SURREY FARMING STUDY

Report

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2. Executive Summary

2.1 Background and Rationale for the Research

Surrey is not considered to be a major contributor to UK Agriculture, with under 1% of the UK’s agricultural land, this sector is responsible for around 37% of the land in Surrey. Despite the fact that agriculture’s contribution to the county’s GDP is relatively small, its contribution to the landscape and environment is significant. The requirement for this research was identified by Surrey TEC who felt that not enough was understood about Surrey’s agricultural and horticultural sectors. It was recognised that because of the sectors’ influence on the environment the county should ensure that the needs of the industry should be considered when preparing the county’s economic strategy.

The research was timely as agriculture is facing many challenges and having to face major changes at present. Key factors affecting agriculture are: the strength of sterling; increased competitiveness; food safety concerns; consumer trends; pressures to reform the Common Agricultural Policy; and, pressures from the environmental lobby. These factors are having a major impact on farm profitability.

Surrey TEC obtained funding from the European Social Fund Project to carry out this research and ADAS were commissioned to assist in the research. This report is based on the results of a postal survey of farmers and growers in Surrey; an analysis of the agricultural statistics for Surrey; the findings from a series of focus groups held with farmers and growers in the county; and an interpretation on the proposed reforms to the Common Agricultural Policy. The full report contains annexes on: the proposed reform of Agenda 2000; data tables from the postal survey; a report on the focus groups; and an assessment of the impact of the Agenda 2000 proposals on UK agriculture.

2.2 Methodology

Information for the Surrey Farming Study was gathered through extensive questionnaire research and a number of follow-up focus groups. Questionnaires were sent to every MAFF registered agricultural business in Surrey, approximately 1,500 holdings, which elicited a response rate of almost 25%. A total of four focus groups were conducted; three with farmers and one with growers. The discussions covered a range of issues including current pressures, skill gaps, training and diversification.

2.3 Key Findings

The main finding from the postal survey was the high percentage of respondents who indicated that their businesses were not making a profit. A fifth of the respondents indicated that their businesses were currently at risk of failure and a further three out of ten said that their’s would be within the next couple of years if the business climate did not improve. The Surrey data was compared against a comparable national survey undertaken by ADAS. This showed that although business confidence in this sector was low across the whole sector, there is a significantly higher percentage of Surrey farmers who feel that their businesses are at greater risk of collapse than in England as a whole or the South East in particular. The reason Surrey is severely affected is because of the high proportion of small holdings – which tend to have higher fixed costs - and the high proportions of lowland beef and sheep enterprises, where profits have been particularly badly hit.
The respondents indicated a willingness to diversify into other agricultural and non-agricultural activities with 243 separate diversified enterprises mentioned by the 270 respondents. There was also a strong interest expressed in developing new enterprises.

The survey highlighted the high level of family-owned and run businesses in this sector, many of these relying on part-time or seasonal staff where necessary. There were, however, a number of businesses who were significant employers. Many of the businesses were run by, or employed, people with higher education qualifications - the majority of these were in agricultural or horticultural subjects. Although there was a recognition on the part of the respondents for the need for additional training across a range of skills, funding was seen as a barrier to this.

The focus groups highlighted the difficulties that farm businesses were in. The group was made up of a cross section of Surrey farmers and growers. There was a consensus that the income from agriculture alone was unlikely to be sufficient to enable the majority of Surrey farmers to continue running their farms. However, the groups highlighted a number of barriers that affected their ability to diversify their businesses.

Farmers and growers perceived planning to be a significant barrier. They felt that the local authorities, and in particular the planning departments, did not understand agriculture and the needs of farmers and growers. The planning process was seen as the major barrier, which prevents farmers finding solutions to the present crisis in agriculture. They felt that there was an ‘us and them’ attitude, where farmers were faced with a local authority (and a population) who want to preserve a ‘chocolate box’ view of the countryside without an appreciation that it required farmers to manage and maintain it. Much activity for farmers was however, a cost which resulted in little or no financial gain for them and their families. This lack of understanding on the part of the wider community left farmers feeling isolated and increasingly vulnerable. The only positive aspect perceived by Surrey farmers who are owner occupiers were the high land values in Surrey, which provided a safety net to move out of farming. It was felt that the planning authorities had not considered the consequences of the decline of agriculture on the rural landscape.

Availability of labour was also highlighted as a barrier in Surrey. At a time of high employment, wage levels in the sector were not attracting staff. It was a particular problem for those enterprises which require high levels of seasonal staff and was the primary concern for those in the horticulture sector.

Farmers indicated that there was confusion about what business support was available in Surrey, and who was responsible for the various types of business support. When exploring their training needs, it was clear that they were not clear about the training that would be appropriate for them, but recognised that they would need new skills. They thought that commercial consultancy was too expensive for them, and they could only justify paying for advice or training if they were convinced of the return.

Analysis of MAFF’s agricultural statistics between 1992 and 1997 (the latest available data) indicate that:

- The numbers of holdings has declined by 12% to 1,652
- The area farmed has declined by 14% to 62,839 ha
• Approximately 27% of the land was rented in 1997
• Total labour force, including farmers, has declined by 10% over the period
• Full-time hired workers have declined in numbers by 13%
• Seasonal workers have declined in numbers by 16%
• Part-time workers have declined in numbers by 10%
• There are 58 fewer full-time farmers in 1997 than in 1992
• The numbers of part-time farmers has decreased slightly

This provides clear evidence of the decline in the structure of agriculture within Surrey.

