

Farmer Confidence Survey

Summer 2010

NFU Economics/ Membership Departments

October 2010

The voice of British farming

Although every effort has been made to ensure accuracy, neither the NFU nor the author can accept liability for errors and or omissions. © NFU



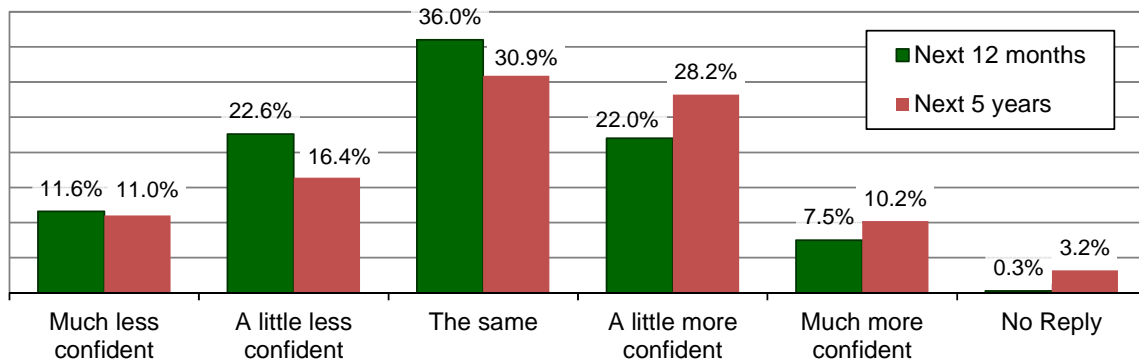
Contents

Executive Summary	Page 2
Background and introduction	Page 4
Section One – Farmer confidence	Page 5
Short-term confidence	Page 5
Medium term confidence	Page 9
Section Two – Attitudes to external factors affecting farm businesses	Page 13
Section Three – Farm business profitability and production	Page 15
Section Four – Farm business investments	Page 17
Machinery	Page 17
Skills and training	Page 19
Livestock	Page 21
Buildings	Page 23
Diversification	Page 25
Section Five – Tenants	Page 27
Annex A – details of survey sample	Page 30

Executive summary

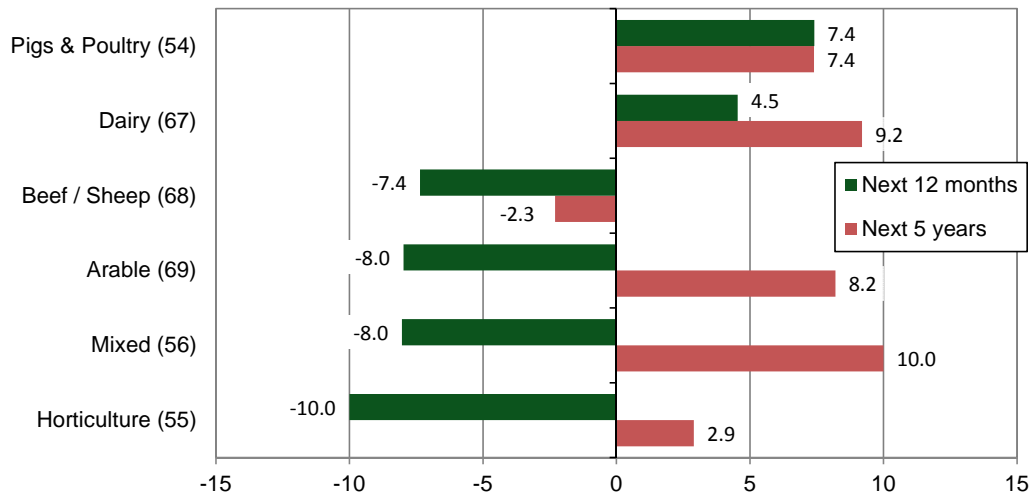
The National Farmers Union has undertaken a survey of farmers' confidence in order to understand better its members' future expectations as well as current concerns.

These results show that in the short term, farmer confidence is relatively similar to today. However farmers are more confident about the medium term prospects for the industry, with 30% expecting prospects to remain the same and 38% being more confident about the future.



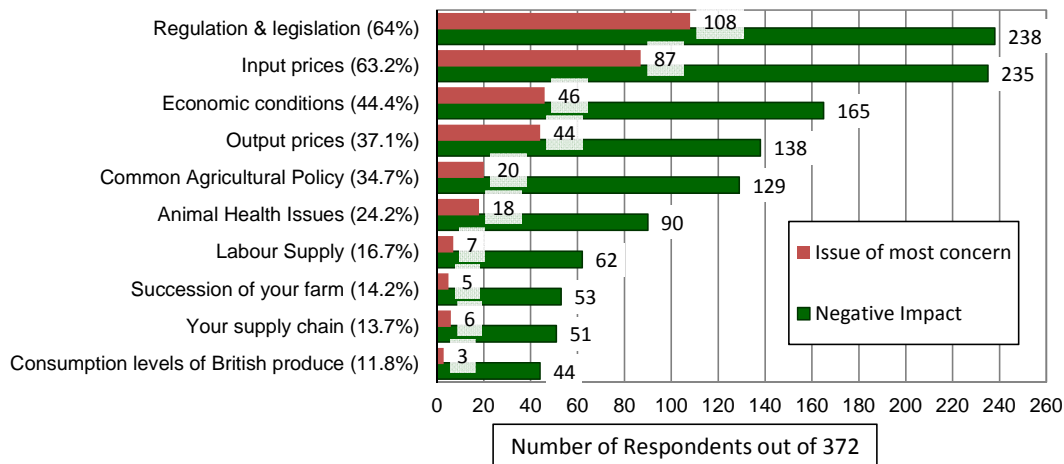
Sector breakdown

Broken down by sector, pig, poultry and dairy farmers appear moderately upbeat about the future prospects for the industry compared to other sectors. However all are more upbeat about the prospects for the next 5 years.



Issues of concern

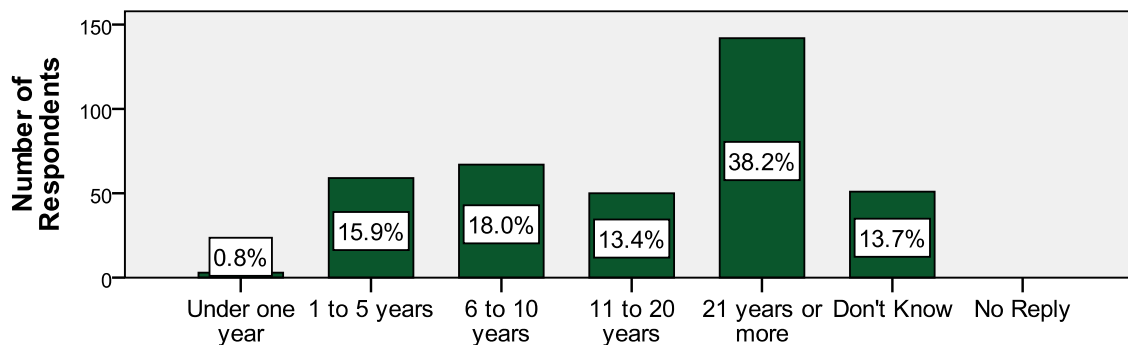
Regulation and input prices feature amongst the key concerns of most farmers, with economic conditions and output prices for farmers' produce also being noted as important issues. The comments made by farmers when they responded showed concern that the new government would not follow up on their commitments on reducing the burden of regulation for farmers. It is worth bearing in mind that the survey was undertaken before the full effects of this summer's grain price spike were felt by farmers.



Business longevity

The results of the survey show that farmers are highly committed to their businesses with many believing that the business will be in operation for over 2 decades. Such a high level of longevity reflects the historical and family legacy that is attached to many farming businesses handed down through the generations but also indicates the resilient nature of many farmers.

Length of time business is expected to be in operation



Investment levels

The results tend to indicate that despite higher overall confidence levels over the next 5 years, farmers are more nervous about making financial investments than they have been over the last 5 years. Investments in all categories are likely to be driven by larger farmers, especially those over 200 hectares.

Conclusion

These survey results are encouraging as they demonstrate that farmers are reasonably confident about the medium terms prospects for their industry and demonstrate a high level of commitment and longevity to individual businesses. Nevertheless, there are some concerns that general levels of confidence are not high enough to provide the necessary encouragement for farmer to invest financially in their businesses. Investment will be absolutely essential not only to meet regulatory demands but especially to secure a more competitive productive sector long-term.

It is our intention to repeat the survey on a 6-monthly basis on order to build comparative data over time. It will also feed in to work being co-ordinated amongst members of the EU farm umbrella, COPA on farmer confidence.

Background and Introduction

This is the first in a series of surveys from the NFU examining farmers' expectations of business conditions across the agricultural sector. The survey investigates farmers' confidence levels over both the short and medium term and also seeks to establish potential investment levels in order to assess the extent to which confidence levels translate into likely investment.

Confidence surveys are already used by business groups and others to gauge both economic sentiment and potential performance. As such they are useful tools for predicting future investment and intentions. A number of other farming organisations across the EU already produce similar surveys and the NFU's EU umbrella organisation COPA is seeking to co-ordinate these surveys to provide a better insight into comparative confidence levels in agriculture across the EU. In the UK the levy bodies DairyCo and BPEX already produce detailed sectoral surveys covering dairy and pig farming respectively. In addition, ADAS runs an annual "Farmers' Voice" survey which looks at farmers attitudes to a wide range of issues although does not ask specifically about confidence. It is hoped that this survey will compliment those already in production and give a fuller picture of farming confidence in England and Wales.

The NFU plans to run the survey every six months in order to build a time series showing the development of farmers' confidence in the future of their industry. The results presented in this report establish something of a baseline, however they do provide an interesting insight into recent confidence levels and investment intentions of farmers.

As with all surveys, the results offer a snapshot of respondents' views to questions at a specific moment in time. Since this survey was conducted in June and early July 2010, it does not, for example, take account of the significant hike in wheat prices experienced over the summer, nor the knock-on impacts on input prices that many farmers will experience in the coming months. Such significant events are bound to have an impact on the confidence of farmers at least in the short-term.

It is expected that the next survey will take place in early 2011.

Methodology

A total of 372 NFU members were surveyed. 303 interviews were carried out by telephone between the 10 June 2010 and 2 July 2010, whilst 69 members completed an online version between the 2 and 23 July 2010. This sample offers an overall statistical reliability to the 95% confidence level with a margin of error of +/- 5%.

Sub-sample targets based on main farming type and region were also undertaken to slightly lower confidence levels than the aggregate sample. Farm Size was not a sub-sample target however the data has been grouped into 4 categories offering 90% confidence with a margin of error of +/- 10%.

A full breakdown of the sample demographic can be found in Annex A.

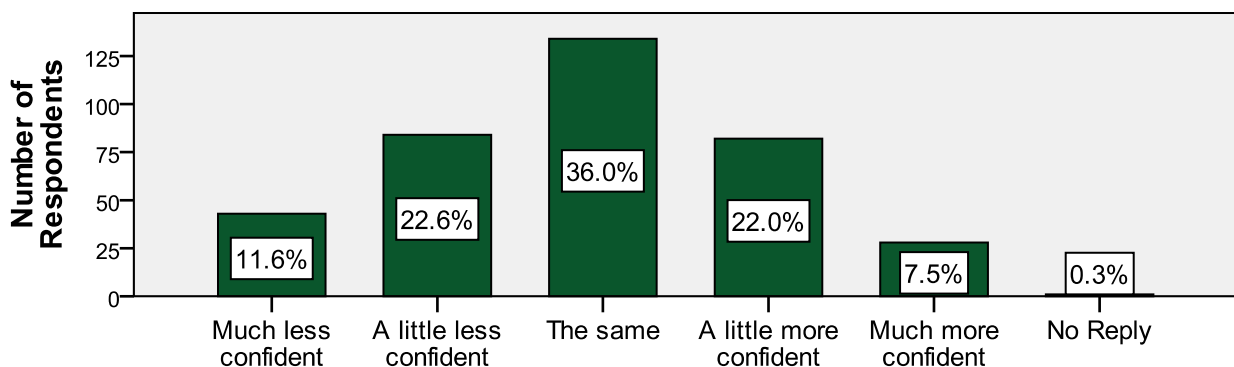
Section One: Farmer Confidence

Short term confidence

This section looks at farmer confidence over the short term, considering splits by farm sector, region and farm size. It then goes on to consider the sentiment for the medium term.

Farmers were asked to compare their confidence in the prospects for the industry over both the next 12 months and the next five years, compared to confidence levels 12 months ago. This standard confidence indicator is taken from other surveys and essentially gives a measure of change in confidence as opposed to an absolute level of confidence. There may be a tendency for some farmers to claim that they are always apprehensive about the future, but the question here asks whether things are getting worse or improving. It will not be until an index has been built up over a number of surveys that the most useful information will be produced.

Level of confidence regarding the prospects facing the farm business in the next 12 months compared to the last 12 months



The results above show farmers' confidence in the short term (over the next 12 months) compared to confidence 12 months ago. Farmers were asked to rate confidence from 'much less confident' to 'much more confident'. From the distribution of the results above it seems clear that they have fallen into a normal distribution, indicating that farmers largely have a similar confidence compared to the past 12 months.

To provide a point estimate, each of the categories was assigned a value. Respondents indicating that they were much less confident were assigned a value of minus 100, a little less confident minus 50, the same zero and so on¹. This allows an average 'score' of farmer confidence levels to be made which in turn allows confidence to be compared both across sectors and over time.

Over the next 12 months, the results generate an indicator score of -4.31. This suggests that on balance, the overall level of confidence for the next 12 months is slightly negative and lower than the last 12 months. Bearing in mind that the scale measures confidence between minus 100 to plus 100 it suggests that confidence levels are fairly similar to 12 months ago.

