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The European Foresight Monitoring Network

Rural Ireland 2025

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- Sponsors:** The Department of Agriculture and Food
The National Council for Forest Research and Development - COFORD
The Environmental Protection Agency
The Marine Institute
- Type:** A Single Issue National Foresight Exercise
- Organizers:** The National Institute for Regional and Spatial Analysis or NIRS at NUI Maynooth
The Department of Agribusiness, Extension and Rural Development at University College Dublin
The Rural Economy Research Center and the Environmental Research Centre at Teagasc
- Duration:** 2003-2005 **Budget:** €100,000 (approx) **Time Horizon:** 2025

Motivation

Ireland has set ambitious goals for the development of its rural regions. This foresight exercise asks if the goals of state policy for rural Ireland will be achieved on the basis of current trends, what can realistically be achieved and what needs to be done to ensure a desirable outcome. The conclusions of this foresight exercise are framed in terms of 3 main actions to be undertaken immediately if the state is to realise its ambitions.

Are We on the Right Track?

Irish government policy for rural areas aims to build a rural economy characterized by:

- Commercially competitive enterprise that does not damage the environment,
- Vibrant sustainable rural communities,
- A quality of life that makes rural areas attractive places to live and work,
- Equity of opportunity for citizens of all ages living in rural and urban areas, and
- Balanced development between the regions.

Despite general acceptance of these ambitions, there was a growing sense of unease among experts and managers that if current trends continue Ireland will fail to deliver on these goals. In particular there was feeling that the impressive economic growth of the 1990s masked underlying weaknesses.

Past growth depended heavily on foreign direct investment, but evidence already suggested that manufacturing may move abroad in search of lower costs and for greater proximity to new and emerging markets. It was felt that growth in exports from strong indigenous companies would remain relatively low. Many threats to rural economies were identified that would need to be addressed immediately:

- The number employed in commercial farming would be dramatically reduced,
- Developments in the broader rural economy would not offset the losses that this would incur,
- New types of employment would not benefit those outside commuting catchments zones,
- The full potential of the natural environment in terms of competitive farming and forestry, the exploitation of public goods such as valuable landscapes and carbon sequestration, as well as the exploitation of the marine resources would not deliver on its full potential.
- Rural areas would lag urban areas in terms of infrastructure



- Development would be lopsided and would concentrate in a limited number of areas of the country.

FDI clients are strongly oriented towards manufacturing and are situated at relatively low points in the value chain. The contribution of services to national GDP exceeds 70% in some countries but accounts for only 55% in Ireland.

Between 2001 and 2004 there was a net outflow from Ireland of 15,000 jobs in these sectors. In tourism visitor satisfaction rates are declining in terms of perception of value for money and quality of infrastructure. Business expenditure on R+D is concentrated in large foreign owned companies. The majority of SMEs have a low capacity for technology absorption. Public funded research tends to be concentrated in the universities. This tends to be basic or academic in nature and strategic research linked to product or process innovation,

research on new technologies, marketing or supply chain management tends to be neglected.

The spatial differences in farming and land-use are increasing and growth is unbalanced. In the 1990s growth in Dublin and the 3 neighboring counties average 13.7% whereas that in rural areas remain at 9.5%.

For these reasons a foresight exercise was launched in 2003 to:

- Provide long-term perspective on the rural economy in Ireland,
- Explore possible new forms of employment and
- Develop visions of a transformed agricultural sector embedded in a more knowledge intensive rural economy.

Overall Structure of the Exercise

The work was organised and overseen by an **Inter-Institutional Working Group** involving experts from Teagasc, the NUI and UCD.

Outside expertise was provided by a **Foresight Consultative Forum**. This included international as well as national expertise from banking, industry, public administration and academia.

A rigorous basis for discussion was provided by a series of **thematic papers** on the following topics:

- Economic Conditions in the 2025 Baseline Scenario
- The Broader Rural Economy
- Some Spatial Dimensions: Populations and Settlement Patterns
- Foresight Study of the Agro-Food Sector
- Foresight report on the Forestry Sector in Ireland
- The Rural Environment

These papers were developed by recognized experts who were required to address at least four main issues for each theme:

- Drivers of Change
- Challenges
- A Vision for 2025
- Initiatives for a Better Future

Meetings were held to discuss the papers and to develop a synthetic view of Ireland's rural economy in 2025 that would balance complex competing issues evoked in the thematic papers and raised in discussion. Finally a synthetic paper was developed that provided both sectoral and spatial baseline perspectives for 2025 as well as a discussion on:

- Strategic Challenges and Initiatives
- Competitive and Sustainable Rural Economy to 2025
- Knowledge Rural Economy

This concluded with the formulation of a small number of clear recommendations representing the consensus view of the Inter-Institutional Working Group, backed up by strong argumentation and rigorous debate.

