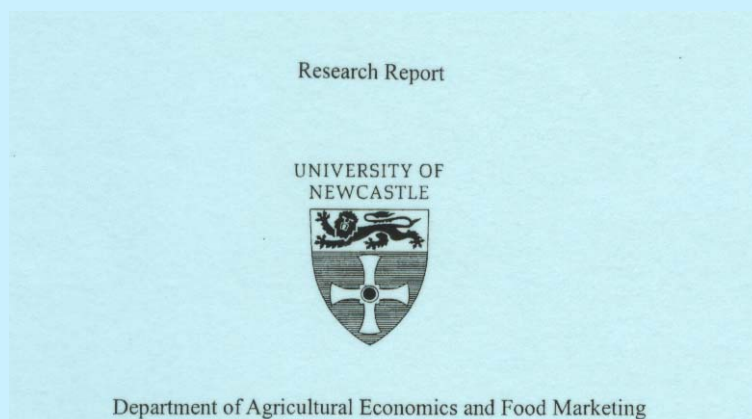




**RURAL MICROBUSINESSES
IN NORTH EAST ENGLAND:
FINAL SURVEY RESULTS**

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Centre for Rural Economy

Research Report

RURAL MICROBUSINESSES IN NORTH EAST

ENGLAND: FINAL SURVEY RESULTS

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Preface

This report presents the final results of a major postal survey of agricultural and non-agricultural microbusinesses carried out in the rural north east of England. The overall project focuses on microbusinesses, defined as those which employ fewer than 10 staff (full-time equivalents), in the rural areas of the counties of Durham, Northumberland and Tees Valley. The project's broad aims are to ascertain the nature and needs of rural microbusinesses and to understand their existing relationships with business support agencies and where these relationships could be usefully developed. Other reports produced so far by the project include a review of business support services under the title *Providing Advice and Information in Support of Rural Microbusinesses* and an interim review of the survey of microbusinesses *Rural Microbusinesses in the North of England: A Survey*.

This report has been prepared by Marian Raley and Andrew Moxey of the Centre for Rural Economy (CRE) at the University of Newcastle. Other members of the microbusiness team at CRE include Matthew Gorton, Philip Lowe, Jeremy Phillipson and Hilary Talbot. CRE would like to thank Mike Coombes and Simon Raybould of CURDS at the University of Newcastle for providing the Urbanisation Index scores underpinning the survey, and UK BORDERS at the University of Edinburgh for providing the digital map data allowing the mapping of Urbanisation Scores onto postcodes and business addresses. We are also extremely grateful to the large number of microbusinesses who took time to respond to the postal survey.

The work would not have been possible without the financial assistance of the Rural Development Programme, the European Regional Development Fund (Northern Uplands Objective 5b) and the University of Newcastle and the support and co-operation of the regional Business Links and members of the research programme's consultative forum.

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Executive Summary

This report presents a descriptive analysis of results obtained from a postal survey of microbusinesses situated in the rural areas of Durham, Northumberland and Tees Valley. The final sample consisted of approximately 1300 non-agricultural businesses, from a wide range of industrial sectors, and 480 farming businesses. A response rate of 20 per cent was achieved. An urbanisation index was employed to classify rural locations at Enumeration District level by degree of remoteness.

Rural Microbusinesses (RMBs) make a substantial aggregate contribution to regional Gross Domestic Product (GDP). As a percentage of turnover, the level of exports was largest in the hospitality, business services and manufacturing sectors. However, local services firms displayed a greater degree of embeddedness within the local economy purchasing greater levels of inputs and providing more jobs per firm.

Most commonly, RMBs consist of a single business director (the owner-operator) with no formal employees. It is likely that small size confers resilience to many microbusinesses, enabling them to achieve low fixed costs. However, limited time for management activities and a lack of capital are also likely to constrain business potential. One third of firms were 'definitely not interested' in future business growth.

Relative to urban areas, rural areas would be expected to offer a different environment in which to operate a business. Restrictions on activities and premises, imposed by planning control, had clearly created difficulties for some firms, but were not found to have been a widespread problem. The urbanisation index was useful in demonstrating the non-uniformity of business operating conditions of different rural locations arising from distance. Firms in the most rural areas face substantial journeys to obtain services, implying that they operate on a different cost structure from less remote areas. Half of non-agricultural firms had access to the Internet, by which some of the problems of a remote location might be overcome.

In areas of low population density, transcending local markets will be important and, after allowing for structural differences, firms in the most rural areas, where local market size will be most limited, had a greater

proportion of sales to non-local markets than firms in other areas. In-migrants appear to be particularly successful at doing this, and also of making use of informal industry networks.

Farming businesses are facing sharply declining farming incomes, and a third of farm households reported their household income as below £10,000. Almost 60 per cent of farms had diversified into non-farming activities. The presence of diversification and the type of activities engaged in appear to be associated with tenure. In terms of its contribution to household income, diversification was more prominent among large farms whereas off-farm employment figured more strongly among small farms.

Compared to non-agricultural businesses, farms are distinguished by the importance of inheritance in business acquisition, the greater prominence of family partnerships, high cash flow (indicated by revenue and input costs) and high capitalisation. In these respects they are more similar to 'traditional' rural sectors rather than newer, knowledge-based activities.

Uptake of public sector business support was distributed unevenly across the sample, suggesting that inclination or ability to access it varies across the RMB population. Newer firms, externally-oriented firms (e.g. manufacturing, business services) and firms run by operators with post 'A' level education and, to a smaller extent, firms run by in-migrants all made greater use of public support than other firms. Non-users of public support did not make compensating greater use of informal or private means of business support. Business support in a variety of areas was perceived to be of greater use by 'expansion-oriented' firms. Nevertheless, some firms which are not growth-oriented identified various areas as being of current value. Such firms may play a valuable role in delivering local services.

1 INTRODUCTION

This report presents the results of survey work conducted by the Centre for Rural Economy (CRE) as part of a research programme investigating the characteristics, motivations and business support needs of rural microbusinesses (RMBs) in County Durham, Northumberland and Tees Valley. The Rural Development Commission (RDC) was originally involved in designing the project brief, with the Regional Development Agency for the north east (ONE North East) inheriting involvement when the RDC was dissolved. The project is funded by a combination of the Rural Development Programme, the European Regional Development Fund (Northern Uplands Objective 5b) and the University of Newcastle upon Tyne. The project commenced in October 1998 and continues until November 2000.

The report is structured as follows. The remainder of this section reviews briefly the policy and academic relevance of the project before describing the sampling and survey procedures followed. Section 2 and 3 then present and discuss survey results for non-agricultural firms and agricultural firms respectively. Section 4 draws some comparisons between sections 2 and 3 before offering some conclusions. Appendix 4 contains selected results at county level.

1.1 Policy background

Microbusinesses are defined as independently-owned firms employing fewer than 10 full-time equivalent staff (EC, 1996). Although individually small in size, they are estimated to represent upwards of 95 per cent of all UK firms and to account for approximately 30 per cent of

employment and between 20-30 per cent of GDP nationally (DTI, 1998). Moreover, they are increasingly viewed by both central and local government as key players in growth and development within an entrepreneurial economy (Acs *et al.*, 1996; Danson, 1996; Cosh & Hughes, 1998).

Continued structural and policy change in traditional primary sectors such as agriculture, energy, fisheries, minerals and water has focused attention on the potential role of rural enterprise, and therefore microbusinesses, in contributing to vibrant and sustainable rural economies, particularly in the peripheral UK regions (Lowe & Ward, 1998a;b). Recent policy statements and measures highlighting this include the EC Rural Development Regulation (EC, 1999), England Rural Development Plan (MAFF, 2000a; 2000b), the formation of the new Small Business Service (DTI, 1999a; 2000) and the Cabinet Office report on Rural Economies (PIU, 1999). There is thus considerable current policy interest in rural microbusinesses.

1.2 Academic literature

The literature describing small firms and attempting to analyse their characteristics in relation to individual performance or aggregate contribution to economic growth and development is relatively abundant. Much of this highlights their vibrancy, but also suggests weaknesses such as restricted access to capital and managerial skills due to their small size. There are comparatively few studies specifically of microbusinesses.

Keeble *et al.* (1992) and Townroe and Mallalieu (1993) provide overviews of rural enterprises, highlighting the heterogeneity of rural firms in terms of business types. Elsewhere, some attempts have been made at comparing the relative performance of rural and urban firms, for example by Blackburn & Curran (1993) using cross-sectional data and by Smallbone *et al.* (1993) using time-series data. Such studies suggest that there are some differences, some negative, others positive, attributable to rural location.

A distinctive feature of running a business in a rural area is the constrained local demand for products, implying that transcending local markets may be crucial for enterprise growth, or even survival. Firms in remote rural areas face spatial separation from large settlements and potential difficulty (and extra cost) in reaching customers and suppliers, and in establishing business contacts. Further drawbacks to a rural location are a perceived difficulty in expanding premises or finding new local premises, and greater difficulty in recruiting appropriately skilled staff.

Perceived advantages of a rural location include the enhancement of market position gained through being in a rural location, a better living environment for management and workers, and in some cases improved personal contact with customers, access to principal suppliers and lower costs. Greater functional flexibility (lower demarcation) in the use of workers has also been identified in rural firms.

One problem with these comparative studies is that the definition of the urban/rural divide is somewhat crude and the use of matched-sample pairing neglects some forms of business that are more prevalent in rural

areas, for example tourism or speciality food production. Another problem with the general SME literature cited above is that it often treats microbusinesses as a simple sub-category, as firms that will grow into larger SMEs. However, whilst small numbers of SMEs have displayed rapid growth, it is apparent that the majority do not grow into large stable companies, if they grow at all. Indeed, the most consistent finding on microbusinesses has been their lack of growth orientation, with firms with one to four employees being even less growth-orientated than those in the five to nine employee group (Curran & Storey, 1993; Cameron & Massey, 1999). While in some cases this may reflect external constraints (e.g. finance), 'internal' constraints (i.e. motivations and aspirations) appear to be more important. Gray (1998) suggests that microbusiness owner-managers are much more likely to be motivated by a desire for independence rather than profit maximisation. Furthermore, Bennett and Errington (1995) suggest that many rural businesses tend not to seek business support and advice services.

Household level studies of small family firms have also demonstrated that business development goals tend to be linked with the family life-cycle (for example, business expansion to employ an additional family member). Family firms, through the willingness of family members to accept a lower than commercial return on their capital and labour, and as a flexible workforce, can be endowed with a specific form of competitive advantage. However, family ties may also hamper the commercial development of the business if family considerations influence business decisions. This suggests that understanding the decision making of family firms cannot be divorced from an understanding of the personalities and demographic profiles of those involved and their multiple goals that may change over time (Sharma *et al*, 1997). The most

detailed literature that draws together rural microbusinesses and family business relates to family farms (Gasson and Errington, 1993).

1.3 Methodology

The target population of interest to the project was all microbusinesses within the rural north east of England. Delimiting this population required two steps. First, defining what a microbusiness is and, second, identifying a geographical boundary in order to classify firms as rural or urban. Following this, sampling frames of the population were collated and a postal-questionnaire administered.

Defining microbusinesses

Following the European Community definition (EC, 1996) microbusinesses are defined as independently owned firms employing fewer than ten full-time equivalents. To reflect accurately the nature of microbusinesses, it was necessary to include sole-operators (part-time and full-time) and any self-employed business operators since these two groups are estimated to constitute up to 75 per cent of microbusinesses (Gray, 1998). However, that group of self-employed who solely provide labour (e.g. contracted out employment from a local authority) were excluded. In addition, due to the particular start-up problems facing new businesses, firms under the age of two years were also excluded from the target population.

Defining the rural area

Several methods exist by which rural areas may be distinguished from urban areas, permitting a boundary to be drawn between them. A recent innovation at the Centre for Urban and Rural Development Studies

(CURDS) at the University of Newcastle has been the development of an urbanisation index (Coombes and Raybould, 2001).

The urbanisation index (U) for a place of interest (i) is defined as:

$$U_i = \sum_j (s_j / d_{ij}^\beta)$$

where

j is an area whose centroid falls within a moving window of known width

d is the distance between the centroids of i and j

s is a measure of scale or intensity of settlement (e.g. population size)

β is a coefficient that controls the extent to which zones further away from i are down-weighted.

The method provides an objective measure of urbanisation (or equivalently rurality) for any location, based on the size and distance of settlements from it. Locations are allocated scores on a scale of 0 to 100, with 100 being most urban. The identification of a threshold score separating rural from urban (or differing degrees of 'rurality') on this continuum is left to the discretion of the researcher.

Two particular attributes are of significance to the RMB study. First the method explicitly recognises remoteness or the distance of localities to higher order settlements, which would be expected to influence business-operating conditions. Second, whereas some classifications are at local authority district or ward level, the urbanisation index score may be calculated at enumeration district (ED) level, giving scope for intra-district comparisons.

Operationalising the urbanisation index

Urbanisation index (UI) scores were obtained for all enumeration districts within the study area. Mapping of the scores revealed that a value of 30 would form a plausible cut-off between rural and urban areas which approximates closely to existing administrative boundaries. It was thus decided that the study area should consist of all those enumeration districts (EDs) with a score of 30 or less.

It was necessary, however, to make an exception and include several wards which lie within the East Durham Rural Development Programme Area (RDPA). Although these had UI scores marginally in excess of 30, they are officially classified as rural and therefore needed to be included within the survey target population. However the rural/urban threshold score was not elevated to 35 generally, to avoid the inclusion of tracts of the Tyneside fringe which seem urban in character. Table 1.1 summarises the districts within the study area considered to be partially or wholly rural. Map 1 displays the UI scores across the north east, illustrating how the degree of rurality can vary within a District. For ease of presentation, UI scores have been categorised into five classes: Very Remote Rural (UI = 0 to 4), Remote Rural (UI = 4.1 to 10) and Moderately Rural (UI = 10.1 to 20), Slightly Rural (UI = 20.1 to 30), Urban (UI = 30.1 to 100).

Table 1.1: Local authority districts within the study area

Alnwick	Berwick-upon-Tweed
Castle Morpeth	Tynedale
Derwentside	Easington
Sedgefield	Teesdale
Wear Valley	Darlington
Hartlepool	Redcar & Cleveland
Stockton on Tees	

Sampling instrument

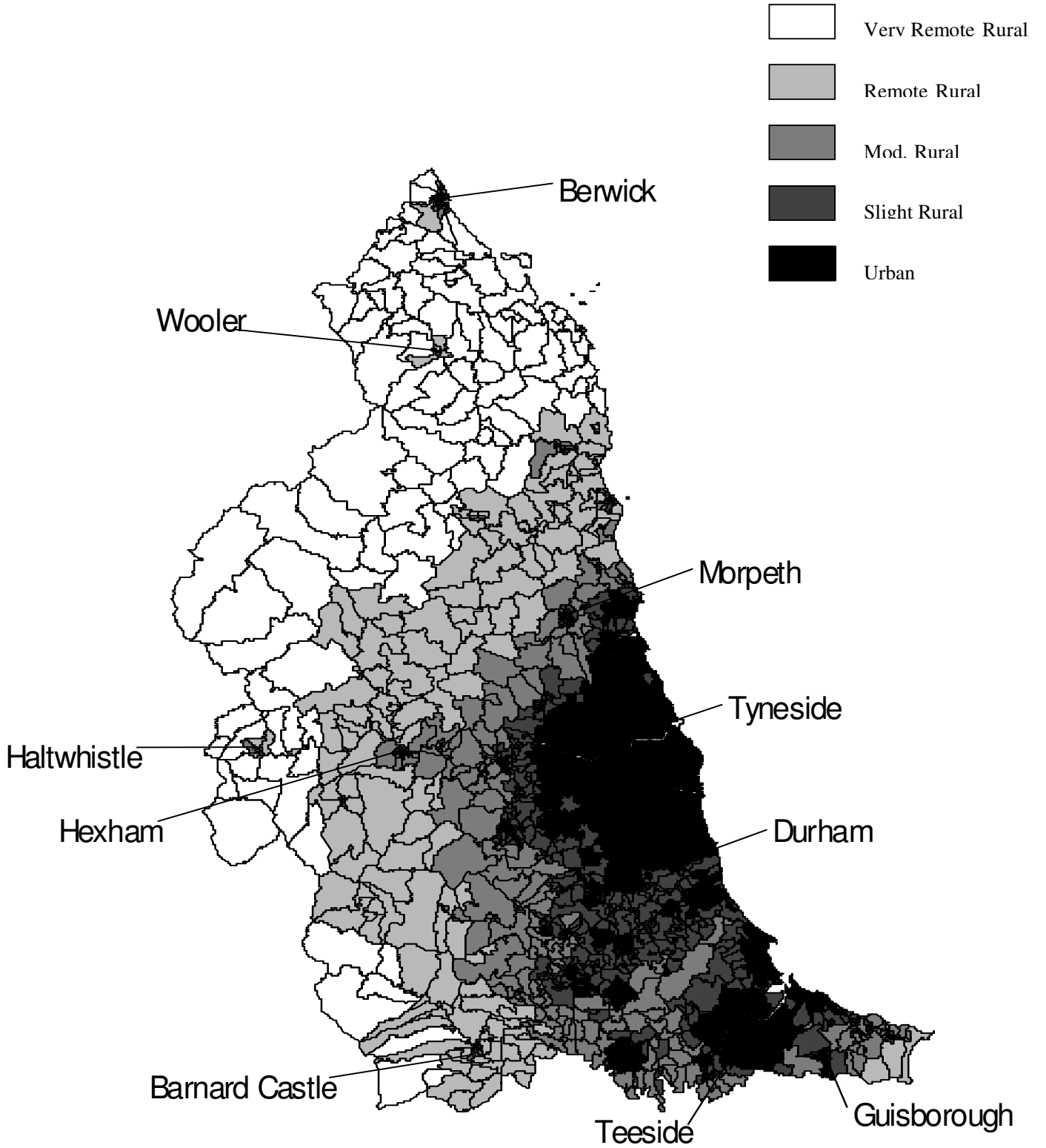
In order to gain an overview of the RMB population, a postal questionnaire was chosen as the most appropriate survey instrument. The questionnaire gave coverage to a wide variety of topics whose relevance had been identified from the academic literature and from preliminary interviews.

The limitations on the complexity of information that may be collected by a postal questionnaire are well documented. Thus replies to some questions are likely to be partially impressionistic, for example those seeking information about the nearest competitor, whether the product market is saturated, or what business support would be useful to the firm. Information relating to total revenue, supply costs and time allocation will often be provided without reference to accounts. Thus the financial details in the report should be regarded as indicative rather than precise estimates.

Sampling procedure

The sampling procedure progressed in two stages. First, a sampling frame was collated and then, second, a postal questionnaire was administered. This procedure was conducted separately for agricultural and non-agricultural firms. That is, due to their special characteristics and policy circumstances, farms were treated as a distinct sub-group within the wider microbusiness population. Section 2 describes in greater detail the procedure followed and results obtained for non-agricultural firms. Section 3 does the same for agricultural firms.

Map 1: Urbanisation index scores across the study area



2 SURVEY OF NON-AGRICULTURAL FIRMS

2.1 Key research questions

This section reports on the conduct and results of a postal survey of non-agricultural microbusinesses within the rural north east of England. Drawing upon contemporary policy debates and extant literature, the survey aimed to address a number of key research questions.

- 1 How heterogeneous is the rural microbusiness population? If firms vary widely in terms of type/nature of their business, then perhaps one-size-fits-all support measures are inappropriate.
- 2 How embedded are rural microbusinesses within the local economy? If firms lack linkages to more distant markets, then this may inhibit local growth.
- 3 Given their small size, what employment do microbusinesses generate? Do such firms actually offer significant job opportunities in rural areas?
- 4 How does being rural influence performance and operation? It is possible that distance from input and output markets may limit growth potential.
- 5 What constrains the growth of rural microbusinesses? How important are staffing, capital and workspace issues?
- 6 Where do owners of microbusiness come from? Do different origins lead to differences in business performance and operation?
- 7 What are the goals of RMB owner-operators? How important is income generation as a goal for rural microbusinesses?
- 8 What are the business support needs of rural microbusinesses? Where do they think that they need help, and are they currently being serviced adequately?

2.2 Sampling frame

Due to the omission of many firms from official statistics, the precise characteristics of the underlying population of non-agricultural microbusinesses are unknown. Definitive data on registered companies may be obtained from Companies House, but will exclude the majority of very small businesses that are sole traders or partnerships, rather than limited companies. Government statistics rely on the official register of businesses, the Inter Departmental Business Register (IDBR), which holds records of all businesses registered for Value Added Tax (VAT) and/or operating a Pay as You Earn (PAYE) scheme. However, many microbusinesses are likely *not* to appear in the IDBR having no employees or only low paid employees, and therefore not operating a PAYE scheme. Moreover, VAT registration is not obligatory for businesses with an annual turnover of less than £51,000 or which trade exclusively in VAT-exempt goods. Thus official statistics reporting on small and medium sized enterprises (SMEs) make use of estimates of the number of microbusinesses (DTI, 1999b). Furthermore, in researching *rural* microbusinesses, these problems are compounded when attempting to apportion the total population between urban and rural areas, particularly where the urban-rural boundary cuts across reporting units (i.e. counties or districts).

