

**RURAL DIVERSIFICATION PROJECT:
MID DEVON DISTRICT FARM DIVERSIFICATION
ASSESSMENT**

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1. CONTEXT AND AIMS

DISTRICT FARM DIVERSIFICATION ASSESSMENT

Sustainable development is central to the reformed planning system. The World Commission on Environment and Development has drawn up a widely used definition: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". For this to be achieved, planning policymakers, developers and decision-makers need to consider the long term social, economic and environmental impacts of completed and proposed development.

The Government's commitment to the principles of sustainable development has been set out in 'A Better Quality of Life'. The strategy is based upon four broad objectives which have to be achieved at the same time:

1. Maintenance of high and stable levels of economic growth and employment;
2. Social progress which recognises the needs of everyone;
3. Effective protection of the environment; and
4. Prudent use of natural resources.

Farm diversification and the opportunities to develop the rural economy must be addressed as part of this.

As a result Mid Devon District Council has commissioned Acorus Rural Property Services Ltd to undertake a District-wide Farm Diversification Assessment to identify opportunities for the stimulation of the rural economy. Farm diversification and the economic benefits to the countryside must be considered in relation to the Mid Term Review of the Common Agricultural Policy, widening Europe and dismantling export subsidies, as well as the new PPS7 and other Government advice, Defra's objectives under the England Rural Development Programme, The Rural White Paper and other more localised objectives.

The methodology to meet these objectives comprised the following:

- Understand the principles of diversification and the integration with agriculture and wider environment.
- Review of existing survey data of farm diversification activities in the region to establish types of activities undertaken and impact on core agriculture.
- Review existing local and national planning policy and other guidance from Government and regional Tourist Boards. Review PPS7 and relevant local plan policies and the likely impact on agricultural and non-agricultural development.

2. EXECUTIVE SUMMARY

Diversification is already very important for agricultural businesses in the region and that without it many holdings would not be viable. The level of diversification in the future will be determined, firstly, by the further need for individual businesses to identify alternative sources of income. This will depend, to a large extent, on the state of the agricultural industry and the profitability of core agricultural activities. Secondly, the potential impact of such schemes on the wider environment. This is considered primarily at the planning application stage.

The major influence on farming over the coming years will be as a result of the recent changes to the Common Agricultural Policy and specifically the introduction of the Single Payment Scheme and the decoupling of support from production. The likely effect of the CAP reform in Mid Devon will be an overall reduction in livestock numbers in the main sectors of beef, sheep and dairy. In downsizing agricultural output this will lead to further shrinking in the labour force and an increase in the number of part time farmers.

More farmers are expected to introduce or expand existing diversification enterprises to 'supplement' their farm incomes and make up profit shortfalls. In some cases the diversification may entirely replace farm enterprises. Further uptake of environmental schemes and woodland as well as marginal land being taken out of cropping will greatly increase the area of land taken 'out' of agriculture.

The continued downturn in farm profitability and the inevitable increase in the level and range of diversification will result in a rise in the number of planning applications to Mid Devon District Council. The principle of farm diversification, and promotion of the wider rural economy, is now generally encouraged by the relevant planning policies but could in the future be hampered by other key policy imperatives. For example the need to;

- a) concentrate new development in or adjacent to existing settlements - farm units are usually remote from other development.
- b) reduce the need for journeys by car - even if the relative geographical isolation of diversification sites will tend to generate more car journeys, this increase will typically be of low impact.
- c) protect the environment, landscape and biodiversity – rather than obstruct proposals of good intrinsic merit, these planning policies should be used as instruments to guide worthy diversification schemes.
- d) ensure diversified activities are merely 'ancillary' to, or 'supportive' of, the farming enterprise – this is now irrelevant and self-defeating to the wider goal of boosting the rural economy.

Generally however, planning policies at national and regional level and those in the Mid Devon Local Plan First Alteration are sympathetic to the principles of diversification, and if purposively interpreted will facilitate the results that diversification of the rural economy seeks to achieve.

It is difficult to predict what activities farmers in the Mid Devon district are likely to diversify into in the near future, however on the basis of current activities it is suggested that residential conversions are likely to prove very popular. From a grant scheme perspective tourism and equine have been the predominant use. Equine will continue, particularly for private uses and business uses in good locations. Some of the opportunities considered will be influenced by planning authorities at the planning application stage. The only exception to the rule may come from 'lifestyle farmers' occupying a small farm or smallholding who do not usually want or need a diversification activity on the farm. Economic return or performance is less important in this case.

3. CAP REFORMS (MID TERM REVIEW)

Farm Ministers of the EU Member States made an agreement on Common Agricultural Policy (CAP) reform in June 2003. The details are set out in Council Regulation No 1782/2003. The majority of the changes came into effect on the 1st January 2005. The most significant change is the decoupling of support. This means that farm support in the future will not be linked to what is being produced on the farm during the year. i.e. to the crops being grown or the numbers of livestock kept. The aim of the reform is to remove the incentive to maximise production and so reduce environmental damage. The agreement also makes receipt of subsidy dependent on meeting certain EU environmental, food safety, plant and animal health and animal welfare standards as well as maintaining the land in good agricultural and environmental condition (Cross Compliance).

In addition, subsidy will be diverted to wider rural development and environmental initiatives, which farmers can undertake. The CAP reform agreement allows Member States to implement these changes differently in separate regions. The UK has taken up this option to enable all four agriculture departments (in England, Scotland, Wales and Northern Ireland) to take the approach that best suits their needs and meets their priorities.

On 12th February 2004, the Secretary of State announced that the payments in England would be regional and flat rate based and that this would be phased in from 2005 to 2012, with the flat rate element of the entitlement starting at 10% and increasing to 100% by 2012. To ease the transition to flat rate payments, farmers would receive an element of the entitlement based on their individual average historic receipts in the reference period 2000–02. On 22nd April 2004, further clarification was announced. Three distinct regions will be created within England – land within the Moorland Line and within the upland Severely Disadvantaged Areas (SDAs), other upland SDAs and land outside the SDAs. Payments for the non-moorland SDA will be approximately 55% of that in lowland and those in moorland about 14%.

The Single Payment Scheme (SPS) replaces 10 main schemes. An application form will still need to be completed each year (usually by 15 May) in order to receive the payment. The single payment (SP) has a number of conditions attached that must be met in order to receive the full payment, known as cross compliance conditions. The SP will also be subject to deductions to fund the national reserve, EU and national modulation (to fund rural development measures) and, eventually, financial discipline (to ensure that the overall EU budget is not breached).

Other important points of the SPS Scheme include:

- The payments are calculated in euros, therefore the £:euro exchange rate remains important.
- From 2006 the entitlements to the SP will be tradable.
- Most farmland is “eligible”, comprising of arable land and permanent pasture but excluding “permanent crops” (e.g. orchards, and vineyards), woodland and land in non-agricultural use. The land has to be at the farmer’s disposal for at least 10 months of the year.
- The set-aside rate in English lowland will be 8%, and 1.3% in Non-Moorland SDA.
- A dairy premium will be paid to milk producers as compensation for price cuts. This will be paid based on the amount of milk quota held on 31st March 2005, and converted into per hectare SP entitlements.
- A number of deductions will be made to the payments, most of which increasing over time. Up to 3% will be deducted for the National Reserve, to provide payments for special cases. There will be modulation to fund EU-wide Rural Development projects, this starts at 3% in 2005, increasing to 5% from 2007. There will also be member state modulation, in England this will be 2% in 2005 and 6% in 2006. In 2007 there will also be a deduction for “EU Financial discipline” to keep spending within the budget thresholds. By 2010 the total of these deductions could be 25% or even more.

The gradual change to a flat-rate will create winners and losers. By 2012 a farm in 100% combinable crops will lose around £90/ha (from approximately £240/ha to £150/ha). Growers of previously unsupported crops such as potatoes and soft fruit will gain the whole of the payment, though at the cost of having to incur set-aside and cross-compliance rules. Dairy farmers with high milk yields and the higher their stocking rates the more they will lose, especially if they have a flying herd, i.e. no followers. A low-yielding, extensively stocked dairy farm with many followers may be payment neutral. Intensive beef producers could lose considerably. A beef suckler herd with a low stocking rate should also be payment neutral. However lowland sheep would have to be stocked at a very high rate to lose from the new system and most should gain.

3.1. Implications for Production

The following is taken from a report for DEFRA by GFA-RACE Partners Limited, in association with IEEP and is based upon previous research commissioned by DEFRA on likely decoupling impacts. It relates specifically to England, not to the UK as a whole.

Likely impacts include:-

- Reduction in the production of cereals, beef and sheep with associated price increases.
- Improvement in incomes in most sectors but not dairy.
- Pressure to cut variable and fixed costs.
- Cut in employed on-farm labour.
- Arable sector – expansion of efficient farms, wider use of alternative farming arrangements. Switch from break crops to cereals and removal of more land from arable cropping to permanent or temporary fallow.
- Livestock sector – greater reduction in beef production. Move away from suckler cows to breeding ewes (hill/upland areas) and arable cropping where possible/profitable (lowland areas). Extensification of production through reduction in stock numbers (less so for small farms).
- Dairy sector – decoupling likely to contribute to restructuring – increase in herd size and yield in more productive areas and least competitive farms leaving the sector.
- More flexibility of land use between arable crops and grass.
- Some land to fall out of agricultural production and be managed to minimum standards.
- More land to be put into agri-environment and other schemes.
- Reduced flexibility to move into or expand unsupported crops (fruit, vegetables, potatoes).
- Slow increase in non-food crops at the expense of permanent or rotational set aside managed for environmental benefit.
- Cross compliance might suggest a slightly higher standard of environmental care although “we do not expect additional compliance costs for businesses”.

3.1.1. Rural Development Measures

More farms seem likely to benefit from enhanced funding for the new agri-environment schemes and existing rural development schemes but it seems unlikely that other new measures will be introduced. The additional funding will lead to increased agri-environment scheme take-up and support further diversification.

3.1.2. Market Reforms

There will be virtually no impact on production or production methods in the cereals sector. There will be acceleration of restructuring in the dairy sector (larger herd sizes and higher yields).

3.1.3. General

The RPA estimates that the agreement will result in an overall increase in UK farm incomes of up to £280million per year. This is summarised as follows:

- Farm incomes higher on average, except for the dairy sector.
- Significant variations at individual farm level.
- Reduction in labour requirement for UK production by 3-7%.
- Farmers will be slow to adapt systems of production due to uncertainty.
- Business planning difficult due to a number of elements left for subsequent EU-level decisions.

3.2. Industry Response to Change

Despite the enormity of the changes made in the gross margins, net margins or profits of the major enterprises affected, the impact on production (areas planted and number of livestock reared) is likely to be small in 2005 and 2006. They will almost certainly be greater in subsequent years.

There are a number of reasons for this:

- The changes will take time to register for many producers, the instinct will be to wait and see.
- Many businesses will continue to sow and rear as in the past because "it is what they do".
- There will be continuing uncertainty about many of the details of the new regime, therefore do not want to change as this may risk losing some of the Single Farm Payment.
- There are penalties/restrictions on making some changes that might otherwise be contemplated, e.g. growing more potatoes. Additionally new enterprises often mean more capital investment, more know-how, risk of overproduction and hence reduced prices. This holds true for many diversifications, as well as farm enterprises.

However an increasing number of farmers, particularly those who are older, with no obvious successors, or others simply tired of the work involved, the uncertainties and the paperwork, will no doubt opt for a simple system of farming, with very low inputs and making sure that they abide by the cross-compliance rules.

The future market prices will also dictate the pace of change as lower prices will accelerate the 'evolution'.

More farmers are expected to introduce or expand existing diversification enterprises to 'supplement' farm incomes and make up shortfalls. In some cases the diversification may entirely replace farm enterprises. However for many this is easier said than done.

Large changes in the beef sector are predicted as the profitability in the past has been dependant on the subsidies which from now on will be decoupled from production. For most beef enterprise, even the most efficient, they will find it difficult to make a positive net margin without the subsidies. Of course the SP can still be used to subsidise production. However the significant difference is that the payments will continue even if production ceases (as long as cross-compliance rules are met). Production looks bound to fall substantially as time goes on.

The implementation of CAP reform is a challenge and an opportunity for everyone involved with farming. In responding to CAP reform, some farmers may expand their businesses, others will decide to move into other activities on the farm, taking advantage of the new flexibility provided by the SPS, and some may see this as an opportunity to take a step back from farming, perhaps passing their farm on to the next generation.

Because of the lack of subsidy payments in 2005, 2006 will be watershed year for the farming industry. Following CAP reform, farmers will have the opportunity to respond to market demands without being tied to commodity-linked support. These changes will provide opportunities for all farmers. This may be through development of existing production systems, new market opportunities or participation in the new agri-environment schemes, or perhaps a combination of these. The changes, however, will present a challenge for many farmers.

The impact of CAP reform will be so significant that it is highly unlikely that 'doing nothing' will be a sensible or prudent decision.

The current policy framework, including the recently published *Government Strategy for Sustainable Farming and Food*, places considerable emphasis on diversification as an element in rural and agricultural recovery. The number of diversified businesses is steadily rising. In the light of CAP reform that de-couples support payments from production, it is logical to assume that the level of diversification will continue to rise. Farm diversification is no longer merely a modest supplementary add-on to the core farm business.

4. AGRICULTURE IN MID DEVON

According to the statistics collected by DEFRA each year through their annual census work, the total farmed area of Mid Devon for the 2004 year was some 78,600ha on just over 2,000 holdings. Much of this land (79%) is owner occupied and the balance is rented on a variety of agreements.

The area is predominantly down to grass (71% of land use) used to support the large numbers of livestock. Although a large number of different arable crops are grown, many of these are in small quantities on a limited number of farms. There is also some 3,560ha of farm woodland, and just under 2,000ha in the various agri-environmental schemes and set-aside.

Cereals and maize are the main arable crops totalling some 13,600ha, but other land is used for potatoes, oilseed rape, peas and beans, root crops, top fruit and various horticultural crops.

Dairy cows are still the dominant livestock with some 25,700 present on over 300 dairy farms. Individual numbers of beef cattle are not available, but there are over 65,000 'other cattle' which includes calves and young stock within the total livestock numbers of 90,600 head.

