Accountancy | Planning | Advice

Irish Farm Report 2021

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Contents

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Foreword

Welcome to *ifac's* Irish Farm Report 2021. This report contains the results of our comprehensive farm survey and 1,700 Irish farmers' views.

The findings give us a fascinating insight into Irish farmers' lives in 2021, the challenges they face, and the opportunities they see ahead.

While each farming sector has its unique challenges, some cross-sector challenges are clear. Brexit, uncertainty around the future of CAP, the potential for significant climate-related restrictions and taxes, and changing dietary trends are increasing pressure on farmers.

In Ireland, we have tremendous natural resources and generations of expertise in agriculture. We create top-quality, healthy, and nutritious food. Our reputation for farming excellence is well known globally, and the economic value of agriculture to Ireland is enormous. With the most significant positive impact on our regional economy, agriculture supports over a hundred thousand farm families and many thousands of related jobs.

Irish agriculture has a positive future, and we can solve the many challenges to the sector. There is huge talent in the industry, and the innovation and investment taking place are incredible. That positive future will only be possible if Irish farming is unified, clear on our shared goals and ambitions, and articulate in representing our interests in the years ahead. All stakeholders working together is the key to creating a bright future for the sector.

As we're all aware, Covid-19 is continuing to disrupt our lives. Farmers feel the isolation of the restrictions as much as anyone and more than most. Many farmers spend their days working alone. Isolation was a problem for the sector before Covid-19, and now it's a major issue that needs attention. Farm organizations, including *ifac*, are working hard to keep the gates open and conversation flowing. Our teams across the country are as committed as ever to connecting with and supporting farmers in their financial decision-making. Our range of services will continue to grow in line with farmer needs in the years ahead.

Our survey tells us farmers are embracing technology. Ireland is an ag-tech leader. This technology is now a driving force in farm efficiency, safety, and profit margin. Our own FarmPro and Cashminder services are part of this ag-tech revolution. If you know more about your finances, you can make better financial decisions, keep more of your money and build a better future. FarmPro or Cashminder should be part of every farmer's tool kit.

At *ifac*, we have been supporting and advising farm families for 46 years. We have made a habit of listening closely to what our clients have to say. We make sure our people are ready with the advice, and support farmers need to achieve their full potential. From anticipating future shocks and making farms more efficient to helping families with financial planning, *ifac* will be with farmers every step of the way.

Many thanks to Philip O'Connor, Noreen Lacey, and everyone involved in producing our report. We hope you enjoy it.

John Donoghue
CEO

Introduction

The financial performance of Irish farms remained steady in 2020 with only one in five *ifac* survey respondents saying that Covid-19 negatively impacted their income.

Rising prices helped livestock farmers increase profits when compared to 2019, however most beef and sheep farms are still operating at a net loss before subsidies and grant payments. The problem is particularly acute in the beef sector where nine out of ten farmers say their business does not provide a sufficient income to support their family. However, the opposite was the case when we asked farmers about their social life and community involvement; three out of four said it was negatively affected.

Technology

Our survey found 70% of farmers would like online buying and selling in the marts to continue post-Covid. Technology is increasingly important on all farms and farmers are embracing *ifac's* new FarmPro and Cashminder services which enhance farm management. By combining great technology with *ifac's* financial expertise, these services support sound on-farm decision making.

Financial planning

As in previous years, lack of financial planning continues to be a problem with farmers unsure how much to put aside to fund a modest pension. Worryingly, 40% have not made a Will and only one in four have identified a successor. While farm viability is an issue for succession it doesn't change the fact that farmland is a valuable asset that requires careful future planning.

Outlook

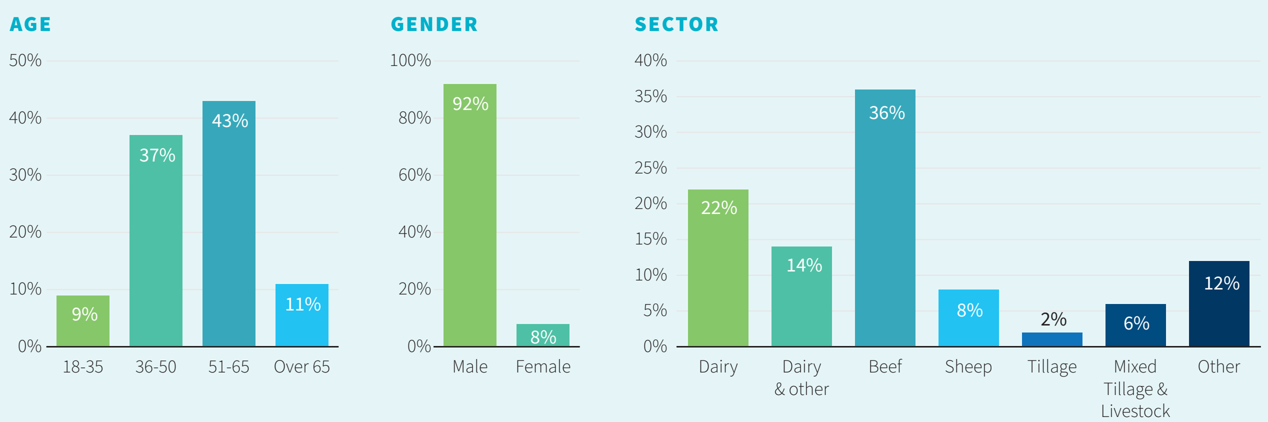
Across all sectors, the outlook for 2021 is relatively optimistic. Milk prices are currently strong, and profits are likely to increase this year. While Covid-19 impacted when the initial lockdown occurred in 2020, prices rallied throughout the latter part of the year and into spring 2021. However, any earnings increase is relative for the beef and sheep sectors as many farmers still operate at a net loss before EU supports. This reliance on supports and lack of trading profit is apparent in our survey findings. Rising feed and fertilizer costs will eat into any extra profits generated by increased commodity prices in 2021.

The other key profit variable for beef/sheep farmers is subsidy payments. A positive outcome to the current CAP negotiations will be vital if livestock farms across the country are to remain viable. Likewise, the new environmental scheme being finalised by the Department of Agriculture is welcome, but like any scheme, the devil may be in the detail.

Profits for tillage farmers depend on weather and price— both of which are outside farmers' control. While Winter and Spring crops look positive, it remains to be seen how weather will impact the growing/harvesting periods. The new straw incorporation scheme launched by the Department in March is a welcome development for the sector.

Beyond Covid lie many more challenges for the Irish farming community, including climate change and biodiversity and others outlined in John's foreword. As always, *ifac* is here to help farmers make the right decisions at the right time, grow their businesses and ultimately sustain rural Ireland.

Philip O'Connor
Head of Farm Support



This report is comprised of *ifac* survey findings. The survey took place in December 2020 – January 2021 and was completed by 1,696 Irish farmers.

Key Takeaways

TECH ON THE FARM

86%
Say broadband is essential and/or critical

Over **70%**
want online mart selling to continue

1 in 2
farmers use herd & breeding software making it the most used farm tech

WELLNESS

3 in 4
farmers say Covid-19 has negatively impacted their social life

3 in 4
will take the Covid-19 vaccine, with 19% unsure and 6% not planning to take a vaccine

68%
say it has affected their community involvement negatively

42%
don't really know who to call for support with difficulties

1 in 3
haven't taken a holiday for at least a week in the last three years or more

SUCCESSION

71%
have not identified a successor with 1 in 3 citing farm not viable enough

84% of farmers plan to maintain or increase stock levels over the next three years

AS AN EMPLOYER

Over
21%
employ farm labour and of those, only 21% have written contracts of employment in place

40%
don't have a Will

Over
20%
say it's hard to find people with the right skills

SECTOR SENTIMENTS FOR IRISH FARMING

56%
of farmers have a positive outlook for their sector

FINANCIAL PLANNING

3 in 5
don't complete any budgets/cashflows

81%
say they will still be farming in 5 years

3 in 4
don't know how much they need to have in their pension to provide €200 per week from 65

Only
5%
of farmers feel that Brexit will have no impact on the farming sector

Dairy

2020 is a year that will never be forgotten by any dairy farmer. It was a roller coaster year with ups and downs as the reality of Covid-19 affected every single person's life and business. Coming into 2020, positivity was strong in the dairy sector, milk price looked strong, and input prices were reasonable. This positivity was reflected in the 100's of completed budgets *ifac* did with farmers on forecasting for the year ahead.

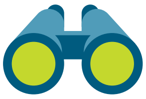
This positivity was completely turned on its head by mid-March as the reality of Covid-19 hit hard as it started to impact EU and world trade significantly. Budgets were adjusted to reflect this change, and the positive outlook disappeared quickly as budgets stressed milk price to 25/26 cents base price. We went from a scenario of looking at profits surpassing 2019 to the exact opposite.

However, as the year wore on and living with Covid became a long-term prospect, the milk price stabilised and rallied. Weather and input price, in general, were positive. This has resulted in an overall strong financial year for dairy farmers, and we would expect profits to be up slightly in 2019 on average across our farmers.

OUTLOOK

75%

Strong positivity with 75% stating farm providing a sufficient income for their family.



FUTURE

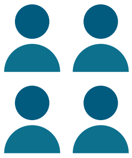
1 in 4

stated that the lifestyle does not appeal to next generation as an inhibitor to succession.

STOCK LEVELS

59%

of dairy farmers plan to maintain stocking levels over the next three years, and over a third (35%) plan to increase stock. Only 5% say their stock will decrease.



LABOUR

39%

employ people on the farm.

HOLIDAYS

1 in 4

dairy farmers haven't taken a holiday in the last 3 years or longer.

SECTOR STATS

18,000
Dairy Farmers in Ireland

90 Cows
Average herd size approx 90 cows

5,300 l
Yield per cow
(relatively low yield reflects grass based system)

1.5m Cows
National dairy herd: (+400,000 cows in the last 5 years)

450,000 l
Average production on-farm

8 billion l
National milk production
(2019)

Sources: www.cso.ie/en/releasesandpublications/er/ms/milkstatisticsdecember2020/
www.ifa.ie/dairy-factsheet/

SUSTAINABILITY

Dairy farming is now grappling with marrying both economic sustainability and environmental sustainability. We believe that farmers can remain economically strong, along with meeting our commitments on climate change.

It is far too simplistic and easy to "cut cow numbers", and all will be fine. It has to be noted and acknowledged by the environmental lobby that Irish dairy farms (all livestock systems) are already starting from a high base, with the vast majority of our milk and beef coming from grass-based systems resulting in Irish milk and beef having one of the lowest carbon footprints in the EU.

It is our percentage of milk that comes from grass regardless of farming system that is the cornerstone that allows us to produce low carbon milk. Penalising dairy farmers who produce low carbon milk for a global market does not seem sensible when the alternative is driving milk production to less environmentally sustainable parts of the planet.

However, the potential impact that dairy expansion is having on the environment and climate change is a question that needs to be addressed. It is good to see dairy farmers engaging in changing their farming practices to meet the dual agenda of economic and environmental sustainability.

In *ifac*, we firmly believe that we cannot sacrifice economic sustainability for environmental sustainability. Our political and farming leaders need to strike a balance that allows Irish dairy farmers to still work and run their farms to make a good standard of living for themselves and their families and embrace environmental measures that will genuinely help climate change.

DAIRY PROFIT MARGINS

Since 2015, the main inhibitor to a farmer wishing to milk more cows or produce more milk was their own desire, ability, ambition along with access to land and capital. This has resulted in dairy farm whole-farm profits increasing. Produce more milk and make more profits was viewed as a straightforward equation - more milk (turnover) equals more profits. However, this expansion has come at a financial cost as dairy farmers have significantly increased their farms' debt levels. So, while the farm is making more profits, actual disposable income available to farming family can be the same or have decreased over the short term.

Each farmer needs to find the most profitable way to return strong profits and put actual money in their pockets. To do this, they need to understand their production cost, their breakeven point, and when making investments, the return (ROI). As inputs cost are increasing and a potential cost/restriction due to environmental measures, farmers must not lose focus and the key drivers of profitability on their farm through their chosen farming system. On page 10 of the farm report, we look at 15 farmers that are doing this. We look at 7 characteristics of what makes a high performing farmer.

AMBITION, ADAPTABILITY, ACTION

Meet Dairy Entrepreneur Maighréad Barron

From childhood growing up on the family farm in Co Waterford, Maighréad Barron (28) always wanted to run her own business. Four years ago, with an Ag Science degree from UCD under her belt, she took out a 15-year lease on a dairy farm and purchased 89 cows from the previous owner.

From the outset, Maighréad knew that to cover her costs and generate an income, she would have to improve the quality of the herd. The first step on this journey was to embark on an extensive breeding and reseeding programme aimed at getting into the top 5% EBI herds in the country. She successfully turned a profit in Year 1, and continued working hard to maximise the full potential of her farm, reinvesting all available surplus cash in stock enhancement.

In 2020, with her herd now standing at 91, and producing on average 466Kg milk solids and €650 profit per cow, Maighréad was well on the way to achieving her target of €1,000 profit per cow before lease repayments. For 2021, her goal was to increase the herd to 100 and grow profit to €800+ per cow, however a recent announcement that her co-op is capping milk production in April, May and June will affect production and profitability on her farm.

Until this announcement, Maighréad was confident that she was doing everything correctly - selecting the right stock, measuring grass, managing calving intervals, maximising milk production, actively budgeting and monitoring finances, and with a 5-year plan in place to take the business forward. As her herd matures and her replacement

Maighréad Barron

rate stabilises, the target profit of €1,000 per cow looked achievable in the not too distant future. However, the co-op announcement means she needs to rethink her plan. While she never intended to grow her herd beyond 110 cows, she now has to factor in the impact penalties could have as her herd matures and output expands.

A further concern is that, when she completes her first five years in business in January 2022, Maighréad will no longer be considered a young farmer by the Department of Agriculture even though she is only 28. This is an issue that policy makers need to address in order to encourage more young people into the industry.

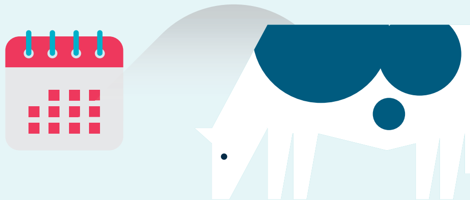
Although she is unsure what the short-term future may hold, Maighréad knows that ambition, ability, and drive (along with a bit of luck) are the key to success in any business. Already, she is revising her 5-year plan, arranging talks with her co-op and exploring options to expand into a second unit via a partnership or share farming arrangement. We wish her well.

NEW ENTRANTS – TOP TIPS

The journey to becoming a dairy farmer is an emotional roller coaster with substantial ups and downs. It is a minimum two-year process from when you decide to become a dairy farmer to when you physically put the cluster on your first cow. This planning phase is vital. Below are *ifac* top tips.

