

**Centre for Rural Economy
Research Report**

**CONFRONTING THE RURAL SHUTDOWN:
FOOT AND MOUTH DISEASE
AND THE NORTH EAST RURAL ECONOMY**

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¹ Bennett, K., Carroll, T., Lowe, P. and Phillipson, J. (eds) (2002) *Coping with Crisis in Cumbria: The Consequences of Foot and Mouth Disease*. Research report, Centre for Rural Economy, University of Newcastle upon Tyne.

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EXECUTIVE SUMMARY

Introduction

The Foot and Mouth Disease (FMD) outbreak of 2001 began and ended in the North East of England. It proved to be the most serious animal epidemic in the UK in modern times and the worst Foot and Mouth outbreak to be tackled that the world has seen.

The purpose of this study was to investigate the impacts of FMD on the rural economy of the North East, to provide a basis from which to consider the long-term consequences and to inform and guide the process of rural recovery. The research was conducted between September and December 2001 when the disease outbreak was tailing off, but when widespread restrictions were still in force. The study was funded by ONE North East (the Regional Development Agency) and forms part of a wider research initiative funded by the Economic and Social Research Council exploring the business, consumer and institutional response to FMD.

The North East Rural Economy

By the late 1990s the rural workforce accounted for 13% of total employment in the North East. The major sectors are manufacturing with 19% of the rural workforce; health and social work (13%); and wholesale, retail and repair (12%). Agriculture and fishing account for just 9% of rural employees. The most rapidly growing sectors of rural employment in recent years have all been in services.

Income levels in the North East are the lowest of any region in Great Britain and are generally even lower in the rural areas. Northumberland has the second lowest wage levels amongst English counties. GDP per head for the rural workforce is also low: roughly half of the national average and less than two-thirds the North East average.

The rural economy of the North East has a small scale business structure. Some 92% of rural firms are micro-businesses (i.e. with fewer than 10 employees). Formation and turnover rates of businesses (per head of population) match national standards in the Northumberland districts of Alnwick, Castle Morpeth and Tynedale, but the other rural local authority districts in the North East perform worse than the UK average.

The farming industry was in serious economic difficulty even before the effects of FMD. In 2001, the value of agricultural output nationally fell, for the fifth successive year, by 4.5%. Incomes overall are as low in real terms as at any time since the depression of the late 1930s.

The main farming activities in the North East are lowland arable, lowland beef and sheep and upland beef and sheep. In the 3-4 years prior to the outbreak of FMD grazing farms in both the lowlands and uplands had experienced negative profitability.

The Conduct of the Foot and Mouth Crisis

The outbreak of FMD in the UK was confirmed on February 20th 2001 following diagnosis of cattle and pigs with the disease at an abattoir in Essex. The source was traced to a pig unit at Heddon on the Wall in Northumberland which, it was discovered, had also infected several farms in the area.

The number of confirmed cases accelerated rapidly reaching a peak in late March/early April and then subsiding. The region appeared to be free of the disease through June and July, but in August there was a further outbreak in the South Tyne/Allendale area of Northumberland. The last confirmed case occurred on September 29th. By then the number of infected premises in the North East had reached 190. On an additional 1,018 holdings the animals were also culled. In total 317,000 sheep and 54,000 cattle were destroyed in the region.

On February 21st, the day after the first FMD case was confirmed nationally, a ban on meat and live animal exports was imposed. Two days later a complete ban on the movement of livestock was introduced. From early March the transport of some animals to slaughter was permitted under licence. Livestock markets were closed and remained so for the rest of the year. Towards the latter stages of the epidemic so-called “Blue Box” zones were defined with strict bio-security and movement regimes imposed to contain the outbreak to particular geographical areas. Livestock movement restrictions, however, remained in place throughout counties affected by FMD.

On February 27th, one week into the crisis, the Government gave powers to County Councils to close all rights of way in livestock areas. The Northumberland National Park Authority had acted even earlier, on the first day of the outbreak, by closing its car parks and visitor facilities and erecting “Keep Out” notices on paths. The National Trust reacted in a similar manner with its properties.

The closure of the countryside had a widespread impact on non-farming businesses. Three weeks into the outbreak a Rural Task Force was set up by the Government to consider the implications of the outbreak of FMD for the rural economy, and to advise on remedial measures. The short-term measures introduced to assist affected rural businesses and communities included: deferral of VAT, tax and National Insurance payments; hardship relief and deferral of domestic rates; free consultancy advice to farms; and assistance to voluntary bodies offering support services for rural communities. Additional resources were allocated to the Regional Development Agencies to create and administer a Business Recovery Fund.

In addition, in the light of revised veterinary assessments of the risk posed by public access, Government guidance was issued to local authorities on May 23rd which encouraged the re-opening of paths where it was considered safe to do so. The process gathered pace only in late July, following Government intervention. However, the re-emergence of the disease in the North East in late August was a major setback.

The Impact on Farm Businesses

To gauge the impacts of FMD on agriculture and farming households a survey of 78 farm businesses was conducted, representative of the types of farming found in the North East. Fifteen of the farms had had livestock culled, losing an average of 710 animals each.

The financial impact of the FMD crisis on farm households varied considerably. Livestock farms lost revenue from animal sales and faced additional costs where animals had to be kept on the farm. Furthermore, some diversified enterprises and off-farm employment were also adversely affected.

On farms that were culled out, households incomes and revenues faced an average shortfall of £61,000 in 2001-2. These farms, though, had received compensation with estimates averaging £74,000 - £111,000 per culled out farm.

On livestock farms not culled out, household income and revenues faced an average shortfall of £18,000 in 2001-2. Farms on which livestock were not culled did not receive any compensation.

On predominantly arable farms with no livestock culled, household incomes were expected to rise by an average of £2,700 in 2001-2.

The total net loss of revenue to the farming economy of the North East is estimated at £98 million for 2001-2.

Diversified activities, particularly on culled farms, were especially vulnerable to the disruptions of FMD. For the farm sample as a whole income from existing diversified sources fell in 2001-2 by an average of 26% per farm. Farm contracting activities and renting out of buildings were strongly hit.

Some farmers gained income through working on disease control activities, often on their own holding, and this income more than offset shortfalls in their normal sources of diversified income.

At some point during the crisis, one third of those in the sample with off-farm jobs were unable to go to work as a result of FMD. Average income for those households with off-farm employment fell by 8%.

The FMD crisis was a fraught period for most farming households, whether or not their animals were culled out. They had all felt isolated at some point because of the movement restrictions. Most had restricted both their own off-farm movements and the access of others onto their farm.

The usual channels of informal support available to individuals also became closed as the social life of communities shut down. The marts were closed and many farmers stopped going to the local pub for fear of spreading the disease and bringing it back home. Furthermore, 86% of farming households surveyed did not visit friends and 72% were unable to see relatives.

The main source of support for farm businesses during the crisis was their own households. Some 60% of the sample reported that their immediate family helped them to cope with the crisis. Inevitably, though, with household members largely confined to the holding in such difficult and fraught circumstances, there were increased tensions which did put a considerable strain on relationships in some households.

There was also friction between culled and non-culled farms. Members of households on culled farms were anxious about the reactions of other farming households to them. Moreover, the fact that farmers who had had livestock culled received compensation and others did not was a source of resentment and bitterness.

All the surveyed farmers intended to remain in farming. Some 60% of the farmers said that they would definitely maintain their existing level of farming activity after FMD. Most of the rest were thinking of expanding, and a few were looking to scale down the area they farmed.

Some were considering alternative cropping and income generating strategies. Just one in ten intended to increase their forestry area or grow new crops and few were interested in converting to organic farming. However, some 17% of farmers intended to increase their participation in agri-environment schemes, and a further 59% wanted to explore the possibility. In addition, some 15% of farmers intended to increase their diversification activities and 41% were possibly interested, but there was comparatively little active interest in pursuing any more off-farm employment.

Some 21% had sought or intended to seek advice on the farm business; 14% on diversified enterprises; and just 1% on off-farm income possibilities. Most of the farmers, though, were not taking external advice regarding future strategies.

The Impact on Rural (Non-Farming) Businesses

To gauge the impact of the FMD crisis on non-farming businesses, telephone interviews were conducted with 180 firms in early April 2001, using as a sampling frame CRE's database of 2000 rural micro-businesses. There was then a follow-up telephone survey of the same firms in late November 2001. A majority of the rural micro-businesses were affected in some way by the Foot and Mouth outbreak, but with variations between sectors.

In certain sectors reliant on tourists, visitors or access to land - hospitality, land-based and recreation and culture - the large majority of firms were affected. In another grouping of sectors - retail, transport, business services and manufacturing sectors - roughly half of the firms were affected, often the result of knock-on effects within the business chain (for example, suppliers to farming or tourism businesses).

Half of impacted firms were classified (on the basis of their percentage loss of turnover) as medium or high negative impact. Such firms were found in all sectors, including sectors which were generally little affected (such as personal services, construction, education and training and health and social). Conversely, although hospitality was the most extensively affected sector, the largest grouping of hospitality businesses

fell into the low impact category (i.e. had suffered considerable disruption but with little or no change in annual revenue).

The impacts of the crisis displayed a complex geography within the region. Though firms in all rural areas were affected to some degree, the worst impacts were concentrated in the more rural parts of the region, especially in Tynedale, Wear Valley and Teesdale. A number of spatial factors influenced this pattern, including the specific geographical incidence of disease cases and the consequent 'Blue Box' restrictions; the local structure of the economy (particularly regarding the concentration of businesses dependent on tourists and visitors); and the displacement of visitors and customers to coastal locations, larger settlements and urban fringe sites.

Most firms were affected throughout the outbreak. A third of impacted firms were subject to a lag effect, being hit only several weeks into the outbreak, particularly as access restrictions and a fall in orders began to affect those in the manufacturing, business services and land-based sectors that supplied agriculture or tourism. The majority of firms experienced signs of impact abatement and recovery in the autumn of 2001. However, by late November, two fifths were experiencing no signs of recovery, particularly including firms hit indirectly and later on in the crisis.

Foot and Mouth severely disturbed the usual trade cycles of many firms, introducing often severe fluctuations. A third of impacted firms experienced both unexpected troughs and peaks. These were mainly

firms that, on the one hand, lost established custom but, on the other hand, benefited from the displacement of local and passing trade or tourism to more accessible places.

For a small minority - 3% of all the firms - FMD led to a net gain in annual revenue. These were firms that benefited considerably from displacement effects or obtained additional business from the control and clean-up campaign.

The employment impacts of the crisis were widespread but diffuse, as some firms responded to the loss of business by reducing their staffing or not taking on seasonal workers. The impacted firms in July 2001 employed on average 11% fewer full-time, 6% fewer part-time and 36% fewer casual employees. That equates to a loss per hundred rural firms (impacted and non-impacted) in the North East of 10 full-time, 4 part-time and 3 casual jobs. The employment impact was most pronounced in the early months of the crisis and during the summer. Initially, the job losses were mainly in the hospitality sector but subsequently also spread to business services, recreation and culture and manufacturing.

There was a tendency as the crisis progressed for a 'casualisation' of the workforce with, for example, part-time jobs substituting for full-time employment. Many of the employment impacts though were low profile ones - such as the non-reengagement of seasonal labour, losses of casual employees and the reduction of staff working hours - and were not reflected in the unemployment register.

Finally, turnover changes were common among impacted firms and this often had a profound effect on their end of year profit status. For the year as a whole impacted firms in the survey were experiencing a mean revenue reduction of £16,000 or 17%. This equates to a reduction for the year per firm (impacted and unimpacted) in the rural districts of the North East of £5,000. Individual losses varied considerably. Three quarters of impacted firms were expecting poorer profits; and for half of these, a change from profit to break even or loss. A crucial factor in this change was the duration of the impact.

The total net loss of revenue to (non-farming) rural micro-businesses in the North East is estimated to be in the order of £80 million for 2001-2. This is not the full loss to the (non-farming) rural economy as it does not include the revenue losses suffered by the larger organisations.

The Coping Responses of Rural Businesses

Foot and Mouth disease revealed much about the nature of rural micro-businesses and their coping responses during crisis.

Responses varied over time and with the severity of impact, but most firms had to go beyond simple belt-tightening, such as cutting back on restocking or advertising, or postponing expenditure on upkeep and repair. Typical early responses were for household members to work longer hours, the cancellation or postponement of business plans or investment, a reduction in staff working hours and making layoffs or redundancies.

As FMD progressed and the crisis became prolonged, firms broadened their coping responses to include such steps as the owner taking a smaller wage from the business and spending business reserves. Finally, high impact firms were forced to take more drastic measures, such as the renegotiation or taking out of loans, the spending of personal savings, cut backs in household spending, and a household member looking for a job. For 8% of impacted firms, such measures had not been enough and owners had had to resort to temporary closure or were attempting to sell or close the business.

Recourse to external help and advice was also important. A shift in the balance from informal to more formal forms of support occurred as the crisis progressed, with local authorities and Business Link being the most commonly utilised formal sources of help. Larger and more heavily impacted micro-businesses were more likely to have sought external support. There was also a distinct divide between impacted firms who were proactive in trying a range of support avenues and coping responses and firms whose owners were inclined to muddle through on their own.

Business Link was cast to the forefront in the FMD crisis in delivering emergency advice and recovery schemes that were widely publicised. It thus extended its client base, reaching sectors such as hospitality, where previously it had been little engaged. Even so, the large majority of impacted firms - including the high impact ones - did not approach Business Link. Small firms face practical constraints in accessing support and their owners are often sceptical about the value and relevance

of external support. Other major sources of advice were the banks, accountants and financial advisors.

Some 29% of affected firms, including 50% of high impact ones, received advice from other business owners. The FMD crisis was a common experience for many firms, and in some cases this had helped to strengthen local business networks.

Take-up of business relief recovery measures varied with individual schemes. Rate relief, business recovery grants (from the region's Business Recovery Fund) and the deferral of tax payments were more popular than business rate deferral, business rate appeal and the Small Firm Loan Guarantee Scheme. Most of the firms that had applied for support under the Business Recovery Fund were successful, and beneficiaries spoke highly of the scheme. However, most impacted firms turned instead to conventional forms of financial support. Some firms found they were ineligible for support from the Fund; or that the Fund could not simply provide compensation for losses or emergency aid. Some firms had been put off from applying by the effort they perceived would be needed. Finally, some latecomers to the scheme found that the funding had run out.

For those micro-businesses with employees, employment oriented coping responses were important. Some employment responses (such as layoffs and the decision not to take on casual or seasonal staff) were adopted surprisingly early in the outbreak. As businesses were progressively squeezed over time more and more firms reduced staff working hours.

Businesses were commonly reluctant to lay off core staff and in many cases employees were carried by their firms or employed on a more flexible basis. Such employees were regarded as a critical resource and were often socially embedded within the business. This contrasted with the attitude towards casual employees who were perceived to be a very flexible labour resource to be used as and when necessary.

Most of the micro-businesses drew on family and household resources to cope with the crisis and its aftermath, further demonstrating the importance of households in providing small firm resilience. Households acted as a buffer to the businesses, absorbing revenue and employment effects. They commonly acted as a flexible labour reserve with household members either being underemployed or over-stretched depending on circumstances. Household coping responses were most pronounced in high impact firms, including household members working longer hours, cut backs in household spend, business owners taking a smaller wage from the business, the spending of personal savings and household members looking for another job. Through providing shock absorption capacity many households were exposed to considerable pressures. One in five impacted business owners referred to personal stress. Others alluded to family tensions and strained marital relations. Many spoke of sheer physical and emotional exhaustion.

It is also the case that some impacted businesses were better placed than others to cope during the outbreak. The existence of employees, the level of fixed costs, access to support networks and flexible labour and the age and experience of the business and its owner(s) were important in opening up or limiting access to coping responses. There is evidence that

some businesses had also been more proactive prior to FMD in developing asset accumulation and risk aversion strategies which proved significant in helping them to weather the crisis. Some for example had developed a loyal local customer base and good and trustful inter-firm relations.

Comparing the coping responses of impacted farms and firms, it is striking how much more resilient were the farms. They were able to cope in a much more routine manner than the firms many of which exhibited financial distress and had to take crisis actions. Arguably, farm families have well developed asset accumulation strategies and have more experience of coping with crisis and can be assured of government assistance in doing so.

Finally, the impacts of FMD extended late into 2001 for many of the impacted businesses. Although for a significant proportion impact had declined or was declining by the end of the year, for two fifths it remained persistent, in part as a result of a late flare up of the disease in the region. The research would suggest, moreover, that the issue of business recovery remains an important consideration through 2002 and beyond. Many of the impacted businesses have additional debt, reduced reserves, disrupted trade and investment cycles and delayed growth and investment plans. Although most impacted firms consider that they will have recovered from the economic effects of FMD by the end of 2002, provided it is a good trading year, for the heavily impacted firms that survive, the recovery period is expected to take several years. A fifth of impacted firms thought it would take between 1 and 2 years to recover, a tenth much longer.

The Consumer Response

The consumer study set out to explore in depth North East consumers' perceptions and concerns relating to food, and to examine the extent to which perceptions and habits may have changed in the light of the FMD crisis. Four focus groups were held. The profiles of the groups were determined according to the key variables of age, socio-economic status and geographic residency (urban vs. rural).

Value for money and quality were expressed most commonly as priorities when shopping for food, followed by other concerns such as freshness, nutritional content, pesticides and additives. Discussion of (particularly red) meat products gave rise to slightly altered priorities, with safety and origin issues taking on more importance, whilst participants with children spoke of the problems of balancing health concerns with time and budgetary restraints.

A number of differences were noted between the perceptions and concerns of urban and rural consumers. Amongst the former, it was well-known brands which were associated with trust and quality, and confidence was placed in pre-packed, clearly labelled packaging formats for meat for reasons of hygiene, safety and cooking instructions. Rural consumers by comparison seemed to make more product-by-product comparisons in order to judge quality, and seemed more comfortable buying, handling and preparing unprocessed meat. Rural consumers also mentioned a wider range of concerns related to foods, including local supply, the environment and animal welfare. Although a few participants in both urban and rural groups spoke positively of the benefits of welfare-

friendly items and organic foods, the majority view tended to be one of scepticism over inflated prices and lack of ability to verify differences.

Supermarkets dominated as the main outlet for food shopping amongst both urban and rural participants, for reasons of convenience, flexibility and price. However the usage patterns for both groups differed, as rural participants tended to undertake major bulk buys in perceived best-value urban supermarkets, whilst urban participants, especially young professionals, made more regular use of supermarkets' flexible opening hours to fit in with their lifestyles.

Farmers' markets were not commonly used; urban participants were generally unaware of them and not receptive to the concept when explained; whilst rural participants, although agreeing with the concept in principle, perceived them as somewhat expensive and inconvenient.

In relation to FMD, there were some spontaneous expressions of meat purchases being altered during the crisis by both urban and rural participants, although the majority view was that no major, sustained, food-related changes had occurred. Instead, discussion of FMD focused on criticism of Government handling of the crisis and debate about the impact on farming and rural communities. In these discussions, some differences were apparent between urban and rural participants; the latter being more informed and actively engaged in the issues than the former, some of whom expressed indifference towards what was perceived as a farming and rural problem. On the issue of vaccinated meat, most participants reported that they would not object to eating it provided that clear labelling and safety reassurances were given.

Finally, on the potential of marketing initiatives to encourage a greater uptake of local products to help rural recovery, it emerged that the rural participants were receptive to the proposition, agreeing quite strongly with the principle and giving the impression of willingness to respond actively. In contrast, urban participants demonstrated degrees of negativity and scepticism, or simply did not perceive such an initiative to be 'for them'. Where participants in all groups did agree, however, was the need for such initiatives to address the price and accessibility concerns of consumers. In this regard they could only foresee an effective impact via the use of supermarkets.

Conclusions

FMD had dramatic financial and psychological effects for the farming community and the wider rural economy and rural communities with lasting implications that need to be addressed if recovery is to be achieved.

The income from sales and subsidies of farms that were culled was substantially reduced. Incomes for the livestock farms not culled showed a lower reduction but this group may have been worse affected in receiving no compensation.

All the surveyed farmers intended to remain in farming. Moreover, many more were expecting to expand than scale down their activities. There was an expectation among farmers of future reductions in sheep flocks. A significant proportion of farmers would therefore appear to be potentially

receptive to the Government purchasing some of their quota for livestock premia. This would enable stocking densities to be lowered and could be the basis of expanding agri-environment schemes or greening of existing LFA supports. Three-quarters of the farmers want to explore the possibility of new or greater involvement in agri-environmental schemes. Many of these therefore should be responsive to a reorientation of payments for production in favour of environmental outputs. There is also some, but lesser, interest in forestry and new crops, but little interest in going organic.

Approaches to diversification need to be reviewed in the light of FMD. Farms with diversified activities were no less vulnerable to the effects of the outbreak. Nevertheless, more than half of the farmers expressed an interest in more diversification.

Off-farm employment proved much less vulnerable to disruption, and a quarter of the farmers expressed an interest in increasing their household's income from off-farm employment. This ought to be given greater attention and emphasis by farm advisory services which should embrace other members of the household than the farmer and should include training and employment as well as business advice. More farmers will need advice and encouragement in considering their future options and it is important to strengthen links between farm and generic business advice services.

Farmers will increasingly be urged to cooperate more, understand the needs of their customers better and become more innovative in their

marketing practices. New and shorter supply chains are envisaged and more value-added products. Amongst the farming sample there was as yet little evidence of processing or of direct sales activity. This suggests a need for generic and technical business support and encouragement. Leadership and ownership must come from within the farming sector itself. Practical collaboration between farmers has been notoriously difficult to achieve and some facilitation of the process would seem to be necessary.

The marketing of livestock is exclusively tied to the traditional live auction marts. However, the FMD crisis has caused great upset and uncertainty for the marts. Their potential demise would be a blow to local economies but would also entail the loss of important social functions. The prospects and future role of auction marts are a pressing topic for research and policy.

There is justification for promoting awareness and higher consumption of regionally distinctive and local foods and more traditional and value-added niche products. But there is a lack of awareness concerning the presence of existing initiatives, such as farmers' markets, which needs to be remedied. Strategies must take account of consumers' practical concerns over price, convenience and access. Aside from meat, there is only a modest degree of interest in the provenance and means of production of food, with rural consumers more aware and more concerned than urban consumers. Multiple retailers will continue to exercise a powerful influence and it is important that they adopt a more favourable attitude to regional sourcing.

The FMD outbreak has had very serious economic impacts that extended well beyond farming to a diverse range of business sectors. FMD has thus demonstrated the diverse yet interdependent and often vulnerable nature of the rural economy. Business recovery remains an important consideration in 2002, requiring supportive and sympathetic approaches from public authorities and the banks.

Future rural development initiatives should be broad based and less farm-centred. This will itself be increasingly important for the farming sector as farmers are encouraged to develop non-farm based businesses and as farm families become increasingly reliant on income sources located off-farm. FMD has therefore accelerated the need for robust approaches to rural development and effective implementation of rural policies such as the Rural White Paper.

FMD has revealed important interdependencies within the rural economy, between tourism, farming and other sectors, and the need for more integrated approaches to rural development. This calls for better integration of programmes and funding streams intended to assist rural regeneration and close coordination of business support services.

This is particularly the case for the more peripheral rural areas in the North East whose economies are heavily dependent on a combination of primary industries and tourism. Here diversification remains a challenging rural development goal. More attention is required to

understanding and reducing the vulnerability of such local economies and to improving their robustness.

Many businesses hit by the Foot and Mouth crisis did not utilise formal business support. Further attention should be given to the means of facilitating uptake among small businesses, improving the communication and profile of support and further tailoring support to the nature and needs of micro-businesses.

Several factors influenced the coping capability of impacted firms. Businesses that had had the opportunity in the past to build up their financial, human or physical assets were better able to weather the crisis. Business advice and support should seek to encourage the build-up of such assets. Most of the firms drew on family and household resources to cope with the crisis and its aftermath which reinforces the view that business support organisations should take more fully into account the range of 'soft business' issues that are integral to the operation of micro-businesses.

FMD revealed crucial characteristics of the rural labour process. While core employees were often treated like family and sheltered by businesses, others formed part of a flexible rural labour reserve and had to bear the impacts of the crisis. This highlights a need for greater attention to the security of rural livelihoods.

In conclusion, FMD and the way it was handled induced a crisis for farming and the rural economy. The crisis exposed the complexity and

diversity of the contemporary rural economy and tested and revealed specific interdependencies and vulnerabilities. The implication is that measures for rural recovery should be appropriately differentiated. An emphasis on tourism promotion and farming recovery would not be sufficient to overcome the immediate legacy of the crisis across a range of other sectors in the rural North East.

The FMD epidemic triggered a rural economy crisis extending far beyond farming and tourism. The lessons are far reaching and must go beyond those posed specifically for the future of farming or the institutional handling of crises - themes which have dominated the official inquiry process. The FMD crisis draws attention to a series of fundamental challenges facing the future of rural areas and rural development policies.

1 INTRODUCTION

Terry Carroll, Philip Lowe and Jeremy Phillipson

The Foot and Mouth Disease (FMD) outbreak of 2001 began and ended in the North East of England. It proved to be the most serious animal epidemic in the UK in modern times and the worst Foot and Mouth outbreak to be tackled that the world has seen.

The loss to the nation's economy attributed to the FMD epidemic has been estimated to be in the order of £2 billion, equivalent to 0.2% of GDP. The costs to the public sector have been calculated to be over £3 billion and the cost to the private sector is estimated at £5 billion².

The effects on businesses and communities were felt most severely in those parts of the country where the local economy is founded on a combination of extensive livestock farming and tourism and leisure activities that depend on the landscape which that type of farming sustains. What FMD has forcibly demonstrated is the very close interdependence of farm and non-farm rural businesses. The experiences of 2001 also provide vivid insights into the structure of the contemporary rural economy and how small businesses and the local economies they constitute react in times of crisis.

The total number of infected premises in the North East region totalled 190 with an additional 1018 holdings culled (Table 1.1). By the end of the epidemic 317,000 sheep and 54,000 cattle had been culled in the

² *The 2001 Outbreak of Foot and Mouth Disease*. Report by the Comptroller and Auditor General. HC 939 Session 2001-2002: 21 June 2002. London.

region. The reputation of the livestock industry, already severely damaged by BSE, was further shattered. Perceptions of the region as an attractive tourist destination were also tarnished by powerful and lingering images of animal slaughter and carcass disposal.

Table 1.1: Farm holdings and livestock culled

	Infected premises	Dangerous contacts	Contiguous	Slaughter on suspicion	Total	Livestock numbers culled
Northumberland	88	323	199	12	622	226201 (197006 sheep 27678 cattle)
Durham	94	262	172	17	545	149865 (116562 sheep 24695 cattle)
Cleveland	2	12	11	1	26	3228 (2436 sheep 774 cattle)
Tyne and Wear	6	7	1	1	15	3150 (1348 sheep 614 cattle)
North East	190	604	383	31	1208	382444 (317352 sheep 53761cattle)
Great Britain	2026	8060	3370	256	13712	4167701 (3428191 sheep 592937 cattle)

There has been a great deal of comment and analysis on the origins of the disease, how it was able to spread so rapidly and the adequacy and appropriateness of the measures taken to control and then eradicate it. The agricultural and rural crisis that was precipitated has triggered much debate about the fundamental purposes and prevalent practices of livestock farming and about the future direction of rural policy. It has

also acted as the catalyst for significant changes in the Government's administration of rural affairs.

The purpose of this study was to investigate the impacts of FMD on the rural economy of the North East, to provide a basis from which to consider the long-term consequences of the FMD crisis and to inform and guide the measures now being taken in the region to assist the process of rural recovery. The research comprised six main strands of activity:

- A survey of farm businesses
- A survey of non-farm businesses
- In-depth case studies of farm and non-farm businesses
- An analysis of secondary data sources on FMD impacts
- Consumer focus groups
- A review of local newspaper coverage of FMD

The research was conducted between September and December 2001 when the disease outbreak was tailing off, but widespread restrictions were still in force and businesses were still experiencing impacts. The study was funded by ONE North East (the Regional Development Agency) and forms part of a wider research initiative funded by the Economic and Social Research Council exploring the business, consumer and institutional response to FMD.

The research project involved the following staff of the Centre for Rural Economy and the Farm Business Survey within the Department of Agricultural Economics and Food Marketing and the Department of Agriculture, at the University of Newcastle upon Tyne:

Johanne Allinson	Peter Bailey	Katy Bennett
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The research was coordinated by Jeremy Phillipson who, together with Philip Lowe and Terry Carroll, was responsible for editing the final report.

The report begins in Chapter 2 with a short review of the rural economy of the North East, a commentary on the progression of the disease in the region, and a summary of the institutional response. Chapters 3 and 4 focus on the impacts of FMD on farming and non-farming businesses respectively, whilst Chapter 5 examines the coping strategies adopted by non-farming businesses and their recourse to support. Chapter 6 then analyses consumer attitudes and responses to FMD based on the consumer focus group research. The final chapter presents the key conclusions from the research.

2 THE NORTH EAST AND FOOT AND MOUTH DISEASE

Terry Carroll, Andrew Donaldson, Charles Scott and Neil Ward

2.1 The Rural Economy of the North East

The traditional rural economy of the North East depended largely on supplying mineral resources and food to the industrial conurbations of the region. The rural areas have therefore suffered both directly and indirectly from the general deindustrialisation of the North East that has occurred during the past 30 years. At the same time, the rural North East has benefited from the general urban-rural shift in employment³.

Decline in certain sectors of the regional economy has particularly affected rural areas. Since the early 1970s employment has fallen by over 80% in the energy and water sector and by about 40% in agriculture and fishing. These losses, though, have been more than offset by the growth of rural employment in light industries and services. In consequence, between 1971 and 1996 rural employment grew by 13%, while regional employment declined by 5%. On average, rural districts in the North East have lower levels of claimant unemployment and higher economic activity rates than the urban areas.⁴

By the late 1990s the rural workforce accounted for 13% of total employment in the North East. The major sectors are manufacturing with 19% of the rural workforce; health and social work (13%); and wholesale,

³ Whitby *et al.* (1999) *The Rural Economy of North East England*, Research Report, Centre for Rural Economy, University of Newcastle upon Tyne.

⁴ Countryside Agency (2001) *The State of the Countryside 2001: The North East*

retail and repair (12%). Agriculture and fishing account for just 9% of rural employees. The most rapidly growing sectors of rural employment in recent years have all been in services, including wholesale, retailing and repair; business services; public administration; health and social work; community and personal services; and hotels and catering. The areas that have benefited least from new employment have been the former coalfields which have the lowest activity rates amongst English rural districts.

Income levels in the North East are low (lowest of any GB region) and are generally even lower in the rural areas⁵. Northumberland has the lowest wage levels amongst English counties apart from Cornwall. GDP per head for the rural workforce is also low: roughly half of the national average and less than two-thirds the North East average⁶.

The rural economy of the North East has a small scale business structure. Some 92% of rural firms are micro-businesses (i.e. with fewer than 10 employees). Only 0.8% of rural business sites employ 50 or more people⁷. Formation and turnover rates of businesses (per head of population) match national standards in the Northumberland districts of Alnwick, Castle Morpeth and Tynedale. All the other rural local authority districts in the North East perform worse than the UK average. Those that show the weakest business health include traditional mining and industrial areas as well as areas where major employers have closed or greatly cut back. Overall, though, the rural districts perform better in

⁵ ONE North East (2002) *Regional Economic Strategy for the North East: Unlocking our Potential* Newcastle upon Tyne

⁶ Whitby *et al.* (1999) *op. cit*

⁷ Countryside Agency (2001) *op. cit.*

the formation and turnover of businesses than the North East as a whole, which is the weakest region in the UK in this regard⁸.

Agriculture

Agriculture is the main land use outside the urban conurbations with 70% of the farmland in Northumberland and Durham under grassland. Northumberland has large areas of rough grazing whilst Durham has a larger proportion of permanent grass. Arable crops are predominant in Tees Valley.

The farming industry was in serious economic difficulty even before the effects of FMD. In 2001, the value of agricultural output nationally fell, for the fifth successive year, by 4.5%. The decline has been across the board, but in certain sectors it has been precipitous. In real terms, for example, the total income in the cattle and sheep sector in Less Favoured Areas in 2001 was less than one third of that received in 1990. Incomes overall are as low in real terms as at any time since the depression of the late 1930s⁹.

Farm incomes in this region have been as badly affected as elsewhere, as shown by data from the Farm Business Survey for the North East. Figures 2.1-2.3 present changes in output, fixed costs (FCs), variable costs (VCs) and profitability for the main farming systems over a six-year period. Profitability is defined according to two separate measures:

⁸ Whitby *et al.* (1999) *op. cit.*

⁹ Barclay, C. (2002) *Farming after Foot and Mouth*, House of Commons Research Paper 01/67. July 2001.

- Management and investment income (MII) which is the difference between total output and total costs, including an imputed value for the manual labour of farmer and spouse; and
- Return on “tenant’s capital” (ROTC) which is the profitability of a farm expressed as a percentage of the capital invested, including all stock and machinery but excluding land.

