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Why Do Farming Families Diversify?

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Foreword

Farm diversification is common to rural landowners across the developed world. Within Australia, diversification is being promoted as a system to build economic resilience for farming families. Diversification has been defined in many ways but, in the context of this report, it has been defined as the addition of another stream of farm-based income to supplement the existing source/s. Over time, the diversification enterprise may overtake and replace the original core business.

In recent years RIRDC has funded a number of projects examining the changing environment of Australian farming and the role that diversification can play. This project aimed to add to the current knowledge of farm enterprise diversification in Australia from the farm family perspective by researching and collecting their reasons and motivations for diversifying and examining their decision making processes, their information needs, and their common traits.

This report reviews Australian and international farm diversification literature and pertinent issues. The literature suggests that there are many benefits to diversification, and that some farming sectors are more likely to diversify successfully than others. Based on these findings, a study of 25 Victorian farming families who had diversified their farm enterprises was conducted.

The study found that drivers encouraging diversification include creating opportunity for family involvement (children, siblings and partners), lifestyle choices and spreading financial risk. The advantages of diversification were spreading risk, increasing interest in the farm, the challenge of a new business, learning new skills, developing an understanding of where personal strengths lie, and being a part of new networks. Disadvantages discussed were increased workloads with subsequent less 'free' time, and the difficulties associated with marketing and distribution of the new product, principally because of unfamiliarity with the new supply chain.

The report recommends that people contemplating diversification should carefully consider the impacts of diversification on their families, taking into account tolerance of debt and attitude to risk. It also recommends that statistics be collected by Government on diversification so that an informed view of the current trends can be developed. It also recommends that diversification should be only one of a number of ideas put to farm families dealing with structural adjustment.

This project was funded by both RIRDC core funds, which are provided by the Australian Government, and by the Department of Primary Industries, Victoria.

This report, an addition to RIRDC's diverse range of over 1600 research publications, forms part of our Rural People and Learning Systems R&D Program, which aims to improve productivity, environmental sustainability and wellbeing in rural and regional Australia through R&D that contributes to building stronger and innovative institutions, communities, group activities and personal capacities.

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Abbreviations

ABS	Australian Bureau of Statistics
DPI	Department of Primary Industries
OJD	Ovine Johne's Disease
CAA	Competitive Agricultural Activity
EU	European Union
OGA	Other Gainful Activities

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Executive Summary

What this report is about

Farm diversification is common to rural landowners across the developed world. Within Australia, diversification is being implemented by farming families and promoted by extension personnel to build economic resilience to maintain rural landscapes and communities in the face of increasing financial and environmental pressures. This report is an attempt to better understand why farming families diversify their on-farm activities and what the outcomes of those diversifications are.

Who is the report targeted at?

The report is targeted at farm families who are considering diversifying, as well as Governments and other regulatory bodies to provide a greater understanding of the social implications of diversifying enterprise activities on a family farm. It is hoped this information also will be used by policy and decision makers.

Background

In 2002, RIRDC published “*Costs and benefits of diversification: whole farm case studies*” by Campbell White & Associates and Professor Alan Black (Campbell White & Associates and Black 2002). While focussing primarily on the financial costs and benefits of diversification, the research also examined and recorded the experiences of farming families which had embarked upon such courses of action.

After examining their key messages, questions still arose inviting further examination, namely:

- Are economic considerations the primary driver for farm families diversifying?
- Who is involved in the decisions about diversification?
- What do farm families regard as a successful diversification?

This project aims to add to the current knowledge on farm diversification in Australia by focussing on the farming family unit to ascertain their drivers, decision making processes, motivation, information needs and common traits.

Objectives

The specific research objectives were to:

1. Gather and record the definition/s of diversification by Australian farming families.
2. Explore the criteria of what constitutes successful diversification in one region of rural Australia (north-eastern Victoria).
3. Develop an understanding of any trends that inspire diversification and gain insight into the different market segments and their information needs for diversification.
4. Explore the demographic characteristics of farming families who diversify, define which, if any, traits they have in common and what the primary motivation/s for diversification were.
5. Identify the different roles that family members may play in the decision-making process leading to diversification.

Methods Used

After an initial literature review to further scope and define the project, semi-structured interviews were conducted with 25 farm families in North East Victoria. Farm families were eligible for participation in the study if:

- their main farm was located in North Eastern Victoria
- they were a family-owned farm, not a corporately-owned business
- they had introduced a new enterprise into their business that was not traditionally practiced in the region (anything other than cattle, sheep or cropping).

Results

Farm enterprise diversification has been defined in many ways but, in the context of this report, it has been defined as the addition of another stream of farm-based income to supplement (or eventually replace) the existing source/s.

Diversification at the farm level generally excludes simple land use change (eg. changing from growing carrots to emus) but rather refers to the addition of an enterprise (eg. growing carrots *and* emus). From a landscape perspective, land use change at the farm level may be regarded as diversification when the entire property is considered. With reference to the term ‘diversification’ the inclusion of off-farm income and the use of the definition “traditional” enterprises should also be examined carefully.

An understanding of the general trends relating to diversification is difficult to attain, particularly in light of the different definitions used when researching diversification internationally. The general sentiment in the literature was that the number of farms choosing to diversify is increasing (Martin et al. 2000; McElwee and Warren 2003; Chaplin et al. 2004), however there was no statistical data available to back this up.

In Australia, the Australian Bureau of Statistics (ABS) does not collect data in a form that enables diversification information to be easily extracted. In addition, the ABS does not collect data about activities such as aquaculture or farm forestry in the Agricultural Census (from where information about farming enterprises is generally gained). Therefore, it is almost impossible to quantify records of the numbers and types of diversifications within farming enterprises.

Emergent themes

A number of key themes and common traits relating to the subject were identified from the interviews with the 25 farming families which had embarked upon diversifying their farm enterprises. These themes and traits included the following:

- Among the drivers encouraging diversification were: creating opportunity for family involvement (children, siblings and partners), lifestyle choices and spreading financial risk.
- Successful diversification for the farming families surveyed included a positive mix of financial and social outcomes.
- The advantages of diversification included: spreading risk, increasing interest in the farm, the challenge of a new business, learning new skills, understanding where personal strengths lie, having new experiences, meeting new people and being a part of new networks.
- A range of disadvantages was discussed by farm families in this study and placed into two categories: increased workloads with subsequent less ‘free’ time, and the difficulties associated with marketing and distribution, principally through unfamiliarity.

As a group, the farm families interviewed for this project could be described as involved and passionate about what they do. They appear to have a high tolerance for debt and, possibly as a result of this, frequently had more than one diversification. These farming families are lifelong learners and usually favoured learning through networks and other informal channels, although most had taken part in some formal training courses.

All the farm families interviewed were very knowledgeable about their businesses, with the majority having conducted significant research into their chosen activities. Generally these families were also very aware of their own strengths, weaknesses and needs. There appeared to be a very strong partnership mentality among the family units, with all members equally involved in decision making. Perhaps most importantly the rewards and frustrations of being a primary producer and *entrepreneur* were shared.

Recommendations

Prior to embarking upon diversifying the farming enterprise activities, there are recommended checklists available from a variety of sources to ensure all aspects have been considered to prevent potential financial losses and stress. These criteria also provide a fuller understanding of issues associated with diversification from the personal, local, regional and legislative perspectives.

Recommendations from the interviewees to other farming families when considering diversification were to:

- take into account life stage/s
- estimate the workload involved in your chosen diversification
- spend some time with your family discussing your tolerance for risk and debt
- consider investing off-farm as well to provide a reduction in vulnerability to market fluctuations
- spend some time understanding the priorities of your family
- research and network with other farmers and business people already engaged in this activity
- consider whether the diversification complements and/or integrates with your existing business.

Recommendations for Government from the author were to:

- collect statistics on diversification to develop an informed understanding of the process
- not recommend diversification as the only option for structural adjustment issues
- consider the way diversified farms are serviced by Department extension staff as most farm families see their diversified farms as one integrated business and not a sum of its component parts
- guarantee water access and quality for farms so farming families will be prepared to invest in the infrastructure and labour requirements of a diversified farm.