- **Plan, plan, plan! If you fail to plan - prepare to fail**
  - — Financial planning in every sense of the word is vital. Make your mistakes on paper and be realistic with your projections
- **Stock**
  - — Choosing and buy the right stock is critical – you only get one chance at this
- **Grassland Management**
  - — Grassland management is a key driver of profits across all dairy systems. The ability to grow and utilise grass is a vital component to a profitable dairy business
- **The Core Skills**
  - — Many new entrants spend so much time thinking, planning and building that they sometimes almost forget that have to be a dairy farmer.
  - — Get experience
  - — Seek out mentors and join a discussion group

Even the best-laid plans and go wrong. However, no plan at all is like flying blind – a recipe for disaster. Transitioning to dairying is a massive opportunity for any farmer and their family, and if planned correctly using the right advisors, it can be gratifying both financially and emotionally.



FUTURE OUTLOOK

In the short term, the outlook for dairy is positive; milk prices are holding strong. As shown in the *ifac* survey, our dairy farmers' positivity is strong, with only 5% surveyed having a negative outlook on the year ahead.

On a negative point, input prices are increasing alarmingly, with fertiliser and concentrate costs up significantly since the start of the year. Steel price is also increasing, leading to increased building costs. As 2021 plays out, we will see how much an impact these increases will have on the profits for all farmers.

Farm budgets completed to date have reflected this, and we are budgeting a stable milk price and increased costs. Our profit predictions for most farms are looking on par (or slightly up) in 2020, and for those with maturing herds, a profit increases as output continues to rise.

As discussed above, the longer-term outlook for dairy farming is linked to farmers and policymakers, ensuring that we can deliver on both the economic sustainability and environmental sustainability agenda. As stated, we believe both ambitions can be achieved, and one should not be sacrificed for the other.

However, what farmers can do now to address this issue is to look within their own farm gate. What can they do to maximise returns on their existing farmers? Many farmers in Ireland could increase their profits on their existing farm through better grass growth and utilisation, breeding decisions, and the farm's overall management. Using Protected Urea, not using the splash plate, integrating clover can all help reduce their carbon footprint. When a dairy farmer looks to increase cow numbers, intense analysis of finances is required. Milking more cows does not automatically equate to more profits. Better before Bigger, as the saying goes – profits for sanity and turnover for vanity and cash is reality!

Top Performers - Dairy

What is it that makes some dairy farmers so much more profitable than others? *Ifac* asked 15 top performers to share their tips. These farmers vary in size, farm system and life stage. We will be looking at their budgets and management decisions.

So how are these farmers doing this? What are they doing to be able to drive this level of profit per cow/ha? What is common across all these farmers is their focus on key parts of their business. They are generally excellent farm/business managers. They have a deep understanding of their chosen farm system. The following is a summary of seven management practices and farming philosophies common to most of these farmers.

General Information on farmers surveyed:

- Cow numbers range – 115 to 580
- Farm Type – 13 spring calving and 2 winter/liquid milk
- Profits per cow** - €847 to €1,068
- Profits per Ha** - €1,418 to €2,557
- 12 farmers described their system as settled with 3 farmers still in expansion phase

1. Long term goals and a vision for the business

a. All farmers had a clear vision for the future of their farm.
b. All had short term and long term goals they wished to achieve – with a plan on how to achieve.
c. Only 33% of farmers had these goals/plans written down.
d. All used multiple types of advisors for advice and very much embraced the team approach.

> "while I don't actually write my plans down on paper I do work actively with my accountant and Teagasc advisor to set out plans on where my farm is going"

2. Pasture management - Soil & Grass a Key driver

a. Regular farm walks with all farmers surveyed measuring grass in some format.
b. Spring & Autumn rotation plan was a key driver in grazing policy.
c. 14 from 15 soil test entire farm every 2 years (1 testing every 3 years).
d. All had a planned reseeding policy.
e. All had a planned fertiliser policy designed based on soil test results (lime formed part of this plan).
f. Weather played a part in fertiliser decision making.

3. Breeding Decisions

a. All are milk recording an average of 6 times a year (5 were recording 8 times).
b. Fertility and solids are key considerations on breeding policy.

> 50% farmers cut and weighing for most accurate grass measurements

4. Benchmarking

a. 13 from 15 farmers completed the Teagasc eProfit Monitor.
b. These farmers, in general, were active in discussion groups.
c. 75% mentioned whole-farm budgets key figures to benchmark (25% said enterprise). Profits per ha and cow were key metrics of measurement.

> "key issue with Profit Monitor was ensuring accurate data"

5. Business Management

a. Machinery costs kept to the minimum with farmer paying for short term debt where possible from cashflow.
b. Attitude to debt was conservative on short-term debt, but they looked at longer-term debt much more optimistically
c. Farm well maintained in years with cash surpluses to allow for cost reduction in years where cashflow reduces.
d. All farmers reviewed their loans regularly and were prepared to shop around for the best deal and rates.
e. They all maintain rainy day funds. Overdrafts are for exceptional years, with farms operating cash surpluses on good years.

** *(before subsidies, stock fluctuations, depreciation and directors' costs)*

6. Financial Management

a. Creditor management was key, with all farmers stating they like to keep creditors paid within 30 to 60 days.
b. All 15 are using budgeting systems of some format.
c. Budgets adjusted over the year – adjusted for milk, input costs etc.
d. 50% would review budgets quarterly, and all were reviewing actual financials quarterly.

7. The farm team is valued, recognised and included:

a. Staff are valued and recognised. All had active rotas (4 from 15 were not actively employing labour).
b. Current economic situation is well communicated, and farmers seek ideas from the team on ways to improve the farm's efficiency.
c. Key farm decisions are communicated to farm team members.
d. Staff take holidays, including owners!

CASE STUDY: VISION IS NOT A ROADMAP BUT A COMPASS

Spanish Golfing legend Steve Ballesteros once said that as long as you visualise how every part of the shot, from how you stand over it to how it flies through the air, anything was possible: "I have hit shots simply by visualising the run of the ball. I had no problem in doing this because my mind clearly indicated I could not miss".

Enda Farrell, who began training as a teacher in UL before returning home to farm, also needed some incredible vision to convert the home beef farm to a dairy enterprise. Enda and his father, Kevin, displayed this vision in buckets as they managed and transitioned their 76 ha farm to a profitable dairy enterprise.

In 2016 the IGA chose their farm to host a beef grassland walk, and they called on the support of Teagasc and *ifac* to draw up a detailed plan to convert to dairy. He was subsequently to become the winner of the Teagasc/FBD Student of the Year in 2019.

The initial steps involved creating the land and building infrastructure, with a paddock/roadway system put in place, a parlour constructed and existing sheds retrofitted.

High-quality stock had always been a feature of the dry stock farm. The same approach was taken to dairy, with high-quality EBI stock purchased over a timeline to facilitate milking circa 110 heifers in 2020.

A carefully managed plan to gradually clear the beef stock and the associated stocking loans was vital. Having a clear understanding of cashflow was crucial to a successful transition, with two years between the initial steps and the first milk cheque.

A Registered Farm Partnership was created to maximise TAMS grants and secure a capital spend rebate of €80,000.

With this plan in place and a strong working relationship with their local bank advisor (Eamon O'Reilly, AIB), the loans designed to carry the farm through the transition.

So far, the key milestones were all reached. The family are into the second year of milking, with 112 cows calving down this year, and have delivered their capital project within budget. Kevin & Enda are now ready to think about their next move and another three-year vision.

This vision will increase the dairy herd to 150 cows, getting 500kg of milk solids from 500kg of feed. Housing facilities will be upgraded to allow for increased cow numbers. Off the farm, it will be vital to review and develop the business structure, possibly looking at a limited company for the period when capital allowances cease, and tax liability becomes a consideration once again.

The key to this farm's successful transition was making sure that they got the best advice from *ifac* from a farm structure and tax perspective to give the new enterprise the best chance of success.

Enda Farrell

Beef

Ireland's 80,000 suckler and beef farmers support thousands of rural jobs and produce a highly regarded, tasty and nutritious product. However, without subsidies to support their income, many farms in this sector would be unviable due to the narrow gap between production cost and selling price, which does not reward farmers for their time or labour or recognise the work that goes into complying with the quality and regulatory standards that protect consumers and the environment.

Subsidies are not just important to the beef farmer. They support thousands of jobs in rural Ireland where farmers' expenditure contributes to agricultural, construction and service businesses in the local economy and shops and restaurants. Subsidies also help to keep the price of beef affordable for consumers.

With many beef farmers operating on a part-time basis and working off-farm during the week to subsidise their family income, the subsidy cheque in the post is vital.

WHAT BEEF FARMERS WHO PARTICIPATED IN *ifac's* LATEST RESEARCH TOLD US:

VIABILITY

87%

said that their farm does not provide an adequate income.

SUCCESSION

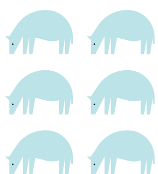
44%

said their main succession planning challenge is working out how to make the farm generate adequate income for their successor.

ONLINE SALES

73%

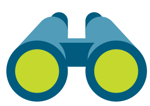
Covid-19 restrictions saw marts move online in 2020, with many sellers reporting interest from buyers across Ireland. Almost three-quarters of beef farmers want online sales of animals to continue after the Covid-19 restrictions are lifted.



STOCK LEVELS

57%

of beef farmers plan to maintain their stocking levels over the next three years, and over a quarter (26%) plan to increase stock. Only 15% say their stock levels will decrease.



FUTURE PLANS

24%

of beef farmers are unsure if they will still be farming in 5 years.

SCHEME PAYMENTS

Government data shows that, in addition to 2020 BPS/ANC payments, scheme details up to 5 February 2021 were:

24,430
farms in BEEP
(circa €1,825 per farm)

33,445
in BEAM
(circa €2,323 per farm)

27,411
Beef Finisher Payment
(circa €1,713 per farm)

46,750
in GLAS
(circa €3,570 per farm)

22,086
in Beef Data and Genomics Programme (BDGP)
(€1,804 per farm)

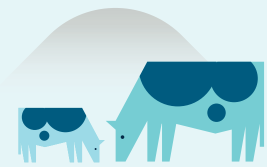
Source: DAFM, 5 Feb 2021 https://www.gov.ie/en/publication/ceea9-scheme-payments-update/

CASE STUDY: SUCKLER AND BEEF FARMING— MAKING A SIMPLE SYSTEM WORK

When it comes to making a suckler and beef farm generate a profit, there is no magic formula. With many farms operating on a part-time basis, finding a system that works for you can be difficult. One farmer who has found a successful system is Trevor Boland who manages a suckler and beef farm in partnership with his father Joe and also works part-time in *ifac's* Sligo office.

Trevor operates an autumn calving system, calving continental cows from August to October. The breeds include Charolais, Limousin, Angus and Salers. The aim is to calve all cows outside, starting on 1 August. The benefits of this are that there is less need for housing, it provides a clean environment for births, better diet for cows and a good supply of grass for calves. However, there are disadvantages if a cow needs assistance so having a yard and calving gate close by with easy access is necessary. For safety reasons, access to a yard is also needed to tag calves.

In 2020,



86%

of Trevor's cows calved in six weeks all using artificial insemination.

Trevor Boland, *ifac* Sligo

All calves are measured and weighed at birth, and the data recorded is added to the ICBF database.

The cows, retained outside, graze through a paddock system until housing on the October bank holiday weekend. AI starts on 15 October, with the majority of cows showing signs of heat before this date.

Bull weanlings are sold to a beef finisher at 10-12 months, while heifer weanlings are either retained for breeding, finished on-farm, or sold as breeding heifers. Trevor aims to calve heifers at two years old to reduce the carrying cost and housing space required on the farm.

SUCKLER AND BEEF FARMING – MAKING A SIMPLE SYSTEM WORK

Boland's Farm, Sligo

Grassland management plays a significant role in the farm operation and delivers a high output system without any additional time requirements. The entire farm is paddock grazed, with just four groups of stock grazing during the summer months. This system reduces the amount of time that has to be spent on the farm and means that jobs such as vaccinating, dosing, weighing and de-horning can all be done in one go.

Weekly grass measuring walks are carried out and the data recorded on the PastureBase grass measuring tool. This enables Trevor to grow and manage as much grass as possible during the year and avoid running short during slow growth periods.

Live weighing of cattle on the farm is also a big part of farm management. Monthly weighing of weanlings and stores at grass during the finishing period and cows at various time throughout the year gives an essential indication of live weight gains, which is what the beef farmer is selling.

All data is analysed regularly throughout the year, with improvements made where possible. A key goal is to continuously improve on previous performance; this includes regularly reviewing what is working and what is not.

From grassland management to breeding and herd health, livestock performance, and financial performance, no one element creates a successful suckler and beef farm. Each aspect needs attention to achieve financial success.

> Trevor's farm generates a positive net margin, which means all premium and scheme payments are retained in the farm business.

Trevor and Joe also have a store-to-beef operation, buying Angus and Limousin weanling heifers in the spring and bringing them to finish the following autumn, using a grass-based system which avoids winter finishing.

- 45 ha Area farmed
- 2.2 lu/ha Stocking Rate
- Autumn calving suckler cows. 40 Bulls sold at one year old
- Heifer replacements reared on farm AA Weanling to Beef enterprise Grass grown 2020 13 tonne DM/ha €urostar Replacement index €117.

INTERNATIONAL RELATIONS

The achievement of a Brexit trade deal with no tariffs or quotas on beef came as a relief for Irish farmers in this sector. Since January, there has been some disruption to trade for farmers using the British land bridge; however, extra ferry routes between Ireland and Europe help alleviate this problem. While it is likely that the trade deal may limit downward pressure on Irish beef prices, the risk of Britain agreeing trade deals with South American countries, Australia or New Zealand could threaten prices if Britain imports large quantities of beef from these countries. Separately, despite assurances from the European Commission that tariffs will protect Ireland's EU beef markets post-Mercosur, the possibility of increased beef imports into the EU also pose a potential threat to beef farmers.

PRODUCER RETAIL MARGINS

While suckler and beef farmers operate on low margins, processors and large retailers appear to make substantial profits through high margins on certain products or by adopting low margin/high output models that generate footfall. These practices disadvantage smaller local competitors.

One way to tackle this problem is through increased collaboration at all levels. With virtually every aspect of farm business recorded on national databases, it should be possible to build relationships based on trust at every step along the path from primary producer to consumer. Implementing an Unfair Trading Practices directive, appointing a National Food Ombudsman, and legislation requiring greater transparency by processors and retailers would support this. In addition, better access for beef farmers to Government supports, trade missions, and brands and logos provided by state bodies through their quality and sustainability programmes could help strengthen the industry.

