



**BRITISH-IRISH
INTER-PARLIAMENTARY BODY**

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

RESPONSES OF BOTH GOVERNMENTS

to

THE REPORT OF THE COMMITTEE

on

THE FUTURE OF SMALL FARMS IN THE RURAL ECONOMY

COMMITTEE C (ECONOMIC COMMITTEE): THE FUTURE OF SMALL FARMS IN THE RURAL ECONOMY

Response by the Irish Government

North/South Co-operation

There has been on-going co-operation between North and South over many years in relation to agriculture, e.g. on animal health, in particular through the establishment of the Steering Committee on Cross-Border Rural Development.

Arising from the Good Friday Agreement, "agriculture" is one of six areas identified for co-operation. More specifically, the topics currently agreed for discussion between the two Agriculture Departments, North and South, are:

- **CAP issues**
- **Animal and Plant Health, Policy and Research, and**
- **Rural Development.**

The two Departments are drawing up detailed work programmes in relation to these issues which, later this year, will be put to the next meeting of the Agriculture North/South Ministerial Council for endorsement.

East/West Co-operation

Opportunities for East/West co-operation in Agriculture and Rural Development will, it is expected, be pursued in the context of the British-Irish Council.

White Paper on Rural Development

Traditionally, agriculture has sustained the rural economy throughout the country. While it will continue to be the major generator of economic activity in rural areas, the long-term trend is for the relative significance of conventional farming to decline, especially as a provider of employment and incomes. This is evidenced by the fact that at present the majority of rural dwellers are neither farmers nor directly dependent on agriculture.

Against this background, the White Paper on Rural Development - *Ensuring the Future - A Strategy for Rural Development in Ireland* - was published in August 1999. It articulates a vision and a framework for the development of rural communities in Ireland and marks a new approach and commitment by Government to rural development. The policy debate on this issue has moved centre stage in recent years and, with increasing emphasis on rural development policy in the EU context, it is now regarded as an important pillar of the CAP.

The rural development policy agenda is defined in the White Paper as all Government policies and interventions which are directed towards improving the physical, economic and social conditions of people living in the open countryside, in

coastal areas, towns and villages and in smaller urban centres outside of the five major urban areas. The agenda will, at the same time, facilitate balanced and sustainable regional development while tackling issues of poverty and social inclusion. This aspect is addressed further in the next paragraph.

The overall strategy decided by Government provides for:

- balanced regional development to ensure that the benefits of economic and social progress are distributed throughout rural areas
- investment in services and infrastructure
- sustainable economic development
- human resources development, and
- a determined focus on poverty and social exclusion
- preservation of the culture and heritage of rural areas and protection of the environment.

A range of new institutional measures, including a Cabinet Sub-Committee, have been introduced to implement this strategy and rural proofing procedures are now in place for all national policies. An essential element of the strategy is the establishment of the National Rural Development Forum to debate current issues, review existing programmes to determine their impact and identify suitable policy responses to rural problems. It has a wide membership including Government Departments, State Agencies, the Regional Assemblies and Authorities, Local Authorities, the social partners, local development bodies and the wider voluntary and community sector. The Forum met for the first time in May 2000.

The medium for bringing the aspirations of the White Paper to fruition is the National Development Plan through the record level of investment it contains including £6.7 billion which will impact directly on rural areas. Equally significant is the active role which many other Government Departments and State bodies have to play in delivering these programmes and measures, reflecting the 'broad church' which is rural development. The social partners, from the private sector to the voluntary and community sector, also have their parts to play in underwriting the future of rural areas.

LEADER Programme

There has been close liaison between the Departments of Agriculture, North and South over the past number of years. The current EU LEADER programme, known as LEADER 11, is coming to an end and is being replaced by the LEADER + programme which will be more restrictive than its predecessor.

However, this programme is placing a greater emphasis on inter territorial and transnational projects.

Under the North South Agreement, overall responsibility cross border activity for EU LEADER rests with the Special EU Programmes Body set up under that Agreement.

Contact between the Departments to ensure complementarity of the programmes and in particular, the cross border dimension is ongoing. Both Departments will actively encourage cross border projects and the North/South Steering Group made up of officials from both Departments will make the award of such grants.

In the period 2000 -2006 the Government has decided to introduce a National LEADER type programme known as the National Mainstream Rural Development Programme. A special fund will be established for projects with a cross border dimension. As in the case of LEADER + this Department will actively encourage North/South activity as well as supporting East/West developments.

