"An evaluation of the present and future importance of Agriculture to the economy of County Donegal"

Author - Paddy Gillespie

This Research paper is submitted in partial fulfillment of the requirements for the degree of Master of Economic Science of the National University of Ireland, Galway

M.Econ.Sc.

August 2003

Research Supervisor - Professor Michael Cuddy

Department of Economics

National University of Ireland, Galway

Abstract

Agriculture will continue to play a key role in Rural Development in Ireland, despite evidence that it now takes the form of attracting EU transfers rather than adding value to Irish resources. The new CAP reform proposals will fundamentally change the way agriculture is supported throughout the EU, paving the way for a more competitive industry. In County Donegal, there is evidence of high dependence on these public transfers, declining numbers of farms and employment and low levels of competitiveness. There is a trend towards part-time farming, and this progression will be accelerated with the onset of the new reforms. Farming must become more competitive in terms of cost effectiveness and diversity, if it is to survive in its new environment. These farmers require support to facilitate this transition. In addition, those farmers who will now exit the market need support to enable entry into the non-farming environment. The Agricultural Sectoral Forum of the Donegal County Development Board will have a key role to in the targeting and provision of these essential services.

Acknowledgements

I would not have succeeded in completing this paper were it not for the support and assistance of those people around me. Firstly, I like to thank all those who took time out to speak to me, to fill out questionnaires, and reply to queries over the course of the project. Your patience and generosity is much appreciated. Secondly, I would like to thank Professor Michael Cuddy for his guidance at various stages throughout the process. I include Dr Eamon O'Shea in this regard, as he was always available to give advice throughout the year. It was very much appreciated. Thirdly, I'd like to thank all at the Community, Culture and Enterprise Unit of the Donegal County Council for making me feel very welcome in Lifford. I'd like to thank Michael, Charles and especially Maria for looking out for me, and keeping me on the right track. Eimar, Roisin, Carol and John, you made it a bit of craic for the summer, something I wasn't exactly expecting. I'd like to thank my family and friends for their support, especially my parents who gave me the opportunity to pursue this course. Finally, it was a pleasure to be a part of the M.Econ.Sc class this year, and I'd like to thank them all for their support throughout the year. Thanks to Killian and Philly for their computer skills, Liz for looking after all our needs, Suzanne and Loraine for the tea and Conway for making me look good.

List of Abbreviations

EU	European Union
CDB	County Development Board
NDP	National Development Plan
CAP	Common Agricultural Policy
MTR	Mid-Term Review of Agenda 2000 CAP reform
CSO	Central Statistics Office
NFS	National Farm Survey
FFI	Family Farm Income
ESU	Economic Size Unit
REPS	Rural Environmental Protection Scheme
DAFRD	Department of Agriculture, Food & Rural Development
DLDC	Donegal Local Development Company
EAGGF	European Agricultural Guarantee & Guidance Fund

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Chapter 1: Introduction

1.1: Background

The White Paper on Rural Development summarises the government's vision of rural development as the development or maintenance of vibrant rural communities where there is:

> "a range of age, income and occupational groups such as to allow them…to enjoy a standard of living and a quality of life which make them attractive communities in which to live and work; (where) the maximum number of rural households and especially family farms, will be retained" (DAFRD).

As the major sector in most rural areas it is obvious that changes in agriculture impact on many of these aspects of rural development. Despite a decade of considerable economic growth, rural Ireland is currently facing a massive decline in agriculture. Conventional estimates of the economic contribution of the Irish agricultural and the agri-food sector in 2002 suggest that the overall sector still accounts for around 10% of total GDP and exports and 16% of employment, even after the structural changes brought about by the Celtic Tiger economy in the 1990s (CSO). These estimates, however, conceal the extent to which primary agriculture, in particular, is now dependent on public policy transfers. The CSO measure of Operating Surplus in agriculture in 2002 was €2,381million, a decrease of 8.9% on 2001. It is a measure of the returns to the factors of production employed in agriculture including any subsidies paid to producers net of taxes. Matthews (2001) argues that agriculture's true contribution can only be gauged by subtracting this subsidy element to get Gross Value Added at market prices. In 2002 these direct income payments amounted to €1.6 billion and using Matthews methodology, accounted for 69% of Irish agricultural income. In effect this is the proportion of agricultural value added which represents policy transfers arising from agricultural protection and support rather than production activity. This reveals the lack of competitiveness in Irish agriculture in that such a substantial proportion of the sector's contribution to the economy is comprised of public transfers.

The Donegal County Strategy for Social, Cultural and Economic Development- “An Straitéis” 2002-2012 is the product of a comprehensive consultation exercise to ensure the creation of a common vision for a better quality of life for each and every citizen of Donegal. In effect, it provides an overall framework within which all development and the delivery of public services in the County will occur. An outcome of this process has been the establishment of individual sectoral fora, one of which has been the Agricultural Sectoral Forum. Amongst the main objectives identified by the forum in the County Strategy is to analyse this dependency level of the farming community on supports from external bodies. A specific reference is made to this in Goal G and objectives G.2 and G.3 in the County Strategy’s vision for the Agriculture and Food Sector.

Goal G:
“*To maximise the effectiveness of funding programmes for agriculture for County Donegal, and also to reduce the dependence on external supports in the County.”*

G.2:
“ To develop the capacity of the farming community to consider activities for which there is no grant aid available.”

G.3:
“ To seek to quantify the present and future importance of Agriculture to the economy of County Donegal.”

In the light of ongoing EU reform, the future sustainability of these subsidies to agriculture is now in doubt, with the imminent movement of the Common Agricultural Policy towards a market driven agriculture.

This evolving policy context forms the basis of this report. More specifically it aims to examine the ongoing changes in the agricultural sector, to consider how these changes will impact on the economy of County Donegal, and to speculate as to how best these issues may be addressed.

This would be a worthwhile exercise especially in the context of the imminent reform of the CAP. With this in mind, the aims of the research are as follows:

- To profile the current status of agriculture in County Donegal
- To quantify the present level of agricultural supports entering the county
- To provide an assessment of the economic viability and future sustainability of the agricultural sector given the future changes in Agricultural Policy.
- To identify key issues specific to the county's farmers and to make recommendations as to the possible next steps in this process

1.2: Limitations and scope of this report

There are obvious limitations to the scope of the study. Much of the information presented from the consultation process is drawn from the experiences of individuals and organisations working in the target area. It is therefore subjective and based on anecdote in many instances. The author has attempted as far as possible to draw together the views of all those consulted within the study and present these in an objective and fair manner. The views expressed are of the author, and not necessarily the views of the members of the forum.

The main limitation in the report is the lack of direct involvement of the farming community in the process. Instead it was felt that agencies would provide an adequate representation of the individual farmer, with whom many had daily interactions. Furthermore, initiating contact with these agencies also enabled collation of information on the services provided by these organisations, which greatly facilitated the process of assessing future policy directions.

