



## Farm succession: Results from the Farm Business Survey, England 2013/14

In 2013/14, the Farm Business Survey (FBS) began to collect data about the presence and nature of farm business succession arrangements. Collection of this information will be ongoing and future publication will be within the annual Farm Accounts in England publication. The key findings for 2013/14 are:

- Just over a third (37%) of farm businesses had a nominated successor. For 34% the business would continue within the family. This response was more likely from older farmers, very large farms, farming companies and family based partnerships. A further 1% stated that the business would continue outside the family and for 2% a successor had been nominated but was unable to take over due to tenancy or other restrictions.
- 29% of farm businesses responded that it was too early in family or business circumstances to answer. This response was most common for farmers under 40.
- A further 27% of farm businesses had no nominated successor. This response was most likely for spare and part time farms and for sole traders.
- Of those businesses with a nominated successor or those expected to continue outside the family, the majority (94%) stated that the successor had a farming background. For the remainder, the successor would be new to farming.
- The majority (85%) of farm businesses agreed to answer questions on succession. Very large farms, farming companies and other partnerships were less willing to respond.

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## Detailed results

Information about farm business succession arrangements was collected in the Farm Business Survey (FBS) for England for the first time in 2013/14. Succession arrangements determine the transfer of responsibility and/or business ownership to subsequent generations. The presence of a successor is a key factor in business continuity and can influence approaches to management decisions and investment.

This data will increase understanding of farm business sustainability across sectors. Farming has a long-term time horizon. Many management and investment decisions (including succession arrangements) can affect the structure and approach of the business beyond the annual cycle of production.

Arrangements for succession were discussed with the current farm occupant who had overall management responsibility for the business (who may not necessarily have been the legal owner). The data were collected during the spring and summer of 2014.

This release provides the main results from the 2013/14 FBS. Unweighted survey responses are presented in section 1, whilst in sections 2 and 3 weighted results are presented together with [confidence intervals](#). The full breakdown of results by farm type, farm size, tenancy status, farmer age and farm economic performance, can be found at: <https://www.gov.uk/government/collections/farm-business-survey#documents>

Regression models were fitted to the key results in order to help determine the main factors driving response. In each case six factors were considered - farm type, farm size, farm tenure, farmer's age, farm economic performance and form of business.

## 1 Survey Responses

### Key findings:

- The majority of FBS co-operators (85%) provided information on succession arrangements.
- For 10% either the farmer preferred not to provide the information or the interviewer thought such a discussion inappropriate.
- For a further 5% of farm businesses the decision maker was not available.
- Very large farms, farming companies and other partnerships were less willing to respond to questions on succession.

Succession can be a sensitive area for discussion within a survey predominantly focused on financial performance. The majority of FBS co-operators (85%) provided information on succession arrangements. However, for 10% either the farmer preferred not to provide the information or the interviewer thought such a discussion inappropriate (e.g. due to prior knowledge of family circumstances). For a further 5%, the decision maker was not available.

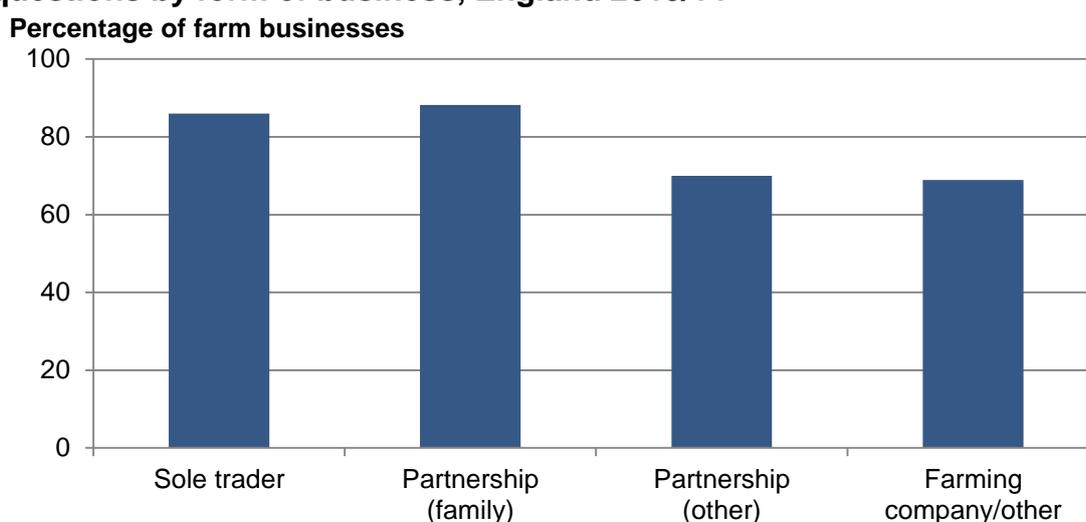
**Table 1.1: Percentage of farm businesses responding to farm succession questions, England 2013/14**

