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THE DEVELOPMENT OF ALTERNATIVE FARM ENTERPRISES: A STUDY OF ORGANISATIONS AND FARM BUSINESSES INVOLVED IN THE PROCESS OF FARM DIVERSIFICATION

Volume One

(Two Volumes)

Thesis submitted for the degree of Ph.D.
Department of Geography
Trinity College,
University of Dublin

Perpetua G. McDonagh MA

Supervisor: Prof. Desmond A. Gillmor

2001

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Dedicated to
Thomas, Josh, Seán,
Conor and Craig
and to
to my brother Martin,
whose short life it
was a privilege to have shared.

DECLARATION

This thesis has been prepared for submission for the degree of Ph.D at Trinity College, University of Dublin. Neither the thesis itself nor the research material upon which it is based have been submitted as an exercise for degrees at this or any other institution. The work benefited from the expertise of an international and inter-disciplinary research group working under the European Union's (EU) Competitiveness of Agriculture and Management of Agricultural Resources (CAMAR) Programme, however, the research, of which this thesis is a record, was conducted by me and is my own work. All verbatim extracts have been distinguished by quotation marks or indentation and sources of information (published, unpublished and personal communication) are specifically acknowledged.

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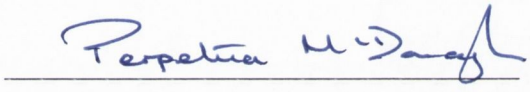

Perpetua G. McDonagh

September 2001

SUMMARY

This Thesis examined the *process* of farm diversification. In particular, it focused on the development of 'on-farm' alternative enterprises (AFEs). These were defined as non-traditional enterprises which involved the recombination of farm business resources, i.e. land, labour, capital and entrepreneurial ability, within as opposed to outside the farm business. Although policy measures for diversification represent only a small part of the overall agri-support system, they represent a major shift in ideologies and policy direction. Consequently, examination of the development of AFEs affords an ideal opportunity to investigate adjustment processes, both on and off the farm, as they are occurring.

Within a modified political economy framework, a 'knowledge systems approach' was used to conceptualise the diversification process. The perspective taken was that, in order to fully comprehend differential rates of AFE adoption, it is necessary to understand the perceptions and attitudes of *both* farmers and institutions, the mechanisms by which these views become known and accepted, and the ways which they can be negotiated, adopted, and mediated. The research involved two surveys, one of relevant institutional representatives and the other of farm operators – both AFE adopters and non-adopters. The research was conducted for two counties – Galway and Kerry – in the West of Ireland.

Adoption and development of AFEs was found to be a relatively new concept and venture for both farm businesses and organisations. Approximately 10 per cent of farm businesses had incorporated an AFE. Agri-tourism, farm afforestation and livestock enterprises were the dominant forms of enterprises adopted.

An extensive range of organisations was found to be involved with the diversification process. However, the nature and extent of their involvement varied considerably. Apart from those specifically functioning in relation to AFEs – mainly producer representational bodies – most organisations did not think, act or prioritise AFEs and resources allocated to supporting farmers' efforts to diversify were quite limited. AFEs

were perceived to be more a component of the rural development process than to be *a real* farm development strategy, and behaviour to encourage and support them was more reactionary than proactive. A number of factors emerged as hindering institutional acceptance of AFEs: the dominance of conventional agricultural interests in the policy arena; the control of knowledge and information; inadequate research; unfamiliarity with the potential viability of various AFEs; strong feelings of uncertainty and unawareness; insufficient and inadequate information and a poor 'image' association with AFEs.

Among diversifiers, a desire to increase income was the most often quoted reason for AFE adoption. The primary reason for non-adoption was a preference for traditional farming practices by the farm operator. Overall, the adoption of AFEs was strongly dependent on the education, skills and expertise of family members, together with their ability to internalise and assess information sourced outside the farm. The majority of both diversifiers and non-diversifiers interacted with the external institutional environment. The most often sought institutional support was in the form of general management advice, primarily, though not exclusively, from 'agricultural' organisations (such as the extension service). This highlighted the critical role of information disseminating organisations and the influential impact they potentially can have. It emphasised the need for organisations, and 'agricultural' organisations in particular, to internalise new approaches to farm development that could meet the needs and demands of the farming community. Only if institutional structures fully embrace diversification as a 'serious' farm adjustment strategy, will the necessary information and supports to enable diversification at the farm level become available, and perception and attitudes among the wider agricultural community change.

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The initial stimulus for this study arose out of a programme of collaborative research, by the following: the Departments of Geography at the Universities of Leicester, Caen and Trinity College Dublin; The Scottish Agricultural College (SAC Aberdeen); CEMAGREF (Clermont Ferrand), Teagasc (Dublin) and the Department of Agricultural Economics at the University of Patras. The research project was part-funded under the EU CAMAR Programme and sought to identify the potential contribution which farm diversification could make to the lagging regions of the European Union. While the focus and approach was different to those of the present study, this work did undoubtedly benefit from the many 'meetings', 'exchanges', 'differing perspectives' and reported 'experiences' of the members of the various research teams involved.

Throughout the course of this research I have been most fortunate to have been encouraged and supported by a great number of individuals. In particular, I owe a tremendous debt of gratitude to my supervisor Prof. Desmond Gillmor, not only for his guidance and contribution to the research, but for his patience and faith in my ability to complete the task. The journey to this juncture has been long and bumpy, with many stops and starts, however, his ongoing understanding, flexibility and optimism helped enormously in bringing this project to completion.

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CHAPTER 1

INTRODUCTION

The popular image of farming is one of tradition and conservatism with continuity more noticeable than change. Today this image is a myth since farming is embracing new approaches, new methods and new directions (Clark, 1986).

1.1 Introduction

Agricultural restructuring in the European Union (EU) creates a climate in which many farm families are having to adjust farm enterprises, in order to maintain or enhance business viability. In this thesis, one form of agricultural restructuring - farm enterprise diversification - is examined. This term is not taken in the present context, however, to refer to the substitution which may occur amongst existing conventional farm enterprises. It is used instead to refer to farm-based activities outside of the mainstream of modern conventional agriculture, to what in this thesis are called alternative farm enterprises (AFEs). These include agricultural products not covered by price support, adding value to products on the farm by processing or direct marketing and the incorporation of a potentially wide range of non-agricultural activities into the farm business. Adoption of these AFEs involves a recombination of farm resources (land, labour, capital and entrepreneurship). This constitutes a change in the broad farming system, to what may be regarded as a restructured or alternative system.

AFEs are not a new phenomenon but since the early 1990s they have assumed a high profile with much attention being given to their development by governments, the media and the farming community. Such diversification has become a significant feature of

the substantial restructuring of agriculture occurring at present, but little is understood of the actual *process* involved in diversifying farm enterprises.

The basic premise of this research is that restructuring, currently underway, is introducing an alternative agenda to the production paradigm - which has dominated the post war period - prompting a reappraisal of agricultural policy, its instruments and its socio-political position within society. Redefining the role of farming and amending long-standing policy objectives are difficult tasks. Arguments must be constructed and articulated in farming's own rhetoric, and must appeal to a wide spectrum of interests, for example, policy elites, relevant institutions, interest coalitions and the farming community. Change consensus evolves from a gradual process of social learning, which informs a shift in mentalities, a change in perceptions and attitudes. This is a dynamic and complex process based on knowledge and information flows. By necessity it involves those it targets. Policy-makers, relevant organisations, representative and producer groups and individual farmers are all integral components of the process; all formulate opinions, provide information, react to information received, and influence decision strategies.

The aim in this thesis is to investigate this process as it pertains to farm enterprise diversification in Ireland. The objective is to enhance explanation of the differential rates of participation, by the farming community, in this restructuring strategy. In particular, attention is focused on the capacities of farm operators, their families and relevant institutions to adapt to changing farming conditions. In this context, an institution is defined as any organisation, agency or department - public, private or voluntary - that plays a role in, or could potentially impact on, farm diversification. The research seeks to illustrate the mechanisms and adjustments required, both on and off the farm, as farm families and institutions strive to participate in the newly emerging ideologies and dialogues at policy level. Specifically, an attempt is made to bridge the gap between macro-level analysis of agrarian change and micro-level analysis of farm based decision-making. A multi-level approach is employed which takes into account meso-level institutional influences. The *central thesis* is that farmers' perceptions and attitudes towards diversification and their rates of adoption of alternative enterprises, are

greatly influenced by the ways in which the diversification discourse is debated and mediated by policy and other relevant institutions operating in the agricultural arena.

1.2 Context of the research

In the post war period, agriculture, perhaps more than any other sector, has undergone fundamental restructuring (Marsden *et al.*, 1986; Ilbery, 1988; Commins, 1990; Bowler, 1992a). A distinction can be made between the productivist period, which lasted until the mid-1980s, characterised by a predominant policy emphasis on increasing the productivity and technical efficiency of farming, and the post-productivist period, distinguished by a re-orientation of policy "to give greater attention to non-agricultural aspects of rural development and to the environment" (van den Bor *et al.*, 1997: 45). To provide a context for the discussion of recent trends towards farm diversification, this section provides a brief outline of the factors motivating the transition from the long-established agricultural production model together with a description of policy modifications implemented. This is simply to provide a background in which readers unfamiliar with agrarian change can locate the concept of diversification and should not be considered a detailed review of policy or structural adjustment. Some references are provided for those interested in more detailed discussions.

1.2.1 Growing pressures to change the agrarian model

From a European perspective, adherence to the productivist paradigm emerged as a response to a unique set of circumstances experienced in the aftermath of the Second World War. Motivated, in particular, by the problems of food shortages and growing balance of payments deficits, governments intervened to provide a relatively risk-free environment for the farming community. Emphasis was placed on raising farm productivity and efficiency. Through various policy mechanisms, commodity prices were guaranteed, farm incomes supported, and farmers encouraged to invest in labour-saving and yield-enhancing practices (Ward, 1993; van den Bor *et al.*, 1997).

Policy developments coincided with the rapid acceleration of industrial 'Fordism' (Goodman and Redcliff, 1989). Industrial capital penetrated agriculture, paving the way for other forms of external capital (e.g., credit finance) to become more involved in the sector. A consequence was the strengthening of the agro-industrial complex. Comprised of research centres, industrial companies, institutes of education, administrators and policy makers, this network grew in significance to command a considerable influence on the direction of agricultural development (Clunies-Ross and Hildyard, 1992; van den Bor *et al.*, 1997). As Ward (1993) noted, it soon became in the interests of those involved that the model of increasing agricultural production be sustained.

Technological developments provided farmers with the ability to dramatically increase productivity and improve efficiency. Farm practices were transformed as more and more farmers engaged new agricultural technologies. Ensuing changes at farm level included increased mechanisation, a reduction in labour requirement, increased use of 'purchased' inputs (e.g., fertilisers, feed, pesticides) and the intensification and specialisation of production.

The establishment of the EU[1] and the subsequent implementation of the Common Agricultural Policy (CAP) - which established a protected market for agricultural products among member states and enhanced public (state) support to the farming community - provided a stable economic environment which "encouraged continuing innovation by supply industries and on-going adoption of new techniques by farmers" (Tracy, 1993 cited in van den Bor *et al.*, 1997: 33). In effect, it promoted the high-technology model of agricultural production and accelerated structural change. Increasingly, traditional mixed farming practices gave way to more specialised systems with more intensive production. Trends towards greater specialisation, with the consequent narrowing of enterprise and product range, are particularly noteworthy in the present context. Capital and output became concentrated on fewer, larger farm units. Farm businesses became more integrated into the agro-food system, becoming increasingly dependent on emerging "industries upstream and downstream of farming

[1] The EU is the term used throughout the thesis to refer to the European Community and Member States at any particular point in time.

itself" (Ilbery, 1988: 35). Farm yields grew rapidly - far surpassing the policy objective of self-sufficiency.

Ironically, it was the success of the production model that led to its decline. Benefits gained through the industrialisation and modernisation of the sector were soon outweighed by certain associated difficulties that became increasingly evident during the 1970s and 1980s (Bowler, 1985a; 1992b; Ilbery, 1988; Ackrill, 1992; CEC, 1992; Ward, 1993; Gillmor, 1995; 1999a; van den Bor *et al.*, 1997). Of particular concern was the mounting problem of over-supply of domestic markets. Output grew faster than the rate of consumption. Excess supply led to a fall in market prices, which in turn necessitated further market intervention by the Commission. Escalating support costs placed intolerable pressures on the agricultural budget, provoking a budgetary crisis and the call for policy reform. In addition, tensions were mounting in relation to falling farm incomes, increasing levels of farm indebtedness, rising unemployment and higher consumer prices (because of the intervention system EU consumer prices were considerably higher than world market prices).

Also contributing to the erosion of the productivist perspective was the emergence of new interest groups, particularly those of the environmental movement, which emphasised the negative environmental effects of the intensive production regime. With greater social consciousness, support mounted for a movement towards more 'sustainable' agricultural development, towards "a new productive system in which quality should take priority over quantity" (Estrada, 1995: 349). At the same time, changing public perceptions of rural areas led to new demands being placed on the countryside for residential purposes, recreational and leisure activities and conservation.

Another source of pressure was the threat of trade sanctions by international trade interests promoting the liberalisation of markets. The export of EU subsidised food surpluses onto the world market resulted in a fall in world prices and hence to a drop in farm incomes in non-EU countries. As noted by Bowler (1992b: 237), this brought the EU into conflict with other countries supplying the world food market and resulted in international trade disputes. Within the framework of the General Agreement on Tariffs

and Trade (GATT), the EU was obliged to reduce the level of protection offered to farmers. In effect this required a modification of policy and outlook.

More recently, proposals for eastern enlargement of the EU and the need to address public concerns relating to food safety have forced policy-makers to seriously consider the underlying principles of agrarian policy, its goals, objectives and the sustainability of its support mechanisms.

Therefore, by the mid- to late-1980s, the general consensus that surrounded the agricultural sector, and underpinned the formulation of the CAP, was rapidly being eroded. There was what Ward (1993: 359) referred to as a "crisis of legitimacy" which undermined the plausibility of the productivist ideology. In its place a "plurality of positions" emerged, redefining the agricultural policy community and placing differential demands on the content of policy (Estrada, 1995: 350).

1.2.2 Policy responses

Faced in the early 1980s with a deepening crisis, policy-makers began to modify agricultural policy by introducing a variety of measures designed to curb spending and reduce surpluses. Initially, efforts were directed towards modifications to the price-support mechanisms with the introduction of co-responsibility levies, guarantee thresholds, production quotas and 'stabilizers'. Later, measures aimed at enterprise substitution and set-aside were implemented. While these combined measures did have some success, they did not resolve the fundamental problems of the CAP. Surpluses continued to accumulate and the agricultural budget deteriorated further. At farm level, production costs increased while farm incomes declined (farmers experienced what is referred to as the *price-cost squeeze*). Unable to respond by increasing output, it became increasingly clear, that many farm families would have to supplement farm incomes by engaging with non-farming activities. Accordingly, attention at policy level broadened to examine potential sources of supplementary farm income, "as reflected in the 'integrated rural development' initiatives in the early 1980's, in the green paper on agriculture in 1984, in the reform of the structural funds in 1987" and in the report on the *Future of Rural Society* in 1988 (van den Bor *et al.*, 1997: 35). All emphasised the

need to diversify farm enterprises and the activities of farm families. This signified the beginning of a period of significant change in European agriculture and heralded a critical policy shift from the old productivist discourse.

By the end of the decade, pressure for policy reform intensified (as outlined above) and the Commission finally began a process to reform the CAP and formally broaden the remit of agricultural policy. In 1992, the Mac Sharry CAP reform package was agreed (CEC, 1992). Reforms centred on a new mechanism of support - direct compensatory payments - payments to compensate farmers for reductions in commodity prices but which were 'decoupled' from quantity produced. In addition, measures to encourage early retirement, environmentally friendly farming and farm afforestation were offered. Measures were accompanied by a continuity of the shift in emphasis from farm resource development (which had dominated in the 1980s, for example, modernisation and improvement schemes) to income diversification under structural policy - this has continued under the Agenda 2000 programme. In addition programmes, for example, LEADER I and II and LEADER Plus, have been introduced to support the diversification of the *rural*, as opposed to the specifically agricultural, economy.

Hence, policy changes in the 1980s and the 1990s represent a significant adjustment in agricultural 'thinking' - a formal acknowledgement of the negative environmental impacts of intensive farming, a broadening of the remit of agriculture - but perhaps most significant of all, they clearly signal that policy-makers are no longer prepared to "underwrite capitalist accumulation in the agro-food system, at least not to the same extent as previously. In effect, the state lost interest in maintaining the technology (production) model" (Ward, 1993: 357). Instead it opted for a more elaborate policy approach, encompassing the sociostructural, socioeconomic and environmental objectives characteristic of what has become the post-productivist period. During the period of policy flux, initiatives formerly incompatible with the whole productivist ethos gained acceptability. It is against this backdrop of a shift in conventional thinking about the role and function of farming that the emergence of farm enterprise diversification must be seen.

1.2.3 Diversification in Ireland

As in many other countries of Western Europe, agriculture in the Republic of Ireland has been increasingly subject to processes of restructuring, not least because of enhanced integration within EU policies and market structures (Gillmor, 1987a; Walsh and Gillmor, 1994; Frawley and Commins, 1996). Irish farmers, since their accession to the European Union in 1973, have been among the highest beneficiaries of EU agricultural aid (Grimes, 1992; Kelly *et al.*, 1992). During the 1970s payments from the farm funds per head of population, were higher than for any other country. Per capita real incomes of farmers grew and productivity increased. The traditional low-input, mixed farming system underwent rapid change. Irish agriculture became modernised, specialised and commercialised.

The Commission's decision to bring production under control, the imposition of the quota restrictions on milk, and the penalties for over-production, have been particularly severe in Ireland because of a special dependence on dairying (Keane and Quinn, 1990: 3). Walsh (1991a) showed that substitution of conventional farm enterprises occurred during the 1980s, as farmers tried to adjust to the changing economic environment. Over the same period, participation in off-farm employment increased as farm families sought to supplement their declining farm incomes. However, many now share Feehan's (1992: 577) view that while "different strategies may be implemented to deal with the changing CAP conditions - whether on or off the farm - there is an absolute need for diversification in order to sustain (Irish) rural communities."

The Government, in the National Development Plan 1988-1993, made commitments to facilitate and accelerate the movement of enterprises away from surplus commodities. Among the enterprises promoted were horticultural products, on-farm food processing, horses (for sport), deer, rabbits, goats (for fibre), greyhounds and agri-tourism. The European Commission's measures relating to set-aside, extensification and conversion were implemented (Government of Ireland, 1989). In 1991, Teagasc, the Agriculture and Food Development Authority, allocated 40 staff members to the training of people in farm diversification and project development.

Despite these efforts, there has been a mixed reaction from farmers. For example "by the end of 1989, the total number of applications made under the Grant Scheme for Investment in Agri-Tourism, if approved, would have taken up less than 2 per cent of the budget allocated" (Keane and Quinn, 1990: 83). This apparently low level of take-up may be attributed to the relative newness of this type of diversification in Ireland. However, the changing policy and economic contexts of the late 1980s and early 1990s, together with the availability of increased funding for diversification through the Operational Programme for Rural Development, increased the acceptability of AFEs. Interest in and uptake of grant aid for diversification gained momentum and non-conventional enterprises were introduced to increasing numbers of farm businesses, so that by the end of the Programme, all available funds had been committed. Nevertheless, the development of AFEs is a new venture for most Irish farmers. This is reflected by the virtual absence of published material pertaining specifically to this subject matter, in the Irish context. Therefore, it is timely, and necessary, to investigate the whole process involved in farm diversification in Ireland. In particular, it is important to examine how Irish policy actors and farmers perceive this new policy direction and to investigate and explain differential response rates to the diversification measures introduced.

1.3 Towards a definition of farm diversification

The idea of farm diversification is not a new one (Haines and Davis, 1987; Slee, 1989). Indeed many of the principal concepts embodying diversification existed long before the intensified and specialised production of recent decades. There is no single precise definition of farm diversification (for differing viewpoints see Carruthers, 1986; National Farmers Union, 1986; Griffiths, 1987; McInerney et al., 1989; Shucksmith et al., 1989; Fuller, 1990); rather there is a general consensus that it involves the adoption of activities outside the range of conventional crop and livestock enterprises associated with mainstream conventional agriculture (McInerney et al., 1989; Gillmor, 1995). These activities have been termed non-conventional or alternative farm enterprises (AFEs) (McInerney et al., 1989; Slee, 1989; Ilbery, 1991a & b).

Farm diversification (hereafter used interchangably with diversification and AFEs) in the present context refers to the development of such farm based enterprises. Defined in this way diversification involves the recombination of the factors of production (land, labour, capital and entrepreneurial ability) *within* rather than outside the farm business, thereby distinguishing this type of activity from other gainful activities where a farm resource, e.g. labour, is deployed off-farm. (It is worth noting that, within a growing literature relating to contemporary means of supplementing farm incomes, the term pluriactivity is usually used to include both employment off the farm and on-farm diversification (Gasson, 1987; 1988a; Dalton and Wilson, 1989; Shucksmith *et al.*, 1989; Ilbery, 1991a; MacKinnon *et al.*, 1991)). Also, diversification implies that activities are *new* or *non-traditional*. With this in mind AFEs can be viewed as *innovative* enterprises.

In practice, identifying non-traditional activities necessitates the incorporation of a spatial dimension to the study of diversification because, traditional enterprises could in fact be *new* to individual farm businesses. Therefore, AFEs should exclude enterprises that are traditional within a defined region. However, it is conceivable that what is traditional in one region may be innovative in another and that enterprises may change classification over time, as enterprises once considered *new* and *innovative* become *established* in a region (Gillmor, 1995: 165). The definition of farm diversification used here, while restricted to farm-centred activities, is nevertheless by necessity 'loose'. It incorporates a great range of heterogeneous activities but they share the common characteristics of utilising farm resources and generating additional farm income while not contributing to the production of conventional agricultural commodities in the region.

1.3.1 The range of AFEs

The published research on diversification suggests that there is a huge range of alternative enterprises which can be incorporated into conventional farming systems (for example, Parker (1987) identified about 60 AFEs, Jenkins (1989) recognised approximately 70 activities and Williams (1990) listed over 40). The intention here is to

provide an insight into the array of activities, rather than a detailed description of what are considered AFEs, in various countries.

The following are examples of the types of enterprises some Irish farm families have already incorporated into their farm businesses: farmhouse accommodation, self-catering accommodation, camping sites, open farms, farm zoos, pitch and putt, golf courses, equestrian centres, pony trekking, farm house teas, farm walks, livery, angling activities, fish farming, horticulture, blueberries, mushrooms, organic farming, free range poultry, game birds, ostrich farming, goats, deer, greyhounds, sport horses, rabbits, snails, forestry, Christmas trees, daffodils, foliage, crafts, cheese-making, pick-your-own, vegetable packing, yoghurt making, machinery repairs, sod peat production and contracting (Magee, 1990; Teagasc, 1991; Gillmor, 1992a, 1995; Kelly *et al.*, 1992; Willer and Gillmor, 1992).

Some AFEs are easily recognised because farmers have been involved with them for some time, such as farmhouse accommodation; others have appeared more recently and have been popularised by state financial support, as in the case of farm afforestation; and then others are little known or adopted, for example the development of ostrich, snail or sod peat enterprises, and are sometimes associated with the more 'eccentric' farmer (Slee, 1989).

In many respects AFEs identified in Northern Ireland and the UK are similar to those found on Irish farms but some novel enterprises include: egg packing, butchery, spa water, scrap materials, medicinal herbs, essential oils, chincilla, mustelids, llamoids, silkworms, freezer sales, postal sales, letting buildings and light engineering (Carruthers, 1986; Haines and Davies, 1987; Slee, 1989, 1990; Williams, 1988; Dalton and Wilson, 1989; McInerney *et al.*, 1989; Magee, 1990). Farmers in the Netherlands (Kleijin *et al.*, 1990), Denmark (Dubgaard and Sorensen, 1988; Ostergaard, 1989; Rude, 1989) and Australia (Jenkins, 1989; Wynen and Edwards, 1990; Marshall, 1991) seem to be mainly interested in organic production as an alternative to conventional agriculture. Australian farmers, however, like their counterparts in New Zealand, are

increasingly examining farm forestry as an option (Aldwell, 1985; Tisdell, 1985; Reid and Wilson, 1986; Hawke and MacLaren, 1990).

In Mediterranean countries, to date, AFEs have not received much attention in the research literature but evidence exists which indicates that farmers in these areas are diversifying. For example in Spain, Garcia (1983) provided details of organic production, Roux (1988) reported on the expansion of the range of oils produced and Cano (1991) outlined efforts towards developing ecological wine. In Portugal, Christovao *et al.* (1992) documented efforts to link agricultural output to particular regional conditions, the emphasis being on producing high quality 'alternative' products. In Italy, also, farmers are interested in pursuing options to add value to their output, for example the processing and packaging of olive oil, beef and farro. In addition, they are expanding their involvement with organic fruit and vegetables and agri-tourism activities (Ventura and van der Meulen, 1992; Miele, 1998). Alternatives embraced by Greek producers include new varieties of tobacco, grape products, rural tourism, olive soap production and wine (Dolioti, 1992; Siskos, 1992; Damanos *et al.*, 1994).

"Farmers in North America have been forced much earlier than their counterparts and competitors in Europe to face up to the realities of surpluses" (Hardin, 1988: 98). Lockeritz (1988) reported on the successful establishment of the soybean - an alternative crop introduced to US farmers in the 1920s - and suggested that this should be used as an example of best practice in farm diversification. Meeks (1986) pointed out that peanuts, potatoes and tomatoes were once considered alternative crops. Kenny *et al.* (1989) identified a movement away from 'mass production towards a system of greater flexibility and diversity of products' particularly since the 1970s. Organic production (Lampkin, 1986; Beus and Dunlap, 1990) and rural tourism (Keane and Quinn, 1990) are also popular. In Canada, AFEs identified in the literature include: tomatoes, coriander, sweet potatoes, peanuts, garlic, high quality hay, cut flowers, melons, a form of rubber plant, elk, moose, rainbow trout, flax and game farming (MacDonald, 1982; Gorrie, 1988; Wilkins, 1988; Karpan and Karpan, 1989). Deslauriers *et al.* (1992: 82) found direct sales and horticultural type enterprises most common among small scale

farmers in the urban fringes of Montreal and Toronto, although, they were also involved with food processing, crafts and leisure activities.

1.4 Aim and scope of the research

The aim of this research is to develop an understanding of the factors that influence the promotion, adoption and development of AFEs. As diversification is increasingly seen as one of the more promising options for generating additional farm income, and indeed increasing the viability of local rural economies, it is important to have an understanding of the adjustment process which incorporates AFEs into farm business activities. Conceptualised as a response to global political-economic change, agricultural restructuring has received much attention in the research literature (see for example, Marsden *et al.*, 1990; Amin and Thrift, 1994; Symes *et al.*, 1994; Burch *et al.*, 1996). However, analysis and explanation tend to be focused on either macro-level policy and structural adjustments or on micro-level farm behaviour and decision-making. Although underpinned by the political-economy approach, many studies have neglected to bridge the gap between structure (policy) and agency (actors) in explaining agrarian change. While many researchers acknowledge the role of 'intermediate structures' (relevant organisations, administrative procedures, etc.), few have actually considered, in detail, their influence on evolving agricultural discourses and ideologies, or their interactions with *both* policy and farm actors. Therefore, this study is an attempt to analyse the interactive processes involved in the reorientation of agricultural thinking - with particular emphasis on meso-level institutional influences. It is an examination of the interaction between various components of the agro-system as it adjusts and re-adjusts to changing macro-economic and policy forces. It is a study of how the concept of farm diversification became a reality for some Irish farmers - of how diversification was incorporated into the Irish agricultural policy agenda, how farmers' interest in diversification was raised, how farm families interpreted, assessed and responded to this adjustment option, and how responses at farm level impinge on current and future policy formulation. Diversification, because it has recently assumed a high profile and because the associated policy interventions are relatively new, affords an ideal opportunity to

investigate adjustment processes, both on and off the farm, which are currently evolving and as such are not influenced by extensive hindsight or vast experience.

More specifically, the primary objectives of the research are: i) to identify and examine core influences on the evolution and configuration of measures for farm diversification over time; ii) to investigate the capacity of institutional structures and farm families to adapt to changing conditions in farming; iii) to establish the place, relevance and importance of AFEs in the current survival strategies of farm families; iv) to investigate farmer-institution interactions as they pertain to diversification; v) to explore the interplay between emergent diversification discourses and farm level behaviour (decision-making); and vi) to enrich understanding of the role 'policy space' and 'institutional space' play in determining the configuration of 'rural space'.

In order to fully explore and understand the process of diversification, an approach was needed which would facilitate analysis of the interplay between policy, intermediate structures (institutions) and the farming community. A multi-level 'systems approach' (combining the main aspects of structure-agency, behavioural and knowledge systems approaches) was employed which facilitated the required interface analysis. This meant that attention could be directed to three different levels: the policy level, the mediating (institutional) level and the farm level. Perspectives could be established for three sets of actor strategies (policy-makers, institutional representatives and farmers). The interactions, interconnections and reciprocal relationships between the different actors could then be analysed and an appreciation for the underlying causes of differential responses to diversification, as an adjustment strategy, could be developed.

1.5 Structure of the thesis

The thesis has a conventional structure. This introduction is followed by a discussion of some issues of contextual importance followed by a discussion of relevant theoretical approaches to the study of agrarian change and an outline of the research design and methodology. Findings are presented from institutional and farmer perspectives and

interconnections are explored, which nurture understanding of the processes involved in AFE adoption. The final chapter brings together the principal issues arising from the research before discussing its strengths and weaknesses and suggesting topics for future work in this area.

This introduction provided an outline of the changing macro economic, social and policy climates in which farm diversification has emerged as a serious farm survival strategy. It has provided a definition of diversification and has listed both national and international examples of AFEs, which emphasise the great diversity of activities involved and also the need to examine AFEs within a regional context. The aims and scope of the research were detailed, as were the reasons for conducting the study. The next chapter - Chapter 2 - considers key elements in agricultural restructuring and enterprise diversification. In particular, it focuses on the modernisation of agriculture, the shift towards a post-productivist agricultural system and the growing acceptance of diversification as a farm adjustment strategy. It reviews the literature relating to diversification and outlines the policy context in the Republic of Ireland designed to encourage farm diversification. Theoretical approaches and conceptual developments are reviewed in Chapter 3 and a framework to assist understanding is developed. This provides a means of resolving the weak link concerning mediating structures in work to date. The research design, choice of study areas, methodologies employed and methods of analysis are discussed in Chapter 4. Results of the analysis are presented in Chapters 5, 6 and 7. Chapter 5 focuses on the institutional environment, reporting the findings from a survey of key informants in selected organisations. It is organised around the following topics: the nature of the AFE institutional environment; institutional resources, structures, inter-linkages and change; institutional influences on AFE development; institutional perceptions of diversification; and the relative importance and contributions of different organisations to the development of alternative enterprises. Factors influencing farm-based decision-making are explored in Chapter 6. Key issues addressed include the extent of AFE adoption/non-adoption; the stimuli for diversification; the search for adjustment strategies; the choice of alternative enterprise; and the opportunities and constraints facing farmers wishing to alter their farming systems. Farmer - institution encounters are analysed further in Chapter 7, with a

particular focus on the mechanisms by which feedback occurs and impacts on ensuing behaviour. Finally, in the concluding discussion - Chapter 8 - the fundamental issues of the research are revisited in light of the research findings and the strengths and weaknesses of the study are outlined, as are possible topics for further research.

CHAPTER 2

AGRICULTURAL RESTRUCTURING

"Over the past 40 years the more developed countries of the world have experienced a modern agricultural revolution. The impact of this transformation has been such that society's priorities for agriculture and land use have changed substantially" (Lafferty et al., 1999: 10).

2.1 Introduction

This chapter is structured around two themes – agricultural restructuring and farm enterprise diversification. Firstly, it reviews the restructuring of European agriculture since the 1940s. The period broadly coincides with the third or 'modern' revolution in agriculture (Troughton, 1986). Two phases of adjustment are considered, the expansionist period up to the 1970s characterised by the industrialisation and modernisation of the sector and the period since the early 1980s characterised by a significant shift in agricultural focus. Of particular interest to the present study are the transformative processes of this second phase and their implications for policy making, policy delivery and farm level adjustment decisions.

Secondly, this chapter considers diversification as one such adjustment decision. Instead of giving comprehensive coverage to the international literature on diversification, attention is focused on a number of key studies, mainly from the UK, because it was felt that the circumstances, nature and type of AFEs would be more applicable to and comparable with those in Ireland. Some of the more important and relevant issues emerging from the selected studies are reviewed. It is not the intention to discuss all of the results and findings, but rather to identify key factors impacting on

the process of enterprise diversification, in order that they be incorporated into the present study.

The chapter concludes by reviewing the introduction of AFEs into the Irish policy agenda and by providing some tentative indications of the degree of farmer participation in diversification as an adjustment strategy in Ireland. Discussions of these issues provide a context and background for subsequent chapters.

2.2 Restructuring in the agricultural sector – Phase I: Industrialisation and modernisation

Agricultural systems in capitalist economies have been radically transformed in the twentieth century. The sector is presently undergoing profound change, not only in terms of policy and farm level adjustment, but also in terms of its role and functioning in the rural economy. To provide a background to the ongoing transition, this section briefly reviews key aspects of the industrialisation and modernisation of the sector from the 1940s to the early 1980s.

2.2.1 The path to industrialisation

The modern revolution in agriculture is generally considered to have begun in the United States around the mid-1940s and to have spread to Europe quite quickly. At the risk of oversimplification the path to industrialisation can be viewed as a series of steps involving:

- the replacement of labour on farms – initially hired and laterally family labour – with capital intensive technologies;
- the increased use of and reliance on purchased inputs, e.g. machinery, fertilisers, seeds etc.;
- the integration of primary producers into industrial production and processing systems, i.e. agribusiness and agri-commodity systems;
- the penetration of external capitals to farm businesses with increased dependence on credit finance, technology and scientific and technical knowledge;

- the increased competition with industrial producers of farm and food substitutes, e.g. artificial fertilisers; and
- an increase in farmers' dependence on state supports.

While the pace of development varied from country to country and region to region (Commins, 1990; Marsden and Little, 1990), depending on the nature of resources available (land, farming system, nature of output, human capital, access to finance etc.), common adjustment processes have been identified, i.e. intensification, concentration, specialisation and trade integration (Bowler, 1985a; 1986b).

2.2.2 Processes involved

Commins (1990: 57) suggested that the most significant feature of farm adjustments was the "steady rise in productivity and production." Initially this stemmed from advances in labour productivity, associated with increased mechanisation. Subsequently, with increased use of artificial fertilisers, chemicals and new improved varieties of crops and breeds of livestock, it resulted from gains in land productivity (Goodman *et al.,* 1987). A consequence of increased production was increased supply, which in turn resulted in price reductions and declining farm incomes. In this context, farmers attempting to remain economically viable sought to enlarge their businesses and increase output. With technological developments and increasing scale came a move away from mixed farming systems. A strong tendency emerged towards greater specialisation. In European agriculture the trend was for 'declines' in the number of holdings and in the percentages of holdings with various enterprises, while there was a general increase in the average area of crops grown or numbers of livestock maintained per farm (Commins, 1990: 57-58).

These trends had spatial implications. Increases in scale and specialisation were accompanied by tendencies towards increasing concentration of production on fewer and larger farm units – resulting from the ability of larger farm businesses to buy out smaller, less viable holdings and by so doing gain from economies of scale (Bowler, 1992a). As these larger farms were not evenly or randomly spread over space, agricultural production became concentrated in some geographical regions more than

others. Clearly the more disadvantaged areas were further marginalised and disfavoured by these trends.

The direct integration of agriculture into the food production chain (Marsden, 1990a; 1990b) led to the development of a complex and dynamic set of interconnections and interdependencies among a wide and varied group of interests, and brought farmers directly into the realm of power relations. Farmers no longer served traditional markets but instead became implicated in the global food system – a system which then dictated its requirements, in terms of products and services, and imposed these and output prices on the farming community. As a result, changes in production agriculture now reflect trends in and responses to global as opposed to national or local markets (Bowler, 1996).

2.2.3 Consequences

By engaging capital intensive technologies, farmers dramatically increased the productivity and efficiency of their businesses while reducing their labour requirements. Output grew and soon resulted in surplus production. Ironically, oversupply led to declines in prices, which negatively impacted on farm incomes. A consequence of this factor substitution, through increased reliance on machinery and other purchased inputs, was that production costs increased. To maintain their economic efficiency and viability, farmers had, of necessity, to seek economies of scale, often borrowing to invest in technology in an attempt to reduce unit costs. Corchrane (1958) referred to this as the *technology treadmill*. Farmers became caught in what has become known as the *cost price squeeze,* i.e. where the costs of inputs rose more sharply than the prices obtained per unit of product sold. However, a trend soon emerged of increasing indebtedness and attempts to maintain efficiency resulted in the cyclical process of increased levels of output causing further reductions in price and a repeat of the cycle (Cochrane, 1958). A vicious circle developed whereby intensification led to overproduction which resulted in a fall in price and thus a need to intensify further. In addition, because of increased reliance on external inputs and finance, the farm sector became more vulnerable to the economic forces that affect the variability of input costs.

Concentration and specialisation led to growing inequalities in income at both farm and regional levels. This was due to a polarisation in farm size and to the relationship that emerged between farm size and type of farming, as mixed systems gave way to specialisation. Increased specialisation led to more focused farming – investments were made in enterprise specific equipment and farmers' knowledge and skill bases tended to narrow to a specific enterprise. Over time this created barriers for operators wishing, or needing, to change or diversify to other enterprises.

The restructuring of other aspects of the food production and processing chains mirrored farm level changes. Processes of specialisation and concentration in the inputs and processing markets, together with increased international competition in each, had numerous implications for farmers. Among the more significant of these was an increasing tendency for agri-processing firms and large retail chains to lay down exact specifications for the type and quality of farm produce they required. Their size, concentration and strength of purchasing power created a buyers market in terms of price negotiations (van den Bor *et al.*, 1997: 52). This process led some to argue that farm level behaviour, in terms of decision making and control, has been seriously eroded (for example, see Goodman *et al.,* 1987; Bowler, 1996).

Decline in the farm labour force is a universal feature of modern agricultural restructuring. In the EU total numbers working on the farm were halved during the years 1965 to 1985. Similarly in the US total farm employment was halved between 1960 and 1985 (Commins, 1990: 61). Rural depopulation is a direct result of the labour outflow from farming, especially where this is not offset by increases in non-agricultural job opportunities in the same areas. Labour decline in agriculture has been a selective process, being associated with the resource base, enterprise mix and category of worker. Losses tend to be greatest among small-scale businesses, among paid farm workers and among family members, while being relatively less significant among farm holders. Furthermore, disengagement from farming has for many been partial rather than a total exit, in the sense that they have secured off farm jobs while continuing their farming activities. This has implications for structural change in that land available for purchase is reduced and consequently opportunities to increase farm scale in order to

lower unit costs and maintain or increase viability are increasingly limited – tightening the 'squeeze' on some operators.

These various restructuring trends cannot be considered in isolation from the role of public policies. These policies have had both 'propulsive' effects – not necessarily with intent – in stimulating or sustaining predominant trends, as well as 'palliative' influences in moderating the impacts of these trends. In view of the fact that the present research has a particular concern with the less favoured areas, it is appropriate to focus attention on some of the policies specifically concerned with the LFAs. However, before turning to these a brief review is provided of the general role of state intervention in the agricultural sector.

2.3 The role of the state

In terms of agriculture, the policy problematic was and continues to be international in scope. The state has long been involved with the development of the agricultural sector. As a result it has held a pivotal role in influencing the nature, scale and pace of agrarian change (Cox *et al.,* 1986; Marsden *et al.,* 1986; Bowler, 1989; Ilbery, 1992a; 1992b).

2.3.1 Initial involvement

State involvement in 'modern' agriculture stems from the world economic depression of the 1920s and 1930s, which had a particularly adverse effect on the agricultural sector. The depressed prices of the time were understood to be due to the marketing problem associated with large numbers of farmers selling their products individually and therefore, not being able to influence market prices by increasing or decreasing supply (Tarrant, 1992). It was felt that some state intervention was required in order to organise producers so that they might exert some control over supply and influence over the market price, thereby improving their incomes. Also intervention, it was perceived, would ensure the provision of food supplies for the growing urban population and protection from cheaper imports.

2.3.2 Reasons for intervention

Despite intensive state involvement in the agricultural sector since the 'Great Depression', little progress has been made in overcoming the basic problem which it sought to address – low and declining farm incomes. The rationale for farm intervention remains the same at the end of the twentieth century. In the European context, Tarrant (1992: 243) classified states' reasons for involvement as being:

- strategic, i.e. a concern with food procurement and self sufficiency – issues which were particularly important in the post war period - and more recently, strategic in terms of countries' abilities to participate in, bargain and influence international trade;
- economic, i.e. the development of the primary sector and its associated secondary industries to generate employment and create wealth and to positively contribute to the balance of payments; and
- political, i.e. an attempt by governments to ensure that the interests of all influential bodies, including the farm lobby, consumers etc., appear to be taken on board for the relevant period of planning.

In sum, the state is involved because of various vested interests (Bowler, 1986a; Estrada, 1995) and because it wishes to impress the various agricultural interests and related non-agricultural influentials in an attempt to secure voter confidence and support. Traditionally the agricultural sector has been 'close' to politics. The strength of the farm vote and lobby has ensured that agriculture and agricultural policy have remained the focus of government attention despite the sector's declining position in the overall economy. Boyle (1993) for example, in discussing the GATT negotiations, identified a number of factors contributing to the strength of the farm lobby in resisting moves towards freer trade. These were: (i) the lack of organisation among consumers and tax payers who cannot form and effective counter lobby to the now well established farm organisations; (ii) the strong desire among the larger farm producers to maintain the status quo in terms of farm programmes which suit their needs and have effectively become capitalised into asset values, for example, the EU dairy quota regime; and (iii) the legitimisation of state support for agriculture through the public good argument i.e. farmers being promoted as guardians of the environment. However, in more recent times, this strength has begun to be undermined by the increasing momentum of other

various organised interests e.g. environmental, food quality, animal welfare etc. that are increasing in public and hence political significance (this is discussed further below).

To these a fourth can be added, i.e. social concerns. The state is undoubtedly motivated by an equity objective, not alone in terms of income and welfare for the farming population but also in relation to maintaining the rural population at adequate levels to ensure the continued survival and viability of service provision and management of the environment. As Lowe *et al.* (1994: 22) stated:

> ".... indeed for most states, agricultural policy lies at the intersection between sets of concerns to do with national food production and supply, and sets of concerns to do with spatial and territorial development. Agriculture's role in the rural environment and rural society implicates it notably in the state's sectoral management of the national economy but also in the spatial management of the national territory."

2.3.3 Mechanisms of intervention

As outlined by Commins (1990) state intervention may be based on practical measures and/or on the creation of ideologies and/or the creation of political consensus. The most direct form of intervention is through the formulation of policy and the implementation of policy measures. These can relate specifically to the agricultural sector or may target other sectors but indirectly impact on the farming population. Put simply, the state through its policies can directly influence the behaviour of farmers and other actors in the 'food production chain'. Policies can either be designed to motivate and encourage a change in behaviour, as for example, when financial assistance and/or grant aid is offered, or they can be formulated to compel and control behaviour, for example, the introduction of new regulations.

In general, agricultural policy measures can be categorised as either price/market measures or structural measures. The former may include: (i) demand-led interventions, for example, food subsidies, intervention buying, export subsidies; (ii) supply-led interventions, for example, co-responsibility levies, quotas, set-aside; and/or (iii) farm income interventions, for example, input subsidies, headage payments, direct income supports etc. (Tarrant, 1992: 251).

It is now generally accepted that the income problematic of the agricultural sector cannot be solved by market interventions alone. A more realistic solution is to reduce production or output so that supply decreases and a balance between demand and supply can be achieved in the market place (Bowler, 1996). With this as an objective state intervention has generally shifted from demand and supply led interventions to policy measures aimed at directly supporting farm incomes.

The state has traditionally been the primary provider of education, extension and training in agriculture. It is therefore, a critical player in the generation, transfer and utilisation of knowledge and information. van den Bor *et al.* (1997) identified how the macro objectives of the agricultural education system have changed over time in line with government thinking and policy objectives, from a focus on increasing agricultural productivity and efficiencies, to production for export, to diversification and recently to sustainability. Thus, the state through its role as educator can influence significantly the ideologies underpinning farming systems into the future.

In a review of the evolution of the EU's agri-environment policy, Clark *et al.* (1997), applying Majone's (1991; 1992) policy-discourse approach, found that "member states and DGVI [had] both taken the initiative in developing this new policy area, mobilising interest coalitions around agri-environmental issues" (Clark *et al.,* 1997: 1882). They illustrated also how policy-elites, by continuously specifying the environmental responsibility of the farmer "gradually changed perceptions of the natural environment in EU agricultural (and national) policy circles" (Clark *et al.,* 1997: 1877).

2.3.4 Policy delivery

The functioning of institutional systems in policy delivery is a specific focus in the present research. Suffice it to say at this point that agricultural institutions and agri-support services provide the critical links between the state and the farming population. They have a crucial role to play in informing the farming population of new policy measures; encouraging farm level co-operation and participation in such measures; in the implementation of policies; and in regulation and control. However, organisations differ in their 'form' and 'administrative cultures'. They vary in their conceptualisation and definition of the problems and challenges they face, in the extent to which their

activities are regarded as 'public good', in their organisational structures, in their degree of centralisation or localisation, in their financing, in their operational strategies for dealing with their clienteles, and in the manner in which they incorporate new policy ideas and rationales. All of these factors impact on how policies are presented to the agricultural community and in turn impact on their perceptions of the policy and its associated measures – perceptions that are particularly important in the context of a significant change in policy direction and focus.

2.3.5 Impacts of state intervention

Any brief review of the effects of state involvement in agriculture can provide, at most, only a simplified insight. Nevertheless, bearing this in mind it is useful, in the context of the present discussion of agrarian restructuring, to have some general indications of the influence exerted by policy.

Some of the beneficial effects of state intervention have been: increased food security; increased variety and quality of products; lower food prices for consumers; relatively stable prices for farmers; reduced market uncertainties; increased access to credit finance; direct financial assistance (grant-aid); increased efficiency, competitiveness and participation in international markets; increased standards in terms of workplace and quality of life for many farm families; and farmer access to technological and management knowledge through the provision of publicly funded extension services.

Among the negative impacts are: distortion of national and international markets for food stuffs; production of surpluses; increasing budgetary costs; increasing dependence of the farm population on income transfers; declines in the numbers of viable holdings; promotion of intensification and specialisation which in turn have led to increasing disparities between regions and between farm types; increasing productivity promoted and encouraged by policy has led to increasing environmental and animal welfare concerns; and some policy measures have encouraged 'inertia' by supporting the capitalisation of specialist farms and by indirectly 'discouraging', until recently, the evolution of new farm practices and/or the diversification to other enterprises (Bowler, 1986a; Ilbery, 1992a; Tracy, 1993).

2.4 Agricultural policies

Generally speaking, agricultural policies are categorised as either price/market measures or structural measures. European agricultural policies and particularly the CAP – which replicated the antecedent position in the founding Member States – have been dominated by price policies. However, direct and indirect price supports have favoured the 'good' farming regions; structural measures have been insufficient to alter materially the relative status of 'rich' and 'poor' regions within the EU. In fact, regional variations in agricultural economies were exacerbated rather than diminished by many of the policy interventions.

A common structural policy was not initiated until well after the system of common market organisations had been operating. Even then, the main impetus came from a concern about emerging market imbalances (Tracy, 1993: 186). Thus, the first approach, the Mansholt Plan, aimed to create 'modern production units' through selective investment aids and by enticing millions of European farmers to leave farming.

Vigorous opposition to this form of rationalisation resulted in the adoption of three more modest 'Directives' in 1972. Basically, these provided: (i) a selective system of investment aids for farms 'suitable for investment'; (ii) incentives for farmer retirement; and (iii) supports for socio-economic guidance and training. However, they had very little real impact. According to Tracy (1993: 187-188) they were conceived in a period of general economic growth but were put into operation in the post-1973 period of economic recession. The results were that there were relatively few applicants for the retirement scheme; consequently modernisation on farms took the form of intensification on existing holdings rather than there being increased mobility of land and modernisation occurring from amalgamations. The selectivity criterion governing farm investment was regarded as overly restrictive and concerns were mounting about the maintenance of rural communities, especially in the LFAs.

Against this background, these Directives were replaced in 1985 by Regulation 797/85. This allowed that: (i) investment aids could be given to any low-income farmer who put

forward a farm development plan; (ii) instead of the lower eligibility limit attached to the earlier Directive there would be an upper limit specifying that the plan should not raise farm income above 120 per cent of a 'reference income'. The Regulation attempted also to make a stronger link with market policy by stipulating that any farm investment should be in line with market requirements and the need for improved quality. In 1991 Regulation 797/85 was replaced by Regulation 2328/91.

With regard to specifically regional measures, three categories may be noted. The first is Directive 75/268, providing compensatory payments to landholders in mountain or naturally handicapped areas. Generally, such payments are based on a farm's livestock numbers and this Directive has been extensively applied. It has been incorporated into Directive 2328/91 but rather than being a means of structural adjustment it remains essentially a social instrument (Tracy, 1993: 188). The second series of regional measures were a number of *ad hoc* initiatives but each represented a move towards an 'integrated programme' approach. These were mainly in the Mediterranean countries, but occurred also in western Scotland, western Ireland, the Belgian Andennes, and the Lozere in France. Essentially they were based on the idea that agricultural development should be complemented by other activities drawing on the Regional Fund and the Social Fund. Thirdly, this integrated approach was taken a stage further in 1988 with the reform of the Structural Funds. For the purposes of allocating these funds priority objectives were defined. Objective 1 concentrated on regions where development and structural adjustment was adjudged to be lagging behind. The Republic of Ireland was classified as an Objective 1 region. The funds could jointly finance multi-annual operational programmes to bring about rural improvements. It was under one such programme – the Operational Programme for Rural Development 1989-1993 (OPRD) – that measures to specifically support diversification of farm enterprises were introduced in Ireland (see Section 2.7 below).

2.5 Restructuring of the agricultural sector – Phase II: Towards post-productivist agriculture

Since the early 1980s, the global economy has been transformed through an intense and wide ranging series of adjustments and readjustments, which have important implications for processes of political, economic, social and cultural change, and for patterns of uneven development (O'Keefe, 1984; Massey and Allen, 1988; Martin, 1989; Marsden *et al.,* 1990; Lowe *et al.,* 1994). Agriculture, no different to other economic spheres, has been subject to the same transformative forces. This has resulted in a changing context for those involved in the post-war food regime and has necessitated a complete reappraisal of the role and functioning of agriculture within these new circumstances.

2.5.1 A changing context

As outlined in Chapter 1, it was the success of the 'industrial model of agriculture' which led to its decline. Benefits gained through industrialisation and modernisation were soon outweighed by the emergence of a number of factors by the early 1980s. These began to raise serious doubts over the long-run sustainability of 'modern' farming practices and to undermine the general consensus in support of the farming community. They included: (i) mounting food surpluses; (ii) growing concerns relating to the impacts of 'modern' agriculture on the environment; (iii) public concerns over food safety and quality; (iv) increasing costs of state supports to agriculture – both in terms of direct income transfers and in terms of the cost of administration; (v) increasing disparities between farm types, social groups and regions; (vi) increasing liberalisation of trade and international markets; (vii) increases in the number and influence of new interest groups, for example, the politicisation of consumer associations, environmental movements etc.; and (viii) the emergence of a new post-modern and post-materialist culture which advocates movement towards 'sustainable' agricultural development (Estrada, 1995).

This changing context resulted in a destabilisation or 'crisis' in what had become known as the 'productivist agricultural regime' (Goodman and Redcliff, 1989). As Whatmore (1994: 53) noted this crisis had "a number of unsynchronised but overlapping

dimensions". The first was a *crisis of production* resulting from the oversupply of agricultural produce and mounting surplus food stocks. Second, Whatmore suggested a *crisis of regulation*. This related to the contradictions that were inherent in the state's role in supporting the regulation of global agri-food trade while at the same time supporting national and regional farm development. The third dimension was *a crisis of legitimisation* that centred on the politicisation of consumer concerns about the consequences of industrialised agriculture for food safety and the farmed environment. However, it is important to bear in mind, that neither the 'international farm crisis' itself nor its various constituent dimensions, were sudden or unexpected, but were predictable, in the context of an essentially evolutionary process. Nevertheless, while the 'crisis' label can be debated, it is clear that these processes have had profound implications for the sector.

2.5.2 The post-productivist transition

"The shift towards a post-productivist agricultural system is now well advanced in many developed market economies" (Ilbery *et al.,* 1998: 356). While the transition to this 'new' stage and 'form' of agricultural development is as yet incomplete (Lowe *et al.,* 1993; Shucksmith, 1993), some of its key characteristics are readily identifiable. Whereas during the 'productivist' phase emphasis was placed on increasing farm productivity, efficiency and output by adopting new technologies and encouraging the use of intensive practices, the period since the early 1980s has seen the emphasis switch to ensuring a reduction in agricultural output, encouraging more extensive and environmentally friendly farm practices, the progressive withdrawal of state subsidies and market supports and a move towards more sustainable agricultural development (Commins, 1990; Lowe *et al.,* 1994; Estrada, 1995; Ilbery and Bowler, 1998). In sum, the post-productivist transition period represents a reversal of trends established during the productivist period and the processes of intensification, specialisation and concentration have been replaced by those of extensification, dispersion and diversification (Bowler and Ilbery, 1998).

"In general there is a process of redefining the role of agriculture and farmers in society, assigning them new functions beyond the traditional ones related exclusively to food production" (Estrada, 1995: 349). As a result there has been the evolution and

integration of the concept of multifunctionality into the 'European Model of Agriculture' – which is itself an attempt to shift away from the traditional view of agriculture and food production and to give farming a wider role in the sustainability of rural areas (Frawley, 1998; Cahill and Shobayashi, 2000; Laurila, 2000).

This process of change has created uncertainty and an important identity crisis among farmers, the state and the institutions that serve them. As Estrada (1995: 349) pointed out:

> "... in this changing process the agricultural sector is not adopting a unified position, such as was usual under the old corporatist discourse. On the contrary, a plurality of positions is emerging among farmers and their organisations, which can be differentiated according to the role that they assign to agriculture and rural society and the content of agricultural policy that they propose".

He went on to suggest that at least three different ideological discourses have emerged and are presently co-existing:

- the entrepreneurial discourse which supports the production orientation of the productivist era;
- the neo-rural discourse which favours a plural and diversified conception of agriculture and rural society; and
- the agricultural fundamentalist discourse (presently limited but potentially a strengthening one) which argues for a return to the protectionist system and proclaims the traditional values of agriculture and rural society.

At European policy level it appears that the neo-rural discourse presently has most influence and may therefore, dictate the future form which agriculture will take. However, much may depend on national governments and the efforts they expend on altering national and sub-national conceptions of agriculture. Hall (1993) proposed three levels or orders of policy change. The first is the altering of existing measures, for example, changing levels of price support. The second is the introduction of new policy instruments or mechanisms, for example, the introduction of the Rural Environment Protection Scheme (REPS). The third relates to the fundamental reappraisal of policy principles among the policy elites. All three depend to a large extent on the political and bureaucratic desire and will to change. "At the European Commission level it has been realised that diversification of the rural economy is essential to the professional life not

only of the non-farming population in rural areas but also to farmers and farm families. The question is whether the principles of this major structural change are accepted and internalised by national European governments as well" (van den Bor *et al.,* 1997: 138). In any case given the present policy context the impetus, indeed necessity, exists to find new ways of generating income from farm resources.

Responses are not confined to policy-makers and state institutions, farmers – individually and collectively – are active participants in the restructuring process. Since the early 1980s they have been adjusting their businesses and farming practices, indeed few farms remain unaffected by the macro processes of agrarian change.

A range of farm level adjustment strategies has been identified in the literature (Marsden *et al.,* 1986; 1989; Munton, 1990; Bowler, 1992b; Whatmore, 1994; Gillmor, 1995). For present purposes these can be classified into four broad types (adjustment strategies are discussed further in Chapter 3): (i) the continuation of productivist commercial farm practices; (ii) the diversification of farm enterprises; (iii) the practice of traditional or extensive farming; and (iv) disengagement from farming. As real farm incomes decline and the options to intensify production are curtailed, the once unappreciated option of supporting farm income through diversification into non-traditional farm practices has grown in importance. This is why much emphasis at policy level is now placed on diversifying the rural economy. Diversification is viewed as one option open to rural communities as the restructuring process demands that new directions be taken.

It is in this evolving context that the following section examines farm-based diversification.

2.6 Farm enterprise diversification

2.6.1 Towards a definition of farm enterprise diversification

The growing importance of the potential for farm operators to diversify into innovative and market-led new activities has received attention in the academic literature since the mid-1980s (see for example, Carruthers, 1986; Haines and Davis, 1987; Ilbery, 1987, 1988; Slee, 1989; Mcinenery *et al.,* 1989; Ilbery, 1991). It is somewhat of a misnomer to associate the development of AFEs with 'new' farm practices or enterprises, in many cases the introduction of what is now considered a non-conventional enterprise was standard practice on farms before the onset of the industrialisation and modernisation processes discussed earlier. For example, in the past butter-making would have been a common task for many farm households, now it is viewed as a 'novelty' or 'alternative' activity. Similarly, as Slee (1989) noted, cheese-making and keeping guests were activities common on medieval English farms.

