirmed outbreaks of Foot and Mouth disease (FMD). Approximately 70% of Brazilian beef exports originate from this region with the EU sourcing 168,000 tonnes of its 338,000 tonnes import requirement for 2004 in Brazil. The slow down in supplies from this market was one of the factors causing the high beef prices on EU markets during the year.

Beef Classification

The beef industry has responsibility for the classification of beef carcases since August 2004, with the Department operating an intensive monitoring regime to ensure continued compliance with EU requirements. There are currently 25 export approved plants using mechanical classification, accounting for nearly 90% of the kill in such plants. Factory operatives, who are licensed by the Department, carry out the remaining 10% of classifications. In 2005, Department staff carried out over 750 inspection visits in export approved plants with the classification of over 55,000 carcases checked during such visits.

Cattle Numbers

There was a very small reduction in cattle numbers when December 2004 numbers are compared with 2005, as illustrated in Table 3.7 below.

Table 3.7 Cattle Numbers, 2004-2005			
	2004	2005	% change 2005/2004
Total Cattle	6,211.5	6,191.7	-0.3%
Breeding Cattle	2,712.9	2,693.3	-0.7%
Other Cattle	3,498.6	3,498.4	0.0%
Source: CSO, Livestock Survey (December 2005)			

Outlook 2006

Ireland

The outlook for Irish beef exports is largely positive with decreasing production throughout Continental Europe offering an opportunity for Irish beef producers to further consolidate their position in this high value market.

The ending of the Over Thirty Months Scheme in the UK on 22 January 2006 sends an overall positive signal and restores the EU beef market to a normality not seen since 1996. Certain adjustments may have to be made by Irish exporters if displacement of Irish produce occurs due to the additional supplies of cow beef coming onto the UK market in 2006. Should this arise, supply to other markets will need to be increased accordingly.

Exports of live animals to third countries are expected to cease in 2006 due to the abolition of export refunds on live animals other than for breeding. This will primarily affect the Lebanon where 10,000 head were exported during 2005, as the market will become uneconomic. The live trade will be centralised in closer EU markets, which due to its declining livestock production has a demand for such animals.

The ban on British beef exports was lifted in principle in early March 2006, which was 10 years to the month after the initial link between BSE and vCJD was first established. The EU Commission proposal lifts the embargo on UK exports of live cattle, beef and beef products from animals born after 1 August 1996 and meat produced after 15 June 2005. The proposal, having been voted upon, is expected to be formally adopted following examination by the European Parliament. The decision reflects the fact that the level of BSE cases in the UK have declined to less than 200 per million head and BSE controls are being fully and properly applied.

EU and Non EU

Beef consumption in the EU is expected to be largely unchanged in 2006, with demand again exceeding supply. The increase in manufacturing beef available from the UK is expected to offset some demand for third country imports, but there is still likely to be a 350,000 tonne deficit in EU-25 requirements with production forecast at 7.326 million tonnes and consumption at 7.672 million tonnes.

Continental EU and UK markets will continue to offer a much more attractive and secure outlet for Irish beef and coupled with the 30% reduction in beef export refunds during 2005 there is likely to be little growth in sales of beef to third country markets in 2006.

3.4 Sheep And Lambs

General Market Situation 2005

The domestic market for sheep and lambs was reasonably steady in 2005. The higher carcase weights for lambs coupled with increased slaughterings of ewes resulted in higher exports, in particular to the UK. However, France remained the main destination taking 32,300 tonnes, however low demand for spring lamb at Easter put some downward pressure on prices.

Output in Ireland

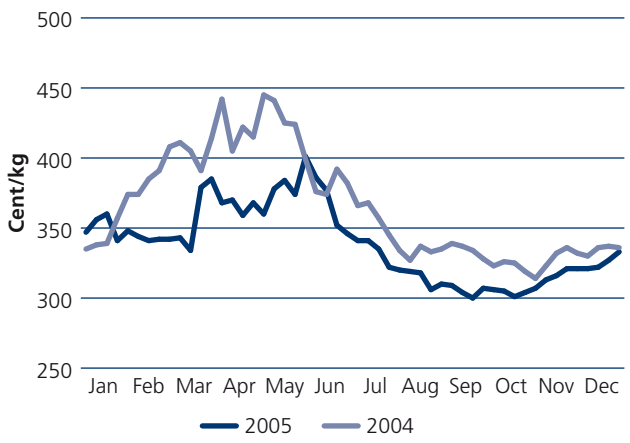
In 2005 the output value of the sheep and lamb sector decreased by 5.4% to €192 million. Weakening prices brought about by reduced demand in French markets in the first half of the year was a contributing factor.

Table 3.8 Output Value[1] and Numbers of Sheep and Lambs, 2004-2005				
	2004		2005[2]	
	€m	'000 head	€m	'000 head
Live Exports	4.62	71	6.43	105
Export Slaughterings	209.07	3,229	197.29	3,280
Other Slaughterings	28.40	336	23.91	335
Total Disposals	**242.09**	**3,637**	**227.63**	**3,720**
Imports	22.69	321	18.46	281
Changes in Stocks	-16.22	-293	-17.02	-298
Total	**203.18**	**3,022**	**192.15**	**3,141**
1 Values shown are after deductions for transport costs 2 Early Estimate Source: CSO				

Prices and Slaughterings

Average weekly factory prices for lambs were approximately 7% below 2004. Again, this was a result of weaker demand on French markets. The price paid for spring lamb at Easter was disappointingly low but prices recovered thereafter and finished stronger at the end of the year.

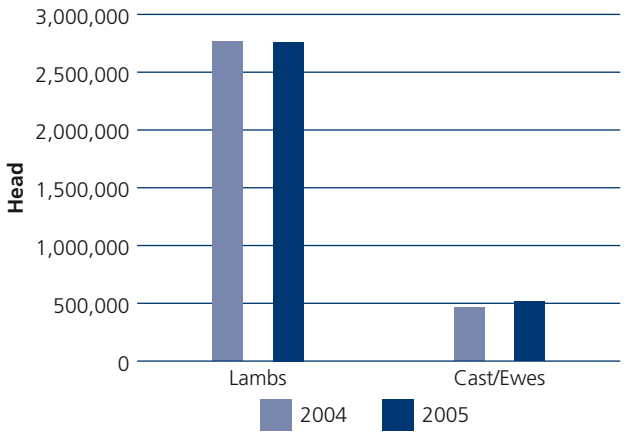
Figure 3.6 Sheep Prices at Meat Export Premises, 2004-2005



Source: DAF

Slaughterings at export plants increased marginally at 3.3 million head in 2005. The rise was due to increased slaughterings of ewes and rams at export plants, whereas slaughterings of lambs were down.

Figure 3.7 Sheep Slaughterings at Meat Export Premises, 2004-2005



Source: DAF

Exports

There was a 24% rise in exports to the UK, which reached 14,900 tonnes, a significant proportion of which was mutton. In other markets, exports to Germany increased by 4% to 2,500 tonnes and exports to Sweden increased by 33% to 20,000 tonnes. France continued to be the main destination taking 32,300 tonnes. There was a substantial decline of 23% in exports to third country markets but these only accounted for 1,000 tonnes of exports.

Sheep Numbers

CSO data for December 2005 shows a decline of approximately 7% in sheep and ewes numbers.

Table 3.9 Sheep Numbers, 2004-2005

	2004	2005	% change 2005/2004
Total Sheep	4,556.7	4,257.0	-6.6%
Breeding Sheep	3,569.4	3,304.8	-7.4%
Other Sheep	987.3	952.3	-3.5%

Source: CSO, Livestock Survey (December 2005)

Outlook 2006

Supplies are expected to decline by 150,000 head in 2006 due to a lower carryover of stock from the previous year. Domestic consumption is forecast to remain stable. Export demand should also be firm and prices are expected to remain strong as total production in the EU-25 is forecast to fall by 2-3% in 2006. Reduced supplies should help to support prices on the main export markets, mainly France and the UK.

3.5 Pigs

General Market Situation 2005

Overall 2005 was satisfactory for the Irish pigmeat sector. Production for the year was down slightly on the previous year, as increased live exports to Northern Ireland resulted in a decline in export slaughterings. The market situation remained stable and there was good demand on export markets. Pigmeat consumption in Ireland was up 4% to 148,000 tonnes (cwe[1]).

Output in Ireland

In 2005 the output value of the pig sector decreased by 1.8% to €292 million due to a moderate weakening of prices compared with 2004 (Table 3.10).

1 Carcase Weight Equivalent

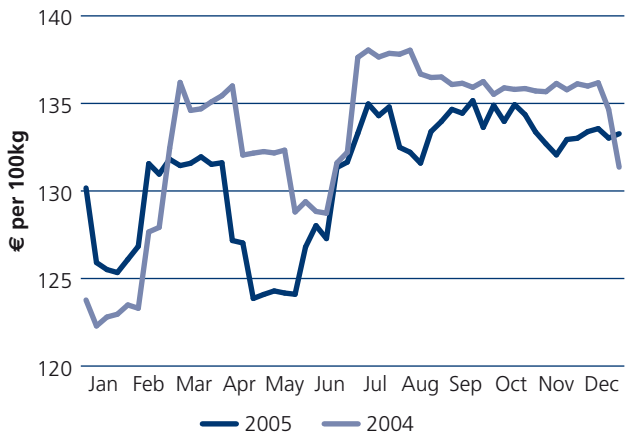
Table 3.10 Output Value[1] and Numbers of Pigs 2004-2005				
	2004		2005[2]	
	€m	'000 head	€m	'000 head
Live Exports	41.53	463	45.19	495
Export Slaughterings	255.70	2,683	251.78	2,616
Other Slaughterings	2.40	28	2.53	29
Total disposals	**299.64**	**3,174**	**299.50**	**3,139**
Imports	2.00	20	4.99	50
Changes in stock	-0.56	26	-2.92	-80
Total	**297.08**	**3,179**	**291.59**	**3,010**

1 Values shown are after deductions for transport costs
2 Early Estimate
Source: CSO

Prices and Slaughterings

The average grade E pig price in 2005 at export approved plants was down 1.5% to €130.89/100 kgs

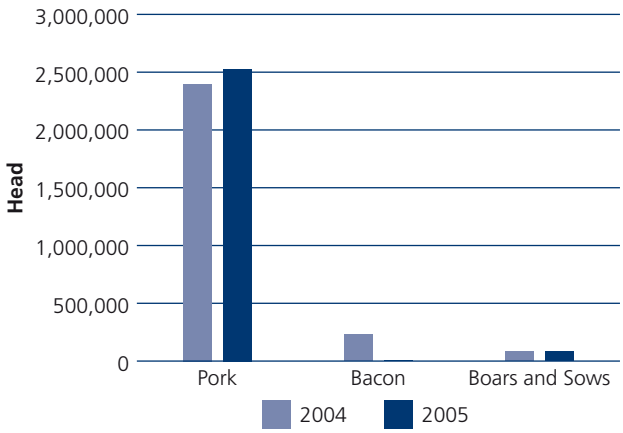
Figure 3.8 Pig Prices at Meat Export Premises, 2004-2005



Source: DAF

Slaughterings at export-approved plants were down slightly to 2.6 million as a result of an increase in live exports. The large drop in bacon slaughterings is in a large degree attributable to the fact that a majority of previous years' bacon slaughterings were carried out by Galtee Meats, which ceased slaughtering pigs at the end of 2004.

Figure 3.9 Pig Slaughterings at Meat Export Premises, 2004-2005



Source: DAF

Exports

The value of pigmeat exports increased by 10% to €324 million. UK markets accounted for approx 67% of Ireland's pigmeat exports, the continental markets for 18% and the balance to international markets, primarily Japan.

Pig Numbers

Pig numbers decreased by 4.5% during 2005.

Table 3.11 Pig Numbers, 2004-2005			
	2004	2005	% change 2005/2004
Total Pigs	1,757.6	1,678.0	-4.5%
Breeding Pigs	181.4	176.8	-2.5%
Other Pigs	1,576.2	1,501.2	-4.8%

Source: CSO, Livestock Survey (December 2005)

Outlook 2006

In 2006 it is anticipated that short term marginal reductions in supply as brought about by unforeseen de-stocking in the early months of the year will give way to a more steady supply in the medium term. Pig prices are expected to remain steady. In the EU a 1.2% increase in production is forecast for the first half of 2006. EU average pig prices are expected to decrease during the first half of 2006 but recover in the latter half of the year.

3.6 Poultry And Eggs

General Market Situation 2005

In 2005 poultrymeat production remained at similar levels to 2004. There was a drop in demand during September and October due to the Avian Influenza scare but demand returned to normal for the rest of the year.

Output in Ireland

In 2005 the output value of the poultry sector remained relatively stable at €148 million.

Table 3.12 Output Value and Volume of Poultry 2004-2005

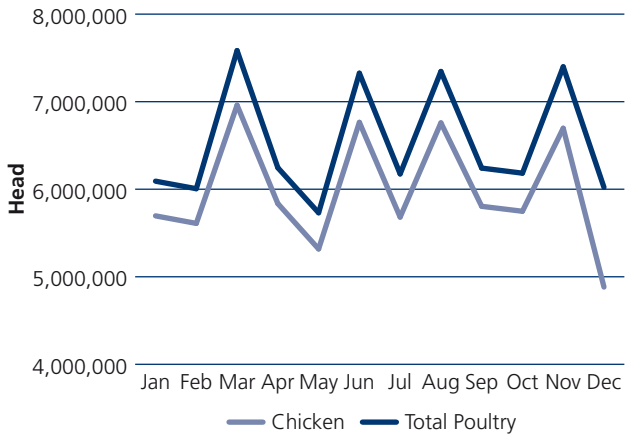
	2004		2005[1]	
	€m	'000 head	€m	'000 head
Poultry	149.1	64,725	147.7	64,678

1 Early Estimate
Source: CSO

Poultry Slaughterings

There were approximately 65 million poultry slaughtered in 2005. The vast majority were broiler chickens, which accounted for 85% of slaughterings.

Figure 3.10 Poultry Slaughterings 2005



Source: DAF

Outlook 2006

The prospects for 2006 will be influenced by developments in relation to Avian Influenza in the EU and third countries trading in poultry. The Irish poultry sector will continue to face serious pressures posed by a potentially severe and sustained decline in demand on domestic and EU markets as driven by consumer reaction to these developments. The prospect exists for competitive pressures to be exacerbated due to potentially higher levels of imports from EU and third countries. The outlook for eggs in 2006 is for production and prices to remain stable.

3.7 Cereals

General Market Situation 2005

In the European Union, the 2005 harvest is estimated at 252 million tonnes, compared with the record 284 million tonnes the previous year. Total wheat production is forecast at 10% lower than in 2004, with maize and barley production estimated to be down 11% and 14% respectively on 2004.

On the world market, the International Grains Council estimates that the harvest for 2005 will be in the region of 1,581 million tonnes, compared to the record production of 1,632 million tonnes achieved.

Output in Ireland

The output value of cereals in 2005 was €125.1 million a decrease of 31% on the bumper harvest of 2004.

Table 3.13 Output Value and Volume of Cereals, 2004-2005

	2004		2005[1]	
	€m	'000	€m	'000
Barley	98.6	991	67.2	646
Wheat	72.4	688	51.3	455
Oats	10.5	105	6.6	62
Total	**181.5**	**1,784**	**125.1**	**1,163[2]**

1 Early Estimate
2 Refers to production from which income is directly derived
Source: CSO

Prices

Irish prices were comfortably above the intervention level in 2005, but in May prices in the South East region weakened resulting in a quantity of 4,000 tonnes of barley being offered into intervention. Apart from this very small amount there were no other cereal intervention stocks in Ireland in 2005.

Area, Yield and Production

Cereal production in 2005 (Table 3.14) was down considerably, with total production estimated at over 1.9 million tonnes, a decrease of 23% on the record harvest of 2004, with winter oats showing the largest decrease (43%). Yields of winter and

spring barley decreased by 10% and 14% respectively. Wheat production fell by 22% due to decreases in area sown and yields for both winter and spring wheat.

Table 3.14 Area, Yield and Production of Cereals, 2005

	Area (000 hectares)	Yield (tonnes per hectare)	Production[1] (000 tonnes)
Total Cereals	**275.7**	**7**	**1,934**
Wheat	**94.7**	**8.4**	**798**
Winter	65.3	8.8	575
Spring	29.4	7.6	223
Barley	**164.5**	**6.2**	**1,025**
Winter	16.5	7.4	122
Spring	148	6.1	903
Oats	**16.5**	**6.7**	**111**
Winter	8.4	7.3	62
Spring	8.1	6.1	49

1 Refers to all production, which is subsequently sold or used alternatively, typically for feed

Source: CSO

The quality of the grain harvested in 2005 was satisfactory, but yields have proved to be disappointing although there is extreme variation between crops and regions.

The harvest estimate figures reflect a sharp decline in sowings, with the total area sown to cereals at approximately 276,000 hectares, 10% less than in 2004. This situation is due to decreases in sowings for all three main cereals, with farmers reconsidering their options in the light of the new decoupled support regime.

Outlook 2006

Initial estimates put EU production at 268 million tonnes for the 2006 harvest, up 5% on 2005. If these estimates prove to be correct cereal prices would be expected to remain low. The potential to reduce intervention stocks will largely depend on how successful the EU will be in export markets. The current strength of the euro against the US dollar will remain a factor in this regard.

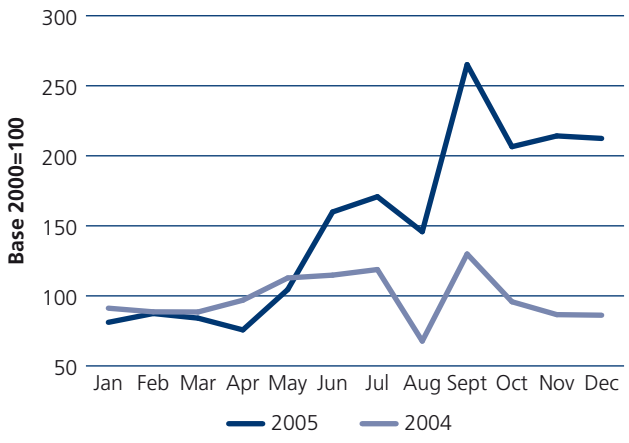
In Ireland early indications show a drop in sowings of winter cereals. Sowings of winter wheat, which is the main winter crop, will be close to last year, but winter barley and winter oats are both expected to be down.

3.8 Root Crops

Potato Sector

There was a reduction in potato production with the sector continuing to become more concentrated in Leinster. This reduction contributed to some upward movement in prices.

Figure 3.11 Potato Price Indices, 2004-2005



Source: CSO Agriculutral Price Indices

Area, Yield and Production

Yields were down 16% on the high of 41.4 tonnes per hectare achieved in 2004. This, combined with an 8% decrease in area harvested resulted in a 24% decrease in potato production for 2005.

Table 3.15 Area, Yield and Production of Potatoes, 2004-2005

	Area (000 hectares)	Yield (tonnes per hectare)	Production (000 tonnes)
2004	13.3	41.4	552
2005	12.2	34.7	422

Source: CSO

Sugar Beet

Prices

The contract price for sugar beet is closely related to the EU's sugar intervention price, which has remained unchanged for a number of years. Sugar quotas were temporarily reduced for 2005/06 in the context of WTO limits on export refunds. In Ireland's case the reduction was just over 14,000 tonnes. The revised quota is 185,072 tonnes.

Area, Yield and Production

The yield for sugar beet fell in 2005[2]. This may be partly due to new contracting procedures for growers designed to match more closely production with the national sugar quota. The contracted area under sugar beet in 2005/2006 was 30,816 hectares. The average sugar content was 16.7%. The contracted sugar beet delivered was sufficient to allow for the manufacture of more than the sugar quota.

Table 3.16 Area, Yield and Production of Sugar Beet, 2004/2005 – 2005/2006

	Area (000 hectares)	Yield (tonnes per hectare)	Production (000 tonnes)
2004/2005	31.1	60	1,359
2005/2006	30.8	n/a	1,201

Source: Irish Sugar Ltd and DAF Estimate

Irish Sugar Ltd, a subsidiary of Greencore plc, is the only manufacturer of sugar in Ireland. In March 2005 the company closed its Carlow sugar factory and commenced arrangements to consolidate its sugar manufacturing at its one remaining plant in Mallow. The full Irish sugar quota for the 2005 marketing year was duly processed in Mallow.

In November 2005, after tense and protracted negotiations, the EU Council of Agriculture Ministers reached political agreement on proposals for a reformed EU sugar regime to take effect from 1 July 2006, on the expiry of the current regime. Impact studies carried out by the EU Commission had identified Ireland as one of a small group of Member States where sugar production was likely to be drastically reduced or phased out as a consequence of reform. However, the final agreement did open up the possibility of sugar production continuing in Ireland for a further two campaigns. The agreement also provided for a compensation package worth €310 million for Irish stakeholders in the event that sugar production ceased, involving factory closure and quota renunciation.

Outlook 2006

In March 2006, Greencore announced its decision to close the Mallow plant and cease sugar production in Ireland. This was a commercial decision by the company having regard to the deteriorating situation on the sugar market and the impact of the EU sugar reform agreement. The compensation arrangements provided for in the reform agreement will now come into play and will be finalised when the EU Commission's implementing regulations are adopted in the coming months.

3.9 Horticulture

Output in Ireland

In 2005 the output value of the horticulture sector was estimated at €298 million with an estimated 18% increase in the value of fresh fruit.

Table 3.17 Output Value of Horticulture 2004-2005

	2004 €m	2005* €m	% change 2005/2004
Mushrooms	114.5	110.0	-4.0%
Other Fresh Vegetables	74.3	80.2	+8.0%
Fresh Fruit	28.1	33.2	+18.0%
Other	74.1	74.0	-
Total	**291.0**	**297.8**	**+2.0%**

Source: CSO (2004); DAF early estimate (2005)

Mushrooms: Larger growers increased output and production efficiency and mushroom output remained constant. There was continued consolidation within the sector in 2005, albeit at a slower rate than in previous years.

Fruit and Vegetables: Trade in vegetables remained steady, with a slight decrease in area of crops grown in 2005. Prices were similar to 2004. The soft fruit sector experienced a good year with yields and quality excellent. Apple yields in 2005 were down on 2004 due to unfavourable conditions during key stages of the growing season. Nevertheless, the quality of fruit was generally good and prices were firmer than 2004 due to a better match of supply with demand. Production of cider apples continues to increase.

Nursery Stock: The market for nursery stock continues to expand. The output for home-grown material is estimated to be €47 million. The retail market, with the continued growth of landscape businesses, multiple D.I.Y. stores and large garden centres, has played a vital role in developing the sector. Increases in international trade are anticipated for this sector.

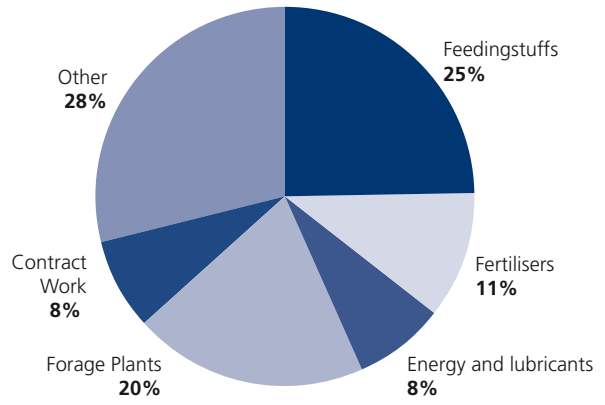
3.10 Intermediate Consumption In Agriculture (Inputs)

Expenditure on Intermediate Consumption

Expenditure on intermediate consumption in agriculture remained relatively static at €3,443 million in 2005 (Figure 3.12). While there were decreases in usage across the range of intermediate inputs (notably energy and agricultural services), these were offset by price increases in other areas such as energy and fertilisers. Animal feed prices, which accounts for one quarter of intermediate consumption, fell during 2005.

2 CSO provisional estimates.

Figure 3.12 Intermediate Consumption – % Share of Selected Items, 2005



Source: CSO Output, Input and Income in Agriculture, Feb 2006

Price Indices for Agricultural Inputs

In 2005 the price level of agricultural inputs increased by 4.4%. The most substantial increase was in the cost of motor fuel with prices rising by almost 20%. Electricity and fertiliser prices also rose considerably, however, there were decreases in the cost of feedingstuffs.

Table 3.18 Agricultural Input Price Index, 2004- 2005

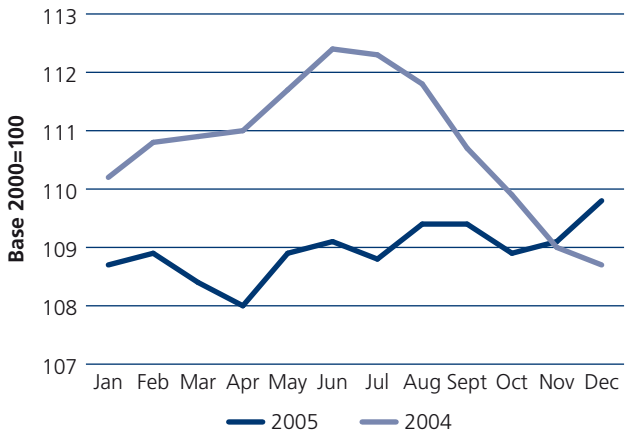
	Average Change 2004	Average Change 2005
Input Prices	**3.9%**	**4.4%**
Feedingstuffs	**4.0%**	**-1.6%**
of which		
Straight	7.3%	-0.2%
Cattle	3.7%	-2.6%
Pig	4.1%	-0.3%
Poultry	3.2%	1.1%
Fertilisers	**1.9%**	**8.1%**
of which		
Straight	4.0%	9.1%
NPK	0.7%	8.0%
PK	1.2%	3.5%
Seeds	**0.9%**	**-0.4%**
Veterinary Expenses (incl A.I)	**1.0%**	**1.6%**
Motor Fuels	**11.2%**	**19.6%**
Electricity	**5.1%**	**8.0%**

Source: CSO, Agricultural Price Indices

Animal Feedingstuffs

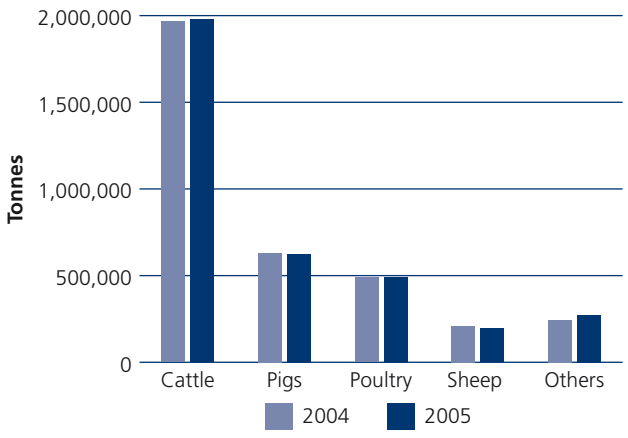
In 2005, the total cost of animal feedingstuffs was on par with 2004 at €864 million. Relative to 2004, the volume of animal feedingstuffs consumed increased marginally to 3.6 million tonnes. This is a reversal of the annual downward trend from the production high of 3.7 million tonnes recorded in 2002. Wet weather in the latter half of the year led to earlier housing of cattle, with a consequent increase in compound feed intake.

Figure 3.13 Price Index for All Feedingstuffs, 2004-2005



Source: CSO, Agriculutral Price Indices (APAM107)

Figure 3.14 Production of Compound Feedingstuffs, 2004-2005

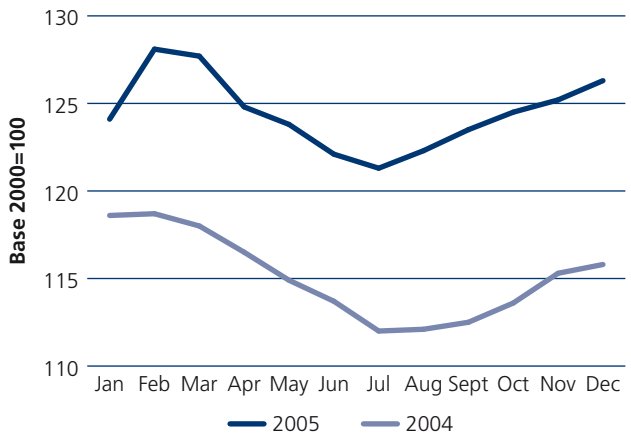


Source: DAF

Fertiliser

In 2005 the value of fertilisers consumed (including ground limestone) increased by 1.7% to €364.4 million incorporating a price increase of 6.5%.

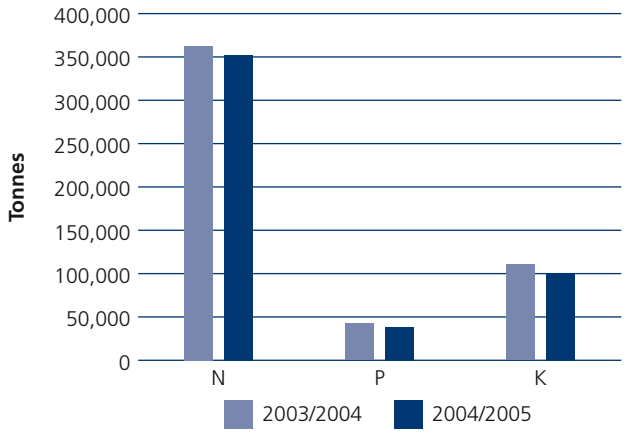
Figure 3.15 Price Index for All Fertilisers, 2004-2005



Source: CSO, Agricultural Price Indices (APAM111)

For the sale year October 2004 to September 2005, total sales of NPK fertilisers decreased by 3.8%. There were decreases in usage across main nutrients, with nitrogen (N), phosphorous (P) and potassium (K) sales down by 2.9 %, 9.4 % and 9% respectively.

