

National Farm Survey 2006

By

L.Connolly, A.Kinsella, G.Quinlan, B. Moran

Teagasc

Farm Surveys Department

Rural Economy Research Centre

Athenry

Co. Galway

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INTRODUCTION

The objectives of the National Farm Survey (NFS) are to:

- a) determine the financial situation on Irish farms by measuring the level of gross output, costs, income, investment and indebtedness across the spectrum of farming systems and sizes,
- b) to provide data on Irish farm output, costs and incomes to the EU Commission in Brussels (FADN),
- c) measure the current levels of, and variation in, farm performance for use as standards for farm management purposes, and
- d) provide a database for economic and rural development research and policy analysis.

To achieve these objectives, a farm accounts book is recorded for each year on a random sample of farms, selected by the CSO, throughout the country.

The National Farm Survey is designed to collect and analyse information relating to farming activities as its primary objective. Information and data relating to other activities by the household are considered secondary and as such where this information is presented it should be interpreted with caution.

For 2006 there are 1159 farms included in the analysis, representing 113,100 farms nationally. The population is based on the CSO 2005 Farm Structures Survey with farm typology based on the 2002 Standard Gross Margins (SGM). Additional details on the 2006 estimated farm population distribution and the sample numbers and their representation by size and system are contained in Appendix B.

Farms falling into the Pigs/Poultry System are not included in the sample, due to the inability to obtain a representative sample of this system.

SUMMARY

- For 2006, average Family Farm Income (FFI) was €16,680, a decline of 25.7% on 2005 (€22,459). Gross output on farms declined by 11%, whilst both direct costs and overhead costs each declined by 2% and 0.3% respectively, resulting in a decline of 1.2% in total costs.
- When the decline of 25.7% in 2006 is combined with the increase of 44.4% in 2005, the net effect is that farm incomes have increased by 7.2% from 2004 to 2006.
- The predominant reason for the decline of €5,779 in 2006 farm income was a reduction of €4,755 in direct payments. Direct payments returned to their “normal” level in 2006, following a once-off boost in 2005 due to changeover to a decoupled system.
- Average farm income from the market place, excluding direct payments, was only €334 per farm in 2006 (only 2% of FFI) compared to €1,360 in 2005.
- On Full-time farms average FFI was €34,486 compared to €40,483 in 2005, a decline of 15%. The average FFI for Part-time farms was €7,899 (€11,372 in 2005), a decline of 31%.
- Total direct payments/subsidies per farm declined by 23% from 2005 and 2006, as the impact of the changeover to a decoupled system came into effect. Despite this decline, as a percentage of FFI direct payments/subsidies actually increased in 2006 to 98% of FFI (94% in 2005).
- Average FFI varied across farming systems ranging from €8,291 on the Cattle Rearing System to €36,221 on the Specialist Dairying System. The average FFI for the Mainly Tillage System and Mainly Sheep System were €28,536 and €11,902 respectively.
- Approximately 37% of all farms had an income from farming of less than €6,500. On an estimated 54% of these farms, the farmer held an off-farm job. For this latter group, 94% of farms, the farmer and/or spouse had other income from off-farm employment, pension or social assistance.

- 12% of farms had an FFI exceeding €40,000 per farm (18% in 2005), with 9% having FFI between €25,000 and €40,000, also lower than that of 2005 (12%).
- Incomes on Specialist Dairy farms declined by 9% in 2006 to €36,221 (€39,800 in 2005) per farm, due mainly to an increase in direct and overhead costs of 8% and 6% respectively.
- Both the cattle systems showed substantial declines in FFI, 35% in the Cattle Rearing System (€8,291 in 2006 from €12,729 in 2005) and 38% in the Cattle/Other System (to €11,292 in 2006). This decline was mainly due to a decrease in direct payments, 25% and 33% respectively in the Cattle Rearing System and Cattle/Other System.
- Average FFI on Sheep farms declined by 25% in 2006 to €11,902 per farm (€15,935 in 2005) due mainly to a decline of 19% in direct payments. Gross output on Sheep system declined by 15%, to €31,645 in 2006.
- Average FFI in the Tillage System declined by 5% to €28,536 per farm. This was the smallest decline in income across all systems, with direct payment declining by 18%. Direct and overhead costs declined on tillage farms in 2006, which was also the case for 2005 year.
- Average net new investment was estimated at €5,989 per farm in 2006, an increase of 1% on 2005. This was equivalent to 36% of average FFI in 2006 (26% in 2005).
- On 58% of all farms the farmer and/or spouse had an off-farm job compared to 55% in 2005. On 42% of farms the job was held by the farmer. Overall, on 82% of farms the farmer and/or spouse had some source of off-farm income be it from employment, pension or social assistance.

RESULTS

Overview of 2006

Farm incomes declined to their traditional levels in 2006 following a once off boost in 2005 due to increased direct payments arising from the changeover to the Single Farm Payment (SFP) system. Family Farm Income (FFI) decreased from €22,459 per farm in 2005 to €16,680 in 2006 – a decrease of 25.7%. Gross output per farm declined by 11% with direct and overhead costs each declining by 2% and 0.3% respectively in 2006, resulting in a decline of 1.2% in total costs. When the decline of 25.7% in 2006 is combined with the increase of 44.4% in 2005, the net effect is that farm incomes have increased by 7.2% from 2004 to 2006.

The decline in FFI ranged from 5% on the Mainly Tillage System to 38% on the Cattle Rearing System with a decline of 35% and 25% respectively on the Dairying/Other and Cattle/Other Systems. Income on Specialist Dairy farms fell by 9% in 2006. The main reason for the large decline was the reduction in direct payments in 2006, as 2005 was an unusual year, when farmers nationally received a once-off increase in direct payments due to change over to the Single Farm Payment system. Nationally average direct payments declined from €21,101 in 2005 to €16,346 per farm in 2006, a decline of €4,755 per farm or 22.5% in direct payments. The largest decline in direct payments occurred on the Cattle Other System, a decline of €7,650 or 33%, followed by a decline of €6,557 and €4,418 on Dairying and Other and Cattle Rearing systems respectively. In 2006 direct payments contributed 98% of FFI - the highest recorded since the National Farm Survey commenced i.e only 2% of FFI from the marketplace.

Net new investment accounted for €5,989 per farm – an increase of 1% on 2005 and accounted for 36% of FFI. The incidence of off-farm employment of holder and/or spouse increased from 55% in 2005 to 58% in 2006, with the holder having an off-farm job on 42% of all farm nationally.

Trends in Farm Income

In the Teagasc National Farm Survey (NFS), the principal measure of the income which arises from the year's farming activities, is **Family Farm Income per Farm (FFI)**. This is calculated by deducting all the farm costs (direct and overhead) from the value of farm gross output as defined in the Glossary of Terms. FFI represents the financial reward to all members of the family, who work on the farm, for their labour, management and investment. It does not include income from non-farming sources and thus may not be equated to household income.

However where it does represent all the income of the farm family, it is expected to provide for that family's living expenses as well as being a source of future investment in the farm business.

Since the mid-1970's, the NFS measures farm incomes across the main farming systems and size categories. The exception to this is pigs and poultry, which are excluded from the sample. Also since 1995 very small farms (under 2 European Size Units (ESUs) – see Glossary of Terms) are excluded from the survey. These exclusions result in the NFS survey representing 113,100 farms in 2006 compared to overall farm numbers nationally of 131,400 (latest figure available for 2005, CSO). Refer to Appendix B for additional details on population distribution and representation of the sample.

Table 1 shows average Family Farm Income (FFI) per farm in current and real terms over the period 1995 to 2006. The base year 1995 was chosen as this was the commencement of the existing sample of farms having a minimum of 2 ESUs.

Table 1: Family Farm Income (FFI) per farm 1995-2006

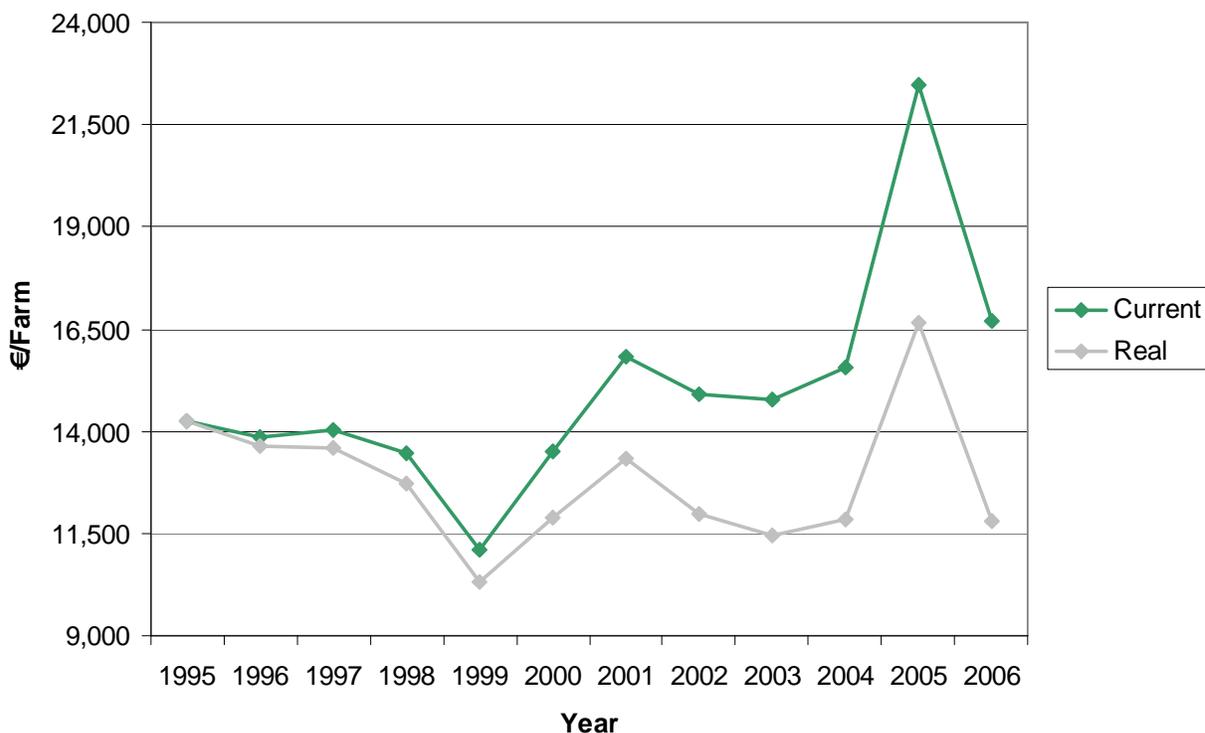
	FFI (Current) €/farm	FFI (Real 1995 = 100) €/farm
1995	14,236	14,236
1996	13,866	13,634
1997	14,042	13,607
1998	13,442	12,717
1999	11,088	10,324
2000	13,499	11,903
2001	15,840	13,322
2002	14,917	11,991
2003	14,765	11,467
2004	15,557	11,822
2005	22,459	16,651
2006	16,680	11,789