Other species of livestock include over 1,000 breeding sows, 100,600 breeding ewes and over 1,200 goats.

The numbers of full time farmers, at 1,339, has now been surpassed by the number of part time farmers at 1,589. The 1,000+ 'other workers' include full and part time managers and employees and casual workers.

Interesting comparisons can be made with previous years, and if the above statistics are compared to 1990, the following can be adduced:

- The total area farmed has dropped by about 2,000ha through land lost to other non-agricultural development.
- The proportion of land owner occupied has remained almost static at 77-79%.
- Farm type and structure has changed with dairy units falling by 48%, and 'other farms' (i.e. not any specific category) increasing by 330%. Farms of less than 5ha have increased by 595%, those between 5-20ha are almost the same, between 20-50ha have fallen by 32%, those between 50-100ha have fallen by 20%, and those over 100ha have increased by 48%.
- The proportion of grassland has dropped slightly as more land goes into farm woodland and environmental schemes.
- The total area of cereals is almost unchanged.

- The area down to horticulture has fallen but the number of horticultural units has increased.
- The area down to field beans, oilseed rape, maize and linseed has increased significantly.
- The area down to vegetables and salad crops has almost halved, and the area of top fruit has increased slightly.
- The number of dairy cows has fallen by over 30% and the number of dairy farms has fallen by 48%. Total cattle numbers are also down by over 21%, pig numbers by over 46% and sheep by 24%.

The way that employment statistics are collected has changed, but the following points are relevant:

- The total labour force has decreased by over 8% even though the number of holdings has increased by about 8%.
- The number of full and part time employees has dropped by 54% and the number of farm units they work on has dropped by 51%.
- There are now 1,589 part time farmers on over 1,100 units. This means that over half of the agricultural units are now run on a part time basis. There is no comparable figure from 1990.

5. EFFECTS OF CAP REFORM IN MID DEVON

The effect of CAP on farming in the district can be considered in line with regional and national trends. Over the next few years the changes will be slow due to 'management inertia'. However some of the current trends identified in Section 3 will continue and some will be accelerated. The likely effect of the CAP reform in Mid Devon will be:

1. The overall reduction in production of cereals, beef and sheep may result in price increases in the market place. This should result in the improvement in incomes in most sectors but not dairy.
2. There will be continued pressure to cut variable and fixed costs and improve economic efficiency.
3. Large changes in the beef sector are predicted as the profitability in the past has been dependant on the subsidies. Production looks bound to fall substantially as time goes on. Livestock producers will move towards more extensive production through reduction in stock numbers (less so for small farms), and the least efficient will leave the industry.
4. There will be further rationalisation of the dairy sector with the continued trend of falling herd numbers, increase in herd size and yield for the more efficient producers and the least competitive farms leaving the sector.
5. Cereals will only be grown where it is efficient to do so. However in Mid Devon some of the crop is being fed to the livestock, therefore the reduction may not be as great as in other areas of the country where the cereals are produced exclusively as a commodity crop. Cereals are not an important factor in the area as only 20% of holdings grow them and they account for 14% of land use. There may also be an increase in the use of alternative farming arrangements. Switching from break crops to cereals and removal of more land from arable cropping to permanent or temporary fallow is also likely. There will be more flexibility of land use between arable crops and grass.
6. Further uptake of environmental schemes and woodland schemes will occur, with additional land taken out of agricultural production and managed to the minimum requirements of Cross Compliance.
7. With the decoupling of subsidies from specific crops (mainly cereals) the area of vegetable and salad crops may increase slightly. However this will only apply to a very small number of holdings.
8. The trend of a reduction in full and part time employees (shrinking labour force) will continue along with an increase in part-time farmers.

9. More farmers in Devon are expected to introduce or expand existing diversification enterprises to 'supplement' their farm incomes and make up profit shortfalls. In some cases the diversification may entirely replace farm enterprises in order to maintain income and employment levels.



6. DIVERSIFICATION

Diversification became a popular policy prescription in the 1980s as incomes from farming came under pressure due to over-production and consequent adjustments to the Common Agricultural Policy. The first significant direct policy development took place under Article 16 of the original Less Favoured Areas Directive in 1975 (75/268/EEC) that provided the opportunity for grant aiding small-scale tourist and craft enterprises. This was not implemented in the UK until 1985 when 25% grants for tourism and craft work developments on farms were introduced in the Less Favoured Areas. The development of LFA tourism grants occurred at the same time as the UK confronted the implications of the 1985 Structures Regulation (Reg 797/85). From this emerged *The Farm Diversification Grant Scheme* (FDGS) in 1988 and applied throughout Great Britain until the end of 1992. Between the 1st January 1988 and the 1st October 1992, 3,200 applications were received in England and Wales, of which 2,443 were approved and 1,396 completed at a total cost to the public purse of £10.4 million (Edwards *et al* 1994). The majority of grant schemes in the first two years were for tourist accommodation.

Despite the great differences in definitions of diversification, survey technique and sample size the dominance of tourist enterprises (when agricultural contracting is excluded) is common to most empirical investigations. FPDSavills (2001) report that 17% of 'diversifiers' were engaged in the provision of holiday lets or bed and breakfast with a further 12% being involved in house letting. Similarly, Bowler, et al (1996) report tourism (mostly farm accommodation) to be the most common form of diversification followed by agricultural contracting services. Recent analysis of 1997 June census data also shows that while 'off farm services' forms the largest single type of diversification combining the various forms of tourist accommodation (camping, B&B and self catering) results in this being the most frequently occurring activity (DEFRA, personal communication). More recently we have seen an influx of change of use applications to employment uses (e.g. B1 and B8 uses). Latest Defra figures suggest 39% of diversified farm businesses obtain rent from buildings from non-farming uses.

Agriculture has an impact on rural communities, the rural economy and the environment and its position within the overall economy is changing. A likely and rational response to these changing economic circumstances is for farm occupiers to seek to enhance their household income from sources other than conventional farming production through diversifying their business activities.

It has to be said, too, that although diversified enterprises are common in farming many of them are relatively unremarkable, and some almost qualify for being considered as traditional activities. Machinery contracting and provision for farm-based tourism, for example have long been accepted sidelines to farming.

It is the more eye-catching but infrequent examples - like snail farming, golf courses, crops of evening primrose and craft workshops - that dominate media attention and create a rather biased image of the change that is taking place in the countryside. It is certainly true that there are many ways in which rural resources can be used productively for things other than conventional food production. The demand for these uses (whether in the form of consumer products or services) appears to have grown over recent years, and those demands are likely to expand and widen in the future as food production loses its exclusivity as the primary use for agricultural land and the general public have more expendable income and leisure time.

It is also true that, as the incomes from farming have seemed less secure many operators of agricultural holdings have been looking to see whether any of those alternatives were relevant to their businesses. As a result there has been a noticeable expansion in farm diversification in Britain in the last decade. But it is important to emphasise that this is less the discovery of new openings than the manifestation of a predictable development in the rural economy. In many ways the widening of business activity on farms is no more remarkable than the diversification of petrol filling stations into the sale of food products, magazines, digital watches and other commodities that might serve the needs of passing motorists. It is simply the kind of exploitation of valid market opportunities that every resource owner or manager is expected to do in every sector of an enterprise-based economy. (McInerney and Turner 1989)

Diversification is widely held to offer considerable scope for improving the economic viability of many farm businesses and in turn reducing their dependence on the production of primary agricultural commodities.

When analysing the various sources of data on diversification it is clear that diversification can be defined in many ways. In some studies, for example, agricultural contracting may have been included as a diversified activity and in others it has not.

Comparisons between the various sources can prove difficult due to different definitions, samples and methodologies being used and each source has its own strengths and weaknesses. A summary of the differences is included in Annex 1. It is clear that the different sources use different definitions, sample sizes, etc. causing big differences in the overall level of incidence of diversification.

6.1. Farm Business Survey Diversification Results

Approximately 70% of farming households on farms of 8 ESU (Economic Standard Units) or more supplement their income from agriculture, either by diversifying into other activities or through outside self-employment or employment. (ESU is a measure of the economic size of business with one ESU defined as 1,200 European Currency Units of Standard Gross Margin).

- Over half of farms have diversified activities and a quarter of farmers or their spouses work off the farm.
- Although diversified activities are widespread, the average income from them is small.
- The most common form of diversification is renting of buildings for non-farming use. Although the Farm Business Survey does not record how much of the contract work is for non-agricultural activities, it is likely that this too is fairly widespread.
- Rural crafts and sport and recreation have the lowest participation rates, however they are generally operated on a bigger scale than other forms of diversification in terms of value of output per farm.
- Although 56% of 'full-time' farmers have diversified businesses, many of these activities are very small-scale. For a quarter of farmers with diversified activities, the output from these diversified activities is less than £500 per year.
- Most diversified enterprises are small and their combined output is only 5% of the output from farming.
- For 15% of farmers with diversified activities however, output from these businesses was over £20,000, capable of yielding an important supplementary income.
- The proportion of farms with diversified enterprises increases with size of farm but it is only the very large farms (>5 Standard Labour Requirements) which have a notably higher proportion (65% compared with national average of 48%).
- Although for England as a whole only 8% of farms engage in tourism, the proportion is 20% or more in the East, South East and South West.
- The proportion of wholly tenanted farms with diversified enterprises is lower (38%) than the national average (48%), but the average size of their enterprises is similar.

6.2. DEFRA June Census on Diversification 1998 to 2003

This data analyses the historical diversification results from the June Census from 1998 to 2003. It is based on responses received from approximately 85,000 holdings in 1998 and 1999, 115,000 holdings in 2000, 28,000 in 2001 (when the sample size was reduced due to foot and mouth disease), and 50,000 in 2002 and 2003. This, combined with the complexities of definitions of diversification, means that these results are subject to a degree of uncertainty. The data relates to registered agricultural holdings only and excludes minor holdings.

Information has been collected, using tick boxes, on any non agricultural activities that are being run on agricultural holdings. This data shows figures that are generally lower than in other studies on diversification; this is partially because agricultural contracting and haulage are not included in these figures (due to doubts about the quality of the data), and partially because farmers tend to only record major diversification activities. There may also be an element of under-recording. Once a holding has fully diversified outside of agriculture, the holding would be taken off the register and no longer be included in the results.

The data has been analysed by farm size (based on standard gross margin), farm type and government office regions.

The results are shown as percentages rather than counts of holdings so that they are comparable across the years.

	1998		1999		2000		2001		2002		2003	
	All	SW										
Any diversification	13.9	15.4	14.1	15.7	16.5	17.7	18.4	19.4	16.5	17.4	16.6	16.8
Tourism based	5.4	8.6	5.5	8.8	5.4	8.4	5.6	8.4	5.1	7.8	5.4	8.1
Recreation	4.6	3.7	4.5	3.6	7.1	6.1	8.6	7.4	6.9	5.9	7.6	6.2
Direct Sales	2.6	2.1	2.6	2.2	2.8	2.4	3.6	3.3	3.1	2.7	3.3	2.7
Processing	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.8	0.9	0.9	1.0	1.0
Any other activity	2.8	2.7	3.0	2.9	3.7	3.6	3.4	3.9	3.8	3.8	3.0	2.6

All – All holdings within the UK that returned a valid census form

SW – Holdings within the South West region

Key Findings

The number of holdings which are participating in some form of diversification has risen between 1998 and 2003, across all farm sizes, except on the very small holdings. Diversification within the South West is on par with the rest of the UK and could be at a slightly higher level.

Overall, larger holdings are diversifying more than smaller holdings and the most popular diversification activity is sport (7.6% in 2003). However in the South West region tourism is the most common type of diversification activity, at 8.1% in 2003 this is 50% higher than the rest of the UK and is the highest of any region in the UK.

7. DIVERSIFICATION AND GRANT AID

Currently DEFRA offers assistance to rural businesses under the Rural Enterprise Scheme (RES) which includes help with the funding of projects that also includes diversification into other alternative agricultural activities e.g. novel crops. RES is one of the ten schemes that make up the England Rural Development Program which aims to provide targeted assistance to projects which support the development of a more sustainable, diversified and enterprising rural economy and community.

The figures below show the number of new diversification activities approved under the Rural Enterprise Scheme during 2004. There were 183 non-agricultural activities assisted, 37 alternative agricultural activities assisted and 54 that involved both non-agriculture and agriculture. Thus a total of 274 activities were approved and assisted during the year. The most popular schemes involved the conversion of agricultural land or buildings.

Approved/Assisted RES Diversification activities during 2004

Non-agricultural activities:	
Business Networks	16
Conversion of agricultural land and buildings	125
Non-agricultural crops/livestock	9
Sporting/leisure activities	33
Alternative agricultural activities	
Novel crops and livestock products	2
Non-mainstream agricultural crops/livestock	10
Small-scale processing	22
New technology and/or integration	3
Both	
Project development	54

Sources of grant aid for farm diversification

	% receiving grants
Farm Diversification Grant Scheme	35%
Rural Enterprise Scheme	35%
Processing and Marketing Grant Scheme	10%
Local Authority scheme	9%
Tourist Board grant	6%
FMD recovery	6%
Energy Crops Scheme	5%
Farm Business Non-Capital Grants Scheme	3%
Objective 5b	3%
Other	5%

Of those businesses questioned nationally regarding receipt of grant aid over the past 15 years, approximately 35% of all diversified holdings used capital grants through the RES to assist with setting up. This would indicate that the process of agricultural diversification has to a large extent been significantly driven by grant aid.

The revised Rural Development Regulation (RDR), for which RES has been part, has yet to be concluded in Brussels so the future of grant aid post 2007 is in question. It is understood that the developing thinking from Defra Policy and Ministers and from the South West Regional Development Agency (SWRDA) is that there will be a major shift away from capital grants for individual businesses. The exception may be for projects which demonstrate significant wider benefits. It looks as though training and advice will feature strongly in addition to projects relating to 'sustainable energy' and energy crops.

The RDR will ensure that rural support is spread between a range of 'measures'. However it is understood that Defra will insist that the maximum possible (80% of the total) will go to environmental support (ELS, HLS, etc), and forestry schemes (EWGS).