Figure 3.16 Sales of Fertilisers by Nutrient Content, 2003/2004-2004/2005

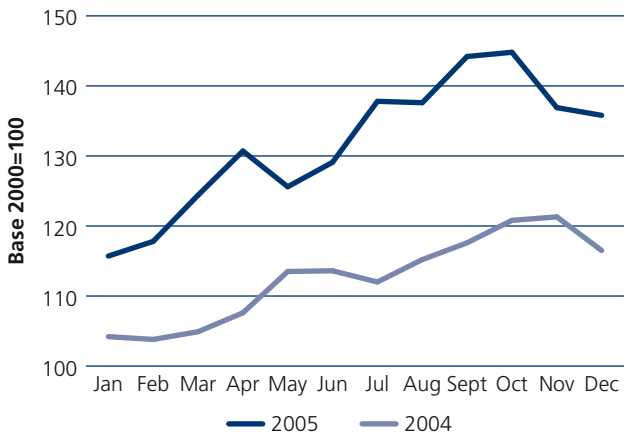


Source: DAF

Energy Costs

In 2005, the price of all energy products increased by 17%. Included in this increase were average changes in the year of almost 20% for motor fuels and 8% for electricity.

Figure 3.17 Price Index for All Energy, 2004-2005



Source: CSO, Agricultural Price Indices

Chapter 4
Agricultural Structures

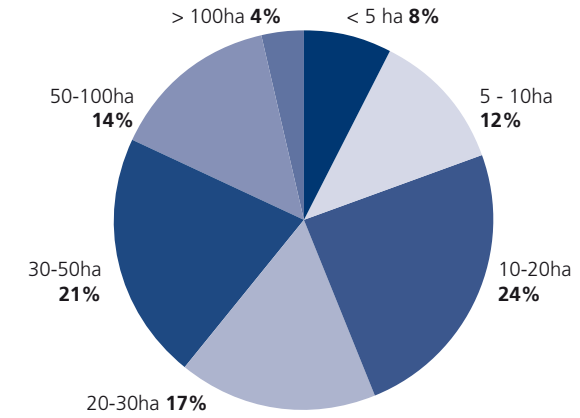
4.1 Overview

This chapter outlines the changing structure of Irish farming using recent CSO statistics in conjunction with data from the 2004 Teagasc National Farm Survey and other sources. Comparisons are made with other EU countries where current data is available.

4.2 Farm Numbers And Farm Size

The number of Irish farms declined by 1.5% per annum between 2000 and 2003 to 135,300[1]. Over this period the trend of increasing farm size continued with the number of farms over 100 hectares increasing by 9% and the number of farms of 30 hectares or less decreasing by approximately 6% from 87,700 to 82,200. These trends have resulted in an increase in average farm size from 31.4 hectares in 2000 to 32.3 hectares in 2003. Over the period 1993 to 2003 average farm size increased by 5.5 hectares.

Figure 4.1 Farm Size Structure in Ireland, 2003



Source: CSO

Farm size in Ireland compares favourably with an EU-25[2] average of 15.8 hectares in 2003 and an EU-15 average of 20.2 hectares. The number of farm holdings in the EU-25 is estimated at 9.87 million with 3.63 million of these in the new Member States including over 2 million in Poland.

Table 4.1 Number of Holdings (000's) in the EU-25, 2003

Countries	Number of Holdings[1] (000's)	Countries	Number of Holdings[1] (000's)
EU-25	9,870.6	Latvia	126.6
EU-15	6,238.6	Luxembourg	2.5
Belgium	54.9	Hungary	773.4
Czech Republic	45.8	Malta	11.0
Denmark	48.6	Netherlands	85.5
Germany	412.3	Austria	173.8
Estonia	36.9	Poland	2,172.2
Greece	824.5	Portugal	359.3
Spain	1,140.7	Slovakia	77.1
France	614.0	Slovenia	71.7
Ireland	135.3	Finland	75.0
Italy	1,963.8	Sweden	67.9
Cyprus	45.2	United Kingdom	280.6
Lithuania	272.1		

1 Farms over 1 hectare.

Source: European Union Directorate-General for Agriculture and Rural Development, Agriculture in the European Union – Statistical and Economic Information (2005), February 2006

Average farm size varies significantly throughout the EU-25 from 79.4 hectares in the Czech Republic to 1 hectare in Malta (Figure 4.2). The percentage of farms over 50 hectares in each of the EU-25 countries varies from almost 46% in Luxembourg to 0% in Malta. In Ireland, approximately 18% of farms or 24,200 farms are over 50 hectares in size.

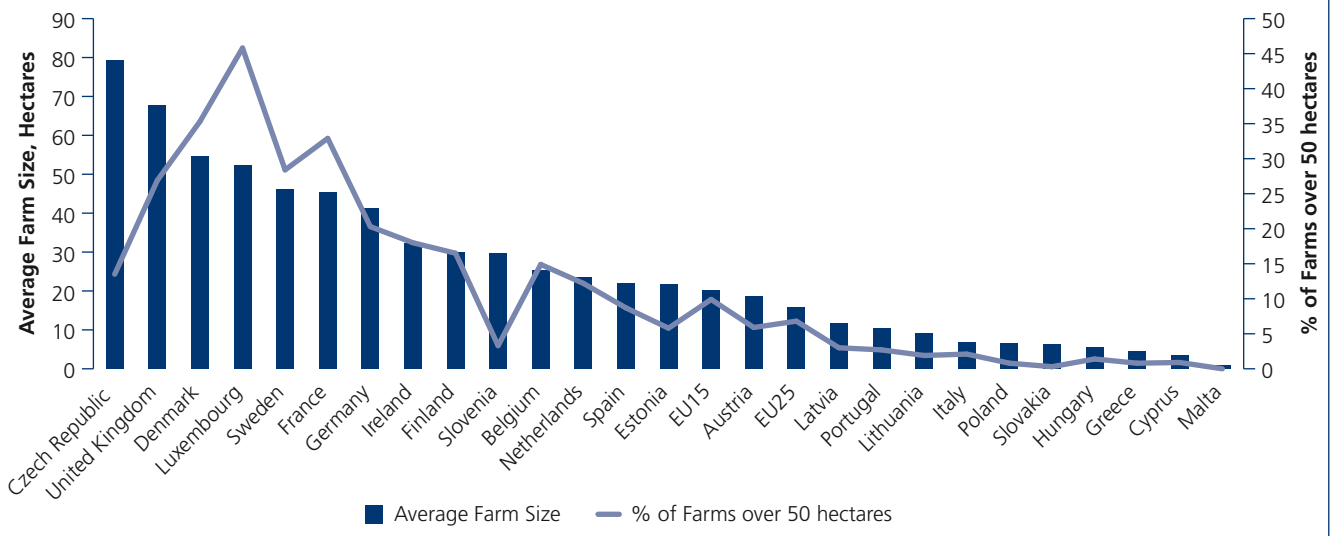
4.3 Future Farm Numbers

Further analysis of the projections of future farm numbers prepared for the Agri Vision 2015 Committee estimates that of the 105,000 farms projected for 2015 approximately 63% will be part-time farmers who will have an off-farm job. Approximately 40,000 farms will be viable either on a full or part-time basis (Table 4.2).

1 The total number of holders in the state is slightly less than the total number of farms as commercial companies; institutions, etc. are not included in this figure.

2 European Union Directorate General for Agriculture and Rural Development, Agriculture in the European Union – Statistical and Economic Information (2005), February 2006.

Figure 4.2. Average Farm Size and Percentage of Farms over 50 hectares in the EU-25, 2003



Source: European Union Directorate General for Agriculture and Rural Development, Agriculture in the European Union - Statistical and Economic Information (2005), February 2006.

Table 4.2 Farm Numbers in 2002 and Projections of Farm Numbers in 2015

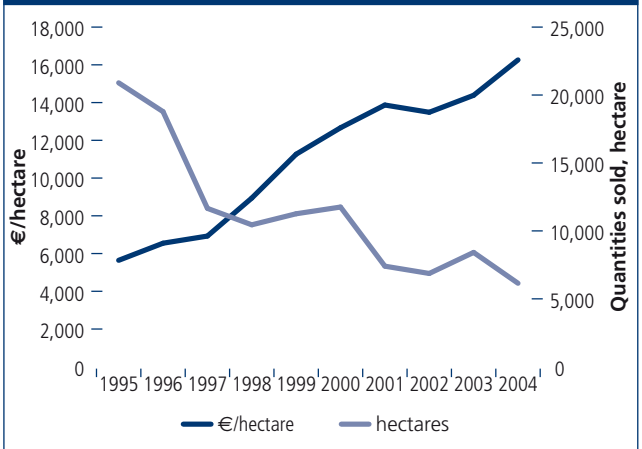
	2002	2015
Viable Farms	**38,700**	**40,000**
Viable Full-Time (farmer has no other earned income)	29,925	18,500
Viable Part-Time (farmer has other earned income)	8,700	21,500
Non-Viable Farms	**37,000**	**45,000**
Non-Viable Full-Time (farmer has no other earned income)	6,481	6,481
Non-Viable Part-Time (farmer has other earned income)	30,900	38,500
Transitional Farms (farmer of spouse has no other earned income)	**60,400**	**20,000**
Micro Farms (hobby farms)	20,000	6,000
All Farms	**136,100**	**105,000**
% full-time farmers (sole occupation is farming)	**58%***	**37%**
% part-time farmers (farmer has off-farm job)	**42%***	**63%**

Source: Hennessy, T., (2005), unpublished.
*Source: CSO, 2003

4.4 Land Mobility

Although there has been some improvement in farm structures the low levels of land mobility in Ireland is a continuing obstacle. The volume of agricultural land being offered for sale on an annual basis has declined by 71% in the past decade and consequently land prices have increased significantly as shown in Figure 4.3. In 2004 agricultural land prices rose by 13% to €16,261 per hectare. Land prices vary significantly across the EU-25 from €406 per hectare in Lithuania to €29,300 per hectare in the Netherlands[3].

Figure 4.3 Land Prices and Estimated Agricultural Area Sold, 1995 –2004



Source: CSO, Land sales derived from average transaction size and no. of transactions

In an effort to increase farm size and overcome difficulties caused by high land prices many farmers are leasing or renting-in farmland. Over half of all specialist dairy farmers

3 European Union Directorate General for Agriculture and Rural Development, Agriculture in the European Union – Statistical and Economic Information (2005), February 2006.

and 47% of specialist tillage producers leased-in some land in 2003. Over 45,000 farmers leased or rented in approximately 866,800 hectares in 2003.

Table 4.3 Percentage of Farmers Renting in Farm-Land and Areas Rented-In, 2003

Farm type	% of Farmers Renting in Farm-land	Area Rented-in (ha)
Specialist tillage	47%	122,600
Specialist dairying	53%	223,300
Specialist beef production	27%	306,100
Specialist sheep	25%	52,500
Mixed grazing livestock	32%	110,800
Mixed crops and livestock	48%	43,900
Other	30%	7,600
Total Farm-land Rented in		**866,800**

Source: CSO

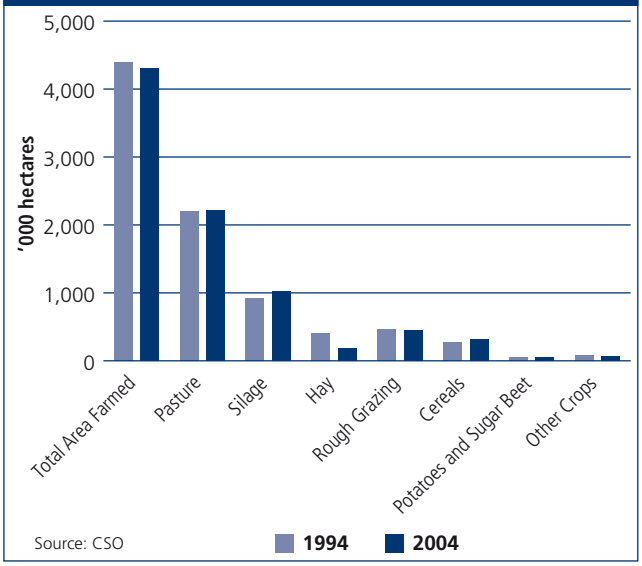
Scheme and reliefs which encourage land mobility include:

- the Early Retirement Scheme;
- an Installation Aid Scheme for young trained farmers;
- Capital Gains Tax – Retirement Relief;
- a Rental Income Tax Exemption for farmers over 40 years;
- Capital Acquisitions Tax – Agricultural Relief;
- full Stamp Duty relief for young trained farmer;
- a Stamp Duty relief scheme where land is transferred between two farmers for the purpose of farm consolidation.

4.5 Land Usage

The total land area of Ireland is approximately 6.9 million hectares of which 4.3 million hectares or 62% is used for agriculture. In 2004 over 90% of agricultural land was under grass with 7% under cereals and 3% under other crops (potatoes, sugar beet, etc). From 1994 to 2004 the total area farmed decreased by 2%. The principal changes in agricultural area were a 54% decrease in the area devoted to hay production, an 11% increase in silage area and a 15% increase in the area devoted to cereal production. In 2005 the area of cereals decreased by 10%, most noticeably winter oats and winter barley.

Figure 4.4 Land Usage in Ireland, 1994 and 2004

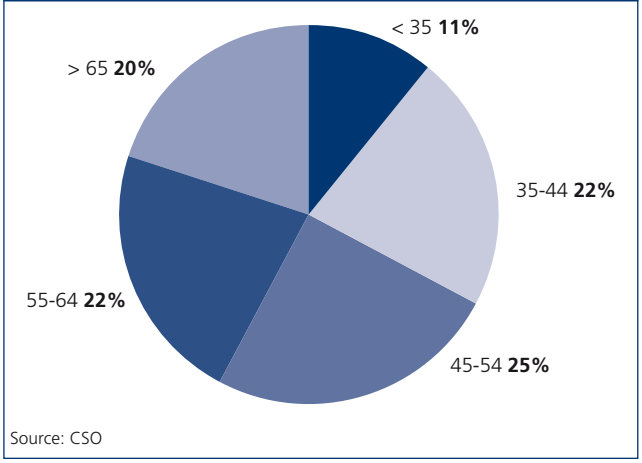


Agricultural land area has decreased by 5% within the EU-15 in the period 1992-2002[4]. There is considerable variation within EU countries in the percentage share of land devoted to agriculture, with the UK at 70% compared to the Scandinavian countries of Finland and Sweden at 7% and 8% respectively.

4.6 Age Profile Of Farmers

On average 8%[5] of the EU's farmers are less than 35 years of age. However in Ireland, approximately 11% of farmers are less than 35 years of age. A similarly favourable situation exists for older farmers with 20% of Irish farmers over 65 years of age compared to the EU average of 29%[5].

Figure 4.5 Age Profile of Irish Farmers, 2003



4 OECD, Agricultural Policies in the OECD: Monitoring and Evaluation, 2005
5 Eurostat, Statistics in Focus, Theme 5 16/2003

In an effort to continually improve the age profile of Irish farmers, there are a number of incentives in place to facilitate the transfer of farms to younger farmers and to encourage these transferees to obtain appropriate agricultural training:

- an Installation Aid grant of €9,520 to farmers under 35 years of age, who meet specific criteria;
- 100% Stamp Duty relief on transfers of agricultural land and buildings to young trained farmers;
- 100% stock relief for up to four years for young trained farmers;
- 90% agricultural relief on Capital Acquisitions Tax;
- priority access to milk quota in the Milk Quota Restructuring Scheme;
- an EU Early Retirement Pension of up to €13,515 for a period of up to 10 years on transfer of farms by gift, sale or lease.

4.7 Labour Input On Farms

The National Farm Survey provides detailed labour input data including standard man day requirements[6] for both full and part-time farms. It defines a full-time farm as a farm that requires at least 0.75 of a labour unit[7] to operate and a part-time farm as one that requires less. Using these definitions 62% of farms were classified as part-time and 38% or 42,700 as full-time in 2004.

On average in 2004 labour input exceeded standard man days requirement by 24%. However large variations exist between systems of farming, with cattle and sheep systems having excess labour while dairy and tillage farms have a shortage of labour input. Results for full-time farms identify that family labour input falls short of requirements across all systems with family labour supplying on average 80% of the labour input on full-time farms. In the case of tillage farms, family labour supplies only 60% of the total labour input. In contrast, the average labour input for part-time farms is over twice the required standard man-days for all farming systems with the exception of dairying. This indicates the potential to significantly improve labour efficiencies on part-time farms.

According to the CSO, the total labour input on Irish farms in 2003 was 163,200 annual work units[8] or 1.2 labour units per farm.

4.8 Off-farm Employment

Teagasc's National Farm Survey contains data on off-farm employment among farm holders and their spouses. The results identify that in 2004, either the farmer and/or spouse had another occupation on 52% of all farms, an increase of 2% on the previous year with off-farm employment among farm holders also increasing by 2% to 36%.

Table 4.4 Comparison of Labour Input and Standard Man Day Requirements on Farms, 2004

	Dairy	Dairy + Other	Cattle Rearing	Cattle Other	Sheep	Tillage	All Systems
All Farms							
Family Labour Units	1.35	1.35	0.92	0.95	0.96	0.92	1.05
SMDs excluding hired labour	1.60	1.47	0.44	0.51	0.76	1.15	0.85
Family labour as % SMDs excluding hired	85%	92%	209%	186%	126%	80%	124%
Full-time farms							
Family Labour Units	1.36	1.44	1.13	1.39	1.21	1.16	1.32
SMDs excluding hired labour	1.68	1.91	1.15	1.41	1.52	1.93	1.65
Family labour as % SMDs excluding hired	81%	75%	98%	99%	80%	60%	80%
Part-time Farms							
Family Labour Units	1.19	1.14	0.90	0.85	0.85	0.67	0.88
SMDs excluding hired labour	0.73	0.47	0.36	0.30	0.41	0.33	0.36
Family labour as % SMDs excluding hired	163%	243%	250%	283%	207%	203%	244%

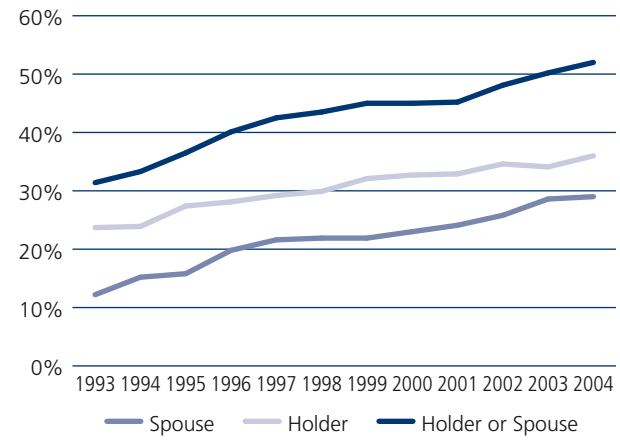
Source: National Farm Survey 2004, Teagasc 2005

6 Standard Man Days (SMD), eight hours of work supplied by a person over 18 years of age. The number of SMD required per hectare for the different crops, and per head for various categories of livestock is used to calculate the total number of SMD required to operate the farm.

7 A labour unit is defined as 1,800 hours worked on a farm by a person over 18 years (National Farm Survey).

8 1 annual work unit = 1800 hours or more of labour input per person per annum (CSO).

Figure 4.6 Percentage of Farm Holders and/or Spouses with Off-farm Job, 1993-2004

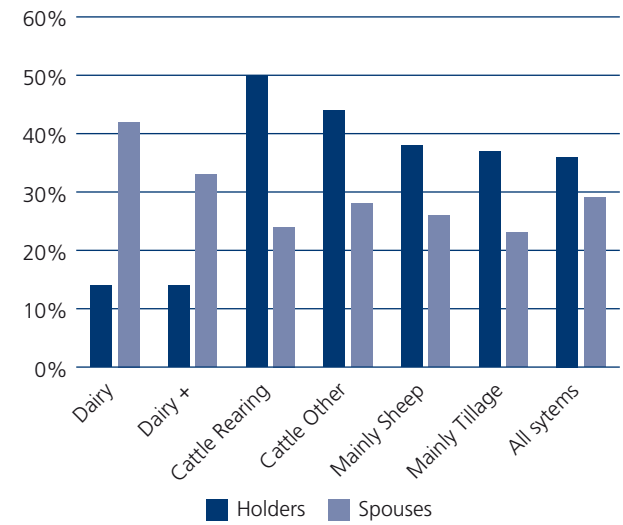


Source: National Farm Survey 2004, Teagasc 2005

The extent of off-farm employment continues to differ between systems of farming. Dairy farmers are less likely than cattle rearing farmers to have off-farm employment. Also younger farmers are more likely to take up off-farm employment than older farmers. (See Statistical Annex Table 11.10 for more detailed statistics).

CSO data for 2003 indicates that approximately 77,900 farmers (58%) state that farming is their sole occupation. The remaining 57,200 farmers (42%) state that they had another occupation either major or subsidiary.

Figure 4.7 Percentage of Farmers and/or Spouses with Off-farm Job by System of Farming, 2004



Source: National Farm Survey 2004, Teagasc 2005

4.9 Agricultural Employment By Gender

According to the CSO's, Quarterly National Household Survey (QNHS), total employment in agriculture decreased by 2.2% from 112,100 to 109,600 in 2005. There was no change in the number of females employed in agriculture which remained at 10,800, however the number of males employed in agriculture decreased by 2.5% to 98,800.

Table 4.5 Employment in Agriculture (ILO Basis) by Gender, 2004-2005

	2004 (000's)	2005 (000's)	% Change
Total	112.1	109.6	-2.2%
Males	101.3	98.8	-2.5%
Females	10.8	10.8	0.0%

Source: CSO, Quarterly National Household Survey, Quarter 2, 2005

The recent "Women and Men in Ireland 2005"[9] report estimates that 9.9% of the total male workforce and 1.4% of the total female workforce over 15 years of age are employed in agriculture, forestry and fishing. This brings the total employed in agriculture, forestry and fishing to 116,229 or 6.3% of the total workforce. Estimates for the EU-25 indicate that 5.8% of the total male workforce and 4% of the total female workforce are employed in agriculture, forestry and fishing.

Total employment in agriculture in the EU-25 in 2004[10] was estimated to be 9.7 million with approximately 3.4 million of these female. Ireland has the second lowest rate of female participation in the agricultural workforce at 9% with only Malta lower. Portugal has the highest rate of female participation at 48% (Figure 4.8).

4.10 Borrowing, Interest And Investment In Agriculture

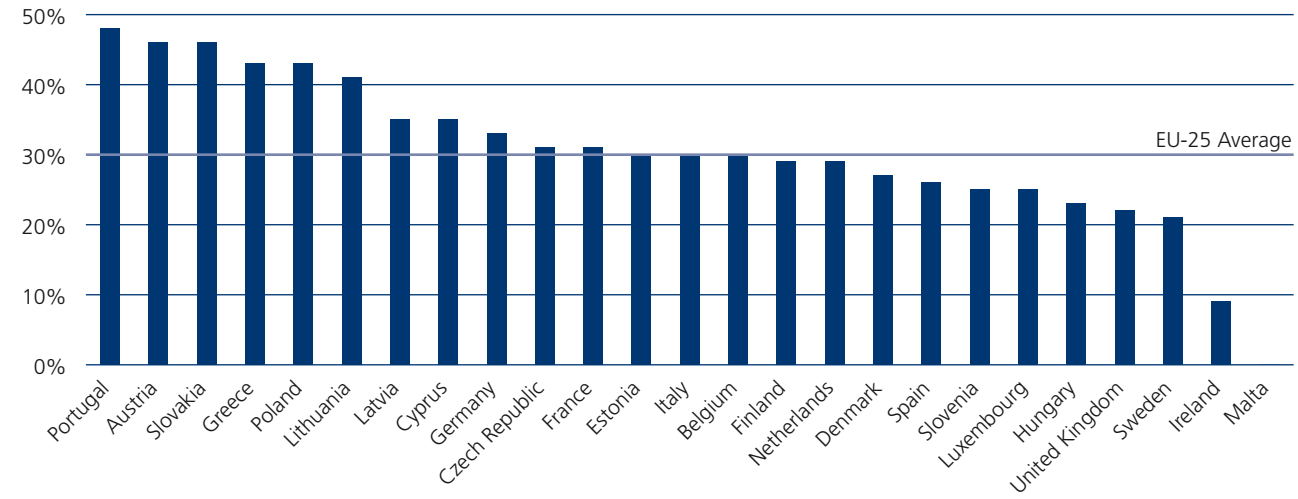
Borrowing

At the end of September 2005, €3.8 billion was borrowed by the agricultural sector. This represents an increase of 11% in borrowings from September 2004. The total borrowed by the agriculture and forestry sector has increased by 141% in the past ten years (Figure 4.9).

9 CSO "Women and Men in Ireland (2005), December 2005.

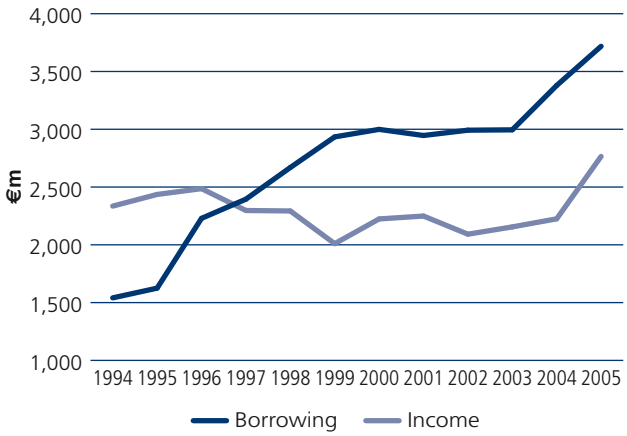
10 European Union Directorate General for Agriculture and Rural Development, Agriculture in the European Union – Statistical and Economic Information (2005), February 2006.

Figure 4.8 % of Agricultural Employment occupied by Women in EU-25, 2004



Source: European Union Directorate General for Agriculture and Rural Development, Agriculture in the European Union – Statistical and Economic Information (2005), February 2006.

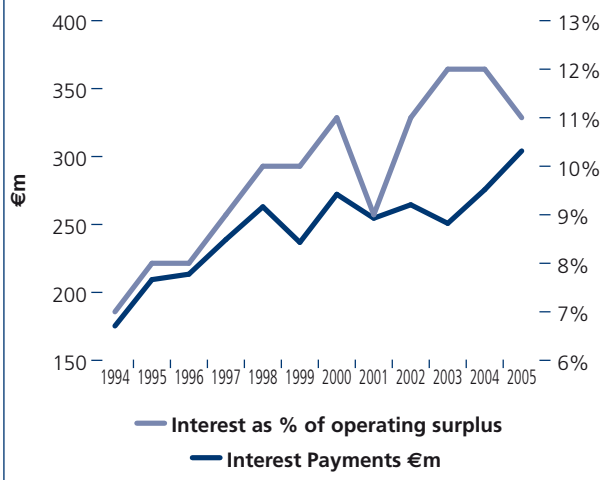
Figure 4.9 Borrowings and Income in the Agriculture Sector, 1994-2005



Source: Central Bank, Quarterly Bulletins and CSO, Output, Input and Income in Agriculture, various years

*2005 figure for borrowing is 30th September 2005

Figure 4.10 Interest on Borrowed Capital Paid by the Agriculture Sector, 1994-2005



Source: CSO, Output, Input and Income in Agriculture, various years

Interest

Interest paid on borrowed capital by the farming sector was estimated to be €304.1 million or approximately 11% of operating surplus in 2005. This represents an increase of approximately 10.3% from the €275.6 million in interest paid by the farming sector in 2004.

Investment

Some of the increase in borrowings would be attributable to agricultural investment, which increased by 7% in 2004 to €566 million. The largest increases in investment were in farm buildings and agricultural machinery and equipment.

Table 4.6 Gross Fixed Capital Formation in Agriculture, 2003-2004

€m current prices	2003	2004
Farm Buildings	88	128
Land Improvements	7	10
Transport Equipment	108	105
Agricultural Machinery & Equipment	223	244
Other Equipment	99	90
Total (excl.Breeding Stocks)	525	577
Breeding Stocks	+2	-11
Total (incl.Breeding Stocks)	527	566

Source: CSO, National Accounts Section

Chapter 5
The Food Industry

5.1 Overview

The food, drink and tobacco (FDT) sector is one of the most important sectors of the Irish economy due to its mainly indigenous nature. The FDT sector directly employed 53,500 people, had gross output of approximately €18.7 billion and exported over €7.5 billion worth of produce in 2005.

Table 5.1 The Food Industry in the National Economy, 2004-2005

Food, Drink and Tobacco as % of	2004	2005
GDP	6.3%	5.9%
Employment	2.9%	2.8%
Agri-Food Share of Total Exports	8.5%	8.5%

Source: CSO, DAF, Dept. Finance

5.2 Size And Structure Of The Food, Drink And Tobacco Sector

Output and Turnover

The FDT sector accounted for approximately 19% of the gross output for all manufacturing industries in 2004. Gross output for the FDT sector increased by 5% in 2004 to €18.7 billion, but when tobacco and beverages are excluded, the food sector increased by 7% to €16.9 billion. The largest sub-sectors are the production and preserving of meat and the manufacture of dairy products, which combined account for over 35% of gross output.

Gross Value Added

Despite the increase in gross output, gross value added (GVA) at market prices decreased by over 9% in 2004 to €8.3 billion. However when excluding beverages and tobacco, the food sector shows an increase of 3% to €5.6 billion, which accounted for almost 68% of the GVA of the FDT sector. The share of FDT in total industrial GVA was 20% in 2004, which is comparable to its share of gross output.

Table 5.4 shows the breakdown of GVA for production and preserving of beef, poultrymeat and other meat products for 2003. The beef industry accounts for over 46% of the total turnover of the meat sector but only 28% of its GVA.

Employment

There are approximately 45,100 industrial workers[1] directly employed in the FDT sector (Table 5.5) with the meat and dairy sectors accounting for approximately half (47%). Total employment in FDT decreased by almost 2% in 2005. The FDT sector accounts for around 20% of total manufacturing employment.

