



## The increased cost of doing business for farmers

The past five years have seen very significant levels of volatility in farm incomes. The outbreak of Covid-19 and the associated impact on supply chains had a massively disruptive impact on trade and, as a consequence, the price of both agricultural inputs and outputs.

The Russian invasion of Ukraine in 2022 further exacerbated input prices. It had a major impact on both fertiliser and energy prices, both of which have a very significant influence on agricultural input prices.

Regulatory changes have also played a significant role in income volatility. Changes to nitrates stocking regulations have forced livestock farmers (predominantly dairy) to either acquire more land or reduce output. This directly impacted income/costs on these farms, but indirectly impacted other farmers by increasing overall land rental prices.

Over the last two years, we have seen overall farm costs remain high, but turnover levels dropping, leaving farmers in a price/cost squeeze. The result has been a very large drop in farm incomes across all sectors.

**Table 1: % change in family farm income and total farm costs 2017-2023**

Sector	% change in income	% change in costs
Cattle other	-9%	55%
Suckler	-31%	46%
Sheep	-28%	37%
Tillage	-41%	106%
Dairy	-45%	86%
<b>All</b>	<b>-34%</b>	<b>73%</b>

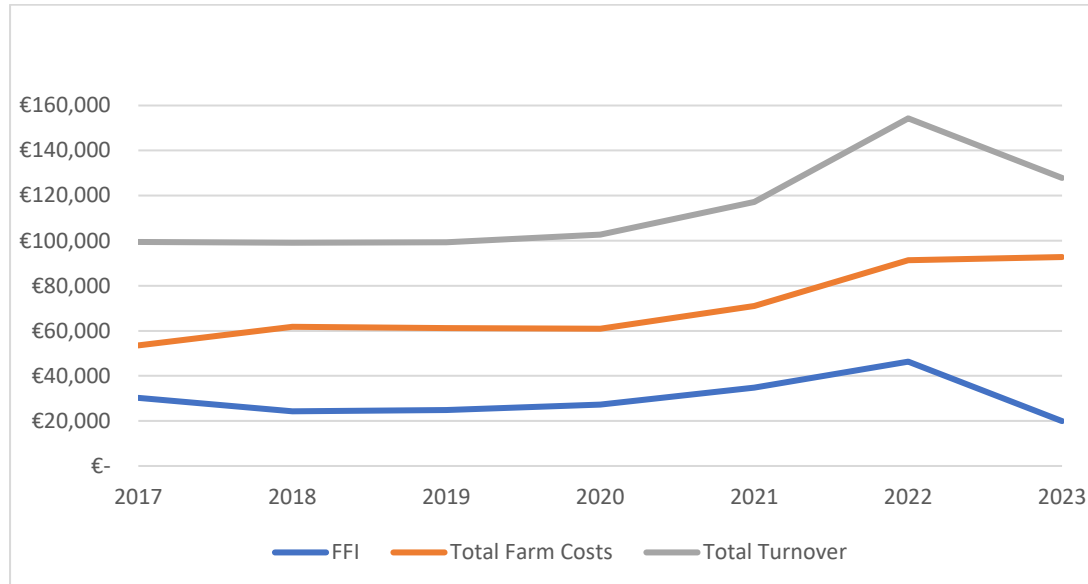
Source: Teagasc National Survey various years

As the above table illustrates, there has been a massive increase in total farm costs over the past seven years which has led to a significant erosion in income levels. The most impacted sectors, dairy and tillage, incurred total cost increases of 86% and 106% respectively.

The drystock sectors have seen somewhat lower levels of increase; however, it should be noted that income levels were at low levels to begin with in these sectors. Any drop in incomes in these sectors further erodes their viability.

While costs have increased, turnover or total revenue has not kept pace which is one of the core reasons for the decline in income. As outlined earlier, reduced output price is not the only reason for the reduction in turnover. Increasing regulatory requirements, which is reducing farmer productivity, is also leading to lower turnover.

**Figure 1: Family farm income, turnover and total farm costs trends – 2017 to 2023**



Source: Teagasc National Survey various years

### Cost increase by sector

When analysing the overall growth in total farm costs on a per sector basis it shows that the largest cost category increases were not common across the sectors. Feed, fertiliser and machinery hire (agri contractor) featured in most sectors while fodder costs, interest and land rental also featured. In the case of the low-income sectors, fertiliser cost increase was lessened by lower use – which will likely have an impact on income also in the form of lower grass growth which in turn may lead to increased meal use or fodder purchase.

**Table 3: % change in selected cost categories per farm sector 2017-2023**

Dairy		Tillage		Sheep	
Category	% change	Category	% change	Category	% change
Feed	104%	Fertiliser	171%	Feed	33%
Fertiliser	94%	Seed	124%	Machinery hire	58%
Machinery Hire	84%	Machinery Hire	106%	Fertiliser	29%

Suckler		Cattle other	
Category	% change	Category	% change
Machinery Hire	68%	Feed	77%
Fodder	85%	Fertiliser	61%
Interest	90%	Land rental	49%

Source: Teagasc National Survey various years



## Irish and EU food price trends

As outlined earlier, farmers have incurred massive increases in their overall cost base over the past seven years, but they have struggled to get any significant increased return from the marketplace to cover the cost increase. While sustainability has become the overarching focus across the wider agri-food sector, the economic sustainability of farmers seems to have been lost in this conversation.