ADAS have researched the extent of EU support to the agricultural industry in the county. For 1997, the level of EU funding for Surrey farming was £7,101,511. With 1,652 holdings registered in Surrey in 1997, this level of funding represents an average payment of £4,298 per holding although the extent of the support to individual holdings is dependent upon a number of factors.

2.4 Draft Recommendations

The findings from this report suggest that the issues facing the industry can be tackled at three levels: the individual level, the business level and the county level.

For individuals, steps need to be taken to raise the awareness of farmers and growers to the opportunities that exist for their business. Additionally, they need to be shown how their existing knowledge and skills can be utilised in other areas and to recognise where they need new skills and knowledge and what can be done to address this shortfall.

To assist businesses, farmers require assistance in helping them to carry out a business health check, so that they fully understand the opportunities and threats facing their business. This and other assistance needs to address suitable forms of diversification. They also need help in developing a whole farm strategic plan, which will ensure the long term sustainability of both the individual business and the character of Surrey’s countryside.

On a Surrey-wide basis there is a need to develop a strategy for this sector which is supported by both the industry and the public. There is also a need to develop and encourage fora that will help improve the communication between the sectors and both local authorities and between the industry and the local community. Appropriate support organisations in Surrey need to identify ways in which innovation is encouraged and supported in this sector. The creation of a food innovation centre, which could be a centre of excellence for people wanting to add value to primary produce and create new markets for Surrey produce, is one suggestion. Identifying and encouraging the innovators in the sector is also considered important as these people will be the ones that give other farmers and growers the confidence to try new enterprises.

The full draft recommendations emerging from the study are contained in a separate document and will be revised to take into account the comments received during consultations, which are taking place in September with a revised recommendations anticipated in October.
3. Research Methodology

This research was carried out in four stages:

- a postal survey to farmers and growers in Surrey;
- four focus groups amongst farmers and growers in Surrey;
- desk based research which involved an analysis of MAFF agricultural statistics and the Agenda 2000 proposals for the reform of the Common Agricultural Policy;
- An assessment of the impact of the Agenda 2000 proposals on UK Agriculture.

The purpose of this report is to bring together the main findings from each of these pieces of research and to make draft recommendations as a result of the findings. Details of each of the elements of the research are contained in four separate annexes which form part of the full report for Surrey TEC and their partners.
4. Agriculture and Horticulture in Surrey

4.1 Area of Agricultural Land

The Annual June Agricultural Census (1997) shows that the South East of England has 1,197,849 hectares of agricultural land, which represents around thirteen per cent of the agricultural land in England. Surrey has 62,839 hectares which accounts for only 5% of the South East’s agricultural land and under 1% of England’s. The total area of Surrey is 167,911 hectares, therefore registered agricultural land accounts for 37% of the land area in Surrey. Note that this figure does not include the large area of common land that exists in Surrey.

Agricultural land classification for the South East is shown in Map 1. The majority of the agricultural land in Surrey is classified as grade 3 with some areas of grade 4 land in the south east of the County. The classification of grade 1 has few or no limitations to agricultural use whilst grade 5 land has very severe limitations, grades 1, 2 and 3a are defined as the best and most versatile agricultural land. As at 1995, Surrey as a whole had 32.8% of its agricultural land as classified in grades 1, 2 and 3 compared to 59.7% for England (FRCA Agriculture Census data 1985 – 1995).
Map 1 Agricultural Land Classification in the South East
(Source: Agriculture in the SE Region, MAFF 1989)
Figure 1 highlights a trend of a reduction in the amount of registered agricultural and horticultural land in Surrey. The chart in Figure 1 shows that the area of registered land has reduced by 14% between since 1992 and 1997. It is probable that this trend has continued over the last few years.

**Figure 1: Area of Agricultural Land in Surrey between 1992 and 1997**

<table>
<thead>
<tr>
<th>Year</th>
<th>Hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>9927</td>
</tr>
<tr>
<td>1993</td>
<td>6693</td>
</tr>
<tr>
<td>1997</td>
<td>5727</td>
</tr>
</tbody>
</table>

**4.2 Farm Types in Surrey**

MAFF classifications of farm types for the South East and Surrey are shown in Figure 2. Surrey has a higher than average number of mixed farms and it also has a higher than average proportion of dairy farms when compared to the South East. It has a lower percentage of specialist cropping farms however, than both the South East and the country as a whole.

**Figure 2: Farm types in South East and Surrey**

<table>
<thead>
<tr>
<th>Farm Type</th>
<th>England (%)</th>
<th>South East (%)</th>
<th>Surrey (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairying</td>
<td>14.0</td>
<td>7.3</td>
<td>14.6</td>
</tr>
<tr>
<td>Cattle and Sheep</td>
<td>21.6</td>
<td>12.8</td>
<td>24.4</td>
</tr>
<tr>
<td>Cropping</td>
<td>44.9</td>
<td>50.5</td>
<td>25.6</td>
</tr>
<tr>
<td>Pigs and Poultry</td>
<td>0.9</td>
<td>1.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Horticulture</td>
<td>1.1</td>
<td>3.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Mixed and Other</td>
<td>17.5</td>
<td>25.4</td>
<td>30.6</td>
</tr>
</tbody>
</table>

Figure 3 shows the breakdown of holdings by size. Surrey also has a higher percentage of smaller holdings than both the South East and the country as a whole. This is a significant
feature as it implies that the scope for reductions in costs through economies of scale do not exist and so new approaches to long term viability are required by farmers.