LEADER funding is designed to foster the establishment of sustainable rural development initiatives to help underpin the fabric of the rural infrastructure and economic activity. In so far as small farmers are concerned, LEADER projects will continue to provide the opportunity of off farm income.

The funding available for LEADER + is £57.7 million and £59.6 million for National LEADER.

National Anti-Poverty Strategy

In the rural context, social exclusion manifests itself in ways that reflect the distinct features of rural life, particularly in more remote areas. It is frequently the result of multiple disadvantage.

The National Anti-Poverty Strategy (NAPS), launched in 1997, identified those at risk of poverty in rural areas as including low income farmers, casual labourers, the long term unemployed and the under-employed, lone parents, those with disabilities, the elderly and travellers. These factors are often compounded by further problems of distance from services and amenities. Since the launch of the NAPS in 1997, Ireland has experienced a period of unprecedented economic growth. This has led to substantial reductions in the levels of unemployment and poverty. While the extent to which the NAPS process has contributed to these reductions, it has nevertheless played an important role in raising awareness of the need for anti-poverty and social inclusion policies within the political and administrative systems.

The strategy set out in the White Paper endorses and supports the

objectives contained in the NAPS and will ensure that the overall strategy for rural development is underpinned by a socially inclusive dimension.

A review of the NAPS, including the rural poverty theme, is now being undertaken as promised in the Programme for Prosperity and Fairness.

Western Development Commission

The Western Development Commission (WDC) was established on a statutory basis with effect from 1 February 1999. It's function is to promote, foster and encourage

economic and social development in the Western Region, i.e. the seven western counties of Clare, Donegal, Galway, Leitrim, Mayo, Roscommon and Sligo. The Commission works in co-operation with national, regional and local bodies to secure the development of the Western Region. Its activities involve policy analysis and development, undertaking key regional initiatives and management of the Western Investment Fund (WIF).

The WIF, comprising a total Exchequer commitment of £25 million over at least five years, will facilitate investment in developing companies in the Western Region in support of the WDC's function of promoting and encouraging public and private sector investment. It will provide loans and take equity in a small number of strategically important investments, in business start-up and growth-orientated small and medium enterprises and in community based developments aimed at encouraging enterprise establishment.

National Spatial Strategy

To address the future spatial structure of Ireland in the context of sustainable development, the Government has mandated the Department of the Environment and Local Government to prepare a National Spatial Strategy. This will be completed in two years and will translate the broad approach to balanced regional development into a more detailed framework for longer-term spatial development over a twenty-year horizon. The Strategy will build upon the National Development Plan's initiatives and set out a broader and more strategic framework for the spatial development of the State.

The Strategy will be a spatial planning framework for the country as a whole. Rather than specifically addressing local issues, it will provide a basis for long-term co-ordination and co-operation in policy formulation and decision making on major investment in infrastructure including public and private transport infrastructure.

It will address many of the issues raised in the White Paper on Rural Development.

Issues that are to be the focus of research in drawing up the Strategy include

- **transport**
- **extensive & intensive rural land use**
- **the Irish rural structure**
- **rural enterprise**
- **rural resource potential and management issues**
- **rural and urban roles.**

An inter-Departmental steering committee has been established to oversee the production of the Strategy.

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Letter from the Minister of State, Northern Ireland Office, to the Vice-Chairman of Committee C

4 May 2000

On behalf of the British Government I wish to congratulate your Committee on producing a thoughtful examination of the future of small farms in the rural economy. I am pleased to enclose a detailed response from the Government which attempts to deal with the Various points raised by the report in a comprehensive manner.

I hope you find this response helpful.

