



**BRITISH-IRISH
INTER-PARLIAMENTARY BODY**

**COMHLACHT IDIR-PHARLAIMINTEACH
NA BREATAINE AGUS NA hÉIREANN**

REPORT

from

COMMITTEE C (Economic & Social Affairs)

on

THE FUTURE OF SMALL FARMS IN THE RURAL ECONOMY

Doc No. 70

February 2000

Introduction

1. Committee C decided at its meeting at the BIIPB Plenary session in York in September 1998 to conduct an enquiry into the future for small farms in the rural economy. The following members served on the Committee during the course of this enquiry:

Mr. Seamus Kirk TD (Chairman)
Mr. William O'Brien MP (Vice Chairman from September 1999)
Mr. Kevin McNamara MP (Vice Chairman to September 1999)

Mr. Joe Benton MP	<i>Associate Members:</i>
Lord Blease	Mr. John Austin MP
Mr. Andrew Boylan TD	Senator Enda Bonner
Ms. Maria Fyfe MP	Mr. Johnny Brady TD
Ms. Cecilia Keaveney TD	Mr. Jeff Ennis MP
Mr. Brian O'Shea TD	Senator Francis O'Brien
Lord Rathcavan	Baroness O'Cathain
Mr. Michael Ring TD	Mr. John Perry TD
Mr. Brendan Smith TD	
Mr. David Wilshire MP	

2. During the course of our enquiry we were saddened by the death of our colleague Senator Paddy McGowan, who had been unwell for some time and had been unable to attend our recent meetings.

3. The Committee took evidence from witnesses in Dublin on 11 February 1999, in Derry on 20 October, and in Belfast on 13 December. We also visited farms in Derry and Donegal on 20 - 21 October 1999. We heard oral evidence from the Departments of Agriculture in Dublin and Belfast, from Teagasc and from local LEADER workers, from the Irish Farmers' Association, the Ulster Farmers' Union, the Northern Ireland Agricultural Producers' Association, the Irish Creamery Milk Suppliers' Association, and Dr. Jim Phelan of the Department of Agribusiness and Rural Development at University College, Dublin. Many of these witnesses also made written submissions or supplied further written material. A full list of witnesses is appended to this Report. We are grateful to all those who gave evidence to us or provided written material. We would like to thank particularly those farmers and their families who welcomed us to their homes and farms.

Scope of the Enquiry

4 It was clear to us from the outset, and was confirmed to us by witnesses, that it is no longer possible - if indeed it ever was - to view the problems facing small farmers, and possible approaches to tackling those problems, in isolation. There is a growing realisation today, by all concerned parties, that the future of small farmers and of the wider rural communities in which they live, are closely intertwined. This holistic approach to the problems facing rural society has become popularly recognised in

recent years under the term rural development, and this issue also has formed an integral part of our enquiry.

5. The focus of our enquiry has been on the small farming regions of Ireland, that is Northern Ireland and the border counties and western areas of the South. While there are many small farmers outside this area, the distinction is a generally valid one. While the pattern of farming in Britain is quite different, we have no doubt that in some areas, such as hill farming in Scotland and Wales, many small farmers are wrestling with very similar problems.

6. In conducting our enquiry, and in framing our Report, we have endeavoured to draw from the evidence we have heard what are the main problems facing small farmers today, and to suggest what policies are being used or might be used to address those problems. We have not generally attempted to frame a specific set of recommendations to our Governments on how to deal with these issues, for two reasons.

7. Firstly, we recognised that the pressures on small farmers, although now becoming more and more acute, have been operating for a very long period of time. Likewise, the effort to preserve family farms and rural communities will be a struggle engaging not just present Governments and parliaments, but Governments at all levels for many years to come. It will require sustained and concerted commitment and effort at international, European, national and sub-national levels. It will, as has become increasingly clear in the emergence of the concept of rural development, involve a very wide range of policy areas, extending far beyond the remit of traditional "Agriculture" Departments, and will have major policy and financial implications for Governments and administrations. We felt it was beyond the scope of our comparatively limited enquiry to attempt to prescribe action on this scale.

