REDEFINING FARMING

UNLOCKING INVESTMENT/ UNLOCKING POTENTIAL

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REDEFINING FARMING

2017 CLA RURAL BUSINESS CONFERENCE
REDEFINING FARMING
28 NOVEMBER LONDON

THE CLA RURAL BUSINESS CONFERENCE

In 2016 the CLA launched the Rural Business Conference. The event which takes place in central London brings together the owners of landowning rural businesses with policy makers and other influencers. It has three purposes:

- To raise awareness of the contribution that tens of thousands of businesses are making to the economy, communities and environment across rural England and Wales.
- To provide inspiration and practical advice to landowning business owners across the rural economy.
- To provide a forum to discuss and develop the policy ideas that can make a difference to the shared challenges faced by all of those with a stake in rural life.

The event is made possible by the support of a range of partners (highlighted below) and the participation of hundreds of business owners, not only at the main event but at a range of seminars, working groups and conferences that took place throughout 2017.

This report was published at the CLA Rural Business Conference that took place on 28 November 2017 at the Queen Elizabeth Centre II in Westminster London.

CONFERENCE SUPPORTED BY:

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CONTENTS

UNLOCKING INVESTMENT UNLOCKING POTENTIAL

Landowners and farmers are facing a period of uncertainty and change. Brexit grabs the headlines, but it is only one of the major changes reshaping the landscape in which we live and work.

Climate change, a global population explosion, radical advances in technology, a truly global market place and changing public expectations of what our land and landscapes might be used for. These are all long-term trends that are reshaping our role, and they will determine where future business opportunities lie.

Significant change for some landowners on future land use, may beckon. The default assumption can no longer be made that our livelihoods can be derived from the use of land for food production alone. The decisions we make will define the future of our businesses and have consequences for the landscape and the fabric of the communities we serve. These are decisions that we have to embrace and not shy away from.

It is the proactive and the forward-thinking businesses that will succeed. This report highlights the opportunity and challenges we face as an industry, in seeking to define our role in the future, and how we shape our businesses going forward. It shines a light on the shortcomings in how we invest in skills and training for staff, but above all in ourselves. It highlights the opportunities available in collaboration, between farmers and within the supply chain and the immense potential of the rapid advance of technology.

If Brexit were not a reality then change would be necessary anyway. The fact that it is, makes change an imperative. The CLA is leading the conversation with Government and wider stakeholders about what the new policy framework will be for English and Welsh farmers outside the Single Market and the Common Agricultural Policy. This report is a timely reminder that as an industry the change has to start within our own businesses and the choices we make about the future.

TIM BREITMEYER
CLA PRESIDENT

This report is drawn from three main sources:

- A survey of 1,092 CLA farming members, conducted by ComRes. Data was gathered through a combination of online questions and telephone interviews from 14 July – 1 September 2017. Respondents were selected for involvement in farming and for 74% farming was the primary source of income. The sample has a representative distribution among farm types and age profile of the industry. 55% have a farm size under 500 acres and 45% above 500 acres.
- A series of four workshops taking place between July and September 2017 in Cambridgeshire, North Yorkshire, Gloucestershire and Kent.
- A range of secondary sources and past research undertaken by the CLA Land Use Policy team..

A full list of all references cited is provided on page 19.

KEY FIGURES

142,000 FARM BUSINESSES[1] → EMPLOYING **365,000** PEOPLE[2] IN ENGLAND AND WALES

CONTRIBUTING **£6.65** MILLION IN GROSS VALUE ADDED[3] (to the English and Welsh economy)

REDEFINING FARMING

OVERVIEW

Farming businesses are complex and diverse, operating in a challenging market and natural environment which have associated risks to production and income. There are positive drivers for the UK farming industry, such as a rise in population and demand for safe and healthy food, and new digital and precision technology that is set to revolutionise how we farm. But there are many challenges, and these should not be underestimated. Leaving the EU and developing an agriculture and land management policy fit for the new trading and labour environment presents an opportunity to reshape the sector. But to do this we must redefine farming with a vision for the future of land use, land management and the farming business.

Farming is both a traditional activity, based on culture, emotion and a connection with the soil, and a modern industry, under pressure to produce what an increasingly demanding society wants. Each farmer creates their own role on this broad spectrum but what is common is a rational desire on every farm to make a profit, deliver for the environment and invest in the natural assets that will provide opportunities for future generations. To ensure that at this pivotal point in UK farming we can achieve that, now is the time to redefine farming.

Farming today is made up of small and family-run farms as well as traditional estates and agri-businesses, all of which make up the landscape and community that is the backdrop of the rural way of life.

But many farm businesses are heavily dependent on subsidies, which provide a cushion for the market realities of low commodity prices and low margins in farming but stifle innovation. Producing food, materials and energy remains essential for a growing population, but there are negative environmental impacts from some farming practices and there is little reward for using practices that deliver positive environmental outcomes. Moreover, environmental drivers are accelerating quickly and land management needs to do more to provide for wildlife habitat and to mitigate climate change.

Leaving the EU and the Common Agricultural Policy provide the opportunity for farming to be redefined as economically self-reliant and environmentally sustainable. To meet this vision, change is required. Farm businesses need to become more profitable and efficient through a combination of technical, environmental and professional business management. Land is an asset and can be used in many different ways. The production of food, materials and energy are recognised private markets, but consideration should also be given to the value of environmental and other public benefits produced from the land and by farmers through the way it is managed. This ambition cannot happen without supportive and enabling Government policy. Industry must form a different relationship with Government, which moves away from dependency on subsidy to a contract for the delivery of public benefits. The CLA has proposed a Land Management Contract (LMC) as the mechanism for payments for public benefits, which will ensure that environmental delivery and public benefits are adequately rewarded. Government's role in creating markets for publicly beneficial land use and practices is crucial.

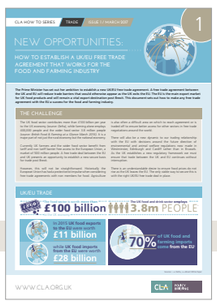
CLA EXPLAINS: REDFINING FARMING

Farming and land management contributes in multiple ways to food security, rural vitality and enhancement of our natural resources and environment. However, farming is often defined by the goods it produces or size of its operation, and this narrow view can be limiting to businesses and policy by stifling innovation and change. The reality is that farming businesses today are multi-faceted: often with diversified income streams, varied markets and supply chains, integrated with the local community and the best are inherently involved in nature and the environment.

The vision of profitable farming needs tackling on a number of fronts, including actions to address productivity, market development and risk management. The individual actions of farmers and land managers will be key in shaping the future. The best are already embracing the opportunities presented by changing markets, alternative land uses and collaboration, by making changes and facing new challenges head on. Government also has a role to play with direct investment to enable this process to move forward.