As mentioned in Chapter 1, there is no single precise definition of farm diversification. Indeed as McInerney *et al.* (1989: 6) pointed out, it is "not amenable to very precise definition" since it covers a wide range of possible activities and enterprises are time and place specific. The National Farmers' Union (1986: 2) in the UK examined diversification and concluded that it covers "a multitude of situations which can often only be adequately defined as *doing different*". They classified 'different' options into a number of broad categories. Firstly, adjusting inputs to produce conventional products in a different way, for example, converting from a conventional to an organic farming system. Secondly, adjusting farm practices to introduce a different enterprise to meet market demand and substitute for imports, as for example, in the case of snail production. Thirdly, adjusting conventional produce by further processing and/or innovative marketing of the produce, for example, making yoghurt and promoting it in the local market as a quality, local farm product. Fourthly, adjusting the farm business to incorporate non-food enterprises, for example, the development of self-catering accommodation units.

Slee (1989: 2) defined diversification as "those enterprises taking place on predominantly agricultural-proprietal units which are not based on the primary

production of food and fibre and fall outside the price support mechanism of the Common Agricultural Policy." The latter criterion may no longer be relevant but at the time of publication (1989) it was quite valid. Gilg *et al.* (1991: 439) referred to the "nebulous nature of diversification and suggested that it was a convenient catch-all, whose nature and boundaries are imprecise, and thus (could) be adjusted to suit pragmatic or expedient requirements." Based on the work of Griffiths (1988), these authors distinguish between *agricultural diversification* which "remains focused within the farming system and is a continuation of the production-orientated dynamic" and *structural diversification* which "involves at least an implicit acceptance of non-farming roles, because orientation is outwards from farming and into the wider community" (Glig *et al.,* 1991: 441). McInerney *et al.* (1989: 6) proposed that emphasis should be placed on 'non-conventional' activities, claiming that diversification involves the adoption of income-earning activities outside the range of conventional crop and livestock enterprises associated with agriculture. Griffiths (1988) emphasised the importance of marketing and processing and defined farm diversification as farm-based activities not directly concerned with producing crops or livestock and which involves marketing contact outside the agricultural industry.

Another approach adopted by a number of authors has been to focus on the resource base of the farm. Shucksmith and Winter (1990) suggested diversification to be the use of farm resources on-farm for producing either 'new' agricultural products or non-agricultural products. Developing this, Ilbery (1991) referred to the "diversion of resources (land, labour, capital) which were previously committed to conventional farming activities." A debate has surrounded the incorporation of the 'labour resource', because as Ilbery (1991) outlined, it is not clear whether all farm family members residing on the farm should be considered as part of the farm business resources, especially if they have full-time off-farm jobs. However, some authors advocate the inclusion of off-farm occupations arguing that it is a diversified source of income (see for example, Shucksmith *et al.* (1989), Gasson (1987; 1988), Dalton and Wilson (1989), Fuller (1990) and Mackinnon *et al.* (1991)). For example, Deslauriers *et al.* (1991) viewed diversification as being associated with an increase in the number of income generating activities produced both on and off the farm. However, this broader concept of diversification, more generally known as pluriactivity, brings into focus a distinction

between 'on-farm' and 'off-farm' adjustment strategies. Griffiths (1987; 1988) employed this distinction, defining farm diversification as 'farm-based' activities not directly concerned with producing crops or livestock and which included marketing contacts outside the agricultural industry. Ilbery (1991) restricted his definition to 'farm-centred' activities and excluded income generated from, and labour involved with, off-farm activities. Kelly *et al.* (1992) and Gillmor (1995) adopted a broadly similar approach again restricting their investigations to 'farm-centred' activities outside of the mainstream of conventional agriculture.

Further research by Ilbery *et al.* (1996) focused more specifically on refining the type of activities to be considered and on precising the nature and type of labour resources to be included. It identified entrepreneurial ability as an additional resource attribute for consideration and narrowed the labour resource to only those members of the farm household who worked on the farm, i.e. those involved with agricultural production.

Building on these various definitions, farm diversification in the present research is defined as:

> *the adoption and development of alternative ('new', non-traditional or uncommon) farm enterprises (AFEs), through the recombination of the factors of production (land, labour (only farm family members having some involvement with agricultural production), capital, entrepreneurial ability), within the farm business and within a specified spatial unit.*

As discussed in the previous chapter, diversification is place and time specific. The spatial component is very important as diversified activities can only be locally or regionally defined, i.e. what are traditional or non-traditional products and activities for a specific area is decided *within* that area.

2.6.2 The incidence of farm diversification

As mentioned in the previous chapter (see Section 1.3.1), research to date on diversification has highlighted the great number and variety of enterprises that can be considered as AFEs. As noted by Ilbery (1991) and Gillmor (1995) there are inconsistencies in definitions employed, in the interpretations of what constitute AFEs and in the sets of enterprises included in individual studies, which creates problems in attempting to compare study findings. Some authors have tried to differentiate between

broad categories of types of diversified activities to assist meaningful comparisons – a full discussion of these and their conceptual underpinnings is included in Chapter 3. Here, only a few are cited as examples to inform the reader of the array of classificatory systems used. As mentioned earlier, Griffiths (1987: 1988) distinguished between *structural* and *agricultural* diversification. The former included activities geared outwards from the farm, the latter grouped enterprises that had a 'farming' focus. Napton (1992) identified two general types of on-farm diversification in the United States, *entrepreneurial* which he related to innovative or niche activities, involving relatively few farm businesses, serving limited markets and *industrial* which involved activities with a higher incidence, that had the backing of some of the state institutions and agri-business companies and produced output for a less specialised market. Ilbery (1991) using elements of 'structural' and 'agricultural' diversification and building on the work of McInerney *et al.* (1989) – who classified diversification into five main categories (services, contracting, processing and sales, speciality products and miscellaneous), suggested a sixfold classification of enterprises: (i) tourism; (ii) adding value to farm enterprises; (iii) passive diversification; (iv) unconventional enterprises; (v) farm woodland; and (vi) agricultural contracting.

Although varying classificatory schemes have been used in the different studies, they can be used to give an indication of the relative importance of broad enterprise type groups (Gillmor, 1995). For example, McInerney *et al.* (1989) estimated that 42 per cent of agricultural holdings in England, 34 per cent in Wales, 23 per cent in Scotland and 7 per cent in Northern Ireland had undertaken some form of diversification. The most popular type of enterprise adopted in England and Wales related to the service category (33 per cent) and were mainly associated with tourism and recreation activities. Next most common were contracting enterprises (26 per cent) followed by processing and sales (19 per cent), speciality products (13 per cent) and finally miscellaneous activities (9 per cent). The main types of diversification found by Ilbery (1991), in his study of the West Midlands urban fringe, were strongly biased towards structural diversification, i.e. direct marketing (46 per cent); farm recreation (21 per cent); farm accommodation (16 per cent); and processing (13 per cent). Among Scottish farmers, Dalton and Wilson (1989) found tourism and recreation enterprises to predominate and estimated that in total 13 per cent of the farmers had diversified. In

more recent work Ilbery *et al.* (1997) reported that 28 per cent of a sample of farm operators in the North Pennines had diversified. McNally (2001) in examining records from the Farm Business Survey (FBS) in the UK found hirework to be the most common form of diversification (40 per cent); second came the letting of farm buildings, reported by 30 per cent of the sample. Again, the emerging trend was towards structural diversification.

As mentioned in the previous chapter, research relating to farm diversification in the Irish context is quite limited. Agricultural and other official statistics are of limited value, largely because there is no 'official record' of the number of diversified farms or the nature of enterprises adopted (this issue is discussed further in Section 2.7 below). Various schemes operate which fund the development of different AFEs, but the data is not collated and so it is difficult to accurately estimate the incidence of diversification among Irish farmers.

Examination of a database held by the research, training and extension organisation, Teagasc, in 1992 revealed the following range and uptake of AFEs: small-scale livestock enterprises (horses, goats, rabbits, deer, mink, hens etc.) 30 per cent; agri-tourism activities 20 per cent; small-scale crop enterprises 15 per cent; craft enterprises 12 per cent and mushrooms 10 per cent (Downey and O'Brien, 1992). In a survey of farmers in county Wicklow, Kelly *et al.* (1992) found 68 per cent of the AFEs were classified as structural diversification (mainly tourism and recreation activities) and the other 32 per cent agricultural diversification (mainly new animal and farm woodland enterprises). Examining sources of farm family income for 250 sampled farms in counties Donegal and Louth, Phelan and Kinsella (1994) reported that only 3.6 per cent of the farm households had adopted an AFE. However, a further 14.8 per cent indicated that they were interested in investing in one. The most popular AFE type was tourism followed by forestry, horses, mushrooms, deer and to a lesser degree cheese-making and apples.

In assessing the extent of farm diversification, it is not just the number or proportion of adoptive farmers that are relevant but also the degree of their involvement (Gillmor, 1995). The majority of diversifiers in the East Midlands study earned less than one

tenth of their income from their AFE(s). McInerney *et al.* (1989) reported that one third of respondents stated that diversification added nothing to their income and a further one third claimed that it contributed less than 10 per cent. McInenery and Turner (1991) suggested that AFEs are generally conducted on a relatively small scale and usually represent a minor source of income. However, despite this, one third of respondents in their survey reported that income generation was the main reason for developing the enterprise. Of the 38 Wicklow farmers offering information on income, in the study by Kelly *et al.* (1992), more than half reported earning less than 25 per cent of their income from their alternative enterprises. Indeed, only a minority obtained more than half their income from their diversified activities – the authors noted a strong bias towards 'agricultural diversification' among these respondents. McNally's (2001) examination of diversified farms in the FBS also found that diversification earnings were only a small proportion of average net income with the exception of retailing which she found accounted for approximately 30 per cent of total farm business income.

In sum, evidence from research conducted to date suggests that AFEs make relatively low contributions to total farm income. Findings are reflective of the supplementary nature and role of these enterprises and of their scale relative to conventional mainstream farm enterprises.

2.6.3 Factors influencing farm diversification

The adoption of AFEs reflects a prior process of decision making which determines the nature and type of the diversification adjustment undertaken. The process of decision making and therefore the AFE(s) chosen, or indeed those considered but rejected, depends not only on the given farming system, but also on the 'internal' features of the farm business, including farm household members and their understanding of the 'external' or contextual conditions of the business (Evans and Ilbery, 1989; Ilbery *et al.,* 1997; van den Bor *et al.,* 1997). These 'internal' and 'external' factors combine to provide incentives, opportunities, barriers and constraints for farm level adjustment. Also, they impact on the values, attitudes, goals and expectations of key actors - both on and off the farm. The consequence is a diversity of outcomes - as evidenced by the heterogeneous nature of AFEs and the variation in rates of adoption of each enterprise type.

In order to fully explore and understand the process of diversification, it was important to identify the most influential factors and incorporate them into the framework for analysis.

Reasons for farm diversification are quite well documented (for example, see Ilbery, 1987; 1991; Evans and Ilbery, 1989; Kelly *et al.,* 1992; Gillmor, 1995). Income generation is the most important motivating factor. McInerney and Turner (1991) found it was mentioned as a consideration by 90 per cent of their respondents. Ilbery (1987; 1991) and Bowler *et al.* (1996) in their studies of the Birmingham urban fringe, the West Midlands and the North Pennines respectively, also found income supplementation to be most frequently mentioned as a reason for diversifying. Similarly, in County Wicklow, perceived income benefits encouraged farmers first to consider and then to adopt chosen AFEs. The majority (four fifths) of farmers in the Devon survey also reported a desire to maintain or improve income as a primary influential factor (Glig *et al.,* 1991). Again, a similar situation appears to exist in the United States where income supplementation was found to exert a major influence on decisions to diversify (Napton, 1992). In general, findings support the view that diversification is primarily a response to the problem of falling farm incomes (Byrne and Ravenscroft, 1989; Slee, 1989).

However, while obviously very significant, income is nevertheless not the only consideration. A range of other factors is evidenced in the literature. For example, Haines and Davies (1987) proposed that a desire to continue in farming was very influential. McInerney and Turner (1991) and Ilbery (1987) found the availability of underutilised resources (land, labour and capital) to be a strong stimulus. These findings were replicated in other studies (see for example, Kelly *et al.* (1992) and Bowler *et al.* (1996)). In the case of the North Pennines study, AFE adopters also cited untapped markets, the need to create employment for family and non-family members and farm location as having been influential in the decision to diversify. Personal reasons, environmental concerns, quality of life factors, availability of state financial supports (predominantly grant-aid), utilisation of under-utilised resources and a desire to meet and interact with 'new' people are other reasons identified by these studies.

Hence, a wide range of factors may motivate farm families to consider diversification with some being more important than others depending on the nature of the enterprise being considered, the opportunities as perceived by the farm operator and the circumstances within which the farm business is located.

Of course, identifying opportunities and acting upon them is largely dependent on the *ability* of the farm family. Thus, the personal attitudes, attributes and skills of family members are critical in influencing the decision to diversify. Gillmor (1995: 169) suggested that personal traits such as imagination, adaptability, determination, enthusiasm, entrepreneurial ability, personal interest and aspirations for certain standards or qualities of living, can be important characteristics when incorporating or attempting a 'new' or 'uncertain' enterprise.

There is growing evidence in the literature that the diversification process is somewhat selective. Research has shown that it is the younger, more educated operators who are more disposed towards introducing alternative enterprises to their businesses (Ilbery, 1987; 1988; 1989; 1992; Kelly *et al.,* 1992). The uptake of afforestation grants in the Republic of Ireland during the period 1986-1991, clearly illustrated the importance of 'demographics' to adoption rates (Hannan and Commins, 1993; Commins and Frawley, 1995).

Also, larger farms are more likely to be involved than are smaller ones. As McNally (2001: 248) noted "farmers that have accumulated greater assets over time may be in a better position to take advantage of any opportunity to become involved in contract work for other farmers (using their own machinery) or to rent out farm buildings for tourists". Gasson (1988) commented that larger businesses were in more favoured positions since they had more assets against which capital could be raised for developing diversified enterprises. Commins and Frawley (1995) reached a similar conclusion, stating that the adoption of AFEs and the survival of commercial farming were more likely to be where there are younger operators with capital, enterprising attitudes and a willingness to take risks and change. Shucksmith and Smith (1991) suggested that AFE adoption was a more attractive option for larger farms businesses because they have capital to re-deploy. Operators of smaller farms are less likely to

have capital and usually can only re-deploy their labour, which in turn restricts the range of alternative enterprises suitable for adoption.

However, McInerney and Turner (1991) found that underemployment of labour and the desire to create employment for family members, were important motivating factors. Kelly *et al.* (1992) reported that most of the labour involved with AFEs in Wicklow was family labour.

Several papers (Kelly *et al.*, 1992; McInerney and Turner, 1991) have highlighted that diversification is associated with family composition and stage in the family life cycle. Evidence to date, suggest certain types of AFEs tend to be associated with certain members of the family, for example, the involvement of farmers' wives seems to be particularly related to the development of accommodation and food enterprises.

Studies have been consistent in reporting that an association between diversification and farm type exists. McInerney *et al.* (1989) found dairy and LFA livestock farms to be less diversified than other types of farms. In Northern Ireland, England and in Wales it was found that diversification was least common on dairy farms and most frequent on arable farms (Magee, 1990; McInerney and Turner, 1991). A lower incidence on dairy holdings was reported also by Ilbery (1988), Kelly *et al.* (1992) and Ilbery *et al.* (1997) in the Birmingham, Wicklow and North Pennines studies. McNally (2001) found farm businesses classified as horticultural, pigs and poultry or dairy were less likely to engage with diversification. As these studies cover a twelve year period and findings are consistent, it may be proposed, that rather than it being a 'temporal' or particular 'phase' of AFE development which disfavoured dairy farms, explanation for the apparently low involvement of these farmers is more likely to lie in the fact that dairy enterprises have higher labour and time requirements throughout the year, relative to other enterprises. This is obviously a limiting factor on the participation of these operators in diversification. Gillmor (1995) associated their lower involvement with their relatively higher incomes and therefore, lower need to diversify to supplement income.

The positive influence of state incentives – usually in the form of grant aid – on farm diversification is another frequent finding in the literature. As already mentioned the availability of financial assistance can motivate farmers to consider the adoption and development of enterprises funded. However, specific schemes to encourage diversification tend to be limited in scope and there are indications that they need to be more specifically focused or targeted towards farmers most in need (Gillmor, 1995). For example, research carried out be Ilbery and Stiell (1991) and Ilbery (1992b) revealed that the response to the National Farm Diversification Scheme (FDGS) in the UK, in general, was quite poor and when farmers did express an interest and participated they tended to be on the larger farm units, with higher income and more and better resources. In the Republic of Ireland, grant aid is available (as discussed below) both under specific measures for farm diversification and under more general enterprise and rural development schemes.

One of the most dramatic examples of how grant aid can impact on farm-level decision making is in relation to private afforestation in the Republic of Ireland. Planting was 134 ha in 1979, but with the introduction of generous grant aid from the early 1980s it rose to 9,217 ha. by 1989 and escalated to 20,000 ha. by the mid-1990s (Gillmor, 1992a; Lafferty *et al.,* 1999). Thus, the availability and level of state financial support can potentially have a significant impact on the adoption and development of AFEs.

Like any newly proposed adjustment strategy, farm diversification needs to be promoted and explained to the farming community. Support services have a crucially important role to play in the dissemination of information concerning AFEs. Indeed given the array of possible enterprises that could potentially be adopted, the number of organisations a farmer may have contact with, increases substantially when exploring the option of diversifying. Such organisations may exert considerable influence on the adoption or non-adoption of AFEs. As outlined by Gillmor (1995) while the purpose of many of them is to facilitate the development of different enterprises, the number of agencies with which the farmer has to interact may, in fact, be more of a hindrance than a help. "Problems noted to date relate to the time involved in contacting and interacting with a range of different organisations, excessive paperwork from the farmers'

perspective and the confusion that sometimes results from conflicting messages from different agencies" (Gillmor, 1995: 175).

2.7 Farm diversification: Irish policies and institutions

Agriculture has always played an important role in Irish socio-economic affairs - influencing the country's heritage, its resource endowment, its culture and its institutional arrangements. The autonomous role of the state, the inherited institutional framework and the ideologies underpinning national policies are all influential factors impacting on the process and pace of agricultural restructuring in the Republic of Ireland.

The emphasis of Irish policies has changed in line with that outlined in Section 2.4 above. In keeping with the change in focus from productivist to post-productivist agriculture, national policy actions have shifted from encouraging increased production to promoting a more diverse range of objectives incorporating, in particular, concerns about the environment (Frawley, 1998; Gillmor, 1999a; 1999b).

EU policies are highly influential in the restructuring of agriculture and the development of local rural economies in Ireland. The European Commission in 1988 in its report on *The Future of Rural Society* set out the vision that informs and underpins present European policy initiatives. This was the first official document to acknowledge that conventional agriculture alone could not solve the problems of the farming or rural population (Cuddy and O Cinneide, 1990). It proposed a multisectoral approach to the development of rural areas based upon the concepts of integration, co-operation, co-ordination, partnership and empowerment.

This approach was not entirely new in the Irish case as many of the principles included were in fact enunciated in the Republic of Ireland in the 1960s (O'Hara and Commins, 1991). In the case of agriculture for example, the first plan for Economic Development, published in 1958, the Second Programme for Economic Expansion (1962) and the Third Programme for Economic and Social Development (1968), brought about

increased state involvement and expenditure in agriculture and a recognition and acknowledgement that not all farms could be commercially viable. In particular, the 'Second' and 'Third' Programmes sought to address the needs of an emerging category of small farms displaying viability problems (Gillmor, 1977a; 1999a; Walsh, 1991a; Walsh and Gillmor, 1993). Efforts were made to enhance off-farm job opportunities through policies designed to encourage the dispersal of industry to rural areas; direct income support was introduced for operators of small holdings under the Small Holders Unemployment Assistance or 'farmers dole' (Grimes, 1988); grants were paid to farmers implementing an approved development plan under the Small Farm (Incentive Bonus) Scheme; the Pilot Area Development Programme provided intensive advisory services in an attempt to enhance farm business performance; and the role of *other activities* (forestry, tourism, industrial/processing enterprises) in supplementing farm family income, continued to be promoted. Thus, while the introduction of AFEs is perceived to be a relatively new venture for most Irish farmers, the concept of farm diversification is not new to Irish policy makers.

Various mentions have been given, in different official documents (see below), to the potential of combining non-conventional agricultural enterprises with farming to maintain or increase economic viability. However, it is essential to point out that no domestic policy action was implemented *specifically* to encourage farm diversification until the late 1980s. At this time the renaissance in rural development thinking in the Commission led to the promotion at national level of a diversified rural economy, including diversified farm practices. Reform of the EU Structural Funds in 1988, resulted in the establishment of Community Support Frameworks within which Operational Programmes could be developed. Since 1989, Irish policies and programmes have been heavily influenced by what it has been possible to include under the Framework and its related Operational Programmes. In consequence, Irish policy measures have explicitly incorporated an emphasis on diversification from conventional lines of agricultural production and on the development of 'other' economic opportunities in rural areas.

For example, the National Development Plan 1989-1993, the Programme for Economic and Social Progress (PESP) 1991, the Programme for Competitiveness and Work 1994

and the Programme for Prosperity and Fairness 2000 outlined the Government's commitment to facilitating agricultural and rural restructuring. National policy measures mirror those of the EU in advocating the development of both agricultural and non-agricultural alternative enterprises on farms thereby legitimising farmers' participation in enterprise diversification.

The primary difference between the type of diversification that occurred prior to the 1980s and enterprise development since, relates to the variety of opportunities being identified by and for farm operators. The Government, in the National Development Plan 1989-1993, stated that it proposed:

> "... to provide aid under on-farm investment measures for sectors which have been relatively under-developed in Ireland, and which would facilitate and accelerate the movement of enterprises away from surplus products" (National Development Plan, 1989: 64).

Also, stemming from EU policy there has been increasing emphasis on 'rural' issues at the national level. The significance of this is reflected by changes in institutional structures. The general agricultural institutional environment has expanded its interests to incorporate farm enterprise diversification and rural development issues. Such incorporation tactics and inclusive rhetoric are common among state agencies, most notably the Department of Agriculture[2]. This Department is overtly recognised as the core decision-making authority in relation to the agricultural sector; however, since the mid-1980s its remit and functions have notably expanded to cover forestry and rural development.

As mentioned above, the European approach emphasised the concepts of partnerships, co-operation, co- ordination and empowerment. The first three concepts were not new in the Irish context. Organisations were integrated into the general socio-economic policy environment through their involvement with the social partners - an institutional sharing of perceptions by the Government, employers, employees, representational

[2] Throughout this thesis the Ministry for Agriculture is referred to as the 'Department of Agriculture,' even though under different administrations the title of this Department would have differed.

groups etc., relating to overall socio-economic development. However, the formal nation-wide consultative process involved in the development of the Operational Programmes opened a new chapter in Irish institutional interrelationships. Ireland's centralised political and administrative structures, which were traditionally noted for their conservatism, were challenged by the concept of empowerment - the proposed devolvement of power and the decentralisation of decision-making authority.

The 'Community Support Framework' provided for an *Operational Programme for Rural Development* (OPRD). The overall objective of the OPRD was:

> "... to maintain and strengthen the rural community, to improve the quality of life and to foster a sense of community identity among people living in rural areas. The aim [was] to diversify the rural economy so as to provide greater employment opportunities and improved incomes, thus creating the basis for a viable self-sustaining community" (Department of Agriculture and Food, 1990: 17).

This Programme provided assistance for the development of small and medium businesses, for increased research and development, for increased marketing in the food sector, for the establishment and provision of suitable training courses and for the diversification of rural - including farm - enterprises. The Department of Agriculture had responsibility for the implementation and co-ordination of the overall Programme. The amount of funding made available was IR£103 million, IR£64 million of which was provided by the EU. The selective development measures that contributed to the overall strategy for rural development were grouped into five sub-programmes:

Sub-Programme 1: Diversification of the rural economy
Sub-Programme 2: Small and community enterprise
Sub-Programme 3: Rural infrastructures
Sub-Programme 4: Research, development and marketing in the food sector
Sub-Programme 5: Human resources

Under *Sub-Programme 1* grant aid was, for the first time, made available to farmers and rural dwellers *specifically* for the development or expansion of certain alternative enterprises. Enterprises selected were those which were thought to hold the best potential in terms of viability and market opportunity. Aid was usually 50 per cent of costs in the LFAs and 40 per cent elsewhere. Animal enterprises under the scheme included: the breeding of sport horses, deer, goats for milk, meat and fibre, commercial

rabbits for meat and fibre and greyhound breeding. Grant aid for horticultural development was primarily for production and marketing purposes. The enterprises included were field vegetables, apples, mushrooms, protected crops such as tomatoes, peppers and aubergines, nursery crops, potatoes and organic produce. These were continued under the Operational Programme for Agriculture, Rural Development and Forestry 1994-1999 (OPARDF).

While a specific Tourism Operational Programme existed, it was acknowledged that this did not cater adequately for the development of agri-tourism. Under Sub-Programme 1 of the OPRD a specific measure was included in an effort to realise the full potential of rural tourism. Its aim was to provide an opportunity for farm families and rural dwellers to generate additional income. There was a very strong emphasis on group applications. Grant aid was provided at the rate of 50 per cent in the LFAs, 40 per cent elsewhere, for leisure facilities and at 20 per cent towards accommodation subject to expenditure and not exceeding 50 per cent of the total investment. The rate for accommodation was increased for specific areas characterised by a shortage of visitor accommodation. An overall investment ceiling of IR£250,000 was set for group applicants. Grant aid was not confined to groups comprised solely of farmers, but at least half of the investment had to be *on-farm.* In the case of individual farmers, an investment ceiling was placed at IR£50,000 and all of the investment had to be *on-farm.* While the Department of Agriculture had responsibility for implementing the OPRD, grant aid for agri-tourism projects was administered by Bord Fáilte - the Irish Tourist Board and Shannon Development (see Appendix 1). Dissemination of information, application procedures and assessment of completed applications involved collaboration with the seven Regional Tourism Organisations.

While the Government had long promoted forestry as a priority area for investment, both in terms of public planting and private afforestation, motivating interest among the farming community took considerable time and effort (Gillmor, 1992a; Hannan and Commins, 1993). "The forestry element of the Western Package and the farm forestry and compensatory allowances schemes, under the agricultural structures regulations, heightened awareness and generated a new openness towards forestry on the part of farmers" (Forestry Operational Programme, 1989: 41). Implementation of the Forestry

Operational Programme provided generous incentives to encourage continued interest in and expansion of private afforestation. In particular, farmers could avail of grant aid of up to 85 per cent of approved planting costs. The rapid changes in the forestry sector (referred to earlier) prompted the reorganisation of public forestry management. The Forestry Service of the Department of Energy was given responsibility for the implementation of the Forestry Operational Programme in relation to private afforestation. Coillte Teoranta, the state forestry company, had responsibility for the implementation of the programme as it applied to state forests. In April 1993, the Government established COFORD - the Council for Forest Research and Development. Its brief was to improve linkages between industry, research, technology and finance, to strengthen forestry research facilities and to improve participation in EU programmes. The above mentioned organisations were responsible to the Minister for Rural Development - the Minister for State at the Department of Agriculture.

The forestry measures incorporated into *Sub-Programme 1* of the OPRD were to complement the measures listed in the Forestry Operational Programme. Enterprises outlined under the sub-programme included: planned recreational forestry, co-operative farm forestry, forest nurseries and demonstration farm forests.

Sub-Programme 2 provided assistance to help small local projects and small businesses to establish. In some cases seed capital was provided or assistance towards the cost of professional expertise. *Sub-Programme 3* concentrated on national infrastructural improvements namely, harbours and roads, while *Sub- Programme 4* was designed to strengthen the research and development support for the Irish food processing sector. The final sub-programme, *Sub-Programme 5,* outlined plans to provide training in three specific sectors - agriculture, including diversification from traditional enterprises, forestry and fisheries.

Any process of change involves four basic stages. The first is an evaluation of the current position, the second involves initiation of a process of change, in the third stage change is implemented and finally, in the fourth stage, the change adopted becomes routine. Acknowledging the importance of stimulating awareness of and interest in the diversification schemes included under Sub-Programme 1, the Government designated

responsibility for promotion of the schemes and for development of the necessary skills to ensure their success, to Teagasc, the national agricultural research, training and advisory service. The Government stated that:

> "... in order to fulfil its role Teagasc [would] re-orientate its activities by re-allocating its staff and resources to generate a level of awareness and interest in order that rural dwellers [could] actively participate in the alternative enterprise schemes. ..... Teagasc [would] forge links with marketing structures to ensure that all developments were market-led, and that marketing opportunities and a capacity to exploit them existed before investment was undertaken"
> (Department of Agriculture and Food, 1990: 18).

Concurrent with the operation of the OPRD, the EU initiative, LEADER (Liaison entre Actions de Development de l'Economie Rurale) was implemented. The appointment of the Department of Agriculture to administer the Irish LEADER Programme reinforced the influence and power this Department had. The LEADER Programme, by definition, embraces a multisectoral approach to development. While the Department does have a 'Rural Development' section, it is primarily concerned with agriculture and questions have been raised relating to its suitability for this particular role and to the degree of control it is maintaining in relation to the approval of grant aid for projects. In many cases, farmers have received assistance from the individual LEADER groups to develop alternative enterprises on their farms. Other partnerships and facilitatory groups with potential to impact on diversification included: the rural PESP companies (4); the county enterprise boards (26); rural community development projects (6); groups funded by the Global Grant administered by Area Development Management Ltd. (ADM) (28) and the business innovation centres (3).

It seems likely that state support for rural diversification will continue. Of particular importance, in the context of this study is the Government's commitment to continue encouragement and support for farm diversification measures.

Of course policy instruments and supports for rural development and farm enterprise diversification have not been limited to initiatives taken by the EU and the national government, or to those emanating from agricultural organisations. A large number of organisations operate within a wide variety of sectoral fields and fulfil a multiplicity of

functions, which have made important contributions to the development of AFEs. Some have been involved with farm diversification long before AFEs came into *vogue.*

Development agencies such as the former County Development Teams and presently Shannon Development, financial institutions, e.g. commercial banks, marketing bodies both public and private, producer co-operatives, e.g. the venison co-op and representational groups, e.g. Irish Countrywomen's Association (see Appendix 1), have supported and encouraged the maintenance of agricultural communities, through a variety of individual and/or collaborative schemes, both prior to and since the 1980s. The number and heterogeneity of these organisations and the fact that some are not farm specific makes recording and collation of data extremely difficult.

The absence of an official and/or comprehensive database for on-farm diversification means that no suitable benchmark or baseline numbers exist for comparative purposes which makes monitoring and evaluation of the outcomes of the relevant sub-programmes and schemes difficult.

At the 1991 Agricultural Census approximately 2,000 farms reported having gainful non-agricultural activities, over half of which involved farm tourism and recreational activities. In general, indications are that despite the fact that interest was high in all measures under Sub-Programme 1 and all available funds were committed, progress with diversification has been relatively slow. Figures for the Operational Programme 1994-1999 are not yet finalised[3]. Information is available, however, on the number of grants paid for housing and handling facilities for alternative enterprises (horses, deer, goats and other AFEs) over the four years 1995-1998. The total number of grants paid was 2,967, or about 18 per 1,000 farms over 2 ha in 1991. The overall uptake was quite low at approximately 2 per cent[4]. The average grant approved typically ranged between IR£7,500 and IR£8,300, reflecting the relatively small-scale and nature of alternative enterprises in the Irish context.

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[3] Personal communication with officials in the Department of Agriculture, July 2001.

[4] This should not be interpreted as the proportion of Irish farmers who have diversified as these figures are indicative only of applicants under Sub-Programme 1 of the OPARDF and do not include farmers who have diversified and who have received funding under other schemes, or who have received no funding.

2.8 Summary

There has been a fairly significant process of restructuring of European agriculture since the 1940s. The period can be broadly sub-divided into two sub-periods, the first from the 1940s until the early 1980s, the second from the early 1980s, throughout the 1990s and is continuing presently. During the former period emphasis at both policy and farm levels, not alone in Europe but in all developed countries, focused on increasing agricultural production and technical efficiency on farms. During the latter period the focus shifted, initially at policy level and then with the impact of policy change, at farm level, to give much greater attention to extensification, conservation and diversification, in an attempt to curtail output from mainstream agricultural enterprises and enhance environmental protection. This process of change, commonly known as the 'post-productivist transition', resulted from growing budgetary pressures caused by mounting food surpluses; growing international trade pressures; growing concerns and increasing pressures from environmental interests; growing disparities between regions; and the weakening 'political' position of agriculture vis-à-vis the strengthening *rural* agenda.

In this context, policy makers began exploring mechanisms to curb production from mainstream agricultural enterprises and to identify 'new solutions' to the continuing problem of sustaining farm family incomes, particularly, those of the smaller, less commercial holdings.

Within the EU, the first significant signal of inherent change came when the Commission outlined a new European vision for rural communities in its report on *The Future of Rural Society.* This essentially redefined the role of agriculture in the rural economy. Subsequent reform of the CAP in 1992 attempted to: make agriculture more responsive to conditions of the open market; reduce agricultural output by placing quotas on conventional enterprises and decoupling financial supports from production (replacing them with direct income supports); and redefine the role of the farmer from that traditionally accepted, i.e. of primary food producer, to a broader notion of being a rural entrepreneur and custodian of the environment.

The general thrust of the 1992 MacSharry reforms was strengthened with the acceptance of the 'European Model of Agriculture' and its incorporation into the Agenda 2000 Agreement in 1999. Identifying and promoting 'new' ways for farm families to maintain or increase income has become even more important now. Policy measures were introduced since the late 1980s to encourage and facilitate farmers in maintaining their viability. Among these were schemes supporting the protection of the environment (REPS), the development of organic farming and the diversification of farm enterprises.

In response to the move towards post-productivist policies, many farm families have adjusted their farm businesses. Some have availed of the option to diversify and have incorporated 'new' or 'alternative' activities into their businesses.

Although AFEs have been promoted for over a decade, there is, as yet, no precise definition of what constitutes diversification. This is largely because of the difficulty in overcoming the time and place specificity of 'alternative' enterprises. Some authors have referred to this as a constraining factor on research into diversification. While it does admittedly make comparing and contrasting research findings difficult, it is not an insurmountable problem, particularly if the *process* of diversification is to be investigated and understood as opposed to the nuances of the various AFEs.

To date limited research has been undertaken relating to diversification. However, studies that do exist provide useful insights into the various aspects involved. A review of the available literature revealed an association between diversification and a number of factors: the personal attributes of the farmer and other family members; the available resource endowment of the farm business, including its location; the nature and type of existing farm enterprises; the market potential of the various AFEs; the availability of state financial incentives; and farmer interaction with external organisations.

In the Republic of Ireland, despite official emphasis on diversification at policy level, farmer interest in, and involvement with, the adoption and development of AFEs appears low. The absence of a comprehensive database of diversified farms is perhaps an indication that despite the policy emphasis, the commitment and seriousness with

which this adjustment strategy is being taken is questionable. Interest in diversification has been limited also in academic and research circles. Thus, there is a general absence of information and knowledge relating to the process and characteristics of diversification on Irish farms. Given that it seems likely that the macro drivers of change will continue over the next decade, mainstream agricultural enterprises are likely to provide a declining share of agricultural income. There is therefore, a growing need to examine other ways of generating income and so the option of incorporating AFEs - or indeed some other adjustment strategy - may have to be embraced by more Irish farm households. In this context, it is important to have an understanding of the *processes* involved in diversification and adjustment. It is intended that the present research will contribute to the development of such an understanding.

CHAPTER 3

DEVELOPING A THEORETICAL FRAMEWORK FOR INVESTIGATING FARM DIVERSIFICATION

"We need theories to make sense of and to systematically organise our data" (Mann, 1994: 42).

3.1 Introduction

Traditionally the agricultural sector formed a very important component of global, regional and local (rural) economies. Under advanced capitalism, its role has been significantly diminished. As a result, agriculture has lost much of its previously distinctive characteristics and is now absorbed within the wider more general socio-economic context. Simplistic agricultural practices have given way to increasingly complex and diversified systems of production. In particular, as outlined in the previous chapter, "farm activities have come under the influence of agri-industrial systems that supply an increasing range of farm inputs and create new products and processes beyond the farm gate" (Commins, 1990: 45). Consequently, theoretical approaches and conceptual frameworks underpinning analyses of agrarian change required modification and expansion. Conceptual advances since the mid-1980s reflect the academic interest in, and socio-economic relevance of, the contemporary agricultural transition. Agricultural restructuring is influenced by the reorganisation of physical, political, economic and socio-cultural structures; understanding these changes requires a robust, yet sensitive, conceptual and methodological framework. This chapter outlines relevant theoretical work in agricultural geography to date and develops a conceptual framework for examining enterprise diversification within the context of changing farming systems.

3.2 Conceptualising agricultural change

Theoretical concepts relating to farmer/farm family behaviour and agrarian change have varied over time according to the particular aspects of agricultural development forming the focus of attention. Prevailing philosophical and intellectual trends have also contributed to the status of different explanatory models at different points in time, as have general political and economic conditions within which farmers operate. Because a broad range of issues needs to be addressed, for example farm resources, personal characteristics of the farmer/farm family, economic conditions of the farm business, access to information, interaction with external agents, policy and market trends etc., the range of intellectual viewpoints which has emerged is quite broad. Therefore, any attempt to identify key theoretical concepts inevitably involves selectivity and simplification - the nature of which is, of course, determined by the objective of the exercise, in this case, the search for a conceptual framework to facilitate understanding of the process of farm diversification. These limitations are recognised in the following overview.

3.2.1 Neo-classical approaches

In most commentaries, agricultural economists are credited with early conceptualisation of farm level behaviour and agricultural change. Belonging to the neo-classical school, they developed economic models of behaviour based on empirical analysis rooted in positivist methodologies (Ilbery, 1986).

The neo-classical perspective focuses primarily on farming as a *business* and on the farmer as *the sole* decision-maker (Marsden *et al.,* 1986; Gasson *et al.*, 1988; Bowler, 1989; Gasson and Errington, 1993). Implicit is the idea that individuals make *rational* economic decisions based on *complete* information and with the primary, if not sole, objective of *profit maximisation* (the concept of *'economic man'*). The approach implies that individuals respond in the same manner to specific stimuli, thereby instigating uniform response throughout the sector. Perfect competition is assumed and under such conditions a large number of farmers may produce an identical product for which there is

a single market. Market prices are independent of the actions of individual farmers and marked growth in agricultural productivity stems from market-induced technological development. The market is viewed as a self-correcting mechanism and other transformative forces, for example, scientific developments, political opinion, institutional and social structures, are significant only in so far as they are responses to the activities of the market (Commins, 1990). This approach has been used widely by agricultural economists in identifying the optimal use of farm resources, for example, in linear programming, partial equilibrium and simulation models (Wolpert, 1964) and by geographers in developing spatial models, for example, Von Thunen's land use model, Weber's model of industrial location and Christaller's central place theory.

Despite the contributions made by such models, numerous criticisms emerged and have been summarised by Healey and Ilbery (1990). Of central concern are the underlying assumptions, most of which have been disproved. Principally, the assumption of perfect economic behaviour based on complete knowledge is no longer tenable. "Rational economic man is not encountered in real life" (Gasson and Errington, 1993: 89). Decision-making behaviour is increasingly influenced by non-economic factors because entrepreneurs (farmers) pursue different goals, e.g. financial survival, preservation or improvement of standards of living/quality of life, maintenance of control of ownership, power of decision-making etc. Papandreou (1952) and Williamson (1964) identified that farmers like other individuals seek to maximise utility, and that social as well as economic goals may comprise utility functions. Simon (1957), Wolpert (1964) and Pred (1967) associated variations in farmer decision-making with subjective 'satisficing' behaviour (implying multiple goals) and 'resource constraints' (for example, farm size, financial capital and limited personal/human resources), introducing the more feasible concept of 'bounded rationality'. Risk aversion behaviour, uneven access to information, imperfect use of knowledge (Ilbery, 1985; Gasson and Errington, 1993) and the complexity of the global agro-food industry as we enter the twenty-first century are some other factors limiting the credibility of this assumption.

Another concern is the lack of sufficient attention to the complexities of the real world. Externally determined transformative processes, i.e. processes beyond the control of the

individual farmer/farm family and not stemming directly from the influence of the market, are ignored. Coupled with this is the lack of emphasis on the dynamic nature of the restructuring processes. Neo-classical models tend to be static and ignore the changing nature of the farm economy and the agricultural population. Consequently, they tend to be specific and cannot be applied universally. Perhaps their most salient limitation is their conceptualisation of the role of the state. Within the broad construct of the neo-classical tradition, the state is viewed as an independent arbitrator, an entity that facilitates equally all sectors of society and intervenes in the market only to iron out imperfections. Under advanced capitalism the influence of the state (and indeed the suprastate) has gained momentum. In theory, the state can intervene at various levels and for a variety of reasons. Formulation of international and national policies towards agriculture is a complex and politically sensitive process. Various lobby groups, corporations and vested interests can pressurise governments to a greater extent than others, thereby calling into question the 'neutrality' of government intervention (Commins, 1990). Also, state policy objectives may not necessarily coincide with policy outcomes. It is now acknowledged that state agricultural relations are highly complex.

Growing discontent and disillusionment in the late 1950s with empirical economic models emphasised their limited explanatory powers. The models provided theoretically optimum descriptions against which real outcomes could be compared; but they did not *explain* how real outcomes manifest themselves. Essentially they failed to advance understanding. This initiated two types of response: the modification of theory and the innovation of new methodologies.

3.2.2 Behavioural approaches

What followed was an attempt to redress the imbalance between ideal behaviour and actual behaviour, between economic forces and social instruments and between the objectivity of science and the subjectivity of human behaviour. Following Ashby (1953), it was increasingly accepted that farming was not only a business but also a way of life, and as such, the goals and objectives of individual farmers were central to an understanding of action at the farm level.

The behavioural approach sought explanation for differences in agricultural patterns and changing agrarian structures by focusing particular attention on the fact that "farming patterns result from a multitude of individual decisions" (Gillmor, 1987: 20). Central to the approach was recognition of the ability of individuals to generate a variety of responses to similar change stimuli. Decisions taken by farm operators were believed to depend on a range of internal influential factors, including but not exclusively based on economic criteria. Behaviouralism replaced the single objective of *profit maximisation* found in the normative models, with the more realistic principle of *bounded rationality,* and expectations of '*satisficing*' behaviour were substituted for expectations of '*optimising*' behaviour. Pred (1967) suggested that decisions differ because of unequal access to and use of information. Discrepancies occur where human resources (for example, intellectual and analytical ability, skill and levels of previous experience) and access (both in quantity and quality) to knowledge external to the farm unit are uneven.

Advancing the behavioural approach, Found (1971) introduced the significance of the *context* within which decisions are taken. Referring to this as the *behavioural environment*, he acknowledged that fundamentally decisions are taken within the context of perceived reality (Phenomenal Field Theory). Since perceptions vary from farmer to farmer, explanation for variability of response could be uncovered by examining the factors impacting on perceptions, e.g. levels of education, value systems, motives and aspirations, personal experience, disposition towards risk and innovation. At issue here is the ability to transform information about the objective environment both internal and external to the farm business, into a subjective or behavioural environment upon which decisions are based.

Behavioural models took a substantial step forward when Gasson (1973) developed a typology which classified farm based decisions according to a hierarchy of personal values of the operator. Her value orientations ranged from *instrumental*, where farming is viewed as a means of obtaining an income, through *social*, where farming is conducted for the socio-cultural status and interrelationships it imparts, and *expressive*, where farming is viewed as a means of self expression or personal fulfilment to *intrinsic*, where farming is valued as an activity in its own right. The results of her study "suggest

that farmers bring a strongly intrinsic orientation to their work, instrumental values being rather less significant and social values least so" (Gasson, 1973: 534). Testing the typology Ilbery (1983) and later Gillmor (1987) have shown that the assumptions of normative decision making models are not upheld, maximisation of income is not necessarily the most significant farming objective. Similarly, Ward and Lowe (1994) highlighted the importance of social factors in farm management and planning and Murdoch and Marsden (1994: 135) emphasised that "farmers have increasingly differing attitudes and objectives ..... [which] are not simply economic but relate to social and cultural considerations also".

Building upon 'information models', 'adoption and diffusion models' emerged to explain variation (behavioural and spatial) in rates of modernisation. These models interpreted the differential adoption of new behaviour or new innovations as being primarily a consequence of degrees of personal motivation. Five types of adopter were identified from 'innovators' to 'laggards', each group being attributed particular farm and personal characteristics. The model suggests that information and knowledge 'diffuse' from key source centres, for example, research centres, through intermediaries, for example, extension agents, to the farming population. The flow of information may be formal or informal and may display spatial clustering tendencies.

While these models have made contributions to behavioural research they have also been subject to a number of significant limitations which are only summarised here (see Clark, 1986; Gasson, 1988a; Morris, 1993 for more detailed discussions). Firstly, the framework places strong emphasis on the personal characteristics of individuals and assumes that all have equal opportunity to access information. It therefore overlooks the temporal dimension to information dissemination, and the contextual situation within which the decision-maker is located, as key influential variables on adoption. Secondly, insufficient attention is paid to the appropriateness of the innovations under different conditions. Thirdly, it overlooks the fact that the failure of people to adopt new ideas may lie more in blockages at the structural level than at the level of the individual, as for example, might be the case if shortage of capital or land prohibits adoption or if extension agencies are inaccessible or ineffective. Fourthly, as highlighted by Buttel

(1996: 18), virtually no attention is given to the macro-structural dimension of agricultural production by the model.

Growth of the behavioural perspective focused attention on the need to investigate the social as well as the economic processes underlying changing agricultural patterns (Gillmor, 1987). Whilst it did much to inform the debate concerning decision-making behaviour at farm level, like the normative economic approach, the behavioural perspective failed to provide a comprehensive explanation for divergent trends. From a theoretical standing the approach proved disappointing. It provided description but little in the form of explanatory power; it provided little insight into the role and operation of the agricultural sector within the constraints of the wider social and economic system; and it didn't address the consequences of state intervention to decisions taken at farm level. Methodologically the emerging models were weak, depending on individuals to report in detail their decision-making strategies after decisions had been reached, a process which can become contaminated by *post hoc* rationalisation (Ilbery, 1986). Again, like neo-classical models, behavioural models tend to be static and have limited spatial applicability, being more suited to investigations at the level of the individual farm or to small spatial units than to studies at regional or national levels.

Despite their failings, the behavioural models, when taken together, did increase awareness of the multi-dimensionality of the process of farm-based decision making. Bringing into focus the role of factors internal and external to the farm business, behaviouralism provided the initial insights into, and stimulus for, a two-dimensional approach which allows analysis at both the micro (farm) and the macro (structural) levels.

3.2.3 Political economy approaches

Reacting to dissatisfaction with the neo-classical and behavioural approaches, attention began to be directed towards interpreting changing agricultural systems as part of a much broader macro ordering of socio-economic structures (see Redclift, 1984; Marsden *et al.*, 1986; Friedmann, 1986 and Long *et al.*, 1986, for detailed discussions of the development of this perspective). "The traditional Marxist assumption that the forces of

competition and centralisation of capital [would] eventually transform all types of productive activity formed the critical starting point for the evolution of this perspective" (Marsden *et al.*, 1986: 501). It was proposed that in order to fully understand agricultural change it was necessary to comprehend the dominant forces of the capitalist economy. Transformations within the macro system (for example, technological innovations) were conceptualised as agents of change impacting to varying degrees on the agricultural sector, leading to different responses at farm level, which in turn manifest themselves as different geographic patterns at different spatial levels. In other words, this structural approach sought to conceptualise action/behaviour on the farm within the context of its wider socio-economic and political situation – 'action in context' (Ilbery *et al.*, 1997). Identifying that decision-making behaviour is not completely detached from the external farm environment, and that members of the farming community are conditioned and constrained by external factors beyond their immediate control, political economy departs from previous attempts at conceptualisation by providing a coherent interpretative framework within which structural variations can be *explained* (Redclift, 1984: 5).

Based on the Marxist assumption that the capitalist mode of production gives rise to economic and political forces which transform agriculture, a key element of this theorisation is the class power exercised by the various fractions of capital (industrial, landed, financial etc.) and the subsumption of farm businesses by external capitals (for example, input firms, food processors, bank and credit corporations) (Marsden *et al.*, 1986). In effect farmers and their families become increasingly dependent on external capitals and these source agents in turn increase their propensity to determine what happens within the agricultural sector. Essentially, the perspective is valuable in *explaining* structural influences on agriculture, including the role of the state, in identifying how family farms adapt in response to external forces, and in its applicability throughout the sector and across farm types.

Whatmore *et al.* (1987a, 1987b) developed a useful typology of farm businesses based on their internal and external relations of production. Defining 'direct' subsumption as the process by which control of the means of production, i.e. ownership of land, capital,

labour and power of decision-making, is transformed, and 'indirect' subsumption as the process by which the farm family becomes increasingly dependent on external services (for example, financial, advisory, marketing), the typology highlighted how external factors can impact to varying degrees on farm business production systems and on the ability of the farm (farm family) to generate output and income.

However, as the strengths of the political economy perspective evolved so too did its weaknesses. In emphasising the "need to view change on the farm within the wider development of production relations within advanced capitalism" (Whatmore *et al.*, 1987a : 34), the approach in effect caused a shift in the focus of investigation. By placing increasing emphasis on the role of external capitals, it tended to neglect the role of the farm family as an agent of change, and led to an over-deterministic and even fatalistic interpretation of the ability of farm families to shape their futures. Long *et al.* (1986), Vandergeest (1988) and Evans and Ilbery (1989) criticised the stress placed on external forces of change at the expense of those being affected by them. For example, Evans and Ilbery (1989: 259) complained that "in the haste to show how societal structures determine behaviour, individuals have been relegated to the role of non decision makers", and proposed that "the political economy approach as it applies to agriculture should be modified to incorporate a behavioural element. Such an element would recognise that individuals are 'active' agents in the shaping of their own destinies".

Further points of criticism of the political economy approach include: its lack of clear interpretation of the meaning of commoditisation as it pertains to farmers; its inability to fully explain resistance to subsumption by some farm families; its over-emphasis on capital and the economic drivers of change or its under-representation of the political and cultural dimensions of change; and its lack of attention to the manner in which the state intervenes to manage or transform agrarian trends. In Buttel's (1996: 20) opinion, a fundamental problem with the approach was its underlying "presumption that the major dynamics of agrarian change were to be found *within* the agricultural sector itself", leading to the tendency to ignore inter-dependencies and influences across sectors.

Modifying the political economy approach

Reacting to the deductivist nature of the approach, critics (Munton *et al.*, 1988; Moran, 1988) sought to re-conceptualise transformations occurring by reintroducing the role of human agency. While farmers' behaviour may be constrained by conditions external to the farm, farm level decision-making does nevertheless occur (Gasson and Errington, 1993: 71). As Ward and Munton (1992) argued there is a need to understand farm level processes of change and the abilities of individual farmers and their households to negotiate their own futures.

Acknowledging the need to combine the economic, political, social, structural and ideological contexts within which agricultural systems must operate, a modified political economy perspective emerged, and still enjoys currency. It stresses the need to be ever vigilant of farmers' responses and their strategies as crucial elements in the struggle between producers and external capitals (van der Ploeg, 1985: 54) and it seeks to understand structure and agency and the complexity of the dependent relationships which exist at the micro level (internally within the farm), at the macro-level (externally within capitalist society) and between these internal and external environments of the farm business. Focusing on the interface between the internal and external behavioural environments shifts attention away from simple description of particular changes and the roles of the various change agents in shaping the outcome of the change process, to *how* change is actually induced and the degree of *control and influence various actors* have in determining the direction of that change. Also, it allows for greater understanding of the variation in response at farm level to similar external forces, and raises awareness of the role of the state in directing farm level adjustments (Marsden *et al.*, 1990). From the point of view of the present research, the main utility of the modified political economy perspective lies in its conceptualisation of the interdependencies between the external and internal farm environments.

Acknowledging individuals as pro-active actors

Utilising Bourdieu's (1990) concept of *habitus,* Shucksmith (1993) proposed viewing micro level behaviour as the outcome of a combination of individuals' 'disposition to

act', material resources at their disposal and external contextual conditions within which their decisions are made. *Habitus* (as outlined by Bourdieu (1990)) disposes individuals to behave in particular ways. It is a process by which instinctive or tacit knowledge evolves and acceptable behaviour is established. Thus individuals may have aspirations, goals and interests but strategies pursued (behaviours to achieve these) may subconsciously be modified by *their understanding* of what is acceptable and *their perceptions* of what is achievable. Thus, as Shucksmith (1993: 468) pointed out, "many options potentially open to farmers (including many unusual forms of diversification) may never be seriously considered because they are literally *unthinkable*".

Although useful in integrating individuals' motivations and values with structural factors (internal and external to the farm household) and in enhancing understanding of variations in behaviour patterns, this approach does have a number of limitations. Firstly, although seeking to explain variation, it categorises individuals and suggests that behaviour may be predicted, implying a deterministic characteristic to behaviour. Secondly, identifying the enduring aspects of the 'disposition to act' requires depth knowledge of the individual's 'world view', a view which is virtually impossible in practice to establish.

Long's (1989) 'actor oriented perspective' is another attempt to consider the individual. It overcomes the determinism of other approaches by acknowledging the individual (farmer) as a knowing and active subject who has information, can process it, use it to make decisions and develop strategies, and can act upon these. He emphasised "the importance of taking full account of 'human agency', which means recognising that individuals ..... attempt to come to grips with the changing world around them" (Long, 1984: 171).

The approach has similarities with phenomenological and social interactionist approaches (Long, 1984). It accepts the potential of external structural forces to drive change and indeed, to manipulate farmers' views, but emphasises that analysis should focus on individuals as active agents responding to changing contextual conditions, rather than as passive recipients of change. McEachern (1992: 161-2) echoed this view

arguing that "the level at which various practices and logics are so culturally embedded that they seem natural to farmers is a very important one". However, he also cautioned that it is important to bear in mind that "these taken for granted meanings can change with new circumstances". Long (1989) proposed that farmers actively deal with changing agricultural circumstances by incorporating and interpreting them *within* their own life experiences. This suggests that while new information is being assimilated it is also being modified. He proposed that an interplay and mutual dependence exists between external and internal factors. In essence, it is the farmer's subjective interpretation of the meaning of external factors, for example, the introduction of a new policy instrument, which determines his/her reaction to it, and the success or failure of the external change factor (policy instrument) is dependent on farmers' collective reactions to it. In other words, the two dichotomies of actor/agency and structure do not exist independently. Variations in individuals' dispositions towards modified external conditions mean that a new change introduced may be considered an opportunity by one farmer and a constraint by another.

While Long (1984: 171) emphasised the importance of taking account of human agency, he also stressed the necessity to take into account other factors (both internal and external) which influence decision making and farm based change:

> " .... even if we focus on decision making at the level of the individual farmer, this does not commit us to explaining his actions simply by reference to his own imputed beliefs ..... we would have to take account of the influence of the various sets of social relationships in which he is embedded, both within and beyond the farm/household" (Long, 1989: 226).

As well as social relationships Long also identified institutional relationships as important. He suggested that it was important to investigate the institutional networks farmers are implicated in because, as institutional influences become incorporated into the farmer's 'world view', they become an integral part of the farmer's knowledge base and may, therefore, influence decisions taken. The approach allows analysis of farmers' behaviours from *their own* perspectives while facilitating understanding of the individual within the system. In this way both agency and structure are addressed.

van der Ploeg (1985: 5), reacting against theories that assume farmers' behaviours are predetermined by "pre-established and hardly changing management models," employed the actor-oriented perspective in investigating diverging farm development patterns in north Italian dairy farms. Beginning from the premise that farmers are conscious decision makers, who develop strategies oriented towards specific goals, he showed that farmers in *similar* contextual circumstances can rationally construct *different* styles of farming and consequently be implicated in different networks of relations with external agents. In another study (van der Ploeg, 1993) he demonstrated how the impacts of environmental movements on farm structures and farming styles are highly variable and are shaped by culture and locality. McHenry (1994) successfully undertook actor-orientated research in examining farmers' interpretations of changes in agriculture and the move to agri-environmental policies. Herrman and Shucksmith (1994) adapted the approach to investigate cultural as well as structural influences on actions taken. These studies have been instrumental in illustrating the applicability of the actor-oriented approach and in supporting the integration of micro and macro level factors in analysing agrarian change.

The most significant shortcoming of the actor-oriented perspective is that, in striving to incorporate the individual, it gives too much emphasis to the role of the farmer in 'dealing with' contextual conditions at the expense of other factors. While the approach does bring the individual and the system together, it fails to devote adequate attention to the dynamics of interactions between the farmer and his/her external environment. van der Ploeg (1985: 20) touched on this point:

> "using an actor-oriented approach as a research strategy does not imply an ontological thesis. While it is true that a narrow network of mutually reinforcing economic and institutional relations is *man made* in the sense of being partly the result of an active role of the farm manager, one cannot abstract from this simple fact that, once established, the same order functions also as a *man coercive order*".

Long and van der Ploeg (1988) identifying the problem, and acknowledging the critical role of intermediate structures that link the farm/farm family with the wider system, provided a useful starting point for the development of a 'knowledge systems approach'. By focusing on the factors orientating behaviour and strategies and on the inter-

relationships and roles of various social and institutional networks or groupings, the systems approach can be instrumental in explaining "differentiated strategies towards and outcomes of apparently similar structural conditions" (Long and van der Ploeg, 1988: 39). The approach focuses on how individuals (farmers) and other actors (extension agents, bureaucrats, industrialists, research institutes, policy makers, etc.) generate, reproduce and transmit knowledge/information. Interactions are viewed as part of an ongoing process of "negotiation, adaptation and transfer of meaning" (Long and van der Ploeg, 1988: 39). By exposing the underlying assumptions and rationales of the various actors and the basis for the reproduction of these (e.g. the institutions and interactional networks that function to maintain them), explanations can be uncovered for differential behavioural strategies, given similar contextual conditions, both on and off the farm.

