LEADER Conference 2016: Farm Diversification Workshop

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SRUC are funded by the Scottish Government as part of its Rural Diversification, Non-food Crop & Renewable Energy Opportunities Advisory Activity to provide advice on farm diversification

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Structure

• Introduction and workshop purpose
• Ayrshire LDS’ support farm diversification
• Session 1: How is your LDS planning to support farm diversification?
• Session 2: What could a farm diversification proposal look like?
• Session 3: Learning from others
• Session 4: Reflecting on the session
• Summing up
Workshop Purpose

• All LDS have identified enterprise as a key priority
  – focus on jobs and growth with a particular emphasis on micro enterprises
• Dealing with farm diversification is new for most LDSs and LAGs in this programming period
  – Should we get hung up on whether a project is farm diversification or rural enterprise – or is this a budgeting LDS requirement?
  – If it fits with LDS and contributes to the LEADER objectives the LAG be supporting it!
• What needs to be done to support farmers diversify and help LAGs support the sector?

Farmers and Diversification

• Traditional farming (and forestry) activities remain important in many rural areas
• But there are many farm income pressures:
  – Unstable prices
  – Global competition
  – Input price inflation
  – Seasonality of demand
  – CAP support payment
Farm Incomes challenges

FBI = Farm Business Income (a proxy for profit)
FTE = Full-Time Equivalent


Business Viability

• Many businesses are not viable, in their current structure, in the short and long term

STV = short term viable  LTV = long term viable
STNV = short term non viable  LTNV = long term non viable

Unpublished analysis by SRUC, Policy, Innovation and Behaviours Team
Need for Diversification

• Farm Business Income by Cost Centres: 2012-14


• Diversification used to manage income risk, broaden the business base and improve viability

Farm Incomes – Reliance on CAP

• CAP remains important to farm incomes

<table>
<thead>
<tr>
<th>2013/14</th>
<th>CAP as % of Farm Business Income</th>
<th>CAP as % of Farm Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialist sheep</td>
<td>153%</td>
<td>64%</td>
</tr>
<tr>
<td>Specialist cattle</td>
<td>221%</td>
<td>43%</td>
</tr>
<tr>
<td>Other Cattle and Sheep</td>
<td>231%</td>
<td>53%</td>
</tr>
<tr>
<td>Cereals</td>
<td>172%</td>
<td>23%</td>
</tr>
<tr>
<td>General cropping</td>
<td>102%</td>
<td>17%</td>
</tr>
<tr>
<td>Dairy</td>
<td>55%</td>
<td>9%</td>
</tr>
<tr>
<td>Lowland cattle and sheep</td>
<td>173%</td>
<td>30%</td>
</tr>
<tr>
<td>Mixed</td>
<td>176%</td>
<td>24%</td>
</tr>
<tr>
<td>All types</td>
<td>152%</td>
<td>27%</td>
</tr>
</tbody>
</table>
The future is not what it used to be!

Sector shock from CAP reform

- By 2019 – significant change to support payments
  - Historically intensive farms will be challenged
- Hard to summarise which sectors and where:
  - About 1,000 businesses estimated to see support decreases of over 60% worth £40 million
  - About 4,500 businesses estimated to see support decreases 40-60% worth £85 million
  - 7,750 businesses expected to see 60-80% increases worth £70 million
Estimated CAP Reform Impact

Sept 2014 Scenario - Redistribution (£, including degree)

Agricultural Region
- Eilean Ban Iar
- Highland
- Argyll & Bute
- Shetland
- Orkney
- East Central
- Clyde Valley
- Angus
- Lothian
- Tayside
- Fife
- Scottish Borders
- Dumfries & Galloway
- North East Scotland