The Main Findings

The development of the rural regions and sub-regions is driven mainly by development in the major urban centers and their development is linked to their positioning in the global economy. The drivers of change in the rural economy are:

- Restructuring in the agro-food sector, mainly as a result of downward pressure on prices and incomes, a need to increase scale of production and processing, replacement of labour with capital, an increasing reliance on non-farm sources of income and concentration of farming in geographical optimal.

- Restructuring in the broader rural economy, due to the decline of income from primary production and growth in the service sector.
- Globalisation, striving for competitiveness, and the growing importance of innovation and the knowledge economy.

Important trends include:

- An outflow of labour from farming mainly due to fewer people entering it as a career accompanied by an increase in urban generated rural-employment.
- Realignment of land-use, regional concentration of tourism activity and declining social capital.

- Rising costs of doing business linked to the overall rise in cost of living in Ireland – higher rents, higher costs for food, insurance, energy and utilities.
- Heavy reliance on FDI for development as well as low levels of investment in R&D and innovation.
- Physical infrastructural deficits for access and transport, as well as weak knowledge infrastructure in rural regions – lack of knowledge clusters, third level and RTD institutions linked to global knowledge networks and available pools of expertise.

An extrapolation of current trends reveals a decline of the ‘tiger’ economy accompanied by:

- Elimination of agricultural subsidies and inadequacy of EU policies due to a failure to move towards a true CAP reform that addresses the needs of the broader rural economy will increase pressure on farm incomes.
- Inadequacy of institutions to address needed reforms and provide required knowledge based services for rural development
- Erosion of the manufacturing base, a failure of indigenous entrepreneurship and enterprise as well as the stagnation of rural tourism.
- Failure to maintain necessary infrastructure, failure to support social development in terms of amenities and services necessary for a high quality of life in rural areas, as well as rural migration and a demographic imbalance.

The Spatial Dimension

Analysis of the spatial development of Ireland reveals:

- Spatial differentiation of the farm economy between a prosperous east or south and a less prosperous north and west as a result of price pressure and towards areas of more productive land.
- Changes in land use due to competition for spaces for rural living to support commuter lifestyles, less intensive farming methods and conservation practices.

As a result it is expected that:

- The process of urbanization and spatial concentration of population and economic activity will favor Dublin and certain urban centers such as the NSS gateways.
- Rural economic and social viability will depend on the quality of linkages to a limited to major urban centers or on the ability of the region to provide an attractive living environment with a high quality of life.
- Commercial agriculture will further contract to be replaced by marginal and part-time farming and forestry even in areas where farming is traditionally strong.

- Clusters of companies will develop in high value-added sectors such as food and pharmaceuticals, medical technologies, software and international traded services.
- Some regions will continue their decline due to weak infrastructure coupled to a dependence on low-margin farming and ‘old economy’ enterprise.

The Agro-Food Sector

National forces include changes in agricultural policy as well as the impact of full employment due to the tiger economy. Key trends include:

- Farm labour forces are declining
- The scale of viable commercial farms has increased
- Farmers and their families increasingly depend for incomes from non-farm activities.

Various studies of the dairy sector indicate that Ireland has one of the lowest levels of productivity in Europe, a high level of competitiveness when measured in terms of cash cost of output, but a low level of competitiveness when alternative uses of land were taken in to account. Even the best farmers are leaving the sector due to low return on investment and the decreasing role of agriculture in the economy as a whole. Secondary processing is less and less dependent on local production and growth has been accompanied by increasing purchase of food commodities from the global marketplace. Furthermore it relies increasingly on imported labour. Many secondary processing companies may find it advantageous to relocate to locations with easier access to markets or cheaper labour – for example to new member states.