Figure 3: Holding size in South East and Surrey

<table>
<thead>
<tr>
<th>Holding size</th>
<th>England (%)</th>
<th>South East (%)</th>
<th>Surrey (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20 ha</td>
<td>43.2</td>
<td>49.0</td>
<td>58.4</td>
</tr>
<tr>
<td>20 to 100 ha</td>
<td>38.8</td>
<td>32.8</td>
<td>32.8</td>
</tr>
<tr>
<td>100 to 300 ha</td>
<td>14.7</td>
<td>13.9</td>
<td>Fig not given by MAFF</td>
</tr>
<tr>
<td>300 ha and over</td>
<td>3.3</td>
<td>4.2</td>
<td>Fig not given by MAFF</td>
</tr>
</tbody>
</table>

4.3 Climate

The South East has a reasonably equable climate with a lower than average rainfall compared to other parts of the country. The rainfall is split around 55:45 between winter and summer months. Along the south of the region there are higher than average levels of sunshine (source: Meteorological Office), which make the area particularly good for glasshouse production.

4.4 Geography of Surrey

Agriculture in Surrey operates in an area with a high population density. This is illustrated by the fact that its 4,600 kms of road carry twice the density of traffic than the national average. Farming on the urban fringe does create problems for farmers, but it also brings advantages. The road network and other transport links create opportunities for marketing goods to large centres of population in the south of England and to the Continent. Surrey is the most densely wooded county in England, with approximately 20% of the county covered by woodland. The county contains the Surrey Hills Area of Outstanding Natural Beauty (AONB) which covers approximately a quarter of the county. The landscape and pleasant environment of Surrey is one of the factors that encourages businesses to locate in the county. It also attracts people to live and work in the area. Tourism is also a major industry within the county and generates approximately 5% of the county’s Gross Domestic Product. The Surrey Hills AONB alone has in excess of 4 m visitors a year. With agriculture and horticulture responsible for the maintenance of around thirty seven per cent of the land, it has a key role in maintaining the Surrey landscape and ensuring that it remains an attractive environment.

4.5 Agriculture and Horticulture as an Employer in Surrey

The total agricultural labour force for Surrey in 1997\(^1\) - excluding seasonal workers - is 4,345. The total labour force of the respondents to the survey, excluding seasonal workers, is 1,493, i.e. thirty-four per cent of the total workforce of Surrey\(^2\). The respondents indicated that they

\(^{1}\) Latest available statistics from MAFF
\(^{2}\) In total, fifty-three respondents did not give details of the number of staff employed. However, it was possible to categorise thirty-six of these farmers from their other responses as either full-time or part-time, leaving seventeen respondents for whom no employment details are known.
employ 455 seasonal workers, which represents sixty-nine per cent of the MAFF figure for seasonal workers in Surrey.

The employment data of those who gave us details is summarised below in Figure 4 by employment status. The respondents were responsible for creating employment for a total 1,970 people; forty-nine per cent of this employment is full time and twenty-eight per cent is part time. Fifty-two respondents indicated that they had staff who were directly employed on their diversified enterprises. These staff represented thirteen per cent of the total number of people employed. Many more of the respondents however, were running diversified enterprises and it is likely that the diversified enterprises are enabling the retention of existing employment levels on the farms.

Figure 4: Levels of Employment of Main and Diversified Enterprises (including owner)

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3 There is a question about the accuracy of the methodology used to calculate the figure for seasonal workers and it is accepted that the method of collection of this data could lead to an underestimate of the total number of seasonal workers being employed.
Respondents were asked to give details of the grades of staff employed in their businesses and their response is summarised in Figure 5. The picture is of a skilled workforce, with only thirty-seven per cent of the workforce classified as unskilled (Forty two percent of those were seasonal workers).

**Figure 5: Grade of Worker Employed by Respondents**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Full-Time</th>
<th>Part-Time</th>
<th>Seasonal</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager</td>
<td>299</td>
<td>145</td>
<td>1</td>
<td>445</td>
</tr>
<tr>
<td>Supervisor</td>
<td>65</td>
<td>7</td>
<td>1</td>
<td>73</td>
</tr>
<tr>
<td>Skilled</td>
<td>295</td>
<td>166</td>
<td>51</td>
<td>512</td>
</tr>
<tr>
<td>Unskilled</td>
<td>210</td>
<td>143</td>
<td>251</td>
<td>604</td>
</tr>
</tbody>
</table>

Figure 6 gives a breakdown of the size of the respondents’ workforce. A significant minority (fifteen per cent) gave no employment data, but it is safe to assume that each employs a minimum of one person on at least a part-time basis. The bias in the response towards full-time farmers means that this data is likely to be biased towards farms employing more than one person. The data does however, indicate that a significant percentage of Surrey farms directly employ people beyond the farm owner.

