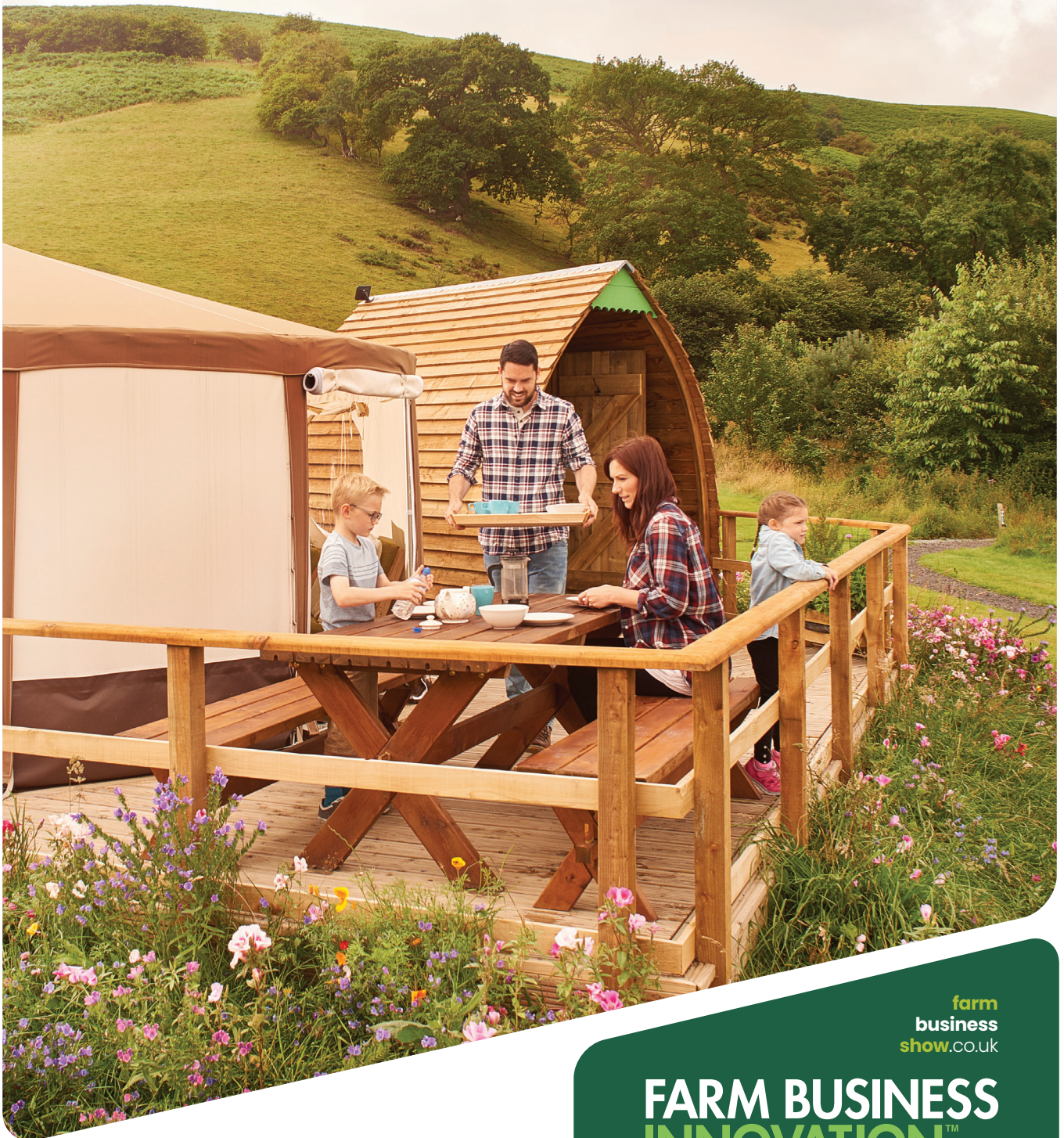


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# 2025 GUIDE TO DIVERSIFICATION



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# INTRODUCTION

Farming can be one of the most highly-pressurised and challenging sectors to work in. But one thing farmers have continued to demonstrate for centuries is their resilience and passion to keep the nation fed while coming up with new and innovative ways to sustain their businesses. It is estimated that more than half of UK farming businesses are now diversified in some way, with more and more farmers looking at alternative incomes streams in a bid to shore up their enterprises for the future.

