



## **Upland Farm Businesses: Pathways to Success: A Project in Collaboration with Defra**

### The Task

We want to support upland farmers in making a success of the transition. To do that, we will approach this project in two phases:

Phase 1: develop our analytical understanding regarding the impact of the transition on upland farming, doing so in collaboration with the Uplands Alliance to keep the work grounded in what matters most.

Phase 2: informed by the outcomes of the analytical stage - Defra and the Uplands Alliance to co-design and collaborate a Pathways to Success guide for upland farmers, which will provide upland farmers with options that illustrate the impact of adapting through the transition until 2028.

### Background

Farming in England is now going through the biggest change in a generation. Most importantly, the government's approach to working with the farming sector is changing. We are improving our policies and services to make them more effective, fairer, more flexible, more accessible, and more workable for farmers.

Defra is collaborating with the Upland Alliance (UA) in line with this. Since the UA brought this proposal to Defra in March 2022, we have set up a fortnightly Steering Group of Defra Policy and Analytical colleagues, as well as key members of the UA. We initially focused on creating a guide for upland farmers to navigate the transition successfully, from a business perspective.

However, since then, it became clear that it would be sensible to first develop our understanding of what Defra's proposed policy offer means for the upland farming sector. There has been a natural development from our focus being specifically on creating and writing a guide, towards first carrying out the thorough groundwork in gathering, analysing, and sharing (dependent on clearances) Defra's best estimate of how the transition may impact the upland farming sector.

The key concern for upland farming is the mid-term picture from now to 2024. We want to have well developed assumptions, supported by thorough analysis (Phase 1) before scoping out and writing a guide for upland farmers (Phase 2).

### Timing

Phase 1 to be completed by mid-September (tbc). Timings for Phase 2 to be reviewed in September.

### Resourcing

The Pathways to Success Steering Group currently meets on a fortnightly basis.

The Group consists of the following members: [REDACTED]

Phase 1, [REDACTED]

For Phase 2, resourcing is TBC (dependent on Phase 1).

### Ways of Working

This is a co-designed project.

Defra will identify relevant key leads and the Uplands Alliance will nominate and bring relevant members to a fortnightly subgroup – where we work collaboratively together, working through key milestones.

#### Phase 1: Developing the Analytical Picture of Upland Farming

Development of the analytical picture through farm incomes modelling work, focusing on both the mid-term 2024 picture and long-term 2028 end of transition picture. This is Defra-led, but will be routinely tested back with the group, who will help ensure the work is grounded in what matters most to upland farmers. If any modelling from this phase is to be published, it will be exclusively badged as Defra analysis.

#### Phase 2: Pathways to Success Guide

We will plan Phase 2 after Phase 1 is completed. This phase will take the data conclusions from Phase 1 and consider what, if any, further analysis (qualitative) is needed and what the product should be, and the resources and time required to produce it.

This phase will look at the scope and structure, the production, publication, and dissemination of some form of guide, possibly using decision trees and the proposed farm types in Annex A, in a farmer-friendly format.

We may also develop a qualitative piece of work that focuses on decision trees of options for several hypothetical farms. Statistics from the FBS (Farm Business Survey) can be used to illustrate opportunities, but these will be static, and no formal modelling will be conducted. Using the farm business survey, the farm types and variables in Annex A will form the basis for this qualitative work. We are aiming to complete this phase by mid-September.

## **ANNEX A - The Proposed Five Farm Types**

1. Rare breed smaller unit
2. Hill farm with commons
3. Productive upland farm
4. Hill farm, sheep only
5. Hill farm sheep and cattle

### **Rare breed smaller unit**

They will be selling niche high value produce. They need a certain infrastructure to do this, in particular access to local abattoirs that can process small numbers of non-standard animals and return the 5<sup>th</sup> quarter.

Marketing and creating a brand is particularly important. This will depend on some things within their control, and some things that are outside, such as a sense of place.

### **Hill farm with commons**

The farmer, as a commoner, will need to ensure they can fully participate in all the environmental land management standards and other related schemes. This requires schemes that are capable of being delivered by commoners and having the appropriate governance arrangements vis-à-vis the landowner and any tenants.

### **Productive upland farm**

The farmers' focus will be on improving productivity, reducing input costs, and maximizing income. They are less likely to want or need to participate in environmental land management to the same extent as other upland farmers.

To support them through the agricultural transition, and the need to adapt to an unsubsidized more market facing world, they will need more conventional forms of business support as seen in other sectors. This could take the form of short-term capital investment, both on and off farm, improved knowledge transfer and CPD and participation in marketing and similar initiatives.

### **Hill farm, sheep only**

This farmer is least likely to think of themselves as a public good provider. Their focus will be on maintaining income.

If they feel environmental land management is unlikely to provide sufficient income, or the lack of clarity persists, they are more likely to increase numbers and intensify. They will stick with what they are familiar with.

Accordingly, environmental land management should fully recognise all the public benefits they provide or can provide, and they should be supported in identifying the public goods they manage.

They would also benefit from there being more information on the grazing attributes of sheep. Most of the data we have relates to cattle, which may be why cattle are given a higher profile in environmental land management.

They will need support in identifying alternative sources of income, generally through diversifying. This could be within farming by, say, going into cattle, or going out of farming into, say, tourism. The challenge is to encourage them to think differently. The evidence suggests that this is best done through other farmers and the farming press.

If they are required to reduce stocking densities, they will need proper explanations and sufficient financial incentive to do so.

### **Hill farm sheep and cattle**

This farmer will have made the choice to diversify out of sheep, and with cattle will be more able to participate in environmental land management. They will benefit from the forms of business support set out above.

### Farmer motivation

For most upland farmers, the focus will be on keeping going, maintaining the business, and having something of value to hand on to their successors. They will regard themselves food producers rather than public good providers but will be sufficiently familiar with agri-environment schemes to recognise that the continued receipt of public payments depends on maintaining and improving environmental delivery.

So, in the main they will want to participate in E.L.M (Environmental Land Management), but the motivation will be financial as much as environmental.

Variables to consider (opportunities / impacts):

- Farm types, including key examples of representative farmers, including areas of land and current stock numbers
- Viability criteria – e.g., living wage generated for each FTE labour unit
- Tenancy
- Adjusting stock numbers and breed
- Investment in technology
- Reducing input costs
- Reducing fixed costs
- Entering SFI (Sustainable Farming Incentive), Landscape Recovery (LR) or LNR (Local Nature Recovery)
- Diversification