

Farm Diversification



£680m

Total income from diversified activities, 2017/18

22%

Of all farms' income comes from diversified enterprises

45%

Of all farms rent out buildings for non farming use

Welcome to our latest research publication on farm diversification.

In addition to the political uncertainty as a result of the indecision over Brexit, farms are facing the challenge of subsidy reduction, rising costs, lower market prices and the importance of energy security, sustainability and changing consumer attitudes.

This publication seeks to highlight the potential opportunities for the agricultural industry with a special focus on “making the most of your farm” and the latest diversification trends.

We also launch the Savills Rural Vibrancy Index that tracks some of the key drivers and trends in farm diversification.



Changing dynamics

Traditional farming is set to be transformed over the next decade so it is important to put your farm business under review in order to make the most of your assets

Farm diversification is not a new phenomenon and indeed it's not for every farmer or farming business but for many, making the best use of a farm's assets to enhance farm income from sources other than conventional farm production makes sense.

A review of the farm business will highlight any potential opportunities for diversification, which may include:

- Adding value to farm produce – on farm processing, direct/ online selling or farmers' markets
- Developing a new enterprise – for example, glamping, adventure sports, pets, leisure and recreation activities
- Developing buildings – holiday lets, weddings, residential, workshops, office space
- Farm energy – renewables or anaerobic digestion.

According to DEFRA, in 2017/2018 two thirds of all farms had diversified activities, an increase of 2%

on the previous year. Total income from diversified activities in 2017/2018 was £680 million and across all farms income from diversified enterprises accounted for 22% of total farm business income.

The most popular farm diversification is letting buildings for non farming use, with 45% of all farms letting buildings. This includes holiday accommodation, commercial units or office space. However, as consumers have become more demanding so farm diversification activities have become more consumer focused, sophisticated and varied.

Don't “wait and see”

The traditional dynamics of UK agriculture will be transformed as the industry prepares for a life without the Common Agricultural Policy. The Agricultural Bill 2018 announced a transition away

from the Basic Payment Scheme (BPS) towards a new system of financial assistance for delivering public goods through a new Environmental Land Management scheme (ELMS). By 2028 farmers will no longer receive a subsidy based on the acres they farm. The last approach that anyone should be considering is let's “wait and see”. Now is the time to review the farm business, which may include:

- Revisiting farm contracts
- Looking for collaboration
- Reviewing costings
- Considering how the farm can be of most value to the public in order to receive public money and to capitalise on the growing area of private investment in natural capital
- Increasing farm productivity
- Reviewing the farm's assets and the opportunities for diversification.

“ Farm diversification is not a new phenomenon but making the best use of a farm's assets to enhance income from sources other than conventional farm production makes sense ”

“Farms thinking about farm diversification should consider the link between the farm’s natural assets and potential projects”

Opportunities presented by key consumer trends

Farm businesses are well placed to build up tourism and leisure facilities

The customer should be at the heart of every business decision and when diversifying it is imperative to understand what customers need and value. Businesses should consider emerging global trends that have an impact on consumer behaviour and values as these will offer many opportunities for farm diversification. The dominant mega trends include an emphasis on wellness, the environment and sustainable living and “experience over possessions”.

1 Wellness tourism

There is a growing global interest in wellness and healthy living. The Global Wellness Institute estimates that wellness tourism is a £500 billion global market and is growing twice as fast as other types of tourism. The forecast is for continued growth in this area and, importantly, these tourists are typically high-spending, high-yield individuals.

In addition to wellness tourism, the idea of social prescribing is gaining the attention of the medical profession with doctors prescribing time getting back to nature in the countryside to their patients. Farms are perfectly placed to provide a range of activities that promote wellness.

2 Environment and sustainable living

In recent years, the level of interest in sustainable living has rocketed and this is seen as a growth area, with many farm businesses already setting up sustainable diversification projects. A recent survey by Booking.com found that 86% of respondents would be willing to spend time doing activities that counterbalance the environmental impact of their stay.

Furthermore, approximately one third of all food produced in the world is lost or wasted according to Waste and Resources

Action Programme (WRAP) and estimates by the Food and Agriculture Organisation of the UN. It is estimated that £810 worth of food is thrown away by the average UK family per year. Increased public awareness of the problems associated with food waste, climate change and the need to reduce carbon footprints presents an opportunity for farm businesses to create environmentally friendly diversification projects. Farms should consider the link between the farms natural environment – landscape, biodiversity, soils, water and trees (natural capital assets) – and potential projects.