Finding ways to generate new revenue streams for a business may seem like a tricky and daunting prospect for some farmers. Yet, farm diversification has proved to be an invaluable asset for many businesses in the agricultural sector over the years and the trend shows no sign of halting any time soon. Often, it takes just one moment for a farmer to produce an idea which can lead to life-changing opportunities which not only benefit themselves, but their communities as well.

A farm diversification can also create jobs and boost the economy, both locally and nationally. For a farm business, aside from the additional

income a new venture can bring, it can also increase job satisfaction, as well as the community spirit of working together to reach an end goal for customers and, in turn, spark repeat orders or visits.

This report will look into the diversification trends farmers and landowners can take advantage of now and in the future and the financing options available to bring them to fruition. From how to capitalise on the staycation boom in your area, to putting on a music festival or setting up a campsite on your land, we look at what you need to consider and how to make your plans a reality.



# WHAT IS FARM DIVERSIFICATION?

Farm diversification is an initiative taken to expand farm businesses and offer a new revenue stream. It can be as simple as offering bed and breakfast facilities to opening a farm shop. The end goal of any farm diversification is to bring in additional

revenue to the farm businesses and is why farmers are increasingly demonstrating entrepreneurial flair to branch out. While there is a risk to diversification, the long-term benefits could help to sustain a farm for generations to come.



# HOW MANY FARMING BUSINESSES HAVE DIVERSIFIED?

Diversification is no longer just an option, it's a necessity for many farm businesses navigating volatile markets, shifting subsidies, and evolving consumer expectations. Market trends show growing demand for rural experiences, local produce, sustainable living, and flexible workspaces, all of which create opportunities for repurposed farm buildings. From farm shops and holiday lets to storage units and coworking spaces, these ventures can generate stable, year-round income.

According to Defra, over 65% of UK farms now engage in some form of diversified activity, with diversified farms seeing an average additional income of £20,400 per year. Government support further strengthens the case, with schemes such as the Farming Investment Fund and rural development grants designed to encourage business innovation. By aligning with both market demand and policy direction, repurposing disused farm buildings becomes a practical and profitable route to long-term sustainability.

## NFU Mutual data

NFU Mutual revealed data indicating that diversification is a significant and growing part of UK farming, with 17% of farmers planning new diversifications in the next five years, and 40% of those already diversified planning to expand their

ventures. Income from diversification enterprises accounted for an average of 13% of farm turnover in 2024. Further statistics from NFU Mutual Voice of the Farmer, June 2024, with 1,650 UK farmers, revealed 34% of farmers have already diversified their farms, and 40% of those expect the importance of non-farming activity to grow over the next five years.



# 71%

of farm businesses in England had some diversified activity in 2023/24

Of those farms more than **£26,900** additional income was generated

Gov data – 23/24

# WHAT ARE THE MOST POPULAR DIVERSIFICATIONS?

The main diversified activity in 2023/24 was letting out buildings for non-agricultural use (Defra 2023/24), with half of all Farm Business Survey (FBS) farm businesses in England engaging in this activity. This was a very small increase of 1 percentage point compared to 2022/23. For 17% of all FBS farm businesses, letting out buildings was their only diversified activity. The second most common form of diversified activity in England was generating solar energy, with 27% of all FBS farm businesses engaging in this activity in 2023/24. The proportion

of farms producing solar energy had been relatively similar between 2017/18 and 2022/23, but in 2023/24 it increased by 5 percentage points to 27%. Since 2014/15, the proportion of farm businesses producing solar energy has increased by 13 percentage points. NFU Mutual said the top farm diversification ideas ranged from selling farm produce in a café or shop, renting space for storage, tourism through B&Bs, camping or glamping, or offering speciality livestock and animal services.

