REDEFINING FARMING
UNLOCKING INVESTMENT/
UNLOCKING POTENTIAL
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REDEFINING FARMING

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.

CONTENTs

REDEFINING FARMING
An overview of the challenges farm business face and the opportunities to redefine farming for the future.

THE BUSINESS OF FARMING TODAY
New data about how farmers identify their roles, motivations for farming, and measures of success.

INVESTING IN FARMING
Understanding levels of farm business investment in change, alongside motivations for and barriers to making business changes.

INVESTING IN PEOPLE
New data about levels and types of training in the farming industry, and the barriers to greater investment in skills and training.

BUSINESS INNOVATION: COLLABORATION
Analysis of the levels and types of collaborations taking place between farm businesses, and an overview of how collaborations can unlock opportunities.

BUSINESS INNOVATION: NEW WAYS OF WORKING
Including data on different farm business structures and innovation in land use, including greater use of land for environmental services.

BREXIT READY FARMING
A timeline of the key milestones for farming through Brexit and beyond, alongside new data on how farm businesses are preparing for Brexit.

UNLOCKING POTENTIAL: PRIORITY ACTIONS
Shows the priority actions that the farming industry and Government must take for a thriving, profitable and sustainable farming industry.

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.

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
→ EMPLOYING 365,000 PEOPLE IN ENGLAND AND WALES

CONTRIBUTING £6.65 MILLION IN GROSS VALUE ADDED (to the English and Welsh economy)
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. To do this we must redefine farming with a vision for the future of land use, land management and the farming business.

**THE CHALLENGES FOR THE FARMING INDUSTRY**

<table>
<thead>
<tr>
<th>For many farming profitability is dependent on subsidies.</th>
<th>For the average cereal farm in 2016 the Basic Payment Scheme (BPS) contributed 87% to Farm Business Income.²</th>
<th>Opportunity to be self-reliant and profitable farming and land use across all farm types and sizes.</th>
<th>Reasonable period of transition to allow businesses to adapt to new trading and policy arrangements.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental impacts on soils, water and air, and from greenhouse gas emissions and loss of habitat.</td>
<td>The annual costs of soil degradation in England and Wales are estimated to be between £0.9 and £1.4 billion.²</td>
<td>Farming recognized for its contribution to environmental improvement, landscape character and rural communities.</td>
<td>Recognition of the value of farming land with natural constraints and the contribution to rural communities.</td>
</tr>
<tr>
<td>Productivity growth in farming is lower than comparable nations.</td>
<td>UK agriculture productivity growth is 1.6% pa compared to over 6% in other countries.⁶</td>
<td>Productive and innovative farming sector.</td>
<td>Long term government commitment to payments for a range of environmental and other public goods that benefit society.</td>
</tr>
<tr>
<td>Fighting is often a high cost, low margin activity at best, and loss making at worst, with fragmented supply base leaving power with the buyers.</td>
<td>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.³</td>
<td>Efficient and integrated industry achieving a fair share of the value chain.</td>
<td>Realise the benefits of collaboration and integration on improving margins and markets.</td>
</tr>
<tr>
<td>Agriculture sector has the lowest investment in training compared to other sectors.</td>
<td>Agriculture invested £0.6 billion in training – the lowest of all sectors.⁴</td>
<td>Highly skilled and professional technical, environmental and business management.</td>
<td>Culture change to recognize training and professional development as an investment not a cost.</td>
</tr>
<tr>
<td>Brexit uncertainty around trade, labour and the future of agricultural policy.</td>
<td>27% of farmers cite Brexit as a reason not to invest.⁴</td>
<td>Confidence and profits to allow investment for the future.</td>
<td>Clear Government strategy and timetable for future agriculture policy, migrant labour and trade.</td>
</tr>
</tbody>
</table>

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**CLA EXPLAINS: REDEFINING FARMING**

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.

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**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

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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 (UMC) 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.

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**CLA EXPLAINS: REDEFINING 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 multifaceted: often with diversified income streams, varied markets and supply chains, integrated with the local community and the environment. The best are inherently involved in nature and the environment and the local community and the 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 multifaceted: often with diversified income streams, varied markets and supply chains, integrated with the local community and the environment. The best are inherently involved in nature and the environment.
**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.

**THE BUSINESS OF FARMING TODAY**

**A KEY FARMING FIGURES**

- Over 4 million hectares of arable crops
- Over 5 million hectares of grassland
- 1,600,000 hectares of forestry
- 93,000 FARMS
- Average farm area: 85ha
- 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 (35%)
  - Mainly arable crops for food/food production (22%)
  - Evenly mixed farm (e.g. around half crops and half livestock) (10%)
  - Other (landlord activities, tourism, forestry) (2%)
  - Mainly horticultural crops (2%)
  - Mainly non-food crops (e.g. energy, fibre, forestry) (2%)
  - Mainly pig or poultry production (3%)

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

- 43% Landowners
- 43% Food producers
- 40% Custodians
- 36% Business owner
- 24% Environmental steward

**D FARMING INCOME BY PERFORMANCE**

- Income from Basic Payment Scheme
- Income from diversified activities
- Income from agri-environment work
- Income from agriculture (including subsidies and grants to agriculture)

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

- 53% Managing family business
- 44% Run a profitable business
- 36% Look after the environment
- 35% Quality of life
- 27% Freedom

**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. Passible success is often measured by economic efficiency 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 understanding of financial performance.
- Ability to make the best use of the infrastructure and natural assets.
- Willingness to confront challenges and having confidence to change.
INVESTING IN FARMING

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 acknowledgment 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).

