



Arsyllfa **Wledig** Cymru
Wales **Rural** Observatory

A SURVEY OF FARMING HOUSEHOLDS IN WALES

July 2010

EXECUTIVE SUMMARY

This Executive Summary provides an overview of results from a survey of farming households in Wales, conducted by the Wales Rural Observatory [WRO] during February 2010.

KEY FINDINGS

41% had non-farm sources of income

38% had annual turnover of less than £25,000

14% considered the SFP to be a principal source of their current income

23% perceived SFP to be their future principal income source

90% did not employ non-family members

50% had diversified in some way

30% were likely to undertake more diversified activities over the next five years

10% operated some form of organic enterprise

42% of the total sample was 'highly likely' or 'likely' to enrol in Glastir – overall 16% were not aware of Glastir

If SFP was reduced: 27% were 'highly likely' or 'likely' to leave farming

74% of farms were family owned

If, after 2013, CAP subsidy payments were reduced, 68% of farming households were 'vulnerable'

In the event of a continuing cost/price squeeze, over the next five years, 75% of farming households were 'vulnerable'

Farming households with above average levels of diversification were more 'resilient'

Farming households with above average levels of multifunctionality were more 'resilient'

Farming households with above average levels of entrepreneurship were more 'resilient'

The Research

By a team at Cardiff University for the Wales Rural Observatory (WRO)

BACKGROUND

There is a perceived evidence gap concerning farming in Wales. Other than the Farm Business Survey [FBS] and Farmers Voice, neither of which has an exclusive focus on Wales, there is little evidence concerning the state of farm business activities in Wales.

In order to fill this evidence gap the Welsh Assembly Government [WAG] commissioned the Wales Rural Observatory [WRO] to conduct a survey of farming households in Wales. The survey garnered information and provided comprehensive data on both farm practices and farmers' attitudes concerning a range of topical issues. In addition, the survey constitutes a database on farming in Wales that connects with both completed and forthcoming WRO work, and provides evidence that allows WAG to monitor the impact of its policies and inform the implementation of the Rural Development Plan [RDP].

METHODOLOGY

The project aims agreed with WAG were to:

- 1) Identify household income streams by assessing farming household total income from farming and non farming activities;
- 2) Bring out the extent of diversification and multiple jobs;
- 3) Outline possible responses to CAP reform, and explore behavioural attitudes;
- 4) Establish household resilience and vulnerability with regard to CAP reform;
- 5) Provide evidence to allow WAG to monitor the impact of its policies and inform the implementation of the Rural Development Plan.

It was decided that a telephone survey, conducted by a contractor, would be more cost effective and carried more certainty of achieving the desired number of responses – the target sample was 1,000 farming households. Quotations were sought from three contractors and the contract was awarded to Opinion Research Services [ORS].

The target sample of 1,000 farming households was constructed from a sample of 10,000 released by WAG. It was stratified by farm size, using the standard EU economic size groups.

For the telephone interviews a 20 minute questionnaire was prepared, designed to elicit quantitative data on a range of farming-related and household issues. In addition, there were two open-ended, qualitative questions:

If, after 2013, policy changes result in reduced payments to farmers or require changes to farming practices, such as increased environmental responsibilities, what would you do?

If input costs continue to rise but farm gate prices fall, what will you do over the next five years?

Interviewers recorded verbatim responses to the two open-ended, qualitative questions.

ORS conducted the telephone survey between 29th January 2010 and 3rd March 2010. Importantly, interviewers asked to speak with the principal decision-maker of the farming household. In the event, 1,009 telephone interviews were completed. This represented a response rate of 12.64%.

METHODS OF ANALYSIS

The report contains four sections of analysis. Section 5, which addresses project Aim 1 and Aim 2, consists of descriptive statistics from the questionnaire data. These are cross-tabulated with key variables such as farm type and size. Section 6, which addresses Aim 3, consists of a qualitative analysis of the responses to the two open-ended questions. To address Aim 4, Section 7 consists of a typological analysis using three indices:

Diversification - the development of farm-based, non-agricultural activities to help sustain the farm holding.

Multifunctionality – the degree to which farms contribute, beyond their primary function of producing food and fibre, to environmental benefits.

Entrepreneurship – the ability, skills and mindset of farmers in terms of assembling resources and innovations to find new ways of entering different markets.

FINDINGS

The findings are grouped under each of the Project Aims. As, taken together, the qualitative, typological and integrated analyses address Aim 3 and Aim 4, the findings for these aims are combined under one heading.

Project Aim 1: Household Income Streams

In terms of income sources, 50% of farming households perceived that the market place was their principal source of income. The Single Farm Payment [SFP] was perceived to provide the largest proportion of household income for 14% of the sample. There may be a perception issue here. Data from the 2009 FBS suggest far higher levels of SFP dependency. It might have been that some interviewees tended to accept SFP as a given, and disregarded it as a component of total household income. Moreover, when asked what they would do if SFP was to be reduced, 27% were likely or highly likely to leave farming.

Off-farm employment was the perceived principal income source for 15% of the sample and 41% had income from sources not connected to the farm or agriculture. Payments from agri-environmental schemes were perceived to be the principal income source by 2%, and 7% considered diversification to be their principal income source.

