

# Making the Agribusiness Tick

by Brendan McGowan

In this article, Brendan McGowan explores the factors that make the unpredictable agribusiness sector tick.

To comment or write about the agribusiness sector in Ireland now is almost impossible without referring to the topic that has consumed us all for the past three years – Brexit. As I write this just now, I see on RTE news the British MEP’s saying farewell in the parliament chamber, as our own Mairéad McGuinness, vice president of the European parliament, ensures that their exit from the chamber is not disorderly. Thankfully, for now, it would appear that the shape of the final withdrawal and subsequent trade deal should largely preserve the status quo for agribusiness on this Island. So, putting Brexit aside, let’s look at what and who makes this business tick.

Agribusiness in Ireland is a fascinating, diverse and unpredictable sector to work in and extremely rewarding and satisfying when the influencing factors that dictate the outcomes are aligned. When those factors go askew then it can be frustrating, extremely trying and have serious impact on individuals and businesses alike.

**Weather:** Every single agri-product has its origins in the land. The land on this island, when tended to properly, is fertile and ideal for the growing of grass. This grass is an extremely important asset to the agribusiness sector as it provides an affordable feed alternative to manufactured feed for livestock in the dairy and beef sector. This is very much dependant on the weather patterns behaving in an expected fashion. In recent years, 2013 and 2017, a long and exceptionally wet winter and the late onset of Spring has caused two major fodder crises with the resultant cost to the farming community estimated at €500million in 2013 alone. Although weather

disruptions have occurred in the past, the frequency of recent events brings climate change challenges that the farming community will need to adapt to.

**Farm Incomes:** The farming community is a mixture of part-time and full-time farmers. In the Republic of Ireland there are circa 137,000 farmers with less than half of these farming full-time. The dairy sector would have the highest proportion of full-time farmers with the beef, sheep and tillage sectors having a higher part time representation. Whilst many of the part-time farm activities may show a modest income, when examined in detail a high proportion of these are actually loss-making enterprises. Virtually all of these farms and families are sustained by off farm incomes. Almost 40% of the farmed area in Ireland falls into this category. This certainly isn’t sustainable into the future and new and innovative thinking must be applied here to deliver a more sustainable use of this fragmented and large area of farmland.

Most Recent breakdown of farm holdings (Source – CSO)			
Size	Holdings Total	Output Total	Farmed Area
Very small	32%	3%	11%
Small	33%	11%	26%
Medium	15%	11%	19%
Large	8%	13%	15%
Very large	12%	62%	29%

The large and very large categories are primarily made up of dairy farmers. The average income in these enterprises/businesses can vary from around €50k to €70k+,



depending on the cent per litre paid. Around 85% of our dairy output is exported so a small movement in global dairy supply and demand can have a big impact on dairy farm incomes.

Just in the region of 20% of all farm holdings would fall into this earning bracket.

### Factors affecting supply

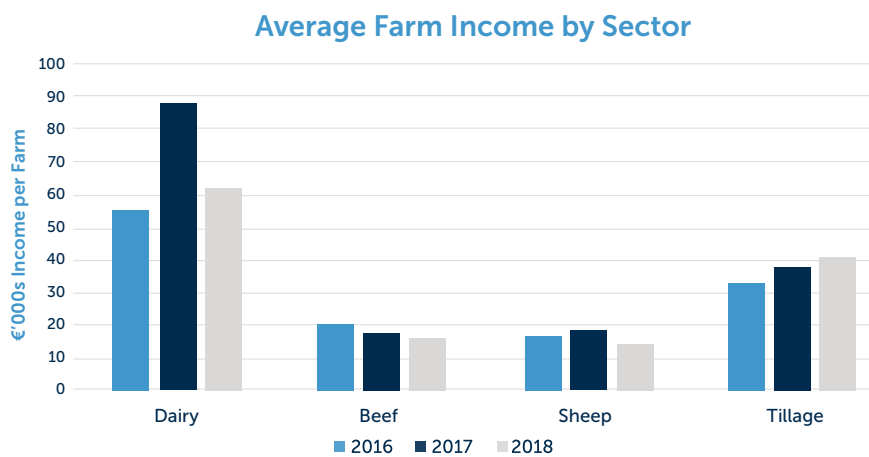
- Weather
- Milk price (the higher the farm gate milk price the more milk farmers will produce)
- Milk price to feed cost ratio (big factor in the US were a lot of grain is fed)
- Regulatory restrictions (Environmental quota e.g. Holland)

### Factors affecting demand

- Price of dairy commodities (high prices result in substitution thus eventually reducing demand)
- Oil prices (a big factor for oil exporting nations who tend to be big dairy importing nations)
- Economic health of importing nations
- Move towards western diets in Africa, Asia and the Middle East
- Inventory levels of dairy commodities
- FX (a weaker US Dollar tends to stimulate demand as the Dollar is the currency of trade for Dairy)



The beef sector exports almost 90% of its total output and Ireland is one of the largest exporters of beef and beef products globally. We have experienced recently a mini revolution in this sector by the beef producing farmers, with meat processing plant boycotts and tractor protests at retail distribution centres and on Dublin city streets. The representative bodies in this sector say the farmers are getting too small a share of the profit margins from the food chain. This is very difficult to dispute. We in Ireland pride ourselves on the quality of our beef and we've often heard it said that an Irish steak is the best in the world. Why then would UK and other EU countries have, over the years, paid a higher euro per kilo to their producers than has been received by beef farmers here in Ireland. A radical root and branch analysis of this sector is urgently required to ensure its sustainability into the future. This must include farmers, processors and retailers.



