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entrepreneurship,
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Introduction

Throughout Europe, family farm businesses are increasingly required to become more productive in terms of managing resources whilst maintaining food quality and implementing good environmental and animal health and welfare practices. Locally, farm families face a high level of income variability on a year to year basis, due to increased market volatility and pressure from other members of the supply chain (DAERA, 2019). In addition, Northern Ireland farmers are experiencing further uncertainty around the future agriculture policy agenda in light of the United Kingdom's decision in June 2016 to leave the European Union. Consideration is required around what policies will be put in place as an alternative to the Common Agriculture Policy (CAP), particularly in relation to farm payments and rural development support and the potential impact of new trade tariffs and trade agreements (Morris et al., 2017).

In this context there is a need to establish an evidence base to identify how farm businesses and households can be supported and sustained in a period of policy transition. Previous research has indicated that farm level diversification has the potential to increase farm household income levels through the development of alternative income streams (De Vries, 1993; Barbieri and Mahoney, 2009; McElwee and Bosworth, 2010; Morris et al., 2017). As a result, diversification provides an opportunity for farmers to maintain their standard of living and farming lifestyle in the face of changing political, economic and environmental conditions (De Vries, 1993; Morris et al., 2017).

Farm businesses who choose to pursue a diversification strategy need to take account of a range of business and personal factors (Vik and McElwee, 2011). This includes, for example, what resources, land, labour (their own time) and capital they have access to. Furthermore, the long term succession plans, family influence and their own goals and entrepreneurial ambition need to be considered (Vik and McElwee, 2011). In developing future agriculture support policies, there is a need to understand the characteristics and drivers that motivate farm based individuals to diversify and how this impacts upon their diversification choices.

Research Methodology

In August 2016, DAERA through their Evidence and Innovation (E&I) research programme commissioned AFBI economics to undertake a study to identify and establish the key drivers of diversification at a Northern Ireland level. A survey of diversification funding recipients under the Northern Ireland Rural Development Programme 2007-13 (RDP) was undertaken. The survey focused on four main areas namely:

- The diversification activity
- The recipients' experience of the scheme
- Background to their farm business
- Socio-economic questions

In total, the survey was posted to 525 scheme recipients and 160 responded; a response rate of 31 percent.

Following on from this, stakeholder engagement interviews were conducted, to compliment and examine further findings emerging from the survey of scheme recipients. These key stakeholder interviews focused on obtaining the views of individuals who either directly or indirectly had experience and an understanding of farm diversification in Northern Ireland. Seven organisations participated in the interviews and included representatives from agricultural educational providers, farmers' unions, academia, rural support agency, research bodies, consultancy providers and food and drink sector support organisations.

The interviews were semi-structured in nature focused around the themes of:

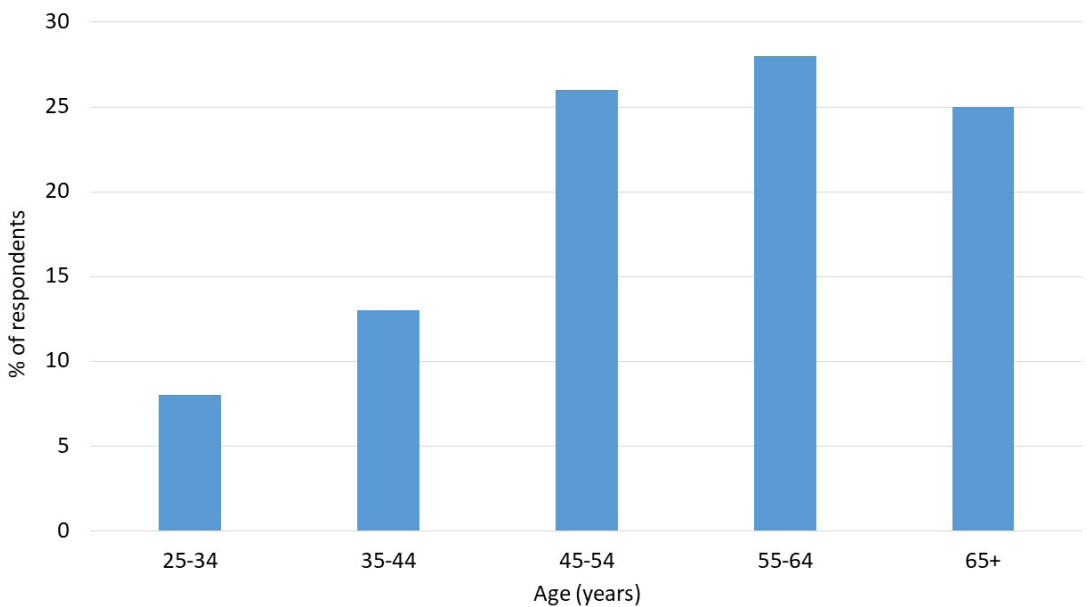
- Developing agricultural policy to support diversification and entrepreneurship
- Consideration of what institutions, both private and public, should be involved in supporting farm-level diversification
- Potential areas for growth in diversification opportunities
- Drivers of and constraints around developing new farm based diversification enterprises