**Figure 6: Number of Employees per Business**

<table>
<thead>
<tr>
<th>Total no. of employees (inc. casual)</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>over 10</td>
<td>24</td>
</tr>
<tr>
<td>6 to 10</td>
<td>34</td>
</tr>
<tr>
<td>3 to 5</td>
<td>101</td>
</tr>
<tr>
<td>2</td>
<td>92</td>
</tr>
<tr>
<td>1</td>
<td>49</td>
</tr>
<tr>
<td>Missing data</td>
<td>53</td>
</tr>
</tbody>
</table>
4.6 European Union support for Surrey Agriculture

It is worth noting that EU funding to Surrey agriculture had been increasing; in 1994 the total amount of funding stood at £5,100,000, in 1995 it was £5,300,000, in 1996 the figure was £7,800,000, although it fell in 1997. The level of European Union (EU) support to the agriculture industry in Surrey in 1997 was £7,100,000. This figure was made up of: £2,150,000 for the Beef Special Premium Scheme and the Suckler Cow Premium; £330,000 for the Sheep Annual Premium Scheme; £4,300,000 for the Arable Area Payment Scheme and Set Aside; and £300,000 for other payments. (Annex 1 of the full report looks in detail at farming in Surrey and the impact the Agenda 2000 would have on the agricultural sector in Surrey). At the time of writing the industry was waiting for an EU response to the Agenda 2000 proposals; this has now been published. It is generally agreed that the planned amendments do not go far enough and will have to be reviewed again in a couple of years. (A supplement to Annex 1 of the full report has been prepared by ADAS, which outlines the likely impact of the reforms).
5. Economic Factors Affecting Agriculture and Horticulture in Surrey

5.1 The National Picture

Agriculture across the whole of the UK is currently under pressure and is facing a period of major change. During the progress of this research there was much speculation on the proposed changes to the Common Agricultural Policy (CAP) which were referred to as Agenda 2000 Proposals. There is pressure to reduce the costs of CAP to the European tax payer. It is felt that the proposed expansion of the European Union would make the costs associated with the present CAP unacceptable. Additionally, the extra agricultural production potential from the new EU members would require the ability to sell produce on the world markets, and this would be unacceptable under the GATT world trade agreements.

Other factors which are affecting agriculture on a national basis are the strength of sterling, pressures to reduce production costs to become more competitive, food safety concerns, consumer trends, the increased burden of bureaucracy and pressures from the environmental lobby.

Agricultural economists are in general agreement that agricultural production is likely to follow the 80:20 principle, with eighty per cent of production being sourced from twenty per cent of producers, and that the large efficient units will be the ones that will benefit.

Horticulture is not immune from global economics. The strength of the pound encourages increased imports of high value ornamentals from across Europe. The South East is particularly vulnerable where a strong pound means that growers in Continental Europe, particularly Holland, can sell direct to garden centres at prices that South East growers find it difficult to compete with.

5.2 The Picture in Surrey

A key finding from the postal survey of Surrey farmers and growers was the level of business confidence of respondents. Respondents were asked to indicate how their business was coping in today’s economic climate by indicating which one of five statements best reflected their view of the economic state of their business; of those who answered, around a quarter felt that their businesses were at risk of failure. A further 38% indicated that although their businesses were not profitable at present, it would be up to a year or two before their businesses would be at risk of failure. The Surrey survey was carried out at around the same time as a national survey of farmers carried out by ADAS. It is possible to compare the results from the Surrey survey with that of the national survey, and these results are summarised in Figure 7. It can be seen that business confidence is in a very bad state across the whole of the country. The South East is neither the most confident or least confident of the regions. The data from the Surrey Survey is striking however, as it shows that Surrey farmers feel less confident about their businesses than farmers across the whole of the rest of England and Wales.
If the current conditions remain the same, in a couple of years’ time up to two thirds of the farms in Surrey will be at risk of failure, if they have not already ceased trading. Only five per cent of the respondents indicated that under the current conditions they were managing to maintain profits and two per cent indicated that profits were growing.

The reason that Surrey farmers are particularly badly hit by the current crisis is likely to be for a combination of reasons. There is a high proportion of small holdings and mixed farms in Surrey. These farms have relatively higher fixed costs and they cannot compete with the larger units in other parts of the country. There is also a higher than average proportion of dairy farms in Surrey, and this is a sector which is under a lot of pressure to reduce the costs of production. MAFF figures show that the net income from dairy farms based upon an Index of 100 for the year 1991 has dropped by over a half to 45.

Similarly, Surrey also has a significant lowland beef and sheep industry and this sector has had to deal with significantly reduced return from their stock. Surrey lowland farmers do not benefit from the Less Favoured Areas (LFA) support available to upland farms in other areas of the country. Based on an index of 100 for 1991 the income for lowland beef and sheep enterprises has dropped to a figure of minus 35. This figure of minus 35 equates to an average
farm loss of £1,225 per farm. This is against an £875 profit per farm in 1997-98 and a profit of £8,000 per farm in 1993-94.

Profits from lowland cattle and sheep farms has always been relatively low. For example in 1993-94 the average profit from upland cattle and sheep farms in 1993 was £16,000, double that of their lowland counterparts. This also compares to profits of £23,000 for cereals farms and £36,000 for general cropping farms in the same period. The low profits for lowland cattle and sheep are partly due to the small size of these farms and a high proportion of part-time or ‘hobby’ farmers.

Those respondents in the Surrey survey who were in horticulture and grew ornamentals were not as pessimistic as farmers. Overall, there were only 24 respondents who fell into the horticulture category, and of these only one reported that their business was currently at risk. 17 respondents did say that their profits were down, but of these only 7 stated that this could put their business at risk over the next couple of years. 3 respondents were managing to maintain profits and another 3 reported increasing profits.
6. How are Farmers and Growers Addressing These Issues?

6.1 Diversification

The survey data illustrates the recognition amongst farmers and growers of the need to look to new markets or new enterprises in order to remain viable. The survey asked respondents to indicate whether they currently operated any novel agricultural or non-agricultural enterprises on their business. The results showed evidence of an industry with a significant proportion of businesses trying a wide range of enterprises, and many more who were willing to consider starting new enterprises.