1.4: Approach and Methodology

In order to effectively achieve the objectives of the research project, two distinct phases of work were carried out as follows:

Phase 1 – Desk Research

- This involved desk research to enable preparation of a comprehensive profile of agriculture in County Donegal as well as the completion of a matrix of supports available to the farming community. This enabled the calculation of the actual volume of supports that farmers receive directly in the county, while also assessing other key audits and research studies conducted to date in the county.

Phase 2 - Consultation

- To undertake extensive consultation with key development agencies in the county to assess needs, and identify opportunities to develop the sector further. This would hopefully involve input from the farming community. The forum concluded that the best approach would be a consultation process involving all the relevant development agencies in the county, who have a good appreciation of the specific needs of the farming community in County Donegal.

On the completion of both phases, key issues that are specific to the farming sector were identified as well as an overview of the programmes/ activities/ services provided by local bodies. This formed the basis of overall conclusions and recommendations for this report.
A detailed list of consultees was developed in conjunction with the members of the Agricultural Sectoral Forum. These are listed in Appendix 1 of the report. This consultation provided an important component of the research. Many of these agencies have direct contact with farmers in their daily operations, and therefore were able to present the general overview of their assessment and future vision of the sector. Consequently, given the geographical and time scale limitations in meeting individual farmers from all areas of the county, it was agreed that face – to-face interview with the agencies would provide the relevant information on attitudes of farmers needs.

Chapter 2: Policy Environment

2.1: Agricultural Policy in Ireland

Irish Agriculture has been shaped to a large degree by the policies of the European Union since its accession into the EEC in 1973. The Common Agricultural Policy (CAP) is comprised of a set of rules and mechanisms which regulate the production, trade and processing of agricultural products in the European Union, with attention being focused increasingly on rural development. Plans for a Common Agricultural Policy were set out in the founding treaty of the EEC in 1957 with initial aims to:

(a) Increase agricultural productivity and ensure food security in Western Europe
(b) Ensure a fair standard of living for those involved in agriculture
(c) Stabilise farm product markets, and guarantee a stable food supply at reasonable prices for consumers

To achieve these goals a combination of policy measures were introduced including price support, import levies and export refunds, as well as compensatory direct payments to farm households. Since Ireland joined the EEC the level of direct assistance to agriculture has been enormous. Between 1973 and 2001, Ireland has received a staggering €47.5 billion in the form of (DAFRD):

- €32 billion in price supports and direct payments
- €2.6 billion in grant-aid to agriculture and the food sector
- €12.9 billion in other Structural Fund assistance

The Department of Agriculture, Food and Rural Development, as the EU accredited paying Agency, currently pays approximately €1.6 billion annually to farmers, issuing in excess of €1.5 million payments under the various EU Premia, compensatory allowances and area aid schemes. The Department operates in accordance with the Protocol on Direct Payments agreed with the farming organisations. The Department forward statements of expenditure to the EU Commission each month and the financial resources are provided by means of advances on the provision for expenditure incurred. In effect the Commission reimburses expenditure incurred by the member states from the EAGGF. In addition the Department continues to operate various market support measures including intervention and export refund payments. The total expenditure by the Department in support of agriculture and food amounted to approximately €3 billion in 2002, with direct payments as the primary policy measure.

2.2: Types of Agricultural Supports

The CAP initially succeeded in encouraging both production and productivity, it stabilised markets, secured supplies and protected some farmers. Market and price support policies such as variable import levies and export subsidies however were also responsible for many unforeseen negative outcomes. The guaranteed price clause led to serious overproduction and environmental concerns as farmers were given the incentive to produce more than the market could bear. The consequence was an increasing strain on the budget of the CAP and concerns over the long-term sustainability of certain sectors. As a result, in its four-decade history the CAP has undergone several reforms.

In the 1992 CAP reform package, the focus of policy was directed away from market and price support payments towards a system of direct payments. This reform made substantial changes to the way farm incomes are supported. The change in reliance on market price support mechanisms in the form of reducing intervention price guarantees, and offsetting these impacts via increased direct support, has meant that increasing amount of farm incomes are now derived from direct payments.

Direct Payments are recurring, non-market transfers to farmers whether they are production linked or not. They are paid directly from public authorities' budgets to individual farmers that have the effect of increasing farmers' incomes.

The definition excludes budget payments intended to improve the performance of the sector as a whole, such as grants for research and infrastructure, and schemes that are entirely self-funding. It may include measures that are linked to production to varying degrees and measures under which farmers are expected to comply with particular conditions, engage in specific activities or provide specific agricultural or non-agricultural outputs. Initially EU agricultural policy makers relied only on direct payments to complement and supplement price support. Yet these payments have gradually become the major instrument of policy.

Agenda 2000 outlined proposals for further reform of the CAP over the period 2000-2006. This would facilitate EU agriculture to become more competitive on world markets, more consumer friendly, and by giving a new priority of rural development, more environmentally sensitive (European Commission in Ireland). The rationale behind reform was to facilitate the enlargement of the EU and comply with the next round of the WTO negotiations. In effect this involves phasing out of price supports and market intervention, which are seen as trade distorting, and increased importance of direct payments, which are not production based.

Two types of subsidies or direct payments to farmers are distinguished in the agricultural accounts. Those directly linked to the product, which are:

- 'Compensatory livestock and arable premia payments' operating under the CAP Guarantee Fund.

The schemes are all funded 100% from the CAP Guarantee Fund. The Exchequer incurs no expenditure.

Secondly, those subsidies that are non-product-specific. In this case these include:

- Schemes under the CAP 'Accompanying Measures'.

These four schemes are the so-called Accompanying Measures that followed the main CAP reforms in 1992. They are the first schemes paid for under the CAP Guarantee Fund that have been regionalised and co-financed, that is, Ireland can adapt the basic EU measures but it must also pay 25% of the costs. Previously, all CAP Guarantee schemes were centralised and 100% financed by the European Commission. These schemes are (1) Early Retirement From Farming

Scheme, (2) REPS, (3) Afforestation and Premium Schemes, and (4) Compensatory payments for less favoured areas.

2.3: Mid Term Review of Agenda 2000 Reform:

The Mid Term Review of Agenda 2000 in June 2003 outlined further radical changes in the support process with a focus on the structure of the payments themselves. These alterations have major implications for farming communities across the EU, especially for those involved in sectors that are highly dependent on payments. The reform aims to make European agriculture more competitive and market oriented, simplify CAP procedures substantially, facilitate the enlargement process, and help to better defend the CAP in the World Trade Organisation process as direct payments will now only be a minimally trade-distorting form of domestic support.

The focus of support is moving away from the trade-distortionary toward a more market-orientated system of compensation for provision of public goods, and funding for rural development. The proposed adjustments allow maximum flexibility in farmers' production decisions while guaranteeing them income stability. They would remove environmentally negative incentives of the current policy and improve and provide a sustainable and predictable policy framework for European agriculture over the coming years. This would enable the EU to ensure a transparent and more equitable distribution of income support for farmers, and to better respond to what consumers and taxpayers want (European Commission in Ireland). The main proposals include:

- Decoupling of premia payments from production is to be introduced from 2005, with individual countries allowed to decide the form this process should take. Decoupling means providing support payments in a way that is not linked to what they produce. In effect all premia payments a producer receives will be amalgamated into a single payment determined by analysing the historical level of claims by the area of land upon which the claims were made. This shift from product to producer-based payments has been gradually pursued since the reforms in 1992 through the reduction in support prices and the introduction of partially decoupled direct payments.

