

HORIZON



What are farmers planning for the future?

Findings from AHDB's Farm Business Review* service

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FOREWORD

Farmers in England are in a transition period. Following withdrawal from the EU, Basic Payments (BPS) are being phased out. A new system is being phased in, which rewards farmers for environmentally friendly practices and for the provision of public goods such as clean air, healthy soils and increased biodiversity.

The new schemes are not intended to replace the system of subsidies that existed under the EU's Common Agricultural Policy (CAP). This means that, along with the Government's stated ambition to become an independent trading nation, farmers in England are facing a challenging future, with a reduction in support and greater competition from major global agricultural exporters.

To help farmers through the transition period, Defra established the Future Farming Resilience Fund (FFRF). The fund provides grants to organisations that provide business support to farmers and landowners so that they can:

- Understand the changes that are happening
- Identify how, what and when they may need to adapt their business models
- Access tailored support to adapt

AHDB won a bid in July 2021 to provide such support. This was delivered through the AHDB Farm Business Review (FBR) service, with individual reviews undertaken by farm business consultancies across England working on behalf of AHDB. This report presents the aggregated results of the farm information collected as part of the service, based on a resilience assessment, Key Performance Indicators (KPI) calculator and agreed action plans conducted during September 2021 to May 2022 with farmers in England.

This report aims to answer the following key questions:

- What are the key attributes of the supported farmers?
- What is the current situation of the farmers, including:
 - How much BPS payment will each farm type receive?
 - How well has each farm performed (KPI calculator) and which type of farm performed better?
 - How resilient are the responding farmers and which type of farms are more resilient?
- How do farmers feel about the future of farming?
- How are farmers adapting, and what are their future plans?
- What actions were discussed and agreed with support of the consultant?

It is hoped that, by answering the above questions, more targeted support and advice can be provided to English farmers.

BACKGROUND

Direct payments under the Basic Payment Scheme (BPS) will be phased out in England by 2027, with 38% of farm businesses having costs that exceed income when direct payments are excluded (AHDB, 2021). Furthermore, 48% of farmers indicate that the loss of BPS will be the biggest external factor impacting their business going forwards (DEFRA, 2021). Studies have indicated that 76% of beef and sheep farmers and 67% of cereal farmers are either not planning on making changes to their businesses or are adopting a wait and see approach to current policy changes (AHDB, 2021).

Defra established the Future Farming Resilience Fund (FFRF) to help farmers adapt to agricultural policy changes.

To identify options for more targeted support and advice for English farmers, this study reports the quantitative and qualitative analysis of three sets of aggregated data from the AHDB Farm Business Review service project that was collected between September 2021 to May 2022.

The aims of the study were to:

- Define the current status of farms in regard to BPS payments, performance and resilience
- Understand how farmers feel about the future of farming
- Identify future action plans to be implemented
- Explore if different farmer types can be identified to aid in the targeting of future support

Participation in the project was voluntary and eligible farmers included those in the beef, sheep, cereals and dairy sectors in England. Data collected included:

- Farm attributes
- Farmer attributes
- Farm business review items (outputs from the BPS calculator, self-assessment resilience survey and KPI identification)
- A personalised action plan written by the visiting consultant (free text)

The quantitative data analysis provided:

- Descriptions of attributes
- Farm business resilience self-assessment results
- Farm business key performance indicators (KPIs)
- Farmers' feelings about the future of farming
- Farmers' action plans and their current and future use of business management tools

Participant profiles

This report is based on responses from 1,769 farmers. Most farmer responses were from the South West (32%) and North of England (34%), with the remainder evenly distributed across the rest of England. Most farmers were full-time (81.4%), owner-occupiers (64%) and male (84%). The most represented ages were the 55–64 (31%) and 45–54 (25%) age groups, with the average farmer having 31 years in farming. Mixed farms (cereals and livestock) (34%) and lowland grazing farms (21%) were the predominant farming systems. The distribution of farm type varied according to region, with an average farm size of 221 ha.

The findings indicate that most farms will be affected by the reduction of direct payments although the majority will remain profitable.

KPI review

The KPI review showed that nearly half of the farms were under-performing. Farms scoring highly on KPIs tended to also score highly on business resilience, with the exception of dairy and less favoured area (LFA) livestock farms. Dairy farms were under-performing compared to other farm types. On average, dairy farms scored the lowest on KPI assessment whilst cereals and mixed farms scored the highest. Larger farms were more likely to have scored higher on KPI assessment and on business resilience, however, there were some differences across farm groups.

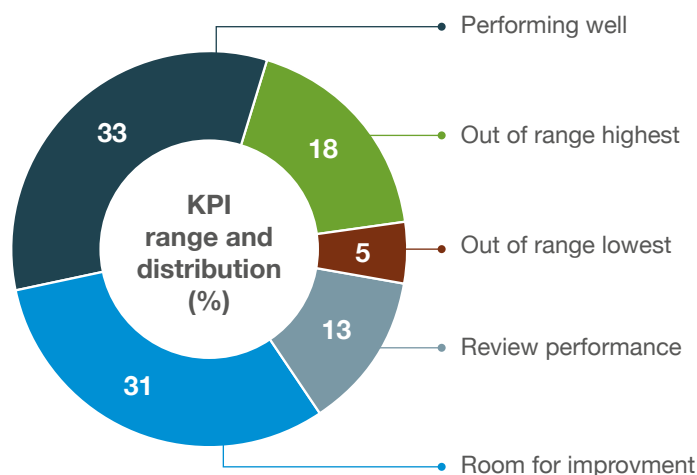


Figure 1. Calculation of overall KPI range and distribution (n=1,148)

Net profit

Most farmers were happy to share their net profit KPI, with farms averaging 14.2% of total farm income retained as profit. Cereals were the most profitable (17%) followed by dairy (15%). LFA and lowland grazing systems were the least profitable at 13.5% and 10.3% respectively. Overall, tenanted systems had higher profitability than owner occupier (OO) or mixed ownership systems.

Business resilience

Farm business resilience was measured via a self-assessment questionnaire. Nearly 40% of the farmers considered themselves resilient or very resilient. Younger farmers, tenant farmers and full-time farmers reported a higher level of business resilience than other groups. The 65 and over age group, farmers with mixed ownership status and part-time farmers reported the lowest level of business resilience. Dairy and cereal farmers reported the highest level of resilience, whilst livestock farmers, particularly LFA livestock farmers, reported the lowest level of resilience.