8. The second reason is one which we were only too happy to welcome. On many occasions during the course of our enquiry we heard, from farmers and their representatives in Northern Ireland, the strongly expressed wish to have local politicians, who could fully understand local issues and problems, take charge of the Northern Ireland Department of Agriculture. We strongly agreed with that view, and looked forward to the establishment as soon as possible of a devolved Northern Ireland Executive under the terms of the Good Friday Agreement. We said this without in any way impugning the efforts on behalf of Northern Ireland's farmers of successive Ministers of Agriculture at the Northern Ireland Office, and indeed we felt sure that those Ministers would agree with us.

9. Against this background, we were delighted to note on 2 December 1999, while our enquiry was approaching its conclusion, the establishment of the Northern Ireland Executive and the devolution of powers to the Northern Ireland Assembly. We welcomed in particular the assumption of office as Minister for Agriculture and Rural Development of Ms. Bríd Rogers MLA. Minister Rogers and her Department, and the Assembly, now take over from the Westminster Parliament much of the

responsibility for the area which the Committee has been investigating, and we wish her, and them, well.

Continued Importance of Farming

10. The exceptional sustained economic growth in Ireland, and the development of a modern, high-tech economy, has become very familiar in recent years, and has to some extent replaced the old image of Ireland as a predominantly rural and agricultural country. In fact it is now thirty years since the proportion of the population living in urban areas first exceeded 50%. Today Ireland is, in terms of its population and economy, predominantly an urban (meaning both cities and towns) society. There has thus been a long term perception of the declining importance of farmers, absolutely and proportionately, in both the population profile and the overall national economy. In 1974 there were 112,000 dairy farmers in Ireland, today there are only 30,000. In 1980 there were 223,000 farms in total, today there are 130,000.

11. This common perception, however, misleadingly understates the continuing major importance of farming as a component of society and the economy in Ireland. 42% of the population still live in small towns and villages or in the countryside. Only a small proportion of this rural population is directly engaged in farming, and in the towns even the dominant position of agriculturally based industries is being diluted by economic diversification. Nonetheless, it has been estimated in evidence before us that up to **70% of the rural population continue to be broadly dependent on agriculture**. This is, by EU standards, a very high proportion. They are directly dependent as farmers or in agribusinesses, or indirectly dependent in other sectors which serve these communities. Farming is an activity with significant overheads and inputs, most of which tend to be sourced locally, and a great deal of the local economy therefore relies on farmers' business.

12. This misperception is perhaps even more marked in Northern Ireland, where the political and security situations have completely dominated outside views of the area for thirty years, while at the same time severely limiting inward investment and economic diversification. Agribusiness remains the largest single sector of the Northern Ireland economy, accounting for 10% of total employment. The particular importance of farming to Northern Ireland society may become even more critical in rural areas if "peace dividend" investment cannot quickly take up the slack which may be produced by the scaling down of the very substantial employment in security - related activities. It has been difficult, however, for Northern Ireland leaders and farmers to register this importance sufficiently strongly at Westminster, where the dominant view of agriculture is based on a much different pattern and scale of farming, and a much less benign view of the European Union and the Common Agricultural Policy.

13. We also consider that there is too little recognition that the greater part of the island of Ireland, north and south, consists of farming landscape. In its physical aspect, in its small fields, extensive hedgerows and trees, scattered farms and

villages, wetlands and wastelands, Ireland is to a large extent the visual creation of its small farmers. A rural Ireland dominated by (probably a small number of) large commercial farms would be a very different place indeed.

14. It is against this background of the central role of farming in rural society that the objective which has underlain all of our policies of support for farmers and promotion of rural development must be judged. This objective is to maintain the optimum number of viable family farms in the countryside, on which each family should be able to enjoy a standard of living comparable to that to be found in urban communities, and one which makes farming life a real alternative to urban living.

15. We agree with this objective. Within the limits of politically and fiscally sustainable policies, **we believe the preservation of vibrant rural communities should remain a primary objective of Governments, and of the EU, and to that end the largest reasonably attainable number of viable farm units should be supported.** We will return again to this central question of viability.

International and European Context

16. The sustaining of farming families on the countryside has long been the central objective of the Common Agricultural Policy of the European Union (the other main aim of food security having long since been replaced by problems of oversupply), and the CAP in turn has been by far the most important element in delivering that support. It is at the level of the European Union, therefore, that the main parameters and measures involved in agricultural policy have been and will continue to be debated and decided.

