NICRE
National Innovation Centre
Rural Enterprise

Farm business performance: planning, adaptation and resilience

State of Rural Enterprise Report

No 3, September 2022

Contents

We are the National Innovation Centre for Rural Enterprise, a unique hub of innovation and research excellence working with a network of national and local partners.

We collaborate, research and co-design ideas and solutions to foster rural enterprise and unlock the potential in the UK's rural economies.

Executive summary

This report presents findings of a survey of **529 farms** in three English regions – the North East, the South West and the West Midlands, which was conducted as part of NICRE's broader State of Rural Enterprise Reports (NICRE, 2022). It examines the **particular experiences of farms** in respect of the Covid-19 pandemic, including their business performance, the strategies they adopted in response to the crisis, and their uptake of external advice and government support measures.

The survey was conducted between June and August 2021, and covered over 4,000 businesses across the three regions. While the report concentrates on farm businesses, our findings indicate that farms' experiences of the pandemic differed considerably from the experiences of their non-farm counterparts. To a degree, it is likely that these differences can be related to wider changes particularly affecting agriculture in this period, including policy reform and new trading arrangements linked to the UK's exit from the EU and its Common Agricultural Policy.

Several headlines emerge from our analysis:

1. **Farm performance was sustained during the pandemic:** Half of the farms we surveyed reported unchanged turnover in the previous 12 months, compared to around 25% of non-farm businesses. Only 19% of farms reported a decrease in turnover, compared to 42% of rural and 51% of urban businesses. Nearly three-quarters of farms reported that they generated a profit or surplus in the previous financial year, compared to 66% of non-farm rural firms and 61% of urban firms. 56% of farms reported that, at the time of the survey, their cash reserves were about the same as they had been the previous year. This is considerably higher than the proportion of non-farm rural firms (40%) and urban firms (35%).
2. **Farms reported different impacts of the Covid-19 crisis than non-farm businesses:** 39% of farms reported no impact of the Covid-19 crisis, compared to 10% of rural non-farm firms and 13% of urban firms. The most common negative effect of the Covid-19 crisis reported by farms was disruption to supplies, cited by 72% of respondents. This was followed by reduction in sales, reported by 60%, cash flow issues or depletion of financial reserves, reported by 47%, and reduced productivity, reported by 41%. Farms were much less likely to report the need for remote working as a staffing effect of Covid-19 – only 24% of farms compared with 37% of non-farm businesses said that this had been an issue. The most commonly experienced staffing effect of Covid-19 for farms was the need for staff to self-isolate, cited by 65% of respondents, followed by unavailability of staff and difficulty recruiting suitable staff, both cited by 55% of farms. By contrast, the most frequently reported staffing effect of the crisis for both rural non-farm businesses and urban businesses was a need to reduce staff, temporarily or through furlough.

3. **Farms were less likely than rural non-farm businesses and urban businesses to use government Covid-19 related business support schemes:** 54% of farms overall said that they had used such support, compared to 70% of rural non-farm businesses and 78% of urban businesses. The furlough scheme was used by only 17% of farms, compared to 63% of rural non-farm businesses and 67% of urban businesses. Among the available schemes, farms were most likely to use small bounce back loans and the self-employed income support scheme, and were most likely to report that the impact of the government support received was to support their cashflow, whereas the most commonly reported effect of government support for non-farm businesses was retention of employees.

4. **Farms were less likely to access external support or advice for their business during the pandemic:** Just over one fifth of farms reported that they had accessed some form of external support or advice for their business during the pandemic, compared to around 30% of non-farm businesses. Although the top source of advice for both farm and non-farm businesses was an accountant, patterns of advice also showed some subtle variation, with farm businesses more likely to consult a bank, and less likely to go to a government department or agency, than non-farm businesses.

5. **Farms were more likely to draw on family resources to reduce their costs during the crisis:** In the face of the Covid-19 crisis the most common response of farms, as for non-farm businesses, was to reduce costs, a strategy adopted by 52% of farm respondents. For most farms this involved reducing fuel or energy usage or reducing, cancelling or postponing investment. However, farms were more likely than non-farm businesses to draw on family resources in response to the crisis, with 44% of farms compared to around 30% of non-farm businesses reporting this strategy. This typically involved family members working longer hours, or family money being used to support the business.

6. **Farms were less likely to view the economic uncertainty linked to Covid as a major obstacle to their success:** In fact, farms were more likely to consider regulations and red tape as a key obstacle. 71% of farms in the survey said that red tape was an obstacle, compared to 47% of rural non-farm businesses and 43% of urban businesses. By contrast, while 55% of rural firms and 60% of urban firms felt that economic uncertainty linked to Covid-19 was a major obstacle, only 34% of farms agreed.

7. **The majority of respondents managing farms do not engage in formal business planning:** 62% of farms told us that they do not have a formal written business plan, compared to 56% of rural and 50% of urban businesses. Looking to the future, farmers are most concerned to keep their businesses viable, an objective that was cited by 94% of farm respondents. This was followed by a wish to have a good work-life balance, cited by 78%, and to keep the business similar to how it operates now, cited by 69%. 57% of those running farms were also keen to increase their social or environmental impact.

A significant impact on farm incomes is arising from ongoing **farm policy reform** in England, and unanticipated shocks to **input and output markets** linked to fuel price increases and the conflict in Ukraine. In this context, these findings suggest that the farm sector lacks some **formal prerequisites to successful adaptation** which are seen more widely across rural businesses as a whole, in applying for and accessing lower levels of **professional business planning, advice and support.**

1. Introduction

The population of interest in this NICRE Rural Enterprise Survey report **is private sector for-profit and not-for-profit farms** employing at least one person. The survey covered **529 farms** in three regions of England: **129 farms** in the North East, **200 each** in the South West and West Midlands.

Table 1 provides an overview of the sample. The survey was conducted using Computer Assisted Telephone Interviewing (CATI), which is proven to be the best means of reaching the appropriate personnel within a business. Interviews were conducted between June and August 2021. A full description of sample characteristics is given in Appendix A. Throughout the report comparisons are made with non-farm rural businesses and urban businesses. These non-farm business findings are available in the NICRE State of Rural Enterprise Report[1]. Please note that because the survey was designed using conventions from general, rather than sector-specific, business surveys it has not captured or stratified results in respect of common farm variables such as farm size in hectares or Standard Output (SO)[2], and farm type, instead using the common business variables of size in terms of employees, and main sectors.

Table 1: Overview of farms interviewed

	All regions	North East	South West	West Midlands
Total farms	529	129	200	200
Total farms				
Less than 10	461	120	169	172
10 to 19	43	7	22	14
20 to 49	13	1	7	5
50 plus	12	1	2	9
Farm by sector				
Livestock	264	68	117	79
Arable	71	11	22	38
Horticulture	49	9	18	22
Livestock and arable or horticulture	98	31	22	45
Other	44	10	20	14
Farms location				
Town & fringe	23	9	9	5
Village	130	24	58	48
Hamlet & isolated dwelling	334	84	120	130
Urban	42	12	13	17

[1] NICRE (2022) The effects of the Covid-19 pandemic on rural businesses: experiences and resilience, State of Rural Enterprise Report No 1 available at: https://www.ncl.ac.uk/mediav8/nicre/files/NICRE%20State%20of%20Rural%20Enterprise%20Report%20No%201%20January%202022%20The%20effects%20of%20the%20Covid-19%20pandemic%20on%20rural%20businesses,%20experiences%20and%20resilience.pdf

[2] Standard Output (SO) is the average monetary value of the agricultural output at farm-gate price. It is used to classify agricultural holdings by economic size, and to enable cross-sector comparisons especially between crop and livestock farms.

2. Farms performance during the Covid-19 pandemic

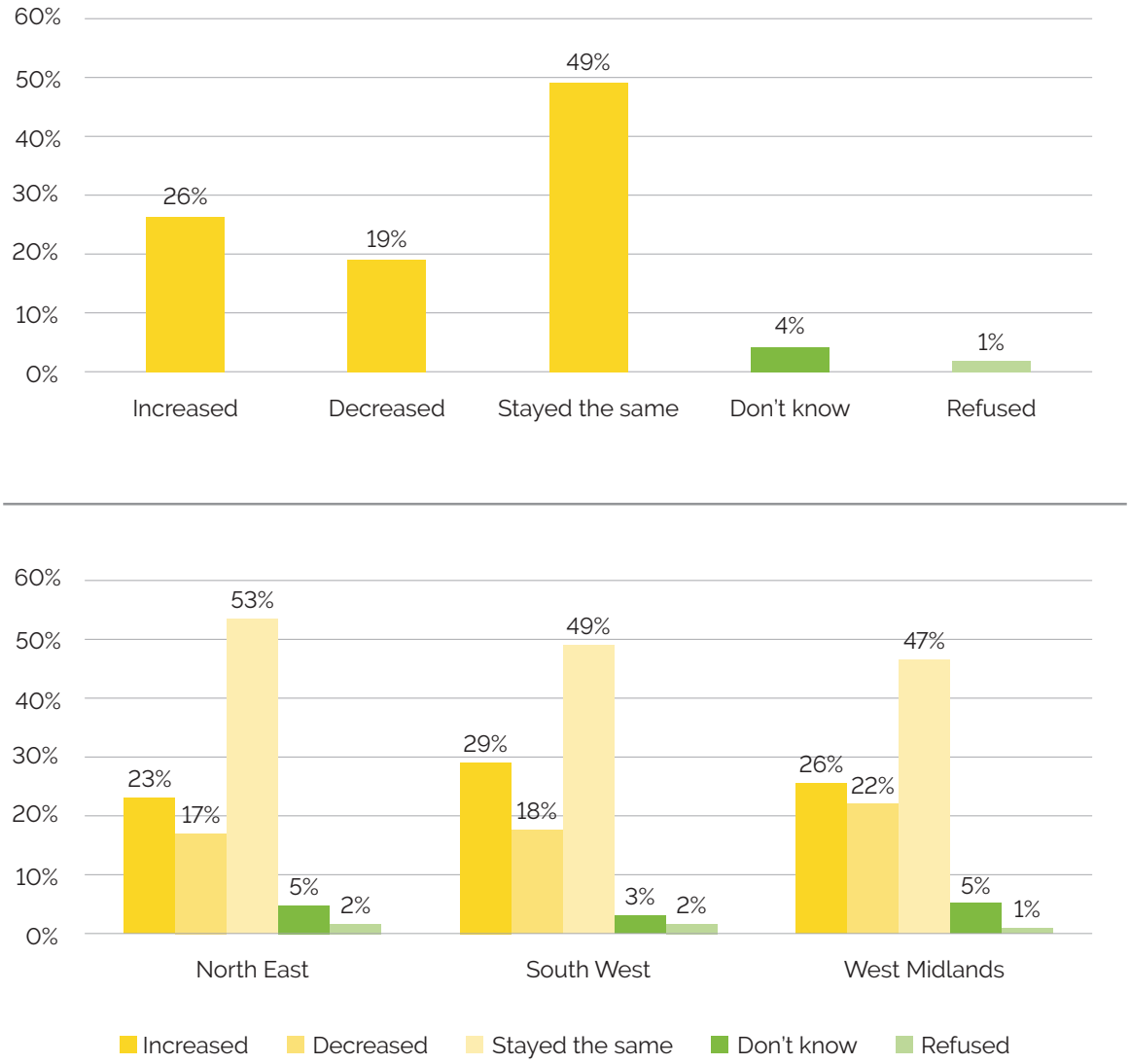
Our survey data collection took place between **June and August 2021**, so the period under study was strongly impacted **by the Covid-19 pandemic.**

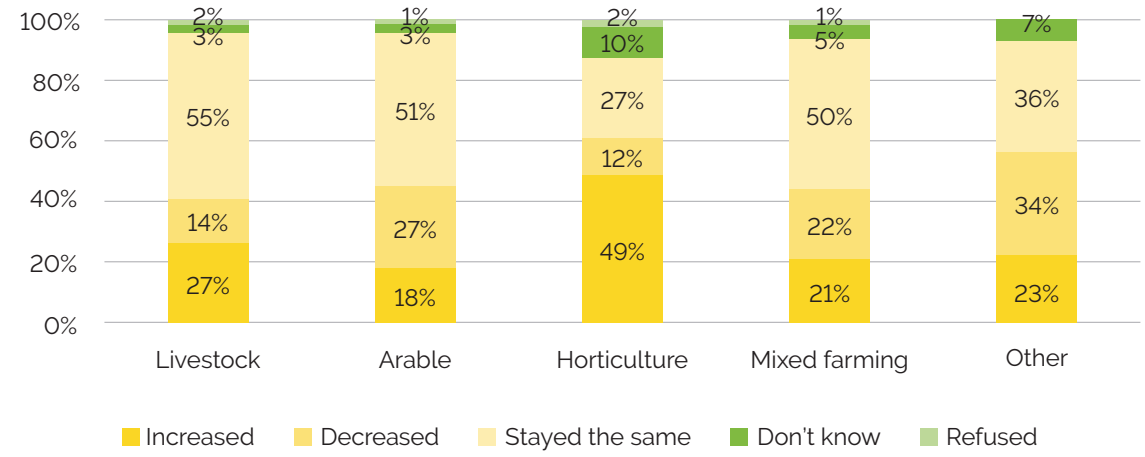
We begin with some analysis of key farm performance data. Firstly, as shown in Figure 1, around half of farms surveyed reported that their turnover had remained unchanged in the year prior to the survey compared to the previous 12-month period, while 26% reported an increase in turnover and 19% reported a decrease.

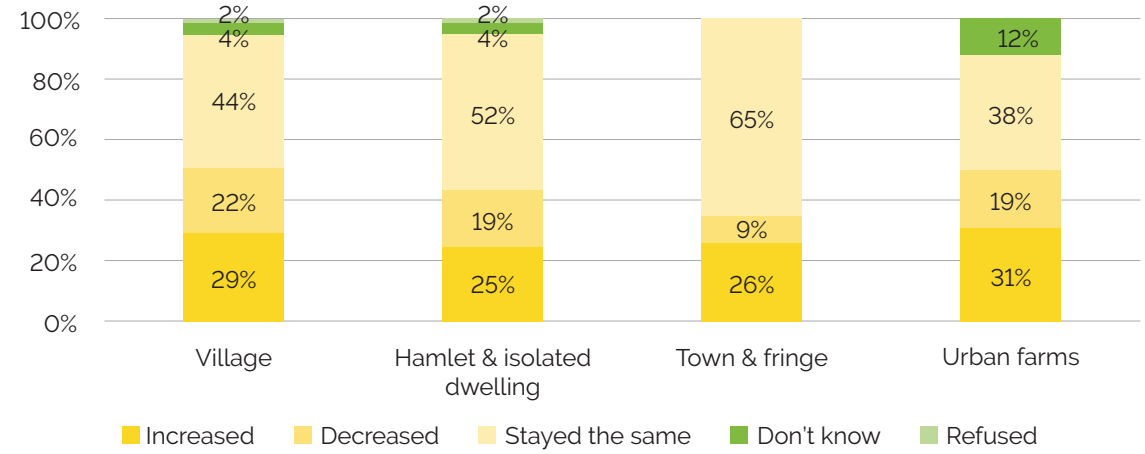
This contrasts sharply with non-farm businesses - 42% of rural non-farm firms and 51% of urban firms reported a decrease in turnover for the same period – and suggests that farms' experiences of the pandemic diverged considerably from those of their non-farm counterparts (NICRE, 2022).

