

VISION FOR FUTURE OF AGRI-FOOD INDUSTRY:

REPORT FROM THE WIDER RURAL CONTEXT SUB-GROUP

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Remit of the Wider Rural Context Sub-Group

1. The work of the Wider Rural Context Sub-Group is concentrated mainly on issues relating to the social and environmental aspects of agricultural policy. This includes an examination of farm household incomes from all sources, the impact of agriculture on rural areas and the impact of growth in the non-agricultural economy.
2. The central problems addressed reflect the relationship between agriculture in a period of change and the rest of the economy and society, including that with the environment. Where relevant, it also includes an examination of the more general problems of the rural economy. While it is recognised that agricultural policy can not be considered in isolation from social responsibilities for rural areas, analysis of those individual responsibilities was not within the terms of reference of this Sub-Group.
3. The Sub-Group has promoted and is supportive of the concept of "Rural Proofing", whereby the actions and decisions of all parts of Government are assessed for their rural impact before they are implemented. The Sub-Group is pleased to note that this has now been accepted and included as a specific commitment in the Programme for Government. Rural Proofing will be an important factor in underpinning and maintaining the social fabric of rural areas by helping to ensure basic service provision in education, health and public transport. In this context, it will be necessary to

establish a “Rural Baseline 2001” against which the effectiveness of Rural Proofing can be measured, over time, by changes in the key indices of rural vibrancy.

Recommendation: A Northern Ireland Assembly Executive Committee cross-cutting mechanism should be created whereby the actions and decisions of all parts of Government are assessed for their rural impact before they are implemented. The Sub-Group envisages a cross-Departmental Committee chaired by the Minister of Agriculture and Rural Development and involving senior officials of all Departments.

Recommendation: A “Rural Baseline 2001” needs to be established to inform future policy and to provide a benchmark against which it will be possible to measure the effectiveness of Rural Proofing.

Definition of the Problem

4. Historically, agriculture has been a major industry in Northern Ireland, but over many years, as agricultural productivity has improved, it has released labour and capital resources to other sectors of the economy where the returns are greater. This has meant a continuous reduction both in the absolute numbers employed in agriculture and in agriculture’s share of Gross Value Added (GVA). In 1980, agriculture’s share of Northern Ireland GVA was around 4%. This has now fallen to 2.5%.
5. Indeed, it is a characteristic of advanced economies that primary agriculture represents only a very small share of total GVA (typically around 1% in the cases of most of the advanced economies, such as the USA, the UK and Belgium). In Northern Ireland, both employment in agriculture and the number of farms have been falling at approximately 1.7% per annum over the last 30 years. Alongside this, there has been a marked shift to greater part-time working, indicated by a 2% annual average reduction in the volume of Annual Work Units.
6. Total income from farming has fallen sharply across the UK since 1995. The fall in Northern Ireland, at 79%, is part of the reason for the significant reduction in agriculture’s share of GVA in recent years. The main causal factors in this income decline are:-
?? the sterling/euro exchange rate;

?? falling world commodity prices; and
?? the lingering impact of the BSE crisis.

Recommendation: It should be a Northern Ireland Assembly Executive Committee objective to have a competitive, sustainable agricultural industry in Northern Ireland, dedicated to quality production, in which all farmers will have a part to play, underpinning the existing family farm structure, providing environmental, conservation and added benefits to society and contributing to the rural economy.

Employment

7. The dependence of the Northern Ireland rural economy on agriculture as a source of employment is now much less than it once was. In all of the District Councils defined as rural, agriculture's share of total employment ranges from 3% to 21%.
8. The availability of employment outside agriculture is an important factor in determining the rate of structural adjustment in the agricultural industry. Restructuring tends to be faster when there are alternative and/or additional suitable jobs available in the required locations. Otherwise, labour tends to remain in farming longer than it otherwise would, resulting in the industry failing to adjust sufficiently rapidly to changing economic circumstances and in the returns to those engaged in farming being low. In this context, part-time farming can make a valuable contribution to the rural economy, enabling people to remain connected with farming but increasing their household income by taking off-farm work.
9. Northern Ireland traditionally had the highest unemployment rate in the United Kingdom. However, this has not been the case in recent years and on the International Labour Organisation definition, unemployment in Northern Ireland is now lower than the EU average and that in London and the North-East of England. This suggests that, if there has been a fundamental shift in Northern Ireland's economic performance relative to the rest of the UK economy, off-farm employment in certain areas may not be the limiting factor it once was.
- 10 Final figures from the 2000 Agriculture Census confirm a greater fall in the number of farms than the trend rate of decline would have suggested. This may be an indication of the effects of low farm incomes of recent years, but it could also reflect a greater

availability of off-farm employment. However, while there may not be a significant unemployment problem across rural areas as a whole, there remain:

?? under-employment problems in agriculture;

?? local problems of work availability; and

?? difficulties in matching jobs to people, particularly for women from farm families.

