

# **Notes from the Constructive Management of Change**

## **RASE/FRAgS/Royal Smithfield Club Joint Conference, 11<sup>th</sup> November 2004, Wolfson Conference Theatre, Stoneleigh Park, CV8 2LZ**

FRAgS, the RASE and the Royal Smithfield Club feel that poor communication has led to poor appreciation amongst farmers of the need for change. Many are transfixed by uncertainty. The disappearance of a pro-active farm advisory service and the county college structure have isolated farmers and contributed to the breakdown in communication. Also as the pressure of work on farms continues to increase there is less and less time for farmers to find out what is going on and there is resistance to change. Although a significant number of farmers have made progress the mindset of some is locked in the past.

The conference was about how we can produce necessary change, not what are the business opportunities and even less about challenging the need for change or its nature. It was based around the reports of seven working groups which had already considered different aspects of the problem. It produced a short agenda for FRAgS, the RASE and the Royal Smithfield Club to take forward over the next few months.

### **Sir Ben Gill – chairman’s introduction.**

Drivers for change are many and varied and often pulling in different directions.

- The Mid Term Review of the Common Agricultural Policy, (CAP) is bringing fundamental change and many in the farming and food industries have not got their heads around it. The bottom line is that food will be supplied but only at the market price.
- The Doha Development Round aims to liberalise trade and will impact on farmers especially by removing export subsidies. They are not defensible in the long term because they cause dumping.
- Increased exposure to currency turmoil. To finance their burgeoning budget deficit the USA will need to raise interest rates and reduce the rate of growth of their economy or devalue the dollar further.
- World trade – free trade drives world producer prices down.

There are two important issues

- A lack of understanding about farm production systems which has resulted in word’s like ‘intensive’ and ‘pesticides’ being anathemised. The industry needs to do more to get customers to understand it.
- Climate change – we need to reduce greenhouse gases – farming can take a lead in providing many of the solutions. Water too will become a major issue on both a world and UK scale.

### **Thoughts on some of the conclusions of the working groups**

#### **Mike Calvert, RASE**

Most farmers will need to change their businesses radically and change will be continuous. A central question for today is how do we get the need for change across to more farmers?

Farmers need to get the confidence to approach change positively rather than sitting back and being driven by events. Even moving out of farming, where it is necessary needs to be seen as a positive move.

Farmers fall roughly into three groups: a top 30% who adopt change; a middle 50% who adapt to change slowly; and a bottom 20% who are change resistant. Are the last group reachable?

**Cross compliance** - The costs of the "feel good factors" are not going to have a significant effect on competitiveness for the majority of farmers. Most follow the practices which will be required now.

Cash incentives to persuade farmers to do “what is right for them and the nation” must not be allowed to develop another culture of dependence. Farm businesses must be geared up to make a profit without subsidy and cross compliance payments must be used to finance the practices required by the regulations.

**A licence to farm?** Farmers must be prepared to prove their competence and accept public oversight in the things taxpayers require of them in order to continue to receive government and EU aid. They need to move actively into the public eye more and accepting a licence to farm would be one way to demonstrate they have the right credentials.

**Niche markets.** Most farmers lack the entrepreneurial skills to go for high premiums but they can work carefully to achieve quality produce which hits the quality end of buyers' specifications. There is a lot of scope for improvement, for instance less than half the lambs and beef cattle marketed hit the carcass quality specifications which are required. For them the future is about an extra 10p per kg for their meat or £10 per tonne for their grain. Also they need to find ways of raising income from new developments like access and new environment schemes.

**Pushing decision making closer to the people who pay the taxes** is good for democracy but there are dangers that the national picture is being lost sight of and that a number of fragmented projects will result each of which has to reinvent the wheel to tackle similar opportunities. Support is becoming difficult to find for national projects and can finish up coming from several different levels of devolution producing complications with delivery.

**The customer** – farmers can influence the future of their sector by identifying their customers and serving their needs. Also they need to improve their public image – if 230k farmers each talked to ten customers and they in turn talked to 10 people then 23 million people would be eventually contacted.

