

FAPRI Ireland CAP Health Check: Farm Level Implications of Quota Expansion

Press Conference

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Overview of Presentation

1. **Outline current state of farming in 2006**
2. **Outlook for dairy farms**
3. **Who benefits from quota expansion?**

Review of Farming in 2006

1. **Economic viability**

- Is the business providing a return to labour and non-land capital?

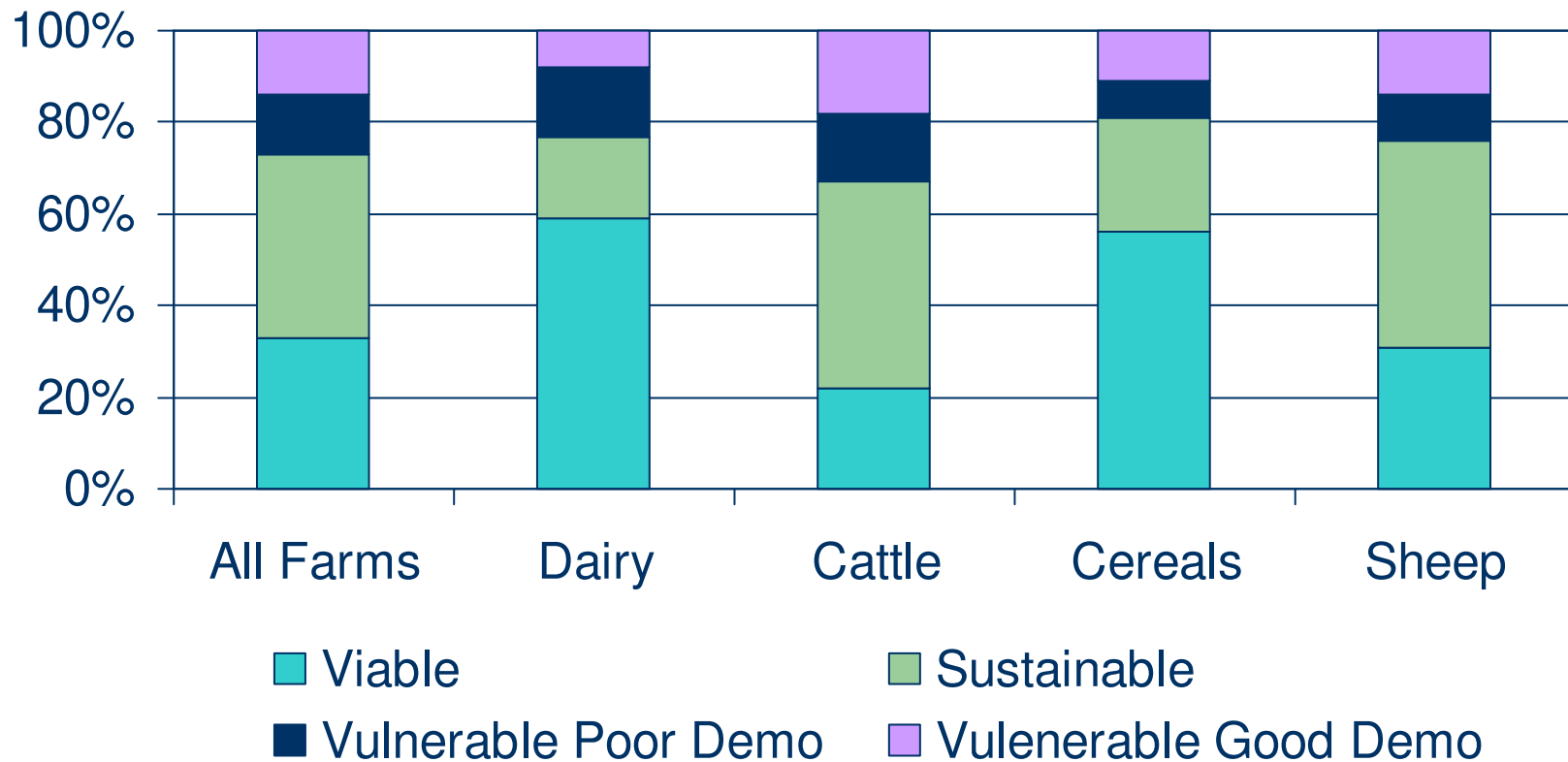
2. **Sustainability**

- If the business is not viable is there another source of income in the household?