Survey Findings

Profile of survey respondents

Eighty three percent of respondents were male and 43 percent had an off-farm job. Twenty three percent of respondents had a degree or equivalent qualification, whereas, 15 percent of respondents had no educational qualification. Fifty three percent of respondents were over 55 years of age (Figure 1).

Figure 1. Age profile of respondents (years)



Fifty percent of respondents had less than 25 percent of their household income coming from farming and the predominant farm enterprise types were beef and sheep (Figures 2 and 3).

Figure 2. Percentage of household income from farming

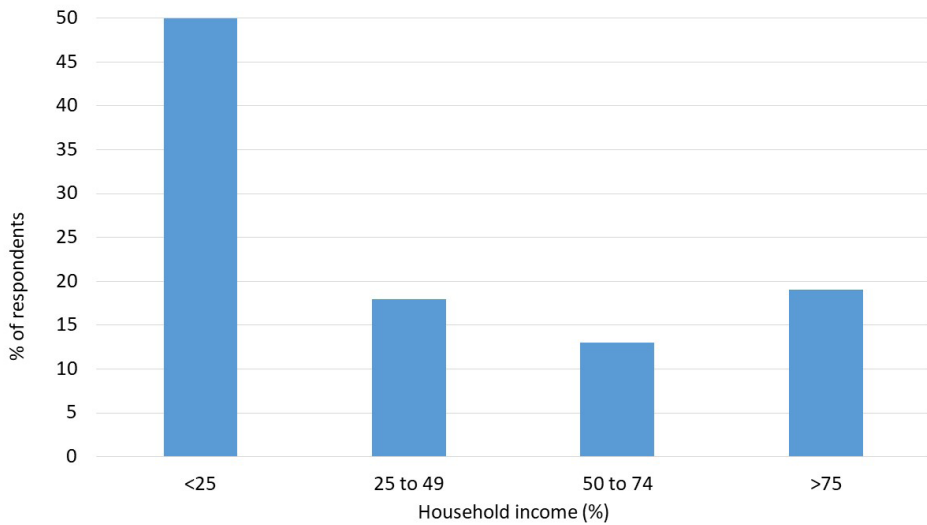
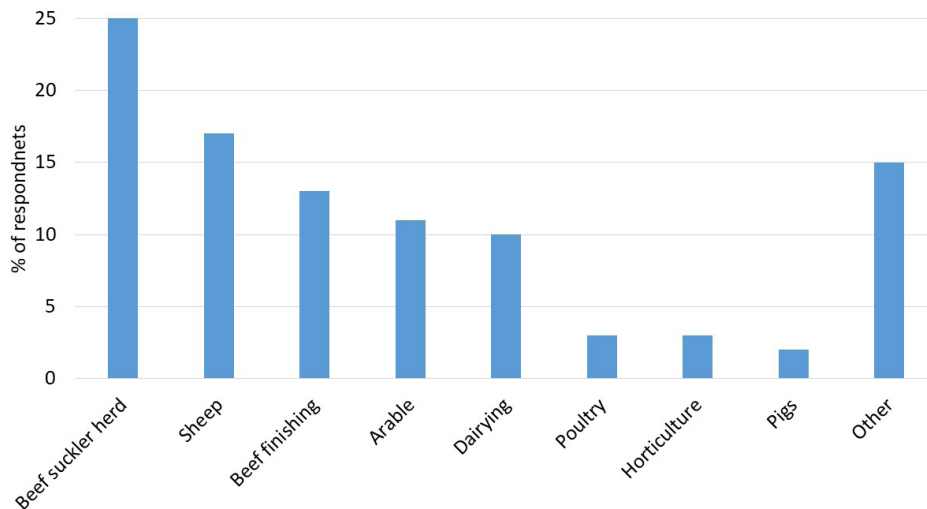
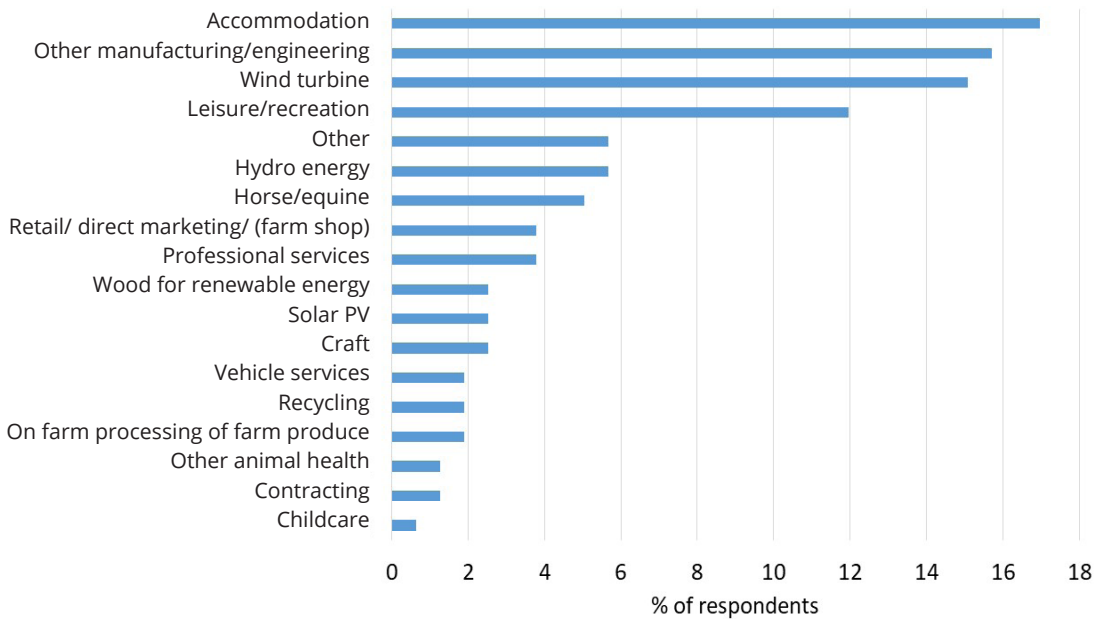


