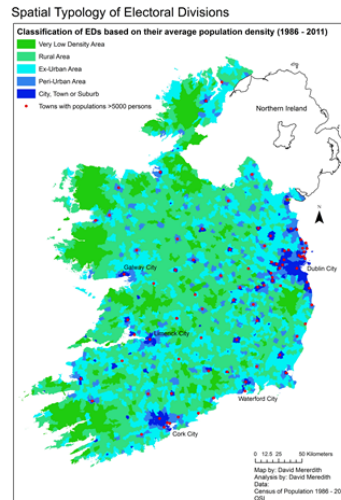


Project number: 6145
Funding source: Teagasc and Local Development Companies

Date: September, 2014
Project dates: Jan 2011 – Mar 2014

Local Impact of Agriculture on the Rural Economy



Key external stakeholders:

Local Development Companies, rural development policy makers, Rural development policy formulators

Practical implications for stakeholders:

The outcome of this research includes:

- This research filled a number of knowledge gaps concerning the spatial impacts of the economic downturn, the strength of rural – urban linkages and the linkages between farming and the broader rural economy.
- The results informed the work of the Commission for the Economic Development of Rural Areas and provided evidence to support key issues raised by the Department of Agriculture, Food and the Marine as part of the public consultation process regarding the 2015+ Rural Development Programme.
- The research has assisted national policy makers understand, to a greater extent, the implications of agricultural and rural restructuring for rural economic development.

Main results:

Changes in employment, unemployment and poverty need to be considered within a longer term perspective. In particular, there is a need to consider the implications of general social changes for the long term development of rural areas. The industrial structure of the rural economy has changed substantially in recent decades resulting in the creation, overall, of more employment opportunities. Many of these opportunities are in 'female dominated' sectors of the economy. Males living in rural areas with lower levels of education increasingly face substantial challenges securing and maintaining employment.

Opportunity / Benefit:

Critical research relating to rural and agricultural change was undertaken that substantially contributed to informing the research report prepared on behalf of the Commission for the Economic Development of Rural Areas.

Collaborating Institutions:

Ballyhoura Development Limited
Clare Local Development Company Limited
County Kilkenny Leader Partnership Company Limited
Meath Community Rural and Social Development Partnership Limited
West Cork Development Partnership Limited

Teagasc project team: Dr. David Meredith (PI)

External collaborators: Dr. Jason Loughrea

1. Project background:

In the period 1991 – 2011 Ireland experienced a number of interrelated social and economic developments. The number of people living in the country increased, the labour force grew as did the number of people in employment. These developments impacted on the evolution of rural areas. Some rural areas benefited substantially whilst others have been heavily exposed not just to the consequences of the recent economic downturn but to long term trends that have undermined their viability. These developments are in line with the experience of most developed countries and have given rise to an increasingly differentiated countryside. This research sought to better understand the implications of long-run changes on the industrial composition of employment, the impacts of the economic downturn on selected areas and the implications of changes in the agriculture sector for local economies.

2. Questions addressed by the project:

- What are the implications of Food Harvest 2020 for local economies?
- What are the potential impacts of CAP reforms for specific sectors?
- How has the Great Recession affected employment, unemployment and poverty rates in rural areas?

3. The experimental studies:

Main components of this methodology are:

- (a) Applying micro-simulation to estimate the impact of the economic downturn on poverty levels in Co. Meath
- (b) Implementing a functional regionalisation algorithm to identify local labour market areas in Ballyhoura and, using these areas, evaluate changes in the labour force.
- (c) Estimate, using micro-simulation techniques;
 - The potential impacts of increased milk production on local economic development in West Cork.
 - The local significance of specialist beef enterprises to the economy of Co. Clare.
 - The implications of proposed Common Agriculture Policy reforms for tillage producers in Co. Kilkenny.

4. Main results:

1. Rural restructuring and the economic downturn

Changes in employment, unemployment and poverty need to be considered within a longer term perspective which makes clear that there is a long run decline in traditional (male) rural economic activities and, commensurately, in male employment, particularly semi-skilled and unskilled occupations. Developing and implementing measures to increase the skill levels and employment opportunities for young men living in rural areas are necessary.

The shift towards a more services orientated economy has had a positive impact on the level of, particularly, female employment. This shift has, it is felt, benefited towns and cities to a substantial extent. Faced with this development there is a critical need to maintain industry and craft manufacturing businesses in dispersed small villages and towns. It is also crucial that rural communities be provided with the skills and supports to help them progress toward higher growth and skilled sectors. This will, increasingly, be critical if younger, higher educated people choose to live and work in rural areas.

Some concerns were raised that the development of new commuting patterns were either giving rise to changes in patterns of consumer spending, i.e. more shopping was being done in towns. This is, it is believed, contributing to the decline in local retail demand and, consequently, the closure of rural shops. There is a concern that the closure of such basic services may undermine the viability of communities,

particularly their capacity to meet the needs of elderly populations and those without access to private transportation.