11. The availability of the right types of jobs can provide a way forward for the agri-food sector which does not involve people having to leave farming completely, ie, pluriactivity or the combining of another job or jobs with farming. This is particularly prevalent in certain parts of Europe and, even in Northern Ireland, many farm families now have off-farm jobs. This includes those who regard themselves as full-time farmers.

12. The recent rural employment situation has been summarised in research carried out at the Queen's University of Belfast. However, this research, while valuable, needs to be interpreted with some caution as the data on off-farm working practices are based on a survey for which the sample was small and concentrated in the more disadvantaged areas. With this caveat in mind, the research showed that:-

?? only the largest dairy and beef and sheep farms, even in years of higher incomes, are able to maintain reasonable levels of family income without depleting the farm's capital base;

?? male farmers are willing to travel long distances to work but tend to have lower-paid jobs as they lack the formal education and training to obtain more highly paid employment;

?? female spouses of farmers tend to have higher levels of education but are less willing or able to travel to work and depend on jobs in the near locality. Salient factors in this regard are lack of child care facilities in rural areas and inadequate transport. As many female spouses are engaged in the education and health sectors, this makes them particularly vulnerable to rationalisation of public services in rural areas;

?? even with off-farm work, the income levels of farm families tend to be low because of the unskilled/low skilled nature of much of the work;

?? on-farm diversification is not an option for most small farms.

13. Information from the DARD Farm Business Survey does not completely confirm the conclusion that many farms are running down their capital base, even in the years of high income. Indeed, even on smaller holdings, investment in the high-income years was adequate to increase the asset value of farms. The Sub-Group's view is that there is little potential for on-farm diversification on the majority of Northern Ireland farms.
14. Travel to work patterns, according to Training and Employment Agency research, are influenced by skill levels. People with higher skills tend to travel further distances to work. If jobs are to be established in any particular rural area, provision of low skill jobs will best prevent those jobs from being taken by people from outside the area. However, the adoption of this approach would result in rural employment black-spots being replaced by concentrated low skill job areas.

Recommendation: Action needs to be taken via appropriate programmes of re-skilling and up-skilling to address the issue of underemployment which is manifested in certain parts of the agricultural economy.

Recommendation: DLE, LEDU, T&EA and all other economic development agencies, in conjunction with employers in rural areas, need both to coordinate their jobs creation programmes and to refocus their efforts on the provision of part-time as well as full-time rural employment opportunities.

Recommendation: DARD, in consultation with the farming industry, should devise a better definition of farm household income which more accurately reflects the real situation on farms and is more easily compared with income levels in non-farm households.

Agricultural Education and Training

15. Essentially, the rural problem in relation to agriculture is that there needs to be enough off-farm work to enable agriculture to continue its rate of structural adjustment at a pace which allows farm household incomes to be maintained, or even to rise, relative

to those in non-agricultural households. This includes the provision of sufficient off-farm work of a type which can be combined with farming to allow the part-time sector to grow. Training will be important for farmers wishing to take up off-farm work. Formal education levels of those in farming are generally low, so those farmers tend not to have access to better paid jobs.

16. The need for an educated and skilled labour force in the rural community in order to maintain and enhance its sustainable prosperity is recognised. Relatively few people working in the agri-food industry have vocational qualifications appropriate to their responsibilities in employment. The problem is particularly acute at the higher levels associated with management. This deficiency restricts the ability of owners, managers and workers to respond to changes in the agri-food industry and to grasp opportunities to diversify into other employment. Wider access to agricultural education and training programmes aimed specifically at people with little or no formal competences associated with business skills should be provided.
17. Access to better education and training would allow farming families and small rural businesses to develop their skills and knowledge in a flexible and innovative way to address business and economic changes. Indeed, if a new entrants to agriculture scheme should be introduced, it must have, as one of its qualifying criteria, minimum educational qualifications. More innovative forms of support are needed to enable rural people to identify and develop the skills required to:-
 - ?? achieve the highest standards of performance in farming enterprises;
 - ?? create new income generating enterprises; and
 - ?? secure complementary or alternative full-time or part-time employment.This support must aim to up-skill, re-skill and e-skill the people currently engaged in farming.
18. The Sub-Group recognises that DARD Colleges have strong industry links at both strategic and operational levels and differ from other Further Education Colleges in that they are more vocational and also have a wider remit, for example, in technology and business development. The question of the incorporation of DARD Colleges was raised during this review, as well as the fact that they have no Board of Governors. It was suggested that these

matters should be considered in the context of bringing a wider business and agri-food focus to agricultural education.

