When we look at a range of economic information, the squeeze has clearly been on. In 2017, consumers' disposable incomes were eroded as inflation outpaced wage growth. The public finances also continued to come under pressure as demand for services rises at a faster rate than our ability to pay for them. Similarly, businesses have faced increasing cost pressures – and some more are actually coming into effect this month – which they haven't been able to pass on fully to their customers, with profit margins therefore impacted. But as ever, farmers appear to be bucking this trend.

When we look at the available data for the agriculture industry in Northern Ireland, it's almost unanimously positive. In terms of incomes, far from being squeezed, farmers had a bumper year in 2017. TIFF (i.e. Total Income From Farming) surged by a whopping 82 percent in real terms. This is double the average of the past 20 years, after accounting for inflation.

And when we look at farm-level incomes (i.e. stripping out subsidies), there was a rise of over 50 percent in the 2016/17 financial year. A further increase (+73%) is expected in the 2017/18 financial year just ended, according to the figures from the Department of Agriculture, Environment and Rural Affairs.

It is also a positive story when we look at gross output. Overall – i.e. taking into account the various sub sectors such as dairy, livestock and pigs – there was a 17 percent increase from 2016 (double the rate of growth in input costs). This was driven in large part by the recovery in the dairy sector, which saw output rise by 46 percent in monetary terms due to an increase in the price of milk. This of course comes off the back of a number of lean years, when farmers, and the dairy industry sector in particular were feeling the squeeze at a time when consumers, in contrast, were in something of a sweet spot.

There are two key things that stand out as reasons behind these highly impressive figures for the farming sector during 2017. One is the aforementioned recovery in the milk price. Northern Ireland’s farming industry is dominated by the dairy sector, so the strong recovery in this part of the industry has a big effect on overall performance. This also explains why Northern Ireland’s TIFF is significantly outperforming the UK’s as a whole. The dairy sector makes up 32 percent of gross output in Northern Ireland’s farming sector, compared just 14 percent for the UK as a whole.

The other big factor is the exchange rate. It could be said that the farming sector is currently experiencing all of the upsides of the UK’s referendum result and isn’t yet experiencing any of the downsides, whereas consumers and businesses have been buffeted by the imported inflation that has been prevalent in the aftermath of the Brexit vote. The favourable exchange rate has meant that the subsidies that farmers get from the EU have been worth more, as these are paid in Euros. The exchange rate has also provided price competitiveness in the all-important UK market for Northern Ireland's primary producers and food processing industry relative to counterparts in the Republic of Ireland.

So the grass is currently greener on the agri side of the fence, but there are some dark clouds looming that will cause concern for farmers. Brexit is certainly one of these – not least what happens to subsidies and agriculture policy in the longer-term – but so too is the global environment in relation to trade wars.

After the UK's Referendum on the EU, one of the key concerns for farmers was in relation to some of the punitive tariffs that could come into effect under World Trade Organisation (WTO) rules if a post-Brexit deal wasn't done between the UK and the EU. Now, the concern with tariffs stretches beyond Brexit, with US President Donald Trump having effectively initiated global trade wars engulfing key players including China and the EU. This protectionist environment is hostile for the UK when, post-Brexit, its objective is to sign trade deals around the world. It remains to be seen what direct impact this has on Northern Ireland farmers, but it is a potential cloud on the horizon that will cause some uncertainty.

Potentially a bigger issue is the availability of labour. The Northern Ireland economy – and the food manufacturing sector in particular – has become dependent on workers from the EU-26 (i.e. outside the UK and Ireland) and that source of labour is coming under increasing pressure. This is in relation to what the arrangements post-Brexit will be, but more presently the pull-factor of economies such as Poland and Germany performing so well – meaning higher wages and more job opportunities – compared to the UK and Northern Ireland. Labour shortages have already become an issue in Northern Ireland in 2018, and looking ahead, this is likely to intensify, meaning that the wider agri-food sector faces huge competition from workers, with the ramifications that come with that, including potential wage inflation.

The agri-food sector, and farmers in particular, have always faced and overcome challenges, as it is inherently a volatile business, with factors at play such as the weather and the exchange rate. However, some of the ‘constants’ such as access to the Single Market, EU policy and labour supply are now becoming much less certain. Farmers and the wider agri-food industry will deal with those challenges when they come, and for now will focus on making hay while the sun shines.

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