The potential removal of capital grants, in part at least, for the conversion of buildings in particular could impact considerably on the level of diversification activity on a district, regional and national scale over the next few years. In a sense this seems ironic at a time when the industry needs to change.

8. WHO DIVERSIFIES?

The factors behind diversification, why some people diversify and others do not are of considerable importance to the literature. To date the literature can be divided into two broad streams:

- those concerned with the interface between the farm and external forces – policy, market opportunities or spatial factors;
- those concerned with the factors internal to the farm: its type, size and the people running the farm.

A clear picture has yet to emerge about why certain farms diversify and others do not, but the areas in which new research should focus are indicated. Bowler, Ilbery and colleagues have focused on the spatial factors that might underpin diversification, since the location of the farm may influence the market opportunities open to the farm and the type of diversification that is possible (Ilbery 1992; Bowler et al. 1996). A comparative study of lowland agricultural areas, marginal upland areas and urban fringes showed definite patterns in the types of diversification adopted. For example, accommodation (primarily Bed and Breakfast) appears to be the dominant form of diversification in upland areas, which reflects the presence of tourists. Busby and Rendle's work on farm tourism seems to indicate that proximity to major tourist attractions does influence adoption of on-farm tourist facilities (Busby and Rendle 2000). On farm retailing is more common on the urban fringe, where a large pool of customers is within a short journey time. However, the spatial location of farms or their access to markets does not alone appear to be a variable driver of diversification, as some farms in these areas remain un-diversified.

Farm size initially might appear to provide a guide to the likelihood of diversification with larger farms offering more opportunities to diversify, due to greater resources. Equally a small farm might be an indication of limited resources, a limited ambition for the farm or someone very active outside of farming. Bateman and Ray found that it was medium sized farms (50 –200 ha) who were most likely to be active in on-farm non-agricultural work (Bateman and Ray 1996:8). Other studies have found both small and large farms to be more involved in diversification, indicating that more than farm size needs to be considered. In a similar manner indebtedness could be taken to indicate a greater entrepreneurial drive, but may also reflect the lack of available capital or a troubled farm. In contrast, farm tenure does seem to be clearly linked with diversification with those renting their land less likely to diversify due to clauses in their tenancy agreements. The overall effect seems to depend on the statistical information being considered as conclusions differ considerably.

The composition of the farm household and the plans and resources they have at their disposal appear to be central in diversification, but the area least well researched. Women take the lead in many forms of diversification, particularly serviced accommodation. Busby and Rendle note that the quality and professionalism of farm tourism has been transformed in the last ten years. Whether this represents a shift in the role of women on the farm, and a change in the manner in which they support the farm family business has been the subject of discussion but no specific recent research. The stage in the life cycle of the family and the presence or absence of a successor has been identified by Potter and Lobley as particularly important in deciding the strategy of farm (Potter and Lobley 1992; Potter and Lobley 1996). This is not easily separated out from the other complexities of the household and the management of the farm.

A typology of farm diversification options

Structural diversification

1. Tourism

Accommodation: Bed and breakfast, Self-catering, Camping and caravan sites

Recreation: Farmhouse teas/café, demonstration/open days, farm zoo/children's farm, water/land-based sports, war games, horiculture, craft centres, nature trails/reserves, country/wildlife parks.

Combined: activity holidays

2. Adding value to farm enterprises

By direct marketing: Farm gate sales, Farm shop, Delivery round, PYO scheme.

By processing: cheese, ice cream/yoghurt, cider/wine, jam/preserves, potato packing, flour milling

By selling skins/hides/wool

Agricultural diversification

1. Unconventional enterprises

Crop products: Linseed, Teasels, Evening Primrose, Borage, Triticale, Fennel, Durum wheat, Vineyards

Animal products: Fish, Deer, Goats, Horses, Lamoids, Sheep milk

Organic farming:

2. Farm woodland

Energy forestry, amenity/recreation, wildlife conservation, timber production

3. Agricultural contracting For other farmers, for non-agricultural organisations.

Passive diversification

Leasing of land

Leasing of buildings

(after Ilbery 1991a: 210)

Even within this seemingly uncontentious typology, there are problems of definition. Does Organic farming constitute diversification, if it is farming the same land and the same products just in a different manner? For some people it may be sideline, a diversion of resources, but for others it is their main strategy and passion. More has to be known about the motivations of farmers and how they manage their particular farm to assess if it should be construed as diversification or not. A certain gender bias is also evident in including agricultural contracting off the farm. This would appear to be concerned with men working off the farm, diverting their labour from full time farming.

Diversified activities covered in the research

Speciality crop or livestock products:

Livestock products

Goat dairying
Angora goats
Rare breeds
Bees/Honey
Deer
Fish
Rabbits
Minority poultry and game
Wild boar
Sheep dairying
Ostriches
Other livestock

Crop products

Special flowers/fruit etc
Vineyard
Minority crops
Christmas trees
Other crops (please specify)

Other speciality products

Dog/cat/breeding, kennels
Caged birds
Animal feeds
Turf
Energy crops
Minority products (please specify)

On farm services on the farm:

Accommodation and catering

Caravan/camping site
Holiday cottage
Rented accommodation (all year)
Bed & Breakfast
On-farm catering
Other accommodation and catering

Sport

Shooting
Motor sport
Golf
Other sport

Leisure

Picnic site
Wildlife/Trail/Museum etc

Horse related

Horse riding/Trekking
Livery
Horse racing and stud
Horse trials
Other horse related

Activity facilities

Boating
Fishing
War games
Gliding

Activity facilities (cont)

Educational facilities

Other leisure

Contracting services

Agricultural (e.g. farming operations)

Non-agricultural (e.g. plant hire, snow clearance)

Food processing or direct marketing:**Preparation/packing**

Milk bottling

Egg packing

Fruit and veg, washing, grading, etc

Other preparation/packing

Processing

Milled cereals

Milk products – cows

Milk products – goats/sheep

Game butcher

Meat butcher

Fish processing

Cider/fruit juice

Winemaking

Skins/hides/cloth making

Other food processing

Marketing

Pick-your-own

Farm shop

Freezer shop

Market stall

Farmers' markets

Box scheme

Egg sales

Milk round

Garden centre/plant sales

Hay, straw sales

Miscellaneous supplies

Other marketing/retail

Miscellaneous products or services**Fuel and timber**

Fuel wood

Timber products

Craft work**Rural crafts**

Teaching of crafts

Other

Secretarial services

Consultancy and management

Stone extraction/land fill

Agricultural sundries supply

Other miscellaneous

Building/machinery

Machinery hire

Hire of buildings

Vehicle storage

Cold storage

Haulage

Alternative technology

Showground

A very interesting pattern of diversification emerges from the data relating to farm type. Compared to the 'all holdings' average, diversification is significantly more common on 'cereals', 'general cropping' and 'mixed' farms, and notably less common on 'dairy' and 'cattle and sheep (LFA)' farms, and on 'other types'. Both 'pigs and poultry' and 'horticulture' types are slightly more likely than average to have some form of diversified activity. These findings are, in fact, remarkably consistent with the earlier study of farm diversification (McInerney et al, 1989), confirming what must be regarded as an established pattern. The incidence of diversification between farm type groups ranges from 48.1% ('other types') to 74.6% ('mixed' farms).

The importance of land tenure as a factor in farm diversification is an issue of considerable interest in a policy context. The respondents were classed as one of four tenure types – wholly owned, mainly owned, mainly tenanted or wholly tenanted – based on the information collected as part of the agricultural census. The usual caveats regarding the relationship between agricultural holdings and farm businesses apply. The data show that owner occupied holdings are slightly less likely than average to be involved in any form of farm diversification, at 54.5% compared with the 'all holdings' figure of 58.3%. According to these statistics, wholly tenanted holdings, in contrast, are the most heavily involved, at 66.4%. There is no clear pattern for mixed tenure holdings, other than to suggest that farms which include some rented land are noticeably more likely to have some diversified activity. This conclusion is not consistent with other findings, as many tenant farmers have been hampered in the past due to tenancy restrictions. This may improve with the recent introduction of an adjudication service for landlord and tenant disputes on diversification or agri-environment matters through the Royal Institution of Chartered Surveyors (RICS).

It is possible to construct a plausible hypothesis as to why wholly owned holdings are not more diversified than wholly tenanted holdings, which rests on the possibility of a linkage between diversification, entrepreneurial talent and business viability. First, there is good evidence that many of the more entrepreneurial farmers typically expand their farming business through various forms of tenure and quasi-tenure arrangements (Whitehead et al 2002, Lobley et al 2002). Secondly, studies have also shown that farm businesses under greater pressure - for example, through having to meet regular rent payments for land, and/or debt servicing charges – typically have higher performance (ref Maunder et al).

Some caution in interpreting the results is appropriate given the findings of a recent study of structural change in agriculture which found that 'the expansion of varied tenure arrangements and whole farm contracting means that holdings-based data have less and less relevance in monitoring the extent of farm business change' (Lobley et al, 2002).

The regional pattern of diversification: Government Office regions

	'Very small'		8 ESU & over		All holdings	
All areas	48		65		58	
Gov't Office regions						
North East	52	+4%	59	-7%	56	-2%
North West	40	-8%	53	-12%	48	-11%
Yorkshire & Humber	48	+0%	72	+6%	55	-4%
East Midlands	43	-5%	62	-4%	55	-4%
West Midlands	43	-5%	61	-5%	53	-5%
East of England	51	+3%	70	+4%	64	+6%
South East	53	+5%	78	+13%	68	+9%
South West	52	+4%	67	+2%	61	+3%

It may be surmised from this data that, irrespective of farm type and other holdings-related factors, there is firm evidence of significant regional variations in diversification which are probably linked to the existence of exploitable opportunities. In other words, market-related factors are important in the development of farm diversification. For example, it seems a reasonable hypothesis that the relatively high level of diversification in the South West region – despite its strong association with various forms of livestock farming, which have a lower than average incidence of diversification – will be related to factors such as tourism potential. Conversely, the north is clearly less diversified than the south of the country. A similar distinction may be drawn between the South East and the North West, in terms which emphasise the other major locational effect of 'urban markets', where the market for let workspace in converted buildings etc might be distinguished from other types of diversified 'product'.

Furthermore, regional factors linked to market opportunities have an important influence on the pattern of farm diversification.

- The incidence of *agricultural services* increases with farm business size from 19% on 'very small' holdings to 58% on 'very large'. Not surprisingly this enterprise features particularly strongly on cereals and general cropping farm types and hence it is relatively prevalent in the East and South East regions.
- The most striking thing about the *trading enterprises* is their markedly higher prevalence on diversified horticultural and pigs & poultry holdings, which may be connected with the higher incidence of *crop-based* and *livestock-based* enterprises on these farm types (at 68% and 45% respectively).

- *Accommodation and catering* enterprises again occur more frequently with increasing farm size. They are relatively prevalent on diversified cattle and sheep holdings and diversified holdings in the South West region, and also in the LFAs and National Parks (all of which are clearly interrelated).
- *Equine enterprises* probably have the strongest association with farm type, featuring on 44% of diversified 'other types' holdings but on less than 10% of diversified horticultural, dairy and hill livestock holdings. They are relatively more common on diversified 'very small' holdings.
- Interestingly, half of all diversified 'very large' farms have *recreation and leisure* enterprises, more than twice the 'all farms' average. These enterprises are relatively scarce on diversified horticultural and hill livestock holdings.
- The relative incidence of *miscellaneous services* may well be most closely related to the likely availability of, and demand for, surplus farm buildings for non-agricultural use. This would correspond with the relatively high incidence of these enterprises on diversified cereal and general cropping farm types and on diversified holdings in the East and South East regions. They are, of course, well represented on diversified 'very large' farms.

Diversified enterprise output, by GO region

GO region	Average enterprise output		No. of enterprises/ farm
	£ per enterprise	£ per farm	
North East	18,631	26,533	1.5
North West	19,880	31,546	1.6
Yorkshire/Humber	27,915	52,201	1.8
East Midlands	7,554	15,472	2.1
West Midlands	6,899	15,827	2.0
East of England	27,672	62,799	1.9
South East	35,420	78,471	2.0
South West	41,316	72,715	1.9
All Holdings	25,500	48,481	1.8

Again, some interesting differences in the typical scale of diversified enterprises emerge on a regional level. Both of the Midlands regions, both East and West, have the smallest enterprises but record rather more enterprises per farm than average. The South West recorded the largest average scale of diversified enterprises, followed by the South East, and both regions recorded slightly above the overall mean in terms of the number of enterprises per farm.

Given the very obvious range in the sizes of diversified enterprises, a number of important features about farm diversification have been identified. This summary of the cost and profit structures of farm diversification highlights those which are important in understanding the nature of this form of farm business activity:

- On average, direct costs represent about 43% of total operating costs, and overhead costs 57%.
- However, cost structures vary widely by type of enterprise, with overhead costs accounting for between 36% and 78% ('trading' and 'recreation and leisure' respectively) of total operating costs.
- The average diversified enterprise brings in a net profit per farm of £9,474, with a range by type of enterprise of between £5,617 ('trading enterprises') and £12,546 ('miscellaneous services').
- For all diversified enterprises, the average net profit margin is 27.8%.

Profit margins also vary widely by type of enterprise: they are lowest for 'trading enterprises' (at 18.4%) and highest for 'equine enterprises' (at 64%).

- Variability from the overall mean by enterprise type is greatest for total operating costs, particularly direct costs, and least for net profits, with variability in output levels somewhere in between.

Against the background of farming recession, and at the average levels of profitability identified, it is very evident that farm diversification is currently making a very important contribution to overall business profitability on many farms. However, making a direct comparison between the two sources of income is not easy because of differences in methodology.

Average values/distribution of net profits by diversified enterprise

Enterprise type	Per cent of diversified enterprises with net profit level(1)						
	Net profit (£)	Negative	£1-£1,000	£1,001-£2,500	£2,501-£10,000	£10,001-£25,000	£25,001 and over
Agricultural services	12,505	5	11	13	44	17	11
Trading enterprises	6,717	6	39	25	19	4	7
Accommodation/Catering	10,175	1	13	11	58	10	7
Equine enterprises	5,653	2	17	23	37	18	4
Recreation and leisure	8,883	7	18	26	32	11	6
Unconventional crops	6,792	10	27	30	8	22	3
Unconventional livestock	9,441	23	39	11	3	6	17
Miscellaneous services	12,546	2	21	9	46	11	11
All enterprises	9,659	6	22	17	36	12	8

(1) To nearest whole percentage point, may not total to 100.