CLA EXPLAINS: NEW OPPORTUNITIES HOW TO SERIES

Throughout 2017 the CLA has published a series of 'How To' documents looking at how we can tackle specific land use and economic challenges after Brexit. These papers are part of our New Opportunities programme started in 2016 following the referendum vote. While redefining farming goes beyond the UK's decision to leave the EU, this series sets out the building blocks necessary to establish this vision. Throughout 2018 and going forward, the CLA will continue to lead the way in setting out how to redefine farming and put in place the right conditions for thriving land management sector. The following papers can be found in full at **www.cla.org.uk/newopportunities**



THE CHALLENGES FOR THE FARMING INDUSTRY	FARMING NOW: AT A GLANCE	FARMING REDEFINED	WHAT NEEDS TO HAPPEN - (PRIORITY GOVERNMENT ACTIONS ON PAGE 18)
For many, farming profitability is dependent on subsidies.	For the average cereal farm in 2016 the Basic Payment Scheme (BPS) contributed **87%** to Farm Business Income.[4] For the average less favoured area (LFA) grazing farm BPS contributed **93%** to FBI.	Opportunity to be self-reliant and profitable farming and land use across all farm types and sizes.	Reasonable period of transition to allow businesses to adapt to new trading and policy arrangements. Recognition of the value of farming land with natural constraints and the contribution to rural communities.
Environmental impacts on soils, water and air, and from greenhouse gas emissions and loss of habitat.	The annual costs of soil degradation in England and Wales are estimated to be **between £0.9 and £1.4 billion**.[5]	Farming recognized for its contribution to environmental improvement, landscape character and rural communities.	Long term government commitment to payments for a range of environmental and other public goods that benefit society.
Productivity growth in farming is lower than comparable nations.	UK agriculture productivity growth is **1.6% pa** compared to over **6%** in other countries.[6]	Productive and innovative farming sector.	Investment in applied research, knowledge exchange and adoption of new technology.
Farming is often a high cost, low margin activity at best, and loss making at worst, with fragmented supply base leaving power with the buyers.	The average total cost of production for milk was **28.6 pence per litre (ppl)** over the past five years, with the average price paid being **29.56 ppl**.[7]	Efficient and integrated industry achieving a fair share of the value chain.	Realise the benefits of collaboration and integration on improving margins and markets.
Agriculture sector has the lowest investment in training compared to other sectors.	Agriculture invested **£0.6 billion** in training – the lowest of all sectors.[8]	Highly skilled and professional technical, environmental and business management	Culture change to recognize training and professional development as an investment not a cost.
Brexit uncertainty around trade, labour and the future of agricultural policy.	**27%** of farmers cite Brexit as a reason not to invest.[9]	Confidence and profits to allow investment for the future.	Clear Government strategy and timetable for future agriculture policy, migrant labour and trade.

THE BUSINESS OF FARMING TODAY

OVERVIEW

Farming is a diverse industry, ranging from small part time farms to large landholdings, and from specialist farms of all sizes – producing fruit and vegetables, grains, dairy or livestock, to mixed farms with diversified enterprises. All of these farming systems and types of land management are dependent on physical characteristics, such as climate, soil types, rainfall and topography, but long-term economic viability and resilience to these variations is largely determined by the farmer's management approach. Whatever the nature of the farming business, a management approach which values market focus, investment in people, collaboration and innovation is capable of improving profitability.

A KEY FARMING FIGURES

Over **4 million** hectares of arable crops in England and Wales

1,600,000 HECTARES OF **FORESTRY**

140,000 HECTARES OF **HORTICULTURAL** CROPS

Over **5 million**[10] hectares of grassland

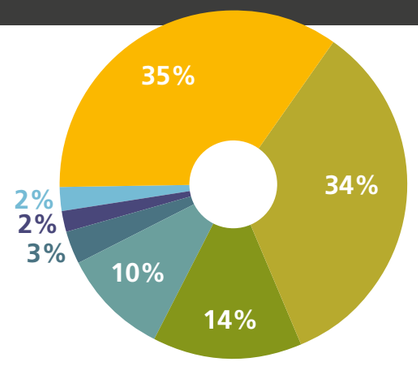
93,000 FARMS IN ENGLAND AND WALES
Average farm area: **85**ha

Livestock: **43,750**	Arable: **19,750**
Mixed: **6,750**	Horticulture: **4,000**

B FARMING ENTERPRISES

Survey respondents were selected for involvement in farming and for 74% farming is the primary function of their business. Most were involved in mainly livestock or crop production.

Primary farming interest
- Mainly cattle, sheep or other livestock production
- Mainly arable crops for food / feed production
- Evenly mixed farm (e.g. around half crops and half livestock)
- Other (landlord activities, tourism, forestry)
- Mainly horticultural crops
- Mainly non-food crops (e.g. energy, fibre, forestry)
- Mainly pig or poultry production



KEY POINTS

- While this survey focuses on farming enterprises, most farm businesses have some diversified income streams not related to agricultural production such as property rentals, holiday lets, forestry, equestrian, and leisure and sport activities.
- Over half (54%) of the respondents manage or own under 500 acres of farmland. These smaller farms were more likely to cite livestock production as the main part of their business (48% compared to 18% among larger farms).

C PURPOSE OF FARMING: WHICH ROLES DO YOU MOST IDENTIFY WITH?

1	43%	Landowners
2	43%	Food producers
3	40%	Custodians
4	36%	Business owner
5	24%	Environmental steward

Others included land manager (22%), rural employer (10%), innovator (4%), energy provider (4%).[11]

CLA ANALYSIS

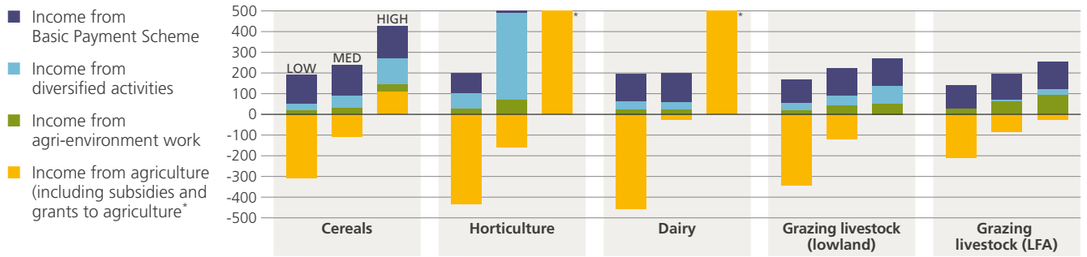
Despite most being involved in some form of food production, farmers have a much broader vision of what their role is. Of particular note is the number who considered their responsibilities to the environment as a key role. There was generally little difference between farm sizes, although understandably respondents with larger areas of farmland (over 500 acres) were more likely to see themselves as rural employers (15% compared to 7%).

KEY POINTS

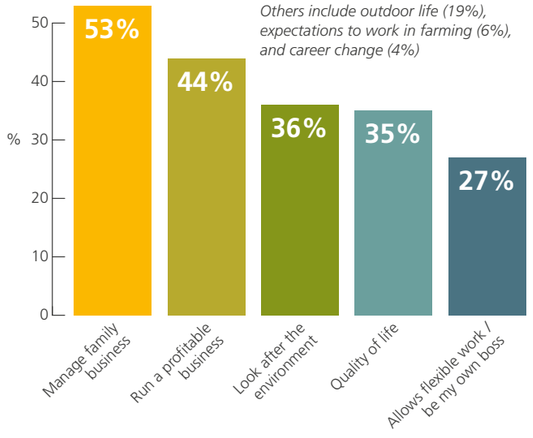
- **Average agriculture income is at best volatile** and at worst negative in the main sectors.
- Most sectors are **heavily dependent on farm support through subsidies** and agri-environment schemes.
- It is notable that the **top 25%** of farming businesses across all sizes and sectors **consistently make a profit** before subsidies.