¹ i.e 'a little more confident' = plus 50 and 'much more confident' = plus 100.

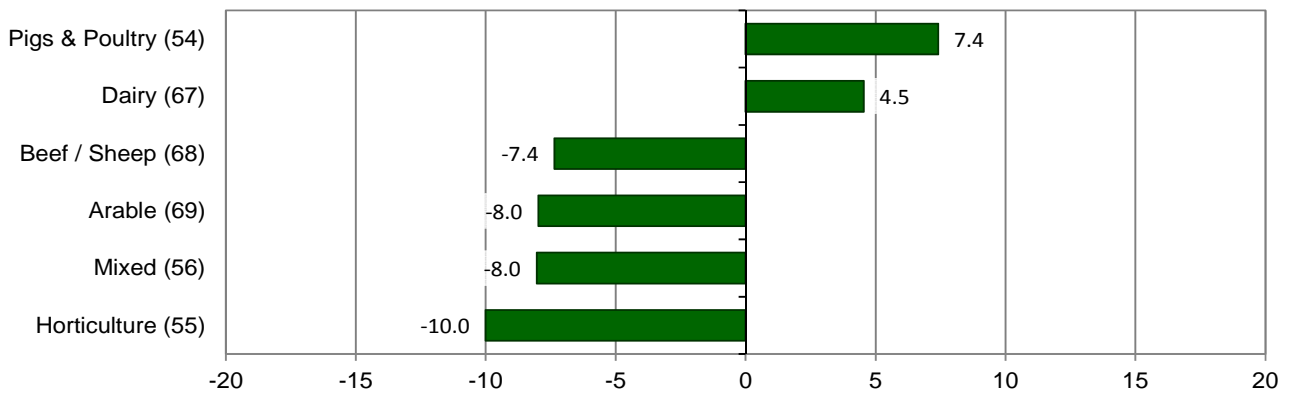
Breakdown by sector

This section considers confidence levels across different sectors. The graph below uses the same scoring system as explained above, with aggregate results taken within a scale of -100 to +100.

The results indicate a higher level of short-term confidence amongst pig and poultry farmers and to an extent dairy farmers compared to other sectors. The horticulture sector appears the least confident with an average score of minus 10. Nevertheless, bearing in mind the scale above, the results do not indicate a significant positive or negative business sentiment as far as the next 12 months are concerned.

% within What is your main farming type? Select one

		Much less confident	A little less confident	The same	A little more confident	Much more confident	No Reply	Total
What is your main farming type? Select one	Arable	13.0%	23.2%	34.8%	24.6%	4.3%		100.0%
	Dairy	9.0%	22.4%	28.4%	28.4%	10.4%	1.5%	100.0%
	Beef / Sheep	8.8%	26.5%	41.2%	17.6%	5.9%		100.0%
	Horticulture including potatoes	12.7%	23.6%	41.8%	14.5%	7.3%		100.0%
	Mixed arable & livestock	12.5%	19.6%	42.9%	21.4%	3.6%		100.0%
	Pigs & Poultry	11.1%	18.5%	29.6%	25.9%	14.8%		100.0%
	Other	66.7%	33.3%					100.0%
Total		11.6%	22.6%	36.0%	22.0%	7.5%	.3%	100.0%

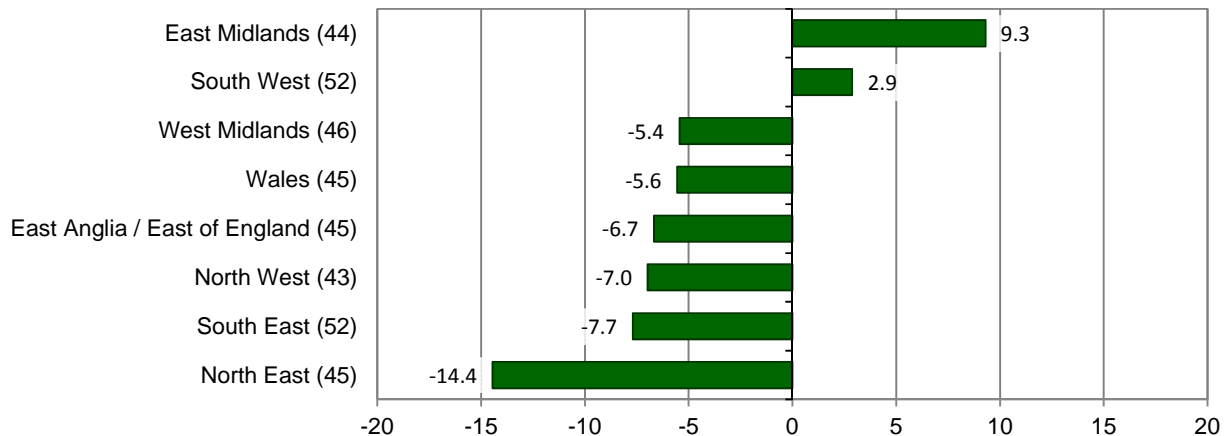


Breakdown by Region

Broken down by region, the results indicate that farmers in the North East are considerably less confident than those in other areas, with farmers in the East Midlands being the most confident. Such a difference may reflect the composition of farming in each of the regions (sector, farm size, ownership structure and so on) although it should be noted that the regional results are subject to lower confidence intervals than the national results

% within REGION Select one

		Much less confident	A little less confident	The same	A little more confident	Much more confident	No Reply	Total
REGION Select one	North East	13.3%	26.7%	40.0%	15.6%	4.4%		100.0%
	North West	14.0%	20.9%	37.2%	20.9%	7.0%		100.0%
	East Midlands	6.8%	20.5%	27.3%	34.1%	9.1%	2.3%	100.0%
	West Midlands	8.7%	23.9%	41.3%	21.7%	4.3%		100.0%
	East Anglia / East of England	17.8%	20.0%	28.9%	24.4%	8.9%		100.0%
	South East	19.2%	15.4%	38.5%	15.4%	11.5%		100.0%
	South West	11.5%	19.2%	30.8%	28.8%	9.6%		100.0%
	Wales		35.6%	44.4%	15.6%	4.4%		100.0%
Total		11.6%	22.6%	36.0%	22.0%	7.5%	.3%	100.0%

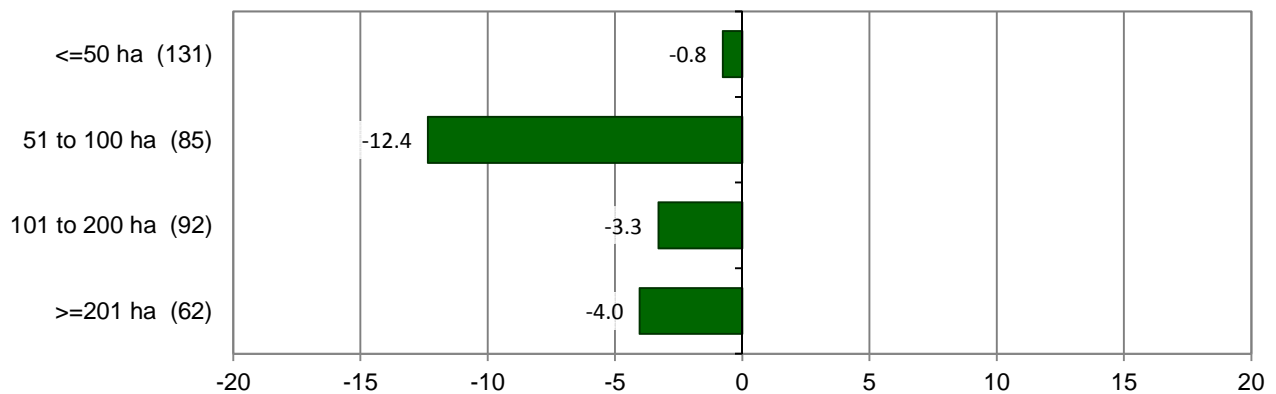


Breakdown by farm size

The results above show the breakdown of confidence levels by farm size with farms in the 51-100 ha bracket more negative than other categories.

% within SizeRecat

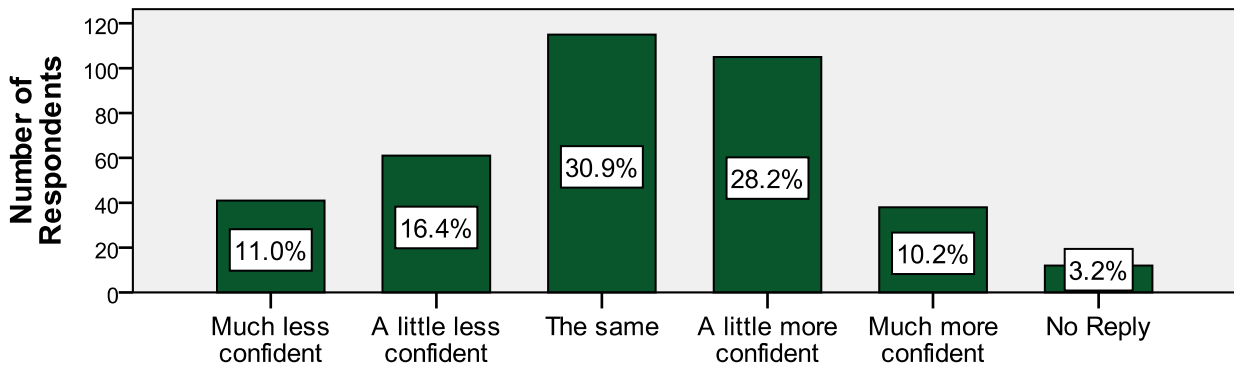
SizeRecat							Total
	Much less confident	A little less confident	The same	A little more confident	Much more confident	No Reply	
<=50 ha	12.2%	21.4%	34.4%	19.8%	12.2%		100.0%
51 to 100 ha	12.9%	27.1%	34.1%	23.5%	2.4%		100.0%
101 to 200 ha	10.9%	19.6%	40.2%	21.7%	6.5%	1.1%	100.0%
>=201 ha	9.7%	24.2%	35.5%	25.8%	4.8%		100.0%
Not applicable			50.0%		50.0%		100.0%
Total	11.6%	22.6%	36.0%	22.0%	7.5%	.3%	100.0%



Medium term confidence

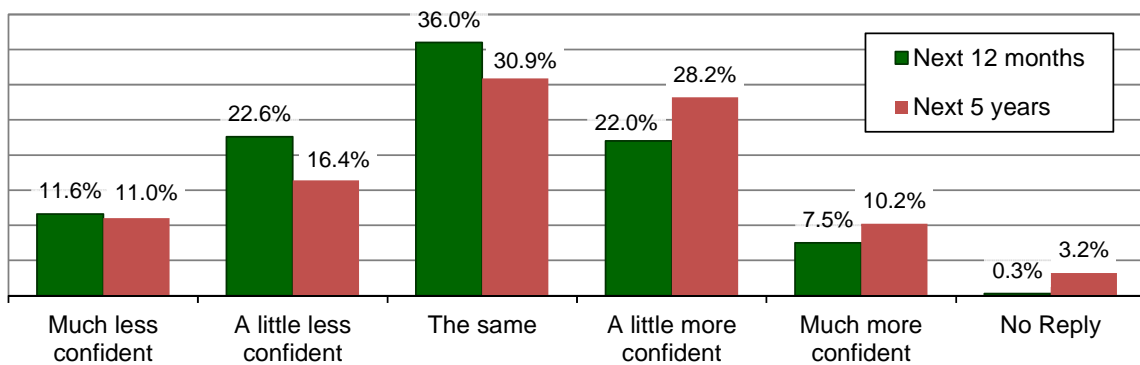
This section looks into confidence over the next five years. Perhaps greater importance should be placed on medium-term confidence as this may give a better impression of possible investment intentions.

Level of confidence regarding the prospects facing the farm business in the next 5 years compared to the last 12 months



Compared with farmer confidence over the next 12 months, the results for the next 5 years appear to indicate a slight increase in confidence levels, i.e. farmers are generally more confident about the medium term outlook than they are in the short-term.

Overall confidence: next 12 months/ 5 years



Using the same method as described above to provide a point estimate, the confidence indicator gives a score of 5.28 reaffirming that the overall level of confidence for the next 5 years is positive than over the last 12 months.