A recommendation for Government from interviewees was to:

- increase the number of knowledgeable Department on-ground staff to provide up-to-date information on new and emerging crops and (farming) industries.

Ultimately, there is a manifest desire for rural and regional communities to become more profitable and even reverse the trend of population decline. To achieve this, Governments and other regulatory bodies need to have a wider understanding of the economic, social and environmental implications of the process of diversifying a family farming enterprise and it is hoped this information will be used to inform decisions made on rural policy and service delivery.

Introduction

The future of agricultural producers and rural communities in Australia is becoming increasingly uncertain for a variety of reasons. Consequently, the number of family-operated farms is declining dramatically with approximately 15 leaving agriculture in Australia each week, those living in farm households (with an average age of 55) are older than the general population, and the number of hours worked per week by farmers is approximately 60 (Alston 2004).

The change in the fortunes of the rural sector is, of course, not unique to Australia.

Globalisation and other economic and social forces from the prevailing market economy, government policy and technology are at the forefront of changes being experienced around the world (Chaplin et al. 2004).

One repercussion of these factors in most developed countries is over-production in some agricultural sectors and resulting widespread environmental problems. A growing awareness of overproduction and environmental issues has contributed to what is regarded as a post-productivist period (Ilbery et al. 1997).

This was defined by Bradshaw (2004) as-

A shift from focusing on maximizing productivity for the least cost, to meeting multiple goals, including producing quality food, building rural capability and meeting environmental goals.

In examining the future of the Australian rural landscape, Barr (2003) wrote –

The rise in prices for land of high amenity value leaves limited capacity for farmers to purchase additional land to maintain competitiveness in the face of declining terms of trade.

In light of this situation, he identified options for landholders including i) buy more land (at prices beyond its value for agriculture), ii) to sell their current property with high amenity value and buy in a lower amenity value location or iii) increase productivity on the existing land by diversifying.

Farm enterprise diversification could be seen to be an attractive pathway for those without the capacity or willingness to take the first two options.

Background to the Project

In the 2002 RIRDC publication “Costs and benefits of diversification: whole farm case studies” by Campbell White & Associates and Professor Alan Black (2002), focus was primarily on the financial costs and benefits of diversification. They also examined the experiences of farming families and identified seven key messages:

- Successful farm diversification requires thorough planning and a realistic assessment of personal objectives, skills, resources and market prospects.
- Choosing the most suitable form of diversification is a critical decision and is influenced by many factors. Thorough investigation of diversification options helps to reduce risk.
- The structure of the farm business needs careful consideration when diversifying into new enterprises.
- The case studies included farm businesses which took the shortest time to break even and generally had a much lower level of initial investment into diversification. These businesses also tended to choose a form of diversification that generated a steady income almost immediately.

- Expansion of the diversified business should occur gradually, in line with the ability of the business to generate cash flow to support the expansion.
- One of the most common themes throughout all of the case studies was the importance of developing and maintaining good business relationships.
- Successful marketing is critical to the success of the business. Regular feedback from clients helps to ensure you are providing a top quality product or service and helps to gauge the success of your marketing strategy. (Campbell et al. 2002).

After examining their key messages, further examination was required to answer the following –

- Are economic considerations the primary drivers for farm families to diversify?
- Who is involved in the decisions about diversification? and
- What do farm families regard as a successful diversification?

This project adds to the current knowledge on farm diversification in Australia through focussing on the farming family unit to understand their drivers, decision making processes, motivation, information needs and common traits. As a consequence, this project interviewed 25 farm families in north-eastern Victoria to examine the family's motivations for diversification, the decision processes utilised and the learnings from their experiences.

The results provide a richer and more descriptive picture of the characteristics, circumstances, outlooks and attitudes of these farming families so other interested people can benefit from the research and experiences.

Defining Farm Diversification

There are two reasons why it is important to define precisely what is meant by farm enterprise diversification and what it isn't. Firstly, it needs to be defined for the purposes of measuring the activities, both temporally and spatially, as multiple and/or vague definitions will lead to imprecise results. Secondly, some definitions of diversification may not include changes in economic, social and environmental benefits. Diversification which merely involves the replacement of a primary farm activity with another may not deliver as much in terms of environmental or economic benefits than a farm with multiple activities.

The reviewed literature contained many definitions of farm diversification, however most commonly cited was '*the introduction of a non-traditional source of income into the pre-existing farm business*' (Campbell et al. 2002; Meredith 2003; Bradshaw 2004).

Campbell et al. (2002) add to their own description of diversification by dividing it into two sub-categories: agricultural and non-agricultural. Agricultural diversification includes the introduction of additional farming enterprises (eg. beef cattle, aquaculture or tomato growing). Non-agricultural diversification, on the other hand, involves incorporating non-farming activity onto the farm business (eg. farm-based accommodation, on-farm processing of food, leasing land for non-agricultural purposes or value-adding to existing enterprises).

The definition of farm diversification to be used for this research is - ***the addition of another source of farm-based income to the existing income stream*** (eg. a beef enterprise that also has emus). The main criterion for the use of this definition pertains to risk. It is contended that the highest levels of risk will occur when a farm business takes on a new activity, particularly an activity with which the farming family is unfamiliar with while still running their existing enterprise. Development of off-farm income (such as

one family member working off the farm or share and/or real estate investments) is not included in the definition of farm diversification used in this study.

While the above definition is the most appropriate definition for this research, it is noted that in other contexts this definition could be detrimental to objectives being sought. This is particularly so for government policy purposes, where sustainability is becoming more and more of an issue, when a more stringent definition of farm enterprise diversification may be necessary. It is argued that the type of farm diversification being promoted by government should have the maximisation of overall sustainability as its ultimate aim, and that the definition of diversification in the future should reflect this aim.

