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ISBN 1 85905 044 1
Encouraging Rural Enterprise in Great Britain - Britain's "Venturecash" Competition

Farmers in the United Kingdom and in Western Europe generally, are being increasingly forced to diversify into non-farm activities in order to seek increased value-added, which makes their position, despite considerable investment and technological aid, not dissimilar to farmers in many other parts of the world. The evidence and causes of their more recent problems and an imaginative competition, designed to encourage diversification and which may be relevant elsewhere, are examined below.

Problems and Opportunities in UK Agriculture

The historical importance of a strong agricultural and farming community is well documented in Western Europe. Agriculture in France has always been known as the "Primary sector"; manufacturing the "secondary sector" and services the "tertiary sector". The importance of the primary sector to France and European countries in general has been noted by numerous historians; from Brillat Savarin in 1825 "the destiny of nations depends on the manner in which they feed themselves", to Fernand Braudel's analysis that English "agriculture was on the move before the development of industry" and was thus a driving force in creating the Industrial Revolution. A view shared by Paul Bairoch who saw the take-off in agriculture as "the major pump-priming factor," the trigger for everything else. Agriculture, therefore, both helped to drive the industrial revolution and continues, despite its dwindling role in Western national economics, to stimulate real wealth and employment in ancillary sectors.¹

Whatever the historic importance of agriculture, however, as the fear of post World War II food shortages recedes in Europe, the privileged position of agriculture with European governments has weakened and the industry has had to become increasingly more dependent upon its own resources and individual enterprise. Not before time, it might be noted, with European tax-payers providing Brussels with a £51 billion subsidy for European farmers in 1992 (Financial Times - F.T, October 16/17, 1993), with United Kingdom (U.K) farmers alone receiving a direct £3 billion subsidy.² Yet Britain, as one of the first industrialised countries has by now the smallest per cent of its population in agriculture of any of the EEC European Economic Community) states, accounting for only 2.1% of UK employment (versus 2.6% in 1980), whilst agriculture's share of UK gross domestic product (G.D.P) has declined from 2.1% ten years ago to 1.3% in 1992.

¹ A Study by the University of Wales, Aberystwyth, shows that about 250 jobs in rural supply industries depend on every 100 farm workers. "It estimates e.g that for every £10,000 generated on a hill sheep farm, a further £20,000 is earned in the local economy" - D Hargreaves, Financial Times P7 Nov. 23 1993.
² This year, more than £3 billion is being spent on subsidising UK farms. "This is more than is spent on Britain's entire employment and training programme" - Simon Jenkins, Times, 13 November 1993.
Britain already has the largest farms in Western Europe (see Figure 1), and further increases in productivity will lead to the predicted number of those in full time farming falling from just over 330,000 in 1988 to 245,000 in 1998 (see Figure 2).

![Figure 1: AVERAGE FARMS IN EC](image)

![Figure 2: FULL-TIME EMPLOYMENT IN AGRICULTURE IN THE UK](image)
A "catching-up" decline in employment in agriculture and fall in the significance of agriculture as a per cent of Gross Domestic Product has also been marked in the last twenty years in Europe (see Figure 3).

![Employment in agriculture and Agricultural output](source: OECD, Economist 11 17 9 93)

The drama behind the 1993 General Agreement on Trade and Tariffs (GATT), with its planned cuts in subsidies and opening of agricultural markets, is that, concurrent with the decline in agrarian employment, in the UK, farmers' real income halved between 1985 and 1991, leaving "over 50% of English farmers achieving an occupiers' net income of less than £10,000 pa" (F.T., April 28 1992) and with about 100 UK farmers going out of business each week. The pressure on UK farmers to diversify into related non-farm activities and to increase value added will, therefore, have been intensified by the GATT agreement.