**In conclusion:**

- Farming needs to develop a culture of continuous change
- but those supporting change need to understand the complex culture of farming. And ...
- "... the industry doesn't have to change – survival isn't compulsory" - Nick Green, Nuffield Scholar, Farm Business, 24th Sept 2004

**Change management.**

**Professor Wynne Jones, Principal, Harper Adams University College**

**The process of accepting the need for change**

1. Initially, shock at the first perception of the necessity then
2. denial that change is necessary accompanied by anger, frustration and blaming others for the problem.
3. Later there is a huge drop in self esteem and a sense of incompetence followed by
4. a gradual acceptance that change is needed. If things sort themselves out well there then follows
5. ownership of the problem and
6. a period of experimentation with new ideas
7. and a gradual understanding of what will be necessary accompanied by
8. an increase in self esteem as perceptions of confidence which grows until the changed situation becomes integrated in a new way of life or business.

Farmers need help along this process. It is not a role for technical advisors but facilitators who can provide tactful support and signpost them to the help they need. The process needs drivers which develop and mobilising enterprise, skills, innovation, competition and investment.

Peer groups are an effective way to facilitate change. Groups share information and experiences, get involved in benchmarking and evaluation, challenge each other and draw in the expertise and market intelligence they need. Business clubs like the Harper Adams initiative WiRE, which now has over 2,000 businesses involved in 'on-farm but non farm business', provide an evidence base of successful experience to show how clubs can work.

We need to create a demand for learning. 'Farming needs to be perceived as a sector which embraces a knowledge-based enterprise culture and is a profession, eg it needs a continuous professional development scheme.'

There is a perception that farming has a lowly skilled workforce. Micro businesses like farming have particular problems in accepting the need for learning, in finding relevant courses and in finding the time to attend them.

A focus on young people is crucial to future prosperity.

**Research and development** – 'in the UK the science push is not meeting customer pull'. Research funding is drying up especially for applied research. Lots of social policy development, in particular does

not have an adequate research base. Also the nature of food supply chains needs to be researched better. There is an innovation gap and it is widening.

**The Regional Agenda** – do regional assemblies need to be elected in future so that they can better influence policies of Regional Development Agencies?

### **Conclusions**

- Policies need to be developed around a good understanding of relationships between farming, food, the countryside and its people. They need to be ‘bottom up’.
- The policy framework must enable farmers to become rural entrepreneurs and professionals.
- Destiny is increasingly in our own hands – we need to ensure the critical mass of resource and expertise is available.
- Representation supported by a proper evidence base is critical if we are to exploit our capacity to distinguish truth from falsehood, knowledge from opinions and good argument from bad.
- Co-ordination and representation in the new regional context is important

### **Discussion**

Madge Moore, LANTRA (sectoral skills council for land-based industries) needs to talk to the industry more to work out what skills will be needed over the next few years.

Melvyn Askew, Defra – we need to manage people out of the industry better.

Professor Jones – the ‘Fresh Start’ initiative to be announced at the Smithfield Show will help to get good young people in and help others out. But exit support needs real funding

Revd Dr Gordon Gatward, Arthur Rank Centre – the rural support network organisations are getting an increase in the number of farmers who want help in addressing business change. Housing is a huge issue (primarily for tenants) for many and the Addington Fund is helping with this. There may be scope for the support networks to extend their role and use their social skills and experience to persuade farmers to start to address change then to signpost them towards more technical help.

It is not just old farmers who are in need. Younger farmers who have taken business risks against falling output prices can have huge debt problems.

Denis Chamberlain was worried about consistency between different RDAs.

Professor Jones – and there is a need to more adequately cover the interfaces between national and regional policies and work in areas which are in more than one region.

Mike Turner, Devon – farmers are no longer proud of what they do.

David Bolton – ways need to be found to blend the experience of older people, their financial capital and the ideas and energy of the young.

### **A view from the farm gate**

**Meryl Ward, Farmer,**

The pig industry has downsized by 40% over the past 5 years but fundamental change has taken place and now entrepreneurial spirit is there.

#### **Characteristics of change:**

- There are many options
- Fast moving
- Riskier

#### **Essentials for successful delivery:**

- Find out what suits you - one size doesn't fit all.
- Good information and clear communication at all levels.
- Different skills and attitudes
- Confidence

Beware of focusing on groups as the key to success – not younger, older, female – everybody!