Figure 3. Respondent's main agricultural enterprise



The main diversification activities were accommodation (for tourism and letting), other manufacturing/engineering, renewable energy generation and leisure/recreation (Figure 4).

Figure 4. Diversification activities of respondents



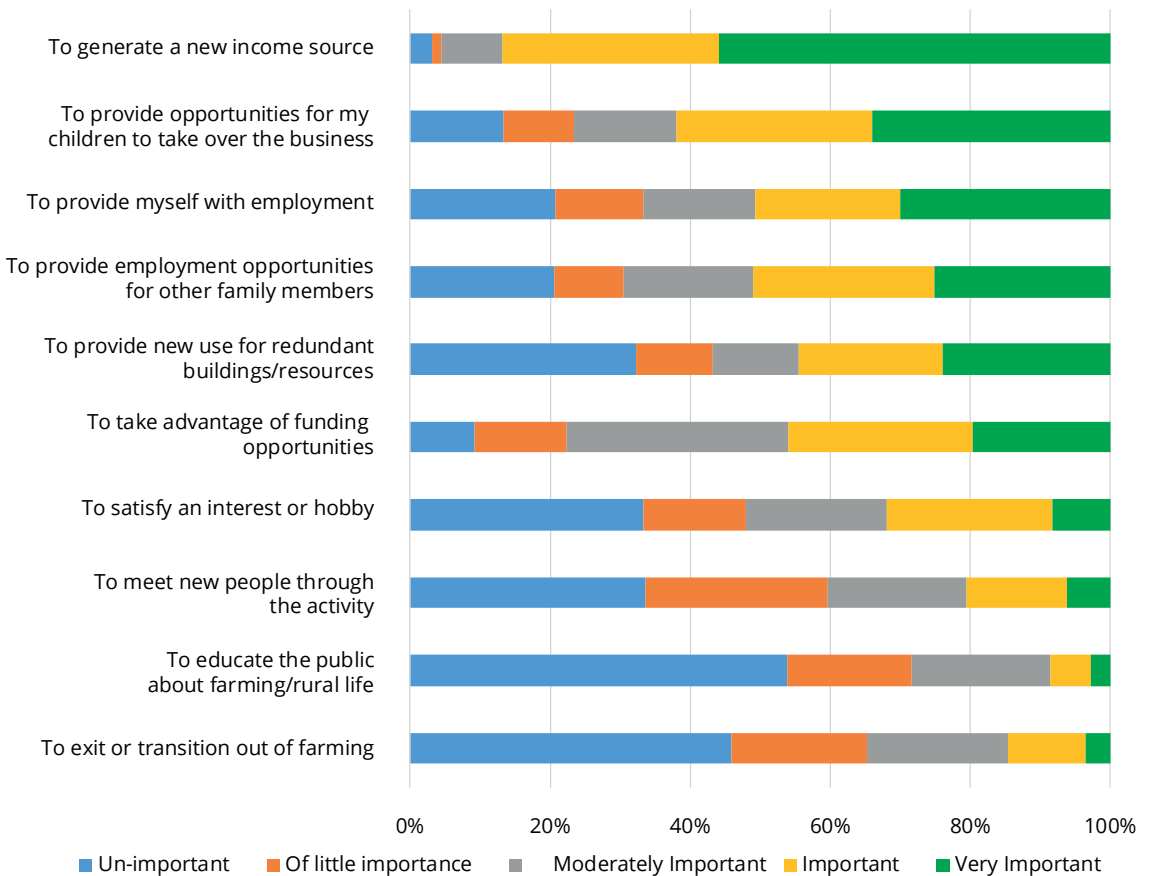
Diversification activities of accommodation and energy production contributed a smaller amount to household income compared to leisure/recreation and manufacturing diversification activities. The diversification projects differed greatly in the amount of labour input that was required on a weekly basis. Leisure/recreation and manufacturing required a larger labour input on average compared to those providing accommodation or undertaking energy production.

Factors impacting on the decision to diversify

Scheme recipients were asked to rank the importance of a range of factors that influenced their decision to diversify. The results in Figure 5 highlight that the need for ‘generating a new income source’ was the most important factor, with over 80 percent ranking this as either important or very important. Developing succession opportunities was an important motivation, with just over 60 percent