Overall, it was recognised that change is and will continue to be a feature of the rural economy and the agriculture sector. Each of the participants in the research stressed the need to equip rural communities with the skills to be proactive in the face of change and appropriate governance structures to ensure that communities are supported in their initiatives. Associated with this, there is a need to better understand the long term and fundamental changes in the structure of populations in more rural and isolated areas with young people migrating and rapid ageing of the population. This understanding is critical to state agencies, policy makers, rural policy stakeholders and the general public.

2. Agriculture restructuring

The focus on three different agricultural sectors, namely beef, dairy and tillage, and the potential impact of proposed CAP reforms on the farm and wider rural economy highlights a number of common trends and issues. There has, over the course of several decades, been a trend towards farm consolidation, i.e. fewer and larger farms, intensification and specialisation. These developments have resulted in two key trends; the continued development of farm enterprises along two dominant trajectories and, associated with this, growing geographical specialisation. The two trajectories in question are 'commercial farming' and peri-productive farms, i.e. where the production of food is combined with the production of public goods and/or other forms of income diversification. The comments and feedback received from the research partners emphasised the importance of understanding the development of this structure, in particular that despite income growth amongst most farms, non-viable farms remain non-viable with little prospect of providing sufficient market income to fully support the household. This raises questions regarding the future of these enterprises, i.e. will they continue as discrete enterprises or will they be amalgamated into larger farms? Looking to the future, the inter-relationships between 'commercial farming' and peri-productive farms needs to be carefully considered. The outcome of these processes will have substantial impacts on the future structure and composition of rural economies, communities and their viability in terms of demographics, services, innovation and competitiveness.

Restructuring of farming enterprises is not viewed as a negative or a threat, rather it is a continuation of long established trends. There are clear opportunities associated with the projected expansion of milk production. All parts of the country are likely to experience increases in milk production through increased output on existing farms and the conversion of tillage and beef enterprises to dairy production. This will result in greater quantities of milk which will be subject to world market prices, i.e. the value of milk to the farm household will fluctuate, sometimes wildly. The challenge, therefore, is to develop opportunities for increased value added production and development of niche products that offer higher value returns to producers and a greater labour input per litre. Associated with the development of, particularly, the dairy sector, there is a need to consider the environmental impacts of intensification in terms of inputs, water, waste management, etc.

3. Conclusion

The core challenge for those responsible for rural development is to ensure, through strategic planning at national, regional and local levels that the opportunities for both on-farm diversification and for the development of supporting specialised agri-supply business are realised. Associated with this is the need to ensure that alternative off farm employment opportunities are developed. In the first instance the potential for diversification opportunities for larger farms which have demonstrated business management experience and skills in addition to access to capital should be incentivised through a targeted, pilot measure. Such an initiative might initially be targeted at established dairy enterprises that are expanding their production. A further area that needs substantial consideration is the development or enhancement of local supply chains for food and energy which can contribute to enhanced resilience.

The development and enhancement of linkages or synergies between the farm and broader rural economy are seen as a vital dimension to successful rural development. There is a need to prepare, as part of planning for the new rural development programme for likely or potential changes in farm income distribution across sectors and areas of the country and the associated knock effects to the wider rural economy post 2014.

5. Benefit:

1. Each of the partners in the research received a specific report that is being used to inform the implementation of the current rural development programme and the design of the forthcoming rural development programme, i.e. post 2015.

2. The research substantially contributed to the preparation of the CEDRA research report.

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6. Dissemination:

Main publications:

- Loughrey, J. Meredith, D. & O'Donoghue, C. (2012) Identifying and evaluating the impact of the great recession on Ballyhoura, Co. Limerick. Report to Ballyhoura Development Limited, Kilmallock, Co. Limerick.
- Loughrey, J. Meredith, D. & O'Donoghue, C. (2012) Impact of the Economic Downturn on Co. Meath. Report to Meath Partnership Company. Navan, Co. Meath.
- Loughrey, J. O'Donoghue, C. & Meredith, D. (2012) The role of farming in supporting the local economy. Report to Clare Local Development Company, Ennis, Co. Clare.
- Loughrey, J. O'Donoghue, C. & Meredith, D. (2012) Potential impacts of CAP reform for tillage producers in Co. Kilkenny. Report to Kilkenny Leader Partnership Ltd., Kilkenny, Co. Kilkenny.
- Loughrey, J. O'Donoghue, C., Grealis, E., Corina Miller, A. & Meredith, D. (2012) The Economic Impact on West Cork of Dairy Expansion under the Food Harvest 2020 Programme. West Cork Development Ltd., Bantry, Co. Cork.

7. **Compiled by:** David Meredith
