



Arsyllfa **Wledig** Cymru
Wales **Rural** Observatory

**AN ANALYSIS OF THE SOCIO-ECONOMIC IMPACT
OF CAP REFORMS ON RURAL WALES
PHASE 3, 4 and 5 REPORT
IMPACT ON RURAL SOCIETY AND ECONOMY**

***2013**

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REPORT ON PHASES THREE AND FOUR OF THE RESEARCH PROJECT:

AN ANALYSIS OF THE SOCIO-ECONOMIC IMPACT OF CAP REFORMS ON RURAL WALES

IMPACT ON RURAL SOCIETY AND ECONOMY

1.1 This report is the second on a multi-phase research project commissioned by the Welsh Government [WG]. The research project had three aims. First, to forecast how farmers, the farm support service industry, and the food processing and retail industry, may each in turn respond to the changes in farm incomes caused by the new CAP regulations. Second, to explore what the knock-on effects may be on rural society and the economy in rural Wales. Third, to identify what these changes may mean for Welsh Government policies and interventions and to inform the Welsh Government's work to develop a new Rural Development Plan for Wales for 2014-20.

Five research phases and a concluding phase were scheduled for the project.

These were as follows:

Phase One. Income analysis

The project's starting point was the financial modelling work undertaken by the Welsh Government's Knowledge and Analytical Services team, which sets out the cash impact of predicted changes to CAP. These data were used to examine what difference these changes would make to farm household incomes. Specific attention was paid to geographic and farm sector impacts; the size of specific impacts; and the identification of geographical clusters.

This phase is described in the Phase One and Two report.

Phase Two. How farm households respond

Essentially, this was inferred from the farm household survey. The survey analysis sought to identify what if any changes farming households may make following CAP reform. For example, whether farm households would change their farming practice, expand or contract, leave farming, diversify their farming, or seek alternative or supplementary employment off the farm.

Further, where changes to current practice were predicted by the analysis, attempts were made to quantify how farm commodity production and farm employment would be affected. This phase is described in the Phase One and Two report.

Phase Three. Impact on the farm support service industry

This phase of work is described in this report.

Phase Four. Impact on the food processing and retail industries

This phase of work is described in this report.

Phase Five. Impact on rural society and economy

This phase of work is described in this report.

Phase Six. Analysis of themes and implications for Welsh Government policies and interventions

This phase of work is described in a separate report. As the concluding phase of the project it draws together common and important themes from the five research phases and assesses their implications for Welsh Government policy and interventions. Phase Six of the project considers what forecast changes and responses in totality mean for rural Wales and estimates to what degree, and why, they matter or not.

As indicated above, Phase One and Phase Two of the research project are described in the report on Phase One and Two. This report also provides the context and rationale for the overall research project.

The structure of this report on Phases Three, Four and Five is as follows:

Section 1 Introduction

Section 2	Methods
Section 3	Context for buying and selling questions
Section 4	Mapping buying and selling
Section 5	Analysis of interviews with farmers
Section 6	Summary

Note that, as described below, the interviews with farmers included questions that sought insights into some of the other issues, in addition to buying and selling, covered by the survey. Consequently, the interview analysis addresses these issues and reinforces the survey analysis.

2.1 Phase Three: Impact on the farm support service industry

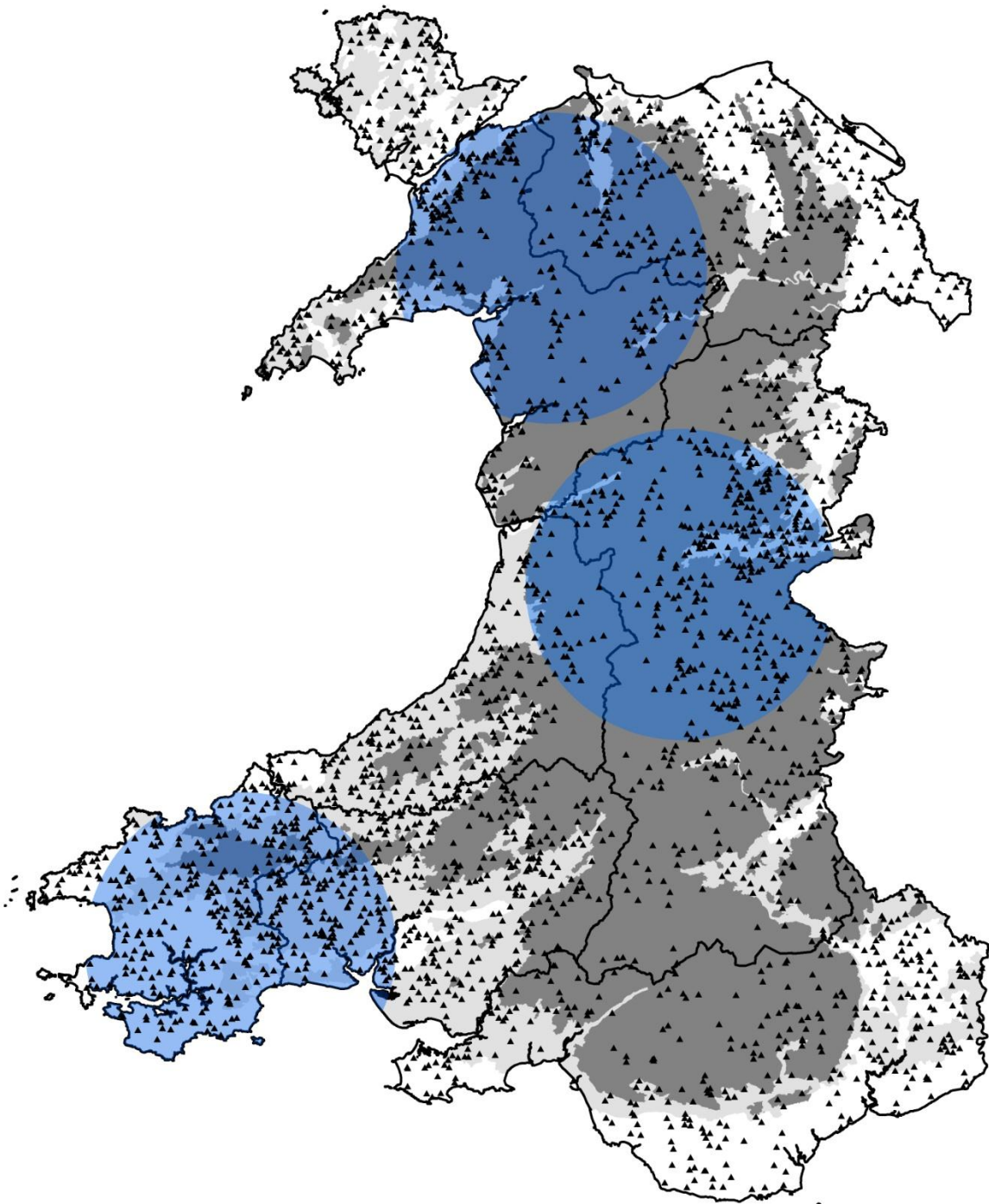
The methods used for Phase Three followed-on from those employed for Phase Two and were based on in-depth interviews with farmers. Recall that the principal feature of the Phase Two research was a survey of farming households. This survey was divided into two elements. First, there was a main survey of 2,400 households across Wales stratified at three, priority levels:

- Priority 1: five categories of economic farm size, with a quota in each category
- Priority 2: five categories of farm type, with a quota in each category
- Priority 3: seven agricultural regions, with a quota in each category

Second, from an analysis of the main survey data, three geographical areas were selected for over-sampling. The three areas selected were drawn at a radius of 30km around these settlements:

- Narbeth in the south-west – predominantly dairy
- Blaenau Ffestiniog in the north-west – predominantly SDA and DA
- Llanidloes in mid-Wales - mixed

Figure 1.1 shows these three areas and the distribution of the survey interviews.



0 12.5 25 50 Kilometers

British National Grid
1:700,000

Table 2.1, which repeats Table 5.3 from the Phase One and Two report, shows the proportions of farm types surveyed in the three areas.

Table 2.1 *Farm types interviewed*

	Dairy	Sheep	Beef	Sheep with Beef	Other/mixed
	%	%	%	%	
South-west	24	12	26	9	29
North-west	4	48	12	27	8
Mid Wales	2	43	9	34	12
Main Survey	8	30	19	17	26

A target of 200 survey interviews was set for each of the three areas, stratified by farm size and type.

As these areas were also covered by the main survey, they were said to have been ‘over-sampled’. Table 2.2, which repeats Table 2.4 from the Phase Two report, shows how many survey interviews were completed during the over-sampling in each area, together with the number of survey interviews in each area that were conducted during the main survey. Aggregating these amounts gives the total of survey interviews for each of the three ‘geographical area’ surveys.

Table 2.2 *Survey Interviews in each geographical area*

Area	Over-sampled interviews	Interviews in main survey	Total interviews in area
Narbeth South-west	204	274	478
Blaineau Ffestiniog North-west	200	159	359
Llanidloes Mid-Wales	201	238	439

These three surveys, aggregating the over-sampled interviews and the in-area components from the main survey, constitute a random survey of farms in each area. Thus, the results may

be generalized within each area. The survey data analysis of these three areas provided the

basis for the follow-on interviews with farmers, and the interviews for project phases 3, 4 and 5.

The target number of interviews in each geographical area was 10, but in the event nine interviews were conducted in the Llanidloes, Mid-Wales area, 11 in the Blaineau Ffestiniog, North-west Wales area, and 10 in the Narbeth, South-west Wales area, which met the total target of 30 interviews. These interviews were selected by applying the following criteria: farm type (e.g. dairy, beef, sheep etc), having off-farm income and diversification.

The interviews were recorded and transcribed. In type they were semi-structured; the 'interview schedule' is shown at Annex One of this report. During the interview, responding farmers were asked a series of questions concerning buying and selling goods and services for the farm, including where they bought and sold and how much they spent and accumulated, and what effect changes in CAP subsidy would have on these buying and selling patterns. Their responses were recorded on pre-prepared charts – also shown at Annex One. The responses to the buying and selling questions were collected into a database and analyzed. From this analysis, 'rose' diagrams of the buying and selling patterns were produced. The analysis also revealed the locations of food processors and providers of services. Interviewed farmers were also asked other questions concerning issues such as off-farm income sources, diversification and alternative enterprises, future plans and succession, and the local community. The interviews with farmers were analyzed and described thematically.

2.2 Impact on the food-processing and retail sectors Impact on rural society and economy.

The specification of this research project called for an exploration of the potential effects on the food-processing and retail sectors, and on wider rural economy and society. Arguably, the work with farmers, outlined above, covers a great deal of this exploration. Farmers were important, and probably the most prominent, constituents of the communities being studied and major contributors to the local economies associated with those communities. In addition, any impacts on the food-processing and retail sectors that might occur due to potential CAP-induced changes to farming household incomes could, to a certain extent, be inferred from the responses to the buying and selling questions in the survey and interview data. Nevertheless, to provide a more complete picture, it was originally envisaged that there would be a series of interviews with representatives of the food-processing and retail sectors.

However, arranging these interviews proved to be problematic. Methodologically, the identification of potential interviewees was achieved by 'snowballing'. That is, the names of retailers and service providers where farmers bought, and the food-processors and markets that they sold to, were obtained during the in-depth farm interviews. This pool of potential interviewees was augmented by internet searches. But when it came to arranging interviews there was a widespread and almost total lack of cooperation. WRO researchers spent many hours trying to arrange interviews, to be rebuffed by evasions and outright refusals. For example, in one case a WRO researcher contacted a processor by telephone and was put-through to the appropriate person. First, there was a lengthy, and understandable, interrogation to establish the researcher's credentials and the context of the research project. Then, the researcher offered either a telephone interview, at a time to suit the potential interviewee, or a face-to face interview, again at a time and place to suit the interviewee. The interviewee stated

that 'for something like this, I would insist on a face-to-face interview', and asked the researcher to send an e-mail, making a formal request and suggesting some possible dates during the following week. It was also stated by the processor's representative that the e-mail would serve as a further 'check' on the researcher's authenticity. The e-mail was duly sent. After some days without reply, the researcher telephoned again to be told by a secretary that 'he will be away for some weeks and he says that he will not have the time anyway'. And 'no – there was not anyone else willing or able to provide an interview'. While this was an extremely vexing example, there were several cases where researchers were asked to ring back or e-mail only to be informed by secretaries that the potential interviewee had decided not to provide an interview. In the event, only one interview, with a business that operated livestock markets in south-west Wales was secured and this data is integrated with the other interview data in the reports. Following discussions with the Welsh Government, and taking into account the timeline for the overall research project, it was decided not to further pursue this line of exploration but to infer from the data already obtained from farmers.

This section reproduces data and analysis from the Phase One and Two report. Thus, it sets the context for buying and selling both across Wales from the main survey and in the three study areas.

3.1 Buying goods and services across Wales

From the general survey, 82 per cent of goods and services were purchased locally. Table 3.1 shows where farms bought their goods and services by farm size.

Table 3.1 *Purchasing inputs and services by farm size*

Location	Overall	Very large	Large	Medium	Small	Very small
	%	%	%	%	%	%
The local area – within a radius of 25 miles	82	58	62	70	80	88
Elsewhere in Wales	7	12	13	12	9	5
Elsewhere in Britain	10	25	21	17	10	6
Outside Britain	1	5	4	1	1	1

Figure 3.1 illustrates these data graphically.

Figure 3.1 Purchasing inputs and services by farm size

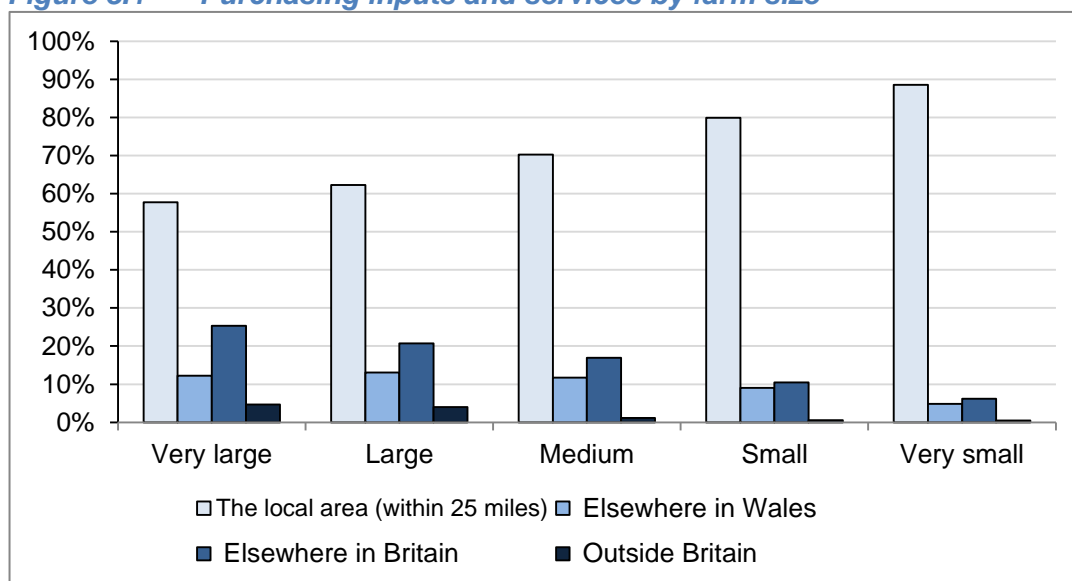


Table 3.2 shows the data by farm type.

Table 3.2 Purchasing inputs and services by farm type

Location	Overall	Dairy	Sheep	Beef	Sheep with beef	Other/mixed
	%	%	%	%	%	%
The local area – within a radius of 25 miles	82	66	85	84	79	82
Elsewhere in Wales	7	12	7	6	10	7
Elsewhere in Britain	10	20	8	9	10	11
Outside Britain	1	3	0% (0.26%)	1	1	1

The salient point from the analysis is that at 82 per cent the vast majority of farm-related goods and services were purchased in the local area – within a 25 mile radius of the farm. Another important point is illustrated by Figure 3.1, which shows the gradient from larger farms to

smaller farms in terms of local buying, with smaller farms buying more locally. Also, dairy farms, which tend to be larger, bought a smaller proportion of their goods and services locally than other farm types. However, this analysis does not show the value of goods and services bought. It might have been that the value of goods bought locally by larger farms exceeded the value of that bought by smaller farms, although the latter's proportion was greater. The analyses that follow, in Sections 4 and 5, explore these buying patterns in greater depth.

3.2 Selling produce across Wales

Table 3.3 and Table 3.4 show where farms in the main survey sold their produce, by farm size and farm type respectively. The tables show what proportion of the total survey, and what proportion of each size and type of farm, sold to each type of outlet.

Table 3.3 *Outlets for farm produce by farm size*

Outlet	Overall	Very large	Large	Medium	Small	Very small
	%	%	%	%	%	%
Milk processing companies	8.6	81.2	55.8	23.7	2.0	1.3
Livestock marts	86.9	81.2	86.4	92.8	89.7	83
Major abattoirs	41.8	68.8	61.5	70.3	50.4	21.0
Minor abattoirs	24.4	37.5	39.4	25.4	23.3	22.8
Direct to public in local area – within 25 miles	17.8	8.3	9.6	10.0	12.7	26.5
Direct to public elsewhere	6.6	6.2	1.9	4.7	4.3	10.0
Shops, hotels and restaurants in local area – within 25 miles	6.3	6.2	4.8	5.7	5.1	7.8
Shops, hotels and restaurants – elsewhere	1.3	2.1	1.0	1.8	0.9	1.5
Supermarkets	2.3	0	6.7	5.7	2.7	0.4
Food processing companies in Wales	4.2	14.6	15.4	7.2	3.8	1.8
Food processing companies elsewhere	2.6	16.7	3.8	7.5	1.6	1.3

Table 3.4 shows what proportion of the total survey, and what proportion of each type of farm, sold to each type of outlet.

Table 3.4 *Outlets for farm produce by farm type*

Outlet	Overall	Dairy	Sheep	Beef	Sheep with beef	Other/mixed
	%	%	%	%	%	%
Milk processing companies	8.6	84.9	0.6	1.4	0.2	4.7
Livestock marts	86.9	87.6	94.2	87.9	94.4	70.1
Major abattoirs	41.8	56.5	38.6	37.6	62.8	27.4
Minor abattoirs	24.4	36.0	20.6	24.1	23.5	26.2
Direct to public in local area –within 25 miles	17.8	9.1	10.6	14.8	8.3	40.7
Direct to public elsewhere	6.6	2.7	3.0	5.5	3.4	16.2
Shops, hotels and restaurants in local area – within 25 miles	6.3	3.8	3.5	4.6	3.7	14.5
Shops, hotels and restaurants – elsewhere	1.3	1.6	0.3	0.7	1.5	2.9
Supermarkets	2.3	2.2	1.6	1.8	4.2	2.2
Food processing companies in Wales	4.2	10.2	2.3	2.5	3.7	6.3
Food processing companies elsewhere	2.6	4.8	1.0	1.4	2.4	5.3

Taking the two tables together, while only nine per cent of the total survey sold to milk processing companies, 81 per cent of large farms did so. Table 3.4 shows that 85 per cent of dairy farms sold to milk processing companies.

Livestock marts were almost universally used, with usage at 87 per cent across the survey. Sheep and sheep with beef farms were the most likely users of livestock marts, at 94.2 per cent and 94.4 per cent respectively. Other/mixed farms were the least likely to use livestock marts yet still recorded 70 per cent.

Major abattoirs, which tend to be further afield, were used by higher proportions of farms than minor abattoirs, which tend to be more locally situated. There were slightly more than 17 percentage points between the proportions of the survey using the two types of abattoir.

Less than one in five farms (18 per cent) sold directly to the local public, within a 25 mile radius. Very small farms had the largest proportion selling directly to the local public at 27 per cent. However, by farm type, 41 per cent of other/mixed farms sold directly to the local public.

Few farms sold directly to local shops, hotels and restaurants. Again, very small farms with eight per cent and other/mixed farms with 15 per cent were the most likely to do so. Very few farms sold to shops, hotels and restaurants elsewhere. Notably, other/mixed farms were more likely to.

No very large farms sold to supermarkets although large and medium farms recorded the highest proportions at seven per cent and six per cent respectively.

The overall proportions selling to food processing companies in Wales were low at four per cent. Very large, large and dairy farms were relatively high at 15 per cent, 15 per cent and ten per cent respectively. The proportions selling to food processing companies elsewhere were uniformly low, although very large and medium farms were considerably above the overall figure of three per cent at 17 per cent and eight per cent respectively.

3.3 Buying farm goods and services in the study areas

Table 3.5 displays the average proportion of inputs and services purchased at each location category relative to farms in each study location.

Table 3.5 *Proportion of inputs and services purchased*

	The local area	Elsewhere in Wales	Elsewhere in Britain	Outside Britain
	%	%	%	%
South-west	79	8	11	2
North-west	84	7	8	<1
Mid – Wales	78	10	11	1
Main Survey	81	8	10	1

Farmers in all three study areas bought the majority of their services and inputs from the local area, with all three being close to the all Wales figure of 81 per cent. The north-west had the highest proportion of local purchases at 84 per cent. A higher proportion of purchases from elsewhere in Britain from mid-Wales might have expected, given the close proximity of the border with England. The south-west had more purchases than the rest of Wales from outside Britain, although proportions in this category were uniformly low.

3.4 Sale of farm produce in the study areas

Table 3.6 shows where farms in the three study areas sold their produce.

Table 3.6 *Proportion of farms selling produce at specified outlets*

	Proportion of farms using outlet (South-west)	Proportion of farms using outlet (North-west)	Proportion of farms using outlet (Mid - Wales)	Proportion of farms using outlet (Main Survey)
	%	%	%	%
Milk processing companies	23	5	5	8
Livestock marts	72	89	89	81
Major abattoirs	43	36	36	39
Minor abattoirs	33	19	19	23
Direct to public in local area - within 25 miles	14	10	10	17
Direct to the public elsewhere	5	3	3	6
Shops, hotels and restaurants in the local area	7	3	3	6
Shops, hotels and restaurants elsewhere	1	1	1	1
Supermarkets	2	1	1	2
Food processing companies in Wales	8	2	2	4
Food processing elsewhere	3	<1	<1	3

A common outlet for produce was livestock marts. Over seven in ten farms sold to this type of outlet in all study areas. Farms in the south-west were less likely to use this outlet than other study areas and had a higher proportion of farms that sold to milk processing companies (23 per cent). Major and minor abattoirs were used in the south-west by 43 per cent and 33 per cent respectively - higher than other study areas. Other outlets were used by lower proportions of farms.

Table 3.7 shows the average proportion of produce sold at each outlet. The highest proportion of produce was sold at livestock marts in Wales (59 per cent), farms in the north-west sold more produce on average (74 per cent) to this outlet than other study areas. Farms from mid-Wales, on average, sold the highest proportion of produce (27 per cent) to major abattoirs. Of the study areas, the south-west, as expected due to high proportion of dairy farms, sold the highest proportion of produce to milk processing companies. A low proportion of produce was sold at the other outlets listed in the table.

Table 3.7 The proportion of produce sold at each outlet

	Proportion of total produce sold at outlet (South-west)	Proportion of total produce sold at outlet (North-west)	Proportion of total produce sold at outlet (Mid - Wales)	Proportion of total produce sold at outlet (Main Survey)
	%	%	%	%
Milk processing companies	18	3	2	6
Livestock marts	43	74	60	59
Major abattoirs	19	15	27	18
Minor abattoirs	5	4	3	4
Direct to public in local area - within 25 miles	6	3	2	7
Direct to the public elsewhere	2	1	1	2
Shops, hotels and restaurants in the local area	1	1	1	1
Shops, hotels and restaurants elsewhere	<1	<1	<1	<1
Supermarkets	1	0	1	1
Food processing companies in Wales	3	<1	1	1
Food processing elsewhere	1	0	1	1

Similarly to the main survey, it appears that farms in the three study areas bought more locally than they sold locally. However, sales to livestock marts and abattoirs were important.

4.1 Introduction

The in-depth interviews with farmers in the three study areas included questions concerning the buying of farm inputs and services, and the selling of farm goods and services: i.e. any product and service that provided income to the farming household. Specifically, the questions were:

- a. *Using this list - Annually, how much does your farm business spend on farm inputs?*
- b. *'If your CAP subsidy was to change – what do you think would be the effect on these businesses that you mention?'*
- c. *'Using this list, where do you sell your farm produce and provide services?'*
- d. *'And, if your CAP subsidy was to change – what do you think would be the effect on these businesses and outlets that you mention?'*
- e. *'Remind me - Does your farming family have any sources of off-farm income?'*

Note that the interview schedules, which are shown at Annex One, included pre-prepared grids for the answers to these questions.

In outline, then, for 30 farm interviewees, the data indicates:

The places and distances from the farm where they bought and sold;

The amounts that each farm spent on farming inputs;

The income(s) they derived.

NB: Six of the 30 interviewees provided incomplete financial data. Consequently, data for the remaining 24 farms were used in the analysis.

4.2 Methods

Using the data provided by these questions, three types of graphical representation were prepared.

1. For each of the 24 farms, a 'rose' diagram showing where they bought farm inputs and services.
2. These data for 24 of the 30 farms interviewed were plotted on a graph (Figure 4.1) with axes of 'local spend' and CAP/SFP dependency. A legend accompanies Figure 4.1. Directly following Figure 4.1 there is an interpretive analysis. This analysis takes each quadrant of Figure 4.1 in turn and includes a table for each of the quadrants, which provides a legend. For each of the 24 farms the tables show the code and the relevant key characteristics of those farms that provided spending and SFP data.

3. For each of the three study areas (Mid Wales, South West Wales and North West Wales), a 'rose' diagram showing where the farmers interviewed sold their goods and services. These 'rose' diagrams are shown, with a key, following the individual farm interpretive analyses.

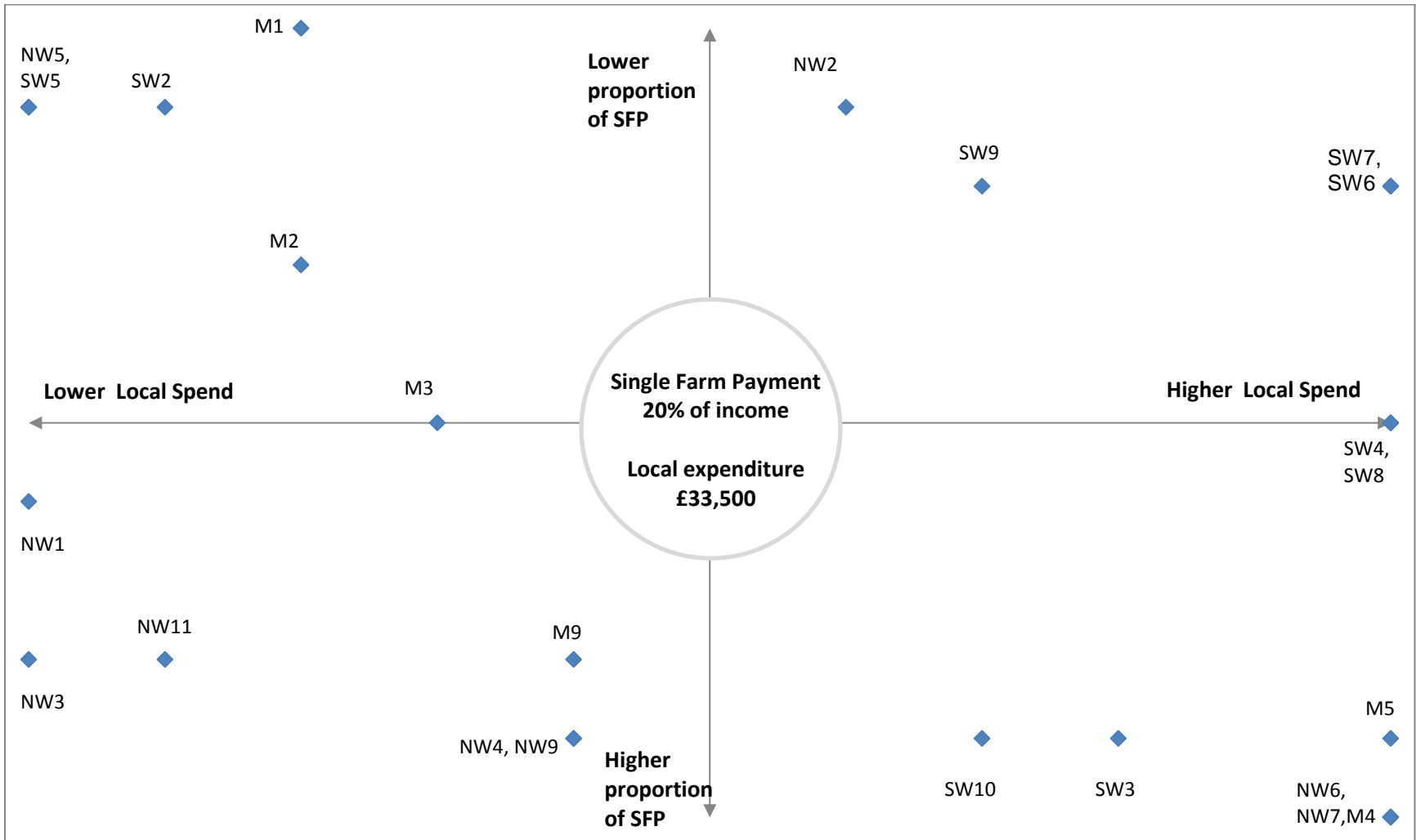
4.3 Interpretive Analysis of Farm Buying and Selling (Incomes)

As indicated above, Figure 4.1 plots 'local spend' and CAP/SFP dependency for 24 farms.

The points on Figure 4.1 were identified by combining data from the survey and the in-depth interviews: -

- (a) On the x or horizontal axis the local spending on farm inputs for each of the 24 farms is plotted. These data were obtained from the in-depth interviews, when interviewees were asked to provide their local spending – the amounts were used to populate the pre-prepared grids, which are included with the interview schedules shown at Annex One. The origin of the x axis is the median (i.e. the middle value of the series) spend for the 24 interviewees, which was £33,500 per annum. Farms to the right of this figure are considered to have had a 'higher' spend and farms to the left of the origin, a 'lower' spend.
- (b) On the y or vertical axis the proportion of farming household income constituted by SFP for each of the 24 farms is plotted. These data were from the survey. Again the origin of the y axis is the median value: where SFP constituted 20 per cent of household income. Farms above this figure were considered to have a 'higher independence' or 'lower dependence on SFP' and farm below the origin, a 'higher dependence on SFP'.

Figure 4.1 *Mapping Local Spending and SFP*
 (e.g. M1 = Mid-Wales Interview 1)



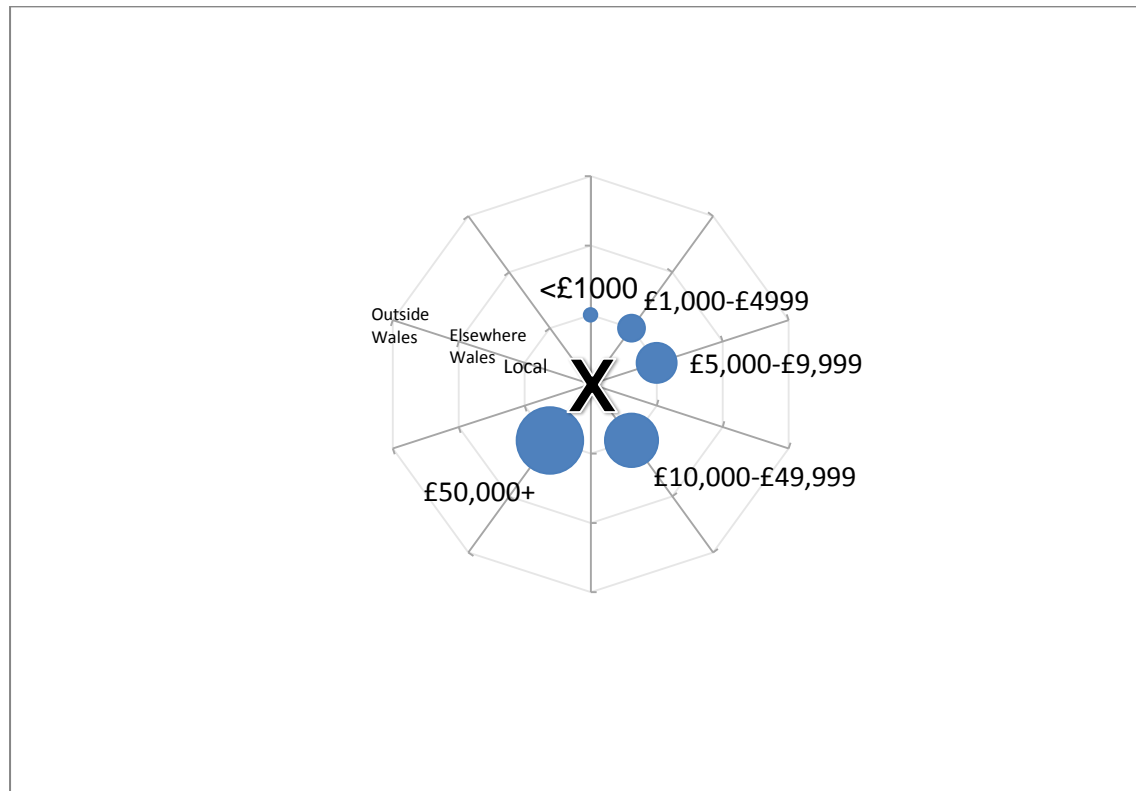
The interpretive analyses that follow consist of the following elements:

Figure 4.1 – above

A table for each quadrant of Figure 4.1, which provides the key characteristics of each farm in each quadrant

Interpretive text for each farm

A rose diagram showing the buying pattern for each farm - the key for these rose diagrams is shown below:



Key:

X = the code for the farm

The 'webs' of the diagram are set at indicative distances from the farm: - Local, elsewhere in Wales and outside of Wales.

The radial arms or spokes are annotated with farm inputs on the diagrams for each farm: e.g. animal feed, machinery, livestock etc.

The diameter of the 'points' indicates the range of annual spend on each type of farm input.

4.3.1 Interpretive Analysis of the Low Impact/Low SFP Dependence Quadrant of Figure 4.1 (Mapping Local Spending and SFP)

Table 4.1(a) shows the characteristics of the six farms in the Low Impact/Low SFP Dependence quadrant of Figure 4.1. Contextual information for each farm is also provided, following the table.

Table 4.1(a) Key characteristics of the farms in the Low Impact/Low SFP Dependence Quadrant of Figure 4.1 (Mapping Local Spending and SFP)

	Size	Type	Tenure Q1	% from Productio	% from from	% from AgriEn	% from from	% from from	% from from	TURNOVER Q27	Without subsidy	Q30 HH INCOME
MW	VS	Sheep and	Owned	9	0.5	0.5	0	0	90	Less than	Even	£31k - 51k
MW	VS	Sheep	Owned	15	15	15	0	20	35	Less than	Even	Less than
MW	S	Sheep	Rented	30	20	0	50	0	0	£200k - £249k	Profit	Refused
SW2	VS	Beef	Owned	10	5	5	0	0	80	Refused	Loss	£15.5k -
SW5	S	Other/Mixed	Owned	20	5	0	0	5	70	Less than	Loss	£21k - 30k
NW5	S	Sheep and	Owned	5	5	0	0	0	90	Less than	Profit	£21k - 30k

Farm MW1

Farm MW1 was a very small (ESU) farm of 28 hectares.¹ It was owner-occupied and supported two households. The farmer and his wife lived on the farm with their two children. They were in partnership with his parents, who also lived on the farm. The work-force consisted of three family members, who worked part-time on the farm. There were no succession plans as the current working generations were unwilling to possibly encumber the children with an unproductive farm:

'If it was two, three hundred acres, then obviously it would be in my mind, you know, there's a son there to hopefully take it over. What I don't want to do is get to that point at... you know, it is only 70 acres and to then have your children forced to stay in mid Wales to try and find a job, just to take over the farm. It's a small... you know, let's call it a hobby from a smallholding or whatever, you know, it's... I don't want to have that limitation so succession for this farm might be limited. You know, I could be the last generation doing it. But you know, that's the reality of the world, I'm afraid.'

'Yes, it's a tricky one, so... but for our business, I think it's a, you know, let's concentrate on the next 20 to 30 years and get it to be at a point where it's a viable proposition and if someone wants to stay around this area and wants to keep it going, or it's there to be sold.'

The core farm business was premium quality pedigree Welsh Black beef plus sheep, which provided nine per cent of household income. There were no diversification schemes in operation. Both the farmer and his wife had off-farm jobs, which they intended to continue. These provided the majority of household income. SFP and agri-environmental schemes each contributed small proportions of household income.

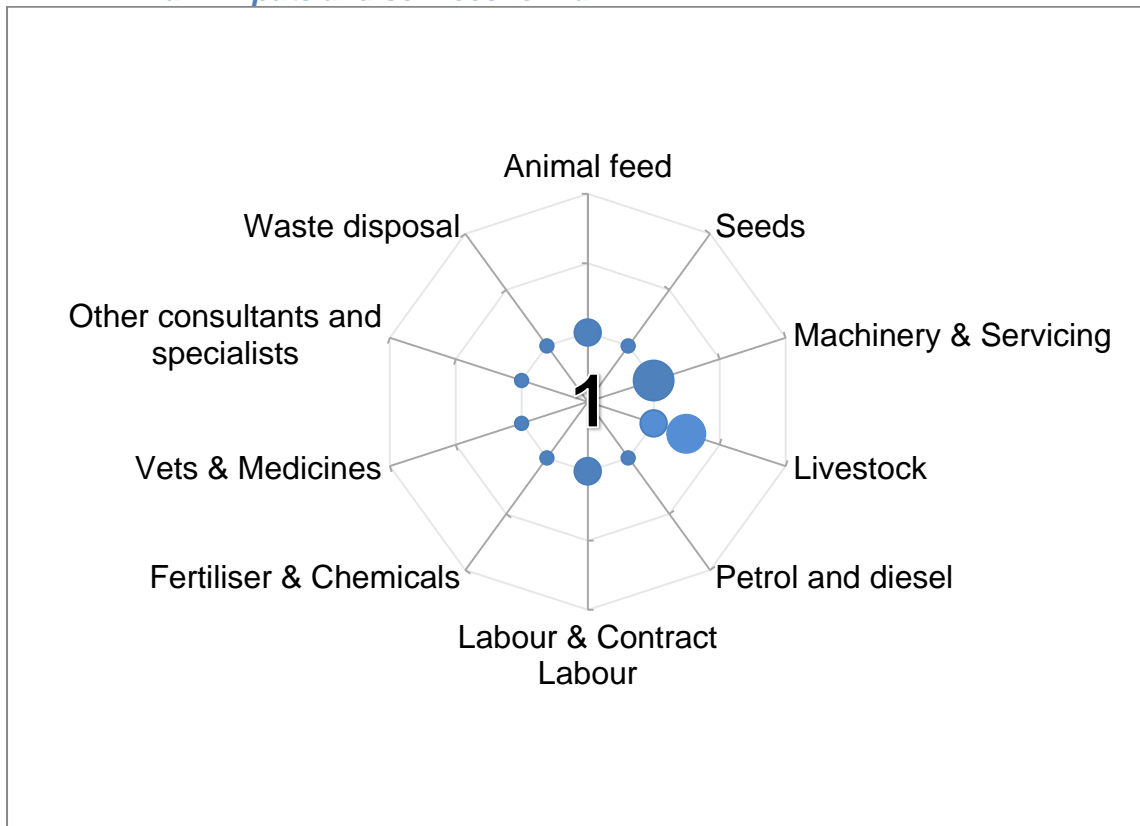
If SFP was to increase they would continue business as usual, but seek to improve. Currently the farm had a low historic payment of less than £1,000 pa. The interviewee estimated that the shift to area-based payments would entitle the farm to £5,000 - £6,000 pa. A subsidy increase would enable them to start moving forward with plans to develop the farm such as improving grassland (fertiliser, reseeded); improving soil infrastructure and drainage; and further improving their livestock.