Source: National Farm Survey, Teagasc (current)

The data shows farm income in 2006 was 17% above that for 1995 in current terms and when inflation (CPI) is taken into account that FFI has actually declined from €14,236 in 1995 to €11,789 in 2006, a decrease of 17% in real terms. The trend in FFI in current and real terms

is shown in Fig 1. The main reason for the increase shown from 2004 to 2005 years is the once-off carryover of arrears of direct payments from 2004. However this increase was reversed in 2006 as shown in Fig. 1.

Figure 1: Family Farm Income per Farm (€) 1995- 2006



Average Family Farm Income

Income discussed so far relates to average farm income and it is important to point out that the average national FFI figure conceals the wide range of variation that exists across the different farm systems and sizes. The data in Table 2 summarises the average levels of Family Farm Income per farm which were achieved in 2006 across the range of farming systems and size groups. When evaluated in conjunction with the main tables at the end of this report (Appendix A) the following conclusions can be drawn.

- As expected, there is a positive relationship between farm size and FFI. In many instances, particularly in the intermediate size groups, income per hectare also increases with farm size. In these circumstances, smaller farms cannot compensate for their lack of scale and hence, with the exception of the Specialist Dairy system, extremely low incomes result in the less than 20 hectare group.

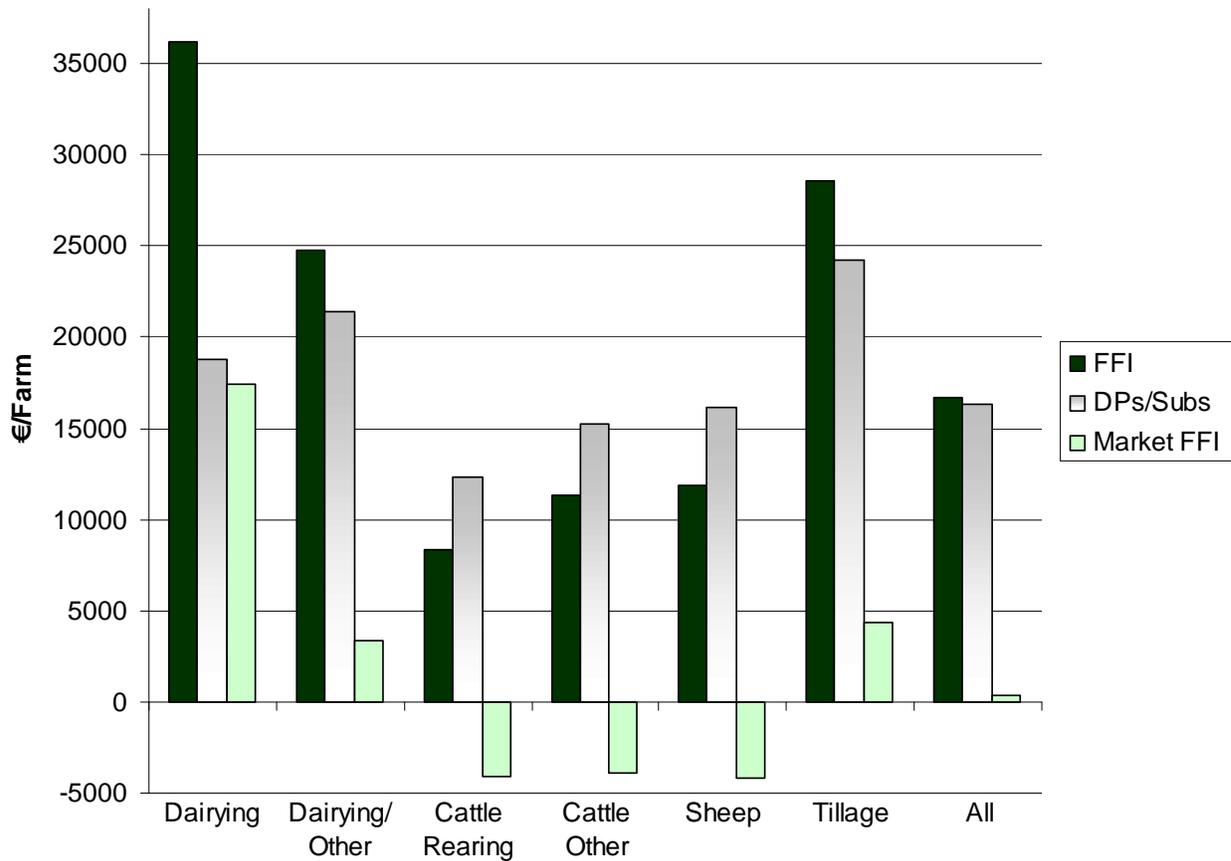
- Similar to previous years results, the average FFI on the Dairy and Tillage systems are far higher than those on the drystock based systems. Average farm income on the larger Cattle Rearing and Cattle Other Systems was €49,699 and €44,592 respectively per farm, compared to €81,573 on the largest Specialist Dairying System.
- The average FFI for many sub-groups, especially in the Cattle and Sheep systems is below the average agricultural wage rate of €16,177 for 2006, so that those farm families do not receive a full return for their labour and no return on management or investment.

Table 2: Family Farm Income by System and Farm Size (UAA) – 2006

Size (Ha)	<10	10-20	20-30	30-50	50-100	> 100	Hill Farms	All
€/Farm								
Dairying	-	11112	18294	39141	55089	81573	22157	36221
Dairying/ Other	-	-	-	17066	42026	65598	-	24774
Cattle Rearing	-	4915	4809	13791	20436	49699	6797	8291
Cattle Other	3600	4639	7823	15815	28944	44592	10177	11292
Mainly Sheep	-	6210	11024	15307	22900	41483	11094	11902
Mainly Tillage	-	-	-	21061	40550	81322	-	28536
All	3392	5441	8837	21442	38241	63381	10942	16680

The dependency of each system on direct payments is shown by excluding direct payments from FFI, resulting in a market based FFI (Fig. 2) by farm system. It is clearly evident that market output for the drystock systems is not sufficient to cover production costs and that a major contribution of direct payments is needed to make up the shortfall. In the current decoupled situation farmers will now need to seriously examine their production systems in an effort to cut costs and at a minimum retain their Single Farm Payment.

Figure 2: FFI, Direct Payments and Market FFI by Farm System – 2006



Direct Payments and Subsidies

The impact of direct payments and subsidies on farm incomes has increased significantly in recent years, increasing from 86% in 2004 to 98% in 2006. Even though overall direct payments per farm declined from €21,101 in 2005 to €16,346 per farm in 2006, yet as a percentage of FFI, direct payments increased from 94% in 2005 to 98% in 2006. The enterprise based direct payments introduced in the 1990's have now been replaced by the Single Farm Payment scheme, and are no longer linked to enterprise production.

Direct payments/subsidies contribute a higher proportion to net income in the National Farm Survey compared to national statistics as pigs, poultry and other miscellaneous agricultural output on which direct payments are not made are excluded from the NFS results.

