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Foundations for Recovery Farm Diversification Report



UK Government

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1. Introduction

This subproject explores the potential of North Carrick farms to develop any or some of the range of farm activities now well established around Scotland. We have based this report on an appraisal of

- Current product and market opportunities
- Local, regional and national strategic alignment
- Potential investment opportunities, including
 - Low investment opportunities – where existing assets might be used with limited investment of time and funding to attract modest numbers of visitors and income.
 - Medium investment opportunities – where existing assets (such as well-serviced buildings) might be turned into more extensive visitor attractions.
 - High investment opportunities – where new capital assets would need to be created or existing assets subject to significant investment to create new attractions.



The definition of agritourism varies from country to country. The Scottish definition of agritourism is: "Tourism or leisure on a working farm, croft or estate which produces food." It covers:

All types of on farm accommodation from farmhouse bed and breakfast to glamping barns, luxury lodges and hotels.

Things to do on a farm including farm tours, eating farm produce in a farm cafe or restaurant, adventure sports, health and wellness, children's farm experiences.

On farm events – either holding your own event or wedding on a farm or attending organised farm events and festivals including harvest festivals.

Buying fresh farm produce direct from a farmer by visiting a farm shop.

North Carrick is a relatively small part of a regional farming community and an important element of regional tourism products, so any opportunities will probably have wider application across South Ayrshire, or the South West of Scotland. Farm diversification, particularly looking at food and drink, accommodation and activity based business ideas, is well established in Scotland and there are some excellent examples – some of which are described here.

2. Strategies and plans

The Scottish Government's 'A Future Strategy for Scottish Agriculture'¹ published in 2018 set out a range of ambitions for the sector covering a transitional period while the UK withdraws from the Common Agricultural Policy (CAP). This report recommends, 'That a top priority starting immediately is mindset change, to help farmers and crofters to become more progressive, entrepreneurial and resilient in a way that is already the culture in the unsupported sectors. All businesses must keep pace with the evolution of demand and societal preferences, and farming is no different'.

Scotland's Agritourism Strategy² was launched in November 2021 and aims to ensure the sector has 'a long-term sustainable future that delivers a high quality, authentic visitor experience with agriculture and food and drink at its core, sustaining the future of family farms in Scotland contributing to the rural economy and positioning Scotland as a key player in global agritourism'. It is known that there are around 500 businesses currently operating in the sector. The 'ambition for the sector is to have 1,000 Scottish farming and crofting enterprises offering an agritourism experience with at least 50% providing a food and drink element by 2030. The vision aims to:

- Sustainably develop the rural economy
- Protect family farms for future generations
- Build consumer awareness and loyalty towards local produce
- Celebrate the history and heritage of these important Scottish communities

An action plan will include a collaborative approach from the public and private sectors, both in at home and abroad. Other objectives include:

- Attracting and retaining a skilled, committed and diverse workforce
- Creating and promoting a thriving and responsible sector
- Increasing the number of working farms that offer a food and drink experience

There is growing consumer interest in food provenance and sustainable tourism. We expect that the strategy will position agritourism at the forefront of visitors' minds. This way, they will seek ways to enjoy, appreciate and understand the best of Scotland's natural larder.

The Scottish Agritourism Growth Tracker³ is undertaken by VisitScotland on behalf of Scottish Agritourism. It measured, for the first time, the potential of the country's agritourism industry. In 2022 it found that money generated by farm retail increased by

¹ <https://www.gov.scot/binaries/content/documents/govscot/publications/progress-report/2018/05/future-strategy-scottish-agriculture-final-report-scottish-governments-agriculture-champions/documents/00536005-pdf/00536005-pdf/govscot%3Adocument/00536005.pdf>

² <https://scottishagritourism.co.uk/wp-content/uploads/2022/01/agritourism-strategy-final.pdf>

³ <https://www.visitscotland.org/binaries/content/assets/dot-org/pdf/news/core-5467-agritourism-tracker-2022-final-report-revised.pdf>

almost £50 million during the first year of the pandemic, rising from £62m to over £110million.

The findings highlight the significant value and opportunity for Scotland's farms, rural communities and visitor economy of including a food and drink experience as part of Scotland's agritourism offering.