- In order to receive these payments farmers must meet a series of European standards in terms of the environment, food safety, animal health and welfare for example, which is in effect enforcing ‘good farming practice’. In addition the farmer will have to maintain the land in ‘good agricultural condition’. This is referred to as cross-compliance. After these conditions have been met, farmers will receive a cheque in the post once a year and can proceed to engage in any farming enterprise they want. The level of payment will depend on average application levels of the three years from 2000 to 2002.
- Revision of market support in the form of cutting intervention prices in the dairy, cereals, and oilseeds sectors. These will be compensated with compensatory direct payments.
- Modulation and Degression of direct payments. This refers to a reduction in payments over time, which will result in increased EU support for rural development.

The main objective of decoupling payments into a single payment to farmers is to stabilise their incomes, and greatly simplify the procedure of support. Instead of a multitude of aid applications, farmers will now make only one, based on clear criteria. With decoupling, farmers will get back their entrepreneurial freedom. This will improve the overall market orientation of agriculture, and will allow farmers to fully benefit from market opportunities in supplying the products that consumers want. The full award of payment will be linked to respecting statutory standards on the whole farm, such as animal health and welfare, food safety, occupational safety for workers, and environmental conditions. In effect, farmers will receive payment for providing these services, and can decide whether to produce or not depending on market conditions and demand.

In January 2003, the European Commission published six reports on the possible impact of the Mid-Term Review proposals. Overall these reports predict a decline in beef, sheep and cereal output, and a corresponding increase in product prices over time. However, a rise in prices is conditional on world process and management of the European internal market. (Irish Farmers Journal, Eric Donald, 18/1/2003) In effect the removal of stock based premia will result on farmers holding less animals, as they now receive payment regardless of stock numbers held. There may be considerable impacts for secondary industries such as marts. The marts will have to deal with the reduced numbers. In the last few years there have been closures of local marts in the county, and there could be further job losses with the advent of this new reform.

2.4: Summary Conclusions

The country's 27,000 dairy farmers face the biggest challenge, as they will experience a 25% cut in intervention prices over four years. This will be compensated by the introduction of a dairy cow premium, however it is estimated that this will compensate for only 60-80% of the price support cuts. Furthermore quantitative restrictions on the amount of produce that can be bought into intervention will put more pressure on dairy producers, who will now have face up to competition at close to world market prices. The level of pain inflicted by the reforms will depend on how each individual farmer responds to these new market realities and opportunities (Irish Times, 27th June 2003).

Overall these latest reforms indicate the EU's commitment to more market orientated agricultural activities, encouraging farmers to become more focused on consumer demands (European Commission in Ireland). There will be positive effects for the EU food industry, as reduced costs of raw materials in a number of sectors will filter through. In addition more high quality production will facilitate the access of processors to products adapted to their needs. It is also anticipated that the deal will be beneficial for consumers who will experience lower prices and improved safety and quality standards. Any positive impact will depend however on the ability of the sector in Ireland and particularly in local rural communities to adjust to this new environment.

Chapter 3: County Donegal

3.1: Overview – Local Context

County Donegal is located on the northwest coast of Ireland. It is bound on the southwest, west and north by the Atlantic Ocean and on the east by the counties of Derry, Tyrone, Fermanagh and Leitrim. County Donegal is one of the six counties located in the border region, which form a "necklace" of counties along the border with Northern Ireland.

The total land area of County Donegal is 486,091 hectares, which represents 6.9% of the total land area of the State. It is a coastal county and as such, the coast has a very influential role on the county's physical environment. The Donegal mainland coastline is the longest coastline in the country at 1,134km. It is a heavily indented and rugged coastline including many peninsulas and small islands.

Of the total land area, 43.5% is farmed, compared to 64.5% in Ireland as a whole. The primary difference from the national profile is in the degree of adversity of the conditions in the county. It receives high levels of rainfall and lower average levels of sunshine, which are unfavourable to grass growth. Significant tracts of land are more than 500 feet above sea level with a sizeable proportion of rock outcrop in some areas making it completely unarable. Additionally, soil resources are poor with 70% classified as having, at best, a very limited range of use. This contrasts markedly with the national figure of 30%. The better farming lands are concentrated in the east of the county with smaller areas in other parts whereas the bulk of the county is generally of marginal nature (An Straitéis 2002). The Census of Agriculture (2000) reveals that there are 8,805 farms in operation in the county at present.

3.2: Farm Size

Average national farm size was 31.4 ha in 2000, representing an increase from 28.2 ha in 1991. In Donegal, average farm size in 1991 was 20.5 ha and expanded to 26.2 ha in 2000, yet this is still much lower than the national average. Details are shown in Table 1 below.

Table 1: Farm size

	Donegal		**Ireland**	
Category	**No. Farms**	**%**	**No. Farms**	**%**
<20 Ha	4874	55	68000	47
20< 50Ha	2831	32	56000	39
50+ Ha	1100	13	20000	14
Total	8805	100	144000	100

(Census of Agriculture 2000)

The trend at national level shows that total farm numbers have fallen over the period 1991-2000 from 170,000 to 144,000, a decline of 26,000, or almost 15%. Most of this decline in farm numbers is due to a reduction in farms less than 20 ha where there was a fall from 90,000 in 1991 to 68,000 in1999, or a fall of 25%. In a similar time frame the number of farms in County Donegal has fallen from 10,228 to 8,805. This represents a decline of 1,423 or 14%. In Donegal, there was only a 12% decline in farms under the size of 20 ha, while 4878 or 55% of farms in the county remain under 20 ha. This compares with the national average of 47% (Census of Agriculture 2000).

3.3: Employment

Employment at farm level has continued to decline over the 1990's both in terms of the number of persons whose main source of income was from farming and as measured in annual work units (AWU). These AWU's represent the full time job equivalent of work done on farms. In effect, one AWU is equal to 1,800 hours or more of labour input per person per annum. Between 1991 and 2000 the number of persons engaged in agriculture declined by almost 66,000 (20%) from 324,000 to 258,000. When expressed in terms of AWU's the decline was even greater amounting to 86,000 AWU's (34%) from 250,000 to 164,000.
The recently published Census of Agriculture 2000 reveals that currently, there are 13,975 persons and 8,673 AWU's employed in agriculture in County Donegal. This represents 13.6% of the economically active population. In 1991 68% of Irish farm holders worked a full AWU, while only 55.3% of holders did so in 2000. This figure amounted to 48% for Donegal Farmers

in 2000, highlighting the level of underemployment in the sector in the county at present. In Labour Force terms 59% of farm operators are classified as ‘being in work’. This is in comparison to the national average of 81.4% (DLDC)[1].

3.4: Age Structure

In terms of structural deficiencies in agriculture, one of the major problems associated with County Donegal is the age profile of farmers. This is shown in Table 2. Only 11% of farmers in the county are under thirty-five years old. On the other hand 50% of farmers are over fifty-five years of age, with nearly 30% over the age of retirement.