Figure 2.1: North East Lowland Grazing Farms 1995-2000 (at constant 1995 prices)

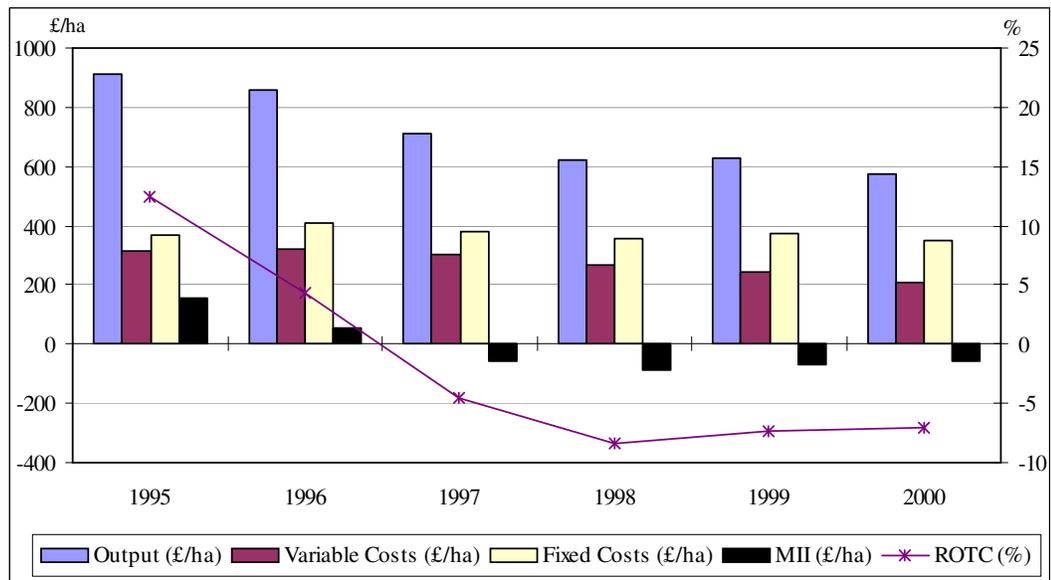


Figure 2.2: North East LFA Cattle & Sheep Farms 1995-2000 (at constant 1995 prices)

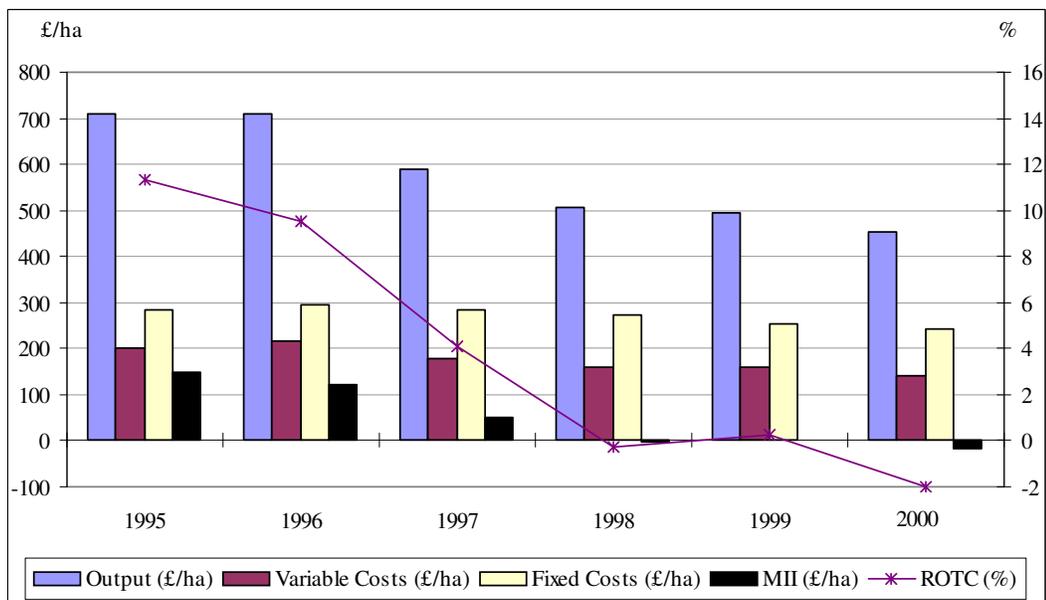
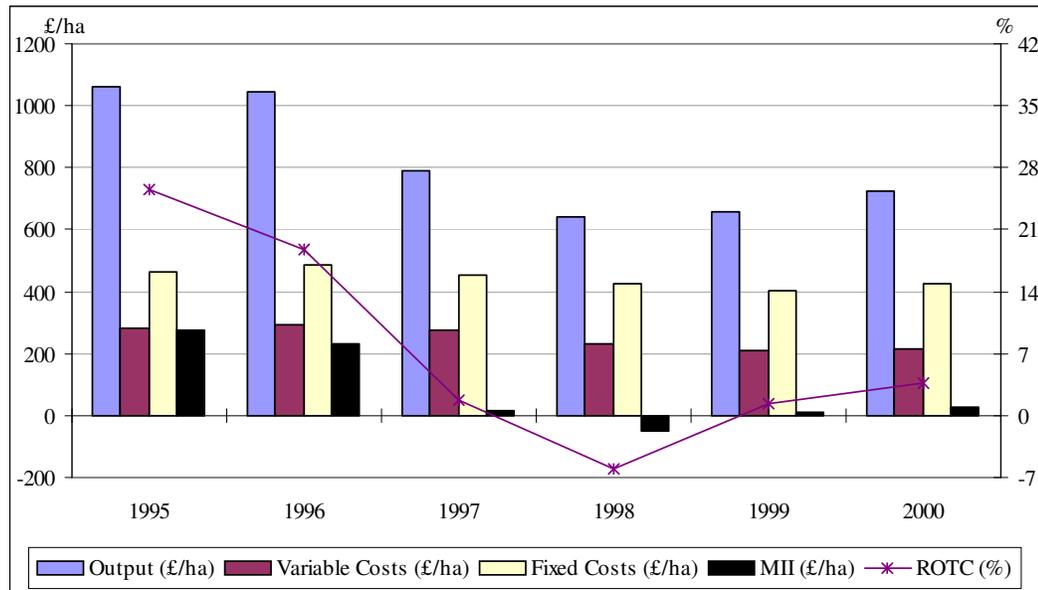


Figure 2.3: North East Lowland Arable Farms 1995-2000 (at constant 1995 prices)



The figures show that the value of output from the farms has continued to decline. Only in the arable sector has there been some recovery. Other sectors show negative returns. In 2000, the average Management Investment Income for LFA cattle and sheep farms in the North East was minus £17/ha; and for lowland grazing farms it was minus £55/ha.

In line with these trends, most categories of livestock in the North East region – dairy and beef cattle, pigs and sheep – have fallen in numbers between 1996 and 2000 (Table 2.1). The only exception is sheep whose numbers remained fairly static until 2000. Employment levels have also continued to fall.

Data from the Farm Business Survey at the University of Newcastle suggests that the economic contribution made by non-agricultural enterprises on the farms is relatively small in the North East. Of the 179 FBS farms in the region, only 6% derive income from tourist

accommodation. Income from earnings off the farm is of much greater significance than diversified enterprises.

Table 2.1: Agricultural changes in the North East (Northumberland and Durham*) 1996-2000

	1996	1997	1998	1999	2000
No. of holdings (000)	4.8	4.5	4.5	4.6	4.6
Total agricultural area (000 ha)	552.4	536.5	531.8	532.2	526.7
Average holding size (ha)	116.0	118.8	119.0	115.8	115.7
Wheat (000 ha)	66.3	64.3	62.7	51.9	63.2
Barley (000 ha)	42.2	43.1	40.2	38.7	38.8
Oilseed rape (000 ha)	17.5	20.8	23.7	18.5	14.1
Stockfeed crops (000 ha)	3.7	3.6	3.7	4.6	5.3
Potatoes (000 ha)	2.3	2.0	2.4	2.3	2.8
Grass under 5 years (000 ha)	33.6	31.6	28.8	27.5	30.3
Grass 5 years & over (exc. RG) (000 ha)	181.3	176.2	177.7	175.2	194.2
All grassland (inc. Sole rights RG) (000 ha)	331.2	370.2	365.9	366.4	359.0
Stocking (000 head)					
Total cattle & calves	331.2	307.1	304.2	299.0	291.5
Dairy herd	28.2	24.6	23.3	22.6	21.0
Beef herd	89.0	87.3	89.3	87.6	85.1
Total pigs	76.3	65.1	63.5	51.8	44.8
Total sheep	2310.4	2353.0	2377.3	2420.0	2300.4
Sheep breeding flock	1030.8	1038.2	1041.4	1066.5	1025.8
Manpower (000)					
Total labour force	11.7	11.1	11.1	10.9	10.1
Farmers, partners & managers	6.2	6.9	6.9	6.8	6.6
Regular workers	2.2	2.1	2.1	2.2	1.7
Regular workers PT	1.0	0.9	0.9	0.9	0.7
Casual workers	1.3	1.2	1.1	1.0	0.8

Source: Agricultural Census

* Excluding Darlington

A report by the Centre for Rural Economy¹⁰ which examined the agricultural industry in Northumberland provides further insights into the continuing importance of farming in the rural economy. Whilst full-time employment in farming has declined (by 18% over the past decade) the trend is less marked than that nationally (28%). Taking into account those jobs providing ancillary services to the industry, agriculture remains an important source of employment. In Berwick, Alnwick and Tynedale Districts it was estimated that, in 1999, 1 in 7 jobs were in agriculture or a related sector.

The CRE report¹¹ highlighted a number of weaknesses and deficiencies in the region's agriculture that could be exacerbated by anticipated reforms to the EU's Common Agricultural Policy:

- There is over capacity in the red meat supply chain and primary producers appear to gain no specific competitive advantage from their distinctive location, quality of stock or traditional farming practices.
- Commodity orientated production has not generated the dense network of small, localised processing firms that are a feature of agro-industrial districts in parts of Europe with high value-added regional products.
- There is heavy dependence on subsidy and the shift from headage to area-based payments in the LFA would likely drive down production and depress overall incomes.
- Arable production is likely to face increased exposure to global competition through reduction in price supports, offset in the short term by direct payments.

¹⁰ Centre for Rural Economy (1999) *Agricultural Change and Rural Development in Northumberland*. Research Report to Northumberland County Council.

¹¹ Centre for Rural Economy (1999) *op. cit.*

- Farm tourism is weakly developed and constrained by geographical isolation and the high proportion of farm tenancies.
- The total value of agri-environment payments is low relative to the high proportion of land designated of conservation value.

Tourism

Tourism employs about 50,000 people in the North East. The great majority of visitors to the region's attractions are UK based rather than from overseas (93% compared to a national average of 86%). Indeed, the majority of tourists are from within the region or neighbouring areas. The total value of tourism spending to the region is estimated to be in excess of £800m, and the volume of spend, the number of visitors and the number of overnight stays have all increased in recent years. The growth has all been in the domestic market – overseas tourism has actually declined – and most of the growth is accounted for by city visits. Rural tourism has been rather static.

2.2 Progression of FMD in the Region and Media Coverage

The outbreak of FMD in the UK was confirmed on February 20th 2001 following diagnosis of cattle and pigs with the disease at an abattoir in Essex. The source was traced to a pig unit at Heddon on the Wall in Northumberland. MAFF (now DEFRA) banned the movement of farm animals on February 23rd. On the same day a further case was discovered at Ponteland, close to the original source of the infection. The virus had apparently spread by airborne plume to several farms in the Heddon area. Some 10 days before the outbreak had been diagnosed infected sheep from one of these farms had been sent to Hexham market where they came into contact with other livestock. These sheep were subsequently

transported to Longtown market in Cumbria and then widely dispersed across the country.

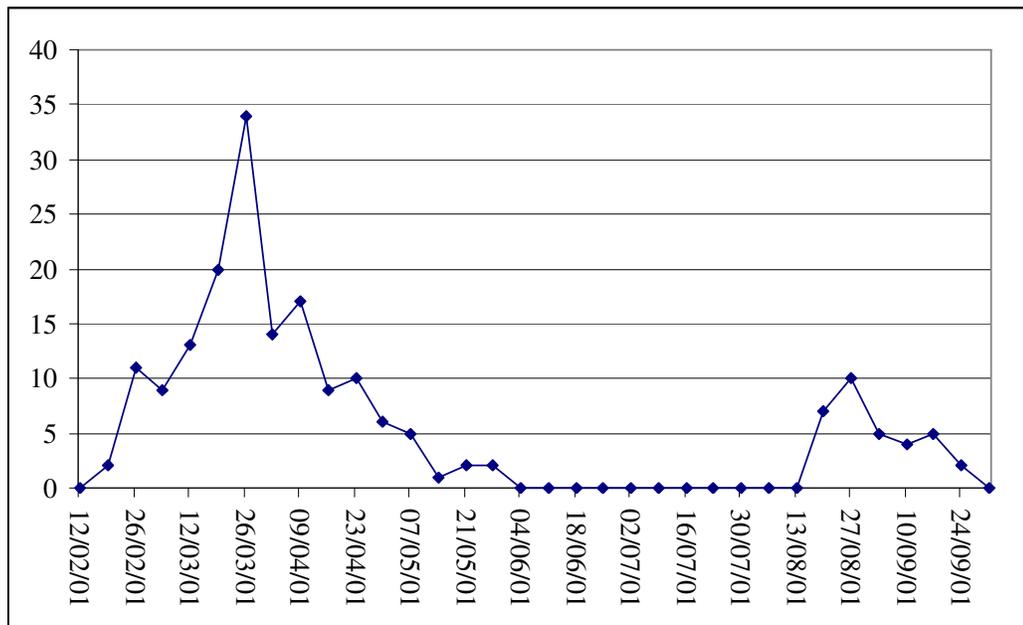
A number of significant developments in the structure and organisation of the livestock industry and its supply chains are believed to have resulted in the 2001 outbreak of FMD having a much wider geographic spread than the last major outbreak in 1967. Sheep and beef production are now more intensive. Farm sizes and stock numbers have grown considerably. There are fewer and more centralised livestock markets and slaughterhouses. Sheep in particular are traded by dealers, sometimes involving several movements between livestock markets in quick succession. Sheep movements played a major role in the spread of the disease. It has been estimated by DEFRA¹² that the overall number of sheep movements after the disease entered the country and before the ban on livestock movements came into effect exceeded two million.

The FMD epidemic started and ended in the North East. The number of confirmed cases accelerated rapidly reaching a peak in late March/early April and then subsiding (Figure 2.4). The region appeared to be free of the disease through June and July with no new cases, but in August there was a further outbreak in the South Tyne/Allendale area of Northumberland. The last confirmed case occurred on September 29th. In total there were 88 confirmed cases on farms in Northumberland, 94 in Durham, 6 in Tyne and Wear and 2 in Cleveland. The regional total of 190 infected farms represents 9% of the cases nationwide.

¹² *Comparing the 1967-8 and the 2001 Foot and Mouth Epidemics*. MAFF web page.

The Government’s policy for control of the disease required the slaughter of all animals on infected premises, contiguous premises and farms judged to have been in direct contact with those premises. As a result a total of 382,000 livestock were culled in the North East (Table 1.1).

Figure 2.4: Number of Cases of Foot and Mouth Over Time in the North East



Throughout 2001 FMD had a high profile in the media. The Journal, which styles itself “the Voice of the North” provided an especially full coverage, regularly devoting its front page headlines and graphics to the disease and its impact.

Seen through this and other North East newspapers, the conduct of FMD was a succession of crises.¹³ At the outset, FMD was portrayed as a *farming crisis*. The sympathies of the media were clearly with the

¹³ For the study, a comprehensive analysis was conducted of the coverage of FMD by The Journal, Hexham Courant, Northumberland Gazette and Teesdale Mercury.

farming community having to endure the tragedy and grief of the cull or the agonising uncertainty of where the disease would strike next. There was no questioning of the measures needed to stamp out the disease: closure of the countryside was seen as an unavoidable necessity. In this early phase there was even praise in the Northumberland Gazette's March 1st editorial for Agriculture Minister Nick Brown and his officials.

As the epidemic tightened its grip into March and the public diligently stayed away the wider impacts on rural businesses began to bite and FMD then became portrayed as a *countryside crisis*. As well as the problems faced by farmers, articles and interviews began to feature the owners of hotels and guesthouses hit by cancellations and lack of cash flow. The mood was one of gloom and foreboding for the rural economy.

Into April and May 2001 a further dimension was introduced to the coverage with growing public concern over carcass disposal, particularly amongst the communities adjacent to the major burial sites at Widdrington in Northumberland and Tow Law in County Durham. This was accompanied by extensive reporting of the pro and anti-vaccination debate. FMD thus became a *public health crisis*.

At this stage there was much argument about whether the disease was truly under control as Government scientists were beginning to claim. MAFF's handling of the disease control and the process of slaughter and disposal was being regularly and roundly criticised, with many news stories and printed letters reporting apparent blunders. The Army was called in to assist, to much acclaim from the press. The demise of MAFF was flagged in Labour's Manifesto for the 2001 General Election, which

the Prime Minister postponed because of FMD. In these respects, FMD was portrayed as something of an *institutional crisis*.

In the aftermath of the election, the new Department of the Environment, Food and Rural Affairs, which replaced MAFF, enjoyed a brief period of grace in the local press. Media attention turned instead towards calculations of the costs of FMD and considerations of the lessons from the crisis. The Journal added its weight to the campaign for a full Public Inquiry by organising a readers' petition.

FMD flared up again in the North East in late August, after a period of three months without a case in the region. All elements of the previous reporting reappeared in the images and accounts of animal slaughter, public fury over disposal, stringency of the "Blue Box" restrictions and rage over the damage done to the rural economy. By November the Journal Inquiry petition had attracted 25,000 signatures. In the absence of a Government response, Northumberland County Council set up its own Inquiry. This took place in January under the Chairmanship of Professor Michael Dower and received extensive media coverage. DEFRA was roundly rebuked for not taking part. As movement restrictions were progressively lifted and assessments of the risk of re-infection were downgraded, attention finally began to focus on the prospects for the recovery of rural areas after a year of turmoil.

2.3 The Institutional Response

Control of the disease

From its outset and to the end of the epidemic the Government pursued a policy of slaughter on infected farms and of stock judged to be at risk of spreading the disease. An alternative policy option of vaccination remained under active consideration but was not used.

A ban on meat and live animal exports was imposed on February 21st, immediately after the first diagnosis of FMD was confirmed. A complete ban on the movement of livestock was introduced two days later and remained in place for ten days. From early March the transport of some animals to slaughter was permitted, but only under licence. Livestock markets were closed and not permitted to reopen for the remainder of the year. Towards the latter stages of the epidemic so-called “Blue Box” zones were defined with strict bio-security and movement regimes imposed to contain the outbreak to particular geographical areas. Livestock movement restrictions, however, remained in place throughout counties affected by FMD, the degree of control varying according to the level of risk of re-infection.

MAFF was the lead Government Ministry responsible for controlling the disease. Under the national contingency plan, operations were conducted by the Divisional Veterinary Managers, located in Carlisle for the North East. The Veterinary Service was greatly overstretched and unable to cope as the number of cases soared. Additional vets were brought in. Teams of epidemiologists from Imperial College London, Edinburgh and Cambridge Universities and MAFF produced models of the outbreak,

which identified the time taken from diagnosis to culling as the critical factor in controlling the disease. On March 22nd the Prime Minister took personal charge and established a crisis management committee (“Cobra”) based in the Cabinet Office with advice provided directly from the Government’s Chief Scientist, Professor David King. The Army and MAFF established a Joint Co-ordination Centre in London on March 26th, and a Regional Operations Director for Newcastle was appointed the following day with responsibility for FMD matters subsequently passing from Carlisle to a Disease Control Centre at Kenton Bar on the outskirts of Newcastle. This became fully operational on April 4th, six weeks after the outbreak started.

Access to the countryside

One week into the crisis, on February 27th, the local authorities were given additional powers to close public footpaths. County Councils immediately closed rights of way in livestock areas and issued ‘path closed’ notices to livestock farmers. The Northumberland National Park Authority had acted even earlier, on the first day of the outbreak, by closing its car parks and visitor facilities and erecting “Keep Out” notices on paths. The Park was effectively placed completely out of bounds as a result. The National Trust, responding to a request from MAFF, reacted in a similar manner with its properties.

In response to the drastic effects of closure on rural businesses and revised veterinary assessments of the risk posed by public access, Government guidance was issued to local authorities on May 23rd which encouraged the re-opening of paths where it was considered safe to do so, i.e. outside of 3-km protection zones around infected premises. A process

of progressive re-opening of paths then commenced, albeit hampered by a reluctance on the part of farmers to remove signs and a lack of accurate map based information on holdings remaining under FMD restrictions. The process gathered pace only in late July, following Government intervention. However, the re-emergence of the disease in the North East in late August was a major setback. Parts of the region - such as Hadrian's Wall and the Pennine Dales - which traditionally attract large numbers in the summer months, effectively lost a complete visitor season.

Rural economy and business support

Three weeks into the outbreak a Rural Task Force was set up by the Government to "consider the implications of the outbreak of FMD for the rural economy, both immediately and in the longer term and to report to the Prime Minister on appropriate measures." The Task Force brought together relevant government departments and agencies and many other organisations with an interest in the rural economy.

The short-term measures introduced to assist rural businesses and communities affected by FMD included:

- deferral of VAT, tax and National Insurance payments, administered by Customs and Excise and the Inland Revenue;
- hardship relief and deferral of domestic rates, administered by local authorities, with specific provision of rate relief of 50% for village shops, pubs, post offices, garages and diversified enterprises on farms;
- free consultancy advice to farms from the Farm Business Advice Service administered by DEFRA/Business Link;

- a Rural Stress Action Plan under which voluntary bodies offering support services for rural communities received match funding, administered by the Countryside Agency;
- a fund to help get rights of way re-opened operated by the Countryside Agency.

Additional resources were allocated to the Regional Development Agencies to create a Business Recovery Fund. This was intended to help businesses affected by FMD to adapt and refocus their activities. In addition to resources secured through the European Regional Development Fund and the use of the agency's own resources, ONE North East's recovery fund amounted to £8.5 million. A core element of the fund was a number of business grant schemes. These were delivered via the county network of Business Links and by April 2002 over £3.2 million had been distributed to eligible businesses. A significant proportion of the recovery fund (£2.2m) was allocated to Northumbria Tourist Board to support tourism enterprises and for additional marketing activity. ONE North East convened the Foot and Mouth Regional Action Group which sought to coordinate the response to the crisis of such organisations as the Countryside Agency, the Northumberland National Park Authority, the Government Office for the North East, the Northumbria Tourist Board and the County Councils.

Private and voluntary sector initiatives operated alongside the public sector support schemes. For example, the Federation of Small Businesses established an emergency hardship fund for its members offering short-term interest-free loans. The Arthur Rank Centre's Addington Fund provided financial relief for hard-pressed farmers. The Northern Rock Foundation made substantial grants to charitable organisations. The Rural

Community Council provided additional services under the Rural Stress Initiative.

3 THE IMPACTS OF FOOT AND MOUTH ON FARMING

Katy Bennett, Jeremy Franks, Philip Lowe and Charles Scott

Surveyors: Peter Bailey, Derek Kelsall and Elliot Taylor

3.1 Introduction

To gauge the impacts of FMD on agriculture and farming households a survey of 78 farm businesses was conducted. The survey sample was chosen to be representative of the types of farming found in the North East¹⁴. On eight of the farms, household members - mainly farmers' wives - were interviewed in depth to examine not only the financial ramifications of FMD but also other consequences of the crisis (see Table 3.1). The survey was conducted in October 2001 and the interviews took place in November and December 2001. A commentary on the main findings of the research is provided here, and a full set of data is presented in a series of tables in Appendix 1.

The average farm size (excluding common grazing rights) of the North East sample was 208 ha with just 55% of the land in owner occupation. Some 47% of the land is within the Less Favoured Area. The main farming activities are lowland arable, lowland beef and sheep and upland beef and sheep (see Tables A1.1 - A1.3).

¹⁴ The farms which participated in the research were Farm Business Survey co-operators.

Table 3.1: A profile of the 8 farm households interviewed in depth

	Farm Details	Culled out in 2001?	Diversified	Off-farm work?	Children
Mrs. H	Tenants (74 ha) Sheep, cattle	No	No	PT plus seasonal (Catering)	2 sons (20s/30s) (1 lives at home and works on farm)
Mrs. I	Owners (152 ha) Sheep, sucklers	No	Yes	PT (sales)	Son and daughter (teens) (Both live at home and help on farm weekends and
Mrs. D	Tenants (100 ha) Arable, sheep, sucklers	No	Yes	No	2 sons (20s/30s) (Both live away from home, one works on a farm)
Mrs. B	80% Tenants (400 ha) Arable, cattle, sheep	Yes	No	No	Son and daughter (20s) (Son lives at home and is partner in farm business)
Mrs. E	Owners (400 ha) Sheep	No	No	PT plus seasonal (cleaner)	3 sons, 1 daughter (teens/20s) (All live at home, one son works FT on farm, one
Mrs. J	Owners (88 ha) Sheep, sucklers	Yes	No	No	2 daughters (20s) (Live away from home)
Mrs. M	Tenants (95 ha) Sheep, cattle	Yes	No	No	3 children (under 10) (All live at home)
Mrs. N	Owners (125 ha) Sheep, cattle	No	No	FT Retail	3 daughters (20s/teens) (2 live at home, one lives away)

3.2 The Incidence of FMD

Fifteen of the farms had had livestock culled (three as confirmed cases of FMD, the rest as 'dangerous contacts', under the contiguous cull or on suspicion). An average of 710 animals had been destroyed per 'culled-out' farm (Tables A1.4 and A1.5).

The FMD crisis was a fraught period for most farming households, whether or not their animals were culled out. They had all felt isolated at some point because of the movement restrictions and the precautions they had taken to lessen the risk of their stock going down with the disease. Most had restricted both their own off-farm movements and the access of others onto their farm. This was a period of considerable anxiety for farming households as they continually monitored the health of their stock, tracked the spread of the disease from information provided by the radio, internet, newspapers and other farmers, and worried about the consequences of being culled out. Furthermore, some diversified enterprises and off-farm employment were also adversely affected, accentuating financial concerns.

Farmers with culled stock have had to cope with the cull and disposal of their stock and the clean up process. Many complained about the handling of all of this, particularly regarding the destruction of apparently healthy stock as well as the confusion and delays. The cull itself was traumatic for all concerned. Individuals were upset at the loss of stock and were unsettled by the silence that hung over farms in the aftermath of the cull. Decision-making regarding future business strategies has sometimes been fraught, especially when household members disagreed. For those farms still with stock, the monitoring of animals has continued.

These farm holdings have faced problems regarding the management of farms and movement restrictions, and have suffered rising costs and financial pressures. They too have faced problems caused by the handling of the crisis, particularly in obtaining licences to move stock. The consequences of all this have been tensions both within and between farming households.

3.3 The Impact of Foot and Mouth on the Finances of Farm Businesses

The financial impact of the FMD crisis on farm households has varied considerably according to whether their animals were culled or not, and by farm type. On farms that were culled out, total household income and revenues are expected to fall on average by £80,607¹⁵, and costs to fall by £19,310 largely because of reduced expenditure on concentrates (see Table 3.2). The overall impact of the disease and the culling has thus been to leave the farm businesses and households facing an average shortfall of £61,297 in 2001-2. These farms, though, have received compensation with estimates averaging £74,000 - £111,000 per culled out farm (Table A1.6 and A1.7)¹⁶.

¹⁵ A key element in the reduction in revenues is the projected loss of livestock support payments. It is assumed that a farm on which stock was culled will not be eligible in 2001-2002 to apply for sheep annual premium (SAP), suckler cow premium (SCP), beef special premium (BSP) or extensification payments. It is further assumed that SAP quota has no lease value but that suckler cow quota can be leased out for £45 each. It is also assumed that all farmers will remain entitled to hill farm allowance (HFA) at the same rate as in the year before Foot and Mouth (i.e. that the need to stock above the lower stocking limit to be eligible for HFA is waived). On this basis it is estimated that livestock support payments to the sample will fall by 64%. However, the assumptions made are conservative and may underestimate revenue on farms where livestock have been culled. A proportion of farms may have started restocking before the deadline for submitting claims for SCP and SAP payments has elapsed (the deadline for these is early December and early February respectively). There may also be a leasing value for SAP quota.

¹⁶ DEFRA "Guide to Valuations of cattle and sheep on infected premises where animals require immediate slaughter to minimise spread of FMD". The estimates may differ somewhat from the actual compensation farmers received. The valuations given are for livestock categories that do not exactly correspond with the categories used to record culled livestock in the survey and in any event are for

Table 3.2: Changes in farm business and household income between 2000-2001 and 2001-2002 by FMD status

	On surveyed farms with stock culled		On surveyed farms with no stock culled			
	£	%	Predominantly livestock farms		Predominantly arable farms	
	£	%	£	%	£	%
Number of farms in the sample	(15)		(49)		(14)	
Revenue from traditional farming enterprises	-94,616	71	-12,129	-12	+3,485	+2
Income from diversification	-4,439	-66	-1,029	-21	-911	-8
Foot and mouth related income	+18,573					
Off farm income of household members	-125	-4	-497	-17	-589	-11
Total household income and revenues	-80,607	-56	-13,655	-13	+1,985	+1
Farm labour costs	-1,565	-8	+683	+3	-409	-1
Survey recorded non-labour costs	-17,745	-29	+3,597	+6	-339	-0.3
Survey recorded costs	-19,310	-23	+4,280	+5	-748	-0.5

Derived from Table A1.10

On livestock farms not culled out, business and household income is expected to fall by £13,655 and costs to increase by £4,280 producing an average shortfall of £17,935 in 2001-2. Most of the higher costs were incurred on livestock feed and additional labour. Farms on which livestock were not culled did not receive any compensation. Some farm types have been little affected. On predominantly arable farms with no livestock culled, business and household incomes are expected to rise by an average of £1,985 largely due to increased returns for cereals. At the same time their costs are expected to fall a little, bringing a net average increase of £2,733 in 2001-2. On the basis of the change in incomes and revenues for the surveyed farms, it is estimated that the loss of revenue to

guidance only. Moreover, not all farmers received the standard valuations; some would have received more, others less.

the farming economy of the North East, across all sectors, was £98 million in 2001-2.¹⁷

3.4 Impacts on the Rural Economy

Impacts of lower farm production

On the surveyed farms it is estimated that the value of production from traditional farming enterprises will fall by 36% from over £5.1 million to £3.2 million between 2000-1 and 2001-2 (Table A1.37). The largest losses in output are projected to be 52% for the dairy sector, 40% for the beef sector and 23% for the sheep sector.

The great bulk of livestock sales was made through live auctions (Table A1.38). Sales of fat cattle are one of the exceptions where direct sale to abattoir is also important. Farmers tend to choose particular markets for particular categories of livestock. The largest outlet for fat cattle, for example, was Darlington and for suckler beef calves and beef breeding stock it was Wooler. In terms of the total value of production sold before FMD, Hexham was the most important market reflecting its dominant position in sheep trading.

An estimate of the value of produce sold through these markets after FMD was arrived at by applying the previous market share to the lower value of the livestock projected to be sold post-FMD. This assumes that farmers do not alter their marketing strategies and that all the markets

¹⁷ This raised estimate is based on the average losses for culled and non-culled farms, making no allowance for the distribution of farm type or farm size, and disregarding 'minor' holdings.

available before FMD reopen for business. Given these assumptions, the value of output sold off these farms through, say, Hexham is likely to fall by 28% from £1.33 to £0.96 million. Darlington is set to lose almost half of its traded value from these farms.

Certain outlets may not survive the loss of trade that the crisis and its aftermath have brought. The viability of live auction markets may also be in jeopardy if livestock trading and movements are more tightly regulated following the FMD crisis.

Changes in input use

There is an expected 4% reduction in expenditure on surveyed inputs (excluding labour), from £4.34 million to £4.16 million (Table A1.39). The largest percentage decreases are on concentrates (down 12%) and veterinary and medicine bills (down 11%). Three quarters of inputs are acquired by farmers from supply firms located within 30 miles of their farms and it is these firms which will therefore suffer most from the reduction of expenditure on agricultural inputs.

Impacts on farm labour

As a whole labour costs per farm are expected to be relatively unaffected as a result of FMD (see Table A1.8 and A1.11). There have however been some marginal changes in labour strategy. Thus there has been a reduction of 6% in paid full-time and casual labour, compensated for by a 4% increase in labour provided by the farmer and spouse and unpaid family labour and a 7% increase in paid part-time labour. If labour changes are considered by FMD status (Table A1.10) it is seen that on

farms with stock culled there was a 12% reduction in farmer and spouse labour and a 16% reduction in paid full time labour. There were significant increases however in part-time paid labour and unpaid part-time family labour. On farms with no stock culled, there was a combined 7% increase in farmer and spouse and unpaid family labour and overall a 5% reduction in paid labour.

3.5 Impacts of FMD on Diversified Activities

Diversified activities, particularly on culled farms, were especially vulnerable to the disruptions of FMD. Before the Foot and Mouth outbreak, 81% of the sampled farms had diversified activity, most with more than one such activity. Relatively few of these were what might be conventionally thought of as diversification (e.g. tourism, leisure, accommodation, processing, etc.). The most common were renting out buildings or land, and contracting (Table A1.14). The average earned per farm was £6,458 (Table A1.8).

For the farm sample as a whole income from existing diversified sources will fall in 2001-2 by an estimated average of £1663 (or 26% per farm). This is largely because the number of diversification activities is expected to fall. In particular, farm contracting activities and renting out buildings have fallen (Tables A1.14 and A1.15) because of restricted access to farm holdings as a result of FMD.

Diversified activities that did not require access to the farm holdings (or other farms) were better able to ride out the crisis than those that did. Mrs. D's experiences illustrate this well. She has run a Bed and Breakfast for eleven years and this was severely hit by FMD with a

decline in turnover of 75% on the previous year. Her husband, on the other hand, runs a business that provides a service that does not rely upon access to the farm or to other holdings, and that did not suffer any decline.

In 2001-2 some farmers gained income through working on disease control activities, often on their own holding. Only farmers whose livestock had been culled were in a position to earn such payments. For this group, Foot and Mouth related income more than offset shortfalls in their normal sources of diversified income.

3.6 Impacts on Income from Off-farm Employment

At some point during the crisis, one third of those in the sample with off-farm jobs were unable to go to work as a result of FMD. Retail, education and secretarial/clerical are the most common areas of employment. Average income for those households with off-farm employment stood at £9,137 per annum in the year before Foot and Mouth, but is expected to fall to £8,445 in 2001-2 (Table A1.16).