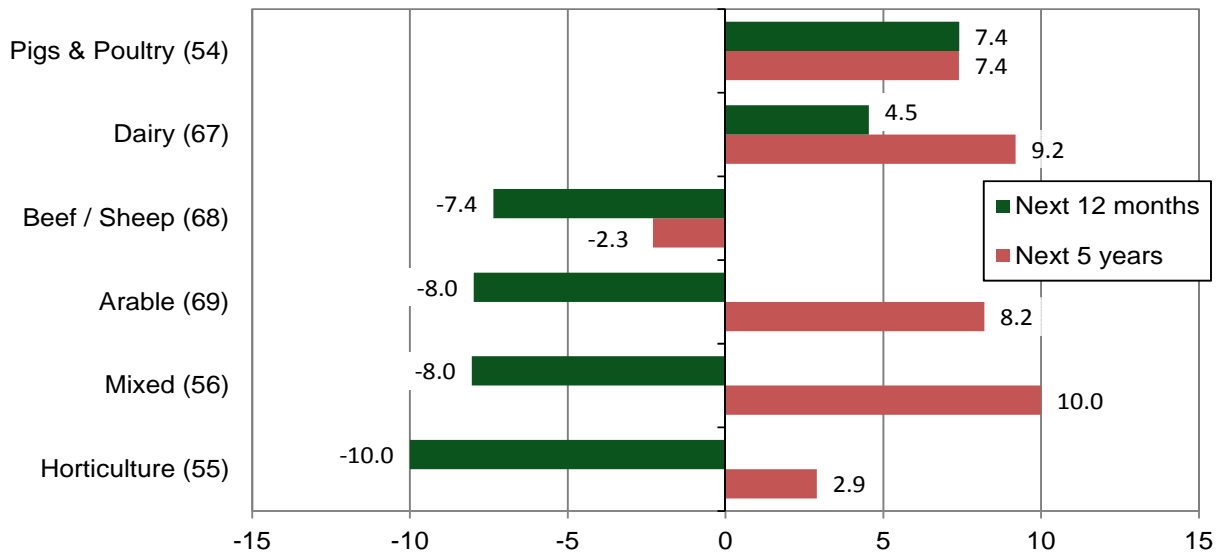
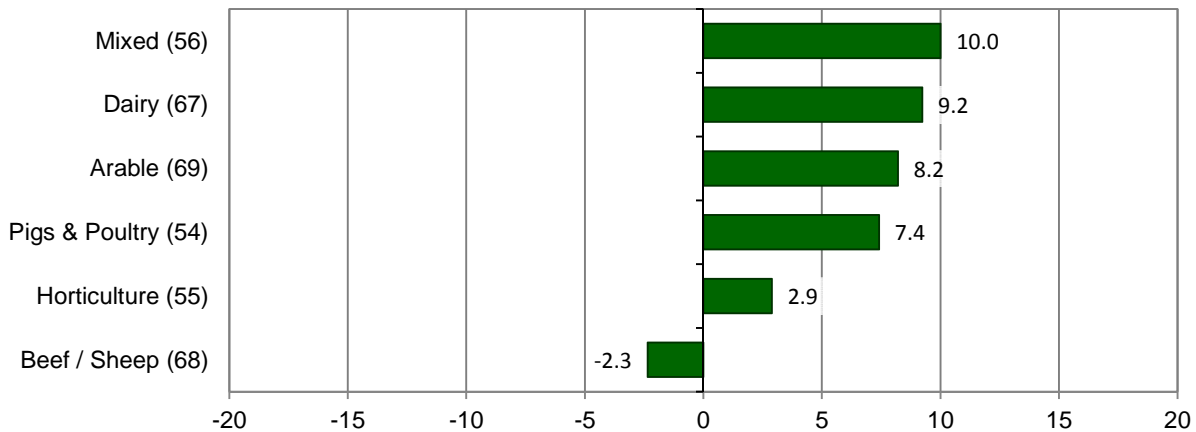
Breakdown by Sector

Broken down by sector, the results show that mixed farms are more confident than others about the next five years, with beef and sheep farms being the least confident. All farm types are more confident about the next 5 years, compared to the next 12 months. The arable sector sees the biggest gain in confidence over the 5 year period.

Again it is worth remembering that the scale of confidence goes from -100 to +100, so a score of 10 does not suggest an overwhelmingly high level of confidence among farmers.

% within What is your main farming type? Select one

		q15bR						Total
		Much less confident	A little less confident	The same	A little more confident	Much more confident	No Reply	
What is your main farming type? Select one	Arable	13.0%	13.0%	26.1%	34.8%	10.1%	2.9%	100.0%
	Dairy	7.5%	13.4%	41.8%	22.4%	11.9%	3.0%	100.0%
	Beef / Sheep	8.8%	22.1%	30.9%	29.4%	2.9%	5.9%	100.0%
	Horticulture including potatoes	10.9%	20.0%	27.3%	25.5%	10.9%	5.5%	100.0%
	Mixed arable & livestock	12.5%	14.3%	25.0%	33.9%	12.5%	1.8%	100.0%
	Pigs & Poultry	11.1%	16.7%	33.3%	24.1%	14.8%		100.0%
	Other	66.7%		33.3%				100.0%
Total		11.0%	16.4%	30.9%	28.2%	10.2%	3.2%	100.0%



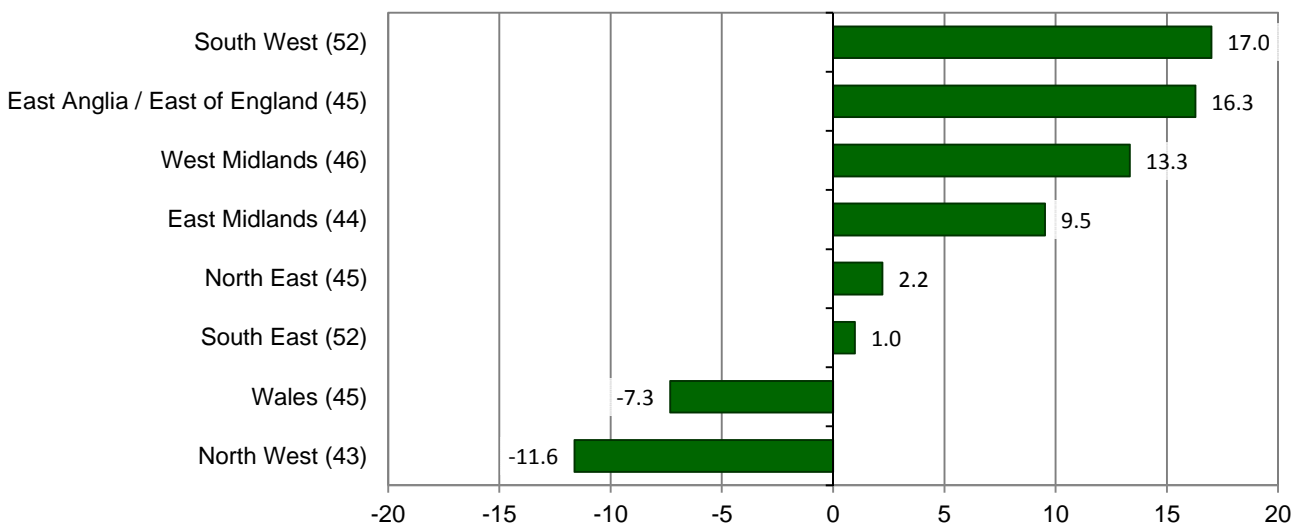
Breakdown by Region

The regional results should be interpreted with caution as they will be highly dependent on the make up of farms within the area and are subject to lower confidence levels. However, we can see that most regions are more confident about the medium term outlook than the short term. The noticeable exception to this is the North West, where the confidence score falls from -7 to -11.

Given the confidence intervals discussed earlier this may not be a statistically significant fall, but is interesting nonetheless.

% within REGION Select one

		Much less confident	A little less confident	The same	A little more confident	Much more confident	No Reply	Total
REGION Select one	North East	11.1%	13.3%	40.0%	31.1%	4.4%		100.0%
	North West	11.6%	25.6%	39.5%	20.9%	2.3%		100.0%
	East Midlands	6.8%	22.7%	22.7%	31.8%	11.4%	4.5%	100.0%
	West Midlands	10.9%	8.7%	39.1%	21.7%	17.4%	2.2%	100.0%
	East Anglia / East of England	13.3%	8.9%	20.0%	40.0%	13.3%	4.4%	100.0%
	South East	17.3%	13.5%	28.8%	26.9%	11.5%	1.9%	100.0%
	South West	9.6%	9.6%	30.8%	30.8%	15.4%	3.8%	100.0%
	Wales	6.7%	31.1%	26.7%	22.2%	4.4%	8.9%	100.0%
Total		11.0%	16.4%	30.9%	28.2%	10.2%	3.2%	100.0%



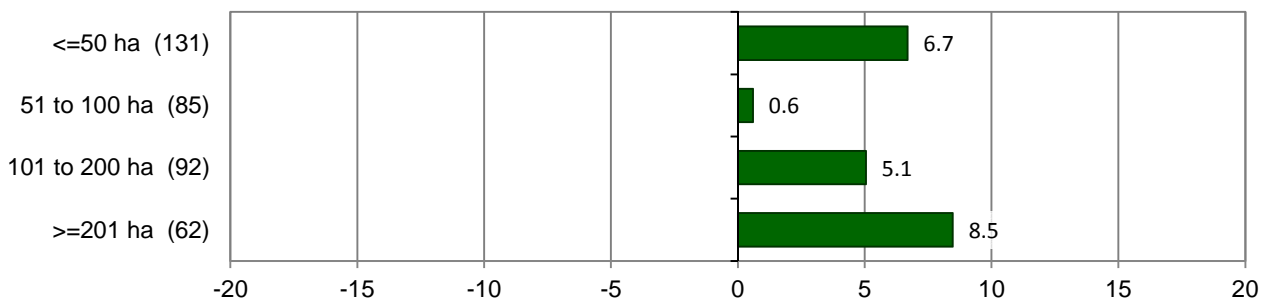
Breakdown by farm size

The results by farm size show a turnaround in confidence levels compared to the 12 months results with all farm sizes indicating slightly positive levels of confidence on the – to +100 scale. Those farms in the 50-100ha bracket again appear the least confident.

What is telling here is that these farms might typically be family farms which are the mainstay of large parts of British agriculture.

% within SizeRecat

SizeRecat							Total
	Much less confident	A little less confident	The same	A little more confident	Much more confident	No Reply	
<=50 ha	11.5%	17.6%	29.0%	24.4%	14.5%	3.1%	100.0%
51 to 100 ha	9.4%	18.8%	34.1%	31.8%	3.5%	2.4%	100.0%
101 to 200 ha	13.0%	13.0%	32.6%	27.2%	10.9%	3.3%	100.0%
>=201 ha	9.7%	16.1%	27.4%	32.3%	9.7%	4.8%	100.0%
Not applicable			50.0%	50.0%			100.0%
Total	11.0%	16.4%	30.9%	28.2%	10.2%	3.2%	100.0%

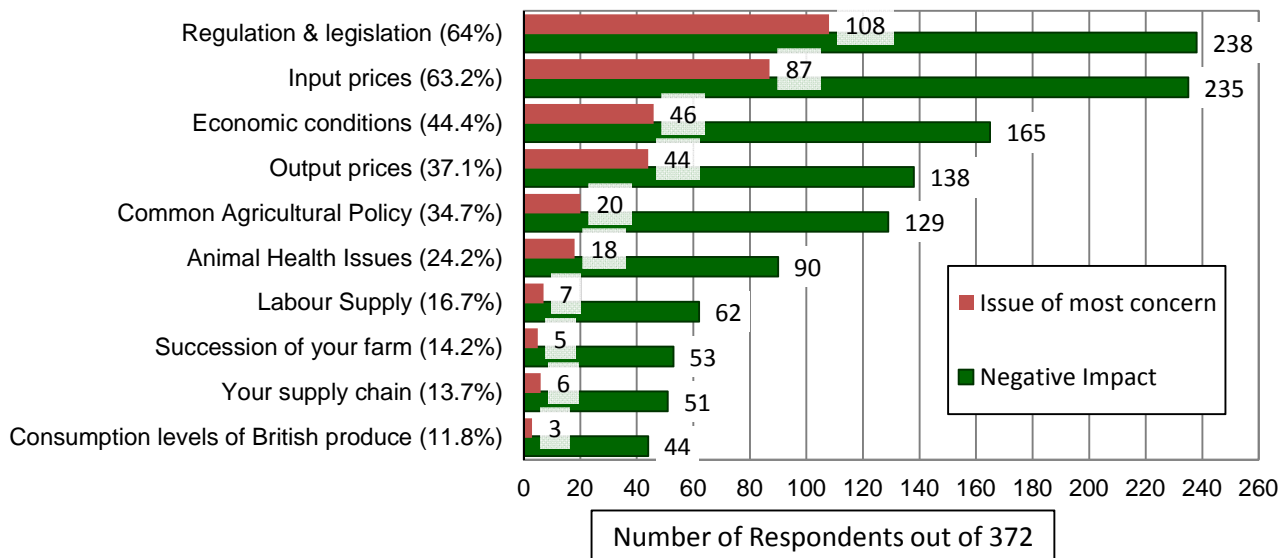


Section Two: Attitudes to external factors affecting farm businesses in the next 12 months

Farmers were asked about the factors which most influence their farm business. Respondents were first questioned on type of effects that different factors might have either as positive, negative or neutral effects. Secondly, they were asked to rate the issues of most concern.

The graph shows the results of both these questions, but focuses largely on the results showing negative effects whilst the table further below shows the positive impacts.

Negative impacts & the issue of most concern



NB The proportion of respondents that felt an issue would have negative impacts on their business is shown in brackets.

The results above show farmers' concern about the impacts of regulation with 108 (29%) citing it as the issue of most concern. Input prices were another matter of significant concern with over 63% indicating that they were likely to have a negative impact on their farm business and 87 (23%) stating it was the issue of most concern.

Turning to issues that have a more positive impact on the future prospects for farming, there appears to be a firm view that consumption levels of British produce are having a positive effect on farming businesses. This might indicate that farmers tend to think that many British consumers place a value on buying British and are therefore more inclined to look for British produce over imported.