Farms in the North East were more likely than those in the other two regions to report unchanged turnover, while those in the South West were most likely of the three regions to report increased turnover. A greater proportion of farms in the horticulture sector reported an increase in turnover than in the other sectors.

Figure 1: Change in turnover in the previous 12 months for all farms, by region, sector, and location







Sample: Unweighted total 529 farms; 129 NE, 200 SW, 200 WM

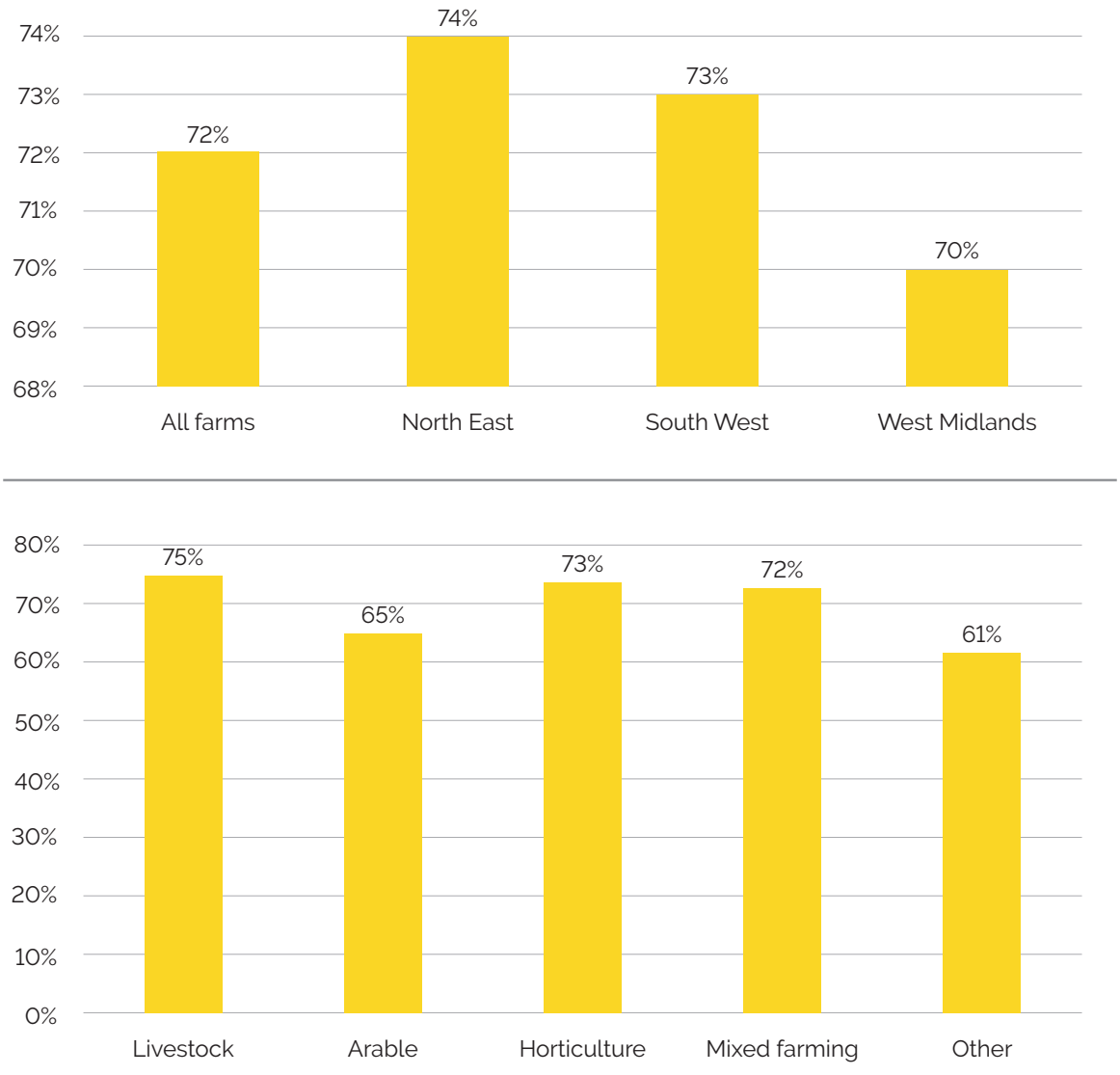
For more than half of farms, employment decreased during the first year of the Covid-19 pandemic. As shown in Figure 2, 57% of farms reported reduced employee numbers during this period, while for 32% employment stayed the same. It only increased for 11%. Here again, we note differences with non-farm businesses, only 25% of which reported a decrease in employment during the same period. In fact, 29% of rural and 25% of urban firms reported an increase in employee numbers (NICRE, 2022). While there was very little difference between farms across the three regions, farms in the mixed farming and livestock sectors and those based in town and fringe locations were most likely to report a decrease in employment. These patterns may reflect the common use of temporary and casual workers in some types of farm, for which employment was reduced by lockdown, or they may reflect effects of other non-Covid changes around this time, including a departure of non-UK nationals from the workforce following EU exit (agriculture in England has made significant use of migrant labour, in recent years, particularly in on-farm food processing and horticulture).

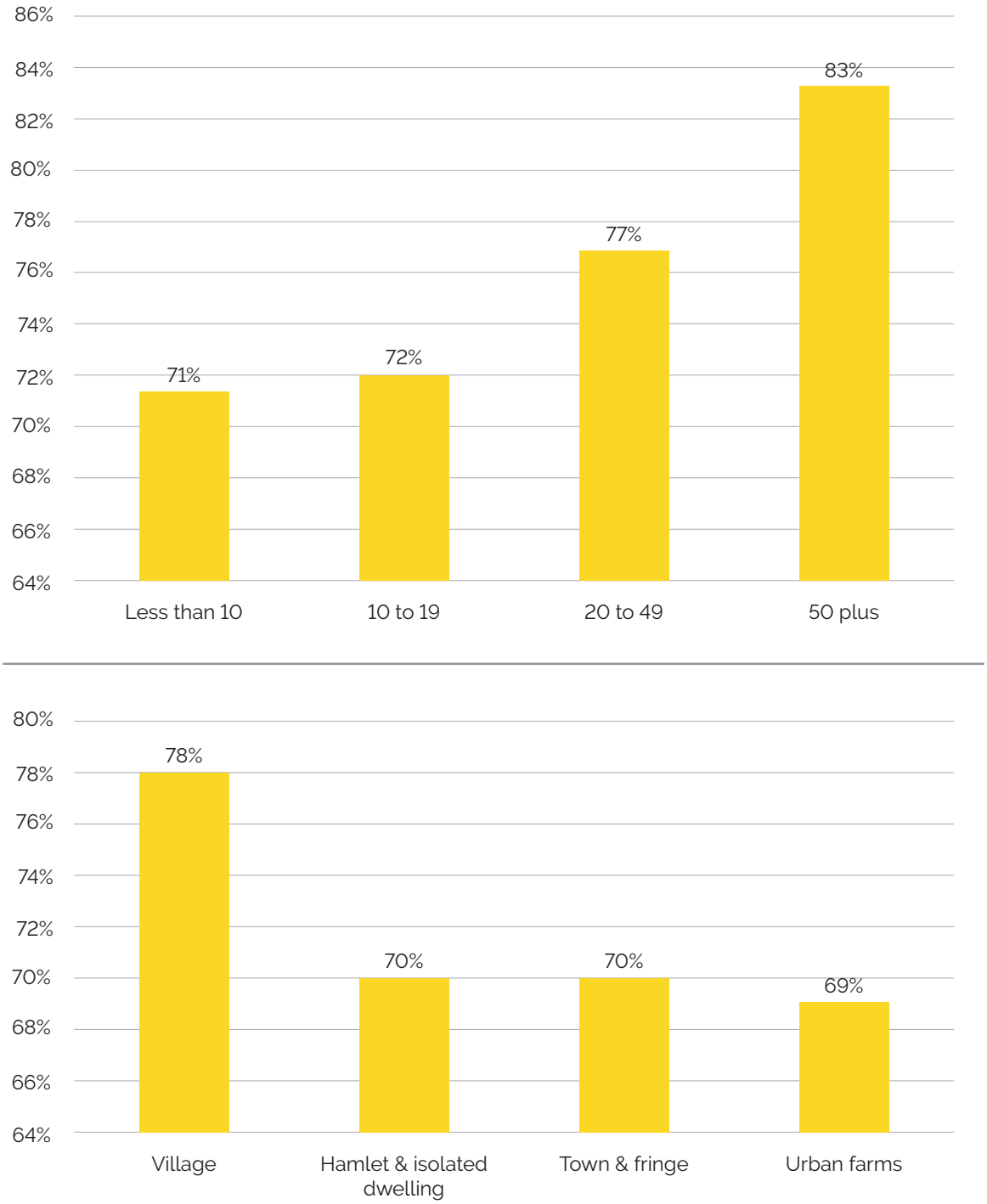
Figure 2: Employment change in the previous 12 months for all farms, by region, sector, and location

Sample: Unweighted total 529 farms; 129 NE, 200 SW, 200 WM

Nearly three-quarters of farms (72%) reported that they generated a profit or surplus in the previous financial year. This was higher than the proportion of both rural non-farm firms (66%) and urban firms (61%) that reported doing so (NICRE, 2022). Farms in the North East were slightly more likely to have reported a profit or surplus, as shown in Figure 3. Overall, arable farms were less likely than those in other sectors to have reported a profit during this period, and farms with higher numbers of employees were more likely to have done so than those with lower employee numbers. Farms in village locations were more likely than those in hamlets, town and fringe, and urban locations to have reported a profit. It is likely that these patterns reflect the different distribution of sector types across the regions and locations: prices for some livestock outputs (e.g. sheep and dairy) were particularly buoyant during this period. However, it should also be noted that sample sizes for some categories are too small to be considered statistically representative.

Figure 3: Proportion of farms that generated a profit or surplus in the last financial year, by region, sector, no. of employees and location

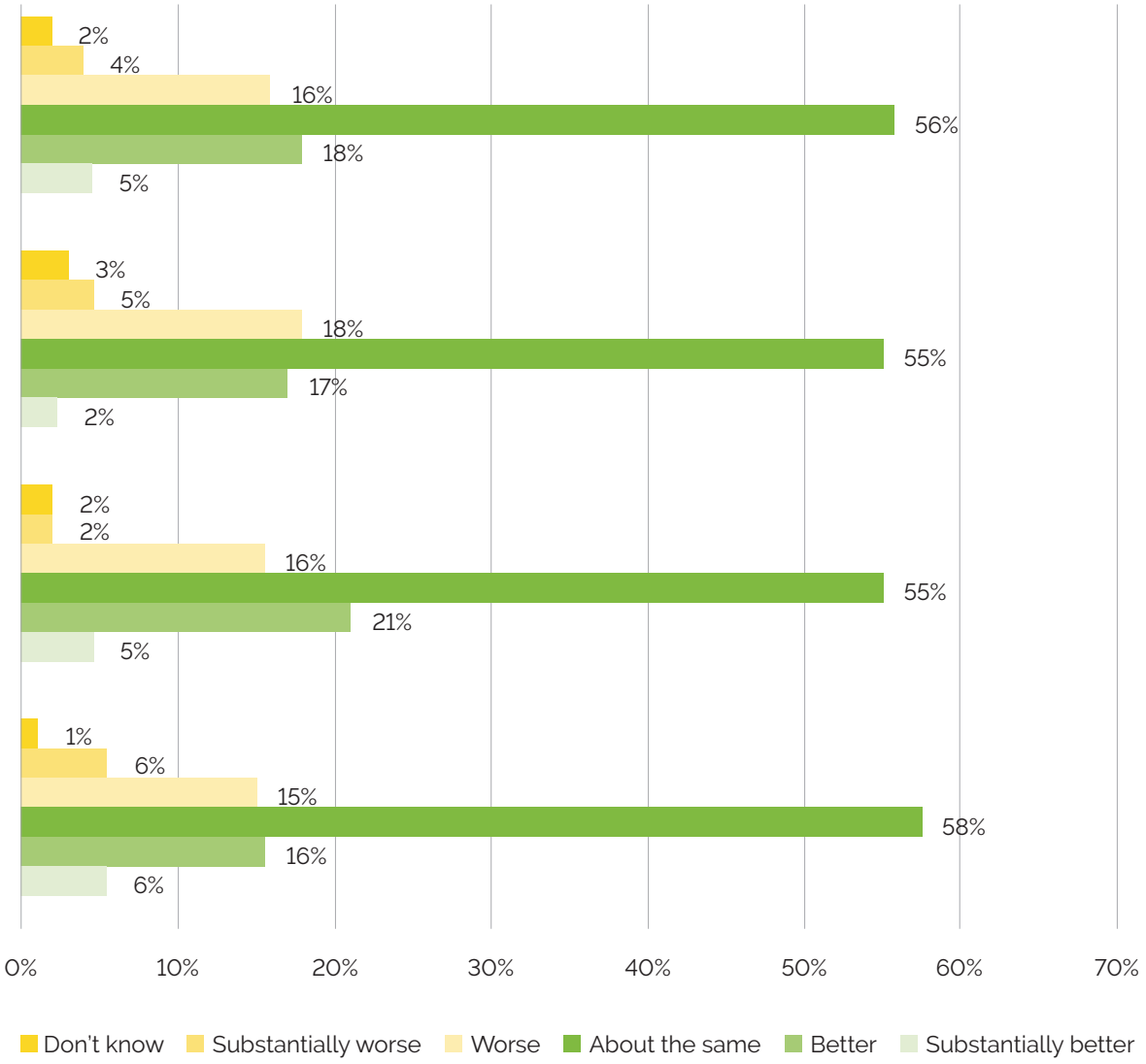




Sample: Unweighted total 529 farms; 129 NE, 200 SW, 200 WM

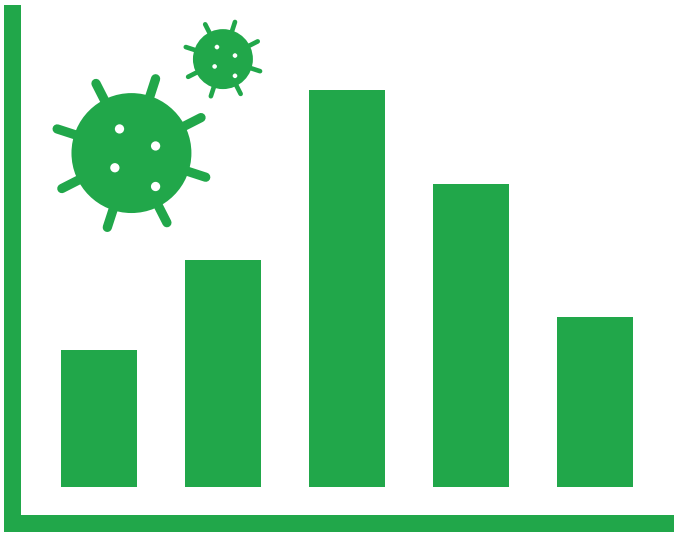
In all regions, between 55 and 58% of farms reported that, at the time of the survey, their cash reserves were about the same as they had been the previous year (Figure 4). This is considerably higher than the proportion of non-farm rural firms (40%) and urban firms (35%) to report broadly unchanged levels of cash reserves (NICRE, 2022). The picture is relatively similar in the three regions surveyed, with farms in the South West most likely to report an improved cash reserve position.

