An Analysis of New Entrants into the Irish Dairy Sector

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Overview

1. Dairy farming in Ireland
2. New entrants analysis 2009-2014
3. Post-Quota Ireland
Irish Dairy Industry Expansion 1970's

- Milk output ↑ 72% (1975 - 1984)
- 1984 Quotas Introduced

New Entrant Scheme
- 75 new farmers per year
- Receive 200,000 litres

Targets
- ↑ milk output 50% by 2020
- 400 new entrants by 2015

CAP 'Health Check'
- Quotas to be removed
- 'Soft-landing approach'

2008 Expected…

Overall milk output reduced by 6% since 1984

Milk Quotas Introduced in 1984 - Reduced Growth

IFCN Dairy Report 2009
Rabobank Report August 2012

Expected Dairy Industry Growth 2015 - 2020

Million tonnes

Milk output/farm ('000 kgs) 1983 2008

- Ireland
- New Zealand

Overall growth 2015 - 2020

- France
- Germany
- Netherlands
- Ireland
- Poland
- Denmark
- UK

No size of bubble depicts current national production

Rabobank Report August 2012
New Entrant Analysis

- Multi-disciplinary PhD 2010-2013
  1. General Characteristics
  2. Start-up Strategies
  3. Technology Adoption
  4. Decision-making
     a) Policy Influence
     b) Actors Influence
Irish Dairy Industry

16,000 dairy farms
Volatile industry

New dairy farms in Ireland

C.100 new entrants/year since 2009

Planned herd 70 cows 58ha

1. General Characteristics

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Map: Reamonn Fealy, Teagasc, 2011
Data: Brendan Horan & Roberta McDonald, Teagasc
Statistical Data: Census of Agriculture 2000, CSO
2. Start-up Strategies

- Expansion necessary to prevent erosion of farm income
  - NFS

- Cash flow deficits occur in early expansion years
  - Business planning
  - Budgeting
  - Contingency plans

- Once-a-day optimum strategy for quota transition

- Maximise profits with large scale expansion
  - Risk aversion
  - Risk management
3. Technology Adoption

**Perceived Usefulness (PU) =**
Time-saving + increased profits + increased production + better than what it replaces + important to the farm

**Perceived ease-of-use (PEOU) =**
easy to understand + easy to use

- **Grass budgeting:**
  Adoption increases as PU & PEOU increase

- **AI:**
  Adoption increases as PU increases

- **Farm financial accounts:**
  Adoption occurs but PEOU decreases

Source: Davis et al. (1989), Venkatesh et al. (2003)
4. Decision-making Analysis

(1) Policy Influence

- First time in 30 years people able to enter dairy
- Flexible business to withstand markets
- New entrants in a quota restricted environment

“We couldn’t see suckling and beef being able to stand on its own two feet…”

“I’m happy enough that we moved when we did and I’m happy to have the quota…”

“…be able to pay your bills and pay your mortgage and buy groceries and send the kids to school, but that’s all you want to do”
4. Decision-making Analysis

b) Actors Influence

- Farmer-Expert Interaction
- Peer-to-peer learning (role models)
- Family & legacy

“...everyone has their own opinions but I haven’t quite developed my own (laughs)...”

“...like that man that we bought from ... they would be men we would hold on a mantelpiece as targets like...”

“...we have four kids ...you have to have a wage for them ...so that’s why I went down the dairy route.”
Conclusions & Implications

A. Collaboration of research, extension, farmers
   - Incorporation of PEOU and PU in key technologies research
   - Financial management training for new entrants

B. Farmers not driven by profit alone
   - Family members fundamental to the decisions

C. Peer-to-peer learning influential to management techniques that were less transformative
   - Role of local leaders
   - Advisors role
Post-Quota Ireland

- 85% dairy farms increased production
  - 50% by 10-20%

- 75 cows per farm (2015)

- 13% increase in milk 2015 vs 2014
  - YTD 11% increase 2016

New Entrants in the West

Challenges

Opportunities

Map: Reamonn Fealy, Teagasc, 2011
Data: Brendan Horan & Roberta McDonald, Teagasc
Statistical Data: Census of Agriculture 2000, CSO
Thank you