

How the land lies: Comparing Issues in Irish and Scottish Agriculture

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Agricultural Economics Society of Ireland

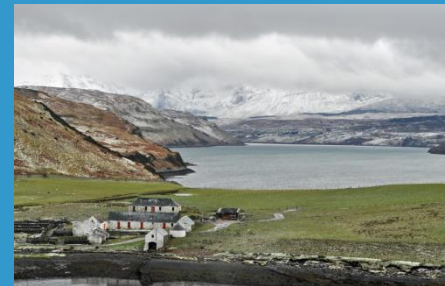
November 7th 2013



**Agri-Business and Rural Development
School of Agriculture and Food Science.**

Outline

- Three things that I have heard a lot about in Ireland:
 - CAP Reform
 - Structural Issues
 - FH2020
- And one thing I heard a lot more of in Scotland
 - Environment
- And one thing I am interested in!
 - Market Structure



Stylised Facts

	Ireland	Scotland
GVA	3.5 bn	<1 bn
Average Farm Income (2011/12)	25,000 euro	53,000 euro
Dairy	Major sector: Quota Constrained	Concentrated in SW corner: Not Constrained
Sucklers	> 1m and unprofitable	<1 m and unprofitable
Tillage	About 9 per cent	Significant down East of Country
Sheep	3.5 m	6.8 m
LFA	75 per cent	85 per cent
Farms	140,000	52,000
Farm Size	33 ha	100 ha
Total SFP	1.3bn	>500 m
Average SFP	12,000 Euro	34,500 Euro (Median 15k)



CAP Reform: Scotland and Ireland coming from a similar *reform* base

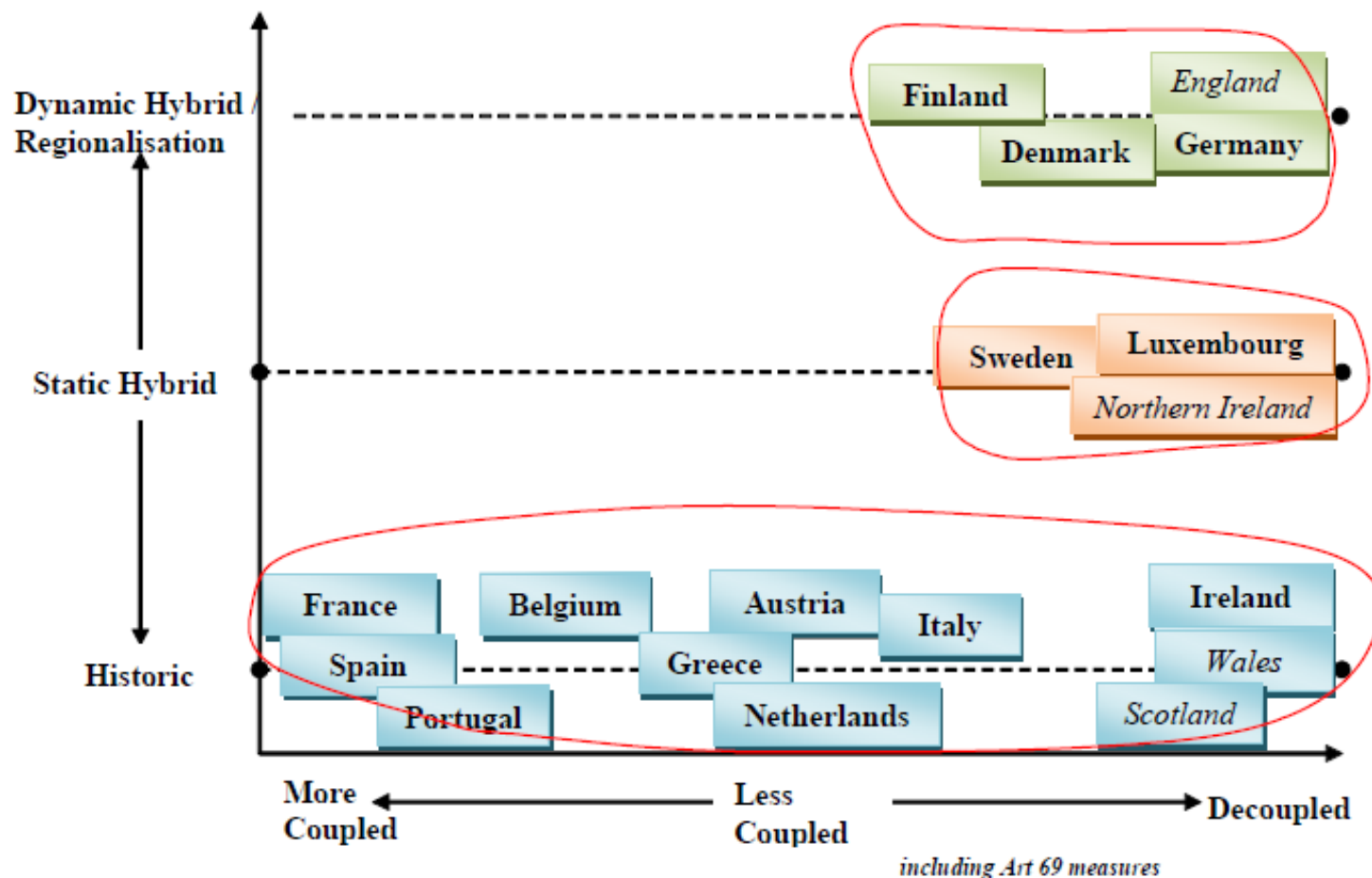


Figure 5 EU15 clustered by model of SPS implementation
Source: Adapted from Kroll (2008) using SAC, *et al.* (2008)

'We must support the *productive* farmers'