The situation of Mike Calvert's 20% change resistant farmers needs to be addressed. It will not help the industry just to let them go. If they have no future in the industry they need to be helped out. After they have gone it will make the future clearer for those who are left. Care organisations need proper resources to achieve this.

Changing Roles and Responsibilities – achieving the right balance?

- Regulation proportionate to risk – self regulation is better
- Transparency in marketplace (free trade but fair trade)
- Partners – individuals, industry and Government with similar goals.
- Recognition of Industry value and proper promotion

**Management of inputs -**

- Identify key inputs and concentrate on what will make a difference.
- Understand supplying businesses
- Look for areas of mutual benefit
- The real wins are not in pricing but more effective use of resources.

Skills Management (Agskills – cooperative training and development group) delivering advanced apprenticeships, bringing businesses together, structured career pathways.

- Create access to structured training and accreditation in a form that suits the business
- Widen trainees experience outside the business
- Reduce administrative burden

**Managing outputs**

- Productivity is not the same as volume
- Focusing only on least cost production is the road to ruin. Add value.

**Supermarket policies** of 'everyday low prices' drive prices down. Pig prices have been stable for some time but they are too low. The Office of Fair Trading doesn't work right. They are too focussed on consumers instead of producers. UK has gone from 81% self sufficient in pig meat in 1999 down to 53% now. Why is it a problem?

- Loss of efficiencies in the chain because of short-term approach to trading
- Loss of traceability and standards
- Loss of choice to customer
- Effect at primary production level – producer and animal welfare
- Health of the rural economy

The key may be to build up corporate social responsibility (CSR) to give it real strength they just make noises about it now.

Six point plan to Success

- Buyer domination must be addressed
- CSR should be audited
- Labelling/education is key
- Regulate proportionate to risk
- Create flexible policies measured on outcomes
- Motivate the industry

**Discussion**

Jeremy Pope – the Office of Fair Trading needs to be reminded of its obligations to producers.

John Lampit – the IGD 'Race to the Top' was about CSR obligations but the UK retailers all dropped out of the project.

William Neville – labelling arrangements need to be tighter – there are too many loopholes

Meryl Ward – it is difficult to achieve effective discussion with supermarket – farming representatives never seem to have the right figures to defeat the arguments of the supermarkets who just string the discussion along and delay outcomes so that they can continue to drive prices down.

Cost plus contracts – MW will only sell on this basis.

## **Adapting to a Changing World**

### **Chris Bouchier, Crown Estates**

The Crown Estate farming is very exposed to arable agriculture and expenditure has been targeted to facilitate marketing eg on storage, irrigation, conversion of traditional buildings. In the Scottish Highlands there are challenges around depopulation – a future based on tourism.

‘People are the most important part of the resource’.

#### **Challenges:**

- Performance in difficult market conditions
- Embedding core values of commercialism, stewardship and integrity
- Constructing a “Virtual Company” (involving in-house and outside business).
- Encouraging ownership & creativity
- EU and UK policy framework

#### **Initiatives:**

- Re-structuring – getting new people in and others to retire with dignity – somewhere to live is important.
- New enterprise investment
- Partnership projects, there are estate plans for all estates.
- Sensitive development programmes
- Estate specific environment plans
- Tenant consultation - one to one meetings, seminars and conferences
- Improvement finance agreements
- Milk quota contract agreements
- Award Schemes – farm business, rural entrepreneur
- Education - Nuffield Food Chain Scholarships, Oxford Conference Scholarships

“Farmers are the same the world over. They want to see results for themselves. Don’t tell them – show them; and do it on farms such as theirs.”

*Dr Norman Borlaug, Nobel Peace Prize Winner 1970*

“Nine out of ten people who change their mind are wrong the second time too!”

*Anon*

#### **The Future**

- Leadership - towards strategic priorities
- The whole is greater than the sum of the parts
- Higher and higher standards
- The power of brand identity and protecting it
- Achieving pride in the outcome

#### **Discussion**

Robin Malim, farmer – are the industry’s goals properly thought through? Do they need to be changed? The background is changing. Climate change is increasingly unpredictable, population increase and increase in demand for food (quantity and quality), world tension and terrorism.

Chris Bouchier – there will be new challenges which need to be addresses as and when they occur. We have to deliver what we can deliver now. We will not be able to change the minds of the policymakers now.

