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THE FUTURE OF FARMING

EXECUTIVE SUMMARY

UK FARMING

Grasping the Opportunities

The 2026 report is kindly supported by a generous donation from the Frank Parkinson Agricultural Trust

ABOUT THE REPORT AUTHOR, LOUISE MANNING

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FOREWORD

We stand at a crossroads in UK agriculture. The past decade has brought tremendous challenges; Brexit, climate volatility, labour shortages, COVID-19, and global supply chain disruptions, all of which have reshaped the farming industry in ways few could have predicted. For many farming families the ground has shifted beneath their feet, creating a business environment marked by uncertainty, frustration, and structural change.

Policy decision making, particularly around taxation and regulation post Brexit, have amplified these pressures, leaving many farmers anxious about the future for themselves and the next generation. Yet, as this report makes clear, anxiety must not become paralysis: farming has always evolved. Over millennia, growers have adapted to feed a growing global population with fresh, healthy, sustainable food. Our ability to innovate, adapt and be resilient remains our greatest asset.

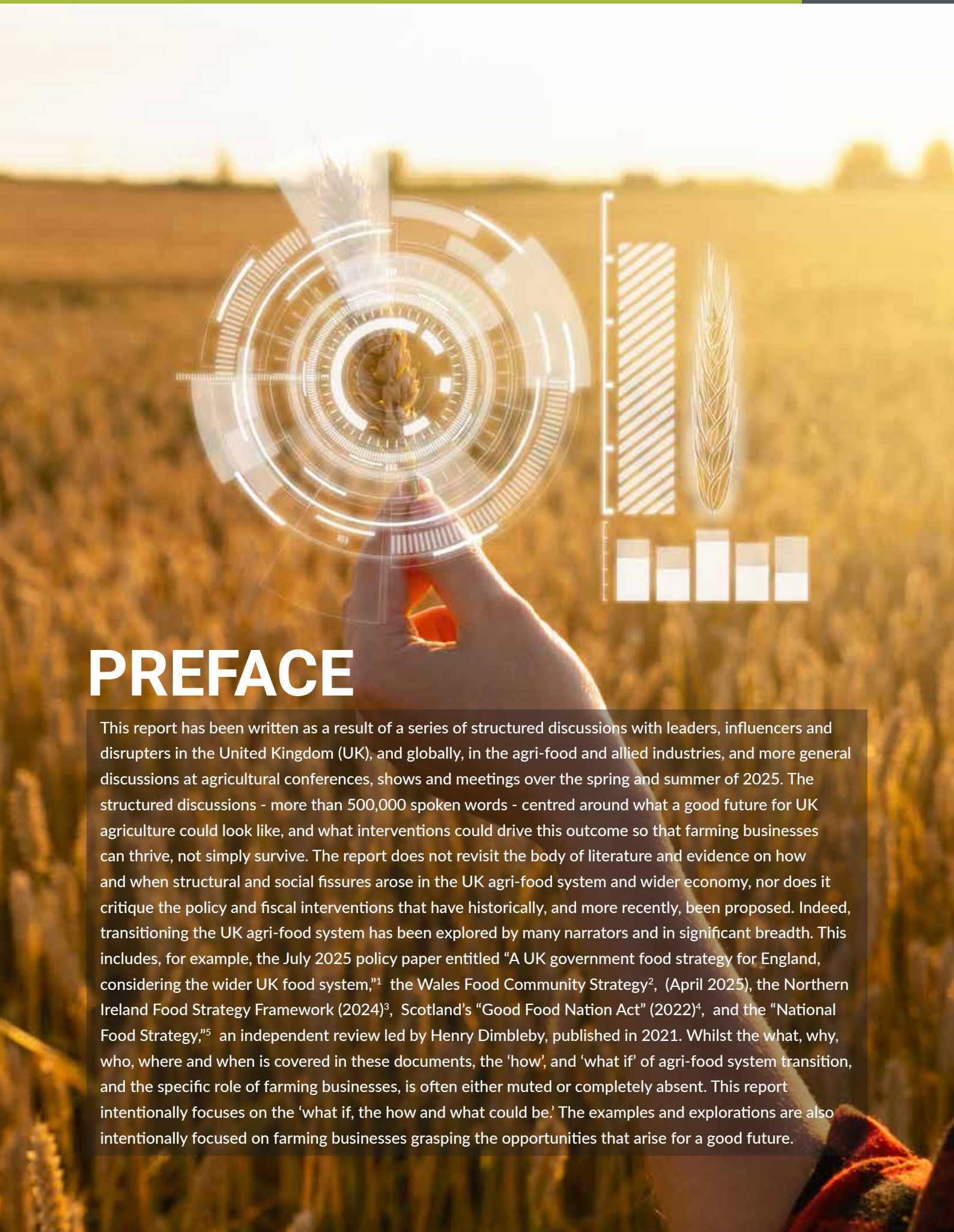
The 2026 Oxford Farming Report, "UK Farming: Grasping the Opportunities," offers a timely and necessary roadmap. It challenges us to move beyond survival and embrace an opportunity mindset, one that is mission-led, data-driven, and collaborative. It urges us to reject the "doomloop" of defensiveness and instead lean into curiosity, agility, and strategic growth.

We must harness every tool at our disposal; academic insight and innovation, customer feedback, supplier partnerships, and identify our unique value propositions to thrive within an evolving supply chain and apply these to our individual businesses. Climate change, whilst daunting, also presents new possibilities. A temperate climate, paired with smart investment and coordinated effort, can unlock new markets and models for success.

This report is not just a reflection of where we are, it is a catalyst for where we must go and the attitude we must adopt. I hope it inspires bold thinking, confident action, and meaningful collaboration across the agri-food sector.

Together, we must evolve and build a resilient, profitable, and future-ready farming industry that delivers high-quality, affordable food for British consumers.

John Shropshire OBE DL
Chair, Independent Review into Labour Shortages in the Food Supply Chain



PREFACE

This report has been written as a result of a series of structured discussions with leaders, influencers and disrupters in the United Kingdom (UK), and globally, in the agri-food and allied industries, and more general discussions at agricultural conferences, shows and meetings over the spring and summer of 2025. The structured discussions - more than 500,000 spoken words - centred around what a good future for UK agriculture could look like, and what interventions could drive this outcome so that farming businesses can thrive, not simply survive. The report does not revisit the body of literature and evidence on how and when structural and social fissures arose in the UK agri-food system and wider economy, nor does it critique the policy and fiscal interventions that have historically, and more recently, been proposed. Indeed, transitioning the UK agri-food system has been explored by many narrators and in significant breadth. This includes, for example, the July 2025 policy paper entitled "A UK government food strategy for England, considering the wider UK food system,"[1] the Wales Food Community Strategy[2], (April 2025), the Northern Ireland Food Strategy Framework (2024)[3], Scotland's "Good Food Nation Act" (2022)[4], and the "National Food Strategy,"[5] an independent review led by Henry Dimbleby, published in 2021. Whilst the what, why, who, where and when is covered in these documents, the 'how', and 'what if' of agri-food system transition, and the specific role of farming businesses, is often either muted or completely absent. This report intentionally focuses on the 'what if, the how and what could be.' The examples and explorations are also intentionally focused on farming businesses grasping the opportunities that arise for a good future.

> Mindsets inform thinking and three mindsets emerged from the report interviews - the doomloop mindset, the drawbridge mindset, and the growth opportunity-driven mindset.

For any author of a report, the page limitation is a challenge, but it has been especially so here. The report is written in a style that recognises that in itself the report must be inclusive for readers. In Temple Grandin and Kate Duffy's book on neurodiversity, careers and developing talents for vibrant industry and economies,[6] there are reflections on the three types of specialised brains: visual thinking, higher-maths thinking, and verbal-language thinking. Whilst others may contest this characterisation of how people, and indeed, artificial intelligence, will engage with and reflect on the report, Grandin and Duffy's book has ably supported me to write up the conversations in a way I hope is accessible for all. The narrative and the examples are developed to engage thinking and wider discussion on what a good future means for UK agriculture, to inform future podcasts, webinars and more general debate and not to be an all-encompassing smart, intellectual critique of a given topic. The report should be read in this light.

I would like to thank the Directors of the Oxford Farming Conference and The Frank Parkinson Agricultural Trust for their invitation to reflect on what a good future for UK agriculture would look like, engage in fantastic conversations with people who have truly influenced my own thinking and then to be able to write this report. It has been a privilege and an immensely enriching experience. I would also like to thank all the individuals and organisations that have engaged with me over the nine-month journey. I recognise they all generously gave me one of their most precious resources, their time. Thank you. I hope that this report can support the discussions that are needed in every farming business in the UK, including my own. Many of the questions in this report and drawn together in Appendix 1 have been reflected on around the kitchen table during the writing of this report and we have many more conversations to come. The top four we keep coming back to are.. What do we want to achieve? What should we keep doing? What should we stop doing? What can we do instead?

Louise Manning, PhD.
December 2025

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This report "UK Agriculture: Grasping the opportunities" has resulted from more general conversations at agricultural conferences, shows and meetings over the spring and summer of 2025 and twenty-five structured discussions between Louise Manning, the author of the report, and leaders, influencers and disrupters in the farming, and agri-food sector in the United Kingdom (UK), and globally. The report has looked to answer two specific questions:

- **What does a good future for UK agriculture look like and,**
- **What interventions could drive this outcome so that farming businesses can thrive, not simply survive?**

The term BANI world (where BANI represents the words brittle, anxious, non-linear, and incomprehensible) reflects the current environment in which the UK agricultural sector is operating and may need to operate looking forward into the medium, and longer term. A BANI world encompasses the complex shocks and instabilities seen following the Brexit decision, the Covid-19 pandemic, the Russia/Ukraine conflict and the contemporary public debt crisis in much of the Global North. With the addition of more frequent climatic incidents across the world this creates an unpredictable even incomprehensible world which UK farming businesses need to navigate. How do businesses in the UK agricultural sector identify, assess and manage risk in this context when knowledge of the present and the past may not reflect the risk profiles of the near and longer term future? One essential outcome is that risk reduction strategies across the agri-food system must drive business and system robustness. These risk reduction strategies include:

Reducing brittleness – by introducing interventions to create infrastructural and relational stability, strengthening the robustness of existing assets, and ensuring the agility to mobilise those assets effectively, and at scale.

Reducing anxiousness - by introducing measures to create confidence in the sector and wider economy and developing the skills and capacity to be confident, trust others and drive both personal and business performance.

Embracing a non-linear world – by accepting that current risk assessment and management processes based on past performance, singular risks, and static risk assessment methods are not fit for a non-linear world. Risk registers and risk profiling approaches will need to be more dynamic and more robust. Organisations, the supply chain and wider food system will need to mobilise agile risk mitigation approaches and interventions to drive real-time risk quantification and management.

Minimising the incomprehensible - by utilising data collation and data analysis at a level of granularity capable of improving understanding and sharing of knowledge and insights. This will support businesses, and the people that operate them, to navigate the complexity and instability of the contemporary and future world.

A robust future for UK agriculture is one where:

- Policy is clear, contextualised and place-aware and is supported by sufficient financial, physical and human resources to enable the UK agricultural sector to thrive and deliver to UK and global consumer and citizen demands.
- Health and wellbeing of people and animals are central to activities within the UK agri-food sector.
- The sector is profitable with a return on capital employed (ROCE) that drives opportunity-led, resilient and adaptive businesses that can embrace and thrive with change.
- The sector adds value to the economy, through the production of food, feed/fodder, fibre or fuel and/or the enhancement of flora and fauna. This includes the provision of nature-based services (for example, water management and quality, biodiversity recovery, carbon production and sequestration) and the stewardship of the cultural richness and diversity of the rural UK. The business models for these opportunities need to deliver the pre-farm gate profitability levels required to drive appropriate ROCE for investment in innovation, improved resource efficiencies and opportunity-driven activities.
- Innovation and data management support an informed, evidence-led, opportunity-driven profitable and resilient sector.

The findings in this report focus on the critical need for the UK agricultural sector to transition into a mission-led, agile, and opportunity-driven industry, one that can adapt to future opportunities, shocks, and challenges, while embracing sustainable practices and smart innovation. Summarising the discussions, the UK agricultural sector needs to look forward not back, have the vision and courage to embrace the future, and be clear what that future should look like in 20- or 30-years' time. In short, the current lack of strategic direction for the UK agricultural sector needs to be urgently addressed. The discussions underlined that UK farming businesses need take these four actions to achieve a 'good' future:

- Be mission-led and have an opportunity-driven mindset i.e., know their purpose, be agile, adaptive, curious, confident, and open to taking risk.
- Develop an internal value proposition for their employees (and family members) that resonates with all those working in the business, driving commitment and engagement. Deliver to the strategic plan, business objectives and goals and the personal goals of those working in and/or owning the business.
- Develop an external value proposition with a clear and relevant market orientation, continuously and consistently meeting the demands of business customers, consumers, citizens and government.
- Be or become an investible product as a business and as the people who lead the business. Have a strong value proposition and effectively manage the portfolio of assets at the disposal of the business through both agricultural and non-agricultural activities. Maximise ROCE and profitability, optimise cashflow and increase the proportion of economic value retained pre-farm gate. Maximising ROCE will be more difficult in parts of the UK where the asset value of land is more closely linked to its developmental value, rather than the operational returns from activity on that land. In summary, the business and the people who lead it can only become an investible product when they achieve the 9 Cs of creditworthiness: carbon, capacity, capital, character, climate, compliance, collateral, commerciality, and conditions.

> The UK agricultural sector needs to transition into a mission-led, agile, and opportunity-driven industry.

Being mission-led or 'becoming' embeds confidence in the business plan and the execution of the business plan. Becoming recognises a direction of travel for the business and those who work in it and makes people curious when opportunities arise. Becoming informs mindsets and thinking. The direction of travel will need short-term and long-term milestones to be developed, milestones for both for the sector and at individual business level.

The term 'farm' encompasses the diverse range of business types, business structures, operational activities and asset mixes/portfolios described in this report, thus commentary around 'one-size fits all" market, policy or regulatory interventions for a good future for the UK agricultural sector fails to recognise this complexity. Each farming business has its own context, opportunities and challenges so how the business becomes an economically, environmentally and socially investible product is business and personal goal specific. All farming businesses will need to frequently ask themselves:

Mindsets inform thinking and three mindsets emerged from the discussions given the current place that UK agriculture finds itself in. These were: the doomloop mindset, the drawbridge mindset, and the growth opportunity-driven mindset. How can mindsets change to be more opportunity-driven? How can this change be better enabled? Discussants felt that being more opportunity-driven may necessitate farming businesses to:

- Collaborate to achieve shared benefits, reducing risk, lowering production costs, and limiting exposure to geopolitical or socio-economic uncertainty. Formal collaboration is likely to be driven by mid-supply-chain players, retailers, and food service providers, while service-sector actors such as credit and insurance providers, and technology firms and the government through tax incentives or tax break and specific policy interventions will also play a role. Some of the agri-business that will enable this collaboration and positive impact in 2040, 2050 probably don't exist right now. Informal collaboration, farming business with farming business, will also achieve many mutual benefits with the individual businesses still being able to retain their individual goals and objectives.

- Pursue opportunities, directly or through brokers, arising from alternative asset uses that support government goals such as biodiversity and landscape recovery, switching to green energy, and improving water management among others. Embed portfolio asset management to maximise financial, environmental and social ROCE.

- Utilise timely, tailored market signals and operational insights to enable in-cycle and between cycle farm decisions. Cloud-powered farming relies on strong business to business networks through agronomists, vets, accountants, input suppliers, and direct customers. Cloud-powered 'smart' farming leverages cloud computing to connect devices, sensors, management information and data analytics tools to monitor, manage, predict, and optimise agricultural and supply chain operations. Cloud-powered farming will include access to the expertise of soil scientists, data scientists and animal scientists where the knowledge can be accessed in a timely way. Integrated market-signal driven supply networks will outperform fragmented ones by unlocking the full potential of 'knowledge as a service – smart capabilities' and 'technology as a service – smart farming'.

THE FUTURE'S POSITIVE

A positive future is an agile, opportunity-driven sector where "New Gen" and "Next Gen" can thrive. Key strategies that discussants identified to achieve this include:

- **Recognising and developing the core knowledge, skills, and capabilities** needed for a dynamic agricultural sector, and continuously updating education and knowledge exchange curricula to keep pace with changing policy landscapes, markets and business models.

- **Expanding scalable, practical hybrid learning opportunities** (both in-work and out-of-work) that focus on crucial areas such as business management, financial planning, investment strategies, asset management, and risk management.

- **Breaking down silos between academia, industry and practice** by bringing cutting-edge science and technology from research institutes, universities and industry to farms more quickly, appropriately, and with a focus on driving Gross Value Addition (GVA) and business robustness.

- **Providing opportunities for new entrants with value adding skills and experiences entering, or returning to, agriculture from other sectors.**

Building an opportunity-driven future requires individual, business, and sector confidence, so businesses are willing to invest. Firstly, self-confidence within the business that the business model is viable; secondly, confidence in business-to-business relationships with suppliers and customers; and then thirdly confidence in the broader market, policy and political environment in which the business is operating. The private sector must develop contractual arrangements and opportunity-driven markets where risk is better shared and greater economic value is retained pre-farm gate, enabling stronger ROCE to deliver current and future investment. The investment and finance sector must offer suitable financial tools to catalyse opportunity-led growth and more financially robust processes for operating a farming business.

The concept of sector, land use and food security robustness has been introduced in the report with the central focus on the foundational element, business robustness. Robust businesses are those that will have invested time and commitment to define and communicate their internal and external value proposition, ensure they are, or will be, an investible product and are maximising pre-farm gate return on the portfolio of assets at their disposal. The balanced scorecard, the questions in Appendix 1, and the business and personal development tool, have been developed in this report to support businesses on this journey.

Change is not optional. Change is a continuous, ongoing process. To thrive, not just survive in a good future means that farming businesses, and the sector as a whole, need to shift from being reactive, defensive, often static in their business approach to be proactive, agile, responsive and opportunity-driven. This means embracing new business models and new ways of working in order to remain competitive. The UK agricultural sector has revitalised and realigned itself many times in the last century when external economic, geo-political and policy environments have shifted. The UK agricultural sector needs to dig deep and do so again.

> “More frequent climatic incidents across the world creates an unpredictable even incomprehensible world which UK farming businesses need to navigate.

1. POLITICAL AND ECONOMIC CONTEXT

"Many farming businesses are not particularly highly geared and certainly the industry as a whole is very lightly leveraged and so there is scope for additional funding. Farming businesses need to start thinking and planning around what their business could look like in the future. If it is a small enterprise, perhaps even a lifestyle business, it may be that the way forward will be via 3rd party joint ventures, leasing land out and doing less farming themselves? Others may end up changing direction and diversifying to create a more commercially viable proposition through farming or other use of their assets. Many farms of course do have the assets and experience to ensure a commercially viable strategy and will be able to leverage the finance available to them. Generally, I don't think availability of finance is the issue, the issue is whether the business can be commercially viable and demonstrate that through their projections. The scale of the farm may make a difference and it will be more difficult for those with a smaller asset base to find uses for the assets which generate sufficient profit and I think we might see some consolidation in that space, not necessarily lifestyle farms, but the small to medium size farms who don't have a strategy to maintain profitability." Martin Hanson, Head of Agriculture, HSBC, UK

Rural land is a strategic national asset not only for food production, but also water management, renewable energy production, carbon capture activities and much more. Current political and economic pressure for a change in non-urban land use in the UK is focused on a transition away from publicly subsidised agricultural production to supporting the national Growth Agenda[7], the Industrial Strategy[8] and the wider green economy[9]. This is a complex policy landscape with multiple initiatives, at various stages of development and adoption, which will all have a direct impact on future land use. Strategic plans and interventions includes the Land Use Consultation[10], the Environment Improvement Plan[11], the 30 by 30 Biodiversity Strategy in England[12], The Methane Pledge[13], the Food and Farming Decarbonisation Plan, the forthcoming Carbon Budget, the Growth Delivery Plan, the Circular Economy Strategy, the Farming Roadmap, the Farm Profitability Review, house building targets, digital, energy and water infrastructure planning and more general plans on infrastructural development. Scotland's Third Land Use Strategy (2021-2026)[14], the land use aspects of Future Wales: The National Plan 2040[15] and in Shaping Our Future: Regional Development Strategy for Northern Ireland 2025[16] along with the Land Use Consultation create a complex set of socio-economic and geo-political frameworks across the UK as the focus increases on the drive for infrastructural development.

The demand for net-zero energy to 2050 and beyond (note this is greenhouse gas emissions not total carbon embedded from cradle to grave) will bring additional infrastructure on-line in this Century including nuclear and solar radiation capture. Recent data states that 70% of solar installations are on agricultural land and in the short term at least, in-field solar is seen as an important vehicle to achieving net zero[17]. However, as one discussion highlighted, in-field solar is a transition technology, as much of the current uplift in in-field photovoltaic infrastructure will have passed its useful life and need to be decommissioned by 2050.

