



AIBs Agri specialists expects strong on-farm investment post Fischler

1st April 2004

On Monday 29 March AIB hosted a seminar in Bankcentre, Ballsbridge for the farm sector's key representative, service and media entities. Attendees heard AIB's views on how the MTR agreement would impact on the Irish farming sector.

The event was hosted by Donal Forde, Managing Director, AIB, who outlined what he sees as a positive general economic environment that would provide a 'stable business platform for farmers' which would 'continue to generate opportunities for off-farm employment and business activity'. Mapping out the road CAP has taken to date, Michael Dowling, Head of Agri Strategy - AIB, outlined why the 'decoupling of direct payments was the next logical step'. Referring to '25 years of reforms', Dowling suggested that 'Irish farmers have been very resourceful in dealing with policy change in the past and there is no reason to expect any difference now'.

Interpreting the Reforms, AIB expect that:

- milk prices will not fall fully in line with the reductions in support price
- land will continue to maintain its value
- there will be fewer full time farmers but relatively more part-time farmers
- aggregate farm income will fall somewhat but individual farm income will increase

Commenting on future WTO negotiations, Dowling expects to see 'greater opportunities for EU exports to the markets of other developed countries and in particular the United States. The Accession of 10 new member states will, he suggested, 'cause no significant change in market balance but would offer food export opportunities for existing member states'.

Discussing farm sector investment, Dowling showed that investment levels, which normally track farm incomes, stagnate in advance of significant policy reforms before picking up strongly once decisions are finalised. AIB expects this phenomenon to be repeated in 2004 and into 2005 and Dowling assured attendees that AIB is fully committing to supporting this investment. He said that 'AIB would continue to demonstrate its commitment to the sector through the provision of relevant agri products and further improvement of its specialist agri service'.

Philip Maher, a senior member of AIB's agricultural advisor service, provided a farm level impact analysis of the Reforms. He highlighted a series of options that are open to farmers in each of the main sectors post decoupling. Maher showed that Irish farming is in a healthy financial position in general, and suggested that individual farmers should carefully examine all their options as he showed that minor changes in critical variables could have dramatic effect on farm incomes.

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