

# The changing face of farming in the UK.

A report from Investec Wealth & Investment (UK).  
May 2024

## INTRODUCTION

Agriculture in the UK is big business, directly employing<sup>1</sup> around 471,000 people working at 142,500 businesses. Total UK income from farming is estimated to be around £7.9 billion.<sup>2</sup> The wider agri-food sector is estimated to contribute £127 billion to the UK economy and it employs around 4.2 million people.



<sup>1</sup>Election Manifesto Farming for Britain's Future (nfonline.com)

<sup>2</sup>Summary - GOV.UK (www.gov.uk)

Investec Wealth & Investment (UK) is part of Rathbones Group PLC, one of the UK's leading discretionary wealth management firms. We take a relationship-based approach to financial planning and investment management, with the purpose of making a tangible and meaningful difference to clients and their families. For more information on our services visit **Investec Wealth & Investment (UK)**.

We understand that data on employment and economic contributions do not tell the whole story about UK farming, which is why we commissioned independent research<sup>3</sup> with farmers across the UK to get a more detailed picture.

As a business, we have been the official Wealth Management Partner for The Game Fair — the UK's largest countryside show — for three years now. The partnership enables us to further strengthen our commitment to supporting rural and farming communities across the UK, along with innovators who are finding new ways to help protect and preserve our landscapes for future generations.

Our research looked at how the farming industry in the UK is changing and how businesses are adapting by increasingly launching new ventures, these include tree planting and carbon capture, as well as renewable energy and tourism. It delves into the financial pressures farms are under, and how they are coping, while also looking at their plans for the future of their business as well as their own financial futures.

**Investec Wealth & Investment (UK) can provide farmers and landowners with a range of financial planning and investment management services, to help navigate their way and ensure their assets and wealth grow and are protected.**

Our research looked at how the farming industry in the UK is changing and how businesses are adapting by increasingly launching new ventures.

<sup>3</sup> Investec Wealth & Investment (UK) commissioned independent research agency PureProfile to interview 100 freehold arable, dairy and livestock farmers during April 2024

## UK FARMERS' ENTREPRENEURIAL SPIRIT

Our research found that farmers across the UK are showing their entrepreneurial spirit, as they diversify away from traditional arable, dairy or livestock farming to use their land in a manner of new ways to increase or supplement their income.

All farmers surveyed said they were currently using at least some of their land in non-traditional ways. The most popular initiative is increasing biodiversity through increased tree planting or carbon capture — 66% of farmers surveyed said they are doing this — while 43% are making new products to sell, such as cheese and 38% are trying out Community Supported Agriculture, where customers subscribe to receive regular deliveries of fresh produce or other farm products.

Other new initiatives and revenue streams include starting to attend farmers' markets, while 35% of farmers are offering a tourist attraction such as holiday cottages or glamping facilities. Meanwhile, 25% are trying or starting to farm new livestock and 24% are already doing so.

The majority of farmers surveyed have been running new enterprises for at least two years, and say they've experienced an improvement in their farm's income during this time.

28%

say their farm's income has increased slightly over the past two years.

36%

say their income has stayed the same over the past two years.

26%

say their farm's income has increased dramatically.

8%

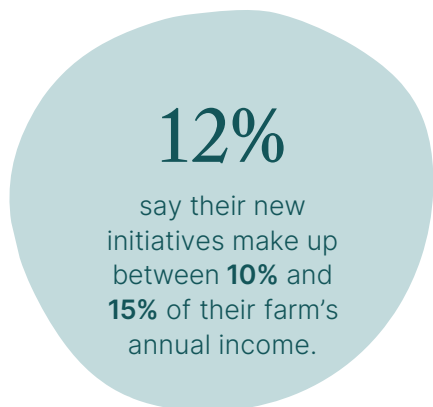
say their income has fallen slightly, and 2% say it has fallen dramatically.

**Top 10 new enterprises started by farmers surveyed:**

1	Using land for biodiversity activities such as carbon capture / tree planting <b>(66%)</b>
2	Started to make new products to sell e.g. cheese <b>(43%)</b>
3	Community Supported Agriculture where customers subscribe for regular produce <b>(38%)</b>
4	Started to attend farmers' markets <b>(35%)</b>
5	Tourism e.g. holiday cottage or glamping <b>(25%)</b>
6	Starting farming new livestock <b>(24%)</b>
7	Starting farming new crops <b>(19%)</b>
8	Started contract farming e.g. collaborating with local businesses to supply produce <b>(18%)</b>
9	Using land for renewable energy e.g. solar panels <b>(17%)</b>
10	Launched a 'pick your own' <b>(16%)</b>

Around 80% of farmers surveyed say that current market dynamics have pressurised them into considering these alternatives to traditional approaches. The research suggests they are seeing success from being entrepreneurial, with green initiatives in particular proving to be not only environmentally friendly but financially sound too.