Formal policy environment operating at a national, regional and local level

Feedback

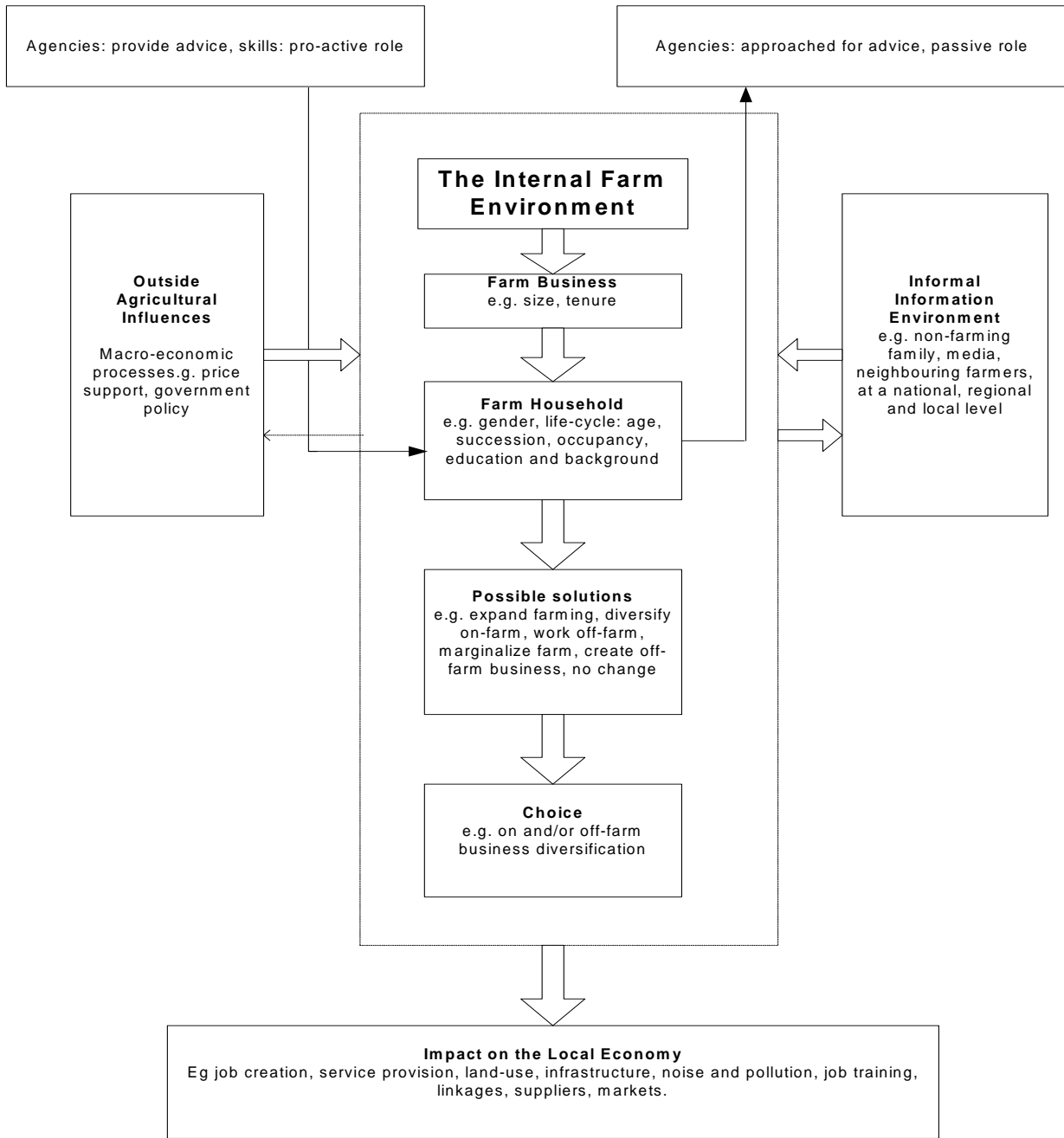


Figure 1: Internal and external factors affecting farm diversification: a conceptual framework (adapted from Ilbery 1997)

The model above shows these factors and their interaction with the external environment, And is an attempt to simplify the complexity of the many factors involved in farm diversification.

Methodology

As already noted, finding a common definition of farm diversification wasn't easily forthcoming so an Australian and international literature review was undertaken to ascertain the scope of definitions to be applied to this research project.

The literature review was also conducted to investigate the areas of:

- What constitutes successful diversification?
- What have been the diversification trends in other countries? and
- How has farm enterprise diversification affected farming families and rural economies internationally?

The findings of the literature review were invaluable for this study with the final and preferred instrument being a questionnaire to survey the uptake of diversification within the study region, and the characteristics of farming families involved. However, finding relevant families wasn't simple.

The research team also had hoped to utilise the Victorian Government's Farm Diversification Service, which was run from 1997 to 2001 to contact farms that had diversified. The Farm Diversification Service had compiled a database of people who had contacted them for information about diversifying, particularly information on running non-traditional enterprises. Unfortunately, the contacts were simply a one-off record of enquiry and did not include any follow-up information about actual diversifications. There were too many records to call to follow-up to determine if actual diversifications had taken place (almost 5000 records). We also felt the source may have skewed the sample towards those who accessed DPI services particularly as we were interested in understanding all the information sources farmers used to gather their diversification information.

A number of commodity-specific industry associations (eg. alpacas, olives) were happy for the research team to use their mailing lists to survey diversified farm families. However we felt this would have skewed the sample towards those few industries and would not have been representative of the total diversified farming community.

As the research questions largely centred on motivations and circumstances it was felt a qualitative interview method would result in gathering the most useful data. Consideration was especially given to identifying the factors which may have driven the diversification behaviours of the farming families and the wide range of activities they may have undertaken. Similar methodologies were used by Stayner and Doyle (2004) in their study so a series of semi-structured interviews were planned for this project.

A total of 25 interviews were conducted, on each family's farm, usually with two interviewers present and all events were recorded and transcribed. The interviewees were guaranteed confidentiality and advised the recorder could be turned off at any stage. (Please see Appendix A for The Interview Guide.). A grounded theory approach (Glaser & Straus, 1967 cited in (Hunter 2004)) was used in the analysis of the transcripts and a coding system using *NVivo* software was used to identify any common themes emerging from the information

Family Selection

Farm families were eligible for participation in the study if:

- their main farm was located in North Eastern Victoria
- they were a family-owned farm, not a corporately-owned business
- they had introduced a new enterprise into their business that was not traditionally practiced in the region (eg. something other than cattle, sheep or cropping).

A combination of identification by DPI staff and “snowballing” was used to identify and select study participants. Staff at the Benalla DPI office provided contacts for diversified family farms and, from that point, initial phone calls were made to determine if the families fitted our criteria and were willing to participate in the study. They also were asked to suggest others they knew doing similar activities.

A variety of enterprises were undertaken by the farming families interviewed with most having an original income generated from grazing sheep and/or cattle or, mixed grazing and cropping enterprises. Three dairy properties and one non-traditional enterprise were also interviewed. The mix of activities was typical of farm activities in the North East region. (The crops each farm diversified into have not been listed to ensure confidentiality.)

Only one of the farm families interviewed was intending to move out of their chosen diversification business. We had hoped to include other families who had either tried a diversification and had changed direction, or were in the process of moving out of their new enterprise but, very few farm businesses which met the criteria for the study and agreed to be interviewed fell into this category

When writing up the research, individual family details have been removed to maintain confidentiality and a selection of case studies provide examples of the drivers and processes employed by some farming families in their transitions.

Diversification as a Survival Strategy

There are suggestions that farm enterprises engaging in diversification can have positive impacts in terms of spreading (financial and human) risk, increasing product diversity, food security, income stability and employment opportunities, enhancing rural development and improving natural resource management (Campbell et al. 2002; Culas 2003).

Taking this to be true, understanding the process and thinking behind diversification is necessary to systematically explore and evaluate the consequences of diversification for industries, farming families, and regional and rural communities. This knowledge will assist all stakeholders to make informed decisions about appropriate diversification for their individual situations.

Research Results

Twenty five farm families were interviewed during the course of this project with descriptions as follows.

- 20 were couples with children (In nine cases, the children were adults living off-farm)
- three were couples without children
- one was a single male household
- one farm was run by two females.

Twelve of the farm families fell into the 45-55 year old age bracket. Eight were over 55 years of age and five were under 45 years of age.

On the 25 farms, there were a total of 45 diversifications (excluding four off-farm diversifications) with most farms having more than one. Thirty-three of these fell into Campbell *et al's*. (2002) definition of agricultural diversifications with six related to animal production and 27 to plant production with most of the plant based diversifications in horticultural commodities. There were 12 non-agricultural diversifications including nine of processing and three tourism ventures.

Most of the participants were keen to remain diversified with two claiming they should have stayed with what they knew, and only one was withdrawing from the new enterprise altogether.

Case Study 1 – From dairy to raspberries for jams, ice-cream, frozen whole raspberries and wine

The importance of marketing cannot be overstated. Many diversifications are specialised or value-added products that tend to have niche markets, which may be accompanied by a great deal of price volatility as in the following story.

Paul and Rachel have a long history of farming with only a small proportion of the original family farm left after it was broken up and sold off to family members. Originally a dairy, and much of their land quite steep, they have focussed on high value horticulture for the flat parts of their farm, run cattle on the steeper country and have fenced off bush remnants, revegetation and wetland areas.

The decision not to continue dairying was made whilst Paul was at Agricultural College and he wasn't keen on the hours involved. Whilst on a college tour, he had seen a prototype raspberry harvester which piqued his interest. Initially looking at raspberries as a way to improve the soil to grow lucerne, the expected outcomes didn't eventuate but they are happy with their now substantial raspberry crop.

They started with the majority of the crop being sold fresh in punnets and some as 'pick-your-own'. It soon became clear that the cost of public liability insurance and labour, including the huge amount of time spent on administration involved in employing labour, were unsustainable.