Figure 3: Direct Payments and Market FFI for All Farm Systems: 2004 – 06

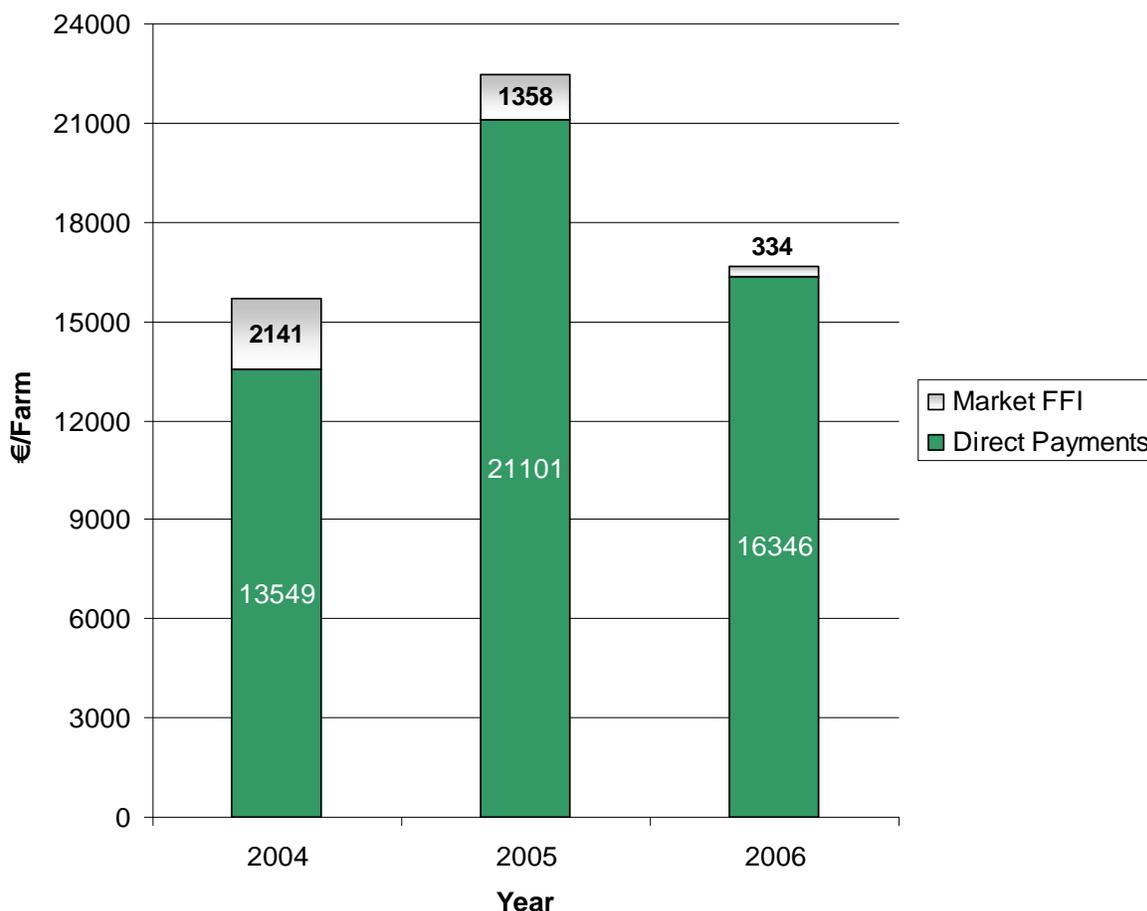


Figure 3 shows the increasing reliance on direct payments for all farms nationally between 2004 and 2006. Market FFI per farm in 2006 was only €334, or 2% of total FFI. This compares to 2005 and 2004 market FFI of 6% and 14% respectively.

A more detailed presentation of the impact and incidence and components of direct payments/subsidies can be seen in the Appendix A tables. Direct payments and subsidies shown in Table 3 include the Single Payment Scheme, REPS, DACAS and Forestry payments.

Table 3: Direct Payments/Subsidies as a Percentage of Family Farm Income– 2006

Size (Ha)	<10	10-20	20-30	30-50	50-100	> 100	Hill Farms	All Farms
%								
Dairying	-	57	57	48	50	58	77	52
Dairying + Other	-	-	-	103	73	82	-	86
Cattle Rearing	-	137	202	132	150	101	186	149
Cattle Other	120	171	161	132	116	123	154	135
Mainly Sheep	-	142	122	141	148	124	130	135
Mainly Tillage	-	-	-	90	88	72	-	85
ALL	130	135	131	91	82	85	131	98

Note: Direct payments/subsidies account for more than 100% of income whenever market based output is not sufficient to cover total costs.

The main elements as summarised in Table 3 are:

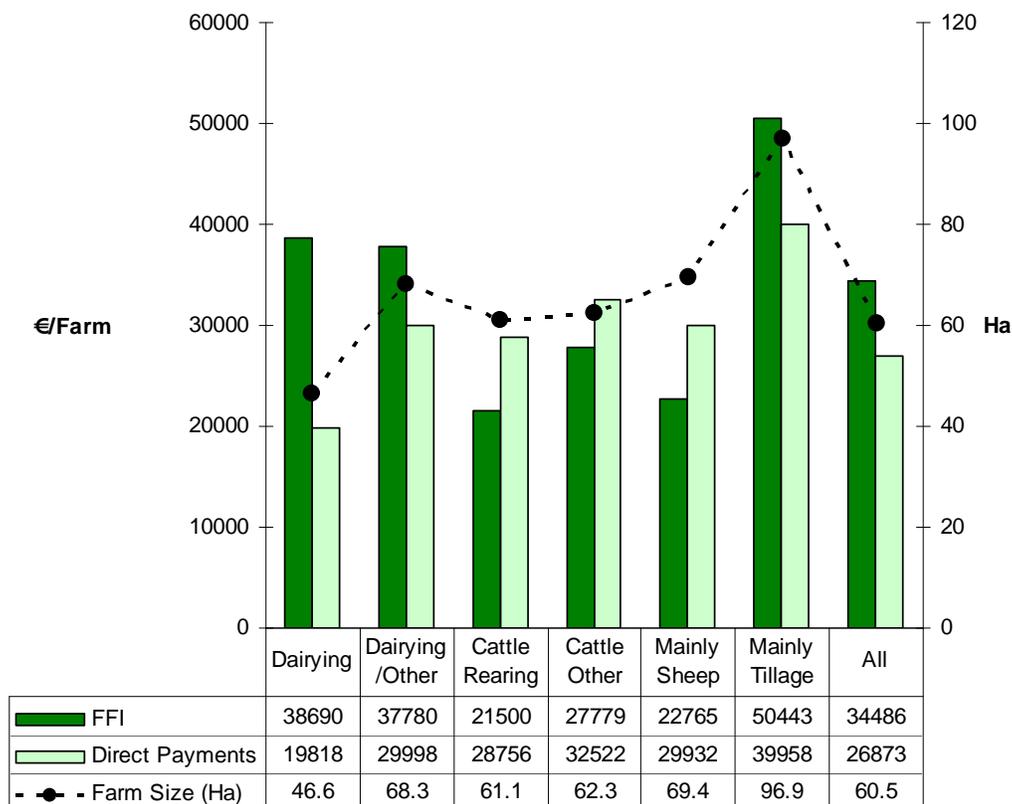
- Nationally direct payments/subsidies as a percentage of FFI was 98% in 2006 (compared to 94% in 2005).
- In the two lower size groups, direct payments as a percentage of FFI were 130% and 135% respectively. This compared to 127% and 116% respectively for 2005.
- Direct payments/subsidies accounted for 149% and 135% of average FFI in the Cattle Rearing and Cattle Other Systems respectively, rising to 202% in some sub- groups. In the Mainly Sheep System direct payments/subsidies accounted for 135% of FFI in 2006.
- The contribution of direct payments/subsidies to average FFI in the Tillage Systems was 85% in 2006 compared to 99% in 2005.

- Direct payments/subsidies contributed approximately 52% to Specialist Dairy farm incomes in 2006 – an increase from 48% in 2005. In 2006 direct payments/subsidies contributed 86% to the Dairying and Other farmers incomes, compared to 78% for the previous year. It is clear from the above data that dairy farmers are now following the drystock sector in dependence on direct payments rather than the market place for a high percentage of farm income.
- On the Tillage system dependence on direct payments actually decreased in 2006 to 85%, down from 94% in 2005.

Full-time and Part-time Farms

In the NFS, Full-time farms are defined as farms which require at least 0.75 standard labour units to operate, as calculated on a Standard Man Day basis (SMD), whilst Part-time farms require less than 0.75 labour units. Farms are therefore divided into Full-time and Part-time on the basis of the estimated labour required to operate their business as distinct from labour available which is often in excess of that required. The presence or absence of an off-farm job is not taken into consideration in the definition.

Figure 4: FFI, Direct Payments for Full-Time farms by farming system - 2006

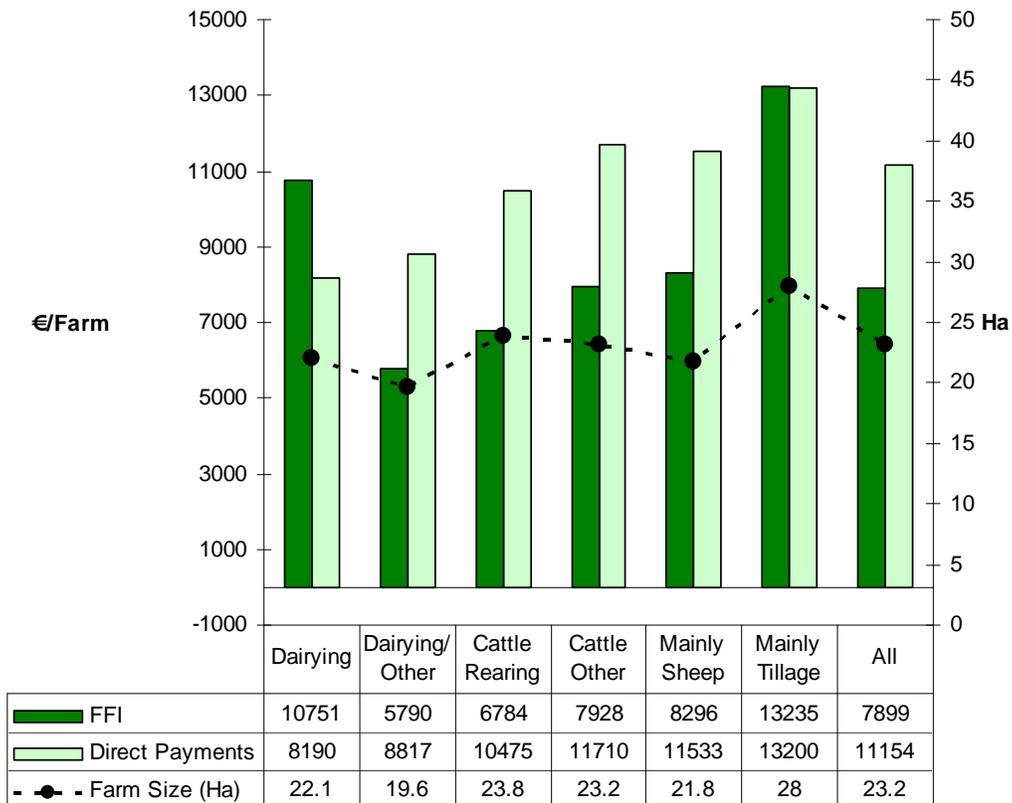


Full-time farms therefore represent the larger more commercial sector of farming and in 2006 accounted for almost 33% (or 37,200) of all farms represented. Data in Fig. 4 details FFI, direct payments and farm size for the full-time farms by farming system. Fifty six per cent of Full-time farms were in the two dairying systems, with a further 8% in the Mainly Tillage System and the remaining 36% in the drystock systems.