Of the farmers surveyed who say they've started using their land for increased biodiversity through tree planting or carbon capture, around 68% say it makes up between 15% and 20% of their farm's annual income.





There are similarly strong results from using land for renewable energy such as solar panels, which **17%** have done.



More than one in eight (**12%**) say it contributes to between **15% and 20%** of their farm's annual income and **77%** say it contributes between **10% and 15%**.



Another **12%** say it contributes between **5% and 10%** of their annual income.

Branching out into tourism by offering holiday cottages or glamping and making new products to sell, such as cheese, reported a broader range of incomes. Among those running tourist activities, 16% said this generated over 20% of their farm's annual income, while 24% said it was only delivering up to 5%. Of those making new products, 26% said this generated between 15% and 20% of their farm's annual income, while 30% said this generated between 5% and 10% of their farm's annual income.



## DELIVERING FOR THE ENVIRONMENT

The study found that UK farmers are increasingly turning their attention to renewable energy investments as the sector looks to diversify its income streams, reduce carbon emissions and enhance the sustainability of its operations.

Renewable energy initiatives present an attractive opportunity for farmers to play a key role in the green energy revolution. By harnessing resources such as wind, solar, biomass and hydropower, farmers can use their land to generate clean energy, while also mitigating their farm's environmental impact.

In terms of the types of renewable energy projects that UK farmers are focusing on, 68% of respondents say that they have invested in biomass energy, this is followed by wind energy (51%), solar energy (39%), hydropower (23%) and battery energy storage systems (14%). Only two percent of UK farmers interviewed said they were not currently involved in any renewable energy operations.

Around 90% of UK farmers interviewed claim to have been approached by third party organisations who want to purchase carbon credits to offset their own emissions. Almost half (45%) of farming businesses say that they have been contacted on multiple occasions as companies intensify efforts to meet the UK government's ambitious carbon reduction goals, creating a buoyant market for carbon credits.

## BUT FINANCES ARE UNDER PRESSURE

Nearly three out of four (73%) farmers questioned say they are frugal when it comes to keeping costs under control. Having to cope with rising costs has resulted in them taking on more debt and needing to make the most of grants and subsidies available.

Two out of three (66%) farmers surveyed have experienced rising costs over the past two years, with 10% saying costs have risen dramatically. A further one in five (21%) say that their costs have stayed the same, with only just over one in 10 (13%) saying costs have fallen.

The average rise in costs over the past two years is 12.92%, but over a quarter (27%) of those questioned say costs have increased by more than 15% in this time frame. Half (50%) say they've gone up by between 10% and 15% and almost one in five (18%) say they've gone up by between 5% and 10%. Just one in twenty (5%) say their costs have increased by up to 5% in the past two years.

One in three (33%) describe the current level of debt in their farm as high or very high.

A further 40% say they currently have moderate levels of debt.

Around 59% think they are good at securing grants and subsidies and 13% say they are average at this.

More than one in 10 (11%) described the financial health of their farm as excellent and seven in 10 (69%) described it as good.

Only 24% say debt is low. Just 3% describe their debt level as very low.

Farmers are focused on securing government grants and subsidies, and positively, more than a quarter (28%) surveyed think that they're excellent at making the most of incentive programmes designed to support the industry.

One in five (19%) described the financial health of their farm as average and just 1% say it is very poor.

In order to make the most of the grants and subsidies available, almost all (97%) of the farmers surveyed get some form of help when applying. The most popular option is to employ a consultant or adviser (71%), but more than half (53%) say they get help from a family member or employee. A quarter (25%) opt to speak to a community or industry organisation.

Just under a third (30%) of those surveyed found it quite easy to apply, with 2% saying it was very easy to complete. Another third (29%) said it was okay, while 37% said they found it quite hard and 2% said they found the regulatory and compliance paperwork for their farm very hard to do.

## PLANNING FOR THE FUTURE OF FARMING

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Succession planning is crucial for UK farmers to ensure the continuity and sustainability of their agricultural businesses. Around 78% of farmers surveyed have had a formal valuation assessment of their farm undertaken in the past five years and 88% say that they have a robust plan in place for the future of their farm. Just 9% say they have no plan in place.