Hugh Oliver-Bellasis – the Crown Estates have resources to diversify their business but most farm businesses do not have that. How do we give them the TLC they need. We will lose a lot of skilled people over the next few years and if we have to start producing food again we won’t have the skills.

CB – how do you get those advanced in the process to help the laggards? Why should you help your neighbour – you are in competition with him now. Is a form of diversification to help others (if so how do you fund it). The aim needs to be for a flexible work force – market conditions will produce change and the flexible can respond.

Ian McNicholl – are the Crown Estate doing enough to encourage co-operation?

CB – yes but not across the estate but including others near to them.

Ben Gill – at lunch time - still to be tackled

1. Policy to separate policy from delivery
2. We need to get used to taking more risks - especially funders who only support low risk projects
3. Blending the experience of the old and the energy of the young.
4. Beware of market research
5. Labelling
6. Climate change
7. Food security

## **Diagnosis, prognosis and lessons**

### **Jeremy Pope, English Farming and Food Partnerships**

My diagnosis is that the Industry is suffering from a corporate guilt complex, low self esteem and low morale aggravated by the Town/Country divide.

From the Curry Report:

“Government has supported the industry for fifty years – it has a moral duty to help as the industry transforms itself and breaks away from subsidy. The Government should reward farmers for the public goods they provide. It should ensure that markets operate fairly and efficiently. However, its job is to facilitate change not to fund stagnation”.

If the disease is to be tackled then – **first**, producers need to recognise the size of the problem; **secondly**, steps to manage that problem need to be worked out; **thirdly**, everyone involved needs to recognise that coming out of production or scaling down production may be a very sensible solution to which no dishonour or feelings of failure should attach; and **Fourth**, it will be imperative to find ways of tackling depressive tendencies and feeling of guilt to enable really difficult decisions to be taken with dignity. Individuals will need simple, honest and frank counseling

The Industry divided and will now divide again into three very clear groups:-

- o **The Innovators** – with the foresight and flair to see the problem and have the entrepreneurial skill to turn this to economic advantage;
- o **The Adapters** – who with varying degrees of speed, skill and success will appreciate that like it or not they must adapt to the new regime; and
- o **The Resisters** – who may hang on but who will progressively die out or become ,effectively, subsistence farmers.

It sounds harsh, but I fear there will be the need for a degree of laissez faire, or if you will pragmatic brutality, if the Industry is to survive and prosper.

### **Rebuilding self-esteem**

- o Let us never forget how resourceful and creative the Industry has been in the past. There is every reason to believe that once again it will rise to the challenge.
- o There are some excellent initiatives that give the lie to the assertion that farmers do nothing for the environment and do not care about the stewardship of the land they manage. Moreover many of these initiatives are concerned just as much with the economic as the environmental aspects of sustainability and by so doing also address its social sustainability.
- o The Industry produces some wonderful produce but sadly also quite a lot of rubbish. So focus on the former and flush out the latter!
- o Stop apologising but also stop whinging and stop being defensive - think and speak positively – the cup is half full not half empty.
- o Talk up excellence and the contribution the Industry already makes to sustainability.
- o Work with the supply chain with processors and retailers and not against it.
- o Work collaboratively not only within the UK but also with Europe and the world.
- o Stop being insular and xenophobic.
- o Recognise that there are loads of people rooting for you and who are willing you to succeed. Draw on and take succour from that support.
- o Think laterally.

### **Discussion**

Melvyn Askew – how far can we exploit amenity, public goods etc before taxpayers object.

Jeremy Pope – there is a huge disconnection of public knowledge about how landscapes are achieved.

Eric Wilson – ‘want to’ is missing from talk about collaboration. We need to develop this as an ethos.

JP – there has been a lack of a profit force in co-operation in this country.

Richard Knight – there is scope to link environment and commercial co-operation especially for catchment-friendly farming.

Chris French – when we talk about the industry working closer with the supply chain it turns out to be a one way ticket on the supply chain’s terms. Producers cannot continue to cope with lower prices against the cost of increased regulations and assurance schemes.

JP – vertical integration allows more power in price negotiations but it takes time to achieve. There needs to be a frank discussion and a better supply/demand balance.