# EMERGING TRENDS – WHAT’S HOT AND WHAT’S NOT?

 Alcoholic drinks	 Growing flowers	 Pick your own
 Allotments	 Horse livery	 Rare breeds
 Compost	 Maize experiences	 Renewable energy
 Dog field/ training area	 Meat boxes	 Rural skills
 Events	 Natural burial grounds	 Soft play
 Farm and forest school	 Office space	 Self-storage units
 Foraging	 Pet boarding	 Viticulture
 Fruit and veg boxes	 Pet treats	 <b>See the next page</b> for an in-depth analysis of the top trends as there are actually four.

Source: The Business Barn '23 farm diversifications for 2023'



## Seasonal Events

In recent years, we have seen an increase in popularity for 'pick your own' events as a leading agritourism activity. Pairing these with the seasons limits the amount of time and effort it takes away from traditional farming practices. For example, pumpkin patch activities or Christmas tree picking. These 'holiday' activities have seen a surge in popularity, especially with families who are looking for a unique seasonal experience for their children. Pumpkins are relatively fast-growing crops, which means they require a smaller time investment. Farmers often incorporate additional activities to increase the value of the offering, such as calving, food and drinks, or Halloween-themed events. Christmas trees may take longer to grow (six to 10 years) depending on the species, however, the British Christmas Tree Growers' Association

estimates that between eight-ten million Christmas trees are sold each year in the UK, making it a lucrative diversification option.



## Storage

Offering storage is becoming an increasingly popular diversification proposition for farmers or landowners. The UK's self-storage industry is worth over £1 billion and is growing by 10% each year, according to the Self-Storage Association UK. There are numerous reasons self-storage offers a benefit to many people. They might be moving home, transitioning after a divorce, needing to store extra business supplies, or maybe they simply don't have room for large or bulky items such as bikes, lawnmowers, caravans or even boats at their home. Does your farm have a secure area? Is there space for storage containers? Self-storage might be an option for you to consider as a diversification idea.



## Rural skills

As a farmer, many of the niche skills you use daily are in high demand. These skills are often passed down through generations and aren't learned in the classroom, meaning there aren't many spaces that educate people on rural skills. Hands on skills are difficult to learn from a book and more easily acquired through a personal experience. Offering courses on the farm doesn't need to be daunting, teaching individual's animal husbandry, or animal basics can help them in their day-to-day lives. Hosting workshops on rural skills from hedge-laying, drystone walling, and sustainable farming, to gardening and cooking, could be beneficial to new entrants, smallholders or young farmers. This form of diversification allows minimal investment and could lead to apprenticeships where an extra set of hands on the farm may be useful.



## Pet treats & activities

The Covid-19 pandemic caused a boom in pet ownership in the UK. According to UK Pet Food, in the UK, approximately 57% of households, or 16.2 million, own pets. The total number of pets in the UK has increased to 38million, up from 35million in the previous year. In the UK, pet owners spent an average of £1,486 on dogs and £1,479 on cats in 2024, according to a survey by Insureyourpaws.co.uk. More broadly, consumer spending on pets in the UK reached approximately £9.89 billion in 2022. Why not try to gain a foothold in this huge market?

Consider creating your own pet treat range. Could you use homegrown or locally-sourced meat and ingredients to make your product stand out from the competition? Alternatively, with a lot of new dog owners lacking training experience, there is a demand for areas where dogs can run, free from a lead, without concern for recall or other dogs. These areas need to be safe and secure, with raised fencing to ensure a dog can't clear it.