3 Experience over possessions

According to Mintel research, 65% of adults say they would rather spend money on experiences than on possessions and this increases to 72% with millennials (those born between 1977 and 1994). Increasingly, consumers are drawn to experiences rather than material goods.

Experiences such as concerts, festivals, cultural experiences and adventure sports are more popular than ever. In the tourism sector visitors are demanding authentic experiences in a stunning setting or embedded within a community or place. Farms are well placed to take advantage of this booming trend.

Rural Vibrancy Index

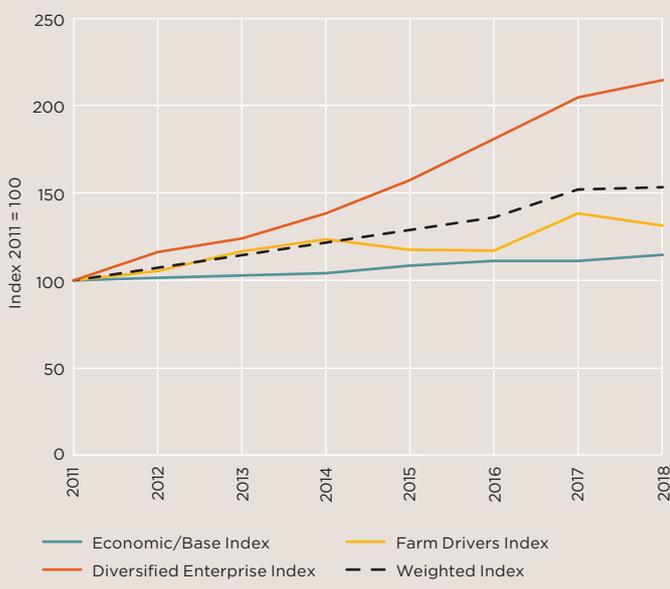


Figure 1/ Source Savills Research

RURAL VIBRANCY INDEX

The Savills Rural Vibrancy Index tracks some of the key trends in farm diversification and aims to give a comparative indication of the strength of the sector over time.

The Index combines farm diversification drivers, economic indicators and enterprise performance. The vibrancy of the sector is represented as an Index relative to values in the year 2011 (2011=100).

The Index confirms a positive trend for rural vibrancy over the past seven years. (Figure 1). This is mostly due to the performance of diversified enterprises growing from strength to strength since 2011 (Diversified Enterprise Index). The overall Weighted Index represents a more gradual increase. This is due to a relatively flat trend for the Economic Index

and the fluctuating Farm Drivers Index, influenced mostly by average farm incomes.

Of the key elements that make up the Diversified Enterprise Index, the growth in viticulture across the UK is recognised as a growing sector. It offers a flexible way for farms to diversify as it can start as a small project with only around three hectares to potentially turn a profit. The performance for renewable energy is still strong, and has had a positive impact on the Index.

The opportunities presented for farm diversification are convincing as farms are well placed to make the most of the global consumer mega trends that relate to the natural environment. These include sustainable living, wellness and the growing consumer interest in experiences over material items.

What are the options for your farm?