A major problem was in the transporting of the perishable fruit to markets in Melbourne and Sydney with product often treated roughly, left out of cool rooms for extended periods or was simply not transported at all because there was no room left on the truck by the time it reached them.

To counter the losses out of their control, developing a frozen product meant lower labour costs as mechanical harvesting was sufficient, and they had more control over the condition of the end-product at its end destination.

While moving to frozen product has been easier in many respects, there have been other challenges to secure stable markets. Most of the raspberries used in Australia for processing are imported resulting in prices below the cost of production in Australia.

The hardest thing, when you are doing your marketing, is to set your price keeping in mind you need to be competitive with world prices, because the world product will come in. You have to produce at the same price, without dropping your price, and keeping it so it can always go up in little increments. Since we started with the processing, we have never had a price decrease, we have always kept it going in little increments. We are price makers rather than price takers, that's important, and we have always had that focus of supplying a product that is better quality than can be obtained from overseas.

Soon after deciding on supplying a frozen product, Paul and Rachel started supplying a company that differentiated itself in the market by being an all-Australian product; however, the Asian financial crisis saw much of their market collapse and Paul and Rachel again found themselves searching for buyers. They now sell their product to a range of buyers for jams, ice-cream, frozen whole raspberries and wine.

Photo here

Drivers for Diversification

A principal aim was to investigate the drivers influencing the decision to diversify and can be classified into three segments:

1. Financial
2. Family circumstances
3. Lifestyle.

While both family and lifestyle incorporate elements of financial drivers within them, the financial components were not necessarily the primary drivers and, therefore, further segmentation was justified.

Maintaining farm viability by increasing income is the most commonly mentioned driver for diversification. In a study conducted by the Centre for Rural Research in England, six out of ten farming families identified increasing income as the most important reason for diversifying (Centre for Rural Research 2002). Another research project in the United States conducted by Nickerson *et al* (2001) found 61% of farming families diversified for economic reason, 23% for reasons external to the existing business and 16% for social reasons. Increasing the value of the family farm for its transition to the next generation was also a driver.

As the financial drivers for diversification in this project were consistent with those discussed in the literature (Bowler *et al.* 1996; Campbell *et al.* 2002; Centre for Rural Research 2002) this report has focused on the key areas of family and lifestyle.

Case study 2 – From wheat and sheep station to vineyard

Being versatile and open to new opportunities is a common characteristic amongst diversified farmers. In many cases, new farm opportunities arise from chance events.

In the early 1990s, when their two children were in their early teens, Jim and Emily realised their wheat and sheep enterprise wasn't going to provide enough income for the whole family if the kids decided to return home to the farm after completing school. Jim and Emily bought a new property to add to their existing sheep and wheat farm in 1994. In 1995 they decided to plant 20 acres of grapes and have continued to plant a bit more each year.

Jim fell into winemaking because he had some grapes his contracted winery didn't want. A friend offered to help him make his first batch and also some the next year that was intended for his own use. However, a visitor to the property tasted the wine and offered to buy it all then and there! Jim thought there might be something of value in all this, he developed a label and began selling in 1999.

The family continued to run sheep, including a stud and, until recently, maintained some cropping as well. However, they decided that dealing with wheat and barley boards isn't worth the effort and will concentrate on the sheep, wine making and grape growing.

Jim sees the main advantages of diversification as evening out the cash flow of the business but notes it's only relative. He says that the percentage you keep is the same, there's just a greater income and expenditure. The enterprises they are currently running have provided enough work and turnover to enable the kids to return to the farm, an opportunity that didn't exist before.

Jim says he gets bored pretty quickly and that is one reason why they diversified. He also likes the idea that he can grow something, bottle it and drink it. With his other products "once it leaves the farm it's out of your hands, whereas this you can follow right through".

Jim's marketing strategy is to stay small so he can keep control of things and not to make too much wine – always a case less than demand. He works closely with a distributor in Melbourne and runs a mail order service through which almost 50% of his Shiraz is sold.

He also says that you've got to be a bit careful about what you get into and when. He considers himself 'lucky' as wineries were contracting people to plant vines when he started but now you have to grow good fruit to get a contract. However he believes there are opportunities in everything farmers do. 'Be passionate about whatever you do' is Jim's belief.

If you are just going to do it for the quid, at some stage you are going to get disillusioned because as everybody diversifying knows, there is a period where you just don't make any money at the start (of that diversification). Unless you are pretty passionate to see it through you are not going to do much good. That is the most important thing I find. You have to be pretty keen. You have to love it, because if you are not loving it you are not doing it well, and if you are not doing it well you won't make any money. If you aren't making any money at some stage something is going to break down, whether it is your marriage, or the farm, or your bank manager.

Jim employs around 100 hours of labour a week with this figure varying seasonally. One disadvantage Jim sees with diversification is that he and Emily don't get to do as much of the farm work as they'd like.

I actually enjoy working, getting my hands dirty, and I think when you get to the stage we're at now, I don't get enough time to actually get out and work. I'm tending to be more of a manager. And that is the thing I miss the most. I still get my hands dirty, but it is actually getting the time to enjoy getting your hands dirty. Everything is in a bloody rush and I just haven't got quite the time to do what I want to do. So I tend to work on weekends when nobody else is around.

Diversifying has put a lot of stress on the family. When they were growing the business, the financial pressure was the focus and now it's about juggling the time. Starting the vineyard with very little financial backing meant doing things themselves.

I just got out and worked hard and spent a lot of hours out there. At that time I had plenty of time. I was running sheep and wheat and I had nothing to do in late spring and after the harvest was off, I had nothing to do in the autumn.

Now the children are at university, neither is showing any interest in coming back to the farm which is frustrating as providing farming options for their children was one of the prime motivations for diversifying. Jim and Emily also wanted to get to the point where they could say that they like living where they live and that they didn't want to do anything else. Jim thinks they are at that point. While he wants to become an 'over the fence' manager when he retires, Jim's thirst for new challenges currently has him looking at a new diversification into the nut industry.

Photo here

Family Circumstances

Under this criterion, the following situations were identified:

- Family members (other than children) returning to the farm after a period of time away requiring the farm to increase its (human) carrying capacity or to give each sibling responsibility or autonomy within the farm family business. For example:

My brother wanted to come home to the farm and, with the existing enterprise arrangement, there wasn't room for everyone here so we started to look at options.

- Providing room in the family farming business for children to return to the farm. This was either to increase the overall human carrying capacity of the farm or, to give children an operating, independent business of their own if or when they returned to the farm. This second option appeared to be motivated equally by wanting to provide financially for their children and also to make returning to the farm an attractive option for them. All families who identified this as a driver had stated a desire for their children not to be waiting around for them to retire or die before having their own income and responsibility.

- The number of children inheriting parts of a property that is then too small to profitably and sustainably farm as the existing enterprise. In one case the family movements had meant the original family farm was now broken up into seven separate holdings between two generations of the family.
- Incorporating a partner/spouse onto the farm. In three cases in this study the farm family diversified their operations to accommodate the female partner, who previously had off-farm employment, moving back to work on the farm. Usually the diversification chosen was something that interested the female partner and was intended to be less physically demanding than the traditional enterprises (eg. less moving cattle around or lifting).
- A definite correlation was found between the decision to adopt farm diversification and stages of family dynamics. Ilbery (1991) noted when children are under 11, the need for extra income motivates farmers to seek both on and off-farm income. When children are between 11 and 16 there is a tendency for off-farm income to be sought but when the children are older than 16, on-farm diversification becomes more important, indicating a desire to provide employment for family members. Taylor and Little's (1999) study of diversification in New Zealand, also reported on the relationship between life cycle and adoption of farm diversification enterprises, stating that farmers who diversify tended to be advanced in their life cycle, as families who are early in their life cycle find it more difficult to afford the extra capital required.