Lack of definitive information makes it difficult to evaluate the degree of representativeness of any given sampling frame. A review of available data sources was undertaken to establish their comprehensiveness, financial cost, and ease of use. Since it was envisaged that a large scale postal survey would be the chosen survey instrument, it was also

necessary that data should be digital for ease of administration, ruling out extensive use of 'paper' directories. The best available option was judged to be the business directories of the study area's three Business Links. These are operated as a commercial resource and although listing BL clients, include many others gleaned from a variety of sources. The BL databases were supplemented by databases from several district councils in County Durham, as well as Northumbria Tourist Board, and in all a sampling frame of around 5,300 addresses was compiled.

Post-code data were used to match business addresses to UI scores and location with respect to an RDPA, the Northern Uplands Objective 5B area, and the study area of an earlier report on the North Eastern Rural Economy undertaken by the Centre for Rural Economy (Whitby *et al.*, 1999).

2.3 Survey administration

The final questionnaire used for the survey is presented in Appendix 1. In accordance with standard design procedures, earlier draft versions were circulated to various project stakeholders before being piloted. This process identified some design flaws, which were addressed.

Survey design literature suggests that a positive effect on response rate is exerted by minimising the cost to respondents of participation, and by an effective first mailing (McDaniel & Gates, 1996). Where possible, the questionnaire was sent out with a personalised covering letter, an assurance that information would be treated in confidence, and a Freepost envelope. Local newspapers were circulated with a press release to increase awareness

of the project. The majority of questionnaires were sent out in October 1999, although hospitality businesses were held back until early December 1999. After a period of four weeks had elapsed, a follow-up letter and second copy of the questionnaire was sent out to non-respondents. In all, a final sample size of 1294 was achieved, with an overall response rate in excess of 20 per cent (Table 2.1), which compares favourably with similar survey.

Table 2.1: Response rate

<i>County</i>	<i>Usable addresses</i>	<i>Usable returns</i>	<i>Percentage Response</i>
Durham	1440	371	25.8
Northumberland	2633	671	25.5
Tees Valley	1241	252	20.3
<i>Total</i>	<i>5314</i>	<i>1294</i>	<i>24.4</i>

2.4 Aggregate sample characteristics

Tables 2.2 to 2.6 present summaries of some basic characteristics of the sample and reveal that, as intended, it encompasses a good range of business with respect to their sector, age, size (turnover) and location (UI score)¹. Based on respondent's descriptions of their business's activities, firms were classified according to the UK Standard Industrial Classification of Economic Activities, 1992 (ONS, 1997) into 11 divisions and a larger number of sub-divisions (presented in Table 2.2)². There was spatial variation in the distribution of certain sectors. In the most rural areas (UI 10 or less), there were above-average proportions of firms in the following

¹ Due to missing data some column totals are less than 1294 (e.g. Table 2.3)

² See Appendix 2 for details.

sectors: hospitality, land-based activities, recreation/culture, and below-average proportions in personal services, retail, health and social compared to the least rural areas. There was also a small deficit in the proportion of business services firms in the most rural areas.

Table 2.2: Classification of economic activities

<i>Activity</i>	<i>Number</i>	<i>%</i>
Farm and other business activities*	9	0.7
Grower, plants/trees	11	0.9
Animal care	19	1.5
Service/supply to farming or forestry, other landbased	23	1.8
Manufacturing	140	10.8
Construction	104	8.0
Retail	200	15.5
Agents/wholesalers etc	51	3.9
Repairs	61	4.7
Hospitality, tourist accommodation	279	21.6
Transport, communication	43	3.3
Real estate	19	1.5
Rental	13	1.0
Consultant	108	8.3
Other business services	43	3.3
Domestic/business services	18	1.4
Training/education	31	2.4
Health/Social	41	3.2
Recreation/culture	33	2.6
Personal services	46	3.6
Other	2	1.5
<i>Total</i>	<i>1294</i>	<i>100.0[†]</i>

* The sample contains a few diversified farm businesses, but see Section 3 for the dedicated agricultural survey results.

† Percentage totals may not sum to 100 due to rounding errors.

Table 2.3: Year in which respondent* started running company

<i>Year</i>	<i>Number</i>	<i>%</i>
1942 - 60	16	1.3
1961 - 70	57	4.5
1971 - 80	174	13.8
1981 - 85	154	12.2
1986 - 90	266	21.1
1991 - 95	371	29.4
1996 - 99	223	17.7
<i>Total</i>	<i>1261</i>	<i>100.0</i>

- Some *firms* will be older if the current owner bought or inherited an existing business

Table 2.4: Average annual turnover of firms

<i>Annual turnover</i>	<i>Number</i>	<i>%</i>
< £ 5,000	89	7.2
£ 5,000 to £9,999	72	5.8
£ 10,000 to £ 19,999	146	11.8
£ 20,000 to £ 50,999	302	24.4
£ 51,000 to £99,999	195	15.8
£ 100,000 to £ 249,999	269	21.7
> £ 250,000	165	13.3
<i>Total</i>	<i>1238</i>	<i>100.0</i>

Table 2.5: Urbanisation index scores of firms

<i>Urbanisation Index</i>	<i>Number</i>	<i>%</i>
0 to 4.0	120	9.3
4.1 to 10	276	21.3
10.1 to 15	183	14.1
15.1 to 20	269	20.8
20.1 to 25	159	12.3
25.1 to 30	215	16.6
30.1 to 40	72	5.6
<i>Total</i>	<i>1294</i>	<i>100.0</i>

For the purpose of this study, urbanisation index scores are classified as follows:

0 – 4 = very remote rural; 4.1 – 10 = remote rural; 10.1 to 20 = moderately rural; 20.1 – 30 = slightly rural; 30.1 – 100 = urban.

Table 2.6 presents aggregated data for sample firms. Jointly, they had a substantial aggregate turnover, estimated at £133 million³. Overall, 1654 individuals were involved as active business owner-operators or partners. In addition, nearly 1800 people were regularly employed, full-time or part-time.

Table 2.6: Aggregate sample characteristics

Owner-operators, >30 hours per week	1081
Owner-operators, ≤30 hours per week	208
Full time employees ¹	1095
Part time employees ¹	1142
Other active partners ¹	657
Estimated annual turnover ²	£133million

¹ Totals include spouses who work in the business as follows: 292 as active partners, 37 as full-time workers and 105 as part-time workers

² Based on midpoint of specified ranges

2.5 Trading relations

Sales

Tables 2.7 to 2.12 summarise the degree to which sample firms are embedded within the regional economy, buying inputs and selling outputs locally (within 30 miles), regionally (within 100 miles) or further afield (more than 100 miles away). Table 2.7 shows that, of the

³ £133 million is the estimated annual turnover of 1238 firms. A further 56 firms did not disclose their turnover.

estimated annual sample turnover of £133 million, nearly 18 per cent originated from outside the region. Table 2.8 indicates that a substantial proportion of firms in tourism and hospitality (42 per cent), business activities (13.4 per cent), education /training (22.6 per cent) and manufacturing sectors (21.6 per cent) derive at least three-quarters of their revenue from outside the region (i.e. beyond 100 miles from the firm). By contrast, Table 2.9 (to be read in conjunction with Table 2.8) illustrates the high dependency of service-sector producers on local markets.

Table 2.7: Estimated aggregate sales*

<i>Customer location</i>	<i>% aggregate turnover</i>
Within 30 miles	63.6
30 to 100 miles	18.6
> 100 miles	17.8
<i>Total</i>	<i>100.0</i>

* Estimated from mean point of specified ranges

Table 2.8: Percentage of firms with $\geq 75\%$ of sales beyond the region

<i>Industry</i>	<i>Firms in sector</i>	<i>% firms mostly exporting</i>	<i>Mean value of exports* from exporting firms (£ per firm)</i>	<i>Median value of exports from exporting firms (£ per firm)</i>
Manufacturing	140	21.6	126,310	75,000
Construction	103	1.0	s	s
Retail	312	6.8	163,080	140,000
Hospitality	279	42.0	22700	7500
Transport	43	4.9	67500	67,500
Business activities	202	13.4	110,974	75,000
Education, training	31	22.6	65,370	28755
Health and Social	41	0	-	-
Personal services	46	0	-	-
Recreation /culture	33	12.5	35670	31950
Land-based	62	5	36,400	35,500
<i>Average, all firms</i>		<i>16.4</i>	<i>66,670</i>	<i>28,400</i>

* Estimated from midpoint of turnover range

s Suppressed to maintain confidentiality

Table 2.9: Percentage of firms with $\geq 75\%$ of total sales within 30 miles

<i>Industry</i>	<i>% firms</i>
Manufacturing	42.4
Construction	75.7
Retail	66.8
Hospitality	21.3
Transport	58.5
Business activities	42.1
Education	48.4
Health and Social	95.1
Personal services	84.8
Recreation / Culture	24.2
Land-based	53.3
<i>Average, all firms</i>	<i>49.8</i>

Table 2.10 reveals an above-average dependency on local markets in manufacturing firms in the East Durham and Redcar and East Cleveland Rural Development Programme Areas (RDPA). Moreover, firms in these areas are more dependent on large firms to whom nearly a quarter of sales are made. If local economies are dominated by a small number of large companies on which smaller companies depend for business, they will be particularly vulnerable in the event of failure of the large company.

Table 2.10: Mean sales by manufacturing firms

	<i>% sales to public sector</i>	<i>% sales to large firms*</i>	<i>% sales 0 to 30 miles</i>	<i>% sales 31 to 100 miles</i>
All manufacturing firms	8.9	14.6	47.9	21.5
East Durham RDPA	2.8	23.3	59.4	7.8
Rest of Durham	17.5	5.1	55.0	22.4
Northumberland	13.2	8.4	49.0	22.4
Redcar & Cleveland RDPA	8.1	24.7	60.9	18.0
Rest of Tees Valley	Insufficient data (n=4)			

- Defined as 50 or more employees

Input purchases

Table 2.11 shows that, of the £69 million spent on inputs within the sample, nearly 70 per cent by value were sourced from within the region (within 100 miles) and approximately 42 per cent (£29 million) were purchased locally (within 30 miles). Leakages from the regional economy were estimated at £22 million. Table 2.12 indicates that the mean value of inputs per firm is greatest in the retail, transport, land-based, manufacturing and construction industries. With respect to the impact on the local economy, firms in the construction, retail, and transport industries had the highest local mean expenditures.

Table 2.11: Sourcing of variable inputs (excluding labour)

	<i>Value of inputs (£ million)</i>
Total inputs	69.4
Inputs purchased 0 - 30 miles	29.0
Inputs purchased 30 - 100 miles	18.6
Inputs purchased beyond 100 miles	21.8

Table 2.12: Mean annual expenditure per firm on inputs (excluding labour)

	<i>Total per firm</i>	<i>Local (<30 miles)</i>	<i>Regional (30-100m)</i>
Manufacturing	68375	23017	15847
Construction	67501	51159	10268
Retail	135890	44680	37654
Hospitality	37452	22557	12810
Transport	80457	43608	27761
Business activities	30973	16176	6144
Education, training	14004	9927	2407
Health and social	32991	10922	10746
Personal services	9233	3371	3477
Recreation/culture	20983	8942	9573
Land-based	75460	21204	21871

2.6 Employment

A further aspect of microbusinesses in the regional economy is their role in providing employment. The second and third columns of Table 2.13 show the total number of firms (and therefore owners), and the mean number of spouses who either work full time or are partners in the firm. The large proportion of husband and wife partnerships in the hospitality and recreation/culture sectors is evident. The three right hand columns show the mean number of other business partners, full-time and part-time employees. Greatest full-time employment occurred in the local service industries such as health and social (e.g. optician, dental practice), transport and construction, followed by manufacturing. Smallest full-time employment was in the training, hospitality and recreation/culture sectors.

Table 2.13: Mean employment per firm

	<i>Total firms</i>	<i>Spouse as partner or full time in firm</i>	<i>Other family and non-Family partners</i>	<i>Number of FT workers</i>	<i>Number of PT workers</i>
Manufacturing	138	0.20	0.25	1.27	0.56
Construction	104	0.13	0.22	1.32	0.45
Retail	312	0.28	0.27	0.87	1.20
Hospitality	279	0.48	0.35	0.39	1.18
Transport	43	0.26	0.38	1.57	0.74
Business activities	202	0.13	0.21	0.65	0.55
Education training	31	0.10	0.19	0.20	0.45
Health/social	40	0.13	0.40	1.54	1.59
Recreation, culture, sport	33	0.42	0.33	0.47	0.48
Personal services	46	0.07	0.22	0.65	0.89
Land-based	62	0.18	0.46	1.08	0.63
<i>Total or Mean</i>	<i>1290</i>	<i>0.26</i>	<i>0.28</i>	<i>0.82</i>	<i>0.80</i>

Table 2.14 shows that spouses are an important element in the operation of the business. The next most common form of labour, found across most management structures, was casual non-family labour. Additionally, other family members are often engaged on a casual basis. The availability of people to work informally infers informal labour is not a fixed but rather a variable factor of production.

Table 2.14: Use of casual and formal employment

<i>Type used</i>	<i>Percent of firms using</i>
Full time	10.3
Part time	9.8
Non family casual	21.4
Family frequent	13.1
Family occasional	14.8
Spouse	57.2

Most commonly, management organisation of microbusinesses is the simplest possible, being concentrated in the hands of one individual who will have close control over the firm's internal environment. Thus the problems of co-ordinating the actions of managers and workers is minimised, especially as the commonest management/labour structure, comprising a third of firms, was a single owner-operator with no regular labour. A disadvantage is that small firms are likely to have a narrower skills mix to draw on than larger ones.

Management was with a single owner-operator in nearly two-thirds of firms, and nearly a third had spouse and/or other family members as business partners. There was sectoral variation, for example 19 per cent of hospitality firms were husband and wife partnerships. The business

literature suggests family-owned firms possess distinct strengths and weaknesses. A drawback is that the social capital provided by family members may not be matched to the firm's needs, and they may lack fresh thinking and wider experience. A particular strength, which confers resilience during troubled economic times, is the availability of family labour and capital at below-market rates. Also, family labour is a flexible resource which can be used to cope with unpredictable fluctuations in labour demand. Family members are also likely to have loyalty and long-term commitment to the firm. Only 4.4 per cent of all firms had non-family partners with above average proportions in manufacturing (9.6 per cent) and health and social sector firms (14.3 per cent).

Although flexible availability of the owner-operator's and family labour confers benefits, there are also costs to the business and the individual. Respondents were asked to estimate the hours they personally worked weekly, although this will be problematic for firms who experience substantial fluctuation (Table 2.15). As expected a large proportion of firms in the land-based, (59.7 per cent) hospitality (63.8 per cent), and recreation/culture/sport (42.2 per cent) reported seasonal variation.

Table 2.15: Variation in duration of working week

	<i>Firms</i>	<i>Percentage of firms</i>
Constant	636	49.1
Seasonal variation	349	27.0
Moderate fluctuation	197	15.2
Substantial fluctuation	112	8.7
<i>Total</i>	<i>1294</i>	<i>100</i>

Table 2.16 shows that over 60 per cent of owner operators work more than 45 hours per week and 27 per cent work in excess of 60 hours per week.

Considerable self-exploitation is evident, for example owner-operators of 91 firms worked more than 80 hours per week for an annual turnover of below £20,000. Long hours at work can create considerable stresses for individuals and their families, and has important implications for the business. Depending on the proportion of time spent in productive activities, owner-operators may have too little time to spend on management activities such as gathering intelligence, making market contacts, product development and business planning. The opportunity cost of owner-operators' own time is very high and this may make them reluctant to use business support services unless they are convinced of its value.

Table 2.16: Estimated weekly hours worked by owner-operators

<i>Weekly hours</i>	<i>Firms</i>	<i>Percentage of firms</i>
<15	87	6.7
15 to 30	121	9.4
31 to 45	282	21.8
46 to 60	447	34.5
61 to 80	261	20.2
>80	91	7.0
<i>Total</i>	<i>1289</i>	<i>100</i>

2.7 Competition

Business research suggests that small firms do not compete with larger ones on the basis of cost, but rather on quality. Research into small businesses by Cambridge University, ESRC Centre for Business Research (Cosh and Hughes, 1998) found that in ranking factors contributing to their competitive success both SMEs and microbusinesses ranked the following factors most highly: personal attention to clients' needs, product quality,

specialised expertise or products, reputation and speed. Ranked lowest were cost advantage, pricing and marketing.

The RMB survey provides evidence that some firms have few, if any, competitors, due to either the uniqueness of the product or service offered, or through occupation of a geographical niche (i.e. having a local monopoly). Respondents were asked how far away their nearest competitor is. Forty eight firms considered that they had no competitor and 50 firms reported that their nearest competitor was over 60 miles away. Of these, 18 were more than 200 miles away, including two whose competitors were 3000 miles away, i.e. they offer a unique product/service in the UK.

Table 2.17 shows the median distance to competitors. Use of the median removes the distorting effect of a few very large values (e.g. 3000 miles) on the mean. These sectors were chosen as they are well-represented across a range of urbanisation index scores.

Table 2.17: Median distances in miles from competitors

<i>UI score</i>	<i>0 to 4</i>	<i>4.1 to 10</i>	<i>10.1 to 20</i>	<i>20.1 to 30</i>	<i>30.1 to 40</i>
Retail	5.0	5.0	2.0	1.0	0.5
Manufacturing	37.5	18.0	15.0	5.0	14.5
Business services	25.0	30.0	4.0	7.5	3.0

2.8 Being rural

The rural environment

The lack of competitor firms in rural areas may be advantageous to firms, but the rural location may also impose distinct constraints on rural

microbusinesses. The survey therefore investigated three factors, namely distance, relationships with local markets (for labour, other inputs and product markets), and the effect of planning control on the availability of premises.

Distance

Table 2.18 demonstrates the increased distance which must be travelled by firms as the degree of rurality of location increases (denoted by decreasing UI score) resulting in considerable distances for ‘round trips’. Mean distances are even larger (e.g. mean distance to general supplier is 18.4 miles for UI=0 to 4, and 15.7 miles for UI=4.1 to 10). Rural firms therefore face extra time and fuel costs. A striking feature is the almost universal accessibility of the post office, which suggests its key role as a local service provider. Firms in the least rural areas are better placed to use suppliers based locally, being closer to the main urban areas.

Table 2.18: Median distances in miles from selected services

<i>UI score</i>	<i>0 to 4</i>	<i>4.1 to 10</i>	<i>10.1 to 20</i>	<i>20.1 to 30</i>	<i>30.1 to 40</i>
General supplies	10.0	8.0	10.0	7.3	8.0
Bank	7.0	5.0	1.0	2.0	3.0
Post office	1.5	1.0	0.5	0.5	1.0
Employee training	25.0	20.0	12.0	8.0	7.5
Business training	25.0	20.0	15.0	10.0	12.0
Business club	15.0	10.0	7.0	8.0	8.0
Chamber trade/commerce	15.0	10.0	4.0	7.5	5.0
District council	15.0	10.0	3.0	5.0	3.0

Certain sorts of information exchange can take place *in situ* using information and communications technology (ICT), effectively reducing distance. Over half of sample firms had access to the World Wide Web,

although 9 per cent of those with access were unable to use it. Table 2.19 illustrates that access was greatest in the knowledge-based industries and manufacturing. Access to videoconferencing facilities was rare with only 6.5 per cent of firms having such access. Clearly there is still a large group for whom ICT approaches are not the only solution to improving access to information, training and business contacts.

Table 2.19: Firms with access to the World Wide Web

<i>Industry</i>	<i>% firms</i>
Manufacturing	66.7
Business activities	78.7
Education	67.7
Health and social	73.2
Recreation/culture/sport	63.6
Hospitality	56.0
Personal services	37.0
Transport, communication	33.3
Construction	37.5
Retail	46.1
Land-based	56.5
<i>Average</i>	<i>56.6</i>

Location of product markets

Firms in areas with lowest population density would be expected to have the most constrained local markets and therefore the greatest proportion of non-local sales. Table 2.20 demonstrates the variation which exists in the location of markets of firms in the manufacturing and business services sectors situated in locations with varying degrees of rurality. These sectors are shown since they have adequate sub-sample sizes, and there is a reasonably uniform concentration of them across locations. Table 2.20 also shows the relatively smaller proportion sold locally and the correspondingly larger proportion of sales made beyond the region by firms in the most rural

areas. The ability to extend markets to non-local areas is therefore likely to be a crucial step for many rural microbusinesses. Evidence in Section 2.9 suggests that in-migrants may show a greater tendency to do this than business-owners that have always lived locally.

