Assessing the Potential Impact on the Natural Heritage of the Mid-Term Review of the Common Agricultural Policy

Draft Final Report for

The Heritage Council

Submitted by

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ACKNOWLEDGEMENTS

We have tried to make the contents of this report reflect as closely as possible the information and viewpoints that were expressed to us in the field. However, the interpretation of these, the conclusions we draw and recommendations we suggest are entirely our own and we bear full responsibility for them. From the outset we wanted the report to reflect feelings from the ground. This would not have been possible without a great deal of co-operation and help given to us by farmers and others, whose only previous contact in many cases had been a phone call "out of the blue". Several Teagasc advisors helped find us locate suitable farms and farmers as well as being interviewed. Several farmers spent time showing us their farms and livestock and some even fed us! Accordingly we thank the following (more or less geographically from north to south) for their help, encouragement and good company - Gary Fisher, Martin McCullough, Robert and Michael Carey, Jimmy Scott, Austin Deglin, Wilfred Moffat, Gerard Cregg, Thomas Quinn, Eddie Davitt, Howard Moore, David Morrow, Dave Donagh, John Kennedy, John Gibbons, Oweny Gallagher, Patrick Boyle, John Carr, Dave Sudderby, Tom Kelly, Brendan Coislin, Martin Barrett, Michael John Barrett, Eneas Kane, Sean Cadden, Padraig Fraser, Pat Conolly, Martin Gavin, Tony O'Conner, Aemon Mylotte, Martin Collins, Martin Winkle, Patrick Doherty, John and Pat Kennedy, John Carroll, Dennis Moriarty, Michael O'Sullivan, Pat O'Driscoll, William O'Sullivan, James Farrell, Michael Murphy, Leo O'Shea, Michael and Ellen Dunne, Jackie Sullivan, Pat Holland, Maureen O'Sullivan, Con Hickey, Tom Egan, Michael Connolly. We also thank fourteen other farmers who were interviewed and are participating in the REPS landscape monitoring project. For their participation in the workshop (in addition to some of the above) we thank, Andy Bleasdale, Brendan Dunleavy, John Finn, Mike Gormally, Sean Malone, Conor Meade, Lorcan O'Shea, Michelene Sheehy-Skeffington, John Muldowney, Caroline Crowley, Brendan O'Malley, Oliver Healy, Liam Fahey, Oliver McEvoy, Catherine Hannon, Gerry Gunning and from the Heritage Coiuncil Michael Starrett, John Murphy, Seamus Kelly and Liam Lysaght. We also thank Brendan Dunford for helping with additional interviews in County Clare, and Caroline Crowley for providing the map of livestock density. We thank the European Environment Agency for the Corine map of potential HNV farming areas.

EXECUTIVE SUMMARY

The brief of this research was to assess the potential impact on the natural heritage of the mid-term review of the CAP, with a view towards assisting the Heritage Council in providing policy advice in line with its functions under Section 6 of the Heritage Act 1995.

The brief required a description of the MTR, a desk study of the predicted effects on Irish agriculture and an assessment of the likely impacts on farming in areas of most importance for nature.

Regarding the latter we have introduced into the report the concept of High Nature Value (HNV) farming areas and described how recent pan-European work describing these can be applied to Ireland.

To gauge the effects of the MTR in these specific areas we carried out a series of interviews with farmers, advisors and interested parties. These were augmented by opinions expressed by a wider range of interested parties at a workshop held in Athlone in December.

The upshot of these is that, in addition to the issue of the potential impact of the MTR, we have exposed a number of existing pressures negatively influencing the heritage value of these places.

Despite this wide range of issues affecting HNV farming areas, we have endeavoured to concentrate our conclusions on some of the most basic ones and those that will have to be addressed at a general level by policy before progress can begin. These include the need to raise awareness about HNV farming areas and the current and potential future trends in farming there and of the impact of existing rural policies.

We recognise that the potential long-term effects on nature conservation are unpredictable, not because the economic signals given by the reforms are unclear, but due to the myriad of other socio-cultural factors which affect farmers' decisions.

A number of new opportunities present themselves at this time of significant rural policy upheaval. Accordingly, we have also limited our recommendations to addressing the

short-term priorities that we feel could have a real effect on the ground and could be achievable during the current and forthcoming rounds of rural development policy review.

Chapter 1 of the report reviews current agriculture policy starting with the Agenda 2000 reform of the CAP and the continuing reforms that were introduced for the dairy, beef and arable sectors as well as the allocations under the National Development Plan 2000 - 2006.

The key element of the 2003 MTR Reform of the CAP is the new Single Farm Payment (SFP). All direct payments for cattle, sheep and arable crops will be fully decoupled from production from 1 January 2005. REPS and Disadvantaged Areas Compensatory Allowances are not included in the Single Payment Scheme and will continue as before. The SFP is paid independent from production, but linked to the achievement of minimum environmental, food safety, animal and plant health and animal welfare standards, as well as a cross-compliance requirement to keep all farmland in good agricultural and environmental condition (GAEC).

The impact of decoupling varies with the farm enterprise. With respect to the beef sector, the reduction in the suckler herd could be quite significant, hill sheep numbers will probably decline significantly but lowland numbers could expand. The impact on the dairy and cereal enterprises may not be significant assuming market prices remain firm.

Chapter 1 also reviews the proposed changes to Rural Development funding for Financial Perspective 2007-2013, in which the Commission has suggested that all rural development measures will be regrouped for all regions under a single funding, programming, financial management and control system. A fuller summary of the main points of the reforms is also given in Appendix V.

Chapter 2 introduces the concept of High Nature Value farming areas and highlights its new policy relevance. European Environment ministers meeting in Madrid in 2004 agreed that by 2006 all member states would identify the HNV farming areas in their territories. By 2008 they agreed that measures would be in place to ensure that a substantial proportion of this was being positively managed. We describe how HNV farming areas have been identified at the EU level and how this approach has been applied to Ireland.

Using these tools we defined a broad area (very similar to what agronomists would regard as the marginal farming areas) to select HNV area reference farms, Teagasc advisors and other specialists for the interviews. At the workshop participants watched a video (produced by EFNCP and others and funded by the EU) describing HNV farmland. In Appendix IV we include a series of photographs of HNV farmland in Ireland taken as part of this research and shown at the workshop, together with some summary information for each.

The needs of HNV farmland have never received specific consideration in Ireland. Benefits to farmers in HNV areas from REPS have been if anything more indirect than benefits from coupled payments. Although they would express it in different terms, many farmers were well aware that their activities were instrumental in maintaining the biological character of their area. However for the past 30 years there has been a basic logic of production underpinning rural and agricultural policy in Ireland's High Nature Value farming areas that is now being removed.

Chapter 3 draws together the material from chapters 1 and 2 and looks at the potential interaction between the economic signals that the MTR (specifically the SFP) will be giving to farmers in HNV farming areas and their likely responses in term of the way they farm. We predict some replacement of suckler cows with sheep on mixed lowland cattle and sheep farms; a reduction in or the discontinuation of suckler cow keeping on many suckler farms; extensification of production on cattle farms and a dramatic reduction in mountain sheep.

The analysis highlights and contrasts some of the landholder/holding characteristics of marginal (=HNV) and other areas of the country as a basis for trying to anticipate where the impact of decoupling is likely to be more significant. We conclude that these will be areas where cattle rearing and hill sheep systems are most prevalent and where simultaneously the structure of farming is weakest. Therefore it is in marginal farming areas that we expect the impact of decoupling to be most pronounced.

In Chapter 4 we draw attention to the considerable number of other social and economic factors that are currently affecting farmers' decisions in the HNV farming areas of Ireland. In some ways the number and significance of these make the implications of the MTR look small in comparison. Even worse, some will now work in conjunction with the MTR (SFP) and together accelerate the rate of change in the rural areas. The reaction could be

so extreme, that its one positive aspect might be to stimulate a long overdue evaluation of both the current trends and the fragility of these farming systems.

We reviewed a number of main issues currently affecting HNV: -
[1] Social factors (some positive, some negative) - such as the attachment of farmers to the land, the age of the farmer, Ad hoc expansion of existing units, the lack of successors, the low esteem amongst the young of being a farmer, unsociable hours, relatively low pay, even isolation from main urban centres.
[2] The demands of the market - the rapid increase in the efficiency of Ireland's meat production chain over the last few decades and the move towards world prices for meat and milk products have all had a great effect.
[3] Part-time farming. Even if making the farm more profitable, this often involves significant management changes, such as the housing of cattle or cessation of hill and mountain grazing. These changes will have environmental consequences in HNV farming areas because grazing patterns are integral to the nature conservation interest.
[4] Changes in livestock breeds. Traditional hill cattle breeds are becoming increasingly unusual and the 'Horny' and Cheviot sheep are being replaced with Continental and Down sheep managed in more intensive systems.
[5] A lack of labour - this has been a very significant factor contributing to the marked reduction in the use of land in some parts of the country, particularly Co. Donegal. The growth in part-time farming adds to these difficulties (see [3] above).
[6] The expansion of forestry - from which any positive effects that might have resulted have been much diluted by the lack of targeting of planting, which tends to be focused on the most economically marginal, but often most important areas for nature on the farm.
[7] REPS - pointing out that its mechanisms have so far been too narrow to influence HNV farming in a positive way. Overall our impression is that the changes REPS has caused have been mixed and sometimes negative.
[8] The effect of 'conservation' has itself been considerable (de-stocking, commonage framework plans, SAC designations) in some cases involving conflict and antagonism.

In Chapter 5 we move on to what we regard to be the most important aspect of the research, the field interviews. Overall the reaction from virtually all sheep and suckler farmers was to plan to reduce numbers and make savings on fertiliser and meals and labour. Some smaller producers who had been resisting felt they would now sell their cows and enter REPS, thereby in one fell swoop reducing their losses on cattle, maintaining the Disadvantaged Areas Compensatory Allowance and increasing their income from agri-environment. Mixed farms with sheep and suckler cows that are

already in REPS will probably reduce sheep and cattle numbers and try and increase profitability. In the dairy sector the opportunity for early retirement coupled with small herd sizes way below the economic optimum suggests that there will be amalgamation of production into fewer bigger farms.

Current attitudes to forestry were rather variable probably reflecting the distribution and extent of new planting. The possibility of stacking SFP entitlements onto 50% of the reference hectarage may open the doors for more planting, particularly for those units larger than the maximum size for LFA and REPS payments.

Based on the interviews we predict that overall the most radical and quickest changes will be amongst the hill sheep farmers; accelerating the changes that are already taking place, and totally reversing the trend of the past 30 years.

Virtually without exception the farmers interviewed mentioned the social pressures on farmers and farming; the problem of attracting young people into agriculture, the low social esteem of farmers (linked to low income) and the difficult working conditions and unsociable hours.

They also mentioned the over-riding effect that market prices would have on their decisions. If market prices stay high (as promised by the proponents of decoupling) they would tend to continue what they are doing (at a reduced level). If market prices fall considerably then it will be this, in conjunction with the SFP, that will be the major stimulus for a much more significant scale of reduction or stopping altogether.

The purpose of the workshop in Athlone was to provide us with the opportunity to present our initial conclusions (as issues and questions) to a wider audience and to get a feel for whether the messages we were getting from farmers in the field was representative. Chapter 6 summarises the outcome of the workshop - and reinforces most of what we have included in the earlier chapters.

The attitude to HNV farming areas was much as we have described but we were surprised that the negative impact of current policies, or at least the lack of positive incentives for HNV farming practices, was not more widely recognised. Even from the farmers, who were well aware of the effects of REPS on small-scale cattle keeping for example, there was little previous criticism, although they recognised the scheme as being much more

"sheep-friendly" and designed for more intensive farming areas. It was almost as if they were all waiting for someone else to say what had to be said.

On the generalised predictions about how farmers would respond to the SFP some farmers felt we were perhaps too pessimistic. Although there was agreement both about the signals that the policy gave to farmers, and also about the overwhelming influence that market prices will have in triggering the decision to reduce activity or even to stop farming.

Despite the fact that HNV farming areas was a new concept to most of the participants, it was clear that the objective of maintaining farming in marginal areas *per se* was not new. But for most people the weight of factors militating against its survival (see chapter 4) has seemed overwhelming. In this context the reaction from the farmers at the workshop was that perhaps now the MTR (together with an increasing interest in the concept of HNV farming areas) might provide a catalyst for action.

We experienced this reaction a couple of times also in the course of the fieldwork, when at the end of the interview the farmers said words to the effect "will you actually try and do something now?" So there was agreement that something should be done, but also that the time available for action is short. The one positive aspect is that if the predicted delay in the reaction of farmers to the SFP is correct it will present an opportunity for action.

How to proceed posed more problems as most existing agricultural schemes had little to offer and many other rural policies were often pulling in the opposite direction. The forthcoming review (by the EU and member states) of the Less Favoured Areas (LFA) was identified as a potential opportunity. Also there was support for the ideas of some form of agri-environmental scheme that would be complementary to REPS and have marginal farmland and Nature Value as its objective - something with emphasis on positive signals rather than rules, regulations and penalties. There was recognition of the political sensitivity surrounding this, especially the implications it would have for (re)-distribution of the rural development budget.

Chapters 7 and 8 present our principal conclusions and recommendations. The general conclusion of the economic analysis is that with the introduction of the decoupled single payment it is likely that the structural diversity of agriculture will increase. The scale of the full-time commercial farms will probably increase at a faster rate than heretofore, as there will no longer be a ceiling on production. At the same time the output from part-time, elderly and smaller farmers will decline, especially so in the more marginal areas.

On individual farms the range and location of activity should become even more tailored to market costs and returns, and this will mean intensifying the use of the green land and a further shift towards high output breeds. A reduction in the use of the hill seems inevitable. The importance of future trends in market prices emerged as the critical factor that would affect both the type and speed of farmers' reactions and although farmers were optimistic it is difficult to see how prices (especially for weanling producers) can remain at the same level. As a result we conclude that it will be farmers in the marginal farming areas that have the greatest incentive to cease or reduce production.

As decoupling is now unstoppable we predict a major challenge will be to find the most appropriate way of using the Rural Development Regulation to counter the effects of decoupling on HNV farming areas. Without intervention, one scenario for the longer term would be three types of farmer. First, a small core of full time farmers with large amalgamated farms, specialised, commercial, industrial, mechanised with a large number of high entitlements. Secondly, those working full-time off-farm but still fully committed to part-time farming. For both of these types there will be a greater concentration of activity on the better ground and greater reliance on animal housing and the use of contractors. Finally, hobby, lifestyle farming, generally low input - low output but drawing down the SFP, REPS, the Disadvantaged Area Compensatory Allowance and the Forestry premium. In addition, there will be a proportion of farmers who simply do the absolute minimum possible.

We are of the opinion that recent and current trends in farming in the marginal areas have not been good for nature or landscape value. The sheep premium accelerated the transition from semi-subsistence, labour-intensive farming, which for all its unacceptable social and economic features, was a period of higher biodiversity on farmland. It was the stimulus for the replacement of meadows (for hay) and tillage (for fodder) with permanent pastures for sheep, and was universally recognised as having pushed sheep numbers on the mountains above what was agriculturally optimal. More recently REPS has been instrumental in accelerating the decline of small-scale extensive cattle keeping in places where cattle grazing was most beneficial for nature conservation. At the same time further simplifying previously mixed-farming systems in the hills as well as removing any necessity for tillage.

These changes will have reduced biodiversity as well as landscape diversity. Sheep and cattle subsidies broke the connection between farming income and the carrying capacity

of the land; ironically now another reform, this time at least partly environment-motivated - decoupling - threatens to further loosen the links between farming practices, local environmental conditions and biological value. We have to conclude that "farming post-Fischler" as it stands offers little for HNV farming areas because leaving it to the market to trigger changes in management practices, landscape or environmental benefits will only happen by accident.

REPS notwithstanding, there is nothing in the Irish RDP that would counterbalance the effects of the market to maintain or enhance HNV farmland. The main buffer to change will be local cultural attitudes and this seemingly eternal truth (on which policy subconsciously depends) is becoming increasingly fragile since it is associated with a generation of ageing farmers who are being followed by a generation with very different social attitudes.

The consequential changes in the areas dominated by semi-natural vegetation will include reversion of "improved" grasslands to wet acidic pastures, probably initially dominated by rushes and the reversion of permanent pastures (rough grazing) to scrub. In the hills and mountains a virtual cessation of grazing will lead to an increase in coarse vegetation and eventually dwarf shrub-heath and scrub.

Even significant lowering of stocking density will see this response in the vegetation of most upland SACs. Habitat mosaics previously threatened by high grazing levels will initially recover but in the longer term will be equally threatened by zero grazing. Although the prospect of large areas of the uplands reverting to more natural vegetation is an attractive one from a biological viewpoint (despite Ireland's dearth of large herbivores), in reality it is unlikely to happen. Alternative land-uses to farming would undoubtedly appear - currently coniferous tree plantations and wind farms seem the most likely scenarios

These potential changes have implications beyond nature conservation and Ireland's legal responsibilities under the Birds and Habitats and Species Directives (Ireland is legally committed to maintaining, or restoring to, so-called 'favourable conservation status' the SPAs and SACs designated under these Directives). Tourism is heavily based on Irelands' 'traditional' agriculture and agricultural landscapes and Irish food is very much marketed as being the product of a green, healthy, 'natural' countryside. Not least it is very difficult to separate out Irish HNV agriculture from the cultural traditions of Irish rural life in HNV areas. Could these traditions survive the death of agriculture, particularly if it happens over a short period of time?

We make seven recommendations for addressing the issues raised in this report:

1. HNV farmland needs to be defined and delimited and farm types and management systems described. Bearing in mind the current drift of agriculture and rural development policy this can only be a good thing for Irish farmers. It needs to be done in a pragmatic way that addresses the bigger picture and does not become bogged down with details.
2. Targets must be set for what we want to see in the countryside and these must specify the objectives for HNV farming areas - we need a vision of the rural landscape in HNV areas.
3. A new scheme specifically targeted at HNV farming in Ireland should be developed.
4. A pilot scheme should be introduced for the off-shore islands to test practical feasibility and farmer response.
5. Payments in these schemes should reflect real costs. There should be integration with the LFA scheme.
6. A better relationship needs to be developed with farmers in the HNV farming areas.
7. An integrated policy framework should be developed within which such a new scheme would be part.

CHAPTER 1: THE BACKGROUND AND CONTEXT TO THE IRISH MID-TERM REVIEW DECISIONS

Main features of Agenda 2000 Agreement as implemented in Ireland

After the Berlin Summit, the implementation of the dairy reform with respect to price reduction and compensation was delayed until the 2005/2006 marketing year. A 2.86% increase in the dairy quota was agreed for 2000 and 2001. In the beef and arable sectors the process of price reduction with compensation was continued. A price cut of 20% was introduced for beef in three equal steps from 2000 to 2002 with offsetting increases in the suckler cow, special beef and extensification premia and the introduction of a new slaughter premium for adult cattle slaughtered or exported live. In the arable regime, a price cut of 15% was introduced in two equal steps in 2000 and 2001 with the compensation for this price reduction set at about half the value of the price reduction. There was no adjustment to the sheepmeat regime in the Agenda 2000 reform and the Ewe Premium continued to be paid on the number of animals qualifying. However a minor reform of the sheep regime did occur in 2001, creating a small 'National Envelope' which Member States could top up and spend at their discretion (within certain limits). Ireland chose to use the National Envelope as a supplement to the SAP payment (i.e., to maintain the status quo).