FIELDS

- Glamping/log cabins
- Festivals
- Wellbeing experiences

WOODLAND

- Forest schools
- Survival skills/rural crafts
- Carbon capture

FIELDS

- Safari/farm tours
- Off-roading
- Environmental offsetting

LAKE

- Fishing
- Water sports
- Wild swimming





HILLS

- Bike trails/walks
- Country sports
- Zip wires

BUILDINGS

- Horse liverys
- Rural workspace
- Food processing plants
- Biomass

FIELDS

- Vineyards
- Pick your own
- Wind turbines/solar panels

BUILDINGS

- Holiday/residential lets
- Commercial units
- Farm shops

FIELDS

- Wildflower meadows
- Adventure sports
- Caravan parks

66%

Two thirds of all farms have diversified activities

10 KEY POINTS TO CONSIDER WHEN DIVERSIFYING

- 1 Property assets**
What unused assets are on your farm? For example, redundant buildings, stables, lake, topography, natural capital, view, forestry.
- 2 Product or service**
What is your product or service? What are the unique selling points? What's your personal interest in this new business?
- 3 People**
What skills, qualifications and interests do you and your family have? Is there available labour with appropriate skills?
- 4 Farm location & local demographics**
Where is your farm? Are there potential customers nearby? Does your farm have good access?
- 5 Target market**
Who are your customers? What are their needs? Where is your competition?
- 6 Capital investment & funding**
How much will it cost to set up? Is there grant funding available? Do you require a loan or do you have disposable income?
- 7 Legal, planning & tax**
What are the legal requirements? Is planning permission required? What are the tax implications?
- 8 Marketing**
How will you promote your business? What will your brand image look like?
- 9 Risk & insurance**
What are the risks to the business? What are the health and safety considerations?
- 10 Research & business planning**
How will the diversification impact on the core farming business? It is important to conduct thorough market research and business planning.

“Farms and estates offer many opportunities to diversify. Choosing the right diversification is about more than location and funding, it must be the best fit for you”

ISTOCK

“Adventure play, adventure sports, wine-making, brewing, craft classes are all potential farm diversifications”

TRENDING DIVERSIFICATIONS

FOOD AND DRINK

During the early 2000s consumers became more aware and interested in the provenance and safety of food, with farm to plate messages filtering through into marketing campaigns. With technological advances and the increasing use of the internet, adding value to farm produce through direct selling or farmers’ markets expanded rapidly. Improvements in technology has changed the way products are packaged and delivered and the internet continues to significantly impact consumer attitudes to the consumption of food.

A recent research report by Mintel introduces three global food trends that it believes will lead the momentum of food and drink in the months and years to come. Consumers are increasingly seeking food and drink innovations that are:

- Healthy and sustainable
- Offer healthy ageing solutions at any life stage
- Deliver upgraded convenience.

PETS

The market for kennels and catteries is well established, but people are increasingly looking for activities to do with their pets. It can be as simple as providing a secure dog walking area.

WEDDINGS

Converted barns and country house are increasingly popular venues. According to Confetti.co.uk, the most popular wedding venues in 2019 are country houses at 22%, barn weddings at 16% and hotels weddings at 18%. This compares to Hitched.co.uk that reported that barn wedding receptions were most popular with 28% of respondents choosing a barn or farm wedding venue.

EXPERIENCES

Consumers are more interested than ever in taking on new challenges and farms are well placed to offer adventure experiences. There is an interest in planned, but flexible, activities or itineraries. Adventure play, adventure sports, wine-making, brewing and craft classes are all potential farm diversifications.

Creative thinking: three ways to diversify

There are countless ways to diversify, but as our case studies show it’s all about finding what’s best for you



LUXURY LODGES IN A LAKESIDE SETTING

These stylish and luxury lakeside lodges, situated in the Cambridgeshire countryside, are the brainchild of 30-year-old Charlie Alexander, who first came up with the idea for this seven-acre development when he took a farm diversification module at university.

Owned by the Alexander family, the farmland development is in a peaceful and tranquil setting, yet is only 25 minutes drive from the bustling city of Cambridge. Charlie quickly realised that a spot like that was too scenic not to share and that if it was developed in the right way it could appeal to people wanting weekends or longer away. “It’s perfectly situated and we were confident that luxury log cabins in a

lakeside setting would offer the ideal get-away-from-it-all holiday,” says Charlie.

Natural springs on the land were used to create the lake and Charlie then teamed up with luxury log cabin company Norwegian Log to create three bespoke lodges on the site.

His vision has seen a field become what you see today – an enchanting and stylish hideaway with a tranquil lake, offering wild swimming, and three spacious two-bedroom log cabins, complete with log burners, high-spec kitchens and private outdoor hot tubs. “We hope visitors will enjoy it as much as we do,” says Charlie. “It is the the perfect place to unwind with stunning countryside views and walks galore.” cambridgeshirelakes.co.uk



TIMELINE:

- 2015:** Applied for planning
- 2016:** Discharge planning conditions
- 2017:** Expressions of interest
- May 2018:** Applied for grant funding
- Sept 2018:** Growth Grant confirmed
- Oct 2018:** First dig begins for the lake
- Feb 2019:** Foundations for lodges progress
- Mar 2019:** Log cabins arrive from Norway
- June 2019:** Log cabins handed over
- Aug 2019:** Official opening
- Sept 2019:** First stay in the lodges

10

Months from first dig to first stay in the lodges

£45k

Annual return on Williamson-Jones' investment of £140k

120

Litres of milk a day sold direct to the consumer at Charnwood Forest Farm

FRESH RAW MILK SOLD DIRECT TO THE CONSUMER

Blaise and Deborah Tomlinson farm Charnwood Forest Farm in Leicestershire with their three daughters. They milk a herd of 200 Ayrshire cows, but following a prolonged period of low milk prices in 2016 Blaise and Deborah began to think about the options to increase farm income.

