

## **Oxford Farming Conference Speech – 7<sup>th</sup> January 2014**

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Good afternoon ladies and gentlemen.

### **Introduction**

I grew up on our family farm in Perthshire where as well as being involved outside helping on the farm, I played an active role in helping with the farmhouse bed and breakfast business. Growing up with a farming family who enjoyed welcoming tourists from all over the world onto their farm to experience farm life and to share knowledge about how crops are grown and livestock is reared is an experience which has stayed with me.

Moving forward 24 years, my husband Ross and I set up a tourism farm diversification on our family farm just north of the City of Dundee which is now an established business running alongside the existing farming operation. Our tourism business has used less than 0.6 acres of land but is generating comparable turnover levels to the farming enterprise, more profit, and has had no impact on the output of the farming enterprise. Our small business plays a big part in the local economy with thousands of pounds spent by 5 star guests on local farm produce, transport, activities, restaurants and it is this interest in what diversified farm businesses can achieve for rural development which was behind my wish to undertake a Nuffield Farming Scholarship, which I have recently completed.

We welcome hundreds of non farmers onto our farm and all will leave with at least some new knowledge about where their food comes from, how it is grown, how farmers care for the natural environment, even if this knowledge is learned by sitting in the hot tub watching the combine go by!

### **Importance to farmers and rural economy of farm diversification**

I believe that farm diversification, will overtake the main core farming enterprise of agricultural production, in terms of contribution to profits, in most parts of the UK over the next ten years.

### **Push factors**

CAP reform, the price of land, limited availability of land for farms to grow their existing footprint, the need to accommodate the next generation, ongoing low returns from farming in relation to capital, pressure on land from an increasing population and other factors will all mean we have to do more with the assets we have. Farmers will live longer too, one in five of us will live to be over 100, that's a lot of generations below us waiting to make farm-business decisions about the fate of the fixed farm assets.

The profile of farming in many parts of the UK including Scotland where I am from means that diversification is an essential element to the farming business. The majority of Scottish

farms make a loss before subsidy. 85% of Scotland is classified as a less favoured area. Doing more than just farming is a necessity for many.

Many of the farmers I meet in the UK are “anti diversification.” If we diversify we will no longer be “real farmers.” But what is diversification? What’s a hard core farmer? How many of us are only deriving income from growing crops and rearing livestock?

My Nuffield Farming Scholarship has allowed me, over the past two years, to study farm diversification focusing on tourism, leisure and food and drink. My scholarship was generously sponsored by the Royal Highland Agricultural Society of Scotland.

The people I have met recently from other parts of the world shows that diversifying does not always mean reducing your current output of agricultural produce. It does not necessarily mean “taking your eye off the farming ball”.

What is important in growing your business effectively – for agriculture or for other enterprises - are robust business management skills, an excellent understanding of your markets and, more importantly, the correct aptitude to appeal to that market.

### Key Findings

There are some key findings on farm diversification from my Nuffield experience. The successful key person in the diversification was not always “the farmer” but a wife, husband, daughter, son, daughter in law, son in law.

The successful “key person” in the business, whom I met throughout my travels had particular attributes. They were keen to embrace change, bold, “rural characters”, full of personality, inquisitive, understanding of market sectors, went after markets and customers, outward looking, people lovers, effective communicators, natural providers of customer service, and skilled in sales and marketing.

In terms of the impact on the farming family, successful farm diversifications used all forms of physical and human capital within the family to drive the maximum return on investment from their farming business. Successful businesses had one key person with a skill and or passion for the new venture, possibly gained from outwith agriculture that they were bringing back to the family business.

Successful farm diversifications allowed multiple generations in a family business to live and work from the same fixed land asset, with different people able to have managerial responsibility for a particular area of the business.

Farm diversification facilitated management succession in the farming business.

As a national economic driver, farm diversifications generated increased economic impact in their rural economies and had a positive impact on tourism and food and drink supply chains.

The best farm and diversified farm businesses I met collaborated effectively with other businesses in a strategic way.