Thus the livestock and arable aid schemes continued to be fully coupled to production after the Agenda 2000 Agreement.

Under the National Development Plan 2000 – 2006 for Agriculture and Related Rural Development, there were allocations under the (National) Productive Sector Operational, and Employment and Human Resources Development Operational Programmes covering food, agriculture and forestry. In addition, the two Regional Operational Programmes provided allocations for farm structural investment, farm diversification, support services and certain rural development initiatives. By far the biggest allocations were granted to the Guarantee Funded Rural Development Programme, which includes the Rural Environment Protection Scheme, Compensatory Allowances, Early Retirement and Forestry and these measures operate over the period 2000 – 2006. While the basic rules and regulations of the three other Schemes over the period 2000 – 2006 were similar to those prevailing over the 1994 – 1999 programming period, the application of the Compensatory Allowance Scheme was changed to an area-based system from 2001 and no longer related to the number of qualifying livestock which was a feature of the headage based Scheme in the previous years.

Under the Agenda 2000 Agreement, the integration of environmental concerns was central to the CAP Reform element and all farmers receiving EU aid under the RDR or Structural Funds must practice farming in accordance with minimum EU and national environmental requirements.

Specifically under Council Regulation (EC) No. 1257/1999, all farmers receiving capital investment aid must comply with "minimum standards regarding the environment, hygiene and animal welfare" and all farmers in receipt of Compensatory Allowances must "apply usual good farming practice compatible with the need to safeguard the environment and maintain the countryside, in particular sustainable farming".

Good farming practice includes standards relating, inter alia, to nutrient management, the protection of watercourses and wells, wildlife habitats, use of pesticides and chemicals and animal welfare. The adherence to these standards would be associated with the keeping of livestock on the areas concerned.

The Mid-term Review of the CAP (the Luxembourg agreement)

The key elements of the agreement were:

- A Single Farm Payment for EU farmers independent from production. Concessions from this basic premise include the possibility of delaying implementation; the possibility of 'partial decoupling' (linking part of the payments to headage/area and also the possibility of maintaining limited coupling to avoid, for environmental or food quality reasons, the abandonment of production.
- This Single Farm Payment will be linked to respect for EU environmental, food safety, animal and plant health and animal welfare legislation, as well as the requirement to keep all farmland in good agricultural and environmental condition ("cross compliance").
- A strengthened rural development policy with more EU money, new measures to promote the environment, quality and animal welfare and to help farmers to meet EU production standards starting in 2005.
- A reduction in direct payments ("modulation") for bigger farms to finance the new rural development policy.

- A mechanism for financial discipline to ensure that the farm budget fixed until 2013 is not overshot.
- Revisions to the market policy of the CAP.

The most fundamental change in the CAP was the introduction of decoupling where the vast majority of subsidies will be paid independently of production. However, Member States were to have options to implement decoupling in a way, which suits their requirements both strategically and agriculturally. In particular this applies to the cereals, beef and sheep meat sectors.

A farmer receiving direct payments will be subject to cross-compliance and must respect statutory environmental requirements. The good agricultural and environmental conditions will be primarily aimed at land abandonment through protection of soil cover, maintenance of organic matter, maintenance of soil structure and minimum stocking densities to avoid unwanted vegetation on agricultural land.

EU-wide modulation will now commence in 2005, initially at a rate of 3% and increasing to 5% in 2007. The first €5,000 in direct payment will be exempt from the reduction, thus almost half of all Irish farmers will not incur any reduction in direct payments. While most of the funds from the reduction in direct payments will be directed to "rural development" measures, in reality they may be targeted primarily at farmer beneficiaries rather than a wider concept of rural development.

The gross unit value of each entitlement will be subject to certain reductions. The value may be reduced by a certain percentage to ensure that Ireland's financial ceiling (€1322m, including the new decoupled Dairy Premium) is not exceeded. The unit value will also be reduced by up to 3% to create a National Reserve, and by 3-5% to create a fund to be spent on certain rural development measures as mentioned above. When the agreed modulated system is fully implemented, Ireland will retain over €34m per annum of the €40m, which will be raised through modulation.

The ceilings correspond to the amounts of direct payments to farmers each Member State received over the reference period for the product sectors covered by reform.

The Minister for Agriculture announced in October 2003 that he had decided that all direct payments for cattle, sheep and arable crops would be fully decoupled from production as and from 1 January 2005. The Minister had earlier announced that he had

decided that the dairy cow premium and the national envelope should also be decoupled with effect from 1 January 2005.

Principal features of the Single Payment Scheme

The Single Payment will be introduced in 2005 and will be calculated using the average number of animals (hectares in the case of Arable Aid Schemes), on which payment was made under each scheme in the reference years multiplied by the 2002 payment rate for that scheme (€383.04 for Arable Aid Schemes). The average number of hectares declared during the reference period will, in most cases, be the number of entitlements established. That number is divided into the Single Payment to give a gross unit value for each entitlement. Entitlements are established for the farmer who farmed during the reference years – entitlements are not attached to any specific land.

For most farmers, the reference years on which the Single Payment will be based will be the years 2000, 2001 and 2002. In order to activate entitlements, each farmer must submit a valid Area Aid application and apply for the Single Payment Scheme in 2005. Both applications will be incorporated into one application form. A valid Area Aid/Single Payment application in 2005 on at least 0.3 hectares will secure the entitlements against forfeiture to the National Reserve in 2005. However farmers must also use all of their entitlements in at least one of the years 2005, 2006, and 2007 to avoid forfeiture to the Reserve.

All existing Livestock Premia and Arable Aid Schemes will be abolished with effect from 1st January 2005. This includes any quotas relevant to those schemes. The Rural Environment Protection Scheme (REPS), and Disadvantaged Areas Compensatory Allowances, (Formerly Headage Payments Schemes) are not included in the Single Payment Scheme and will continue as before.

There is no specific requirement to keep stock or to cultivate after 2005. However, farmers must keep their holdings in good environmental and agricultural condition and comply with certain EU statutory management requirements. These include the identification and registration of animals, public, animal and plant health, and animal welfare and the environment. Sanctions may be applied where farmers fail to keep their land in good agricultural and environmental condition (GAEC) or fail to comply with certain statutory management requirements.

The GAEC includes issues relating to soil erosion, soil organic matter, soil structure and minimum level of maintenance. The statutory management requirements relate to the environment (including conservation of wild birds, fauna and flora, protection of ground water against pollution, and protection of the environment especially soil) public and animal health, notification of diseases and animal welfare.

In general, in order to receive the full Single Payment, each farmer must have an eligible hectare of land for each entitlement held. If a farmer establishes 100 entitlements but he has only 70 hectares, he will only be paid on 70 entitlements. There is also however provision for consolidating (stacking) entitlements for certain categories of farmer. Under the provisions of the EU Regulation a Member State may now make use of its National Reserve in order to consolidate payment entitlements for certain categories of farmers on the actual number of hectares of land farmed in 2005. This entails surrendering the original entitlements to the National Reserve in exchange for a lower number of entitlements with a higher unit value in the framework of a programme to be established. The overall value of the Single Payment is not affected. The farmer must declare all the hectares available to him/her in 2005 and the total area declared must be equal to at least 50% of the average area declared during the reference period. The provisions may be applied to the following categories of farmers:

- Farmers who have afforested some of their land since the beginning of the reference period;
- Farmers who have disposed of land to a Public Authority for non-agricultural use;
- Farmers who had land leased/rented in during the reference period but the lease/rental agreement has since expired, and
- Farmers who declared lands situated in Northern Ireland during the reference period.

Impact of decoupling at the broad scale

A study was conducted for the meat industry by one of the present authors (BK) on the potential impact of decoupling on agriculture in Ireland in 2002. The supply-response of producers to full decoupling is difficult to assess or anticipate given the lack of precedents with respect to such a policy adjustment. The response to full decoupling will depend on the relative contribution of the payments and the returns from the market place on the one hand, and the level of efficiency/costs of production and consequently the margin over costs, on the other. The farmer's responsiveness to market signals is also likely to be a significant factor - the following analysis assumes a reaction by the farmer that is economically rational with respect to the prevailing conditions.

The decoupling of headage/premium payments and their replacement with a single income payment per farm based on historical entitlements should mean that such direct payments will no longer be a factor in management decision making for beef or sheep farmers. Rather, in future only revenue generated from the market would enter such considerations. The relevant farm management considerations include:

- What type(s) of animals to keep
- What system of production to use
- What level of intensity
- Whether to seek (increased) employment outside the farm (and possibly not in agriculture)

For instance, if in production, direct costs were to exceed revenue from the market, a producer should severely curtail or abandon production even in the short run. The situation would probably be more serious for activities that already have low margins. But the fully decoupled policy could also adversely affect those larger producers with moderate levels of efficiency, or again in situations where direct costs exceeded revenue. Of course producers even close to the point of direct costs falling short of revenue could not sustain production in the longer term and resources would be diverted to other uses. The impact on production will be less, even with full decoupling, where the market returns are the dominant component of total revenue, and when producers would be expected to continue in production in order to maintain their total incomes.

Potentially decoupling could have a major impact on Irish farming and especially on the cattle and sheep enterprises. Analysis of returns in the main cattle farming systems has shown that the average market-based gross margin was not sufficient to cover overhead costs allocated to the cattle enterprise in any of the years 1998, 1999, and 2000. This means that returns from the market place were insufficient to cover all the expenses incurred, not including interest on loans or any rents paid, and before any provision is made for a return on the land, labour, capital and management resources supplied by the beef producing farmers concerned. While not all cattle enterprises have been operating at a loss in terms of market returns, the majority clearly had been.

To summarise, in view of the fact that the average market net margin in cattle production on cattle farms is negative, then more than 50% of cattle producers would be operating at a loss in terms of market returns. On the basis of the distribution of margins on cattle farms, it is estimated that over 60% of these farms generated a negative market net margin

on average over recent years. With cattle farms being highly representative of suckler beef production, a similar situation would hold for the suckler enterprise.

Given that about 60% of cattle farms generated a negative market net margin on average over the past three years, and that they are strongly representative of suckler beef production, the operators of such farms would be considering their options. The options might be influenced by whether the operator is engaged in part-time farming, seeing that its incidence in the beef enterprise is particularly high, being about 60%.

The impact of decoupling of direct payments from cattle production (on decision-making at farm level) will revolve primarily around the suckler herd. The changed financial parameters will give rise to a series of inter-linked production changes mainly on specialist cattle and mixed cattle/sheep farms. However the changed environment will also affect the cattle enterprise on non-specialist dairy farms.

On the issue of cost cutting as a reaction to decoupling, it is an observable fact that in times of reduced prices and revenue, farmers have succeeded in reducing costs in the short term, thereby improving margins in relative terms. The most likely outlook is for some moderate improvement in cost efficiency to improve margins and enable somewhat higher levels of beef production with decoupling than would otherwise be the case.
In the context of total revenue in the dairy sector**,** direct payments account for a relatively small proportion and thus the returns from the market will totally dominate dairy farmers' revenue. In these circumstances, the impact of decoupling on the dairy sector is anticipated to be minimal, and only likely to occur in mixed farming situations especially where there is a large beef system component in the total farming mix.
Other than forestry, the principal alternative mainstream land using enterprise that will be considered by beef producers is sheep. The sheep enterprise has in the past been disadvantaged by the more generous support given to the cattle sector. Extensification premium payments were payable only on cattle and premia were paid to both breeding and store animals leading to a level of subsidy per Livestock Unit which was over twice as generous. With the decoupling of direct payments this would no longer be a factor in decision making and the sheep enterprise could be considered vis-à-vis cattle on the basis of market revenue and costs. With cattle production on cattle farms giving negative net margins on average, and all other things being equal, the competitive advantage can be anticipated to move significantly in favour of sheep in the event of decoupling on suckler

farms. This implies that there is liable to be a significant element of replacement of cattle with sheep on mixed cattle/sheep lowland farms under such circumstances.
The revenue and cost structure of lowland sheep production reflects the much higher productivity level of this segment as compared with hill/mountain sheep. The predominant system of lowland sheep production is Mid Season Lamb. Information on revenue and expenses for this system in recent years, as derived from the NFS, shows that revenue from the market was sufficient to cover all costs.

While lowland sheep production may fare better than in recent years under decoupling the opposite is likely to hold true for the enterprise on hill/mountain areas. With significant negative market net margins being generated in general the farm management logic will be either to cease production or to reduce costs substantially. In the case of Blackface Mountain sheep, market gross revenue is hardly even sufficient to cover direct costs and costs are relatively low. Thus, with decoupling the keeping of mountain sheep would be expected to decline dramatically, subject to any regulatory requirement as regards minimum level of activity, in line with environmental objectives.

The contribution of direct payments to gross revenue varies greatly between the lowland and the hill/mountain systems. The lowland systems derived 21-32% of gross revenue from direct payments, while the hill/mountain systems were dependent on direct payments to the extent of 52–77%, with Blackface Mountain being most reliant on such payments. The higher relative contribution of direct payments in hill/mountain systems is partly due to higher absolute levels of such payments, but more so due to the lower revenue derived from the market. Market gross margins, i.e. revenue derived from the market less direct expenses, were generally positive. However, in two of the three years market derived gross revenue was insufficient to cover even direct costs on average for the Blackface Mountain System.

Market net margins were substantially negative on average for hill and mountain flocks in all three years for which returns are presented here. Although the Hill Cheviot system generated higher levels of gross revenue and gross margin than Blackface Mountain, in terms of net market revenue the situation is reversed, with greater negative net margins for the Hill – Cheviot system, or in other words net returns were poorer. This is attributable to substantially higher overheads on Hill Cheviot farms than for Blackface Mountain flocks.

The Hill – Cheviot system's greater negative market net margin compared to Blackface mountain and hence would appear at first glance to be even more vulnerable to decoupling

of direct payments. However this system does generate much higher levels of market gross revenue and has much more scope for cost cutting. Insofar as this system of sheep production survives decoupling, it will be on a substantially more low cost and likely more extensive basis.

Although the decoupling of direct payments will in itself impart a negative effect on lowland sheep production in some instances, this will be counterbalanced by the improved competitive position of the enterprise vis-à-vis suckler beef. It will also be favoured by the generally positive market net margins being generated. The scarcity of clear mainstream land-using alternatives generating profits from market returns suggests that the size of the national lowland flock could be largely maintained in the event of decoupling. There could even be some expansion resulting from suckler beef production being replaced by sheep on some mixed cattle/sheep farms.

The effect of decoupling on mountain sheep numbers will be in sharp contrast to the problem experienced some years ago whereby overgrazing with mountain sheep was of major concern and measures were devised to reduce numbers. Furthermore, in the future, overall sheep numbers might be expected to decline for environmental reasons and also due to the tendency for very small producers to exit production. In view of the major potential negative effect of decoupling on mountain sheep numbers, the total breeding flock will decline substantially with its implementation, even with the lowland flock being maintained.

The implications of the MTR agreement and in particular decoupling were also analysed by FAPRI Ireland**.** The results for the beef sector at both EU and Irish levels are strongly influenced by the degree to which direct payments are decoupled from production. For Ireland, under the Baseline, nominal cattle prices in 2012 are projected to show little change from 2002, but suckler cow numbers are projected to decline by 6 percent. With the single payment and decoupling, the decline in the suckler cow herd would be expected to be largest in Ireland and the UK as producers in these countries depend most on the direct payments, which, under the MTR will not require the farmer to have an animal in order to claim them.

The analysis indicates that where all direct payments in the EU 15 including Ireland are decoupled to the greatest possible extent, there would be an 18% fall in suckler cow numbers in Ireland over and above the baseline. However, no scenario was presented or

analysed where Ireland fully decoupled and certain other Member States maintained the link between the suckler cow premium and production. The greater the degree of decoupling across the EU, the greater the negative impact on production with a potentially more positive impact on prices. However some other Member States, notably France, have opted for coupling the Suckler Cow Premium to production thus lessening the negative impact on production and in turn the positive impact on price levels. In this scenario, one would expect the impact of decoupling in Ireland would be greater than that indicated above and the percentage decline perhaps in the mid-twenties. Thus unless beef prices turn out to be much greater than expected the impact on suckler cow numbers in Ireland under the FAPRI analysis could be significantly greater than 18%. The almost complete lack of decoupling in the dairy sector will of course ensure that the supply of HolsteinX calves (and diary cull cows CHK???) into the beef supply chain will be maintained.

Under the maximum decoupling scenario, where 100 percent of the ewe premium is decoupled from production, the Irish ewe flock is projected to be almost 6 percent smaller by 2012 when compared with the Baseline level in that year, but the baseline projection indicates a decline of over 20% relative to 2002.

With respect to crops the decoupling of direct payments (arable aid and set-aside payments) from production has a generally negative effect on cereals area harvested and on production of cereals. The magnitude of the changes in supply that occur in response to decoupling are small by comparison with the supply effects of decoupling direct payments in the livestock sector. The difference between the magnitude of the impact of decoupling in the cereals and livestock sectors is due to the fact that direct payments under the crop and oilseeds programs of the CAP were already partially decoupled under Agenda 2000. Farmers largely had freedom to plant the cereal that they wished and could still receive their arable aid payment.

Overall, the anticipated changes in enterprise mix and farm management will include:

- Some replacement of suckler cows with sheep on mixed lowland cattle and sheep farms
- Reduction in or discontinuation of suckler cow keeping on many suckler farms, with more reliance on dairy herd progeny for beef production
- Extensification of production on cattle farms.

- Dramatic reduction in mountain sheep.

Rural development- the Second Pillar

Rural development was elevated as the Second Pillar of the CAP in Agenda 2000. This major new departure was backed by Community funding for rural development schemes across all rural areas and transferring the financing of most of the expenditure from the EAGGF Guidance Section to the Guarantee Section.

Table 1: National Development Plan 2000–2006 Agriculture and Rural Development		
Regional Operational Plans.	Total Public Allocation, €m	EU element €m
a) Agriculture 17 Sub-Measures	591.4	137.9
b) Forestry 4 Sub-Measures	83.9	31.5
CAP Rural Development Programme	4,988.0	2,388.9
Total	**6,244.9**	**2,558.3**

Source: DAF

Rural development in Agenda 2000 is linked to two types of interventions: the Rural Development Council Regulation (1257/1999), which provides the framework for the second pillar, and the LEADER+ Community Initiative which succeeded LEADER I and II. Rural development for Ireland in the 2000 – 2006 period is divided into two components a) the CAP Rural Development Plan which is co-financed by the Guarantee Section of the CAP budget and b) a suite of measures which are co-financed by the Guidance section of the budget in the regional programmes.