Table 2.20: Location and percentage of sales made locally and beyond the region

<i>Sector</i>	<i>UI score</i>	<i>% sales within 30 miles</i>	<i>% sales to rest of UK beyond 100 miles</i>
Manufacturing	0 to 4	34.0	55.0
	>4 to 10	44.1	20.9
	>10 to 20	50.7	23.3
	>20 to 30	60.6	18.9
Business/domestic services	0 to 4	10.0	37.8
	>4 to 10	39.1	21.0
	>10 to 20	64.9	14.8
	>20 to 30	54.8	17.7

Rural labour markets

Studies of rural SMEs have reported greater difficulty in recruiting skilled labour and management staff in rural areas than in urban areas (Smallbone *et al*, 1993; Keeble and Tyler, 1995). Firm owner-operators were asked about their present attitude towards business growth (defined as increased turnover, employment or physical size). Of the 391 who would ‘definitely like the business to grow’, 69 per cent thought that business growth was not restricted by the need to take on staff (Table 2.21). Nevertheless, nearly a third of growth-oriented firms indicated problems concerning staff, especially a lack of suitable staff and the cost of employing. Employing was an emotive topic with many more comments supplied by respondents for this than any other question. Some, for example, commented on the difficulty of employing an outsider in one's own home.

Table 2.21: Staffing problems as a constraint on growth (n = 388)

	%
Staff not a constraint	68.8
Cost of employing	11.1
Lack of suitable staff	11.8
Other	8.3
<i>Total</i>	<i>100</i>

Town and country planning

It is widely perceived that a stricter planning regime in rural areas acts to stifle business development. A closed-choice question asked about the outcome of businesses' past applications for planning permission. Overall, 66 per cent of firms had not needed planning permission. Some 3 per cent of firms had been refused planning permission, though a further 4 per cent had been discouraged from applying because they believed refusal of planning permission was likely. The remainder had either been granted planning permission (19 per cent) or had special conditions imposed (7 per cent). The imposition of special conditions had occurred with 28.5 per cent of applications from home-based businesses and 17.2 per cent of non-home-based firms. A wide variety of special conditions were imposed, but most commonly related to the permitted type or scale of activities, listed buildings and signage.

The outcome of planning applications is non-uniform spatially. There appears to be a complex spatial dimension to this distribution. Table 2.22 shows the outcome attained by the 371 firms who had applied for planning permission. The data suggest the outcome of applications for planning permission varies with the degree of rurality of a firm's location. Because the results are aggregated across several planning authorities, the extent to which this is an effect of differing local planning policies is uncertain. Nor

is it possible to judge the quality of applications. A structural dimension may be discerned with a striking feature being the high number of firms in the hospitality sector applying for planning permission and the large proportion of such firms having special conditions imposed on the permission. Because the distribution of such firms is skewed towards the most remote rural areas, the outcome of planning decisions in these areas is thus also skewed.

Table 2.22: Outcome of planning applications by degree of rurality

<i>Urbanisation Index score</i>	<i>Firms</i>	<i>Outcome of planning application</i>		
		<i>Successful % firms</i>	<i>Successful with Conditions % firms</i>	<i>Refusal % firms</i>
0 to 4	52	63.5	28.8	7.7
4.1 to 10	87	75.9	17.2	6.9
10.1 to 15	54	55.6	33.3	11.1
15.1 to 20	76	73.7	19.7	6.6
20.1 to 25	42	69.0	16.7	14.3
25.1 to 30	42	45.2	28.6	26.2
>30	18	66.7	27.8	5.6
<i>Aggregate</i>	<i>371</i>	<i>66.0</i>	<i>23.5</i>	<i>10.5</i>

Of the 391 firm owner-operators who would ‘definitely like the business to grow’, 102 (26 per cent) thought that a lack of space restricted the growth of the business (Table 2.23). Refusal of planning permission directly affected only three businesses. A possible indirect effect of planning control is the lack of affordable local premises (follow-on premises) which impedes a further 25 firms and is a particular problem for businesses which are not home-based.

Table 2.23 Workspace as a constraint on growth (n=391*)

<i>Cause of space constraint</i>	<i>Firms</i>	<i>% of firms</i>
No space constraint	279	71.4
No extra space at present site*	54	13.8
Refused planning permission	3	0.8
No affordable local premises	25	6.4
Lack of finance for building	20	5.1
Other, missing data etc	10	2.5
<i>Total</i>	<i>391</i>	<i>100</i>

* Including 39 firms in retail or hospitality. Relocation may not be an option if location and actual premises (e.g. listed building) are an intrinsic part of the business identity

The relatively small proportion of firms experiencing refusals of planning permission suggest that, in aggregate, development control does not directly fetter growth of the majority of microbusinesses. This will be due in part to the limited business development plans of a large proportion of these firms.

2.9 Business owner-operators

Origins of the business

Nearly 70 per cent of firms had been started by their current owner-operator. Succession was comparatively rare (9.5 per cent of firms), but less so in the land-based, retail and transport sectors in which between 16 and 19 per cent of firms had been inherited. Such sectors are associated with physical assets (land, buildings) which can be passed on, although it is perhaps surprising that so few manufacturing firms have been inherited (8.6 per cent).

Respondents were asked to allocate scores (out of 10) to various factors according to how important they were when starting up/taking over the business. The main motivation for starting the business was to 'provide my

main income source' (mean score = 8.1 if hospitality excluded; 7.6 if hospitality included). The next most important, all with mean scores of 4.6 to 5.0 (excluding hospitality⁴), were the fulfilment of personal goals such as using skills, personal interest in the activity, 'the challenge', and also 'exploiting a market opportunity'. Avoiding unemployment had a score of 3.3 and the remaining factors (following retirement/early retirement, continuing a family business, fitting in with domestic responsibilities), all scored below 2.1.

Mean scores conceal strong motivations for sub-groups. For example 343 firms allocated a score greater than 6 to 'avoiding unemployment', implying a negative reason for starting the business. Yet 142 of these employ regular non-family labour, and 51 plan expansion in the next 10 years. 'Occupation following retirement/early retirement' was allocated a score of greater than 6 by 126 firms. To this group, establishing a minor or additional income source was of equal importance to establishing a major income source, and spouse and family involvement was more common. 'Fitting in with domestic responsibilities' was allocated a score of greater than 6 by 189 firms. This group contained above-average proportions of 'one-person' businesses (48 per cent versus 35 per cent of all firms), and female directors (62 per cent versus 31 per cent of all firms).

Gender

In 69 per cent of firms the owner-operator was male. If hospitality is excluded from the overall sample, male-ownership increased to 76 per cent. Sectors in which female ownership exceeded 24 per cent are land-based,

⁴ Mean scores for hospitality firms were slightly lower for using skills, personal interest in the activity, challenge and exploiting a market opportunity

retail, hospitality, education, health and social, recreation/culture and personal services (Table 2.24).

Female owners were more likely to be in-migrants than male owners (61 per cent versus 51 per cent), and to have completed their education at a higher level (42 per cent of women having a degree, postgraduate or professional qualification, compared to 35 per cent of males). This distribution may reflect a poorer range of job opportunities for professional women in rural areas reported in other studies, and the need to create their own job. Only 37 per cent had finished their education pre-'A' level compared to 44 per cent of males.

Table 2.24: Industrial sectors and gender

<i>Sector</i>	<i>Gender of firm owner-operator</i>	
	<i>Male % firms</i>	<i>Female % firms</i>
All firms	69	31
Hospitality	44	56
Land/based	68	32
Retail	71	29
Education	61	39
Health	58	42
Recreation/culture	64	36
Personal services	40	60

A striking difference in the social structures of female-owned firms compared to male-owned is apparent. Female-run businesses in most sectors are more likely be 'self only' (45 per cent compared to 31 per cent of male-owned firms) and *less* likely than male-run firms to have family partners, family labour or non-family partners (though the latter are in any

case rare). An increased proportion consist of self and non-family labour compared to male-run firms (22 per cent versus 17.5 per cent).

Owner origins

Respondents were classified as ‘locals’ (always lived locally i.e. within 30 miles), ‘returnees’ (who had left and returned), or ‘in-migrants’, who had moved into the area (within 30 miles) as adults. The ‘returnees’ and ‘in-migrants’ were also asked if they had planned to set up the business when they moved into the area. The hospitality sector, which forms around 20 per cent of the sample, is dominated by in-migrants. To aid interpretation, hospitality firms are excluded from the rest of this section.

Returnees run nearly 9 per cent of non-hospitality sector firms. 51 per cent are run by people who had always lived locally and 40 per cent by people who moved into the area as an adult. Table 2.25 shows that a high proportion of local services firms (including construction) and land-based businesses are run by 'locals'.

Table 2.25: Industrial sectors and owner-operators who have always lived locally

<i>Sector</i>	<i>% firms in sector</i>	<i>Sector</i>	<i>% firms in sector</i>
All firms excluding hospitality	50.8	Business services	33.7
Manufacturing	39.3	Education	32.3
Construction	79.8	Health and social	24.4
Retail	55.8	Recreation/culture	33.3
Hospitality	28.7	Personal services	71.7
Transport	69.8	Land-based	56.5

Table 2.26 shows that the majority of returnees or in-migrants had not moved into the area with the intention of starting the firm - this was a

subsequent decision. Inward migration with the intention of starting a business was most common in areas with $UI \leq 10$, suggesting these are lifestyle in-migrants. Moving with the intention of starting a firm was least common in East Durham (8.6 per cent of East Durham firms), East Cleveland RDPA (9.3 per cent), the remainder of Tees Valley (14.1 per cent) and most common in Northumberland (20.5 per cent).

Table 2.26: Intention to start business when moving to the area (Non-hospitality firms)

<i>Urbanisation index</i>	<i>Move into locality with intent of starting business</i>		
	<i>No</i>	<i>Yes</i>	<i>Didn't move*</i>
0 to 4	30.8	28.8	40.4
4.01 to 10	31.0	29.9	39.1
10.1 to 30	33.9	13.1	53.1
> 30	19.7	11.5	68.8
<i>All firms</i>	<i>32.3</i>	<i>16.9</i>	<i>50.8</i>

* i.e. always local

Owner's origins and motivations

The motivations of in-migrants and other groups for starting the business are indicated in Table 2.27. Avoiding unemployment was relatively unimportant in the group who in-migrated with the intention of starting a business, implying that a larger proportion of the other two groups (returnees and locals) are 'unwilling' entrepreneurs. The 'always local' group gave a higher score to continuing the family business, and a lower score to creating a living during early retirement than the other groups.

Table 2.27: Motivations for starting the business (scored out of 10)*

<i>Objective</i>	<i>Move into locality with intent of starting business</i>			
	<i>All firms</i>	<i>No</i>	<i>Yes</i>	<i>Didn't move</i>
	<i>Mean score</i>	<i>Mean score</i>	<i>Mean score</i>	<i>Mean score</i>
Provide main income	8.1	6.9	7.9	8.0
Provide minor income	1.7	2.7	2.2	1.8
Avoid unemployment	3.4	3.5	2.3	3.2
Carry on family business	1.1	0.4	0.5	1.7
Fit in with domestic responsibilities	2.1	2.6	2.2	2.0
Retirement/early retirement occupation	1.0	1.6	1.5	0.7

* Includes hospitality sector businesses

Origins and access to non-local markets

It has already been noted that in sparsely populated areas, extension to non-local markets may be necessary due to the limited size of local markets. A possible connection exists between the origins of the owner-operator and their propensity to export. In-migrants to an area could be hypothesised to have a broader range of experience than those who have always lived locally. In this case, the former group should possess a better understanding of consumer tastes in remote markets, or have an ability to make use of contacts built up in a previous career in order to facilitate access to extra-regional markets. Table 2.28 shows in-migrants achieve a greater level of sales beyond the region (i.e. more than 100 miles away) than business owners native to the area.

Table 2.28: Origins of business owner-operators and location of markets*

<i>Origin</i>	<i>% aggregate turnover sold within 30 miles</i>	<i>% aggregate turnover sold 30 to 100 miles</i>	<i>% aggregate turnover sold beyond 100 miles</i>
Always lived locally	72.9	15.6	11.5
Left area then returned	77.9	13.4	8.7
Moved into area as adult	55.2	20.3	24.5

* The data in this table exclude hospitality/tourism sector firms, the *raison d'être* of which is often to provide services for non-local consumers

Table 2.29: Origins of manufacturing and business service sector owner-operators and location of markets

<i>Origin</i>	<i>% aggregate turnover sold within 30 miles</i>	<i>% aggregate turnover sold 30 to 100 miles</i>	<i>% aggregate turnover sold beyond 100 miles</i>
<i>Manufacturing</i>			
Always lived locally	58.9	20.2	20.9
Left area then returned	47.5	19.7	32.9
Moved into area as adult	35.2	23.3	41.5
<i>Business/domestic services</i>			
Always lived locally	67.4	18.1	14.5
Left area then returned	70.3	21.3	8.4
Moved into area as adult	44.2	29.1	26.7

Survey data show that ownership of approximately 70 per cent of firms in the construction, transport and personal services sectors, which traditionally serve local markets, is by operators who have 'always lived locally'. Thus it could be conjectured that the distribution observed in Table 2.29 may owe more to the types of business than to the characteristics of their owner-operators. However, comparison within sectors in which there is a more even distribution of ownership between locals and in-migrants, namely manufacturing and business services, also reveals a greater proportion of beyond-region sales by in-migrants than by locals, and thus supports the hypothesis.

2.10 Motivations and aspirations

Current goals

This section examines what business owners are trying to achieve in running their firms, their plans and attitude towards growth. Respondents were asked to allocate scores indicating the importance of a series of possible

current goals. Table 2.30 shows that, in aggregate, income generation is the most important goal.

Table 2.30 Motivations for running the business (scored out of 10)

<i>Objective</i>	<i>All firms Mean score</i>
Maximise income	7.0
Gain satisfactory income	7.7
Waiting for a job	0.7
Employ family members	1.7
Employ local people	3.8
Provide local service	5.6
Develop own ideas	5.6
Intrinsic enjoyment	5.1
Flexibility of time	5.8

The averages conceal differences between sectors. Personal fulfilment through enjoyment of the activity, and the opportunity to develop one's own ideas obtained higher mean scores from the manufacturing, health and social, recreation and personal services sectors. Providing a local service was of greatest importance to firms in the retail, health and social, land-based and personal service sectors.

Attitudes to business growth

Table 2.31 shows that, whilst approximately one-third of respondent firms are definitely interested in growth, another third are definitely *not* interested in growth. Therefore, personal goals will limit the growth of many firms. There may also be other factors which constrain growth, namely the availability of capital, labour and workspace. The fact that not all RMBs are growth orientated nor motivated solely by income

generation has implications for how best to support RMBs: different motivations and aspirations may require differential support mechanisms.

Table 2.31: Attitudes to business growth

	<i>Number</i>	<i>%</i>
Wants growth	391	30.2
Maybe wants growth	257	19.9
Does not want growth	428	33.1
Don't know/missing data	218	16.8
<i>Total</i>	<i>1294</i>	<i>100</i>

Table 2.21 indicated that 31 per cent of growth-oriented firms are constrained by a staff problem and Table 2.24 showed that lack of workspace constrains the growth of 29 per cent of growth-oriented firms. Table 2.32 shows that lack of capital constrains a far greater proportion of firms compared to the other two factors. Capital was most commonly needed for premises' extension, building or relocating, in the hospitality and non-hospitality sectors. The second commonest need was for working capital, cash flow and stock increase. Reasons given most commonly are lack of own capital, lack of capital in the business, and an unwillingness to borrow. One third of firms had taken out a loan in the previous five years. Firms with loans had borrowed an average amount of £24,900.

Table 2.32: Percentage of 'Growth' firms constrained by lack of capital, staff or workspace

	<i>Capital</i>	<i>Staff</i>	<i>Space</i>
Not a constraint	48.2	68.8	71.4
A constraint	51.8	31.2	28.6
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>

Firms were also asked about their plans for the next ten years (Table 2.33). 14 per cent (185 firms) planned expansion during the next ten years. Although 31 per cent of these are 'one-person' firms, the 'expansion' group included above-average proportions with employees and/or non-family partners. Some 40 per cent were in the manufacturing and business service sectors (compared with 27 per cent in the whole sample), 29.7 per cent had moved to the area to start the firm (compared to 16.9 per cent of 'all firms'), and 47 per cent were aged less than 45 (compared to 32 per cent of 'all firms').

Table 2.33: Plans for the next 10 years

<i>Plans</i>	<i>Firms</i>	<i>% of firms</i>
Maintain current position	440	34.0
Reduce activities	35	2.7
Substantial expansion	185	14.3
Sale	186	14.4
Stop trading	145	11.2
Succession	72	5.6
Don't Know	231	17.8
<i>Mean</i>	<i>1294</i>	<i>100</i>

'Non-growth' firms

Table 2.34 highlights the importance of non-growth orientated firms (dubbed 'maintainers') to employment: maintainers represent one-quarter of the sample *and* one-quarter of employment.

Table 2.34: Employment in firms planning to maintain current position for 2 years and 10 years ('Maintainers')

	<i>A</i>	<i>B</i>	
	<i>Employment in all sample firms</i>	<i>Employment in 'Maintainers'</i>	<i>B/A %</i>
Firms	1294	363	28.1
	657	178	27.1
Other partners			
Full time regular	1103	248	22.5
Part time regular	1142	301	26.4

¹ Totals include spouses who work in the business as follows:

In 'all firms', 292 as active partners, 37 as full-time workers and 105 as part-time workers

In 'maintainers', 74 as active partners, 8 as full-time workers and 29 as part-time workers

Microbusinesses play an important role in the delivery of local services that may be crucial to the well being of local communities. Firms in the land-based, retail, construction, transport and personal services sectors were older than average, with nearly 40 per cent started before 1980 (versus 27 per cent of all firms). This suggests they are important in the stability of the economy. They also offer above-average levels of full-time regular employment.

Table 2.35: Employment in local service firms

	<i>A</i>	<i>B</i>	
	<i>Employment in all sample firms</i>	<i>Employment in 'local services' firms</i>	<i>B/A (%)</i>
Firms	1294	567	43.8
	657	159 +111	41.1
Other partners			
Full time regular	1103	560+14	52.0
Part time regular	1142	477+51	50.9

¹ Totals include spouses who work in the business as follows:

in 'all firms', 292 as active partners, 37 as full-time workers and 105 as part-time workers;

in 'local services' firms, 111 as active partners, 14 as full-time workers and 51 as part-time workers.

2.11 Business Support

Business support use

Table 2.36 lists various sources of business advice and shows the proportion of firms approaching each in the previous ten years. Private sector advisors have a clear lead, probably reflecting the need of many firms to employ the services of an accountant for tax purposes. The relatively high proportion using the Business Links (BL) may reflect bias resulting from the use of BL databases. Even so, 71.2 per cent of our sample had not used (or did not recall using) Business Links. Informal sources, in particular industry contacts, are also important.

The classification presented in Table 2.36 may be collapsed into four categories:

- public sector support providers (consisting of RDC, local enterprise agency, Business Link, Training and Enterprise Council, MAFF, ADAS⁵, district council, county council and Tourist Board);
- private sector providers (e.g. accountants, other professional advisers);
- collective bodies (consisting of Chamber of Commerce, Chamber of Trade, National Farmers Union, trade and professional organisations);
and
- informal or personal contacts (friends or family members with specialist knowledge and contacts in the industry).

⁵ Although the Agricultural Development and Advisory Service became a private sector body in 1997.

Table 2.36: Sources of business support/advice approached by respondents in previous 10 years

<i>Source</i>	<i>Number</i>	<i>%</i>
Rural Development Commission (RDC)	152	11.8
Local Enterprise Agency	189	14.6
Business Link	372	28.8
Training and Enterprise Council (TEC)	283	21.9
Chamber of Trade/Commerce	89	6.9
District Council	150	11.6
County Council	82	6.3
MAFF/FRCA	30	2.3
ADAS	21	1.6
National Farmers' Union (NFU)	31	2.4
Private sector	584	45.2
Family/friends (with specialist knowledge)	227	17.6
Industry contacts	356	27.6
Trade/professional organisation	262	20.3
Others including Tourist Board	30	2.3

Use of public sector support services

50% of firms had approached a public sector provider in the last ten years and half had not (Table 2.37). Overall, users of public sector support are typically engaged in the manufacturing, business services, education or recreation/culture sectors. Conversely, non-users were typically engaged in the hospitality, construction, retail, transport and personal services sectors.