There are multiple agendas and multiple proposed uses of non-urban land in the UK. As a result, there are competing aspects and visions of how land will be used to best serve the public (and private) interest in the

future. Many discussions concluded that clear direction and alignment of policy is needed both at UK government and devolved government levels to promote the business confidence that is crucial to drive investment on farms (see Section 2).

The wider context of the financial health of the UK economy is not focused on here in detail but was a theme that was addressed in many of the discussions. The economic data used in this report is collated from a variety of sources which are often disparate in their breadth and scope from both a geographic and a time (temporal) perspective. This makes direct comparison often difficult as the UK government, devolved governments within the UK and other bodies produce data which is neither readily comparable nor at a level granular enough to make it representative of all farms in the UK, or in regional locations. This is a limitation in creating a clear, evidenced baseline of where UK agriculture as a sector is economically right now and where it needs to move to in order for farming businesses to thrive.

Calculating economic contribution of a sector

The economic contribution of UK agriculture as a sector is expressed across evidenced sources as either gross domestic product (GDP) or gross value added (GVA). GDP represents the total monetary value of all final goods and services produced within a country in a given period of time, so it is a high-level metric assessing an economy. GDP will include the money government spends, consumer spending and investment as elements of the total monetary value of the nation. Thus, if the government spends more money in a given period of time this will increase GDP. If government spending increases more rapidly than the rest of the economy is contracting, then national GDP will still be rising.

GVA is the value contributed by a sector or industry, which is measured in terms of the value of outputs (goods and services) minus the inputs that have been used to produce those outputs. Thus, in simplistic terms, GVA of agriculture or the wider agri-food sector is the monetary value added after costs have been subtracted. GDP is a measure not only of GVA, but also direct and indirect taxes derived from an industry sector, minus any subsidies that have been given to that sector. In summary, GDP provides insight into the whole economy, where GVA provides information on an organisation's, or a sector's, contribution to that economy. It is important to acknowledge that the non-monetary value that is generated by an organisation and/or an industry sector is neither represented in GDP nor GVA. Calculating economic contribution of an individual, business or sector, by solely focusing on growth, via increasing GDP, may come at a non-monetised environmental or social cost which is neither formally recognised, nor allocated especially at a national economic inventory level.

Non-monetary value is the contribution made to wellbeing, society, nature and the environment that is not bought, sold, paid for, or taxed, so it does not have a market value associated with it. Examples include cultural heritage, social cohesion, national sense of identity and purpose and non-paid voluntary work, including non-paid family labour on a family farm. To monetise or determine this 'value,' to the economy and society, Natural Capital Accounting, recognised by His Majesty's Treasury, the Natural Capital Framework[18] and the UK's Office for National Statistics (ONS) UK Measures for National Wellbeing have been developed. For example, the UK Measures for National Wellbeing include 59 different social, education and skills, health, governance, environment, economy and personal finance metrics. They are examples of where the UK government is seeking to create an accounting approach to calculate this non-monetary value to the economy and/or to attribute a value to something that is often abstract in its nature[19]. Whilst some stakeholders' position is (that) you can only value or improve something that you can measure, others argue that it is what you can't measure that truly

matters in life. The binary discussions on lifestyle farming versus business-orientated farming fall short of the depth and complexity associated with non-monetary value. As Joe Stanley, Head of Sustainable Farming at the Allerton project, stated:

"Natural capital should be a 'thing'. I don't think that's guaranteed at this point. We do need to work collaboratively together, and we can have a bright future if we do that. But you know it's going to take almost a generational shift to encourage that sort of thinking."

So, what is the economic health of the UK agricultural sector? In 2024, the UK agricultural sector comprised 209,000 farm holdings on 17 million hectares of land (utilised agricultural area (UAA)). This equates to 69% of the UK land total of which 71% is permanent or temporary grassland or common rough grazing, with cultivated land 22% and woodland 6%. The average farm size, in 2024 was 80 hectares with almost half of holdings being less than 20 hectares. Of these farms, 8% delivered 62% of the total output on 33% of the farmed area. Indeed 26% of farms delivered 88% of the total output on 69% of the land. This statistic brings into focus the notion of what a farm is, and where in the 17 million hectares, is food actually being produced. The answer should be a key input into the development and continuation of the food security element of a Land Use Framework.

In 2024, the value of UK's agricultural production came from livestock 63% with a value of £20.1 billion including dairy £6.3 billion; poultry meat and eggs £4.8 billion; beef £4.1 billion; pig meat £1.8 billion; and sheep £1.8 billion, and in crops a value of £12.6 billion including cereals, a proportion of which is destined for animal feed, £3.5 billion; vegetables/flowers/potatoes £5.2 billion; industrial crops £0.9 billion; and fruit £1.1 billion[20]. In 2024, agriculture contributed 0.56% of GVA to the UK economy (with England contributing 73%; Scotland 15%; Wales 8% and Northern Ireland 4%) employing 1.3% of the UK workforce. The average contribution from agriculture in the European Union (EU) in 2024 is 1.2% of GDP.[21] The total agri-food supply chain's contribution to the UK economy was 9.8% of GDP with 4.2 million people within the workforce.[22] This represents around 13% of the national Great Britain workforce.[23] Predominantly rural areas of England contribute 12.0% of national GVA with around 21% of the national population.[24] Between 2001 and 2023, the productivity rate in rural England fell from 96% of the 'England average' to 92% mainly due to the urban-related economic growth in the financial sector, especially in London.[25]

The GVA per workforce job in rural areas was £56,400 in 2023 compared to £61,500 in urban areas excluding London The contribution to England's GVA, by industry sector in predominantly rural areas in 2022, is collated in Table 1 with the data for the predominantly urban areas excepting London shown in square brackets. The difference in proportion of GVA in rural areas compared to urban areas, highlights real estate activities, 3% higher in rural areas versus urban areas, manufacturing (3% higher in rural areas which could include food processing/ manufacturing activities), and agricultural, forestry and fishing at 3% of GVA in predominantly rural areas.

Whilst UK agriculture, forestry and fishing as a proportion of national GDP have remained around 0.5%, lower than in other European countries including the Netherlands and France (Figure 1), there is a global downward trend for the share of national GDP which is derived from agriculture in countries such as India and China as these economies both urbanise and develop additional service sectors. The agricultural land per capita in the UK is now less than 0.5 hectares/person and this is part of a wider global trend of falling land availability per capita as human populations rise across the world (Figure 2).

Return on Capital Employed (ROCE) and average gearing ratio are key metrics on the UK agricultural balance sheet. ROCE, a metric used from the eighteenth century in the UK, assesses the economic effectiveness of the

deployment of a set of resources[26]. ROCE is a measure of the accumulation of wealth (or not) over a time period for a business and the calculation incorporates more factors than profitability alone. A reason for considering ROCE, in this report, is that it is a business 'financial health' measure that is readily accessible from the business balance sheet. Drawing parallels with Office for National Statistics (ONS) data from 2024 on the net rate of ROCE for UK private non-financial corporations, albeit having fallen over the last decade, ROCE was an average of 8.8% in June 2024 with manufacturing companies at a ROCE of 7.3% and service companies with a ROCE of 15.1%.[27]

Sector	Percentage of GVA (%)	Sector	Percentage of GVA (%)
Public administration; education; health	22 [21]	Construction	7 [6]
Real estate activities	15 [12]	Mining electricity, gas, water and waste	3 [2]
Distribution; transport; accommodation and food	18 [18]	Recreation, other services and household activities	3 [3]
Manufacturing	13 [10]	Information and insurance activities	3 [7]
Professional and adminis-trative services	11 [13]	Financial and insurance activities	2 [7]
		Agriculture, forestry and fishing	3 [<1]

Table 1. Percentage breakdown of GVA by industry sector in predominantly rural areas in England 2020.[25]

The gearing ratio reflects the farm liabilities (debt) as a proportion of its assets. For example, if the debt was half of the assets, the gearing ratio would be 50%. The financial risk profile associated with the gearing ratio is complex depending on the blend of short and long-term debt and the level of profitability and ROCE. The term 'leveraging of assets' is used frequently within this report so it would be useful to give context here. Leveraging has many definitions in the financial and business world, but in this report, and in the context of agriculture, the definition is:

Leveraging: to utilise the assets at your disposal in order to achieve a specific personal or business goal or outcome.

Leveraging extends beyond using physical and financial assets to access credit, to leveraging your knowledge, skills and capabilities, leveraging your social networks, business partners, supply base and customer willingness to purchase your products. In this section, leveraging is focused on economic aspects in particular in other sections of the report the term is used in the wider sense. The economic health check data for English farms from 2014/15 to 2023/24 is summarised in Table 2. This financial data paints a bleak picture in terms of ROCE compared to other industry sectors showing median ROCE in the agricultural sector between 2014 and 2024 of between 0.5% and -0.8%. This statistic is derived from UK government data and may, or may, not reflect all assets being utilised on farm, for example, some financial arrangements for machinery purchase/use. It is also important to also recognise that elements of the asset value e.g. a farm property may include living accommodation and amenity land, but such assets may not be utilised to drive revenue within the farming business. This highlights the squeeze on ROCE in agricultural businesses from a lack of profitability over the whole decade, especially in comparison to average net worth.

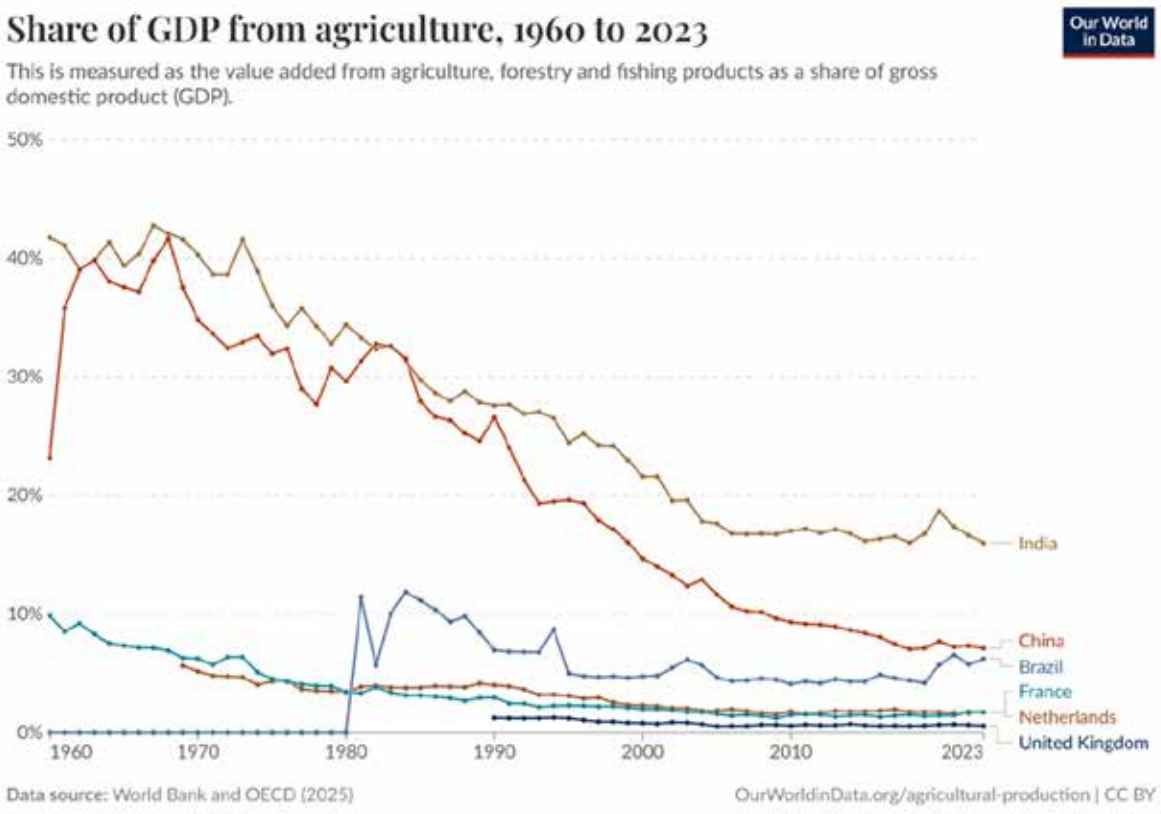


Figure 1. Agriculture as a share of national GDP 1960-2023 (Source: Our World in Data)

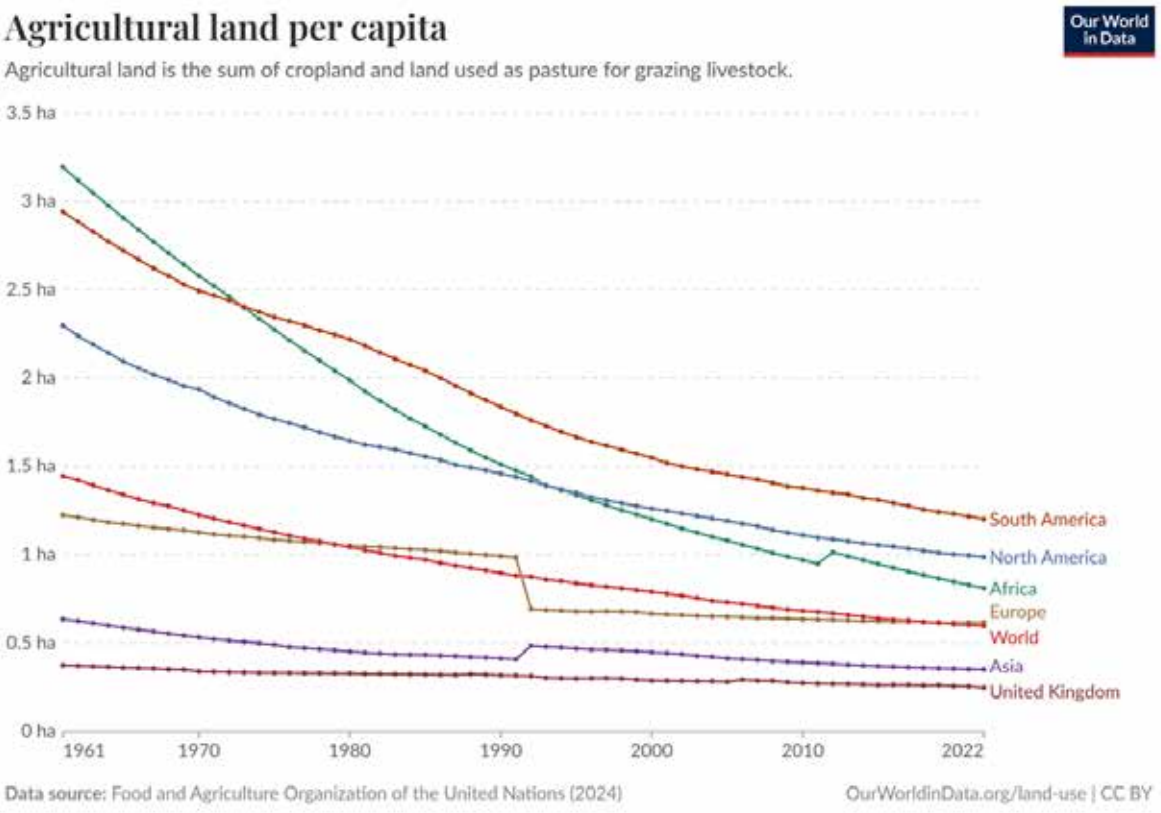


Figure 2. Agricultural land per capita at the world and continent level compared to the UK (Source: Our World in Data)

The data also demonstrates that whilst average net worth has continued to increase since 2014/15, average gearing ratio has remained constant, but net interest payments as a proportion of farm business expenditure have doubled in the last two years. There are always limitations in using average data to draw any meaningful conclusions because these statistics mask the depth and breadth of business performance across all English farms in the dataset. However, the data demonstrates a headline issue of poor economic returns and that ROCE for the agricultural sector in England (and likely the rest of the UK) is stagnant. This was a discussion point in the conversations:

Year	Average net worth (£)	Average (mean) level of liabilities (£)	Average gearing ratio (%)	Net interest payments as a proportion of farm income (%)	Median ROCE (%)
2014/15	£1.6 million	186 thousand	10	11	0.5[28]
2015/16					0.5[29]
2017/18					0.2[30]
2018/19					-0.1
2019/20					-0.1[31]
2020/21	1.94 million	264 thousand	10	11	-0.2[32]
2022/23					0.6
2023/24	2.4 million	300 thousand	11	21	-0.8[33]

Table 2. Farms' Economic Asset Related Health Check Data for England (2014-2024)

"And I do think farmers need to think about taking more risks, financial risks particularly and £450 billion worth of assets across the sector roughly depending on how you measure it, [and] only about £18 billion worth of net bank lending. Any other sector would be leveraging. You know if you were the CFO or Finance Director for UK farming and you'd only borrowed capital of £18 billion.. You'd be thinking. Well, yeah, we're not, really making our assets sweat. And we could invest in new technology, we could invest in better cold storage. All of these things that could be done. So, I think there's an opportunity there." Mark Suthern, Chair Arthur Rank Centre

Thus, analysis of the average gearing ratio data and commentary in the discussions suggests that the agricultural sector does not mobilise debt (leverage assets) to drive GVA to the same degree as other industry sectors. With around half of holdings being less than 20 hectares and 28% of farms delivering 88% of total agricultural output, this raises the question whether the unitary productive descriptor of "a farm" is of limited value in these discussions and in developing strategic approaches to increasing agricultural productivity. Further, the extent to which the current median ROCE is impacting the confidence to invest in agricultural activity compared to other business opportunities in rural locations with a higher level of ROCE is worth unpicking further. Specifically, why invest in an industry where there is such a low economic return? One discussant reflected on the challenge that being highly geared as a business made you economically vulnerable when situations change and this current period is very geopolitically uncertain especially in England with the end of the Basic Payments Scheme (BPS) and uncertainty over the future of public payments for environmental delivery. One discussion in particular captured the thoughts of those faced with such economic uncertainty:

"And now the BPS acceleration of withdrawal and SFI [sustainable farming initiative] change. So, a lot of farmers won't get it. All of those types of issues. The reality is, there's been far too many farms, very happy or quite prepared to sit on

a 1 or 1.5 percent return on investment because they had the tax benefits, etc. If you're going to get a tax charge every generation [through estate taxes] you cannot afford to do that. You will need 5, 6, 7% return on investment to build up either the pension fund, so you can pass on the assets sooner, or to create the funding that you need to pay off the IHT [inheritance tax] bill. And the reality is, a lot of farms just are nowhere near that at the moment. And if you said to them [farming businesses], "that's what you need to achieve". They'd have no idea how to do it." Martin Collison, Director

Summarising the economic evidence and the discussions there are many drivers for the current economic positioning of UK agriculture, and these have been collated from the farming business and the investor/lender perspectives.

Farming businesses

- **Mindset:** given the cessation of the previous public payment system the mindset of those leading farming businesses is key (see Section 3). There is a need to address a form of 'muscle memory' which prevents mindset change. Farming businesses that have become accustomed to developing a business plan underpinned by government payments, where these are now absent, will need to become more agile, more focused on a market-driven sector, enterprise level margins and overall profitability, especially if doing less, may be more profitable. What are we trying to achieve? What should we keep doing? What should we stop doing? What can we do instead?

- **Strategic management:** From a business perspective there is a lack of strategic management of the asset base. Many farming operations choose to leverage their owned fixed assets[34] conservatively. The advantage is that they are more financially resilient to working capital deficits[35] in the event of crop failure, animal disease or economic shocks. But this strategic approach stifles growth and innovation in the sector;

- **Skills and capabilities:** Farming operations may not have the inclination, nor perceive they have the skills and capabilities to leverage their assets nor see a viable internal value proposition for them to invest in new opportunities; and

- **Uncertainty:** Lack of confidence may discourage farming operations from signing up to long-term debt commitment based on previous experiences and current political and policy uncertainty.

Investors/financial lenders

- **Investible product:** Whether due to deficits in natural, economic or human capital, the farming business is not perceived as an investible product by potential investors;

- **Financing options:** Lack of the appropriate financing products that farming businesses (owner occupiers, contract farming enterprises, tenant farmers etc.) find appealing to their differing risk appetites, so they fail to leverage their assets; and

- **Uncertainty:** Investors/financial lenders see a degree of economic or geopolitical risk in the agri-food sector and perceive a low level of business confidence in their capability to service long, or even medium-term debt. As a result, they decline to lend to businesses they perceive as vulnerable.

In summary, some farming businesses may choose to avoid the risk associated with servicing high levels of debt amongst the wider multi-risk profile that farming businesses are willing or in many cases forced to accept. Nicola Shadbolt and Femi Olubode-Awosola in their work on resilience, risk and entrepreneurship of New Zealand dairy

farmers characterised farmers into three groups (entrepreneur/gambler, competent conservative, experienced but cautious) which goes some way to explaining these approaches to risk (see Figure 3)[36]. Through the discussions a series of risk-related themes emerged around risk appetite, risk management, strategic management and mindset which are reflected on in later sections of this report. In a discussion with Nicola Shadbolt, Professor of Farm at Agribusiness Management at Massey University, New Zealand stated:

"So, you have to have risk management skills and we've done a lot of analysis of what those skills are and how they've developed over time. it doesn't mean our farmers have taken out any less debt. I mean, our dairy farmers [in New Zealand] are about 50% indebted, which is much more than it ever used to be. But they've learned how to manage it. You know, they've got the tools in place, they always say, if you've got as many tricks up your sleeve as events that can be thrown at you, you're okay... you can be proactive, you know how to respond. And risk management and the skills around that are absolutely critical. Once you get out of a supported system. You are on your own."