Two main points are worth noting. First, the measures in the Rural Development Programme are heavily co-funded while only five of the measures in the Regional Programmes are co-funded. Second, in terms of the total public funding for the Regional Programmes, 15 of the 18 are directed to farmers and account for 80% of the total public allocation. All of the Measures in the Rural Development Programme are specific to farmers. The Forestry Measures are obviously directed towards supporting and sustaining the development of the sector. The area-based rural development initiative is in effect a

mainstreamed LEADER type measure which applies to 13 Groups and three Collective Bodies as distinct from the 22 Groups in the LEADER + initiative. Excluding forestry, farm-specific structural support accounts for about 90% of the so-called specific rural development support.

The Agenda 2000 Agreement provides price and income support measures through the direct payment system. Through the Arable Aid and Livestock Premia Schemes, this works out at approximately €1 billion per annum to Irish farmers. Thus out of a combined total annual average public commitment of about €1.8 billion, over 95% is farmer-specific.

Within the ambit of the rural development policy sphere, as noted above, there is also the LEADER + which has a budget of €73.7 million over the 2000 – 2006 period. However, the inclusion of this measure has only a marginal influence on the distribution of public expenditure as between farmer and non-farmer specific public supports.

Rural development and the 2003 Luxembourg Mid-Term Review

In the 2003 Mid-Term reform of the CAP a key objective was "To provide a better balance of support and strengthen rural development by transferring funds from the first to the second pillar of the CAP via the introduction of an EU-wide system of modulation and expanding the scope of currently available instruments for rural development to promote food quality, meet higher standards and foster animal welfare".

The strengthened rural development policy agreed in June 2003 continues to support the priorities set under Agenda 2000 but it also provides specific new elements of support. The changes are all targeted primarily at helping farmers to respond to new challenges. It is for Member States and regions to decide if they wish to take up these measures within their rural development programs.

The rural development reforms take the form of amendments to the Rural Development Regulation 1257/99 with the main aim of introducing a new series of measures into the rural development 'menu' (increasing the number of measures from 22 to 26). Two new food quality measures are introduced providing incentive payments for farmers who participate voluntarily in EU or national schemes and for producer groups promoting quality schemes. Two new measures are also introduced in order to help farmers adapt to the introduction of demanding EU standards concerning the environment, public, animal

and plant health, animal welfare and occupational safety. Amendments to the Regulation will also allow for improved investment support for young farmers, higher installation aid, investment aid for small processing units, and for forestry, the agri-environment and less favoured areas.

Aid in areas with specific environmental restrictions will now be targeted at requirements resulting from the Birds and Habitats Directives (Natura 2000). This change is coupled with the possibility to offer higher aid levels in justified cases. Aid levels can start from €500 per hectare, reducing to €200 per hectare over five years, reflecting the higher initial costs, which can be associated with adjustment of farming practice to designation of land under Natura 2000 and, in justified cases, can continue at above €200/hectare on a longer-term basis. Areas eligible are no longer restricted to a maximum 10% of the area of the Member State concerned.

The financing for the so-called strengthened rural development policy is to be provided from the proceeds of the agreement on modulation. The latter will start in 2005 with a rate of 3%, increasing to 4% in 2006 and 5% from 2007 onwards. A modulation rate of 5% will result in additional rural development funds of € 1.2 billion a year in the EU as a whole. As regards the distribution of the funds generated through modulation, one percentage point of the 5% will remain in the Member States where the money is raised. The amounts corresponding to the remaining percentage points will be allocated among Member States according to the following criteria:

- agricultural area
- agricultural employment
- GDP per capita in purchasing power

As a bottom line, every Member State will receive at least 80% of its modulation funds in return. When the agreed modulated system is fully implemented, Ireland will retain over €34m per annum of the €40m, which will be raised through modulation.

Current rural development policy runs until the end of 2006. There will be a debate at EU level over the budget the EU will have available for the next financial period, 2007-2013, (the 'Financial Perspective'), what policies to prioritise, and also over how rural development can contribute to the EU's cohesion strategy - see Appendices 1 and 2.

CHAPTER 2: HIGH NATURE VALUE FARMING AREAS

What is meant by the term High Nature Value (HNV) Farmland?

The concept of farmland and farming systems being of High Nature Value (HNV) has been evolving over the last fifteen years in Europe. In the European Union this is increasingly being linked with the aim of integrating environmental concerns into Community policies. The idea that in some areas nature values, environmental qualities and even cultural heritage are linked to or dependent on farming also underlies and supports the concept of a multifunctional 'European model of farming' which provides benefits other than food. At its simplest, the 'High Nature Value farming' idea ties preservation of biological diversity and nature value to safeguarding the continuation of farming in certain areas and in practice this in turn requires the maintenance of specific farming systems associated with the long term management of these areas. This is a different concept to that which seeks to "protect" the environment from farming. The latter is a necessary approach in the intensively farmed landscape of much of north-west Europe and the first suite of agri-environment schemes reflected this - the maintenance of HNV farming is a complementary aim rather than an alternative.

The term High Nature Value farming is mentioned in the Agenda 2000 reform and, although still poorly defined, is a concept that is becoming increasingly used at a European level for targeting new agri-environmental policy. The United Nations Environment Programme (UNEP) and the European Environment Agency (EEA) recently stated that increased attention should be given to these HNV areas which are mostly agriculturally marginal and socially vulnerable, but which make such a large contribution to European biodiversity.

The 'Message' from the recent Malahide conference on the implementation of the EU Biodiversity Action Plan, hosted by the Irish Government, also placed considerable stress on ensuring the positive management of these areas if the 2010 target of stopping biodiversity loss is to be achieved.

Most significantly, European Environment ministers meeting in Madrid in 2004 agreed that by 2006 all member states would identify the HNV farming areas in their territories and that by 2008 measures would be in place to ensure that a substantial proportion of this was being positively managed.

At a more technical level the issue of High Nature Value areas has been brought into the

discussion on indicators for the integration of environmental concerns into the Common Agricultural Policy (COM (2000) 20).

This idea – that farmland can be of high value for nature - in many ways runs contrary to accepted wisdom about the interaction between farming and the environment. It is certainly true that, over large parts of north-west Europe, agriculture has been and continues to be, a major factor in reducing biodiversity. Reflecting this, the majority of the work on agriculture carried out to date focuses on ameliorating the negative effects of agriculture. Most studies and the focus of most environmental NGO's has been on the high intensity of external inputs, especially fertilisers and chemicals, the simplification of the landscape, both physically and in terms of land use, and pollution of soils and ground water.

As long ago as the early 1990s it began to be recognised that in many places particular styles of farming were not only less damaging to the environment but were in fact positively linked to biodiversity and instrumental in maintaining this value. To differentiate them from the more damaging modernised, intensive systems, they were termed "Low Intensity Farming Systems". Some might even be essential for maintaining the current nature conservation value (e.g. Baldock, 1990, Beaufoy *et al* 1994, Bignal *et al*. 1994, Bignal & McCracken 1996a, 1996b). Very often these "systems" are long established with modernisation being limited by physical constraints, location or, in some places, regional culture. Physical disadvantage has become nature's advantage, and that in turn has been turned politically into a major justification for public support for the 'European Model of Agriculture' in general.

At a general level it is relatively easy to conceptualise these systems from actual examples. In the report on "The Nature of Farming" in 1992 there were case studies of livestock, cereal, permanent crop and mixed systems which were of significance for nature conservation (Beaufoy *et al* 1994). HNV farming areas in Europe therefore include a wide range of landscapes and habitats such as the Spanish dehesas and Portuguese montados, Alpine pastures, the wet heaths and moors (bogs) of western Ireland and the grazed salt marshes of northern Germany. These at first glance very diverse areas are in fact all landscapes that have in common the presence of valued habitats and species, high biodiversity and the presence of specific types of (regional) farming practices.

The biological value of these systems relates to a number of essential factors such as:

- They maintain a wide range of vegetation structures and niches at a scale that can provide the conditions needed by other species of plants and animals. At its simplest a varied habitat mosaic generally maintains the highest biological diversity (Angelstamm, 1992).
- Their farming practices (principally through the effects of grazing livestock) maintain vegetation communities that are highly valued for their nature value, many of them of great antiquity.
- Their farming practices are considerably constrained by location, climate and topographic factors leading to integration with the natural environment and synchronisation with natural features and processes.
- Their activities are often at a large scale producing the most favourable conditions for the viability (sustainability) of some of the most demanding plant and animal populations.

HNV farmland and the EU policy debate

Despite the recent interest in the concept, producing a detailed definition of High Nature Value farmland has proved difficult. Part of the problem is the loose terminology that tends to be used in the literature and policy debate. For example "HNV farming areas" is ambiguous and might be taken to imply that the farming itself is of High Nature Value (rather than the area). "HNV areas" is also commonly used but this makes no direct reference to agriculture (either good or bad). "HNV farming systems" suggests certain combinations of farm management lead to the nature value and implies that all farms with this combination are of High Nature Value irrespective of context. Perhaps the best epithet is "HNV farmland", meaning "farmed HNV areas" - that is, the areas are of High Nature Value and they are under farm management.

In 2001 the European Environment Agency (EEA) commissioned a desk study on developing indicators of HNV farmland, because of the increasing importance to EU agriculture policy (Andersen et al 2003). Whilst most previous approaches to classifying farmland have tended to focus on aspects of agriculture (specifically either low intensity or high intensity), the EEA project focused on the Nature Value. The project team pointed out that the word "value" in HNV refers to conservation value and necessarily introduces a strong element of subjectivity that would not be there if the subject was evaluated in quantitative terms, for instance, biological diversity or species richness. It

also introduces the question of the relative position and extent of particular habitats or species - which might be valued differently in different locations.

Three broad categories of farmland were identified as being potentially of HNV: -

Type 1: Farmland with a high proportion of semi-natural or natural vegetation.

Type 2: Farmland with a mosaic of habitats and/or low-intensity land uses.

Type 3: Farmland that supports rare species or a high proportion of the European or World population of a species.

Type 1 and Type 2 are based on factors relating essentially to biodiversity although this is not quantified. Type 3 areas will mostly overlap with Type 1 or Type 2 areas but not always (for example some highly valued rare bird species such as wintering geese may be associated with biologically simplified agricultural areas with low vegetation and habitat diversity).

The classification of farmland into these HNV types can be most easily thought of in the form of a hierarchical dichotomous key (see below):

Question 1: Is the farmland dominated by semi-natural vegetation?

(e.g. heathland, moorlands, dehesa and montados and other wood pastures, natural grasslands of various types, saltmarshes, limestone pavements, maritime and sea-cliff vegetation etc.)

If yes = Type 1 HNV farmland

If no, go to question 2

Question 2: Is it dominated by either a mosaic of low intensity agriculture or a mosaic of semi-natural vegetation, cultivated land and small-scale features.

(e.g. dry arable areas and small-scale farms in southern Europe. Small scale features includes open water (e.g. on rice farms), ditches, relict grassland, field boundaries and woodland.

If yeas = Type 2 HNV farmland

If no, go to question 3

Question 3: Does the area host rare species or support a large proportion of European or world population of certain species?

(e.g. areas of intensively managed wet grassland favoured by migrating geese for instance in the Netherlands, Scotland and Ireland)

If yeas = Type 3 HNV farmland

If no = Not HNV farmland

From this key, it is apparent that the EEA project did not define HNV primarily in terms of rare species or Habitats Directive priority habitats. Rather, it used a biodiversity-oriented definition closer to the spirit of the EU biodiversity strategy, while still being able to encompass narrower policy goals focused on highly valued rare or threatened species and habitats.

To summarise its work, the European Environment Agency project came up with the following working definition:

'High Nature Value farmland comprises those areas in Europe where agriculture is a major (usually the dominant) land use and where that agriculture supports or is associated with either a high species and habitat diversity or the presence of species of European conservation concern or both'.

This does not necessarily imply causality between farming practice and the existence of HNV on farmland. High species and/or habitat diversity may exist alongside or despite

farming (although for most categories of HNV farmland there would have been a positive link, at least historically).

How applicable is this pan-European typology to the Irish case?

We suggest that the concepts on which it is based are indeed very relevant. At one end of the scale, Ireland has large areas of Type 1 HNV farmland – farms dominated by extensive tracts of semi-natural vegetation. Examples might be the upland heaths of Co. Wicklow or Co. Tipperary; the blanket bogs of Co. Mayo; the limestone grasslands of Co. Sligo or the rocky landscapes of the Aran Islands.

At the other end of the spectrum are areas that are in truth biodiversity-poor, but nevertheless are of considerable importance to single species. Very often these species are birds, and a large proportion of this type of Irish HNV farmland (termed Type 3 in the EEA work) has been designated as Special Protection Areas for wintering wildfowl, particularly geese.

In between is some of Ireland's most interesting HNV farmland. This consists of intimate mosaics of semi-natural habitats, agriculturally improved, possibly arable land, and other features such as hedges, ditches, ponds, rivers or dry-stone walls. In some ways this 'Type 2' land is the 'typically Irish' countryside of small fields and hedgerows. And yet, it is also more than just a *bocage* (hedgerow) landscape – the management of the fields within the boundary features is a crucial element in their nature value. Other work by some of the authors evaluating the landscape impact of REPS (O'Leary 2004) has suggested that these areas are the least recognised and undervalued but perhaps most vulnerable type of HNV farmland in Ireland.

In this study we have concentrated on the Types 1 and 2, which in agricultural terms would be described broadly as the "marginal" areas or the "less-intensive" areas. Here there is still a strong link between farm management systems and nature and the influence of modern agricultural activities (drainage, fertiliser, livestock, tillage), tends to create diversity rather than simplification, particularly at the landscape scale. In these areas farming, interacting with (and to a large degree constrained by) the local variations in climate, geology, topography and soil type is of inordinate importance for the conservation of nature. Put another way, the difficulties faced by farmers has both limited their capacity to profit personally from the land and enhanced the level of public goods delivered by their farm, partly through their farming activities. Diversity has been further

increased by the differences between farmers - their differing aspirations, interests and family traditions.

Livestock farms dominate in the marginal areas - small-scale dairying, hill sheep and suckler cows producing lambs and weanlings either finished for the factory or store for further fattening on better land. These farms are generally small and are increasingly being managed part-time. They are found at a landscape scale in more or less every county. In the south and east of the country they are confined to areas of rough grazing or hill (in other words Type 1 only). But in the western margins, stretching from Donegal in the north to west Cork in the south they also include many Type 2 low-intensity mosaics on the green land (see Appendix IV for photographs and explanations of some examples).

Taken together they contain a staggering complexity of semi-natural land covers. These include for example blanket bog, various heathland types, scrub woodland, acid grasslands, wet meadows and marshy pastures, sand dunes, sand grassland and machair and the well studied Burren and Aran Island limestone grasslands and bare rock pastures.

These areas certainly contribute greatly to the diversity of the landscape, but they are more important than that. All too often landscape character and conservation importance is seen as being essentially the same. However, farms made up of hedge-ringed fields in Leitrim are *not* necessarily the same from a biodiversity point of view as 'similar' farms in Co. Meath. Whereas all farms will have a Nature Value, not all are *High* Nature Value - so the fields in Meath and Leitrim both have some value for nature, but those in Leitrim are of higher nature value because the fields are less intensively managed. Moreover, the nature value of farms in more intensive areas is less likely to be linked to the farming operation itself, but somehow exist around it – for example in the ungrazed bogs, the hedges, the ditches.

Areas of better land with good soils are *potentially* of high biodiversity, but even where this is actually manifested on the ground, it does so mostly by chance, on ground outside of the main farming operations and seldom if ever at a landscape scale. While farming is profitable, the maintenance of these areas will always depend first and foremost on protective measures. However, in true Type 1 and Type 2 HNV farmland, positive relationships between farming and the environment are not just theoretically possible, but, due to the economics of agriculture in those areas, practically achievable as an integral part of farming operations.

Ireland is by no means unique in Europe in having in the past undervalued the nature conservation and landscape importance of this "traditional" farming, or to having given it low priority when trying to address other very real issues such as economic viability. When the environment first became an important element of rural policy, attention tended to be focused on avoiding the negative and damaging effects of agriculture rather than maintaining or enhancing the beneficial, even in what we would now regard as HNV farming areas. The difficulties of getting farmers and the farming organisation to accept the problems of overgrazing and the response to this taken by the State has, for some farmers cast a shadow over all talk of nature conservation. 'The environment' in their minds splits into 'nature conservation' - a rear-guard, often confrontational, 'thou-shalt-not' and site designation orientated mentality (just as in the UK) - and agri-environment, which tended not to focus on biodiversity issues, and was developed primarily around mitigating the negative effects of commercial agriculture. Positive messages were for a long time limited to a few species or areas (such as the corncrake the Burren).

So despite the huge changes that have been taking place in the marginal areas, and their great importance in maintaining biodiversity as well as the image of rural Ireland, little attention has focused on them. Ironically, the main buffer to even more radical change in the marginal areas has been the production support measures for sheep and cattle. Although these encouraged livestock densities at levels way above the biological optimum or even the agricultural optimum carrying capacity of the land, they have provided a mechanism that kept livestock farmers in these rural areas (albeit at an environmental cost). So it is important to recognise in the context of the current study that for the past 30 years farmers have perceived a basic logic of production underpinning rural and agricultural policy in Ireland's High Nature Value farming areas. In reality subsidies were more important than production, nevertheless, despite all of its problems farming has maintained the nature value of these areas. In the past this has been by default; in the future it needs to become a clear objective of farming policy

The problem of locating HNV farming areas

The EEA project established a set of criteria that can in principle distinguish Type 1 and Type 2 HNV farmland at a European scale. The basic tool for mapping this was data available in the CORINE data set. By choosing the appropriate regional and national land cover categories relating to Types 1 and 2 it was possible to produce a map of HVN farming areas at both national and European scales. Map 1 shows the national map for Ireland. Improved CORINE data are now becoming available for Ireland and these could be used to improve this predictive map.

There are also available potential indicators of individual farm businesses (farm types) that have management likely to make the farm HNV, and for this the EEA project used the EU FADN data set. These data were used to identify and name a set of systems. Although the likelihood of identifying individual farms using this method is in principle very good (in other words, 'sensible' variables can be found), the precision of actual mapping carried out by the project is very poor. This is because the possible choice of variables within FADN is limited, the mapping units available are so large, the sample size within them small and smaller farms are not included.

So in the Irish context, we took the EEA CORINE prediction of HNV farming areas to give us a first approximation of location and this equates very closely, not surprisingly, to what in agricultural terms we would regard as the marginal areas. Of course within this area nature value is not homogeneously "High" nor farms homogeneously well managed. Conversely, we know that some farmland outside of these areas is also HNV - including of course the Type 3 farmland.