SHRESTHA *ET AL.*: THE EFFECT OF DECOUPLING ON FARMING IN IRELAND

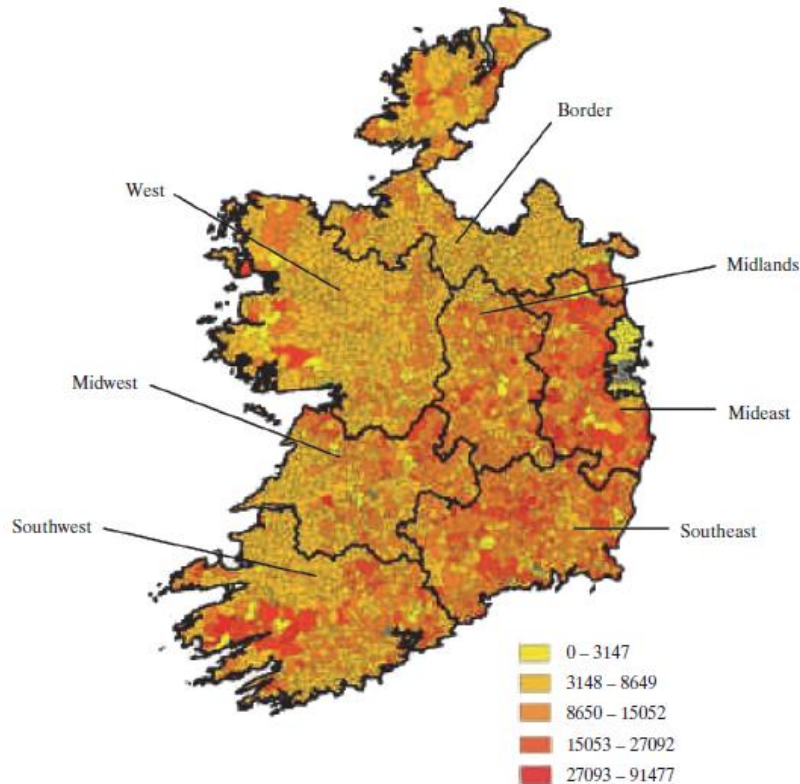


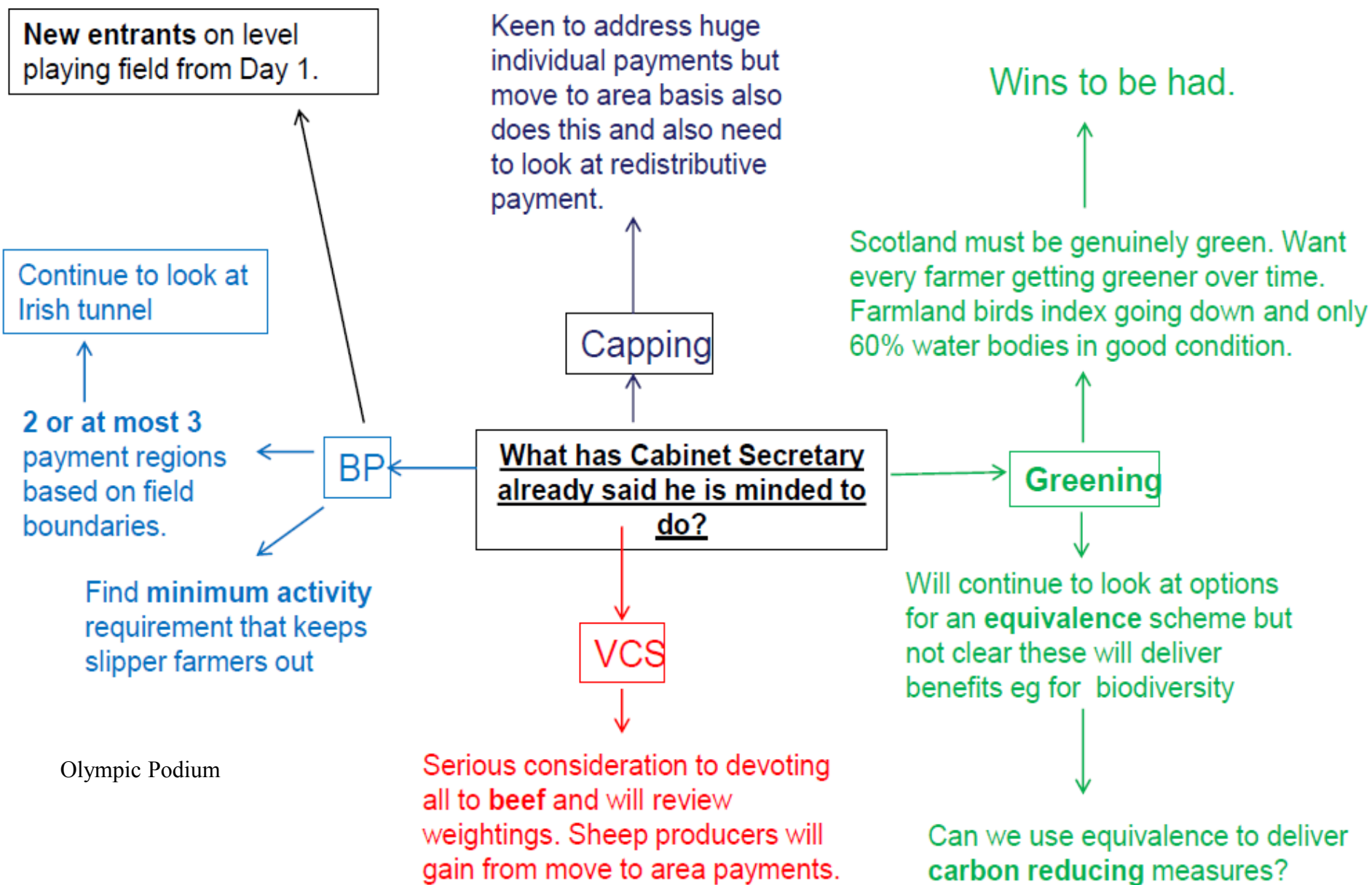
Figure 1: Geographic Distribution of the Single Farm Payment (Historical Scheme).

Average SFP, LFASS and RSS Payments in 2005

Payments per Parish (£ / ha)



In Scotland they have modelled 30 different approaches to redistribution and presented them to stakeholders!



'More farmers over 80 than under 35'

- Key Issue in both countries with aging population and barriers to entry with younger farmers
- Ireland debate is how to free up the land market particularly leasing
- Similar debate in Scotland due to problems with SDLT and LDT but deeper issue of land reform
 - Right to buy



Politicians and young farmers: It is like kissing babies



Structural change: Young farmers top up - Swimming against the tide?



CAP support, Tax advantages, Culture, Succession etc
etc



RDP Early Retirement Scheme

Young farmer top ups

Tax incentives for leasing

Installation aid



Land Reform in Scotland

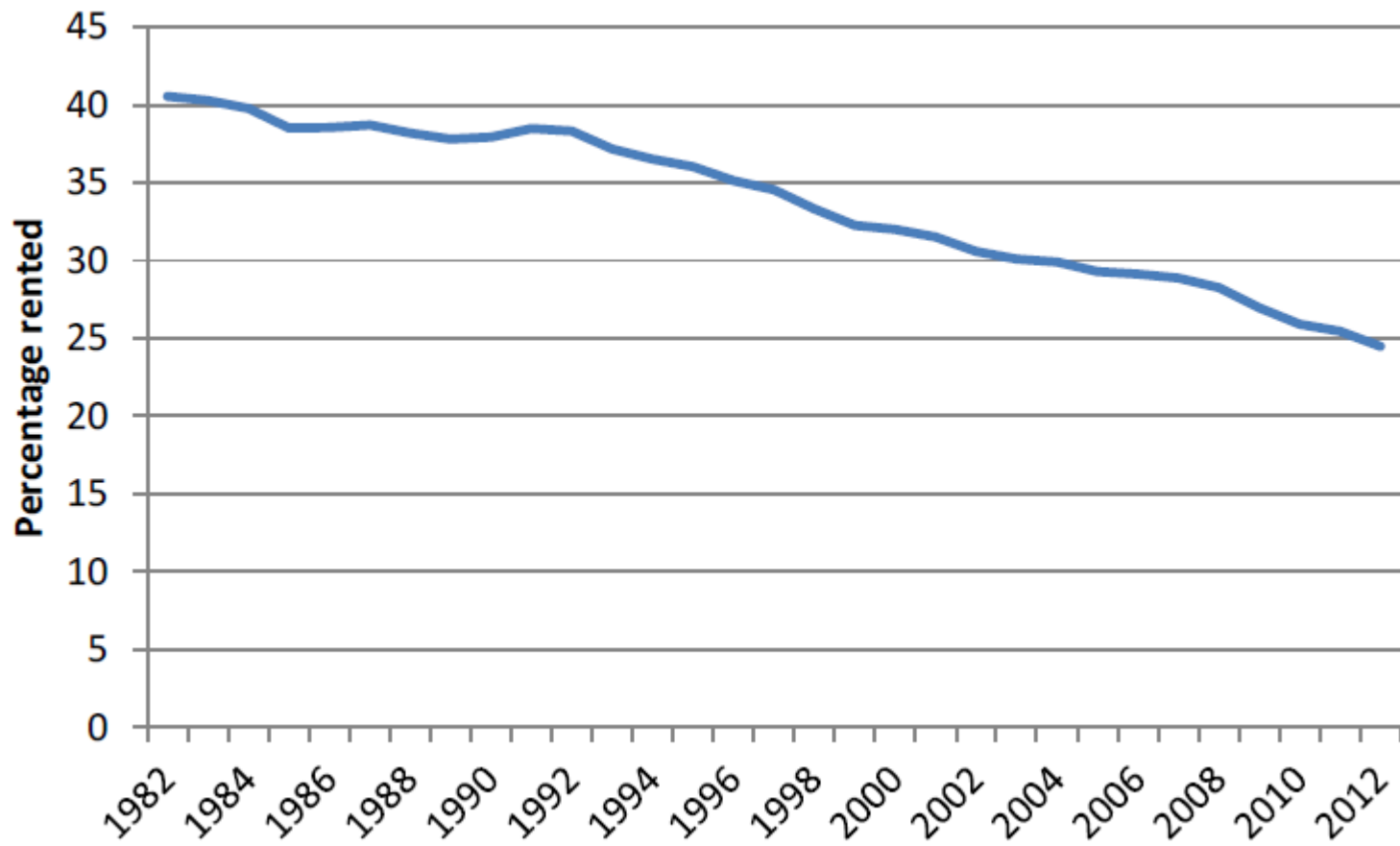
- *We're now six years into an SNP Government which has so far done absolutely nothing legislatively about the fact that Scotland continues to be stuck with the most concentrated, most inequitable, most unreformed and most undemocratic land ownership system in the entire developed world."* - James Hunter.