Entrepreneur/Gambler	Competent Conservative	Experienced but Cautious
• More likely than other groups to be in a business growth phase. • Perceive most upside risk from uncertainties – risk takers. • Produce to full capacity where possible. • Less likely to use practical planning steps. • Do not prefer to keep debt low as a risk management strategy	• More likely than 'experienced but cautious' to be in a business growth phase. • Do not perceive themselves as either risk takers or risk averse. • Some play it safe by not producing to full capacity. • Use practical planning steps. • More likely to keep debt low and manage debt.	• Less likely to be in a business growth phase. • Do not perceive themselves as risk takers i.e. most risk averse. • Play it safe by not producing to full capacity. • Likely to use practical planning steps. • Most likely to keep debt low and manage debt.

Figure 3. Farmer typology of approaches to resilience, risk and entrepreneurship (Source: Shadbolt and Olubode-Awosola, 2016)

Political and economic summary

1. GDP and GVA are important measures of economic performance and contribution, but they do not capture the totality of economic, environmental and societal contribution of UK agriculture to the national economy.

2. ROCE is a headline economic health metric that all farming businesses should continually track and implement investment and operational strategies to improve.

3. Farming businesses must have a viable economic proposition to attract investment or to absorb the cost of leveraging debt. The business must be an investible product (see Section 5).

4. Farming businesses must adopt a portfolio management approach to asset management considering all farm business opportunities (food, feed/fodder, fibre and fuel, fauna and flora and non-farming activities), optimising investment, risk management and business performance (see Section 6). They need to develop appropriate performance monitoring processes to determine their progress against specific milestones and business goals i.e. delivering on a balanced scorecard (see Section 7).

5. Farming businesses will only be willing to take risk, invest and leverage debt and can only deliver their value proposition (both internally and externally to the business), be an investible product and adopt a portfolio asset management approach if they have confidence and are opportunity-driven in their mission. This confidence stems from trust firstly, in the market signals from the agri-food supply chain and, secondly, in the competence and foresight of UK government and lastly, in their ability to enable and drive successful UK agri-businesses that deliver for the UK economy.

The critical need that arose from the discussions was that:

The UK agricultural sector must transition into a mission-led, agile and opportunity-driven industry, one that can adapt to future opportunities, shocks and challenges, while embracing sustainable practices and smart innovation.

In short, the UK agricultural sector must be resilient and robust. The themes of value proposition, investible product, robustness, portfolio asset management and a balanced scorecard are returned to throughout the report. The next section considers the policy context.

2. POLICY CONTEXT

"[There is a] lack of vision from the people setting policy. Whether that's government policy, whether that's commercial policy. For me you've got the supermarkets who say all the right things, but then you talk to the buyers and they're still XXXXing you down for the last penny on price for a 12-month contract. You talk to the government as it ratchets up its environmental ambitions and yet at the coal face, where they actually need to implement that, we are clearly being defunded. And we're getting further away from being able to deliver on that, offshoring stuff abroad and just kind of offshoring your environmental and carbon footprint now seems to be the preferred method. So, you know, it's that lack of vision. It's that lack of ambition. It's the lack of a willingness…." Joe Stanley

Policy is the intended set of principles and actions that are developed by either a single stakeholder or co-created by multiple interested parties. These policy principles and actions can then inform both strategic and tactical actions to deliver those intended outcomes. Policy outcomes could address issues such as the nation's health, defence, the economy or the environment and may be initiated and revised by a government responding to public interest, public concern or an ideological perspective that an intervention or action is the best approach to a given issue. Policy is intended to guide governments, organisations, communities and individuals to make decisions and enact behaviours to deliver certain outcomes and ultimately impact. Policy is informed by politics and informs politics, but the two are different.

Policy can be developed by the government of one country, or governments from a range of countries e.g. the G7/G8 and/or communities and/or non-governmental organisations (NGOs). Thus, good policy design, development and deployment should address the following questions:

- **The Why:** Why do it? Is there a strategic or tactical need for this policy?
- **The What:** What is this policy seeking to define and deliver? Is there a strategic intention for this policy?
- **The How:** How do we deliver this policy, what are the mechanics of delivery and the resources required? Is the policy functionally appropriate, focused and specific?
- **The Who:** Who has a role in this policy design, deployment and delivery? Who monitors how effectively this policy has been implemented? Is this policy functionally deployable?
- **The When:** What timescale is this policy to be enacted over? When should we see the intended policy outcomes being achieved? Is this policy functionally deliverable in an effective and realistic timeframe?
- **The Which:** What are the best options here? What are the trade-offs? Which interests does this policy primarily serve? Is this policy strategically agile if situations change to prevent disconnection and drift?
- **The What if**: What if the initial actions do not work? What is Plan B, Plan C? What if there are unintended consequences? Is this policy functionally agile and robust if situations change?

Reflecting on the principles of good policy design, development and deployment much of UK agri-food policy making is sub-optimal. Whilst this report will refrain from defining UK agri-food policy as broken, it is evident that

there are conflicts, siloed thinking and socio-economic fissures which need addressing. One respondent summed this up stating:

"So, it's not that people don't know how to work in systems. It's often government and policy silos that keep driving people into kind of narrow, vertically integrated thinking instead of building on how we navigate systems in our everyday lives. And I think we probably need to challenge that and give government a bit of confidence, because it works. But if you're in Whitehall and you're operating in separate teams and departments, your focus is on what you have got to do for your policy topic." Sue Pritchard, Chief Executive, Food Farming and Countryside Commission.

So how can we begin to identify what, where, why and how agri-food policy is sub-optimal, so it can be addressed?

A tick-box approach to design, development and deployment of policy will lead to policy that is transactional, focused on rules, process and compliance rather than on outcomes and impact. Tick-box approaches lack the substance and detail to address deep rooted problems and the barriers and constraints to policy implementation (Figure 4). The examples in Figure 4 are based on 'the why, the what, the when and the how' that policy approaches can be better aligned in order to provide measurable time-bound outputs where progress can be monitored and evidenced.

Tick box approach to design, development and deployment of policy:	**Leads to:**
Focus on meeting formal tasks or delivering on a to-do-list.	Transactional policy that focuses on rules, process and compliance rather than delivering on meaningful outcomes and impact.
Looking good on paper but lacking the depth or insight needed.	Giving the appearance of supporting effective decision-making and action but lacks the substance and detail to address the root causes of the problem or the complexity of the need.
False confidence in the efficacy of the rules, process and compliance aspects of the policy.	Undermines the level of trust in institutions and policymakers.
Examples of a tick-box approach statement and how it can be reframed "Conduct a public consultation with citizens" to "Ensure that at least 60% of the government report's recommendations come from the three-month public consultation phase of the work." Develop a farming futures roadmap" to "Deliver a farming futures roadmap that will facilitate 70% of farming businesses transitioning to climate smart farming practices by 2040."	

Figure 4. Tick box policy approaches lead to...

In the examples of a 'tick-box approach policy statement' the first phrase is tick box policy, the second rephrasing provides a policy statement that is specific, measurable and time-bound. We need to transition, where it occurs, from tick-box, transactional agri-food policy to transformational policy. The second aspect that leads to sub-optimal policy is the 'goldilock's principle.' The 'goldilock's principle' is not a new concept and has been applied in many contexts and scientific disciplines when considering the 'just-right' perspective i.e. that policy should be balanced, appropriate and the best fit given all factors that need to be addressed and all the stakeholders' views that need to be considered. The discussions that underpin this report raised a slightly different perspective around the 'just-right' perspective that is presented here.

The design, implementation and calculation of impact of agri-food policy is generally determined through two spectrums either the 'Good-better-best' or 'Worse-worser-worst' scenarios. In the food retail environment, the same principle holds in how food and drink products are described to consumers (basic/essential then standard then good-finest) where the different specifications are not only linked to the composition of the product, but also the environmental and social impact of the method of production. The good-better-best scenario is applied in many agricultural contexts, for example,

- In differentiating farm assurance, animal welfare or environmental standards;
- To develop progressive policy options where the level of conformance, ambition or outcome increases across a spectrum for example, the historic development of the government environmental entry level scheme (ELS) and higher-level scheme (HLS); and
- To provide evidence of the stages of development or maturity of policy implementation e.g. the expanded offer for the Sustainable Farming Initiative (SFI) in 2024[37].

The language represents different contexts, suggests optionality depending on market demands and can support the development of benchmarking, framework building and policy priorities (Table 3).

Level	Description	Policy implications
Good (Worst)	A minimum standard often based on legal compliance which is acceptable to the market and society.	Baseline standard that shows a status level or delivery of the first step on a process of transition e.g. to improved animal welfare or environmental standards.
Better (Worser)	Raised standards that reflect the addressing of certain policy issues or customer/consumer requirements.	Next stage of standards that shows a higher status in terms of level of performance or further progress towards an animal welfare or environmental goal.
Best (Worse)	Standards developed to maximise outcomes or minimises the negative impact of food and drink production that customers, consumers or citizens are willing to pay for.	The stage of standards that show the highest status, performance level or progress toward an animal welfare or environmental goal.
North Star	A visionary standard or goal that may or may not be achievable, or customers/consumers may not ultimately be willing to pay for, but that drives a trajectory of transformation.	The goal or outcome, e.g. achieving net zero emissions, that demonstrates complete transformation.

Table 3. Good-better-best scenario applied to animal welfare or environmental standards

The North Star is a policy goal or outcome that demonstrates the results of a complete transformation in the trajectory of a business, sector, indeed country, to a new status or way of thinking. The North Star approach highlights the purpose, guides the strategic direction and strategic planning, tactical actions and the development of clear targets and milestones, embedding measurable indicators to determine progress and describing what success looks like informing policy choices and any potential trade-offs. An example of a North Star policy goal is

'for the UK to achieve net zero emissions by 2050'[38] or another is one of the seventeen sustainable development goals (SDGs) 'to achieve zero hunger by 2030.'[39] The advantage of North Star policy goals is that they can be enshrined in law so that they are legally binding, overcoming the potential for policy change if there is a change of government, or change of Minister in a government department. They can help to align multiple stakeholders behind a common goal and as a result support consensus building on the important priorities and the agreed pathways to success. They can also prevent drift or mission creep and ensure accountability mechanisms are included in policy design, development and deployment to report on progress. But.... And there is a but.... for some individuals and businesses, the North Star approach can seem 'pie-in-the-sky,' irrelevant to their day-to-day activities or unachievable. As a result, individuals can become disincentivised or disengaged from efforts to achieve them, especially where short term challenges and risks take precedence in their strategic and operational activities.

When considering 'the which' and 'the what if' of policy it is important to consider how short-term government or market-driven policy interventions can move an industry towards meeting the long-term North Star goals. For example, the financial cost of decarbonisation must be met in the present by farmers, processors, retailers and consumers to deliver the future goal of 'net zero' emissions. There is the prediction of future benefits, even savings, but who will pay for decarbonisation and who will reap the rewards of delivering the milestones or the final outcomes is not always clear.[40] The upside and downside risk of transition is not always equally shared (see Section 6). It is important with any North Star ambition to consider what happens if Plan A doesn't work - how can the individual, organisation, sector, country, even the world, switch to Plan B or C? What informs system robustness, national and individual business robustness? (see Sections 6 and 7). What does agile reassessment and redeployment of policy in these contexts look like? What does success look like? How can agricultural businesses grasp opportunities that arise and remain robust? The report will reflect on these questions further.

The 'goldilocks principle' influences governmental and non-governmental (especially market-driven) policy which is formed and amended within a process of negotiation and renegotiation. It is important in any policy implementation that the tools to implement policy, let's call them the frameworks, do not in themselves become the only output. Developing frameworks is not the policy destination; the frameworks are only the tools or instruments to support delivery of the policy goals. Frameworks may describe the 'what', the 'who' and the 'when,' sometimes the 'why' and the trade-offs involved in the 'which', but the 'how' and the 'what if' are essential aspects of delivery. In many instances, the development and maintenance of the frameworks, or lack of it, allows them to drift and become functionally deficient. The development of say, the farm assurance standard, the food strategy, the farming roadmap, the sustainability framework, becomes a means to an end, the publishing of the standard, strategy, roadmap, rather than an intervention that catalyses the activities that effectively deliver the intended outcomes and impact. In these circumstances, success is then perceived as simply having delivered the framework not the much-needed transition, the sectoral change or the outcome that the framework should enable. Success is not the framework itself, nor the designing of the implementation plan nor the deployment of the assurance standard. Success is the ability to capture the opportunities that arise from the development and implementation of these frameworks and associated policy. Grasping these opportunities means the UK agri-food sector can shift from a context of survive to thrive. Nicola Shadbolt and Femi Olubode-Awosola summarise this beautifully at the farm level, but it is true at the policy level too:

"Successful farmers are those that adapt to shifts in the [operating] environment to capturethe opportunities from such disturbance and outperform those who do not adapt." [41]

The objective of these frameworks is to enable farmers to be adaptive, opportunity-driven and to perform when the systems they operate in (natural, socio-economic, geo-political etc.) are disturbed and may not return to 'business-as-usual.' The outcome of a 'frameworks for frameworks sake' mindset however is:

- The over-bureaucratisation of the UK agrifood sector and agricultural production in particular;
- Operationalisation of frameworks that are too compliance heavy with the focus on deploying modes of assessment rather than on improving productivity, profitability and performance within the sector; and
- Creating policy inertia where resources are prioritised for updating governmental and non-governmental policy frameworks rather than driving robust, effective, agile and dynamic operations especially during system disturbance and through longer-term correction and change.

One final aspect of sub-optimal policy is that of 'pseudo-regulation,' the adoption of frameworks and policy that mimic regulation and are voluntarily adopted to prevent regulation but can end up being more of a burden to an industry sector than if reasonable regulatory guidelines has been introduced and the governance structures that align with it. The term pseudo-regulation is not new. Pseudo-regulation involves the adoption of voluntary mechanisms, rules, standards and processes by a sector to prevent potential regulation by government bodies. Pseudo-regulation describes the government-NGO-industry strategic approach to 'voluntary' standards, where businesses themselves and consumers, pay for the cost of adoption of standards and the mechanisms for ensuring ongoing compliance. These market-orientated approaches are forms of self-regulation, often becoming a market pre-requisite to supply and promote the concept of earned recognition, a way to demonstrate that your organisation meets certain criteria without the need for formal government inspection or assessment.

Public-private partnerships (PPPs) are formal collaborations between government and private sector,[42] for example, the sharing of compliance activities and business data between individual organisations and government. PPPs are based on contractual agreements and a clear articulation of the responsibilities, resource sharing and aspects of risk sharing between parties. These are of particular interest when considering sector level data-sharing to deliver regulatory or policy outcomes, such as net zero greenhouse gas emissions, or delivering nature-based targets. Third-party certification to standards such as GlobalGAP[43] or Red Tractor[44] farm assurance, create a culture of assurance and accountability, but a proliferation of initiatives can lead to duplication and increased costs borne primarily by agri-food businesses.

It is important to differentiate between the policy framework, the policy model or the policy blueprint and the policy pathway. The policy pathway is the sequence of steps, actions or the milestones that demonstrate progress towards the final policy goal (e.g., a North Star), intended outcomes or impacts. The pathway is the planned route or roadmap to move from one stage to another during policy implementation. Policy can be sub-optimal from the outset because it is functionally defective, deficient, descriptive or disconnected or simply drifts over time (Figure 5). This report reflects on four types of sub-optimal policy design and implementation described here as chocolate tea-pot policy, half-baked policy, platitudes as policy and whack-a-mole policy. These weak policy approaches, whether implemented by supranational organisations, governments or the market, may garner media noise and fanfare at their launch but fail to deliver either appropriate outcomes or meaningful change.

Chocolate tea-pot policy (functionally flawed - defective)

This type of policy is often well-intentioned, can be based on a recognised need, is officially sanctioned and outwardly appears appropriately designed and implementable. In reality, the policy is too costly, too bureaucratic, physically unworkable, often lacking any viable practical application or the necessary infrastructure for delivery and sets objectives without addressing the vested interests and barriers that will prevent the outcomes being achieved. As a result, over time the policy proves to be a functional failure. An example would be the Pick for Britain campaign[45] during the Covid-19 pandemic.

Half-baked policy (functionally incomplete - deficient)

Half-baked policy is vague, ambiguous and lacks a clearly articulated value proposition for those who are affected or required to change behaviour. Half-baked policy can look ready to go when it is launched and the press-release appears to tick all the boxes, but when it is deployed the implementation phase highlights multiple deficiencies that need to be addressed before the policy gains the intended leverage. The introduction of the Environmental Land Management Scheme (ELMS) is one such example. At its introduction the lack of value proposition for farmers, especially upland farmers,[46] meant it was slow to roll out and had to be revised and new reiterations released before it gained significant leverage with the agricultural sector.

Platitudes instead of policy (functionally disjointed - descriptive)

Policy platitudes are singular or combined statements that are about policy issues but are not policy in its substantive sense. They sound comforting, appealing and reach out to a broad community, sound supportive without concretising the how, who or when or what. They are statements that are good to hear, hard to disagree with, but lack specifics and substance which means that anyone or any organisation making those statements cannot be held to account later. Examples of policy platitudes would be statements such as “go green,” “save the planet,” or “food security is national security.” Without the associated implementation of strategic plans and policy pathways for adoption and the delivery of measurable outcomes, they are just policy platitudes.

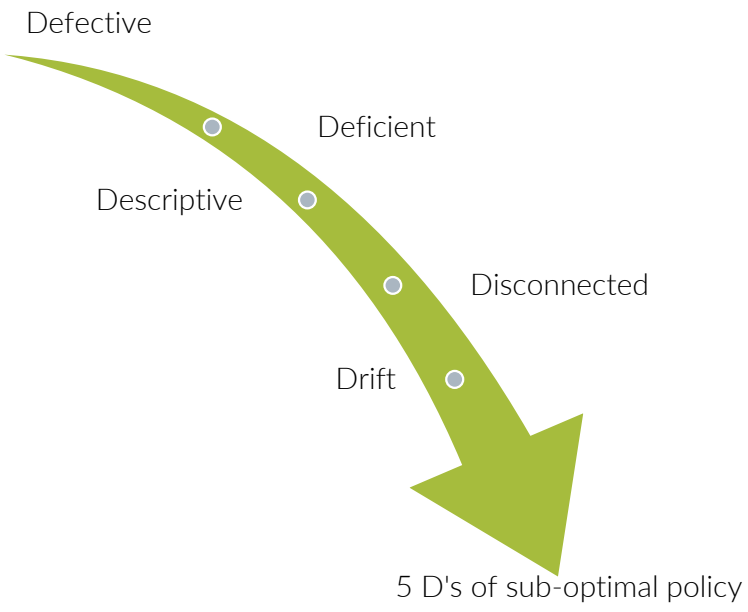


Figure 5. 5 Ds of sub-optimal policy

Whack-a-mole policy (lacks connection - disconnected)

Similar to the arcade game, "whack-a-mole policy" describes a highly reactive approach to addressing a need or solving a problem. Issues are addressed individually as they arise, or if the initial policy doesn't work. New interventions are adopted, management teams are shuffled, but the actions are stand-alone, disconnected and do not address the wider issues or root causes to solve the problem or deliver the outcomes the policy is seeking to address. "Whack-a-mole" policy is inefficient, usually ineffective and experiences drift as political priorities change and can use and waste significant financial, environmental and human resources. An example would be the development of school meal nutritional standards in the UK. Devolved nations within the UK have developed their own standards over the last 20 years and standards continue to be reviewed and revisited, e.g. in 2025 in England[47] and yet there is still significant concern over national child overweight and obesity levels.[48] This means that both short- and long-term policy outcomes for childhood health and wellbeing are not achieved despite decades of policy activity.

The four sub-optimal policy approaches are compared in Figure 6 and within this the catch-all that 'time will often tell' as to whether the policy developed can support the appropriate policy pathway and deliver the intended outcomes and impact where they have been defined. If a good future for the UK agricultural sector is to be regenerative, in the widest sense of the word rather than extractive, is to be robust and resilient rather than vulnerable then we need to go beyond 'frameworks for frameworks sake' policy. We need to look at switching from a good-better-best, worse-worser-worst focus in policy to one of 'becoming.' Becoming requires a clear governmental and market vision and strategy. It requires a transparent and meaningful disclosure of the direction of travel that will engender trust. It requires an honest articulation of where the agri-food sector is and where it is expected to be. Being mission-led or 'becoming' embeds confidence in the policy, the business plan and the execution of the business plan. Becoming recognises a direction of travel for the business/industry sector and those who work in it and makes people curious when opportunities arise. Becoming informs mindsets and thinking.