Source: [www.agriculture.gov.ie](http://www.agriculture.gov.ie)

Number of Farms by Age of Farm Holder, 2013 - 2016				
	2013		2016	
	000s	%	000s	%
35	8,200	5.9%	7,400	5.4%
35-44	22,800	16.4%	21,400	15.6%
45-54	34,800	25%	32,500	23.7%
55-64	35,600	25.6%	34,700	25.3%
>65	37,700	27.1%	41,200	30%
<b>Total</b>	<b>139,100</b>	<b>100%</b>	<b>137,200</b>	<b>100%</b>

Source: [www.agriculture.gov.ie](http://www.agriculture.gov.ie)

Many farm enterprises in Ireland are heavily dependent on direct EU support and were that to be stripped away most of these farms would not survive. The Common Agricultural Policy (CAP) was introduced to guarantee farmers a price for their produce and protect from cheaper non-EU imports. The recent Mercosur trade deal between the EU and four South American countries, Brazil, Argentina, Paraguay and Uruguay is viewed by farming organisations here as a major threat

to the beef sector and a deviation from the original values of the CAP. Whilst there will certainly be some impact on our beef trade, I believe the quality of our beef and the regulations surrounding its production will largely negate the impact of lesser quality imports.

Across all farming sectors the average farm income in 2018 was just over €23k. This is a shockingly low figure but given the part / full-time nature of the sectors and the diverse activities per sector this might not be a useful

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measure. It is nonetheless a standout number and should raise some eyebrows. A deeper and more in depth analysis of farming statistics can be found at [https://www.teagasc.ie/media/website/publications/2019/NFS-2018\\_final\\_web.pdf](https://www.teagasc.ie/media/website/publications/2019/NFS-2018_final_web.pdf)

Another area of concern in agribusiness and farming life would be the age profile of our farmers. The total number of farm holders in Ireland is around 137,000 of which 32% or 45,000 are over the age of 65. This percentage is higher in western and border region areas. The total number of young farmers fell from just over 10% in 2005 to 6.1% in 2015. These numbers relate to farm holders with the farm in their name. There would however be other trained young farmers working on family farms where the holding remains in the parents' name. Nonetheless the drop in a decade is concerning as it appears the lifestyle for many doesn't present itself as a viable option.

There is one area that will have a major impact on agribusiness and farming practices in the coming decades – Environmental concerns. In Ireland the agriculture sector is directly responsible for 32% of the national greenhouse emissions. This comes in the form of methane from livestock and nitrous oxide from the use of nitrogen fertiliser and manure management. These emissions are accountable under the EU Effort Sharing Decision and are included in Ireland's target reductions for 2020 and 2030.

There are huge challenges ahead in decoupling food production from GHG emissions. Since the removal of milk supply quotas a few years ago the national dairy herd has increased, and this presents a real challenge to the achievement of the set target emissions reduction. The way we produce our food and farm the land will undoubtedly change and adapt over the coming years. The farm holders and associated food businesses will play their part in all of this which needs to be assisted by sensible support schemes from national and EU government levels.



Despite all of these challenges, the future I believe is largely positive. The agribusiness sector is extremely important to Ireland's economy and with careful management and a positive outlook it will continue to be. The agri-food sector exports over €15 billion annually, almost 10% of Ireland's total exports and employs over 10% of Ireland's workforce in inputs, processing and marketing. In terms of food we are largely self-sufficient which allows us to export 90% of our produce globally to places where supplies are uncertain.

I have worked in the agribusiness sector all my working career and have seen many changes and challenges, from the introduction of milk quotas, CAP reform, severe weather events, foot and mouth disease and now Brexit. We have come through all of this largely unscathed and with an enhanced reputation globally in the food produce sector. What makes this business tick are the people and most especially the farm holders.

I am of that community, having been born into one of those very small farm holdings in the west of Ireland in the early 1960's.

We had a household of 10 people – my grandparents, parents, 5 siblings and me. We were never cold or hungry. The farm, 35 acres, was run like a business and the timing of produce and incomes was orchestrated to ensure throughout the year we were always sufficiently catered for. No need for intricate budgets or future forecasts, the business knew instinctively the skills of survival and those skills are alive and well in the farming community of today and will survive and thrive into the future.



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