- “And the Scottish Government has to get serious about giving tenant farmers a right to buy their farms. That’s been basic to land reform all across Europe. Danish farmers got a right to buy more than 200 years ago, Irish farmers more than 100 years ago. How much longer are Scottish tenant farmers to be denied a similar right?
- Call for Lochhead Act along the lines of the Wyndham act
- Interesting that one of the key issues raised is that the purchase of land will lead to a boost in the leasing market such as that seen in Norway.

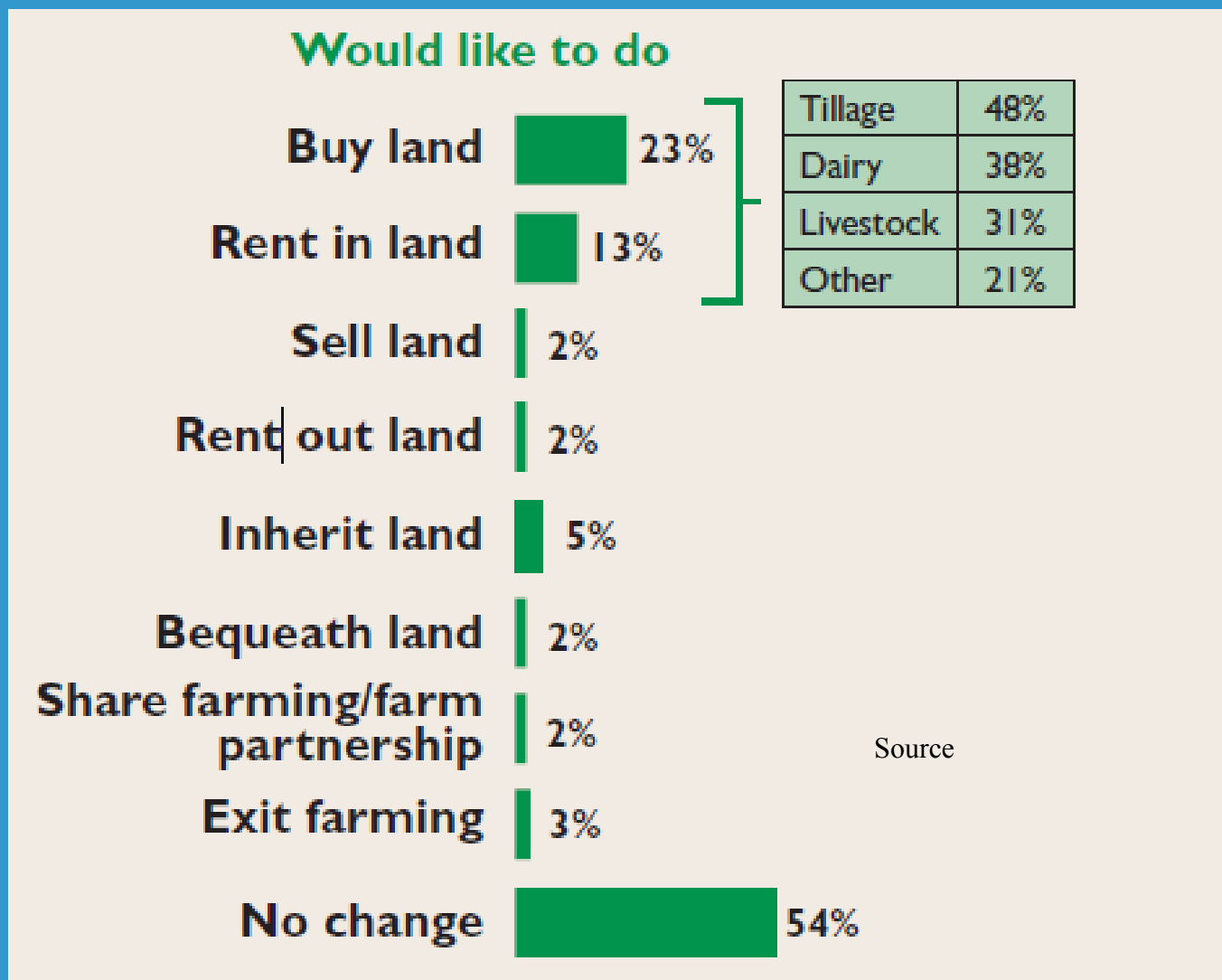


Percentage of Land Rented under full tenancy (>1 year)



Source: Scottish Government 2012

Irish Imbalance?



Environment

- Key policy issue in Scotland
 - Water Quality
 - High Nature Value Farming
- On the agenda in Ireland?
 - 'Water Quality Good'
 - 'Lots of Biodiversity'
 - 'Low Carbon farming'
- All Good?

Irish biodiversity loss linked to intensive farming practices, study shows

The abundance and diversity of bees, birds and other species of insects and plants have suffered serious losses as a result of changing farming practices in Ireland, according to the findings of the Ag-Biota project, a five-year scientific study conducted by University College Dublin (UCD) on behalf of the Environmental Protection Agency (EPA).

Approximately 80 per cent of agricultural land in Ireland is devoted to grass-based farming systems. The increased use of machinery, the removal of hedgerows, and the greater use of chemicals has led to landscape simplification and degradation and, as elsewhere in much of Europe, a reduction in the diversity of species across the Irish countryside.



- IFA President John Bryan said there is no substance to the predictions made by the Environmental Pillar as they are based on unsubstantiated assumptions, which the authors of the report accept themselves.

- He said, "What is real and deliverable are the growth plans for the sector, which are on track based on what has happened since 2009. *Food Harvest* expansion plans are sustainable. Our export target is actually ahead of where we expected to be in 2013 and agriculture is one of the few sectors reporting an increase in jobs this year".

- John Bryan said Ireland can justifiably say it has one of the most sustainable models of agricultural production in the world. "Initiatives such as *Origin Green* and the measurement of our carbon footprint on over 30,000 farms show the level of commitment we have to a system of food production that is low on emissions".