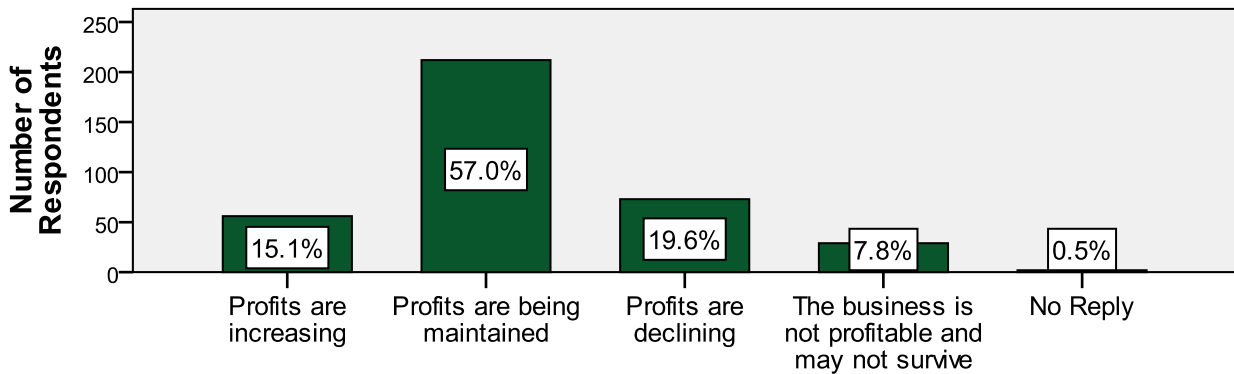
Somewhat surprisingly, almost 30% of respondents felt that farming succession was likely to have a positive effect on agriculture. This contrasts with a widely held belief that an ageing (or aged) farming population and poor economic conditions are holding back new entrants from coming into farming. This could be seen as a further more optimistic signal for the future.

Positive external impacts and factors that will have no effect

	Positive effects	No change	Don't Know
<i>Consumption levels of British produce</i>	43.8%	37.9%	5.4%
<i>Succession of the farm</i>	29.3%	45.2%	7.5%
<i>Output prices</i>	25.8%	29.8%	7.0%
<i>Your supply chain</i>	17.5%	62.4%	5.4%
<i>Economic conditions</i>	14.5%	31.5%	8.9%
<i>Labour supply</i>	13.7%	65.3%	3.5%
<i>Regulation & legislation</i>	11.6%	18.5%	5.6%
<i>Common Agricultural Policy</i>	8.9%	33.1%	19.6%
<i>Input prices</i>	8.6%	22.3%	5.6%
<i>Animal health issues</i>	6.5%	35.8%	17.2%

Section Three: Farm business profitability and production

Respondents to the survey were asked to indicate the profitability of their business. For these results it must be noted that farmers were NOT asked to separate out sources of off-farm income, or direct support payments which continue to account for a significant proportion of farm business profit in the UK (over 50% as a proportion of farm business income for many sectors). In addition, they were not asked to indicate the *scale* of profitability of their businesses.

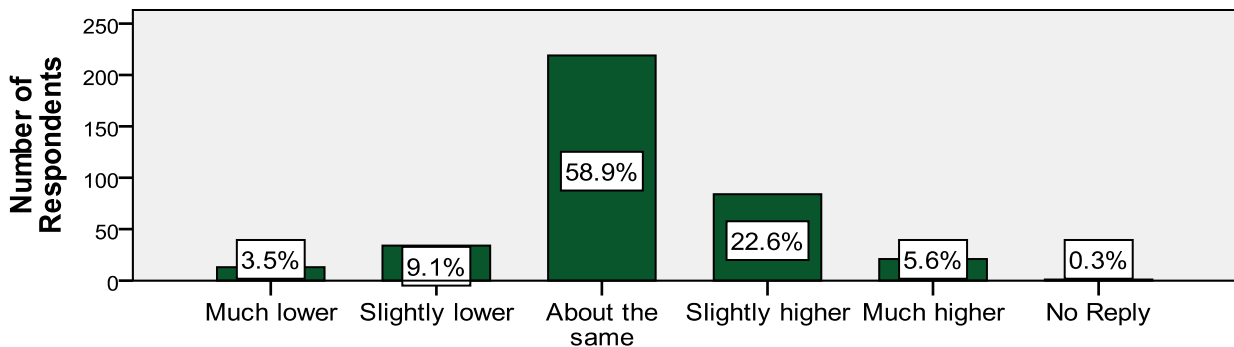


Almost 30% of those surveyed indicated that their levels of profitability were either declining or already negative, although over 70% indicate that profits are either stable or increasing.

Changes in production levels

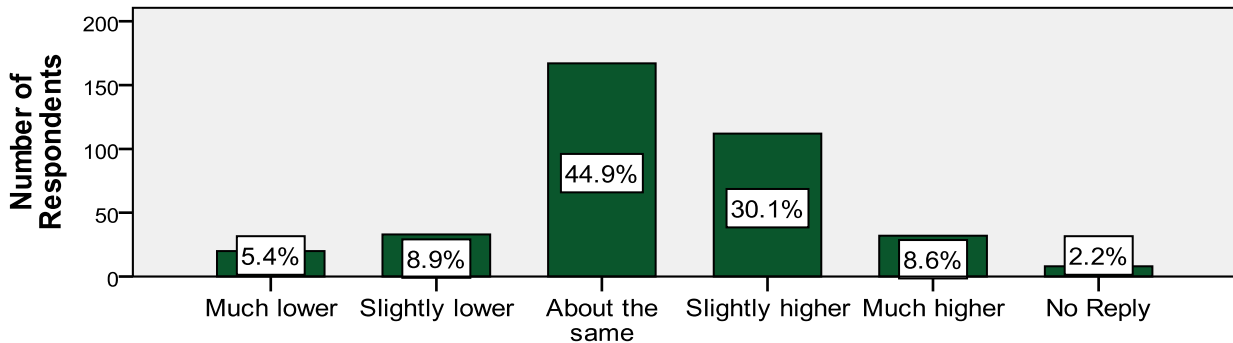
Looking at production levels, the survey results generally indicate an intention to slightly increase production levels over the next 12 months. The sector results suggest that in all sectors, farmers will look to increase production but this is especially marked in the horticulture sector.

Changes of farm production in the next 12 months compared to current output



Compared to the next 12 months, farmers indicate a stronger determination to increase production over the next 5 years. Again, this is apparent in all sectors, especially horticulture, with beef and sheep appearing the least confident in terms of willingness to increase production.

Changes of farm production in the next 5 years compared to current output



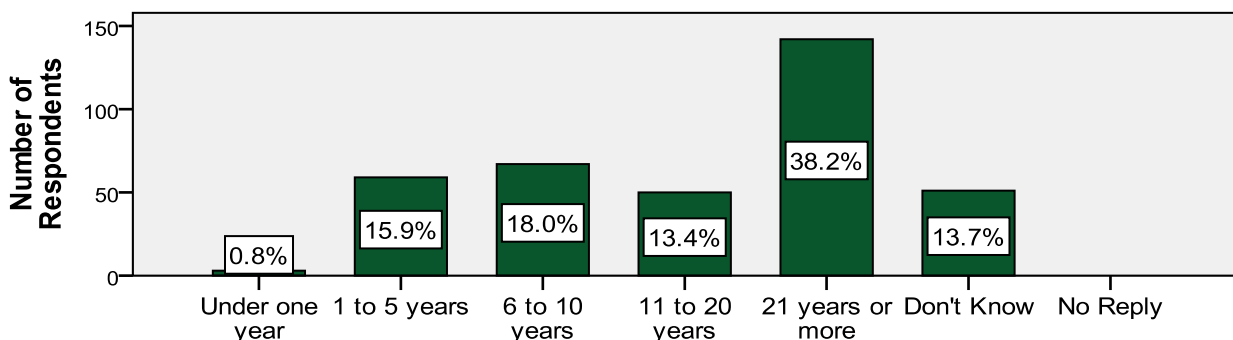
It may be expected that *individual* farming businesses would look to increase output as part of the continual restructuring and consolidation that has been seen in farming over a number of decades. These results should not necessarily be taken as an indication that *total* production would increase although they do suggest that English and Welsh farmers may be looking to increase their output in the next five years.

Business longevity

Respondents were asked to indicate how long they expected their operation to be in business. These results show that there is some uncertainty with 17 % of respondents expecting their business to be in operation for 5 years or less and 14% uncertain. That said, nearly 30% of respondents were over 65 years old, so it may be possible that this response also implies some degree of succession planning.

What is more significant is the extent of commitment that the results show farmers have to their business. 38.2% believe their business will be operational for 21 years or more. This bears out the belief that farming is unlike many other small and medium-sized enterprises. Many farms are family and inter-generational businesses that have a strong commitment to the business. The nature of farming business and production cycles means that businesses are necessarily long-term. Finally, many businesses need to maintain a degree of activity in order to manage the level of debt incurred by farms (in excess of £11 billion).

Length of time business is expected to be in operation



Section Four: Farm business investments

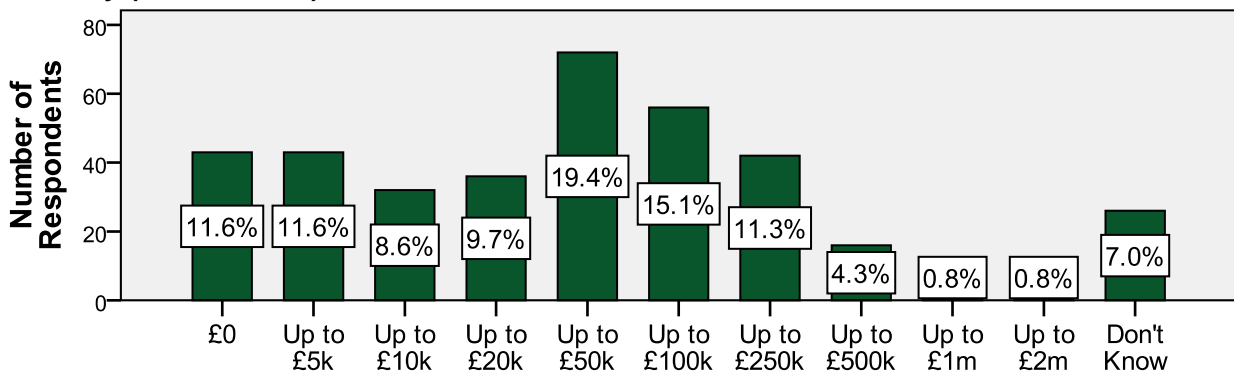
This section considers investment intentions. Given that any investment requires a degree of confidence in the prospects for the industry, investment is a good indicator of future sentiment. The survey considers three time scales: the previous 5 years, the next 12 months and the next 5 years.

Information gathered about investment over the past 5 years provides a baseline to compare anticipated future investment against. Specific types of investment considered in this report are machinery, skills and training, livestock, buildings, and diversification.

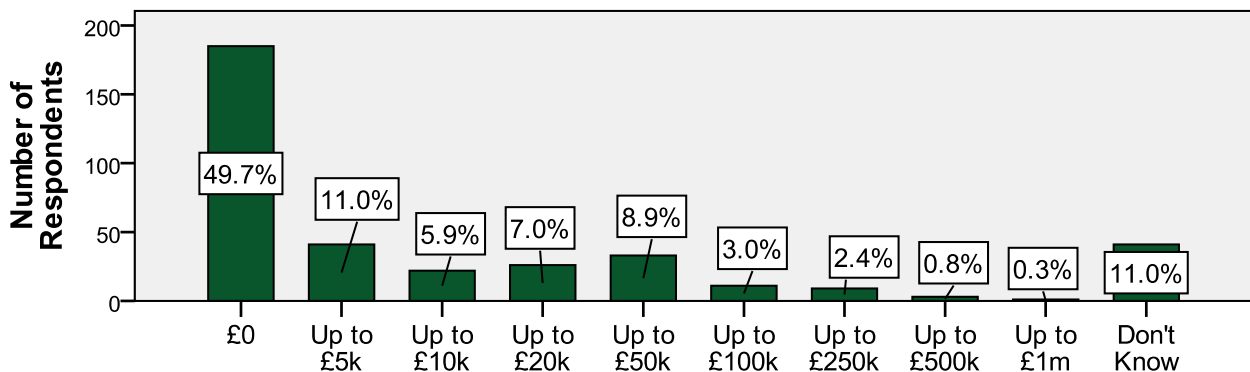
Machinery

Overall, farmers expect to spend less in the next 5 years on machinery than they have in the last 5. The distribution of the results shown below illustrates that 11% of farmers did not invest in machinery over the last 5 years. But almost 38% of farmers plan to make no investment in the next five years either. This could be interpreted as a worrying indication, somewhat contradicting the results to earlier questions regarding business confidence. However, it may be that farmers' are unable to make an accurate prediction of what they will invest in perhaps because they only invest when machinery needs replacing. This could be an interesting area for further questioning in future surveys.

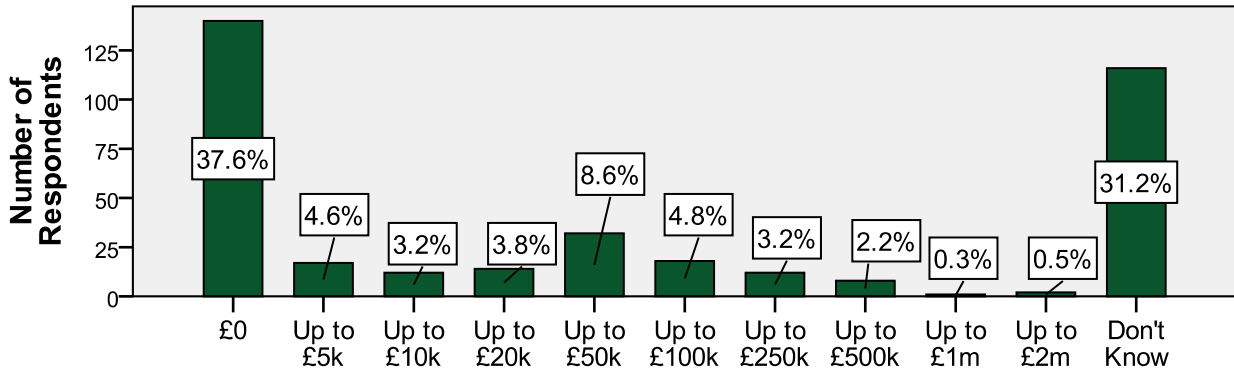
Machinery (Last 5 Years)



Machinery (Next 12 months)



Machinery (next 5 years)



Results were analysed by farm size. As may be expected, larger businesses plan to spend considerably more on machinery than smaller farms, with those in the over 200 ha bracket indicating an intention to spend on average over £150,000 in the next five years whereas those farms in the 50-100ha bracket indicate a much more modest investment intention (just over £15,000).