19. A key challenge for those who provide future training programmes will be to improve significantly the perception and value placed on such initiatives by the rural community. Strong perceptions of isolation and vulnerability and an entrenchment of attitudes must be recognised and addressed within all education and training programmes.

Recommendation: A strategic analysis of the focus of agricultural education provision in Northern Ireland should be undertaken.

Recommendation: Within 12 months, the DARD Colleges, Further Education Colleges, T&EA and DETI, should develop a strategic partnership and implement agreed programmes of educational training to meet the reskilling and employability needs of the rural community.

Recommendation: Steps should be taken to ensure that the Research and Development programme of DARD's Science Service is sufficiently aligned with industry and educational needs.

On-farm forestry

20. With the exception of Iceland, Northern Ireland is the least forested part of Europe, with only 6% tree cover. Until about 1990, support for afforestation served to create an economic resource chiefly in softwood timber, with some success. Any further development in this area requires a major new market for low-grade, softwood timber and wood residues centered on a major industrial development. Such industries are very sensitive to scale of operation and cost of transport. Plantations which are remote from major mills will need to offset the higher costs of marketing their timber through economies of scale, by securing a premium for sustainability of supply, or by finding a premium for some quality inherent in their timber.
21. There is only a very small hardwood industry in Northern Ireland serving niche markets. Although top quality hardwood can command good prices if properly marketed, there is much poor

quality material. This has virtually no market outlet or is sold as firewood. There is, therefore, a need to develop hardwood markets.

22. Since 1990, there have been greater financial incentives and more regulatory controls in an effort to generate more environmental benefits from forestry plantings. All planting schemes must have a broadleaved or open space component and the use of better quality land and the planting of broadleaved species is encouraged through higher rates of grant assistance. While production of quality hardwood timber is an option on appropriate soils, this has not been a major policy objective to date.
23. The development of on-farm forestry is recognised as providing an alternative to agriculture, particularly on poor quality land. The Farm Woodland Grant Scheme has been successful in extending this area of tree cover by 600 ha per annum in recent years. In some circumstances, farmers may find that they can reduce the area needed for agricultural production without significant financial penalty to the farm business. This land is then available for other uses, including development of on-farm forestry. This is a significantly different type of enterprise which is outside the experience of most farmers. While there is public support for afforestation, funds are limited both in scope and in duration and are geared more to delivering public benefits rather than private ones. It is considered necessary to enhance the attractiveness of the Farm Woodland Grant Scheme and to provide additional practical advice and demonstrations to encourage the further development of on-farm plantings.
24. Farmers interested in forestry must, of course, be prepared to make an investment of private resources. That investment will certainly include developing an awareness of silviculture and, ensuring that management interventions are both timely and effective over many years. It will also include an investment of their own or contractors' labour, as well as a commitment to withdraw at least part of their holding from agricultural use. The rewards will include an enhancement of the environmental quality of their holding in their lifetime, and their children and grandchildren may expect to realise a significant capital sum in due course.
25. Importantly, farmers may forgo their future capital returns by consuming more private benefits, for example, by concentrating solely on environmental or recreational gain and ignoring the silviculture interventions necessary to secure an economic return.

This is a decision that must be addressed at the stage of establishing a plantation.

26. Any public support received by farmers will be to compensate for loss of farm income and to offset a proportion of the costs while creating a public benefit, e.g. landscape, other environmental improvements or a sustainable timber resource. This may be focused on social needs for employment or public access in particular areas. However, farmers should carefully review their own needs before contracting with the Department to provide public needs through a planting grant scheme.
27. Agro-forestry may offer some local opportunities in relation to niche markets, for instance, in relation to the grazing of livestock under fruit trees.

Recommendation: The area of farm woodland plantings should be expanded by extending the period during which annual payments are made under the Woodland Grant Scheme from 15 to 25 years.

Recommendation: There should be no difference in the payments for on-farm plantings for LFA and non-LFA land but in return for the longer term of annual payments, tighter management specifications should be imposed.