D FARMING INCOME BY PERFORMANCE

Farm Business Income (£/ha) for main farm types (2016) – by its components: by low, medium and high performance



E MOTIVATION FOR FARMING: WHAT BEST EXPLAINS YOUR MOTIVATION FOR FARMING?



Others include outdoor life (19%), expectations to work in farming (6%), and career change (4%)

CLA ANALYSIS

Respondents were asked for their top three reasons for farming. Responses show a clear indication that while profit is important, to many it is not the only driver, and there are many social and environmental reasons for farming.

- Economic viability must provide a foundation for business but profit is not the primary reason many people farm.
- Being outdoors was more important for those managing farms under 500 acres (27% compared to 9% among larger farms) and profit was less of a driver (37% compared to 57%), perhaps due to other income sources on part time units.
- Not surprisingly, career changers had been in farming for less time than many of the others: 37% of respondents have over 40 years' experience, compared to only 1% of career changers.

CLA ANALYSIS: DEFINING SUCCESS IN FARMING

There is no one definition of a successful farming business. Economic viability is essential but many businesses have personal and social objectives such as improving the environment and achieving a good work-life balance. The objectives and measures of success also vary. Passive success is often measured by economic sufficiency and survival while the more progressive farming businesses measure success by growth in profit, increased net worth and improved efficiency. In the Redefining Farming seminars common characteristics of successful farming included:

- Good management skills and recognising the importance of people to the business.
- Availability of motivated and skilled labour force.
- Strong technical skills and an understanding of financial performance.
- Ability to make the best use of the infrastructure and natural assets.
- Willingness to confront challenge and having confidence to change.

* Low, medium and high performance refer to the bottom 25%, middle 50%, and top 25% of performers in terms of profit (FBI).
Note that profit for high performance dairy and horticulture exceed the upper scale of this figure and total 2,148 and 916, respectively.

INVESTING IN FARMING

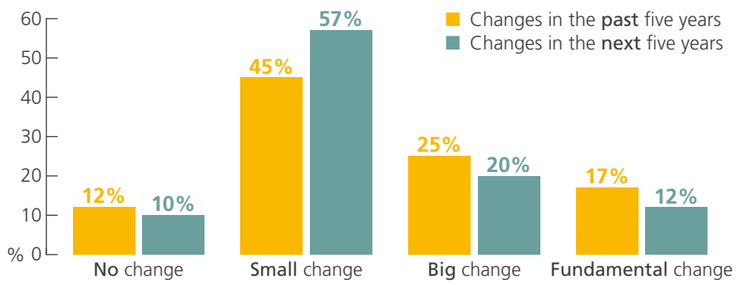
OVERVIEW

Across the agriculture industry productivity growth has fallen behind other comparable nations. However, there are examples of improved efficiency for all sectors and farm sizes, demonstrating that efficiency gains and profitable farming is possible and that viable businesses can be created through farming and diversified incomes. One of the characteristics of profitable businesses is the willingness to invest in new infrastructure and technology and adopt new farm practices in order to improve efficiency. Examples from the past fifty years include large round bales, non-inversion cultivations, hybrid grasses, new wheat varieties, 'easy-care' sheep, GPS, robotic milking and variable rate application of inputs.

A CHANGES IN FARMING BUSINESSES

Almost nine in ten (87%) of respondents have made changes to their farming business in the last five years, with more than **one in six** (17%) making fundamental changes. But the picture is different going forward. Interestingly, there is an acknowledgement that change is inevitable and a similar number of respondents are planning to make business changes in the next five years (**89%**), but fewer are planning to make big or fundamental changes (**20%** and **12%** respectively).

Past and future changes



CLA ANALYSIS

Respondents were asked for an assessment of the scale of changes they have made in the past five years and changes they are planning for the next five years. The types of changes were also asked for, and where appropriate these have been categorised as either investments or management changes. This general question is a litmus test of attitudes towards change and confidence in the future. It is encouraging that businesses have been, and continue to be, willing to adapt and invest in order to remain productive. Smaller changes reflect the ongoing evolution of a farming business as it responds to market conditions and other externalities. As greater challenges and opportunities emerge as a result of leaving the EU, farmers need clarity and certainty over what trading, regulatory and environmental parameters their businesses will be subject to in addition to effective policy instruments that enable farm businesses to build a self-reliant sector.

B UNDERSTANDING CHANGES

Investment changes

TOP 5

- **Increased physical infrastructure** 43%
- **Invested in machinery and equipment** 39%
- **Invested in agri-technology** 28%
- **Expanded the area farmed** 26%
- **Invested in improved broadband** 24%

Management changes

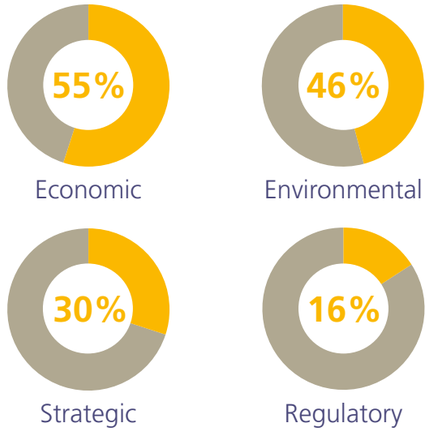
- **Adopted conservation practices** 39%
- **Changed rotation** 28%
- **Changed production system** 11%

CLA EXPLAINS

There are four main types of new technology investments. Mechanisation and labour efficiency have contributed most to productivity in the last 25 years with investment in new equipment and infrastructure. However, advances in biological technology through genetics of crops and livestock have provide major advances in yields and productivity, as have chemical technologies of pesticides, fertiliser and vet and med products. The industry is now on the cusp of a new digital technology era which has the scope to revolutionise what and how land is farmed and managed through use of satellite and digital innovations that will open new ways of working through precision farming, improved information and new markets. These trends are reflected in the survey findings with the most common investment in physical infrastructure and machinery, but a significant proportion investing in agri-technology and broadband.

Innovation is not just about new technology. Adoption of new (or sometimes old) farming systems or practices can bring equal economic and environmental benefits to the farms. This is reflected in the survey findings where farmers are adopting conservation practices for soil management and changing rotations to improve yields.

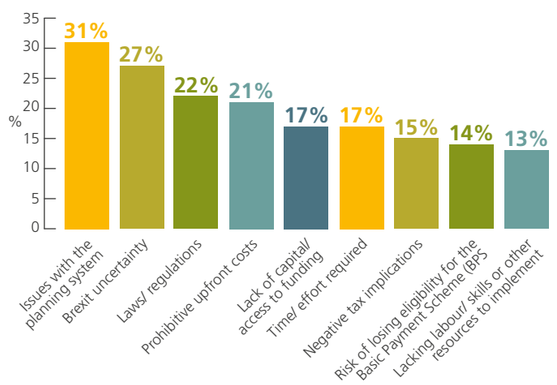
C MOTIVATIONS: DRIVERS OF CHANGE



KEY POINTS

- **More than half (55%)** feel improving economic performance is a key driver – around the same amount **(46%) who cited improving natural assets and protecting the natural environment** as motivations for making changes.
- **Regulation was a driver for one in six** who made changes to their business, while **one in 10** say they were motivated partly for **access to grants.**
- **Business and succession planning were drivers for about a third** of respondents who made changes.