	Why	What	How	Who	When	Which	What if
Chocolate tea-pot policy	✓	✓	✗	✗	✗	✗	✗
Half-baked policy	⌛	⌛	⌛	⌛	⌛	⌛	⌛
Platitudes as policy	⌛	⌛	✗	✗	✗	✗	✗
Whack-a-mole	⌛	⌛	⌛	⌛	⌛	⌛	⌛

✓ Yes ✗ No ⌛ Time will tell

Figure 6. Comparison of sub-optimal policy approaches

Policy summary

Agri-food policy is currently fragmented, often sub-optimal and often focused on developing frameworks, models and standards rather than on delivering strategic outcomes and impact. A good future for UK agriculture requires:

- A clearly articulated vision from UK government(s) and a strategic agile plan that recognises the role of the market and the state in how land is used in the UK. This vision must be aligned with a clear policy pathway, appropriate strategic outcomes and mechanisms to ensure effective delivery and impact.
- Agri-food policy in the UK needs to come out of the silos and be effective enough to address the complex, often competing, devolved, national and international challenges that influence land use and food security.
- Development of trust between the government and the UK agricultural sector is a prerequisite for confidence. Confidence facilitates investment in innovation, in people and new ways of thinking. A lack of confidence leads to inertia, stagnation and decline. Trust in the long-term vision of the UK government and the governments of the nations and market signals will encourage agricultural businesses to make investments and take risks so they can grasp the opportunities that arise.

The next section of the report reflects on the mindset and thinking required to address this need.

3. MINDSET & THINKING

"I somehow think we've got to get out of this agricultural silo, which says the people don't understand farmers and farming, we're different. But that mindset is simply going to have to change. You've got to bring 1st class minds, you know, world class thinking if agriculture is going to prosper..." Jim Williams, CEO AgAnalyst Ltd

Mindset defines an individual's attitudes, assumptions and beliefs. Mindset shapes how they make sense of the world, their place in it and the situations, contexts, opportunities and challenges around them. Mindset influences behaviour, decision-making and willingness to respond to the situations we find ourselves in. Thinking is the series of active cognitive processes, used either by individuals or groups, that help us to make sense of the world. We use lots of verbs to describe thinking in this way – considering, analysing, evaluating, problematising, solving, imagining, reimagining and so on. Thinking can be constrained or free, structured or creative, deductive or intuitive, logical or emotional etc. Thinking is affected by the mindset but is different to the mindset. Both inform decision-making. Seth Godin, in his book 'Tribes'[49] states:

"A crowd is a tribe without a leader. A crowd is a tribe without communication.... Crowds are interesting... but tribes are longer lasting and more effective."

Steve Jobs (Apple), Bill Gates (Microsoft), Jeff Bezos (Amazon) created tribes. The rise of social media platforms creates, grows and reinforces tribes. In the agricultural context, the organic movement, the biodynamic movement, or the regenerative movement have all created tribes. Tribes use storytelling to create a culture, develop stories driving a sense of belonging,[50] and creating a zone of exclusion for those not in the tribe (Table 4). In seeking to drive change in the UK agricultural sector, recognising those intricacies of the 'zone of belonging' and the 'zone of exclusion' is critical (Figure 7), as well making positive choices to create collective zones of inclusion.

Tribes....
Create and come together around symbols, rituals, rhythms and rote.
Create leverage.
Develop myths and stories over time and use storytelling to create a culture.
Develop and maintain a sense of belonging for those in the tribe.
Maintain a strong sense of identification, individualism within the tribe and interdependence.
Remember, mentor, connect in a way teams do not.

But tribes also...
Create boundaries between themselves and other groups.
Develop and maintain a zone of exclusion for those not in the tribe.
Renounce heretics if they are perceived as a danger.

Table 4. Characteristics of a 'tribe' (Adapted from Godin 2008; Robyn 2000)

Land-based communities are embedded in the land for generations. They know each other, are often related to each other and they form 'tribes.' These tribes have a strong sense of belonging. For them land is a place, not a space.[51] Tribes create social identity. Tribes can be vibrant. But tribes can lose forward direction, lose vibrancy, get stuck and arbitrarily reject new thinking. Tribes can listen to other members of the tribe more than the voices from outside, creating an 'echo' chamber.[52] Tribes occur not just in agriculture but also in government, the civil service, the food supply chain, food service and consumers. Tribes are everywhere.

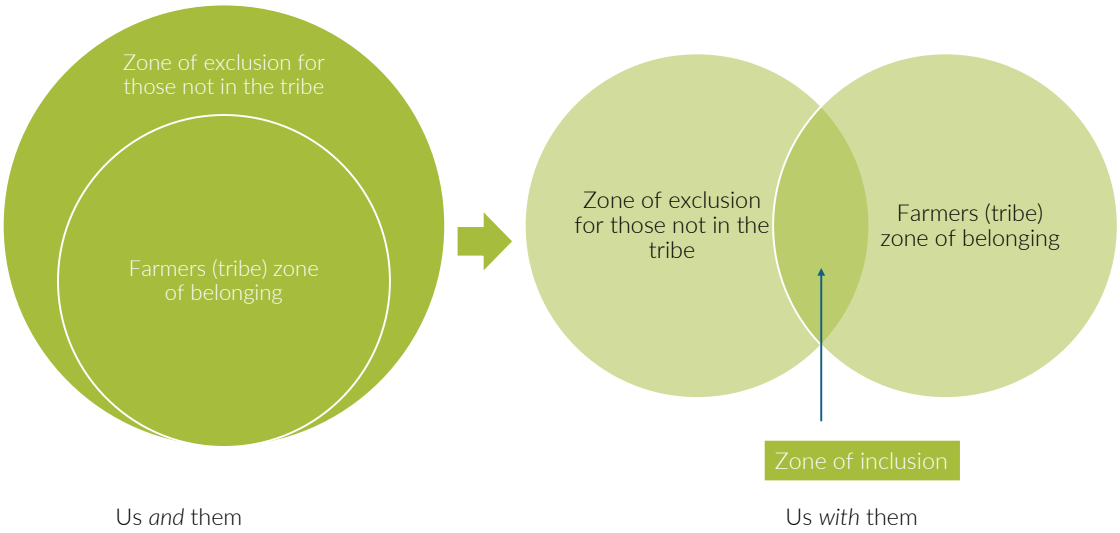


Figure 7. Tribes, their zones of belonging, exclusion and inclusion.

Family farming businesses are highly socially leveraged, with a legacy of responsibility to and duty towards previous generations who have spent their lives working the land and a legacy of thinking which can create a drag on change. The mindset of the 'agricultural tribe' and the need now for this to evolve came up often in the discussions around whether farming is a lifestyle, a business, a profession and whether this drives inclusion or exclusion of new talent and new thinking. Another discussion suggested that there needed to be a mindset shift to bring into the sector people who have got a view of the world outside of agriculture, people who understand the environment, people who understand technology, people who understand geopolitical relationships. One respondent stated that current mindset in government too creates inertia and that there needed to be more trust from government that farmers could and would deliver. Thus, in terms of social identity individuals may find themselves interacting with a series of tribes with different mindsets, thinking and variability in their perceptions of the other tribes.

Creating trust between these groups, reducing barriers to engagement and promoting better collaborative working and innovation is essential. A social zone of inclusion is the social space that is created where individuals feel recognised and valued (becoming), feel they are legitimate members of the group (belonging); feel they are able to participate fully in the activities of the group (access); feel that they have a voice (agency) and that any differences are recognised and accepted (trust). As one discussion addressed, these zones of inclusion need inter-tribal thinking shifting from "us and them" to "us with them" (see Figure 7). The UK agricultural sector also contains sub-tribes often driven by social identity and also self- identity (see Section 4). Mindset, as has been previously stated, informs thinking and three mindsets emerged from the discussions given the current place that UK agriculture finds itself in. These were: the doomloop mindset, the drawbridge mindset and the growth opportunity-driven mindset (Table 5).

The doomloop mindset is characterised by focusing on short-term rather than long-term strategy, making decisions based on fear and lack of trust in others, shaped by mechanisms of accountability and regulatory controls and systems. The doomloop mindset is based on the belief that UK agriculture is doomed e.g. the farm asset value is too high to be internationally competitive, government policy limits opportunities for the future for agricultural businesses in the UK, everyone in the farming community is too risk averse, too old, too stuck in their ways, too stubborn to embrace change.

The drawbridge mindset is seeking to avoid, block-out or insulate an individual or a business from the challenges and concerns around you. The drawbridge mindset prevents businesses from being able to grasp opportunities. Raising the drawbridge leads to an organisational focus on the operational rather than the strategic running of the business, disengaging from changes and trends and the opportunities that can arise and to having a fixed or adverse approach to risk. In one conversation it was summarised as the mindset that arose from planning for one sort of regime when another was now in place. This required different plans and greater agility especially when there was policy change.

The opportunity-driven mindset is one triggered by confidence and curiosity, on the lookout for opportunities and being open to risk taking. One discussion led to a great example of this:

"I was judging a Farmer of the Year competition and this guy who won was just amazing. He was constantly seeing opportunities and grabbing them and, you know, taking his farm forward. And I said to his wife, does his antennae ever stop buzzing? And she said, no. But he was a guy that even if he was at a social function, he'd talk to someone about something, spark a thought there and off he goes. But he just had that ability to constantly be basically trawling the environment, seeing what was out there, thinking about what could be useful. And that is a skill that does have to be developed. If you've lived in a protectionist society, you haven't had to do that, because there was no point. You know, all you were doing was filling in the forms for Brussels or whatever, but now you're saying, actually.... now, maybe there is a real opportunity." Nicola Shadbolt

Thinking	Opportunity Driven	Drawbridge	Doomloop
Triggered by	Confidence, curiosity	Concern	Fear, negativity
Reaction	Adaptive	Avoidant, block-out, insulate	Defensive, resist, isolate
Outcome	Opportunity	Disengagement	Decline
Risk appetite	Open to risk taking	Fixed, risk averse	Negative, risk averse

Table 5. Types of mindsets that emerged from the discussions

Three aspects of sub-optimal mindset and thinking emerged in the discussions about UK agriculture: negative thinking, shallow thinking and vested thinking (Table 6). These reinforce the doomloop and the drawbridge mindsets and if the sector is seeking to move to being more opportunity-driven then the businesses and the mindset and thinking of the individuals who lead them need to change. The impact of these mindsets was summed up in one discussion:

"Yeah, it's just that bravery of thought, isn't it? And being able to take on vested interests and thinking.... It's a combination of madness and thick skin and brilliance. And that's the bit that needs cutting through, because British farming is so business as usual. It's outrageous and yet we're all standing and going 'Something's going to change. Something's got to give.' And there's not a bit of that thinking out there as far as I can see, really as an outsider, and I do

feel like an outsider now as I spend more time out of the UK than I do in it, but there's so much opportunity…." Richard Counsell, CEO Stable

	Mindset	Thinking
Negative	A mindset where the individual tends to focus on the negative aspects of a situation, is critical of potential opportunities, tends to anticipate negative outcomes, or engage in negative 'self-talk.	A negative mindset can lead to bounded thinking where the decision-making is based on the goldilocks principle of worse-worser-worst. Negative thinking can also lead to low aspirations in terms of goal-setting, driving a cycle of low expectations and low levels of performance i.e. 'survive not thrive'.
Shallow	A mindset where the attitudes and beliefs are based on limited and superficial perspectives and assumptions, experiences or knowledge.	A way of thinking that is superficial and does not explore issues deeply, nor underlying causes or assumptions. Shallow thinking only considers issues and makes decisions based on a limited perspective. Shallow thinking focuses on what's familiar and comfortable rather than what is more uncomfortable and challenging i.e. 'what not why'.
Vested	A mindset where in a certain situation either individuals or organisations have a strong interest in ensuring specific outcomes are delivered. This could include a strong interest in maintaining the status quo and/or resisting change.	An approach to problem-solving that is driven by vested interest. Vested interest can bias decision-making to focus on the 'me not we.'

Table 6. Sub-optimal thinking

Another described the lethargy in the sector:

"I would say that sort of mental lethargy doesn't just extend to farmers. It extends to their advisers very often, who are the second or third son or daughter of a farming family, where the 1st one has inherited the business and they want to work in the business, but not on the business, so they end up being an agronomist or they work for a machinery dealer. So again, the agricultural supply industry is a big part of the problem. It's partly a political problem and it's partly a mindset problem. They very often employ people because they come from a farm and that is the thinking we need to completely change." Jim Williams

Having effective leadership as a sector and as individuals came up in another discussion:

"I see seven leadership traits that all the leaders have, and courage and vision are the two on top. You've got to have a vision and you've got to have the courage to push it through. It's easy to be glib about the word courage, because true leaders have just got that, because they don't have to be rude or angry. But they do have courage. So I think our issue with the leadership at the moment across the nation is that you've got to make your own mind up first of all about what you think is right, and that can take ages, and it also takes a particularly intelligent brain to come up with a vision that

is going to be successful. And then you've got to stick to it, irrespective of what people say. I mean, it's the whole thing. We're in a mess." Robert Shepherd, Chair Environmental Farmers Group

The discussions not only reflected on mindset and thinking but also on identity. Whilst a specific mindset informs your thinking, social identity that is built around who you are, your values and your beliefs is also important. Tribes are about social identity. Social identity reinforces rules, behaviours and ways of acting. Social identity can create a sense of belonging, but also a sense of responsibility and duty and is reinforced by beliefs and values that farmers hold as a collective group that they need to feed the nation and are custodians of the land for the nation.

Mindset and thinking summary

- Mindset and thinking inform decision-making.
- The farming sector is a tribe amongst tribes. People identify with tribes when the tribal values align with their own. This makes it difficult to stand apart from or leave a tribe.
- Tribes can lose direction, vibrancy and arbitrarily reject new thinking. Tribes can create an 'echo' chamber.
- Drawbridge, doomloop, vested, negative and shallow mindsets stifle growth and change. Opportunity-driven mindsets focus on positive outcomes and are triggered by confidence and curiosity.

4. SELF-IDENTITY "I AM A FARMER"

"…. the pushback has always been, don't think we could do that here? Because this is the family farm, it's been in the family for seven generations or something and I couldn't share that with anyone…. I remember visiting a guy… and I said, "well, do you want to farm?" And he said "… actually, I've been chosen and I can't be the person who loses the farm."
Nicola Shadbolt

Self-identity is about how you define yourself, how you see yourself, typified in the statement "I am a farmer" as opposed to "I am not a farmer" or "I am no longer a farmer." Perceptions of self-identity influence the business of farming and the people who farm. Does a farmer, for example, perceive themselves as a profit maximiser, a minimal profit lifestyler, a land custodian, a conservationist or something else? Self-identity, in particular a sense of a loss of self-identity impacts our thinking and/or behaviours. For example, during family/management succession processes a variance amongst individuals within a business in how they perceive their personal self-identity can give rise to confusion and even conflict. In that scenario, how would the different members of the business or different members of the farming family answer the questions "Who am I? Who are we? What is important to me? What am I going to do if I am not, or am not going to be "the farmer"? [53]

The partnership or family business bearing the name of an individual or group of individuals can mean that the values and aspirations of the individuals are then often subsumed into the values and aspirations of the business. This can take some unpicking in order to determine personal and collective goals, objectives and values. So, what are the personal values and aspirations of the individuals strategically and operationally involved in the farming business? Do they align or differ? How often are they discussed? How does this affect the positioning of the business? If an individual stops being the active farmer, what do they then become? Is being a retired farmer a self-identity? One discussant among others highlighted that a farmer in their sixties only just taking control because they've been working for their mother or father for the last 20, 30, 40 years needed to be addressed, because it just did not happen in other sectors.

A further discussion gave rise to a list of questions that are often asked by individuals leading family businesses faced with, resisting, or even fearful of succession and of change:

- What will be my legacy/happen to my legacy?
- What am I going to do if I am not 'the farmer'?
- Am I asking too much of the next generation?
- Can I trust the next generation?
- What are my values and aspirations and the mission I have signed up to?
- Will it change with the next generation, or a new generation?

The reflection in our conversation was that succession in both ownership and management is a process not a single event. Ownership transfer, succession management and the resultant change in self-identity is difficult to navigate. *"I am a farmer"* resonates with a sense of being, a sense of belonging that goes far beyond a job description. Anything that is perceived to threaten self-identity is often met with distrust or dismay. The statement *"change is inevitable: growth is optional"* is attributed to John C Maxwell. The UK agricultural sector currently sits in a place where change is inevitable. Changing who we see ourselves as being, changing our sense of purpose and our sense of belonging, our rootedness takes time. Becoming through reimagining our self-identity takes time. However, time is not on the side of the UK agricultural sector. Change, whether it is climate-driven, technology-driven, politically or socially-driven is inevitable. Being 'mission-led' reflects that change is inevitable and this will impact on our self-identity. We need to navigate this for ourselves and for those around us. Being mission-led requires an individual, business or sector to continually embrace change and recognise that to grow and being opportunity-driven are essential if the goal is to thrive and not simply to survive.

Self-identity summary

- Who am I? Who are we? What is my legacy? What are our values and aspirations, as individuals and collectively [our mission]?
- Self-identity roots us to who we are. "I am a farmer" resonates with a sense of being, a sense of belonging that goes far beyond a job description. Change requires us sometimes to become something different and this can make us question our self-identity.
- Change is a process not a singular event. Changing who we see ourselves as being, changing our sense of purpose and our sense of belonging, navigating our becoming, rebalancing our rootedness can take time, but time the sector does not have.

The next section considers these aspects of determining strategic intent and mission for agricultural businesses.

5. MISSION-LED AGRICULTURAL BUSINESS

"It's really hard for people, actually, to sit down and say, this is what I really want, and then others on the table say something, and they go, I never knew you wanted that. Yes. Because most families don't talk about that sort of thing… [it's] territory that… can be dangerous" Nicola Shadbolt.

In 2023, the UK had just over 5 million family businesses representing 93% of all firms in the private sector with 77% being microbusinesses i.e., businesses employing 1-9 people.[54] The primary sector (agriculture, mining and utilities) has a high share of 'family owned' businesses (90%) and four in five businesses in the wholesale/ retail sector are also family owned.[49] In 2023, 65% of those employed in the agricultural sector in the UK were either farmers, business partners, directors or the spouse of a farmer.[55] This statistic does not take into account the additional contribution of either non-paid or informal family work within agricultural businesses.

The term 'mission-led' has been used in policy to describe businesses that have a predominantly environmentally and socially-driven mission rather than being economically driven, the third pillar of sustainability. In this report, the term 'mission-led' is used in a wider sense. Many organisations will have determined and communicated their business purpose, values and culture and short-term and long-term vision in a mission statement. Mission statements can outline to family members, employees, customers, suppliers and other stakeholders the strategic intentions and direction of the business. In December 2024, the UK government defined mission-led government as follows:

"Mission-led government means raising our sights as a nation and focusing on ambitious, measurable, long-term objectives that provide a driving sense of purpose for the country. It also means a new way of doing government that is more joined up, pushes power out to communities, works in partnership with business and civil society and harnesses new technology to deliver for working people." [56]

To paraphrase and adapt – a mission-led farming business would be one that is firstly informed by mission-led land use, food and farming policy and secondly is a business with a driving sense of purpose that has set out ambitious, measurable long-term objectives with shorter term milestones that will demonstrate the business is on the pathway to delivering its mission. Being mission-led requires a farming business to articulate its:

- Purpose (reason for being)
- Value proposition (to employees, family, customers, suppliers and investors); and
- Status as an investible product.

Three aspects emerge here:

- Internal value proposition: What is important for us and the business? What are our values and aspirations, as individuals and collectively?
- External value proposition: What is important to others when they engage with the farming business?

- How does the internal and external positioning of 'value' influence opportunities for the farming business and for current and new enterprises within the business?

In one discussion this led to a particular question emerging - is the family running a family [farming] business, are they a business family where the farm is part of a business portfolio or at the extreme end of the spectrum, and as such not a microbusiness but a complex organisation, are they a family office?

71% of farm businesses in England had some diversified activity in 2023/24 rising from around 60% in 2014/15.[57] The most frequent diversification in 2023/24 was the letting of buildings for non-agricultural use (50%); second was solar energy with 27% of farm businesses in the farm business survey (FBS) producing solar energy and other sources of renewable energy (13%). One in eight farms processed or retailed farm produce. Others were involved with sport and recreation and tourist accommodation and catering (8%). Table 7 includes data from Scotland demonstrating the main diversification activity was letting buildings and renewable energy generation. Similar data was not available for Wales and Northern Ireland for comparison. The data for Scotland and England does not differentiate between on-farm use of the renewable energy generated i.e. integrated within the farming business and differentiated stand-alone renewable energy generated for export off farm (some installations will provide only one of these and others will supply a combination of the two).