Succession is the big elephant in the room in farming families. Difficult succession discussions, or perhaps no discussion causes relationships to break down, bad feeling, feeling of low self worth, stress and mental health issues, and sometimes very tragically suicide. Those forward thinking, open minded people I have met on my travels, perhaps not able to carve an income for another generation in the traditional farm business, were able, by giving emotional support, encouragement and often a redundant part of the farming asset, to let a family member build their own business using the same farming asset.

Many farms are asset rich but cash poor. Allowing another generation to use the value of the farm asset to borrow from the bank to start a new business based from the farm is a win win situation for all generations. Trust, vision and a bit of risk taking is required but most of all is the need for the previous generation to want the next generation to do well.

### **Pull factors**

Diversification takes many forms.

The pull or demand factors driving farm diversification in the tourism, leisure and food and drink sector is coming from a rising demand by consumers for authentic, rural, new, healthy experiences; a rising demand for locally farmed food and drink and the story to accompany this product back to a farmer; the rise of farming being something that is 'cool' 'sexy' and en vogue by society. Farming has never been so 'in' with the man or woman in the street and I believe 2014 will be the year that real momentum gathers in the UK and consumer demand reaches levels we have not previously seen or enjoyed. The question for our sector is "are we ready to deliver to meet this consumer demand?"

### **Farming and tourism are intertwined**

Tourism and farming are already heavily intertwined. 75% of Scotland is registered as agricultural land. Farming delivers the beautiful countryside our tourism industry relies on to generate billions for the economy. The post cards, images on digital media and in adverts about Scotland almost always use a backdrop of hills, glens and mountains. All of this is agricultural land and managed by us as farmers.

### **So what is agritourism?**

Agri-tourism and agri-leisure are leisure and tourism activities based on a working farm, estate or croft. The spectrum takes in leisure – a "local" going to a farm shop café to meet friends and have lunch right through to national and international tourists coming to stay on a farm as part of their main annual holiday.

My definition – true agritourism must involve an active farmer, must involve education, must involve farmed produce, either from that farm or local farms. The business can be separate from farm business but must be owned by same farming family. Communicating what a farmer does and his or her role as food producer at the start of the supply chain and guardian of the countryside is at its heart. Farm tourism businesses obviously act as a pivot at the heart of their local community and together with the other pieces of the jigsaw such as the local pub, hotel, activity provider, shop, garage, bus company form the whole picture of a holiday.

The important part is that agritourism is something quite distinctive from general rural tourism, it is a niche tourism and leisure product which stands out and offers consumers a distinctive and unique experience.

I believe that the agritourism experience I have described, is not a developed experience in the UK, but if it was, it could deliver industry changing benefits for our sector in terms of increasing demand for UK food and drink at home and abroad, communicating our story and role effectively to the public and raising the profile of farmers with the 99% of the population who have no connection with farming.

#### Perceptions of agritourism

The days of diversification into tourism being no more than “the farmer’s wife” renting out the spare room and pocketing some cash for the family holiday are gone. Tourism is big business, one of the main drivers in the economy, worth around 10% of Scotland's Gross domestic output alone. Scotland aims to add an extra £1bn a year to its tourism income by 2020, that’s roughly taking a market worth around £11bn to £12bn. Where is this extra £1bn going to come from if the industry doesn’t bring you tourism experiences into the market or does things radically different.

#### Is agritourism for everyone?/The hospitality sector

While I am keen to outline the rising consumer demand, the size of the tourism market and the advantages that a diversified business can bring to an existing farming business, a few words of caution – if you set up a tourism or leisure business, you are entering the hospitality industry.

A reminder if it is needed of the definition of hospitality – “the friendly and generous reception and entertainment of guests, visitors, or strangers.”

Key words in the hospitality sector are friendliness, hospitableness, welcome, service, sociability. As the age of digital marketing, instant guest reviews and travel savvy consumers are upon us, it is now a fact that customer service is overtaking traditional marketing methods as a key driver in sales in tourism and leisure.

If you are a grumpy old bugger or maybe your wife is, give tourism a miss – being charming 24/7 is a prerequisite so be aware that the natural attributes required to run a successful tourism or leisure business are different in some cases to those required in farming. Thankfully sheep don't use Trip Advisor!

I would now like to consider three case studies to demonstrate the impact on three different farming families in separate parts of the world.