Figure 4: Cash reserves compared to previous 12-month period, all farms and by region



Sample: Unweighted total 529 farms; 129 NE, 200 SW, 200 WM

3. Covid-19 related obstacles and business performance



By far the most commonly identified obstacle to business success was **regulations or red tape**, which was cited by 71% of farms in the survey. This compares to 47% of rural non-farm businesses and 43% of urban businesses, indicating a key difference between farm and non-farm businesses (NICRE, 2022).

In fact, around twice as many farms cited regulations than named any other obstacle (Figure 5).

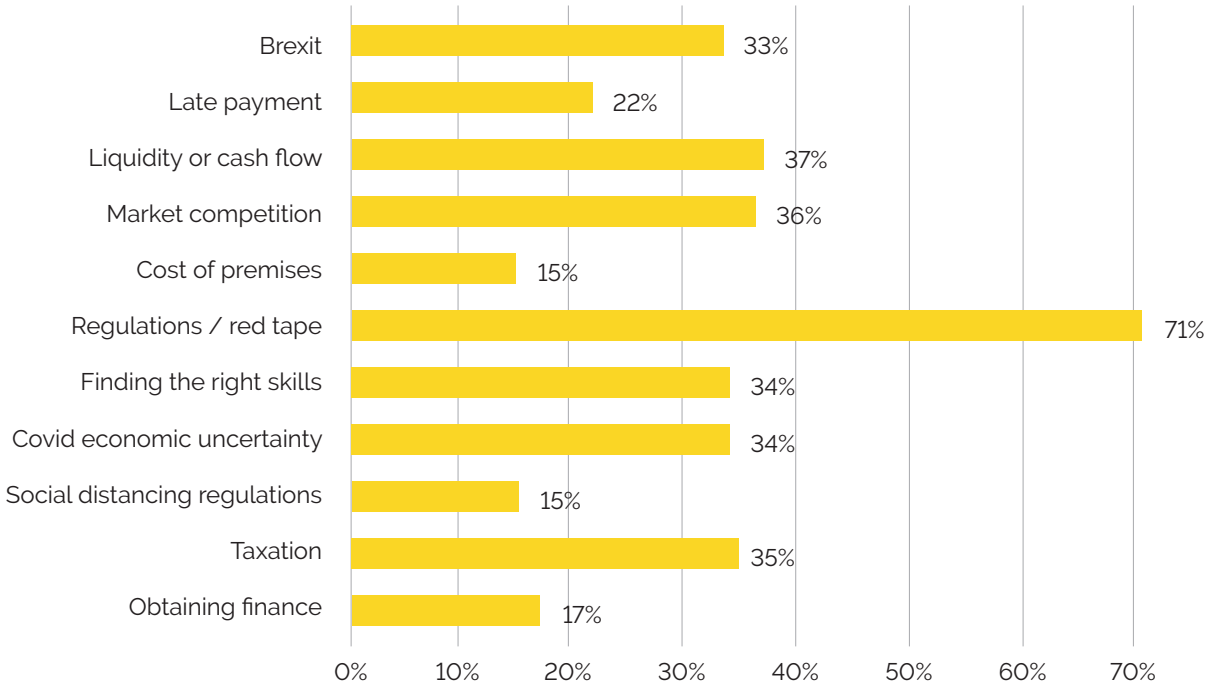
This response may reflect the fact that farming is a sector heavily influenced by a relatively high level of government intervention, in which most businesses receive significant amounts of public funding under various annual support schemes, each with its own specific conditions, administrative and control procedures.

The next most commonly identified obstacles to success for farms were liquidity or cashflow, cited by 37%, market competition, cited by 36%, and taxation cited by 35%.

By contrast, only 15% felt that the cost of premises was a major obstacle (many farmers own their farms outright) and 17% and 22% respectively identified obtaining finance and late payment.

Around a third of farms identified Brexit-related uncertainty as a major threat compared to 27% of rural non-farm businesses and 29% of urban businesses (NICRE, 2022). However, while 55% of rural firms and 60% of urban firms felt that economic uncertainty linked to Covid-19 was a major obstacle, only 34% of farms agreed. These responses illustrate how the policy and market changes linked to EU exit have been perceived as more threatening for farms because of their specific implications for farm support and agricultural prices.

Figure 5: Perceived major obstacles to the success of the business at the time of the survey



Sample: Unweighted total 529 farms; 129 NE, 200 SW, 200 WM

39% of farms reported no impact of the Covid-19 crisis, with farms based in the North East more likely than those in the West Midlands and the South West to do so (Figure 6). This compares to 10% of rural non-farm businesses and 13% of urban businesses and suggests that the experiences of farms during the crisis were considerably different from non-farm businesses (NICRE, 2022). Similarly, only 20% of farms reported mainly negative effects, compared to 37% of rural firms and 43% of urban firms. Similar proportions of farms and firms (around 11%) reported mainly positive effects, and 29% reported both positive and negative effects.

For farms, the most commonly reported negative effect of the Covid-19 crisis was disruption to supplies, cited by 72% of respondents. This was followed by reduction in sales, reported by 60%, cash flow issues or depletion of financial reserves, reported by 47%, and reduced productivity, reported by 41%. Staffing issues were experienced by 35% of farms (Figure 7). Some variation of effects by region is evident, with West Midlands farms more likely to report reduction in income and cashflow issues, and South West farms more likely to say they experienced staffing issues but much less likely to report cash flow problems. North East farms were the least likely to report staffing issues but the most likely to say that productivity was reduced.

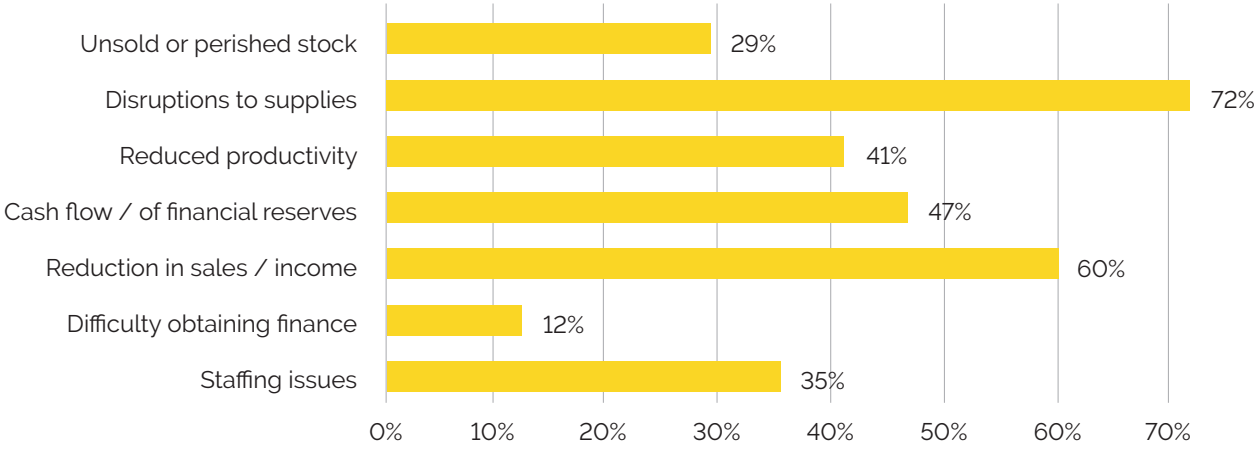
Farm experiences of staffing issues are explored in more detail in Figure 8, which shows that the most commonly reported staffing effect of Covid-19 was the need for staff to self-isolate, cited by 65% of respondents, followed by unavailability of staff and difficulty recruiting suitable staff, both cited by 55% of farms. By contrast, the most frequently reported staffing effect of the crisis for both rural non-farm businesses and urban businesses was the need to reduce staff either temporarily or through furlough. While 71% of rural firms and 77% of urban firms reported this as a staffing issue, only 34% of farms did so. Again, this indicates that farms experienced the Covid-19 crisis differently than non-farm businesses. The most likely reasons for these differences will be in the labour force characteristics of farms, with the overwhelming majority family-based with relatively few employees (often, only a principal farmer and spouse); and in the nature of the business, mostly working out of doors or alone, with plants and animals, where husbandry activities necessarily continued through lockdown and there was a relative ease of compliance with rules on social distancing, etc. Also unsurprisingly, farms were much less likely to report the need for remote working as a staffing effect of Covid-19 – only 24% of farms compared with 37% of non-farm businesses said that this had been an issue. Similar patterns of staffing issues were evident in all three regions. The only exception was that farms in the North East were considerably more likely to report issues with staff wellbeing, and considerably less likely to report the need to reduce staff.

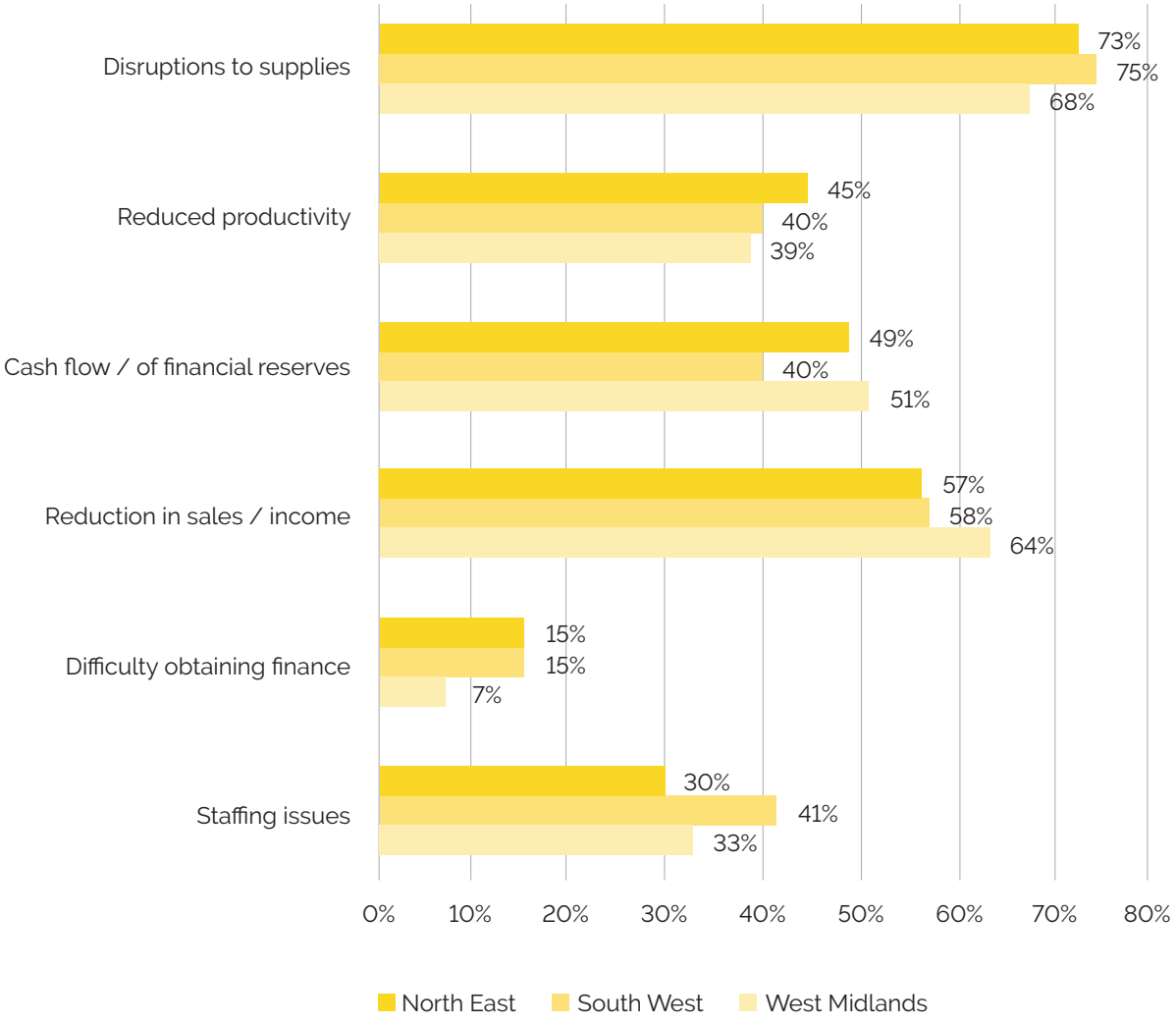
As noted above, 11% of farms reported mainly positive effects of the Covid-19 crisis, and a further 29% reported both positive and negative effects. Half of these respondents identified increased sales as a positive effect of the crisis. 42% said that their cashflow had improved (Figure 9). These positive effects were reported by similar proportions of non-farm businesses and are likely to relate to changes in consumer and supply chain purchasing habits and patterns, as a result of lockdowns (NICRE, 2022).

Figure 6: Reported effects of the Covid-19 crisis, all farms and by region

Sample: Unweighted total 529 farms; 129 NE, 200 SW, 200 WM

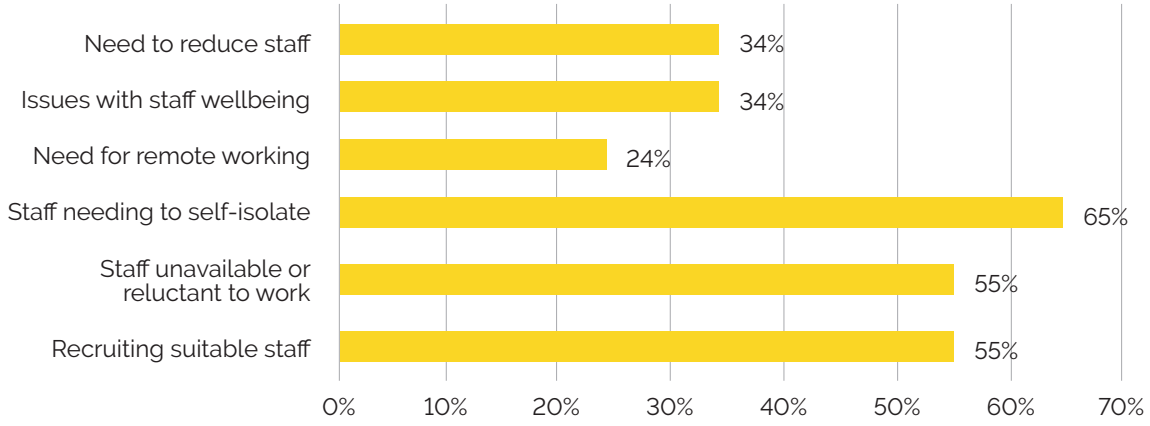
Figure 7: Reported negative effects of the Covid-19 crisis, all farms and by region

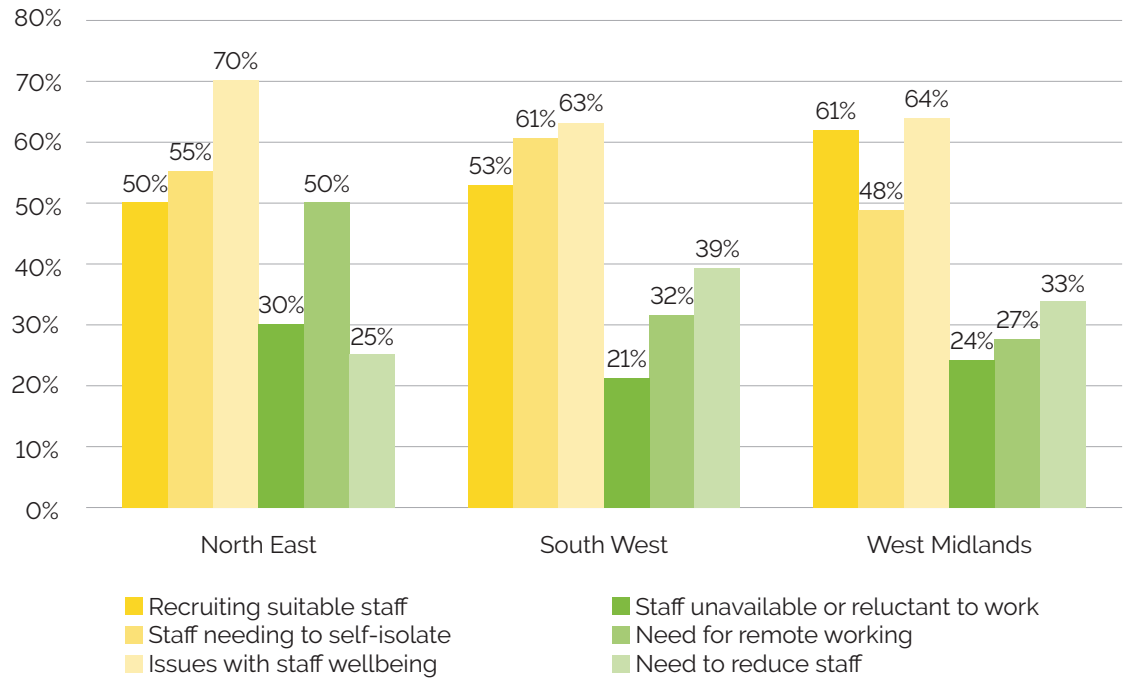




Note: Responses here are only for those which reported negative effects of the Covid-19 crisis – including those which answered "Mainly negative" and "Both" for the previous question on "Reported effects of the Covid-19 crisis". Number of responses: total 259 farms; 67 North East farms, 92 South West farms, 100 West Midlands farms.