Table 2.37: Percentage of firms who have *not* approached public business support agencies in the previous 10 years

<i>Sector</i>	<i>all firms (%)</i>	<i>Started running* 1980 to 1989 (%) (n=396)</i>	<i>Started running* 1990 to 1999 (%) (n=647)</i>
Manufacturing	35.7	46.9	19.4
Construction	59.6	67.6	25.8
Retail	56.3	56.8	46.8
Hospitality	58.4	67.1	54.2
Transport	60.5	75.0	50.0
Business activities	41.3	55.4	24.5
Education/training	19.4	50.0	12.0
Health and social	56.1	63.6	53.8
Personal services	60.9	81.3	25.0
Recreation/culture	30.3	33.3	17.4
Land-based	50.0	47.8	42.3
<i>Mean, all firms</i>	<i>50.8</i>	<i>59.3</i>	<i>38.5</i>

* Refers to year in which respondent started running firm. Some *firms* will be older if the current owner bought or inherited an existing business.

The situation changes dramatically if newer businesses, defined as those under their present ownership since the 1990s, are considered separately. They are much more likely to have used public business support than those started earlier. Furthermore although use by some local service sectors remains low, usage by construction and personal services firms increases to a rate similar to that for Business Services.

Users typically have received further or higher education and a slightly higher proportion of male operators than females have approached public business support sources. Differences in use of public sector business support are also found in relation to origins of business owner-operators. Data for 'all firms' show lower use levels by 'always local' business operators compared to the two in-migrant groups (Table 2.38). For the newer firms, these differences are more modest.

Table 2.39 also presents data for firms which have been under their present owners since the 1990s and combines three factors, industrial structure, owner origins and use of public business support. Firms are aggregated into the predominantly local services sectors (consisting of land-based, construction, retail, transport, health and social and personal services), more externally oriented sectors (manufacturing, business services, education and recreation/culture), and the hospitality sector. As predicted by Table 2.38, overall use was greatest by the externally-oriented group. Small differences in use by in-migrants intending to start a business and 'locals' are evident. There is a wider gap between these two groups and in-migrants who had not intended setting up a business. A different distribution is displayed for hospitality firms. These results suggest that some groups have greater ability or inclination to access public sources than others. The lower use by local service sector businesses, especially older firms, is perhaps cause for concern given the role of some in providing essential local services.

Table 2.38: Use of business support agencies and owner's origins

<i>Origins of owner</i>	<i>% firms</i>	
	<i>All firms</i>	<i>Started running 1990 to 1999</i>
In-migrant, no intention of starting firm	58.3	65.8
In-migrant, with intention of starting firm	50.9	59.7
Didn't move*	42.1	58.3
<i>All firms</i>	<i>49.2</i>	<i>61.4</i>

i.e. always local

Table 2.39: Use of business support agencies, owner's origins and sector*

<i>Origins of owner</i>	<i>Externally-oriented firms</i>	<i>Local services firms</i>	<i>Hospitality firms</i>
In-migrant, didn't intend starting firm	71.6	53.0	44.6
In-migrant, intended to start firm	62.7	43.2	52.2
Didn't move*	61.3	39.4	35.7
<i>All firms</i>	<i>66.5</i>	<i>43.1</i>	<i>45.5</i>

* Table includes only those firms in which present operator started between 1990 and 1999.

There was no strong evidence that particular organisations were favoured by particular sectors. Moreover the picture is confused by the changes in institutional structure of business support provision which have occurred during the period of interest (i.e. the previous ten years), and by territorial variation in institutional structure, for example the more prominent role of local enterprise agencies in Durham.

Alternatives to public sector support

It is feasible that non-users of public support services would be associated with an increased level of contact with alternative sources of support provided by informal means and the private sector. However Table 2.40 shows that the proportion of 'non-user' firms which approached these substitutes was *below* that of users of public sector support for each category. The differences are least marked for private sector sources (reflecting the perceived necessity for many firms to use an outside accountant) but are much more marked over the use of collective and informal/personal sources. What seems apparent is that, on the one hand, there is a grouping of firms that see themselves as highly self-reliant and consult no-one outside the business; and on the other hand, there is a grouping of firms that is seeking information and advice from a range of public, private, collective and informal sources.

Table 2.40: Use of alternatives to public sector business support

	<i>% firms using alternative business support</i>		
	<i>Non users of public sector support</i>	<i>Users of public support</i>	<i>All firms*</i>
Private sector	40.9	49.6	45.2
Collective	18.4	33.2	25.7
Informal/Personal	28.5	43.3	35.8

* Table includes firms of all ages

Altogether 289 firms (22 per cent) had approached *none* of the four sources of business support (i.e. private, public, collective or informal). They were more likely to be 'locals', to have completed education pre-GCSE (or equivalent), and to have started the firm before 1990⁶. Above average proportions are found in the local service sectors, hospitality and recreation/culture sectors.

By contrast, 92 firms (7 per cent) had approached all four sources. This group contained higher than average proportions of business services, education and recreation/culture firms, owners with a degree, postgraduate or professional qualification and firms starting since 1990. However, there was little difference in the proportions of incomers and locals in this group.

One strategy for support of small firms is to encourage collective self-help, for example by means of business clubs. This not only overcomes the logistical hurdle of assisting large numbers, but may also strengthen business linkages and networks. Such linkages appear to be poorly developed among traditional service providers, but above-average proportions of firms in the business services (32.8 per cent),

⁶ 'Newer' firms (i.e. started under present ownership after 1989), both users and non-users of public support, included slightly larger proportions using private, collective and informal sources than 'all firms'.

recreation/culture (36.4 per cent), and especially the health and social sectors (58.5 per cent) had approached collective bodies. This will be partly due to the necessity for professional registration among health sector professionals, such as dentists, opticians and therapists.

An important issue is whether access levels to these sources of support are poorer in the more remote areas. It might be expected that firms in the most remote areas would experience greatest difficulty in establishing or making use of contacts in the industry, trade or professional organisations. Again, manufacturing and business services sector firms are selected for separate discussion given that they are distributed across a range of urbanisation index bands and in sufficiently large numbers. Use of industry contacts and trade/professional organisations were more common in the business services sector than manufacturing (40 per cent of business services compared to 24 per cent of manufacturing). As might be expected, an increasing proportion of manufacturing firms use trade/professional organisations and/or industry contacts as the UI score increases. There was little difference in usage between in-migrants and 'always local' operators. This reinforces an impression of the manufacturing firms in accessible rural areas maintaining strong business and professional contacts with close-by urban areas. In the business services sector, the proportion approaching trade/professional organisations (mean=40 per cent) also increased along with increasing UI score. The opposite, however, applies to approaching industry contacts, with 51 per cent of business services firms located where $UI \leq 10$ having approached them, compared to 37 per cent for $UI > 10$. This result may be partly explained by the greater use made of industry contacts by in-migrant business operators compared to 'always local' operators, and the slightly greater prevalence of in-migrants in the most rural areas compared to less

rural areas. It may be that for many such firms, making use of extensive or distant business networks is the key to their effectiveness in remote areas.

Gender

The use of business support by female and male owner-operators was compared. Table 2.41 illustrates relatively small differences in the proportion of firms who had approached each source (although a larger absolute number of male-owned firms will use each source, as 70 per cent of firms are male-owned).

Table 2.41: Gender and business support including hospitality

	<i>Female owner</i> <i>% firms using</i>	<i>Male owner</i> <i>% firms using</i>	<i>All firms</i> <i>% firms using</i>
Public sector	49.4	49.6	49.2
Private sector	41.4	46.4	45.2
Collective	24.8	26.0	25.7
Informal/Personal	38.9	34.9	35.8

The hospitality sector has 56 per cent female ownership, whose use of all four support sources is below that of male owners in the sector. If hospitality is omitted, female owners are shown to have greater proportional use of public sector and informal sources (Table 2.42).

Table 2.42: Gender and business support excluding hospitality

	<i>Female owner</i> <i>% firms using</i>	<i>Male owner</i> <i>% firms using</i>
Public sector	56.9	49.9
Private sector	44.4	46.0
Collective	25.9	25.6
Informal/Personal	42.7	33.5

There are some sectoral differences. Compared to male-owned firms, female-owned firms in the business services, education and land-based sectors had greater contact with public support agencies, and female-run firms in the hospitality, personal services and retail had less contact than male owners. This may be associated with the greater use of public business support services by more highly educated groups, and the higher proportion of female owners who were educated to degree level (or higher) compared to male owners.

Perceived usefulness of business support

Firms were asked to indicate which of 14 'areas' of business support would be of current use. Among the whole sample, computing is the clear leader, followed by areas related to market extension (Table 2.43). Perceived use varied between groups of firms. As envisaged, those businesses planning expansion in the next 10 years showed the greatest level of interest in all areas.

Table 2.43: Areas of business support most commonly perceived to be of current use

<i>Business support 'area'</i>	<i>%firms (n=1294)</i>	<i>% 'expansion' firms (n=227)</i>	<i>'no growth' maintainer firms* (n=138)</i>
Employing staff	19.1	34.1	14.5
Staff development, training	20.3	38.4	15.2
Business strategy	24.2	43.2	16.7
Financial management/tax	29.9	41.1	22.5
Marketing	34.2	55.7	20.3
Identifying market opportunities	33.8	51.9	18.1
Advertising	32.6	48.1	24.6
Computing	41.3	50.3	31.9

* Firms not interested in growth and planning to maintain current position over next 10 years

Nevertheless, a substantial number of non-growth firms indicated business support to be of current use. This reflects the need for such firms to be reactive and make changes in order to survive and maintain their business. Firms which reported themselves as both 'definitely not interested in growth' and planning to maintain their current position over the next ten years displayed less interest in all areas. There appears to be some variety in the prioritisation of business support needs. For 'expansion' businesses, the top two are Marketing and Identifying Market Opportunities, with Computing in third place. For 'maintainer' firms, Computing and Advertising are most commonly perceived to be useful.

A comparatively small proportion of firms are interested in advice/support on employing staff or staff development. However, when related to management structure and existing labour use, greatest interest is shown among firms employing non-family labour of whom 30 per cent were interested in advice/support related to employing staff and 34 per cent in staff development. The corresponding proportions for family labour firms are 16 per cent and 10 per cent. In the health, personal services, land-based, recreation/culture sectors, above average proportions of firms were interested in staff development. The overall tendency, however, is for explicit development of human capital to be a low priority for the majority of firms.

3 SURVEY OF AGRICULTURAL FIRMS

This section reports on the conduct and results of a postal survey of agricultural microbusinesses within the rural north east of England. This was conducted separately from that of non-agricultural businesses due to the particular position of farms within rural areas and the policy environment. That is, agriculture has historically been synonymous with rural and remains a highly visible economic activity due to its extensive land base. In addition, government intervention in agriculture has been, and remains significant in that, unlike other rural enterprises, agriculture has benefited from the provision of guaranteed product markets and input subsidies or other support payments.

However, in the face of continual structural change and agricultural policy reforms, farms are increasingly seeking additional income sources to supplement farming incomes, which have declined to historic lows in recent years. Indeed the introduction of the Rural Development Regulation under the latest reform of the Common Agricultural Policy will deflect funds from commodity support to rural development, in particular to aid farm business diversification. Thus, in common with other sectors, they will increasingly compete in markets with decreased government support and, it could be argued, with a greater need for entrepreneurial skills. It may even be the case that an analysis of diversified farm businesses may reveal greater commonality with non-farming businesses than with undiversified farms. Existing research has already noted the existence of generic similarities, as well as differences, between farms and other rural microbusinesses (e.g. Carter and Rosa, 1998).

3.1 Key research questions

Drawing upon contemporary policy debates and extant literature, the agricultural survey aimed to address a number of key research questions.

1. What agricultural and non-agricultural activities do farms undertake?
2. How embedded are farms within the local economy?
3. What employment do farms generate?
4. How are farms owned and managed?
5. Where is farm household income derived from?
6. How and why do farms diversify?
7. What are the business support needs of farms?
8. What differences and similarities are apparent for farms and other, non-agricultural, rural microbusinesses?

3.2 Farming in north east England

Unlike non-agricultural rural microbusinesses, the farm population is relatively well documented due to government attention through, for example, the Annual Agricultural Census. Table 3.1 shows agriculture in Northumberland and County Durham to be dominated spatially by livestock production, with arable farming predominating in Tees Valley. Farms in the North East occupy a disproportionately large share of land under tenancy agreements rather than freehold, reflecting the existence of a number of large estates in the region. The situation is particularly pronounced in Northumberland.

The upland areas to the west of Northumberland and Durham, and to the south of Redcar and Cleveland District are designated Less Favoured Areas. In addition, European Regional Development Fund Objective 5b status

applies to part of the study area, extending through the upland areas of Durham, Northumberland and North Yorkshire and their fringes, though excluding Tees Valley (Map 2).

Table 3.1 Distribution of agricultural land uses and tenure (1997)

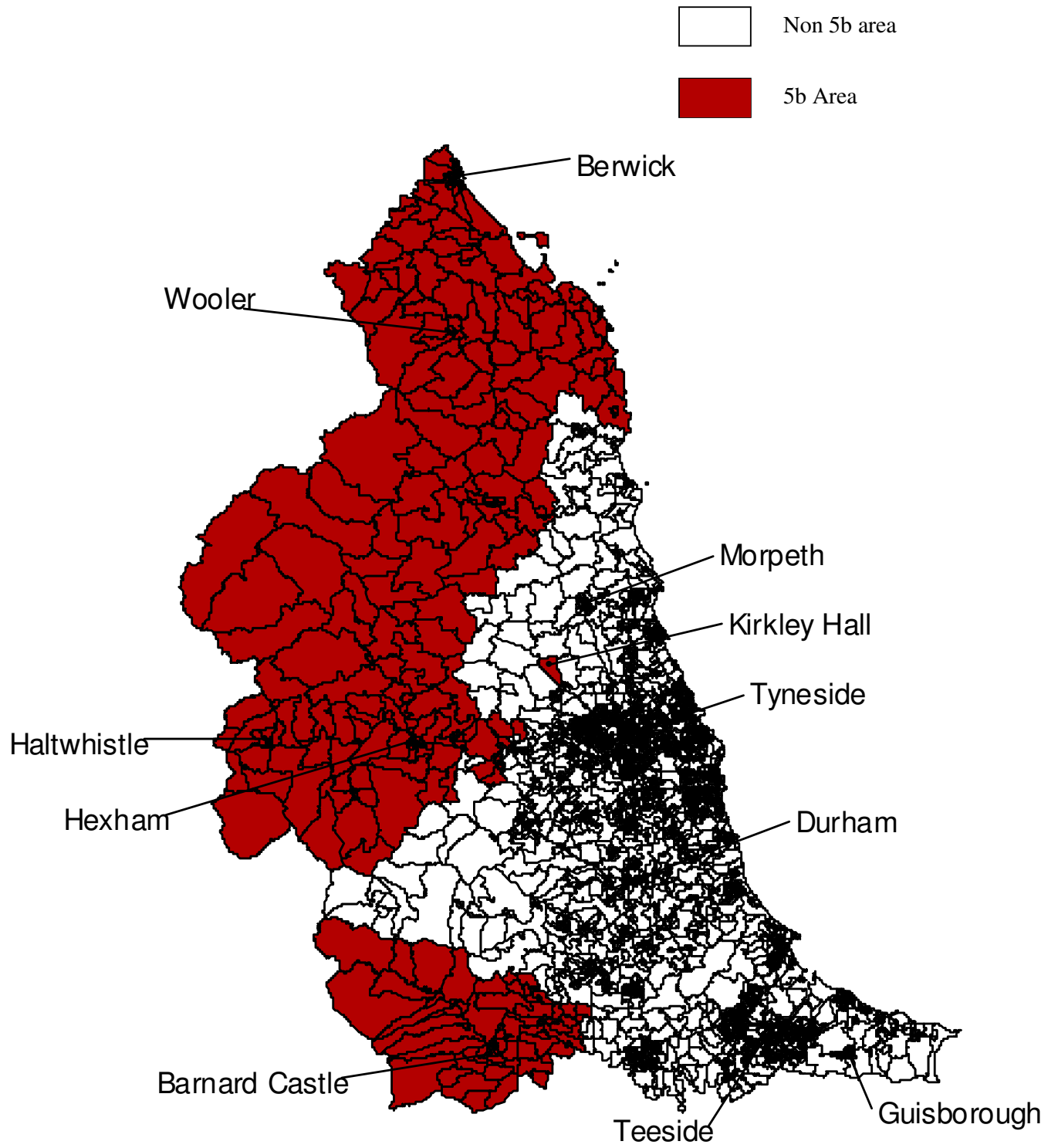
<i>% total</i>	<i>Northum- berland</i>	<i>County Durham</i>	<i>Tees Valley</i>	<i>North East 'Counties'</i>	<i>England</i>
Grassland	35.4	48.4	30.5	38.1	38.9
Rough Grazing	34.4	22.2	4.9	28.4	7.5
Crops and Fallow	25.4	24.7	57.4	28.4	46.2
Tenanted Land	53.9	40.3	40.9	49.3	34.9
Owner Occupied Land	46.1	59.7	59.1	50.7	65.1

Source: Whitby et al, 1999

3.3 Sampling frame

Data from the Annual Agricultural Census identify a population size of almost 5,000 holdings in the three counties. In constructing a sampling frame, a review of available data sources was undertaken to establish their comprehensiveness, financial cost, and ease of use. The best available option for the Northern Uplands Objective 5b area was judged to be a database compiled for that area for the administration of the Farm Business Support Scheme, which contained approximately 1900 names and addresses of farms. Although complete access to the database was not permitted, address labels of farms located in the Objective 5b area were provided for the study. However, this arrangement did not permit a follow-up mailing.

Map 2: Objective 5b area



For the non-5b area, farm business names and addresses were extracted from directories of the study area's three Business Links, supplemented by the Yellow Pages for the Sedgefield area, where coverage was poor. A sampling frame of around 540 addresses was compiled for the non-Objective 5b area.

3.4 Survey administration

As for the survey of non-agricultural firms, post-code data were used to match business addresses to UI scores and location with respect to an RDPA, the Northern Uplands Objective 5B area, and the study area of an earlier report on the North Eastern Rural Economy undertaken by the Centre for Rural Economy (Whitby *et al*, 1999). As with the non-agricultural microbusinesses, a postal survey was the chosen survey instrument. The questionnaire used was amended from the non-agricultural survey and is attached as Appendix 3. Questionnaires were first mailed out in early February 2000, followed by a repeat mailing to non-Objective 5b farms four weeks later. After eliminating addresses of farm businesses which fell outside the study's criteria (i.e. those less than two years old, or employing ten or more full-time equivalent staff, or not independently owned), a response rate of 20 per cent was achieved overall (Table 3.2), resulting in a sample size of 483. The sample captured 6.5 per cent of Durham farms, 8.3 per cent of Tees Valley farms, and 12.9 per cent of Northumberland farms (Table 3.3).

Table 3.2 Response rate

<i>Locality</i>	<i>Sent out</i>	<i>Returned Usable</i>	<i>Refusal or incomplete</i>	<i>Response rate (%)</i>
<i>5B area</i>	1812	341*	25	18.8
<i>Non 5B area</i>				

Durham	217	52	5	24.0
Northumberland	138	36	2	26.1
Tees Valley	188	54	2	28.7
Sub-total Non 5B area	543	142	9	24.0
<i>Total</i>	<i>2355</i>	<i>483</i>	<i>34</i>	<i>20.5</i>

* Although subsequent reclassification reduced the usable responses for the Objective 5b area to 325

Table 3.3 Location of sample farms

<i>County</i>	<i>Ag.Census farms</i>	<i>% of Ag. Census farms</i>	<i>Sample farms</i>	<i>% of sample farms</i>
Durham	1941	39.5	126	26.1
Northumberland	2315	47.1	298	61.7
Tees Valley	662	13.4	55	11.4
Unknown location *			4	0.8
<i>Total farms</i>	<i>4918</i>	<i>100</i>	<i>483</i>	<i>100</i>

Source: Authors' data and MAFF, 1998a

3.5 Aggregate sample characteristics

Farms were classified by size and type of activities according to a system employed by the Agricultural Census (Table 3.4). Under this system, crop areas and livestock numbers are multiplied by their respective coefficients and summed to produce a measure of farm business size based on a notional standard gross margin (SGM). The distribution of total SGM between enterprises determines the farm type.⁷ Table 3.5 shows the sample to be broadly representative of the spread of farm types recorded in the Agricultural Census, with livestock and cereal farming predominating.

⁷ Holdings of less than 8 ESU are considered too small to provide full time work for one person. For further details of the classification see MAFF, 1998b.