	Percentage of farm businesses (%)
Willing to respond	85
Not willing/not appropriate	10
Decision maker not seen	5

Source: Farm Business Survey, England  
Based on unweighted responses from 1889 farm businesses

Willingness to respond was significantly<sup>1</sup> related to the form of business (see Figure 1) and farm size. Farming companies and other partnerships were less willing to respond to questions on succession compared to sole traders and family based partnerships. Very large farms were less willing to respond than other farm sizes.

**Figure 1: Percentage of farm businesses willing to respond to farm succession questions by form of business, England 2013/14**



Source: Farm Business Survey, England

<sup>1</sup> A generalised linear regression model was fitted to examine which factors (farm type, farm size, farm tenure, farmer's age, farm economic performance and form of business) were significant. Farm size and form of business were significant at the 5% level.

## 2 Nature of succession arrangements

### Key findings:

- Just over a third (37%) of farm businesses had a nominated successor.
- The successor was largely from within the family (34% of businesses). Older farmers, very large farms, farming companies and family based partnerships were more likely to have a nominated successor within the family.
- A further 29% said that it was too early in family or business circumstances to provide an answer. This response was most likely from farmers aged under 40 .
- Over a quarter (27%) of farm businesses stated that there was no nominated successor. This response was most likely for spare and part time farms and for sole traders.

Farmers were asked if there was a successor nominated to succeed with the running of the business. Responses were restricted to the following options:

- Nominated successor from within the family<sup>2</sup>.
- The business will continue, but from outside the family<sup>3</sup>.
- No nominated successor.
- Unsure of the intention at that time.
- It was too early in the family circumstances or business situation for an answer to be given.
- Successor(s) had been nominated but unable to take over due to tenancy or other restrictions/issues.

**Table 2.1: Farm business succession arrangements, England 2013/14**

	Percentage of farm businesses (%) <sup>(a)</sup>	95% Confidence Interval (%)
Successor nominated within family	34	±3
Successor nominated but unable to take over due to tenancy or other issues	2	±1
Business will continue but outside family	1	±0
Too early in family/business circumstances to answer	29	±3
No nominated successor	27	±3
Respondent unsure of succession arrangements	8	±2

Source: Farm Business Survey, England 2013/14

(a) Based on responses from the 1603 farm businesses that were willing to respond to the question: "is there a successor(s) nominated to succeed with running of business"

For those farm businesses that agreed to answer questions on succession, over a third (37%) of farm businesses had a nominated successor (Table 2.1). The successor was largely from within the family (34% of businesses). A further 1% stated that the business would continue outside of the family. The remaining 2% had a nominated successor who was unable to take over due to tenancy or other restrictions/issues.

<sup>2</sup> Defined as direct family (e.g. husband, wife, son, daughter), family relative (e.g. brother, nephew, niece) or family "in-law" either via marriage or long term partnership (e.g. son/daughter-in law, if the daughter/son was not actively taking on the management of the business).

<sup>3</sup> For example by third party sale, lease or contract farming arrangement of the whole farm business.

Over a quarter (27%) of farm businesses stated that they had no nominated successor, However, for a further 29% of farm businesses it was too early to provide an answer and 8% were unsure of the intention at the time of asking.

