Socio-economic challenges to HNV farming and farming communities

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Low-intensity management

Livestock
Nitrogen
Biocides

% of semi-natural land cover
Grass, scrub
Trees
Field margins
Water bodies

Diversity of land cover
Crops
Fallow
Grass, scrub
Trees
Water bodies

Type 1

Type 2

HNV
Where is HNV farmland?

- Poor land **MOST COMMON**
- Historic land use patterns retained even on good land **LESS COMMON**
- Land use associated with other socio-economic drivers (e.g. other employment, hobby. Poor and rich “suburbia”)
- Most HNV farmland is on **economically-small farms**
Economic size

• Economic Size Unit (ESU)

• 1 ESU = €1200 of Gross Margin

• Gross Margin is a measure of the profitability of farming activities (Gross output minus Variable costs), but excludes Fixed costs

• Commonly used thresholds/estimates:
  – <=1 ESU – semi-subsistence [or hobby?]
  – 2-8 ESU – part-time
  – >8 ESU – full-time
Regions where >30% of area occupied by farms <full-time
Why might economically-small farms be HNV?

• Poor ground (maybe large farms in terms of area) - low economic return, so small economic size
  – Land likely to be dominated by semi-natural vegetation

• (Physically) small farms offering low economic return are also of small economic size, lack capital and sometimes motivation and therefore often often managed at low-intensity
  – Low-intensity farming in a mosaic landscape with a significant proportion of semi-natural vegetation

• These types of small farm are High Nature Value!
A ‘poor land’ example: NW Highland Blackface flock
gross margin per 100 ewes WITHOUT CAP support

Gross margin -£756

(source SAC)
Other costs

• Fixed costs (labour, rent, power & machinery, property maintenance, depreciation, finance…….)
• Not high in this system, but maybe still £1000?
• Net margin could be -£1700
Labour

• QMS - 100 ewes need c. 400 hr of labour
• If bought in, costs c. £7.50/hr
• SAC figures show 200 hr non-family labour
• As no. neighbours decrease, more of this £1500 will need to be paid
• Own/family labour is c. 200 hr
• What are other opportunities in the economy for the farmer/crofter?
So then….

- Total loss from keeping 100 ewes (cost) is £1700
- When neighbours retire £3200?
- AND means giving up some work time, perhaps in skilled work??
- Could easily cost £4000 in future
- A costly hobby??
Even if we couple the payments........

- Support payments:
  - (say) £1500 SFP
  - (say) £700 LFA
- Profit of £500 just now
- For a family time commitment of 200 hrs - £2.50/hr
- Minimum wage is >£6/hr
But with decoupling can….  

• Claim £1500 SFP

• AND actually earn the £1500

• Minimum real income of £1500
• Possible profit of £3000 (i.e. AFTER costs)
Economically small farm

• Not necessarily small in area
• E.g. coupled Gross Margin on this same flock is about €8/ewe, so 1 ESU approx. 150 Blackface ewes
• Stocking rates in that area are <= 0.15 LU/ha, so 1 ESU equates to c. 150 ha and a full time farm in terms of income would have 1200 ewes or 180 LU and 1200 ha
• In a similar area in SW Ireland, average livestock managed by 1 Annual Work Unit (i.e. 1 full time equivalent) was 60 LU (1/3 full time wage for full time job??)
• Inadequate return to labour – lower than the minimum wage, even before fixed costs and money for reinvestment
Some interim thoughts?

- HNV farms on poor land give a poor return to labour, illegal in employed work
- Farms often depend on social networks which are collapsing and which will cost money to replace
- Decoupling makes farming purely a socio-cultural choice (i.e. not economically rational)
- Better-paying options in the economy can be a threat as well as an opportunity
- I don’t see anything about this in RDPs……
Types of ‘solutions’

• Pluriactivity
• Retirement
• Hobby farming/ large-scale gardening
• Enduring (or accepting) poverty (e.g. full-time semi-subsistence)
Large-scale small farms and nature value

- Linked to important habitats, some found mainly on them
- Already large, so economies of scale difficult
- Problem is not underemployment of capital or labour, but low return on labour
- Futures?
  - Amalgamation? Not likely – labour is major cost!
  - ‘hobbification’? Not likely either
  - Abandonment?

- What are the policy objectives?
- Do we know what we need to do to achieve them?
Small-scale mosaics and nature value

• Most fragile, most rare landscape in Europe, most socially vulnerable
• Linked to important species (and habitats), some found mainly on them
• Futures?
  – Amalgamation?  Possible, but is it likely and do we want it?
  – ‘hobbification’?  Possible in some areas, but does it ‘deliver’ and is it sustainable?
  – Abandonment?
• What are the policy objectives?
• Do we know what we need to do to achieve them?
• Most farmers old
• Many farmers bachelors
• 30 young farmers out of 2000
• 16% ‘not in money economy’
• Paperwork?
• Self-image/ respect of peers?
• Girls willing to marry a farmer?
Some more thoughts…

• Problem is not fundamentally about allowing everyone to make a living as full-time farmers
• Problem is low return on labour for the hours worked (esp. poor when considering public goods vs. minimum wage)
• And/or continuous falling behind in returns from the land compared to other opportunities
• And/or non-financial pressures (e.g. paperwork, regulations)
• And/or loss of prestige/self-respect
• ‘Money isn’t everything’, but
  – Society shouldn’t ask people to work for it for poverty wages
  – Non-financial motivations are poorly transferred between generations when prestige low and alternative opportunities high
• Need to plot a ‘direction of travel’ and support in RDPs
And the last ones…….

- Small farms are a complex group especially as regards socio-economic characteristics
  - Different economies
  - Different motivations
  - Different drivers for change and/or ‘last straws’
- Needs assessments are essential – one size won’t fit all
- If any of these types are important in a country, surely RDP should discuss the relevant issues and plot out a ‘direction of travel’
- Carrying out this analysis is an essential part of identification and monitoring of HNVF
Thanks very much
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