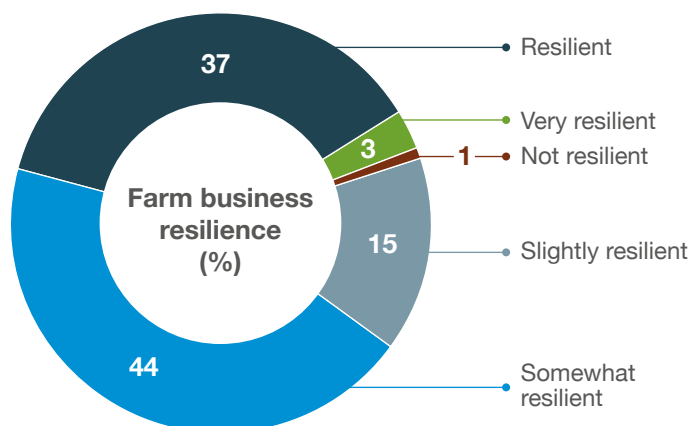


Figure 2. Farm business resilience (mean for the total sample = 3.24, n = 1,663)

Note: numbers may not add up due to rounding

Farmer views and attitudes

Farmers' feelings about the future of farming and their confidence in responding to changes also varied across different groups. Younger farmers (under 45 years of age) and tenant farmers felt more positive about the future of farming. A larger proportion of younger farmers and full-time farmers expressed confidence in responding to the changes needed, than older farmers and part-time farmers. Slightly more full-time farmers (81%) indicated that they will need to make changes to their business compared to 76% of part-time farmers.

More mixed, cereal and dairy farmers indicated the need to change than any other farm type. Livestock farmers (LFA and Lowland) had the lowest percentage of farmers (76%) indicating a need to change over the next 3–5 years. More full-time farmers and younger farmers (age group 25–44) were already making changes than part-time and older farmers. More older farmers and part-time farmers were not planning on making changes. Up to 21% of the farmers were either unsure about the future of farming or “don't know” what changes they need to make – which is a cause for concern but also an opportunity to offer support.

Positivity about the future of farming (n=1,173)

1.89

How confident are you that you can respond to any changes needed (n=1,240)

2.19

Do you have the information you need at this point to inform your business planning (n=1,183)

2.42

To what extent are you planning on making any changes to your business to become more productive and/or profitable (n=1,315)

2.96

Figure 3. Farmers' feelings about the future – average scores from range of 1 (low/no) to 5 (high/yes)

Action plans

The action plans developed by farmers with the help of consultants generated 118 specific actions for 1,607 farmers. The actions were grouped into one or more of three top-level categories:

- Actions to mitigate losses of BPS (for 96% of farmers)
- Actions to improve business resilience (for 97% of farmers)
- Actions to improve KPIs (for 77% of farmers)

The most identified actions were:

- Government schemes engagement (88% of farmers)
- Long-term planning (86%)
- Comparing with others, including benchmarking and tracking performance (68%)
- Reviewing costs and income (60%)

Diversifying income sources, improving efficiency and cost reduction, increasing income from current and new farm enterprises and focusing on details were also identified as actions for over 50% of farmers.

The dairy sector had the highest percentage of farmers with actions to improve business resilience and KPIs, whilst the lowland grazing sector had the highest percentage of farmers with actions to mitigate BPS loss.

Regarding lower-level specific actions:

- The dairy sector had the highest percentage of farmers planning to adopt actions such as:
 - Improving efficiency and cost reduction
 - Increasing income from current and new farm enterprises
 - Long-term planning, reviewing costs and income
 - Focusing on details
 - Understanding the market
 - Improving profitability and productivity



- Lowland grazing had the highest percentage of farmers planning actions of schemes engagement, changing business models or farming system, and reducing environmental impact
- Cereal farms had the higher percentage of farmers with actions of diversifying income sources, knowledge and innovation management and conducting carbon audits
- The highest mixed farms actions included comparing with others

Younger farmers were more likely to expand the business, diversify, stay in farming and focus on increasing productivity, whilst older farmers were more likely to consolidate the business or plan successions or retirement.

Although the original conclusion was that the majority of farms will be affected by the reduction of direct payments, the combination of the actions they propose to take to mitigate this will help them remain profitable. However, farmers proposing to engage with the new environmental schemes were still in the minority, with more farmers working towards making their businesses more productive and efficient.

Actions to mitigate BPS losses – 1,545

- Increasing income from current and new farm enterprises
- Improving efficiency and cost reduction
- Diversifying income sources
- Schemes engagement (environment and prosperity)

Actions to improve business resilience – 1,565

- Long-term planning
- Comparing with others
- Costs and income review
- Focusing on detail
- Knowledge and innovation management
- Changing business model and/or system
- Understanding the market

Actions to improve KPIs – 1,249

- Improving profitability
- Reducing environmental impact
- Improving productivity

Figure 4. Main categories of actions using text analytics

ELIGIBILITY, SAMPLING AND DATA COLLECTION METHODS

A variety of methods were used to make farmers aware of the AHDB Farm Business Review service including direct mail, emails, third party promotion (through milk companies/feed suppliers), articles in the farming press and social media. Cereal, beef, sheep and dairy farmers across England were invited to register. Any farmer in one of these sectors with an SBI number was eligible. Any mixed farmer in one of these farming sectors was also eligible to take part, even if another sector not listed, such as pork, was part of their mixed farm. The farmer had to farm in England. Participation was voluntary.

Consultants were appointed by AHDB to deliver half-day sessions across England with eligible, registered farmers. Farmers could either sign up directly to a consultancy company or they were allocated to a company that supported their farm type (e.g. a specialist dairy consultant).

Consultants used the AHDB Farm Business Review tools (BPS Calculator, Farm Review Assessment Tool and Key Performance Indicator (KPI) calculator) to gather data about the farm business, assess the strengths of the business and identify priorities moving forward.

Each farm had to complete the three sections of the tool: BPS calculation, resilience survey and a minimum of one KPI. Where only one KPI was completed, AHDB encouraged this to be net profit to give a view of business financial performance. The farmer either completed these themselves or the consultant completed them for the farmer during the consultation session (especially when some farmers lacked the necessary technical IT skills).

The action plan was a summary of the one-to-one discussion between the consultant and the farmer. There was a 2,000 character limit to keep reports succinct. The farmer had to agree with the actions within their consultant's report.

Data collected from the farmers included farm attributes, farmer attributes, farm business review items and a personalised agreed action plan written by the visiting consultant (free text). The action plan outlined the key themes discussed with the farmer during the farm visit and areas for farmers to prioritise. Both quantitative and qualitative processes were used to analyse the data.