A decrease in SFP of less than 20 per cent would see them reduce the scale of their farming operations, while any larger decrease would necessitate some form of diversification. The farmer was forward thinking and business-oriented, had been in Tir Myndd and was considering Glastir. As a part-time farm and both husband and wife having secure, well-paid jobs and a low dependence on SFP this enterprise was resilient. However, as there were no succession plans in place, its longevity was not secure.

In terms of impact on the local economy, although the farmer preferred to buy locally, the farm did not purchase large amounts.

¹ In this report farms are categorized by Economic Size Unit [ESU]. The categories are: very small, small, medium, large and very large.

Fig 4.2 *Farm inputs and services for Farm MW1*



Farm MW2

This was a very small (ESU) upland sheep farm of under 10 hectares. At the time of research it carried a very small stock of 78 sheep (inclusive of lambs). It was a full-time owner-occupied farm, run by one man, without family. He did some contracting work for neighbouring farms (tractor work and hedge cutting). The farm site was not seen as viable for alternative energy (wind, solar) due to its aspect.

At 15 per cent of household income, dependence on SFP was relatively low. Other components of household income were the core farm business (15 per cent), contracting (35 per cent) and renting-out land (20 per cent), while the remaining 15 per cent had been contributed by Tir Myndd payments, which were ceasing. However, the farmer was not keen on entering Glastir, arguing that *'there's quite a poor price'* and that the conditions were too restrictive. For, example, the requirements for double fencing posed particular problems. But:

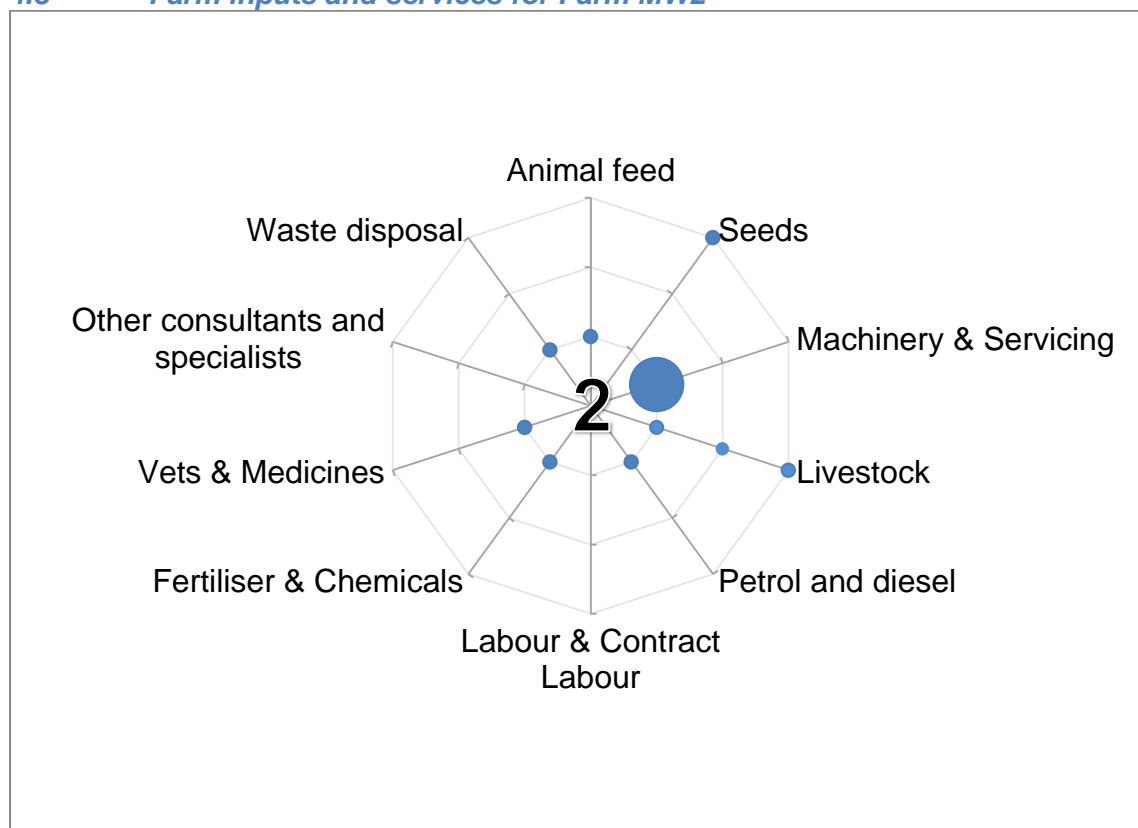
'It might look more attractive if lamb prices fall.'

In the case of both increases and decreases in SFP, this farmer intended to continue with 'business as usual', except that if SFP was to decrease by more than 20 per cent he would scale down his agricultural operations and look to increase his other sources of income, which included a small home-based skilled repair business.

In that this farmer was committed to 'business as usual' and had no succession plans, this farm was towards the Vulnerable end of the continuum. However, a large proportion of household income (35 per cent) was from off-farm incomes, and the farmer stated on his questionnaire that off-farm work would be the most important component of the household's income in the future.

With regard to impact on the local economy, this farmer spent relatively small amounts.

Fig 4.3 *Farm inputs and services for Farm MW2*



Farm MW3

This farm was a small (ESU) full-time sheep and cattle of 148 hectares run by a husband, wife and four sons. They were currently tenants but were in the process of trying to buy the farm. There were clear succession plans, which emphasized the expansion of the business for the sons to take over.

SFP constituted 20 per cent of household income, sales from the core farm business 30 per cent, and contracting - all types of farm work, plus activities such as shed erection and building and some corn, grain and straw sales - contributed 50 per cent of household income. Indeed, contracting was seen as most important source of income in the future.

Although regarding themselves as environmentally aware and responsible, they were not in favour of Glastir and argued that, while they had improved the environment voluntarily, others would only do so if paid. Agri-environment schemes were argued to encourage this type of thinking.

An increase in SFP would be used to expand the contracting side of the business. With regard to livestock, he would cut down on sheep and buy more cattle. Cattle were easier to look after and he could do this while his sons did more contract work. In addition, if the SFP were to increase by 20 per cent, he would consider buying a small local farm for one of his sons.

If SFP were to be reduced they would have to be more frugal and postpone then increase in cattle. He would consider a more hardy type of sheep, to reduce feeding costs.

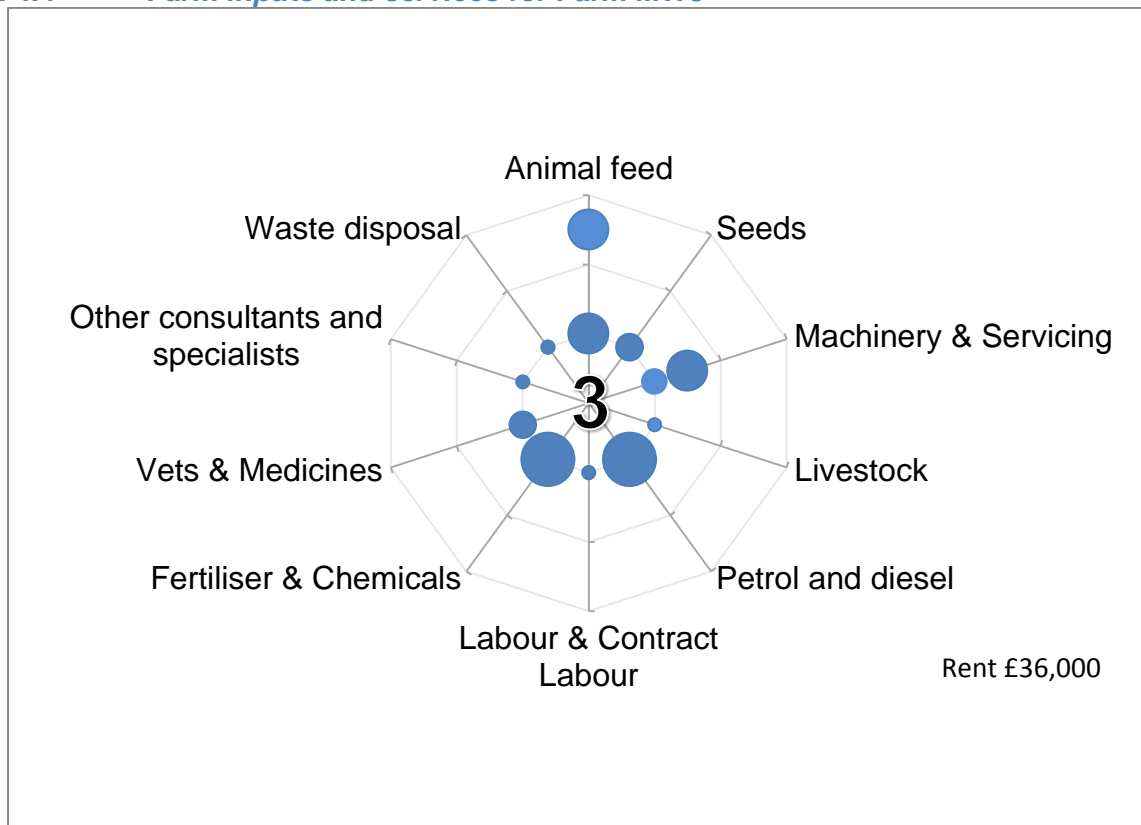
Overall, the business appeared to be resilient: they appeared to be economically and financially aware, flexible and willing to be multi-functional. However, there were some vulnerable aspects. Foremost of these was the fact that the farm was rented. They were trying to buy the farm but had received a notice to quit tenure for the end September 2013. Other vulnerable factors were an apparent rejection of agri-environmental schemes, a rejection of IT (but the younger, succeeding, generation would be computer literate), and an apparent determination not to be reliant on government.

With regard to local impact, the farmer was very particular about buying-in stock from neighbours in the local area, asserting that the quality of stock could be trusted and proven to cope well in local conditions. The majority of farm and business inputs were from local suppliers. These were argued to give better service and maintained relationships:

'Well that's why I'd sooner give him the business. Now I don't want to give anybody double when I can get it somewhere else but I don't mind giving him a bit of a premium because he gives you the service.'

As the rose diagram shows, the farm was a not a large buyer.

Fig. 4.4 Farm inputs and services for Farm MW3



Farm SW 2

This was very small (ESU) beef farm of 13 hectares. It was family owned and run by the farmer and his wife, who had three daughters. While there were succession plans in place and their three daughters would inherit the farm, and one would like to move back to live there, it was unlikely that it would continue as a farm:

There will not be succession to do what we're doing. I've only got three daughters, all of which have got good jobs. So the eldest daughter, who would probably like to come here - I mean there's no problem with that as long as she pays the other two out.

The farmer did not really farm for profit but sold livestock to the markets to keep the farm going and to maintain the land. As he was no longer able to do the heavier work and his three daughters were not really that interested in farming, all had jobs in England, the future of the farm was uncertain. His wife worked in Haverfordwest and Carmarthen. Both claimed pensions, which were the main source of income for the household:

'Yes, we can manage easily on the pensions if anything happens to anything else because basically we've got no borrowing.'

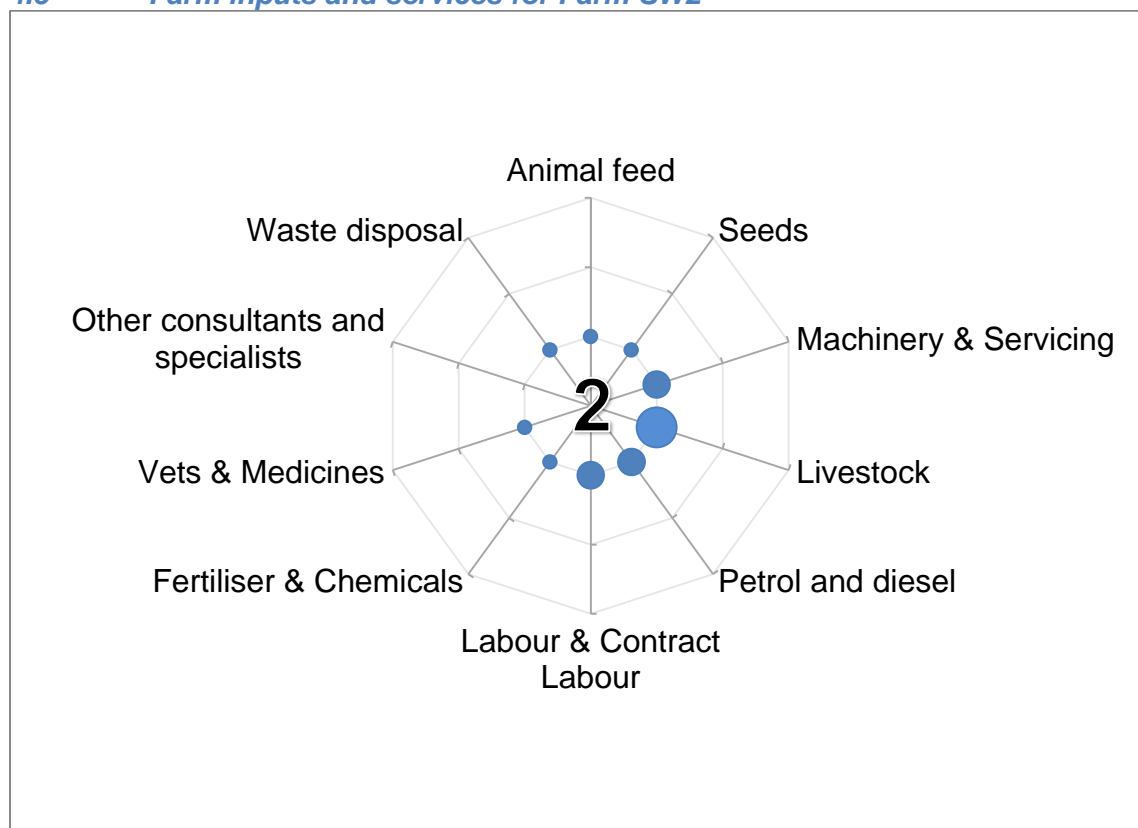
As SFP constituted only a small proportion of their household income, at approximately £600 per annum, they suggested that they will not really be that affected by any changes to SFP:

'It's only £600 so whether it goes down, if it's 20 per cent it goes down, so that's only £120 so £2 per week is not going to make much difference.'

As a farm this was vulnerable. It made low profits and seemed set to cease as a farm in the near future.

With regard to impact on the local economy, as a very small farm business the value of farm inputs was low. In addition, the wife bought household goods during her travelling for work.

Fig 4.5 Farm inputs and services for Farm SW2



Farm SW5

This was a small (ESU) farm of 20 hectares. Its core farm business was beef and it was diversifying into horses. Two household members worked full-time on the farm. This was a small farm that used to be dairy but over the years had moved away from this type of farming because of the increasing input costs and the reluctance of milk processors to engage with smaller dairy farms. The farm was owned by an older woman and her daughter currently ran the farm. There was a mix of farming activities such as cattle, sheep, pigs and horses, and they grew vegetables for their own consumption. Their farming practice was non-chemical. In addition to an organic ethos there was a cost factor:

'To be honest it's just so expensive. We are finding now that the fields are going back into more clover, so it's naturally nitrogen fixing anyway, but the price is just ridiculous. Pesticides I don't use; herbicides I don't use, other chemicals I don't use.'

They had installed solar panels and a ground-sourced heat pump to help power the farm.

An interesting point was that the farmer was reluctant to enter Glastir, which might have eased finances, on the grounds that Glastir was not an appropriate scheme for the environment.

To ensure the survival of the farm, camping pods had been constructed on their farm land as a source of income. These were not classed as part of the farm and were therefore deemed off-

farm income (despite being a diversified activity). These were now essential to the survival of the farm and were proving to be more profitable than if the land had been used for livestock:

'That's why we have to go into the camping pod business because there is just not enough money, I cannot cover that from what we get back from selling cattle.'

The core beef business provided 20 per cent of household income and non-farming sources such as camping pods and rent provided a further 75 per cent. SFP constituted the remaining five per:

As they did not receive a substantial amount of SFP, it did not determine their farming practice, although it was useful as additional income. In terms of the costs of running the farming, an increase or decrease in SFP would make little difference:

'To be honest all these things have got to be found so really the subsidy – I get around £800 a year plus, then I get a bit extra on Tir Myndd so for the amount I'm actually getting its it wouldn't really make that much difference.'

However, if SFP were to increase they might improve their farm machinery:

'Though from my point of view the things that would probably spend on if it increased - I would probably try and sort out the tractors I've got. So I'll probably spend more on machinery. But really apart from that everything I'm doing I can't do any different really.'

This farm was vulnerable because of its size. To an extent it highlighted key factors that relate to vulnerability:

- It had been a viable dairy farm but was too small to deal with the milk processors that now dominated the market.
- The importance of off-farm incomes for small farms – when the farmer was married, her husband's off-farm income had enabled the household to be financially secure rather than struggling.
- Market prices and economies of scale.

The farmer was obviously dedicated to the farm and farming as a way of life, and she was actively taking steps to ensure that the farming household would continue.

The majority of farm inputs and services were bought locally:

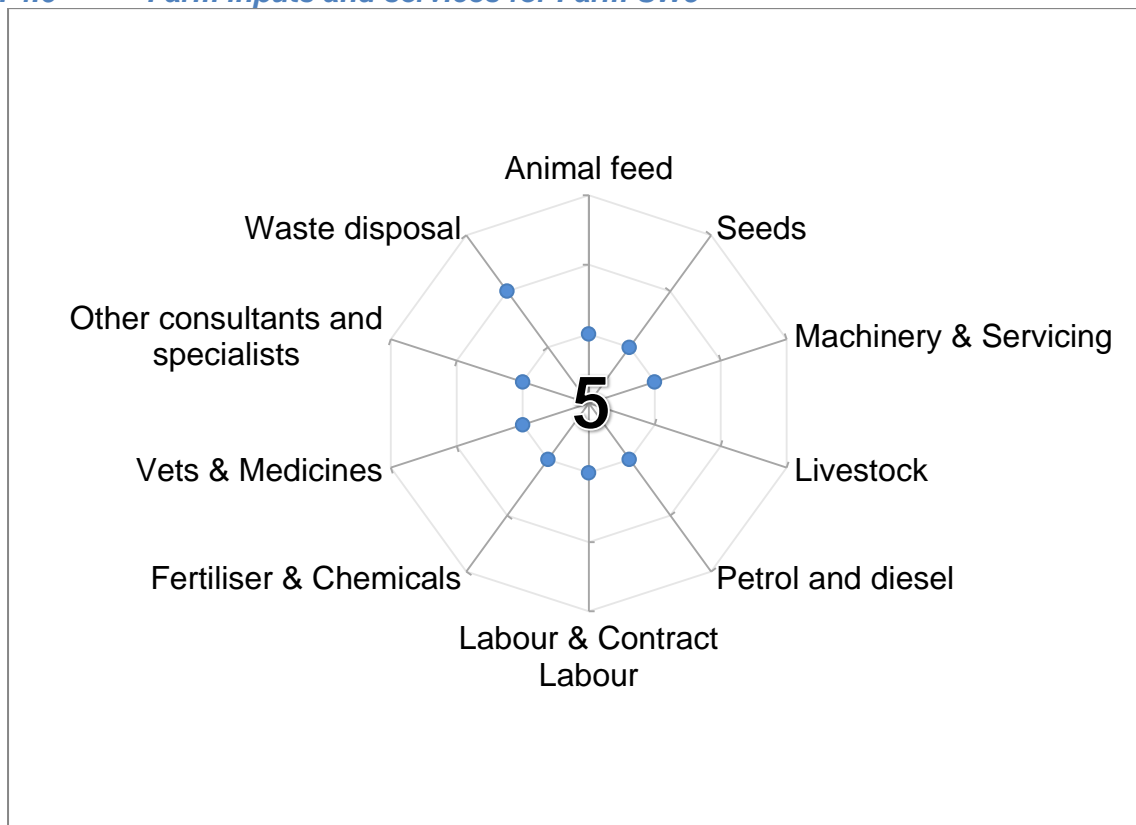
'Yes, we try and keep the trade local if we can.'

A large expense was for farming activities that required machinery. These were contracted-out to local people:

'Right we get contractors in to do mowing, rolling up, anything that we can't do because we don't feel comfortable with the machinery.'

However, as the diagram below shows, amounts were not large.

Fig. 4.6 Farm inputs and services for Farm SW5



Farm NW5

This was a small farm (90 sheep, 30 lambs, 10 cattle and grazing rights for 200 on the mountain). It was run part-time by a couple who both had full-time off-farm employment: he worked at North Wales Slate in Bethesda and she was a nurse. These off-farm incomes provided 90 per cent of the household income. He did all the physical work on the farm, while she did the computer work: e.g. livestock movement online. His mother and father used to run the farm as a full-time business when it was profitable to do so. Now it was not profitable as a business on its own, so it was more something that he continued with out of a commitment to the lifestyle, a genuine enjoyment of farming and animals, and the holding where he grew up and wanted to remain. Succession plans were in place for their daughter, who was 14 at the time.

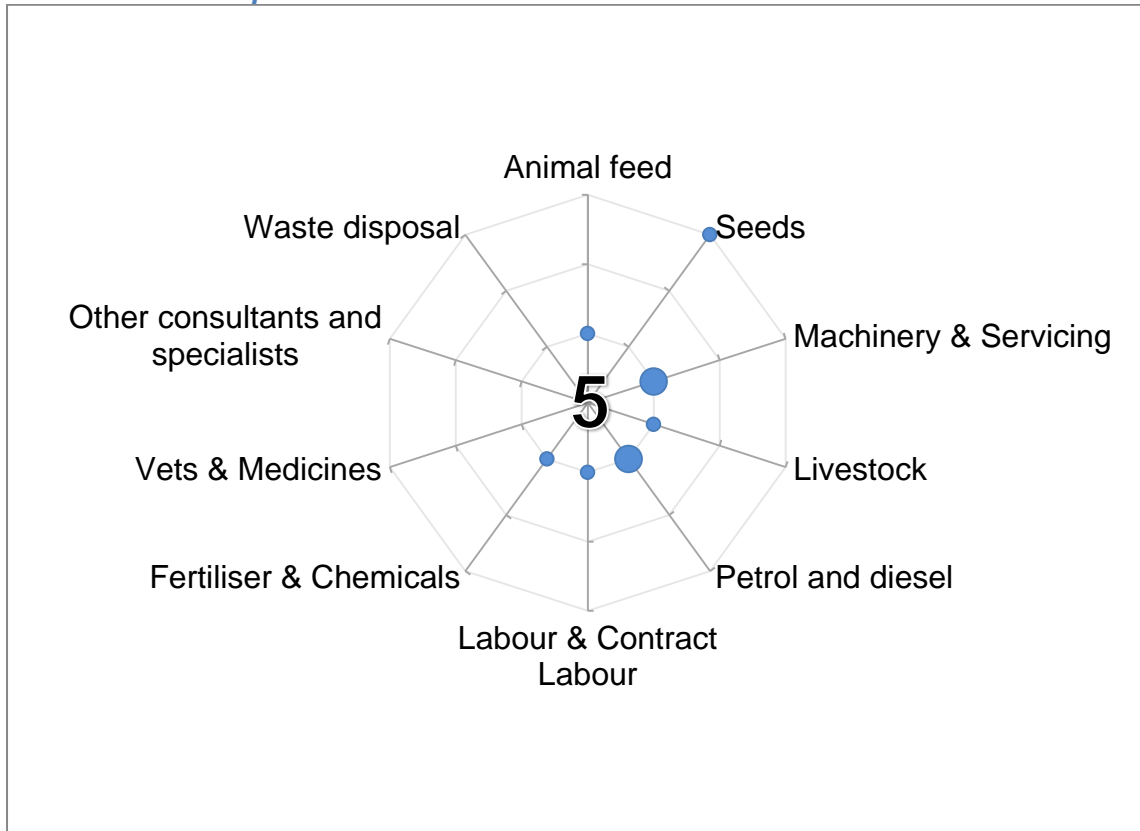
They were considering investing in farm accommodation, once the mortgage was cleared or if start-up and business development grants for improving the buildings were available. The female partner was particularly attracted to the idea of providing sheltered accommodation.

The farmers were not aware of the SFP changes. As their subsidy was only £5500 this year, they did not think that a 20 per cent change in either direction would make a difference.

As a part-time farm that employed old-fashioned methods and had not diversified, to an extent, this farm was vulnerable. However, both partners appeared to hold secure off-farm employment and to be committed to farming as a way of life. The real test of resilience may be when the next generation is due to succeed.

While they bought their farm inputs locally, as the diagram shows, amounts were small.

Fig 4.7 *Farm inputs and services for Farm NW5*



Summary of the Low Impact/Low Dependency quadrant

From Table 4.1(a), all of the farms in this quadrant were either small or very small and they were predominantly focused on sheep and beef. Farm MW3 barely qualified as ‘low SFP dependence’, with SFP constituting 20 per cent of household income. Similarly, farm MW2 had a relatively high proportion of SFP at 15 per cent of income. The remaining four farms in the quadrant had very low dependence on SFP. Taken individually, none of these farms had a major effect on the local economy. However, if there were a number of small farms located in the same area and if all were to be similarly affected by changes in SFP the cumulative effect could be potentially significant.

4.3.2 Interpretive Analysis of the High Impact/Low SFP Dependence Quadrant of Figure 4.1 (Mapping Local Spending and SFP)

Table 4.1(b) shows the characteristics of the four farms in the Low Impact/Low SFP Dependence quadrant of Figure 4.1. Contextual information for each farm is also provided, following the table.

Table 4.1(b) Key characteristics of the farms in the High Impact/Low SFP Dependence Quadrant of Figure 4.1 (Mapping Local Spending and SFP)

	Size	Type	Tenure Q1	% from Productio	% from	% from AgriEn	% from	% from	% from	TURNOVER Q27	Without subsidy	Q30 HH INCOME
NW	S	Sheep	Rented	88	5	5	0	0	2	£68k - £99k	Even	£15.5k -
SW6	VL	Dairy	Mix	40	10	0	0	0	50	£500k or more	Profit	£52k -
SW7	L	Dairy	Owned	77	10	1	5	0	7	£200k - £249k	Profit	£15.5k -
SW9	Med	Dairy	Rented	90	10	0	0	0	0	£68k - £99k	Profit	Less than

Farm NW2

This was a small (ESU) hill farm of 446 hectares, which ran sheep. It was rented from the National Trust by a farmer and his wife, with their two children. Both farmer and wife had part-time off-farm jobs, as did the elder daughter. At 88 per cent the bulk of household income was provided by the core sheep farming business, while SFP contributed five per cent. The remainder of household income came from their off-farm jobs (two per cent) with five per cent from Tir Gofal, they were due to lose. However, they were reluctant to join Glastir. This decision appeared to be based on the perceived level of restrictions and on reports from peers – he did not know anyone who was going to enroll in Glastir; this made a difference and influenced him.

If their SFP increased they would continue with business as usual. However, although they were nominally not highly dependent on SFP, any significant decrease in SFP would see them seek to leave farming.

They bought from local suppliers principally to reduce costs.

They had investigated several diversification schemes and ways to expand the business, which had come to nothing. Some of the problems appeared to stem from their relationship with the National Trust – there had been some contentious issues.

There were no plans for succession in place. Indeed, this farmer stated that:

'He could not advise his daughters to go into farming given his experience.'

Indeed, he was contemplating leaving farming and had:

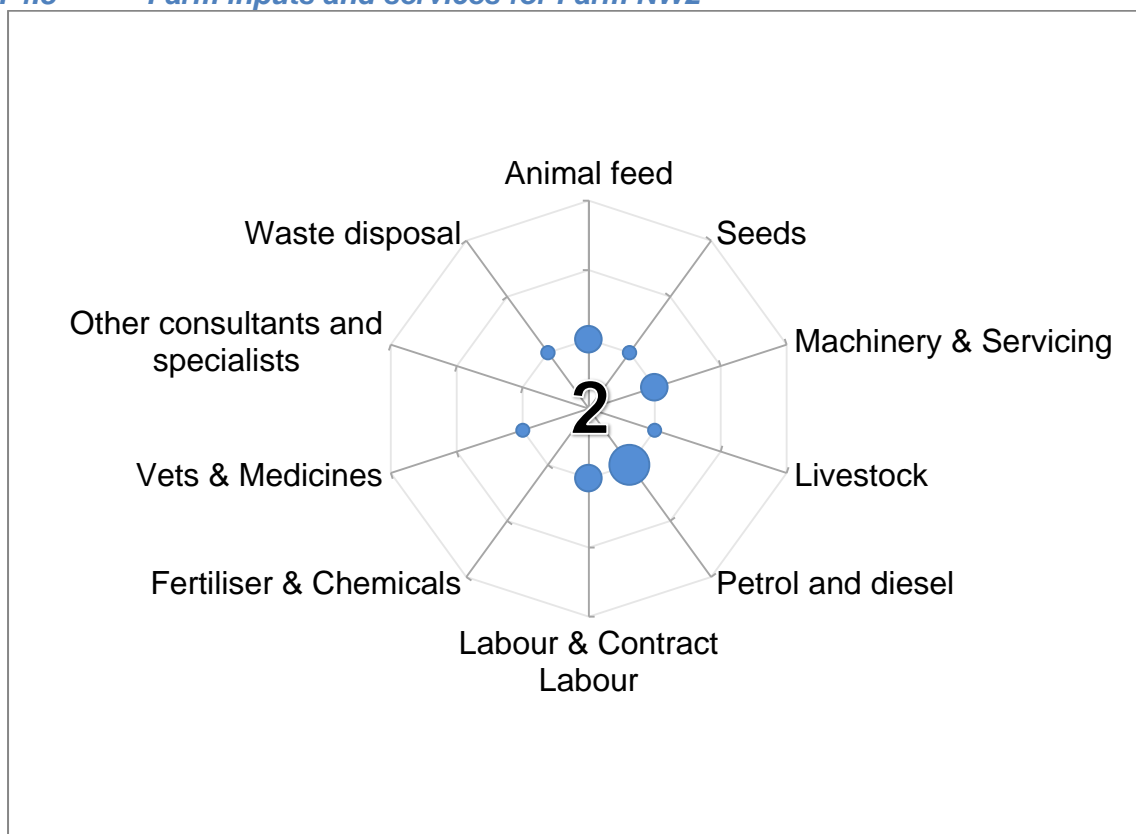
'...spent the last 10 years regretting going into farming'

In general, they were disillusioned with farming and concerned about the future and financial security. He felt that he had had no choice, doing what was expected of him on a family farm. Over time his feelings concerning farming had changed for the worse. They were tied to the farm not only by family, place and culture but by the lack of a viable alternative.

This farm was struggling and vulnerable. The farmer was constrained by being a tenant and by a poor relationship with his landlord, the National Trust. Consequently, he could see no option but to carry on with 'business as usual', while contemplating ways of leaving farming.

As the rose diagram for this farm, shows below, all of their farm inputs were bought in the local area.

Fig. 4.8 Farm inputs and services for Farm NW2



Farm SW 6

This was a very large (ESU) dairy farm business that consisted of four separate areas of land, with 2,500 cattle across 648 hectares and four farms. It employed 18 people, including three family members full-time. Household income was comprised of SFP at 10 per cent, the core dairy business at 40 per cent, and off-farm incomes at 50 per cent.

The farmer's wife had an off-farm income as a teacher. However this was seen as supplementary and not essential to the future of the farm and had no influence on the way the farm operated. In addition, the family had a rental business, which was not connected with the farm business:

'I have rental properties, but that is nothing to do with the farm. That's my own private, my wife and I do that as a private venture.'

The farmer's son ran one of the four areas of land and was seen as the successor to the business.

They had recently invested in solar panels at a cost of £70,000 for the farm, which was not as profitable as installing them for domestic use. He suggested that there would be a return in six years:

'Well they reckon you should in six years. On a commercial scale they are a lot less attractive than if you put on your house - up to four kilowatts. Well you would have got 42 pence for every kilo you generate, whereas commercially you get, when you go above four kilowatt, when you go to 50 kilowatt, you get 13.5 pence, so it's considerably less but it is still worthwhile doing.'

The farmer was fully aware of the change to area-based SFP payments and argued that SFP did not really affect the way the farm was run. As it was currently run to maximum efficiency, any change in SFP would affect the amount of profit. To that extent SFP was an important component of farm income:

'I spend the amount of money which I think is the optimum now so if my subsidy was cut I wouldn't spend more or less. I don't see why it would change anything. You would just make less profit at the end of the year. But we are trying to make as much money as we can now, so I don't think it would make any difference.'

'If I had more subsidy I wouldn't produce either less or more milk. Subsidy affects the bottom line, the overall profit, but if you had no subsidy or less subsidy, you just make less profit.'

Any increases in SFP would be used to intensify dairy production while in the event of a decrease he would continue with business as usual.

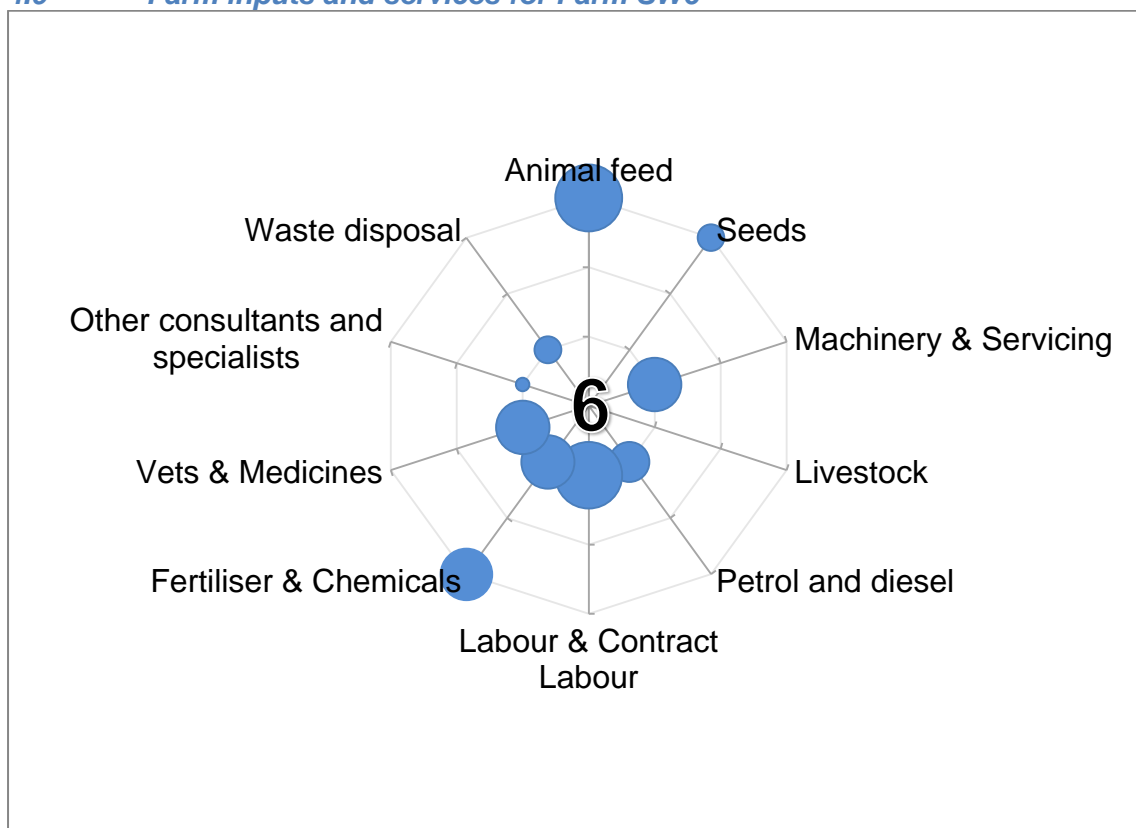
This farmer appeared to be resilient. Although committed to 'business as usual', this was because he had calculated that he would still make profits. In addition, there were off-farm incomes and the farm was in agri-environmental schemes.

While, at approximately £70,000 a year the largest expenditure was on animal feed, which was bought from a company based in England, this was a large business that purchased most of its inputs locally. In addition, the farm business employed local people and used local contractors for some jobs, and it was in this context that the farmer considered it to be important to the local community:

'I think it's very important in this area because there isn't an awful lot else around this area, the nearest town is Haverforwest and there's a lot of competition between the towns so I think it is quite important.'

As the rose diagram indicates, this farm business had a large impact on the local economy.

Fig 4.9 Farm inputs and services for Farm SW6



Farm SW 7

This was a large (ESU) family-run intensive dairy farm of 101 hectares. The cows were kept indoors and the focus was on bigger units, more cows being milked and economies of scale. About 45 acres were given over to maize and corn to feed the cows. It was a family-owned farm, which supported two households. Two family members worked full-time on the farm, one family member worked part-time and the business also employed one non-family member part-time. The head of household was a male, aged between 55 and 64. His son, who was 32 and worked full-time on the farm would succeed to the farm business.

This farmer and son were aware of the trend in dairy farming towards larger units. They argued that they could only expand to a certain extent because they could not afford to buy more land:

'Because we are limited on size, we've had to be able to find a way of getting more revenue in. We can't compete with the big lads because to buy more land round here would cost us a fortune because there's a lot of people all looking for the same bit of land.'

Consequently, they were looking at other ways to continue with their family farm, such as the alternative energy installations that they had invested in: the farm had solar panels and was planning to install a wind-turbine. They argued that they were investing in alternative energy as one way to protect their family farm, which they saw as endangered by the trend in dairy farming towards ever-larger units:

'I mean we are, as a family, we are looking at renewables as a source of income to be able to keep the family together.'

However, capital costs and the costs of borrowing presented problems:

'Borrowing the money's the limiting factor, isn't it, really, because we're not worried about the, I know the technology works, it's more than paying for itself already. Yeah, it's the capital investment, with the turbine we'll have invested half a million in a year, wouldn't we?'

Apparently, the investment was already paying for itself. They had wanted to invest more but the banks would not agree and private financiers wanted too large a stake in their investment.

It was argued that better utilisation of natural resources was the way forward:

'I don't think we've tapped in enough yet to what resources that we actually have got available. We've only just tapped into wind and sunshine.'

The core business of dairy farming contributed 77 per cent of household income. Both the farmer's wife and his daughter-in-law had secure off-farm jobs, and the son, who worked full-time on the farm, had a part-time job as an agent for an alternative energy company. These off-farm jobs contributed seven per cent of household income. Further contributions were diversification (clotted cream was sold directly to the public from the farm at five per cent) and Tir Gofal and Glastir, which contributed one per cent.

