

5 December 2006

Mr Joe O'Reilly  
Department of Agriculture and  
Rural Development  
Policy and Economics Division  
Room 810  
Dundonald House  
BELFAST  
BT4 3SB

Dear Mr O'Reilly

**CONSULTATION ON PROPOSED CHANGES TO FARM INCOME  
STATISTICAL INDICATORS**

With reference to your letter of 6<sup>th</sup> November 2006 regarding the above, Limavady Borough Council would make the following comments on the proposed changes to the Farm Income statistical indicators:

- 1. Do you agree that Net Farm Income is no longer fit for purpose as the main statistical indicator of farm income in Northern Ireland and should be replaced?**

The Council acknowledges that the current Net Farm Income measure has a number of weaknesses and does not accurately reflect the position in agriculture at present. The Council also agrees that many farm businesses are often operated as family businesses with partners, other than just the farmer and their spouse, drawing income from the farm. The Council therefore supports the need for a new measure which would provide a comprehensive and accurate measure of farm income.

- 2. Is Farm Business Profit an acceptable replacement for Net Farm Income in Northern Ireland?**

The Council notes that the proposed Farm Business Profit measure will include no notional deductions and recognises that this relates to the issue of tenant rents.

However, the Council is of the view that the incomes of farmers can contain many elements that are hard to place a value on (such as food or fuel produced and consumed on the farm). There are also a number of external elements impacting on incomes are also hard to value (such as the time spent on bureaucracy and form filling). Yet the Council believes these are important when assessing the income situation of agricultural households.

The Council also notes that the Farm Business Profit measure will be closely aligned with the aggregate measure of income "Total Income from Farming". The Council would suggest that, if the new measure is to be used as the prominent indicator in conjunction with "Total Income from Farming" it may give a misleading impression that farm businesses automatically generate a profit. The Council would suggest that the actual description of the indicator may also be misleading as many farmers, particularly part time farmers, find it increasingly difficult to make any kind of profit from their farm businesses.

**3. Should Net Farm Income continue to be available as a supplementary statistical measure of farm income?**

The Council is of the view that "Net Farm Income" should continue to be available as a supplementary statistical measure of farm income, not just to avoid potential disruption to the data series, but to also allow for like for like comparisons of farm income to continue to be available and allow for comparisons over a long period of time.

**4. Do you agree with the proposal to include diversification activity in the new farm income measure only when it involves the entrepreneurial use of dedicated farm resources (ie land, building and machinery) in non-farm activities and the costs incurred are financially inseparable from the main farming business?**

The Council would suggest that the basic question that has to be addressed here is what the purpose of the measure actually is. Is it to measure income from purely agricultural activities or it is to consider the issue of farmers incomes in total which could include a wide range of different sources of income. Inclusion of diversification activity in the measure may skew the figures to give a misleading impression that agricultural activities are actually providing an acceptable living for farmers. Many farmers can only make a living of any kind by diversifying away from agricultural activities or by having a full time job and farming part time.

If diversification, however, is to be included in the new measure the Council would strongly support the view that only the use of dedicated farm resources in non-farm activities, with costs financially inseparable from the main farming business, are included.

**5. Do you support the proposal to continue publishing Cash Income and/or Occupier's Net Income as supplementary measures of farm income?**

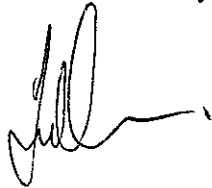
The Council supports this proposal as the continuing production of these measures will help provide a more comprehensive assessment of farm incomes.

**6. Are there other income indicators which you think should be published?**

The Council would suggest that consideration should be given to indicators which assess the overall income situation of farmers. Many farm families need to have multiple income sources in order to make ends meet and measuring the profits from farming alone can be clearly inadequate in accurately establishing the standard of living for many farmers. A number of farmers, for example, can only avoid living in poverty by having an external income from a part time or full time job either undertaken by themselves or their spouse.

The nature of the farm household may also be worth consideration as socio-economic factors (such as demographics, household composition and size) can be an important influence on the well being of the household in relation to the resources it can access.

Yours sincerely



**LIAM FLANIGAN**  
**CHIEF EXECUTIVE**