Lifestyle

Common to agriculture is the close relationship between business and lifestyle goals and, as quoted by Shadbolt and Rawlings (2000), the family farm business *'mixes emotions and sentimentality with objectivity and rational calculation'*.

Similar sentiments underpinned the reason to diversify by a number of farm families involved in this project. For one couple in particular it was a desire to stop chasing after livestock as they aged which led them to develop their new enterprise while winding back their former business.

....there is a lifestyle that had as much appeal as other things. We were not in a position of lifting heavy items around and we had the potential to develop the [crop] and, as [partner] mentioned earlier, control the end market.

Gasson's (1973) study of the goals and values of farmers in general, helps to illuminate why farmers farm, and assists in predicting why some may engage in farm diversification. This study found that smaller-scale farmers place a high value on intrinsic aspects of farming, especially independence, but also an enjoyment of the work, and a preference for a healthy outdoor farming life

A number of farm families mentioned 'interest' and 'avoiding becoming bored' as a driver for diversification. This could particularly be applied in situations where a hobby becomes a full diversification, for example wine making or nut growing. In quite a few of the cases examined in this study, people who diversified for interest's sake did not have children or, if they did, the children were not interested in returning to the farm in the future.

Opportunities arising from changing consumption patterns in national and international agricultural markets is a further driver for diversification (Daskalopoulou and Petrou 2002), such as increasing demand for organic produce (Haines and Davies 1987). Similarly, Bowler (1996) states that in Northern England, increased demand for recreation and tourism generated by the large urban-industrial centres has provided an opportunity for farms to diversify, with these enterprises, as expected, being located around urban centres.

A range of internal factors can also affect both the decision to diversify and, if pursued further, the type of diversification invested in. The main factors are farm profitability, employment relations, family stage and life course, farm type, tenure, indebtedness, household type, culture and education (Centre for Rural Research 2002). However the dominant factor in deciding to pursue diversification was the need or desire to maintain or increase business income (Bowler et al. 1996).

The Woman's Touch

Within the family unit, women are often responsible for initiating diversification. This is particularly the case with tourism ventures such as serviced accommodation, for which it is surmised the increase in quality and professionalism may be attributable to the increased role of women during recent years (Halliday 1989; Taylor and Little 1999; Peterson 2000; McElwee and Warren 2003).

Taylor and Little (1999) concur with this, reporting that twice the number of women than men was employed in alternative enterprises in a study of 60 New Zealand farm enterprises. They also reported that decisions about enterprise growth are commonly based on the multiple roles of women on these farms, including household and interpersonal roles. Likewise, Thirsk (1997) noted that diversification and alternative agriculture often emanate from minor farming pursuits which women have initiated, attributing this partly to women's marginality from mainstream agricultural activities.

Success: Definitions, Measurements and Factors

Evaluating the primary and secondary research on this subject revealed that the definitions and measurements of success mean different things to different families, and even people within each family; an important learning emerging from this study is that successful diversification cannot be defined or measured generically.

Some definitions included profitability (providing for retirement or another generation), enjoying the experience and meeting interesting people. The length of time a farming family had been on the property, or the period of diversification do not seem to be indicators of success or failure. Some enterprises which had been operating for many years were still unprofitable whilst others were economically viable almost immediately. Consistent with the Campbell *et al* (2002) study, all families interviewed for this research undertook wide ranging research and planning, and invested long hours for their enterprises to be successful. Other important aspects include assessing personal and family goals, skills and objectives, farm resources, and estimating potential impacts of the new venture on the existing business (ibid).

A study in West Sussex found that farmers who regard their diversification/s as successful are those who have recognised an opportunity from their location, made a significant commitment to the enterprise, and cultivated relationships with planning personnel and the community (GFA-RACE 2003) Similarly, opportunism, entrepreneurial skills, locational advantage and ensuring new ventures were compatible with the existing enterprise/s are cited by McElwee and Warren (2003) as factors important for successful diversification.

The Centre for Rural Research (2002) in England noted the range of factors for successful diversification included the availability of a reliable market for the product/s, good proximity to the market, family involvement and commitment, and attractiveness of location for accommodation and leisure activities. They summarised these success factors as market-led, personal commitment and location factors.

For more than half the diversified enterprises researched by Taylor and Little (1999), technical support was essential. This comprised two categories- 1) mechanical, technical engineering and electrical servicing support and 2) specialist information including financial, accounting, computer skills,

meteorological data, soil analysis, and food and nutrition analysis. The quality and accessibility of this information was important especially for a feasibility study to assess an alternative enterprise, and into the early stages of implementation.

They also found a strong relationship between previous business experience and successful diversification as two thirds of the interviewed entrepreneurs had previous business experience other than farming, and, furthermore, there was also a history of entrepreneurship in their families.

Ultimately, one of the most important factors to achieve the desired outcomes appears to be commitment. Whilst this is essential for any business, diversification relies strongly on a shared vision as well as shared values by all involved. Farmers engage in farm diversification for many reasons; however they are more likely to achieve their goals if they are committed to more than financial gain.

Case study 3 – From sheep station farm forestry and bed and breakfast

For some farming families which diversify, it is the people involved in the business and the paths in their life that impact on how the farm is run rather than the economics.

David grew up on the family farm but a marriage breakdown in his earlier years encouraged him to look for opportunities off the farm leading to a succession of off-farm occupations. In his mid-50s, he returned to the farm which had been divided between him and his siblings as a result of his parents' deaths and the way in which they left their respective estates. David found himself with insufficient land to continue a viable sheep enterprise, plus a significant debt associated with his parent's business. In ten years, the ownership structure of the property, although still in extended family hands, changed from a single enterprise to a point where the holding is now retained in eight different ownership configurations incorporating three generations of the family. This has been as a result of social and demographic factors rather than the business needs or economics.

After having lived on his own for twenty years, David commenced a relationship with his partner about 10 years ago. Jointly, they decided to build a bed and breakfast enterprise on the property as another income stream providing a developing interest but not a consistent income.

David and his partner realise they need to improve their marketing skills to increase the income of the new venture as the farm's main enterprise of rearing of dairy heifers on a contract weight gain basis doesn't yet provide enough income for the couple to live on. An intensive development project including the establishment of a cell grazing system and a program of improved soil fertility form the basis for a business plan to enable David and his partner to retain the farm and create a profitable enterprise. Until recently David had also been employed managing the administrative aspects of other family members' farm businesses to supplement the farm income whilst his partner works full-time off the farm.

The couple has allocated some land to farm forestry and see this as a long-term investment from which the next generation will benefit. However, this is dependent on suitable advances in harvesting technology in the next 20 years, and the farm being kept within the family. David is aware the time may come when the farm may have to be sold, as he, like many farmers of his own generation, has no other form of superannuation. An alternative would be for the farm to be further developed to produce enough income to support whoever is running it and provide a retirement income for him and his partner as well but this latter scenario isn't likely. David, his partner, and his children have discussed succession planning and all those immediately involved want to keep the farm as it has important social value to them.

The break-up of the original property was the real driver for diversification. David's increasing age and the needs of other family members also influence decisions about the future of the farm.

Photo here

Common Traits or Behaviours

Common traits or behaviours of farm families that had diversified included:

- an active interest in what they do
- having more than one diversification as part of the farm business
- being lifelong learners with most having done numerous training courses and belonging to grower discussion groups such as Beef Cheque
- learning most effectively through informal channels
 - ◇ Networks, discussion groups and mentors were mentioned numerous times as the most useful sources of information. While government departments (such as the Department of Primary Industries) and their staff were mentioned, many commented on the lack of knowledgeable staff left in the organisation in their region. They considered that many of the staff they used to deal with through Government departments are now consultants who charge them money for advice. A number of people mentioned how they appreciated the impartiality of DPI as a source of information;
- having a high tolerance for debt
 - ◇ Most had borrowed large amounts of money to finance their farming operations including some who had borrowed many times for different enterprises:
 - Farmer 1: *If somebody can tell me how, I would really like to know how you can go forward without borrowing, in a way.*
 - Farmer 2: *Well that's right, you don't spend your own money you spend other people's money.*
 - Farmer 1: *... We are not frightened of borrowing and we have a good bank manager and a good relationship with the bank manager, and maybe that is a barrier for a lot of people to go into something different because they are just too frightened or just don't fully understand.*

- carrying out wide research before embarking into diversification
 - ◊ However, many still had marketing and distribution problems. These included contracts not being honoured or significant loopholes not understood at signing; prices dropping below expected levels; and access to distribution being limited such as not frequent enough or more expensive than expected. In many of these situations, mentors or other farmers with similar enterprises were able to suggest methods for recovering from or avoiding such situations.

