

Understanding farmer motivations

Welsh Government

IHS Markit in association with Wavehill and Menter a Busnes

Report authors: Dr Dylan Bradley and Professor Berkeley Hill

Defra-Agricultural Economics Society Conference

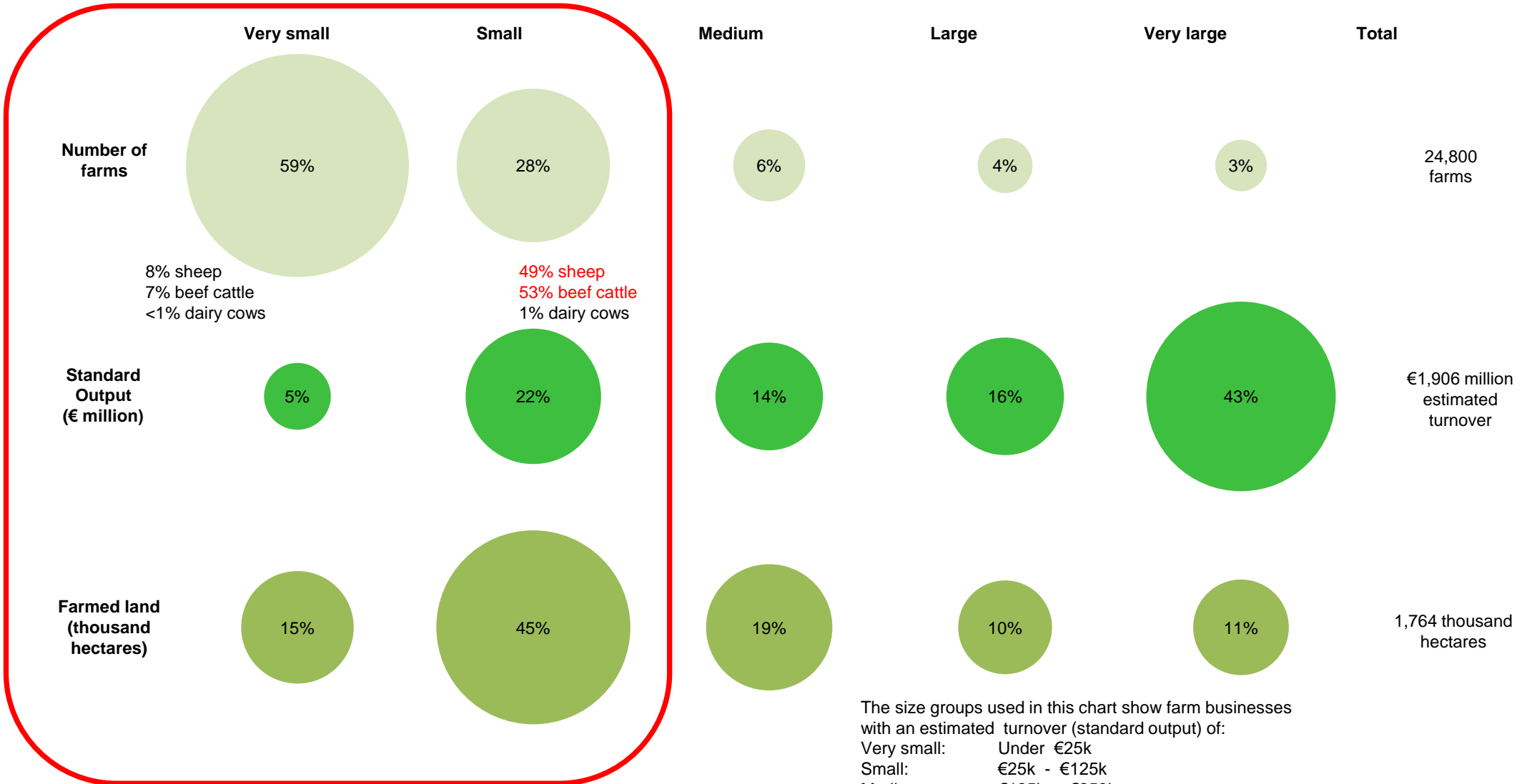
21 January 2022

Context and project methodology

Project context

- Need to understand better, through knowing about their behaviour and household decision mechanisms:
 - > Generically how farmers respond to a range of challenges to the industry
 - > Specifically how they are responding, or planning to respond, to Brexit
 - > Likely response to the new policy environment
 - > Insight into the design of future policy
- Why the focus on Very Small and Small (VS&S) Farms?
 - > Almost 9 out of 10 Welsh farms fall into these economic sizes (important for social considerations)
 - > VS have usually been ignored in studies that look at farm economics and incomes (e.g. below FBS threshold)
 - > VS&S farms account for over half (60%) the total farmed area; they are a significant sector in land-use and environmental issues

Number of farms, business turnover and farmed land - by economic size of farm: Wales, 2019



The size groups used in this chart show farm businesses with an estimated turnover (standard output) of:

- Very small: Under €25k
- Small: €25k - €125k
- Medium: €125k - €250k
- Large: €250k - €500k
- Very large: At least €500k