D BARRIERS TO CHANGE: EXPECTATIONS



KEY POINTS

- The **uncertainty around leaving the EU** is seen by many as a barrier to making changes to farming businesses **(27%)**.
- **Issues with the planning system** are cited by the most respondents **(31%)** as a barrier to making business changes.
- **Almost one in four (22%)** find **laws and regulation** a barrier to change.
- Although a small sample, half of respondents in **pig and poultry production (52%)** saw **issues with the planning system and regulations** as a barrier to making changes.

CLA ANALYSIS

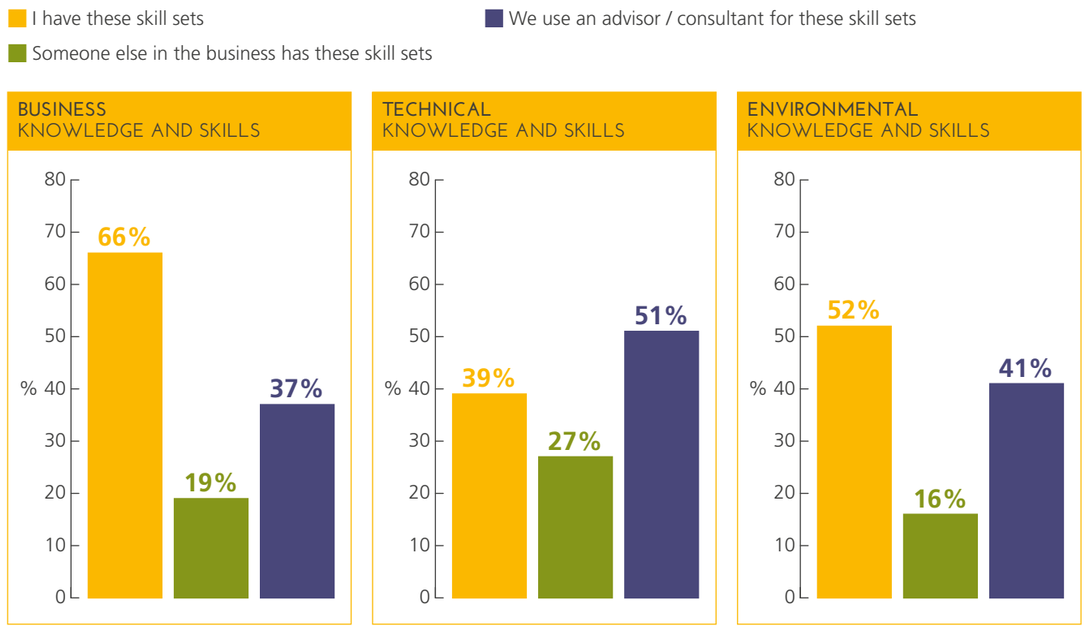
Without investment in modern facilities, new equipment and technology, farms cannot operate efficiently or meet regulatory standards. While there are fewer businesses making changes in the livestock sector (85%) compared to the arable sector (92%) and mixed farming (88%), the overall picture is one of continued development and change for most businesses, albeit dominated by small incremental changes. Regulatory compliance is a driver for some businesses but it is the positive economic impact that is the most common driver of change. However, there are some real barriers to investment that have the potential to limit opportunities to develop profitable and resilient businesses fit for the future. Top of the list are issues with the planning system which is complicated, costly and time-consuming to navigate, while Brexit uncertainty and laws and regulation are also significant. The most commonly cited barriers are all external, requiring changes in policy and Government intervention to address, but that is not to ignore the internal barriers such as lack of time and skills which could be resolved through taking advice and attending training.

INVESTING IN PEOPLE

OVERVIEW

Improving skills and knowledge should not be seen as a regulatory burden which adds cost, for example health and safety training or Red Tractor, but as an investment in continual professional development which can improve business performance, competitiveness and sustainability. Without investment in skills and human resources, it is unlikely that other investments will realise their full potential. The agricultural sector's investment in skills, training and human resources compares poorly to other industries, affecting the ability to attract educated and enthusiastic staff at all levels while also affecting overall productivity. Crucially, investing in people should be as much about owners and managers as it is for employees.

A BUSINESS, TECHNICAL AND ENVIRONMENTAL SKILLS



CLA ANALYSIS

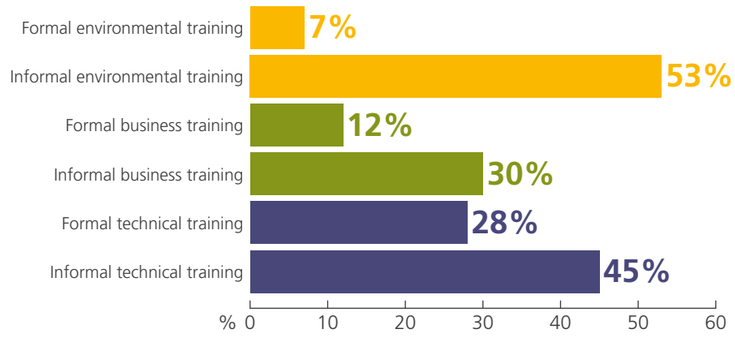
The demands on a modern farming business are significant with high standards of business, technical and increasingly, environmental knowledge needed in order to run a successful business. Moreover, an awareness of what a business owner or manager does not know may allow them to make more informed decisions as to the best source of bringing that knowledge or expertise into the business. Farmers recognise the need for expertise in the business, technical and environmental areas of running a successful enterprise and in general, where there was lower knowledge within the business, there was a higher use of advisors. The survey was a self-assessment, so there can still be questions as to the level of knowledge. In business and technical knowledge, respondents whose business had undertaken training in the last two years were more likely to use an advisor (40% compared to 27%). For technical knowledge there was a farm type difference, with more than two thirds (69%) of arable farm respondents using an advisor compared to only a third (34%) of livestock farm respondents.

The type and source of advice was not investigated in detail, but could include private trade or independent advice, and publicly funded advice from government or private sector.

CLA CASE STUDY: HALL HUNTER PARTNERSHIP / BERKSHIRE, SURREY, WEST SUSSEX

The Hall Hunter partnership was started by Mark and Mary Hall in 1966 as a niche-salad growing business and have since developed into one of the largest soft-fruit producers in the country, farming over 1,100 acres and employing 2,000 staff in peak season. Part of their success is a focus on developing the skills and knowledge of their staff through the introduction of their own management training programme which coaches, trains and supports the development of staff who wish to progress. Testament to its success is the high number of senior managers who began as fruit pickers. Yes, the size of the business allows it to dedicate more time to organised skills training for their staff but smaller businesses could also improve their productivity and labour retention through their staff attending formal training facilitated by the wider industry and government.