Measure	2023/24 England	2023/24 Scotland
Farms with any diversified activity	71%	
Farms which let buildings	50%	39%
Farms with solar energy	27%	
Farms with wind turbines		9%
Farms with other sources of renewable energy	13%	27%
Farms that process/retail farm produce	12%	3%
Farms with sport and recreation	12%	5%
Farms with tourist accommodation and catering	7%	6%
Farms with other diversified activities	12%	5%
Farms with mobile phone masts		6%

Table 7. Proportion of farms in England and Scotland with diversified activities [58, 59]

The characteristics of family business, business family and family office have been compared and contrasted in Table 8. The spectrum explained here is recognised as being simplistic and is intended primarily to inform reflection and conversation within family businesses. The mission-led focus can range from "working the land" to "leveraging the land" and high wealth families with a complex portfolio of assets who are "stewarding the land." This was touched on in many discussions, including the transition in mindset from working the land as a farming enterprise through to widening the business portfolio to being a solution provider (e.g. carbon sequestration, biodiversity recovery and water quality improvement):

"When I went farming, I never thought beyond producing food, you know, when I went into farming there was absolutely nothing, perhaps I was very simple and narrow minded, but we never really looked at diversification. Other

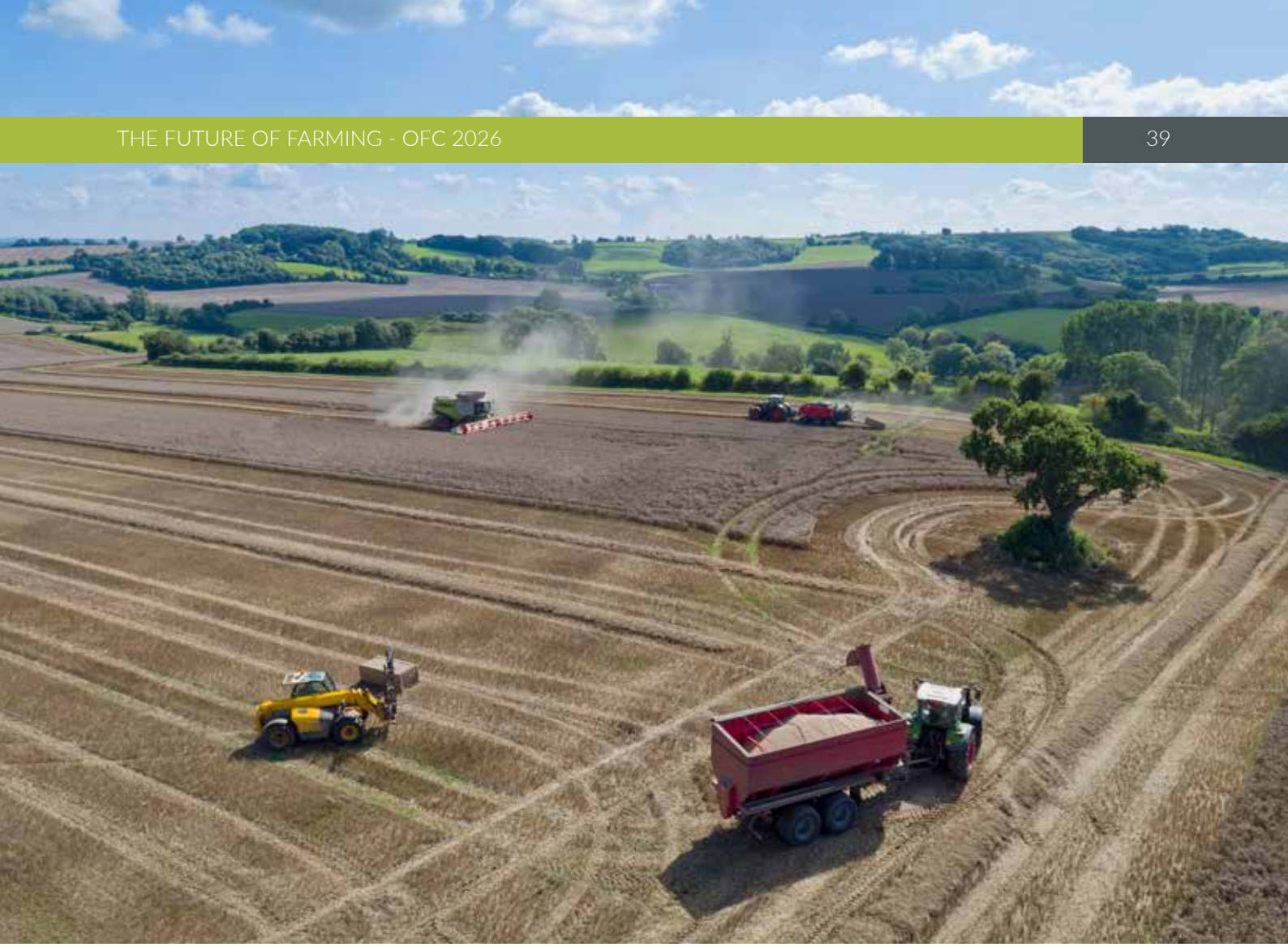
than the odd few quid for going and emptying someone's muck heap we really didn't do it. But now I just see farming as the solution to so many of the problems that we face in society, and our only obstacle or hurdle is going to be to convince policymakers that we have got the solution to all of these things." Robert Shepherd

Another discussion focused on the development of the business family:

"The owner said to me: 'My ambition is to have as much income from the property portfolio as I have from the farming operation. To spread the risk of the family, to spread the risk of the business to mean that I can survive policy changes that come.' And they had enough scale. The manager of the business was not out there milking cows every morning. He was the person who was taking on the business management and a finance led approach to that business."
Martin Collison

Aspect	Family Business	Business Family	Family Office
Structure	Business owned and often managed by one or more family members.	The family may own multiple businesses, assets and investments.	A business structure to support the needs of the family in terms of investment strategy, tax and lifestyle management.
Family identity	From the name of the business through to the culture, the family identity is woven into the business.	The family are involved strategically in the governance structure and/or operationally in single or multiple businesses.	The stewardship of existing assets and the governance structure rather than operating the businesses in which the assets are invested.
Centre of gravity	The single business.	The family, the businesses they own and their entrepreneurial business activity.	The wealth of the family, the asset base and the economic, environmental and social return on assets, sometimes described as legacy.
Summary	An owned or tenanted family farm where the farm is at the heart of the business model. "farming the land"	Income derived from farming and non-farming activities e.g. energy generation, retail, hospitality businesses, property development. "leveraging the land"	Wealth is invested in estates, property holdings, conservation activities, multiple non-farming investments e.g. art collections. "stewarding the land"
	 **FARMING THE LAND**	 **LEVERAGING THE LAND**	 **STEWARDING THE LAND**

Table 8. Simplified comparison of the structure, family identity and centre of gravity for different family business entities.



The symbiosis of the three types of business, despite their difference in mission, was also discussed:

"... we always must listen to the tenant farmer first, until the multimillionaire landowners, who can afford to experiment and lose money, have come up with the new package that can then work on the tenant farmer's farm. Ultimately that's how we will develop our revolution for 2050. So, the tenant farmers who have to make a profit every year, they're essential to us, but they're not the ones that are going to be at the forefront of the revolution." Robert Shepherd

In summary, all businesses need to be mission-led, but the centre of gravity for those businesses can vary widely, as can the characteristics of the family identity which is being operationalised within the family-orientated business. The questions that arise are:

- What is the family entity doing and not doing?
- What is the purpose, the values and mission that underpin those activities?
- What are the intended outcomes and impacts of those activities e.g. what is the intended ROCE, what aspects of lifestyle outcomes are important, what social impact is important?
- What milestones can be developed to monitor business performance to deliver the mission, outcomes and impacts determined?
- What is the internal and external value proposition of the business? How well is the value proposition articulated?

The next section reflects on portfolio asset management and opportunities to improve profitability and ROCE.

6. PORTFOLIO ASSET MANAGEMENT: A FARMING-RELATED PERSPECTIVE

"The problem in the UK is we're a relatively small land area. And we now have 69 million people so there are very few places in the UK even if you get into what you consider to be pretty rural areas where there isn't a residential value attached to land.... And with remote working and better transport network. you can live anywhere in the UK and you can work for a company in London, or you can even work for a business which has a global footprint, so that distorts the land market not so much the forestry market, but there's no question it distorts the land market that residential value aspect.... So, there's inevitability that farmers sell the land for residential or commercial development and usually what they do they don't go off and buy shares in Tesla or Nvidia. They want to buy another farm. So, you have this distorted land market from rollover. And then the other aspect in the UK, and this applies to all parts of the UK as well, we have a lot of history in agriculture. We have nice old farmyards, farmsteads, and they've all been converted to residential, or they've been converted to office, or the more modern buildings have been converted into commercial buildings... what applies in the UK applies in other European countries as well. [In] Western Australia, unless you're right on the outskirts of Perth, for the majority of landowners in Western Australia the land value reflects what you can earn from it from an agricultural perspective and nothing else. So, all these themes that exist in the UK just simply don't exist there, [so] agriculture is just treated as a true business. Can I run this farm? Can I make enough money out of running this farm and not doing any other thing? I can't do multiple diversifications. So, glamping in Esperance [Western Australia] doesn't have a great deal of appeal because you're not going to get many clients, whereas in Warwickshire, Oxfordshire, Cambridgeshire, Yorkshire, it's a significant opportunity." Martin Davies, Global Head of Nuveen Natural Capital

In the context of considering a farming business or business family, the interpretation of the term portfolio asset management is expanded from the original economically-focused meaning. The portfolio of assets available will vary from organisation to organisation. Portfolio asset management is a smart, agile approach to managing the 'business' to see the big picture through the mission and objectives of the business, the asset base and the most effective use of that asset base for both farming and non-farming activities to deliver a financially, environmentally and socially robust business. Portfolio asset management considers the business' strengths and weaknesses, supports the development of a multi-year asset management and investment strategy to reduce the impact if one enterprise or activity is underperforming, assess, mitigate and manage potential associated risks, uncertainties and trade-offs and inform evidence-based decision-making. Portfolio asset management in the context of agricultural business refers to how the mix of farming and non-farming assets, enterprises and investments under the organisation's control are managed to deliver a clear internal and external value proposition and maximise profitability and ROCE, to stabilise income and to manage risk both in the short and longer term. Section 1 of the report highlighted, at the sector level, that average profitability and median

ROCE are poor. One major reason for this is the high value of agricultural land in many parts of the UK which more readily reflects the 'developmental asset' or its 'tax shelter' value rather than the operational returns from agricultural activity on that land. A third of farmed land is in the tenanted sector where the land is owned by one business and the operations on that land are managed by another. One discussant highlighted:

"I fundamentally believe that the landlord-tenant system offers and provides a really good basis to do agriculture. And I think we need to reimagine the benefits of the landlord-tenant system. For many years, it [the landlord-tenant system] was considered to be an old-fashioned concept based in the 1940s and 1950s that was clearly massively reformed in the 1990s with the introduction of farm business tenancies [FBTs]. The area of land within agriculture that is within the tenant sector has remained very stable at 30%, over the past 30 or so years, but the nature of that occupation has changed markedly so that half of that area of land is now under farm business tenancies where the average length of term is 3 years and 85% of all new tenancies are let for 5 years or less." George Dunn, Chief Executive, Tenant Farmers Association

Another factor when considering asset management is the level of liquidity of those assets as that will influence decisions on risk management and investment opportunities especially in volatile markets such as commodity agriculture.

Risk assessment and the development of risk management strategies is usually based on historical performance for the likelihood of a risk to occur. There is an assumption therein that the risk levels of the past are a good indicator of the risk levels of the future. In a SPOD world (steady, predictable, ordinary and defined world), where the context is steady, understanding the business risk levels of the past can inform an understanding of business performance in the future. However, over the last two decades, especially since the 2008 global finance crisis, a VUCA world (volatile, uncertain, complex, ambiguous world) has emerged which has impacted on globalisation strategies, food security and agri-food policy across the world. This increased level of uncertainty has changed risk profiles, risk appetite and as a result influenced mindsets and thinking within a business, sector or at government levels.

The term BANI world (i.e., a brittle, anxious, non-linear, incomprehensible world) reflects the environment in which UK agriculture operates now, in the medium and longer term. This term encompasses the complex shocks and instabilities seen following the Brexit decision, the Covid-19 pandemic, the Russia/Ukraine conflict and the contemporary public debt crisis in much of the Global North. With the addition of more frequent climatic incidents across the world, this creates an unpredictable, even incomprehensible world which UK farming businesses need to navigate. How do businesses in the UK agricultural sector identify, assess and manage risk in this context when knowledge of the present and the past may not reflect the risk profiles of the near- and longer-term future? One essential outcome is that risk reduction strategies across the agri-food system must drive business and system robustness. These risk reduction strategies include:

- **Reducing brittleness** – by introducing interventions to create infrastructural and relational stability, strengthening the robustness of existing assets and ensuring the agility to mobilise those assets effectively and at scale.
- **Reducing anxiousness** - by introducing measures to create confidence in the sector and wider economy and developing the skills and capacity to be confident, trust others and drive both personal and business performance.

- **Embracing a non-linear world** – by accepting that current risk assessment and management processes based on past performance, singular risks and static risk assessment methods are not fit for a non-linear world. Risk registers and risk profiling approaches will need to be more dynamic and more robust. Organisations, the supply chain and wider food system will need to mobilise agile risk mitigation approaches and interventions to drive real-time risk quantification and management.

- **Minimising the incomprehensible** - by utilising data collation and data analysis at a level of granularity capable of improving understanding and sharing of knowledge and insights. This will support businesses and the people that operate them to navigate the complexity and instability of the contemporary and future world.

Liquidity of agricultural assets

The proportion of agricultural assets that change ownership, as an element of liquidity, was also discussed in depth in the discussions. In 2024, around 76,000 hectares of farmland was marketed in the UK, around 0.4% of the total, with only 16 farms being sold that were over 500 hectares.[60] Savills Research state that the reasons for selling land were investment elsewhere (29%); debt and financial restructuring (27%); death and personal reasons (18%); relocation (15%); retirement (8%) and other (3%). In the first half of 2025, 15% less land was brought to market than in 2024.[61] This shows the low level of liquidity of farmland and the level of incumbent control of land ownership. Furthermore, one discussant said,

"The price of land is, I believe a massive constraint on what's needed which is new talent, new blood, new thinking, new mindsets. Farming, whichever way you look at it, especially arable farming, but livestock farming too, especially dairy, is hugely capital intensive. And so, you know the fact that the price of land is higher than everywhere else. You can go farming in Australia or Argentina, or, for that matter, New Zealand, and be a 1st generation farmer with a great idea about what you want to do. Occasionally you hear of it, but it's almost unheard of in the UK and that is because the barrier to entry is price of land and the capital required to get going and probably the bankers can tell you why they won't lend to somebody with great management potential. It all has to be secured against this high value of land. So, everyone's colluding in that to a certain extent." Jim Williams

Thus, opportunities for new generation or "New Gen" farmers through land purchase are limited and are instead likely to be through other farm business structures rather than being the owner occupier. The impact of vested, often shallow thinking (see Table 6) and a need to change mindset to provide opportunities in agriculture was explored in this discussion too:

"... the XXXX estate [part of a Family Office structure] is looking at total return from its estate. So not just building resilient farm businesses but building businesses that deliver natural capital and public benefits. And we have, to cut a very long story short, developed over an 18 month period, a new environmental farm business tenancy [FBT] which encompasses both, or compensates both, encompasses good production, environmental output and diversification, all within a revolutionary contract with a term of 15 years, which is at the very top end of the security of tenure we would get within the FBT." George Dunn

This way of thinking sees return on the portfolio of assets through a wider lens than financial ROCE alone. This requires businesses to recognise the portfolio of assets at their disposal and the risks and opportunities that align with them. Business assets can be categorised in many ways including the five capitals approach. The first asset balance sheet for any business includes:

- Financial assets and liabilities (investments, debtors, creditors and cash), and
- Physical assets and liabilities (buildings, physical infrastructure, equipment, machinery, live crops/livestock and the second farm asset balance sheet, as demonstrated in many of the conversations, includes:
- Natural assets and liabilities (natural resources e.g. soil, water, trees and hedges, environmental and biodiversity features on the farm and the risk of damage to water courses, biodiversity hotspots),
- Human assets and liabilities (mindset, skills, knowledge and capabilities of those working on the farm or with the farm), and
- Social assets and liabilities (cultural value associated with the farm and its activities including the way the crops and livestock are produced).

Another conversation reflected on the requirement for farmers to consider a wider range of assets and associated income streams, but the underpinning need for policy certainty to create the confidence and sense of purpose to invest time and money in the future:

"I think the average farmer, if you were to go to a local mart or a county show and you tried to engage them in a conversation about natural capital and emissions reductions. I think you'd get fairly short shrift. But let's be honest. We are a conservative industry that takes time to change. Actually, look at the scale of the change in the last 5 or 6 years alone. We have a very long way to go, but the distance we have come when you consider the demographics of our industry is phenomenal in the last 5 years. Now, if only we could keep a consistent vision going forward in the coming decade, we'd really get there. But the problem is, we slam the brakes on [e.g., halting of the SFI in spring 2025]. Now we throw everything out. Everyone loses faith and that makes onboarding everyone much, much, much more difficult." Joe Stanley.

The second balance sheet is now considered specifically. Firstly, natural capital can be considered at the national, regional or business level. Natural Capital Accounting is addressed in the HM Treasury's Green Book: Appraisal and Evaluation in Central Government (2022) where natural capital and its market and non-market value is defined (Table 9).[62] UK Sustainability Reporting Standards and sustainability related disclosure requirements e.g. Taskforce for Climate-Related Financial Disclosures[63] (TCFD) and Taskforce Nature Related Financial Disclosures (TNFD)[64] will cascade through agri-food supply chains requiring land based businesses to provide data that will feed into national capital accounting and strategic assessment of natural capital reserves, sustainability-related disclosure requirements for corporations for climate and nature-related risks and appropriate mitigation and adaption.[65]

"Natural capital includes certain stocks of the elements of nature that have value to society, such as forests, fisheries, rivers, biodiversity, land and minerals. Natural capital includes both the living and non-living aspects of ecosystems.

Stocks of natural capital provide flows of environmental or 'ecosystem' services over time. These services, often in combination with other forms of capital (human, produced and social) produce a wide range of benefits. These include use values that involve interaction with the resource and which can have a market value (minerals, timber, freshwater) or non-market value (such as outdoor recreation, landscape amenity). They also include non-use values, such as the value people place on the existence of particular habitats or species."

Source: HM Treasury's Green Book: Appraisal and Evaluation in Central Government (2022). Chapter 6.[59]

Table 9. HM Treasury's Green Book description of natural capital

The asset value of 'carbon' in particular was reflected on in the discussions from the point of view of reduction of greenhouse gas emissions, but also the production of carbon for other sectors in a post-fossil fuel world:

"So, it would be ideal if the farmer themselves saw every opportunity. But the first point on the return on capital, earlier, when I was talking about biochar and biomass being produced and things like AD [anaerobic digestion] plants, if we no longer are digging for fossilised carbon then the only place that we can get carbon, and we will need carbon in the future, is either direct air capture which very inefficient, or its farms and biomass flows, so will the coalmine of the future be UK agriculture?... So, for the 1st time ever, as the UK economy gets more complex, more technologically evolved, actually, agriculture is going to increase its share of real GDP." George Collison, Consultant.

Human capital in its simplest terms is the health and wellbeing, knowledge, skills, abilities, mindset, thinking and purpose that people possess that creates an asset or capability, in this case for an organisation to produce a combination of economic, environmental and social value. Discussions around 'who is on your team' and 'who is on the team of the future,' were vibrant and varied. Two groups of people emerged in the discussions around improving economic performance, succession management and an opportunity-driven agricultural sector. These were 'New Gen' individuals who were new to agriculture with entry points either directly to a business, starting their own business and/or via studying at a college and university and "*Next Gen*" or next generation individuals. Next Gen individuals were those people whose families were/are already connected with agriculture and wished to remain within the sector, often managing or leading within their own family-managed business. For both "Next Gen" and "*New Gen*" the internal value proposition of the business itself and whether they connected with it was a key discussion topic and whether the business was perceived by staff and family members as an investible product (worth investing their own time in). The conversations went wider than the working culture alone when reflecting on the attractiveness of working in a specific business or the agri-food sector as a whole, now and in the future. One discussant stated that when businesses get multiple generations away from the founder, they lose their entrepreneurial spirit, become more comfortable and this limits getting new talent into the sector. They highlighted that the agricultural sector is a very hard sector to get into if you don't have some form of cultural or family connections to it, limiting the talent pool. George Dunn summed up the challenges the sector faces now and going forward:

"I recently had a conversation with a large arable farmer who is looking to retire, and wants his son, in this case, to succeed to the tenancy and buy the tenant's capital in the business. But his son is amongst a cohort of friends who are not working on farms and who have holidays and are able to have weekends to play rugby whereas the farming life is

a bit more full-on. It's been more 24/7 and we have younger people coming into the businesses that don't necessarily want to have that level of time commitment. And as an industry, we need to find a way in which we can create opportunity which means that people aren't slaves to the business, that they have good thriving, successful businesses, but they also have a life. So, I think we do need to bring people in who have got a wider view. So not just how to do the practical things and the farming tasks but who are bringing new ideas for how their business can be structured in a way which allows them to create a viable basis for profitability but gives them space to do life at the same time."