Recommendation: Efforts should be made to raise awareness of, and training in, woodland management.

Recommendation: The development of new market opportunities and industries to enhance the return from timber and its by-products should be encouraged.

Recommendation: Appropriate funding mechanisms should be developed to promote broadleaved afforestation for environmental gain and public amenity.

Recommendation: The development of agro-forestry in appropriate areas should be encouraged.

Alternative crops

28. The increasing potential from the non-food crops sector was noted by the Sub-Group. Industrial crops can be used to produce

chemicals (polymers, plastics, dyes, paints, pharmaceuticals), specialist products (adhesives, soaps, detergents, personal care products), industrial fibres (paper, textiles, composites, fibre board) and industrial oils (lubricants, bio-diesel). Although the perception is that there is a large global market for these outputs, which some estimate may grow by 40% in the next 3 years, there is limited knowledge of the practicalities of growing and processing these crops in Northern Ireland.

29. The use of willow in combined heat and power systems, for bio-filtration and for bio-remediation was also considered by the Sub-Group, as was anaerobic digestion. These opportunities could perhaps best be developed at community project level.
30. Recognising that the political tide is moving from supporting agricultural production towards securing environmental sustainability, it is considered that the time has come to press for an energy crops scheme. Another area to explore is the generation of electricity from small scale, on-farm windmills. The revival of flax growing may develop, although research by DARD over a number of years has failed to solve the significant difficulties relating to the technical and economic viability of this enterprise in Northern Ireland.

Recommendation: Opportunities for the growing of crops to provide alternative energy sources should be reviewed.

Recommendation: DARD should devise, in association with DETI and DOE, a strategic approach to the development of sustainable energy systems at rural community level.

Recommendation: Efforts should be made to maximise the use within Northern Ireland of monies raised from “Green” taxes such as the Climate Change Levy.

Environmental Considerations

31. The Sub-Group was keen to address the issue of how farming can best adjust to changing circumstances and continue to operate in a way which is both sustainable and environmentally friendly. Northern Ireland has not suffered the same degree of environmental degradation as other, more intensively farmed areas and the countryside retains its visual attractiveness. However,

farming does contribute to the increasing problem of eutrophication of waterways, and run-off of slurry and silage effluent cause fish kills every year. In addition, there is evidence of a significant decline in the numbers and range of farmland bird species.

32. The Sub-Group noted that the changing emphasis of the CAP is gradually shifting financial support away from production subsidies towards wider rural development, including agri-environmental measures. Within Northern Ireland, modulation monies will be used to help double agri-environment funding to £88 million over the period of the Northern Ireland Rural Development Regulation Plan 2000-2006 (NIRDRP). This will maintain the Environmentally Sensitive Areas Scheme (ESA), enable the Organic Farming Scheme (OFS) to grow from an almost imperceptible base to a total of 1,000 farmers farming 30,000 hectares and introduce and develop the Countryside Management Scheme (CMS) to a level of 4,000 participant farmers. In addition, NIRDRP funding will enable the on-farm planting of 600 hectares of trees per annum.
33. This expansion of agri-environment expenditure is welcomed, although it is in part being financed by monies deducted from farmer's livestock subsidies through modulation. It is recognised that the NIRDRP will expand the area of land subject to agri-environment undertakings by 2006, but this in itself is insufficient to address all of the environmental concerns arising from modern agricultural activities in Northern Ireland. In particular, funding is required to mount a campaign to repair and restore aging slurry and silage stores and to promote nutrient management planning to reduce nutrient run-off into waterways. Model farms should be established and used to demonstrate sustainable farming and best practice in relation to pollution prevention and control. An independent evaluation of the Erne Catchment Nutrient Management Scheme should be conducted to determine its suitability for roll-out to other water catchment areas. Additional on-farm environmental enhancement measures should be funded to help deliver the on-farm objectives of the Northern Ireland Biodiversity Strategy.
34. The Sub-Group welcomes the recently published Strategic Study of the Northern Ireland Organic Sector commissioned by DARD and recommends that its findings should be considered carefully, particularly those relating to the need for enhanced advisory,

research and marketing support for this emerging sector. Funding could help farmers convert existing buildings and facilities to those required for organic production.

Recommendation: Resources should be targeted towards a coherent and ongoing campaign to effect a reduction of point source pollution on high risk water catchments.

Recommendation: An independent evaluation of Erne Catchment Nutrient Management Scheme should be undertaken to determine its suitability for roll-out to other water catchment areas.