Farms with this income stream that were hardest hit were those whose stock in the end were not destroyed but who had to police and restrict their movements throughout the outbreak. Amongst this group, off-farm incomes declined by an average of 17%. Mrs. I lives on a farm that was not culled out. Her job requires long car journeys which placed her at risk of bringing FMD back to the farm - a peril she considered too great - and so she temporarily stopped working.

For some farming households income streams from off-farm work were completely slashed, for others not at all, depending upon the location and circumstances of their employment and the perceived level of risk associated with accessing workplaces. For some women, though, decisions were made for them when they were laid off, or their workplaces closed down. This was the case for Mrs E who cleans part-time for different enterprises, including a heritage centre.

It is usually women who go off-farm to jobs that are often part-time and can be fitted around their domestic and farm work. Sometimes the work is seasonal and concentrated into a few weeks or months. Mrs. E works long hours for a shooting enterprise for ten weeks each year (alongside her other jobs), which did not open for business in 2001. Likewise, Mrs. H waitresses in a cafe at a tourist attraction and FMD meant that she was laid off at a time when she usually earns the bulk of her off-farm income.

Although, for the most part, off-farm work is largely part-time, relatively low skilled and earnings are modest, for the households concerned it brings in a sizeable chunk of their steady income which is usually ring fenced for key household consumables. A decline in this stream of income therefore adversely affected household budgets, particularly for those on farms with no culled stock who faced declines in revenue, rising costs and no income from the clean-up process.

3.7 Coping Strategies

Farming is a solitary job with considerable time spent alone with often only the animals for company. The main arena for discussing worries, problems and decisions is around the kitchen table with household

members at mealtimes. Other potential places for discussing problems include livestock marts and the local pub. During the Foot and Mouth crisis, marts closed and many farmers stopped going to the local pub for fear of spreading the disease and bringing it back home. One woman commented that the closure of the marts was particularly hard on her husband because - unlike for her - most of his social contacts were through them. Furthermore, 86% of farming households surveyed did not visit friends and 72% were unable to see relatives. Thus the usual channels of informal support available to individuals became closed to farming households as the social life of communities shut down.

The immediate action taken by most farming households against the imminent threat of FMD was to isolate themselves and their farms as much as possible. Signs at the end of farm drives warned people to keep out. For almost every farming household, only essential journeys were made and these were punctuated with disinfection procedures and, where possible, routes were planned to minimise spreading the infection and bringing it home. Shopping habits changed so that shops furthest away from outbreaks were visited at times when people were least likely to meet with members of other farming families.

The main source of support for farm businesses during the crisis was their own households. Some 60% of the sample reported that their immediate family helped them to cope with the crisis. At times, though, children had to live elsewhere to access school, thus reducing the household's full capacity to help individuals to cope. Mrs. N's daughter, for example, lived with her aunt during the week returning home at weekends, with elaborate procedures regarding meeting points and

clothes' changes along the way. At the weekends the daughter did help the household to cope just by talking about things other than FMD.

Farming households were pivotal in deciding plans of action and absorbing the brunt of the crisis, and at their centre were women. Illustrating the crucial role of women in helping households to cope is Mrs. B who said:

“I was here manning base camp. People were running in, weeping, moaning, generally. Even the vet, poor girl, the ministry vet we had was very young, it was her first full time job really since University and I even had her in. She was tearful because she had to inject the lambs. We'd just started lambing, I mean the sheep were lambing even as they were culling them and she had these lambs all to inject. So I personally felt as though I was generally being back-up emotionally to everyone. It is very, very hard to describe how it feels. Just awful really, just really awful” (Mrs. B).

Mrs. M said:

“I mean if you lose a dog, if your dog is ill and it dies, you grieve for that dog, but [my husband] was grieving a 100 times over, he just shut off, I just had to keep supporting him”.

It was households that carried the burden of financial problems, especially those not culled out and facing increased costs and lower

returns from their farm business. Some 14% of households reported that they had made concerted efforts to cut back on household spending, 18% had household members doing additional work on the farm, and 12% of households were spending savings or pensions to survive the crisis (Table A1.32).

3.8 Tensions Caused by FMD

Within households

Inevitably FMD increased tensions in the household because people were largely confined to the holding, with limited opportunities to vent emotion elsewhere. Everyone felt the pressure of being stuck at home and unable to escape the pressures and worries caused by FMD. This was particularly so in the seven farming households surveyed where children were prevented from going to school because of the crisis.

Tensions mounted where households had to make difficult choices and there were differences of opinion. Mrs H talked about how she and her husband had been “driving each other bats” on the issue of whether or not to “sell on the welfare”. Although the tenancy is in her husband’s name she is involved in running the farm. With the high cost of straw and animals hitting their weight then running into fat and decreasing in value, Mrs. H felt that she and her husband were “literally throwing money down the drain”. Whilst she thought they had no alternative but to enter animals into the welfare disposal scheme, her husband refused to do this. Mrs H confessed:

“You don’t keep yourself to yourself, you can’t help but air your views, yes, it’s not very good really ... We tend to finish our stock, sell our bulls in the spring but there was no movements or sales whatsoever at that stage when we should have been selling and we had a tight crush of bulls. Some people were selling on welfare and [Mr H] is proud and wouldn’t sell on welfare. In actual fact we would have been better off money wise. It caused a big strain with me going on all the time. You try and keep off the subject but I’m afraid I can’t”

Frustrations were particularly felt on the part of women with little clout in relation to the farm enterprise in which their husband was a partner. For their part, men felt caught between the opinions of their wife and the attitudes of male relatives with more than just a financial stake in a farm business that had been in the family often over several generations.

The utter preoccupation of the farmers with Foot and Mouth, as well as the pent-up anger and frustration they felt at the way they had been treated, did put a strain on relationships in some households.

“He’d sit there, and his mouth would be moving, he’d be talking to himself and I’d be saying “Are you listening to what I’m saying” and he’d say “Oh, I’m just thinking about MAFF” and my eldest child would say “All daddy talks about is MAFF, MAFF, MAFF, MAFF”...It’s put quite a strain on our marriage actually, I’ll be honest about it” (Mrs M)

Between farming households

Inevitably, there were tensions between culled and non-culled farms. Members of households on culled farms were anxious about the reactions of other farming households to them. They were uneasy about meeting those not culled out and feared being blamed for the spread of the disease in any way. They felt that others considered them to be disease ridden. Such anxieties made them obsessive in restricting and policing their own movements well beyond the requirements of biosecurity, but this did not stop them feeling shunned.

“[My husband] said we were like lepers. We didn’t want to be seen anywhere where we might possibly be passing on infection. Although we were taking all the biosecurity precautions, we didn’t want to be seen anywhere that might cause people offence, because everyone’s been terribly twitchy” (Mrs. B)

These separate experiences divided friends and neighbours. A farm family member described how neighbouring farmers had fallen out:

“There is no marts on so none of the farmers saw each other. Then the bitching started. Well, this one’s done that and that one’s done this. They shouldn’t be moving that and they should have stayed in without going to the pub. And it was just all sheer frustration ... My Dad and his next door neighbour fell out. They’d worked with each other for years. And it was just because one was doing things by the book and one wasn’t”

The fact that farmers who had had livestock culled received compensation and others did not was a source of resentment and bitterness:

“Most people have been very, very good but there’s been farming people who are really jealous of the fact we’ve been culled and got, as they see it, all this money. I’ve only had one experience. I think my husband’s had one or two bits of sniping. I’ve had quite a lot of relatives affected by Foot and Mouth and I know one of them had a very unpleasant experience in Bainbridges from another farmer’s wife. Obviously those who haven’t had it can’t really understand, but they’ve been very sympathetic and supportive, our real friends”
(Mrs. B)

“I mean even farmers have started to sort of turn against us, friends who are in the same boat as us. They’re thinking we’re on the wrong side of the fence, we’ve got money now. “Oh you can do what you like, you’ve got money”. Which is really unfair, because of what we’ve been through and they haven’t been through this grieving and this trauma ... They are just seeing that we’ve got a cheque, but they don’t appreciate what we’ve been through and how we’ve lost absolutely everything. We can’t say we are farmers at the moment, there’s nothing, we’ve got a few hens and the ducks. A lot of people are making life quite difficult really. Friendships have been lost, we’ve lost everything that we had in common with those people” (Mrs. M)

3.9 Future Plans

Farming

All the surveyed farmers intended to remain in farming. Only one was unsure, but would probably do so. Some 60% of the farmers said that they would definitely maintain their existing level of farming activity after FMD. As Table 3.3 shows, most of the rest were thinking of expanding, and a few were looking to scale down the area they farmed. Interest in expansion was particularly high amongst the arable farmers.

Table 3.3: Farm business intentions post-FMD of the sample

	Maintain existing level of activity	Scale down	Expand
Yes	60%	6%	15%
Possibly	12%	3%	24%

N=78

Given the deep decline in farm incomes prior to FMD, and a potential window of opportunity for those culled out to do something different with their compensatory payments, plans to maintain existing levels of activity, to restock and even to expand may seem surprising. Farmers, however, are not acting only for themselves but are often in partnership with fathers, brothers and sons who all influence their decision making. For many farmers, their business is something they have inherited, to be built up and passed on to the next generation.

“I mean over the years obviously as things have got worse we have considered what might be the alternatives but we feel that farming is what we do, what we know best and so far we are managing, so we thought we’d try to carry on. And we’ve a son who’s very keen. Without him we may have considered a different way forward but we decided that that was the best. Rightly or wrongly we don’t know. And we weren’t considering going back gradually, if we’re in, we’re in” (Mrs. B)

Some farmers with no children keen to farm are at least giving thought to not restocking and doing something different. Although Mrs J’s husband plans to restock, with two daughters employed elsewhere and a temporary job as a haulier, he could at least entertain some second thoughts about his decision to restock. Where farmers have inherited the family farm they do feel under a considerable obligation to keep on farming it.

Sometimes it is farmers’ wives who question plans to restock or to maintain existing levels of activity, especially when they do not come from farming backgrounds. They often have experiences, skills and qualifications which enable them to view the farm from a different perspective. This was best exemplified by a young woman, Mrs. M, who used to have a highly paid job in the service sector and who is now married to a tenant farmer with three very young children. The farm was culled out, but her husband is adamant that he will restock despite her wanting to take the opportunity to move out of farming. Mrs. M views the issue from a perspective of having once had a well paid job, worked standard hours each week and lived elsewhere. He on the other hand has always lived on the farm, knows nothing other than farming and is still in partnership with his father who no longer works on the farm but still controls the finances of the business.

Details on the likely scale and pace of restocking were obtained from the culled out farms. Farmers expected it would take 1-2 years to rebuild their herds, but not necessarily up to former levels. Sheep herds in particular are expected to be somewhat smaller (Table A1.19).

For those farms where livestock had not been culled, the prospects were somewhat different. Though they had lost income and had suffered increased costs, they had come through the crisis with their stock intact. They were looking forward to the ending of movement restrictions and then to the possibility of a firming up of livestock prices in the aftermath, especially as the culled out farms began to restock.

Alternatives

There is some uncertainty and caution regarding alternative cropping and income options and the results are presented in Table 3.4. Only a minority of farmers plan to grow new crops, or convert to organic farming or afforestation. However, some 17% of farmers intend to increase their participation in agri-environment schemes, and a further 59% want to explore the possibility. Interest in agri-environment schemes was particularly high amongst the upland farmers. Finally, although just 5% of the surveyed farmers expressed any definite intention to seek more off-farm employment, some 15% of them intend to increase their diversification activities and 41% are possibly interested.

Table 3.4: Farmers' intentions regarding alternative cropping and income options post-FMD

	Yes	Possibly
Increase participation in agri-environment schemes	17%	59%
More diversification	15%	41%
Grow new crops	9%	8%
Increase forestry area	10%	10%
Go organic	5%	10%
More off-farm income	5%	18%

N=78

Most of the farm businesses had not sought, and had no specific intentions to seek, formal sources of advice regarding future strategies, whether in relation to farming, or diversification, or off-farm employment. Some 21% had sought or intended to seek advice on the farm business; 14% on diversified enterprises; and just 1% on off-farm income possibilities (Table A1.18). Farmers have a reputation for their independence and reluctance to look for help from others. This tendency to be inward-looking was reinforced by the FMD crisis and the way that farms were quarantined from the outside world.

Attitudes towards diversification and off-farm employment

In addition to questions establishing future farming intentions and plans, the survey asked farmers about the importance of diversification and off-farm employment and whether their attitudes to these activities had changed following FMD. Some 27% felt diversification had become more appropriate to them and 15% thought that off-farm employment had, as a result of FMD. Off-farm employment, though, was a less vulnerable source of alternative income than on-farm diversification in the face of FMD (see Table A1.26).

3.10 Conclusions

The farm survey has quantified in some detail the direct effects of FMD on a sizeable and representative sample of farm businesses in the North East. The in-depth interviews have exposed the lived experiences of FMD on farms that had been culled out and those that had not. The interviews help to explain why some farms plan to restock despite declines in income and a window of opportunity to do something else. They also, though, reveal some complexity regarding attitudes to future strategies of farm businesses with disagreements between individuals within households over the right thing to do.

The data shows the dramatic loss of income from stock sales and subsidies on farms that have been culled out. On many of these farms, though, costs have reduced and farms have received significant, albeit temporary financial relief from the disinfection process. They have also received compensation payments which, for the most part, will be needed for re-stocking. In contrast, farms that have not been culled out have experienced a smaller loss in farm business income, but greater costs. Accentuating financial concerns for some has been reduced income from diversification enterprises and off-farm employment.

4 THE IMPACTS OF FOOT AND MOUTH ON NON-FARMING BUSINESSES

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Surveyors: Helen Cheeseman, John Cooper, Nicola Thompson, Geoff Whitman and Ruth Williams

4.1 Introduction

This section of the report considers the impacts of FMD on non-farming businesses within the rural economy. It is based on the findings of case study research and two telephone surveys. The first survey, enquiring about the impacts of the Foot and Mouth outbreak on non-farming micro-businesses in March, was conducted in April 2001¹⁸, starting just 6 weeks after the notification of the first case of Foot and Mouth disease. This drew on and used as a sampling frame the CRE data base of 2000 rural micro-businesses (those firms with fewer than 10 employees) in the North East of England (Raley and Moxey, 2000). A total of 180 interviews were achieved in Northumberland, Durham and Tees Valley.

A follow-up telephone survey was conducted in late November 2001 and sought information about the period April to November with the aim of assessing the level and duration of impact over time. Exhaustive attempts were made to contact all businesses which had been interviewed in April. In the event 27 firms refused to participate in the November survey, could not be contacted or had ceased trading (reason for cessation

¹⁸ Bennett, K., Phillipson, J., Lowe, P. and Ward, N. (2001) *The Impact of the Foot and Mouth Crisis on Rural Firms: A Survey of Micro-businesses in the North East of England*. Centre for Rural Economy, University of Newcastle. The April research was funded by Durham County Council. The surveyors were Andrew Cattermole, Andrew Donaldson, Craig Elliott, Jane Midgley and Nicola Thompson.

unspecified), reducing the usable sample size to 153¹⁹. Both telephone surveys were broad in scope, considering impacts on turnover and employment, recourse to advice and aid schemes, coping responses, future impacts and social effects.

The telephone surveys were supplemented with a set of 13 in-depth interviews with a sample of *high impact* businesses as identified by the April survey (see Table 4.1). These helped to provide a fuller understanding of the impact of FMD and the coping responses of businesses in a time of crisis.

Table 4.1: Case study businesses

Business type	Rurality^a	Annual turnover	Est.	March impact: Turnover down
Rural recreation	V. remote	£20-50k	1997	90%
Hotel	V. remote	£100-250k	1972	10-20%
Timber haulier	V. remote	>£250k	1974	40%
Riding school/B&B	V. remote	£20-50k	1986	50%
Public house	Remote	£100-250k	1988	50%
Bed and Breakfast	Remote	£10-20k	1994	50%
Nursery gardens	Remote	£50-100k	1993	20%
Coach firm	Slightly	£50-100k	1989	10-20%
Butcher	Slightly	>£250k	1972	20%
Craft manufacturer	Moderately	£50-100k	1989	50%
Livestock haulier	Moderately	£100-250k	1987	30%
Book shop	Moderately	£20-50k	1986	50%
Specialist retailer	Moderately	£100-250k	1994	30%

a - Spectrum of rurality = Slightly rural, moderately rural, remote rural, very remote rural (Raley and Moxey 2000)

In addition to the CRE surveys, the analysis also draws on other studies and data sources looking at the impact of FMD on the rural economy of

¹⁹ Comparison of sectoral, size and geographical distribution reveals the composition of the November sample to be similar to that of the previous survey (see Tables A2.1-A2.4 in Appendix 2).

the North East. In particular, further data analysis was undertaken of two regional surveys. Firstly, Northumbria Tourist Board (NTB), in conjunction with the English Tourism Council (ETC), administered a series of monthly postal surveys of members to demonstrate the impact of the FMD outbreak on tourism businesses. Further analysis was conducted of the surveys referring to business operation in March and May 2001. This analysis deals exclusively with accommodation businesses and excludes 'attraction' businesses²⁰. Secondly, a telephone survey was conducted in May on behalf of the Government Office for the North East (GONE) to determine how the FMD situation was affecting businesses in the region. This study included a wide range of industrial sectors and distinguished between rural and urban business locations. The availability of cross-tabulations from the study made possible further examination of the data (BMG, 2001).

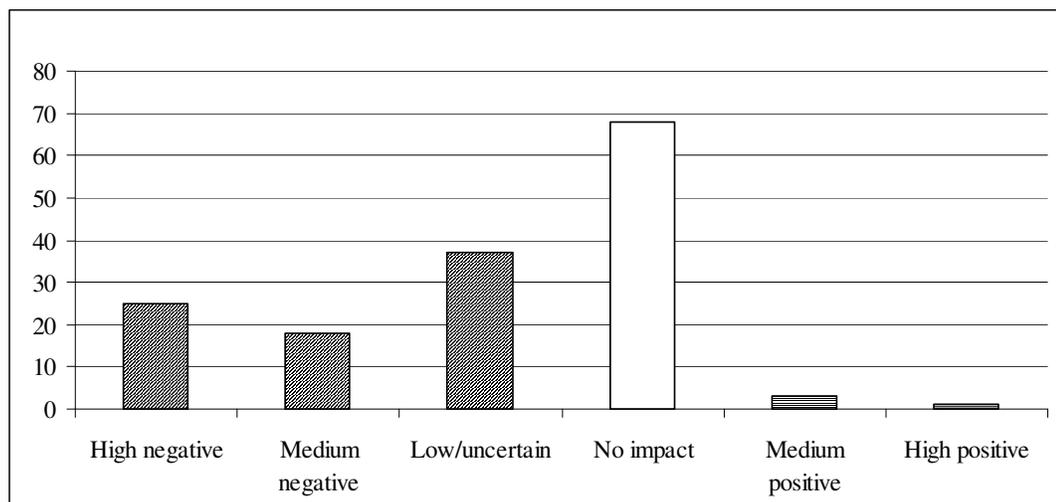
4.2 Overall Pattern of Impact

The majority of rural micro-businesses were affected in some way by the Foot and Mouth outbreak. Taking both the April and November 2001 telephone surveys together, 56% of the sample (85 firms) had been affected, in the main negatively. The severity of impact varied with over half of impacted firms experiencing high or medium negative impacts (Figure 4.1):

²⁰ The sample was modified to exclude eight large accommodation businesses (41 to 250 bedrooms). It makes greater use of the rural/urban classification to distinguish impacts on rural firms and examines further the impacts according to business type (hotel, caravan site B and B etc). The sample under discussion consists of accommodation businesses with 40 or fewer bedrooms, plus self-catering properties, caravan/campsites/chalets, bed and breakfast and guest house accommodation. The March sample consisted of 150 businesses, 61 of whom also responded to the May survey. Unfortunately many firms did not supply turnover data, reducing the usable sample for revenue-related questions to 98 in March and 52 in May.

- High impact firms are those who expected annual revenue in 2001 to change by 20% or more as a result of Foot and Mouth.
- Medium impact firms are those who expected a change of 1 to 19% in annual revenue as a result of Foot and Mouth.
- Low impact firms are those who expected little or no change in final annual revenue as a result of Foot and Mouth, but whose business or operations were otherwise disrupted (including, for example, employment or short-term revenue effects).

Figure 4.1: Severity of Impact on Individual Firms (Number of Firms)



N=152

The impact of Foot and Mouth spread throughout a wide range of sectors (Table 4.2). Little affected sectors (i.e. those in which relatively few firms were affected) include construction, education and training, health and social, and personal services. At the other extreme, sectors in which a large majority of firms were affected - hospitality, land-based and recreation/culture - are those reliant on tourists or visitors or extensive land-use or access. In between is a group of partly affected sectors - retail, transport, business services and manufacturing – in which roughly half of firms were affected. These include firms also affected by the deterrent of visitors, as well as firms that provide goods or services to

the extensively affected sectors, therefore reflecting a knock-on effect within the local business chain (see also section 4.8).

Table 4.2: Extent of impact by sector

	Sector	% firms impacted in sector
Extensively affected sectors	Hospitality	96
	Land-based	92
	Recreation/culture	70
Partly affected sectors	Retail	59
	Transport	50
	Business services	47
	Manufacturing	44
Little affected sectors	Personal services	29
	Construction	18
	Education and training	14
	Health and social	10

The severity of impact at the firm level does not correlate with the extent of impact at the sector level (Table 4.3). There were high and low impact firms in most sectors. Thus, in little affected sectors - construction, education, health and social and personal services - there were still a few firms that experienced high negative impacts. These were either involved in highly specialised markets based on farm demand or access, or suffered badly as part of the general downturn in trade experienced by rural service centres (see, for example, Box 4.1). The converse is also the case – that extensively affected sectors included many firms which experienced only a low impact. Different sectors, though, present contrasting profiles of impacted firms. Thus, although hospitality was the most extensively affected sector, the largest grouping of hospitality businesses fell into the low impact category. In contrast, the largest

grouping in land-based and recreation/culture sectors fell into the high negative impact category.

Table 4.3: Impacted firms: sectoral group and severity of impact

		% of impacted firms in sectors			
		High negative	Medium negative	Low impact	Medium or high positive
Extensively affected sectors	Hospitality	21	21	33	0
	Land-based, recreation/culture	44	6	22	17
Partly/little affected sectors		28	28	28	2

% totals are <100 since 'don't know' responses are omitted from rows.

Box 4.1

Specialist retailer, rural service centre, moderately rural

This family bookshop based in a market town experienced a downturn in trade in 2001 after several years of steady growth. During the summer, trade did pick up somewhat but did not reach the levels experienced in previous years. At the end of 2001 business is expected to be down 25-30%.

“A lot of people come here to go walking ... well they haven't been. ... We've seen an increase every year in our turnover ... Each month the patterns the same. ... The graph is the same shape just slightly higher every year. Until this year, and the moment Foot and Mouth was officially announced and the Minister told people to keep away from the countryside, we at that point experienced a 50% reduction in our turnover. This really continued until school holidays started towards the end of July”.

Finally, larger micro-businesses were more commonly impacted than the smaller ones. For example, firms employing more than 3 FTEs (besides the owner/operator) stood a 20% higher chance of being affected than those with fewer than 3 FTEs. This could relate to the generally greater diversity and size of customer base or markets of larger firms and therefore the increased chances of part of the business being impacted. It may also relate to the greater flexibility of the small firms.

4.3 Factors Affecting Business Trade and Operations

The way that FMD impacted on business varied between firms and sectors. The main impact for hospitality and recreation and culture firms arose directly from reduced tourism demand (see Table 4.4 and Box 4.2). For firms in other sectors the main impact was from reduced local or passing trade, some of which will have been induced effects as impacted businesses and their employees began to spend less in the local economy. Also significant for non-hospitality firms were the indirect effects of reduced demand for goods and services from farmers and tourism firms.

Table 4.4: Factors identified as responsible for change in level of business

	Hospitality & recreation/ culture firms % firms	All other firms % firms	Sectors, most affected (non-hospitality)
Less tourist demand	84	49	Manufacturing, retail
Less local/passing trade	58	61	Land-based, manufacturing, retail, personal services
Unable to access farms	7	43	Manufacturing, transport, business services
Reduced demand from farmers	13	40	Land-based, manufacturing, business services
Disinfection costs	10	20	Land-based, transport, business services
Access restrictions to own premises	16	14	No particular bias
Problems obtaining supplies	7	18	No particular bias

Base: impacted firms (n=82)

Box 4.2

Bed and Breakfast, remote rural

This B&B owner suffered a major reduction in bookings due to FMD and described the year as a catastrophe. Though not the sole source of income for this retired couple, the B&B forms an important part of overall household income. Business was down a third compared to 2000:

“Last year was our best year. And it was then, after the seventh year, we thought well we are really getting known now. And we are really getting somewhere and we can see that we can continue with this business. And so we thought next year will be even better. ... I had one big booking from about January. I thought yes this is going to be a good year. The bookings were coming in ... and then February, everything changed. For example, I had a couple who were coming for dinner, B&B for 10 nights, cancelled. That was the biggest booking for the year gone. Because they couldn't walk and they were walkers ... I had another family cancelled because Housesteads was closed”

The spring and the summer were an extremely quiet time for the owner with many hours spent waiting by the phone:

“I was able to stitch a kneeler for church in August ... I had time this August to do it. I had time to sit and read books ... which is unheard of. I just had to do something to take my mind off this situation ... The phone was ringing an awful lot through January and for the first few weeks in February, and then it was dead. I have known me pick up the phone to see if it is still working ... because it just seemed so unbelievable”.

Business picked up in the autumn:

“September was nearly as good [as last year], October hasn't been as good. So I can't say that business is improving ... We'll have to wait. This time next year we'll know whether business has come back”.

Apart from these trade effects, there was also the sheer disruption to business operations from FMD restrictions. In some cases access to the firm's own premises or to those of clients (most commonly farmers) was obstructed. In other cases the restrictions added greatly to running costs. For example, one firm, a timber haulier, had to considerably re-arrange staffing hours and the routing of wagons (Box 4.3). Major detours were

needed to avoid farmland and infected areas, which added to the business's fuel and wage costs, and a lot more time and effort was involved in planning journeys.

Box 4.3

Timber haulier, very remote rural

Foot and Mouth had an immediate and devastating effect on this timber haulage business through halting access to private land and severely disrupting transport movements. Heading into 2001 the business had projected a relatively good year, but in the event turnover was expected to be down by approximately £250,000 (*circa* 30%):

“When Foot and Mouth came in, farmers were switched off in my industry completely. They weren't buying any posts, any rails. You couldn't get to places, so obviously the job was completely switched off. ... Most private woodland goes [on roads] through fields that have stock in and the farmer said no thank you, we can't afford to have them lorries here. ... [Its] a devastating effect to me. Because I'm geared up to do at least 40-50% of my work in the private sector”.

For the work that remained, the routing of wagons had to be considerably rearranged to avoid farmland and infected areas, which added to the business's fuel and wage costs. Trips involved many more 'empty' rather than 'loaded' miles as work dried up. A lot more time and effort was involved in planning journeys, and the business owner himself imposed stringent supervision over the routes taken and the parking locations used. Situated in the heart of a farming community he felt “under the spotlight” and was anxious not to be seen to be a disease transmission risk. Disinfection also represented a major cost for the business estimated at £10,000. The owner described how it took up to three hours a day to undertake the various disinfections of a single lorry. In addition, the corrosive effect of the disinfectant had meant that some of the lorries had had to be re-sprayed. The overall effect was that costs had remained high throughout the crisis while business had dwindled:

“My [monthly] diesel bill might now only be £20-25000. But it's standing costs linked around about that's pulled the cash away. I mean the lorries that's standing, the wages I've had to pay for the wagons that are working over the top because of Foot and Mouth, the wages I've had to pay to drivers just to keep a hold of them. Now on a weekly basis it might not sound a lot, but over 10 months it's just dragged the cash away completely”.

4.4 Geography of Impact

By local authority districts

The impact of the Foot and Mouth crisis on firms displays a complex geography. An indication of the incidence of the impact by local authority areas is given in the details from a Local Government Association survey of applications for business rates relief and deferrals from affected firms (Tables 4.5 and 4.6). The rate relief scheme, which became operational in April 2001, enabled rural local authorities to grant up to 100% rate relief to small businesses seriously affected by FMD²¹. From the information it

Table 4.5: Applications for business rates relief (November 2001)

District/UA	Applications received
Northumberland:	361
Alnwick	39
Berwick	45
Castle Morpeth	47
Tynedale	219
Blyth	11
Durham:	306
Durham	*
Easington	3
Teesdale	138
Wear Valley	153
Derwentside	5
Tees Valley:	*
Stockton on Tees	1

* - missing information

²¹ However the data will systematically under-represent the number of firms actually experiencing hardship. Firstly not all businesses pay business rates. Secondly there is anecdotal evidence of variation between local authorities in the degree to which the application process is facilitated. Thirdly, some evidence shows that for some firms the potential reward is too small to merit the time spent in submitting an application. Nevertheless, this information is a useful counterweight to surveys reliant on self-reporting. Local authorities require evidence of impacts, such as accounts and cancellation notices, implying a degree of verification of firms' claims.

Table 4.6: Firms deferring business rates payments

District/UA	Firms allowed to defer
Northumberland	164
Alnwick	*
Berwick	42
Castle Morpeth	10
Tynedale	112
Durham	174
Durham	1
Easington	1
Teesdale	138
Wear Valley	34
Tees Valley	*
Stockton on Tees	7

* - missing information

would seem that, in the North East, businesses in Tynedale, Wear Valley and Teesdale were the most badly affected. Across other rural districts, many firms also suffered, and even in industrial areas such as Blyth small numbers of firms sought business rates relief.

By degrees of rurality

The CRE surveys show that firms located in the most rural areas (Urbanisation Index score ≤ 10) were more likely to have been affected by FMD (Table 4.7). Thus 92% of firms in very remote rural areas were affected, compared to 33% in the urban fringe. In part this gradient is attributable to the higher proportion of hospitality, recreation and land-based firms in the more rural areas.

Table 4.7: Impact by degree of rurality

Urbanisation Index score		% of firms affected in each rural zone
0 to 4	Very remote rural	92
4.1 to 10	Remote rural	62
10.1 to 15	Moderately rural	43
15.1 to 20		41
20.1 to 25	Slightly rural	50
25.1 to 30		45
>30	Urban fringe	33
All firms		55

To bring out this aspect, Table 4.8 separates out the sectors and shows that the geographical distribution of impacted firms was very wide. Indeed, they are evenly distributed across rurality scores, except in little affected sectors (construction, education, health and social or personal services)²². This suggests that, in the main, sector - rather than rurality - was the dominant variable in determining impact. In other words, hospitality businesses were more likely to be impacted because they were hospitality firms *per se* rather than because they were more or less rural. For little affected sectors, though, firms were more likely to have been impacted if located in a more rural area.

Table 4.8: Impact by sector and degree of rurality

	Very/remote rural (UI= 0 to 10)	Moderately rural (UI=10.1 to 20)	Slightly rural/urban fringe (UI= >20)
	<i>% firms impacted</i>	<i>% firms impacted</i>	<i>% firms impacted</i>
Extensively affected sectors	91	86	88
Partly affected sectors	55	48	52
Little affected sectors	50	18	8
Total	74	43	46

²² The sample size is rather low. Only 6 of the 34 firms in this group were impacted.

By 'Blue Box' designations

Foot and Mouth restrictions disrupted the operation and trade of many firms. Some firms were specifically adversely affected by being located in an area subject to 'Blue Box' restrictions for purposes of FMD control. One third of firms who had been able to answer the question had been located in a 'Blue Box' area for some time, usually several months. Table A2.13 (in the Appendix) shows that firms in the manufacturing, retail, transport, and business services located in a Blue Box were more likely to have been affected than those outside (for the other sectors the effect was less marked). Firms for which Blue Box restrictions were a salient obstacle include those reliant on customers or visitors accessing the premises who were prevented or deterred from doing so by the associated FMD notices (Box 4.4).

By inland, coastal location and settlement size

Certain types of location were less affected than the generality of rural areas. There is anecdotal and other evidence that coastal locations and larger settlements – particularly coastal and market towns – suffered less loss of trade and may have benefited from leisure and tourism activity displaced from elsewhere. One hotel owner, for example, explained how, after early cancellations at the start of the outbreak, business had rapidly recovered:

“We missed one or two at Easter but we filled them up on the day. Then really we can't grumble since. Because we've been on the coast and they have been able to walk round the shores, people have come”.

Hotel, very remote rural

Box 4.4

Public house, remote rural

At first this rural pub suffered from the general closure of the countryside. Later on its trade was badly affected additionally by strict ('Blue Box') movement restrictions to control a fresh local outbreak of FMD:

“Initially [the Foot and Mouth crisis] just stopped people coming out. ... Certainly talking to people afterwards they were expecting to see big fires, charcoaled bodies at the side of the road. And also expected roads to be closed. Tony Blair said ‘the countryside is closed’ virtually. ... Immediate effect on lunch time food trade. Just disappeared ... From doing 20-30 mid-week lunches in January or February ... We’ve had days when we haven’t had anyone in which is unheard of”.

Walkers and various groups all stopped visiting the pub. Moving into May and the summer months things were still quiet but trade did begin to improve with an improvement in the weather and Government efforts to attract visitors back to the countryside. Then, in August, a flare up of Foot and Mouth cases locally led to the designation of a ‘Blue Box’ zone and the imposition of strict restrictions:

“It was a very, very poor Bank Holiday weekend. Very, very quiet. Exceptionally quiet. Because they closed this section of the road. Anybody coming would probably be put off by ‘road ahead closed’ ... It was all doom and gloom. A bit like the Anthrax, walking around in white suits and gas masks. It doesn’t actually encourage anyone to come, the Blue Box exclusion zone. And then ‘you are now entering a Foot and Mouth diseased area’ ... It puts a lot of people off that live in towns and cities when they see that kind of thing”.