The situation was summarised by a couple with diversified farm business:

Wife: *Mind you, it wouldn't have mattered if somebody had said that to us I would have just bought in anyway.*

Husband: *We had done as much homework as we possibly could. We did an awful lot you know.*

Wife: *And there are some questions that can't be answered until you get amongst it.*
- assessing risk associated with their diversification
 - ◊ Although not explicitly stated, most farm families spoke about assessing risk, suggesting that many had made conscious decisions about the levels associated with diversifications before undertaking them or while investigating them.
 - ◊ While some families were dismissive of 'alternative' or 'fringe' industries such as herbs, alpacas and olives and perceived high levels of risk, other families were happy to undertake these enterprises and did not necessarily regard them as any riskier than other, more conventional industries.
- making decisions jointly
 - ◊ Where a couple owned a farm, decisions seemed to be made equally, even if one of the partners (usually the female) was working off-farm. Through this study there appeared to be a very strong partnership amongst diversified farm families.

But I think that is a really important thing if a farm or people are going to aspire to something because when things are tough then you have got each other to talk it out with, and when things are really great it is just so invigorating to feel that success together.
- levels of formal education
 - ◊ Chaplin *et al* (2003) found that the level of general education had a "positive and significant effect on the propensity to diversify" maintaining one of the main reasons for this trend would be that higher levels of education may reduce the risks due to a lack of knowledge or skills, as well as increasing the likelihood of being able to access capital.

Case study 4 – From wool producer to lavender

To achieve success when diversifying a farm business requires much planning but, things don't always follow the script and, in some cases, chance plays a big part in determining opportunities and outcomes which also can bring unexpected benefits. The ability to be adaptable is useful!

After being successful sheep farmers for many years, Robyn and Karen felt frustrated when the wool market collapsed and other income streams, such as agistment, failed to supply a sufficient return on their capital investment.

In the early 1980s they began looking into other opportunities for their property. They examined the biophysical capacities and discussed many options with the Department of Agriculture (as it was known then). During this time and by chance, they met a couple of enthusiastic lavender growers and, after further investigation, Robyn & Karen decided a lavender enterprise offered many opportunities, especially for their lifestyle as they were conscious of not getting any younger! Growing lavender meant they

wouldn't have to lift as much heavy equipment and, very importantly after their experience with the wool market crash, provided the potential to control the processing and value-adding of their products.

Initially selling their product through markets, they then established a shop on-site so visitors could see where the lavender was grown. Customers thought their view magnificent so tea rooms were added to the business mix. With increased exposure from the tea rooms, the lavender shop has expanded into space previously used for shearing, relegating wool growing to an even smaller part of the total business.

The biggest obstacle for Robyn and Karen has been attracting visitors to the farm. A lack of signage on the highway sees them promoting their business by attending around three craft markets a month, relying on local community support and visitors coming via personal recommendations from existing customers.

The amount of labour involved in growing and harvesting lavender surprised Robyn and Karen. Being used to a two to three day intensive sheep shearing, the three to four week lavender harvest was incredibly intensive with the added requirement of hiring employees for this activity. Another disadvantage of running a hospitality business means that Robyn and Karen rarely leave the property.

'Although we close Mondays and Tuesdays, if we are here people just come up so we are basically here seven days a week. With any home industry you tend to be there,' says Karen.

Five years later, Robyn and Karen still think it's too early to judge if the enterprise is a success or not. They find there is sometimes a long time-delay between people knowing about the farm and actually visiting. They say that people are 'hopefully storing knowledge and one day they will come to visit'. On the positive side however, they feel more connected to their community.

We have made many good friends in the town, and have become identities. We now walk down the street with a permanent smile because there are so many people who now know us. That never happened whilst we were growing wool, and it feels good.

Photo here

Advantages and Disadvantages of Diversification

As part of the interview, farm families were asked to identify advantages and disadvantages of diversification to more fully understand consequences and also to highlight any common pitfalls for others considering a similar path.

Advantages

- **New Skills**

One of the most challenging, but also exciting, aspects of diversification for farm families was learning new skills. These ranged from applying their farming knowledge to growing new crops or livestock, to developing a whole new set of business management skills such as marketing and promotion, manufacturing, distribution and supply chain management or hospitality. For some, the time and effort required to learn these skills was costly but most of the diversified farm families regarded the opportunity to expand their knowledge as one of the biggest advantages of diversification. In fact, a number of farm families diversified with the primary driver being to learn new things and have new experiences.

Both Campbell et al. (2002) and Stayner and Doyle (2004) have noted similar needs for new skills in their studies of diversification and value adding respectively. The need for new skills is perhaps more important for those who are value adding or undertaking a non-agricultural diversification as the skills required here are not always the same as those required in a traditional farm business. As one farmer said *“The principle of running a vineyard is not terribly different from growing anything else.”* However making wine (value adding) then selling it, requires a new set of skills which are very different to those required for growing grapes.

- **Spreading risk**

The most commonly cited benefit of farm diversification was the levelling out of farm income, both throughout the calendar year and over a number of years. Prior to diversification, many of the farming families interviewed had experienced financial difficulties during market downturns. This was particularly true for those with traditional enterprises of growing wool, and sheep and cattle for meat. Each of these commodities has experienced (or are currently experiencing) low returns on investment in the lifetimes of the farmers interviewed. Farming families viewed diversification as a way of “not having all your eggs in one basket”.

This issue of spreading risk was particularly well illustrated by one farming family who had previously been forced out of their traditional wool growing enterprise by the incursion of Ovine Johne’s Disease (OJD) on their property. One method of controlling OJD is to not farm any sheep on the property for at least 15 months (Keyes 2005). After choosing this option to control OJD, the farming family decided to farm beef cattle until the exclusion period had elapsed. However when the exclusion period was up they decided to continue farming the cattle as well as reintroducing sheep. They saw their diversification as making them *“not so reliant on one market, one product, you diversify your risks, spread your risks”*. In addition their new enterprise complements their original enterprise by allowing the rotation of cattle and sheep pastures to help manage the OJD.

Another farm family spoke of the reassurance of spreading their risk.

It is a huge advantage. Often we have found when one (industry) is up the other may be down but they balance each other out. Our accountant is really very happy with this and that really makes it easy for us psychologically.

Disadvantages

- **Time**

Most farm families experienced a significant increase in the amount of time spent working on the farm post-diversification. While an increase in workload was not unexpected, many farm families commented they were surprised by how great this increase was. Many also commented they expected their workload to reduce as the enterprise matured or moved out of the set-up phase which, for some, may have been an unrealistic expectation.

The effects of the increased workload on the family and the farm included:

- less time spent with the family
- having little or no social life (especially one outside of the business)
- not having time to get adequate sleep
- a lack of holidays.

I think the biggest trap for people trying to diversify is the time factor. Usually, if you have a reasonable sized farm you already have a full time job. So, if you diversify and it takes up more time, well then that eats into your evening, family or sleep time.

People were sometimes so focussed on getting the diversified business up and running they neglected aspects of their original enterprise(s). A couple of farmers lamented the loss of their once high standards of farming after diversification.

I'll drive past a little job that isn't causing any problems and I don't like to see it that way but, I have to keep driving past and these little jobs just keep banking up. That is irritating.