6.1.1 Existing Diversified Enterprises

47% of respondents gave details of diversified enterprises that they were currently running; in total, the respondents indicated that 298 different diversified enterprises were being carried out on their holdings. The results are summarised in Figures 8-12.

The majority of existing enterprises are in the tourism/leisure sector, with a total of 152 respondents running some form of enterprise in this sector. Over 60 respondents were running some form of equine enterprise; fishing and shooting were also popular with over 30 enterprises in this sector.

Surprisingly few of the respondents were adding value to their crops through processing and speciality foods. However, there were a small number producing organic produce. Just over 40 of the respondents were carrying out some form of direct selling of their produce to consumers.

6.1.2 Interest in New Diversified Enterprises

There was a high level of interest in new diversified enterprises. The highest interest was in Organic Meat, with 51 respondents expressing an interest. Again the results are summarised in Figures 8-12 and it can be seen that there was an interest in a wide range of enterprises. Of the 150 respondents who gave details of enterprises that they would consider running, 46% were not currently running any of the enterprises listed, i.e. 20% of respondents would consider running a diversified enterprise for the first time.

This willingness to consider alternatives must be seen as a very positive finding from the survey. This level of interest in diversification is likely to be directly related to the financial state of traditional farming enterprises. Previous work carried out by ADAS has identified that many farmers only turn to diversification when there is a realisation that it will be the only way in which they can remain on the land, a primary driving force for many in agriculture.
Current Diversified Enterprises

Figure 8: Speciality Crops

Figure 9: Agriculture/Horticulture Services
Figure 10: Retail Operations

- Any retail operation
- Farm shop
- Pick your own
- Garden Centre
- Direct marketing produce (mail)
- Direct marketing produce (door-to-door)

Currently Run | Consider Running | Total Run | Total Consider

Figure 11: Adding Value to Crops

- Any enterprise adding value to crops
- Specialty food
- Vegetable/fruit packhouse
- Food processing

Currently Run | Consider Running | Total Run | Total Consider
In order to see the effect of the state of their businesses on their views concerning diversification, Figure 13 compares the responses to the attitude statements between those who are considering running a diversified enterprise and those who are not. The results show that there is an increased likelihood that it is those farmers whose businesses are in trouble that are most likely to be considering setting up a diversified enterprise.

**Figure 13: Effect of Economic Climate and Respondents’ Views On Diversification**

- **All respondents**
  - Not profitable and at risk: 72
  - Maintaining profits: 111
  - Increasing profits: 97
  - Profits down but not at risk for a couple of years: 14

- **Those considering diversification**
  - Not profitable and at risk: 36
  - Maintaining profits: 63
  - Increasing profits: 34

- **Those not considering diversification**
  - Not profitable and at risk: 36
  - Maintaining profits: 47
  - Increasing profits: 62
6.2 Other Ways Businesses Are Addressing The Problems

6.2.1 Contract Farming
Traditionally, farmers increase their efficiency and profitability by physical expansion, however, the high land prices in Surrey put this option beyond the reach of most Surrey farmers and growers. There is, however, a trend in agriculture to make more use of contract farming methods. This is very varied and can involve work on non-core activities such as hedge trimming or can involve all the work on the farm right up to production of the finished crop or livestock. Similarly, remuneration agreements also vary significantly. For some farmers, having their land contract farmed is a way of making a structured withdrawal from agriculture if there is no one to take over the farm when he or she retires. For the contractor, it is a way of better utilisation of staff and machinery and a way of making their own agricultural businesses more viable. The contractor may manage the land as if it was part of their own farm, or alternatively the owner employs the contractor to carry out the field activities but still retains control over the crop and the decision making.

There was some evidence, from both the postal survey and the focus groups, that this is an option that is being taken by some Surrey Farmers, around 30 respondents to the survey indicated that they carry out contract farming or contract field operations.

6.2.2 Strategic withdrawal
There was evidence from the focus groups that some farmers are planning their withdrawal from agriculture. One respondent has over the last few years been moving away from traditional agricultural enterprises and using his main resource - his land - to develop leisure enterprises. His reasons for not moving out of agriculture altogether were his love of raising stock and for tax reasons. He did not think his son, who was involved in the new enterprises, would want to carry on the agriculture business once he retired.

6.2.3 Selling land
Many farmers in the focus groups mentioned the dichotomy of running a non-profitable business but sitting on an asset which was worth a considerable sum of money. Selling off pockets of land was seen as a way of generating money to keep the farm in business. However, it was pointed out that the land sold in Surrey tended to move out of agricultural production. The main groups driving up the price of small pockets of land were people who wanted somewhere to look after their horses. The evidence of a 14% reduction of the registered agricultural land in the years between 1992 and 1997 is evidence of this happening.
7. **Barriers to Development**

The postal survey asked farmers and growers what barriers there were to the development of their business. The results are summarised in Figure 14 below and differentiate between major and minor problems faced by businesses.

**Figure 14: Barriers to Developing the Business**

<table>
<thead>
<tr>
<th>Problem</th>
<th>Major Problem</th>
<th>Minor Problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of expertise or training</td>
<td>5%</td>
<td>14%</td>
</tr>
<tr>
<td>Poor knowledge of market</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>Difficulty in getting advice</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Lack of capital or cash flow problems</td>
<td>28%</td>
<td>16%</td>
</tr>
<tr>
<td>Lack of grant aid</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Getting suitable staff</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>Location</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>Unable to supply enough produce</td>
<td>3%</td>
<td>9%</td>
</tr>
<tr>
<td>Quality requirements</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>Planning permission</td>
<td>42%</td>
<td>16%</td>
</tr>
<tr>
<td>Regulatory requirements</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Tenancy restrictions</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Legislation</td>
<td>11%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Based upon the 212 respondents who provided information.