Farming is often a multi-generational enterprise that is deeply rooted in family traditions and values. This is underlined by the findings that 92% of UK farmers interviewed say that once the current generation has stepped back from running the farm, they expect that the next family generation will take over and run the business.

Almost all (98%) UK farmers surveyed said they are confident that the next generation wants to run the family-owned farm, and 93% believe that their children or other family members will be capable of doing so successfully. Nearly all (99%) agree the different family generations running the farm are united with 23% describing the level of agreement as “excellent” and 60% describing it as “good”.



Around 59% of the UK farmers interviewed currently employ two or more other family members, excluding themselves, while 18% employ three or more. Just 8% said they were the only member of their family currently employed in the running of their farm.

The average number of people employed by each freehold farmer interviewed was 21, with almost half (49%) saying they employed between 20 and 30 people.

Four in five (81%) UK farmers interviewed anticipate that the current generation running the farm will retire aged 65 years or younger, with most (73%) retiring between 60 and 65 years of age, and just 8% saying they expect them to retire before they reach their 60th birthday.

However, 14% believe that the current generation will work beyond 65 and will be involved in the farm business up until 70 years of age, with another 2% saying they will retire aged 70 – 75 and 3% admitting that they don't envisage ever retiring.

The nature of agricultural work often blurs the boundaries between home and farm, with family members frequently involved in various aspects of farm operations. However, despite long hours and unpredictable schedules, the majority of UK farmers are positive about their own family and work life balance, with 73% describing it as good and 9% describing it as excellent. Only 1% describe it as being very poor.

**The research indicates that the labour market has become more favourable for some but not all UK farmers:**



**45%** said that it had become easier to find suitable employees over the past two years.



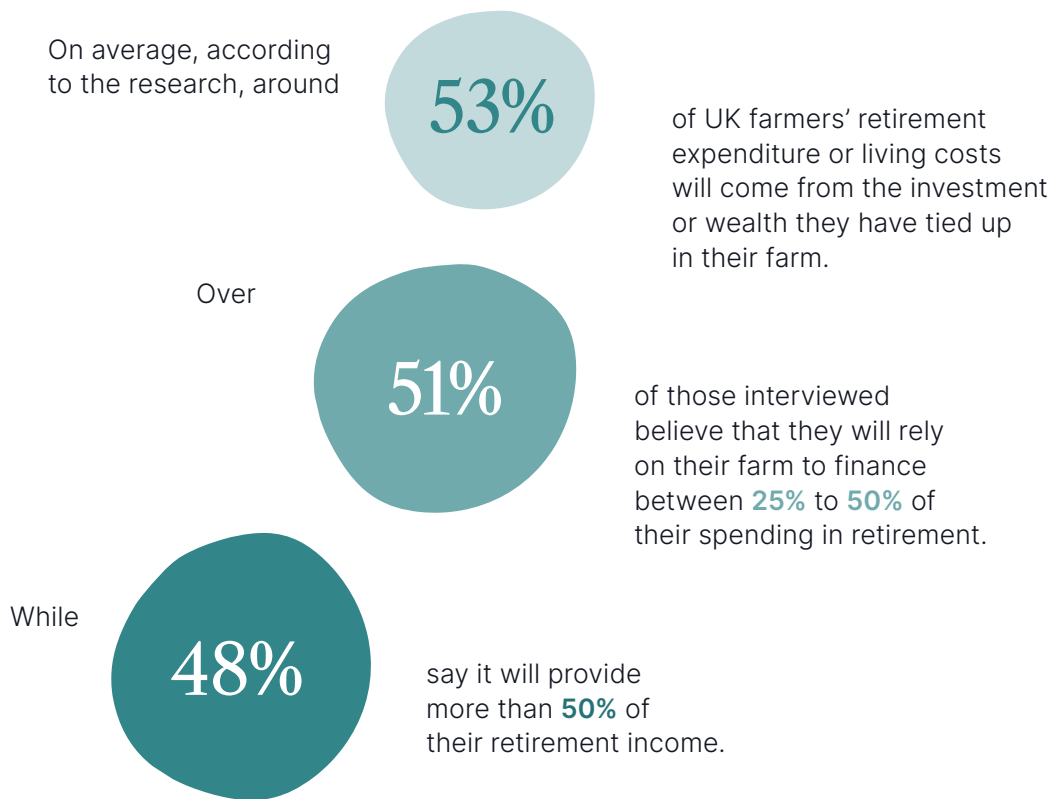
Around **29%** say that they had found it harder or significantly harder to find staff.