FINDINGS

Actions

The actions for each farm type are very similar and are broken down into three areas depicting each tool used within the FBR process. Actions are reported as a percentage of the total number of farms or of the sector within the sector sections.

To mitigate BPS loss

Scheme engagement is the most popular action from all sectors, with 88% of all farms making this a priority. The most popular scheme is the Countryside Stewardship Scheme with an average of 55% participating or planning to participate. Data of which schemes farmers are looking to engage with have been taken from the intentions survey which lists all options.

Diversifying income is the second most popular action for all except dairy farmers who prioritise improving efficiency (53%) and cost (52%).

Increasing income from current and new farming enterprises is a priority for 50% of farms.

To improve business resilience

Long-term planning was the most suggested action to improve business resilience (86%) followed by comparing to others (68%) for all farm types.

The other actions in order of priority were: costs review (60%), income review (50%), knowledge and innovation (33%), changing business model (28%) and understanding the market (17%).

To improve KPIs

Improving productivity was a priority for 54% of farmers, and the most popular across sectors, followed by reducing environmental impact (34%), improving profitability (17%) and carbon footprinting (13%).

The net profit KPI was completed by over 800 farms. The average net profit figure as a percentage of total farm income across the sectors was 14.2% with cereals farms having the highest average profit and lowland farms the lowest.



FINDINGS BY FARM TYPE: CEREALS

No. of farms: 330

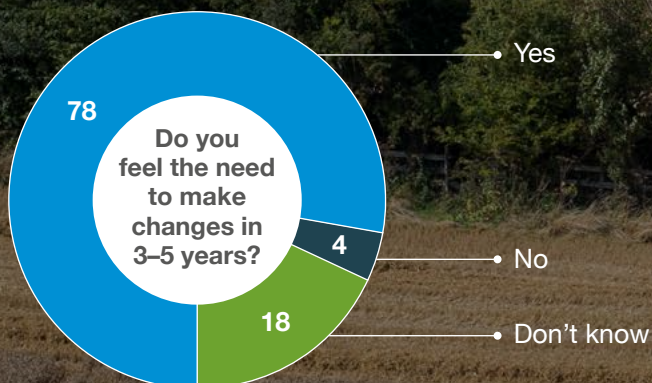
Farm size (ha): 315.5

No. of employees: 4

2020 BPS payment: £66,980

KPI score: 3.49/5

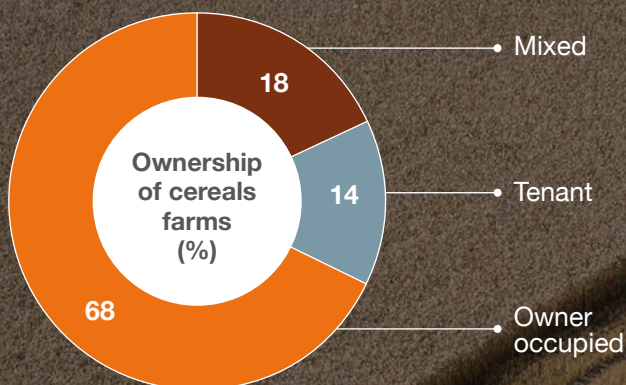
Resilience score: 3.31/5



Top three plans

1. Increase productivity
2. Diversify
3. Consolidate the business

Net profit (as a % of total income): 17%



Practices farmers currently use for business planning

- Business plan: 43%
- Benchmark: 34%
- Management accounts: 64%
- Accessing advice: 71%



Actions

To mitigate BPS loss

Although scheme engagement was the most popular action across the sectors, cereals farmers had the lowest percentage (75%). The top schemes were Countryside Stewardship (56%), Sustainable Farming Incentive (SFI) (19%) and Farming Investment Fund (16%).

Cereals farmers prioritised diversifying income sources (56%), with specific interest in alternative uses for farm premises (25%), carbon income (11%) and tourism (9%). Other less popular options were recreational business (5%), events and education (4%), renewable energy (4%), off-farm employment (2%) and farm shop/direct sales and contracting work both <1%.

Improving efficiency and cost was a priority for 52%, specifically the reduction of machinery cost (19%), supply cost (19%) and cost of production (17%).

Cereals farmers scored least for increasing income from current and new enterprises (41%), with scaling up the business a priority for just 9%.

To improve business resilience

Long-term planning was the most popular action to improve business resilience, however cereals farmers had the lowest percentage of all sectors at 69%. This can be broken down to 62% succession planning, again the lowest of the sectors, 12% looking at an exit plan and 10% planning for retirement. 32% are looking at budget setting and 28% setting long term goals for the business.

Comparing to others was an action for 61% of farmers, of which 49% are looking at monitoring or tracking performance and 32% at benchmarking – the highest of all sectors.

The other noteworthy action was knowledge and innovation, with 32% of farmers actioning this. This was the highest of all sectors and the highest at seeking AHDB advice, Defra/government advice and adopting new technologies.

Cereals farmers scored second highest for changing business model or system (27%), including scoring highest of the sectors for changing business model (20%) e.g. from sole trader to partnership or limited company. They were most likely among the sectors to look at share farming (12%), and 4% of farmers were looking at organic conversion.

To improve KPIs

The top action for improving KPIs is improving productivity (40%), although this was the lowest of all sectors. Reducing environmental impact was the second most recommended action (33%). Included in environmental impact are topics such as nutrient management (12%), multi species crops and cover crop use (<1%) and drought tolerance (1%).

Cereals farmers are the most interested (of all farmers) in carbon auditing, which ties into the interest in carbon income noted above.