Projected Economic Impacts of Climate Change on Irish Agriculture

Commissioned report on behalf of Stop Climate Chaos

Author: Dr. Stephen Flood, Research Associate, ICARUS, NUIM

Executive Summary

Projected cost of climate change to Irish agriculture

This report presents projected economic impacts of climate change on Irish agriculture, especially in the light of increasing investment and intensification. Agriculture is one of the most climate-sensitive industries in Ireland, as its primarily outdoor production processes depend on particular levels of temperature and rainfall. The report projects the total economic costs of climate change in the region of €1-2 billion per annum by mid-century. This figure represents 8.2% of the current contribution of the agricultural sector to the national economy annually, and at the upper level is greater than the Harvest 2020 targeted increase of €1.5 billion in primary output.



The Irish agricultural sector contributes €24 billion to the national economy annually, accounts for almost 10% of Irish exports and provides 7.7% of national employment (Teagasc, 2013). The sector accounts for about 7% of Irish GDP with primary agriculture accounting for 2.5% (CSO, 2013). The sector is also set to grow significantly based on the government's ambitious "Food Harvest 2020" policy vision (Department of Agriculture, Food and the Marine, 2010). Indicative targets include an increase of primary output in the agriculture, fisheries and forestry sector by €1.5 billion to €6.1 billion by 2020, equating to a 33% increase over the 2007-2009 average.

Climate change impacts on agriculture, drawing on research from the 1990's have been unduly optimistic, which in turn have helped to justify the relatively

complacent approach of climate policy in relation to the agricultural sector. However, more recent research over the last decade has identified a series of climate threats to agriculture that should call for a revised perspective in climate policy.

Three major areas of research that have revised these findings are associated with the threshold model of temperature effects on crop yields; a revised understanding of carbon fertilisation; and the emerging analysis of regional rainfall and climate changes. The threshold model of temperature effects on crop yields suggests that crops are more sensitive to temperature extremes than to averages. It is often the case that yields rise gradually up to a certain temperature threshold and then collapse rapidly as temperatures cross this threshold point (Ackerman and



Stop Climate Chaos, 9 Upper Mount Street, Dublin 2, Ireland. +353 1 6394653 info@stopclimatechaos.ie www.stopclimatechaos.ie