Table 2: Age structure of County Donegal Farmers

Age Brackets	No. Farms	Percent
< 35	990	11%
35-44	1531	17%
45-54	1981	22%
55-64	1890	21%
65>	2613	29%
Total	**8805**	**100%**

(Census ofAgriculture2000)

3.5: Farm Enterprise

Table 3 below gives an indication of how farm structures have altered in terms of system of enterprise since the CAP was reformed in 1992. The overall effect nationally has been a reduction in dairy systems and an increasing participation in cattle rearing systems. In terms of County Donegal, it is apparent that the drystock sector including cattle and sheep has remained as the dominant enterprise accounting for 91% of total farms in the county. This is an increase from 89% in 1991. The most striking revelation is the small percentage of dairy and tillage systems in operation, respectively just 4% and 2% in total for the county compared to the national figures of 17.4% for specialist dairy farmers plus 12.4% for dairy and other systems, and 4.7% for tillage systems.

Table 3: Farm Enterprise

Farm System	1991	2000	1991	2000
	Donegal %	Donegal %	National %	National %
Dairy	5	4	19.4	17.4
Dairy/Other	-	-	14.9	12.4

[1] DLDC published “Social Inclusion & Low –Income Farming Households in South Donegal” 2000

Cattle Rearing	38	39	16.4	22.7
Cattle/Other	22	19	27.5	27.8
Sheep	29	33	15.8	14.4
Tillage	2	2	5.5	4.7
Other	1	3	0	0

(Census of Agriculture 1991&2000)

Local Teagasc officers reveal that around thirty dairy farmers have left the market already this year. The confirmation of the MTR proposals will only intensify this withdrawal as the protectionist intervention prices are significantly reduced, opening up the sector to more competitive conditions. Dairy farmers are most badly hit by the reforms. Those dairy farmers who remain in the sector will have to become very efficient businessmen in terms of quality, cost and diversity just to survive.

In terms of cattle and sheep farmers, it is widely expected that stock numbers will be greatly reduced, as farmers will no longer need to keep animals to earn direct payments. In effect, only the most efficient farmers will maintain or even increase stock numbers depending on current market prices. This represents a positive shift towards a more efficient sector. Many of the county's drystock farmers are welcoming decouplement, as they will no longer have to hold extra stock, while input costs will decline, as less animal feed will be required. In essence their hands are now untied, and they can pursue alternative enterprises or employment safe in the knowledge that annual payments are secure.

In terms of crops, market prices will increasingly become more important in the production decisions of farmers as intervention prices are further reduced.

3.6: Direct Payments

Table 4 below, reveals the volume of premia payments that Donegal farmers received in 2002. In total, these payments were worth €44.8 million to the county, and given the dependence of farm incomes on these payments it becomes abundantly clear how important they are to the economy of Donegal.

Table 4: Direct Payments in County Donegal 2002

Direct Premia Payments	**Donegal**
Scheme	**€m**
Suckler Cow Premium	11.1
National Envelope Heifer	0.4

Special Beef Premium	7.9
Extensification Premium	5.6
Slaughter Premium	3.9
National Envelope Slaughter	0.4
Deseasonalisation	0
Ewe Premium	11.7
Arable Aid	3.3
Euro Compensation	0.5
TOTAL	**44.8**

(Department of Agriculture, Food and Rural Development 2002)

There are also the Accompanying Measures of the CAP, which can still be claimed in addition to the premia payments. Table 5 below reveals the importance of these payments to farmers in County Donegal in 2002. In total these payments amounted almost €40 million last year.

Table 5: Direct Payments in County Donegal 2002

Accompanying Measures	**Donegal**
Compensatory Allowances	**€m**
In Less Favoured Areas	23.2
REPS	15.2
Early Retirement	1.1
Installation Aid	0.04
Forestry premia	N/A
TOTAL	**39.9**

(Department of Agriculture, Food and Rural Development 2002)

Within the county, many feel that they are not receiving enough of these payments. Indeed the current structures rewards the larger farmers with payments related to production. The majority of smallholders receive payments well below the norm. In 2000 each farm received an average of almost €5,079 per annum from a variety of EU support schemes (Teagasc 2000).

In light of the recent reform proposals, much of these premia payments will be incorporated into a single payment per farm. Cattle and sheep farmers will receive this payment based upon their previous entitlements over the reference period 2000 to 2002. In effect, it is safe to assume that in terms of volume, these payments will roughly remain at the same level in the current policy context. These payments can no longer be increased upon in the future, and will form the basis of farmers' income in the county from now on. The additional 'Accompanying Measures' will become more significant in the future.

Those who will loose out in the reform process include many dairy farmers who have transferred to beef production in the last few years, as their entitlements will be small due to the quirk of the decoupling date. Others to loose out are those families of people who have entered the Early Retirement Scheme, and those who have leased land outside to third parties during the reference period. In addition those who have purchased land since 2002 have left the entitlements behind them (Irish Farmers Journal, 14th August 2003)

3.7: Farm Income

The average farm income varies considerably over the county. The higher levels of income are concentrated mainly in the fertile areas of east Donegal and south Inishowen. In the Central Highlands and other mountainous areas where mountain sheep rearing is the main enterprise, farm income levels match the county average, which is quite low. These low incomes reflect the small scale of operation and mix of activity in Donegal when compared with the east of the county.

1) Family Farm Income (FFI)

Direct Payments are of critical importance in supporting farm incomes in Ireland. Family Farm Income (FFI) is the principal measure of the income that arises from the year's farming activities. This is calculated by deducting all the farming costs from the value of farming gross output. FFI represents the financial reward to all members of the family, who work on the farm, for their labour, management and investment. It does not include income from non-farming sources and thus may not be equal to household income. But where it does represent all the income of the farm family it is expected to provide for that family's living expenses as well as being a source of future investment in the farm business. The data in Table 6 below summarises the average levels of family farm income per farm, which were achieved in 2001 across the range of farming systems. It is possible to partition FFI into two components, namely, (a) Market Income and (b) Income from Direct Payments. The table also reveals the percentage of FFI that is comprised of direct payments across the various farm systems. This presents an indication of the Irish and Donegal agricultural sectors' dependence on direct public transfers, as the percentage of farms in each enterprise is presented.

Table 6: Family Farm Income & Direct Payments per Farm System in County Donegal

Farm Enterprise	Dairy	Dairy Other	Cattle Rearing	Cattle Other	Sheep	Tillage	**Total**
Ireland	17%	12%	23%	28%	15%	5%	100%
Donegal	4%	-	39%	19%	33%	2%	100%
							Average
Family Farm Inc.	€34,400	€27,100	€7,300	€7,800	€12,100	€24,100	€15,800
Direct Payments % of FFI	22%	51%	135%	146%	111%	85%	72%

(Teagasc National Farm Survey 2001)

Total direct payments increased by 16% in 2001 to €1.4 billion and this trend continued into 2002 with an increase of 16.4% to 1.6 billion (CSO 2002). The impact of direct payments on farm incomes has increased significantly in the aftermath of Agenda 2000. In 2001 average family farm income amounted to €15,800 and average direct payments per farm stood at €11,473 or 72% of farm income. In 2002 average Family Farm Income fell to €14,925, while the direct payments rose to approximately €13,000 per farm, or 90% of total income (Teagasc 2002).