The framework allows networks of influence and inter-dependence to be identified and examined, and adds depth to understanding the dynamics of encounters between the different actors (individuals and institutions) at different spatial levels (local, regional, national etc.). However, the application of such a multi-level approach, which systematically analyses micro-level farm based decision making, meso level intermediate organisations and macro level agrarian structures, is a difficult research task.

Ward and Munton (1992), in conceptualising agricultural environment relations, employed the use of a 'knowledge systems approach'. They identified that farmers are bombarded by, and seek advice from, off the farm agents, but that they continually reinterpret such advice in the light of their experience and the objectives of the farm household. Marrying this with insights from the political economy perspective, they emphasised the utility of two concepts: 'negotiation' and 'strategy'. While 'negotiation' is the process by which farmers mediate and interpret external information, 'strategy' orders the 'negotiation' process in that farmers have goals and aspirations they seek to achieve. Therefore, Ward and Munton (1992: 133) concluded "negotiation incorporates aspects of conscious reflection, rationality and constrained choice, all of which are embedded in the concept of strategy."

Theoretical underpinnings and conceptual approaches reviewed above have many similarities - elements in each overlap to some degree - and all have aspects of relevance to the present research. Much attention has been focused on taking account of both structure and agency. However, it is important to bear in mind that there is a fundamental difference in viewing and explaining the forces of change between the position adopted in a structural perspective and that employed by the agency or micro approach. The former considers change to be a consequence of a given set of external macro forces impacting on and shaping individuals' actions, the latter views change to be the result of collective individual action. While the approaches aid conceptualisation of the determinants of structural change, a comprehensive understanding of the strength of the various components, and the mechanisms by which they exert influence on the change process, remains a significant gap in the literature. There is a need to provide a synthesis that conceptually brings the two levels of understanding together. The 'knowledge systems approach' attempts to build such a bridge by seeking to explain change by examining the inter-relationships and inter-linkages between micro circumstances and meso and macro level influences. While approaches have been discussed in an abstract sense above, the following section focuses on how the process of farm diversification might be conceptualised and, in particular, how a 'knowledge systems approach' may be employed to facilitate analysis of institution (structure)/farmer (agency) relations in the process of farm enterprise change.

3.2.4 Farm diversification: A systems approach

In investigating the process of enterprise diversification, a 'knowledge systems approach' is appropriate. The perspective taken is that, in order to fully comprehend differential rates of participation by the farming community in adopting alternative enterprises, it is necessary to understand the perceptions and attitudes of *both* farmers and intermediaries, the mechanisms by which these become known and accepted, and the ways in which they can be negotiated, adapted and mediated. This involves examination of behavioural and structural factors, the interface between both types of actors and the ideologies and dialogues underpinning and lending support to actions. In less abstract terms, farmers make decisions based upon the individual circumstances of their families and farm businesses. However, their views on the range of strategies

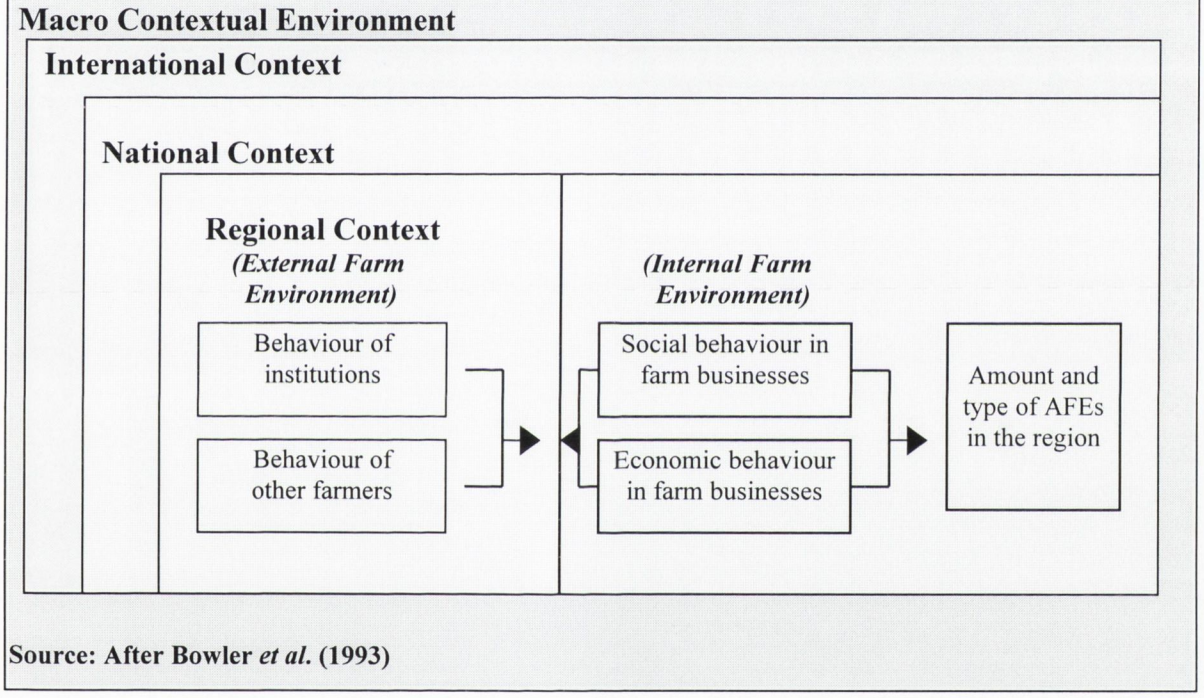
available are framed in the context of their knowledge of the resources and opportunities available to them, and the constraints that they face from factors external to their immediate business. Policy and other relevant organisations form a very important component of this 'contextual' or 'behavioural' setting. Through their action, or indeed in-action, institutions send messages (information), either directly or indirectly, to the farming population. These are then interpreted by farmers and incorporated into their own 'world views'. Based on their interpretation of the context in which they must act, farmers respond with particular decisions, for example the decision to diversify. Institutions operate in a similar manner. They have their own set aims and objectives which they strive to achieve (see section 3.3.2 below). However, they too must function within the constantly changing broader contextual setting. Like farmers, they observe the world around them, including farmers' responses to various change stimuli (for example, the introduction of a new policy instrument), formulate opinions and accordingly adapt behaviour. There is a *reciprocal* relationship between the behaviour of organisations and their farming clients. Hence, it is important to examine the dynamics of how opinions are formulated, interpreted, transferred and maintained; to analyse, from the actors' perspectives, encounters which occur; and interpret these in the context of wider macro trends in economy and society (for example, changes emanating from the global process of agricultural restructuring). The process of farm diversification, in the Irish context, lends itself particularly well to such an analysis, in that formal efforts to actively encourage farmers to diversify were only introduced in 1989, hence a starting point can be recognised which is within the recall period of most actors.

While the knowledge systems approach provides a comprehensive interpretative framework, to fully implement it one needs more specific conceptualisation of the three primary components of the approach, i.e. individual (farmer) behaviour, organisational behaviour and farmer-organisation encounters.

3.3 Farm enterprise diversification: A conceptual framework

Conceptually, the amount and type of farm enterprise diversification in a region could be influenced by sets of factors both 'internal' and 'external' to individual farm units (Djurfeklt, 1981; Newby, 1987; Evans and Ilbery, 1989). Figure 3.1 illustrates the links between the 'internal' micro farm environment and the 'external' socio-cultural, economic and structural macro environment.

Figure 3.1: Contextualising farm enterprise diversification



Source: After Bowler *et al.* (1993)

The diagram is useful also in demonstrating that complete understanding of the process of diversification can be gained only by examining both these environments at a variety of spatial scales, i.e. local, regional, national, inter - and supra-national levels. Obviously such an exercise is beyond the scope of an individual researcher with constrained resources. For this reason, the present research decomposes the environment 'external' to the farm unit into its two main components: the 'contextual' and the 'institutional' environments. Macro-trends in economy and society, including the

internationalisation of industrial and financial capital, the repositioning of agriculture within the wider socio-economic context, changing consumer demands, national and EU agricultural policy instruments etc., are recognised as important influential factors but here they are treated as contextual components and are not themselves the research focus. Instead, when considering the external environment, emphasis is placed on investigating the influence of institutions or organisations on the adoption of AFEs, with particular concern for the organisation-farmer interface and how the institutional environment functions to impact on changing farming systems.

With the development of AFEs contextualised within two 'environments', attention can be focused on locating diversification within the range of adjustment strategies available to farmers. The adaptation perspective emphasises the range of responses which farm families are able to make in the context of their changing circumstances. Marsden *et al.* (1986) proposed three types of household strategies: accumulation (continually investing in the farm business), survival (diversifying activities, taking an off-farm job, reducing personal consumption, relying upon pensions and savings) and hobby farming (deriving income from non-farm employment or other business interests). Munton (1990) went further and outlined seven elements of adjustment (Box 3.1). Four of his strategies related to changes in the characteristics of the farm business, while the remaining three referred to possibilities for generating income both on and off the farm. He included diversification in the latter group. Griffiths (1988) placed the decision to diversify at the upper end of a continuum which differentiated farmers' strategies according to the extent and nature of the adjustments involved (Box 3.1) - productivity improvements being at the lower end of the scale, not requiring much change in farm work practices, and off-farm work at the upper end, signalling a shift away from farming as the primary occupation.

Box 3.1: Farm adjustment strategies - some options

A. Munton's farm adjustment strategies

1. Farm enterprise change - changing the emphasis of the farm enterprises (e.g. expanding sheep while contracting dairy enterprise)
2. Labour change - usually by substituting family for hired labour in order to reduce costs, but could be an increase in hired labour
3. Business structure change - usually be changing from sole operator to a partnership to reduce tax
4. Tenure change - either by buying land that was previously rented or by selling owner occupied land and leasing it back
5. Size change - buy or sell land either to expand the farm business or to finance restructuring
6. Economic centrality change - increase (or decrease) income from off-farm sources, thus changing the economic centrality of the farm business to the farm family household
7. Diversification change - increasing income from non-farming enterprises based on the farm (e.g. bed and breakfast or farm shop)

Source: Munton (1990: 5-6) cited in Ilbery (1991: 208)

B. Griffiths' income generating strategies for the farmer

Small	- productivity improvements (i.e. change in the numbers and, or mix of conventional enterprises)
Conceptual distance from conventional farming	- work on other farms - agricultural diversification - structural diversification - non-farm work on the farm
Great	- non-farm work off the farm

Source: Griffiths (1988) cited in Gilg *et al.* (1991: 439)

Adapting the political economy typology of Whatmore *et al.* (1987a), Bowler (1992a) identified a number of restructuring strategies or 'pathways' of farm business development (Box 3.2). To these a seventh can be added 'retirement from farming'. Viewed in this context, the development of AFEs represents two of seven possible choices for the farm business. However, the 'paths' are not mutually exclusive. It is conceivable, for example, that 'path 4' (pluriactivity – interpreted here as taking an off-farm job) could be combined with 'path 2'(agricultural diversification) while at the same time maintaining 'path 1' (commercial farming). The business typology can be refined further as regards its various paths of development as shown in Box 3.2. However, while it is possible in the general business cycle for farms to progress from 'pathway 1' through to 'pathway 6' or '7', once marginalised is it highly unlikely for a farm business to move back to 'pathway 1' (Ilbery *et al.*, 1997).

Box 3.2 Pathways of farm business development

I. ***Continuation of agricultural production***
(i) Extension of the industrial model of farm business development based on traditional products and services
(ii) Redeployment of farm resources (including human capital) into new agricultural products or services on the farm (agricultural diversification)

II. ***Diversification of the income base***
(i) Redeployment of farm resources (including human capital) into new non-agricultural products or services on the farm (structural diversification)
(ii) Redeployment of farm resources (including human capital) into an off-farm occupation (Other Gainful Activity - OGA - pluriactivity/part-time farming)

III. ***Marginalisation of farming***
(v) Maintenance of traditional farm production and services
(vi) Conversion to hobby or semi-retired farming (winding down)

IV. ***Disengaging from farming***
(vii) Retirement from farming

Source: Based on Ilbery (1997) and Bowler (1992a)

For example Paths 2 and 3 can be further refined utilising the typology of farm diversification developed by Ilbery (1988)

Investment strategy	**Description**
Agricultural diversification	Woodland/forestry Contracting Crop products Animal products Organic farming
Adding value to farm products	Direct marketing Processing
Farm tourism	Accommodation Recreation/leisure activity

Finally, in conceptualising diversification, a distinction needs to be made between different forms of diversification. As discussed in Chapter 2, Griffiths (1988) effectively distinguished *structural diversification*, where activities are geared outward from the farm and towards the public as, for example, is the case of value added by processing or tourism activities, and *agricultural diversification*, where activities remain within the arena of what is considered to be the job of the farmer, for example, unconventional crops and livestock, farm woodland and organic farming. Distinctions can also be made between enterprises which are market and production driven, between those which are small scale and those which involve a major change in farm procedures, between those which are cheap and those which are more costly to develop, and/or between those

which receive industrial/institutional support and those which do not (Napton, 1992). Given that diversification is place specific (as noted in previous chapters), the types of enterprise coming under these latter categories vary from region to region. However, from a conceptual perspective, the value of these broad classifications lies not so much in developing a typology of activities, but rather in indicating that adopting an AFE inevitably brings the farm family into contact with 'new' external influences. It extends the external environment of the farm business and impacts on relations the farm family has with external actors. Consequently, any study of the process of diversification must take into account not only the farm's external environment but also its 'modified' external environment once an AFE is considered and/or adopted *and,* importantly, the interface between farmers and those intermediaries involved with AFE development.

In summary, therefore, three conceptual elements are helpful in understanding the process involved in farm diversification: (i) the 'internal' behavioural or decision environment of the farm; (ii) the 'external' institutional environment, and (iii) institution-farmer/farmer-institution relations.

3.3.1 The 'internal' environment of the farm

To survive and be successful, a farm business must be capable of responding to economic pressures and challenges and be able to satisfy the needs and aspirations of family members (Keating, 1989; Gasson and Errington, 1993). The farm and farm household create a set of characteristics which, conceptually, can be referred to as the 'internal' or 'behavioural' farm environment. This environment is unique for each farm business - being dependent upon the individual physical and human resources of the farm unit. Following criticisms of the structuralist perspectives, it has increasingly been recognised, as highlighted by van den Bor *et al.* (1997: 68), that:

> "... adjustments made by farm households are influenced by their perception of the resources and opportunities available to them, and the constraints which they face, as well as by their individual and collective objectives. Not only will these affect their ability to make adjustments but also their perceptions of what possibilities are open to them."

The decision making process is, therefore, a central constituent in the internal business environment. Influential internal factors include: the size, type and tenure of the farm;

the farming system; the personal characteristics of the farmer/farm household; their aspirations and motivations; stage in family cycle and involvement with socio-institutional networks. Here attention is focused on developing a framework which incorporates these influential variables into the development trajectories of farm businesses, because it is in this context that the option of diversifying is considered and evaluated[5].

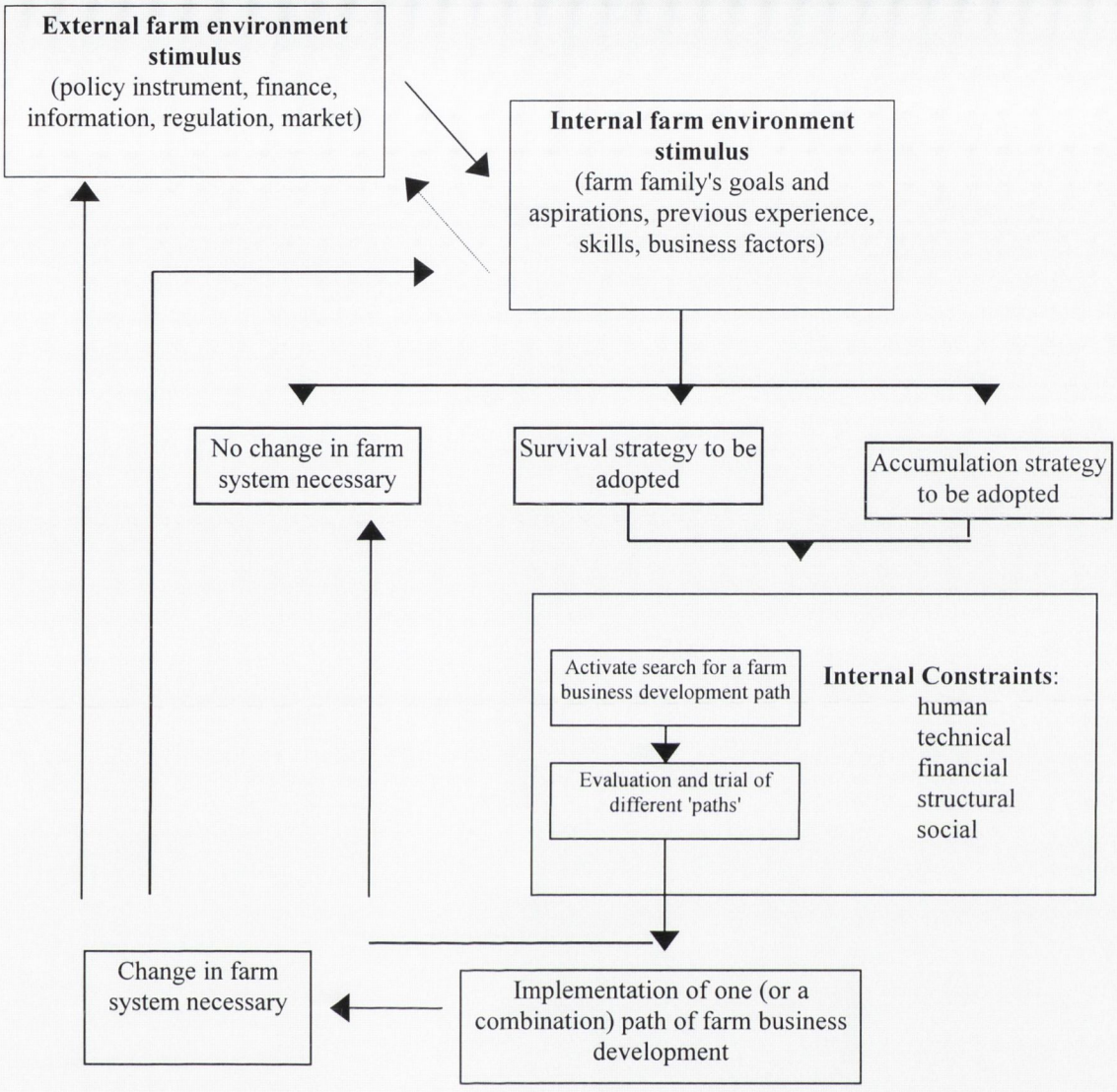
Ultimately, the most important person with regard to AFE development is the farmer, or other farm household member, who wishes to develop an alternative enterprise. The decision to diversify is essentially the end product of a process of investigation and assessment. 'Search-based' decision making models capture the decision process, depicted in Figure 3.2.

These decompose the process into three distinct stages: stimulus, search and choice. Lloyd and Dicken (1977) used the concept of the 'stress tolerance threshold' of a farmer or farm family being exceeded (i.e. an imbalance between expectations and experience) as a trigger to the search for solutions to problems (real or perceived). Here a number of possibilities exist, for example:

(i) the falling profitability of the existing business caused by developments external to the farm - the financial model
(ii) the increasing employment demand internal to the farm family (children of employment age) - the human capital model
(iii) the need to invest further in the farm business to remain competitive - the technology model
(iv) increasing constraints on conventional production (quotas, extensification) - the institutional model
(v) desire for an alternative lifestyle - the sociological model
(vi) absence of a successor - the sociological model.

[5] See Boehlje (1992) for a useful summary of the models needed to examine the totality of farm business dynamics.

Figure 3.2: Decision making process for AFE development



Source: After Ilbery (1987; 1988)

Thus, stimuli can emanate from factors internal and/or external to the farm family business. To establish the stimulus or stimuli for change, information is needed on the social, financial and interaction trajectories of the farm family.

Recognising the need to adjust, the decision-maker begins to identify the available options. The search for an appropriate strategy can be hypothesised to be conditioned by a number of internal factors, for example:

(i) the needs and aspirations of the farmer/farm family - the sociological model
(ii) the openness of the farmer/farm family to new ideas/methods - adoption/diffusion model
(iii) the ability of the farmer/farm family to seek and access information - the human capital model
(iv) the ability of the farmer/farm family to utilise the enabling services available to them - the human capital model
(v) the ability of the farmer/farm family to interpret and effectively use information - the human capital model.

The role of information is central to the search procedure. Information comes from two primary sources - from within the farm family (knowledge and experience of family members) and from external sources (formal and informal). Farmers/farm families vary in the extent to which they seek and use information.

Finally, having considered the options identified, a decision is made. The choice of development 'path' is conditioned by the decision-makers' perceptions of a wide range of criteria including:

(i) the financial viability of the alternative paths for the farm family
(ii) the resources of the farm business (land, capital, labour, entrepreneurial ability)

(iii) the choice behaviour of the farm family, i.e. the goals and aspirations of family members, skills and abilities, alternative labour opportunities

(iv) the stage in life cycle of the family

(v) the locus of power in decision-making and social relations of production

(vi) the socio-cultural networks in which family members are implicated, their ability, to directly or indirectly, access external advise, finance, training etc., i.e. the supports provided by external intermediaries.

This search-based model of decision making is dependent on a stimulus to adjust. If no stimulus occurs, the search for a new strategy is not activated and there is no change in farm practices. However, "once activated the search begins and will almost certainly involve interaction between 'internal' and 'external' factors. The level of interaction will vary greatly, depending on the type of farm involved and the aspirations of household members" (Ilbery *et al.*, 1997: 141). The environment external to the farm may influence the choice of 'pathway' and therefore, needs to be considered (Bryden, 1993).

3.3.2 The 'external' institutional environment

Consideration of the environment within which agricultural policy is framed and with which farmers interact in running their farms is necessary to comprehend fully the factors that impinge on the adoption of AFEs. As indicated above, the environment external to the farm can be conceptualised as being comprised of two elements: the 'contextual' environment and the 'institutional' environment. The former refers to macro-trends and policies in economy and society, the latter to the wide range of state agencies at supranational (EU), national, regional and local levels, together with an even broader spectrum of non-state organisations. The necessity for incorporating the influence of both state and non-state organisations in investigating agrarian change has been demonstrated clearly by Clark (1982) and by Bowler (1987, 1989). Obviously the two environments are not mutually exclusive, inter-dependencies, linkages and influences exist. However, in the context of the present study, factors conditioning and emanating from the contextual environment, while recognised as important, are treated as contextual and are not the primary focus of the research. Instead emphasis is placed

on the 'institutional' environment, the rationale being that organisations and institutional networks play very significant roles in knowledge/information generation, interpretation, reproduction and dissemination. Farmers liaise with increasing numbers of agencies as they adapt their farming practices in response to rapidly changing policy and market conditions. This positions organisations to directly influence farm level response. In the context of enterprise diversification, where farmers' knowledge of the alternative enterprises may be particularly limited, the role of intermediaries becomes even more significant. Understanding institutional structures, the different knowledge systems and ideologies they operate and how they exert influence is essential in explaining change at the farm level (Long and van der Ploeg, 1988), yet to date, this has been the least researched area in the context of the development of AFEs.

The objective in this section is to provide a conceptual framework within which the functioning of institutions may be understood as they interact with each other and with farmers in the case of the latter's consideration and adoption/non-adoption of an AFE. This involves departing from the main agrarian discourse to consider briefly institutional structuring. An extensive body of literature exists relating to organisational theory. A comprehensive review of this literature is beyond the scope of the present exercise. Instead, key theoretical concepts are discussed which pertain to the way in which internal structures may impinge on the external relations of institutions. Major theories developed to explain the structure and functioning of organisations are identified, and a framework for analysing both internal and external relationships is then proposed.

Key concepts

Organisations have been viewed from many various perspectives, for instance sociology, economics, political science and behavioural psychology, and a very extensive body of literature exists. Each field of study focuses attention on different characteristics and dimensions of organisations. However, while these specific fields of interest and the backgrounds of those involved vary widely, there appears to be a general understanding of what an organisation actually is.

Hall (1991) traced the development of the definition of organisations from that hinted at by Marx, in terms of the reproduction of the means of subsistence and the division of labour, through to contemporary viewpoints. Barnard (1938, cited in Hall, 1991) attempted to define the organisation in terms of the individuals who comprise it. It is the individual, he argued, who has the ability to make decisions, which in turn have direct implications for the organisation. Weber (1947) introduced the concept of the 'corporate group'. This involved "a social relationship which is either closed or limits the admission of outsiders by rules, ... its order is enforced by the action of specific individuals" (cited in Hall, 1991: 29). Weber concluded that there was a hierarchy of interaction and communication internal to these groups which affected members of the group (employees). This hierarchy is best described as the internal division of labour within the group. It followed that there had to be a common purpose toward which effort was channelled. This led to the identification of goals and end products or outputs. It should be understood that goals and outputs can vary, and do not necessarily mean material products - they may include services, information, advice etc.

During the 1960s contributions to the study of organisations by Etzioni (1964) further enhanced understanding of them. He claimed that "organisations are social units (or human groupings) deliberately constructed and reconstructed to seek specific goals" (Etzioni, 1964: 3). Scott (1964) defined organisations as "collectives ... that have been established for the pursuit of relatively specific objectives on a more or less continuous basis" (cited in Hall, 1991: 30-31). However, he also suggested that organisations have distinctive features other than goal specificity and continuity. He listed as examples: relatively fixed boundaries, a normative order, authority ranks, a communication system, and an incentive system which enables various types of participants to work together in pursuit of common goals. The primary characteristic of organisations is, therefore, the collective action of individuals resulting in the integration and structuring of activities focused on achieving a common aim.

Silverman (1976) distinguished formal or complex organisations from the general social system. He stated that "formal organisations have been established for the explicit purpose of achieving certain goals, and possess both rules (designed to anticipate and to

shape behaviour in the direction of these goals) and a formal status structure with clearly marked lines of communication and authority" (Silverman, 1976: 8). Aldrich (1979) contended that organisations are groups that are goal-directed activity systems which have role-differentiation and are therefore boundary maintaining. Bardhan (1989) defined them as the rules and conventions which form the structural framework of social action.

For the purpose of the present study, when reference is made to an organisation or an institution (both terms are used interchangeably because concern is with formal organisations, which have rules and procedures that have become institutionalised) it is understood to mean:

(a) a consciously and deliberately formed entity, whose creation can generally be traced to a particular point in time
(b) a co-ordinated and structured creation made up of people, who through communication, form an internal interaction network
(c) a grouping which has an identifiable boundary
(d) a unit developed to achieve a specific goal or goals. However, such goals (defined as targets) must be interpreted as representing the organisation's intensions at a particular point in time
(e) a unit which can take actions to extend its life either beyond the initial goals set or beyond the lives of its founders.

As an organisation expands its field of activity, it tends to segment itself into functional sub-units (Lawrence and Lorsch, 1967). It follows that the larger the organisation the more highly differentiated it becomes. Division may occur horizontally, i.e. with the formation of different departments of equal standing, or vertically, i.e. with the development of headquarters and sub-branches. This results in role differentiation of staff according to goals or tasks (Blau, 1974). Spatial diffusion of the organisation may also occur. As the system (the set of components interacting to achieve the common purpose) expands and grows in complexity, the probability of internal contradictions developing increases (Benson, 1977; Heydebrand, 1977). Organisations, like any social system, may also contain oppositional forces, for example units, departments or

managers with individual goals which may not coincide, thereby introducing a competitive aspect to the internal functioning of the organisation.

The increasing number of organisations, together with the great diversity of functions which each may have, led Hage (1980) to conclude that the best approach to studying multifunctional organisations may well be to treat each sub-unit/department as a separate entity, especially when the case can be made that the sub-unit/department acts to a large extent independently of the others.

Organisations do not exist in isolation. While much of the literature focuses attention on the internal structuring, management and operation of organisations, it must be remembered that some critics hold that organisations as such are not real, and therefore, cannot have views or power. Here the fundamentally important issue is peoples' perceptions of reality, for this is the context in which decisions are made individually and collectively. Organisations are characterised and located in terms of their roles or niches within the larger social system and, as emphasised by Bedeian (1983: 79), only if the claims made by an organisation are acknowledged by those external to it, does it become operational. Zwerling (1980) equated this to a set of expectations which both members of the organisation and those external to it have in common. These expectations define for all involved the function of the organisation, and delimit the tasks which it will or will not do.

All forms of social and economic activity are influenced by organisational structures of various kinds and a proper understanding of the former requires that the structures within which they operate be taken into account. These structures can be divided into two broad categories. Firstly, organisations have their 'internal' environments, i.e. their internal structures (as discussed above and in much of the literature), and secondly, they have their 'external' environments, i.e. the socio-cultural, economic and political structures outside the boundary of the organisation. The conceptual approach of investigating the 'internal' and 'external' environments and the interaction between them seems a very useful and potentially profitable framework for analysing institutions in the

present research. It is desirable, therefore, to examine briefly the concept of the organisation's 'external' environment.

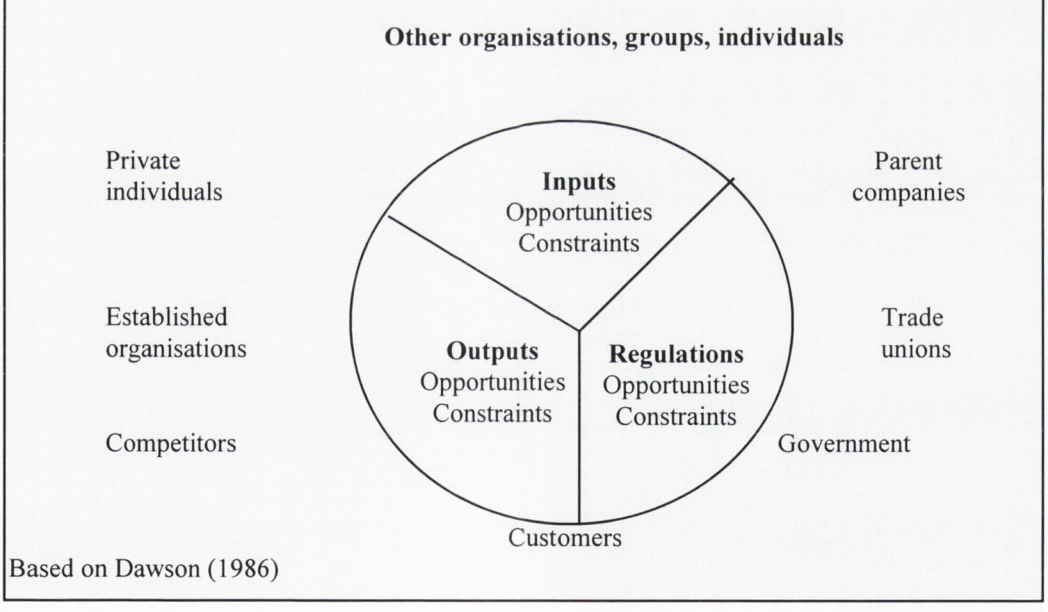
Similar to the 'internal' environment, the 'external' environment of an organisation may have a hierarchical structure. To begin with, each organisation when established is located in the broader socio-economic, political, cultural and physical context. However, not all aspects of this broader environment are directly relevant to the specific organisation. Therefore, one can differentiate (as in the case of the farm's 'external' environment) between the wider contextual 'external' environment of the organisation and its 'task' environment, defined as the sections of the broader environment which are directly or potentially relevant to the organisation's goals or its goal achievement process. The concept of 'organisational domain' further refines the 'external' environment by characterising it in terms of the output, markets and services the organisation provides, that is it differentiates the different dimensions of the 'task' environment.

Classification of organisations' 'external' environments aids considerably the identification of the interactions that occur across organisational boundaries. Interaction occurs in both directions and there is a *reciprocal* relationship between organisations and their external environments. Organisations adopt particular strategies in coping with 'external' conditions, for example competition, cooperation, coopting, coalition etc., therefore, they are not passive recipients of external influences. Interaction is not confined to the organisation and individuals in its 'task' environment. Inter- and intra-organisational interactions also occur, weaving a complex construct of organisational relationships. "Interactions vary in terms of frequency (regular, occasional, infrequent), formality (high, medium, low) and the extent to which they [are] co-operative, neutral or conflicting" (Dawson, 1986: 89). Dawson identified a fourth variation which is of equal importance (and is very relevant to the examination of diversification) - variations in the geographical extent of the interactions which occur. She asked are the linkages "specific to an establishment, an industrial sector, a region, a nation state or an international grouping" (Dawson, 1986: 89).

Any investigation of the interface between a focal organisation and its 'external' environment must take into consideration the complexity, not only of the internal structure, management and operation of the organisation, but also that of its effect on other organisations and the social system and the reciprocal effects these have on it.

Figure 3.3 provides an illustration of the conceptualisation of the links between an organisation and its environment in terms of constraints and opportunities. The people, groups and organisations, which comprise the organisation's task environment, influence it with respect to inputs, outputs and regulations. The environment of any focal organisation (public, private, voluntary, business, non-business etc.) can be presented in this manner. Diagrams for different types of organisations would have similarities and differences depending on the extent to which they share individual, functional, regional, national and international characteristics (Dawson, 1986).

Figure 3.3: Conceptualising the organisational environment



Based on Dawson (1986)

Organisation theory

Reviews of the theoretical literature pertaining to organisations tend either to follow an historical sequence or to adopt a broad typological approach. Whilst the concern here is primarily with contemporary theoretical concepts, some brief consideration of their historical development is useful because the theory tends to be cumulative and because radical forms of older theories have emerged in the recent past (Clegg and Dunkerley, 1980; Burrell and Morgan, 1985).

Three main theoretical approaches are recognised as having been established by the 1950s: (i) a classical theory of administration or scientific management, which is concerned with formal organisational structures (Taylor, 1911; Fayol, 1916); (ii) human relations theory, which stresses the non-rational or informal aspects of organisation behaviour (Mayo, 1933); and (iii) structuralism, which draws on the bureaucratic model of Max Weber and to a lesser extent on that of Karl Marx. This approach recognises that strains exist between organisational and personal needs, between rationality and non-rationality, between discipline and autonomy, between management and workers.

During the 1950s open systems theory held sway and much subsequent research sought to identify the implications of the systems approach through empirical case-study research, the limitations of which were revealed most notably by the French organisational sociologist Michel Crozier (1971, 1981) and by the Aston University group in Britain (Pugh and Hickson, 1976). During the 1970s, a contingency approach to organisational analysis emerged, which still enjoys currency. This takes account of the demands placed upon the organisation by its tasks, its environment and the needs of its members (Hall, 1991).

Current theoretical analysis of sociological and managerial research on organisations identifies a number of distinct approaches, such as structural-functionalism and the organic organisational models of post-industrial society which are concerned more with the politics of organisation and with process, as well as concepts of power-conflict and social action theory (Bernoux, 1985; Donaldson, 1988). Each of these and related perspectives offer a partial explanation of the internal organisation and external relations

of institutions and for this reason some commentators, including Hage (1980), have suggested that a number of theories should be employed simultaneously to aid explanation. This approach has, however, been criticised by Burrell and Morgan (1985: 398) who held that "in order to avoid incorporation within the functionalist problematic, the paradigms need to provide a basis for their self-preservation by developing on their own account". Nevertheless, in so far as the present research deals with organisations of more than one type, the Hage (1980) model provides a broad framework for analysing the diversity of organisational forms. Hage derived a four-fold typology of explanatory paradigms based on the level of generalisability and on whether the focus is on the internal workings or external contacts of the organisation. The four approaches are structural-functionalism, power-value, conflict-critical and cybernetic-adaptive (Box 3.3).

Box 3.3: A Typology of organisational paradigms

	Relative emphasis on generalisability	
Focus	*High*	*Low*
Internal	Structural-functionalism	Power value
External	Cybernetic-adaptive	Conflict-critical

Source: Hage (1980: 15)

Hage (1980) viewed structural functionalism as originating with Weber's (1947) concern about key constructs (the form of social organisation that was most efficient and why). The limitations of the model, in particular its relative neglect of change and its general lack of attention to phenomena outside the organisation, are recognised. The political-value (power-value) paradigm maintains that what organisations do is determined by the dominant coalition (Cyert and March, 1963). If the values of the coalition are known (their preferences relating to utilities and performances), then one can predict the likely

actions of the organisation. The starting point of the conflict perspective is that there are inherent bases of conflict and that frequently, although not necessarily, there is an economic rather than a political basis for the conflict (Collins, 1975). A distinctive feature of this perspective is a concern with resources and the environment, involving issues relating to multinational corporations, exploitation and imperialism. In the cybernetics-adaptive paradigm, adaptiveness over time, feedback and learning are central concepts and organisations are viewed, in particular, in terms of their throughput.

Hage (1980) further indicated which approaches focus on what concepts but he acknowledged that the typology classifies writings rather than individual theorists, with the result that there is overlap between themes. One of the values of the typology, from the perspective of the present investigation, is as a reference framework against which the structure and operation of the various institutions impacting on diversification may be compared.

Williamson (1975) and Hall (1987) also suggested that more than one model is necessary to understand organisational phenomena. Hall's approach followed that of Pfeffer (1982) who focused on the actions taken by organisations. One perspective sees actions as being externally constrained and controlled, of which population-ecology and resource-dependence models are examples. Another perspective sees action as rational and goal-directed, and is represented by rational-choice and Marxist or class models. A third view, the institutional approach, conceives of organisations as being random or emergent.

The population-ecology model is concerned primarily with organisational change or transformation. No assumption of progression is made, however the direction of change is towards a better fit with the environment (Aldrich and Pfeffer, 1976). This model tends to downplay the role of internal actors in determining the fate of the organisation because of its concentration on the influence of the external environment (population type in the institutional sense) to which the organisation belongs. Hence, in this model organisations are viewed as passive and reactive. In the resource-dependence model, by contrast, the emphasis is on internal decision making and on the active manipulation of

external resources which can include other organisations. Strategic choice and an ability to make decisions within a set of alternatives is a feature of this model, suggesting that organisations are proactive in determining the environments in which they operate.

The rational-choice model (or contingency model) begins with the premise that organisations are rational forms of social interaction with defined *goals* - a concept ignored in the population ecology and resource-dependence models (Williamson, 1975). This model proposes that organisations develop from the existence of uncertain environments and behave in opportunistic ways to perpetuate their own existence. Marxian perspectives are, according to Pfeffer (1982), useful in considering two important organisational issues: worker control and the employment relationship, and inter-organisational relationships. "Organisations are viewed as attempting to attain goals and deal with their environments, with the realisation that there is not one best way to do so" (Hall, 1991: 284).

The institutional model suggests that organisational forms and methods of behaviour are underlain by prevailing values and beliefs that have become institutionalised to varying degrees rather than by rational considerations (Zucker, 1977). Its underlying assumption is that organisations belong to 'sectional fields' of interest/activity. They share these 'fields' with similar organisations and are provided with the opportunities and constraints which they impose. The model implies that over time organisations in a 'field' will become increasingly homogeneous owing to their relations to both internal and external pressure.

Box 3.4 provides a classification of the theories relating to the internal structure and external relations of institutions which are being proposed to explain the aspects of institutional behaviour under investigation in this study. It is to be expected that each institution will display one dominant form of internal structure and one dominant influence in its external relations, conforming to particular theoretical constructs. In addition some institutions will reflect other sub-dominant influences in both internal and external spheres.

Box 3.4: Classification of the theories of organisation according to primary focus and primary concern

Primary focus	*Primary concern of theory*	*Theories (based on Hage (1980) and Hall (1987))*
Internal structure	Bureaucracy and its variants	Structural functionalism (Hage)
	Rationality and irrationality in decision making, including political behaviour in organisations	Rational Choice (Hall) Institutional (Hall) Power Value (Hage) Marxist (Hall)
External environment	Market place and economic hierarchies	Population ecology (Hall)
	Resources (Hall)	Resource dependence
	Inter-organisational networks	Cybernetics adaptive (Hage) Conflict (Hage) Marxist (Hall)

(The list of primary concerns of institutions is derived from a review of organisations in society by Morgan (1990), in which he focused on the need for internal control and the influence of the external environment.)

No one model offers a comprehensive understanding of the form and behaviour of increasingly complex organisations. Indeed, such an understanding can probably be achieved only by combining the various perspectives in different ways, as Williamson (1975), Hage (1980) and Hall (1987) suggested. This approach is likely to be the most appropriate in the context of the present study, given the complexity of organisational forms and tasks involved.

The second main approach to classifying organisation theory, as mentioned above, focuses on the construction of typologies. Thus, Elridge and Crombie (1974) differentiate between typologies based on functions, technology, regulation and structure. Some attempts have been made to develop a taxonomy which would permit organisations to be classified in a systemic way but no satisfactory system has, as yet, emerged (Hall, 1987). Existing typological classifications are useful in summarising

broad areas of concern in theoretical models but they are recognised as possessing certain shortcomings: they tend to be selective in the criteria which they highlight from any given body of work and certain theories fall into more than one typology. A typological approach does, however, have a role to play in the present research (see below).

Silverman (1976) discussed the range of variables used to construct typologies. From these he identified two classifications, the first being typologies seeking to explain the internal workings of organisations, and the second being those which seek explanations of organisations through examination of their environments. The latter group is sub-divided into 'environmental input typologies', in which the independent variable used is the influence of the environment on the organisation, and 'environmental output typologies', which focus on the organisation's contribution to the environment. They do in fact to some extent reflect the nature of the theoretical models which underpin them. For the purposes of this study, it is proposed that a combination of the environmental input/output typologies is required, hence variables relating to the internal structure, the external conditions and the outcomes of interactions, of the focal organisations under examination, will be incorporated into the analysis.

Some of the possible differential variables identified in the literature are of little potential use for present purposes, for example, the extent to which organisations are formal or social, the societal sector to which they belong and whether they are profit or non-profit organisations. However, other variables hold more relevance for the present study. These include the differentiation of different forms of organisation at different levels. These would range from the supranational organisation, through central government, local government, semi-state or state sponsored bodies, private commercial organisations, formal producer representational associations and co-operatives, to community organisations or confined groups. One could distinguish here between top-down and bottom-up structures with regard to development orientation, and there may be mediating institutions that assist dialogue between these two groups. Allied to this in some respects but with a more specifically spatial dimension would be a classification ranging from the supranational, through the national, regional and county levels to the

local level. An individual organisation could have units operating at more than one level. It is important to distinguish the goals and objectives at the various spatial levels as well as the clients in order to establish the territorial impact of the hierarchical structure. Another potentially useful variable is organisation function. While the different functions distinguishable are not all clearly defined, possibilities include: the policy and support system; regulation; education; advice; promotion; credit and finance provision; marketing; and representation. It is possible that some organisations would fulfil more than one function.

This functional classification can be combined with the other two classifications based on different levels and spatial scales. Under many of the specified functions there are national, regional and local organisations. The same organisation may perform its function at different levels without distinguishing between them, or the same organisation may have a hierarchic structure with separate units at the different levels, or the same function may be performed at different levels by different organisations that operate only at a particular level. Using this matrix of function and level, organisations and organisational types associated with farm diversification can be identified and classified - this is developed further in Chapter 4.

3.3.3 The institution - farmer interface

The concern of this thesis is less with the institutions per se, than with the organisation-farmer interface. The interrelationships between farmers and the institutional environment with which they interact in the process of conducting their farm business, including the adoption of AFE, may be conceptualised as falling within the field of organisation-client relationships. This is getting into an area which is recognised in management studies as not being very successful theoretically. Although the field of organisation-client relationships is not well developed within the theoretical literature, a considerable amount of empirical research has been conducted on the relations of public-service organisations, such as schools, hospitals, police departments and prisons, with those whom they serve (Katz and Danet, 1973; Danet, 1981). Some aspects of the relationships between farm advisory personnel and farmers, associated with the adoption of innovations, have been identified in previous studies (Wilkening, 1956; Röling, 1985;

Birkhaeuser *et al.*, 1991). Literature also exists relating to other types of institutional contacts with farm clients, such as those of banks, financial institutions, co-operatives and farmers' unions (Esman and Uphoff, 1984; Micheletti, 1987; Zey-Farrell and McIntosh, 1987). Concepts relating to institutional-client interchange are reviewed briefly here as one framework within which relations between institutions and farmers can be examined.

As indicated by Hall (1987: 16) "it must be recognised that there is a *reciprocal* relationship between organisations and their environments". Organisations, like farmers, do not exist in isolation. They are both participants in the context in which they exist. Interactions between an organisation and its environment are dynamic. The outcomes of this interaction can have a multiplicity of effects. Such effects can be positive or negative depending on the viewpoint from which they are perceived. Similarly, clients (farmers) and their actions can foster or hinder the work of organisations.

At the onset it is necessary to identify the types of organisations with which farmers interact, based on the types of services being provided. As Katz *et al.* (1975) pointed out, these may include goods as well as what are more conventionally regarded as services. Blau and Scott's (1962) classification appears to be relevant in this context. They classified four types of institution: commonweal which, like tax collection agencies, are designed to benefit the public at large; business concerns, which include banks as well as transport companies, retailers and wholesalers - which exist to benefit their owners or shareholders; mutual-benefit organisations, such as labour unions and co-operatives, of which the members should be the primary beneficiaries; and service organisations which exist to benefit individual clients. All four types are represented to varying extents in the relationships between farmers and institutions in the process of farm diversification.

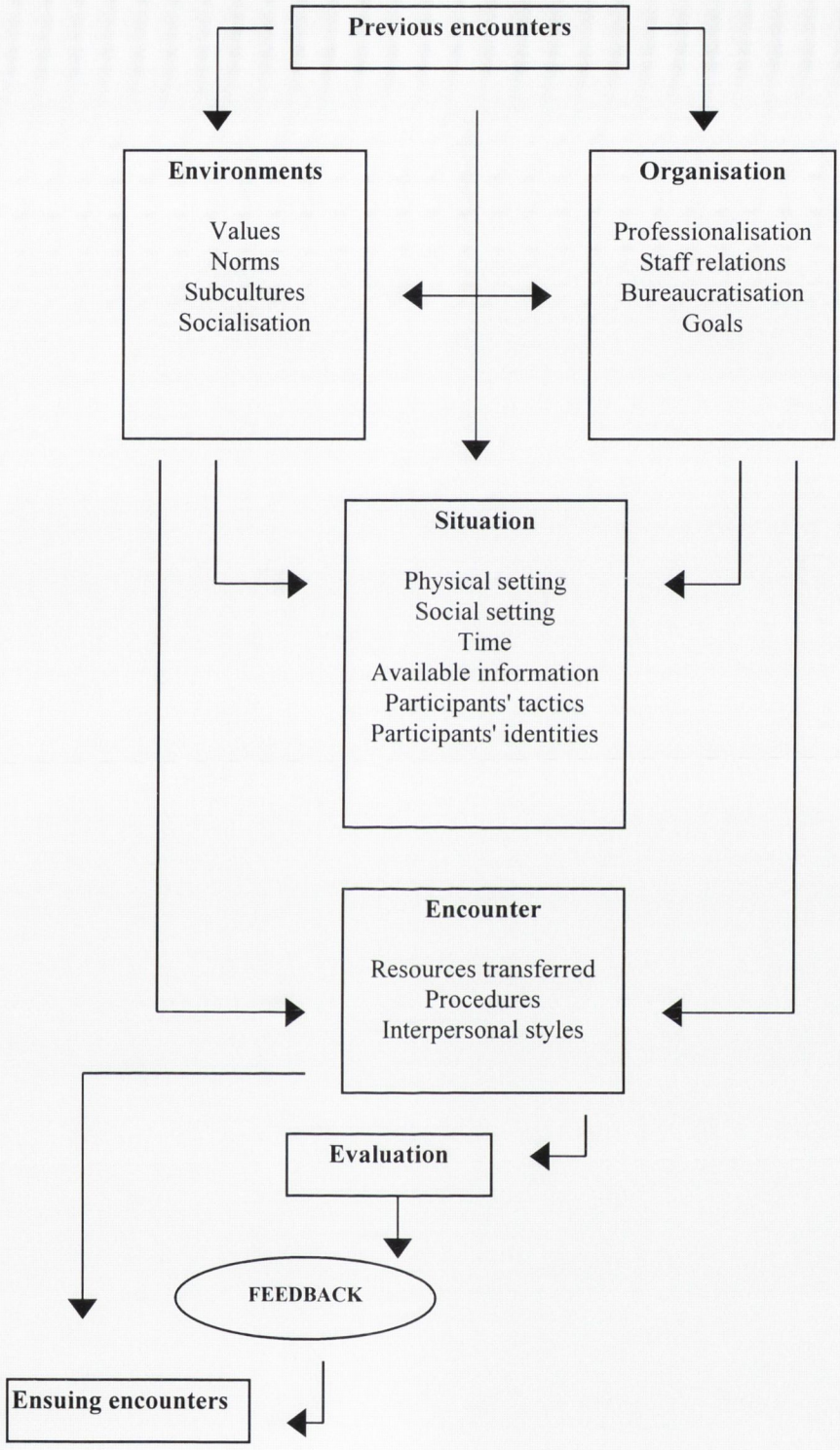
Interactions between organisations and clients are usually analysed as sequences of encounters. Katz and Danet (1973) modelled the structure of an encounter, taking into account the factors which may influence what happens during the encounter and afterwards (Figure 3.4). The broadest variables describe the client's socio-cultural

environment, the values and norms within which he/she operates. Various organisational characteristics interact with these. Situational factors include the perceptions, attitudes and expectations of the participants in an encounter. The encounter itself consists of three elements, the resources transferred, the procedures used and the interpersonal styles of the participants. Experiences during one encounter may influence whether or not another takes place and the procedures followed in the second, so that a feedback effect operates.

The goals and interests of organisations may be conceptualised in the case of the present study as impinging on their interactions with farmers. These goals and interests may vary in detail according to circumstances but nonetheless most institutions have defined basic aims and objectives, which form the guidelines within which they function. In implementing these, the structure and rules of the organisation will affect their actions and impacts, so these obviously need to be investigated. So too does interaction with other organisations that form part of the focal organisation's external environment.

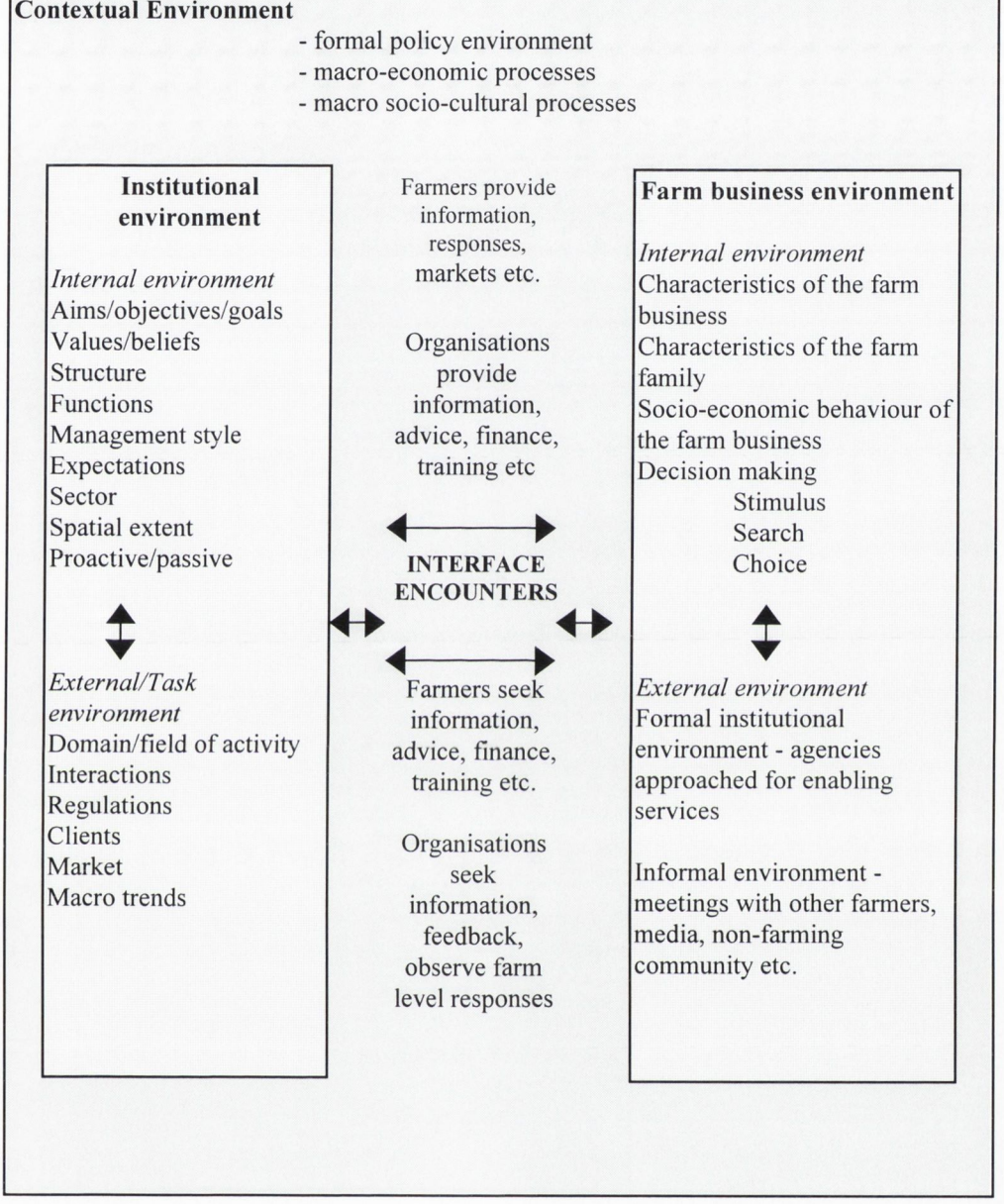
A conceptual framework for investigating the relationships between institutions and farmers in the promotion and development of AFEs is presented in Figure 3.5. This combines key issues relating to the internal farm environment, in particular, the decision-making process; key aspects of the external institutional environment, for example, the goals and objectives of the organisations, their resources and procedures; and explanatory variables stemming from the institution-client literatures. Clearly, detailed analysis of the wide variety and range of encounters that take place between farmers and institutional representatives, during the adoption of AFEs, is not possible within the time or resources of the present study. Nevertheless, an awareness of the complexity of the factors that impinge on the encounters is necessary for the proper comprehension and interpretation of the experiences that farmers report pertaining to their contacts with organisations and *vice versa*.

Figure 3.4: An institution - client encounter



Source: Katz and Danet (1973: 22)

Figure 3.5: The relationships between institutions and farmers in the promotion and development of AFEs: A conceptual framework



3.4 Summary

The aim of this thesis is to improve understanding of the processes involved in farm enterprise diversification. Within a modified political economy framework, the most effective means of conceptualising the research task is by decomposing the process into its constituent elements and focusing on the actors involved, i.e. farmers, farm families and institutional representatives, and on the interactions between them, as advocated by the 'knowledge systems approach'. The main advantage of this approach is that it facilitates theorisation at the micro, meso and macro levels and combines key aspects of behavioural and structural models, thereby providing a comprehensive interpretative framework within which the process of diversification can be investigated and understood.

The approach acknowledges the ability of individual actors and intermediaries to shape the world they live in, while at the same time, taking account of the constraints that that world may impose upon them through their own interpretations of it. Differential forms of behaviour - relating to farm enterprise differentiation - either among farmers or organisations or between them, are conceived to be the result of differing ideologies, differing knowledge systems, and differing means of negotiation, adaptation and transfer of meaning among the two groups. Therefore, a full understanding of the role and dynamics of farmer-institution relations as they pertain to the development of AFEs, and thus the processes affecting farm diversification, can best be obtained by establishing and examining the perspectives held by *both* types of actors, that is the institutions impacting on farm diversification and the actual farmers considering AFEs as a development option. The following chapter focuses on the methodologies employed to achieve this.

CHAPTER 4

THEORY TO PRACTICE: STUDY DESIGN AND METHODOLOGY

"We need good data to evaluate our theories" (Mann, 1994: 42).

4.1 Introduction

The main thrust of the 'knowledge systems approach', as it pertains to the present study, is that the adoption of alternative farm enterprises (AFEs) should not be considered in isolation but as part of an integrated process of farm and institutional behaviour. As discussed in Chapter 3, this is a highly complex process dependent on the interactions of a great variety of influential factors internal and external to the operational environments of *both* farm businesses and organisations. The conceptual framework, developed in the previous chapter, identified the principal components of the process and the key concepts to be addressed. However, for a deeper understanding of the complexities involved, this framework has to be investigated and complemented by analysis at the micro level, i.e. at the level of the individual farm and the individual organisation. The challenge therefore, is to transform this framework into a practical research model.

This chapter begins by revisiting the primary aims of the study to formulate the central research questions to be addressed. These are implicitly set in the context of the theoretical background presented in Chapter 3 drawing, in particular, on the key concepts emerging from the modified political economy and knowledge systems perspectives. Following a detailed review of the research model employed, the research approach is outlined. The detail of the research method and its implementation - the

data sources, sampling procedures, questionnaire design and content, and the fieldwork - are then described. Following this the framework for analysis and the method of presentation of findings are discussed. Finally, some of the strengths and weaknesses of the research method are noted.