We would regard this distinction not as an unhelpful irritant to be ignored as far as possible by policy, but as a reminder that for some areas a basic 'broad and shallow' level of policy is perhaps appropriate, whereas for others perhaps policy intervention can only occur at a more detailed, targeted and prescriptive level. This does not necessarily mean that State-wide policies are unworkable, merely that we accept that some will only be attractive in certain areas. The difficulty with some of the present instruments is that they target one set of outcomes, but ironically are most attractive to farmers where these are not the most important issues. So for example a broad and shallow agri-environment scheme that would be most appropriate for low intensity, marginal farms might be wholly inappropriate for intensive farmland. Conversely, very prescriptive options suitable for the latter might be wasted on the former.

Although not a priority here it would be valuable to explore the availability of various data sets that could provide a more robust delimitation of HNV farming areas in Ireland. We regard average farm livestock density to be a potentially valuable potential data source. For most of the western counties, where livestock rearing predominates, High Nature Value is also associated with stocking densities at the lower end of the national range. Map 2 shows the distribution of stocking densities based on livestock units per hectare of grassland (see Appendix II for full explanation).

What maps 1 and 2 illustrate is that regardless of the exact combination of data used to delimit Ireland's HNV areas the picture that will emerge will be familiar and will fall within previous designations such as the Congested Districts and the Less Favoured Areas. Ironically, the overall match is better with these than with narrower, more [apparently] biologically-focused criteria such as Natura 2000 sites (SPAs & SACs), emphasising that for Ireland, as for most EU states with large areas of Type 1 and 2 HNV, targeting support mainly at designated sites will not maintain HNV areas in general. The important aspect of any new delimitation is that the basis for this now is biological diversity (nature) and the management that is needed to sustain it is farming.

CHAPTER 3: POTENTIAL INTERACTIONS BETWEEN MTR MEASURES AND FARMING DECISIONS ON HNV FARMLAND - A FOCUS ON FARMERS IN SPECIFIC AREAS

Implications of Decoupling by System of Farming and Region.

In the past, analyses of the potential impact of the MTR have concerned themselves primarily with the effects on Ireland's place in the global market, particularly for its chief export products of beef, dairy and sheep meat. The focus has naturally been on the aggregate effect on 'Ireland Inc.', with regional effects within Ireland being of little consequence as long as the link between farmer and processor could be maintained.

If our interest is HNV farmland, this macro-scale approach is insufficient. Now we are concerned with the local scale - maintenance of overall suckler numbers is no consolation if cow numbers on the Burren were to plummet, for example. National experts are aware of such distinctions, but this has not been converted into practical advice on the ground. We met one farm adviser who told us about the advice being given - look at costs; improve genetics; improve grass management. [We asked him how many of 'his' farmers, when they had done all this, would then be financially viable without subsidy. He avoided answering, but we subsequently met one of his clients who said that he had told him that he feared that it was 'all over' for the area]. This kind of realisation needs to feed into policy making if Ireland's commitment to the positive management of its HNV farmland by 2008 is to become a reality

As indicated earlier, the impact of decoupling is likely to be greatest where market prices/profits for particular enterprises are lowest (some farms will have more than one enterprise). The particular systems of farming where such (vulnerable) enterprises are the major components have been identified earlier and they are mainly the beef, especially suckler cow, and hill sheep farming systems.

The National Farm Survey provides further data on the returns from the main systems of farming and the contribution of direct payments to income formation in the respective systems. Table 2 outlines the level of direct payments/subsidies as a percentage of family farm income in 2003.

Table 4: Direct payments/Subsidies as a % of Family Farm Income – 2003

Size (Ha)	<10	10-20	20-30	30-50	50-100	>100	Hill Farms	All Farms
				%				
Dairying	-	24	21	27	29	32	41	28
Dairying/Other	-	-	69	58	80	-	-	69
Cattle Rearing	122	150	159	138	151	-	160	149
Cattle Other	-	192	171	176	152	-	255	178
Mainly Sheep	-	152	108	114	126	126	117	121
Mainly tillage	-	-	-	115	89	87	-	92
ALL	**165**	**125**	**97**	**81**	**74**	**94**	**115**	**90**

The range in the proportion of family farm income accounted for by direct payments varies from 28% for the mainly dairying system to 178% for the "cattle other" system. The interpretation of the figure is as follows. Where the percent is less than 100 it means that market based output on revenue is greater than cost of production. This means that producers are profitably engaged in economic activity. Where, on the other hand, the proportion is greater than 100 it means that production is being carried out at a loss and the direct payments are subsidising the activity. In the "cattle other" system cited it means that total costs greatly exceed market-based output and the difference represents 78% of the family farm income. In this instance nearly 44% of direct payments are absorbed in covering the loss in production. Thus in this case most producers in the system would be better off by discontinuing production.

Given the significance of direct payments/subsidies in its income situation the cattle breeding system is vulnerable to some degree of de-stocking in a fully decoupled context. In this instance nearly one-third of the direct payments is required to cover the excess of total costs over revenue. It is also worth noting that on hill farms in these two cattle systems, the dependence on direct payments on terms of their contribution to family farm income is greater than for the system as a whole and considerably more so in the "cattle other" system.

The "mainly sheep" system is also significantly dependent on direct payments as illustrated in the table, where the contribution to income is 121%. Given the level of output and costs on the average farm in this system about 17% of the payments are required to bridge the gap between the value of output and total costs.

There are 127 hill farms in the National Farm Survey Sample or just over 10% of the total. The distribution by system is as follows:

Dairying	29
Dairying +other	9
Cattle rearing	32
Cattle other	17
Main sheep	40
Main tillage	0
TOTAL	127

The distribution indicates that the sheep system is the most frequently occurring type of farming on hill farms followed by the two cattle systems. Between one-quarter and one-third of farms in the sheep system are on hill farms. The dairying system accounts for almost 30% of the farming systems on the hill farms in the sample, reflecting the close proximity of mountain land and productive grassland, particularly in parts of Munster and south Leinster

Having demonstrated earlier that most of the response to decoupling is likely to be on cattle and sheep farms then it would be instructive to examine where such farms are mainly located. The National Farm Survey (NFS) also classifies farms by three major soil groups depending on their use range. Land use range is a qualitative method by which the range of potential uses to which the soils are suited can be expressed. There are usually six use-range classes varying from wide to extremely limited. The soils are grouped for the country as a whole and by province in Table 3.

Table 3: Extent of use- range classes (%)						
Region	Wide 1	Moderately wide 2	Somewhat limited 3	Limited 4	Very limited 5	Extremely limited 6
Rep of Ireland	23.4	11.7	15.0	21.0	25.5	3.1
Connaught	3.6	13.8	18.5	21.8	37.7	4.6
Leinster	32.9	21.4	16.9	15.0	12.5	1.5
Munster	36.4	3.1	11.3	22.8	22.7	3.7
Ulster	2.6	9.8	14.2	29.7	41.2	2.5

For the purposes of the NFS soil Classes 1 and 2 are combined to form Group1, Class 3 becomes Group 2 and Classes 4, 5, and 6 jointly from Group 3. Table 4 shows the distribution of farms in the NFS by system of farming.

Table 4: Distribution of farms by soil group and system of farming %							
Soil group	Dairying	Dairying other	Cattle rearing	Cattle other	Mainly sheep	Mainly tillage	All systems
1	51.8	60.2	24.3	53.7	33.0	89.9	44.6
2	39.1	30.9	62.0	38.6	29.2	10.1	41.1
3	9.1	8.9	13.7	7.7	37.7	0.0	14.3
Total	10.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: NFS

Given the use-range described above, the areas in the limited use range are those normally associated with marginal farming. These soil groups and farms occupy large areas in Counties Donegal, Sligo, Leitrim, Mayo, Galway, and Kerry in particular (6 Western Counties). It will be noted that 14.3% of all farms are in soil Group 3 and within which 23% are in dairying, 28% are cattle farms and 49% are sheep farms. In 2002 there were 136,500 farms in Ireland, of which about 19,000 farms are in the more marginal farming areas.

The age profile of farmers in the 2000 Census of Agriculture shows that some 39% are aged over 55 years while the proportion in the six western counties is 42%. In marginal areas the proportion in this age bracket would be even greater.

Table 5: Characteristics of landholders/holdings inestern ounties and Ireland		
	6 Counties	Ireland
Age > 55 (%)	42	39
Subsidised jobs (%)	34	30
Fragments Number	3.4	3.1
Use of commonage (% of farmers)	16	14

Source: CSO

The proportion of farmers with subsidiary jobs is also greater in the six western counties than in Ireland as a whole. Again, the information from other sources suggests that in more marginal areas the proportion is even greater. Farm fragmentation is also greater in marginal farming areas, making farming operations more difficult. As expected also, the use of commonage is considerably greater in marginal areas. These differences will hide even greater distinctions between mountain and lowland, since many of even these western counties are quite heterogeneous, while some of the 'better' counties have substantial areas of poor land.

The National Farm Survey contains data on off-farm employment among farm holders and their spouses. Results for 2003 show that on 50% of farms, either the farmer and/or spouse had another occupation. Off-farm employment among farm holders was 34%. The extent of off-farm employment varies significantly depending on the system of farming, with dairy farmers being less likely (12%) and cattle rearing being more inclined (51%) to combine farm and off-farm work. Farmers with other occupations tend to have smaller farms, 27 hectares on average, with less livestock and lower stocking density than those without off-farm jobs. Direct payments tend to make up a higher percentage of their family farm income, and they have lower incomes from farming. Again, a greater proportion of farmers in marginal areas has off-farm occupations.

The foregoing analysis has highlighted and contrasted some of the landholder/holding characteristics of marginal and other areas of the country as a basis for trying to anticipate where the impact of decoupling is likely to be more significant. These are the areas were the cattle rearing and hill sheep systems are most prevalent and where simultaneously the structure of farming is weaker. It is therefore in these marginal farming areas that we expect the impact of decoupling to be most pronounced.

Recent changes in stock numbers in the six western counties

Even before the advent of decoupling, there have been significant changes in stock numbers in Western areas. Under the REPS and National Schemes for reducing sheep numbers in fragile areas in the 6 Western Counties, there has been major reduction in ewe numbers. In the period 1988 – 2004 the reduction in ewe numbers in these counties has been 16% overall and in Galway and Mayo, reduction has been much greater. Furthermore, the reduction in commonage and localised areas has been up to 50%. The slaughter figures for cast ewes in 2004 are also considerably greater than in previous years suggesting that decoupling may already be having the predicted effect.

There have been no corresponding changes in cow and cattle numbers at county level in these same counties at least in the aggregate. On the contrary, numbers are in general greater than a decade ago, although there is some evidence of some small reduction in marginal areas. The enumeration and market data for 2004 also show a degree of stability in cattle numbers so cattle farmers seem to be adopting a wait and see attitude with respect to the introduction of decoupling.

CHAPTER 4: OTHER FACTORS INFLUENCING FARMING DECISIONS

It would be a mistake to assume that the MTR impacts on a stable, unchanging, agricultural landscape. Although we can distinguish which parts of Ireland are of highest nature value relative to the country's more intensively farmed regions, we recognise also that the HNV farmland areas themselves have changed markedly over the past 50 years, with the rate of change significantly increasing following accession to the EEC.

They are still changing, partly in response to policy and partly due to wider social and economic pressures. The introduction of agricultural subsidies linked to livestock numbers resulted in the former (more or less) self-sufficient (subsistence) farming systems of the marginal areas becoming more specialised and in some cases more intensive and as a result biologically less diverse. Hay making was replaced by silage and grassland production was substantially boosted by the use of artificial fertiliser. In other areas specialisation led to equally undesirable changes in a *less* intensive direction. Cropping gradually died out in virtually all areas; while sheep replaced cattle in many hill areas.

Meanwhile, the number of farms gradually declines and the farming population in the most marginal areas becomes dominated by aged bachelors. As in other parts of Europe, this is happening despite the conservative influence of subsidies. However it seems equally apparent that there would be a more rapid rural depopulation in their absence.

The dynamics of farming in the marginal areas means that the effects of the MTR (especially the Single Farm Payment - SFP) cannot be considered in isolation - it simply joins a list of factors which are already changing the way the land is farmed. However, it is such a radical change in the way that farming is supported, and the reaction could be so extreme in certain areas, that it must inevitably stimulate a (long overdue) evaluation of both the current trends and the fragility of these farming systems.

Some of the main issues currently affecting HNV areas are: -

[1] Social factors cannot be ignored. On the one hand, the attachment of farmers and (in many cases at least) their families to the land makes for a large degree of inertia – usually a positive thing for nature conservation in the short term. On the other hand the age of the farmer makes delivering positive support measures more tricky and makes it less likely that keen successors will be found. Ad hoc expansion of existing units whether by inheritance, purchase or transfer rarely leads to the creation of consolidated holdings,

but exacerbates the problem of fragmented holdings. Once more this can have both positive and negative environmental consequences, but certainly reduces the potential economic gain to the farmer.

[2] The demands of the market, the rapid increase in the efficiency of Ireland's meat production chain over the last few decades and the move towards world prices for meat and milk products have all had a great effect. Full-time milk producers have gone into part-time suckler production; the mountain lamb has lost its value as Spain's sheep industry focuses on meat production; store animals fetch similar prices to those of 20 or 30 years ago. First Pillar support has only dulled the impact, not removed it altogether.

[3] Part-time farming has many aspects – a second income in the farming household; diversification of the farm's activities (especially into tourism); the farmer him or herself taking a second job; the farmer having a full-time job and carrying out the farm work in his spare time. All have become major features of most Irish rural areas. Part-time farming is a double-edged sword. On the one hand, the more of the farmer's time is adequately rewarded, the more sustainable is his presence in the countryside. However, once the farmer (or the farmer's wife) has experienced the relatively easy money of off-farm employment, pressure on the farm work can increase markedly, making continuation of farming itself perhaps no more sustainable in the long term.

In addition, a shift to part-time farming, even if profitable, often involves significant management changes, such as the housing of cattle or the abandonment mountain grazing. These changes (rationalising the economics or day to day practicalities of farming) will have environmental consequences where traditional grazing patterns are integral to the nature conservation value of the area..

[4] There has also been a shift in the type of stock kept. Suckler cows bred from traditional, regional Irish and British breeds (such as Beef Shorthorn, Kerry, Highland, Galloway, Welsh Black, Hereford) physiologically best suited to extensive systems and poor quality forage are now very unusual. Instead, Charolais and other continental breeds are now found even in the most marginal areas. Similarly on the sheep side the 'Horny' and even the Cheviot is rapidly being ousted by the Charolais, the Beltex and the Suffolk. These changes have land management implications, since some of these breeds do not perform as well (or in some cases survive) in the hill and mountain pastures they tend to become part of the reason for the shift towards more intensive use of the green land.

These recent changes may have been responses to the overall economics of the systems and to the availability of labour, but they are also likely to reflect peer pressure to produce

'fine-looking' beasts that fetch high prices or even to be 'modern' and 'efficient'. The extent to which farmers in most areas of Ireland concentrate all their efforts on small areas of green land, despite the availability of sometimes hundreds of hectares of hill ground contrasts markedly with some of the authors' experience in Scotland. There very similar landscapes seem to give rise to very different livestock systems involving hardy hill cattle (e.g. Highland, Galloway) either bred pure or as first crosses with Whitebred or Beef Shorthorn or as second crosses after putting these to the Simmental or Limousin bull. Land tenure may explain in part these differences. There are large tracks of hill land in Scotland that are part of individual farms (often tenanted) that do not have common grazing rights as in much of Ireland.

[5] A lack of labour, particularly (but not only) skilled labour for gathering sheep from mountain and hill land has been a very significant factor in a marked reduction in the use of land in some parts of the country, particularly Co. Donegal, where some mountains are now completely ungrazed. The growth in part-time farming adds to these difficulties.

[6] The expansion of forestry is of course the direct result of deliberate policy, with large 'carrots' both in terms of direct payments and tax breaks being offered not only to farmers but to non-farmers. These incentives were originally put in place to offset what is seen as an undesirably low woodland coverage – a description of Ireland that we feel ignores the bocage [hedgerow] landscape that covers large areas of the country. Any positive effects which might stem from the policy have been much diluted by the lack of targeting of planting, which tends to be focused on the most economically marginal, but often most important areas for nature on the farm.

Ironically Ireland's success in justifying forestry payments that are out of scale with the economics of production, LFA payments and REPS in marginal areas, may now be a barrier to change. Even farmers who are completely antipathetic to forestry (almost all of the 30 farmers that expressed a view to us) now defend the scheme because it currently offers by far the best return on poor land.

We can see no clear reason why the income foregone and additional costs associated with afforesting land post-decoupling should be any greater than those incurred by continuing with current positive but economically-marginal livestock production. The size of the payments area may therefore change in the future, but is there a political will to change the relative role of forestry *vis-á-vis* other, possibly more positive, land uses?

[7] REPS - This scheme has achieved much but its mechanisms have so far been too narrow to influence HNV farming in a positive way. Of even more importance, in the marginal areas that we visited REPS has encouraged at least some farmers to go out of cattle because sheep-only is much more REPS–friendly. Farmers could avoid the substantial capital outlay of erecting slatted houses for in-wintering cattle or of fencing off perhaps hundreds of metres of water-course. Although it may reflect the quality of advice being given, we believe that REPS planners have been too insistent on "catch -all" specifications that did not discriminate between size of herd, type of system nor location. At very least it seems clear that taking the 'default' route of the slatted house is less onerous for both planner and Department officer.

Cattle farmers who have used REPS and capital grants to erect slatted cattle sheds have in many cases also changed to being part-time as the farm's labour requirement decreases. This has obvious advantages to the farm economy, but involves changes to land management whose environmental impacts have never been studied. Evidence from this study suggests that these changes include a concentration of activity on the green land, the use of contractors for silage making and slurry spreading and less use of pastures during the winter.

Overall our impression is that REPS has certainly caused changes and that from the point of view of HNV farming systems these were mixed and sometimes negative. Farmers whose systems were positive for biodiversity used REPS as a very useful supplement to their income, but REPS did not require them to carry out any of this management or reward them specifically for it. In fact, the impression is that farmers who reduce their operations to the minimum of GAEC (or the slightly higher minimum of the LFA Compensatory Allowances) could not only still claim REPS, but find it easier to adhere to REPS conditions.

[8] The effect of 'conservation' measures has been considerable. Although necessary, the compulsory de-stocking programme created considerable antagonism, and it will be difficult for future nature conservation measures to be viewed benignly by the farming community..

CHAPTER 5: OUTCOMES FROM THE FARM INTERVIEWS

The brief for this research specified that in addition to the desk based macro-economic analysis the study should consult widely and in particular should actively seek the views of farmers about the impacts of decoupling on their farming operations. This chapter draws on 57 interviews with farmers and farm advisors carried out between August and November 2004 in 14 counties (Donegal, Cavan, Sligo, Roscommon, Mayo, Galway, Offaly, Kerry, Cork, Clare, Limerick, Wexford, Wicklow and Louth); 14 of the interviews were with farmers that participated in a recent UCD project (T. O'Leary and A. McCormack) concerned with evaluating the landscape impact of REPS. We have chosen not to identify or disclose the exact location of any farm or farmers interviewed out of courtesy to those that spoke freely and openly of their experiences and opinions.