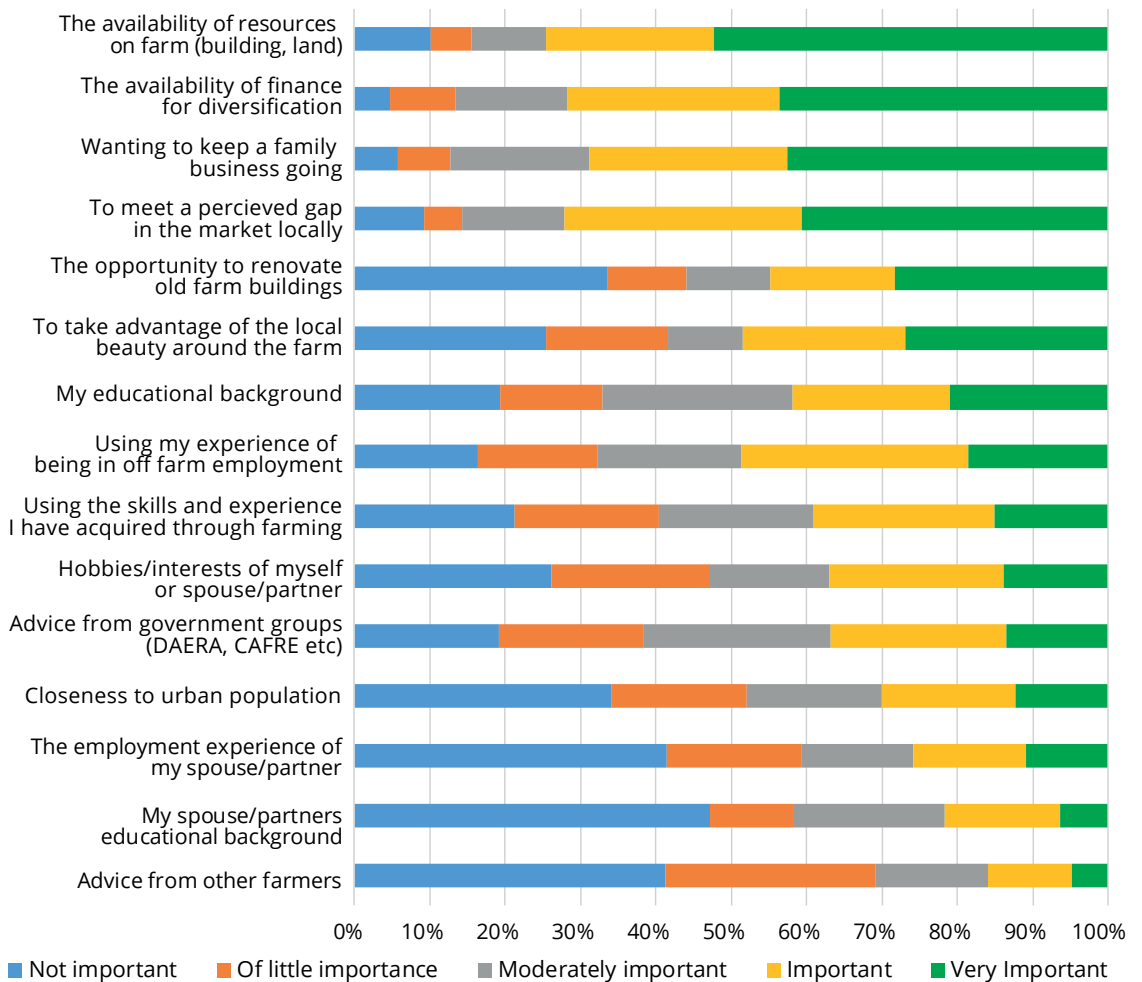
of respondents ranking “to provide opportunities for my children to take over the business” as either important or very important. Taking advantage of funding and providing employment opportunities for themselves and for other family members was also ranked as being important. However, diversification was not viewed by respondents as a means to transitioning out of farming.