4.2 Central research questions

The overall aim of the present research is to investigate the process by which farm operators, their families and relevant organisations, adapt to changing ideologies and emerging dialogues at policy level, by focusing on one relatively innovative adjustment strategy - farm enterprise diversification. The *central thesis* is that farmers' perceptions and attitudes towards diversification, and hence their rates of adoption of AFEs, are influenced greatly by the ways in which the diversification discourse is debated and mediated by policy and other relevant institutions operating in the agricultural arena. Attempting to understand the processes involved raises an important series of questions relating not only to institution and farm family behaviour, but also to the interrelationships between these behaviours. The questions fall into three broad groups:

(i) Firstly, there are questions relating to present institutional structures and the degree to which they may influence the development of alternative enterprises. For example: which organisations are currently involved with farm diversification? What is the institutional position in relation to alternative enterprises? Do different types of organisations have different views relating to farm diversification? What is driving their perspectives? How are these transferred to farmers? What role(s) do institutions fulfil in relation to the development of AFEs? Are present structures providing opportunities for or imposing constraints on enterprise diversification at farm level?

(ii) Secondly, there are questions about the nature and type of farm operator/farm family and farm business suited to enterprise diversification. For example: how do farmers perceive AFEs? What factors influence their perceptions? What are the characteristics of farmers/farm families involved with AFEs? Under what

circumstances do (would) farmers consider diversification, i.e. which factors impact on farm-level decision making? What type of farm business is best suited to diversification?

(iii) Thirdly, there are questions that may guide future attempts to encourage farmers to diversify. For example: what is the process involved in diversification? What trends are evident in terms of intervention by the state to encourage or discourage the development of AFEs? What are the opportunities and constraints for AFE development? How can policy be more effective in encouraging diversification? Which AFEs are suited to which types of farm business? How can the flow of information between policy makers, organisations and farmers be improved?

4.3 The research approach

In the context of this research, the main methodological thrust of the modified political economy and knowledge systems approaches centres on developing a depth understanding of the two-way interactions between farmers and other actors influencing agricultural practices. Both approaches advocate an investigation of the dynamic processes that orientate behaviour. They place particular emphasis on how individual actors internalise situations and interpret and reinterpret information in the context of their own circumstances and experiences. The perspectives suggest it is actors' views that predetermine behaviour patterns. The emphasis placed on actors' 'world views' suggests the use of a research methodology that allows insights to be gained into the world of respondents. In this context, a general effort to incorporate a qualitative approach, which would give respondents the opportunity to express and explain their views, was considered to be appropriate for the study.

However, as in all studies, the nature and type of information required by the research largely dictated choice of method. Given the general absence of research relating to enterprise diversification in the Irish context, this study had to access data for two purposes: firstly, to profile those involved with AFE development, i.e. farmers and

organisations, and secondly, to gain an insight into the perceptions, opinions and views of those potentially influencing the diversification process. For this reason a combination of methods was employed involving both quantitative and qualitative approaches. This combination was necessary to cover the scope of the research.

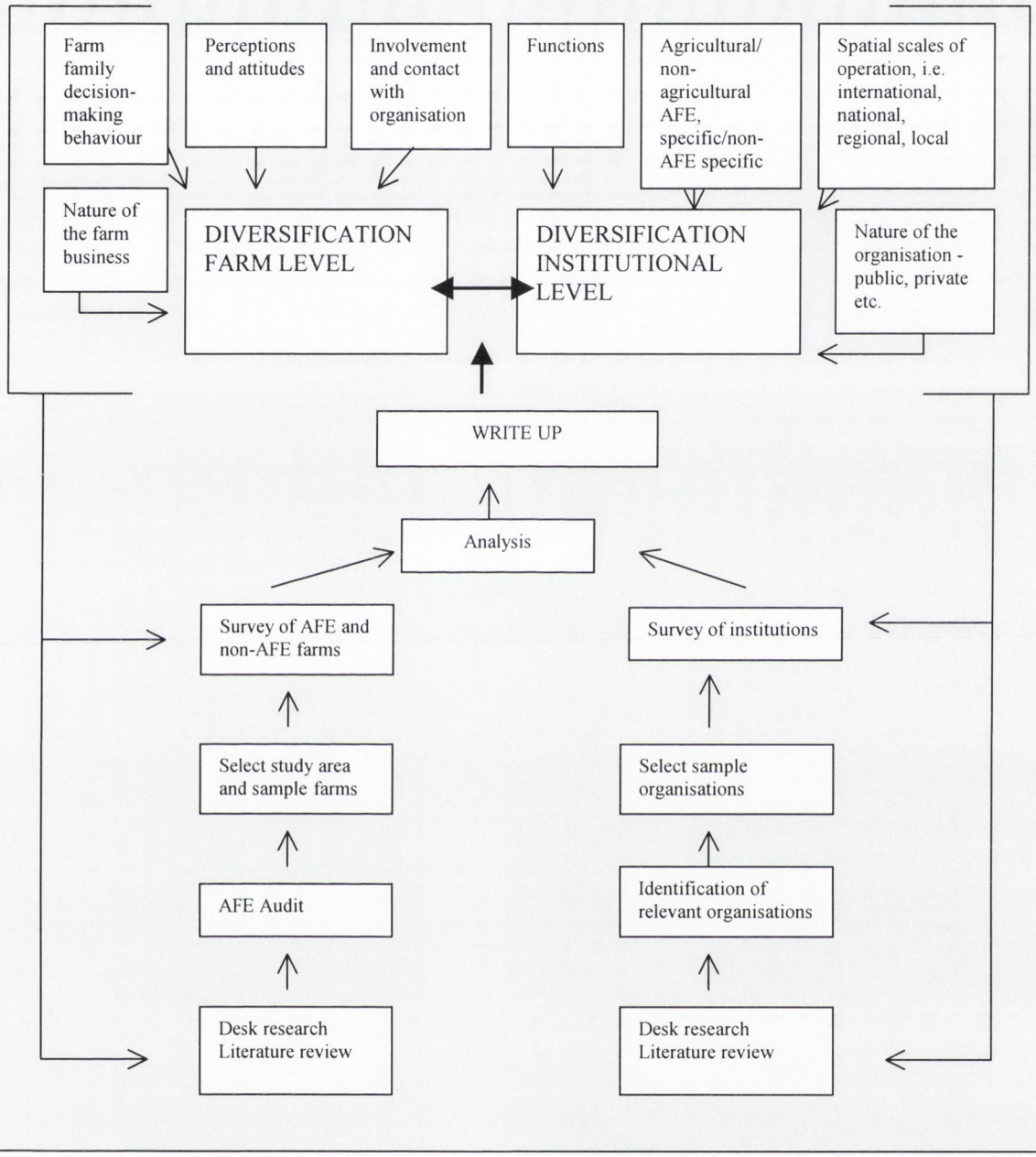
For data collection purposes, the study was closely linked to a programme of collaborative research focusing on diversification, funded under the EU's CAMAR Programme and co-ordinated by Dr. Ian Bowler, University of Leicester. The author was involved in all aspects of this research, but had particular involvement and responsibility for developing the conceptual frameworks, research approaches and methodologies for two components of the study; namely an investigation of institutional behaviour and an investigation of farm level behaviour. The author was closely involved in the development of the research instruments employed - an institutional based questionnaire and a farm based questionnaire. In addition, the author had sole responsibility for the implementation of the fieldwork in Ireland. Both questionnaires were structured with a combination of open and closed questions. Additional questions were included on the 'Irish' questionnaires to address issues specifically of relevance to this thesis. Details of the surveys are outlined below.

In addition to the survey work, relevant organisational material was reviewed, giving an insight into the policies, approaches and practices of Irish organisations. Also, material relating to enterprise diversification in the Irish farming press was monitored to gain an insight into, and understanding of, information generally available to farmers. Information gathered informed the context within which the questionnaires (see below) were designed.

4.4 The research model

The research model is summarised in Figure 4.1. The organisation-farm interface is central to the model. This is conditioned not only by the range of organisations' characteristics and motivations, those with AFEs, those without AFEs, their respective

Figure 4.1: The research model



'world views' and their responses to the functioning of institutions but also by the nature and type of farm businesses involved, farm family characteristics, family members' perceptions and attitudes and also the extent of their involvement with organisations. The dynamics of the interrelations between both types of 'actors' are investigated by the surveys. Organisations may influence farm level decision-making through the implementation and delivery of their functions, farm level responses may lead to a modification of an organisation's functions or implementation procedures, and modification of functions may lead to structural or work practice change within the organisation. Finally, both actor types can influence each other directly or indeed indirectly via other groups/organisations, for example representational groups.

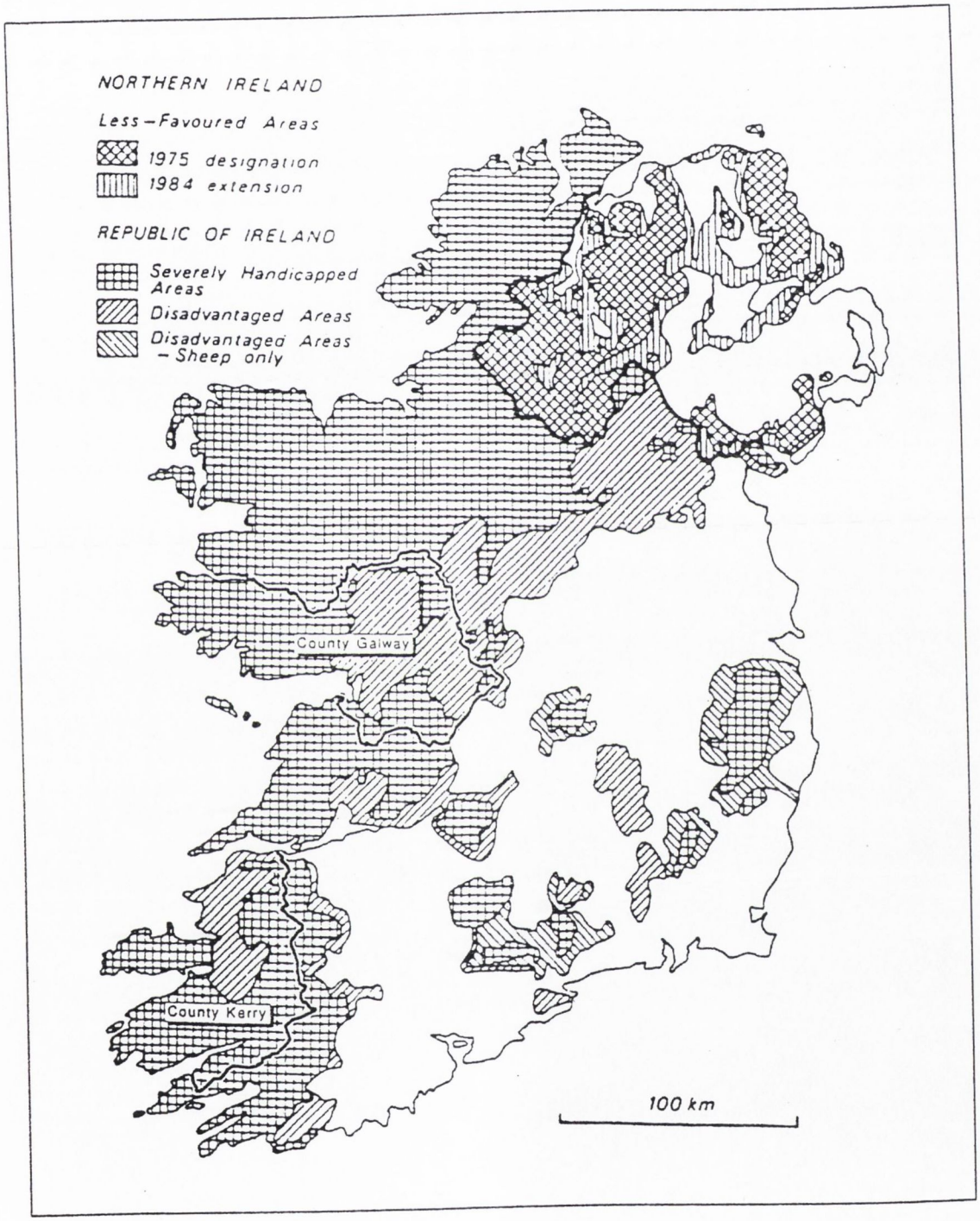
4.5 The research method

Clearly two different types of 'actors' were central to the inquiry – representatives of organisations and farm operators. As outlined above, it was decided that two surveys would be undertaken and that combining open and closed questions was the most appropriate means of gaining classificatory data and depth insights into respondents' perceptions and opinions. However, before potential interviewees could be identified, a study area needed to be selected.

4.5.1 Selecting the study area

It was decided to locate the study in Ireland's LFA - as defined pre-1992 - because it was felt that farm businesses in this region had greater need to identify mechanisms to supplement their farm incomes, and also, may have had a longer history of involvement with AFEs – especially in tourism related enterprises - than their counterparts in the east of the country. Two counties – Galway and Kerry – were chosen as study areas for the research (Figure 4.2). These counties were selected because of the contrasting topography and farming systems within each. East Galway is a lowland area underlain by Carboniferous Limestone and with moderately good land quality. Westward the land deteriorates greatly over the older metamorphic and igneous rocks and there are large

Figure 4.2: The study area



tracts of upland topography. In Kerry the contrast is between the lowlands of north Kerry, an intensive dairy area, and the mountainous area of south Kerry.

West Galway and south west Kerry are primarily areas of mountain sheep production. Dairying is of very considerable importance in north Kerry, whilst lowland sheep and breeding beef are more characteristic of east Galway. Agriculture here is, by Irish standards, poorer, more dependent on livestock subsidies, with smaller farms and fewer high-profit enterprises.

4.5.2 The institutional survey

The aims and objectives of the survey

The institutional survey had three broad aims:

- to create a profile of the institutional structure relating to farm diversification
- to investigate the behaviour of institutions as regards the development of AFEs
- to investigate institution-farmer interrelationships.

The more specific objectives were interrelated and overlapped but may be listed as follows:

- to determine the organisations which influence in any way the adoption and development of AFEs
- to investigate the internal character and structures of these organisations with a view to determining the effect this may have on AFE development
- to examine their involvement with AFEs
- to identify their policies and criteria pertaining to AFE development
- to establish the opportunities and constraints for AFE development resulting from organisational structures and policies
- to investigate interaction between organisations
- to examine the critical institution - farmer interface, including the extent and nature of contact and the perceptions held by the organisations

- to determine the consequences of the interactions between organisations and between organisations and farm operators for AFE adoption and development
- to identify any changes which might be made in the organisations in order to promote more effectively the adoption and development of AFEs.

The structure of the institutional questionnaire

As the primary method of inquiry used for this component of the research, a questionnaire (see Appendix 2) was designed to address comprehensively all aspects of the objectives outlined above. It was designed to seek purposefully the views and opinions of *organisations* and not those of individuals interviewed, unless specifically stated. While there was always the danger that personal as opposed to institutional perceptions might be given, the wording of the questions constantly reinforced that it was the organisational viewpoint that was being sought. The potential for this problem to arise was greatly reduced by the fact that it was found that the number of people working in relation to AFEs within organisations was quite limited. In many cases, individual interviewees provided the organisation with its perceptions, attitudes, work experience and knowledge of AFE development, therefore, in the majority of cases there was no distinction between personal and organisational views.

Flexibility of wording was provided to facilitate interviewing at various occupational and spatial levels across organisations. For example, it was expected that an interviewee representing the organisation as a whole would give different responses to a colleague who was specifically responding in relation to the local remit of the same organisation. For that reason the majority of questions provided a choice of wording to ensure questions were relevant and addressed to the level at which interviewing was taking place. Also, this allowed the interviewee to respond for that level/section/unit of the organisation with which they were most familiar (see discussion below on multi-organisations).

In a minority of questions information pertaining to the organisation as a whole was sought regardless of the level at which interviewing was taking place. Such questions

did not have the in-built flexibility of wording discussed above and were marked with a double asterisk (**) to aid identification during the interview.

Given the conceptual framework employed, it was important that each respondent be given an opportunity to express the views, opinions and perceptions of his/her organisation. It was desirable that questions encouraged interviewees to explain and elaborate their responses. This, it was felt, would provide opportunities for them: to emphasise particular aspects of their organisation's '*thinking*' in relation to farm diversification; to share experiences gained in relation to the development of AFEs; and to discuss comprehensively the range of issues which they felt to be important to the diversification process.

Questions were grouped within sections where it was thought they best facilitated respondents' train of thought. The questionnaire (Appendix 2) was divided into four broad sections:

Pre-interview details
Section 1: Institutional structure and context
Section 2: Experience and involvement with specific AFEs
Section 3: Problems and prospects for AFE development

Each section dealt with a specific range of variables. The pre-interview section allowed the nature of the interview to be recorded in advance of the interview appointment. Section 1 sought to establish the characteristics of the focal organisation and to identify its external task environment. The next section - Section 2 - focused on a detailed exploration of the extent of the organisation's involvement with and knowledge of the three most important AFEs identified by the respondent. Issues relating to existing and potential opportunities and constraints for AFE development and adoption were discussed in Section 3.

The content of the institutional questionnaire

The main body of the questionnaire consisted of open-ended questions aimed at discursive answers, with a smaller number of closed questions giving specific choices for selection or ranking.

Section 1 began by examining the internal environment of the focal organisation. Questions 13 and 14 sought to determine the history and general nature of the organisation. Question 15 focused on establishing the hierarchical structure of the organisation, both in terms of the spatial scales at which it operated and in terms of the actual tasks carried out at each relevant scale. Also, it established the tasks and spatial remit of the interviewee within the broader organisational structure. Information collected by questions 16, 17 and 18 gave an indication of the organisation's involvement with and commitment to AFE development, and facilitated identification of the goals and strategies of the organisation. Internal decision-makers were identified by question 18 - establishing who actually managed/directed the organisation and its relations with the external environment. Sources of financial support were among the issues investigated in question 19. The functions of the organisation, both generally and specifically in relation to AFE, were explored by question 20. Involvement with AFEs was the theme of question 21, with questions 22 and 23 seeking to identify links with the external institutional environment specifically stemming from the organisation's involvement with AFEs. These questions were designed to establish inter-organisational relationships. The organisation's perception of its own weaknesses in relation to its AFE activities was addressed in question 24, with both internal and external influential factors being explored. The key AFEs with which the organisation was involved were established in question 25, as were any AFEs with which it had ceased to have involvement.

In Section 2 questions moved on to a more detailed investigation of the extent of organisational involvement with AFEs. Beginning with question 26, which asked for the organisation's specific objectives relating to the three most important AFEs (if three existed) with which it had involvement, a series of questions (27 to 34 inclusive) investigated the nature and extent of the organisation's involvement with and knowledge of key aspects of the diversification process. The aim was to extract information pertaining to the organisation's views of, and experience with, AFEs and their adopters.

Section 3 was comprised of more general questions. It began by examining how the organisation monitored success in relation to diversification. If the organisation was involved with AFEs but did not necessarily favour their development, question 35(c) sought to determine exactly why it opposed their development. An investigation of the organisation's perception of what needed to be done to ensure the future development of AFEs was identified as being important because it would give an insight into how the organisation perceived the external AFE environment and what the organisation would prioritise in relation to enterprise diversification. This, it was felt, would enhance understanding of the operations of the various organisations and would give a perspective on how they interpret signals from both internal and external sources. Question 37 was optional and asked for the respondent's views concerning opportunities and constraints for agriculture. This was viewed as a worthwhile question because it would give an insight - particularly when interviewing an individual who worked in relation to AFEs - into the extent to which AFEs were integrated or divorced from mainstream agricultural practices. A list of bi-polar items adapted from Beus and Dunlap's (1991) study of alternative and conventional agricultural paradigms formed the basis of question 37(c). Ideally, the organisation's views were sought, but the respondent's own personal views were acceptable also. The statements were designed to give an insight into values and beliefs which, as outlined in Chapter 3, are constructed by organisations based on their interpretation of information from both their internal and external environments. Question 38 investigated the organisations' perceptions of the study area, to establish institutional awareness of and involvement with these areas. This was further developed in question 39, which sought to establish other adjustment strategies which the organisation would advocate for farm families. The interview concluded with a general question that allowed the interviewee to provide any other relevant information.

The sampling and administrative procedure

The necessity for incorporating a wide spectrum of organisations (public, private, voluntary) operating at a variety of spatial levels (international, national, regional, sub-regional, local) was discussed in Chapter 3. Within the broad theoretical constructs outlined, a typology of institutions was devised. Organisations were classified

according to (i) function(s) and (ii) spatial scale(s) of operation. The typology, therefore, allowed a comprehensive range of organisations to be included in the study. This was important given that, in Ireland, the development of AFEs is understood to be part of the rural development process, and therefore, the number of potentially relevant organisations which could be considered to be within the ambit of farm diversification was great.

A comprehensive list of all known organisations impacting on the development of AFEs was produced. While attempts are being made to integrate Irish public sector 'developmental' agents, state involvement with farm diversification remains compartmentalised. Numerous (36) government departments and semi-state bodies were identified as having involvement with AFE development. Private organisations differ from state agencies in that they are serving their owners/members/shareholders. Such organisations may vary considerably in size, structure, functions, ability and power. They are sometimes more difficult to identify than are their public counterparts because they can function to serve the needs of specific spatial units, for example, local community tourism groups. For present purposes, only area-based organisations operating in the study areas, i.e. Galway and Kerry, were considered for inclusion in the survey. Thirty-five private organisations were finally identified for the purpose of selecting a sample.

A profile of each organisation was compiled by reviewing available literature including, where available, annual reports. Attention focused primarily on establishing: (i) the function(s) of the organisation; (ii) its role in relation to the development of AFEs, and (iii) its spatial scale(s) of operation. Based on this information, a sample of 36 organisations was selected. The sample was chosen to reflect the diversity of organisations involved either directly or indirectly with farm diversification, the broad range of functions associated with the organisations, and to be representative of the spatial levels at which such organisations operate. A list of the organisations, together with a brief description of each, is included in Appendix 1.

Key individuals within organisations were identified as potential interviewees following initial contact with each organisation. From preliminary discussions with staff members it was identified that it would be necessary and desirable to incorporate all spatial levels of operation, i.e. micro, meso and macro levels, into the survey framework. Implicit was the belief that it was better to work on more than one level simultaneously as much as possible (Hage, 1980). Work on more than one level, however, demands a complex analytical framework that allows aggregation in order to present the overall context and then disaggregation in order to inform interpretation.

This necessitated the conceptualisation of a distinction between organisation and multi-organisation (Bannister, 1970). The distinction lay in the number of outputs, i.e. products or services, per organisation identified. It was necessary to determine if those with multiple outputs required special attention. Three such organisations existed in the sample. It was identified that the differences between outputs in terms of the organisational resources allocated to their production, the nature and type of the outputs themselves and the differential impacts they had on the process of agricultural diversification, were significant enough to warrant separate interviews. Overall then, a total of 45 face-to-face interviews were conducted with representatives of the 36 organisations. Interviews lasted on average between 90 and 120 minutes. In order to avoid over representation when presenting a profile of the aggregate AFE institutional environment, where multiple interviewing took place, only one interview per organisation was included in the analysis. In such cases the interview pertaining to the overall organisation was selected for inclusion.

Taping of interviews was considered but it was felt that many of the interviewees might be intimidated by the presence of a tape recorder. During the piloting of the questionnaire this issue was addressed and there was a general preference among those interviewed not to be recorded. Hence, a decision was taken not to tape interviews. Interviews were conducted between April and September 1993.

Method of analysis and presentation

Drawing on the wide range of theories and concepts outlined in Chapter 3 (for example: Hall, 1991; Lawrence and Lorsch, 1967; Lindenberg and Schreucler, 1993; Silverman, 1976; Thompson, 1967), a framework for institutional analysis was devised. Emphasis was placed on conceptualising the impacts of the institutional environment on enterprise diversification by focusing attention on the role of organisations as *agents of change*. The most important concepts included throughout the analysis are organisational structures, inter-organisational relationships and organisation-client relationships. The analysis was divided into four broad stages.

The first stage was concerned with the objective of defining and describing the totality of the AFE institutional environment. Attention was given in sequence to the context within which organisations' interests in AFEs have developed, to the overall nature of the institutional environment, to the extent of institutional involvement with AFEs, and to the general attitudes and perceptions of institutions relating to AFEs. This created a profile of the institutions involved with farm diversification. It focused attention on the dynamics of the institutional environment and established the context for the remainder of the analysis.

The objective of the second stage was to analyse the individual organisations that comprise this institutional environment, investigating their differential structures and roles. This involved comparative analysis through the adoption of a number of simple typologies in order to differentiate institutions in relation to their impact on AFE development. Classification was based on a combination of four key variables:

1. The nature of the organisation in terms of its *public* (state), *private* (business), *voluntary*, or *other* status.
2. The *extent* of the organisation's *involvement with AFEs*, e.g. was it AFE specific, i.e. operates solely in relation to AFEs, or was it a general agricultural or non-agricultural organisation with AFE involvement.
3. The actual *functions* performed by the organisation.
4. The *spatial distribution and hierarchy* of the organisation.

The objective of the third stage was to provide analysis of the impacts the different types of organisations have on AFE development. The typologies were used in an attempt to explain why the different types of organisations behave in different ways. General issues are discussed in a comparative manner in an effort to achieve deeper and more comprehensive understanding and to locate the findings from the previous stage in a theoretical context. Consideration is given to: (a) the comparative importance of AFEs to different organisational types; (b) the organisations and their clients, providing insights into operations at the institution-farmer interface; (c) the opportunities and constraints afforded by institutions in the context of the potential development of AFEs; and (d) an evaluation of the importance of the different organisations to the development of AFEs.

The framework was designed to allow the analysis to move from the uninformed general in Stage 1 to the specific in Stage 2 and then to the informed general in Stage 3, thereby allowing description, examination and explanation. Clearly inter-linkages exist between the three stages. Once one knows what the AFE institutional environment is and which organisations are most influential within it, then how to change this environment in order to facilitate AFE development is an issue that can be addressed.

This leads in the final stage – Stage 4 – to practical applications of the research in relation to identification of any changes in the institutional environment which might be desirable in order to promote more effectively the development of AFEs and to the policy implications of the research. This includes identification of policies and measures which might be implemented by agencies in order to overcome difficulties in the adoption and development of alternative farm enterprises and to effect general improvement in the institutional environment.

The design and use of an 'open' questionnaire was intentional and the reasoning behind it was discussed earlier. While this method is advantageous in that respondents are not restricted by the researcher's preconceptions and have freedom to discuss and explain their responses, the data that result are qualitative in nature and require a particular analytical approach.

Analysis of qualitative data is difficult to explain, perhaps because a large component of it is a build up of information or knowledge for the individual researcher involved. It is a 'snowball' process whereby information or insights gleaned from an initial examination of material collected inevitably trigger more questions which lead to further analysis and so on. Thus, multiple processing of the data occurs. It is a difficult task and can be subject to the researcher's interpretation and representation of information. For the present research, subjective influence was monitored and minimised by coding responses to open-ended questions. Data were then computerised and the SPSS (x) package used to conduct some simple frequency counts. While the complexity of the information gathered did not facilitate any robust statistical analysis, it did allow simple correlations and cross-tabulations to be produced. These were used throughout the analysis to check the interpretation of qualitative material.

As mentioned above, the analysis was divided into four stages. The initial stage – Stage 1 – involved collapsing the detail provided by respondents to provide an overview of the totality of the AFE institutional environment. Analysis during this stage concentrated on the initial 36 interviews and was further sub-divided into three sub-sections. Sub-section 1 focused on compiling a description of the nature of the internal AFE institutional environment; sub-section 2 described the extent of institutional involvement with AFE, and sub-section 3 concentrated on profiling the attitudes and perceptions of organisations in relation to AFEs. Stage 2 sought to investigate in detail the composition and internal functioning of this environment. In order that its complexity be preserved, it was necessary to incorporate the views and perceptions from all significant functional and spatial levels. During this and subsequent stages, all completed questionnaires (45) were analysed.

Data presentation has two formats: (i) where appropriate, some simple frequency counts are presented in tabular form; (ii) again, where appropriate, selected quotations are used to support the analysis - interviewees are not identified in order to preserve confidentiality.

4.5.3 The farm survey

The aims and objectives of the survey

The overall aim of the farm survey was to investigate farm level behaviour in relation to enterprise diversification. It achieved this by collecting information which would allow: (i) the creation of a socio-economic profile of AFE and non-AFE farms; (ii) an investigation of farmer/farm family decision-making behaviour, and (iii) an examination of the relationships at the farmer-institution interface. More specifically its objectives were:

- to establish farmers' perceptions of and attitudes towards the development of AFEs
- to examine farmers' motivations, willingness and abilities (including accessing information) to adopt AFEs
- to determine the circumstances under which farmers consider and adopt alternative enterprises
- to establish the nature and type of farm businesses having an AFE
- to establish the role of alternative enterprises in current business strategies
- to identify farm level opportunities and constraints to the development of AFEs
- to investigate and evaluate the interaction between farm families and their external environment as regards the development of AFEs
- to examine, in particular, farmers' interactions with organisations - the critical farmer-institution interface pertaining to diversification
- to determine the consequences of farmer-organisation interactions for AFE adoption and development
- to identify any changes that could be made in order to facilitate farmers in the effective adoption of new types of enterprise.

The structure and content of the questionnaire

The primary method of eliciting information pertaining to farm decision-making procedures and paths of farm business development was through the use of a structured questionnaire (see Appendix 3) administered to AFE adopters and non-adopters (see

'sampling and administration procedures' below). It was divided into seven sections reflecting key themes to be addressed:

Section 1: Characteristics of the farm operator
Section 2: Farm business characteristics
Section 3: Involvement with AFEs
Section 4: Contact with institutions
Section 5: Farm family characteristics
Section 6: Financial details
Section 7: Future outlook on farming

The first two sections grouped questions relating to the ownership, physical and economic characteristics of the farm business. Key issues addressed included the status of the operator, the size of the holding, land use, farm enterprise mix, stocking density, labour resources and utilisation, uptake of grants and subsidies and levels of farm debts/profits. Information relating to farm practices over the previous five year period and plans for the next five years was sought also.

Section 3 contained questions relating to the adoption and development of an AFE. These questions were asked only of AFE adopters. Topics covered included: when the AFE was established; originally who had introduced the idea to diversify; the investment which had been required to establish and develop the enterprise; labour requirements; the extent to which technical and/or feasibility studies had been undertaken; availability and uptake of supports for the enterprise; the main reasons for introducing the AFE; economic returns; and the impact the new enterprise had had on the business.

A similar, but not as detailed, set of questions existed for non-adopters. These focused on establishing if respondents had considered introducing an AFE to their business and the reasons for non-adoption.

Both groups (adopters and non-adopters) were asked for their perceptions of factors that are important when introducing an alternative enterprise.

Section 4 contained questions relating to farmer contact with organisations. Each respondent could list up to ten organisations with which they had contact and for up to six of these details were sought regarding why the contact was made, what assistance was provided, problems (if any) encountered and suggestions for improvement.

Questions in Section 5 related to the structure of the farm family. Here information was collected on the number of family members both adults and children, the age profile of the farm family and its stage in the life cycle, members' educational attainments, employment on and off the farm, involvement with farm management decision-making and plans relating to succession.

Economic characteristics of the farm businesses were explored in Section 6. Questions related to gross profit and debt levels, proportions attributed to the alternative and conventional enterprises, and trends over the previous five years. A group of supplementary questions focused specifically on the AFE to establish the costs, outputs and income from the enterprise. These were optional for farmers who were willing to provide this further information.

The final section – Section 7 – focused on respondents' perceptions of the future of agriculture in the study area.

The sampling and administrative procedure

Within the two study counties a sample of 140 farms was selected for the survey. This sample was comprised of 60 *randomly selected* farms and 80 farms *purposively chosen* because they were known to have adopted an alternative enterprise. The initial 120 random farms (60x2) were selected from the list of farms in each county participating in the Farm Accounts Data Network (FADN). Teagasc –the Agricultural and Food Development Authority – uses this list in its National Farm Survey. The sample is comprehensive, containing farms selected in a two way stratification, i.e. by farm system and farm size. It is representative of the total population of Irish farms. It follows that the FADN sample in the two study areas was a representative sample of farms in the two counties. In 1992, the population of FADN farms in counties Kerry and

Galway was 88 and 111 respectively. For each county random numbers were used to select 60 farms from the FADN lists (with a further 10 farms selected as a fall back sample) to be used as the random sample for the survey.

As mentioned in Chapter 2, a detailed listing or database of Irish AFE farms does not exist. A list of diversified farms had to be compiled in order to select a sample of 160 AFE farms. The co-operation of the Department of Agriculture, the Forest Service, the Tourist Board, Teagasc and many other organisations, co-operatives and associations involved with various AFEs was secured and is gratefully acknowledged. In some cases a full list of farms was provided from which a sample was drawn using random numbers. In other cases the organisation involved indicated the total numbers involved and would have drawn a random sample following procedures outlined. From the information available a final sample of 80 farms was selected in proportion to the total number of farms known to be involved with each type of AFE for each county, with a fall-back list of 10 for each study area.

Interviews were conducted first with the random farms selected. If any of these farms had an AFE, they remained in the random sample but also became part of the AFE sample and an additional farm was selected from the random fall-back list in order that there would be 120 non-AFE farms present for analysis. Interviews were then conducted with the selected AFE farmers, in order that in total there would be 160 diversified farmers interviewed.

Prior to the administration of the survey, the questionnaire was piloted on farms outside the two study counties. In light of experience gained the questionnaire was amended where appropriate and re-tested. Once the final questionnaire was available the survey proper commenced.

Each farmer in the sample was sent a letter, outlining the research, assuring confidentiality and inviting them to participate in the study. The author and a number of experienced interviewers employed by Teagasc administered the questionnaire. This was necessary because Teagasc could not identify the FADN farms to the author, as this

would breach their confidentiality agreement with the farmers involved. However, Teagasc recorders could administer the questionnaire on behalf of the author without breaching confidentiality. Prior to the commencement of the survey, interviewers were briefed fully on the content of the questionnaire and on how it was to be administered. Each interviewer was then given a list of farms to be included in the survey. Teagasc interviewers were primarily, though not exclusively, involved with non-AFE farms as they administered the questionnaire on the random FADN farms. The author conducted the interviews mainly on the AFE farms. Ideally interviews were to be conducted with the farm operator and spouse, failing this the farm operator or next most appropriate person was to be interviewed.

The survey was conducted in the two study areas between December 1992 and May 1993. On average interviews took between 80 and 120 minutes depending on how many AFEs the farmer had. After three days work the interviewers and the author met to discuss progress and ensure that the interviews were being conducted correctly. Any issues arising were discussed and procedures clarified. Interviewers could contact the author at any point if they had any further queries.

Method of analysis and presentation

As in the case of the institutional analysis, a combination of quantitative and qualitative methods was used to analyse material from the farm survey. On completion of the interviewing, information was coded and computerised to produce a database of the total number of farms involved, i.e. 282 farms comprised of 122 non-adopters and 160 adopters. The SPSS (x) package was used to conduct the quantitative analyses. Various statistical procedures ranging from simple frequency counts to cross-tabulations and correlations to multi-variate discriminant analysis were utilised. The application within SPSS(x) of standard chi-squared tests was used in significance testing. Information gathered was also analysed qualitatively, with a view to gaining insights into farmers' interpretations of issues emerging during the interviews. This analysis initially involved going through the questionnaires to identify themes emerging from responses gained. The second phase of the analysis grouped these and each in turn was then examined and the issues emerging noted. This process continued until all issues had been investigated.

The research employed a 'search-based decision-making model' as the framework for analysis (as discussed in Chapter 3). The model identified three stages in the decision-making process, namely: the stimulus for decision-making relating to the farm business/farm enterprise, the search for suitable adjustment strategies, and the choice of the most appropriate pathway of farm business development given farm business resources (physical, financial and human). The model hypothesised that search behaviour, triggered by the stimuli, is conditioned by two primary factors: the ability of the farm family to identify and assess the various options available to them and their use of the enabling services provided by elements external to the farm. The three stages of stimulus, search and choice are traced in the analysis through comparative study of AFE adopter and non-adopter families and farms. It is important to note that only 13 (10.8%) of the randomly selected farms had AFEs. This number was too small to allow meaningful analysis of the characteristics of AFE farms in the random sample. Therefore, attention was placed on a distinction between AFE and non-AFE farms based on the 282 interviews conducted – representing 160 AFE adopters and 122 non-adopters.

4.6 The research approach and method – the benefit of hindsight

Although the approach to the research worked very well, with the benefit of hindsight, it is possible to identify a number of issues which, if the study were to be undertaken again, might be considered in a different light. The first of these is the breadth of the overall objective of the study. In the absence of baseline research concerning farm enterprise diversification, undertaking to establish and examine the interrelationships between farm level behaviours and organisational behaviours relating to the development of AFEs, may have been overly ambitious. It certainly did have implications for the research methodologies employed - in the sense that one had to adopt both quantitative and qualitative methods. Combining these proved difficult in the construction of the questionnaires.

The second aspect of the research which might be 'reconsidered' would be the actual content of the questionnaires because, in retrospect, the time taken to administer them may have been too long from the perspectives of the interviewees. Again this problem was related to that fact that the questionnaires were trying to address two gaps in the knowledge base – the lack of baseline data and the need to establish the 'world views' of respondents.

4.7 Summary

This chapter has outlined how the theoretical concepts identified in Chapter 3 have been incorporated into this study. It has described the research approach, model and method employed and has provided information concerning the structure and content of the questionnaires developed, the sampling procedures adopted and the implementation of the fieldwork.

The next three chapters report the findings from the analyses. The first of these focuses on institutional behaviour in relation to diversification, the second on farm level behaviour and responses to alternative enterprises and the third explores the inter-linkages between these two behaviours, i.e. it examines the institutional-farmer interface. There is necessarily some overlap between the content of the chapters. This serves as a reminder of the interconnected nature of the actual processes involved in introducing, promoting and developing new farm ideologies and practices.

CHAPTER 5

THE AFE INSTITUTIONAL ENVIRONMENT: CONTEXT FOR FARM ENTERPRISE DIVERSIFICATION

"Despite the widespread concern with promoting responsiveness and good service, a certain amount of ambiguity will always remain about whether particular organisations truly serve their clientele" (Danet, 1981: 415).

5.1 Introduction

Farm businesses are not managed in a vacuum. Farm families operate in a complex and ever changing world. Economic and social pressures together with continuous policy change impact significantly on the context within which businesses are managed and decisions taken (Munton *et al.*, 1987). As Williams (1988, 6) stated 'no farm is an island', for operators must interact with many external agents in the process of business development. In fact, as discussed in previous chapters, the course of agricultural restructuring is greatly influenced by institutions of varied types and farmers' decision-making behaviour is increasingly conducted in the context of institutional settings. Given the need to exploit all possible opportunities for improving farm incomes, the need for organised and efficiently operated institutional structures is particularly marked.

The theoretical framework employed in this research explicitly acknowledges the need to understand the context within which farmers' opinions are formulated and decisions taken. Critical to any such understanding is the need to uncover the role and functioning of the institutional framework surrounding the sector and, in relation to the present study, particularly that pertaining to enterprise diversification. As outlined in Chapter 3, this complex of organisations with which farmers interact either individually

or collectively, and which influence AFE development in any way, comprises the AFE institutional environment. Understanding this environment is pertinent to understanding farmers' perceptions, views and responses to diversification.

Although the potential influence of the institutional environment is great, as outlined in Chapter 4, its precise nature is unknown and it has been the most under-researched area in the context of farm enterprise diversification. This chapter seeks to address this knowledge gap by exploring the 'modified' external AFE institutional environment. First it examines the collective nature and type of organisations involved with 'new' farm enterprises, the extent of their involvement and their general disposition towards diversification. Secondly, it examines the organisations individually – clearly the collective overview of the total AFE institutional environment will conceal a range of different viewpoints, opinions and approaches across the complex web of organisations involved. As different agencies may have different perspectives on the same topic - depending on their own individual beliefs, aims and objectives - they are likely, therefore, to perceive and react to it differently. It is important to be aware of and to understand these differences, and to fully comprehend where the dominant views stem from and why. Thirdly, the comparative influence and importance of the different types of organisations in relation to their efforts to support diversification are examined. The chapter concludes by highlighting some of the key implications emerging from the analysis.

This chapter reports only on the institutional environment as explicated by the views and opinions expressed by representatives interviewed. Many of the issues raised were addressed also by the farmers interviewed and are discussed in the next chapter - Chapter 6. However, for simplicity, comparison of the organisational and farming perspectives, their inter-relationships and inter-linkages are reported in a separate chapter - Chapter 7. As already noted, there will of course be some overlap between the content of these chapters.

5.2 A general overview of the institutional setting for farm diversification

Before presenting the detailed analysis of responses from the representatives interviewed, it is necessary to provide briefly some contextual information describing the institutional fabric, as it relates to farm diversification.

In considering the nature of the AFE institutional environment, a number of key features emerge, namely:

- the dynamic nature of this institutional environment
- the range of organisational types involved
- the objectives of the organisations involved
- the extent of organisational involvement with AFEs
- the degree of institutional commitment to farm enterprise diversification.

Each feature is discussed in turn below.

5.2.1 Profile of the organisations involved

A classification of organisations (36) included in the survey is presented in Table 5.1. The sample was comprised of 18 state and 18 non-state organisations. State organisations included government departments and semi-state or state sponsored bodies. The non-state sector accounted for a more diffuse range of bodies representing business, representational, business and representational and voluntary organisations.

The predominance of 'national' organisations reflects the centralised institutional structures that exist in the Irish context. This in turn explains the limited number of regional and local organisations included in the survey. However, in practice, most of the organisations - especially the statutory ones – while categorised as 'national', tend to operate at a number of administrative levels, for example regional, sub-regional and local levels. Thus, all spatial units (including counties Galway and Kerry - the study areas for the farm survey) could potentially be influenced by, and incorporated or integrated into, this institutional network.

Table 5.1: Classification of the organisations surveyed

State 18 / Non-state 18	International	National	Regional	Sub-regional	Local
Business		6			
Representational		7		1	
Business & Rep.		2			1
Neither business nor Representational		5			
Voluntary		1			
Semi-state/QUANGOS		8	5		

Unlike the long established institutional structures associated with mainstream agriculture, those pertaining to the development of AFEs are relatively recent in origin. The age profile of surveyed organisations is outlined in Table 5.2a and this indicates that most (26) had only become involved with AFEs since the mid- to late- 1980s. This was not surprising given the relatively recent establishment of some of the organisations, and the fact that this was a period when interest in AFEs gained momentum. During the period policy makers and farmers alike became more interested in, and concerned with, ways to supplement declining incomes from conventional farm enterprises. The formation and establishment of new organisations reflects an institutional response to a growing need and/or demand for such agencies. The formation of new organisations inevitably changes existing institutional frameworks and relationships. For example, organisations (10) having involvement prior to the 1980s were predominantly state owned and operated, and were primarily involved with tourism and forestry projects. Presently, there are a large number of public, private, representational and voluntary organisations involved, covering a wide range of sectors (Table 5.2b). Multi-sectoral, agricultural, tourism, educational and financial organisations now dominate.

Table 5.2a: Length of establishment and of involvement with AFEs

Period	No. of organisations Established	No. of organisations involved with AFEs
Pre 1960	14	04
1960-69	06	06
1970-79	02	00
1980-89	10	17
1990-93*	04	09

* This is only a three year period

Table 5.2b: Length of involvement with AFEs by economic sector to which organisation belongs

First year involved	No. of Orgs.	A	B	C	D	E	F	G	H	I	J	K	L
Pre 1960	04	0	0	1	0	1	0	2	0	0	0	0	0
1960-69	06	0	0	0	3	1	1	0	0	0	0	1	0
1970-79	00	0	0	0	0	0	0	0	0	0	0	0	0
1980-89	17	2	0	0	2	1	1	2	0	2	3	3	0
1990-93*	09	3	0	1	0	2	0	0	0	0	0	3	0
TOTAL	36	5	0	2	5	5	2	5	0	2	3	7	0

* This is only a three year period

SECTORS:

A = Agriculture
B = Fisheries
C = Forestry
D = Tourism
E = Education
F = Industry
G = Finance
H = Planning
I = Trade Union
J = Producers' Representative Group
K = Multi-sectoral
L = Other

The scale and size of operation of surveyed organisations, in terms of, for example, the number of people employed, or where appropriate, membership levels, varied considerably. The number of staff ranged from 2 to 13,000 and members from 8 to 80,000. Only one organisation – a representational organisation - was comprised solely of members, i.e. had no staff employed. Thirteen organisations had both employees and members. Three of these had only one employee – again these were producer representational bodies. The remaining 22 organisations were comprised of employees only.

Conscious decisions had been taken in the case of 20 organisations to become involved with AFEs. However, only 12 of the 20 had development or investment plans to guide their new activities. Few organisations had staff specifically allocated to AFE tasks. In general, staff rarely were trained for work relating to farm diversification. Overall, it appeared, limited institutional resources were available to proactively foster the adoption and development of AFEs. As a result organisational behaviour relating to diversification could be characterised as reactive.

5.2.2 Organisational networks

Crucial to the operation and maintenance of any institutional environment are organisational networks and inter-organisational relationships. In general, communication between surveyed organisations was facilitated by their centralised structures, the fact that the majority operate at the national level, and by the relatively small number of organisations involved - allowing frequent interaction of key personnel and fostering both formal and informal exchange of information (Table 5.3a, b). Interestingly, information exchange emerged as the single most important reason for inter-organisational contact (Table 5.3c). Other significant factors included: co-operation with respect to the development of projects and with respect to the implementation of common schemes (Table 5.3c).

Limited contacts were reported with organisations external to the immediate AFE institutional environment. Any such contacts that did occur related mainly to communications with professionals, for example, individual advisors, consultants,

specialists or academics, or to liaison with agencies in other countries, or with spatially oriented groups, for example, local development groups.

Table 5.3: The nature and extent of AFE-related interaction between organisations surveyed

a) The degree of contact between organisations

	No. of contacts	No. of organisations
	1	01
	2	04
	3	09
	4	06
	5	16
TOTAL	140	36

b) The frequency of contact between organisations

Frequency of contact	No. of contacts	% of contacts
Rarely	00	00
Infrequent – sporadic	23	16
Infrequent – regular	47	34
Frequently	70	50

c) Primary reasons for inter-organisational contact

Reasons	No. of mentions
Exchange of information	121
Involvement with joint projects/ventures	079
Involvement with common schemes	061
Common membership/mutual interest	039
Statutory obligation	023
Provision of education/training	022

5.2.3 Involvement with AFEs

The essence of institutional involvement with, and interest in, AFE development is rooted in the restructuring of agricultural policy at EU level, and the development of rural policy at both EU and national levels. Ireland's centralised political and administrative structures determine the framework within which all organisations function (see below). In this context, the policy environment has been one of the most important stimuli for institutional interest in farm diversification. The agricultural policy environment, including the AFE policy environment, is governed to a large extent by the relevant state agencies and the two main representational farmers' unions - the IFA and the ICMSA (see Appendix 1). Opinions, perceptions and attitudes held by

these organisations are of the utmost importance, since they are translated into national policy. Implementation of the plethora of schemes and initiatives emanating from both EU and national government requires co-ordination in order to facilitate delivery and monitoring. The Irish Government, through the various state and semi-state bodies, maintains administrative control of such schemes and of the approval of grant aid.

In this context, it was not surprising to find that the collective objective of the AFE institutional environment appeared to be the promotion of general socio-economic wellbeing. To this end organisations viewed AFEs as one of many strategies by which their goals could be achieved. Interestingly, only a minority of organisations listed support for AFEs among their main objectives. However, for those organisations where objectives had changed since the mid-1980s, the most common reported reason for change was an increase in the organisation's commitment to farm enterprise diversification – suggesting at least some internal restructuring to be occurring. Although the process may be slow, since "institutions change through *minor* innovations and *slow* crystallisation .... (which) gives coherence and durability to the institutional system" (NESC, 1992: 34, emphasis added), any such change, however small, is of significance.

Increasing organisational involvement with the development of alternative enterprises does not necessarily mean an increase in organisations functioning specifically in relation to diversification. On the contrary, involvement with AFEs was a secondary activity for most organisations (Table 5.4a). Survey findings suggest approximately 80 per cent (29) of organisations belonging to the AFE institutional environment to be involved primarily with non-AFE activities. Of those with more intense AFE involvement, three combined AFE and non-AFE activities, one operated primarily with respect to AFEs and only three were involved exclusively with AFE activities. This latter group was comprised of producer representational bodies.

Table 5.4: The nature and type of organisational involvement with AFEs

a) The extent of AFE activities within the organisation

	No. of organisations
Exclusively involved with AFE activities	03
Primarily involved with AFE activities	01
Combined involvement – more or less equally	03
Primarily involved with non-AFE activities	29
Exclusively involved with non-AFE activities	00
TOTAL	36

b) The primary areas of organisational involvement with AFEs

	No. of mentions	% of mentions
Promotion/animation/development	20	24.7
Provision of advice/information	17	21.0
Assessment/approval/admin. of grant aid	08	09.9
Research	06	07.4
Marketing	06	07.4
Implementation/management of schemes except grant aid	05	06.2
Provision of private finance	05	06.2
Education/training	04	04.9
Production	04	04.9
Representation of AFE farmers	03	03.7
Lobbying	02	02.5
Regulation/control/maintenance of standards	01	01.2
TOTAL	81	100

c) Primary functions of organisations involved with AFEs

	No. of organisations
Animation/development	32
Provision of advice	29
Input into official government policy formulation	27
Lobbying/negotiating with government depts.	26
Research	20

The primary areas of institutional involvement with AFEs are listed in Table 5.4b. The most frequently mentioned areas of involvement include the promotion, animation and development of AFEs together with the provision of information and advice.

The nature of the involvement reflects the strategy adopted by the Department of Agriculture to encourage enterprise diversification. Firstly, efforts were channelled

towards heightening awareness among organisations and their clients with respect to enterprise diversification and, secondly, towards facilitating private investment in AFEs by the provision of information, advice and financial support. The primary activities (i.e. increasing awareness and knowledge, disseminating information and contributing to policy formulation (Table 5.4c)) undertaken by organisations are characteristic of the early stages of the developmental process.

Nearly all conceivable AFEs have had some organisational input. However, it is important to remember that many 'once-off' projects will have specialist, as opposed to general, institutional involvement. Greatest institutional involvement, in terms of the number of organisations involved, has been in the area of agri-tourism, especially in relation to the accommodation sector. This is one of the longest established types of diversified enterprises on Irish farms. The most important AFE types identified by institutional respondents are summarised in Table 5.5.

Table 5.5: Most important AFEs identified by organisations

AFE Type	No. of Organisations
Agri-Tourism	28
Farm Woodland	12
Mushrooms	10
Organic Vegetables	06
Farmhouse Cheese	06
Sport Horses	05

In summary, it appears that organisational involvement with farm diversification is more a consequence of involvement with rural, agricultural or general economic development, rather than being a core objective in its own right. Activities relating to diversification were incorporated into, and integrated with, the overall briefs of the organisations, as opposed to being identified as specific individual tasks. The obvious exceptions to this are the producer representational bodies, which function solely in relation to a specific AFE, for example, IOFGA, IDFA, IFH and the Irish Goatkeepers Association (see Appendix 1).

5.2.4 Commitment to diversification

That most organisations did not think, act or prioritise tasks in terms of AFEs was evidenced by a number of findings from the survey. Firstly, most of the organisations had limited experience of and exposure to enterprise diversification. For many involvement with AFE was evolutionary rather than planned. Secondly, only ten organisations provided AFE training for staff and only eleven could distinguish staff involved with AFE duties. The number of staff working full-time in relation to AFEs within the overall institutional environment is quite limited. Thirdly, organisations could not provide accurate information relating to the numbers of farmers with whom they were involved or with whom they had involvement in the past. While all interviewed liase to some extent with farmers, in many cases the farming community was not treated separately from the aggregate rural community or from the overall client base of the organisations. Fourthly, only a minority had formal plans to develop and expand their involvement with AFEs. Organisations with greatest resources to encourage enterprise diversification were found to have internalised and operationalised the concept of enterprise diversification least. Organisations with clear perceptions, definite attitudes and plans for future development of AFEs were more likely to be the AFE specific organisations – representational bodies – with least resources.

5.3 Interpreting institutional arrangements: Structures, inter-linkages and change in the institutional system

To fully understand the roles that the various types of organisations play and their differential impacts on farm level opinions and the development of AFEs, a more comprehensive analysis of AFE institutional actors was required. Emphasis was placed on examining the individual organisational types to explore their complexity, discover the extent of their influence and identify the processes by which knowledge, information and opinions get formulated and transferred.

The descriptive analysis in Section 5.2 emphasised the totality of the AFE institutional environment. It is long evident that policies, incentives and actions emanating from organisations, addressing basically the same issue, can have quite different outcomes or

degrees of success in achieving their objectives. The remainder of the analysis disaggregates the institutional system described above. Using the typologies outlined in Chapter 4, an in-depth analysis of specific aspects of this environment is presented with a view to enhancing overall understanding of: (i) the functioning of this particular institutional system, with specific reference to how opinions, knowledge and information are generated, transferred and exchanged; (ii) institutional influences (both direct and indirect) on diversification, paying particular attention to the functions which divisions perform; (iii) institutional perceptions on diversification and how these can influence or impact on wider opinion (views held by other organisations, policy actors and farmers); and (iv) the relative influence and importance of the different types of organisations to the diversification process.

5.3.1 A typology of divisions involved with AFE development

As discussed in Chapter 3, classification of organisations is fraught with difficulties. On the one hand simple typologies can facilitate initial exploration. It is relatively easy to obtain a statement of the overall aims and objectives of an organisation, of the functions it performs, of its age etc. The emergence of sub-goals, conflicting functions, functionally separate units, spatial differentiation and changing objectives over time complicates interpretation from such typologies. On the other hand, more sophisticated typologies have been developed which are useful only in the context within which they have been developed. As outlined in Chapter 3, the complexity of the AFE institutional environment is, in itself, a significant contextual factor and should not be overlooked. A three dimensional typology was employed based firstly, on the nature of the organisation in terms of its public/private ownership; secondly, on the extent to which the organisation operates solely in relation to AFE, or is involved with agriculture in general, or operates in relation to non-agricultural activities; and thirdly, on its spatial levels of operation. Since most organisations were classified as 'national' organisations, reference to spatial levels in the text will be made only where relevant.

While only one interview per case was analysed in Section 5.2 above, inclusion of all viewpoints and aspects of the organisations concerning AFE development is pertinent for the more detailed analysis now required. Therefore, analysis in this and subsequent sections, treats various interviews relating to the same organisation as separate entities

(hereafter referred to as 'divisions'). This allows a comprehensive examination of the functioning of the institutional environment at various spatial and/or functional levels, and facilitates comparisons between organisational divisions.

Table 5.6 employs the typology developed and classifies the participants selected for subsequent analysis - 27 public and 18 private organisational divisions. Divisions were almost equally divided between the 'non-agricultural' classification (22) and the 'agricultural' category (19). Only 4 interviews related to organisations specifically functioning in relation to AFEs. These belong to the private sector and are 'representational' bodies for producers involved with four specific AFE types: farmhouse accommodation, goats, deer and organic production.

Table 5.6: The nature of the institutional divisions

	Agricultural	Non-agricultural	AFE Specific	Total
State	13	14	00	27
Non-State	06	08	04	18
TOTAL	19	22	04	45

Most divisions are classified as 'national', i.e. 18 of the 'agricultural', 16 of the 'non-agricultural' and the 4 'AFE specific' divisions. Only 5 divisions are regional, 1 'agricultural' and 4 'non-agricultural'. Of the remaining 2 'non-agricultural' divisions, 1 is classified as sub-regional and 1 as local. The majority of both the 'agricultural' (15) and 'non-agricultural' (14) divisions are classified as 'parent' organisations with branches elsewhere in the country. Four 'non-agricultural' divisions are branches of larger organisations. Autonomous units of multi-organisations accounted for 1 'agricultural' and 2 'non-agricultural' divisions. Of the 9 divisions that operate from only one location, 3 are 'agricultural', 2 are 'non-agricultural' and 4 are 'AFE specific'. Many divisions operate at two or more spatial levels. In total, 42 divisions operate at the national level, 36 at the regional level, 27 at the sub-regional level and 29 at the local level. While no 'international' organisations were interviewed, 33 respondents (representing 22 public and 11 private divisions) claimed that their units operate internationally. In many instances however, international operations were synonymous

with liaisons with the European Commission. Strong evidence exists of a network of vertical linkages between branches and parent organisations. It is important to note that while a general understanding exists among institutional divisions, of the definition of the various spatial levels outlined here, spatial units of operation are defined internally within organisations. Such spatial units are chosen to facilitate administrative purposes. Thus, while a spatial hierarchy exists, it is not homogeneous across all organisations. This can result in duplication of effort, frustration and confusion, especially for individual clients or customers (including farmers) who, because of arbitrary administrative boundaries, are forced to liase with a number of different agencies.

The 27 public sector interviews represent 19 semi-state bodies, 7 neither business nor representational divisions and 1 business, i.e. profit making, division. The composition of the 'non-state' category is as follows: 5 business divisions, 7 representational bodies, 5 business and representational divisions and 1 voluntary group. As expected, the 22 belonging to the 'non-agricultural' category are more heterogeneous (in terms of the socio-economic sectors they represent) than are the 19 'agricultural' divisions. The former include representatives from forestry (2), tourism (4), education (3), industry (2), finance (4), culture (1) and multi-sectoral (6) organisational divisions, while the latter group is comprised of 13 agricultural, 2 educational, 2 representative (unions) and 2 multi-sectoral divisions.

5.3.2 Policy and administrative context

As noted in Chapter 2, in the Irish context there is no separately formulated policy for farm enterprise diversification. Nor is there a single organisation with sole responsibility for the development of AFEs. While the Department of Agriculture has administrative responsibility for the agricultural sector, and to a large extent under the 1989-1994 and 1994-1999 Operational Programmes, did encourage and support (through financial and technical advisory supports) the uptake of alternative enterprises, this took place in an *ad hoc* manner within a framework in which there was a very strong bias towards supporting production from conventional agricultural enterprises. Indeed it can be argued that Departmental interest in diversification was primarily influenced by what could be supported under the Community Support Framework rather than a real commitment to develop new farm based products and activities.