Redistribution
- £ -40
- £ -30
- £ -20
- £ -10
- £ -
- £ 10
- £ 20
- £ 30
- £ 40

Millions

Estimated CAP Reform Impact

Counts of Beef Cattle by Outcome

Counts of Dairy Cattle by Outcome

Counts of Breeding Flocks by Outcome

Area [ha] of Arable and TGRS by Outcome

The James Hutton Institute

SRUC
Myth Busting

- “Farmers are all rich and they have plenty assets upon which to borrow”
  - Uncertainty of establishing new type of business, for new type of customers, using new processes and new marketing techniques
  - Asset rich BUT often cash poor
  - Banks have moved away from asset based lending and look for ability to cover interest and repayments.
  - Business plans are vital – as well as recognition of potential impacts on farm

LAG approach to Farm Diversification

- Supporting farm diversification in Ayrshire
- Chris Savage
  - Ayrshire LDS Chair
Session 1

• How is your LDS planning to support farm diversification?
  – How will LAGs ensure farmers find out about LEADER and support the farm diversification process?
  – How will LAG engage with farmers?
  – How will LAGs ensure LDS priorities are promoted to farmers and ensure projects are aligned to them?
  – How will the LAG ensure farm diversification proposals are robust and will actually improve business viability

Supporting LAGs

• New Scottish Government Farm Advisory Service
  – Help Desk, one-to-one, one-to-many
• Whole Farm Review
• NFUS – Farming Leader magazine
• SLE
• SRUC
• SGRPID
• SCF
• SRN
Session 2

• What could a farm diversification proposal look like?
  – Consider each of the two EOIs
  – Discuss how your LAG may approach them
    • What kind of feedback would you provide the applicant
    • What additional information would be required for clarity in full application

Farm Diversification

• Much confusion as to defining farm diversification:
  – If it is on the farm is it not farming?
  – If it is off the farm is it not rural enterprise?
• Need to think about “farm diversification” as activities to provide products or services that utilises the farm’s resources:
  – Buildings / machinery / land / labour / capital / etc
• If someone is not actively engaged in agricultural activity then they are not farming
  – e.g. I buy a plot of land to build a house and business – the fact I have a field does not make me a farmer
Session 3

• Learning from others
  – Case study examples from outside LEADER.
  – Self reflection on the approaches from the last LEADER programme

Example SRUC advice requests
Arnprior Farm - Stirlingshire

- Cattle production not providing economic return (-£122 per cow in 2013)
- Planted 300 pumpkin plants reared in greenhouse
- “inundated with families keen to encourage their children to have a taste of authentic farming life while choosing their pumpkins from the patch”
- 600 pumpkins sold in matter of days
- More return from ½ acre than 60 cows

http://www.qmscotland.co.uk/news/pumpkin-patch-success-stirlingshire-farming-family

Successful Diversification
Craigies Farm

Welcome

Fantastic news at Craigie’s!

As part of our ongoing renovation works, our play park and decking area is getting a bit of a makeover!

We’ll be laying an all-weather surface in the playpark which will hopefully mean no more mud! And we’ll be re-facing the area and replacing the decking with an extended patio area so that there will be more room to sit outside when the better weather finally arrives!

Work will be starting the Thursday (16th Feb) which will see the area closed for a few weeks, but this means we’ll be able to get it all nice and ready for Spring!

The Buffalo Farm
The Buffalo Farm

Session 4

• Reflecting on the session
  – What can LAGs do jointly to stimulate actions / understand impacts of LEADER?
  – How can other organisations, including the Rural Network do to support your work on farm diversification?
  – What can LAGs do jointly to stimulate actions/understand impact of LEADER?
Summing up

• Roger Clegg
  – Cairngorms LDS Chair

Thank You

Steven Thomson
http://www.sruc.ac.uk/sthomson

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Farm Diversification

• Diversification: “the practice of varying products, operations, etc, in order to spread risk, expand, exploit spare capacity, etc” Collins English Dictionary

• Process of change and investment into alternative enterprises which can help spread economic risk and use under utilised farm resources
  – New, unfamiliar, agricultural activities
  – Non-agricultural activities

• What constitutes “farm diversification” is dynamic
  – enterprises once “alternative” may now be considered main-stream