3. **Vulnerability**

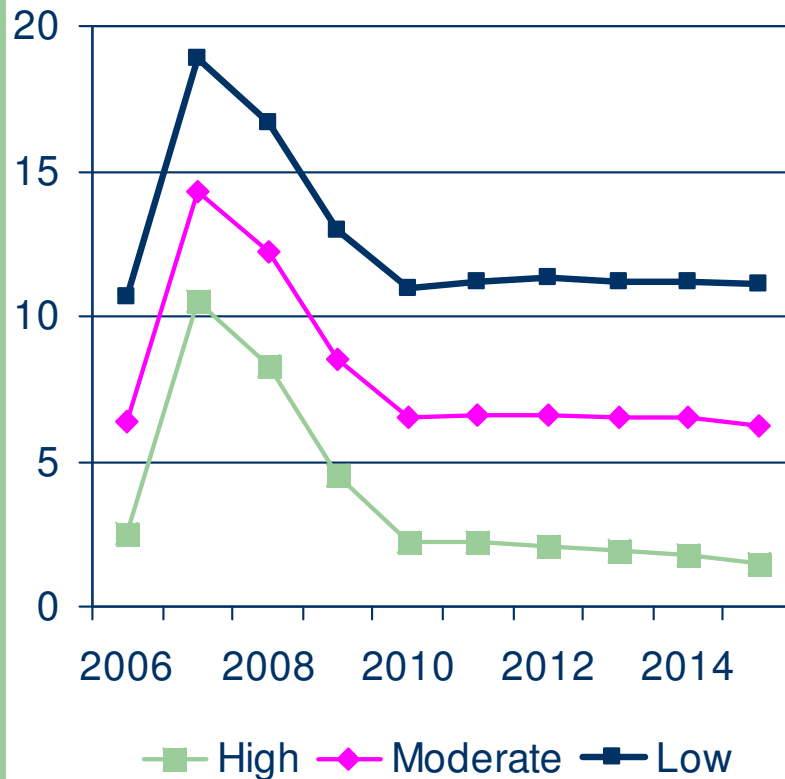
- When businesses are not viable and there is no other income

Review of Farming in 2006



Dairy Farm Outlook: No Policy Change

Net Margin Cent Per Litre



- Production costs differ by 10 cent per litre
- Short-term outlook positive
- Longer-term: moderate & low cost farms maintain 2006 income levels
- High cost farms worse off
- Expansion necessary

Dairy Farm Outlook: No Policy Change

- Under no policy change dairy farm numbers decline
 - High cost farmers feel price cost squeeze
 - Only about half of retiring farmers are replaced
- Farm Numbers are projected to decline from 22,300 in 2006 to about 14,500 in 2014
- Incomes increase – proportion of viable businesses increases from 60% to 75%

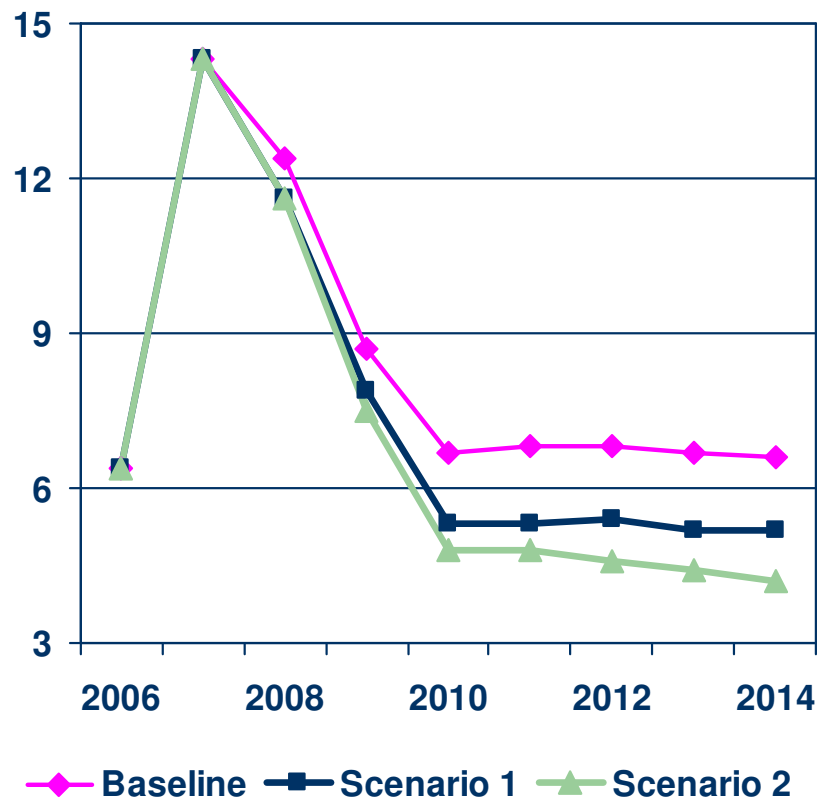
Who Benefits from Quota Expansion?