## KEY CONSIDERATIONS FOR FARM DIVERSIFICATION

When approaching diversification, maintaining a positive mindset is essential. Taking time to assess both the benefits and potential challenges will give landowners the confidence to progress with their plans. Careful preparation and informed decision-making are critical for long-term success. Below are some key steps to help navigate the diversification journey.

### Market research

Before expanding into a new product or service, it's crucial to understand market demand and determine whether the business can effectively meet it. This involves analysing local preferences, assessing available assets, and identifying opportunities that align with the farm's unique characteristics. Many farms benefit from underutilised assets such as disused barns, storage buildings, or natural features like ponds, woodland, and pastureland. These can be repurposed to add significant value to the business offering.

If the diversification includes public engagement, such as hospitality, leisure, or tourism, understanding the local demographics is vital. In the case of higher-impact ventures such as wedding venues or campsites, it's important to consider whether the surrounding area can support increased visitor numbers. This includes potential effects on local

infrastructure, neighbours, and the guest experience. Additionally, consideration should be given to the existing team. Family members, employees or business partners may need new responsibilities or training to manage customer-facing activities. If current resources are limited, recruitment or upskilling may be required.

### Risk management

Risk management plays a vital role in securing the future of any diversified venture. One effective way to reduce risk is by taking a phased approach – starting small and scaling gradually. However, if the diversification is being pursued out of financial necessity, urgent solutions may be required. In such cases, exploring financial support options is essential, whether through grants, loans, or private investment. Ideally, farms can fund new ventures from within, but where that's not possible, sound financial planning becomes even more important.

It's also necessary to identify non-financial risks. For example, inviting the public onto farmland introduces new responsibilities, including health and safety compliance and public liability insurance.

# KEY CONSIDERATIONS FOR FARM DIVERSIFICATION (CONT)

Thoroughly understanding and addressing these considerations early will help prevent operational issues and reputational damage in the future.

## Regulations

Entering a new market often comes with a different set of legal and regulatory requirements. These can vary significantly depending on location. For example, farms located within Areas of Outstanding Natural Beauty or conservation zones may face stricter planning restrictions. Any proposal that involves new buildings, infrastructure, or alterations to access routes will need to secure the appropriate planning permissions.

Welcoming the public to the farm, whether for holidays, events, or activities, introduces additional legal considerations. These include health and safety responsibilities, risk assessments, and appropriate insurance coverage. It's also important to review how diversification could impact the business's tax obligations, such as Income Tax, Capital Gains Tax, or Inheritance Tax.

Seeking early advice from professionals is highly recommended to ensure full compliance and future-proofing.

## Brand consistency

A consistent brand identity is essential when launching a new venture. Farming enjoys a positive reputation among the public, often associated with trust, natural products, and authenticity. When creating a new business arm, it's important to build on this existing reputation to establish trust and customer loyalty.

Clarity around the new business's mission, values, and unique selling points will guide decision-making and customer engagement. Clearly defining what the new venture stands for and the value it brings to customers allows for more targeted communication and stronger branding. Consistent messaging, across marketing materials, social media, signage, and customer service, will reinforce the business's identity and help it grow within a competitive marketplace.



# HOW MUCH DO BUSINESSES EARN FROM DIVERSIFIED ENTERPRISES?

In 2023/24, farms with diversified activities had an average diversified enterprise income of £26,900, according to Defra figures. Across all farm types, the most profitable form of diversified activity was letting buildings for non-farming use, with an average enterprise income of £23,900. Tourist accommodation/catering and processing/retailing of farm produce both had a similar enterprise average income generating between £13,000 and £19,500 respectively. Across all farms, net income from agri-environment activities increased by an average of 14% to £10,600. Despite solar energy being the second most common form of diversified activity, income from this source remained small. Farms producing solar energy made an average of £3,200 from this activity. However, income from solar farms can vary significantly based on factors like system size, location, and whether the energy is exported or used on-farm.