Over a third of agritourism businesses are offering food and drink consumption on site. This can include farm produce enjoyed as part of a holiday on a farm, in a farm café or after a farm tour.

More than half of respondents said they sell their produce online (55%), in an on-farm shop (36%) or via an on-farm honesty box. (29%)

It is believed the boom in farm retail sales is a result of growing awareness of the economical, ethical and environmental benefits of buying directly from local farmers.

The tracker demonstrates agritourism is an important contributor to national and regional inclusion, diversity and economic development objectives by providing:

- Equal and inclusive employment opportunities for men and women which are available to all age profiles and skill levels
- Vital family and external employment opportunities in rural areas
- A sustainable core domestic based visitor market
- New revenue streams to cross fund and support agricultural activities
- Strong growth expectations and profitability levels
- Commercial and entrepreneurial opportunities to strengthen rural communities
- High levels of historic and planned investment to support other rural businesses and supply chain rural jobs

The KPIs in

Figure 1 below are taken from the 2022 tracker and reflect the range of participating businesses – a total of 221 responses. Only 2 responses came from South Ayrshire and these were accommodation businesses. There is thought to be between 500 to 700 active agritourism operators in Scotland.

Figure 1 Agritourism KPIs 2022 source: VisitScotland

KPI Area	Baseline Value ⁷	
	%/ No./ £	No. Responses
Visitor Numbers		
Total agritourism visitors	629,213	126
Average visitor numbers per agritourism business p.a.	4,994	126
Turnover		
Average turnover per agritourism business p.a.	£111,317	83
Employment		
Average FTE jobs per agritourism business	3.2	153
Food & Drink (Key Strategy Aspiration)		
% of farms that sell produce direct to customers	39%	87
% of farms that process produce on their farm	17%	37
% of agritourism business that cater for produce being eaten onsite	35%	54

3. Support for farm diversification

The Scottish Enterprise Agritourism Monitor Farm Programme was a three-year programme established in 2019 to provide expert and peer group support, knowledge exchange, skills development and confidence building to a wide range of agritourism and rural businesses across Scotland. Scottish Agritourism Monitor ran from 2019 to 2022 (through Covid, unfortunately) supported by Scottish Enterprise. In year two there were 431 attendees over 16 online meetings in the year, 27 participants on average attending each meeting. The group provides support for members and an exchange of experiences with running agritourism businesses, different business models and support with, for example, marketing, sourcing supplies, booking systems, accountancy.

Figure 2 The “Go Rural Cow” is a symbol to show people that they are visiting a real



The programme is now set to receive more than £442,000 for an expansion. The programme will see the recruitment of four farms across Scotland, with the involvement of a wider circle of eight rural businesses around each farm. At least 400 further individual rural businesses will also participate via meetings and seminars⁴. An example is the recent online seminar for South of Scotland businesses <https://www.youtube.com/watch?v=sYnRgJkblcU> – which is the sort of event that could be held for Ayrshire farms.

Go Rural is the brand developed for agritourism businesses with a separate website promoting the participating businesses.⁵ It has a members' hub with various opportunities for taking part in the agritourism community.⁶ Currently there are no members in North Carrick.

Scottish Agritourism⁷ is a not-for-profit leadership organisation, formed in June 2020 after Covid galvanised the existing and well connected agritourism sector together in a formalised body, under the umbrella of the Scottish Tourism Alliance. Almost two years on, Scottish Agritourism has developed to represent 250 individual members across 140 businesses and from 1st April 2022 is operating as a stand-alone organisation.

Ayrshire Rural and Islands Ambition (ARIA) Fund The Ayrshire Rural and Islands Ambition (ARIA) Fund replacement to EU rural development fund LEADER. It is part of the Scottish

⁴ <https://scottishagritourism.co.uk/scottish-government-announces-agritourism-monitor-farm-funding/>

⁵ <https://www.goruralscotland.com/about-go-rural/>

⁶ <https://www.goruralscotland.com/member>

⁷ <https://scottishagritourism.co.uk/>

Government's Community Led Local Development (CLLD) programme. It operates similar, bottom-up decision making to Ayrshire LEADER, delivered by representatives from the local area, the Local Action Group (LAG). It is administered by South Ayrshire Council, and supported in 22/23 by a partnership of Volunteer Action South Ayrshire (VASA) and The Ayrshire Community Trust (TACT). A new strategy is being developed but initially the fund priorities are

