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# **Agri-tourism in Recession: Evidence from North East England**

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## **Abstract**

Farms are increasingly diverse business entities. The recent recession provides a stimulus to explore the strategies employed by farmers and farm households and the resilience of their farm businesses. Depth interviews with the owners and/or managers of five diversified farm businesses before and after the recession provide insights into their decision making processes and motivations. Approaches to different elements of entrepreneurial behaviour including risk-taking, opportunity evaluation, networking, innovation and strategies to attract new customers are examined. While the skills needs of diversified farmers have been widely explored in the literature, the longitudinal approach of this study across a period of economic recession enables the findings to add further to this body of literature.

The results identify specific strategies and entrepreneurial characteristics that have been employed to enhance the resilience of diversified farms. The research considers the implications of combining the production of necessity goods (conventional agriculture) with luxury goods (tourism and value-added food produce) to position a business that can perform well confronting diverse economic conditions. In particular, this allows decisions to focus resources in different areas of the business to be analysed in relation to the wider economic environment.

Keywords: farm diversification, rural tourism, agri-tourism, entrepreneurship, Rural Development

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## **1.0 Introduction**

This paper explores the impact of farm diversification into tourism-related activities upon the social and economic resilience of farm businesses during the recent recession in the UK. Interviews with diversified farm-business owners were carried out in the North East of England both prior to the recession and again in the autumn of 2011 allowing comparisons to be drawn and reflections to be made on the strategies employed to weather the economic downturn. The results are documented in five case studies. The research is particularly timely not only with the shadow of recession still affecting the global economy, but also a reported decline in the rural, particularly farm-based, tourism sector in the UK during the 2000s (Woodward, 2009).

Rural and farm-related tourism has been associated with the “commodification” of the countryside (Woods, 2011), valorised where local food and drink, landscape and farm-based activities constitute part of the tourist experience, not simply components of the productive process of agriculture. While integrally

related, it would be erroneous to assume that farming and farm-tourism are necessarily complementary. The integral relationship is overlain with an ironic dichotomy as the attraction of farm-based tourism is in part the result of mainstream agriculture becoming increasingly marginalised in society with fewer people working on farms and fewer consumers aware of farming (McElwee & Annibal, 2010). The realities of productive agriculture and tourist demands, however, are likely to be quite different and therefore the business approaches to their operational management differ too.

It has been noted that the economic cycles for tourism and agriculture are likely to be quite different given that food is a necessity good, with prices holding up in recession, whereas tourism is a luxury good (Smeral, 2003). Indeed, farming has been described as “recession-proof” (Clarke, 2010). For UK rural tourism, potential benefits may occur during recessionary periods from the emergence of the “staycation” phenomenon, where consumers cut back on spending to take holidays closer to home. This paper will explore the complementarity of economic cycles both in terms of the national economy and in terms of the seasonal nature of each business.

A second area of interest in the paper concerns the entrepreneurial skills of farmers/tourism operators. In a recession firms cut costs and re-trench, in some cases improving profitability. This leads us to question whether operators of diversified farm businesses with more options available to them and experience of prioritising between distinct opportunities are better placed to adjust and re-focus their strategies during a recession when compared to non-diversified farm businesses.

The research seeks to build upon earlier work carried out in the aftermath of the foot and mouth disease outbreak of 2001 in the UK (Bennett & Phillipson, 2004; Bennett et al., 2002) which highlighted the importance of the farm household for small farm survival but also the vulnerability of the wider rural economy to exogenous shocks. In particular, Phillipson et al., (2004) observed that the centrality of the farm household allowed for coping strategies that included taking lower wages, working longer hours and postponing investments. As the outbreak continued, the need to restrict expenditure and other behavioral changes, such as reliance on credit, began to affect longer-term attitudes with implications for the dynamics of rural economic and individual farm business recovery. The difference then was that the effective “closure” of the countryside in many, especially upland, areas restricted opportunities for diversification and the crisis occurred as a blip in a period of otherwise steady growth. This leaves the question of how farm households respond in the face of wider economic turmoil and whether they remain a source of resilience for diversified businesses.