17. The basis of the CAP has been the support of farmers through the support of guaranteed prices. This system gradually came under sustained attack on a number of fronts. It was seen as very expensive without being fully successful. Much of the support was directed away from those who needed it most, and towards the richer, more commercially viable farmers. On the international level, the EU has come under sustained pressure first in the GATT and now in the WTO for its "artificial" support of agriculture, and at home urban voters and taxpayers have come to resent it, while linking the emphasis on intensive production and maximising quantity with increasing costs in terms of the environment and, more recently, food safety and public health.

18. Committee B of the Body has recently reported comprehensively on the successive reforms of the CAP in the light of these challenges, and in particular the most recent reform package, Agenda 2000, which was agreed at the Berlin Summit in March 1999. It is sufficient here to note that pressure on the EU to abandon supports for agriculture are likely to continue and intensify. In the longer term, support for agriculture and rural communities may have to move completely away from price setting and guaranteed markets, and towards support based on social or environmental criteria. Social criteria would include direct income support payments to farmers, on the same basis as payments to other low income groups, while

environmental measures might include compensation for retaining hedgerows, wetlands, etc.

19. We would welcome a complete transition to support based on these criteria, which we believe could be targeted more directly according to need than the system based on price. Such transition, however, must not be at the expense of retaining the preservation of family farms in the countryside as a key objective of the EU.

20. It will obviously be critically important for both Governments, and the European Commission, to protect and defend the interests of rural communities, both in formulating EU policies and in negotiations in the WTO and other international fora.

21. The administrative arrangements underpinning devolution in the UK provide for input from the devolved administrations in Northern Ireland, Scotland and Wales into the formulation of UK policies in the EU. It is to be hoped that this will allow the distinct needs of Northern Ireland farmers to be more clearly heard in the formulation of UK policy, and we would expect that it would be a priority of the new Northern Ireland Executive to ensure that these arrangements should work effectively. The Scottish Administration has opened an office in Brussels so as to develop this channel of input. It will be a matter for the Northern Ireland Executive to consider whether it would be justified in doing the same.

22. We consider that the effective promotion of rural development in Northern Ireland will be a true test of the new system of inclusive Government, involving as it will many of the Ministers - from different parties - in the Executive, as well as the British Government and the European Commission.

23. In the context of the EU, we would stress again a clear conclusion which others have reached before, but which has not been adequately acted upon. Against a background of general oversupply in food, and progressive pressure upon the traditional CAP, **the long - term future for farmers in Ireland must lie in opting for the production of a quality product, instead of an intensive system** aimed at maximising numbers. Ireland would seem to most observers to be almost uniquely suited to the development of quality product in both beef and dairying, and the failure to develop this area so far has been an opportunity missed. Unless this approach is adopted, it is unlikely that any measures taken to support small farms can be sustained over the long term. We believe a move at EU level away from intensive systems will provide a critical, and perhaps a last, opportunity to do this.

24. We welcome the importance given under Agenda 2000 to rural development, which is now described as the "second pillar" of the CAP. We will consider EU policies in support of this concept later.

Specific Problems of Small Farms

25. Agriculture as a whole is under pressure, due essentially to a surplus of supply over demand. Not surprisingly, these pressures fall particularly heavily on the small farmer, who has little room for manoeuvre in the face of a crisis. There are other factors weighing specifically on small farmers. It was sometimes difficult, however, in taking evidence, to separate long - term problems from short - term crises, and sometimes it was not clear if such a distinction could usefully be made. An example is the crisis facing pig producers in Northern Ireland and in the north of the island generally, following the loss of 40% of pig processing capacity in a fire in June 1998.

26. On one level this is a short term crisis caused by a specific disaster, and might be regarded by some as a normal, if very heavy, downturn in the business cycle, coming after a number of good years for pig farmers. Its effect on pig producers, especially in Northern Ireland, has however been catastrophic. Farmers have been unable to obtain a price for their animals that even allowed them to recover their costs, and faced extra expense just to retain or get rid of worthless stock. Of 1,800 pig producers in Northern Ireland in 1996, only some 7 - 800 are thought to be still in the business. In addition, among the few arable farmers are many who sold their crops principally as pig feed, and who now face an uncertain future.

27. Many pig producers, moreover, had got into the sector when the beef industry collapsed following the BSE crisis. They had incurred considerable debts in setting up production facilities and acquiring feed, and were left with these debts when the pig price suddenly collapsed after the fire. It was estimated to us in evidence by the Ulster Farmers' Union that pig producers in Northern Ireland owed £45 million to feed companies. No small farmer can be expected to have sufficient resources to cope with such successive hammer blows.