Proportionately, SFP constituted 10 per cent of household income. While this placed the farm business in the 'less SFP dependent' category, SFP was seen to be very important to the farm business:

'And this isn't just us, this is everyone. The single farm payment's a lifeline.'

It was observed that local businesses were aware of when farmers received SFP and timed their bills accordingly:

'Everyone, all the local businesses know when farmers get their single farm payment, don't they? They call the contractors. They must have serious cash flow problems because they get not a lot through the year and then they bring these big bills December time because they know they'll get paid.'

If SFP payments were to decrease, it was argued that the farm would struggle. Indeed, it was argued that for many farmers SFP represented their profit:

'I think if the subsidy decreased or was taken away, I think an awful lot of farmers would struggle. Because talking to people, it's your single farm payment that becomes your profit. Because spending everything else, everything you're earning and when you start looking at it, that's what, you then get, that's your money then for reinvestment.'

Conversely, if SFP payments increased, they would increase their stock numbers. In turn, this would generate more profits, which they would invest in the farm business. And, as they argued,

this would increase their spending on farm inputs such as feed and vets bills. The majority of this spending would be in the local area.

On the one hand this farm was vulnerable in a dairy sector that was being driven towards larger units. Although a large farm in terms of ESU, its growth was constrained by the need for land, which was either not available or too expensive. In addition, it was overly dependent on SFP. On the other hand, the farmer displayed considerable business acumen. He had invested in alternative energy and has diversified into a profitable clotted cream business. There were also off-farm incomes. And they were in Glastir and actively looking for business opportunities. As a family farm business they had identified potential problems and were trying to build resilience.

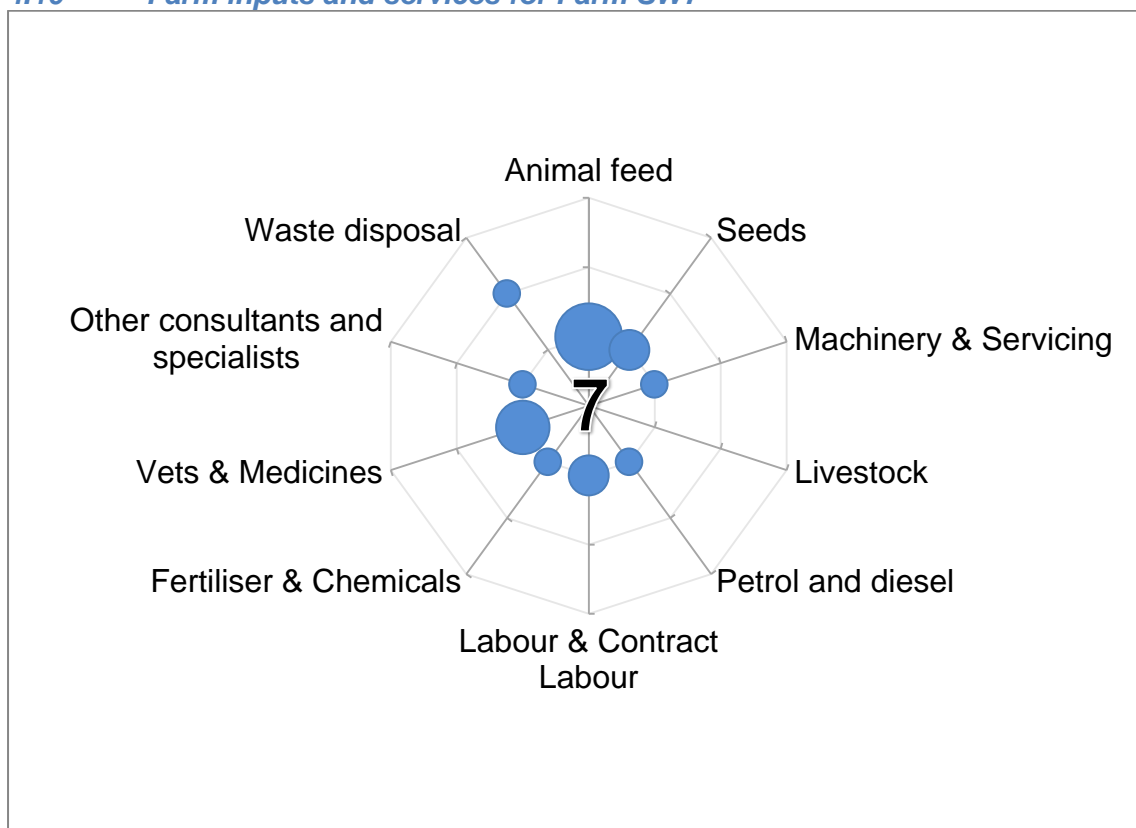
As indicated above, the majority of farm inputs were bought locally. Some quantities were large: for example, £5,000 per month for feed. The farmer argued that he could buy cheaper by going farther afield but he was concerned to support the local economy:

'But what concerns me about that is that, yes, I can buy it cheaper, but if you keep buying it a little bit cheaper, then you put everyone else out of business. I mean ...one hand's saying, "I need to buy my inputs for my business cheaper", and the other one's saying, "Well, hang on a minute, what about local employment and everything else?" We've got children. What people don't realise is social economic history tells us an awful lot and you sometimes have to look at, I mean, it can be modern history as well as old history, and (sighs) yeah, we have a responsibility because if you keep local communities going, it means then the youngsters have got jobs and they will stay in the area.'

Any contractors used were local. And livestock was bought locally. They argued that it was important that local suppliers remained in business, although larger national suppliers offered discounts, if local suppliers went out of business the national suppliers would raise prices:

'And yes, you're wrong if you don't buy it cheaper, but you end up going to, end up paying more in the long run because as the smaller firms or other cooperatives scale down or cease trading, then you're going to be in a situation where Anglia Farmers will put the price up. I mean, you can buy vehicles, you can buy everything, you can buy fuel, you can buy everything through Anglia Farmers. We also, fuel, this comes through the machinery ring, we're in part of Pembrokeshire machinery ring.'

Fig 4.10 Farm inputs and services for Farm SW7



Farm SW 9

This was a medium (ESU) family farm on a rented council owned farm of 52 hectares. It was a dairy farm with a Jersey herd. The business was run by a husband and wife, who were aged between 55 and 64, and there was an adult son, who worked on the farm. They produced milk for Suputo, who supplied cheese for pizza retail chains.

There were no plans for succession; when they finished farming they would move and retire:

'They [the Council] don't allow that...we retire in what..three years time.. and that's it then. We retire, we have to move out of here and live somewhere else.'

Apparently, there were no sources of off- farm income or diversification.

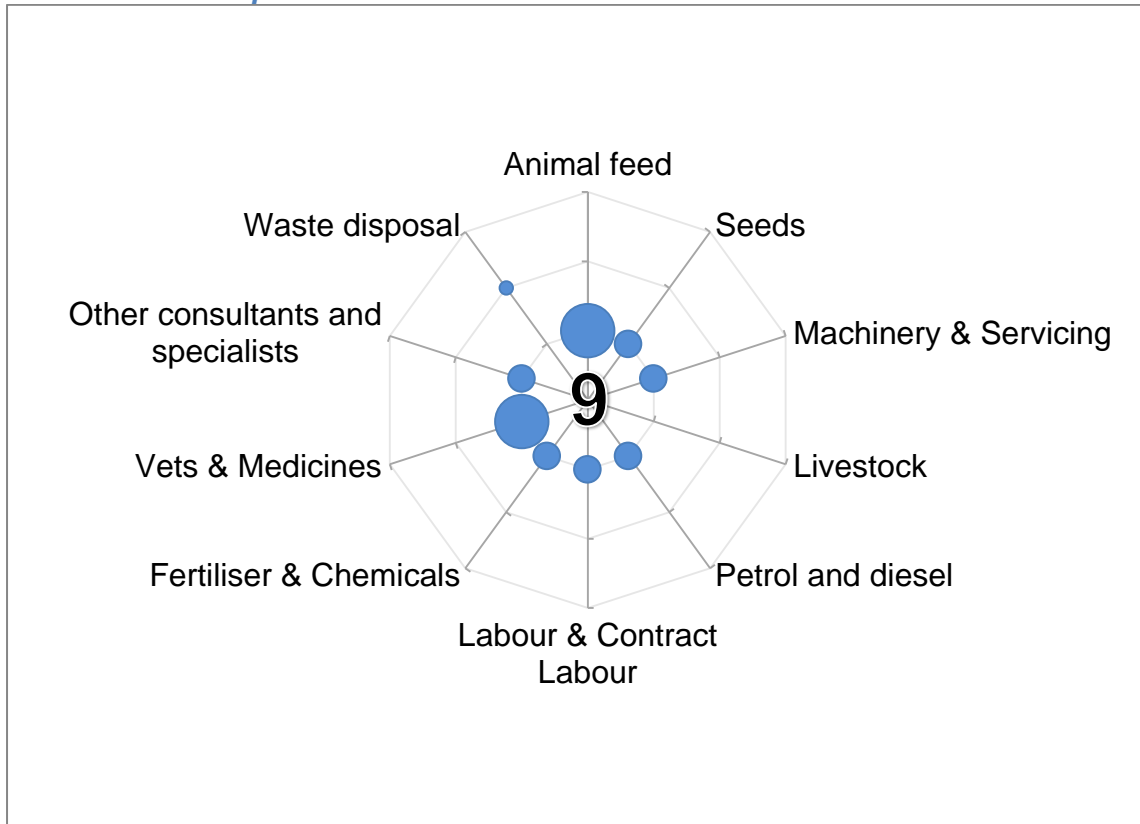
The core dairy business contributed 90 per cent of household income. SFP contributed 10 per cent. If their SFP increased by 20 per cent, they would increase expenditure and production. Conversely, with a decrease of 20 per cent, they would be forced to cut back. In broad terms, then, they would continue with business as usual and only vary the scale and intensity of their farming practice.

This farm was vulnerable. Milk was its only source of income and there appeared to be no possibility of other income strands, because it was rented from the council. In addition, it was tied-in to one milk processor, who dictated prices. In March 2013, this milk processor

announced that it was to close down. A relatively small dairy farm such as this may have problems in finding another outlet for their milk. The larger milk processors tend to want to deal with larger dairy farms to realise economies of scale. These farmers were planning to retire in three years. As a council-owned farm, one wonders what the council's plans are for it.

The majority of farm inputs were bought locally, including some contract labour at around £5,000 per annum. Other inputs were from other parts of Wales and Shropshire.

Fig 4.11 *Farm inputs and services for Farm SW9*



Summary of the High Impact/Low Dependency quadrant

With the exception of farm NW2, a sheep farm and something of an outlier, the farms in this quadrant were dairy farms in south west Wales. While methodologically having a low dependence on SFP, some of the farmers argued that it was very important for their business. As relatively high spenders locally, the types of farms in this quadrant had a high impact individually on the local economy. Where there are large groupings of these types of farm, such as in south west Wales, any changes in SFP payments could have potentially significant impacts on local economies.

4.3.3 Interpretive Analysis of the High Impact/High SFP Dependence Quadrant of Figure 4.1 (Mapping Local Spending and SFP)

Table 4.1(c) shows the characteristics of the eight farms in the Low Impact/Low SFP Dependence quadrant of Figure 4.1. Contextual information for each farm is also provided, following the table.

Table 4.1(c) Key characteristics of the farms in the High Impact/High SFP Dependence Quadrant of Figure 4.1 (Mapping Local Spending and SFP)

	Size	Type	Tenure Q1	% from Productio	% from from	% from AgriEn	% from from	% from from	% from from	TURNOVER Q27	Without subsidy	Q30 HH INCOME
MW4	Med	Sheep and	Mix	25	50	0	0	0	25	£100,000 -	Profit	£31k -
MW5	Med	Sheep and	Owned	60	40	0	0	0	0	£100k - £149k	Loss	£52k -
NW6	L	Sheep and	Owned	20	70	10	0	0	0	£200k - £249k	Profit	£78k or
NW7	Med	Beef	Owned	20	60	10	10	0	0	£25k - £67k	Profit	Don't
SW3	Med	Sheep and	Mix	40	40	5	7.5	0	7.5	£68k - £99k	Loss	£21k - 30k
SW4	Med	Dairy	Owned	60	20	0	20	0	0	£100k - £149k	Profit	£10k -
SW8	VL	Dairy	Mix	30	20	0	50	0	0	£500k or more	Profit	£78k or
SW1	S	Beef	Owned	40	40	0	15	5	0	£100k - £149k	Loss	£31k - 51k

Farm MW4

This was a medium (ESU) sheep and beef farm in relatively lowland fertile area. There were 140-150 head of cattle, with most replacements home-bred, and approximately 750 ewes put to lamb. Tenure of the farm was mixed, with some land owned and some rented. The farmer (age 35-44) ran the business on his own. He and his wife had two children who were currently too young to be involved. While they had not made any formal plans for succession, the plan was for one of his sons to take-over the farm. Indeed, he hoped that he could expand the business to the extent that it would enable both sons to be involved. However, in the current climate this did not appear to be likely:

'I'd like to pass it on to one of the two boys here, or the two. It would be nice for us to expand enough that the two could work here but I can't really see that happening at the moment.'

There were no diversification or alternative energy schemes and the farm was not entered into any agri-environmental schemes. He argued that to enter Glastir he would have to cut down on stocking numbers, and had no spare land for woodland, fencing off, and other requirements:

'I'd have to jump through so many hoops to get that little bit of money back. I think it would cost more than I'd gain from it.'

He expressed annoyance at surrounding non-working farms run by retired or 'hobby' farmers who carried out environmental work and conservation just to receive subsidy to keep farm ticking along. His observations included: *'It was money for doing nothing'*, and that: *'They have "world's best fences but no stock in their fields'*. He argued that this type of practice limited opportunities for younger farmers.

The core farming business of sheep and beef contributed 25 per cent of household income. The farmer's wife worked part-time for the NHS, which contributed 25 per cent. SFP constituted the largest proportion of household income at 50 per cent.

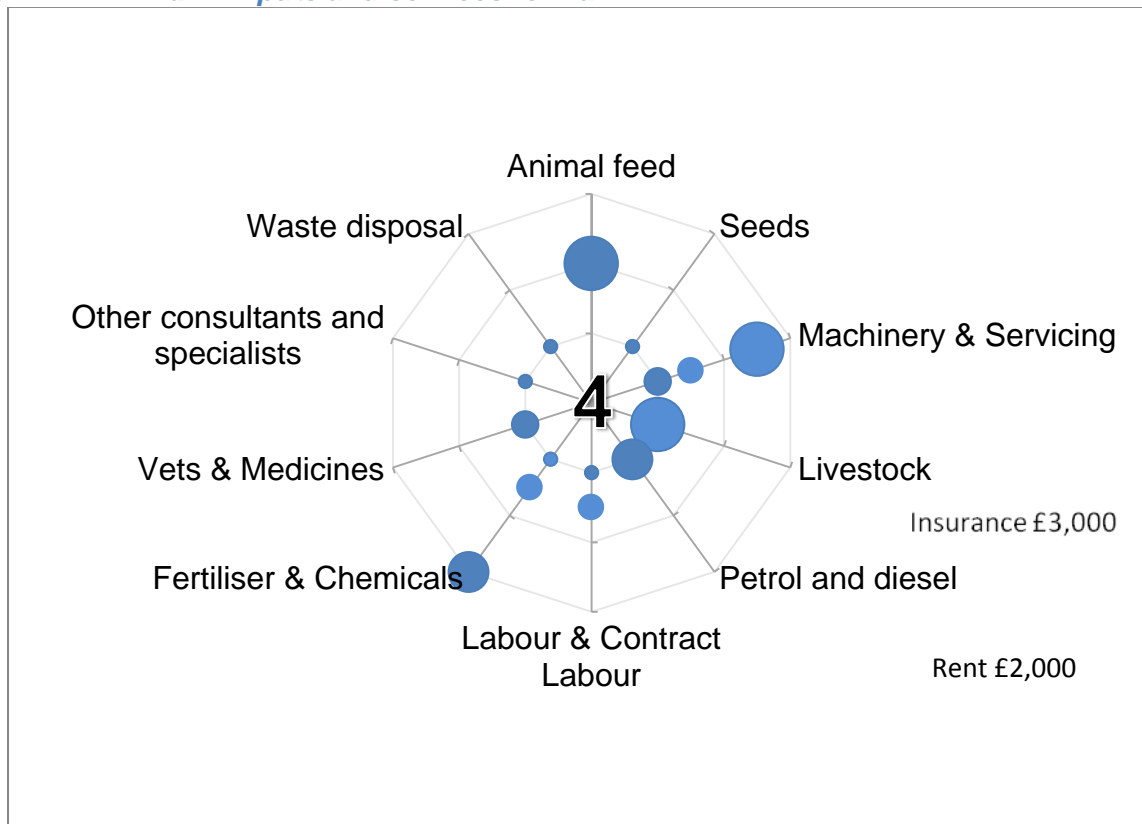
If SFP increased the farmer would seek more land to expand the business. In the event of a decrease he would continue with business as usual. He argued that decreases in subsidy could be 'stuck out' for the first five years just by reducing general costs across the board (less maintenance etc.). But after that he would have to consider his position more carefully, as stock levels would decrease and there would be less to sell. He emphasized that farming isn't something you can quickly jump in and out of: it took time to build up stock (e.g. he had just bred some heifers on which he won't get any return for five years).

In terms of resilience and vulnerability this farm could go either way. On the one hand the farmer was committed to agricultural productivism and did not appear to embrace multi-functionality. Also he considered that SFP would be the most important strand of income in the future. But on the other hand he was clearly business-aware, computer literate, had clear plans, and was aware of potential problems.

The majority of farm inputs were bought locally. However, animal feed was bought from suppliers in Wales and livestock were bought from Anglesey and Merthyr Tydfil, and Shrewsbury or Ellesmere Port in England. The majority of livestock for slaughter was sent to

Anglesey and Merthyr Tydfil, and Shrewsbury or Ellesmere Port. A few went to the market at Welshpool but he argued that this took too much time.

Fig 4.12 Farm inputs and services for Farm MW4



Farm MW5

Farm MW5 was a medium (ESU) livestock farm with sheep, cattle and pigs. The farm business was family-owned. It was divided between two adjacent farms, covering 400 acres in total. Succession plans were under consideration for one of the sons. This was a relatively highly stocked farm (750 ewes, 180 hogs, 40 cows and their followers).

There were five people in the household: father and son worked full-time on one farm, with the farmer's wife working part-time on the farm and part-time at another job. Another son ran the adjacent, partner farm and the third son worked in an abattoir. In terms of succession, it was planned to share the farm business (two off 200 acre farms) between two of his sons. However, he was concerned that 200 acres was insufficient land to be viable. Under current conditions it was necessary to keep larger numbers of livestock to make profits. And with land so expensive, it was difficult to expand. Therefore, it may be that the farm will be sold, if the sons do not want to take it on.

The farmer (age 63) had been in farming for a long time, followed 'traditional' farming methods and did not want change. There were no diversification or alternative enterprises, although he

was considering solar panels on the other farm site, which was south-facing, and there were proposals for wind turbines on the hills above the farm for a new power line nearby. He would receive about £15,000 for a turbine on his land. While the farm was in Tir Myndd, the farmer was not going to enter Glastir:

'No, there is quite a lot of work involved. You've got to spend a lot of money, with contractors and things to do it. It's one or the other isn't it? And with doing this double fencing and what have you, well I have a job to keep my fences up tidy as it is - the ones that I have got, without making twice as many of them.'

However, he would enter any scheme if it profited him:

'I go with any scheme if I thought I was better off; if you understand, if the financial reward was there.'

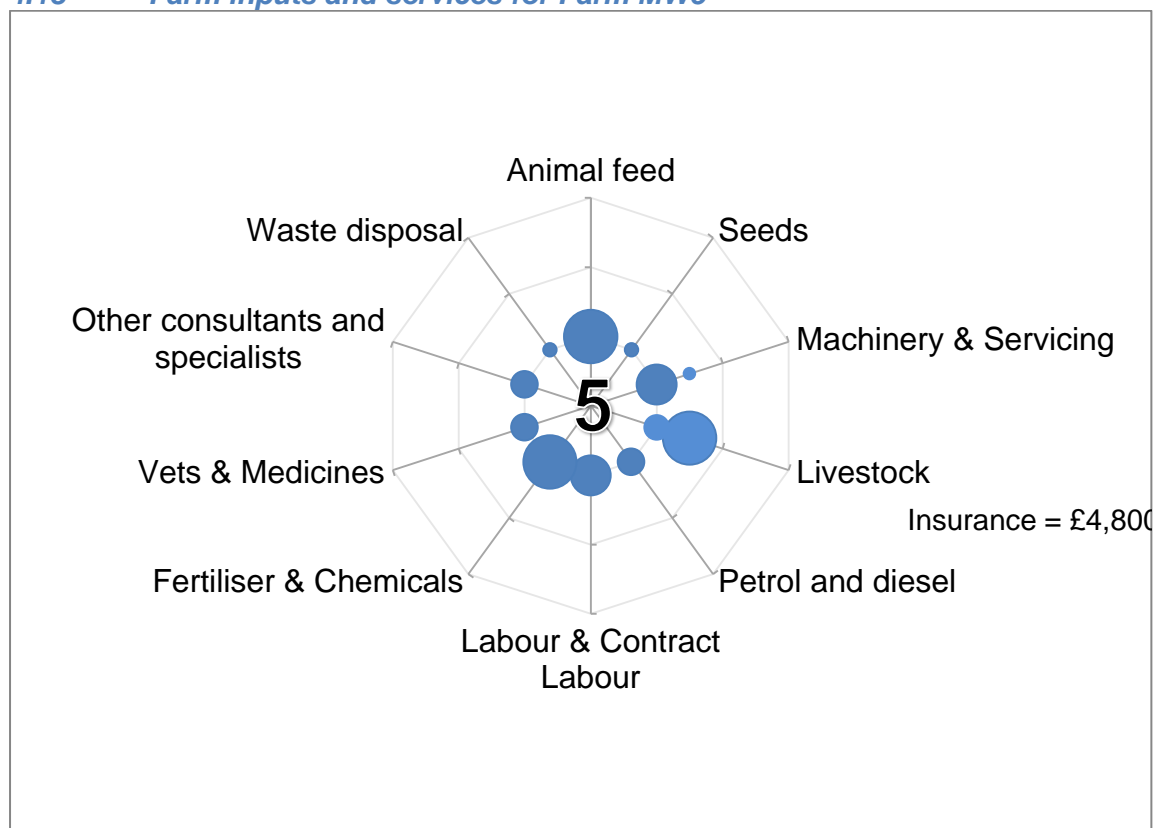
Currently, SFP contributed 40 per cent of household income and was seen to be the most important source of income in the future. Off-farm incomes made up only a small proportion with the core farming business contributing most of the remaining 60 per cent.

Although the farmer anticipated being worse-off through a move to area-base subsidy payments, he would continue with business as usual. However, he observed that he might be better off letting the land than farming it in the current climate.

Currently, this farm appeared vulnerable. The farmer was set on retirement and did not want to change his methods or to diversify. The future will depend on what his sons do.

Farm inputs were purchased locally. As the rose diagram below indicates, the farm had a relatively large impact on the local economy. Livestock were sold at Welshpool market. Animals for slaughter went to Randall Parker Foods (Abattoir) at Llanidloes, for sale to Waitrose.

Fig 4.13 Farm inputs and services for Farm MW5



Farm NW 6

This farm was a large (ESU) sheep and beef farm of 405 hectares, which while lower down than the other mountain farms in this sample, still qualified for Tir Mynydd. The farm was run by father (65) and son full-time, and they employed a part-time non-family member. In addition to the land here they owned other land on Anglesey and near Harlech, and rented land in Anglesey. They ran 1,400 ewes and 140 cows and followers. There was no diversification although a wind-turbine had been recently installed.

Succession planning was in place for the son, to be followed by his son.

Household income was constituted by the core farm business at 20 per cent, agri-environmental schemes at 10 per cent, and SFP at 70 per cent. There were no off-farm incomes. Firstly, they agreed that they would not have the time, as discussed below, they needed more labour, and secondly, they did not why they should change what they were doing.

The farm received a large SFP of £110,000. They were in Tir Cynnal and were going into Glastir to make up the money they were losing when Tir Cynnal ceased. A consultant had been employed to guide them with the Glastir application. They were not necessarily trying to change a lot with the farm, as they did not see many ways to change what they were doing already. They were not keen to diversify in any way or to sell their produce differently. At the time, they were over-stretched with the amount of labour and conceded that they should have really

employed someone else full-time on the farm. But this was an area where they were saving costs, although they did use contractors for specialist work:

'To be quite honest we should employ another one with us there's enough work for another one here but we just can't get the right one. Then you get contractors in to do lots of work. We've got some contractors in now doing walling.'

The farmer acknowledged that any decrease in SFP would create difficulties for the farm. He thought that they would lose subsidy following CAP reform because the present payments system had favoured them:

'Well I know quite a bit about it but I'm sure we'll be losers I think. I think we'll be losers, myself. Well I'm not quite sure how much will they be paying to like I don't know how much an acre will they be paying afterwards and we just happen to, we've got a good payment because we were doing in 2000, 2001, 2002 we were doing the right things at the right time then you know. Well we were in different schemes where extensification was sort of premium and our new premium, suckler cow premium, calf premium everything was.. everything just added up.'

Whatever the outcome of CAP reform the plan was to continue with 'business as usual'. They were hoping that the income from the wind-turbine would address any shortfall. Business was seen to be reasonably buoyant and the only scenario that would make them think about leaving farming would be if the farm business made untenable losses.

Although committed to 'business as usual' and in receipt of a large SFP, this farm appeared to be resilient. They had invested in a wind-turbine and were continuing to enrol in agri-environmental schemes.

Although this farmer travelled to Aberystwyth for quality rams and to Stirling for bulls:

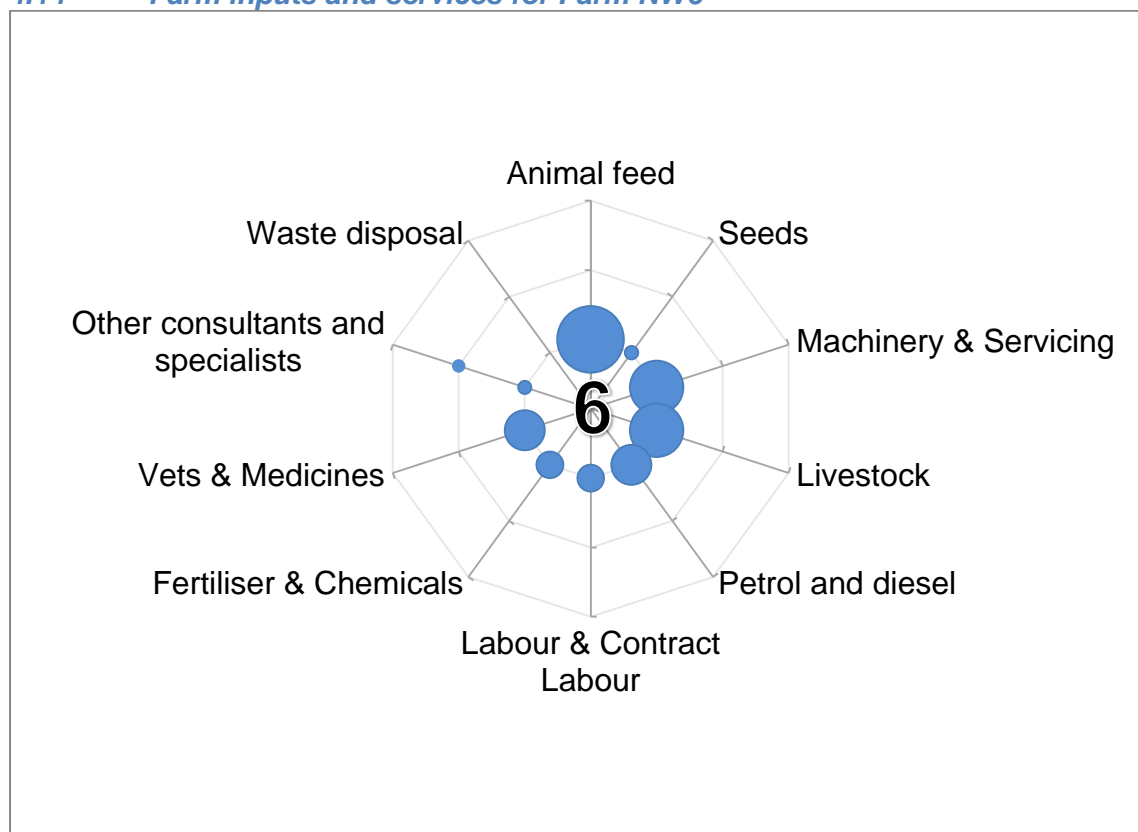
'I've been buying my bulls up in Stirling in Scotland. Well that's where the best bulls are.'

Cattle, he generally bought more locally. He would have liked to buy better stock but was trying to save costs:

'Well we get what we pay for yes. I'd like to buy better but you know they're too expensive the best ones.'

More generally, they argued that they, as farmers in the area, were major contributors to the local economy.

Fig 4.14 *Farm inputs and services for Farm NW6*



Farm NW 7

Farm NW7 was a medium (ESU) family hill farm underneath Snowdon, with mixed sheep and beef, and approximately 100 poultry. The family ran two adjacent farms: the main farm business of 600 hectares with rented land and lowland ground and a farm in Bethel. In total they farmed 810 hectares. Between the two farms they ran a 'hafod / hendre system' or transhumance system. They also had a new holding, which was primarily run as a campsite. The farms were owned by the family and were run by the couple (45 – 54) with the grandparents, and casual labour from the daughter on the campsite. They had younger boys who help with the poultry and the children were intended to take over the farm in future. There were eight people in the household. In addition, they employed a young man fulltime on the farm. They also employed casual labour in summer.

The farms were sited close to the main tourist path up Snowdon, next to the YHA above Llanberis, and while there were a number of bunkhouses, B&B's and self-catering accommodation there was little competition for the campsite. The campsite was the main income for the wife and paid all the household bills. While there had always been a campsite associated with the farm, they began to push it more seriously six to seven years ago when stock prices were low and the farm was really struggling. They had also invested in one of the farm cottages to run as self-catering, but this did not do so well due to competition. The campsite was good but very vulnerable to the weather, and they had had a very poor year.

They would have liked to install a hydro scheme, and had started the process of getting a feasibility study, but they did not have the necessary capital yet. This was seen as a good strategy to carry them through any subsidy changes in future. They did not have many other options, as they felt that they could not expand or change the current business. However, they would like to open a farm-shop if they had the capital and their daughter would run this. They were committed to family farming and said that only ill-health, old-age and, ultimately, death would make them leave farming. Succession planning was for the 11 year-old son to takeover the business.

They had entered Glastir to replace the money lost when Tir Myndd ceased. Apparently, one of the key points in favour of entering the 'all Wales' section was that they received benefit for growing turnips:

'Well that wasn't too bad because we can put the like your growing double turnips that sort of made the points up to keep a lot of the grazing land out of being restricted really. So what's the future for that I don't know. It's only because we could get the points from the turnips because if it had put the stocking rights on the mountain it wouldn't have been sort of viable really. As long as it doesn't affect the stocking rights it's OK.'

To enter the 'targeted' section would not have been viable. It would have required severe de-stocking on the farm, with knock-on effects for the local economy in terms of a reduced requirement for labour on the farm and spending on farm inputs:

'It was stocking that had been the killer because....When they think of all the land you only had that many sheep for a start you wouldn't have to buy any feed so you wouldn't need the shearing contractor, you wouldn't need bales so really it would knock all our expenditure it would just disappear out of the country, it would just disappear wouldn't it?'

It was argued that the 'targeted' elements of Glastir paid farmers to reduce labour and spending opportunities, which was detrimental to the economy, particularly in a recession.

Household income was constituted by the core farm business at 20 per cent of income; diversification at 10 per cent, agri-environmental schemes at 10 per cent, and SFP at 60 per cent.

If they had more SFP, they would feed the cattle more concentrates to improve their condition, and invest in more boundary improvements. In addition, they would invest in their farm buildings and a farm shop.

With less SFP they would cut labour and maybe reduce the amount of rented land:

'Give up all the rented land I think that would be one thing we should have a knock-on effect you would have to cut down some of the stock obviously.'

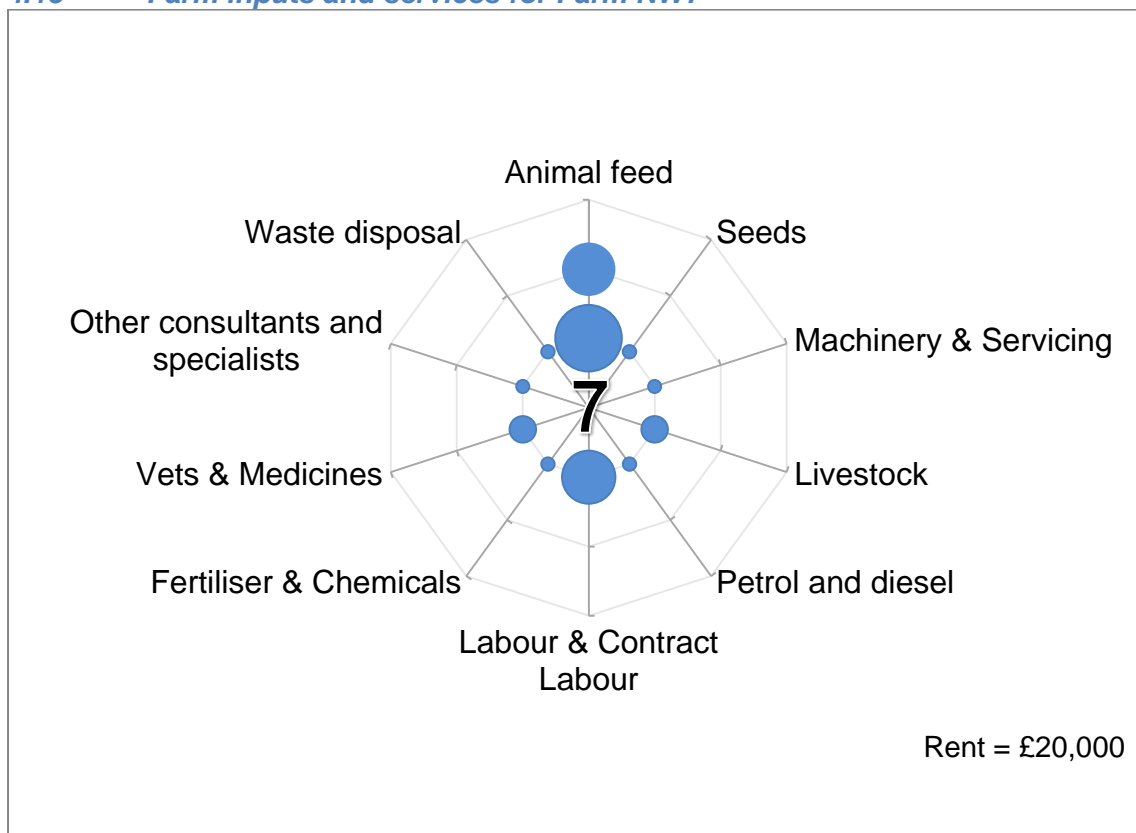
These farmers were realistic about CAP reform and had outline plans to deal with any changes. While committed to the family farm, they had diversified, entered Glastir and were considering hydro-power. Generally, then, it was a resilient farm business.

Inputs for the farm were purchased mainly from local suppliers. They always looked for the best prices. Generally, it was argued that farms supported the local economy through spending and labour demand:

'Just think of the contractors that go round and do all them, it obviously keeps them in work. I suppose it keeps all the feed merchants going and different suppliers and contractors.'

Livestock and stock for slaughter went to local markets and abattoirs.

Fig 4.15 Farm inputs and services for Farm NW7



Farm SW 3

This was a medium (ESU) farm of 122 hectares. It was 50 per cent owned and 50 per cent rented land, in another location, both on LFA land. The core farm business was sheep and beef. There were two households in the business and it employed three full-time family members and three part-time family members. While they had diversified into bed and breakfast and holiday accommodation, their philosophy was that it was best to focus on doing food production well:

'I mean we've looked at doing other things but the secret is do what you are doing, do it better.'

They would like to be left to get on with what they have become experts in and doing all their lives. The plan was to continue with what he does but increase the yield per ewe with additional money being channeled into improving quality of soil so that they could spend less money on fertilizer.

While the farmer's son was involved in the business and would take over when the farmer (65) retired, the son was 45, unmarried and had no family of his own. Consequently, it was difficult to look beyond the next generation.

They had diversified into farm-based accommodation but argued that it was difficult to make money as this market was becoming saturated. The farm had been in Tir Mynydd and Tir Gofal and was in Tir Cynnal. Under these schemes they had done a lot of work such as double-fencing, and planting trees and hedgerows. However, they were not able to enter Glastir as they were not able to garner enough points. They were not able to enter their rented land as the owners were not willing to commit to a five years scheme, especially as they had only one year leases:

'We are in Tir Cynnal, which ends this year. Now the one that's following is Glastir, which at the moment we can't get enough points to get into the scheme. And we can't use the rented land because the people we rent from, and this is quite important, don't want to be tied up in an agri-environment scheme. So because we are not on five year tenancies - we are on annual tenancies and probably we'll be on annual tenancies for years - they don't want to tie it up on a five year basis so that strikes all that land out.'

It was argued that, at this juncture, they did not want to drop their stocking density, as would be required on land in Glastir.

Both the farmer and his wife drew private and state pensions. In addition, the farmer's son, who was part of the farm business, worked part-time on other farms.

Household income was made up by the core business at 40 per cent, diversification at 7.5 per cent, agri-environmental schemes at five per cent, off-farm incomes at 7.5 per cent, and SFP at 40 per cent of income.

The farmer argued that SFP was a support payment. They adjusted their stock levels of relative to the market, not the amount of SFP received:

'Single farm payment is just a support payment. At the moment, it's a needed income so that's really the difference. So to answer the questions, that is the big question mark hanging over it. If it's more profitable to feed more animal feed even without the single farm payment we'll do so. If the margins aren't there obviously we should cut back on our numbers so the amount of feed we feed would be a lot less.'

At this time they were heavily stocked and needed SFP as support. While if SFP was to increase they would continue business as usual, if SFP decreased they would have to reduce stock levels, reduce concentrates and become more organic:

'If that decreases and the margins decrease then the animal feed will decrease as well because we'll have to keep less stock. We'll have to run a more organic type system with less stock and less inputs.'