- **2 Scenarios**

1. Scenario 1 – 3% increase in 2008
2. Scenario 2 – 3% increase each year from 2008 to 2014

Who Benefits from Quota Expansion?

Net Margin Cent Per Litre

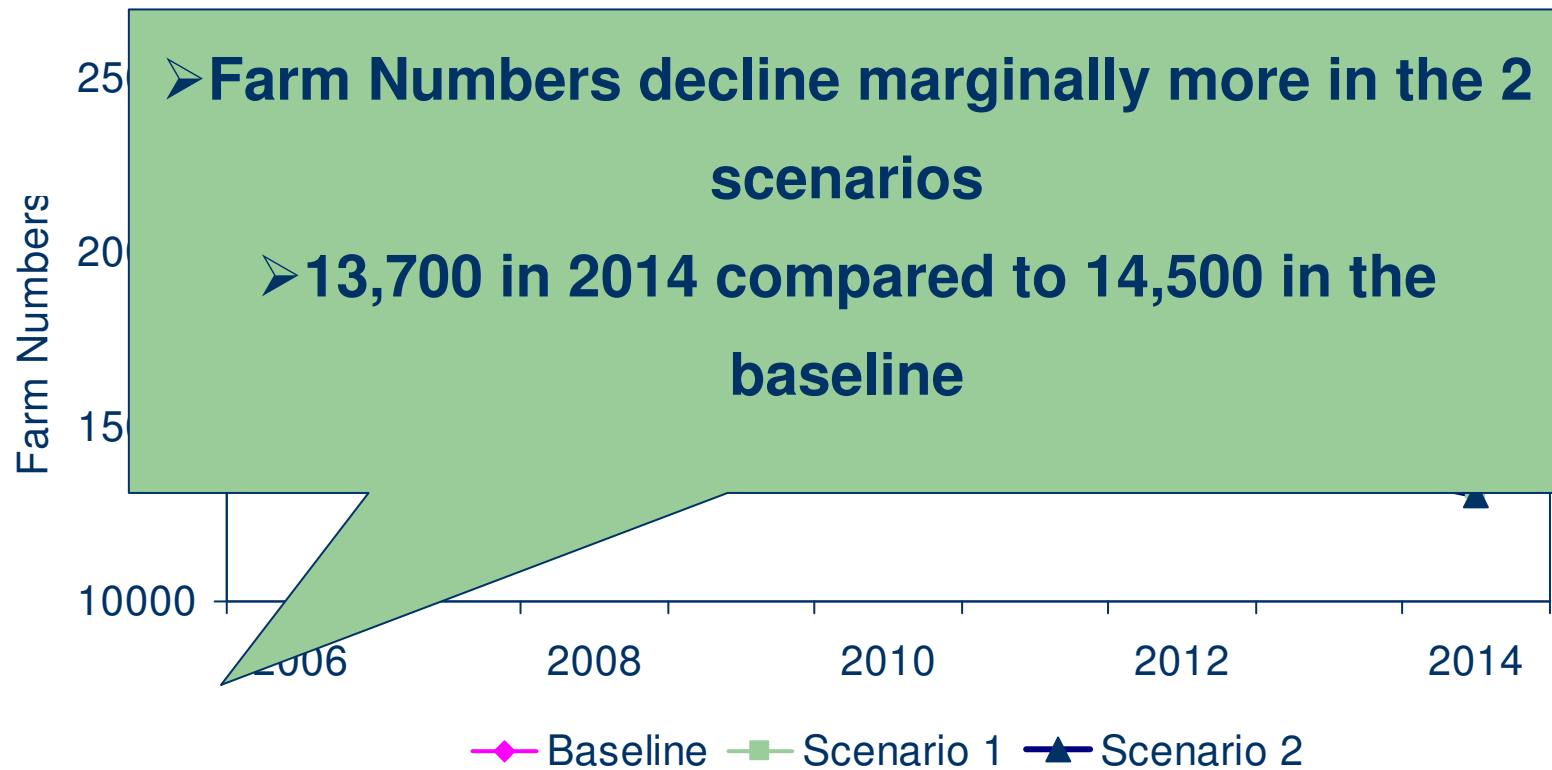


- Profit per litre is lower in scenarios than baseline
- Must increase production to offset milk price fall
- 3% increase Scenario 1 not sufficient
- Results for Scenario 2 more positive