CONCLUSION

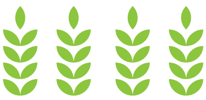
Ifac research consistently shows that EU CAP support is vital to beef farmers themselves and the wider rural economy. After a difficult year in 2020 when fears about Brexit and the impact of the Covid-19 pandemic were top of mind, 2021 is likely to see pressure on profit margins intensify due to higher input costs and increased competition from imports. This, coming on top of concerns about the future of CAP, will be worrying for farmers, many of whom are already concerned about the viability of their businesses. Collaboration and stronger working relationships are the key to overcoming the challenges that lie ahead. Rather than 80,000 farmers working as individuals, now is the time to develop relationships across the board, generating returns that reward stakeholders at every level from producer to consumer. Without these improved relationships from farm to fork, consumer to commissioner, country to country, the outlook for Irish beef production appears bleak.

Top Performers - Beef

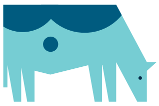
For the most part, beef farmers rely on subsidies to remain viable, however top performers in this sector consistently achieve a better return than their peers. *Ifac* studied 20 of these top performers to see what they do differently. The farms are located across Ireland, from Donegal to Waterford, and our study focused on profit per hectare before subsidies. The area farmed ranged from 40-87ha and farm types included calf/suckler and store to beef. Profits** per ha ranged from €409 to €672. All of the top performers have a Green Cert and 50% have off-farm income.

Soil
Top performers aim to farm sustainably. This is evident in their focus on soil health. Soil is tested every 2- 5 years and the results are used to optimise application of fertiliser and lime. Most avail of the Low Emissions Slurry Spreading (LESS) scheme.

Pasture Management
Top performers walk their farm regularly, assessing grass cover and reseeding poorer performing paddocks. Most allocate grass every 2–3 days, adjusting to suit weather conditions. The biggest challenge is limiting the number of stock groups on the farm.



Nutrition & Feed
While not all top performers test silage, all cut early to guarantee quality. Those in areas with heavier ground carry a silage reserve to protect against potential weather events. The ability to grow their own feed is perceived to be an advantage. Some calf to beef systems feed a TMR while other farmers grow additional feed in the form of cereals, whole crop, beet and maize.



Livestock Management
Suckler farmers focus on maternal traits and use the Euro-Star Index when making breeding decisions. They aim to calf heifers between 22-26 months, calving once per cow per year.

For dry stock farmers, the initial purchase price is key with anything above a target of <€2/kg for dairy bred stock seen as leaving little room for error.

Calf to beef farmers limit the number of sources of purchased calves and view the first 3 months of the calf's life as critical. The aim is to slaughter at 20-24 months. Calf types on top performing farms varied from better quality Friesians to Hereford and Angus.

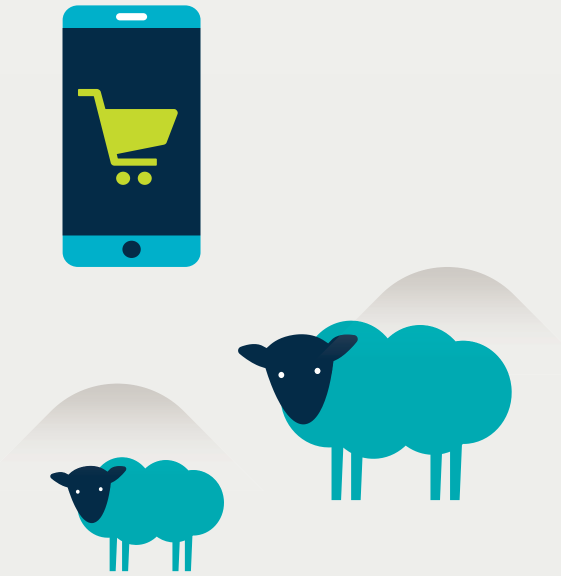
Regular weighing of cattle is used to monitor performance.

Business Management
Top performers consult advisors and are open to exploring ways to improve efficiency. 50% prepare monthly cashflow projections. Most are conservative in their attitude to debt, avoiding stocking loans but are using overdrafts at certain times of the year.

*** (before subsidies, stock fluctuations, depreciation and directors' costs)*

Sheep

After a challenging start, 2020 turned out to be a positive year for sheep farming. Online marts proved popular with farmers, and Bord Bia data shows the average price for sheepmeat was €5.24/kg, up approximately €10 per head in 2019 for lambs at 21 kg dead weight. Kill figures for 2020 show an increase in the total number of hoggets (5%) and spring lambs (3%), while there was a 5% reduction in the number of ewes. However, notwithstanding that 2020 was a reasonably good year, viability is a challenge on some farms in this sector. As on beef farms, subsidies and off-farm income are often needed to sustain farm families and businesses.



KEY SURVEY FINDINGS

INCOME

25%

of sheep farmers who participated in *ifac's* latest research said their businesses provide sufficient income to support themselves and their families; however, 35% said their business's viability is their biggest concern.

STOCK LEVELS

53%

plan to maintain their stocking levels over the next three years, with 32% planning to increase stock. Only 11% will decrease stock levels.

ONLINE MART SALES

72%

hope to see these sales continue post Covid-19 restrictions.

BUDGET

67%

do not have a budget in place.

OUTLOOK

49%

said the outlook for sheep farming is positive.

SUBSIDIES

The extension of the Sheep Welfare Scheme for 2021 is welcome. This scheme helps improve flock management and farm performance; however, the level of support is relatively modest at €10/ewe.

OUTLOOK

Overall, the outlook for 2021 looks positive. Fears about the impact of Brexit eased following the agreement reached between the EU and the UK last year; however, rising costs are a concern. Higher feed and fertiliser costs in the first weeks of 2021 may cause profit margins to plateau, while the reduction of throughput of ewes in the first 5 weeks of the year could result in a late mean date of lambing.

Uncertainty about the future of GLAS is a further concern. Additional supports in line with those available to suckler and beef farmers would be welcome.

While sheep farming is a low margin business, there are opportunities for farmers to enhance profitability by becoming more efficient. In particular, measures to stabilise cash flow throughout the year are beneficial. Careful management of cash flow also means that better information is available when making decisions about when to purchase inputs and highlights opportunities to reinvest in the farm throughout the year.

Case Study: Velvet Cloud

MEETING CONSUMER DEMAND FOR BETTER NUTRITION

Velvet Cloud is the brainchild of Aisling and Michael Flanagan, a husband-and-wife duo from Mayo who started their sheep milk, yogurt and cheese business six years ago. Both have a primary degree in Agriculture Science from UCD and worked abroad before returning home to start their new venture. Today, their farm is family affair, with their four children helping out in the business.

MARKET RESEARCH

Aisling has extensive marketing experience having working with Bord Bia in France and Italy. Before setting up Velvet Cloud, she and Michael conducted extensive market research, which included visiting farms in France and the UK. Having found that clinical evidence of sheep milk's nutritional benefits was driving consumer demand for sheep milk products in a society increasingly aware of dietary intake, they bought a 20 aside second-hand parlour designed for goats which they adapted to suit sheep and started to produce sheep milk. From their research, they knew that sheep yogurt was selling well in the UK and they had begun to research sheep cheese, selling their first cheese blocks in 2017.

FARM SYSTEM

The breeds on the Flanagan farm are Friesland and Lacaune and, as breeding improves, productivity and yields are increasing. Currently, their sheep milk averages 6.5% fat and 5.5% protein with the flock producing a daily yield of two litres per ewe at a milk price of €1.40 per litre. Solids in sheep milk are 75% heavier than cow milk so it takes just 6.5 litres to produce 1 kg of cheese compared to 10 litres of cow milk.

SALES

More than a third of Flanagan's sales are to food service businesses - a sector severely affected by the Covid-19 lockdown restrictions. However, retail sales have held up well during the pandemic while online sales have grown, helped by the Flanagan's savvy use of social media to promote their brand.

INTERNATIONAL MARKETS

In Europe, sheep milk products are popular in France, Spain, Greece and the Netherlands where consumers like their digestibility, nutrition and taste. The products also suit people with cow milk intolerance and dairy protein allergies. Further afield, in New Zealand, where Government funding and research has supported significant growth in the number of sheep milk farms over the last four years, dedicated plants producing sheep milk products and infant formula lines are helping farms to capitalise on fast-growing Asian markets.

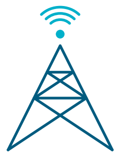
THE FUTURE

Already, the Flanagans supply 100 mainstream retailers and plan to increase their nationwide coverage. They see a need for Ireland to adopt more out of the box thinking, focusing on creating sustainable industries closely aligned to consumer demand.

Tillage

Tillage is a specialist business at the best of times. In a sector where operating costs are one of the main barriers to entry, scale is a key driver of profitability. While high yields were achieved on some farms last year, overall production was down. Shortages drove up prices, with green barley making €150-€155 per tonne compared to €140-€145 in 2019, while green wheat made €170- €175, up from €150-€155. Unfortunately, the higher prices did not offset the impact of poor yields which resulted in farmers experiencing weaker profits in this sector last year.

KEY SURVEY FINDINGS



TECH

49%

now use precision farming technologies such as GPS and 59% consider broadband to be essential for running their business.

FUTURE

15%

either won't be farming in 5 year' time or are unsure if they will be farming.

INCOME

63%

said their farm does not provide sufficient income to support their family.

SUCCESSION

71%

have not identified a successor.

VIABILITY

1 in 3

said their farm is not viable.

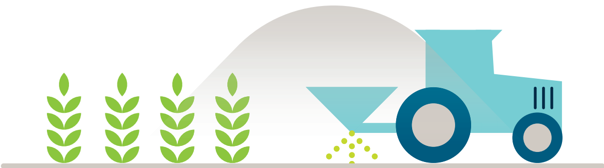
OUTLOOK

43%

have a positive outlook on farming.

SUPPORT FOR TILLAGE FARMERS

In tillage, as in other sectors, CAP is a key driver of profitability. The Department of Agriculture has confirmed that the protein payment will be available in 2021 and a €10m pilot scheme is expected to cover chopping and incorporating straw for wheat, barley, oats and rye. At the time of writing, reports suggest that a payment of €250 per ha could be available.



***Ifac* INSIGHTS/OUTLOOK**

Pressure on costs will continue to be a challenge for farmers in this sector. While forward prices for harvest 2021 currently appear to be broadly in line with 2020, higher fertiliser costs may erode profit margins. Meanwhile, farmers face the possibility of fewer plant protection products being available despite the impact of climate change on crop diseases. This compounded with likely restrictions on the use of fertilisers could impact crop management and profitability.

On a more positive note, while competition from dairy farmers has driven up land rental/leasing costs in recent years, farmers who control costs and manage output are demonstrating that they can outperform their peers. Innovative thinking and sensible policies should enable tillage to continue to make a positive contribution to Irish agriculture.

CASE STUDY: CROP ROTATION ON THE O'REILLY FARM

James O'Reilly from Co Kilkenny operates a large tillage farm with his parents, Larry and Anne. The land base is fragmented—20% owned, 40% under long term leases and 40% in share farming arrangements.

In 2000, the O'Reillys began establishing crops using a minimal cultivation system which Larry pioneered 21 years ago. This system helps improve soil structure as well as establishing crops in a timelier manner and reducing machinery costs.

Crop rotation

Prior to 2012, the main crop on farms was wheat. However, since then a crop rotation system has been introduced.

The O'Reilly farm is in five blocks, each of which follows the same 5-year rotation pattern— winter barley, oil seed rape, winter wheat, oats and then back to wheat. Since switching to this system, margins and yields have improved. Rotation also helps control disease and grass weeds while reducing nitrogen and pesticide usage.

"Switching to crop rotation is not exactly a new farming technique. Our ancestors had good reasons for never growing the same crop in the same field two years running," says James.

Managing the business

Prior to planting, James creates a budget setting out the costs of producing each crop. He then compares his actual costs against the budget during the growing season.

If you get the costs of production right on the first acre and keep managing the spend on each crop, this will result in higher net margins, he explains.

In 2013, James started applying phosphate fertiliser down the spout at sowing which resulted in a 50% reduction of phosphate used—a big saving on input costs and better for the environment.

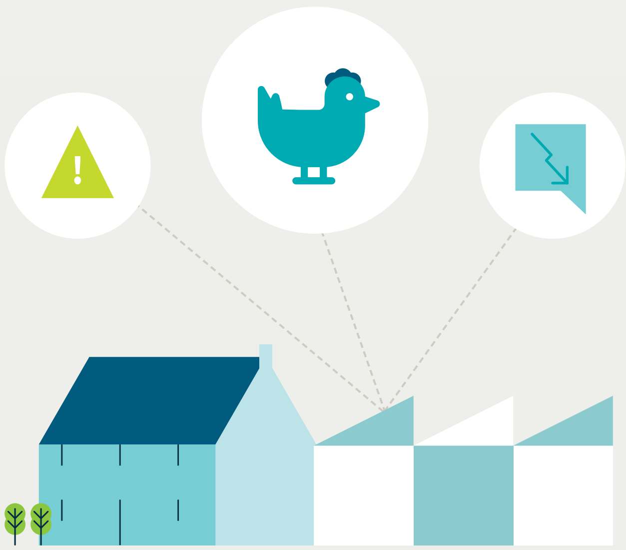
Today, he no longer applies pesticides prophylactically. Instead, he treats crops only when necessary. He walks each crop at least once a week during the growing season. This has reduced the cost of production by 20%.

James takes every opportunity to forward sell crops prior to harvest. He is not trying to beat the markets, he just wants to eliminate price risk as this helps achieve more consistent year on year crop margins.

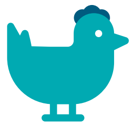
In terms of performance, the 3-year average gross margin across all crops on the O'Reilly farm is €1,278 per ha with a net margin after machinery costs and labour of €957 per ha. This does not include land rental costs or income from Area Aid.

Poultry

While the world focused on Covid-19 lockdowns in 2020, the poultry industry had a lockdown of its own to contend with. Detection of LPAI, the low pathogen avian influenza, led to housing of flocks and tighter biosecurity measures, culling birds on some farms. LPAI is highly infectious and can potentially impact the earnings and profitability of the entire poultry industry if allowed to go unchecked. In an effort to halt the spread of the disease, industry stakeholders set up a Poultry Working Group to support farmers who had to dispose of their flocks and established an industry fund to provide compensation.



MARKET FOR POULTRY PRODUCTS



500,000

birds culled on Irish farms in 2020, mainly laying hens, due to LPAI.

2m

The weekly kill of broilers by the main three processors.

14%

Retail sales of chicken on the supermarket shelves increased during the Covid-19 lockdowns, with Bord Bia reporting a 14% increase in retail sales of Quality Assured Irish poultry meat. The lockdown restrictions led to a move away from the foodservice sector, which was partly serviced by imported chicken.

IFA Poultry Council Reports 2020

OUTLOOK

With the Irish market consuming more poultry than it produces, the outlook for 2021 is positive. The broiler sector is expected to grow by around 5% this year, and processors are already showing an appetite for additional houses to be brought into production, particularly in the free-range end of the market. Processors are keen to improve bird health and profitability through efficiencies and explore the potential of new breeds and new niche markets. However, the poultry landscape is set to change in the coming years with enriched colonies due to cease production in 2025. While some of these colony houses may convert to producing barn eggs, the free-range egg looks set to become the commodity egg offering in the not-too-distant future.