Environment

80 per cent reduction in GHG by 2050
enshrined in legislation

IRELAND

NATIONAL CLIMATE CHANGE STRATEGY 2007-2012

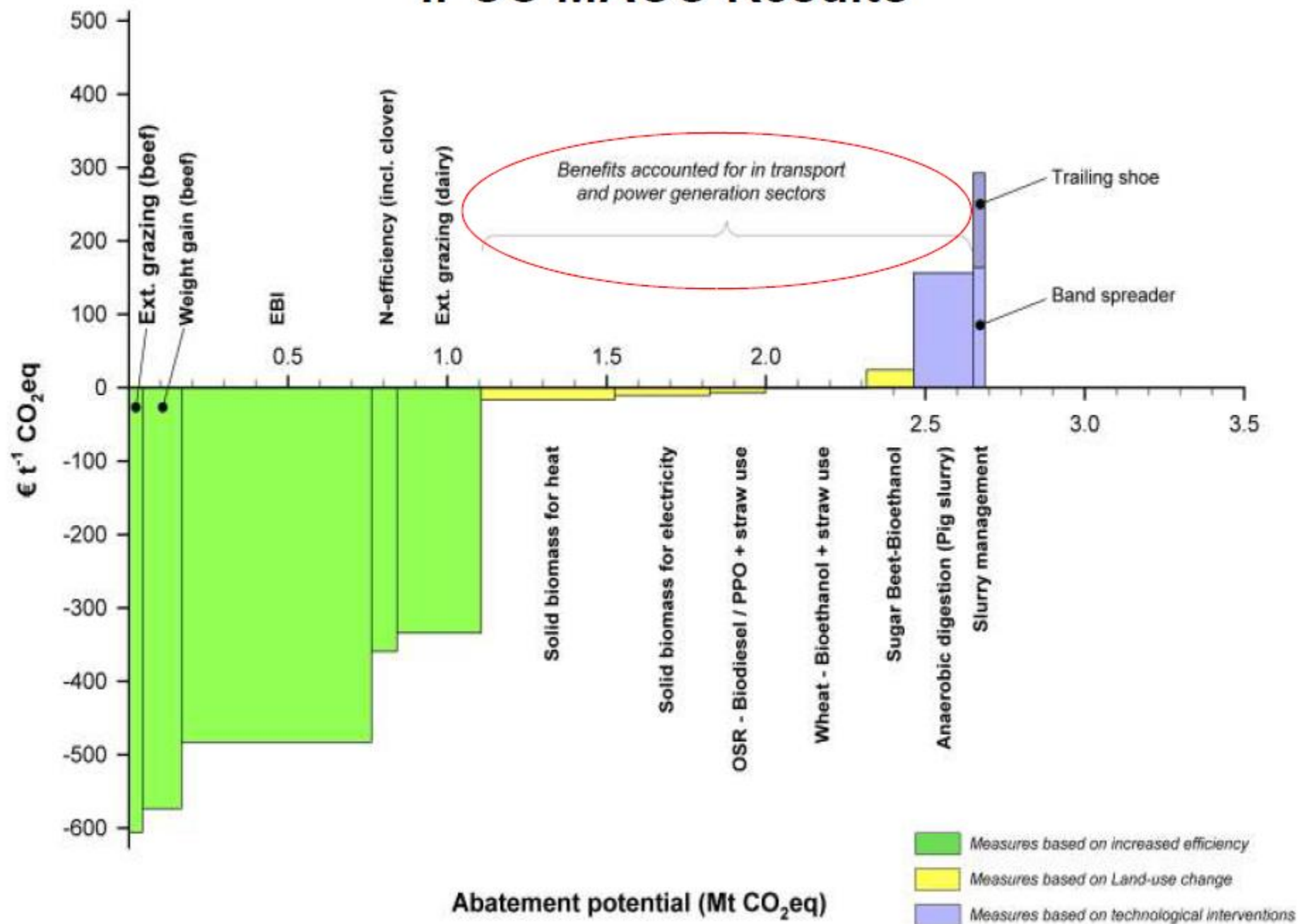


LOW CARBON SCOTLAND
MEETING THE EMISSIONS
REDUCTION TARGETS
2013-2027

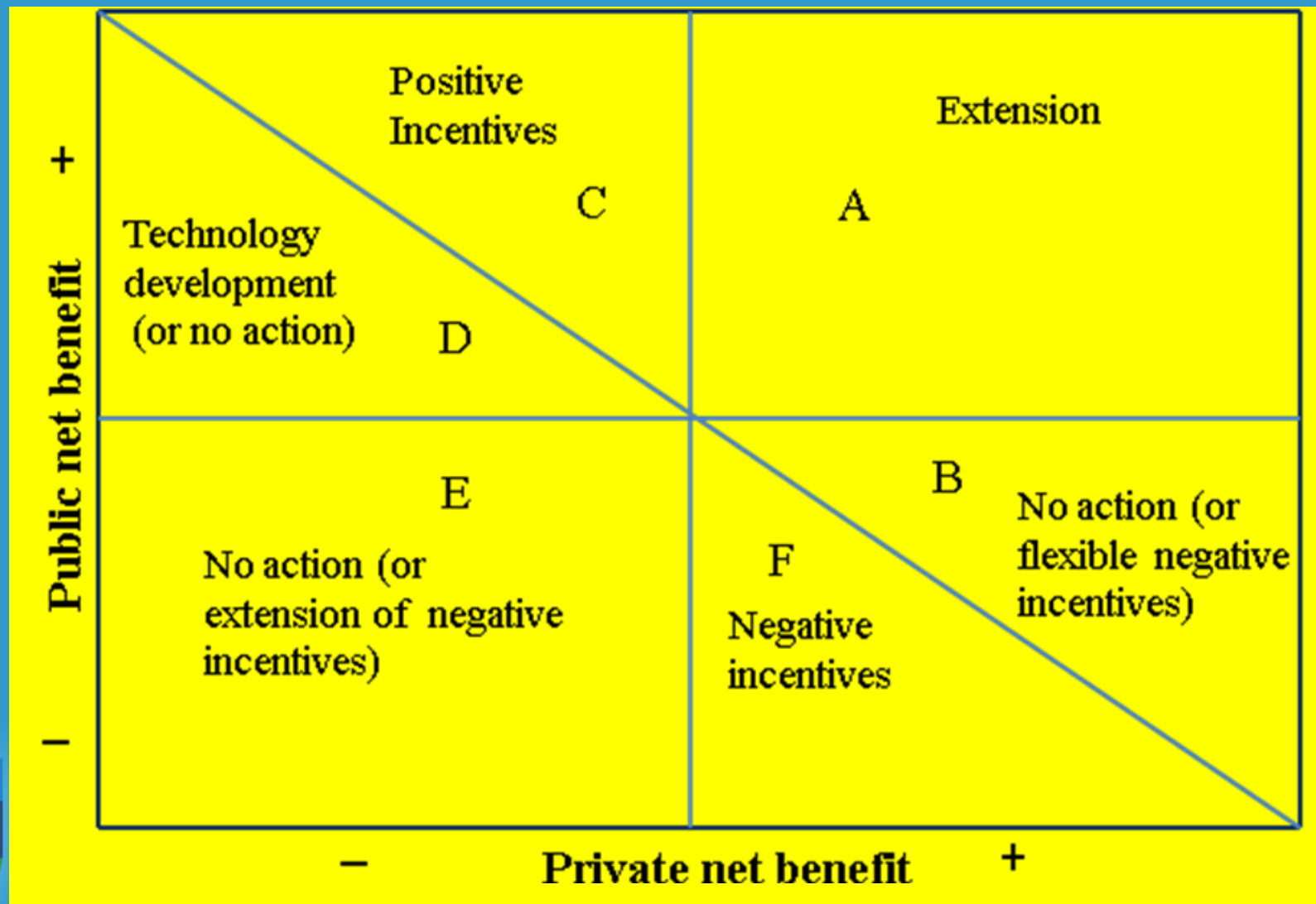
THE SECOND REPORT ON
PROPOSALS AND POLICIES



IPCC MACC Results



Voluntary Approaches



Challenges with voluntary approaches

EPA finds agriculture emissions increased by 3% in line with Harvest 2020 expansion

By *Lisa Deeney* on October 9, 2013

Provisional greenhouse gas emissions figures released this morning by the Environmental Protection Agency (EPA) show that Ireland will meet its Kyoto Protocol obligations.

However, greenhouse gas emissions increased by 0.58 million tonnes (one per cent) in 2012 to 57.92 million tonnes reversing a six-year downward trend in emissions since 2006.

Agriculture remains the single largest contributor to overall emissions, at 32.1 per cent of the total, followed by energy (primarily electricity generation) and transport at 21.9 per cent and 18.8 per cent respectively. The remainder is made up by the industry and commercial at 14.7 per cent, the residential sector at 10.7 per cent and waste at 1.8 per cent.



The agriculture sector saw increases in cattle numbers (4.4 per cent) and sheep numbers (nine per cent) in 2012 that has resulted in an increase in greenhouse gas emissions of three per cent, according to the EPA. These increases are in line with the expansion of the sector under the Food Harvest 2020 plan, it said.

Markets

- Concentrated on Policy and Environment but market issues are important
- Take Beef for example
- Beef markets seem to be one of the economic wonders of the world!



	Cattle - Rearing		Cattle - Other		Sheep	
	2011	5 year average	2011	5 year average	2011	5 year average
Gross Output (€)	30,745	27,663	41,805	35,769	42,093	32,768
Direct Payments/Subs(€)	13,407	13,618	16,795	16,071	17,490	16,368
Family Farm Income (FFI) (€)	10,453	7,890	14,573	11,100	16,805	12,012
Market Income (€)	-2,954	-5,728	-2,222	-4,971	-685	-4,356
Cash Income (Approx) (€)	13,165	11,572	17,247	15,626	18,821	15,545

Source: Teagasc NFS (2012)