28. Northern Ireland farmers face another specific difficulty at present in the strength of sterling, which handicaps their efforts to sell their products abroad. This problem is common to all farmers in the UK, and will be an intermittent factor as long as the UK is not a member of EMU while all its nearest trading partners are. This is a matter which involves many other considerations, beyond the scope of this Report, but we simply record that **we found Northern Ireland farmers to be strongly in favour of entry into EMU.**

29. The overwhelming problem facing small farmers is low incomes. The evidence we heard suggested that, at present at least, dairying is really the only sector in which a small farmer can really hope to support himself and his family, and entry into dairying is limited, in addition to any other factors, by access to milk quota. Indeed, without milk quotas it is likely that most small dairymen would already have disappeared. In Northern Ireland, almost 90% of farms are unable to support more than one full time employee - i.e. the farmer himself, and half cannot even support one. In Ireland, perhaps only 20 - 30% of farmers can hope to make a profit, and some 37,000 farmers cannot even make the minimum wage for an agricultural labourer. Figures relating to incomes are always open to challenge in a sector as difficult to categorise and pigeonhole as farming, but the scale of the problem cannot be denied. Prices for beef, pigs and sheep are low, and farmers told us that

the farmer who produced the animal received only a very small portion of the cost to consumers in the shops. Simply to survive, **most small farmers are now heavily dependent on EU subsidies and assistance, and/or additional off-farm income.**

30. **The main factor dictating low incomes is the small size of most farms.** The farms in the north and west of the island of Ireland are in most cases small, and almost entirely grassland. They are used overwhelmingly for cattle, dairy cows and sheep, as well as pig rearing and some small pockets of arable farming on better land. The average farm size of Northern Ireland's 30,000 farms is 36 hectares, but fully 42% of farms have less than 20 hectares. South of the border the average farm size can be as low as 18 hectares in Leitrim and 19 in Cavan.

31. Despite the obvious pressure to increase holdings if farmers are to survive, average farm size is only creeping up very slowly, due to the great difficulties farmers have in getting access to more land. In the main this is due to the very strong attachment farmers have to their land, and their extreme reluctance to let go of it. Farmers unable to make ends meet will only abandon their enterprise as an absolute last resort. They will cut back on stock, get further into debt, or even sometimes sell off small parts of their land, all of which make their problems worse in the long run. Many of such parcels of land as do come to market are being increasingly bought by city or town workers who want to live in the countryside, and who may do a little hobby farming with the land they acquire for their house. Small farmers cannot compete with the land prices generated by these urban buyers.

32. Other problems are caused or exacerbated by low incomes. Small farmers have very little money available for investments, either for improvements on their farm or for meeting the rising expectations of consumers, governments and the EU in the fields of environmental and food safety standards. Again and again we met or heard of farmers who were caught in a vicious circle, unable to avail of grants meant to help them because they were unable to provide their own specified share or because they did not qualify due to environmental work (such as repairing leaking silos) required to be done under the regulations but which they were unable to afford. Similarly, small farmers are unable to take up new initiatives, such as bio-mass schemes, where an initial outlay is followed by 4 or 5 years of waiting before any revenue can be generated from the investment. Commercial borrowing is almost unthinkable, on the part both of the farmer and the banks, in any sector but dairying, while the dairy farmer has to borrow much more substantially to finance, in addition to land and animals, new machinery and milk quota. **If there is to be any reasonable take up of innovative developments, means will have to be found to support farmers financially for the period between their making the investment and the income coming on stream.**

33. Small farmers also rapidly run up against another restraining factor in terms of manpower. The amount of additional work which can be done by a single farmer is very limited, but for most small farmers it would require a considerable jump in incomes to employ a farm labourer, and this level of investment is quite beyond them.

34. We believe that there is still a significant degree of poverty and social exclusion hidden within the rural community. Many farmers enjoy a considerably lower standard of living than workers in towns and cities, despite a punishing level of work. In the absence of sufficient income to employ them, children of farming families have had to go to towns and cities, or even abroad, to seek work. In many cases they are not then tempted to return to farming life, either to take up the family farm or to marry into another farm. The result is a serious demographic crisis in Irish farming. In Northern Ireland, 70% of farmers are over 45 years of age, and 50% are over 55. In many cases there is no younger person waiting to take over the farm. In Ireland, some 20% of farms are believed to be "demographically unviable" - the farmer is over 60 years old and there is no person under 45 living on the farm. Many of these are elderly bachelor farmers who were never able to start a family; others were able to do so but the children have gone. It is self evident that **if small farms and rural communities are to survive, a new generation of farmers must be found to take over.**

35. We fear there is a degree of serious demoralisation setting in among many farmers, who find themselves in advancing years still having to work as hard as ever, but instead of making any progress they find themselves slipping back into poverty and debt.

