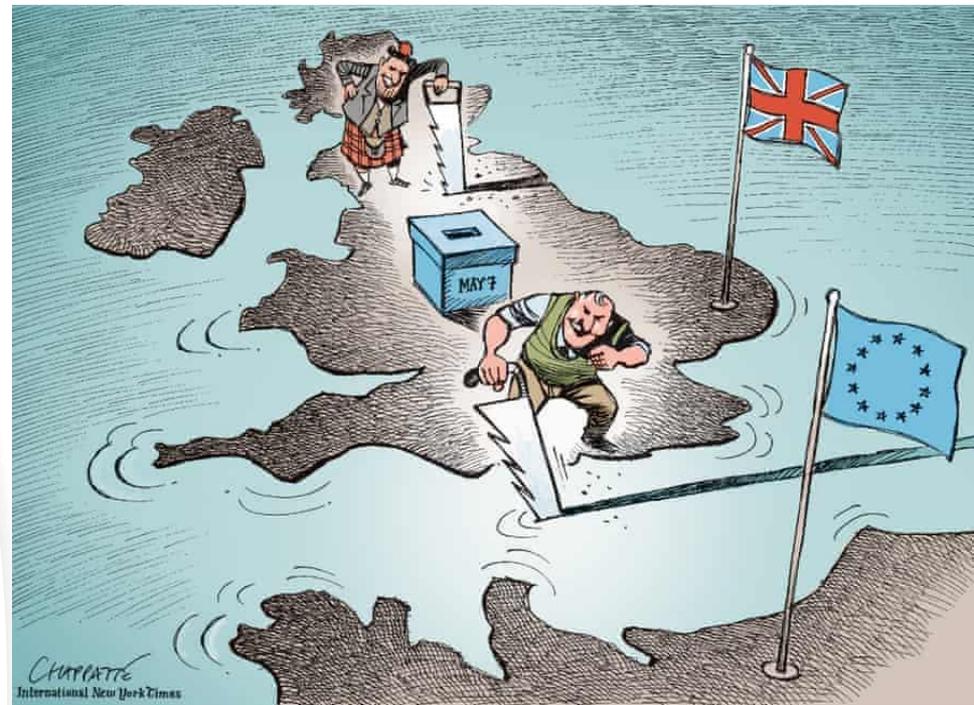


Farm Diversification in the UK: Implications for the future of rural economies

**Carmen Hubbard
Newcastle University**

- British farmers exposed to a double hit
- Brexit and the Covid-19 pandemic have added great pressure to the farming sector and would have significant implications for the future of rural economies.



<https://www.theguardian.com/society/2016/mar/20/brexit-silly-walk-best-political-cartoons-eu-europe-referendum>



Farm diversification: Some facts

- Not something new ... farmers looking for ways to enhance their income by diversifying their business activity.
- It contributes to the economic viability of farms ... it “can also provide benefits to the wider rural economy and community, for example, by encouraging and providing additional job opportunities” (Defra, 2021:22).
- Definition: “non-agricultural work of an entrepreneurial nature on or off farm but which utilises farm resources” (Defra, 2021:22).



