



More than half of Irish dairy farmers confident about the success of their business despite the challenges endured over the past year - AIB Outlook Report

4th July 2013

Key findings:

- One in four farmers believes that the abolition of the quota system will be the greatest opportunity for the dairy sector in the next five years
- 50% intend to increase production between 2015 and 2020
- 66% of farmers believe that milk price volatility will be a feature of the dairy sector in the lead up to the abolition of the quota system in 2015

These findings are according to research carried out by Amárach Research and Broadmore Research on behalf of AIB. The research forms part of a series of outlook reports for the SME sector compiled by AIB, which will be released over the coming months. The third report, which focuses on the dairy sector, is in association with the Irish Farmers Association (IFA). The aim of the report is to analyse key sectors of the Irish economic landscape providing expert opinion, guidance and an outlook from some of the stakeholders within the dairy sector.

The research shows that 57% of those surveyed are optimistic about the future of their own business over the next three years, although just over half believe it will take more than five years for the national economy to improve. One in four farmers surveyed believe that the abolition of the quota system will be the greatest opportunity for the sector over the next five years, with over a half of farmers intending to increase output after 2015. The majority of farmers identify the weather and milk price volatility as the biggest challenges facing the industry, although a quarter have no strategy in the event of changing milk prices.

Three out of every five farmers reported experiencing a drop in income in the past year with roughly three in ten seeing a drop of over 20%. Two thirds of farmers have invested in their dairy business in the past three years with specialist dairy farms and larger farms and producers more likely to have invested.

While launching the report, the Minister for Agriculture, Food and the Marine, Simon Coveney, said: "Farmers have come through a particularly difficult period and it is imperative that they are supported by their banks. Financial certainty is necessary to allow proper planning, particularly for the dairy sector as we approach the ending of quotas in 2015. Agriculture plays such a vital role in the Irish economy, we must be geared to fully exploit its potential for wealth and job creation."

IFA President John Bryan said the survey findings show that, despite a very difficult period over the last 12 months, dairy farmers have not lost sight of the real opportunities from rising global demand for dairy products. "Farmers clearly retain a positive outlook for the sector and a strong commitment to develop their farm, but plan to do this prudently. Among the challenges ahead are

access to additional land and volatility of milk prices and input costs. On the former, lack of land mobility is an obstacle to building scale and we need to see more incentives to encourage restructuring. On the volatility issue, solutions will have to be developed to help farmers manage a more variable income, which may include tax related options and an increased prevalence of fixed price contracts from milk purchasers among others. It is of course essential that banks recognise the reality of volatile farmers' incomes, and step in to provide financing solutions for cashflow as well as investment."

AIB's Head of Business Banking, Ken Burke, said: "The Irish agri-food sector remains a cornerstone of the Irish economy. As Ireland's leading bank for the dairy sector, AIB believes that the prospects for the sector are very strong. We have partnered the dairy sector through its development over many years and we are committed to playing our part in helping it realise its enormous potential in a planned and balanced way. The fact that 54% of those farmers surveyed plan to fund improvements through a bank loan, reaffirms the continuing strong demand for credit which we are already seeing."

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Note for editors:

AIB, partnering with the Irish Farmers Association, commissioned Amárach Research and Broadmore Research to undertake a research report examining the outlook, opportunities and challenges for the Irish dairy industry. The primary research, completed in May 2013, involved a telephone survey of 200 dairy farmers across the country.