**Table 2: % change in Irish food, electricity prices and general inflation**

Period	Food	Electricity	CPI
5 years (July 2019 - Jan 2024)	18.0%	20.1%	58.6%
10 years (July 2014 - July 2024)	8.8%	21.8%	68.9%
20 years (July 2004 - July 2024)	10.9%	41.2%	186.1%
18 years (July 2004 - July 2022)	0.2%	30.5%	173.2%
2 years (July 2022 - July 2024)	10.6%	8.2%	4.7%

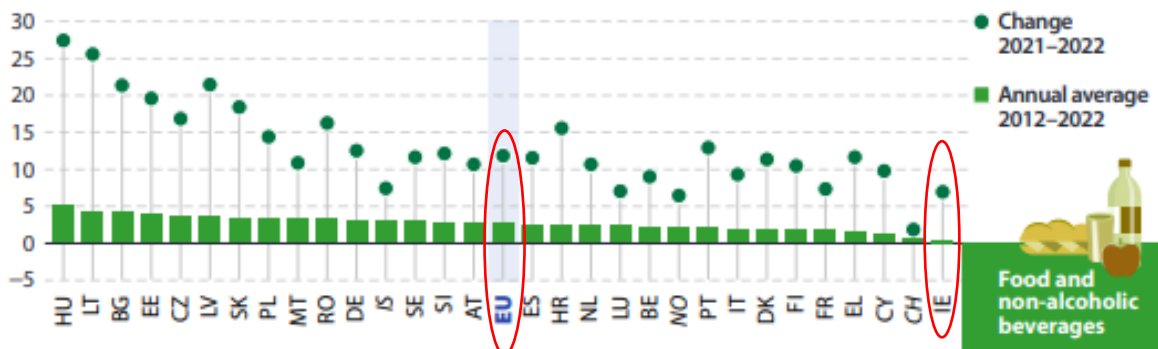
**Source:** CSO

The above table shows the movement in food prices over the past 20 years compared with electricity prices and the consumer price index (CPI). Over the last 20 years, food prices have increase by approximately one quarter of the rate of overall inflation and at a rate 18 times less than electricity. It also shows that it is only in the last two years that we have seen any significant level of food price inflation with prices more or less static for the 18 years prior to this.

In a European context, Ireland is an outlier in this regard with food price inflation much more prevalent in other EU countries. In fact, Ireland had the lowest level of food price increase in the EU over the 2012-2022 period as the below graph illustrates.

**Figure 3: Long-term and recent changes in EU food and non-alcoholic beverages prices**

(%, 2012–2022 and 2021–2022)



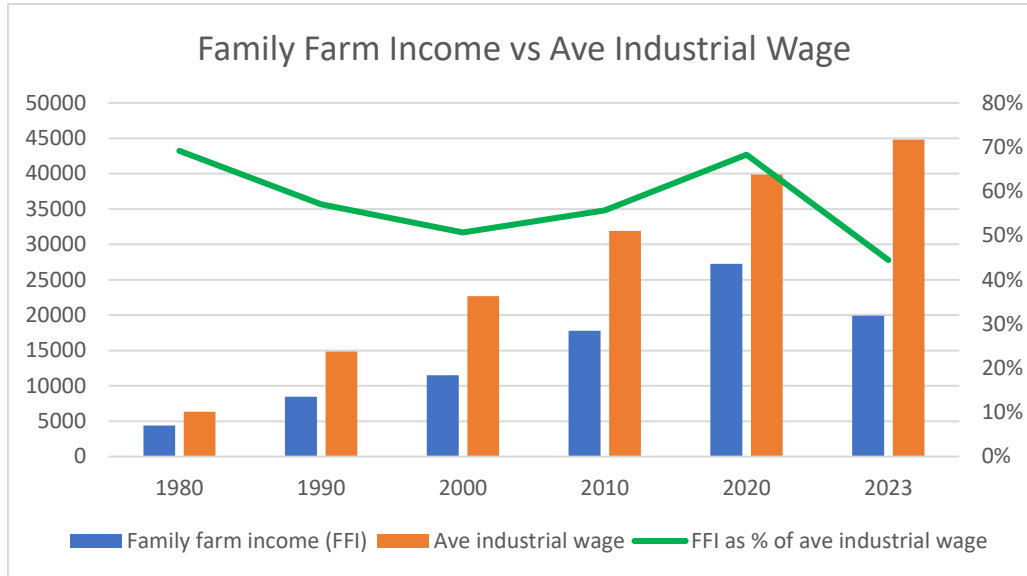
Source: Eurostat

This clearly points to a broken food value chain in Ireland. It is little coincidence that the farming sectors who are most dependent on the Irish domestic market, e.g. horticulture and liquid milk, have seen farmers in these sectors exiting at an alarming rate in recent years.