RT HON ADAM INGRAM JP MP
Minister of State

Response by the UK Government

1. The UK Government welcomes the comprehensive report by Committee C of the British-Irish Inter-Parliamentary Body into the future of small farms in the rural community.
2. Although the report does not make a set of specific recommendations, it does raise a number of important issues in relation to the economic development of rural areas.
3. The UK Government agrees with the conclusion of the Committee of the need to move away from supporting the rural economy through supporting agricultural markets. The economic distortions that this produces, both nationally and internationally, as well as the negative impact that it has on landscape features and biodiversity, are well documented. The UK Government is of the view that policy objectives in relation to issues such as rural economic development and environmental protection can be achieved more effectively and with fewer economic distortions through a system of properly targeted measures, including direct payments.
4. The UK Government recognises that the agricultural industry forms an integral and important part of the rural economy, but it also believes that the long-term interests of the industry are best served if it is competitive and flexible, responding to consumer demands and displaying a high degree of environmental responsibility.
5. At a national level, the UK Government announced a series of short, medium and long term measures at the Agriculture Summit on 30 March 2000 aimed at helping farmers find ways of making their businesses more resilient, efficient and responsive, as well as addressing the immediate difficulties in which the industry finds itself.
6. Simultaneously in Northern Ireland, the Government reactivated the exercise aimed at developing a strategic vision for the future of the local agri-food industry (initiated by the devolved administration). Drawing from industry and outside expertise and experience, this will develop a strategy for the development of the agri-food sector over the coming decade. It is likely that the Group tasked with developing this vision will wish to consider a number of the issues raised in this report, including the targeting of resources, bearing in mind the confines laid down by the CAP.
7. The UK Government will continue to work in Europe for a more market orientated agriculture, free of production controls and less burdened with bureaucracy. It will also seek to achieve a rural support framework which is more focussed on the particular needs of rural communities while reflecting the wider aspirations of society as a whole.

8. Although this report does not contain a set of specific recommendations, there are a number of issues to which the UK Government would wish to respond.

Representation at Westminster

9. The UK Government would have much preferred that the devolved administration could have continued to operate in Northern Ireland, and continues to work for its early restoration. However, it refutes the suggestion (Paragraph 12) that Northern Ireland leaders and farmers have had difficulty in registering their concerns at Westminster. Northern Ireland farm leaders and politicians have had access to the Government at the highest levels, including the Prime Minister, and the Government is fully aware of the importance of agriculture to the Northern Ireland economy, and its particular difficulties.

Optimum Number of Farms and Off-Farm Opportunity

10. The report refers in a number of places to the maintenance of the "optimum" or "largest reasonably attainable" number of farms as a policy objective in relation to the preservation of rural communities. The Government recognises the importance of agriculture to the rural economy, but suggests that such a policy focus is too narrow and the achievement of a broadly based rural economy is a more appropriate objective. This would afford small farmers a better opportunity of deriving off-farm sources of income whilst allowing them to continue farming, thereby achieving an acceptable standard of living while retaining a particular lifestyle. In this respect, the Government agrees with the view of the Committee that "off-farm incomes will be the key to survival of small farms" (Paragraph 47), although collaboration by sharing certain inputs and the marketing or developing of niche products will also have a beneficial role to play.

Demographic Crisis

11. The UK Government does not accept that there is "a serious demographic crisis" in the agricultural industry (Paragraph 34). Available evidence over the past ten years does not indicate that the age profile of those in the industry is changing to any discernible degree. The fact that the majority of farmers are over the age of 45 is a reflection of the fact that, in general, farmers do not inherit their holdings and become farmers in their own right until they are half way or more through their working lives. Moreover, the fact that there are fewer new farmers entering than there are leaving the industry is the primary mechanism by which structural adjustment has taken place in the industry in the past, and will continue — the future. Any attempt to hinder this adjustment would do a great disservice to the industry in the long term

Early Retirement Scheme / Installation Aid for Young Farmers

12. The Government notes the recommendation of the Committee that an early retirement scheme and installation aid for young farmers should be adopted in Northern Ireland under the EU Rural Development Regulation (Paragraph 40).

13. No provision has been made for an early retirement scheme within the Rural Development Regulation Plan (Accompanying Measures) for Northern Ireland. However, Plan funds totalling over £29 million have yet to be allocated. Although the possibility of an early retirement scheme has not been categorically ruled out, allocating these funds to such a scheme would provide for fewer than 750 applicants and is considered to offer poor value for money. Nevertheless, the eventual allocation of this £29 million, which will not become available until the later years of the Plan period, will be decided in consultation with the industry.

14. No provision has been made for a new entrants scheme as this option is considered to be of low priority: other measures aimed at improving agriculture's competitiveness would assist new entrants. DARD continues through its colleges to work with the industry to encourage young people entering the farming industry to obtain the highest possible levels of vocational education. A wide range of courses is available, including those combining technical agriculture with skills, such as IT, which are appropriate for off-farm employment.

Land Market Restriction

15. The UK Government has grave reservations over the suggested intervention in the land market suggested in Paragraph 41 of the report. Restricting the availability of land to certain groups could lead to price distortion, with the seller probably having to accept a significantly lower price. This may lead to a restriction in the volume of land coming onto the market, defeating the original purpose of the policy, and could be extremely unpopular with those farmers wishing to retire and realise the value of their capital assets.