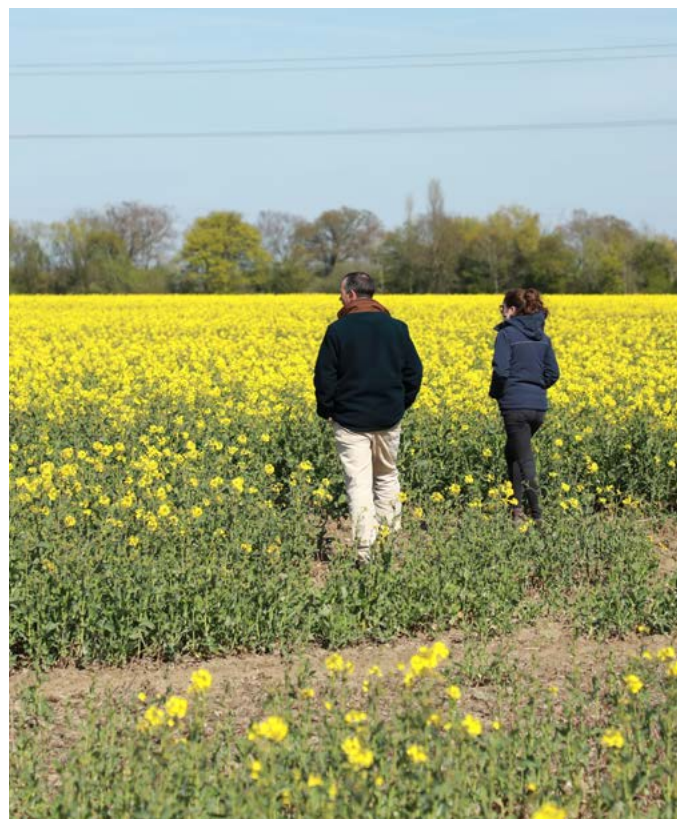
Cereals farmers actioned improving profitability the least, showing confidence in farm performance as noted by good KPI score. Only 7% of farmers had comments on a negative profit margin and 5% wouldn't be profitable without BPS, the lowest of the sectors.

Net profit levels stand at 17% for cereals farmers, the highest retained profit of the farm types. Within the cereals sector, mixed ownership farms showed the highest average profit at 18.3% followed by tenanted farms at 17.2% with owner/occupier systems retaining 16.5%.

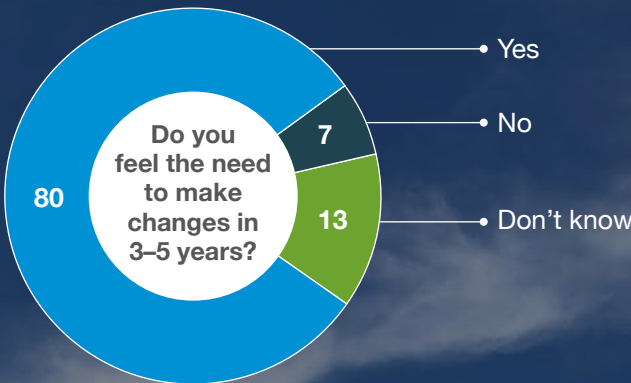
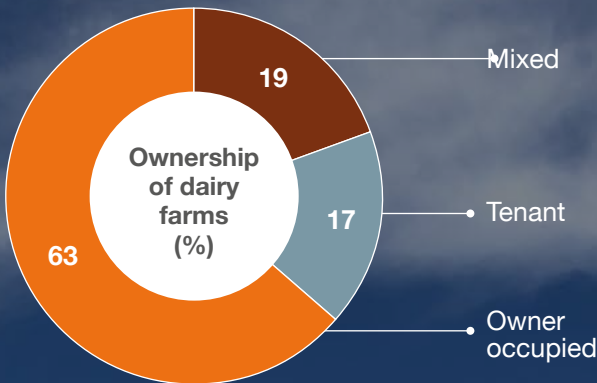
Summary

Cereals farms are the largest recipients of BPS due to their larger land size, however there are few farms reliant on BPS. They have a high business resilience and good performance as marked by KPIs, including the highest net profit level. Plans for the future include:

- Improving performance from the efficiency of the existing enterprises rather additional farm enterprises
- Diversification, to make better use of existing farm resources such as redundant or seasonally empty buildings
- Share farming
- A focus on the environment and carbon sequestration/income
- Looking at budgets, long term goals for the business and succession planning



FINDINGS BY FARM TYPE: DAIRY

No. of farms: 291	Farm size (ha): 151.2	 <p>Do you feel the need to make changes in 3-5 years?</p> <ul style="list-style-type: none">• Yes• No• Don't know
No. of employees: 2.9	2020 BPS payment: £30,153	
KPI score: 3.2/5	Resilience score: 3.33/5	
<p>Top three plans</p> <ol style="list-style-type: none">1. Increase productivity2. Consolidate the business3. Expand the business		 <p>Ownership of dairy farms (%)</p> <ul style="list-style-type: none">• Mixed• Tenant• Owner occupied
Net profit (as a % of total income): 15%		
		<p>Practices farmers currently use for business planning</p> <ul style="list-style-type: none">• Business plan: 41%• Benchmark: 53%• Management accounts: 65%• Accessing advice: 73%





Actions

To mitigate BPS loss

Scheme engagement was the most popular action for mitigating BPS loss at 80%. Dairy farmers had a lot more interest in capital schemes than other farmers, with 35% interested in the slurry investment scheme, 28% in the Farming Investment Fund, 18% in the Farming Innovation Fund and 18% in the Animal Health and Welfare Pathway (AHWP). Environment schemes of interest were Countryside Stewardship (53%) and SFI (16%). Dairy had the fewest farmers interested in the lump sum exit scheme (1%).

Differing from other sectors, the second most favoured action for dairy farmers was improving efficiency and cost (56%). This can be broken down into the reduction of supply cost (29%), cost of production (19%), improving efficiency (9%) and overhead costs (9%). All of these were the highest scoring of the sectors. Although a much lower score at 2%, labour cost reduction was highest in dairy farms with all other sectors <1%. Dairy farms do not have the highest number of employees, however, the labour cost takes into account self-employed people.

Dairy farms were highest to action increasing income from current and new farm enterprises at 50%, including scaling up the business (19%).

Dairy farms were least likely to look at diversification at 36%, although they would consider the alternative use of premises. They were the highest to look at renewable energy at 4.5% and also direct sales at 4.5% – this is linked to an interest in milk vending machines.

To improve business resilience

Dairy farms scored highest for long-term planning (86%), specifically succession planning (80%) and budget setting (39%) – the highest scored across sectors. Succession planning is not matched, as it is in cereals, with an interest in retirement planning or exit. Both of these scored lowest amongst the sectors at 7% and 4% respectively. Following the interest in capital schemes, 22% are looking at improving infrastructure on their farms.

Of the 62% of farms looking at comparing to others, 50% were looking to monitor and track costs with 29% looking at benchmarking.

The dairy sector scored highest for costs and income review (58%) and focus on detail (51%), which includes task and time management. Within these sections the highest scores were for general review of costs (45%), identifying profitable areas (25%) and employee management (21%), though this was not the top score across sectors.

Improve KPIs

Dairy farmers scored the highest among sectors for increasing productivity (63%); this includes topics such as yield, fertility measures and growth rates.