## Comparison of family farm income and average industrial wage

An often-used measure in the Irish economy in terms of income is the average industrial wage. Comparing it with family farm income gives a useful method of gauging how it has performed in relative terms over the past number of years.

**Figure 4: Family farm income compared with average industrial wage**

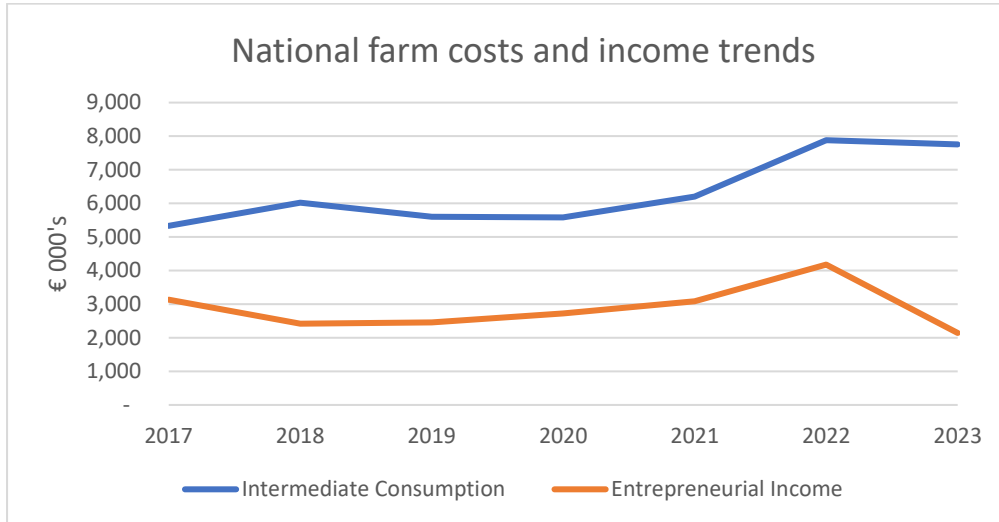


The above table compares family farm income with the average industrial wage at the beginning of each decade since 1980 along with last year. In 1980, family farm income was 69% of the average industrial wage. This comparative figure in 2023 is just 44%. Added to this, farmers also have to make any capital repayments for farm loans from their family farm income which is not the case for those on the average industrial wage.

## Cost to the economy

The massive cost increase and associated income loss has a significant wider economic impact. Using Central Statistics Office (CSO) data we can establish the overall impact the cost increases have had. The following graph shows the cost and income trend at a macro level over the 2017-2023 period.

**Figure 5: National macro farm costs and income trends**



The macro-economic figures show a similar trend to those from the Teagasc National Farm Survey. Over the last six years the total expenditure on agricultural inputs (intermediate consumption) has increased by a staggering €2.4bn to a total of €7.75bn. In the same period, overall entrepreneurial income fell by almost €1bn. Entrepreneurial income for agriculture is now at levels not seen since 2014.

### **What needs to be done**

The collapse in farm incomes over the past 12 months is alarming. The drop has been seen across all sectors, with suckler farming incomes now at the lowest level on record. As this analysis shows, the combination of substantially higher costs and an ever-increasing rise in the regulatory burden on farmers are the main reasons behind this farm income reduction. The following actions are critical to address the issues highlighted in this report:

### **Farm income impact analysis**

Any regulatory changes imposed on farmers either National or European policy changes must have a prior income impact assessment completed. The EU failed to complete any impact analysis of the Green Deal proposals with the United States Department of Agriculture (USDA) completing one in its absence. Similarly, no impact analysis of changes to nitrates regulations was completed by the Department of Agriculture.

## **Stable regulatory environment**

Regulations relating to farming have been in a constant state of flux over the past five years in particular. This is creating huge uncertainty amongst farmer making medium-term planning very difficult which is having a knock-on impact of farm efficiencies. A period of stability is now required with a pause to any further regulatory changes badly needed.

## **Additional support for vulnerable sectors**

Given the crisis in farm incomes, particularly among the vulnerable sectors, it is critical that the Irish Government step up their support to the vulnerable sectors in Budget 2025 to ensure the survival of these sectors.

It is also critical that any support schemes provided to small businesses do not exclude farmers. The most recent The Increased Cost of Business (ICOB) scheme announced as part of Budget 2024 effectively excluded farmers by its design. This is patently unfair as farm businesses are suffering from the same increased costs as small businesses in other sectors of the Irish Economy.

## **Benchmarking of farm incomes to industrial wage**

Farm incomes should be benchmarked to the average industrial wage on an ongoing basis. This would allow a proper comparative analysis of the performance of farm incomes compared with average wages in the wider Irish Economy.