### 7.1 Planning

Obtaining planning permission is perceived to be the major barrier to business development amongst farmers and growers. Over 40% of those who indicated that there were barriers to developing their business said that planning was a major problem; a further 16% indicated
that it was a minor problem. This view was evident amongst the farmers and growers who attended the focus groups and was linked to their perception of the need to develop non-agricultural enterprises in order to ensure that their businesses are viable. There was a view that planning departments did not understand the needs of agriculture and horticulture, and in particular did not appreciate the current economics of running a farm. However, there was also a recognition that in the past farmers and growers may have been carrying out unauthorised activities that were not covered by planning permissions. In two of the focus groups it was suggested that if the planning appraisal included consultation with people who had a direct involvement with the industry, they would be able to identify those cases where there was a real need to diversify.

Affordable accommodation for farm staff was also highlighted as a problem. There were difficulties in finding accommodation for farm employees and also sons and daughters of farmers who wanted to continue working on the family farm, but wanted to set up a home for their own family.

Another issue that was raised during the focus group, was applications for dwellings which failed because the enterprise was not considered to be viable. It was pointed out that because of the high percentage of smallholdings in Surrey, many of them rely on high value-added production or direct selling of produce to remain viable. It was felt that the economics of small farming were changing and that a planning application had to take into consideration the marketing and pricing strategy of the business when assessing the merits of allowing the building of a dwelling.

Another accommodation problem that came out during the focus groups was related to housing casual staff for seasonal work. This was a particular problem for growers, who rely heavily on casual staff who are very hard to find locally. This resulted in some cases in the use of foreign nationals who required accommodation.

7.2 Finance

Almost 30% of respondents indicated that lack of capital or poor cash flow was a major problem at present and prevented them developing their business; a further sixteen per cent said that it was a minor problem. In the discussion with farmers, there was a view that because of the problems that they were in they were reluctant to borrow money for a new enterprise which might then fail. This was evident at low levels of risk, such as the money required to make a planning application, or the costs of home killing stock to try to sell direct.

The lack of any grant aid was seen as a major problem by a quarter of those who indicated that there were barriers to developing their business; a further ten per cent indicating that it was a minor problem.

7.3 Employing Staff

Employing suitable staff was seen as a major problem by 12% of respondents and a minor problem by a further 17%. 25% of the respondents stated that they had tried to recruit staff in the previous two years, and of these 64% indicated that they had difficulties in recruiting appropriate staff; the reasons given are shown in Figure 15. The inappropriate attitude of applicants was given as a reason by most respondents. From the other work carried out on the project, it can be speculated that this is because many young people are not prepared to work the hours and in the conditions that this sector requires. A combination of a high level of
wages in competing industries and a lack of relevant skills and experience were also significant factors reported.

**Figure 15: Reasons for Recruitment Difficulties**

- **Higher wages in other sectors**: 22%
- **Lack of qualifications/skills**: 22%
- **Lack of work experience**: 17%
- **Inappropriate attitude of applicants**: 29%
- **Applicants unwilling to work required hours**: 17%
- **Difficult for applicants to travel to work**: 14%

7.4 Training

Only 6% of the respondents to the survey saw training as a barrier to developing their business, another 14% thought it was a minor problem. However, in a separate question 13% said that funding training had been a problem in the past and 26% thought it was likely to be a problem in the future. Of course there is a saying which goes ‘you don’t know what you don’t know’ and many people running small businesses may not be aware of where training is stopping their business from developing. In the survey we asked whether they had received training in five key areas which are essential for developing new enterprises. In total:

- 84 people had received training in business planning
- 63 in information technology
- 53 in marketing
- 35 in customer services
- 36 in quality management systems.

Additionally, 42 indicated training in other subject areas, the majority being technical based training on agricultural/horticultural topics.

When asked what training was provided to staff, the results are summarised in Figure 16. On-the-job training is the most widely used method of training. In total around 40% of respondents said that they provided training for their staff.
Figure 16: Type of Training Provided

- On-the-job training: 125%
- Arrange in-house training: 27%
- Training courses: 58%
- Financial support for employees: 16%
- Time off for employees: 28%
Respondents were asked whether they thought that there was a need to improve their own skills or the skills of their staff within the next two years. The results are summarised in Figure 17. There was a recognised need for training across the range of skills presented to them. There were high numbers who indicated a need to improve skills that are associated with the development of diversified enterprises such as developing new markets, marketing and selling skills.

**Figure 17: Identified Areas where there is a Need to Improve Skills**
8. Discussion

8.1 The Need For Change

It is difficult to talk about Agriculture and Horticulture as if they were the same industry. Horticulture is an industry that operates in an open market with no support from subsidies, many agricultural enterprises operate in a sector that has relied on subsidies during the lifetime of today’s farmers. This difference has affected the culture of the two sectors; growers are much more customer focused and see themselves as any other rural enterprise having to meet customers’ needs at a competitive price to succeed. Farmers, on the other hand, have operated in a culture that rewards efficient production whether or not there is a customer for the crops grown. Within this environment, the UK has some of the most efficient farms in Europe. However, times are changing, and everyone in the industry is aware that support for agriculture will need to change to enable UK agriculture to compete in a world market.

