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EIP-AGRI Focus Group

New entrants into farming: lessons to foster innovation and entrepreneurship

MINIPAPER: Added Value of New Entrants – 07 12 2015

Andries J. Visser, Sjoerd Wartena, Tessa Avermaete

Added Value of New Entrants

This minipaper focuses on the value added of new entrants. Literature on the new entrants, as a whole, is still limited and hence, this work is mainly based on perception and experience knowledge from the experts of the focus group and their network. The key questions that we address here are threefold. First, what skills do new entrants bring to society, including the farming sector? Second, what are the determinants of success among new entrants? Third, what can other farmers learn from the success (and failures) among new entrants?

We will take the analysis of de Wolf and Schoorlemmer (2007)¹ as a point of departure for this research. However, overall, literature on the added value of new entrants is scarce and many questions remain unanswered. Therefore, we finalize this document with opportunities for further research.

An opening remark on the term 'new entrants' is required to interpret the arguments below. As stated, new entrants are a heterogeneous group. We will attribute various (potential) added values to new entrants. Of course, not all these values apply for all new entrants. Analogous, we are aware of the fact that *the* traditional farmer - farmers that are not new entrants - does not exist.

What skills do new entrants bring to society, including the farming sector

The profile of new entrants in farming is diverse and so is the expertise and background these people bring to the society as a whole and to the farming sector in particular. In order to identify the new skills that new entrants bring to society, we start from the entrepreneurial skills for farming as defined by de Wolf and Schoorlemmer (2007), as outcome of the European FP6 project Developing Skills of Farmers (ESoF). The authors coordinated a European cross-country expert based research and identified 5 categories of entrepreneurial skills in farming business: professional skills, management skills, opportunity skills, strategic skills and cooperation/ networking skills. We will successively describe these skills thereby highlighting the key strengths of new entrants.

Professional skills refer to the technical skills of the farmer. This skill is about working in the field, treatment of animals, use of inputs, etc. In general, successors in farming learn these skills from childhood onwards, while new entrants rely on course material, face-to-face contacts with other new entrants in farming and traineeships. Two remarks need to be made in this context. On the one hand, some new entrants bring in innovative technical skills, making effort to apply their (academic) background into practice. Examples on that are for instance computer skills and computer technology which are used by some new entrants to organize processes in the farm differently or for developing booking systems or internet based order systems for home deliveries. On the other hand, a group of new entrants start with the idea of doing things differently than conventional farming. This is for example the case with (up starting small scaled) organic farms, whereby the farmer doesn't want to rely on the existing technical skills of the majority of his colleagues. In organic agriculture new entrants have played a role in developing new machinery for coping with herb management.

Management skills is a very broad concept encompassing financial management and administration skills, human resource skills, customer management skills and general planning skills. Given the increased administrative burden on farmers, management skills are a precondition for official recognition as a farmer, applying for subsidies, etc. New entrants can rely on services for farmer unions and private counselling to get introduced to the administrative requirements. New entrants with higher education might be as efficient, or even more efficient in this area, than their colleagues. We also observe new entrants that, as a statement, reject all official support. New entrants who start up new agricultural businesses often diversify their farms and deliver beside agricultural produce also a range of products and services. Often this type of diversification (multifunctional agriculture) results in having more employees and asks for specific managing skills in order to organize the different businesses with different suppliers, different products and different customers. New entrants often have more experience in managing complex processes from previous jobs and so bring in new

¹ Wolf, P., McElwee, G. & Schoorlemmer, H. (2007). 'The European farm entrepreneur: a comparative perspective', *Int. J. Entrepreneurship and Small Business*, 4(6), 679-692.

organisation models. Most traditional farmers (not all) do not have these skills since traditionally the market organizes the distribution of products for them.

Opportunity skills include recognizing business opportunities, market and customer orientation, awareness of threats, innovation skills and risk management skills. As will be clarified further, the motivation of new entrants in farming can be very different from conventional farming ranging from 'back to nature' to 'making food production part of local communities'. In this framework, new entrants bring various new opportunity skills to society as a whole and to farming in particular, which is not at least related to the educational background of the new entrants. We observe new entrants with background in alpha sciences (humanities), beta sciences (natural sciences) and gamma sciences (social sciences including medicine). While the added value of new entrants with education in natural sciences to farming business is obvious (foremost because of professional skills), the richness of insights from both alpha and gamma sciences has led to numerous good practices across Europe. The majority of the CSA farmers (community supported agriculture) are new entrants², applying a new business model to agriculture. Social workers and entrants with a background in health care are able to estimate the potential to integrate 'green care' in their business; dieticians producing healthy diets instead of food ingredients;

Furthermore, new entrants are generally more sensible for opportunities. We observe for example the possibility of new entrants to start from a very small scale and apply trial-and-error methods to their business and this - as we will explain further - in close cooperation with the local community.