Previously it had been largely the pub’s food trade that had been badly affected but now the beer sales were hit too. It is estimated that for the year as a whole takings will be down £10,000, shifting them from a profit to a loss making position.

In contrast, a Bed and Breakfast owner a few miles inland remarked:

“A lot of businesses especially on the coast have had their best year ever ... but that’s not so here and it’s not a million miles from here. But it just shows you this is inland and that is on the coast”.

Bed and Breakfast, remote rural

The NTB survey of accommodation businesses confirms these impressions. Table 4.9 gives details of turnover changes in March 2001 compared with the previous year. Revenue gains are evident in large inland towns, and both small and large coastal towns compared to decreases elsewhere. The right hand column also shows that it was the smaller and inland settlements where the majority of accommodation businesses were suffering a downturn.

Table 4.9: Turnover differences for accommodation firms, March 2000/2001, by location

	Mean change in turnover March 2001 (£)	% businesses with turnover down (\geq £100)
Large town, coastal	+1060	0
Large town, inland	+180	33
Small town, coastal	+50	29
Village, coastal	-910	68
Village, inland	-1090	82
Small town, inland	-1530	89

Source: NTB

N=98

4.5 Temporal Impact

Immediate and expanding impact

The majority of affected firms (66%) in the CRE survey were impacted by Foot and Mouth from the outset of the outbreak in February and continued to be so in the following months. During those months there was also a broadening out of impact as additional businesses were drawn into the crisis. Thus 27% of impacted firms had been unaffected by Foot and Mouth in March but subsequently saw their businesses affected, with half of these eventually suffering a high or medium impact.

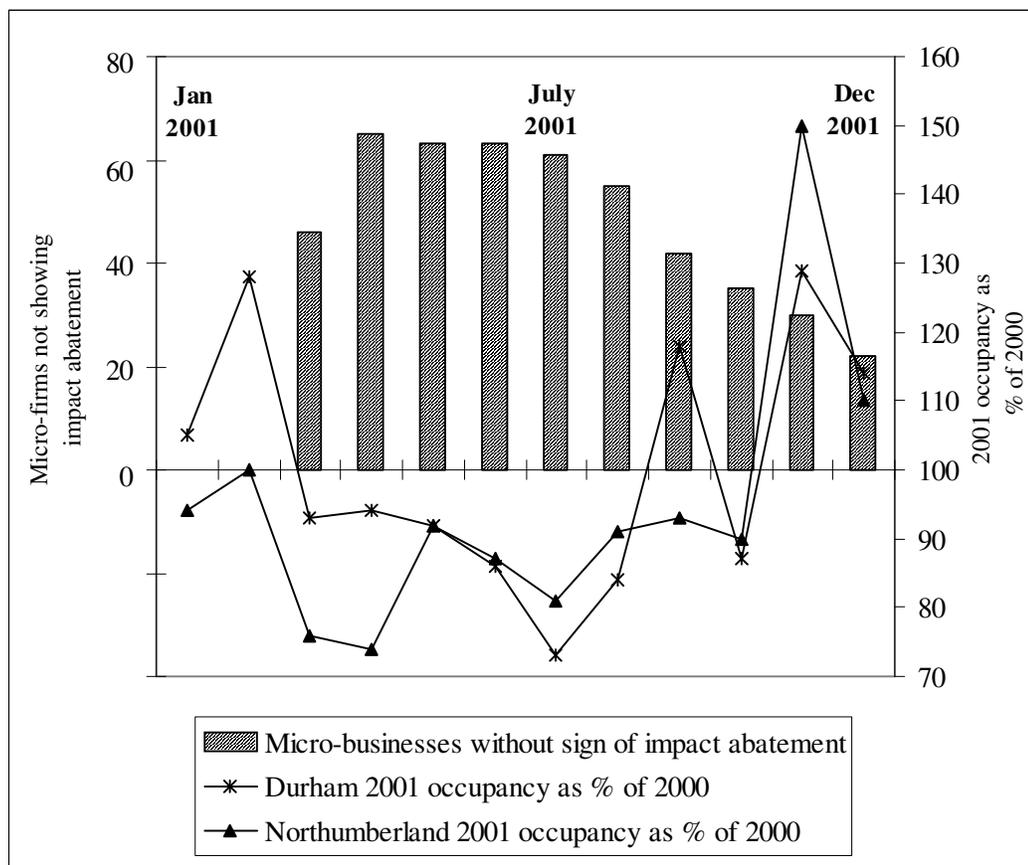
This delay or lag effect had a number of different causes. In some cases it related to the seasonal nature of the businesses: some were simply not open when FMD struck or their busy periods had not yet begun. Some firms located on farms found their operations affected as the crisis was prolonged. For other firms difficulties began to arise as orders dried up along business chains. Three sectors in particular featured in this lag effect - business services, manufacturing and land-based activities. The firms in these sectors that were gradually drawn into the crisis were specialised to varying degrees in serving rural clients or, more specifically, the farming or tourism sectors. They suffered either from the indirect effects of reduced demand or from restrictions in accessing their clients. For example, an architect involved in farm building conversion was unable to access farm premises. Likewise, a surveyor, a software manufacturer, an environmental consultant and a builders merchant were each unable to reach their farm customers. Finally, there was a group of retail firms that depended partly on tourists and visitors who did not see the usual growth in spring and summer trade.

On the other hand, for a small minority of businesses the worst impacts of FMD were short-lived. Indeed, for 7% of impacted firms (representing a mixture of sectors) the effects were confined to March. At the start of the outbreak these firms had experienced signs of a general downturn of trade or some delays in business as work was put on hold until the implications of FMD had become clearer, but they were quick to re-establish normal patterns of trade.

Impact abatement and persistence

Figure 4.2 displays the time line of impact throughout the year 2001. The graphs in the Figure are of occupancy rates in hotels and guest houses in Northumberland and Durham. Overnight visitor numbers fell sharply in March and April, with some partial recovery in May but then plunged again, reaching a low point in July, before staging a strong recovery in the autumn.²³ The bars in the figure chart the course of the crisis in terms of the number of impacted micro-businesses still to experience signs of a

Figure 4.2: Impact Pattern Over Time



²³ The pattern of occupancy of self-catering accommodation was more erratic but on the whole also depressed to around 80 to 90% of 2000 rates. Occupancy rates for April and October 2001 were particularly depressed at 57% and 52% respectively in Durham, and 70% and 30% in respectively in Northumberland. Again there were signs of impact abatement towards the end of the year.

recovery. For most of the firms the impact started in March or April, and it was not until the late summer or early autumn that it began to subside (Box 4.5). Some 60% of the firms reported that the impact had declined or disappeared by November, starting for most firms in September or later. For 40%, however, there was still no sign of relief even by November.

Box 4.5

Specialist retailer, rural service centre, moderately rural

This business is located in the central business district of a coastal market town and together with other businesses suffered a downturn in trade attributed to reduced visits from the rural hinterland and by visitors. Trade began to pick up in August:

“Because we are based on a rural community, you actually physically stopped our rural community coming into the town shopping. So you lost your base customers ... And then of course when the season started we'd got things like the hills closed, there was a lot of misunderstanding as to whether coastal routes were closed and could they get to the beaches. That hit us quite hard. We didn't get the middle class type visitor, the B&B type visitor. ... We severely dropped 30 as high as 40% some weeks Until we got to August and then we started pulling figures back. But we never really got back to where we were last year”.

One lifeline came from the fact that an important holiday attraction on the edge of the town remained open throughout meaning that the business was able to keep some regular customers through the early stages of the outbreak. Even so, whereas for the previous five years the business had seen steady growth in terms of turnover, in 2001 it was expecting to be 20% down at the end of the year, effectively wiping out its profit.

Different sectors rebounded from the crisis at different speeds (Table 4.10). Manufacturing and business services sectors included a higher proportion of firms facing persistent and ongoing impacts in November. Several of these indirectly affected firms cited reduced demand from farmers as the reason for their continuing loss of business. Manufacturing

also included a number of firms supplying tourism-related products, such as small crafts.

Table 4.10: Persistence of impact in November, by sector

	Impact declining or disappeared % firms	Impact static or increasing % firms
Business services	50	50
Manufacturing	57	43
Hospitality	67	33
Recreation	67	33
Retail	73	27
Land based	73	27
Transport	80	20
Other sectors	100	0
Total	70	30

N=76

Impact fluctuation and positive impacts

Foot and Mouth affected businesses in often complicated ways, involving twists and turns within the business year and severe trade fluctuations both up and down (Box 4.6). Indeed, a third of impacted firms reported such mixed effects on their business. A common feature of many of these ‘mixed effect’ firms was that the nature of their business and their location - typically not in a ‘Blue Box’ restricted area or in a deep rural location - meant that either they did not suffer from reduced local/passing trade or that they actually benefited from increases in such trade. For example, increased local trade occurred as people restricted wider travelling habits or as tourists and countryside visitors became concentrated in more accessible peri-urban areas or along the coast. Garden centres and nurseries particularly benefited as visitors restricted their usual trips to the countryside and concentrated on leisure activities closer to home. Some firms were thus able to pick up on other custom,

displaced from elsewhere, to offset the loss of established trade, or other negative effects of FMD on their operations. The consequence was unexpected troughs and peaks in business. By the autumn many of these ‘mixed effect’ firms were recovering and a majority (59%) expected little change overall in the year’s trading outcome as a result of FMD.

Box 4.6

Butcher, slightly rural

The first few weeks of the Foot and Mouth outbreak were marked by a huge but short-lived increase in trade for this long-established family firm, attributed to panic buying:

“As soon as it went into the public eye everybody went absolutely barmy, I mean we like doubled turnover, nearly trebled in a week, because people just thought ‘oh well there is going to be no meat, nobody is going to get supplied, lets go shopping’, and we got absolutely cleaned out”.

The business owner was happy to capitalise on this boom, feeling quite uncertain about the longer term consequences of the Foot and Mouth epidemic. In the event, this especially busy time was followed by a significant lull in activity beginning in March and reaching its lowest ebb in May and June, which are normally quiet months for the business. The owner saw this lull as the inevitable follow-up to people having filled their freezers:

“everyone had stocked up. So at the end of the day that boom was lovely, but having said that it wasn’t really a boom because the next three weeks you were over £1000, £2000 down in the week and that was where the money had gone”

Trade was 30% down during this period and is expected to be down 20% for the year as a whole. It is difficult to say whether this was fully attributable to Foot and Mouth. Orders from two key customers were lost, one attributed to the impacts of Foot and Mouth on the customer’s own business. However, a new supermarket had also recently been established in the area.

Just 3% of all the firms registered a net gain in their final annual revenue as a result of FMD. Some had benefited considerably from displacement effects (see Box 4.7); whereas some land-based and transport firms had obtained a lot of additional business through FMD-related contract work (Box 4.8).

Box 4.7

Nursery gardens, remote rural

FMD struck in the early and vulnerable months in the life span of this new business and had an immediate impact on visitor numbers and turnover. Several plant fairs were also cancelled, and the owners refrained from attending a number of fairs out of fear of spreading the disease.

“It was terrible, we had put what money we had into it. ... We had just got through the winter and things were really looking up. Because we were absolutely skint in January and I was living off my wife ... The figures for February, not very much, but a little bit. £2,000 or £3,000 ... and then Foot and Mouth came, and it just went dead. I think we took £2 from the first four weeks after Foot and Mouth. The March figures they were just a wipe out. March would have been about £10,000 and it went down to £700 I think. ... I was going from thinking this was a good move, I started thinking this was probably the worst thing I could ever have done”.

However, April showed signs of recovery and then business picked up enormously and the turnover for the year is estimated to be 20-25% up on the previous year. The owners attribute the increase to more people staying at home and gardening as a result of FMD and looking for ‘safe’ places to visit in the countryside.

4.6 Employment Changes in Impacted Firms

Some firms responded to the loss of business by reducing their staffing or not taking on seasonal workers. The employment impact of FMD was most pronounced in the early months of the crisis and during the summer.

The FMD survey sample does not fully mirror the overall sector profile of micro-businesses located in rural North East. The data (Table A2.6) has therefore been weighted in order to provide an overall estimate of employment losses to micro-businesses in the region’s rural districts.²⁴

²⁴ To compensate for this sector imbalance weights have been derived which are used to scale up (or down) the contribution which each sector makes. The estimates must be regarded as speculative. This is due to the small sample size of impacted firms providing information and a lack of information on the precise characteristics and size of the micro-business population. A key assumption made in estimating the sectoral structure of the population of rural micro-businesses in the rural North East, is that it is the same as that of VAT registered businesses (of all sizes) in the North East rural local authority districts.

Box 4.8

Livestock and general haulier, moderately rural

This firm had a turbulent year due to Foot and Mouth which first saw the business grounded, then inundated with FMD-related contract work and finally fearful for the future. A small farm holding on the premises was also designated an infected premise and the livestock culled.

In the early weeks of the outbreak the firm's livestock haulage was brought to a halt because of the ban on livestock movements and access restrictions placed on the premises. Luckily the firm's general haulage wagons were off the premises at this time and were able to continue to transport general loads. Nevertheless nearly half of the firm's lorries were grounded for almost 2 months and the business was running 30% down in terms of turnover.

With the gradual lifting of restrictions on the movement of vehicles in late April business started to boom as the firm became involved in the transport of livestock culled through the welfare disposal scheme.

“[The welfare work] was a godsend, because the Intervention Board paid ridiculous money per hour and we weren't going to quibble. They were paying £50 an hour, when we would have been happy with £25, ... for each of those wagons. ... At first they were working nearly 24 hours a day ... We actually took some of the artics off general haulage and went onto that because it was paying such good money. We had two artics running 24 hours for about 6 weeks which made a very large difference into the loss that we'd made”.

Welfare work continued into the autumn, but by the summer it could be managed in normal driving hours. Turnover for the year as a whole is expected to be up on the previous year. With so much stock destroyed, the owner is anxious about a slump in business in the months to come.

The impacted firms in the survey were in July on average employing 11% fewer full-time, 6% fewer part-time and 36% fewer casual employees. This equates to a July loss per impacted firm of 0.19 FT, 0.08 PT and 0.06 casual workers and a loss per rural firm (impacted and non-impacted) of 0.10 FT, 0.04 PT and 0.03 casual jobs.

The casual job losses occurred mainly in the hospitality sector, right throughout the crisis. Most of the initial full and part-time job reductions

were also concentrated in the hospitality sector, but later there were losses in a number of sectors in particular business services, recreation and culture and manufacturing.

Some jobs were also created because of FMD. In particular there were modest increases in full time employees in the land-based and transport sectors, most likely related to FMD contracting. In a small number of firms it appears that increases in part-time jobs substituted for decreases in full-time workers.

There was variation as to whether the employment changes were regarded as temporary or permanent (Table 4.11). Overall, there was a tendency towards the ‘casualisation’ of the workforce. On the one hand, within the general reduction in employment, most of the part-time reductions were regarded as temporary whereas most of the full-time reductions were either permanent or there was uncertainty as to whether they would be restored. On the other hand, most of the increases in employment were part-time and of uncertain prospects.

Table 4.11: Permanency of full-time and part-time employment impacts, July and October 2001

	Temporary, pre 2001 level restored <i>(jobs affected)</i>	Permanent, won't restore 2001 level <i>(jobs affected)</i>	Don't know <i>(jobs affected)</i>
Full time, July, increase	1	2	1
Part time, July, increase	1	0	5
Full time, July, decrease	5	5	7
Part time, July decrease	12	3	2
Full time, Oct, increase	1	2	1
Part time, Oct, increase	2	0	5
Full time, Oct, decrease	4	5	7
Part time, Oct, decrease	7	2	3

Many of the jobs affected by FMD were of a seasonal nature and involved non-reengagement of staff in 2001 rather than redundancy *per se*. Indeed a fifth of impacted firms indicated they had reduced numbers of seasonal and casual employees. A third had reduced staff working hours (see also section 5.4). Many of the employment effects of FMD were therefore not so visible and not reflected in the formal unemployment register. A rough estimate by the Employment Service of North East claimant unemployment due to FMD puts the figure at ‘only’ 371 (pers. comm.).

4.7 Turnover Changes in Impacted Firms

It is clear that revenue was affected much more commonly than employment and that Foot and Mouth had a considerable impact on business turnover.

In July 2001 73% of the impacted firms had experienced a decrease in revenue and 7% an increase in revenue compared to July 2000, due to FMD (Table 4.12). The mean change was a decrease of £4,790, although if an outlier is removed, that falls to £2,560. By October, with the same outlier removed, the mean turnover decrease was £1,660, reflecting the subsiding impact of FMD.

Table 4.12: Impacted firms: estimated change in monthly revenue from previous year due to FMD

Impact on turnover	July	October
Increased (% of impacted firms)	7	6
Decreased (% of impacted firms)	73	62
Mean impact (£)*	-4790	-3030
Mean % change	-22	-14
Mean impact, no outlier (£)	-2560	-1660

* calculated from 37 cases in July and 39 cases in October

To calculate mean absolute and percentage change in annual revenue due to FMD, only those cases providing information on predicted revenue change and annual revenue were used (Table 4.13). The group's aggregate annual revenue change due to FMD was predicted as a reduction of 14%. For individual firms, the mean annual revenue reduction was £15,980²⁵, with a mean percentage change of -17%. The mean decrease for impacted and unimpacted firms combined was £8,880. These turnover changes were recalibrated in order to provide estimates for NE rural district authorities (see footnote 24). The aggregate annual revenue among impacted firms is estimated to have reduced by 9%. For individual firms the mean annual revenue fell by £8,880 or 13%. The mean decrease for impacted and unimpacted firms combined was £4,930. Based on this figure, a crude estimate of the net loss of revenue to all (non-farming) micro-businesses in North East rural districts in 2001-2 due to FMD is of the order of £80 million²⁶. This is not the full loss to the

Table 4.13: Impacted firms: estimated change in annual revenue from previous year due to FMD

	No of impacted firms*	£
Aggregate revenue	30	3,382,900
Total aggregate revenue change due to FMD (predicted)	30	-479,507
Percentage change in aggregate revenue for impacted group	30	-14%
Mean change in revenue (£)	30	-15,980
Mean % change in individual firms' annual revenue	56	-17%

* Impacted firms supplying turnover change data

²⁵ If an outlier is removed, mean revenue change for impacted firms falls to -£7,914.

²⁶ There are an estimated 9.5 thousand VAT registered non-farming businesses in the rural districts. From CRE's large scale survey of rural micro-businesses, this figure would need to be increased by at least 67% to include the non-VAT registered micro-businesses.

non-farming rural economy of the region, as it does not include the revenue losses suffered by larger organisations.

The turnover losses of individual firms within sectors varied significantly in terms of their scale. In the land-based sector, for example, one firm had lost annual revenue amounting to £250,000, another £5,000. This highlights not only the very diverse nature of micro-businesses within individual sectors but also the disparity of impacts.

In the NTB survey overall turnover of accommodation businesses compared with the previous year had decreased by 19% in March and 28% in May (Tables A2.10-A2.11). Two-thirds of firms were suffering reduced turnover, slightly fewer in May. The most widely affected group in March was self-catering firms, but by May camping/caravan/chalet sites and hotels were suffering more widely. On average hotels suffered the greatest loss of turnover (Box 4.9), but the greatest percentage losses were experienced by camping/caravan/chalet sites, followed by bed and breakfast establishments.

FMD also affected end of year profit status of rural micro-businesses (Table 4.14). Some 75% of impacted firms within the CRE surveys were expecting a negative change in their profit position due to Foot and Mouth. Critically 24% were expecting a shift from a position of profit to loss and 14% from profit to breaking even (Box 4.10). 37% expected their level of profit to be changed (in almost all cases negatively) but to remain in a situation of profit or loss. The duration of the impact was a crucial factor – 60% of the firms for whom the impact was not showing signs of declining predicted that end-of-year they would have slipped from profit to loss or break even.

Box 4.9

Hotel, very remote rural

This long-established rural hotel specialises in dealing with organised groups and school parties, many of whom cancelled. The business is expecting a 25% loss of turnover compared to 2000.

“We have a big school that come from Newcastle every yearThey come with about 50 kids, end of March. It’s a good booking simply because it’s the end of a quiet winter and we need that money. And we also had a fortnight later another school coming with 50 odd children ... The phone was hot, ‘what do you think, should we come, what should we do?’ I said well at the moment everything is all right. ... In the end the governors of each school made the decision they weren’t to come because some of the kids were from farms ... And what do you do with kids ... when you are confined to the village? ... So they cried off. I got 10% compensation. And then the other one cried off and I got nothing. So really in about 3 days I lost £10,000 of which 4 would have gone to a neighbouring hotel who I shared the booking with. I mean that sort of money is too much to miss.”

There was a desperate sense of loss of control and an unravelling of many years of hard work:

“We have been here for 30 years and I could see all my life work just crumbling. I couldn’t ever think that anything would affect us so profoundly as that did. Because we had nothing. Most of March we had nobody. The weather was awful as well ... Every time the phone rang it was ‘we’re not coming’ ... It was awful.”

Table 4.14: Impacted firms: predicted effect of FMD on end of year profit status

	All impacted firms % firms	Hospitality and recreation/culture % firms
From profit to loss	24	35
From profit to break-even	14	10
Reduced profit/increased loss	37	35
No effect on profit	21	17
From loss to profit	0	0
Don’t know	4	3

N=78 (see also Table A2.12)

Box 4.10

Riding school and B&B, very remote rural

Foot and Mouth struck at a particularly bad time for this riding school, immediately following a major capital investment. Income streams from both the school and B&B were affected and overall turnover for the year is expected to be down by 30%. From a position of profit the business will now only break even for the year:

“This year we have been restricted because of where we go out, very restricted ... We got cancellations basically and fewer rides. Fewer evening rides because people thought ‘that’s it, we can’t do that’. So even enquiries were down on what it should have been. Easter didn’t really happen and then May was even worse because that was when it hit around here ... June it picked up a little but really it didn’t pick up until the Scottish schools broke up ... the second, third week in June. From then on we’ve been steady, not what I would call very busy, but then I have only had one girl on this year and the other one just occasional hours”.

There was concern about the future reopening of access arrangements for the riding school’s horses. The business owner was reluctant to try too soon to regain access sensing some unwillingness among landowners to permit the school back on land.

4.8 Local Economy Effects

Sections 4.6 and 4.7 have described the employment and turnover impacts of Foot and Mouth and some of the estimated aggregate effects within the North East rural districts. There were important knock-on effects within the local economy relating to the market profile of impacted firms and their demand for local supplies.

Firms with predominantly extra-local markets appear to have been most commonly affected during the outbreak. This is particularly significant as they bring money into the local rural economy from outside. Thus 46% of firms with 75-100% sales locally²⁷ were impacted compared to 63% of

²⁷ i.e. within 30 miles as recorded in the 1999 survey (Raley and Moxey, 2000).

firms with 25% or less local sales. This picture appears to be influenced by the particularly widespread effect of FMD on hospitality and recreation and culture firms. For other sectors similar proportions of firms with high and low local sales were affected.

Furthermore, the 1999 survey of North East rural micro-businesses (Raley and Moxey, 2000) demonstrated substantial expenditure in the local economy on goods and services by firms. From that survey, the mean annual expenditure within a 30 mile radius by firms in the hospitality, recreation and land-based sectors (the most severely affected sectors) is £23,000, £9,000 and £21,000 respectively. Most of these firms reduced their local supplies during the outbreak which partly explains the spread of FMD impact to a diverse range of business sectors in the affected rural areas.

4.9 Conclusions

The blanket discouragement of visitors to the countryside - including the closure of public access and anchor visitor destinations - as well as farm access restrictions, were central to the pervasive impact of Foot and Mouth on North East rural micro-businesses. The impact of FMD extended far beyond farming to a large number and diverse range of rural businesses. The most extensively affected sectors were reliant in some way upon farming, tourists or visitors or on access to land: they included hospitality, land-based and recreation and culture sectors. Many retail, transport, business services and manufacturing firms were also affected, often reflecting knock-on effects within the business chain. Half of impacted firms were classified as medium or high impact. Such firms

were found in all sectors, including sectors which were generally little affected (such as personal services, construction, education and training and health and social).

The impacts of the crisis displayed a complex geography within the region. Though to some degree firms in all rural areas were affected, the worst impacts were concentrated in the more rural parts of the region, especially in Tynedale, Wear Valley and Teesdale. A number of spatial factors influenced this pattern, including the specific geographical incidence of disease cases and the consequent 'Blue Box' restrictions; the local structure of the economy (particularly regarding the concentration of businesses dependent on tourists and visitors); displacement of visitors and customers to coastal locations, larger settlements and urban fringe sites.

The temporal patterning of impact had a number of features. Most firms were affected throughout the outbreak. For 7%, though, the effects were short lived, confined to February and March. On the other hand, a third of impacted firms were subject to a lag effect, being hit only several weeks into the outbreak, through a combination of knock-on effects in the business chain and upon customer demand, and the continuing difficulties of access restrictions. The majority of firms experienced signs of impact abatement and recovery in the autumn of 2001. Two fifths, however, were experiencing no signs of recovery by November, including a number of the indirectly affected firms that had been subject to the initial lag effect.

Foot and Mouth severely disturbed the usual trade cycles of many firms, introducing fluctuations and unexpected peaks and troughs. For some firms, positive and negative impacts prevailed simultaneously. Only for a small minority did positive effects lead to a net gain in annual revenue.

The employment impacts of the crisis were widespread but diffuse. The impacted firms employed on average 11% fewer full-time, 6% fewer part-time and 36% fewer casual employees. The key sectors for these job losses were hospitality, business services, recreation and culture and manufacturing. There was a tendency as the crisis progressed for a 'casualisation' of the workforce with, for example, part-time jobs substituting for full-time employment. Many of the employment impacts were low profile ones, such as the non-reengagement of seasonal labour, losses of casual employees and the reduction of staff working hours.

Finally, turnover changes were common among impacted firms and this often had a profound effect on their end of year profit status. Almost three quarters were expecting a negative change in overall profit position. For the year as a whole impacted firms were experiencing an aggregate revenue reduction of 9%. Individual firm losses varied significantly in terms of their scale. On average, individual impacted firms predicted a mean loss of almost £9,000.

5 SUPPORT AND COPING STRATEGIES OF NON-FARMING BUSINESSES

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5.1 Introduction

The Foot and Mouth outbreak revealed much about the operation and coping strategies of micro-businesses. Drawing upon the survey and case study research findings introduced in Chapter 4, the current chapter explores how impacted businesses responded and attempted to cope and focuses attention on the use of advisory sources and aid measures during the outbreak. It culminates by considering the implications for business recovery.

5.2 Overall Pattern of Coping Strategies

Micro-firms negatively affected by the FMD crisis adopted a wide range of responses (Table 5.1). The most common responses - each adopted by more than a third of the impacted firms in the November survey - were: household members working longer hours; business owners taking a smaller wage; the cancellation or postponement of investment; and a reduction in staff working hours. As Table 5.1 reveals, many other responses were adopted too. In part this demonstrates the considerable adaptability of these very small firms. For many, though, drastic steps had had to be taken: for example, a fifth had laid off staff and a quarter had drawn on personal savings. A few had gone as far as temporary closure or seeking to sell the business.

Table 5.1: Negatively impacted firms and their coping responses

Coping responses	November survey (% impacted firms) n=72
Household members working longer hours	40
Take smaller wage	39
Cancel or postpone investment	36
Reduce staff working hours	35
Increase marketing/advertising	32
Cut back household spending	30
Spend business reserves	30
Cancel or postpone plans to expand business	29
Decrease marketing/advertising	27
Renegotiate existing loans	27
Spend personal savings	26
Take out new loan	21
Layoffs/redundancies	21
Not taking on seasonal/casual staff	17
Change strategy	16
Household member looking for job	14
Temporary closure	9
Ask staff to take holidays	7
Increase staff working hours	6
Attempt to sell business	3

N.B includes responses tried

This was the position that impacted firms had reached after nine months of the crisis. As Table 5.2 shows, however, there were certain steps that firms took mainly early on in the crisis if they were likely to do so at all. These included the cancellation or postponement of business plans or investment, household members working longer hours, reducing staff working hours and making layoffs or redundancies. Such responses were adopted fairly quickly by sizeable proportions of impacted firms. This reveals the immediacy with which many micro-businesses can change their plans, investment intentions or staffing.

Table 5.2: Negatively impacted firms and coping responses over time

Coping Responses	April survey (% firms) n=56	November survey (% firms) n=72
Renegotiate existing loans	16	27
Take out new loan	12	21
Temporary closure	3	9
Attempt to sell business	0	3
Household members working longer hours	30	40
Cancel or postpone investment	39	36
Reduce staff working hours	32	35
Cancel or postpone plans to expand business	30	29
Layoffs/redundancies	27	21

As FMD progressed and the crisis became prolonged, firms broadened and shifted their coping responses. As Table 5.2 also shows, certain types of response became much more prevalent, including the renegotiation or taking-out of loans, and the temporary closure or sale of the business. These were the sorts of responses that increasing proportions of firms had to adopt as the crisis continued to bite.

For most of the affected firms, the longer the crisis lasted the deeper the impact. So it is not surprising to find most of the same prevalent responses displayed, but with even greater salience, by the high impact firms, as shown in Table 5.3.

Table 5.3: Contrasting coping responses of low/medium impact and high impact firms, November survey

Coping responses	% of low/medium impact firms (n=36)	% of high impact firms (n=25)
Take smaller wage	28	61
Cancel or postpone investment	28	56
Cut back household spending	6	52
Reduce staff working hours	19	48
Cancel or postpone plans to expand business	25	46
Spend personal savings	11	44
Spend business reserves	22	39
Take out new loan	11	39
Renegotiate existing loan	19	38
Household member looking for job	3	33
Layoffs/redundancies	14	33
Attempt to sell business	0	9

Only responses showing a strong differentiation between the two groups are shown

The Table contrasts the spread of certain coping responses between low/medium impact and high impact firms. It emphasises two sets of responses:

- those responses that were much more pronounced for the high impact firms, including taking a smaller wage from the business, cancellation or postponement of investment, reducing staff working hours and renegotiating loans; and
- those responses that were largely particular to the high impact firms, including cut back household spending, spend personal savings, take out a new loan, household member looking for a job and attempting to sell the business.

This clearly reveals the sorts of additional responses that firms were having to take where the crisis was biting deep. The mean year-on-year

loss in revenue due to FMD for the high impact firms was £34,000, or 43% - hence their rather desperate efforts to realise liquidity.²⁸

Figure 5.1 summarises many of these findings showing the escalating responses of impacted firms, over time and with increasing severity of impact. The ‘early responses’ cover a range of predominant steps taken by firms in the very early stages of the Foot and Mouth crisis.

Two of them - reduced staff working hours and layoffs or redundancies - came to figure more exclusively amongst the responses of the high impact firms. The others - the cancellation or postponement of investment or expansion plans and household members working longer hours - assumed wide salience as the crisis progressed.

The ‘later responses’ (the middle column in Figure 5.1) cover the predominant steps taken throughout the crisis especially by the low/medium impact firms seeking to weather the effects. As well as recourse to household members working longer hours and the cancellation or postponement of investment or expansion plans, these steps included the owner taking a smaller wage from the business and spending business reserves.

Finally, there is the ‘higher impact responses’ covering the predominant responses that high impact firms had to take. As well as all the above steps, these additionally included a household member looking for a job, the renegotiation or taking out of loans, spending personal savings, and cutting back household spending.

²⁸ In contrast, the mean annual revenue drop of medium impact firms was £7,800 or 6%.

The pattern of responses was thus very complex varying between firms and over time and with the severity of impact. Although this was a commercial crisis, as we have seen, the responses were not confined to the businesses. Indeed, the FMD crisis reveals the inadequacy of viewing these small businesses as self-contained entities. The specific responses can be classified according to whether they were strictly business oriented, or alternatively household or employment oriented (see Table 5.4).

Table 5.4: Classification of coping responses

Coping responses	
Business	Cancel or postpone investment Increase marketing/advertising Spend business reserves Cancel or postpone plans to expand business Renegotiate existing loan Decrease marketing/advertising Take out new loan Change strategy Temporary closure Attempt to sell business
Household	Household members working longer hours Take smaller wage Cut back household spending Spend personal savings Household member looking for job
Employment	Reduce staff working hours Layoffs/ redundancies Not taking on seasonal/casual staff Ask staff to take holidays Increase staff working hours

Among medium/high impact firms some 79% had adopted one or more business-oriented responses; some 74%, one or more household-oriented responses; and some 35% one or more employment oriented responses. The responses are not actually exclusive between types. On the contrary, they are often inter-linked across types (e.g. not taking on seasonal/casual

staff and household members working longer hours). There is thus a great deal of overlap between the types (Table 5.5).

Table 5.5: Medium and high negative impact firms: combinations of strategies

Strategy type	% firms adopting (n=43)
Business only	12
Business and household	40
Business and household and employment	26
Other permutations (including nil strategies)	23

In the following three sections, we examine in turn business oriented responses, employment oriented responses and household oriented responses. It should be borne in mind that typically these were not pursued in isolation from one another.

5.3 Business-Oriented Coping Responses

Table 5.6 summarises the business-oriented coping responses of negatively impacted micro-businesses as reported in the April and November surveys. The March 2001 survey by Northumbria Tourist Board also explored the actions taken by hospitality businesses as a result of FMD, and Table 5.7 lists the actions taken by those businesses that had suffered a drop in turnover.