The Forestry Sector

Forestry has an impact on agricultural land-use, landscapes, habitats and bio-diversity. Forestry provides a carbon sink, an environment for recreation and a source of raw materials for energy and other industries. Planning cycles are long, being of the order of 40 years and government policy is to increase the area of forested land to reach a critical level of 17% of the total land area by 2030, by which time it will have achieved sufficient economies of scale to support be a world class, globally competitive processing sector. Drivers and issues were identified that ranged from the structure of incentives for the development of new forests, competition from the state as a provider of forestry products, ‘extensive’ farm management systems, the ability to charge for the provision of public goods, integrated land planning at national and regional level, as well as initiatives to promote home-grown timber use and added value processing such as engineered wood products.

The Preferred Perspective for 2025

Current growth rates of 3-5% will be maintained on the basis of a sectoral business mix that is able to:

- Maintain and develop key export oriented sectors
- Reinforce niche sectors where Ireland has a sustainable competitive advantage
- Develop new opportunities in internationally traded services

- Upgrade old economy enterprise and offset company closures with start-up creation.

This will rely on:

- An improved institutional framework that recognizes regional development issues with better coordination and integration with national development policy. The continuation of national development planning practices established in relation to EU structural funds.
- A shift in emphasis from structural funds to regional cohesion funds aimed at strengthening regional competitiveness. A move away from the CAP approach to rural development with better integration of the rural dimension in a national spatial strategy. The implementation of county development strategies along with the ring-fencing of public investment funds for regional development.
- More explicit treatment of the rural and regional dimension of tourism in national tourism policy.
- The development of regionally based research and innovation systems that foster the development of regional innovative clusters, support companies with weak absorptive capacities and help them avail of timely adapted services, possibly based on new models of extension and knowledge brokerage.
- The development of infrastructure for access, communication and quality of life, supported by a system of social progress accounting.

The preferred future for the Irish agro-food industry in 2025 is one where Ireland is a high value added supplier of differentiated branded dairy products, aimed at sophisticated

premium or niche markets. They would require a high level of skills for management, production, logistics and marketing that are unlikely to be found in smaller firms and so new innovation related service will be required. Research oriented towards the needs of a supply-driven sector will need to develop a demand-driven orientation. Innovation will focus on areas of comparative advantage although the basis for such advantage may change quickly and dramatically. Ireland could have a strong position in food bio-technology and in high value added functional ingredients. The skill base for this will need to be developed in line with foreign direct investment, technology acquisition and market research.

The preferred perspective for the forestry sector in 2025 includes elements such as:

- A minimum of 1 million hectares of forested area,
- Full-time employment of up to 20,000 people,
- Many more using forestry to diversify farm incomes,
- As much as 15-20% of Irish energy derived from wood.

Achieving these goals would require a range of measures that include:

- Integrated land-use planning at all level,
- Reward for production of public goods,
- Adoption of modern forestry management practices driven by state of the art R+D,
- Measures to encourage investment, as well as measures to support and develop RTD, extension, continuous professional development, training and education for forestry related professions and activities.

Final Recommendations

Given the overall trends in terms of demography, the economy and the global competitive environment, Ireland will not achieve its goals for rural regions on the basis of the current model for development and existing institutional structures. To achieve its goals it needs to:

- Complete the national spatial strategy with a series of successive regionally focused national plans
- Develop entrepreneurial and management skills to support competitiveness of rural enterprise
- Further develop the business, technological and innovation capacity of agro-food firms.

Sources and References

'Rural Ireland 2025: Foresight Perspectives' available from:

- The National Institute for Regional and Spatial Analysis or NIRS at NUI Maynooth

- The Department of Agribusiness, Extension and Rural Development at University College Dublin
- The Rural Economy Research Center and the Environmental Research Centre at Teagasc

About the EFMN: Policy Professionals dealing with RTD, Innovation and Economic Development increasingly recognize a need to base decisions on broadly based participative processes of deliberation and consultation with stakeholders. One of the most important tools they apply is FORESIGHT. The EFMN or European Foresight Monitoring Network supports policy professionals by monitoring and analyzing Foresight activities in the European Union, its neighbours and the world. The EFMN helps those involved in policy development to stay up to date on current practice in Foresight. It helps them to tap into a network of know-how and experience on issues related to the day to day design, management and execution of Foresight and Foresight related processes.