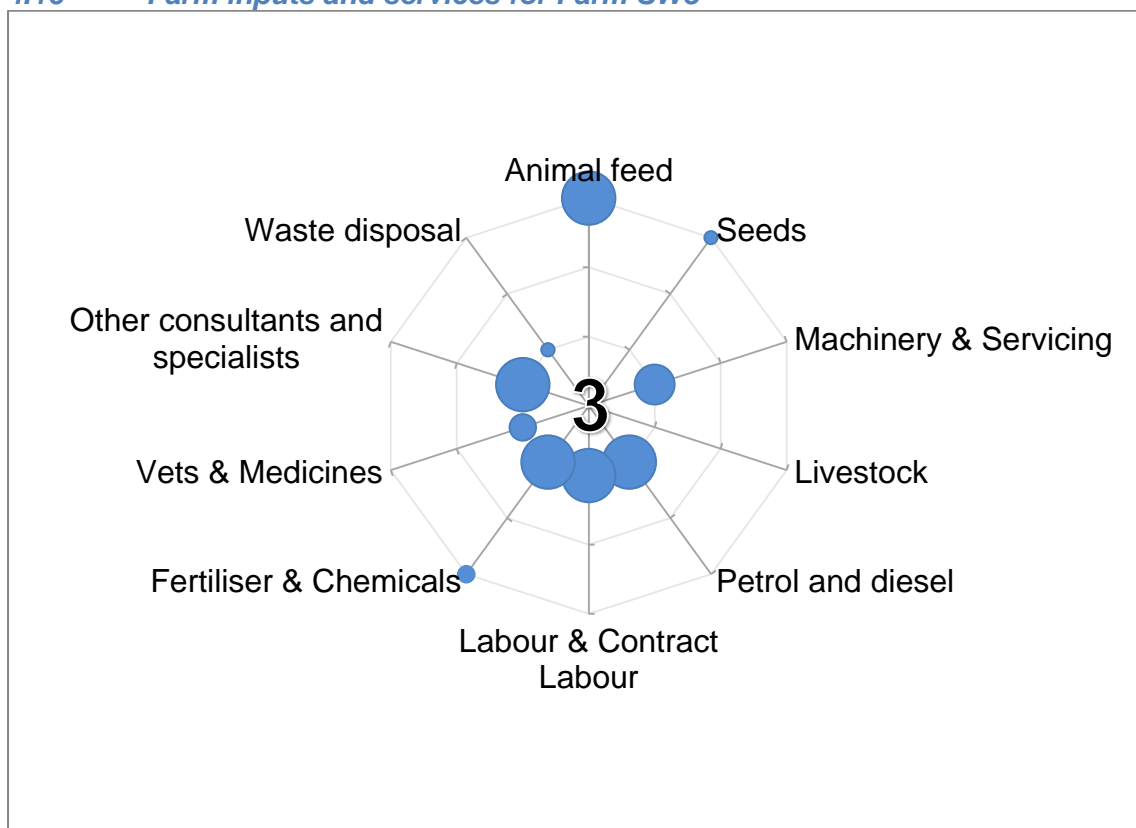
He argued that subsidy was not for the farmer but for the consumer of food and of the land. The farmer maintained the land so that it looked attractive for those coming to the area. He felt that if farms were not subsidized the money would have to go to other agencies to take care of the land. The farmer intimated that if subsidies were to become too low or to cease, his son, when he took over the farm, may have to sell.

In terms of resilience and vulnerability, this was a family farm with succession to the next, middle-aged, generation assured. They were obviously expert farmers who had good knowledge of the business side of farming. However, they appeared to be reliant on subsidies and to believe that, under existing regimes, subsidies were necessary to the maintenance of farming, food production and the environment. While they had diversified, the farm may be vulnerable in the next generation.

The greatest expenditures were on animal feed and fertilizer, with the large majority bought in the local area. He observed that local farmers were embedded in the local community and economy and that any reduction in subsidies, either from the cessation of agri-environmental schemes or a reduction in SFP, would be reflected in less money being spent locally:

'We've lost Ty Cynnal, as I mentioned to you. As an upland payment now that was a good payment because it would cover our rented land as well. And the Ty Mynydd to me supported not only me but the people we supply locally. Any grants we get is helping us keep other people employed. Not only us. We probably write out seven cheques a month to local people, obviously varying quantity but depending on what you buy but the local hardware centre we buy fencing material from and buckets and gates and this sort of thing somebody else we use that's local. The garage we use is local, contractor's local, Crymych is local, and it's all around here. This and the single farm payment dropping will make you look harder at your expenditure wont it?'

Fig 4.16 Farm inputs and services for Farm SW3



Farm SW 4

This was a medium (ESU) dairy farm of 53 hectares owned and run by a Welsh speaking family, who were born and bred on the farm. There were two households in the business (the son was married) and it employed two family members and one non-family member They were focused on efficient dairy farming, which left little time or space for much else:

'Don't do anything with farm tea shops, don't do anything with farm shops sales, contracting we do, recreation we don't do anything but we will come back to that. Accommodation, we don't do anything , energy crops, we don't do anything. Poultry we don't do anything, so crops we don't sell, it's only crops that's grown for our own use.'

The plan was for the son to succeed. He was part of the business and his wife had a full-time, off-farm income. They had been farming all of their life and intended to continue:

'The only way I will leave farming is in a coffin.'

The farmer (55-64) thought diversification was in fact destroying farming communities. It was rather a sore point as they had had a problem with planning permission for their son to live next door and work on the farm. Apparently, it could have easily been turned into a tea room. They failed to see the logic of this as it would bring more affluent English in to the area and dilute the community and the farming ethos:

'Well that's what's spoiling farming isn't it? Our best bet would be to stop farming, make all the buildings into houses for English people to come and live in them and then the government would say I was wonderful in giving all these English people homes and they would give me commission. Well everybody would be happy then and they would give us planning permission for every building out there. But my son wanted to build a house on the farm to work on the farm, he's been brought up in Wales, he was employing local people, took us three years to get planning permission...and a lot of money. But they were quite willing for us to give up farming and convert all the buildings. So that's where the future of farming is....and that's what people do, our option would be easier wouldn't it, convert those, sell them into building plots for houses - and open a tea room. So that's where the future of farming is, it's people like us that are trying to keep farming alive. One day perhaps food will be more important to people than holidays abroad.'

The farm was in Glastir. But the farmer suggested that Glastir officials lacked knowledge and understanding of farming:

'We are in that already-we are in Glastir. And that is hard work when you've got to deal with people who don't understand what they are talking about. Well prime example- we are on the phone and they ask me - "what's a steer?" Well, you know, do I need to say any more?'

They argued that dairy farming was a full-time job, which did not allow time for other work. However, the wife had an off-farm job, but it was not held to be essential to household income, and the son had an off-farm income. In addition, they did occasional contract work, which brought in between £40,000 and £50,000 per year. Discounting, then, these off-farm incomes, it was suggested that household income came from the core dairy farming at 60 per cent, agri-environmental schemes at five per cent and SFP at 35 per cent.

The farmer intended to continue with business as usual. He argued that any change in subsidy would be reflected in the level of profits rather than in farm or business practice or even farm inputs:

'To be honest with you, I can't see why anything I do will change, if the subsidy goes either way. Because we don't spend more than what we need on animal feed already so if subsidies go up we will be spending the same amount to keep our animals here, if subsidies come down if we've got the same amount of animals we've still got to...The only way that a lot would change if our farming enterprise goes down, not and the farming enterprise might go down because of those, but I can't see how that can affect those because we try to be as efficient as possible in any case. So it would mean more profit or loss.

Single farm payment is our only source of what-do-you-call-it, if that drops 20 per cent are we going to cut our animal feed back by 20 per cent? The only way of cutting animal feed back is cut animals back, isn't it? People that's having a vast amount of single farm payment, they don't rely on their agriculture to supply them with an income. It might be different, but for us, we can't live on the single farm payment, it's there to boost things up for us.'

In short, they argued that they were market rather than subsidy driven. The main problem was the price of milk, which was considered to have more of an effect than SFP. SFP was seen as a supplementary income for the farmer to help keep prices down for the consumer.

All milk was sold to First Milk, for making cheese. Livestock sales included either calves or beef, or barren cows which went for slaughter, usually through Carmarthen mart.

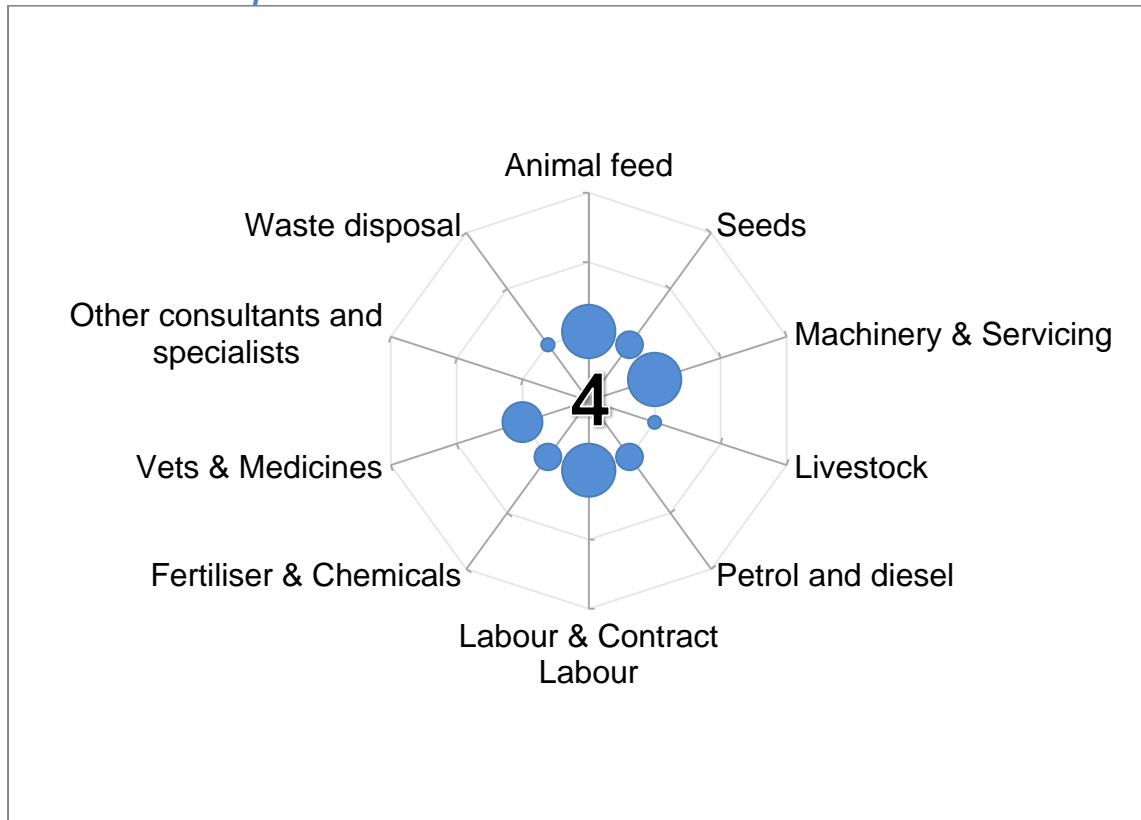
Looking at resilience and vulnerability, this was a dairy farm run by a long-term farming family, embedded in the area, and determined to remain in farming. As a dairy farm tied to one processor they were, to an extent, vulnerable to market forces. In addition, despite arguments to the contrary, SFP was a significant part of the farm income. However, they were in Glastir and, again despite arguments to the contrary, they had income from other sources.

The majority of farm inputs were purchased locally and it was argued that farming had an important role in the community in terms of providing jobs and utilizing local resources, and in sustaining the local community:

'We do employ local people, and the farm plays, I wouldn't say important, but it plays a big part in the local community.'

'Well round here if you didn't have farming you wouldn't have a lot left would you? As industry or as employment because the thing is at the end of the day you take agriculture away from here and you've got all your machinery dealers all your reps depend on farmers. There would be nothing round this way, unless you go down to Tenby, but you're talking round here, agriculture is the main employer.'

Fig 4.17 Farm inputs and services for Farm SW4



Farm SW 8

This farm had been in the family since 1929. It was a very large (ESU) farm and had grown from 30 acres to 220 acres owned by the family, with a further 250 acres rented. The principal business was dairy, with some beef cattle. There were 300 Jersey milking cows in a closed herd and 150 calves, all grass fed. Imported bull semen was used to breed replacements. The farming family consisted of the farmer (65 or over), his wife and two sons. They employed one full-time family member, one part-time family member and one full-time non-family member. One of the two sons worked in the farm business and would succeed.

The core dairy business was very important for the future and there were plans to expand:

'We see the business as growing. We took on a tenanted farm last autumn and we're now looking around for another farm to establish a second milking unit on. So the idea is that we will aim to double the milking herd over the next two to five years.'

They were committed to farming, provided it was profitable.

It was argued that existing agri-environmental schemes were too much trouble for too little return:

'I'm not saying that we won't ever consider them but to be honest the amount of return from them relative to the hassle factor just doesn't make them viable.'

Household income was derived from a number of sources. The core farming business, with milk sales to First Milk, contributed 30 per cent of income, diversification 50 per cent and SFP 20 per cent. In addition, they had diversified into an investment business, which managed residential properties and offices and was based in Sweden. This venture was in partnership with other farmers, both local and international, and brought approximately £120,000 per annum into the household. They also had a smaller property investment business in south Wales. And the interviewee was the current director of First Milk: a role that attracted a salary. These off-farm incomes were argued to be completely separate from the household income.

It was argued that as SFP was small relative to turnover (less than two per cent) it was not likely to have an effect on the way the farm was run:

'We had a very small quota allocation when the quotas came out first, consequently we had a very small single farm payment allocation. Our subsidy payment is tiny relative to turnover. So therefore it has very little influence on whether we actually would operate the business differently whether the subsidy is there or not.'

However, if SFP was to increase they would produce more milk and make more profits. Conversely, if it was to decrease they would produce less milk and make lower profits.

The farmer observed that changes in SFP were more likely to have an effect on smaller farms where SFP was a greater proportion of income; and suggested that these farms were not run well. Furthermore, changes in SFP were also likely to affect farms that had not grown; and he suggested a correlation between farms that did not grow and those that received large amounts of SFP. By contrast, other European countries were less regulated, which had forced farms to

be resilient and enabled growth in the farming sector. Subsidy was seen to encourage farmers that were less work driven.

'If the single farm payment forms more than twenty percent of your profitability I think you've got a very vulnerable business.'

The business was focused on the market:

'We're absolutely reliant on the market and we are very focused on doing what the market does and we're very focused on influencing the things that we have some control over, so we look at our cost of production in particular and we're very focused on that and so we tend to operate a system that can cope with price volatility in the market place and allows us to, we operate with quite a high operating margin, lets put it like that, which allows us to cope with volatility and we are therefore not that dependent on the single farm payment or the subsidy payment in terms of our profitability.'

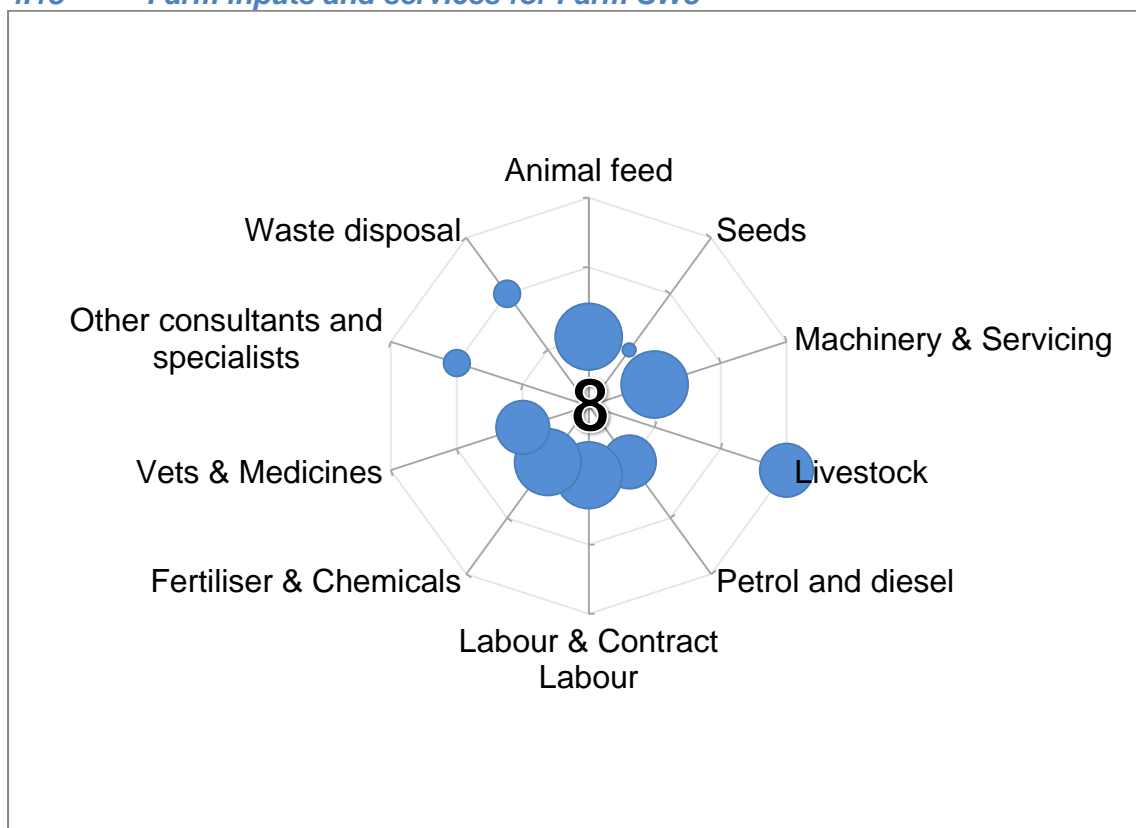
In terms of resilience and vulnerability, this family farm business had resilience. It was not overly dependent on SFP and had multiple income streams. In addition, it was run with business expertise. The farmer suggested that, as an international businessman, he was aware that in countries without subsidy support systems farmers had to deal with more price volatility, which, he argued, made them more resilient.

The majority of farm inputs were bought from local firms, apart from bull semen, with some from other parts of Wales and England. It was argued that the principal benefit that the farm brought to the community was economic:

'I suppose it's employment and we generate an economic value which is, it's part of the economic value produced by the creamery in Haverfordwest. We take our land resource and we generate three quarters of a million of value off it in a year and most of it, according to my wife all of it, but most of it gets spent in the locality, so I mean in some form or other its dissipated outwards into the locality either in the form of onward employment in other businesses or in the provision of goods and services.'

More generally, it was argued that farming was important to rural areas: it provided employment that appeared to be low wage but also had low personal costs, such as travel-to-work.

Fig 4.18 Farm inputs and services for Farm SW8



Farm SW 10

This was a small (ESU) family-owned beef farm of 142 hectares, with a closed herd. There was a separate farm unit three miles away. This was termed the 'offline' farm and was the location of the accommodation for rent. The farmer (45-54), who was previously a solicitor, was making changes to his herd. Overall, he was reducing the age profile of the herd, which would reduce vet's bills. And he was moving away from continental breeds and more towards native breeds, which were hardier and less reliant on purchased feed and housing. He argued that the continental breeds, which were popular, were not as hardy as native cattle breeds and required a corn diet. In the future, corn would be required for people rather than cattle. Consequently, he was moving back to native cattle breeds:

'Yes we're breeding more away from a continental breed which we've all been breeding since the 70's and more back to our native breeds or a cross with our native breed to suit our land. What we think will happen in the future which is we won't be able to feed corn to them because the demand for corn will increase as the population across the world increases.'

He intended to continue in farming:

'Farmers either die or they become bankrupt, one or the other, they don't retire much do they? Very few farmers actually go bankrupt but they all eventually die.'

The farm supported one family of five people and employed two family members, full-time. There were no succession plans. Contrarily, this farmer suggested that family succession was the point of farming, so you could hand over something of emotional and financial value for the family in the future. However, he argued that there would be less family succession in the future because of the takeover of family farms and the fact that many people had other jobs instead:

All the signs are, from where I see them is that less and less family farms are actually going to be handed down within the family but that doesn't mean to say that family farms are dead I would say they get bigger because other family farms will take them over. That's what's happening isn't it? When I was a youngster my father farmed 70 acres. I farm 350 – 400 acres. If my son or daughter was farming I expect they would be farming 600 or 700 acres. I'm not saying they're going to be better off, they probably won't be but they stay in the game then. Succession will still be important but to a decreased number of people as the numbers employed in our culture decline. It's a real problem.'

They had diversified into property lets (offering affordable housing £60-£80 a week). They tried to let to local people when possible, as it allowed them to vet potential tenants:

'We're trying to grow the accommodation sector, we're trying to grow that. The barn conversion is on the offline farm and flats and things. We started in 2002, saw the writing on the wall, and we have been spending money on them ever since to get them to residential lettings for people who can't afford to buy. They're in the region of £60 - £80 per week, which is pretty on the low end for this area. Good quality stuff, but its reliable because the same people will stay put for years. Our longest tenants have been there since 1999. The tenants are always local. We won't rent to people from away because we've had a few bad experiences. Although our best tenant ever was English. I mean we keep on increasing the accommodation section because we haven't finished yet. We keep on diversifying because it pays.'

The installation of a wind-turbine was scheduled for the spring:

'We're putting a turbine up, we've got a 40 metre turbine going up shortly. That's going up in spring I believe.'

The farmer was uncertain about entering Glastir. He argued that Glastir had limited application to most holdings in Wales, but that it was more suited to the uplands or intensive units rather than lowland farms such as his. He said that he would probably apply to join, as he wanted to improve the environment:

'I looked at Glastir. Glastir looks to be of limited application to most holdings in Wales. In other words it's got its place, but it looks- my guess is - it's place is probably in the uplands or more intensive units. That's my guess. That's not to say we're writing it off. I think the applications are open till June next year for the next wave and we are thinking about it. We may well apply to join, but it's definitely a marginal decision. For the money and the effort involved it's finely balanced. If I'm honest I would probably say we probably will join, or apply to join. But it is probably an emotional decision. We'd like to improve the habitat as long as restrictions aren't too onerous, and the money is merely to get us to do so. But it was never an economic incentive because it was merely replacing lost production.'

Household income came from the core farm business at 40 per cent, diversification at 15 per cent, rent at five per cent, and SFP at 40 per cent.

This farmer suggested that most farms such as his will be receiving a reduced payment and with the devaluation of the sterling that they were already net losers. As his areas of largest spend were machinery, fuel, feed and fertilizer, this farmer suggested that, if his SFP decreased, he would cut back on these inputs. He argued that if the subsidy was removed totally, most livestock farmers in Wales would go into emergency mode as they were small and had no scope for economies of scale;

'Well that's what most of us are facing because in the lowlands it looks like we're going to be the net losers so far with the devaluation of sterling exchange rate we really are net losers this year so we're already dealing with it. It's easy, it's going to be machinery purchases are going to be hit. The big items. If you went back to a farm 50 years ago the biggest thing you'd notice is you wouldn't have a new vehicle on the yard, you wouldn't have one of these, you wouldn't have one of those.'

In his case, if all subsidies were removed, he would stop beef production, liquidize assets (such as machinery and cattle) and buy more sheep, which only required a dog and a stick.

He suggested that many farmers would give up, because of age and having to farm without machinery. They would rent their farms out to tenants. Farm values would collapse. Although there was an emotional attachment involved with cattle farming, which enabled farmers to make irrational decisions and stay in farming during bad periods, if SFP were to cease, farmers would leave the industry:

'There's an emotional attachment to cattle farming so many cattle farmers find that the figures don't look like they make much sense but if you take away the SFP even the farm industry doesn't make much sense and it then stops.'

The farmer argued that the subsidy supported a high input, high cost regime. With the EU subsidy removed, farms would no longer be able to pay large input costs and machinery and probably go to more cost efficient systems. He argued that regional government did not grasp the fact that if subsidy was dismantled overnight most livestock farmers would just stop; there would be a panic response. Years ago farmers used to be savers to tide them over rough times but this had eroded over the last twenty years because of reliance on support schemes and inflation. Therefore in the past if the system was dismantled the response might have been to keep going using reserves but now most farmers would just cease farming straightaway:

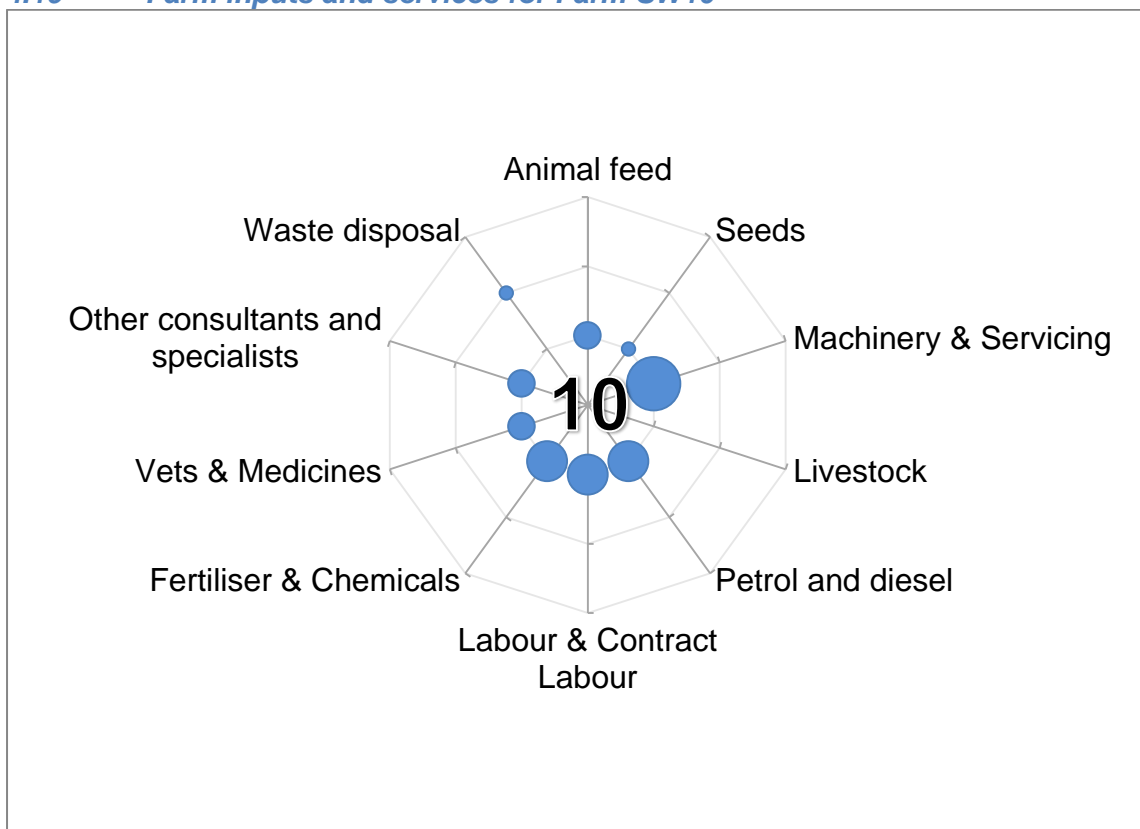
'I think the truth now is that most farmers would slam into reverse straight away because they don't have the reserves. They would just slam into reverse, and if we wanted to explore that idea then of course you could send someone over to New Zealand to explore what happened with them when they dismantled their support systems.'

This farm displayed both vulnerability and resilience. It appeared to be vulnerable because it had a high dependency on SFP. However, the farmer recognized this dependence and appeared to possess the foresight to address the issue if required. They had diversified into providing accommodation, which they were expanding, and were installing a wind-turbine. In addition, they would probably enter Glastir.

Livestock were sold at the local Whitland market. Farm inputs were purchased locally or from elsewhere in Wales. In the case of machinery, which as a major spend, this was primarily for practical reasons:

'So they're all Welsh dealers basically. We wouldn't go out of the area; we wouldn't go out of the region. The people we do business with will be as local as possible primarily because if you buy from an English dealer and something goes wrong, what are you going to do, you're going to phone and they won't answer their phone calls whereas with this I can put it on a trailer, take it back up to Carmarthen, drop it off in the yard and say it's broken, fix it. You sold it to me with a warranty, fix it under your warranty and so most farmers would say the same thing. It's very rare we go out of the region to buy machinery.'

Fig 4.19 Farm inputs and services for Farm SW10



Summary of the High Impact/High Dependency quadrant

The combination of high impact and high dependency on SFP makes these types of farms potentially highly significant to local economies. Indeed, having both high impact and high dependency makes them even more significant than farms in the high impact and less dependent quadrant. Although some farmers in this quadrant argued that SFP was relatively insignificant in that it represented a small proportion of business turnover, these farms were large businesses and their impact on local economies would be correspondingly large. Other farms in the quadrant suggested that SFP was very important for their business. As relatively

high spenders locally, the types of farms in this quadrant had a high impact individually on the local economy. Again, there appeared to be a grouping of these high impact and high dependency types of farm in south west Wales. Consequently cumulative effects could be potentially significant.

4.3.4 Interpretive Analysis of the Low Impact/High SFP Dependence Quadrant of Figure 4.1 (Mapping Local Spending and SFP)

Table 4.1(d) shows the characteristics of the six farms in the Low Impact/Low SFP Dependence quadrant of Figure 4.1. Contextual information for each farm is also provided, following the table.

Table 4.1(d) Key characteristics of the farms in the Low Impact/High SFP Dependence Quadrant of Figure 4.1 (Mapping Local Spending and SFP)

	Size	Type	Tenure Q1	% from Productio	% from	% from AgriEn	% from	% from	% from	TURNOVER Q27	Without subsidy	Q30 HH INCOME
MW9	S	Sheep and	Rented	30	28	10	0	0	32	£25k - £67k	Profit	£31k -
NW1	S	Sheep and	Rented	25	25	45	5	0	0	£68k - £99k	Loss	£15.5k -
NW3	VS	Beef	Owned	34	33	0	33	0	0	Don't know	Even	Don't
NW4	Med	Sheep and	Mix	5	40	5	0	0	50	£25k - £67k	Loss	£15.5k -
NW9	L	Sheep and	Rented	57	40	3	0	0	0	£150k - £199k	Profit	Don't
NW1	VS	Sheep	Owned	15	30	30	0	0	25	Less than	Loss	£21k - 30k

Farm MW9

This was a small (ESU) farm of 72 hectares. It was rented. The farmer (45-54) kept sheep and beef and would like to improve the pedigree over the long term – whatever happens to SFP - as he was looking to improve the asset value of the farm for when he has to sell his stock when he retires in the next 10-15 years. The plan was to improve the stock but to retain the same system of farming and sell to Waitrose.

There were three people in the household; one family member worked full-time and one part-time. The wife worked off farm and always had done. Her job was essential to the household income.

There were no succession plans. Their children were at university.

Household income was derived from the following sources: 30 per cent from core production, 10 per cent from agri-environmental schemes, 32 per cent from off-farm employment, and 28 per cent from SFP. In addition, they mentioned that they owned other properties, which were rented out. However, this source of income was not included in the household income calculations.

SFP was seen to be the most important source of future income. Their response to potential increases or decreases in SFP would be to continue with business as usual:

'Well I know it's coming sort of thing but I'm how can I put it with farming being over the years I don't expect a high wage. I know it's going to fluctuate and I know it's going to get less so that's why as I say I'm trying to perhaps improve the stock a little bit and then I don't think it will make much difference at my age sort of thing for me because as I say we bought a couple of houses and that's our pension.'

With a relatively high dependence on SFP and a foreseen continuing dependence this farm was vulnerable. However, elements of resilience existed with long-term plans, apparently secure off-farm income and rental income from owned properties.

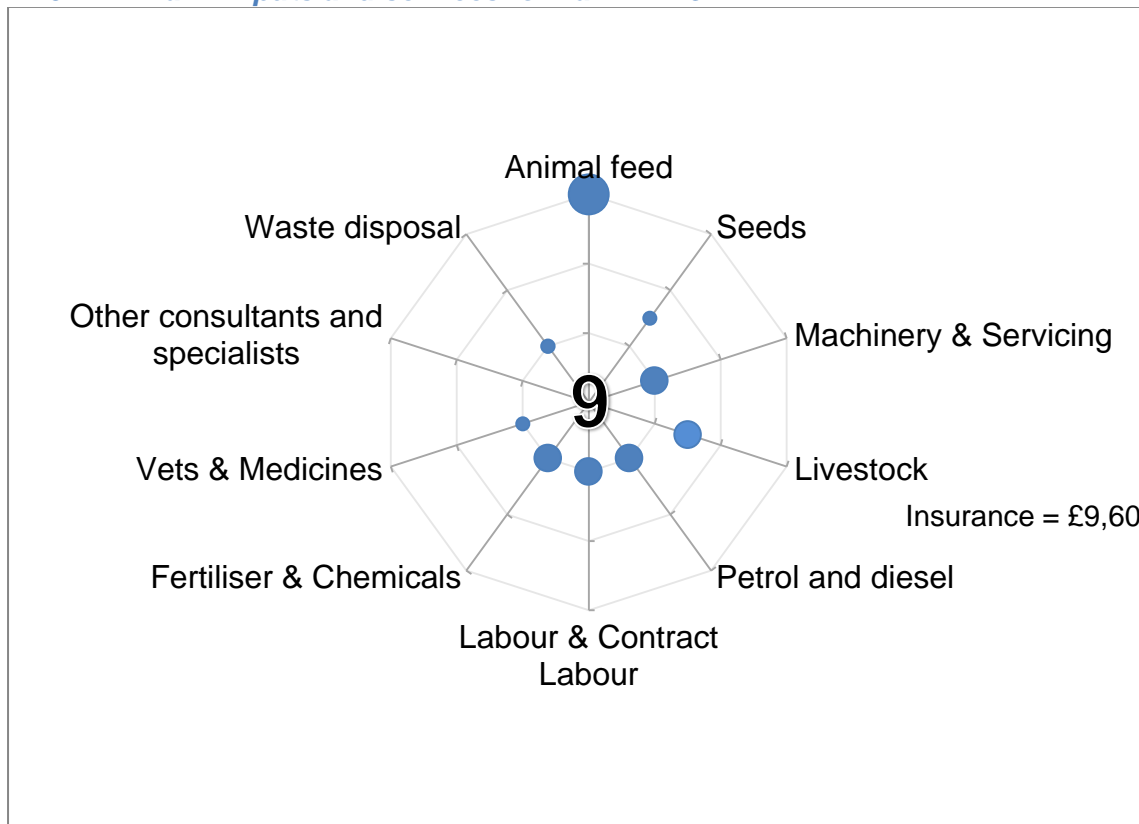
In terms of impact on the local economy, this farm was not a big spender or employer. Indeed, this farmer was a member of Cadwyn Cymru Link, a former machinery ring that had converted to a cooperative buying group. They sought-out the best prices for animal feed and fertiliser. Apparently, the feed and fertiliser was sourced from Stone, Staffordshire. Livestock was bought at Welshpool market.

This farmer predicted that the community structure would change over the next decade as farmers got older and their children did not takeover the farms:

'There is the odd small cottages and stuff have been bought up. I wouldn't say there's so many second homes but people moving into the area. You're retiring or whatever but no most of the farms got the farmer in them although they're not really farming the farm they're renting it out or they don't know what's going to happen in the next 10 years because I can think of three or four in this area that are in their 70s and the next 10 years

is going to be crucial because they won't be farming because probably quite a percentage of them won't be even here.'

Fig 4.20 Farm inputs and services for Farm MW9



Farm NW1

This was a National Trust tenanted farm, just below Cwm Idwal in Nant Ffrancon, a prime tourist location. It was very much a small (ESU) hill farm with extremely steep precipitous land. This site extended to 321 hectares and there was another site of 120 acres. The farm was organic and kept a range of different animals: sheep, beef cattle, pigs and goats. It employed the farmer (65 or over), who lived on his own and one part-time worker. While his daughters had chosen other careers, he had had hopes that his grandsons, still very young, would farm, to maintain a long family line of farmers. More broadly, however, he observed how difficult it was for young people to enter farming:

'Unfortunately with the farming our young people are finding it so difficult to find farms or to get into farming because the costs and they are now leaving and going into other industries because they've seen how struggled their parents have been working seven days a week and the uncertainty of the government support for agriculture and the up and down in prices it's not an industry that you can say yes I can stay here and it could like a job for life, in a teacher or an engineer or what have you or a council worker. It's up and down every year isn't it?'

Realising that farming on its own would not provide sufficient income, he was moving into multifunctionality. Using WG diversification grants he had established a self-catering cottage, with a hot tub, by converting one part of the farm house. He was also setting-up a refreshments van to sell his produce and other local organic produce such as bread from an artisan baker in Bethesda, vegetables from Anglesey and Dwyfor coffee. This will be sited at the top of his land right by the Cwm Idwal car park, giving access to tourist customers as they leave the mountain.

In terms of alternative energy, he was developing a hydro-scheme, in conjunction with the NT, and investing in solar panels to supply the hot tub and farm house. As he argued, much of this investment in new schemes was driven by the pressure of losing Tir Mynydd and Tir Gofal next year. In contrast with other farmers in the valley he was obviously very buoyant and positive.

This farmer had been in Tir Gofal and the Tir Mynydd and intended to enter Glastir. Agri-environmental schemes were an important income strand:

'That's one of the things I'll be looking at in the New Year to talk to the National Trust. If I'm going into Glastir, and I've been asked to go into Glastir now, I was thinking of going anyway, but they asked me if I was interested in going into the upper level, which was fantastic for me with the loss of Tir Gofal and the Tir Mynydd.'

He foresaw a 'huge drop in income' when his Tir Gofal ceased, which was why he was planning entry to Glastir and embarking on more diversification.

Household income was constituted in the following proportions: core farming at 25 per cent, diversification at five per cent, agri-environmental schemes at 45 per cent, which was seen as the most important future income source, and SFP at 25 per cent.

The farmer was critical of what he called the *subsidy route*:

'Running a farm which was a typical upland farm, ranching, doing what the government wanted and going down the subsidy route. It was a subsidy orientated system of farming with large numbers of sheep being kept for the heaviest payments and regardless of the quality of the sheep, the quality of the lamb, the wildlife it was just being ranched and making lots of money because the government was dangling the carrots.'

He argued that he could have become over-reliant on subsidy – *'and gone bankrupt if the government did what they did in New Zealand and took away the subsidies.'* Rather he had invested more in Tir Gofal and gone organic to protect the quality and provenance of his farm produce.

Generally, this farmer appeared to be very business and farming aware, and resilient. Appreciating the difficulties of making a living solely from farming he was engaging with multifunctionality.