Skills and Training

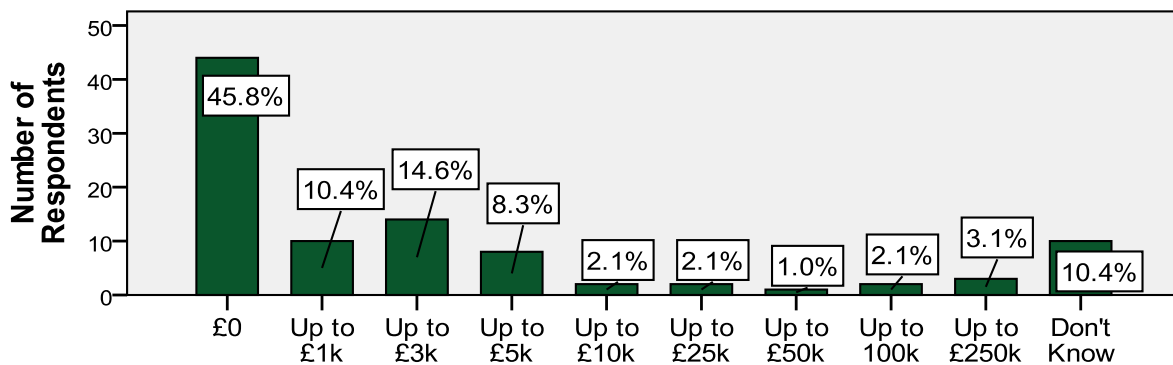
The survey sought to establish farmers intentions to invest in skills and training. The industry has significantly ramped up its efforts to promote skills in recent years, notably with the creation of the agri-skills forum. Skills are seen as a key driver of business competitiveness.

However, for many farmers, skills and training are unlikely to be seen as an investment in the classic sense of the word. Many training courses are provided free or are subsidised. The small annual spend therefore may not be fully costed in to the running of the business. In addition, much training may be provided via agronomists or farm consultants indirectly and therefore farmers may be receiving training and acquiring new skills but may not see this as distinct from a wider business package.

The results presented below therefore need to be interpreted with a high degree of caution and further analysis may be needed in future to ascertain the *extent* to which farmers are acquiring or likely to acquire skills and training rather than crude financial investment levels.

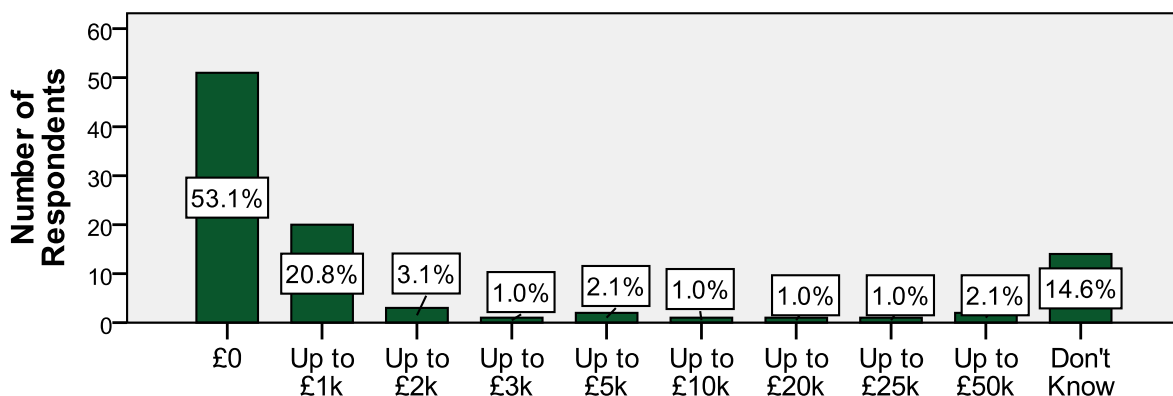
Skills & Training (last 5 Years)

The results indicate that over 43% of farmers² have invested financially in some form of skills and training in the last five years.



Skills & Training (next 12 months)

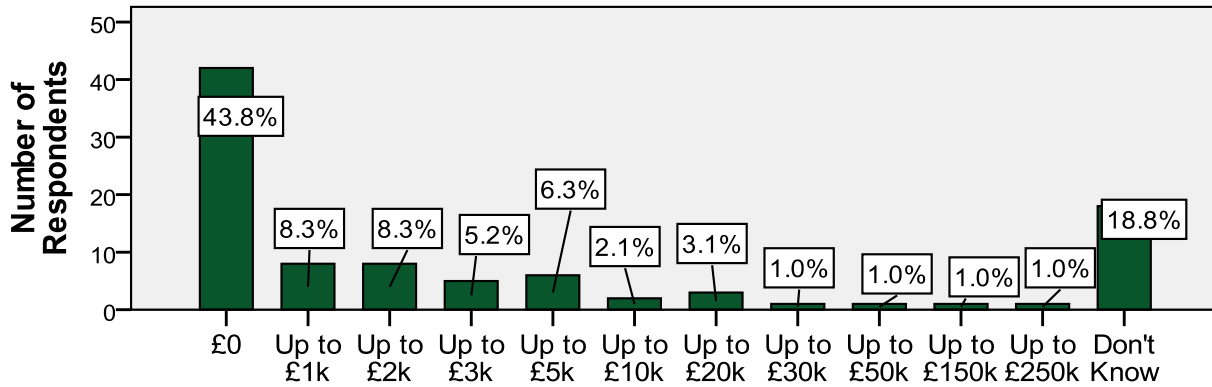
32% of respondents indicated that they intend to invest in skills and training in the next 12 months



² The results are derived from a subset of the full sample comprising those farmers who have 1 or more full-time salaried manager or 1 or more full-time other worker. This allows analysis to focus on those businesses that are most likely to invest in skills.

Skills & Training (Next 5 Years)

Over 37% of respondents have indicated an intention to invest over the next 5 years. What is also interesting is the significant number of people that are uncertain about investment intentions. Without further qualitative analysis here it is hard to interpret too much into this but it could indicate that there is awareness about the value of investing in skills and training but a lack of confidence in knowing how to channel that investment.



In terms of breakdown by farm size, the results indicate that larger businesses have historically spent and plan to spend more than smaller businesses on training in the next five years. This is likely to reflect the larger workforce employed by larger businesses.

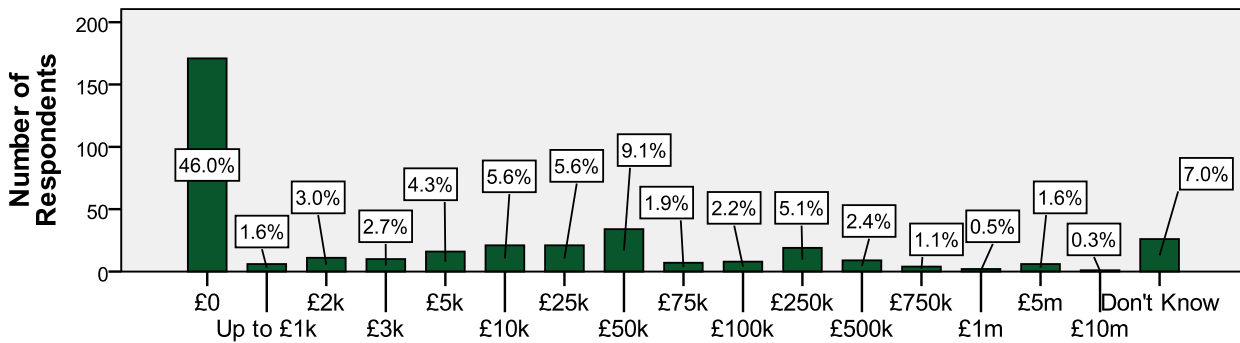
Livestock

The survey sought to gauge farmers' investment intentions in respect of livestock. Analysing these results presents some challenges since no distinction is made between breeding stock and finishers and no account is made of whether investments reflect a desire to replace stock or increase numbers. Furthermore, a decision not to invest in livestock may reflect a management decision to operate a closed herd or flock (i.e one that breeds its own replacements).

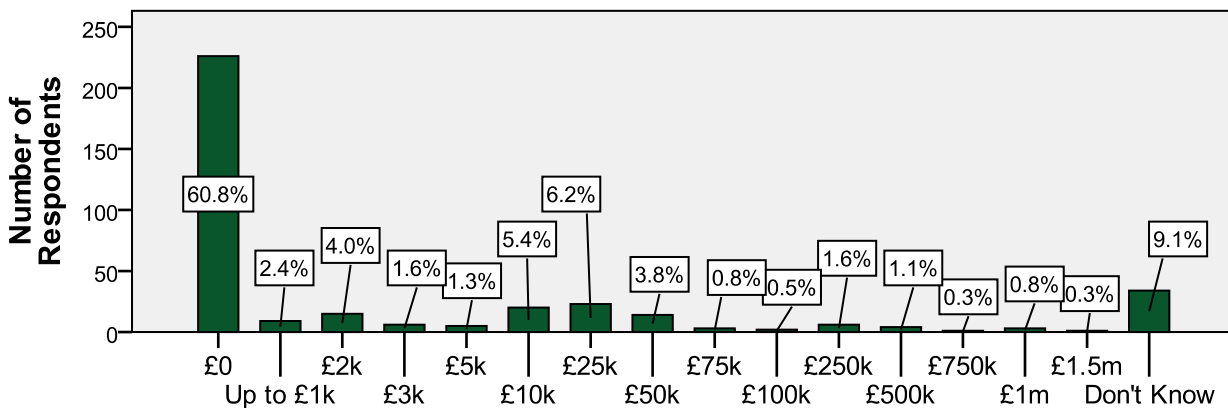
Furthermore, farm type has a considerable bearing since pig and poultry producers operate relatively short production cycles which may influence their investment intentions. As a consequence, a sectoral breakdown indicates a keener willingness on the part of pig and poultry farmers to make investments in livestock whereas dairy and livestock farmers are much more tentative about their future investment intentions.

Livestock (Last 5 years)

Almost 50% of farmers have made some sort of investment in livestock in the last 5 years, often amounting to over £50,000.

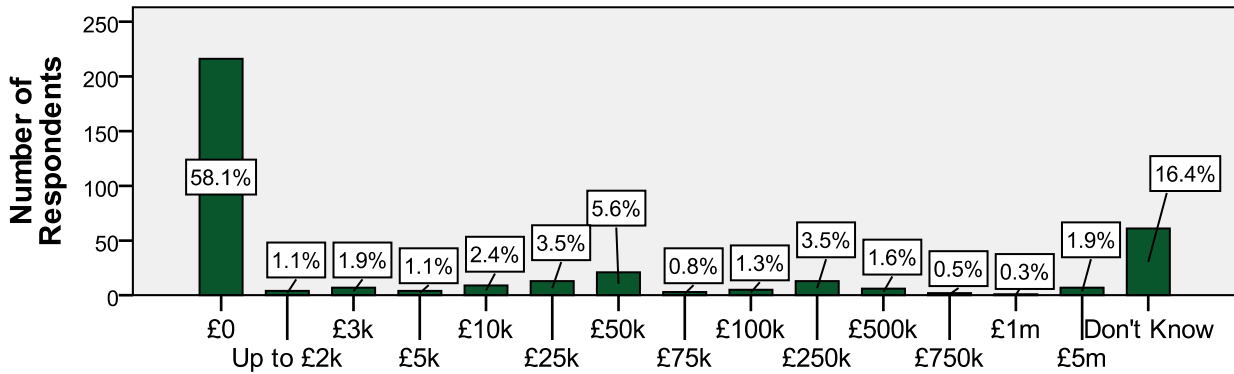


Livestock (Next 12 months)



Livestock (Next 5 years)

The survey results indicate a lower willingness to invest in livestock over the next 5 years than the previous five, with a significant number of producers (16.4%) uncertain about whether to invest.



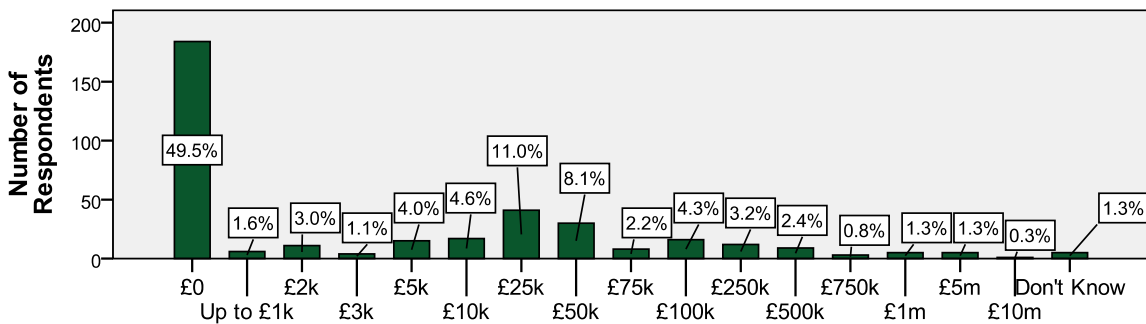
There are some interesting differences across different farm sizes. When comparing the next 5 year spend to the previous 5 year spend the indications are that small farms expect to spend 37% less whilst large farms (over 200,000 hectares) expect to spend 32% more. This tends to reflect the increasing consolidation and expansion of larger farms.