Cost cutting

An initial response of many firms was to cut costs wherever they could. For many this involved reducing staff hours, laying off staff or not taking on casual or seasonal staff, in an effort to cut their wages bill (see Section

Table 5.6: Negatively impacted micro-businesses and their business-oriented coping responses, April and November 2001

Coping responses	April survey (% firms) n=56	November survey (% all impacted firms) n=72	November survey (% high impact firms) n=25
Cancel or postpone investment	39	36	56
Increase marketing/advertising	13	32	36
Spend business reserves	-	30	39
Cancel or postpone plans to expand business	30	29	46
Renegotiate existing loans	16	27	38
Decrease marketing/advertising	-	27	28
Take out new loan	12	21	39
Change strategy	-	16	17
Temporary closure	3	9	9
Attempt to sell business	0	3	9

N.B includes strategies tried

Table 5.7: Negatively impacted hospitality firms and their business-oriented coping responses, March 2001 (NTB survey)

Actions taken in March	% firms (n=70)
Use financial reserves	46
Investment plans postponed/cancelled	40
Cut back maintenance	33
Reduce orders to suppliers	30
Reduce advertising	29
Discounted prices	23
Temporary closure	17
Renegotiate loan/mortgage	13
New loan	11
Increase advertising	11
Limited entry/access	10
Cancel events	10
Reduce opening time	6
Cut back staff training	6

5.4). Table 5.7 shows the range of other cost-cutting measures adopted by impacted hospitality firms in March. Running costs were reduced by cutting back on restocking and on advertising. Other responses involved temporary or partial closure and the cancellation of events. Non-urgent expenditure - on upkeep and repair - was postponed or shelved. In this way firms sought to save on their variable costs, to bring their expenditure more into line with their reduced revenues.

As this kind of belt-tightening continued through into the summer, there were signs with some firms that it was beginning to alter longer-term attitudes. Some of the micro-businesses explained later in the crisis how they were now adopting a more cautious business outlook. One retail owner, for example, described how the business's ordering cycle had been disrupted. When FMD struck he had already stocked up most of his product lines in readiness for the summer season, which later on meant cash flow problems and difficulties in paying for advanced supplies. Foot and Mouth therefore altered the owner's approach to stocking, introducing a new conservatism:

“It's made me a lot more wary about pre-ordering stock. I really think about do I need this product at the time ... I've run with the stock that we've got this year when I would normally take a chance on certain things”.

Specialist retailer, moderately rural

Investment activities and plans

Another primary coping response adopted early by firms involved the arresting of ongoing and future investment. FMD therefore not only affected their short-term financial position but also their short and medium term plans. Thus 39% of affected micro-businesses in April

(36% by November) had cancelled or postponed investment. One hotel owner explained how she had called a halt in the middle of long planned work to improve and extend her premises:

“It was March, leading up to Easter, it was just awful. We were in the middle of building work and we just stopped everything because a) we didn’t know if it was worth carrying on; b) we needed to tick over to pay for the building work as we were doing it; and c) we didn’t know if we had a trade left over at the end of it ...Thinking back we should have bashed on with the building work, but we just did nothing but mope”.

Hotel, very remote rural

In many other cases, a great deal of basic maintenance and refurbishment was simply put off indefinitely as part of an effort to reduce any outgoings that were not immediately essential.

“Try not to spend so much ... There might have been some tacks you would possibly have replaced and we haven’t done that. Just little things that you thought ‘right we can do without that for a little while’ ... We would have liked to have done a lot more outside but it has kind of come to a stop”.

Riding School, very remote rural

“When the business is going well in general haulage side you buy sheets for sheeting loads, buy ropes, you renew your straps, renew paint work ... just didn’t do anything of that. Kept the maintenance down to an absolute minimum. Parts were only put on if they were desperate”.

Livestock haulier, moderately rural

Owners were conscious that they were running down their premises, stock and equipment, and storing up expenditure requirements for the future:

“There has been no capital expenditure this year. We haven’t done a thing. We’ve actually got an overdraft now which we never had. ... Not talking huge amounts but it’s sufficient. It’s the cream on the top that would have helped us refurbish this which would have lasted 10 years ... We haven’t been able to do certain jobs that we wanted done. Refurbishments and things like that. We just haven’t spent any money. We need some new windows replaced. ... All the seating down here we were going to do. Next year I was going to replace the bay window ... Now that will be the year after”.

Public house, remote rural

Owners also realised that their efforts to slash their immediate costs might be damaging to the future of the business. Indeed, many affected owners had consciously downgraded their future expectations for the business. 30% of impacted micro-businesses in April (29% in November) said that they had shelved plans to expand.

Business and financial strategy

By November 16% of affected micro-businesses had altered their business strategy in order to cope with the crisis. A livestock haulier, for example, had extended the general haulage side of the business and had diversified into providing storage space. A pub owner had introduced new menus. A riding school had tried to be more flexible in attracting customers:

“There is nothing you can do apart from try to generate more business. But what else can you provide? We try to accommodate what anybody wants ... to do things that you wouldn’t normally have done. ... Maybe doing a night time where I never used to do that. But just to get a few extra customers”.

Riding school, very remote rural

One business had discussed a range of contingency plans should the impact of FMD have persisted. The owners felt the need to raise the profile of the business and for the first time they produced and distributed a brochure. Some firms were thus able to respond creatively to the crisis. This was less possible for many of those more deeply embroiled.

This divide between firms adapting creatively to the crisis and those struggling to survive is reflected in the different stances taken towards marketing. Whereas 32% of impacted firms increased their marketing efforts, 27% decreased theirs even though knowing that this might damage their future business:

“How can we get more people in? Apart from advertising ... how can you afford to spend on the advertising if you're not getting money in? It's a vicious circle. You've got to advertise to say that you are still open”

Riding school, very remote rural

“You can't do the things you would have liked to have done. Things have got to come to a halt. One thing that's had to suffer is advertising. Its counterproductive I know that. But I would have to borrow money to advertise in certain places ... I won't go into the red. I will just cut my cloth according to my needs”.

Bed and Breakfast, remote rural

Of critical importance was the extent to which firms were running out of liquidity. Already in March, 46% of impacted hospitality firms reported that they were drawing on their financial reserves. By November, 30% of impacted micro-businesses were likewise reporting that they were spending their reserves. For those that had had to be doing this for an extended period of time the situation was becoming precarious. Some 38% of the high impact firms had renegotiated existing loans and 39% had taken out new loans. This was a very hard step for some business

Box 5.1

Craft manufacturing business, moderately rural

This craft business, run by a husband and wife partnership, has been operating for over 10 years serving tourism outlets throughout rural Britain. Foot and Mouth had a devastating effect to the extent that the business has had to relocate and the owner is now looking to close it down. The effects of Foot and Mouth were felt initially in relation to restrictions accessing the premises of a small number of customers, but it was immediately apparent that there would be serious repercussions for the business:

“The first couple of days it was just, you know its where we’re living. And its on the news. ‘Oh God this is bad news for the North East’. Then it dawned on me this really did have a business implication when I had a phone call from one of our customers saying we are in a Foot and Mouth area, don’t deliver your order to us ... That one telephone call made me think, ‘oh, yes, this is about us’”.

Subsequently orders began to dry up due to fewer visitors to tourism business customers. This came at crucial time in the business’s annual cycle:

“On our cycle ... most of our customers are taking their first orders of the year in Easter. Then they may reorder in June, July, August ... It hit at a key time. We had orders on the books. But normally the orders we have on the books maybe account for about 50% of our orders at that time of the year. The other ones coming in, ordering in March for delivery in April, May. Dead, nothing, nothing, nothing ... Customers who bought from us consistently for 10 years, suddenly weren’t placing orders”.

The owner and spouse stopped drawing an income from the business and both took new part time jobs. Any income that came into the business went to paying the bills, the strategy being to stop any increase in their overdraft and to repay a business loan. Plans for new product designs were cancelled. After an initial period of holding on, the business was forced to relocate to an emergency office within a friend’s business, highlighting the importance of established business relationships:

“The District Council gave us the two months rent holiday which bought us a little time, that was important. So we then started making contingency plans. ... We sort of earmarked the option of moving here as a fall back option if the business didn’t start picking up sufficiently again for us to be able to handle the rent level. ... Basically although we did get some orders coming through, it was no way near the level that gave us any confidence about staying, so hence the move to smaller premises”.

owners who were resistant to the notion of going into debt. Other firms were already heavily indebted and were unwilling or unable to go any

deeper. For a few the losses they were sustaining were such that they had decided to close down (Box 5.1).

Use of advisory sources

Impacted firms approached a wide range of advisory sources (Table 5.8). Compared to the situation in April, by November more business owners had sought advice or help and from a wider number and range of sources. In April, family members had been the most prevalent source of advice followed by friends and the local authorities. By November, it was the local authorities that had become the most used, followed by family members and Business Link. Thus in the early stages of the outbreak many business owners relied on informal sources of help and advice. As the outbreak progressed more and more turned outwards to formal sources of advice and support. To differing degrees these could provide information on FMD-related restrictions (e.g. Local Authorities and

Table 5.8: Sources of help or advice used by negatively affected firms

	April survey % of affected firms (n=54)	November survey % of affected firms (n=72)
Family members	35	36
Council/local authority	33	47
Friends	33	32
Tourist Board	25	19
Accountants/financial advisers	17	32
Banks	17	28
MAFF / DEFRA	17	24
MP	14	9
Tax Helpline	12	-
Federation of Small Businesses	11	13
Business Link/BAC	10	35
Chamber of Commerce	8	13
Trade association	6	13
Other business owners	-	29

DEFRA), financial and business advice (e.g. accountants, banks and Business Link) and access to relief measures (e.g. Local Authorities and Business Link). The greater the impact on the business, the more marked was the tendency to turn to these formal sources (Appendix Table A2.14). Also the larger the firm the greater the tendency to turn to sources of business advice of any type (Appendix Table A2.15).

Business Link is the main publicly promoted channel for business support. A common criticism is that normally it tends to neglect the needs of micro-businesses, particularly rural ones, and concentrates more on the larger and growth-oriented SMEs (Lowe and Talbot 2000). However, Business Link was cast to the forefront in the FMD crisis in delivering emergency advice and recovery schemes that were widely publicised. Even so, the large majority of impacted firms - including the high impact ones - did not approach Business Link. Some relied on their familiar sources of advice, but the lack of recourse to Business Link also reflected two chronic causes of low take-up of formal support by rural micro-businesses. One is the practical constraints facing small firms in accessing support. The other is a general scepticism and lack of awareness among many micro-business owners about the value and relevance of business support to their needs, linked to a tendency to fall back on internal or household coping responses:

“I can never afford to pay an adviser ... My business has grown now. When I had one bus and I was myself I had time to see people and time to do things. Now I’m here to 11 o’clock at night from 6 in the morning ... me works me life basically ... I know you should make time, but is the advice worth the loss in business when you’ve lost so much? I’ve gotta find a driver to cover for me while I gan and see somebody or if somebody comes out”.

Coach firm owner, slightly rural

“And they keep always having these seminars to kick start the economy. And they’re all in Durham ... And they are always in the middle of the summer at lunch time, peak time. They don’t think about little businesses. Most people in this sort of business work in the business. They are not managers, or owners with managers. They are people that are hands on. We should be having all our seminars in the winter ... You can’t just walk away because you lose money”.

Hotel owner, very remote rural

Some firms, though, were induced to approach Business Link for the first time, particularly in the hospitality sector. However, businesses with prior experience of Business Link before FMD (as indicated by the CRE baseline survey of micro-businesses) were more likely to contact the organisation (48% of those with prior experience, compared to 28% without). This meant that some of the established biases within Business Link coverage - such as towards certain sectors - were perpetuated (Table 5.9).

Table 5.9: Sectoral breakdown of firms using Business Link

Sector	% impacted firms in sector approaching BL during FMD outbreak (n=73)	% firms in sector that had approached BL before FMD (n=1294)
Business services	57	40
Recreation/culture	43	55
Hospitality	35	19
Manufacturing	33	46
Land based	29	23
Retail	29	22
Other sectors	22	27
All sectors	34	29

Firms using Business Link were more likely to have approached other sources of assistance than non-users. This is what would be expected given the signposting of businesses between support services. But also there was a group of severely impacted firms that was particularly proactive in trying a range of support avenues.

Equally, firms that had approached outside sources of advice and support were also more likely to have implemented various other coping measures. This suggests that those firms which were more proactive in responding to problems tended to be so on a number of fronts. In contrast, it is striking that for those negatively affected firms which had consulted either no one or only informal sources (family, friends or business contacts), the adoption of various measures tended to be very low. This was the case for a quarter of medium/high negative impact firms and suggests that there was a small group of affected firms who were inclined to muddle through on their own.

The use of a broad range of coping responses may also be a reflection of the external advice obtained. Among the medium and high negatively affected firms, users of public business support (such as Business Link) were far more likely to have cancelled or postponed investment or expansion plans, cut household spending, decreased marketing and advertising, renegotiated loans and, in particular, made layoffs and redundancies. In contrast, certain steps - such as the spending of personal savings or business reserves, drawing a smaller wage from the business or taking out a new loan - were adopted more or less equally by users and non-users of public business support.

Other major sources of advice were the banks, accountants and financial advisors. These figured prominently amongst medium and high impact firms and, not surprisingly, amongst firms that had renegotiated or taken out new loans. Not all the firms regarded the attention of the banks as welcome or particularly sympathetic, but taking on their strictures was unavoidable where firms needed a new loan or overdraft facility.

Finally, collective forms of support - such as the Chamber of Commerce or trade associations - were not prominent amongst the sources of help to which firms turned. These are often regarded as remote from the needs of rural micro-businesses. What was striking, though, was the extent to which firms gained advice from other business owners. This was true of 29% of affected firms in the November survey, including 50% of high impact firms. The FMD crisis was a common experience for many neighbouring businesses, their customers and suppliers. For some this sense of “we’re all in the same boat” had the effect of drawing them together. In some instances this has led to the forging of new business alliances (see, for example, Box 5.2).

Box 5.2

Northumbria Larder

The North East has relatively few speciality food producers and only a very small number of farmers are engaged in processing activity or direct sales. Prior to FMD, farmers markets were a growth area, with networks existing at both regional and national levels. This represented a critical trading opportunity for many producers and for some was their only retail outlet.

North East farmers markets effectively closed for the duration of the FMD epidemic, resulting in serious financial losses for all businesses affected. Some of the producers who knew each other through the farmers markets started to discuss their predicament. A core group of seven producers, led by the Northumberland Cheese Company, formed an emergency action group for self-help, which in turn led to the creation of the Northumbria Larder. The latter has now become officially recognised by “Food from Britain” (FFB) as the regional speciality food group for the North East. It has received five-years of funding from FFB and a number of other sources. The group was officially launched at the pioneering Northumbria Food Festival held in the Baltic Square, Gateshead, over Easter weekend 2002. Membership has grown rapidly to more than 35 North East small-scale speciality food producers/processors. Since FMD, North East farmers markets have recovered and continue to grow. There are now 14 farmers markets operating in the region, forming a major outlet for Northumbria Larder products. The group’s long term business plan is to expand beyond farmers markets, to develop supply chain linkages and eventually penetrate the major retail sector.

Uptake of aid schemes

A number of aid schemes were available for firms hit by the FMD crisis. Table 5.10 gives details of the take-up by affected firms in the survey. The most popular schemes, in descending order, were rate relief, business recovery grants and the deferral of tax payments²⁹. For each of these the majority of applicants had been successful. The other aid schemes were much less popular, notably business rate deferral, business rate appeal and the Small Firm Loan Guarantee Scheme (whose rules were relaxed by the Government).

Table 5.10: Applications to business aid schemes by negatively impacted micro-businesses (n=73)

<i>Assistance</i>	<i>Total Applied</i> %	<i>Proportion</i> <i>Successful</i> %
Business recovery grant	16	67
Business rate relief	30	60
Business rate deferral	3	50
Business rate appeal	5	50
Deferment of tax / VAT/ NI	10	100
Small Firm Loan Guarantee Scheme	3	0

Whereas the tax deferral and business rate measures were aimed at giving short-term relief, the Business Recovery Fund was aimed at medium-

²⁹ Within the GONE survey firms who had experienced a negative effect from the FMD outbreak were also asked to rate the expected helpfulness of certain forms of assistance to their type of business. Business rate relief was ranked the most helpful form of special business assistance, with 30% of firms rating it very helpful or moderately helpful. Next were a business development grant, specific help for tourism and deferment of tax (all 28%). An interest free loan was considered very helpful or moderately helpful by 25% compared to a secured loan (16%) or Small Firm Loan Guarantee Scheme (16%).

term recovery. In the North East region, the Business Recovery Fund was administered by Business Link on behalf of the Regional Development Agency, ONE North East. Grants were available under four schemes to firms which could demonstrate they had been severely affected by FMD. These were an interest relief grant, available to firms that had secured a commercial loan³⁰ for development and restructuring as a result of FMD (maximum grant £7,500 per business); a marketing grant (maximum £7,000); an investment support grant (maximum £5,000); and a business improvement grant (maximum £6,000). The total number and value of grants made under the four schemes are shown in Table 5.11.

Table 5.11: FMD business recovery grant approvals

	Number of applications approved					Value of grant approved (£)
	Durham	N'land	Tees Valley	Tyne and Wear	Total	
Interest relief grant	6	14	3	4	27	68,000
Investment support grant	99	179	7	15	300	550,400
Marketing grant	104	171	12	9	296	1,251,300
Business improvement grant	120	169	32	19	340	1,417,300
Total	329	533	54	47	963	3,287,000

Source: ONE North East

N.B. Businesses could apply for more than one grant subject to a maximum payment to a business. The marketing grant and investment support grant closed in August and September 2001 respectively. The interest relief grant remained open until December 2002 due to the securing of ERDF match funding. Business Improvement Grants were launched with the second round of the Business Recovery Fund and were available between October 2001 and March 2002. The figures in the Table present the picture as of 4/4/02.

Most of the firms who applied for support under the Business Recovery Fund were successful, and beneficiaries spoke highly of the scheme. One

described a business adviser as having been “a fantastic help”. Through the contact he was able to secure an advertising grant and money to upgrade some buildings:

“Obviously the grant helped. Obviously the advertising - that I would normally do and have to pay out from my own pocket - because that was paid for by the grant, was tremendous. Which enabled me to advertise. Otherwise I wouldn’t have been able to do it”.

Recreation business, very remote rural

Another business owner was particularly pleased to have received a business development grant and described very favourably the role of a Business Link adviser in facilitating the application process. The owner had almost not applied, thinking the scheme was meant for bigger businesses, but was encouraged to do so by another business owner:

“I was quite amazed. ... Somebody is giving me something and I didn’t have to battle for it. ... I said to them I really need help, I really don’t know how to go about this. And he came and saw me and helped me fill in the forms. It didn’t cost me anything ... It was quite easy. He was great, he really was ... I wouldn’t have done it on my own and I’m sure I wouldn’t have got the grant if I’d tried to get it on my own”.

Bed and breakfast, remote rural

Most of the negatively impacted firms in the survey, though, had not applied to the Business Recovery Fund. However, there had been aborted attempts to obtain aid and there was some criticism of the scheme. Some business owners felt they had fallen through the gaps of the support framework. Two significant groups were ineligible due to EU state aid rules: the transport sector (including road hauliers) and agriculture and fisheries (including food processors), although some

³⁰ Including under the Small Firms Loan Guarantee Scheme.

other land-based activities were eligible. One timber haulier, for example, had explored several forms of advice but felt let down. He had been in touch with Business Link but found that his business was ineligible for support due to European law:

“Business Link were helpful [in providing phone numbers], but more or less said there was no help in other ways, in any sorts of grants to help you get through ... Its all linked around Brussels and transport ... apparently it comes from Brussels ... The bottom line is people need money now and it the nuts and bolts, the heart of the business and we’re not getting any help ... I’m just looking for direction of ‘yes there is help and this is the way its going to be’. ... I’ve phoned Business Link, I’ve phoned One North East. They might as well not exist as far as I’m concerned”.

Timber haulier, very remote rural

The owner of a coach firm argued:

“Basically there isn’t anywhere for us to gan for help, basically we sink or we swim. Ye nah, its just a hard fact of life. We either gan to the bank who carry your money or we go down the pan, your house is sold”.

Coach firm owner, slightly rural

The Business Recovery Fund was also criticised for what it did and did not cover. Firms that were simply looking for compensation for losses or emergency aid or soft loans to cover trading deficits were disappointed as these went against the scheme guidelines from government. Thus only four of the 13 high impact case study firms had applied for a business recovery grant (with two successful). Most had turned instead to conventional forms of financial support. Eight, for example, had obtained an extension to their bank overdraft facility with five of them having to use this. In addition two firms had secured a deferment of VAT payments, one a waiving of bank charges, one a council grant, three rate

relief, one deferment of home mortgage payments, one rent relief and one a holiday on Pay As You Earn payments.

Conversely, a few owners were critical of one element in the scheme - the interest relief grant - which did suffer a low take up (see Table 5.11). This was a grant scheme for businesses that had secured a commercial loan to redevelop. One business owner described the scheme as a “spade with which to dig ourselves a bigger hole”, arguing that it demonstrated:

“A complete lack of understanding of the reality that certainly small businesses were facing, where you have no logical basis for making investment plans for the future. To be offering people the chance to be taking additional loan commitments was completely inappropriate”.

Some businesses were dissuaded from applying to the Business Recovery Fund given the perceived management time needed in doing so, notably in producing financial accounts outside of normal accounting cycles and particularly at a time of such difficulty:

“By the time you got all your books together, it was going to cost you as much ... You had enough on your plate at the time without having to go to the accountant ... so we felt it wasn't worth it.”

Riding school, very remote rural

Applications did not actually require full audited accounts, but they did need to demonstrate a loss of turnover and profits. This required the last full set of accounts as well as sales figures for the equivalent months in 2001.

Finally, the Business Recovery Fund was criticised for being limited. Some latecomers to the scheme found that the funding had run out (but a second phase of grants was launched in October). This led some to question the priorities and criteria for dispersing the money. More generally, several business owners challenged the policy emphasis upon supporting farming, and others the emphasis on tourism, to the neglect of other rural businesses. The owner of one firm, for example, having explored the full range of support available, was particularly angry: in comparison to farmers he felt they had been “hung out to dry”.

5.4 Employment-Oriented Coping Responses

While many firms moved quickly to lay off staff, reduce staff hours or not take on casual or seasonal staff, others were reluctant to do so, at least with certain staff members. The indications from the March and April surveys are that layoffs were mainly done early on, if at all. Overall, 29% of impacted firms with employees resorted to layoffs or redundancies. Not taking on casual or seasonal staff was also an early response. Foot and Mouth hit in the run-up to Easter when many firms would normally be taking on extra staff. Overall, 24% of impacted firms with employees did not take on seasonal or casual staff. In contrast, reducing staff working hours was a response that firms increasingly took as the crisis dragged on. It would seem that many firms thus have a core of staff that they could not or would not release. In the end, though, 42% of impacted firms with employees had had to reduce staff working hours, and 8% had asked staff to take holidays.

Table 5.12: Negatively impacted firms and employment-oriented coping responses, March, April and November 2001

Coping responses	Impacted hospitality firms	Impacted micro-businesses			
	March survey (% impacted firms) (n=70)	April survey (% impacted firms) (n=56)	November survey (% all impacted firms) (n=72)	November survey (% high impact firms) (n=25)	November survey (% impacted firms that were employers) (n=55)
Reduce staff working hours	20	32	35	48	42
Layoffs/redundancies	24	27	21	33	29
Not taking on seasonal/casual staff	31	-	17	13	24
Ask staff to take holidays	-	-	7	8	8
Increase staff working hours	-	-	6	6	4

N.B. Includes strategies tried
NTB survey and micro-business survey

For many businesses the decision to lay off staff was taken with great reluctance. In fact there are signs that some businesses were carrying staff despite there being less work available. Firms would not let go skilled staff on whom the business depended. Thus in one business some staff were re-deployed on ‘other jobs’ in order to keep them occupied:

“At the moment I’ve got three lorries parked up since February. I haven’t actually paid the drivers off. What I’m doing ... there is a big shortage of quality drivers. At the end of the day if I lose them drivers, when things do pick up I need them there. I haven’t been paying them full wages obviously. But they’ve been doing jobs in the garage, cleaning this, cleaning that, painting trailers that’s standing, things like that. Because I can’t afford to let any drivers go and come to the situation where the work picked up but I haven’t got any drivers ... I didn’t particularly want to say to my young’uns after spending, well to put them through their tests £4000 say and a lot of training, to say ‘well I’m sorry Foot and Mouth is pretty bad you’re out of a job’. Because not only will they obviously have to look for

another job. They are not going to sit and wait for the Foot and Mouth finishing – its the cost of the training. If I have to start that again, well I just couldn't do it at this time”.

Timber haulier, very remote rural

Many employees within micro-businesses are family members who would not be made redundant. Similarly, non-family employees may be very well established within the business, having worked there for many years and being seen as indispensable. Indeed they too are often treated as family. One business owner explained how in the bleak early weeks of the crisis they had held on to their employees and were able to do so by not paying themselves wages and by dipping into their personal savings.

Another business owner explained that staff needed money as much as them, that they shouldn't “pass the buck” and, most important of all, they were considered family friends. At one point the owner chose to take time off rather than reduce staff hours. There had also been compensating effects. Most staff tended to work on the busier weekends which left the owners more or less on their own during the quiet time in the week. Similarly, for periods some employees had been unable to get to work through being confined on farms, which meant welcome additional hours for other staff.

As the crisis became prolonged, many impacted businesses reduced staff working hours (35%) or encouraged them to take a holiday. In some cases there was a progressive ‘casualisation’ of labour with staff working less regular and more flexible hours as and when necessary. For example, the owner of a riding school explained how normally they employed a full-time employee in the summer and another on a casual basis throughout the year. Because of Foot and Mouth they had not taken on

the normal full-time member of staff. The other employee has been on reduced and more casual hours:

“She is very good, just grins and bears it. There’s nothing she could do. We tried to give her more hours. But there is only limits to what you can do. And if there is no work then she just goes home”.

Riding school, very remote rural

Similarly, the casual and part-time staffing of a rural hotel was influenced significantly. The main helper in the hotel who had worked in the business for a period of 23 years was dropped from a full-time to a part-time position in the early days of the crisis. The other two casual staff that the hotel usually relied upon were simply not asked to come in. The owner said that they worked for “pin money”, and it was understood that the business would “pick them up and put them down” as and when they were required. Eventually business did pick up for the hotel and the casual staff were able to make up the hours they had lost earlier in the year.

Several business owners explained that workers had generally understood that reductions in hours or wages were very much out of the business’s control.

“All the lads that were on the livestock side were told if things didn’t pick up shortly they would be out of a job. And it would be last in, first out. ... Decision was taken literally after we were taken out by Foot and Mouth and things were going down hill rapidly fast. ... Some said get rid of me first, let the lads with kids, wives. Another offered to take a holiday. We did, we paid them later ... Everyone understands what the issues are”.

Livestock haulier, moderately rural

“Reduced the wages, they’ve accepted that, they’re just getting peppercorn wages, just more or less keeping them going. The decision had to be made. It wasn’t made straight away. They were on basic wages for two months. ... They’ve been very good. They’re sensible lads, they’ve appreciated that it’s completely out of my hands. Any sort of wage at all they know it’s a cost to me, so they’ve been tremendous, they’ve helped me as much as possible. Alright they might say well ‘we won’t take any wages’, but unfortunately life isn’t that easy, they’ve got things to pay for as well as me”.

Timber haulier, very remote rural

However, in not all cases could firms hang on to staff. In one case study business two employees had resigned because of the lack of overtime work.

For some businesses, members of staff lived on farms which introduced its own tensions and practical difficulties during the outbreak. This was often the case for agricultural support and land-based businesses. For one livestock haulage business, for example, the livestock cull was a particularly difficult time for several employees. Many had had to contend with the anxiety and sense of loss through the spread of the disease and of animal culls on farms where they or their friends and family lived.

One driver had been unable to get home for two weeks due to access and licence restrictions. Another employee who lived on a farm had been prevented from attending work from February through to May by movement restrictions and another had had to miss college for several weeks. Foot and Mouth had also had a major effect on the family and community life of the employees in the firm. One employee described how he had not seen his parents for four months beyond fleeting

meetings at the farm gate. Normal community events such as discos and the young farmer's club had all been cancelled.

5.5 Household-Oriented Coping Responses

Table 5.13 shows the range of household-oriented coping responses. Household members working longer hours seems to be a primary adaptive response to which many very small firms readily resort. This reflects the family basis of many such firms: they often are home-based and family members are used to lending a hand at critical periods. The incidence of this response grew between April and November, in part as household members assistance was substituted for paid employees.

Table 5.13: Negatively impacted micro-businesses and household-oriented coping responses

Coping responses	April survey (% firms) n=56	November survey (% impacted firms) n=72	November survey (% high impact firms) n=25
Household members working longer hours	30	40	44
Take smaller wage	-	39	61
Cut back household spending	-	30	52
Spend personal savings	-	26	44
Household member looking for job	-	14	33

N.B includes strategies tried

The more detailed November survey revealed a range of other household-oriented coping responses. These went beyond the role of the household as a labour reserve, to draw additionally on its finances to support the business through this difficult period. The range of responses - taking a smaller wage from the business, cut-backs on household spending,

drawing on personal savings and a household member looking for a job - covered the spending, earning and savings capacities of households. These steps were taken much more by the firms that were suffering worse, and which were therefore having to go beyond ordinary business belt-tightening. That this was being done because of the extreme situation that some firms faced is shown by the much higher incidence of such household responses amongst firms with high fixed costs (Table 5.15 in Section 5.6).

The ability of micro-firms, particularly household based ones, to mobilise household resources in this way in support of the business is a fundamental feature of their flexibility and resilience. They are able to do this because the divide between the household's and the business's financial and labour resources is often either very weak or permeable. Businesses and households often share the same premises. One telling feature is that there was a marked tendency for household-oriented responses to be adopted where there was a tradition for the business owner/manager to work long hours. This culture of dedication to the business may infect other household members. Even during 'normal' times, household members not formally employed in the business may be called upon to lend a hand in, for example, taking bookings when the telephone rings, or assisting at busy periods, especially at weekends. Household members may thus be familiar with the business as well as being readily available. One business owner explained how they had been able to get by with her daughter's assistance:

“I think we've worked harder ... you just have to. I could have done with someone else to help me in weeks we've been busy. My daughter's helped. ... Whereas I might have had someone else on, I thought oh well, 'can you afford to take that extra

person on?', and you just get the daughter and she would do the extra bits".

Riding school, very remote rural

However, household reserves are not limitless. Several business owners referred to living on credit and hand to mouth. A frequently mentioned response was cancelling or taking a shorter holiday. In this way household expenditure was reduced, but also business owners felt unable to be away for long:

"The wife gets £X and she's watched what she's done with it to be honest. We haven't had any expensive holidays. We had a week away in Scotland ... very nice, had to get the break more than anything. I've curbed, I haven't bought anything ... I've just had to be very careful. But unfortunately the drain on the business, the lorries that's standing, the wages I've had to pay, its slowly just mounting up ... and there's not much I can do about it".

Timber haulier, very remote rural

"We can't do this year what we would have liked to have done. So be it, we have to accept that. ... Going on holiday, we could have had a bigger holiday ... We have to prop the business up at times. ... We really don't know what we've got to face this coming winter".

Bed and Breakfast, remote rural

Some business owners were stretched to exhaustion:

"Really we could have done with another member of staff in here. The funds aren't there. Which is difficult for me because I can't get a day off. I mean a day off. I work 365 days a year. But the thing is its starting to take its toll on me now ... I'm not with it. I have to work twice as hard because I need, I've got to be here ...".

Recreation business, very remote rural

Owners often felt exposed to intense personal pressures. 19% of impacted businesses drew attention to the issue of personal stress. For some this was associated with crippling workloads as owners struggled to manage with fewer staff. For others there were acute financial anxieties and fears for the future, as the bills mounted:

“[Tearful] You don’t know what next, not even next month, you don’t know what next weeks going to bring ... And its up there all the time, 24 hours a day. Which you don’t need on your brain. Its difficult enough to do what I have got to do in here without having added pressure basically. And you’re thinking bank manager, bank manager ... It doesn’t bear to think what the bank may do. And erm [pause] I obviously don’t want to think about it. But you do think about it.”

Recreation business, very remote rural

For others there has been the strain associated with being responsible for staff and their families and of needing to maintain morale.

“Its been a difficult time socially ... The pressures, the things going around in your head. Its bound to take a toll on relationships I mean divent get us wrong, me wife’s been very good. But she looks at me and says ‘Frank, you’re in a dream world again’. I say ‘aye, I’m just thinking like’. That’s the sort of pressure that you can do without ... You go to bed thinking about it man. You shouldn’t have to do that like. I mean I’m not only trying to survive myself. I’ve got 10 drivers there all with mortgages [pause]. ... They’re not particularly wanting me to drill into them every week ‘it’s bad again this week lads, we’ve had a bad week’. Morale would be that low ...I keep it to myself. Betty will tell you that, too much possibly in some ways. ... There is only so much you can say to people because at the end of the day there’s too many negative thoughts going about. So people haven’t been talking as much as they should ... You coming round talking to me has made a hell of a difference to me, somebody else knows the problems”.

Timber haulier, very remote rural

Business owners thus shouldered a great deal of pressure upon themselves, and this tested relationships at home:

“Its like staring redundancy in the face ... Sometimes I’ll gan into the house and nobody will dare speak to us. I’m so wound up and aggressive. And you wake up through the night with different things. You are thinking about it all the time like. I mean I can cope with it, I can live with it. If I couldn’t I wouldn’t be here like”.

Coach business, slightly rural

5.6 Coping Capability

A number of factors influence the potential coping responses which are available to firms and determine their ability to endure crisis. ‘Coping capability’ varied significantly between firms depending on a range of factors such as their structural characteristics, levels of debt and reserves, the experience and knowledge of personnel, stage in business life cycle, access to local support networks and the strength of the firm at the time of the outbreak. Similarly the potential coping strategy repertoire varied according to the available resources, structural characteristics, life cycle stage and dynamics of business households.

