COMMENTARY

TRENDS IN IRISH AGRICULTURE: IMPLICATIONS FOR EXTENSION AND RURAL DEVELOPMENT

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Abstract

The structure of Irish agriculture is changing, pushed largely by European Union (EU) policies and changing world market situations. The adjustment process is seriously affecting the viability of many rural areas, with an unprecedented exodus of people from these areas leaving societies with weak demographic structures and low levels of services. Farm households in Ireland currently obtain just over 50% of their household income from farming. Direct payments from the EU now form a significant component of farm income. The adjustments to agriculture are occurring at a time when the current model of competitiveness is under increasing scrutiny, and food safety is becoming a major concern. The Irish agricultural extension service has restructured itself to meet these changing circumstances. Many of its services, particularly advisory services, are provided for a fee. The focus on rural development is increasing and agencies servicing this need are beginning to emphasize farm households as a relevant target group for their services.

Introduction

The purpose of this paper is to outline the importance of agriculture in the Irish economy, to detail the adjustment process that is taking place, particularly regarding income levels and sources of income of farm households. It also examines the implications of these adjustments for the extension service and for the future development of rural areas.

Within the EU (European Union) Ireland is one of the most rural and agrarian based societies. Excluding the Dublin area over 60% of the population live in rural areas. Almost 11% of the workforce is directly employed in agriculture, and primary agriculture contributed 7% to the gross domestic product in 1995. The agri-food sector accounts for 14% of employment, 14% of output and 18% of total exports (DAFF, 1997). Ninety percent of Irish farms are family owned and run.

The Future of Rural Societies (Commission of the European Communities, 1988) examined in detail the role that rural areas in the EU should play in the broader development context, and how agriculture was contributing to this development. It clearly identified the need for more balanced rural development. Many peripheral areas of the EU, like Ireland, where agriculture is the main industry, are suffering from severe rural decline arising largely from low farm incomes and the lack of off-farm employment (Phelan, 1994). The number of dairy, drystock and tillage farms has gone down, while the average scale of operation and level of production efficiency of many farms has increased. In 1980, there were 223,000 farms; this figure decreased to 159,000 in 1993 (Teagasc, 1996). Dairying, one of the most
profitable enterprises, has on the one hand seen a reduction in the numbers of farmers with cows, from 144,000 in 1973 to 41,000 in 1994, while on the other hand herd size has increased from just under 20 cows in 1985 to over 27 in 1995 (DAFF, 1995; Moss, Phelan, Markey, McHenry & Caskie, 1991). Seventy five percent of rural districts in Ireland lost population between 1986 and 1991 (Commins, 1991). From a farming perspective, the poorer parts of the country suffered the most. In 1992, common agricultural policy reforms were implemented, but have done little in addressing the core problems of rural areas.

**Farm Household Incomes in Ireland**

The Household Budget Survey (HBS) is conducted every seven years by the Central Statistics Office (CSO), the latest being for 1994-95. This survey is representative of all farm households whose self-reported principal occupation of the head of household is farming (12% of the workforce in 1995). The HBS classifies income of farm households under three sources; income from farming activities (farming income); income earned by a member of the household through an off-farm job, investments or pensions, and property income (other direct income); and income from state pensions, social welfare, and children’s allowances (transfer payments). Farming income accounted for 53% of the total income of farm households in 1994-95, other direct income 35%, and transfer payments 12% (Table 1). It is important to mention that the contribution of income from farming to gross household income has declined from 70% in 1973 to its current level of just over 50%. Household income in real terms was 18% higher in 1994-95 than 1987, and 40% higher than 1980. However, this must be interpreted in the context of a large exodus from farming over the period.

Table 1 also shows that the biggest factor in increasing incomes from 1987 to 1994-95 was other direct income, which rose 45% over 1987. Income from farming has increased significantly from 1980 to 1994-95. However, farm incomes in 1994-95 were almost similar to those obtained in 1973, the year Ireland joined the European Union. Farming systems also significantly influence incomes, with dairying being four times more profitable as a farm enterprise than cattle farming. Cattle farmers, who account for 50% of Irish farmers, had average gross household incomes in 1994-95 of £14,560. Income from farming contributed just over one-third of this income.

<table>
<thead>
<tr>
<th>Income Source</th>
<th>1973(^a)</th>
<th>1980(^a)</th>
<th>1987(^a)</th>
<th>1994-95(^a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farming income(^b) (£)</td>
<td>9,471</td>
<td>7,719</td>
<td>8,498</td>
<td>9,938</td>
</tr>
<tr>
<td>%</td>
<td>70.12</td>
<td>58.46</td>
<td>54.16</td>
<td>53.48</td>
</tr>
<tr>
<td>Other direct income (£)</td>
<td>2,577</td>
<td>3,472</td>
<td>4,434</td>
<td>6,474</td>
</tr>
<tr>
<td>%</td>
<td>19.08</td>
<td>26.29</td>
<td>28.26</td>
<td>34.84</td>
</tr>
<tr>
<td>Transfer payments (£)</td>
<td>1,460</td>
<td>2,014</td>
<td>2,759</td>
<td>2,169</td>
</tr>
<tr>
<td>%</td>
<td>10.80</td>
<td>15.25</td>
<td>17.58</td>
<td>11.68</td>
</tr>
<tr>
<td>Gross income (£)</td>
<td>13,508</td>
<td>13,205</td>
<td>15,693</td>
<td>18,582</td>
</tr>
</tbody>
</table>

\(^a\) Source : Household Budget Survey; (£, 1995=base)

\(^b\) Includes direct payments (EU payments which are not market related i.e. area aid payments, payments per head of livestock, and payments for maintaining the environment)
Income Trends

The above information shows that other earned income is a very important source of income for farm households. However, the question often arises as to the type of households that are obtaining this income: Is it the richer or poorer households? Figure 1 shows that households which are obtaining high gross household incomes are doing so by combining high farm incomes with high incomes earned outside the farm. Phelan and Kinsella (1994) showed that these high incomes were strongly associated with a working spouse. The low income problem is not unique to farm households; in fact the 1994-95 HBS shows that rural non-farm households have, on average, lower incomes than their farming counterparts (Figure 1).