Another discussant stated:

"...machinery rings could also be labour rings, creating quality, labour, opportunities, skills and enterprise, year-round. But family friendly as well. You know those kinds of things which are part of the problem for recruiting labour, which is a big issue." Vicki Hird, Strategic Lead on Agriculture at The Wildlife Trusts.

In summary, for staff and/or family members who are involved with an agricultural business, the internal value proposition that needed to be articulated and operationalised includes:

- **The work environment:** the enacting of the purpose of the organisation, acknowledgement of achievements, the supportiveness and inclusiveness of the work environment, the provision of the tools and resources to undertake the job role effectively, whether there is the appropriate work-life balance; and the balance of collaborative working and teamwork.
- **Career development:** the training, learning and continuous development opportunities, the career opportunities and development pathways within the organisation and access to mentoring; and
- **Compensation:** benefits and job security: fair and competitive pay, holiday and welfare benefits, bonuses, access to profit sharing and options for developing personal equity in the company.

In short, the business needs to reflect on the question: "Why should someone want to work here and stay in the business?"

Strategic, financial and operational management requires a range of capabilities, knowledge and expertise that is unlikely to be located solely within the people involved in, or employed, by the organisation. The human capital needed to drive portfolio asset management can include external advisors e.g. bank manager, land agent, agronomist, veterinarian, business employees and contractors, customers among others. Discussants identified the need for access to business management skills varying from the financial and governance skills to operate a business, to the ability to problem-solve. One discussant from the wider agri-food industry highlighted how they were placing less emphasis on individuals having an agricultural degree partly because they are so broad. Instead, they were looking for those individuals that could add value to the business with a business management degree or the problem-solving abilities associated with an engineering degree. The ultimate challenge they felt was that we needed degree courses that inspired people for the agri-food sector jobs that existed and there is a lack of knowledge of the job opportunities that are available in the sector. As Martin Collison said:

"You need to be informed; you don't need to necessarily have all the skills. What you need is to have the ability to manage the business."

Simon Pearson, Director of the Lincoln Institute for Agri-food Technology, University of Lincoln highlighted:

".. you've always got people coming through. We've got to think about upskilling them. And innovation is a great thing, and it helps in the way that it drives the economy. The economy's got to be growing all the time. Got to be upskilling, so that innovation will never stop. And it's a global game. So, if we stop doing that, we just stop."

The entrepreneurial and opportunity-driven mindset was highlighted in two other discussions:

"There are opportunities everywhere, but not with your head in the sand. And the real challenge is how do we build that knowledge? How do we build those skills and capacity? Because I don't think it's a government role to do that……" Richard Counsell

Driving collaboration and collegiality to bring human capital into parts of the agricultural sector was also a topic of discussion. An example was in the discussion with George Dunn

"Where people are asset rich, but entrepreneurially poor, their approach could be to link with people who are New Gen, the entrepreneurial 'doers' for our future but who lack the assets. They can come together…. I think we are hugely cooperative…. maybe we don't promote the level of collegiality that already exists and how people are willing to gather around. And maybe that's something we should definitely be celebrating more. And no other community does that with young people and yet we don't communicate it more widely."

Collaboration was reflected in two ways in the discussions. Firstly, formal collaboration was described in terms of structured institutional forms of collaboration through business and market structures to align and often integrate mutual interests. The second informal type of collaboration where farmers are informally working together to add value was also discussed. In the second form, the farming businesses are still strategically independent but gain economic and environmental operational benefits from sharing resources and assets. An example of this is a livestock farmer collaborating with an arable farmer who plants stubble turnips in their rotation or over-winter forage diversifying their rotation and farming practices and providing additional income without the need to own the livestock or manage the livestock when they are on their farm. Across the discussions the key question that arose was who needs to be on the team for a good future? Do they emerge from the next Gen or new Gen? Do the allied agri-industry sectors provide these skills and capabilities? An agricultural business will need to have access to a range of skills and capabilities to drive both operational and strategic elements of its organisation (Figure 8). These skills can be embedded in the human capital within the business or externally.

The advent of technology can bring advanced skills and capabilities to the agricultural business via the embedding of knowledge and data use in monitoring, management and decision support tools, for example, carbon calculator tools, or phone applications that embed identification capabilities for crops, livestock, flora and fauna. Access to these skills and capabilities may be through more traditional and practical face-to-face engagement with people such as the agronomist, the vet or the technician or via decision support tools and technology where knowledge is embedded within the service delivery. Knowledge As A Service (KAAS) and Technology As A Service (TAAS) options will open up significant opportunities for agricultural businesses to access relevant and also real-time knowledge and decision-support which informs their ability and agility to maximise returns on their assets and grasp opportunities for alternative income streams. KAAS and TAAS delivery via software and digital solutions and also deployment of hardware technology provides entrepreneurial opportunities, an improved value proposition both internal and external to the business and a wider business offering for those businesses too who develop and deploy the solutions and engage with the agricultural

sector. The UK government's 2025 UK Modern Industrial Strategy[66] recognised agri-technology as a frontier industry with its growth-driving potential especially "precision technologies tapping into the market for solutions to boost productivity, build climate resilience and reduce emissions in the agriculture sector." Other frontier industries included in the Modern Industrial Strategy that will support strategic opportunities for the agricultural sector include advanced materials, automotive, batteries, green energy and greenhouse gas removal, artificial intelligence, fintech, insurance and sustainable finance, pharmaceuticals and professional and business services.

Figure 8. Who is on your team?

Cloud-powered 'smart' farming leverages cloud computing to connect devices, sensors, management information and data analytics tools to monitor, manage, predict and optimise agricultural and supply chain operations. Cloud-powered farming will include access to the expertise of soil scientists, data scientists and animal scientists - where the knowledge can be accessed in a timely way. One discussant said:

"Well, what you can be sure of is that if you said what the farmer needs is probably a data scientist, a soil scientist, an animal scientist. Okay, the vet. But none of their livelihoods should be dependent on selling you something. You should be quite prepared to pay for their advice is a mindset, too, isn't it? ..." Jim Williams

Integrated market-signal driven supply networks will outperform fragmented ones by unlocking the full potential of 'knowledge as a service – smart capabilities' and 'technology as a service – smart farming'. Whilst TAAS involves technology integration to deliver smart capabilities and smart farming at the operational interface (the animal, the field or polytunnel, the storage shed), the cloud-powered farming of KAAS solutions, either via isolated portals and platforms or via KAAS/TAAS integration is a gamechanger for agricultural businesses who can successfully adopt such solutions. Examples of solutions include Sandy (Trinity AgTech)[67], the Framework for Improving Nitrogen Efficiency Platform[68] - FINE and Omnia digital farming[69] and dependent on the enterprise mix of a given agricultural business, cloud/e-access to veterinary and health, hygiene and pest control, financial and agronomy advice and knowledge is driving evidence based on-farm decision making. KAAS/TAAS solutions

refine and redevelop the social networks and business relationships that agricultural businesses are involved in to maximise economic and environmental returns.

Social capital is the value that comes from the social networks, business relationships and connections created between the business and suppliers and customers, groups, or organisations. It's about the resources and benefits that the organisation can leverage though its connections especially those connected to goods and services. Historically, a strong underpinning principle of social capital was mutual trust, for example, in rural communities, in the forming of farmers' cooperatives, the development of brands and stories around the business and the products it sells and the storytelling around provenance and cultural heritage. These all rely on trust networks.

Social capital can build intangible assets on the first balance sheet such as business goodwill or brand value which for many businesses contributes to the calculation of their net worth. Goodwill such as customer loyalty and trust, employee loyalty and their willingness to support and drive the business forward are all intangible assets underpinned by social capital. More widely, understanding how natural capital, human capital and social capital inform the internal and external value proposition of the business, now and in the future, and how the capital mix makes the business a more investible product for family, staff and their external business network is essential in a more growth-orientated and opportunity-driven marketplace.

The themes in this section of the report are now drawn together to consider portfolio asset management. The eight steps for developing a portfolio asset management approach (Figure 9) are in two stages: the groundwork stage and the deployment stage and are described here:

Groundwork stage

1. Determine the mission and objectives of the business,
2. Scope out the enterprise mix and non-farming activities done/that could be done,
3. Undertake asset allocation for the new strategic plan,
4. Risk identification, assessment and management strategy,
5. Develop an asset management and investment strategy,

Deployment stage

6. Operationalisation of the plan,
7. Performance monitoring, and
8. Rebalancing of portfolio of assets.

The two stages and the steps within them are now presented in turn demonstrating an earlier comment reflected on in the report that "change is not an event, it is a process."

1. Determine the mission and objectives of the business.

This means defining the purpose, internal and external value proposition of the business and being mission-led (see Section 5). Appendix 1 includes the types of questions that could be asked within the business at this stage and also the Business and Personal Development Tool.

2. Scope out the enterprise mix and non-farming activities done/that could be done.

This involves considering what is done now and the opportunities for growth/change depending on the centre of gravity of the business now and in the future, e.g., farming the land, leveraging the land or stewarding the land (see Table 8). Social identity and self-identity will influence the breadth and depth of thinking. Grasping opportunities requires the individuals involved to be open to opportunity, assessing their risk appetite and being adaptive.

3. Undertake asset allocation for the new strategic plan.

In developing the plan, a series of questions could be asked depending on context (see Appendix 1 and the Business and Personal Development Tool). What is the strategic plan for the business? What is the plan for where the business will be in five years, 10 years, 20 years? How are the assets (financial, physical, natural, human and social) allocated for the new strategic plan? How financially resilient is the plan? What skills and capabilities will be required and are they currently available? Will the skills and capabilities required be situated internal or external to the business? What will the business need to stop doing with its assets to take advantage of opportunities? Which assets do not align with the new strategic plan and could be liquidated or otherwise utilised? A discussion with a financial institution highlighted the need for strategic planning of this kind to ground-truth the business and demonstrate that it is an investible product for personal or external investment with a need to ask the farmer questions such as

"…when we go onto farms one of the standard questions our relationship managers ask is what is your 10 Year plan? or what's your plan for the farm? If you talk to a 60-year-old, farmer, the answer would [typically] be, I want to leave the farm in a better condition than I inherited it to pass on to the next generation which is spectacularly unimaginative….. And if they say I want to leave the farm in a better place. Well, so how big is it going to be? And what's the soil going to look like and how much debt are you going to have? How many acres? What are the enterprises on the farm? Who's going to be running it? How many holidays a year are you going to go on? So, when you're going to hand it over to the kids? Is it going to be a big corporate farm, are you going to process and pack yourself? etc, etc. to get them thinking."
Nick Evans, Managing Director and Co-Founder of Oxbury Bank Plc

4. Risk identification, assessment and management strategy.

Risk was a common theme that arose in the discussions especially when considering farming without direct government funding. As one person said:

"I think one of the skills that's most necessary once you move out of a sort of a protected environment, is risk management. And I was involved in a study done by XXX a few years ago where they looked at risk management in five or six different countries… What was the context, what was the policy? What risk did farmers actually manage themselves? What was managed for them through protection… in America, the cropping farmers are provided insurance for their crops, both price and yield. The premium is paid by the government. So, if you're growing a crop and you know you're going to get paid, so irrespective of what happens to price you have a totally different perspective around risk.

So, if you are a risk taker, you might then push the boundaries in terms of what you grow and how much of it you grow, because you know you're going to get revenue at the end." Nicola Shadbolt

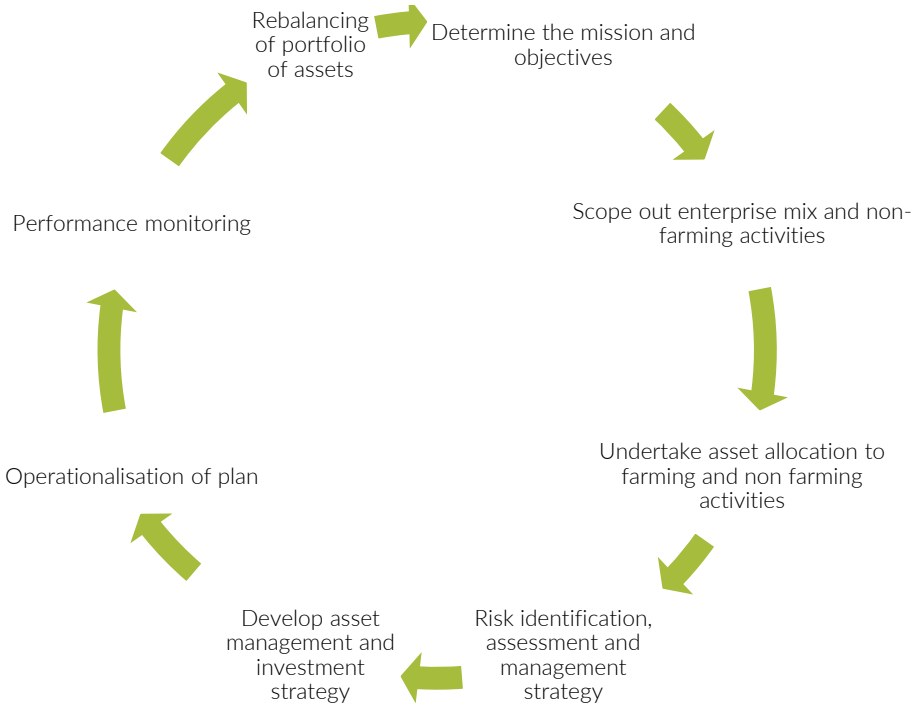


Figure 9. Stages of portfolio asset management

At the business scale, having a clear, communicable risk identification, assessment and management strategy underpins whether the business and the people who operate it are an investible product. Risk management can be underpinned by both internal and external risk management interventions. All businesses within the UK agri-food supply chain, UK agriculture plc and the businesses that supply financial products and credit facilities to the agri-food sector need to be assured from a financial perspective of their level of creditworthiness (see Section 7). One element of creditworthiness is the risk level associated with the supply arrangements and the financial/investment arrangements of the business. In portfolio asset management, risk assessors, risk managers and the wider management team need to recognise the types of risk that are important to the organisation and assess their potential impact on the business pre and post controls being put in place. Confidence influences risk appetite, confidence in the economy, the policies being implemented by government and confidence in the market as well as confidence in the viability of the current and proposed business model. Many types of risk were identified in the discussions that need to be considered by farming and wider agri-food organisations (Figure 10). These were:

- General operating risk (internal business risk, supplier-customer supply risk, financial risk, risk from business as usual),
- External risk with political/policy change/trade agreements e.g. business and personal tax changes, conflict, trade, weather and climate risk etc.
- Transition risk when changing the farm enterprise/asset use portfolio or entering into new markets e.g. carbon market/natural capital related risk in emergent markets,
- Upside risk – the potential for the investment/action to turn out better than expected, and
- Downside risk - the potential for the investment/action to turn out worse than expected.

Figure 10. Risk mindset, risk identification, assessment and management and types of risk requiring mitigation and adaption

The types of risk-associated questions the risk team within the organisation may need to ask are:

- What could go wrong, how likely is it things could go wrong and what would be the impact if they did go wrong?
- What is the expected financial return compared to the downside financial risk?
- In these risk scenarios, is there sufficient liquidity and cash flow to meet the business obligations?
- What are the business risks associated with legal and market compliance and our reputation?

One discussant said:

"I think in the long run our risk models will not just consider financial risk. They'll consider transition risk and climate risk and, therefore, farms that are either farming more sustainably, or heading in that direction will get cheaper finance than those that have not moved at all." Martin Hanson

The role of the government in addressing food-related and environmental risk, such as flooding risk, was also discussed and the need to get private finance into land management to mitigate or eliminate the risk. However, the government, they argued, had the most interest of any stakeholder in the suite of services a farm could offer. The KAAS approach of banks to provide alternative services to their clients (farmers) was also discussed with the ultimate benefit to the lender that the banks, and as a consequence the farmers they finance, can better assess the risk associated with their debt book:

"And so, there is a risk to the bank that when climate change starts to bite and there is an impact on the land and the viability of the land so then our security values have changed. And also, it impacts on the ability of a farm to commercially be successful and so it's a very real risk for us.... [so, the bank has undertaken a modelling study of its UK

debt book and the risks associated with climate change] … But the real benefit for me is to be able to take that data to the farmer and say, I know it's a model, but this is what the model is suggesting and how do we begin to plan for climate change and mitigate and look for alternative uses of some of this land. If this is the way it's going, think about your cropping in the future, [and] what that might look like as climate change starts to impact. So, it's being paid for in a very protective sense by the bank, but the big benefit for me is about helping clients and looking forward to what risks could arise in the future." Martin Hanson

Formalising risk identification, assessment and management is a crucial aspect of portfolio asset management especially farming in locations at risk from climate change or with enterprises with a high vulnerability to the impact of drought or rising temperatures. These quotes above highlight how the risk assessment approach then leads into the development of an asset management and investment strategy for the business.

5. Develop an asset management and investment strategy

"There's a few [farming businesses] that know how to do it. They are the ones who are investing in other bits of their business, in their property portfolios, their energy portfolios, or they're doing higher value types of enterprises and doing them incredibly well. But most farms are nowhere near that." Martin Collison.

An asset management and investment strategy is a structured strategic plan that guides how the business manages, acquires and grows assets and where necessary disposes of assets, in order to achieve specific business objectives. The strategy combines aspects of asset management (maintaining and optimising the asset base) and an investment strategy (where resources are allocated to specific tasks, activities or enterprises with the aim of achieving the intended returns and managing risk). The financial performance metrics outlined in this report have included profitability, liquidity and ROCE but other non-financial objectives may drive the asset management and investment strategy for the farming entity. These include: to preserve the capital, generate a specific level of income, support a personal objective, or to fund family or management succession. The asset management and investment plan for each farming entity will be context specific and be driven by the business opportunities available, the skills and capabilities that can be deployed, the assets available to be allocated, who owns them and how willing/or not they are for them to be deployed in certain ways or redeployed and the collective risk appetite in the business. The types of questions the business will need to ask as it develops this strategy are collated in Table 10, the Business and Personal Development Plan and Appendix 1.

- Does the current allocation profile of assets align with the mission, business and personal goals?
- If government policy, market requirements or the business or personal objectives shift, how resilient is the business strategy and the asset management plan in terms of allocation of resources and assets?
- How sensitive is the asset management plan to shifts in interest rates, inflation or currency rates?
- How exposed is the allocation of assets to economic cycles, disease risks, or sector downturns?
- Are there geopolitical, environmental or regulatory shocks which could impact the value of assets?
- Are the assets vulnerable to disruptive trends in the future (artificial intelligence, climate change, new technologies, new working patterns or social norms) that could erode expected economic, environmental or social returns?
- Which assets do not align with the new strategic plan and could be liquidated or otherwise utilised?
- Are there concentration risks (reliance on a single asset, asset type, individual, enterprise, activity or location) in the planned asset management and investment plan?
- How liquid are the assets? Which assets are illiquid and would be difficult to be converted into cash? What are the costs of mobilising assets to turn into cash?
- What is the condition, useful life and cost/maintenance profile for physical assets?
- What are the risks for physical assets associated with replacement timeframes or obsolescence (e.g. technology upgrades and replacement or regulatory or market changes)?
- What are the risks associated with supply chain partners with a certain allocation of resources (e.g. suppliers, customers, tenants, contractors, service and technology suppliers)?
- Is there an overreliance in the asset allocation on a particular supply chain partner or customer?
- How correlated are the enterprises and activities in terms of peaks and troughs of income or risk profile? Could all activities be impacted with a shock at the same time?
- What will the business need to stop doing with its assets?
- What is the worst loss case of the portfolio asset allocation that is proposed? Is this acceptable in terms of business or personal risk appetite?
- What contingency measures and business continuity plans need to be implemented to reduce risk?
- What monitoring and governance processes have been adopted to maximise return and reduce risk?

Table 10. Strategic business questions that underpin an asset management and investment strategy

These questions go to the heart of the purpose (personal and business goals) and the internal value proposition of the business and the assets to the individuals developing the strategy. The conversations that arise can be difficult, often conflicting and leading/facilitating these conversations requires a clear focus on the end-point which is producing an opportunity-driven, viable and robust business. As has been stated many times in this report, change is not a one-off event, it is a continuous process. Change is not optional, but thriving is. Being opportunity-driven and having a growth mindset is a competitive advantage in a policy landscape, natural environment and marketplace which is dynamic, complex and evolving fast.

6. Operationalisation of the plan

The operationalisation of the asset management and investment plan requires the adoption of the strategy in terms of defining responsibilities and actions for the delivery of measurable outcomes and the mechanisms for implementing, monitoring and updating the plan. The timeframe for operationalisation will vary from business to business, but in areas of the UK where farming businesses have been delinked from direct payments and public payments for public goods and/or where capital and productivity grants are subject to strong competition for the

funding available, the businesses that have a clear asset assessment, allocation and investment plan, and a strong business and business continuity plan will be better positioned to take advantage of opportunities that arise.

