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Crisis on the family farm: ethics or economics?

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Farm household income trends in Ireland

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INTRODUCTION

The purpose of this paper is to summarise information on incomes of farm households in the Republic of Ireland and the extent of low incomes in the sector. It is important to remember that over 90% of Irish farms are family owned and managed.

The logic behind preferring the household rather than the individual as the income unit is that while income from farming is important in assessing the contribution made by productive agriculture it is inadequate as a measure of the welfare of farm households as many of them are increasingly supplementing this income with income from other sources.

DATA SOURCES

The main data sources used in this examination are the Household Budget Surveys (HBS) for 1973, 1980 and 1987. These are the most extensive and most recent sources of information available in Ireland on income. Farm households are classified in the HBS according to the self-reported principal gainful activity of the head of household. Other sources of information include the National Farm Survey (NFS) and reports compiled by the Economic and Social Research Institute of Ireland (ESRI).

For the purpose of this paper household income was divided into three parts: income from farming; other direct income including off-farm income, investment income, etc; and state transfer payments which include unemployment benefits, pensions, etc.

TRENDS IN INCOME SOURCES OF FARM HOUSEHOLDS

Changes in farming income, other direct income, transfer payments and gross household income for 1973 to 1987 are summarised in Table 1.

Table 1
Farm income, other direct income, transfer payments and gross household income for farm households, 1973, 1980 and 1987, £/annum (1987=Base)

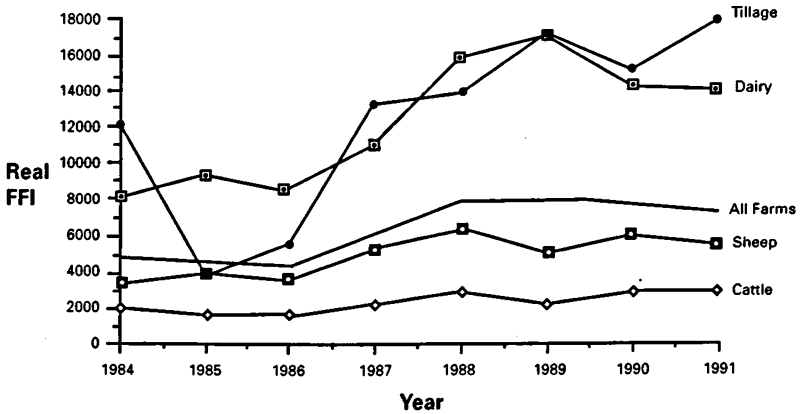
Year	Farming income	Other direct income	Transfer payments	Gross household income
1973	7616(70%)	2072(19%)	1173(11%)	10 862(100%)
1980	6207(59%)	2792(26%)	1619(15%)	10 618(100%)
1987	6833(54%)	3566(28%)	2218(18%)	12 617(100%)

Source: Adapted from HBS (1973, 1980 & 1987)

Farm household income showed a slight decline from 1973 to 1980, but it increased by almost 19% from 1980 to 1987. Farming income, on the other hand, declined from £7616 per year in 1973 to £6207 in 1980, but recovered somewhat to £6833 in 1987. However, the 1987 figure was 10% less in real terms than that which prevailed in 1973. Transfer payments and other direct income have increased significantly over the period with other direct income increasing by 35% from 1973 to 1980 and by almost 28% from 1980 to 1987. Transfer payments increased by 38% from 1973 to 1980 and by 37% from 1980 to 1987. The declining contribution of income from farming to gross household income is also evident from Table 1. In 1973 this source accounted for 70% of gross income, it dropped to just over 58% in 1980 and has declined further to 54% in 1987. It was also found that highest household incomes accrued from a combination of high income from farming and other direct high income.

Gross household income fluctuated considerably across regions, farm size categories and farming systems. It was consistently highest in the east of the country, on farms of over 40 ha and on those farms with a significant dairy component. Change in income from farming, which can be seen in Figure 1, was the major cause of these variations. The very low income of cattle farmers who comprise 46% of Irish farmers is a particular cause for concern.