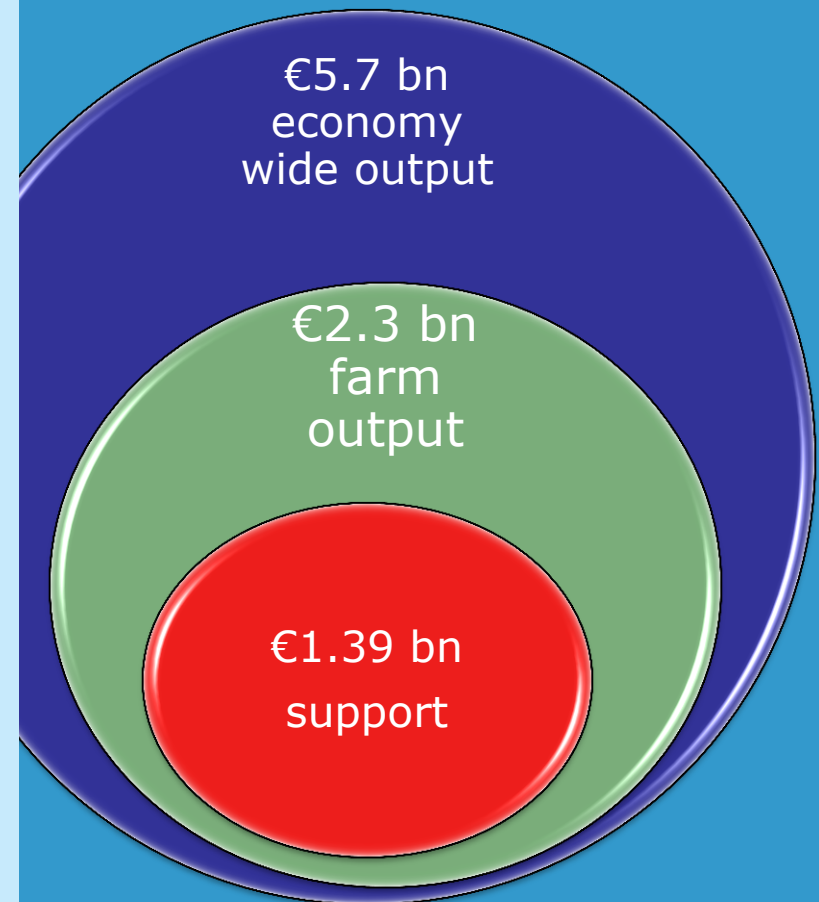
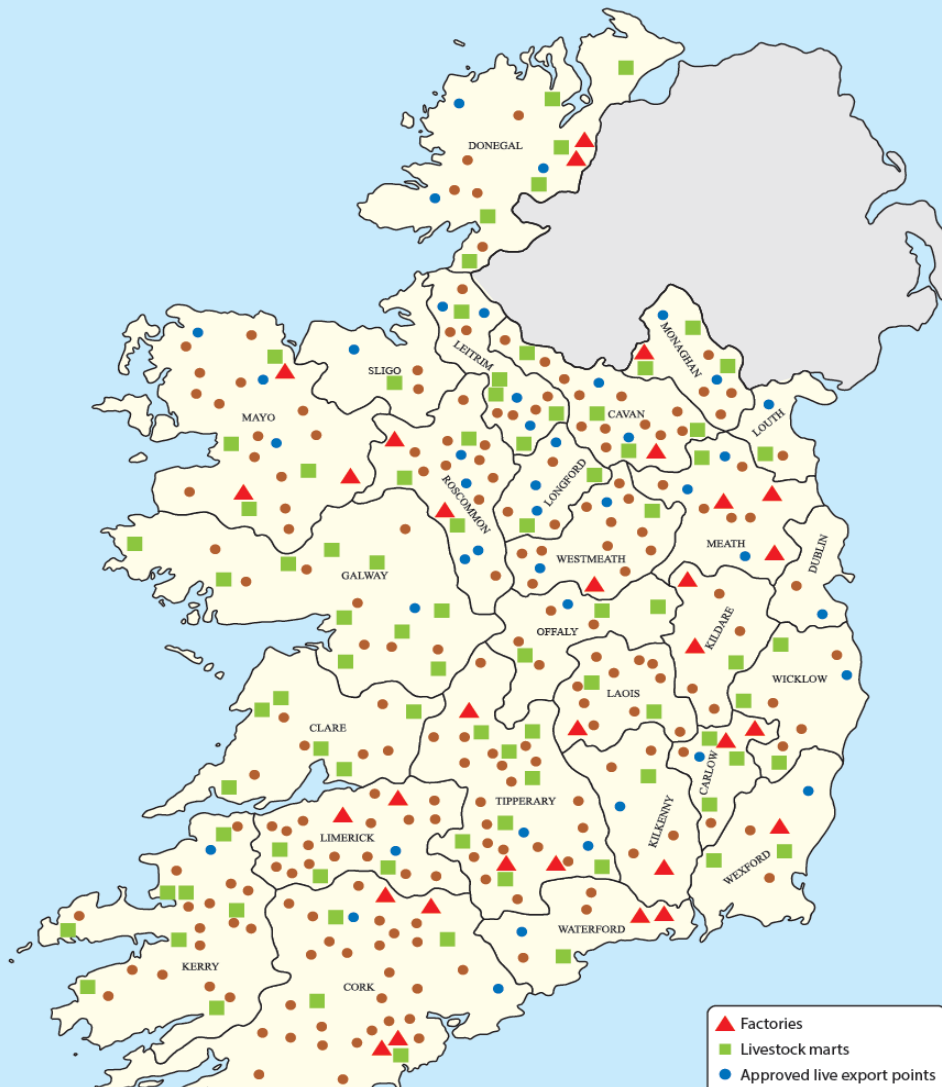
	Viable	Sustainable	Vulnerable
		per cent	
Dairy	68	17	15
Cattle Rearing	18	43	40
Cattle Other	29	30	41
Sheep	23	35	42
Tillage	71	12	17
Mixed	58	23	18
All Farms	38	29	33

Source: Teagasc NFS (2012)



Markets

- Leads to a lot of economic activity



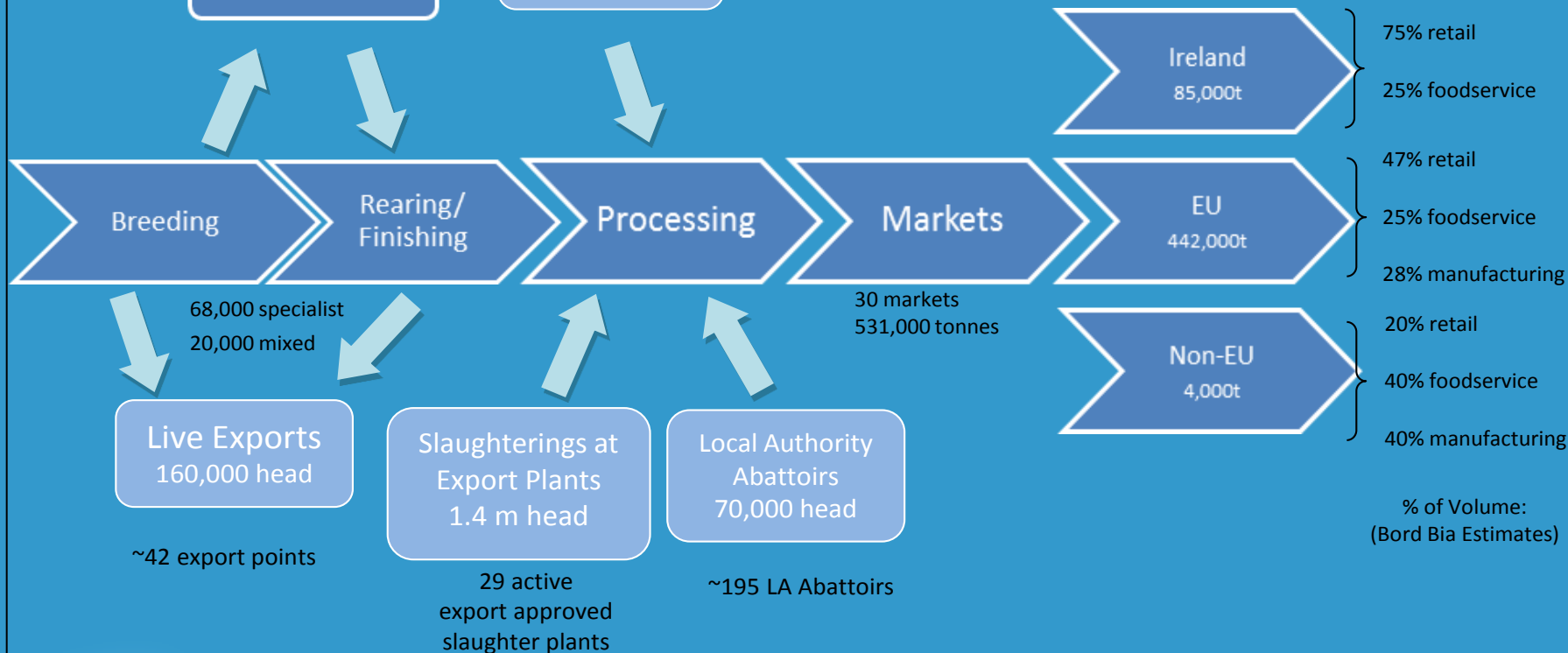
Source: Derived from Miller *et al*

Dysfunctional Supply Chains?

~87 Auction Marts

Auction Marts
1.36m head (2011)

Beef Imports
46,700 t



Dysfunctional Supply Chains?

Meat Industry Ireland defends cattle prices amid criticism from IFA, ICMSA

Lisa Deeney on July 23, 2013

Meat Industry Ireland has this morning defended the reduction in the price for cattle for the past weeks amid increasing criticism by the Irish Farmers Association (IFA) and the Irish Creamery Milk Supplier Association (ICMSA).

The industry is operating in a very difficult trading environment. Irish cattle price is still most 110 per cent of the EU average price. Our beef is 30-35c/kg more expensive than that of our key continental EU markets and this is having a serious impact on competitiveness and sales. The reality is that for a major net exporter



MEP calls for enquiry into beef cartels

« Back

Sunday, December 23rd, 2012 at 11:14 am.