The paper is structured as follows. We first define farm tourism diversification. We then offer a commentary on the entrepreneurial skills of farmers. This literature review is followed by a contextual appraisal of the farm and tourism sectors in the North East of England, a discussion of our methodological approach and the findings of the case studies. We conclude with a suggestion that diversification stimulates the development of entrepreneurial competencies as well as being the result of entrepreneurial behaviour.

## **2.0 Farm Diversification and Rural Tourism**

Farm diversification is not a new term as farmers continually seek new methods to increase profits and minimise variations in income levels (Heady, 1952). Older literature focuses on diversification within the core activities of agriculture but farmers have also been providing touristic assets for generations. As well as

managing the landscape and biodiversity that attracts tourists to rural areas, the provision of rented accommodation and activities such as hunting and shooting date back well before the 20<sup>th</sup> century (Slee, 1987). In 1990, it was estimated that 20% of farms were involved in tourism (Shaw & Williams, 2002) and today that figure is approximately 50% (Farm Business Survey, 2011).

Many of the attempts to construct sustainable rural livelihoods involve a shift away from agriculture's traditional 'core' activities by means of diversification with new on-farm activities or 'conversion' to adding value within the production chain. Defra (2011, p. 1) define diversification as "the use of farm resources for a non-agricultural purpose for commercial gain" and in recent years, this has been more strongly associated with necessity as farm incomes have been in relative decline (Lobley & Potter, 2004). This leads McElwee (2006a, p. 69) to define the process of farm diversification as "a strategically systemic planned movement away from core activities of the business, as a consequence of external pressures, in an effort to remain in and grow the business". In the aftermath of dramatic external pressures, such as the foot and mouth outbreak in 2001, it might be argued that several diversified businesses emerged in a less than "strategically", "systemic" or "planned" fashion which may go some way to explaining the high attrition rate (Vik & McElwee, 2011).

Farming, just like any industry, has become increasingly market focused. However, fears that this would lead to smaller and family farms being squeezed out of existence have thus far been unfounded, demonstrating that farming is more complex (Ilbery & Bowler, 1998). This may appear to be changing however, as smaller farms tend to be less economically viable, the total number of farms in the UK has declined and there is a growing number of applications for very large facilities in the livestock sector described as "super-farms" (Defra, 2012). A farmer judges success on factors that supersede economic measures with the overriding goals being more strongly associated with long-term viability, family inheritance and lifestyle factors as McElwee (2006b) notes in a study of farms in Yorkshire. These internal factors influence the propensity towards diversification as a means of supporting the farm but these must be balanced against external factors such as the socioeconomic and physical environment outside the farm (Walford, 2001).

For tourism enterprises on farms, location clearly matters, both in relation to tourist attractions and in relation to the size of the catchment population. Rural tourism as a whole is estimated to generate some £9.4bn of spending in the countryside of England and Wales (Commission for Rural Communities, 2010) but this is unevenly distributed across space. Woodward (2009) reports a decline in the sector with trips by paying guests to farmhouses in 2008 falling by 19% and receipts by 33% while the average guesthouse statistics reflected just a 6% drop in both categories. Furthermore, concerns have been raised over the potential scope of rural tourism outside of coastal and national park areas (Woods, 2005).

In 2009, however, the popularity of the "staycation" saw the number of domestic trips in the UK increasing by 17% compared to 2008, while outbound trips decreased by similar figures. Expenditure on domestic trips was also up by 12% (Commission for Rural Communities, 2010). Woodward (2009) notes that farm attractions performed well, even when other sectors of rural tourism were in decline. Despite the relative success of farm tourism and the growth of domestic holidays, the recession did not see any significant change in the proportion of farms with diversified activities (Defra, 2011). The contributions from tourism and sport and recreation are relatively minor at the national scale and Defra's

(2011) Farm Business Survey indicates that just 5% of farms have diversified into tourist-related activities.