With regard to farmers and the local economy, he argued that farming was important to the local community in economic terms. Farmers were a conduit for money to be distributed through the local economy:

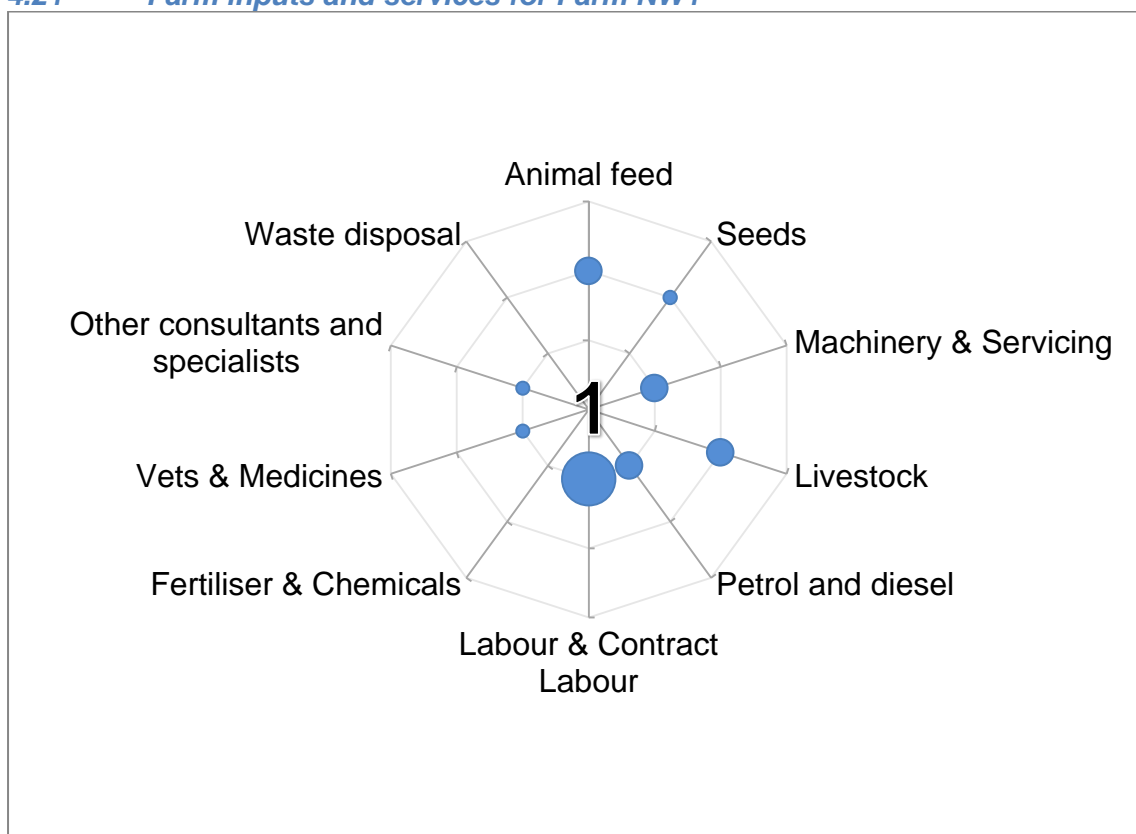
'It's hugely important, hugely important yes because I don't get this income from the Welsh Assembly I'm just the banker it comes in and I distribute it because you look at my farm accounts and I don't make a lot of money at the end of the day. It comes in and it

goes you know people like the mechanic and the other garage I use or the car, the contractor, the electricians, there's always somebody having work off the farms and they're all local we don't use any outside firms you know, all local people because we all know each other and we play pool in the village together - it's nice.'

As an organic farmer, to an extent buying farm inputs was confined to certain suppliers. Much of his spending was local and he used local people for machinery maintenance and casual labour. However, it was sometimes difficult to buy organic feed locally, so he used a business in Pembrokeshire and some items he bought from England:

'The last lot I got was from High Peak, Derbyshire. High Peak Feeds again organic. Well no there's very few here, you've got your Wynnstays and you've got your CCFs but they're all buying from similar mills you know.'

Fig 4.21 Farm inputs and services for Farm NW1



Farm NW3

This was a very small (ESU) traditional beef and sheep farm, with high quality breeding stock and a largely closed herd to ensure quality. It covered 41 hectares and was family owned. The farmer (55-64) and his wife worked on the farm, with some casual labour to help with their horses. There had been no significant investments or changes over the years to the farm

business, which was run with low numbers of stock and a relatively low turnover, with an emphasis on high quality:

'I have pedigree livestock. All my cattle are pedigrees, pedigrees Simmental or Welsh Black. All my sheep are pedigree Suffolk. I try and maintain quite a high standard. When I go to the market I tend to get the sort of higher prices, sometimes the highest price and that's quite satisfying, so no I don't think I can do any more than what I've been doing.'

This was a deliberate strategy designed to ensure a sustainable business to keep family and local employees, and to maintain the quality of the land and environment. There were no aspirations to expand the farm business. The farm had been in the family for generations. However, the couple's adult children were pursuing successful careers other fields. He was keen for the farm to stay in the family although he had no immediate plans to retire and would never leave farming:

'I have two grandsons. It would be nice for the farm to carry on within the family and so on, but at the moment it doesn't look practical. I have two nephews and possibly one of those will take over. I will try and do everything I can to keep the farm within the family. I have no plans to sort of turn my toes up and die at this particular moment in time, so short term I have no plans. Long term we'll think about it later on.'

The farmer had high aspirations for the horse breeding and training side of the business. This was an international business, with a high calibre of clients and breeding stock. Consequently, it was not at risk of market saturation as it was not competing in the local equestrian leisure market. Indeed, their horses competed in global markets, both commercially and in sporting arenas, and had won several prestigious events and awards.

While this farmer was not in an agri-environmental scheme he argued that it was imperative that the land was farmed in an environmentally sensitive way. With regard to Glastir he argued that the scheme was flawed:

'Well, I'm all in favour of agri-environment, but I think that Glastir - they lost their way on that completely. I think that most farmers farm sympathetically and they're there to sort of improve the land and to do what they can. Some of these environmental sensitivity schemes have proved quite negative to be honest with you. I think the land needs looking after. Ditches need opening and cleaning and draining, hedges need cutting and so forth and I think that sort of they've gone a little bit OTT on some of those. They know the birds nest from sort of February to whenever it was in July, now you can't cut a sodding hedge until October. Look at the weather now. You go in the field now with a tractor and you destroy the hedges to death which is insanity.'

The three strands of this farming business contributed to household income in practically equal proportions: core farming of sheep and beef at 34 per cent, diversification (horse breeding and training) at 33 per cent, and SFP at 33 per cent.

This farmer argued that SFP needed revising and most importantly capping. At the moment, he argued, big farms received the most and did not need it as much as the smaller farms, to help them diversify, because they already had the capital. The high levels of SFP for the bigger farms were also leading to inflation in land and equipment prices, which made it harder for small farms. He noted that the trading of entitlements was common practice too, which further exacerbated how frustrated by the current SFP system he was:

'I think the single farm payments are a necessity to some of the smaller farms, but I think that they should be capped at a figure per farm. There should be a nominal sum paid to help keep the farmers on the farm and to help with the farming and I don't think it should be sort of the biggest farmer who has the most land and the most animals to my mind needs subsidies less than the guy that can't expand the smaller farms. It should be capped to some degree. I think it should be a subsidy to keep the family farm going and to keep the farmer on the land and I would think that you would see farming improve in general if there was a better subsidy structure.'

If SFP were to be increased or decreased for their farm, he argued that he would not want to change much, just maintain enough for his family. He was ambitious for the horses, but did not want to expand the business by chasing subsidies. He was very traditional in the way he farmed on many levels, and took pride in showing all of the animals after the interview. Broadly, he planned to continue with a low-level, low impact sustainable farming. If his SFP was to decrease, rather than change the farm business he would maintain it by focusing even more on the horse side of the business.

In terms of the farm business he sold store cattle and store lambs at local marts, mainly on Anglesey. The horse side of the business attracted as much income but this was an international business. Currently, he sold store lambs and cattle, which he argued was a better option than finished livestock given that it was hill farm. If the SFP ceased or diminished greatly, he suggested that rearing ram lambs, bulls and replacement heifers was a potential option.

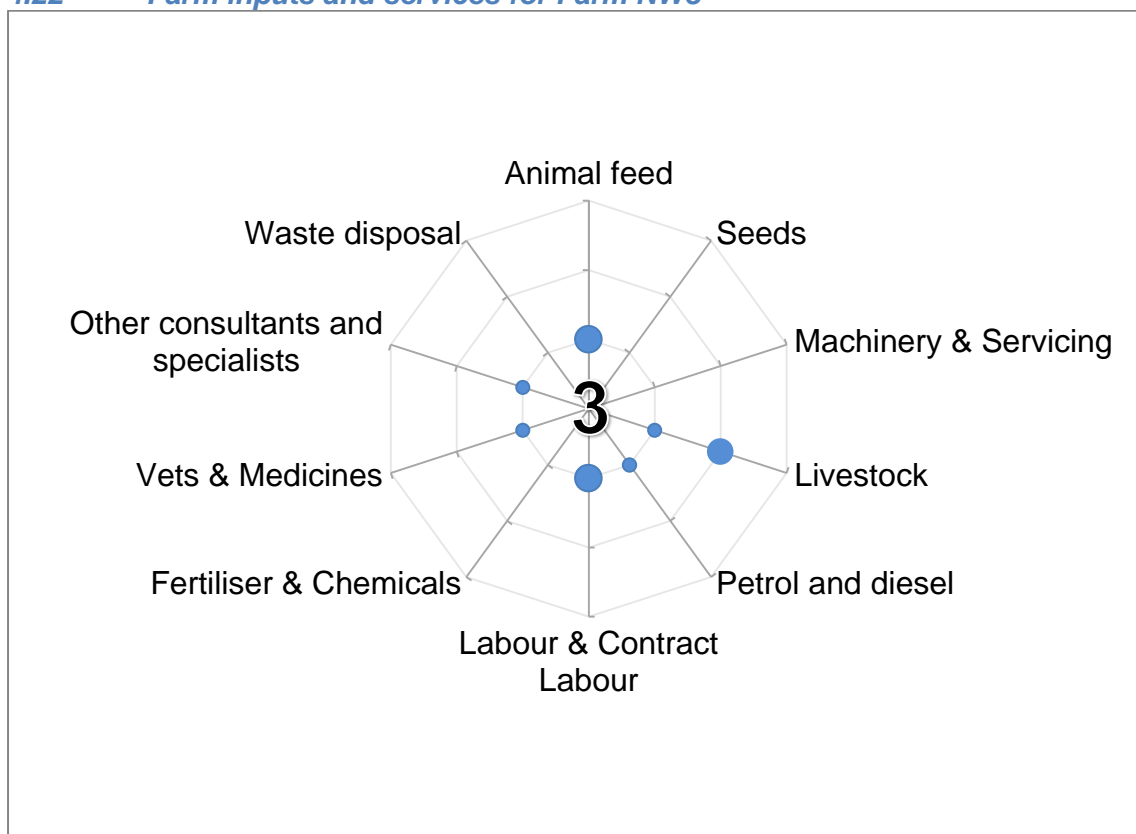
This farm business was run on traditional, even old-fashioned lines, and the farmer did not envisage making changes. While SFP contributed one third of household income, business acumen and the success of the horse side of the business imparted a great deal of resilience.

The farmer observed that farming was important to the local community, both in terms of local employment and the local economy, particularly tourism:

'Quite a few families are dependent and I also think here in where we are in this area that the tourist industry is very dependent on local farming as well. Well, when we had the foot and mouth in 2000 all the hotels closed. The whole of Snowdonia was closed off. The tourist industry was wiped out because of the difficulty in farming. So it's very important.'

Regarding animal feed and other farm inputs, he preferred to buy locally, including buying a 'special blend' from a neighbour. He was concerned about disease and buying locally ensured quality and safety.

Fig 4.22 Farm inputs and services for Farm NW3



Farm NW4

This was a medium (ESU) hill farm in the National Park. The farmer (45-54) and his elderly father (81) worked full-time on the farm (mixed sheep and beef). He was committed to farming despite the hardships and stresses; it was what he had always wanted to do. His wife was a nurse and her income was, and always had been, essential for the viability of the farming household. He was on the parish council, and very involved with the management and agreement on the common, which was a contentious issue. He was also involved with the Union (FUW) and supported smaller neighbours who worked part-time and needed advice and help with paperwork. The farm was 122 hectares (280 acres, plus 25 acres in Anglesey and 30 acres rented). In addition, there was grazing for 960 sheep on the common. He had 700 ewes and 40 suckler cows and followers. It was enough for him to work full-time but he was not doing well from it. The farm was rented from the Penbryn estate, and he had no firm plans for buying another house to retire to. It seemed that he wanted to stay working on the farm, as he has been brought up there. They had no plans for diversification or ways of adding value to the produce, but he said that they could cut down more and give up the rented land to manage better. He had been in Tir Cynnal and Tir Mynydd, and also had received annual compensation for Chernobyl. Now that these schemes had finished he had entered Glastir but thought that some of the demands made little sense:

'If they come and tell me you've got to put... ten bird boxes, ten bat boxes up... where have the birds been for a million years, they've been fine, but... just put the bloody box up.'

You know what I mean? Just do it and, and... just do the right thing and take the money. But I do like conservation anyway, I've got two boxes up of my own, but I put them up with the children years ago, you know? And you keep an eye, but some of the things are a bit silly, to be honest.'

He was considering investing in wind power and hydro power and had made enquiries but was waiting for a reply:

'Yes, I think more... more advice. What I was thinking about, one of the things I'd like to do is either wind power or hydro, to be honest with you, something like that, you know? But nobody's come back yet. It's worth thinking about, you know? Yes, that would be ideal, something that would bring money in anyway. I'd be in the window watching if the wind was blowing and... you know it's something worth looking at.'

As there were a number of quarries in the vicinity he did not foresee planning objections to a wind turbine.

While there were no immediate plans for the next generation to succeed, their adult children had left and were pursuing other careers, the farmer harboured hopes that his grandchildren would take-over the farm:

'But I probably be forced to go in a sense, because I won't stay here and let the place fall apart around me either. Unless one of these children and a couple of twins that come a few weeks ago, our grandchildren, so you never know, do you?'

The household income was derived as follows: core farm business at five per cent, agri-environmental schemes at five per cent, off-farm employment at 50 per cent, and SFP at 40 per cent.

He observed that the SFP was so important to him, and others, and that they were so concerned about compliance that it had created a 'culture of fear:

'You've got this culture, this Single Farm Payment is so important, and you're... oh shit, an inspection. Everybody's the same. Everybody's scared of the bloody inspections. We all are. You know, have you done this, have you done that? My god... you're living in a culture of fear in a sense, you know, it is. Well, that's how it is. It's a fact, it's a fact, isn't it?'

He was already looking at ways to cut-back, in the event of decreases in SFP, so that he could continue with 'business as usual'. The plan was to carry on as they were for as long as they could, by cutting back where necessary:

'I'll keep working as long as I can, like my father now he's 81. I do most of the work. But see how it goes, see how it goes. Batten down the hatches was the idea within the next two years, I think, if things go to form, just keep it tight and carry on.'

He observed how close many farms in the area were to being destitute:

'But it was always what I wanted to do and it was always there, you know? Don't know if it makes sense really, but... if you've come in as an accountant or something - he's told me to bugger off, you know? But on the other hand now, I'm not destitute, I don't owe, I

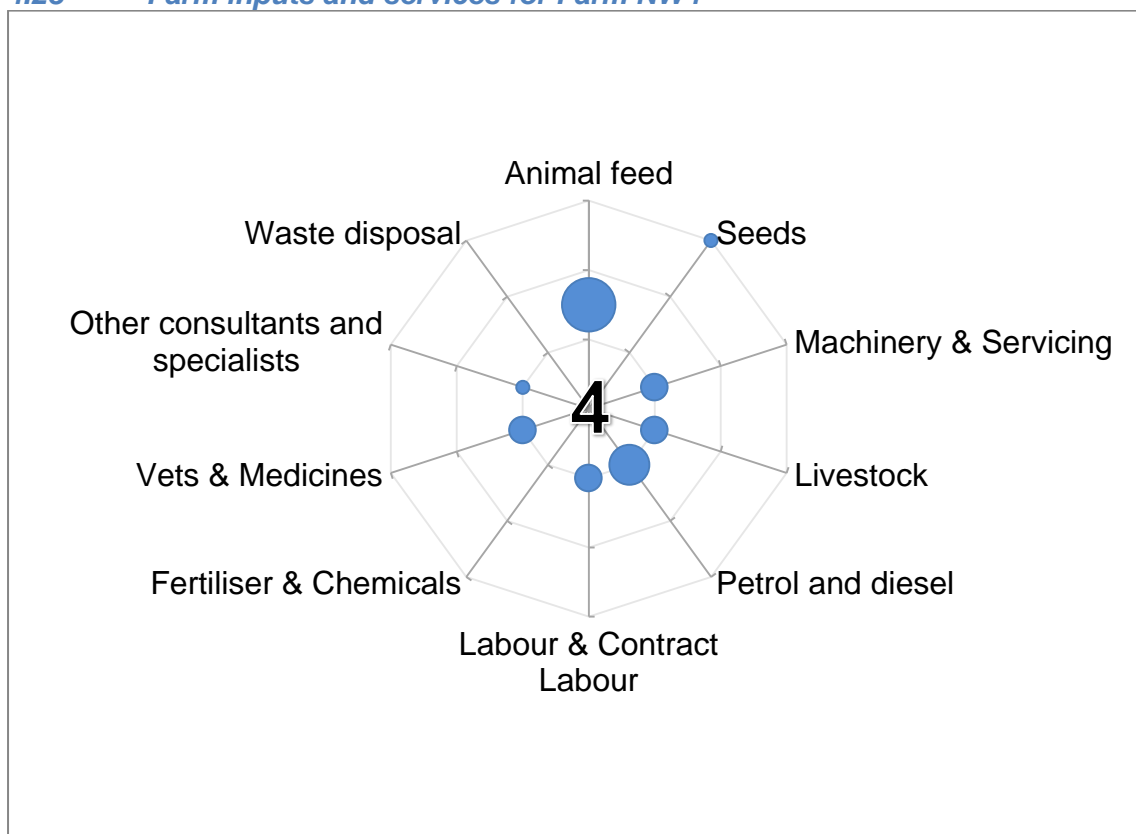
don't have a mortgage, I don't owe anybody a penny so it's... you know, I am where I wanted to be more or less, you know? Of course we would like to have more, and I'm a bit worried about this bloody thing, but... I don't know, there's a lot of people worse off. Both of us, you know what I mean, it's... but as far as viable goes, a lot of these farms really are close to the line, you know? Very close to the line.'

Moreover, because of people with large subsidies placing inflated tenders when land became available, rents were constantly being reviewed and raised.

This farm appeared to be vulnerable. Off-farm income had always been an essential component of the household income, while the farm business itself made a loss. To a great extent it kept going through a combination of off-farm income, agri-environment payments and SFP. There were no plans for diversification, although the farmer was investigating investing in wind and hydro power. Driven by a sense of place and culture, there was a determination to cut-back and carry-on with 'business as usual.'

With regard to farming and the local economy he was ambivalent. He argued that farming was important to the landscape, which in turn helped the community, and the local economy in terms of farmers' spend. But he was unsure of farming's direct value to the local community and economy. The majority of the farm inputs were purchased locally.

Fig 4.23 *Farm inputs and services for Farm NW4*



Farm NW9

The farm was a large (ESU) upland sheep farm, with grazing rights on Llanllechid Common. Apparently, as reported by other interviewees, this could be a problematic arrangement. It was run by a single farmer (55-64) living with his father and sister, and was rented. At 162 hectares the farm had been part of a larger farm business with his two brothers and their families. But they were on a different holding and following disagreements had decided to separate the business. The family used to run a dairy business, but had sold the cows. He now had a system of managing the sheep on the mountain and then bringing them into sheds and feeding over the winter. He kept traditional breeds and seemed content to with this rather than trying to diversify or set up new business ventures. Another local man also worked full-time on the farm. There were no sources of off-farm income, although it was not clear what his sister did for work and how much she brought to the household. The farm was in his and his father's name and there were no plans for succession.

He had not diversified, preferring to focus on his core sheep business. In addition, he argued that diversification into B & B would require additional hired labour and that it was prone to saturation:

'If you go into something and somebody else is in that well in order, you're just putting that bit more pressure like our neighbours in bed and breakfast. The more people in bed and breakfast in the area the less people do you know. If somebody finds something they're doing well and all of a sudden you get a lot of people running to that, that isn't good. Looking after sheep is what I know so you've got to do what you're good at really and it is time consuming in the way I look after them. So possibly, if I went into diversification I'd have to employ somebody else.'

He had been in Tir Myndd and Tir Cyynal but did not intend to enter Glastir. He argued that there were too many restrictions and that he was afraid to break them in case he was heavily penalized:

'Yes possibly, maybe I'm too worried but I don't like to enter into something I know I will be penalised but maybe at the end of the day maybe I'd be better off just taking that money with the penalties it's better than nothing but then it feels like an indentation on your character if you're penalised.'

The farm also argued that the regulations and definitions from government concerning the environment were not clear. And that the aims and aspirations of environmental schemes were not clearly communicated.

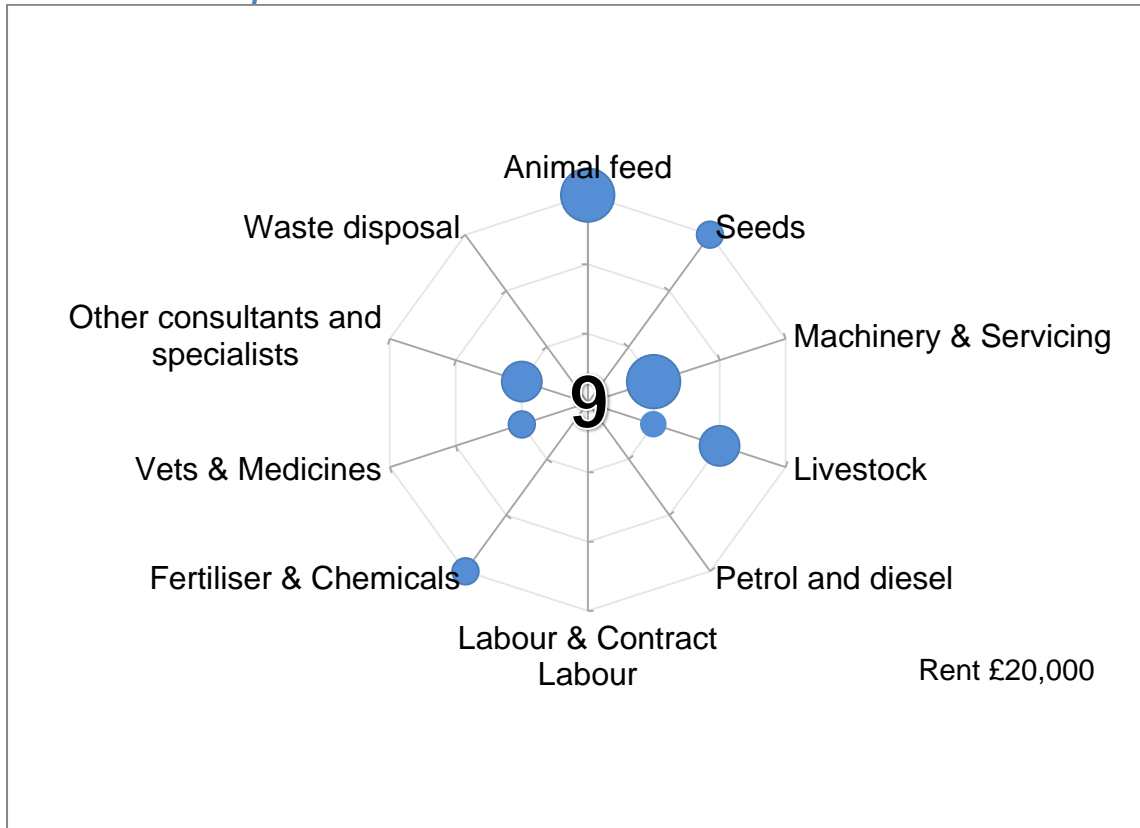
Household income came from the core farm business at 57 per cent, agri-environmental schemes at three per cent, and SFP at 40 per cent.

To date the SFP had been dealt with by his brother. Now that the farm business was to divide, he was uncertain about how much SFP his farm would receive. Essentially, his response to any changes in SFP payments would be to continue with business as usual and to adjust the scale of his farming according to either increase or decrease.

This farm was at a particularly vulnerable point. There was an acrimonious business split in progress and the farmer was not certain how much SFP he currently received or how much he would in the future. SFP appeared to form a large proportion of the household income. As there were no off-incomes, plans for diversification or alternative energy, and there were no plans for succession to a rented farm, the farm business, as it stood, appeared vulnerable.

The farm bought the majority of its inputs locally.

Fig 4.24 Farm inputs and services for Farm NW9



Farm NW11

This was a very small (ESU) sheep farm, which was also small in area, at nine hectares. It was owned and run part-time by a retired couple, who moved to the area over 30 years ago, and their daughter. They had bought the premises in 1979, when it was semi-derelict and they had had to re-stock the land. Succession plans were in place for their daughter (33).

The farm was run alongside a full-time business in specialist outdoor education training for the fire and other emergency services. The couple had sold this business in 2008, but their 15 employees remained with the business. Apparently, it was very profitable and was unique in the area (given the specialist dimension and contracts that they held with different service providers). They were both trained and had worked in non-farming areas: the interviewee (65 or over) was an engineer and was experienced in business. He was, however, from a farming family in the Brecon Beacons and was attached to farming. They were very involved in other local business arrangements and community enterprises: such as a broadband network known as the Gaia network, for which they hosted a mast on their land.

In farming terms they had not diversified and argued that current legislation around diversification was cumbersome. And the National Park authority tended to slow things down on occasion. This needed to change in order to foster more entrepreneurialism. With regard to alternative energy, they had wanted to install a wind-turbine, but the National Park had prevented this. They were planning to apply again. As a trained engineer, he had also developed low-energy house plans. They had been in Tir Mynydd, which they thought was very straightforward and good for farmers, until it finished.

Household income was derived from the following sources: farming at 15 per cent, agri-environmental schemes at 30 per cent, off-farm incomes at 25 per cent, and SFP at 30 per cent.

The couple were planning to retire anyway and this, plus the need to maintain the asset value of the farm (quality of land), seemed to inform their plans more than any subsidy changes. They had reduced the number of sheep on their land and they had sold 34 acres with their business in 2008, so they only had 20 acres now, including the common land where they had grazing rights for 250 head. They were just trying to maintain the quality of the land until they sold when they fully retired. Whatever happens with the SFP they would not de-stock further as it would lower the quality of the land. If SFP increased they would increase to 100 head of sheep and would like to invest in some other enterprises – such as an artisan food retailing using one of their buildings, which they had built specially to the right specification for food handling and preparation, and the skills of friends they have in the area who are already established: e.g. a baker in Bethesda who wanted to expand.

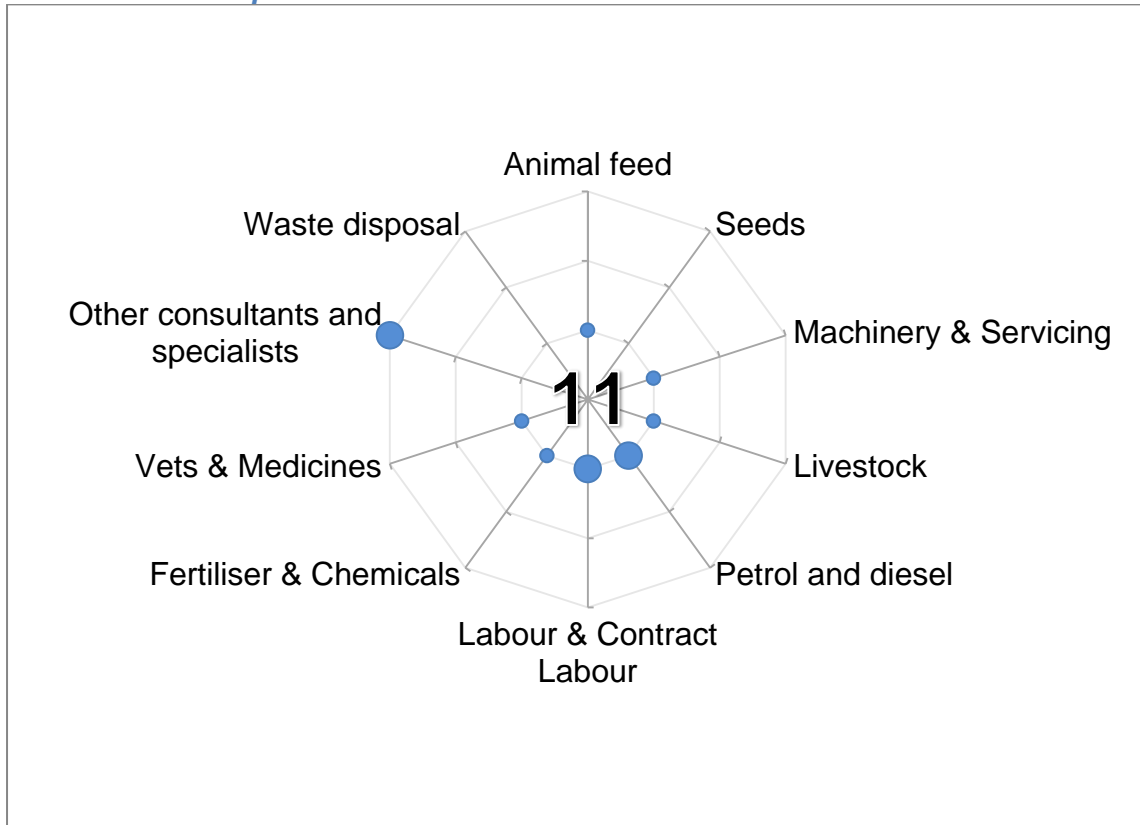
With regard to SFP, the farmer suggested that many farmers unfortunately did live up to their reputation of trying to get something for nothing, not doing their bit, and at worst milking subsidies. He saw this as a shame – but definitely true.

As these farmers were essentially hobby-farmers who did not rely on the farm, had plans for retirement and beyond, and had off-farm incomes they were resilient. As an indication of how much money was going into farming and how multifunctional farming was, he noted that no one who had fewer than 70-80 acres worked full-time on their farm. These people all held other jobs in the local area, often contracting but a range of activities. He also argued that succession

created problems because two sons then had to share the farm and it tended to be broken down into smaller and increasingly unviable units in terms of sustaining a family.

Farm inputs were bought locally for convenience although prices tended to be high.

Fig 4.25 *Farm inputs and services for Farm NW11*



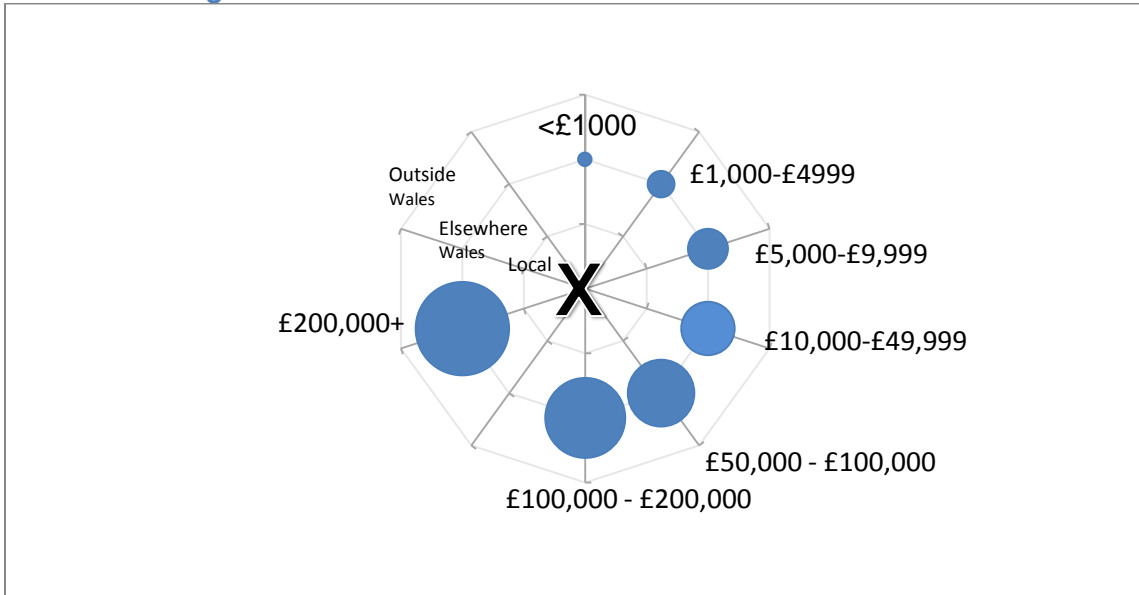
Summary of the Low Impact/High Dependency quadrant

With the exception of farm MW9 the farms in this quadrant were in north-west Wales. They were all sheep or sheep and beef hill farms and tended to be small or very small. As small farms the value of their farm inputs was not large. Again, however, there are potential cumulative effects on the local economy from groups of farm of the same type.

4.3.5 Interpretive Analysis of Farm Income patterns by Geographical Area

To complete this interpretive analysis, the rose diagrams below show from where the income for the farms in each of the three geographical areas (mid Wales, south west Wales and north west Wales) was derived. The key for these diagrams is also shown.

Key to Income Diagrams



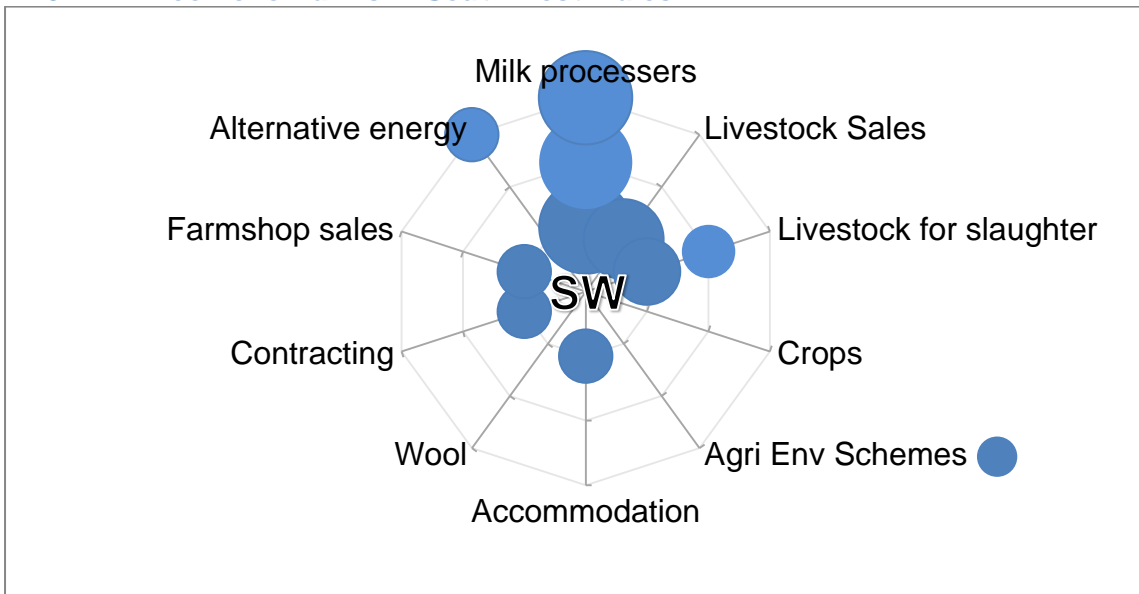
X= Case Area (Income) (e.g. South West Area)

Spoke = Area of Income Typology (e.g. Food Processor)

Position of circle from centre of circle = Distance of service from farm (Inner circle is local, Middle circle is elsewhere in Wales, Outer circle is outside UK)

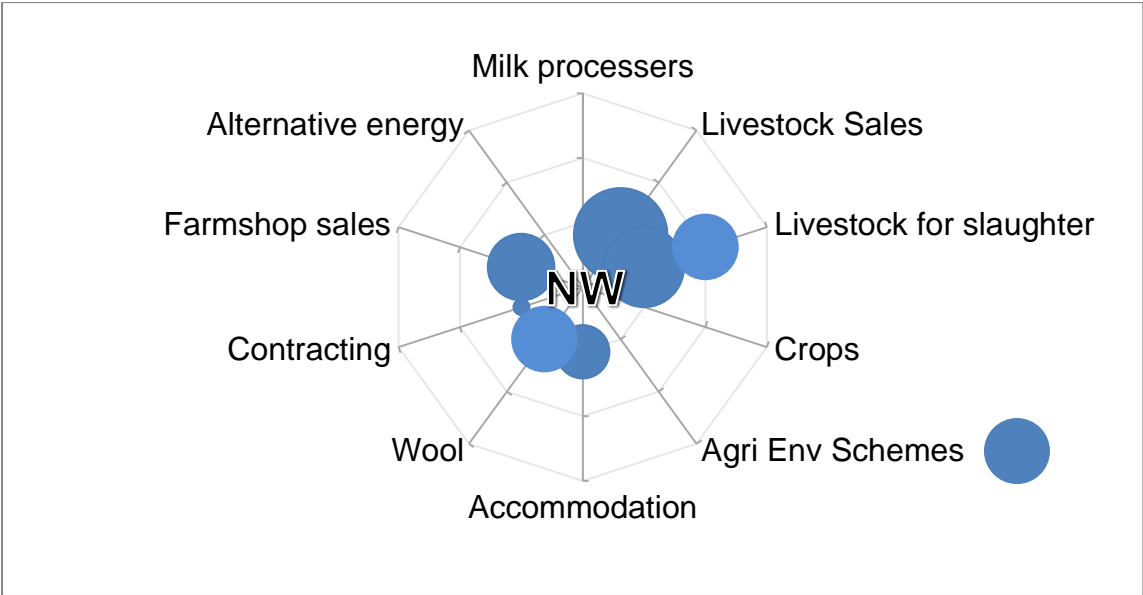
Size of circle = Expenditure or Income at that location

Fig 4.26 *Income for farms in South west Wales*



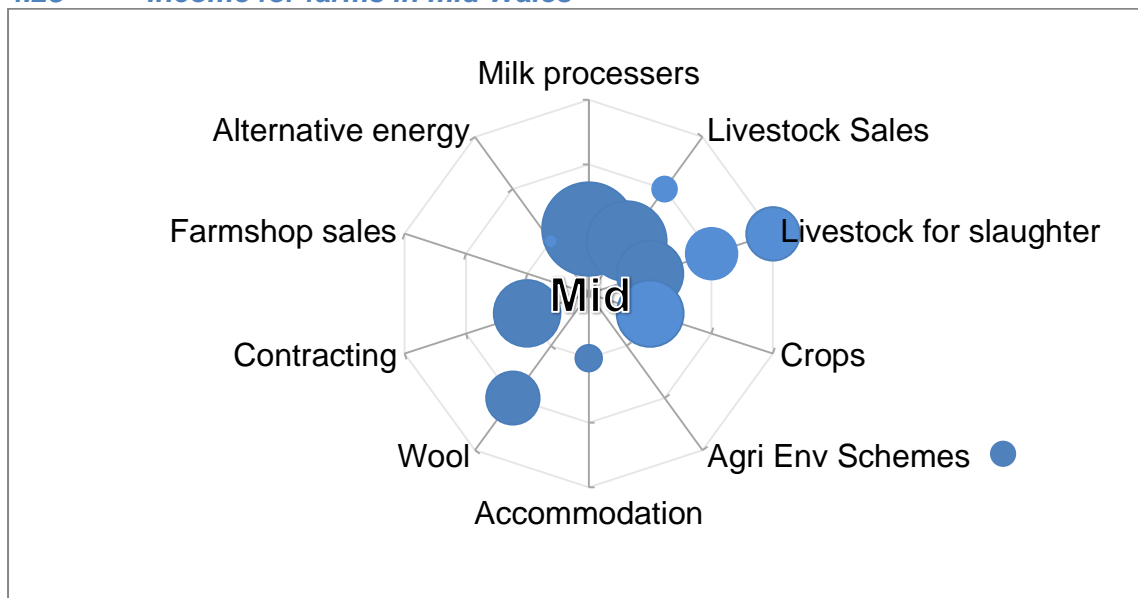
The diagram highlights the predominance of agricultural productivism in the form of dairy farming in this area. It shows that the large majority of incomes were derived from milk sales. As incomes from agri-environmental schemes were derived from government, i.e. they were not spatially fixed, they are placed outside of the diagram and only their scale is shown.

