

Agricultural Industry Update

July 2014

Favourable climatic conditions over the past few months have improved physical performance across the grass-based sectors in Northern Ireland with excellent grass growth helping livestock production and replenishing stocks of silage and hay with reasonable harvesting conditions on many farms.

The general outlook for agriculture is positive with many sectors enjoying improved commodity prices which are expected to remain at similar or improved levels in the short term.

The important role of the industry in the wider economic recovery is increasingly recognised by Government at a local, national and European level.

There is an increasing global demand for food - due to population growth, greater urbanisation and changing diets in the developing world - which is expected to increase by 50% before 2030.

The past few years have also seen considerable volatility in both farm input and output prices. It is always difficult to differentiate whether this is due to wider economy or agricultural market imbalances or the role of speculators unduly influencing some commodities.

However international events, often far beyond these shores, can quickly change the fortunes of farming with recent unrest in the Ukraine and Middle East likely to increase economic uncertainty not least in terms of grain and oil prices.

Local farmers benefitted from a favourable Single Farm Payment in 2013 with a Euro : Sterling exchange rate of £0.83605, which was just 8% below the record exchange rate used in 2009. A strengthening pound against the Euro could reduce the value of Northern Ireland's SFP in 2014 and of course impact on the competitiveness of our exports.

The recent announcement by DARD on implementation of CAP Reform here has provided some clarity for farmers and landowners with a transition period of seven years particularly welcomed. These decisions will inevitably result in individual winners and losers but at least knowing the direction of travel allows industry and farmers to adapt as required to changing Single Farm Payments from 2015 onwards

In the longer term future support payments will remain important to farm incomes in Northern Ireland with CAP reform having the potential to improve farm structure in NI which could help address some of the significant succession issues which undoubtedly exist.

The number of farms in NI continues to decline with official figures now indicating 24,285 farms here - with the number of farms having fallen by 1.5% annually over the past decade.

The number of farms here has fallen by one third in the past 25 years from around 40,000 farms however average farm size has increased from 72 acres to just over 100 acres during the same period.

Dairying remains the most important agricultural sector locally accounting for 30% of the industry's Gross Output and 30% Gross Margin. Expectations are that this status will continue with some indications of beef farmers converting to dairying in light of recent improved returns in the sector.

Whilst the EU Milk Quota regime remains in place until 2015 current UK production v milk quota is favourable with only limited evidence nationally of dairy farmers expanding cow numbers and production significantly post quotas.

The price of farmland in Northern Ireland remains firm with good land continuing to sell well despite a reduction in the number of lifestyle buyers in the market place.

Agricultural land continues to be in good demand throughout the United Kingdom and Ireland with buyers outnumbering sellers in some countries. Land prices have increased nationally in recent years and continued to rise during 2013 thanks to renewed interest from private investors and agricultural funds. However uncertainty, particularly around CAP Reform and Scottish independence, has seen the number of farms coming on the market remain low.

Most analysts suggest that agricultural land prices will remain firm, or increase, as world population growth predictions, coupled with concerns over food security and climate change and the impact of the food v energy debate, continue.

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