Nevertheless, there are still some 3,400 instances of diversification providing tourist accommodation and catering in England and calls to reduce spending on the Common Agricultural Policy and to focus more on environmental outcomes in the 2013 reforms (Bureau & Mahé, 2008; Defra, 2011) will keep up pressure on farmers to sustain mixed sources of income. As such, this remains an area of particular importance to the sustainability of rural economies and the livelihoods of the people that manage a large proportion of rural land. From a survey of farms offering some form of tourist accommodation conducted in April 2005, over two-thirds of respondents considered that the longer-term financial survival of their farm would be ensured by the income from tourism (Sharpley & Vass, 2006, p. 1047).

While there has been a tendency to consider the impact of tourism on the agricultural business or farm household, it may be more helpful to think about inter-relationships between the core farm business and supplementary diversified business without assuming that tourism is a secondary activity. Research has shown that farm-tourism enterprises can benefit from having a working farm because “a firm producing agricultural goods and tourism services appears to use its production factors more efficiently in producing tourism than firms managed by nonfarmers” (Fleischer & Tchetchik, 2005, p. 500). While there are connections with the farm, tourism activities represent a clear change in activity, distinguishing them from other diversified activities such as agricultural consultancy or contracting (Lobley & Potter, 2004). The ability of the farmer or other members of the farm household to adapt to and embrace these new roles has therefore been the subject of significant attention (McElwee & Smith, 2012).

### **3.0 Farmers’ Roles and Entrepreneurial Skills Requirements**

Diversification requires farmers to be more aware of market opportunities and to develop new skills to operate a more complex business. Effectively, farmers need to move away from being managers to become more entrepreneurial (Grande, 2011; Pyysiäinen et al., 2011; Sharpley & Vass, 2006), even portfolio entrepreneurs (Carter, 1998; Vesala et al., 2007; McElwee & Smith, 2012). Entrepreneurs are characterised as having certain internal competencies including self-belief, creativity and growth ambition as well as external awareness, vision and the ability to identify potentially profitable opportunities. Importantly, the drive for diversification among entrepreneurial farmers may come from a reaction to external factors or through an internal desire for growth and/or change; so called ‘push’ and ‘pull’ factors.

Not all farmers have the innate capabilities or desires to follow an entrepreneurial route. Burton (2004) notes that a farmer’s strong identity as a food-producer may act as a barrier to taking on a non-productive, service role. Similarly, many farmers regard diversification as an adjunct to the core business of farming leading them to express concerns when government sees it as a genuine alternative to supporting efficient agriculture that can be economically viable in its own right (Defra, 2007). The more inward-looking “manager” type sees this as “interference”, fearing that he or she will be left vulnerable to a changing policy environment while the entrepreneurial farmer may be able to respond more quickly and develop an early adapter advantage.

Traditionally, agriculture is recognised as being production-focused rather than consumer focused and the resulting difference between an independent business

style and a public facing, consumer driven business is perhaps most stark with farm tourism enterprises (Getz et al., 2004; Phelan, 2011). Tourists expect luxuries, services and attention to detail as they are buying a higher value product, whereas a farmer sells raw materials where minimising costs rather than maximising quality and experience is the key to competitiveness.

With these different requirements of tourism diversification, the social identity of the farmer is brought into focus (Brandth & Haugen, 2011). For some, the role of “farmer” is strengthened as this is part of the tourist offering. However, this can lead to “staged” or “sanitised” versions of farming supporting the notion that farmers can offer a product designed for tourists that is “based on an identity of traditional family farming” (Di Domenico & Miller 2012, p. 8). Conversely, the gritty reality of farming may come as a shock to some. While people-skills are not core skills for farmers (McIntosh et al., 2011), other members of the farm household can fulfil different roles (Phillipson et al., 2004). As a result, the increased awareness of personal skills and customer demands are examples of diversification leading to greater entrepreneurial capabilities. As Vesala et al., (2007) note, not all farmers have these requisite skills.