Rationale

With a limited amount of time available and limited resources the study was faced with the challenge of getting representative feedback from farmers in HNV areas about how they would respond to the MTR. The objective was not to collect data for statistical analyses but to obtain a "feel" for the attitudes of farmers and farm advisers about how decoupling would affect agriculture in the future. Importantly we wanted to know whether the predictions in the macro-economic analyses matched feelings on the ground. Our aim was to focus on the three EEA categories of farmland of High Nature Value and obtain as wide a range of farm types as possible.

To achieve this the CORINE map and the maps in the Atlas of Irish Agricultural Statistics were used initially to delimit those areas where, using the EEA criteria for Type 1 and Type 2 HNV farmland, the likelihood of finding HNV areas was highest. Within these broad areas distribution maps of HNV species and habitat indicator species (such as chough and marsh fritillary and machair, moorland and heath) were used to select sub-areas. For counties Donegal, Cavan, Sligo, Roscommon, Mayo, Galway, Clare, Offaly, Kerry and Cork direct contacts were made in advance with farmers, Teagasc advisers, NPWS staff and other experts. These farms and regional offices were selected subjectively (and to some degree limited by availability) to reflect what we regarded to be as much of the range of variation in land type / nature value and geographical location. For instance we specifically included off-shore islands to be sure to cover this element, and on the mainland selected farms with a range of semi-natural land covers, for example, blanket bog & wet heath, acid heath and wet grassland; limestone grassland and bare rock;

sand dunes, sand grassland and machair. We also endeavoured to include a range of production types where possible (e.g. hill sheep, mixed suckler cows and sheep, dairy).

For Type 3 HNV one of the current authors (TO'L) interviewed a number of farmers in Limerick, Wexford, Wicklow and Louth. In addition interviews were carried out with farmers who had taken part in a recent UCD study concerned with evaluating the landscape impact of REPS. This latter group were spread across the whole of Ireland and involved all 3 types of HNV farmland.

During the interviews the farmers provided physical information about their farm (size, mix of land types, proportion of conacre and commonage), about the current production systems, livestock density and marketing policy as well as details of the proportion of income from the market and from direct support. They were also asked about the changes in recent years to their own production systems and those of their neighbours and the general historical perspective in the area. They were then asked about how decoupled payments would affect their management and how they thought it would affect farming in the general vicinity. They were asked about their views on how these things affected the natural heritage at the moment, how wildlife had changed in the past and what the future held.

In addition to the interviews several farms were walked with the farmers to assess the nature conservation value in the field.

Synthesis of the views expressed during the interviews

The Mid Term Review changes everything for all but the dairy farmer, at least in theory. The economic logic of production now stands or falls by the inherent profitability of the agricultural operations - a profitability we know to be marginal or non-existent in most HNV areas of Europe. Many, probably most, farms in HNV areas make a loss without subsidy, whether they are sheep or cattle producers, and whether or not they produce stores or finished beasts. For most farm businesses this is primarily due to a combination of high variable costs coupled with low prices for the product. In contrast to many intensive farmers with their high fixed costs, producers at the margins have an easy way to improve net income – reducing or abandoning their farming activity.

In the past, despite all the negative factors acting on farming in the marginal areas, the combination of support for livestock production and strong cultural ties with the land have limited the rate of change in these areas. Now there is a feeling from all areas visited that decoupling will be the catalyst for farmers to "bite the bullet" - decoupling will be the

stimulus for facing-up to the economic realities of farming in the marginal areas. Although one farmer did comment that the MTR would reveal the extent to which farmers' traditional management would still continue *despite* the inherent unprofitability now being much more obvious.

An extremely important issue is that virtually without exception farmers qualified their predicted reaction with reference to market prices. If market prices stay high they would tend to continue what they are doing (at a reduced level). If market prices fall considerably then it will be this, in conjunction with the SFP, that will be the major stimulus for reducing - to the minimum needed to qualify for the Disadvantaged Areas Compensatory Allowance (and REPS?) in the case of the slightly less marginal - or stopping altogether.

Overall the reaction from virtually all sheep and suckler farmers we spoke to is, at least to have in the back of their mind, plans to reduce numbers and many have already taken the decision to reduce. Reduction in numbers will mean savings on fertiliser and meals as well as fencing and labour. Some, not already in REPS felt that they might be able to enter the scheme without investing in fencing and buildings if they simply got rid of the cattle. Thereby in one fell swoop reducing their losses on cattle, maintaining the Disadvantaged Areas Compensatory Allowance and increasing their income from agri-environment.

Suckler producers whose herds include heifers (to meet their full quota) said they would cut back at least by that number (perhaps 20%), some even further thereby reversing the trend of the past 20 years. Some smaller producers who had been resisting felt they would now sell their cows and enter REPS.

Mixed farms with sheep and sucklers that are already in REPS will probably reduce sheep and cattle numbers and try and increase profitability by reducing costs and increasing output per animal. Most are locked (by quota) into chasing livestock numbers (especially sheep) higher than the carrying capacity of the farm. For example, one farm in south Mayo currently carried 223 sheep and 23 cows, in 1970 it was 50 sheep and 10 cows, after decoupling he planned 100 sheep and 10 cows finishing weanlings instead of selling store.

In the dairy sector the opportunity for early retirement coupled with small herd sizes way below the economic optimum suggests that there will be amalgamation of production into fewer bigger farms. Some may switch to sucklers or sheep but again the market will be

the strongest determining factor. In the past dairy farmers have been able to shift into suckler production, purchasing quotas at prices which reflect not the large income from the subsidy but the much smaller 'bottom line' of the system. This exit route is now gone – the only realistic option if they wish to remain farming is to purchase SFP rights. Given the low level of activity necessary to comply with GAEC, it is surely reasonable to expect prices for these rights to be more akin to those of interest-paying bonds. In this situation, Early Retirement may be the only attractive alternative – we certainly met small dairy farmers who thought so.

Current attitudes to forestry were rather variable probably reflecting the distribution and extent of new planting - where there had been little planting farmers had no strong views and would probably consider some small plantations on poor ground. In areas where there had been a lot of planting farmers were generally critical of it, especially large scale plantings involving non-farmers. The possibility of stacking SFP entitlements onto 50% of the reference hectarage may open the doors for more planting, particularly for those units larger than the maximum size for LFA and REPS payments. However, clarification is needed on the rules associated with stacking entitlements and more details about the changes proposed to the Rural Development Regulation which will come into effect in 2007 (which could significantly cut the budget for new planting) to assess this.

From the interviews we would predict that the most radical and quickest changes will be amongst the hill sheep farmers; accelerating the changes that are already taking place, and totally reversing the trend of the past 30 years. Many have already reduced numbers as a result of compulsory de-stocking associated with the Commonage Framework Plans and now the combination of the SFP and falling prices for hill ('Horny' Scotch) lambs will create a huge disincentive to continue. Some will continue at a reduced level - with the aim of improving lambing percentage. But the problems of labour and skills shortage will continue to provide a big disincentive to continue (it takes five men with dogs to gather a 1200 acre hill in the south of Galway irrespective of the number of sheep). For these farmers the opportunity to expand which neighbours going out of active farming might entail is tempered by their reliance on a critical mass of neighbours needed to make gathers possible (and their inability to replace traditional reciprocal arrangements with paid labour).

Farmers who, while full-time, had been very insensitive to the return they got for their labour (the 'what else would I do' syndrome common in marginal areas), might, when part-time, be on the one hand much more willing to contemplate substantial reductions in

their flocks. Or on the other hand to make (for the first time perhaps) substantial investments in sheds or land improvements which would enable them to concentrate their activities on smaller and more manageable areas of the farm.

In Donegal we were advised by one sheep farmer to "take a photo of a Horny because you will not be able to find one in a few years time". We predict that sheep production will concentrate more on the green land, there will be more ewes lambing in sheds and cross sheep will be put to terminal sires (e.g. Texel and Suffolk) to produce finished lambs. Even on the better land (e.g. east Galway) sheep farmers may tend to cut back numbers to reduce inputs, increase lambing percentage and make a better job of the lambs. The number of sheep famers will certainly drop, sheep numbers will also fall - the questions we cannot answer are, by how much, how fast, in what areas and on what parts of the farm?

While we did not meet a single farmer who foresaw an increase in his sheep flock, we did meet a few that proposed to increase their suckler herd or to expand their finishing enterprise. These farmers for the most part, although they were somewhat reticent to admit it, made a mental calculation that so many of their neighbours would reduce their production that the laws of supply and demand would reward them for 'sticking with it' with higher prices. Although this may well be the case it fails to take account of how enterprises outside of the marginal areas might change. For example the predictions for equivalent areas in Scotland are for a 30% drop in suckler production from the Highlands and Islands and a corresponding increase in the non LFA areas of the east of the country. It also fails to take account of more open markets allowing other exporters to enter traditionally Irish markets. One farmer, aware of this, reported hearing that Argentina had increased their cattle numbers in 2003 by more than the entire Irish cattle herd. There is also uncertainty about what will happen in the main cereal growing areas outside of the marginal areas where there could either be a new market for store lambs and calves and/or increased competition from finished lamb (and weanlings).

Virtually without exception the farmers interviewed mentioned the social pressures on farmers and farming; the problem of attracting young people into agriculture, the low social esteem of farmers (linked to low income) and the difficult working conditions and unsociable hours. A striking number of the keener (positive) farmers had inherited their unit at a relatively young age, but conversely a surprisingly large number were either bachelors or separated from their partners.

In some areas the nearby villages attracted a degree of economic activity and young farmers and their families had access to some social life with people of their own age; in others young farmers were surrounded by old bachelors and the school rolls were falling rapidly. There seemed to be two extreme choices for full-time farmers. Either to be financially marginalised in a booming social environment, because agricultural income is so much lower than for off-farm work. Or to be economically competitive (because most of your neighbours were going out of business) in a dying community.

For part-time farmers boom conditions mean greater opportunities to gain off-farm work, not least since the combination of flexibility and rewards for practical skills make the building trade particularly attractive for these workers. Kenmare was an example cited by our sample - the traditional pubs had been replaced by a similar number of trendy restaurants and the building trade in the area was booming.

Tourism and the attractions of the landscape to the general public is a double-edged sword. Some farms have had a valuable income from B&B or local tourist facilities. One farmer mentioned that the B&B began subsidising the farm 10 years ago (farm diversification) but now the off-farm work is subsidising the B&B and the farm (part-time farming). Some thought this was sustainable, other that it was the beginning of the end of farming.

But second homes and their effect on the housing market were raised as a recurring problem for many young farmers. The irony is that very often depopulation and a rise in house prices and new building happen in the same place at the same time. A farmer mentioned that in his village in west Mayo there were 19 houses and 100 people in the 1960s and today there are 41 houses and 46 people.

The views of more than one farmer can be summarised in the desire for a comprehensive rural policy encompassing, for example, planning rules and non-agricultural developments as well as agricultural policy.

Attitudes to nature conservation were generally not positive and it was a rare farmer who had the reason for conservation designations affecting the farm explained to him. This was just as true of those farmers who had been positively managing their SACs as those subject to compulsory destocking – some of the reference farms were real 'good news stories' but nobody seemed aware of this. On the wider scale, one farmer said of the

decline of HNV farming systems that no one seemed to care - not even the conservationists.

The combination of these factors result in a view (from virtually all those interviewed) that farming in the marginal areas, especially on the poorer ground (where we would expect biodiversity to be highest) has no future. Even the most optimistic of farmers were concerned about the advanced age of most farmers, the lack of successors and the general lack of interest of young people in farming; the optimism for these farmers was more personal - that out of the difficulties of others would emerge opportunities for them. The same is probably less true of the better land (for example the small dairy farms of Kerry and south and west Cork) but even in these areas the current trend is for amalgamation into fewer, bigger farms in order to be financially viable. The cost and availability of casual labour is a major factor particularly in the more remote areas. There is currently a strong feeling amongst farmers that the next generation will not continue farming.

These pressures on farming would undoubtedly have had a bigger effect were it not for the strong cultural traditions of farmers in the marginal areas. Many management decisions are not economically rational but arise out of farming traditions and the farmer's affinity with the land. This expresses itself in various ways - some farmers that would not enter REPS because they were not prepared to sell their (small, uneconomic) herd of cattle, or were prevented from planting by an antipathy towards forestry. Farmers often combine a distinctly pessimistic attitude towards change and are often risk-averse, but on the other hand have a distinctly optimistic view towards sticking with what they know and what they consider the cyclical nature of farming's fortunes. Perhaps marginal farmers have always been thus, but this attitude has somehow always transferred to the following generation, thus maintaining (more or less) the status quo. It is difficult to see this happening this time.

CHAPTER 6: THE NATIONAL WORKSHOP

The organisation and role of the workshop

The role of the workshop was to provide an opportunity for us to expose to as wide an audience as possible the initial findings from both the desk-study and the fieldwork, before consolidating these into the final report.

Accordingly invitations were sent to a wide range of potentially interested parties and individuals including Department of Agriculture Food and Rural Development, Irish Farmers Association, Teagasc, National Parks and Wildlife, environmental NGOs, Heritage Council members and others. Also invited were all of the farmers, advisers and others that had been visited in the field. An issues-report was produced and circulated in advance of the workshop to all those invited. In this no conclusions were presented; rather a series of questions were posed which the workshop participants were asked to address.

We stressed to participants that the purpose of the workshop was not for us to present hard and fast conclusions nor to conduct a straw poll to give our conclusions some imagined extra authority, but to use the combined expertise of the group to help us arrive at the most meaningful and pertinent conclusions and recommendations. Participants (and their colleagues) were also invited to send written comments. In effect the workshop became an extension of the fieldwork but structured around generalisations rather than individual experiences and expectations.

30 participants attended including 12 farmers from areas as distant as counties Donegal and Cork.

Attitudes to HNV farming areas, impact of current policies and trends

Not withstanding national trends in cattle numbers there was agreement about the current trend to go out of cattle production in the areas concerned. An example was given of the Clifden veterinary area where 200 farmers had given up keeping cattle in recent years. There were similar stories from Sligo. There was recognition that low-intensity livestock rearing and the use of native and traditional breeds of cattle were not economic and that as such "HNV farming" was never going to be financially viable and never able to compete on the world market.

Policy was viewed as too negative and that without something positive there could never be a shift back to lower-input and more extensive practices. From the farmers the view was expressed that a new scheme was needed to address the issue, that HNV farmland should be regarded as an enterprise and that there should be better links between the economics of management and the environmental benefits. The relationship between HNV, landscape and farming was not currently promoted by anybody and to make progress this needed to be stressed.

The main topics of disagreement amongst the participants revolved around compulsory de-stocking, overgrazing and the way action was taken (e.g. in the Wicklow Hills). This was not laboured and there was appreciation by all that attitudes have changed but it did reflect what we had heard in the field. Importantly, farmers felt that although they accepted that by no means all management was ideal, there had been virtually no recognition of the sacrifices made by farmers by staying in areas and "keeping life in the hills". There was agreement that in the future a common denominator to success would be engaging with people that live and work in the areas concerned. It is not perhaps surprising that such 'forgetfulness' develops almost automatically when the rules for agri-environment schemes force Departments to separate out the economics of specific operations from the often widely varying returns from the underlying agricultural systems. Such schemes can clearly reward the former but give no (financial) recognition to the latter; while LFA (disadvantaged area) support that could address this, currently does not fully recognise the costs.

Some civil servants were wary of classifying areas in terms of landscape type and also sceptical about the value of livestock density as an indicator of HNV livestock farming areas. They foresaw a huge job involved in describing and delimiting HNV farming areas in Ireland but pointed out that at least all commonages are mapped. There was general agreement about the related problem of finding a mechanism to pay for it.

We think it fair to say that there was, overall, agreement that a change in attitude towards HNV farming areas was needed from both policy makers, environmentalists and farmers.. Before this could happen a clear need was identified for information exchange between farmers of HNV areas, biologists and policy makers. Regarding the current political realities affecting HNV areas our perception of huge conflicts was confirmed. REPS itself is a scheme in conflict with traditional farming practices in HNV areas, organic farming in HNV areas is in an either/or situation from the REPS point of view and there is very little

compatibility with forestry. The clear conflict between the needs of the market and the environment will become even more extreme after decoupling.

A picture of strongly conflicting objectives emerged.
Much time was spent on the issue of the negative effects of forestry, about lack of targeted planting, species composition, effect on rural communities, quality of the crop ("not as tall as me and crooked as a rams horn"), and the impact on landscape and nature value especially in the mountains. There were some ameliorating comments regarding controls over applications affecting SAC, the native woodland scheme and EU LIFE Nature money used to attempt re-instatement of damaged blanket peat areas. A farmer commented that forestry had done harm to rural communities that do not have a voice, in fact "it had nothing to do with people, nature or the future and the farming organisations were as guilty as anybody". Not for the last time was the comment made that a wider environmental policy was needed - of which forestry would be one sub-section - more in line with EU environment / biodiversity policy objectives than economics.
The view emerging of the current reality was that there was little in past schemes that would specifically help HNV areas - there was extensification, minimum stocking and REPS. Many of the participants did not believe that REPS could be negative, and felt that, overall, thing would certainly be worse without it. At the same time we felt that there was virtually nothing in REPS that could improve a good example of farming in HNV areas. The best illustration of this that we saw was in the south of Donegal where a long established grazing system (more or less unchanged for the past 80 years) sustained an exceptionally rich area of limestone grassland and heath.

However two points of agreement emerged. Firstly schemes such as REPS and Forestry had indirectly helped in so far as being a lifeline for some farmers to stay farming. Secondly, at the time REPS was designed, hills and HNV areas were not the primary focus, but this could change as the scheme develops or indeed it could be complemented by other more targeted actions.

There was agreement that we should not be too critical of the past but should push for changes during the 2007-2013 period. These should aim to produce a streamlined scheme for HNV farming areas that farmers can understand and are not frightened of, that have good outputs and are able to go forward quickly. There was recognition of having to differentiate between a scheme for the environmental needs of "farmland" (some of which would be met by cross compliance) and a scheme to promote positive farming practices in

HNV areas. The farming analogy made was that "you wouldn't use the same machine on hard ground as on soft ground".

The growth of part-time farming was seen as potentially problematic with regard to finding ways of making farming in HNV areas attractive. Linked with this was the recognition that knowledge was being lost about how best to farm in HNV areas. Some good examples were given (e,g, turloughs in Galway) of biologists needing to use farmers' knowledge about land management, yet in these same areas this knowledge was not being passed to their sons and daughters. NPWS, Teagasc, Dept of Agriculture and Food and environmental NGOs need more "farmland ecologists" on their staff, and there needs to be more and better interactions with schools and the public. Farmers, on the other hand, need to be given the tools they need - terminologies and scientific theories, for example - to allow them to make the case for differentiating support without feeling that by doing so they weaken their case.

The recent history is of fighting a rear-guard action because the Habitats Directive was implemented in Ireland with inadequate consultation. . We have to conclude that this has negatively influenced attitudes to nature conservation. One typical comment was "what good is HNV to me? I farmed quite happily without the designation" - we need in future to be able to answer this question. The lack of advice about HNV farm management was also raised with regard to Teagasc. Teagasc never had a hill-cattle farm (it did have a hill-sheep farm) so cattle management advice has always been biased to low-ground systems. This is regrettable, especially as the move away from tradition hill (hardy) cattle breeds is also strongly driven by the requirements of the (export) market.