B TRAINING IN THE LAST TWO YEARS



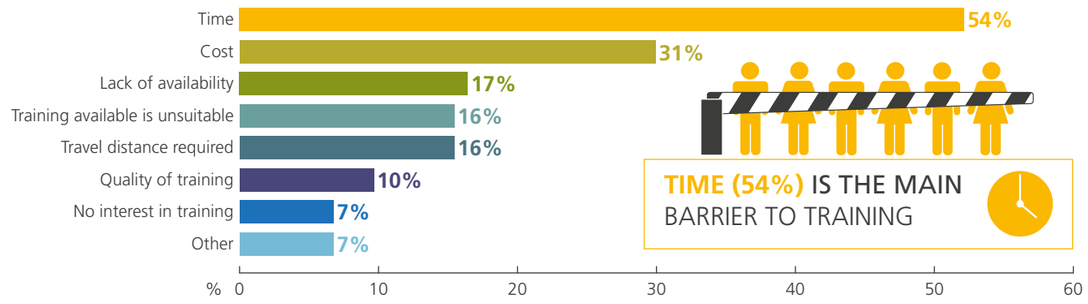
KEY POINTS

- **56%** of businesses have invested in **technical skills and knowledge**.
- **55%** of businesses have invested in **environmental skills and knowledge**.
- **37%** of businesses have invested in **business skills and knowledge**.
- **27%** of businesses **have not invested in any training** of any form in last two years.*

CLA ANALYSIS

These figures show the low investment in training in the sector – with one in four respondents (27%) indicating their business has undertaken no training in the past two years, and the dominance of informal training across all three areas of technical, environmental and business skills development. Formal training results in a qualification or certificate while informal training includes a wider range of activity including discussion groups, meetings and farm walks. There is no doubt that informal skills and knowledge development has a value, and for some skills, is the most appropriate form of development, enabling local discussion of how information can be applied in a business and sharing ideas. However, the low level of on-going professional development through formal training is a concern from the point of view of employee retention and delivering profitable farming of the future. Much of the focus of formal training tends to be on compulsory courses for employee or new entrants for regulatory purposes.

C BARRIERS TO TRAINING



CLA ANALYSIS

Perhaps not surprisingly, the main reason for no recent training was due to time and costs with little difference between farm size or farm types. Livestock farm respondents were more likely to cite travel distance as an issue (20% compared with 16% overall), while 32% of respondents from horticulture businesses felt the suitability of courses was limiting (compared to 16% overall). Demanding the right sort of training and embracing training for owners and managers as well as employees is likely to be more important in the future of farming as the industry moves to a more high tech, market focussed environment. This is not just to ensure that businesses are run to the highest standards, but to ensure that the industry can attract high quality workers and managers for the future. Farming needs to be recognised as a leading industry in skills, training and continuous professional development to realise any opportunities and address any challenges of the future.

* Note these are aggregated data for each skills and knowledge area.

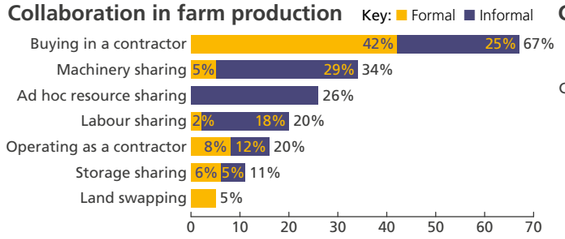
BUSINESS INNOVATION – COLLABORATION

OVERVIEW

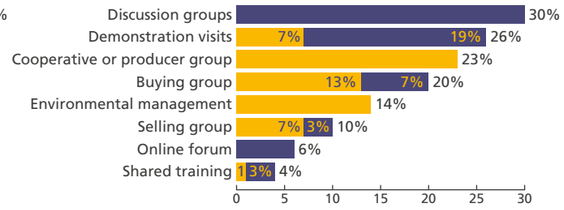
The farming industry is characterised by many relatively small businesses, all but the largest of which are considered small-to-medium sized enterprises (SMEs). One solution for overcoming the challenges of scale is collaboration. However, collaboration takes many forms and addresses more than just scale – ranging from sharing knowledge, machinery or labour to collective buying and joint research. Most businesses collaborate in order to improve profitability and access skills/equipment that would otherwise be unavailable, but there is a perception that UK farmers collaborate less than their counterparts in Europe. Results show that CLA members are collaborating both with other producers and throughout the supply chain.

A TYPES OF COLLABORATION

Collaboration in farm production



Collaboration with supply chain



CLA ANALYSIS

Collaboration is two or more people working together for mutual benefits. Respondents were asked to indicate all types of regular collaboration they take part in and where previously unknown, indicate whether a written agreement underpinned each type of collaboration. Categorising the above results has shown that three-quarters (77%) of respondents contract services in or out, two-fifths (41%) participate in discussion groups and/or demonstration visits and one-quarter (27%) leverage economies of scale through buying and/or selling groups.

CLA members who are NOT collaborating are:

➜ **More likely to be making smaller or no business changes.**

- (39% compared to 29% making big or fundamental changes) *Supply chain*.
- (13% compared to 10% making big or fundamental changes) *Farm production*.

➜ **Twice as likely to have done no training in the past two years.**

- (60% compared to 26%) *Supply chain*.
- (19% compared to 9%) *Farm production*.

These trends show that engaged farming businesses that value training and are willing to make significant changes to their businesses are more likely to collaborate. We know that successful farm businesses are dynamic and invest in training, but these results show the importance these same businesses place on collaboration.

In addition to the business benefits, collaboration is increasingly relevant for environmental delivery. Results have shown that one-fifth (20%) of those involved in any type of supply chain collaboration are collaborating with others in a group environmental management scheme or as part of a payment for ecosystem service agreement.

CLA CASE STUDY: HEMSWORTH FARM / WITCHAMPTON, WIMBORNE, DORSET

➜ **SOPHIE ALEXANDER** ➜ YEARS FARMING: SIX

➜ *"There is masses to learn and none of the systems or knowledge for running a viable farming business are fixed"*

Making good management decisions on any farm is a challenge, but as a new farmer it can be daunting. Six years ago, Sophie Alexander began managing Hemsworth, her first farming enterprise. The land was suited to arable production and the initial decision to go organic was led by independent research, but since then Hemsworth has participated in an AHDB-organised benchmarking group, which has been an invaluable resource.

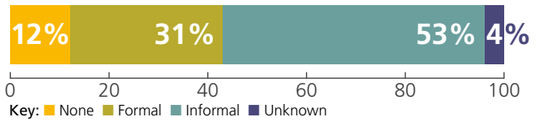
However, this was just the beginning. Organic systems require investment to build fertility and "Hemsworth may have 30-40% of land tied up in fertility-building leys at any given point," meaning there is no income from cereals and alternative sources of financial return on that land are needed. So when a neighbouring farmer appeared at the local organic arable cooperative asking for more grazing land for replacement dairy heifers, Sophie leapt at the opportunity to access manure and an attractive rent.

Among other projects, Hemsworth has also participated in field trials with other growers. The R&D costs are shared by the group and a specialist mill, which also pays premiums for desirable grain characteristics such as low moisture content, so that there are incentives to produce quality results. The bespoke research benefits the growers and the mill has already seen efficiency improvements.