Figure 5. Important factors in the decision to diversify



When considering what factors influenced the type of diversification activity the availability of resources, the availability of finance, meeting a gap in the market and wanting to keep a family business going were all ranked as highly important factors (Figure 6).

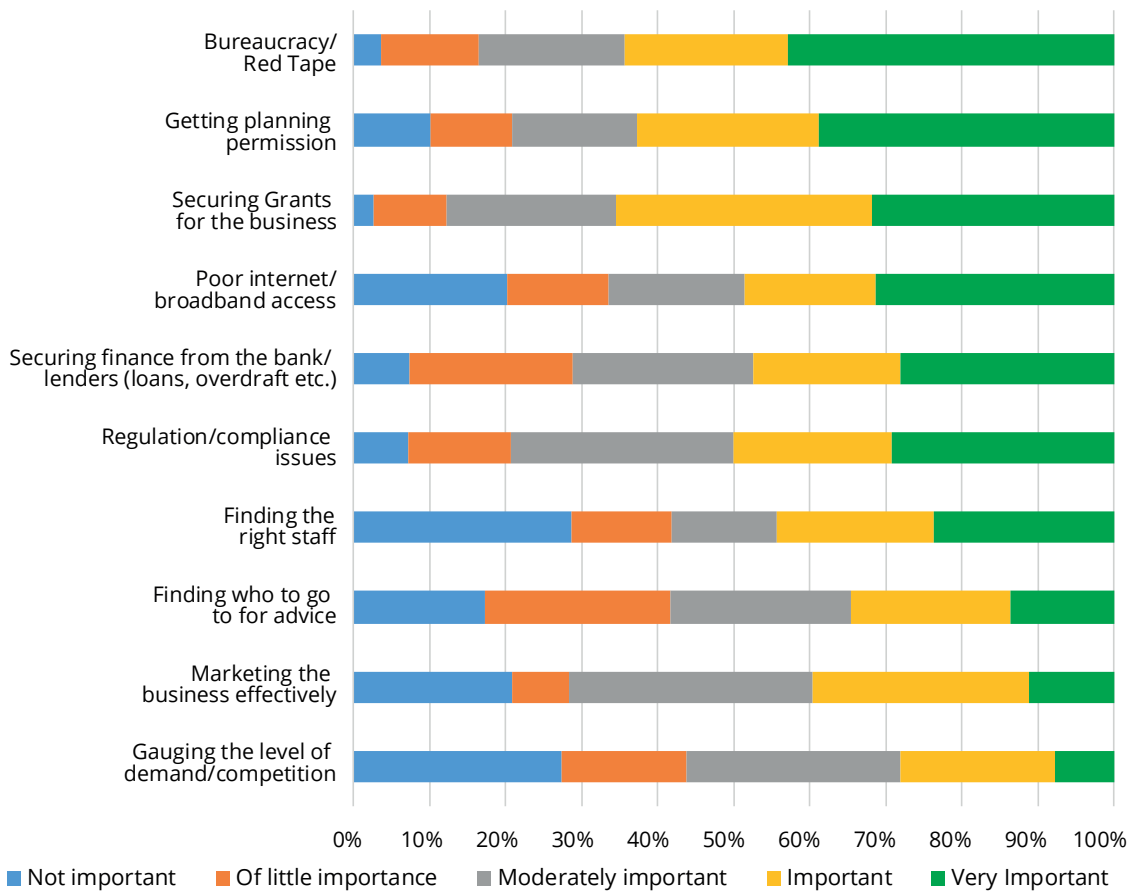
Figure 6. Importance of factors in choosing the type of diversified enterprise