Succession arrangements have previously been collected by Defra from upland farms<sup>4</sup> in 2009 and 2012. The categorisation of responses differs slightly to the FBS, but the results are broadly similar. The 2012 Upland Farm Practices Survey showed that 41% of upland farmers had their succession plans secured (with the business remaining almost entirely within the family), for 34% succession was uncertain and for 25% there were no succession arrangements in place either because there was no family or the family were not interested or did not see a future in farming.

It is also important to understand the underlying relationships between farm characteristics and succession arrangements. Figures 2.1 to 2.5 show the relationship between succession arrangements and farm size, type, tenure, farmer's age and form of business. We have fitted regression models in order to determine which of these relationships are statistically significant. In each case six factors were considered - farm type, farm size, farm tenure, farmer's age, farm economic performance and form of business. There was no significant relationship between farm economic performance and succession arrangements.

### **Family succession**

Around a third of farm businesses stated that the business would continue within the family (34%). The probability of such a response was significantly<sup>5</sup> related to farm type, size, tenure, the age of the farmer and the form of business. Dairy (47%) and mixed farms (48%) were more likely than other farm types to have a nominated successor from within the family (Figure 2.1). Very large farms (52%) were more likely to retain the business within the family than other farm sizes (Figure 2.2). In terms of tenancy status, mixed mainly owner occupied farms were more likely to retain the business within the family (41%), whilst wholly tenanted farms (21%) were less likely (Figure 2.3). Older farmers were more likely to have a nominated family successor (Figure 2.4). Farming companies (44%) and family based partnerships (41%) were more likely to have a nominated successor within the family (Figure 2.5) compared to other partnerships (20%) and sole traders (27%).

### **Too early in family/business circumstances to answer**

Nearly 30% of farm businesses replied that it was too early in family/business circumstances to answer. Such a response was significantly<sup>5</sup> related to farm tenure and the age of the farmer. Although there appears to be little difference between the farm tenure groups (Figure 2.3), once other factors are allowed for within the model the differences are more pronounced; farms with greater rates of owner occupation were significantly more likely to select this response than largely tenanted farms. As might be expected farmers under 40 were more likely than older farmers (Figure 2.4) to state that it was too early to answer.

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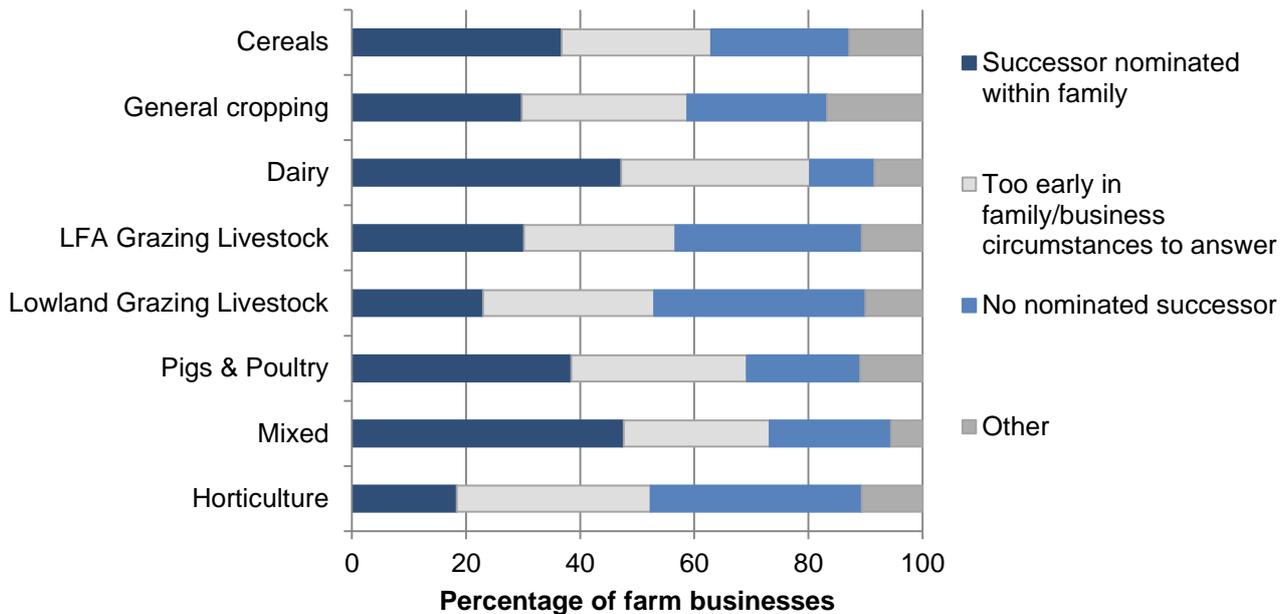
<sup>4</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/181682/defra-stats-foodfarm-environ-uplands-statsrelease2012-120718.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181682/defra-stats-foodfarm-environ-uplands-statsrelease2012-120718.pdf)