"We had worked extremely hard to build the business and we didn't want to lose the cows. We knew the key to success was to receive a premium on the milk," says Deborah. "We did some initial research and talked to other farms with milk vending machines up and down the country." Milk from their pedigree Ayrshire herd provides Blaise and Deborah with a high-quality niche product so they decided to sell raw milk direct from the farm. The plan was to purchase a self-service milk vending machine and position it in a wooden shed at the end of the farm driveway so that customers could buy their milk direct.

"It all sounds very simple," says Deborah, "but in reality a special licence from the Food Standards Agency is required and the local Environmental Health Department has to be informed." Other points to consider include, insurance and staffing if required.

The farm has an excellent location, just off a busy main road and benefits from a large population on the doorstep, sitting between Loughborough, Leicester and several other smaller towns. Blaise and Deborah are now

successfully selling 110-120 litres a day, seven days a week. Customers can fill plastic bottles or purchase their own glass bottles from the farm, which can then be reused. Payment is by card, cash or Apple Pay. The vending machine holds 200 litres of milk, which is filled up on the opposite day to the farm's milk tanker collection.

Deborah also says the time factor must not be underestimated. "The key to the success of the business is ensuring not only that the milk vending machine and sales shed are kept scrupulously clean, but also the whole farm. This ensures the farm is ready for visitors and



more importantly it ensures the milk is the best it can be and reduces any risk of ill health."

Deborah and Blaise are keen to welcome the public onto the farm. "On Open Farm Sunday around 4,500 people visit the farm, which boosts sales and is also a great way for people to learn about the milk and the cows." Customers are attracted to the milk because it is local and a natural product.

Deborah and Blaise have added value to their business and it has helped them to secure a sustainable future. They care greatly about the welfare of their cows, the milk they are selling and on top of that they are receiving a premium for every litre of milk sold through the vending machine compared to the milk being sold directly from the farm to the dairy.

Charnwood Forest Farm, Leicestershire LE12 9XJ

FROM CHICKEN FARMING TO WORKSHOP RENTAL

For many farmers, diversification is about adding an income stream that can be managed without too much distraction from the core business.

When David Williamson-Jones and his brother inherited the family chicken farm in Hazelbury Bryan, Dorset, and the existing tenant handed back the tenancy due to ill health, the decision was taken to convert one of the three chicken sheds into workshop rental units.

"I live an hour away from the farm, so it was important to choose a diversification that didn't

need hands-on daily management. Planning permission was granted in 2017 for change of use and the 1,000 square metre shed was divided into 17 units," says Williamson-Jones.

A range of local businesses now rent the workshops, including carpenters, plumbers and a classic car restorer. The capital investment of £140,000 yields a return of £45,000 a year, and they have started on the conversion of a second chicken shed.

While gaining permission for change of use was straightforward in this scenario, that is not always the case, says Ashley Lilley of Savills Food and Farming.

"One of the common pitfalls for diversification is underestimating the potential complexities and costs of the planning process, and the capital outlay required for the new business. Time spent in assessing and planning the project is critical; professional input is often very helpful, as is looking at a phased development rather than plunging straight in."

A new venture often means new skills and potentially a more public-facing role. "It's important to consider existing skills and where they would need to be added to. Similarly, not everyone is cut out to deal face-to-face with customers and the

people management side of a diversification can sometimes be the most challenging aspect," Ashley warns.

For Williamson-Jones, a key part of the success of the workshop rentals has been taking care to choose the right tenants and then managing expectations.

"We interview everyone who applies to rent a unit and make sure they feel right for us. We've found that, as we don't live on site, there's the potential for issues with tidiness, and people parking cars where they shouldn't, so being clear about what is allowed is important."

northdoresetworkshops.co.uk

“For Williamson-Jones, a key part of the success of the workshop rentals has been taking care to choose the right tenants and then managing expectations”



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We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the UK property market.

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