This period of change will, however, result in major changes to the structure of agriculture within the UK. To compete in a world market it is necessary to be able to produce efficiently and keep costs down, and the only way this can be achieved is through large efficient units with proportionally low fixed costs. This means that the larger units in the east of the country will benefit most and the small units in areas like Surrey will be under most pressure. Economists predict that in the UK 20% of agricultural business will be responsible for 80% of production; the majority of Surrey farms will fall into the remaining 80% producing far lower quantities.

Agriculture, like mining and steel production, has been classified as a primary industry. The question must therefore be asked whether it should be allowed to survive or fail on the whim of market forces. A counter argument is that unlike mining and steel production, agriculture is responsible for the green and pleasant land we live in, and as such it is in everyone’s interest that the industry is supported to ensure that it survives. The rationale for the Common Agricultural Policy is to ensure the survival of rural economies throughout Europe which depend upon an active thriving agricultural industry. However, CAP is under pressure to change because of five key factors:

**Market developments**

Producers across key sectors face the threat of mounting and unsustainable surpluses. The major forecasting institutes agree that demand for food will grow and prices charged to the end customer will remain firm. Despite this the outlook is not promising for the EU agricultural sector. No change to present farm policy means continuing gaps between world prices and domestic prices in many sectors. Commitments agreed at the last round of international trade talks to cut the use of export subsidies means surpluses may no longer find outlets on international markets and will thus end up in intervention stocks.

**Rethinking the management of support mechanisms**

The Community needs to strike a better balance between those decisions that need to be taken together at European level and those best left in the hands of the Member States authorities. Such moves must be made within a common policy framework and in full respect of the
principles of the Single Market. Direct income aid must also be better targeted at those who most need it, both to ensure greater equity in the way support is distributed, and to contribute to cohesion in the Union as a whole.

Agriculture - a widening political constituency

Many matters of agricultural policy have, over recent years, moved to the centre of the political debate across the Union. The public is increasingly interested in food health, quality and safety. There is also growing interest in the impact of industry and agriculture on the environment, with particular concerns about the impact of intensive farming methods on the natural landscape. Animal welfare too, has become a key issue in many Member States.

Enlargement of the European Union

In March 1998, accession negotiations started with six of the eleven candidates that will join the Union over the next decade. While enlargement brings advantages in terms of stability and big new markets for European business, in the agricultural sector, enlargement also brings with it considerable challenges. Enlargement will increase production capacity and exacerbate the threat of surpluses, particularly in sectors such as sugar, milk and meat. The present CAP would have to face major demands in terms of price support and direct payments that would be unsustainable in the absence of efforts to reduce price differences.

World Trade Organisation - Trade talks

The start of a new round of international trade talks in 1999 is likely to mean new pressures to continue the process of opening up agricultural sectors worldwide. Public concerns on environmental protection and consumer issues will also have to be addressed in these international fora.

The Commission’s reform proposals in agriculture and rural development aim to establish a new framework for agriculture and for Europe’s rural communities. The proposals recognise the role of a strong agricultural sector at the heart of our rural economies, and emphasise the need for greater competitiveness on domestic and international markets. This means lower guaranteed prices, which will benefit consumers and help the EU farm sector exploit new markets abroad, ease the integration of accession candidates and prepare the ground for the next round of trade talks.

Increasing emphasis is placed on direct aid to offset price cuts. In this way the Community maintains its commitment to stabilising incomes in the sector while recognising the broad range of services agriculture offers society.

These changes, however, are not enough to ensure a healthy, living countryside and the protection of Europe’s rural heritage. The Commission therefore proposes a comprehensive package of rural development measures that will allow Member States to tailor rural development packages to their individual needs.

As a result of this, agriculture has to change, and although much of agriculture will need to address the demands of the new market, it is likely that the EU, through regional funding will continue to support the industry. This support, however, will be aimed at providing direct aid in recognition of the role that the industry has in maintaining the environment.
8.2 What Can Be Done To Support Surrey Agriculture and Horticulture?

8.2.1 The Problem
At present farmers in Surrey feel isolated and are struggling to know what to do. However, because of their situation they are likely to be receptive to change and willing to listen to solutions.

Farmers have a great love for what they do and financial return is not their main driving force; if it was, many would simply sell up and live on the return of their capital. They are also specialists - they know how to run their traditional enterprise, but may not have expertise in other areas. Farmers are however, willing to adopt new ideas that have been demonstrated to work. A source of information valued by farmers is farm walks, where the ‘early adopters’ of the agriculture world demonstrate new techniques or novel crops.

Looking at the diversified enterprises that are run in Surrey, many of them do not rely on a huge capital outlay and the skills that they need to run the enterprise are not dissimilar to those needed to run the farm (e.g. livery, contract farming, B&B). Enterprises that require new skills such as marketing are not as prevalent. However, like any industry there are individuals who are innovators and entrepreneurs and we saw examples of these people who came along to the focus groups. There were examples of farmers finding new outlets for their produce through direct selling and showing the potential for adding value to the produce to make their businesses viable. There were also lots of accounts of people with ideas to transform redundant farm buildings or establish non-agricultural business which fail to get past the planning application stage. There were also examples of people who were reluctantly running diversified enterprises in order to survive, but not really enjoying the experience.