Fig 4.27 *Income for farms in North west Wales*



The diagram shows that farmers in the north west derived the majority of their incomes from livestock (sales, slaughter and wool), agri-environmental schemes and diversified activities.

Fig 4.28 *Income for farms in mid Wales*



As might be expected for a more mixed farming area, farmers in mid Wales derived incomes from a varied range of sources. Income from agri-environmental schemes tended to be lower in this area.

4.3.6 Overall Summary of the Interpretive Analysis

Table 4.2 summarizes the potential impacts on local spending, taking each quadrant of Fig 4.1 in turn:

Table 4.2 Potential Impacts on local spending

Quadrant	Characteristics	Potential local spend impact	Predominant affected area
Upper right	Lower SFP dependence/Higher spend	Continue at same rate	South –west
Upper left	Lower SFP dependence/Lower spend	Continue at same rate but they spend less	Mid-Wales
Lower left	Higher SFP dependence/Lower spend	Impact but they spend less	North-west
Lower right	Higher SFP dependence/Higher spend	Potential high impact as they spend more	North-west South-west Mid-Wales

This analysis of farm buying and selling patterns consists of four elements. Firstly, Fig 4.1 is an aspatial plot or representation. The figure shows quadrants: low economic impact and low SFP dependence; high impact and low SFP dependence; high impact and high SFP dependence; and low impact and high SFP dependence. Each individual farm in the three geographical areas is removed from its spatial location and positioned in one of the quadrants according to its dependence on SFP and its potential economic impact on the local area of the farm. Secondly, there are rose diagrams for each farm showing the magnitude of spending on farm inputs and the distance from the farm of the sources for these inputs. Thirdly, text associated with each farm interprets its position in the quadrants of Fig 4.1. These texts are constructed from questionnaire data and interview and observational data. Finally, returning to a spatial mode, there are rose diagrams for each of the three geographical areas (south west Wales, mid Wales, and north west Wales) showing the magnitude of incomes and where the farms in these areas derived these incomes.

The analysis provides insights to how these farms and households operate. For example, the relative importance of the sources that constitute household income; how farmers would react to the forecast potential changes in SFP; their thoughts on diversification, alternative energy and agri-environmental schemes; their relationships with the local economy; their succession plans; the trajectory of the farm; and their longer-term plans. From these data the resilience and vulnerability of the farming household has been inferred.

In terms of economic impact, while noting the caveat that this was a relatively small sample, the analysis shows that there was a tendency for types of farms to form groups: particularly dairy in the south west and smaller hill sheep and beef farms in the north west of Wales. Thus, an important implication is that while some farms individually might have a low impact on the local economy, taken together as a group, the impact could be significant. Where there are groupings of farms that individually are larger spenders, coupled with some with high SFP dependence, such as the predominant dairy sector in the south west, the effects of changes to SFP payments could be significantly magnified.

5.1 Introduction

As discussed in the Summary to Section Five of the Report on Phases One and Two, over-sampling the three geographical areas broadly confirmed the expected predominance of farm types in each area: that is, the southwest tended towards dairy; the northwest had more sheep and sheep and beef farms; and mid-Wales had more mixed farms. However, over-sampling did not reveal significant differences between the three areas or between them and the main survey sample. Consequently, rather than an area-based approach, this qualitative analysis of the in-depth interviews, takes a thematic approach across all 30 interviews. Where appropriate, references are made to individual geographical areas. It is important to appreciate that while a qualitative analysis cannot be generalized, given that each farmer interviewed was in a unique situation and held personal, often subjective and sometimes locally specific, views, it has the potential to provide insights into what participants in a process, in this case farming, think about issues important to that process.

In addition to the in-depth interviews with farmers, as discussed in Section 2.2, researchers were able to obtain an interview with a business that operated livestock markets in south-west Wales. The interview schedule for this interview is at Annex Four. Responses from this interview are integrated with the analysis.

5.2 The analysis

The analysis is presented in narrative form under the following headings: views on CAP reform, farming and the local economy, farming and the community, farm trajectories, which includes dairy farms as a distinctive category of farm, off-farm incomes, succession, diversification, alternative energy, agri-environmental schemes, support; and some important general comments concerned with land prices and food security. There are, of course, overlaps between themes. The narrative is illustrated by quotations from the in-depth interviews.

5.2.1 Views on CAP reform

Given that post-2013 CAP reform was the *raison d'être* of this research project, it is useful to begin the narrative by examining how interviewees perceived CAP subsidies and, in particular, the potential changes to their Single Farm Payment [SFP]. This farmer on a medium, sheep and beef farm in South-West Wales made a case for subsidies.² He argued that subsidies were not for the farmer but for the consumer of food and of the land. The farmer maintained the land so that it looked attractive for those coming to the area. He held that if farms were not subsidized the money would have to go to other agencies to take care of the land, as farmers could not afford to produce both food and environment without subsidies:

'The fact they can look out and see fields that are managed and not full of docks and thistles and nettles and bracken. We've got an old photograph that was taken here probably in the 1920s and this farm was just scrub, just a house, in the middle of scrub in

2

the middle of the common and look around here. People have worked hard, they've cultivated land, they've grown food for the country, they've grown, they've looked after it so people want to come and see it. The number of people that come out here on a nice summer's day - just to sit and see the scenery with no traffic - nothing you know. Now somebody's got to pay for this. If we're not paid through subsidies somebody else is going to have to be paid to look after it because we can't do it all. We can't produce food, we can't look after the environment. All these things we are looking after - no payments, no environment.'

(South-West Wales C – medium, sheep and beef)

Echoing some of the sentiments above, this farmer in North-west Wales stressed that it was important to encourage farmers to maintain the land in a productive capacity rather than paying farmers to let it go wild, as it appeared that some were doing. He was concerned that the CAP reforms would encourage this:

'They should pay the active farmers shouldn't they? But they are letting the land out and taking the money. Oh there is a lot of people that work the system haven't they, you know. Buying the expensive entitlements aren't they?'

(North-West Wales F – Large, sheep and beef)

While this farmer in North-West Wales was in favour of SFP, he argued that larger amounts should be paid to smaller, family farms rather than larger farms. He further argued that SFP needed revising and most importantly capping. Currently, he observed, big farms received the most and did not need it as much as the smaller farms, to help them diversify, because they already had the capital. The high levels of SFP for the bigger farms were also leading to inflation in land and equipment prices, which made it harder for small farms. He noted that the trading of entitlements was common practice too, which further exacerbated how frustrated by the current SFP system he was:

'I think the single farm payments are a necessity to some of the smaller farms, but I think that they should be capped at a figure per farm. There should be a nominal sum paid to help keep the farmers on the farm and to help with the farming and I don't think it should be sort of the biggest farmer who has the most land and the most animals to my mind needs subsidies less than the guy that can't expand the smaller farms. It should be capped to some degree. I think it should be a subsidy to keep the family farm going and to keep the farmer on the land and I would think that you would see farming improve in general if there was a better subsidy structure.'

(North-West Wales C – very small, sheep and beef)

Other farmers were also critical of subsidies and argued that they were detrimental to farming. There were three planks to these arguments.

The first, articulated by a farmer with a very large dairy farm (Mid-Wales – H), was that SFP was being capitalized into land purchases, particularly by hill farmers with Less Favoured Area [LFA] payments. One negative outcome of this was the expansion of holdings, with people buying parcels of land further and further away from their main holding. Several other farmers provided

examples of SFP being capitalized into land purchases, ironically, with dairy farms identified as the principal culprits; the particular issues concerning dairy farms are discussed later in this report.

The arguments that SFP was being capitalized into land purchases and increasing land values was supported by this auctioneer, who provided two examples:

'I'd have to say the Single Farm Payment coupled with interest rates has pushed up the land value-it's probably gone up 50 per cent on what it was 4 or 5 years ago. I am selling land at £8000 an acre now. Four years ago, I wouldn't have said £5000. As an example, I went to see a block of land on Thursday. There's 50 acres, I'll probably sell it closer to £400000 than £300000. And you know that I've got probably five or six farms around there who are just seeking to expand.'

'I've got one farmer he owns 250 acres, he'd been renting next door, which was another 180 acres and so I sold him that last year and then his other next door neighbour died and they wanted to sell it. He's now farming within a very easy area. He's farming 600 or 700 acres himself and there would be a lot of farmers that have got that big that quickly. The opportunity's been there and they've taken it, and the Single Farm Payment's funding it.'

(South-west Wales – auctioneer)

And these farmers provided examples of the second plank of the argument against SFP: that following CAP reform there would still be 'inactive' farmers, who did not produce anything and would still be claiming subsidy:

'Let's say for instance, your Single Farm Payment is £20,000 a year, you're 70 odd and you've retired, well, why would you sell up when you can just sit on the land, rent it out and still claim the Single Farm Payment? It's a completely mad system really. Financially I'd be probably far better off to rent my ground out and claim the Single Farm Payment and have a nice easy lifestyle. But hopefully those days will come to the end after CAP reform but...'

(Mid-Wales D –medium, sheep and beef)

'Well I don't know if they're doing enough for that though. People that like don't do any you know don't produce anything really. Are they doing enough to stop them sort of milking the system - I don't know? Because you've got the people that get the subsidies and they're renting the land out to someone's whose not getting any subsidy off the land that they're paying for really.'

(North-west Wales G – medium, sheep and beef)

The third plank of the argument against SFP was that the subsidy system was fundamentally flawed in that it supported a high-input, high-cost agricultural regime, which could lead to the collapse of the farming industry. This farmer in South-West Wales was one of many who argued that they would rather be paid a fair price for their produce rather than have subsidies. He suggested some dairy farmers relied on their SFP to buy the large amounts of fertilizer needed for their intensive farming practices:

'It would be nice if we didn't have to have subsidies at all. It would be nice if all farmers were paid a fair price for what they're doing but that's, it's a different system obviously. I know a lot of farmers who wait to get the subsidies in and then pay for the fertiliser and for a lot of farmers that's a good way of doing it. That would be the dairy farms. They've got to really push the grass with the nitrogen otherwise they're not getting anything back at all. Subsidies are all well and good but we shouldn't need them, we should not have to be reliant, obviously on my scale I'm not reliant on it – it wouldn't make that much difference to me if I didn't get anything at all. It's nice when it comes through but the bigger farms who are totally reliant on it. It's - well everything's killing the industry.'

(South-West Wales E – small, mixed)

Similarly, these farmers from the other end of Wales were critical of what one termed the 'subsidy route'. This small sheep farmer (North-west Wales L) suggested that many farmers unfortunately did live up to their reputation of trying to get something for nothing, not doing their bit, and at worst milking subsidies. He saw this as a shame – but definitely true.

And this farmer was critical of farm subsidies and had tried to become less reliant on them:

'I was running a farm which was a typical upland farm - ranching, doing what the government wanted and going down the subsidy route. It was a subsidy orientated system of farming with large numbers of sheep being kept for the heaviest payments and regardless of the quality of the sheep, the quality of the lamb, the wildlife it was just being ranched and making lots of money because the government was dangling the carrots.'

(North-West Wales A – small, sheep and beef)

He argued that he could have become over-reliant on subsidy – *'and gone bankrupt if the government did what they did in New Zealand and took away the subsidies.'* More recently, he had invested in agri-environmental schemes, diversified and gone organic to protect the quality and provenance of his farm produce.

5.2.1.1 The New Zealand model

A number of interviewees mentioned the New Zealand model and some had visited New Zealand to experience farming there. This had led them to hypothesise on what could happen in Wales if SFP was to be withdrawn. Hypothetically, it was argued that with the subsidy removed, farms would no longer be able to pay large input costs and buy expensive machinery and would probably move to more cost-efficient systems. The financial burden of this move would be passed on to the farm support industry rather than farmers.

A beef farmer in South-West Wales argued that the Welsh Government had failed to grasp the fact that if subsidy was dismantled overnight most livestock farmers would just stop - there would be a panic response. His argument was that whereas years ago farmers used to be savers to tide them over rough times, the savings culture had been eroded over the last 20 years by a reliance on support schemes and inflation. In the past if the subsidy system had been dismantled the response might have been to keep going using reserves. But now most farmers would just cease farming straightaway:

'I think the truth now is that most farmers would slam into reverse straight away because they don't have the reserves. They would just slam into reverse, and if we wanted to explore that idea then of course you could send someone over to New Zealand to explore what happened with them when they dismantled their support systems.'

(South-West Wales K – small, beef)

The farmer foresaw that there would be a requirement in Europe for a low-input, low-cost livestock production regime:

'There may well be a very painful transition period if the politicians say look boys, all the ag subsidy system in Europe is doing is supporting a high cost farming regime because the farmers are spending the money on it and inputs. Then if you take away the subsidy the farmers will go back to operating much more cost efficient systems. Of course the collateral damage from that will be not the farmers themselves because the main body of them will adapt because they own the farm but it will be everyone they normally spent money with who'll have to adapt themselves. It'll be a painful process if it happens.'

(South-West Wales K – small, beef)

He suggested that many farmers would give up, because of age and having to farm without machinery. They would rent their farms out to tenants. Farm values would collapse. Although there was an emotional attachment involved with cattle farming, which enabled farmers to make irrational decisions and stay in farming during bad periods, if SFP were to cease, farmers would leave the industry:

'There's an emotional attachment to cattle farming so many cattle farmers find that the figures don't look like they make much sense but if you take away the SFP even the farm industry doesn't make much sense and it then stops.'

(South-West Wales K – small, beef)

In his case, if all subsidies were removed, he would stop beef production, liquidize assets (such as machinery and cattle) and buy more sheep, which he suggested only required a dog and a stick.

A farmer with a very large, dairy farm (South-west Wales – H), suggested that, as an international businessman, he was aware that in countries without subsidy support systems farmers had to deal with more price volatility, which, he argued, made them more resilient.

5.2.2 The effects of CAP reform on farm businesses

With regard to how potential changes in SFP received would affect farm businesses, there was a call for gradual change to ease the burden on those farms that would lose subsidy:

'I think the way the EU wants to do it is a bit more like 'get this done in the next seven years', whereas I think here we're saying it needs to be like 10 years so it can be... For some people it's going to be great and they'll be like give it quickly, give me the money quickly kind of thing but I think for some people if you're going to be losing a lot it's not fair to just do that in one big hit.'

(North-West Wales G – medium, sheep and beef)

Broadly, there were two views on how CAP reform might affect farm businesses. The first was that SFP represented too small a proportion of income for changes to have a significant impact or would only affect profits. And secondly there was the view that SFP was an essential component of the farming household's income. Overlying these two views was a widely held determination that whatever the outcome of CAP reform the plan was to continue with business as usual.

Those holding the first view tended to be either farms with high turnover that could afford to absorb a decrease or even the loss of SFP; farms that would be in profit regardless of the SFP they received; or farms whose SFP was so small as to be negligible. For example, a farmer with a small sheep farm (Mid-Wales-C), who also ran some cattle, observed that as his farm business was in profit before receipt of SFP, if SFP subsidy reduced they could continue with business as usual. To an extent they had built a buffer by diversification into contracting work. However, he suggested that if they were just a sheep farm (as were many in the surrounding area) then they would struggle to make a profit without SFP. An increase in SFP would be used to expand the contracting side of the business. With regard to livestock, he would cut down on sheep and buy more cattle. Cattle were easier to look after and he could do this while his sons did more contract work. In addition, if the SFP were to increase by 20 per cent, he would consider buying a small local farm for one of his sons. If SFP were to be reduced they would have to be more frugal and postpone any increase in their cattle herd. He would consider a more hardy type of sheep, to reduce feeding costs.

As a group, dairy farms tended to express an intention to continue with business as usual. This medium dairy farmer in South-West Wales argued that any change in subsidy would be reflected in the level of profits rather than in farm or business practice or even farm inputs:

'To be honest with you, I can't see why anything I do will change, if the subsidy goes either way. Because we don't spend more than what we need on animal feed already so if subsidies go up we will be spending the same amount to keep our animals here, if subsidies come down if we've got the same amount of animals we've still got to... The only way that a lot would change if our farming enterprise goes down but I can't see how that can affect it because we try to be as efficient as possible in any case. So it would mean more profit or loss.'

'Single farm payment is our only source of what-do-you-call-it - if that drops 20 per cent are we going to cut our animal feed back by 20 per cent? The only way of cutting animal feed back is cut animals back, isn't it? People that's having a vast amount of single farm payment, they don't rely on their agriculture to supply them with an income. It might be different, but for us, we can't live on the single farm payment, it's there to boost things up for us.'

(South-West Wales D – medium, dairy)

In short, they argued that they were market rather than subsidy driven. The main problem was the price of milk, which was considered to have more of an effect than SFP, which was seen as a supplementary income for the farmer to help keep prices down for the consumer

Similarly, this very large dairy farmer in South-West Wales argued that SFP did not really affect the way the farm was run. As it was currently run to maximum efficiency, any change in SFP

would affect the amount of profit. To that extent SFP was an important component of farm income:

'I spend the amount of money which I think is the optimum now so if my subsidy was cut I wouldn't spend more or less. I don't see why it would change anything. You would just make less profit at the end of the year. But we are trying to make as much money as we can now, so I don't think it would make any difference.'

If I had more subsidy I wouldn't produce either less or more milk. Subsidy affects the bottom line, the overall profit, but if you had no subsidy or less subsidy, you just make less profit.'

Well the subsidy would make a difference of course because that is where your profit is. Because that is what tops up your profit because if it wasn't for the subsidy most farms wouldn't be profitable sad to say.'

(South-West Wales F – very large, dairy)

Another very large dairy farmer in South-West Wales argued that as SFP was small relative to turnover (less than two per cent) it was not likely to have an effect on the way the farm was run:

'We had a very small quota allocation when the quotas came out first, consequently we had a very small single farm payment allocation. Our subsidy payment is tiny relative to turnover. So therefore it has very little influence on whether we actually would operate the business differently whether the subsidy is there or not.'

(South-West Wales H – very large, dairy)

However, if SFP was to increase they would produce more milk and make more profits. Conversely, if it was to decrease they would produce less milk and make lower profits.

This farmer observed that changes in SFP were more likely to have an effect on smaller farms where SFP was a greater proportion of income; and suggested that these farms were not run well. Furthermore, he argued that changes in SFP were also likely to affect farms that had not grown; and he suggested a correlation between farms that did not grow and those that received large amounts of SFP. By contrast, other European countries were less regulated, which had forced farms to be resilient and enabled growth in the farming sector. Subsidy was seen to encourage farmers that were less work driven:

'If the single farm payment forms more than twenty percent of your profitability I think you've got a very vulnerable business.'

(South-West Wales H – very large, dairy)

It might have been the case that the large dairy farms in South-west Wales tended to downplay the importance of SFP, for as this auctioneer in the area observed:

'Single Farm Payment? Nobody really bothers about it I don't think. Let's say nobody bothers about it.'

(South-West Wales - auctioneer)

Away from the very large dairy farms, but remaining in South-West Wales, this farmer with a very small beef farm observed that as SFP constituted only a small proportion of their household income, at approximately £600 per annum, they would not really be that affected by any changes to SFP:

'It's only £600 so whether it goes down, if it's 20 per cent it goes down, so that's only £120. So £2 per week is not going to make much difference.'

(South-West Wales B – very small, beef)

A farmer with a small sheep farm (North-West Wales-H) planned to continue with business as usual, whatever changes happened to his SFP. Unusually for many of the interviewees he was very aware of the changes and the possibility that he would gain from CAP reform. He suggested that as his SFP was relatively small any change would not make much difference and that any increase would be saved for his retirement.

Similarly, this farmer was aware of CAP reform and would make a judgment on the extent to which he pursued food production or 'green measures', subject to economic calculation:

'Now had the proposals for the CAP only been for that £900, our current Single Farm Payment, I'd probably opt out of Single Farm Payment as well to allow me to increase production. But if area payment comes in at £6,000, well, then I'm not going to turn away from that in the same way, you know. So it'll be an interesting decision to make later on.'

(Mid-Wales A - very small, beef and sheep)

The second group consisted of farmers who viewed SFP as an essential component of farm income. A farmer with a medium, sheep and beef farm (Mid-Wales-F) argued that any subsidy decrease would significantly affect their business and potentially make it unviable. To survive they would have to grow more corn and become self-sufficient in animal feed. His overall plan if subsidy increased would be to continue improving the land they farm and the quality of their livestock. However, they had no plans for expansion of stock or land due to the high prices of land and labour. Any expansion would require more than a 20 per cent increase in SFP.

A farmer with a small sheep farm (North-West Wales-B) was aware that in terms of SFP *'it's crunch time'* and that they were in a period of change. He was pessimistic and could not see what he could do differently now. The farm had witnessed several changes over the years: for example, cattle had been sold to reduce costs. One thing he was considering was to rent less ground, as that was where the majority of farm income was currently spent.

And on a medium, sheep and beef farm (Mid-Wales-F), they were frustrated and depressed at the amount of hard work they had put into the business to just get by, and by the way agriculture had developed more broadly. In effect, SFP represented their profit and without it the business could not survive. However, they argued that they did not want subsidies. Rather, they wanted to be paid a decent and realistic price for what they produced, and to concentrate on food production as the core of the business.

Some were buttressed by diversification. For example, this farmer planned to continue with low-level, low-impact sustainable farming. If his SFP was to decrease, rather than change the farm business, he intended to maintain income by focusing even more on the horse breeding business that they had diversified into:

'If I lose the single farm payment I would need to regain that money from somewhere and I personally think I could find it easier outside of farming and as my expertise is in horses I would definitely follow the expertise which I have and I think I could sort of keep on going as such because although my standard of living wouldn't be fantastic, I live, I survive and everything I have is pretty okay. I have a duty of care to the farm, I have a duty of care to the land and I have an even bigger duty of care to the animals. So first of all, all that has to be sort of maintained so I would need to find money to enable that to carry on.'

(North-West Wales C – very small, sheep and beef)

While he was already looking at ways to cut-back so that he could continue with 'business as usual', this farmer observed that SFP was so important to him, and he suggested, others, that they were so concerned about compliance that it had created a 'culture of fear':

'You've got this culture, this Single Farm Payment is so important, and you're... oh shit, an inspection. Everybody's the same. Everybody's scared of the bloody inspections. We all are. You know, have you done this, have you done that? My god... you're living in a culture of fear in a sense, you know, it is. Well, that's how it is. It's a fact, it's a fact, isn't it?'

(North-West Wales D – medium, sheep and beef)

Another farmer in North-West Wales, aware of CAP reform and its implications and in receipt of a large SFP, thought that they would lose subsidy following CAP reform because the present payments system had favoured them:

'Well I know quite a bit about it but I'm sure we'll be losers I think. I think we'll be losers, myself. Well I'm not quite sure how much will they be paying to like I don't know how much an acre will they be paying afterwards and we just happen to, we've got a good payment because we were doing in 2000, 2001, 2002 we were doing the right things at the right time then you know. Well we were in different schemes where extensification was sort of premium and our new premium, suckler cow premium, calf premium everything was.. everything just added up.'

(North-West Wales F – Large, sheep and beef)

This farmer, with a medium, sheep and beef farm in South-West Wales, was ambivalent about SFP. He argued that it was a support payment. Stock levels were adjusted to the market, not the amount of SFP received. However, he acknowledged that, at the current time, SFP was an important component of income because at this time they were heavily stocked and needed SFP as support. If SFP decreased they would have to reduce stock levels, reduce concentrates and become more organic:

'Single farm payment is just a support payment. At the moment, it's a needed income so that's really the difference. So to answer the questions, that is the big question mark hanging over it. If it's more profitable to feed more animal feed even without the single farm payment we'll do so. If the margins aren't there obviously we should cut back on our numbers so the amount of feed we feed would be a lot less.'

'If that decreases and the margins decrease then the animal feed will decrease as well because we'll have to keep less stock. We'll have to run a more organic type system with less stock and less inputs.'

(South-West Wales C – medium, sheep and beef)

The farmer intimated that if subsidies were to become too low or to cease, his son, when he took over the farm, may have to sell.

There were arguments that any decreases in subsidy could be 'stuck out' for the first five years just by reducing general costs across the board: e.g. less maintenance and new machinery. But after five years, farmers would have to consider their position more carefully. Farming was not something one could quickly jump in and out of. It took time to build up stock and as stock levels decreased there would be less to sell.

Finally, to highlight the subjectivity of qualitative data, this large dairy farmer in South-West Wales, went against the trend of larger dairy farmers who discounted the importance of SFP. He argued that SFP was very important to his farm business and to other farm businesses. If SFP was to decrease, his farm would struggle. Indeed, it was suggested that for many farmers SFP represented their profit:

'I think if the subsidy decreased or was taken away, I think an awful lot of farmers would struggle. Because talking to people, it's your single farm payment that becomes your profit. Because spending everything else, everything you're earning and when you start looking at it, that's what, you then get, that's your money then for reinvestment.'

And this isn't just us, this is everyone. The single farm payment is a lifeline.'

(South-West Wales G – large, dairy)

5.2.3 Single Farm Payment and the Local Economy

Some questions in the survey explored the potential effects that changes in SFP would have on the local economy. The interview analysis sought deeper insights. For example, this large, dairy farmer in South-West Wales observed that local businesses were aware of when farmers received their SFP and timed their bills accordingly:

'Everyone, all the local businesses know when farmers get their single farm payment, don't they? They call the contractors. They must have serious cash flow problems because they get not a lot through the year and then they bring these big bills December time because they know they'll get paid.'

(South– west Wales D – large, dairy)

As another respondent in South-west Wales observed:

'What farmers are very good at is spending their Single Farm Payment before it's already come in.'

(South– west Wales - Auctioneer)

In the case of increases in SFP, this farmer suggested that farmers would tend to buy more machinery and vehicles:

'If there was an increase in subsidy, which for some people is a likelihood - not for us but for other people - what you will find instead of driving around in crappy old 'P' reg Land Rovers they'll buy a new pickup and they'll change their tractor.'

(South-West Wales K – small, beef)

However, an auctioneer in South-west Wales observed that rather than buying machinery at local sales, which required cash for purchases, farmers would go directly to dealers and buy on extended credit terms.

Some farmers argued that as SFP constituted a relatively small proportion of income, losses or gains would have little impact. However, as this farmer in Mid-Wales suggested, even small economies would be passed on to local businesses. He argued that as SFP last year was only £5000, a 20 per cent decrease would not have much impact and they would just have to cut general costs (e.g. feed, fertiliser, contract fencing). This would mean less would be spent in local businesses:

"Less they give us, less we spend down in town".

(Mid-Wales E – small, sheep and beef)

In the case of an increase in SFP, it was suggested that they would be absorbed by consequent prices rises in lamb, feed, fuel and electricity. Consequently, subsidy increases would be distributed across existing suppliers.

And this farmer in South-west Wales highlighted the inter-connectedness of farmers and the local economy and suggested that any reduction in subsidies, either from the cessation of agri-environmental schemes or a reduction in SFP, would be reflected in less money being spent locally:

'We've lost Ty Cynnal, as I mentioned to you. As an upland payment now that was a good payment because it would cover our rented land as well. And the Ty Mynydd to me supported not only me but the people we supply locally. Any grants we get is helping us keep other people employed. Not only us. We probably write out seven cheques a month to local people, obviously varying quantity but depending on what you buy but the local hardware centre we buy fencing material from and buckets and gates and this sort of thing somebody else we use that's local. The garage we use is local, contractor's local, Crymych is local, and it's all around here. This and the single farm payment dropping will make you look harder at your expenditure wont it?'

(South– west Wales C – medium, sheep and beef)

There were, however, arguments that farming in general, and SFP in particular, did not benefit the local economy. These arguments focused on the costs of farming on poor mountain land in LFA areas and the need to rent better quality land for the Hafod / Hendre or transhumance system. For example, this farmer in North-west Wales argued that farming was not keeping money in the local economy and that the subsidy system did not work to support the farm and local community. He said that the SFP payment did not stay in the area: farmers did not get to

keep it, as it went straight out to pay rent on land in Anglesey. Indeed, he argued, the renting economy on Anglesey had sparked such competition that longer-term arrangements were now unstable and unreliable. His description of the farm business was:

'In one hand and out the other, with a big tax bill in the middle.'

(North-West Wales B – small, sheep)

Broadly, it was argued that the local economy was heavily dependent on farmers: if farmers lost money there would be knock-on effects:

'It's going to hurt a lot more - not just the farmers because we spend a lot of money you know in places, you know.'

(North – west Wales K – small, sheep)

'We would be turning over somewhere between £1.4 and £1.8m a year. I would probably say, from purely agriculture only produce about 50 per cent, from our agricultural contacts, probably you are getting up towards 70-80 per cent.'

(South– west Wales - Auctioneer)

5.2.4 Farming and the local economy

From the narrative so far, although there were some contrary views, we can begin to see a picture of the interconnectedness of farmers and the local economy. The survey analysis indicates that at 82 per cent the vast majority of farm-related goods and services were purchased in the local area – within a 25 mile radius of the farm. Similarly, Table 3.6 and Table 3.7 show that relatively large proportions of farm produce were sold at outlets within a 25 mile radius of the farm. These findings were reinforced by responses to the specific 'buying and selling' questions that formed part of the in-depth interviews. As discussed in the Methods section and Section Three above, these responses were mapped onto rose diagrams. For each of the three study areas, a rose diagram showing where the farmers interviewed sold their goods and services was produced, which are at Annex Two. And for each of the 30 farmers interviewed, a rose diagram showing where they bought farm inputs and services was produced: these are at Annex Three. These rose diagrams illustrate the buying and selling patterns of the 30 farmers interviewed and show the predominance of the local economy.

A key point emerging from the qualitative analysis of the in-depth interviews was the evidence of farmers' embeddedness in the local economy. The reasons adduced for supporting local business were not because prices were lower – apparently they were often higher. Rather, farmers chose to buy locally for other reasons, principally an apparent desire to support the local economy because it was seen as an integral part of the local community. The quotations from the in-depth interviews that follow illustrate the thoughts of farmers concerning the local economy and begin to illustrate farmers' relationships with local communities.

For example, it was suggested that this very large dairy farm in South-west Wales circulated a lot of money in the local community and the quotation points to the complex network of businesses involved in running the farm:

'I mean we spend a lot of money in the local community - you know a lot of businesses we support in terms of buying you know with building sheds we've got people laying concrete, we've got electricians, we've got the vets, we've got plumbers, we've got builders, there's lots of businesses we support. There was a study done a few years ago and there was one farm supporting in the region of 120 businesses over a year you know...

We're a business with a big turnover. Our income I suppose is half a million probably but we're spending a lot of that, a lot of that is being spent and circulating in the economy continuously really in terms of and I mean it is in the local economy because we need them to be local so if something goes wrong in the parlour that's, in needs to be working 24 hours a day, seven days a week really. So you need people who can come quickly so there's no point them being based in Birmingham or wherever you know, so you do rely heavily on a local skilled workforce to support our business as well.'

(South– west Wales A – very large, dairy)

Offering a different view and contrasting larger dairy farms with smaller farms, another farmer in South-west Wales argued that family farms offered more support to the local economy than larger farms because the latter tended to buy in bulk from non-local suppliers:

'The family farm of our sort of size supports more of the local community than the 2000 acre farm because the 2000 acre farm buys a lot of the raw materials from further afield. And small pays more for everything'

(South– west Wales C – medium, sheep and beef)

Some interviewees preferred local feed suppliers as they argued that it ensured better quality feed. Apparently some had had problems in the past with big suppliers, which then made Farm Assurance difficult. They pointed to several cases of large companies supplying poor or out of date feed and observed that their farming friends had had similar experiences. For example, a very large dairy farm (Mid-Wales-H) pointed to several bad experiences with big companies who had not addressed their complaints, because the companies had strong legal support. More generally, they argued that it was important to use local suppliers, for quality of service and products, ethically, and for commitment to the local community. They were very clear about this.

Another major reason for buying locally was that it was seen to ensure a better quality of service. As this farmer in Mid-Wales observed, local suppliers provided better service and maintained relationships:

'Well that's why I'd sooner give him the business. Now I don't want to give anybody double when I can get it somewhere else but I don't mind giving him a bit of a premium because he gives you the service.'

(Mid-Wales A – small, sheep)

Sentiments concerning better service from local suppliers were echoed by several farmers from different parts of Wales:

'So they're all Welsh dealers basically. We wouldn't go out of the area; we wouldn't go out of the region. The people we do business with will be as local as possible primarily because if you buy from an English dealer and something goes wrong, what are you going

to do, you're going to phone and they won't answer your phone calls. Whereas with this I can put it on a trailer, take it back up to Carmarthen, drop it off in the yard and say it's broken, fix it. You sold it to me with a warranty, fix it under your warranty and so most farmers would say the same thing. It's very rare we go out of the region to buy machinery.'

(South– west Wales K – small, beef)

It was argued that it was important that local suppliers remained in business: although larger national suppliers offered discounts, if local suppliers went out of business the national suppliers would raise prices.

'And yes, you're wrong if you don't buy it cheaper, but you end up going to, end up paying more in the long run because as the smaller firms or other cooperatives scale down or cease trading, then you're going to be in a situation where Anglia Farmers will put the price up. I mean, you can buy vehicles, you can buy everything, you can buy fuel, you can buy everything through Anglia Farmers.'

(South– west Wales G – large, dairy)

This farmer in North-west Wales argued that diversified activities such as their campsite benefited the local economy:

'Most of the campers that come, they support the village. They go down to the pubs, they go down to the shop. And when they walk on the mountain, they're bound to walk back to the village and get a cup of tea or whatever like. They all go and visit Steffan - you've been to Steffan's they all go and have a panad and a hot chocolate or something with Steffan or the village and the camping shops as well in the village. There's a camping shop open here isn't there recently now because of the people coming through to Llanberis because there's lots of cafes and things for them to do as well.'

(North-West Wales G – medium, sheep and beef)

Much livestock was bought and sold locally. It was argued by a very small sheep and beef farmer (North-West Wales – C) that buying locally ensured quality and safety. In terms of selling livestock for slaughter, for the last four years a small sheep and beef farmer in North-West Wales had stopped selling to supermarkets. He argued that he could get a better price by selling directly to local abattoirs:

'I've stopped selling to the supermarkets because they were dictating prices and another reason for getting the van up and running is that I'm then keeping those animals in the same business so they're going from here to an abattoir and I'm going to increase the value of those animals by selling direct myself and not give them to Tesco to sell.'

(North – west Wales A – small, sheep and beef)

And he was critical of how supermarkets controlled the market for red meat:

'I was dependent on the supermarkets to buy my organic produce because they sell 82 per cent of red meat through their doors and you're very limited if you're a red meat producer where else can you sell your meat? The supermarkets have really cornered the

market you know. They've cornered Great Britain haven't they and other countries as well.'

(North – west Wales A – small, sheep and beef)

In the same area of Wales, another small, sheep and beef farmer (North-West Wales- E) argued that more could be done to market local produce in the area; for restaurants and supermarkets to sell local meat - although it was acknowledged that there were few outlets in the Ogwen Valley. Apparently the local Aldi did, which was applauded, but Tesco did not. It was argued that cheap supermarket prices, compared with higher prices at smaller local butchers both in Bethesda and on Anglesey, deterred custom. This barrier and unevenness was seen to be an issue for the sustainability of the local farm economy. More broadly, it was argued that state protection and support of local industries and produce was key for the national economy.

There were, of course, farm inputs purchased from outside of the local area. For example, this farmer in South– west Wales was part of a 'machinery ring', based in Pembrokeshire, which covered south Wales, and through which he bought fuel for the farm:

Fuel - this comes through the machinery ring, we're in part of Pembrokeshire machinery ring.'

(South– west Wales G – large, dairy)

Some 'machinery rings' had broadened in scope. For example, Cadwyn Cymru Link, a former machinery ring, had converted to a cooperative buying group that covered much of Wales. They sought-out the best prices for animal feed and fertiliser. Apparently, the feed and fertiliser was sourced from Stone, Staffordshire.

Other specialist farm inputs were difficult to buy locally. For this organic farmer, to an extent buying farm inputs was confined to certain suppliers. While much of his spending was local and he used local people for machinery maintenance and casual labour, it was sometimes difficult to buy organic feed locally, so he used a business in Pembrokeshire and some items he bought from England:

'The last lot I got was from High Peak, Derbyshire. High Peak Feeds again organic. Well no there's very few here, you've got your Wynnstays and you've got your CCFs but they're all buying from similar mills you know.'

(North – west Wales A – small, sheep and beef)

This small sheep farm in North-west Wales bought the majority of farm inputs, including livestock, locally, but fertiliser and lime came from Mole Valley Farmers in Devon. Orders were placed by telephone and Mole Valley delivered. Apparently, Mole Valley had advertised at the Royal Welsh show. And for 30 years they had bought Cheviot sheep at Lockerbie, Scotland:

'They do better than the Welsh on the mountain for us and the people will get better lambs and better wool and everything and price for the ewes so.'

(North – west Wales K – small, sheep)

Notwithstanding those farmers who traded, for whatever reasons, outside of the local area, there was an apparent desire to support the local economy because it was seen as an integral part of the local community:

'Well if you notice I don't go buying stuff or materials or anything online or buying from away, I tend to buy everything local. Yes, I think between employing local boys on a part time basis and we buy local products....so I would like to think that we support the local community.'

(South– west Wales D – medium, dairy)

'But what concerns me about that is that, yes, I can buy it cheaper, but if you keep buying it a little bit cheaper, then you put everyone else out of business. What happens out of the economy? I mean ...one hand's saying, "I need to buy my inputs for my business cheaper", and the other one's saying, "Well, hang on a minute, what about local employment and everything else?" We've got children. What people don't realise is social economic history tells us an awful lot and you sometimes have to look at, I mean, it can be modern history as well as old history, and ... yeah, we have a responsibility because if you keep local communities going, it means then the youngsters have got jobs and they will stay in the area.'

(South– west Wales G – large, dairy)

5.2.5 Farming and the community

Resonating with the above quotations, many of the arguments connecting farming with local communities revolved around the local economy; that the principal benefit that the farm brought to the community was economic. Farming was seen to be economically important to rural areas: it provided employment that appeared to be low wage but also had low personal costs, such as travel-to-work:

'I suppose it's employment and we generate an economic value which is, it's part of the economic value produced by the creamery in Haverfordwest. We take our land resource and we generate three quarters of a million of value off it in a year and most of it, according to my wife all of it, but most of it gets spent in the locality, so I mean in some form or other its dissipated outwards into the locality either in the form of onward employment in other businesses or in the provision of goods and services.

It's a provider of employment, it's a generator of value, most of the businesses, well all of the farm businesses are self-employed businesses. Frankly if you look at farm accounts you would say that most of the people are employed, self-employed on farms. I mean now the general wage is in the order of about ten to fifteen thousand which is actually quite low. It is, it's very much below average and yet if you look at people who are farmers generally speaking they enjoy quite a good quality of life although the income is low. What is not costed into the income is the fact of the job, so people tend to discount that. They don't have commuting costs because they literally walk up the back door into their place of employment. There are some costs such as electricity and fuel which you might pay but tend to get covered by the cost of the business.