In two cases where the farm family introduced another enterprise to enable the female partner to work full-time at home, the running of the diversification was transferred to the male partner after they began having children. This resulted in significantly increased workloads for the male partner and significantly increased stress levels for the whole family.

We really took it on as more of an interest and employment for [partner] really. She wanted to put them I so we did. But now we have had a little boy and another one on the way so she's not looking after that aspect any more. We didn't work that one out very well so I have to do it all now.

One farm family discussed their approach to managing the workload situation. They decided where each member of the farm family's time was best spent and planned how to fill the gaps with external labour where possible.

This strategy could be applied to both the enterprise level (eg. hiring a manager to run a vineyard or seeking off-farm income) and also at the level of individual roles within an enterprise eg. marketer, grower, or mechanic.

- **Marketing**

This was the area many participants felt they lacked knowledge in when they started and became the steepest learning curve for most. The most common reason mentioned for early failures or setbacks was from not really understanding markets and distribution systems. Some farm families had even undertaken training in marketing, but generally found that knowledge gained along the way from others in the business was far more valuable than any training. Generally people felt the importance of leaning from business networks could not be understated when considering successful diversification. Comments included:

We had some existing networks and knew people in other walks of life who guided us through developing a brand and advising our (product) identity was as important as the development of an outstanding product.

Mixing with a new and different group of people from our normal wool growing networks has been valuable as that group tended to be inward looking. Perhaps there's a broader base of experiences and locations in the crop group we're now involved with which makes it all very interesting.

Lessons Learnt

During the course of the interviews, many people mentioned what they would do differently if they had their time over, and discussed the biggest lessons they had learnt. One of the unintended outcomes for some families was a greater understanding of what they were good at and how they preferred to operate. Similar themes emerged around lessons learned and included:

- Don't diversify just to ensure a future for the next generation unless you're sure they want it and, if they do, diversification is a good way to give them some independence from the existing family business.

I was running about 1,400 acres at the time and I sold some of that to purchase this. It was at the stage where the two children were both in their teens and I thought if there is ever going to be a chance for them to come home to the farm, it is not going to be with wheat and sheep. I thought I needed to create a job for a start with income to support the two kids if they wanted to come home..... The interesting part about that is my son is doing engineering and the other is doing business studies neither showing a lot of interest in coming home at this stage, which is not a bad thing.

- Look at diversifying into something that suits the property from a biophysical, environmental and current enterprise perspective, but preferably one you can get into or out of relatively quickly if you need to, such as cropping. Once you have the knowledge base of how to grow the crop you can go back into it quite quickly at any time.
- Farm diversification can have a positive or negative effect on your social life. Some farm families found the time involved in running a diversified business meant they had no social life.

That was a huge drain on my time so everything suffered. You know you should be doing other things..... spending time with your family, your friends... but they go out the window. You think, I need to attend to my social life so you ring and leave a message on a friend's machine while you are on the road, saying, 'I am thinking of you, bye'.

- Other farm families had found a whole new form of social interaction and valued the networks and contacts offered through the business. This particularly applied to those with diversifications that involved tourism but also included those with non-tourism enterprises.
- Things are always changing in farming and especially so on diversified farms. One key message to consider when diversifying is that family, economic and market circumstances change constantly and farm families shouldn't go into an enterprise expecting their initial research to stay current!

Some Overseas Experiences of Farm Diversification

Agricultural diversification has been an explicit policy of the European Union (EU) since the 1980's, with support being provided from a number of avenues to encourage and support the process. (Chaplin et al. 2004). Decreasing farm incomes provided a major impetus for the EU policy. McElwee and Warren (2003) reported that farm incomes in England were 70% lower in 1999 than in 1989. Thus diversification is reported to have increased across developed countries, with more than one study in Europe reporting a figure of 30% of farms sourcing income from diversified activities (McElwee and Warren 2003). The economic sustainability of diversified farms overseas appears to be high, with the Centre for Rural Research (2002) stating that a significant proportion of diversified farms perform sufficiently well in the early years to stimulate further investment.

That the rate of diversification has been spatially uneven was reported on in particular by Chaplin *et al* (2004). Diversification as a strategy for rural rejuvenation of low income areas was not supported by their findings, with the highest levels of diversification and new job generation being recorded in the wealthier rural areas. A major reason for this trend was growing demand for leisure and recreational activities, reflected in the types of diversification exhibited (Chaplin et al. 2004).

Diversification – Not a Panacea

While few references were found in the literature regarding negative aspects of diversification, Campbell et al. (2002) warns of the high level of risks involved. Often, substantial resources are involved, and especially the development of new skills to create or respond to new markets may generate risks for those implementing alternative enterprises. Campbell et al. (2002) found that out of ten case studies, one business recouped the costs invested in diversifying within two years, yet another still has not reached breakeven point after 15 years. The remainder were between these two extremes.

New ventures can have a major impact on existing farm activities by diverting precious time and capital. In some cases, the existing business merely needs re-jigging or re-focussing, such as finding a new market for the same product. Furthermore, Haines and Davies (1987) state that the rewards for farm diversification can be very small and may lead to disillusionment, potentially leaving farmers in a worse position than before attempting diversification.

Discussion

This project aimed to add to the current knowledge on farm diversification examples in Australia by focussing on the farming family unit and learning about the drivers, decision-making processes, information needs and common traits.

The specific objectives were as follows:

1. Gather and record the definition/s of diversification by Australian farming families.
2. Explore the criteria of what constitutes successful diversification in one region of rural Australia (north-eastern Victoria).
3. Develop an understanding of any trends that inspire diversification and gain insight into the different market segments and their information needs for diversification.
4. Explore the demographic characteristics of farming families who diversify, define which, if any, traits they have in common and what the primary motivation/s for diversification were.
5. Identify the different roles that family members may play in the decision-making process leading to diversification.

For this study diversification was defined as ‘the addition of a source of farm-based income to the existing source’ however, other definitions are equally valid for situations they may apply to. Care should be taken when discussing diversification to note whether reference is being made to this at a farm, regional or landscape perspective. At the farm level, simple land-use change such as changing from growing carrots to emus is not regarded as diversification but, the addition of another or new enterprise (eg. growing carrots *and* emus) can be. From a landscape perspective, land-use change at the farm level may be regarded as diversification when the landscape is viewed in its entirety. When referring to diversification, the inclusion or otherwise of off-farm income and the use of the definition “traditional enterprises” also needs to be examined carefully.

Due to the large range of drivers involved in making decisions about diversification, a set of generic criteria defining success cannot be constructed here. Each farm family and their situation are different and defining success for them would be presumptuous. A number of studies have outlined criteria regarded as necessary for success such as:

- environmental sustainability (Anosike and Coughenour 1990)
- contribution to community and lifestyle (Taylor and Little 1999; GFA-RACE 2003)
- profitability (Campbell et al. 2002; Centre for Rural Research 2002) or a combination of all three.

However, many farm families included in this study would be deemed “unsuccessful” if judged by these standards and the farm families themselves would disagree.

An understanding of the general trends relating to diversification is difficult to attain, particularly in light of the different definitions used when reporting the practice internationally. The general sentiment in the literature was that the number of farms choosing to diversify is increasing (Martin, Lubulwa et al. 2000; McElwee and Warren 2003; Chaplin et al. 2004) but there was no statistical data available to support this.

In Australia, the Australian Bureau of Statistics (ABS) does not collect data in a form that enables diversification rates to be easily extracted. In addition the ABS does not collect data about activities such as aquaculture or farm forestry in the Agricultural Census (from where information about farming enterprises is generally gained). Consequently, many diversifications would not be detected resulting in incomplete trend data. This provided a barrier to the development of an historical social map of diversification, as did the difficulties of obtaining details of farmers in light of state and federal privacy laws. Usual and reliable sources of contact details for farmers, such as local government and industry

organisations, were reluctant to supply researchers with such information to avoid violating privacy legislation requirements. This has implications for future work involving surveying.