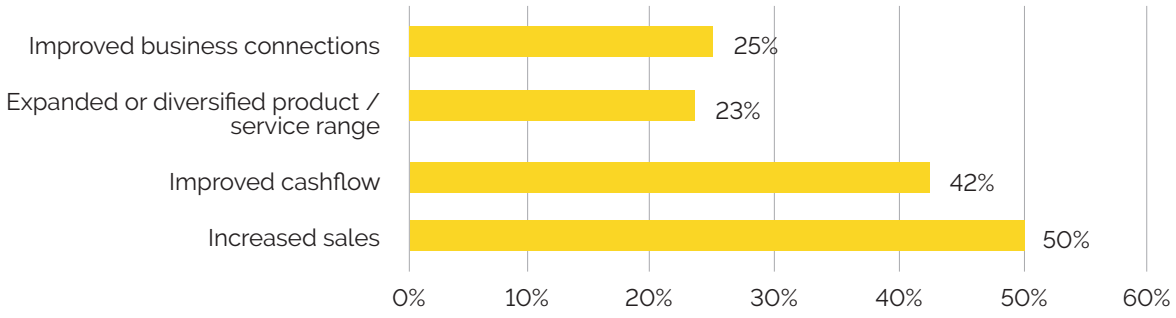
Figure 8: Reported staffing issues during the Covid-19 crisis, all farms and by region

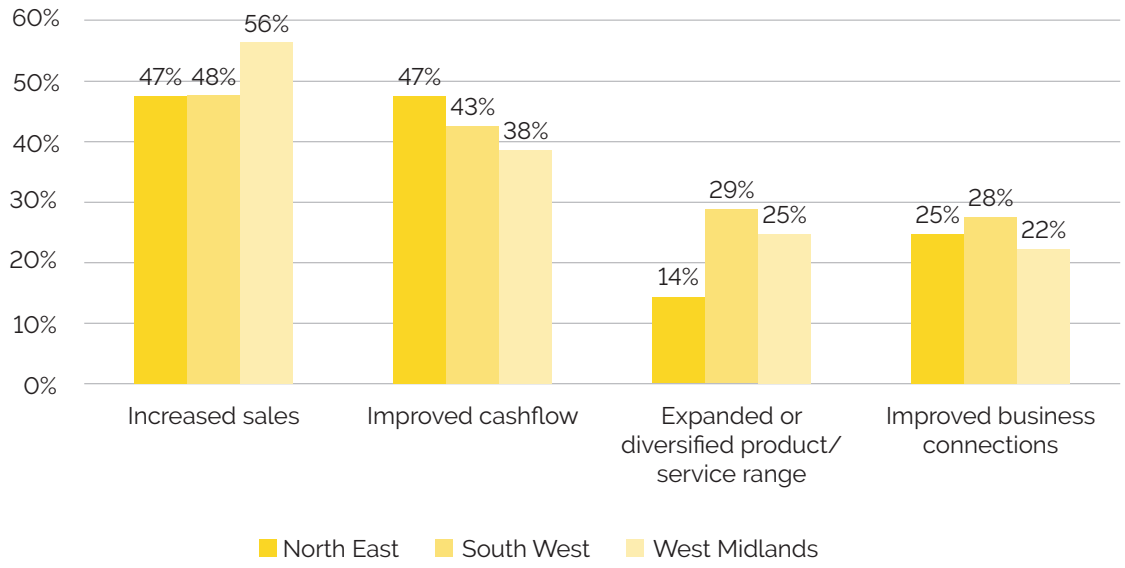




Note: Responses here are only for those which reported "Staffing issues" as one of "Negative effects of the Covid-19 crisis". Number of responses: total 91 farms; 20 North East farms, 38 South West farms, 33 West Midlands farms.

Figure 9: Reported positive effects of the Covid-19 crisis, all farms and by region





Note: Responses here are only for those which reported negative effects of the Covid-19 crisis – including those which answered "Mainly negative" and "Both" for the previous question on "Reported effects of the Covid-19 crisis". Number of responses: total 259 farms; 67 North East farms, 92 South West farms, 100 West Midlands farms.

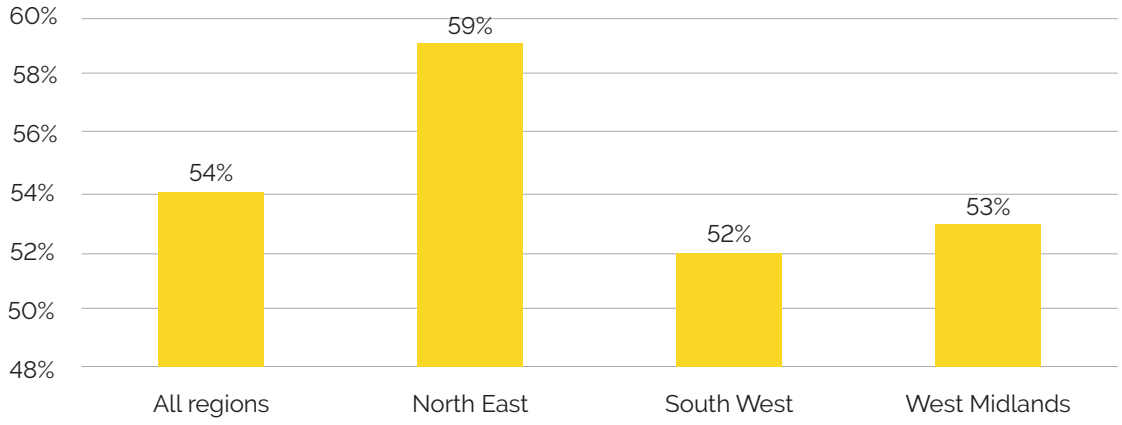
4. Uptake of government support

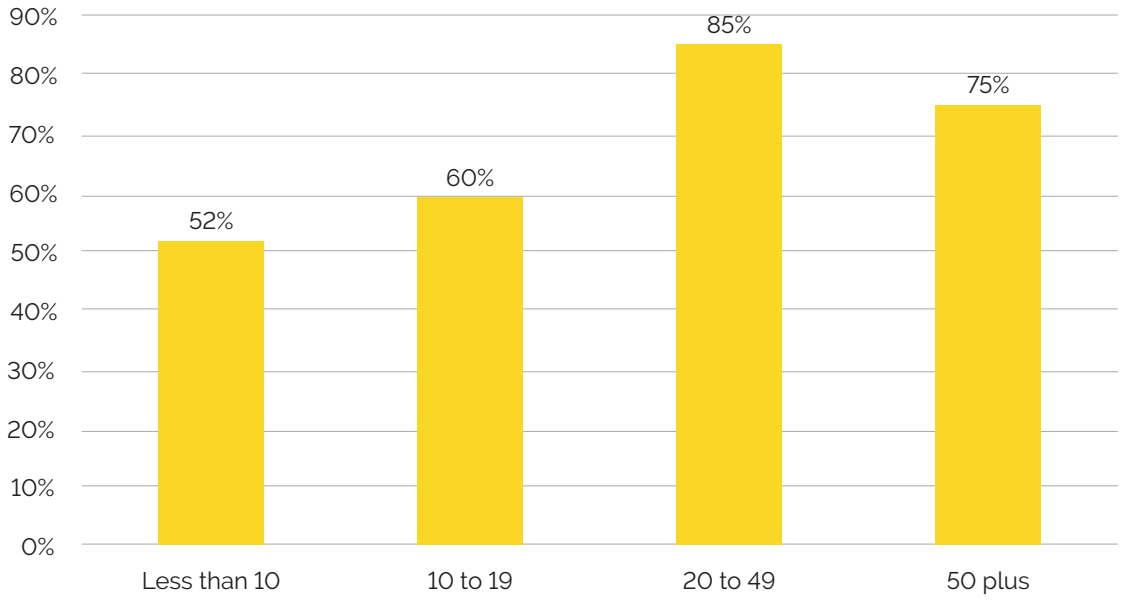
Farms were **less likely** than rural non-farm businesses and urban businesses to use **government Covid-19** related business support schemes. 54% of farms overall said that they had used such support, compared to 70% of rural non-farm businesses and 78% of urban businesses.

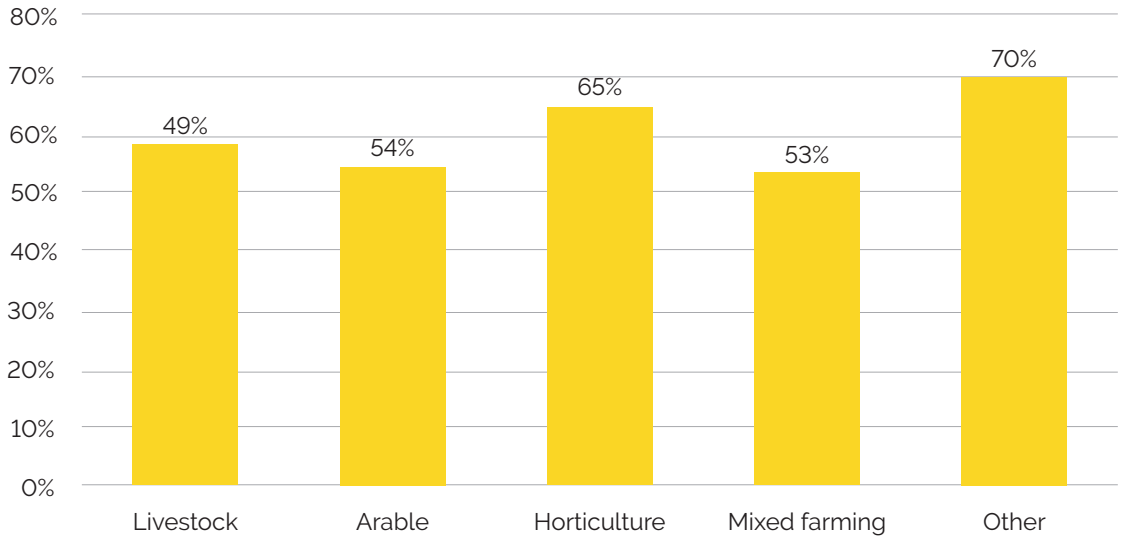
A greater proportion of farms in the North East in our sample reported using government support (Figure 10). Overall, farms with a larger workforce were more likely to use government support than farms with few employees, which may explain why farms operating in horticulture and 'other' sectors were more likely to have used government support than those in other sectors. The most commonly used government support by farms was small bounce back loans, which were taken by 45% of surveyed farms. This was followed by local authority grants, taken by 22%, and the self-employed income support scheme which was accessed by 20%. We observed a similar pattern of government support in farms in all three regions under study (Figure 11). In a significant divergence from the experience of non-farm businesses, furlough was used by only 17% of farms, compared to 63% of rural non-farm businesses and 67% of urban businesses: this is unsurprising in view of the structure of the farm labour force, with very few paid employees compared to other sectors.

Farms were most likely to report that the impact of the government support they received was to support cashflow – reported by 56% of farms. 26% said that the support gave them financial security and 24% said it helped them to keep their business open (Figure 12). Reported impacts of government support were very similar in the three regions. A smaller proportion of non-farm firms said that government help had supported their cashflow (43% of rural and 38% of urban firms) but considerably more - 39% of rural and 46% of urban firms - reported that government support helped them to retain employees (NICRE, 2022).