Reducing environmental impact was a priority for 27% of farmers, including nutrient management (9%) and grassland management (6%).

Dairy farms scored the highest among the sectors for improving profitability at 20%. The sector had the highest proportion of farms listed as not profitable without BPS at 11%.

Dairy farms retained 15% of their total farm income as profit, which is the second-highest sector behind cereals farms. Both owner occupier and tenanted systems were marginally higher than average at 15.9%, however mixed owned systems only had a 12.2% net profit figure.

Summary

Dairy farmers are most likely to look at long-term planning for the business, especially succession planning. This is with the future in mind, with no immediate plans for people to step down or away from the business. Dairy farmers are least likely to seek additional income sources outside of the key enterprise and instead focus on efficiency and productivity from the dairy herd. While there is an interest in Countryside Stewardship the other key funding interests are for capital works primarily linked to infrastructure.

FINDINGS BY FARM TYPE: LESS FAVOURED AREA (LFA)

No. of farms: 161

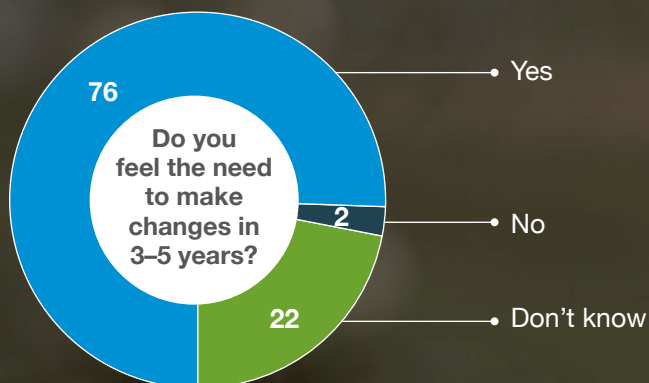
Farm size (ha): 198

No. of employees: 1.7

2020 BPS payment: £27,025

KPI score: 3.41/5

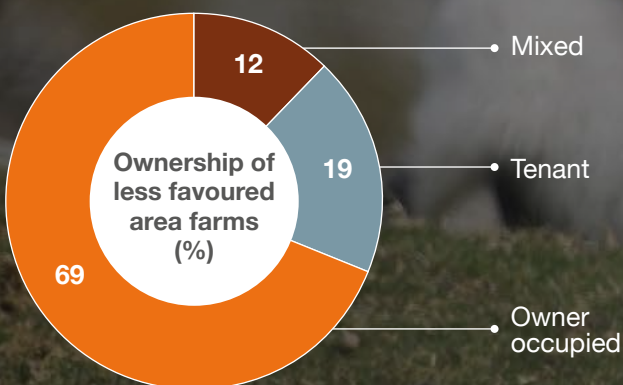
Resilience score: 3.01/5



Top three plans

1. Increase productivity
2. Diversify
3. Consolidate the business

Net profit (as a % of total income): 13.5%



Practices farmers currently use for business planning

- Business plan: 28%
- Benchmark: 17%
- Management accounts: 37%
- Accessing advice: 60%



Actions

To mitigate BPS loss

Scheme engagement was the top score for less favoured area (LFA) farmers at 81%. They had the highest interest in Countryside Stewardship at 59% and the next popular was SFI at 17%; 14% were interested in the Farming Investment Fund and 12% in AHWP.

Although not very high scores, LFAs were the most interested sector in protected landscapes (12%) (possibly due to more LFA farms in AONB areas), tree health pilot (4%), ELM pilots and trials (4%), and the lump sum exit scheme (4%).

Diversifying income scored high at 55%, the highest sector for holiday and tourism at 20% and off-farm income at 8%. Other high scores for diversification include alternative use of buildings (20%), events, education and hospitality (7%), and recreational businesses (5%).

To improve business resilience

With 85% of LFA farmers looking at long-term planning, they have the highest score among sectors for retirement at 11%, exit plan at 14% and lump sum exit scheme at 3%. Succession planning is a priority for 78% of LFA farmers.

LFAs also scored highest of the farm types for improving farm infrastructure at 26%.

LFA farmers scored lowest for budget setting and setting goals for the future at 27% and 19% respectively. They were least likely to want to compare to others with 49% looking to monitor their own performance and 25% looking to benchmark. They were also least likely to look at financial management, including understanding cashflow and managing borrowing at 8%.

There was the least interest of all farm types in organic conversion at <1% and share farming <1%. There was also the least interest of all sectors in adopting new technologies at 12%.

To improve KPIs

The top actions for improving KPIs were a focus on productivity (52%) and reducing environmental impact (24%), which consisted in the main of multi-species crops, nutrient management and grassland management scoring 8.1%, 7.5% and 6.8%.

Improving profitability was a priority action for only 17% of LFA farmers; 10% are not profitable without BPS and 7% have negative profit margins. LFA farmers also had the lowest overall resilience scores.


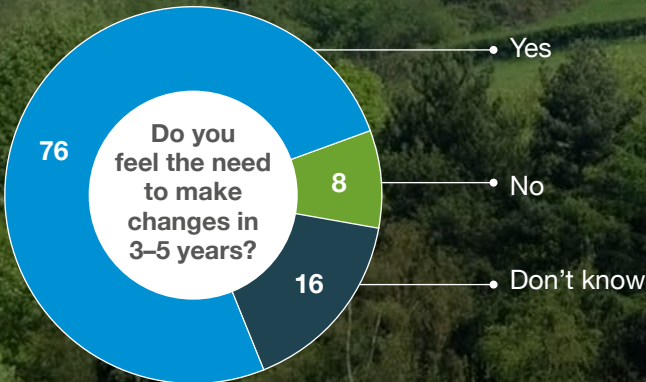
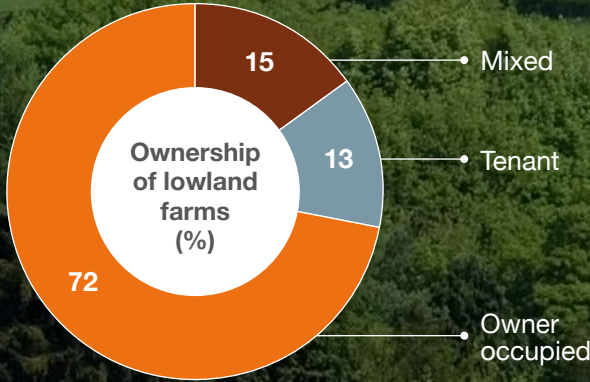
Net profit KPI for LFA farms was 13.5% – the second lowest of all the farm types ahead of lowland grazing systems. Mixed owned systems had the highest retained profit average of any split of the farm types at 19%, with tenanted farms at 15.5% and owner occupier farms at 12.5%.