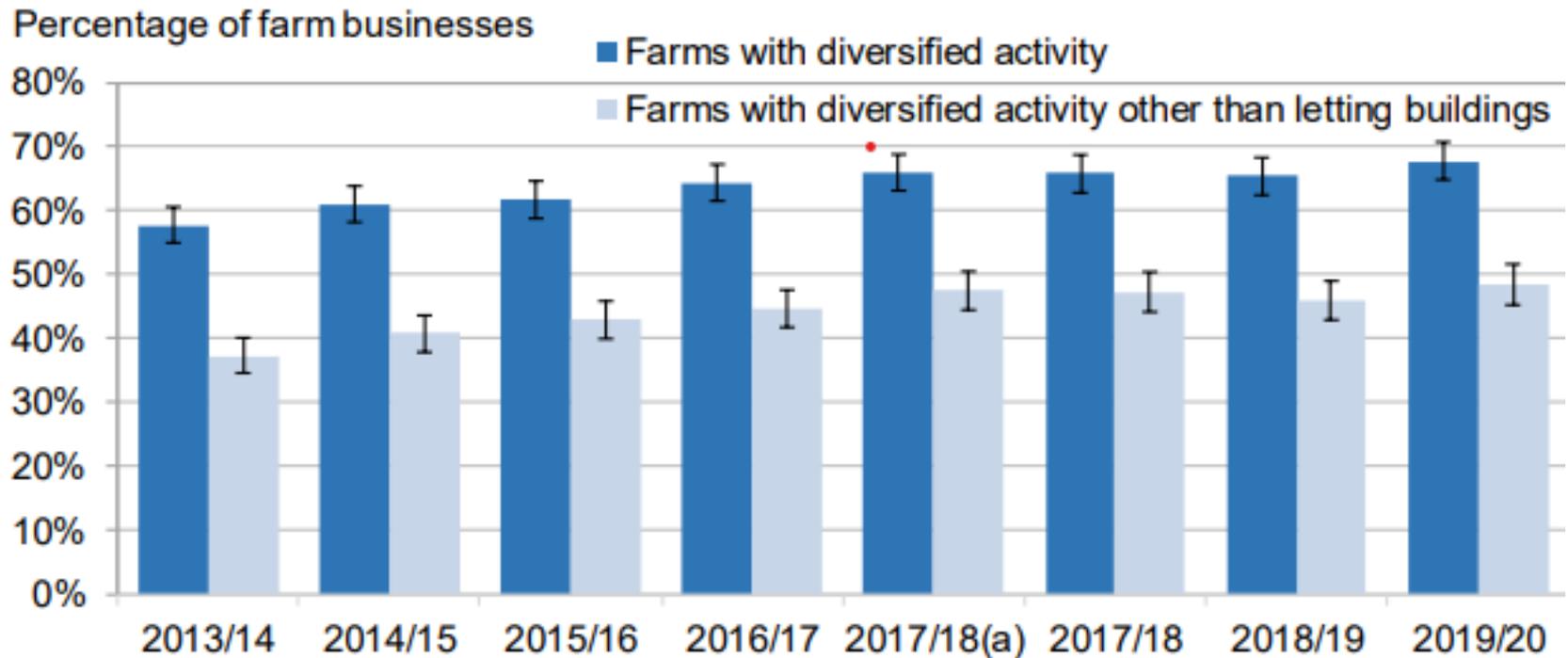


Farm Diversification: Some facts

- ❖ Over half of the farms in the UK practice some form of diversification ... the number varies significantly across countries and farm types.
- ❖ Analysis of 3-year data set including 3,220 farms across England, Scotland, Wales and Northern Ireland, representing about 100,000 farms accounting for over 90% of UK agricultural output:
 - ✓ 36% of farms in Scotland and about 60% in England
 - ✓ 5% of farms in Wales and less than half percent in Northern Ireland.
 - ✓ 33% beef and sheep farms and 20% of cereals farms are mostly likely diversified as opposed to pig and poultry farms (less than 2%).