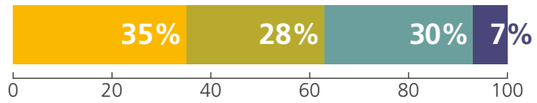
Besides the financial return that has always justified collaboration, Sophie was aware of the need to learn from others in farming, especially as a new entrant, saying that "being open minded and willing to learn are key." Written agreements with clear terms underpin all of the collaboration at Hemsworth and are crucial in fostering initial trust and maintaining good working relationships.

B FORMAL AND INFORMAL COLLABORATION

Collaboration in farm production



Collaboration with the supply chain



CLA ANALYSIS

Although the perception is that collaboration is not common on UK farms, results show that nine in ten respondents collaborate in some way (88% on farm production and 65% with the supply chain) and many collaborate in more than one way. Of the collaboration activity that occurs, 60% is informal in farm production (35% is formal) and 46% is informal in the supply chain (43% is formal). In terms of the benefits, it is possible that formal and informal collaboration have different strengths. While all collaboration can bring about shared benefits, formalised relationships are crucial in certain cases and useful in others – especially where there is high risk or the ever-present possibility of a dispute. The survey indicates that respondents collaborate largely to make their businesses more successful and access new opportunities. Formalising collaboration where it already exists can increase the benefits and reduce the challenges of working collaboratively by forming a shared understanding and discussing plans for when things might go wrong.

C MOTIVATIONS AND BARRIERS TO COLLABORATION

Motivations – of those who collaborate	Barriers – of those who do not collaborate
More than half: to increase efficiency (57%), to access skills or equipment (54%) and to increase profitability (52%).	**About half:** believe they already have access to people/ equipment/resources it needs (48%).
About two-fifths: to access knowledge and skills from others (42%).	**One-quarter:** believe it would not benefit their business (23%).
Around one-quarter: to improve environmental protection (19%).	**One-sixth:** do not know of others willing to collaborate (16%), believe the problems outweigh the benefits (15%) and are concerned about lost/damaged machinery (9%).

CLA ANALYSIS

Formalising collaboration can address many of the barriers identified by members, which include fears about lack of independence and control, differing standards and fairness of effort put in and return. Raising awareness of the benefits is a first step to target those that do not collaborate – as half of those respondents believe they have all the resources they need.

Those who collaborate informally stand to gain more by formalising relationships as a way of managing threats and planning for unforeseen events. For instance, results from the CLA seminar series found that trust and a common understanding between collaborators is necessary for effective business relationships. Setting out clear terms in a contract – such as objectives and standards – is one way to alleviate perceived threats while putting plans in place to manage emergent threats, such as disputes.

Industry and Government can promote the benefits of collaboration and the importance of agreements to underpin these relationships. Other proposals include creating template contracts and developing best practice guidance. Government should also incentivise collaboration in environmental delivery so that bottom-up collaborative networks established in environmental schemes are leveraged for business challenges.

For those already collaborating it is more about unlocking further opportunities than overcoming barriers. Results show that in-person collaboration (through farm visits and discussion groups) are about seven times as prevalent as online collaboration (41% compared to 6%). Integrating technology and collaborative relationships can lead to simple and effective benefits, such as time and cost savings, the ability to work across large distances and 'data benchmarking' where farm production data is shared.

To achieve this, industry must invest in new technology and influence agri-tech businesses to create integrated systems that allow for collaboration to occur. Government must continue to invest in broadband infrastructure and should offer grants for R&D in collaborative technology uses in agriculture.

BUSINESS INNOVATION – NEW WAYS OF WORKING

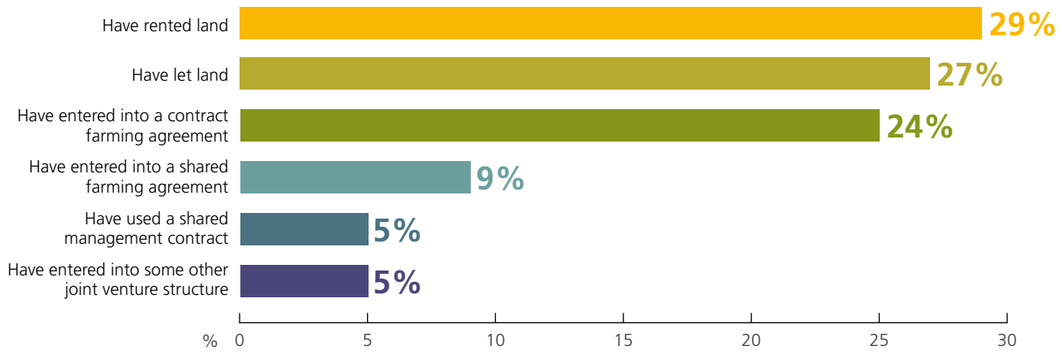
OVERVIEW

The majority of farming businesses are in family ownership (96%)[12] with the tie to the land and desire to continue the business for the next generation a strong motivation to stay farming. Farming is about making the best use of land assets and this does not need to be in the traditional owner occupier or land rental model, or indeed producing for traditional markets. While current land use tends to focus on producing and selling food, materials and energy in the future land use will include public and private markets for environmental outputs such as landscapes and clean water. Entrepreneurial farmers are now taking these opportunities and in doing so redefining farming.

A BUSINESS STRUCTURES

The core land of a farming business is usually owned or rented but there are range of alternative business structures that can allow business expansion or new management while still retaining an interest/input from the landowner.

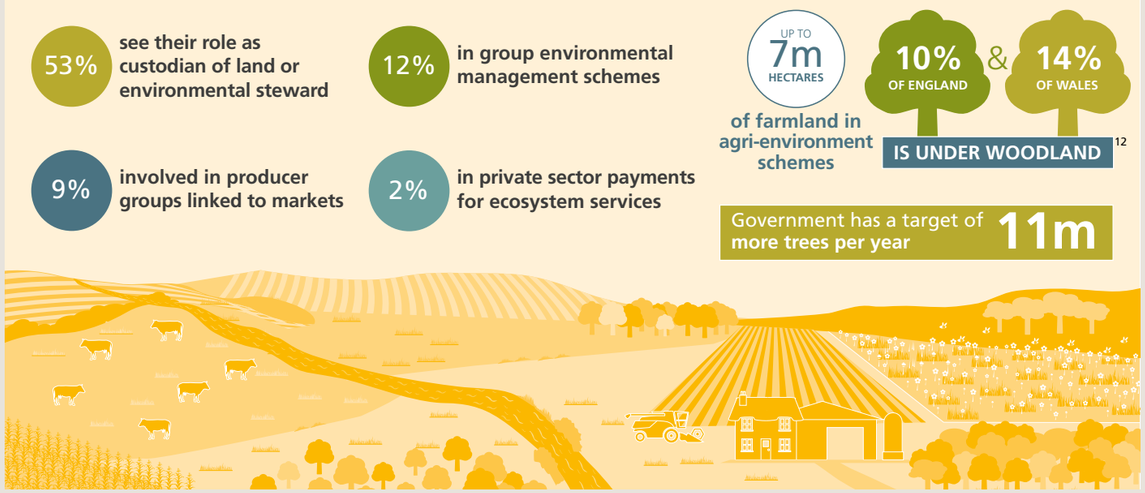
Alternative business structures



CLA ANALYSIS

The choice of business structure is dependent on a range of factors but for those wishing to expand or those wanting take a step back from day to day farming. Joint ventures offer a number of benefits, although they are not appropriate in all situations so it is important to take advice. Share farming and contract farming are quite well established but there are many other creative joint ventures that can bring new management ideas, and cost savings such as shared management or franchise farming. The benefits of new ideas and thinking coming into a business can be high. It is interesting to note that those that enter into contract farming or share farming agreements are three to four times more likely to have had training in the last two years, and the added level of business evaluation can help to drive profitability for both parties. Joint ventures are also a good route for new entrants to start their first farming venture without the need for high capital outlay, and an acceptable change for those wishing to take a less active role in farming.

