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Further Reading: Läpple, D., Barham, B. and Chavas, J.P. (2019) 'The role of extension in dynamic economic adjustments: the case of Irish dairy farms'. *European Review of Agricultural Economics*.

Contact:
doris.laepple@nuigalway.ie

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Advisory Services and Dairy Expansion in Ireland

Since April 2015, EU dairy farmers can expand milk production without facing restrictive milk quota constraints. This opportunity has been well received in Ireland and milk output has increased by 30 percent since quota abolition, mainly achieved through expansion on existing farms. The Irish dairy sector's remarkable growth rate began once milk quota abolition was confirmed in 2008, as a 'soft landing' policy allowed gradual increases of milk production prior to milk quota abolition.

It was in this context that the Irish government launched the Dairy Efficiency Programme, which was designed to achieve efficiency gains in the dairy sector through technology transfer. Participation in advisory-led discussion groups was financially incentivized for three years (2010–2012). However, discussion groups had been in place since the mid-1990s. Previously, about a quarter of Irish dairy farmers were involved, while participation rose to about 50 percent due to financial incentives and impending quota removal. Moreover, Ireland announced in 2010 an ambitious growth target, aiming to increase its milk production by 50 per cent by 2020. Irish dairy farmers had time and policy support to prepare for a quota free production environment. This research documents the effect of farm advisory efforts during the run-up to quota removal on Irish dairy farm adjustments.

Research Findings

The econometric analysis is based on panel data from a random, representative sample of Irish dairy farms spanning 2008 to 2014. The results demonstrate a positive impact of advisory services on dairy herd size, intensification and specialisation, in the sense that discussion group membership increases cow numbers per farm, per hectare and in total livestock units. This positive effect, however, declines with increasing length of participation in discussion groups. Moreover, we observe diverse farmer responses to advisory efforts in relation to the timing of engagement, management quality and initial farm intensity on dairy farm adjustments. For example, we find that the discussion group effect is significantly stronger for farmers who joined after the financial incentive was announced than for 'older members' in relation to herd size expansion and intensification strategies.

Policy Implications

The findings suggest that farmers who participate in advisory programmes adapt faster than others and may therefore be better equipped to stay competitive. While this is true for the initial years of membership, findings indicate a declining impact with length of advisory participation on dairy expansion and intensification. This is an important result that should be taken into consideration when reviewing advisory services in order to ensure these provide continuing support in the long run. However, this research evaluated a partial effect of the advisory programme only, which has much wider goals that include, among other things, better sustainability, breeding and grassland management. It should also be noted that this major intensification and production growth in the Irish dairy sector poses significant threats to the environment, mainly due to water pollution concerns and greenhouse gas emissions, which may warrant more attention by advisory services in the future.