Decoupling - the generalised predictions and trends

There was very strong agreement with our analysis of the likely direction of change in farming practices (see Chapters 1 and 4 above). Participants could see few farming systems in the marginal areas that would make money after the Mid Term Review and the introduction of decoupling. Few of these systems pay at the moment so they are unlikely to pay in the future. The worst hit will be hill sheep farmers (even now lamb prices are the same as 15 years ago) and all suckler producers in the LFA. Farmers with good lowland and some hill could reduce costs by using the hill for ewes and then lambing on the better ground. Lowland sheep systems should be profitable but in the end "price will rule" leading to great vulnerability to imports and supermarkets. If supermarkets can get it cheaper from Northern Ireland they will buy it from there.

Farmers felt that the current (Department of Agriculture & Food, and Teagasc) advice for strategies post-Fischler was too vague, there were too few facts and figures to back it up, and far too much talk about improving quality. All had heard that few (if any) of even the top Irish beef producers are currently profitable without subsidy. There was a general scepticism about whether weanling prices directly reflected quality and ironically a feeling that the only ones that would make money in future would be low-input / low-output systems.

Few of the participants had strong views about the likely impacts (positive or negative) on nature value (reflecting the lack of discussion of these topics identified above). There was a certainly a feeling amongst the farmers present that cessation of grazing in the uplands would not be a positive thing, indeed most felt that the removal of cattle had already adversely affected the quality of the pastures and the foraging behaviour of sheep. Sheep concentrated more and more on smaller areas of palatable grassland and rough grassland (Molinia and Deschampsia), ling and heathers grew more robustly in other areas. The history of overgrazing in the Irish uplands (without doubt actual in many areas although some would argue more extensive than claimed) determined that ecologists felt intuitively that there would be short-term gains. However this view was tempered by the realisation that abandonment does not mean that vegetation reverts to something "natural" and also that the succession from grassland and heath to scrub and woodland might not lead to increase in biological diversity in the areas concerned. Also there were some species of national and European (high nature conservation) importance associated with the grazed landscapes that could potentially suffer, not only because of the change of vegetation cover but also because of the scale at which the changes might happen. The point was made that grazing animals have been part of the landscape (and ecosystem) for thousands of years. This, coupled with the potential irreversibility of the changes was of concern to the biologists. Farmers felt that there were already very clear observable changes happening on the ground and that more rough vegetation, more scrub and woodland and more rushy pastures and reverted grasslands was appearing as a result of less cattle and fewer sheep.

Should we be trying to influence change and what are the chances of success?

Not surprisingly there was agreement that HNV farming areas and farming are worth maintaining and although this might seem obvious, in the context of the potential future changes to Irish agriculture it is perhaps worth emphasising. There was also agreement

that there is little time left to invent a policy to address it. Generally people felt that something needed to happen within two years, although depending on just how quickly farmers respond to decoupling there could be some disastrous effects for morale and the environment much sooner. January 2007 was suggested as the key time because the new Rural Development policy will be introduced. But a huge effort will be needed in the interim because "it is no good deciding to travel after the train has left the station".
There was a surprising degree of agreement about this short time-scale available. Everyone at the meeting wanted to send out a clear signal now and urgently put together a proposal for a scheme that would work and would be full of positive incentives.
There was a feeling that the 'scheme' should be a scheme (like the Congested Districts Board) with clear objectives and simple measures to achieve them. However there was also the feeling that NPWS, as the competent authority with responsibility for SACs, have too few staff to tackle their current responsibilities and that they would need more and better-qualified specialist advisors to be able to even identify HNV farming areas.

In Chapter 3 above we raised a series of "non-MTR" issues that are affecting HNV farming areas. Regarding the question of whether marginal farming areas can, any longer, be socially sustainable the answer seemed to be yes in principle but no in current practice. That other government policies are not helping to sustain rural areas (e.g. demise of rural post offices, lack of slaughter facilities) seemed to add support to the previously mentioned need for a coherent rural policy that goes far beyond objectives for HNV farmland. All are linked through economics - if rural areas are not economically sustainable then they will not be socially sustainable. Poverty and famine is no longer an option for marginal farmers. Holding a conference to raise the issues was suggested as being a valuable first step but there have been other conferences highlighting this, and there is a Western Development Commission set up specially to deal with the problems of rural viability. Whilst this project cannot hope to influence these wider policy issues it should expect at least to raise the profile of HNV farming areas, highlight the linkages with social and agricultural issues in rural areas and, importantly, the potential of addressing them through a scheme that specifically targets HNV farming systems. Even if the latter were introduced as a pilot scheme for some areas it would be a huge step forward.

So, irrespective of the objectives or the delivery mechanism, can Ireland afford to support farming in the marginal areas? There was recognition that the EU budget might well contract, with less for REPS and LFA as well as greater competition for resources from the new Member States. Many of these have large areas of marginal farmland of High

Nature Value. The realty for Ireland within the enlarged EU is that there will be fewer and fewer buttons to press for funding in future. Having said this the HNV farmland button could be a permanent one with wider benefits than nature - for instance one participant asked whether, bearing in mind the importance of Irish agriculture to tourism, could Ireland afford not to act? What indeed would be the cost of doing nothing? .

Can REPS, LFA or any other existing measures address the needs of HNV farming areas?

There was a long and detailed debate about the possibilities of a way forward that culminated in the view that, for numerous reasons, the current REPS cannot address the needs of HNV areas nor could it be modified to do so. There would need to be an additional scheme with additional funding. The implication of this would be a redistribution of funding; although securing finances from existing programmes should not be ruled out.

There was enthusiasm from all quarters in the seminar for taking forward the idea of a new scheme that focused on farming in the marginal areas, with maintaining farming linked with High Nature Values in these areas as an objective. It would be a scheme that rewarded farmers for positive actions rather than compensating them for loss of income. However, it is essential that farmers' real costs (including labour costs) are measured because the reality is that it is farmers in marginal areas whose farming systems have integrated most with the constraints of poor soils, difficult terrain and climatic extremes (e.g. on islands) that also deliver most nature value.

The scheme could be "bottom-up" and even run by farmers (there are precedents for this in other parts of Europe, notably in the Castro Verde Zonal Programme in Portugal where a farmer's co-operative runs the agri-environment scheme). Participants estimated that about 20,000 farms would be involved. At a political level the big dilemma lies within the RDR - what is the best way to spend the money? But there is a strong case to be made that it is better to invest in supporting HNV farmland through "whole-farm" support targeted at the system rather than trying at the outset to identify "special" features. Extra support for specific management activities might follow but they would be of little benefit in isolation. The scheme would in effect mean the new RDR adopted the approach used by fire fighters in areas of rapidly advancing fire - protecting what has been least damaged first (HNV areas) before going into the areas of greatest destruction (intensively farmed landscapes).

It would be difficult to follow this line of argument and not raise the question of linking HNV farmland support with LFA payments. High Nature Value farming areas are almost always a reflection of farming being ruled by physical handicaps, so there must be potential for combining (or at the very least ensuring that in this case there are no conflicts between) the objectives of the two measures. Importantly they sit together now under the second pillar of the CAP. Importantly the LFA will identify (certainly after the 2005 review) those areas where the starting point for both farm economics and biodiversity is different to the rest of Ireland. The new emphasis being placed by the European Commission on ensuring that LFA designations truly reflect physical handicaps should help the case for redirecting support to farms in the most marginal areas.

It was pointed out that these are the areas where we know from history that intervention is necessary and that, if left to the market, there will continue to be big social and environmental changes. Efforts now to support continuity in these areas would simply build on massive efforts made in the past (from 1890) as well as huge efforts over the past 30 years by farmers wishing to stay in these areas. There is a strong cultural reason for doing something and it comes at a unique time when the RDR and the LFA are under review by the European Commission.

The approach to LFA in Ireland has in the past been to extend the area, maximising access to the payments, while avoiding over-compensation for the average farmer. The result has been that the schemes tended to over-compensate those on the best land and under-compensate those on the worst land. Now that LFA is being addressed at an EU level (by the Commission) it is possible that the LFA scheme in Ireland will become both in practice more closely targeted at those who most suffer disadvantage and will better reflect the actual disadvantage they suffer. Such a development, if accompanied by a reasonable set of conditions, could only be of benefit to HNV farmland and HNV farmers. Since all member states are currently reviewing their LFA designations (both areas and levels of support) there is at least a timely opportunity for this to complement any HNV scheme in the future.

CHAPTER 7: CONCLUSIONS

Short-term future trends in farming

Taking account of the incomes in farming, the dependence of certain farming systems on direct payments, the associated structural characteristics of such farmers and their location, the following general conclusion about potential tends in farming in can be drawn:

1. With the introduction of the decoupled single payment it is likely that the structural diversity of agriculture will increase: the scale of the full-time commercial farms will probably increase at a faster rate than heretofore, as there will no longer be a cap on production on the one hand nor an artificial underpinning for uneconomically small units on the other:

2. At the same time the output from part-time, elderly and smaller farmers will also decline especially in the more marginal areas.

3. On individual farms the range and location of activity should become even more tailored to market costs and returns. Teagasc advice is to focus on 3 items: reducing costs; optimising grass management and improving breeding. If past trends are followed this will undoubtedly be interpreted as meaning intensifying the use of the green land and a further shift towards high output breeds, with costs in the form of purchased feeds being reduced. A reduction in the use of the hill seems inevitable, since mountain sheep have high labour and medicine costs for low returns. Some advisors and farmers recognise the potential of the huge summer vegetation growth on mountain land, but the industry seems a long way from being able to capitalise on it (if indeed that can be done economically). Some farmers could describe in detail cattle systems (e.g. in west Cork, Donegal and Clare) that used to do just this, were economic and produced good quality stock..

4. Opportunities to increase income from retention of a great proportion of First Pillar support together with the continuing importance of Second Pillar measures suggests that the so-called non-commercial sector in farming may appear to be better supported under the MTR than the so-called commercial sector. While on the one hand this might be justified on the basis of enhanced public goods from these units, it looks as if they will only be able fully to avail themselves of these opportunities by reducing precisely those activities that deliver the very same benefits

5. In the our economic analysis, in the discussions with farmers and at the Workshop the importance of future trends in market prices (for weanlings and lambs) emerged as the critical factor that would affect both the type and speed of farmers' reactions. When the European Commission made its case for decoupling it was promoted with a simplistic economic model - that it would lead to a drop in production and to a consequent rise in prices. It was sold to farmers on this basis, together with a promise of reduced bureaucracy. Thus the farmers that survived would end up better off. But this fails to take account of three factors - not all member states have decoupled, the likely growth in imports and the ever-increasing strength of supermarkets. Supermarkets set their price and maintain it by using imports to balance the market. So, apart from short-lived price booms, the reality for those store producers that survive, is that prices will probably reduce by at least the proportion of the Beef Special Premium (BSP) that the buyers previously passed on to them. In Scotland, where production systems and the predicted impacts are similar, article 48 of Council Regulation 795/2004 has been used to introduce a " Scottish Beef Calf Scheme" to try and address the problem.

6. In (5) above we mention that the EU predicted a fall in livestock production as a result of decoupling. This study agrees with this prediction but the evidence from this and other studies (e.g. Cook & Copus 2003) suggests that it will be farmers in the marginal farming areas that have the greatest incentive to cease or reduce production. This ought to raise some uncomfortable questions for the EU about the type of producers that will be lost and the areas where they farm. The Environment Ministers of the Council of Europe recently agreed in Madrid to identify all HNV farming areas in their territories by 2006 and put in place measures to protect a significant proportion of these areas by 2008. We would expect the EU to answer this by referring to "second pillar" measures. Since decoupling is now unstoppable we conclude that there will be a major job for the Irish (and other) ministries to find the most appropriate way of using the Rural Development Regulation to counter the effects of decoupling on HNV farming areas.

7. A recurring theme surrounding the question of how farmers should react to decoupling (and usually linked to them becoming more market oriented) is that they should pay greater attention to quality. Again the definition of quality is more and more driven by supermarkets that put emphasis on size, conformation and appearance rather than the systems of management that produced the outputs. Since it is the latter that is most important for nature value it is hard to imagine how decoupling will help sustain appropriate farming practices in HNV areas.

Longer term prospects for farming in HNV farming areas

There are huge problems in making even short-term predictions about future trends and, as we have pointed out earlier, the catalyst for change and the rate of change will be strongly driven by market prices. Even for these there are widely ranging predictions about what will happen. This being the case it is very difficult (and perhaps risky) to suggest an overview of the longer-term future for farming in the HNV farming. However one scenario might be: -

1. A small core of full time farmers with large amalgamated farms, specialised, commercial, industrial, mechanised with a large number of high entitlements. They will concentrate activities on the better ground and maximise its potential output. These farmers will get the equivalent of at least one full-time salary from the farm.

2. People working full-time off-farm but still fully committed to part-time farming. These producers cannot obtain a full working income from agriculture, but nevertheless might make a decent return for the amount of effort they devote to the farm. Despite the difference in management systems to (1) above there will again be a greater concentration of activity on the better ground and greater reliance on animal housing and the use of contractors.

3. Hobby, lifestyle farming, generally low input - low output but drawing down the SFP, REPS, the Disadvantaged Area Compensatory Allowance and the Forestry Premium. These farmers will subsidise even their part-time farming from their other occupation. 'Hobby' or 'lifestyle' should not be taken to imply that such farmers are necessarily 'good lifers' or urban retirees – many Irish farms in marginal areas are already in this position. However, the reality is that these individuals treat their farm as others might their garden, and European RD rules make it difficult to extend support to this class of units. This type of unit is less open to regulation and more likely to operate in the 'grey market'. In the Czech Republic this class of farms is an important player in the egg market, for example, but operates essentially outside of the regulatory framework that apply to professional farmers.

4. Depending mostly on market prices, but also on the pressure of the new economics of farming without subsidy, there will be a proportion of farmers who simply do the absolute minimum possible. Whether this will be a reality and to what extent it

will happen is impossible to say. We would however predict that the pressure is likely to be greatest in the HNV areas because here the economics of farming without support simply do not stack up.

Are the predictions good or bad for High Nature Value farming areas?

1. We are of the opinion that recent and current trends in farming in the marginal areas have not been good for nature or landscape value. We start from a position in which nature value is in decline and the rate of decline is increasing. In the past the introduction of the sheep premium accelerated the transition from semi-subsistence, labour-intensive farming, which for all its unacceptable social and economic features, was a period of higher biodiversity on farmland. It was the stimulus for the replacement of meadows (for hay) and tillage (for fodder) with permanent pastures for sheep, and was universally recognised as having pushed sheep numbers on the mountains above what was agriculturally optimal.

2. We are convinced that, in the areas we visited, more recently REPS has been instrumental in accelerating the decline of cattle keeping in places where cattle grazing was most beneficial for nature conservation; and at the same time further simplifying previously mixed-farming systems in the hills and further removing any necessity for tillage. The pollution control measures in REPS and requirements for slatted sheds have discouraged small-scale extensive cattle producers, replaced traditional management systems (e.g. out-wintering of some cattle, others bedded on straw and fed hay) and as a consequence replaced hard manure with slurry. The slatted-shed system is of course more conducive to part-time farming (on which there are varying opinions) but it has little to offer the environment in HNV farming areas.

3. These changes will have reduced biodiversity as well as landscape diversity but perhaps this is little wonder since maintaining these aspects were not objectives of policy. The high stocking densities of sheep have reduced the biological potential of many hill areas - although in some cases not irreversibly and this is being rectified to a large extent by the Commonage Framework Plans. However, these plans did not restore the *status quo ante bellum* – mixed systems of cattle and lower numbers of sheep are being replaced in many cases by extremely low sheep densities and in some cases by complete abandonment. Indeed, several sheep farmers commented that vegetation growth (now mostly in the absence of cattle) was recovering so fast that tussocky whitegrass (Fionnan,

Molinia caerulea), being unpalatable to sheep, was rapidly becoming dominant and a fire risk.

4. Looked at in a natural heritage policy context the introduction of sheep and cattle subsidies broke the connection between farming income and the carrying capacity of the land – socially desirable perhaps, but ecologically highly regrettable. Ironically now another reform, this time at least partly environment-motivated - decoupling – threatens to loosen this link even further, albeit by giving completely the opposite signals. Yet it is this very connection - with farming practices constrained by local environmental conditions - that creates the biological value. Most of the plants and animals in these HNV farming areas are associated with pastures or meadows. This is well known for high profile areas such as the Burren but during the study we saw numerous other areas where high nature value was a direct reflection of appropriate farm management practices. Increasing attention is being given to the importance of Ireland's grasslands for fungi and other less-studied groups, for example.

5. It is difficult to be optimistic that "farming post-Fischler" as it stands will offer much for HNV farming areas. REPS3 offers some long-overdue incentives to positive management of non-designated habitats. But in the overall scheme of things, it will be the market that will trigger changes in management practices and it is hard to think of any empirical evidence or examples that suggests that the market will produce landscape or environmental benefits except by accident. The Burren survives because policy and the market happened not to threaten it too much, not because the market paid for its preservation. REPS notwithstanding, there is nothing in the Irish RDP that would counterbalance the effects of the market to maintain or enhance HNV farmland. As has been the case in the past, the main buffer to change will be local cultural attitudes – farmers through their sheer obstinate attachment to farming will continue to provide public goods *without* payment. This seemingly eternal truth on which policy subconsciously depends is becoming increasingly fragile since it is associated with a generation of ageing farmers who are being followed by a generation with very different social attitudes.

Potential biological changes in HNV farming areas

If agricultural pundits and economists cannot agree about even the short tern changes in farming that are likely to result from the MTR how can we even begin to start making predictions about the biological consequences? Even if we could describe the potentially

good and the potentially bad we would still have no idea about the distribution of either. But there are things from the past and the present that can help us make an informed guess about the future. And, somewhat uniquely, the farm interviews of this study do provide an insight into the likely reactions of individual farmers from real places that we have visited. Even so our predictions are not much more than an educated guess. Some of the likely changes are as follows: -

1. A lot of land that was drained and "improved" in the 1960s and 70s will revert to wet acidic pastures, probably initially dominated by rushes if not grazed by cattle. Depending on what it replaces this could have some positive features for wildlife especially invertebrates and amphibians, but the signals farmers get may not promote positive management of these areas; more likely is fencing them off as a 'habitat' or, worse still, planting them with conifers.

2. In mountain areas there will be virtual abandonment of the hills leading to an increase in coarse vegetation and scrub whilst the green land will be more intensively used. In the absence of wild large herbivores the vegetation for which most upland SACs has been designated will change markedly. On the other hand, areas of overgrazing or suppressed scrub will be allowed to recover. Habitat mosaics previously threatened by high grazing levels will now be equally threatened in the long term by zero grazing.