Buildings

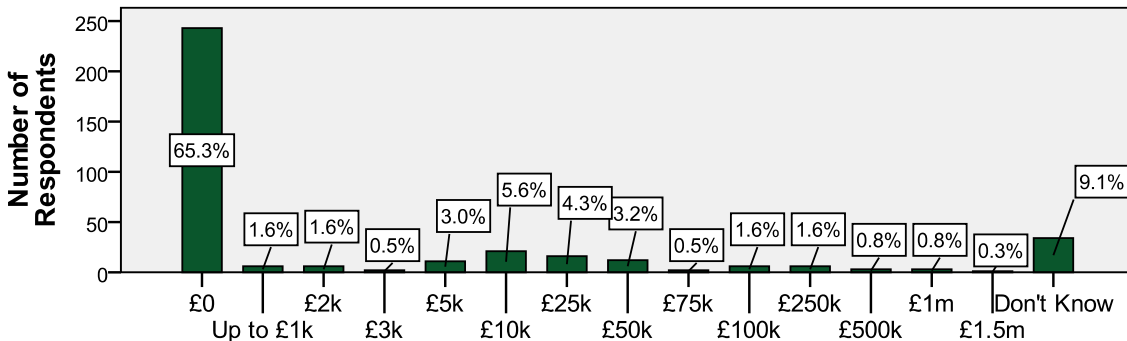
In terms of farm buildings, the results show that in general farmers expect to spend less in the future than in the past. Given the small amounts that farmers are looking to spend, this could be a concern in view of the general lack of reinvestment seen on farms over the last decade and the significant costs that might be associated with regulatory compliance (Welfare of Laying Hens Directive and NVZ Action Plan for example).

Given that buildings are high cost capital item and depreciate over a significant period of time, it is unsurprising that the results are dominated by a couple of farmers making a big investment rather than a large number of farmers looking to make a medium sized investment.

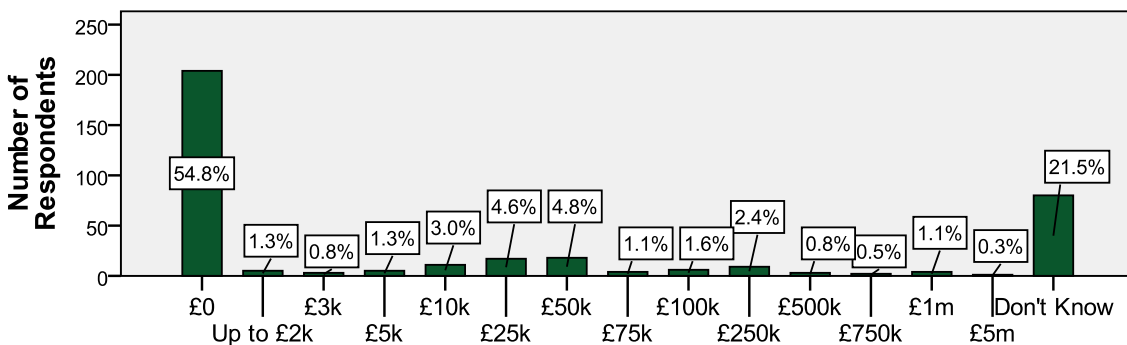
Buildings (last 5 years)



Buildings (next 12 months)



Buildings (next 5 years)



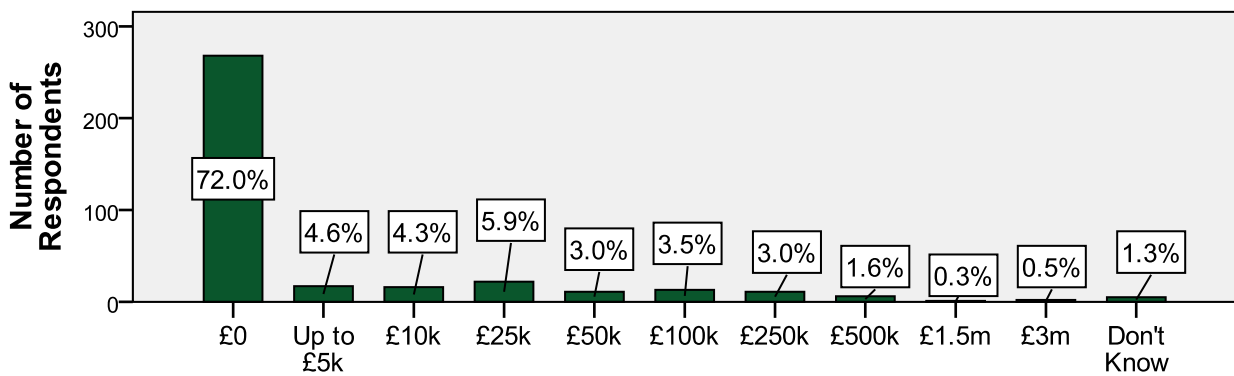
Investment in buildings has and will be led by the largest businesses who appear to be looking to spend disproportionately compared to other farmers over the next five years, although it should be noted that one respondent with fewer than 50ha spent £7m in the last 5 years! On average large farms of over 200,000 hectares plan to invest on average over £150,000 over the next five years whilst small farms (50-100ha) are looking at investments of less than £10,000.

Diversification

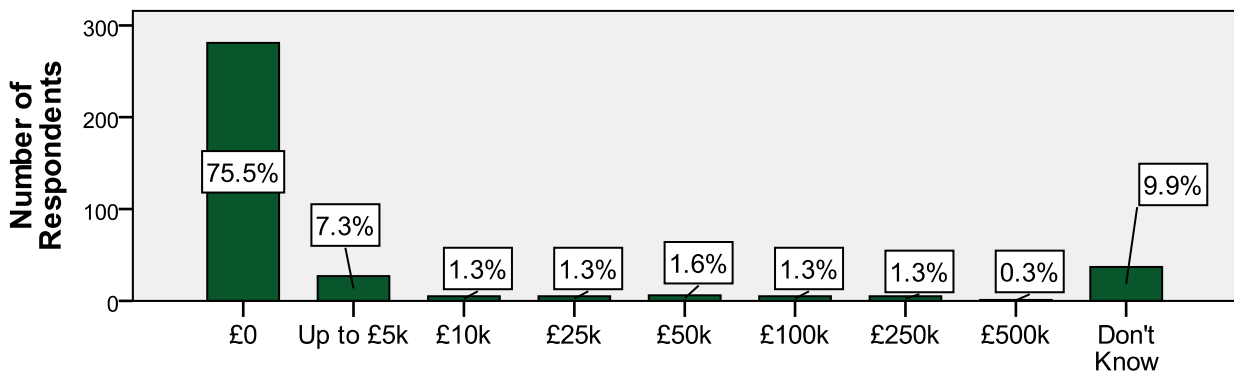
Given the increasing need for farms to manage their risk against market fluctuations by having more than one source of income, the diversification results provide an interesting insight into farmers' plans to change the structure of their business.

Only 14% of farms are definitely planning any investment in diversification in the next 5 years with a significant proportion (over 20%) uncertain. Given anecdotal difficulties that have been experienced by some farmers in securing capital in the last year or so, this is hardly surprising and it will be interesting to see whether the financial and economic climate over the next 5 years provides better confidence for farmers to look to diversify their businesses.

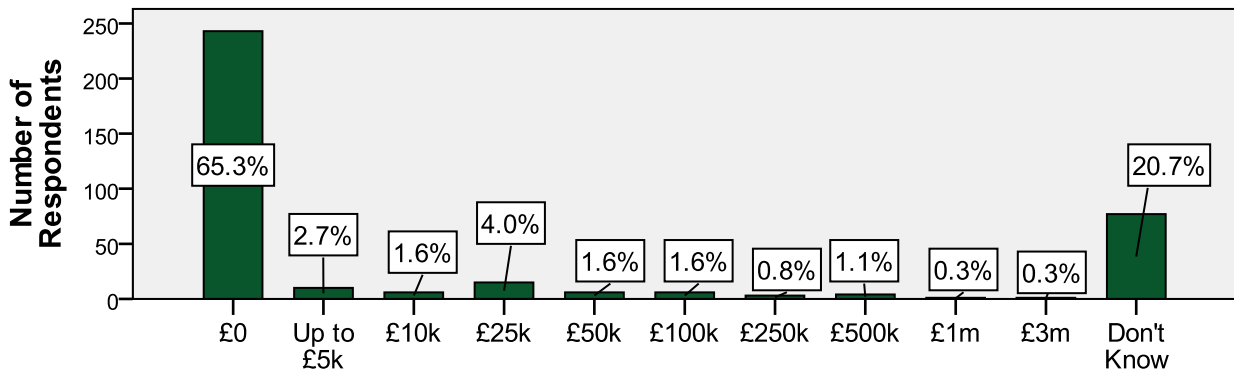
Diversification activities (last 5 years)



Diversification activities (next 12 months)



Diversification activities (next 5 years)



As with other categories of investment, the scale of potential investment is considerably larger (by a factor of over 10) for those farms over 200 hectares compared to other categories.

Section Five: Tenants

Both confidence and investment levels may differ depending whether the farmer is a tenant or other form of business. The following results provide comparisons for tenant farmers and owner-occupiers responding to the survey. Some 56 respondents to the survey indicated that they were purely tenants. A significant number of 'owner-occupiers also indicated that there were tenants on some land – for the purposes of the survey we have only included those tenanted farms not recording themselves also as owner-occupiers.

Survey results indicate that tenants are significantly less optimistic about the prospects for the next 12 months relative to owner-occupiers. However the results for the next five years are equal.

Confidence in next 12 months / 5 yrs compared to the last 12 months by business type

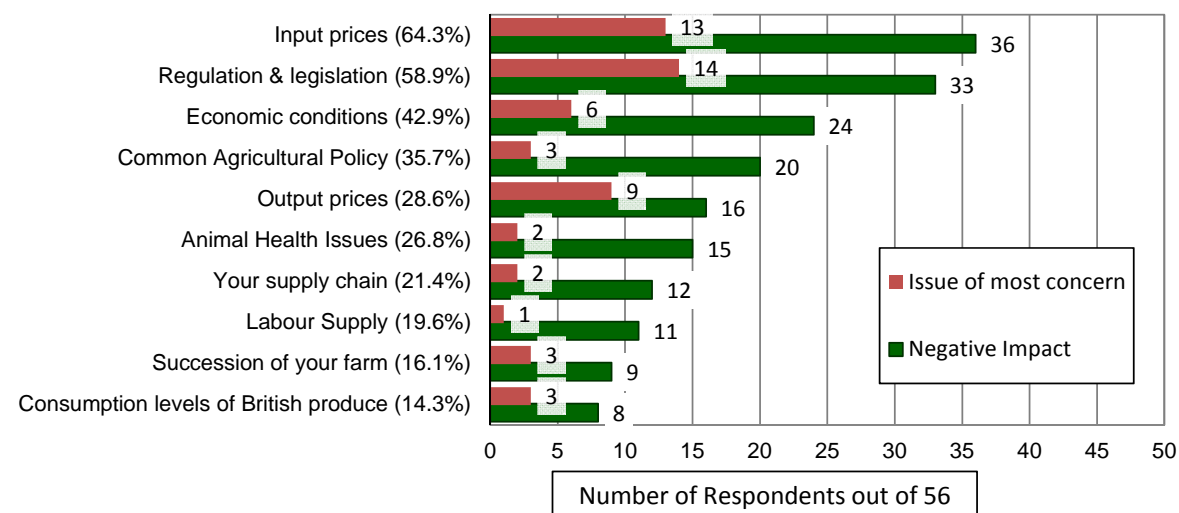


Key issues

Tenants appear to be more concerned about supply chain issues than owner-occupiers (21.4% stated a negative impact compared to 12.8%) although only around 4% of tenants said it was the issue of most concern.

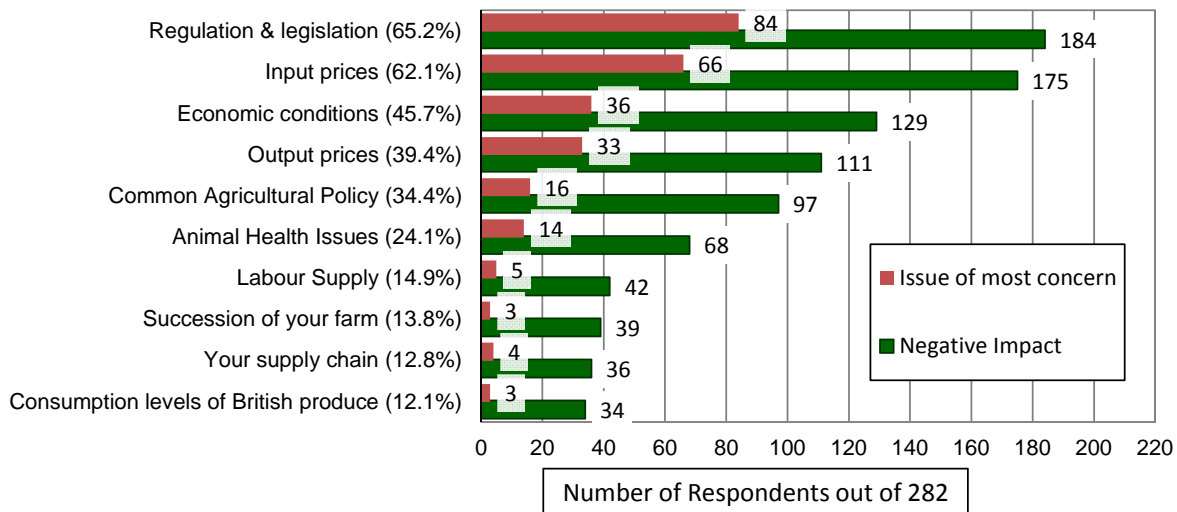
Input prices and regulation/ legislation are the key issues for both groups.