The average FFI on Full-time farms in 2006 was €34,486 compared to €40,485 in 2005 – a decrease of 15%. The Tillage and Dairying systems had the highest FFI per farm at €50,443 and €38,690 respectively, followed by Dairying/Other at €37,780. On 15% of Full-time farms, the farmer had an off-farm job, whilst on 41% of farms the spouse had an off-farm job. Overall on 49% of full-time farms either the spouse or holder had off-farm employment.

Details of FFI, direct payments and farm size for Part-time farms are detailed graphically in Fig. 5.

Figure 5: FFI, Direct Payments for Part-Time farms by farming system - 2006



Approximately 67% (or 75,300) of farms were part-time in 2006, with 87% in the drystock systems. The average FFI for all part-time farms was €7,899 (€11,372 in 2005) and this ranged from €13,235 on the Tillage System to €6,784 on the Cattle Rearing system. The average cash income on part-time farms was €11,214 in 2006 compared to €13,583 in 2005. Average direct payments and subsidies were €11,154 in 2006, or 141% of FFI. This compares to 128% of FFI in 2005, reflecting the general situation on drystock farms where output from the market place is insufficient to cover total production costs.

On 63% of these Part-time farms, either the farmer or spouse had off farm employment (58% in 2005). On 94% of farms there was another source of income – either from off farm job, pension or social assistance. The farmers on part-time farms were older (56 years) than those on full-time farms (52 years) and 63% were married compared to 77% on full-time farms. Refer to Table 11, Appendix A for further details on off-farm employment, output, costs and incomes for this category of farms.

Income Distribution

The variation in incomes is further reflected in the distribution of income as shown in Table 5 for 2002 to 2006 and shows that percentages in each income category have remained almost static from 2002 to 2004 but changed considerably in 2005 due to the impact of direct payment carryover from the 2004 year. For the 2006 year the percentages in each category have reverted to their more traditional pattern.

Table 5: Distribution of Family Farm Income 2002-2006 (%)

(€000)	< 6.5	6.5 – 13	13 – 20	20 – 25	25 – 40	> 40
% Farms						
2002	40	22	13	6	12	8
2003	39	22	14	6	10	9
2004	40	22	11	6	11	10
2005	24	24	15	7	12	18
2006	37	24	12	5	9	12

- For 2006, the percentage of farms with under €6,500 income increased from 24% in 2005 to 37% in 2006. This is quite similar to figure of 40% for 2004 year, with the highest percentage of farms having income in the lowest income category.

- In the lowest income group, i.e. less than €6,500 per farm, 84% of farms were in the drystock systems. For this group, on 94% of farms the farmer and/or spouse had some source of other income either from off-farm employment, pension or social assistance.
- Also in the lowest income group, on 53% of farms the farmer held an off-farm job. The farmer and/or the spouse had an off-farm job on almost 60% of farms.
- 21% of farms had an income from farming greater than €25,000 in 2005 compared to 30% in the previous year, but matching the 21% in this income category in 2004. The average farm size for this group was 68 ha compared with the overall average size of 36 ha. The holder was younger than average at 50 years (overall average 55 years) and 81% were married compared with 68% in the overall farming population. The majority of farms in this group (57%) were in dairying systems.
- For 12% of farms with an income of over €40,000, 62% were in the dairying systems and a further 24% were tillage farms, with an average farm size of 76 ha. The farmer and/or the spouse had an off-farm job on 47% of farms.

Farm Income Change Analysis

Average FFI per farm in 2006 was €16,680, a decrease of 26% on the 2005 figure of €22,459.

Table 6: Analytical Breakdown of FFI Change - 2005/06

Changes in Output and Costs		%	Changes in Enterprise Outputs		%
Gross Output	- 27.42		Dairying	- 6.77	
Direct Costs	- 1.46		Cattle	- 23.12	
Gross Margin	- 25.96		Sheep	- 1.46	
Overhead Costs	- 0.23		Other Livestock	- 0.19	
			Total Livestock	- 31.53	
			Crops	+ 0.02	
			Other Crops	+ 0.89	
			Other *	+ 3.20	
			Total Output	+ 27.42	
			Direct Costs	- 0.46	
			Overhead Costs	- 0.23	
Family Farm Income	- 25.73		Family Farm Income	- 25.73	

* includes income from land/quota let, grants and subsidies, machinery hire revenue

There are many ways of looking at the composition of this decrease but the following two approaches shown in Table 6 have been chosen:

- the changes in output and costs.
 - the changes in enterprise outputs.
- (i) The decrease of 25.73% in FFI resulted from a decline of 27.42% in gross output, a decrease of 1.46% in direct costs and 0.23% in overhead costs.
- (ii) Output from all the main farming enterprises declined in 2006 with overall livestock output declining by 31.53%, with the cattle enterprise having the largest decrease at 23.12%

Analysis by Farming System

Average FFI per farm on the Specialist Dairy farms declined by almost 9% in 2006 to €36,221. Output increased by only 1% with output from milk sales increasing by 1.1%. Direct payments for this system declined by just under 1%. Direct and overhead costs both increased by 8% and 6%, respectively.

- In the Dairy/Other System, FFI per farm declined by 31% to €24,774. This resulted from a combination of lower direct payments (23%) combined with increase in overhead costs. Market based output declined by 7%
- Income on Cattle Rearing System was €8,291 per farm in 2006, a decline of 35% on 2005 figure of €12,729. Market based gross output increased by over 4% to €12,828, whilst there was an increase of 4% and 6% respectively in direct costs and overhead costs. The decline of 25% in direct payments of €4,148 per farm in 2006 was the main reason for the reduced FFI.
- Income on the Cattle Other System declined by 38%, mainly as a result of direct payments declining by €7,650 per farm or 33%. Direct and overhead costs increased by 3% and under 1% respectively. For the 2006 year gross output declined by 17% to contribute to an overall FFI per farm of €11,292. FFI on both the Cattle Rearing System and the Cattle Other System was still only 26% and 35% respectively of the Average Industrial Wage in the 2006 year (€32,432)

- Income on the Mainly Sheep System declined from €15,935 in 2005 to €11,902 in 2006. a decline of 25%. Gross output for this system declined by 15% while market based gross output declined by 10%. There was a 19% decline in direct payments for the Sheep System, with direct costs declining by 11% and overhead costs also declining by 2%.
- Average FFI for the Mainly Tillage System declined by 5% in 2006 to €28,536 in comparison to €29,914 in 2005. The Mainly Tillage System includes farms which can have a high proportion of output from livestock, as well as from crops, as described in Appendices B and C. Direct payments declined by 18%. Both direct and overhead costs on Tillage farms declined by 6% and 2% respectively in 2006. This is the third consecutive year that both direct and overhead costs declined on Tillage farms.

Table 7: Family Farm Income per Hectare 2005/2006

	2005 €	2006 €	% Change 2005/06
Dairying	902	814	- 10
Dairying/Other	691	511	- 26
Cattle Rearing	466	300	- 36
Cattle Other	603	379	- 37
Mainly Sheep	405	353	- 13
Mainly Tillage	499	506	+ 1
All Systems	602	470	- 22

The above summary in relation to farming systems refer to changes in per farm output, costs and incomes and does not allow for year to year changes in farm size. However the effect of changes in farm size is shown in Table 7, which shows average return per hectare of land farmed across the different farming systems. Average FFI/Ha for all systems in 2006 at €470 showed a decrease of 22% on 2005 figure of €602. As in previous years dairying yielded the highest FFI/ha, followed by Tillage with Cattle Rearing System yielding the lowest returns.

Analysis of REPS Farms

An estimated 48% of farms received REPS payments in 2006. The average FFI on those farms receiving REPS at € 17,713 was 13% higher than FFI of €15,744 on non-REPS farms. Over 76% of farms which participate in REPS are in the three drystock systems, namely Cattle Rearing, Cattle Other and Mainly Sheep. Unlike previous years FFI was actually higher on REPS Specialist Dairy farms than their non-REPS counterparts, €38,546 as opposed to

€35,145. Income on Dairy and Other farms and Tillage farms was higher on the non-REPS farms. On REPS cattle farms (Cattle Rearing and Cattle Other) income was higher than on non-REPS farms with the REPS payment contributing up to 74% of the difference between FFI on REPS and Non-REPS farms in these systems. In 2006 income per farm for the Mainly Sheep system was higher on REPS farms than non-REPS farms, €15,066 as opposed to €6,647 on non-REPS, a difference of €8,419. A more detailed analysis of REPS farms will be compiled and published later in 2007.

The following tables present the key information in relation to farms participating in REPS (Table 8(a)) and those not participating in REPS (Table 8(b)).