3. There will be a decrease in cattle production, particularly small herds managed extensively, leading to lower pasture diversity and, if it is widespread, threatening species associated with pastures with mixed grazing such as the marsh fritillary butterfly and the red-billed chough.

4. Viewed with the perspective of many years of over-intensive grazing pressure, it seems likely that many areas will go through a period of apparently very positive transition, which may be longer or shorter depending on the climatic and soil conditions and by the proximity of seed sources for colonising species. This phase may create a sense of false optimism for nature conservation. An example in our sample was Tory Island. Here cessation of grazing has led to herb-rich rank grassland growing in former meadows and pastures, producing conditions currently favourable to corncrakes, yet is totally anomalous if seen in its historical context. The dangers we perceived were twofold. Firstly, those elements of the island's wildlife that had flourished alongside the real traditional agriculture were not favoured by the recent drastic changes; secondly if and when a revival of some of the past management practices was to be encouraged, the psychological attachment and practical skills needed to implement them would have been lost.

5 Ireland, like much of western Europe, has a de-forested landscape and there are obvious attractions in seeing a reversion of some areas to semi-natural deciduous woodland, a potential result of decoupling and less active farming. This might be particularly attractive in the mountainous areas, the result being deciduous woodland giving way with altitude to scrub and mountain grassland. The biological interest would be different to the open pastures this would replace but some vegetation of this type would add to the overall biodiversity (accepting that there might be localised species losses). The problem with this scenario is that it depends on privately owned land being left unused for a very long time and this seems an unlikely prospect. The economic realities of life would more likely result in some alternative use to agriculture; coniferous plantations and wind farms seem the most likely to us.

Is it possible to influence the predicted changes?

The first question to face is whether the ongoing trends in Irish agriculture or the likely acceleration of these trends under the MTR is, notwithstanding the specific effect on HNV farmland, something that should on balance be welcomed. There are many reasons why this might be so. Firstly, Irish agriculture does not have the lynch pin role in the country's social fabric or GDP that it once did, so keeping it alive, come what may, is perhaps not as politically necessary as in the past. Secondly, Irish agriculture has emerged over the last few decades from a long period of introverted isolation to be one of the most export-driven industries in the EU. For this to make sense in the future, its products must be competitive, which implies greater economies of scale and more efficient use of labour. Thirdly, some parts of the Irish countryside are experiencing considerable economic growth, perhaps fuelled by tourism or by people working away for the week and returning for the weekend. South Kerry and parts of Donegal were two very different examples from this study. "Ireland Inc." is perhaps better off if farmers in these areas are fully integrated into this growth, even if it means a decline in agriculture with implications for nature.

There are at least 4 reasons why such a wholehearted welcome to the likely changes stemming from the MTR might be questioned, over and above arguments of 'pure' nature conservation.

1) Ireland's legal responsibilities under the Birds and Habitats and Species Directives. Ireland is legally committed to maintaining in (or restoring to) so-called 'favourable conservationstatus' the SPAs and SACs designated under these Directives.

2) Ireland's attraction for tourists is, particularly away from the few urban and historical honey-pots, based on its 'traditional' agriculture and agricultural landscapes. Postcards in Donegal, for example, make much of the thatched cottage, corn stacks and mosaic of arable and hay in Magherorarty, none of which now survive. Some might see this as being as viable as the donkey, but mountain sheep, which are equally ubiquitous on postcards from the same county, are rapidly going the same way. The main Irish farm-tourism brochure may make little play of the farming activities of its advertisers, but can Ireland afford to completely abandon the agriculture that underpins the cultural landscapes of the west without it affecting crucial markets such as Germany and the USA.

3) In the same way, Irish food is very much marketed as being the product of a green, healthy, 'natural' countryside. While its image is not as tied in with the most marginal landscapes in the way that, for example Scotch Beef or Welsh Lamb is seen as being from the wild mountains, nevertheless the value of HNV farms in maintaining agriculture's claim to be multi-functional should not be overlooked.

4) It is very difficult to separate out Irish HNV agriculture from the cultural traditions of Irish rural life in HNV areas. Farmers are for the most part conservative by nature and have been the reason that many of these customs (even the language itself) survived as living features rather than museum pieces. Can these traditions survive the death of agriculture, particularly if it happens over a short period of time?

Opportunities to maintain HNV farmland in the future

Although in relation to the effects of decoupling, the overall long-term prognosis for HNV farmland in Ireland (and probably the same is true for much of Europe) is negative, not everything is negative. One positive aspect is the very real opportunity presented by one overwhelming reaction of farmers interviewed. This was that, all other thing being equal, they would "wait and see" for a year or two before deciding how to proceed.

So the Heritage Council (and those it advises) has a brief opportunity to draw breath, evaluate the situation and promote action. Complacency now, based on short term potential positive effects, we regard as a highly risky strategy. This is partly because the existing trends in farming we have identified are given massive added impetus by decoupling but also because depending on irrationality on the part of farmers, however well placed, is to depend on a group of individuals who are rapidly dying out, to be

replaced by individuals who have tasted the rewards of the Celtic Tiger economy and may have lived much of their lives away from home. In addition, decoupling has made the mountain that a positive land use policy would have to climb in marginal areas much, much higher. The potential land-use changes, if they get a momentum behind them, might be unstoppable as livestock marts close, vets give up, help from neighbours disappears and contractors move elsewhere.

Another positive aspect is that, while we would hope that farmers in HNV farming areas would get much better rewarded for their services to nature conservation, it is unarguable that they still offer great value for money, as the experience of both State and NGO nature reserves shows across Europe. However experience from other parts of Europe also shows that, once they are gone, bringing them back would be very expensive. Indeed, such is their level of skill transmitted through the generations, and adapted to their particular bit of ground, that bringing it back at all might be very difficult. A farmer on Tory was keen to start growing oats and potatoes again. His enthusiasm was partly due to the fact that it was what he knew and loved, and a big reason for asking him to do it would be that we can be sure that he knows how to!

CHAPTER 8: RECOMMENDATIONS

The conclusion above lead us to a number of recommendations but not all of these relate directly to the effects of the MTR. As we have emphasised throughout the report, Irish agriculture has been in transition for many years and much of the direction of change has not been positive for HNV farming areas. This being the case any recommendations have to address some of these other broader issues.

To make matters more difficult, it is clear that there are still many MTR questions that remain unanswered and for which there simply is not the information available at the moment to answer them. For instance, whilst we have given some suggestions about the nature and extent of the response to decoupling we can only guess at the pace of the response. We think it optimistic to say that we have a couple of years breathing space but it could be less. There are still many policy unknowns - will Ireland try to alleviate some of the effects of its total decoupling or hasten the drive to world market orientation. Also few farmers (or agricultural pundits) are prepared to predict how much change there will be in production practices (including use of inputs where production is significantly reduced) or to what degree enterprise substitution or increase in intensity or scale of production might occur.

The recommendations try to address issues/actions that we think would produce the best outcome for HNV farming areas. We have been very wary of presenting too many hypothetical details because there is the very real danger of losing sight of the bigger picture. In fact the bigger picture includes many issues that are not new and that could have been addressed sooner; many were raised at the 2000 European Forum on Nature Conservation and Pastoralism Conference in Ennistymon, County Clare.

Recommendation 1: HNV farmland in Ireland needs to be defined and concentrations of HNV farmland delimited

We need to identify the HNV farming systems and areas that we want to support. This was a recurring theme in the study: certain types of farming gave us a certain landscape and created biological conditions for certain species. Farmers intuitively understand this idea and our conversations convince us that the vast majority would respond positively to incentives that build on this – it would after all be paying them for farming, which is what they want to do. And of course, this is something that the Irish Government has committed itself to carrying out by 2006.

Building on the work carried out for the EEA, we suggest that there are two approaches to identifying areas that can be carried out in parallel. First of all, identify large areas of Type 1 HNV farmland (dominated by semi-natural vegetation). This can be done using refinements of the land cover mapping described. Secondly, there needs to be a discussion on how to identify Type 2 (and by extension, small areas of Type 1) farmland (low intensity farming with large amounts of ecological infrastructure). Our work on the UK and Ireland for the EEA suggests that simple descriptive distinctions of the type used in IACS and the farm census (rough grazing, permanent pasture, and so on) can be combined with simple agronomic data (e.g. livestock density) to start to narrow down the focus onto the most interesting areas.

Work also needs to be done on developing simple discriminators to define the farm types in the HNV farming areas and on describing their management systems. This will be essential for implementing recommendation 3 below.

Recommendation 2: Accepting the deficiencies in defining HNV farming we need to set some targets for what we want to see in the countryside.

As a guide we might start by using or refining some of the features employed to define Type 2 HNV systems. Some of these will have association with times when farming was at a subsistence level and people were financially poorer than today. There will be a need to present these activities (e.g. tillage, hay making, use of hill cows to graze moorland) in a positive way. Some will be activities dying out but still hanging on in places (e.g. the interest in maintaining local varieties of crops, both cereals and brassicas, we witnessed in Donegal; hill grazing of cows in many areas); others will be current practices that will not survive decoupling (hill sheep farming in some places). Above all, the targets must meet the needs of the areas identified. Ireland is a country with very steep west-east climatic gradients and geology and soil conditions vary considerably over short distances and it cannot be assumed that optimum stocking rates (for example) need to be the same in all areas. Even within the same area, 'green' land and moorland clearly have different needs. During the interviews we asked farmer whether they would be prepared to do some of these things for the right incentive – summer cattle on rough grazing, grow hay instead of silage, grow some arable crop, even keep to certain stocking densities - the reaction was very positive.

Recommendation 3: There should be a national scheme specifically targeted at HNV farming

It seems clear to the authors that there is an urgent need to target support at HNV farmland if massive change is to be avoided. This support must, we believe, be, in Einstein's words, 'as simple as possible, but no simpler'. It should recognise that there is more than one possible desirable combination of outcomes and be willing to accept differing levels and type of commitment, as long as the central aim is not compromised. This means that in practice various tiers of support need to be offered, for example:

- Tier 1: farming within maximum and minimum stocking levels appropriate to green land/rough grazing balance on the farm and observing minimum standards
- Tier 2: more detailed stocking levels; stocking mix; certain area cut and/or cropped; summer grazing of mountain by cattle
- Tier 3: detailed prescriptions, e.g. cutting dates & methods; grazing intervals; management of field boundaries

A major question will be whether to limit the option of participation to certain defined areas. This option seemed to have universal support at the workshop and the (perhaps new) LFA might be an obvious starting point. Although the feeling there was that it would be a smaller area than this. A rather more subtle alternative might be to make the scheme(s) universally available, but use the prescription details and payment levels to make it most attractive to farmers in the target areas. This would have the benefit of primarily targeting the low intensity, extensive farms of the marginal areas but would not preclude others following similar management if they so desired.

On balance we think that that the scheme will work best if funded separately from REPS, using Tier1 to maintain the agricultural character of the (HNV) area, Tier 2 to reward the management most appropriate for maintaining the current nature values and Tier 3 for enhancing these. At all levels the emphasis would be maintaining biological diversity through farming practices. Within an integrated rural policy we could imagine that Tier 1 would be funded through the LFA chapters of the EARDF (effectively being special payments for HNV farming areas) and Tiers 2 and 3 through agri-environment.

Recommendation 4: A pilot scheme should be introduced for the off-shore islands to test practical feasibility and farmer response

The peripheral location of the off-shore islands creates a huge disadvantage for farming. This is not only in terms of extremes of climate and terrain but also in terms of transport costs to and from markets and to other facilities that would normally be taken for granted

(e.g. access to a veterinary surgeon). At the same time it provides an additional incentive to be more self-sufficient. Historically these constraints on farming resulted in mixed farming systems of great nature conservation value. They have declined markedly in recent years despite being integral to the cultural traditions of the islands as well as the cultural landscapes that form such an important element of their economic future through tourism. We feel that if schemes specifically for HNV farming could work anywhere they ought to do so on the islands; where there would be clear community benefits (both social and economic) which would be geographically discreet. The clear geographic limits should make it easier to define specific objectives, the practical measures that would achieve these and the cost. The potential benefits for nature conservation are large and are unlikely to result from any other approach currently available. Because the financial implications of such a scheme would be limited it would open the doors for trying out innovative approaches and new ideas.

Recommendation 5: Payments in the these schemes should reflect the real costs

In the past, incentives for environmentally-beneficial farming were paid in a context dominated by direct, production-linked, payments. Environmental NGOs have in the past stressed the way that production support adds to the cost of paying farmers for employing less intensive methods through agri-environment schemes. However, in cases where maintaining current, beneficial, but inherently loss-making, activities was the objective, coupled payments in theory actually *reduced* the burden on agri-environment schemes.

Decoupling of LFA payments had at most a marginal effect while First Pillar support was coupled. However from 2005 onward environmental payment schemes will for the first time need to assess properly and fully the costs associated with their prescriptions. The danger is that schemes will continue to pay for (as an example) the additional costs or income foregone associated with particular cutting dates for hay or silage, *assuming* all the while that cutting silage itself is still a rational activity in support of a profitable cattle system. Of course, in some areas, cattle systems *will* be profitable, so some subtlety of approach is required.

We accept fully that agriculture in Ireland, much as in the rest of Europe, and especially in marginal areas, is quite resistant to change and that social and cultural factors instil a certain inertia in farmers and farming systems. We are very concerned however, now that the 'brakes are off', that policy will come unconsciously to depend on this conservatism.

Policy makers must at least consider what it means to 'pay for public goods'. Does it mean that farmers should receive a net income at least equivalent to the minimum wage? Or that they should get the local median wage? Should payments be adjusted to reflect a reasonable return per hour or should farmers accept that they have to work long and anti-social hours? Our feeling is that in the long run farmers will need to be paid hourly rates comparable to others in the locality for the time they take to deliver any public goods. The cost of the time required can be worked out using farm data of the type gathered for Ireland-wide farm accounts surveys and standard labour requirements.

The 'family farm', in the conventional sense of a unit which provides a living for a family, is long gone in many parts of Ireland (even if some of the occupiers have no other source of income). Policy must accept this reality, but if we are interested in the management of the land, and not just the income levels of the farming family, we cannot be satisfied with replacing poor returns for hard farm work with a proper wage for a part-time off-farm job – such a 'solution' merely highlights the down sides of agriculture and is at most an unstable temporary fix. Farms may not provide full-time incomes, but what income they do provide must be at a reasonable hourly rate for the desirable management to survive into the future.

Finally, it is very important that costings are drawn using realistic and appropriate data. Thus far, economic studies have tended to divide farmers by system and then to separate out the good, average and poor performers. Costings aimed at specific areas or specific systems must be derived from studies specially directed at those same types of farms. The obvious next step is to have payments differentiated by region or system, but this would be an innovation in Ireland, and alternative approaches, such as the tier and menu-based method outlined above may be the most acceptable alternative.

Beaufoy (2004) gives an example calculation of the type of payments that might be used to support HNV farming in the remoter areas of the Scottish LFA. The figures are based on calculations of actual farm accounts, data from the annual SAC Farm Management handbook and work carried out on the cost of some of the various operations (they are not reflected in current Scottish agri-environment payments).

- LFA payments of approximately €45/ha of rough grazing and €520/ha of inbye necessary to give minimum wage/hr, with requirement to stock at 0.75 LU/ha of inbye and 0.1 LU/ha of hill.
- Broad and shallow LFA top-up payment of approximately €700/cow kept with limit of 2.5 cows paid for per ha of winter fodder grown
- Broad and shallow LFA payment for growing minimum of 10% of fodder area (or 1 ha, whichever is the lesser) as arable crops of approximately €700/ha
- Agri-environment payments for detailed specific actions e.g. cutting dates, stooking of corn, fencing off cover areas
- Capital payments to support measures receiving any LFA or agri-environment top-up or, in the case of meeting standards, for any action necessary to enable the continuation of environmentally-desirable management

Recommendation 6: **Better relationships should be developed with farmers in HNV areas**.

One of the saddest aspects of our work has been the way the poor relationship between farmers and the defenders of the environment in Government permeates every discussion of the subject. Whether the relationship could have developed in any other way given the pressures from both sides is by now immaterial. It is however essential that the situation improves.

Farmers have an important role in delivering a whole range of public goods as the major land managers in Ireland. They can do so cheaply and their connection with their land and locale adds value in a way that cannot be replicated by the State or NGOs.

But farmers also need 'The Environment'. In the enlarged European Union the disadvantages which justified huge injections of Structural Funds to Ireland pale into insignificance next to the ravaged economies of Eastern Europe. But High Nature Value farming (and not just in designated sites) is an enduring public good which Ireland has to offer Europe. Perhaps now is the time for farmers to make the environment their own.

It should be a priority for Government and NGOs to create a new positive relationship with two groups of marginal farmers in HNV areas:

- first, and most urgently, those who are currently 'delivering the goods' from an environmental point of view. Their systems may or may not be viable at present but the SFP will certainly provide a stimulus for them to review their activities.
- second, farmers whose current agricultural systems may be less than optimum and even currently make no financial sense. The SFP will be a huge stimulus for change. They may in the past have delivered less goods than environmentalists might have wished (they might have been subject to compulsory de-stocking, for example) but they are potentially the new HNV farmers. At present they are not only feeling under-valued and unwanted, but cannot find a positive, pride-reinforcing message in any of the available schemes.

Recommendation 7: **An integrated rural policy framework should be developed.**

Any new measures will have to fit into the wider rural policy framework. The future development of HNV farmland would hopefully be one concern of this. Although Ireland has both a National Development Plan and a CAP Rural Development Plan, we repeatedly heard the view that in practice there was no such thing as an integrated policy addressing land use, let alone the wider future of rural areas. At present, some people thought it was a 'free-for-all' with everything going to the highest bidder. Decoupling, by laying even more stress on the market and removing the guiding role and production logic of First Pillar payments, only further emphasises the need for an integrated rural policy. With a strong landscape element this could ensure that REPS, LFA, Afforestation premia etc. do not just work in a random way.

In such a rural policy framework, with genuine landscape scale objectives one would need to give HNV systems a rationale, which under decoupling they now lack. To be not only efficient but effective, it is difficult to see how this can be achieved without *all* policy measures working together. Ideas such as REPS being the only measure which should be used to benefit the environment; that LFA is only for the maintenance of communities; that increasing efficiency through investment incentives is nothing to do with nature conservation all belong in the past.

The weakness of the new European Commission approach is that the three axes of Rural Development are treated as completely separate – despite their rhetoric about integrated

plans. If Ireland really wants to deliver a holistic package to marginal and/or HNV farmland, it will need to make an effort to overcome the rigidity of the Commission's template.

And of course for this to work, we do of course need to identify both the HNV farming areas and the farming systems which we want to support, which takes us back to the first recommendation.

