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Centre for Agricultural Strategy

Crisis on the family farm: ethics or economics?

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Pluriactivity and survival? A study of family farms in Northern Ireland

Joan Moss

INTRODUCTION

Northern Ireland is a marginal region in both economic and geographic terms. Its industrial economy is dependent on traditional industries which are in decline and the agricultural sector is relatively important, employing 7% of the labour force, with a further 3% in ancillary industries (DANI, 1990). There is a predominance of very small, owner-occupied, family farms (generally not big enough to provide full-time employment) and small family farms (generally 1- to 2-person businesses). There is a long history of high levels of unemployment (which was at 14% in early 1993).

The European Community (EC) has a commitment to maintaining people in the rural areas, retaining viable family farms and stimulating development and structural adjustment in those regions whose development is lagging behind. In 1988 the Commission acknowledged that the problems faced by the farming communities throughout the EC could not be resolved solely within the agricultural sector. New economic activities were required on and off farms to stimulate the economies of rural areas (CEC, 1988).

In regions with a preponderance of small farms, pressures on farming income have resulted in many farm families having to augment their farm income with social transfer payments and/or income from either on-farm non-agricultural activities or off-farm employment. In this paper the differing characteristics of farmers with and without off-farm employment are considered. With pressure on farming income it is becoming increasingly difficult for small and even medium-sized farm businesses to provide adequate income for two

families. In the past, the successors to such farms have been employed full time on the farm, from finishing their education/training to point of succession; however, this is now proving more difficult. Farming organisations are currently expressing concern at the numbers of potential successors being 'forced' to move away from the home farm, or to travel considerable distances daily to gain off-farm employment, because of the long-term consequences this may have on succession. How many of these successors will become dual job-holding farmers in the future? Will many of them, having earned more stable, larger incomes elsewhere, wish to take on the risky, lower income prospects of farming? If future successors do not intend to farm, what is to become of their land?

The main research findings presented in this paper are derived from the extensive survey of 1170 agricultural land holdings, their resident owners and the owners' families throughout Northern Ireland conducted by the Changing Farm Economics Project (Moss, 1992). The sample of agricultural land holdings was obtained from the full enumeration of the holdings located in a random sample of 2 km squares stratified according to Ordnance Survey 100 km grid sectors, with sampling proportions which reflected the density of holdings in each sector.

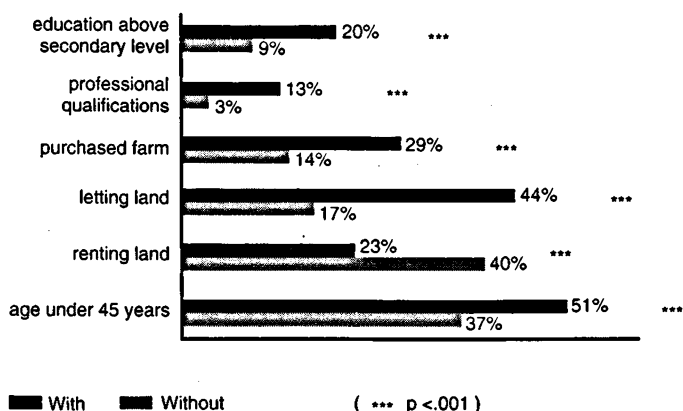
CHARACTERISTICS OF LAND HOLDERS WITH AND WITHOUT OFF-FARM EMPLOYMENT

Just over 30% of land holders were 65 years of age or above and did not engage in off-farm employment. A further 48% had no off-farm employment and 21% held off-farm jobs. In order to identify the distinguishing characteristics, if any, of land holders engaged in off-farm employment, Chi-squared tests were performed on the respective frequencies of key variables for those land holders with off-farm employment and those without such employment below 65 years of age.