Table 8(a): FFI, Direct Payments/Subs for REPS farms by farming system - 2006

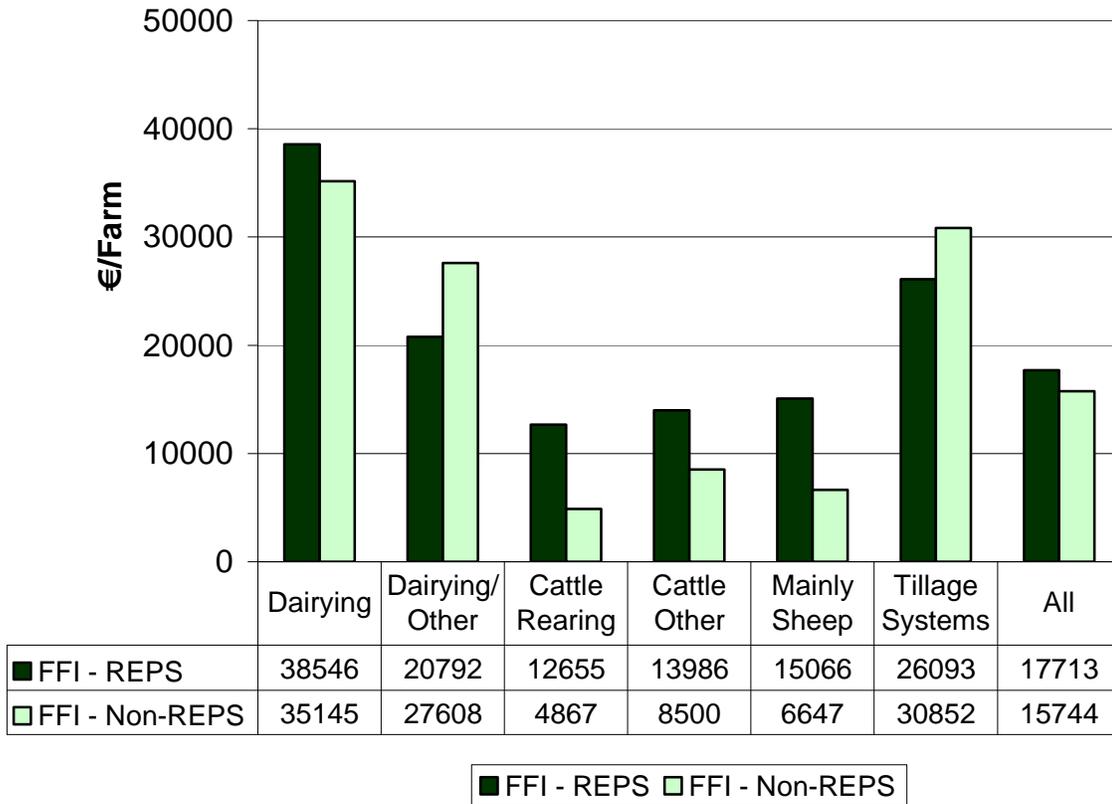
	Dairying	Dairying/ Other	Cattle Rearing	Cattle Other	Sheep	Tillage	All
€/Farm							
FFI	38546	20792	12655	13986	15066	26093	17713
Direct Payments	23561	22001	17943	19722	20516	25015	20429
REPS Contribution	6952	6162	5594	5384	6481	6866	6007
Farm Size (Ha)	44.9	41.1	32.5	32.7	37.7	46.7	36.6

Table 8(b): FFI, Direct Payments/Subs for Non-REPS farms by farming system - 2006

	Dairying	Dairying/ Other	Cattle Rearing	Cattle Other	Sheep	Tillage	All
€/Farm							
FFI	35145	27608	4867	8500	6647	30852	15744
Direct Payments	16584	20949	7957	10589	8816	23434	12642
Farm Size (Ha)	44.3	53.8	23.7	26.8	27.1	65.5	34.5

The difference in Family Farm Income between the REPS and Non-REPS farms is shown graphically in Fig. 6.

Figure 6: FFI for REPS and Non-REPS farms by farming system - 2006



Gross Output and Costs

The efficiency and competitiveness of Irish agriculture can be examined by calculating the costs of production for the main products. On a national basis 66% of gross output was absorbed by total costs in 2006. If direct payments are excluded from gross output, then costs as a percentage of the market based value of gross output in 2006 was 99%. This has increased from 96% and 94% in 2005 and 2004 respectively; highlighting the fact that costs are now absorbing almost all of the market based gross output.

In 2006 only 22% of farms were capable of keeping total costs below 50% of output, compared to 34% in 2005, whereas 41% of farms had costs which were above 70% of output. Further details are contained on Table 8(d), Appendix A. Costs as a percentage of output have been increasing since 2000. This is a worrying trend as it reflects what occurs with rising costs and static output, resulting in deteriorating incomes for the agricultural sector.

New Investment

Net new investment is defined as all capital expenditure during the year less sales of capital and grants received. It does not include land purchase. Net new investment on farms was €5,989 in 2006, virtually identical to that of 2005 (€5,939).

Table 9: Average Annual New Investment - All Farms (€/farm) - 2006

	Dairying	Dairying /Other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All
€/Farm							
Gross New Investment	13425	12128	4313	4875	4935	9925	6965
Net New Investment	11728	10352	3879	4263	4080	7747	5989
Depreciation	10163	8666	2976	3612	3070	6809	4971
% of farms on which investment was made	83%	84%	52%	52%	55%	58%	65%

(Note: net new investment is equal to gross new investment in machinery, buildings, quotas and land improvements (including forestry) minus sales and capital grants received during the year.)

- Overall net new investment increased slightly in 2006 and was equivalent to 36% of FFI (26% in 2005). Dairying farms (Dairying and Dairying/Other) contributed 44% of the total new investment, although these farms comprise only 23% of the farming population. Farms in the Mainly Tillage System contributed 9% to total net new investment, whilst comprising only 7% of the farm population.
- The drystock systems while comprising 70% of the farming population contributed 48% to farms with net new investment.
- 65% of farms made some new investment in 2006, with the majority of these farms i.e. 35% in the Dairying system. As in previous years, average FFI on these farms which had new investment in 2006, was higher across all systems than for farms where no new investment occurred. Average FFI on these farms for 2006 was €22,591. FFI income ranged from €40,600 in the Dairy System to €10,712 in the Cattle Rearing system.

Other Gainful Activity

Data on Family Farm Income, as presented in this report, are confined to the income earned from on-farm activity. However over the last decade, off-farm employment has become more prevalent, making the situation quite different from earlier decades where the main sources of

off-farm income would have been pensions and social assistance. The growth in off-farm employment continued in 2006 increasing from 55% in 2005 to 58%. This has increased from 48%, 50% and 52% in 2002, 2003 and 2004 respectively.

The incidence of off-farm employment is shown in the following Table 10, while further information is presented in Appendix A.

Table 10: Estimated Percentage of Farms with Off-Farm Job for Farmer and/or the Spouse– 2006 (%)

Size (Ha)	<10	10-20	20-30	30-50	50-100	> 100	Hill Farms	All Sizes
Dairying	-	39 (22)	55 (13)	52 (8)	50 (12)	47 (12)	48 (18)	50 (12)
Dairying/ Other	-	-	-	68 (32)	43 (13)	42 (13)	-	47 (25)
Cattle Rearing	-	59 (50)	65 (54)	66 (51)	77 (55)	73 (18)	55 (49)	64 (53)
Cattle Other	57 (57)	69 (62)	68 (60)	53 (44)	35 (11)	46 (9)	46 (35)	58 (48)
Mainly Sheep	-	78 (67)	71 (57)	52 (22)	54 (21)	55 (0)	53 (49)	63 (49)
Tillage Systems	-	-	-	36 (27)	61 (29)	50 (29)	-	56 (42)
All	60 (58)	65 (56)	66 (52)	56 (32)	51 (20)	49 (15)	50 (41)	58 (42)

*(% in brackets refer to the incidence of off-farm employment for the **farmer only**)*

In general the 2006 data reveal that, in relation to the farmer and /or the spouse:

- An off-farm job existed on 58% of farms, an increase of 3% on 2005. There was also a 3% increase between 2004 and 2005
- On 42% of farms the farmer held an off-farm job compared to 38% in 2005.
- As in previous years, the incidence of the farmer having an off-farm job is highest in the small farm size groups, while the spouse is most likely to have an off-farm job in the intermediate size groups.

- The cattle and sheep systems have the highest incidence of the farmer and/or the spouse having off-farm employment, while the dairy farms have the lowest; the same is true in relation to the farmer. However this distinction is not evident in relation to the spouse where the incidence of off-farm employment is higher for the dairying systems at 44%, with an overall mean estimate of 35% for all farming systems.
- In 2006 on 82% of farms the farmer and/or the spouse had some source of off-farm income, be it from employment, pension or social assistance.

The data in Table 11 shows estimates of the percentages of farmers with off-farm employment, the average off-farm income and the family farm income for 2006.

Table 11: Estimates of Off-Farm Employment for Farmer Only - 2006

	Sample Number	Population %	Average Off-Farm Income (1)	Average FFI (2) €	Income (1)+(2) €
Farmer has Off-Farm Job and Income Stated					
All Farms	357	41	23,100	9,800	32,900
Full-Time Farms	89	5	18,600	30,000	48,600
Part-Time Farms	268	36	23,700	7,100	30,800
Farmer has Off-Farm Job – income not stated					
All Farms	6	1	-	-	-
Farmer has no Off-Farm Job					
All Farms	796	58	-	21,500	21,500
Full-Time Farms	543	28	-	35,100	35,100
Part-Time Farms	253	30	-	8,800	8,800

Note: The estimates should be interpreted with caution because the underlying data are not always sufficiently robust. This is due to the problem of non-response and the fact that the information is received from respondents without documentary verification.

The data refer to farms where the farmer had an off-farm job and also similar data where farms had no off-farm employment. These farmers are further subdivided into full-time and part-time farms as defined in the NFS Glossary of Terms (labour units calculated on Standard Man Day (SMD) basis). These estimates should be regarded as indicative of relative levels rather than as accurate absolute levels.

In 2006 there were 357 farmers (out of total 363 with off-farm jobs) who disclosed their off-farm income of €23,100. The average farm income for these farms in 2006 was €9,800 giving a combined income of €32,900.

In 2006, 36% of the population with off-farm employment and income stated were part-time farmers with an average off-farm income of €23,700, whilst only 5% with stated off-farm incomes were full-time farms with an average off-farm income of €18,600.

An estimated 58% of farm holders had no off-farm employment. This figure has remained similar to level for 2005 (62%). Of those 28% were full-time with FFI of €35,100, whilst the remaining 30% were part-time (as defined in glossary) with a FFI of €8,800.

Table 12 gives population estimates of the incidence of the farm holder having an off-farm job broken down by FFI. On farms with FFI less than €6,500, 54% of farmers had off-farm employment compared to 14% where FFI exceeded €25,000. On farms where the FFI ranged from €6,500 to €13,000, 50% of farmers had an off-farm job.