The above table illustrates several key points:

- The existence of healthy net profits (taken here to include both average profit levels as well as profit margins) in an era when profitability in conventional agriculture is weaker than for many years provides clear evidence of the importance of diversification as a feature of the modern farming sector.
- Furthermore, the not insubstantial average net margins obtained from diversification, irrespective of the type of enterprise involved, compare very favourably with mainstream agriculture at the present time.
- Clearly ‘miscellaneous services’, ‘agricultural services’ and ‘accommodation and catering’ are very attractive financially, returning substantial net margins on average.
- Those enterprises primarily connected with tourism and leisure (i.e. ‘accommodation and catering’, ‘recreation and leisure’ and ‘equine enterprises’) appear to be very useful adjuncts to a farm business, with the first two generating above average net margins and very good net profit margins also; equine enterprises are typically smaller, but as a group show the best net profit margin of all.

8.1. Perceived importance of the diversified enterprise

The Exeter research included some farmer interviews, the respondents were asked to give their assessment of the importance of the diversified enterprise, or enterprises, on their farms to the overall farm business income and to the employment of family members. Respondents were asked the question ‘If you did not have the diversified enterprise...?’ and, with respect to the significance of diversification in *business income* terms, asked to choose whichever of the following options best applied:

1. The farm business would actually be better off;
2. It would make very little difference;
3. There would be a noticeable reduction in income;

If the third option was chosen, they were then asked 'Would the viability of the whole farm be in question?'

Perceived importance of diversification for total farm income, by robust farm type

	Better off	No difference	Reduction	Viability threatened
Cereals	1%	26%	24%	49%
General cropping	3%	17%	22%	58%
Horticulture*	28%	35%	0%	37%
Pigs & poultry*	0%	37%	22%	41%
Dairy	2%	31%	27%	40%
Cattle/sheep (LFA)	0%	27%	22%	50%
Cattle/sheep (Low)	0%	9%	11%	80%
Mixed	0%	28%	25%	47%
Other types*	0%	37%	9%	53%
All holdings	2%	27%	20%	51%

*Results not significant at the 95% confidence level

These findings make clear that the importance of diversification in economic terms should not be underestimated. Overall, the principal managers of more than half of this sample of diversified farms regard the continuance of their diversified activities as central to the viability of their business. For certain groups of farm, such as 'small' farms and lowland cattle and sheep farms the proportion is even higher (67% and 80% respectively). There are very interesting regional differences in the farm-level economic importance of diversification, too.

In addition to those for whom diversification underpins the viability of their businesses, a further 20% of the whole sample would see a 'noticeable reduction' in total business income if they did not have the diversified enterprise. Again, there are interesting differences across the various sub-groups presented here.

Perceived importance of diversification for total farm income, by GO region

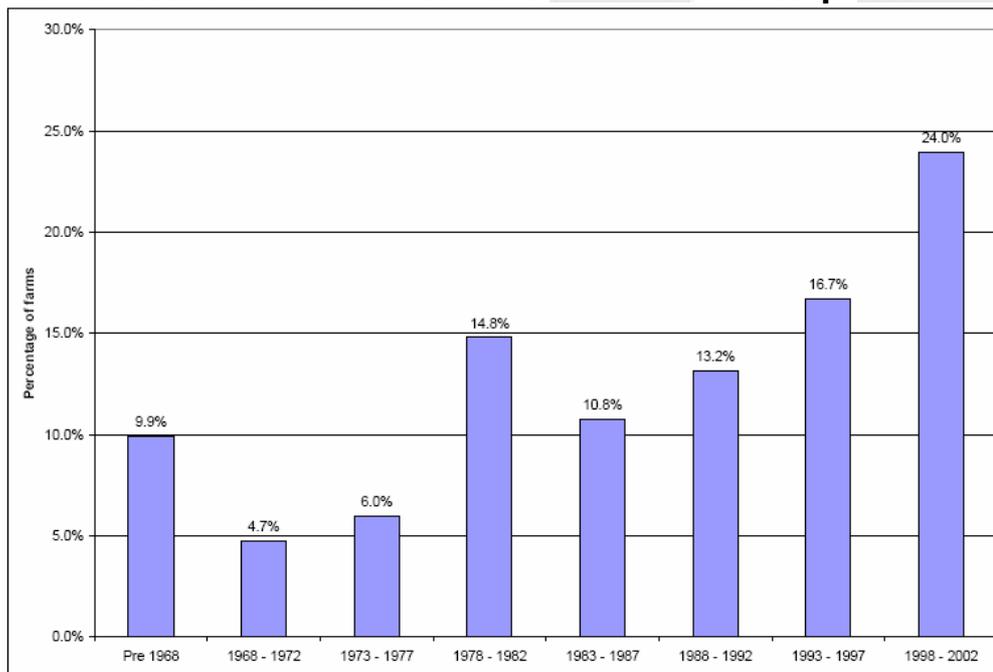
	Better off	No difference	Reduction	Viability threatened
North East*	0%	38%	24%	38%
North West	0%	30%	20%	50%
Yorkshire & Humber	0%	14%	18%	68%
East Midlands	0%	22%	47%	31%
West Midlands	14%	41%	6%	39%
East of England	0%	30%	21%	49%
South East	7%	36%	4%	53%
South West	0%	18%	22%	60%
All holdings	2%	27%	20%	51%

*Results not significant at the 95% confidence level

8.2. Length of involvement in diversification

The Exeter interview survey gathered information on the length of time each farm has been involved in farm diversification, based on the dates of establishment of current enterprises (in some cases this may have been an underestimate as an earlier enterprise has been abandoned). On average, it was found that current enterprises have been established for 16 years, but the variation by farm business size showed a much lower average age for diversified enterprises on 'very small' farms, at 11 years. The table below illustrates the distribution of enterprise ages based on year of establishment and demonstrates an increasing trend towards farm diversification.

Year of establishment of current diversified enterprises



8.3. Diversification in Mid Devon

From all of the current research data available there is no specific reference to the Mid Devon Local Authority area. This may be something which could be considered at a later date. However based on the physical nature of the farm type mix, size of the holdings and the experience of Acorus consultants within Mid Devon the level of diversification and types of enterprise will be similar to that reported for the South West region. In summary these are:

- Compared with other regions within the UK the South West has the largest average scale of diversified enterprises with an average turnover of £41,000.
- Medium sized farms (50–200ha, 125-494acres) are the most likely to be active in on-farm non-agricultural work.
- Compared to the 'all holdings' average, diversification is significantly more common on 'mixed', 'general cropping' and 'cereals' farms, and 'other types'.
- The average diversified enterprise brings in a net profit per farm of £9,474, with a range by type of enterprise of between £5,617 ('trading enterprises') and £12,546 ('miscellaneous services').
- The average net profit margin is 27.8%. Profit margins also vary widely by type of enterprise: they are lowest for 'trading enterprises' (at 18.4%) and highest for 'equine enterprises' (at 64%).
- 60% of the diversified businesses now believe that the enterprises underpin the viability of their whole farm business. A further 22% of the whole sample would see a 'noticeable reduction' in total business income if they did not have the diversified enterprise.

It can therefore be stated that diversification is already very important for agricultural businesses in the region and that without it many of the holdings would not be viable.

It is difficult to predict what activities farmers are likely to diversify into; some of the opportunities considered are influenced by planning authorities at the planning application stage. On the basis of current activities it is suggested that residential conversions are likely to prove very popular. This maximises the potential return from currently 'redundant' assets, and if rented out will provide an on going income stream. From a grant scheme perspective tourism and equine have been the predominant use. Equine will continue, particularly for private uses and business uses in good locations.

9. PLANNING POLICY BACKGROUND

In the Planning Green Paper of 2001 (*Planning: delivering a fundamental change*) the Government identified a number of inadequacies with the current planning system and made a commitment to major reform. An agenda for reform was set out in the Government's policy statement of 2002 (*Sustainable Communities: Delivering through planning*). The resulting Planning and Compulsory Purchase Act 2004 ("the Act") which received Royal Assent on 13th May 2004 represents some of the biggest changes to the planning process in 50 years and is intended to help in implementing the Government's objectives for a modern, effective planning system which can help deliver sustainable communities.

Although the Act is coming into effect, through a series of commencement orders at different stages, the principal provisions (Parts 1 and 2) relating to the development plan regime are already in force. The main changes to the system are as follows:

- The statutory development plan will comprise the following:
 - Regional Spatial Strategy (RSS) prepared by the Regional Planning Body (RPB) or in the case of London, the London Spatial Development Strategy (SDS) prepared by the Mayor of London; and
 - Development Plan Documents (DPDs) prepared by district councils, unitary authorities and in terms of minerals and waste only, prepared by the county councils.
- The current system of unitary, local and structure plans has been abolished although transitional arrangements enable existing plans where adopted to be saved for three years from the commencement of the Act. Draft plans and revisions will also be saved depending on their stage of preparation.
- The Local Development Framework (LDF) is not a statutory term but it sets out the Local Development Documents (LDDs) which will collectively deliver the spatial planning strategy for the Local Planning Authority's (LPA) area. The relevant LPA is under a duty to prepare a Local Development Scheme (LDS) which is a project plan of the intended production of LDDs, the timetable for producing them and whether they are to be prepared jointly with other LPAs. LDDs can either be statutory DPDs which will be subject to independent examination at public inquiry: core strategy, site specific allocations of land and area action plans (where needed); or Supplementary Planning Documents (SPDs) which will not form part of the statutory development plan or be subject to independent examination. LDDs must be in general conformity with the RSS.

The Act has been accompanied by a further package of reforms to planning policy and practice including changes to the structure of national land-use planning policies. Existing *Planning Policy Guidance Notes (PPGs)* are being revised into more concise and focused *Planning Policy Statements (PPSs)* and set out the Government's national policies on different aspects of land-use planning in England.

Perhaps the most significant change in the policy backdrop to the development plan regime is the widening of the scope of planning to become a spatial activity. In future, planning is expected to have a greater interface and connectivity with other policy initiatives and programmes such as economic development, land management, rural regeneration strategies. **PPS1: Delivering Sustainable Development (2005)** states the following at *Paragraph 30*:

The new system of regional spatial strategies and local development documents should take a spatial planning approach. Spatial planning goes beyond traditional land use planning to bring together and integrate policies for the development and use of land with other policies and programmes which influence the nature of places and how they can function. That will include policies which can impact on land use, for example by influencing the demands on or needs for development, but which are not capable of being delivered solely or mainly through the granting or refusal of planning permission and which may be implemented by other means. Where other means of implementation are required these should be clearly identified in the plan.

In terms of the structure of spatial plan-making *PPS1* advises at *Paragraph 32* they should:

- (i) Set a clear vision for the future pattern of development, with clear objectives for achieving that vision and strategies for delivery and implementation. Planning should lead and focus on outcomes. Plan policies must be set out clearly, with indicators against which progress can be measured. Plans should guide patterns of development and seek to manage changes to the areas they cover.*
- (ii) Consider the needs and problems of the communities in their areas and how they interact, and relate them to the use and development of land. They should cover not only what can be built where and in what circumstances, but should set out also how social, economic and environmental objectives will be achieved through plan policies.*

(iii) Seek to integrate the wide range of activities relating to development and regeneration. Plans should take full account of other relevant strategies and programmes and, where possible, be drawn up in collaboration with those responsible for them. The aim should be to coordinate urban and rural regeneration strategies, regional economic and housing strategies, community development and local transport plans with development plans. Planning authorities should consult closely with the bodies responsible for those strategies to ensure a coherent and consistent approach. Regional spatial and economic strategies in particular should draw upon and be supported by a common, robust, evidence base. Local development documents should take forward those elements of the local community strategies that relate to the physical development and use of land in an authority's area.

9.1. National Planning Policy

The key national planning policies relating to farm diversification are to be found in *PPS7* and *PPG13*.

PPS7 : Sustainable Development in Rural Areas (2004), replaced *PPG7 : The Countryside – Environmental Quality and Economic and Social Development*. The policies in *PPS7* apply to the rural areas, including country towns and villages and the wider, largely undeveloped countryside up to the fringes of larger urban areas. *PPS7* does not set out any regulatory powers or duties on LPAs, but the foreword to *PPS7* states:

The policies set out in this PPS will need to be taken into account by regional planning bodies in the preparation of Regional Spatial Strategies, by the Mayor of London in relation to the Spatial Development Strategy in London and by local planning authorities in the preparation of local development documents. They may also be material to decisions on individual planning applications.