Project Aim 2: The extent of diversification and multiple jobs

Overall, 50% of farming households surveyed were operating some form of diversified activity. Although 30% stated that they were likely or very likely to expand their diversification over the next five years, they identified a number of potential obstructions to their diversification plans. These included inadequate provision of information, advice and support; low financial returns; problems with the capacity of farm personnel and their training; legislation and regulations; and planning permission.

In total, 10% of the total farming households produced either organic crops or livestock, or both to some degree.

Project Aim 3 and Project Aim 4:

Potential responses to CAP reform and behavioural attitudes

Resilience and Vulnerability with regard to CAP reform

The qualitative analysis reveals that if, after 2013, policy changes result in reduced payments to farmers or require changes to farming practices, 28% would carry on business as usual; 22% would not know what to do; 10% would sell up and leave farming; and the remaining 40% would pursue various strategies of diversification, economies, agri-environmental schemes, alternative enterprises and retirement.

Some interviewees perceived that the place of farmers was uncertain in a changing world, particularly in terms of the competing claims of food production and environmental protection. While some argued that they would be compelled to leave farming, many interviewees felt tied to their land by birth, place and culture, and wanted to pass the farm on to succeeding generations. But many considered that this would not be possible.

The findings of the typological analysis show that of the three main types of farm, dairy farms were the least likely to diversify, with sheep farms slightly less likely to diversify, and that beef farms recorded the highest scores for diversification.

Scores on the index of multifunctionality were intertwined with entry to the agri-environmental schemes. Here, 84% of the survey sample was aware of Glastir, the new agri-environmental scheme, and 50% of those aware of Glastir were likely to join the scheme (42% overall). However, although 60% of interviewees were or had been in an agri-environmental scheme, some barriers and obstacles to joining were cited. These included regulations and red tape; conflicts with the core farming business; administration costs; low financial returns; and inadequate advice and support. Of the three main farm types, sheep recorded the highest scores in terms of multifunctionality, with 67% above the average on the index. Beef farms recorded the second highest results, with 59% above the average.

The leading performers on the entrepreneurship index were the miscellaneous types of farms at 67% above average, and dairy farms at 65%. Dairy farms may be seen to occupy a particular position as 'specialist entrepreneurs'. That is, they are locked in to particular markets, and entrepreneurial dairy farmers seek ways to maximise economic returns from these markets. The entrepreneurship index revealed a definite gradient from larger farmers with high entrepreneurial scores down to small farms with low scores. There were issues concerning the preparedness of some farming households across Wales to be entrepreneurial. For example, in response to a direct question about their intentions only small proportions of the survey sample would change their business practices or start new ventures. In addition, only 19% had a business plan.

Overall, 68% of farming households were vulnerable in terms of potential CAP reform and 75% were vulnerable to a continuing cost/price squeeze over the next five years.

Project Aim 5: Evidence to allow WAG to monitor the impact of its policies and inform the implementation of the Rural Development Plan

From the analysis, three, non-mutually exclusive, overlapping clusters of farming households in Wales emerged. While members of all three clusters recognized the tensions and contradictions between food production, environmental protection and conservation, and rural development, some are better positioned to resolve these tensions and contradictions.

First, there is a cluster termed 'Strugglers' that tends to struggle to adapt to policy changes and the greater emphasis on the environment and rural development. In the event of reduced payments, increased environmental responsibility or adverse market conditions, members of this cluster may well retire early or leave farming, either by selling the farm or filing for bankruptcy. For example, 14% said they would leave farming if subsidy payments were reduced or they were required to increase their environmental responsibilities; and 27% suggested that they would retire, sell-up or go bankrupt faced with a continuing cost/price squeeze.

Second, there is a cluster termed 'Policy Dependent': those farming households that are dependent on the SFP; are dependent on agricultural productivity; and are not open to change. Although, overall, 50% considered the market to be their principal source of income, 14% perceived their principal source of income to be the SFP. As mentioned earlier, there may be a perception issue here, with FBS data suggesting far higher levels of SFP dependency. Indeed, 27% were likely or highly likely to leave farming if the SFP were to be reduced. Looking forward, there was a continuing majority reliance on the market for future household income but income dependency on the SFP increased to 23%. There is, then, a cluster of farming households that are overly dependent on the SFP. Members of this cluster will tend to be vulnerable to CAP reform, policy change and market conditions.

The third cluster, termed 'Pro-active', consists of farming households that have diversified; have multiple income streams; are open to new ventures and entrepreneurial opportunities; and embrace environmental responsibility and the demands of the emerging rural development paradigm. For example, 41% of the survey sample had non-farm sources of income; 50% were engaged in some type of diversification activity; 43% were above average on the index of diversification; and 53% were above average on the entrepreneurship index.

In conclusion, we can begin to see how the diversification, multifunctional and entrepreneurial activities of farming households have the potential to be drivers for the emerging new rural development paradigm, and the potential to be a basis for the eco-economy of rural Wales.

However, it must be recognised that many, though not all, of these activities remain dependent, to varying degrees, on the payments associated with agri-environmental schemes and a range of grants and other policy initiatives.