A number of key themes and common traits relating to diversification were identified from the interviews with the 25 diversified farm families. These themes and traits included the following:

- Judgements of successful diversification for the farm families included a mix of financial and social factors.
- The drivers for diversification included making room for family involvement (children, siblings and partners), lifestyle choices and spreading financial risk.
- The advantages of diversification included:
 - ◊ spreading risk;
 - ◊ increasing interest in the farm;
 - ◊ the challenge of a new business;
 - ◊ learning new skills;
 - ◊ understanding where personal strengths lie;
 - ◊ having new experiences;
 - ◊ meeting new people; and
 - ◊ joining new networks.
- A range of disadvantages was raised by the families in this study and categorised as 1) increased workloads resulting in less available time, and 2) the difficulties associated with marketing and distribution.

As a group, the farm families interviewed for this project could be described as interested and passionate about what they do. They appeared to have a high tolerance for debt and, possibly as a result of this, frequently had more than one diversification. The farm families were lifelong learners and frequently favoured learning through networks and other informal channels although most had partaken in formal training courses. All the farm families were very knowledgeable about their businesses with the majority having undertaken significant research into their chosen activities. Generally speaking, the farm families were also very aware of their own strengths, weaknesses and needs. There appeared to be a very strong partnership mentality among the farm families with all members of each family equally involved in making decisions. Perhaps most importantly, the rewards and frustrations of being a primary producer were shared together.

Conclusion

Globally, decreasing farm incomes have been a major driver encouraging farming families to investigate diversification. The literature showed that, in general, developed countries view farm diversification as a valuable strategy to deal with some of the current problems facing agriculture with the strong desire by farmers to retain their land another reason they seek to diversify from traditional pursuits.

Overall, mostly positive outcomes from farm diversification were reported in the literature with a multitude of factors deemed important for successful outcomes especially planning, market research and commitment. Although one of the main benefits is purported to be the diminution of financial risks from relying on one farm output, diversification also introduces its own risks and is not regarded as a cure-all. However, for economic, social and environmental reasons, diversification is an option which deserves consideration.

Of particular importance to policy makers are some of the barriers to diversification, such as poor management skills and lack of technical or business support. Also of interest are some of the other trends from the many studies conducted overseas. In England, where larger farms tend to diversify more often than smaller farms, farmer attitudes can be a big barrier to diversification. The reported high level of involvement of women in diversification has many implications for policy.

The findings of the literature review were invaluable for this study, particularly for development of the survey instrument. While commitment is intuitively a factor necessary for the successful implementation of diversification strategies, the literature review highlighted that extra commitment is needed when introducing new activities. Where single motivations for diversification are involved, commitment may be lower, and hence the chances of success may be decreased. However if economic, environmental and/or social motivating factors are involved in the decision to diversify, commitment may be higher and the corresponding likelihood of success may be increased.

Implications and Recommendations

Implications for farm families

In addition to the key messages outlined in Campbell White & Associates and Black (2002) farm families considering diversification should:

- take into account the family life cycle
 - What effect will starting a family have on your ability and willingness to run your business?
 - Will you be able to continue to farm at the necessary level as you get older (will your health, to the best of your knowledge, allow it)?
 - Do your children (or siblings) want to return to the farm and do you need to have a diversified farm to support more people living on the farm?
- estimate the workload involved in your chosen diversification. Even if you have estimated generously our farm families' experience suggests you will have underestimated the actual time you will need.
- spend some time with your family discussing your tolerance for risk and debt.
- consider investing off-farm as well as on-farm to reduce vulnerability to market fluctuations. This may be a good option particularly if you think the increased workload is likely to be an issue.
- spend some time understanding the priorities of your family. Consider aspects such as holidays (both affording and having), hobbies and time to be involved in the community. One farm family had particularly strong comments on this issue:

If anyone was thinking of diversifying - work out what was important, what they wanted to have room for in each day. If it is important that they go off and ride their horse or they go fishing or spend time with their children, to make sure that whatever they are going to do they are going to be able to shuffle their lives around to allow it.

- Try working out possible scenarios to examine how large or small your business can be and what resources you will require in each scenario.
- research and networking with other farmers and business people should be your top two priorities.
 - If possible find someone to mentor you. Many of the farm families who had been the most successful in their enterprises had mentors to guide them through the setting up and running of their business.
 - Actively keep researching and networking after you have undertaken your diversification. Markets and the economy change constantly, as does your family and their needs.
- consider if the diversification complements your existing business (physically, resource-wise, and environmentally). Can some of your existing infrastructure be used in the diversification (therefore reducing your capital costs greatly)? Will you be able to use a product or by-product of one of your enterprises in another?

Implications for Government and considerations for service delivery

Implications for government and considerations for service delivery included the following:

- Government is a source of information for farm families considering and managing a diversified farm. There is a perception by some of the farm families interviewed that there is a lack of knowledgeable on-ground staff left in their region.

- Informal networks and learning from others who are dealing with similar issues are more valuable to farming families than formal learning, for example through training courses. Training courses are valued but were seen as a base to start from rather than providing farming families with all the skills they need. Networking with other businesses gave them better insights into the processes and pitfalls of managing and marketing a new enterprise.

When you go to the marketing I think there is a tremendous need for more mentoring. And it doesn't need to be someone from the same business, it could be anyone who has been successful getting a product out there, helping someone else get a product out there, I think. You could save people a lot of grief.

- Water access and quality is an issue for farms that diversify, just as it is for non-diversified farms. Supply continues to be raised as an issue of concern to farming families especially when in the process of researching and choosing how to diversify their farm. If resources such as water cannot be guaranteed then farming families will not be prepared to invest in the infrastructure and labour requirements of a diversified farm.
- As new information emerges about the changing rural landscape, particularly in Victoria, the needs of and implications for diversified farms should be considered. Recommending diversification is only one option for dealing with structural adjustment issues and is certainly not the solution for everyone. As many studies have suggested not every farming family is suited to diversification and the negative impacts of unsuitable diversification could be worse than doing nothing (Haines and Davies 1987; Campbell White & Associates and Black 2002). Consideration also needs to be given to the way diversified farms are serviced. Most farm families see their diversified farms as one integrated business and not a sum of its component parts. Service delivery to diversified farms would be more effective if it also reflected this view.
- The farm families interviewed for this project were passionate, knowledgeable and keen to be part of their rural communities for the long-term. These people and their enterprises are a valuable resource and have a role to play in shaping the landscape of rural and regional Victoria.

Recommendations

Prior to embarking upon diversifying the farming enterprise activities, there are recommended checklists available from a variety of sources to ensure all aspects have been considered to prevent potential financial losses and stress. These criteria also provide a fuller understanding of issues associated with diversification from the personal, local, regional and legislative perspectives.

Recommendations from the interviewees to other farming families when considering diversification were to:

- take into account life stage/s
- estimate the workload involved in your chosen diversification
- spend some time with your family discussing your tolerance for risk and debt
- consider investing off-farm as well to provide a reduction in vulnerability to market fluctuations
- spend some time understanding the priorities of your family
- research and network with other farmers and business people already engaged in this activity
- consider whether the diversification complements and/or integrates with your existing business.

Recommendations for Government from the author were to:

- collect statistics on diversification to develop an informed understanding of the process
- not recommend diversification as the only option for structural adjustment issues
- consider the way diversified farms are serviced by Department extension staff as most farm families see their diversified farms as one integrated business and not a sum of its component parts

- guarantee water access and quality for farms so farming families will be prepared to invest in the infrastructure and labour requirements of a diversified farm.

A recommendation for Government from interviewees was to:

- increase the number of knowledgeable Department on-ground staff to provide up-to-date information on new and emerging crops and (farming) industries.

Ultimately, there is a manifest desire for rural and regional communities to become more profitable and even reverse the trend of population decline. To achieve this, Governments and other regulatory bodies need to have a wider understanding of the economic, social and environmental implications of the process of diversifying a family farming enterprise and it is hoped this information will be used to inform decisions made on rural policy and service delivery.

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