'So there's, there are a few perks and things like that plus the fact that as long as there's no real financial pressure it's not a bad way of making a living. The difficulty I see today is that a lot of farm businesses are under financial pressure.'

(South-West Wales H – very large, dairy)

At the other end, both of Wales and the farm scale, this small, sheep and beef farmer in North-West Wales suggested that farmers were a conduit for money to be distributed through the local economy:

'It's hugely important, hugely important yes because I don't get this income from the Welsh Assembly I'm just the banker it comes in and I distribute it because you look at my farm accounts and I don't make a lot of money at the end of the day. It comes in and it goes you know people like the mechanic and the other garage I use or the car, the contractor, the electricians, there's always somebody having work off the farms and they're all local we don't use any outside firms you know, all local people because we all know each other and we play pool in the village together - it's nice.'

(North-West Wales A – small, sheep and beef)

He harked back to when the farm, run by his grandparents, was self-sufficient and money stayed in the local economy. This was a situation that he was again attempting to attain:

'Everything was on the farm you know and that's what I've been aiming for with the van of course that everything is local, everything is traceable that we're using. People that are working within the area and that money then doesn't go out to Tesco and Tesco built a Tesco store in Outer Mongolia, it stays here doesn't it and it stays in our little corner of Wales and hopefully keeps us going.'

(North-West Wales A – small, sheep and beef)

Again in North-West Wales, this very small, sheep and beef farmer observed that farming was important to the local community, both in terms of local employment and the local economy, particularly tourism:

'Quite a few families are dependent and I also think here in where we are in this area that the tourist industry is very dependent on local farming as well. Well, when we had the foot and mouth in 2000 all the hotels closed. The whole of Snowdonia was closed off. The tourist industry was wiped out because of the difficulty in farming. So it's very important.'

(North-West Wales C – very small, sheep and beef)

It was argued that farming was an anchor for Welsh culture – it should be supported so that it provided jobs for local Welsh people:

'But also behind the whole lot, it actually keeps the language and culture of Wales alive, because if all the youngsters move off and then other people move in, then you will dilute the language more, you will dilute the culture, because a lot of people that come in have never heard of a, I can't think of it now, Eisteddfods, they're not into young farmers.'

(South-West Wales G – large, dairy)

Culturally, farming was seen as an anchor that enabled people to live and work in rural Wales. A small, sheep and beef farmer (North-West Wales-E) observed that there was a sense that even if there were many small farms where families had to seek other work, the farms kept people in the area and farming remained an important cultural glue.

Other interviewees pointed to a community of farmers. For example, a small beef farmer (South-West Wales-K) argued that there was a community of farmers rather than a farming community. Farmers from different countries had more in common than farmers and non-farming people in the same country. This cultural differentiation was becoming more marked in the local area as more urban people bought rural properties and became the dominant social group in the area. He argued, giving examples, that politicians in Wales tended to have urban backgrounds. This was not the case on the Continent, where politicians were closer to rural people and the cultural divide between rural and urban was not as large. These quotations support the idea of a community of farmers:

'The way the community is, it's basically an agricultural community. It's basically smelly old farmers!'

(Mid-Wales C –medium, sheep and beef)

'You help one another you know if there's a problem or somebody wants something in the middle of night, cow calving or something well you know they'll give you a shout and you'll go and they'll come to you the same so I mean the same with harvest or whatever you know. Yes, like most of our customers they almost sort in a way more like your family than I suppose a business customer would be if you were in the building trade or another trade.'

(Mid-Wales A - small, sheep)

However, there were ambivalent views on farming and community. This medium, sheep and beef farmer in North-West Wales agreed that farming was important to the landscape, which in turn helped the community and the local economy in terms of farmers' spend. But he was unsure of farming's direct value to the local community:

'It's a difficult question. You can argue it, I could tell you it's very important. It is in the sense of the landscape very, very important I would tell you, but how many farmers we are in all, full time, not a lot to be honest with you, but because we do spend money, don't we, like... it's important I think to the machinery dealers and people we spend with, but how important are we to the school... everybody helps but a lot of them work as well these days, in lots of cases, it's not a viable thing to be... especially up here. Down the bottom there, there's bigger farms ...but you know....one friend of mine who's got three children then, you know, there's another who has three... say it's 12 kids in the school, and something to the shop. But you've got to measure how important yourself, I can't answer that, you know, it's... But to the landscape, very, very important in this area because of the walls, dry-stone walls dating from 1700, we maintain. Well, I maintain a hell of a lot of walls and things, you know? And if we weren't here, places soon go to rack and ruin.'

(North-West Wales D – medium, sheep and beef)

And there were those interviewees who suggested that the link between farming and community was, at best, being stretched towards breaking point, and, at worst, had already been severed.

A range of reasons for this apparent loss of community were given. This farmer in Mid-Wales, on a very small, sheep and beef farm, suggested that farms had been bought and occupied by non-farming people and he predicted that the community structure would continue to change over the next decade as farmers aged and their children did not take over the farms:

'There is the odd small cottages and stuff have been bought up. I wouldn't say there's so many second homes but people moving into the area. You're retiring or whatever but no most of the farms got the farmer in them although they're not really farming the farm they're renting it out or they don't know what's going to happen in the next 10 years because I can think of three or four in this area that are in their 70s and the next 10 years is going to be crucial because they won't be farming because probably quite a percentage of them won't be even here.'

(Mid-Wales G –very small, sheep and beef)

Farmers in North-West Wales appeared to have strong views on the decline of community. For example, a small, sheep farmer (North-West Wales-H), while conceding that his older traditional neighbours were all *'tied to the land'*, which ensured that the farming culture remained in the area, suggested that things had changed for the worse and that absent landlords who rented-out land did not help community spirit. And another small sheep farmer North-West Wales-B) observed that things had changed over the last 15 years with everyone now working off-farm. Apparently, only one farm in the valley was full-time. The other farmers had to deal with the demands of modern life, which entailed families having to travel more, take children out, go to town, do things, and buy things, resulting in higher costs. He argued that these new demands had led to a break in the traditional social fabric. Apparently, farmers still gathered together and still helped each other with some things, but that interdependence and communal spirit had gone - people did not have time and they were all out for themselves. This large, sheep and beef farmer argued that farming was probably not as important to the community as previously:

'It's a difficult job to answer because I suppose 40 years ago people were working but people can work from a computer and do you know they can have dealings with Africa or anywhere and everybody's quite independent and that may be there are weeks when you don't see hardly anybody. So it's important, but do you know I suppose if you talked with somebody in the village they couldn't care a damn.'

(North-West Wales J – large, sheep and beef)

Similar arguments and observations on the loss of community are illustrated by the following quotations:

'We are a farming community round here although the number of farms has gone down drastically since we came here 30 years ago. We are the only one on this road with our own stock now.'

(South-West Wales B – very small, beef)

'There's no community as such, it's... you know, it's lost its school, it doesn't have a pub, it has a community centre but it doesn't have a focus, so there's no real community as such there, so I don't really it, it's more of a place to live and do things rather than, you know, it's not a community feature or anything.'

(Mid-Wales B- very small, beef and sheep)

'Where you've got people, well, next door neighbours here and they haven't got a clue, and lived in the countryside all their life. They've got their nine to five and they go and sit in their house, they don't really get involved in the community or anything like that. There's nothing wrong with the area at all, but I don't see that there is no real focus on farming here.'

(Mid-Wales D –medium, sheep and beef)

'Used to be, used to be a lot, used to be a real community. When I was a child the whole community really got behind each other, anybody who had a problem then you knew you could just call and you'd have a dozen neighbours there helping you. In the summer we all used to help each other with the crops. Now we're pretty much an island on our own and you only ever see your neighbours, wellbecause most the farms are no longer proper farms. Most of the land they're not having horses or something on it. They rent the land to the Big Boys. And so you've got a few big boys who really aren't bothered about the neighbours because they are so intent on their own business. So, the community gone in the last 15 years or so.'

(South-West Wales E – small, mixed)

There were, then, varied views on farming and the local community. While there was no discernible pattern, for example geographical or farm type or size, to these views, there was an underlying sense that the traditional farming-community nexus was under strain. Given that the perceived precipitating factors included changing farm structures and the changing demands of modern life, the following section of the narrative examines the trajectories of the interviewed farms, including the issues of off-farm incomes, diversification, alternative energy, agri-environmental schemes, tenure and succession.

5.2.6 Farm trajectories

As the survey indicates, many farmers intended to continue with business as usual. However, the potential to fulfill this aspiration will depend on concrete factors such as farm type and size, age, tenure, and on motivational factors such as personality, culture, resilience and adaptability.

5.2.6.1 Trajectories of Dairy farms

To an extent dairy farms were distinctive in that they tended to have a singular focus on milk production. They were market-driven, had business plans, used technology, were not over-reliant on SFP; tended not to diversify; and wished to expand, as these quotations illustrate:

'We're absolutely reliant on the market and we are very focused on doing what the market does and we're very focused on influencing the things that we have some control over, so we look at our cost of production in particular and we're very focused on that and so we

tend to operate a system that can cope with price volatility in the market place and allows us to, we operate with quite a high operating margin, let's put it like that, which allows us to cope with volatility and we are therefore not that dependent on the single farm payment or the subsidy payment in terms of our profitability.'

'We see the business as growing. We took on a tenanted farm last autumn and we're now looking around for another farm to establish a second milking unit on. So the idea is that we will aim to double the milking herd over the next two to five years.'

(South-west Wales H – very large, dairy)

The point was made that it was best to concentrate on what you were good at, rather than diluting effort through unnecessary diversification:

'It's what we know and I think that that's the point that there's always a risk when you are looking at diversification opportunities you are perhaps doing it out of desperation looking for other things to do and I think you know I think we need to build on the skills that we are very good at what we do and we need to build on that. So I think you know we need to sometimes concentrate on the core business really instead of diluting the time and effort on lots of different things that we're perhaps not as good at so we're not going to be as successful at really.'

(South-west Wales A – very large, dairy)

This dairy farm was run by a Welsh speaking family, who were born and bred on the farm. They were focused on efficient dairy farming, which left little time or space for much else:

'Don't do anything with farm tea shops, don't do anything with farm shops sales, contracting we do, recreation we don't do anything. Accommodation, we don't do anything, energy crops, we don't do anything. Poultry, we don't do anything. So crops we don't sell, it's only crops that's grown for our own use.'

(South-west Wales D – medium, dairy)

While the farmer above stated that *'The only way I will leave farming is in a coffin.'*, as if to reinforce dairy farmers' distinctiveness and profit-motives, in contrast to farmers in other fields who typically made assertions such as they would leave farming *'only when I die'*, several dairy farmers stated that they were committed to farming *'provided it was profitable'* (South-west Wales H – very large, dairy) and that they *'would leave farming if there was no money to be earned in milk'* (South-west Wales J – medium, dairy).

Many of the dairy farms interviewed had business plans and used technology. For example, this dairy was run scientifically using computers, linked to the National Milk records system:

'I've got three computers here just for our business. We've got one up in the shed, which utilises and runs the whole parlour. That's very sort of high level system in terms of all the cows have got little straps round their legs with pedometers on we call them and that measures their activity. So we've got auto I.D: when the cows come in the parlour they're automatically identified from the numbers on their legs and you can measure how much milk they do on a daily basis and there's a threshold really so if their milk is up or down by five or 10 per cent there's obviously something wrong with animal. They go then through

the parlour and get divided off into a specific pen and stuff so it's quite scientific system there. So in terms of that system, that's crucial it's not dependent on broadband or anything else it would be useful if we had broadband access up there but we haven't we've got it here.'

(South-west Wales A – very large, dairy)

In addition, they were considering the possibility of using computers to record cattle pedigrees for breeding, marketing and sale purposes, and using 'apps' for mobile devices for people to tell them interactively about the cattle.

Dairy farms usually sold their milk to a single processor. Indeed, it could be argued that milk processors were influencing the structure of dairy farming in that it was suggested that it was crucial for the industry's success to maintain a critical mass of dairy farms in an area, to enable milk processors to achieve economies of scale. As this dairy farmer commented, processors would service an area only if there was a critical mass of dairy farms:

'We were supplying Dairy Farms of Britain, they went bust a couple of years ago and we lost a lot of money. We had a lot of money invested in them. So the choices that we have in terms of who we sell our milk to have been much reduced in recent years. You know if Dairy Crest were to pull out of the area then you know where do you sell your milk to then really? So I think there is a risk. I think we're fortunate in terms of from an agricultural, from a dairy point of view where we are there's quite a few dairy farms here they've reduced a lot in recent years but we've still got a critical mass to basically encourage companies to come here to pick milk up to buy milk in the area. The risk is if more people go out of dairy farming then you become, there's less of you so there's less of a critical mass so when they're coming, when the tankers are coming you know they may end up having to go long distances that sort of jeopardises their business they're not as efficient in terms of the cost.'

(South-west Wales A – very large, dairy)

And one of the reasons why this small farm had ceased dairy farming and moved to mixed farming was the reluctance of milk processors to engage with smaller dairy farms:

'They were happy to pick up from small people at that stage, obviously. Once they'd taken it further afield they want to stop for a big amount of milk, don't they? It used to be a very good productive farm that made a good living but of course everything's changing now – unless you've got 100 cows they don't want to know you in the milk industry. We used to milk between 35 and 40 here when I was younger and that made a good income, so, for us as a family but the price of milk didn't go up at all - the price of cattle feed has gone astronomical.'

'So you've got to increase your productivity of what you're actually farming so you, if you haven't got a 100, if you're not milking 100 cows it's just not worth doing. It's pushing out people like us – we were a viable farm not that long ago.'

(South-west Wales E – small, mixed)

Even medium and larger dairy farms perceived that the processors and supermarkets controlled the dairy industry. For example, this dairy farm sold all of its milk to First Milk through the

Haverfordwest Creamery. The farmer was concerned that the local creamery was not paying enough and that this would lead to a loss of critical mass, which would affect the local economy:

'It's annoying me a little bit now is that Haverfordwest Creamery aren't paying quite as much money and there's a lot of people now that are sending their milk off elsewhere. But if they lose critical mass, it gets to a stage where, maybe, that Creamery would become uneconomical. And if it becomes uneconomical, then all of a sudden, all the milk has to go out of Pembrokeshire, or the South West, whatever you want to call it ...and it's not just here, Cornwall's got the same problem. This milk will then go out, that then takes jobs, it takes revenue, it takes all sorts of things.. '

(South-west Wales G– medium, dairy)

And this dairy farmer stated that dairy farms were at the mercy of the big milk processors who set the prices. He sold his milk to Saputo Cheese in Newcastle Emlyn, who supplied Domino's Pizza and Pizza Hut:³

'It depends on whether they want to cut back or increase it by half a pence or whatever, you can't really say outright because in the spring, it works out when we've got more milk because the price low, it drops and the price goes up so it's...It's like First Milk and all the rest of them. One does it the whole lot does it.'

(South-west Wales J – medium, dairy)

While it was understood that dairy units were being forced to expand to survive, some farms, such as this farmer and son team argued that they could only expand to a certain extent because they could not afford to buy more land:

'Because we are limited on size, we've had to be able to find a way of getting more revenue in. We can't compete with the big lads because to buy more land round here would cost us a fortune because there's a lot of people all looking for the same bit of land.'

(South-west Wales G– medium, dairy)

Consequently, they were looking at other ways to continue with their family farm, such as the alternative energy installations that they had invested in.

Other dairy farmers argued that dairy farming, propelled by its price structure, was moving towards ever large units, which threatened the longer-term existence of family farms:

'How does that fit in with family farms? There's a host of questions, in fact it's really, really interesting.'

(South-west Wales G– medium, dairy)

Interviewees raised a number of issues concerning the processing infrastructure in Wales. For example, a very large dairy farmer (Mid-Wales-H) argued that WG should have invested and had more vision about this. Milk had to be transported so far these days and this added to costs. Connected to this, he observed that the opportunity for selling in different formats was difficult,

³ On 25th February 2013, soon after this interview, it was announced that the Saputo Cheese plant in Newcastle Emlyn was to close. A 30 day consultation period was announced.

again in part due to the economics of long distance haulage. It made more sense to put milk in a big tanker and take it to 'the market' rather than trying to transport in a bottled or finished product format. In general, it was argued that WG had not shown enough leadership in supporting rural communities and the farming sector.

The other controlling factor in the price structure of milk was the supermarkets. A very large dairy farmer (South-west Wales-H) suggested that the market for milk was controlled by the supermarkets, which, if challenged by a dairy farmer, would delist the farmer's milk. As milk was such a perishable product, it was difficult to negotiate in the required timeframe. He hoped that the new supermarket ombudsman would address this issue.

Generally, supermarkets were considered to be a problem. It was argued that they fragmented the community and although they provided jobs these were dependent on the success of the supermarket and were out of character with the area. In addition, supermarkets were seen to have a deleterious effect on the price of milk products and it was argued that it would be far better for farmers and farming if prices were not set by the milk processors and the supermarkets:

'Well if farming had- what's the word- where you could not dictate but say what price you wanted for your litre of milk, like supermarkets say you have to pay. We haven't got a say in that, it would be good if the farmer had some kind of say in the matter, at the moment they don't. They have to take what they're given. Farming is the only business that's not allowed to say what it wants for its product isn't it?'

(South-west Wales J – medium, dairy)

Over time, it was argued, the proportions of the milk price had shifted from favouring the farm producer to favouring the retailer (generally a supermarket):

'Just using milk as an example, you've seen, if you go back to the time when the milk market was deregulated farmers got approximately 50 per cent of the milk price, the processor got approximately 40 per cent and the retailer got 10 per cent. Today the retailer is getting 30 to 40 per cent. The processor's down to about 20 to 30 per cent and the farmer gets what's left and you've seen an erosion in cash terms where the actual percentage of the base product that sits, comes back to us on farm has been eroded so substantially that the supermarket, the super, if you look at a litre of milk in the supermarket today the supermarkets getting about 16 to 18 pence per litre and the farmer as a gross price is only getting about 26, 27 before cost. So you've had and when the supermarket, like if you go back 20 years the supermarkets were getting approximately two pence a litre, one to two pence a litre for selling the milk ... just putting it on the shelf. So there's been this, a huge shift of value and has the consumer benefited? No, because all that's happened is the price of milk has gone up but the supermarket has taken more, a bigger, bigger and bigger share all the time.'

(South-west Wales G – medium, dairy)

Notwithstanding the problems of dairying and their acknowledgement that dairy farms were tending to expansion, some dairy farmers were sensitive about their image. For example, this very large dairy farmer in South-west Wales felt that farms such as theirs received undue criticism and would like to be rewarded for their specialism rather than be forced to do something they were not that enthusiastic about, such as agri-environmental schemes or

diversification. He was annoyed about negative attitudes towards intensive farms and argued that the farm was relatively scenic and was committed to what it does:

'You know at the end of the day I think, I don't think it looks so bad out here considering we are what is classed as an intensive dairy farm. When people use the word intensive it sort of makes you think of sort of factory farming that we're doing a terrible job. Well I look around and I sort of see lots of wild animals and birds and different things round here so, maybe I'm a bit naive but I don't think it's so bad really.'

(South-west Wales A – very large, dairy)

Other dairy farmers were concerned that the trend towards increasingly large dairy units, such as those in the American and New Zealand systems, would alienate public opinion. They questioned whether the public would accept the perceived animal welfare issues.

5.2.6.2 Trajectories of other types of farm

The trajectories of the types of farms, other than dairy, were, of course, varied. Some were locked-in to one type of farming. For example, this farm had not diversified, preferring to focus on its core sheep business. In addition, it was argued that diversification into B & B would require additional hired labour and that it was prone to saturation:

'If you go into something and somebody else is in that well in order, you're just putting that bit more pressure like our neighbours in bed and breakfast. The more people in bed and breakfast in the area the less people do you know. If somebody finds something they're doing well and all of a sudden you get a lot of people running to that, that isn't good. Looking after sheep is what I know so you've got to do what you're good at really and it is time consuming in the way I look after them. So possibly, if I went into diversification I'd have to employ somebody else.'

(North-west Wales J –large, sheep and beef)

For this farm the plan was to carry on as they were for as long as they could, by cutting back where necessary:

'I'll keep working as long as I can, like my father now he's 81. I do most of the work. But see how it goes, see how it goes. Batten down the hatches was the idea within the next two years, I think, if things go to form, just keep it tight and carry on.'

(North-west Wales D – medium, sheep and beef)

This farmer in the South-west, planned to continue with business as usual, but did not intend to make business plans:

'They do say if you want to make God laugh, tell him your plans. So, I wouldn't get too serious about the validity of business plans. They're not a route map, they are an inspiration.'

(South-west Wales K – small, beef)

However, a farmer on large, sheep and beef farm (North-west Wales-F) observed that business was reasonably buoyant and the only scenario that would make them think about leaving farming would be if the farm business made untenable losses. Their plan was to continue with 'business as usual' but they were hoping that the income from the wind-turbine, in which they were investing, would address any shortfall.

5.2.7 Diversification

Across the 30 interviewees attitudes to diversification varied. Some argued that the returns from diversification were not sufficient to justify the effort while for others diversification was a financial lifeline. Others would have liked to diversify but apparently were prevented by their conditions of tenure or by planning. And there were interviewees who were against diversification on principle. The following interview segments illustrate these various scenarios.

In North-west Wales there were a number of interviewees who had diversified successfully. For example, a very small, sheep and beef farmer (North-west Wales-C) had diversified into horse breeding and training. This was an international business, with a high calibre of clients and breeding stock. Consequently, it was not at risk of market saturation as it was not competing in the local equestrian leisure market. Indeed, their horses competed in global markets, both commercially and in sporting arenas, and had won several prestigious events and awards.

Also in North-west Wales, a small, sheep and beef farmer had realised that farming on its own would not provide sufficient income, and he was moving into multifunctionality. He argued that given the location of his farm, diversification was necessary. This was a National Trust tenanted farm, just below Cwm Idwal in Nant Ffrancon, a prime tourist location. It was very much a hill farm with extremely steep precipitous land. The farmer was organic and kept a range of different animals: sheep, beef cattle, pigs and goats. While the core livestock was sheep and beef, he also kept pigs and goats. The pigs were used to scarify land, to cut down on machinery costs, and then slaughtered for meat, and the goats were also slaughtered for meat sales. There were plans to farm water buffalo for meat.

Using WG diversification grants he had established a self-catering cottage, with a hot tub, by converting one part of the farm house. He was also setting-up a refreshments van to sell his produce and other local organic produce such as bread from an artisan baker in Bethesda, vegetables from Anglesey and Dwyfor coffee. This was to be sited at the top of his land right by the Cwm Idwal car park, giving access to tourist customers as they left the mountain.

However, he observed that other nearby farms had not diversified:

'Our location is very important for us to diversify here because of the volume of people we have passing and coming to the mountains you know. Not all farmers want to do it. There are eight farms in the valley here and I seem to be the only one that's a bit odd.'

(North-west Wales A – small, sheep and beef)

He argued that diversification, when it included tourists and visitors, helped to maintain both farming and Welsh culture:

'Well I think it's the attitude you have towards visitors you know. My neighbours don't like them so if it's engrained in you not to like visitors and not like the climbers and the walkers then you're never going to be able to make a business out of them so you're having to really just shut up aren't you and say hello, how are you? Come to our farm and this is what we've got to offer and then the cheque goes in the post for the bank or wherever it goes but it's coming in rather than them using your land to walk on and to climb and just jumping in the car and driving away and by having them here they understand a lot more then about farming because they talk to you, they're interested in what you're doing and you're able to inform them more about your produce, the area and how we farm, that we have a culture and we have language and it's very important to keep that going isn't it?'

(North-west Wales A – small, sheep and beef)

In addition to employing consultants, he did extensive research and feasibility studies on all of farming and diversification ventures. This research included exploring the buying behaviours of visitors to better establish a business case for his ventures:

'Well what we've done over the last four years while I was getting permission from the Park is ask people would they support a venture of this kind and yes questionnaires have gone out. Questionnaires have also gone out recently to help my case in getting the approval and not people so they've already gone for things like what people would eat, what they would need in the area. Would they travel from the car park down to here to buy their produce or would they just jump in the car and drive off and 87 per cent said jump in the car and drive off so you need something up there so that strengthened my case then to have a vehicle up there to catch them when they came off the mountain or when they went up on the mountain they wanted something after a long drive.'

(North-west Wales A – small, sheep and beef)

There were also examples of diversification among the interviewees in South-west Wales. To ensure the survival of a small mixed farm, run by a single, divorced mother, with help from her mother, camping pods had been constructed on their farm land as a source of income. These were not classed as part of the farm and were therefore deemed off-farm income (despite being a diversified activity). These were now essential to the survival of the farm and were proving to be more profitable than if the land had been used for livestock:

'That's why we have to go into the camping pod business because there is just not enough money, I cannot cover that from what we get back from selling cattle. The diversification – that's probably our most important thing. With the camping pods we're hoping that will bring in full-time income for the farm and possibly if one of the children wanted to think about that in the future then they could always extend on that and put a couple of more pods in but I think our appeal to a lot of people who have stayed here is that it is a small site.'

(South-west Wales E – small, mixed)

As the financial position was difficult, they were looking for new ways to keep the farm going and to make it viable. The farmer emphasised that business plans were important to her when planning a new venture:

'I am now working out a business plan for calf-rearing. It's working out your profits and losses – with the calf rearing I've got to really work out my expenditures. So yes, I think that business plans are very important. You need to know what you are going into before you start a new project.'

(South-west Wales E – small, mixed)

They would have liked to expand the diversification of the business, both in terms of income and property investment. While they felt that were opportunities to diversify they were uncertain what returns could be obtained from investments. They observed that it was very difficult to obtain market information on what opportunities were out there at the moment and, more importantly, the financial return that these opportunities were likely to provide:

'I did quite a lot of research on self-catering in terms of the sort of income and the levels and the costings and stuff like that but things that we would perhaps to look to do now to take that business forward which will help bring more people into the area I haven't got enough information to be confident to go and spend five,10,15,20 thousand pounds on something. I need to know that there is a market, an increasing market or there's a trend or there's a change or you know it's getting that information you don't just want to do it just for the sake of it. I need to know, I mean I can do some research myself in terms of the people who are going to come, you speak to people and would it be of interest if we had a hot tub or if we had this or if we had that or whatever but it's a bit sort of random and not very scientific really whereas I'm sure that wouldn't be difficult to obtain that sort of information, peoples spending habits what they are looking at, where they are looking at going and stuff like that you know.'

(South-west Wales E – small, mixed)

However, another interviewee in South-west Wales pointed to some of the problems associated with diversification. This was a medium, sheep and beef farm. The farming couple had provided both bed and breakfast and self-catering holiday homes, and, at first, had made profits. However, other farms had followed them and the area was now saturated:

'There's a limit how much you can do. We've been doing self catering. We've been doing bed and breakfast here and the problem we found that when we started it was good income but then all of a sudden there was for people in the area doing bed and breakfast and so that, what we were getting was shared between four.'

(South-west Wales C – medium, sheep and beef)

In addition, he observed that the area of Pembrokeshire where their farm was located tended to attract walkers and hikers only and that the season was short:

'The number of people who've spent a lot of money in holiday accommodation and we are only a very short season. There is nothing to come for. There aren't theatres or things to come to Pembrokeshire for in the winter. There's no other attraction other than the coast and the walking. So if you don't like walking and you don't want to just take a quiet break there's no other reason to come. Our properties are available all the year but we only have a very short season.'

(South-west Wales C – medium, sheep and beef)

None of the interviewees in Mid-Wales had diversified, for various reasons. This farmer thought that he was in the wrong type of area and there was no demand, for example, for a farm shop:

'I think we're in the wrong area basically for that, I think, yes. If I was on the edge of a city, a farm shop would be wonderful. People have tried in this area and yes, there's a few in a small way that are doing it, but I think we're just too far away from the population. There's not demand. People will... they all say, yes, we'd rather buy it locally but they won't, they'll only buy perhaps on special occasions and that's not going to keep a farm shop going. People haven't got the spare money, not in this area, to warrant a farm shop. It would be nice to have a farm shop on the yard but I just... not in this area.'

(Mid-Wales C –medium, sheep and beef)

He had considered holiday lets but did not see it as viable. It required a large commitment in order to make a profit and already there was competition from quite a few people doing it in the local area. They had considered letting the second farmhouse as a holiday home but decided that there was insufficient demand in the area and the site did not attract passing trade.

And this small, sheep and beef farmer in Mid-Wales, who considered organic farming to be diversification, observed that many farmers who had gone organic were turning back to conventional farming. There was not enough profit and the demand for organic produce was decreasing:

'The trouble is what you're getting for the animals it is not much better now than ordinary animals. Whereas your feed is twice the amount...so it doesn't add up.' *'When times are tough people are not prepared to pay the extra for the organic.'*

(Mid-Wales E –small, sheep and beef)

However, when the son took over the farm, he was considering a caravan park.

While there were a number of examples of successful diversification in North-west Wales, there were also cases of difficulty with planning:

'But it took us two years with the Council to get the planning through because we wanted to put a toilet and shower in for a camp site. The Council said oh it will go through you're going to get it through tomorrow, if it was just a bedroom extension but because it was, because it took us two years to get the planning through, which is like holding you back clearly.'

(North-west Wales G –medium, sheep and beef)

Several of the interviewees in North-west Wales had farms in Snowdonia National Park and as a very small, sheep farmer (North-west Wales-L) reported the National Park authorities often slowed things down in terms of diversification. He argued that this needed to change in order to foster more entrepreneurialism. A small, sheep and beef farmer, whose diversification details are given above (North-west Wales-A), recounted his difficulties with the Snowdonia National Park authorities. Apparently, he had taken a butchering course, funded by a predecessor of Farming Connect, bought a refrigerated butcher's van and had sold his organic meat from a lay-by close to a lake that borders his land. He was doing very well until the National Park authority stopped him because he needed a licence from them to use the lay-by, which was in the

National Park. The other side of the road was his land, where he would not have been transgressing. However, there was not a suitable site there. He argued that he had tried to follow Welsh Government advice but had had been prevented from doing so by a technicality. More recently, he had embarked on another mobile selling venture and, with the support of the National Trust, the National Park had agreed for him to use the new site.

But while the National Trust had supported the tenant farmer above they had not in the case of another small sheep farm (North-west Wales-B). For this farmer, it was a major issue that he was a tenant and not the master of decisions about what to do with the business or how or whether to invest in the holding. He had planned to develop one of the properties on the farm as a holiday cottage, with the aid of a diversification grant, but the National Trust had blocked these proposals. From his perspective the National Trust, his landlords, had thwarted his plans for business expansion.

The final example of failed attempts to diversify seemed to conflate problems with planning, anti-English incomer sentiments, and arguments that diversification was damaging farming. A farming couple on a medium, dairy farm in South-west Wales argued that diversification was in fact destroying farming communities. It was rather a sore point as they had had a problem with planning permission with a property on the farm, which would have allowed their son to live next door and work on the farm. Apparently, planning permission would have been granted to turn it into a tea room. They failed to see the logic of this as they argued that it would bring more affluent English in to the area and dilute the community and the farming ethos:

'Well that's what's spoiling farming isn't it? Our best bet would be to stop farming, make all the buildings into houses for English people to come and live in them and then the government would say I was wonderful in giving all these English people homes and they would give me commission. Well everybody would be happy then and they would give us planning permission for every building out there. But my son wanted to build a house on the farm to work on the farm, he's been brought up in Wales, he was employing local people, took us three years to get planning permission...and a lot of money. But they were quite willing for us to give up farming and convert all the buildings. So that's where the future of farming is....and that's what people do, our option would be easier wouldn't it, convert those, sell them into building plots for houses - and open a tea room. So that's where the future of farming is, it's people like us that are trying to keep farming alive. One day perhaps food will be more important to people than holidays abroad.'

(South-west Wales D – medium, dairy)

5.2.8 Alternative energy and Masts

A particular form of diversification that was being considered increasingly by farmers was alternative energy production. For example, while dairy farms tended not to diversify, many would consider investment in alternative energy installations such as solar panels on their sheds and farm buildings. For example, this farmer had recently invested in solar panels at a cost of £70,000 for the farm; apparently this was not as profitable as installing them for domestic use. He suggested that there would be a return in six years:

'Well they reckon you should in six years. On a commercial scale they are a lot less attractive than if you put on your house - up to four kilowatts. Well you would have got 42 pence for every kilo you generate, whereas commercially you get, when you go above

four kilowatt, when you go to 50 kilowatt, you get 13.5 pence, so it's considerably less but it is still worthwhile doing.'

(South-west Wales F – very large, dairy)

A large dairy farm in South-west Wales had solar panels and was planning to install a wind-turbine. They argued that they were investing in alternative energy as one way to protect their family farm, which they saw as endangered by the trend in dairy farming towards ever-larger units:

'I mean we are, as a family, we are looking at renewables as a source of income to be able to keep the family together 'Well, the Feed-in Tariff is here for a very short time and we're just trying to get the biggest bite of the cherry out of it we can.'

(South-west Wales G – large, dairy)

Capital costs and the costs of borrowing had presented problems:

'Borrowing the money's the limiting factor, isn't it, really, because we're not worried about the, I know the technology works, it's more than paying for itself already. Yeah, it's the capital investment, with the turbine we'll have invested half a million in a year, wouldn't we?'

(South-west Wales G – large, dairy)

Apparently, however, the investment was already paying for itself. They had wanted to invest more but the banks would not agree and private financiers wanted too large a stake in their investment. It was argued that better utilisation of natural resources was the way forward:

'I don't think we've tapped in enough yet to what resources that we actually have got available. We've only just tapped into wind and sunshine.'

(South-west Wales G – large, dairy)

In Mid-Wales this small, sheep and beef farm had seven solar panels, which fed into the grid. They were exploring whether they could install more on a cow shed. In addition, they were considering a wind turbine. They had a viable site for a small turbine but it overlooked the town; so there were some issues with planning. Other possibilities, depending on what land was developed, included more wind turbines:

'I personally think we should sit and wait. It could be that the Welsh Office decides not to develop and then we will have to look into having a couple of windmills somewhere. We would lease out a plot for two or three windmills and have an income off that. The income that it generates is very good.'

(Mid-Wales E –small, sheep and beef)

Also in Mid-Wales, while the site of a medium, sheep and beef farm (Mid-Wales-F) was unsuitable for wind or solar power, it had a good water flow and the farmers had considered hydro-power. But the quoted start-up costs of £20,000 were prohibitive. If it could be shown that hydro-power was a good investment, they would re-consider.

Interviewees' farms in North-west Wales appeared to be well positioned to invest in alternative energy. For example, a small, sheep and beef farmer had invested in solar panels and was embarking on a hydro-power scheme with the National Trust:

'It's my duty, if I believe in organic, if I believe in sustainable and green energy then I should be putting it up if I can so yes I will be putting it, I do believe in it. It's a nice way to run your business where you don't have to be. I bought oil yesterday for the winter now or for part of the winter and the chap on the phone said oh yes it's gone up about 64 point something a litre and like blooming heck you know it would be nice just to check the stream and look in the drain.'

(North-west Wales A –small, sheep and beef)

And this medium, sheep and beef farmer was considering investing in wind-power and hydro-power. He had made enquiries but was waiting for a reply:

'Yes, I think more... more advice. What I was thinking about, one of the things I'd like to do is either wind power or hydro, to be honest with you, something like that, you know? But nobody's come back yet. It's worth thinking about, you know? Yes, that would be ideal, something that would bring money in anyway. I'd be in the window watching if the wind was blowing and... you know it's something worth looking at.'

(North-west Wales D –medium, sheep and beef)

This large, sheep and beef farmer had recently installed a wind-turbine, with Scottish Power. It was not yet fully operational. They had not used a loan and were hoping for a good return on their investment, although the farmer was not sure how the investment would compare with buying a house:

'Yes we had the capital available for this and then it's just like buying a house or anything or doing your cottage up isn't it, it's just an investment isn't it. If we buy a house we've got a house in the end haven't we in 20 years' time. I don't know what we'll have in 30 years' time with this one I don't know but I won't be here most probably.'

(North-west Wales F –large, sheep and beef)

But similarly to the situation with diversification, apparently both the National Trust, as landlords, and the Snowdonia National Park Authorities could be obstructive about both alternative energy installations and telecommunications masts. For example, a small, sheep farmer (North-west Wales-H) reported that the National Trust and the National Park Authorities had stopped him having a telecommunications mast on his land. And a very small, sheep farmer (North-west Wales-L) reported that he wanted to install a wind- turbine but the National Park authorities had prevented this.

From a different perspective, this very large, dairy farmer in South-west Wales was not involved in alternative energy production and observed that land used for energy production was not available for food production:

'There needs to be an appreciation there, a respect for what we do in terms of producing food for the nation, we're not a charity, we don't have to do it and I think that 's the realisation now you know in terms of we've got land and we could look at that in terms of

producing alternative energy we could put windmills, we could put solar panelling all over it, we could put bio gas plants in and grow crops that go into making the plants that make alternative energy sources and stuff like that. And they see that in America where large areas of land have been taken out of production. And then there's the realisation that hang on, farmers are producing crops to make energy, they're not producing food, well as a business, our duty is to ourselves to make money to keep our families to provide for us really and I think that's changing in terms of people have now started to respect farmers a little bit more.'

(South-west Wales A – very large, dairy)

5.2.9 Agri-environmental schemes

To a great extent, discussions about agri-environmental schemes revolved around Glastir. Many of the interviewees had been in receipt of payments from Tir Myndd, Tir Cynnal and Tir Gofal and had entered or were planning to enter Glastir to replace these payments. However, there were some who, despite losing the other payments, were reluctant to enter Glastir, and others who claimed to be against agri-environmental schemes per se.

Taking examples of the first group, who were either in Glastir or planned to enter the scheme, first, this farmer had been in Tir Gofal and the Tir Mynydd and intended to enter Glastir. Agri-environmental schemes were an important income strand. He foresaw a *'huge drop in income'* when his Tir Gofal ceased, which was why he was planning entry to Glastir and embarking on more diversification:

'That's one of the things I'll be looking at in the New Year to talk to the National Trust. If I'm going into Glastir, and I've been asked to go into Glastir now, I was thinking of going anyway, but they asked me if I was interested in going into the upper level, which was fantastic for me with the loss of Tir Gofal and the Tir Mynydd.'

(North-west Wales A – small, sheep and beef)

For another farm in North-west Wales, which had entered Glastir to replace the money lost when Tir Myndd ceased, one of the key points in favour of entering the 'all Wales' section was that they received benefit for growing turnips:

'Well that wasn't too bad because we can put the like your growing double turnips that sort of made the points up to keep a lot of the grazing land out of being restricted really. So what's the future for that I don't know. It's only because we could get the points from the turnips because if it had put the stocking rights on the mountain it wouldn't have been sort of viable really. As long as it doesn't affect the stocking rights it's ok.'

(North-west Wales G – medium, sheep and beef)

Some farms had used consultants or Farming Connect to guide them through the Glastir process:

'He helped us do the initial and they asked us to carry on to do the second phase of Glastir. They were very helpful with going into the extra bits but I don't think I could have done it without any consultants in the initial stage. And with the movements dealing with it, you find it difficult don't you with some of the law.'