Following a review of *PPG7* the Government decided that the broad planning policy framework provided by *PPG7* remained appropriate. The principal aim of *PPS7* is to support thriving rural communities and businesses whilst protecting the countryside from unnecessary development. The Government's objectives for rural areas that are relevant to *PPS7* are as follows:

- *To raise the quality of life and the environment in rural areas,*
- *To promote more sustainable patterns of development,*
- *To promote the development of the English regions by improving their economic performance so that all are able to reach their full potential, and,*
- *To promote sustainable, diverse and adaptable agriculture sectors.*

The following key principles are identified in *PPS7* although they need to be applied in combination with all policies set out in the *PPS*:

- *Decisions on development proposals should be based on sustainable development principles. The approach to planning for sustainable development is set out in more detail in PPS1.*
- *Good quality, carefully sited accessible development within existing towns and villages.*
- *Accessibility should be a key consideration in all development decisions.*
- *New building development in the countryside away from existing settlements, or outside areas allocated for development in development plans, should be strictly controlled.*
- *Priority should be given to the re-use of previously-developed land ('brownfield') sites in preference to the development of greenfield sites except where there are no brownfield sites available or they perform poorly in terms of sustainability considerations in comparison with greenfield sites.*
- *All development in rural area should be well designed and inclusive.*

PPS7 sets out planning policies that are intended to:

- *help deliver inclusive, sustainable rural communities - maintaining and revitalising country towns and villages;*
- *support the provision of rural community services and facilities, including village shops and halls;*
- *enable rural economies to be strengthened and to diversify;*
- *support the provision of local affordable housing in rural areas, in accordance with the Government's planning guidance on housing;*
- *recognise the important roles of farming, including maintenance of the countryside, and help farmers to adapt to changing markets and to diversify; and*
- *recognise the importance of tourism and leisure to rural economies and support the provision of appropriate facilities so that rural England and its countryside can be enjoyed by all.*

Paragraphs 30-31 of PPS7 are particularly relevant to farm diversification:

30. *Recognising that diversification into non-agricultural activities is vital to the continuing viability of many farm enterprises, local planning authorities should:*

- (i) *set out in their LDDs the criteria to be applied to planning applications for farm diversification projects;*

- (ii) be supportive of well-conceived farm diversification schemes for business purposes that contribute to sustainable development objectives and help to sustain the agricultural enterprise, and are consistent in their scale with their rural location. This applies equally to farm diversification schemes around the fringes of urban areas; and*
- (iii) where relevant, give favourable consideration to proposals for diversification in Green Belts where the development preserves the openness of the Green Belt and does not conflict with the purposes of including land within it. (Where farm diversification proposals in the Green Belt would result in inappropriate development in terms of PPG2, any wider benefits of the diversification may contribute to the 'very special circumstances' required by PPG2 for a development to be granted planning permission).*

31. *A supportive approach to farm diversification should not result in excessive expansion and encroachment of building development into the countryside. Planning authorities should:*

- (i) encourage the re-use or replacement of existing buildings where feasible, having regard to paragraphs 17-21; and*
- (ii) have regard to the amenity of any nearby residents or other rural businesses that may be adversely affected by new types of on-farm development.*

Given the close linkages between farm diversification and equine-related activities, *Paragraph 32* of is also relevant:

32. *Horse riding and other equestrian activities are popular forms of recreation in the countryside that can fit in well with farming activities and help to diversify rural economies. In some parts of the country, horse training and breeding businesses play an important economic role. Local planning authorities should set out in LDDs their policies for supporting equine enterprises that maintain environmental quality and countryside character. These policies should provide for a range of suitably located recreational and leisure facilities and, where appropriate, for the needs of training and breeding businesses. They should also facilitate the re-use of farm buildings for small-scale horse enterprises¹ that provide a useful form of farm diversification.*

The following paragraphs are also relevant to farm diversification:

Tourism and visitor facilities

35. *The provision of essential facilities for tourist visitors is vital for the development of the tourism industry in rural areas. Local planning authorities should:*

¹ That is, enterprises involving up to ten horses.

- (i) *plan for and support the provision of general tourist and visitor facilities in appropriate locations where identified needs are not met by existing facilities in rural service centres. Where new or additional facilities are required, these should normally be provided in, or close to, service centres or villages;*
- (ii) *allow appropriate facilities needed to enhance visitors' enjoyment, and/or improve the financial viability, of a particular countryside feature or attraction, providing they will not detract from the attractiveness or importance of the feature, or the surrounding countryside.*

36. *Wherever possible, tourist and visitor facilities should be housed in existing or replacement buildings, particularly where they are located outside existing settlements. Facilities requiring new buildings in the countryside may be justified where the required facilities are needed in conjunction with a particular countryside attraction; they meet the criteria in paragraph 35(ii); and there are no suitable existing buildings or developed sites available for re-use.*

Tourist accommodation

37. *The Government expects most tourist accommodation requiring new buildings to be located in, or adjacent to, existing towns and villages.*

38. *The conversion of suitable existing rural buildings to provide hotel and other serviced accommodation should be allowed, taking into account the policies on the re-use of rural buildings in paragraphs 17 and 18. Similarly, planning authorities should adopt a positive approach to proposed extensions to existing tourist accommodation where the scale of the extension is appropriate to its location and where the extension may help to ensure the future viability of such businesses.*

40. *Local planning authorities should support the provision of other forms of self-catering holiday accommodation in rural areas where this would accord with sustainable development objectives. The re-use and conversion of existing non-residential buildings for this purpose may have added benefits, e.g. as a farm diversification scheme.*

Overview of PPS7

While PPS7 represents the first of the new breed of more focused national planning policy instruments, many of the policies are similar to, or based closely on previous policies in PPG7. This is not entirely unexpected given the review of PPG7 concluded that the broad planning policy framework it provided remained appropriate. The farm diversification policies contained within PPS7 have a particular resonance with the amendments made by ministerial statement to PPG7 in March 2001 which took account of the need for more effective planning for sustainable farm diversification projects. However, economic growth and diversification are highlighted as a way of promoting the Government's objective of raising the quality of life and the environment in rural areas. There is also a new emphasis to the principles of sustainable development, supporting rural communities and protecting the countryside from unnecessary development, many of the policies consolidate those in PPG7. An example is the continued support for the re-use of rural buildings for business use.

Although the specific examples of farm diversification found in PPG7 are not replicated in PPS7, this omission might facilitate a change of mind-set away from the traditional and in some cases stereotypical understanding of farm diversification projects into a wider acceptance of non-agricultural activities. While some of these latter activities can still have a clear relationship with agriculture, e.g. processing and packaging of farm produce, many more, increasingly have no association with farming, e.g. offices involved in service provision. In many ways, planning policy is following behind the changes associated with the restructuring of agriculture and the varied ways in which farmers are now supplementing or even replacing their previous income from operational farming, in spite of PPS7 maintaining a need for farm diversification to "*sustain the agricultural enterprise*".

Given that both the tone and even the text of PPS7, at least in relation to farm diversification, is very similar to that contained in PPG7, much of the policy theme will have already cascaded from national level through the development plan hierarchy. Although PPS7 does contain new policies devoted to equine-related activities and an expansion of policies devoted to tourism and leisure, these tend to echo the general support for farm diversification into non-agricultural activities. While the new policies on farm diversification do not necessarily represent a major step-change in policy direction, they will need to be applied in a different policy context where the emphasis is on more generic criteria of clarity and depth against which planning applications will be considered, rather than the previous tendency for local plans to contain a host of use-related and development control orientated policies. It is clear from the research carried out by Land Use Consultants for the South West Assembly that the effectiveness of rural planning policies, such as those concerned with farm diversification, will be dependent in large part on a clear evidence-based understanding of the nature of local needs and equal clarity in finding the most appropriate approach to deliver the right policies, and this is confirmed in paragraph 2 of PPS7 which states that:

'Where there is a lack of up to date, robust information, local authorities should consider commissioning surveys and assessments of rural economic and social conditions and needs, including local housing needs

Given the often inherently unsustainable location of many farmsteads, the absence of any effective and clear definition of “sustainable farm diversification” might well lead to tension in striking a balance between sustainable development objectives and fostering thriving rural enterprises. Although there is frequent mention of “sustainable”, particularly in the Government objectives for rural areas, this does not in itself assist in a definitive understanding of balancing what are often diverse interests against a backdrop of promotion of thriving rural communities. At the time of writing an intended guidance note is still awaited to accompany PPS7.

Although the former Annex C (Development related to agriculture and to farm diversification) in PPG7 has not been included, the new PPS7 does include clear support for agricultural development. Significantly, this support recognises the varied roles of agriculture, in particular its role in maintaining and managing the countryside, and the need for farming and farmers to respond to a host of economic, legislative and environmental forces. To this end, PPS7 reflects many of the recommendations of the Policy Commission on the Future of Farming and Food: 2002 (the Curry Report).

PPG13 : Transport (2001), contains the following policy guidance at Paragraph 43:

In order to reduce the need for long-distance out-commuting to jobs in urban areas, it is important to promote adequate employment opportunities in rural areas. Diversification of agricultural businesses is increasingly likely to lead to proposals for conversion or re-use of existing farm buildings for other business purposes, possibly in remote locations. PPG7 indicates that for development related to agriculture and for farm diversification, appropriate new buildings may also be acceptable. In plan policies and development control decisions, local authorities should encourage farm diversification proposals particularly, but not exclusively, where this enables access by public transport, walking and cycling. They should be realistic about the availability, or likely availability, of alternatives to access by car. Similarly, they should not reject proposals where small-scale business development or its expansion would give rise to only modest additional daily vehicle movements, in comparison to other uses that are permitted on the site, and the impact on minor roads would not be significant.

PPG2 : Green Belts and **PPG17 : Planning for Open Space, Sport and Recreation** are also relevant to diversification.

PPG2 and its guidance as to suitable uses for, and the objectives of, Green Belts, should be considered in the light of PPS7 and its encouragement of appropriate diversification.

PPG17 recognises the value of urban fringe areas as a resource for the provision of sports and recreation uses where such resource within urban areas is insufficient.

9.2. Regional Planning Policy: Regional Spatial Strategy

The Regional Assembly was designated the South West's Regional Planning Body ("RPB") on 28th September 2004. This role has two key statutory functions and as RPB it is required to:

- Review and revise the existing Regional Planning Guidance (RPG) which was first published in 2001 as RPG10 covering the period up to 2016 and beyond and which is now called the RSS.
- Develop a new revised RSS covering the period 2006 – 2026 to set a regional framework for development.

The following policy in **RPG10 : Regional Planning Guidance for the South West** addresses farm diversification:

Policy SS19: Rural Areas

Market towns should be the focal points for development and service provision in the rural areas and this role should be supported and enhanced. Outside market towns, development should be small scale and take place primarily within or adjacent to existing settlements, avoiding scattered forms of development. Local authorities in their development plans should:

- *locate development to support the rural areas primarily in market towns, identified and designated in development plans through a balanced mix of homes, jobs, services and facilities suitable to the scale and location of such settlements;*
- *adopt policies which support the restructuring of the rural economy and the provision of jobs to satisfy local needs;*
- *set out policies for supporting sustainable farm diversification schemes which help to maintain the viability of the agriculture sector and rural economic vitality;*
- *seek ways of providing for essential shops and services to serve the rural areas;*
- *promote improved and integrated public transport, communications and service delivery and support innovative community based solutions to public transport and communications, in order to increase access to jobs, housing, and facilities;*

- *limit housing growth in market towns near larger urban areas where it would fuel commuting rather than meet local needs.*

The revised RSS will set the regional context for planning in the South West and will:

- Guide the planning process at a local level – in District LDFs.
- Help deliver the region's Integrated Regional Strategy.
- Include a Regional Transport Strategy to guide investment in transport facilities.
- Provide policy guidance on issues ranging from minerals extraction and waste treatment to economic development and housing, health, culture and the environment, and,
- Include District level housing matters.

The RSS is not simply a land-used based plan but will evolve in the context of the Integrated Regional Strategy. The Assembly is currently working on alternative regional development strategies.

Rural research has been carried out by Land Use Consultants for the South West Regional Assembly and a report was published in July 2004: *Better Planning of Rural Areas in the South West*. The major findings of this research are:

- The evidence base under rural planning policy for the South West is thin; regionally and locally.
- Future planning for rural areas will require a better evidence base.
- Regional planning needs to move beyond a simple rural/urban policy distinction.
- The most effective way (from data, analysis and those consulted) to address regional rural planning is that policy form should follow function.
- Effective planning for the region's rural areas is not a question of simply picking the right regional policies – the task is to find the right approach to deliver the right policies.
- Policy subsidiary is the suggested approach – spatial planning for rural areas makes more strategic sense at the sub-regional and local levels than at a regional level.
- Four possible sub-regions for the South West.
- Research represents a significantly different approach to that taken in *RPG10* which has been rightly criticised for being 'light' on rural planning.

9.3. Regional Tourist Policy: Regional Tourist Strategy

South West Tourism (SWT) is the Regional Tourist Board for the South West of England and is a partnership of private enterprises and both local and central government. SWT is the only official tourist board for the South West and is the lead body representing the seven counties of the South West region. Covering the former Avon, Cornwall, Devon, Dorset, Gloucestershire, the Isles of Scilly, Somerset and Wiltshire.

SWT seeks to encourage the promotion and development of tourism throughout the South West by:

- Generating new and repeat customers through professionally researched and executed marketing campaigns.
- Steering the development of tourism in the region through key strategic development projects.
- Representing and lobbying for a fair economic and public policy position which will enable the industry to develop and grow.
- Saving tourism businesses money through membership benefits, discounted purchasing and cost saving opportunities.
- Providing high quality relevant business support services to tourism operators.

The current Regional Tourist Strategy (RST) is referred to in RPG10 (see previous section). A new RST is being developed (*Towards 2015*) with an overall vision that by 2020, the South West will have established itself as one of the leading tourism destinations in Europe. SWT proposes that a strong and prosperous tourism industry will:

- Deliver a high quality experience for the visitor to the region.
- Provide sustainable economic and community benefits for the residents of the South West.
- Contribute to the maintenance and enhancement of a superb natural and built environment.

SWT recognises that the benefits arising from the future development of tourism in the South West can only be realised if that development is sustainable for the long term as changes in tourism will have implications for the environment, for local communities and individual businesses. The sustainable development of tourism to 2020 will be guided by the need to ensure:

- The economic prosperity of businesses in the tourism sector. Unless tourism businesses can generate sufficient profit to ensure re-investment in the quality and range of facilities, and in training and personal development, the individual establishments will not remain competitive. The tourism industry is also reliant on the public sector in managing the wider environment within which it operates. It is essential therefore that the needs of the tourism industry are recognised by the public sector in maintaining services and support for business activity.
- Its impact on the environment of the South West. The high quality environment is the key resource for tourism in the region, and it is in the tourism industry's best interest that the environment should be conserved and enhanced. It is essential therefore that the development and management of tourism should be fully consistent with conserving the local environment.

- Its acceptability to local communities who host tourism activity. Tourism can bring substantial benefits in terms of jobs and income, and support for a wider choice of services and facilities than would otherwise be viable. It can also result in congestion, intrusion and pollution, particularly when visitor pressures are not effectively managed. Local residents often identify the disadvantages associated with tourism, but the benefits are often unrecognised or undervalued.

9.4. County Planning Policy: Devon Structure Plan

The Devon Structure Plan 2001 to 2016 – ‘Devon to 2016’ was adopted in October 2004 and is the current Structure Plan for the whole of Devon, including Plymouth, Torbay and Dartmoor National Park, but excluding Exmoor National Park. This Plan supersedes the previous *Devon Structure Plan First review 1995 to 2011* adopted in 1999.