CASE STUDY: POULTRY

Converting to a Biomass Renewable Energy System under the SSRH.

With an increase in carbon taxes and LPG (Gas) prices, many poultry farmers are now looking towards biomass systems to increase their farms' efficiencies. Significant capital investment is needed to make the switch from LPG to biomass, and with most of those who have made the leap still in their first 12 months of operation, the sector is still learning what the pay-off will entail.

The introduction of the SSRH – Support Scheme for Renewable Heat – has been a welcome addition to the industry. The SSRH is a government-funded initiative run by SEAI designed to increase the energy generated from renewable sources. The scheme is open to commercial, industrial and agricultural sectors alike. Along with a potential installation grant of 30% of eligible costs on Air, Ground or Water source heat pumps, the scheme also offers an ongoing source of income based on useable heat output in renewable heating systems for up to 15 years.

Proposed Installation

- Broiler farm with 175,000 birds per batch
- 4 poultry houses
- Proposing to put in a 500KW biomass boiler with an 18,000L buffer tank at a total cost of installation of €278,035 excluding VAT.

The decision to go with a larger buffer tank reflects the farmer's intention to expand with an additional 50,000 bird poultry house in the future. An additional boiler will also be needed, incurring an estimated cost of €79,000, excluding VAT. A 10-year loan has been secured to fund the project. The farmer will also be able to claim 100% Accelerated Capital Allowances on the eligible installation costs against their taxable profits in year one.

Although woodchip is cheaper to buy, the farmer will run the system on wood pellets instead as they are easier to handle and store, are a cleaner product and have a guaranteed quality by EN standard.

The biomass system will require more attention from the farmer than the traditional LPG system, presenting a higher labour input to the farmer in a time when labour is in short supply. However, the financial savings are considerable.

Finian O'Harte

	€
Current LPG costs on the farm	83,489
Projected Biomass costs for heating	53,619
Projected SSRH Tariff (Cash Back)	-36,536
Projected net cost of Biomass Heating	17,083
Potential saving p.a. on Biomass System V's LPG	66,406 p.a.

The proposed plan represents a 79% saving on heating costs per annum with a total saving of €996,090 over 15 years, the current life cycle of the SSRH. The system shows a 4-year 2-month payback on the farmer's initial investment on the projected figures.

> "The adoption of the biomass heating system in our farm brings with it a sense of pride to be part of a forward-thinking industry, which facilitates the production of Low Carbon Chicken.
>
> The savings in heating costs are already evident in year 1, and birds seem more content in themselves with the level of heat generated, versus that of our previous LPG system."
>
> **Finian O'Harte,** Clones, Co. Monaghan

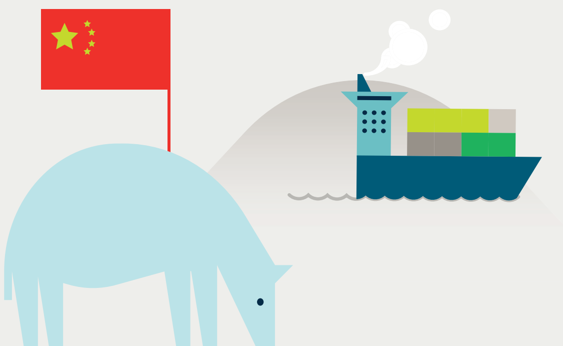
Poultry farmers who have adopted the system over the last 12 months have noticed a better heat and a better atmosphere in their poultry houses since installation, contributing to bird health and performance.

The project represents an exceptional return on investment and future proofs energy costs on-farm for the next 15 years.

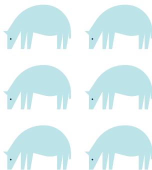
Pigs

China's pork herd - still a long way off full recovery?

China's rate of recovery from ASF (African Swine Fever) will continue to have a significant impact on the global meat protein trade and prices over the next few years. At one stage, China, which had more than half the world's pig population and over 435 million heads of pig, has seen a 42% reduction in its herd since ASF wreaked havoc for pig farmers across Asia and Eastern Europe. This reduction in headcount left a huge deficit in the country, a void that was filled with imports resulting in a strong uplift in pig prices on the world market in 2019 and Q1 2020.



KEY PIG STATS



HERDS

1,675

The national herd consisted of 1,675 active herds containing 1,702,921 pigs.

LARGEST HERDS

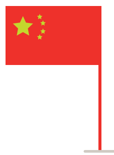
272

Cork continued to record the largest number of herds (272), accounting for 16.2% of the total number of active herds, while Tipperary had the next highest level with 120 (7.2%) active herds.

INCREASE

58,800

Total 2020 recorded pig numbers reflect an increase of 58,800 pigs (3.6%) on the 2019 national herd.



EXPORT DESTINATIONS

41%

of all Irish primary pigmeat exports are now destined for Asia, with China accounting for the majority.

EXPORTS

234,000t

Overall Irish exports of primary pigmeat increased by 3% to 234,000t.

EXPORT VALUE

€586m

Irish primary pigmeat exports for 2020 were 14% higher at €586 million.

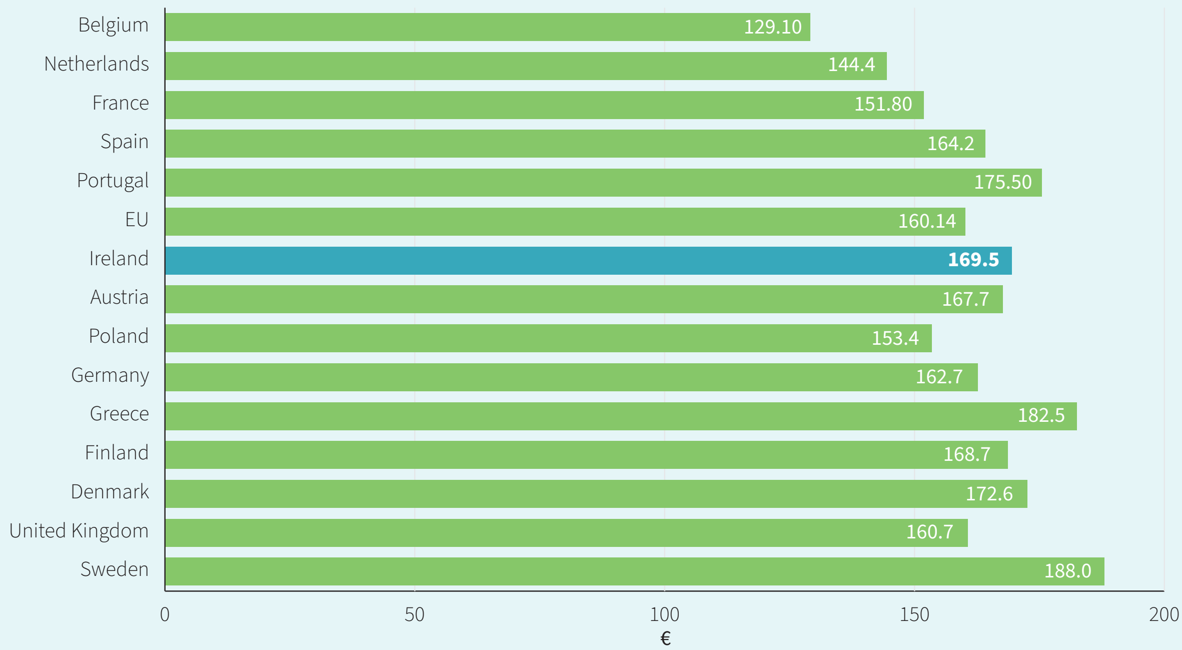
Sources: Bord Bia Export Performance and Prospects Report 2020/2021
Department of Agriculture, Food and the Marine European Commission

In June 2020, China implemented import bans from some of the bigger players in the European market, e.g., Germany, due to Covid-19 and ASF issues. This led to massive disruption in the European market, which had a negative impact on prices. Spain capitalised on this suspension, and its pork exports rose to China, and they filled a large portion of the void left by Germany. Germany is continuing to focus its attention on sourcing alternative export destinations, while Spain and Denmark will continue to benefit from Germany's absence in some Asian markets.

AVERAGE ANNUAL IRISH PIGMEAT PRICES

Source: Department of Agriculture, Food and the Marine European Commission

PRICES PER COUNTRY FOR 2020



Source: ec.Europa.EU: EU pig historical prices 10 Feb 2021

CONCLUSION

Many market analysts think that the recovery of Chinese pig numbers has been exaggerated, and their ASF issues have not gone away. If this is the case, European pig prices could recover strongly in Q2 and Q3 of 2021. There are many variables at play, i.e., Coronavirus, ASF in Europe etc., so any forecast needs to be cognizant of these factors and how it will pay out for 2021 is anyone's guess.

INCREASED CARCASS WEIGHT TO MAXIMISE PROFITS

Over the years, the slaughter weight of Irish pigs has increased greatly, with the average carcass weight of pigs slaughtered in Ireland increasing from 64 kg in 1970 to 86.7kg in 2019[1]. While it is generally financially prudent for pig farmers to maximise their slaughter weights, they must adhere to the upper carcass weight limits set by their meat processors, or they will incur penalties.

Taking this into account, we examined a case study to ascertain the financial return of increasing carcass weight of pigs from 83.2kg to 90.1kg calculating all the associated fixed and variable costs.

CASE STUDY:

Pig Farm

720 sows finishing 400 pigs per week at an average carcase weight of 83.2kg

Assumptions

- Finisher feed cost per tonne €290
- Sale price per kilo of carcass €1.58
- Food conversion for extra live weight gain 2.52/1
- Food conversion existing = 2.46:1
- Kill out percentage = 77%
- Transfer of weaner-finisher = 40kg
- Current live weight at sale = 109kg
- Propose live weight at sale = 117kg

New Building Requirements (to accommodate longer finishing)

- 400 extra spaces costing €300 per space, approximately €125,000, borrowing full amount at an interest rate of 4% over 7 years.

Table 1

FACTOR	EXISTING	PROPOSED
Liveweight @ sale	109 kg	117 kg
Carcass weight @ sale	83.2 kg	90.1 kg
Extra Feed	Same	Food conversion from 40kg-117kg @2.52=505 Tonnes
Cost of Extra Feed	Same	505 Tonnes x €290/t = €146,450
Increased Revenue	Same	8kg LW x 77% = 6.16kg carcase x €1.58=€9.73 per pig x 20,800 (total pigs sold) = €202,384
Cost of Bank Finance	Same	€20,184 per annum or €0.97 per pig

1 Teagasc National Pig Herd Performance 2019

Table 2

FACTOR	EXISTING	PROPOSED
Extra Revenue	Same	€202,384
Extra feed cost	Same	€146,450
Repayment costs	Same	€20,184
Dilution of fixed costs[2]	Same	€0.01 per kg = €0.90 per pig= (Total) €18,720

Conclusion

	€	€
Additional Revenue from heavier pig weight		202,384
Cost of Additional feed	146,450	
Cost of Bank Loan	20,184	
Total Additional Costs		(166,634)
Net Additional Revenue		**35,750**
Reduction in Fixed Costs Per Kg (Dilution effect)		18,720

2 Fixed costs are diluted by €0.01 per kg as based on extra kg of Pigmeat sold

Forestry

Compared to the EU average of 30%, Ireland's 11% forestry coverage is low. Government policy aims to increase this to 17% through various incentives. While planting trees can be a good way to diversify farm income, finance is not the only consideration. Environmental and social factors must also be taken into account.

FINANCIAL CONSIDERATIONS

When looking at the financial aspect of planting trees on your land, key questions to consider are:

- What land will you use and what is the projected income/loss? Teagasc studies suggest that while cattle and sheep enterprises farming on marginal or poor quality soils can achieve a positive net margin by switching to forestry, high income farms and/or farms with high quality soils may incur a net loss as the land can no longer be used for traditional farming.[3]
- What type of trees will you plant? Factors to consider include grants, accessibility of the land in question, soil/land type and projected clear-fell (which will depend on the type of tree). Like any commodity, timber prices fluctuate, however forests are a long term asset so farmers can choose their timing, for example delaying clear-fell for a year if it suits their needs.
- What are the projected re-planting costs?

ENVIRONMENTAL IMPACT

At a time when climate change mitigation measures are centre stage in Irish, EU and global policy, farming, rightly or wrongly, is seen as a major contributor to Ireland's greenhouse gases. On suitable land, switching to forestry not only helps the global environment but also benefits the farms in question. When forests are clear-felled and replanted, significant levels of carbon can be stored in the harvested timber. Timber products used in construction then act as a carbon store. Farm forests further benefit the environment by providing unique habitats for wild plants and animals, which enhance biodiversity in the countryside.

SOCIAL IMPACT

Forests are among Ireland's most popular amenities. From wild forests in the countryside to urban forests in parks, publicly accessible woodlands are popular amenities and support mental health and wellbeing. However, where forests are used for recreational purposes, it is vital to have appropriate insurance.

CONCLUSION

While forestry does not suit every farm, it provides a means to diversify income on suitable land. There is also potential for groups of farmers with adjoining marginal land to collaborate on forestry projects.

3 https://www.teagasc.ie/media/website/publications/2016/TResearch-Winter-2016.pdf

Example: 5 ha of diverse forestry plantation

	€
Set up and maintenance cost (covered by grants)	0
Premium per annum – circa €680 per ha for 15 years	51,000
Clear-fell in year 25 – circa €20,000 per ha	100,000
Replanting cost post clearfell – circa per ha €3,500 to €4,500	(20,000)
Total gain over 25 years	**€131,000**
Profit per year based on 25 years-- €5,240 per year (or €1,048 per ha)	

Note: Example does not include opportunity loss in land not being used for other farming. Income is presented pre-tax incomes and does not take into account the different treatment of agricultural and forest incomes. Income from forest premiums and sales of timber, up to certain thresholds, is not liable for income tax. BPS can be claimed on forestry land.

CASE STUDY: FORESTRY IN ACTION

Over the past 25 years, the CJ Sheeran group has become Ireland's largest manufacturer of timber packaging and pallets. Currently, the company's input costs are rising but higher prices have not put off their customers.

COVID-19 IMPACT

"There has been an explosion in demand for timber partly driven by more people at home due to the Covid-19 lockdown restrictions," explains Business Development Director Fergal Moran.

This, along with supply constraints stemming from a backlog of tree-felling licences which has gone on for 18 months, has resulted in the price of saw timber increasing by over 20%. What is bad news for the company's end users, is music to the ears of farmers with timber planted, says Moran.