Direct Payments

Since the reform of the common agricultural policy in 1992, direct payments (EU supports which are not market related) have played an increasing role in supporting farm income. By the end of 1997 direct payments to Irish farmers had reached over £1,000 million (Teagasc, 1997). There is considerable debate as to who receives these payments. The top 30% of farmers, in terms of utilized agricultural area, received 80% of direct payments paid to Irish farmers in 1995. The extent to which direct payments are compensatory payments, or contain a “public good” component (something which society wants but which cannot be supplied commercially) is also part of the debate. The long-term commitment to direct payments given EU expansion to the East and Ireland’s currently booming (“Celtic Tiger”) economy is also a consideration. The boom in the economy has not solved the low income problems of farm households which have again been highlighted by a number of recent studies (Commins, 1996; Moss et al., 1991; Phelan & Markey, 1994). Many commentators feel that better targeting of direct payments towards low income farmers is required.

The Role of Extension Services

Considerable changes have occurred in the methods of operation and in the goals of advisory services across the EU over the last 15 years. In the 1960s the push was for increased production through the adoption of new technology and improved practices. This was encouraged by generous development grants which were taken up by the better resourced farmers. The late 1970s and 1980s saw efforts to curtail production and a concentration by advisory services on efficiency. Severe budgetary constraints resulted in a significant reduction in the numbers of advisers and the introduction of fees for advisory services.

![Figure 1: Gross Income, Farm Income and Other Income Classified by Gross Household Income Decile (£/Week, 1994-95). Source: Household Budget Survey, 1994-95.](image)
The nature and target audience of advisory services changed somewhat as charging for services became part of the method of operation. Farmers who could pay and who were willing to pay were targeted as clients. The 1990s brought further changes as farmers’ incomes, particularly in the more peripheral areas (areas remote from mainland Europe), relied more on direct payments. The bureaucracy associated with obtaining these payments introduced a “paper” enterprise on many farms. To obtain payments farmers had to complete complex application forms, a service which was quickly supplied by the advisory service, and others, for a fee. In 1995, Teagasc reorganized the structure of the Irish extension service to deal with the changing circumstances in farming and in rural areas. Three different types of service were established: a commercial service; a farm viability service; and a rural enterprise service (Teagasc, 1995). Teagasc’s increasing focus on income generation, and its curtailment of staff expansion, combined with the increased demand by farmers for support in obtaining direct payments, have meant severe difficulties for the extension service to provide an effective viability service to an increasing number of farmers whose income is at risk and who are being marginalized.

In Ireland, advice to farmers and rural communities is not limited to the state advisory service, Teagasc. The agribusiness sector has for over 20 years offered technical advice to their farmer customers free of charge. In conjunction with Common Agricultural Policy reform, moneys were made available by the EU for community-led rural development initiatives, whose main aim is to diversify the rural economy. This has led to the establishment of several agencies and groups with a rural development focus. These groups see low income farm households as a relevant target audience for their services. With the decoupling of supports from production, and with farming contributing a decreasing percentage over time to household income, technical production advice for many households has become less important. A wide range of skills is needed to provide effective advice in the broader rural development context. As extension commercializes, the need for high levels of technical expertise increases. This raises questions as to the ability of this type of system to service the needs of farmers who are less resourced and who must seek viability through combining farming with other activities in the broader rural economy. In addition, the tendency for increased part-time farming further marginalizes farmers from extension which operates during “normal” working hours.

Conclusion

Reflection on the above analysis raises questions as to the type of society we want in rural areas and the role which agriculture should play in shaping that society. The gradual concentration of resources in fewer and fewer people, and the consequences of this trend for both rural and urban people have not received enough debate. The effects of intensification on the environment, animal welfare, and food safety are beginning to elicit a response among concerned groups and consumers. How far can countries go in following this approach? This approach means that as the cost/price squeeze tightens one must expand output to compensate. Thus units must get bigger and bigger and continually squeeze out the less resourced “smaller” and “less efficient” producer. The system of supports which are in place strongly underpins this system.

The viability of a large sector of Irish farming is at risk. There is need for substantial support to be targeted at this sector if irreversible change to the nature of several rural areas is to be avoided. Farmers are a critical component of the Irish rural ecosystem. While there has been much debate and concern about the problem from a policy point of view, meaningful policies have not emerged. The extension service is dealing with a reducing target audience, and at the same time is facing increased competition from other agencies in the broader context of rural development. The future of advisory services and training institutions will depend on how they position themselves to deal with these changing realities. On the one hand, there will
be the continued push for high levels of
technical expertise, which will have to survive
commercially, while on the other, significant
moneys are likely to be available for public good
type services to support the development and
diversification of less intensive, non-commercial
farms, and the broader rural economy. Can
extension services successfully fulfill both
functions? Extension services that are slow to
adapt or who choose the wrong direction may,
just like their farmer clients, find themselves
marginalized and of little relevance to future
developments.

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