The Structure Plan sets out strategic planning policies for development and other land uses in respect of: housing; employment; conservation; minerals; waste; transportation; shopping; tourism; leisure; and recreation, over a 15 year period. It provides a framework for detailed decisions by local authorities, other organisations and individuals in the preparation of their forward plans such as Local Plans, LDFs and Community Strategies.

The Structure Plan does not contain any specific planning policies in relation to farm diversification but a number of policies are of more general relevance to rural development, notably, *Policy ST16 (Local Centres and Rural Areas)* and *Policy TO3 (Tourism Development in Rural Areas)*:

Policy ST16

Within the rural areas, Local Plans should identify certain villages as Local Centres, which can complement the role of the Area Centres by acting as a focus for essential facilities within rural communities – including affordable housing, small scale employment and other local services. These Local Centres should therefore:

- 1) be accessible to the community they serve and well related to public transport and the highway network; and*
- 2) be defined to ensure that the local needs of all rural areas can be met, taking into account their location relative to other designated Centres, including those in adjoining Districts.*

Outside of the Local Centres, there may be scope for small scale development which supports the need for local regeneration where it recognises landscape and accessibility constraints and overall spatial strategy.

Policy TO3

Outside the settlements referred to Policies TO1 and TO2, the following types of tourist development will be acceptable:

- 1. within Local Centres and villages, small scale hotels and guest houses, including extensions and conversions, and small scale self-catering accommodation, where it would be in keeping with the scale and character of the settlement;*
- 2. accommodation in existing farm and country houses, including the conversion to ancillary serviced accommodation and self-catering units of adjacent buildings which are in close proximity to the main dwelling;*
- 3. accommodation and/or facilities directly related to existing recreational development, which would be compatible in scale and character to that development and the surrounding area;*
- 4. improvements to holiday and touring parks, at an appropriate scale, which would result in environmental gain and/or improved facilities;*
- 5. visitor attractions/activities related to, and sympathetic with, Devon's natural or historic heritage; and*
- 6. development permitted by Policy TO4.*

9.5. Local Planning Policy: Mid Devon Local Plan

The Mid Devon Local Plan First Alteration was published for consultation in October 2001 and a revised deposit was published for further comment in September 2002. The Local Plan Inquiry was held from July 2003 to April 2004 and the draft Inspector's report was published in November 2004. The intention is to adopt the plan in January 2006.

The overall aim of the Local Plan is as follows:

"To provide for a sustainable pattern of land use, development and transport which best protects and enhances the environment, meets the social needs of the community, conserves natural resources and maintains the ability of future generations to meet their own needs".

This overall aim has been translated into a vision and a strategy for Mid Devon.

Vision

This overall aim has been translated into the following Vision for Mid Devon, set out under five separate headings;

Housing & Development

- To provide housing that meets the needs of residents and is secure and affordable.
- To ensure that infrastructure is provided in step with development.
- To ensure the design of housing provides energy efficiency, sustainable development and where appropriate is in keeping with Devon's towns and villages.

Economy

- To encourage increased investment and create new jobs, suited to both a skilled and unskilled local workforce in urban and rural areas.
- To develop tourism.

Environment

- To manage development in an environmentally sensitive way.
- To ensure development incorporates facilities for recycling.
- To improve the street scene.
- To protect and enhance rural landscapes.
- To improve sport and recreational facilities for all residents.
- To reduce crime through the design of new development.
- To protect and enhance nature conservation.
- To conserve the historic environment.
- To reduce the need to travel.

Accessibility

- To improve the provision, accessibility and attractiveness of public transport and make it more available to the remoter parts of Mid Devon.
- To improve towns, villages and the countryside through appropriate footpath, cycleway and bridleway improvements.

Strategy

The implications of this aim and vision have been set in a strategy for the towns, villages and open countryside of the District.

Towns

- Concentrate new development in the towns, providing accessible employment, services and housing.
- Support the town centres as vital and viable areas with a mix of uses.
- Promote the use of brownfield land for development in preference to continued urban expansion.
- Protect and enhance their character, heritage and setting.

Local Centres and Villages

- Limit development to that which meets a local social or economic need.
- Support their general vitality and viability.
- Protect and enhance their character, heritage and setting.

Open Countryside

- Strictly limit development to agricultural or other appropriate rural areas.
- Promote diversification of the rural economy.
- Protect and enhance the landscape, wildlife and heritage of the open countryside.

9.6 Local Plan Policy Analysis

Comment on the vision and strategy

- Promotion of diversification of the rural economy is stipulated, however there is no emphasis on maintaining *existing* jobs.
- In some rural areas it may be difficult to reduce the need to travel by car even without increased diversification. In such areas it may be necessary to accept a slight increase in car journeys related to diversification projects. In fact without farm diversification rural workers would have to commute further by car into urban areas to find employment.
- Consideration should be given to regarding agricultural building complexes as akin to 'brownfield' sites in relation to diversification proposals.
- There appears to be a lack of appropriate monitoring indicators identified for assessing the success of the diversification element of the vision.

Comment on individual policies

Policy S5 – Countryside development

Development will not be permitted outside the defined settlement limits except for:

- Rural affordable housing, gypsy accommodation, replacement dwellings, housing essential to accommodate an agricultural or forestry worker, accommodation ancillary to a dwelling, or residential conversion of rural buildings;*
- appropriately scaled retail or employment development, farm diversification or tourist related development;*
- appropriately scaled and designed extensions or other physical alterations to existing buildings;*
- agricultural buildings;*

- v) *community facilities, such as educational facilities, buildings associated with public open space, transportation and infrastructure proposals, horse riding establishments or golf facilities; and*
 - vi) *renewable energy and telecommunications.*
- Farm diversification is, importantly, identified as an exception to the general constraints against development in the countryside.
 - Given that diversification proposals typically involve the re-use of existing resources including redundant agricultural buildings the *scale*, and viability, of 'the development' will often be determined by the existing resources; any assessment of *appropriate scale* should bear this in mind.

Policy S6 – General Development Requirements

Developments will be permitted provided they meet the following criteria in addition to any other Development Plan policies which apply;

- i) *in the case of developments with a significant impact on travel, they are located where the majority of trips involved can be undertaken without use of the private car; and*
- ii) *local roads have sufficient capacity to cater safely for additional road traffic arising; and*
- iii) *the operation of the site, including any additional road traffic arising, will not be detrimental to the amenity, health or safety of nearby occupants or the wider environment through noise, smell, dust, glare, light pollution, heat, vibration, fumes or other forms of pollution or nuisance; and*
- iv) *the health, safety or amenity of any occupants or users of the proposed development will not be harmed by any pollution arising from another existing or committed use; and*
- v) *they are located without harm to the historic interest, appearance and character of any affected landscape, settlement, or street scene; and*
- vi) *they are located without loss to open spaces important to the character of the area; and*
- vii) *the proposal will not lead to harm to protected wildlife species or their habitats or lead to an overall decrease in biodiversity and where possible increases biodiversity; and*
- viii) *the safety of any occupants or users will not be at risk from ground instability or land contamination; and*

ix) the site will be served by utility services and other infrastructure necessary for the development proposed.

- Some significant diversification schemes could be disadvantaged due to the remote location and lack of public transport.
- Local roads serve the majority of farms which are in rural areas.
- In order to ensure that the constraints of this Policy do not unduly militate against diversification it should be recognised that farm diversification is likely to be situated away from existing settlements and in relatively remote locations that necessitate car use.
- When assessing compliance with this Policy it is vital to appreciate that much diversification depends upon the efficient re-use of existing resources on a pre-determined site.

Policy H7 – Rural Exceptions

The development of affordable housing sites to meet the needs of the local community in the rural areas will be permitted provided that:

- i) the site is within or adjacent to the defined settlement limit of a settlement;*
- ii) there is a proven need for the provision of affordable housing in a local area from the following groups:-*
 - a) residents or a household including someone living or working in a parish or nearby parish currently in overcrowded or otherwise unacceptable accommodation;*
 - b) newly formed households with a person living or working in the parish or nearby parish;*
 - c) households including a retired or disabled person who has lived or worked in the parish or nearby parish for a total of 5 years or more, and*
 - d) former residents of the parish or nearby parish with strong local connections;*
- iii) the site is well related in scale, location and setting to the character and size of the settlement and its services in order to avoid significant harm to the character and setting of the settlement;*
- iv) the development will be retained in perpetuity by way of a legal agreement or condition to affordable housing in order to ensure availability to other persons requiring homes listed under criteria ii) or other genuine housing need where it is necessary to secure full occupation of the scheme;*
- v) the accommodation is of a size and type to meet identified needs; and*

vi) the layout and design is to a standard to meet other policies of the Plan.

- Some prerequisites of this Policy are unlikely to be met by the majority of sites upon which existing farm complexes are located so that whatever their merit farm diversification schemes involving the rental of affordable dwellings are unlikely to be acceptable under this Policy.
- Consideration should be given to looking favourably upon diversification proposals which otherwise meet the requirements of Policy H7 but fall foul of it by virtue of their location.

H14 - Agricultural and Forestry Workers' Dwellings

A new dwelling for an agricultural or forestry worker will be permitted outside Defined Settlement Limits, provided that;

- i) there is a need for a resident worker in that location, to ensure the proper functioning of a holding, rather than in other available accommodation in the locality; and*
- ii) the holding is financially viable and secure.*

Unless a new permanent dwelling is to support existing agricultural activities on a well established agricultural unit, only a temporary permission will be granted for an initial 3 years until the need for a permanent dwelling has been proven.

The occupancy of a dwelling granted under this policy will be limited to those currently or last working mainly in agriculture or forestry, or a widow or widower of such a person and any resident dependants.

Proposals to remove occupancy conditions on agricultural or forestry workers' dwellings will not be permitted, unless there is a proven lack of need for an agricultural or forestry dwelling in the area.

- There is no mention of 'occupational dwellings' as introduced by PPS7. Perhaps the same criteria should apply to occupational dwellings.

Policy H15 – Residential Conversion of rural buildings

The conversion of buildings outside Defined Settlement Limits for residential use will not be permitted, unless;

- i) the building is;*
 - a) of a traditional character, the retention of which is important to the character and appearance of the area; and*
 - b) unsuitable for an employment generating use in accordance with policy E12 or for a mixed residential/employment use or there is clear evidence that such a use is not likely for the building; and*
 - c) structurally sound, and can be converted without substantial extension, alteration or reconstruction;*
 - ii) and the proposal;*
 - d) does not harm the rural character of the area or the historic character of the building, taking account of any alterations to the building and external changes such as access arrangements, parking and domestic paraphernalia; and*
 - e) does not lead to the dispersal of activity or uses on such a scale as to prejudice town and village vitality or increase car travel; and*
 - f) retains any nature conservation interest associated with the site or building.*
- Farm diversification schemes for residential conversion of redundant agricultural buildings for letting are likely to be unable to meet the strict requirements of this Policy.
 - The requirements for 'the building' will rule out many more modern agricultural buildings, although the requirements for 'the proposal' may be relatively easy to satisfy.
 - Car travel is only one element of vehicular transport to and from the site. Consideration should also be given to the nature and extent of previous vehicular movements as well as the impact on the holding and the surrounding area of the implications of the proposal.

Policy E7 – Shopping outside settlements

Retail development will be permitted outside Defined Settlement Limits, provided they are secondary to the following uses permitted in accordance with the relevant policies;

- i) tourism and recreation development; or*
- ii) roadside facilities; or*
- iii) farm diversification; or*
- iv) employment development;*

and will not harm the vitality and viability of a town centre or the availability of rural shopping facilities.

- The mention of 'farm diversification' is a significant inclusion here though it should be appreciated that in this context a 'retail development' may be more than simply a farm shop.

Policy E11 - Rural employment development

New buildings or other structures for employment development (Use Classes B1 - B8) will be permitted outside Defined Settlement Limits where they are small scale, do not harm the rural character of the area and;

- i) are on a site adjacent to a Local Centre or Village; or*
 - ii) serve an agricultural purpose which would not be practical within a settlement.*
- There is no specific mention of diversification as a qualifying element of this Policy and it is not entirely clear whether or not farm diversification will be accepted as serving an 'agricultural purpose'.
 - There is a requirement for the definition of 'small scale' or indication as to how this criterion will be interpreted.
 - Many sites capable of generating diversification proposals will not satisfy the location criteria of this Policy.
 - There is a likelihood that this Policy will militate against the provision of new buildings for well-conceived diversification proposals.

Policy E12 - Rural employment conversions

The conversion of buildings outside Defined Settlement Limits for employment, recreational, tourist or community use will be permitted, provided that;

- i) the building is;*
 - a) structurally sound, and can be converted without major extension, alteration or reconstruction; and*
 - b) not harmful to the character and appearance of the area; and*
 - c) well related to a public road;*
- ii) and the proposal;*
 - d) does not harm the rural character of the area or the historic character of any building, taking account of any alterations to the building and external changes such as access arrangements, parking and storage; and*
 - e) does not lead to the dispersal of activity or uses on such a scale as to prejudice town and village vitality or significantly increase car travel; and*

- f) *retains any nature conservation interest associated with the site or building.*
- This Policy, applied with the spirit clearly intended, should encourage well-conceived diversification proposals to come forward.

Policy E13 – Agricultural building

Agricultural buildings will be permitted outside Defined Settlement Limits provided that:

- the primary purpose is to support farming activities related to the land holding or the immediate agricultural community and the building is needed for that purpose;*
 - the building is located so as not to cause harm to the living conditions of nearby residents and the character and appearance of the area, taking account of the management needs of the agricultural enterprise, and*
 - in appropriate cases the Council will consider the need to require that the building be removed when it is no longer required for agricultural purposes, and the site reinstated to its former use.*
- The reference in sub-paragraph i); 'the primary purpose is to support farming activities' can be interpreted to mean a diversification purpose even though the proposed use is not technically an agricultural one.