SUSTAINABILITY

Sustainability is at the heart of the CJ Sheeran business model. Over 40,000 pallets a week are recycled, with measures in place to minimise the miles covered by those pallets between use and re-use. Pallets that cannot be repaired or reconditioned are repurposed into either biomass or the company's successful equine bedding product, 'Comfybed'.

"A lot of what would have been waste 15 years ago is now repurposed, and these business lines have all been very resilient, even in the face of Covid-19," says Moran, adding that sustainability is as important as price, quality and security of supply to the group's multinational customers.

Fergal Moran of CJ Sheeran

SUPPLY CHAIN

To secure its supply, CJ Sheeran has begun to import timber from West Scotland and the Baltic countries.

"The bigger challenges at the moment are definitely on the supply side. Lead times used to be about two weeks, they're out to around four or five now, but the order always gets filled," says Moran.

OUTLOOK

Despite Brexit, there will be good opportunities in the UK market for Irish timber producers over the next 10 to 20 years, Moran believes.

"There was a time when you might have struggled to attract talented young people to this business, but now they look at us and see a bigger organisation, more scope for progression, and a business that is resilient and sustainable into the future."

Enhancing performance with FarmPro

Jerry O'Neill

William McCullagh is a born and bred farmer based in Co. Cork where he and his wife run a dairy farm helped by a full-time farm worker and William's parents. William took over the business when he left college. At that time, it consisted of 80 dairy cows on a small block of land. He subsequently inherited more land, but it needed development, and he had to pour time and resources into it to make it suitable for farming.

Today, William has successfully grown the business. He now has 300 dairy cows and uses FarmPro to help him control costs, improve efficiency, and enhance planning.

"When I took over the farm, I had to put in a new milking parlour, new roadways, fencing, sheds, winter housing and more. So, after that development, I was heavily borrowed. That's when *ifac* suggested the FarmPro service. It helps to manage costs, and since I started using it, it has benefited me massively. It was a big change in the way we work, but I'm very happy with it."

William meets Jerry O'Neill, a specialist FarmPro advisor, once every three months and says this really helps him manage the business more effectively.

> "It makes me disciplined in my spending. Now, if I want something new, I can look ahead to see if I can afford it or not, instead of buying it and then thinking, 'oh no, how will I deal with this when I can't afford it?'"

Dairy farmers are often cash-rich in the summer but get caught out in winter when their income goes down. A key benefit of FarmPro is that it makes it easier to manage cashflow. Before using the system, William did not do much budgeting, but now he finds the information available from FarmPro very helpful. At the moment, he only uses certain parts of the product, but already he has seen a lot of benefits.

"I know there is a lot more the software can do, but the main things I have been looking at are the cash flow forecasts, variance report, and benchmarking… The variance report is great to compare how I'm going against last year ... With benchmarking, you can compare yourself to others and see where you need to tighten up costs, where other farms are doing better than you, and also where you are doing better in some areas. It makes you more cost-efficient … What I've realised from using this software is that it's the little changes across the whole operation that makes the biggest difference."

CASHFLOW MANAGEMENT

Effective cash flow management is a cornerstone of successful businesses. It helps ensure that your business remains solvent and protects your credit rating.

UNDERSTANDING YOUR BUDGET

Writing down your projected income and expenses for the period ahead is the first step in farm budgeting. Once you have done this, *ifac* can convert it into an annual budget by bringing in your opening bank balance, analysing data and providing you with a monthly report that will help you identify any periods in the year where there may be cashflow deficits. This enables you to plan ahead and seek finance from financial institutions or short-term credit from merchants when necessary.

Ifac can also help you to evaluate the likely impact of new ideas for profit generation and analyse potential scenarios that can arise during periods when income or input prices are volatile. These partial budgets analyse how income and expenses will change in a particular period and calculate the impact on your overall farm budget.

OWNING YOUR BUDGET

When starting the budgetary process, it is critical to use realistic data. Most farmers base their budget on an average of previous years' financials, adding in any necessary adjustments for the year ahead. The budget needs to reflect your physical and financial targets. It is important that you own the plan as you are the person who will implement it.

REVIEWING YOUR BUDGET

Budgets must be kept under review as you move through the year so that you can spot any overruns and take corrective action. This will ensure there is cash available to pay bills and make bank repayments as they fall due. Remember that any red mark on your credit rating will lead to difficulty when renewing loan facilities. Where a cash deficit is likely to arise, it is important to flag this as early as possible with your bank.

BENCHMARKING

Benchmarking compares your farm data with data from a reference pool of similar farmers. It highlights where your farm performance is above or below the group average and helps identify changes that can improve your business's profitability.

Managing cash flow on a day-to-day basis helps you make better business decisions. Seek your accountant's advice when preparing your budget. A professional view of your plan will identify potential problems and highlight opportunities that you may have missed.

William McCullagh

CAP Reform

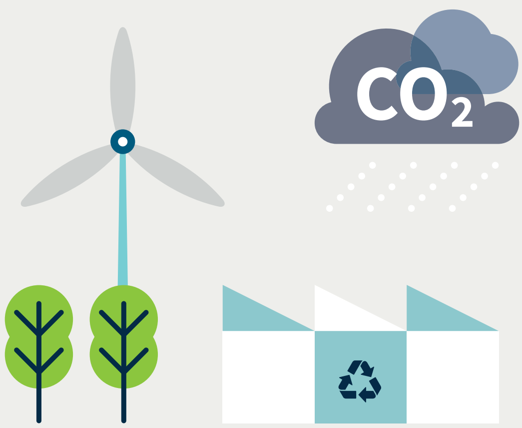
Colm Markey

By Colm Markey MEP, member of the European Parliament Committee on Agriculture and Rural Development.

The Common Agricultural Policy is undergoing its sixth major reform since its inception in 1962. In recent years, the European Union has put the environment at the core of all its major policies, and agriculture is no different. Farmers will have to play their part, but generally, the new policy is more simplified and modern.

The European Council and the European Parliament established their negotiating positions on CAP in October 2020. The process is continuing at the technical and political level, and a breakthrough could come by May. In the meantime, the current rules have been extended, ensuring the continuation of direct payments and the funding of new projects and, most importantly, giving some certainty to farmers.

It has taken many years to get to this point, and the new CAP covers a wide range of issues, but there are some key changes;



STRATEGIC PLANS

Firstly, member states will have a bigger role to play in the CAP rollout. Each country must put forward strategic plans explaining how they intend to meet the nine CAP objectives. To assist member states, the Commission has published a list of recommendations for Ireland, focusing on the objectives of the Farm to Fork and Biodiversity strategies - key pillars of the EU Green Deal. Farm to Fork aims to improve the EU food system while the Biodiversity plan focusses on conserving and restoring ecosystems.

ECO SCHEMES

The structure of CAP is also changing, with eco-schemes taking centre stage. They set out to reward and incentivise farmers for taking action towards more sustainable practices. Both the Council and Parliament have proposed amendments to the Commission's original proposal, which would ring-fence a minimum budget for eco-schemes at 20% (the Council) or 30% (the Parliament) under Pillar 1 national envelopes for direct payments. The Commission has made suggestions about how Irish farmers could benefit from such schemes such as conservation of peatlands and funding animal welfare initiatives.

CONVERGENCE

Perhaps one of the biggest sticking points is the issue of convergence or 'levelling' of payments to farmers. Over the last 6 years, convergence has reduced payments to those with the highest entitlements while those with entitlements valued less than 90% of the national average gained increases. The Commission proposes that entitlements reach at least 75% of the national average by 2026, something the Council agrees with. Still, Parliament takes a different view, calling for all entitlements reaching the 75% mark by 2024 followed by full flattening by 2026. Internal convergence in Ireland is on pause for the moment - allowing for some breathing space.

YOUNG FARMERS

The new Common Agricultural Policy is good news for young farmers. The Parliament is calling for at least 4% of direct payments to support young farmers - double the 2% proposed by the Commission. The Commission also proposes to remove the requirement that a young farmer should be establishing a holding or have done so within the previous five years. Member States would set the definition of a young farmer, subject only to an age limit that cannot be greater than 40. Separately the EU recovery instrument allocates 8 billion to agriculture – 55% of which will be allocated to young farmer start-ups and on-farm investments.

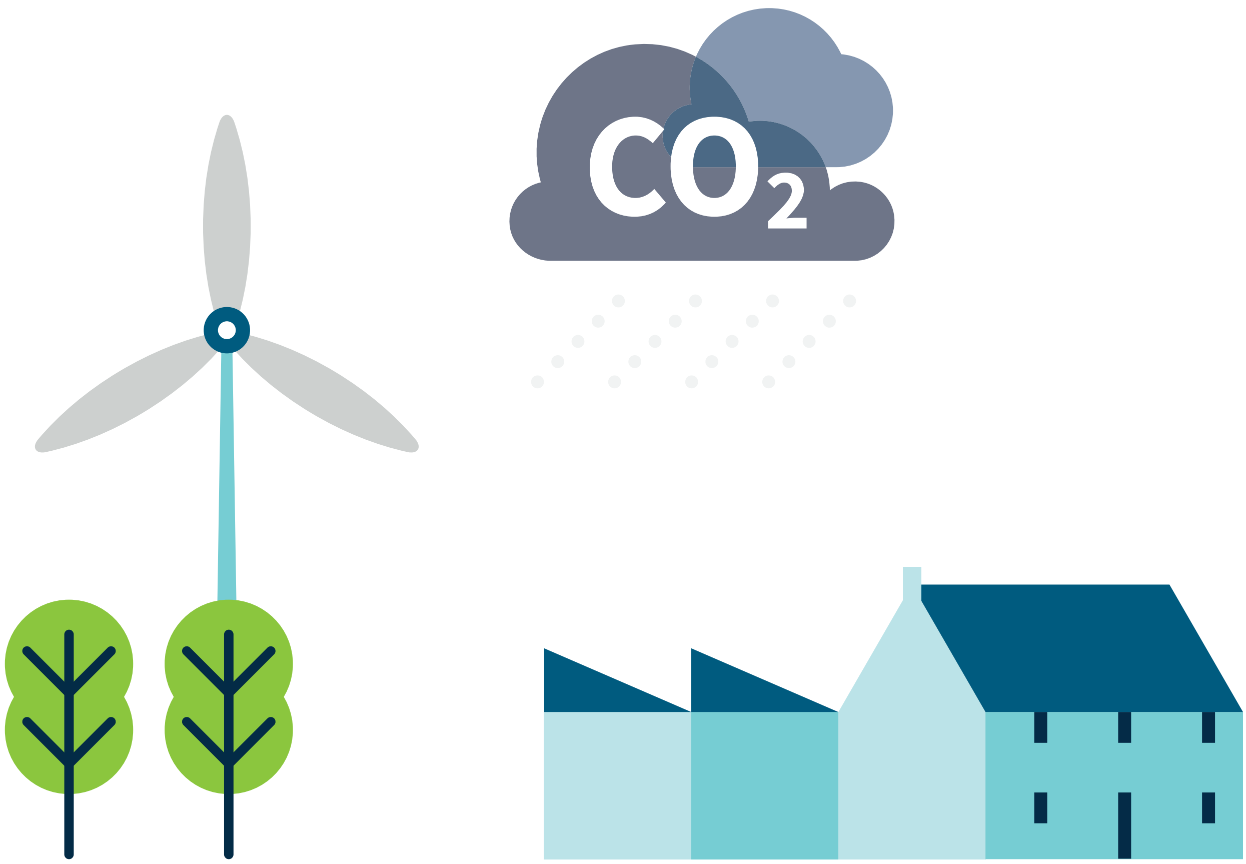
In 2016, for every farmer younger than 35, there were more than 6 farmers older than 65. Persuading more young people to begin farming is a challenge, and the supports available in the new CAP will be crucial for generational renewal.

GENUINE FARMERS

Another important issue is around defining a ‘genuine farmer’, and there are differing views. Essentially, it comes down to distinguishing between the ‘active farmer’ and the ‘armchair farmer’. The concept of active farmers was introduced in 2013, and the legislation set out a negative list of activities – such as those who operate airports, waterworks, railway services and recreational grounds. Until 2017, those operating activity on the list were not considered “active farmers” unless they could prove their farming activity was not marginal. In 2018, this provision became optional. The Commission’s new CAP proposal re-labels the active farmer as a genuine farmer - something the Parliament supports. In Ireland, a consultation on the issue will take place in the autumn.

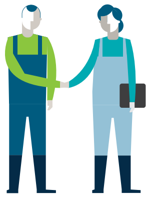
GETTING OVER THE LINE

The Common Agricultural Policy accounted for 34.5% of the 2020 budget, so it is perhaps not surprising that various interest groups all want input. However, amid all the noise, we must ensure that farmers’ voices are heard as they will be the ones most impacted. There will always be winners and losers, and although the CAP is not perfect, it is a step in the right direction.



Succession

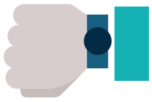
When carefully designed and implemented, succession planning achieves a smooth transition of farms from one generation to the next. A carefully designed plan will protect the senior generation's income, provide for family members, and position the successor to take the business forward into the future. However, it is important to recognise that succession planning is a process, not a single event. It takes time to identify and develop a successor, and care must be taken to ensure that tax incentives and reliefs are maximised. This can affect the future viability of the business.



SUCCESSOR

50%

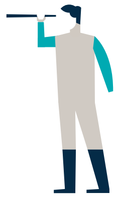
Around 50% of this year's respondents have given at least some thought to succession planning. Of these, 29% have identified a successor while a further 21% have a possible successor in mind, although decisions have still to be made.



RETIREMENT

58%

58% plan to retire, and 31% want to remain involved in the farm after retirement.



VIABILITY

31%

identified concerns about their business's viability as their top succession planning challenge, followed by lack of lifestyle appeal (16%) and no interest among the next generation (9%).