Challenges faced in establishing farm-level diversification

In relation to the challenges faced when setting up and running their diversification businesses respondents highlighted obtaining planning permission, securing grants/funding and bureaucracy/red tape as being the main challenges (Figure 7).

Figure 7. Challenges faced when starting and running a diversification business



Respondents also indicated that in terms of the core skills needed to develop a successful farm diversification enterprise, business skills, having knowledge of the market, a hard-working attitude, good communication skills and the ability to identify opportunities were all seen as important.

Findings from economic analysis of the survey data

Further economic analysis of the survey data through regression analysis found the following:

1. Energy based diversification activities were more likely to be the choice of farmers who believe generating a new income source and exiting farming are important factors in the decision to diversify.
2. Those who chose tourism as their diversification activity, did so mainly to take advantage of their location. Furthermore, they were more likely to consider the opportunity to renovate old farm buildings and use the skills they have gained through farming.
3. Product and service businesses are more likely to have drawn on the educational background and skills set of their spouse/partner as an important factor when making the decision on their diversification strategy.

Results of Key Stakeholder Interviews

There was a general consensus amongst those stakeholders interviewed that government targets focusing on job creation and the production of business financial metrics were not particularly appropriate when assessing farm diversification projects. It was considered that they restrict opportunities for smaller diversification initiatives which may have the potential for growth in the medium to longer term; thus discouraging farm businesses from considering diversification and applying for support.

“One of the difficulties with this particular programme is ... that the focus has been on job creation, so for maybe something on the farm where it’s diversification, especially a start-up, you’re rarely going to create a lot of jobs initially.”

A number of the stakeholders highlighted the range and number of government departments and agencies that are involved in the process of policies around encouraging diversification. There was a general consensus that there needed to be a central hub to direct farmers who are interested in exploring diversification as an option. Stakeholders expressed a need for new ‘joined-up thinking’ (between government, local authorities and other key stakeholders) around how to best support rural businesses and develop entrepreneurship moving beyond the confines of some of the previous definitions, targets and metrics.

“The provision of a more integrated approach could enhance effectiveness by making it easier for entrepreneurs to access appropriate supports, i.e. a ‘one-stop shop’ approach.”

Concern was raised that the nature and the level of support available under the current scheme within the Rural Development Programme (2014-20) has been

reduced compared to the previous programme. Guidance and advice to farmers and farm family members aimed at starting new businesses was not viewed to be as accessible within the current programme compared to the previous programme.

Skills and their development was considered critical to developing diversification and entrepreneurship at farm level. For those undertaking diversification projects, concern was raised that they may not necessarily have the skills required to run a non-farming business. There was a view that businesses may fail due to uninformed decision-making and a basic level of training in areas, such as, pricing, marketing and employment law was required. Support and training in these and other relevant areas could serve as part of a 'softer support programme' to help establish and sustain rural diversification businesses.