Figure 10: Proportion of farms that used government Covid-19 related business support schemes, by region, no. of employees, sector and location







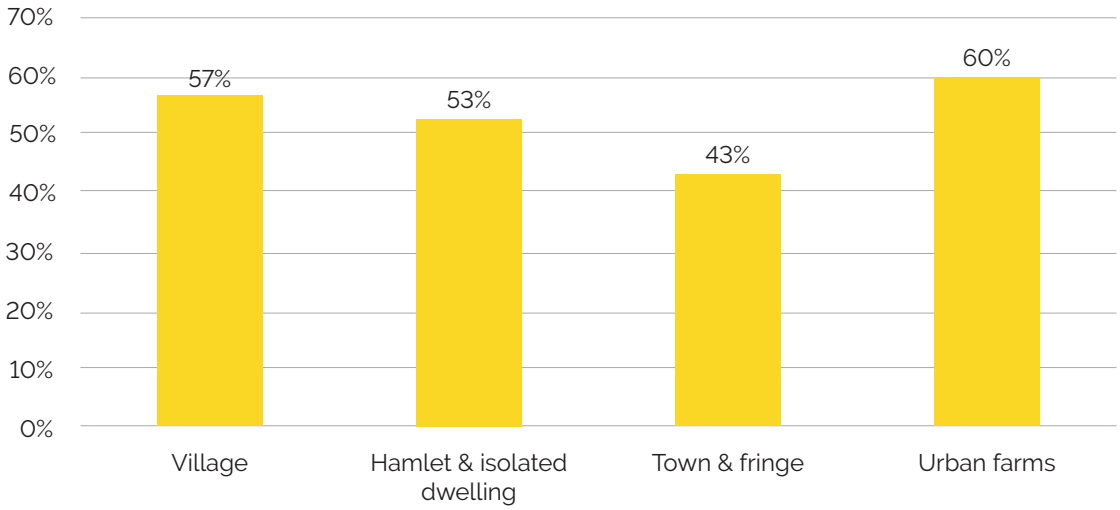
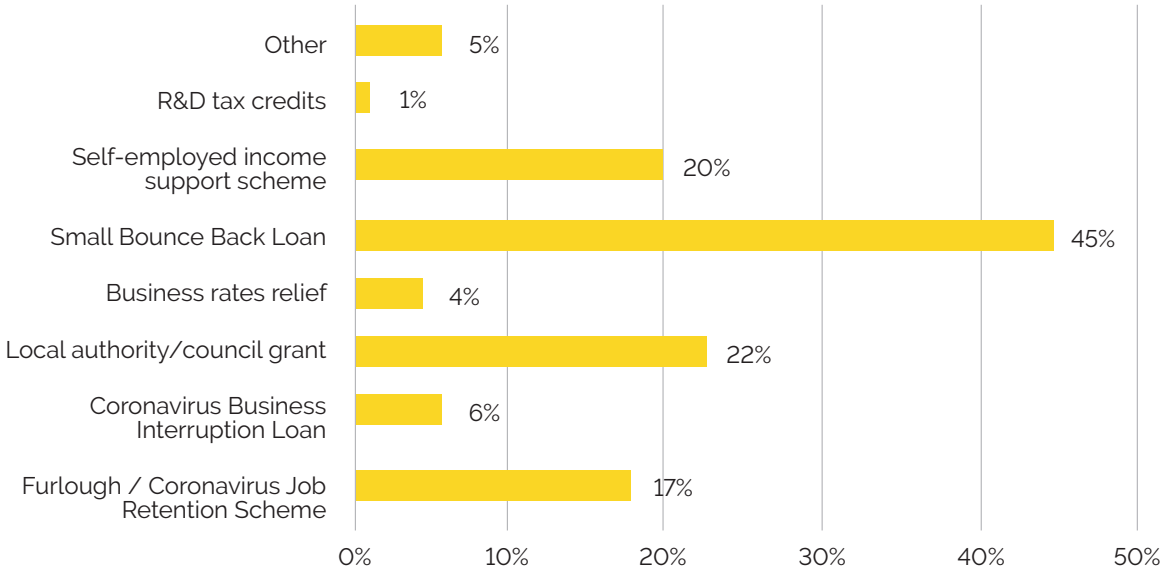
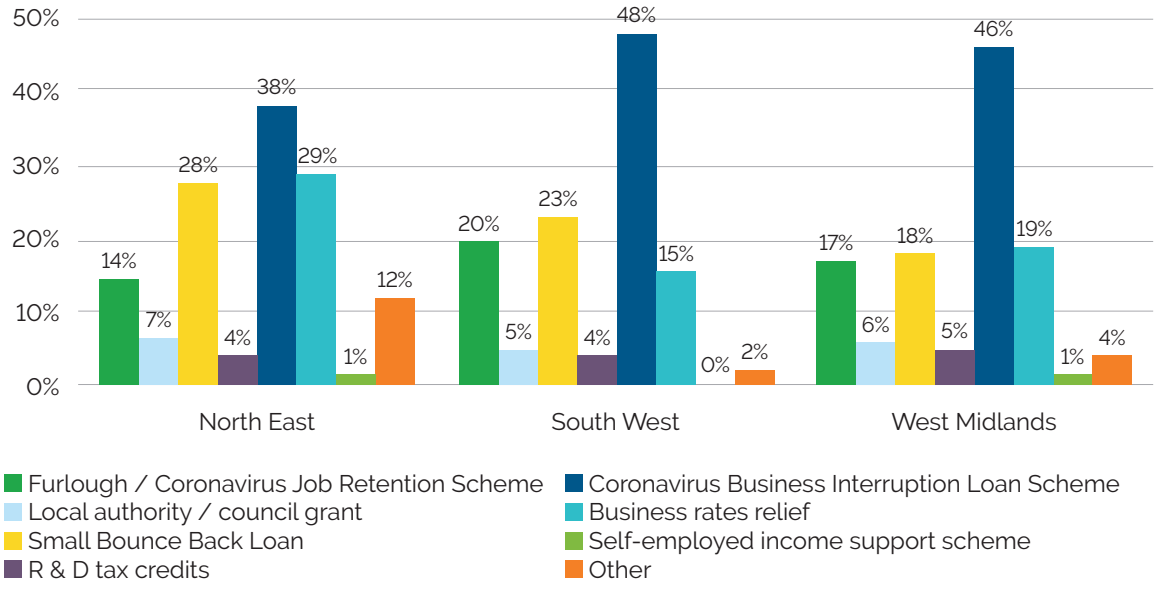


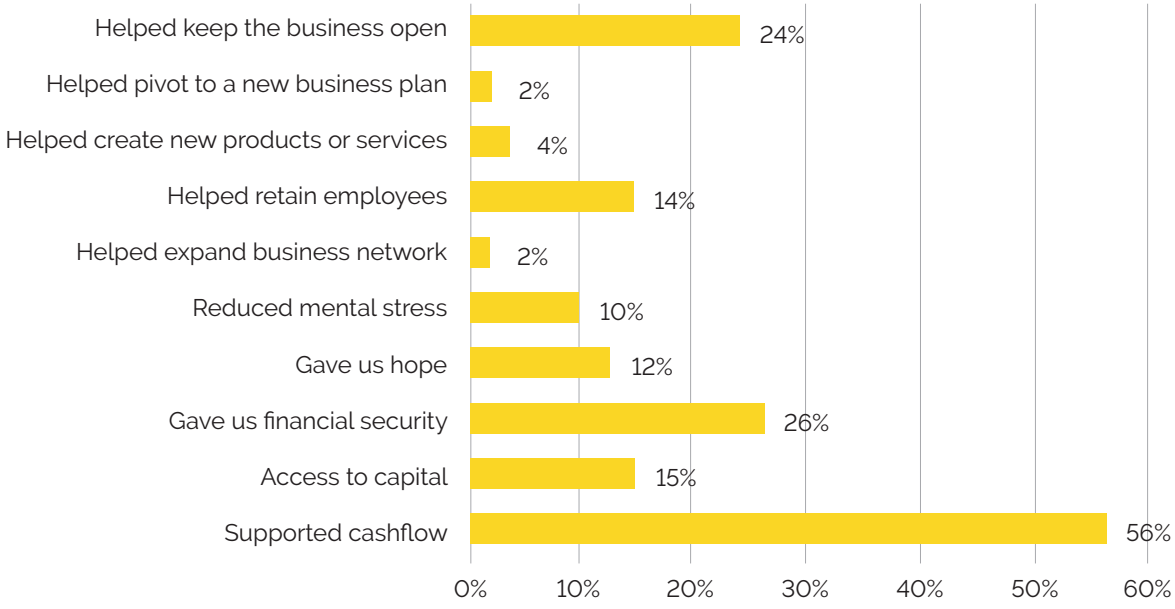
Figure 11: Uptake of different government schemes, all farms and by region

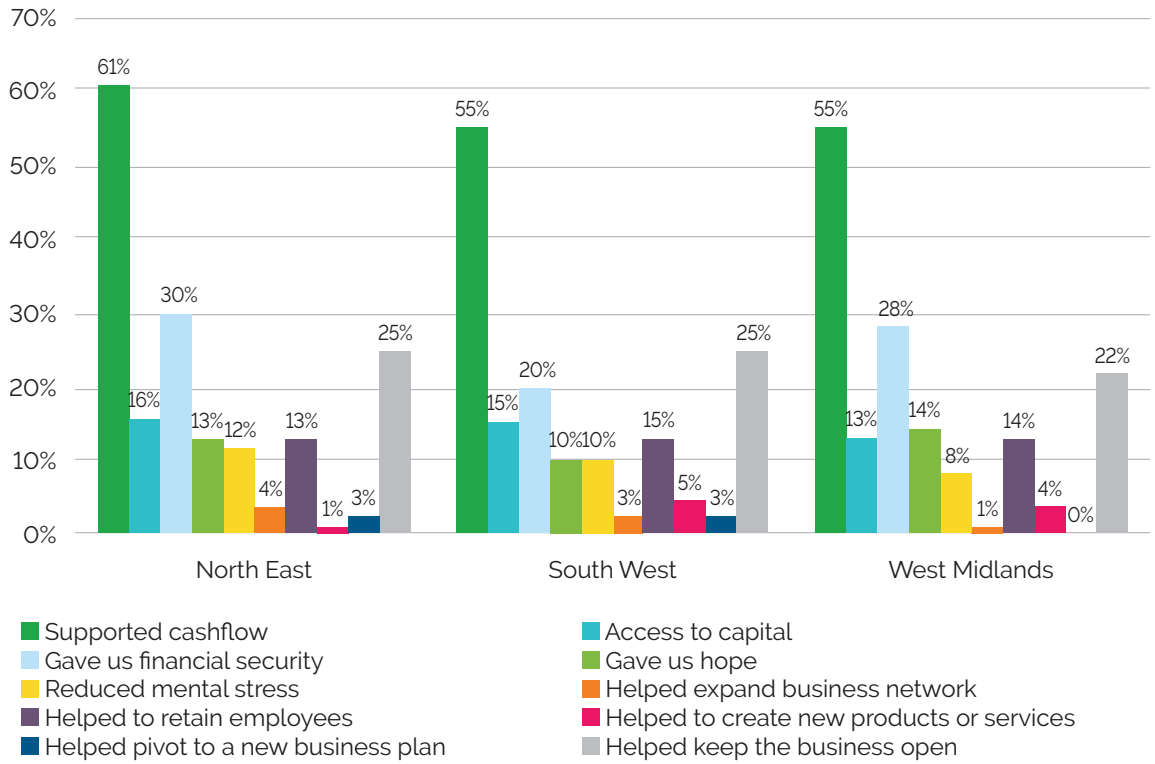




Note: Responses here are only for those which used at least one type of government support. Number of responses: total 286 farms; 76 North East farms, 104 South West farms, 106 West Midlands farms.

Figure 12: How the government scheme helped, all farms and by region





Note: Responses here are only for those which used at least one type of government support. Number of responses: total 286 farms; 76 North East farms, 104 South West farms, 106 West Midlands farms.

5. External advice and other support

Just over **one fifth of farms** reported that they had accessed some form of **external support or advice** for their business during the pandemic. There was some variation by region, with 25% of farms in the South West compared to 17% in the North East reporting that they had accessed such support. Farms with fewer employees were less likely to have done so, but patterns of advice-seeking across the three regions and farm sectors under study were quite similar.

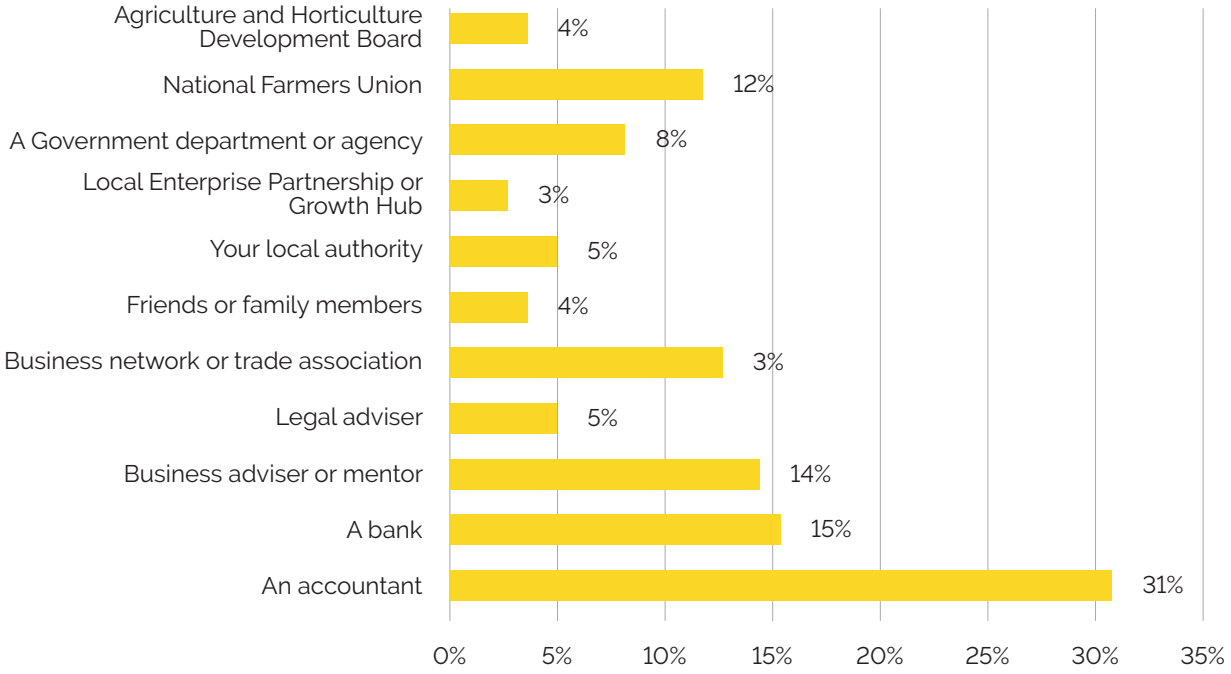
Farms in town or fringe locations were most likely to have accessed external support or advice (Figure 13). Overall, farms were less likely than non-farm businesses to have sought advice – 31% of rural businesses and 30% of urban businesses reported having done so.
An accountant was the most common source of advice for farms, chosen by 31% of advice-seeking farms. This was followed by a bank (15%) and a business adviser (14%). 13% of farms that sought external advice went to a business network and 12% went to the National Farmers Union. While an accountant was the top source of advice for both farm and non-farm businesses, farms were less likely to go to a government department or agency than non-farm businesses, and more likely to consult a bank (Figure 14).

Farms reported a range of impacts of external advice. 17% said that it helped to keep their business open, 16% said that it reduced mental stress and 15% that it gave them hope. 14% of farms said that it supported their cash flow (Table 2). These top four reported impacts were in line with the top four impacts identified by non-farm businesses (NICRE, 2022). We asked respondent farms that had not taken external advice whether other sources of advice would have been useful for them during the pandemic. 26% said that online information about how other businesses had overcome similar challenges would have helped, and 23% felt that an app with links to sources of advice would have been useful. 22% favoured access to business leaders with similar experiences (Figure 15).

Figure 13: Proportion of farms accessing external support or advice during the pandemic, by region, no. of employees, sector and location

Sample: Unweighted total 529 farms; 129 NE, 200 SW, 200 WM

Figure 14: Sources of external support or advice taken during the pandemic for all farms and by region

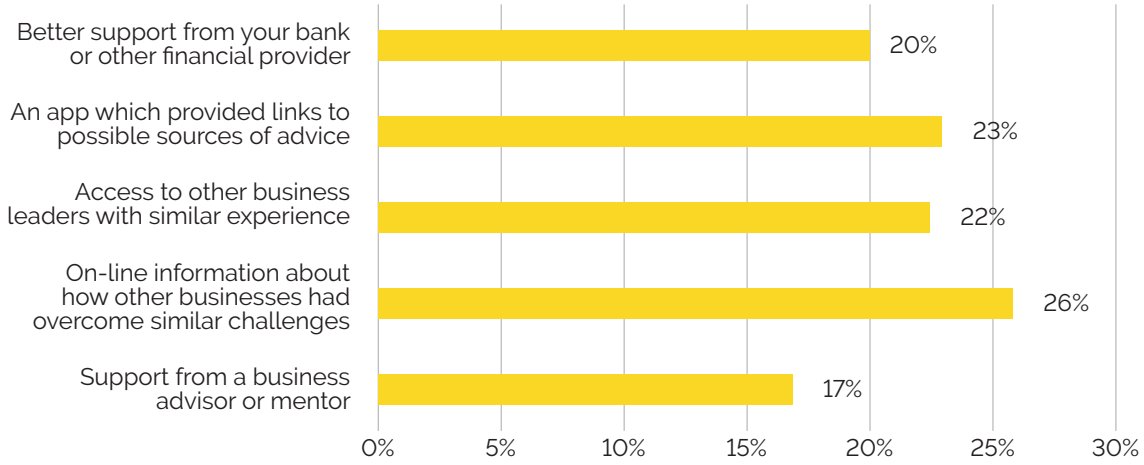


Note: Responses here are only for those which took external support or advice. Number of responses: total 111 farms; 22 North East farms, 49 South West farms, 40 West Midlands farms.