Table 12: Incidence of Off-Farm Jobs (Farmer) by FFI – 2006

FFI	All Farms	Farmer with Off-Farm Job	Farmer with no Off-Farm Job
€	%	%	%
<6500	37	20	17
6500 – 13000	24	12	13
13000 – 25000	18	7	11
>25000	21	3	18
Total	100	42	58

**Figures may not add to 100% due to rounding*

APPENDIX A

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TABLE - 08a (2006) Farm financial results by system of farming -- All farms

System	Dairying + Other	Dairying + Other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All /Systems
No. of Farms in Sample	313	129	238	261	134	84	1159
Per Cent of Population (%)	15.0	8.2	23.7	28.1	18.4	6.6	100.0
Overall results (€)							
Gross Output	108122	82489	25175	32139	31645	83109	49304
of which- Land/Quota Let	194	254	46	411	110	1108	270
Direct Payments	18790	21387	12347	15237	16118	24203	16346
- Direct Costs	39128	29687	7385	9401	9061	27047	16154
= Gross Margin	68994	52802	17790	22738	22585	56062	33151
- Overhead Costs	32773	28029	9499	11446	10683	27527	16470
= Family Farm Income	36221	24774	8291	11292	11902	28536	16680
of which Single Payment Scheme	14201	16121	7308	10505	9218	19409	11116
Net Sales & Receipts	108104	83036	25239	32898	31983	83851	49686
- Current Cash Expenditure	61235	49033	13635	16908	16502	47490	27370
= Cash Income (approx)	46869	34003	11604	15990	15482	36361	22316
- Net New Investment	11728	10352	3879	4263	4080	7747	5989
= Cash Flow	35141	23651	7724	11727	11401	28614	16327
Asset values (€)							
Machinery	34200	32863	10861	13106	12193	40274	18994
Livestock : Breeding	54951	32190	15547	8076	15834	7032	20211
Trading	19760	32548	9283	24951	9419	17980	17763
Land & Buildings	945619	990814	435252	651792	520720	1591710	710631
Gross New Investment	13425	12128	4313	4875	4935	9925	6965
Loans Closing Balance	35273	25023	4978	14229	4799	13501	14294
Economic Size (ESU)	49.0	35.2	7.2	11.5	11.9	28.9	19.3
Distribution (% of farms)							
Gross Output							
-< £10000	0.0	3.5	18.6	15.8	15.9	7.0	12.5
£10000 -< £20000	3.1	17.7	34.4	32.8	25.5	15.9	25.0
£20000 -< £40000	9.4	18.5	33.3	24.0	34.3	18.1	25.1
£40000 -< £60000	13.1	11.6	8.5	12.9	12.8	12.1	11.7
£60000 -< £100000	26.9	17.9	3.7	10.0	7.4	16.7	11.7
£100000 +	47.5	30.9	1.4	4.5	4.1	30.2	14.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Soil Group :-							
(1)	54.4	51.1	29.0	56.6	35.7	90.1	47.7
(2)	37.5	39.4	59.7	36.6	33.1	9.9	40.0
(3)	8.2	9.5	11.3	6.8	31.3	0.0	12.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE - 08b (2006) Resources per farm by system of farming -- All farms

System	Dairying	Dairying + Other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All /Systems
No. of Farms in Sample	313	129	238	261	134	84	1159
Per Cent of Population (%)	15.0	8.2	23.7	28.1	18.4	6.6	100.0
LAND (ha)							
Area Owned	39.5	41.0	25.4	28.7	31.1	49.5	32.4
Total Area(of which)	46.9	51.0	29.1	31.6	35.3	59.2	37.4
Set-aside	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tillage	1.3	5.3	0.2	0.8	0.5	36.9	3.4
(of which) Total Cereals	0.4	4.1	0.1	0.5	0.4	29.0	2.6
" Sugar Beet	0.0	0.1	0.0	0.0	0.0	0.3	0.0
" Potatoes	0.0	0.1	0.0	0.0	0.0	0.9	0.1
Grassland Silage	14.2	11.8	6.0	6.1	4.2	4.1	7.3
Hay	0.7	1.5	0.9	1.2	1.4	1.7	1.2
Pasture	25.9	26.8	16.5	19.2	19.2	12.3	19.7
Rough Grazing	1.7	2.1	3.1	2.0	7.9	0.9	3.3
U.A.A.	44.5	48.5	27.6	29.8	33.7	56.4	35.5
Remainder of Farm	2.5	2.5	1.5	1.8	1.6	2.8	1.9
Forage & Crop Acreage	42.8	46.5	24.9	28.3	31.0	55.4	33.4
LIVESTOCK							
Cattle (avg. no)							
Dairy cows	49.3	21.5	0.0	0.0	0.1	0.4	9.2
Other cows	1.7	8.3	18.3	8.2	7.6	5.1	9.3
Hfrs-in-calf	7.1	3.7	1.4	0.8	0.8	0.5	2.1
< 1 y.o.	32.6	30.6	15.5	14.1	7.5	7.8	16.9
1 - 2 y.o. Male	7.1	14.8	2.7	16.1	2.8	8.6	8.5
" Female	9.7	10.2	3.4	5.4	2.6	2.8	5.3
=> 2 y.o. Male	0.7	4.5	0.4	6.1	0.8	5.5	2.8
" Female	1.0	2.0	0.5	1.1	0.5	0.2	0.9
Bulls	0.8	0.7	0.7	0.3	0.3	0.2	0.5
Total Cattle	110.1	96.2	42.9	52.0	23.0	31.1	55.5
Sheep (avg. no)							
Ewes	4.3	35.2	4.0	13.1	122.4	30.0	32.6
Other Sheep	3.7	33.8	3.7	11.1	103.4	27.2	28.1
Total Sheep	8.0	68.9	7.7	24.2	225.8	57.2	60.7
Grazing Livestock Units							
Dairy Cows	49.3	21.5	0.0	0.0	0.1	0.4	9.2
Other Cattle	30.7	44.1	27.7	35.1	14.9	21.4	28.8
Sheep	1.0	9.0	1.0	3.3	28.3	7.7	7.8
Horses	0.2	1.5	0.1	0.3	0.2	0.3	0.3
Total Livestock Units	81.1	76.1	28.9	38.6	43.5	29.7	46.1
LABOUR UNITS							
Family	1.35	1.28	0.92	0.92	0.93	0.87	1.01
Total	1.51	1.38	0.95	0.93	0.96	1.02	1.07

TABLE - 08c (2006) Gross output and direct payments by system of farming -- All farms

System	Dairying	Dairying + Other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All /Systems
No. of Farms in Sample	313	129	238	261	134	84	1159
Per Cent of Population (%)	15.0	8.2	23.7	28.1	18.4	6.6	100.0
GROSS OUTPUT (€)							
LIVESTOCK							
Dairying	70233	30458	0	0	168	517	13094
of which - Milk	68653	29251	0	0	164	501	12756
Cattle	19088	21095	10932	13959	6115	9843	12882
of which :- Direct pay.	0	0	0	0	0	0	0
Sheep & Wool	389	3297	365	1243	8349	3208	2510
of which :- Direct pay.	0	0	0	0	0	0	0
Pigs	0	1065	0	0	0	69	92
Poultry	0	8	0	1	3	0	2
Horses	201	609	110	83	21	82	139
Other	3	0	0	0	0	0	0
Sub-Total Livestock	89913	56533	11406	15287	14656	13718	28719
CROPS							
Wheat	90	860	0	19	39	11764	878
Barley, Feeding	135	1844	38	338	161	12002	1102
Barley, Malting	81	604	0	25	50	2440	240
Oats	9	327	4	19	42	2150	185
Potatoes	16	668	15	23	0	5725	448
Sugar Beet	6	90	0	11	0	417	39
Set-aside	0	0	0	0	0	0	0
Other	461	1062	470	518	511	7527	1007
Sub-Total Crops	797	5454	527	954	803	42025	3899
TOTAL LIVESTOCK & CROPS	90710	61988	11933	16240	15459	55743	32617
+ Machinery Hire Revenue	210	633	1126	284	149	2046	593
+ Other Current Receipts	521	427	70	293	64	903	284
+ Grants and Subsidies	18409	20902	12008	15063	15951	23990	16075
of which REPS	2198	2562	2459	2740	4045	3342	2857
+ Income from Land let	98	105	38	374	110	1047	227
+ " " Quota let	96	149	7	38	0	61	43
- Inter-Enterprise Trans.	1922	1715	7	153	88	681	535
TOTAL GROSS OUTPUT	108122	82489	25175	32139	31645	83109	49304