Table 5.2 Gross Output of the Food Industry at Market Prices, 2003-2004

		2003		2004	
NACE Code	**Description**	**€m**	**% Total**	**€m**	**% Total**
15-37	**All Manufacturing Industries**	**94,804**	**100.0%**	**99,128**	**100.0%**
15-16	**FDT**	**17,803**	**18.8%**	**18,702**	**18.9%**
of which			**% FDT**		**% FDT**
151	Meat	4,017	22.6%	4,104	21.9%
152	Fish	378	2.1%	330	1.8%
153	Fruit & Veg	164	0.9%	184	1.0%
155	Dairy	2,984	16.8%	2,507	13.4%
156-157	Grain & Animal Feeds	860	4.8%	832	4.5%
154, 158	Other Food Products	7,465	41.9%	8,981	48.0%
159	Beverages	1,706	9.6%	1,662	8.9%
16	Tobacco	229	1.3%	100	0.5%

Source: CSO, Census of Industrial Production, 2004 Early Estimates

1 This comes from the Industrial Employment Series; data in Table 1.3 comes from the Quarterly National Household Survey. These are not directly comparable as figures obtained from household surveys include own account workers, cover very small establishments and are classified by sector on the basis of respondents' descriptions of the main activity conducted at their place of work. (CSO, Industrial Employment, Background Notes)

Table 5.3 GVA of FDT Sector at Market Prices, 2003-2004					
		2003		2004	
NACE Code	**Description**	**€m**	**% Total**	**€m**	**% Total**
15-37	**All Manufacturing Industries**	**40,161**	**100.0%**	**41,296**	**100.0%**
15-16	**FDT**	**9,113**	**22.7%**	**8,262**	**20.0%**
of which			**% FDT**		**% FDT**
151	Meat	588	6.5%	596	7.2%
152	Fish	78	0.9%	69	0.8%
153	Fruit & Veg	76	0.8%	85	1.0%
155	Dairy	642	7.0%	669	8.1%
156-157	Grain & Animal Feeds	166	1.8%	177	2.1%
154, 158	Other Food Products	3,884	42.6%	3,999	48.4%
159	Beverages	2,172	23.8%	2,125	25.7%
16	Tobacco	1,507	16.5%	542	6.6%
Source: CSO, Census of Industrial Production, 2004 Early Estimates					

Table 5.4 GVA for Beef and Other Meats, 2003					
€m	**Beef**	**Other Meat Excl Poultrymeat**	**Poultrymeat**	**Meat and Poultrymeat Products**	**Total Meat**
NACE Code	**1511.1***	**1511.2^**	**1512****	**1513*****	**151^^**
Turnover	1,763.7	693.6	412.7	953.0	3,823.1
Purchases	1,608.0	584.1	328.6	720.9	3,241.6
GVA (at Market Prices)	161.8	110.1	78.6	237.1	587.5
Operating Subsidies	60.9	7.2	-	-	68.1
Excise and other Indirect Taxes	1.7	1.0	0.7	0.9	4.3
GVA (at Factor Cost)	**221.0**	**116.2**	**77.9**	**236.2**	**651.4**

* NACE 1511.1 is Processing and Preserving of Beef and Veal
** NACE 1512 is Processing and Preserving of Poultrymeat
*** NACE 1513 is production of Meat and Poultrymeat Products
^ NACE 1511.2 is Processing and Preserving of Other Meat (Excl Poultrymeat)
^^ NACE 151 is Production, Processing and Preserving of Meat and Meat Products
Source: CSO, Census of Industrial Production, 2003

Table 5.5 Employment in the FDT Sector, 2003-2005							
	Food				Drink & Tobacco		FDT
	Meat	Dairy	Grain	Other	Drink	Tobacco	Total
	151	155	156-157	152, 153, 154, 158	159	16	15-16
2003	13,800	8,800	2,300	15,600	6,800	800	48,000
2004	14,500	7,300	2,300	15,400	5,900	600	45,900
2005	13,900	7,100	2,300	15,900	5,600	500	45,100

Source: CSO, Industrial Employment, Average of 4 Quarters for 2003 and 2004, 2005 average of 3 Quarters. 2005 Q3 data is preliminary.

Size

Table 5.6 outlines the size, structure and productivity of the FDT and total manufacturing sector. Local units[2] employing fewer than 100 persons account for almost 83% of the FDT sector, but only approximately 31% of the persons engaged, which indicates that the larger units account for the bulk of the workforce. The net output per unit of the FDT sector is over 9% larger than the net output per unit of total manufacturing, while the FDT net output per person engaged is 22% less than total manufacturing.

Ownership

Irish FDT accounts for 91% of local units (Table 5.7) in the FDT sector, 78% of persons engaged, but only 25% of net output. The Irish FDT sector is one of the more important Irish owned manufacturing sectors as it accounts for almost 32% of persons engaged, 49% of gross output, 55% of gross output exported and 34% of net output of Irish owned sectors.

Table 5.6 Size, Structure and Productivity of the FDT and Total Manufacturing Sectors, 2003								
	Local Units 000's		Persons Engaged 000's		Net Output per unit €000's		Net Output per Person Engaged €000's	
Nos. Employed	FDT	All Industry	FDT	All Industry	FDT	All Industry	FDT	All Industry
Under 10	232	2,192	1,118	11,332	248	270	51.4	52.4
10-19	153	1,162	2,154	15,341	719	711	51.1	51.8
20-49	167	1,082	5,302	36,014	2,137	1,984	67.3	64
50-99	96	483	6,735	33,015	8,851	6,493	126.2	94.3
100-199	79	279	11,401	43,072	11,785	17,732	81.7	127
200-249	11	46	2,457	12,463	2,720	52,067	12.2	229.8
250+	43	227	19,863	101,512	164,159	204,058	355.4	456.3
Total	**781**	**5,471**	**49,030**	**252,749**	**12,028**	**11,033**	**191.6**	**246.5**

Source: CSO, Census of Industrial Production, 2003

2 Local units refer to those situated in a geographically identified place and employing three or more persons. (CSO, Census of Industrial Production, Background Notes)

Table 5.7 Ownership of FDT Sector, 2003					
	Local Units No's	**Persons Engaged No's**	**Gross Output €m**	**Gross Output Exported €m**	**Net Output €m**
Irish FDT	711	38,131	9,368.5	3,800.4	2,371.0
Total FDT	781	49,030	17,803.3	6,714.3	9,393.9
Irish Industry	4,496	121,152	18,985.2	6,868.5	7,063.0
Total Manufacturing Industry	5,194	227,302	94,804.3	78,095.5	58,248.3
Irish FDT as % of Total FDT	**91.0%**	**77.8%**	**52.6%**	**56.6%**	**25.2%**
Irish Industry as % of Total Manufacturing Industry	**86.6%**	**53.3%**	**20.0%**	**8.8%**	**12.1%**
Irish FDT as % of Total Irish Manufacturing	**15.8%**	**31.5%**	**49.3%**	**55.3%**	**33.6%**
Irish FDT as % of Total Manufacturing Industry	**13.7%**	**16.8%**	**9.9%**	**4.9%**	**4.1%**
Source: CSO, Census of Industrial Production, 2003					

Forfás provide information on the amount of expenditure on Irish goods and services by companies operating in Ireland. The Irish Economic Expenditure (IEE) consists of wages, Irish raw materials and Irish services. IEE for the FDT sector increased by almost 3% in 2004, while IEE for total manufacturing was relatively static in 2004. IEE accounts for almost 76% of expenditure by the FDT sector compared to almost 48% for total manufacturing enterprises, which indicates the indigenous nature of the FDT sector.

Capital Structure

The food industry needs significant capital to operate, while some of this is plant and machinery, it also needs substantial working capital to cover the cost of stock being held or processed. Table 5.9 shows the amount of resident non-government credit extended to the FDT sector at the end of September 2005. The FDT sector has increased its resident non-government credit by approximately 5% to end September and accounted for almost 47% of resident non-government credit to the manufacturing industry.

Table 5.8 Irish Economic Expenditure, 2003-2004				
	FDT		**Total Manufacturing**	
€m	**2003**	**2004**	**2003**	**2004**
Payroll Costs	1,738	1,742	7,537	7,815
Irish Raw Materials	5,977	6,248	11,325	11,292
Irish Services	1,734	1,773	5,906	5,851
Total Irish Economic Expenditure (IEE)	9,449	9,763	24,768	24,958
Total Expenditure	12,539	12,894	51,904	51,912
IEE as % of Total Expenditure	**75.4%**	**75.7%**	**47.7%**	**48.1%**
Sales	16,151	16,418	74,343	76,549
IEE as % of Sales	**58.5%**	**59.5%**	**33.3%**	**32.6%**
Source: Forfás, Annual Business Survey of Economic Impact 2004				

Table 5.9 Resident Non-Government Credit to Manufacturing and Food Industry, 2004-2005				
	2004		2005	
	€m	% of Total Manufacturing Industry Credit	€m	% of Total Manufacturing Industry Credit
Manufacturing	**5,785**	**100.0%**	**5,647**	**100.0%**
FDT	2,512	43.4%	2,633	46.6%
Drink and Tobacco	730	12.6%	772	13.7%
Food	1,782	30.8%	1,861	33.0%
of which				
Meat Processing	403	7.0%	454	8.0%
Dairy and Other Food	1,378	23.8%	1,407	24.9%
Source: Central Bank, Bulletin No 1 2006				

Table 5.10 shows the capital acquisitions of the FDT sector for 2004 which amounted to €502 million or 15.6% of total capital acquisitions by the manufacturing industry. This compares with 43% (See Table 5.9) of resident non-government credit indicating that the FDT sector has a greater need for working capital than other industries, with the latter having a higher proportion of foreign direct investment (FDI) as a source of capital.

Regional Spread

The FDT industry as a whole has a reasonable geographic spread and is an important source of employment throughout the country. The meat industry is most strongly represented in the border area, mid-east and southeast of the country, while the dairy industry is primarily concentrated in the southeast and southwest.

Table 5.10 Total Capital Acquisitions, 2004			
€m	**Food & Drink**	**Total Manufacturing**	**FDT as % of Total Manufacturing**
Capital Acquisitions	**501.9**	**3,215.8**	**15.6%**
of which			
Machinery & Equipment	344.7	2,327.4	**14.8%**
Land & Buildings	101.0	652.9	**15.5%**
Computer Hardware & Software	20.9	106.4	**19.6%**
Vehicles & Other	35.4	128.7	**27.5%**
Less Capital Sales	*52.9*	*300.7*	**17.6%**
Net Capital Expenditure	**449.0**	**2,915.1**	**15.4%**
Source: CSO Capital Assets in Industry, 2004			

Table 5.11 Regional Spread of the FDT Sector Local Units, 2003									
	Number of Local Units								
	Regional Authority Area								
	Border	**Dublin**	**Mid-East**	**Mid-West**	**Midland**	**South-East**	**South-West**	**West**	**Total**
FDT	127	130	64	72	43	120	150	75	781
Total Manufacturing	698	1,339	521	472	336	647	717	457	5,187
FDT as % of Regional Total	**18.2%**	**9.7%**	**12.3%**	**15.3%**	**12.8%**	**18.5%**	**20.9%**	**16.4%**	**15.1%**
% of Total FDT	**16.3%**	**16.6%**	**8.2%**	**9.2%**	**5.5%**	**15.4%**	**19.2%**	**9.6%**	**100.0%**
No of Local Units									
Meat	23	17	25	18	14	29	17	17	160
Dairy	15	5	0	9	4	14	23	5	75
Other Foods	83	93	39*	39	17	64	102	53*	486
Drink and Tobacco	6	15		6	8	13	8		60

*Breakdowns unavailable due to confidentiality.
Source: CSO, Census of Industrial Production, 2003

Research and Development

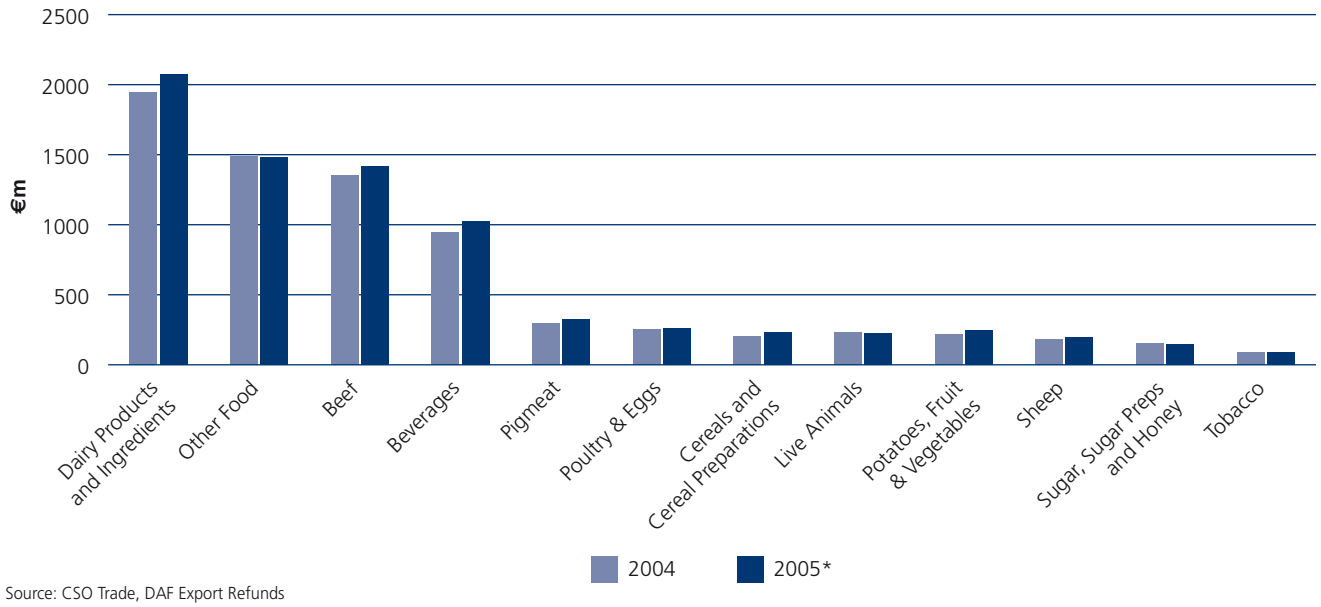
Expenditure on R&D in Ireland increased to €1,780 million in 2004 up 11% on 2003 and it is estimated to reach €1,910 million for 2005. The total R&D expenditure for the FDT sector in Ireland in 2003 was €42.3 million, of which €29 million was performed by "food" firms.

5.3 Exports Of Food And Drink[3]

In 2005, the value of agri-food exports (Figure 5.1) including export refunds increased by almost 5% to €7.7 billion. Dairy products and ingredients is the highest value export sector with exports of almost €2.1 billion in 2005 an increase of almost 7% on 2004. Other food products decreased by almost 1% to €1.5 billion, beef increased by almost 5% to €1.4 billion and beverages increased by 7.7% to over €1 billion. There was also increases in the value of exports of cereal and cereal preparations (+15.2%), potatoes, fruit and vegetables (+11.6%) and pigmeat (+9.5%).

3 Values of exports include export refunds. Data is obtained from CSO Trade Statistics and DAF for export refunds.

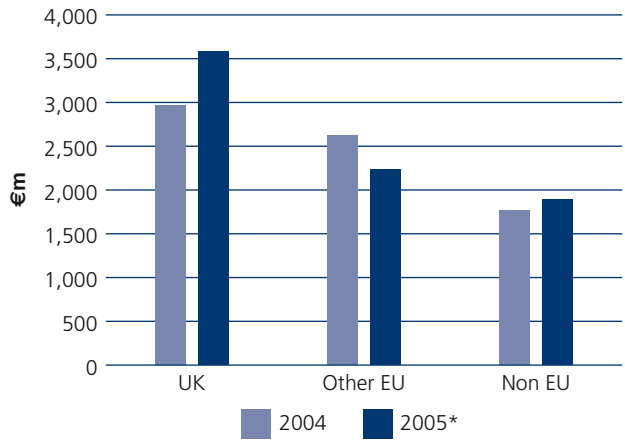
Figure 5.1 Exports of Irish Agri-Food Products, 2004-2005



Source: CSO Trade, DAF Export Refunds
*2005 Provisional

The EU-25 continues to be the main destination of Irish agri-food exports accounting for approximately €5.8 billion in 2005 an increase of 4% on 2004 and accounted for 76% of total agri-food exports. The main driver of EU-25 export growth was the UK which accounted for €3.6 billion and 47% of total agri-food exports in 2005, an increase of over 21% on 2004. The value of exports to other EU-25 fell by 15% to €2.2 billion, while exports to non-EU countries increased by 7%.

Figure 5.2 Destination of Irish Agri-Food Exports, 2004-2005



Source: CSO Trade, DAF Export Refunds
* 2005 Provisional

Chapter 6
The Consumer

6.1 Overview

Consumers are the primary driver of change in the food industry. Changing lifestyles and demographics and a more health and price conscious consumer are influencing consumer behaviour and retail trends. Increased concentration and the growth of discounters, convenience stores and multiples and the revival of farmers' markets are evidence of this change. Food prices, food spending and consumption are key to understanding the consumer. Responsibility to the consumer is at the centre of development relating to food safety. Animal safety is an integral part of food safety and the new Animal Remedies Regulation will help protect consumers. The Consumer Liaison Panel is the Department of Agriculture and Food's point of contact with the consumer on these wide ranging issues.

6.2 Consumer And Retail Trends

Consumer Trends

The now established trend in Irish society towards convenience foods and prepared meals continues apace. This market has evolved from its infancy phase however, with consumers now demanding convenience foods that satisfy stricter criteria in terms of health factors, quality and taste. Modern lifestyles increasingly treat time as a resource to be invested wisely. As such, consumers are seeking ways to maximise their return from a minimum investment of time. This trend can be witnessed at all levels of consumption, from ready prepared ingredients to ready prepared finished meals. Whether at home or not, people are embracing convenience foods in many different ways. The increased prevalence of snacking is another manifestation of more hectic lifestyles and an extension of the demand for more convenient foods. Snacking will continue to be a major growth area going forward with research indicating that people in Ireland are moving away from the three meals a day routine.

Consumers are also becoming more health conscious and link food to physical well-being. Bord Bia's PERIscope showed that 86% of consumers feel that a good diet can help your mental health and can enhance the body and mind. Obesity and health issues have driven consumer demand for functional foods, products with lower fat/salt/sugar content and organic produce. Health conscious consumers around the world are satisfying their hunger and thirst with functional beverages. Within the functional foods category, functional beverages are fast growing, accounting for approximately 50% of global sales with products such as the new healthy value-added drinks and the juice and smoothie boom. Purchasers of organic food list product quality as the number one reason for buying which reflects the position of organic foods at the premium end of the market. Rising incomes and consistent economic growth has encouraged the development of functional foods.

Retail Trends

Retail trends have responded to changing consumer habits. Retail outlets are opening for longer hours, stock lines are evolving, and stores are embracing the convenience food ethos. The variety of ready prepared foods and instant meals is growing all the time. Retailers are also expanding their role in the food service market by providing their own solutions to changing consumption patterns.

The "weekly" shop is still a major facet of food retailing in Ireland combined with continuous "top-up" purchases in the local store. However, the "weekly shop" is no longer confined to the one store. Knowledge is power, and consumers are now more informed than ever, purchasing different items from a variety of food stores according to perceived value. Perhaps as a consequence of the increased focus on convenience shopping, consumers who are prepared to invest time in the shopping experience are not simply willing to choose one store and forsake all others. It is a rational decision to optimise the return on their shopping investment.

The lines between supermarkets, discounters and convenience stores are being blurred. Traditional retailers are focussing on private label goods in response to competition from the discount stores. Many stores have more than one level of private label goods, differentiating on the basis of price and added-value. On the other hand, discounts stores are beginning to sell manufacturers branded goods so as to increase the variety of their offering. The larger retailers have made moves into the convenience sector and the convenience stores are expanding their offering in terms of food service and increased product lines.

Groceries Order

Following a public consultation process initiated in 2005, new legislation was introduced to abolish the Groceries Order 1987 and strengthens the provisions of the 2002 Competition Act by specifically prohibiting the fixing of

minimum retail prices by suppliers (resale price maintenance), unfair discrimination in the grocery trade, and the payment of advertising allowances and "hello money."

The Competition Authority, in cooperation with the Director of Consumer Affairs, will monitor the structure and operation of the grocery trade for the foreseeable future to see how it responds to the new legislative environment.

Convenience & Experience

Convenience continues to be a strong driver of consumer choice. Convenience and the demand for quick options that fit with pressurised lifestyles are clear catalysts behind a switch from cooking from scratch to using ready prepared ingredients and ready to eat foods. Below we see evidence of this from recent Bord Bia research:

- 62% of Irish consumers agree with 'I don't like spending too much time on cooking';
- 39% of Irish consumers view cooking as a chore;
- 35% cook from scratch on a daily basis;
- 44% use ready prepared ingredients on a weekly basis;
- 47% of Irish consumers agree with 'We use a lot of ready to eat foods in our household'.

Source: Bord Bia PERIscope 2005

Farmers' Markets

There are now over 100 Farmers' Markets in operation, performing an important role in supplementing farm incomes and providing an alternative route to market for small food producers. These markets assist the development and expansion of local and regional speciality foods, particularly in light of the growing demand for fresh locally produced foods. They offer direct access to consumers and a very useful opportunity to gauge public preference. They also improve community spirit, create employment and make local areas more attractive for tourism.

Regional and Local Food Economies

While the larger sectors predominate in the export area, opportunities for speciality foods are expanding. The UK market is forecast to reach €7.5 billion over three years and the Irish artisan and specialty food sectors grew 10% in 2005 to €475 million. In 2005 the Minister launched a regional food forum in the North West on the theme "Market Focus for Small Food Producers". As part of the forum, there was participation from development agencies and food companies, a presentation on new market research and a company case study were made, showcases by state agencies and companies on services and regional products and a North West Food and Drink Directory was published and circulated.

6.3 Nutrition

Irish lifestyles in terms of diet and a decline in workplace or recreational activity have changed dramatically over the past 20 years. Issues surrounding health and nutrition are at the forefront of public policy and long term improvements in the nation's diet depend on the adoption of successful strategies with children. In this regard, 2005 saw the publication of a unique study on the diet of Irish children and the launch of a new scheme aimed at improving the eating habits of primary school children.

Study on Children's Diet

Results of the first scientific study to benchmark dietary intakes of a nationally representative sample of Irish children, carried out by the Irish Universities Nutrition Alliance (IUNA), were published in May 2005. This study was funded by the Department of Agriculture and Food under the "Food Institutional Research Measure" (FIRM) and co-funded by the Food Safety Authority of Ireland (FSAI). The report issued key findings on food consumption habits of Irish schoolchildren under 12 years of age, which need to be addressed, including:

- low intakes of fruit and vegetables;
- overall fat intake is higher than recommended – 40% of children exceed the recommendations;
- daily salt intake is higher than the levels recommended by the FSAI;
- further research is planned in 2006 to analyse the implications of the findings on diet and exercise.

Food Dudes Programme

2005 also saw the launch of a Food Dudes Programme, jointly funded by the EU Commission, Fresh Produce Ireland and the Department of Agriculture and Food. The Programme aims to increase consumption of fresh fruit and vegetables by primary school children in school and at home. The approach is based on positive role models, repeated tasting and rewards. Studies show that it can deliver long lasting results across the primary age range, regardless of gender, school size, geographic and socio-economic factors.

The programme, to be run in 120 primary schools over three years, addresses the recommendation of the Task Force on Obesity regarding "the implementation of evidence-based healthy eating interventions". It is designed to enable children enjoy healthy diets and to create a healthy eating culture within schools.

6.4 Food Consumption

Average per capita consumption of meat and dairy products are shown in Table 6.1 for 2002 to 2005. Consumption of dairy products increased for cheese and cream by over 4% while there was a decrease of almost 4% for butter and drinking milk and buttermilk in 2004. Bord Bia estimate Irish consumers consume 19.1kg of beef, 40.2kg of pigmeat, 30.1kg of poultrymeat and 5.7kg of lamb per capita in 2005.

Table 6.1 Consumption of Selected Food Items, 2002-2005

Kg/Litres per Capita	2002	2003*	2004*	2005*
Beef & Veal	17.5	18.9	19.1	19.1
Pig Meat	38.3	38.2	38.2	40.2
Sheep Meat	5.2	5.4	5.4	5.7
Poultry Meat	30.5	32.0	32.0	30.1
Drinking Milk & Buttermilk^	151.5	151.5	145.2	N/A
Cream	2.4	2.4	2.5	N/A
Butter	2.9	2.9	2.8	N/A
Cheese	5.5	6.3	6.6	N/A

^ Litres Per Capita
* Bord Bia Figures for Meat
Source: CSO Supply Balances

Eurostat figures show that Spain, Denmark and France have the highest per capita consumption of meat in 2003, while Finland and the UK have the lowest. Ireland, Finland and Sweden are the highest consumers of drinking milk while Greece and Italy are the lowest (see Statistical Annex Table 11.11 for EU Meat and dairy consumption).

6.5 Food Prices And Spending

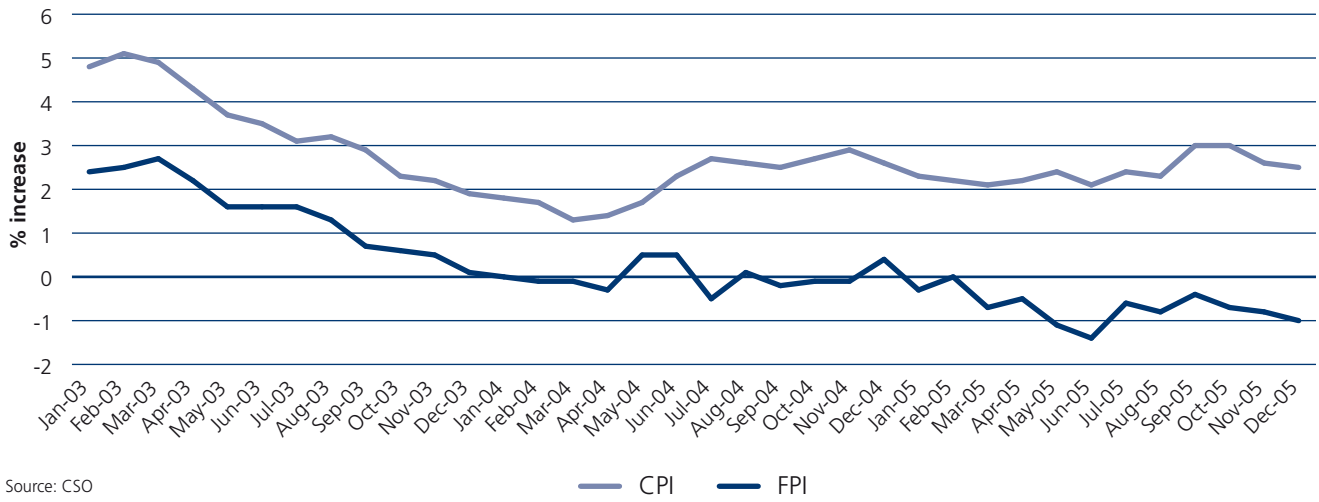
Food Prices in Ireland

Food prices have decreased for a second year in a row. The Food Price Index (FPI) decreased by 0.7% in 2005 following a decrease of 0.3% in 2004. This compares favourably with the Consumer Price Index (CPI), which rose by 2.5% in 2005. The rate of change of the FPI continues to be below that of the CPI since March 2002. (See Statistical Annex Table 11.12 for more details.)

In 2005, consumer prices decreased for potatoes (-10.3%), lamb (-3.3%), beef (-3.0%), pork (-3.1%) and milk (-0.5%), while there were increases in eggs (+2.4%), other milk products (+1.8%) and butter (+1.0%). (See Statistical Annex Table 11.13 for more details.)

The CSO publishes an average price analysis for Dublin and Outside Dublin (Table 6.2) for 73 goods and services that account for approximately one quarter of the total value of the CPI basket of goods and services. In 2005, beef, dairy products and bread prices were lower in Dublin than outside Dublin, while fresh vegetables, eggs and back rashers were more expensive in Dublin. The prices ranged from a fillet/half leg of pork which was 20.6% lower in Dublin while back rashers were 14.3% more expensive in Dublin. (See Statistical Annex Table 11.14 for more details.)

Figure 6.1 Monthly Consumer Price Index and Food Price Index, 2003-2005



Source: CSO

Table 6.2 Average Price Analysis, Dublin And Outside Dublin, November 2005

Type	Dublin Vs Outside Dublin	Dublin Vs National Average
	€/Kg	€/Kg
Beef		
Round Steak	-4.3%	-2.5%
Sirloin	-4.8%	-2.9%
Lamb		
Whole Leg	-1.3%	-0.8%
Pork		
Loin Chops	0.5%	0.3%
Fillet Half Leg	-20.6%	-13.1%
Bacon		
Best Back Rashers	14.3%	7.8%
Cooked Ham	8.7%	4.9%
Fruit and Vegetables		
Potatoes (10kg)	-1.6%	-0.9%
Carrots	2.0%	1.2%
Dairy Products		
Milk Full Fat (1L)	-10.1%	-6.2%
Cheddar Cheese	-0.3%	-0.2%
Butter (1lb)	-5.4%	-3.2%
Eggs		
Standard Grade 3	8.8%	5.0%
Bread		
White Sliced	-9.6%	-5.9%

Source: CSO Consumer Prices, Average Price Analysis, November 2005

EU Price Comparisons

The Harmonized Index of Consumer Prices (HICP) measures the increase in prices on a monthly basis for the EU-25. Ireland's Food HICP (-0.7%) is far below that of the EU-25 (+0.9%), and has a HICP (+2.2%) equal to the average for the EU-25.