A number of characteristics were found to be highly significantly different ($p < 0.001$) between the two groups of land holders and between their respective farm businesses (Figure 1). The land holders with off-farm employment were more likely:

- (i) to have attained an education above secondary level (Chi-square = 21.2, df = 1);
- (ii) to have a professional qualification (Chi-square = 25.1, df = 1);
- (iii) to be below 45 years of age (Chi-square = 12.9, df = 1);
- (iv) to have purchased, rather than inherited, their holdings, or a combination of the two (Chi-square = 39.2, df = 2);
- (v) to let some or all of their land (Chi-square = 65.9, df = 1);
- (vi) not to have rented land (Chi-square = 21.6, df = 1).

Figure 1
Comparisons of land holders with and without off-farm employment



There were also highly significant differences in the sizes of the farm businesses of those land holders with and without off-farm employment. There was no farming activity on 38% of the holdings where the owner worked off-farm. Another 41% were classified as very small farm businesses, 21% were small and only 1% medium sized. By comparison, where the land holder did not work off-farm, 29% of their farm businesses were very small, 35% were small and 17% were medium sized. Only 2% of their farm businesses were large.

SUCCESSIONAL ISSUES

When the land holders were asked if they had made plans for the management and ownership of their holdings to ultimately pass from their hands, and if so, under what circumstances, they exhibited a high degree of uncertainty. Over 40% did not know how or when management control would be transferred. Transfer of ownership was planned to occur at the retirement of 20% of current owners and on the death of a further 36%. The remainder did not know how or when ownership would be transferred.

The one issue concerning succession for which there was widespread agreement was that the land would not be sold when ownership was relinquished. Only 3% of land holders cited this possibility, while 66% said an heir or heirs would inherit. Almost 30% just did not know what would happen. Of those who stated that ownership would pass to an heir or heirs only half (one in three of all land holders surveyed) had decided who the heir(s) would be.

Information was obtained on those successors who had been chosen. Over half of them (59%) were resident in the farm household

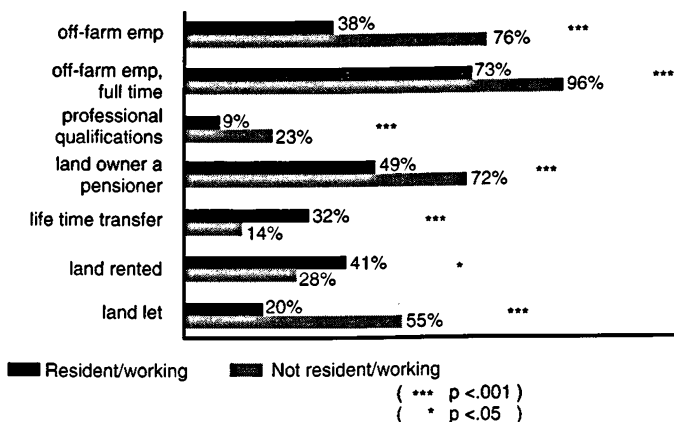
where they may or may not have been part of the farm labour force, or if they lived off the farm they worked on the holding. Another 20% were children under 16 years of age who were members of the farm household. The remaining 21% of successors were adults who were neither resident on the holding, nor did they contribute labour to the farm business at any time of the year.

CHARACTERISTICS OF ADULT SUCCESSORS

Since identified successors below the age of 16 years were not yet eligible for membership of the labour force and were unlikely to inherit in the foreseeable future, they were excluded from the investigation of successors' characteristics. Using Chi-squared analysis a number of highly significant differences ($p < 0.001$) were identified between those successors who neither lived on the holding nor contributed to the farm labour force and the rest (Figure 2).

Figure 2

Comparison of adult successors resident and/or working on holding and those neither resident nor working on the holding



They were more likely:

- (i) to have off-farm employment (Chi-square = 37.4, df = 1);
- (ii) to have full-time work (Chi-square = 13.8, df = 1);
- (iii) to possess professional qualifications (Chi-square = 12.2, df = 1);
- (iv) to inherit from an owner who is currently a pensioner (Chi-square = 14.6, df = 1);
- (v) to inherit after the death of the current owner (Chi-square = 24.8, df = 2).