The relative importance of total support, and indeed direct payments varies greatly across farm enterprises. It is evident that for drystock and cereals systems these transfers now approach or exceed the family farm income, which means that the returns received from the market do not cover the cost of production. Direct payments accounted for 135% and 146% of average FFI in the Cattle Rearing and Cattle Other Systems respectively, rising to over 187% in some subgroups. In the Mainly Sheep System direct payments accounted for 111% of FFI in 2001. The contribution of direct payments to average FFI in the Tillage Systems increased from 79% in 2000 to 85% in 2001. In 2001 the concept of direct payments as a proportion of income does not have the same relevance for dairying as for the other major systems as the dairy regime presently receives all CAP support via price raising market support mechanisms and supply management. This situation is set to change however with the proposals of the MTR in June 2003, which will witness a reduction in intervention prices and the introduction of a dairy cow premium.

Given the structure of the county's agriculture, it is now interesting to look at the disparity that exists in family farm income depending on different systems of farming. Average incomes on dairy and tillage farms are substantially higher than those on alternative farms and their dependence on direct payments is considerably less. From the table it can be seen that for the drystock systems, family farm incomes are low and are completely derived from direct payments. Given that 90% of farmers in County Donegal fall into this category which earns substantially less income than alternative enterprises, and is wholly dependent on direct payments to provide income from farming, the vulnerability of farmers is ever more apparent.

2) Farm Income and Farm Size

The incorporation of size data in Table 7, and the percentage of County Donegal farms in each category, it is very clear that farm income is positively related to the size of the farm. In light of the fact that farms in the county are on average smaller in scale, many of the county's farmers are in receipt of well below the national average farm income.

Table 7: FFI for Drystock Farm Systems per Size sub-group in County Donegal

Size (Ha)	<10 ha	10<20 ha	20<30 ha	30<50 ha	50<100 ha	>=100 ha	**All Farms**
Donegal Farms	31%	23%	17%	17%	9%	1%	100%
							Average
Family farm Inc.	€4800	€5300	€10600	€19800	€36000	€55000	**€15800**
Cattle Rearing	€3500	€4200	€7100	€11600	€16100	-	**€7300**
Cattle Other	-	€3300	€4400	€11000 €18900	€34500	€7800	
Sheep	-	€3700	€9620	€14500	€30400	€31400	**€12100**

(Teagasc National Farm Survey 2001)

Conversely, it is the smaller scale enterprises that are more dependent on direct payments to supplement their farm income. This is further compounded when we address the predominant systems in the county, that is, the drystock systems of cattle and sheep. These enterprises exhibit even lower earning for each size sub-group.

3) Economic Size Unit

In order to gauge actual levels of income from farming in the county, it is possible to use standard Economic Size Unit analysis. The economic size characteristic of a farm is determined as its total standard gross margin in Euro, and is expressed in terms of the Community standard, European Size Unit (ESU). In 2000 the average ESU in County Donegal was 10.4 in comparison to the national average of 20.7 (Census of Agriculture 2000). Teagasc use these

Standard Gross Margins and ESU values to enable the computation of the county's average Family Farm Income brackets, which are shown below.

Table 8: ESU & FFI in County Donegal

No. Farms	ESU Range	Percent	Family Farm Income
2153	0-1	24%	€0-644
1532	1-2	17%	€644-1288
1892	2-4	21%	€1288-2576
1622	4-8	18%	€2576-5152
1081	8-16	12%	€5152-10305
631	16-40	7%	€10305-25766
90	40>	1%	€25766>
Average	**10.4**	**100%**	**€6,697.60**

(Teagasc 2000)

The county's average Family Farm Income, using this approach is €6,697.60, which is well below the national average Family Farm Income in 2002 of €14,925. In total, it is evident that 92% of farmers earn less than €10,305 per annum. The CSO figure for the county's Disposable Income per Person in 2000 was €12,027. In a 2000 report, DLDC indicate that average farm income for low-income farm households in South Donegal ranges from €4,447 to €5,082. In the context of the current industrial wages, this is minuscule and cannot possibly support a family in the expensive country that is Ireland today.

3.8: Farm Viability

The National Farm Survey considers a farm to be economically viable if it returns an income sufficiently large to remunerate family labour at the standard agricultural rate plus a 5% return on non-land assets. All other farms are said to be non-viable in economic terms. These non-viable farms can be further broken down into two categories, namely (i) part-time farmers which are those where the operator or spouse has an off farm job, and (ii) other farm households which constitute the rest of the farm population.

Table 10: Farm Viability

Category	1992		1999		2010(a)		2010(b)	
	No.	%	No.	%	No.	%	No.	%
Viable	51200	31	33600	27	35000	29	20000	20
Large	33000	20	28000	22	30000	25	20000	20
Small	18200	11	5600	5	5000	4	0	0

Non Viable	113800	69	89800	73	85000	71	80000	80
Part-time	29700	18	42400	34	50000	41	60000	60
Other	84200	51	47600	39	35000	30	20000	20
Total	165000	100	123400	100	120000	100	100000	100

(Frawley and Phelan 2002)

Table 10 outlines the trends in viability of farm households from 1992 to 1999, and also includes various predictions over the next decade. This analysis reveals that 73% of the countries farms are demographically non-viable, had limited resources, a high age profile with no heir to take over the farm and many were in receipt of at least of one pension. Their analysis showed that the majority of the 27% of viable farms had dairying as their main occupation, while the dominant enterprise on non-viable farms was drystock production. (DAFRD 1999) The first projection for 2010 (a) refers to the situation whereby agricultural policy remains unchanged. The second projection refers to the situation whereby policy changes occur to increase competitiveness in farming, as well as increased participation in off-farm employment and reduced numbers of elderly in farming.

In the 1990's it is apparent that viable farms decreased in number and percentage terms, but the highest decline was in the small viable farms. By contrast, there was a considerable increase in the number of part-time farms. In terms of projections, the second scenario seems more likely especially in the light of recent Mid-Term Review of the CAP. By this account, only 20,000 or 20% of farms will be viable in 2010, while 60% will be part-time farmers.

As regards County Donegal, the different categories of farmers for 1996 are listed below in Table 11, along with projections for 2010. In 1996 only 20% of farms are classified as viable compared to the national 1999 average of 27%. This is predicted to increase to 24% in 2010, as total farms in the county are expected to fall. In 1996 28% of the county's farms are classified as part-time, but this is predicted to increase to 39% by 2010. The other category refers to transitional and micro categories of farm, which incorporate those in the process of reverting from full-time to part-time farmers, and those considering exiting altogether.