B INNOVATION IN LAND USE



CLA CASE STUDY: BOYTON ESTATE / WILTSHIRE

The Wheatley-Hubbard's Boyton Estate in Wiltshire is a good example of the use of a range of business structures to ensure long-term sustainability of a family estate. Alongside cottages and small commercial units developed from a farm shop complex, mainstream farming is the Gerrings' grass-based, 700 hundred cow dairy partnership, working alongside an in-hand arable Contract Farming Agreement run with Velcourt Ltd. As well as muck and straw exchange, dairy forage crops provide useful arable break crops, extending the rotation and helping tackle persistent weed problems. This contributes to long term fertility and soil structure and thereby, sustainability and productivity of the land as the underlying asset. Technical expertise of specialist farm businesses maximises potential of the farm's commercial assets while the in-hand farming operation allows careful focus on management of the estate's natural capital through stewardship of conservation land, forestry and native breed preservation work undertaken by the family.

C ENVIRONMENTAL MARKETS

→ The Government

Farmers produce a range of non-market goods, these are referred to as a public goods by policy makers. Public goods are ones which are not adequately provided by the market. Two examples include biodiversity; green-house gas storage; and, flood mitigation.

The UK Government accepts that there is a strong case for financially rewarding farmers for producing these and has stated that future agricultural support will be based on 'public money for public goods'. The CLA has been at the forefront of arguing for such a change and proposes that this should be achieved by Land Management Contracts between Government and land managers.

The Land Management Contract would represent a major shift from the current area based entitlements to a contractual system that rewarded farmers in line with the scale of environmental improvements they achieved.

→ Private business

It is not just the state that can benefit from environmental enhancements – emerging opportunities relating to biodiversity compensation, natural flood management and water quality improvements are starting to be available to land managers.

If Government provides the right framework, for instance by requiring developers to demonstrate they are delivering a net gain for the environment, then the rural economy and environment will benefit. In other instances, Government needs to streamline existing regulations to allow for innovation. For example, reviewing permitting and consenting so that land managers who can hold water back and slow water without needless bureaucracy.

In the future, it should be possible to combine public and private funding sources to add value and get the most of every pound of Government money.

→ Visitors

For many land owners their farms are a backdrop to tourism and recreation businesses. Their visitors want and expect the environment to be part of their experience.

→ Consumers

For some farm products there are opportunities to market them so they command an environmental premium. Some practices and farm systems which prioritise sustainable land management and seek benefits to soil health and the wider environment also produce high quality, healthy and sustainable meat and produce. We are seeing more farmers adopting these techniques and benefiting commercially.

The internet allows environmentally minded farmers to sell their story and their products directly to consumers. In these examples, environmental management is not an add on. It is at the heart of entrepreneurial farm businesses.

→ Forestry

Woodland is unusual in that it can deliver all of the above environmental goods whilst at the same time delivering the private good of timber. The rise in the firewood and biomass market has underpinned the general timber market enabling existing woodlands to be managed productively and profitably for the first time in many decades.

Trees and woodlands deliver a wide range of environmental benefits. They remove pollution from the air and sequester carbon dioxide, locking it up not only in their stems and branches but also in the very soil that they grow in and depending upon usage the sequestered carbon can remain locked up in their timber for centuries. Trees planted on degraded land progressively improve its depth and fertility. Woodland and strategically planted trees have a positive effect upon water management, improving infiltration, slowing the flow and cleaning the water.

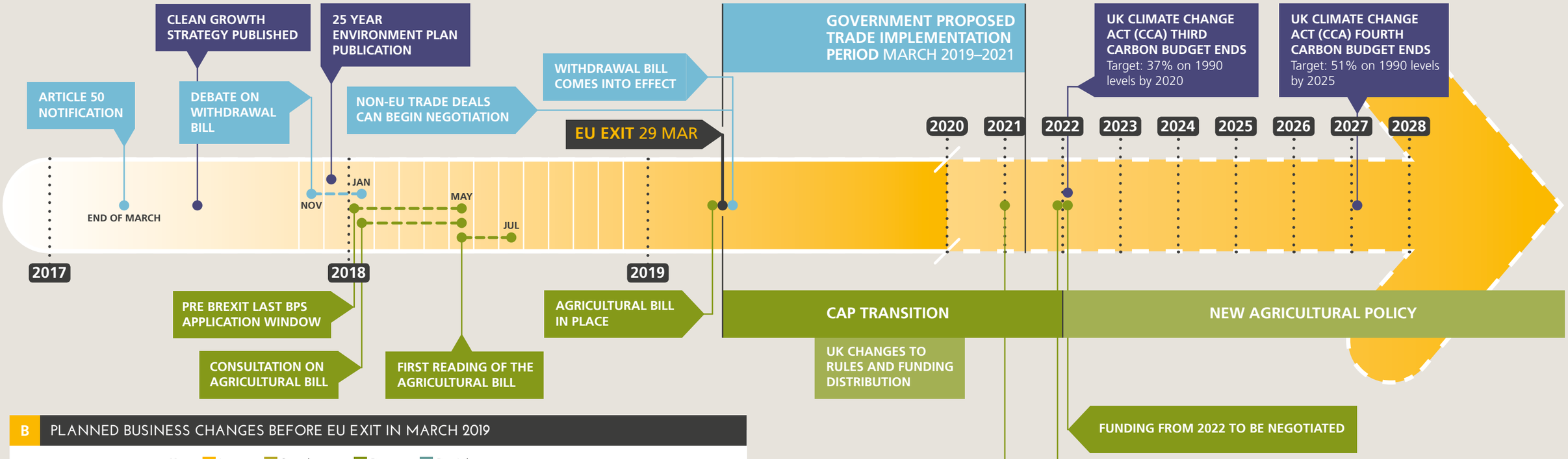
Woodland of all types provide a refuge and valuable habitat for the complete spectrum of wildlife, from plants and insects to birds and mammals. Leisure time spent in woodlands or even the presence of trees near developments has been proven to improve physical and mental health. All of these societal benefits make trees and woodland a legitimate and obvious recipient of future public payments.

BREXIT READY FARMING

OVERVIEW

Brexit is not the only driver for change in the farming industry, but it is a catalyst for change. Businesses have different priorities. The trade agreements are the foundations for future markets and is a concern for everyone. Labour availability is the key concern for some, particularly those reliant on seasonal workers, however any shortage in the agri-food supply chain could have much wider impacts. The future of agriculture policy is likely to have the widest effect as we move from reliance on direct payments to a new system of payments for public goods. Being Brexit ready is laudable, but it is not easy to plan when there is so little clarity of future policy.