Issues: tenants



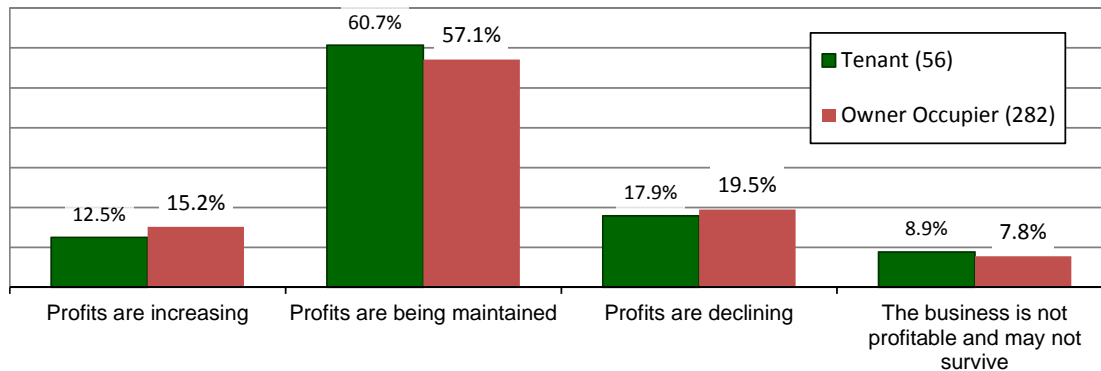
NB Proportion of respondents that highlighted an issue as being a 'negative impact' shown in brackets on the vertical axis

Issues: owner-occupiers

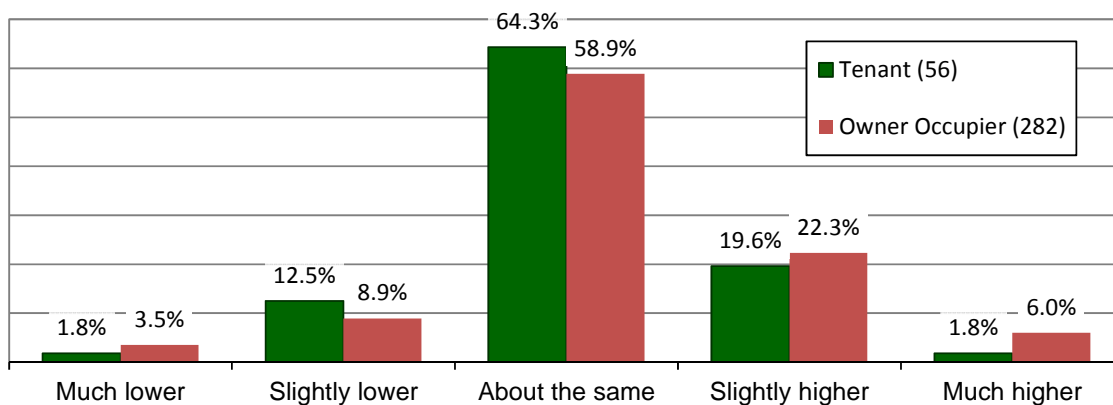


in

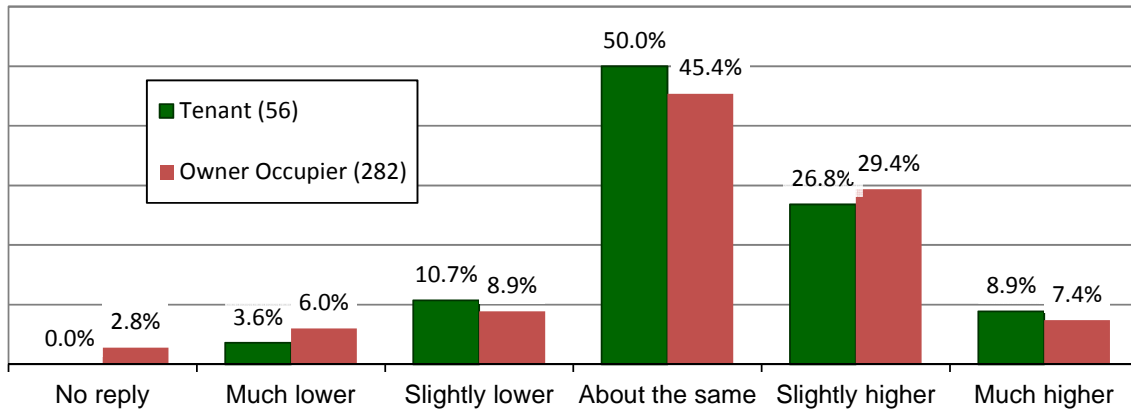
Current profitability by farming type



Changes in farm production in the next 12 months compared to current output by business type

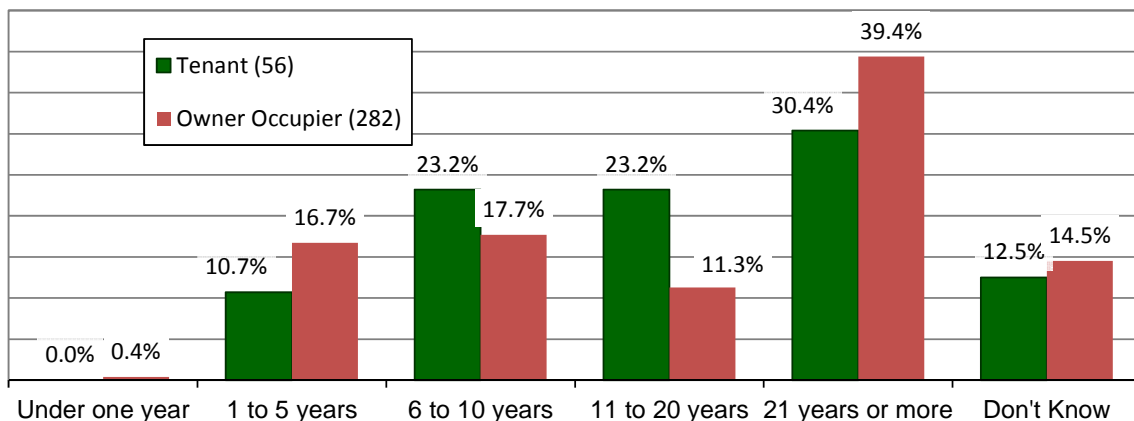


Changes in farm production in the next 5 years compared to current output by business type



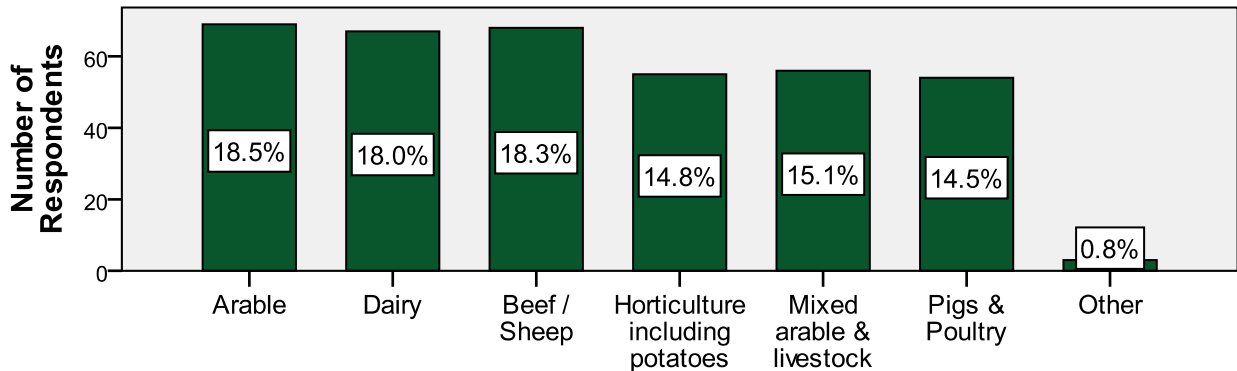
Length of time business is expected to be in operation by business type

As may be expected, owner-occupiers believe their business is likely to have greater longevity than tenant farmers. This may also reflect the shortening length of agreements offered under FBTs.



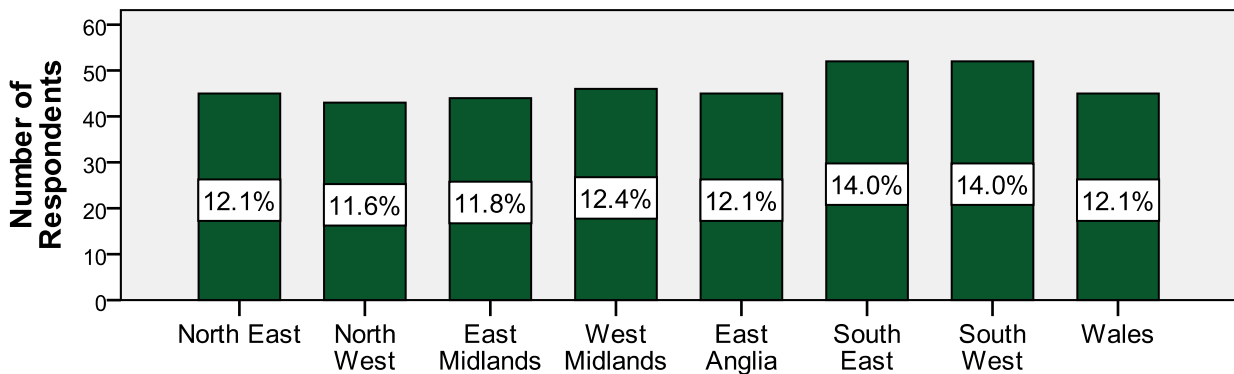
Annex A: Details of survey sample

Predominant Farm Sector



Counts: Arable (69); Dairy (67); Beef / Sheep (68); Horticulture (55); Mixed (56); Pigs & Poultry (54)

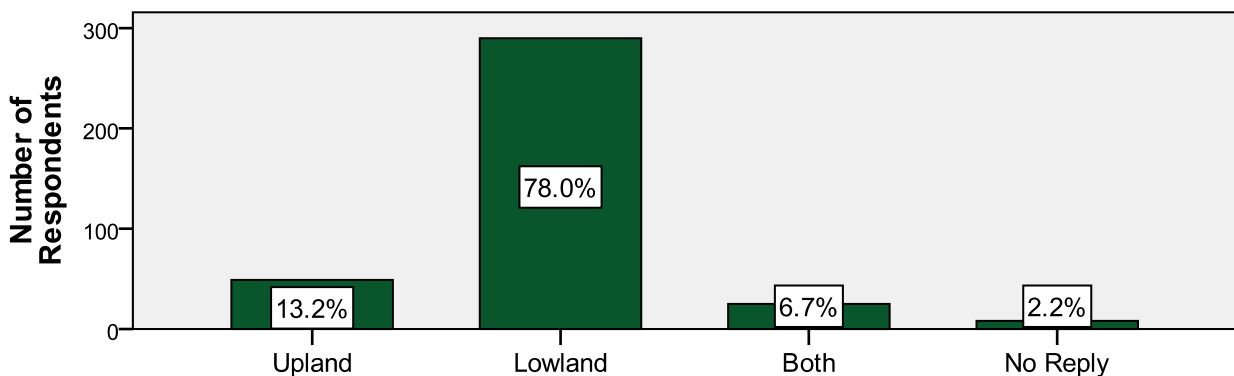
Region



Counts: North East (45); North West (43); East Midlands (44); West Midlands (46); East Anglia (45); South East (52); South West (52); Wales (45)

Upland or Lowland

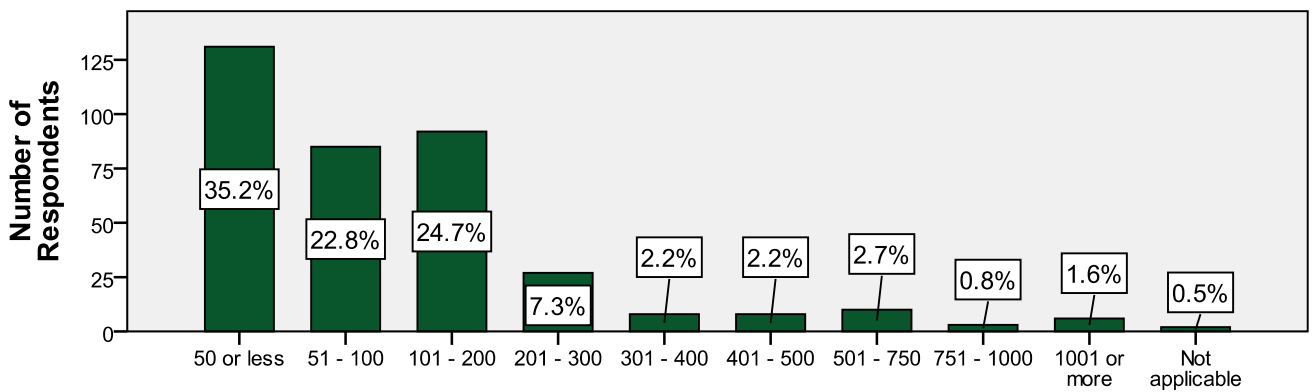
This graph looks at the split for upland and lowland farms within the beef/sheep category