As if economic pressures had not been enough, farmers in Western Europe have also had to cope with increased pressure from legislation on environmental issues, designed to protect both food supply and the environment. At the same time, in the UK state agencies for distribution of marketing produce are being dismantled (eg the Milk, Wool and Hops Marketing Boards) so that the agricultural food sector is being increasingly dominated by a small number of powerful major customers eg. the six largest food retailers (Sainsbury, Tesco, Asda, Marks and Spencer, Gateway and the Argyll Group) are estimated to control around 60% of the sale of food consumed in the UK (F.T, 3 April 1992). With the increasing influence of these UK retailers, often supplied by powerful European farming co-operatives, and with the proposed changes in farm subsidies, UK farmers are faced with the prospect of further eroded margins.
As if environmental and external pressures were not sufficiently weighty on English farmers, a number of studies have indicated a lack of general business skills was likely to hamper farmers' efforts to improve their situation e.g. 75% of farmers in one study by Vale & Rindl did not monitor key financial indicators and most were unable to allocate income/expenses to specific business expenses. Deficient marketing skills have also been criticised, with only 14% of farmers involved in marketing co-operatives.

Despite all these problems, opportunities for improvement and better performance have been shown to exist in English agriculture; the UK in 1992 was the only Northern European country with an agricultural trade deficit (at £6bn, accounting for one-half of the UK trade deficit). UK domestic food production stood at 55% of domestic food requirements, greatly improved from 30% in the 1930's; but short of the 70% which experts have estimated could be achieved (F.T, January 19, 1993). A study by McInery & Turner indicated that only one in three of British farmers had diversified into some additional form of enterprise, ranging from farm shops to tourist accommodation, with a contribution to farm profits of only £5,300. If properly costed (e.g. unpaid family labour, rent) some 40% of those diversifications would not have been economically viable. In the context of average farm income (£10,000) the average contribution from diversification was, nonetheless, significant and had created or retained the equivalent of 77,500 full-time jobs on UK farms. Additionally, a series of government sponsored National Economic Development Office (NEDO) reports suggested and detailed opportunities outside traditional farming that existed in livestock and novel crops. (e.g. in Forestry, where the UK imports 90% of timber requirement) value added activities (including cooked meats and cheeses), tourism, crafts and construction.

Diversification is not the only way ahead for UK farmers, marketing co-operation is also being encouraged, particularly by the Food for Britain incentive, which has attracted political support. As a result of the initiative, so far, one supermarket group, Safeway, has claimed that "82% of the food it retails is now sourced in Britain and that there is potential for a further £150 million worth within three years" (F.T January 19, 1993).

VENTURECASH INITIATIVE

In the light of the above problems and opportunities for UK agriculture, an initiative was started in 1985 by three private sector organisations, The National Westminster Bank, (a leading clearing bank), the National Farmers Union (NFU), (an Association of self-employed and employer farmers), the Young Farmers Club (YFC) (an association encouraging good farming practise), all with interests and responsibilities in agriculture,
to encourage business enterprise amongst young farmers. The Venturecash scheme aimed to stimulate new rural enterprise and to provide opportunities for young people to undertake practical research into their new business ideas and was structured as shown in Figure 4.

<table>
<thead>
<tr>
<th>VentureCash Publicity and Application Forms</th>
<th>Four Day Business School Workshops</th>
<th>VentureCash Awards Ceremony</th>
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<tbody>
<tr>
<td>Approx. 100 Applicants</td>
<td>Approx 20 students</td>
<td></td>
</tr>
<tr>
<td>- By 31 December each year</td>
<td>- March</td>
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<td>- September</td>
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Through publicity in NFU and YFC farming magazines, applicants between the ages of 18 and 32 were invited to complete a "mini business plan" to describe their idea, in particular indicating how an award of £1500 would enable them to further research their project. Selection by an experienced panel drawn from the sponsors, enabled approximately 1 in 5 of applicants (maximum 20) to complete 4 days business skills training at Cranfield School of Management, where a more detailed business and research plan was produced, from which up to 10 finalists were awarded £1500 for further project research. At a well publicised public ceremony in the City of London, in September each year, a single winner was awarded a further £1,000 prize. At an estimated annual cost of £50,000 for the competition, sponsors have been encouraged to continue to support the initiative both from the weight of national and agricultural press publicity given top the intermediate and final award ceremony, as well as from the achievements of competition participants.

**Case History: William Alexander and Hop Shop, 1988 Competition Award Winner**

To date there have been over 100 intermediate award winners, with projects ranging from mineral water bottling and organic bakeries to wild boar speciality sausages and farmhouse cycling tours. William and Caroline Alexander were the major award winners at the 1988 competition, with an innovative project to grow and dry flowers on part of their 1000 acre farm in Kent, and their case history is illustrative of the type of award winner as well as providing an historical context from which to view current UK farming problems.