Percentage of farms with diversified activities, England 2013/14 – 2019/20

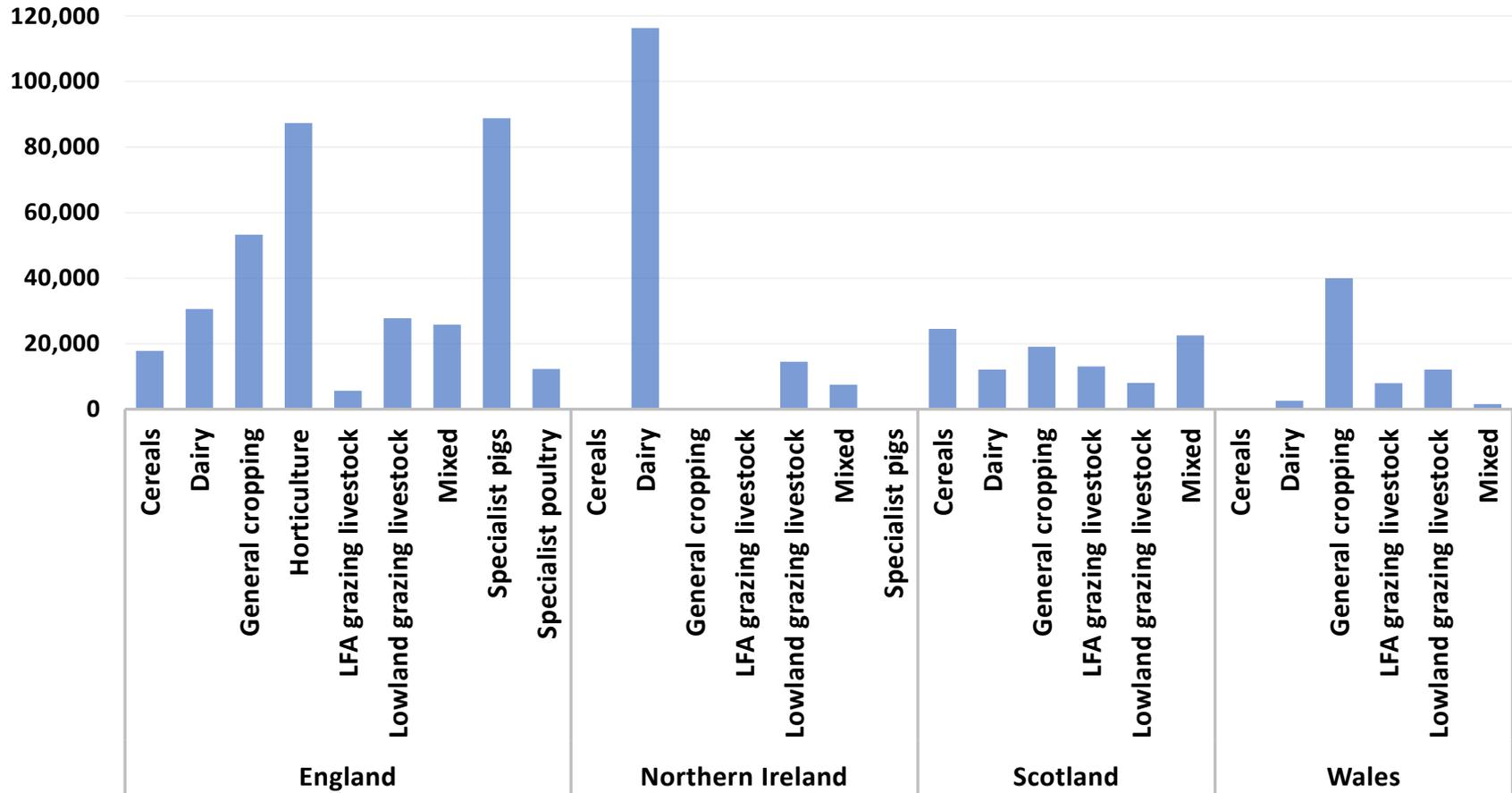


Source: Farm Business Survey, England

(a) Current farm typology is based on 2013 standard output coefficients. Farm typology from 2013/14 to 2017/18(a) is based on 2010 standard output coefficients.