## TREND OF RELATABLE DIVERSIFICATIONS

### What is a relatable diversification?

If you ever come across the term 'relatable diversification' it will likely be your bank manager or funder saying it. It is a way of capitalising on farm visitors and extending their visit time by boosting the offering with a whole experience. Examples include pick your own units adding a farm shop, cafe/restaurant, kids' farm play park and ice cream trucks. Farm campsites could offer some retail for camping supplies as well as food. A farm park may decide to add a restaurant or on-site catering to cater for the whole family.

### Tax planning

Ensure the relevant tax issues are being addressed by considering the following questions before entering into any agreement for an event to take place on your land or site:

- What is the landowner's involvement – is it purely a rent received for the use of the land by a third party? · Should VAT be charged on that use?
- Will VAT be recoverable on any related costs incurred with the event?
- How will income be taxed in the hands of the recipient?

- Does the occupation of the land for an event (such as a festival) have an impact on Agricultural Property Relief that might otherwise be available for Inheritance Tax purposes?

### Ask the expert: Tax pitfalls when hosting on-farm music festivals

Nick Hart, director of Saffery Champness, says: "There is a misconception that complexities and risks only arise with larger major events, but even those putting on something much less extravagant, with only a handful of people attending, need to consider how that might affect their tax liabilities, and the implications the event might have.

"For example, there can be consequences for both Inheritance Tax and VAT, and not taking these into account at the time could prove to be very costly in the future. Also, provided certain criteria are met, the tax position of the individual who owns the land can be much improved if they run the event themselves, or enter into a joint venture with the organiser."

### VAT considerations

For VAT, the major consideration is whether VAT is due on any rents or licence fees received. This is not just a case of whether the land has been opted to tax by the landowner, or the party which was the beneficiary of the income.

## TREND OF RELATABLE DIVERSIFICATIONS (CONT)

Even when the land or site is not opted to tax, such income is still subject to VAT where the licence being granted, or the pitch hire, goes beyond a passive licence to occupy. Any additional service or support provided will often mean the income received is subject to VAT and not VAT exempt. Admission tickets, granting facilities for car parking and also the provision of camping pitches are all supplied subject to VAT.

Arrangements regarding certain types of event can be complex, with the site owner for example often acting as an agent for owners of artwork who are exhibiting their pieces for sale during an event such as an art fair. The site owner may take payment from attendees purchasing those pieces and receive a commission for doing so. The site owner would then need to be mindful of the value of its supply as agent, to ensure the correct VAT accounting.





# ASK THE EXPERT – SELF-HELP FINANCE GUIDE FOR FARMERS CONSIDERING DIVERSIFICATION

As changes in farming policy continue to impact the industry, with reductions in support payments and a new focus on reducing carbon on-farm, many farmers are considering how they can diversify their income streams to support their businesses in the future.

Stephen Buchan, Virgin Money regional head of agriculture in Scotland, suggests how farmers should plan and prepare for the investment they will need, and outlines what the bank will be looking for in any funding application. Mr Buchan says: "At Virgin Money, we work closely with all our farming customers to understand and support their plans, and it helps to engage with your bank manager as early as possible. As a lender, the bank is ideally placed to support you in developing your proposals to secure the funding you need, but your own pre-planning is key, and here are my top tips on what you need to prepare."

There are many options for farm diversification, but what works for one farm may not for yours, so research is essential.

**Here are Mr Buchan's top tips on what you need to prepare:**

## Advice

Seek professional advice as early as possible and from whatever source is available, such as accountants, solicitors, or land agents and never forget to discuss with family. While not exhaustive, typically, funders will be looking to satisfy themselves on the following:

- Have planning approval and permissions been considered and approved? Funders will typically require sight of these depending on the project size.
- If you are looking at re-purposing or erecting a new building, has this been costed and competitively quoted?
- Does the venture require licensing and if so, is it in place?
- What corporate structure will the venture take, such as a new limited company?