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11am – A Kerry MEP has called for an EU investigation into alleged price-fixing of beef in the Irish and British beef market. Fine Gael MEP Sean Kelly says beef farmers are being paid up to 250 euro per head more for beef in the UK than they would get here. Mr Kelly has written to two EU Commissioners requesting a formal inquiry into allegations of abuse of market power and cartels. He said Irish beef farmers have a strong case under EU competition law.

No cartel on price of beef, says new study by Bacon



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29 MARCH 2000

THERE is no evidence of a price-fixing cartel in the Irish beef industry, a new report has claimed. The study says there is nothing to show that...

ALSO IN THIS SECTION

Police in cross-border manhunt for shooting suspect

Man clings to life after baseball bat attack on street

Kidnap vehicle 'wasn't stolen'

THERE is no evidence of a price-fixing cartel in the Irish beef industry, a new report has claimed.

The study says there is nothing to show that beef processors either deliberately push down the price paid to farmers for cattle or influence the price of beef in the shops.



Quality Meat Scotland warns of beef price 'threat' to processors

Promotional body Quality Meat Scotland (QMS) has urged retailers to move towards a "more realistic" beef price, warning that the viability of processors is under threat.

QMS chairman Jim McLaren claimed the retail price did not reflect the true cost of beef production and processing.

He said processors were worried about the "very concerning gap" which had emerged.

Mr McLaren was speaking at the launch of QMS's annual review.

He said: "The beef processing industry is facing major financial pressure and struggling to endure the pincer effect of strong cattle prices coupled with the time-lag in retailers passing this raw material price increase to consumers.

"The result is our processing sector is enduring margins which are simply unsustainable."

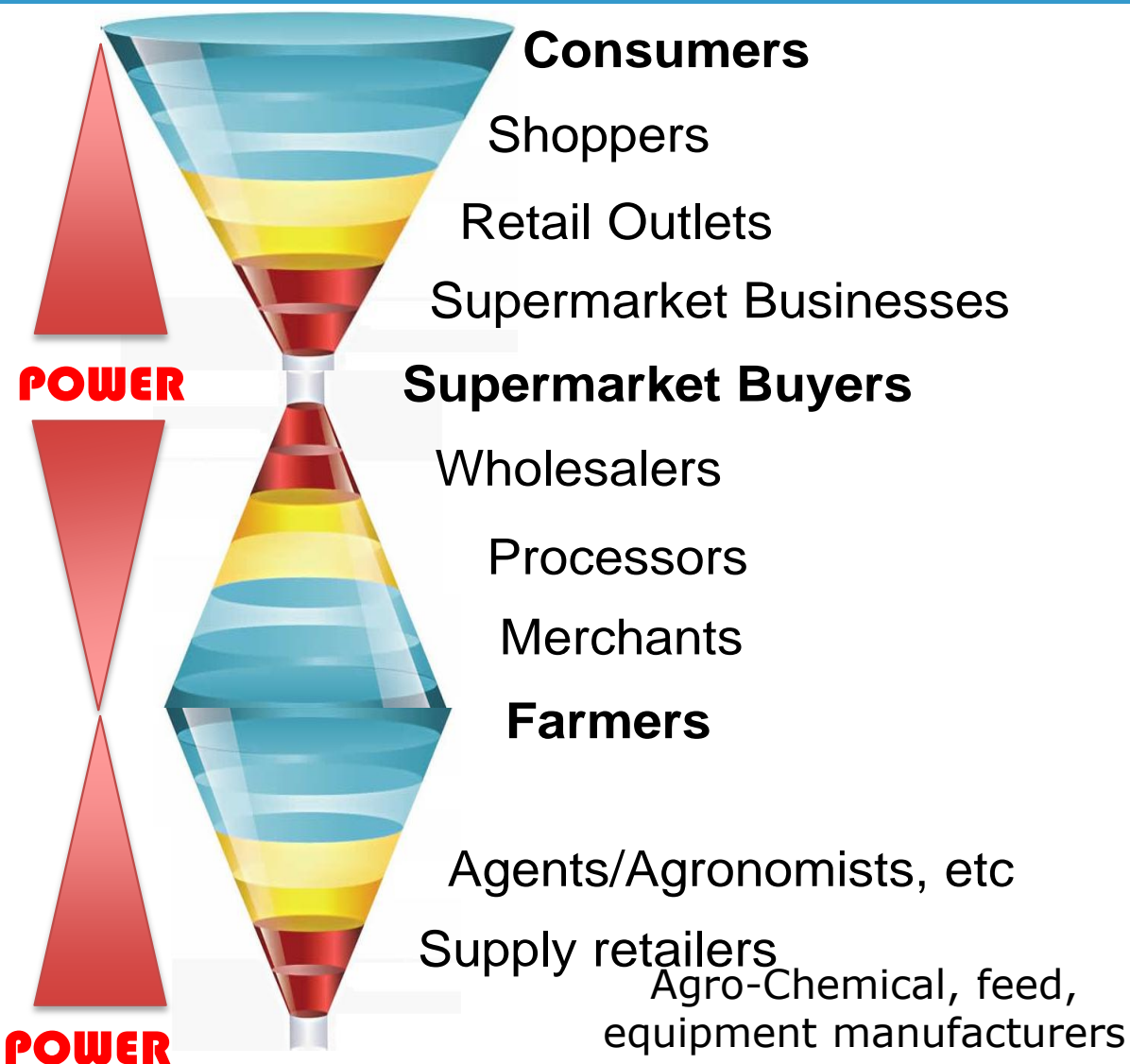


QMS said the retail price of beef did not reflect the true cost of production and processing

Related Stories

[Levy 'hurts' Scots red meat industry](#)

Imperfect Competition?



Trade

- Trade clearly important to both Ireland and Scotland and both have ambitions for significant growth

Ireland uniquely positioned to benefit from EU-US Trade Deal

Ireland uniquely positioned to benefit from EU - US Trade Deal

**New agreement would strengthen our economy, job creation and competitiveness
- American Chamber**

A new EU - US free trade agreement would deliver GDP growth equivalent to providing every worker in Ireland with an extra year's salary over the course of their career, according to the American Chamber of Commerce in Ireland.[1] The Chamber today published a paper entitled "The Transatlantic Opportunity: Why we need a Transatlantic Trade & Investment Partnership". The EU - US trade relationship is the biggest in the world with around €2 billion of goods and services traded every day between the European Union and the United States.

Daragh McCullough: €370m food exports surge a sign of things to come

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Dairy exports were up 4 per cent

DARRAGH MCCULLOUGH - 25 JULY 2013

Irish food exports continue to reach new record highs according to the State's food agency, Bord Bia. Despite breaching the €9bn barrier for the first time last year, early data indicates that sales growth in the food sector forged ahead by another 8.6pc during the first six months of 2013. This equates to over €370m of additional sales.

Of course, in both Scotland and Ireland the best trade is one way trade!

IRISH AGRI SECTOR CANNOT BE SACRIFICED IN EU-US TRADE TALKS

2013-07-09

With the commencement of the EU-US trade talks this week, IFA President John Bryan said these trade negotiations cannot damage our important agricultural sector and particularly our beef and livestock sector. He said Ireland must insist that the EU makes our most important indigenous industry, the agri food sector a red line issue in these negotiations.

The IFA President said there is a real fear that large concessions to the USA in these talks would severely damage Ireland's agri-food sector and threatens thousands of jobs. "A deal involving a substantial increase in imports from the USA would be a disaster for the agri-food sector and the wider economy."