TABLE - 08d (2006) Direct and Overhead costs by system of farming -- All farms

System	Dairying	Dairying + Other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All /Systems
No. of Farms in Sample	313	129	238	261	134	84	1159
Per Cent of Population (%)	15.0	8.2	23.7	28.1	18.4	6.6	100.0
DIRECT COSTS (€)							
Purchased Concentrates	14434	10660	1827	3036	3384	2620	5120
Purchased Bulky Feed	1391	1256	364	431	530	247	633
Fertiliser	6863	5769	1510	1889	1485	7597	3168
Crop Protection	282	887	64	162	100	5148	536
Purchased Seed	334	607	48	127	87	3072	367
Hire of Machinery	5125	3999	1733	1923	1180	6198	2676
Transport	523	270	70	127	65	175	176
Livestock (A.I.vet,etc)	5144	3568	1169	1095	1420	1025	1978
Casual labour	401	241	18	37	194	202	143
Rent of quota	396	151	0	0	0	0	72
Other	4219	2613	523	534	670	934	1306
Sub-Total	39112	30021	7328	9361	9116	27219	16175
+ Fodder Crop Adjust.	16	-334	58	40	-54	-171	-21
TOTAL DIRECT COSTS	39128	29687	7385	9401	9061	27047	16154
OVERHEAD COSTS (€)							
Rent of Conacre	2252	2868	609	842	858	3443	1340
Car,Electricity,Phone	3816	2624	1247	1343	1315	2027	1836
Current Hired Labour	2557	1614	395	224	286	2898	917
Interest Charges	2106	1464	280	569	410	1024	805
Machinery Depreciation	4095	3868	1324	1548	1443	4531	2246
Machinery Operating	5878	5641	1970	2193	1983	6705	3237
of which Leasing	33	10	0	0	0	120	14
Buildings Depreciation	5350	4269	1452	1859	1377	2045	2407
" Maintenance	1283	1116	342	462	414	935	633
Land Impr. Depreciation	718	529	200	205	250	233	318
" Maintenance	1288	1132	554	579	671	900	763
Lime	231	171	40	98	113	111	114
Other	3200	2732	1085	1524	1561	2674	1854
OVERHEAD COSTS	32773	28029	9499	11446	10683	27527	16470
TOTAL NET EXPENSES	71901	57715	16884	20847	19743	54574	32624
Distributions (% of farms)							
Costs % Output							
< 50	10.0	8.5	26.1	25.2	30.3	15.4	22.0
50 -< 60	21.3	12.3	17.8	16.7	13.2	16.9	16.6
60 -< 70	30.4	24.0	12.5	20.5	22.3	17.5	20.5
70 -< 80	22.7	30.9	13.5	15.2	16.5	23.6	18.0
80 -< 90	8.6	10.5	10.5	9.4	7.1	21.2	10.0
90 +	7.0	13.8	19.7	13.0	10.8	5.4	12.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Avg %	66.5	70.0	67.1	64.9	62.4	65.7	66.2

TABLE - 08e (2006) Demographic data by system of farming -- All farms

System		Dairying Dairying + Other	Cattle Rearing	Cattle Other	Mainly Sheep	Mainly Tillage	All /Systems	
No. of Farms in Sample		313	129	238	261	134	84	1159
Per Cent of Population (%)		15.0	8.2	23.7	28.1	18.4	6.6	100.0
Holder								
Age of Holder		50.6	54.5	53.9	56.7	56.0	52.4	54.5
Marital status :-	Married %	76.5	79.8	63.7	65.8	60.5	72.9	67.6
" " "	Widowed %	1.8	3.8	4.0	5.7	9.4	2.7	5.0
" " "	Single %	20.9	16.4	31.0	27.1	28.4	21.9	26.1
Household								
Household Size	(no.)	4.07	3.77	3.17	3.02	2.93	3.38	3.28
< 24	(no.)	1.65	1.46	1.09	1.04	0.99	1.17	1.18
< 24	% HH	64.0	59.7	47.1	42.1	43.2	48.9	48.7
25-44	(no.)	0.75	0.71	0.58	0.41	0.56	0.82	0.58
25-44	% HH	45.6	40.9	39.0	27.1	36.3	52.2	37.2
Demograph. viable	% HH	87.6	77.1	75.8	62.4	64.5	75.8	71.8
Off-farm sources of income -- Holder and/or Spouse								
Off-farm Job Hold/Spouse	% HH	49.9	47.1	63.5	57.8	63.2	55.6	57.9
" " " Holder	% HH	11.9	25.3	52.8	48.4	48.6	41.9	41.7
" " " Spouse	% HH	43.9	32.8	29.7	32.8	36.8	34.1	34.6
Pensions	(no.)	0.07	0.34	0.23	0.30	0.31	0.27	0.25
"	% HH	5.0	21.3	19.1	23.1	28.3	18.5	19.9
Unemploy Etc.	(no.)	0.02	0.01	0.12	0.05	0.04	0.02	0.05
"	% HH	1.9	1.4	7.7	5.0	4.1	1.7	4.5
Distributions (% of farms)								
F.F.I. (€)	- 3500	6.0	26.4	32.7	24.8	22.6	27.4	23.7
	3500 - 6500	4.1	5.1	21.3	17.7	10.4	2.0	13.1
	6500 - 13000	11.3	10.5	24.2	30.5	37.5	8.9	24.3
	13000 - 20000	13.6	10.6	12.8	10.6	13.7	14.9	12.4
	20000 - 25000	5.8	9.5	3.7	4.4	5.9	5.3	5.2
	25000 - 40000	20.3	15.0	3.3	7.3	6.5	17.1	9.4
	40000 +	38.9	22.8	2.0	4.8	3.4	24.3	11.7

APPENDIX B

2006 NFS SAMPLE

The basis of the National Farm Surveys between 1984 and 1992 was the 1980 Census of Agriculture. When results from the 1992 Census of Agriculture became available, a revised selection plan and a sample were designed to represent the major systems and sizes of farm within these systems, as the combined basis of the NFS and FADN. The details were given in the 1993 report. The plan involved a transition from the 1992 sample by a systematic renewal of the sample and the replacement of area size by economic size as the selection criterion of farm size in order to bring the plan into line with the needs of FADN. In the 2006 report the 2005 Farm Structure Survey, as conducted by the CSO, was used to estimate the distribution of the farm population for the major systems and sizes of farms.

The Farm Population for the 2006 NFS

In Appendix C, the methodology for classifying farms into the major farming systems according to the EU farm typology is set out. This typology is used in EU Farm Structure Surveys, agricultural censuses and in the NFS. It is a requirement that the standard gross margins (SGM) be updated regularly so as to take account of the changing value of money over time. Thus, the most recently up-dated SGM were used in calculating the 2006 NFS results. The population is based on the CSO 2005 Farm Structures Survey with farm typology based on the 2002 Standard Gross Margins (SGM).

The estimated farm population distribution used to produce the 2006 NFS report is shown in Table A.

Table A: Estimated 2006 Farm Population Distribution

Size (Ha)	<10	10-20	20-30	30-50	50-100	> 100	Total
% of Farms							
Dairying	0.43	1.62	2.43	5.71	4.36	0.44	14.99
Dairying/ Other	0.87	1.03	1.01	1.88	2.74	0.68	8.21
Cattle Rearing	2.74	7.53	5.55	5.44	2.23	0.25	23.75
Cattle Other	4.46	7.78	5.63	6.04	3.56	0.59	28.06
Mainly Sheep	3.16	4.79	3.42	4.15	2.13	0.70	18.35
Tillage Systems	0.59	0.93	0.95	1.42	1.92	0.83	6.64
All Systems	12.26	23.68	18.99	24.64	16.95	3.48	100

Source: CSO

Some points worth noting from Table A in relation to interpretation of the results of the 2006 survey are as follows.

- Over 52% of farms are in system categories which put cattle as the dominant enterprise. About 23% have dairying in the dominant position.
- Approximately 36% of all farms have less than 20 ha with 20% having more than 50 ha.
- In the Cattle Rearing and Cattle Other systems, 43% and 44% of farms respectively have less than 20 ha, while 14% of the specialist dairy farms have less than 20 ha.

2006 Sample

The distribution of the sample numbers on which the 2006 results are based is shown in Table B together with the rate of representation for each system/size cell. The 1159 farms in the NFS sample represent a farming population of 113,100.

Table B: Sample Numbers for 2006 Results (and Representation¹)

Size (Ha)	<10	10-20	20-30	30-50	50-100	>100	Total
Dairying	2 (246)	18 (102)	37 (74)	108 (60)	128 (39)	20 (25)	313 (54)
Dairying/ Other	1 (982)	6 (193)	9 (127)	27 (79)	54 (57)	32 (24)	129 (72)
Cattle Rearing	7 (443)	48 (177)	49 (128)	82 (75)	40 (63)	12 (23)	238 (113)
Cattle Other	14 (360)	49 (179)	40 (159)	85 (80)	62 (65)	11 (60)	261 (122)
Mainly Sheep	4 (893)	21 (258)	17 (227)	36 (130)	37 (65)	19 (42)	134 (155)
Tillage Systems	1 (672)	2 (524)	7 (154)	21 (56)	39 (56)	14 (67)	84 (89)
Total Sample	29 (478)	144 (86)	159 (135)	359 (78)	360 (53)	108 (36)	1159 (98)

¹**Representation is the number of farms in the population represented by one participating farm.**

It should be noted that as the representation of some cells is very small this should be taken into consideration in the interpretation of the results.

APPENDIX C

FARMING SYSTEMS AND THEIR CLASSIFICATION

The method of classifying farms into farming systems, as used in this report is based on the EU farm typology as set out in Commission Decision 78/463 and its subsequent amendments. The methodology assigns a standard gross margin (SGM) to each type of farm animal and each hectare of crop. Farms are then classified into groups called particular types and principal types, according to the proportion of the total SGM of the farm which comes from the main enterprises after which the systems are named. For the purposes of adapting the EU typology to suit Irish conditions more closely, a re-grouping of the farm types has been carried out as set out below (showing the EU description):

The system titles refer to the **dominant** enterprise in each group and their results should not be confused with those of individual farm enterprises. For example, the two specified cattle systems refer to those farms where the greater proportion of their activity is cattle production, but there are many other farms (including those in the tillage and other systems) that have a cattle enterprise. This can be seen clearly in the main tables section of this report showing the contribution of the enterprises to the gross output of farms in the various systems.

- **Dairying**

Particular type 411(specialist milk production)

- **Dairying + Other**

Particular types 412 (specialist milk production with cattle rearing), 431 (dairying with rearing and fattening cattle), 432 (cattle rearing and fattening with dairying), 444 (various grazing livestock), 711 (mixed livestock -mainly dairying), 811 (field crops combined with dairying) and 812 (dairying combined with field crops)

- **Cattle Rearing**

Particular types 421 (specialist cattle -mainly rearing)

- **Cattle Other**

Particular types 422 (specialist cattle-mainly fattening) and 712 (mixed livestock)

- **Mainly Sheep**

Particular types 441 (specialist sheep) and 442 (sheep and cattle combined)

- **Tillage**

Principal types 13 (specialist cereals, oilseeds and protein crops) and 14 (general field cropping) plus particular types 813 (field crops /grazing livestock), 814 (grazing livestock/field crops) and 822 (grazing livestock/permanent crops)

Types 50 (specialist granivores), 72 (mixed livestock, mainly granivores), 821 (field crops and granivores), 20 (specialist horticulture), 60 (market gardening), 823 (various mixed crops and livestock) and non classified farms are not included in the NFS sample.