Summary

LFA farmers are looking to engage with various schemes to replace BPS income. They are also likely to look towards the holiday and tourism industry to diversify their farm businesses. Long-term planning is a particular focus for them, specifically succession planning and actively looking at an exit strategy. There are also plans for investment on the farm for infrastructure improvements and a focus on productivity, with the incorporation of herbal leys and nutrient management. There was little appetite for improving profitability with a low number of farms focusing on this and managing costs.



FINDINGS BY FARM TYPE: LOWLAND GRAZING

No. of farms: 368	Farm size (ha): 98.4		
No. of employees: 2.2	2020 BPS payment: £21,317		
KPI score: 3.33/5	Resilience score: 3.09/5		
			
Top three plans			Practices farmers currently use for business planning
<ul style="list-style-type: none">1. Increase productivity2. Diversify3. Consolidate the business			
Net profit (as a % of total income): 10.3%		<ul style="list-style-type: none">• Business plan: 31%• Benchmark: 18%• Management accounts: 40%• Accessing advice: 68%	



Actions

To mitigate BPS loss

Lowland farms scored the highest for scheme engagement at 86%. Countryside Stewardship is the highest at 51%, but this is the lowest of all sectors. The next schemes of interest are AHWP (15%) and SFI (14%) with interest in SFI being the lowest of all sectors. Lowland farmers showed most interest in non-SFI ELM schemes such as local nature fund and landscape recovery (50%).

The next popular option for farmers to plan for a future without BPS is to diversify (50%). This consists of alternative uses of premises (20%), holiday and tourism (17%, the second highest score across all sectors), recreational use (6%) and off-farm employment (7%). Noteworthy is renewable energy was an option least suggested for lowland farms at just 3%.

The area of least priority to mitigate the loss of BPS was improving efficiency and cost reduction. This was the lowest priority among sectors second only to LFA systems.

To improve business resilience

As with the other sectors, farmers identified long-term planning as their top priority (81%), comprising of succession planning (76%), exit plans (12%), retiring (7%) and lump sum exit (3%). Also, within long-term planning lowland farmers scored highest for setting goals for the future both personal and business at 30%; similarly budget setting scored 29%.

The second area for focus was comparing to others (58%). This is the lowest of all sectors, along with cost and income review at 51%.

Lowland farmers are the least likely to look at employee management. This ties in with having the second-lowest number of employees.

Lowland farmers scored the highest of the farm systems for changing business model and system (27%). They had a high score of 12% for changing

business model such as changing from sole trader to partnership or limited company. They scored highest of the sectors for changing enterprise system (15%), mindset for change (7%), collaborations (7%) and organic conversion (5%).

To improve KPIs

Lowland farmers' top scores were for improving productivity (51%) and reducing environmental impact (34% – the top score among farm types). Lowland farmers scored top for grassland management (15%) and multi-species crops (12%). This shows a keen interest in forage management be it grassland, herbal leys or mixed species wholecrops. They did however score lowest for nutrient management.

Lowland farmers had the highest score for negative profit margin at 10%. This was not recognised as an opportunity to improve profitability. Lowland farmers scored lowest at 7% for interest in carbon audits.

Lowland grazing farms had the lowest average net profit figures at 10.3% and is the only farm type where tenant farmers had notably less profit than owner occupier farms – tenant farms were 7.9% and owner occupier 9.8%. Mixed ownership systems were much higher at 15.8% retained profit.

Summary

Lowland farmers are looking to long-term planning and future goals. Schemes feature heavily in the future as do diversification plans, favouring simple business options such as utilising existing buildings and skills.

Similarly, to LFA farmers, lowland grazing farmers aim to improve productivity but have less focus on profitability. They also have a low focus for comparing to others and managing costs. Conversely, lowland farmers are quite willing to make changes to their business to make this happen, including large-scale system change, organic practices or smaller changes like incorporation of herbal leys. Lowland farms had the lowest net profit performance.

FINDINGS BY FARM TYPE: MIXED

No. of farms: 596

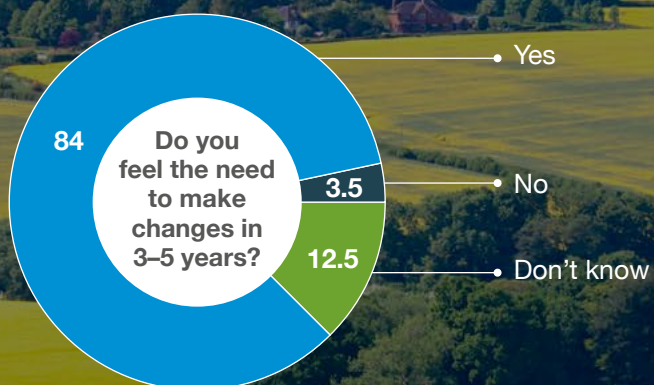
Farm size (ha): 285

No. of employees: 2.8

2020 BPS payment: £55,393

KPI score: 3.49/5

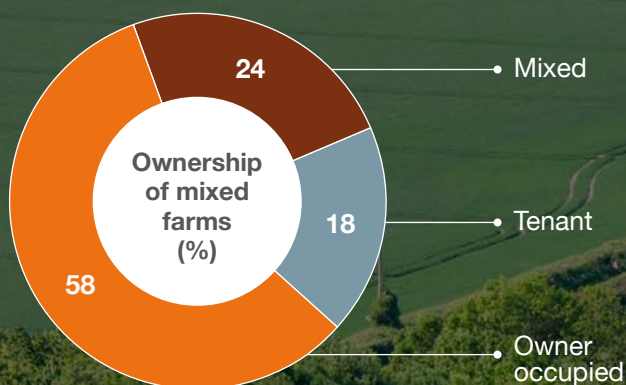
Resilience score: 3.29/5



Top three plans

1. Increase productivity
2. Diversify
3. Consolidate the business

Net profit (as a % of total income): 14.7%



Practices farmers currently use for business planning

- Business plan: 38%
- Benchmark: 29%
- Management accounts: 57%
- Accessing advice: 72%

Actions

To mitigate BPS loss

Of the 79% of mixed farmers looking at engaging with schemes, the majority (57%) were interested in Countryside Stewardship followed by SFI (20% – the highest of the sectors), Farming Investment Fund (17%) and AHWP (13%). It also was the second highest for interest in the slurry investment scheme at 5%.