Table 11: Farm Viability – County Donegal

Year	**1996**		**2010**	
Category	**No.**	**%**	**No.**	**%**
Viable full-time	1,812	20	1,850	24

Part-time	2,500	28	3,000	39
Other	4699	52	2800	37
Total	9,011	100%	7,650	100

(Teagasc 1999)

The increasing pressure on farm incomes leaves no doubt that the continued existence of many family farms cannot be maintained from farming alone. The supplementation of farm income by off-farm employment is now well established, to the extent that non-farm income now equates farm income. For farm operators the level of off-farm employment was 26% in 1995 and this rose to 45% over the four years to 2000 (NFS). In the North Donegal Farm Survey [2] 54% of respondents indicate that they have off-farm employment in 2000.

In 1991, 73.4% of Irish farmers listed farming as their sole occupation. This figure has declined to 55.7% in 2000. In Donegal, 4,676 or 53% of farmers describe farming as their sole occupation, 1,126 or 13% of the county's farmers describe it as their major occupation, while 3,002 or 34% list farming as a subsidiary occupation. A report on the Donegal economy carried out by Peter Quinn Consultants in 1998 concluded that on the basis of current productivity criteria there is potential for only 3,000-3,500 full time family farms in the county. The consequence of this proposal would be less commercial farms with a growing quantity of part-time enterprises.

3.9: Summary Conclusions

- Farm Structure

The general feeling amongst agencies is that size structure plays a major role in inhibiting development of individual enterprises. There is evidence that there is a reduction in smaller scale farms yet this movement needs to continue to enable farmers to compete with large-scale producers who now experience significant economies of scale in terms of cost effectiveness. There is scepticism as to whether this can occur however, as a combination of high land prices caused by the housing boom, and suggested ineffective leasing procedures act as a disincentive to provide land resources to the most efficient producers. Furthermore the new policy reform proposals may only intensify this problem. Anecdotal evidence suggests decouplement will allow inefficient farmers to maintain their lands without carrying out any productive activity, as they will receive their annual "cheque in the post" regardless. This will further remove the allocative power of the free-market system, which in theory directs resources to the most efficient producer. In effect this may suggest inefficiency in the use of land.

- Employment of Resources

There is evidence of under-utilisation of land and labour resources, with inefficient practice prominent throughout the county. In a more market orientated environment it will be necessary to improve standards of practice in terms of management, innovation and cost-effectiveness.

- Age Profile

There is widespread concern over the lack of young people entering primary agriculture in the county. Macra Na Feine represents young farmers at national and cites their main problem as recruiting an adequate numbers of members. It is accepted that young people appear to have greater expectations in terms of income levels and standards of living. Teagasc estimate that the income of each employee on full-time farms is between 75% and 85% of the average industrial wage (Teagasc 2003). This acts as a major disincentive to enter farming. There is a need to attract young vibrant individuals into commercial farming, as they will be more equipped to deal with the difficult and challenging times that a more market environment will present. The current generation of farmers is content to hold down an off-farm job as well as run a farm. There seems to be a feeling that the next generation will not be so committed to the land, once the off-farm employment is secured. Indeed some feel that part-time farming is not a permanent fixture, and will die with the current generation of farmers.

- Direct Payments

In the future, if farmers wish to maximise their entitlements from agriculture, it will be through schemes such as the REPS, which can be earned in addition to the single annual payment. In a county like Donegal, where farm income is already very low, this would provide a much-needed boost to income. At present only 37% of the county's farmers participate in the scheme (DAF&RD 2002); therefore many farmers are missing out on potential entitlements.

[2] "North Donegal Farm Survey Report 2000", F McGrogan, Research & Consultancy Services

Admittedly this will not remove the necessity of further employment, yet it may well be a short-term solution to increasing farm income.

- Farm Income

The majority of Donegal farmers fall into the category of lowest earners in terms of farm income, which is in many cases completely derived from direct payments. Clearly this situation creates a farm sector vitally dependent on the payments without which many farm units would operate at a loss and ultimately disappear.

- Farm Viability

The trend of increasing levels of part-time farming is projected to increase as more and more operators and their spouses take up off-farm employment. The growth of part-time farming has a positive effect on rural development in that it maintains a rural population, alleviates poverty and provides stability in rural areas. It appears that pressures on farm income will dictate this movement irrespective of the alternative employment opportunities.

Chapter 4: Conclusions

4.1: Discussion Points

The challenge facing rural communities in relation the agricultural sector is to ensure the maintenance of a viable farm sector, to integrate non-viable farms, mainly supported by subsidies, into an overall policy whereby the public good output is recognised, and to assist non-viable farmers' transition into off-farm employment. This will require a combination of the following strategies to ensure the survival of the sector in a competitive environment ["Agriculture 2010 - A plan for Action", (DAF&RD)]:

- Improve farm efficiency and productivity
- Maximise income from agriculture-related schemes
- Maximise income from other available supports, including early retirements, REPS, and social welfare schemes
- Start a business, related or unrelated to the farm
- Move into further education and/or training
- Move into part-time or full-time off-farm employment

The recent Census of Agriculture (2000) confirms there is a 'striking contrast between the west and north-west and the south and east in the use of land resources. There is currently a core of commercial farms operating competitively in a market environment dominated by world farm-commodity prices, located mainly in the south-east of the country. A second tier of farmers are depend heavily on direct payments, legitimised on the basis that landholders provide 'public goods' especially by managing the environment or because their farms are in disadvantaged areas. Frawley and Phelan (2002) predict that Irish agriculture is continuously moving toward this more segregated structure comprised of a commercial farm sector, a part-time sector and a more sheltered subsidised sector delivering public good objectives. This process will only be intensified by the Mid-Term Review reforms, which will result in a more competitive agriculture.

4.2: Key Findings - This section presents some of the initial findings of the research.

The transition to farming at world market prices will not be an east one. It can be made easier by planning for the future and by preparing for the challenge. Evidence would suggest that commercial farming can only survive competitively in the county with fewer and larger farms. A much more aggressive structural policy is required to enable this restructuring to take place. This would necessitate non-viable and part-time farmers to sell or lease their lands to more efficient producers. Yet there is little evidence of this occurring at present, and little alteration is expected in the future.

Farmers have great pride in their land and their profession, and appear to be reluctant to give up their lands. The leasing structures in Ireland also seem to inhibit this process, with some agencies calling for it to be reassessed. The main barrier appears to be the high price of land, due to the inflated housing market. In effect, as one agency stated that "the most profitable site in a field is a site". Indeed the new reform may further inhibit the necessary structural changes necessary to enable a more competitive sector in the county. In the North Donegal Farm Survey, 60% of the sample indicated that they would not continue farming if supports were withdrawn. Consequently the reform may in fact have a negative impact on the future of agriculture in the county as many non-viable farmers continue to hold onto their lands.

Smaller holdings will survive where the occupier has off-farm employment. Part-time farming has secured the viability of a large number of farm households who would otherwise live in poverty or move out of agriculture and possibly their rural community. It has a stabilising effect on the farm household and the wider local rural community. Much will depend on the continued growth of Letterkenny as a regional economic centre as set out in the government's proposals within the National Spatial Strategy, if job opportunities are to be created for farm families hoping to make the transition to part-time farming.