36. In our visits to small farms on both sides of the border, we saw all these problems manifested to some degree. We met a dynamic young farmer who had started a turkey egg production unit to diversify from his main cattle rearing business, only to find that the beef market collapsed, leaving him still almost wholly dependent on a single enterprise, albeit a different one. After considerable effort and investment, he had made two steps forward but been pulled back one. Other farmers seemed caught in the vicious circle of needing assistance to increase their holdings, improve their buildings or their livestock, but unable to qualify because they could not provide funding of their own or could not afford required pollution control improvements. In all of the farms we visited we were impressed by the amount of work being borne by the farmer with little or no assistance, but also by the fact that all of the farms nonetheless depended to a greater or lesser degree upon EU subsidies to break even.

Border Areas

37. Thirty years of conflict and division have imposed significant additional handicaps on farmers on both sides of the border, which have seriously retarded the development and modernisation of farming in these areas, and in some cases led to border farms being left vacant. Farmers have been subject to direct assault and even murder, especially on the northern side of the border, to intimidation (making them, in some cases, reluctant to carry out farming tasks during darkness), to the closure of border crossings, which had a serious effects on farms straddling the border, especially dairy farmers who often had to make twenty mile round trips twice a day to milk their cows. Less direct effects included the frightening off of investment and tourism, the polarisation and demoralisation of border communities, and the

inhibition of normal cross-border cooperation and commerce. Border farmers feel themselves to have been heavily penalised by these factors, and to have been largely forgotten, existing at the edge of consciousness of the administrations in Dublin and Belfast.

38. It has been suggested to us in evidence that the border areas need special assistance to kick start economic activity and help them to catch up on the years they have effectively lost. The measure proposed, as most likely to widely and rapidly inject extra resources into the border region, is a special once-off allocation of additional milk quota to the region, as a contribution by the EU to the promotion of peace and stability. While this proposal is somewhat unorthodox, we see it as worthy of serious consideration as a possible means to assist this depressed area. **We recommend to the Governments that the European Commission be asked to consider this proposal.**

Assistance for Small Farmers

39 It will be clear from the preceding discussion that we believe that small farmers need continuing assistance on a number of key fronts if they are to survive, and if the present generation of small farmers is not to be the last, with the catastrophic consequences this would have for rural communities. These areas would include:

Early retirement

39. While the reluctance of farmers to leave the land is well known, it is urgently necessary to encourage the handing on of farms to younger farmers, both to ensure the next generation and to speed the introduction of more modern farming ideas and practices. We also believe that many elderly farmers may be ready to hand on the farms which they are no longer able to work effectively, if they are treated with the dignity they deserve.

40. The Scheme of Installation Aid for Young Farmers, and in particular the Early Retirement Scheme, both operated under the EU's Rural development Programme, are important and urgently necessary to address these problems. **We urge that both schemes be continued and if possible expanded for as long as is necessary, and be given sufficient funding to meet their objectives. In particular, we urge that these essential schemes be extended to Northern Ireland, where the rural population faces the same demographic threat.**

Farm size

41. In the long run, many small farms cannot be made viable without some increase in their acreage. We recognise, and we believe it is widely accepted, that this will mean some further amalgamation of farms and reduction in farm numbers. **We urge that measures be taken to ensure that lands which become available, whether through early retirement or otherwise, are to the greatest extent possible used to bring other small farms up to and over the threshold of viability, rather than being**

acquired by already larger farms or town dwellers seeking building sites. This objective might be approached by a system of buy-outs or long term soft loans for the purchase of land.