The holdings/farm businesses they were due to inherit were also highly significantly different, unless otherwise stated, from the

holdings the other successors would inherit. These holdings/farm businesses were:

- (i) more likely to have land let (Chi-square = 40.2, df = 1);
- (ii) less likely to have land taken (Chi-square) = 4.13, df = 1, $p < 0.05$;
- (iii) smaller in farm business size (Chi-square = 47.7, df = 4);
- (iv) have different farm enterprises - they were especially unlikely to have dairying (Chi-square = 26.9, df = 8).

SUMMARY AND CONCLUSION

The first point to note was the extent to which farm households no longer relied solely on farming as the main source of income. The land holders who had taken up off-farm employment, mainly in the private sector in construction, agriculturally-related or transport jobs, had significantly smaller farms than their full-time farming neighbours. They were also less likely to rent land and more likely to let land. They were also younger, better educated and had more professional qualifications. There was no evidence of land holders using off-farm employment to fund the expansion of their farm business or to free farming income from the necessity of providing for family expenditure so it could be reinvested. There was evidence, however, of some hobby farmers among those land holders working off-farm. Twenty per cent had purchased their entire holding and many of those supported extremely small farm businesses and they derived very little income from farming.

Over time, the size of the farm business necessary to fully support a family at an acceptable standard of living has increased. Consequently, given the current agricultural policy environment, with limited scope for the expansion of existing farming activities and few new farming activities to adopt, the numbers of small-scale farmers seeking off-farm employment can be expected to increase. The best qualified are the most likely to secure off-farm jobs. In the Northern Ireland labour market, with its high levels of unemployment, it will be increasingly difficult for the small-scale farmers who currently do not work off-farm to obtain employment. They are significantly less qualified than those currently engaged in off-farm work.

In the longer term, a farm sector comprising family-run farms must also be capable of accommodating the next generation of farmers. There is widespread uncertainty in the Northern Ireland farming community regarding successional matters. Hardly any land holders envisaged their farms being sold when they relinquished ownership, whether on their retirement or death. Only a minority, however, have made definite plans for succession. The extent to which these successors will become the farmers of the future is conditional on a number of factors pertaining to their personal circumstances and to the

holdings they inherit. The 80% of identified successors who were adults divided into two distinct groups: those who still lived on the holdings and/or provided labour for the farm businesses; and those who neither lived on the farm nor worked on it at any time throughout the year.

The latter group of successors are least likely to be actively involved in farming in the future. Over three quarters of them were in permanent, full-time employment which was not associated with the family farm. They had a higher likelihood of holding professional qualifications than either the land holders who worked off-farm or the other adult successors and this was reflected in the higher income jobs which many of them held. Their lack of participation in farming activities, even at those fairly brief times of the year with peak labour demands, such as silage making or lambing, was also indicative of their withdrawal from farming life. Almost three out of four of the current owners of the holdings they will inherit are already retired, with small farm businesses and a high incidence of let land.

It cannot be assumed, however, that all the successors living and/or working on the holdings they are due to inherit will eventually become either full-time or even part-time farmers. Almost 30% of them currently have full-time off-farm jobs. Their future roles as farmers will be determined by their need to augment their potential farming incomes and the feasibility of combining off-farm employment with running a farm business. Where the main farming enterprise is dairying this will not be easy.

Given the undoubted attractions of farming for those brought up on the land, families in Northern Ireland will undoubtedly make great efforts to maintain their family-run farms. With so many elderley land holders, many families will soon be faced with difficult decisions regarding the continuation, and if so, the nature, of their farm businesses. Their decisions will have wide-ranging repercussions for the future structure and output of the Northern Ireland farm sector. A major influence on these decisions will be the rules permitting transfer of entitlement and compensatory payments to successors ensuing from the reform of the CAP. If the compensatory payments are not transferrable to successors, the income generated by the small-farm business in Northern Ireland will be drastically reduced with very serious consequences for the rural economy.

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