WILL

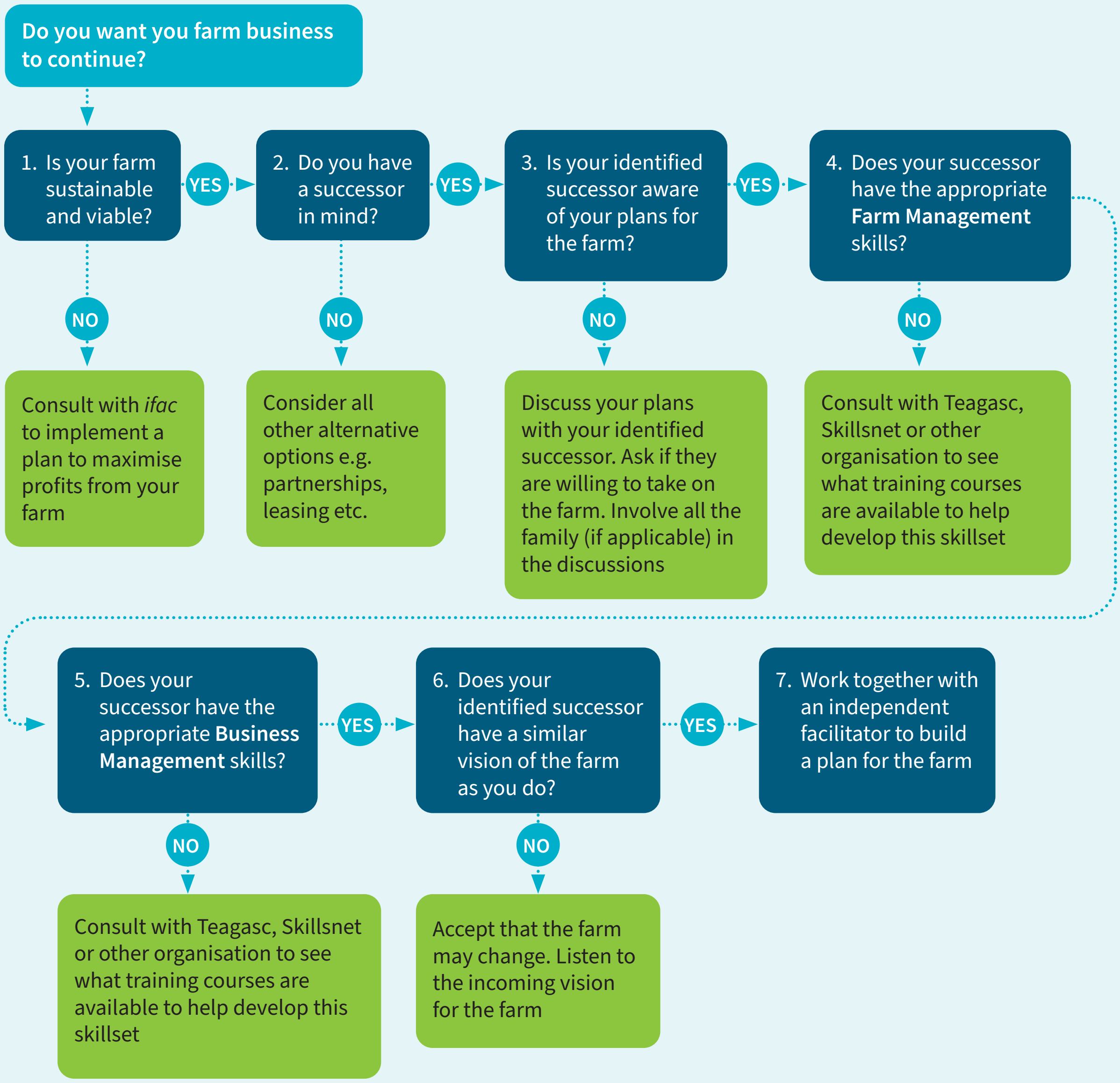
40%

Worryingly, 40% of survey respondents have not yet made a Will despite the risks this presents for farms and families.

KEY SUCCESSION PLANNING QUESTIONS

- Do you have a successor in mind?
- If there is no successor, have you considered options such as leasing or selling your business?
- What provision, if any, have you made for your future income?
- What will happen to the farm dwelling house?
- Do you want to continue to be involved in the farm after you transfer the business?
- Might you need to avail of the Fair Deal Nursing Home Scheme?
- Have you obtained tax and legal advice on your plans?
- Have you considered forming a Succession Registered Farm Partnership?

THE PROCESS OF SUCCESSION PLANNING



Declan McEvoy, Head of Tax

SUCCESSION: GETTING EVERYONE'S POINT OF VIEW

You know what your own concerns are, but how about everybody else? Let's look through some of the possible points of view – it can be helpful to get an understanding of how others might be feeling before you all get around the table.

ARE YOU THE OUTGOING GENERATION?

Having worked on the farm all your life, you'll need to prioritise your own financial security before transferring assets. You'll need to think about the following:

- Your timeframe to exit the business?
- What level, if any, you wish to continue to be involved on the farm?
- Will you need or want to continue to draw income from the business?
- What will happen to the farm dwelling house?
- Will you need to avail of the Fair Deal Nursing Home Scheme?
- What are your wishes for your other children?

ARE YOU THE INCOMING GENERATION?

If you're the incoming generation, you'll need to think fully about your own situation and your life goals and aspirations. If you have a partner or spouse, their views are really important also. You'll need to consider the following:

- Can the farm afford to support your desired lifestyle (and possibly the outgoing generation's)?
- What's your expectation on working hours, holidays, time off etc.?
- There may be additional benefits to your wages that should be examined from a reward point of view, e.g. use of jeep/car, fuel, electricity, health cover etc.
- Can the farm meet your parents' wishes to support siblings if applicable?

WHAT IF THERE'S NO SUCCESSOR?

If there's no willing successor in the immediate family, there are other options that you may wish to consider:

- Partnership
- Share Farming
- Transfer to niece/nephew
- Leasing
- Possible sale (part or full disposal)

Some of the above solutions may be an option where the landowner wants to take a step back from the business's day-to-day management or in situations where an interim solution is needed until a successor becomes old enough to take over the farm.

SUCCESSION: THE BENEFITS OF GETTING IT ALL OUT IN THE OPEN

Meet Elaine Vance from Donegal, who milks 215 cows, owns 200 acres of family farmland and rents 150 more. Elaine farms with her Dad, Geoffrey and her husband Robert, and she has three small children.

THE NATURAL SUCCESSOR

Elaine, who has a PhD from Queens University in Dairy Production Systems, always showed an interest in the farm, making her the natural successor. Despite this, Elaine feels strongly that you can't underestimate the importance of everyone's needs being discussed openly. Even if only one person is genuinely interested in the farm, it's still the family home which makes it an emotional issue.

"When we first spoke to *ifac*, it was honed into us to talk about what everybody's needs are from the family farm. That was something we did so that everybody knew what everybody's wishes were, and nobody was in the dark about anything."

DISCUSSING EVERY LAST DETAIL

Good communication is crucial, and Elaine and her family talked through everything – the farmhouse, how

her parents would be cared for when they were elderly, what her parents needed regarding income, and what Elaine's family needed as an income. They also talked about what her parents wanted for her siblings and what her siblings wanted for themselves.

DON'T ASSUME YOU HAVE LOADS OF TIME

In Elaine's experience, succession can take longer than you expect, even if you're organised. "It took time; this was down to the fact that we had a very complicated structure that took time to work through and come up with a plan that was best for everybody." The more time you give your succession process, the better the outcome.

ADVICE TO OTHER FARMERS LOOKING INTO SUCCESSION

Elaine's main advice is to get professional advice. It's the best way to "get the structure right…and do it as efficiently as you possibly can."

CONCLUSION

When succession planning starts on time, solutions can be found to address concerns about farm viability, fears about tax, lack of a willing successor, worries about income for the older generation and the potential impact of marital breakdown. The key is to seek advice as early as possible so that you can design a plan that fits your individual circumstances. You also need to make a Will and ensure that it reflects the vision set out in your succession plan. While you may know what you would like to happen when you retire or die, it's unlikely your wishes will be carried unless a formal succession plan and a valid Will are in place. Your plans need to be kept under review and updated if your circumstances change.

Structures

Robert Johnson, Tax Director

When it comes to farm structure, it's easy to get stuck in a rut and just keep ticking along with your current business model. This isn't to your benefit, however, and we'd welcome the opportunity to advise you on the setup that's right for you and your family. Every business and every family is unique – we'll put you on the right path so that you can start enjoying the benefits of being set up for success.

Within *ifac* we have both the Tax and Agri Supports available to enable your farm to move forward by having the best structure.

KEY TRIGGERS FOR CONSIDERING A PARTNERSHIP:

Succession Planning

You're planning for succession – partnership is a great option for a smooth transition. It's a really strong incentive for the next generation.

Social Benefits

You'd enjoy the social benefits – you're interested in sharing your workload, would enjoy working with a partner and would ultimately like a better work/life balance.

Expansion

You'd like to expand – you have ambitious development plans and partnership could help you achieve them.

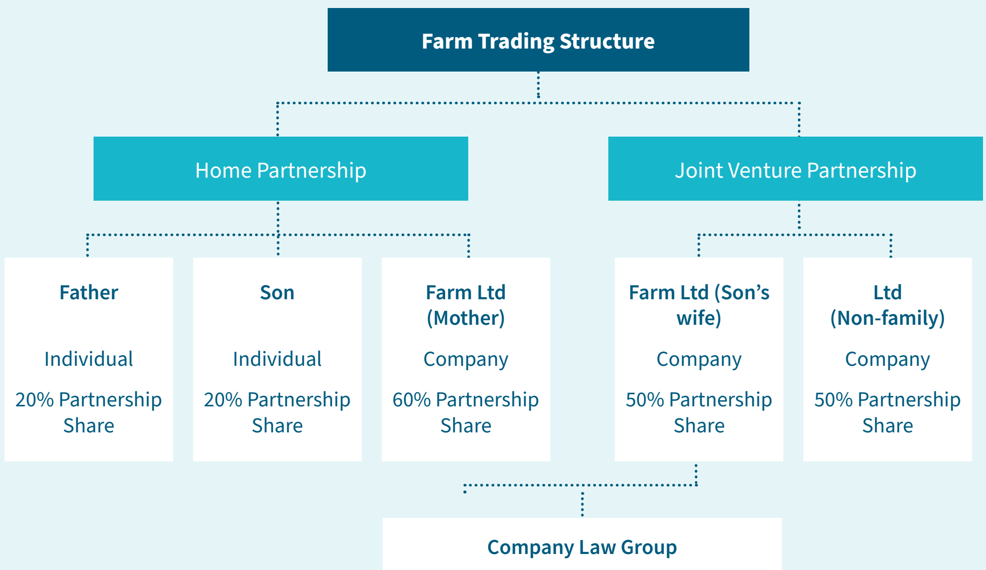
Income Tax Planning

Your Income Tax planning would benefit – you've exhausted all sole trader tax planning options and partnership could help you reduce the level of profits chargeable at the 40% marginal tax rate.

Grant Aid

You'd benefit from the grants – if you move to a registered partnership structure, you could become eligible for an array of Partnership Grant Schemes.

HYBRID STRUCTURE



Your Pension Pot

- How much is enough?

Martin Glennon, Head of Financial Planning

An annuity is defined as "a fixed sum of money paid to someone each year, typically for the rest of their life". Exactly what you would want in retirement, a guaranteed income for life.

The problem is that the amount of pension savings you need for the annuity income you want has changed dramatically.

We asked how big your pension pot would need to be to extract an income of €200 per week (€10,400 per annum).

If we asked this question in 2008, the answer would have been €150,000. Today, in order to achieve the same income, a pension pot of €300,000 is required.

That is a huge increase and is caused by two factors. Annuity rates depend on long term yields on bonds, which are linked to interest rates. Interest rates are at all-time lows, and therefore, annuity rates are at all-time lows. The other factor is that we are living longer.

Your pension pot's size is determined by two things, how much you invest and the growth you receive.

In 2008 you could assume growth rates of 6% per annum for pension funds. If you were saving over 20 years, with a 6% per annum growth rate and a target of €150,000, you would need to contribute €324 per month.

Today, the Society of Actuaries has reduced growth rate assumptions to 4.5% per annum. Saving over 20 years, but now needing a pension pot of €300,000, you would need to contribute €772 per month.

To get your pension fund to the level you require, you will need to save more.

There is the option to hold your pension money in an Approved Retirement Fund (ARF) rather than buying an annuity. Many retirees have taken this option in the last few years. But this comes with investment risks and withdrawal timing risk. All of which could lead to a reduced income in the future or, worse still, a bomb-out, where the ARF runs out of funds.

> "3 in 4 survey respondents don't know how much is needed in their pension pot"

Are you planning on hiring?

Mary McDonagh, Head of Employer Services

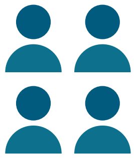
Due to the expansion of farms, taking on employees is a concept that is becoming increasingly more common. However, attracting and retaining employees can be difficult, particularly for first-time employers. Salaries in the agri-food sector tend to be low, and conditions of employment are not always as good as they should be. When hiring, it is important that the relationship is professional and complies with relevant employment legislation and Revenue regulations.

HIRING THE RIGHT PERSON

Selecting the right person at the outset helps avoid future problems. When hiring, the first and most important step is to list the tasks and duties you want your employee to undertake. If you are concerned about not having enough work for an employee, it may be worth investigating whether you could share an employee with another farmer.

Being clear about what you expect from the role will help you to choose the right person. When interviewing potential candidates, check if they have relevant training and are willing to undertake future training if required. Look for evidence of certificates and references.

It is essential to formalise the Employer/Employee relationship. It is unwise to treat employees in the informal manner that sometimes applies where family members help out on the farm.



EMPLOYEES

78%

of survey respondents do not employ outside labour on the farm.

CONTRACTS

21%

Of those who employ staff, only 21% have formal employment contracts in place.

HOURS

23%

record annual leave and bank holidays.

PAYSLIPS

65%

provide payslips.

EMPLOYERS AND THE LAW

Over forty pieces of legislation govern the employment relationship. Our findings on employment practices in this year's survey are worrying as farmers who fail to comply with their obligations can incur fines and/or face legal issues.

The main advantage of having a contract of employment is the clarity it brings when terms are agreed between the employer and the employee. Each party is clearer about the expectations of the other, providing a level of certainty in the relationship.

As this area has become much more complex and compliance-driven, many Employers outsource the HR and/or Payroll to organisations such as *ifac*. Outsourcing allows access to specialised expertise such as employment law, giving clients reassurance allowing them to focus on their core business.

REMUNERATION

At *ifac*, we discourage the practice of entering into net pay agreements with employees as it is almost impossible to quantify the overall cost to the Employer at the onset. A net pay agreement is where a farmer agrees to pay the employee an amount 'into the hand'. Such an arrangement requires the 'grossing up of pay' to consider the tax, PRSI and USC liabilities, and in some cases, even the local property taxes.

The amount of tax and USC due is dependent on the employee's allowances, tax credits and USC thresholds. This can vary greatly from one employee to another.

It is imperative that employers request an employee's PPS Number as soon as possible, preferably before the commencement of employment.

Many farmers need help when it comes to hiring, managing and paying their employees. Comprehensive HR and payroll support is available through your local *ifac* office.

Employer costs of not having one are substantial, as shown in the table below:

€500.00
Cost to Employer – net pay agreed with Employee

€842.59
Employee on Emergency Tax with a PPS Number

€657.18
Employee with Standard Single Person's Allowances & Credits

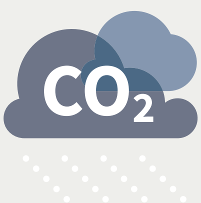
€1,156.76
Employee on Emergency Tax without a PPS Number

Environment

Sustainability means different things to different people. While consumers, retailers and processors can help the environment by changing the way they shop, travel and go about their daily lives, reducing the environmental impact of farming practices often involves additional bureaucracy, higher costs and restrictions on certain farm activities.