The context of the 1989-1994 OPRD saw conventional forms of farm development being superseded by (i) direct payments to farmers to curb production of conventional produce in surplus; (ii) payments to farmers for environmental protection measures; and (iii) measures to encourage farmers to diversify into products/activities not in surplus at the time. In the latter case, the nature and type of enterprises selected for support (primarily grant-aid), i.e. agri-tourism projects, forestry, greyhounds, deer, sport horses etc., can be considered as conservative and relatively unadventurous, since many of the enterprise types (perhaps with the exception of deer) have existed in some form, for some time in rural areas, *albeit* on a small scale. Also, a range of other state and non-state bodies existed which directly or indirectly functioned in relation to the enterprise types selected. The Department, while it had responsibility for the implementation of the OPRD, did not have any co-ordinating function for the activity of the different bodies potentially impacting on diversification. This tended to generate confusion and an overall impression of a lack of seriousness and commitment to diversification as a *real* mechanism to facilitate agricultural restructuring at farm level. Analysis of the operation and functioning of the AFE institutional environment that evolved clearly has to take account of this policy and administrative context.

5.3.3 Institutional structures

The upsurge of interest in the development of alternative on-farm enterprises has fostered the evolution of the AFE institutional environment. In general, this equates with the Irish rural development institutional environment and is broader than the general agricultural institutional environment, however, the importance afforded to it is minor by comparison. It incorporates 'new' organisations which specifically assist AFE adopters, e.g. the Irish Deer Farmers Association, the Irish Goat Keepers Association, Irish Country Holidays, CAIS (the farmhouse cheese-makers association) etc. and associates organisations from diverse sectoral and spatial backgrounds. The development of AFE activities within longer established organisations has, in some cases, resulted in internal restructuring, for example, the development of new 'units' within larger organisations such as the Department of Agriculture and/or the creation of new positions or functions for staff members within organisations, for example, AFE 'specialists' within Teagasc: the 'deer specialist', the 'rural tourism specialist' etc. At the time of the survey, the AFE institutional environment was evolving and was dynamic.

The role of the state

From the foregoing discussion on the types of organisational divisions included in the survey, it is apparent that a significant feature of the AFE institutional environment is the extent of state involvement. State involvement is effected primarily through policies, regulation and provision of information, advice and grant-aid. There is a wide diffusion of functions and responsibilities across state agencies. These tend to be sectorally based and to relate to a vertical or hierarchical power structure, with units reporting to 'parent' departments at central government level rather than operating horizontally to co-ordinate and maximise their impacts on the ground. However, despite its fragmented nature this mix of state institutional arrangements is difficult to penetrate because of the formality of its character, its authoritarian nature and its established inertia. It is highly effective and influential in determining: (i) the strategies adopted by other institutional players; (ii) the distribution of bargaining power within the overall institutional system; and (iii) the criteria for participation in the AFE institutional network. To this end state organisations, particularly those at central government level, play a critical role in shaping the organisation and functioning of the AFE institutional system. They appear to dominate in the formulation of policy opinion, information and the transfer of resources (including knowledge), not alone down their own vertical hierarchies, but also across private sector organisations.

Teagasc is officially responsible for the provision of AFE advice and information. Restructuring within this organisation (during the 1980s) owing to the imposition of policies of reduced exchequer funding of agri-food research, education and advice, together with those relating to no recruitment and early retirement schemes severely depleted the resources of the organisation. Nevertheless, efforts have been made to facilitate AFE development and some resources have been diverted to assess the feasibility of these activities. However, the research commitment to AFEs, when compared to research activities in other areas, was quite limited, and has been associated with a lack of confidence in AFEs to make a significant contribution to Irish farm families. Therefore, information relating to AFEs in the Irish context is less than adequate. This has had two important implications. Firstly, the lack of commitment to AFEs is transparent to other organisations and, perhaps more importantly, to the farming community. A lack of full commitment to AFEs by the national agricultural

research, education and advisory service prompts caution and scepticism in other sectors. Secondly, by definition AFEs are enterprises outside of mainstream agriculture. Teagasc's role has been, and continues to be, perceived as one solely relating to agriculture. It is not perceived to have, or be justified in having, any function in other sectors of the economy. Its responsibility in relation to non-agricultural AFEs initially caused some friction with other organisations, for example, organisations in the tourism sector. Primarily this emanated from the desire of these organisations to defend what they perceived to be part of their task environments and from misunderstandings relating to the actual role and functions Teagasc would have. While such obstacles have been largely overcome, in a small, centralised institutional network they are often not forgotten. The fact that limited research is available is often used by other (rival) organisations to suggest incompetence and lack of interest. Unfortunately, organisational views can be passed on to clients in the course of organisation-client encounters and this can impact on how farmers perceive AFEs.

Institutional interaction networks

Formal inter-organisational contact between statutory and non-statutory divisions characterises the AFE institutional environment. The pattern of linkages found suggests that a hierarchical network exists. All spatial levels are networked - usually through the internal functioning of the organisations as opposed to being horizontally networked across spatial areas. Interaction within the network relates both to day-to-day operations and to more strategic planning, as for example, in the case of policy formulation.

Most divisions have international contacts. These predominantly relate to liaison with EU officials for policy and representation purposes, although sourcing of information and seeking experience from other countries are also important. Within the network at the national level, a core group can be identified. The better networked organisations include: Teagasc, the Department of Agriculture, Bord Fáilte, regional tourism organisations, representational groups (non-union groups) and the IFA (see Appendix 1). These mirror organisations with power in relation to the formulation of agricultural policy (see below). Contact, both internally among core group members and externally with non-core divisions, is regular to frequent. Communications, between divisions

belonging to the core group, are to a large extent mutually interactive, with frequent exchanges occurring between all members. Multiple reciprocal relationships exist. Interaction and integration among non-core divisions are not as intense. Contacts here tend to be either 'pairwise' or 'single' encounters.

The existence of this core/non-core distinction is significant. Analysis suggests a dependency relationship exists both internally between core members themselves and between them and other divisions. It is in the interest of the core group to accumulate and control knowledge and information, this is how their power is augmented and their relative positions in this institutional system strengthened. How they use and disseminate information gathered determines the nature and extent of development, both in terms of AFEs and in terms of institutional developments. Information feedback from the core to the non-core group was found to be quite limited. Contact between divisions belonging to the two groups is generally initiated by the non-core element in seeking to access information. Obviously, processes involved in the exchange of information are crucial to any form of enterprise development and the magnitude of their importance is greatest during the initial stages of development. If the communications network does not facilitate the liberal exchange of information to all interested parties, then initiative and enthusiasm may be lost. This relates to the degree of centralisation evident in the Irish context. It appears that in this context Hage's (1980: 280) hypothesis relating to aspects of internal organisational adaptiveness can be broadened to incorporate external power relations: "the greater the degree of centralisation, the less the amount of information and the poorer its quality."

Collaboration occurs at all levels, but particularly among agricultural organisations. This is very important. It reflects a traditional consensus among such organisations that it is necessary to unite to protect their common interests. Also, this is evident in the policy network, where recognition is given to agricultural organisations by the state.

Most respondents (30) indicated that the AFE objectives of their particular division overlapped in some respect with those of other institutional divisions. These primarily represented multi-functional organisations belonging to the following sectors: agricultural (4), tourism (4) finance (3) and multi-sectoral (4). Where overlap did occur,

respondents indicated, that in the main, organisations react positively and try to collaborate and co-ordinate their activities. While semi-state bodies claimed there was no overlap between them - by virtue of the fact that they have very specific, clearly defined briefs - the diverse nature of AFEs has led to some duplication of effort. Such bodies stress that they make conscious efforts not to engage in aggressive competition and that every attempt is made to avoid duplication. In theory, this may suggest a well organised state sector, in practice, the limitations imposed by these strict definitions can impose rigid limits on what any one division can do, how much involvement it has with the development of AFEs, and to some extent can, in fact, act to limit the degree of responsibility internalised within the organisation. The implication of this is less effective and less efficient involvement which can be very frustrating, both for staff members making conscious efforts to develop AFEs, and for the farming community having to deal with numerous different bodies because of the rigid bureaucracy which exists.

In sum, while it can be said that organisational involvement with AFEs has necessitated increased institutional networking behaviour, it is doubtful whether this interaction has been effective beyond providing a mechanism for greater liaison and communication among organisations.

Change in the institutional system

Undoubtedly, changing attitudes and perceptions concerning the development of AFE have increased the impetus of agricultural organisations to diversify their interests. Institutional change seems to be occurring on three levels. The first is the development of new organisations, the second, is the expansion of existing task environments to incorporate AFE activities, and the third, is the internal allocation of resources and work practices to facilitate AFE involvement. Survey evidence suggests duplication of effort to be occurring, therefore, resources are available within the institutional context to facilitate the development of AFEs, but a co-ordinated effort at all levels is required if they are to be used effectively and efficiently.

Changes in the activities of institutions imply changes in their objectives. Changes in objectives reflect changes in priorities. This type of change is worth consideration.

Individually the magnitude of such change may not be of significance, however, collectively, the impact of the reformulation of objectives may be quite substantial. It must be pointed out, however, that for all but the AFE specific organisations, AFE objectives are objectives with a small 'o', which are often embodied within the general objectives of the overall organisation.

Within the AFE institutional system, analysis suggests divisions belonging to the agricultural category have experienced most change (Table 5.7a). Within this classification, changing objectives were most marked among public divisions. Modifications were introduced primarily to take account of CAP reform measures and to facilitate involvement with farm enterprise diversification. Such changes were viewed as *natural* extensions of their activities by those involved. They highlight the influential role of EU policies and market forces in determining organisations' objectives. Perceptions and explanations, provided by respondents, did not acknowledge the conservative views that these divisions traditionally have held. In a historical context, what respondents advocated as a *natural* extension of interests, was in fact a major shift in perspective. It was a forced, reactive change - a change not by design but by necessity - interrelated with external change outside the control of the individual divisions themselves (Table 5.7b). Commitment to and interest in the outcomes of such change, usually lack the enthusiasm associated with change by choice. This is reflected in the types of AFE objectives emphasised by these divisions, namely: to increase the number of AFE farmers, to increase the utilisation of under-utilised resources, to provide advice and information and to provide an alternative source of income for farmers (Table 5.7c). Such objectives maintain close association with traditional roles and activities. They emphasise 'quantifying' as a priority issue. This behaviour is consistent with organisational theory given the nature of the divisions involved (Weber, 1947; Perrow, 1967; Hage 1980). The greater the centralisation the more likely are key actors to choose objectives of quantity to prove effectiveness.

Table 5.7 Changes in institutional objectives

a) Changes which have occurred	Agricultural State	Agricultural Non-State	Non-Agricultural State	Non-Agricultural Non-State	AFE Specific Non-State	Total
Broadening of objectives	05	01	03	01	00	10
Increase in organisation's involvement with diversification	11	03	03	00	00	17
Objectives formulated/reformulated to take account of CAP reform	06	02	01	00	00	09
Focusing more on improving efficiency of producers	06	01	00	00	00	07
Greater focus on quality awareness	05	00	00	00	01	06
Focusing more on market opportunities	05	00	02	01	02	10
Increasing emphasis on environmental issues	01	00	00	00	00	01
Availability of increased funding/grant aid	00	00	01	01	00	02

b) Reasons for changes in organisational objectives	Agricultural State	Agricultural Non-State	Non-Agricultural State	Non-Agricultural Non-State	AFE Specific Non-State	Total
Development/restructuring of the organisation	01	00	02	01	01	05
Change in EU policy/objectives	12	02	02	01	00	17
Change in government policy/objectives	04	02	03	00	02	10
Responding to market forces	06	01	02	02	02	13
Need to sustain/create employment	01	00	02	00	00	03
Need to sustain/supplement farm incomes	02	02	01	00	00	05
Increased emphasis on farm diversification	04	01	03	00	01	09
Other	02	01	01	01	00	05

Table 5.7 Changes in institutional objectives

c) Specific AFE objectives of the divisions surveyed

AFE objectives	Agricultural		Non-Agricultural		AFE Specific	Total
	State	Non-State	State	Non-State	Non-State	
To increase the no. of AFE farmers	18	03	05	02	03	31
To improve/develop the market for AFE products	05	07	08	04	01	28
To ensure the quality of the products/services	06	05	11	01	02	25
To provide information/advice	11	03	06	01	02	23
To increase the quantity of the product	06	01	08	02	01	18
To provide an alternative/additional source of income	08	04	01	02	00	15
To ensure the utilisation of under-used resources	11	04	00	00	00	15

Neither the non-agricultural nor the AFE specific divisions had experienced the same degree of change. Explanation lay in the length and extent of their involvement with AFE development and also, in the multi-sectoral, enabling nature of the divisions included here. The greater the diversity of expertise and involvement with general development issues, the greater the ability to incorporate new activities and the greater the degree of flexibility in interpreting the objectives. Findings suggest greater enthusiasm and interest in AFE development among divisions in these categories. Similar to the agricultural divisions, the non-agricultural group had specific AFE objectives. However, these tended to seek to address the factors understood to be inhibiting AFE development - lack of adequate markets, assessment of and attention to the quality of the produce, and inconsistent supplies (Table 5.7c) – demonstrating their experience and depth of understanding of the context within which both they themselves, and the farming community, are trying to develop AFEs. It reflects a more complex involvement than that of the agricultural divisions, and also, is indicative of their more general approach to job creation and enterprise development.

As expected the AFE specific divisions concentrate on increasing their membership, on ensuring that the quality of produce is satisfactory, on developing markets, and on providing advice and information (Table 5.7c).

5.4 Interpreting the influence of institutions

5.4.1 The nature and type of involvement reported

Analysis of the extent of institutional involvement with AFEs by organisational type began with the identification of important discriminant variables. These are presented in Table 5.8. From the survey it appeared that 'non-agricultural' divisions were the pioneers of AFE development. Some of these were involved with AFEs since the early 1960s and most have had involvement prior to the late 1980s. In contrast, divisions classified as 'agricultural' and 'AFE specific' had only relatively recent involvement, most having less than ten years experience (Table 5.8a). While state involvement has been present throughout the period from the early 1960s, it has increased substantially

since the mid-1980s and has been dominated recently by 'agricultural' interests. Similarly, involvement of non-state interests has increased - the number of private organisations having doubled since the 1980s (Table 5.8a). However, for the vast majority of institutional divisions (38 of 45), involvement with diversification is a secondary activity (Table 5.8b) – most are primarily involved with non-AFE activities. The private sector, primarily in the form of producer representational groups, accounts for those having more or less equal, primary or exclusive involvement with diversified enterprises.

Because of links between certain elements of an organisation's structure, notably its brief, its goals and objectives, its functions, its internal division of resources and its client base, many factors can influence decisions relating to its task environment. Explanation of institutional involvement with AFEs clearly is related to the policy environment, but it is more complex than simply the result of this single external factor. It is interesting to note some of the key reasons given by respondents for AFE involvement (Table 5.9a). Consideration of the different reasons emphasises the range of different actors involved, and highlights the heterogeneity of their aims, objectives, beliefs and approaches.

On the one hand the public sector is concerned primarily with implementation of EU and national Government schemes (Table 5.9(a)). This is an implicit function for these institutions. They are characterised by both reactive and proactive tendencies and are powerful in the formulation of policies to encourage agricultural restructuring. On the other hand, reasons given by private interests are generally rooted in a desire to heighten awareness of the potential of AFEs, to exploit the opportunities AFE development might afford, and in monitoring modifications in their operating environments caused by changes in the public sector's agricultural and rural policies (Table 5.9a). AFE specific divisions focus on increasing awareness of the AFEs and/or the products with which they are involved and on providing support for those considering or engaging in diversification. This involves providing advice and information, developing markets and becoming involved with lobbying if necessary (Table 5.9a).

Table 5.8: The extent of divisions' involvement with AFEs

a) Length of involvement with AFE

Period	Agricultural State	Agricultural Non-State	Non-Agricultural State	Non-Agricultural Non-State	AFE Specific Non-State	Total
1960-69	-	-	05	-	01	06
1970-79	-	-	-	-	-	-
1980-89	10	06	06	07	03	32
1990-93*	03	-	04	-	-	07
TOTAL	13	06	15	07	04	45

*Three year period only

b) Extent of involvement with AFE

Nature of involvement	Agricultural State	Agricultural Non-State	Non-Agricultural State	Non-Agricultural Non-State	AFE Specific Non-State	Total
Exclusively involved with AFE	-	-	-	-	03	03
Primarily involved with AFE	-	-	-	-	01	01
Combined involvement with AFE and non-AFE activities more or less equally	-	-	01	02	-	03
Primarily involved with non-AFE activities	13	06	13	06	-	38
Exclusively involved with non-AFE activities	-	-	-	-	-	-
TOTAL						45

c) Total number of AFEs divisions are involved with

No. of AFE	Total	Agricultural	Non-Agricultural	AFE Specific
<10	18	6	9	3
10-20	10	1	7	1
21-30	10	7	3	-
31+	07	5	2	-

Table 5.9: Why and how the different types of institutional divisions became involved with AFEs

a) Reasons for organisational involvement with AFEs

	Agricultural State	Agricultural Non-State	Non-Agricultural State	Non-Agricultural Non-State	AFE Specific Non-State	Total no. of mentions
Response to change in EU schemes/approach	12	04	05	03	00	24
Integral part of the organisation's brief	09	03	05	01	02	20
Nature of the organisation facilitates AFE development	04	02	07	03	00	16
To heighten awareness of AFE	05	03	02	03	02	15
Responding to declining farm incomes	04	03	03	01	00	11
Responding to a demand from farmers	01	00	04	04	01	10
Responding to market opportunities	01	01	02	05	01	10
To provide support/facilities for AFE development	00	00	01	03	02	06
Influenced by another organisation	01	00	03	01	00	05
To create employment	00	00	04	01	00	05
Statutory obligation	03	00	01	00	00	04
To conduct research	00	01	01	00	00	03
Other	00	00	00	00	01	01

b) How the organisation became involved with AFEs

	Agricultural State	Agricultural Non-State	Non-Agricultural State	Non-Agricultural Non-State	AFE Specific Non-State	Total no. of mentions
Provided resources to facilitate AFE development	09	04	09	04	02	28
Promote AFE/provision of advice and information	06	04	04	04	02	20
Liaison with other organisations	03	04	07	03	01	18
Administration of grant aid	03	00	07	03	00	13
Increased research commitment	08	03	01	01	00	13
Liaison with farmers	09	03	05	01	02	08
Introduced training courses	00	00	03	04	01	07
Implementation of regulations	02	00	00	00	01	03
Other	01	01	00	00	01	03

Agricultural actors supporting AFE development appear to be motivated by official policy directives - displaying reactive as opposed to proactive behaviour patterns - obviously related to the high proportion of state agencies in this category. The non-agricultural divisions, because of their more heterogeneous characteristics, have more varied reasons for AFE involvement (Table 5.9a). Here a more proactive approach is evidenced, which in turn relates to the nature of the organisations involved, i.e. enabling bodies. An important observation within this group is the fact that respondents indicated that they try to incorporate the needs of their clients (including the farming community) into decision-making criteria.

Focusing on how the organisations became involved with AFEs, the impression is that most extended their task environments. Agricultural divisions reallocated internal resources, extended their liaison with farmers, and increased their commitment to AFE research - primarily technical and feasibility studies (Table 5.9b). This, it was understood, contributed to an increase in the dissemination of AFE advice and information, thereby, heightening farmer awareness of the organisations' roles and involvement with enterprise diversification and of the potential opportunities from adopting AFEs. For those in the non-agricultural category, again, internal restructuring was an important mechanism by which AFE activities were introduced. However, emphasis focused more on developing coherent involvement with alternative enterprises through liaison and interactional networking with other organisations and through the administration of grant aid. Interaction with AFE farmers, dissemination of information and the provision of resources were the principal measures adopted by the AFE specific institutional divisions in establishing and extending their involvement with diversification.

5.4.2 Key areas of intervention and influence

Functions or tasks performed by institutions can be conceptualised as the factors directly determining institutional influence on diversification and impacting on the nature of the institutional-client (farmer) interface and institutional-client relationships. Classification of functions is not universally defined. For the purposes of the current research, seven broad functional groupings were identified. These groups and their sub-divisions are outlined in Table 5.10, to illustrate the types of organisational divisions

involved with the various activities. As already mentioned, most divisions did not have specific AFE functions. Most, irrespective of their overall classification, were multi-functional organisations whose AFE activities basically mirrored their overall or general functions. Five primary functions of the AFE institutional environment were readily identifiable: the provision of advice and information; animation and development; input into official government policy formulation; lobbying and/or negotiating; and provision of financial assistance. Clearly, there are interdependencies between these five functions. Also, as already noted in Section 5.2 above, there is an obvious relationship between the types of functions and the position with respect to the stage of development of AFEs in the country. Each function is now examined and discussed in turn.

Provision of information and advice

In general, the agricultural sector has long established, internal information generation and dissemination mechanisms and procedures. Despite reductions in total organisational resources in the late 1980s and early 1990s – linked to reduced exchequer funding among statutory organisations - agricultural research, information, extension and advisory services continue to be well institutionalised, have well established reputations and are generally respected among the farming and wider community.

Both the Department of Agriculture and the national agricultural development authority (Teagasc) have specialists who develop, interpret and package policy and technical information for farmers and those involved in the agri-food sector. Information leaflets, fact sheets and other 'user-friendly' materials, are produced regularly and widely distributed. Such state-led information generation and dissemination activities are complemented by initiatives from the farming representational organisations, for example, farm unions, co-operatives, producer representational groups etc.

Table 5.10: Functions (general and AFE) of the different types of institutional divisions

Function	Agricultural		Non-Agricultural		AFE Specific		Total	
	In general	For AFE	In general	For AFE	In general	For AFE	In general	For AFE
Input into official policy formulation	13	12	16	10	04	04	33	26
Regulation/control	06	05	12	10	03	03	21	18
Provision of advice and/or information	18	18	16	15	04	04	38	37
Animation/development	18	18	18	15	04	04	40	37
Education/training	11	10	08	08	01	01	20	19
Research	14	10	11	07	01	01	26	18
Provision of credit finance	01	00	09	06	00	00	10	06
Administration of grant aid	09	07	08	07	00	00	17	14
Provision of grants – source of funding	05	04	08	05	00	00	13	09
Promotion of a product/region	03	03	12	09	03	03	18	15
Actually involved in marketing	01	01	10	07	02	02	13	10
Provision of equipment etc.	07	05	10	06	01	01	18	12
Lobbying/Negotiation EU	12	10	10	05	01	01	23	16
National Government	12	12	15	08	04	04	31	24
Regional Government	00	00	01	00	00	00	01	00
Local Government	05	04	11	08	02	02	18	14
Other function	02	02	07	03	02	02	09	07

In relation to enterprise diversification this range of information generators is extended. Additional non-agricultural information providers are involved, for example, enabling or developmental bodies, specific AFE producer groups, tourism interests etc. As a result the nature and type of information potentially available and the variety of channels used in its dissemination, are quite extensive. In theory, accessing information should not be a problem. However, the fragmentation of effort can make it difficult for information seekers (for example, farmers), with different information points for broadly similar activities, or different points for various aspects or stages of enterprise development. Also, the nature, type and quality of the information available can vary greatly depending on: (i) the type of alternative enterprise one is interested in; (ii) the nature of the information being sought, for example, general or introductory information, information relating to the sourcing of plants/animals, information relating to the availability of financial supports, regulatory requirements, the economics of production, market information etc, and (iii) the actual source of the information. Generally, organisations specifically involved with the various AFEs tend to provide the most comprehensive information pack.

The print and broadcast media are generous in featuring issues of interest to the agricultural community. However, although features relating to farm diversification have increased, the range of coverage and emphasis placed on AFEs is quite limited when compared with the regular coverage of issues relating to other types of on-farm development. In addition, what coverage there is tends to be focused on the longer established alternative enterprises, for example, agri-tourism, sport horses and mushrooms, or to those commanding significant state supports, for example, farm afforestation, or to individual case studies (national and international) of successful AFE adopters.

In sum, the totality of information activities relating to diversification, although viewed as a significant contribution by the individual respondents interviewed, does not have a very high profile and certainly would appear to be subsidiary to other types of agri-centred information.

Animation and development:

Encouraging farmers to re-orient their production behaviour requires a significant contribution in support from the relevant developmental and/or extension services. Provision of information and related advice is but one aspect of the support process. Undertaking research, increasing awareness through promotion, education and training, providing accurate and detailed information, encouragement, facilitation and back-up services, are fundamental elements in supporting the adoption of new farm practices. With changing circumstances in farming, the nature and type of organisations potentially facilitating on-farm developments has extended beyond what can be considered as the 'usual' agricultural organisations, to incorporate other enabling and advisory services. Thus, the majority of representatives interviewed (37) claimed that their organisation played a role in the animation and development of AFEs.

In practice, however, the main source of research, advice, education and training for the farming community continues to be Teagasc. This organisation has undergone restructuring to realign its services with the changing circumstances and context of the agricultural sector, and to meet the changing requirements of its clients. In particular, the role of the organisation's extension service has undergone profound change. The service was free of charge to farmers until 1987 when fees were introduced (due to reductions in exchequer funding for the organisation) – inevitably changing the client base of the service away from the smaller, less viable farm businesses towards those who could afford to pay, namely the larger, more commercial and more competitive businesses. In addition, the nature of the work undertaken by advisors changed, switching from an emphasis on development and increased farm efficiency, to the curtailment of production and the provision of assistance with bureaucratic form filling, or what has become known as 'paper farming' in the post-1992 period (Phelan, 1998). At the same time the organisation was subject to a recruitment embargo which meant no new graduates could be employed, which in turn had implications for the range of skills available within the extension service – a factor which directly impacts on its role in relation to diversification.

The extension service is supported by research conducted internally within the organisation. Research resources allocated to investigating the potential suitability and

economic contribution of AFEs to Irish farm businesses have been very limited. Efforts have focused on specific aspects of specific AFEs, resulting in the generation of specific information applicable only to the AFEs in question. A number of staff were allocated to the main AFEs identified in the OPRD, and they have developed considerable expertise (based mainly on international research and international experiences) in their specific areas. They are considered specialists in diversification and are available to support front-line advisory colleagues. However, in general, there is a limited 'internal' knowledge base among advisory staff in relation to enterprise diversification.

Formal and informal education and training are provided for those wishing to explore the diversification option. Generally, courses for farmers are part-time, are provided by the extension service, are organised and delivered by AFE specialists and occur in response to a demand from farmers.

Policy formation

As noted in Chapter 2, the policy environment is of particular significance. Analytical emphasis was placed on investigating the key formulators of AFE policy measures, with a view to identifying the locus of power and the extent of control within this environment. As already discussed, the AFE institutional environment is somewhat broader than the equivalent agricultural environment. Many sectors are linked and, through inter-organisational interaction, can voice opinions and suggestions for incorporation into national policy. There is no specific co-ordinating body for organisations involved with AFEs. Linkages between institutional divisions are not necessarily hierarchical, although some are recognised as being of more importance and as having more power than others. Yet in terms of *actual* policy formulation, the core policy network of the *agricultural* environment emerged as the dominant force with respect to AFE policy formulation. Divisions involved in this core are relatively limited in number, but include government departments, semi-state bodies, the two main farming unions, i.e. the IFA and the ICMSA and in some instances, where relevant, AFE representative groups, e.g. Irish Country Holidays, the Irish Deer Farmers Association. Formal communications usually occur between the important influential core group before significant government or EU meetings. Different institutional divisions represent their own specific perspectives. Given the nature of the divisions

involved, i.e. 'agricultural divisions', conventional agricultural developments dominate individual agendas - exceptions are the AFE specific organisations. Such communications allow for the resolution of differences and the development of a coherent strategy. Co-operation among organisations is of the utmost importance, not alone in terms of policy consensus, but also in terms of policy implementation, the dissemination of information, and the delivery of initiatives and schemes at the farmer interface. Policy-makers are conscious of the role of other institutions, for example, educational, regulatory, marketing, and financial organisations, and of the dependency relationships that exist within the AFE institutional setting.

Provision of financial support

Links between external capital and family farms, in the process of agricultural restructuring, are generally viewed as pertaining to increased dependence on: (i) financial institutions for investment purposes and to meet short-term costs, (ii) technological inputs and technical advice and (iii) marketing linkages (Moran and Cocklin, 1989). The processes by which these relationships contribute to the subsumption of family farms, through direct and indirect control of production, is the focus of an extensive body of literature to which major contributions have been made individually and collectively by Munton, Marsden, Whatmore and their colleagues (Marsden *et al.*, 1986; 1992; Munton *et al.*, 1988; Whatmore *et al.*, 1990) as well as by Cox *et al.* (1986). Here attention is focused on the institutional perspectives of the relationships between finance capital and family farms.

Financial assistance is a critically important element in encouraging and supporting diversification. Provision of finance was sub-divided into three distinct elements in the survey: the provision of loans, the administration (but not the source) of grant aid and the source of grant funding. As expected, the private non-agricultural divisions dominate loan finance. Financial institutions - mainly the commercial banks, i.e., Bank of Ireland, AIB, Ulster Bank, ACC Bank, Irish National Bank etc., provide an opportunity to examine financial institutions' involvement with farm diversification. These divisions are involved in lending financial capital to what each defines as *viable* AFE projects. *Farmers* are requested to provide a *detailed feasibility study* outlining the *profitability, marketability and development* of the project and how it will be

integrated with the overall farm business plan. Precise criteria are used in assessing proposals, but primarily the farmer's entrepreneurial skills, his/her past performance in terms of business and credit management and his/her ability to service the loan are the deciding factors. Farmers liase with local branch managers, most of whom, if they have no formal agricultural training, have attended some in-house agricultural courses to enable them to evaluate loan applications from members of the farming community. Usually, the branch managers have autonomy with respect to loan applications, but when AFEs are involved they normally liase with their regional managers or with the bank's agricultural advisors. As one respondent pointed out in respect to farm-based tourism activities:

> "rural tourism is so disparate - it has so many various component parts that it is very hard to get a feel for what is actually going on. It is very difficult to know whether conventional enterprises are subsidising diversification or visa versa. Since there is no concrete information available one can only speculate. I suspect that the actual cost of diversification is hidden within overall farm borrowing."

AFE development plans are examined with extreme caution by the financial institutions. Two important factors were evident: firstly, AFEs are relatively 'new' in the Irish context and their viability and income generating capacity is as yet unproved, and secondly, the development of some AFEs can involve very large capital investments, for example, golf course development, initial investment in new livestock, etc. When large amounts of capital are involved the banks want to minimise risk. As another respondent commented:

> "The bank appreciates farmers current positions - they must investigate all opportunities available to them, but from the banks point of view, some of these enterprises are high risk areas with relatively low profit margins. It is not sensible or advisable to fund such projects."

Banks view their strict criteria for lending as beneficial to the farming community, insistence on a feasibility study and/or an AFE development plan focuses the farmer's attention on the commitment involved and the potential returns to be expected. It seems likely that the availability and accessibility of financial credit may become increasingly important if farmers' interest in AFE adoption is to be sustained and/or increased.

Diversification is primarily a survival strategy, positive attitudes among financial institutions are critical if small family farm businesses are to adopt AFEs.

Some banks provide loans specifically for farm development and in some cases packages are available for farm afforestation and agri-tourism. These loans are generally advertised as short-term loans to supplement personal capital while diversification grants are being processed. Therefore, there is virtually no risk involved for the banks. The provision of such targeted credit suggests an increasing demand for finance capital and is indicative of the role credit finance plays and will play in the development of alternative enterprises.

Grant aid: Availability of grant aid is important for enterprise diversification, particularly in the less favoured areas, where farm businesses are small and capital availability for reinvestment quite low. Both agricultural and non-agricultural divisions are actively involved in the processing of grant applications and the provision of funding. EU Structural Funds and the national exchequer are the primary sources of grant aid. The Department of Agriculture has responsibility for the allocation of funds under the Alternative Enterprise Grant Scheme, but in the case of the preparation and administration of applications a variety of semi-state bodies, for example, Teagasc, Bord Fáilte, Shannon Development, Regional Tourism Organisations (of which there are seven) etc., play a significant role. Other schemes and/or programmes operate which encompass a broad range of enterprises for development. Some farmers have received assistance from these. They include the Operational Programme for Tourism, the Operational Programme for Forestry, Forestry Premium Scheme, FEOGA Grants Scheme, Horticulture Grant Scheme, Aquacultural Grant Aid, the Environmentally Sensitive Areas Scheme (ESAS), the Rural Environment Protection Scheme (REPS), the LEADER Programme, Global Grants, County Enterprise Boards' Grant Schemes, and the Community Co-operatives grant aid available in Gealtacht areas.

As regards the nature and extent of the financial assistance - this is largely determined, where applicable, by function and type of grant aid being administered. Agricultural divisions are primarily involved in the 'start-up phase', with public divisions particularly significant. Provision of grant aid legitimises and prioritises the development of

alternative enterprises for both the farming and the institutional communities. However, in practice, grant assistance offered by the agricultural divisions is generally limited to the financing of structural change at the farm level - support being provided for the construction of housing, handling units, fencing etc., and for the purchase of livestock - mirroring capital grant assistance for conventional farm development.

Multi-organisation, together with the developmental and facilitatory nature of non-agricultural divisions allow for flexibility in terms of the type of projects with which these divisions become involved and consequently the range of projects they fund or support. Grant aid provided encourages farmers to undertake feasibility and market studies, and helps with the provision of seed capital. Such divisions operate at regional and/or local levels. A key factor which seems to differentiate this group is the extent and use of local knowledge among staff members. This gives them the opportunity to assess and monitor projects *on the ground*, to liase with diversifiers and to maximise their contributions to the farm diversification process. AFE organisations, because of their status (i.e. private representational bodies) and resources are generally not involved in the financing of AFEs but they do provide assistance for potential diversifiers in identifying sources of financial assistance.

Lobbying and negotiation:

Most surveyed organisations were involved with lobbying/negotiation (Table 5.10). Divisions were differentiated in relation to the nature and type of interventions taking place, in terms of the spatial scale at which negotiations were aimed and in terms of the specific target groups involved. Agricultural divisions were most active at national and international levels (usually related to activities at EU level), reflecting their roles in contributing to the formulation and development of policy. Non-agricultural divisions while they did negotiate at the international level tended to be more vocal at the national level. AFE specific divisions lobbied the national government and were active also at mobilising interests at the local level.

5.4.3 Differential support for AFE types

Beyond the issue of which types of organisations are involved with AFE development, lies a more important question relating to which AFEs organisations are *actually* involved with. If institutional support favours particular types of AFEs, then it seems reasonable to suggest that these will receive most institutional attention. Since it can be hypothesised that farm business development is to a large extent dependent on and conditioned by the attitudes and instruments adopted by organisations, limitations on the number and type of AFEs receiving institutional attention will impact upon farm operators' search and choice behaviour

Approximately half (13) the public sector divisions had involvement with ten or less AFE types; while private sector involvement seemed more extensive, only one-third (6) of these were confined to ten or less different enterprises. In terms of the 'agricultural', 'non-agricultural', 'AFE specific' typology: agricultural divisions, despite their relatively recent involvement with AFE activities seem to have involvement with the broadest range of activities. Of the 19 divisions belonging to this category, 12 indicated that they have experience and involvement with more than 20 different types of AFEs. The non-agricultural group, although having the longest involvement with AFEs, appears to have confined their activities to a narrower range of enterprises. Of the 22 divisions involved, 10 have involvement with 10 or less AFEs and 7 with between 11 and 20, leaving only a minority (5) of divisions having involvement with more than 20 types of diversified activities.

Institutional emphasis focused on three broad categories of enterprise diversification, namely: agri-tourism, new crops and new livestock (Table 5.11). Individual enterprises which had received substantial institutional support, e.g. research, financial backing, promotion, marketing services etc., include: mushrooms, sport horses, forestry and agri-tourism enterprises such as serviced farmhouse accommodation, self catering accommodation and pony trekking (Table 5.11). State organisations dominate among those involved with agricultural AFEs, with 20 of the 28 divisions involved with new crops and 12 of the 21 involved with new livestock, being public bodies. Surprisingly, all three types of institutional divisions, i.e. agricultural, non-agricultural and AFE specific, place much emphasis on agricultural AFEs. Perhaps this is indicative of an

institutional perception of (i) what constitutes a farm enterprise, (ii) a comparative advantage for Irish farmers with respect to land (grass) based enterprises, (iii) the types of enterprises in which farmers have an interest, and (iv) the viability of the different types of AFEs. On the other hand, it may be reflective of the attitudes of core policy makers and decision-makers in insuring that Irish agriculture remains 'agricultural' and that control remains within the agricultural institutional environment, or, it may reflect farmers' demands and interests in these specific AFEs. In relation to the latter, the farm behavioural analysis (see Chapter 6) indicates that farmers have involvement and interest in both agricultural and non-agricultural AFEs. Therefore, findings here highlight the areas of on-farm services and on-farm processing, as enterprises where more institutional efforts could be channelled.

Individual AFEs that appear to be least important from an institutional perspective include: farm based nurseries, goats, fruit and vegetable processing, farm based manufacturing and free range chicken/egg production. For 10 divisions conscious decisions had been made not to become involved or to cease involvement with some of these enterprises, namely free range poultry (2), vegetables (1) and fruit processing (1). Other enterprises perceived as not warranting further investment of time or capital include: new oilseed, different breeds of cattle, fish farming, biofuel, bees/honey production and snails.

Table 5.11: The most important AFEs identified by the different types of institutional divisions

AFE Type	No. of divisions
Agri-tourism/Accommodation	25
Farm afforestation	15
Mushrooms	14
On farm services	11
Organic vegetables	09
Sport horses	08
Foliage	06
Farmhouse cheese	06

Broad AFE Type Group

AFE type group	Agricultural State	Agricultural Non-State	Non-Agricultural State	Non-Agricultural Non-State	AFE Specific Non-State	Total no. of mentions
New crops	09	03	11	03	02	28
New livestock	02	04	10	02	03	21
Woodland	05	02	04	04	00	15
On-farm services	05	03	02	01	00	11
On-farm processing	04	02	00	02	01	09
Agri-tourism	04	07	07	05	02	02

Findings relating to the lack of involvement with specific AFEs suggest a general apprehension among institutional divisions concerning association (either real or perceived) with a venture which has 'failed' or which might be termed a 'failure'. Institutional fear of 'failure' is quite pronounced and is particularly notable among state organisations - but did of course penetrate the private sector as well, as for example, in the case of the commercial banks discussed earlier. It is reflected by cautious involvement with trial runs, market research and feasibility studies before decisions are taken to *actually become involved* to a greater extent. The following comments relate to institutional research findings concerning snail farming:

> "Based on the cost of production using the system proposed (i.e. controlled environment, the magneraud system and collection from the wild) and the present market returns, snail farming in Ireland does not seem to be an economically viable option"
>
> "Snail farming is too capital intensive and demanding of specialised labour for the individual farmer"
>
> "We cannot recommend snail farming as an economically viable enterprise"

Uncertainty is obviously related to the issue of risk and particularly to the potential 'cost' of taking risks. Organisations in general, try to reduce the risk element of decision-making, a factor that becomes more salient if investment decisions are concerned. In the AFE institutional environment the degree of 'fear' was correlated to two factors. Firstly, the 'accountability' factor – this is associated primarily with institutional divisions involved in the centralised network of policy formulation and implementation, which generally operates at the national level and is state funded. Decisions taken at the aggregate level have implications for all levels. Divisions involved have responsibility for justifying their decisions and for proving them successful. Also, given the centralised nature of the Irish institutional environment and its relatively small size, divisions are very conscious of close networking and the value of a 'good' reputation. The desire to preserve the division's respectability inhibits involvement in 'risky' enterprises. Secondly, there is the 'procedures' factor. This relates to the delegation of responsibility. Within the AFE institutional environment there are systematic channels for the exchange of information and the delegation of tasks. Decisions taken at

aggregate levels have to be implemented locally. In some cases the disaggregation of budget to local level offices means a dramatic reduction in the significance of each individual unit for the core decision-makers. Responsibility is then delegated to the local official or manager. In terms of AFE involvement, these individuals have the advantage of local knowledge, however use of this knowledge is sometimes constrained by the lack of complete autonomy of the unit or by the presence of formal committees, either of which could refuse to co-operate with the decisions of local staff if it were thought that they might have negative implications for the organisation as a whole. The nature of such relations within the institutional environment constrains and conditions institutional-client (farmer) relations.

Both the existence of and increase in number of diversified enterprises on farms are indicators of farmer participation in relatively 'new' decision-making behaviours. These incorporate new sets of goals, attitudes and strategies. If the agricultural income base is to be sustained, farm families will increasingly be faced with new 'risky' decisions. The caution among institutions inevitably impacts upon farmers' decision-making behaviour. Institutional energies would perhaps be better channelled into overcoming some of the obstacles identified by initial research, through a co-ordinated research effort, than into delaying tactics. It is unlikely that private organisations will fund extensive technical and marketing feasibility studies. In the present context such studies are considered part of the state's role in developing the agricultural sector. The public sector, therefore, needs to provide a full and genuine commitment if attitudes towards diversification in the private sector are to change.

Institutional concern stems from the absence of adequate information. In particular, it is rooted in uncertainty concerning the economic viability and marketability of the AFEs and/or their products. Information exchange and research is ongoing within the institutional environment but in a limited and an *ad hoc* manner. Changes to the Operational Programme, and in particular to grant aid under Sub-Programme 1 Diversification, have shifted the onus for identifying feasible projects from the public institutional framework to individual farmers and the private sector. Therefore, while organisations acknowledge the importance of economic viability, they have failed to identify and manage the key criteria involved in successful enterprise development and

have failed to adequately address the key issue of marketing. No organisation, public or private, has sole responsibility for co-ordination of marketing. This was perceived to be the responsibility of the individual farmer. However, realistically it must be said that farmers do not have the resources or the expertise to develop markets individually, and this appears to be at the core of the problem. Findings suggest that the private sector - particularly voluntary representative bodies - are most active in developing markets and assisting with marketing. In some cases farmers had come together to collectively organise for the market (e.g. Irish Farmhouse Holidays members; IDFA members who formed the Venison Co-Operative) and, in such cases, they have been quite successful. If AFEs are to be encouraged and developed this issue of marketing needs to be addressed urgently.

5.5 Interpreting institutional perceptions on diversification

5.5.1 Understanding the (potential) AFE adopter: Organisations and their clients

Organisation-client relationships are at the heart of AFE development. In order to develop a constructive and productive relationship with clients, organisations have to exhibit, for example, a clear understanding of who their clients are, what their needs and capabilities are, and how best they might facilitate them in achieving their goals. The nature and type of knowledge and information an organisation holds about its clients, and indeed its potential clients, can significantly impact on organisational behaviour, including decision-making and client interaction behaviour.

Characteristics of adopters

Respondents were asked a number of questions relating to the types of farm families which had diversified. As noted earlier, all divisions represented interact with farmers, and whilst some do not distinguish farm families as a specific sub-group of their clientele, others could identify the farming community with whom they interact and a third group operate solely in relation to agricultural producers. However, *all* were more disposed towards consideration of 'rural dwellers', than of farmers/farm families *per se*, perhaps reflecting the shift in emphasis from the 'agricultural' to the 'rural' arena at policy levels. However, levels of awareness and knowledge of those involved with AFE

were rather disappointing. There was no evidence of a 'typology' of AFE adopters emerging within the institutional perspective. This may be explained partially by the internal resources devoted to AFE activities. As reported earlier, most divisions did not have full-time staff allocated to AFE work and the proportion of farmers actually adopting AFEs is relatively low, therefore, institutional involvement with the various AFEs may be based on relatively few cases, which may result in difficulties in generalising the characteristics of diversified farm businesses. This apparent lack of knowledge did warrant some concern, particularly in relation to potential implications in terms of policy formulation. Divisions functioning in respect to policy issues did not emerge with concrete views or perceptions of the types of farmers adopting AFEs. If policy measures are to efficiently and effectively motivate and facilitate the development of AFEs, identification of the types of farmers interested in diversification is essential, with the view of targeting supports to particular sub-groups and to the stages of adoption where they are most needed.

Assessing client suitability

The AFE institutional environment prioritised four main methods for assessing its clients namely: (i) the implementation of guidelines provided by the EU; (ii) implementation of selection criteria produced by statutory bodies; (iii) implementation of rules outlined by regulatory bodies, and (iv) selection on the basis that adequate training had been completed. Public agricultural divisions emphasised EU and national government guidelines. Private sector agricultural divisions highlighted the role of the statutory bodies. Public non-agricultural divisions stressed official regulations, credit assessment criteria and availability of land resources - the latter was particularly significant in relation to forestry developments. The private non-agricultural divisions focused upon the farm operators' levels of knowledge and/or training and the existence of a market for proposed produce. Finally, the AFE specific organisations gave prominence to criteria operated by the statutory agents.

Where consensus did emerge was in reports that quite substantial capital investments are required for some forms of diversification. Emphasis was placed on the need for 'human skill' and 'entrepreneurial ability' among farmers. The ability to operate an efficient business and to market its products was viewed as essential characteristics of potential

diversifiers. Respondents perceived that the adoption of alternative enterprises was reinforcing the uneven nature of development, characteristic of conventional, mainstream agriculture, because in general, the larger and more efficiently operated holdings were better placed to avail of opportunities, such as grant aid, than were the smaller weaker businesses, characterised by acute need for survival strategies but lacking the financial resources (capital and/or credit) required to implement change. Respondents criticised grant aid measures for not being more specifically targeted to those families in most need. Also, it was felt that widespread availability of state support for *specific* types of enterprises, i.e. deer, goats, rabbits, sport horses etc., might in fact be stifling the development of an innovative culture among the farming community. Some respondents reported cases where farmers had very good business development plans but, because of the structure of the grant aid and the administrative procedures, could not access public funding. Related to this were the issues of regulatory conditions and bureaucracy.

Some respondents felt that eligibility criteria also inhibited the diversification process. The view was expressed that while regulations are obviously needed, if they are too rigid they can stifle enthusiasm. Also, the introduction of new regulations can cause some AFEs to go out of business. Respondents suggested that formulators of regulations need to bear in mind that the requirements and standards they set are for individuals as opposed to companies or larger businesses. The cost of meeting such regulations can be quite substantial, especially during the 'start-up' phase of a new enterprise. Respondents suggested that perhaps adjustments could be made to facilitate a 'lead-in' period or assistance be provided for updating equipment and/or changing the production process to meet changes in requirements.

With respect to levels of institutional knowledge, there was no apparent distinction between divisions according to the typology being used. However, there was a strong correlation between the degree of AFE knowledge and the spatial and functional units at which interviewing took place. Respondents representing regional, sub-regional or local levels within organisations, or having work experience at farm level, were found to have a greater understanding and awareness of enterprise diversification than colleagues operating at the national level. It would be presumptuous to speculate that a 'bottom-up'

approach to farm diversification would better facilitate enterprise development. However, the locus of knowledge relating to the practicalities of AFE development appeared to be concentrated within units operating at localised levels. Exploitation of this knowledge could contribute substantially to the AFE institutional environment, if used to its fullest potential. It is envisaged that this would involve a certain degree of power relinquishing on the part of centralised institutions. Given the conservative nature of these organisations, the degree to which they are willing to devolve power may prove crucial, not alone for farm diversification but for rural restructuring and viability processes in general.

Reasons for AFE adoption

The institutional understanding of why farmers adopt AFE hinged on two main factors - the need to supplement declining farm incomes and structural change at the farm level in response to changes in EU policy measures (Table 5.12). Agricultural divisions perceived the need to create employment for family members as an important stimulus, in fact more important than policy changes and utilisation of farm resources. This is particularly interesting. It is hypothesised that these organisations would, because of their agricultural focus, be more aware of farm behaviour patterns. Non-agricultural divisions prioritised income and policy stimuli but also identified the desire of the farm operator to utilise spare resources. The perceptions of the AFE specific organisations concerning reasons for AFE adoption focused on the need to supplement farm family income and changing farmer attitudes.

Table 5.12 Institutional perceptions concerning AFE adoption				
Reasons why farmers adopt AFE	**Agricultural Divisions**	**Non-Agricultural Divisions**	**AFE Specific Divisions**	**Total No. Divisions**
To supplement income	18	13	04	35
In response to CAP reform	09	13	01	23
Utilisation of farm resources	08	06	02	16
To generate family employment	10	05	01	16
In response to changing markets	08	03	01	12
Change in the attitudes of farmers	04	05	03	12
Because of the availability of grants	03	03	00	06
Because of example farms in the area	00	03	01	04
Because of the nature and size of farms involved	00	01	02	03
Because of the efforts being made to sustain the rural population/rural socio-economic environment	02	01	00	03
The contribution of 'farm wives'	00	01	02	03
Main constraints to AFE adoption	**Agricultural Divisions**	**Non-Agricultural Divisions**	**AFE Specific Divisions**	**Total No. Divisions**
Lack of private capital	19	22	04	45
Lack of education re. AFE	16	18	03	37
Market restrictions	13	18	06	35
Inadequate on-farm facilities	11	17	05	32
Traditional attitudes	14	05	01	20
Insecure returns from AFE	06	11	03	20
Unsuitable farm location	06	06	02	14
Regulations imposed	05	06	00	11
Lack of education re. marketing	09	01	00	10
Insufficient level of grant aid	07	02	01	10
Inadequate technical advice/information	06	02	00	08
Size of holdings/land type	02	03	00	05
Lack of co-operation among those involved	01	01	00	02
Insufficient labour resources	01	00	00	01

5.5.2 Future AFE development: Organisations' perceptions concerning opportunities and constraints

Organisation-client relationships help to give organisations insights into the characteristics of AFE success and failure, opportunities and constraints. Respondents were asked to outline where they considered developmental potential to lie and what they considered to be the main barriers to diversification. In terms of the viability and competitiveness of Irish agriculture, the aspirations of organisations centred round increasing the efficiency of conventional production, decreasing the costs of production

and emphasising marketing as an essential criterion for future development. All three types of organisations agreed that agricultural restructuring is inevitable. From this perspective AFEs were viewed as possible opportunities, but they were secondary to those mentioned above, i.e. improvements in conventional production. The AFE specific divisions were perhaps more vocal in highlighting the potential contribution which some of the AFEs could make, both economically and socially, to the farming community. These organisations, however, did tend to think in terms of the specific AFE with which they were involved, rather than in relation to AFEs in general.

Institutional perceptions of the main barriers or constraints to AFE development emphasised limited 'human capital' at farm level, i.e. the persistence of traditional attitudes, low levels of training, education, technical knowledge and skills, the inability to reach required standards and the lack of investment capital to finance AFE development (Table 5.12). It was interesting to note that internal *farm* constraints were emphasised, although at various other stages during the interviews *institutional* and/or *spatial* constraints had been noted. Divisions were not differentiated according to perceptions since all three types expressed similar viewpoints. Respondents from non-agricultural and AFE specific divisions placed slightly more emphasis on market restrictions and insecure returns than did their counterparts from the agricultural divisions.

Future opportunities in the study area

In general, organisations operate on a variety of spatial scales and are aware of the spatial variations in conventional agricultural production within the country. However, in terms of AFEs, the overall institutional understanding is that some areas may be better suited than others to particular enterprises depending on the nature of the AFE, for example, agri-tourism in coastal regions and other scenic areas, mushroom production in the Monaghan area, fruit and vegetable production in the south-east and in proximity to larger urban centres. Respondent's views on the advantages and disadvantages of Galway and Kerry for AFE development are listed in Table 5.13. Agricultural divisions emphasised the advantages these areas have in terms of agri-tourism. Related to this was the perception that these areas could further expand in this sector because of the tradition of both general tourism and the development of agri-

tourism enterprises on farms. Non-agricultural divisions also perceived the tradition of agri-tourism and the associated reputations that these areas have, as significant advantages for further development. Again, tourism related enterprises were highlighted by the AFE specific organisations. In terms of potential disadvantages, agricultural and AFE specific divisions focused attention on the relative remoteness of the two counties. While this was also mentioned by the non-agricultural divisions, they identified the poor quality of land, demographic structures and higher costs of production in these areas as constraining factors. Most respondents indicated that they perceived most AFEs could, *if managed efficiently and provided there were adequate markets and access to those markets*, be adopted in any area of the country. Some pointed out that policies, programmes and discretionary grant aid based on geographical location sometimes could lead to uneven and inappropriate development.

Table 5.13: Institutional perceptions of the advantages and disadvantages of the study areas for AFE development

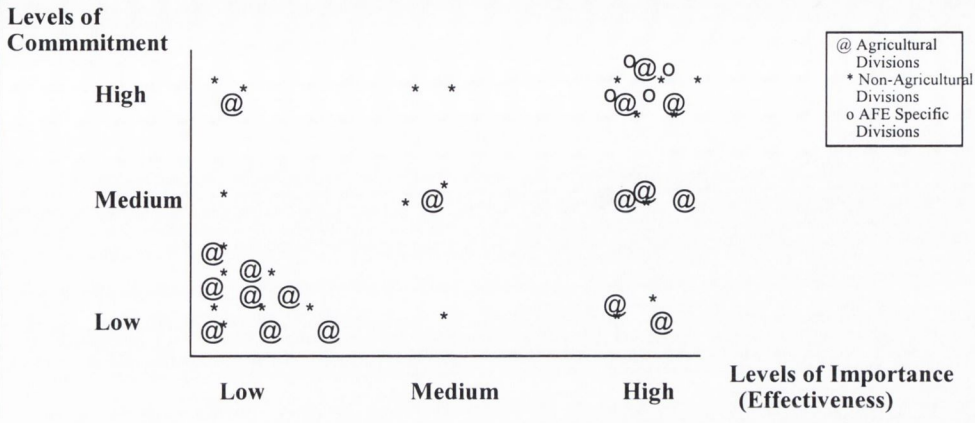
Advantages	Agricultural	Non-Agricultural	AFE Specific	Total
Good potential for agri-tourism	15	16	03	34
Unrealised potential – natural, economic and human resources	11	08	01	20
Image/reputation of the area	03	12	01	16
Tradition of changing enterprises/willingness to diversify	08	07	00	15
Diversity of soil quality/land types	03	06	01	10
Good potential for organic agriculture	03	05	01	09
Size of farms	02	04	01	07
Good potential for forestry	01	05	00	06
Climatic conditions	00	03	00	03
Higher grant aid available	01	00	01	02
Demographic advantages	02	00	00	02
Accessibility good	00	01	00	01
No special advantages	01	01	00	02
Disadvantages	**Agricultural**	**Non-Agricultural**	**AFE Specific**	**Total**
Remoteness	12	11	02	25
Poor land quality	03	06	02	11
Lack of investment capital	04	05	01	10
Age profile of farmers	03	06	00	09
Climatic conditions	03	05	01	09
Production costs high	02	06	00	08
Persistence of traditional attitudes	04	03	00	07
Low levels of skills/training	02	04	00	06
High levels of unemployment	01	01	00	02
No tradition of processing	01	01	00	02
No special disadvantages	01	04	00	05

5.6 An evaluation of the contribution of the different types of institutional divisions to AFE development

The concept of 'performance' is multi-dimensional. The objective of an evaluation of the effectiveness of the different types of divisions is clearly to inform understanding of the factors that constitute a positive disposition towards farm diversification and a context within which farmers are encouraged to examine the potential applicability and suitability of an AFE for their farm business. The level of institutional commitment to and involvement with AFE development was assessed according to a number of criteria: the extent of organisational experience with AFE development, the allocation of institutional resources to AFE activities and organisation-farmer relationships. Two stages were involved in the assessment. First, a scale was devised which related the allocation of resources to AFEs by institutional divisions to their levels of commitment to AFE development. Although in essence an *a priori* technique, survey data did provide pointers relating to the classification of resource allocation. The second stage involved relating levels of success in AFE promotion and development to levels of commitment. Again survey data were used in allocating scores. Accordingly, divisions represented were classified into three groups: those that appeared to be very important/effective (these terms are used interchangeably below) in relation to farm diversification those which were of some importance (medium levels of effectiveness) and finally those, although involved, that did not appear to contribute substantially to AFE development, i.e. low levels of importance/effectiveness. It is important to note that this classification is based specifically on the divisions' *involvement with AFEs*. It does not reflect the overall effectiveness/importance of the organisations in a more general sense. Divisions classified as having low levels of AFE effectiveness may, in fact, be very important in relation to their non-AFE activities. Similarly, those emerging as most influential in relation to AFEs may not be as significant in respect to the other activities they are involved with.

An insight into levels of institutional commitment to AFE development and degrees of importance/effectiveness is provided in Figure 5.1. It was expected that divisions with low levels of commitment would have low levels of importance, those with medium

Figure 5.1: Levels of commitment and importance to AFE development



levels of commitment to AFE development would be classified as being of medium significance and that those with a high level of commitment would be expected to play very important roles in the diversification process. As depicted in Figure 5.1, most divisions conformed to this hypothesis; however, there were some exceptions. Three divisions were very committed to AFE development but were found to have only low levels of effectiveness, two more with high interest and commitment were classified as having only medium significance, one with medium commitment had a low level of effectiveness, one with low commitment was found to have medium effectiveness, four with only medium levels of commitment had high effectiveness, and four displaying low commitment to AFE development were nonetheless found to be very influential in the diversification process.

Examination of the types of divisions involved aided explanation. Those with high/medium levels of commitment but *not* having high/medium levels of effectiveness were predominantly divisions which were implementing specific regulations or those which were encouraging development, but not specifically aimed at farmers *per se*. Both the public and private sectors were represented. Personnel were interested and committed but did not have briefs to contact, or focus directly upon, the farming community. Divisions with medium/low levels of commitment and found to be

important in relation to diversification were generally involved with policy formulation, local development and dissemination of information. Although, having general functions, this group emerged as important because they operated at local levels, at the interface with the farmers, had power in relation to AFE policy formulation and were influential in relation to other organisations.