8. GLOSSARY

CAP	Common Agricultural Policy
CORINE	Co-ordination of information on the Environment (a European mapping project)
EEA	European Environment Agency
EARDF	European Agriculture and Rural Development Fund
EFNCP	European Forum on Nature Conservation and Pastoralism
FADN	Farm Accountancy Data Network
GAEC	Good Agricultural and Environmental Condition
HNV	High Nature Value
LEADER	
LIFE	EU scheme providing financial support for environmental and nature conservation projects throughout the EU, candidate countries and bordering regions
LFA	Less Favoured Areas - where the disadvantaged areas compensatory payments (formerly "headage") are made.
LU / ha	Livestock Units per hectare (e.g. a cow = 1 LU/ha, a sheep 0.15 LU/ha)
MTR	Mid Term Review (of the CAP)
NGO	Non Governmental Organisation
NPWS	National Parks and Wildlife Service
REPS	Rural Environment Protection Scheme
RDR	Rural Development Regulation
SAC	Special Area of Conservation
SAP	Sheep Annual Premium (headage subsidy paid to sheep farmers)
SFP	Single Farm Payment
SPA	Special Protection Area

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APPENDIX I

The new Financial Perspective 2007-2013

In setting out its vision for the enlarged European Union and its proposals for a new **Financial Perspective for the period 2007–2013,** the Commission outlined three priorities. The first mentioned is the completion of the Internal Market towards realising the objective of sustainable development, which encompasses competitiveness, cohesion and the sustainable management, and protection of natural resources.

In contributing to the objective of sustainable development, the Commission proposals emphasise that rural development policy after 2006 is to focus on three main objectives:

- Increasing the competitiveness of the agricultural sector through support for restructuring;
- Enhancing the environment and countryside through support for land management, including co-financing of rural development actions;
- Enhancing the quality of life in rural areas and promoting diversification of economic activities through measures targeting the farm sector and other rural actors.

In matching resources to objectives the Commission has proposed that all rural development measures will be regrouped for all regions under a single funding, programming, financial management and control system. This fund is included as a separate section in a new budgetary format entitled Preservation and Management of Natural Resources, which also includes market-related expenditure and direct payments – Pillar 1. In addition to the expenditure related to the Common Agricultural and Fisheries policies, it will also cover expenditure related to the environment. Under this proposal funding for rural development would increase from €11.8billion to €13.2 billion from 2007 to 2013 and include all Guidance Funds.

Table 6 New Financial Perspective 2007 to 2013: € billion @2004 prices

	2006	2007	2008	2009	2010	2011	2012	2013
HEADING 2: Sustainable management & protection of natural resources	56.0	57.2	57.9	58.1	58.0	57.9	57.8	57.8
Of which Agriculture (excluding admin expend)	54.3	55.3	55.9	56.1	55.9	55.7	55.6	55.5
Of which Market and Direct Aids	43.7	43.5	43.7	43.4	43.0	42.7	42.5	42.3
Rural Development	10.5	11.8	12.2	12.7	12.8	13.0	13.1	13.2

This represents an increase of some 25% but is essentially due to enlargement. This fund for Rural Development is based on appropriations as a percentage of Gross National Income of 1.14%. However, a number of Member States have been exerting pressure to keep EU spending to 1% of its GNI and this would have a negative impact for the Rural Development Fund, since the budget for market expenditure and direct payments has been ring-fenced by a Heads of State agreement. If the 1% proportion were adopted it would mean a reduction of 15% in the fund if a pro rata adjustment were to apply to all budget lines other than market expenditure.

APPENDIX II The New Rural Development Proposal

In mid July, the Commission adopted a proposal to reinforce the EU's rural development policy and to simplify its implementation. By bringing the policy under a single funding and programming instrument, the new draft Regulation seeks to increase its coherence, transparency and visibility and aims to facilitate its implementation. The proposed reform is axed around three major policy objectives, as outlined in the Communication for the financial perspectives 2007-2013: Increasing the competitiveness of the agricultural and forestry sector, enhancing the environment and countryside, and enhancing the quality of life in rural areas.

As outlined in the statement from the Commission presenting the new proposal, rural areas cover 90% of the enlarged EU's territory and are home to approximately half of its population. Despite the decline of the primary sector over the last years, agriculture and forestry remain the main land users in the EU. Therefore these sectors play a key role in the management of natural resources in rural areas, and still have a valuable contribution to make to their socio-economic development. But the viability of rural areas needs more than agriculture alone: Rural development policy needs to place agriculture in a broader context that also takes into account the protection of the rural environment, the quality of produced food, and the attractiveness of rural areas to young farmers and new residents.

Main elements of the Commission proposal

The proposed reform will improve the implementation and governance of EU rural development programmes as follows:

- All existing measures will be regrouped under a single funding and programming instrument;
- A genuine EU strategy for rural development will serve as the basis for the national strategies and programmes. This strategy will ensure better focus on EU priorities, and will improve complementarity with other EU policies (e.g. cohesion and environment);
- Reinforced monitoring, evaluation and reporting will ensure more transparency and accountability for the use of EU money;
- Less detailed rules and eligibility conditions will leave more freedom to the Member States on how they wish to implement their programmes;
- A strengthened bottom-up approach will better tune rural development programmes to local needs;

- The division of responsibilities between Member States and the Commission will be better defined.

The new policy has three major objectives: 1) Increasing the competitiveness of the agricultural sector through support for restructuring, 2) Enhancing the environment and countryside through support for land management 3) Strengthening the quality of life in rural areas and promoting diversification of economic activities through measures targeting the farm sector and other rural actors.

Axis 1: Improving competitiveness of farming and forestry:

1. **Measures aimed at improving human potential through:**
    - vocational training and information actions for persons engaged in the agricultural and forestry sectors
    - setting up of young farmers,
    - early retirement of farmers and farm workers,
    - use by farmers and forest owners of advisory services,
    - setting-up of farm management, farm relief and farm advisory services, as well as of forestry advisory services.
2. **Measures aimed at restructuring physical potential through:**
    - modernising farms,
    - improving the economic value of forests,
    - adding value to primary agricultural and forestry production,
    - improving and developing infrastructure related to the development and adaptation of agriculture and forestry,
3. **Measures aimed at improving the quality of agricultural production and agricultural products through:**
    - helping farmers to adapt to demanding standards based on Community legislation,
    - supporting farmers who participate in food quality schemes,
    - supporting producer groups for information and promotion activities for products under food quality schemes;

- transitional measures for the new Member States concerning:

Axis 2: Environment and land management:

Agri-environmental measures are a compulsory component. A general condition for the measures under axis 2 at the level of the beneficiary is respect of the EU and national mandatory requirements for agriculture and forestry. Cross compliance is the baseline for CAP 1sr pillar payments. Cross compliance that means compliance with 18 standards in the field of environmental protection, public health, animal and plant health and animal welfare, and compromises statutory requirements for farmers and requirements to keep land in good agricultural and environmental conditions. The same baseline will apply to the area-based measures of axis 2. For agri-environment payments in addition conditions for fertilizer and pesticide use will apply.

1. **Measures targeting the sustainable use of agricultural land through:**
   - natural handicap payments to farmers in mountain areas,
   - payments to farmers in areas with handicaps, other than mountain areas,
   - NATURA 2000 payments
   - agri-environment and animal welfare payments,
   - support for non-productive investments.
2. **Measures targeting the sustainable use of forestry land through:**
   - first afforestation of agricultural land,
   - first establishment of agriforestry systems on agricultural land,
   - first afforestation of non agricultural land,
   - NATURA 2000 payments,
   - forest-environment payments,
   - restoring forestry production potential and introducing prevention actions,
   - support for non-productive investments.

Axis 3: Diversification of the rural economy and quality of life.

The preferred implementation method is through local development strategies targeting sub-regional entities, either developed in close collaboration between national, regional

and local authorities or designed and implemented through a bottom up approach using the LEADER approach (selection of the best local development plans of local action groups representing public-private partnerships).

1. **Measures linked to diversifying the rural economy concerning:**

    1. diversification to non agriculture activities;
    2. support for the creation and development of micro enterprises;
    3. encouragement of tourism:
    4. protection and maximising the potential of the natural heritage to contribute to a sustainable economic development.

2. **Measures linked to improving the quality of life in rural areas concerning:**

    - essential services for the economy and the rural population,
    - the renovation and development of villages and the preservation and restoration of the rural heritage;

3. Vocational Training, Skills acquisition and Animation

- a measure linked to professional training for the economic actors in the areas covered by axis 3;
- a measure linked to competence acquisition for the management and implementation of the local development strategy.

A fourth implementation axis (LEADER) mainstreams the local development strategies developed through a bottom up approach which were previously financed under the LEADER initiative. A minimum of 7% of program funding is reserved for the LEADER axis. Each programme should contain a LEADER axis to finance the implementation of the local development strategies of local action groups built on the three thematic axes. 3% of the overall funding for the period will be kept in reserve and allocated in 2012/13 to Member States with the best results from the LEADER axis. So the LEADER model can be applied on a wider scale by those Member States wishing to do so, while for the EU as a whole continuation and consolidation of the LEADER approach will be safeguarded.

Changes to the definition of less favoured areas (LFA) are also proposed. Currently there are three types of LFA:

- Mountain areas (defined by altitude and slope)
- Other or intermediate LFA (partly defined on socio-economic criteria)
- Areas with specific handicaps for example wetlands (limited to a maximum 10% of a member state's territory)

The Court of Auditors has criticised the less favoured status of the intermediate zones, because the socio-economic criteria originally used (in the seventies) for the delimitation have in many cases become outdated and are no longer met. It has also pointed to potential overcompensation of handicaps in these intermediate zones.

The changes proposed are therefore to review the classification of the intermediate zones, based on permanent handicap criteria: low soil productivity and poor climatic conditions. And to lower the maximum payment for the intermediate zones from 200 €/ha currently to 150 €/ha. The precise criteria for soil productivity and climate (length of the growing season) will be laid down in the implementing rules. For mountain areas and areas with specific handicaps nothing changes as far as delimitation is concerned.

In order to ensure a **balanced strategy, minimum funding** for axis 1 (competitiveness) and axis 3 (wider rural development) of at least 15% of total EU programme funding will be required and of at least 25% for axis 2 (land management). For the LEADER axis a minimum of 7% of the EU funding is reserved.

The **EU co-financing rates** are set at axis level, with a minimum of 20% and a maximum of 50% of total public expenditure (75% in Convergence regions). For axis 2 and the LEADER axis the maximum rate will be 55% (80% in Convergence regions), expressing the EU priority attached to these axes. Of overall EU RD funding available for the period (excluding modulation), 3% will be kept in reserve to be allocated in 2012 and 2013 to the Member States with the most performing LEADER axes.

In general the proposed measures in the Draft Regulation are heavily weighted towards the environment and land management and conservation and the wider rural economy with a limited enough emphasis on the competitiveness objective. EU co-funding rates will also be lower for non-convergence areas and in some instances support rates would also be lower. There is a ringing endorsement of the LEADER approach to local development and to its integration into the mainstream of future Rural Development Policy. With respect to forestry there is a switch in emphasis from expanding the forestry

base to enhancing and protecting the present forestry resource and the proposed supports are nowhere as attractive as the present suite.

APPENDIX 3: Explanation of Map of low stocking density

Source of data

The Agricultural Division of the Central Statistics Office (CSO) provided data for the map of low stocking density. These data came from the Census of Agriculture 2000 and are presented at the level of Electoral Division (ED) (formerly known as District Electoral Divisions (DEDs)). In 2000, there were 3,440 legally defined EDs in the State and the Census of Agriculture 2000 recorded 2,980 with agricultural activity. The CSO suppressed agricultural data from 113 EDs for reasons of confidentiality or reliability. This left 2,867 EDs with agricultural data available for mapping.

The Census of Agriculture 2000 was the first conducted entirely by postal questionnaire (CSO 2002). Questionnaires were sent to farms based on a new farm register generated from sources such as the existing CSO register, Department of Agriculture and Food, An Bord Glas (the Horticultural Development Board) and Teagasc. Postal addresses for farmers could not be readily related to ED by the CSO therefore the farmer was relied upon to record the townland and the ED where the farm was located. EDs where the CSO considered the information on farm location unreliable were suppressed (see 3.3.4).

Definition of a farm and its location

The definition of a farm in both the 1991 and 2000 Census was, "a single unit, both technically and economically, which has a single management and which produces agricultural products" (p.6, CSO 1994; p.7, CSO 2002).

All farms of at least 1 hectare (2.47 acres) were included in the Census as well as those less than 1 hectare that engaged in intensive production such as pigs, poultry and horticulture (CSO 1994, 2002). The CSO considered this EU size threshold very low in the context of Irish farming and it ensured comprehensive coverage of agricultural activity in Ireland by the census.

Farm location was defined as "(t)he place where the farm headquarters (usually the farm residence) is located" (p.9, CSO 2002). In other words, even if a farm rented in land or used commonage from another ED, the data pertaining to that farm were allocated to the ED where the farm had its headquarters. This suggests a loss of precision in reading values for each electoral division but in no way diminishes the value of the map in capturing the spatial distribution of low stocking density. The contiguity of areas with low stocking densities supports this opinion.

Livestock units

Livestock units are the standard units used to equate the populations of various livestock. Numbers of livestock are multiplied by coefficients applicable to Irish conditions and related to dry matter intake and body weight of different types of livestock (Attwood and Heavey in Lafferty *et al.*

(1999)). Those used in this map were: bulls, cows, other cattle over 2 years and horses 1.0; heifers-in-calf 0.7; other cattle 1-2 years 0.67; other cattle under 1 year 0.33; rams and ewes 0.2; other sheep over 1 year 0.16; other sheep under 1 year 0.1 (from Horner *et al.* in Lafferty *et al.* (1999)).

Map generation

The map was generated using a geographic information system (GIS) – ArcView 8.3. The database was linked to a digital spatial data infrastructure of EDs from the Ordnance Survey of Ireland to map each variable. The data were classified manually into five equal interval classes up to a stocking density of 1.0 livestock unit per hectare.

APPENDIX IV: Photographs of areas visited during the fieldwork

See the separate disc with photos and explanations.

APPENDIX V: Summary of main CAP reform points

- After the Agenda 2000 Berlin Summit, continuing reforms were introduced for the dairy, beef and arable sectors. The implementation of the dairy reform with respect to price reduction and compensation was delayed until the 2005/2006 marketing year and a 2.86% increase in the dairy quota was agreed for 2000 and 2001. In the beef and arable sectors the process of price reduction with compensation was continued. A price cut of 20% was introduced for beef in three equal steps from 2000 to 2002 with offsetting increases in the suckler cow, special beef and extensification premia and the introduction of a new slaughter premium for adult cattle slaughtered or exported live. In the arable regime, a price cut of 15% was introduced in two equal steps in 2000 and 2001 with the compensation for this price reduction set at about half the value of the price reduction.

- Under the National Development Plan 2000 – 2006 for Agriculture and Related Rural Development, there were allocations under the (National) Productive Sector Operational, and Employment and Human Resources Development Operational Programmes covering food, agriculture and forestry. In addition, the two Regional Operational Programmes provided allocations for farm structural investment, farm diversification, support services and certain rural development initiatives. By far the biggest allocations were granted to the Guarantee Funded Rural Development Programme, which includes the Rural Environment Protection Scheme, Compensatory Allowances, Early Retirement and Forestry and these measures operate over the period 2000 – 2006. While the basic rules and regulations of the three other Schemes over the period 2000 – 2006 were similar to those prevailing over the 1994 – 1999 programming period, the application of the Compensatory Allowance Scheme was changed to an area-based system from 2001 and no longer related to the number of qualifying livestock which was a feature of the headage based Scheme in the previous years.

- Under the Agenda 2000 Agreement, the integration of environmental concerns is central to the CAP Reform element and, in future, all farmers receiving EU aid under CAP or under the Structural Funds must practice farming in accordance with minimum EU and national environmental requirements. Good farming practice includes standards relating, inter alia, to nutrient management, the protection of watercourses and wells, wildlife habitats, use of pesticides and chemicals and animal welfare. The adherence to these standards would be associated with the keeping of livestock on the areas concerned.

- The key elements of the 2003 MTR Reform of the CAP included:

- A Single Farm Payment for EU farmers, independent from production, this payment linked to the achievement of environmental, food safety, animal and plant health and animal welfare standards, as well as the requirement to keep all farmland in good agricultural and environmental condition ("cross-compliance"),
- A strengthened rural development policy with more EU money, new measures to promote the environment, quality and animal welfare and to help farmers to meet EU production standards starting in 2005,
- A reduction in direct payments ("modulation") for bigger farms to finance the new rural development policy.

- All direct payments for cattle, sheep and arable crops will be fully decoupled from production as and from 1 January 2005. The Rural Environment Protection Scheme (REPS), and Disadvantaged Areas Compensatory Allowances, (Formerly Headage Payments Schemes) are not included in the Single Payment Scheme and will continue as before.

- The impact of decoupling varies with the farm enterprise. With respect to the beef sector, the reduction in the suckler herd could be quite significant but much will depend on the strength of the beef market in the short to medium term and the extent to which farmers will adopt a wait and see attitude. Hill sheep numbers will probably decline significantly but lowland numbers could expand. The impact on the dairy and cereal enterprises may not be significant assuming market prices remain firm.

- In the proposed Financial Perspective 2007-2013, the Commission has proposed that all rural development measures will be regrouped for all regions under a single funding, programming, financial management and control system. Under this proposal, funding for rural development for the EU would increase from €11.8billion to €13.2 billion from 2007 to 2013 and include all Guidance Funds and would be known as the European Agricultural Fund for Rural Development (EAFRD). This represents an increase of some 25% but the increase is essentially due to enlargement.

- The Draft Rural Development Policy has three major objectives: 1) Increasing the competitiveness of the agricultural sector through support for restructuring, 2) Enhancing the environment and countryside through support for land management 3) Strengthening the quality of life in rural areas and promoting diversification of economic activities.

- The priorities for the new programme are outlined under the following axes:

Axis 1: Improving competitiveness of farming and forestry:

Axis 2: Environment and land management:

Axis 3: Diversification of the rural economy and quality of life.

A fourth implementation axis (LEADER) mainstreams the local development strategies developed through a bottom up approach.

- In order to ensure a balanced strategy, minimum funding for axis 1 (competitiveness) and axis 3 (wider rural development) of at least 15% of total EU programme funding will be required and of at least 25% for axis 2 (land management). For the LEADER axis a minimum of 7% of the EU funding is reserved.

- The EU co-financing rates are set at axis level, with a minimum of 20% and a maximum of 50% of total public expenditure (75% in Convergence regions). For axis 2 and the LEADER axis the maximum rate will be 55% (80% in Convergence regions), expressing the EU priority attached to these axes. 3% will be kept in reserve to be allocated in 2012 and 2013 to the Member States with the best results from the LEADER approach.

- Taking account of the incomes in farming, the dependence of certain farming systems on direct payments, the associated structural characteristics of such farmers and their location, the following general conclusion can be drawn. With the introduction of the decoupled single payment it is likely that the structural diversity of agriculture will increase: the scale of the full-time commercial farms will probably increase at a faster rate than heretofore, as there will no longer be a cap on production: at the same time the output from part-time, elderly and smaller farmers will also decline especially in the more marginal areas. Indeed it seems as if the so-called non-commercial sector in farming is assured of being better supported under the new rural development programme but the same cannot be said of the commercial sector.