New or improved products

42. Advisory and assistance efforts should be redoubled towards improving the existing agricultural product and seeking new outlets in sectors not already subject to overproduction. We have already referred to the urgent need to pursue a higher quality product. **This will require a sustained commitment from state agencies, producers and processors.**

43. We believe that the search for new farm products is important in terms of exploiting new market niches and diversifying so as to guard against collapse in a given sector, but we are not confident that there is a magic new farm product waiting to be found, or at least not one which a small farmer will be able to exploit. We believe that the organic sector (which is really a high quality product of a particular type) will show increasing potential for sales to more demanding consumers, but the search for alternative farm products has had limited success, usually only for those enterprising farmers who are first into a newly expanding sector (such as mushroom production), before it rapidly succumbs to overcapacity. For instance, we have heard that deer farming has been profitable principally for those who concentrated on supplying deer to other newly establishing deer farms, rather than to the market as such, which has not expanded sufficiently rapidly. Other exotic products such as ostriches have similarly limited possibilities. We believe these possibilities should continue to be explored, and we commend the farmers who are doing so, but **the real future for most farmers, and especially small farmers, must lie in the better quality production of those animals for which we are naturally best equipped.**

Food safety/environment

44. We note with approval the attention being given at last to this area. **We hope that the new food safety bodies being established nationally and at EU level will operate in a complimentary fashion, and not simply duplicate each other's work.** We consider it vital for the future of the agricultural industry that the considerable fears which have arisen in consumers in recent years should be addressed and allayed. **It is essential that farmers and processors accept food safety measures as an ally in reassuring the public, and not as an adversary to be circumvented.** Similarly, it has to be accepted that public concern over the environmental consequences of certain agricultural practices, and in particular over intensive farming, is only going to increase. Properly responded to, this concern can be a help in the effort to move to a more high-quality style of farming.

45. In all of these and other measures which may be taken, **we believe it is essential that their real effect on the ground be closely monitored** so that they can be rapidly fine tuned and as necessary retargeted. We have been struck by how often

measures launched with the best intentions can have unintended distorting effects, or fail to reach those farmers who are most in need of them. In particular, the vicious circle of small farmers being unable through lack of resources to benefit from measures intended to help them needs to be closely watched.

Continuing financial support

46. Despite all the improvements which can and should be made in the position of the small farmer, **we believe it is essential to accept realistically that small farmers are always going to need financial support to some degree.** If Irish (and other) farmers are to continue to farm in small, diverse, aesthetically pleasing units, with a high amenity value and due regard to the environment, and yet compete with the huge, commercial, environmentally devastating, monocultural enterprises to be found in some countries, it is to be expected that they will need, and should be able to rely on, a safety net of support from society as a whole in return. **This support should continue to be determined and funded at EU level.** We believe that such financial assistance, payable probably in the form of a direct income support, and more closely targeted on actual need, will be more intelligible and more justifiable to urban taxpayers.

Rural Development

47. In addition to financial subsidies, the other resource which small farmers have increasingly sought to exploit in order to survive in recent years has been the second or off-farm income. Sometimes the farmer himself, more usually his wife or a family member augments the family income through other employment. Sometimes this can be on the farm, such as a craft industry or a small agricultural industry such as cheesemaking, but more often it is located in a town or village. In Ireland, the 1996 National Farm Survey showed that only 37% of farms were viable on agriculture alone. In Northern Ireland, only 10% of farms can support more than one wage. Off-farm incomes have become an indispensable safety rope for very many farm families. **We believe that in the longer term access to off-farm incomes will be the key to survival of small farms.** In this way, just as we saw earlier that the survival of family farms was critical to rural communities, so now increasingly the future of the family farm depends on its links to economically active communities.

48. The whole range of policies by which we seek to sustain rural communities, including measures directly in support of small farmers and measures to stimulate the rural village based economy, have come to be drawn together in the concept of Rural Development. This concept, formerly regarded by many, especially farmers, as little more than a slogan, is now recognised as critical to the future of the countryside. We have been pleased to note the active support for it at Government level. In both Ireland and Northern Ireland, recognition has been signalled by the addition of the phrase Rural Development to the title of the agricultural Department and Minister. In the EU, rural development has been recognised as the second pillar of the CAP. The Irish Government has recently published a major White Paper on Rural Development, setting out a comprehensive strategy drawing together all of the

governmental actions and commitments in support of rural communities. **We strongly welcome all these recent signs of recognition of and commitment to the concept of rural development. We look forward in particular, of course, to their being followed up with real and sustained action.**

49. We have heard excellent presentations in both Dublin and Derry on LEADER, which is the EU's principal programme to stimulate rural communities. This is now in its third phase, called LEADER +. We have been very impressed by the range of small scale local activities which have been stimulated using LEADER funding, many of which are ideal sources for second incomes for farm families. These range from projects related to tourism, community regeneration or the establishment of small agribusiness enterprises, to kennels, potteries, restoration of historic monuments and so on.