#### Case Study - our own business, The Hideaway Experience

I wanted to use our own business as a case study to highlight the impact this farm diversification has made on our family

There are some key points about our business I would like to share with you -

1. I have already outlined that our business has added another business to the farming business which has used barely any land and which is generating similar turnover levels. One of the main advantages to us apart from having an income stream to live on is that the tourism business is generating cash all year round. We have just achieved winter occupancy of 85% and guests pay in full 6 weeks prior to arrival. We are taking 25% deposits on bookings for honeymoons in 2015 and 2016 so we can live on cash and use cash to grow our business well before we have delivered the service. Not many farm outputs can deliver this.
2. We are an agritourism business but we are marketing a luxury rural experience but delivering education in a subtle way. We provide locally farmed produce to guests, who choose food and drink and book this online ahead of their stay.
3. Our guests have taught us to think about our farm through their eyes – research with over 200 guests stated that our farm provided unrivalled privacy, peace, tranquillity, a complete contrast to their home environment, the chance to lie in the hot tub and watch the stars, and fresh air. Do not underestimate the amount of people living in the UK who would pay to experience a week in fresh air.

#### Case Study World leaders in this sector – Italy

I was fortunate to spend three weeks in Tuscany as part of my Nuffield research. As a result of my research there and relationships developed with businesses, industry leaders and universities, I will return to Tuscany in May this year with a group of 15 farmers from Scotland to allow them to experience for themselves why Italy is the world leader in agritourism.

In Italy on farm experiences are used as part of a robust food export policy. The thinking is that a tourist staying in an *Agriturismo* will experience farming life, enjoy the food, then go home and buy Italian produce. The sector has 200,000 bed nights in Italy accounting for a market worth £1 billion direct to 20,000 farmers – this accounts for accommodation only and not farm retail or any other supply chain and downstream economic impact. 70% of farm accommodation providers also have a retail element for farm produce.

This is a “tourism product” not developed at all in the UK in any significant way.

The main features are –

1. Top quality accommodation and customer service with the customer experience being graded in quality assurance, not just the facilities.
2. You need to have a licence in Italy to run a tourism business, and an additional grading system for agriturismo differentiates this sector. The top 3 star grade in for an agriturismo business meant that one of the owners had a qualification in agriculture, horticulture or food and drink and could talk effectively about how food is produced.
3. Agritourismos must serve guests either home produced or locally produced food from within 25 miles, if not it must certainly be Italian produce.
4. A knowledgeable member of the farming family communicates and explains to guests the story of how the food is produced, how it was harvested, and how it was cooked.
5. Farmers entertaining consumers with knowledge, wit, passion and selling their rural culture.
6. Registered agriturismo businesses, which in Italy are recorded as a farm activity, not a tourism activity, receive a tax break each year of 100,000 euros.

It is no wonder that 30% of visitors to Tuscany region stay on a farm.

One of the best agriturismo experiences I encountered both in Italy and on my travels was Agriturismo Marciano. Farmers in the UK could learn a lot from Italian farmers about product development in agriturismo, marketing and sales. This description from Marciano’s marketing materials sums up that this is not simply about staying on a farm, it is not just about accommodation, you are buying into a unique experience that only a farmer can deliver.

The farm conducted farm tours, had a farm shop which sold farm as well as local produce, promoted the wildlife, flora and fauna, offered cookery lessons and promoted heavily, the psychological benefits from experiencing life on an agriturismo. Identifying health benefits to staying on a farm, both physical and mental, is something which was strongly promoted.

The Cities in Tuscany promoted small agritourismos in a big way. Brown tourism signs promoting the smallest of businesses were on every roundabout, signage in general to the

most remote and difficult places was excellent and provided free to businesses, unlike here in the UK.

Size does not matter in Italy. The best micro businesses, some of the best agritourism businesses were heavily promoted by tourism authorities as they realised the draw to international tourists of the sector overall.

Unlike Italy, anyone can open a tourism business in the UK. You could go home tonight, give your spare bedroom a Hoover, put a sign outside your door and say you are a farmhouse bed and breakfast. No requirement to deliver any standard of accommodation, any welcome or service or indeed any quality of breakfast. Feed guests value cornflakes and a cheap sausage made somewhere in the rest of the world and send them on their way.