Policy E15 – Tourist proposals outside settlements

Tourism, leisure and recreational proposals outside Defined Settlement Limits will be permitted provided that they:

- are commensurate with the character, accessibility and public transport facilities of the local area; and*
 - involve an improvement to an existing tourism, leisure or recreational operation, or*
 - are directly related to a local archaeological, geological, landscape, historic or wildlife feature and would not significantly harm that feature.*
- There is no mention of, or any cross reference to, farm diversification in this Policy which given the subject matter seems a little surprising. The inclusion of "agricultural" at point iii would enable farm tourism to be considered acceptable outside settlements.

- If applied in isolation and interpreted restrictively, this Policy could stifle many types of tourism-based diversification enterprises that start from scratch.
- The restrictive elements of this Policy should be carefully interpreted before being allowed to subordinate the more positive spirit of Policy E16 – *Farm Diversification*

Policy E16: Farm Diversification

Proposals to diversify the economic activities of farms including business, industry, tourism and leisure uses will be permitted outside Defined Settlement Limits, provided their siting, design, scale and use will not harm the rural character of the area. Where the construction of new buildings is required, these should be grouped with existing farm buildings where possible.

- This Policy appears suitably permissive and positive and if applied accordingly should permit appropriate and well-conceived diversification proposals.
- Proposals that are in essence compliant with this Policy should be considered pragmatically under Policy S6 - *General development principles* to ensure that the constraints of that Policy are not unduly obstructive to worthy diversification schemes.

Policy C6 – Horse Riding and Riding Establishments

Riding establishments will be permitted provided:-

- i) they are well related to the public bridleway network or suitable riding areas; and*
 - ii) existing buildings are incorporated into the scheme and any new buildings are designed, constructed and located in a manner that does not cause significant harm to the character and appearance of the locality.*
- With equestrian enterprises being a significant type of diversification this Policy should be interpreted with a presumption in favour of such proposals and rural areas regarded as 'suitable riding areas' unless there are obvious reasons to suggest otherwise.

Policies on the Environment; ENV1 – ENV19a

These Policies quite properly provide for stringent protection of the natural and historical environment, including the wider countryside. They will inevitably act as constraints upon many farm diversification proposals. However care should be taken to ensure that well-conceived diversification proposals that are essentially environmentally friendly are encouraged, with mitigating measures where necessary.

10. CONCLUSION

Farm diversification is now, and has been for some time, a significant component of the rural economy. This is reflected by the various surveys on the subject undertaken nationally and in some regions. It is understood, however, that there is no detailed survey data currently available on farm diversification in the Mid Devon District.

There are two particularly significant features of the diversification trend. The first is that the concept of farm diversification is comprehensive in the types of activity it covers, from agricultural contracting to recreation facilities and visitor attractions quite unrelated to farming other than by virtue of their location and management. Secondly, farm diversification has to date at least been largely business-lead rather than planning-lead, with planning policies at all levels seemingly playing catch up to reflect what is happening on the ground.

The range of diversification activities is likely to become increasingly broad due to a number of factors such as increasing competition in the sector, more general changes in agriculture, current thinking towards energy crops and alternative technologies and a growing and increasingly creative leisure industry.

The relationship with planning appears to be changing, with policies at all levels now attempting to guide, rather than merely reflect, the evolution of this vital economic sector. The principle of farm diversification, and promotion of the wider rural economy, is now generally encouraged by the relevant planning policies. It is worth noting in this regard that by no means all rural businesses are examples of farm diversification even though most non-farming rural businesses are covered by the broader concept of *diversification of the rural economy*.

However the generally more positive planning context brings into sharp focus a number of crucial issues arising from other key policy imperatives. These issues may need to be considered differently with regard to diversification proposals.

The need to concentrate new development in or adjacent to existing settlements and developed areas will militate against farm diversification unless it is balanced by careful consideration of the need for appropriate rural development which, by definition, is usually remote from other development.

The general imperative to reduce the need for journeys by car is also, in many cases, inconsistent with the approval of diversification proposals. However, even if the relative geographical isolation of diversification sites will tend to generate more car journeys, this increase will typically be of low impact.

The approval of diversification proposals which almost inevitably are sited in open countryside may be threatened by policies to protect the environment, landscape and biodiversity. However, rather than obstruct proposals of good intrinsic merit, these planning policies should be used as instruments to guide, and fine-tune, worthy diversification schemes.

A typical requirement of policies governing diversification is that the diversified activity be merely 'ancillary' to, or 'supportive' of, the farming enterprise. Whilst this qualification may have been logical until relatively recently when the agricultural industry was in better financial health, where it still applies it is now irrelevant and self-defeating to the wider goals of boosting the rural economy and providing employment. Good quality proposals for diversification should not be obstructed or inhibited by requiring them to be kept less successful, in business terms, than the agricultural enterprise they derive from. This clearly would be nonsense and certainly runs counter to the overall objective of a diverse and buoyant rural economy. Proposals for diversification that meet all other planning stipulations should be equally favoured whether they provide an opportunity to supersede the agricultural business or are intended to merely support it.

Generally however, planning policies at national and regional level and those in the Mid Devon Local Plan First Alteration are sympathetic to the principles of diversification, and if purposively interpreted will facilitate the results that diversification of the rural economy seeks to achieve.

ANNEX 1

Differences across the individual 'Diversification Surveys':

	Farm Business Survey	Exeter Study	June Census	Survey of Personal Incomes
Population	Businesses of over 8 ESU	All holdings	All holdings	Farmers assessed for tax
Sample	Approx 2,100 of varying types, sizes and tenure	Approx 2,800 postal and 225 interviews of various types, sizes and tenure	Approx 80,000 of various types, sizes and tenures	Approx 28,000 random sample
Definition	Quite broad, excludes all contracting work	More conventional although includes specialty crops and agricultural contracting	Non-agricultural activities as interpreted by the farmer	Other self employment income (some diversification will be included in income from non-diversified activities)
Main reasons for variation in headline figure	Exclusion of contracting work, inclusion of letting of buildings	Inclusion of specialty crops and agricultural contracting	Data limitations in particular for contracting	Self-employment income will also include income from non-diversified activities
Strengths	Broad definitions but can be broken down into parts and estimates of income from diversified activities available	Completely focused on diversification and provides separate estimates of income and profit by type of activity	Large sample	Large sample includes data on other earned income and income from all other sources
Weaknesses	Doesn't include independent businesses and only collects for fully integrated activities	Known small sampling problem	Open to large interpretation by farmers on definitions of diversification	Can't split out diversification if included in agricultural self-employment for tax purposes. Individual and not farm records
	Small sample and full time farms only	Small sample for postal and interview survey	Operates at holding rather than business level	Problems with interpretation
	No net income measures for non-ag activities	Decade since last study	Poor definitions	
	Break in series following review and enhancement			
Differences in diversification	Excludes specialty crops/livestock	Includes specialty crops and livestock	Excludes specialty crops/livestock	Includes income from all other non-agricultural self-employment
	Excludes all contracting	Including agricultural contracting	Excludes all contracting	

APPENDIX



MID DEVON DEFRA JUNE CENSUS STATISTICS

	1990		2004	
	No. of Holdings	# or Ha	No. of Holdings	# or Ha
Farm type – cereals	45		138	
Farm type – general cropping	37		32	
Farm type – horticulture	##		94	
Farm type – pigs & poultry	58		112	
Farm type - dairy	512		283	
Farm type – grazing livestock (LFA)	##		8	
Farm type – grazing livestock (lowland)	686		685	
Farm type - mixed	150		178	
Farm type - other	212		915	
Size – less than 5 ha	141		980	
Size – 5 to <20 ha	510		532	
Size – 20 to <50 ha	554		378	
Size – 50 to <100 ha	397		316	
Size – 100 ha or greater	160		237	
Total area	1,762	80,684	2,061	78,574
Rented	462	18,592	479	19,016
Owned	1,585	62,093	1,957	62,421
Crops and fallow	809	15,428	688	16,798
Temporary grass	840	11,993	634	11,790
Permanent grass	1,648	47,363	1,672	42,619
Rough grazing	290	1,468	222	1,058
Woodland	716	3,054	682	3,560
Setaside	13	226	272	1,831
All other land	904	1,152	586	967
Wheat	291	4,410	286	5,452
Winter barley	450	5,083	188	2,352
Spring barley	274	1,670	146	1,683
Oats	193	823	158	1,324
Other cereals	30	152	37	294
Total cereals	591	11,868	442	11,113
Potatoes	130	350	35	210
Sugarbeet	##	##	0	0
Horticulture	107	431	149	299
Field beans	11	99	40	377
Peas (harvest dry)	32	263	23	243
Oilseed rape	5	76	40	766
Linseed	3	21	17	158
Turnips etc	251	845	95	515
Other crop stock	81	216	80	306
Maize	126	977	198	2,459
Other arable	##	##	34	259
Bare fallow	65	254	24	98
Peas and beans	5	2	5	1
All other veg and salad	39	272	35	127
Total veg in open	40	274	35	139
Area under glass or plastic	##	##	35	2
Top fruit (Orchards)	56	122	110	130
Small fruit	16	15	21	13
Total fruit	66	137	80	145
Hardy nursery	##	##	26	21
Bulbs flowers	0	0	1	1
Dairy	594	37,048	309	25,729
Beef	484	4,992	368	7,182
Breeding head (to replace)	804	16,173	600	13,215
Other cattle over 1 year	995	27,251	745	21,966
Cattle under 1 year	980	29,173	699	23,244

Total cattle	1,280	114,637	931	90,609
Breeding pigs	123	4,393	61	1,077
Other pigs	170	34,124	122	20,022
Total pigs	185	38,517	121	20,634
Breeding ewes	832	128,836	684	100,569
Other sheep	728	8,607	631	4,938
Lambs under 1 year	799	112,683	655	85,802
Total sheep	858	250,126	791	190,020
Goats	62	703	81	1,279
Farmers – full & part time (pre 2000)	1,554	2,705	2,040	2,928
Managers – full & part time (pre 2000)	28	30	29	58
Employees (male) – full time	349	587	152	238
Employees (male) – part time	227	282	160	196
Employees (female) – full time	43	74	18	30
Employees (female) – part time	74	132	54	77
Casual labour	296	503	248	409
Total labour	1,587	4,313	1,723	3,949

DIVERSIFICATION TABLES**Table 1:****Proportion of full-time farms
8 ESU with diversified activities – England 2002/03**

	England	NE & YH	NW	EM	WM	EE	SE & London	SW
Total number of farms = 8 ESU	60,442	10,303	5,171	6,665	7,978	9,182	7,919	13,225
Percentage with diversified activities of which :	56%	67%	39%	66%	51%	52%	72%	47%
Renting of buildings for non-farming use;	49%	61%	24%	62%	46%	42%	68%	36%
Processing and retailing of farm produce;	9%	5%	14%	6%	6%	8%	13%	10%
Tourist accommodation and catering;	7%	6%	3%	1%	3%	10%	13%	8%
Sport and recreation;	3%	5%	0%	1%	5%	2%	4%	5%
rural crafts;	1%	0%	3%	0%	0%	1%	1%	1%
Percentage of farms involved in contract work (assumed mainly agricultural)	49%	55%	34%	55%	40%	51%	55%	45%

1. Note on sampling errors. The 75% confidence interval for the percentage of farms in England which non-agricultural activities is 55% to 58%. The equivalent 75% confidence intervals for regions typically range from 3 to 6 percentage points either side of the estimates.
2. Sample sizes for the North East and London are too small for results to be shown separately.
3. Excludes contract work (shown separately at bottom of table)

Table 2:

Output from farm and diversified activities 2002/03 (£million)
Full-time farms = 8 ESU

	England	NE & YH	NW	EM	WM	EE	SE & London	SW
Output from core farming (excl. diversified activities)	9,458	1,496	602	1,014	1,119	2,092	1,421	1,715
Output from diversified activities of which output from:	425	45	16	38	31	88	123	83
renting of buildings for non-farming use;	87	12	12	4	3	21	25	10
processing and retailing of farm produce;	237	25	3	31	23	53	70	34
tourist accommodation and catering;	41	2	1	0	3	3	7	25
sports and recreation;	31	6	0	3	2	9	1	10
Output from contract work (included in core farming above)	286	44	9	24	32	98	50	30

1. Note on sampling errors. The 75% confidence interval for the output from diversified activities in England is £402m to £459m. The 75% confidence intervals for regions typically +15% of the estimates.
2. Sample sizes for the North East and London are too small for results to be shown separately.
3. Excludes contract work (shown separately at bottom of table)

Table 3:

Sources of income other than from farming
England regions 2003/04

	NE & YH	NW	EM	WM	EE	SE	SW
No. of farm businesses (SLR > ½)	10,000	6,500	7,000	6,800	8,900	8,700	11,500
Percentage of which: Have diversified activity;	37%	37%	58%	42%	54%	68%	42%
Farmer or spouse have off-farm employment or self-employment	19%	26%	17%	20%	29%	24%	29%
Where farm is sole source of income for farmer/spouse	32%	27%	19%	25%	18%	16%	24%

Source: Farm Business Survey

Table 4:**Farms (SLR > ½) with diversified activity
England regions 2003/04**

	NE & YH	NW	EM	WM	EE	SE	SW
No. of farm businesses (SLR > ½) with diversified enterprises:	3,700	2,400	4,000	2,900	4,800	5,900	4,800
Percentage of which have:							
Let buildings for non-farming use	83%	62%	94%	89%	80%	86%	68%
Processing/retailing of farm produce	9%	14%	8%	11%	16%	23%	16%
Tourism	16%	14%	4%	4%	22%	20%	22%
Sport and recreation	10%	7%	5%	(DP)	5%	6%	9%
Other diversified enterprises	(TF)	10%	(TF)	4%	7%	(DP)	11%

Source: Farm Business Survey

Table 5:**Avg output of diversified enterprises on farms (SLR > ½)
England regions 2003/04**

Avg output of diversified enterprises (£/farm)	NE & YH	NW	EM	WM	EE	SE	SW
Letting buildings for non-farming use	7,400	2,800	8,500	5,700	14,400	20,000	9,900
Processing/retailing of farm produce	16,100	43,400	43,000	17,600	38,000	42,200	10,000
Tourism							
Sport and recreation	4,100	5,800	4,400	9,900	4,500	9,900	6,000
Other diversified enterprises	5,300	5,500	19,500	(DP)	10,000	6,500	16,100
ALL DIVERSIFIED ENTERPRISES	(TF)	17,100	(TF)	4,700	21,100	(DP)	11,400
	9,300	10,700	13,800	11,900	20,400	41,900	12,400

Source: Farm Business Survey

(DP) Withheld in accordance with FBS disclosure protection rules

(TF) Too few farms in sample to give reliable information

Table 6:**Types of diversified enterprise by type of farm
England 2003/04**

	Number of farms	Percentage of farms with:				
		Some diversified activity	Buildings let for non-agric use	Food processing & retailing	Tourism	Sport & Recreation
ALL FARM TYPES	59,200	48%	39%	7%	8%	3%
Cropping	23,500	60%	51%	8%	10%	4%
Cereals	11,700	69%	61%	5%	10%	(DP)
General cropping	7,100	54%	48%	(TF)	13%	(DP)
Horticulture	4,600	45%	31%	22%	1%	(DP)
Livestock	27,100	41%	31%	5%	6%	3%
Dairy	12,300	41%	31%	5%	5%	(TF)
Grazing livestock (lowland)	9,600	48%	39%	7%	10%	(TF)
Grazing livestock (LFA)	5,200	25%	16%	(TF)	3%	(TF)
Other types and mixed	8,600	42%	32%	9%	7%	(TF)
Pigs	800	31%	(TF)	(TF)	(DP)	(DP)
Poultry	1,200	36%	(TF)	(TF)	(DP)	(DP)
Mixed	6,600	44%	36%	(TF)	(DP)	(DP)

Source: Farm Business Survey

(DP) Withheld in accordance with FBS disclosure protection rules

(TF) Too few farms in sample to give reliable information.