Where farmers, or farm households, have the required skills and ambition and the necessary opportunity, they have many advantages over non-farmers to engage in new venture creation. Farmers have control over certain resources in their existing business giving them an advantage over “novice entrepreneurs” in terms of the costs and riskiness of new venture creation (Alsos et al., 2011, p. 10). Farmers that engage in multiple diversifications also become more comfortable with risk and more innovative (Vesala et al., 2007). In the tourism sector, the need for business owners to engage in local networks is also increasingly recognised (Haven-Tang & Jones, 2013), meaning that entrepreneurial farmers must look outside of traditional agriculturally focused networks.

Key factors determining the success of diversification activities are the strength of social capital and social networks and the openness and professional attitude of the farmer towards other sources of information (Meert et al., 2005). Farmers can of course act entrepreneurially without diversifying by applying different forms of capital to further develop their businesses. In many cases, given the constraints of the farm sector, entrepreneurial tendencies will lead to a combination of new activities aimed at strengthening both the farm and the wider business. A study by Lans et al. (2008) provides an extra dimension, recognising that as well as developing entrepreneurial competences, the small-business owner must ideally become aware of his or her competence level in order to apply them most effectively.

In summary, different combinations of internal and external motivations will influence decisions on farm diversification but awareness of the range of influencing factors can crystallise the decision making process and inform the decision-maker more clearly about the opportunities and risks involved as well as the personal skills and attributes that will be required. In a study of six farms, Ferguson and Olofsson (2011) note that push-factors towards diversification were strong in each case but they were still able to distinguish between more incremental approaches, focusing on the reconfiguration of resources, and more innovative developments triggered by the recognition of an external opportunity. If recession was a push factor for the farmers in this study to extend their diversified activities, greater understanding of the degree of innovativeness and risk-taking will shed greater light on their entrepreneurial characteristics and motivations.

## **4.0 Methodology**

Five case studies of farm diversification are presented based on interviews staged in 2006 and again in 2011. The earlier interviews formed part of a wider study into the rural economy which is reported elsewhere (Bosworth, 2009; 2010). In each of these businesses, the operating farm remains integral to the diversified activities although the tourists are not actively engaged in the farm business itself. However, farm-produced foods and farm walks in three of the case studies offer the tourist more than just a passive interaction with the farm (Phillip et al., 2010). This could ease the farmer's transition from production-driven to service-focused work as the two become more complementary rather than conflicting goals.

In the follow up interviews with the same farmers, we attempted to find out the contrasting fortunes of the farm business and diversified activities as well as coping strategies or other development planning employed in the business by the farmer and the farm household. A new business start-up was launched as a tenant on one farm so the founding entrepreneur was also interviewed. In a further case, the diversified business had been sold on to new owners so both the farmer who had sold the business, and one of the new owners, were interviewed. In total some 40 interviews were undertaken as part of the earlier study and 7 interviews were conducted in 2011 to provide the longitudinal case studies that are the focus here.

As well as comparisons between the different on-farm enterprises, questions also covered the response of farm business owners to the recession in terms of their strategic focus, new innovations or other entrepreneurial activity. The key challenges created by the economic conditions, in terms of business finance, input costs, changes in demand and need for new skills were also covered in the interview schedule. Finally, two questions asked about their views on the wider local economy and on how the impact of recession compared to that of foot and mouth disease in 2001, where the impact was specifically rural at a time of growth in the wider economy.

## **5.0 North East Farming and Tourism (2008-2011)**

Secondary data analysis from the Farm Business Survey shows that farming continues to be a very small contributor to the regional economy employing 9,870 people, just 0.9% of the region's workforce. By contrast, tourism is estimated to support 51,000 jobs (4.5% of the regional workforce). The number of employees in agriculture decreased by 121 (-4%) between 2009 and 2010 while total income from farming decreased by 16% over the same time period (Farm Business Survey, 2011). Further data shows a 5% growth in serviced accommodation and 3% growth in self-catering occupancy rates between 2008 and 2009 (Tourism North East, 2011). Over the same period, 70% of visitor attractions recorded a growth in performance. The tourism data are not disaggregated between the urban and rural areas but they illustrate that while farming is declining, the tourism sector is growing, supporting the hypothesis that diversification into tourism can provide counter-cyclical support for farm incomes.