Source: June Agricultural Survey, 2019

Project Methodology

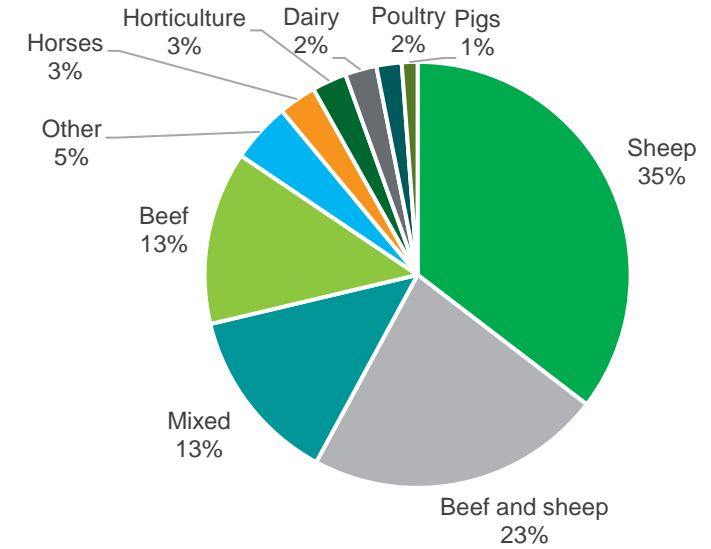
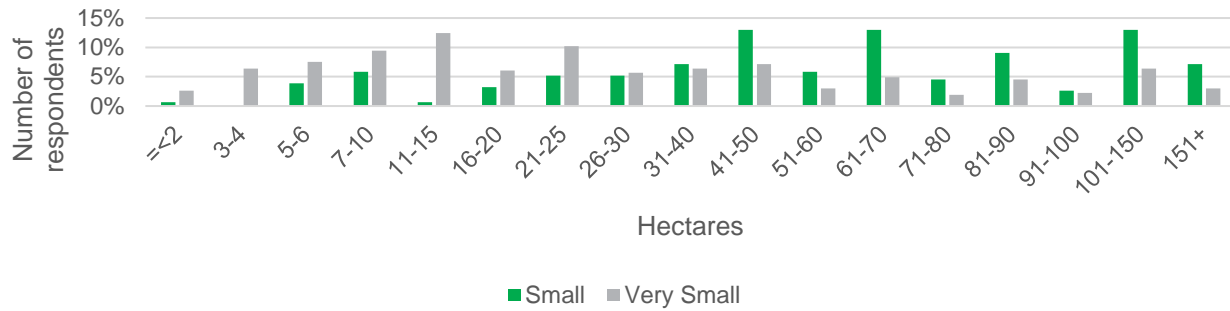
- Stage 1: Literature review: UK and OECD-country literature on:
 - > The definitional issues around households (household-firms are the dominant institutional type)
 - > Motivations and the decision-making process
 - > Segmentation and typologies of farmer behaviour
 - > Income sources and pluriactivity (multiple income sources is the norm for households with farms)
 - > Expected and observed responses to policy change; and exploring the likely impact of the UK leaving the EU
- Stage 2: Survey of 400 VS&S farmers:
 - > Survey questionnaire developed from the literature review
 - > 419 usable responses from 1,916 contacts (21.9% yield)
- Stage 3: Carry out analysis and construct the report:
 - > Conclusions on what the findings mean for policy design and implementation

Sections of the Questionnaire

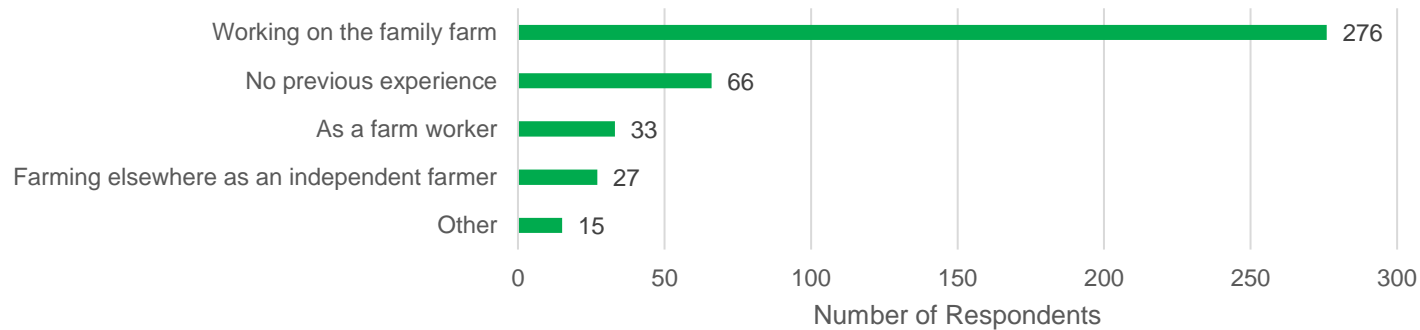
- The farm/holding:
 - > Size, tenure, types of farming, participation in agri-environment schemes
 - > How the household came to be in farming on this holding
- Self-perception:
 - > Seeing the farm as a business / community orientation
- The household of the principal farmer:
 - > Composition by age, gender, educational level, Welsh speaking, on and off farm work, succession, etc.
 - > Reasons for being in farming – orientation question
- Decision-making in the Welsh farm household firm
- Responses to Brexit
- Segmentation questions
- Household finances