<sup>5</sup> A generalised linear regression model was fitted to examine which factors (farm type, farm size, farm tenure, farmer's age, farm economic performance and form of business) were significant. Farm type, farm size, farm tenure, farmer's age, and form of business were all significant at the 5% level.

## **No nominated successor**

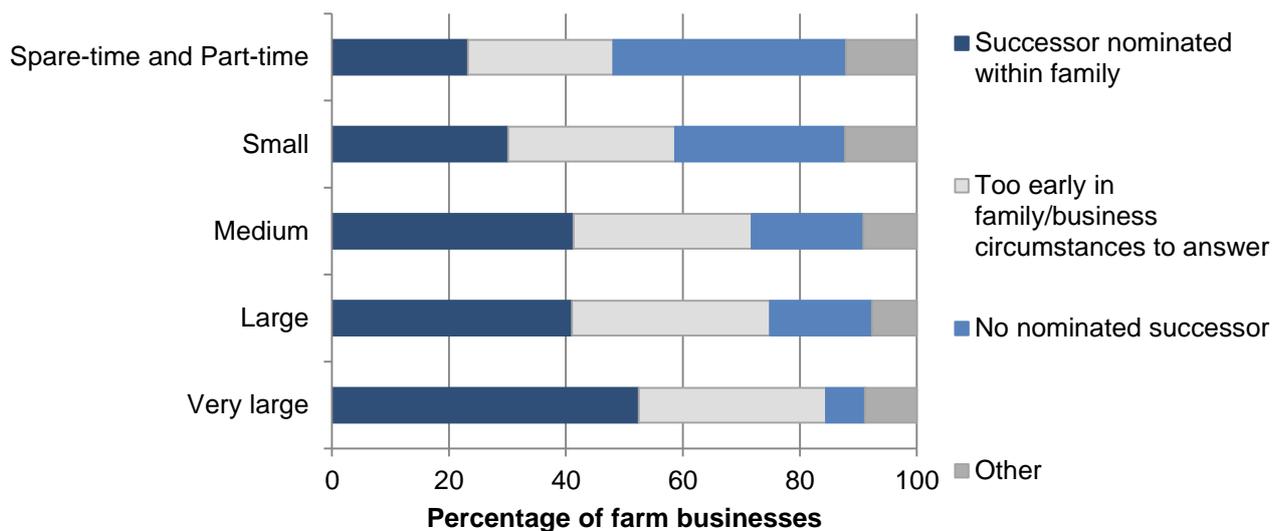
Over a quarter (27%) of farm businesses stated that they had no nominated successor. The probability of such a response was significantly<sup>6</sup> related to farm type, size, age of the farmer and the form of business. Grazing livestock (Lowland 37% and LFA 33%), horticulture farms (37%), spare and part-time farms (40%) were more likely to have no nominated successor than other farm types and sizes (see Figures 2.1 and 2.2). Older farmers were more likely to state that they had no nominated successor than younger farmers (Figure 2.4). Sole traders were more likely (36%) than other forms of business to have no nominated successor (Figure 2.5).

