

## **HOW FARMERS ADD INCOME**

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A Farm Advisor's view of how to add income to a farming business

## HOW FARMERS ADD INCOME

### Abstract

*This paper is a review of on-farm diversification projects as practised by family farms in the South West of England and covers just a few of the options that are being used to reduce risk and ensure the workable profits that are needed for a family to remain solvent and competitive in the modern farming environment.*

**Keywords:** *Family Farm, Farm Business, Profit, Added Value, Diversification skills.*

The notes on the “Invitation to Submit” page of the Conference website say that papers should focus on issues associated with growing agricultural output in an environment like Tasmania. It also says that the farms in Tasmania are generally more diversified, smaller in scale and producing for more specialist markets, rather than bulk commodities.

For all this read the South West of England, where I have practised as a farm advisor for a great many years and which I reviewed in detail in a contributed paper given in Quebec in 2015.

As most of you will know farming in Britain (like almost every country in the world but in different ways) has been subsidised in one way or another almost since the Repeal of the Corn Laws (1846). Currently we are paid (under a European Scheme), a basic payment per acre or per hectare according to how many acres/hectares are involved in the farming business. Again as most of you will know, this is about to be changed as we leave the EU, but at present this income is a vital part of the farm income for all farms but especially for the smaller family businesses of the South West of England, which are my concern.

If you look at the margin from basic agriculture - dairying, beef and sheep production, commodity cereal growing as practised in Britain, there is very little or no margin to

allow even a low standard of living for a family and certainly nothing left for Capital Investment.

**Table – Net Profit for Different Farming Systems £/hectare**

	Dairy (including y/s) Medium 110– 160 hectares 8,000 litres/cow	Grazing livestock Large 140 – 200 hectares	Arable Medium 200 – 345 hectares
Gross Margin (including forage)	£1947	£865	£803
Fixed Costs	£1779	£855	£805
Net Margin	£168	£10	–£2
Area Payment	£222	£222	£222
Net Profit	£390	£232	£220

From the table it can easily be seen that profit from farming alone is not sufficient to maintain a family or make any form of capital investment in the Farm Business.

Dairy Farming over the years has been the most reliable for profit (despite numerous ups and downs!) so these businesses have been less likely to diversify to find extra income for their business; but the grazing livestock and arable farms have managed to make considerable extra income by going up the diversification route.

However before we rush headlong in to Diversification Opportunities as DEFRA would have us do (DEFRA stands for the Department for the Environment, Food and Rural Affairs .....no actual mention of Farming and hence a headlong slope on their part in to Diversification) it is very important to consider the many different forms of diversification and whether anyone in your family or your business is interested and able to farm people as this is what most diversification projects require.

Of course there is a large range of possibilities about but it is important to look for your own natural advantages.

Do you like people?

Are you interested in added value?

Could you consider an add enterprise eg Free Range Eggs ?

Do you have buildings that could be converted and used for something else?

Are you in an area with a special advantage, eg., on a Pilgrims Way or by the sea ?

Are you a good cook and like welcoming people to your house?

The top ten Diversification Trends in the UK at present as surveyed by somebody apparently are:

1. Brew a Beer
2. Wedding Venue
3. Forestry
4. Free Range Eggs
5. Care Farming
6. Crafts
7. Cooking and Baking
8. Pets
9. Conservation
10. Energy

Which is why I am not going to talk about any of these!!!

As a farm advisor with over 40 farms under close supervision, almost all of my clients have some form of extra income but it includes

Sending a family member out to work!

Contracting

Environmental Schemes

Alternative Energy

But I also have a number of other very interesting and seriously profitable projects of which I will describe just three.

Adding value to Milk, is most easily done through cheese making where for every 10000 litres of milk you get a ton of cheese

Current value of milk say 28p/litre, so the cost of milk in a ton of cheese £2800

Value of cheese £9-16/kg; so say Av £12000/ton for artisan hard cheese marketing in 3-5 months. The secret of a good and profitable niche cheese making business is to build a brand ..which takes time and commitment over a number of years, starting with

Farmers' Markets ,Food Assemblies, and entering competitions. This all helps to get your product noticed and this is what you need for success.

'Lyburn Gold' and 'Old Winchester' ([www.lyburnfarm.co.uk](http://www.lyburnfarm.co.uk))

now retail 50 tons per year through various outlets:

- Farmers Markets
- Top supermarkets
- Pubs and Gourmet Restaurants and Hotels
- Cruise liners (the farm is very near Southampton)

But always, the farmer who is a very diligent and charismatic person, has stayed hands on with his enterprise, making cheese sometimes and delivering his precious product every week, so meeting customers and enthusing them about his product.

Key points for success for this enterprise are..

Having a good product

Having a Marketing Plan/Outlets

Excellent customer relations.

The second example is something completely different.....but look to your family. Do some of them have different skills that could be used in the business?

One of my clients with a small (170 hectares) arable farm has two sons, neither of them in the farm, but one had trained in Sports Management and came back to work near home, managing a gym.

He came home one day and said "Do you think we could run a gym here on the farm?"

So we reviewed what was going to be needed:

- a) Barns suitable for conversion
- b) People to come from not too far away
- c) Car Parking
- d) Good staff to supervise and provide personal training

Well, we had all those so a barn was chosen and converted, insulated, a sprung floor etc installed, the space equipped and the gym opened on January 1<sup>st</sup> 2015, with a view to getting 400 members with regular monthly subscriptions by the end of the year. Well by the end of January the gym had that number of members and really the rest is history. The enterprise has now expanded to a large gym with spin room, a quiet gym for older people, an outdoor exercise area and a room for yoga and pilates, all bringing in regular monthly subscription fees of £30-£36/head/month, so cash flow is excellent.



There were also two sets of Victorian farm buildings that had been used for smaller animal rearing but were totally unsuitable for modern agriculture. These were converted to 5 holiday cottages together with an old stone granary (still on saddlestones) which makes a lovely hideaway for 2.

Again it is possible to examine the enterprise under .....

Strengths     Buildings suitable for conversion  
                 Farmer very keen on people and very personable so fully involved  
                 Beautiful countryside position

Weaknesses   Not on the sea

Opportunities Dorset is a very sought after holiday destination

Threats             Over supply of holiday cottages.

Reacting to the Weaknesses and Threats section of the evaluation ...there was one solution....Build a Swimming Pool and after considerable thought this was done .....Indoor heated and very attractive.

This has secured bookings in the summer and extended the season to all through the year, greatly helped by the fashion, certainly in Britain for taking short breaks.

These cottages let for between £500-£1000/week and are now let for about 80% of the year.

The size of this business now means that a housekeeper/cottage manager can be employed to look after the day to day running and attend to the crucial fine details which must be perfect. All booking is handled in house by the farm office.

Recently another farm conversion has been completed which provides a Conference Centre /Wedding venue and 6 smaller letting units so that all occasions and events are catered for.

Key points from this example...

High quality property, holiday cottages, letting houses,  
And business units.

Really MUST like people

Excellent service

In none of the examples quoted must you underestimate the amount of work and effort that goes in to making them a success. The farmers concerned all work completely full time in their businesses, running them on a day to day basis and farming their farms at the same time.

All these diversification projects need people to visit/taste/exercise for their success, but this is something Britain has plenty of with an increasingly leisure conscious population of 66 million.

This I think puts us in a different position from many other countries of the world. I certainly think of diversification as a strategy to reduce risk as well as a source of extra income ....this risk reduction strategy is something we all need .....at present UK needs it very badly !