Table 3.4: Size and type of sample farms

<i>Farm Type</i>	<i>Farm Business Size (European Size Units)</i>					<i>Total</i>
	<i>0 to <8 very small</i>	<i>8 to <40 small</i>	<i>40 to <100 medium</i>	<i>100 to <200 large</i>	<i>200+ very large</i>	
No land	5	-	-	-	-	5
Cereal	2	23	46	22	22	115
Cropping	1	-	3	5	9	18
Horticulture	1	-	1	-	-	2
Pigs, poultry	1	3	1	1	-	6
Lowland dairy	-	2	11	2	1	16
LFA dairy	-	-	1	2	-	3
LFA cattle & sheep	25	91	74	9	1	200
Lowland cattle & sheep	10	17	4	-	-	31
Mixed	-	14	28	33	10	85*
Horse specialist	2	-	-	-	-	2
<i>Total</i>	<i>47</i>	<i>150</i>	<i>169</i>	<i>74</i>	<i>43</i>	<i>483</i>

*including 47 with crops and cattle/sheep

Table 3.5: Comparison of 1997 Agricultural Census farms and sample farms

<i>Farm type</i>	<i>% of sample farms</i>	<i>% of Census farms</i>
Dairy	3.9	6.5
Cattle and sheep	48.0	44.2
Cereals/general cropping	27.6	20.9
Mixed and other	19.0	24.7
Pigs and poultry	1.3	2.0
Horticulture	0.2	1.6
<i>Total</i>	<i>100</i>	<i>100</i>

Farms were distributed approximately evenly between locations within and outside the Less Favoured Area (Table 3.6). Cereal, cropping and certain mixed farm types (crops with pigs/poultry or crops with dairy) were prevalent in non-LFA areas, along with lowland cattle and sheep farms (14.8 per cent). In the LFA, 80 per cent of farms were cattle and/or sheep farms,

and mixed farms (cattle and sheep together with either dairy or crops) contributed a further 11.5 per cent.

Table 3.6 LFA status of sample farms

	<i>In LFA</i>	<i>Outside LFA</i>	<i>Partly in LFA</i>	<i>Total</i>
Farms	234	203	43	480
Percentage	48.8	42.3	9.0	100

Table 3.7 reflects the differential pattern of land ownership in the three counties. Some 51 per cent of sample farmers (and partners) in Durham and Tees Valley own more than three quarters of the area they farm (compared to 44 per cent in Northumberland), and 36 per cent in Durham and Tees Valley own less than a quarter (compared to 46 per cent in Northumberland).

Table 3.7: Land ownership

<i>% agricultural area owned</i>	<i>% farmers in Durham + Tees Valley</i>	<i>% farmers in Northumberland</i>
0	20.7	39.7
0.1 to 4.9	2.8	1.0
5 to 24.9	12.8	5.8
25 to 49.9	6.1	3.8
50 to 74.9	6.1	5.5
75 to 99.9	14.0	9.2
100	37.4	34.9
<i>Total</i>	<i>100</i>	<i>100</i>

3.6 Trading relations

Sales

Large flows of goods are associated with farming and the strength of agriculture's indirect effects on the local economy will depend partly on the

destination of its outputs. Whereas 'exporting' finished goods from a locality provides a desirable injection into its economy, the export of raw agricultural commodities implies that the value-added, which could be gained from undertaking processing locally, is lost. On average, farms sold 49 per cent of output (by value) within 30 miles, and 28 per cent within 30 to 100 miles. Little variation between farm types was evident. A relatively small proportion of farms exported large amounts with around 13 per cent selling £30,000 or more of output beyond the region (Tables 3.8 and 3.9). In particular, 21 cereal farms exported £2.7 million of output.

Table 3.8: Estimated sales revenue from agricultural commodities* and diversified activities (n=463)

	<i>£ million</i>
<i>Agricultural commodities</i>	
Locally sold	19.49
Regionally sold	10.96
Rest of UK or rest of World	7.78
Total revenue[†]	38.23
<i>Diversified activities</i>	
Total revenue	3.60

* Estimated from mean point of specified ranges

[†] Mean revenue = £85,300

Table 3.9: Farms selling ≥£30,000 output beyond 100 miles

<i>Farm type</i>	<i>Farms</i>	<i>Total sales beyond region (£million)</i>
Cereal	21	2.7
LFA cattle/sheep	17	1.2
Crops and cattle/sheep	11	1.4
Other types	14	1.8
<i>Total</i>	<i>63</i>	<i>7.1</i>

Table 3.10 shows that many sales, such as those in auction rings, and those to merchants, wholesalers and co-operatives, are made to intermediaries and the ultimate destination of the output, and the processing which adds value, is uncertain. Direct sales to the public and other end-users are very small.

Table 3.10: Buyers of agricultural commodities

<i>Type of buyer</i>	<i>% total output value</i>
Merchant, wholesaler, co-operative	34.3
Auction mart, electronic auction	36.5
Processor/ abattoir	14.9
Retailers, direct to public, hotels and canteen	2.8
Other farmers	4.6
Other	6.9
<i>Total</i>	<i>100</i>

Input purchases

Leakages from the local economy arise if input purchases are made from non-local sources. Sample farmers spent £22 million in 1998 on agricultural inputs excluding labour, and Table 3.11 reveals that the majority were purchased locally or regionally.

Table 3.11: Sourcing of variable inputs (excluding labour) used in farming activities (n=418)

<i>Input purchases</i>	<i>£ million</i>
Total input value*	22.0
Inputs purchased 0 - 30 miles	11.9
Inputs purchased 30 - 100 miles	7.8

* Mean input value = £52,400

3.7 Employment

Table 3.12 shows direct local employment on sample farms, with 1002 farmers/other partners engaged in farming (of which a proportion will be part-time) and a further 348 full-time and 174 part-time regular jobs. Trends over the past four decades have been an increasing number of part-time farmers (replacing full-time farmers) and a decrease in full-time hired workers, with partial replacement by part-time hired employees and casual workers.

Table 3.12: Aggregate employment in agricultural and diversified activities*

	<i>Number</i>	<i>Mean per farm</i>
Farmers	483	1.0
Other partners	519	1.1
Full time regular workers	348	0.7
Part time regular workers	174	0.4
Non-family casual	173	0.4

* Totals include spouses who work in the business as follows:

139 as active partners, 10 as full-time workers and 23 as part-time workers

3.8 Farm ownership

The management structure of farms and other rural microbusinesses is compared in Table 3.13. Casual labour use has been excluded. Among non-farming microbusinesses, the commonest structures were the 'one-person operated' firm and firms with a single director employing non-family labour. In the farming sector, single owner-operators are much less common and family partners more prevalent compared to non-farming RMBs. This arrangement is reflected by a different legal structure, with the majority of farms being partnerships (Table 3.14).

Table 3.13: Degree of family involvement in the management and the labour force of farming and non-farming rural microbusinesses (RMBs)

	<i>Non-farming RMBs (% firms)</i>	<i>Farms (% farms)</i>
Self only	34.8	23.6
Self and spouse	6.9	5.4
Self and family partner(s)	1.3	7.7
Self, spouse and family partners	4.7	9.7
Self and family labour	4.7	5.6
Self, spouse/family partner(s) and family labour	2.7	8.1
Self, family and non-family labour	6.4	4.3
Self, spouse/family partner(s), family and no family labour	5.6	2.5
Self and non-family labour	18.9	12.0
Self, spouse/family partner(s) and non-family labour	9.6	14.5
Self and non-family partner(s)	1.1	1.2
Self, family and non-family partners	0.5	2.9
Self, non-family partner(s), labour*	2.5	0.6
Self, family and non-family partners, labour*	0.3	1.9
<i>Total</i>	<i>100</i>	<i>100</i>

* Family and/or non-family labour

Table 3.14: Legal form of farm and other rural microbusinesses (RMBs)

<i>Legal form</i>	<i>% farms</i>	<i>% tourism RMBs</i>	<i>% other RMBs</i>
Sole trader	29.2	53.5	58.5
Partnership	67.2	42.3	26.0
Limited Company	3.5	2.9	14.8
Other	0.0	0.4	0.7
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>

A striking feature of Table 3.15 is the proportion of non-farming businesses started by their current owner, and the large proportion of farms acquired through inheritance of an existing business. Of all sample farms, 17.0 per cent had inherited the freehold, 22.6 had succeeded to the tenancy, and the remaining 14.8 per cent had acquired it through a combination of these

factors, and through taking over the management, usually from a parent. Farms will therefore frequently be longstanding businesses compared to others in the rural economy. Farms are also distinct from knowledge-based businesses by the high value of their associated capital assets.

Table 3.15: Acquisition by current operator

<i>Acquisition of business</i>	<i>% farms</i>	<i>% other RMBs</i>
Started by self	13.8	69.2
Inherited*	54.4	9.5
Purchased	20.6	20.8
Combination	11.2	0
Unclassified	0	0.5
<i>Total</i>	<i>100</i>	<i>100</i>

* Includes both tenanted and freehold farms

3.9 Farm household incomes

Farming income

Since 1995/6 farm incomes⁸ have fallen from relatively high levels to historically low levels. The data presented in Table 3.16 have been extracted from the Northern Province of the Farm Business Survey, and cover Northumberland, Durham, Cumbria and Tyne and Wear. These data illustrate that the lack of profitability in farming is not concentrated in a particular sector but is spread across most farm types⁹. In interpreting these data, Net Farm Income (NFI) is calculated as total revenue minus both fixed and variable costs, before the deduction of any return to the farmer, spouse

⁸ Farm income refers to profit from agricultural commodity production, and excludes on-farm diversified activities. It is distinct from farm household income of which it is one component.

⁹ Farm types do not correspond with those in Tables 3.4 and 3.5 as a somewhat different classification system has been used. See Scott (2000) for details.

and other business partners for their labour. Deduction of an imputed farmer, spouse, and other partners' labour cost leaves Management and Investment Income (MII).

Table 3.16 Farm incomes, 1998/99

<i>Farm type</i>	<i>Mean NFI (£)</i>	<i>Mean MII (£)</i>
Lowland dairy	20,233	7641
Lowland grazing	- 121	-12978
Lowland arable	- 3380	-12938
Hill rearing	18491	6680
Upland rearing	9190	-974
Marginally disadvantaged area	4863	-6455
Upland dairy	6251	-4611

Source: Scott (2000) pp 18, 22, 26, 30, 34, 38, 42.

The situation is particularly severe for Lowland Grazing and Lowland Arable farms for which income is negative even before the partners receive any return for their labour. Only two farm types produce any return on investment, as indicated by a positive MII. The data in Table 3.16 conceal the disadvantaged position of tenant farmers, who are strongly represented in this area, relative to owner-occupiers. In calculating NFI, rent paid by tenant farmers is deducted as a fixed cost. Owner-occupiers are better off because although a deduction *on paper* is made for rental value, representing foregone income, the sum is not actually paid out. A further problem for tenants is that traditional tenancies are only reviewed every three years and so reductions in farm rents lag behind falls in farm income.

Such a situation raises questions about whether farm businesses are sustainable, and if so by what means, and about the financial state of farm households, 33 per cent of which have incomes below £10,000 (Table 3.17). Furthermore, farmers' estimates of farming income (elicited by the Rural Microbusinesses survey) will tend to overstate real farm income unless they

make proper allowance for the depreciation of capital assets and the opportunity cost of land and own labour.

Table 3.17: Farms and household income

<i>Household income</i>	<i>% farms</i>
< £5000	12.9
£5000 to £9,999	19.8
£10,000 to £19,999	32.0
£20,000 to £50,999	27.6
£51,000 to £99,999	5.6
≥£100,000	2.2
<i>Total</i>	<i>100</i>

Household income

Given the typically low incomes within many farming households, various strategies are employed to provide adequate household income, and in some cases to provide additional capital to the farming business. Table 3.18 estimates the proportion of household income derived from various sources. Calculation of actual values was not possible due to the sometimes negative (though unquantified) contribution of farming to total household income. In aggregate, off-farm employment made a greater contribution to household income than revenue from diversified enterprises, which formed 8.2 per cent of total revenue. For individual households, the distribution differs, and one third of farm households rely entirely, or almost entirely, on income derived from farming alone. Larger farms (measured in ESUs) generally derived a larger proportion of household income from farming than smaller farms.

Table 3.18: Household income sources

<i>Income source</i>	<i>Proportion of household income</i> (%)
Farming (including support payments)	59.2
Diversified activities	8.2
Off-farm business	4.0
Agricultural employment elsewhere	0.9
Off-farm employment(farmer and spouse	16.1
Unearned	9.6
Unspecified (e.g. pension, Family Credit)	1.9
<i>Total</i>	<i>100</i>

These mean values reveal a variety of strategies used to maintain household income and remain in farming. The strategy which is ultimately adopted may be explained by the availability of physical assets (land), capital (including buildings and machinery), household labour, knowledge and management ability, and market opportunities. Market opportunities may be presented by labour markets, through which farmer or spouse labour may be diverted into off-farm employment, and by various product markets for non-commodity based farm outputs, for example tourist accommodation and machinery contracting services.

Off-farm employment

To exclude the effects of farms for which off-farm employment is a marginal activity, consideration was given to farm households deriving 25 per cent of household income from off-farm employment (labelled the 'off-farm ≥ 25 per cent' group), through the activities of farmer, spouse or (more rarely) other household members. When compared to all sample farms the 'off-farm ≥ 25 per cent' group included a disproportionately large number of farms in the very small and small size groups (Table 3.19) and a smaller proportion of spouses involved as partners (Table 3.20). The 'off-farm ≥ 25

per cent' group had a younger age profile (Table 3.21) and a higher level of educational achievement (Table 3.22) compared to all farms. These findings suggest that it is necessary for many small and very small farms to have extra-farm income sources to sustain the household and that this is likely to be achieved using farmer and/or spouse labour surplus to the requirements of running the farm. Indeed, 14 farmers had full-time jobs and 18 had part-time jobs off the farm. Age and a lack of appropriate skills/qualifications may limit the development paths of some farms by preventing farmers and spouses from obtaining off-farm employment. Furthermore, a trade-off must sometimes be made between the involvement of both farmer and spouse in keeping the farm running and obtaining (possibly more lucrative) off-farm employment.

Table 3.19: Farm business size, off-farm income and diversification

<i>Farm business size (ESU (% farms))</i>	<i>All farms</i>	<i>Off-farm income ≥ 25% of household income (% farms)</i>	<i>Diversification income ≥ 25% of household income (% farms)</i>
0	1.0	0.9	2.3
0 to <8	8.7	15.0	9.1
8 to <40	31.1	41.6	29.5
40 to <100	35.0	26.5	25.0
100 to <200	15.3	10.6	20.5
200+	8.9	5.3	13.6
<i>Total %</i>	<i>100</i>	<i>100</i>	<i>100</i>
<i>Total farms</i>	<i>483</i>	<i>113</i>	<i>44</i>

Table 3.20: Spouse involvement on farm

<i>Spouse's involvement</i>	<i>All farms (% farms)</i>	<i>Off-farm income ≥ 25% household income (% farms)</i>	<i>Diversification income ≥ 25% household income (% farms)</i>
Nil	37.8	41.6	20.9
Spouse is a partner	28.9	21.2	41.9
Works FT or PT on farm	6.9	5.3	25.6
Informal/casual	26.2	31.9	11.7
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>

Table 3.21: Age of farmer and off-farm income

<i>Age band</i>	<i>All farms (% farms)</i>	<i>Off-farm income ≥ 25% household income (% farms)</i>	<i>Diversification income ≥ 25% household income (% farms)</i>
< 30	2.1	3.5	0
30 to 44	28.2	32.7	34.1
45 to 54	36.5	43.4	34.1
55 to 65	24.5	16.8	20.5
66 or older	8.7	3.5	11.4
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>

Table 3.22: Stage of completion of formal education

	<i>All farms (% farms)</i>	<i>Off-farm income ≥ 25% household income (% farms)</i>	<i>Diversification income ≥ 25% household income (% farms)</i>
Left school at 16 or unde	34.1	24.8	19.0
GCSE or equivalent	18.2	15.9	21.4
'A' levels	5.3	4.4	9.5
Diploma	28.8	29.2	35.7
Degree	11.0	17.7	11.9
Postgraduate	2.5	8.0	2.4
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>

The incidence of off-farm employment was expected to be lower in the most remote areas due to a probable lack of employment opportunities. However, the distribution of firms in the 'off-farm ≥ 25 per cent' group by urbanisation index is similar to that of all firms except for a small deficit in the most rural areas. It is in these areas that the 200+ ESU farms are concentrated, for whom off-farm employment is less common.

3.10 Diversification activities

Farm business diversification refers to non-farming enterprises based on the farm and novel farming enterprises. Almost 60 per cent of farms (n=285) had diversified their activities in some way and a total of 617 diversified enterprises were identified, with between 1 and 7 diversified activities per farm.

Table 3.23: Year diversified enterprise started

<i>Year started</i>	<i>Activities</i>
Unspecified	59
Pre 1980	57
1980 to 1989	131
1990 to 1994	143
1995	27
1996	28
1997	32
1998	50
1999	82
Jan to Feb 2000	8
<i>Total</i>	<i>617</i>

Farm diversification has been a longstanding strategy for farmers. Annual turnover from the diversified activity ranged from £200 to £350000, although newly started enterprises commonly reported turnover as zero. To

exclude the effect of marginal diversification activities, farms which gain 25 per cent or more of household income from diversification activities were considered separately. This group gained an average turnover of £44,500 from the diversified activities (range £5,000 to £350,000). Tables 3.19 and 3.20 show that diversification is of particular significance on large and very large farms, and where the spouse is involved as a partner. The age and educational profile of this group of farmers is more similar to that of the 'all farms' group than to the 'off-farm ≥ 25 per cent' group, with the oldest age groups well represented. Diversification was more prevalent on freehold farms. Of the 223 freehold farms¹⁰, 63 per cent had diversified, compared to the 206 tenanted farms of which 55 per cent had diversified. The greatest concentration of farms gaining 25 per cent or more of household income from diversification was in the most remote rural areas. Although this might appear counter-intuitive, since such farms will be furthest from urban markets, it is in these areas that there is the greatest concentration of very large farms (>200 ESU), amongst whom diversification is most prevalent.

Tables 3.24 and 3.25 reveal a striking difference in the future plans of the diversified group, which exhibits a greater inclination towards expansion compared to the 'off-farm ≥ 25 per cent' and 'all farms' groups. Presumably the expectation is that expansion will be achieved by means of diversified activities since an above average proportion of the diversification group thought farm income would be a smaller proportion of household income in 5 years time than at present (Table 3.26). Furthermore a higher proportion (46 per cent) of 'expansion' firms in the diversification group thought the contribution of farming would be less important in future compared to other group.

¹⁰ Defined as owning at least 75 per cent of land farmed.

Table 3.24: Plans for the business (farming and other activities) for the next 2 years

	<i>All farms (% farms)</i>	<i>Off-farm income ≥ 25% household income (% farms)</i>	<i>Diversification income ≥ 25% household income (% farms)</i>
Maintain current position	47.4	43.2	38.6
Secure business	16.6	28.8	20.5
Reduction in activities	6.9	3.6	6.8
Substantial expansion	8.4	6.3	22.7
Stop farming	5.5	3.6	4.5
Prepare for succession	4.6	3.6	4.5
Uncertain	10.5	10.8	2.3
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>

Table 3.25: Plans for the next 10 years

	<i>All farms (% farms)</i>	<i>Off-farm income ≥ 25% household income (% farms)</i>	<i>Diversification income ≥ 25% household income (% farms)</i>
Maintain current position	28.6	30.4	18.2
Secure business	10.9	9.8	15.9
Reduction in activities	3.4	5.4	2.3
Substantial expansion	11.7	12.5	29.5
Stop farming	11.3	13.4	13.6
Prepare for succession	15.4	10.7	13.6
Uncertain	18.7	17.9	6.8
<i>Total</i>	<i>100</i>	<i>100</i>	

Table 3.26: Expected contribution of farming income in 5 years time

	<i>All farms</i> (% farms)	<i>Off-farm income</i> $\geq 25\%$ household income (% farms)	<i>Diversification income</i> $\geq 25\%$ household income (% farms)
More important	26.0	30.4	23.8
Less important	23.6	25.0	35.7
Equally important	50.3	44.7	40.5
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>

For the total group of diversified farms, mean scores suggest that, in aggregate, a need for more income and a desire to spread risk by reducing dependency on farming were the main motivators for diversification (Table 3.27).

Table 3.27 Motivation for diversification

	<i>Mean score (out of 10)</i>
Offset falling farm income	5.4
Increase income further	7.9
Lack of off-farm employment	1.7
Provision of capital for farm business	2.2
Reduce dependency on farming	4.1
Spouse/family wanted work	1.9
More work for existing employees	1.7

There also appear to be a number of barriers to diversification and respondents who had not diversified indicated the importance (on a scale of 0 to 10) of various constraints (Table 3.28). Lack of resources, especially labour, was the principal barrier, although lack of labour and capital were less highly scored by farms in the largest size group. The inability to identify a market opportunity is a barrier for some and, as shown in Table

3.35, farmers indicated this as an area in which business support would be helpful.