When looking at diversifying income (49% were actively prioritising this), alternative uses of premises, holiday and tourism and carbon income were discussed by 22%, 13% and 7% of farmers. Mixed farmers were the most likely to look at recreational businesses or contracting work at 7% and 2%, and the second highest to look at renewable energy (4%).

To improve business resilience

With 77% of mixed farmers looking at long-term planning to increase resilience, this included 69% looking at succession planning with 9% looking to exit and 7% looking to retire. Additionally, 33% were looking to set budgets going forward and 26% were looking to set future goals for the business.

Mixed farms were highest sector for comparing with others at 65% and monitoring performance at 54%. They were the second-highest sector for benchmarking at 31%.

Mixed farms were second to dairy for costs and income review (57%). 49% of mixed farms were looking at focusing on detail with the highest score of the farm types for employee management at 21%.

Seeking advice was most popular with mixed farmers at 19%, with 23% seeking advice from AHDB, second only to cereals. They were, however, the least likely to seek advice from gov.uk or Defra websites at only 12%.

Mixed farmers were open to different business models, being the second highest to cereals for looking at share farming (5%) and joint highest for collaborations with lowland systems at 6%. Only 3% of farmers were looking at organic conversion.

To improve KPIs

Mixed farmers' top actions were for improving productivity at 47%, primarily linked to animal performance, and reducing environmental impact at 33%. Within the latter they were the highest of all sectors for nutrient management at 12%. They were also focusing on multi-species crops and grassland management, at 8% and 7% respectively. There were 13% of farms interested in carbon auditing.

Mixed farms were the lowest amongst the farm types for having a negative profit margin at 7% and 10% of farms were not profitable without BPS payments.

Mixed farms had an average retained profit figure of 14.7%. Mixed ownership was the lowest at 9.2%, similar to only dairy systems. In other farm types, mixed ownership performed above average. Owner occupier and tenanted systems had similar scores at 16.7% and 16.4% respectively. Only in mixed farms and lowland farms did owner occupier out-perform tenant farms, however, the difference is much less in mixed farms than lowland systems.

Summary

Mixed farmers' focus on increasing productivity is largely defined by efficiency, benchmarking and managing costs to the business, gaining advice and managing the team of employees to achieve this. They were not looking to make substantial changes to the system, however, they were open to collaborations and possible share farming avenues to aid the farm business.



FARM OWNERSHIP

The data can be split into owner occupiers (OO), tenants and mixed ownership farms. Several areas showed notable differences for future plans and actions dependant on farm ownership.

OWNER OCCUPIER

No. of farms: 1,122	Resilience score: 3.1/5
Farmers: 77% full-time / 23% part-time	
Top three plans <ol style="list-style-type: none">1. Increase productivity2. Diversify3. Consolidate	
Net profit (as a % of total income): 14.4%	
Practices farmers currently use for business planning <ul style="list-style-type: none">• Business plan: 35%• Benchmark: 29%• Management accounts: 53%• Accessing advice: 68%	

Owner occupier farms reported a similar level of business resilience to tenant farmers. Specifically, OO farms were more confident in minimising overheads, comparing to others and they understand the market more than tenant farms.

However, key areas to focus on were focusing on detail (including time management), having a mindset for change (involving participation in discussion groups or trials), people management (including employee management) and conversations around succession planning.

OO farmers felt least positive about the future of farming, with 10.5% feeling very positive and 54% feeling somewhat positive.

OO farmers had high levels of scheme engagement at 82%, which is similar to tenant farmers but much higher than mixed ownership systems.

OO farmers were most likely to diversify at 50%, which is understandable given the level of investment potentially required – owning the land adds a level of security to those decisions.

Farmers who were OO were least likely to compare to others (60%), review costs (54%), improve efficiency (46%) and focus on details within the business (46%). They also scored lowest for increasing productivity at 49% and increasing income from current and new farm practices at 45%.

Profit levels of OO farm systems range from 9.8% of total income retained as profit for lowland grazing systems up to 16.7% for mixed farming systems, with an average of 14.4%.

Summary

Owner-occupied farm systems had less of a focus on productivity for the farm and were less likely to look to replace BPS from efficiencies within the system. They would rather look to scheme engagements and diversification.





TENANT

No. of farms: 292	Resilience score: 3.3/5
Farmers: 87% full-time / 13% part-time	
Top three plans <ol style="list-style-type: none"> 1. Increase productivity 2. Expand the business 3. Consolidate 	
Net profit (as a % of total income): 14.8%	
Practices farmers currently use for business planning <ul style="list-style-type: none"> • Business plan: 44% • Benchmark: 29% • Management accounts: 54% • Accessing advice: 75% 	

Tenant farmers reported similar level of business resilience to OO farmers. Specifically, tenant farmers were confident in specialised business (meaning they have identified the most profitable areas to their business), people management (covering employee management) and conversations around succession planning. They were also confident around setting goals and budgets – understanding where the farm and the farmers wish to get to within the next 5–10 years.

Tenant farmers, however, need to look at focusing on detail (including time management), having a mindset for change (involving participation in discussion groups or trials) and comparing to others such as using

benchmarking tools. The latter being notably lower than OO farmers.

Tenant farmers felt positive about the future of farming at a similar overall level to mixed ownership farmers. However, they had significantly more very positive farmers at 14.7%, with 53.6% somewhat positive.

Tenant farms had high levels of scheme engagement at 81%, similar to OO farmers and notably higher than mixed ownership systems.

Diversification was least likely for tenant farms at 47% owing to the insecurity of not owning their land or buildings.

Tenant farmers were most likely to improve efficiency (56%), review costs (58%) and focus on detail (48%). They were second to mixed ownership farmers in comparing to others at 66%. They are also the most likely to look at increasing productivity at 51%.

Tenant farms have a higher profit level than OO farm systems averaging 14.8% of total farm income retained as profit. This ranges from 7.9% for tenanted LFA farms up to 17.2% for tenanted cereal farms.

Summary

Tenant farmers are confident about the future of farming and will look to scheme engagement, improving efficiency and increasing productivity to replace BPS income.

MIXED OWNERSHIP

No. of farms: 337	Resilience score: 3.3/5
Farmers: 88% full-time / 12% part-time	
Top three plans <ol style="list-style-type: none">1. Increase productivity2. Diversify3. Expand the business	
Net profit (as a % of total income): 13.1%	
Practices farmers currently use for business planning <ul style="list-style-type: none">• Business plan: 42%• Benchmark: 40%• Management accounts: 64%• Accessing advice: 73%	

Mixed ownership farmers reported significantly lower business resilience than either OO or tenanted farm systems, scoring lowest in each of the eight key areas.