**Figure 2.1: Succession arrangements by farm type, England 2013/14<sup>a</sup>**



(a) Based on responses from 1603 farm businesses in 2013/14

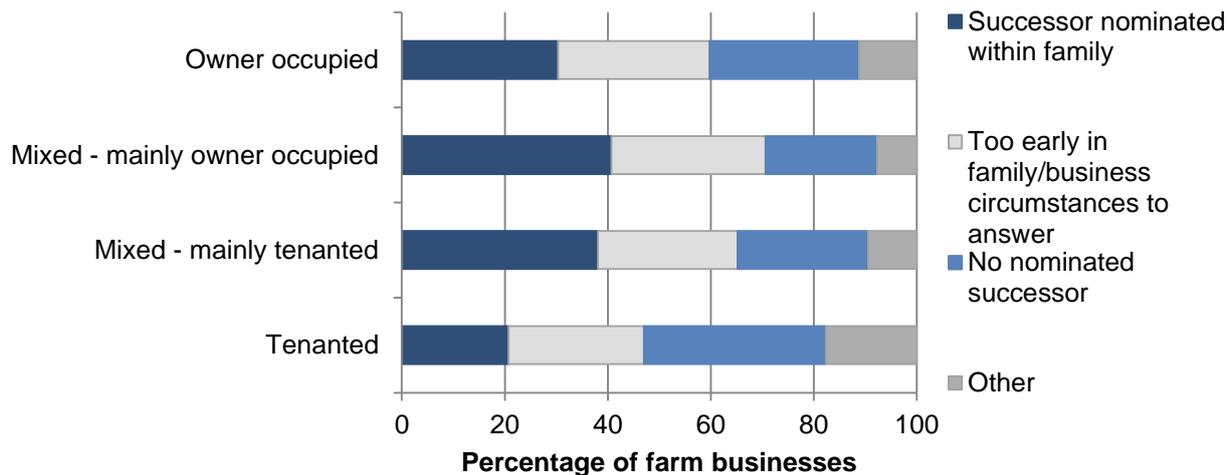
**Figure 2.2: Succession arrangements by farm size, England 2013/14<sup>a</sup>**



(a) Based on responses from 1603 farm businesses in 2013/14

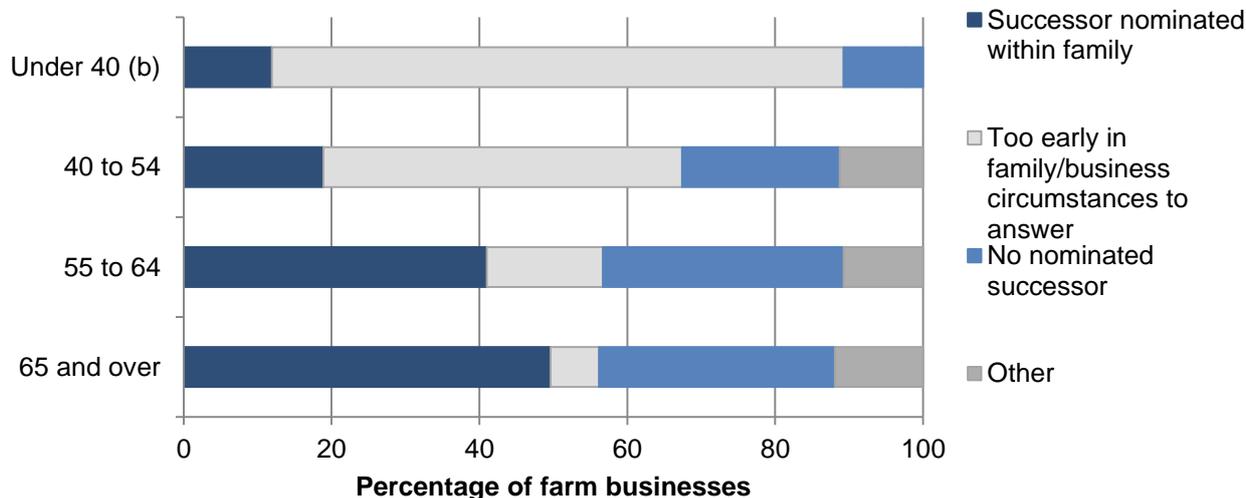
<sup>6</sup> A generalised linear regression model was fitted to examine which factors (farm type, farm size, farm tenure, farmer's age, farm economic performance and form of business) were significant. Farm type, farm size, farmer's age, and form of business were all significant at the 5% level.