Table 5.14: An evaluation of the influence and importance of the different types of organisational divisions to the development of AFEs

Level of influence/importance	Agricultural Divisions	Non-Agricultural Divisions	AFE Specific Divisions	Total No. Divisions
High	08	08	04	20
Medium	01	05	-	06
Low	10	09	-	19

Divisions having low levels of commitment and low effectiveness were associated with the financial, educational, tourism and industrial sectors. They also included some agricultural bodies whose brief was to disseminate information. The majority were public bodies whose interests and expertise focused on the particular sectors to which they belonged rather than to AFEs *per se.*

Medium commitment and medium effectiveness characterised divisions involved to some extent with AFE research. Such divisions provide back-up services to other divisions both within their own organisation and external to it. The most committed and effective divisions were those functioning with respect to specific AFEs or within specific regional and/or local contexts. These included the AFE specific organisations but also those divisions of larger organisations which focused specifically on certain aspects of diversification, or those involved in regional/local development and having identified the development of AFEs as one method by which they could achieve their goals. Here divisions were found to internalise responsibility for their work in relation to AFEs, therefore, staff were highly motivated and interested and their levels of knowledge, both of the practicalities of the AFEs for specific areas and of the farming community, were high.

The importance of the different types of divisions is depicted in Table 5.14, again specifically in relation to their involvement with farm diversification. Only half of the divisions interviewed were classified as having high levels of effectiveness. *All* AFE specific organisations were very important, while only 8 of the 19 agricultural and 8 of the 22 non-agricultural divisions were performing effectively in relation to AFEs. Those operating at medium levels of effectiveness were predominantly non-agricultural, facilitatory divisions. Low levels of importance were recorded for 10 agricultural and 9 non-agricultural divisions.

Again, findings here emphasise that resources are available within the AFE institutional environment for the development of AFEs, but they also indicate that changes are needed to aid the more efficient and effective use of those resources. Respondents were asked to suggest changes that would better facilitate the development of AFEs. Three primary factors emerged common to the three types of organisations: the development of markets for the produce; the provision of training and information relating to AFEs in order to inform organisations and excite interest among the farming community; and the need for an overall framework or co-ordinated plan for the development of AFEs. When asked if there were any aspects of AFE development which they wished to highlight, agricultural divisions stressed the need for co-ordination of institutional activities, for increased research to inform decisions and for a national plan relating to farm diversification. Non-agricultural divisions emphasised the need to restructure grant aid, the need for an overall plan for AFE development and the importance of overcoming marketing problems. The main concern of the AFE specific organisations related to the need for better education and training of farm operators.

5.7 Summary

In this chapter the AFE institutional environment was examined with a view to establishing an understanding of how organisations have responded to diversification as a policy measure, how they perceive their roles in this restructuring process and how their actions may influence farmers wishing to explore the option of incorporating an alternative enterprise into their farm business.

An extensive and diverse range of organisations, having an interest in or involvement with the development of AFEs, was found to exist. The analysis classified sampled organisations into three types, each with their own specific aims, objectives and functions. First, there were the agricultural organisations - predominantly state/public bodies involved with agriculture; second were the non-agricultural organisations - mainly state/public development agencies; and third were the AFE – specific organisations – all private, representative, membership-based organisations.

For the most part, organisational involvement with AFEs was found to be a subsidiary activity, primarily correlated to reactionary behaviour linked to changing policy conditions. This emphasised the critical role policy has in influencing organisational behaviour and was indicative therefore, of the importance and power of those organisations involved with policy formulation. The majority of organisations were mainly involved with non-AFE activities and this was reflected in their actions and attitudes to diversification. While all representatives interviewed indicated that their organisations favoured farm enterprise diversification, most were still more comfortable with the promotion and development of conventional agricultural enterprises (despite their declining opportunities for development and expansion) than with AFEs. Favouring diversification in principal, did not appear to be translated into actively supporting the development of AFEs in practice.

Most organisations (with the exception of the AFE specific group) had not prioritised AFEs in their work schedules nor had significant institutional resources been allocated to AFE related activities. This acted to constrain, somewhat, the level of organisational involvement with and enthusiasm for AFE development. In general, the most common areas of involvement were in the provision of information and advice, animation and development, policy formation, finance, lobbying and negotiation. Given that diversification was viewed as a relatively new development activity among farmers, the fact that organisations did not report research activities as a key priority area, was a cause of concern. It raised questions as to the seriousness with which either organisations themselves or their farm clients were taking AFEs. Related to this, a significant degree of uncertainty existed when investment and the potential of AFEs to contribute to farm business viability were addressed. Undoubtedly, uncertainty is

related to the lack of adequate information and knowledge regarding the suitability and viability of the various AFEs. The fact that organisations were poorly informed of the economic, market and development opportunities for AFEs and, had insufficient knowledge of the characteristics of AFE adopters, is clearly a function of the absence of research. The AFE institutional environment, by virtue of the fact that it was not itself managing, directing or undertaking research, was in effect inhibiting or constraining organisations from fully participating in informing and supporting farm level decisions to consider a diversified enterprise. Interestingly, it is the agricultural organisations (predominantly state operated) which have responsibility for agricultural research. Although some of these organisations did channel some research resources towards investigating the economic viability of some of the AFEs, the efforts could at best be considered limited, given resources allocated to conventional enterprises. Also, worth noting is the fact that these organisations predominate in terms of policy formulation where their dominant interest was found to be the preservation and development of conventional production. Insightful too is the nature and type of AFEs prioritised by surveyed organisations. As outlined earlier (Section 5.4.3) these included: agri-tourism, mushrooms, sport horses and farm forestry – successful, tried and trusted enterprises – all of which benefited from much state institutional support during the initial stages of their development.

Similarly, while organisations identified the need to develop markets for AFE products, few were actually active in identifying markets or supporting producers in their promotion and marketing efforts. Again, this suggests a lack of full commitment by the organisations, particularly when viewed in the context of support available for the promotion and marketing of conventional produce.

Overall, the institutional analysis leads to the conclusion that institutions are simultaneously assisting and constraining the diversification process. On the one hand, organisations are adjusting their internal operations to function and assist the diversification of rural areas – including the development of AFEs - however, on the other hand, survey evidence suggests that diversified enterprises are not totally incorporated or accepted as a characteristic of 'farming' or 'serious' agriculture by the

organisations and as a result, provision of necessary supports for enterprise diversifiers is hampered.

Understanding the structure and functioning of the AFE institutional environment is undoubtedly an essential element in comprehending the *process* of enterprise diversification. It is significant in contextualising farm level behaviour as it pertains to diversification and can be an aid to explaining the decision making process within farm households. Thus, with the findings of this chapter in mind, the following chapter explores farm household behaviour and farm level responses to diversification as an adjustment strategy.

CHAPTER 6

THE FARM ENVIRONMENT: INTERNAL FACTORS IMPACTING ON ENTERPRISE DIVERSIFICATION

"The management of any business takes place within an ever-changing environment of physical and biological, economic, political, legal and social forces which can quickly overtake the best of plans. Identifying and responding to these changes is a fundamental challenge for the farmer who wants his business to survive and prosper" (Gasson and Errington, 1993: 27).

6.1 Introduction

Fundamental to any structural change in agricultural production are those people involved in decision-making at farm level. Each farm unit (comprised of land, labour, capital and entrepreneurial ability) is unique. Decisions taken at the farm level reflect what are considered to be the most satisfactory options, given resource, market and other constraints. Diversification of farm enterprises is more than the mere addition of enterprises, since the enterprises should be selected with respect to how well they complement existing enterprises and how compatible they are. This places a premium on the decision-making ability of those involved with farm management (Anoskie and Coughenour, 1990). The important task in this Chapter is to examine the extent to which there are specific factors (including the acquisition of knowledge and information and interactions with external agents) that influence certain types of farmers to select diversification as an adjustment strategy.

As discussed in Chapter 3, the structure of the decision-making process within individual farm businesses forms the basis of the conceptual framework employed for this part of the study. Three stages in the decision-making process are identified.

Firstly, it is assumed that changes at farm level are responses to certain stimuli. These can emanate from within the farm unit (i.e. the internal farm environment) or from sources external to the farm business (i.e. the external farm environment). Internal influential stimuli selected for investigation included: prior capital accumulation behaviour, the profitability of the conventional farm business, a demand for employment within the farm family and/or a desire for an alternative lifestyle. External factors thought to be important stimuli focused, primarily though not exclusively, on the availability of state financial support and identification of market opportunities. In the first part of this Chapter survey findings relating to these motivating factors are reported.

Secondly, once the need and desire for change are established, the farmer or farm family becomes actively involved in the search process, i.e. the search for an appropriate adjustment strategy. Recognition is given to the process of evaluation of resources and potential opportunities. The behavioural perspective employed stresses the dynamic nature of the decision-making process and posits that decisions taken reflect the behaviour and judgements of the individual operator or farm family. However, rather than assuming that the farmer searches for, identifies and evaluates all possible solutions (as in normative models), the search-based model employed prescribed a limited search for opportunities. Opportunity costs (the value of obtaining more information set against the increased costs of time, money and personal stress) limit the search for information. For example, the search could be limited to observing and copying the behaviour of neighbouring farmers or to liaison with one particular advisor or agency as the primary source of information. In sum, the farm family may select the first strategy that offers a satisfactory solution to the problem in hand or may select a strategy from a number identified as offering potential solutions. It is hypothesised that search behaviour is conditioned by two primary factors: the ability of the farm family to identify and access the various options available to it and family members use of the enabling services provided by elements of the external farm environment. These factors are discussed in detail in the second part of this chapter.

Thirdly, the outcome of the search process is identified as important. The adjustment strategy adopted is indicative of the choice behaviour of farmers or farm families. An

examination of choices made informs the debate concerning what factors influence farm business decisions. Adapting the political economy typology of Whatmore *et al.*, (1987a), six adjustment strategies or 'paths' of farm business development were identified by Bowler (1992a) (as discussed in Chapter 3). These are used as the basis of the investigation of choice behaviour. Conceptually, pathways can be sub-divided into various combinations which reflect either accumulation or survival strategies. In part three an examination of the characteristics of farms associated with the different pathway combinations is used as a means of identifying key variables which distinguish the choice behaviour of the different types of farmers.

Having established the characteristics that differentiate AFE adopters from other farmers, attention in part four is then focused on an investigation of the characteristics of farm businesses and farm families involved with the different AFE types. The Chapter concludes with a discussion of the implications of survey findings in relation to farm decision-making behaviour and the process of farm diversification.

It is important to note that only 13 (10.7 per cent) of the 122 randomly selected farms had AFEs. This number was too small to allow meaningful analysis of the characteristics of AFE farms in the random sample. Therefore, attention was placed on a distinction between AFE and non-AFE farms based on the 282 interviews conducted. This represents the 160 AFE adopters and the 122 non-adopters as opposed to the 122 random farms and the 160 purposively chosen AFE farms (see discussion Chapter 4).

6.2 The extent of AFE adoption

Initially two important points need to be reiterated concerning enterprise diversification in the Irish context. Firstly, AFE development is a relatively new concept and venture for most Irish farmers and, secondly, relatively little is known about *the process* of farm diversification on Irish farms. Findings from the Farm Survey suggest that approximately 10 per cent of farmers in the west of Ireland had introduced an AFE into their farm businesses at the time of the survey. The majority of diversifiers (76 per cent, 122 of the 160 operators in the current sample) had introduced their AFE(s) since

the late 1980s (Table 6.1). However, not all AFEs had been established during this period. Some farmers/farm families (6 per cent, 9 farms) began to incorporate additional enterprises as early as the mid-1950s and early 1960s, to complement returns from their conventional farm businesses. These AFEs were primarily tourism-related activities, usually the provision of visitor accommodation in the family home. This trend continued during the 1970s (10 per cent, 16 farms) and early 1980s (8 per cent, 13 farms). However, the pace and scale of AFE adoption during the 1960-1985 period does not compare with the upsurge in activity since the mid-1980s (Table 6.1). The rate of AFE adoption amongst surveyed adopters increased over time with the actual number of AFEs being established rising from an annual rate of 1.0 in the 1960s to 30.6 per annum in the early 1990s.

The nature and type of AFEs developed by farm operators/farm families surveyed are outlined in Table 6.1. Agri-tourism, farm afforestation and livestock enterprises emerged as the dominant forms of diversification. The focus on tourism and forestry related activities is not surprising given the tourism tradition and resources of counties Galway and Kerry, and the abundance of marginal land, suited to afforestation, within both counties.

Table 6.1: Farm diversification – AFE establishment on surveyed farms

a) Establishment rate per year per decade

	Adoption rate
1950-1959	0.2 (02)
1960-1969	1.0 (10)
1970-1979	1.9 (19)
1980-1989	7.6 (76)
1990-1992*	30.6 (92)
Total no. of AFEs	199

b) When first, second and third AFEs were established

	First AFE	Second AFE	Third AFE
1955-1959	1	1	0
1960-1964	3	0	0
1965-1969	5	1	0
1970-1974	7	0	0
1975-1979	9	2	1
1980-1984	13	2	0
1985-1989	51	10	0
1990-1992*	71	17	4
Total no. of AFEs	160	33	5

c) The range of AFEs established

	First AFE	Second AFE	Third AFE	Total all AFEs
Farm forestry	50	4	0	54
Farmhouse accommodation	30	4	1	35
Sport horses	15	4	0	19
Open farms	8	0	0	9
Deer	6	0	0	6
Self-catering accommodation	5	4	1	10
Contracting	5	2	0	7
Farm shop	4	0	0	4
Goats	4	0	0	4
Organic crops	4	2	0	6
Free range/new poultry	4	2	0	6
Sports facilities	3	1	0	4
Pony trekking	3	4	0	7
Dairy processing	3	0	0	3
New vegetables	3	1	0	4
New fruit	1	0	0	1
Nursery/garden centre	1	0	0	1
Snails	1	0	0	1
Caravan camp site	1	1	0	2
Farmhouse teas/café	0	2	1	3
Fishing facilities	0	1	0	1
Freezer sales	0	0	1	1
Organic livestock	7	1	0	8
Other	1	1	0	2
	160	34	5	199

* This is a three year period

6.3 What motivates the adoption and development of AFEs?

6.3.1 The source of the original idea to diversify

Traditionally, the head of household, i.e. the farmer, has been the primary decision-maker on Irish farms. Results from the survey of AFE adopters suggested that, while the farmer remains the predominant source of farm business development ideas, his/her spouse has begun to take a more active role (Table 6.2 (a)). Overall, the farm operator initiated the idea of an AFE in more than half (52 per cent) the cases where an AFE had subsequently been developed. Suggestions made for the new enterprise related mainly to farm afforestation and sport horse enterprises. The spouse of the operator was responsible for introducing the idea to diversify for approximately one-fifth (20 per cent) of all AFEs reported in the survey. Typically, enterprises proposed related to agri-tourism activities, i.e. the provision of accommodation in the family home, the renovation and refurbishment of old buildings as self-catering units and/or the introduction of pony trekking, farmhouse teas, etc.

In just over half (53.1 per cent) the cases the farmer was reported as the source of the original idea to develop the first AFE, of those with two AFEs the second AFE was proposed by the farmer in 50 per cent of cases and the farmer provided the idea for the third AFE in 40 per cent of the cases with three AFEs. Of farms having one, two or three AFEs, 18.3 per cent, 32 per cent and 60 per cent respectively, were proposed by the spouse of the operator.

Available evidence suggested that the contemporary trend towards business partnerships is nurtured by the development of AFEs (Ilbery, 1989). Approximately one-tenth (10 per cent) of initial suggestions to develop a non-conventional enterprise came from discussions held jointly between the farmer and his/her spouse. The nature and type of enterprises considered was much broader than that associated with either the farm operator or spouse individually. Here the type of AFEs suggested included: agri-tourism, on-farm processing, farmyard enterprises, farm shops and sport facilities - more novel and innovative enterprises.

Table 6.2: Source of the idea to diversify

a) person providing the original idea

Source of initial suggestion to diversify	First AFE	Second AFE	Third AFE
		Per cent (%)	
Farmer	53.1	50.0	40.0
Spouse	18.8	32.0	60.0
Son/daughter	03.8	09.0	-
Other family member	03.8	03.0	-
Jointly farmer & spouse	10.0	06.0	-
Jointly with Teagasc advisor	08.1	-	-
Other	02.6	-	-
Total	100	100	100
N	160	34	5

b) External stimuli for the original idea

	No. of mentions	Per cent (%) of mentions
By chance/media attention	42	23
Contact with organisations	21	11
Personal interest/hobby	26	14
Market demand	19	10
Availability of resources	23	13
Availability of grant aid	24	13
Suggestion from an outsider	15	08
Member of the extended family	12	07
Farmer retiring	01	01
Total	183	100
N	160	183

Teagasc advisors, i.e. advisors from the extension service, were reported to have initiated the idea for around 8 per cent of the AFEs. Other family members, i.e. sons, daughters, parents, etc., did not appear to be significant in motivating interest in diversifying (Table 6.2).

The stimulus to introduce the idea of an AFE for the farm business came primarily from sources external to the farm unit, e.g. media sources, information provided by external agents, e.g. the Forestry Service, tourism organisations, Teagasc, and regional development agencies (Table 6.2 (b)). However, many respondents acknowledged that they 'stumbled' upon the information as opposed to actively seeking it - suggesting an element of chance to farm level interest in diversification. Allied to this were reported 'chance' sightings of articles and advertisements in the farming and general press which

acted as the original prompt in motivating interest in farm diversification and encouraging farmers and their spouses to seek further information from the relevant agencies involved. AFE adopters did not appear to have greater access to media reports than conventional operators. However, those with AFEs were more likely to read the Irish Farmers Journal - the weekly agricultural paper - and the daily newspapers than were the non-adopters. The local press emerged as important to both groups and 42 of the AFE adopters reported that they had access to publications specifically relating to their AFEs, e.g. newsletters and magazines, which they read regularly. The incorporation and development of personal interests or hobby activities as farm enterprises appeared important, particularly in relation to organic, pony trekking and fishing enterprises, as did the identification of a niche in the market for the AFE and/or its products. Other motivating factors included the availability of resources, usually marginal unproductive land for the development of farm woodland, the availability of grant aid and the advice of individuals external to the immediate farm family (Table 6.2(b)).

6.3.2 Evidence of 'entrepreneurial' characteristics

In an attempt to assess the extent to which prior capital accumulation behaviour acted as a stimulus for farm diversification, 'entrepreneurial characteristics' (see Appendix 4 for definition) were compared for AFE and non-AFE farms. The results indicated that five primary factors differentiated between the two types of farms. Firstly, the proportion of diversifiers (33.0 per cent) classified as 'entrepreneurs' was significantly higher than that of non-diversifiers (7.4 per cent) (Table 6.3(a)). However, in general, there were no major differences between 'entrepreneurs' belonging to the two farm types. They tended to be the more intensive non-specialist dairy, cattle and sheep farms, with above average gross margins per hectare and, although it appeared that the AFE adopters were younger, this factor was not statistically significant.

Table 6.3: Evidence of 'entrepreneurial' characteristics

a) Prior accumulation behaviour

	% of AFE farms	% non-AFE farms	% of all respondents
YES	33.0	07.4	22.0
NO	67.0	92.6	78.0
Total	100	100	100
N	160	122	282

b) Gross farm profit (IR£)

	% of AFE farms	% non-AFE farms	% of all respondents
Zero	12.5	2.5	8.2
>IR£2,500	13.8	19.7	16.3
IR£2,500 – IR£5,000	18.8	26.2	22.0
IR£5,000 – IR£7,500	21.9	13.1	18.1
IR£7,500 – R£10,000	15.6	17.2	16.3
IR£10,000 - IR£15,000	5.0	10.7	7.4
IR£15,000+	7.5	9.8	8.5
No Data	5.0	0.8	3.2
Total	100	100	100
N	160	122	282

c) Trend in profits* 1988 – 1992

	% Increase	% Decrease	% No Change	% No response
AFE - farms	31.9	20.0	41.2	6.9
Non-AFE farms	13.9	57.4	26.2	2.5

* Profits as reported by respondents

Secondly, the proportion of AFE adopters reporting no farm profits or indeed some losses was higher than that for non-adopters (12.5 per cent and 2.5 per cent respectively, Table 6.3(b)), but when profits did exist, it was evident that a high proportion of non-diversifiers - in fact nearly half (45.9 per cent) of them - generated less than IR£5,000 profits, compared with just one-third (33.0 per cent) of diversifiers. Those generating between IR£5,000 and IR£15,000 profit, were predominantly diversifiers, while those with profits in excess of IR£15,000 represented both adopters and non-adopters. Examination of profit trends indicated that nearly one-third (31.9 per cent) of diversified farms had increased their farm profits over the five year period prior to the

study (i.e., 1988 - 1992) and a further two-fifths (41.3 per cent) had maintained their 1988 levels (Table 6.3(c)). For the majority (57.4 per cent) of conventional operators, profit levels had dropped. Only one-quarter (26.2 per cent) of them had sustained their 1988 levels and only a minority (13.9 per cent) reported increases in profits.

Thirdly, AFE farms were characterised by regular forward planning (31.0 per cent), while conventional farms had a much lower incidence of planning on a regular basis (15.8 per cent). Fourthly, there was strong evidence that AFE operators, while not new to farming, had responsibility and control of their farms for a shorter period than did conventional operators. One-third of AFE adopters (32.0 per cent) had managed their farms for less than ten years. In general, conventional operators had longer operational control with only one-fifth (20.0 per cent) of these managing their holdings for less than ten years. This may suggest that as land transfer occurs new managers acquire the power and status to implement change and avail of opportunities which longer established operators may not identify with or wish to develop.

Finally, respondents' attitudes towards market opportunities and the availability of grant aid suggested that those who engage in diversification tend to have a greater awareness of the importance and demands of the market, than do non-diversifiers. Both groups considered grant aid to be important, suggesting that this would act as a stimulus for development for all types of farm operators/farm families.

In an attempt to identify if there were specific 'accumulation' stimuli that operated solely among those who adopted AFEs, a number of issues were examined. Firstly, previous experience of the new enterprise was identified as a possible motivation for establishing the enterprise. In the case of 54 AFEs (27.0 per cent) respondents indicated they or a family member had previous experience of relevance to the new enterprise. While knowledge gained in this manner obviously assists with the incorporation of a new enterprise into the farm business, only 10 respondents cited it as a reason for adopting their AFE. Secondly, market awareness or market-orientated behaviour was examined. This factor was influential in motivating 31 operators in developing 48 AFEs, reinforcing earlier findings of the higher market consciousness among diversifiers. Linked to this consciousness is the ability to identify and act on market

opportunities, not least of which was the identification of the potential importance of the farm location and the possible opportunities that this might have for developing an AFE. Thirty-six adopters (accounting for 47 AFEs) indicated that the location of their farms had prompted them to consider developing their AFEs. The uptake of grant aid was the third aspect of 'accumulation' behaviour to be examined. Nearly three-quarters (71.0 per cent) of the adopters had accessed financial assistance in establishing their AFEs. In fact, only one-third (33.0 per cent) of all the AFEs mentioned had been established without state financial assistance and these were predominantly bed and breakfast enterprises for which grant aid was not available. Therefore, survey findings suggest diversifiers to be actively engaged in sourcing and securing external financial support for enterprise development. Another factor to emerge as being important was the desire on behalf of the operator or the farm family to maximise returns from their resources. In particular, they sought to utilise idle or unproductive land and/or buildings – this usually resulted in the introduction and/or development of either farm forestry or tourism-related enterprises.

6.3.3 Reasons for adoption and non-adoption of AFEs

AFE farmers were asked to list the factors that had influenced their decision to diversify. The results are presented in Table 6.4. The need to supplement income emerged as the most frequently mentioned reason for AFE adoption, corresponding with findings from other studies, as discussed in Chapter 2. This was followed by the desire to improve returns from under-utilised resources, having a personal interest in the alternative enterprise adopted, having identified a specific marketing opportunity, making use of the farm's location and availing of grant aid. However, given that only one-third of AFEs were established without grant assistance and that these were mainly bed and breakfasts, for which no grant aid was available, it would appear that findings here underestimate the importance of state grant schemes. The provision of employment, either for family members or non-family members, did not emerge as a significant stimulus.

Table 6.4: Main reasons for AFE adoption (N=160)

Reason	No. of mentions	Per cent of AFE adopters (%)[8]
To increase or maintain farm income	136	85
Utilise an under-utilised resource	69	43
Personal interest in the AFE	60	38
Specific marketing opportunity	48	30
Making use of the farm location	47	29
Government grant aid scheme	41	26
Change in personal circumstances	39	24
By chance	31	19
Opportunity to meet people	20	13
To provide employment for family members	17	11
Previous experience of AFE	10	06
Employment for non-family members	3	02
Total no. of mentions	521	
Total no. of respondents		160

An initial investigation of the primary reasons for not adopting an alternative enterprise (based on responses obtained from 109 of the 122 non-adopters, Table 6.5) suggested that a preference for traditional farming practices, insufficient capital, lack of knowledge, the elderly age of the farmer and risk aversion were the main barriers involved. They confirmed and reinforced the importance of personal interest, the potential to invest and both the acquisition and utilisation of information as stimuli for farm diversification. They were indicative of the general absence of entrepreneurial characteristics among conventional farm operators in the sample and in the disadvantaged areas in general.

[8] As the focus here is on decision-making behaviour, the number of times a reason was mentioned is divided by the total number of AFE-adopters as opposed to the total number of mentions or the total number of AFEs involved. It is acknowledged that respondents may have responded with the same reason for more than one AFE he/she had established. However, since emphasis is on establishing what motivates the *farm operator* to diversify, it was thought appropriate and acceptable to consider all the AFEs and the range of reasons for their adoption.

Table 6.5: Main reasons for not adopting an AFE		
Reasons	**No. of mentions**	**Per cent of non-AFE respondents (%)[9]**
Prefers traditional methods of farming	52	48
Insufficient capital	37	34
Lack of knowledge about AFEs	35	32
Age of the farmer	27	25
High risk	19	17
Not wanting extra pressure of work	14	13
Not interested	14	13
Unsuitable location	10	09
Insufficient labour resources	10	09
Existing enterprises give sufficient income	08	07
Uncertainty, low return on capital	08	07
Developing an existing enterprise	06	05
No time	06	05
Poor health	04	03
Saturated market for the AFE	03	03
Lack of opportunities	02	02
Difficulty in obtaining a loan	00	00
Total no. of mentions	291	
Total no. of respondents		109

6.3.4 Evidence on 'stress' as a motivation for diversification

Farm enterprise diversification was hypothesised as being a survival strategy for some farm families, the implication being that as a result of their contextual and internal characteristics these families adopt an AFE in order to survive (see Chapter 3). It is important from both information and policy perspectives to investigate the extent to which the internal structure of farm families acts as a stimulus for farm enterprise diversification. Three possible sources of 'stress' within the farm family were examined:

(a) declining profitability of existing agricultural enterprises,

(b) demand for employment within the farm family, and

(c) demand for an alternative lifestyle.

[9] As in the case of the AFE adopters in Table 6.4, here the number of mentions is divided by the number of non-AFE respondents, in order to gain an impression of the relevance and relative importance of the various reasons stated for not establishing an AFE.

Should any of these factors exert pressure on the farm resources (farmer operator) in excess of the threshold tolerance level, the hypothesis suggested that this would motivate the farm operator/farm family to search for an adjustment strategy. In seeking a solution to the problem, an AFE may be considered and adopted.

The need to supplement declining farm profits

AFE farms had higher gross margins per hectare, had increased or at least had maintained their 1988 farm profit levels, were primarily though not exclusively comprised of conventional grazing livestock enterprises and, in general, were operated more efficiently than conventional farms. However, as was evidenced earlier, only a minority of AFE (33.0 per cent) and of conventional (7.5 per cent) farm operators could be classified as 'accumulators' or 'entrepreneurs'. This was not surprising given that the majority of farmers in the LFAs are classified as 'survivors'.

The majority of adopters (85.0 per cent) mentioned that they had introduced their AFEs to supplement income (Table 6.4). Changing personal circumstances within the farm family had motivated interest in diversification for one-quarter (24.0 per cent) of respondents. For farms with family members employed off the farm, the primary reason for taking an off-farm job was also to supplement farm income. These findings suggest that 'financial' or 'economic' pressures have an important bearing on decision-making at farm level.

Attention was then focused on two primary sources of internal financial 'stress'. The first was the level of farm debt - to what extent did the commitment to service borrowed capital stimulate farm operators to seek additional or new farm enterprises? The second was the dependency ratio - farm households with higher dependency ratios were thought to be more likely to need additional income at particular stages in the life cycle. To what extent did this stimulate enterprise change?

Table 6.6: Perceived importance of key factors when establishing an AFE
Percentage of responses (%)

	Very important		Important		Unimportant		Very unimportant		No Response	
	AFE	**Non-AFE**	**AFE**	**Non-AFE**	**AFE**	**Non-AFE**	**AFE**	**Non-AFE**	**AFE**	**Non-AFE**
Having ones own capital available for investment	85.0	82.8	9.4	11.5	1.3	0.8	-	-	3.8	4.9
Eligibility to borrow from a bank	35.6	56.6	38.8	34.4	20.0	4.1	1.9	-	3.8	4.9
Availability of government financial assistance	85.6	81.1	7.5	13.9	3.1	-	-	-	3.8	4.9
Availability of training courses	34.4	54.1	48.8	41.0	11.3	-	1.9	-	3.8	4.9
An existing marketing organisation	56.9	49.2	29.4	45.1	10.0	0.8	-	-	3.8	4.9
Availability of advice/information	51.3	51.6	43.1	42.6	-	0.8	1.9	-	3.8	4.9

Respondents (282) were asked how important they felt having one's own capital available for investment was when establishing an AFE. In total, 84.0 per cent said it was very important with a further 10.3 per cent stating it to be important; both adopters and non-adopters shared these opinions (responses of adopters and non-adopters are outlined in Table 6.6). Over one-third (36.9 per cent) of respondents said access to borrowed capital was important with a further 44.7 per cent seeing it as very important. More than half (56.6 per cent) the conventional operators indicated access to credit finance as being very important compared with just over one-third (35.6 per cent) of diversifiers, highlighting a strong perception among non-adopters that access to finance is necessary in order to become involved with diversification. Most respondents (adopters and non-adopters) stressed that it would be better to have one's own capital available, and that they would not advise borrowing to fund an enterprise. A small but significant proportion (13.0 per cent) thought access to credit finance to be unimportant or very unimportant. Surprising, perhaps, was the finding that this proportion increased to 21.9 per cent for AFE farmers, while only 4.1 per cent of non-adopters rated access to credit finance as unimportant (Table 6.6). Given the tendency to avoid borrowing from a bank, which emerged among conventional operators and the fact that they perceived borrowings and AFEs to be inter-linked, this may provide part of the explanation as to why some farmers do not consider or adopt AFEs. If perceptual barriers exist relating to fiscal factors of AFE development, these may have to be addressed before any progress relating to the development of AFEs can be made.

The reluctance of non-adopters to borrow is reflected by the statistics relating to levels of farm debt. Current levels of borrowing and the trend in debts over the 1988 -1992 period were examined for both types of farmers. This facilitated identification of those farms with the greatest external financial commitments. Findings are summarised in Table 6.7.

Table 6.7: Levels of financial commitment among surveyed farmers

a) Levels of farm debt

	Percentage of farmers in each category (%)	
	AFE	**Non-AFE**
Zero debts	33.8	64.8
Less than IR£5,000	11.3	15.6
IR£5 - 20,000	24.4	11.5
IR£21 - 50,000	16.3	5.7
IR£51 -100,000	7.5	0.8
>IR£100,000	1.9	-
No response	5.0	1.6

b) Debt trends

	Increase	**Decrease**	**No change**	**No response**
AFE	36.3	28.8	28.1	6.9
Non-AFE	14.8	15.6	66.4	3.3

Nearly half of the total sampled farmers (47.2 per cent) had no debts. Conventional operators had the lowest reported incidence of borrowing. Of non-adopters who had borrowed, the highest proportion owed less than IR£5,000. In contrast, AFE farms had a much higher incidence of debts, with approximately two-thirds of them owing some money. Unlike the non-diversifiers, the majority of AFE adopters owed in excess of IR£5,000. A higher proportion of AFE farms (36.3 per cent) had increased their dependence on external capital over the five year period 1988 to 1992, than had conventional farms (14.8 per cent). But at the same time reductions in the amount of debts were higher among AFE farmers (28.8 per cent) than conventional operators (15.6 per cent). Two-thirds (66.4 per cent) of non-diversifiers reported no change in borrowings over the period in question, the comparable figure for AFE farmers was 28.1 per cent.

Further analysis revealed that approximately half of the AFE adopters had borrowed capital to cover the establishment and maintenance of the AFE. There was a strong correlation between the level of farm debt and the total investment made in the AFE. It would appear from information provided that diversifiers had not borrowed excessively prior to the development of the AFE. It may be concluded, therefore, that the debt level

of the farm household is not a strong stimulus for farm enterprise change/business restructuring.

Focusing attention on the circumstances within the farm family, most farms supported one family unit irrespective of whether or not they had diversified (81.0 per cent of AFE and 84.0 per cent of non-AFE farms). Households with only the farm operator, or the farm operator and spouse resident, were more likely to be classified as conventional farms. The most significant difference between diversified and non-diversified farm families was with respect to single person households. A much higher proportion of conventional farmers (41.0 per cent) than of AFE farmers (9.4 per cent) lived alone (Table 6.8). This may suggest that the motivation for AFE adoption is correlated to family dependants. Households with at least one child under sixteen years of age were more likely to have diversified, and especially if the child was over six years of age. However, it should be noted that a relatively high proportion of AFE adopters (39.4 per cent) had no young children (children under 16 years of age) and that there was no apparent relationship between the number of children in the household and the diversification process. Older children (over 16 years of age) were defined as dependants if they were continuing their education (attending a third level course). Similarly, this did not distinguish between diversified and conventional farm families, although, a slightly higher percentage of diversifiers had children in continuing/ higher education. Examination of the total number of adults in the farm family provided little evidence of 'adult pressure' as a stimulus. AFE families had a higher incidence of three/four adult members within the household and therefore, had slightly higher family work units, but again the difference was not statistically significant. Unlike other work to date, the survey did not find the existence of a successor for the farm business to act as a stimulus for diversification. In fact, findings suggest that AFE adopters had greater uncertainty over the future of their holdings than had conventional operators. However, this may have been a function of the aspirations of other family members (sons/daughters), who had decided not to continue in the agricultural tradition in which they were reared, as opposed to being related to indecisive behaviour on the part of the farm operator or to the absence of a potential successor. Since 'dependency' did not differentiate between AFE and conventional farm families, it too could be rejected as a source of motivation for diversification.

Table 6.8: Stages in the farm family life cycle		
Stage in life cycle	**AFE farm families**	**Non-AFE farm Families**
Farmer > 45, no others resident	3.1	23.8
Farmer > 45, spouse resident, no others resident	8.1	8.2
Farmer with/without spouse res., all children res. >16	15.6	17.2
Farmer with/without spouse res., at least one child > 6	28.1	26.2
Farmer with spouse res., at least one child < 6	18.8	6.6
Farmer < 45, with spouse res., no others resident	6.3	0.8
Farmer < 45, no spouse, no children resident	6.3	17.2
Family not classified (including farm managers)	13.7	-

Demand for employment within the farm family

As outlined earlier, AFE adoption did not reveal a strong association with a desire to create employment, either for family members or for hired labour. Only in the case of 17 AFEs did respondents mention the need to create employment for family members as one of their reasons for establishing the AFE, and only three AFEs were associated with the creation of general employment (non-family) as a factor which motivated their development (Table 6.4). The 282 respondents were asked how important they felt the availability of family labour would be in setting up an AFE. Of the 270 responses received, 124 (46.0 per cent) indicated that the availability of family labour would be very important (39.4 per cent of AFE farmers and 50.0 per cent of non-AFE farmers) and 112 (41.4 per cent) suggested it would be important (39.4 per cent of AFE and 40.2 per cent of non-AFE farmers). Only 33 (12.2 per cent) respondents said family labour would be unimportant (16.9 per cent of AFE operators and 4.9 per cent of non-adopters). In general, responses to this reflected the extent to which farming in Ireland is primarily centred on family labour resources - most farm household members are involved to some extent in farming the holding.

Distinguishing between available labour on the farm and utilised labour on the farm is important in assessing the extent to which under-employed labour exists on holdings. In terms of AFE development in the less favoured areas, this may be the most valuable resource farmers have at their disposal. Also, this was particularly important in an attempt to quantify the amount of additional work generated by AFEs. In many cases

the availability of under-utilised labour disguised the employment contribution of the AFE, with many farmers not acknowledging or considering this aspect of the new enterprise. Defining family work units by allocating one work unit to family members who worked full-time and half of one work unit to those working part-time on the farm, similar proportions of diversified (21.3 per cent) and conventional (16.4 per cent) farms were operated on a part-time basis. Labour availability was highest on the AFE farms, with just one-quarter (24.4 per cent) of these farms having in excess of one family work unit. Comparable figures for the conventional farms suggest that 18.8 per cent of holdings had more than one family work unit. In measuring labour utilisation, the standard labour requirements provided by Teagasc were employed (Teagasc, 1992). This highlighted the under-utilisation of labour on both the conventional and AFE farms. It suggested that while labour is available, evidence to imply that it acts as a strong stimulus for diversification is weak.

Demand for an alternative lifestyle

The third and final source of internal 'stress' investigated, related to the desire of the farm operator or farm family to seek an alternative lifestyle. This may involve the adoption of more environmentally friendly farming practices, increased social contact, the development of personal interests and/or a reduction in workload. Here attention was focused on the preference for a change in farming practices as a stimulus for enterprise change.

Apart from those involved in organic agriculture, few AFE operators mentioned conservation/environmental factors as reasons for diversifying. Similarly, the numbers attributing the development of their AFE(s) to a desire to meet people were quite low (Table 6.4). Increased social interaction appears to have been more a consequence of, rather than a cause of, the diversification process. Demand for an alternative lifestyle did not appear to have been influential in motivating diversification but half of the AFE respondents (54.4 per cent) claimed that the introduction of their AFEs had increased the quality of life of their families.

6.3.5 Evidence on 'the external farm environment' as a source of motivation for diversification

The relationship between the farm household and institutions is vitally important when analysing structural change at the farm level. While much of the literature has focused on financial, technological and production relations between farms and external organisations (Cox *et al.*, 1985; Marsden *et al.,* 1986; 1992; Munton *et al.,* 1988; Moran and Cocklin 1989; Whatmore *et al.,* 1990), such relationships transcend many aspects of farm management, and are particularly important in relation to information dissemination. Knowledge acquisition and accessibility to reliable information are of primary importance when considering any business change.

Results outlined in Table 6.6 indicate that both diversifiers and non-diversifiers recognised the importance of agents operating outside the farm unit. However, AFE adopters were more likely to have contact with external organisations and to utilise their services than were conventional operators; 94.4 pet cent of AFE farms and 55.7 per cent of non-AFE farms reported having contacts with organisations. AFE farms appeared to be better networked and had greater accessibility to information. Survey data indicated that organisational contact was important in relation to the adoption of AFEs, but further research is required in order to justify the hypothesis that external agents actually stimulate AFE development.

6.3.6 Interpreting the evidence on motivations for AFE development

Analysis of the stimuli for AFE development reflects the complexity of the decision-making process itself. It is very difficult to conclude that there is evidence, or the lack of it, for stating that 'entrepreneurial behaviour' or the implementation of 'survival strategies' can by themselves explain what motivates a farmer to adopt an AFE. It would appear that combining these two concepts best facilitates explanation. The majority of farms in the LFA are not, by their very nature and location, associated with accumulation criteria. Therefore, it must be acknowledged that evidence relating to stimuli impacting on farm operators defined as 'entrepreneurs' is very limited in this study. The analysis presented relates more to those farm operators who are not entrepreneurs. Within this group the primary stimulus for farm diversification is

undoubtedly a desire to maintain or increase farm family income. Because of the nature of the farms in question, i.e. relatively small, extensive operations with low levels of efficiency and of profit, this incentive to increase returns is best interpreted as a *survival* rather than an *accumulation* strategy. What adds to the complexity of the explanation is the emergence of certain variables which seem to distinguish between diversifiers and non-diversifiers. These variables include important characteristics of the farm families themselves: the ability of the decision-makers to identify opportunities presented by the external farm environment, including grant aid and market outlets; their abilities to manage their holdings and to secure credit finance; and their personal interest in both the development of the farm business and the AFE. Such characteristics reflect a movement towards entrepreneurial behaviour. It fosters the suggestion that 'stress factors' are the primary stimuli for farm enterprise diversification but that ability to respond to these stimuli and, to overcome the problems they present, relies heavily on the development of entrepreneurial behaviour.

6.4 The search for an adjustment strategy

Farmers differ in the strategies they adopt to improve the economic viability of their farms. "Satisficing choices are made because of the uncertainty of the decision environment, that is, the incomplete nature of information and the complexity of the decision making process" (Anosike and Coughenour, 1990: 3). The ability of the farm operator (farm family) to identify the options available, to assess each option in turn and, from them, to select the most acceptable and suitable option or combination of options for his/her particular holding, is critically important. The decision-making process is dynamic and decisions taken reflect the behaviour and judgement of the farm operator/farm family. Over time a multiplicity of decisions are taken and adjustment strategies adopted.

As discussed in Chapter 3, a number of '*farm adjustment strategies*' have been identified. Ilbery (1991: 208) outlined those presented by Marsden *et al.* (1989) and Munton (1990). Among the options available to farmers are: (i) increasing the size of the holding by purchasing/leasing land (this may involve increasing the indebtedness of the farm); (ii) increasing the scale of production by purchasing/leasing quota; (iii)

introducing a partnership arrangement into the ownership and management of the farm; (iv) substituting family labour with hired labour or *visa versa*; (v) substituting farm enterprises, i.e. substitution of one conventional enterprise for another; (vi) increasing (decreasing) income from off-farm sources - farmer or other family members could become pluriactive (could return to the farm full-time); (vii) reducing costs and increasing the efficiency of the business, e.g. by reducing the amount of inputs used; (viii) introducing an unconventional agricultural enterprise (agricultural AFE) or a non-agricultural enterprise to the farm business (non-agricultural AFE); (ix) adopting environmentally-friendly land use practices for which payments are available, e.g. by joining REPS (decreasing the farming effort but for monetary gain); (x) leasing out or selling quota; (xi) leasing out or selling land; (xii) winding down or decreasing the farming effort (retiring); (xiii) exiting farming altogether. Because of the current policy context, strategies farmers have used in the past, i.e. intensification, specialisation, investments in technology and increasing economies of scale, are noted by their absence.

The focus in this section is on the 'search' behaviour of the farm operator/farm family. Firstly, past search behaviour is examined. Secondly, the role of 'human capital' within the farm family is investigated. Thirdly, access to information flows, through interaction with organisations external to the farm, is examined. In investigating the key influential factors of relevance to the search process, the basis is laid for a discussion in the next section of the actual adjustment strategies chosen.

6.4.1 Evidence from past 'search' behaviour

Farm diversification has been labelled a 'risk' reduction strategy (Slee, 1989). But increasingly, as options to intensify conventional production and/or holding size decrease, farm diversification is among the few options open to farmers. Therefore, it has become an 'adjustment' strategy for many farmers irrespective of 'risk' aversion. Adjustment strategies taken over the 1988-1992 period by diversifiers and non-diversifiers are summarised in Table 6.9.

Higher levels of strategy adoption were found to associate more with diversifiers than non-diversifiers. However, the practice of combining strategies was common among

both AFE adopters and non-adopters. Apart from the obvious distinction between the two groups in relation to the introduction of an alternative farm enterprise, diversifiers were more likely: (i) to have invested capital in improving their holdings; (ii) to have intensified production from existing conventional enterprises; (iii) to have increased specialisation; (iv) to be making efforts to reduce the costs of the farm business, and (v) to be involved with the marketing of their produce. Also, they were more likely to have had family members who took off-farm employment over the previous five years - suggesting that the income base of AFE farm families is more diversified than that of conventional households. This is likely to be associated with stage in family life cycle and is not altogether surprising given earlier findings that AFE families have, in general, more adult members.

Adjustment strategies pronounced among conventional operators included: intensification, investments in buildings, purchasing of additional quotas, the sale of quotas, land improvements, land purchasing and enterprise substitution (conventional enterprises). These findings confirmed and emphasised earlier indications that diversifiers are more 'entrepreneurial' and 'opportunistic' than conventional farm operators. However, it must be stressed that within both groups sensible well thought out decisions are made. Because a farmer decides to introduce an alternative enterprise does not necessarily mean that he/she has better judgement/decision-making ability than other farmers. There are some farms constrained by the lack of opportunity to diversify. Such farms may either lack the resources to develop an AFE - some 'survivors' - or may, by nature, be entrepreneurial and may not find it remuneratively rewarding to introduce an AFE - some 'accumulators' - or for others, the need or desire to restructure farm enterprises may simply not exist. Nevertheless, looking at the range of adjustment strategies adopted by AFE and non-AFE operators, survey findings suggest that those who diversify have greater experience of implementing adjustment strategies. Therefore, it can be proposed that diversifiers are more alert in terms of their search for possible adjustment options and *may* be more aware of the strengths and limitations of their farming units when compared with conventional operators.

Table 6.9: Past adjustment strategies of diversified and non-diversified operators/farm families 1988-1992 (%)

	AFE-adopters	Non-adopters
Introduced a new agricultural enterprise	62.5	10.7
Began a non-farming enterprise on the farm	55.6	00.0
Intensified production from existing agricultural enterprises	48.8	40.2
Made new land-based capital investments on the farm	36.9	13.1
Made new capital investments in buildings	35.0	27.9
Decreased the intensity of an existing enterprise	23.8	08.2
Ceased a non-profitable agricultural enterprise	23.8	15.6
Increased specialisation of agricultural enterprise	23.8	09.0
Other family members secured off-farm employment	19.4	00.8
Made new capital investment in fixed plant	19.4	07.4
Reduced the amounts of inputs used	15.0	03.3
Purchased farmland	13.8	10.7
Changed the way farm produce was marketed	11.3	00.0
Sold/let a milk quota	15.0	13.1
Purchased a milk quota	06.9	13.9
Reduced labour costs	05.6	00.0
Began a non-farming enterprise off the farm	04.3	00.8
Farmer secured off-farm employment	05.6	04.1
Reduced machinery costs	04.4	01.6
Sold farmland or buildings	02.5	03.3
Total no. of respondents	160	122

6.4.2 Evidence of the importance of 'human capital'

Intrinsic to structural change at farm level are decision-makers. Their ability, in terms of human capacity, is identified as pertinent to successful farm management. Data were collected for the number of decision-makers in the farm family, their ages, educational backgrounds (including previous training) and their use of information, in an attempt to establish if 'human capital' differentiated between diversified and non-diversified households.

The nucleus of farm decision-making was found to occur within the farm family, a reflection of the degree to which Irish agriculture is centred on the family unit. A patriarchal structure of decision-making was found to exist among 57.4 per cent of non-diversified farm households. In contrast, most AFE farms were characterised by a plurality of decision-making behaviour with only 10.0 per cent of farm business

decisions being taken independently by the farm operator. For the majority of these businesses (90.0 per cent) decisions were made by at least two family members (usually the farmer and his/her spouse) and in one-quarter (24.5 per cent) of cases decisions involved three to four family members. Inclusion of other family members enhances the search for adjustment strategies - with a diversity of opinions, attitudes and interests, search behaviour is likely to be more extensive and embracing.

An examination of motivating factors for structural change on conventional farms revealed that many of the decisions emanated from the internal economic circumstances of the farm, i.e. the need to increase income, as opposed to stemming from suggestions put forward by individual family members or external agents. These findings suggest a general differentiation of the 'search spheres' of the two types of farm families. On the one hand were the AFE adopters, whose search behaviour included other family members and extended to the external environment; on the other hand were the non-adopters, for whom the farmer was the predominant decision-maker and for whom the identification of opportunities was associated strongly with the internal environment of the farm.

A significant difference emerged between diversified and non-diversified farms also in relation to family members involved in book-keeping and enterprise management. For half (50.0 per cent) of the conventional farms, an accountant or book-keeper was engaged to prepare the accounts. No family members were involved. This in itself may be an indicator of the absence of 'human ability' on some conventional farms. In contrast approximately 90 per cent of the AFE farms had at least one family member involved in monitoring the accounts of the business.

Responsibility for managing an enterprise rested mainly with the individual operators for both AFE and non-AFE farms. However, operators with AFEs appeared to share responsibility with other members of the family to a greater degree than did non-adopters. While the operator managed the enterprises exclusively in 57.5 per cent of farms with AFEs, the corresponding figure for non-diversified businesses was 86.0 per cent. Only in 9.0 per cent of conventional farm businesses did other family members

manage an enterprise. By contrast, in the case of 40.0 per cent of diversified farms, enterprises were managed by more than one person.

Non-adopters displayed very low educational achievements. Of particular importance to this group was the farmers' educational attainments, since they were the primary decision-makers. With nearly two-thirds (63.1 per cent) of farmers in this group having no formal second level education, and three-quarters (75.4 per cent) of them having no training, it can be suggested that low education standards of farm operators severely curtail the search behaviour of this group. While their spouses displayed a better educational profile, with approximately one quarter (26.2 per cent) having Leaving Certificate standards, the vast majority (81.0 per cent) had no training. Given that the majority of farm decisions were made solely by the farm operator, the 'ability' of the wives of conventional farmers was not invoked and therefore did not enhance the utilised human capital of the farm, nor did it appear to influence the search behaviour of farm operators.

The majority (90.2 per cent) of non-adopters had never considered an AFE as an adjustment strategy. Only 6 (5.0 per cent) were considering one at the time of the survey and the remaining 5 (4.2 per cent) respondents said they had considered but rejected the idea of developing an AFE. The enterprises considered were farm afforestation, organic vegetables and new livestock. Only 3 of the 11 farmers who had considered an AFE had actually had a feasibility study carried out (two by government organisations and one by a private consultant). Reasons given for not conducting feasibility studies were that the AFE was still under consideration, that there was no need because the farmer had enough information and that the costs of such studies were prohibitive.

Results from the survey suggested that educational capital firmly favoured AFE adopters, with three-quarters (75.0 per cent) of them having completed second level education, and over half (56 per cent) having some formal training. Their spouses too had better educational qualifications and better training standards than their conventional counterparts. Unlike the wives of the non-adopters, spouses of diversifiers took a much more active role in decision-making and enterprise management, thereby enhancing the human capital of these farms.

Prior to the establishment of the AFEs only 24 adopters (15.0 per cent) had conducted a technical feasibility study and only 21 (13.0 per cent) formally investigated the potential market for the products of the AFE in question (Table 6.10). Research concerning second and third enterprises was virtually non-existent. The majority of farm families (121 families, 75.6 per cent) had no specific training relating to the chosen AFE and a significant proportion (66.8 per cent) had no previous experience concerning the 'new' enterprise.

Table 6.10: Presence of feasibility studies and training for AFEs (%)

% of AFE adopters having conducted a technical feasibility study	15
% of AFE adopters having conducted a marketing feasibility study	13
% of AFE adopters having specific training for the AFE	24
% of AFE adopters having previous experience suited to the AFE	33

Of the 160 diversifiers interviewed, 52 had considered but had not established other alternative enterprises. The enterprise mentioned most frequently was deer (11 respondents). Other enterprises considered included: farm afforestation (5), sports facilities (5), fishing facilities (5), pony trekking (4), organic vegetables (4), farmhouse cafes (3), open farms (3), rabbits (2), free range poultry (2), sport horses (2), a new breed of pig (1), goats (1), B&B (1), self-catering unit (1), caravan park (1) and on-farm meat processing (1). Insufficient finance was the primary reason (21 responses) for not establishing the above enterprises. Thirteen respondents were still at the planning stages. Planning permission had been refused for five developments. The absence of grant aid deterred three respondents, while low returns, too much bureaucracy and the lack of support from family members were cited by the remaining respondents as reasons for not proceeding with the AFE.

Only four farm operators had established and then decided to cease an AFE. The reasons given were because of changes in personal circumstances, because the AFE resulted in unforeseen and unsustainable increases in the farm workload and because the

expense involved in complying with newly introduced EU regulations/legislation could not be justified.

Having a personal interest in the AFE was viewed as essential by both diversifiers and non-diversifiers and often respondents extended this beyond a discussion of AFEs to indicate the importance of personal interest in farming in general. Nearly two-fifths (38.0 per cent) of adopters attributed the establishment of their chosen enterprise to having a personal interest in it. Self-motivation, therefore, emerged as a key ingredient in the adoption and operation of a successful enterprise. This is significant in terms of understanding the search behaviour of decision-makers. The association between some types of AFE and 'hobby interests' is well documented (Dalton and Wilson, 1989; Slee, 1989; Ilbery, 1991). Such personal interest was particularly important in relation to the development of organic crop and livestock enterprises, craft-based AFEs, pony trekking and the provision of guest accommodation.

6.4.3 Evidence of the relationship between 'institutions' and 'search behaviour'

As already discussed, interaction between the farm household and the external institutional environment is highly complex. The relationship is closely correlated to the household's human capital. All respondents acknowledged the importance of services and supports provided by organisations. In particular, the availability of advice, information and grant aid was perceived as important, especially at the 'start-up' or establishment stage. Nine out of every ten (90.0 per cent) respondents perceived the availability of training courses and an existing marketing organisation focusing on the products of chosen AFEs to be important (Table 6.6). Examination of the extent of farmer-organisation interaction and contact with the official advisory service, revealed that AFE adopters (55.6 per cent) were more likely to be integrated into the institutional environment than were conventional farm operators (36.1 per cent). The issue therefore is to what extent do these factors translate into the 'search' behaviour of farm households?

Of the 282 farms surveyed, 78.0 per cent (219) had contacts with organisations external to the farm business. Virtually all AFE farms (94.4 per cent) liaised with external agents but only half of the conventional farms (55.7 per cent) had similar linkages. The

Table 6.11: Reasons for farmer-institution contact		
Reason	**AFE farm operators**	**Non-AFE farm operators**
Developing an existing conventional enterprise	100	89
Introducing a new conventional enterprise	9	6
Developing an existing AFE	161	0
Introducing a new AFE	297	6
General management advice	70	60

majority of contacts were with agricultural, financial and regulatory organisations. In addition forestry and tourism organisations were particularly relevant for diversifiers. Reasons for contacting the organisations are presented in Table 6.11. The significance of the institutional environment in relation to the 'search' behaviour of farm families is emphasised by the overwhelming majority of contacts pertaining to AFE development, followed closely by those relating to the general development of the conventional farm business. The 160 AFE farms generated 297 institutional contacts pertaining to the introduction of an AFE and 161 contacts were made relating to the development of an existing AFE (Table 6.11). On average AFE farmers had 4.0 institutional contacts. Among non-diversified operators the development of the existing conventional enterprises accounted for the highest proportion of institutional contacts, but in total these only accounted for 89 contacts (Table 6.11). The average number of institutional contacts for non-adopters was only 1.3 contacts. Findings here suggest that AFE farmers interact with the institutional environment, as part of their 'search' behaviour, to a far greater degree than do their conventional counterparts. This interaction included the 'search' for loan capital from financial institutions - a reflection of the penetration of external capital into the family farm, and supported Evans' and Ilbery's (1989: 264) hypothesis that, rather than "presenting one way to starve off subsumption, [AFE development] could conceivably hasten the demise of the family-run business".

In analysing the significance of the farmer-organisation relationship in relation to 'search' behaviour, the question that was pertinent was to what extent do farm operators seek information/advice from organisations? Survey data revealed that AFE adopters

were more likely to approach institutions in search of information (76.4 per cent) and research facilities (33.1 per cent) than were non-diversifiers (45.9 per cent and 3.3 per cent respectively). What was interesting was the fact that AFE adopters seemed to *maintain* contact with organisations to a greater extent than did the non-adopters, suggesting a continuous search for information and adjustment strategies on the part of the adopters. In general, both types of farmers were satisfied with their relationships with the organisations.

The availability of grant aid was found to be a significant stimulus, it also emerged as important in relation to search behaviour, i.e. establishing one's eligibility for grant aid is part of the search process. Approximately 192 (68.2 per cent) of all surveyed farms contacted organisations in relation to grant aid. Since the application for aid must be made prior to the establishment of the enterprise, this can be interpreted as part of the 'search' process. Therefore, it can be concluded that enterprise change, which is the outcome of the 'search' process, is influenced to some extent by the availability state grant aid schemes.

6.4.4 Interpreting the evidence on 'search' behaviour

Overall, survey findings evidenced a strong relationship between human ability within the farm family and the search for farm business adjustment strategies. Reliance was placed on the knowledge and past farming experience of family members and the informal flow of information. Little use was made of the more structured search process involving formal feasibility studies. Nevertheless, contact with organisations was emphasised as important in relation to farm business development, and particularly, in relation to the diversification of farm enterprises. Ensuring grant aid availability and eligibility is an important part of the search process. Interaction between the farm household and the external institutional environment was correlated with the educational attainments of the farm operator and/or spouse. In the case of diversified farms, the spouse of the farm operator participated to a greater extent in the decision-making process, than did the spouses of conventional operators. This served to enhance the search behaviour of AFE farms.