Key findings: Farm characteristics

Farm characteristics

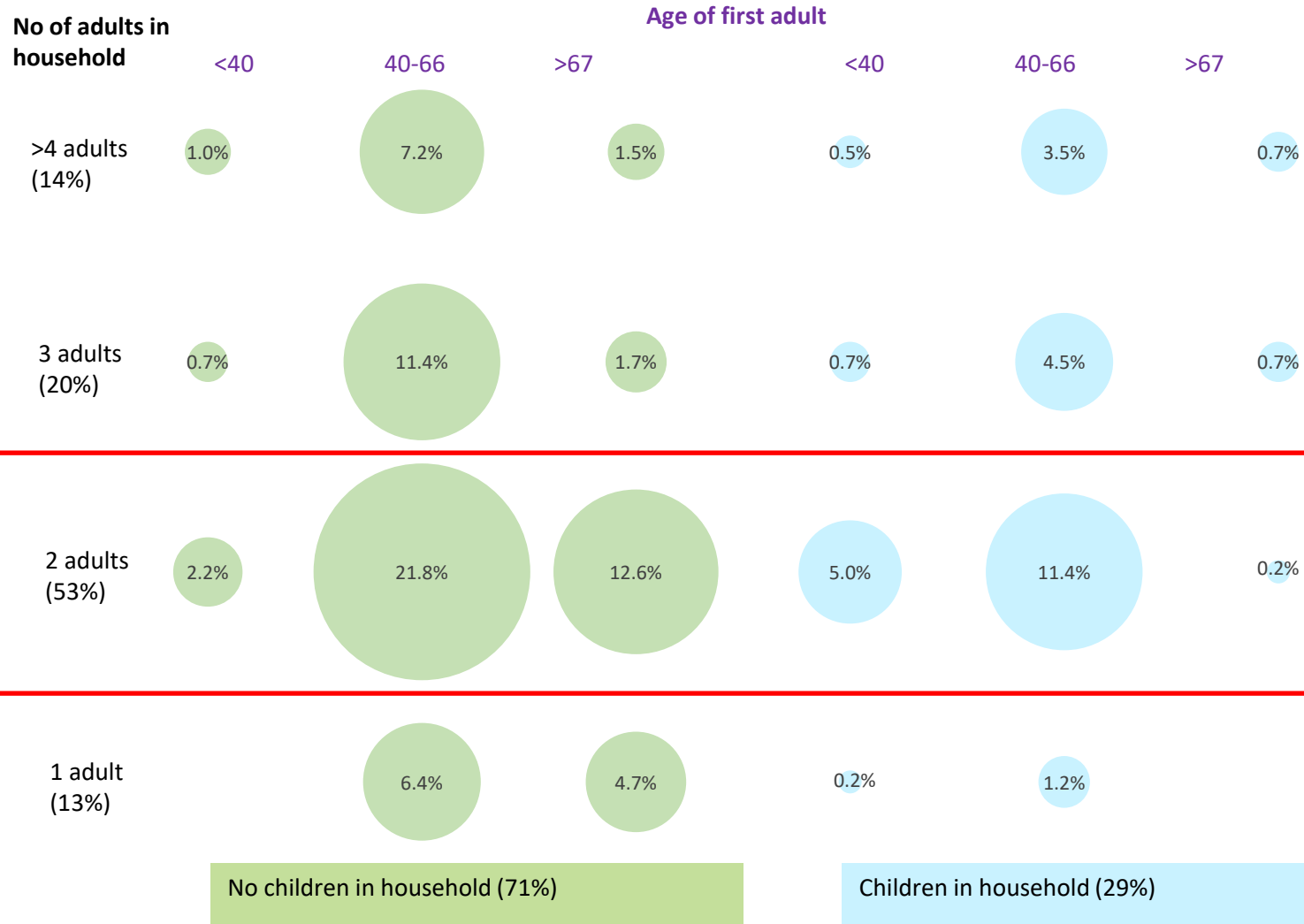


Previous farming experience:

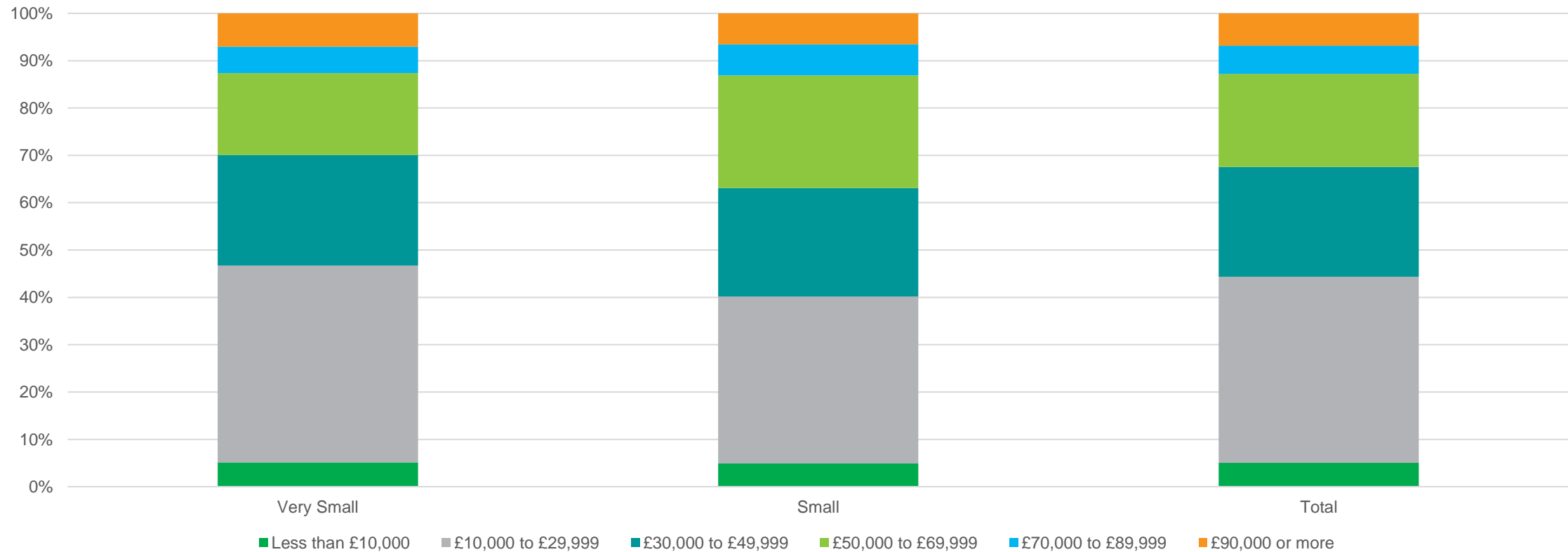


Key findings: Household characteristics

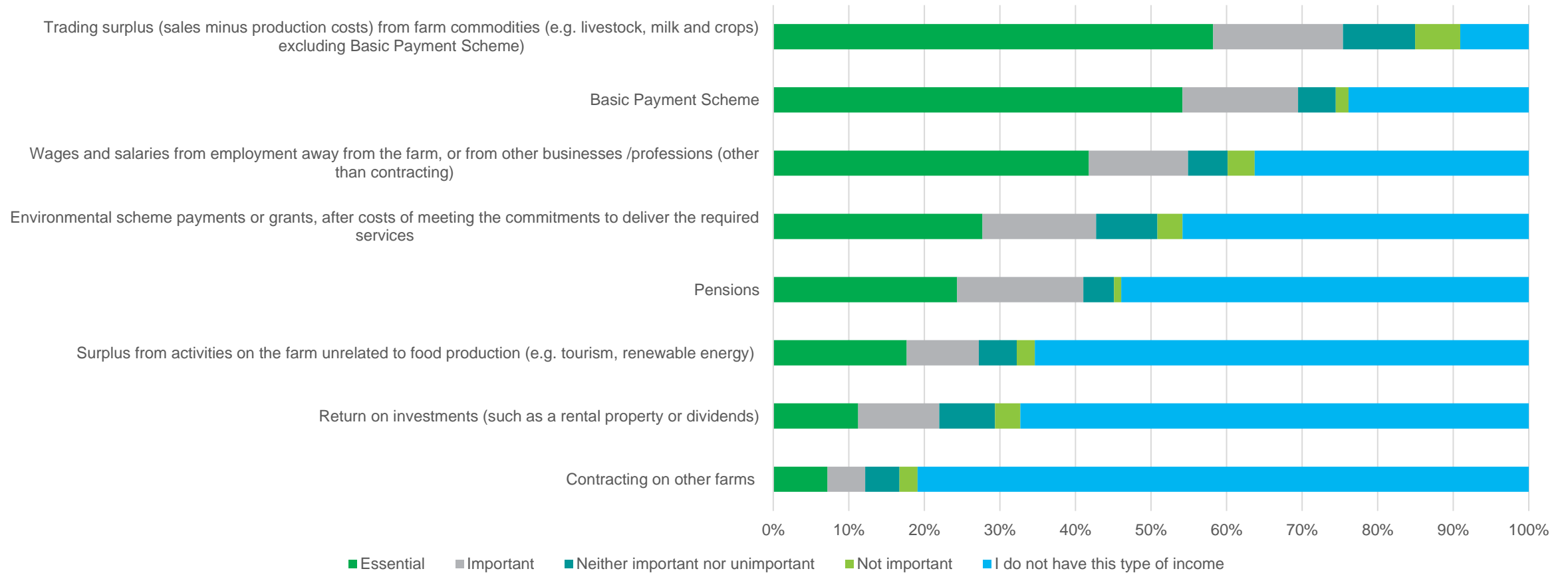
Household composition (n=404)



Into which of the following ranges does the total income from all sources of the farmer and spouse fall (before any taxes have been deducted) (n=336)

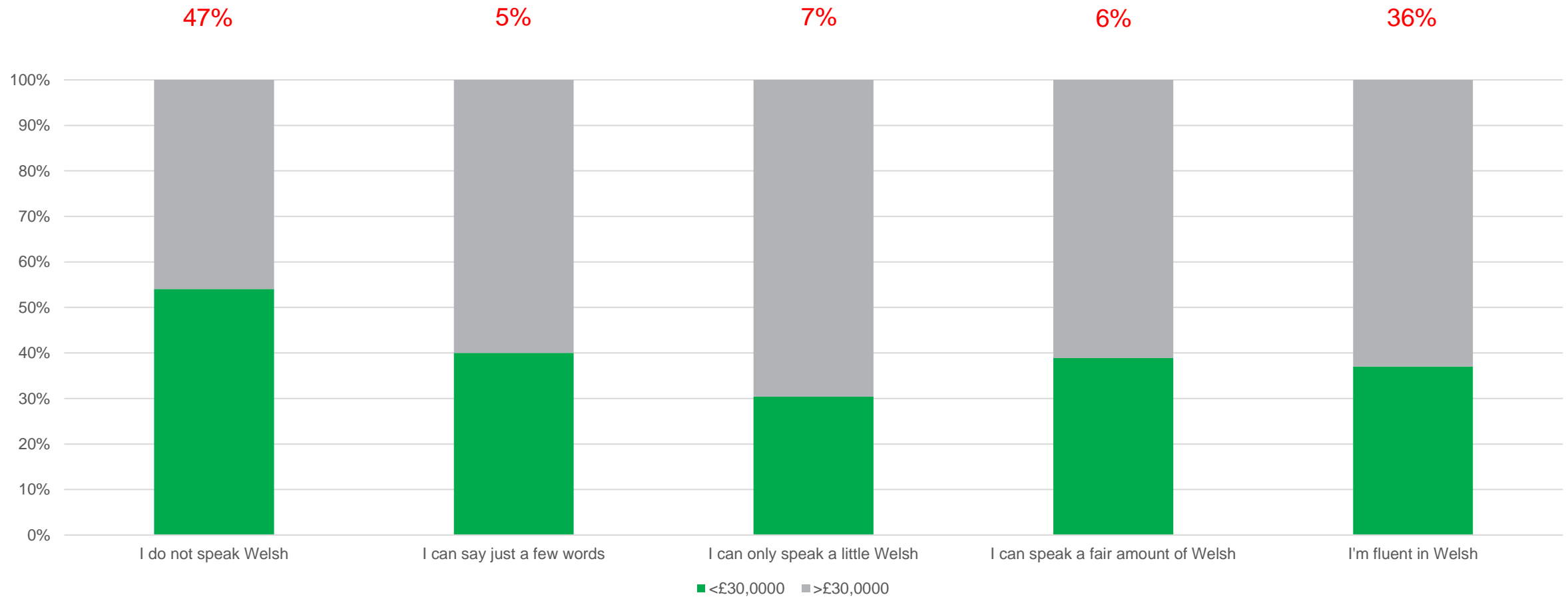


Importance of different sources of income (n=419)