Comparative Price Levels in the EU

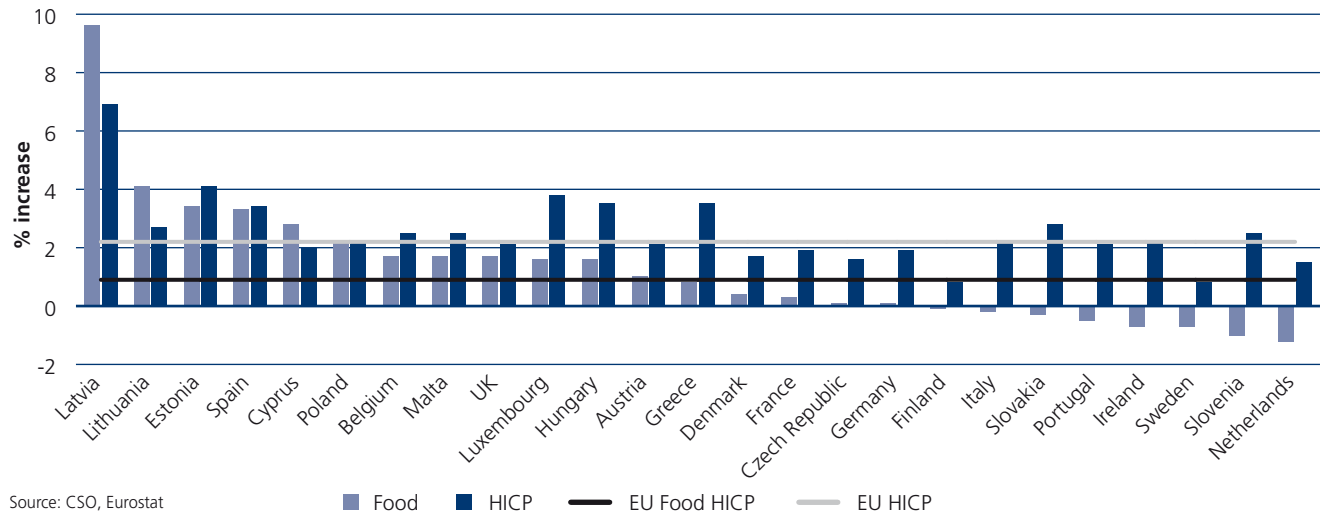
Figure 6.3 compares the actual price levels (including VAT) for a range of foods groups for Ireland and the EU-25 average in 2003 and 2004. There is a wide dispersion of price levels within the EU-25, although Ireland's price is above that of the EU-25 average for all groups apart from Oils and Fats. However, when Ireland is compared to Scandinavian countries the price level discrepancies are not as evident and Ireland's price level is less than Denmark for some products. (See Annex 11.15 for more details).

Personal Consumption

Personal consumption expenditure (PCE) in Ireland accounted for almost €69 billion in 2004, with approximately 23% (€15.8 billion) spent on food, drink and tobacco with food accounting for almost 11% (€7.2 billion) of the total. Food outside the home (Figure 6.4) now accounts for approximately 22% of all expenditure on food. (See Statistical Annex Table 11.16 for full results).

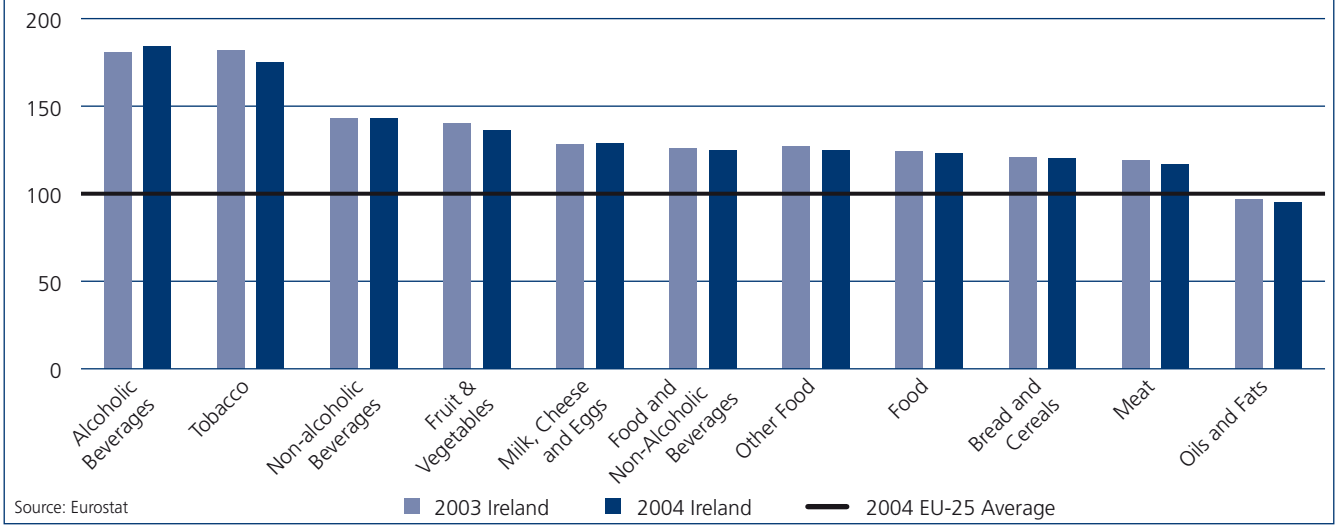
Ireland spent approximately 8.4% of household expenditure on food in 2004 (Figure 6.5), which is the 2nd lowest in the EU with the UK being the lowest. (See Statistical Annex Table 11.16 for full results).

Figure 6.2 HICP and Food HICP, 2005



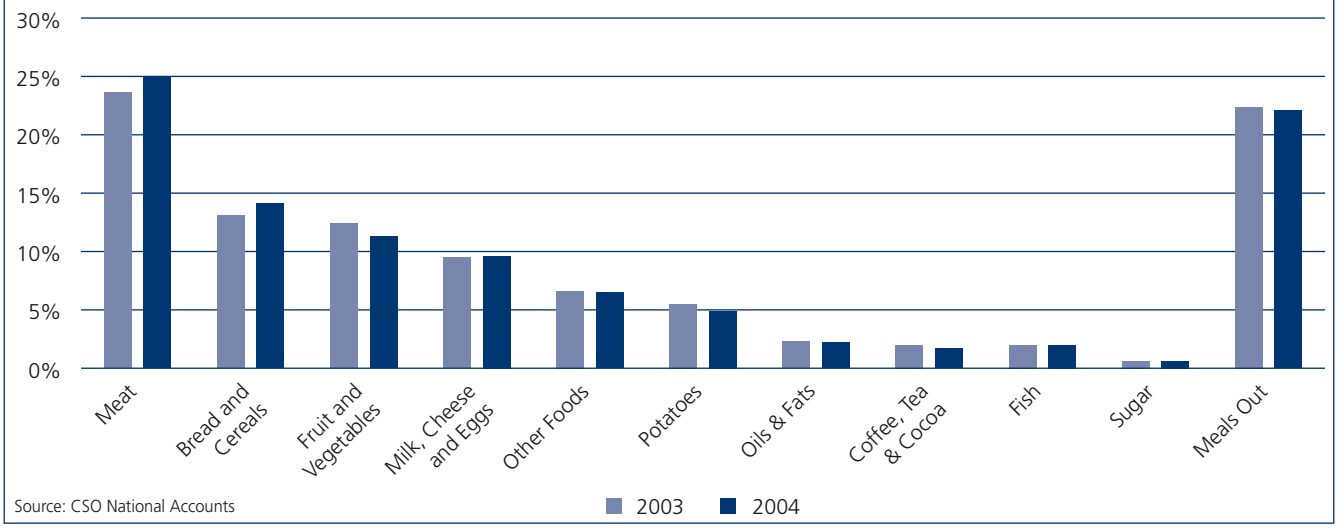
Source: CSO, Eurostat

Figure 6.3 Comparative Price Levels Relative to the EU-25 Average, 2003-2004



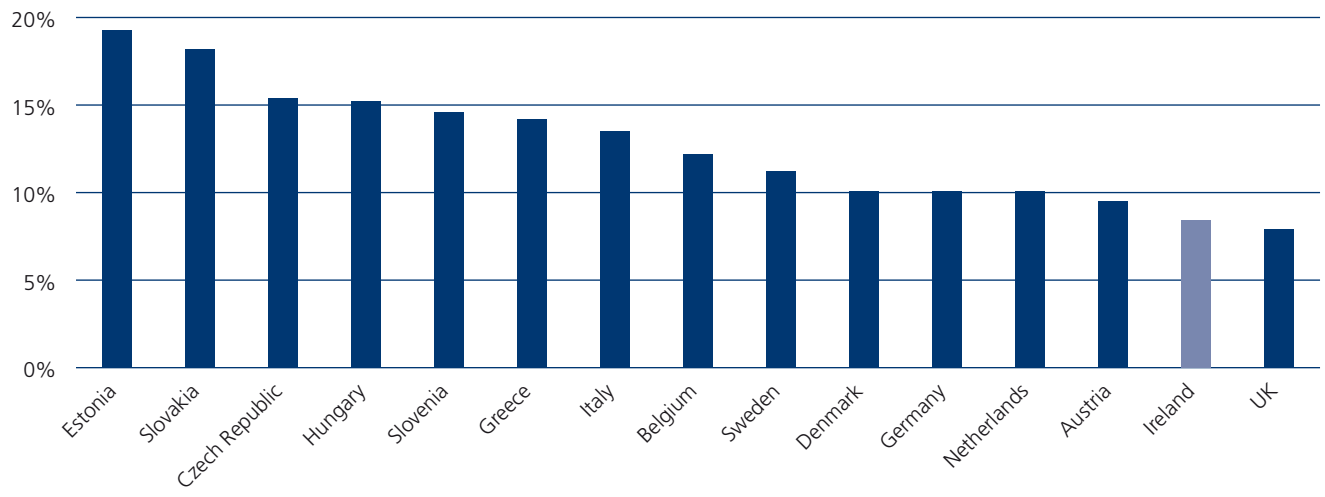
Source: Eurostat

Figure 6.4 Share of Personal Consumption Expenditure Spent on Food, 2003-2004



Source: CSO National Accounts

Figure 6.5 Share of Household Expenditure Spent on Food, EU 2004



Source: Eurostat

6.6 Food Safety

Food Safety Governmental Bodies

The European Food Safety Authority (EFSA) is an independent European agency dedicated to improving consumer confidence by providing independent scientific advice and clear communication on all matters related to food safety. Under the direction of its Management Board, EFSA does this work through the Advisory Forum, the Scientific Committee and eight Scientific Panels. Set up provisionally in Brussels it is now headquartered in Parma, Italy.

An EU-25 survey on food safety was carried out in 2005 by the EFSA and European Commission Health and Consumer Protection Directorate General (DG-SANCO). The results show that 67% of Irish people believe food safety has improved in the past 10 years, which is the 2nd highest in the EU-25. Six in ten Irish people believe the public authorities in Europe take health seriously, with 54% saying the authorities are quick to act if health dangers are identified. The survey reveals that attitudes to food safety in Ireland are generally more positive than the European average, which reflects the strong system of food law enforcement in place here, and the importance we place on adherence to food safety best practice in order to protect our consumers. From the study 65% of Irish people think that European food is safer than imported food. 74% of Irish people think that while food safety laws are strict, only 31% of them think that there are too many food safety rules, the 3rd lowest figure in the 25 Member States.

The Food Safety Authority of Ireland (FSAI) is a statutory, independent, science-based agency dedicated to protecting public health and consumer interests in food safety and hygiene. It has overall responsibility for the co-ordination and enforcement of food safety legislation. The Department of Agriculture and Food has a service contract with the FSAI incorporating meat hygiene, milk and milk products, eggs and egg products, pesticide control, residue monitoring, border inspection posts, zoonoses and food labelling. During 2005, a new service contract was re-negotiated and signed on 31st January 2006.

The Food Safety Promotion Board, now known as Safefood[1] was established in 1999 to foster and maintain confidence in the food supply in the island of Ireland by working in partnership with others to protect and improve the public's health.

Enforcement of all food labelling regulations has now been centralised in FSAI. This will not only streamline the enforcement measures but it will also provide a one-stop-shop for any complaints on mislabelling of food.Other developments on food labelling in 2005 include:

- Education/Information: The Department worked with Safefood (FSPB) in collaboration with the National Council for Curriculum and Assessment (NCCA) to develop six lessons for incorporation into the post-primary subject: Social, Personal and Health Education. After being piloted and amended early in 2005, it was distributed to all post-primary schools in April 2005, for use during the 2005/2006 academic year;
- Safefood also launched a campaign on salt awareness, part of which advised consumers on reading food labels, with particular reference to salt.

National primary legislation including a provision to allow for the making of regulations to extend the current EU labelling laws on meat to require country of origin information to be provided to all consumers at the point of choice is currently before the Houses of the Oireachtas by way of the Irish Medicines Board (Miscellaneous Provisions) Bill, 2005. On enactment of the Bill, national regulations will be made to immediately extend the beef labelling regulations to require all those operating a food business to provide country of origin information to their customers on the beef they serve or supply. The regulations will be subject to EU approval. The aim of the regulations is to ensure that the consumer is properly informed while reinforcing the themes of quality and choice. Implementation of the new measures will be by the FSAI which already enforces extensive EU food legislation in these sectors. The enabling legislation will facilitate the subsequent extension of country of origin labelling to other meats such as poultrymeat, pigmeat and sheepmeat in due course.

6.7 Animal Health

Identification and Traceability

There are a number of national schemes in place to ensure the identification and traceability of animals/meat. These systems provide further assurances to consumers of the safety of Irish meat and have benefits in terms of disease control and monitoring. These are:

- Cattle Movement Monitoring System (CMMS);
- National Sheep Identification System (NSIS);
- National Pig Identification and Tracing System (NPITS);
- National Goat Identification System (NGIS) was launched during 2005.

In addition, a register of holdings with poultry and other captive birds was established in 2005.

1 Safefood (formerly known as FSPB) Its purpose is to foster and maintain confidence in the food supply in the island of Ireland by working in partnership with others to protect and improve the public's health.

Animal Health

In Ireland, control and eradication measures for BSE, Bovine Tuberculosis and Brucellosis involving a combination of testing, routine inspections and investigations, mandatory and voluntary reporting and codes of practice, are operated by the Department of Agriculture and Food.

The incidence of Brucellosis has been falling in recent years. This trend continued in 2005. Laboratory positive cases were down by 66% on 2004 and the number of herds and animals depopulated both fell by 60%; there were 144 new herd restrictions in 2005, representing a fall of almost 50% on 2004. These figures represent very considerable progress compared with 1998, when the current programme was introduced. For example the number of blood positives and depopulations fell by 96% and 91% respectively between 1998 and 2005.

In 2005, the number of TB reactors was approximately 25,800, which was approximately 3,000 higher than in 2004. The total expenditure for the TB and Brucellosis Programmes in 2005 was 5.3% lower than in 2004, mainly as a result of the decline in the incidence of Brucellosis.

The Bovine Diseases Levies rates were reduced by one-third with effect from 1 January 2005 due to the long-term improvement in TB and Brucellosis levels and the consequent reduced cost of the schemes. This measure saved producers €5.4 million in 2005. It is expected that progress can be made in 2006 on further reducing the incidences of diseases, which would have public health and economic benefits.

Measures continued to be applied in 2005 in relation to other diseases such as Scrapie. A further phase of the Aujeszky's control and eradication plan was launched and progress was made in advancing an industry-led programme on the control of Johne's disease.

Animal Welfare

The Department of Agriculture and Food's responsibilities relate primarily to the welfare of farm animals. Improvement in animal welfare is of major importance in the context of ensuring adequate safeguards for the protection of animals and maintaining public and consumer confidence.

The Farm Animal Welfare Advisory Council (FAWAC) continued to meet in 2005 and has a significant programme of work for 2006. In 2004 FAWAC introduced the Early Warning/Intervention System for Animal Welfare Cases involving the Department of Agriculture and Food, Irish Farmers' Association and the Irish Society for the Prevention of Cruelty to Animals. The system was introduced on a pilot basis in 2004 and in 2005 was rolled out to all but one of the regions. It will be rolled out to that final region early in 2006. The objective of the system is to provide a framework within which problems can be identified before they become critical or overwhelming. This will in turn facilitate timely, effective and sensitive intervention. It is recognised however, that in certain circumstances, prosecutions will still have to be taken by the Department of Agriculture and Food. The role of the Garda Síochána under the Protection of Animals Act 1911 (as amended) is also acknowledged.

Veterinary Medicines

The Animal Remedies Regulations 2005, implementing the revised European legislative code on veterinary medicines and taking account of a review of existing national legislation, were signed by the Minister for Agriculture and Food on 17 November 2005. The legislation is designed to facilitate a workable system for the distribution of veterinary medicines within the parameters of the EU legislation while at the same time protecting public and animal health, minimising costs for producers and facilitating export trade.

A key element of the EU Directive is the requirement that all veterinary medicines for food producing animals should be supplied only on veterinary prescription. The Directive also provides for an exemption clause whereby the EU will adopt exemption criteria for the exclusion of certain medicines from the prescription requirement. Member States can, in the interim, retain existing national prescription regimes pending the adoption of the exemption criteria at EU level or until 1 January 2007. Ireland is availing of this provision and the 2005 Regulations will be reviewed during 2006 in light of the outcome of the EU decision on the exemption criteria.

Veterinary Practice Act 2005

The primary purpose of the Act, which was enacted by the Oireachtas on 12 July 2005, is to bring regulation of the veterinary profession fully up to date taking account of the many developments in the environment within which the profession operates since the original legislation was enacted in 1931.

The Act provides, in particular, for the first time, the definition of the practice of veterinary medicine and the statutory recognition of veterinary nurses. The Act also provides for continued professional development, wider registration possibilities for practitioners trained outside the State, recognition of specialisation, practice accreditation and updated fitness to practise procedures, with proportionate sanctions. A broader membership of the Veterinary Council to reflect interests such as education, consumers, food

safety and animal welfare interests, in addition to 9 elected members, is also provided for in the Act.

The newly constituted Veterinary Council of Ireland, which consists of 19 Members came into office on 1 January 2006.

6.8 Consumer Liaison Panel

The Consumer Liaison Panel was established in January 2002 to strengthen communication between the consumer and the Department. Its terms of reference are to liaise on general consumer and client issues in relation to the activities of the Department and to comment on the flow of information both to and from the public.

The Panel consists of representatives of the Consumers' Association of Ireland, Irish Congress of Trade Unions, Irish Countrywomen's Association, Voluntary and Community Sector Platform and nominees of major food retail outlets.

Some of the issues reviewed during 2005 were Food Prices, Food Institutional Research Measure of the National Development Plan and Genetically Modified Organisms.

Having discussed the issue of Food Prices at length, in October 2004 the Panel invited tenders to assess data sources on the price of food in Ireland and to devise a model for monitoring food prices and the share of these prices absorbed at different stages of the supply chain. In late 2005, University College Cork presented their final report, which is now being considered by the Panel.

Chapter 7
EU and International Policy Developments

7.1 Overview

European and international agricultural policy developments have significant implications for the Irish agri-food sector. Irish producers benefit significantly from the EU Common Agricultural Policy and the 2003 reform of the CAP secures a framework for the future development and support of the sector. The net budget and trade effect of Ireland's participation is quantified below, along with an outline of recent EU, OECD, WTO and FAO policy developments.

7.2 Benefits Of CAP To Ireland

Ireland benefits from the Common Agricultural Policy in terms of EU budget transfers (for market price supports and direct payments) and in the trade benefits derived from higher EU prices.

The net budget effect in agriculture (NBE) represents the net transfer of resources to Irish agriculture through the EU budget. The NBE is calculated by adding FEOGA Guarantee expenditure to FEOGA Guidance receipts and deducting Ireland's estimated contribution to the FEOGA budget. Table 7.1 shows the NBE for 2004 and 2005. In 2005, the net budget effect was worth over €1.6 billion.

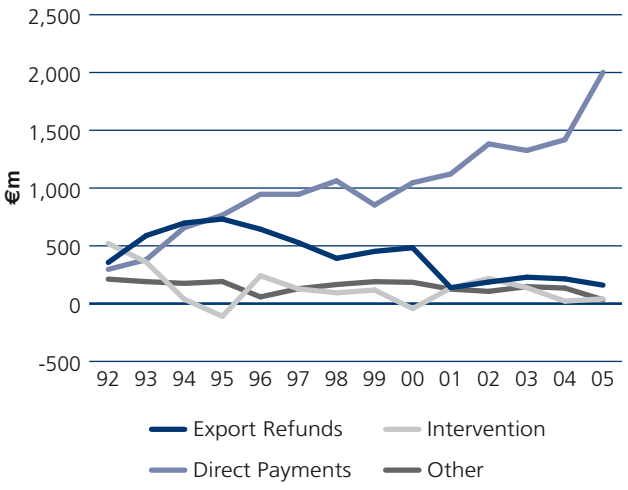
Table 7.1 Net Budget Effect (€m), 2004-2005

	FEOGA Guarantee Expenditure €m	FEOGA Guidance Receipts €m	Estimated Irish Contribution to FEOGA €m	Net Budget Effect €m
2004	1,788.1	61.9	507.4	1,342.7
2005*	2,237.0	29.6	620.8	1,645.8

* 2005 Estimate
Source: DAF, Dept. of Finance

FEOGA Guarantee Expenditure in Ireland from 1992-2005 by category is shown in Figure 7.1. Market supports (intervention and export refunds) were the largest categories of FEOGA expenditure in the early 1990s. However, following CAP reform in 1992, these have been reduced significantly and direct payments to farmers have become the largest component of FEOGA expenditure and accounted for over €2 billion in 2005.

Figure 7.1 FEOGA Payments (€m) by Category, 1992-2005



Source: DAF

Agricultural commodity prices are generally higher on EU markets than on world markets. Ireland benefits from trading agricultural commodities at these higher prices. The price gap, which exists between Irish and world prices for each commodity, is calculated from OECD data for world prices and DAF data for domestic prices. The relevant price gap for each commodity is then applied to the balance of trade between Ireland and the rest of the EU for those commodities providing an estimate of the net trade effect (NTE).

The net trade effect (Table 7.2) was worth an estimated €830 million in 2005, a 19% increase from €737 million in 2004. Most agricultural commodities are more expensive on the EU market, such as butter 44%, beef 42%, sheepmeat 38%. The increase in domestic beef prices and the fall in world beef prices have had a significant effect on the NTE in 2005.

Table 7.3 shows the combined budget and trade effects for 2004 and 2005 and provides an estimate for the overall value of EU agricultural transfers to Ireland over the period. The budget and trade effect decreased in 2004 and was worth almost €2.5 billion or approximately 1.8% of GVA at factor cost, an increase from 1.6% of GVA at factor cost in 2004.

Table 7.2 Net Trade Effect for Selected Commodities 2004-2005						
	2004			2005*		
	Net Trade €m	Price Gap Coefficient %	Net Trade Effect €m	Net Trade €m	Price Gap Coefficient %	Net Trade Effect €m
Beef	1,190.9	37.1%	441.6	1,278.0	42.0%	537.0
Live Cattle	26.5	37.1%	9.8	30.9	42.0%	13.0
Sheep Meat	171.7	45.2%	77.6	183.6	37.8%	69.4
Pig Meat	75.8	4.7%	3.6	81.6	10.3%	8.4
SMP	44.0	23.6%	10.4	39.4	16.2%	6.4
WMP	47.0	28.7%	13.5	56.3	26.8%	15.1
Butter	304.4	47.6%	144.8	273.1	44.0%	120.2
Cheese	213.9	24.7%	52.8	243.4	29.3%	71.4
Casein	88.5	4.5%	4.0	102.5	-2.0%	-2.0
Wheat	-43.9	31.3%	-13.7	-40.5	13.8%	-5.6
Coarse Grains	-22.8	31.3%	-7.1	-20.7	13.8%	-2.9
Total	**2,095.9**		**737.2**	**2,227.5**		**830.5**
Source: CSO, OECD, DAF *2005 Provision						

Table 7.3 Combined Budget and Trade Effect 2004-2005		
	2004 €m	2005* €m
Net Budget Effect	1,342.7	1,645.8
Trade Effect	737.2	830.5
Budget and Trade Effect	2,079.9	2,476.3
Source: DAF, CSO, OECD * Provisional		

7.3 CAP Reform

The Common Agricultural Policy (CAP) has been subject to on-going review and reform to take account of changing internal and external circumstances. The process continued in 2005 when political agreement was reached in the Council of Ministers on the reform of the EU's sugar regime. The final decision on the reform of the sector was taken in the Council in February 2006 following consultation with the European Parliament. The reform extends the philosophy and principles enshrined in previous reforms – the Mid-term review of June 2003 as well as the Agenda 2000 Agreement and the McSharry reform of 1992.

Reform of the Common Organisation of the Market in Sugar

The legislative proposals for the reform of the EU sugar regime were published by the Commission in June 2005. The proposals followed on from the publication of the Commission's Communication in July 2004 setting out various options which had been the subject of intensive discussion in the Council. The existing regime provided for production quotas for sugar, a guaranteed minimum price at which sugar produced under quota can be marketed in the EU and a minimum price for sugar beet which sugar manufacturers are required to pay the growers and was due to expire at the end of June 2006.

From Ireland's point of view, the outcome of the negotiations represented an improvement on the Commission's proposals which, in their original form, would have precipitated the abrupt demise of the sugar sector in Ireland. The final agreement established the conditions for the continuation of sugar production in Ireland in the short-term. However, as indicated in Section 3.8, the decision to cease production was taken in early 2006. A financial package was negotiated by Ireland, amounting to around €310 million, in the event of the cessation of sugar production and renunciation of sugar quota.

The main elements of the agreement are:

- a reduction of 36% in the support price of sugar with a corresponding reduction in the minimum price of sugar beet to be phased in over a four year period;
- partial compensation to farmers of 64% of the reduction in price payable in the form of direct payments;
- diversification funds worth almost €44 million to Irish growers in the event that sugar beet production completely ceases;
- an aid package amounting to €145 million to provide finance for any future restructuring of the industry, including social and environmental impacts.

The new regime will apply with effect from 1 July 2006.

7.4 Financial Perspective 2007-2013

The EU budget, including the financial resources allocated to the CAP and rural development, is drawn up on the basis of a medium-term financial perspective which lays down annual expenditure limits. Funding for the CAP and the EU's rural development policy provide major benefits and supports for farm incomes and the agri-food industry. The funding allocations represent an important element of the EU budget negotiations given the pivotal role which agriculture and the agri-food sector continues to play in the economic and social viability of rural communities in Ireland.

Agreement on the Financial Perspectives of the EU for the period 2007-2013 was reached in the European Council in Brussels in December 2005. The outcome of the negotiations represented a satisfactory result in overall terms and in relation to agriculture and rural development from Ireland's point of view. The overall objective of ensuring that adequate funding will be provided for the continuation of the CAP and rural development measures was achieved. The main elements of the European Council's decision were as follows:

- the decision of the European Council in October 2002 on the budgetary allocations to the CAP for the period to 2013, representing funding of €293 billion, was confirmed. The amount provided must now also cover the cost of extending the CAP to Bulgaria and Romania, both of which are due to accede to the European Union in 2007. At Ireland's request, the Commission gave a written declaration that the accession of the two new Member States could be effected within the level of direct aids provided for in the European Council Agreement of October 2002. Over the seven year period 2007 to 2013, Ireland will receive approximately €9.1 billion in CAP direct payments. Additional spending on market supports will bring total EU transfers to Ireland to over €10.3 billion;
- under rural development, Ireland will receive its allocation of the EU rural development funds which are ear-marked for the EU15 in addition to a special allocation of €500 million. This outcome represents a substantial improvement on the level of funding which had been proposed for Ireland prior to the European Council;
- additional modulation of up to 20% of each Member State's allocation under direct payments will be permitted on a voluntary basis;
- a review of all aspects of the budget will be carried out on the basis of a Commission report in 2008/2009. No decision was taken in relation to the implementation date for any conclusions which might emerge from the review. However, the Department is satisfied, given that unanimity is required for any decision taken by the European Council, that the review will not prejudice Ireland's CAP or rural development funding to 2013.

Modulation

Modulation, the reduction in direct payments in order to provide additional funding for rural development, was introduced in the Mid-term Review in June 2003. Under this process, the Single Payment Scheme is reduced by a set percentage: 3% in 2005, 4% in 2006 and 5% from 2007 onwards. Member States are entitled to at least 80% of their deduction. Some €18.6 million in modulated funds is available to Ireland in 2006. Following a widespread consultation process, the Minister decided that this funding should be used under the disadvantaged area compensatory allowance scheme. Farmers in these areas will, therefore, benefit from an additional once-off payment under the scheme in 2006.

For 2007 onwards, the modulated funds will form an integral part of the overall funding available for the 2007-2013 rural development strategy and programme(s). Their use will be considered in that context and will not require a separate decision.

Rural Development 2007-2013

Agreement on the reform of the EU's rural development policy was reached at Council in June 2005. The new EU Regulation, which was formally adopted in September, and the related strategic guidelines, which were agreed by the Council of Ministers in February 2006, set the new policy framework within which national strategies and individual rural development programmes will be formulated in the

next programming period from 2007 to 2013. The aim of the guidelines is to ensure that national programmes are consistent with overall EU policy objectives, including the Lisbon and Göteborg agendas of competitiveness and sustainability. Under the new rural development policy, the priorities for the future are to:

- improve competitiveness of agriculture and forestry;
- improve the environment and countryside;
- enhance quality of life in rural areas and promote diversification of economic activity.

In line with the new policy framework, a separate national rural development strategy must be formulated in the first half of 2006. This will set out the priorities at national level by reference to those already agreed at EU level. The strategy must meet minimum expenditure levels of 10% of the overall level of funding for the first and third priorities indicated – competitiveness and the wider rural economy – and 25% for the second priority – environment and the countryside. The LEADER approach will account for at least 5% of expenditure. The Department invited submissions on the new strategy at the end of 2005. Following agreement on the strategy with the Commission, an operational programme detailing the actual support measures will be prepared in the second half of 2006 for implementation with effect from 2007.