6.5 Strategies adopted – choice behaviour

This stage of the analysis assumed that change at farm level is the outcome of the search process. The external farm environment, together with the economic and socio-cultural conditions of the farm business and the farm family respectively, are influential in determining the strategies chosen. In an attempt to understand the decisions taken, a typology developed by Bowler (1992b) was employed. As outlined in Chaper 3, the typology classified farms according to alternative accumulation and survival strategies related to farm business development. Six main 'paths' of farm business adjustment were identified. The *industrial* pathway represented 'accumulation' or 'entrepreneurial' activity in relation to conventional enterprises. Expansion and intensification of production characterised farms in this pathway. Enterprise diversification was subdivided into *agricultural* and *non-agricultural* diversification, each being treated as a separate 'path' or distinct adjustment strategy. The *other gainful activity* (OGA) pathway referred to the redeployment of human resources from the farm unit into an off-farm occupation. Disengaging farms were classified under the *winding down* pathway, and finally, those operators implementing little or no change were grouped under the traditional (no change) pathway. The precise definition of each pathway is outlined in Appendix 5. The paths were not mutually exclusive (since the typology did not classify farm businesses *per se* but rather farm business *behaviour*), with the exception of the traditional category, since by definition this category contained farms not found in any of the other classifications.

This section attempts to examine the choice of different paths of surveyed farmers. In particular, it seeks to address: (i) the pattern of current farm business pathways. This is done first by analysing the number of farms within each pathway and secondly, by looking at pathway combinations; (ii) the characteristics of farm families and farm businesses within each pathway and whether and how these differ from those in the traditional path.

6.5.1 The structure of choice behaviour

The numbers of farms in the six business pathways are outlined in Table 6.12. Of the 282 farms surveyed[10], 30 per cent were classified as 'traditional' - these farm businesses had not changed very much over the five years prior to the survey. A further 11.3 per cent were disengaging. In total just over two-fifths of the farms (41.3 per cent) belonged to these combined categories, reinforcing earlier findings that a high proportion of farmers prefer to continue farming using conventional enterprises and traditional methods. Although stimuli for change may reach 'traditional' operators, evaluation of their opportunities and resources does not motivate them to instigate change. Nearly two-fifths (38.3 per cent) of farms had a family member with an off-farm job either on a full- or part-time basis. In 32.6 per cent of cases the farmer and/or spouse accounted for those with employment outside of the farm, and the remaining 5.6 per cent involved other family members. Over one third (36.2 per cent) of respondents had an agricultural AFE while one quarter (24.5 per cent) had developed a non-agricultural enterprise on their farms.

Table 6.12: Classification of farm behaviour by pathways of business development

Farm Type	No. of Farms	Percentage of Farms
Industrial	08	02.8
Agricultural AFE		
Major	67	23.8
Minor	35	12.4
Non-agricultural AFE		
Major	34	12.1
Minor	35	12.4
Other gainful activity		
Farmer/spouse	92	32.6
Other family member	16	05.7
Winding down	32	11.3
Traditional	84	29.9

[10] It is important to keep in mind that the 282 farms are the combined 'random' and 'purposively' chosen samples, i.e. the 122 and 160 farms respectively. Samples were combined here to facilitate investigation of pathway combinations across farm types. However, because the 160 farms had AFEs the percentage of farms in the diversification pathways will naturally be high and should not be interpreted therefore, to reflect the general farm situation.

Following McInerney and Turner (1991), alternative enterprises were further differentiated according to the contribution they made to total farm profits. AFEs generating more than 10 per cent were considered to be significant contributors to the viability of the farm business and were termed 'major' AFEs. Enterprises contributing less than 10 per cent were considered less important and were termed 'minor' AFEs. Nearly one-quarter (23.8 per cent) of the farms had a 'major' agricultural AFE and one-eight (12.1 per cent) had a 'major' non-agricultural AFE, suggesting that in total, over one-third of surveyed farmers (35.9 per cent) had at least one 'major' AFE. Approximately one-quarter (24.8 per cent) of the farms had a 'minor' AFE – half of these had a 'minor' agricultural AFE and half a 'minor' non-agricultural AFE. Only a small proportion (2.8 per cent) of the farms were classified as industrial farms. This reflected the nature and type of farms in the study areas and indeed in the west of Ireland in general. It emphasised earlier findings relating to the relatively low numbers of 'entrepreneurs' in the survey.

As mentioned above, the choice pathways were not mutually exclusive, with the exception of the 'traditional' pathway. The various different pathway combinations, which emerged for the 282 surveyed farms, are listed in Table 6.13. Interestingly, a relatively high proportion of farms was located within single path choices. For 41 operators (14.5 per cent) the only adjustment strategy chosen was to adopt an agricultural AFE, 32 farm families (11.3 per cent) decided to adopt a non-agricultural AFE as a single development strategy, 20 families (7.1 per cent) decided to seek off-farm employment as their single development strategy, and 8 operators (2.8 per cent) had decided to disengage. In total, single path choices accounted for strategic changes for nearly two-fifths of the farms (101 farms, 35.8 per cent). When the proportion of traditional farms was added to this, the total number of farms involved with single-strategy decisions reached 185 or 65.6 per cent of the 282 surveyed farms. This gave an insight into farm decision-making behaviour. In general, it appeared that sampled farmers preferred to adopt adjustment strategies individually, as opposed to introducing multiple changes concurrently. This may indicate that farmers were satisfied with their current enterprises but it was more likely, given findings relating to stimuli and search behaviour, to be indicating influences such as a tendency towards risk aversion, a

preference for traditional farming systems, a lack of confidence in proposed AFEs, inability to finance the capital investments required by many of these enterprises and/or an absence of efficient management structures on conventional farms.

Combined adjustment strategies had been implemented for 97 farm businesses (Table 6.13). The most popular combination to emerge pertained to the development of an agricultural AFE and the decision by a family member to secure off-farm employment. These adjustments occurred in 42 cases (14.5 per cent of all farms surveyed). The next most important association was the movement of family labour from the farm business to employment outside of the farm in conjunction with the development of a non-agricultural AFE. However, this was relevant for only 16 farms (5.7 per cent).

Table 6.13: Combinations of adjustment pathways

	No. of farms	Percentage of farms (%)
Agricultural AFE, non-agricultural AFE, OGA winding down	1	0.3
Non-agricultural AFE, OGA, winding down	5	1.8
Agricultural AFE, OGA, winding down	5	1.8
Agricultural AFE, non-agricultural AFE, winding down	1	0.3
Agricultural AFE, non-agricultural AFE, OGA	5	1.8
Industrial, non-agricultural AFE, OGA	2	0.8
Industrial, agricultural AFE, winding down	1	0.3
Industrial, agricultural AFE, OGA	3	1.2
Industrial, non-agricultural AFE	1	0.3
Industrial, OGA	1	0.3
Agricultural AFE, non-agricultural AFE	4	1.6
Agricultural AFE, OGA	41	14.5
Non-agricultural AFE, OGA	16	5.7
Non-agricultural AFE, winding down	2	0.6
OGA, winding down	9	3.2
Agricultural AFE	41	14.5
Non-agricultural AFE	32	11.3
OGA	20	7.1
Winding down	8	2.8
Traditional – no significant change	84	29.8
Total no. of farm businesses	282	100.0

It is interesting and important to note that only 73 of the 282 farms (27.6 per cent) had adopted an AFE as a single adjustment strategy. Placed in the context of the 160 AFE farms, the proportion rose to over two-fifths (45.6 per cent) of the farms. This indicated that AFEs by themselves were not generally perceived to offer a solution to the problems of quota restrictions and declining income from conventional enterprises. In general, when AFEs were adopted other strategies were frequently implemented, indicating the risk-reducing nature of strategies implemented by farm operators. Where AFEs were combined with other gainful activities (OGA), the uptake of off-farm employment may reflect the efforts of the farm family to supplement and support the investment made in the AFE, but further research is required in order to determine whether the AFE motivated participation in off-farm employment or whether the income from off-farm sources provided for the initial investment in the development of AFEs. Decisions to shift labour resources from the farm to the non-farm arena, either wholly or partially, reflected a modification of the farm labour resources. Such decisions were facilitated greatly by the availability of under-utilised labour on family farms. This raised the question of the degree to which off-farm activities support, not only AFEs but, agricultural developments in general. Again, further research is required to investigate this issue.

Farmers differed in the adjustment strategies they adopted. Their choices were affected and influenced by a wide range of interrelated factors. In the broader context, factors external to the farm can shape farm behaviour - as evidenced earlier in relation to stimuli for diversification and the search behaviour of farmers. It followed that the external farm environment can impact upon the choices made. Structural conditions at the farm level, e.g. existing enterprises, farm size, financial commitments etc., may influence the choice of adjustment strategies to be considered and adopted. The characteristics of the farm family, in terms of the human capital, goals and objectives, and the presence or absence of dependants, of successors and of family members with other gainful activities etc., can all impact on the decision-making process.

In order to assess the relationship between the variability of choice behaviour and the three broad influential factors identified above, a series of discriminant analyses of farm business pathways was conducted using a series of key variables which, were thought to

be potential reasons for a farmer to choose one adjustment strategy rather than another. A complete list and description of the variables included in the analysis is provided in Appendix 6. The analysis allowed an examination of the characteristics of farm businesses within the various pathways of farm business development and provided insights into why farmers adopt different pathway strategies. Given the characteristics of AFE farms (larger businesses operated by younger, more educated farmers) it was desirable to compare them with a comparable group of non-adopters, however as mentioned in Section 6.3.2 above, only 7.4 per cent of the sample of non-adopters displayed 'entrepreneurial' or 'accumulation' characteristics. This proportion was too low to allow meaningful comparisons to be drawn. In an attempt at identifying key characteristics associated with specific choice behaviours, diversified farms were compared with non-diversified farms and then farms belonging to each of the pathways were examined and compared with those belonging to the 'traditional' or 'no change' farm pathway group. It should be noted that all the variables were not used in all the analyses since some were, by definition, related to the grouping variables, e.g. pluriactive work units and the OGA pathway.

6.5.2 Relationships between AFE choice and selected farm business and farm family characteristics

The results of the discriminant analysis are presented individually for each set of farm types being compared (Table 6.14).

AFE Farms Vs Non-AFE Farms

For AFE and non-AFE farms, four key variables were identified as significant and included in the analysis. These were: the level of training of the spouse/other family member; the ratio of hired to family labour units; the farmer's standard of education, and the level of farm debt. All other variables were dropped from the analysis. Any one of the four variables could be used to distinguish between the two types of farms – each having correlation values above 0.5. Interestingly, three of the four variables specifically related to the social characteristics of the farm families.

Examination of the group means for the four variables indicated that AFE farms were the only farms that hired labour. The spouse/other family members of AFE adopters had

Table 6.14: A summary of the discriminant analysis of the different pathway choices				
Farm type and no. of cases	**Variables selected in selection order**[11]	**Correlations >0.5 (powerful discriminators)** [12]	**Overall percentage classification** [13]	**Poorest group percentage classification**[14]
AFE vs. Non-AFE (133) (113)	G22SKILL HIFARAT G21EDUC FARMDEBT	.72 .64 .55 .55	67.8	79.6
Traditional vs. AFE (77) (131)	FAMWORK G22EDUC HSTAFFWU HHOLD ROAD	.74 .70 .30 .27 -.21	76.2	65.3
Traditional vs. Industrial (77) (7)	HSTAFFWU OFFICIAL HHOLD G21SKILL INTEST YCHILD	.53 -.31 .20 .43 -.02 .17	97.8	75.0
Traditional vs. OGA (77) (98)	G22EDUC G21EDUC FAMWU G21AGE INTEST	.54 .47 -.26 -.34 -.12	87.5	87.0
Traditional vs. Winding down (77) (28)	ADJAREA G22SKILL INTEST G21EDUC HIFARAT YCHILD	-.41 .40 -.36 .34 .29 .38	89.0	65.6
Galway vs. Kerry (117) (127)	ROAD URBAN YCHILD INTEST	.65 .42 .29 -.34	66.3	64.8

[11] See Appendix 6 for description of variables used.

[12] As a rule of thumb, any correlations of > 0.5, can be interpreted as meaning that variable alone can be used to effectively differentiate the groups.

[13] Percentages above 65 per cent show a reasonably strong analysis.

[14] If the figure is below 50 per cent, then the analysis as a whole can be rejected.

higher levels of training and education than did those of the non-adopters. On average AFE farmers were better educated than other farmers and AFE farms were servicing more accumulated debts than their conventional counterparts.

The results were not surprising given earlier findings relating to the significance of human capital in search behaviour. However, they did emphasise that, of all human capital characteristics, education and training appear to be the most important in facilitating farm diversification. Therefore, in order to increase the participation of farmers in the process of enterprise diversification, a very definite commitment is required, both from farmers themselves and from those involved with education and training, to formally increase farm-based knowledge and awareness of AFE opportunities. The fact that the other farm resources, i.e. land and capital, did not emerge as significant was understandable given that the survey was conducted in the LFA, where the physical and economic characteristics of holdings tend to display certain homogeneous characteristics.

Farms belonging to the traditional pathway choice compared with those belonging to the AFE pathway

The second discriminant analysis sought to distinguish the choice behaviours of those who had adopted AFEs from those of the traditional operators. Here five significant variables were produced from the analysis (Table 6.14). These were: the family's pluriactive work units; the level of education of the spouse/other family members; the number of hired staff work units; the number of households; and distance from a main road. Again it appeared to be the more social, as opposed to economic, characteristics of the internal farm environment that emerged as significant. Also, the inclusion of a locational variable, which may be interpreted as an indicator of distance from markets, may be pointing to differential levels of importance placed by members of each group on the significance (both real and potential) of the identification of market opportunities, of market awareness and interest among farm operators and their families and of market accessibility.

The analysis suggested that two primary variables could explain the difference in choice behaviour of traditional and AFE farms (Table 6.14). These were the family's pluriactive work units and the level of education of the spouse/other family members. On average, the spouse/other family member of 'traditional' farm businesses had lower standards of education than had those in AFE farm businesses and AFE farms had a higher incidence of off-farm employment than had traditional farms.

Again these findings emphasised the 'human/social capital' characteristics of the farm family, reflecting earlier findings concerning the importance of the 'ability' of farm families to identify signals/stimuli and to react and/or adapt to them. As noted in Chapter 3, while a signal for change is a necessary condition for change to occur, it is not by itself a sufficient condition for a change to occur. The farmer must be both open to the possibility of change and have the ability to carry it out. Farm families with higher standards of education are better placed to make strategic decisions and to implement change.

Farms belonging to the traditional pathway compared with those belonging to the industrial pathway

Results of the discriminant analysis comparing traditional and industrial pathways highlighted similar variables to those emerging to differentiate between the previous two groups. The initial variables found to discriminate between the traditional and the industrial farms were again related to the social characteristics of the farm family. However, only one dominant variable – hired staff work units – emerged to significantly discriminate between the two groups (Table 6.14). Examination of variable means suggested that industrial farms were more likely to have hired additional labour (non-family) than were traditional farms.

Farms belonging to the traditional pathway compared with those belonging to the OGA pathway.

Here again the social variables were found to discriminate between the two groups. A focus emerged on the educational attainments and other training and skills of the farmer and spouse, number of family members working off the farm, the age of the farmer and

contacts with organisations. However, as in the previous analysis, only one discriminant variable emerged to differentiate farms in these groups (Table 6.14). OGA farms were more likely to be characterised by higher educational attainments of farm operators, spouses and other family members than were traditional farms.

Farms belonging to the traditional pathway compared with those belonging to the winding down pathway.

Again, it was the social variables that emerged to differentiate between traditional and winding down farms but no dominant variable emerged from the analysis. This was not surprising given that the characteristics of both groups are quite similar.

Galway Farms compared with Kerry Farms.

The following four variables were selected to discriminate between farms in the two sub-regions: proximity to a main road; proximity to an urban centre; number of children under 16 years of age; and number of non-AFE contacts with organisations. From these, only distance from the main road emerged to differentiate between farms in the two areas. Farmers in Kerry were further from a main road than their Galway counterparts. This might be explained by the classification of the road network and/or by the fact that the Dingle Peninsula in county Kerry does not have any primary roads.

6.5.3 Interpreting results from the analysis of choice behaviour

Choice behaviour was dominated by the adoption of single pathway adjustment strategies. In total, single path choices accounted for strategic changes on nearly two-fifths of the farms (101 farms, 35.8 per cent). When the proportion of traditional farms was added to this, the total number of farms involved with single strategy decisions reached 185 or 65.6 per cent of the 282 farm businesses surveyed. More than half the farms surveyed displayed strong conventional decision-making behaviour and showed a preference for 'agricultural' enterprises.

The different pathways of farm business development were mainly differentiated by sociological variables - in particular the education and skill levels of family members – especially the spouse of the farm operator – and not by the variables for the physical

structure or economic conditions of the businesses. Findings emphasise the importance of the education and training characteristics of the farm family. They reflected earlier findings concerning the importance of the 'ability' of farm families to identify signals or stimuli and to react and/or respond to them. Findings reinforce the significance of the role of information providers in the decision to diversify. In particular, organisations involved in the delivery of knowledge and information – especially those organisations providing both formal and informal education and training courses, and those involved in extension and development initiatives – emerge as critical in informing and educating the farming community of the potential opportunities which diversification may provide. Findings suggest that when information is available and the farm family can access it and has 'ability' to process it, that AFEs are considered and can for some businesses form viable adjustment strategies. Overall, this points to the importance of incorporating and integrating 'diversification information' into mainstream agricultural knowledge and information systems. Findings compare well with the views expressed in the literature, that AFE adopters and their families are better educated than non-adopters and members of their households. Another finding, also adhering to the views contained in the literature, is that AFE farms tend to be more heavily indebted. This is not surprising, as many AFEs require significant capital investments to become established. But is does suggest that farmers increase their borrowings to engage with the AFE. Therefore, for these farmers it can be concluded that the adoption and development of AFEs is an accumulation strategy, i.e. they borrow to invest in the AFE as opposed to developing the AFE to generate income to service existing debts.

6.6 Characteristics of the different types of AFE farms

The consequence of the heterogeneous nature of farm household adjustment behaviour, as evidenced in the previous section, is a diversity of farm businesses. Essentially this stems from the fact that no two farms are the same. Differences in individual farm structures and family characteristics impact on the process of decision making. Grouping the different types of individual AFEs into five broad categories, i.e. new crops, new livestock, farm woodland, on-farm services and on-farm processing (see Appendix 7), this stage of the behavioural analysis develops of a typology of farm businesses according to AFE type. The farm business unit was sub-divided into three

components for analysis: (i) farm business characteristics, (ii) farm family characteristics and (iii) AFE characteristics. As discussed earlier (see Section 6.2 above and Table 6.1b), some farms (34) had adopted more than one AFE. For the purpose of examining the characteristics of diversified farm businesses, farms were classified according to each individual AFE, i.e. farms with more than one AFE were classified into more than one AFE type group. It was felt that this was acceptable given the focus of the investigation and the fact that farms with multiple AFEs would be examined prior to the detailed examination of AFE groups. Any characteristics particular to businesses with more than one AFE would, therefore, be known and discussed in advance of the main analysis. Nevertheless, caution is necessary in interpreting the results, as the analysis is based on the 160 AFE farms, i.e. the purposive rather than the AFE farms in the random sample. Analysis is therefore, based on the 160 farms with 199 AFEs.

The most popular AFEs related to those classified as 'on-farm services' (77 enterprises), which included farm-based accommodation. These were followed by 'farm woodland' (54), 'new livestock' (46), 'new crops' (13) and finally 'on-farm processing' enterprises (9). The small numbers in the latter categories restricted both the amount of information available for analysis and the extent to which generalisations could be made. These points should be borne in mind when reading the remainder of this chapter.

6.6.1 Farms with multiple AFEs

Initially, it is interesting to examine the sub-group of farms (34) with combined AFE activities as a distinct group within the overall AFE sample. At this point it is important to emphasise that the combination of AFEs forms an adaptive strategy for these farm business. The AFE combinations reported are outlined in Table 6.15.

Farmhouse accommodation, forestry and self-catering accommodation were most frequently combined with other enterprises. Also, they appeared to be the enterprises which best facilitated the development of more than one AFE on farms.

Combinations revealed two distinct types of combined activities. Firstly, there were *related* activities, i.e. combinations where one AFE developed because of a direct

relationship with an AFE already established. This was found to be mainly associated with those involved in the agri-tourism sector. In particular, there was a tendency to develop additional AFEs to improve or increase the marketability of an existing AFE, e.g. the existence of farmhouse accommodation often motivated the development of a self catering unit, an open farm, farmhouse teas and/or pony trekking enterprises.

Table 6.15: AFE combinations on multiple AFE farms

AFE 1	AFE 2	AFE 3
Serviced accommodation	Sport horses	
Serviced accommodation	Sport horses	
Serviced accommodation	Pony trekking	
Serviced accommodation	Pony trekking	
Serviced accommodation	Self-catering accommodation	
Serviced accommodation	Open farm	
Serviced accommodation	Open farm	
Serviced accommodation	Farmhouse teas	
Serviced accommodation	Organic livestock	
Serviced accommodation	Sports facility	
Serviced accommodation	Forestry	
Serviced accommodation	Forestry	
Serviced accommodation	Forestry	
Serviced accommodation	Forestry	
Serviced accommodation	Poultry – Free range eggs	
Forestry	Poultry – Free range eggs	
Forestry	Crafts	
Forestry	Mushrooms	
Forestry	Mushrooms	
Forestry	Organic production	
Forestry	Sport horses	
Forestry	Contracting	
Forestry	Contracting	
Deer	Sport horses	
Mushrooms	Contracting	
Organic crops	Snails	Farmhouse teas
Self-catering accommodation	Serviced accommodation	Golf
Serviced accommodation	Self-catering accommodation	Self catering
Farm shop/freezer sales	Goats	Organic crops
Open farm	Dairy processing	Self-catering
Dairy processing	Pony trekking	
Open farm	Farmhouse teas	
Caravan/camp site	Open farm	
Foliage	Sport horses	

Among accommodation providers increasing competition was the primary motivating factor of second enterprises. There appeared to be a movement towards the provision of

activity breaks on farms, i.e. the development of a package for the visitor. Secondly, *unrelated* AFE combinations existed. Here forestry predominated. Farm afforestation was combined with sport horse, mushroom, accommodation and contracting enterprises. Other unrelated AFE combinations included: goats and self-catering accommodation, mushrooms and contracting and deer with sport horses. In general, these combinations reflected decisions to combine a capital and labour intensive enterprise with a less demanding, more passive enterprise. Such AFE combinations indicated specific choices regarding adjustment strategies at particular points in time. By contrast, the combination of related AFEs reflected a different pattern of choice behaviour, where a single adjustment strategy was identified, focused upon, developed and expanded in a planned and co-ordinated manner.

In general, farmers with more than one AFE were found to operate larger units than those with a single AFE. Their gross margins were on average, twice as much as the single enterprise farms, they displayed more entrepreneurial tendencies and were more likely to operate full-time farms. A large proportion of them (68 per cent) had increased their farms' profit level over the 1988-1992 period. In contrast, less than one-third (31 per cent) of the single AFE farmers reported similar increases in profits. However, when debt levels were examined, the farms with only one AFE appeared to be in a more favourable position, with only 36 having increased their debts while 68 per cent of those with two or more AFEs had increased borrowings over the five year period. In terms of age and educational attainments, farm operators with multiple AFEs were found to be slightly younger than other AFE farmers and were likely to hold better educational qualifications.

6.6.2 Characteristics of the farms in the different AFE type groups

Farm business characteristics

Using data for all AFE farms (160), the first objective was to differentiate farms with different types of AFE according to farm type and holding size. Using the classification of farms employed in the EU's Farm Structure Methodology (1992: 180-181), which is used for the FADN analysis, farms belonging to the 'new crops' group were found to be predominantly classified within the horticultural category. They were primarily in the

vegetable classifications, with some outliers involved with dairying, dairying and cattle fattening, and mixed crop enterprises. Grazing livestock farms accounted for the largest proportion of those having adopted 'new livestock' AFEs, but some did fall into the dairying, horses with livestock, cattle fattening and sheep categories. Farms with farm woodland were found to cluster around four main FADN farm types namely, cattle and sheep farms, dairying with other enterprise holdings, those with suckler herds and sheep farms. The highest proportion (36.5 per cent) of farms within the 'on-farm services' category occurred where cattle and sheep enterprises combined. Next most important for this group were farms with dairying and other enterprises (15.1 per cent) and those with suckler herds (15.1 per cent). The remaining 'on-farm service' AFE farms (33.3 per cent) were distributed across a variety of farm types. Farms having adopted AFEs classified as 'on-farm processing' were primarily farms involved with cheese-making enterprises. It was not surprising to find such farms being associated with dairy enterprises in the FADN classification.

Focusing attention on the size of the holdings, most types of AFEs were found on farms with below 50 ha. Forestry enterprises seemed to be the AFEs least affected by farm size, with tree planting having occurred on holdings of all sizes, large and small. Eight of the 13 farms with 'new crop' AFEs and 6 of the 9 belonging to the 'on-farm processing category, were below 20 ha. Farms with less than 5 ha., between 5 and 20 ha. and between 20 and 50 ha. accounted for 17, 12 and 10 'new livestock' farms respectively. 'On-farm services' AFEs were associated more with the larger holdings, with nearly half (47 per cent) of these enterprises located on farms of over 20 ha. Only 18 of the 77 enterprises in this category were established on farms of less than 5 ha.

When the different AFE types were examined according to farm business size as distinct from holding size, significantly, 'on-farm services' farms tended to be associated with larger scale farm businesses. Here 37 of the 77 farms (48.1 per cent), for which information was available, had gross margins in excess of IR£20,000. In contrast, 4 of the 9 farms involved with 'on-farm processing' had very small gross margins, i.e. less than IR£5,000. Three-quarters of 'new crop' farmers reported gross margins of below IR£10,000, the remaining operators reported margins in excess of IR£20,000. Clearly the nature of the farm (large or small business size) and of the AFE

(mushrooms or organic vegetables) was influential in determining the levels of gross margins secured. Forestry enterprises by business size provided similar results to those relating to holding size, being found on farms reporting various ranges of business turnover. The 'new livestock' group was primarily comprised of farms having gross margins of less than IR£20,000. Overall, findings suggest that while AFEs in general tend to be associated with the larger, more profitable farms, specific types of AFEs, e.g. food processing, some livestock enterprises such as goats, sport horses and greyhounds, and farm afforestation, did appear to hold some opportunities for the smaller, less profitable holding.

As discussed in Section 6.3.4, initial analysis indicated a strong correlation between farm debt and the existence of an AFE. Approximately two-thirds of AFE farms reported farm debts and nearly half of these had borrowed in excess of IR£20,000. While farmers across all AFE type groups had borrowed to some extent, the most heavily borrowed AFE farms - those with borrowings in excess of IR£50,000 - were found to be those involved with 'on-farm services' (60 per cent of all farms having debts in excess of IR£50,000) and 'new livestock' enterprises (20 per cent of farms having high debt levels). Farms involved with forestry enterprises were found to be the least indebted, with approximately 40 per cent having no borrowings at all and a further 18.5 per cent owing less than IR£5,000. Increasing debt trends were found to associate most with farms having more than one AFE. However, it must be pointed out that debt trends refer to the total farm business and not specifically to the development of the AFEs. Nevertheless, increasing debts were reported for over half (55.7 per cent) of the farms with 'on-farm services' AFEs and 40.9 per cent of farms with 'new livestock' enterprises. A smaller proportion of farms - approximately one-fifth – belonging to the other three categories were experiencing increases in their credit finance. Decreasing debt levels tended to characterise farms involved with 'new crops' (46.2 per cent) and 'woodland' (37.0 per cent) enterprises. No dominant trend emerged among operators involved with 'on-farm processing' enterprises.

As evidenced earlier (see Table 6.3), 31.9 per cent of AFE farms reported an increase in total farm profits over the 1988-1992 period. It is important to note that there is insufficient data to associate increases in profits with the particular AFEs found on the

farm. It is nevertheless interesting to find that 53.8 per cent of farms having 'new crop' enterprises reported increases in farm profits, while significantly smaller proportions of those involved with 'new livestock' (34.1 per cent), farm afforestation (37.0 per cent), 'on-farm services' (29.1 per cent) and 'on-farm processing' (33.3 per cent) reported similar increases.

Declining profit levels characterised 20.0 per cent of AFE farms (Table 6.3). Again survey data did not facilitate the exploration of the relationship between the AFE and the overall decline in farm profits, but did indicate that of the five AFE type groups, farms with 'on-farm services' had the highest proportion (24.1 per cent) of respondents experiencing decreasing profit levels. Those involved with 'on-farm processing' ranked next highest (22.3 per cent). Less than 20 per cent of 'new livestock' and 'woodland' groups indicated falling profit margins. No incidence of declining profits was reported for 'new crop' farms. On average, findings suggested that approximately 40 per cent of each AFE type group experienced no change in their profit levels over the 1988-1992 period.

The contribution of the AFE to gross farm profit was an important indicator of the potential income generating capacity of the different AFE types. Surveyed farmers tended not to distinguish between the individual farm enterprises in calculating farm income. Very few kept separate accounts for the AFE and so many found it difficult to attribute a proportion of farm profit specifically to the adopted AFE(s). Nevertheless, some interesting contrasts did emerge. Approximately one-third (29.6 per cent) of the AFE adopters reported no profits from their AFE and for a further 24.4 per cent the AFE(s) contributed less than 10 per cent of profits. Therefore, for over half (53.8 per cent) of the farms the AFE(s) provided less than 10 per cent of profits. Respondents were asked to estimate the actual income from their AFE(s). Responses suggested that 'new crop' adopters were divided into two groups. On the one hand were farmers (62.5 per cent) earning less than IR£5,000 from their enterprise, on the other hand were 'new crop' adopters (12.5 per cent) generating in excess of IR£30,000. The former were small scale organic farmers, the latter were farm businesses involved with capital intensive mushroom production. For organic producers the AFE was marginal and

supplementing income from other sources. In the case of mushroom enterprises, the AFE was the dominant source of income.

Of farmers with 'new livestock' and 'on-farm service' enterprises, 51.5 per cent and 33.3 per cent respectively reported no AFE income. Over half (56.2 per cent) of the 'on farm service' respondents reported AFE revenue of less than IR£10,000. This was somewhat worrying given the high capital investments and high levels of debts associated with this group. Indeed, a strong relationship seemed to exist between the levels of borrowings and income reported. For farms where borrowings were relatively high, any income derived from the AFE was usually being used to service the loan capital, therefore, in the short-term the AFE was not perceived to be contributing to the available family income.

Nearly two-thirds (63.6 per cent) of farmers having 'woodland' enterprises reported no AFE income. In general, these were farms where trees had been planted prior to the availability of the grant aid and premium schemes, or they related to farms where the farmer had contracted the planting and maintenance of the trees to a private forestry company in exchange for the grant aid.

A distinction was apparent between those involved in the production and processing of goats milk and cheese on a small scale, earning less than IR£500 from their enterprise, and the larger on-farm processing units, where substantial investments in both the physical and human capital of the farm had been made. Returns were found to lie in the IR£5,000-IR£10,000 income range. In general, findings suggest that most AFEs have limited capacity in terms of cash flow generation particularly, in the initial stages of their development.

Examination of other economic characteristics among the different AFE group types indicated that 'on-farm processing' (35.0 per cent), 'on-farm services' (21.5 per cent) and 'new livestock' (27.3 per cent) enterprises were more likely to be operated by 'entrepreneurs' than were the other AFE types. In general, there was no major distinction between AFE types in terms of the efficiency with which farms were operated, most being operated at medium to high efficiency levels.

In summary, certain farm business characteristics aided differentiation of farms according to the five AFE type groups. The existence of multiple AFE farms did influence the outcome of the analysis. However some tentative conclusions could be drawn. Farms having adopted a 'new crop' AFE were generally below 20 ha., were classified as horticultural holdings, had gross margins of less than IR£10,000 and greater than IR£20,000 and consistently displayed a tendency towards increasing profit levels and decreasing debts. For some farms the AFE provided marginal, supplementary income, for others the AFE was the dominant source of farm family income. 'New livestock' farms were typically grazing livestock holdings of 5-20 ha. or 20-50 ha. They did not generate in excess of IR£20,000 gross margins, although they were likely to be operated by 'entrepreneurs'. Their profit levels were increasing but the reported income levels from the AFEs were quite low and for many were in fact non-existent. Explanation of the apparent contradiction between the level of gross profit and the operator's 'accumulation' status was perhaps explained by the relatively high proportion of these farms which had increased their debts over the 1988-1992 period. Farm forestry enterprises were likely to be found on cattle and sheep farms of a variety of sizes both in terms of physical size and business size. The alternative enterprise did not generate significant additional income. Farmers appeared to be increasing their gross margins slightly and decreasing their levels of debt, in fact these farms were found to be the least indebted of all AFE types. By contrast, farms with 'on-farm service' AFEs were the most heavily borrowed farms and their debt trends were increasing. Despite being operated by 'entrepreneurs', their profit levels were static, however they did have the healthiest profit levels with gross margins in excess of IR£20,000. AFEs in this category were more likely to be located on larger holdings (greater than 20 ha.) with cattle, sheep and/or dairy enterprises and to be providing returns of less than IR£10,000. Farm businesses with 'on-farm processing' enterprises were typically dairy farms of less than 20 ha. that were operated by 'entrepreneurs'. Gross margins were in the region of IR£5,000 – IR£10,000. Profits from the AFEs ranged from IR£500 to IR£10,000 – the former representing small-scale, low investment producers, the latter was more likely to be associated with larger-scale enterprises where the farm operator had made substantial capital investments.

Farm family characteristics

In differentiating between diversified and non-diversified farms, earlier findings highlighted the importance of sociological and internal farm family characteristics. Of particular significance was the stage in the family cycle, the age of the farmer, his/her standards of education, the educational attainments of the spouse of the farm operator and the extent to which the farm family had contact with organisations external to the farm business.

As noted earlier, AFEs were not usually found on farms occupied by just a farm operator or a farm operator and spouse. Where they did occur they related mainly to farm afforestation, tourism and livestock enterprises. Households with at least one child under 16 years of age were found to be more likely to have an AFE. Most AFE types conformed to this general finding. Farms with 'new crop' (46.2 per cent) and 'new livestock' (52.2 per cent) enterprises were generally characterised by families with children under 16 years of age. Those having involvement with farm 'woodland' were sub-divided into two main life stages, those with children over 16 years and those with family members under six years. This reflected the suitability of farm forestry as an investment strategy at either end of the life cycle. For older operators it was an investment option for the disengaging stage of the work cycle, for younger farmers with young children, it was an investment for the future. The 'on-farm processing' group represented families with children aged 0 to 16 years. The dominant life stage among the 'on-farm services' category was that pertaining to families with children aged between 0 and 16 years. AFEs classified in this specific AFE type group were predominantly related to agri-tourism activities. It appeared that there might be a relationship between this type of AFE and the availability of family labour.
Also, findings suggest that this category of AFE is less suitable for operators with children under 6 years of age. In general, findings suggest that there is evidence to support the hypothesis that some AFEs are more suitable for adoption than others at different stages of the family life cycle.

Further differentiation between AFE types occurred in relation to the age profile and educational achievements of farm operators and, where applicable, their spouses. Consideration of the age profile of farmers revealed that nearly all (91.7 per cent) farm

operators having a 'new crop' AFE were under 55 years of age, with just half being under 45 years and one-quarter being under 35 years. 'On-farm processing' related in the main to farmers aged between 35 and 55 years (66.6 per cent). 'New livestock' enterprises appeared to be adopted by those aged under 55 years (88.6), while farm forestry had been introduced by those aged between 25-35 years and those in the over 55 age bracket, supporting findings relating to life-stage reported above. 'On-farm services' were dominated by operators aged over 45 years (55.7 per cent), although farmers aged between 35 and 45 years were also strongly represented (36.7 per cent).

Significant numbers across all AFE type groups continued their education beyond the Junior Certificate, i.e. beyond the age of 16 years. Approximately one-fifth had completed second level and a further one-eight had attended third level. Such operators accounted for 56.3 per rent of 'new crop' farmers, 63.6 per cent of those involved with 'new livestock' enterprises, 59.3 per cent of farmers planting trees, 68.4 per cent of operators with 'on-farm services' and 55.5 per cent of those having adopted an 'on-farm processing' enterprise. Farmers with 'food processing' and 'new livestock' enterprises were found to have a higher participation rate in relation to other training courses and therefore, appeared better qualified than other AFE operators.

In contrast to the relatively high proportion of farmers (33.3 per cent) leaving school at an early stage, only 16.7 per cent of their spouses left early. Most farmers (72.5 per cent) with 'new livestock' AFEs were married to spouses with Leaving Certificate or higher educational standards. Similarly a high proportion (77.7 per cent) of farmers with 'on-farm processing' AFEs and of those with 'woodland' enterprises (80.7 per cent) had well educated spouses. The 'new crop' and 'on-farm services' categories were characterised by relatively lower educational attainments relating to the spouse of the operator, with 45.5 per cent and 50.1 per cent of spouses respectively having Leaving Certificate or higher educational qualifications.

Consideration of the management of the AFEs emphasised the role of women in farm enterprise diversification, with 122 of the 199 AFEs being managed by a female member of the farm family. Women were concentrated mainly though not exclusively in the 'on-farm services' and 'on-farm processing' categories.

A further interesting factor emerged when the previous work experience of farmers and their spouses was investigated. 'New livestock' farmers displayed the highest participation rate in previous off-farm employment, with 38.6 per cent having been employed full-time off the farm. Similarly, their spouses had a very high employment rate (100 per cent). This may explain how these farms could afford the relatively high investment capital required to establish some of the enterprises in this category, in particular deer enterprises. Other AFE types characterised by previous off-farm employment experience were 'new crops', 'processing' and 'on-farm services'. In the case of the latter group, the participation of the spouse was higher than that of the farm operator, again perhaps emphasising the role of the spouse (women) in the development of such enterprises.

All AFE farms had contacts with organisations. However, a significant difference was found to exist in relation to 'research' contacts. Farmers adopting 'new crop' enterprises displayed the highest incidence of research contacts, with half of them (50 per cent) reporting contacts with organisations for research purposes. Farm woodland was the least researched AFE type, with only 25 per cent of those with farm forestry having conducted any research prior to planting.

Examination of the characteristics of the farm family further differentiates between those adopting the different types of AFEs. 'New crop' families were characterised by farm operators aged less than 55 years, having children under 16 years of age. Farmers have average standards of education and their spouses are generally educated to Leaving Certificate standard. They have some non-agricultural employment experience. They were the group most likely to approach an organisation for research purposes. 'New livestock' farms were operated by farmers under 55 years of age with young dependants (aged less than 16 years). While they displayed average standards of general education, they participated to a greater extent in training and other courses than farmers in the other AFE type groups. Their spouses had the highest educational attainments of all groups and both they and the farm operators had the most off-farm employment experience. Farmers with forestry were divided in terms of age, some belonging to the 25-35 years age cohort while others were older (55+ years) than the

average for all AFE farms (47 years). Both the farmers and their spouses had at least some second level education. They displayed a relaxed approach in their search for information concerning AFEs. In general, families were comprised of either older children (over 16 years) or of young dependants (under 16 years). The role of the spouse was particularly marked in the 'on-farm service' group. Findings suggested that the spouse had higher educational standards and more non-agricultural work experience than farm operators in this group. Farmers were aged over 45 years and, in general, had children in the 6-16 years age bracket. Families involved with 'food processing' enterprises were more likely to have young children (0-16 years), the farmer was usually between 35 and 55 years, both the operator and the spouse had high standards of education and good previous work experience.

Characteristics of the AFEs

As demonstrated by survey findings (Table 6.1), there was an upsurge in the development of AFEs in the 1990s. While some AFEs have existed for some time, e.g. agri-tourism, others are quite novel in the Irish context, e.g. deer and snail farming. The development of enterprises was strongly correlated to the emergence of EU and national government policies and to the availability of state financial support. A trend associating the establishment of the different AFE types to the introduction of grant aid was observed. Nearly all 'new crop' enterprises (90 per cent) - primarily mushroom and organic vegetable production - were established between 1988 and 1992. Increased activity was noted in particular for 1992 when the yearly rate of establishment increased from a single enterprise per year to four enterprises per year. This related more to an increase in organic vegetable production than to an expansion in the number of mushroom enterprises. It reflected increased awareness among the general public, which resulted in increased demand for organic produce, and the movement towards the subsidisation of organic farming as proposed in the Rural Environment Protection Scheme (REPS).

'New livestock' enterprises have existed for a longer period, with sport horse, greyhound and goat enterprises being established on farms since the 1970s. Increased activity has occurred since 1984 and in particular during the period since 1989. This coincides with the introduction of the Alternative Enterprise Grant Scheme for the

period 1989-1993. Growing interest in deer farming was particularly focused within this time period.

The relative unimportance of farm woodland as an alternative land use prior to 1985 and the upsurge in planting during the 1989-1992 period again reflects the influential role of grant aid in the restructuring process. State financial support is fundamental to long-term capital investments. Since 1989 funding has been substantially increased for private afforestation and, as discussed in Chapter 2, an intensive programme was launched to heighten farmer awareness. Simultaneously the uptake of grant aid and farm afforestation increased dramatically.

As discussed earlier, the 'on-farm service' category was dominated by agri-tourism enterprises. Establishment of these AFEs peaked twice. Approximately one quarter of the AFEs were established prior to the 1980s. This is particularly important because this AFE type group was the only group to display any significant activity prior to the mid-1980s. Between 1980 and 1987 tourism related activities went through a relatively slow period of adoption, during which only seven enterprises were established. Since 1988 the momentum has returned, with at least four enterprises per annum being established. Again, explanation for the fluctuation in the rate of AFE establishment was rooted in the availability of grant aid. Rural tourism was among the initial AFEs identified by Irish farmers. This was predominantly in response to an acute shortage of accommodation experienced during the boom years of Irish tourism. To overcome this shortage, private households were encouraged through the availability of grant assistance to develop suitable serviced accommodation for visitors. There followed an increase in the supply of such accommodation. The objective of the grant aid was reached and subsequently state assistance was withdrawn. Consequently, the establishment rate for farmhouse accommodation declined. With the National Development Plan 1989-1993, came increasing emphasis on developing the tourism industry. The Operational Programme for Tourism began to focus attention on rural tourism and the Operational Programme for Rural Development expanded this theme. The result was the availability of grant aid to facilitate those developing and marketing rural tourism products, in particular, farm based activities.

'On-farm processing' of food products - mainly cheese - is predominantly an activity of the post 1985 period. While the sample size is too small to allow concrete trends to emerge, there is evidence from other sources, i.e. relevant organisations, marketing studies etc., which suggests that this is a realistic AFE for farmers, the uptake of which is likely to increase over the next number of years.

Although employment for family members did not emerge as a significant stimulus for AFE development, it was interesting to investigate the actual labour requirements of the various AFE types. For each AFE type the majority of respondents indicated that there were no family members working full-time in relation to the AFE(s).

Other resources utilised to varying degrees by the different AFE types include land and buildings. Farm woodland was concentrated on marginal unproductive land. Usually, the farmer expressed the view that the land was not being utilised so planting trees on it did not affect the utilised farm resources or the farm business enterprise mix. In contrast, 'new livestock' and 'new crop' enterprises utilised better quality land and did impact upon conventional land use. 'New crop' enterprises appeared to be facilitated least by the conventional farm buildings with 70.5 per cent of enterprises in this group requiring new purpose built premises, e.g. greenhouses, mushroom tunnels etc. Over two-fifths (42.2 per cent) of 'new livestock' were housed in converted farm buildings; new construction, i.e. stables, housing and handling units, accounted for the remainder (67.8 per cent). The focus of grant aid on supporting capital investments may explain new construction activity. Building conversion was dominant among the 'on-farm service' AFEs, with nearly half converting existing rooms in the family dwelling in developing visitor accommodation; a further one-fifth converted older farmhouses, no longer used by the family, into self-catering units; in one-tenth of cases additional rooms had been constructed and in a further one-tenth of cases new buildings had been constructed. All 'on-farm processing' enterprises were housed in purpose built units specifically constructed to comply with the health and safety regulations governing such AFEs.

Capital investment in AFEs occurred in two stages with initial and subsequent investments being made. Given the variety of AFEs, the lack of uniformity in AFE

development and the time scale difference, in terms of when investments were made, reported capital investments were combined to generate an understanding of the total investment involved in developing the different types of AFEs. It is important to note that because different enterprises are at different stages of development the results presented here are tentative and should be interpreted as indicative of the levels of investment involved rather than as actual capital investment requirements. 'New crop' enterprises, specifically organic production, emerged as an enterprise requiring relatively low capital expenditure, with 64 per cent of farms in this category having invested less than IR£5,000 in their enterprise. On the other hand mushroom production required substantial capital commitments with the average levels of investment being in excess of IR£50,000. Of operators having 'new livestock' enterprises, 31 per cent, 35 per cent, 23 per cent and 12 per cent had invested less than IR£5,000, between IR£10,000 and IR£20,000, between IR£20,000 and IR£50,000, between IR£50,000 and IR£100,000 respectively. Of this group, deer was found to be the most capital intensive enterprise. Investments in farm woodland varied greatly depending on the amount of land actually planted. The majority of respondents (92 per cent) indicated investments of below IR£10,000, most of which were subsidised by grant aid. Just half (48.2 per cent) of the 'on-farm service' enterprises involved a capital expenditure of below IR£10,000, however, 44.3 per cent had involved investments in excess of IR£20,000. In five cases investments of over IR£50,000 had been made. Similar to the 'new crop' enterprises, 'on-farm processing' enterprises involved two dominant investment ranges: those with capital investments of less than IR£5,000 (55 per cent) and those requiring larger outlays in the order of IR£10,000-IR£50,000 (45 per cent).

In terms of marketing, a distinction existed between operators involved with vegetable production and those involved with mushroom production. For the former the local market was the main outlet, for the latter relationships with co-operatives facilitated the development of an export market. The primary market for the 'new livestock' AFEs was at the national level, stock being sold through advertising in the national press and by word of mouth. Understandably, marketing was not an issue for farmers involved with 'woodland' enterprises. The 'on-farm services' group relied heavily on signposts, word of mouth and advertising in tourism brochures to secure a share of the market. 'On-farm processing' enterprises were dominated by reliance on customer satisfaction (word of

mouth) and local markets. Clearly, methods of advertising and marketing were quite basic and unsophisticated. They were targeted primarily at the local and national population. Involvement with export trade was quite limited.

Perhaps what is most disturbing is the fact that only two-fifths (41 per cent) of the AFE farmers could express a view relating to the market for their produce. Views expressed reflected a degree of apprehension on the part of 'new livestock' and 'on-farm service' adopters. The majority of those responding to the question, indicated that there was oversupply of their produce at both the national and international levels. 'New crop' farmers had a more optimistic view, most perceived increasing demands.

The degree of impact the AFE had on the farm family varied according to AFE type. Farm afforestation was found to be the least intrusive AFE type, reinforcing the view that farm woodland is a passive form of diversification. In contrast, 'on-farm services' impacted strongly on circumstances within the farm household. Family income increased, there was some increase in labour utilisation and respondents enjoyed a higher quality of life as a result of involvement with the AFE. Such positive changes outweighed the accompanying increase in the family's workload and the associated stress this caused. Family income, amount of work and quality of life increased for those with 'new livestock' enterprises. Unlike the 'on-farm services' group, adopters here did not experience the same degree of family stress or, as significant an increase in the utilisation of family labour. 'New crop' enterprises had increased family income, had increased the utilisation of family labour and had resulted in a better standard of living, off-setting the increase in work and stress levels which occurred. Similarly, positive results emerged from the 'on-farm processing' group, where the AFEs adopted impacted positively on income and employment levels within the family, thereby increasing living standards.

Clearly, insights into the factors differentiating the different AFE type groups are enhanced by examination of some of the characteristics of the AFEs themselves.

In particular, the period when the enterprises were established suggested that 'on-farm service'

enterprises are the longest established and best known AFEs in the Irish context. These enterprises, together with those in the 'new crop' category, appeared to offer the best potential in terms of labour utilisation. 'Woodland' enterprises utilised rough grazing and bogland, while the 'new livestock' and 'new crop' enterprises demanded higher quality land. In general, AFEs with the exception of 'on-farm services', were housed in new buildings. Farm afforestation was the least capital intensive of all AFE types. 'On-farm services' and mushroom production required substantial capital investments. In general, AFE products were targeted at local markets, although the 'mushroom' experience would suggest that when organised export markets can be developed. Most farmers reported positive AFE influences on family income, family employment and the standard of living of the family, but these were accompanied by increased workloads and increased levels of stress.

6.6.3 Interpreting the results from the analysis of the characteristics of the different types of AFE farms

The main findings from this section of the analysis are summarised in Table 6.16. Clearly the development of a typology of AFE adopters by AFE type facilitates understanding of the process of farm diversification and of farm decision-making behaviours. Also, a typology of this nature may be beneficial in informing policy makers and facilitating the targeting of grant aid to encourage participation of particular types of farmers and the development of particular types of AFEs. While the results presented are tentative, they do nevertheless provide a valuable starting point from which .insights can be gained into the complexity and range of factors which influence AFE adoption.

Table 6.16:Towards a typology of the different types of AFEs

	New crops	New livestock	Woodland	On-farm services	On-farm processing
Farm type	Horticultural	Grazing livestock	Cattle & sheep Dairy & other Suckler herds	Cattle & sheep Dairy	Dairy
Farm size **Gross margin**	<20 ha. <IR10,000 >IR20,000	±20 ha. <IR20,000	All sizes Broad range	> 20 ha. >IR20,000	< 20 IR£5,000 IR10,000
Debts	<IR5,000 >IR20,000	<IR20,000 >IR50,000	<IR5,000	>IR50,000	,IR£20,000
Debt trends	Decreasing	Increasing	Decreasing	Increasing	No dominant trend
Profit trends	Increasing	Increasing	No change	No change-slight increase	Decreasing
AFE profit	<IR5,000 >IR30,000	No AFE profit	No AFE profit	<IR10,000	<IR£500 IR10,000
Operator	Survivor	Entrepreneur	Survivor	Entrepreneur	Entrepreneur
Children	0-16 years	0 -16 years	> 16 years 0-16 years	6 - 16 years	All ages
Age of the farmer	< 55 years	< 55 years	25-35 years over 55 years	> 45 years 35-45 years	35 - 55 years
Education: farmer	second level	second level + training	second level	second level	Second level & training
Education: spouse	second level	second level	second level	second level	second level
External contacts	High	Medium	Low	Medium	Medium
AFE established	1988-92	1970s 1989-92	post 1985	1960s 1988-92	post 1985
Buildings	New	New	-	Converted	New
Capital investment	<IR5,000 >IR50,000	,IR£20,000	<IR10,000	>IR10,000 ,IR£20,000	<IR5,000 >IR10,000
AFE impact	Positive	Strong positive	Weak positive	Strong posit	Strong positive
Market	Local Export	National	-	Domestic International	Local

6.7 Summary

Survey findings suggested that by 1992 approximately 10 per cent of farmers in the west of Ireland had diversified. There has been a marked increase in the uptake of AFEs as an adjustment strategy amongst surveyed farmers. The average annual rate of adoption accelerated from 1.0 AFE per annum in the 1960s, to 1.9 AFEs in the 1970s, to 7.6 in the 1980s and to an average of 30.6 for the 1990-1992 period. This increasing rate of adoption has not been accompanied by a high rate of attrition, only 4 farmers in the sample had ceased to be involved with an AFE. The most popular AFEs include: farmhouse accommodation, forestry, sports horses, deer, organic vegetables, mushrooms, pony trekking, cheese-making, goats and greyhounds.

The complexity of the farm decision-making environment was highlighted by the analysis. Firstly, by the absence of a single dominant stimulus for AFE development. At farm level diversification was found to be principally a survival strategy. Although, a higher proportion of diversifiers were classified as 'accumulators' than were non-diversifiers, they were nevertheless a minority group. The majority of both groups did not appear to be motivated by the capital accumulation potential of AFEs.

The farm operator was found to be the primary source of AFE development ideas, but the spouse and interest from the external farm environment, i.e. the media, relevant organisations, agricultural advisors etc., provided important prompts and encouragement.

The main reason for adopting an AFE was to maintain or increase farm income. This was mentioned by 85 per cent of all adopters. Two other primary reasons were to utilise an under-utilised resource (69 per cent) – mainly associated with forestry enterprises – and out of personal interest in the 'new' enterprise (60 per cent). The availability and uptake of grant aid emerged as important and to a lesser extent availing of a specific marketing opportunity. Provision of employment for family members did not emerge as a significant stimulus. This was likely to be related to the fact that most AFE adopters were found to have school-going children. The requirement for family labour would, therefore, not have materialised yet.

Reasons given by the 122 non-AFE farmers for not establishing an AFE included a preference for traditional farming methods, insufficient capital, a lack of knowledge concerning AFEs and the elderly age of the farm operator.

The abilities to identify opportunities, to secure credit finance and the degree of farmer commitment to the development of both the farm business and the AFE, emerged as important factors which distinguished stimuli operating in relation to diversifiers. AFE adopters were found to possess the above characteristics while the non-adopters were characterised by their absence. 'Stress factors' were the primary internal farm stimuli for enterprise diversification. Ability to respond to the stimuli relied heavily on the development of the farm family's entrepreneurial ability and human capital.

Tacit knowledge and the experience of the farm family, as opposed to 'professional' knowledge, i.e. technical feasibility and market research studies, were the fundamental criteria upon which the 'search' behaviour of surveyed farmers was based. Survey data suggested that those who diversified had greater experience of implementing adjustment strategies than had conventional operators. Assessment of the various adjustment strategies and their respective opportunities and constraints was facilitated by advice and information provided by various institutions external to the farm. AFE adopters were more likely to have contacts with organisations, and perhaps more importantly, to maintain them, than were non-adopters. The significance of the institutional environment in relation to the search behaviour of farm families was emphasised by the overwhelming majority of farmer-institution contacts pertaining to AFE development. Interaction between the farm household and the external institutional environment was strongly correlated to the human capital of farm family members.

Educational background differentiated the 'search' ability of the two groups of farm operators. Conventional farmers were characterised by lower educational standards than their diversified counterparts, and while their spouses did have better educational achievements, they did not appear to take an active role in the decision-making process.

'Choice' behaviour was dominated by the adoption of single pathway adjustment strategies. The decision not to change the structure of the farm business accounted for the highest proportion of single pathway choice ('traditional' pathway: 84 farms, 29.8 per cent). other single pathways in decending order of rate of adoption were: the adoption of an agricultural AFE; the adoption of a non-agricultural AFE; the uptake of off-farm employment and the decision to disengage. Only 73 of the 282 farms (27.6 per cent) had adopted an AFE as a single adjustment strategy. This was a relatively low proportion, particularly given the bias towards AFE adoption in the purposively chosen sample. It suggested that AFEs were not in themselves perceived by the farming population to offer a solution to the problem of declining farm incomes. The most popular combination of adjustment strategies adopted was the development of an agricultural AFE while availing of off-farm employment.

'Choice' behaviour was thought to be influenced by a number of interrelated factors: the nature of the farm business, farm family characteristics and the external institutional environment. Results from a series of discriminant analysis emphasised again the importance of the sociological characteristics of the farm family in determining 'choice' behaviour. In particular, the education standards of family members, their attendance at training courses, their involvement with off-farm employment and their interactions with external organisations emerged as significant.

Differentiating AFE farms into five broad categories of AFE types (new crops, new livestock, farm woodland, on-farm services and on-farm processing) provided interesting insights into the characteristics of the farm businesses, the farm families and the processes involved in the adoption of different AFEs. There was evidence of combined AFE activities on farms. Where this occurred two distinct patterns emerged. Firstly, related AFE combinations and secondly, unrelated combinations. The analysis provided the opportunity to develop an initial typology of the various AFE types. The diversity that emerged across a relatively limited number of variables, for the five AFE types, served to illustrate the complex and diverse nature of farm household decision-making and farm business adjustment.

In general, this chapter has emphasised that the process of farm-level decision-making, and hence the subsequent adjustments or absence of them, depend not only on the farming system itself, but also on the internal features of the farm household, in particular the 'human capital' or 'entrepreneurial ability' of family members, *and* the external contextual and institutional setting in which the farm family functions. The chapter has illustrated how the interplay of goals, attitudes, expectations and experiences between farm families and the external farm environment result in a complex, dynamic, and diverse process of farm restructuring.

CHAPTER 7

ORGANISATION-CLIENT RELATIONSHIPS: ASPECTS OF AND INFLUENCES ON THE PROCESS OF DIVERSIFICATION

When organisational workers and customers meet, a relationship develops, that adds a new dimension to the pattern of previous and future encounters (Foote Whyte, 1973: 257).

7.1 Introduction

Policy adaptations and increased uncertainty about what the future holds for agriculture, have repercussions for both institutions and farm business, particularly in relation to decision-making, goal setting and task prioritisation. In this context, it is important to keep in mind that the internal and external farm environments interact (Hall, 1987; Ilbery, 1992). Decision-making or task performance, whether at organisation or farm levels, is not a single dimensional or one-way process but, as Hall (1987: 16) pointed out, it is reciprocal and dynamic. This 'interactive environment' (Ilbery, 1992: 102) generates flows of ideas, opinions, knowledge and information, which are exchanged, amended, reproduced and transmitted and which, over time, either become accepted and legitimised or rejected and discredited. The outcome of the interactive process can, therefore, be facilitatory or restrictive, depending on the actors' points of view.

This chapter considers this 'interactive environment' with specific attention being placed on the farmer/institution interface.

As outlined in Chapter 3, encounters and interactions between farmers and organisations result in the concurrent formation of perceptions, attitudes and expectations for those involved. Comprehension and interpretation of experiences during such encounters impact on the levels of awareness and knowledge of those involved and can result in amendments to their 'world views'. Generally, where convergence of understanding between participants occurs, a consensus of opinion emerges which helps shape the directions of further encounters. In the absence of such convergence multiple views can co-exist, leading to confusion, uncertainty and unfulfilled expectations.