**Figure 2.3: Succession arrangements by farm tenure, England 2013/14<sup>a</sup>**



(a) Based on responses from 1603 farm businesses in 2013/14

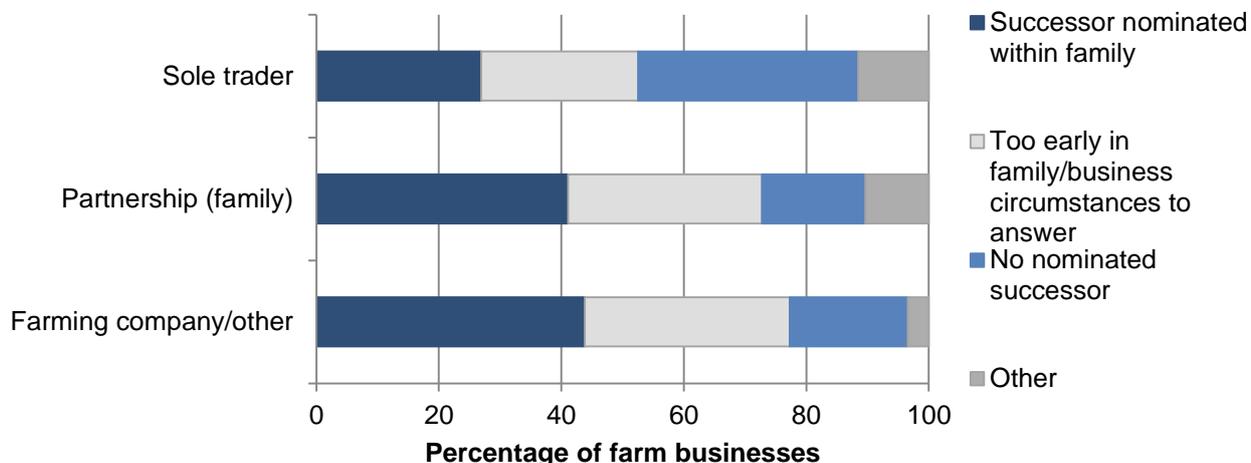
**Figure 2.4: Succession arrangements by age of farmer, England 2013/14<sup>a</sup>**



(a) Based on responses from 1603 farm businesses in 2013/14

(b) For the under 40 category, the 'other' group has been combined with 'no nominated successor due to insufficient observations.'

**Figure 2.5: Succession arrangements by form of business, England 2013/14<sup>a</sup>**



(a) Based on responses from 1603 farm businesses in 2013/14

Partnership (other) has been excluded from the chart due to insufficient observations.

### 3 Farming background of successor(s)

#### Key findings:

- Of those businesses with a nominated successor or those expected to continue outside the family, the majority (94%) stated that the successor had a farming background. For the remainder, the successor would be new to farming.

For those farmers that confirmed that the business would continue either from within or outside the family, the third question addressed the farming background of the successor. For the majority (94%) the successor already had a farming background (Table 3.1). This was defined as having substantial prior experience<sup>7</sup>. For the remaining 6% the successor would be new to farming. This included first generation farmers and those with a limited farming background.

**Table 3.1: Background of nominated successor, England 2013/14<sup>(a)</sup>**

	Percentage of farm businesses (%)	95% Confidence Interval (%)
Has a farming background	94	±3
New to farming	6	±3

Source: Farm Business Survey, England 2013/14

(a) Based on responses from the 634 farm businesses that reported that the business would continue from within or outside the family.

<sup>7</sup> E.g. three years, which might include a period of higher education study, or a second generation farmer.

## Survey details

### Survey content and methodology

The Farm Business Survey (FBS) is an annual survey providing information on the financial position and physical and economic performance of farm businesses in England. The sample of around 1,900 farm businesses covers all regions of England and all types of farming with the data being collected by face to face interview with the farmer. Results are weighted to represent the whole population of farm businesses that have at least 25,000 Euros of standard output<sup>8</sup> as recorded in the annual June Survey of Agriculture and Horticulture. In 2013 there were just over 58,000 farm businesses meeting this criteria<sup>9</sup>.

For further information about the Farm Business Survey please see:

<https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/farm-business-survey>

Within the 2013/14 survey, extra questions were included to collect information on farm succession. The information collected covered the nature of succession arrangements and if nominated, the farming background of the successor(s).