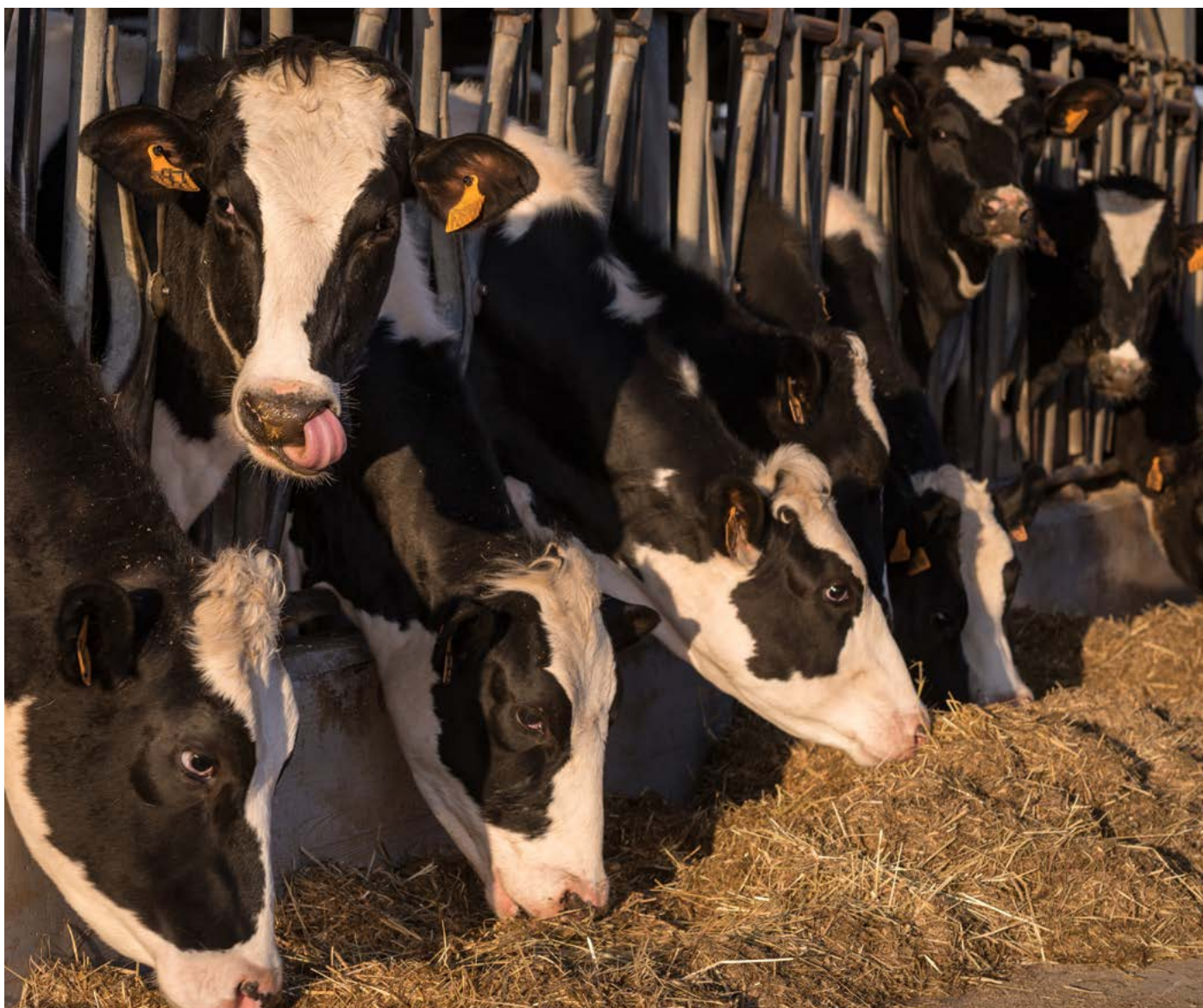
They felt most positive about the future of farming at a similar level to tenant farms, with 11.3% very positive farmers and 59.5% somewhat positive. However, they were least likely to engage with schemes at 75%.

On the whole mixed ownership farmers have similar attitudes to OO when it comes to improving efficiency, costs review and focus on detail, each scoring less than tenant farms at 50%, 54% and 45% respectively. Where they differ is in comparing to others where they score highest at 68%. They also score highest for increasing income from current and new farm practices at 48% and reducing environmental impact at 34%.

Mixed ownership farms have a lower average net profit level at 13.1%. This ranges from a low of 9.2% for mixed farms up to 19% for LFA farming systems.

Summary

Mixed ownership farmers report the lowest business resilience. They are more likely to look to replace BPS income from improvements to current farm practices rather than cost savings. They are willing to engage in schemes and diversify; these are just less of a priority for them than either OO or tenant farmers.



CONCLUSIONS

This report highlights the main courses of action that farmers have identified to proactively manage their businesses through the agricultural transition.

Most farms contained in the sample will remain profitable with the reduction of direct payments, although most farms will be negatively affected by the reduction.

The combination of the actions they propose to take to mitigate this, as outlined in this report, will help them remain profitable. However, farmers proposing to engage with the new environmental schemes are still in the minority, with more farmers working towards making their businesses more productive and efficient. This finding has greater significance given that the younger generation of farmers are more positive about the future of farming and are more change oriented.

Of all the schemes, the Countryside Stewardship Scheme was, or will be, engaged by most farmers, followed by SFI and the Farm Investment Fund.

The most commonly identified actions were government schemes engagement, long-term planning, comparing with others (including benchmarking and tracking performance) and reviewing costs and income. Diversifying income sources, improving efficiency and cost reduction, increasing income from current and new farm enterprises, and focusing on details were also identified as actions for over 50% of the farmers.

We hope that this report and its findings will help support farmers through the transition period in England by highlighting the main options available and actions being taken by their peers. In addition, the examples are important for policy makers to make informed decisions regarding targeted support and advice for farmers in England.



GLOSSARY

AHWP	Animal health and welfare pathway
AONB	Area of outstanding natural beauty
ATP	Agricultural transition period
BPS	Basic payment scheme
ELM	Environmental land management
FBR	Farm Business Review
FFRF	Future Farming Resilience Fund
KPI	Key performance indicator
LFA	Less favoured area
OO	Owner occupier
SFI	Sustainable farming incentive



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