GLOSSARY OF TERMS

Asset Values

- **Livestock** The average of the opening and closing inventories.
- **Machinery** Closing inventory value based on cost of replacement.
- **Land and Buildings** Market value of the farm as estimated by the farmer
- **Loans Closing Balance** The level of outstanding farm borrowing at the end of the year.

Area Owned The total map area of land owned. It does not include area under commonage rights.

Cash Flow Cash flow is defined as cash income minus net new investment. It does not include changes in borrowing.

Cash Income Net sales and receipts minus current cash expenditure. It is the approximate cash element of family farm income.

Current Cash Expenditure Expenditure on all current farm inputs, whether direct or overhead; excludes depreciation.

DACAS Disadvantaged Area Compensatory Allowance Scheme introduced in 2001 to replace Headage Scheme and paid on a land area basis in Disadvantaged Areas only.

Demographically Viable % HH Percentage of farm households which have at least one member below 45 years of age

Depreciation Calculated at replacement cost declining balance method at 10% for machinery and 5% for buildings. The 1989 NFS report contains additional details on the methodology. The Capital Goods Price Index Building and Construction (i.e Wages and Material), as published by the CSO, is used in the calculation of building depreciation in 2004 NFS Report. In 2004 the CSO discontinued the Agricultural Buildings Price Index (used by the National Farm Survey in calculating building depreciation since 1985) and replaced it with the Capital Goods Price Index, Buildings and Construction. This new index was used in calculating

building depreciation from 2004 onwards and is updated annually. Also from 2004 onwards buildings and machinery, exceeding 25 and 20 years respectively, have been written off on an annual basis.

Direct Costs: Costs directly incurred in the production of a particular enterprise, e.g., fertilisers, seeds and feeding stuffs; most items are detailed in the main tables. See (d) section of tables for greater detail.

Direct Payments/Subsidies: Payments made to farmers by the Department of Agriculture under one or more of the CAP Schemes. These are shown in greater detail in the (c) section of the tables.

ESU As an alternative to farm size measured by surface area (map area) the size of the farm business is measured in European Size Units (ESU), where 1 ESU = 1,200 Euro of Standard Gross Margin.

Family Farm Income Gross output less total net expenses; it represents the total return to the family labour, management and capital investment in the farm business.

Fodder Crop Adjustment The difference in value of the opening and closing inventories of fodder crops, valued at their direct costs of production. This accounting procedure allows the cost of fodder crops to be included in the year in which they were consumed, which is not necessarily the year in which they were produced.

Forage and Crop Area The total adjusted area under grass (including rough grazing) and crops, plus adjusted commonage area.

Frequencies of Farms (%) Frequency distribution tables are given for gross output, soil groups, costs as a per cent of output and for family farm income. These tables show the estimated per cent of farms in the population having various levels of the variables.

Full-Time Farm A farm which requires at least 0.75 standard labour units to operate, as calculated on a standard man day basis.

Grants and Subsidies – (c) section of tables - Includes non-capital grants and subsidies which are non-specific to any particular enterprise.

Grassland Sum of areas under silage, hay and pasture, of which:

Silage - Basic area of ground cut at least once for silage (no adjustments are made for land cut more than once or for grazing).

Hay - Basic area of ground cut at least once for hay (no adjustments are made for land cut more than once or for grazing).

Grazing Livestock Unit (LU) A dairy cow is taken as the basic grazing livestock unit. All other grazing stock are given equivalents as follows:

Cattle	Dairy cows	1.0	
	Suckling cows	0.9	
	Heifers-in-calf	0.7	
	Calves under 6 mths.	0.2	
	Calves 6-12 months	0.4	
	Cattle 1-2 years	0.7	
	Cattle over 2 years	1.0	
	Stock bulls	1.0	
Sheep		Lowland	Hill
	Ewes and rams	0.20	0.14
	Lambs to weaning	0.00	0.00
	Lambs after weaning	0.12	0.10
	Hoggets and wethers	0.15	0.10
Horses	Working horses	1.5	
	Others	1.0	
Deer		>1yr	<1yr
	Red	0.25	0.12
	Fallow	0.13	0.07
	Sika	0.08	0.04
Goats (All)		0.14	

Gross Margin Gross output minus direct costs.

Gross Output: Gross output for the farm is defined as total sales less purchases of livestock, plus value of farm produce used in the house, plus receipts for hire work, services, fees etc. It also includes net change in inventory, which in the case of cows, cattle and sheep is calculated as the change in numbers valued at closing inventory prices.

All non-capital grants, subsidies, premiums, headage payments etc., are included in gross output in this report. They are allocated to the enterprise in the year in which they are paid (see also "Grants and subsidies"). In this report Gross Output also includes income from land and quota let.

Hill Farms Hill farms are defined as those located in areas where the predominant soil type is either Class 5 or 6 (see Soil Group).

Household Size Number of people in the farm household, including children, pensioners and family members not involved in farming.

Inter-Enterprise Transfers This item is an adjustment to the sum of the gross outputs from the individual farm enterprises, where the output of one enterprise is used as an input to another on the same farm, e.g., milk fed to calves, or home grown barley fed to farm animals. It is merely an accounting device to avoid double counting in the calculation of the total gross output and direct costs of the farm.

Labour Costs For farm accountancy purposes the costs of casual labour are included in direct costs while regular labour is included in overhead costs.

Labour Unit (a) One labour unit is defined as at least 1800 hours worked on the farm by a person over 18 years of age. Persons under 18 years of age are given the following labour unit equivalents:

16 - 18 years: 0.75

14 - 16 years: 0.50

Note: An individual cannot exceed one labour unit even if he/she works more than 1800 hours on the farm.

Land/Quota Let: Receipts from land or quota let during the year.

Net New Investment All capital expenditure during the year less capital sales and grants. The cost of major repairs to farm buildings, plant and machinery as well as land improvements is also included. It does not include investments in land purchases.

Net Sales and Receipts Sales of animals and crops, plus non-capital grants and direct payments, less purchases of livestock.

Non-Objective One Region Includes the counties: Kildare, Meath, Wicklow, Dublin, Clare, Limerick, Tipperary N.R., Tipperary S.R., Carlow, Kilkenny, Wexford, Waterford, Cork and Kerry.

Objective One Region Includes the counties: Louth, Leitrim, Sligo, Cavan, Donegal, Monaghan, Laois, Longford, Offaly, Westmeath, Galway, Mayo and Roscommon i.e. the Border, Midlands and Western Regions.

Off-Farm Job % HH Percentage of households where the holder and/or spouse have an off-farm job.

Other Direct Costs These include miscellaneous costs for crops e.g. polythene, baler twine, crop insurance; miscellaneous costs for livestock, e.g., mart commission, straw for bedding, super levy payments, farming organisation levies, Irish Dairy Board levy, research levies, disease eradication levies, bulk tank rental, detergents, etc.

Other Overhead Costs Miscellaneous costs such as purchase of small tools, bank charges, subscriptions, postage, fire insurance, slurry, land annuities, depreciation of permanent crops, accountancy charges, advisory charges, water rates, protective clothing, etc.

Overhead Costs Costs which cannot be directly allocated to a specific farm enterprise; sometimes referred to as fixed costs. Most items are detailed in the main tables. See (d) section of tables for greater detail.

Part-Time Farm A farm which requires less than 0.75 standard labour units to operate, as calculated on a standard man day basis.

Pensioners % HH Percentage of households where the holder and/or spouse are in receipt of a pension of any kind.

Per Cent of Population These figures are estimates of the percentage of the population (of farms) that fall into individual categories. For example in Table 01a 0.6% of the population (of farms) are estimated to be Dairying farms with less than 10 UAA (Ha).

Remainder of Farm Land covered by woods, areas not in agricultural use for economic, social or other reasons but which could be so used. It also includes ground covered by paths, roads, buildings or land which cannot be farmed, e.g., quarries, barren land, swamps, areas under water, etc.

REPS Rural Environmental Protection Scheme

Rough Grazing Grazed unreclaimable bogland, grazed mountain of known area and grazed lowland partially covered by scrub, bushes or rock. It does not include land with impeded drainage unless subject to flooding.

Single Payment Scheme The Single Payment Scheme introduced following decoupling of direct payments in 2005 is applicable to farmers who actively farmed during the reference years 2000, 2001 and 2002, who were paid Livestock Premia and/or Arable Aid in one or more of those years and who will continue to farm in the current year. The gross Single Payment is based on the average number of animals and/or the average number of hectares (in the case of Arable Aid) on which payments were made in the three reference years.

Soil Group¹ Farms are classified into 3 major groups depending on their use range. Soil group 1 has the widest use range and soil group 3 contains farms with limited use range.

Standard Man Day (SMD) Eight hours of work supplied by a person over 18 years of age. The number of SMD required per hectare for the different crops, and per head for various categories of livestock, is used to calculate the total number of SMD required to operate the farm.

System of Farming See Appendices B and C

Total Area Map area of land owned, plus land rented, minus land let. It is equal to UAA plus 'remainder of farm'.

Total Net Expenses Direct costs plus overhead costs. Grants and discounts which reduce expenditure, rather than contribute to gross output, will have been deducted.

Unemployment etc. %HH Percentage of households where the holder and/or spouse are in receipt of social assistance payment (other than pension).

Utilised Agricultural Area (UAA) Area under crops and pasture plus the area (unadjusted) of rough grazing. It is the total area owned, plus area rented, minus area let, minus area under remainder of farm.