The final category in this analysis in the main are engaged in drystock systems and increasingly their farm incomes depend on direct payments in the form of premia, compensatory allowances and environmental payments such as REPS. In the multifunctional EU model of agriculture these farms contribute most to public good objectives, such as environmental protection, maintenance of a living rural landscape and the culture and continuity of rural communities. In terms of agricultural development they conclude that the challenge for policy makers is to integrate these public good objectives with production practices. The MTR reforms will have a profound impact on the premia category of direct payments, paving the way for increased focus on Accompanying Measures and Rural Development measures. There is evidence that many farm households do not avail of the existing support services and entitlements in these categories. In terms of maximising the 'take' from support schemes, it is now suggested that farmers should now focus on these measures, especially the REPS. In 2002 only 37% of the county's farmers participated in the REPS. The National Farm Survey 2002 reveals that for farmers involved in predominantly small size drystock enterprises, REPS can increase annual income. In order to maximise take from support systems farmers should investigate their entitlements. Lack of information over the implications of joining the scheme is cited as the main barrier to joining the scheme. This is a problem that should be addressed, as many farmers are missing out on additionally income. These examples contribute to the marginalisation of low-income farmers in society, as they are not maximizing their potential incomes.

In the recent Census of Agriculture (2000), 294 of the county's farms were reported as earning from gainful non-agricultural activity. Table 12 below outlines the type of activity undertaken. This represents approximately 3.5% of the county's farms. Afforestation was the most significant enterprise in terms of diversification. This has positive impacts in terms of employment and agricultural output. There is still room for expansion, which is likely to occur as farmers chase attractive premia in the future.

Table 12: Diversification in County Donegal

Type of activity	**No. of farms**	**%**
Farm Tourism	43	13
Recreational	20	6
Home crafts	7	1
Forestry	155	52
Other	89	28
Total	294	100

(Census of Agriculture 2000)

In addition, 69 or 0.8% of farms are currently involved in organic farming in the county.

Diversification into these sorts of areas is a possible avenue for future development and sustainability for the county's farmers. Lack of investment capital, risk aversion and lack of ideas, are cited as the main barriers to diversifying. There is also however acceptance that there is limited scope for many of these activities, especially tourism.

Chapter 5: Summary Recommendations

Based on the analysis presented in Chapter 4, the following summary recommendations are made:

1. The Agricultural Sectoral forum should continue to act as a multi-agency task force for the sector. All agencies have expertise in different areas, which can be pooled to achieve maximum results. There should a co-ordinated approach to target those most in need, and ensure that programmes are tailored to specific needs and delivered in a way that facilitates participation. The forum should ensure maximum use of all the services available in order to ensure maximum support for all farmers in the county. Standardised countywide programmes should be promoted and implemented by the relevant agencies. At present the following policy instruments are in operation under the remit of the National Development Plan 2000-2006:

- Agricultural measures in relation to on-farm investment, environmental controls, alternative enterprises, supporting forestry and organic farming.
- Agricultural Training and research – Teagasc
- Income support measures such as Farm Assist
- Teagasc Farm Families Opportunities Programme
- Measures to encourage young people into farming, early retirement and tax incentives around the transfer of land.

In addition, the following programmes target those on low incomes and experiencing difficulties accessing the labour market:

- Teagasc Farm Families Opportunities Programme
- Farm Relief Service
- Labour market supports such as Community Employment, Jobs Initiative, Social Economy Programme
- Range of adult and continuing education opportunities.

These programmes are widely considered to make a positive contribution to the development of rural economies, and consequently should be continued and built upon in the future.

2. Targeted and relevant training provision will remain a necessity in terms of individual enterprise development as well as personal development. Education and advice should be provided to enable farms to become more efficient in relation to income and time management. In terms of on-farm solutions, the focus should be on ways to increase on-farm opportunities and income in the following ways:

- Improving farm methods
- Diversification of farming
- Alternative on-farm enterprises
- Encouraging young people into farming

In addition in order to facilitate the continued progression toward part-time farming and off-farm employment, off-farm solutions and labour market interventions are necessary to encourage alternative enterprise development and income generating activities through self-employment. Encouraging access to the labour market through a range of interventions focusing on skills development and preparation for the job market is also key. It is important to assure the target population that they are capable of re-entering the labour market. A prominent feature of Donegal farmers is their lack of formal education. This can act as a barrier to entering re-training or education. This should be taken into account when implementing these schemes. There is also a sense that farmers undervalue the skills they have acquired over the course of their working lives. There needs to be a realisation by these farmers that they are well equipped to pursue related activities in a non-farm capacity. Skills development should be provided to farm households to allow them to avail of the limited off-farm job opportunities. This would encompass training and education, construction and house maintenance, computers, enterprise development, craftwork and skills for the service industry. This training should be tailored, timely and suitable located and delivered in a manner that is sensitive to their requirements.

3. Effective marketing through provision of information on available schemes and implications of participation could greatly facilitate farmers. Every effort should be made to ensure that farmers are in receipt of the full range of their entitlements. Information on current

market trends would facilitate the process of identifying potential emerging niche markets. This will become increasingly more relevant as a more market-orientated agricultural sector evolves. The dissemination of information to farm families is of vital importance if they are to become aware of development initiatives and encouraged to participate more fully in these schemes.

4. In order to support farmers react to the changing market environment; farm-mentoring services are necessary at an individual level to help evaluate performance and plan for the future. More farmers should be encouraged to make use of tailored programmes, such as the Teagasc Opportunities Programme. This facility provides a professional assessment of individual farms, and gives the farmer an evaluation of the farm's future prospects. This is a very worthwhile service especially in the uncertain times ahead.

5. The range of agricultural support measures should be aimed as much at part-time farmers as well as those working full-time. Specific courses and literature are required to facilitate the transition for those currently farming part-time or considering part-time farming in the future. Schemes such as installation aid and the early retirement scheme should be made open to part-time farmers

6. The new reforms will allow many non-viable farmers to practically retire from farming on their entitlements, which would now act as a form of pension. This will only intensify the current under-utilisation of land resources in the county. These farmers should be encouraged to lease their lands to efficient producers over long periods of time.

7. Potential pilot projects should be addressed and analysed, and opportunities for funding specific initiatives from programmes such as LEADER, Clar, Peace II and Interreg explored. Farm tourism, forestry and wind energy all provide avenues of possible diversification. There appears to be a lack of participation in these schemes in the county, due mainly to lack of investment capital. Funding is essential in this regard especially LEADER+ grants, which should act as an important source for diversification investment. In the county at present there is some concern that LEADER companies has began to loose sight of their agricultural roots, and may need to refocus on farmers. In the end, however it comes down to the farmer, as these

companies cannot be expected to initiate a development idea for individual farmers, but rather can facilitate the process on their behalf.