The Alexanders were the fourth generation on their farm, from an original Scottish dairy farming family, described in a study by their father, William Alexander. If UK farming
today is "undergoing its greatest economic crisis for over fifty years" there have been a cycle of previous "fifty year crises". In the late 19th century, the traditional arable husbandry of Eastern England had been severely hit by cheap wheat imports from the opening of the American prairies. Between 1880 and 1900 the price of wheat fell from £10.50 a ton to £6.15 a ton. A growing London market for dairy and vegetable products led to over 120 Scottish dairy farmers, including the Alexanders, moving to vacated former arable farms in S E England. Increased locally produced food demand in two world wars, combined with punitive death taxes breaking up large estates, enabled the Alexanders to increase their farm holding from 100 acres to over 2000 acres by the fourth generation. One speciality of the enlarged farm was hop growing for the brewing industry.

William and Carline assumed their farm responsibilities in the early 1980's, the first generation of Alexanders to benefit from university and specialist agricultural college education. Faced with a 30% decline in hop prices resulting from excess European production by 1985, their inherited parcel of 1000 acres, only some 18 miles from Central London, was losing money. Selling dried hop bines for floral decoration purposes to local ales-stores, rather than to breweries for malting, created for the Alexanders the idea to diversify into horticulture, away from dairy and arable farming.

Visiting local vegetable and flower markets the Alexanders were soon able to determine that over 90% of all dried flowers on display in England were supplied from Holland. Based on early experimentation on two acres of his farm, William submitted a project application to Venturecash, and with an intermediate award, was able to visit suppliers and growers in Holland, as well as to attend International floral exhibitions. Library research provided no reference to English dried flower production at all, which convinced the Alexanders that they were discovering a "new market". With a detailed business plan at the end of Venturecash, covering production, drying and marketing channels, the Alexanders were able to borrow £20,000 from a supportive sponsor bank, convert under-utilised farm barns into drying sheds and gradually build a 30 acre area for specialist flower production. A cart shed in front of their farm was converted into a farm shop (the "Hop Shop", a name borrowed indirectly from the increasingly fashionable "Body Shop" beauty chain) and sales turnover climbed from £3,000 in 1986 to £200,000 by 1991, with a 15% net profit margin. The Alexanders' farm is now profitable, is dealing directly with many hundreds of "real" customers instead of monopoly marketing boards, whilst seasonal employment on the farm has increased. Caroline Alexander has successfully published a dried flower history book, has won gold medals at national flower fairs, including Chelsea and is developing training courses in this decorative specialist activity.
There is now in 1993, a British Association of dried flower growers, with over 100 farming members, which has recently commissioned market research, estimating the UK market for dried flowers and plant material to be worth over 100 million dollars. The Alexanders and fellow farming members of the new Association feel increasingly independent of any new directives from Brussels on the Common Agricultural Policy! For them, therefore, the Venturecash Initiative has helped in the discovery of new direction and new prosperity, with the widespread publicity and participation in the competition stimulating new thinking in many other areas of this important Primary Sector.

**Conclusions and Further Study**

In their recent book, Stopford and Miller concluded that there are no mature industries only mature companies. No human activity could be more mature than agriculture, but the advantage of a low-cost, company financed competition, such as Venturecash is in the way that young enterprising farmers, like the Alexanders, are stimulated and encouraged both to come forward and, with the help of business training and industry expertise, to develop their original ideas into significant new enterprises. Providers of training and bodies concerned with developing enterprise, such as Training and Enterprise Councils and Agencies in the UK, should be encouraged by the Venturecash farming example to develop, with the help of appropriate private companies, similar competitions in agriculture, manufacturing or service industry segments appropriate to their own geographic environment. This would help in both identifying enterprising local business people as well as in providing successful role models from amongst the most successful to further stimulate local enterprise. Similar competitions, co-ordinated by Aid Agencies, Universities and Multi-National Corporations, with interests in agriculture, could be equally fruitful and inspirational in countries where agriculture was far more dominant in the economy, but where similar problems exist as with UK farmers.

Further research is to be undertaken to provide further case histories on the Venturecash experience and to evaluate the cost/benefits of training compared with the outcome of each programme.
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