Table 3.28 Importance of factors in decision not to diversify

<i>Factor</i>	<i>Mean Score (out of 10)</i>
Lack of spare labour (own and family)	5.4
Lack of capital	4.1
Want to develop farm business	3.8
Sufficient income (farm and other sources)	3.4
Farming income sufficient	3.5
Lack of market opportunity	3.5
Don't want to take risk	3.3
Restriction of tenancy	3.0
Uncertain what steps to take	2.5
Planning restrictions	1.8

Tenancy agreements may restrict the activities that can be pursued by tenant farmers. This is supported by a higher mean score of 5.3 given for 'restrictions of tenancy' by tenant farmers¹¹. Furthermore, 64 per cent of freehold farms had diversified compared to 55 per cent of tenant farms. There are also differences in the type of activities engaged in by tenant and freehold farms, suggesting tenants have more limited options. Tenants are less likely to be engaged in activities which require possession of rights over land or buildings (e.g. long-term land-use change, renting out buildings, shooting). Instead there is greater prevalence of activities in which the tenants' own assets are re-deployed, particularly contracting activities (Table 3.29). Also of note is the relatively small number of value-added activities such as food processing and retailing.

¹¹ Defined as owning less than 25 per cent of land farmed.

Table 3.29: Farm diversification activities and land ownership

<i>Type of diversification</i>	<i>Description</i>	<i>Farms engaged in activity</i>	
		<i>Tenant farms</i>	<i>Freehold farms</i>
Land use change	Woodland, pick your own, fishing, leisure (e.g. 4x4)	10	60
Buildings and machinery	Food processing, farm shop, catering	11	5
Re-deploy labour and machinery, reversible land-use change,	Contract out labour, machinery, novel crops	89	69
Rent out land and buildings	For farming and other businesses	39	67
Horses, kennels		21	28
Tourism	Caravan/camping, self catering and serviced accommodation	35	47

A further potential problem of tenancy is non-ownership of business assets and the consequent difficulty of raising loan-capital through a lack of collateral. However, a mean score of 4.2 for lack of capital for this group does not confirm this to be a particular problem. Table 3.30 indicates that although similar proportions of tenant farmers have loans, they are likely to borrow smaller amounts than other groups. Table 3.31 reveals a range of reasons for taking out a loan. In some cases, to keep the farm going during a cash flow problem but for the majority, including new entrants, loans were to provide investment capital to the business.

Table 3.30: Loan size and tenure for farms taking out loans in the previous 5 years

<i>% of farm area freehold</i>	<i>% farms with loan</i>	<i>Mean loan (£)</i>
0 to <25	32	40,500
25 to <74	34	105,500
75 to 100	29	94,400
<i>All farms</i>	<i>31</i>	<i>72,300</i>

Table 3.31: Loans

<i>Loan purpose</i>	<i>Farms</i>	<i>% of farms with loans</i>	<i>Mean loan (£)</i>
Capital investment in farm	69	49.6	79,800
Capital investment in diversified activities	12	8.6	86,000
Cash flow, keep farm going	27	19.4	32,000
Repairs	2	1.4	23,200
Restructure borrowings	12	8.6	48,000
Other	12	8.6	92,600
<i>Total</i>	<i>139</i>	<i>100</i>	<i>72,300</i>

3.11 Business Support

Business support use

Farmers can consult a variety of public-sector agencies and private consultants to gain advice on technical and business issues. Some of these are dedicated solely to the agricultural sector. Table 3.32 shows that the dedicated farming agencies have been much more commonly contacted in the last ten years than those offering generic support such as Business Links. Compared to non-agricultural businesses (Table 2.35), farms reported similar use of informal sources but lower use of Business Links. As with non-agricultural businesses, usage was greater among firms which have been run by the present incumbent since 1990. Variation in the ability to access these support services is likely to be due in part to differential ability

to pay (for non-free services) and availability of time for business development. A proxy for these variables is farm business size, and Table 3.33 illustrates that, in general, a greater proportion of larger farms had consulted the various support-providers.

Table 3.32: Farms and sources of business support approached during last 10 years

<i>Source</i>	<i>% farms contacting source</i>	
	<i>All farms</i>	<i>'Newer' farms</i>
NFU	54.8	66.1
MAFF/FRCA	53.6	66.1
General private consultant	50.9	57.6
ADAS	48.9	53.4
Family, friends with specialist knowledge	27.1	43.2
Contacts in the industry	24.0	33.9
Private agricultural consultant	23.4	23.7
District Council	14.3	22.9
Business Link	13.3	18.6
Tourist Board	10.8	14.4
Trade organisation	9.3	15.3
CLA		11.9
TEC	7.9	9.3
RDC	7.5	9.3

* Defined as farms whose current operator started running them after 1989

Table 3.33: Farm size and percentage of farms contacting business support agencies in the last 10 years

	<i>Farm size (European Size Units)</i>		
	<i>8 to 40</i>	<i>40 to 100</i>	<i>>200</i>
	<i>% farms</i>	<i>% farms</i>	<i>% farms</i>
NFU	43.3	60.0	60.5
MAFF/FRCA	50.0	42.0	55.8
General private consultant	40.0	58.0	67.4
ADAS	47.3	49.0	67.4
Family, friends with specialist knowledge	26.7	26.0	17.9
Contacts in the industry	19.3	26.0	41.9
Private agricultural consultant	40.0	58.0	67.4
Trade organisation	8.0	10.1	23.3
RDC	3.3	5.3	11.6

Further factors are management ability, levels of promotion and degree of knowledge about the organisations. Graduates, for example, were more likely to have contacted the public sector agencies, to have made more use of family and contacts in the industry, and to have used private agricultural consultants than those whose formal education was completed at an earlier stage. However between-group variation, when the sample was sub-divided on the basis of educational achievement, was less marked than when sub-divided by farm size.

Northumbria Farm Business Support Project

A recent specialist advice service operating in the Objective 5b area is the Northumbria Farm Business Support Project (Table 3.34). Subject to budgetary constraints, all farms in the Objective 5b area are eligible to receive a farm business appraisal and/or training needs appraisal. Appraisals are free of charge to the recipients, and any resultant training is 50 per cent funded. Some 56 per cent of firms who had received only a farm business appraisal had already acted, or intended to act upon the advice received. Of the farms, which had received both appraisal types, 85 per cent had already acted, or intended to act upon the advice received. Users of the scheme may be characterised as having been educated to 'A' level or beyond and to be under 54 years old. The proportion of farms using the scheme was greatest in the 40 to 100 ESU size group (47 per cent), although one third of farms in other size groups had also used the scheme. Farms using the scheme have a range of plans for the next 10 years, with the commonest being expansion, reduction and securing the business.

Table 3.34: Farms in Objective 5b area and the Farm Business Support Project

<i>Appraisal type</i>	<i>Farms</i>	<i>% farms</i>
Farm Business Appraisal only	40	12.3
Farm Business Appraisal and Training Needs Appraisal	89	27.4
Nil	179	55.1
Missing data etc	17	5.2
<i>Total</i>	<i>325</i>	<i>100</i>

Perceived usefulness of business support

As with the survey of non-agricultural businesses, farmers were asked which areas of business support would currently be of use to them. As Table 3.35 shows, farmers were overall less enthusiastic than non-farming businesses about all areas except for computing and business strategy. The 55 farms planning expansion in the next 10 years were more enthusiastic and, unlike 'expansion' firms in the non-agricultural survey, their priorities were similar to the all farms group. Compared to non-farming businesses, farms ranked business strategy and financial management higher whereas advertising was placed lower.

Table 3.35: Areas of business support most commonly perceived to be of current use

<i>Business support 'area'</i>	<i>Percentage of farms/firms</i>		
	<i>All farms</i>	<i>Farms planning expansion</i>	<i>Non-farming RMBs</i>
Business strategy	22.6	32.8	24.2
Advertising	10.3	21.8	32.6
Market research	14.3	21.8	17.3
Identifying market opportunities	26.7	41.8	33.8
Financial management/tax	23.6	38.2	29.9
Product development	14.7	25.5	18.9
Marketing	N/A	N/A	34.2
Training/ staff development	9.9	25.5	20.3
Computing	44.1	54.5	41.3

4. CONCLUSIONS

This study represents the first large-scale regional survey of rural microbusinesses in the UK. The large sample has allowed a number of useful observations to be drawn concerning the nature of RMBs. At the same time, the CURDS urbanisation index has proved a valuable tool for classification of localities by varying degrees of remoteness.

It is clear that estimates of the number of microbusinesses based on registration for VAT, PAYE or company registration will seriously underestimate the size of the microbusiness population. It is therefore difficult to state authoritatively what proportion of the region's RMBs are captured in the sample. However, supposing a population of 20,000 RMBs, then the sample represents 6.5 per cent. The contribution of RMBs to regional GDP is likely to be substantial, with sample firms having an estimated aggregate turnover of £133 million, of which 18 per cent is derived from sales beyond the region. Grossing-up to regional level is not appropriate given that the population characteristics (particularly size and sectoral distribution) are unknown.

The survey has demonstrated some intrinsic characteristics of the RMB population, and highlighted substantial diversity. This is the case in relation to the level of embeddedness of RMBs within the local and regional economy. Certain sectors are characterised as containing a high proportion of firms which provide services to predominantly local household or business clients. These are the land-based, construction, transport, retail, personal services and health and social sectors. Other sectors are more externally oriented and have a greater degree of sales to non-local markets. The principal 'exporters' are firms in the hospitality, business services and

manufacturing sectors. The prospects for expanding sales are probably greater for such firms than for local services firms in the most sparsely populated areas where market demand is limited.

Farming and the local services sectors are associated with higher absolute levels of input purchases made locally or within the region compared to other sectors. A high degree of interdependency between local firms makes for efficient trading relations through low transactions costs, though economies where such relationships predominate may be vulnerable to failure of a central player. By contrast, economies dependent on markets in a variety of locations and sectors would be expected to have greater resilience during local economic downturns.

Rural microbusinesses consist most commonly of solo owner-operators i.e. no other business partners and no formal labour. Nevertheless they make an important aggregate contribution to employment. Highest levels of formal full-time employment were found in the traditional services sectors i.e. land-based, construction, transport and health and social, plus manufacturing. Mean part-time employment was greatest in retail, hospitality and health and social sectors. These firms are often important sources of rural employment given their longevity. By contrast, lower levels of formal employment were found in business services, education/training, and recreation/sport sectors.

It is clear that although generating a principal income is the primary purpose of most firms, expansion is a goal of only 14 per cent of firms (and may not necessarily involve employment growth). Most commonly, firms are looking to maintain their current position over the next ten years. Small size appears to lend resilience to many microbusinesses. Time spent in management to co-ordinate activities is, for example, lower in small firms.

Employing no regular labour, accommodating the business at home and having few loans also contribute to the minimisation of fixed costs. However, small size can also be a barrier, with a lack of capital identified as the principal barrier to growth among growth-oriented business owner-operators. Furthermore, the very large average weekly hours worked by many also suggests a lack of spare capacity.

A rural location appears to present both advantages and disadvantages to the conditions under which RMBs operate. The survey demonstrated that firms in the remotest areas are separated by considerable distances from suppliers, and various services. Problems of a restricted labour market affect 12 per cent of growth-oriented firms which complained of a lack of suitable labour. Town and Country planning caused problems for some but overall was not a widespread problem. One advantage of the rural location may be the lack of competition - firms may survive because they are set within a geographical niche. However, once the limited local market is saturated, expansion to more distant markets becomes necessary. Hence, after allowing for structural differences, firms in the most remote areas make a greater proportion of sales to non-local markets.

Marked differences were found between the outlook and behaviour of firm operators who have always lived locally and those who moved into the area as adults or after a period away. In-migrants, for example, were concentrated in the 'export-oriented' sectors (with the hospitality sector as an extreme case), whereas 'locals' were often in local service sector firms. When compared to 'local' business operators in the same sector, situated in the same degree of rurality, in-migrants displayed greater contact beyond the region, demonstrated by greater use of informal industry contacts and a

greater proportion of sales beyond the region. In-migrants were also more likely to have approached public sector support agencies.

The agricultural survey also revealed diversity, not only in land use but also, for example, in size, tenure and extent of family involvement in the sector. Currently farms of all types are suffering low incomes and a third of respondents reported their household income as below £10,000. Adjustment in the sector calls for them to adopt new adaptive strategies, in particular diversification and off-farm employment. Almost 60 per cent of farms had diversified into non-farming activities. Background factors associated with their ability to participate on diversification include farm size, tenure, age and education.

Some key contrasts between farming and non-farming businesses were identified. Farms were more likely than RMBs overall to be family firms i.e. having other family members as business partners, and less likely to be solo-operated. Inheritance plays a very prominent role in business acquisition in farming. However, these differences are lessened if comparison is made between farms and traditional local household and business services firms, rather than the knowledge-based and manufacturing sectors. Characteristics also distinguishing farms and traditional businesses are their predominantly local trading relations, the large volumes of inputs purchased locally, their association with higher average employment, and the longevity of many businesses. Moreover farms and 'traditional' businesses such as retail and transport are likely to have a large cash flow (indicated by revenue and input costs) and substantial capital investment in the business. Although farmers might be thought to lack entrepreneurial development, having guaranteed markets for their output, many demonstrate entrepreneurship through the large number which have established non

farming enterprises. Moreover, they have an equal propensity to take out loans as other RMBs and have a much larger average loan size. Exit from farming and other capital-intensive businesses is likely to be more difficult due to the need to realise capital asset values.

Computing and issues related to market expansion were the business support areas most commonly indicated to be of present use amongst non-farming firms. Expansion firms and farms generally, also thought support relating to business strategy would be useful. Uptake of public sector business support was unevenly distributed across the sample suggesting that inclination or ability to access it varies across the RMB population. Newer firms, externally-oriented firms (e.g. manufacturing, business services) and firms run by operators with post 'A' level education and, to a smaller extent firms run by in-migrants, made greater use of public support than other firms. Farm businesses made less use of generic business support services, such as Business Links, than non-farming businesses, but displayed high levels of contact with dedicated sectoral organisations. Non-users of public support did not make compensating greater use of informal or private means of business support. Business support in a variety of areas was perceived to be of greater use by 'expansion-oriented' firms. Nevertheless, some firms which are not growth-oriented identified various areas as being of current value.

The survey findings presented here reveal interesting characteristics, motivations and support needs across the heterogeneous population of rural microbusinesses in north east England. Policy issues raised by these findings merit further investigation and discussion, and these aspects will be addressed in later CRE reports associated with the research programme.

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APPENDIX 1

Questionnaire for non-farming businesses

**SECTION A.
GENERAL INFORMATION ABOUT
YOUR FIRM**

A1 In which year did the business start?
Please enter year

A2 How did you come to be involved in the business?
Please tick one box

- 1 I started it
- 2 I took over from another family member
➔ In which year? 19.....
- 3 I bought it
➔ In which year? 19.....

A3 Please describe what the main activity / activities of the business are
(e.g. manufacture and retail of furniture; graphic design; butcher; holiday accommodation)

The main activity /activities are

A4 Are your business premises

1 Rented

2 Owned by you (with or without a mortgage)

Please tick one box

A5a Is the business located at your home? Please tick one box
No Yes

b If YES, do you have dependent children living with you?
No Yes

A6 What legal form does the business currently have?

Please tick one box

- 1 Sole trader, with or without employees
- 2 Partnership
- 3 Limited company
- 4 Co-operative
- 5 Other

Please state.....

A7 Please indicate approximately what percentage of sales (by value) you make to each of the following types of customers

- a Private customers and households%
- b Shops%
- c Small businesses* (excluding shops)%
- d Larger businesses** (excluding shops)%
- e Public sector (e.g. local council)%
- f Wholesaler/distributor%
- g Other%

* Less than 50 employees
**50 or more employees

A8 Where are your customers located?

Please indicate approximately what proportion of your total sales (by value) is made in each of the four types of area.

- a Local (less than 30 miles away)%
- b Regional (30 to 100 miles away)%
- c National (rest of UK)%
- d Outside UK%

A9 Please indicate the approximate total value of supplies that you use annually in the business. Include fuel and transport costs if relevant. (Shops, please include the value of stock bought in)
All information received will be treated in strict confidence.

£

A10 Where are your suppliers?

Please indicate what proportion of the total value of your supplies (approximately) is obtained from each of the four types of area.

- a Local (less than 30 miles away)%
- b Regional (30 to 100 miles away)%
- c National (rest of UK)%
- d Outside UK%

SECTION B YOUR INVOLVEMENT IN THE BUSINESS

B1 Is the number of hours you work in your business:

- 1 Roughly the same each week
- 2 Varies seasonally
- 3 Fluctuates moderately
- 4 Fluctuates substantially

Please tick one box

B2 Please give a rough estimate of the average number of hours you work per week in the business.

Please tick one box

- a Less than 15 hours per week
- b 15 to 30 hours per week
- c 31 to 45 hours per week
- d 46 to 60 hours per week
- e 61 to 80 hours per week

B3 When starting up /taking over the business, how important were the following factors?

Please consider each factor (a,b,c etc) and give a score out of 10.

0/10 is of no importance, 5/10 is moderately important and 10/10 is extremely important.

- a To provide my main income source / 10
- b To establish an additional or minor income source / 10
- c To avoid or escape unemployment / 10
- d To carry on the family business / 10
- e To take on the challenge of running a business / 10
- f I wanted work that would fit in with domestic responsibilities / 10
- g To obtain more free time / 10
- h To capitalise on my training/skills / 10
- i I saw a market opportunity that I could best develop in my own firm / 10
- j I had a personal interest that I wanted to develop / 10
- k Freedom to use traditional methods.... / 10
- l Only way to do this sort of work and live in a rural location / 10
- m Occupation following retirement/early retirement / 10
- n Other. Please specify

B4 Does anyone else work in the business, including occasional helping out?

No, I always work on my own ➔ Go to B8

Yes ➔ Go to next question.

B5 Does your spouse/partner work in the business?

No Yes ➔ **If Yes, Are they**

- 1 an active partner in the business
 - 2 regularly employed full time
 - 3 regularly employed part-time
 - 4 frequently helping out /doing casual work (paid or unpaid)
 - 5 occasionally helping out /doing casual work (paid or unpaid)
- Please tick one box*

B6 Please indicate the number of close family members who work in the business

If none, please tick box

- | | |
|--|---------------|
| | <i>number</i> |
| 1 as active partners in the business | ..... |
| 2 as full time regular paid workers | ..... |
| 3 as part time regular paid workers | ..... |
| 4 frequently helping out /doing casual work (paid or unpaid) | ..... |
| 5 occasionally helping out /doing casual work (paid or unpaid) | ..... |

B7 Please indicate the number of non-family members or distant relatives who work in the business

If none, please tick box

- | | |
|--------------------------------------|---------------|
| | <i>number</i> |
| 1 as active partners in the business | ..... |
| 2 as full time regular paid worker | ..... |
| 3 as part time regular paid worker | ..... |
| 4 Casually employed | ..... |

B8 Do you operate a PAYE scheme?

No Yes

B9a Are you currently owner-manager of any other businesses?

No ➔ **Go to B10**
 Yes ➔ **9b** Please specify number of other businesses

9c Are these businesses operated in conjunction with each other?

No Yes

B10 In the past, have you been owner-manager of any other businesses which you no longer own?

Please tick one box

No Yes

B11 Are you employed by anyone else? Please include casual work.

Please tick one box

No
 Yes ➔ **If Yes, please specify**

hours per week for weeks per year (approximate).

SECTION C THE LOCATION OF THE BUSINESS.

C1 Approximately how far away is your main competitor?

..... miles

C2 Approximately what distance would you (or your employees) have to travel from your place of business for each of the following?

Please give distance in miles.

a General supplies that you run out of or are not delivered. .....miles	e Business training courses/seminars.....miles
b Bank.....miles	f Business club or association.....miles
c Post Office.....miles	g Chamber of trade/commerce.....miles
d Training for employees.....miles	h District Council offices.....miles

C3 Businesses sometimes apply for planning permission to change the use of a building or construct new buildings.

What effect have planning restrictions had on your business?

Please tick relevant boxes.

- 1 I haven't needed planning permission
- 2 Helpful – prevented competitors from setting up/expanding
- 3 Helpful -(e.g. if in tourism) Protects the environment
- 4 Discouraged me from altering/ expanding premises because I believed planning permission would be refused.
- 5 I have successfully applied for planning permission for the business premises in the past
- 6 I have been refused planning permission
Please explain

- 7 I have been granted planning permission with special conditions imposed.
Please explain

SECTION D PLANS

D1 Could you sell more of your current range of products or services if you produced more?