7. Performance monitoring

Performance monitoring requires organisations to clearly define and articulate where they are now and where they wish to be (purpose, mission, objectives). Monitoring performance will demonstrate whether the internal and external value proposition has been delivered and whether the business continues to be an investible product now and in the future. Data is key to demonstrating strategic and operational performance and appropriate use of data can drive delivery, efficiency and also improve ROCE. However, it is important that the data can be trusted because it is accurate, can provide actionable insights to drive strategic and operational delivery and, where possible, is just collected once; a critical theme of more than one discussion (see Figure 11).

Figure 11. Just ask once – the role of data in demonstrating performance and return

From an asset management perspective, key performance metrics include ROCE, volatility in returns by asset type and by enterprise, concentration ratio (which assets are giving the highest proportion of returns and the associated risk) and utilisation rate of assets. Other metrics can support real time risk monitoring, support decisions on operational performance and drive management decision-making. The role of data in assessing and managing risk was raised in another discussion:

"Many of the bigger, better farmers have an instant handle on all their key metrics and actually understand it and because they do, they're getting bigger. They know where they can take a risk and the nature of the risks. And therefore, when we talk about consolidation of farming, which as you know is accelerating, naturally those people have a better handle on their figures. So, if a farmer comes to us and says, I'm looking to borrow 5 million pounds to buy the farm next door, the key assessment is affordability. So, we ask them, can you afford it and can you prove it? Obviously, a lot nicer

than that. And if they can't provide us any numbers, then they're not going to get the deal. But if someone comes to us and says I need £5 million and here's my five-year forecast, this is what I'm going to do. And here's the numbers, here's why, then we are off." Nick Evans.

As another discussant stated:

"Once you start to measure profit and loss, especially in real time, you can then start to make marginal decisions which mean, no, I won't put another fungicide on because I decided this year it's too much of a risk. I won't get my money back but also, once you're profitable, you'll start to look at the bits of your land which are really productive and you will farm those and you'll leave the rest to the birds because someone will pay for the birds as well." Jim Williams

Questions that the business can ask in this process include:

- Are asset portfolio returns meeting expectations for the level of risk that is acceptable?
- Is the volatility in economic returns acceptable?
- Is the business overexposed to certain risks or uncertainty?
- Is there sufficient liquidity?
- What rebalancing of the portfolio is needed? (see Appendix 1)

8. Rebalancing of portfolio of assets

The questions within step seven, indeed those questions more widely focused in Appendix 1 and the Business and Personal Development Plan, will inform the process of rebalancing of the portfolio of assets. The review process can be undertaken by an internal team within the business or, if the skills and capabilities sit outside the business, with a wider team. Opportunity-driven businesses embed rebalancing activities within their processes being ready to respond, revise and drive agile business management.

Portfolio asset management summary

The start of this section focused on the financial and physical resource aspects of a business and the first balance sheet to determine the net worth of the business and ROCE. However, there are five capitals to consider within the portfolio asset management model and natural, human and social capital are also assets of significance, and increasingly so. An opportunity-driven future for UK agriculture depends on improving ROCE, profitability and the risk-reward profile of allocating assets to specific economic activities. The data on farm diversification shows many farming businesses are already well on the journey of rebalancing their portfolio of assets to provide the appropriate level of return to meet the economic, environmental and social goals of the business.

Opportunity-driven family farms, family businesses and family offices as well as corporate businesses need to have an active and agile portfolio asset management and investment plan in place if they are going to operationalise their internal and external value proposition and demonstrate they are an investible product for family, staff, suppliers and customers, government, lenders and investors. The next section focuses specifically on the farm/farmer as an investible product.

7. THE BUSINESS AS AN INVESTIBLE PRODUCT

"[In current approaches to lending] everything's got to be linked to the land and not to how good a management team is. You would do this as a banker in any other type of business, but they always try and secure it against an asset if you've got it." Jim Williams

Financial returns are generated through income, interest or capital gains and include publicly traded assets (stocks, bonds etc.), alternative assets (commodities e.g. gold, farm-derived commodities, real estate, private equity) and structured products (specific investments, derivatives etc.). In a broader sense, an investible product is any entity, asset or 'vehicle' that individuals or organisations can invest in with the expectation of generating economic, environmental or a social return. How does this translate to a business or an individual running that business?

The investible product is the 'thing' you put resources into, in this case the farm and/or the farmer or farming family, or the management team to generate a return. Whilst financial resources are important in terms of investibility, being willing to invest your time, your future and your energies in a business also relies on it being perceived as an investible product. This factor will affect whether future generations will be prepared to engage with a family business, whether people will be prepared to work for a business and whether customers will want to work with the business too. The business approach to risk and reward is driven by mindset, three types of which have been described in this report: doomloop, drawbridge and opportunity-driven (see Section 3). At the enterprise level, the decision to invest in one opportunity rather than another will be influenced by factors including the level of risk versus the rate of return, the liquidity of the investment and the ability to take the capital out again or whether the capital invested will depreciate in value, concentration of risk/reward and correlation between the range of investments in terms of risk or reward.

The risk and reward dynamic for upside and downside risk will also influence the perceived investibility (see Section 6). The old agricultural adage of "down corn, up horn" speaks to both historic and current trends, but another adage is to reduce business vulnerability by "not putting all your eggs in one basket." With distinct specialisation within the UK agricultural sector by some businesses and a more generalised approach to develop an agricultural and non-agricultural enterprise portfolio by others, there is no 'one size fits all' approach to the farm being an investible product. However, whilst from a self-identity point of view, the farm/the business, is the unit of investibility, to ensure business and personal robustness the business must recognise that it only becomes an investible product when the supply chain it is in, the enterprise portfolio it develops and/or the collaborative social and business network it develops (e.g. livestock farmers collaborating with crop farmers to create economic, environmental and social value) is also investible. In the discussions, the insights that arose were that to make 'the farm' a more investible product needed:

- **Supply chain arrangements,** e.g. changes in contractual arrangements to support farmers gaining access to lending for transitional investment. Longer supply contracts create confidence in borrowers having the

means to support the repayment schedule and have access to the working capital to switch to regenerative, smart and decarbonised farming practices. The need to provide supply chain related patient capital was highlighted in the discussions. Examples include Aldi and Warrendale Wagyu,[70] and Aldi and fruit supplier AC Goatham's 20-year contract.[71] Financial products are emerging to smooth cashflow and smooth the cost of working capital, for example the range of Oxbury Farm Credit products,[72] including the Warrendale Wagyu scheme,

- **Investment arrangements** e.g. reducing cost of accessing lending for investment in the farming business. The HSBC Sustainable Farming Pathway is designed to support transition by offering access to discounted loan arrangement fees for those farming businesses that are Leaf Marque certified.[73] Another option is the development of a government backed loan guarantee scheme specifically for farmers e.g. having access to, or a specific product from, the British Business Banking (BBB) Growth Guarantee Scheme.[74] Examples of specific agricultural schemes include the US Farm Service Agency Guaranteed Farm Loans for family farms through a commercial lender[75]; the USDA also provide a range of other loan products to fund opportunity-driven growth strategies for farming businesses,[76]

- **Nurturing new markets** – that deliver complementary returns for the on-farm delivery of public goods. For example, the Landscape Enterprise Networks (LENs) model is harnessing private finance to pay farmers for achieving measurable, priority natural capital improvements.[77] By 2024, over 250 farmers had accessed £21M at an average of £138/ha through this model. It is recognised that a suitably qualified and resourced convening entity or "operating partner" is required to put such landscape-scale approaches into practise. Lloyds Bank in their 2025 report 'Farming with Nature: Mapping the growth opportunities for UK agriculture,' with over 46000 farming businesses in their client portfolio, outline that they have mapped 5.1 million hectares of UK farmland (around 30% of the UAA) using earth observation data to understand current practices and potential opportunities, including access to their new Lloyds agricultural transition finance product which should be available to clients before the end of 2025.[78]

Government guaranteed loans or market-underwritten loans for businesses in UK agriculture and better signposting to them for businesses would be a game-changer for those wishing to invest for the future. It is important here to differentiate between loans that may be start-up funds, patient capital and catalyst capital to support transition to a good future for agriculture.

Patient capital is provided by governments (e.g. via the sustainable farming initiative payments in the UK), by the market as part of a supply contract, or through flexible supply level financing. Patient capital is provided either where there is no requirement to pay the finance back, the loans are interest only for a specific period, or another financial arrangement that spreads the cost of capital. Patient capital supports purpose-driven or high-impact objectives such as promoting new entrants into agriculture, supporting environmental recovery and the building of natural capital and accepts longer time horizons to see a combined financial, social or environmental return. Patient capital can support more predictable cash-flow within businesses, de-risk the loan payment terms and enable long term budgeting and planning. However, the business still needs to demonstrate its internal and external value proposition and how it aligns with the vision and values of the lender (creditworthiness) and ultimately that the farming business is an investible product that can service the capital repayments.

Catalyst capital, sometimes described as seed funding, can unlock additional capital either from within the business or external funds. Catalyst capital supports early-adopters and can be a de-risking mechanism to support businesses from the concept phase of an enterprise or technology solution through to the

commercialisation phase. Catalyst funding is about acceleration and bringing new ideas, new technologies and new ways of doing into a sector. Examples of government supported innovation catalyst funding are Defra/ UKRI Farming Innovation Programme (FIP)[79] and more recently the ADOPT programme.[80] Funding may also come from private/philanthropic sources or specific green bonds and green/climate impact funds. The defined standards that support such green or climate investment products are still in the development phase as are the suite of metrics that will demonstrate delivery but when they come on stream they will prove an interesting proposition for farming businesses. The development of a specific impact fund would be worth considering such as the UK Nature Impact Fund.[81] As George Dunn highlighted in the discussions:

"…. I think we could also see how, perhaps particularly in the case for "New Gen," we could have a government backed loan guarantee scheme which already exists for other types of small business or startups. It would be relatively cheap for the government to run because you'd still have to go through the other elements of the CAMPARI approach to make sure that someone was good for the money, but it's the security issue that we need to resolve. And if the government said, you know, here's a fund which will back loans to "new generation" farmers, so long as the banks go through all of the usual tests, the financial regulation authority would be satisfied that the security point was covered because it was backed by a government loan scheme. So, I think that would be a much more beneficial way for the government to support "New Gen" than a grants and free advice type approach."

This raises a question on how the UK government can enable a financial environment for investment in UK Agriculture as a sector. Multiple financial and investment products could be developed to drive growth and increase the contribution of the agricultural sector to national GVA. An example is the BBB Start-up Loans Scheme underwritten by the government.[82] A sector level discussion is required on how these schemes could be developed and adopted and then a series of general or more bespoke financial instruments need to be developed, trialled and then deployed. The 2025 Modern Industrial Strategy highlights the ways in which the government would like to work with business, an approach from which agricultural and agri-food businesses could benefit:

- Leveraging the government's purchasing power.
- Designing government support schemes to leverage the maximum possible contribution from the private sector, including co-funding to increase the use of 'blended finance' interventions, including through the National Wealth Fund, to target specific market failures, share risks with investors and shape market incentives;[83] and also
- Aligning and deriving value from the government 'Backing Your Business Strategy' for micro-small and medium sized agricultural and land-based businesses.[84]

Signposting to these initiatives for start-up funding and business support is of value for microbusinesses and SMEs operating in the agricultural sector. Leveraging the value in networks and specific markets is also essential. Throughout the discussions the need to reconsider how creditworthiness is determined was highlighted, especially within the wider investment focus of the 'greening' of finance following COP26 in Glasgow. An alternative approach, the 9 Cs of creditworthiness presented here (see Figure 12) is built upon several models of the Cs of creditworthiness and also the discussions on aspects of creditworthiness and the farm/farmer needing to position themselves as an investible product. One respondent from a financial institution stated with regard to carbon (one of the C's and a key focus of farming transition):

"... carbon is another hot topic for us right now, because as a bank we have to also report on scope 3.... so, we've introduced our transition facility as you probably know and there are two parts to it. One is clearly it's a very financially viable loan. It's 1% over base [interest rate] and a 0.5% fee but the real value in it is what we're doing with the customer around logging carbon audits which obviously measures carbon emissions but also looking at soil organic carbon measuring improvements in soil organic carbon and using the decrease in emissions and the increase in soil organic carbon to deliver a better, more accurate net zero position than ever." Nick Evans

The challenge for the UK agriculture is that 'business as usual is not an option':

"[following on from a discussion about Elon Musk returning people from the space shuttle]..... I think you'd be better off being a bit muskesque and pulling in a team of probably people in their twenties that have got no baggage whatsoever. And say literally, we're going to lock you in the room and feed you pizza and we're going to get you to design a new agricultural system for the UK. And I would bet they would do something more original, more imaginative because they're not tied down with it [vested thinking] ... But then, how do you make that leap forward? Really move us forward. And that's a real challenge. It's a real challenge. And it's just going back to how we extract value, making UK agriculture the most sophisticated data-led transparent industry in Europe." Richard Counsell.

The ability to demonstrate you have an external value proposition was highlighted by a discussant:

"To me the data is the cement or the glue that holds the everything together and you would not want to be outsourcing that to anybody. Not your accountant, not your banker, not your machinery dealer. You should be giving them just the bits of data they need to do their job, but you should be the hub, not them.... So, I think the amount of data is going to grow exponentially. You are going to need to make sure that it's farmers who have the control of their biggest asset, which is their data which is their enabling asset for everything else. Everything else flows from having good data. Same with people trying to persuade them [farmers] to sell their carbon. Keep it because you're not being offered enough for it. You could say, actually, I measure it all and I'm net zero. How much will you pay me for my net zero wheat?" Jim Williams.

How does the sector rethink access to credit and investment when current trends, demands and challenges mean that the past performance history of a business may not be a good predictor of tomorrow? Creditworthiness is a measure of the borrower's ability, capability and reliability to repay the debt. Creditworthiness (whether at individual, business, or government level) is assessed using a range of criteria and the degree of risk of default will influence the risk for the investor/finance provider and as a result the conditions placed on the credit for example, the interest rate applied. Creditworthiness can reflect past performance (the credit score) but in the discussions, the mnemonic CAMPARI was used regarding creditworthiness by creditors, lenders and financial institutions. The letters stand for a different factor that influences whether you and your business are an investible product:

1. **Character** – The borrower's (person or business) reputation, history, honesty and reliability. Do they have a track record of meeting obligations often determined via credit history and past performance?
2. **Ability** – The borrower's ability to repay the loan i.e., to generate sufficient funds to repay the loan.
3. **Means** – The asset portfolio and resources the borrower possesses to run their business and provide collateral for the loan.
4. **Purpose** – The reason for the loan. Is the money being borrowed for activities that are financially sound?

5. **Amount** – The size of the loan requested. Is it realistic relative to the borrower's needs, the purpose of the loan and ability to repay?

6. **Repayment** – The proposed method and schedule of repayment. Does the cash flow forecast support the repayment schedule that has been arranged?

7. **Insurance** – The actions the borrower has taken to protect the loan and the lender against any events which could impact the individual or the business.

However, in the context of the UK agricultural sector, if the recent past does not reflect the future, what then? As an alternative approach, the 9 Cs of creditworthiness are presented here, and they are compared to the CAMPARI framework in Figure 12.

The 9 C's of creditworthiness are carbon (risk to loan from how carbon intensive the activity is as a contributor to the lender's Scope 3 emissions[85]), climate (risk to loan of climate-related threats during the term of the loan and alignment with demands for climate related and nature related financial disclosures[86]), compliance (demonstration of regulatory and market compliance), capital (size of loan requested), conditions (reason and justification for the loan), commerciality (ability to repay the loan in the repayment period), collateral (security for the loan), capacity (ability and skills to service the loan) and character (reputation, history, past performance). Thus, being an investible product requires an agricultural business, and by inference the people who lead it, to demonstrate to an external lender or internally to family members, credibility (expertise, reliability, consistency), agility (of thinking and action) and curiosity (openness, receptive to ideas and opportunity). The UK government, together with the BBB and others have already introduced a range of financial products for microbusinesses and SMEs and these offer opportunity for current farmers, "New Gen" and "Next Gen", to access finance. The range of finance opportunities needs to increase and there are options to develop patient and catalyst funding through a range of sources. The agricultural sector is currently lowly leveraged often relying on personal capital to fund liquidity, patient or catalyst funding. More needs to be done to promote alternative forms of financing especially given the opportunities for the industry to lead in biodiversity recovery and carbon capture.

Ultimately farming-related businesses of whatever structure need to be financially robust. Financial robustness is: *"the ability of an organisation to respond to market changes, economic fluctuations and long-term investment returns through embedding organisational adaptability, market responsiveness and building resilience capacity to deliver ROCE and sustainable business outcomes."*

Paraphrasing in the context of financial robustness for the UK agricultural sector it becomes:

"The ability of the UK agricultural sector to respond to geopolitical and market changes, economic fluctuations and long-term investment returns through embedding sectoral adaptability, market responsiveness and having the resilience capacity to deliver to national GVA, appropriate ROCE at business level and deliver to a predetermined set of sustainable [people, planet, profit] outcomes."[87]

Roland Berger defined six dimensions of business robustness which have been ever present themes throughout the discussions and the writing of the report.[88] These are: purpose, culture and strategy; ecosystems and networks; financing and investments, leadership and talent; process and organisational dynamics, and technology and data. As one discussant stated:

CAMPARI Framework		9 C's of Creditworthiness	
Character	The borrower's (person or business) reputation, history, honesty and reliability. Do they have a track record of meeting obligations often determined via credit history and past performance?	Character	The borrower's (person or business) reputation, history, honesty and reliability.
Ability	The borrower's ability to repay the loan i.e., to generate sufficient funds to repay the loan.	Capacity	Ability and skills to repay the loan.
Means	The asset portfolio and resources the borrower possesses to run their business and provide collateral for the loan.	Collateral	Security for the loan.
Purpose	The reason for the loan. Is the money being borrowed for activities that are financially sound?	Commerciality	Value proposition, profitability, ROCE, ability to repay in repayment period.
Amount	The size of the loan requested. Is it realistic relative to the borrower's needs, the purpose of the loan and ability to repay?	Capital	The size of the loan requested.
Repayment	The proposed method and schedule of repayment. Does the cash flow forecast support the repayment schedule that has been arranged?	Conditions	Reason and justification for the loan.
Insurance	The actions the borrower has taken to protect the loan and the lender against any events which could impact the individual or the business.	Carbon	Risk to loan of high/low carbon intensity activities (this will be expanded to include other aspects of nature reporting).
		Climate	Risk to loan of climate-related threats during the term of the loan.
		Compliance	Regulatory and market compliance e.g. demonstration of 3rd party certification such as Red Tractor or LEAF Marque.

Figure 12. A comparison between the CAMPARI framework and the 9 Cs of creditworthiness.

"I would not rely on the government to do anything…. There is no clear and objective strategy for UK farming. If there is, I can't see it. If it was a business, you'd say what's the strategy of the business? I can tell you exactly our three main points and what we're driving for and most successful businesses have the same. You ask the government what's their strategy for UK farming? There isn't one. It's just random decisioning, lurching from one inept decision to another. So, waiting for them to do anything is just a waste of time. So, I say crack on without them." Nick Evans.

Another discussion with Rob Chester, CEO Supply Chain In-Sites, considered the impact of short-termism on developing a robust agri-food sector:

"I think the first problem is that I don't think anybody has a very clear end state as to what we're going for. And without that, frankly, it'll be whatever the market decides. And that's unlikely to be what we need. And that's because in the world I see at the moment, and who we interact with long term, is seen as being next 'Friday afternoon'. The big retailers, the big processors, the big people in the middle used to be the longer-term thinkers and used to be thinking years ahead. That's just got shorter and shorter and shorter and I think government is equally guilty of this. I don't think people have got a long-term view of how food security corresponds with doing right by the environment, doing right by farm assurance, doing right by solar panels on farm fields, etc. I don't think we've got a balanced scorecard for 2050 that the country understands and the problem with that is…… if you're being kind, you say they're just ducking it. If you've been unkind, you would say they're not really making the tough choices that need to be made about, where does food security meet biodiversity? Where does food security meet energy production? Why does no one have a clear view of how those 3 areas come together. And therefore, for me, because there isn't a clear end state, the likely position in 2050 is going to be accidentally created by what's in individual parties' interests through that supply chain."

Rob continued:

"there's a reason why I think a balanced scorecard is the way to think about agriculture and farming because you've got competing interests. They're often not complementary, oh, no, no, you shouldn't plant food there. You should rewild there, or you should do organic here, or you should do conventional there, etc. If you haven't got a destination at a country level and potentially at the next level down, questions around infrastructure, around people, investment, [then] where is it that we're going? What skills will be needed to make that end state work?... We know it's important to the big brands that they can grow stuff in the UK. But I think longer term that's only really going to work if someone's got a vision and a plan around making sure that's going to happen. So, I think your infrastructure, your equipment, your training, all sorts of things have to flow from [the questions] What is it we're actually going for here? What is it we're actually trying to achieve? Or are we all happy to just import our food from somewhere else."