I believe that we should have a minimum quality standard to be allowed to run a tourism business. Poor service, poor facilities and poor marketing by some tourism operators spoils the experience for visitors and makes a return visit to a similar type of business or even the country as a whole unlikely. Following my Nuffield experiences in Italy I will continue to lobby in Scotland to implement compulsory quality assurance, for which there is a growing demand by the business community.

### **Case Study – Tasmania - Sam and Jane Parsons, Hamilton**

My final case study is Sam Parsons and his wife Jane from Hamilton in Tasmania. They farmed tourists in the same way they farmed crops and livestock. Sheep profits were split into three elements, wool production, lamb production and the return from sheep on being part of a farm tour every day which saw the same 200 rounded up by the dogs, brought in and then one was picked for a sheering demo. There was no such thing as diversification into tourism and leisure, it was part of the core business but helped to contribute double the profits in the business. This Ozzie farmer could turn on the charm when a coach appeared full of the tourists from Asia he could welcome and converse with in their language (he spoke several Asian languages). Sam and Jane made me appreciate an interaction with a real live farmer is a saleable experience, in high demand from consumers and something to make real money from. They also believed that education was a two way street. Why should farmers go on about educating the public about where their food comes? Why should the public care. Sam thought if you listened to your consumers and their needs, by just showing an interest in their lives you would create demand for farm produce. 50% of their tour was looking at the poo of nocturnal Australian animals in a 4 acre bit of scrub forest – the tourists were fascinated. We didn't see an animal the whole tour apart from sheep. The Australians I met were all, like Sam and Jane, market focused. Sam got on a plane every couple of months and went to Asia to market his business. How many of us market our business, let alone get on a 7 hour plane journey to go looking for customers.

## Do we have a developed agritourism product in the UK?

I believe that we have a large number of farms who have diversified into tourism and leisure. I don't believe that we are anywhere near the stage of having a developed, high quality, agritourism "consumer product" in the UK.

I fundamentally believe that UK agriculture and UK tourism is not good enough. We can do a lot better. The easy bit about being a Nuffield Scholar is being away, taking in new knowledge and being inspired by great people. The harder bit is creating positive change when you come home. I would really love to achieve that.

During the past two years I have engaged with a large number of people on the topic of agritourism including speaking at the Scottish Parliament on the subject.

I do worry that our culture in farming is holding us back, both individually and as a sector.

Common feedback I have received is –

1. It won't work in the UK, farmers here can't communicate.
2. "It's aways been." – on the subject of farmers wishing to only look at their farms as producing core produce and not willing to think outside the box and add value to their asset to make the core business sustainable.
3. We don't have sun, infinity pools, wine or hot looking farmers so agritourism won't work in this country.

Thankfully the positive feedback has outweighed the negative people, but I do think in general as an industry we need to take a long hard look at ourselves and take a look at how the rest of the population i.e. our customers view us.

We have to get out of the mindset of thinking we are not real farmers if we use our assets for something added value relating to growing crops and producing livestock. We can indeed enhance and protect our existing business by doing more with what we have. We can make a huge impact on our sector and its relationship with consumers through more interaction with these consumers.

We do have a heritage in farmhouse hospitality. We all have farmhouse tables where if someone arrives at the door another chair is pulled round and the meal is spun out. We are already cooking with our own or locally farmed produce. We grow the barley which makes the best whisky in the world and many of us like to drink it so we are well aware of the story of our food and drink.

## So what happens now?

These are some of the things taking place in Scotland to progress the agritourism sector.

## Farming tourists



For those with the correct attributes and skills, I believe “farming tourists” will become *mainstream in the next five years* as this industry uses agritourism to interact with consumers, to drive demand for UK food and drink and to deliver a product demanded by the public - an opportunity to experience a real live farm and its farmer. We will come to have confidence in our offering so that we can charge consumers the opportunity to experience farm life and make money from just being effective communicators and telling our story in an engaging way. If we put forward a value proposition and a great experience people will pay. So if you are listening to this and as they say in Scotland, you have good banter, I hope you will go home and consider how you might put this skill to good use.

Thank you