Recommendation: Action should be taken to promote nutrient management education and planning and the responsible use of organic and inorganic fertilisers, particularly phosphates, across Northern Ireland farms.

Recommendation: There should be a commitment to promoting and developing systems of good farming practice across all of Northern Ireland agriculture, ie. to include those farms outwith the LFA support and agri-environment schemes which already have to adhere to these principles.

Recommendation: Structures should be put in place to facilitate the implementation of the recommendations of the Northern Ireland Biodiversity Strategy.

Recommendation: On-farm capital enhancement measures should be developed to support biodiversity objectives.

Recommendation: Structures should be put in place to facilitate the implementation of the recommendations of the Strategic Study of the Northern Ireland Organic Sector.

Business and Rural Development

35. Evidence presented to the Sub-Group suggests that there are some 200 business development funding organisations in Northern Ireland. This points to a need for cooperation of local economic development initiatives, otherwise considerable overlap and duplication will inevitably occur. This is an urgent requirement as EU Objective 1 and Peace and Reconciliation monies will no longer

be available after the end of the current Structure Funds plan period. Often, funding is available for short term contract programmes with little end result, measurable outputs, etc.

36. The existence of many funding bodies in the area of Rural Development also creates complexity. The Sub-Group recognises a need to improve delivery and streamlining and welcomes the intention to effect improvement in this area.

Recommendation: The amount of red tape and bureaucracy in relation to the agricultural community needs to be reduced.

Recommendation: DARD must implement its proposals to develop greater coordination, communication and efficiency to improve access to rural development public funding.

Recommendation: Local economic development agencies should develop a greater interest than hitherto in the development of farm businesses and the potential for both full and part-time employment in rural areas.

Rural Tourism

37. The Sub-Group received presentations which indicated that the Northern Ireland tourist industry was under-performing compared with its counterparts in Scotland and in the Republic of Ireland. It is considered reasonable to seek to achieve a doubling of the contribution tourism makes to the Northern Ireland economy by 2006. Development of rural tourism is considered as having significant potential to make an economic return to the local economy, to create jobs and to help sustain rural services, as well as being a positive force for the environment.
38. The proposal to introduce a Natural Resource Rural Tourism (NRRT) programme under PEACE II is, therefore, welcomed. The Sub-Group notes that NRRT is designed to provide a significant injection of public funds into identified disadvantaged rural areas that have a high potential for tourism growth based on their indigenous natural resources. The programme is designed to develop the tourism infrastructure, skills and marketing effort that should have developed over the last thirty years in the absence of conflict. To secure the maximum possible benefit from this special funding, the programme will be targeted on those rural areas that

are both disadvantaged and have the greatest potential for tourism, i.e. those designated either as Environmentally Sensitive Areas (ESA) or Areas of Outstanding Natural Beauty (AONB).

Recommendation: NITB, DARD and stakeholders should establish a Rural Tourism advisory committee to develop significantly the natural resource tourism industry in Northern Ireland from its present base with low visitor numbers and poor infrastructure.

Recommendation: Special investment should be encouraged to help create a quality Natural Resource Rural Tourism product in those rural areas with the greatest potential, thereby increasing the contribution of tourism to their local economies.

Recommendation: Better access should be provided to information on the NITB marketing strategy and on grants and other support available to those interested in providing rural tourism facilities.

Acknowledgements

The Wider Rural Context Sub-Group received presentations from 23 individuals and wishes to record its appreciation for their input to this exercise.

The presentations were given by:

Dr Joan Moss	The Queen's University of Belfast
Jim Eastwood	Cookstown Enterprise Council
Helen Keyes	Cookstown Enterprise Council
Sharon McFlynn	Rural Development Council
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John Fay	Principal Greenmount College, DARD
Richard Crowe	Greenmount College, DARD
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John Heatherington	Premier Woodland Ltd
Malcolm Beatty	Chief Executive, Forest Service
Anita Donaghy	Royal Society for the Protection of Birds
Jo Whatmough	ex National Trust
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Ian McKee	Environmental Policy Division, DARD
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Gerry McWhinney	Rural Development Division, DARD
David Cartmill	Northern Ireland Tourist Board
Louise Brown	Northern Ireland Tourist Board
Ian Titterington	Education and Finance Division, DARD
Jim McAnlis	Fertiliser Manufacturers' Association
James Morrison	Fertiliser Manufacturers' Association
Mark Livingstone	Training and Employment Agency
John Gilliland	Farmer