At the national level, data from the farm business survey (Table 1) shows a continuing decline in the number of farms but a slight increase in those with diversified activities. This data also illustrates the impact of the recession on different aspects of diversified activities. The first phase of recession in the UK officially ran from the start of 2008 until half way through 2009 (a "second dip" ran from October 2011 to June 2012 but this was after the period of study). We can see from the data that this had no impact on the general trend of real

output values for English farms and actually coincided with a very small increase in the total number of farms. The impact appears to have been delayed with falling farm output values, including the value of diversified output, only occurring in 2009/2010.

Table 1. *Agricultural and diversified incomes in England*

Whole of England data (RPI adjusted)	2010/11*	2009/10	2008/9	2007/8	2006/7	2005/6	2004/5	2003/4
Number of farms	56,300	57,900	57,200	57,100	59,500	61,700	60,800	59,200
% diversified	52%	51%	51%	51%	50%	50%	46%	48%
% diversified (excl. property rental)	25%	26%	28%	28%	27%			
Output Value (£m)		£11,940	£12,767	£11,355	£10,645	£10,496	£10,705	£10,936
Value of diversified output (£m)		£627	£693	£619	£684	£586	£496	£556
% value of diversified output		5.2%	5.4%	5.5%	6.4%	5.6%	4.6%	5.1%
<b>% of farms diversified in:</b>								
Processing and retailing farm products		7%	7%	7%	8%	8%	7%	7%
Value (£m)		£103	£178	£141	£164	£132	£107	£131
Sport and recreation		11%	10%	11%	11%	9%	7%	8%
Value (£m)		£43	£44	£44	£55	£35	£25	£29
Tourism, accommodation and catering		5%	5%	5%	4%	4%	4%	3%
Value (£m)		£52	£44	£53	£82	£32	£25	£30
Recreation & tourism % value of total output		0.79%	0.70%	0.86%	1.29%	0.64%	0.47%	0.54%
Recreation & tourism % value of diversified output		15.07%	12.82%	15.71%	20.00%	11.45%	10.20%	10.61%

Source: Farm Business Survey

\* Data from 2010 onwards is incomplete due to changes in the regional structure of reporting.

The one difference in 2009/10 is a small increase in the value of tourism, accommodation and catering on farms, corresponding with the anecdotal evidence of increasing rates of “staycations”. Given that holidays are usually booked in advance, the impact of the recession has seen a lagged response in this respect. In the period of recession, a reduction in the numbers of second or third holidays and spur-of-the-moment weekend breaks is likely to have contributed to the downturn in the sector. When looking at the numbers of farms with tourism diversification activities, the reduction in the immediate period of recession can be linked with fears of reduced visitors numbers and realisation that focusing on production rather than the consumer economy would be more resilient.

The increase in the processing and retailing of products on the farm is perhaps an example of this with farmers seeking to add value to their products and increase their routes to market. As data becomes available to track the performance of different agricultural and farm-diversification activities through a longer period of economic recession and stagnation, these are themes that will be explored further with more rigorous analysis.



Table 2 focuses on the North East region of England, and shows a similar decline in the number of farms but also, following the onset of recession, a greater decline in the number with diversified activities. The fact that there was a recovery in the number of farms offering tourism accommodation and catering in 2009/2010 also indicates that the “staycation” was seen by some farmers as an opportunity to supplement their incomes. For the purposes of this paper, it illustrates that the core and diversified business activities did see different impacts, therefore, a qualitative understanding of the reaction of farmers is now explored.