50. We have been particularly impressed by the philosophy and style of LEADER, which we think has been very successfully implemented, and by the evident enthusiasm it has engendered in those engaged in it. By working through local groups and specially established companies, who are expected nonetheless to draw up and adhere to detailed action plans, **LEADER helps give communities back a feeling that they can help determine their own futures, and are not helpless before unseen economic forces sweeping the countryside. We believe that this effect, which works powerfully against the type of demoralisation we have referred to earlier, is perhaps as important as the success of the specific projects.**

51. **We consider that LEADER, at least as operated in Ireland, north and south, has been almost a textbook example of how an EU programme should work - at grassroots level, through local action, stimulating direct involvement. We strongly recommend that the programme should be continued with for the foreseeable future.**

52. We recognise also the similar efforts of the International Fund for Ireland, working in the areas worst affected by the former conflict in Northern Ireland, working at local level and backing the efforts of local people. We have reported before in detail on the operations of the IFI.

53. The Irish Government's White Paper on Rural Development, and the recent National Development Plan which in part follows on from it, illustrate the wide range of policy areas and spending decisions which Governments face in promoting rural development. This involves much more than sustaining the balance sheet of small farms. It will require comprehensive policies to make rural communities attractive places to invest in, to create jobs in and to live in. The provision of adequate roads and other transport links, so that not only can goods move in and out of rural areas, but small industries can draw their workforce from a rurally based population, is an obvious need.

54. A crucial but extremely difficult decision will be which small towns to develop as local nodes. Northern Ireland is well served by a network of quite evenly spaced local

centres, originally market towns. This need is less successfully served south of the border, and tough decisions will have to be made as to which centres to stimulate, for not all can be. **The objective must be that all rural communities should have a town of sufficient critical mass within reasonable travel distance.** It is notable that, while the rural community in Ireland has remained stable at about 1.5 million over the last decade, this has occurred because continued movement off farms has been balanced by the expansion of small towns. Counties which lack well developed urban centres have suffered a continuous and serious decline in population.

55. Support for rural communities will also require decisions, and ongoing commitments, about schools, hospitals, leisure activities, post offices etc. **In the long run, rural society will only survive if rural people can find there an adequate lifestyle and standard of living for themselves and their children.** They deserve and should expect no less.

Viability of Small Farms

56. We come finally to the vital question of what is achievable in terms of creating and sustaining viable family farms. If our objective is the optimum number of viable farms, what is that number? Almost all of our witnesses touched on this question to a greater or lesser extent. It lies at the heart of what we are trying to achieve in the countryside, but it is very difficult to answer directly. All witnesses accepted that not every small farm could be saved. If average farm size needs to be increased, this can only be done by reducing the number of farms. Although there has already been, over a long period, a painful shrinkage in the number of farmers on the land, there is clearly some way to go yet. Equally, no one would seriously argue that we should abandon support for small farms, and allow a few large ranches to take over, on purely commercial grounds. Our best outcome must lie somewhere in between.

57. We have heard various estimates of where the threshold of viability might lie - such as a holding of 100 acres, or a milk quota of 30,000 gallons. It was suggested to us that 15 cows might be a level from which one could try to build up: below that and the debt level incurred to enlarge would become prohibitive. We do not think it is possible to be this precise, if we accept that viability *through agriculture alone* is not going to be our benchmark. If we expect that in the future most small farms will depend to some extent on additional off-farm income, and where necessary direct financial support, then what we are seeking is in fact a level of need below which it might be impossible to offer sufficient support to bring the total farm income up to an acceptable level. Very many witnesses, nonetheless, felt that it was necessary to seek to define where this cut-off point might lie, as closely as possible. Available resources, which are always insufficient, must be targeted where they can do most good, and where they might reasonably produce the desired effect, and policymakers and advisers need to have a framework for the future in which they can operate with confidence and on which they can rely.