Key findings: Use of Welsh language

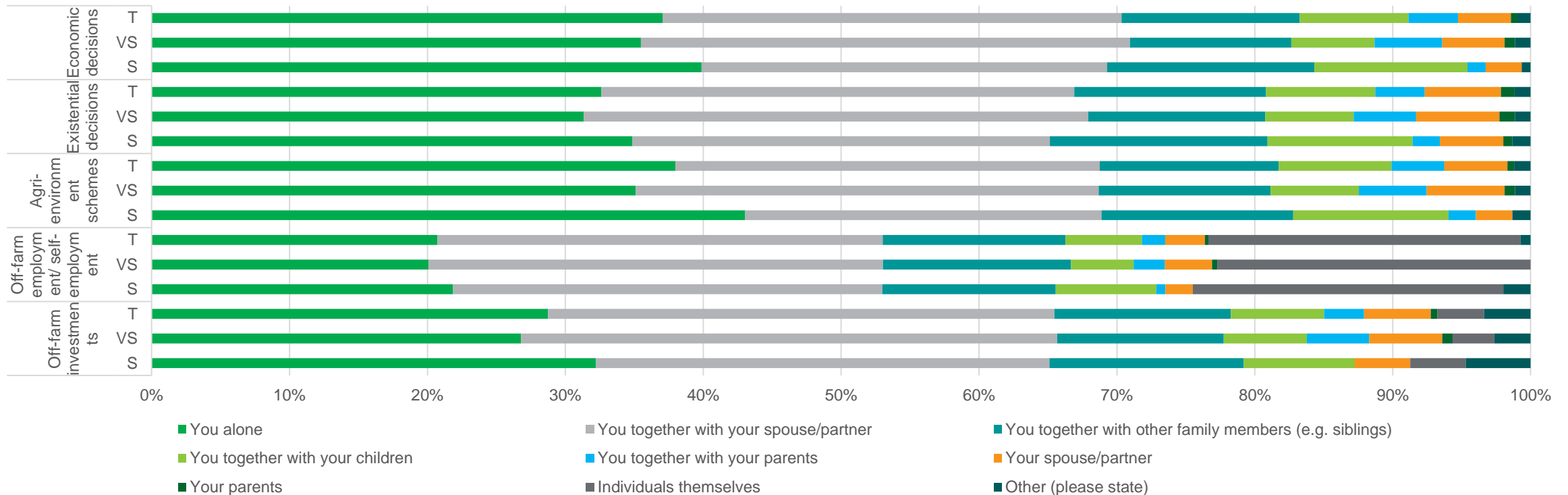
Welsh speaking and household income (n=336)



Key findings: Decision making

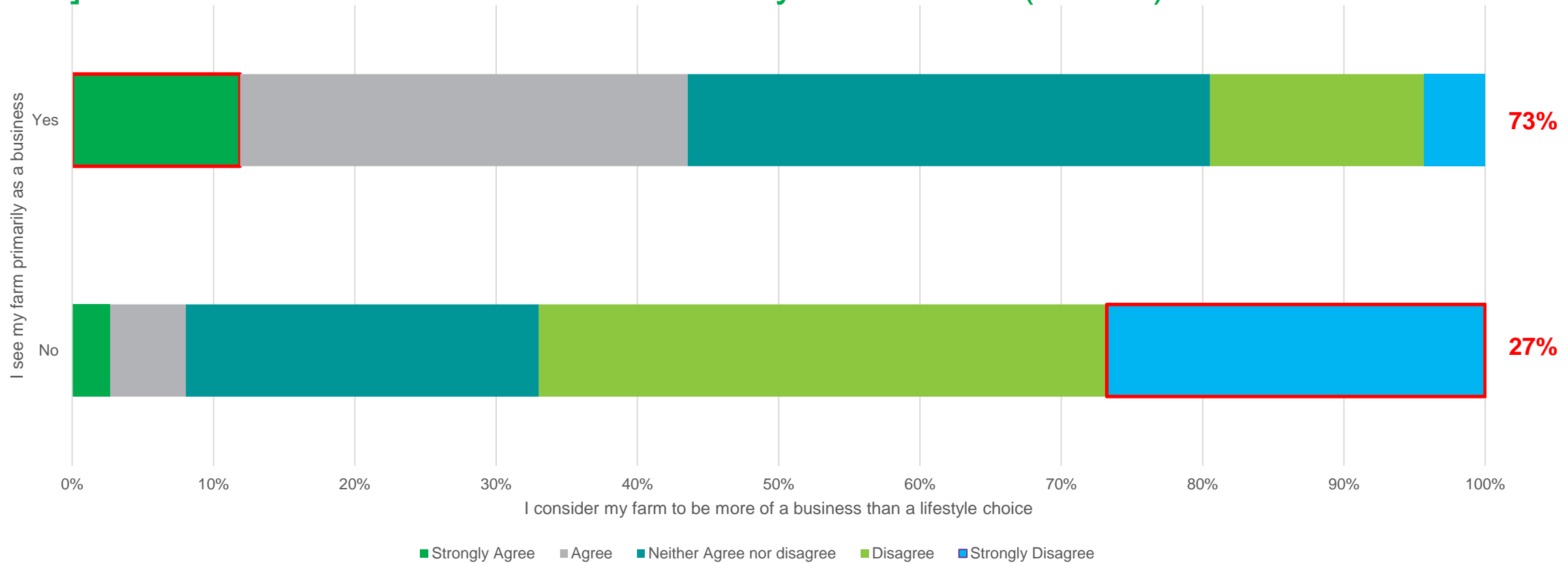
Decision making

- The survey explored who took the decisions on a variety of types of issues:
 - > Decisions relating to the operation of the farm were taken by the single main decision maker (33%-38% depending on the exact decision) jointly with spouse/partner (31%-34%)
 - > Decisions involving off-farm employment or self-employment tend to be made more broadly by the household, including with the participation of another individual



Key findings: Reasons for farming

“I see my farm primarily as a business” versus “To what extent do you agree or disagree with the following statements: - I consider my [farm/smallholding/hobby farm] to be more of a business than a lifestyle choice?” (n=415)



Instrumental

Social

Expressive

Intrinsic

Instrumental

- Generate an income for living
- Attractive housing and living conditions
- Attractive working conditions
- Building a business
- Securing wealth and assets for the future
- Minimising my tax burden

Social

- Belonging to the farming community
- Belonging to the wider rural community
- Continuing the family tradition
- Working with other members of the family
- Gaining recognition and prestige

- Feeling pride in managing the environment
- Gaining self-respect for doing a worthwhile job
- Meeting a challenge, achieving an objective, personal growth of character
- The chance to be creative and original
- Exercising special abilities and aptitudes