- Community Wealth Building
- Reducing Inequalities
- Just Transition to Net Zero
- Sustainable Tourism

In the previous LEADER programme, farm diversification projects made up 20% of all projects supported, sharing 15% of the funding budget with an average grant of £34k each. In the evaluation report⁸, five farm diversification projects were interviewed, as well as two farm-based SME projects. Of these, four are delivering holiday accommodation, resulting in greater capacity to attract and accommodate visitors, promoting the rural Ayrshire environment and bringing income to the local community. The other three projects are new business ventures supplying milk, flowers, and children's nursery provision to the community.

⁸ https://www.south-ayrshire.gov.uk/media/7422/Ayrshire-LEADER-Final-Evaluation-Report-Hall-Aitken/pdf/Ayrshire_LEADER_Final_Evaluation_Report_-_Hall_Aitken.pdf?m=638070484281430000

4. Development opportunities

The Tracker asked businesses about their plans and the timeframe of planned activities. Accommodation projects, particularly glamping style accommodation were the most frequently mentioned future projects that are likely to be advanced in the short to medium term. Farm tours, farm cafes and restaurants and the development of farm event space were also identified as short to medium term projects. The range of planned projects includes

- On-farm cafes and restaurants, pop-up food
- Farm tours and experiences including wildlife tours
- Children's farm parks or children-themed events
- On-farm events space for weddings, conferences etc
- Action and adventure sports hosted by farmer/ farm employees
- Festivals and events
- Glamping huts, yurts, wigwams, tepees, etc
- Farmhouse B&B
- Self-catering accommodation in farm cottages or farmhouse
- Self-catering in lodges or other larger new build
- Caravan site/ camping

The Scottish Agritourism Growth Tracker 2021*, undertaken by VisitScotland on behalf of Scottish Agritourism measured, for the first time, the potential of the country's agritourism industry. Key highlights suggest:

- Agritourism provided an opportunity for multi-generational income, retaining on-farm careers and employment.
- Agritourism farm retail businesses have more female directors and business partners than farm only businesses.
- Agritourism provided an opportunity to add value to farm produce by selling directly to visitors, helping lower food miles and raise the profile of quality Scottish food and drink on farms in Scotland.
- The majority of respondents expressed a desire to promote their own and local produce by either offering eating options on site now or considering doing so in the future.
- Farm tours and accommodation were the most common activities by those involved in agritourism and those planning to be involved.
- The sector looks set to grow its farm stay offering with many respondents adding experiences, such as glamping, to their offering within the next three years.
- A wide range of assets are being used for agritourism activities, ranging from land and panoramic views to crops and historic connection to famous points in history.

— Agritourism is a year-round activity with facilities widely reported to be open throughout the year.

Food and drink on farms

The national agritourism strategy for Scotland has set an ambitious target that 50% of farms in agritourism will offer guests a food and drink experience that incorporates the farm's own produce by 2030. This is in line with the success of the agritourism sector in other countries where a core agrifood offering reinforces that agritourism businesses are wholly based on food producing farms, underpinning the main point of difference between agritourism and other forms of rural tourism.

5. Next steps

With support from the Scottish Government, Scottish Enterprise and VisitScotland, the farm tourism sector has been developing rapidly over the past three years, laying the groundwork for destinations like North Carrick (or Ayrshire) to participate within a developing structure. A local farm tourism development group, linked to the national initiatives, might provide a springboard for more development.