Table 2: How external advice helped businesses, all farms and by region

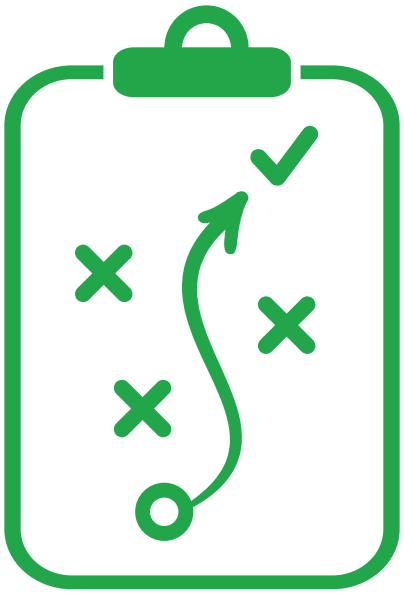
	All farms	North East	South West	West Midlands
Supported cashflow	14%	14%	16%	10%
Access to capital	5%	5%	10%	0%
Gave us financial security	10%	9%	16%	3%
Gave us hope	15%	18%	12%	18%
Reduced mental stress	16%	27%	14%	13%
Helped expand business network	5%	14%	6%	0%
Helped to retain employees	10%	14%	12%	5%
Helped to create new products or services	5%	9%	2%	5%
Helped pivot to a new business plan	8%	18%	4%	8%
Helped keep the business open	17%	27%	16%	13%
Other	54%	55%	55%	53%
Don't know	6%	5%	8%	5%

Figure 15: Sources of advice that would have been useful during the pandemic, all farms



Note: Responses here are only for those which reported they did not use external advice or support. Number of responses: total 414 farms; 107 North East farms, 149 South West farms, 158 West Midlands farms.

6. Planning, resilience and adaptation

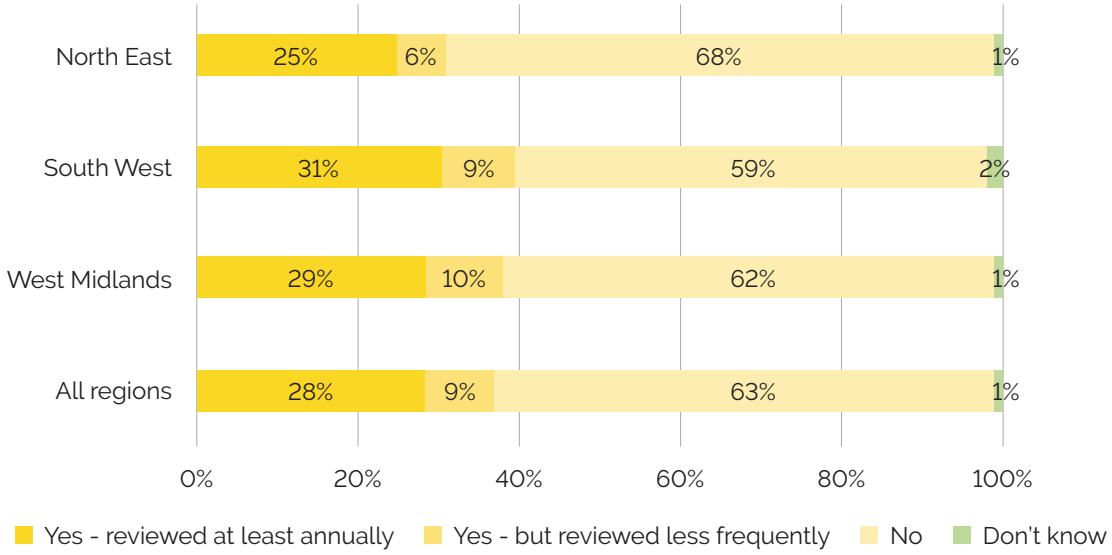


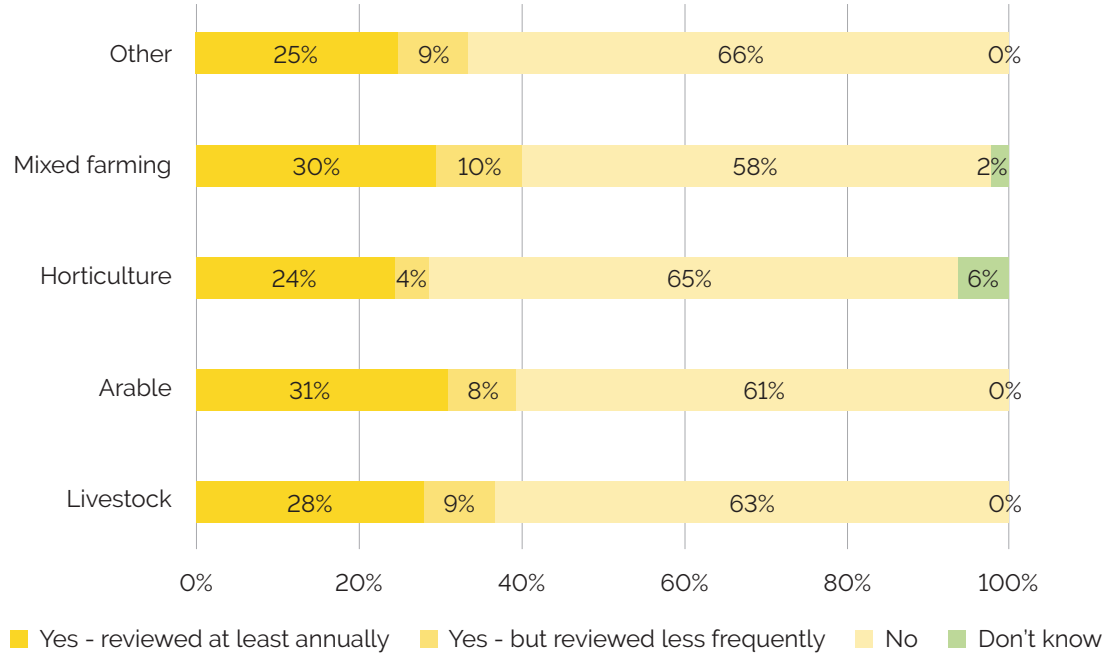
More than 60% of farms told us that they did not have a **formal written business plan**. Overall, farms were **less likely** to have a business plan than non-farm businesses – 56% of rural businesses and 50% of urban businesses reported not having a business plan (NICRE, 2022). Farms based in the North East were less likely to have a plan than those in other regions, and those in the horticulture sector were less likely to engage in business planning than those in other sectors (Figure 16).

In the face of the Covid-19 crisis, and in line with non-farm businesses, the most common risk management strategy adopted by farms was to reduce their costs or address their financial position. This was an approach adopted by 52% of farms compared to 62% of rural and 63% of urban businesses. However, farms were considerably more likely than non-farm firms to draw on family resources to support the business (44% of farms reported this compared to 31 to 32% of non-farm businesses), and much less likely to change the way that they organise their staffing or production in response to the crisis (Figure 17). 24% said that they diversified their business in some way.

As shown in Figure 18, around half of the farms that reported taking steps to improve their financial position said that this involved reducing fuel or energy usage and a similar proportion reported reducing, cancelling or postponing investment. Farms based in the North East were less likely than those in the South West or the West Midlands to reduce working hours or staffing. Figure 19 shows that for 76% of the farms that drew on family resources in response to the crisis, this involved family members working longer hours. For 67%, it meant using family money or other resources. Of the farms that diversified their businesses, the most common strategy reported was the broadening of their customer base (67%) followed by diversification of crops or products (55%) and the development of new sales channels (43%).

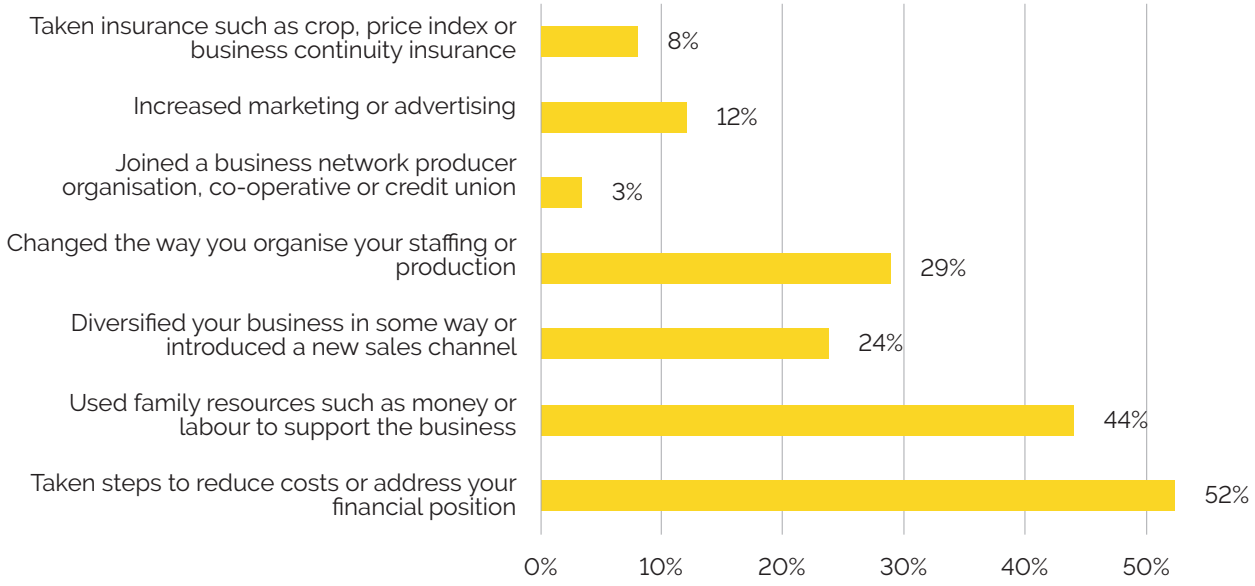
Figure 16: Proportion of farms with a formal written plan, by region, and sector





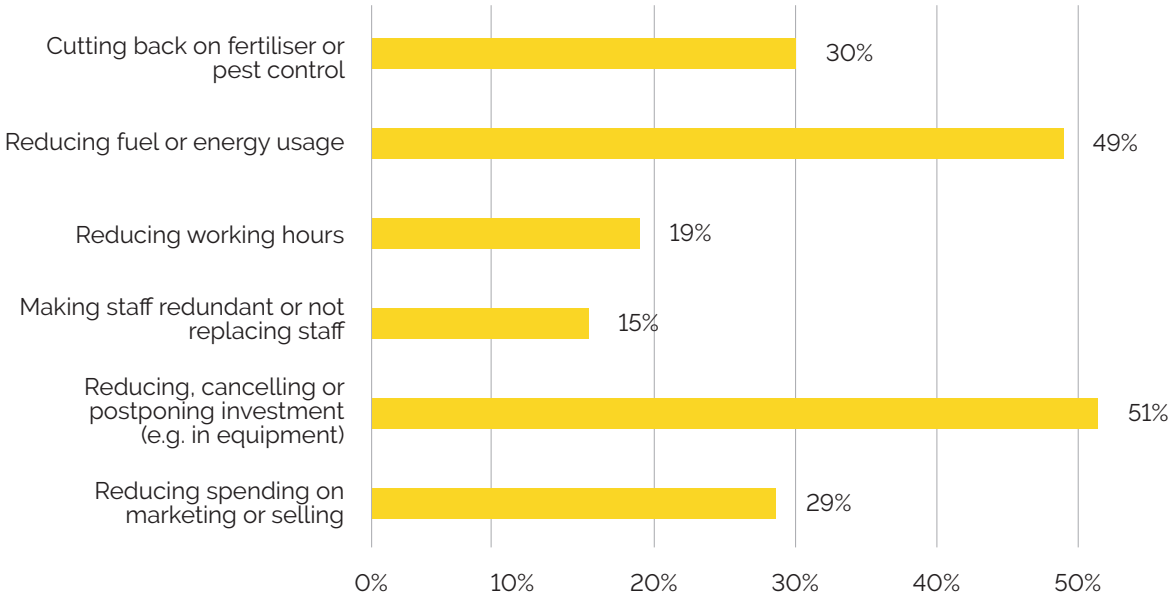
Sample: Unweighted total 529 farms; 129 NE, 200 SW, 200 WM

Figure 17: Risk management strategies implemented over the previous year, all farms



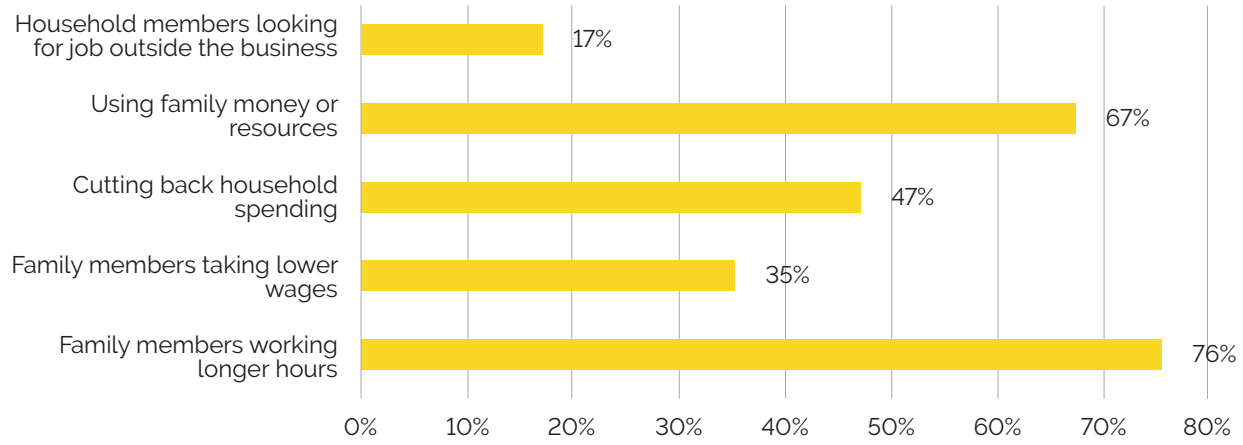
Sample: Unweighted total 529 farms; 129 NE, 200 SW, 200 WM

Figure 18: Proportion of farms taking steps to improve financial position or save costs, all farms



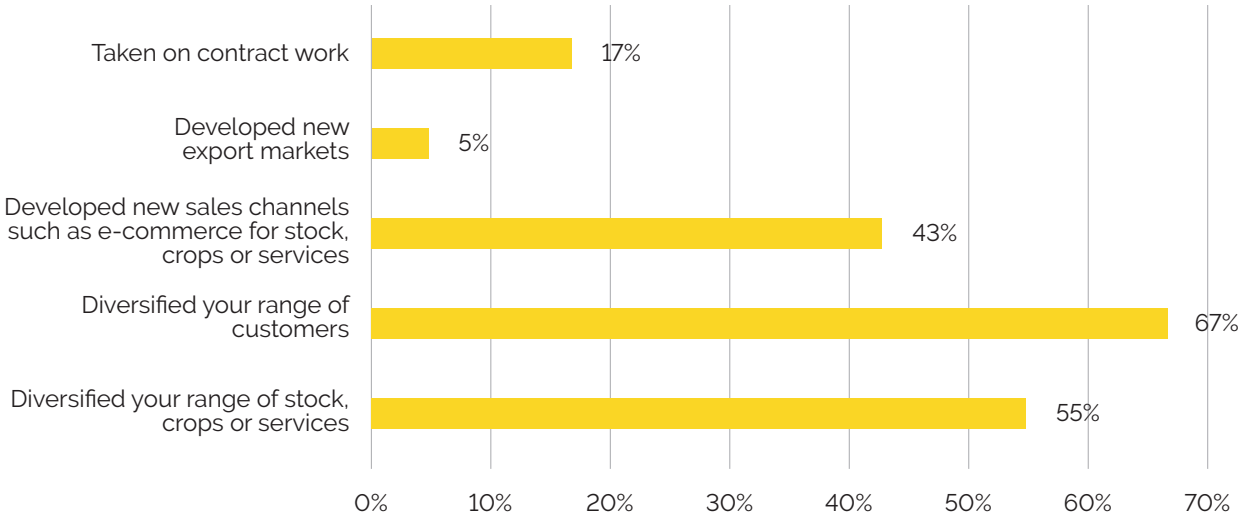
Note: Responses here are only for those reported "taken steps to improve financial position or save costs" as one of the implemented risk management strategies. Number of responses: total 277 farms; 65 North East farms, 102 South West farms, 110 West Midlands farms.