- No, not enough customers Yes Don't Know

D2 Is it possible for you to produce more using only your present workforce, buildings and equipment?

- No / only slightly more Yes

Business growth /expansion can mean

- increasing turnover, and/or
- taking on more employees, and/or
- expanding the premises or machinery

D3 Which of the following describes your outlook towards growth? Please ring one answer.

- 1 I'm definitely not interested in expanding the business ➡Go to D11
- 2 I would definitely like the business to grow. ➡Go to next question
- 3 I would consider expanding the business ➡ Go to next question

D4 Is the growth of your business restricted by a lack of space for expansion?

- No ➡Go to D6 Yes ➡Go to D5

D5 Is the shortage of space due to:

- 1 Lack of room on site to expand
No Yes
- 2 Refused planning permission
No Yes
- 3 No affordable premises locally.
No Yes
- 4 Lack of finance for building
No Yes

D6 Is the growth of your business restricted by the need to take on staff?

- No ➡Go to D8 Yes ➡Go to D7

D7 Are the staff problems due to

- 1 Don't want the time and effort of managing staff No Yes
- 2 The cost of employing people
No Yes
- 3 Don't want to delegate tasks to others
No Yes
- 4 Lack of suitable employees
No Yes ➡Please explain.....

D8 Does a shortage of capital inhibit the growth of your business?

No ⇒Go to D11 Yes ⇒Go to D9

D9 What is the capital needed for? (e.g. product development, building).

.....

D10 Is shortage of capital due to:

- 1 Lack of own capital /collateral
No Yes
- 2 Lack of funds in the business
No Yes
- 3 Don't like borrowing
No Yes
- 4 Current debts, so difficult to borrow
No Yes
- 5 High interest rate
No Yes
- 6 Bank thinks project is too risky
No Yes
- 7 Problems of obtaining a grant
No Yes

D11 At the moment, what would you like to achieve from running the business?
Please consider each 'goal' in the list and give a score out of 10.

0/10 is of no importance, 5/10 is moderately important and 10/10 is extremely important.

- a Maximise my income/ 10
- b Make a satisfactory income./ 10
- c Continue but hope to find a suitable job./ 10
- d Employ family members/ 10
- e Employ local people/ 10
- f Provide a local service/ 10
- g Be able to develop my own ideas/express creativity/ 10
- h To work with materials or techniques that I enjoy/ 10
- i To have flexibility to spend time as I wish/ 10

SECTION E RUNNING THE BUSINESS

E1 What is the average annual turnover of the business? Remember that the information you supply will be treated in strictest confidence and will not be passed on to any other organisation or individual.
Please tick one box only

- 1 Below £5,000
Are you registered for VAT*? Yes /No
- 2 £5,000 to £9,999
Are you registered for VAT*? Yes /No
- 3 £10,000 to £19,999
Are you registered for VAT*? Yes/No
- 4 £20,000 to £50,999
Are you registered for VAT*? Yes/No
- 5 £51,000 to £99,999
- 6 £100,000 to £249,999
- 7 £250,000 or greater

* You do not have to register for VAT unless your annual turnover is £51,000 or above

E2 Are current profits enough to pay to renew equipment/refurbish premises etc?

- 1 No
- 2 Yes but can only just afford to
- 3 Yes, can manage fairly easily

E3 In the past five years, have you applied for a loan?

- a No ⇒Go to E4
- Yes, but was refused Yes, and was successful

- If Yes, please indicate:
- b The amount £.....
- c Who you applied to.

.....

E4a In the past five years, have you made an application for a grant?

- No ➔ Go to E5
- Yes, but was refused Yes, and was successful

If Yes, please indicate:
b The amount £.....

E5 What plans do you have for the business for the next two years?
Please tick one box only

- 1 Maintain current position or slight expansion
- 2 Get onto a secure footing
- 3 Reduce the scale of activities
- 4 Substantial expansion
- 5 Sell the business
- 6 Stop trading (e.g. retirement)
- 7 Hand on to a successor
- 8 Don't know / uncertain

E6 And what plans do you have for the business for the next 10 years?
Please tick one box only

- 1 Maintain current position or slight expansion
- 2 Reduce the scale of activities
- 3 Substantial expansion
- 4 Sell the business
- 5 Stop trading (e.g. retirement)
- 6 Hand on to a successor
- 7 Don't know / uncertain

E7 Have you ever considered seeking business advice?

- No Yes ➔ Was this
- a general business advice
 - b specific to your type of business

E8 In the last ten years have you approached anyone listed below for business advice or other business support? *Please tick any that you have approached.*

- a Rural Development Commission
- b Local Enterprise Agency
- c Business Link
- d TEC (Training & Enterprise Council)
- e Chamber of Commerce
- f District Council
- g County Council
- h MAFF/FRCA
- i ADAS
- j NFU
- k Private sector adviser e.g. accountant
- l Family and friends with specialist knowledge
- m Contacts in the industry
- n Trade or professional organisation
- o Other

Please explain what advice you sought.

.....

E9 It has been proposed that some business support services to rural areas could be delivered by information technology.

a Do you have access to a computer connected to the World Wide Web?
(at business, home, village hall etc)

- No Yes Don't know

If Yes ➔
b Could you use this equipment?

- No Yes

E10 Do you have access to video-conferencing facilities?

- No Yes Don't know

E11 Please read this list of business advice / support 'areas' and tick any which you think would have been useful to you in the past, and any which would currently be of use.

	Useful in past	Useful Today
a Business strategy	<input type="checkbox"/>	<input type="checkbox"/>
b Negotiation skills	<input type="checkbox"/>	<input type="checkbox"/>
c Employing staff	<input type="checkbox"/>	<input type="checkbox"/>
d Staff training/development	<input type="checkbox"/>	<input type="checkbox"/>
e Management Organisation	<input type="checkbox"/>	<input type="checkbox"/>
f Advertising	<input type="checkbox"/>	<input type="checkbox"/>
g Marketing	<input type="checkbox"/>	<input type="checkbox"/>
h Market research	<input type="checkbox"/>	<input type="checkbox"/>
i Identifying new market opportunities	<input type="checkbox"/>	<input type="checkbox"/>
j Public relations	<input type="checkbox"/>	<input type="checkbox"/>
k Financial management /taxation	<input type="checkbox"/>	<input type="checkbox"/>
l Developing new products/services	<input type="checkbox"/>	<input type="checkbox"/>
m Computing	<input type="checkbox"/>	<input type="checkbox"/>
n New technology	<input type="checkbox"/>	<input type="checkbox"/>

SECTION F. And lastly some questions about yourself to help put the previous answers in context

F1 Please indicate the stage at which you completed your formal education.

- 1 Aged 16 or under
- 2 After GCSEs, 'O' levels, CSEs
- 3 After A levels, BTEC, Highers, NVQs
- 4 Diploma or vocational qualification e.g. ONC, HND, City and Guilds
- 5 Professional qualification post-school
- 6 Degree
- 7 Postgraduate

F2 Please indicate your gender.

Male Female

F3 Please indicate which age group you are in.

- a 17 or younger
- b 18 to 24
- c 25 to 29
- d 30 to 44
- e 45 to 65
- f 66 or older

F4 When did you start living in this area (within a 30 mile radius)?

1. Lived here since a child **Go To F6**
- 2 Grew up here and returned later in life
- 3 Moved here as an adult

F5 Did you intend to start a business when you moved here?

No Yes

F6 How rural would you describe your business location?

- 1 Very rural
- 2 Moderately rural
- 3 Slightly rural or a mixture of rural and urban characteristics.
- 4 Urban

FINISHED! Thank you very much.

Early next year we would like to conduct personal interviews with a few people to increase our understanding of particular topics. Please tick the box if you would be willing to participate.

If there are any comments you would like to make or information you think would be useful to us, please write them in this space or on a separate sheet of paper.

APPENDIX 2

Classification of business activities

**APPENDIX 2: CLASSIFICATION* OF BUSINESS ACTIVITIES IN THE
RURAL MICROBUSINESSES SURVEY REPORT**

*Based on the UK Standard Industrial Classification of Economic Activities, 1992 [UK SIC (92)]

Classification in RMB report	Division in UK SIC (92)	Main activities included in UK SIC (92)	Firms in sample	Main groupings in sample
Manufacturing	15	Manufacturing Publishing and Printing	138	Food and drink (14), furniture (22), publishing/printing (13)
Construction	45	Construction or repair. Installation	104	General builders (31), plumbers (11), painter/decorators (15), joinery (7)
Retail	50	Wholesale and retail trade; agents, repairs of personal and household goods and motor vehicles.	312	Food shops (30), car repairs (35), clothes (14), post offices (28), pharmacy (12), personal/household goods (63)
Hospitality	55	Restaurants, pubs, take-away food shops, catering, accommodation	279	B and B (51), self catering (48), pub (59), guest house/hotel (25), cafes etc (20)
Transport	60, 63	Passenger transport, freight transport by road. Supporting activities e.g. freight handling	43	Taxi (7), bus/coach (9), road haulage (20)
Business activities	70, 71, 72, 74	Real estate activities, renting equipment, cars etc Computing-related activities. Legal, accounting, financial, business management services, architects, engineering, technical, translation, advertising. Secretarial services	202	Real estate (12), architect (14), business management cons. (20), financial consultant (11), accountant (10), graphic design (9), computing consultant (11),
Education training	80	Private training provision	31	Language (2), business training (9), driving instructors (10)

Health and social	85 (excluding 85.20)	Dental practices, other therapists, personal care	40	Dental (10), Other therapists (6), personal care (3)
Personal services	93	Laundry/dry cleaners, hairdresser, beauty treatment, funeral activities, physical well-being activities	46	Hairdressers (28), personal fitness (4), undertakers (4)
Recreation/culture	92	Film, radio and TV activities, creative writing, journalism. Museums, provision of sporting activities	33	Riding schools (9), other sport (4), artist (2), photographer (2), writer (3)
Land-based + veterinary services	01 + 85.20	Animal boarding and care agricultural and forestry service activities	62	Agricultural/forestry services (17), Pet kennels/care (15), vets (3), growers of garden plants/trees (11)

APPENDIX 3

Questionnaire for farming businesses

**SECTION A.
GENERAL INFORMATION ABOUT
YOUR FARM.**

If you own or manage more than one farm business, please tell us about the farm to which this correspondence was addressed only.

A1 Of the land that you farm, approximately what area do you
(Please indicate if hectares or acres)

- a Own ha / acres
- b have a traditional farming tenancy ha / acres
- c Farm Business Tenancy ha / acres
- d rent for less than 1 year ha / acres

A2 How did you come to be involved in this farming business?

Please tick one box.

- 1 I bought it
- 2 I inherited it (freehold)
- 3 I succeeded to the tenancy
- 4 I took on a new tenancy
- 5 I took over the management from another family member
- 6 Paid manager
- 7 Other. *Please state*

A3 In which year did this occur?
19.....

A4 Will anyone succeed to the farm?
Please tick one box.

- 1 No
- 2 Unlikely
- 3 Too early to say
- 4 Possible
- 5 Very likely

A5 Please indicate the approximate areas of grass and crops which you farm.
(Please indicate whether acres or hectares)

- Cereals, proteins, oilseeds ha / acres
- Area under glass ha / acres
- Other horticulture ha / acres
- Potatoes, field scale veg ha / acres
- Grass and forage ha / acres
- Rough grazing (sole occupier) ha / acres
- Other (Please state) ha / acres

A6 Please indicate the approximate numbers of livestock on the farm.

	Average Number
Dairy cows
Beef cows
Other cattle
Breeding ewes
Other sheep
Breeding sows
Other (Please specify)
.....

A7 Is your farm in a Less Favoured Area (i.e. Do you receive HLCA payments?)

- No
- Yes
- Only part of it

A8 Do you receive any per hectare payments for low input management under the ESA, Countryside Stewardship or Moorland Schemes? Ignore capital projects, e.g. restoring stone walls.

- No Yes
- Please state the approximate area
..... acres/hectares

A9 Do you live at the farm?

- Please tick*
- No **GO TO A11**
- Yes **GO TO A10.**

A10. Please indicate who else lives in your household.

- 1 Spouse No Yes
- 2 Other adult family members
Please state number
- 3 Dependent children No Yes

A11 What legal form does the farm business currently have?

Please tick one box

- 1 Sole trader, with or without employees
- 2 Partnership
- 3 Limited company
- 4 Co-operative
- 5 Other

Please state.....

A12 What was the approximate revenue from selling crops, milk and livestock in 1998?

(Year end March 1999).

Exclude payments from MAFF and any revenue from other enterprises.

Remember that the information you supply will be treated in strictest confidence and will not be passed on to any other organisation or individual.

Please tick one box only

- a Below £5,000
- b £5,000 to £9,999
- c £10,000 to £19,999
- d £20,000 to £50,999
- e £51,000 to £99,999
- f £100,000 to £249,999
- g £250,000 or greater

A13 Are you registered for VAT*?

No Yes

* not compulsory for food producers.

A14 Please indicate approximately what percentage of total sales you make to each of the following types of customers

- a Other farmers%
- b Auction mart%
- c electronic auction%
- d Processors, abattoirs%
- e Wholesalers%
- f Smaller retailers%
- g Large retailers%
- h To hotels, canteens%
- i Direct to the public%
- j Grain merchant%
- k Co-operative%
- l Other (please specify)%

A15 Where are your customers located?

Please indicate approximately what proportion of your total sales (by value) is made in each of the four types of area.

- a Local (less than 30 miles away)%
- b Regional (30 to 100 miles away)%
- c National (rest of UK)%
- d Outside UK%

A16 Please indicate the approximate value of inputs (excluding labour) that you use annually in farming activities.

(e.g. feed, seed, chemicals, fuel and transport costs). All information received will be treated in strict confidence.

£

A17 Where are your suppliers?

Please indicate what proportion of the approximate total value of your supplies is obtained from each of the four types of area. Include purchases from farmers.

- a Local (less than 30 miles away)%
- b Regional (30 to 100 miles away)%
- c National (rest of UK)%
- d Outside UK%

A18 Please read through this list of business enterprises and TICK ANY currently on your farm. Please indicate the approximate year in which the activity started.

	<i>Tick</i>	<i>Year</i>
1 Growing specialised crops (e.g. organic, deer, biomass) Please state.....	<input type="checkbox"/>	19.....
2 Rent out buildings for farming	<input type="checkbox"/>	19.....
3 Rent out buildings to other businesses	<input type="checkbox"/>	19.....
4 Rent out land	<input type="checkbox"/>	19.....
5 Commercial woodland	<input type="checkbox"/>	19.....
6 Pick your own	<input type="checkbox"/>	19.....
7 Fishing	<input type="checkbox"/>	19.....
8 Contracting out your labour	<input type="checkbox"/>	19.....
9 Contracting out your machinery	<input type="checkbox"/>	19.....
10 Food processing	<input type="checkbox"/>	19.....
11 Own-label foods	<input type="checkbox"/>	19.....
11 Horses	<input type="checkbox"/>	19.....
12 Kennels	<input type="checkbox"/>	19.....
13 Leisure activities (e.g. shooting) Please state	<input type="checkbox"/>	19.....
14 Serviced accomodation (B and B etc.)	<input type="checkbox"/>	19.....
15 Self catering accomodation	<input type="checkbox"/>	19.....
16 Caravan/campsite	<input type="checkbox"/>	19.....
17 Shop	<input type="checkbox"/>	19.....
18 Café, catering	<input type="checkbox"/>	19.....
19 Other on-farm or farm-related business activity Please state		

If you do not currently do any of these activities, please GO TO Question B1.

If you have ticked any of these, please GO TO Section C.

SECTION B Undiversified farm businesses

B1 In the past 10 years have you considered starting other business activities such as those listed under Question A18?

Please tick one box

- 1 No
- 2 Yes, but haven't reached a decision
- 3 Yes, but decided not to
- 4 Yes – and it will be definitely going ahead soon ➔ GO TO C4

B2 How important are the following factors in your decision not to diversify?

Please consider each factor and give a score out of 10.

0/10 is of no importance, 5/10 is moderately important and 10/10 is extremely important.

- 1 Income from farming sufficient/ 10
- 2 Income from farming plus other sources (e.g. own or spouse's employment elsewhere) is sufficient/ 10
- 3 Lack of capital/ 10
- 4 Lack of spare labour (own and family)/ 10
- 5 Restrictions of tenancy/ 10
- 6 Haven't found a market opportunity .../ 10
- 7 Don't want to take the risk/ 10
- 8 Not sure what steps to take/ 10
- 9 Want to develop farming business .../ 10
- 10 Planning restrictions/ 10
- Please explain
-

PLEASE GO TO SECTION D.

SECTION C Diversified Activities.

C1 Are the diversified activities legally part of the farming business, or a separate business? (Please tick)

Diversified Activity 1

Part of the farming business separate

C2 Who manages the diversified activities?

(e.g. self, spouse; son; employee)

.....

C3 What was the approximate annual turnover of the diversified activity in 1998? (year end March 1999)

£

C4 When starting up the diversified activity/activities, how important were the following factors?

Please consider each factor and give a score out of 10.

0/10 is of no importance, 5/10 is moderately important and 10/10 is extremely important.

- a To offset falling farm income/ 10
- b To increase income further/ 10
- c Lack of employment off farm/ 10
- d To provide capital to develop the farming business (e.g. buy land, machinery)/ 10
- e Reducing dependency on farming/ 10
- f Spouse or close family member wanted employment/ 10
- g More work for existing employees/ 10
- h Other. *Please specify*

C5 Please indicate what level of investment (e.g. for equipment, buildings, training) was required to start the diversified enterprise.

- a £0 - £199
- b £200 - £999
- c £1000 - £2,999
- d £3000 - £7,999
- e £8000 - £14,999
- f £15000 - £24,999
- g £25000 - £49,999
- h £50,000 - £99,000
- i £100,000 or more

C6 Please indicate the number of people who work in the diversified enterprise (including yourself, family members and others).

- a Regular full time
- b Regular part time
- c Casual workers

**SECTION D
EVERYBODY PLEASE ANSWER!**

The next few questions ask about who works on the farm. Please include time spent in

- farming
- on-farm diversified activities
- related activities based at the farm such as haulage or contracting
- paperwork and management

D1 Does your spouse/partner work on the farm? No Yes

⇒ **If Yes, Are they**

- 1 an active partner in the business
- 2 regularly employed full time
- 3 regularly employed part-time
- 4 frequently helping out /doing casual work (paid or unpaid)
- 5 occasionally helping out /doing casual work (paid or unpaid)

Please tick one box

D2 Please indicate the number of close family members who work on the farm

If none, please tick box

- 1 as active partners in the business *number*
- 2 as full time regular paid workers
- 3 as part time regular paid workers
- 4 frequently helping out /doing casual work (paid or unpaid)
- 5 occasionally helping out /doing casual work (paid or unpaid)

D3 Please indicate the number of other people who work on the farm.

If none, please tick box

- | | |
|--------------------------------------|---------------|
| | <i>number</i> |
| 1 as active partners in the business | ..... |
| 2 as full time regular paid worker | ..... |
| 3 as part time regular paid worker | ..... |
| 4 Casually employed | ..... |

Please tick one box

D4 Do you operate a PAYE scheme?

No Yes

D5 Are you employed by anyone else? Please include casual work.

No

Yes ⇒ If Yes, please specify

hours per week for weeks per year (approximate).

D6 Please indicate the number of other members of your household who have a job off the farm.

- 1 Number with full time job off farm
- 2 Number with part time job off farm

D7 Off the farm are you currently owner-manager of any businesses?

Please tick one box

No

Yes If Yes, is it

- a a farming business
- b related to farming
- c a non-farming business

D8 In the past, have you been owner-manager of any other businesses off the farm which you no longer own? (excluding other farms)

Please tick one box

No

Yes

D9 Have you heard of an organisation called Business Link?

No Not sure Yes

D10 Please tick any of the following that you have approached for advice on farming matters during the last ten years.

- a Rural Development Commission
- b Local Enterprise Agency
- c Business Link
- d TEC (Training & Enterprise Council)
- e Chamber of Commerce
- f District Council
- g County Council
- h MAFF/FRCA
- i Farm Business Support Scheme
- j Farm Tourism Initiative
- k Tourist Authority/ Tourist Board
- l Farm Holiday Bureau
- m ADAS
- n NFU
- o CLA
- p Private agricultural consultant
- q Private business/legal consultant. (e.g. accountant, bank manager)
- r Family and friends with specialist knowledge
- s Contacts in the industry
- t Trade organisation
- u Other

D11 On the previous list, please mark with a D any that you have approached for advice / support in connection with farm diversification.

D12 On the previous list, please mark with a B any that you have approached for business advice / support.

D13a Have you had a farm business appraisal done under the Farm Business Support Scheme?

No Yes

D13b Have you had a training needs appraisal done under the Farm Business Support Scheme?