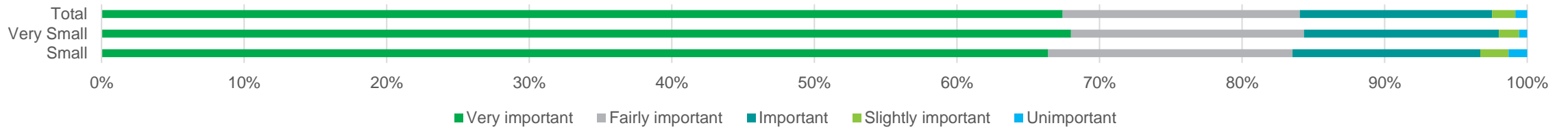
Expressive

- Preference for a healthy outdoor farming life
- Enjoyment of work tasks
- Independence and being in control
- Purposeful activity, value in hard work

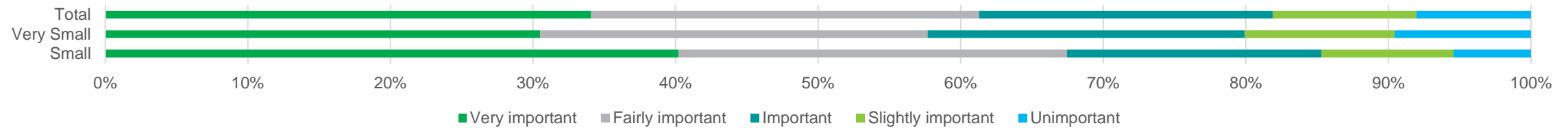
Intrinsic

Importance of motivating factors

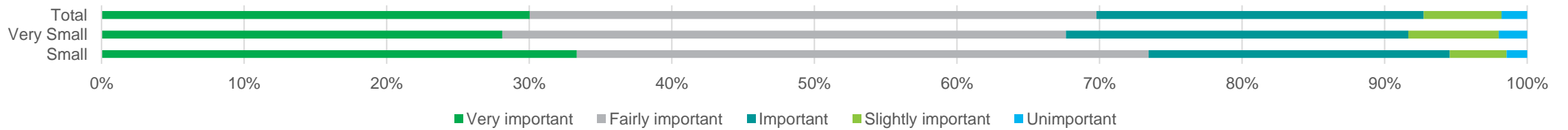
Intrinsic



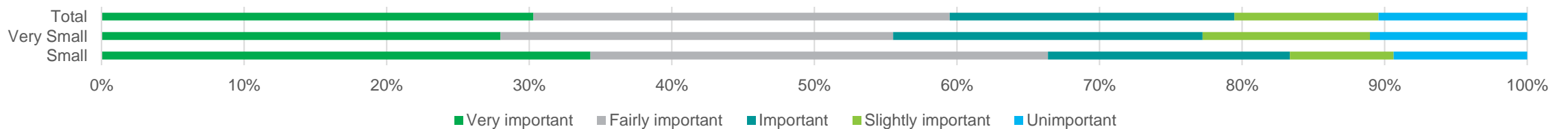