Table 2. *Proportion of Farms in the North East Region with Diversified Activities*

<b>North East, Yorkshire and Humber</b>	<b>2009/10</b>	<b>2008/9</b>	<b>2007/8</b>	<b>2006/7</b>	<b>2005/6</b>	<b>2004/5</b>	<b>2003/4</b>
Number of farms	n/a	8100	8300	8400	8600	8900	10000
% with diversified activities	45%	49%	49%	49%	45%	34%	37%
No. farms with diversified activities	n/a	3969	4067	4116	3870	3026	3700
<b>% of region’s farms diversified in:</b>							
Processing and retailing farm products	6%	6%	5%	5%	6%	5%	3%
Sport and recreation	11%	13%	14%	12%	10%	5%	6%
Tourism, accommodation and catering	2%	1%	3%	3%	2%	3%	4%

Source: Farm Business Survey

## 6.0 Findings

The case studies included in this paper are all from Northumberland, the North-easternmost county of England. They are summarised in Table 3.

From the case studies, there was a mixed reaction about the impact of the recession on the tourist angle of their business. Some had benefited from sustained levels of UK-based tourism while others had seen visitor numbers declining. Within individual businesses, there was also a difference between local and non-local trade. This was particularly well illustrated in an interview with an additional non-farm business owner who had expanded her retail space aimed at tourists but at the same time, new art and craft courses aimed at a more local population had not been successful.

In each of the case studies, diversification was a reaction to a need to supplement farm incomes, in the first two cases this was heightened by the outbreak of foot and mouth disease in 2001. The farmer at Cowfields expressed the challenge saying: “I wish I could just farm and farm profitably, there are not many people that can say they’ve got 3 jobs...I love farming, I like handling animals, I just wish I could farm and make money out of farming without doing these other things.” However, this farmer also recognised that his new activities enabled them to compete more successfully in the market place and had “opened [his] eyes to the wider world around farming”. Without the initial stimulus, the growth that has continued to take place may never have happened because it took the foot and mouth crisis to ignite the entrepreneurial abilities of this farmer.

In each case the recession led to a re-assessment of the diversified businesses and their contribution to the overall income of the farm holding. Cowfields had already made a significant commitment to changing the emphasis of the entire farm-holding towards the production of ice-cream so this continued through the recession with the development of a new tea-room and shop on site. Where the diversified activity is an add-on “to provide economic support for the farm”, as

was the case for Grainfields, the challenges faced in a recession appear to be starker. For this farmer, the scale of the diversified business and the attention given to it was inadequate to ride out the economic downturn. This led the farmer to sell the business to the manager and her husband who have since been able to invest more time and money into the business. As a result, the numbers of visitors and events have increased and the business is performing well. Challenging economic conditions force entrepreneurs to explore new opportunities and to focus on the profitable elements of their businesses – but for someone whose core skill is farming this can be considerably more challenging in the customer focused hospitality and tourism sector.

Table 3. *Case Study Businesses*

<b>Farm Name and Type</b>	<b>Diversified Activity (year started)</b>	<b>2007/8</b>	<b>Changes since 2007/8</b>
Cowfields Dairy	Ice cream parlour and tea-room (2001)	Dairy herd consolidated, Expanding production of ice cream, seeking planning permission for tea-room/visitor centre	New tea-room opened, tourist signage on main road, now become an attraction as well as an ice cream parlour. Farm is secondary activity providing milk for the ice-cream, so not greatly affected.
Greenfields Mixed (mainly livestock)	Farmhouse Bed and Breakfast (1991)	Growing B&B numbers but no new development plans	Visitor numbers fallen slightly, son now working in the business too. Continuing to do well relative to others in their local area which they put down to good media coverage, reputation and advertising. Farm seen little change from recession.
Cottagefields Mixed	Luxury holiday cottages & health facilities (1981)	Expanding. New cottages and developing activities in conjunction with health and leisure facilities.	Tourist numbers fallen, focused more attention on the tourism business with a farm manager running the farm – which had already become the secondary part of their business
Grainfields Mixed	Brewery & visitor centre (2005)	Expanding beer production but saw the brewery and visitor centre as a prop for the farm income so once it was up and running and successful, growth plans were less clear.	Sold the brewery and visitor centre to the manager. This has seen further growth with weddings, extended restaurant offerings, other events and an extended range of local produce in the shop.
Woodfields Forestry (previously mixed)	Business units, woodchip boilers, tea-room, farm walks, camp-site (1994)	Focusing on boilers and food businesses, both expanding. His consultancy role also growing.	Consultancy declined, woodchip heating systems continuing to grow slowly, tea-room struggling but seeking to develop other food-businesses on site to support this. New business starting up offering camping facilities.