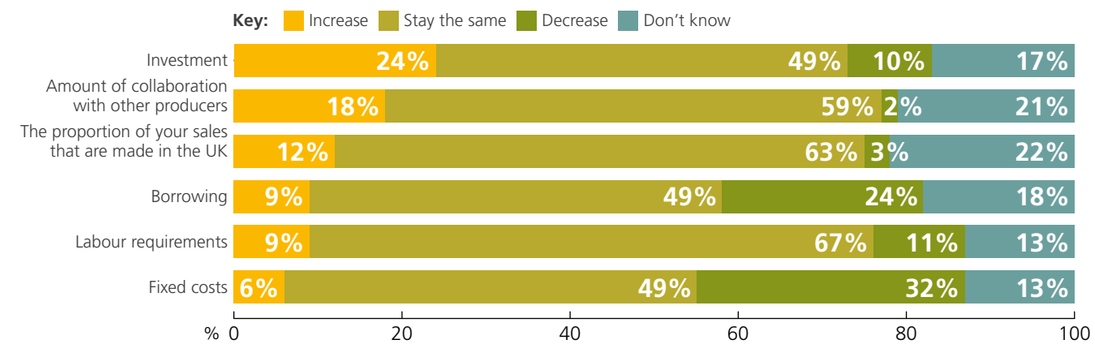
A ESTIMATED TIMELINE



Please note that there is a degree of uncertainty in the timing of all events and while the graphic provides an indication of the most likely expected timeline to date, the events are subject to change.

KEY: EVENT CATEGORY
- OTHER DRIVERS
- BREXIT
- AGRICULTURE POLICY

B PLANNED BUSINESS CHANGES BEFORE EU EXIT IN MARCH 2019



KEY POINTS

- **Most businesses are not planning to change.**
- **42% of respondents are looking to reduce fixed costs and 23% to reduce borrowings.**
- **24% of respondents are looking to increase investment.**
- **17% of respondents are looking to increase collaboration.**

CLA EXPLAINS

The picture of the industry in planning for Brexit is mixed. Some are preparing for battle – reducing borrowings and fixed costs, and looking at ways to farm more efficiently. However, the majority are not making changes or are uncertain. The reasons for this vary, but at its core is the lack of clarity on future trade, labour and agriculture policy, making it more difficult to make long term decisions, other than to entrench and weather the storm until more information is available.

C PREPARATIONS FOR BREXIT

KEY POINTS

- **Two in five (42%)** respondents are diversifying into areas outside agriculture.
- Assessing farming performance: **26%** of respondents are trying to farm without direct payments, **21%** are benchmarking and **10%** are taking advice.
- Most common preparation for EU exit has been to keep informed but not take any action **(47%)** and to wait to get more certain information **(49%)**.

CLA EXPLAINS

The lack of clarity and uncertainty is having a paralysing effect on planning for the future. Two thirds (68%) of CLA members are keeping informed but not doing anything, or watching and waiting for more information before taking any action. There is more activity in looking for alternative income streams to build the resilience of their business and assessing and benchmarking business performance is also being performed by 21% of farmers. Farmers who have had training in the last two years are three times more likely to be do benchmarking than those without training.

UNLOCKING POTENTIAL

The CLA has proposed a Food, Farming and Environment Policy which sets out a vision for the future of agriculture policy to improve the profitability of farming and forestry, support the wider rural economy and provide recognition for the delivery of public benefits through a Land Management Contract.

This will signal the move away from dependency on subsidies, but moreover will put in place the tools needed for businesses to invest in a self-reliant, profitable and sustainable industry which will redefine farming.

It is clear that land use, land management and farming businesses will need to change if it is to achieve this goal. Government has a key role in setting a future food, farming and environmental policy that properly values the environmental and social benefits of land use and land management, while providing opportunities for all and enabling the best businesses to invest and grow, making room for innovative new technology and practices and developing a professional industry that is attractive to the best new talent.

Redefined farming

- Self-reliant and profitable farming and land use across all farm types and sizes.
- Farming recognised for its contribution to environmental, landscape and social public benefits.
- Productive and innovative farming sector.
- Efficient and integrated industry achieving a fair share of the value chain.
- Highly skilled and professional technical, environmental and business management.
- Confidence and profits to allow investment for the future.

PRIORITY ACTIONS

Skills and training

- Evaluation and monitoring of local needs to ensure that access to the **right type of training is in the right place**.
- Incentivise demand-led training and work with industry and stakeholders to create a **culture of continual improvement in skills and knowledge**.
- **Targeted support for management skills**, development in business, financial management, risk management, staff management, health and safety, facilitation, negotiating and sales and marketing to **help drive professionalisation of the industry**.

Investment

- Provide **clear signals and adequate period of transition** to the future of agricultural support to provide greater certainty for investing in the future.
- Incentives for investment to **modernise aging infrastructure and to invest in applied R&D and new technologies** to develop the successful businesses of tomorrow.
- Ensure **universal rural broadband and mobile** coverage.
- Government to develop a **fast track planning route** for small scale rural business development.

Partnership working

- **Farmer to farmer**
- **Supply chain integration**
- **Government and farming**
- **Farming and consumers**

Land use and markets

- Government should drive the development of a **Land Management Contract** for delivery of public benefits payments to farmers and land managers.
- Promote **best practice in collaboration and create template agreements** to drive awareness and the importance of setting out the terms of any relationship.
- Support the development of **shorter and local supply chains**, and local marketing collaboration, that **provide added value and improved margins**.
- Expand the principles of **protected food names and clearer labelling** for UK production and standards.

Technology

- Facilitate **on-farm applied research and innovation** alongside our world-leading basic R&D so that new ideas and **solutions to industry problems drive productivity improvements**.
- Government **investment in co-ordinated research and knowledge exchange** to speed up the adoption of new technology and practices that deliver sustainable productivity and resilience.
- Develop **evidence-based regulatory regimes for new technology** such as genetics, pesticides and medicines that will **enhance resource efficiency while ensuring protection of human health and the environment**.

ABOUT THE CLA

We represent diverse and successful businesses located at the heart of rural communities.

We help landowners work in the best interest of the land, wildlife and the environment.

Our purpose is to ensure that our members have the security, certainty and support they need to make investments in their land and business.

The CLA (Country Land and Business Association) is the membership organisation for landowners, farmers and other rural businesses. We have more than 30,000 members and together our members own around half of the rural land in England and Wales.

REFERENCES:

- Page 3 – by footnote number:
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  - **3:** *Structure of the agricultural industry in England* (2016) Defra; *Welsh agricultural statistics* (2016) Welsh Government.
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CONTACTS

For more information about this report contact:

SUSAN TWINING
CHIEF LAND USE POLICY ADVISER
susan.twining@cla.org.uk

SHANE BRENNAN
DIRECTOR OF EXTERNAL AFFAIRS
shane.brennan@cla.org.uk

REBECCA WILLIAMS
DIRECTOR, CLA CYMRU
rebecca.williams@cla.org.uk

@clatweets @cla_politics

16 Belgrave Square, London, SW1X 8PQ
TEL: 020 7460 7961 FAX: 020 7235 4696
EMAIL: MAIL@CLA.ORG.UK WWW.CLA.ORG.UK