It is clear that in order to find solutions for these businesses the challenge is to identify opportunities that are appropriate at three levels:

1. The individual - i.e. a solution that meets the aspirations of the individual and matches their skills and abilities
2. The business - i.e. an option that is sustainable to the business and complementary to the main agricultural business
3. The location - an option that fits the strategic plans of the parish/borough/county/region.

Looking at agriculture using this model it can be seen that the solution requires looking for ways to identify strategies which can address the problems at each of these levels.

8.2.2 The Opportunities

Added value or premium food produce
The biggest opportunity for agriculture and horticulture must be the catchment area that exists in and around Surrey. Consumers’ concerns about food quality and food safety creates an opportunity to develop premium produce for some of the richest consumers in the world. In order to capitalise on this opportunity, farmers need to change mentality from a primary producer working in agriculture to that of a producer working in the food industry. There are opportunities for developing a range of marketing initiatives from small scale direct selling operations to development of locally branded produce which could be sold through the catering or retail sector.
Part Time farming
Currently many part time farmers are hobby farmers who are not reliant on their farm incomes. However, part time farming may be a way for existing full time farmers to keep their agricultural business viable. In other countries in Europe many farmers hold down regular jobs as well as run their farms. The development of extensive farming systems which require low labour input could make this a viable option for Surrey small scale farmers as they are situated in an area with high levels of employment.

Leisure/Tourism
Surrey’s tourism potential is well understood and there are opportunities for farm businesses to exploit those opportunities by either providing accommodation or becoming a destination centre providing leisure activities.

Redundant Farm Buildings
Many holdings have buildings that are unsuitable for modern agricultural production and provide opportunities for conversion for accommodation, leisure or industrial use.
9. Conclusion

The research set out to establish the existing skill levels within the sector and training requirements. However, the primary research finding is more fundamental to the success of the sector, namely that many farmers believe their businesses are at risk and may close in the next two years. This finding places a different emphasis on what needs to be done to assist agriculture in Surrey. The question is not only how can training be utilised to help the sector to become more efficient, but how can agriculture be re-organised and assisted to add value to its products and so become viable and sustain itself? Once these options have been explored what are the training implications of these new activities?

The question may also be asked that if the situation is currently so dire what part did the existing skill sets play in this? The answer is it has probably been a significant factor. Farming requires skills that are specialised, technical and, for the most part, not found in any other sectors. The research has found that many qualifications were, not surprisingly, agricultural in nature. The result of this is that many farmers’ prime focus has been on improving production efficiency and quality. This would appear a sound approach to running a profitable business. However, many of the variables that impact on the sector are external and farmers have no influence over them. Agriculture is, for example, heavily influenced by the vagaries of the Common Agriculture Policy (CAP). The profits that stem from CAP are also linked to the prevailing rate of Sterling, which has appreciated substantially against the Euro with the effect of reducing subsidy payments. This has led to an extremely demanding environment for the Agricultural community and in some cases farmers are making losses. The situation has been made worse by various food scares, examples being BSE, which hit the beef sector and current concerns over Genetically Modified foods which has led to consumer concern. These factors have meant that the existing farm business of food production and sale on to a wholesaler or direct to a large buyer such as a supermarket chain has resulted in minimal profits.

So what is the answer to this situation? As mentioned above it would appear to be a change of focus. Farmers who only seek to produce food for resale will find there is little profit to be made. The best way forward then is to look at how value can be added to the produce. This can be as simple as packaging the food or quite sophisticated such as selling direct to the public. Alternatively, or in addition, other options need to be considered which can augment the existing farm income. These diversified businesses often involve leisure activities such as fishing, golf or B&B.

The link to leisure and tourism is an important one. Tourism already accounts for approximately 5% of the county’s Gross Domestic Product; it could become still more significant. Surrey is well placed to make more of the opportunities that Tourism presents. Farms for their part are often located in beautiful surroundings and can lend themselves to leisure activities and bed and breakfast, which would help ease Surrey’s current under-supply of bed and breakfast establishments.

To return to the theme of training, these activities will require new skills, for example customer service or marketing skills, and general business skills, such as business planning and cash flow analysis, will be important. How this training is delivered and how much it costs is an important issue. The farming community used to have access to free training and now that this has gone there appears to be a lack of confidence in asking for advice and training. At the same time the move to diversified businesses suggests that the need for
training and advice has never been greater. The business support agencies in Surrey will need to find ways in which these issues can be successfully addressed, if the farming community is to receive the skills needed to survive.

Whilst Agriculture in Surrey is suffering from the existing harsh environment the same is not the case in general for the Horticulture sector. There is anecdotal evidence however, that some smaller holdings are also struggling and cannot produce crops at prices that compete with imports. The position of the holding is also important with those that have road frontage or direct access to the public doing better than those which do not.

The horticulture sector does not receive subsidies and so the firms have to operate as profit making enterprises. They consequently tend to be very customer focused. The sector in Surrey enjoys an affluent customer base and its main problem at present is with recruitment. Many of the jobs are poorly paid relative to other job opportunities in Surrey and firms in the sector are finding it hard to recruit and keep good employees. In some cases firms are having to recruit foreign nationals to fill their vacancies. This usually means also having to provide accommodation as part of the package. The training implications for this sector are to focus on recruitment and retention policies, with training and advice on methods used for recruitment and staff progression and motivation within the firms.

It needs to be acknowledged though that the survey did not get a very good response from growers and so the findings for this area need to be considered as indicative. It is fair to say however, that the issues faced by horticulture are slightly different to those being faced by the farming community. To be able to state these categorically, though, would require further research.