The elements which existing farm businesses have identified as most valuable in helping grow their enterprise include

- Networking and support from peers
- Central support and administration for the network
- Events and educational/ exchange visits to other businesses in Scotland/UK/ other countries (Europe has a more developed agritourism scene)
- Addressing barriers to development including lobbying to change regulatory problems (such as food and drink processing/ retail)

Other opportunities identified in the tourism strategy for North Carrick might include

- Buying and retailing cooperatives to share risk
- Central business advice and support
- Seed corn capital or grants
- Marketing and promotion (collective; destination support)

It would support the wider strategy to identify specific business opportunities to participate in the 'Bruce's Web' concept, capitalising on opportunities and having some payback for supporting 'loss leader' facilities like cycle and walking routes:

- Setting up activity hubs on farms including (for example) including cycle hire/repair/wash;
- Accommodation – will link well with proposed activities in specific areas.
- Selling local produce – possibly linking with other farmers to sell a range of meat & dairy produce either on the farm site or via produce market in key areas identified as project activity areas.
- Providing guided horse trails, walks, cycling paths through farmland.
- Providing events space – indoor and outdoor – for events (e.g. food festivals, parties, weddings) and creative activities (such as art projects, or activities such as woodturning, eco-project workshops etc)
- Other farm visitor activities (tours, workshops, hands-on activities)
- Charging hubs and support for electric cars and bikes

Appendix 1 Farm diversification funding streams

<p>Food processing, marketing & cooperation grants</p>	<p>https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/food-processing--marketing-and-co-operation/</p> <p>The latest round of the Food Processing Marketing and Cooperation Grant Scheme closed to applications in June 2022. Further updates on the scheme will be provided by Scottish Government in 2023.</p> <p>The scheme provides grant funding to businesses within the Scottish food and drink sector and supports Scotland's journey towards becoming a Good Food Nation, where it is second nature to produce, buy, serve and eat fresh, healthy food. The food and drink sector can also help to make Scotland healthier, wealthier and smarter, with stronger communities and production that is socially and environmentally sustainable. Through this scheme, you can apply for:</p> <ul style="list-style-type: none"> — start-up grants for a new food processing business — development grants for an existing food processing business <p>Capital Projects:</p> <ul style="list-style-type: none"> — develop or create food processing facilities, including buildings and equipment <p>Non-Capital Projects:</p> <ul style="list-style-type: none"> — market your products in home and export markets at national/international trade shows/fairs. — to run co-operative ventures to make sure more value is retained by both farmers and growers — to improve supply-chain efficiency
<p>Ayrshire Rural and Islands Ambition (ARIA) Fund</p>	<p>The Ayrshire Rural and Islands Ambition (ARIA) Fund replacement to EU rural development fund LEADER. It is part of the Scottish Government's Community Led Local Development (CLLD) programme. It operates similar, bottom-up decision making to Ayrshire LEADER, delivered by representatives from the local area, the Local Action Group (LAG). It is administered by South Ayrshire Council, and supported in 22/23 by a partnership of Volunteer Action South Ayrshire (VASA) and The Ayrshire Community Trust (TACT).</p> <p>The ARIA Fund Applicant Guidance (PDF) [564KB] should be consulted for full fund details.</p>

	<p>Potential applicants should engage with ARIA Fund staff before applying. Applications will not be considered without this. Please contact info@ariafund.org.</p> <p>Grant Specifications</p> <ul style="list-style-type: none"> — Grants size: £5k to £50k. — Grant requests of up to 90% of project costs will be considered (requiring at least 10% match funding). — Eligible expenditure is permitted from 1st September 22, but this should constitute no more than 25% of grant requested between 1st September and November 22(the grant award date). <p>Eligible Area</p> <p>Rural Ayrshire & the islands of Arran & Cumbrae, defined in the eligible area map. Potential applicants should use the finder tool in the top right of the map to check for eligibility.</p> <p>Fund Priorities for 22/23</p> <p>ARIA Fund:</p> <ul style="list-style-type: none"> — Community Wealth Building — Reducing Inequalities — Just Transition to Net Zero — Sustainable Tourism <p>Scottish Government:</p> <ul style="list-style-type: none"> — Advancing inclusion, equality and diversity — Reducing poverty, especially child/fuel poverty — Net Zero and Climate Change — Community Wealth Building — The National Islands Plan <p>Eligible Organisations & Activity</p> <p>Please consult the ARIA Fund Applicant Guidance (PDF) [564KB].</p> <p>Simplicity/Accessibility</p> <p>The fund will be relatively simple in its application/claims processes. The grant will be paid with a maximum of 50% up front for successful community groups/third sector organisation.</p> <p>The 2023 programme is not yet announced but currently it expected there will be a round – the budget is unknown.</p>
<p>Scottish Government</p> <p>Agri-Environment</p>	<p><i>Climate-change related funding, to alter farming methods to be more low-carbon. Possibly not relevant to this project, though it does cover 'improvements to public access'.</i></p> <p>More than 600 farm businesses in Scotland will share £30m of funding for environmental projects that reduce the impacts of climate change. The funding is part of</p>