Social



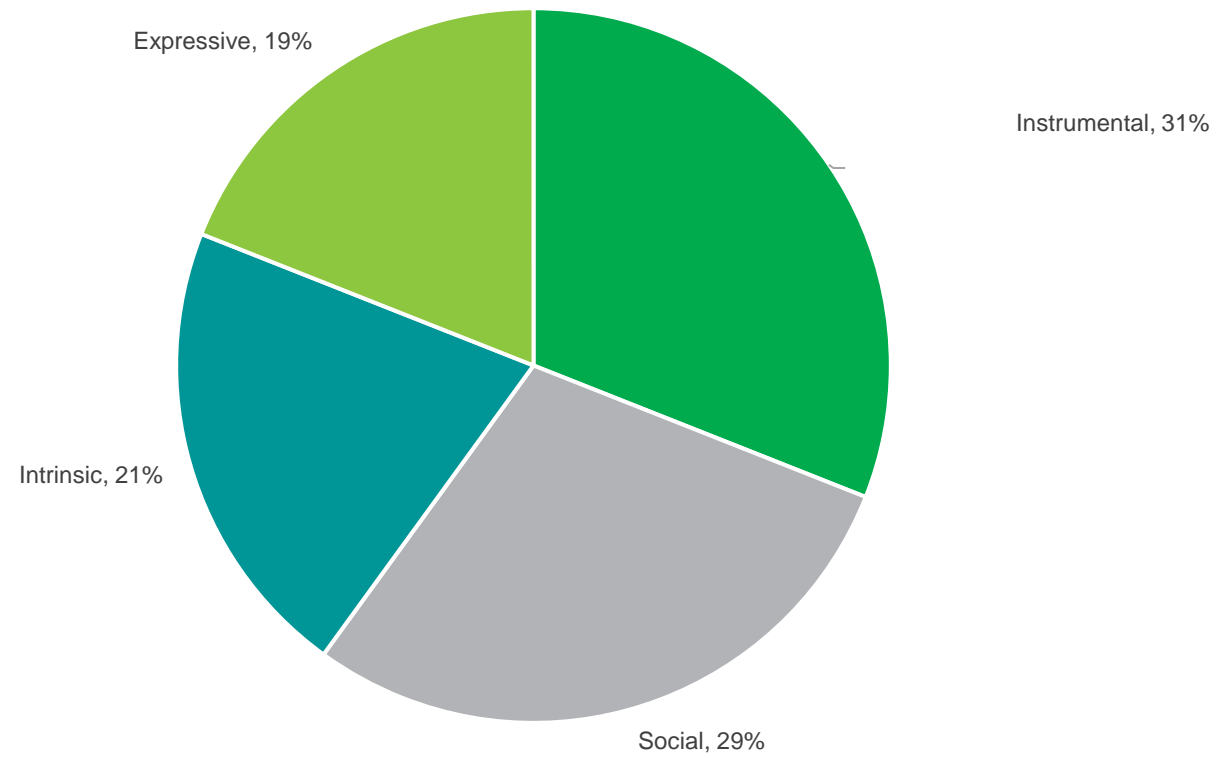
Expressive



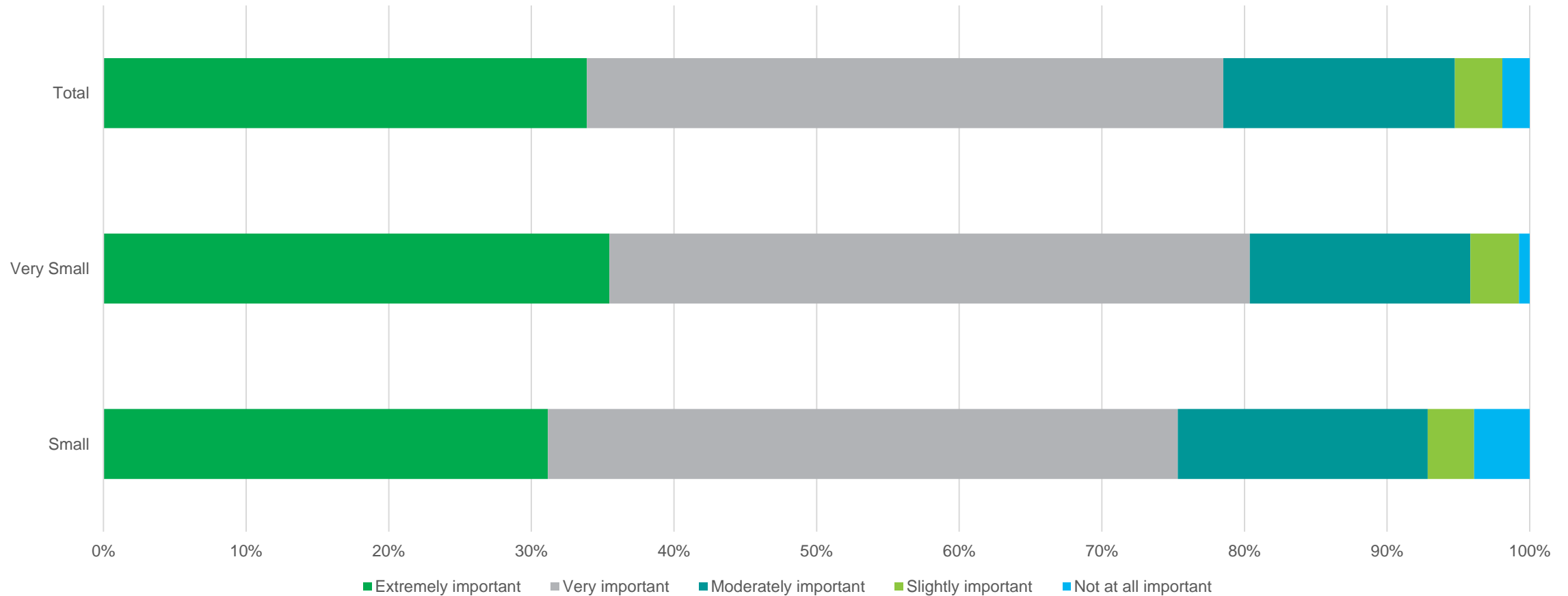
Instrumental



Classifying households according to dominance of groups of motivating factors

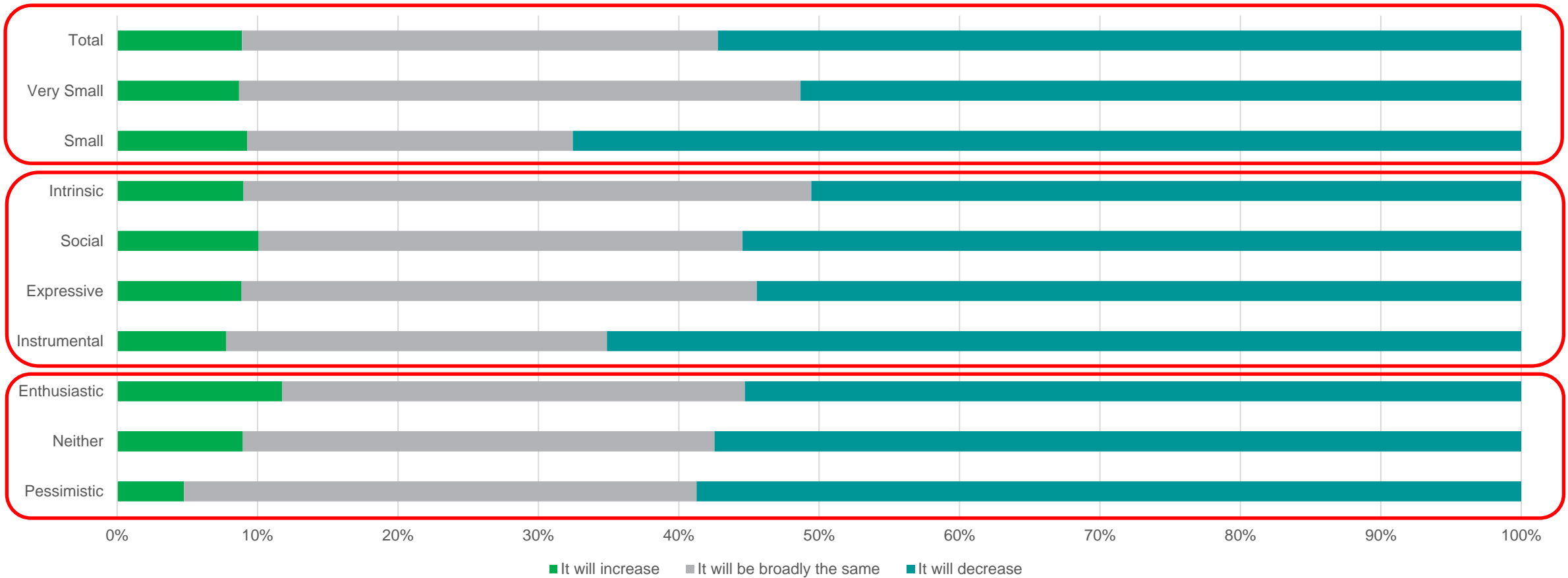


How important do you think embracing environmental conservation is to the future of your farming household? (n=419)