7.5 Further Simplification Of The CAP

The Commission published a Communication on the simplification of the CAP outlining the progress achieved and further plans in October 2005. Simplification has already been achieved in a number of areas, including the State Aid regime, the CAP financing system and the removal of obsolete legislation. Recent policy decisions such as the CAP reforms of 2003 and 2004, in particular the introduction of decoupling and the Single Payment Scheme and the new rural development regime which streamlines into one fund the programming, funding and financial systems for rural development have contributed to the simplification process.

The Commission has indicated that further proposals aimed at the simplification of the CAP will be brought forward in an Action Plan in 2006. The proposals may include the introduction of a harmonised set of rules covering all common organisation of the markets regimes.

7.6 World Trade Organisation (WTO)

Further significant progress was made towards the conclusion of a new agreement at the Ministerial Conference in Hong Kong in December 2005. Insofar as agriculture is concerned, the main development was the agreement to the phasing-out of all forms of export subsidies by 2013. The EU was under enormous pressure from the negotiating partners to accept 2010 as the end date but succeeded, following difficult negotiations, in achieving the more favourable outcome. The end date of 2013 is conditional and will only be confirmed when there is agreement on the modalities for the parallel elimination of all other forms of export subsidies and on the conclusion of a new agreement. The Conference also agreed on the frame for the further negotiations to agree reduction in domestic support levels and tariff cuts.

The Ministerial Conference agreed a deadline of end April 2006 for the completion of the negotiations on a final agreement. The negotiations on the remaining outstanding issues, including the crucially important issue of market access, will resume early in 2006.

The EU has positioned and prepared the CAP for the negotiations through the CAP reforms of the Agenda 2000 Agreement and the Mid-term Review. While Ireland remains committed in overall terms to negotiation of a new round, the objective is to ensure the continuation of the highest possible level of protection and support for the agri-food sector and, in particular, to ensure that the actual reductions in support and protection which the EU will be required to implement under a new round will not necessitate a further reform of the CAP. The Commission negotiates on behalf of the Member States on the basis of a mandate agreed by the Council of Ministers. Ireland supports the current mandate, as endorsed by successive Councils, which provides that the CAP as it has evolved under successive reforms represents the limits of the EU's negotiating brief.

Analysis undertaken by FAPRI-Ireland[1] outlines the implications of the WTO negotiations for Ireland. The analysis was carried out on the basis of various low, moderate and high outcomes hypotheses rather than the actual situation as it had ended in negotiations. The FAPRI report projects that many of the benefits that were to be gained from decoupling could be lost as prices fall on the internal EU market following a reduction in export refunds and increased market access for third countries. Over the projected period, FAPRI analysis indicates that aggregate farm income is expected to decline on current levels or by €200 million per annum on the baseline projections. The decoupling of direct payments and their function as an income platform will cushion some of the impact of commodity price reductions. The analysis also shows an unfavourable impact on trade with third countries, especially for dairy products, highlighting an increasing need to focus on internal EU markets.

1 FAPRI-Ireland Partnership, (2006), 'World Agricultural Trade Reform and the WTO Doha Development Round: Analysis of the Impact on EU and Irish Agriculture'. Published by Teagasc.

EU Enlargement

The Acts of Accession for Bulgaria and Romania were signed in Luxembourg on 25 April 2005 and the two new Member States will accede to the Union on 1 January 2007. Accession negotiations with Croatia commenced on 3 October 2005 and in December 2005, the European Council decided to grant candidate country status to the former Yugoslav Republic of Macedonia.

7.7 International Comparisons Of Agricultural Support

The Organisation for Economic Co-operation and Development (OECD) measures the value of gross transfers from consumers and taxpayers to support agricultural producers in the form of the producer support estimate (PSE). It is expressed in both monetary terms and as a percentage of gross farm receipts.

The EU is the largest supporter of agriculture in terms of total expenditure providing more support than the US and Japan combined. However, Switzerland, Korea and Japan have higher PSE as a % of gross farm receipts, while New Zealand and Australia have a very low PSE reflecting their lack of CAP type agricultural support.

The consumer support estimate (CSE) indicates the value of gross monetary transfers from consumers to producers of agricultural commodities, arising from policy measures that support agriculture (Table 7.5). It is expressed in both monetary terms and as a percentage of consumer expenditure on domestically produced output. It measures how much domestic price is inflated by agriculture policy.

Japan and the EU have the highest level of CSE expenditure. In CSE % terms Switzerland, Korea and Japan have the highest CSE % while Australia, US and New Zealand have the lowest.

The total support estimate (TSE) calculates the annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture (Table 7.6). The percentage TSE measures the overall transfers from agricultural policy as a percentage of GDP.

The EU and the US have the highest TSE expenditure, while Korea and Switzerland have the highest TSE as % of GDP at 3.4% and 1.7% respectively.

Table 7.4 Producer Support Equivalent for 1986-1988, 2002-2004 & 2004

	1986-88		Average 2002-2004		2004	
	€m	% of Farm Receipts	€m	% of Farm Receipts	€m	% of Farm Receipts
Australia	1,219	8	980	4	876	4
Canada	5,548	36	5,020	22	4,613	21
EU*	92,308	41	103,050	34	107,686	33
Japan	44,408	61	42,861	58	39,346	56
Korea	10,840	70	16,672	63	16,025	63
New Zealand	451	11	164	2	208	3
Switzerland	4,925	78	4,865	71	4,688	68
US	33,295	22	36,855	17	37,544	18
OECD	**220,776**	**37**	**231,072**	**30**	**225,670**	**30**

*EU-12 in 1986-88, EU-15 to 2003 and EU-25 from 2004
Source: OECD, Agricultural Policies in OECD Countries, 2004

Table 7.5 Consumer Support Equivalent for 1986-1988, 2002-2004 & 2004						
	1986-88		Average 2002-2004		2004	
	€m	% of Farm Receipts	€m	% of Farm Receipts	€m	% of Farm Receipts
Australia	317	8	129	2	132	2
Canada	2,284	22	2,261	15	2,142	16
EU*	6,960	38	51,480	21	51,782	19
Japan	49,876	58	53,778	51	48,366	50
Korea	10,582	66	19,507	60	16,796	58
New Zealand	83	9	131	8	170	10
Switzerland	4,533	74	3,232	58	3,180	55
US	3,194	3	8,747	6	8,109	6
OECD	**156,261**	**32**	**135,270**	**21**	**123,312**	**20**

*EU-12 in 1986-88, EU-15 to 2003 and EU-25 from 2004
Source: OECD, Agricultural Policies in OECD Countries, 2004

Table 7.6 Total Support Equivalent for 1986-1988, 2002-2004 & 2004						
	1986-88		Average 2002-2004		2004	
	€m	% of GDP	€m	% of GDP	€m	% of GDP
Australia	1,570	0.8	1,373	0.3	1,287	0.3
Canada	6,907	1.8	6,510	0.8	6,047	0.7
EU*	106,372	2.8	116,251	1.2	121,557	1.2
Japan	52,200	2.3	53,794	1.4	49,126	1.3
Korea	11,860	9.3	53,794	3.5	18,187	3.4
New Zealand	545	1.7	270	0.4	322	0.4
Switzerland	5,908	4.0	5,316	1.8	5,047	1.7
US	58,476	1.3	88,294	0.9	87,753	0.9
OECD	**277,648**	**2.3**	**314,494**	**1.2**	**305,119**	**1.2**

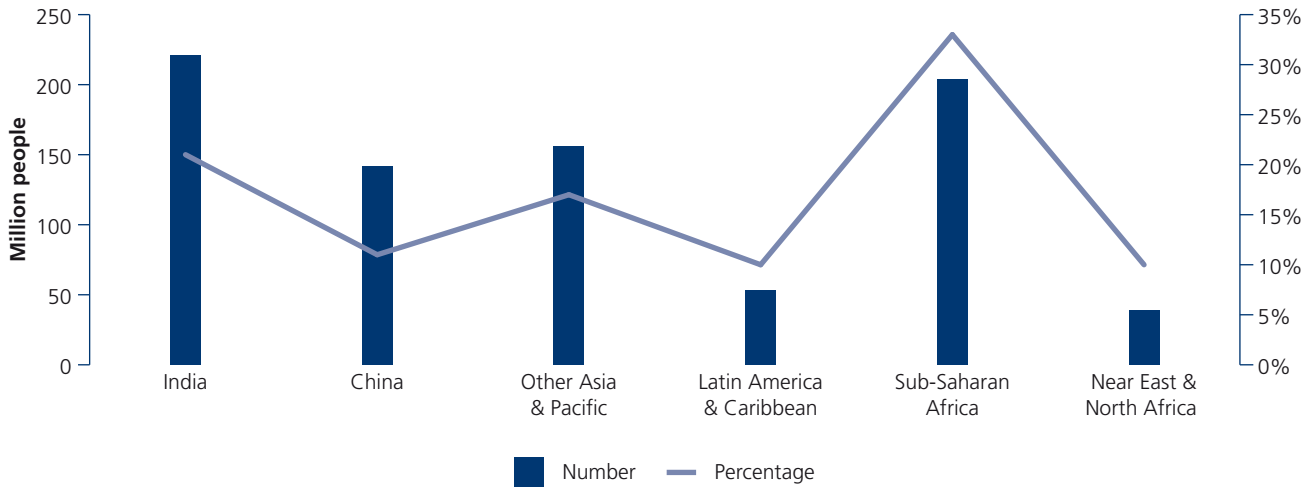
*EU-12 in 1986-88, EU-15 to 2003 and EU-25 from 2004
Source: OECD, Agricultural Policies in OECD Countries, 2004

7.8 World Food Security

The latest statistics[2] produced by the United Nations Food and Agriculture Organisation (FAO) show that 852 million people were undernourished in the period 2000 – 2002. Of this total, some 95% or 815 million people were in developing countries. Within the developing world almost 70% of the undernourished people were in China, India or Sub-Saharan Africa. Figure 7.2 shows both the number of undernourished people and the percentage of the population that is undernourished by country or region. It is clear that, although absolute numbers are highest in India, the percentage of hunger is greatest in Sub-Saharan Africa.

2 'The State of Food Insecurity in the World 2005'. Published by the FAO

Figure 7.2 Numbers and % of Food Insecure People by Region (Average 2000-2002)



Irish Involvement in Reducing Food Insecurity

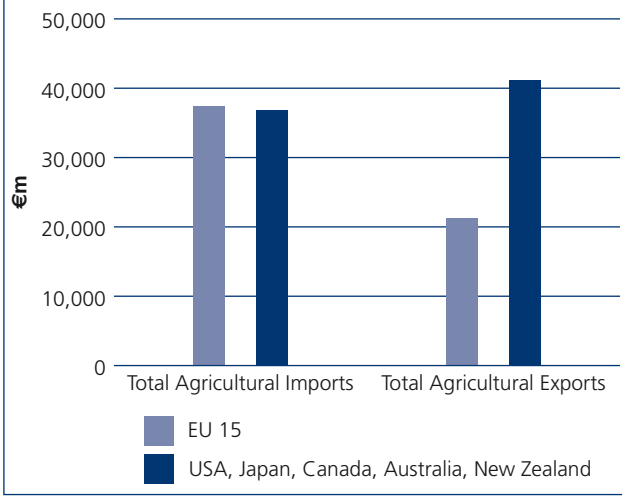
Ireland's contribution to the fight against hunger, poverty and under-development is mainly channelled through its Official Development Assistance (ODA) programme, which is Irish Aid (formerly Development Cooperation Ireland) within the Department of Foreign Affairs. This programme includes bilateral aid to selected countries in Africa and Asia, extensive support for Non Governmental Organisation (NGO) activities and financial assistance to International organisations and UN agencies. Around 80% of this funding is from Irish Aid, but other Departments are also involved in the provision of ODA. The Department of Agriculture and Food actively participates through membership in, and financial support to two UN agencies, and in 2005 its total contributions to FAO and World Food Programme (WFP) amounted to over €8.6 million.

Total Irish ODA for 2005 was approximately €545 million and this is expected to increase to €675 million in 2006. The UN target of 0.7% of GNP on ODA will now be reached in 2012, three years ahead of the agreed EU date. During 2005, Irish Aid engaged in a series of meetings across the country and submissions were invited from relevant stakeholders, both interested organisations and members of the public. This ended with a consultative forum held in Dublin Castle on the future direction of Irish development policy in October. The Department of Agriculture and Food played an active part in these events. This process will culminate in the first ever Irish Government White Paper on Development Policy in 2006, which will provide a secure policy direction for the aid programme into the future.

Access to the EU and Irish Markets for Food for Developing Countries[3]

Despite the often-stated perception that the EU markets are closed to food imports from developing countries, the reality is in fact very different. European Commission figures show that the EU is both the largest trading partner and most open market for developing countries. In fact "the EU is the main importer of agricultural products from developing countries, absorbing more than the US, Japan and Canada put together." Figure 7.3 shows average agricultural trade between developing countries and the EU and also with the other major developed countries, such as USA, Canada, Japan, Australia and New Zealand. As can be seen, in terms of agricultural trade, the EU both imports more and exports less than the other group of developed countries.

Figure 7.3 Trade Between Major World Traders and Developing Countries (Average 2000-2002)



3 Sources: European Commission (2004) 'The Common Agricultural Policy Explained' and FAO (2005) 'The State of Food and Agriculture 2005'

Table 7.7 shows the destination of agricultural exports by region from the EU-15 and Sub-Saharan Africa, to developed and developing countries, expressed as a percentage of overall agricultural exports. Only 2% of EU exports go to Sub-Saharan African countries. On the other hand 56% of Sub-Saharan African exports are to the EU-15.

Trade is an acknowledged engine for development. However the FAO report (The State of Food and Agriculture 2005) recognises that "trade liberalisation alone is not enough." Developing countries need to provide for policies that allow the poor to benefit from opportunities arising from trade liberalisation and protect them from shocks in the short term. The same report notes the potential gains that could arise from the reform of developing countries own trade policies and from increased trade between developing countries.

Table 7.7 Destination of Agricultural Exports by Region

	Year	Developed %	EU-15 %	Developing %	Sub-Saharan Africa %
EU 15	**1990**	88	**82**	12	2
	1995	89	**79**	11	2
	2000	89	**73**	11	2
	2002	90	**73**	10	2
Sub Saharan Africa	**1990**	75	67	25	18
	1995	71	59	29	14
	2000	61	46	39	19
	2002	66	50	34	20

Chapter 8
National Policy Developments

8.1 Overview

This chapter outlines a number of national policy developments that impact on the agri-food sector. These include the Agri Vision 2015 Action Plan that was launched in March 2006, payments under the Single Payment Scheme, commitments under Sustaining Progress, the National Development Plan and farm taxation measures introduced in Budget 2006.

8.2 Agri Vision 2015 Action Plan

In December 2004, the Report of the Agri Vision 2015 Committee was published. This report set out a vision for the agri-food industry over the next decade and was produced by experts from the farming organisations, food industry, research, academia, state agencies and retailing under the chairmanship of Mr. Alan Dukes, a former Minister for Agriculture.

Following the publication of this report a group was set up within the Department to examine it and map out the actions needed to assist the agri-food sector respond to the changing environment. In March 2006, the Agri Vision 2015 Action Plan was launched. This Plan sets our a new vision for the future of the sector in the light of new changes impacting on it, such as, the change to a decoupled payments regime, a more liberalised trade policy, changes in lifestyle, the clear emergence of technology and R&D as significant market drivers and major changes in the structure of farming and retailing.It highlights three drivers for success: competitiveness; innovation; and consumer-focused marketing:

- competitiveness: The agri-food sector exports the majority of what it produces. To survive and grow it must be highly competitive on EU and international markets. Competitiveness is not optional for such an export-oriented sector. It is the primary objective on which the plan is based;
- innovation: The modern food industry is a highly sophisticated knowledge-based sector in which technological progress and product innovation is unremitting;
- consumer focus: Meeting consumer demands on product, presentation and price is critical to continuing success.

Based on these key drivers, the Action Plan sets out 166 actions that are being taken or will be taken to fulfil this vision. These actions are grouped thematically under the following headings:

- focusing on the consumer;
- building our knowledge base;
- strengthening competitiveness;
- promoting a sustainable future;
- implementing the action plan.

The major task going forward is to effectively implement this Action Plan. This requires constructive input and action from a wide spectrum of bodies including Departments, State Agencies, farmers and the private sector. The Department is putting in place the processes and systems, which assign responsibility for actions to specific individuals and organisations and establishing the fora whose primary task, will be to facilitate and drive its implementation.

8.3 Competitiveness

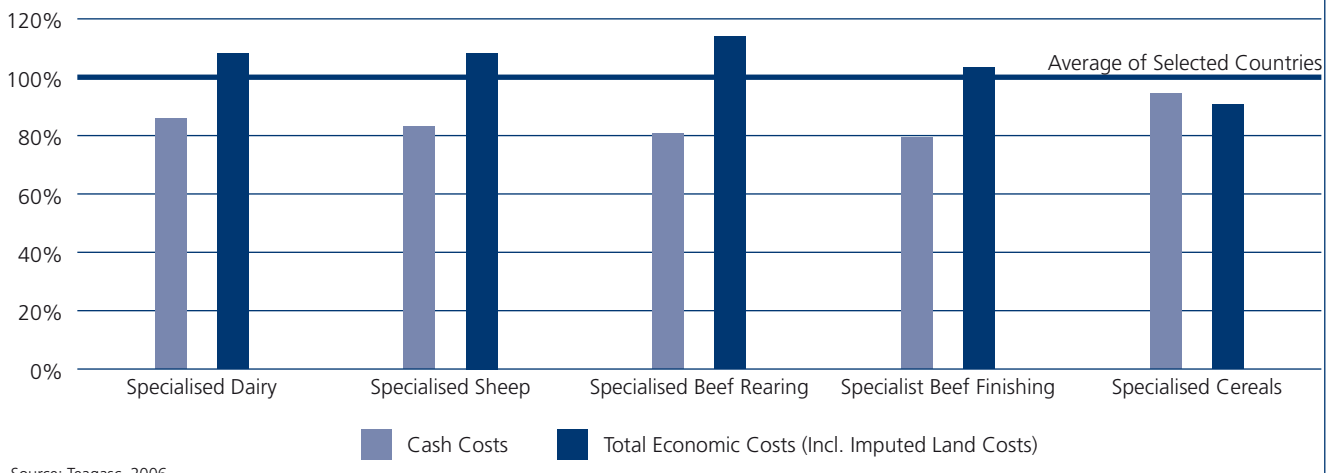
Following on from recommendations in the Agri Food 2010 report, a number of studies have been undertaken in the area of competitiveness. A forthcoming report by Thorne[1] examines the competitiveness of Irish milk, beef rearing, beef finishing, cereals and sheep production for the period 2000-2003. The cash costs for these sectors were compared with the average costs for some other EU Member States[2]. This was facilitated by data from the Farm Accountancy Data Network (FADN) for the years 2000-2003.

In terms of cash costs Irish farm enterprises were around 80% of the average in terms of cost as a percentage of output, with the exception of cereals, which was closer to the average (Figure 8.1). When imputed charges for owned resources were included Ireland's competitive position slipped for all enterprises. Overall economic costs as a percentage of output for milk, cattle and sheep producers were higher in Ireland than the average of the selected EU member states. Specialised cereal production was the only Irish sector, which had total economic costs below that of the average for the selected countries.

1 Thorne, F. (2006) forthcoming, 'The Competitiveness of Irish Agriculture, 2000 – 2003' Working paper Series, RERC, Teagasc.

2 Specialised Beef Rearing and Finishing: Ireland, UK, France, Germany. Specialised Dairy: Ireland, Belgium, France, Germany, Italy, Netherlands, UK. Specialised Sheep: Ireland, UK, France. Specialised Cereals: Ireland, Italy, UK, Germany, Denmark, France.

Figure 8.1 Competitiveness of Irish Agriculture Relative to Selected Countries, 2000-2003



Source: Teagasc, 2006

8.4 Single Payment Scheme

Following the Luxembourg Agreement on the reform of the CAP in 2003, Ireland decided to introduce full decoupling of premia and arable aid payments with effect from 2005. This led to the introduction of the Single Payment Scheme (SPS) in 2005. The new scheme replaced the livestock premia schemes (Suckler Cow Premium, Special Beef Premium, Slaughter Premium, Ewe Premium, Extensification Premium) and the Arable Aid Scheme. A new Dairy Premium Scheme was introduced in 2004. This scheme was also decoupled from production in 2005 and is now included in the SPS.

In general the SPS is applicable to farmers who actively farmed during the reference period 2000–2002, who were paid Livestock Premium and/or Arable Aid in one or more of those years and who continued to farm in 2005. It is also applicable to dairy farmers, who were involved in milk production in 2004/2005 and held a milk quota on 31 March 2005. The gross Single Payment Scheme is based on the average number of animals and/or the average number of hectares (in the case of Arable Aid) on which payments were made in the three reference years.

The new scheme enables farmers to concentrate more on market requirements and removes concerns about retention periods, quotas, stocking densities, census dates and other requirements associated with the old coupled schemes.

In December 2005 over €1 billion was paid to farmers under the Single Payment Scheme by 31 December 2005.

Over €1.2 billion of the total value of the SPS had been distributed to over 125,000 farmers by early April. After deductions for the national reserve, modulation, cross-compliance penalties, etc. net payments amounted to €1.15 billion.

As illustrated in Table 8.1, the majority of payments under the 2005 SPS were under €15,000. Some 83% of herd owners receiving payment fell into this category, accounting for some €534 million, or 47% of net payments. Three quarters of payments went to farmers with disadvantaged land.

An important cornerstone of the decoupling of direct payments is the cross-compliance requirement. This requirement stipulates that farmers who receive payments under the Single Payment Scheme must respect the various Statutory Management Requirements (SMRs) set down in EU legislation (Directives and Regulations) on the environment, animal and plant health and animal welfare. Maintenance of land in Good Agricultural and Environmental Condition (GAEC) constitutes a further requirement in this area. More details on cross-compliance are outlined in Chapter 9.

Table 8.1 Distribution of Single Payment Scheme by Size of Payment, 2005

	All Payments		Payments to Farmers with LFA Parcels		Payments to Farmers with no LFA Parcels	
Category	**Number of Herds**	**Net Payment**	**Number of Herds**	**Net Payment**	**Number of Herds**	**Net Payment**
Less than €1,000	13,052	6,695,422	11,097	5,753,543	1,955	941,879
€1,000 – €2,000	13,593	20,237,428	12,014	17,882,007	1,579	2,355,421
€2,000 – €3,000	12,037	29,945,814	10,632	26,427,098	1,405	3,518,716
€3,000 – €4,000	10,464	36,511,221	9,146	31,919,070	1,318	4,592,151
€4,000 – €5,000	9,163	41,154,933	7,850	35,242,797	1,313	5,912,135
€5,000 – €6,000	8,057	44,207,117	6,831	37,464,498	1,226	6,742,619
€6,000 – €7,000	6,825	44,270,506	5,733	37,175,484	1,092	7,095,021
€7,000 – €8,000	5,927	44,380,253	4,857	36,352,730	1,070	8,027,524
€8,000 – €9,000	5,058	42,925,342	4,129	35,033,812	929	7,891,530
€9,000 – €10,000	4,364	41,371,779	3,482	33,013,071	882	8,358,708
€10,000 – €15,000	14,931	182,715,318	11,486	140,339,398	3,445	42,375,920
€15,000 – €20,000	8,248	142,304,093	5,971	102,952,744	2,277	39,351,349
€20,000 – €50,000	11,605	336,981,895	7,806	225,805,849	3,799	111,176,046
€50,000 – €100,000	1,565	102,353,423	1,031	67,380,917	534	34,972,506
More than €100,000	229	30,034,749	166	21,327,065	63	8,707,684
Totals	125,118	1,146,089,294	102,231	854,070,083	22,887	292,019,211

8.5 National Development Plan

The National Development Plan (NDP) provides significant funding for agriculture, food and forestry actions over the 2000-2006 period. The CAP Rural Development Plan accounts for the bulk of public expenditure. Its four measures concern early retirement, compensatory allowances, rural environment protection and forestry. Measures included in various Operational Programmes under the NDP complement the CAP Rural Development Plan and provide a comprehensive support package under the following broad headings:

- on-farm investment such as farm waste management and dairy hygiene;
- research, training and advisory services;
- ancillary forestry investment;
- alternative enterprises; and
- Installation Aid for young farmers.

Details of expenditure in 2005 and for the 2000-2005 period under the various measures are set out in Table 11.18 of the Statistical Annex. In 2005, overall progress under the various measures was on target. The position regarding the Rural Environment Protection Scheme (REPS) was particularly noteworthy. There were record payments of some €283 million and the number of farmers involved passed the 48,000 mark for the first time.

Further monies were allocated to food industry initiatives in 2005. Calls for proposals were issued in the grain and horticulture sectors under the capital investment measure as well as a targeted call for research projects in the areas of food safety and beverages. Commitments under the food initiatives from 2000 to 2005 totalled almost €224 million (Table 8.2).

Table 8.2 National Development Plan – Food Industry Commitment, 2000-2005	
Measure	**€m**
Capital investment	82.54
Research – Food Industrial Research Measure (FIRM)	63.02
In company research	27.71
Marketing and promotion	34.72
Human resource development	15.73
Total	**223.72**

8.6 Partnership

Sustaining Progress, the sixth Partnership Agreement, completed its three-year cycle at the end of 2005. Over the lifetime of the agreement, all of the commitments contained in the Agriculture Chapter of Sustaining Progress have either been met or by their nature are commitments, which are being met on an ongoing basis. This has ensured that the farming community has gained significant benefits from the partnership process. In 2005, very satisfactory progress was made in implementing the agriculture provisions of the Sustaining Progress Agreement negotiated with the Farming Social Partners. Some key areas of progress in 2005 are illustrated beneath:

- payment of the Single Payment Scheme to 94% of applicants between 1-31 December 2005. This was a significant achievement and compares very favourably with the outcome in other Member States;
- published the Department's third Customer Service Action Plan and our first Customer Charter in February 2005;
- agreed a New Charter of Rights for Farmers, which included specific payment target dates, inspection regimes and cross-compliance systems;
- reached agreement on the 2007-2013 Financial Perspectives, which from an agricultural perspective protects CAP "Pillar I" direct payments, prevented further reviews of the CAP during the 2007-2013 period and ensured no further compulsory modulation;
- achieved classification of Co. Monaghan as a more severely handicapped area from 2005 onwards;
- succeeded in reducing the rates of animal disease from their 2004 level;
- participation on REPS reached an all-time high and spending of €283 million was incurred in 2005.

Negotiations on the new partnership agreement commenced with the farming pillar in late 2005.

8.7 Estimates 2006

Reflecting commitments in Sustaining Progress, the National Development Plan and the Department's Statement of Strategy, a national estimates provision of €1,498 million has been provided for agriculture and food, in 2006, as well as €18 million in capital saving, carried over from 2005. This brings total voted expenditure to €1,516 million, up 12% on 2005. The allocation provides for increases in many areas including REPS, forestry, and on farm investment schemes. These public funds are in addition to EU funded direct payments and market supports which will amount to almost €1.526 million in 2006, bringing total gross expenditure by the Department of Agriculture and Food to approximately €3.042 million.

8.8 Budget 2006

Budget 2006 provided a number of enhanced provisions for the farming sector that are valued at over €24 million in a full year. The specific farm tax measures included;

- The Stamp Duty relief scheme for young trained farmers has been extended for a further three years until 31 December 2008;
- favourable adjustments to the Income Tax Exemption for leasing of farmland were also introduced. For persons over 40 years of age who lease farmland for 5 to 7 years, the Income Tax Exemption has been increased from €7,500 to €12,000. For leases of longer than 7 years the Income Tax Exemption has increased from €10,000 to €15,000. These increased thresholds include the value of Single Payment Scheme entitlements when leased with land;
- the "floating capital allowance" permitted under the Accelerated Capital Allowance Scheme for investment in necessary pollution control facilities has been increased from the lesser of €31,750 or 50% of qualifying expenditure to the lesser of €50,000 or 50% of expenditure;
- Single Payment Scheme entitlements will be recognised as a qualifying "agricultural asset" for the purpose of Capital Acquisitions Tax Agricultural Relief. They will also qualify for Capital Gains Tax Retirement Relief provided the farmer has owned and farmed the land for the previous 10 years. Both of these measures will be backdated to 1 January 2005. In addition sale or lease of Single Payment Scheme entitlements will not be subject to Stamp Duty;
- excise duty on kerosene and non-automotive liquid petroleum gas has been halved from 7 December 2005 and will be reduced to zero in Budget 2007;

- excise duty relief of €205 million that will allow the production of 163 million litres of biofuels over the next five years was also announced in Budget 2006 and;
- payments for Farm Assist and Rural Social Scheme participants were increased in line with other social welfare increases.

Income Tax Yield From Farmers

There are approximately 109,300 farmers on record with the Revenue Commissioners including almost 14,000 who are assessed periodically. Provisional estimates show that approximately €111 million tax was paid on farm profits in 2005.

Table 8.3 Farmers' Income Tax and PRSI (€m), 1999-2005

Year	Tax paid on Farm Profits €m	PAYE on Other Earned Income €m	PRSI €m	Total €m
1999	105	173	34	312
2000	110	187	36	333
2001	107*	227	36	370
2002	126*	217	42	385
2003	115*	n/a	32	n/a
2004	101*	n/a	30	n/a
2005	111*	n/a	34	n/a

*Includes yield from special investigations
Source: Revenue Commissioners

Tax on farm profits accounted for 0.9% of the total income tax-take in 2005. This compares to 81.2% from the PAYE sector and 17.9% from other self-employed.