A quarter (**26%**) said their ability to recruit suitable labour remained about the same compared to two years ago.

## PLANNING FOR THEIR OWN FUTURE

For many UK farmers, their farm represents not just their livelihood but also their primary source of retirement funding, according to the study. Almost all (96%) interviewed see their farm or investment in their farm as their future pension.



Some 16% believe they will be almost wholly reliant on their farm investment to fund 75% or more of their living costs once retired.

The research shows that farming often involves significant capital tied up in land, equipment and livestock. The UK farmers interviewed say they have on average 66% of their wealth tied up in their farm. More than four in five (86%) said that over 50% of their wealth was held within their farm, with three in 10 (30%) saying their agricultural business represented 75% or more of their wealth.

The majority (92%) of UK farmers questioned say they have a private pension. In terms of how well they think they understand the tax benefits of paying into a pension, 15% of UK farmers said they understood them very well while 69% said they understood them quite well.

The average age when UK farmers surveyed started saving into a private pension was 37 years. However 60% of farmers said they were aged 40 or over before they started paying into a private pension, with 12% saying they were aged 45 or over.



## CONCLUSION

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Our survey shows that some farmers are having to diversify away – at least in part – from traditional arable, dairy and livestock farming. Many feel that they are being driven to these new enterprises because of the current market dynamics, but the new ventures are also proving to be financially attractive.

There is no one-size-fits-all approach to diversification with farmers showing their entrepreneurial spirit to try out a whole host of new ways to use their land, from carbon capture, to glamping, making new products or even contract farming with local supply chains.

Renewable energy production aligns well with the ethos of many farmers who are prioritising environmental stewardship and sustainable land management. By integrating renewable energy projects into their operations, farmers can demonstrate their own commitment to reducing carbon emissions, protecting natural resources and preserving the rural landscape for future generations.

Such projects also offer farmers a way to future-proof their operations against the impacts of climate change and volatile energy markets. Investment in renewable energy gives farmers an opportunity to create other income streams, including the sale of carbon credits to third parties, which can be less susceptible to market fluctuations and regulatory changes, thereby enhancing the resilience and long-term viability of their businesses.

The pressure of rising costs on their balance sheets is just one of a number of challenging external factors facing farmers at the moment. While this is resulting in some having to take on more debt, our survey shows that a large majority are making the most of the Government subsidies and grants available.

But farming is not just a source of income, often it is a deeply ingrained family legacy that will be passed down to the next generation. By establishing succession plans, farmers can seamlessly transfer ownership and management responsibilities to their children or other family members, helping to preserve the knowledge and expertise that was cultivated over years of hard work.

The process involves careful consideration of factors such as the financial stability of the farm, the skills and aspirations of family members and potential tax implications. Robust succession planning brings stability not just for the family but also for the local community and the wider agricultural sector, ensuring support for rural economies and the long-term viability of food supply chains.

Farmers typically have the majority of their wealth tied up in their farms, which is understandable given that many have dedicated their entire lives to building and maintaining their businesses. Factors such as fluctuating commodity prices, extreme weather events and market volatility can significantly impact their income from year to year. As a result, some farmers will prioritise reinvesting profits back into the farm business rather than setting aside funds for retirement.

This reliance on their farm as the primary source of income during retirement highlights the need for effective financial planning and succession strategies, to ensure a smooth transition and a comfortable lifestyle when they retire.

Whichever route farmers and landowners decide to take, we can help to navigate this journey whilst protecting and building assets and wealth along the way, for today and for future generations to come.

**Capital at risk.**

## ABOUT INVESTEC WEALTH & INVESTMENT (UK)

As one of the UK's leading wealth management firms, we are trusted with managing £42.2 billion (as at 31 December 2023) of our clients' money. Our wealth teams work hard at providing high levels of service to our clients and with an investment heritage dating back to 1827, we're built for the long term.

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### About the research

<sup>1</sup> Election Manifesto Farming for Britian's (nfuonline.com)

<sup>2</sup> Summary - GOV.UK (www.gov.uk)

<sup>3</sup> Investec Wealth & Investment (UK) commissioned independent research agency PureProfile to interview 100 freehold arable, dairy and livestock farmers during April 2024

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