No Yes

D13c Did you act upon the advice you received from either of these appraisals?

a No b No, but intend to c Yes

D14 In the past five years have you received a grant under any of these schemes?

- 1 MAFF Marketing and Promotion Scheme
- 2 MAFF Diversification Grant
- 3 Farm Diversification Initiative
- 4 Farm Tourism Initiative
- 5 Redundant Buildings Grant
- 6 Other scheme *Please state*.....
Purpose of grant.....
Amount of grant £.....

D15 Please read this list of business advice / support 'areas' and tick any which you think would have been useful to you in the past, and any which would currently be of use.

	Useful in past	Useful Today
Business strategy	<input type="checkbox"/>	<input type="checkbox"/>
Negotiation skills	<input type="checkbox"/>	<input type="checkbox"/>
Employing staff	<input type="checkbox"/>	<input type="checkbox"/>
Staff training/development	<input type="checkbox"/>	<input type="checkbox"/>
Management Organisation	<input type="checkbox"/>	<input type="checkbox"/>
Advertising	<input type="checkbox"/>	<input type="checkbox"/>
Market research	<input type="checkbox"/>	<input type="checkbox"/>
Identifying new market opportunities	<input type="checkbox"/>	<input type="checkbox"/>
Public relations	<input type="checkbox"/>	<input type="checkbox"/>
Financial management /taxation	<input type="checkbox"/>	<input type="checkbox"/>
Developing new products/services	<input type="checkbox"/>	<input type="checkbox"/>
Computing	<input type="checkbox"/>	<input type="checkbox"/>
New technology	<input type="checkbox"/>	<input type="checkbox"/>

D16 In the past five years, have you applied for a loan (including from family or friends)?

No **Go to E1**

Yes, but was refused Yes, and was successful

If Yes, please indicate:

- a The amount £.....
- b Why the loan was needed
.....
- c Who you applied to.
.....

SECTION E Plans

E1 What plans do you have for the business as a whole (farming and other activities) for the next two years?

Please tick one box only

- 1 Maintain current position or slight expansion
- 2 Get onto a secure footing
- 3 Reduce the scale of activities
- 4 Substantial expansion of turnover
- 6 Stop farming
- 7 Prepare to hand on to successor
- 8 Don't know / uncertain

E2 What plans do you have for the business for the next ten years?

Please tick one box only

- 1 Maintain current position or slight expansion
- 2 Get onto a secure footing
- 3 Reduce the scale of activities
- 4 Substantial expansion
- 5 Stop farming
- 6 Prepare to hand on to a successor.
- 7 Don't know / uncertain

E3 At the moment, what would you like to achieve from running the business?

Please consider each 'goal' in the list and give a score out of 10.

0/10 is of no importance, 5/10 is moderately important and 10/10 is extremely important.

- 1 Maximise my income/ 10
- 2 Make a satisfactory income/ 10
- 3 Prepare to leave farming/ 10
- 4 Employ family members/ 10
- 5 Employ local people/ 10
- 6 Enjoy the way of life/ 10
- 7 Invest for the future/ 10

E4 Please indicate what your approximate total household income is.

Include any pension, Family Credit, other employment as well as farm income.

This information will be treated in strict confidence.

Please tick one box only

- a Below £5,000
- b £5,000 to £9,999
- c £10,000 to £19,999
- d £20,000 to £50,999
- e £51,000 to £99,999
- f £100,000 or more

E5 Approximately what percentage of household income do each of the following sources contribute?

- 1 Farming income (including subsidies etc) %
- 2 Other business activities based at your farm %
- 3 Other businesses you own (not on the farm)%
- 4 Agricultural employment elsewhere%
- 5 Non-agricultural employment (off-farm) of you and spouse %
- 6 Unearned income (pension, family credit etc.) %

E6 In 5 years time, do you expect the contribution of farming income to be

- a More important than at present
- b Less important than at present
- c Equally important as at present

SECTION F. And lastly some questions about yourself to help put the previous answers in context

F1a Please indicate the stage at which you completed your formal education.

- a Aged 16 or under
- b After GCSEs, 'O' levels, CSEs
- c After A levels, BTEC, Highers, NVQs
- d Diploma or vocational qualification e.g. ONC, HND, City and Guilds
- e Degree
- f Postgraduate

F1b Did you study agriculture?

No Yes

F2 Please indicate which age group you are in.

- a 17 or younger
- b 18 to 24
- c 25 to 29.
- d 30 to 44.
- e 45 to 54.
- f 55 to 65
- f 66 or older

F3 Please indicate your gender.

Male Female

FINISHED! Thank you very much.

In Spring we would like to conduct personal interviews with a few farmers to increase our understanding of particular topics. Please tick the box if you would be willing to participate
If Yes, please give your phone number here
Best time to ring?

APPENDIX 4

Disaggregated tables for Northumberland, County
Durham and Tees Valley

APPENDIX 4

NORTHUMBERLAND

Table 1: Location of firms in relation to Rural Development Programme Area (RDPA)

Location	Number	%
Inside RDPA	353	67.6
Outside RDPA	169	32.4
Total	522	100

Table 2: Classification of Economic Activities

Industry	All Firms	% all firms	% firms outside RDA	% firms inside RDA
Manufacturing	63	12.1	13.6	11.3
Construction	51	9.8	8.3	10.5
Retail	133	25.5	23.7	26.3
Hospitality	54	10.3	7.1	11.9
Transport	25	4.8	3.6	5.4
Business activities	87	16.7	19.5	15.3
Education	11	2.1	3.0	1.7
Health and Social	18	3.4	4.7	2.8
Personal services	23	4.4	5.3	4.0
Recreation/Culture	18	3.4	1.8	4.2
Land-based	38	7.3	8.9	6.5
Other	1	0.2	0.6	0
Total	522	100	100	100

Table 3: Year in which respondent* started running company

Year	All Firms	% all firms	% firms outside RDA	% firms inside RDA
1947 - 60	9	1.8	1.2	2.0
1961 - 70	22	4.3	3.0	4.9
1971 - 80	83	16.2	13.2	17.7
1981 - 85	62	12.1	13.8	11.3
1986 - 90	113	22.1	18.6	23.8
1991 - 95	143	27.9	31.8	26.1
1996 - 99	80	15.6	18.6	14.2
Total	512	100	100	100

*Some firms will be older if the current owner bought or inherited an existing business.

Table 4: Average annual turnover of firms

Annual turnover	All Firms	% all firms	% firms outside RDA	% firms inside RDA
< £ 5,000	15	3.0	4.4	2.4
£ 5,000 to £9,999	19	3.8	4.4	3.5
£ 10,000 to £ 19,999	54	10.8	10.7	10.9
£ 20,000 to £ 50,999	125	25.1	26.4	24.4
£ 51,000 to £99,999	87	17.4	17.6	17.1
£ 100,000 to £ 249,999	123	24.6	21.4	26.2
> £ 250,000	76	15.2	15.1	15.3
Total	499	100	100	100

Table 5: Urbanisation index scores of firms

Urbanisation Index	All Firms	% all firms	% firms outside RDA	% firms inside RDA
0 to 4.0	59	11.3	0	16.7
4.1 to 10	148	28.4	7.7	38.2
10.1 to 15	122	23.4	14.2	27.8
15.1 to 20	97	18.6	32.0	12.2
20.1 to 25	40	7.7	13.0	5.1
25.1 to 30	48	9.2	28.4	0
30.1 to 40	8	1.5	4.7	0
Total	522	100	100	100

Table 6: Origins of business owner-operators

Origin	% all firms	% firms outside RDA	% firms inside RDA
In-migrant, didn't intend starting firm	33.1	36.1	31.6
In-migrant, intended starting firm	22.6	22.5	22.7
Always lived locally	44.3	41.4	45.7
Total	100	100	100

Table 7: Firms with access to the World Wide Web

	all firms	% firms	
		firms outside RDA	firms inside RDA
No access to www	39.9	32.1	43.6
Access to www	60.1	67.9	56.4
Total	100	100	100

Table 8: Attitudes to business growth

	Firms	% all firms	% firms outside RDA	% firms inside RDA
Wants growth	154	29.5	29.6	29.5
Maybe wants growth	102	19.5	26.6	16.1
Does not want growth	148	28.4	31.4	26.9
Don't know/missing data	118	22.6	12.4	27.5
Total	522	100	100	100

Table 9: Percentage of 'Growth' firms constrained by lack of capital, staff or workspace

Type of constraint	% all firms (n=154)	% firms outside RDA (n=50)	% firms inside RDA (n=104)
<i>Capital</i>			
Not a constraint	45.5	48.0	44.2
A constraint	54.5	52.0	55.8
<i>Space</i>			
Not a constraint	71.9	72.0	71.8
A constraint	28.1	28.0	28.2
<i>Staff</i>			
Not a constraint	66.2	68.0	65.4
A constraint	33.8	32.0	34.6

Table 10: Estimated aggregate sales*

Customer location	All firms % aggregate turnover (n=492)	firms outside RDA % aggregate turnover (n=159)	firms inside RDA % aggregate turnover (n=333)
Within 30 miles	64.1	70.2	61.4
30 to 100 miles	18.9	16.1	20.2
> 100 miles	17.0	13.7	18.4
Total	100	100	100
Aggregate turnover*	£59.3m	£18.3m	£41.0m

* Estimated from mean point of specified ranges.

Table 11: Sources of business support/advice approached by respondents in previous 10 years

Source	Number	%
Rural Development Commission (RDC)	78	15.0
Local Enterprise Agency	51	9.8
Business Link	205	39.4
Training and Enterprise Council (TEC)	108	20.8
Chamber of Trade/Commerce	40	7.7
District Council	62	11.9
County Council	28	5.4
MAFF/FRCA	14	2.7
ADAS	11	2.1
National Farmers' Union (NFU)	13	2.5
Private sector	241	46.3
Family/friends (with specialist knowledge)	98	18.8
Industry contacts	152	29.2
Trade/professional organisation	112	21.5

Table 12: Areas of business support most commonly perceived to be of current use

Business support 'area'	% firms
Employing staff	19.2
Staff development, training	22.0
Business strategy	26.6
Financial management/tax	33.1
Marketing	33.7
Identifying market opportunities	34.3
Advertising	30.1
Computing	42.7

APPENDIX 4

DURHAM

Table 1: Location of firms in relation to Rural Development Programme Area (RDPA)

Location	Number	%
Inside RDPA	230	69.7
Outside RDPA	100	30.3
Total	330	100

Table 2: Classification of Economic Activities

Industry	All Firms	% all firms	% firms outside RDA	% firms inside RDA
Manufacturing	50	15.2	20.0	13.0
Construction	19	5.8	2.0	7.4
Retail	124	37.6	37.0	37.8
Hospitality	27	8.2	5.0	9.6
Transport	9	2.7	3.0	2.6
Business activities	53	16.1	22.0	13.5
Education	7	2.1	2.0	2.2
Health and Social	11	3.3	3.0	3.5
Personal services	14	4.2	3.0	4.8
Recreation/Culture	6	1.8	1.0	2.2
Land-based	10	3.0	2.0	3.5
Total	330	100	100	100

Table 3: Year in which respondent* started running company

Year	All Firms	% all firms	% firms outside RDA	% firms inside RDA
1942 - 1960	5	1.6	1.0	1.8
1961 - 70	22	6.9	3.1	8.6
1971 - 80	43	13.5	11.2	14.5
1981 - 85	42	13.2	16.3	11.8
1986 - 90	57	17.9	16.3	18.6
1991 - 95	96	30.1	31.6	29.4
1996 - 99	54	16.9	20.4	15.4
Total	319	100	100	100

- Some *firms* will be older if the current owner bought or inherited an existing business.

Table 4: Average annual turnover of firms

Annual turnover	All Firms	% all firms	% firms outside RDA	% firms inside RDA
< £ 5,000	9	2.9	1.1	3.6
£ 5,000 to £9,999	9	2.9	2.1	3.2
£ 10,000 to £ 19,999	32	10.2	9.5	10.5
£ 20,000 to £ 50,999	66	21.0	23.2	20.0
£ 51,000 to £99,999	59	18.7	17.9	19.1
£ 100,000 to £ 249,999	84	26.7	28.4	25.9
> £ 250,000	56	17.8	17.9	17.7
Total	315	100	100	100

Table 5: Urbanisation index scores of firm

Urbanisation Index	All Firms	% all firms	% firms outside RDA	% firms inside RDA
0 to 4.0	5	1.5	0	2.2
4.1 to 10	50	15.2	0	21.7
10.1 to 15	20	6.1	0	8.7
15.1 to 20	90	27.3	3.0	37.8
20.1 to 25	51	15.5	32.0	8.3
25.1 to 30	72	21.8	56.0	7.0
30.1 to 40	42	12.7	9.0	14.3
Total	330	100	100	100

Table 6: Origins of business owner-operators

Origin	% all firms	% firms outside RDA	% firms inside RDA
In-migrant, didn't intend starting firm	27.6	36.4	23.8
In-migrant, intended starting firm	19.9	14.1	22.5
Always lived locally	52.4	49.5	53.7
Total	100	100	100

Table 7: Firms with access to the World Wide Web

	% all firms	% firms outside RDA	% firms inside RDA
No access to www	45.9	45.9	46.3
Access to www	53.8	54.1	53.7
Total	100	100	100

Table 8: Attitudes to business growth

	Firms	% all firms	% firms outside RDA	% firms inside RDA
Wants growth	110	33.3	36.0	32.2
Maybe wants growth	66	20.0	25.0	17.8
Does not want growth	111	33.6	30.0	35.2
Don't know/missing data	43	13.0	9.0	14.8
Total	330	100	100	100

Table 9: Percentage of 'Growth' firms constrained by lack of capital, staff or workspace

Type of constraint	% all firms (n=110)	% firms outside RDA (n=36)	% firms inside RDA (n=74)
<i>Capital</i>			
Not a constraint	51.8	52.8	51.4
A constraint	48.2	47.2	48.6
<i>Space</i>			
Not a constraint	72.7	72.2	73.0
A constraint	27.3	27.8	27.0
<i>Staff</i>			
Not a constraint	65.5	63.9	66.2
A constraint	34.5	36.1	33.8

Table 10: Estimated aggregate sales*

Customer location	All firms % aggregate turnover (n=314)	Firms outside RDA % aggregate turnover (n=94)	Firms inside RDA % aggregate turnover (n=220)
Within 30 miles	70.1	68.7	70.6
30 to 100 miles	16.5	15.0	17.2
> 100 miles	13.4	16.3	12.2
Total	100	100	100
Aggregate turnover*	£41.6	£12.8	£28.8m

* Estimated from mean point of specified ranges.

Table 11: Sources of business support/advice approached by respondents in previous 10 years

Source	Number	%
Rural Development Commission (RDC)	33	10.0
Local Enterprise Agency	85	25.8
Business Link	72	21.8
Training and Enterprise Council (TEC)	79	21.8
Chamber of Trade/Commerce	26	7.9
District Council	49	14.8
County Council	24	7.3
MAFF/FRCA	5	1.5
ADAS	4	1.2
National Farmers' Union (NFU)	4	1.2
Private sector	145	43.9
Family/friends (with specialist knowledge)	55	16.7
Industry contacts	88	26.7
Trade/professional organisation	62	18.8

Table 12: Areas of business support most commonly perceived to be of current use

Business support 'area'	% firms
Employing staff	21.2
Staff development, training	23.6
Business strategy	26.4
Financial management/tax	27.0
Marketing	30.9
Identifying market opportunities	30.9
Advertising	27.9
Computing	39.1

APPENDIX 4**TEES VALLEY****Table 1: Location of firms in relation to Rural Development Programme Area (RDPA)**

Location	Firms	% firms
Inside RDPA	86	35.8
Outside RDPA	154	64.2
Total	240	100

Table 2: Classification of Economic Activities

Industry	All Firms	% all firms	% firms outside RDA	% firms inside RDA
Manufacturing	27	11.3	7.1	18.6
Construction	33	13.8	10.4	19.8
Retail	55	22.9	22.1	24.4
Hospitality	4	1.7	1.9	1.2
Transport	9	3.8	3.2	4.7
Business activities	60	25.0	29.9	16.3
Education	13	5.4	5.8	4.7
Health and Social	12	5.0	5.8	3.5
Personal services	8	3.3	3.2	3.5
Recreation/Culture	8	3.3	4.5	1.2
Land-based	11	4.6	5.8	2.3
Total	240	100	100	100

Table 3: Year in which respondent* started running company

Year	All Firms	% all firms	% firms outside RDA	% firms inside RDA
1960	2	0.9	1.3	0
1961 - 70	11	4.9	4.0	6.0
1971 - 80	27	12.1	8.7	16.9
1981 - 85	33	14.8	12.7	16.9
1986 - 90	51	22.9	24.0	18.1
1991 - 95	56	25.1	31.3	22.9
1996 - 99	43	19.3	18.0	19.3
Total	223	100	100	100

* Some firms will be older if the current owner bought or inherited an existing business.

Table 4: Average annual turnover of firms

Annual turnover	All Firms	% all firms	% firms outside RDA	% firms inside RDA
< £ 5,000	10	4.3	3.3	6.3
£ 5,000 to £9,999	14	6.1	6.0	6.3
£ 10,000 to £ 19,999	31	13.4	11.9	16.3
£ 20,000 to £ 50,999	75	32.5	35.8	26.3
£ 51,000 to £99,999	39	16.9	15.2	20.0
£ 100,000 to £ 249,999	41	17.7	17.9	17.5
> £ 250,000	21	9.1	9.9	7.5
Total	231	100	100	100

Table 5: Urbanisation index scores of firms

Urbanisation Index	All Firms	% all firms	% firms outside RDA	% firms inside RDA
0 to 4.0	0	0	0	0
4.1 to 10	7	2.9	0	8.1
10.1 to 15	12	5.0	0.6	12.8
15.1 to 20	62	25.8	20.8	34.9
20.1 to 25	60	25.0	24.0	26.7
25.1 to 30	88	36.7	48.1	16.3
30.1 to 40	11	4.6	6.5	1.2
Total	240	100	100	100

Table 6: Origins of business owner-operators

Origin	% all firms	% firms outside RDA	% firms inside RDA
In-migrant, didn't intend starting firm	32.9	36.4	26.7
In-migrant, intended starting firm	10.8	11.7	9.3
Always lived locally	56.2	51.9	64.0
Total	100	100	100

Table 7: Firms with access to the World Wide Web

	% all firms	% firms outside RDA	% firms inside RDA
No access to www	47.1	40.3	59.3
Access to www	52.5	59.1	40.7
Total	100	100	100

Table 8: Attitudes to business growth

	Firms	% all firms	% firms outside RDA	% firms inside RDA
Wants growth	65	27.1	27.9	25.6
Maybe wants growth	61	25.4	22.7	30.2
Does not want growth	94	39.2	40.3	37.2
Don't know/missing data	20	8.3	9.1	7.0
Total	240	100	100	100

Table 9: Percentage of 'Growth' firms constrained by lack of capital, staff or workspace

Type of constraint	% all firms (n=65)	% firms outside RDA (n=43)	% firms inside RDA (n=22)
<i>Capital</i>			
Not a constraint	46.2	51.2	36.4
A constraint	53.8	48.8	63.6
<i>Space</i>			
Not a constraint	70.8	74.4	63.6
A constraint	29.2	25.6	36.4
<i>Staff</i>			
Not a constraint	65.6	76.2	45.5
A constraint	34.4	23.8	54.5

Table 10: Estimated aggregate sales*

Customer location	All firms % aggregate turnover (n=230)	Firms outside RDA % aggregate turnover (n=150)	Firms inside RDA % aggregate turnover (n=80)
Within 30 miles	69.1	65.4	76.4
30 to 100 miles	13.4	13.9	12.3
> 100 miles	14.4	20.7	11.3
Total	100	100	100
Aggregate turnover*	£20.4m	£13.6m	£6.7m

* Estimated from mean point of specified ranges.

Table 11: Sources of business support/advice approached by respondents in previous 10 years

Source	Number	%
Rural Development Commission (RDC)	16	6.7
Local Enterprise Agency	34	14.2
Business Link	57	23.8
Training and Enterprise Council (TEC)	68	28.3
Chamber of Trade/Commerce	16	6.7
District Council	14	5.8
County Council	10	4.2
MAFF/FRCA	5	2.1
ADAS	0	0
National Farmers' Union (NFU)	6	2.5
Private sector	109	45.4
Family/friends (with specialist knowledge)	36	15.0
Industry contacts	56	23.3
Trade/professional organisation	40	16.7

Table 12: Areas of business support most commonly perceived to be of current use

Business support 'area'	% firms
Employing staff	21.3
Staff development, training	18.3
Business strategy	22.5
Financial management/tax	28.3
Marketing	33.8
Identifying market opportunities	37.1
Advertising	30.8
Computing	43.3