It is sometimes suggested that reducing the national herd or encouraging veganism could reduce Ireland's carbon emissions. However, these arguments fail to take account of the fact that most of Ireland's livestock farming is grass-based and that agriculture and forestry play a vital role in reducing our greenhouse gasses.

To improve the sustainability of Irish agriculture, what is needed is smart policies supported by adequate funding.



SUBSIDIES

To address this challenge, the Department of Agriculture has several schemes aimed at encouraging farmers to adopt environmentally friendly practices. The recently launched Straw Incorporation Scheme incentivises tillage farmers to increase their soil organic carbon levels by ploughing straw back into the ground while the new REPS scheme will see farmers with the best environmental score net the biggest payments.

CARBON CREDITS

Putting a value on carbon, placing a cap on allowable carbon emissions and allowing farmers to trade unused carbon credits already happens in countries like New Zealand. However, a barrier to introducing this system in Ireland is that we don't know how much carbon our soils store. While accurately calculating this is neither simple nor cheap, given that most of our agricultural land is in grass/crops, we need to prioritise finding solutions.

DATA

The success of the nationwide ICBF scheme, where breeding policies can be tracked and measured at farm level, suggests there would be benefits to incentivising data gathering across the entire agriculture sector.

INVESTMENT & TECHNOLOGY

While venture capital funds such as Finistere Ventures are already investing in Ag tech, significant investment at national, EU, and private level will be required to research and roll out new practices and technologies, including the national roll out of broadband.

FARMING PRACTICES

Already farmers are switching to more sustainable practices across a broad range of activities from eliminating slurry splash plates to using protected urea, improving breeding policies, adopting crop rotation, optimising stock rates, improving soil health and reducing fertiliser dependence. While the benefits of adopting new technologies and practices may not be seen in the short term, over time they are proving their worth by improving efficiencies, reducing costs and enhancing outputs.

A Pride & Passion for Farming

Richard Starrett, a dairy farmer and Aurivo milk supplier from Lifford, Co.Donegal, was awarded the prestigious title as winner of the NDC & Kerrygold Milk Quality Awards for 2020, which recognise dairy farming excellence. Judges commented that the "passion and commitment that Richard Starrett displays make him a phenomenal ambassador for Irish farmers".

Richard studied agriculture in the 1980s and took over the farm in 1994 when his father took the early retirement scheme. The father-of-three lives on the farm with his parents, his wife Wendy and children, David, Holly and John. He has been a member of the local East Donegal Discussion Group since its inception in 1994 and is now the current chairman.

Richard Starrett

FARM PROFILE

In 1994, the herd size was 80 cows, and with the combination of availability of additional milk quota and increased land base, this number has steadily grown to a current number of 160 cows. In 2020, cows produced 594kgs MS with other key performance metrics highlighted below.

Farm Production Figures	2020
Cow Numbers	160
Milking Platform	54 ha
EBI	€191
SCC ('000 cells/ml)	134
Milk Solids	594kg MS
6 Week Calving Rate	83%
Grass DM/ha/year utilised	14.2t

MILK QUALITY

The Starrett family have demonstrated that they can sustainably produce quality milk that is compatible with commercial viability. In an era where food safety and consumer health protection are paramount, attention to detail on the farm with excellent parlour hygiene and milking routines are appropriate for a high-quality food business.

ANIMAL WELFARE

Consumer confidence in the dairy sector is vital if the industry is to have a viable future. The Starrett herd's animal health status is high, and milk recordings used as a key management tool. New legislation will take effect from January 28th, 2022, restricting farmers from administering blanket dry cow therapy. Richard noticed antibiotic resistance creeping into his own herd and now adapts a selective dry cow therapy. Only 14% of the cows now receive antibiotic dry cow therapy with no impact on the quality of milk produced on the farm.

SUSTAINABILITY & THE ENVIRONMENT

Consumer concerns about the potential adverse environmental impacts of modern dairy farming can see that preserving natural habitats and inclusion of biodiversity on the farm can be achieved in parallel to running one of the best dairy farms in Ireland. Richard has also been using solar panels on the farm for over 2 ½ years, allowing him to self-generate electricity for all his farm needs and save on electricity costs.

CONCLUSION

Quality milk and sustainable practices in the area of water, biodiversity, soil and grassland management show the consumer the way forward, demonstrated through the day-to-day practices on the farm. The Starrett family has thrown down the gauntlet, and it is good to know that the dairy sector can be both sustainable and progressive in the future.

Diversification

– Farming Goes Vertical

It's hard to imagine four more diverse locations than between the English seaside town of Paignton in Devon, the cities of Singapore and Munich, and the village of Ballyporeen in South Tipperary – yet they are all linked, having each played a key role in the evolution of vertical farming.

Paignton Zoo Environmental Park hosted the world's first pilot production system in 2009, while Singapore took things a step further three years later as the company 'Sky Greens Farms' put in place the first-ever commercial vertical farm. Today, in one of the most densely populated areas of the planet, they have over 100 nine-metre towers engaged in food production.

In 2013 the Association for Vertical Farming (AFV) was formed in Munich, and then a year ago in Ballyporeen, Brian O'Reilly converted one of his eight mushroom tunnels into Ireland's first vertical farm, with the assistance of Harmony, a vertical farming consultancy company based in Dublin.

It was probably inevitable that when this new and counter-intuitive approach to food production came to Irish shores, it would be someone like Brian who would take the leap of faith and put his shoulder behind it.

From his teenage years, when as a native of the Liberties in Dublin, he decided that he wanted to make his career in the farming world, defying convention has come naturally to the owner of 'Harmony Premier'.

After serving his farm apprenticeship, pig farming and then mushroom growing offered Brian a means to make his livelihood in food production, despite not starting with a scraw of ground to his name.

Now, farming without much land has evolved into farming entirely without soil, as Harmony Premier uses hydroponic modules to grow basil, Brian's first step into the vertical farming space.

"I grew chestnut mushrooms for 18 years, supplying Monaghan Mushrooms" he explains.

"Then they asked me to move to fast compost, which would have required a complete transformation of the way I did business, and because of the timing of when they asked for the change, I was not able to access any grant support to make the switch, and I took the decision to walk away".

The man might be able to walk, but the equipment and the infrastructure were there on his three-acre farm, and it quickly became a question of how to use those assets.

"The wind turbine was there, the tunnels were there, and it just felt wrong to leave them all go idle. So, I investigated different options that were out there, and the more I found out, the more I was intrigued".

Now, in an area of just over 15 metres squared, he produces roughly 150kg of basil micro trays per week. The plants are grown in water, which is electronically monitored and topped up with nutrients as required. LED lighting for 18 hours a day keeps the unit at a balmy 25 degrees, and the whole process from seed to harvest takes just 30 days, with no need for chemicals or pesticides. Perhaps counterintuitively, just 10% of the water needed to grow the same plant in the traditional fashion is required to grow basil hydroponically.

Globally, there has been a significant move towards vertical farming. In November, the Financial Times reported that over $1.8 billion had been invested in the sector globally, while the United States Department of Agriculture (USDA) has predicted that as the world's population projects towards 9 billion by 2050, vertical farming will be a big part of the answer to feeding that number of people.

There are a few hurdles to be cleared before that stage is reached, but even now, Brian is very encouraged by the early evidence.

> "All we're producing is currently going into pesto; right now, the service sector is closed. So, if we can sell in this environment, imagine what we could do when things are opened up?"

"Supermarkets and factory producers don't want to pay any more than the imported price, so it's a struggle to get that premium, but when the service industry is back up and running, they're the ones that will be attracted by how it's produced locally with no chemicals, and there's no washing, drying or cutting off the ends and so less labour".

Another advantage is that versatility and flexibility come with such a short turnaround time, so production to order is feasible.

"We're looking carefully into microbreeding, I'm doing that for one customer at the moment. It's a hotel that hopes to be open at the end of the year, and they're looking at ways to get more clean, Irish, local produce in".

Looking further down the road, and it may even be the case that locally-produced greens won't just be desirable at the higher end of the market but vital to plug gaps on supermarket shelves for home users as well. Kenya supplies the majority of Ireland's basil at the moment, but much of this comes through UK wholesalers and counts as part of the incredible €420 million worth of fruit and vegetables that come into the Irish market from our nearest neighbours every year.

As Brexit continues to bite and delays in movement reduce the viability of some of those imports, Brian believes that this new approach to production could be necessary and that more suppliers will soon come on stream. He was one of ten mushroom producers that opted out when Monaghan Mushrooms shifted the goalposts, and his progress is being closely watched.

"Four of them are looking over my shoulder, I'm the guinea pig going first, and they're excited!" he says, expressing his hope that native producers aren't forced out of the workplace by wafer-thin supermarket margins.

"The saddest thing is when someone is forced out of food production, and you lose the expertise and the experience that this person had. We've lost too many good people, people that have so much to contribute and who will be needed when it becomes more and more important to increase the range of foods that we produce here in Ireland".

"16% of your income goes on food, and that's too low. Lockdown has given people a lot more time to cook at home, to think about where they source their food, and hopefully people have learned in the last 12 months".

After a working lifetime of defying convention, he sees a delightful irony in the fact that this inner-city Dubliner is now at the vanguard of the farming revolution.

"At 21, you want to rule the world; at 31, you just want to own your own little corner of it" is how he described his journey into the industry. Now, much later in life, Brian O'Reilly is unlikely to rule the world, but he could yet play a key role in changing how it feeds itself.

Ifac INSIGHTS

At a time when many farmers are worried about the future viability of their businesses, diversification can be a good way to create new opportunities and generate revenue.

While many Irish farms rely on off-farm income to remain viable, working for others is not the only way to generate additional revenue. Farm assets can sometimes be used to diversify into new activities that complement your existing business, improve your work/life balance and benefit the bottom line.

Before deciding to diversify, it is important to assess the business case.

This is because some activities that you might diversify into could involve a substantial outlay before any returns are realised, and certain activities could impact your eligibility for important tax incentives when transferring your business to the next generation.

Switching farm assets from agriculture to tourism, for example, could affect your ability to claim agricultural relief.

When assessing the business case, it is a good idea to get advice from professionals with expertise in the farming sector who understand the pitfalls and help you make the right decisions.

TIME TO DIVERSIFY?

Increasingly, farmers are using diversification as a means to develop their business and generate additional income. We are seeing some interesting trends emerge across agri-tourism, food and ag-tech.

While being resourceful is part and parcel of farming life, taking on a diversification project can be daunting. The first step is to assess the assets at your disposal, research trends and identify your diversification opportunities.

Before progressing your project, it is vital to conduct thorough market research. You need to get a firm handle on demand so that you can have confidence when investing in your new venture. Seek assistance from your contacts and take advantage of relevant incentives. The Teagasc Options Programme, for example, is designed to help farm families examine ways to generate additional income and stimulate new ways of thinking.

You will need to work with your business advisor and accountant to develop a credible business plan with realistic financial projections, a clear roadmap for growth and strategies to address potential risks on the path ahead. Investors or lending institutions will want to see this plan if you are applying for finance to fund your project.

Branding is one of the components that should not be overlooked. Creating a brand that resonates with the consumer can be difficult and is often the difference between successful and unsuccessful projects. Good communication and effective use of social media will

David Leydon, Head of Food & AgriBusiness

help you develop a community around your brand, a tribe of supporters to help you promote your product and generate sales.

Keep in mind that there are plenty of supports for start-up businesses including the LEADER programme which provides grant aid for projects that help develop local areas. Local Enterprise Offices and Enterprise Ireland also provide support for eligible businesses. Grants are available for market research, product development, financial planning, capital investment and much more. For details, see *ifac's* Food and AgriBusiness report, available online at https://www.ifac.ie/ifacreport/

By improving income on rural Irish farms, diversification supports viability and can help overcome succession difficulties. *Ifac's* Food and AgriBusiness team have assisted many farmers to diversify their business. Our services cover everything from market research to brand development and assistance with sourcing funding. If you are contemplating taking the next steps on your entrepreneurial journey, why not give us a call? We are here to support you and wish you the best of luck on this exciting journey.

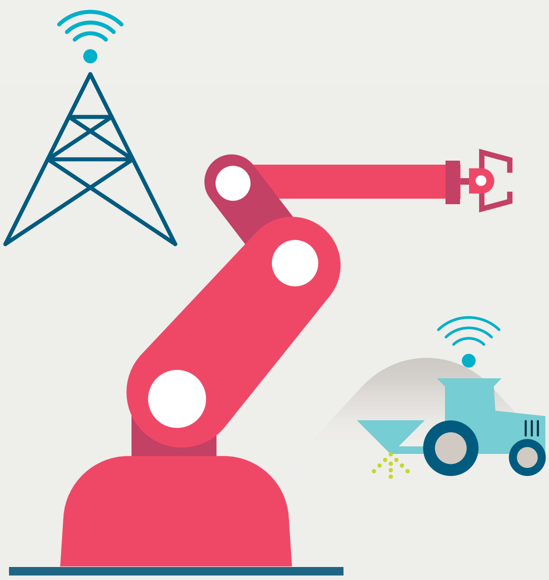
Contact the Food and AgriBusiness team today to begin developing your farm diversification project.
David Leydon – 0879908227/davidleydon@ifac.ie.

Technology

In recent years, the pace of digitisation in agriculture has accelerated as farmers embrace technological solutions to enhance operations and make life easier.

Ifac's recent research shows that 80% of farmers surveyed use some form of agtech, ranging from pasture/herd management systems to robotic scrappers/parlours and GPS.

While technology is a powerful enabler, good connectivity is vital. For example, in the dairy sector, the majority (94%) of farmers surveyed for this report said that broadband is now important in the running of their business.



CLOUD ACCOUNTING AND PAYROLL

Penetration of farm management systems continues to increase, with many farmers now using cloud accounting and payroll solutions to help them run their businesses. Over the last 12 months, *ifac* has seen strong interest in our new FarmPro service, which enables real-time monitoring of cash flows and profits as well as facilitating interaction with agricultural advisors.

COVID-19 IMPACT

Farms tend to operate in closed bubbles, so things may not have seemed very different inside the farm gate during the pandemic lockdown restrictions. However, as in other sectors, activities involving interaction with business advisors and the wider community, both socially and commercially, suffered significant disruption with meetings forced to move to online platforms like Zoom and Microsoft Teams.

ONLINE MARTS

Traditionally, the day at the mart was a chance to meet other farmers, talk about the industry and find out what was happening in the local area. When the pandemic brought this interaction to a halt, marts swiftly transitioned to online bidding. Farmers welcomed the wider market access, and a substantial 70% of those surveyed for this report said they would like online marts to continue when the lockdown restrictions are lifted.