In the case of Greenfields farm, the motivation for establishing a farm bed and breakfast was also to support the farm income but this had been operating since

1991 so was more firmly established by the time of the recession. As a result, although visitor numbers fell slightly, they were confident that their advertising, media exposure and reputation would ensure that the business continued to perform well. Since the initial need for diversification, spurred by the costs of a growing family, the farming side of the business had benefited from the extra income and the two activities functioned effectively together. Without the track record and experience of running the businesses together, the story may have been different.

Greenfields also benefits from being a relatively small scale bed and breakfast with just five rooms as well as being widely publicised. In the oldest established diversification activity among the sample, the luxury holiday cottages at Cottagefields farm performed less well in the recession. Here, a lot of investments have been made in facilities alongside the cottages to differentiate the tourist offering and combined with the business owners experience in the sector, one might expect this to offer a cushion against the impact of the recession. The owner, however, reported that tourist numbers were down and simultaneously they were continuing to invest more time in this aspect of the business and less on the farm.

There appear to be two explanations for the different experience of this accommodation provider. For the “staycation” phenomenon to work, the tourist must substitute more expensive overseas travel with more affordable domestic holidays so the case of “luxury” cottages may not see the same benefit since a price competitiveness strategy would undermine the quality reputation that they are seeking to maintain. Holiday lets of this nature are also less flexible as availability tends to be per-week rather than per-night. Interestingly, the five-star bed and breakfast at Greenfields has seen business holding up fairly well since there is scope for tourists to continue to enjoy high quality service and accommodation while saving money on reduced travel costs and a reduced length of stay.

The second argument follows the realisation that consumer spending on luxury items has not fallen as much as income elasticity theory would suggest. A number of news articles in recent years have shown that the very rich can still afford to spend and less wealthy people still seek out a treat to raise their spirits (Bachmann, 2009; Williams 2011). However, when seeking that luxury treat, the self-catering market is unlikely to be the first one that people consider. Nevertheless, Cottagefields continues to operate a diversified farm enterprise and while the diversified activities had been supporting the farm income for several years, the changing economic conditions created an opportunity for re-examining the farm performance to establish whether this might be boosted to help ride out the recession. The application of entrepreneurial capabilities accrued from managing the diversified activities heightens the potential for the owners to maintain a successful diversified enterprise.

The final case study, Woodfields farm, has seen a range of diversification activities over the past 20 years, the most recent addition being a start-up business run by recent university graduates. Evidence shows that business start-up rates increase in a recession (Moules, 2011), partly due to the difficulties in finding employment, and this can provide opportunities for farmers to explore new diversification opportunities through the provision of land and premises. In this case the landowner offered a low rent to encourage the business incubation in the knowledge of potentially higher returns in the future. Compared to property developers needing quick returns, entrepreneurially-minded farmers often have the scope to be more flexible in the way that work with tenants or business partners in this way. As a start-up, these graduates have been able to

access small amounts of grant funding and they have been able to invest time and effort into starting the business without the worries of other long-term financial commitments. Their market research indicated that domestic tourism was performing quite well and that their model for camping holidays should be very well suited to their location.

The owner of Woodfields had seen other tenants struggling in the recession – recognising that for some the scale of their business and the challenges of the location meant that they had always struggled to make a profit. One might argue that this is Schumpeterian “creative destruction” (Schumpeter, 1976) playing out with the rationalisation of businesses unable to achieve long-term sustainability. Despite the downturn, innovative solutions existed and the range of businesses on the farm meant that some were growing and the income generated enabled other approaches to be taken to maximise occupancy in the business units. This “farmer” had become both a business park manager and personal entrepreneur with other off-site business interests so was well aware of the changing fortunes across different business sectors and this enabled his approach to be tailored to the prevailing circumstances.