In an attempt to capture the means by which knowledge and information (both formal and informal) are generated, negotiated, adapted and transmitted, a number of key issues were selected and explored for the three actor types in the study – AFE adopters, non-adopters and institutional representatives. While themes were examined for each group individually in previous chapters, here findings are considered simultaneously for the three actor types. By establishing and examining the perspectives held, insights are gained into, and explanations found for, some aspects of actors' differential levels of understanding of, enthusiasm for, and involvement with enterprise diversification.

First, farmer-organisation contacts are explored with a specific focus on identifying which organisations farmers are involved with and why. Some important consequences of this interaction are then discussed - services provided, assistance received, levels of satisfaction, problems encountered and suggested improvements. Having established the farmers' points of view regarding the organisations, the institutional perspective regarding the organisations is explored. Here, inter-organisational contact is examined, levels of satisfaction with other organisations addressed and possibilities for improving institutional effectiveness explored. Then institutional perceptions of adopters and non-adopters are discussed. Comparing the three different actor perspectives provides interesting insights into how variations in interpretations and understandings can result from client-institution encounters.

Farmer-organisation interactions are not only conditioned by the experience of the 'encounter' but also by what each actor brings to the meeting in terms of knowledge,

understanding, value systems, socio-economic and cultural interests, and so on. While the present research could not explore all of these issues, respondents' views were sought on some general agricultural issues which, it was felt, would provide an insight into their 'agricultural world views' and inform of their general ideological positions vis-à-vis productivist and post-productivist outlooks.

Other important issues addressed include: levels of understanding of the reasons for farmer interest in and involvement with AFEs; opportunities and constraints for diversification; the comparative advantages and disadvantages of the study areas in respect to diversification and issues to be addressed to ensure the future effective development of AFEs.

7.2 Identities of clients and organisations

In Chapter 5 a profile of the AFE institutional environment was presented and three categories of organisations involved in the diversification process were identified and analysed: agricultural organisations, non-agricultural organisations and AFE specific organisations. Institutional and other influences on farm level decision-making behaviour were established and assessed in Chapter 6. In this section a more detailed examination of the interactions between farmers and organisations is presented. Here emphasis is placed on the organisation-client interface with a focus on (i) contacts between farmers and institutional representatives, (ii) actors' subsequent perceptions and (iii) how these can impact on their knowledge base and 'world views'.

As mentioned earlier, diversifiers were more likely to have had contact with organisations than were non-diversifiers. Clearly, utilisation of the services provided by institutions is to some degree dependent on farmers' knowledge of the organisations, the services they provide, the means for accessing them and the channels for keeping up to date and informed about structural and policy change. Respondents who indicated that they had contact with external agents were asked to name and provide details for up to six of them. In total, 43 agents were identified, covering a range of both public and private organisations and operating at a variety of spatial levels (Box 7.1). Traditional

Box 7.1: Organisations contacted by farm respondents (no. of respondents)

Organisation	Type	AFE farmers	Non-AFE farmers
Teagasc	Extension service	94	57
Dept. of Agriculture	Agricultural	33	29
Forestry Services	Forestry	43	-
Bord Fáilte	Tourism	46	-
Irish Farmers' Association (IFA)	Farmers' Union	5	4
Irish Creamery Milk Suppliers Association (ICMSA)	Farmers' Union	0	1
Financial institutions	Finance	12	17
Agricultural Credit Corporation (ACC)	Finance	7	13
Ulster Bank	Finance	9	1
Coilte	Forestry	9	3
County Council	Local government	9	3
Allied Irish Bank	Finance	11	1
Dept. of the Environment	Environmental	1	1
Kerry Co-Op	Co-operative	1	3
Macra na Ferime	Representational	1	1
Failte Thutha	Tourism – AFE Specific	2	-
Bank of Ireland	Finance	16	-
Irish Trade Board	Trade	2	-
University department	Education/research	3	-
Mushroom Company	Private	3	-
Irish Organic Farmers and Growers Association (IOFGA)	Representational – AFE Specific	3	-
Credit Union	Finance	7	-
Irish Country Holidays (ICH)	Tourism	16	-
Enjoy Ireland	Tourism	1	-
Corrib Country	Local developmental	3	-
Irish Goatkeepers Association	AFE Specific	4	-
CERT	Tourism	1	-
Galtee Deer Care	AFE Specific	5	-
Irish Deer Farmers Association	AFE Specific	3	-
Shannon Development	Regional developmental	9	-
Cais	AFE Specific	2	-
Irish Draught Breeders Association	AFE Specific	0	1
Fisheries Board	Fisheries	1	-
Ireland West	Tourism - regional	1	-
LEADER groups	Local developmental	3	-
Farm Relief Service	Agricultural	3	-
Bord na gCon	AFE Specific	6	-
South West Forestry	Forestry	3	-
Cork – Kerry Tourism	Tourism - regional	1	-

Both adopters and non-adopters mentioned sources of agricultural advice and information - namely the farm advisory service and the Department of Agriculture - most frequently. This suggested a high knowledge dependence on these organisations and indicated the potential strength of their influence on farm level 'thinking'. Contact

with the commercial banks was common also for both groups. Apart from these, non-diversifiers had very limited contact with other organisations (Box 7.1). By contrast, diversifiers liaised with an extensive network of organisations. Organisations were involved mainly with supporting specific AFEs – reinforcing earlier findings of the importance of the AFE specific organisations in the process of diversification. Involvement with AFEs appeared to have extended adopters' knowledge fields and information and interactive networks. The external institutional environment of these farm businesses had expanded. Interestingly, many of the organisations contacted would not traditionally have dealt with the farming community. Therefore, involvement with diversification had led to an expansion of their client base and to interactions with new users of their services. Findings relating to why farmers had approached the various organisations support this view – the majority of reported contacts had been in relation to the introduction of a new alternative enterprise.

The range of organisations contacted and the low numbers of farmer interactions with many of them are reflective of the fragmented nature of institutional supports for diversification. So too is the fact that many adopters reported having to have contact with a number of organisations in order to secure the information and assistance they required. In a number of cases respondents reported that it had been difficult to select between organisations and they had chosen to contact a number of them. This is suggestive of an inadequate and inefficient support system. AFE specific, agricultural, finance, forestry, and tourism organisations were most frequently mentioned. Least contact was reported for educational, marketing and enterprise development agents. It seems plausible to suggest that as a result these organisations had least influence on farmers' opinions. This finding requires more detailed investigation. It prompts the question as to why farmers were not in touch with these organisations? - a question the current research did not address.

Reasons for contacting external agents were discussed in Chapter 6 (see section 6.4.3) and were listed in Table 6.11. Diversifiers utilised organisational services primarily in relation to AFE development, but also in developing existing conventional enterprises and for general management information and advice. Non-diversifiers sought

institutional support for the development of mainstream agricultural enterprises and general management advice.

Principal services availed of by diversifiers included: advice and information for the development of both AFEs and conventional enterprises, assistance with the completion of grant application forms, general business development issues, interpretation of and compliance with statutory regulations and animation in relation to enterprise development. Those utilised by non-diversifiers included: advice and information, loans (somewhat surprising given their reluctance to borrow), grant applications and compliance with regulation.

The institutional perceptions of how organisations contribute to AFE development centred on the provision of advice, training and finance, animation and development, and regulation and control.

In general, both types of actors were satisfied with the services provided by the institutions – only a minority of each group reported encountering problems – 59 adopters (18.8 per cent) and 8 non-adopters (6.8 per cent). This may suggest that conventional farmers are less demanding, or given that they predominantly deal with traditional agricultural organisations, that these organisations are more effective in meeting the needs of their clients. Delays encountered in both accessing staff and in receiving feedback from them were the most prominent sources of discontent, followed by the perception that they provided 'poor' information, inadequate assistance and interactions with them proved too time consuming. Problem areas most frequently mentioned by AFE adopters included: inadequate advice, the unrealistic nature of demands placed on individual farmers, slow service delivery, high costs, and finally, the bureaucratic burden imposed by organisations in terms of form filling.

From their interactions with institutions, respondents were asked to identify what they considered should be improved. Again diversifiers were more critical and appeared more articulate in expressing their views. However, it is important to bear in mind that since non-diversifiers reported fewer problems and were more satisfied, they had less need to consider improvements. Responses reflected respondents' perceptions of the

institutions and the services provided. The most desired change sought, suggested that agencies should work to become more efficient, to be less costly and to provide a better quality service. Respondents felt also that organisations should address the unrealistic demands and requirements they place on clients. Related to this, adopters felt that the bureaucratic burden placed on them was relentless, time consuming and unnecessary. They perceived a lack of knowledge and know-how among staff and identified this as both an obstacle to efficiency and a limitation on their involvement with enterprise diversification. A number mentioned difficulties encountered in accessing information and support for marketing. Findings here support and reinforce those of the institutional analysis in Chapter 5. Non-adopters perceived as desirable changes that would: increase institutional efficiency; devolve institutional decision-making to the local level; increase face-to-face contact with farmers; and in the case of a few organisations, they suggested that some internal restructuring should be considered to produce a more focused service.

As discussed in Chapter 5, organisations were well networked and inter-organisational relationships were good. In general, a collaborative atmosphere existed and frequent interaction of key personnel fostered both formal and informal exchange of information. Interestingly, information and knowledge exchange was the most important reason given for inter-agency contact. Other reasons cited included joint involvement with projects, administration of common programmes, mutual interests, statutory obligation and co-operation in the provision of training courses – activities predominantly involving information and knowledge generation, mediation, transformation and dissemination. Little concern was expressed about overlap with other institutional actors. The overall impression obtained was that inter-organisational encounters were satisfactory with no significant problems emerging.

In seeking to understand how the views and opinions of the institutional actors had evolved, institutional representatives were asked to detail the characteristics of diversified farm families and their farm businesses. This knowledge, it was hypothesised, would stem directly from their interactions with AFE adopters and was likely to underpin institutional perceptions, expectations and sterotyping of (potential) AFE clients and their requirements, which in turn would influence their perceptions of

the services they need to provide. Also, knowledge gained would strongly influence their interpretations of the factors influencing the success of the diversification process.

As evidenced in Chapter 5, institutional respondents displayed relatively low levels of awareness of the socio-economic characteristics of AFE adopters. This may be explained by the fact that perhaps encounters between staff and diversifiers were either once-off contacts or of short duration, leaving little scope for the development of knowledge and understanding. Generally, a good client knowledge base is associated with repeated or long encounters which are personalised and dependent (Danet, 1981). Further analysis revealed that the most informed staff were, in fact, found to be those working at the local level who were actively communicating with clients on a one-to-one and regular basis.

7.3 Adherence to conventional or alternative agricultural paradigms

In relation to farm diversification in the context of changing agricultural discourses and policy conditions, it was decided to seek the views of the different groups of respondents on some general agricultural issues. This was done using the methodology devised by Beus and Dunlap (1991) to measure adherence to conventional and alternative agricultural paradigms. Six pairs of contrasting statements were chosen from the items used by Beus and Dunlap as being insightful of shifting ideologies towards post-productivist trends, and relevant to farm diversification (Table 7.1). A five-point scale was placed between each of two contrasting positions, with the mid-point (three) representing a neutral view. Respondents were asked to circle one number for each item. In interpreting the contents of Table 7.1, it should be borne in mind that surveyed farmers were not representative of modern highly industrialised agriculture for, while there were progressive commercial farmers in the samples, the majority were of a more traditional type.

The first two pairs of statements were related in questioning attitudes associated with short-term profitability versus the long-term sustainability of the land and farm. The mean scores indicate that all three groups of respondents tended towards favouring

sustainability rather than profitability in both pairs of statements and the percentage distributions show the range of scores (Table 7.1). In both instances, the diversified farmers were more committed to sustainability than were the conventional farmers and it is interesting that the institutions were even more so, more markedly in respect of the first pair of statements. These perceptions of those associated with diversification augur well for its role in the maintenance of rural land and communities.

The three groups diverged in their attitudes towards the third and fourth pairs of statements, with the conventional farmers tending to see farming as more dependent on personal experience and knowledge and as a way of life. This reinforces the primary reason given for non-adoption of AFEs and emphasises again the role of awareness and capacity building in ensuring change. The other groups perceived increased productivity and efficiency more strongly as the result of research and development, and the farm as being primarily a business. There was a dichotomy amongst the non-diversified farmers, however, as one-quarter of them strongly agreed with farming being primarily a business, though the majority held more traditional views. It is important that there should be a business attitude in AFE development, particularly if the nature of the AFE requires a professional orientation as for example in the case where direct sales or interaction with tourists is involved. Both diversifiers and associated institutions reflected this belief.

The fifth pair of statements addressed attitudes towards the relative merits of specialisation in general agriculture, not referring to AFEs. While conventional farmers were more disposed towards specialisation in either crops or livestock, the other groups were more disposed towards more mixed farming systems. In the latter instance, however, the tendency was quite marginal and substantial proportions of respondents were undecided. Nonetheless this indicates a shift away from seeing specialisation as a mark of agricultural progress by those who are adapting most quickly to the changing circumstances in farming.

The sixth pair of statements focused attention on adding value – processing and marketing – to agricultural produce. Mean scores indicate that the three groups saw the merits of both viewpoints. However, conventional operators and organisational

representatives were more favourably disposed towards the national and international arenas, whereas diversified farmers, perhaps because they have enterprises for which they are involved in more localised or regionalised markets, tended to appreciate more the potential of developing processing and marketing activities at local and regional levels.

It is interesting that in relation to each of the six pairs of statements there was the same sequence of mean scores, with the opinions of the diversified farmers being intermediate between those of the conventional farmers and the institutions. This suggests that the institutions and diversified farmers have common elements in their thinking and that the opinions of the institutions are further removed from those of conventional farmers than are those of diversified farmers.

Table 7.1: Percentage distributions and mean scores for attitudes towards farming by non-diversified farmers, diversified farmers and institutions

N = Non-diversified farmers (n = 119)

D = Diversified farmers (n = 139)

I = Institutions (n = 29)

1. Strongly agree with the view in the left-hand column
2. Mildly agree with the view in the left-hand column
3. Undecided
4. Mildly agree with the view in the right-hand column
5. Strongly agree with the view in the right-hand column

		1	2	3	4	5	Mean score	
Farmland should be farmed so as to protect the long-term productive capacity of the land even if this means lower production and profit	N	31	26	10	19	13	2.58	Farmland should be farmed so as to maximise annual profits, even if this threatens the long-term productive capacity of the land
	D	31	29	24	13	3	2.28	
	I	72	21	7	0	0	1.34	
The primary goal of farmers should be to maximise the productivity, efficiency and profitability of their farms	N	13	3	26	26	32	3.63	The primary goal of farmers should be to improve the quality of their products and to enhance the long-term conditions of their farms
	D	4	6	9	29	52	4.17	
	I	0	7	7	34	52	4.31	

Table 7.1: Continued

N = Non-diversified farmers (n = 119)

D = Diversified farmers (n = 139)

I = Institutions (n = 29)

6. Strongly agree with the view in the left-hand column
7. Mildly agree with the view in the left-hand column
8. Undecided
9. Mildly agree with the view in the right-hand column
10. Strongly agree with the view in the right-hand column

		1	2	3	4	5	Mean score	
Good farming depends mainly on personal experience and knowledge of the land	N	61	22	12	3	2	1.62	Good farming depends mainly on applying the findings of science
	D	49	17	22	6	6	2.03	
	I	7	21	34	28	10	3.14	
Farming is first and foremost a business like any other	N	27	8	5	25	35	3.32	Farming is first and foremost a way of life and secondly a business
	D	57	11	6	13	12	2.12	
	I	62	10	10	7	10	1.93	

Table 7.1: Continued

N = Non-diversified farmers (n = 119)

D = Diversified farmers (n = 139)

I = Institutions (n = 29)

11. Strongly agree with the view in the left-hand column
12. Mildly agree with the view in the left-hand column
13. Undecided
14. Mildly agree with the view in the right-hand column
15. Strongly agree with the view in the right-hand column

		1	2	3	4	5	Mean score	
Most farms should specialise in either crops or livestock	N	46	12	8	12	22	2.64	Most farms should include both crops and livestock
	D	20	9	37	18	16	2.51	
	I	3	21	38	17	21	3.31	
Production, processing and marketing of agricultural products are best done at local and regional levels	N	21	11	16	30	22	3.21	Production, processing and marketing of agricultural products are best done at national and international levels
	D	26	15	22	15	22	2.92	
	I	7	14	24	24	31	3.59	

7.4 Perceptions of the reasons for AFE adoption

7.4.1 The experiences and perceptions of farmers

When diversifiers were asked to give up to three reasons why they had established their AFEs, the financial consideration of increasing or maintaining farm income was the leading single factor, having been mentioned by 85 per cent of respondents (Table 7.2).

Table 7.2: The main reasons for adoption of farm diversification, as given by diversified farmers and perceived by institutions

Reasons	Reasons for adoption given by diversifiers (n=160)		Reasons for farmer adoption perceived by institutions (n=45)	
	No. of mentions	% of respondents	No. of mentions	% of respondents
To increase or maintain farm income	136	85	35	78
Utilise an under-utilised resource	69	43	16	35
Personal interest in the AFE	60	38		
Specific marketing opportunity	48	30	12	27
Making use of the farm location	47	29		
Government grant aid scheme	41	26	6	13
Change in personal circumstances	39	24		
By chance	31	19		
Opportunity to meet people	20	13		
To provide employment (family)	17	11	16	35
Previous experience of AFE	10	06		
Employment non-family	3	02		
Response to CAP reform			23	51
Change in attitudes			12	27
Example farms			4	9
Farm type			3	7
Rural development initiative			3	7
Farm wives			3	7
Total no. of mentions	521		133	
Total no. of respondents		160		45

Yet, while income generation was the major stimulus, two-thirds of the adopters estimated that the AFEs provided less than 10 per cent of gross farm income. While it must be borne in mind that most of the enterprises were at an early stage of development and that the farmers had difficulty in calculating contributions to total income, it is possible that the realities of AFE income generation may not match

expectations. Verifying actual and potential incomes is greatly hampered by the lack of adequate economic data and research. The other financial factor of government grant aid was mentioned by just one-quarter of respondents. Yet it was found that only one-third of AFEs had been established without state financial assistance and these were mainly bed and breakfast enterprises for which grant aid was generally unavailable. Also the adoption of particular AFEs often coincided with the introduction of corresponding grant aid schemes. Thus the role of state grants as a stimulus to farm diversification may be greater than acknowledged by the farmers.

The socio-personal dimension has been demonstrated to be of importance in agricultural decision making in general (Ilbery 1985) and so this is likely to apply also to farm diversification (Gillmor, 1995). Almost two-fifths of farmers gave personal interest as a reason for establishment and just one-quarter related adoption to a change in personal circumstances (Table 7.2). The chance element in establishment was of some significance and the opportunity to meet people was a minor factor. While only ten farmers mentioned previous experience as a reason, eighteen adopters had such experience. Thus it was evident that the combined personal influences had been important in the adoption process.

Availing of an under-utilised resource was ranked second as a reason for AFE establishment, principally by those using poor quality land for forestry and empty rooms for tourist accommodation. The resource of farm location was of lesser significance as a factor, being relevant mainly in relation to tourism AFEs. The human resource element figured less prominently than might have been expected in a region of limited employment opportunities. Only one-tenth of farmers mentioned the provision of employment, principally for family members. Although marketing opportunity was ranked fourth in importance, its mention as a reason for AFE establishment by less than one-third of respondents suggests a lower level of market-led development in farm diversification than would be desired.

7.4.2 Institutional perceptions

The institutional responses as to what their organisations consider to be the main reasons why farm families and businesses are adopting AFEs, with allowance for mentioning of up to five factors, are shown and compared with the reasons given by farmers in Table 7.2. The need to supplement farm income was the predominant perceived reason for adoption, being mentioned by four-fifths of the institutional divisions, so that it was emphasised even more strongly than by the farmers themselves. Associated with this and ranked second was the response to CAP reform. This may be combined with the more lowly placed availability of government grants, together indicating a stronger emphasis on the role of the state in farm diversification than that attributed by the farmers. Conversely, although one-third of institutional respondents acknowledged the influence of changing attitudes, the role of personal reasons was rated more lowly than the experiences of farmers would indicate. Another difference related to the generation of family employment, which was ranked fourth by the institutional respondents but placed only ninth in the farmers' own experience. This divergence was attributable mainly to overemphasis on labour provision by those institutions involved primarily with conventional agriculture, so that they placed it even above the influence of CAP reform.

In order to explore a different dimension of the adoption process as perceived by the institutional respondents, they were asked to indicate the types of farm, with regard to certain specified characteristics, that have shown the strongest tendency to adopt particular AFEs. The respondents did not specify the types of farm with regard to approximately one-half of the AFEs. For those which were identified, the respondents felt that the strongest tendencies to adopt had been shown by: small to medium farms; farms on mixed to marginal land; farms with drystock but not arable farms; farms in the west; middle to young aged farmers; and farm households with young families. The other characteristics specified by the respondents as identifying farm businesses which had been more likely to adopt AFEs were mainly those on which there were initiative, contacts, high levels of education and available capital. Support for some of these institutional perceptions was provided by a comparison of the samples of adopters and non-adopters, which showed that those farmers who had diversified tended to be

younger, better educated, have more contact with the advisory service, and be more likely to be married and have children than were conventional farmers.

7.5 Perceptions of barriers to the development of farm diversification

Despite the number and strength of the reasons for farm diversification, the low level of adoption suggests that there are also substantial barriers to AFE development. These were explored with both farmers and institutions. Non-adopters were asked to give up to three main reasons why they had not established an AFE. The institutional respondents were asked what they considered to be the main barriers or constraints to participation in AFEs by farm families and farm businesses. The institutional perception of constraints is compared with the reasons given for non-adoption by farmers in Table 7.3.

It is evident that deficiencies in the availability of capital and expertise (including information and knowledge) were major hindrances to diversification. There was agreement between the reasons given by farmers for non-adoption of AFEs and the perceptions of constraints given by the institutions in highlighting these as two barriers to development, with the institutions focusing more strongly on them (Table 7.3). Every institutional respondent identified the lack of private capital as a constraint and ten of them added the related financial consideration of an insufficient level of grant aid. Inadequate capital was cited as one of their main reasons for non-adoption by over one-third of farmers, including two who specifically mentioned difficulties in obtaining loans. To the 37 institutional respondents who identified lack of knowledge or education concerning AFEs as a constraint, may be added the specific references to marketing education and technical advice or information, emphasising the great importance attached by the institutions to deficiencies in expertise as a barrier to farm diversification. Lack of knowledge about AFEs was ranked third by non-adopting farmers as a reason for not diversifying.

Table 7.3: The main barriers to farm diversification, as given by non-diversified farmers and perceived by institutions

Reasons or constraints	Reasons for non-adoption given by farmers (n=109)		Constraints on farmer adoption perceived by institutions (n=45)	
	No. of mentions	% of respondents	No. of mentions	% of respondents
Prefers traditional methods of farming	52	48	20	44
Insufficient capital	37	34	45	100
Lack of knowledge about AFEs	35	32	37	82
Age of the farmer	27	25		
High risk	19	17		
Not wanting extra pressure of work	14	13		
Not interested	14	13		
Unsuitable location	10	09	14	31
Insufficient labour resources	10	09	01	
Existing enterprises give sufficient income	08	07	20	44
Uncertainty, low return on capital	06	05		
Developing an existing enterprise	06	05		
No time	04	03		
Poor health	03	03		
Saturated market for the AFE	02	02	35	78
Inadequate on-farm facilities			32	71
Restrictive regulations			11	24
Insufficient grant aid			10	22
Lack of marketing education			10	22
Inadequate technical information			08	18
Land area or quality			05	11
Total no. of mentions	291		248	
Total no. of respondents		109		45

The major differences between the farmer and institutional perceptions of barriers related to the role of socio-personal factors. Their preference for traditional methods of farming was identified quite clearly by farmers as the main reason for not establishing an AFE, having been mentioned by almost one-half of them (Table 7.4). Conversely, the persistence of traditional methods was ranked only fifth by the institutional respondents, having been mentioned by less than half of them. Furthermore, they identified no other influences of a specifically socio-personal nature. Yet age was one of the four dominant reasons for non-adoption given by farmers, a lack of interest was significant and poor health was a minor factor. The personal attitudes of farmers would also have been important in their identification of risk aversion, avoidance of extra

pressure of work, satisfaction with existing income and lack of time as reasons why they did not diversify.

While the institutional respondents greatly underestimated the role of socio-personal influences, they placed much importance on the more objective constraints of inadequate on-farm facilities and market restrictions. This mismatch may indicate the need for organisations to update their understanding of key influencial factors on farm level behaviour, particularly if they are to continue to be relevant to the farming community and if they are to become more proactive in encouraging and supporting farm families in their decision-making roles. On the one hand the market potential should be a prime consideration in any AFE development, so it must be of concern that the lack of market opportunity was considered a negligible reason for non-adoption by the farmers. Yet market considerations are likely to have been major components in the assessment of unsuitable farm location and uncertainty of returns as significant constraints by both farmers and institutions. On the other hand the farmers may perceive good market opportunities to exist but are not interested or capable of exploiting them.

A later barrier to the development of farm diversification arises if some farmers, having adopted one or more AFEs, subsequently cease these activities. This in itself reduces the level of development but also acts as a disincentive to other farmers to adopt alternative enterprises, particularly those in the same business, socio-cultural or neighbourhood networks as those disengaging from an AFE. The number of farmers in the sample surveys who had abandoned an AFE was too small to provide any basis for analysis or consideration of reasons. The institutions were asked to provide reasons for lack of success for those farms for which diversification had proved unsuccessful. The response to this question was low, however, perhaps because the institutional respondents had little experience of such failures or perhaps in part because they did not wish to acknowledge association with them. This did not support their earlier reported 'fears' of lack of viability. It highlights again how image and perception can substitute for fact in the absence of concrete information.

The main reason for lack of success given by the institutional respondents, mentioned by nine of them, was changing market conditions. Four other reasons were mentioned.

They were: lack of investment capital, lack of professionalism, bad management and lack of marketing skills, thus relating to deficiencies in the financial and human resources of the farm business – internal farm factors. Other reasons for lack of success mentioned less frequently included in-sufficient financial returns, lack of technical information, location and lack of communication skills.

7.6: Perceptions of the regional context for diversification

While the need for farm diversification as a component of agricultural restructuring can be considered more necessary in LFAs, it is important that there should be a realistic appreciation of the comparative competitive position of such regions. It might be found, for instance, that the attributes which have retarded other forms of development also restrict farm enterprise diversification. Then it would be desirable that there should be national policy decisions concerning the appropriate balance between promoting AFEs in areas to which they are most suited and promoting them in areas where the need for them is greatest. As outlined in Chapters 1 and 2, it is evident that there must be substantial and complex spatial variation in the potential for farm diversification. Most of the factors which were identified as encouraging and hindering its general development have spatial expressions. With regard to the individual AFEs, their locational influences vary considerably, for instance those for agri-tourism, farm forestry and vegetable production being quite different. While recognising that much of the complexity would be concealed, the perceptions of institutions were explored with regard to the comparative advantages and disadvantages of the study areas for the development of AFEs in general. Their assessments are useful because of the perspectives they have through operating at a range of spatial scales from local to national and through the variety of functions which they perform.

Most of the areas' advantages and disadvantages that the institutional respondents identified relate to farm diversification in general, though the inclusion of some specific AFEs indicates the importance attached to these. This was most notable with regard to agri-tourism, to the extent that it was mentioned by three-quarters of the institutional divisions and its potential was regarded as by far the most important advantage of the study areas. This significance reflects in part the role which tourism plays in west

Galway and in south and west Kerry, which have major coastal, upland and human attractions for tourists. Also specifically mentioned were the advantages for organic agriculture, relating to the low intensity of agriculture, the clean environment and market image, and for farm forestry, relating to the extent of marginal land and the favourable conditions for tree growth. Individual enterprises were not identified amongst the disadvantages of the areas, apart from two references to the lack of a tradition in food processing.

It may be regarded as a considerable potential strength of the areas that the two advantages most mentioned with regard to farm diversification in general were their unrealised resource potential and the good image of the areas. The favourable green environmental image of the west of Ireland is in itself a huge resource which could be a great asset in the marketing of farm products and services. The ranking next of a tradition of changing enterprises and willingness to adopt AFEs may be attributed in part to institutional contact being mainly with the more progressive element amongst the farm population but it is also likely to be related to the tradition of diversified activities in these areas. The inability of agriculture to support fully farm families has resulted in a culture of enterprise and multi-activity in these lagging areas. Thus, the view was expressed that communities in these areas may find it easier to accept and engage with AFEs than others might in the more commercially orientiated agricultural areas. Specification of the diversity of soil and land types as an advantage by the institutions suggests that they view AFEs as secondary to the mainstream activities and as such if underutilised or poor soil and land exist and could potentially be brought into productive use through the introduction of an AFE, e.g. forestry on marginal land, then this should be explored.

Study areas' disadvantages for farm diversification identified by the institutions are essentially a listing of what are perceived in general to be attributes of many lagging regions. This is epitomised by the dominance of remoteness, mentioned by over one-half of respondents, and relates in particular to inaccessibility to markets. Other disadvantages were quite evenly spaced in the ranking, comprising unfavourable conditions with respect to land quality, investment capital, age structure, climatic conditions, production costs, traditional attitudes and skill levels. Little can be done to

alter some of these perceived attributes but the listing contributes to identification of some of the features to which remedial attention should be given in development programmes.

Farmers held a generally positive view of the future role of farm diversification in the development of the study areas. Those who felt that particular AFEs have a contribution to make to the future of their region outnumbered those who felt that they had not by more than three to one, though one-fifth were uncertain. When they were asked to specify these contributions, the potential to increase employment and help to stabilise the population were most frequently mentioned, followed by the development of the region's resource potential. The main strategies other than farm diversification which might aid the survival of farm families in these regions, as perceived by the institutional respondents, were the provision of off-farm employment and small businesses, the development of community infrastructures and initiatives, and the improvement of efficiency in conventional agricultural enterprises.

7.7 Perceptions of issues which need to be addressed

Having explored actors' perceptions of the influences affecting farm diversification it was felt desirable to identify more specifically those factors where change should be promoted in order to promote AFE development. Thus the institutional respondents were asked to indicate the main general issues that need to be addressed in order to ensure the future successful development of AFEs. Representatives should be able to take a broad perspective of such issues given their roles and functions. Their responses were compared and contrasted to farmers' assessments of the importance of some individual influences.

The single issue identified by most of the institutional respondents as needing to be addressed was marketing - its importance was emphasised by them again and again during the interviews. Just over one-half of the farmers considered the existence of a marketing organisation to be a very important factor when establishing an AFE, a lower rating than those given to the availability of capital and of government grants. Earlier

consideration of incentives and constraints had shown that marketing was assessed as being one of the significant factors but, as here, institutions stressed marketing somewhat more than did farmers. Thus it seems desirable to emphasise to farmers, especially, the importance of assessing market potential in decisions about farm diversification, as it is essential that the process should be market-led if it is to be economically sustainable. It is vital that marketing structures and the development of markets for alternative farm products and services should be given a high priority. The institutions were optimistic concerning market prospects; two-thirds of respondents assessed them as being good or very good.

Assessed by the institutions as being the next most important issue to be addressed was the area of education, training and information. Again just over one half of farmers considered the availability of advice and information and of training courses to be very important. Training courses were assessed as being of lesser importance by diversified farmers than by non-diversifiers, suggesting that familiarity with some enterprises may lead to a realisation that there is less mystique relating to them than other people assume, or perhaps in some instances to justify their own non-attendance at courses. Lack of knowledge or education had been ranked as the third most important constraint by both farmers and institutions. Participation in AFEs requires new knowledge and skills, so it is vital that adequate training and advice should be provided in order to ensure the development of the appropriate technical and management expertise.

The need for structures to facilitate AFE development was ranked third as an issue to be addressed, and the concept of integrated rural development and the structure of grant aid were placed joint fifth. These three issues combined suggest a very strong desire for a new and thorough administrative approach to farm diversification. If combined as one issue, they would have constituted the leading concern, accounting for 30 per cent of all the nominations, compared with 18 per cent for marketing. They suggest a strong feeling that farm diversification should be seen as a rightful and important part of integrated rural development, that it should be supported by adequate state grant incentives and that proper structures should be established to facilitate the whole process. The implication is that in each of these respects the current situation was seen as being far from satisfactory. When asked to assess the significance of government

financial assistance alone, 83 per cent of farmers rated its availability as being very important. Thus the level and the targeting of support need consideration.

The other issues which were stated as needing to be addressed indicated concerns with the quantity and quality of production, the economic viability of AFEs, back-up services, restrictive regulations, the need for research, the professional approach of farmers and capital availability. It is surprising perhaps that capital availability, which was rated so highly as a barrier to AFE adoption by both farmers and institutions, was mentioned by only three institutional representatives as needing to be addressed. In apparent contrast, having capital available for investment was rated as being very important by over four-fifths of farmers. Eligibility to borrow from a bank was considered to be very important by three-fifths of non-diversified farmers and one-third of diversified farmers. Although capital was not nominated by the institutions as a major issue needing attention and many farmers who diversified regarded credit eligibility as less of a problem than others would have anticipated, the overall impression gained from the research was that development could be greatly facilitated by easier access to capital. This relates especially to the considerable caution shown by lending agencies towards most alternative enterprises, so that freer access to credit should be a component in any effort to promote development. There is also a reluctance to borrow on the part of some farmers, especially the older conventional farmers.

The importance of the socio-personal dimension in the diversification process was demonstrated but this received little reference in the institutions' perception of issues to be addressed. This may result, not only from the apparently lesser institutional awareness of the significance of these influences than that of the farmers, but also an appreciation that these constraints are amongst the most intractable and a feeling that there may be little that can be done in relation to some of them. This may be relevant in relation to personal interest in the AFE, which was considered to be very important by 88 per cent of diversified farmers, though only by 60 per cent of those who had not diversified and so would have had a lesser understanding of its significance. Interest can be promoted to some extent but critical is the need for a reorientation from some traditional attitudes held by many farmers and an acceptance of the necessity for change and for an entrepreneurial approach.

7.8 Summary

This chapter focused on organisation-client relations. It attempted to establish the degree to which there was convergence or divergence between the perceptions, attitudes and opinions (i.e. the 'world views') of the three actor groups, i.e. diversifiers, non-diversifiers and institutions, particularly, in relation to the adoption of AFEs. Also, it tried to identify the extent to which knowledge and information (formal, informal and tacit) is transferred between groups as they interact with each other.

Although institutional representatives interact with diversifiers they did not appear to assimilate a profile of AFE adopters, at least not one that they were conscious of. It was only when prompted by a range of characteristics that they could specify the types of farm businesses and farm families that had diversified. However, when they did this their information was relatively accurate. Findings suggested that institutions, while involved in supporting farmers opting to diversify, are not in themselves seeking to target or prioritise interventions, neither for particular types of farmers nor with respect to particular types of AFE, with the exception of the AFE specific organisations.

It seemed institutions and diversifiers were accepting and adapting more readily to the general shift towards post-productivist practices in agriculture than were the non-diversifiers. Accordingly, the views they expressed converged more than did their views and those of the non-adopters.

Conventional farmers, more than diversifiers or the institutions, associated personal knowledge and experience with successful farming and were more inclined to view farming as a way of life. The other actors placed more emphasis on the farm as a business and on the importance of 'formal' or 'professional' knowledge. It was not surprising, therefore, to find that, in general, results of the analysis in this chapter suggest that 'mutual knowledge' (van den Bor *et al.*, 1997: 133) was most likely to exist between the institutions and diversified farmers.

A general convergence of understanding of why farm operators adopt or do not adopt AFEs emerged, indicating the broad 'world views' of the actors to be similar, i.e. actors identified the same explanatory factors. However, discrepancies did arise between the institutions and the farmers in relation to the importance placed on the individual factors. In particular, the institutions failed to show an appreciation for socio-personal factors. Given that these factors emerged as critically important to farm decision-making behaviour (Chapter 6), it can be concluded that this is one area of mismatch in terms of 'world views' which is impacting on the process of diversification and needs to be urgently addressed.

It was evident from the perceptions of regional advantage and disadvantage that there are certain major incentives and constraints affecting the development of AFEs. The fact that these are the influences perceived by those most intimately associated with the farm diversification process gives this identification considerable validity and significance.

The specification of issues, which were considered to be important and needing to be addressed, was insightful. AFE adoption could be made more effective through amelioration of some of these influences but others would be less amenable to manipulation. It is important that this promotion should be done in the context of proactive and coherent policy and planning for the expansion of farm diversification if it is to realise its potential to contribute to the sustainability of farm businesses and their families.

CHAPTER 8

CONCLUSION

8.1 Introduction

In this the final chapter, the key issues of the research are revisited in the context of the theoretical framework outlined for the study. As a general summary is provided at the beginning of the thesis, and more specific summaries are found at the end of each chapter, an attempt is made here to synthesise the main findings from the institutional, the farm and the institution-client analyses. The significance of these findings are discussed and their implications for the future development of AFEs and for policy-makers are considered. The strengths of the research are highlighted and its limitations acknowledged. Finally some areas for further research are suggested.

8.2 Key issues addressed by the research

Within the past decade there has been greater recognition and acceptance that neither price policies nor structural improvement policies can solve the basic problems of agriculture, especially in the LFAs. The context in which the CAP was formulated had changed considerably. Principally, its costs had escalated, agricultural markets had become oversupplied and the sector was increasingly implicated in a more liberal trade framework. At the same time the inconsistencies within the CAP became more obvious – the inequitable distribution of its benefits and the growing pressures and tensions between its modernisation and structural measures. In response, the policy menu was reformed. This was done first from the late 1970s by reducing price incentives and then by putting quantitative controls on production, beginning with a milk superlevy in 1984 and extending to a wider range of enterprises in the CAP reform measures from 1993.

These changes signaled a shift in policy emphasis away from focusing on increased production and increased efficiency to the incorporation of a broader perspective which includes concerns about the environment, diversification from conventional lines of production and the viability of the broader rural, as opposed to the specifically agricultural, economy.

In this new context farmers can no longer respond to income pressures in the traditional way of increasing their output of conventional products. One of the options available to them instead is the adoption of AFEs - defined here as non-traditional enterprises which involve the recombination of farm business resources, i.e. land, labour, capital and entrepreneurial ability, *within* as opposed to outside the farm business. This has been reinforced by incentives under various government schemes to encourage farmers to diversify their income base.

The general aims of this study were to develop an understanding of the interplay of factors which influence the promotion, adoption and development of such alternative enterprises and to identify the mechanisms and adjustments required by both intermediaries and farm families in embracing diversification as a farm business development option. It had as a specific focus, the interactive processes involved in reorientating the thinking and behaviour of these key actor groups. The main purpose of doing this was to make a contribution towards efforts to explain and understand the *processes* involved in agricultural restructuring, and particularly, in the transition from the expansionist or productivist regime to the post-productivist or alternative agenda. More specifically, the research sought to contribute to the knowledge base relating to how new aspects of agricultural policy gain acceptance and associated measures become translated into actions at farm level – information critical to insuring the effective formulation, targeting, delivery and uptake of new policy measures. The study sought also to bridge the gap between macro and micro level analysis by incorporating a depth analysis of key intermediaries between policy-makers and farm families.

8.3 The conceptual framework

An important element of this work was the use of a theoretical framework based on the modified political economy approach which included and emphasised aspects of the 'knowledge systems approach' (Long and van der Ploeg, 1988). The approach focused on how individual farmers and other influential actors generate, reproduce and transmit knowledge and information and by so doing influence each others' perceptions, views and opinions and the subsequent formal and tacit knowledge base. Encounters or interactions between actors were viewed as part of an ongoing process of negotiation, adoption and transfer of meaning. It was hypothesised that by exposing the underlying assumptions and rationales of the various actors or stakeholders in the diversification process, and the basis for the reproduction of these, that explanations could be uncovered for differential behavioural strategies between individuals, individuals and groups of individuals, and individuals and actor groups (i.e. organisations), given similar situational conditions. The approach stressed the importance of examining behaviour at different levels (macro, meso and micro), at different interfaces between farmers and different intermediaries, and at different spatial levels of operation. Studying the farmer-institution interface in this manner bridged the gap between structure and agency. This multi-level analysis was innovative and allowed networks of influence and inter-dependence to be identified and examined, adding depth to understanding the relationships and processes involved in interpreting, mediating and transforming new policy instruments into potentially encouraging or interesting actionable measures or discouraging or uninteresting actions, depending on the point of view and perspective of the actor involved.

The study supplemented this interface analysis by examining farmer and institutional perceptions of their circumstances and their roles in relation to the development of AFEs, as well as their views and interpretations of diversification as a farm adjustment strategy and process of agrarian change. By adopting this approach, insights were gained into the way respondents internalised external factors and negotiated their effects. This allowed multi-level influences on behaviour to be examined and their importance and significance to be assessed. Therefore, the study has taken account of macro (policy and the broader socio-cultural and economic context), meso (institutional

intermediaries and key actor groups) and micro (the individual farmer, farm family and farm business) level factors impacting – either directly or indirectly, either positively or negatively – on diversification behaviour. The detailed implications of the findings are considered below, but suffice it to say at this point that it has highlighted the critical role played by intermediaries in influencing the adoption and non-adoption of AFEs, through their projections of their own perceptions and through their abilities to maintain and reinforce opinions held.

While the 'knowledge systems approach' provided the overarching interpretive framework for the study, operationalising the research required more specific conceptualisation of the three components of the overall approach, i.e. organisational behaviour, farm (individual) behaviour and farmer-organisation encounters. In this regard the concepts of the *external* farm environment, the *internal* farm environment and the *organisation – client interface* were successfully employed, thus allowing the dynamics of 'internal' and 'external' factors for both the intermediaries and the farm businesses to be examined. This was particularly useful in profiling the AFE institutional environment and the behaviour of adopters and non-adopters, and in understanding and explaining how actors identify their contexts, interpret their circumstances, exert influence on other actors' behaviours and are themselves influenced by other mediators.

The institutional analysis, for example, revealed the interactions of organisations with different capabilities and capacities for articulation. An 'inner core' group existed, representing the main conventional agricultural interests, and it was found to exert a significant influence on the development of AFE policy, thereby restricting the influence of other institutional actors and setting the context within which they had to operate. Similarly, the farm analysis revealed how farm operators observed the behaviour of neighbouring farmers, agricultural advisors and staff in the support agencies and how diversifiers were networked with other adopters of similar AFEs to exchange advice and experiences.

8.4 Some general implications of the research findings

Farmers' interpretations of the situation in agriculture at the time of the survey were found to be an important influence on their views of the role and acceptability of alternative farm enterprises. The changing policy climate, in particular the imposition of quotas on conventional enterprises, was understood by many to signal significant and profound long-term changes in farming practices. Restrictions on production were viewed as a ceiling on conventional farm income opportunities. In this context, respondents, irrespective of whether they had diversified or not, or were themselves interested in exploring AFEs or not, expressed views that they could understand and appreciate how some farmers had adopted or were considering turning to AFEs to try to supplement their incomes, and particularly if they had young families or financial commitments. For some this understanding stemmed from a belief that farmers had no other choice. It seemed that they were being forced into diversification by the policy restrictions imposed on them. For this group 'diversified farming' was not perceived as 'real farming' and as such farmers were believed to be engaging with alternative enterprises only as a last resort. Such opinions were closely linked to the persistence of traditional attitudes (this issue is returned to below) which in turn, would more than likely consider diversifiers as 'eccentric' individuals or 'failed' farmers (Slee, 1989). However, in the context of their interpretation of the changing policy conditions, respondents were more accepting of diversifiers and appeared sympathetic to their cause. The other group of respondents saw the move to diversified enterprises as individuals availing of market opportunities and considered it 'justifiable' as long as the enterprise proved profitable – again because their interpretation linked involvement to the need to supplement income.

The important point here is that it was evident that respondents, including those who had no intention of ever adopting an AFE, had embraced the idea of diversification and, while for many it was not considered an option for them personally, they were accommodating it as a farm business adjustment strategy and were accepting it as an inevitable outcome of policy change. This is important because it clearly demonstrates the power of the broader policy context to influence farm level thinking and behaviour. Also, restrictions on conventional enterprises were viewed as stimulating the

development of AFEs, more so even than the introduction and implementation of new policy instruments to specifically encourage diversification. It is important that policy makers be aware of and sensitive to the repercussions of policy change and do not assume that implications are confined specifically to the amended policy.

Participation in diversification was severely restricted by the persistence of traditional attitudes and perceptions among farmers. This problem was exacerbated by the general lack of knowledge and information concerning AFE development among both the farming population and the institutions and by the fact that diversification as such has been slow to 'take-off' in the Irish context. This was combined with uncertainty as to whether some of the AFEs were in fact economically viable, given that there was little evidence available to suggest that they had made a significant contribution to the income of diversified operators. These concerns, while valid, could have been lessened or avoided altogether if adequate research had been undertaken to establish 'promising' AFEs for Irish farmers, in advance of the introduction of the grant assistance for diversification. Information could have been disseminated to farmers via the established information system used for mainstream agriculture, thereby signaling support for the strategy among the long-standing agricultural support network. It is important to recognise that any transition to a new farming system is always difficult but an *informed* move is always less daunting than an uninformed one. Farmers have conducted their business for some time in the context of relatively 'secure' and 'stable' support policies. Given this climate, the move to adopting AFEs was perceived to be associated with high levels of risk, particularly since diversified enterprises do not enjoy the institutional or policy supports (especially in relation to market identification and development) afforded to other farm produce.

Farm respondents were critical of the advisory service and other organisations for not providing adequate information. They perceived organisations to lack full commitment to AFEs and were, therefore, themselves sceptical of the enterprises. The institutional analysis supported their views. The promotion and support of mainstream conventional agricultural was clearly the priority for most organisations interviewed. The farmers' observations had implications for the seriousness with which many were approaching the option to diversify. As discussed above, they had incorporated the concept of

diversification into their 'world views' but remained doubtful of the *real* applicability and potential of the new enterprises to contribute to farm business viability. Therefore, recognition at both institutional and farm levels that AFEs can play a role in supplementing farm income for some families will only materialise if direction is given by the relevant bodies in terms of which types of AFEs, under what conditions and for which types of farms.

One of the most important findings of this research is that there appears to be a degree of confusion as to what diversification actually means. Many respondents seemed to have a preconceived notion that the intention was for diversified enterprises to substitute for conventional farm practices. However, this was clearly not the intention at central policy level, nor the understanding of the research community as contained in the literature. In line with findings from other studies (Kelly, 1992; Gillmor, 1995; Ilbery *et al.*, 1996; Bowler *et al.*, 1996; McNally, 2001), findings here suggest that diversification alone will not provide a solution to declining incomes. Only in rare cases will a diversified activity substitute entirely for conventional enterprises, as for example, in the conversion of a farm holding to a golf course. AFE development is not, and should not be considered, a panacea for the problems of the agricultural community. However, international and national evidence does exist which suggests that AFEs do have a role to play in supplementing farm based income. Clearly some AFEs do have potential for some farm families that have the available resources, skills and market opportunities to succeed, and as such should be explored further to ensure that as an opportunity they are identified and exploited.

The importance of 'human capital' and in particular 'entrepreneurial ability' was highlighted by the study. However, only a minority of operators had attended courses specific to their chosen AFEs. Training courses provided tended to be on an *ad hoc* basis and in response to demand. Again, this approach by the organisations responsible for developing human resources among the farming community, was seen to undermine diversification as an adjustment strategy in the eyes of farmers.

Training courses for the farming population have generally been geared towards enhancing the efficiency and profitability of food production. Course providers have

participated and been implicated in the productivist regime (van den Bor *et al*, 1997). Given the reorientation of policy, agricultural courses now need to be refocused to meet the new requirements not alone of the farm community but of the staff in various organisations coming into contact with farmers. In respect to facilitating operators wishing to incorporate an alternative enterprise, the requirement is for training in all aspects of the enterprise because as Gillmor (1995: 169) reported farm operators need to acquire new knowledge and skills which are not part of traditional agriculture. Findings in this study suggest that courses need to focus attention on identifying appropriate AFEs for consideration, on improving management practices and on marketing skills. Course organisers would need to bear in mind that those most in need of their help are farmers who have very low standards of formal education. It may be that such farm operators are intimidated by formal courses and that advice on a one-to-one basis may be the most appropriate means of communication.

8.5 Implications of the research for policy makers

Although not a specific objective of the research, the findings can be considered to be of direct relevance to policy makers, particularly in relation to the development of measures to encourage 'new' farm practices.

At a general level, study findings provide an understanding of the interplay of several processes involved in the transition to a new system of agriculture. Firstly, they inform of the specific influences of institutional structures in presenting and delivering policy interventions. Secondly, an understanding of the structural and ideological basis to farmer decision-making behaviour is provided. Thirdly, they emphasise the significance of the process by which individuals and organisations evolve ways of dealing with the changing context within which they exist. Armed with insights gained here, policy makers should be better able to: (i) develop programmes and measures to overcome some of the obstacles identified; (ii) consider how new policy interventions may operate in practice, and (iii) identify that the successful implementation of a new policy measure is largely dependent not only on achieving a good uptake among the

farming population, but on convincing the relevant institutional actors of its merits and potential benefits.

At a more specific level, if alternative enterprises are going to contribute to future viability of farms in the disadvantaged areas they will have to be adopted by the people farming there. Reviews of the literature show that major changes in farming practices are associated with programmes that have considerable institutional support. They are also associated with programmes that are legitimised by the involvement of the farming people themselves. The findings of the current research indicate that there is an urgent need to provide an integrated, coordinated and efficiently operated programme for the development of AFEs in Ireland.

In general, an appreciation of the contribution of AFEs to rural socio-cultural development as well as to economic development needs to be encouraged at all levels. The adoption and development of AFEs by both farmers and organisations are severely restricted by the persistence of traditional attitudes and perceptions. There is a need to heighten awareness of the potential opportunities AFEs could afford the farmer. Both public and private organisations need to address the information gap with urgency, if appropriate AFE development programmes are to be introduced. Since the policy framework is largely formulated at EU level and implemented at national level, both the EU and national government have particularly important roles to play in enhancing appreciation of the value of and necessity to seriously consider the adoption and development of AFEs.

There is an urgent need for further research to identify the most suitable AFEs for development. In particular, the technical and economic viability, and market potential of appropriate AFEs need to be established. AFEs, particularly those relating to specialty food production and processing, i.e. dairy products, soft fruit, vegetables, etc., could have a potentially important contribution to make. Measures could then be introduced to facilitate the adoption and diffusion of the most promising of these enterprises.

The enterprise that needs least change in institutional support is conventional forestry. It provides an example of how state intervention in the form of grant aid, annual premia

and promotional campaigns can motivate change at the farm level. It is recommended that similar attention be focused on non-forestry AFEs, which could provide higher increases in gross margins and greater utilisation of labour. This would necessitate intensive institutional support in the form of public good, research and development.

Co-ordination of action among organisations in relation to AFE promotion and development is required. Responsibility for such co-ordination could be allocated to either the public or the private sphere. Greater devolution of responsibility for AFE promotion to the local level is recommended. A possible way forward may be the development of partnerships between state agencies and producer co-operative groups. The findings suggest that responsibility for developing specific AFEs should be allocated to specific organisations and to particular individuals within those organisations.

The research highlights the importance of 'human capital' and in particular 'entrepreneurial ability' in developing new enterprises. Training courses are required to focus attention on improving management practices. Small farm businesses need high levels of institutional support to enable successful enterprise change. There are many examples of successful small farm development programmes which can inform the formulation of an AFE development programme.

Grant aid is fundamental to the development of AFEs. However, the current structure of grant aid facilitates the development of specific AFEs and demands that the farmer has equivalent personal capital to match that secured through grant aid. This has positively discriminated in favour of the larger, more efficiently operated holdings and those farmers involved in 'grant farming'. Very strong evidence emerged concerning the reluctance of traditional farmers to finance agricultural developments with borrowed capital. Given the high capital investments required for some of the AFEs, it would appear that a tiered grant structure would better facilitate AFE involvement on the smaller, less profitable farms in the LFA. The development of an understanding of the different types of farmers associated with the different types of AFEs would permit the design of more effective mechanisms for enhancing the financial support available for AFE development. Targeting of specific AFEs to specific groups could then be

pursued. The typology developed during this research goes some way towards achieving this.

The diversification sub-programme, operated at the time of the study, specified the type of enterprises and activities to be supported financially. There was evidence in the research to suggest a need for more flexibility in: (i) the nature and type of enterprises to be supported – a more flexible approach would encourage farmers to be more innovative and entrepreneurial, and (ii) the rate of grant applicable depending on the type of AFE involved and the 'scale' of farm business developing it.

Organisation of the market for, and the marketing of, AFEs and their products needs to be addressed immediately. AFE adopters have very limited information concerning the markets or their products. The co-ordination of marketing on behalf of AFE producers is necessary and it is recommended that the potential role of representational groups and co-operatives be investigated in this regard. Central institutions should take a more pro-active role in communicating with these types of organisations. Future initiative is necessary at the national level to co-ordinate networking and develop markets.

8.6 Strengths and limitations of the research

Many of the strengths and limitations of the research are implicit in the previous discussions, particularly in relation to the theoretical aspects of the research and the mechanisms by which it was operationalised. In this section, a few of the more specific ones are considered briefly.

The research contributed to the literature in two main ways. Firstly, it reported on the diversification process in the Irish context. Secondly, by employing a knowledge systems approach, it examined the processes involved in the transition to new farming practices and informed of how farmers and institutional actors generate, reproduce and transmit knowledge and by so doing influence each others', behaviours and actions. The multi-level approach and analysis is a key strength of the study.

The research has contributed positively to the knowledge base in the following ways. Firstly, it has profiled the characteristics, operation and functioning of the AFE institutional environment - an area having received little attention in the research literature, despite the very significant influence organisations exert as key intermediaries, individually and collectively, on decision-making behaviour at policy, institutional and farm levels. By doing this, it has increased understanding of the *process* by which institutional actors accumulate information and knowledge; what factors influence their knowledge base, and how they act on the basis of information gathered. Secondly, it examined the *process* of enterprise diversification at farm level by decomposing the decision to diversify into three stages: the stimulus to seek an adjustment strategy, the search for information, and the choice of adjustment. This facilitated examination of farm level interactions with external actors during the various stages of the decision process, and allowed identification of when institutional actors are most influential, how they exert their influence and how farm operators respond. This focused attention on the inter-relationships and inter-dependencies between external and internal 'actors' and provided evidence that change at farm level is the result of "choices *and* constraints" (Ward and Munton, 1992: 132). Thirdly, a profile of key AFEs was provided detailing the nature and type of farm businesses and farm families engaged with enterprise diversification. Fourthly, the interface analysis demonstrated how, through ongoing processes of influence, mediation and negotiation, organisations' and farm operators' perceptions, opinions and attitudes can be transformed and their effects can be understood.

In terms of limitations, the fact that diversifiers comprised only 10 per cent of the random sample was very disappointing and limiting. It did not provide adequate numbers for a meaningful analysis of 'random' AFE adopters.

The study could have benefited from the inclusion of some 'focus group' discussions. This would have allowed 'teasing out' of some of the findings with representatives of the farm families and organisations involved and would have strengthened the qualitative component of the analysis.

Finally, it is important to bear in mind that the study is based on a relatively small number of farmers and organisations, at a particular point in time, in a particular area. Therefore, while it is valuable in the understanding it provides, similar studies are needed in other areas of the country to corroborate some of the key the issues identified before the findings could be used to predict future behaviour on a more general level.

8.7 Areas for further research

A number of topics relating specifically to the development of AFEs have been identified earlier as requiring further research including: the identification of the most promising potential AFEs for development; the market and marketing potential of the various AFEs; and the economics and profitability of these enterprises.

On another level, the nature and extent of the present study has perhaps raised more research questions than it has answered. Some of the more interesting and important topics for future study might include:

a) development of methodological frameworks for use when implementing the various modified political economy approaches - especially the knowledge systems approach – because this involves analysis at a number of different levels. Methodologies suitable for investigating the various different levels may themselves differ, it would be useful for comparative purposes, if frameworks were available to assist with the process of integrating information from analyses of the various levels involved, e.g. micro, meso and macro levels.

b) in terms of furthering the theoretical framework more attention needs to be devoted to the concepts of 'actors' environments' and 'networking among actors' and to how 'environments' are to be defined. There is a lack of clarity about how exactly institutions 'interact' or 'bond'.

c) while much of the literature relating to restructuring is at the macro or meso level, studies at local level are less common. There is a need to identify 'functional areas' and to implement, for example, the knowledge systems approach from the 'bottom-up', i.e. to begin with the micro level and to investigate how conditions at the local level implicate local actors in various networks.

d) another area, more specifically in relation to farm diversification, which needs further research is that relating to the role and effect of the promotion of the farm diversification scheme on levels of farmer interest and uptake. In this regard too, it may be useful to investigate the conceptual schema among agricultural extensionists (Long and van der Ploeg, 1988) to investigate if these contribute to spatial differentiation in rates of uptake among farm families.

8.8 Conclusion

In conclusion, considerable adjustments are underway and are likely to continue to be required, as Irish agriculture adapts to changing policy and market conditions. Adjustments are most likely to impact on the farm practices of small and medium operators whose efficiency and effectiveness, and consequently viability, are most vulnerable. There is a growing need to maximise the possibilities for such farmers to supplement their incomes from on- and off-farm opportunities. In the present changing context, opportunities not previously considered must now be incorporated and exploited. The development of AFEs may provide some farm families with a means of maintaining their farm businesses. However, the process of diversification is highly complex and is dependent on the convergence of objectives and attitudes among policy makers, intermediaries and farm families. If diversifying farm family activities is to be encouraged, much research is needed to generate the technical, economic and market information required to stimulate increased interest and confidence, among both farmers and institutional intermediaries, in diversification a serious business adjustment strategy.

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