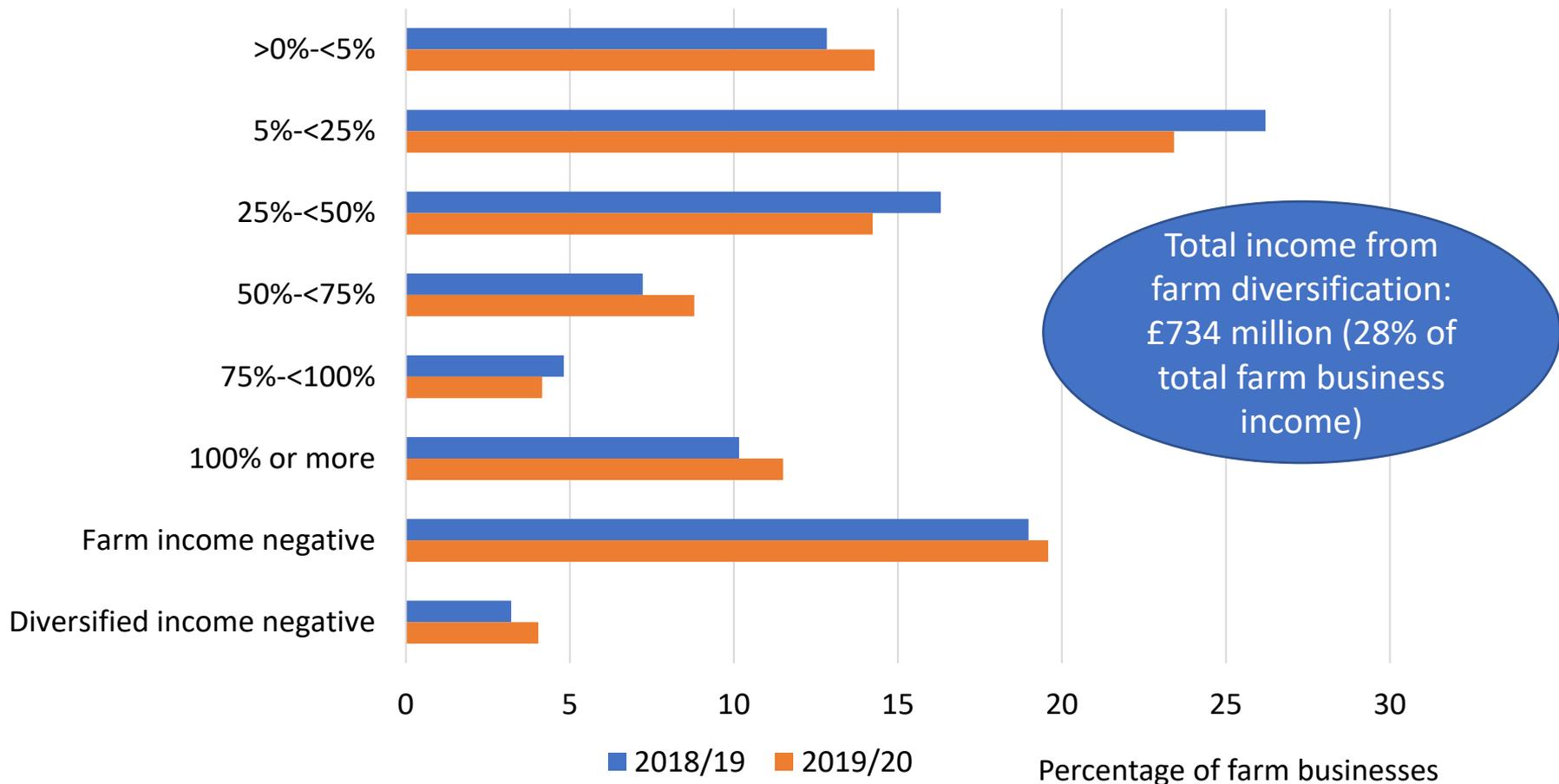
<https://www.gov.uk/government/statistics/farm-accounts-in-England>, Accessed 28 July 2021

Average Income (£) from Farm diversification, by farm type and country, 2014/15 – 2016/17



Source: author's construction based on FBS 3-year data set

Distribution of farms according to the contribution of diversified activities to FBI, England, 2018/19 to 2019/20



Source: <https://www.gov.uk/government/statistics/farm-accounts-in-England>, Accessed 28 July 2021; Note: It excludes farms with no diversified activities.

Percentage of farms with diversified activities, England – 2019/20

	No. of farms	% of farms	Total Farm Business Income for these farms (£m)	Income of diversified enterprise (£m)	Average enterprise income(a) (£/farm)
Farm Business income (including diversification)	56,500		2,597		
Farms which engage in:					
Diversified enterprises (all kinds)	38,400	68%	2,048	734	19,100
Letting buildings for non-farming use	25,500	45%	1,650	521	20,400
Processing/retailing of farm produce	5,600	10%	182	50	8,900
Sport and recreation	7,500	13%	444	22	3,000
Tourist accommodation and catering	3,300	6%	180	16	4,800
Solar energy	12,600	22%	897	38	3,100
Other sources of renewable energy	6,000	11%	475	56	9,400
Other diversified activities	6,700	12%	336	30	4,500

