



Business performance of upland farms in England – strategies for success?

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The English uplands

- ‘High Nature Value’, iconic landscapes
 - ⇒ extensive livestock grazing
 - ⇒ rich in semi-natural habitats, hosting rare species of plants and animals
 - ⇒ deep peat soils and bogs are a major carbon store regulating hydrological cycles
 - ⇒ key recreational resource for urban populations



But



- England’s hill farmers are among the most deprived farming communities in the UK
 - ⇒ low incomes from agriculture
 - ⇒ heavy dependence upon public subsidy under the CAP

Analysing business performance

All Farm Business Survey farms mostly in the Less-Favoured Area (c.250 farms, representative of commercial businesses),

Performance 2010/11 - 2014/15

- Examine factors linked to greater efficiency, higher profits and persistence of profits, year-to-year
- Consider implications of future changes in support:
 - ⇒ Reduction of total support level, BPS phase-out
 - ⇒ New Environmental Land Management Scheme



Econometric Analysis of FBS farms

Measures of farm performance :

1. Productivity: technical efficiency, transforming inputs into outputs
 2. Profitability: – measured in relative terms
 - a) Profit: performance above the ‘competitive norm’ in any particular year
 - b) Profit persistence : share of a farm’s profit in one year that remains in the following year
- Looking to see which factors favour these, on average across the full sample

Summary of findings

- Most farms are fairly efficient – close to the best performers
- Profits have been persistently low, overall
- Increased farm size is associated with higher productivity and profitability: economies of scale can be a viable tactic, but
- Decreasing marginal returns – farms that keep enlarging see reduced benefits for the additional cost
- BPS doesn't help efficiency, but supports profitability
- Agri-Environment supports both efficiency and profitability
- A spouse working away seems to help efficiency
- Higher shares of rented land and/or debt works against efficiency and profit
- Farming factors that boost profit vary from year to year – few

Points for discussion

- Performance is very vulnerable to external cost and revenue factors, year on year: export markets, exchange rates, extreme weather..... Brexit won't change this
- Policy support and non-agricultural income are important to keep the business going, but not a secure end in themselves
- Based only on farming return, many businesses barely cover costs, with few clear 'winning strategies' -
 - Capture more of the end price
 - Target higher-end markets (with a diversified offer, & loyal client base)
 - Take control of the supply chain (- realistic options? What else has to change?)
 - Build / use a different business, to support land management?