One important difference in this respect between traditional farmers and new entrants is that new entrants look at society and citizens as opportunities, as potential markets and are willing to re-design their farming systems in order to encounter specific demands and wishes, whereas traditional farmers often see society as difficult and a threat to their business.

Another important aspect of new entrants who have successfully developed an agricultural business is that they are open for experiments, trying new ways and in doing so they are not afraid to make mistakes. There are new entrants who have even developed this into a strategy in which they consequently try to develop new initiatives or provide room for others to experiment (see for a nice example in the USA: <http://buffalomountaincoop.org/>). This is really different than in traditional agriculture where in general entrepreneurs are afraid to deviate from the standard and do not like to admit and share their failures.

Strategic skills bundle a diversity of skills related to the ability to make use of feedback, reflection skills, monitoring and evaluation skills, conceptual skills, strategic planning skills, decision making skills and goal setting skills. One could argue that conventional farmers build on a generation-by-generation developed strategic skills which have co-developed with the existing farmers associations, cooperatives, main processing companies and European post-war agricultural policy, so with the existing agricultural regime. Being part of that system, and being part of family traditions in this, anticipating strategically on changes and opportunities coming from outside agriculture is obviously very difficult.

Opposed to this, new entrants have the freedom to start a strategic plan from scratch. New entrants look to their farming business with an open mind, and are not 'bound' to traditional views on running a business. Being new in the farming business, the threshold to ask for advice, to both farmers and other actors in society, might be low. Whether or not this freedom in strategic planning leads to success, these new entrants for sure apply new strategic tools and approaches. Success and failures of their strategic choices should be further explored. However, we have to bear in mind that when we discuss new entrants we look at a specific selection: those who have successfully developed a business. The ones who were unsuccessful are often not in the picture.

Cooperation / networking skills are the skills to cooperate with other farmers and companies, networking skills, team working skills and leadership skills. Again, we can distinguish new entrants' shortcomings and strengths. On the one hand, new entrants lack the network that characterizes a traditional family business. Basically, such a network consists of colleague farmers in the region, business linkages - both upstream and downstream, etc. On the other hand, new entrants often put more importance to local embeddedness, social cohesion and non-farm related actors. Furthermore, we see new entrants in regions working together and

² Statistics on the background of CSA farmers in Europe are not available.

bringing team work into practice in their business. Having a motivation that goes far beyond business profits, they might be more open to collaboration and communication with colleagues on a regular basis.

Networking / cooperation skills are not only used by new entrants to develop new business directly but also in creating space for future development. There are examples where new entrants started a foundation with all kind of influential stakeholders (like former aldermen etc.) who helped in creating development space for the farm. In the Netherlands this is a strategy which is used more often among new entrants who have developed a multifunctional farm: they are very keen on interacting with stakeholders outside the agricultural world and are able to mobilize people with influence helping them to develop new initiatives. These networking skills of new entrants are also used for finding funds for their initiatives. There are several examples of crowdfunding initiatives who are the result of the combination of opportunity and networking skills. For example funding for solar panels where the return of investment is paid back in agricultural products.

Is motivation of new entrants different from other farmers?

In a family farm, the first motivation to become farmer is obviously the family's background and experience in farming. This motivation is further 'enriched' by the economic situation of the farm, personal characteristics of the young farmer, socio-economic profile of the family (number of children, ...), ... On the contrary, the primary motivation of new entrants can be diverse such as the joy of working outside, the willingness to produce food differently, interest in food and health, being part of a community, moral and ethical values and social responsibility. In this context, we argue that there is a fundamental difference between new entrants and young successor-farmers. The latter group might share some motivations of new entrants, their first motivation for farming will always be the opportunity of taking over an existing family business.

Some of the motivations that are mentioned by new entrants or advisors working with them are described below and ordered according to the main three aspects of sustainability:

People

- Joy of working outside
- Own boss, being responsible for own tasks
- Providing a healthy place for your children
- Desire to reconnect the urban and the rural
- Developing new skills, looking for new challenges, exploring new horizons
- Providing better alternatives for specific groups (mentally disabled, Alzheimer patients, drug addicts, childcare etc.) compared to the traditional system
- Community building

Planet

- Climate change concerns, environmental motivations, reducing food miles
- Developing a more sustainable agriculture
- Changing the food system from within

Profit

- Getting an income (more central Europe and South Europe)
- Employment (more central Europe and South Europe)
- Developing new business models which include more social aspects (multiple value creation)

What do new entrants do differently? What is their impact?