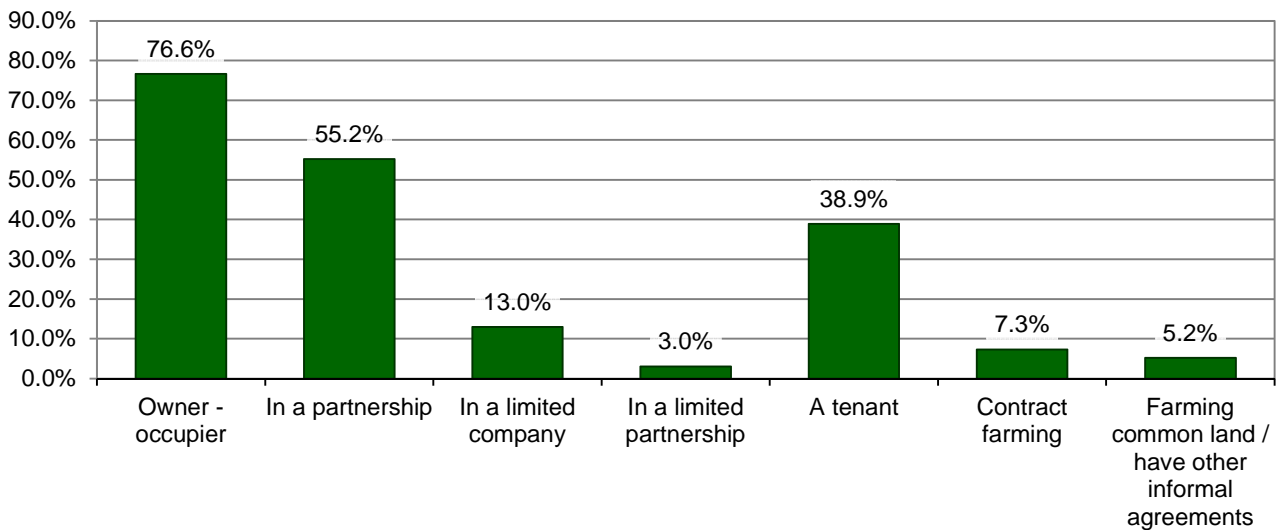
beef / sheep upland / lowland split

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Upland	26	38.2	38.2	38.2
	Lowland	36	52.9	52.9	91.2
	Both	5	7.4	7.4	98.5
	No Reply	1	1.5	1.5	100.0
	Total	68	100.0	100.0	

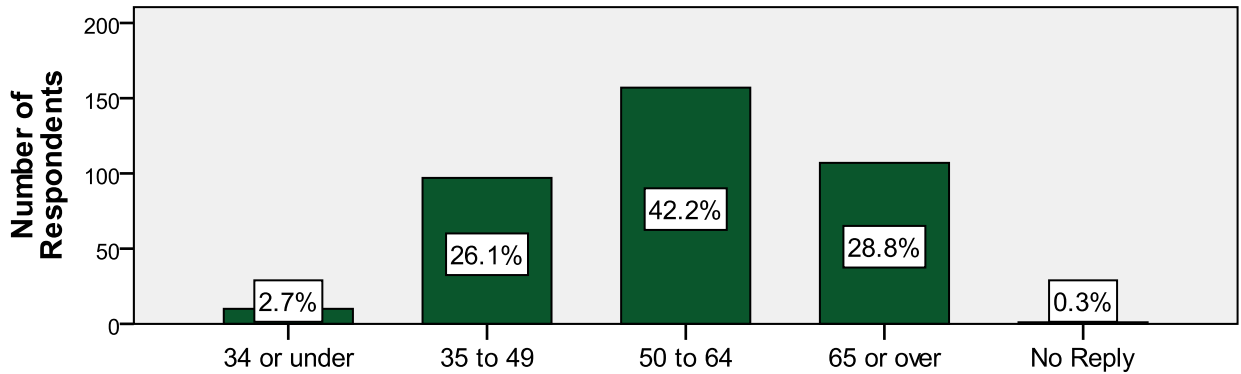
Size of farm (hectares)



Type of Business (multiple responses)

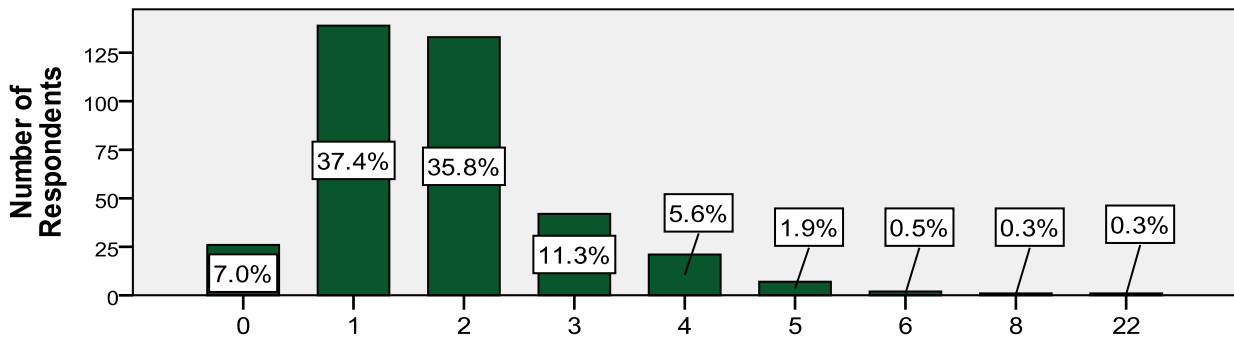


Age of respondent



Employment

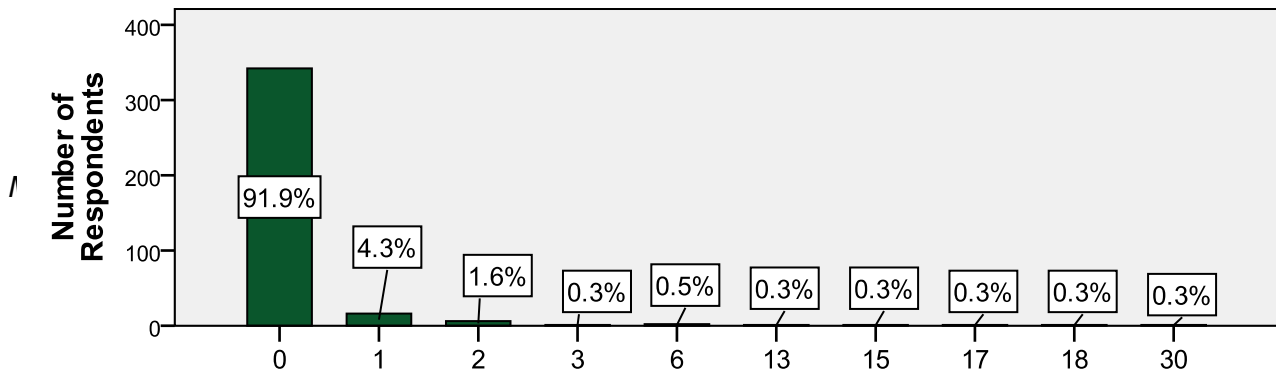
Number of farmers, business partners, directors, spouses (includes respondent)



Mean 1.86, max 22, mode 1

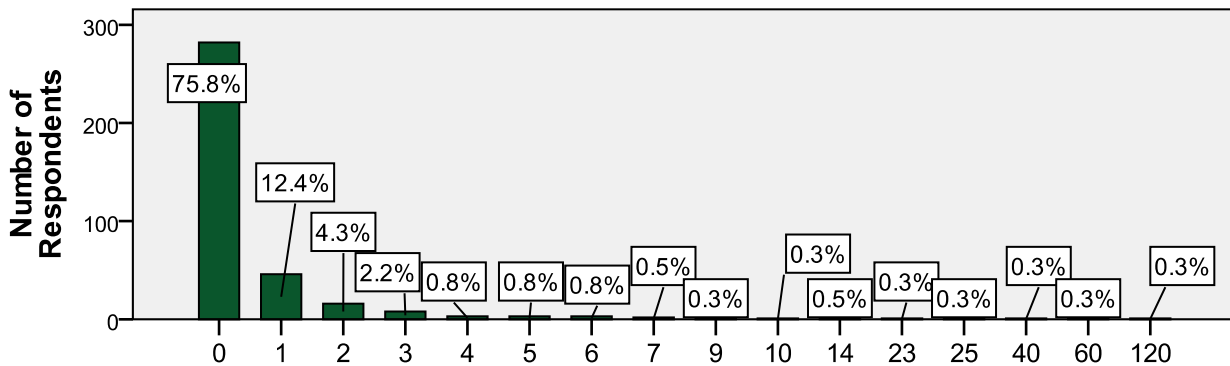
Farm Type	Average
Arable	1.52
Dairy	2.13
Beef / Sheep	1.44
Horticulture	2.15
Mixed	1.84
Pigs / Poultry	2.26

Salaried managers



Farm Type	Average
Arable	0.07
Dairy	0.15
Beef / Sheep	0
Horticulture	0.93
Mixed	0.63
Pigs / Poultry	0.65

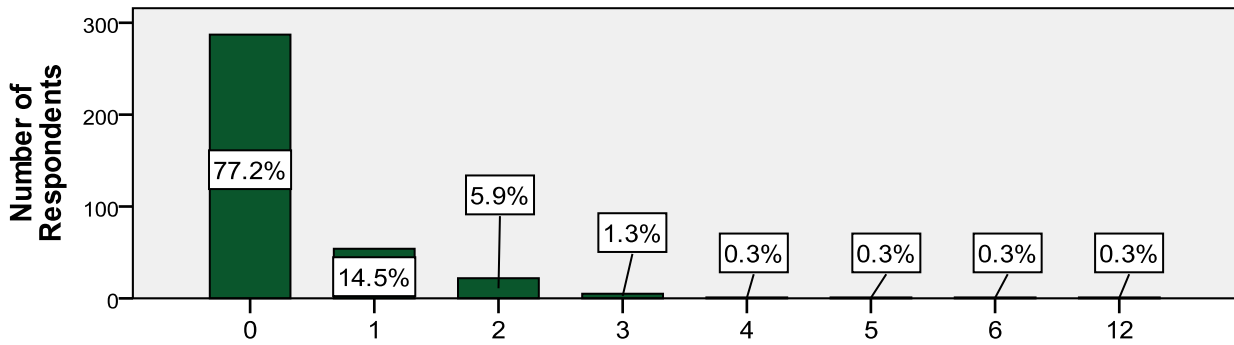
Other Workers (full time)



Mean 1.28, max 120, mode 0

Farm Type	Average
Arable	0.36
Dairy	0.3
Beef / Sheep	0.06
Horticulture	2.93
Mixed	3.82
Pigs / Poultry	0.96

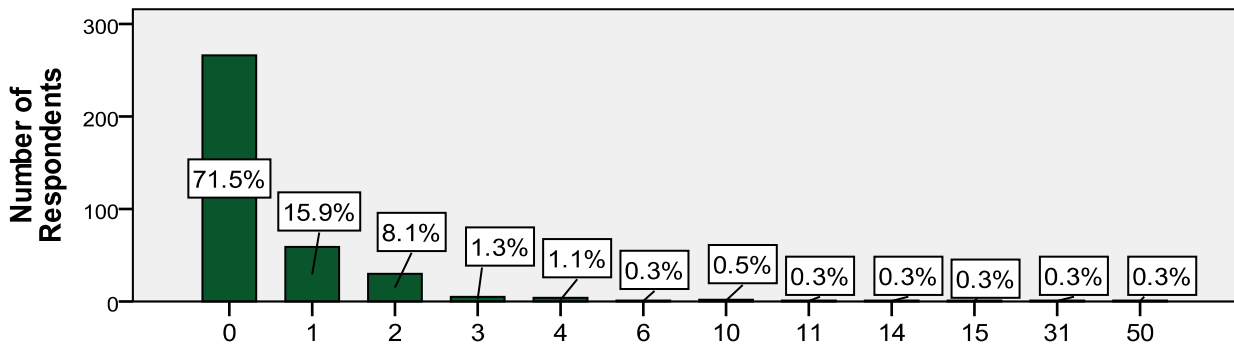
Part-time farmers, business partners, directors, spouses



Mean 0.38, mode 0, max 12

Farm Type	Average
Arable	0.23
Dairy	0.19
Beef / Sheep	0.59
Horticulture	0.13
Mixed	0.21
Pigs / Poultry	0.93

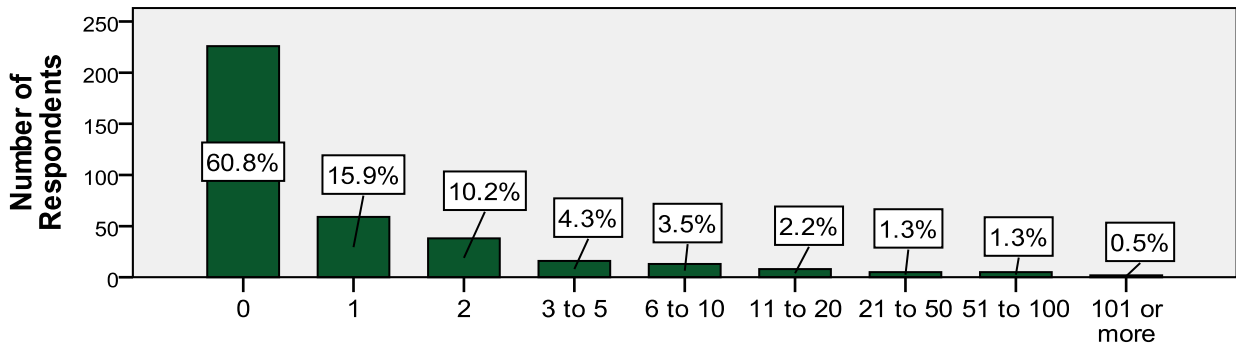
Other Workers (part time)



Mean 0.8, mode 0, max 50

Farm Type	Average
Arable	0.43
Dairy	0.85
Beef / Sheep	0.16
Horticulture	1.25
Mixed	1.75
Pigs / Poultry	0.59

Seasonal Workers



Mean 4.47, mode 0, max 600

Farm Type	Average
Arable	3.41
Dairy	0.54
Beef / Sheep	1.1
Horticulture	17.87
Mixed	3.48
Pigs / Poultry	2.59