58. One model which we found compelling was to distinguish between the type of policies which should be directed towards farms in different circumstances. It was

suggested that there are probably about 20% of farms which are genuinely economically viable, and which can be dealt with through purely agricultural policies (e.g. in terms of efforts to improve the national herd, improve food quality, reduce environmental costs etc.). Something in the order of 30% of the smallest farms probably cannot be reasonably made viable, and those farmers need to be helped via essentially social welfare style policies, with a medium to long term view of freeing the land for use by others. In between are the **roughly 50% of farmers who are struggling badly now but who can be helped to reach a viable position**, which would consist of agricultural income, secondary or off-farm income, and where necessary (or perhaps more accurately when necessary) some level of direct support. These farmers need to be helped through a mixture of agricultural and social welfare-type policies, and they need help urgently, to enable them to survive to a point where additional land, investment and diversification can enable them to stand more on their own. **Our efforts and policies should be centred in particular on this group of farmers.**

59. **We agree with this analysis, and we believe that careful consideration should be given as to how to put it into practice.** We would suggest, very tentatively, that perhaps a guideline could be established of a level of overall family income (consisting of farm and off-farm income) which could be judged to be sufficiently close to the needs of the family and of the farm as to make it viable to provide sufficient direct financial support to cover the gap, and the relevant loans, investment aids etc. to begin to reduce that gap. Over time, the gap which it was judged reasonable to bridge with direct aid might be reduced, but we do not expect that direct supports will ever be entirely dispensed with, if the countryside that we know and wish to see continue is to survive.

Draft Resolution

That the Body notes the Report of the Committee on Economic and Social Affairs on The Future for Small Farms in the Rural Economy, and agrees with the conclusions and recommendations of the Report, which should be forwarded to both Governments for their observations.

APPENDIX I WITNESSES HEARD BY THE COMMITTEE

Mr. Anthony Leddy — LEADER Group Chairman, Cavan/Monaghan
Mr. Gerry Gunning — Rural Development Committee, Irish Farmers Association
Mr. Frank Allen — President, Irish Creamery Milk Suppliers Association
Dr. Jim Phelan — Department of Agribusiness, Extension and Rural Development, University College Dublin
Mr. Patrick Cummins — Head of Rural Development, Teagasc
Mr. Seamus Campbell Teagasc, Donegal
Mr. Aidan O'Driscoll — Department of Agriculture and Food, Dublin (*now*)

Department of Agriculture, Food and Rural Development)
Mr. William Taylor — President, Ulster Farmers Union
Mr. Douglas Roe — Deputy President, Ulster Farmers Union
Ms. Kate McFall — Chairwoman, "Collage" LEADER Group (Coleraine Local Action Group for Enterprise Ltd.)
Mr. Micheál McCoy — Chairman, NIAPA
Mr. Sean Clarke — Vice Chairman, NIAPA
Mr. Jim Carmicheal — NIAPA
Mr. Karl Mullan — Farmer, Garvagh, Coleraine
Mr. Robert Longwell — Farmer, Drumahoe, Co. Derry
Mr. Denis Gallagher — Farmer, Magherard, Malin Head, Co. Donegal
Mr. William McColgan Farmer, Iskaheen, Muff, Co. Donegal
Mr. Gerry McWhinney DANI
Mr. Tom Stainer — DANI
Mr. Norman Fulton — DANI

Abbreviations

NIAPA — Northern Ireland Agricultural Producers Association
DANI — Department of Agriculture for Northern Ireland (*now* Department of Agriculture and Rural Development)

APPENDIX II WRITTEN EVIDENCE RECEIVED

A Printed Publications

Government of Ireland — National Development Plan 2000 - 2006
Department of Agriculture and Food, Dublin — Ensuring the Future - A Strategy for Rural Development in Ireland
Department of Agriculture for Northern Ireland — The Rural Development Programme in Northern Ireland 1994 - 1999: Progress Review
South Down/South Armagh LEADER II Company — Newsletter: Rural Tourism Marketing: a Resource Audit (produced with the Louth LEADER Company)
Economic Development Strategy Review — Strategy 2010 Steering Group
Coleraine Local Action Group for Enterprise Ltd. — Annual Report 1998 - 1999

B Other Written Evidence/Submissions

Ulster Farmers Union — Submission to the Committee
NIAPA — Policies and Proposals
Dr. Jim Phelan — The Nature and Scale of the Farming Problem in the Republic of Ireland
Teagasc, Donegal — Briefing for farm visits: Brief outline of improvement schemes
Irish Farmers Association — Follow-up to oral evidence
DANI — Summary of Rural Development Initiatives
European Commission — Summary of Rural Development Policies