In part the capacity of firms to cope has been shown by the experience of Foot and Mouth to also depend on the level of development of what can be termed ‘asset strategies’ (Ellis, 2000). These concern the extent to which a business has strategically invested effort in building natural, physical, human, financial or social capital in order to enhance future livelihood robustness and survival. The outlook of the firm’s owner towards both asset development and risk is also important.

Business assets

Firms which are employers potentially had a greater range of coping strategies available to them, since they were able to choose to decrease costs by cutting back on staffing (Table 5.14). They also arguably had a greater need to implement strategies in order to keep a ‘bigger ship afloat’ and look after staff. Thus the firms with more than one FTE (in addition to the owner operator) were much more likely to have reduced staff working hours, refrained from taking on seasonal or casual staff, postponed investment, changed business strategy and co-opted family members into working longer hours (possibly to compensate for reduced staff hours). For those smaller firms employing one or less than one FTE

Table 5.14: Employees and coping responses adopted (rank in brackets)

	0 to 1 FTE* n= 35 % firms	More than one FTE * n= 35 % firms
Take smaller wage	42 (1)	39 (4)
Increase marketing/advertising	38 (2)	26
Cut back household spending	29 (3)	29
Spend business reserves	29 (3)	27
Decrease marketing/advertising	29 (3)	24
Cancel or postpone plans to expand business	27 (4)	31
Cancel or postpone investment	26	46 (2)
Household members working longer hours	26	51 (1)
Reduce staff working hours	25	43 (3)
Spend personal savings	23	29
Layoffs/redundancies	21	24
Renegotiate existing loans	20	35
Change strategy	11	20
Not taking on seasonal/casual staff	6	26

* in addition to owner operator

(including the self-employed), marketing and spending based strategies have dominated, with an emphasis on reduced or increased marketing, the spending of business reserves and cuts in household spending. Both size groups placed similar emphasis on a reduction of own wages, the use of personal and business reserves and the household spending less. The rank ordering of strategies is markedly different, with the exception of taking a smaller wage out of the business which figures highly for both groups.

Many small rural firms are based on propertied assets: say, a hotel, a village shop or café, a piece of land, riding stables or a fleet of lorries or coaches. The resilience of firms in the Foot and Mouth crisis varied considerably between those firms that fully owned such assets and those which were renting or in the process of buying them. This factor is brought out by comparing the coping responses of firms with low fixed costs, with those with high fixed costs. Impacted firms with high fixed costs (including, for example, rental or mortgage payments on premises, interest or capital repayments on a business loan, or equipment hire charges) had to take other measures than business-oriented ones (Table 5.15). Such costs had to be met regardless of any fall in revenue, while the fall in revenue meant that there was less scope to cut costs to offset reduced income. They were also less well placed to take out new loans because of their existing indebtedness or lack of collateral security. Many of these firms had therefore to go beyond the ordinary belt-tightening or additional borrowing that other firms did, and dig much more into household resources, for example, through household members working longer hours, cut-backs in household spending, drawing on personal savings and a household member looking for work.

Table 5.15: Contrasting coping responses according to level of fixed costs^a

	Firms with low fixed costs % firms (n=27)	Firms with medium/high fixed costs % firms (n=37)
Household members working longer hours	19	38
Cut back household spending	19	35
Spend personal savings	19	30
Not taking on seasonal/casual staff	11	24
Household member looking for job	7	22
Change strategy	22	11

a - Only responses showing clear differentiation between the two groups are shown in the Table.

The age and experience of the firm is also important in determining coping capability. For one pub, for example, there was a sense that the stability and experience of the business had been crucial. The owners emphasised that they had seen trade fluctuate before and survived downturns of various sorts. Foot and Mouth simply presented another type of recession to get through:

“We’ve probably seen it all before anyway haven’t we, with different sorts of recession over the 13 years. There is always something which comes along, just when you think things are going nicely. And then whoops, it hits, and then it all picks up again. And then something else will come along, it always will. ... We are quite fortunate in some respects because we have been here such a long time, we can probably survive. There’s a lot of places where they’ve may be just been in a couple of years, new businesses that have just started, that just won’t be able to survive. We have quite a good relationship with our bank, the brewery and people that would give us the facilities if we needed them”.

Public house, remote rural

A local butcher also explained how Foot and Mouth had been a small shock in comparison to BSE and how the firm had built up a certain

staying power and experience which helped it to weather incidents of this kind. BSE had been a key critical incident and had meant major changes to the business operation:

“BSE was a lot worse than Foot and Mouth because that was literally over night ... You just have to keep a level head and just remember that we have been here for a long time ... just weather the storm ... Every single corner we cut. Cut in wages obviously, cut in stock we held, lighting everything. ... We took our van off the road and sold that ... It was a very, very worrying time and we lost a lot of money ... but most of all we lost our customers”.

Butcher, slightly rural

Household factors

Section 5.5 highlighted the importance of the household in underpinning the coping responses of many micro-businesses. Falling back upon a household labour reserve (whether a spouse or other household members) was a commonly and quickly adopted strategy, while other household resources (notably financial reserves) were additionally called upon by firms facing severe or persistent difficulties.

While the need to fall back on household resources varied according to the effects of the crisis on individual firms, the scope to do so and their access to such resources depended on the circumstances of individual households, business owners and the existing degree of segregation of household and business. These and other factors appear to influence the composition of coping responses. For example, firms adopting only business oriented strategies tended to have a lower level of involvement of spouse or partner in the firm, tended to work fewer hours and to have higher levels of female ownership (see Table A2.16 in Appendix 2).

Firms displaying both business and household strategies were less commonly employers, tended to work longer hours and had a higher propensity for spouse involvement. Firms adopting all three strategy types were commonly employers, worked long hours, had high turnover and a high level of spouse engagement.

It would seem therefore that spouse involvement in the business is central to or indicative of a closer interdependence between household and business, opening up opportunities for household based strategies. The tendency for household-oriented responses to be adopted where the business owner/manager worked long hours could similarly be symptomatic of a less clear division between household and business.

The household income characteristics of business owners was also important in determining firm's coping capability. This relates to the availability of financial reserves, levels of financial security and alternative income sources. One impacted firm, for example, was able to rely on additional 'off-business' income provided by the spouse, which meant the business was able to survive and meet its loan repayments. Another business owner considered things would have been much worse if the household had not already been in a position of relative financial security:

“I think we are lucky in as much we are at retirement age. We haven't a mortgage. Our major expenses have been things in the past. It means this year we'll go through the year paying our bills but come out at the end of the year with no profit for it”.

Bookshop, moderately rural

Community factors

In addition to household resources some business owners were able to draw upon wider support networks within the local community. It has already been seen how some firms' coping responses depended on the ready availability of a local flexible labour resource to be drawn upon and released when necessary. It is clear that many tourism, hospitality and recreational enterprises rely on a local reserve of casual labour. It may, for example, be teenagers or women from the local village who are used to doing casual work when called upon, whether on weekends, or evenings or at the height of the season. Some of these relationships are longstanding. Local firms are able to use this flexibility not only during normal operations but also at times of crisis. The ability of firms to do this depends upon the acceptance by the individuals concerned, and rural communities more generally, of such very casual and informal working practices.

The availability of other local support networks for firms may also have been significant. This varies between firms depending on their degree of physical isolation, the availability of formal business support networks (which are less well developed in more remote rural areas) and in relation to the background and situation of the business owners themselves (for example, whether they are new to the area or have long established informal networks). One business owner, for example, referred to offers of help from friends and highlighted the importance of local connections in coping with the crisis:

“I think it affected me more than Alan. Alan is very laid back. ... I was a bit worried. But, I don't know whether it is a local

thing, but my wife is local to here and Alan is local, but they didn't seem to bother, 'Ah it will be alright'. I had a lot of support from family. Particularly round here people said, you know, if you get into trouble come and see us."

Nursery gardens, moderately rural

Foot and Mouth often had a profound effect on community life and in turn the normal functioning of businesses, support networks and coping responses. This was particularly the case for businesses and households located in the heart of farming communities where there was the added implications for business owners and their staff of access restrictions and of being in communities that felt under siege. For some business owners there were strong feelings of being thrown back on themselves as social and community life shut down. 48% of impacted micro-businesses for example noted that visiting family and friends had been curtailed.

"Socially I've made a point of not going out. I means business wise I've probably had to go here and there. But even in business ... Socially we just haven't been far from this house because of the Foot and Mouth. Because if there is restrictions on my lorries, I look at there should probably be restrictions on every kind of vehicle. ... It's made a very isolated valley, its made it very cold. I mean the lassey who used to deliver eggs on Friday to my house here, she hasn't been since February because she lives on a farm. She might leave the eggs at the road end, but we never get to talk to her ... She used to come into the house on a Friday night and sit and talk to us ... it just doesn't happen ... You're meeting friends down the road possibly now that you haven't seen for 10 months and they're nearly like a stranger to you ... You lose touch you tend to lose track about what people are doing"

Timber haulier, very remote rural

Foot and Mouth also impinged upon established networks and support structures and in so doing reduced the coping capability of some firms. The same business owner was a key participant within a number of local

business clubs. Not only had the clubs not been able to meet, but the impact on his business had also meant that he could not play his usual supportive role:

“I would love to spend more time doing that for the members. At the minute I’m letting them down because of what’s happened this last 10 months. My work loads that much increased in trying to keep the lorries running and the few I’ve got on the jobs I’ve got, that I would love to spend more time helping other members out ... It just gets to the stage you’ve got to switch off like”.

Timber haulier, very remote rural

Some owners felt very isolated and alienated by the FMD crisis:

“You know when you have a war and suddenly everyone feels united and friendly and even people you don’t like are your friend all of a sudden. I never got that feeling. I just got the feeling that people were keeping their heads down and hoping they were going to get through it. There wasn’t a Dunkirk spirit. ... I think there was a lot of resentment of farmers. ... You know we and other businesses were being hit by something that wasn’t anything to do with them, which was a farming problem. The focus of all the attention, all the pity and all the sorrow seemed to go on others.”

Nursery gardens, remote rural

Foot and Mouth has created significant tensions and bitterness in some rural communities and what was described in one case as irreparable damage to relationships which may have implications for future coping and recovery capacity:

“There is no marts on so none of the farmers saw each other. Then the bitching started. Well, this one’s done that and that one’s done this. They shouldn’t be moving that and they should have stayed in without going to the pub. And it was just all sheer frustration ... My Dad and his next door neighbour fell out. They’d worked with each other for years. And it was just

because one was doing things by the book and one wasn't ... It has wrecked not just the farming lifestyle, but the farming communities, the farming relationships. Silage time. One farmer has the round bailer, another has the square bailer, another has the wrapper. So they work together. That won't happen anymore. None of that working together, sharing gear because you can't afford to buy anything else. That won't happen anymore".

In other ways, though, Foot and Mouth brought people together. When things were particularly bad, a Bed and Breakfast owner described spending a lot of time talking with a neighbouring farmer's wife. One hotel owner described a sense of solidarity during the outbreak and how businesses were all in it together. It was described how during a cold and dark power cut at the height of the crisis they, the guests and some neighbours all sat, chatted and ate together in a single room in the hotel. One employee in a haulage firm described how an isolated cluster of farms on the side of a hill worked with and supported one another during the crisis. Undoubtedly, there was much mutual support between business owners having to tackle a common crisis, building on existing - but also creating new - solidarities.

Asset strategies and risk aversion

Asset strategies are closely related to 'risk aversion strategies' involving, for example, contingency planning or a business 'not putting all of its eggs in one basket'. Some firms, for example, have nurtured - and therefore during FMD were able to depend on - intrinsic strengths or points of stability, such as a loyal local customer base or well-established business relationships. During the outbreak a local butcher, for example, had been able to maintain supplies of meat to the business based on the

development of long established good relationships with supplier abattoirs:

“Even when the Foot and Mouth came on, they did look after us ... They look after us favourably because we don’t mess about with payments. ... They get the money every week, I pay on time every time ... we’ve been with them a long time. We’re honest with them ... They probably looked at people like myself and thought ‘Oh, well they’re fair with us, we don’t have any problems, yes we can have anything we can allow, we can supply’, and they did, and we didn’t get let down at all. ... We were rationed if you like on certain things. Not everything was in abundance and prices did fluctuate a little bit. But we never actually ran out of anything. And really over the summer, yes I did see some businesses suffer, but we ourselves never really did.”

Butcher, slightly rural

For other firms the development of a diverse customer base appears to have spread the risk of the business and to have offered a lifeline during the crisis. A haulage firm, for example, described how it was able to shift emphasis from livestock to general haulage, while a timber haulier, having lost its private business, was held afloat by work for the Forestry Commission. A coach firm explained how the business was bolstered by public sector trade despite the loss of its tourism-based custom. A rural pub had successfully reduced its dependency on a seasonal trade and had nurtured a loyal regional customer base.

Other business owners felt restricted in their capacity to execute coping strategies. One shop owner whose business had experienced a downturn in trade argued there was little that could be done to counteract the reduction in business. Additional advertising, for example, was considered to be a wasted effort as ‘people weren’t going to come

anyway'. Another business owner similarly explained his own inability to consider alternative options:

“Nothing we can do. What do you do? You can't go physically pulling people off. Your business is so much in the hands of other people. Its like if a colliery closes down and somebody is making machinery for that particular pit. What can they do? They cannit make that prop or that machinery for a quarry or summit. Its specifically designed. And we were well geared up towards the countryside sort of trips ... I'm not that business oriented. I've tried, I'm basically a bus driver, I'm a hands on bloke”.

Coach firm, slightly rural

Yet another business owner explained that they had unsuccessfully tried to sell some of their capital assets and rationalise their business.

Coping responses of farms and firms compared

Table 5.16 compares the coping responses to the FMD crisis of the surveyed farms and micro-businesses. The 'Farms' column refers to the livestock holdings, all of which suffered movement restrictions whether or not they were culled out. The 'Firms' column is based on those micro-businesses surveyed that were negatively affected, including low, medium and high impact firms.

There are a few striking similarities. The most prevalent response for farms and firms was household members working longer hours. Other prevalent responses for both groups were cancellation or postponement of investment and cutting back household spending. But here the similarities end. The crisis induced a much greater volume of responses amongst impacted micro-businesses than amongst farms, including responses that

few if any farms were considering. For example, a lot fewer farms had to cancel or postpone investment, cut-back household spending, or spend personal savings. This suggests that most had not faced the cash-flow and liquidity problems that impelled many firms additionally to renegotiate or take out loans – steps which very few farms had had to take. Likewise, the farms had had little recourse to layoffs or reductions in staff working hours.

Table 5.16: Coping responses of farms and firms to FMD crisis

Coping responses	Farms (predominantly livestock) (% taking action) (n=62)	Firms (impacted micro-businesses) (% taking action) (n=72)
Household members working longer hours	27	40
Cancel or postpone investment	21	36
Reduce staff working hours	3	35
Increase marketing	3	32
Cut back household spending	19	30
Cancel or postpone plans to expand	0	29
Renegotiate existing loans	5	27
Spend personal savings	13	26
Take out new loan	2	21
Layoffs/redundancies	3	21
Not taking on seasonal/casual labour	25	17

N.B. Includes responses tried. The firms are the micro-businesses in the November survey that had been negatively affected by the FMD crisis.

There are a number of possible explanations as to why the farms exhibited financial distress and crisis responses to such a lesser degree,

despite broadly comparable shortfalls in income³¹. Most of the firms – especially in the hospitality and retail sectors – rely on day to day earnings. Farms do not, and are therefore much less vulnerable to a sudden cash flow crisis if trade slumps in the short term. Both surveys, though, were done in the autumn when firms had weathered the temporary troughs in trade that occurred early in the crisis and the farms had lost the opportunity of both spring and summer sales. For some of the firms suffering induced or indirect effects down business chains, the more prolonged the crisis the more acute their specific difficulties became as farms and tourism/leisure businesses continued to tighten their belts.

A second point is that most of the farms are likely to have had much greater experience of coping with crises than most of the firms. The BSE crisis severely hit the livestock sector in the North East of England, and that was simply the most recent in a succession of farming and food crises. Of course, not all farm businesses survived each of these crises, but those that did have clearly got considerable resilience.

That resilience derives in part from two factors. Firstly, farm families have usually very well developed strategies for the accumulation and conservation of family business assets. Secondly, farmers can face these crises with a degree of confidence that government will come to their aid.

³¹ Superficially, at least, the mean shortfalls of impacted firms and farms were broadly comparable, averaging £16,000 for surveyed firms and £18,000 for livestock farms not culled out.

5.7 Lasting Effects, Recovery and the Future

Recovery

Foot and Mouth continued to have a significant effect on businesses late into 2001. Many businesses were hoping for a good Christmas and 2002 to help them to recover. Although for the majority of impacted firms impact had shown signs of subsiding, for 40% of them impact was still not subsiding in November. For a number of firms it was considered that it would take some years for full recovery.

Recovery and the future impacts of FMD are likely to vary with different sectors. Hospitality firms, for example, have potential to bounce back relatively quickly in comparison to agricultural support firms which will be influenced by ongoing agricultural restructuring and the after effects of FMD for farming. A livestock haulier, for example, was particularly concerned over the situation in 2002 given the now reduced numbers of livestock:

“Nobody knows what’s going to happen. ... You’re just living day by day really. Where is the stock coming from? There won’t be any, will there? There is that many going on the welfare. ... Foot and Mouth will have cleared out 50% of our customers by dangerous contacts or infected premises”.

Of the negatively affected firms 20% reported in November that they had already recovered and there were unlikely to be any other long term repercussions of FMD. 16% thought it would take up to 6 months to recover, suggesting recovery by spring 2002. 19% expected recovery in 6 to 12 months and a further 22% thought it would take between 1 and 2 years. 8% thought it would take longer than 2 years and saw a long haul

ahead. This group included a scattering of businesses with direct or indirect links to farming or tourism including, for example, a public house, coach firm, caravan park, pottery manufacturer, timber haulier, agricultural engineer, farm shop supplier and accountant (serving farms).

Future implications

The impacts of Foot and Mouth have several implications for the future operation of businesses. Most impacted businesses considered they would not recover the losses incurred because of FMD. Instead the immediate legacy for many will relate to additional debt, reduced investment capability in 2002 and disrupted trade and investment cycles. 18% of impacted firms considered they would be paying off additional debts, whilst 40% would be looking to cut costs as a result of FMD. As we have seen, a quarter of impacted firms expected that, end of the year, their position would have been shifted from profit to loss as a consequence of the Foot and Mouth crisis (see Section 4.7). As a consequence, several businesses were now in an unusual position regarding debt: such as having to use an overdraft facility for the first time; or having had to take out a loan; or remaining in the red at the end of the month rather than fluctuating in and out as would be usual.

A third of firms had cancelled or postponed investment, and many more faced a backlog of maintenance, repairs and refurbishment work but were still strapped for cash to do what was needed. Several businesses, especially tourism related ones, referred to a reduced marketing budget for 2002 and of having been unable to build up marketing reserves.

“It will take all next year to get back up ... It might get back to normal next year takings wise but there will still be the shortfall

from this year. So it will probably take another year on top of that to get back to where we were at the start of this year. And all the plans being set back”.

Public house, remote rural

“I think they could give more money to the tourist boards so that for our advertising next year we will have less to pay. I don’t know how we are going to cope with that. I pay £1000 in advertising a year. I’ve already paid that out for this year and I’m not going to get that back. I am not going to have any money to advertise with next year. ... We need reductions in things like being a member of the tourist board. We will still be expected to pay our full membership next year and pay to advertise and inspections, the full whack, but I don’t know where we are going to get the money from”.

Bed and Breakfast, remote rural

“That money is lost. We have to write it off, forget it. And that is the money that probably you would use to plough back into the business in the winter. So there won’t be that much work being done. There won’t be money ploughed back into the business because there has been nothing to plough back in ... People won’t starve and they might not have a holiday. They’ll keep going.”

Hotel, very remote rural

“I’m sincerely hoping I’ll start to pull it back running up to Christmas a little bit. ... I don’t think we’ll ever recover the losses. They are lost, they’ve gone. All we’ve got to hope is that it doesn’t happen again and if it does that at least they handle it differently this time ... Give us another 12 months ... about 12 months, hopefully. You don’t know what we’ve got in for this winter. It depends how well we do for the rest of the year. If that’s the case then we get back on our feet. If not we’ll struggle on with an overdraft facility a little bit longer”.

Specialist retailer, moderately rural

A timber haulier was expecting 10 months before ‘things got back to reality’ in terms of access arrangements to customers in the countryside. He felt Foot and Mouth had knocked the business back by 5 years in

terms of its plans and investment and considered that it may never recover. In the foreseeable future he envisaged he would be having to pay off additional debts and reduce costs. This will include consideration of laying off staff, altering the strategy or course of the business (diversifying the business) and trimming down the size of the business. In the immediate term he felt the need for restraint in terms of the pace of recovery and the speed at which the business regains its momentum and normal operation.

“[I] have a conscience. I’m trying to do my bit and people have appreciated that. ... I’m trying to be that damn careful. Although life’s got to go on you’ve got to do your bit. Most people have done that, but they’ve been very isolated in doing that!”

“That’s not to say in some cases I couldn’t put nightshift back on. But I know for a fact there is a little bit of, not ill-feeling, but do we really need lorries running about in the woods at the minute because of the Foot and Mouth”.

Other businesses were thinking about more positive steps in light of Foot and Mouth. Some for example will be considering market expansion and a substantial proportion of firms will be thinking about changing business strategy (Table 5.17).

Table 5.17: Actions impacted firms expect to take in 2002 as a result of FMD

Action	% Firms (n=78)
Reduce costs	40
Consider new products/markets	38
Increase advertising	30
Change strategy	27
Pay off debts	18
Reduce product range	8
Layoff staff	7
Close the business	5

What is clear is that many coping strategies were expended during 2001. The use of coping strategies, notably recourse to financial aid or use of personal or business reserves, does suggest a more precarious or less stable position for some impacted businesses at the end of 2001 compared to the situation prior to FMD, as many have utilised reserves, reduced investment, used up lending capacity and increased their levels of debt (Boxes 5.3 and 5.4). They would therefore be less well placed to cope with additional shocks to the business. Such a position is unlikely to be sustainable in the event that trade fails to improve. Some business owners have dipped into personal reserves as far as they are able or willing to do so.

Box 5.3

Coach company, slightly rural

A large part of the business's market was based on countryside pursuits, walkers and ramblers. Throughout the Spring and Summer there was a major reduction in enquiries and numerous cancellations of countryside events and day trips, including one major job at the outset of the outbreak. The firm also experienced additional costs and delays relating to disinfection of vehicles. The owner estimates an annual turnover loss of £20,000 in what he describes as his hardest year in business. The business is not expecting to make a profit and has been unable to build up reserves to take forward to the following year – instead it carries forward a substantial level of debt. Throughout the year the firm was able to hold on to its public sector trade which has been important in keeping the business afloat.

“Debt is coming out of the future profits. It's wrong because if I shoot an engine I've like used all my borrowing capacity. I divent carry, my business can't stand £8,000 for an engine. I've gotta gan to the bank for it and its topped up by all this. You are living on a knife edge, yah just living on a knife edge. ... I've seriously considered packing up ... but sometimes your debts ... sometimes its as hard to pack up as it is to start-up”.

The business owner estimates 3-5 years to recover from the year 2001 and in order to pay off the overdraft. Once the business pulls through this period the intention is to sell the business.

Box 5.4

Rural recreation business, very remote rural

Visitor numbers to this rural pursuits centre plummeted at the outset of the FMD outbreak and, with the exception of a good Easter Holiday, continued to be poor throughout the Summer and into October:

“Once the Easter holidays ended it was a ghost town. Schools were cancelling ... on a daily basis. ... Bookings which you would normally wait for to come in - that we do on a yearly basis - just never heard from them”.

The business saw multiple cancellations, a major reduction in group bookings and courses and a 70% reduction in external visits and events. Given reductions in costs and some external financial support, the final financial position for the year 2001 is estimated to be relatively similar to the previous year, but this falls considerably short of the very good year predicted for 2001, and is insufficient to meet payments on a bank overdraft. The business thus faces deepening debt:

“We should be going up and up and up to be honest with you. Obviously the more people that know us, obviously the more people we should be getting ... But you know yourself that doesn't satisfy the bank. The bank are not sympathetic, they're not. All the banks are interested in is when's the overdraft going to be paid off? ... Normally the overdraft would have been down to, let's say, £4,000 in July. It was still £7,500 - that's July, my peak season”.

The owner was unable to contemplate the future prospects of the business given a sense of uncertainty and fear that the effects of FMD on visitor numbers would persist into 2002.

Uncertainty and strain

For many of the most heavily impacted businesses focusing on the future was often very stressful and emotional. Some business owners drew attention to significant strain surrounding uncertainty about the future of the business, the spread of the disease, issues of continuity and succession and the prospects of major lifestyle changes should their businesses not recover from the effects of Foot and Mouth and they be forced to do something else. One business owner, having always lived in

the area, was particularly frightened at the prospect of going out of business given a lack of alternative job opportunities locally. He expressed concern about the future opportunities for his son in the business, arguing from this perspective that there was more at stake. Another found the future particularly difficult to contemplate. On the one hand he was racked with fear that the effects of FMD on visitor numbers would persist into 2002, citing a persisting perception among the general public that the countryside was closed. On the other hand there was uncertainty and he felt unable to think about the future development of the business. The business owner grasped at the hope that the number of new FMD cases had now finally subsided:

“Its been devastating, really been devastating. But what will happen next year? ... My honest opinion is that this is just not going to end this year. Honestly I think its going to be a knock on for next year and this is what’s worrying. ... I mean lets hope next year all the visitors that were due to visit here, erm this year, may come next year. Lets hope we [Pause]. We just hope, we hope [Tears].”

Recreation business, very remote rural

Another was considering the possibility of having to find a job and of being in ‘somebody else’s bottle’ again after having being self employed. Linked to this were emotions surrounding what was described as the slow death of the business. He described losing his energy and enthusiasm for the work, and was resigned to closing the business.

“My working week is, that’s a strain. I’ve forgotten what weekends are ... I’m tired. But it’s like when you’re bailing out. That’s really what I’m doing. I’m bailing out most of the time. Stop it sinking, keep it afloat long enough to be able to beach it. ... The main emotional thing is that I still actually am, still involved emotionally, still retaining the hope against hope

that somehow it might come back because I would like to carry on doing it. ... I believe what I am doing is trying to manage the run down and closure of the business. I've got 18 months to run on the bank loan. I need to reach the point when we can end, close the door without owing money to anybody ...”.

5.8 Conclusions

Foot and Mouth disease revealed much about the nature of rural micro-businesses and their coping responses during crisis. A diversity of strategies were adopted, often very quickly, demonstrating the adaptability and resilience of this core component of the rural economy. The most common responses were for household members to work longer hours, owners to take a smaller wage from the business, the cancellation or postponement of investment and a reduction in staff working hours. Responses also varied over time and with the severity of impact. Larger numbers of high impact firms adopted coping strategies and some were largely particular to these firms as they were forced to dig deep to maintain the business.

Coping responses were multi-faceted involving combinations of business, household and employment oriented strategies. Core business-oriented responses involved cost cutting, the arresting of investment plans and alterations to business and financial strategy. Recourse to external help and advice was also important. A shift in the balance from informal to more formal forms of support occurred as the crisis progressed, with local authorities and Business Link being the most commonly utilised formal sources of help. Informal contact with other business owners was often an important source of help.

Although FMD raised the profile of Business Link and extended its client base, during the outbreak many business owners, including those in high impact firms, were disinclined to approach it for external assistance and support. The reasons relate to the structure, resources and culture of small businesses themselves but also ongoing scepticism concerning the value and relevance of business support.

Take-up of business recovery measures varied with individual schemes. Rate relief, business recovery grants and the deferral of tax payments were more popular than business rate deferral, business rate appeal and the Small Firm Loan Guarantee Scheme. However, most impacted firms in the survey had not obtained grants through the region's Business Recovery Fund and turned instead to conventional forms of financial support. Some had aborted their efforts to obtain business recovery aid, some found that the funding had run out, while others were critically ineligible for support due to EU state aid rules.

For those micro-businesses with employees, employment oriented coping responses were important. Some employment responses (such as layoffs and the decision not to take on casual or seasonal staff) were adopted surprisingly early in the outbreak. Thus 29% of impacted firms with employees resorted to layoffs, 24% did not take on seasonal or casual staff and 42% reduced staff hours. As businesses were progressively squeezed over time more and more firms reduced staff working hours. Businesses were commonly reluctant to lay off core staff and in some cases employees were carried and underemployed by firms or employed on a more flexible basis.

Many micro-businesses drew on family and household resources and flexibilities to cope with the crisis and its aftermath, further demonstrating the importance of households in providing small firm resilience and the way in which households and businesses are often intricately linked. Households often absorbed revenue and employment effects and acted as a buffer for businesses. They commonly acted as a flexible labour reserve with household members either being underemployed or over-stretched depending on circumstances. Household coping responses, which were most prevalent amongst high impact firms, also drew upon to the spending, earning and saving capacities of households. In consequence, business owners and household members were exposed to considerable pressures, placing a strain on individuals and relationships.

Some impacted businesses were better placed than others to cope and respond during the outbreak. Several factors influenced the coping capability of impacted firms and the choice of coping responses available to them: such as whether or not they had employees, the level of fixed costs, access to support networks and flexible labour, and the age and experience of the business and its owner(s). There is also evidence that some businesses had been more proactive prior to FMD in developing asset and risk aversion strategies which proved significant in helping them to weather the crisis.

Finally, the impacts of FMD extended late into 2001 for many of the impacted businesses. Although for a significant proportion impact had declined or was declining by November, for two fifths it remained persistent, in part as result of the late outbreaks of the disease in the region. This adds further justification to the decision taken late in 2001 to

extend business recovery funds. The research would suggest, however, that the issue of business recovery remains an important consideration in 2002 and beyond.

6 CONSUMER ATTITUDES

Angela Tregear, Johanne Allinson and Charlotte Weatherell

6.1 Introduction

This section reports on research on consumer perceptions and behaviour in the wake of FMD in the region. If consumer purchasing power is to be harnessed in order to generate socio-economic recovery in rural areas, then consumers themselves have to be willing to prioritise certain issues relating to food, and to differentiate local products positively. The extent to which consumers in the North East are willing to do either of these is unknown. Thus the key questions addressed by this study were:

- what issues are of importance to consumers when purchasing and consuming food (in particular, to what extent are consumers aware of and concerned about social, economic and environmental issues relating to food and the countryside)?
- what is the nature of consumers' actual choices and behaviour when purchasing and consuming food (in particular, what types of food products and distribution channels are habitually used)?
- what are consumer perceptions of the FMD outbreak in the region, and how has this affected perceptions and habits relating to food?
- how do consumers feel they would respond to increased marketing initiatives for local food, and what is their view of the government's support of these?

The study adopted a qualitative methodology, using four focus groups. The profiles of individuals within each group were broadly similar, to encourage free discussion (See Table 6.1). However, the overall profiles of the groups themselves were varied according to the key variables of age, socio-economic classification and geographic residency (urban vs.

rural). This allowed for a fairly wide range of opinions to be gathered, whilst also allowing for relationships between opinion and consumer type to emerge.

Table 6.1: Focus group profiles

	Location	Date	Age	Socio-econ	Residency	Gender
Group 1	Alnwick	7/11/01	35-44	ABC1	Rural	Mixed
Group 2	Morpeth	8/11/01	25-45	ABC1	Rural	Mixed
Group 3	Newcastle	12/11/01	18-24	AB	Urban	Mixed
Group 4	Newcastle	13/11/01	25-34	BC1	Urban	Mixed

It was important in this study that participants gave spontaneous views regarding what they found of concern to them when purchasing and consuming food. Perceptions of FMD could then be placed within this context to obtain a more accurate reflection of the importance and impact of this crisis. Thus, the discussions began with treatment of general concerns and interests and everyday habits regarding food. Following this, FMD was explicitly introduced into the discussions. [A copy of the complete discussion guide is given in Appendix 3].

6.2 Issues of Interest and Concern when Choosing Food

All of the focus group discussions opened with the question of what participants found important to them when choosing or shopping for food. Common spontaneous responses were quality and price, with other factors such as freshness, taste, appearance and value for money also being mentioned in most groups. In terms of price, participants in most

groups spoke of going for moderately priced, rather than lowest priced options.

In discussing factors further, differences began to emerge between the perceptions of urban and rural groups. In relation to judgements of product quality, for example, rural participants spoke of judging quality on a product by product basis, trying various outlets in search of value for money. For urban participants, however, it seemed that quality was often judged by brand names, with frequent expressions of strong preferences and trust for major brands. Other factors and concerns which urban participants highlighted in their discussions were sugar, fat and calorie content, quantities available (for example, small quantities for single people), and ease of preparation. The attitude of Group 3 (Newcastle) was that food preparation should take as little time as possible.

The range of additional concerns expressed by rural participants was quite different and oriented towards wider agrifood supply chain issues such as local availability, range, additives, pesticides, animal welfare, genetically modified food, and mechanically recovered meat. Not only were these mentioned, but rural participants also tended to be very forthcoming in discussion and gave the impression of heightened awareness and knowledge. This is illustrated by the way in which the issue of the origin of foods was discussed, where marked differences were revealed between the urban and rural groups. In Group 3 (Newcastle), the participants admitted relative ignorance and apathy regarding the wider issues of agriculture and the countryside, borne by a perception of distance. One individual expressed the opinion: “If you’re not a farmer you don’t care.” It was not a major concern for these participants to know where foods were sourced. In contrast, many of the

rural participants had family and friends in farming and the food industry. As a result, they demonstrated a greater interest in supporting the farming industry and local economy:

“you feel as if you’re supporting your own people and you’re not helping the southerners get rich and you’re keeping employment in the area”

Group 1 (Alnwick)

On the subject of organic food, however, opinions were less clearly divided on urban/rural lines. Although Group 3 (Newcastle) showed little interest in organic food at all, at least some participants from the other three groups reported positive experiences regarding taste and value for money:

“I cooked an organic chicken... It was £2.20 more than a normal one but I got twice as much meat off it.”