## Ensure you have a coherent and well-thought-out business plan

Typically, the bank will require a business plan. When you enter into any new venture, whatever the size, a detailed business plan allows the lender to review the commerciality and viability of the investment. Assume the reader of your plan has no idea about

the business but prepare on the basis they are experts, create a clear summary page covering what you are planning, how much funding you require and how you are going to pay it back.

**Your plan should also cover issues such as:**

- What makes the venture unique or different, such as location, nearby points of interest, etc?
- What is the local competitive environment? Is it assessed in the business plan?
- How are you going to market your offering, such as social media will feature in most business plans, but what platform, what content and why?
- Do the numbers look too good to be true? If so that is how the lender may view them.
- Spell out assumptions and the research.

## Know what the lender wants

You must expect and prepare to be challenged on the numbers. They are your numbers and you need to fully understand them, but funders challenging your numbers is the best way to ensure they are robust.

**The lender needs to have confidence that every aspect of your proposed investment stands up to scrutiny, so they are looking for a business plan that shows them:**

- A proposition that is well considered and well researched.
- A balanced funding proposal, clearly defining your stake in the new venture.
- Contingency Plans B and C if the proposed business levels are not achieved.
- The route to the return of their funding and when you have done that underpins the numbers you are presenting.
- Have you budgeted for different scenarios such as best, worst, most likely, etc?
- Remember cash pays back loans, not profits. Does your plan spell out the cash cycle of your new venture?
- Never under-estimate the repairs and renewals in say hospitality. The product has to be like new for every customer. Online reviews can devastate a new venture.



## ASK THE EXPERT – SOURCE UK CROWDFUNDING ASSOCIATION

### Could you finance your project through crowdfunding?

Crowdfunding is a way of raising finance by asking a large number of people each for a small amount of money. Traditionally, financing a business, project or venture involved asking a few people for large sums of money. Crowdfunding switches this idea around, using the internet to talk to thousands – if not millions – of potential funders. Typically, those seeking funds will set up a profile of their project on a website such as those run by our members. They can then use social media, alongside traditional networks of friends, family and work acquaintances, to raise money.

### Donation/reward crowdfunding

You must expect and prepare to be challenged on the numbers. They are your numbers, and you need to fully understand them, but funders challenging your numbers is the best way to ensure they are robust. The lender needs to have confidence that every aspect of your proposed investment stands up to scrutiny, so they are looking for a business plan that shows them:

- A proposition that is well considered and well researched.

- A balanced funding proposal, clearly defining your stake in the new venture.
- Contingency Plans B and C if the proposed business levels are not achieved.
- The route to the return of their funding, and when.

### Debt crowdfunding

Investors receive their money back with interest. Also called Peer-to-Peer (p2p) lending, it allows for the lending of money while bypassing traditional banks. Returns are financial, but investors also have the benefit of having contributed to the success of an idea they believe in. In the case of micro-finance, where very small sums of money are lent to the very poor, most often in developing countries, no interest is paid on the loan and the lender is rewarded by doing social good.

### Equity crowdfunding

People invest in an opportunity in exchange for equity. Money is exchanged for a share, or a small stake in the business, project or venture. As with other types of shares, apart from community shares, if it is successful the value goes up. If not, the value goes down.





## CONCLUSION

Diversifying is a rewarding challenge and is essential for a sustainable future. While it may require significant effort and careful planning, the benefits of diversification outweigh the challenges.

By expanding into new crops, activities, or value-added products, you will create multiple income streams, reduce your dependency on a single market, and better withstand economic fluctuations.

You can avoid unnecessary stress by starting to plan now. Consider conducting market research,

exploring Government grants or incentives for diversification, and speaking to other farmers who have successfully diversified.

By taking these proactive steps, you can ensure your farm remains as profitable and sustainable as possible for years to come. The Farm Business Innovation Show, taking place this November at the NEC Birmingham, is equipped to provide you with all the tools and knowledge you need to kick-start your diversification journey.

Register today  
for your **FREE** ticket