<p>Climate Scheme (AECS)</p>	<p>the latest round of the Agri-Environment Climate Scheme (AECS) 2021, run by the Scottish government. Based on these figures, the average amount each successful recipient will receive through the scheme is £50,000. The environmental scheme is designed to promote low-carbon farming and environmental land management practices.</p> <p>Next round of funding</p> <p>The scheme has been extended to run until 2024, with a new round of funding being released each year.. It is open to farmers and landowners in Scotland who are registered with the Scottish government and have a business reference number. Applications are usually limited to one a year for each business. Previous funding has been awarded for projects that include aspects such as improving public access, flood management, supporting organic farming, improving water quality and slurry storage. More information on eligibility can be found on the Scottish government website.</p>
<p>Knowledge Transfer & Innovation Fund</p>	<p>The Knowledge Transfer and Innovation Fund has two aims:</p> <p>Knowledge Transfer Component: To promote skills development and knowledge transfer in the primary agricultural sector. This will be achieved through providing funding to organisations to deliver vocational training, coaching, workshops, courses and farm visits designed to develop skills and transfer knowledge.</p> <p>Innovation Component: To deliver innovation on-the-ground improvements in agricultural competitiveness, resource efficiency, environmental performance and sustainability. This will be achieved through meeting the running costs of operational groups seeking to implement innovative projects in these areas. Operational groups can be made up of different individuals or organisations within agriculture who are working collaboratively. This helps form partnerships between farmers, crofters, land managers, NGOs, advisers and businesses working on the ground. These operational groups are expected to generate new insights and innovative ideas, as well as mobilising existing knowledge into practical solutions.</p> <p>Further information about operational groups and collaboration can be found on the Scottish Rural Network website: Scottish Rural Network</p>
<p>Forestry Grants Scheme</p>	<p>Scotland's woodlands and forests are a vital national resource and play an important role in rural development and sustainable land use.</p> <p>As well as helping to reduce the impacts of climate change and providing timber for industry, our forests enhance and protect the environment and provide opportunities for public enjoyment.</p> <p>The Forestry Grant Scheme (FGS) will support:</p> <ul style="list-style-type: none"> — the creation of new woodlands – contributing towards the Scottish Government target of 18,000 hectares of new woodlands per year from 2024/25 — the sustainable management of existing woodlands <p>You can apply for support under eight categories:</p> <ul style="list-style-type: none"> — two for the creation of woodland — six for management of existing woodland

	<p>Within some of these categories, there is a range of funding options which relate to specific types of project or work.</p>
<p>Small Farms Grants Scheme</p>	<p>This scheme provides grants for small farmers to make improvements to their holdings and help to sustain their businesses.</p> <p>Funding can be used for capital projects, such as the construction or improvement of agricultural buildings</p> <p>Funding for eligible capital projects can cover all aspects of the project, including the cost of materials, transportation of materials, costs of contractors and your own labour.</p> <p>The total amount of grant aid you can apply for in any two-year period is:</p> <ul style="list-style-type: none"> — individual small farmer: up to £25,000 — groups of small farmers: up to £125,000
<p>Sustainable Agriculture Capital Grant Scheme (SACGS)</p>	<p>The 2022 Sustainable Agriculture Capital Grant Scheme (SACGS) application window is now closed but may reopen in 2023.</p> <p>The Sustainable Agriculture Capital Grant Scheme (SACGS) provides support to businesses so that they can invest in equipment to reduce harmful ammonia emissions and reduce adverse impacts on water quality resulting from the storage and spreading of livestock slurry and digestate.</p> <p>The main objectives/expected outcomes of the scheme is to support Scottish Agriculture contribute to Scotland’s statutory emissions reductions targets through:</p> <ul style="list-style-type: none"> — protecting and improving the natural environment, — reducing ammonia emissions from farming operations, — supporting sustainable farming, — supporting sustainable land use

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Report**

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