Table 8.4 Average Income Tax Paid by Sector 1999-2005

	PAYE[1] €	Farmers[2] €	Other Self-employed[2] €
1999	4,548	1,182	7,159
2000	4,558	1,423	8,158
2001	4,602	1,048*	9,533*
2002	4,008	1,283*	11,685*
2003†	4,199	1,094*	8,840*
2004†	4,570	749*	10,440*
2005†	4,762	867*	12,004*

†Provisional
*Excludes yield from special investigations
Source: Revenue Commissioners
1 Average tax payment for the PAYE sector is obtained by dividing the net receipt of PAYE tax by the total number of income earners on the PAYE tax record including those who are exempt from tax.
2 For farmers and other self employed the estimated net receipt of income tax paid by full-time farmers / self employed is divided by the number of full-time farming tax units / estimated number of self employment units assessed for tax. These numbers exclude those who are not required to file annual tax returns and whose position is reviewed periodically because their incomes are too low to attract a tax liability on an individual basis.

8.9 Land Purchase Annuities

The former Land Commission was empowered under various Land Acts going back to 1881 to acquire land from landlords and subsequently allot it to tenant farmers with small agricultural holdings with a view to creating enlarged and viable holdings.

The Land Commission determined the capital value of the land and the land purchase annuity to be paid in respect of a proposed allotment. Once the capital value was established the Land Commission transferred the land to the farmer, paid the landlord, usually in Land Bonds and the land purchase annuity came into existence. The farmer subsequently made bi-annual payments to the Land Commission in respect of the land purchase annuity.

The Land Commission applied a complex and somewhat technical formula, similar to an endowment mortgage, to determine the term of and repayment process for a land purchase annuity. Depending on the value of the annuity and the term for repayment, an annual repayment rate was set. The annual repayment rates applied to land purchase annuities by the Land Commission, varied over the years from 2.5% to 18.5%. The repayment rate was based on a percentage of the capital value of the allotment. The lower the annual repayment rate, the longer the repayment period and the higher the annual repayment rate, the shorter the repayment period.

In 1989 and 1992 all annuities of less than £20 were written off and all remaining annuitants whose annuities were over 10% had their annuities reduced to 10% and repayment periods rescheduled.

The Land Act 2005 wrote off all annuities, including arrears where the annuity was less than €200 per annum. This has provided benefit for 4,500 annuitants at an estimated cost of almost €4 million. For those annuities greater than €200 per annum, a buy out scheme at a 25% discount, provided all arrears are paid up to date has been introduced from 1 January 2006 for a period of six months. It is the Department's intention that arrears will not be allowed to accumulate after that date and the Land Bill 2005 includes new powers of offsetting from other Departmental payments to defaulters.

The Act also makes provision for access to the Courts for attachment and garnishee orders. This will allow a more cost efficient method of collecting arrears. The Land Act 2005 also introduced various regulatory reforms in the whole area of agricultural land conveyancing that have been widely welcomed by the Incorporated Law Society and Solicitors in general, notably the repeal of section 12 and 45 Land Act 1965 consents.

8.10 North-South Co-operation

A strong level of co-operation with the Department of Agriculture and Rural Development in Northern Ireland has continued to be maintained at official level in the absence of the Northern Ireland Assembly.

The Agriculture sector of the North South Ministerial Council has progressed;

- the development of an All-Island Animal Health Strategy. The programme of work was taken forward by a series of working groups at official level, which have met at regular intervals over the past two years. The work has focussed on three main themes:
    - common or equivalent controls at points of entry to the island;
    - convergence of internal animal health policies; and
    - development of joint strategies for the control of animal disease.

  The ultimate objective of an all-island animal health and welfare strategy is a policy which facilitates free movement of animals on the island, subject to EU rules. The main achievements to date are the development of a co-ordinated and complementary approach towards import policies and portal controls at points of entry to the island, the convergence of policies in regard to animal identification and Scrapie and the strengthening of co-ordination and co-operation between both administrations on a variety of issues such as FMD, BSE and cross-border fraud;
- the development of an All-Island Plant Health and Research Strategy including co-operation between both jurisdictions in relation to plant protection products. In the Pesticide sector, contacts were further developed. A report reflecting the first phase of a 4-year cycle of usage surveys for plant protection products, conducted on an all-island basis, was prepared for publication. It related to use in 2003 on grassland and fodder crops. The second phase, relating to use on cereals, potatoes, sugar beet and oilseed crops was completed. Survey work for a third phase involving use on grassland and fodder crops was initiated;
- liaison on issues arising at WTO, EU enlargement and the mid-term review of the CAP. Following the Mid-Term Review of the CAP as agreed by the Council of Agriculture Ministers in June 2003, there has been co-operation between the paying agencies north and south on common issues of concern;

There is ongoing co-operation between officials of the Departments in both jurisdictions in common areas of concern including the measures to be adopted in the event of an outbreak of avian influenza on the island.

Chapter 9
The Environment

9.1 Overview

Environmental protection is an increasingly important element of modern agricultural policy, which must now take on board a range of international commitments, EU Directives and national legislation concerning the environment. Details of some of the environmental measures in place and schemes to encourage environmentally friendly farming are outlined below.

9.2 Nitrates Directive

One of the most current issues in relation to agriculture and the environment is the Nitrates Directive. An Action Programme for implementation of the Nitrates Directive was developed jointly by the Department of the Environment, Heritage and Local Government and the Department of Agriculture and Food in consultation with Teagasc, and was submitted to the Commission following a lengthy and comprehensive consultative process. In December 2005, the Minister for the Environment, Heritage and Local Government signed Regulations to give legal effect to Ireland's Action Programme (S.I. no. 788 of 2005).

The Nitrates Regulations, which are to be implemented on a phased basis over four years, came into force on 1 February 2006 and sets standards and requirements in relation to:

- the timing and procedures for the land application of fertilisers;
- limits on the land application of fertilisers;
- requirements on the capacity of storage vessels for livestock manure;
- general provisions on storage management; and
- the monitoring of the effectiveness of such measures.

The introduction of Part 3 of the Regulations, which deals with nutrient management, was temporarily deferred to allow consideration of revised scientific advice from Teagasc and further discussions with the European Commission. These discussions commenced in March 2006 and the objective will be to finalise these outstanding issues as early as possible. The Department will seek to minimise the burden of compliance and to assist farmers in meeting their obligations under the Regulations. This assistance will be through the provision of information in the form of a Farmer's Handbook, information meetings and issuing statements of organic nitrogen based on information held in Department databases.

The Department will also deliver improved support schemes such as the revised Farm Waste Management Scheme, which was introduced in March 2006.

A crucial objective for 2006 will be to bring negotiations with the Commission to a successful conclusion on proposals for a derogation of up to 250 kg of organic nitrogen/per hectare/per annum.

9.3 National Climate Change Strategy

In 2000, the Government published the National Climate Change Strategy (NCCS) to implement the Kyoto Protocol (1997) which contains legally binding targets and requires Ireland to limit any increase in greenhouse gas emissions to a maximum of 13% above 1990 levels by the period 2008 to 2012. The target set for the agriculture sector is to reduce annual emissions by 2.41 million tonnes (Mt) CO_2 equivalent. The most challenging targets for the agriculture sector relate to reductions in emissions of methane (CH_4) and nitrous oxide (N_2O).

Analysis undertaken by FAPRI-Ireland on various decoupling options available under the Luxembourg CAP Reform Agreement projected that full decoupling of support payments from production would likely result in the agriculture sector meeting its target for reduced emissions.

Greenhouse gas emissions trading commenced in Ireland, on a pilot basis, on 1 January 2005. A number of large food and drink companies are participants in the scheme but primary agriculture is part of the non-trading sector. The National Allocation Plan (NAP) set down the proportion of national emissions to be allocated to the trading sector. Emissions trading, on a formal basis will commence on 1 January 2008. A new NAP for the period 2008 to 2012 is currently being prepared.

A major review of Ireland's National Climate Change Strategy will be undertaken in 2006. This may lead to revised emissions reduction targets for each sector, including agriculture.

9.4 Ammonia Emissions

The European Communities (National Emissions Ceilings) Regulations 2004 (S.I. No. 10 of 2004), implementing EU Directive 2001/81/EC concerning national emissions ceilings for certain atmospheric pollutants, set limits for four pollutants – sulphur dioxide, nitrogen oxides, volatile organic compounds, and ammonia. Agriculture is the main source (approx. 98%) of ammonia emissions in Ireland. The limit on national annual ammonia emissions, to be achieved by 2010, is 116,000 tonnes. The level of ammonia emissions in 2001 was 123,000 tonnes and the provisional figure for 2003 was 116,300 tonnes. The European Commission will review the National Emissions Ceilings Directive in 2006.

9.5 CAP Reform And Cross Compliance

An important cornerstone of the Luxembourg Agreement and subsequent decoupling of direct payments is the link to cross-compliance. Under the Single Payment Scheme farmers are required to respect the various Statutory Management Requirements (SMR's) set down in EU legislation (Directives and Regulations) on the environment, public, animal and plant health and animal welfare. There is also a requirement to maintain land in Good Agricultural and Environmental Condition (GAEC). This is known as Cross-Compliance and it involves two key elements:

- a requirement for farmers to comply with 18 statutory management requirements (SMR's) set down in EU legislation on the environment, food safety, public, animal and plant health and animal welfare and;
- a requirement to maintain the farm in good agricultural and environmental condition (GAEC).

The cross compliance obligations are being phased in over a three-year period. Eight cross compliance SMR's were introduced in 2005 together with the Good Agricultural and Environmental Condition requirements for Ireland. A further 8 SMR's will be introduced during 2006.

Before finalising the Guidance Document for 2005 cross compliance measures, the Department sought views from interested stakeholders, in particular the farm bodies. Following this consultative process an information booklet for farmers was published in April 2005, which covered the SMR's that were introduced in 2005. A copy of the booklet was posted to all farmers. In 2006 the Department will prepare an information booklet that will cover the SMR's being introduced from 1 January 2006 and 1 January 2007. The cross compliance requirements as regards the Nitrates Directive will be implemented from February 2006 following the introduction of national legislation governing Ireland's Nitrate Action Programme.

Other support schemes, including On-Farm Investment Scheme, Rural Environment Protection Scheme, Installation Aid, Disadvantaged Areas Compensatory Allowances and the Scheme of Early Retirement from Farming (in so far as it applies to farming transferees), require compliance with Good Farming Practice. It requires compliance with regulations in relation to the environment, animal welfare, animal identification and registration, and animal health. Sanctions are applied to the farmers' direct payments if they are found to be non-compliant with the required standards.

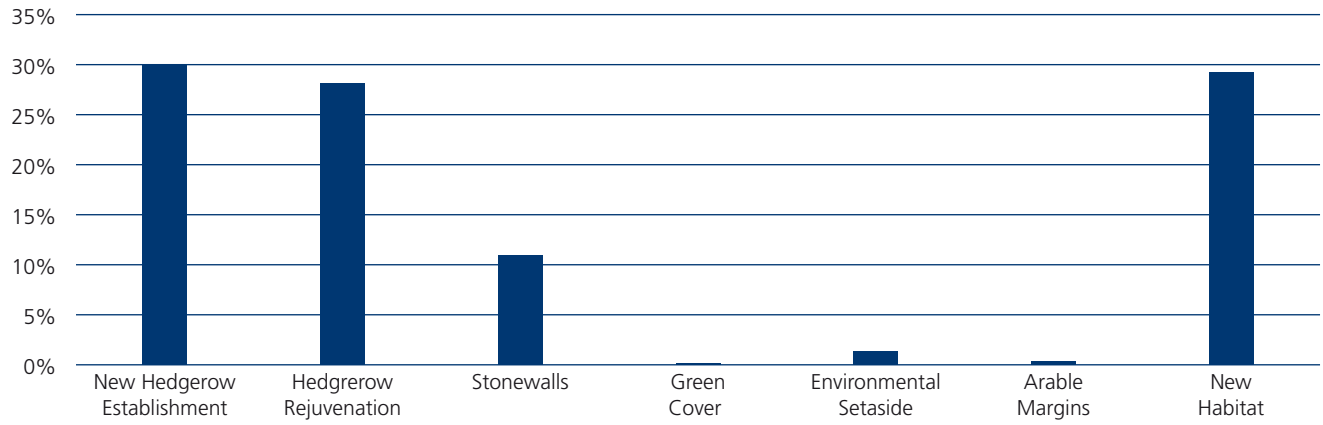
9.6 Rural Environmental Protection Scheme

During the course of 2005, active participation in REPS continued to increase and peaked at just over 48,000. This represents an increase of 11% on the 2004 figure. Total expenditure on REPS increased by 35% to €283 million in 2005. Participation is expected to increase further in 2006 with an increased provision of €323 million allocated for 2006.

Approximately 37% of all farmers are now in REPS with approximately 1.7 million hectares or 40% of the total agricultural area being farmed to REPS standards. Over half of all REPS participants are located in counties along the western seaboard, with 24% in counties Galway and Mayo.

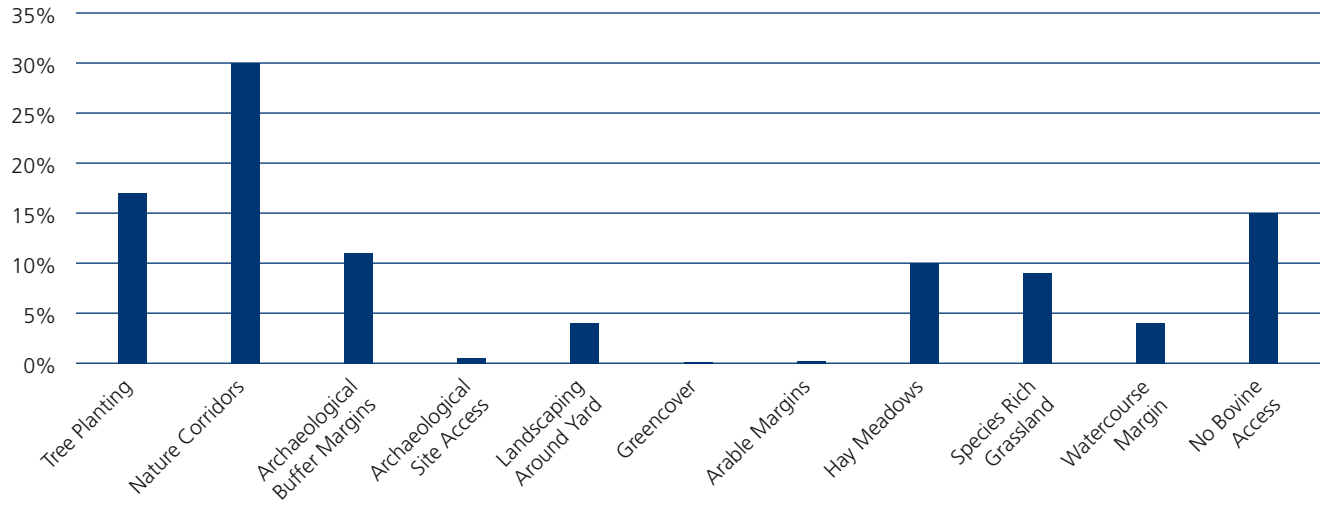
REPS 3 was introduced on the 5th February 2004, ten years after REPS 1 commenced. It is expected that the third version of REPS will continue to deliver enhanced environmental benefits through improved biodiversity and supplementary measures. Participants who wish to enter REPS 3 must comply with 11 basic compulsory measures. However, to further increase biodiversity at farm level, two out of a further sixteen options must be selected. These sixteen options are further subdivided into category 1 and category 2 with each applicant having to choose two options that must include at least one from category 1.

Figure 9.1 Breakdown of Category 1 Biodiversity Options Selected, 2005



Source: DAF

Figure 9.2 Breakdown of Category 2 Biodiversity Options Selected, 2005

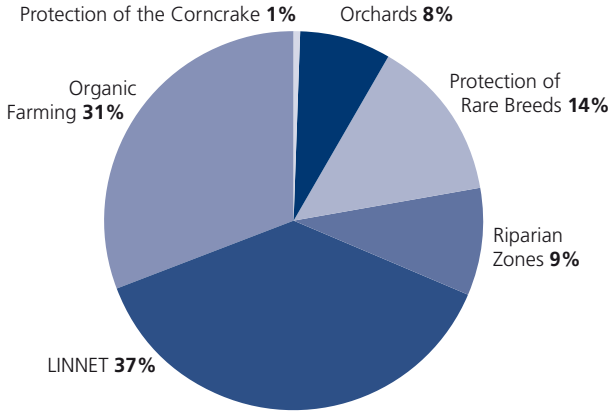


Source: DAF

Farmers can also choose from six supplementary measures if they so wish. These are designed to take account of the need to resolve specific environmental problems such as the protection of important habitat sites while also encouraging farmers to respond to specific market demands such as the production of organic food. The six supplementary measures are: corncrake habitats; traditional Irish orchards; conservation of rare breeds; riparian zones; Land Invested in Nature, Natural Eco-Tillage (LINNET) habitats and organic farming.

Almost 1 in 3 of all participants who undertook supplementary measures during 2005 opted for the organic farming option with over €5 million being paid in 2005 alone through REPS to organic producers.

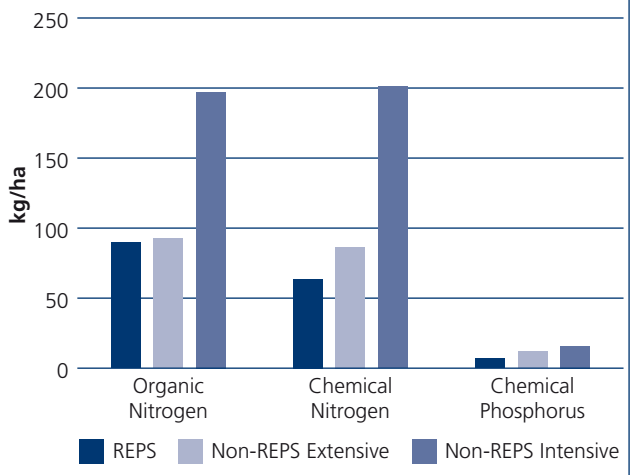
Figure 9.3 Breakdown of REPS 3 Supplementary Measure, 2005



Source: DAF

One of the mandatory requirements for REPS is to have a nutrient management plan developed for the farm. This facilitates the optimum use of both chemical and organic fertilisers resulting in both environmental and economic benefits. Figure 9.4 highlights the differences in fertiliser usage between REPS and non-REPS extensive and intensive farms.

Figure 9.4 Fertiliser Application Rates for REPS and Non-REPS Extensive and Intensive Farms, 2004



Source: National Farm Survey 2004, Teagasc 2005

In terms of economic impact average gross margins and family farm income (FFI) on REPS farms were higher than for extensive non-REPS farms, with lower direct costs accounting for most of the difference.

Table 9.1 Financial Performance Indicators for REPS and Non-REPS Farms, 2004

	REPS Incl. payment (€/ha)	Non-REPS Extensive (€/ha)	Non-REPS Intensive (€/ha)
Gross output	1,148	1,158	2,686
Direct costs	334	398	997
Gross margin	814	760	1,689
Overhead costs	376	406	807
Family Farm Income (FFI)	439	354	882

Source: National Farm Survey 2004, Teagasc 2005

Farmers participating in REPS had on average a 4% higher FFI than their non-REPS counterparts. However there is continuing variation across farming systems with drystock and sheep farmers participating in REPS having substantially higher FFI than their non-REPS counterparts. Tillage farmers participating in REPS had a FFI that was 32% lower than their non-REPS counterparts.

Table 9.2 Family Farm Income by System of Farming on REPS and Non-REPS Farms, 2004

System of Farming	REPS €	All Non-REPS €
Dairying	31,726	35,158
Dairying + other	21,651	25,883
Cattle rearing	12,545	4,759
Cattle other	13,365	6,464
Mainly sheep	12,501	9,868
Mainly tillage	18,219	26,681
All systems	15,990	15,360

Source: National Farm Survey 2004, Teagasc 2005

In October 2005 the Minister launched a consultative process for REPS 4 inviting all stakeholders and interested parties to make written submissions on future scheme developments for inclusion in the next CAP Rural Development Plan for the period 2007-2013.

In November 2005, the Department's negotiations with the European Commission on commonage and target land payment rates were brought to a successful conclusion, thus allowing farmers in these areas to maintain the REPS payment rate of €242 per hectare while at the same time maximising entitlements under the SPS.

9.7 Organic Farming

In 2003 at EU-25 level[1], 149,000 holdings are certified organic or in-conversion to organic which represents approximately 1.4% of total agricultural holdings. There were approximately 29,000 organic holdings in the EU-15 in 1993; this has now increased to 140,000 or slightly more than 2% of all farm holdings, which represents more than a four-fold increase over the 1993-2003 period. This represents 5.7 million hectares or 3.6% of total EU-25 Utilisable Agricultural Area (UAA). However there is considerable variation between countries, with Austria and Italy having 9.7% and 8.1% respectively of agricultural area being farmed organically which is almost twice what both the UK and Germany had at 4.3% (Figure 9.5).

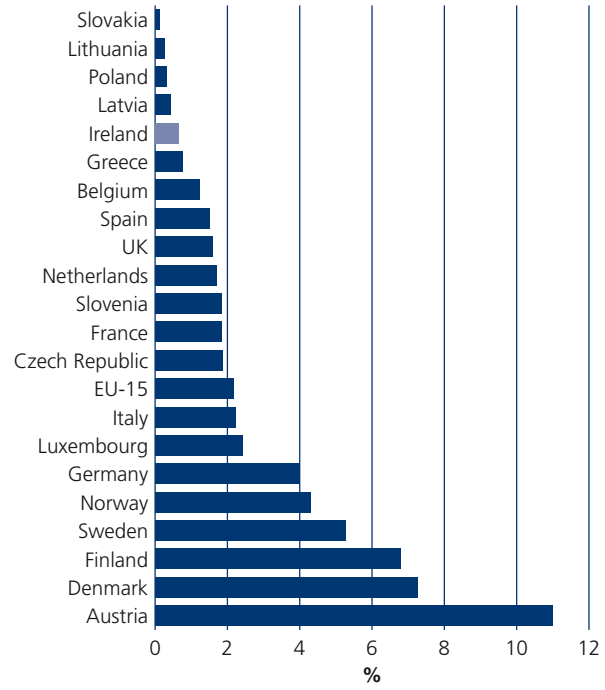
The average size of an organic farm holding in the EU-25 is 40 hectares, however, there is considerable variation between countries with the UK's average size of organic holding being 173 hectares compared to Austria's at 16 hectares. Italy has the largest number of organic holdings within the EU with 44,000 or 30% of the EU-25 total, followed by Austria with 19,000 and Spain and Germany with 17,000 each. Approximately 61% of organic land is utilised for the

1 European Commission Report on Organic Farming in the European Union, Facts and Figures, November 2005.

production of grass and fodder and is the most important use of organic land within the EU-15 and most particularly in Ireland at 91% and the UK at 75%.

In Ireland the total area of land used for organic production has increased by 18% since 2002 and now stands at 35,266 hectares. In 2005 there were 1,090 organic operators in Ireland of which 978 were producers and 112 were processors of organic produce.

Figure 9.5 EU Organic Producers as a % of the Total Number of EU Agricultural Producers, 2003



Source: Eurostat, Statistics in Focus 31/2005

The organic sector receives substantial financial support through REPS and a Scheme of Grant Aid for the Development of the Organic Sector. Since REPS first began in 1994, organic producers who participate in REPS have received approximately €31 million with over €5 million paid in 2005 alone.

As a further incentive to farmers to consider entering the organic sector, REPS 3 allowed for the first time for the partial conversion of a holding. Initiatives to develop the sector further are being considered as part of the consultative process for REPS 4.

A Scheme of Grant Aid for the Development of the Organic Sector under the National Development Plan provides grant assistance to organic operators for investment in equipment and facilities for the production, preparation, grading, packing and storage of organic products. This Scheme supports investment both on and off-farm. For on-farm investments, grant aid can be given for 40% of the cost up to a maximum grant of €50,000. For off-farm investments, the grant aid can be given for up to 40% of the cost up to a maximum grant of €500,000. The scheme, which is demand led, saw an outturn of just under €0.5 million in 2005.

A Draft Council Regulation was published in December 2005 and it will replace the existing legislation by January 2009. This is a direct response to the regulatory actions contained in the European Action Plan for Organic Food and Farming, which was launched in 2004 under the Irish Presidency of the European Union. The objective of the Draft Council legislation is to ensure simplification, overall coherence, and the establishment of principles encouraging harmonisation of standards. Work is also progressing on an EU wide information campaign on organic food and farming.

9.8 Farm Waste Management Scheme

In March 2006 the EU formally approved the revised Farm Waste Management Scheme that was introduced by the Department of Agriculture and Food to assist farmers meet the additional requirements of the Nitrates Directive. The principal elements of the new Scheme are:

- the introduction of a standard grant-rate of 60%, with 70% being available in the four Zone C counties for animal housing and slurry storage, instead of the previous grant-rate of 40%;
- an increase in the maximum eligible investment ceiling from €75,000 to €120,000 per holding;
- the extension of the maximum income ceiling from 450 to 650 income units with no limit on income being applied in the case of pig and poultry farmers;
- the removal of any minimum income requirement from farming from the Scheme so that all small farmers can participate in the Scheme; and
- the extension of the Scheme to include horses, deer, goats, pigs and poultry, and mushroom compost.

Expenditure under the Scheme in 2005 amounted to €19.1 million, which brings total expenditure under the Scheme since its introduction in 2001 to €65.9 million. A total of €43 million is provided for the revised Scheme in the Estimates for the Department of Agriculture and Food in 2006.

9.9 Tax Relief For Investment In Pollution Control Facilities

For the purpose of assisting farmers with complying with the Nitrates Directive the Minister for Finance announced a reduction in the writing-off period from 7 to 3 years for the accelerated rate of capital allowances available for necessary investment in pollution control facilities for expenditure incurred during a four-year period commencing 1 January 2005. The capital allowance will be provided at 33.3%

per annum over a three-year writing-off period with the option to avail of a more flexible writing-off arrangement in respect of the lesser of €31,750 or 50% of the qualifying expenditure in any one year. Budget 2006 increased this maximum "floating allowance" to €50,000 for qualifying expenditure.

The relief is available to farmers who incur necessary capital expenditure for pollution control facilities and who submit a nutrient management plan to the Department of Agriculture and Food.

9.10 Biofuels

Biofuels – whether in liquid, solid, or gas form – are derived from biomass to produce bioenergy. Biomass comprises all organic material e.g. plant matter and animal mass. Renewable transport fuels have significantly less CO_2 emissions than their fossil fuel equivalents and consequently are considerably more environmentally friendly with the most commonly used biofuels available in three forms:

- pure plant oil is produced from oilseeds and can be used in modified diesel engines;
- bio-diesel is produced from pure plant oil and other oils and fats and can be used in diesel engines without modification;
- bio-ethanol can be produced from starch or sugar producing crops such as sugar beet and cereals. Technology is also being developed to allow bio-ethanol production from cellulosic materials such as straw and wood.

The EU Biofuels Directive 2003/30/EC requires all Member States including Ireland to ensure that a minimum proportion of biofuels and other renewable fuels are placed on their respective markets and that indicative market penetration targets of 2% by 2005 and 5.75% by 2010 are adhered to. In 2004 the rate of biofuel market penetration in Ireland was estimated to be approximately 0.0003% with a target of 0.06% by December 2005.

A recent survey by the Irish Bioenergy Association and Sustainable Energy Ireland in 2005 estimated that approximately 2,025 people are employed in the bioenergy industry, with 325 directly employed by the industry and 1,700 indirectly linked to the industry. In an effort to further encourage the production of biofuels, a Mineral Oil Tax (MOT) relief scheme was negotiated in 2003 and launched in April 2005. This allowed for the production of 8 million litres of biofuels free of excise duty. In 2005 DAF together with Teagasc and COFORD examined the potential of energy crops, wood biomass and by-products of farming and food processing for the manufacture of biofuels. In general, the production of energy crops for biofuels will have to be demand led and production by farmers will only be sustainable in the longer term if the economic returns are greater than those offered by traditional crop enterprises. The production of liquid biofuels from energy crops, in the absence of fiscal initiatives is not economic at current price levels. Budget 2006 introduced a number of measures to increase the uptake of biofuels:

- the MOT Relief scheme was extended to allow approximately 163 million litres of biofuels to be produced exempt from excise duty;
- a 50% reduction in Vehicle Registration Tax for new flexible fuel vehicles, which are capable of operating on high-grade biofuels, for two years;
- renewable Energy Grants of approximately €65 million for innovative grant schemes relating to biofuels, combined heat and power, biomass commercial heaters and domestic renewable energy grants.

An energy crops scheme introduced in March 2004 provides for aid of €45 per hectare per year for areas sown with energy crops. A total of 1,676 hectares was eligible in 2005 provided there was a contract between the farmer and a processor, except in the case of processing undertaken by the farmer on his holding.

9.11 Biodiversity

In 2004, a Biodiversity Unit was established within the Department's Environment Section in Johnstown Castle as a requirement of the National Biodiversity Plan, published in 2002 by the Department of the Environment, Heritage and Local Government (DEHLG). During 2005, the Biodiversity Unit contributed to the mid-term review of the National Biodiversity Plan undertaken by DEHLG and represented the Department of Agriculture and Food in biodiversity fora such as the Interdepartmental Steering Group on implementation of the National Biodiversity Plan and on the National Platform for Biodiversity Research. It also contributed to the United Nations Third National Report on the Convention on Biological Diversity.

During 2006, the Unit will continue to work to ensure that biodiversity requirements and considerations are taken on board in the formulation of agriculture policy and programmes for the forthcoming 2007 Rural Development Plan. The Unit works closely with the DEHLG on various biodiversity issues, including proposals for the publication of a Biodiversity Action Pledge to encourage Government Departments to undertake environmental improvements including the enhancement of biodiversity. The Department of Agriculture and Food is already undertaking a joint project with the Network for Action on Biodiversity to enhance the biodiversity value of their offices and grounds at Johnstown Castle.