Figure 1
Income from farming (FFI) classified by farming system, 1984 to 1991, £/annum (1987=Base)



Source: NFS, 1984 to 1991

COMPARISON OF FARM HOUSEHOLDS WITH OTHER SECTORS OF THE ECONOMY

Questions are often asked as to how farmers compare with other groups in society with regard to income. In making these comparisons, it should be borne in mind that farm households are generally larger than other households. Table 2 shows that, of the groups compared, urban employees had the highest gross incomes in 1987, self-employed urban workers were next and farming households (all) had considerably less. The gross household income of the farm households with no other earned income (58% of all farm households) was almost £7500 per annum less than those with earned income.

Table 2
Household income of urban self-employed, urban employees and farm households in 1987, £/annum

Urban households		Farm households		
Self employed	**Employee**	**All earned**	**With income**	**Without earned income**
16 707	19 178	12 615	9454	16 929

It is clear that farm households are not a homogeneous group and that wide variations in income occur within the sector. Those who have other sources of earned income in the household compare very favourably with other groups in the economy, while those without this source lag seriously behind.

It is also of interest to examine trends in this comparison over time which show that the disparity in household incomes between the farming community and that of urban employees widened between the '70s and '80s. The household income of farmers in 1973 was 79% of that of urban employees, while in 1987 the figure was 65.8%.

LOW INCOMES IN FARM HOUSEHOLDS

ESRI (1987) conducted a survey on poverty, income and welfare for a sample of all households in the state for 1973, 1980 and 1987. Households headed by farmers formed a substantial proportion of all households below the 50% poverty line, ie below half the average state household income, for the three years (26%, 26% and 24%, respectively). The report also examined the risk of poverty classified by the labour force status of the head of household (Table 3). The risk of poverty for a group is the proportion of that group that fall below the poverty line. Table 3 shows that the risk of poverty within the farming community is significant and increasing. Calculations based on the 1987 HBS show that just under 25% of farm households were in the risk category based on the 50% relative poverty line. This figure was more than double that of the self-employed, non-farm sector and almost seven times that of employees.

Table 3
Risk of poverty classified by labour force status of the head of household (HOH) for 1973, 1980 and 1987

Labour force status of HOH	1973	1980	1987
Employee	4.6	3.7	4.4
Self-employed	10.6	8.6	11.6
Non-farm Farmer	21.2	27.0	35.8*
Unemployed	63.8	63.1	58.9
Total	**17.7**	**16.8**	**17.5**

*Based on 1986 farming income figures.

Source: Adapted from ESRI (1989)

CONCLUSION

The above analyses clearly show the emergence of three main groups in the farming community in Ireland:

(i) A small group of resource-rich farmers who have the capacity to compete in the markets of Europe. This group comprises the larger dairy farms, and some quite large drystock and tillage farms but accounts for 15%, at most, of Irish farmers.
(ii) Farmers with considerable agricultural resources, but where, even at the most efficient production levels, agriculture alone will not be able to provide a viable future. This group consists of small- to medium-sized dairy farms, the majority of drystock farms and some tillage farms and is the largest sector of Irish farmers. Off-farm income will be required for the future viability of the majority of this group.
(iii) Resource-poor farms where little progress or where decline over the last two decades have been the norm. As the majority of these are older farmers, this group should be the focus of an effective early retirement scheme.

It is clear from the above analysis that there is a serious low income problem within the farming sector. Farm households where agriculture is the major source of income and, which are mainly drystock farmers with less than 40 ha of land are those most seriously affected. This category had a low income base in 1973 and the rapid decline in income from farming for this sector must cause serious concern. In addition, it is likely that drystock farmers with larger farms and dairy farmers with limited quotas also face considerable risk.

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