In general, stakeholders deemed that farm businesses were looking towards diversification to generate extra income in reaction to falling and increased volatility of farm incomes. The stakeholders further suggested that businesses are being established in order to make the farm more attractive to both potential successors and to create an income source for other family members to encourage them to remain living in the local rural area. Therefore, stakeholders stated that farm diversification businesses should be considered different than other types of small businesses, in that the diversification business may be considered by the farm family as part of the farm rather than a stand-alone entity and may have been created to support the farm.

“Organisations have a key ‘facilitation’ role by providing future entrepreneurs with essential business training including core skills in business planning, finance, marketing, human resources and operations management. A key element here should be fostering creative thinking and the principles of feasibility assessment and business plan development.”

Stakeholders indicated that post Brexit, development of policies should explore supporting and encouraging farm diversification. Farm diversification schemes were seen as a mechanism to support farms in trying to establish other income streams. They were also viewed as a way of diversifying the income streams to the farm, making the household more resilient to price volatility in certain agricultural enterprises.

“You just worry, you know, obviously none of us know about what’s happening after Brexit, but you just worry (with) the size of the farms in Northern Ireland and all of that. I’ve always said there will be a need, I think, more so, for diversification.”

The stakeholders recognised that farms engaged in diversification make their decisions based on their own experience, both on and off the farm, skills, hobbies, and the characteristics of their farm. In addition ideas for diversification are formed from seeing other farms that have successfully implemented new businesses on the farm. There were a number of factors identified that constrained farmers from engaging in diversification including: planning; business rates; a lack of support networks and a fear of failure. There were also several examples given of farms who planned to open businesses on their farm but due to planning restrictions were forced to move these to more non-rural centres, such as business parks. Stakeholders expressed the concern that this could undermine the integrity and uniqueness of the business being viewed as a genuine farm based rural enterprise.

Areas of potential future growth were identified around tourism, care services, high-quality food and providing professional services. The provision of reliable high speed internet was identified as critical to supporting many different types of businesses in rural areas.

“If people have access to good broadband, they could do anything, and that would just maybe help retain young people in the countryside as well, and all of those things.”

Summary

This study has shown that there is a range of farm diversification strategies being pursued in Northern Ireland. The primary motivating factor in pursuing farm-level diversification is the need to generate a new income source. However, factors such as resource availability, succession and funding also are important influences. Farm level diversification does contribute to both the sustainability of family farms and contributes to the wider rural economy. Activities seen as having potential opportunity for growth included, agri- and food tourism, care services (including social farming) and professional services.

The type of diversification has been shown to be based on a farmer's own skills and experience, both on and off the farm, their hobbies, farm characteristics and resources and experience of other successful enterprises. The main factors identified as constraints to diversification were broadband, planning, business rates, a lack of support networks and a fear of failure.

Policy recommendations

1. Farm diversification businesses tend to fall into the category of 'micro-businesses', involving mainly the farm owner and/or some family members. There is a need to explore how support can be provided to these prospective businesses in a less bureaucratic way. This could include softer support mechanisms other than financial grants such as developing 'softer' business skills through training.
2. Government targets around job creation and turnover were perceived as too narrow and not appropriate metrics to evaluate successful farm diversification programmes. A project's contribution may be better measured through the additional income it provides for the farm business and its contribution it makes to farm and household sustainability. This requires consideration from a policy perspective in terms of how support is allocated and what metrics are used to assess the success of funded projects.
3. A more joined-up approach to developing rural programmes around farm diversification and developing entrepreneurship is required with greater collaboration between government departments, policy development and delivery. DAERA should provide a 'championing' and coordinating role but there needs to be a wider involvement of other government departments and agencies.

4. Policymakers should consider whether dedicated support should be provided to farm families in devising strategies for diversification. The availability of guidance around diversification, specifically for farm families should help to ensure the development of sustainable diversification businesses which will contribute to the local rural economy.
5. Rural broadband connectivity needs to be improved to help with the promotion, visibility and running of on farm diversification projects.
6. There is a need to provide short courses in a range of business related areas through the correct learning mechanisms. Training and mentoring support should extend beyond the initial project start-up period.
7. There should be greater promotion of exemplar diversification businesses to encourage peer to peer knowledge exchange and increase the visibility of successful diversification projects.

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