Figure 19: Family-based strategies to support the business, all farms



Note: Responses here are only for those which reported "using family resources to support the business" as one of the implemented risk management strategies. Number of responses: total 233 farms; 62 North East farms, 80 South West farms, 91 West Midlands farms.

Figure 20: Diversification strategies, all farms



Note: Responses here are only for those which reported "diversifying the business" as one of the implemented risk management strategies. Number of responses: total 126 farms; 29 North East farms, 47 South West farms, 50 West Midlands farms.

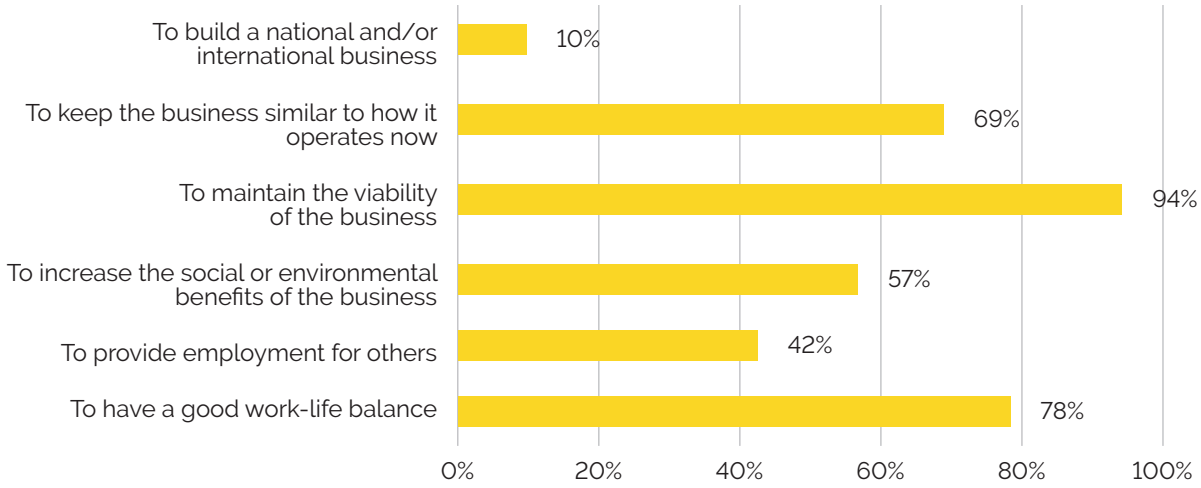
7. Looking ahead and ambitions

We explored the **ambitions and objectives** of the respondent farms. The **most common** objective articulated by the leaders of the farm businesses we surveyed was to keep their businesses viable, which was cited by 94% of respondents.

This was followed by a wish to have a good work-life balance, cited by 78%, and to keep the business similar to how it operates now, cited by 69%. 57% of farms were also keen to increase their social or environmental impact. Only 10% of farms expressed the wish to build a national or international business (Figure 21).

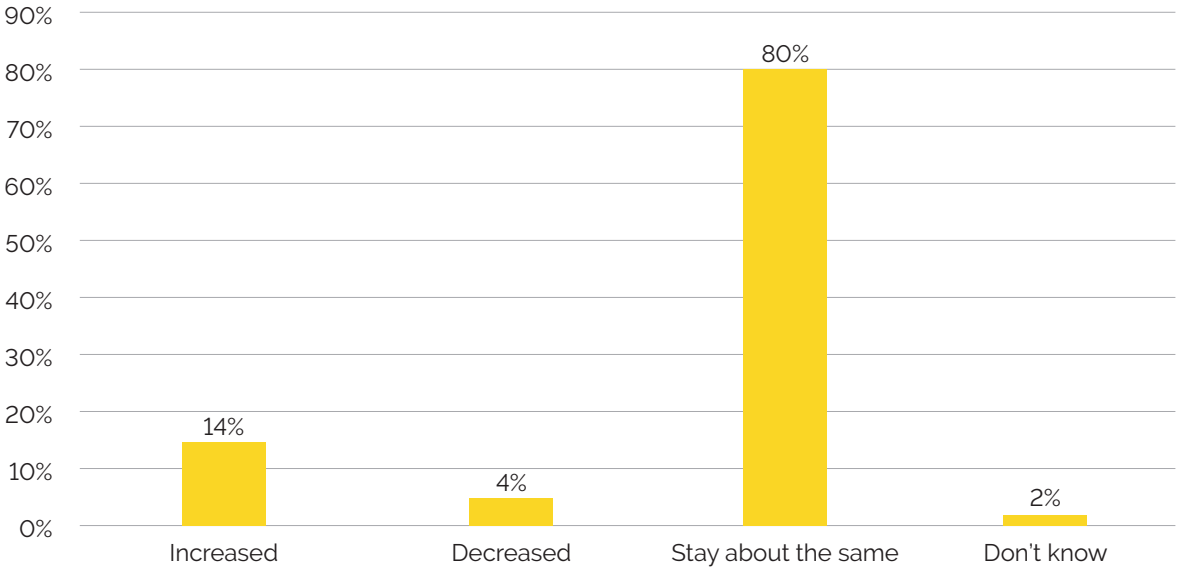
80% of farms anticipated that their employee numbers would stay the same in the next year, compared to only 58% of rural non-farm businesses and 51% of urban businesses. However, considerably fewer farms than non-farm businesses predicted an increase in employee numbers (14% of farms compared to 36% of rural and 41% of urban businesses).

Figure 21: Proportion of farms rating business objectives as important or very important, all farms



Sample: Unweighted total 529 farms; 129 NE, 200 SW, 200 WM

Figure 22: Anticipated increase/decrease in number of employees in the next year, all farms



Sample: Unweighted total 529 farms; 129 NE, 200 SW, 200 WM

8. Conclusions

This report shows that in these three regions of England in 2021, farm businesses were **more likely** to report no impact, and **less likely** to experience negative effects, of the Covid-19 pandemic when compared to the experience of rural businesses generally, and even more so by comparison to businesses operating in urban areas.

Nevertheless, impacts were significant for many farms in respect of labour shortages or constraints, fluctuating incomes and market conditions, and a range of tactics were adopted to ensure resilience.

To an extent the overall pattern reflects the particular nature of farming as a business. Most farms operate with a small workforce, people work outdoors and frequently on their own, and much business can be maintained whilst fully observing lockdown rules on social distancing and additional hygiene precautions. As producers of food, farmers and their workforce were classed as 'essential' workers and thus expected to continue working through lockdown, alongside their suppliers in the input industries and their buyers higher up in the food chain. For all of these reasons, the day-to-day impact of Covid was felt less than it would have been for businesses whose operations necessarily contracted or ceased altogether, over the period of successive lockdowns.

Another important contextual point is that farms across England had other key concerns and disruptions affecting their business at the time of survey. Notable among these are the two linked phenomena of Brexit and the development of a wholly new policy framework through the 'Agricultural Transition' (HMG, 2020).

Leaving the EU in January 2020 has affected agricultural prices in divergent ways depending on the product range and balance of imports and exports in each sector. On the whole, those producing commodities and exporting to the EU have so far seen relatively strong market prices but these are anticipated to decline once the full customs procedures are operating, outside the EU's single market. However, for farm businesses that already add value and export quality or premium products, supply chain disruption linked to Brexit has already been an important challenge adding to the cost of trading with Europe. Similarly, businesses dependent upon imported feed and fertiliser (linked to sharply rising oil costs) have seen supply chain disruptions and shortages, pushing their prices up.

Under the post-Brexit Agricultural Transition, the largest share of farm support - Basic Payment Scheme direct payments, which have underpinned profitability for many farms across England, are declining year-on-year and will be completely phased out by 2028 (Short et al, 2022). At the same time, new support schemes focused on making 'public money for public goods' payments to farms for creating, managing and protecting environmental assets and services, are only gradually being phased in. So, the scale and level of future financial reward cannot yet be assessed with certainty. In these circumstances, many farm businesses are reviewing their operations and making decisions about whether and how they can continue to operate, in the years ahead.

These factors highlight the reasons why farm businesses might be expected to have different responses and support needs to those of other businesses, including rural ones. To an extent that is also acknowledged in current policy, reflected in the suite of Department for Environment, Food and Rural Affairs programmes accompanying the agricultural transition e.g. the Future Farming Resilience Fund (FFRF) through which various advisory services are being supported to offer basic business advice to help farms to plan ahead; and the Farming Investment Fund (FIF) programme to support farm business investments in improved productivity and environmental performance.

A key challenge – underlined by the overwhelming concern with bureaucracy that was revealed in the survey – is how to deliver these kinds of tailored support in ways that are truly accessible, clearly signposted/navigable, and that will reach those who most need them. As has been shown elsewhere, the challenge of ensuring access for 'hard to reach' farmers is an enduring one which reduces the cost-effectiveness and additionality of schemes targeting the sector. A concern to support and expand farm advisory services, in a context where there are many private and non-profit providers but each with their own specific goals and specialisms that do not necessarily match business needs or government policy goals, is widely voiced. However, as yet no coherent solution has been forthcoming from public or private sources, and early FFRF uptake has been disappointing.

The survey's finding that farms had been less likely than other rural businesses to engage in formal business planning and seek advice from professional sources to help with their needs during the pandemic, highlights a potential risk for the future, as farms must position themselves to cope with the ongoing implementation of the Transition process. Without perhaps making full use of professional advice and support that could most benefit them in this situation, negative impacts across the farm sector and reaching into the wider rural economy and community, could be amplified.

References

Hurley P., Lyon J., Hall J., Little R., Tsouvalis J., White V. and Rose D.C. (2021) Co-designing the environmental land management scheme in England: The why, who and how of engaging 'harder to reach' stakeholders. People and Nature, August 2021. https://besjournals.onlinelibrary.wiley.com/doi/10.1002/pan3.10313

FFRF announcement at https://www.gov.uk/guidance/get-free-business-advice-for-your-farm

FIF announcement at https://farminginnovation.ukri.org/?_ga=2.124846410.152102492.1656406372-651711952.1648658733

HM Government (2020) Agricultural Transition Plan 2021-2024. At: https://www.gov.uk/government/publications/agricultural-transition-plan-2021-to-2024

NICRE (2022) The effects of the Covid-19 pandemic on rural businesses: experiences and resilience, State of Rural Enterprise Report No 1 available at:
https://www.ncl.ac.uk/mediav8/nicre/files/NICRE%20State%20of%20Rural%20Enterprise%20Report%20No%201%20January%202022%20The%20effects%20of%20the%20Covid-19%20pandemic%20on%20rural%20businesses,%20experiences%20and%20resilience.pdf

Short C., Berry R., Lenormand T., Raseta S. and Dwyer J. (2022). *Assessing the impact of Agricultural Transition in Cornwall & the Isles of Scilly, Devon, Dorset and Somerset: Research to inform future planning – Stage 2 Final Report,* **Report to Great South West Partnership. Countryside and Community Research Institute: Cheltenham.**

Appendix A:

Figure A1: Profile of respondent farms by no. of employees

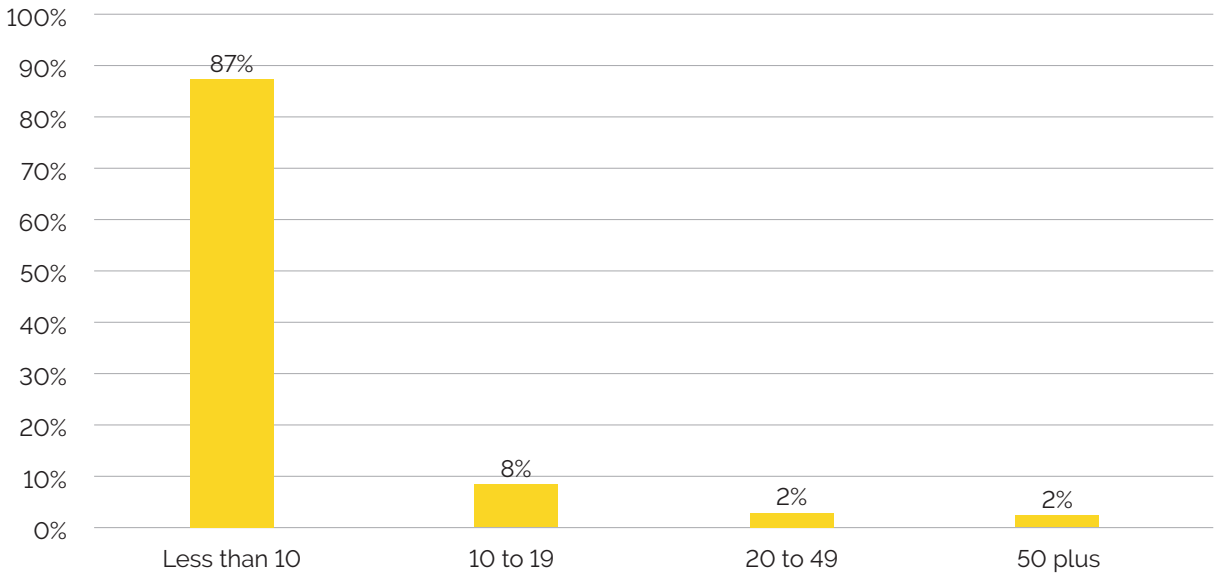


Figure A2: Profile of respondent farms by sector

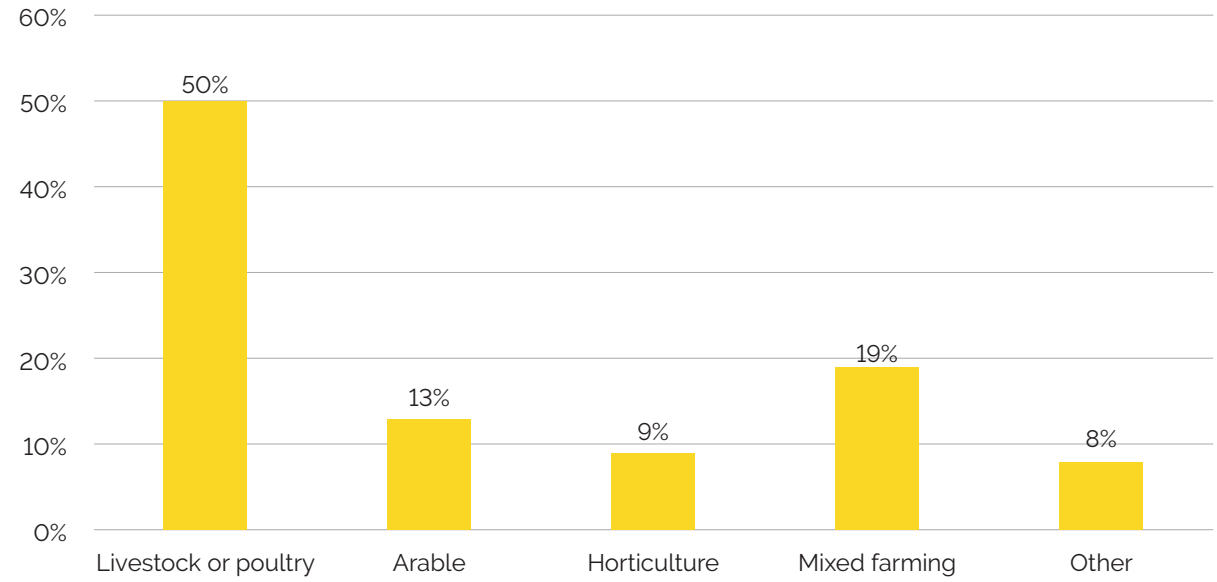


Figure A3: Profile of respondent farms by age

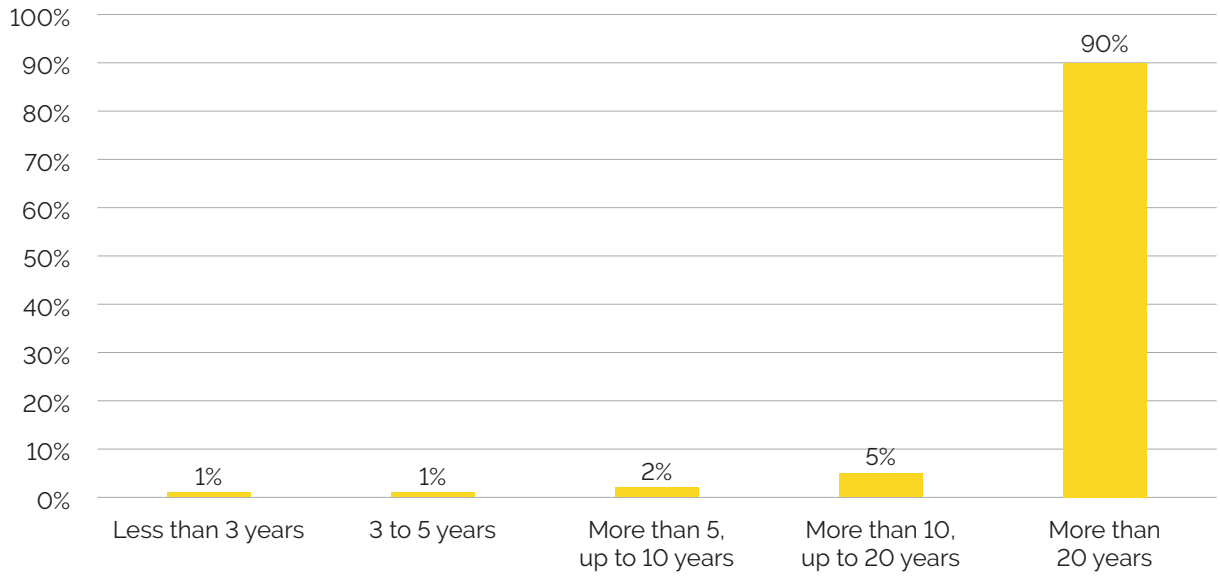


Figure A4: Profile of respondent farms by legal status

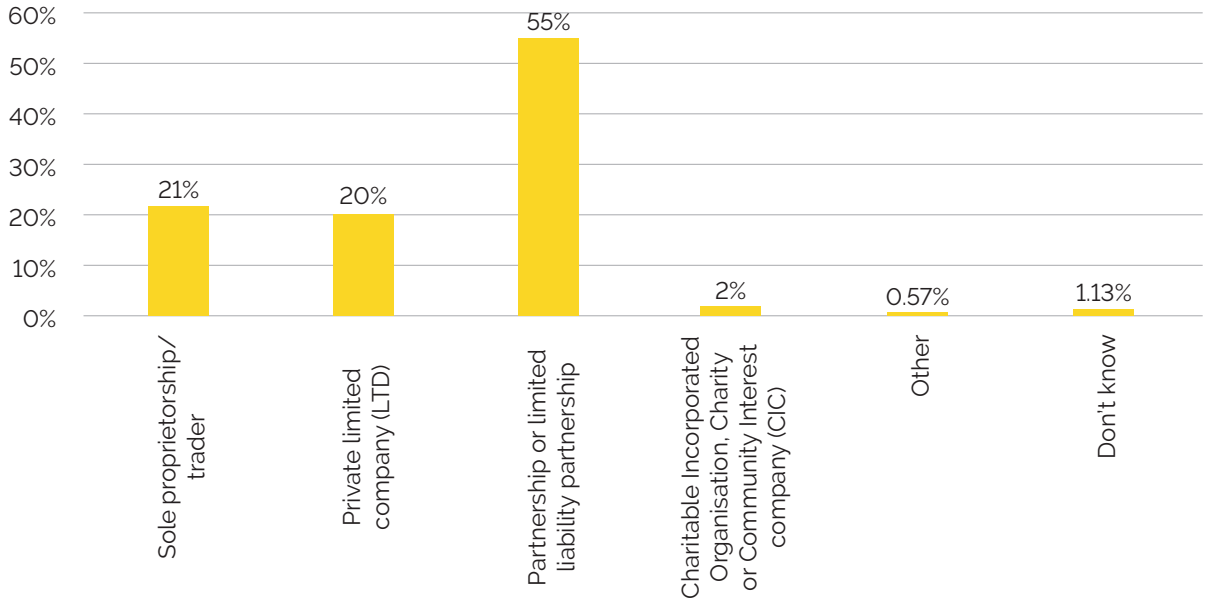


Figure A5: Profile of respondent farms by type of farming

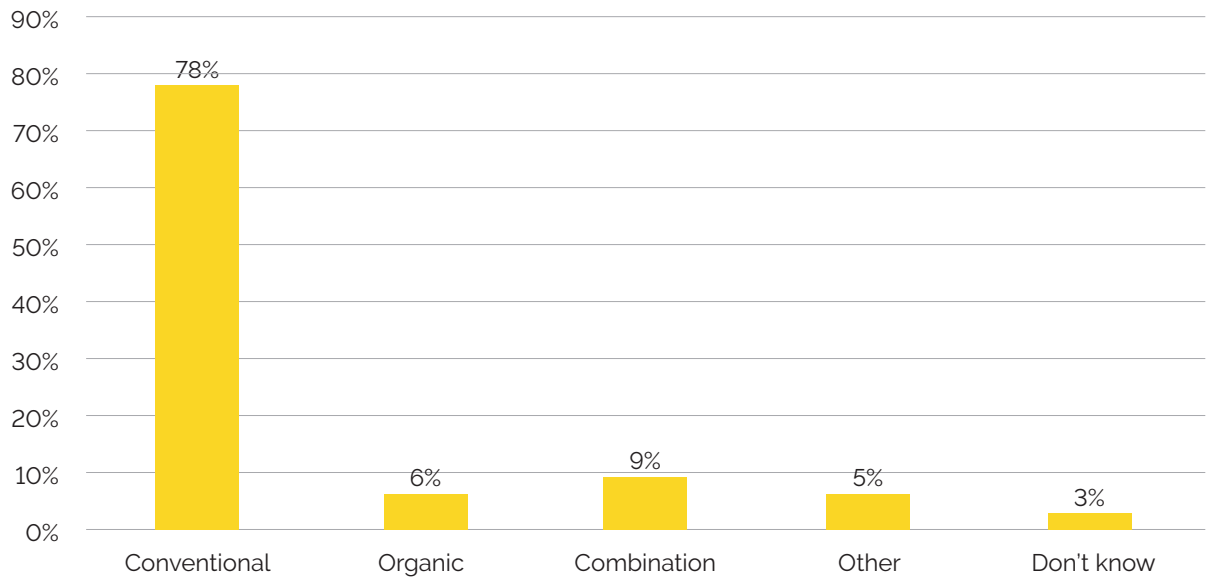


Figure A6: Profile of respondent farms by ownership

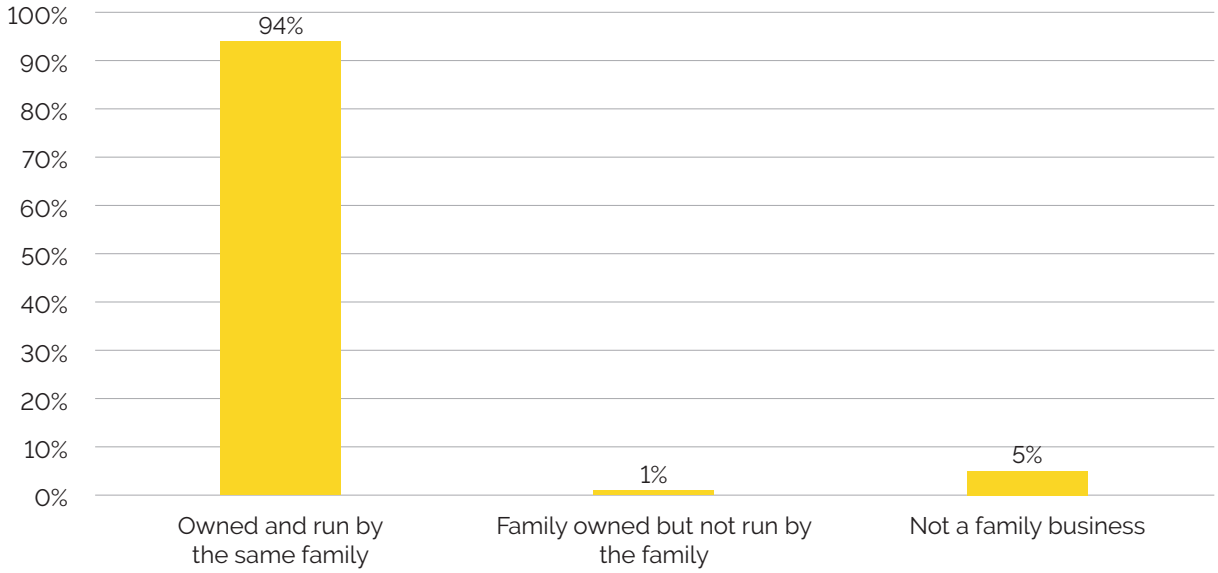
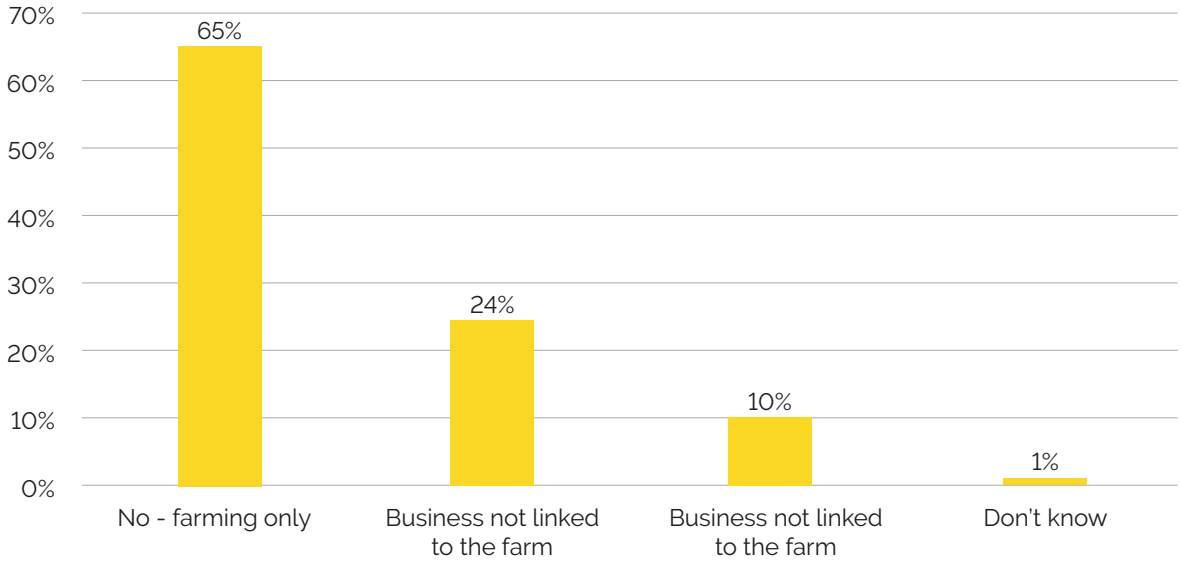


Figure A7: Profile of respondent farms by diversification



Acknowledgements

This report was compiled by Amr Khafagy, Fahimeh Malekinezhad, Janet Dwyer and Maria Wishart.

Suggested citation:
NICRE (2022) Farm business performance: planning, adaptation and resilience, National Innovation Centre for Rural Enterprise, State of Rural Enterprise Report No.3

Contact:
Enquiries about the contact of, or issues raised by the report, should be addressed in the first instance to nicre@newcastle.ac.uk

Other publications are available on the NICRE website **www.ncl.ac.uk/nicre/research/publications**

The views expressed in this report represent those of the authors and NICRE.

For further information about NICRE:

Email: **nicre@newcastle.ac.uk**
Visit: **www.ncl.ac.uk/nicre**
Twitter: **@NICRErural**
LinkedIn: **National Innovation Centre for Rural Enterprise**
Facebook: **@NICRErural**

National Innovation Centre for Rural Enterprise
Newcastle University
The Catalyst
3 Science Square
Newcastle Helix
Newcastle, NE4 5TG

Founding research partners:

Newcastle University | Centre for Rural Economy

Newcastle University | Business School

CCRI

ERC Enterprise Research Centre

Funded in partnership with:

UKRI Research England

Newcastle University

University of Gloucestershire

Royal Agricultural University

Warwick The University of Warwick

Founding business partner:

Strutt & Parker BNP Paribas Group