## **7.0 Discussion**

One of the biggest influences of diversification is that it provides farmers with higher level entrepreneurial skills. Rather than accepting that business is cyclical and dictated by a range of external factors, diversification enables farm business owners to take greater control. Entrepreneurs are associated with self-efficacy (Bandura, 1977) and an internal locus of control (Rotter, 1966) and this is evident in cases where external crises such as the recent downturn stimulate a change in direction or emphasis, more objective evaluation of the performance of different aspects of the business or an awareness that recession can create new opportunities. Evidence of these types of responses have been seen from a very small sample above in one of the more difficult upland landscapes in England suggesting that there could be even greater potential across other regions. These personal skills will contribute to the overall performance of the business in a time of growth as well as to resilience in a time of recession.

The nature of the diversification and its association with the traditional farm activity each has implications for the extent to which a farmer can view the diversified activities more or less independently. The wider the scope of the activities, the greater the potential to identify new opportunities and the greater learning that will take place, so long as the business is not stretched beyond manageable rates of growth and intensity.

Rather than a greater range of diversity, clear segmentation between different markets that will be resilient to recession and that will benefit from increased expenditure in a period of growth is most important to the success of diversified farm businesses. This builds on earlier research by McElwee and Bosworth (2010) which set out a typology of farm diversification approaches based on the extent to which the new activity represents a significant shift away from food production or a value-adding and complementary development of the farm business. The case studies above show that those businesses retaining a direct connection to the farm, such as the ice cream parlour, ensure that the whole enterprise operates together, minimising the risk that excessive focus on one part of the enterprise (e.g., the holiday cottages) might lead to a degree of vulnerability. In the most extreme case, the numerous activities undertaken at Woodfields Farm has proven to be a source of resilience although this has relied upon the farmer becoming both a policy expert and skilled entrepreneur to maintain its overall sustainability and growth.

In essence, this leads to the concluding hypothesis that farmers with more entrepreneurial characteristics are better placed to develop a keener market focus and thus to sustain business growth. The degree of resources and opportunities at the disposal of many farmers, as highlighted by just 5 success stories here relating to the sub-sector agri-tourism, demonstrates that it need not be solely financial support that lies at the foundation of resilient farm enterprises but that skills development and networks with businesses outside of agriculture can provide considerable additional value.

## 8.0 Conclusions

At the outset, this paper set two objectives, firstly to explore the complementarity of economic cycles of agriculture and rural tourism and secondly to analyse the value of entrepreneurial opportunities and strategies available to diversified farmers.

From the analysis of secondary data, we can see that there is a lag time for the effects of the recession to be noticed in tourism. As new data emerges to cover the second recessionary period up to the end of 2013, it will be possible to extend this analysis. The onset of recession, particularly the 2008-09 recession being triggered by a financial crisis and squeeze on lending, makes it more challenging for farmers to begin a diversification project, indicating that farmers need to be alert to opportunities whenever they present themselves.

This supports previous research indicating that farmers require greater entrepreneurial skills to initiate new business activities. Here, we also see that the experiential learning acquired is seen as a virtue that can support the whole farm enterprise and therefore diversification can be viewed as a positive option for all farmers, not just those pre-conditioned towards entrepreneurial activity. Further research is required to develop this concept further but these initial indications indicate that by enhancing the business skills of farmers, diversification makes them better placed to handle future economic downturns or other threats to their business activity. Such future research might also compare the experiences of diversified farmers with those of other “portfolio entrepreneurs” during different economic conditions to assess their resilience and growth potential.

In summary, agriculture and tourism can be complementary activities in many respects, especially given the different demand profiles for their products, but such differentiation requires the manager to become increasingly entrepreneurial and willing to diversify his or her skills base. It also requires greater collaborative working to build networks that can promote the sustainability of otherwise isolated rural tourism enterprises (Haven-Tang & Jones, 2013).

## Note

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