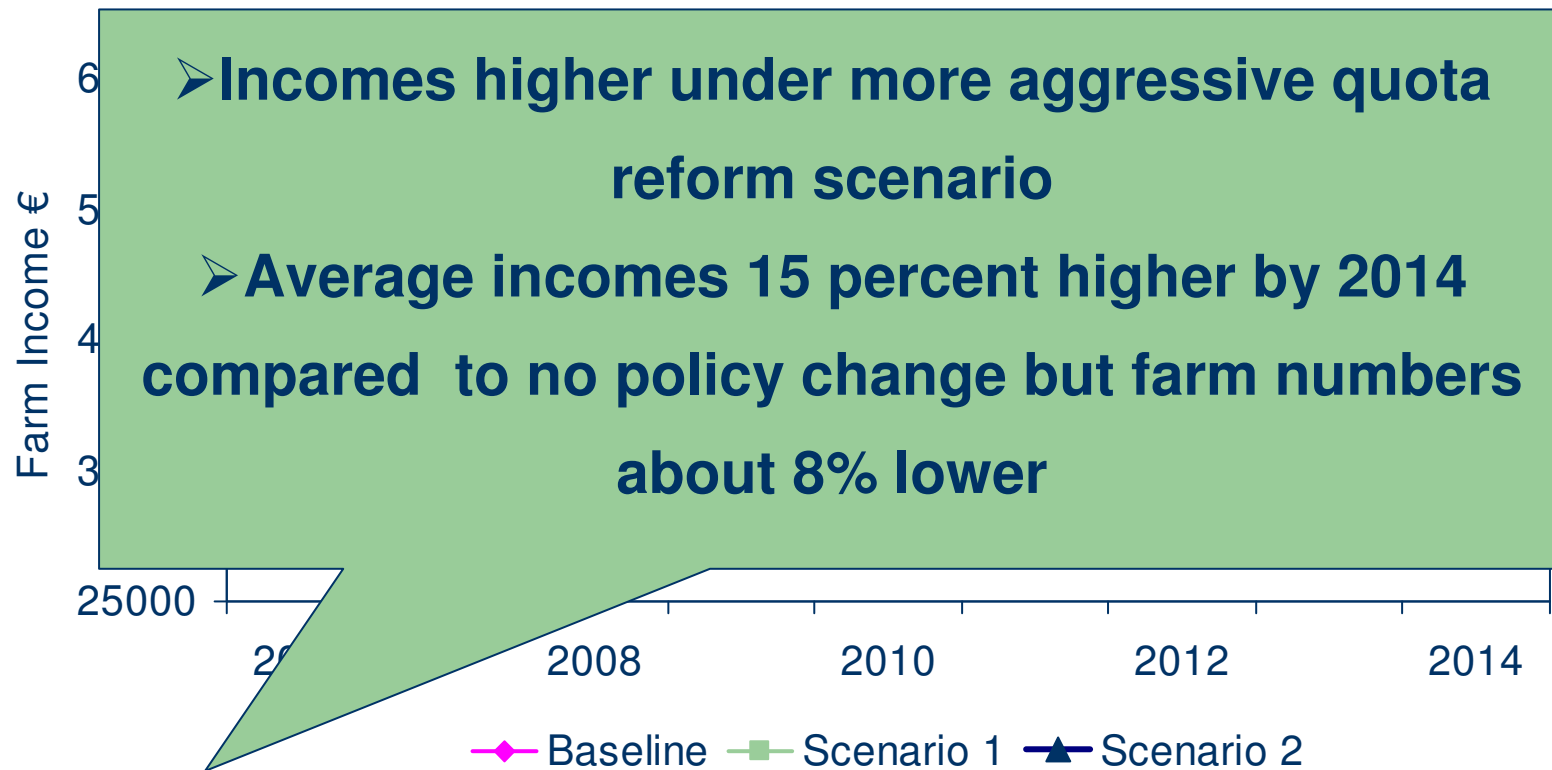
Who Benefits from Quota Expansion?

- Farmers are worse off under Scenario 1
- Winners and losers under Scenario 2
 - depends on availability and cost of quota
- Farmers in regions with lower quota exchange prices and plentiful supplies of quota are better off without quota expansion
- On average farmers better off under Scenario 2

Implications for Farm Numbers



Implications for Farm Profit



Take Home Messages

- Small increase in milk quota not worth it given the effect on price
- Ireland better off with larger increases
- May not suit all farmers – those with access to “cheap” quota through exchange
- Offers gradual pathway to quota abolition and gradual expansion

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**Full Report available from
www.tnet.teagasc.ie/fapri**