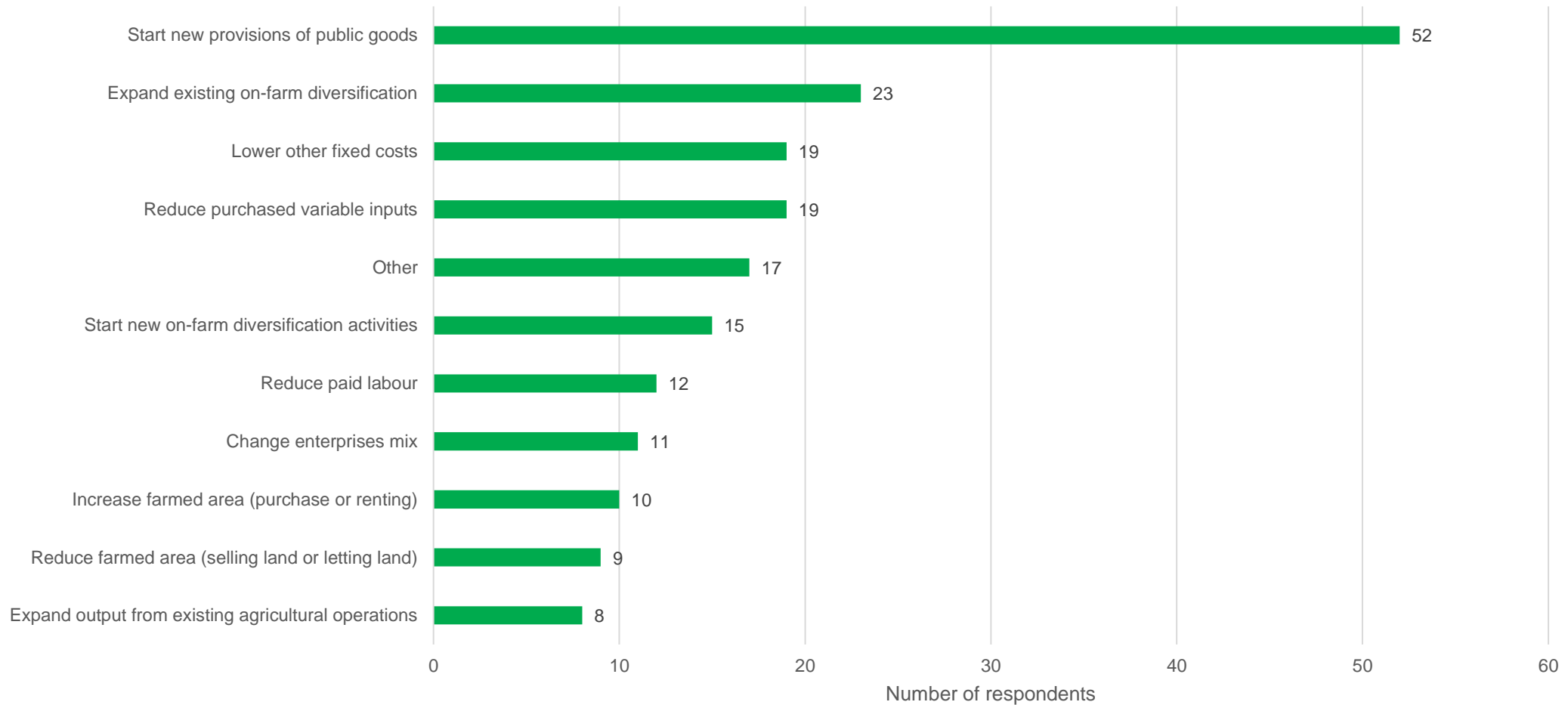


Key findings: Responses to future change

How do you think the UK leaving the EU will affect your total income from agricultural activities, basic payments and Glastir? (n=416)



Have you made any changes on your holding already as a result of the UK leaving the EU? (only those who had made a change, n=131, less than a third of the total)



Some implications

- VS&S farms mainly view their farms as businesses, even if they are not the household's dominant income source. Farm surplus and BPs are seen as important. This implies they will at least be expected to cover operating costs
- Income from the farm is not necessarily a good guide to the income of the household. Other sources of income may be key to keeping the farm as a viable operation
- Specific income sources can be very important to those that have them, but this often only applies to a small proportion
- Prompts to decision making have to recognise that, in many cases, not just the principal farmer is involved
- If leaving farming, households would lose far more than the income forgone, and incentives must recognise this
- The environment is already seen as important to the future of farming households (79% “extremely” and “very” important)

IHS Markit Customer Care

CustomerCare@ihsmarkit.com

Asia and the Pacific Rim

Japan: +81 3 6262 1887

Asia Pacific: +604 291 3600

Europe, Middle East, and Africa: +44 1344 328 300

Americas: +1 800 447 2273

Disclaimer

The information contained in this presentation is confidential. Any unauthorized use, disclosure, reproduction, or dissemination, in full or in part, in any media or by any means, without the prior written permission of IHS Markit or any of its affiliates ("IHS Markit") is strictly prohibited. IHS Markit owns all IHS Markit logos and trade names contained in this presentation that are subject to license. Opinions, statements, estimates, and projections in this presentation (including other media) are solely those of the individual author(s) at the time of writing and do not necessarily reflect the opinions of IHS Markit. Neither IHS Markit nor the author(s) has any obligation to update this presentation in the event that any content, opinion, statement, estimate, or projection (collectively, "information") changes or subsequently becomes inaccurate. IHS Markit makes no warranty, expressed or implied, as to the accuracy, completeness, or timeliness of any information in this presentation, and shall not in any way be liable to any recipient for any inaccuracies or omissions. Without limiting the foregoing, IHS Markit shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with any information provided, or any course of action determined by it or any third party, whether or not based on any information provided. The inclusion of a link to an external website by IHS Markit should not be understood to be an endorsement of that website or the site's owners (or their products/services). IHS Markit is not responsible for either the content or output of external websites. Copyright © 2022, IHS Markit®. All rights reserved and all intellectual property rights are retained by IHS Markit.