## **The point of view of young people**

**Mark Spencer, farmer Nottinghamshire**

Farming must adapt or die.

The industry needs young people who are dynamic, innovative and can think out of the box.

Young farmers are getting into the business, from inheritance, from building contracting businesses (which are often very high tech like fertilizing using global positioning), and by managing land for others.

The X factor – the ability to do something different is a key to success.

The workshop group was unable to look forward more than two years. All they are interested in is profit – they will walk away from farming if they do not get it. This generation has never known a good time in agriculture and for them upcoming change is wonderful – an opportunity. Young people like hardship, hardship=change=opportunity.

## **Discussion**

Sir Ben Gill appointed a panel from the audience – Bishop Anthony Russell, Henry Lucas, and Dr Malcolm Crabtree.

Peter Bennett, Cambridgeshire – the RDAs need the advice of Regional Agricultural Panels which Defra abandoned

Henry Lucas – a lot of young farmers are making their own opportunities. We don’t need to worry about them too much.

There are worries that increased funding for RDAs may not be ring-fenced for agriculture and rural business.

RDAs get caught up in big projects too much – bottom up projects like the rural hubs are better – they do something now.

There is hope – apparently there has been an upsurge in agricultural students at colleges this year.

Bishop Anthony – the problems are not easy to identify – we are concentrating on the ‘how’ questions not the ‘why’ questions. Curry’s social objectives have not been addressed. Farming has lost social support because and economic marginalisation always follows social marginalisation. Young people see work as an urban matter and rural matters as non-work – an idea which seeps through to areas like planning etc.

Professor Wynne Jones – there are some very good young people coming into agriculture in this country from Eastern Europe.

David Bolton – what is the urgency of change?

MS - young people want to move along quickly but elderly farming families are usually very conservative.

Bishop Anthony – the problem is the balance of continuity and change – values in a changing environment – we need to define reactive change and strategic change – change goes in steps.

Professor John Wibberley – need to get people in groups then they will set their own agenda.

Consider the CPD needs of farming and Agrarian advocacy (see below)

Henry Lucas – we are not communicating effectively with RDAs but they don't listen very well either. However if you offer them something they want to do they will do it.

Mike Bunney – looking how people learn collectively – farmers learn differently – have to see and need to grab their interest.

Bishop Anthony – in his area middle sized farms are the problem – larger farms can expand, small farms have an ancient survivability, also they provide sites for lifestyle farmers to move in.

Dr Malcolm Crantree – in Hampshire many small farmers were going down the food chain eg farmers' markets.

David Richardson - food security should be up the political agenda.

Mike Calvert - things are moving and changing – people are doing it differently. They need:

- Better quality advice
- Access to capital
- A better hearing from planners

Colin Williamson – owner occupiers and tenants have different problems.

Martin Summers, banker – there is a high range of skills out there.

Henry Lucas – the thing that matters now is to make sure it happens.

Bishop Anthony – 'the complexity of change relates to lack of clarity of goals'.

### **An agenda for future action – Sir Ben Gill**

1. 'To actively work with Warwickshire Rural Hub and seek to promote it as an exemplar for other areas of the country.'
2. 'To work closely with the training and certificating bodies; to mentor and advise; to promote and develop the skill base to meet the changing needs of the industry.'
3. 'To encourage, develop and facilitate the use of international benchmarks to underpin the development of best practice.'
4. 'To work closely with those organisations dedicated to farm support and advice, in response to the social issues and needs of those who must exit the industry in a climate of change.'

### **Possible action points contributed after the conference by Professor John Wibberley**

1. Propose re-establishment of regional farming advisory panels especially to explore farming as part of rural development.
2. Collate information on truly successful farm businesses (such as the farm/rural business case studies in the Business in the Community - Rural action/IGD *Local Sourcing* Report 2001)
3. Encourage Farmer Groups for learning together (ref the FARMS Groups.)
4. Communicate collaboratively with and to consumers
5. Collaborate with farm aid charities re outgoers help (and help to recognise the need for change more generally?)
6. Continue to recognise innovators early (eg Nuffield and CARAS) (and make more of reports of their success).
7. Continue the dialogue on agrarian advocacy. We need an integrated approach:-  
Sustainable farm livelihoods
  - Conserving natural resource management
  - Food security
  - Land heritage.