As mentioned in the introduction, *the* new entrant or *the* traditional farmer does not exist. However we do think we can describe generally some aspects which new entrants do differently or more often compared to traditional farmers. These differences are the basis for new innovation they bring to the agricultural sector.

- *Connect with the local community:* Building communities, safeguarding traditions, being a part of a community are often important drivers of new entrants, the farm is in that way just a mean to be part of the community, not a goal in itself.
- *Stimulate the local economy:* new entrants often look for opportunities to involve local people in their farming business; they hire local people or businesses, they develop short food chains, they find it important to keep or develop local services and in that way stimulate the liveability of a region.
- *Appreciate local and old existing knowledge:* Most traditional farmers who are part of a global farming system are more or less forced into new more efficient techniques and farming systems based on low cost strategies. In these kind of systems often local and traditional knowledge disappears. New entrants focussing more on local food chains and communities find traditions, local knowledge important.
- *Introduce new knowledge or techniques:* On the other hand, in some more remote and less competitive regions new entrants may break with traditions hampering the economic development of farms or regions by bringing in new technologies successfully applied in other regions or possibilities provided by the internet.
- *Develop new business models based on end-users:* European agriculture has undergone significant changes over the past decades. Due to economies of scale and in order to remain economically profitable, farm sizes and external inputs have increased and labour input per hectare has been minimized, resulting in less people working in agriculture. In addition to changes in the structure of agriculture itself, European society has also changed with citizens becoming more cosmopolitan. In the Netherlands for example this has resulted in a gradual disconnection of society from agricultural production. This increased distance is not only driven by a changing society but also by the fact that corporate organizations and professional management have replaced individual buyer-seller transactions resulting in less interaction with the world outside the farm. New entrants have often worked in a professional environment in which interaction with customers, communication, creating consumer networks and so on are important determinants for success. Moreover they used to be the end-user of products themselves and often the lack of interaction between the producers and themselves as a customer was a main driver to get involved in agriculture. They bring this experience to agriculture and use this to develop business models in which the end-user is key. Because they know what value citizens attach to some aspects of the countryside and agricultural products (quality, tradition, healthy, nature etc.) they are not afraid to ask prizes for specific products based on these emotional values in contrary to traditional farmers who find these values normal and would never ask a lot of money for it.
- *Have a focus on developing more sustainable farming systems.* Many (not all) new entrants base their farm on organic or bio-dynamic farming methods. For some new entrants this is the main goal for moving into agriculture: they have criticism on the existing agricultural system and want to present an alternative.
- *Develop new organisational models:* Taking over a farm or developing a new one asks for large investments and is financially very difficult when you are not a successor of a farm. New entrants therefore look for new opportunities to fund their new agricultural businesses. In many cases they develop organisational and business models based on funding by the crowd: crowdfunding is a financing system that makes use of the crowd, a way to connect with people (through social media without making use of the traditional banking system). Roughly there are two types of crowdfunding:
 - o Pre-financing of the exploitation of the business. Examples are box schemes with vegetables or meat in which customers pay at the beginning of the year and get produce back during or at the end of the season. So the customer pays in advance and gets a return on his investment in goods.
 - o Financing of capital. The crowd is used for financing capital for land or buildings. Legislation is here more strict than in pre-financing and often this is outsourced to a crowdfunding platform. At these platforms different kind of initiatives and entrepreneurs are gathered who need crowdfunding and so provide people the opportunity to invest in a business or initiative of their choice.

We are certain that the described differences will have impact on regional economy, on social aspects of communities and on the environment. How large that impact is and how it effects the agriculture system,

regional networks and communities is not clear yet since not many data (quantative and qualitative) are available.

Research needs: missing links to understand the added value of new entrants

Much of the observations described in the above are based on perception and experience knowledge from the experts of the focus group and their respective networks. Based on this expert information new entrants have a lot of potential to revitalize agriculture, bring in new business models and new ideas and reconnect agriculture with society and so stimulate regional economy and liveability.

However, in order to bring this information into policy and develop strategies for stimulation of new entrants and or support, research is needed to validate the above described assumptions.

Research is needed on the following topics:

- On the successes and failures of well-established new entrants
- On competences and skills of new entrants
- On the (professional) background and motivations of new entrants
- On new business- and organisational models of new entrants
- On the benefits of local production models in which new entrants are involved