The IFA President said the French country. "I want the Taoiseach and the EU to ensure that the agri-food sector is protected in any trade deal."

John Bryan said a recent IFA study found that the agri-food sector's output at farm gate level creates 1.2 million jobs in the economy.

Union Attacks Commission Over Mercosur Talks

Article date: 03 November 2010

News Article Number: 154/10

NFU Scotland has cranked up its opposition to ongoing trade talks between Europe and Mercosur. In its latest letter to the European Trade Commissioner, the Union laid out five areas around animal health, human health and food safety where guarantees must be secured before any additional access for imported products from these countries is agreed.

Without such guarantees, consumer confidence in food production could be undermined, the EU's animal disease status challenged and Europe's reputation for food production and food safety damaged.

NFU Scotland Vice-President, Nigel Miller said:

"The prospect of a Mercosur deal increasing the EU trade for goods and services as a consequence of a bilateral trade agreement is laudable and increasingly likely, but jeopardising the EU's ability to produce food or undermining our food security by exposing us to new risks is too high a price to pay."



We *will* increase milk production by 50 per cent by 2020'

- Whole range of internal and external factors that will affect the ability of Ireland to take full advantage of increased demand
- Structure
- Volatility (exchange rates, prices, weather etc)
- EU and International Policy (CAP, WTO etc)
- Environmental considerations
- Health and Welfare
- Etc etc



Promoting Innovation

- ‘If we are just selling more product on commodity markets then we will have failed’

New Glanbia dairy facility set to create 1,600 jobs

30.04.2013

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Dairy ingredients company Glanbia Ingredients Ireland has announced its plan to build a new dairy facility in Belview on the Kilkenny/Waterford border that is expected to create 1,600 direct and indirect jobs and contribute circa €400m per year to the Irish economy.

The Department of Jobs, Enterprise and Innovation will partly fund the development of the dairy plant via Enterprise Ireland.

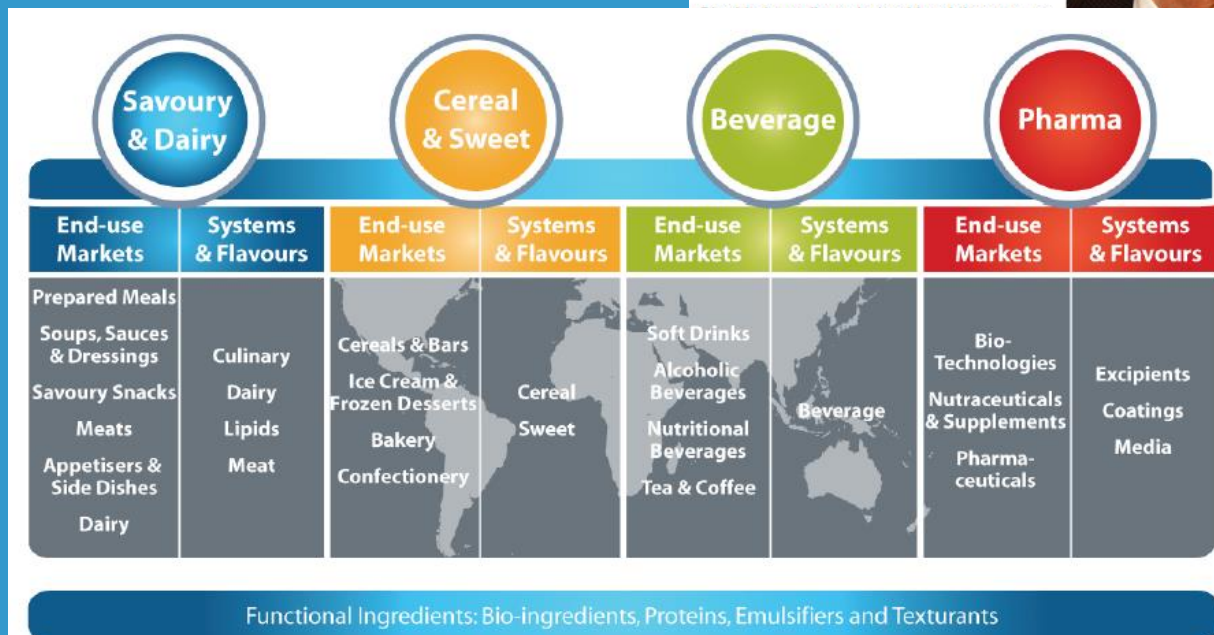


set to create 1,600 jobs a Ingredients Ireland, with Taoiseach Enda Kenny at

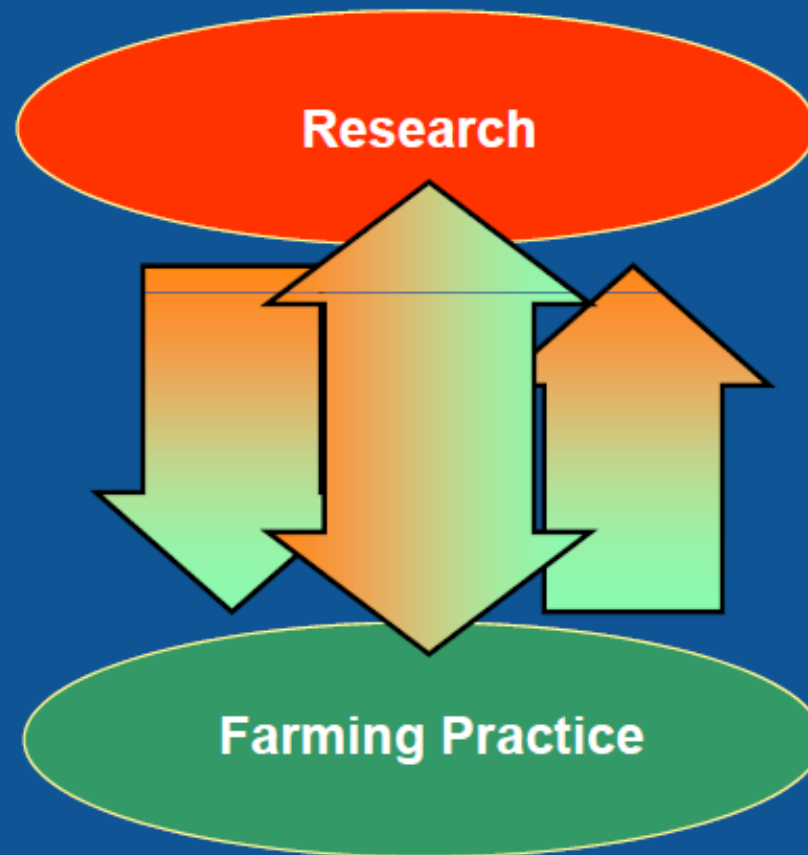
facility will be destined for export markets.

Glanbia is aiming to generate more than ring the build of the plant.

represents a "massive vote of confidence" in



Closing The Innovation GAP



Food for thought: What industry should we be in?

	Food manufacturing	Drink manufacturing
Gross value added (GVA)	£1.2 billion	£1.9 billion
GVA per employee	£34,980	£171,429
Turnover	£4.1 billion	£3.4 billion
Employment	34,600	11,300
Exports	£0.4 billion	£4.3 billion
Number of establishments	959	253

Source: Adapted from Scottish Government (2009a). By Brown (2010)

Ireland GVA per capita from agriculture 24000 euro?



The light at the end of the 'Irish Tunnel' may be a train!