16. The provision of a soft loan scheme (assuming that this was permissible under EU State Aid rules) may have the opposite effect. Purchasing farmers, knowing that their purchase loans would be subsidised, may be prepared to bid up the price of land, thereby negating to a significant extent the benefit of the soft loan. The ultimate beneficiary of such a scheme, therefore, would tend to be the seller.

New or Improved Products

17. The UK Government agrees with the conclusion of the Committee that improvements in product quality can produce significant benefits for most farmers (Paragraph 43). Within the various marketing support programmes operated by DARD, such as the Red Meat Strategy and the Marketing Development Scheme, there is a strong quality improvement element that builds on the concept of a partnership approach between producers and processors aimed at improved marketing of higher quality products.

18. A comprehensive programme of education and training, using the latest self-directed learning methods and supported by local Development Advisers, is also provided to assist farmers and growers to maximise their returns by implementing management improvements to improve product quality and minimise production costs.

19. The Government notes the Committee's observation that "the organic sector will show increasing potential for sales to more demanding consumers". The Committee will be interested to know that the Organic Farming Scheme will be expanded significantly under the proposals contained within the Rural Development Regulation Plan (Accompanying Measures) for Northern Ireland.

20. The Government notes and shares the Committee's appreciation of the difficulties faced in identifying and exploiting new market niches. For this reason, arrangements are in place to help producers and food companies identify and exploit opportunities for new products. The provision of eight Food Business Incubation Units at DARD's Loughry College - The Food Centre, with the assistance of funding from the EU Peace and Reconciliation Programme, is an example of the commitment to provide support for the sustained development of those opportunities which do exist. On-site technical and product development support is provided by College staff. The Government also provides assistance for farmers to identify and develop the knowledge and business skills needed to undertake successful diversification projects.

Pigs Crisis

21. The Government does not accept the Committee's analysis of the causes of the difficulties in the pigs sector (Paragraph 26). An EU-wide imbalance between supply and demand, coupled with sterling's appreciation against the euro, were the primary causes of the slump in pig prices which impacted throughout the European market. The additional factor of the fire at the pig processing plant at Ballymoney was a further setback for the Northern Ireland industry, and one for which Government assistance was provided to counter. However, of itself, this fire was not the cause of the downturn in the pig market.

22. The Government has no evidence to support the Committee's view that "many pig producers ... had got into the sector when the beef industry collapsed following the BSE crisis" (Paragraph 27).

23. The Committee will be aware that at the recent Agriculture Summit, the Prime Minister announced a three year restructuring package for the UK pig industry, with first year funding of some £26 million for the UK as a whole. The Northern Ireland industry will receive its share of this.

Entry into the Single Currency

24. The Government notes the observation by the Committee that Northern Ireland farmers are strongly in favour of the UK's entry into the single European currency (Paragraph 28). The UK Government's position on this has been clearly articulated and, as the Committee itself notes, it is an issue which involves many other considerations beyond the scope of this report.

Assistance for Border Areas and Milk Quotas

25. The Government notes the observation by the Committee that border areas are in need of special assistance to kick start economic activity (Paragraph 38) and would point to the significant contribution made by the EU INTERREG and Peace and Reconciliation Programmes in support of rural development projects in border regions.

26. With regard to the recommendation that additional milk quota be sought for border areas, it should be noted that both Northern Ireland and the Republic of Ireland received a special allocation of quota under the Agenda 2000 reform of the CAP. The manner in which this quota is distributed is a matter for the national Governments. In Northern Ireland, consultations are on-going with the farming organisations on how this should be done and a decision will be made in the relatively near future. The UK Government has no plans to seek a further special allocation of quota for Northern Ireland and its ultimate objective is to seek the removal of such production controls across Europe, with a move towards a more market oriented industry.

Food Safety

27. The UK Government is keen that the bodies working to improve food safety at national and EU levels complement each other's work. It also welcomes the proposals, set out by the EU Commission in its White Paper on Food Safety, to establish a European Food Authority and to develop a coherent EU policy in this area.

28. The Government is confident that food producers recognise their primary responsibility in producing safe food.

Rural Development

29. The UK Government welcomes the Committee's views on Rural Development in Northern Ireland. The Rural Development Programme has been an undoubted success over the past 10 years and attention is now focused on the new round of Structural Funds and EU Initiatives to cover the 2000-2006 period. Negotiations are ongoing with the EU to obtain approval for new Measures under the Objective I Transitional and Peace II Programmes which will build on the work already done and aim to maximise the benefits for rural dwellers. DARD is currently consulting on the LEADER+ proposals and will again be hoping to secure the maximum available funding to ensure that further progress is made.

April 2000