Group 2 (Morpeth)

“I’ve had organic mushrooms and I think they taste like fresh from the field”

Group 4 (Newcastle)

Similarly, at least some participants from all groups spoke of buying local free range eggs, and associated them not only with improved animal welfare, but also with better taste, appearance and freshness, and with the local community:

“I buy my eggs from a local old lady who’s got a farm”

Group 3 (Newcastle)

“I think eggs look nice when they’ve still got the little fluffy things from the chickens. That appeals... Because they look fresh”

Group 4 (Newcastle)

Nevertheless, other participants were critical of the appearance and doubtful of the benefits of organic food, and the majority of participants across all four groups agreed that it is too expensive. In both urban and rural groups there was also a degree of scepticism over products claiming to be welfare friendly.

Amongst all participants, discussion of meat and meat products revealed a slightly different set of concerns and priorities, focusing more on issues of safety, quality and hygiene. However the strategies that participants adopted as a result seemed to differ. For urban participants, pre-packed formats and sell-by dates gave reassurance, particularly for those not confident with their food handling and cooking abilities:

“I always feel a lot more confident buying meat pre-packed with a date on, so I know exactly when it’s got to be eaten.”

Group 4 (Newcastle)

“I only buy cooked meat I get a bit worried in case I poison myself”

Group 3 (Newcastle)

In general for urban participants, pre-packed meat was associated with better hygiene, and was also preferred by some because of a squeamish attitude towards whole, fresh meat joints. For rural participants, better quality was more associated with ‘proper’ butchers, and squeamishness also was less of an issue, with a number of them speaking of buying whole or half sheep or pigs direct from the farm ‘for the freezer’. In

general, rural participants were more concerned by pesticides and additives. This was in contrast to urban participants, who seemed to rate such concerns lower on their list of priorities.

6.3 Active Shopping and Purchasing Habits for Food

The focus group participants were then asked to talk about their actual food choice and purchasing behaviour. The key finding here was that all of the participants did most of their food shopping in supermarkets, with the majority appearing to make almost exclusive use of these outlets. Convenience was the most common reason given for this, due to busy lifestyles:

“the supermarket is far easier if you work full time.”

Group 2 (Morpeh)

“if you’re busy you just want to go to one place and get everything all together”

Group 4 (Newcastle)

Convenience was also one of the reasons that many participants shopped in bulk. Rural participants in particular spoke of travelling to do a major bulk shop, at perceived ‘best value’ urban-based supermarkets, which were seen to offer lower prices compared to local smaller supermarkets. Supermarkets were also associated with advantages of flexible opening hours and availability of non-food items.

On the subject of local shops, some of the urban participants and most of the rural participants perceived smaller local shops as providing both fresher food and potentially better value for money, but used them less often than they might through lack of time. Nevertheless, a few of the

participants (who were either single or not working full time) managed to shop on a daily basis for fresh food. A small number of urban participants, and several of the rural participants also found time to shop in markets and local shops occasionally, or on a regular basis for certain products, mainly fruit, vegetables and meat.

While urban participants were generally more confident of food standards in supermarkets, rural participants tended to trust local shops more:

“you tend to be more safe with supermarkets because it’s more regulated.”

Group 4 (Newcastle)

“I would prefer to shop in little butchers etc. because I trust them a lot more.”

Group 2 (Morpeth)

Furthermore, participants in the rural groups had far more experience of buying from local suppliers, including butchers, fishmongers, vegetables from the roadside, meat direct from the farmer, and pick-your-own fruit. These outlets had the perceived advantages of social interaction and also freshness and quality, particularly useful when buying food for special occasions:

“I was at the farm last week for cabbages... He said we could cut our own...You can’t beat that for freshness!”

“there’s a fairly decent butchers in Alnwick where we’ll treat ourselves”

Group 1 (Alnwick)

On the subject of farmers' markets, rural participants tended to be aware of these outlets and expressed approval of them in principle, however in practice found them to be too expensive for regular shopping:

“I tried the farm markets, because of concern to where its come from and how its been farmed, those sorts of issues, but the prices were too high, double the price... fair enough if you are buying it for a gift”

Group 2 (Morpeh)

Problems of the infrequent timing of markets was also mentioned as a dissuasive factor in the rural groups. Some participants also felt that the farmers' markets in their local areas were not 'proper' as they included regular traders and some heavily packaged items, rather than basic raw produce sold direct from the primary producer. Amongst the urban participants meanwhile, farmers' markets were almost unheard of. When the concept was explained to Group 3 (Newcastle), it was dismissed by some individuals as antiquated and inconvenient, and concerns were expressed about hygiene standards.

6.4 Perceptions of FMD

Following discussion of participants' current concerns and habits relating to food, the topic of Foot and Mouth disease was broached explicitly. FMD was mentioned spontaneously in two of the groups during opening discussion of issues of importance when buying food. For example, a participant in Group 4 (Newcastle) described how he had stopped eating steak in reaction to the eradication measures:

“It was the smell. There were two or three pyres where I live, and whichever direction the wind was blowing, you always got

the smell, and ... whenever you smelt meat, or just the thought of it! ... I mean, I love steak pies, and having to eat a steak pie after driving through the [pyre fumes] ... was just sickening ... Not because I'm ... [fussy]... I'll eat anything. But, it was just the smell [and] the thought of those cattle. And, of course, when you get in from work ... [and] put on the news... what do you see? Funeral pyres, legs sticking out of fires... it's terrible, absolutely terrible. So, that stopped me eating [steak]... for a couple of months."

(Group 4, Newcastle)

In addition, one of the participants in Group 1 (Alnwick) spoke of a relative who had 'panic' bought meat due to fear of the price increasing rapidly and excessively in the wake of the crisis. 'Other' consumers (although not the participants themselves) were also perceived to have been scared off eating meat. For the majority of group participants, however, it was still felt that BSE in 1996 had affected their meat consumption and buying habits more as it was understood to affect humans.

Following reflections on the impact of FMD on their own food behaviour, discussions tended to turn quickly and more extensively towards reasons for, and the government handling of, the outbreak. This was particularly so in the rural groups, who tended to take an 'agrifood supply chain' perspective. Thus in Group 1 (Alnwick), it was put forward that FMD was the result of mismanagement of hygiene on farms and the persistent use of low cost inputs within the UK agrifood system, whilst in Group 2 (Morpeth) the centralised UK abattoir system was seen to be at fault, as was the tendency of consumers to avoid buying red meat post-BSE. To avoid a recurrence, it was felt that more vigilant regulation of farm inputs was needed. These sophisticated and in-depth views

contrasted markedly with those of the urban participants, some of whom demonstrated a degree of indifference about the cause of the outbreak:

“You’re not bothered. You couldn’t care less as long as the meat’s there on the shelf when you go to the supermarket. . . It hasn’t changed people’s lives, normal people . . . [But] probably if you took this questionnaire into [a rural area in the north west] you’d get different answers because they’re more educated about it . . . They need to be. We don’t need to be. We’re in a city...”

(Group 3, Newcastle)

Urban participants also took a more fatalistic and cynical approach to the issue of prevention, arguing that even if the cause of the epidemic was identified, for example as a result of a public inquiry, the results would not be made publicly available. Where both rural and urban groups did concur was in criticism of the handling of the crisis. The government was criticised for indecision, not learning from the last outbreak, poor communication to the public, and wasteful use of resources in fighting the disease:

“... they started the pyres straight away, and then it was ‘now vaccination is better, or you’ve got to burn every one’... They basically didn’t know what they were doing...”

(Group 3, Newcastle)

“I don’t know how it has taken so long to get in control. When we had Foot and Mouth the last time [in Britain], we didn’t have any of the knowledge that we are supposed to have these days!”

(Group 2, Morpeth)

“They didn’t seem to educate the public. . . they didn’t tell people what they were doing before they did it. . . At the time, straight away, I know everyone thought let’s not buy meat, and that’s what a lot of people did, and meat sales went down . . .

Humans cannot actually catch it . . . [but] the news never actually told anybody anything really...”

(Group 3, Newcastle)

“It wasn’t just the compensation for the animals! It was the excessive bills they were charging and claiming for disinfecting the farms afterwards. And, since that was cut back . . . [FMD] seems to have stopped in it’s tracks!...”

(Group 1, Alnwick)

In considering media coverage of the epidemic, the majority of reflections from both urban and rural groups were that it had been ineffective, overly negative and, in most respects, biased:

“It was a bit propaganda-ish I thought...”

It’s just panic stations as soon as anything comes out...”

(Group 3, Newcastle)

“It was all condemning. It was all about that [FMD] was from up here and it was [that farmer’s] fault. There was nobody saying, we want to help and we’ll do what we can, it was all bad publicity...”

(Group 1, Alnwick)

As they discussed the FMD outbreak, participants were also forthcoming on their perceptions of farmers and farming. This gave rise to some interesting debates and alternative points of view, expressed in both the urban and rural groups. For example, participants in all groups were divided over the level of compensation received by farmers:

“You get an image of farmers ...I know there’s a bad press . . . and some farmers are making the most it . . .But there are some images on TV . . . of some genuine farmers who looked after their animals and they’ve been killed...”

(Group 1, Alnwick)

“It is the farmers I feel sorry for...

...[But] they are being compensated 3 or 4 times more [than a lamb would achieve at market]...

...They have been well compensated, but it has take their livelihood away...

[But] can you imagine this [has been] going on a year now... [So, ultimately] you're talking about 18 months without any money...

None of the farmers [I had conversations with] were particularly upset about it. The compensation package was more than adequate to the people I spoke to!”

(Group 2, Morpeth)

In a number of instances, participants expressed their sympathy with farmers by relating to their position on a human, personal level, even when they themselves were urban-based and therefore removed from the situation. In these instances, it seemed that media coverage was used as the source of information:

“I think it's the farmers you feel for as well, because ... I've got a family and you think of [them]... their fathers and their fathers before them have given them this farm, and they feel as if they've let them down because of something that they couldn't control. It just overtook them... They probably lost everything through it...”

“I've seen men on the TV really weep, saying that their dad had given them this farm and it was their Grandad's farm... [And] they've had to let it all go. You just feel really sorry for them... it's passed down through generations and then it's just all gone because of one thing, within a matter of a week. They've been tested on a Monday and everything's gone by the Friday. That's it! Their livelihood gone, and they don't know any other[trade] usually...[So] I felt sorry for the families and the farmers...”

(Group 4, Newcastle)

Thus, there was general concern about the extent and scale of the impact on farmers as individuals, their families and the status of the inherited family business.

Such sympathies expressed at a human level were balanced with comments taken from a broader, economic perspective. For example in Group 3 (Newcastle), there was concern that farming in general is overly subsidised, and that FMD-related compensation had been generous, which some unscrupulous farmers had taken cynical advantage of:

“All the farmers were going on about it, but if the market value was. . . £9 for something, then when Foot and Mouth came about it went down to £3... [They say] ‘I’ve got Foot and Mouth on my farm!’ straightaway [to get the compensation], you know!?”

(Group 3, Newcastle)

Participants in both groups felt that the farming community had been over compensated relative to other business sectors, in particular tourism:

“[The problem is with] the people who wouldn’t get subsidised, like the bed and breakfasts, for instance... the hotels. Do you think they [got compensation equal to] a night’s stay for six weeks for every room they had? I wouldn’t have thought so!

... [farmers] can live comfortably for the rest of their lives on what they’ve been given, and anybody else would go into liquidation . . . and get nothing.”

(Group 3, Newcastle)

Thus, while participants in all groups showed general sympathy with the predicament of individual farmers, they were also ready to point out more deep-seated problems with the agricultural sector, and the specific

injustices and inequities which had arisen from the FMD control campaign.

Participants were also asked about the extent to which FMD had impacted on them personally in their own lives, as well as their views on what impact FMD had had on general perceptions of the North East. With respect to the former issue, it has already been highlighted that the majority of participants felt FMD had not changed their food behaviour and habits. Rather, impacts from FMD were perceived more in terms of restricted access to the countryside, and taking alternative choices for holiday destinations. The theme of urban consumers being ‘distanced’ from the effects of FMD was reinforced here, with many participants in these groups unable to think of any specific impacts at all. On the issue of the impact of FMD on general perceptions of the North East, a few views were expressed that people outside the region might have switched consumption patterns, and that they themselves might have done the same in those circumstances. However, the general response from all groups was that the coverage of the outbreak had probably not affected perceptions of the North East outside the region, with some participants suggesting that negative stereotypes of the area were already firmly entrenched:

“I think the North East has got a bad image full stop [in] the rest of the country. Everyone thinks Geordies are stupid basically!..

Whenever you see anyone [from the North East] on the telly, it’s just a daft Geordie basically, isn’t it? So, everyone thinks everyone’s stupid here...

That’s so right...

So, I mean, [FMD is] not going to change the South's perceptions of the North. That's the way it is."

(Group 3, Newcastle)

Indeed, discussion of this issue seemed to give rise to expressions of belief and confidence in local and, more generally, British food production standards, which was somewhat in contrast with fears and suspicions about safety and quality which were voiced in the opening sections of the discussions. For example, the participant who had stopped eating steak for a short while during FMD led the following exchange:

"I had every confidence that what I was buying was alright!...

I think that [food production in] our country has got that many checks that . . . I don't think that [FMD] ... would put us off buying it

We've got one of the best abattoir systems . . . in Europe

I think hygiene in this country is really quite good ..."

. . . they're straight in there if they think anything's dodgy ..."

(Group 1, Alnwick)

A final issue addressed in relation to perceptions of FMD was that of vaccination. Whilst most groups felt vaccination would have been a more appropriate way to prevent the spread of FMD, the issue of whether participants themselves would consume vaccinated meat led to differences of opinion. Participants in rural based groups drew from their own knowledge and experience to rationalise acceptance of eating such meat, by pointing out that farm animals undergo routine vaccinations anyway:

“pigs are fed antibiotics from an early age, in huge quantities, and that doesn’t bother me!”

Group 1 (Alnwick)

In the urban group, while a number of the participants said that they would be willing to accept official assurances confirming vaccinated meat was as safe as their regular meat, the feeling at present was that there was insufficient information available to assuage their fears about the short and long term effects on humans. In addition, Group 4 (Newcastle) concluded that it would be unlikely for the government or the food industry to make such knowledge publicly available. Thus, general reservations were expressed about eating vaccinated meat.

6.5 Rural Recovery Recommendations

In the final part of the discussions, the precise aims of the research were explained to the participants and their views were sought on the potential of local marketing initiatives to help the rural recovery. It was apparent from earlier in the discussions that the rural groups had greater awareness of and interest in locally produced food, and thus it was not surprising to find that participants in these groups were quite receptive to the idea of increased marketing. The responses of Group 1 (Alnwick) participants were particularly positive, as local sourcing of food seemed self-evidently appropriate for a rural area, and purchases of it could also benefit the local economy and farming industry:

“It’d be nice to have more [local food] available up here when we’re in the heart of agriculturally produced food; grown locally ...

You [would] feel as if you're supporting your own people ... you're keeping employment in the area ... You're building up the area rather than helping somebody else ...”

(Group 1, Alnwick)

Participants in other groups also shared the view that local foods should be associated with local outlets and markets. Yet the overwhelming opinion was a pragmatic one - that, to have any real impact, effective marketing of such foods had to be through supermarkets. This was because supermarkets were associated with the benefits of price and ease of access. Urban participants in particular could not imagine themselves purchasing local food, if at all, from any other outlet, as the following excerpts demonstrate:

“If it is in a supermarket and it's at the same price [consumers] will buy it, because it doesn't make any difference. ... If it's a tiny bit more [expensive] people might take it, but if it's out of their way ... people won't bother. May be just go with the big supermarkets like Sainsbury's or Marks and Spencer who charge more anyway, so people wouldn't notice the difference!

...

If it was made easily available I probably would [buy it], yes. If it was somewhere obvious in the supermarket and it stood out, you probably would make an effort if it wasn't too ... expensive. But, I wouldn't go out of my way to ... buy it...

And, even if they opened up a shop particularly for that, I wouldn't even go to it. I think I would go with the majority... and say the supermarket [is the most appropriate outlet for it]...”

(Group 3, Newcastle)

Participants in the rural groups also spoke of the need for local foods to be made conveniently available to them, and at a reasonable price.

However, their discussions went further into the type of management structure which could be put in place to support such an initiative:

“I don’t see why there couldn’t be a franchise in the supermarket ... where you could get whatever is going on the day and a percentage could go to the supermarket ...

Why doesn’t the supermarket buy in the local product? Can the Government put pressure on the supermarket to purchase local products?...”

(Group 2, Morpeth)

A final distinction between urban and rural participants on this issue was the extent to which the broad principle of local foods was supported. Although rural participants tended to express positive feelings about the issue, in the urban groups a number of quite negative attitudes were conveyed. For some individuals, this was out of a sense that the farming sector already received more than enough support, whilst for others it involved pejorative judgements regarding the types of people attracted by local foods, and their priorities:

“If they could . . . put it in the supermarkets [and] put a sticker on it [to explain what it is and why] ... people might think, ‘Ooh, what’s that?’ But renting a hall or . . . an area . . . in the middle of Newcastle! Who’s going to go, ‘Oh, it’s 12 o’clock, I better go down there and buy the local [food]!’? People just aren’t going to do it...

...May be some pensioner will because they’ve got nothing else better to do that day... But people in their busy lives won’t do it unless it’s in front of their face, which is in the supermarket, where the majority ... of people shop...

I think probably about 90 per cent of the people don’t really care, and probably there’s 10 per cent that are a bit do-goody who say ...’ I’ll look after the local economy’... But 90 per

cent of people probably don't give a monkeys'! It's horrible ,
but it's probably true..."

(Group 3, Newcastle)

6.6 Conclusions

The consumer study set out to explore in depth North East consumers' perceptions and concerns relating to food, and to examine the extent to which perceptions and habits have changed in the light of the FMD crisis. The key results of the focus groups conducted may be summarised as follows.

First, on the issue of what is important to consumers when shopping for food, value for money and quality were expressed most commonly as priorities, followed by other concerns such as freshness, nutritional content, pesticides and additives. Participants in all groups seemed to be attracted to good bargains, but did not necessarily always shop for the lowest priced item. Discussion of (particularly red) meat products gave rise to slightly altered priorities, with safety and origin issues taking on more importance, whilst participants with children spoke of the problems of balancing health concerns with time and budgetary restraints. Beyond this, a number of differences were noted between the perceptions and concerns of urban and rural consumers. Amongst the former, it was well-known brands which were associated with trust and quality, and confidence was placed in pre-packed, clearly labelled packaging formats for meat for reasons of hygiene, safety and lack of confidence in own cooking abilities. Rural consumers by comparison seemed to make more product-by-product comparisons in order to judge quality, and seemed more comfortable buying, handling and preparing meat 'in the raw'. Rural consumers also mentioned a greater initial range of concerns

related to foods, including those relating to local supply, the environment and animal welfare. Nevertheless, although a few participants in both urban and rural groups spoke positively of the benefits of welfare-friendly items and organic foods, the majority view tended to be one of scepticism over inflated prices and lack of ability to guarantee difference. In general, rural based consumers were more able to discuss and elaborate on a wide range of issues relating to food. By contrast, urban participants gave the impression that food-related concerns were generally not a high priority for them, with more self-oriented concerns being expressed, and convenience and price being key choice factors.

In terms of actual behaviour and shopping habits, supermarkets dominated as the main outlet for food shopping amongst both urban and rural participants, for reasons of convenience, flexibility and price. However the usage patterns for both groups differed, as rural participants tended to undertake major bulk buys in perceived best-value urban supermarkets, whilst urban participants, especially young professionals, made more regular use of supermarkets' flexible opening hours to fit in with their lifestyles. Participants in all groups also shopped at local shops and outlets, with rural participants in particular making use of a wide range of direct outlets. Farmers' markets were not commonly used, however: urban participants were generally unaware of them and not receptive to the concept when explained; whilst rural participants, although agreeing with the concept in principle, perceived them as somewhat expensive and inconvenient. Indeed, even amongst the most knowledgeable and outwardly concerned participants, the trade-offs of price and accessibility seemed to weigh heavily in practice.

In relation to FMD, there were some spontaneous expressions of meat purchases being altered during the crisis by both urban and rural participants, although the majority view was that no major, sustained, food-related changes had been experienced. Instead, discussion of FMD focused on criticism of government handling of the crisis and debate about the impact on farming and rural communities. In these discussions, some differences were apparent between urban and rural participants as the latter were clearly more informed and actively engaged in the issues than the former. Indeed, urban participants conveyed a sense of distance from, in some cases indifference towards, what was perceived to be a farming and rural problem. Nevertheless, across both urban and rural groups, a set of opposing views was expressed regarding compensation for farmers and the effect of the crisis on other business sectors. Overall, the groups felt that coverage of the crisis in the region, although negative in nature, would not have a significant, long-term impact on outsiders' perceptions of the North East. Finally, on the issue of vaccinated meat, most participants reported that they would not object to eating it provided that clear labelling and safety reassurances were given, although a number of individuals expressed doubts about the ability of government and the food industry to provide such clear, impartial advice.

Finally, on the potential of marketing initiatives to encourage a greater uptake of local products to help rural recovery, it emerged that the rural participants were receptive to the proposition, agreeing quite strongly with the principle and giving the impression of willingness to respond actively. In contrast, urban participants demonstrated degrees of negativity and scepticism, or simply did not perceive such an initiative to be 'for them'. Where participants in all groups did agree however, was in the need for such initiatives to address the price and accessibility

concerns of consumers, and as such, could only see initiatives having an effective impact via the use of supermarkets. Overall, it appeared that, even for the most aware and interested consumers, the right balance had to be struck with value for money and convenience priorities. However, there is also a section of the population, at least some of whom are urban based, who will not be reached by local food marketing initiatives as their food-related priorities do not accord with the aims of such schemes.

7 CONCLUSIONS

Terry Carroll, Philip Lowe and Jeremy Phillipson

7.1 Introduction

The purpose of this study was to investigate the impacts of Foot and Mouth Disease on the rural economy of the North East of England, to provide a basis from which to consider the long-term consequences and to inform and guide the process of recovery. In this concluding chapter the principal strands of the research are drawn together with a commentary on the implications of the findings for programmes and policy changes aimed at rural recovery.

7.2 Rural Recovery and the Changing Policy Context

The research has been carried out against, and is intended to inform, a rural development and policy context that is changing rapidly in the aftermath of the FMD crisis. Various rural recovery initiatives are being taken or advocated³². These comprise a combination of short and medium/long term measures that can be broadly assembled into two groups: the first focused on recovery of the farming industry; and the second directed towards recovery of the wider rural economy and communities.

³² Report of the Rural Task Force *Tackling the Impact of Foot and Mouth Disease on the Rural Economy* (October 2001); Lord Haskins report *Rural Recovery after Foot and Mouth Disease* (October 2001); Policy Commission on the Future of Farming and Food *Farming and Food: a Sustainable Future* (January 2002); Northumberland County Council *Report of the Inquiry Panel, Northumberland Foot and Mouth Disease Public Inquiry* (February 2002); DEFRA *Sustainable Food and Farming* (March 2002); ONE North East *Rural Action Plan* (July 2002).

The main policy themes are as follows:

(i) Farming

- Reduction in excessive sheep numbers through the purchase of quota; more controls over the movement and traceability of sheep; a more effective and better regulated role for live auction marts; and investigation into the viability of a return to small, local abattoirs.
- Rationalisation and expansion of agri-environment schemes, to include a lower tier potentially open to all farmers achieving a basic standard of environmental performance, with additional targeted payments for meeting more demanding requirements in sensitive areas or providing specific environmental services; and further promotion of energy crops and organic farming.
- An accelerated reallocation of CAP funds from commodity support in favour of agri-environment and other rural development measures; encouragement of farm diversification and off-farm employment; and an expansion of the activities supported under the England Rural Development Plan (ERDP).
- Greater co-operation among farmers in producing and marketing higher quality and locally distinctive “value added” products; the creation of shorter, more regionally embedded supply chains; and the formation of partnerships between primary producers and processors with the hospitality sector and major retailers.
- Expansion of initiatives which educate the public about healthy eating, increase understanding of the relationship between food and the countryside and help the less privileged to access local produce; and support for research and demonstration to help farmers respond and adapt to changing consumer demands and market pressures.

(ii) Rural Economy and Communities

- A continuation of the schemes of temporary assistance specifically to encourage rural businesses to invest and develop for the future.

- Recognition of the specific support needs of rural micro-businesses and a better integration of the support provided to business by, for example, the Small Business Service, Farm Business Advice Service and Tourist Boards.
- A major effort in 2002 to relaunch the countryside through a programme of special events and activities and promotion of walking opportunities.
- Reinforcement of Rural White Paper measures to regenerate market towns, extend the ICT infrastructure, improve training opportunities and strengthen community services and facilities in rural areas.
- A requirement for public agencies to integrate programmes for rural regeneration and their separate funding streams, and to target these on the recovery of badly affected areas and weak rural economies.

These measures must be viewed in the context of the policy debate taking place within the EU over the future of the CAP and particularly the scope for redirecting finance from commodity support into wider rural development programmes (the so-called second pillar of the CAP). The European Commission has accepted that a major overhaul is needed driven in part by the cost of the current CAP, its perceived failure to deliver wider social, economic and environmental benefits and the forthcoming accession of Eastern European countries³³.

The emerging role of the Regional Development Agencies in the field of rural development is also pertinent. These agencies have been identified as the key organisation and catalyst for overseeing and targeting support for all sections of the rural economy and to bring about the integrated

³³ Commission's proposals for the mid-term review of the CAP.

approach that is widely advocated³⁴. To give direction and substance to this work, ONE North East has prepared a Rural Action Plan, in association with the Government Office for the North East, the North of England Assembly and the Countryside Agency, which reflects and takes forward most of the above policy themes.

7.3 Research Findings and their Relevance to the Policy Debate

The following paragraphs attempt to distil the key findings of the research and provide some observations for those engaged in the development and implementation of the new policy initiatives for farming and the wider rural economy described above.

Farming

Farming in the North East was in severe difficulty even before the outbreak of FMD. The research demonstrates how dramatic the financial and psychological effects of the disease have been for the farming community. The differences between the farms that were culled and not culled have been quantified. The income from sales and subsidies of the former group was substantially reduced but these farmers received compensation and, for some, there was also temporary financial relief in the form of payments for the disinfection process. Incomes for the livestock farms not culled showed a lower reduction but this group may have been worse affected in receiving no compensation yet having had to bear the financial consequences of the restrictions on livestock sales and

³⁴ Ward, N. and Lowe, P. *Regional Development Agencies and Rural Development: Priorities for*

movements. Some farm types were little affected: on predominantly arable farms incomes for the year actually rose.

Perhaps surprisingly - given what they had come through - all the 78 surveyed farmers intended to remain in farming; only one was unsure. Moreover, many more were expecting to expand rather than scale down their activities. Interest in expansion was particularly high amongst the arable farmers.

The research found an expectation among farmers of future reductions in sheep flocks. A significant proportion of farmers - especially those culled out - would thus appear to be potentially receptive, if a suitable scheme could be devised, to the Government purchasing some of their quota for livestock premia. Such a scheme could be used to lower stocking densities systematically and permanently. This could greatly enlarge the scope for either extending agri-environment schemes or pursuing a greening of existing LFA supports.

Three-quarters of the farmers intend or want to explore the possibility of new or greater involvement in agri-environmental schemes in the aftermath of FMD. Many of these therefore should be responsive to a reorientation of payments for production in favour of environmental outputs. There is also some, but lesser, interest in forestry and new crops, but little interest in going organic.

Many of the new policy measures and funding programmes are founded on the perceived need for greater diversification of the farming economy. There was existing diversification on four-fifths of the surveyed farms but most of this revolved around farming-related contract work and renting

out buildings or land. There was much less involvement in the kind of activities which the ERDP is designed to support (such as tourism or processing). Whereas more than half of the farmers expressed an interest in more diversification, just 1 in 7 of them had sought or intended to seek external advice about possible diversification opportunities.

It should be noted that farms with diversified activities were no less vulnerable to the effects of FMD. Indeed it might be said that the commercial exposure was magnified because whilst the losses to farming from the cull were compensated those from diversified activities were not. Approaches to diversification therefore need to be reviewed, in the light of the FMD experience, to reduce their vulnerability to future farming and animal disease crises and to minimise the risks posed to biosecurity.

Off-farm employment proved much less vulnerable to disruption. Some 37% of farm households had members with off-farm employment. This was mainly the farm women and the most common areas of employment were retailing, education and secretarial/clerical work. A quarter of the farmers expressed an interest in increasing their household's income from off-farm employment, but only one had sought advice on the matter.

More and more farmers will need advice and encouragement in considering their future options. The Policy Commission on the Future of Farming and Food has called for business advice services for farmers to be better co-ordinated, including a review of the FBAS and the creation of a Farming Advice Line. It is important, however, to avoid the development of a separate system of business advice for farmers and to strengthen links between farm and generic business advice services. It

will also be important, in the light of the FMD experience, to extend the advice to farmers to take on board off-farm employment and training opportunities for farm household members.

As regards food production in the future, farmers will increasingly be urged to cooperate more, understand the needs of their customers better and become more innovative in their marketing practices. New and shorter supply chains are envisaged and more value-added products. Amongst the farming sample, however, there was as yet little evidence of processing or of direct sales activity (excluding dairying). Nationally, the numbers of individual farmers becoming actively engaged further up the supply chain is undoubtedly growing and this is mirrored in the rapid growth in popularity of farmers' markets. This will appeal to the most enterprising of farmers but not to the great majority, and farmers need to be encouraged to cooperate.

The research confirms that the marketing of livestock is exclusively tied to the traditional live auction marts. This is regarded as a transparent means of price setting and a familiar way of conducting trade and social intercourse. However, the FMD crisis has caused great upset and uncertainty for the marts. The study has quantified in broad terms the extent of the likely losses they will have incurred. It has also pointed to further difficulties ahead regarding greater regulation of livestock movements and other bio-security measures. The future therefore offers very serious threats. The demise of the marts would be a blow to local economies but would also entail the loss of important social functions. A key means of knowledge transfer within the livestock industry would be lost. Farmers, for example, are very likely to look to the marts to help bring about the sought after changes in marketing and supply chain

management. The prospects and future role of auction marts are a pressing topic for further research.

The farming industry (and the red meat sector in particular) needs generic and technical business support in adding value to its commodity products, better management of the supply chain and marketing. If realistic projects are to be devised and delivered, leadership and ownership must come from within the farming sector itself. Practical collaboration between farmers in marketing and supply chain initiatives has been notoriously difficult to achieve and some facilitation of the process would therefore seem to be essential.

There has already been some important activity in the region regarding the red meat supply chain. The Northern Dales Meat Initiative was conceived to take forward the findings and recommendations of the Northern Uplands Red Meat study. It concentrated on practical action and closely engaged the hill farming community in its work. The project has now lapsed and may have left a vacuum. It is essential that a thorough assessment of the Initiative is undertaken so that lessons can be applied to any similar initiatives that may follow.

Whilst changes can be instigated from the primary production end of the supply chain they will ultimately be consumer driven and the multiple retailers will continue to exercise a powerful influence. The research indicates that, as with farmers, there is significant inertia amongst consumers. Purchasing habits of most consumers are dominated by price and convenience. There is some empathy with the farmers and support for the local economy. But, aside from meat, there is only a modest degree of

interest in the provenance and means of production of food, with rural consumers more aware and more concerned than urban consumers.

There is every justification for promoting awareness and higher consumption of regionally distinctive and local foods and more traditional and value-added niche products. This meets sustainability objectives and acts as an important counterweight to the globalisation and centralisation of food production and distribution. Farmers' markets may not transform the local rural economy but can provide tangible benefits. Initiatives such as the Countryside Agency's Eat the View scheme and the Soil Association's Local Foodworks project provide good examples of positive action in this field. The consumer survey, though, revealed a lack of awareness about the presence and location of existing initiatives, such as farmers' markets, which needs to be remedied.

The North East has a dearth of speciality food producers, and markets are not as large or well developed as other parts of the UK. Past efforts to establish a network of producers and to brand and market the region's products have lapsed. The newly established Northumbria Larder has taken up the challenge. It will need support particularly as it progresses beyond the establishment phase.

To avoid fragmentation and piecemeal efforts it is vital that more local initiatives are also effectively co-ordinated. The Fresh Trading Initiative in North Northumberland is a good example of local action to promote awareness of an area's distinctive products and development of supply chain links between food producers and hospitality businesses. Other schemes are being actively pursued across the region (e.g. for Hadrian's Wall, Weardale and Teesdale).

Winning consumer acceptance, however, cannot be taken for granted and this points to three main requirements. First, any duplication of effort and disjointed activity in promoting regionally distinctive foods must be avoided. There would appear to be a key role for the RDA in securing the necessary integration. Second, strategies to encourage a greater uptake of local products must take account of consumers' practical concerns over price, convenience and access. Third, given the dominance of the multiple supermarkets in food retailing, it is important that they adopt a more favourable attitude to regional sourcing, especially of meat products.

Wider rural economy

The FMD outbreak has had very serious economic impacts that extended well beyond farming, revealing the diverse yet interdependent nature of the rural economy. Total revenue losses in the wider rural economy were on a par with those inflicted on the farming sector. 56% of surveyed rural micro-businesses were affected, in the main negatively.

FMD had a particularly extensive impact in the hospitality, land-based and recreation/culture sectors, with the vast majority of firms hit. Roughly half of the firms in the retail, transport, business services and manufacturing sectors were also affected, reflecting knock-on effects within business chains. Half of the impacted firms experienced a medium or high impact.