Full details of the information collected on farm succession can be found here:

<https://www.gov.uk/farm-business-survey-technical-notes-and-guidance#fbs-documents>

### Data analysis

The results from the FBS relate to farms which have a standard output of at least 25,000 Euros. Initial weights are applied to the FBS records based on the inverse sampling fraction for each design stratum (farm type by farm size). These weights are then adjusted (calibration weighting<sup>10</sup>) so that they can produce unbiased estimators of a number of different target variables.

### Accuracy and reliability of the results

We show 95% confidence intervals (95% CI) with the results. These show the range of values that may apply to the figures. They mean that we are 95% confident that this range contains the true value and are calculated as the standard errors multiplied by 1.96. The standard errors only give an indication of the sampling error. They do not reflect any other sources of survey errors, such as non-response bias. For the Farm Business Survey, the confidence limits shown are appropriate for comparing groups within the same year only; they should not be used for comparing with previous years since they do not allow for the fact that many of the same farms will have contributed to the Farm Business Survey in both years.

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<sup>8</sup> For a definition of standard output please see the UK classification document here:

<https://www.gov.uk/farm-business-survey-technical-notes-and-guidance>

<sup>9</sup> Prior to the 2010/11 campaign, the coverage of the FBS was restricted to those farms of size ½ Standard Labour Requirement (SLR) or more. For a definition of SLR please see the UK classification document here:

<https://www.gov.uk/farm-business-survey-technical-notes-and-guidance>

<sup>10</sup> Further information on calibration weighting can be found here:

<https://www.gov.uk/farm-business-survey-technical-notes-and-guidance>

## Availability of results

This release contains headline results for each section. The full breakdown of results, by farm type, farm size, tenancy status, farmer age, farm economic performance and form of business, can be found at: <https://www.gov.uk/government/collections/farm-business-survey#documents>.

Defra statistical notices can be viewed on the Food and Farming Statistics pages on the Defra website at: <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/statistics>. This site also shows details of future publications, with pre-announced dates.

## Data Uses

Data from the wider Farm Business Survey (FBS) are provided to the EU as part of the Farm Accountancy Data Network (FADN). The data have been used to help inform policy decisions (e.g. Reform of Pillar 1 and Pillar 2 of the Common Agricultural Policy) and to help monitor and evaluate current policies relating to agriculture in England (and the EU). It is also widely used by the industry for benchmarking and informs wider research into the economic performance of the agricultural industry.

Data on farm business succession will increase understanding of farm business sustainability across different sectors. Understanding succession arrangements, in addition to the formal management and ownership structure of the farm business will give important context to other data on current and future farm practices and decisions.

## User engagement

As part of our ongoing commitment to compliance with the Code of Practice for Official Statistics <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html>, we wish to strengthen our engagement with users of these statistics and better understand the use made of them and the types of decisions that they inform. Consequently, we invite users to make themselves known, to advise us of the use they do, or might, make of these statistics, and what their wishes are in terms of engagement. Feedback on this notice and enquiries about these statistics are also welcome.

## Definitions

### Farm Size

*Farm sizes* are based on the estimated labour requirements for the business, rather than its land area. The farm size bands used within the detailed results tables which accompany this publication are shown in the table below. Standard Labour Requirement (SLR) is defined as the theoretical number of workers required each year to run a business, based on its cropping and livestock activities.

Farm size	Definition
Spare & Part time	Less than 1 SLR
Small	1 to less than 2 SLR
Medium	2 to less than 3 SLR
Large	3 to less than 5 SLR
Very Large	5 or more SLR

### Farm Type

Where reference is made to the *type of farm* in this document, this refers to the 'robust type', which is a standardised farm classification system.

### Farm Economic performance

*Economic performance* for each farm is measured as the ratio between economic output (mainly sales revenue) and inputs (costs). The inputs for this calculation include an adjustment for unpaid manual labour. The higher the ratio, the higher the economic efficiency and performance. The farms are then ranked and allocated to performance bands based on economic performance percentiles:

- **Low performance band** - bottom 25% of performers
- **Medium performance band** - middle 50% of performers
- **High performance band** - top 25% of performers