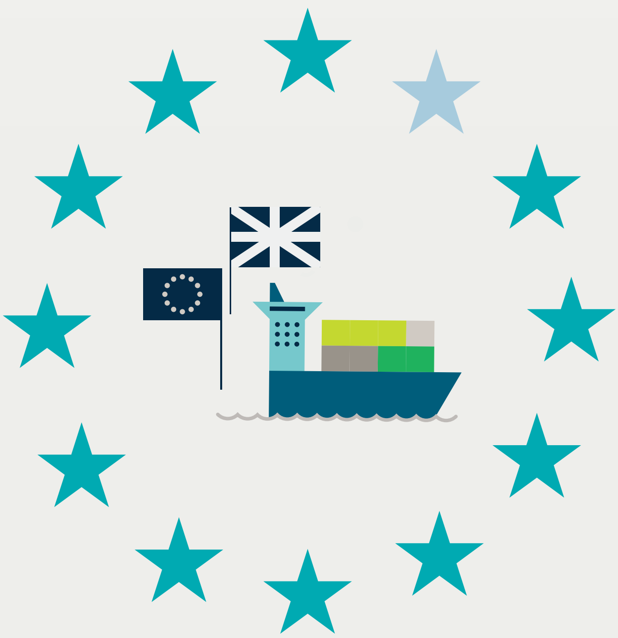
HUMAN CONTACT

Farming is often a solitary occupation where the main opportunities to interact with other people are business-related—heading to the mart, chatting to the driver who collects the milk, purchasing supplies at the local co-op and meeting the accountant and agricultural advisor. Prior to the pandemic, these activities may have seemed like a chore, but the lockdown has prompted many of us to evaluate the importance of human contact.

Looking to the future, new technologies and online systems and services will become increasingly integrated into daily activities on the farm. However, human contact will always be important—nowhere more so than in delivering advisory services like those provided by your farm accountant, agricultural advisor and solicitor.

Brexit

Farmers trading with GB face a challenging year in 2021 due to the post-Brexit customs border in the Irish Sea. Meanwhile, dark clouds are gathering around the Northern Ireland Protocol.



NORTHERN IRELAND

Under the Protocol, NI effectively remains in the EU's single market for goods which means that trade between Ireland and NI can continue as before. However, the current standoff between the UK Government and the EU means that farmers will need to keep a close watch on developments over the coming months.

GB

At a practical level, post-Brexit transactions between Ireland and GB now involve considerable paperwork. This may put farmers off certain one-off transactions. Tractor sales, for example, require 24-hour pre-notification, customs declarations and, in the case of second-hand equipment, phytosanitary certification. These requirements also apply to the livestock trade.

UK LAND BRIDGE

If you use the UK land bridge to move livestock, you will need an EORI number. You must also register on the European Commission's Trade Control and Expert System (TRACES), an online platform for completing the documentation required for imports of consignments from third countries and certain intra-community trade movements. In addition, you need an MRN (Movement Reference Number), and you must provide pre-boarding notification and complete health entry declarations and customs notifications.

While the requirements are slightly less burdensome when exporting livestock to GB, you need to be careful about the terms of supply and delivery. There is a risk of inadvertently taking responsibility for additional paperwork on the UK side of the transaction.

VAT

As GB is now deemed a 'third country' for trade with EU member states, VAT on imports must be calculated on the post-customs price and is payable at the point of entry. The impact of this on costs can be significant. The customs charge on a tractor, for example, could add €10,000 to the VAT-able price. In most cases, the VAT payment is due at the time of the transaction, the only exception being if you have registered for deferred accounting. Anyone with sales over £85,000 going into the UK will need to register for UK VAT. Information on the UK tax system is available from the HMRC website.

PITFALLS

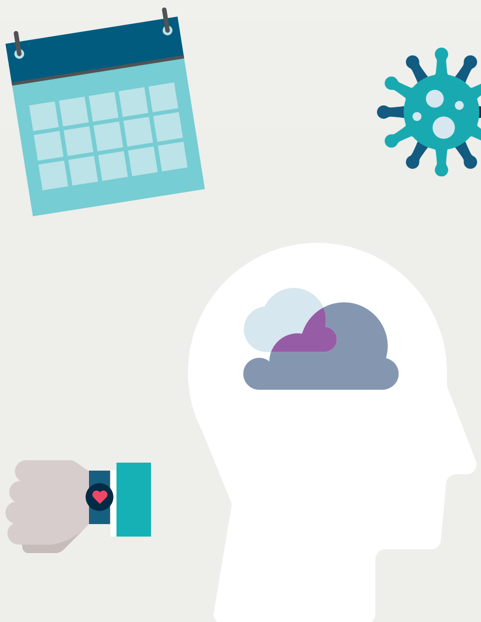
The new trading environment has significant cash flow, cost and administrative implications for farmers trading with GB. Given the complexity, there will be inevitable pitfalls. If you are affected, seek advice from your local *ifac* office.

Ways to Wellbeing and Recovery

- Strengthening our Responses to Covid-19

Finola Colgan B. A LL. B LL.M H. Dip in Ed.
Development Officer Mental Health Ireland

This time last year, when first confronted with Covid-19 many assumed that it was to be a short phenomenon at worst. I was one such person. Alas not so.



It goes without saying it has been quite a tough year overcoming loss and disappointment. The year has necessitated digging deep to find resilience and hope. It is now a journey of personal recovery with a new sense of hope for many of us. It is helpful to take a step back, and seek out the little things in life, as these can help distract and bring about positive change and generate hope for a return to a more sociable existence. Using the Five Ways to Wellbeing can help us on this journey of recovery. These are:

1. CONNECT

Connecting with people around us is important and perhaps something we took for granted before Covid impacted us. Presently it has taken on new importance. The regular means now are various online technical platforms. However, they are a good alternative to maintain facetime with family members and friends.

2. BE ACTIVE

Usually, when we think of being active more often than not, it is about exercise, walking or cycling. However, we can be active through our hobbies and interests, such as gardening. Enjoying the benefits of fresh air, taking a short stroll cannot be overstated. It is important to know that any level of exercise generates wellbeing.

3. TAKE NOTICE

Generally, this is associated with mindfulness; for some being mindful works, others maybe not so much. My preference is short breathing exercise or simply standing back and taking in nature's colours and sounds. It is free exercise! Slow down when you know you are beginning to feel anxious, stop and take a breather for 30 seconds, or breath in for three and let out for four.

4. KEEP LEARNING

No matter our status, it is helpful to have an open mind about learning, e.g. what "learning" will you take from reading this article?! Check www.aontas.ie

5. GIVE

Back to basics. It is about saying thank you, smiling and expressing gratitude or doing something helpful. By talking and listening, we can help each other, reflect on our concerns, and come to appreciate what really does matter at the end of the day. However, I am also adamant that each one of us must "give" to ourselves, be kind and give ourselves small treats!

Consider using the five ways as a daily habit. Additionally, it has been noted that people change best by feeling good, not by feeling bad. Here is the exercise.

1: Write this phrase on a small piece of paper: *I change best by feeling good, not by feeling bad.*

2: Tape the piece of paper to your wall or a mirror where you can see it frequently.

3: Read the phrase often.

4: Notice how this insight works in your life – and the people around you. (Tiny Habits – The Small Changes that Change Everything, BJ Fogg PhD Penguin 2019)

42%

don't know who to call if they need support/help in coping with life challenges.

76%

say Covid negatively affected their social life.

Finola lives with her family on their farm in Westmeath and is co-author of Coping with the Pressures of Farming, available free to download with many other helpful resources.
https://www.mentalhealthireland.ie/your-mental-health/farming-resilience/

CASE STUDY: OVERCOMING DIFFICULTY

Eric Lally

How a love of farming helped Eric Lally overcome personal and business challenges to build a successful business.

On the 9 July 1990, Eric Lally (17) had been farming with his father in Fohenagh before heading to Kenny Park in Athenry, the home of Galway hurling, where he was a member of the minor hurling squad. Setting out that day, little did Eric know the life-changing events that lay ahead. By evening, a serious road traffic accident had taken away the use of his legs and, along with a long list of other medical complications, meant that he would never hurl again.

For a while after the accident things looked bleak for Eric's future career because although his love of farming was not affected, his disability meant that attending Agricultural College was no longer feasible. However, after several tough years of mental and physical adjustment, Eric's interest in farming helped his career take off. Today, he not only runs the family farm but has expanded it, adding an agricultural contracting business that covers round baling, slurry spreading and tillage work.

Currently, Eric has a herd of 40 sucklers bringing their progeny to finish, 200 ewes and 60 acres of tillage.

Like many farmers, he is worried about the future of the beef industry both from his own perspective and from that of his contracting clients. Over the last few years he started growing beet which he harvests and stockpiles in October and December. He also sells rolled barley to a client base that is predominantly made up of beef farmers trying to minimise costs.

Eric has two full time employees, Shane and Colin, and carefully manages the business to ensure he has work all year around. He is acutely aware of how hard it can be to attract and retain good labour.

On life's challenges Eric says the biggest thing for him is the sense of independence he gets from being able operate farm machinery which means he is not in his wheelchair 24/7. New technology also means that every few years innovations come along that enhance his working day— from his reversible plough, to his one pass system, McHale fusion baler and GPS for fertiliser spreading.

Eric's 'can do' attitude is a breath of fresh air and his farming operation and contracting work are truly inspiring. His only complaint is that running the business involves too much paperwork so he gets *ifac* bookkeeper Dympna Delaney to call to him every two months to keep him on the straight and narrow.

Sound Advice, Independent solutions

We understand that every business has its individual needs and opportunities. Our team of experts can offer you the most comprehensive independent advice and specialist solutions tailored to fit your needs.

OUR PROCESS

We want to know what matters most to you. No one knows your business better, so by listening to you, we gain a deep understanding of your business, your challenges and your ambitions.

Building on this deep foundation and knowledge of your plans, we draw on our financial and sectoral expertise to help you make informed decisions. Your insight will show us where you are now and our experience will guide you to where you want to be.

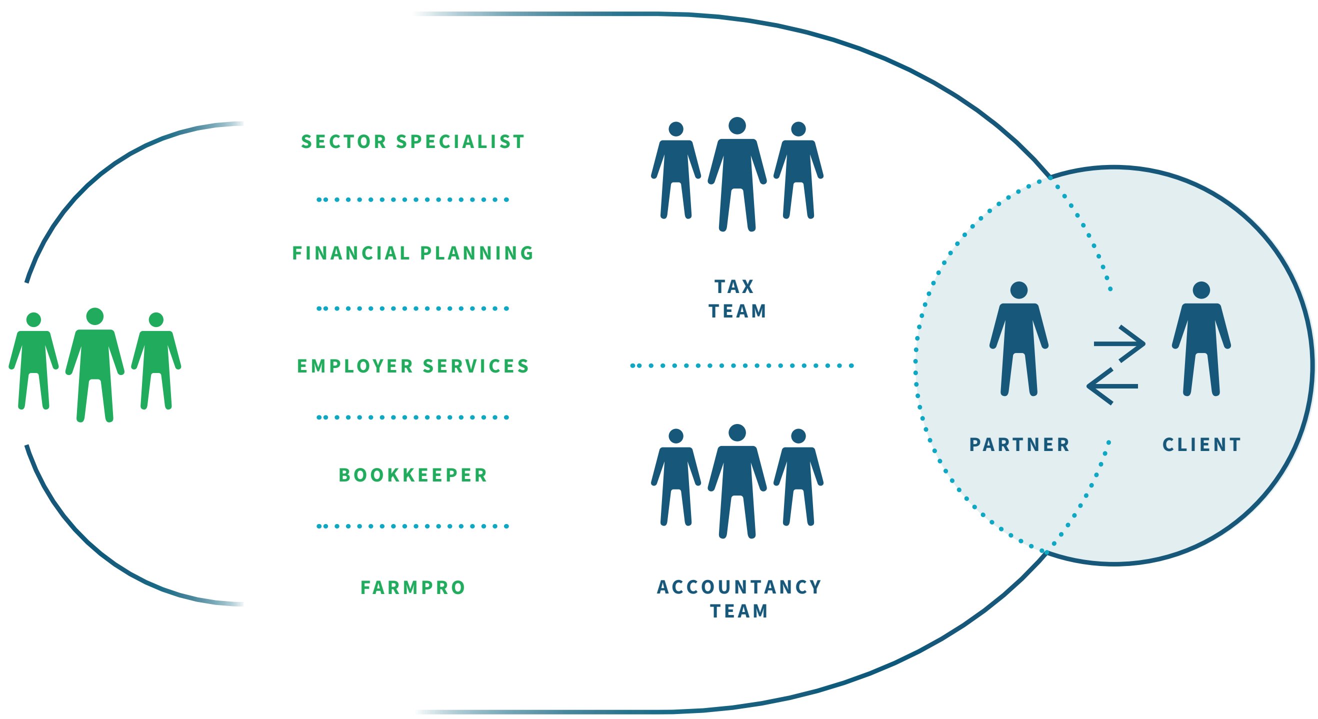
Our proactive approach means that we can help anticipate potential issues and opportunities along the way, and give you the sound advice you need to achieve your goals.

Our flexible approach means we regularly take the time to check in with you. We can routinely track, monitor and review performance and work with you to make adjustments when necessary, giving you the confidence and continuity to grow within an ever changing landscape.

> Our process of ongoing monitoring and support means that your business is always one step ahead.

OUR APPROACH

Your local *ifac* Partner is the first point of contact between you, the local team and our national service and sector specialists. This approach ensures you have access to the right knowledge and specialist advice that best suit the needs of your enterprise.



We specialise in a number of key areas which provide you with expert advice and services to help your business grow.

Finance
Access the right finance opportunities to start, develop or expand your enterprise.

Taxation
Our specialist tax team ensure your taxes are structured as efficiently as possible by planning your affairs with one of our specialist advisors.

Specialist Advisory
Increase profits and drive growth with advice from our committed teams of highly experienced professionals

Capital Planning
Optimise your asset ownership, succession, acquisition or divestment strategy.

Accounts
Keep track of your financial transactions and gather vital information for planning your financial future.

Audit and assurance
Our Audit team conduct external and statutory audits and collaborate with you to add value to your business by identifying problems and highlighting opportunities to improve.

Financial Planning
Choose from the best investment solutions available with independent advice from our financial specialists, supported by our accounting and tax teams.

Payroll
As PAYE modernisation is introduced, our payroll team will ensure accurate and compliant payroll management.

Food & AgriBusiness
Whether you're looking to access funding, export to new markets or seize a new opportunity, our Food & AgriBusiness team can help you maximise your potential for growth.

Making Connections
After 40 years in the farming, food and agribusiness sector the *ifac* team have unrivalled contacts and connections.

SECTOR SPECIALIST

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Head of Farm Support

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A national team of dedicated experts.

With over 30 offices across Ireland, our clients have access to a national network of expertise across a broad range of sectors - from agribusiness and farming to wind energy and food production. Our roots within each of our communities means we have deep local understanding and knowledge.

Speak to your local office today to see how we can help you and your business **1800 33 44 22** or visit **www.ifac.ie**

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