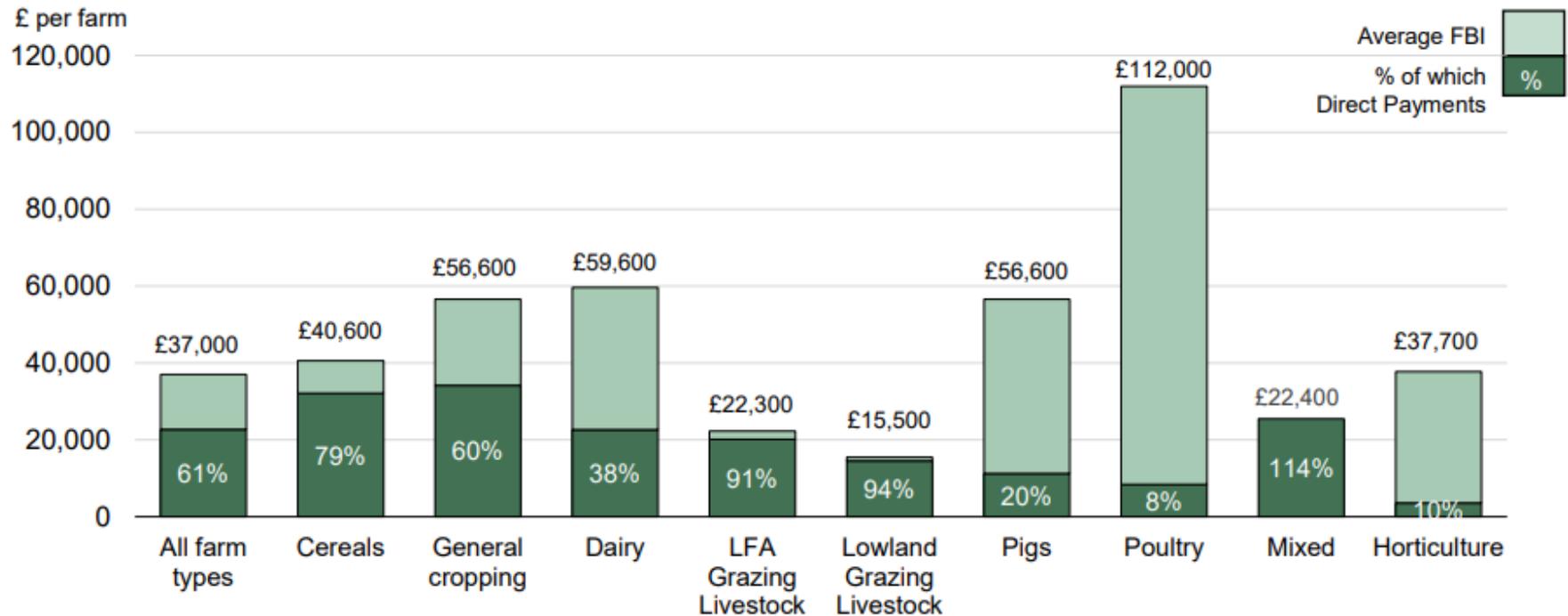
Source: <https://www.gov.uk/government/statistics/farm-accounts-in-England>, Accessed 28 July 2021;

Note: Average is calculated over farms which have that enterprise.



But how have Brexit and
Covid-19 pandemic
influenced farm
diversification and what are
the potential implications?