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.

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.

Cla Analysis

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 stable 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.

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 and regulations as a barrier to making changes.

Cla Analysis

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 ten say they were motivated partly for access to grants.

Business and succession planning were drivers for about a third of respondents who made changes.

Motivations: Drivers of Change

Key Points

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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.

Overview

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.

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Motivations: Drivers of Change

Economic

Environmental

Strategic

Regulatory

Barriers to Change: Expectations

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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.
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.

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.

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 salad 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.
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.

### Overview

**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, indicated 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 change)
  * Supply chain.
  * (13% compared to 15% making big or fundamental change(s)) Farm production.

#### CLA Case Study: Hemsworth Farm / Witchampton, Wimborne, Dorset

**Sophie Alexander**

**4 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 legumes 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.

### Types of Collaboration

Collaboration is two or more people working together for mutual benefits. There are two main types of collaboration: formal and informal.

#### Formal and Informal Collaboration

- **Formal Collaboration**
  - Collaboration that is established and controlled through some formal mechanism such as a written agreement
  - Includes the supply chain

- **Informal Collaboration**
  - Collaboration that is not established or controlled through a written agreement
  - Includes the 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 finding collaborative partners who have a shared understanding and discussing plans for when things might go wrong.

#### Motivations and Barriers to Collaboration

**Motivations – of those who collaborate**

- More than half: to increase efficiency (57%), to access skills or equipment (54%) and to increase profitability (52%).

- About two-fifths: to access knowledge and skills from others (42%).

**Barriers – of those who do not collaborate**

- About half: believe they already have access to people/equipment/resources they need (48%).

- One-quarter: believe it would not benefit their business (23%).

- 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%).

### Formal and Informal Collaboration

#### Collaboration in farm production

<table>
<thead>
<tr>
<th>Type of collaboration</th>
<th>Formal</th>
<th>Informal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying in a contractor</td>
<td>29%</td>
<td>34%</td>
</tr>
<tr>
<td>Machinery sharing</td>
<td>34%</td>
<td>26%</td>
</tr>
<tr>
<td>Ad hoc resource sharing</td>
<td>24%</td>
<td>15%</td>
</tr>
<tr>
<td>Labour sharing</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>Operating as a contractor</td>
<td>13%</td>
<td>21%</td>
</tr>
<tr>
<td>Storage sharing</td>
<td>11%</td>
<td>17%</td>
</tr>
<tr>
<td>Land swapping</td>
<td>11%</td>
<td>9%</td>
</tr>
</tbody>
</table>

#### Collaboration with supply chain

<table>
<thead>
<tr>
<th>Type of collaboration</th>
<th>Formal</th>
<th>Informal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discussion groups</td>
<td>22%</td>
<td>26%</td>
</tr>
<tr>
<td>Demonstration visits</td>
<td>31%</td>
<td>23%</td>
</tr>
<tr>
<td>Cooperative or producer group</td>
<td>20%</td>
<td>23%</td>
</tr>
<tr>
<td>Buying group</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Environmental management</td>
<td>14%</td>
<td>20%</td>
</tr>
<tr>
<td>Selling group</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>Online forum</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Shared training</td>
<td>5%</td>
<td>4%</td>
</tr>
</tbody>
</table>

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.

Also, collaboration with supply chain 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 Analysis

Although the perception is that collaboration is not common in the 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 finding collaborative partners who have a shared understanding and discussing plans for when things might go wrong.

CLA: REDEFINING FARMING | NOVEMBER 2017
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

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have rented land</td>
<td>29%</td>
</tr>
<tr>
<td>Have let land</td>
<td>27%</td>
</tr>
<tr>
<td>Have entered into a contract farming agreement</td>
<td>24%</td>
</tr>
<tr>
<td>Have entered into a shared farming agreement</td>
<td>9%</td>
</tr>
<tr>
<td>Have used a shared management contract</td>
<td>5%</td>
</tr>
<tr>
<td>Have entered into some other joint venture structure</td>
<td>5%</td>
</tr>
</tbody>
</table>

CLARA 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.

INNOVATION IN LAND USE

The majority of farming businesses are in family ownership (96%), 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.

ENVIRONMENTAL MARKETS

The majority of farming businesses are in family ownership (96%), 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.

The Wheately-Hubbard’s Boyton Estate in Wilshire 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 brend preservation work undertaken by the family.
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.

**OVERVIEW**

- **Most businesses are not planning to change.**
- **42% of 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%).**

**PLANNED BUSINESS CHANGES BEFORE EU EXIT IN MARCH 2019**

- **Investment:**
  - Increase: 24%
  - Stay the same: 49%
  - Decrease: 10%
  - Don't know: 17%

- **Borrowing:**
  - Increase: 49%
  - Stay the same: 24%
  - Decrease: 18%
  - Don't know: 9%

- **Labour requirements:**
  - Increase: 49%
  - Stay the same: 11%
  - Decrease: 32%
  - Don’t know: 13%

- **Fixed costs:**
  - Increase: 49%
  - Stay the same: 32%
  - Decrease: 13%
  - Don’t know: 5%
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.

Evaluation and monitoring of local needs to ensure that access to the right type of training is in the right place.

Incentive 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.

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 ageing 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.

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.

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- Page 3 - by footnote number:

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- Page 6

- Page 14

- Page 15