Chapter 10
Forestry

10.1 Overview

This chapter outlines the contribution the forestry sector makes to Ireland's economy including its non-timber benefits. Forest cover in Ireland has grown from over 480,000 hectares in 1990 to approximately 710,000 hectares or 10% of land area in 2005. Ireland has one of the lowest rates of forest cover in Europe (Figure 10.1).

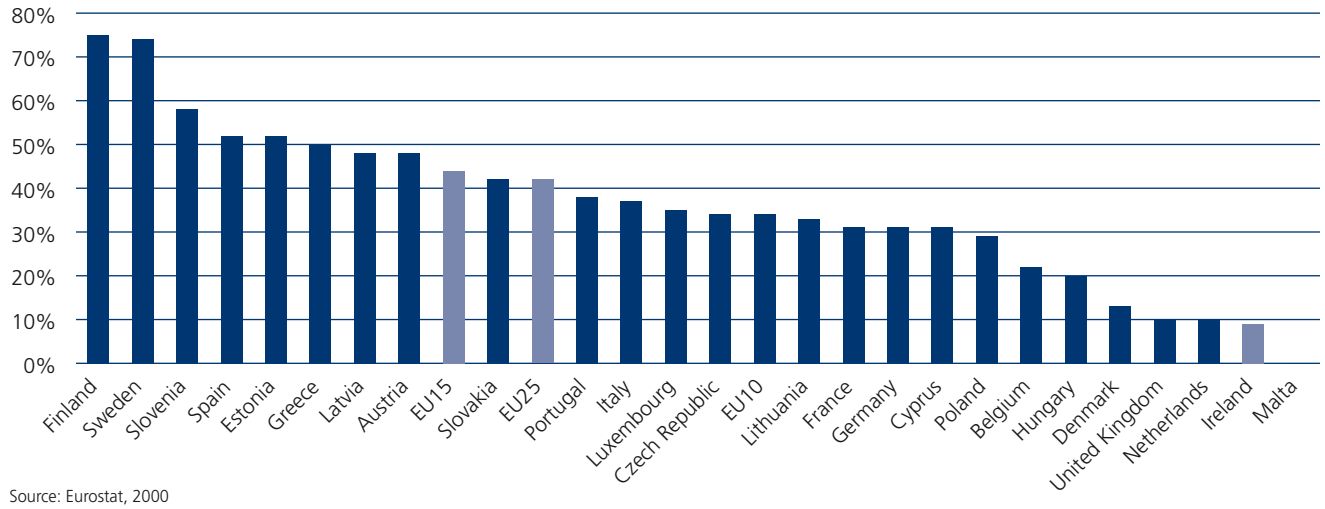
Within Ireland the importance of forestry varies between counties, with Wicklow having the highest percentage of forest cover in the country at over 21%, followed by Leitrim and Clare at 16% and 15% respectively (Figure 10.2).

Public funding of over €888 million has been spent supporting the current strategic plan since 1996, the aim of which is to maximise the forestry sector's contribution to the economic, social and environmental wellbeing of this country.

10.2 Contribution Of Forestry To The Economy

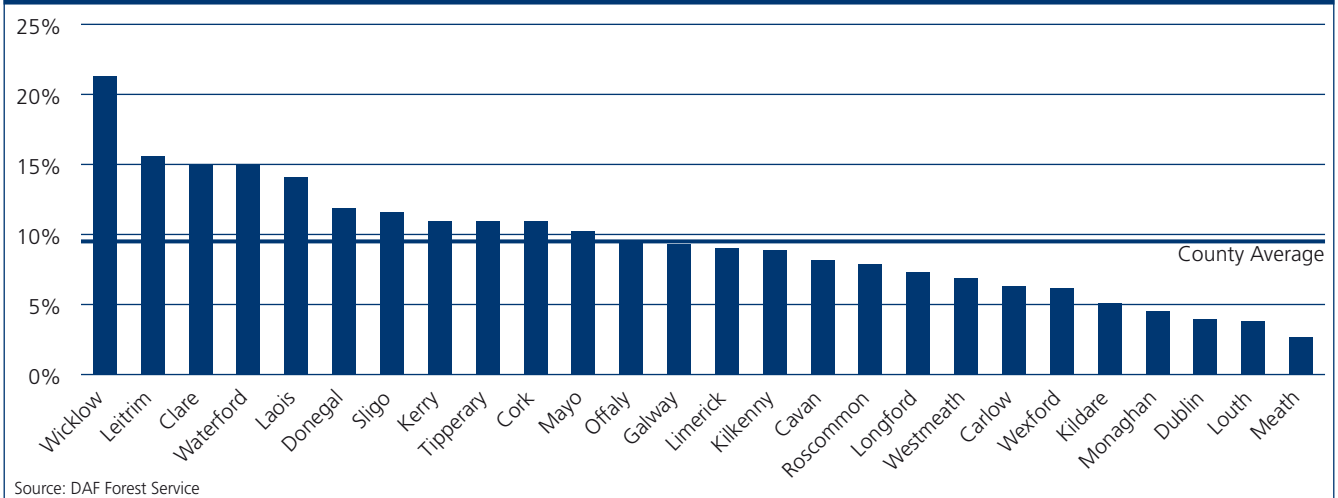
The CSO estimates that 2,100 people were employed in forestry in 2004 with processing of timber accounting for a further 6,363, bringing total employment to 8,463, which is a decrease of 6% from 2003.

Figure 10.1 Wooded Area as a Percentage of Total Land Area in EU Member States, 2000



Source: Eurostat, 2000

Figure 10.2 Percentage Forest Cover in Each County, 2005



Source: DAF Forest Service

Table 10.1 Employment in Forestry and Wood Processing, 2003 – 2004		
	2003	**2004**
Forestry	2,500	2,100
Wood processing	6,526	6,363
Total forestry and wood processing	9,026	8,463
Source: CSO Quarterly National Household Survey and 2004 CIP		

Analysis undertaken by Peter Bacon and Associates[1] suggests that every 5 jobs created in forestry supports an additional 3 jobs elsewhere in the economy. Current indications are that forestry supports something of the order of 16,000 jobs in the Irish economy. In 2004 the gross value added of timber processing increased by approximately 22% to €348 million (Table 10.2) with an additional €54 million being paid in afforestation premium payments.

The net trade of timber has remained negative in 2005 and the deficit has increased by 10% in the past year. In addition to the forest sector's contribution to GDP and employment, the sector provides substantial non timber-benefits, for example recreation and leisure use, carbon sequestration, biodiversity and conservation. These non-timber benefits have been valued at over €88 million per annum (Bacon, 2004).

Table 10.3 Imports and Exports of Timber, 2004-2005				
	2004		**2005***	
	€m	**000's tonnes**	**€m**	**000's tonnes**
Timber Imports	601.9	1,044.4	658.2	1,203.2
Timber Exports	240.1	848.3	260.0	875.3
Net Trade	-361.8	-196.1	-398.2	-327.9
Source: CSO Trade Statistics, *Provisional				

10.3 Afforestation Targets And Financial Supports

The forestry sector is supported through its current strategic plan "Growing for the Future: A Strategic Plan for the Development of the Forestry Sector in Ireland" which was published in 1996. The overall aim of this plan is to develop forestry to a scale and in a manner which maximises its contribution to national economic and social well-being on a sustainable basis but which is also compatible with the protection of the environment. The plan suggests that for forestry to contribute to national development on a sustainable basis a critical mass of timber production of a least 10 million cubic metres per annum and preferably

Table 10.2 Scale and Value of Timber Processing, 2004						
NACE Codes	**Description**	**No. of Enterprises**	**Employment**	**Wages (€m)**	**Turnover (€m)**	**GVA (€m)**
201	Sawmilling	38	1,311	36	370	114
202	Manufacture of veneer etc	11	701	27	212	65
203	Manufacture of builders carpentry etc	169	3,242	75	374	127
204	Wooden containers	29	396	8	46	13
205	Manufacture of other products of wood etc	49	713	15	83	29
Total		**296**	**6,363**	**161**	**1,085**	**348**
Source: CSO Census of Industrial Production 2004, Early Estimates						

1 A Review and Appraisal of Ireland's Forest Development Strategy by Peter Bacon and Associates in association with Deloitte (2004).

12-15 million cubic metres per annum is necessary. In order to achieve the strategic objectives a number of targets were established to achieve a productive forest area of 1.2 million hectares by 2030. The main targets are:

- reforestation to maintain the productive estate after clear-felling;
- a public to private afforestation ratio of 30:70 with emphasis on farmer participation;
- a national average yield class of 18;
- annual afforestation of 25,000 hectares per annum up to 2000 and 20,000 ha per annum in the period 2001-30;
- improved compatibility between forestry supports and other farm supports especially REPS.

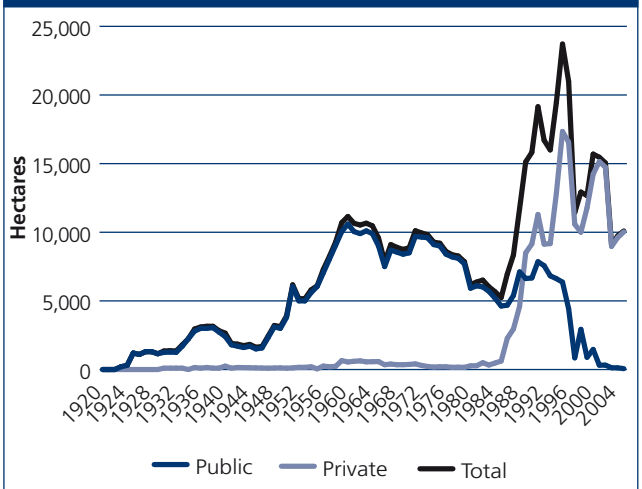
In an effort to encourage biodiversity a broadleaf target of 20% was also included. This was subsequently raised to 30% of new plantings by 2006. Progress against some of these targets is set-out below. Total annual afforestation in 2005 was only 10,096 hectares despite the availability of additional public funds. However progress on some of the other objectives has been good with the target of 30% broadleaves being achieved and significantly more private than public planting taking place. A total of 133,166 hectares has been planted in the period 1996-2005, with 91% of planting conducted by the private sector.

Table 10.4 Annual, Public and Private Afforestation (ha) and % Broadleaf in selected years from 1996-2005

Year	Total (ha)	Public (ha)	Private (ha)	Public: Private Ratio	% Broadleaf
1996	20,982	4,426	16,556	21:79	15.0%*
2000	15,696	1,465	14,231	9:91	12.9%
2004	9,739	122	9,617	1:99	28.8%
2005	10,096	64	10,032	1:99	29.7%

Source: DAF Forest Service.
*Figure is an estimate.

Figure 10.3 Public, Private and Total Afforestation in Ireland, 1920-2005



Source: DAF Forest Service

The percentage of forestry land in state ownership under the aegis of Coillte Teoranta has decreased from 65% in 1996 to 56% in 2005 as the majority of new planting is now undertaken by the private sector (Table 10.5). There has been a significant increase of 28% in broadleaf plantings since 1996 reflecting the revised support structure for such plantings.

Substantial public funds support Ireland's forestry strategy with almost €111 million being spent on forestry schemes in 2005 (Table 10.6). This is broken down between €27 million on afforestation 1st installment grants, €12 million on afforestation 2nd installment grants, €58 million on afforestation premium payments and €14 million on other supports for forestry and woodland development projects. This represented an increase of 9% on 2004 expenditure levels. A total of €129.3 million in capital funding has been allocated for forestry programmes in 2006.

Total expenditure on forestry premiums and afforestation grants in the period 1996-2005 was almost €888 million with total expenditure increasing year on year and almost doubling over the period 1996-2005.

10.4 Review And Developments In The Forestry Sector

Timber and Non-Timber Benefits

In early 2004 the Minister for Agriculture and Food commissioned an independent review and appraisal of the 1996 forestry strategy. The study was undertaken by Peter Bacon and Associates and was published in September 2004. The consultants report entitled "A Review and Appraisal of

Table 10.5 Irish Forest Ownership and Species Mix (ha), 1996 and 2005						
	1996			2005		
	Total	Public	Private	Total	Public	Private
Total	596,088	386,646	209,441	709,263	397,675	311,588
Predominately Coniferous	456,892	361,546	95,345	549,063	371,215	177,848
Predominately Broadleaved	70,846	8,200	65,646	90,850	9,060	81,790
Mixed Forest	28,350	10,800	17,550	28,350	10,800	17,550
Other Wooded Land	40,000	6,100	33,900	41,000	6,600	34,400
Source: DAF Forest Service						

Table 10.6 Annual Expenditure on Premiums and Afforestation Grants in selected years from 1996 –2005						
Year	**Total Expenditure (€m)**	**Total Afforestation Programme (€m)**	**1st Instalment (€m)**	**2nd Instalment (€m)**	**Afforestation Premiums (€m)**	**Forestry Support Scheme Structural (€m)**
1996	61.3	48.7	n.a	n.a	n.a	12.6
2000	98.4	74.3	33.7	10.9	29.7	24.2
2004	102.0	89.9	25.2	10.7	54.1	12.0
2005	110.8	97.0	26.9	12.0	58.1	13.8
Source: DAF Forest Service						

Ireland's Forestry Development Strategy" projected future timber output and restated the need for maintaining the current 20,000 hectares per annum afforestation target. This is based on the need for a critical mass of timber for the maintenance of a competitive processing industry in the future. The report concluded that the net present value (NPV) of funding an afforestation programme of 13,000 hectares per annum until 2035 with a decline to zero from 2040 and with no change to the support mechanism, to be in the region of €2.52 billion. However when forestry-planting rates were increased to 20,000 hectares per annum up to 2035, the NPV of funding requirements increased to €3.5 billion. The report also examined non-timber benefits especially potential savings to the state from reductions in greenhouse gas emissions.

In an effort to further reinforce the potential non-timber benefits that the forestry sector delivers, Coillte in conjunction with the Irish Sports Council commissioned the economic consultants Fitzpatrick Associates, to produce a report[2] that would identify and quantify the socio-economic benefits of trail and forest recreation in Ireland. It valued the total economic value of forest recreation in Ireland at approximately €503 million. This is divided between domestic forest visitors (€268 million) and overseas walking and cycling tourists at €138 million with the non-market value of forest recreation valued at €97 million[3]. In terms of carbon sequestration it estimated that forests planted since 1990 have the potential to save Ireland approximately €23-30 million over the commitment period 2008-2012.

Single Payment Scheme

Since the publication of the Bacon review, a number of significant events, which affect the forestry sector, have occurred. For example the introduction of the Single Payment Scheme (SPS) and agreement on a new Rural Development Regulation, which establishes the basis for support to the forestry sector for the period 2007-2013. In relation to the SPS a derogation[4] was agreed which allows farm foresters consolidate their full SPS entitlements over a minimum of 50% of average area declared during the reference period. This will apply to farmers who planted during or after the reference period as long as they continue to farm at least 50% of the average area declared during the reference period.

2 Economic Value of Trails and Forest Recreation in the Republic of Ireland, Fitzpatrick Associates Economic Consultants, September 2005.

3 This represents the monetary value of the benefit accruing to the forest users, as distinct from the benefits of their expenditure.

4 The derogation also applies to farmers who had land acquired under a compulsory purchase order and farmers who no longer have leased-in/rented land available to them.

New Rural Development Regulation

In June 2005, a new Rural Development Regulation was agreed at the Agriculture Council. This will form the basis for supports to the forestry sector for the period 2007-2013. The original draft proposed a reduction in aid for afforestation costs from 100% to 40% with maximum premium payment of €500 per hectare (€150 per hectare for non-farmers), and a reduction in the premium payment period from 20 to 10 years. A reduction of this magnitude would have had significant implications for new afforestation plantings within Ireland. Following lengthy and intensive negotiations a much-improved outcome was secured:

- establishment grants set at 80% in Less Favoured Areas and 70% in all other areas;
- premium payment period set at 15 years;
- maximum premium rate fixed at €700 per hectare.

There is the option for Member States to 'top-up' establishment grants if they so wish. In the light of the above developments, a high-level steering group will bring policy options for the future development of the forestry sector to the Minister for Agriculture and Food in 2006.

Review of the Tax Relief for Profits or Gains from Commercially Managed Woodlands

An internal review of specific tax schemes was undertaken during 2005, on foot of an announcement by the Minister for Finance in Budget 2005. The tax relief scheme for profits or gains from commercially managed woodlands[5] was examined with the twin aim being to firstly establish the objective of the current scheme and secondly to determine if the operation of the scheme resulted in an overall net cost or benefit to the economy. The principal findings of the review was that the specific aim or objective for the granting of the relief was primarily as a support for government forestry policy in general and that it was possible to show that there was a net economic cost to society from the operation of the relief over the period concerned.

However while the total cost of the relief was calculated at €5 million per annum over the five-year period 2000–2004, it is estimated that the relief will generate net positive economic benefits in the future and therefore should be maintained in its present format. This is in part due to the reliance by Coillte and the Irish government on the private sector to attain future planting targets and forestry investment.

10.5 National Forest Inventory

In an effort to further improve strategic planning and policy formation within the Forest Service of the Department of Agriculture and Food, a number of projects are currently being undertaken:

- a statistical survey on both public and privately owned forests called the National Forest Inventory (NFI) has commenced. This will enable Ireland to meet national and international demands for data on the composition of Irish forests. These demands have increased in recent years with the advent of Sustainable Forest Management, the Kyoto protocol and the National Forest Standard. The inventory will collect information on tree species, assess stock volumes, identify the presence or absence of pests and diseases, examine biodiversity and evaluate soil structure. A total of approximately 1,800 sample sites have been selected and will be inspected and data recorded by the field teams. At the end of 2005 approximately 1,000 of these sites had been inspected and recorded. Fieldwork and data recording will conclude during the summer of 2006 on the remaining samples sites followed by the processing of data collected from all sites;
- the Forest Service is also developing a map-based payment and information system called Integrated Forest Information System (IFORIS). IFORIS will facilitate faster payment of grants and premia and eventually store a large range of spatial data relating to forests;

Table 10.7 Net Cost/Benefit of Woodland Relief, 2000-2004

	2000 €'000	2001 €'000	2002 €'000	2003 €'000	2004 €'000	Total €'000	Average €'000
Total Tax Foregone	8,544	7,871	8,125	9,789	9,187	43,516	8,703
Total Benefit less Deadweight	2,686	2,784	3,410	3,618	6,096	18,594	3,719
Net Cost/Benefit	-5,858	-5,087	-4,715	-6,171	-3,091	-24,922	-4,984

Source: Department of Finance, Budget 2006 Review of Certain Schemes

5 Budget 2006 Review of Certain Schemes: Volume III Internal Review of Certain Tax Schemes (Tax relief for Profits or Gains from Commercially Managed Woodlands) Department of Finance, February 2006.

- in conjunction with the NFI, a review of approximately 30,000 files is taking place with a view to extracting further inventory-type information in relation to all grant-aided forestry.

10.6 Biomass And Renewable Energy

As more of our forests approach first thinning stage, the Forest Service, with COFORD, has been looking closely at identifying and developing new timber markets. Rising oil prices and global political uncertainty have increased the focus on the production of alternative energy and in particular, wood-energy. One of the main obstacles to the widespread use of wood energy is the high cost of installing wood-fired boilers on a sufficient scale that would stimulate and increase the supply of raw material, and in particular wood-chips. The Forest Service is funding a number of projects in this area:

- the development of a thinning protocol with the Forestry Development Association (FDA) and an integrated forest-to-energy project in County Clare;
- a new scheme to grant-aid the installation of wood-fired boilers has been launched and will operate under the aegis of the Department of Communications, Marine and Natural Resources;
- a scheme to support the major investment required for the purchase of biomass harvesters and chippers will be launched following consultation with the Department of Finance and once EU approval is sought;
- a scheme to promote the planting of willow, at a level where it can make a real contribution to the biomass resource is also close to being launched.

In addition to these schemes, the Forest Service has issued a public call for proposals for innovative new approaches to alternative timber use with a particular emphasis on reducing dependence on fossil fuels.

Chapter 11
Statistical Annex

Further statistics on the agri-food sector are available in the Compendium of Irish Agricultural Statistics at *http://www.agriculture.gov.ie* under publications.

Table 11.1 Output, Input and Income in Agriculture, 2004-2005

	2004 €m	2005 €m	% Change 2005/2004 Value	% Change 2005/2004 Volume
Livestock (incl stock changes)	**2,213.9**	**2,265.0**	**2.3%**	**-1.2%**
of which				
Cattle	1,344.6	1,402.5	4.3%	0.1%
Pigs	297.1	291.6	-1.8%	-0.1%
Sheep	203.2	192.1	-5.4%	2.6%
Livestock Products	**1,457.0**	**1,374.2**	**-5.7%**	**-4.1%**
of which				
Milk	1,417.0	1,332.4	-6.0%	-4.4%
Crops (incl. stock changes)	**1,352.8**	**1,292.6**	**-4.4%**	**-6.8%**
of which				
Cereals	181.6	125.1	-31.1%	-35.3%
Root Crops	166.8	165.5	-0.8%	-13.0%
Forage Plants	685.8	681.9	-0.6%	0.0%
Goods Output at Producer Prices	**5,023.7**	**4,931.8**	**-1.8%**	**-3.5%**
Contract Work	263.2	261.1	-0.8%	-11.1%
Subsidies less Taxes on Products	878.5	408.6	-53.5%	-38.8%
Agricultural Output at Basic Prices	**6,165.3**	**5,601.5**	**-9.1%**	**-9.3%**
Intermediate consumption	**3,450.6**	**3,443.1**	**-2.0%**	**-1.9%**
of which				
Feedingstuffs	903.9	864.4	-4.4%	-0.7%
Fertilizers	358.0	364.1	1.7%	-4.5%
Energy and Lubricants	245.0	267.4	9.2%	-7.2%
Forage Plants	676.5	671.7	-0.7%	0.0%
Contract Work	263.2	261.1	-0.8%	-11.1%
Gross Value Added at Basic Prices	**2,714.7**	**2,158.4**	**-20.5%**	
Fixed Capital Consumption	655.7	669.0	2.0%	
Net Value Added at Basic Prices	**2,059.1**	**1,489.4**	**-27.7%**	
Other Subsidies less Taxes on Production	594.2	1,701.5	186.4%	
Factor Income	**2,653.2**	**3,109.9**	**20.3%**	
Compensation of Employees	428.3	425.5	-0.6%	
Operating Surplus [1]	**2,225.0**	**2,765.3**	**24.3%**	

1 This is calculated before deduction of interest payments on borrowed capital and land rental paid by farmers to landowners. The estimates for these items are Interest:- 2004, €275.6m; 2005, €304.1m Land rental:- 2004, €171.9m; 2005, €169.3m

Source: CSO Output, Input and Income in Agriculture (Preliminary Estimate), February 2006

Table 11.2 Estimated Direct Payments to Farmers (National and EU), 2004-2005			
Schemes	**2004 €m**	**2005[1] €m**	**% change 2005/2004**
Single Payment Scheme	0.000	1,059.630	
Area-Based Compensatory Allowance Scheme	238.881	230.447	-3.5%
Premia Schemes			
Suckler Cow	198.832	100.485	-49.5%
Special Beef	264.562	247.215	-6.6%
Extensification	164.396	167.917	2.1%
New Slaughter	136.223	63.719	-53.2%
National Envelope - Dry and Calved Heifer	9.261	5.851	-36.8%
National Envelope - Heifer Top-up	20.190	20.760	2.8%
Ewe	105.563	1.978	-98.1%
National Envelope - Ewe	4.746	4.838	1.9%
Dairy	41.563	1.159	-97.2%
National Envelope - Dairy	18.665	0.000	-100.0%
Arable Aid	130.612	1.263	-99.0%
Headage			
Cattle	0.100	0.000	-100.0%
Beef Cow	0.030	0.000	-100.0%
Sheep	0.025	0.000	-100.0%
Goat	0.001	0.000	-100.0%
Equine	0.005	0.000	-100.0%
Euro Compensation			
Suckler Cow	0.003	0.000	-100.0%
Special Beef	0.001	0.000	-100.0%
Disease Eradication Schemes			
Bovine Tuberculosis Eradication Scheme	17.614	18.001	2.2%
Brucellosis Eradication Scheme	9.182	3.371	-63.3%
BSE Scheme (slaughter of herds)	15.702	7.725	-50.8%
Scrapie Eradication Programme	2.939	2.052	-30.2%
Forestry Premium			
Forestry Premium Scheme (1990 Scheme)	2.485	7.890	217.5%
Forestry Premium (Accompanying Measures)	51.582	46.800	-9.3%
Rural Environment Protection Scheme	208.389	283.053	35.8%
Installation Aid for Young Farmers	7.028	5.172	-26.4%
Production Aids - Dried Fodder	0.292	0.237	-18.8%
Total	**1,648.872**	**2,279.563**	**38.2%**

1 estimate
Source: Department of Agriculture and Food

Table 11.3 Claims submitted to FEOGA (Guarantee) 2004-2005		
	2004 €m	**2005 €m**
Beef & Veal	846.92	638.99
Dairy Products	273.14	120.68
Arable Crops	133.02	2.32
Sheepmeat	108.53	6.16
Sugar	10.00	12.46
Fruit & Vegetables	5.61	5.64
Pigmeat	0.47	0.11
Poultry & Eggs	0.02	0.00
Processed Products	53.24	39.67
CAP Rural Development Plan 2000-2006 [1]	357.40	358.42
Single Farm Payment	-	1,058.42
Clearance of Accounts	-0.04	-1.16
Other	-0.17	-4.71
Total	**1,788.14**	**2,236.99**

[1] REPs, Early Retirement, Compensatory Allowances and Forestry. [Responsibility for Forestry transferred to the Department of Agriculture and Food from the Department of Communications, Marine and Natural Resources on 1 January 2004].

Source: Department of Agriculture and Food

Table 11.4 FEOGA Guidance Receipts (€m) 2004-2005		
	2004 €m	**2005 €m**
2000-2006 Round		
NDP S&E/BMW Regional OP's [Notes (a)]	20.692	22.846
LEADER Plus (Note b)	11.280	6.113
Peace and Reconciliation Initiative (Note c)	1.938	0.664
2000-2006 Round Total	**33.910**	**29.622**
1994-1999 Round [Concluded]		
OPARDF	25.630	0.000
LEADER II (note b)	2.390	0.000
1994-1999 Round Total [Final EU receipts in 2004]	**28.020**	**0.000**
Total Guidance	**61.930**	**29.622**

Notes on Figures

a. Includes Department of Community Rural and Gaeltacht Affairs (DCRGA) Receipts of €3.743m (€3.572m in 2004)

b. All Department of Community Rural and Gaeltacht Affairs (DCRGA) receipts

c. Department of Environment, Heritage and Local Government (DEHLG) receipt in 2005 of €0.589m and Department of Community Rural and Gaeltacht receipts in 2005 of €0.075m.

Source: Department of Agriculture and Food

Table 11.5 Total Guarantee Payments and Guidance Receipts 2004-2005		
	2004 €m	**2005 €m**
Guarantee	1,788.14	2,236.99
Guidance	61.93	29.62
Total	1,850.07	2,266.61

Guarantee figures includes Forestry. Responsibility for Forestry transferred to Department of Agriculture and Food from the Department of Communications, Marine and Natural Resources on 1 January 2004

2004 and 2005 Guidance figure includes receipts for Department of Agriculture and Food, Department of Community, Rural and Gaeltacht Affairs, and Department of Environment, Heritage and Local Government.

Total Guidance Receipts of almost €30m relates to expenditure in 2005 by the Department of Agriculture & Food (€19.1m) as well as the Departments of Community Rural & Gaeltacht Affairs (€9.9m) and Environment, Heritage and Local Government (€0.6m)

Source: Department of Agriculture and Food

Table 11.6 Vote Agriculture & Food, 2005		
		€m
Administration		**278.107**
A1	Salaries Wages and Allowances	210.545
A2	Travel and Subsistence	13.380
A3	Incidental Expenses	7.020
A4	Postal and Telecommunications	7.203
A5	Office Machinery	12.164
A6	Office Premises Expenses	5.993
A7	Consultancy Services	8.286
A8	Supplementary Measures to protect the Financial Interests of the EU	0.383
A9	Laboratory Equipment	12.903
A10	Information Society	0.230
Other Services		
Education Research & Advisory Services		**133.128**
B	Research and Testing	21.722
J	TEAGASC Grant-in-AID for Gen Exps (inclusive of Pay)	111.406
Livestock Improvement & Eradication of Disease		**118.004**
C	Bovine Tuberculosis and Brucellosis Eradication	50.333
C	General Disease Control and Eradication	56.854
C	National Beef Assurance Scheme	9.929
B	Cattle Breeding Authority	0.888
Development Aid		**21.816**
K	BORD BIA for gen exps inclusive of pay	20.991
M	Non-thoroughbred Horse Industry	0.825
Pension Payment etc.		**2.295**
M	Pension payments etc. (Pay) /Dairy Disp Co Ltd.	1.713
M	Life Annuities and Premiums (EU Dir No. 72/160)	0.582
Schemes Operated in Implementation of EU Guarantee Regulations		**718.736**
D	Financing of the CAP.	15.967
D	Market Intervention Losses by Deficiency, Accident, etc	3.053
D	IACS - LPIS	3.767
F	Rural Environment Protection Scheme	283.053
G	Early Retirement	61.823
I	Forestry	110.825
E	Compensatory Allowances	231.762
N	Special Beef Premium	8.486
Schemes Operated in Implementation of EU Structural Regulations and National Development Plan		**46.920**
G	Installation Aid – NDP Scheme	5.172
H	On Farm Investment – Pre NDP	0.168
H	NDP Agricultural Development	34.003
H	Grants for Marketing and Processing	7.577
Miscellaneous		**36.345**
C	Control of Horses	1.931
C	Temporary Veterinary Inspectors	20.787
D	School Milk Scheme	0.817
L	Food Aid Convention	7.000
M	International Co-operation	1.878
M	General Legal Expenses	3.129
M	Miscellaneous services	0.803
Total Gross Expenditure		**1,355.351**
Appropriations in Aid		**-444.697**
Administration A in A's		**-24.643**
O1	Recoupment of Salaries	-0.001
2	Forfeited deposits and securities under EC intervention, export refunds etc. arrangements	-0.656
3	Refunds from fees for veterinary inspections services at poultry plants and meat inspection fees	-17.645
4	Receipts from veterinary inspection fees for live exports	-1.257
5	Receipts from fees for dairy premises inspection services	-5.084
Other Services		**-16.745**
6	Receipts from sale of vaccines, livestock, farm produce etc	-0.709
7	Receipts from seed testing fees, certification fees, Licensing fees, pesticides registration etc.	-2.123
8	Receipts from licences and from sale and leasing of livestock etc. (Subhead C1)	-0.069
9	Receipts from farmer contributions towards the cost of eradicating Bovine Disease (Subhead C2)	-11.391
10	Land Commission receipts (Subhead A3)	-2.044
11	Other Receipts	-0.409
EU Services		**-403.309**
12	Market Intervention expenses and financing costs for other FEOGA (Guarantee) section measures (Subhead D)	-9.099
13	Receipts for Intervention Stock Losses	-
14	National Development Plan - Guarantee Receipts (Subhead E, F, G, I)	-358.417
15	BSE Receipts (Subhead C)	-6.323
16	Veterinary Fund (Subhead C)*	-9.678
17	Other Guarantee Receipts	-0.690
18	NDP - Structural Receipts	-19.102
Net Expenditure		**910.654**

*Note: EU Compensation in respect of BSE Eradication programme changed from monthly to annual receipts from 1 January 2005.