(North-west Wales K – small, sheep)

While some farms were in Glastir they had misgivings about the scheme. For example, this farm was in Glastir but the farmer suggested that Glastir officials lacked knowledge and understanding of farming:

'We are in that already-we are in Glastir. And that is hard work when you've got to deal with people who don't understand what they are talking about. Well prime example- we are on the phone and they ask me – "what's a steer?" Well, you know, do I need to say any more?'

(South-west Wales D – medium, dairy)

This farmer had entered Glastir but thought that some of the demands made little sense:

'If they come and tell me you've got to put... ten bird boxes, ten bat boxes up... where have the birds been for a million years, they've been fine, but... just put the bloody box up. You know what I mean? Just do it and, and... just do the right thing and take the money. But I do like conservation anyway, I've got two boxes up of my own, but I put them up with the children years ago, you know? And you keep an eye, but some of the things are a bit silly, to be honest.'

(North-west Wales D – medium, sheep and beef)

And then there were farmers who were uncertain about entry to Glastir. This farmer was initially against going into Glastir but was reconsidering now that some of the rules were to be relaxed. He argued that some rules were problematic on small farms: e.g. the 20 metre circumference around a pond was unviable. While agri-environment schemes were viewed as part of the income mix, he saw food production as the primary task of farming:

'I suppose Glastir has got a place to incentivise farmers to do things, because if we are custodians of the land then we need to be paid for certain elements of it but I suppose, for me at the minute, I'm taking the business down increased production and at some point I might need to stick a plough in the ground or I might need to do something that's not the most environmentally friendly thing. But I think that's what, you know, I suppose I'm... I'm producing food not an environmental service.'

(Mid-Wales A – very small, sheep and beef)

This farmer was uncertain about entering Glastir. He argued that Glastir had limited application to most holdings in Wales, but that it was more suited to the uplands or intensive units rather than lowland farms such as his. He said that he would probably apply to join, as he wanted to improve the environment:

'I looked at Glastir. Glastir looks to be of limited application to most holdings in Wales. In other words it's got its place, but it looks- my guess is - it's place is probably in the uplands'

or more intensive units. That's my guess. That's not to say we're writing it off. I think the applications are open till June next year for the next wave and we are thinking about it. We may well apply to join, but it's definitely a marginal decision. For the money and the effort involved it's finely balanced. If I'm honest I would probably say we probably will join, or apply to join. But it is probably an emotional decision. We'd like to improve the habitat as long as restrictions aren't too onerous, and the money is merely to get us to do so. But it was never an economic incentive because it was merely replacing lost production.'

(South-west Wales K – small, beef)

Also in South-west Wales this dairy farmer was hoping to be able to enter Glastir, while arguing that there was a growing realisation that food production would be increasingly important, and that a balance between production and protecting the environment was needed:

Because we're classed as an intensive dairy unit then that sometimes makes it difficult to access agri-environment schemes. We've done some of the agri-environment stuff in terms of Tir Cynnal. Tir Gofal wasn't an option for a farm like ours as we'd never get the points to get in there. That's the reasons we haven't done that but hopefully we can find a way forward with the new schemes. But I think you know it's important for us all to have access to such schemes and not just perhaps the more. You know we're an upland dairy farm we're in the LFA area here but whereas you've got perhaps beef and sheep farms that are less intensive you could argue that if we were to do more environment work here we'd have a greater impact maybe in changing our systems than somebody who's not intensive anyway. That's my argument in terms of trying to get access to money.'

(South-west Wales A – very large, dairy)

In the group of those who would not enter Glastir, this farming family rather echoed the thoughts of the previous interviewee. Although regarding themselves as environmentally aware and responsible, they were not in favour of Glastir and argued that, while they had improved the environment voluntarily, others would only do so if paid. Agri-environment schemes were argued to encourage this type of thinking:

'Well in the past it wouldn't have worked for us because we were the tenant and the landlord the type of agreement we got here was you got out for a minimum of five years and there was no security with that within that so that wouldn't have worked and we're all for planting a tree and flowers and looking after the birds and everything else but dead against having a government telling us what we can and can't do and how to farm your own farm. Well no disrespect but some prat sat in an office hasn't got a clue.'

(Mid-Wales B - small, sheep)

Similarly, this farmer was against Glastir and argued that the scheme was flawed:

'Well, I'm all in favour of agri-environment, but I think that Glastir - they lost their way on that completely. I think that most farmers farm sympathetically and they're there to sort of improve the land and to do what they can. Some of these environmental sensitivity schemes have proved quite negative to be honest with you. I think the land needs looking after. Ditches need opening and cleaning and draining, hedges need cutting and so forth and I think that sort of they've gone a little bit OTT on some of those. They know the birds nest from sort of February to whenever it was in July, now you can't cut a

sodding hedge until October. Look at the weather now. You go in the field now with a tractor and you destroy the hedges to death which is insanity.'

(North-west Wales C – very small, sheep and beef)

And he argued that the environmental lobby had over-ridden commonsense and the needs of people living in the countryside:

'There's like 50, 60 houses down here that get flooded because they won't clean the river out because the environmentalist said oh it's no good. Don't get me wrong now I'm all in favour. This ground and this ground is the way it is because we looked after it for centuries. No, but having said that now, if you were living down the road there and you had kiddies and stuff like that and the water comes in through the door and takes all your possessions out the back door is that right? Because some sodding toad like, needs 500 acres of wet land. It's gone bonkers.'

(North-west Wales C – very small, sheep and beef)

Although faced with the loss of other scheme payments, some farmers were reluctant to enter Glastir. For example, in North-west Wales, a small, sheep farmer (North-west Wales-B) was very concerned because they were losing all their Tir Gofal payments, which were £22,000 per annum, having already lost Tir Mynydd payments of £10,000 per annum. However, he was reluctant to enroll in Glastir. This decision appeared to be based on the perceived level of restrictions and on reports from peers. He did not know anyone who was going to enroll in Glastir; this made a difference and influenced him. This was the case for other farmers such as this farmer who had been in Tir Myndd and Tir Cynnal but did not intend to enter Glastir. He argued that there were too many restrictions and that he was afraid to break them in case he was to be heavily penalized:

'Yes possibly, maybe I'm too worried but I don't like to enter into something I know I will be penalised but maybe at the end of the day maybe I'd be better off just taking that money with the penalties it's better than nothing but then it feels like an indentation on your character if you're penalised.'

(North-west Wales J – large, sheep and beef)

The farmer also argued that the regulations and definitions from government concerning the environment were not clear. And that the aims and aspirations of environmental schemes were not clearly communicated.

In addition, he argued that the conservationists simply teamed up with those farmers who would take the payments – who would do anything for cash - even if they were paid to do different things each year:

'To be honest, it's the behaviour of some civil servants, they just push anything. Some of them are totally devious.'

(North-west Wales J – large, sheep and beef)

For others, not to enroll in Glastir was an economic decision:

'No, there is quite a lot of work involved. You've got to spend a lot of money, with contractors and things to do it. It's one or the other isn't it? And with doing this double fencing and what have you, well I have a job to keep my fences up tidy as it is - the ones that I have got, without making twice as many of them.'

(Mid-Wales D - medium, livestock)

'I'm not saying that we won't ever consider them but to be honest the amount of return from them relative to the hassle factor just doesn't make them viable.'

(South-west Wales H – very large, dairy)

This farmer was not involved in agri-environment schemes, since Ty Myndd ended, arguing that his type of farm was not suitable. To enter Glastir he would have to cut down on stocking numbers, and had no spare land for woodland, fencing off, and other requirements:

'I'd have to jump through so many hoops to get that little bit of money back. I think it would cost more than I'd gain from it.'

(Mid-Wales C –medium, sheep and beef)

He expressed annoyance at surrounding non-working farms run by retired or 'hobby' farmers who carried out environmental work and conservation just to receive subsidy to keep the farm ticking along. His observations included: *'It was money for doing nothing'*, and that: *'They have "world's best fences but no stock in their fields'*. He argued that this type of practice limited opportunities for younger farmers.

For this medium, sheep and beef farmer in North-west Wales to enter the 'targetted' section would not have been viable:

'Yes we went into the targeted element and that was just ridiculous. Yes it's ridiculous. Well there's 110 suckle cows and the most you could have put out to graze was 27 and 1,400 ewes sort of an average the most you could put out to graze was 380 I think. So you work it out yourself - you'd have to sell 1,000 ewes and 70 cattle.'

(North-west Wales G – medium, sheep and beef)

It would have required severe de-stocking on the farm, with knock-on effects for the local economy in terms of a reduced requirement for labour on the farm and spending on farm inputs:

'It was stocking that had been the killer because....When they think of all the land you only had that many sheep for a start you wouldn't have to buy any feed so you wouldn't need the shearing contractor, you wouldn't need bales so really it would knock all our expenditure it would just disappear out of the country, it would just disappear wouldn't it?'

(North-west Wales G – medium, sheep and beef)

The farmer argued that the 'targetted' elements of Glastir paid farmers to reduce labour and spending opportunities, which was detrimental to the economy, particularly in a recession.

Finally in this 'Glastir' section, this farmer on a medium, sheep and beef farm in South-west Wales was not going to enter Glastir, partially for reasons associated with the land that he rented, which was not eligible for Glastir. The farm had been in Tir Mynydd and Tir Gofal and was in Tir Cynnal. Under these schemes they had done a lot of work such as double-fencing, and planting trees and hedgerows. However, they were not able to enter Glastir as they were not able to garner enough points. They were not able to enter their rented land as the owners were not willing to commit to a five years scheme, especially as they had only one year leases:

'We are in Tir Cynnal, which ends this year. Now the one that's following is Glastir, which at the moment we can't get enough points to get into the scheme. And we can't use the rented land because the people we rent from, and this is quite important, don't want to be tied up in an agri-environment scheme. So because we are not on five year tenancies - we are on annual tenancies and probably we'll be on annual tenancies for years - they don't want to tie it up on a five year basis so that strikes all that land out.'

(South-west Wales C – medium, sheep and beef)

In addition, he argued that, at this juncture, they did not want to drop their stocking density, as would be required on land in Glastir.

This farmer pointed to a fundamental imbalance between agri-environmental schemes such as Glastir and the costs and prices associated with land and production:

'You see this is the problem with farming. I mean this block of land up the road is a hundred acres and they're asking £4000 plus an acre. Well the land, the quality of land there isn't worth £4000 because a lot of it is wet brushy land that's not farmable. All you'd get from that is your single farm payment and you could probably get into Glastir happily with the wetlands. And you know, you are probably talking about £180 a hectare. Well that still doesn't add up to £4000 an acre. It wouldn't pay the interest on the money you know. This is the trouble with this Glastir, they talk in hectares, and we're talking acres now. £34 an acre is less than a leg of lamb. So if we took off one ewe we would be losing to get in to Glastir, we'd be losing quite a lot of legs of lamb you know.'

'That's what a leg of lamb in the butchers is now its about £34 a leg and we don't get £34 but that is the price the consumer is having to pay for it but no I mean it's always been tricky but the thing is with any subsidy, it isn't the farmer that's getting the subsidy it's the consumer because we are not selling our produce at cost of production. And if we have to sell it at cost of production then the GDP will go completely out of the window, which is the indicator for the state of the country isn't it? So it's the consumer that gets the subsidy, the consumer that gets the environment we're looking after.'

(South-west Wales C – medium, sheep and beef)

5.2.10 Off-farm incomes

A conclusion reached in the report on Phases One and Two was that off-farm incomes were increasingly important to farming households. Together with incomes from diversification and alternative energy enterprises, off-farm incomes were one of the multiple income strands associated with multifunctional farms. It was widely argued that, in the current economic and agricultural environment, family farming households needed additional sources of income.

A number of interviewees in North-west Wales provided evidence and arguments about off-farm incomes. For example, a very small sheep farmer (North-West Wales- L) observed that no one who had under 70-80 acres worked full-time on their farm. These people all held other jobs in the local area, often contracting but a also range of other activities. Another small farm (North-west Wales- E) with 90 sheep, 30 lambs, 10 cattle and grazing rights for 200 on the mountain was run part-time by a couple who both had full-time off-farm employment. He worked at North Wales Slate in Bethesda and she was a nurse. He did all the physical work on the farm, while she did the computer work: e.g. livestock movement online. His mother and father used to run the farm as a full-time business when it was profitable to do so. Now it was not profitable as a business on its own, so it was more something that he continued with out of a commitment to the lifestyle, a genuine enjoyment of farming and animals, and the holding where he grew up and wanted to remain. On a medium, sheep and beef farm (North-West Wales- D) the farmer's wife was a nurse and they observed that her income was, and always had been, an essential part of the household income. And this farmer reinforced the position concerning off-farm incomes:

'I think a lot of farmers have gone for a second job that's what happened here. All my neighbours rely on another income and not just them their wives have actually gone to work as well - they've had to. A lot of people I know have had to go into other employment. A lot of people have land but they do other things like consultants or they're working for the ministry and they're farming part-time because they can't make ends meet from the farm.'

(North-West Wales A –small, sheep and beef)

For a medium, sheep and beef farm (North-west Wales- D), off-farm income had always been an essential component of the household income, while the farm business itself made a loss. To a great extent it kept going through a combination of off-farm income, agri-environment payments and SFP. There were no plans for diversification, although the farmer was investigating investing in wind and hydro power. Driven by a sense of place and culture, there was a determination to cut-back and carry-on with 'business as usual.'

In Mid-Wales, a medium sheep and beef farmer (Mid-Wales- D) emphasized the importance of off-farm incomes. They made the difference between '*just existing and living*' : for example, having some holidays. And the farmer's son, who worked on the farm, observed that his wife, who had a full-time job, supported him. On a small, sheep and beef farm (Mid-Wales- E) both father and son had jobs driving lorries. They intended to retain these jobs unless they lost the flexibility to continue farming. The wife worked in a local shop.

South-west Wales also had farming households with off-farm incomes:

'I think most farms really need to have one person running the farm and one person going out to work. That has worked here - most do that. A lot do that's worked well here, until the split with my husband and myself because I couldn't do it without his income.'

(South-West Wales E – small, mixed)

However, farmers on some of the larger dairy enterprises made the point that their 'off-farm incomes' were entirely separate from their farming activities and were not an essential component of farming household income. For example, a very large, dairy farm (South-West Wales - H) had diversified into an investment business, which managed residential properties

and offices and was based in Sweden. This venture was in partnership with other farmers, both local and international, and brought approximately £120,000 per annum into the household. In addition, they had a smaller property investment business in south Wales. On another very large dairy farm, the farmer's wife had an off-farm income as a teacher. However, it was argued that was supplementary and not essential to the future of the farm and had no influence on the way the farm operated. In addition, the family had a rental business, which was not connected with the farm business:

'I have rental properties, but that is nothing to do with the farm. That's my own private, my wife and I do that as a private venture.'

(South-West Wales F – very large, dairy)

Similar arguments were made by a medium dairy farmer (South-West Wales - D) who argued that dairy farming was a full-time job, which did not allow time for other work. However, the wife had an off-farm job, but it was not held to be essential to household income, and the son, who worked on the farm, had an off-farm income. In addition, they did occasional contract work, which brought in between £40,000 and £50,000 per year.

5.2.11 Succession

Succession is an important issue for family farm households. Indeed, this farmer suggested that family succession was the point of farming, so you could hand over something of emotional and financial value for the family in the future. However, he argued that there would be less family succession in the future because of the takeover of family farms and the fact that many people had other jobs instead. Therefore, there would be succession and still family farming but not necessarily within the same family:

'Most farmers including myself think succession is the whole point of farming because you want to hand on something of emotional and financial value to the next generation. Some farmers don't think like that, like my father didn't think like that, but I think like that. So to most farmers it is essential and especially so because many of them benefited by their parents taking the same view a generation ago. Their particular plans depend on availability of a successor so that begs the question, do you have a successor and many small livestock farms don't have a natural successor anymore. They've all done the sensible thing and got a job instead, which is why you don't have to make these informed or uninformed guesses about the future you just get your salary and you pursue your career which is much more in your control. When I was practising I had a career and you could decide I want to do this or I want to do that; you work harder or take a lot of time off or whatever so you could have a certain degree of control over your career progression and you could plan your retirement. Most farmers don't have that luxury because we're faced with lurches in policy of which we have no control or very little input, which dictate profitability far into the future. No matter how hard you work if they take SFP away you are going to be stuffed for instance. So succession is going to become more difficult. All the signs are, from where I see them is that less and less family farms are actually going to be handed down within the family but that doesn't mean to say that family farms are dead - I would say they get bigger because other family farms will take them over. That's what's happening isn't it? When I was a youngster my father farmed 70 acres. I farm 350 – 400 acres. If my son or daughter was farming I expect they would be farming 600 or 700 acres. I'm not saying they're going to be better off, they probably won't be but they stay in

the game then. Succession will still be important but to a decreased number of people as the numbers employed in our culture decline. It's a real problem.'

(South-West Wales K –small, beef)

The rather long quotation above, highlights several issues surrounding farming in general and succession in particular. For example, there were two trends in farming that were in opposition. First, there was the trend towards larger units, with family farms being bought by larger farms, and residual smaller units being bought by hobby farmers or retired people:

The family farms our size tend to be being broken up and bought up by bigger farmers basically, at the moment, which is a shame. Once a family farm's gone it's never going to be there again. But no, there's very few of my generation taking on farms in this area which is unfortunate but...They're just being swallowed up by the bigger ones, yes. Or bought by lifestyle people, you know? Retirees!'

(Mid-Wales C –medium, sheep and beef)

Second, there were the problems caused by succession when there was more than one successor. As a very small, sheep farmer (North-West Wales - L) argued, succession could create problems because when two sons had to share the farm it tended to be broken down into smaller and increasingly unviable units in terms of sustaining a family. For example, a medium, livestock farmer (Mid-Wales-D) planned to share the farm business, which consisted of two off 200 acre farms between two of his sons. However, he was concerned that 200 acres was insufficient land to be viable. Under current conditions it was necessary to keep larger numbers of livestock to make profits. And with land so expensive, it was difficult to expand. Therefore, it may be that the farm will be sold, if the sons do not want to take it on.

More broadly, it was observed how difficult it was for young people to enter farming and how many of them did not want to because of uncertain conditions and government policies:

'Unfortunately with the farming our young people are finding it so difficult to find farms or to get into farming because the costs and they are now leaving and going into other industries because they've seen how struggling their parents have been working seven days a week and the uncertainty of the government support for agriculture and the up and down in prices. It's not an industry that you can say yes I can stay here and it could like a job for life, in a teacher or an engineer or what have you or a council worker. It's up and down every year isn't it?'

(North-West Wales A –small, sheep and beef)

Two examples illustrate how disillusioned some farmers were. First, there was a small, sheep farmer who was contemplating leaving farming and had:

'...spent the last 10 years regretting going into farming'

(North-West Wales B –small, sheep)

There were no plans for succession in place. Indeed, this farmer stated that he:

'....could not advise his daughters to go into farming given his experience.'

(North-West Wales B—small, sheep)

And then another farmer who felt that he had had no choice, doing what was expected of him on a family farm. Over time his feelings concerning farming had changed for the worse. They were tied to the farm not only by family, place and culture but by the lack of a viable alternative.

'I love the life; it's what I've always done and I can't see me doing anything differently. But it's whether there is a future in this size of farm. I really don't know. I obviously don't know what is going to happen in my life, in my children's' lifetime, I don't know. I would like to think that small farms like this could become economically viable again but at the moment for farming purposes it's not.'

(South-West Wales E –small, mixed)

5.2.12 Support

In terms of CAP reform, there were observations that support was inadequate. This farmer was critical of Farming Connect, arguing that they would not know anything about CAP reform:

'They've got their so called advisors, and no doubt some of them are very good but some of them are not so good, shall we say. They do some good, but I think they waste an awful lot of money, too. Well there's good and there's bad there, but I'm not particularly impressed with them. About CAP reform, I don't think they have a clue, to be honest with you, on that.'

(Mid-Wales C –medium, sheep and beef)

While this farmer argued that the farming unions were not well informed about the CAP situation and were not keeping farmers in touch:

'The feedback coming from your NFU, with the unions, or the farmers' unions of Wales, hasn't been an awful lot from them has there? '

(Mid-Wales D –medium, sheep and beef)

To an extent he was supported by this farmer who was critical of the unions, arguing that they were not interested in small farms and did not warrant their affiliation costs:

'No, I've never been involved with NFU, the FUW or any of the other things because I've always felt they are not interested in the small farmer and for what you had to pay to join them it wasn't worth it. I've been in grassland groups and discussion groups you know when we're, but I've not been in those for probably 10 or 12 years now. '

(South-west Wales B – very small, beef)

And this farmer had the government in his sights regarding advice and support about the CAP and SFP, and about excessive bureaucracy:

'So we are going to be penalised for being good farmers. But they haven't taken that into account at all and I don't know whether...because if you go to these meetings I think they probably talk at you not to you. I just don't know where you go for advice and they don't seem to have any feedback about it. I don't know what their plan is, they have seminars on it, but if you go to these seminars, a lot of the farmers who have been think it's ridiculous because some of the things these people come out with are stupid.

If you wanted to join you got to fill in a 78 page book every year. This government and the previous government promised to cut red tape. So how many trees is it taking to fill in 78 pages? The next thing farmers are getting older, so if they put it on computer they are not going to engage. I don't know where they are going to go with it personally. Well they said for years "We will cut down on the size of the book". They send you a thick book every year with a form. They say "We are going to cut down on red tape". The next year the book comes twice as thick.'

(Mid-Wales E –small, sheep and beef)

Concerning Farming Connect more generally, while some interviewees had had good experiences others were more critical of Farming Connect, arguing that they were too expensive and did not have great expertise:

'I'm not a big fan of Farming Connect. We had a grant on the one shed off them, that was very good, but the services they're offering at the moment.... The last time I enquired was to do some soil testing. The figures off the top of my head, was it £50 per sample? Something like that anyway. So it was going to cost... it was the in the region of £50 I think. I've always used a little laboratory for doing my soil testing. So I did have a bit of a rant to the nice lady at Farming Connect about that, because I thought somebody somewhere is making an awful lot of money at some farmer's expense somewhere!

(Mid-Wales C –medium, sheep and beef)

And this farmer argued that Farming Connect should be more visible and accessible to farmers:

I'd like to see more of Farming Connect, to be honest... yes. Who the bloody hell is Farming Connect, you know, it's... you don't seem them much, you know? They could put themselves about a little bit more I think, you know

(North-west Wales D – medium, sheep and beef)

The support schemes available to help young farmers were seen to be generally inadequate and only of use to young people who were already in farming through their family:

'And the support they do give people go into these mad schemes of starting things off - to get a grant for a year and after the year sod it. There's no continuation there. They only do it for the year, you know...We've applied, because our sons in the business, we've applied for a young farmer's grant but this grant is a pittance compared to what it costs...isn't it? You know they're not, alright it's a help.....they get...young farmers get support in that way but it's, well what is it, 50% of £15, 000, so that's the maximum grant. It does help but it's not going to make people come into farming.'

(South-west Wales D – medium, dairy)

As mentioned earlier, several interviewees in North-west Wales were tenants of the National Trust or were located in Snowdonia National Park. This farmer, whilst he had benefited from schemes, and the National Trust and National Park Authority had worked with him, suggested that there was a need for these organisations to work more effectively together, as they could be contradictory in what they supported and how things should be done. In addition, as an organic farmer, he argued that organic farming, and to an extent, hill farming in general did not receive adequate support from these bodies:

The Countryside Commission and the National Park and the National Trust and the government all want cattle to be retained on the highlands of Wales but they haven't made, what's the word, something in place for us to be able to feed them. And because I'm organic the organic fodder is very, very expensive even though the return on the beef animal that we sell isn't as expensive now. It's the same as conventional so we're having to pay more to farm organically now, which is a bit silly really but I believe in it and that's why I'm doing it. A lot of my neighbours who have tried organic have gone out after five years - have taken the money and run. And that's the picture throughout Wales because a lot of dairy farmers can't see the value in the cost of being organic to what they get for the milk there's not enough income for them.

(North-west Wales A –small, sheep and beef)

More broadly, there were calls for better support for farmers in terms of business planning support to help people set up more viable enterprises. For example, a very small, sheep farmer (North-west Wales - L) argued that, at present, farmers were not getting sufficient advice to make their businesses distinctive and workable in the longer term. Even in terms of farm-diversification businesses (as opposed to incomes starting a business from fresh) he argued that there was a need for good management consultant advice. Currently ideas were not well thought out and many people either failed or failed to capitalise fully as a consequence. Better advice and advice networks were needed because farmers and locals had poor business skills. He argued that the culture of wanting something for nothing was a problem in terms of encouraging sufficient investment of time and money. Simple things like knowledge of employment law and VAT were a barrier to some who were not sure of the rules and therefore worked in arrangements that were bad for them and their farm labourers. A better understanding of the planning process and how to do planning applications was needed for many business ventures. Equally, more support with grant applications was required, together with an easier process, which was too diverse and complex at the moment. Once grants were gained, he suggested that less auditing would make it more attractive. The current process did not give value for money. They were over-regulated, which was off-putting for many. It needed fewer criteria to meet and more of an incentive for people to experiment.

To an extent the experiences of this farmer, who had investigated funding to expand the farm's diversified activities business but had found it was difficult to qualify for some grants, supported the comments above. It was argued that there was too much red tape in order to use the farm for other activities. The processes for obtaining funding and planning permission were sluggish. For example, they had contacted the Local Authority several times about a license for the camping pods. Each time the Local Authority promised to deal with it and so far they had failed

to do so. In general, they felt let down by the council, with long delays, broken promises, and not being to be able to access entitled funding:

'And in theory the Welsh Assembly is pushing for tourism and Pembrokeshire and Carmarthenshire want people coming to the area but when you try, they just block you all the way. And I think this is the problem; they say there is, all these things that are there, various pots of money in the EU but when you actually come down to its very, very specific and very few people actually qualify for it. But no, we didn't qualify on that ground because we weren't already in tourism. So I think this is the problem, there is so much red tape with everything all the subsidies, all the grants, you just feel like you're leaping through hoops all the time for not that much in return.'

(South-West Wales E – small, mixed)

5.2.13 Other comments: Land issues and Food security

There were a number of comments regarding the increasing price of land. This issue has been touched-on earlier in this report, particularly in the sections on Subsidies and on Succession. Several interviewees provided examples of land prices rising. This farmer wanted to expand but land was too expensive. He blamed SFP:

The clear plan is to gradually get bigger but I just... it isn't happening at the moment. No, there's the land that comes available, is just too expensive. We were renting 100 acres next door, for 10-15 years and then it come for sale two or three years ago. I did try and buy some of it, but no. Yes, I went as high as I dared but no. There's just not enough land available in this area really. Basically because people are still sitting on it and claiming their Single Farm Payment.) I think if that was to come to an end there'd be an awful lot of land.'

(Mid-Wales C –medium, sheep and beef)

This farmer pointed to a particular problem with land prices and dairy farms in Pembrokeshire. He argued that land prices, both for sale and rent, were very high because larger dairy farms in the area could afford and needed land at the expense of other types of farm:

'The problem is in Pembrokeshire, there is no cheap rented land. It's a lot of dairy farms who are always looking for more land for forage and they keep getting more cows and they need more land and they're prepared to pay more than I am for sheep and beef.'

There's a lot of dairy farms, a lot of big dairy farms. I mean Pembrokeshire is probably the biggest dairy farm county in Wales. Because they all expand - the bigger ones are expanding - they're needing more and more.'

'And the thing is farms are bought up by other farmers, so that pushes the price up and pushes it out of reach of a young farmer wanting to start off, and the other thing that I think is gone wrong the council farms have been sold off, rather than being kept for young farmers to start farming, instead they sell them off.'

(South-west Wales C – medium, sheep and beef)

This situation made it difficult for new entrants to farming, who perhaps did not have capital. It was observed that it was easier for long-term farmers, with several generations behind them, who tended to own their farms and not have debts. However, there was a definite problem with fewer young farmers coming in.

It was observed that many farms in the South-west area were being forced into other activities and out of family farms. It was observed that whereas this had been an area with many small dairy farms, now most of them ran horses. Land was being rented to large dairy farms or used for large solar energy schemes, which took land out of production, with profits going abroad:

'So it's prime farm land and they've got permission to put 70 acres of solar panels - I don't know quite how they've done it. The sad thing with that is, it's a big commercial enterprise they are getting a lot of money obviously you see for renting the land to the company that's doing it and all the money's going back to Germany and to me that sounds very wrong. If it was a British company you wouldn't feel so aggrieved about it all, but it's just going out of the country and it's silly.'

(South-west Wales E – small, mixed)

The farmer was concerned that taking land out of production for ecological and environmental reasons and for alternative energy had left the UK vulnerable in terms of food security, in that we relied too much on imports, to the extent that if there was a problem, the supermarkets would run out of food in five days. In general, it was argued there was a lack of knowledge, particularly in urban areas, about farming and food production:

'I think that more should be done in education because urban people have not really got a clue. And I think people should also be aware of how little self-sufficiency there actually is in this country – how much of our day-to-day food is brought in from other countries.'

(South-west Wales E – small, mixed)

Also on food security, this farmer argued that those parts of the world that were good at livestock production, such as Brazil and Argentina, would increasingly give-over land, including virgin forestland, to corn and soya production. Consequently, their herds would decline. However, he argued that politicians and policy-makers had not recognized the situation and were not making decisions to address these issues in the correct timeframes:

'The difficulty Wales has is that OK you can increase the sheep flock within two or three years. But with beef, it's a long lead-in time. For instance, I am having calves born now that I'm hoping to get calves from to fatten. So I have a couple of calves here that I have identified now for breeders who are say about a month old. So by the time their calves are sold for fattening that calf is going to be five years old. So I've got a five year lead in time. That's why most business plans are five years because it takes five years to get anywhere - but five minutes for it to go wrong. We've all been there. So I don't think policy makers understand that different sectors have different time requirements. That the sheep sector you can tinker with that. But the beef sector has long term trends, up or down. At the moment the long term trend is down, both here and in Scotland in Stirlingshire. And that's in another region with a strong agriculture bias and the beef herd is declining. At precisely the moment big beef producing countries across the world are putting the plough in instead. And I don't think there's any recognition that - not that it should be reversed, but that a decision should be taken on - is it a good idea to have a beef industry in decline? I

mean maybe the answer is yes, maybe the answer is no, let's have a beef breeding herd back. But I don't get the sign that it's being addressed and unlike sheep where you can slam it into reverse quite quickly, with the beef job it will take five years to put back, which is a big chunk of anyone's life.'

(South-west Wales K – small, beef)

He observed that it appeared to be that the beef industry was being wound-down. This, in his opinion, would be a mistake and he questioned the EU food policy:

'We are having to guess and the guess that most people are coming up with is that it's being wound down slowly. I say that I think it's the natural conclusion but the emotion in my brain is saying "Oh no!." But I think, taking a rational view, I think decisions are being made that beef is quite an expensive meat to produce, and I suspect the subtext is can they, you the consumer, continue to afford expensive meat, which is a different question entirely. Is there a EU food policy? There's a EU agricultural policy. Is that really the same thing as the EU food policy?

There were noises a couple of years ago that food security might creep up the agenda from out of the back door where it's been for 30 years. That seems to have gone quiet, so I would say in among the morass of information you are gathering, the single most important question is where is the EU food policy and what does it look like? Only then can you make some sensible, long-term decisions such as is it more important to have food or to enhance the environment? Is it more important that we have a vibrant local economy, or cheaper food from less farmers and less suppliers? Is it important to maintain family farms through the tax and welfare benefits system or is output more important for the future? And those are big questions.'

(South-west Wales K – small, beef)

To a great extent the interview analysis reinforced the survey findings and while a qualitative analysis of 31 interviews cannot claim to be representative it provided insights into what farmers in Wales thought about a range of topical issues. In addition, the analysis raised some important new issues.

Key points identified by the analysis fell into three groups. The first group addressed directly one of the project research aims: to explore what the knock-on effects of CAP reform may be on rural society and the economy in rural Wales. This group was constituted by the interrelated issues of the different views held by farmers about SFP and about the potential effects of changes in SFP; the evidence of embeddedness in the local economy; and the relationships between farmers and local communities. The second set of key points from the interview analysis emphasized the importance of aspects of multifunctionality such as diversification, alternative enterprises, enrolment in agri-environmental scheme and off-farm incomes in terms of the comparative resilience and vulnerability of farming households in rural Wales. Finally, there were comments regarding support and the, often connected, issues of succession and the availability of land.

Taking the exploration into the knock-on effects of CAP reform on rural society and the economy in rural Wales first, as might have been expected the farmers interviewed held a range of views on the SFP subsidy system. There were arguments that the system was fundamentally flawed in that it promoted a 'high input, high cost system'. Others argued that SFP should be linked to the production of food, energy or environmental services. There were also observations that SFP was open to abuse. Several interviewees pointed to cases where farmers rented-out their land and claimed SFP. Moreover, it was argued that this type of practice exacerbated the problems of new and younger entrants into farming, which are summarised below. Two other observations on SFP should be noted. Some interviewees claimed that there was a 'culture of fear' around SFP compliance and inspections. And there was speculation and concern about the potential introduction of the 'New Zealand model'. That is, what would happen if subsidies were ceased completely?

With regard to the potential effects of changes in SFP on farm businesses, there were three views. For some farms, SFP was too small as a proportion of income for changes to have an impact. This view was held both by larger, generally dairy, farms with high turnover and profits and by farms that received a relatively small amount of SFP. Then there was a group, again generally larger and dairy farms, who stated that any changes in SFP would only affect the level of profits made by the farm business and would not affect how the farm business was run.

At this juncture, it is useful to highlight how the interview data supported the survey data in indicating that dairy farms tended to be distinctive. They tended to have a singular farm business focus on dairying, to be market driven, not to be diversified and for SFP to constitute a small proportion of their business income. Other important findings emerged from the interviews concerned dairy farms relationships with processors. Generally, dairy farms supplied only one processor, which made them potentially vulnerable to business failure. And dairy farmers observed that processors preferred concentrations of dairy farms in an area, which was creating difficulties for smaller and more remote dairy farms.

Returning to farmers' perceptions of the potential effects of changes to SFP, the third group, which tended to be smaller farms without existing multifunctional capacity, suggested that SFP was essential to the farming household and that any changes would be affect both farm practice and the amounts of money that they contributed to the local economy.

With regard to the local economy, the interview data again reinforced the survey data. Both data sets indicated that farmers tended to do the majority of their buying with local suppliers. The interviewees expressed a desire support local businesses, with decisions not necessarily made in terms of cost but with consideration of reliability and ease of after-sales support, and, most importantly, there was an apparent need to support and sustain the local economy, which was perceived as an integral part of local community and Welsh culture. There was some bulk buying from outside the local area and livestock was often bought and sold both locally and away from the local area, in some cases from as far away as Scotland. These patterns of buying and selling are depicted on the rose diagrams at Annex Three and Annex Four.

The connection between local economy and local society is pointed to above. It was the case that the majority of farmers interviewed stated that they were embedded in farming culture, a sense of place, and the need to produce food. For them, farming was a 'cultural glue' that held together local community and society. However, perceptions of the strength of local community varied and the contrary arguments were put forward. For example, there were arguments that communities were being eroded by larger farm units and by farms being sold or rented to incomers; that farmers had their own community, which was stronger than 'ordinary' community; and that the 'family farm' model demoted the importance of farming as a business. The latter argument resonates with similar arguments in the academic literature concerning 'Way of life versus Business'. And in contrast to those farmers committed to farming as a way of life and culture, and who would only leave farming 'in a coffin', some dairy farmers stated that they would leave farming if they did not make profits.

From the evidence, then, changes in SFP have the potential to affect both local economy and, inter-connectedly, local society. The graph at Figure 3.2, which for each of the 30 farms interviewed maps SFP as a proportion of household income against local spending on farm inputs, provides an indication of these knock-on effects.

The second set of key points from the interview analysis emphasized the importance of aspects of multifunctionality in creating resilience. Setting aside as distinctive those larger dairy farms that were currently profitable and resilient by virtue of their markets, farming households that were resilient tended to be engaged in various combinations of core farming, diversification, alternative enterprises, enrolment in agri-environmental scheme and off-farm incomes.

Engagement with these aspects of multifunctionality was a matter of personal choice and opportunity but interviewees also pointed to barriers and issues. For example, saturation in an area was adduced as a reason for not diversifying, particularly with regard to B & B, farm shops and holiday accommodation. Several interviewees highlighted barriers to diversification, alternative energy installations and telecommunications masts being raised by landlords, including the National Trust, and by institutions and planning authorities such as the National Parks and local government. More broadly, it was argued that there was a need for access to research and guidance concerning the potential returns from multifunctional enterprises.

The types of off-farm incomes that contributed to many of these farming households were varied. They included part-time local work, full-time nurses and teachers and local government officials, lorry-driving and contracting. There were also farmers with portfolios of accommodation

businesses and businesses abroad. A pertinent question appertaining to those farmers with more locally-based off-farm incomes and who were tied to their land by inclination, choice, history, culture and kin is – how potentially vulnerable were their off-farm incomes in the current economic and policy climate?

Turning to agri-environmental schemes brings us to Glastir. While many of the interviewees were enrolled in Glastir, either for the income or from environmental conviction, others were not and did not intend to enter the scheme, even though, in some cases, they had recently lost income with the closure of other schemes such as Tir Myndd. In summary, the reasons given for non-enrolment included too many rules and constraints and arguments that the financial incentives were insufficient. There were also observations that the targeted element would lead to a reduction in labour, which would be bad for the local economy. And several interviewees expressed concerns about the use of land to produce landscape rather than food and ‘non-farming farmers’ in Glastir. A factor that should not be ignored was peer influence. Some interviewees stated that none of their neighbours and fellow farmers had entered Glastir, no one they knew spoke well of it, and so they would not be enrolling.

The issue of ‘non-farming farmers’ in Glastir was one of a package of issues surrounding the perceived problems of succession and new entrants to farming. It was argued that access to farms and land for young farmers and new entrants was effectively being blocked by a combination of ‘non-farming farmers’ claiming Glastir income and older farmers ‘hanging on’ and letting their farms while claiming SFP. Connected to these issues were the perceived capitalization of subsidy payments into land values and, particularly in south-west Wales, the loss of smaller farming units caused by dairy farms expanding by taking-over smaller farms and buying land.

As might have been expected, those comments regarding support were varied. Some interviewees had had good experiences of Farming Connect. But other stated that Farming Connect was too expensive and should be more visible. There were also observations that Farming Connect personnel had little knowledge of or expertise concerning CAP reform. More broadly, it was argued that support for farmers should be more integrated; apparently there was often contradictory advice from different bodies. It was also argued that the Welsh Government was not in touch with farmers and farming.

In conclusion, to great extent the analysis in this report supports that in the report on Phases One and Two of the research project. More specifically, it enables deeper insights into the potential effects of CAP reform and changes in SFP on local economy and society in rural Wales. In addition, it reinforces the importance, identified by the survey, of multifunctionality for the sustainability and resilience of family farming in Wales. These conclusions, and those in the report on Phases One and Two, will be brought together in the final report of this research project.