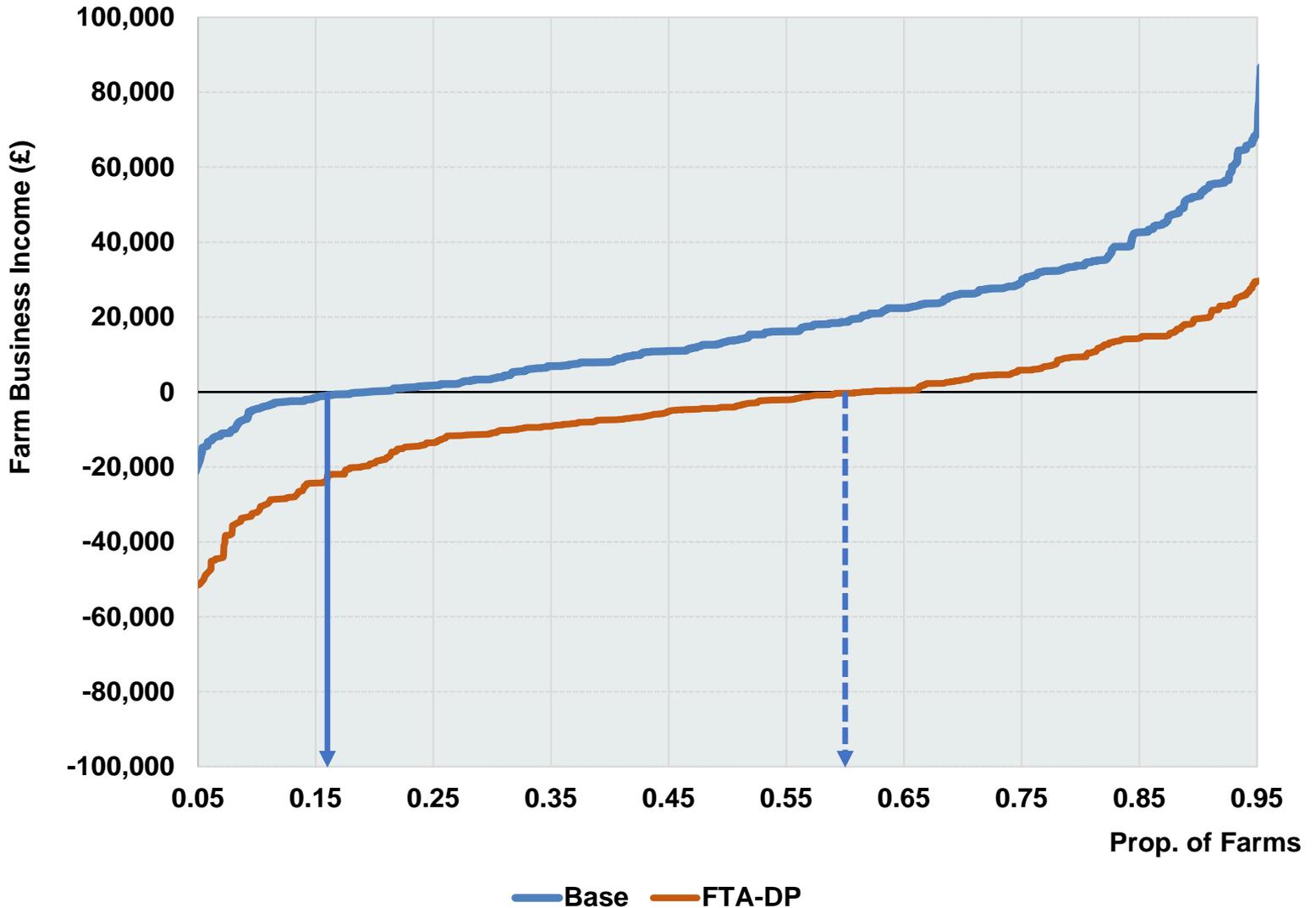
Direct Payments as a proportion of the Average Farm Business Income farm type, 2014/15 - 2016/17



Source: Agriculture Bill: Analysis of the impacts of removing Direct Payments (Defra, September 2018)
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740669/agri-bill-evidence-slide-pack-direct-payments.pdf, Accessed 27 April 2021.

Farm Income Distribution

LFA Farms, UK-EU Trade Agreement without Direct Payments, UK, 2026



Covid-19 Implications

- Impact is mixed and linked to the type of diversified activity so the collapse or survival of businesses depends upon their non-farm income
- Accommodation and tourism were severely affected during the lockdown but following the recent lifting of restrictions they are recovering
- Farms with their own processing and retail businesses benefited substantially due to a surge in demand for local products during the lockdown.
- Farm gate sales and farms shops experienced a boom in the first lockdown
- Covid19 led to an acceleration of digital adoption across businesses ... those with good access to internet have benefited from moving their business online.
- However, farms in remote areas where broadband and the mobile phone coverage is poor did not benefit.

Concluding remarks

- Farm diversification represents an important source of income for most farmers in the UK.
- The extent to which farms benefit from it depends very much on the type of diversified activity and location.
- Both Covid-19 and Brexit have created new opportunities for farm diversification ... it is expected that the number of farms to diversify will continue to increase.
- However, farm diversification is not for everyone and “not all farmers [in the UK] have moved beyond their core farm activities” for various reasons (Savills, 2019).
- Farm, farmer and wider family characteristics are important (Henley and Morris, 2019) ... but so ageing, the inter-generational gap and succession.
- Income from farm diversification and other non-farm income sources crucial for survival but they should not be seen as panacea.
- Brexit remains a great concern to farmers
- The lack of a common UK agricultural policy could increase tensions between farmers across the four nations .
- Would the Environmental Land Management Schemes deliver positive impacts to both farmers and the wider society?
- British farmers have proved to be resilient ... farm businesses adapting, reorienting, and adjusting their activities.
- As with any significant policy changes there will always be winners and losers.

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