Table 7:**Sources of income for farms (SLR > ½) and farms
England 2003/04**

	Number of farms	Average income (£/farm)	
		Averaged over all farms	Averaged over farms with activity
Estimated income from all sources (a)	59,200	38,700	38,700
Of which from:			
Core farming business	59,200	27,800	27,800
Diversified businesses	28,600	5,000	10,400
Off-farm employment/self-employment (b)	14,000	3,400	14,200
Other (unearned) sources of income (b)	24,500	2,600	6,200

Source: Farm Business Survey

(a) Based on the assumption that all farm income goes to the farmer and spouse. No better assumption can be found but this is likely to over-estimate the true figure

(b) Principal farmer and spouse only

Table 8:**Any Diversification Activity**

	1998	1999	2000	2001	2002	2003
All Holdings	13.9%	14.1%	16.5%	18.4%	16.5%	16.6%
Breakdown by farm size						
Very small	12.6%	12.7%	14.5%	17.4%	13.4%	12.4%
Small	14.5%	14.5%	17.7%	20.4%	18.1%	19.3%
Medium	14.7%	14.5%	17.1%	16.7%	17.0%	19.0%
Large	14.4%	16.2%	19.0%	19.8%	18.8%	19.0%
Very large	18.8%	20.0%	23.5%	23.6%	20.8%	23.1%
Breakdown by farm type						
Cereals	13.6%	14.1%	17.2%	18.1%	17.6%	20.6%
General cropping	14.9%	15.5%	18.2%	19.4%	18.9%	20.9%
Horticulture	18.5%	18.3%	22.4%	20.3%	23.3%	22.3%
Pigs & Poultry	11.9%	12.1%	15.1%	15.0%	16.3%	13.2%
Dairy	11.2%	11.5%	13.4%	13.1%	12.2%	12.7%
Cattle & Sheep (LFA)	12.6%	12.5%	14.4%	16.1%	12.8%	12.8%
Cattle & Sheep (lowland)	12.2%	12.3%	14.1%	12.6%	13.6%	13.9%
Mixed	17.8%	18.8%	22.2%	22.7%	23.3%	22.7%
Other	15.8%	15.4%	17.3%	26.0%	16.7%	15.0%
Breakdown by region						
North East	13.4%	14.1%	16.2%	17.8%	14.4%	16.6%
North West & Merseyside	12.3%	12.1%	13.9%	16.3%	14.1%	13.5%
Yorkshire & Humberside	12.4%	12.1%	14.8%	16.4%	14.0%	14.1%
East Midlands	10.8%	11.5%	13.6%	14.7%	13.6%	14.2%
West Midlands	11.6%	11.8%	13.7%	15.8%	13.6%	14.3%
Eastern	13.8%	14.3%	17.2%	20.9%	18.0%	18.8%
South East & London	19.3%	19.3%	22.8%	25.2%	24.1%	23.4%
South West	15.4%	15.7%	17.7%	19.4%	17.4%	16.8%

Source: JUNE AGRICULTURAL CENSUS DIVERSIFICATION RESULTS ENGLAND 1998 - 2003

Table 9:

Farmed area associated with diversification, by category of involvement
All holdings in England Regions

	Average area Total area (ha)	Percent of total area	per holding (ha)
<i>North East</i>			
Conventional but not diversified	191,000	33%	133
Conventional and diversified	366,000	63%	153
Diversified but no conventional	3,000	1%	5
Neither conventional nor diversified	19,000	3%	21
All holdings	580,000	100%	108
<i>North West</i>			
Conventional but not diversified	319,000	36%	58
Conventional and diversified	444,000	50%	59
Diversified but no conventional	39,000	4%	25

Neither conventional nor diversified	85,000	10%	19
All holdings	887,000	100%	47
<i>Yorkshire & Humber</i>			
Conventional but not diversified	191,000	18%	139
Conventional and diversified	801,000	75%	261
Diversified but no conventional	42,000	4%	48
Neither conventional nor diversified	40,000	4%	21
All holdings	1,074,000	100%	149
<i>East Midlands</i>			
Conventional but not diversified	297,000	25%	74
Conventional and diversified	818,000	68%	120
Diversified but no conventional	22,000	2%	18
Neither conventional nor diversified	60,000	5%	23
All holdings	1,197,000	100%	81
<i>West Midlands</i>			
Conventional but not diversified	279,000	30%	85
Conventional and diversified	527,000	56%	98
Diversified but no conventional	23,000	2%	17
Neither conventional nor diversified	104,000	11%	39
All holdings	933,000	100%	74
<i>East of England</i>			
Conventional but not diversified	233,000	16%	62
Conventional and diversified	1,078,000	76%	112
Diversified but no conventional	37,000	3%	19
Neither conventional nor diversified	74,000	5%	27
All holdings	1,423,000	100%	79
<i>South East</i>			
Conventional but not diversified	110,000	9%	51
Conventional and diversified	958,000	82%	104
Diversified but no conventional	43,000	4%	26
Neither conventional nor diversified	57,000	5%	19
All holdings	1,169,000	100%	73
<i>South West</i>			
Conventional but not diversified	395,000	22%	50
Conventional and diversified	1,209,000	67%	68
Diversified but no conventional	102,000	6%	24
Neither conventional nor diversified	86,000	5%	14
All holdings	1,792,000	100%	50

Table 10:**Distribution of diversified enterprises by GO region**

	North East	North West	Yorkshire & the Humber	East Midlands	West Midlands
Unweighted count	70	201	78	199	150
<i>Enterprise</i>	Percent of diversified holdings				
Agricultural servs.	36	28	29	40	28
Trading ents.	30	32	24	37	36
Accom. and cater.	26	23	27	15	19
Equine ents.	30	13	21	27	20
Rec. and leisure	29	20	22	27	22
Crop-based	23	17	21	19	27
Livestock-based	16	19	15	11	17
Misc servs.	26	22	34	36	34
<i>No. of enterprises</i>	Percent of diversified holdings				
One	31	50	49	45	46
Two	40	33	29	24	28
Three	19	12	10	16	10
Four or more	10	5	12	14	16
Average per diversified holding	2.2	1.7	1.9	2.1	2.0

	East of England	South East	South West	All regions
Unweighted count	277	246	492	1715
<i>Enterprise</i>	Percent of diversified holdings			
Agricultural servs.	43	38	35	35
Trading ents.	36	35	28	32
Accom. and cater.	17	20	34	24
Equine ents.	26	34	21	23
Rec. and leisure	20	29	22	23
Crop-based	21	26	23	22
Livestock-based	11	12	20	16
Misc servs.	49	44	29	35
<i>No. of enterprises</i>	Percent of diversified holdings			
One	39	36	43	43
Two	24	25	25	27
Three	19	20	18	16
Four or more	18	19	14	14
Average per diversified holding	2.2	2.4	2.1	2.1

Table 11:**Distribution of diversified enterprises by farm business size**

	AS	TE	AC	EE	RL	CB	LB	MS
	Percentage of all enterprises							
Very small	18	28	26	44	30	30	39	32
Small	30	36	29	26	25	32	35	26
Medium	2	21	23	15	20	20	15	20
Large	14	9	14	9	13	10	6	12
Very large	9	5	8	5	12	9	5	9
Totals	100	100	100	100	100	100	100	100

Key:

AS = Agricultural services

TE = Trading enterprises

AC = Accommodation and catering

EE = Equine enterprises

RL = Recreation and leisure

CB = Crop-based

LB = Livestock-based

MS = Miscellaneous services

Table 12:**Distribution of diversified enterprises by robust farm type**

	AS	TE	AC	EE	RL	CB	LB	MS
	Percentage of all enterprises							
Cereals	26	21	18	20	25	17	12	29
Gen. crop.	14	10	9	9	11	14	7	10
Hortic.	2	11	4	2	4 21		4	4
Pigs & Poultry	3	7	3	2	3	3 12		4
Dairy	12	8 11		4	9	6	8	6
C&S (LFA)	6	5	9	2	4	4	8	4
C&S (Low)	10	9 13		7	8	7 12		7
Mixed	11	14	12	7	11	12	15	11
Other	15	16	21	47	26	17	23	25
Totals	100	100	100	100	100	100	100	100

Key:

AS = Agricultural services

TE = Trading enterprises

AC = Accommodation and catering

EE = Equine enterprises

RL = Recreation and leisure

CB = Crop-based

LB = Livestock-based

MS = Miscellaneous services

Table 13:**Estimating the total business income (inc. diversification) on diversified full-time farms in the sample, before farmer and spouse labour**

	Number of farms	Average area (hectares)	Net farm income (£ per farm)	Net income from diversification (£ per farm)	Estimated total business income (before F & S labour) (£ per farm)	Diversification as per cent of total
Cereals	45	153	5,450	34,317	39,767	86.3%
General cropping	29	177	17,979	17,610	35,589	49.5%
Dairy	34	86	28,119	8,920	37,039	24.1%
Cattle and sheep (LFA)	18	188	2,368	4,648	7,016	66.2%
Cattle and sheep (lowland)	19	178	-359	13,377	13,018	102.8%
Mixed	23	160	4,883	15,884	20,767	76.5%

Table 14:**Principal motivations for starting a diversified enterprise**

	AS	TE	AC	EE	RL	UC	UL	MS	ALL
	Per cent of enterprises								
Increase family income	68	57	63	56	53	49	46	68	60
Maintain family income	53	49	50	28	22	39	29	39	43
Utilise spare buildings	6	22	45	45	14	28	11	44	27
Utilise existing family labour	39	26	17	29	10	11	17	12	23
Add value to farm (investment)	16	13	34	19	30	11	26	25	22
Developed from an informal activity	8	25	3	19	28	21	27	25	17
Utilise spare land	4	23	12	36	31	24	0	24	17
Indulge an interest/hobby	6	23	3	32	26	11	38	15	16
Utilise spare machinery	53	1	0	0	0	13	0	15	14
Utilise existing hired labour	20	8	2	0	2	6	2	8	7
Create new family employment	4	7	2	9	2	11	8	6	5

Key:

AS = Agricultural services

TE = Trading enterprises

AC = Accommodation and catering

EE = Equine enterprises

RL = Recreation and leisure

UC = Unconventional crops/crop-based processing

UL = Unconventional livestock/livestock-based processing

MS = Miscellaneous services

Table 15:**Incidence and nature of the problems in operating diversified enterprises**

	AS	TE	AC	EE	RL	UC	UL	MS	All
	As per cent of enterprises								
No problems	63	63	67	66	80	42	60	66	64
Uncertain/changing demand for service or product	13	16	12	10	15	37	17	11	15
Other regulations or licences	0	4	8	5	8	21	21	10	8
Maintaining the necessary level of investment	14	4	2	0	10	3	19	3	7
Cash flow problems	5	6	4	5	12	5	8	2	5
Accessing appropriate public support (grants etc)	4	2	6	0	8	11	8	5	5
Lack of managerial experience	2	8	1	0	8	13	8	2	4
Finding information	0	1	6	0	10	18	8	3	4
Lack of marketing skills	0	6	3	1	10	13	8	0	4
Lack of appropriately skilled labour	2	3	2	3	1	3	14	3	3
Retaining skilled labour	1	4	2	0	8	0	10	0	2
Planning permission	0	2	3	4	0	0	0	8	2
Family changes	2	1	1	2	0	0	3	0	1

Key:

AS = Agricultural services

TE = Trading enterprises

AC = Accommodation and catering

EE = Equine enterprises

RL = Recreation and leisure

UC = Unconventional crops/crop-based processing

UL = Unconventional livestock/livestock-based processing

MS = Miscellaneous services

Table 16:**Principal reasons for giving up diversified activities**

As per cent of reasons given

Trading difficulties	46
Practical difficulties	27
Sold/retired/moved	14
Regulatory problems	7
FMD epidemic	5

Table 17:**Intentions to develop diversification over the next five years:
Diversified farms, by enterprise type**

	AS	TE	AC	EE	RL	UC	UL	MS	All
	As per cent of enterprises								
No change	53	58	57	51	61	63	31	49	53
Increase scale	28	27	23	41	29	16	50	32	30
Upgrade	11	9	17	9	6	8	19	9	11
Reduce scale	8	4	4	3	0	9	0	0	4
Close	5	6	7	2	8	3	4	11	6

Key:

AS = Agricultural services

RL = Recreation and leisure

TE = Trading enterprises

UC = Unconventional crops/crop-based processing

AC = Accommodation and catering

UL = Unconventional livestock/livestock-based processing

EE = Equine enterprises

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Note: There is clearly a problem in the analysis of sub-groups when cell sizes become very small, and in this table analyses of cells which contain less than ten observations have been shown in italics.