The balanced scorecard can then consider the robustness of land use itself, across the UK but it is also important that this thinking is done within the ongoing development of the Land Use Framework (2025) for England which "aims to protect the most productive agricultural land and boost food security."[89] This aspect of land use robustness which brings together aspects of resilience, adaptability, flexibility and multi-functionality is not well developed, but should be considered in the context of socio-economic and demographic change in the UK, climate impact, technological developments and the future demands for land to deliver a number of services beyond food, fodder, fibre and fuel production.

Developing frameworks and robustness checks to determine sectoral robustness is nothing new, especially with the advent of post-Brexit economic impact analysis[90] or the latest UK Food Security Report 2024 which used a range of metrics to determine the state of food security in the UK.[91] But in the discussions, the idea of a national balanced scorecard was suggested with a range of economic, environmental and social aspects:

"So, I think it's about a balanced scorecard. It's about creating a really substantial balanced scorecard of metrics that take into account all the things that matter. It goes back to taking a systems view. There's much enthusiasm for vertical farming right now. But the world's not going to live on strawberries! We need to grow potatoes. We need to grow carrots. We need to grow cabbages. We need to grow many more nuts and pulses. Having a high tech, sophisticated monoculture that grows nothing, but strawberries is meeting a very limited number of metrics that are probably mainly beneficial to the business. So how do we start to tackle this? We could address the tax breaks and investment that we make available to you. We could limit the permissions we will give for land use change. We could limit the kind of innovation incentives that we might make available. And instead, we could redirect those resources towards recalibrating the space for innovation based on a balanced scorecard of metrics built from a strategic view of a future that ensures the UK can grow more of the healthy food that we need. It would take into account what we need to do to tackle the climate crisis, restore nature AND grow more of the healthy food we need in the UK. And we have to do all these things in a way that is ecologically suitable for the conditions and climate that we've got – and can adapt for an uncertain future." Sue Pritchard.

The development of such national balanced scorecards goes beyond the scope of this report but is important in the context of current and future food security, land use policy and delivery of the SDGs.[92] In many ways the increased market and policy focus on natural capital (soil health, carbon, water, resource efficiency etc.) is informally driving businesses in that direction.

Balanced business scorecard	
Value proposition	Investible product
Internal value proposition delivery to organisational mission, strategic plan, objectives and goals and the personal goals of those working in and/or owning the business.	9 C's of creditworthiness carbon, capacity, capital, character, climate, compliance, collateral, commerciality and conditions.
External value proposition	Portfolio asset management and investment strategy
Market orientation and delivery to external requirements and demands including customers and citizens and government	Asset management, investment strategy, risk and reward assessment and management, performance monitoring and realignment Balance sheet 1: financial and physical assets Balance sheet 2: natural, human and social assets
Mission-led, agile and opportunity-driven Adaptive, curious, confident, open to taking risk Embracing sustainable practices and smart innovation	
Business robustness	

Figure 13. Balanced business scorecard

The application of the balanced scorecard approach at farm level has also been considered[93] especially financial aspects, market aspects, internal business processes, learning and growth. The development of a balanced scorecard also has merit at a business level within UK agriculture to aid strategic development, operational management and the delivery of business objectives. The balanced scorecard approach to driving performance was developed over 30 years ago by Robert Kaplan and David Norton[94] as a means to facilitate senior business managers to go beyond solely considering the ROCE and other financial metrics as health indicators of a business to also consider internal processes, innovation and improvement activities (herein the internal value proposition),

operational measures and customer satisfaction (external value proposition) see Figure 13. Figure 13 acts as a summary of the report bringing together many of the themes that emerged from the discussions. Applying the balanced business scorecard within the UK agri-food sector has significant potential for UK agricultural businesses. It is context specific but allows the business to address a series of reflective questions (Appendix 1) and supports the use of the Business and Personal Development Tool. The balanced business scorecard supports businesses to consider what to continue doing and what to stop doing, to define the business mission and the underpinning processes that will deliver those outcomes (financial and non-financial), identify opportunities for business growth and wider business solutions and options for the future. These solutions and options may focus on skills and capabilities, management or family succession, new market opportunities, innovations and investment opportunities.

Food security robustness and UK land use robustness are interlinked given the competing demands for non-urban land in the UK. UK agricultural sector robustness is underpinned by the robustness of land use, sector financial robustness and the robustness of agricultural businesses (Figure 14). UK agricultural sector robustness is crucial and will drive the long-term investment, sectoral adaptability, market responsiveness and the resilience capacity to deliver to national GVA, appropriate robustness and ROCE at business level and to a predetermined set of sustainability outcomes. The national balanced scorecard approach could address food security, land use, agricultural sector, agri-food system, supply chain and individual business robustness.

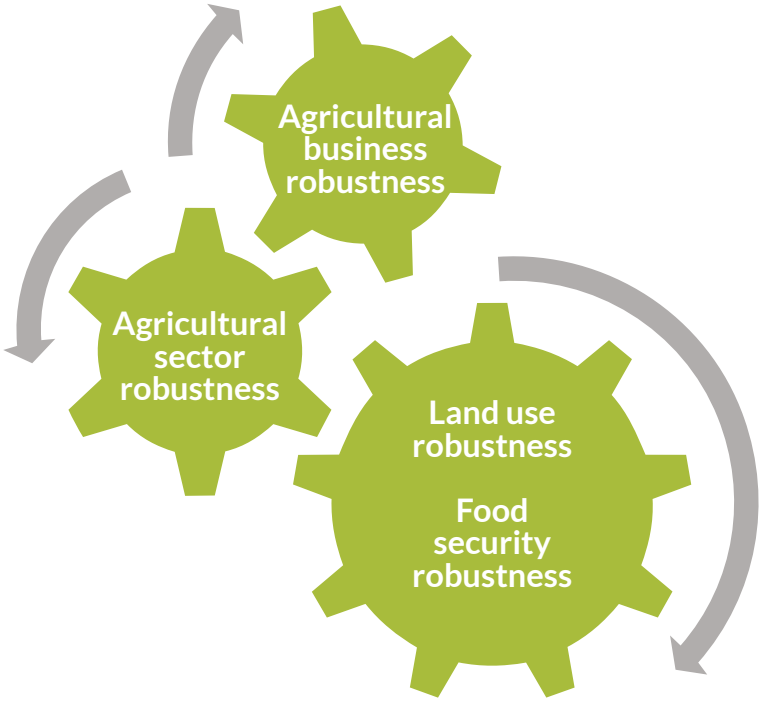


Figure 14. Interconnected robustness of the agricultural sector.

Summary

The balanced business scorecard developed within this section captures multiple aspects of business robustness and can be used by businesses to reflect on their current status and how they can improve financial and additional aspects of robustness contained within their value proposition (internal and external) and their ability to be an investible product. This is the groundwork needed to be an opportunity-driven business. Businesses should be able to answer the question – is my business robust? Robustness lies at the heart of a good future for UK agriculture and the final section of the report explores this theme further.

8. LOOKING FORWARD

This report *"UK Agriculture: Grasping the opportunities"* has focused on the critical need for the UK agricultural sector to transition into a mission-led, agile and opportunity-driven industry; one that can adapt to future opportunities, shocks and challenges, while embracing sustainable practices and smart innovation. To paraphrase Stephen Covey[95] this report reflects on how, at all levels of the agri-food system, businesses focus on what they can control first, and then what they can influence and recognise what, right now, they can neither control nor influence. All farming businesses will need to ask themselves: what do we want to achieve? What should we keep doing? What should we stop doing? What can we do instead? This future requires individual businesses to:

- Be mission-led and have an opportunity-driven mindset i.e., know their purpose, be agile, adaptive, curious, confident, open to taking risk. practices and smart innovation
- Develop an internal value proposition for their employees (and family members) that resonates with all those working in the business, driving commitment and engagement. Deliver to the strategic plan, objectives and goals and the personal goals of those working in and/or owning the business.
- Develop an external value proposition with a clear and relevant market orientation, continuously and consistently meeting the demands of business customers, consumers, citizens and government.
- Be or become an investible product as a business and as the people who lead the business having a strong value proposition (internal and external) and effectively manage the portfolio of assets at the disposal of the business through both agricultural and non-agricultural activities. Maximise ROCE, profitability, cashflow and the proportion of economic value retained pre-farm gate. This will be difficult in parts of the UK where the asset value of land is more closely linked to its developmental value rather than the operational returns from activity on that land. An investible product achieves the 9 Cs of creditworthiness: carbon, capacity, capital, character, climate, compliance, collateral, commerciality and conditions.

Each farming business has its own context, opportunities and challenges whether it is working, leveraging or stewarding the land. Becoming an economically, environmentally and socially investible product is business and personal goal specific. How can mindsets change to being more opportunity-driven? How can this change be better enabled? Being more opportunity-driven may necessitate farming businesses to:

- **Collaborate to achieve shared benefits, reducing risk, lowering production costs and limiting exposure to geopolitical or socio-economic uncertainty.** Such formal collaboration is likely to be driven by mid-supply-chain players, retailers and food service providers, while service-sector actors such as credit and insurance providers, and technology firms and the government through tax incentives or tax break and specific policy interventions will also play a role. Some of the agri-business that will enable this collaboration and positive impact in 2040, or 2050 probably don't exist right now. Informal collaboration between farming businesses will also achieve many of these mutual benefits with the individual businesses still retaining their individual goals and objectives.

- **Pursue opportunities, directly or through brokers, arising from alternative asset uses** that support government goals such as biodiversity and landscape recovery, switching to green energy and improving water management among others. Embed portfolio asset management to maximise financial, environmental and social ROCE.

- **Utilise timely, tailored market signals and operational insights to enable in-cycle farm decisions.** Cloud-powered farming relies on strong business to business networks through agronomists, vets, accountants, input suppliers and direct customers. Cloud-powered 'smart' farming leverages cloud computing to connect devices, sensors, management information and data analytics tools to monitor, manage, predict and optimise agricultural and supply chain operations. Cloud-powered farming will include access to the expertise of soil scientists, data scientists and animal scientists - where the knowledge can be accessed in a timely way. Integrated market-signal driven supply networks will outperform fragmented ones by unlocking the full potential of 'knowledge as a service – smart capabilities' and 'technology as a service – smart farming'. A farming business can only grasp the opportunities if it is connected in networks that enable agile management.

  Institutions that offer advice, benchmarking services or general information aimed at the average or median farmer and those operating at national, regional, industry, or sector levels on behalf of farmers will need to shift their approach. As demand grows for personalised, individual business focused information rather than generic advice and data, these institutions must become more agile and provide more specific and tailored support.

- **Accommodate that consumers purchase food from various outlets for diverse reasons across the day.** At times, consumers may prioritise nutrition, health, wellbeing or sustainable and regenerative farming while, at other times, these factors may not influence their food choices. Direct-to-consumer organisations must better communicate the positive changes happening in food supply chains on consumers' behalf as well as the areas that still need improvement and why they should care.

A positive future is an agile, opportunity-driven sector where both "New Gen" and "Next Gen" individuals can thrive. Key strategies include:

- **Recognising and developing core knowledge, skills and capabilities** needed for a dynamic agricultural sector and continuously updating education and knowledge exchange curricula to keep pace with changing markets and business models.

- **Expanding scalable, practical hybrid learning opportunities** (both in-work and out-of-work) that focus on crucial areas such as business management, financial planning, investment strategies, asset management and risk management.

- **Breaking down silos between academia, innovation and practice** by bringing cutting-edge science and technology from research institutes, universities and industry to farms more quickly, appropriately and with a focus on driving GVA and business resilience.

- **Providing opportunities for new entrants** with value adding skills and experiences for those entering, or returning to, agriculture from other sectors.

A robust future for UK agriculture is one where:

- **Policy is clear, contextualised and place-aware** and supported by sufficient financial, physical and human resources to enable the sector to deliver to UK and global consumer and citizen demands.
- **Health and wellbeing of people and animals are central** to business within the agri-food sector.
- **The sector is profitable**, with a ROCE that drives opportunity-led, resilient and adaptive businesses that can embrace change.
- **The sector adds value to the economy** through the production of food, feed/fodder, fibre or fuel and/or the enhancement of flora and fauna. This includes the provision of nature-based services (for example, water management and quality, biodiversity recovery, carbon production and sequestration) and the stewardship of the cultural richness and diversity of the rural UK. The business models for these opportunities need to deliver the pre-farm gate profitability levels required to drive appropriate ROCE for investment in innovation, improved resource efficiencies and opportunity-driven activities.
- **Innovation and data management** support an informed, evidence-led, opportunity-driven profitable and resilient sector.

Building an opportunity-driven future requires confidence, so businesses are willing to invest:

- **Government** must create enabling policies, and stable policy and political conditions that build industry confidence.
- **The private sector** must develop contractual arrangements and opportunity-driven markets where risk is better shared, and greater economic value is retained before the farm gate enabling stronger ROCE to deliver current and future investment.
- **The investment and finance sector** must offer suitable financial tools to catalyse opportunity-led growth and more financially robust processes for operating a farming business.
- **The farming community** needs to shift… to embrace new business models and new ways of working to seize future opportunities. The UK agricultural sector has achieved this many times in the last century and needs to dig deep and do so again.

The concept of sector, land use and food security robustness has been introduced in the report with the central focus on the foundational element, **business robustness**. Robust businesses are those that will have invested time and commitment to define and communicate their internal and external value proposition, ensured they are, or will be, an investible product and are maximising pre-farm gate return on the portfolio of assets at their disposal. The business balanced scorecard, the Business and Personal Development Plan and the questions in Appendix 1 have been drawn together as tools to enable agricultural businesses and the wider UK agricultural sector to reflect on these aspects and develop strategic and operational plans. To succeed, businesses must shift from a reactive, defensive, often static approach to a proactive, agile and responsive opportunity-driven approach to business strategy and operations. This requires a sense of confidence that operates at multiple levels: firstly, self-confidence within the business that the business model is viable; secondly, confidence in business-to-business relationships with suppliers and customers; and then thirdly, confidence in the broader market, policy and political environment in which the business is operating.

In short, the UK agricultural sector must be curious, confident and economically, environmentally and socially robust to deliver an opportunity-driven future.

REFLECTIVE QUESTIONS

There are a set of reflective questions that have arisen within this report, and they have been collated here. They are of value in considering the change programme required to reposition a business to develop a thrive strategy.

POLICY

- Why the need for this policy?
- Is there a strategic need for this policy?
- What is this policy seeking to define and deliver?
- Is there a strategic objective for this policy?
- How do we deliver this policy, what are the mechanics of delivery and the resources required?
- Is the policy functionally appropriate?
- Who has a role in this policy design, deployment and delivery?
- Who monitors how effectively this policy had been implemented?
- Is this policy functionally deployable?
- What timescale is this policy to be enacted over, when should we see the policy outcomes being achieved?
- Is this policy functionally deliverable?
- What are the best options here?
- What are the trade-offs?
- Which interests does this policy primarily serve?
- Is this policy strategically agile if situations change [to prevent disconnection and drift]?
- What if the initial actions do not work? What is Plan B, Plan C?
- What if there are unintended consequences?
- Is this policy functionally agile if situations change?
- What informs agile reassessment and redeployment of policy in those contexts? What does success look like?

MINDSET, THINKING AND MISSION

- Who am I?
- What is important to me?
- What is my legacy?
- What am I going to do if I am not 'the farmer'?
- Am I asking too much of the next generation?
- Can I trust the next generation?
- What are my values and aspirations and the mission I have signed up to?
- Will it change with the next generation, or a new generation?
- What is important for us and the business?
- What are our values and aspirations, as individuals and collectively?
- What is important to others when they engage with the business?
- How does the internal and external positioning of 'value' create opportunities for the business?
- What is the family entity doing, and not doing?
- What is the purpose, the values and mission that underpin those activities?
- What are the intended outcomes and impacts of those activities e.g. what is the intended ROCE, what aspects of lifestyle outcomes are important, what social impact is important?
- What milestones can be developed to monitor business performance to deliver the mission, outcomes and impacts determined?

BUSINESS STRATEGY, PORTFOLIO ASSET MANAGEMENT, PLANNING AND OPERATIONALISATION

PURPOSE AND OBJECTIVES

- What is the strategic plan for the business?
- What is the plan for where the business will be in 5 years, 10 years, 20 years?
- What is the internal and external value proposition of the business?
- How well is the value proposition articulated?

RESOURCE ALLOCATION

- How are the assets (financial, physical, natural, human and social) allocated for the new strategic plan?
- Does the current allocation profile of assets align with the mission, business and personal goals?
- What is the condition, useful life and cost/maintenance profile for physical assets?
- How liquid are the assets? Which assets are illiquid and would be difficult to be converted into cash? What are the costs of mobilising assets to turn into cash?
- Who is on the team?
- Who needs to be on the team for a good future?
- Who do you need to be on your team to drive your business strategy?
- How do you access the knowledge you need to drive your team?
- Why should someone want to work for and stay in the business?
- What skills and capabilities will be required and are they currently available?
- Will the skills and capabilities required be situated internal or external to the business?

(Continued overleaf)

- What will the business need to stop doing with its assets to take advantage of opportunities?
- Which assets do not align with the new strategic plan and could be liquidated or otherwise utilised?

RISK, RESILIENCE AND VULNERABILITY

- How financially resilient is the plan?
- What could go wrong, how likely is it things could go wrong and what would be the impact if they did go wrong?
- Is there an overreliance in the asset allocation on a particular supply chain partner or customer?
- What is the expected financial return compared to the downside financial risk?
- In these risk scenarios, is there sufficient liquidity and cash flow to meet the business obligations?
- Are there geopolitical, environmental or regulatory shocks which could impact the value of assets?
- What are the business risks associated with legal and market compliance and for business reputation?
- How exposed is the allocation of assets to economic cycles, disease risks, or sector downturns?
- What are the risks for physical assets associated with replacement timeframes or obsolescence (e.g. technology upgrades and replacement or regulatory or market changes)?
- What are the risks associated with supply chain partners with a certain allocation of resources (e.g. suppliers, customers, tenants, contractors, service and technology suppliers)?
- If government policy, market requirements or the business or personal objectives shift how resilient is the business strategy and the asset management plan in terms of allocation of resources and assets?
- How sensitive is the asset management plan to shifts in interest rates, inflation or currency rates?
- Are the assets vulnerable to disruptive trends in the future (artificial intelligence, climate change, new technologies, new working patterns or social norms) that could erode expected economic, environmental or social returns?
- Are there concentration risks (reliance on a single asset, asset type, individual, enterprise, activity or location) in the planned asset management and investment plan?

- How correlated are the enterprises and activities in terms of peaks and troughs of income or risk profile? Could all activities be impacted with a shock at the same time?
- What is the worst loss case of the portfolio asset allocation that is proposed? Is this acceptable in terms of business or personal risk appetite?
- What contingency measures and business continuity plans need to be implemented to reduce risk?
- What monitoring and governance processes have been adopted to maximise return and reduce risk?

OPERATIONALISATION AND REBALANCING

- In operationalising the asset management and investment plan have the roles and responsibilities for ensuring delivery, for those both internal and external to the organisation, been defined?
- What will the business need to stop doing with its assets?
- Are asset portfolio returns meeting expectations for the level of risk that is acceptable?
- Is the volatility experienced in economic returns acceptable?
- Is the business overexposed to certain risks or uncertainty?
- Is there sufficient liquidity?
- What rebalancing of the portfolio is needed?
- Are there alternative sources of funding for the business and its range of activities? What are the opportunities and threats associated with those options?

ROBUSTNESS

- Is my business robust? If not, why not?
- Can I improve the robustness of my business?

> “This report makes clear, anxiety must not become paralysis. It urges us to reject the “doomloop” of defensiveness and instead lean into curiosity, agility, and strategic growth.
>
> **John Shropshire**

DISCUSSANTS

The following are the discussants who contributed their time and their perspectives to the report. Whilst their primary affiliation is recorded below, many of the discussants are involved in multiple business and sector activities and many are active in farming businesses too, including the author.

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ACRONYMS

AD	Anaerobic Digester
BANI	Brittle, Anxious, Non-linear, Incomprehensible
BPR	Business Property Relief
BPS	Basic Payment System
CFO	Chief Financial Officer
ELMS	Environmental Land Management Scheme
ELS	Entry Level Scheme
FBS	Farm Business Survey
FBT	Farm Business Tenancy
GDP	Gross Domestic Product
GVA	Gross Value Addition
HLS	Higher Level Scheme
IHT	Inheritance Tax (Relief)
KAAS	Knowledge as a Service
NGO	Non-governmental Organisation
ONS	Office for National Statistics
PPPs	Public Private Partnerships
ROCE	Return on Capital Employed
SDGs	Sustainable Development Goals
SFI	Sustainable Farming Initiative
TAAS	Technology as a service
TCFD	Taskforce for Climate-Related Financial Disclosures
TNFD	Taskforce Nature Related Financial Disclosures
UAA	Utilised Agricultural Area
UK	United Kingdom

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