8. The proposal of a County Donegal 'Brand' has great potential. It is time for the farming community to participate in the exploitation of the image of Donegal. Much concern surrounds the fact that huge amounts of South American beef floods the Irish market at present. This produce doesn't have to comply with the stringent quality structures that exist in the domestic sector. Most of the sheep in the county are reared on mountainsides, in more or less organic conditions. An organic, traceable Donegal brand of beef or lamb has huge potential in the current climate of consumer concern. Furthermore, there needs to be some form of legislation to encourage restaurant owners and shop owners to reveal the source of their meat. Further targeted research is needed in this area. A detailed examination of models of good practice, such as the Fuchsia Ltd example in West Cork, should be undertaken.

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Appendix
Agricultural Research Project

List of Consultees

Local Partnerships

- Joe Sweeney, Inishowen Partnership Company
- Garvan Connelly, Donegal Local Development Company
- Colmán MacCumhaill, Meitheal Forbacha na Gaeltachta

Community Development Board

- Seamás Rodgers, Donegal Community Forum
- Andrew Ward, Inishowen Rural Development - IRDL
- Patrick J. Kelly, Macra na Feine
- Micheál O' hEanaigh, Community, Enterprise and Cultural Services, Donegal County Council

Other Bodies

- Sean Gallagher, Udarás na Gaeltachta
- Art McGrath, Teagasc
- Marie Doherty, Irish Farm Association
- Martin Gormley, Vocational Educational Community
- Vinny McGrory, Fás

Appendix

Agricultural Research Project

Attachment (a)

Brief Findings from desk research phase:

This work is being undertaken through the Research and Policy Unit, Community, Culture and Enterprise Unit, Donegal County Council. I am currently on a student placement, which involves completing a research project. I have spent the last six weeks conducting research into the current state of agriculture in County Donegal. The focus primarily has centred on the dependency of the sector on public transfers, and the vulnerability of farm incomes to changes in current policy. The main findings from this process are as follows:

- The number of farms in the county has fallen from 10,228 in 1991 to 8,805 in 2000. (Census of Agriculture 2000)
- Average farm size has increased to 26.2ha from 20.5ha during the period 1991 to 2000, which is consistent with the national trend. This figure is still well below the national average of 31.4ha. (Census of Agriculture 2000)
- Employment in farming in the county was 13,975 in 2000 but in terms of average work units (AWU), which represent the full time job equivalent of work done on farms, only 48% of farmers worked a full AWU. This underlines the degree of underemployment in the sector. (Census of Agriculture 2000)
- The main enterprises continue to be mainly drystock with approximately 90% of farmers involved in this activity, and only a small percentage involved in dairy, tillage and other categories. (Census of Agriculture 2000)
- Farm incomes remain low for the majority of farmers, with many heavily dependent on direct payments.
- The county receives €44.8 million in premia payments, and in terms of the various accompanying measures, farmers receive €15.2 million in REPS payments, €1.1 million in Early Retirement payments, €40,000 in Installation Aid. (Dept. of Agriculture)

- The recent Mid-Term review of the Agenda 2000 reform has resulted in major changes of the CAP. In theory premia payments will no longer be coupled to production, with farmers receiving a once off payment each year based on historical receipts of payment. While the actual process is far from clear until October 2003, it is assumed here that full decouplement will eventually occur. In this case farmers will receive a set payment each year, and are free to set their production levels depending upon normal economic criteria.
- In relation to Donegal farmers, who are primarily involved in cattle and sheep systems, it is generally felt that there will be little change in income levels as incomes are almost fully obtained from direct payments anyway. However it is expected that farmers will dispose of the extra animals that no longer earn them additional payments. It is projected that this will act as a driver to further entice the progression to part-time farming, as individual enterprises become smaller.
- In 2000 53% of farmers in County Donegal listed farming as their sole occupation, 13% listed farming as their main occupation, and 34% listed it as a subsidiary occupation. The biggest development is the progression towards part-time enterprises. (Census of Agriculture 2000)

- In this regard, three main issues can be highlighted for further discussion:

(1) Development of off-farm employment to enable this progression to part-time farming.
(2) Diversification.
(3) Maximisation of available schemes in order to maximise incomes.

Due to time limitations, the focus of this paper is primarily agriculture therefore the main focus is diversification and maximisation of available schemes.

- The first issue relates to diversification and alternative farm enterprises. At present only 3.5% of farmers reported earning income from alternative on-farm employment in 2000 (Census of Agriculture 2000). These are avenues that could be pursued to enable farmers to substantially increase their earnings and help sustain their farm.

- In terms of the schemes, the reform process promotes a system of rewarding public service. In this regard the public service refers to provision of the landscape and environmental standards, which benefit the rural development process. In this scenario, the REPS scheme is an obvious example. It provides a basis for all farmers, especially those with less than 40ha, to earn additional income. This is especially the case for those farmers engaged in the cattle and sheep enterprises, which can earn more if they take up the scheme. At present only 37% of farmers in the county participate in the scheme. In the short run, uptake of the scheme may boost individual incomes. One point of interest would be investigating the factors that affect uptake of the scheme.

Conclusions

In relation to diversification and uptake of existing schemes, further investigation is necessary to examine the possibilities for progress within the agricultural sector. A focused consultation exercise with the main development agencies working in the sector in County Donegal is now planned. The objective of this consultation would be to analysis the current level of provision of support to farmers and identify possible measures that could be implemented to improve this process.

Outcomes

The final report will include a profile of the sector in Donegal, as well as a number of recommendations to support the sector, and to work towards ensuring the sustainability of the county's farms, in current and future operating climates.

Appendix

Agricultural Research Project

Attachment (b)

Checklist for Interviewees

Section 1: Current State of Agricultural sector in County Donegal

Question (1)

What is the opinion of your agency on the current status of the agricultural sector in the county?

Question (2)

What, in your opinion, have been the main driving forces behind the development of the sector in County Donegal? What have been the impacts of these changes? (E.g. local profile of sector, policy, farm structures etc.)

Question (3)

In relation to viability and structures of the sector, what are the trends, which you foresee in the sector in the coming years? (Part-time farming, diversification, uptake of schemes etc.)

Section 2: Existing Development Strategies:
Supports for the Agricultural Sector in County Donegal

Question (4)

Can you please provide details of the types of support/ assistance that your organisation currently provides to farmers? How successful have these been in terms of uptake, response, and support from farmers?

Question (5)

What additional areas do you feel need to be addressed in relation to support to farmers and how could these be best delivered?

Section 3: Specific measures for the Agricultural Sector

Question (6)

In 2002, 37% of farmers in the county participated in the REPS. The National Farm Survey 2002 reveals that for cattle and sheep enterprises adoption of REPS results in higher annual incomes. Do you think more farmers should join the scheme? If so, what has been the main barrier to joining up so far?

Question (7)

What is your opinion on Alternative Farm Enterprises? Why are diversification levels so low in the county? What steps should be taken to support moves to Alternative Farm Enterprises (e.g. supports to agencies)

Question (8)

In order to ensure the future viability of the agricultural sector in Donegal, are there additional measures/supports that could be provided in any of the following areas:

(a) Provision of Information
(b) Marketing Support
(c) Off-farm Income/ Diversification
(d) Co-ordination
(e) Policy
(f) Education/Training
(g) Funding/ External Supports