Table 11.7 Milk Quota Structure, 1 April 2005 (Provisional Estimate)							
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Category	**Total Number of Producers currently in Milk Production**	**Total Quota of Producers in Milk Production in Column 2**	**Quantity of quota in Column 3 Leased in with Land**	**Total No of Persons who hold a Milk Quota but are not involved in Milk Production**	**Total Quota of Persons in Column 5**	**Total No. of persons no longer involved in Milk Production who have leased all of their quota with land**	**Total Quota of Persons in Column 7**
(LITRES)		(LITRES)	(LITRES)		(LITRES)		(LITRES)
Less than 50,000	**1,179**	**36,672,542**	**242,098**	**285**	**4,322,203**	**541**	**15,824,974**
Percentage of Total	5%	1%	0%	53%	11%	33%	9%
50,001 to 100,000	**2,672**	**205,835,053**	**1,239,195**	**113**	**8,060,975**	**492**	**35,519,513**
Percentage of Total	12%	4%	1%	21%	20%	30%	21%
100,001 to 150,000	**3,260**	**409,664,365**	**4,499,237**	**55**	**6,751,841**	**290**	**34,628,480**
Percentage of Total	15%	8%	2%	10%	17%	18%	20%
150,001 to 200,000	**3,674**	**643,330,137**	**7,729,291**	**38**	**6,557,902**	**161**	**27,746,997**
Percentage of Total	16%	13%	4%	7%	16%	10%	16%
200,001 to 250,000	**3,751**	**839,630,053**	**16,087,869**	**20**	**4,361,181**	**63**	**13,996,256**
Percentage of Total	17%	16%	8%	4%	11%	4%	8%
250,001 to 300,000	**2,771**	**755,106,480**	**18,844,293**	**8**	**2,200,358**	**38**	**9,730,801**
Percentage of Total	12%	15%	10%	1%	5%	2%	6%
300,001 to 350,000	**1,779**	**573,955,175**	**20,365,214**	**4**	**1,229,299**	**21**	**6,704,862**
Percentage of Total	8%	11%	11%	1%	3%	1%	4%
350,001 to 400,000	**1,206**	**448,488,422**	**21,381,059**	**4**	**1,470,444**	**20**	**7,446,789**
Percentage of Total	5%	9%	11%	1%	4%	1%	4%
400,001 to 450,000	**645**	**271,349,461**	**15,133,805**	**2**	**860,332**	**5**	**2,095,314**
Percentage of Total	3%	5%	8%	0%	2%	0%	1%
Over 450,000	**1,449**	**910,869,565**	**86,098,122**	**8**	**4,842,259**	**21**	**16,785,330**
Percentage of Total	6%	18%	45%	1%	12%	1%	10%
Totals	**22,386**	**5,094,901,253**	**191,620,183**	**537**	**40,656,794**	**1,652**	**170,479,316**

Source: DAF

Table 11.8 Trade of Agri-Food Produce 2004-2005				
	2004		2005*	
	Imports €000's	Exports €000's	Imports €000's	Exports €000's
Live Animals other than 03	224.5	229.2	225.5	225.8
Meat & meat preps	481.3	2,054.0	557.7	2,184.0
Dairy Products and Ingredients	374.6	1,848.8	387.5	1,997.1
Cereal & cereal preps	518.6	200.5	531.9	231.0
Vegetables & fruit	603.9	217.9	667.1	243.1
Sugar, sugar preps etc	174.9	142.4	198.3	135.2
Feedingstuffs for animals	332.9	169.7	348.4	176.5
Misc edible products	217.6	803.3	226.6	812.8
Hides & skins	3.0	84.6	2.8	75.0
Oilseed & oleaginous fruits	21.8	6.3	17.2	5.2
Flax & wool	2.6	7.9	2.9	7.0
Crude animal & veg mats nes	111.7	89.8	123.1	91.7
Animal oil & fats	4.7	18.9	4.3	15.1
Vegetable oil & fats	111.8	6.4	147.2	3.3
Coffee, tea, cocoa etc	246.0	225.0	282.9	230.2
Beverages	637.9	949.0	685.0	1,021.9
Tobacco	58.1	87.7	71.6	89.7
Total Agri-Food Trade	**4,126.0**	**7,141.4**	**4,479.9**	**7,544.7**

Source: CSO Trade
* 2005 Provisional

Table 11.9 Trade of Agri-Food Products by Country, 2004-2005				
€m	2004		2005*	
	Imports	Exports	Imports	Exports
Total EU-25	**3,441.8**	**5,585.0**	**3,742.5**	**5,817.6**
of which				
EU-15	**3,425.9**	**5,542.5**	**3,726.9**	**5,762.8**
Austria	16.88	9.72	22.9	8.9
Belgium	131.48	152.98	140.5	118.0
Germany	189.57	429.52	243.1	425.3
Denmark	40.70	54.99	41.2	77.3
Spain	86.92	193.80	98.9	212.0
Finland	4.99	14.22	9.0	14.9
France	280.28	435.66	306.5	485.7
GB	1,755.92	2,965.87	1,846.0	3,046.4
Greece	3.57	48.46	2.8	42.5
Italy	68.22	297.45	72.0	329.3
Luxembourg	2.10	4.14	2.0	3.0
Netherlands	355.70	355.55	407.2	310.2
Portugal	16.27	51.12	16.5	54.4
Other EU	96.3	0.1	117.8	0.0
Sweden	7.31	86.88	9.2	98.1
Northern Ireland	369.65	441.98	391.5	536.7
NMS	**16.0**	**42.5**	**15.7**	**54.9**
Total Non-EU	**684.2**	**1,554.3**	**737.3**	**1,726.8**
of which				
Algeria	0.0	23.3	0.0	35.9
Brazil	96.1	8.7	100.2	2.4
Canada	11.2	62.2	17.4	67.5
China	11.2	32.7	14.6	33.9
Egypt	0.8	14.4	1.3	16.7
Indonesia	12.8	14.9	10.8	11.9
Israel	9.8	31.5	12.6	34.0
Japan	1.3	37.5	2.0	43.6
Mexico	2.7	38.5	5.6	71.6
Russia	0.0	90.5	0.0	70.1
Saudi Arabia	0.4	130.1	1.3	139.6
South Africa	34.5	20.4	36.4	12.2
USA	202.1	354.8	197.8	390.9
Other Non-EU	301.2	697.1	337.1	796.4
Total Trade	**4,126.0**	**7,139.3**	**4,479.8**	**7,544.5**
* 2005 Provisional	-0.1	-2.2	0.0	-0.2
Source: CSO Trade Stats				

Table 11.10 Comparison of NFS Data for Farmers With and Without Off-Farm Job, 2004

System		Dairying	Dairying + Other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All Systems
% of population	Job	2.3	1.4	13.2	10.8	6.3	2.4	36.5
	No Job	13.9	9	12.8	13.7	9.9	4	63.3
Family Farm Income €	Job	26,276	17,049	5,616	5,895	7,635	12,402	8,257
	No Job	35,762	25,782	8,957	10,722	13,344	30,271	19,642
DPs as % of income	Job	36%	68%	167%	205%	151%	101%	131%
	No Job	31%	70%	124%	146%	129%	91%	76%
U.A.A. (ha)	Job	31.5	40.2	24.5	23.4	299	33.8	26.8
	No Job	42.9	52.1	29.4	34.7	43	71.8	41.5
Total Livestock Units	Job	59.5	60.2	25.1	29.8	36.9	9.8	31
	No Job	79.8	82.3	30.6	46	57.7	51.8	57.7
Stocking density (Lu/ha)	Job	1.9	1.5	1	1.3	1.2	0.3	1.2
	No Job	1.9	1.6	1	1.3	1.3	0.7	1.4
Age of Holder	Job	42.5	46.1	47.3	51.1	51.6	42.6	48.5
	No Job	50.2	53.3	58.9	62.1	60.2	55.4	56.9
% of Spouses with off Farm Job	Job	39.4	48.4	35.4	47.5	33	25.3	38.6
	No Job	42.3	30.3	14.5	13.6	23.5	20.2	24.4
% married	Job	71.8	75.9	69.9	86	79.6	47.4	75.2
	No Job	78	78.7	50.9	51.6	57.6	58.1	62.5

Source: National Farm Survey 2004, Teagasc 2005

Table 11.11 EU Consumption, 2003

Type	Total Meat	Beef and Veal	Pigmeat	Poultry-meat	Sheep-meat	Butter	Cheese	Milk	Cereals	Eggs	Apples	Oranges	Potatoes
EU-15	0.0	0.0	0.0	0.0	0.0	0.0	17.6	85.6	0.0	0.0	0.0	0.0	0.0
Belgium	0.0	0.0	0.0	0.0	0.0	5.1	10.4	64.6	101.8	13.6	21.2	21.3	83.9
Denmark	128.2	27.5	74.3	21.2	1.3	1.7	23.2	105.9	137.5	15.8	93.6	0.0	56.8
Estonia	100.7	12.5	54.7	1.0	1.0	6.6	20.2	65.5	113.3	13.1	16.9	6.5	67.0
Greece	86.3	17.2	26.8	22.8	12.4	0.8	23.3	62.4	190.3	10.7	0.0	0.0	0.0
Spain	130.6	15.3	64.9	33.1	5.8	1.0	9.3	104.7	108.5	17.5	0.0	0.0	84.4
France	107.9	27.9	37.5	24.1	4.4	8.1	25.5	76.2	108.1	15.5	22.9	54.7	45.6
Ireland*	N/A	18.9	38.2	32.0	5.4	2.8	6.3	157.2	118.8	9.3	12.6	68.4	128.4
Italy	93.4	24.7	39.4	17.9	1.5	3.0	21.9	62.8	159.1	12.1	31.1	29.2	43.6
Lithuania	0.0	0.0	0.0	0.0	0.0	3.5	10.0	111.0	129.4	12.6	19.5	11.9	136.3
Luxembourg	0.0	0.0	0.0	0.0	0.0	8.0	27.6	58.6	91.5	0.0	0.0	0.0	81.0
Malta	92.6	26.4	33.0	22.9	2.5	1.1	26.1	80.1	163.9	14.1	17.4	14.6	108.2
Netherlands	82.8	19.1	42.4	18.6	1.4	0.0	18.6	88.3	79.0	13.5	0.0	0.0	0.0
Austria	98.5	18.8	57.7	17.7	1.1	4.5	18.0	87.2	107.4	13.6	28.3	5.9	57.5
Poland	79.1	6.6	48.1	19.8	0.1	N/A	N/A	N/A	152.5	11.7	30.1	5.9	131.0
Portugal	100.8	17.3	42.9	27.9	3.3	1.8	9.9	90.7	127.9	9.0	28.6	24.1	92.5
Finland	71.6	18.4	32.8	15.8	0.4	6.8	18.5	157.6	98.3	9.2	0.0	0.0	85.5
Sweden	79.4	23.8	36.1	13.9	1.1	4.6	17.3	132.1	94.2	11.5	19.8	48.2	83.4
UK	67.8	15.3	16.0	26.8	5.3	3.4	9.0	117.9	125.8	12.1	8.7	4.6	126.1

*2003 figures for meat are from Bord Bia
Source: Eurostat

Table 11.12 Consumer Price Index, CPI, and Food Price Index, FPI								
	Consumer Price Index				Food Price Index			
	2002	**2003**	**2004**	**2005**	**2002**	**2003**	**2004**	**2005**
Jan	99.8	104.6	106.5	108.9	100.3	102.5	102.8	102.5
Feb	100.5	105.6	107.4	109.8	100.4	102.7	102.7	102.7
Mar	101.4	106.4	107.8	110.1	100.4	103.0	102.6	101.9
Apr	102.3	106.7	108.2	110.6	100.9	103.0	102.2	101.7
May	102.8	106.6	108.4	111.0	101.4	102.9	102.7	101.6
Jun	103.0	106.6	109.0	111.3	101.7	103.3	103.2	101.8
Jul	102.6	105.8	108.7	111.3	102.0	103.6	102.7	102.1
Aug	103.2	106.5	109.3	111.8	102.2	103.5	102.8	102.0
Sep	103.7	106.7	109.4	112.7	102.3	103.1	102.6	102.2
Oct	104.2	106.6	109.5	112.8	102.4	103.0	102.5	101.8
Nov	104.3	106.6	109.7	112.6	102.5	102.9	102.4	101.6
Dec	105.0	107.0	109.8	112.5	102.6	102.7	102.9	101.8
Average for Year	**102.7**	**106.3**	**108.6**	**111.3**	**101.6**	**103.0**	**102.7**	**102.0**
Annual Increase	**4.6%**	**3.5%**	**2.2%**	**2.5%**	**3.4%**	**1.4%**	**-0.3%**	**-0.7%**
Source: CSO, Dec 01 =100								

Table 11.13 Annual Rates of Price Increase in Food Products 2002-2005				
	Average Annual Rate 2002	**Average Annual Rate 2003**	**Average Annual Rate 2004**	**Average Annual Rate 2005**
Overall CPI	**4.6%**	**3.5%**	**2.2%**	**2.5%**
Food & Non Alcoholic Drink	**3.5%**	**1.5%**	**-0.3%**	**-0.7%**
Food	**3.5%**	**1.4%**	**-0.3%**	**-0.7%**
Beef	2.3%	-0.2%	1.2%	-3.0%
Bacon	2.6%	0.2%	-2.1%	-1.1%
Lamb	4.6%	0.2%	2.8%	-3.3%
Pork	1.8%	0.3%	1.8%	-3.1%
Poultry	1.5%	-3.5%	-3.9%	-3.8%
Bread & Cereals	4.2%	1.8%	0.9%	-0.2%
Pasteurised Milk	2.7%	1.5%	0.4%	-0.5%
Other Milk Products	3.3%	4.6%	2.4%	1.8%
Cheese	5.8%	3.5%	1.1%	0.7%
Eggs	3.1%	1.3%	2.4%	2.4%
Butter	2.5%	2.3%	-2.1%	1.0%
Sugar & Sweeteners	-0.2%	-0.1%	-0.4%	-1.6%
Potatoes	1.9%	-0.3%	-10.0%	-10.3%
Other Fresh Vegetables	6.7%	-1.0%	-5.9%	1.3%
Fresh Fruit	4.1%	0.3%	-1.0%	-1.5%
Other Fruits	4.8%	4.7%	7.9%	0.8%
Misc. Food Items	2.8%	3.2%	2.3%	1.1%
Non-Alcoholic Beverages	3.4%	1.9%	0.2%	-0.7%
Source: CSO CPI				

Table 11.14 Average Price Analysis, Dublin And Outside Dublin, November 2004 & 2005

November	2004		2005		Change in Price 2005/2004		
	Dublin Vs Outside Dublin €/Kg	Dublin Vs National Average €/Kg	Dublin Vs Outside Dublin €/Kg	Dublin Vs National Average €/Kg	National Average %	Dublin %	Outside Dublin %
Beef							
Round Steak	7.1%	4.0%	-4.3%	-2.5%	-8.3%	-14.1%	-3.9%
Roast Beef - Top Side Rib	10.3%	5.8%	-4.2%	-2.5%	-4.0%	-11.5%	1.9%
Sirloin	-1.0%	-0.6%	-4.8%	-2.9%	-6.5%	-8.6%	-5.0%
Lamb							
Whole Leg	4.1%	2.3%	-1.3%	-0.8%	-4.6%	-7.5%	-2.4%
Gigot Chops	5.6%	3.2%	0.3%	0.2%	-1.3%	-4.3%	0.9%
Pork							
Loin Chops	6.2%	3.5%	0.5%	0.3%	-6.2%	-9.1%	-3.9%
Fillet Half Leg	-3.6%	-2.1%	-20.6%	-13.1%	-10.2%	-20.3%	-3.2%
Bacon							
Best Back Rashers	8.0%	4.5%	14.3%	7.8%	4.5%	7.8%	1.9%
Pork Sausages	0.4%	0.2%	-1.2%	-0.7%	3.2%	2.2%	3.8%
Cooked Ham	5.2%	3.0%	8.7%	4.9%	1.2%	3.1%	-0.2%
Fruit and Vegetables							
Potatoes (10kg)	17.4%	9.5%	-1.6%	-0.9%	9.9%	-0.6%	18.6%
Onions	8.2%	4.7%	4.5%	2.6%	-5.7%	-7.6%	-4.3%
Carrots	3.3%	1.9%	2.0%	1.2%	11.6%	10.9%	12.2%
Bananas	-6.4%	-3.8%	-9.2%	-5.6%	-5.0%	-6.7%	-3.8%
Dairy Products							
Milk Full Fat (1L)	-9.2%	-5.5%	-10.1%	-6.2%	-1.1%	-1.7%	-0.7%
Milk Low Fat (1L)	-11.8%	-7.2%	-10.0%	-6.0%	2.0%	3.3%	1.2%
Cheddar Cheese	-3.9%	-2.3%	-0.3%	-0.2%	2.2%	4.4%	0.7%
Butter (1lb)	-5.8%	-3.4%	-5.4%	-3.2%	-1.1%	-0.9%	-1.3%
Eggs							
Standard Grade 3	1.1%	0.7%	8.8%	5.0%	8.9%	13.5%	5.5%
Bread							
White Sliced	-9.1%	-5.5%	-9.6%	-5.9%	-2.1%	-2.5%	-1.9%
Brown Sliced	-9.5%	-5.7%	-9.7%	-5.8%	-1.6%	-1.7%	-1.4%

Source: CSO Consumer Prices, Average Price Analysis, November 2004 & 2005

Table 11.15 Comparative Price Levels for Main Food Groups 2003

	BE	CZ	DK	DE	EE	GR	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK
Food	**107**	**59**	**137**	**107**	**66**	**90**	**84**	**114**	**125**	**115**	**98**	**61**	**57**	**119**	**62**	**82**	**106**	**111**	**53**	**93**	**91**	**58**	**122**	**123**	**103**
Bread & Cereals	103	50	150	109	61	93	104	114	**122**	106	102	54	51	116	51	80	103	123	50	99	99	49	141	132	89
Meat	122	53	142	117	62	76	71	124	**118**	112	75	53	46	128	53	69	113	119	47	82	88	50	119	121	116
Fish	120	62	118	122	59	98	75	117	**120**	124	117	58	55	121	62	91	102	107	56	97	89	65	103	109	96
Milk, Cheese & Eggs	101	65	110	94	71	116	87	111	**128**	126	119	69	68	106	74	92	108	98	54	106	83	68	106	115	104
Oils & Fats	100	78	127	94	77	114	87	112	**97**	110	107	77	71	110	74	90	98	113	72	105	99	80	116	126	101
Fruit	117	65	138	110	75	68	88	123	**140**	116	96	72	66	136	65	73	105	110	52	78	84	63	116	122	100
Vegetables	94	59	142	105	64	80	86	113	**143**	123	92	58	56	133	66	91	115	111	53	86	100	51	153	126	100
Sugar Etc	92	65	156	92	70	108	108	101	**119**	113	142	70	76	104	79	94	110	101	65	117	92	72	109	131	107
Food Products n.e.c	104	78	167	128	84	116	70	95	**145**	115	116	73	78	123	90	101	91	120	71	99	104	75	148	146	111
Non-Alcoholic Beverages	**109**	**77**	**171**	**104**	**79**	**103**	**75**	**95**	**143**	**102**	**131**	**79**	**69**	**102**	**80**	**105**	**97**	**95**	**65**	**96**	**87**	**76**	**132**	**129**	**115**
Coffee, Tea and Cocoa	107	81	130	114	69	106	77	89	**146**	113	130	85	66	110	96	87	89	114	62	105	94	96	110	106	120
Soft Drinks	110	76	190	101	86	102	74	98	**143**	100	131	74	72	99	75	112	101	89	67	93	85	67	141	141	114
Alcoholic Beverages	**87**	**79**	**131**	**88**	**89**	**92**	**78**	**87**	**182**	**102**	**149**	**93**	**83**	**83**	**74**	**120**	**98**	**92**	**88**	**105**	**53**	**70**	**181**	**152**	**150**
Tobacco	**108**	**50**	**140**	**104**	**39**	**73**	**73**	**125**	**184**	**89**	**110**	**29**	**31**	**82**	**53**	**65**	**96**	**101**	**35**	**68**	**56**	**52**	**123**	**127**	**206**

Source: Eurostat, Eating, drinking, smoking - Comparative price levels in EU, EFTA and Candidate Countries in 2003

Table 11.15 Comparative Price Levels for Main Food Groups 2004

	BE	CZ	DK	DE	EE	GR	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK
Food and Non-alcoholic Beverages	**107**	**62**	**137**	**104**	**68**	**91**	**86**	**111**	**125**	**115**	**106**	**64**	**58**	**117**	**67**	**83**	**100**	**110**	**55**	**94**	**88**	**63**	**122**	**121**	**105**
Food	**107**	**60**	**135**	**104**	**67**	**90**	**87**	**113**	**123**	**116**	**104**	**62**	**57**	**119**	**65**	**80**	**101**	**111**	**54**	**93**	**88**	**61**	**120**	**121**	**104**
Bread and Cereals	104	53	149	107	61	98	106	112	**120**	105	113	55	53	116	57	78	100	125	51	103	96	53	139	129	90
Meat	125	54	142	115	60	78	72	125	**117**	114	81	53	48	127	56	68	110	121	50	81	85	53	116	118	118
Fish	120	61	115	112	59	99	78	117	**120**	126	119	60	54	121	64	88	98	102	54	95	91	69	101	106	96
Milk, Cheese and Eggs	99	66	106	92	75	119	89	109	**129**	127	126	76	67	106	74	91	103	97	53	105	79	73	107	113	107
Oils and Fats	101	80	126	92	81	118	92	109	**95**	108	117	80	70	108	79	91	94	113	75	103	95	92	117	128	106
Fruits, Vegetables, Potatoes	101	61	136	106	70	70	94	112	**136**	126	93	65	57	142	66	80	105	109	52	83	90	57	136	123	101
Other Food	95	69	155	101	82	110	92	99	**125**	112	140	71	74	108	85	94	93	107	68	113	93	77	116	132	109
Non-alcoholic Beverages	**107**	**79**	**164**	**102**	**81**	**105**	**76**	**96**	**143**	**107**	**132**	**80**	**68**	**103**	**85**	**109**	**88**	**97**	**65**	**97**	**86**	**80**	**134**	**129**	**116**
Alcoholic Beverages	**89**	**78**	**122**	**88**	**88**	**93**	**77**	**87**	**184**	**103**	**153**	**91**	**82**	**84**	**80**	**122**	**96**	**93**	**85**	**103**	**79**	**73**	**156**	**151**	**151**
Tobacco	**107**	**49**	**120**	**107**	**42**	**711**	**71**	**143**	**175**	**90**	**115**	**28**	**33**	**82**	**59**	**104**	**104**	**95**	**34**	**66**	**56**	**56**	**112**	**120**	**200**

Source: Eurostat, Eating, drinking, smoking - Comparative price levels in EU, EFTA and Candidate Countries in 2004

Table 11.16 Personal Consumption Expenditure (PCE) at Current Prices 2003-2004				
	2003 €m	**% of Total PCE**	**2004 €m**	**% of Total PCE**
Total Personal Consumption Expenditure (PCE)	65,227	100.0%	68,540	100.0%
Food, Drinks & Tobacco	15,828	24.3%	15,837	23.1%
Drinks	6,721	10.3%	6,785	9.9%
Tobacco	2,049	3.1%	1,876	2.7%
Food (incl Meals Out)	7,058	10.8%	7,176	10.5%
Of Which	**€m**	**% of Total Food**	**€m**	**% of Total Food**
Meat	1,664	23.6%	1,786	24.9%
Bread & Cereals	923	13.1%	1,009	14.1%
Fruit & Vegetables	873	12.4%	810	11.3%
Milk, Cheese and Eggs	670	9.5%	690	9.6%
Other Foods & Preservatives	467	6.6%	470	6.5%
Potatoes	390	5.5%	352	4.9%
Oils & Fats	161	2.3%	160	2.2%
Coffee, Tea & Cocoa	143	2.0%	123	1.7%
Fish	138	2.0%	141	2.0%
Sugar	45	0.6%	46	0.6%
Meals Out	1,584	22.4%	1,589	22.1%
Source: CSO				

Table 11.17 EU Household Expenditure on Food as % of Total Expenditure, 2004		
	Food and Non Alcoholic Beverages	**Food**
Estonia	20.5%	19.3%
Slovakia	19.7%	18.2%
Hungary	17.7%	15.2%
Czech Republic	17.2%	15.4%
Slovenia	15.8%	14.6%
Greece	15.0%	14.2%
Italy	14.5%	13.5%
Belgium	13.6%	12.2%
Sweden	12.4%	11.2%
Germany (including ex-GDR from 1991)	11.7%	10.1%
Denmark	11.4%	10.1%
Netherlands	11.0%	10.1%
Austria	10.9%	9.5%
Ireland	9.3%	8.4%
United Kingdom	8.9%	7.9%
Source: Eurostat		

Table 11.18 National Development Plan 2000-2005 – Agriculture and Rural Development Expenditure 2000-2005 and in 2005

	Programme	Sub-Programme/Measure/Sub-Measure	Expenditure €m 2005	Exp. To end 2005 €m
1	**Guarantee Funded Rural Development Programme**	REPS	282.964	1,196.478
		Compensatory Allowances	231.593	1,176.543
		Early Retirement	61.811	472.093
		Forestry	97.007	631.709
		Total CAP Rural Development Plan	**673.375**	**3,476.823**
2	**Productive Sector Operational Programme**	Teagasc Research	8.58	48.837
		Research Stimulus Fund	1,624	3,937
		Total Research (Agriculture)	**10.204**	**52.774**
3	**Employment and Human Resources Development Operational Programme**	Teagasc Training	11.693	72.71
		International Equine Institute	0.252	1.388
		Total Training (Agriculture)	**11.945**	**74.098**
			Border, Midland & Western Region €m		**Southern & Eastern Region €m**	
			Exp. €m 2005	**Exp. To end 2005 €m**	**Exp. €m 2005**	**Exp. To end 2005 €m**
4	**Border, Midland and Western Regional Operational Programme**	**Sub-Programme on Agriculture and Rural Development**				
		Measure 1: General Structural Improvement	**12.022**	**44.205**	**20.322**	**70.895**
		Installation Aid for Young Farmers	1.621	7.212	3.473	16.464
		Farm Waste Management	8.456	31.627	10.641	34.263
		Improvement of Dairy Hygiene Standards	1.781	4.415	4.264	9.231
&	**And**	Improvement of Animal Welfare Standards (Pigs Only)	0	0	0	0
		Animal Carcase Disposal	0.164	0.432	0	0
5	**Southern & Eastern Regional Operational Programme**	Development of Grain Storage Facilities On Farm	0	0.519	0	1.904
		Improvement of Cattle Breeding Infrastructures	0	0	1.292	4.33
		Improvement of Equine Breeding Infrastructure	0	0	0.652	4.703
		Measure 2: Alternative Enterprises	**2.32**	**6.586**	**4.009**	**13.639**
		Development of the Horticulture Sector	1.598	3.83	2.893	8.788
		Development of the Potato Sector	0.101	0.399	0.454	1.063
		Development of the Organic Sector	0.245	0.701	0.223	0.85
		Improvement in Equine Quality	0.121	0.718	0.094	1.47
		Housing/Handling Facilities for Alternative Enterprises	0.255	0.938	0.345	1.468
		Measure 4: Services for Agricultural Development	**5.618**	**32.098**	**4.596**	**26.24**
		Teagasc Advisory Services	5.618	32.098	4.596	26.24
		Measure: Local Enterprise Development	**5.276**	**29.43**	**3.664**	**23.731**
		Harvesting	0	1.385	0	0.736
		Woodland Improvement	2.898	16.546	1.348	8.206
		Forestry Development	0.557	5.285	0.884	8.225
		Forestry Roads	1.821	6.214	1.432	6.564
		Total Agriculture & Rural Development (Regional OPs)	**25.236**	**112.319**	**32.591**	**134.505**
		Total Structural and Guarantee Measures for Agriculture/Rural Development	**Expenditure 2005 €m**		**Expenditure to end 2005 €m**	
			753.35		3,850.52	