The research indicates that business recovery remains an important consideration in 2002 and beyond, requiring supportive and sympathetic approaches from public authorities and the banks. There are a number of

lasting effects for many of the impacted businesses relating to additional debt, reduced reserves, disrupted trade and investment cycles and shelved plans for growth and investment. Almost a third of impacted firms were expecting several years of recovery.

More generally, the research emphasises that future rural development initiatives need to be broad based and less farm-centred. This will itself be increasingly important for the farming sector as farmers are encouraged to develop non-farm based businesses and as farm families become increasingly reliant on income sources located off-farm. FMD has therefore accelerated the need for robust approaches to rural development and effective implementation of rural policies such as the Rural White Paper.

FMD has revealed important interdependencies within the rural economy, between tourism, farming and other sectors, and the need for more integrated approaches to rural development. This calls for better integration of programmes and funding streams intended to assist rural regeneration and close coordination of business support services provided via the Business Links, Farm Business Advice Service, Tourist Boards and other agencies.

This is particularly the case for the more peripheral rural areas in the North East whose economies are heavily dependent on a combination of primary industries and tourism. Here diversification remains a challenging rural development goal. More attention is required to understanding and reducing the vulnerability of such local economies and to improving their robustness. This requires critical assessment of existing rural development approaches, exploration of ways of reducing

risk and attempts to strengthen existing and new forms of economic development. In particular this would call for more strategic positioning of the tourism sector in general against wider regional development priorities. The important role of key visitor attractions and their relationship to the micro-businesses that surround them has also been highlighted and this represents an important focus for research and development.

Specific initiatives addressing interconnections within the rural economy need to be encouraged. For example, there would appear to be scope for promoting linkages between the food and drink, tourism and culture sectors. More generally, there is immense scope for strengthening the linkages between local food, the environment, education, health and social inclusion. The Fresh Trading Initiative demonstrates what can be achieved using modest resources. The same principles are now being applied through the Hadrian's Wall Tourism Partnership. The available funding streams, however, do not always recognise the importance of these interconnections to the rural economy. The Objective 2 Programme, for example, discourages cross-cluster approaches and there would be some merit in subjecting this and other regional funding programmes to a rural proofing exercise in line with the Government's Rural White Paper commitment.

Many businesses did not utilise business support, even though hit by the Foot and Mouth crisis. Further attention should be given to the means of facilitating uptake among small businesses, development in the communication and profile of support and further tailoring of support to the nature and needs of micro-businesses. Specific lessons need also to be learned in relation to the uptake and popularity of business aid

measures among micro-firms and the fact that some impacted businesses aborted their attempts to obtain aid or fell through the gaps in the aid system.

The condition of firms in the aftermath of the crisis reflects the pressures they had to face but also the effectiveness of their coping responses. Several factors influenced the coping capability of impacted firms, including the existence of employees, the level of fixed costs, access to support networks and flexible labour, and the age and experience of the business and its owner(s). Businesses that had had the opportunity in the past to build up their financial, human or physical assets were better able to weather the crisis. It would seem that the farms were generally better prepared in this respect than most of the micro-businesses. In future business advice and support should pay much greater attention to encouraging the build-up of such assets to increase business resilience.

The research confirms the importance of households in providing resilience to micro-businesses. Most of the firms drew on family and household resources to cope with the crisis and its aftermath, and household coping responses were most pronounced amongst high impact firms. Households acted as a buffer to the businesses, absorbing revenue and employment effects, through adjustments in the wage taken from the business, the deployment of personal savings and the use of household members as a flexible labour reserve. The integral role of household flexibilities within the coping responses of many impacted micro-businesses – both farming and non-farming - highlights how the dynamics of firms are inseparable from their social context. It would reinforce the view that business support organisations should be encouraged to take fully into account the range of ‘soft business’ issues

within micro-businesses, including the influence of household factors on business goals. It also means that FMD had major social consequences which are likely to have implications for rural recovery.

FMD also revealed crucial characteristics of the rural labour process. It was seen, for example, how core employees were often deeply embedded within firms - treated like family in many cases – with repercussions for employment decisions. Equally, the operation of a very flexible rural labour reserve was exposed - with firms releasing or drawing upon local labour as and when required. The ease with which many firms were able to pursue such strategies was central to the way they coped with the crisis. However, it revealed problematic employment practices in which neither business owners nor employees seemed to understand their rights or obligations. It also meant that local people with very insecure livelihoods had to bear the impacts of the crisis. This indicates a pressing need for greater attention, in research and policy, to the security of rural livelihoods.

7.4 Final Remarks: the Wider Lessons of FMD

FMD and the way it was handled induced a crisis for farming and the rural economy. In revealing the continued interdependency between farming and the rural economy, it also exposed the complexity and diversity of the contemporary rural economy. One consequence was that the crisis had different ramifications for different areas.

This becomes apparent if we compare the impact of the crisis in Cumbria with that in the North East. The Cumbrian rural economy is heavily dependent on tourism with a market that is national and international.

The images of a county under siege to combat an animal plague led many people and groups, from the UK or abroad, to cancel their planned holiday visits to Cumbria. The consequence was a very deep crisis in rural tourism, whose revenue losses for the year far outstripped those in agriculture.

In contrast, in the North East, the rural economy is much less dependent on tourism, and the visitor market is much more regionally based and focused on leisure and recreation as well as tourism. Visitors stayed away from the North East countryside and rural businesses suffered from access restrictions, but the effects were less intense and more diffuse, and were felt well beyond the tourism sector. Those parts of the North East that attract national or international tourists - such as Hadrian's Wall - did suffer in a similar way to, say, much of the Lake District.

However, certain specific rural areas and businesses in the North East did better than usual through the displacement of visitors and customers to coastal locations, larger settlements and urban fringe sites. The nature of the North East's regionally based market, oriented largely to day trips and short breaks, also meant that there could be a rapid recovery in visitor numbers in the autumn of 2001 when it seemed that the outbreak was ending. One consequence is that, although hospitality was the most extensively affected sector, the largest grouping of hospitality businesses fell into the low impact category (i.e. had suffered considerable disruption but with little or no change in annual revenue). What has not recovered is the overseas tourism market but this is much less of an issue for the North East than for Cumbria³⁵.

³⁵ 'Foreign tourists desert the North' *The Journal*, July 29 2002, p. 2.

Conversely, there were other sectors comprising the North East rural economy that were prominently impacted by the FMD crisis, including recreation and culture, land-based, retailing, transport, business services and manufacturing. Some of the firms in these sectors were impacted directly by depressed tourism or visitor demand, but others were impacted by induced effects from reduced local trade or by indirect effects as farmers and others curtailed their expenditure on supplies and services. Many of the hardest hit firms in the North East were those that were indirectly affected as orders dried up along business chains. Undoubtedly, similar effects were experienced in Cumbria, but the plight of affected rural businesses was completely overshadowed by the crisis in tourism and farming. The North East more evidently suffered a more diffuse rural economy crisis.

In this way the FMD crisis tested and revealed the specific interdependencies and vulnerabilities of local rural economies. The implication is that measures for rural recovery should be appropriately differentiated. An emphasis on tourism promotion and farming recovery would not be sufficient to overcome the immediate legacy of the crisis across a range of other sectors in the rural North East.

Overall, the 2001 FMD epidemic triggered a rural economy crisis extending far beyond farming and tourism. The lessons from the crisis are far reaching and must go beyond those posed specifically for the future of farming or the institutional handling of crises - themes which have dominated the official inquiry process.

The FMD crisis draws attention to a series of fundamental challenges facing the future of rural areas and rural development policies and decision making. The research suggests that central issues concern:

- the changed nature of contemporary rural economies and the adoption of more locally and regionally differentiated and inclusive perspectives;
- the continued fragility and dependency of many rural areas and the means of reducing vulnerability;
- the specific characteristics of rural firms and the development of effective business support services; and
- the interdependencies between business sectors and the requirement for more integrated approaches to rural development.

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APPENDIX 1: TABLES ON FMD IMPACTS ON FARMS

Table A1.1: Average size of surveyed holdings (ha)

Total area of permanent grass (a)	61.8
Total area of temporary grass (IACS registered) (b)	21.3
Total area of temporary grass (not IACS registered) (c)	2.9
Rough grazing	48.3
Other cropping	65.9
Roads, buildings and woodlands	7.3
Average farm size (ex. common grazing rights)	207.5
Adjusted rough grazing (d)	14.8
Common grazing rights (adjusted hectares) (e)	2.6
Adjusted grassland area (f=a+b+c+d+e)	103.4
Area in SDA	68.9
Area in DA	28.4
Area owned	113.1
(% farm owner occupied)	(55)

Table A1.2: Number of farms in sample by farm type (as defined by Newcastle University Farm Business Survey)

Lowland dairy (<90 cows)	1
Lowland dairy (>=90 cows)	2
Lowland grazing	22
Lowland arable	16
Upland dairy	1
Marginal land	14
Upland rearing	17
Hill rearing	5
Total	78

Table A1.3: Livestock numbers pre-Foot and Mouth (average per farm)

Dairy cows	4.6
Beef cows	47
Other cattle	
>2 years	8
1 - 2 years	51
<1 year	46
LFA ewes	277
Lowland ewes	115
Lambs under 1 year old	267
Ewe Hogs	80
Other sheep	18
Horses	1
Goats	0
Deer	0
Pigs - breeding sows and gilts	0
Pigs - other pigs	0
Other livestock	140
Total grazing livestock units	145
(Stocking rate - total livestock units/forage area)	(1.84/ha)

Table A1.4: Status of sample farms with respect to Foot and Mouth disease

Free of Foot and Mouth and no livestock culled	63
Confirmed Foot and Mouth	3
Culled for dangerous contact	3
Contiguous cull	8
Culled on suspicion	1
Culled - <3 km depopulation	0
Culled - <3 km non-voluntary depopulation	0
Culled - welfare scheme	0
Total number of farms	78

Table A1.5: Overall total of livestock culled on surveyed farms

Dairy cows	0
Beef cows	347
Other cattle < 2 years	92
Other cattle 1-2 years	757
Other cattle < 1 year	545
LFA ewes	2,428
Lowland ewes	1,168
Ewe hogs	778
Lambs under 1 year old	4,436
Other sheep	100
Goats	0
Deer	0
Pigs - breeding sows and gilts	0
Pigs other	0
Total	10,651
An additional 934 animals owned by surveyed farmers were slaughtered on other premises (270 ewe hogs, 186 ewes and 478 lambs).	

Table A1.6: Estimates of total value of compensation (£)

Sample	Estimated value of livestock culled on surveyed farms	Estimated value of livestock culled away from the farms	Total value of compensation for culled livestock
Lower range	1,019,250	29,480	1,048,730
Upper range	1,553,530	46,080	1,599,610

Table A1.7: Total value of other compulsory purchases (£)

	Concentrates	Hay	Silage	other	fittings	Total
Number receiving compensation	5	4	6	7	6	
Total compensation received	9,070	9,850	8,980	22,995	8,635	59,530

Table A1.8: Farm business and household income 2000-1/2001-2 (£)

Revenue from traditional farming enterprises	2000-1	2001-2
Dairy	5,300	2,556
Beef	37,306	22,788
Sheep	22,125	16,582
Other livestock	847	188
Cereals and other crops	29,258	31,472
Environmental payments	1,615	1,830
Compensation for destruction of hay, silage etc.	0	763
Livestock subsidies	19,757	14,573
<i>of which</i> beef subsidies	(10,834)	(8,137)
Hill farm allowance	(3,101)	(3,101)
sheep	(5,687)	(3,121)
leasing out suckler cow quota	(0)	(213)
Cereal subsidies (direct payment)	12,272	12,272
Set aside payments	1,753	1,753
Total farm business revenue (A)	130,233	104,777
Income from diversification (B)	6,458	4,795
Foot and Mouth related income (C)	0	3,577
Off farm income of household members (D)	3,397	2,955
Total household income and revenues (A+B+C+D)	140,088	116,104
Farm Labour		
Farmer and spouse	11,487	11,623
Family unpaid, full time	3,850	4,295
Family unpaid part time	268	334
Paid, full time	9,800	9,327
Paid, part time	807	867
Casual	1,920	1,741
Total farm labour costs (F)	28,132	28,186
Expenditure on other inputs		
Concentrates	13,333	11,818
Forage / keep	2,745	2,542
Straw	1,105	1,133
Other recorded costs*	50,297	50,771
Recorded non-labour inputs (G)	67,480	66,264
Total recorded costs (F+G)	95,612	94,450
* Other farm costs will include depreciation, office overheads, insurance, herd replacement costs, etc.		

Table A1.9: Changes in farm business and household income (£), by farm type

	Lowland grazing		LFA cattle and sheep		Arable	
	2000-1	2001-2	2000-1	2001-2	2000-1	2001-2
Number of farms in sample	(22)	(22)	(36)	(36)	(16)	(16)
Revenue from traditional farming enterprises	126,915	78,412	93,016	74,370	209,645	206,084
Income from diversification	5,748	3,340	4,681	3,815	12,921	10,173
Foot and Mouth related income	0	4,473	0	2,458	0	5,756
Off farm income of household members	2,273	1,108	2,569	2,561	5,625	5,109
Total household income and revenues	134,972	87,333	100,266	83,563	228,191	227,122
Farm labour costs	23,884	23,371	21,585	21,801	48,605	48,659
Recorded non-labour costs	60,088	53,651	46,196	47,392	116,815	116,195
Total recorded costs	83,972	77,022	67,781	69,193	165,420	164,854
The list of costs presented in this table does not include all farm business costs. For example, general farm overheads (postage, telephone and other office costs), depreciation on equipment and buildings, and herd replacement costs are all excluded.						

Table A1.10: Changes in farm business and household income (£) by FMD status

	On farms with stock culled		On farms with no stock culled	
	2000-1	2001-2	2000-1	2001-2
Revenue from traditional farming enterprises	(15)	(15)	(63)	(63)
Dairy	33	0	6,554	3,165
Beef	69,311	1,112	29,687	28,591
Sheep	21,308	3,550	22,319	19,645
Other livestock	0	0	1,049	232
Cereals and other crops	14,313	14,079	32,829	36,074
Environmental payments	2,068	1,587	1,508	1,888
Livestock subsidies	14,084	0	17,123	13,937
Compensation for destruction of hay, silage etc.	0	3,967	0	0
Revenue from leasing out suckler cow quota	0	1,103	0	0
Hill Farm Allowance	2,414	2,414	3,264	3,264
Cereal and other crop subsidies	8,616	8,616	13,143	13,143
Set aside payments	819	819	1,975	1,975
Total farm business revenue (A)	132,966	38,350	129,451	121,914
Income from diversification (B)	6,702	2,263	6,400	5,397
Foot and Mouth related income (C)	0	18,573	0	0
Off farm income of household members (D)	3,167	3,042	3,452	2,895
Total household income and revenues (A+B+C+D)	142,835	62,228	139,303	130,206
Farm Labour				
Farmer and spouse	12,309	10,818	11,292	11,814
Family unpaid, full time	3,838	3,767	3,853	4,420
Family unpaid, part time	155	457	295	304
Paid, full time	3,562	3,008	11,284	10,832
Paid, part time	191	440	954	968
Casual	302	302	2,305	2,084
Total farm labour costs (F)	20,357	18,792	29,983	30,422
Expenditures on other inputs				
Concentrates	16,113	2,602	12,669	14,012
Forage / keep	2,643	827	2,769	2,951
Straw	645	114	1,214	1,376
Other recorded costs *	42,817	41,470	52,078	51,114
Recorded non-labour costs (G)	62,218	44,473	68,730	71,453
Total recorded costs (F+G)	82,575	63,265	98,713	101,875
* The list of costs presented in this table does not include all farm business costs. For example, general farm overheads (postage, telephone and other office costs), depreciation on equipment and buildings, and herd replacement costs are all excluded.				

Table A1.11: Labour used on farm (in labour years), before and after Foot and Mouth (assumes one labour year is 2000 hours)

	Before	After
Farmer and spouse	85.4	86.5
Family, unpaid full-time	29.7	31.8
Family, unpaid part-time	2.4	2.7
Paid, full-time	57.8	54.7
Paid, part-time	5.5	5.8
Casual labour	17.5	16.3
Total	198.2	197.8

Table A1.12: Participation in agri-environmental schemes

	Nos.	Average payment per participant
ESA payments (annual) **	4	9,767
ESA payments (capital)	1	-*
Countryside Stewardship Scheme	13	4,731
SSSI	3	-*
Other	5	1,699
* Average values withheld due to small sample size		
** four farmers had land inside an ESA		
In the full sample 5 farmers had enrolled in two agri-environment schemes		

Table A1.13: Number of diversified activities, before and after Foot and Mouth

	2000-1	2001-2	
		Without FMD related work	Including FMD related work
0	15	40	35
1	28	17	16
2	16	11	12
3	14	8	11
4	3	0	1
5	2	2	3
Total	124	73	92

Table A1.14: Average earning from diversified activities, before Foot and Mouth

	Nos.	Average
Rent buildings for farming	5	10,241
Rent out buildings for other use	33	4,187
Rent out grassland	4	3,023
Rent out bare land	3	-*
Contracting	31	5,789
Contract labour	2	-*
Commercial woodland	3	-*
Food processing	1	-*
Horse enterprise	4	5,824
Shooting enterprise	3	-*
Fishing income	1	-*
Bed and breakfast	2	-*
Self-catering accommodation	0	0
Camping and caravan site	0	0
Other diversification income	32	2,051
Total and average per activity	124	4,062
* Average values withheld due to small sample size		

Table A1.15: Types of diversified activities and average earnings, estimates for 2001-2

	Nos.	Av. revenue
Rent buildings for farming	3	-*
Rent out buildings for other use	14	8,707
Rent out grassland	2	-*
Rent for bare land	3	-*
Commercial woodland	3	-*
Contracting - labour only	2	-*
Contracting	15	5,423
Food processing	0	0
Horse enterprise	4	4,459
Shooting enterprise	2	-*
Bed and breakfast	2	-*
Self-catering accommodation	0	0
Caravan / campsite	0	0
Café / catering	2	-*
Other diversification income	21	2,742
Total	73	5,113
Foot and Mouth related activities		
Foot and Mouth related labour	7	21,846
Foot and Mouth related contracting	7	15,371
Other Foot and Mouth related work	5	47
* These values have been withheld because of the small sample size		

Table A1.16: Estimated off farm income before and after Foot and Mouth

	Off farm income in year before Foot and Mouth	Off farm income in year after Foot and Mouth
Sum	264,966	228,025
Number of people employed	30	28
Average person employed	8,832	8,144
Number of households	29	27
Average per household	9,137	8,445

Table A1.17: Number and type of off-farm employment (before Foot and Mouth)

Local shop / retail	8
Education	5
Secretary/clerical	4
Local government	3
Tourism	2
Water treatment plant	1
Bookkeeper	1
Doctor	1
Catering	1
HGV driver	1
Electronics	1
Agricultural worker	2
Total	30

Table A1.18: Sources of advice used by farmers regarding their future strategy

	Nos.	Most commonly used sources of advice*
Farm business		
Yes	14	
Private consultant		5
Accountant		4
Business Link		4
Family/friend (specialist knowledge)		3
No	62	-
Not yet but will	2	-
Diversified enterprises		
Yes	9	
Private consultant		4
Business Link		4
No	67	-
Not yet but will	2	-
Off-farm income		
Yes	1	
No	77	-
Not yet but will	0	-
* Farmers were asked to name a maximum of three sources of advice, the number in this column refers to the time each source was used.		

Table A1.19: Timetable for restocking and total annual stock numbers on farms that have been culled (selected categories of stock)

	Pre FMD	2001	2002	2003	2004	2005
Dairy cows	None	0	0	0	0	0
Beef cows	375	85	251	335	335	335
Ewes	5,713	1,323	3,522	3,941	3,941	3,941

N=15

Two farmers had hefted sheep. One of these flocks was culled. The farmer intends to 'use draft ewes as replacements'.

Table A1.20: Future cropping and farm business intentions

	Yes	No	Possibly
Increase forestry area	8	62	8
Go organic	4	66	8
Increase participation in AES	13	19	46
Grow new crops	7	65	6
More diversification	12	34	32
More off farm income	4	60	14
Other	2	0	0
Scale down farmed area	5	71	2
Expand farming area	12	47	19
Maintain existing level of activity	47	22	9

N=78

Table A1.21: An analysis of future cropping and farm business intentions (of farmers who intend to continue farming) by farm type

	Lowland grazing		LFA, upland and hill stock rearing farms		Arable	
Number of farms	(22)		(36)		(16)	
	Yes	Possibly	Yes	Possibly	Yes	Possibly
Increase forestry area	2	2	2	3	0	2
Go organic	1	2	2	2	0	3
Increase participation in AES	2	11	7	24	4	8
Grow new crops	2	0	3	1	1	5
Scale down farmed area	1	1	2	0	1	0
Expand farming area	2	5	5	8	3	7
Maintain existing level of activity	15	2	20	3	8	4
More diversification	4	10	5	12	2	9
More off farm income	0	1	2	8	1	3

Table A1.22: Importance of diversification to the future viability of the household income

	Number
How important was farm diversification before Foot and Mouth	
Not important	45
Moderately	17
Very	16
Has diversification become more or less appropriate after Foot and Mouth?	
Less appropriate	0
More appropriate	21
Unaltered	57

Table A1.23: Changes in attitude towards diversification

	Response to importance of diversification before Foot and Mouth		
	Not important	Moderately important	Very important
Response to appropriateness after Foot and Mouth			
More appropriate	7	7	7
Less appropriate	0	0	0
Unaltered	38	10	9

Table A1.24: Importance of off farm employment to the future viability of the household income

	Number
Importance of off farm employment before Foot and Mouth	
Not important	48
Moderately	19
Very	11
Has off farm employment become more or less appropriate after Foot and Mouth?	
Less appropriate	0
More appropriate	12
Unaltered	66

Table A1.25: Changes in attitude towards off farm employment

	Response to importance of off farm employment before Foot and Mouth		
	Not important	Moderately important	Very important
Response to appropriateness after Foot and Mouth			
More appropriate	4	4	4
Less appropriate	0	0	0
Unaltered	44	15	7

Table A1.26: Vulnerability of off-farm employment and diversification to Foot and Mouth

	Number
Vulnerability of diversified activity to Foot and Mouth	
Not vulnerable	13
Moderately	12
Very	8
N/a	45
Vulnerability of off farm employment to Foot and Mouth	
Not vulnerable	23
Moderately	6
Very	2
N/a	47

Table A1.27: Likely future strategy with respect to off farm employment and on-farm diversification

	Number
Neither	12
Both	17
Off-farm employment	8
Diversification	25
Undecided	16

Table A1.28: Most likely future strategy by category according to current activities

	On farms with off farm income only	On farms with diversified income only	On farms with both off farm income and diversified income	On farms without either off farm or diversified income
Both	0	2	14	1
Neither	0	6	2	4
Off farm employment	2	3	2	1
Diversification	0	18	4	3
Undecided	1	8	4	3
Total	3	37	26	12

Responses to the additional questions in the survey

Question: If your future strategy is OFE, do you require some help / advice?

Response: All respondents answered NO

Question: If your future strategy is diversification, do you require help / assistance?

Five responses:

Advice on marketing and fitting out holiday cottages

Farm is to butcher its own lamb and would like advice

Advice from a farm business consultant required by two respondents.

A suitable advisory body - but no indication of what advice is wanted!

HGV (not clear what help is asked for here - money?)

Table A1.29: Community participation

	Number involved	Impact on participation	
		Higher	Lower
Parish Council	7	0	3
Mother and toddler groups	1	1	0
WI	9	3	6
Young Farmers Club	5	0	5
Gardening Club	0	0	0
Over 60s	0	0	0
Youth Club	1	1	0
Scouts, Guides, Brownies	6	0	5
Hobby Group	9	1	8
Sports Club	11	2	9
Church Committee	5	3	2
Other	6	0	6

Table A1.30: Other activities affected by FMD (all reduced)

Hunting and sport	2
NFU	1
School governor	1
Dog training	1
Village hall committee	1
Total	6

Table A1.31: Impact of Foot and Mouth on household activities: activities prevented by restrictions imposed by Foot and Mouth disease

	Yes	No	N/a
Attending school	7	18	53
Receiving health care	2	46	30
Attending off-farm work	11	22	45
Going local shopping	24	54	0
Going shopping further afield	35	43	0
Visiting family	56	22	0
Visiting friends	67	11	0
Going to the pub	38	33	7
Going to church	13	42	23
Attending special occasions (weddings, christenings etc)	29	23	26
Attending agricultural show or village fete	44	0	34

Table A1.32: Business responses to Foot and Mouth disease

	Yes	Soon	No	Not consider	N/a
Household members doing additional work on farm	14	1	52	5	6
Household members doing additional work off-farm	3	2	37	3	33
Not employing seasonal/casual labour	18	0	20	5	35
Laying off labour permanently	2	0	30	3	43
Laying off staff temporarily	0	0	32	3	43
Reducing staff working hours	2	0	31	4	41
Obtaining a loan	0	1	66	5	6
Spending savings or pensions	9	0	60	2	7
Cutting back on household spending	11	1	62	4	0
Renegotiating loans/mortgages	3	1	58	5	11
Temporarily closing down the diversified enterprise	6	0	21	4	47
Permanently closing down the diversified enterprise	0	0	27	4	47
Cancel plans to expand the business	0	0	17	5	56
Cancel plans to diversify the business	0	0	16	4	58
Cancel investment in premises, stock or machinery	15	0	39	6	18
Retraining	3	1	6	5	63
Increase marketing activity	3	0	5	8	62

Table A1.33: Key providers of help in coping with Foot and Mouth disease

	Number of respondents who sought help from
Friends	32
Immediate family	47
Other relatives	15
Other farmers	30
Doctor/nurse	2
Priest/vicar	0
Stress Information Network*	0
Samaritans*	0

* - please note potential under-representation due to reluctance to divulge this kind of information

Table A1.34: Information services

	Ranking of usefulness of media on FMD		
	1st	2 nd	3 rd
TV	27	11	8
Radio	10	5	1
Local papers	11	10	8
National papers	1	9	1
Newsletters	3	0	1
WWW	21	11	5
Telephone - local farmers	2	12	10
Telephone - MAFF/DEFRA	0	2	0
Telephone - official bodies (NFU etc)	0	0	0
None	3	18	44

Table A1.35: Access to and use of computer

Access to computer	55
Computer used for entertainment/leisure, school work	50
Farm management	
Farm accounts	37
Livestock enterprise management	29
Livestock records (movements, vet records)	29
Arable enterprise management	12
Internet access	
E-mails	43
Information (market prices etc)	26
Ordering goods online / by email	8
Selling goods online / by email	2
Online banking	8
WWW	
Website advertising	1

Table A1.36: Education status and computer use

Education status	Has computer	Does not have computer	Total
Secondary school	15	15	30
GCSE or equivalent	5	3	8
A level or equivalent	2	1	3
College /National diploma	16	4	20
Degree	15	0	15
Postgraduate qualification	1	0	1
Apprenticeship	1	0	1
Total	55	23	78

Table A1.37: Change in the value of farm production

<i>Commodity</i>	Value of output 2000-1	Value of output 2001-2	Change in value of production	% change
	£	£	£	%
Dairy	413,382	199,389	-213,993	-52
Beef	2,984,884	1,777,453	-1,207,431	-40
Sheep	1,684,977	1,293,667	-391,310	-23
Total	5,083,243	3,270,509	-1,812,734	-36

Table 1.38: Total value of output from traditional farm enterprises and marketing of produce

Commodity	Total value £	Marketing strategy										Market outlet										Next stop	
		Live auction	Abbaioir	Private sale	Marketing group	Other Carlisle	Hexham	Wooler	Roth- bury	Ponte- land	Burra- don	Tow Law	Bishop Auk- land	Barnard Castle	Mid- leton	Darflon	Local butcher	Other	Local processor	%	%		
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%		
Dairy																							
Milk	394,826	0	0	0	60	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100	67	
Dairy calves	3,608	72	0	5	0	23	0	0	0	0	0	0	0	0	0	0	62	0	10	0	28	77	
Dairy breeding stock	1,033	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100	0	
Cullled dairy cows	13,915	51	0	23	0	26	0	0	0	0	0	0	0	0	0	0	11	0	36	0	49	74	
Beef																							
Suckler beef calves	136,091	90	0	9	0	1	0	15	54	0	0	8	0	0	0	9	0	0	0	0	14	87	
Store cattle	578,754	91	0	9	0	0	0	35	4	2	9	10	0	3	4	9	0	0	0	24	59		
Fat cattle	2,008,093	48	39	1	1	12	0	15	4	0	12	3	6	1	0	0	0	0	39	1	18	74	
Beef breeding stock	139,892	93	0	0	0	7	9	9	75	0	0	0	0	0	0	0	0	0	0	0	7	84	
Cast beef cows	122,054	94	0	4	0	2	0	30	8	1	7	0	9	0	1	3	12	0	0	10	94		
Sheep																							
Fat lambs	1,193,410	81	3	0	0	15	0	47	6	3	1	1	7	2	1	5	0	0	25	64			
Ewe lambs	123,865	61	0	15	0	24	0	32	1	2	0	0	5	0	11	0	0	0	49	42			
Store lambs	116,573	93	0	0	0	7	0	27	0	2	0	0	31	0	20	0	0	0	17	20			
Draft ewes	117,438	100	0	0	0	0	0	43	11	0	0	0	3	0	7	0	0	0	37	84			
Breeding tup	34,610	97	0	3	0	0	0	36	11	0	0	0	3	0	2	0	0	0	47	62			
Cast ewes	99,081	88	0	0	0	12	0	46	13	2	0	10	1	4	2	0	0	0	18	65			
Total value pre FMD	3,398,266	3,249,379	812,491	121,868	254,064	645,441	12,147	1,332,492	403,562	53,860	314,139	74,336	336,722	47,649	67,386	95,872	924,928	27,000	3,690,093	3,495,911			
Total value post FMD	1,976,842	2,283,058	383,625	99,023	120,034	384,768	11,852	962,919	313,622	42,391	172,378	37,205	216,394	28,920	48,819	72,323	474,794	12,358	876,532	2,227,802			
Change in Value	1,421,424	966,321	428,866	22,845	134,030	260,673	295	369,573	89,940	11,469	141,761	37,131	120,328	18,729	18,567	23,549	450,134	14,642	2,813,561	1,268,109			

Table A1.39: Impact of Foot and Mouth on input suppliers, by input and location (surveyed farms)

Input	Total expenditure 2000-1 £	Value of total purchases			Total expenditure 2001-2 £	% change in total expenditure	Value of total purchases		
		Local (within 10 miles)	Regional (10-30 miles)	National			Local (within 10 miles)	Regional (10-30 miles)	National
Concentrates	1,012,783	202,494	668,901	141,388	886,920	-12	177,329	585,774	123,817
Forage/feed	212,650	75,592	130,048	7,010	193,813	-9	68,896	118,528	6,389
Straw	84,912	41,562	37,213	5,837	86,762	2	42,468	38,024	5,964
Vet and Med	208,093	107,336	97,873	2,884	186,176	-11	96,031	87,565	2,580
Disinfectant	na	na	na	na	24,870	na	na	na	na
AI etc	20,772	5,575	12,258	2,939	19,444	-6	5,219	11,474	2,751
Fertiliser	615,947	66,165	287,380	262,402	600,623	-2	64,519	280,230	255,874
Seed	264,387	32,099	120,787	111,501	269,940	2	32,773	123,324	113,843
Chemicals	370,583	0	138,822	192,702	352,818	-5	0	132,167	183,464
Contractors	495,725	280,437	189,382	25,905	482,015	-3	272,681	184,144	25,189
Machinery repair	436,490	141,207	283,577	11,705	439,759	1	142,265	285,701	11,793
Fuel and oils	401,831	71,354	89,267	241,208	397,944	-1	70,664	88,404	238,875
Building repairs	164,369	75,632	76,417	12,320	165,870	1	76,323	77,115	12,433
Fencing repairs	52,745	40,342	12,402	0	53,485	1	40,908	12,576	0
Total	4,341,287	1,139,795	2,144,327	1,017,801	4,160,439	-4	1,090,074	2,025,025	982,971

*Data on location of input suppliers was not available for all farms

Table A1.40: Business responses to Foot and Mouth disease (by culled status excluding arable farms)

	Non-Culled farms (excluding arable farms)					Culled farms (excluding arable farms)				
	Yes	Soon	No	Not consid- ered	N/A	Yes	Soon	No	Not consid- ered	N/A
Household members doing additional work on farm	11	1	33	3	1	3	0	9	0	1
Household members doing additional work off-farm	2	1	23	2	21	0	1	6	0	6
Not employing seasonal/casual labour	13	0	11	4	21	3	0	1	1	8
Laying off labour permanently	1	0	19	2	27	1	0	2	0	10
Laying off staff temporarily	0	0	21	2	26	0	0	2	0	11
Reducing staff working hours	1	0	20	2	26	1	0	2	0	10
Obtaining a loan	0	1	41	3	4	0	0	12	0	1
Spending savings or pensions	7	0	36	2	4	1	0	10	0	2
Cutting back on household spending	10	1	35	3	0	1	0	12	0	0
Renegotiating loans/mortgages	2	1	38	3	5	0	0	10	0	3
Temporarily closing down the diversified enterprise	2	0	15	2	30	2	0	1	0	10
Permanently closing down the diversified enterprise	0	0	17	2	30	0	0	3	0	10
Cancel plans to expand the business	0	0	9	4	36	0	0	2	0	11
Cancel plans to diversify the business	0	0	8	3	38	0	0	3	0	10
Cancel investment in premises, stock or machinery	6	0	26	5	12	7	0	2	0	4
Retraining	1	0	4	4	40	2	0	0	0	11
Increase marketing activity	1	0	3	5	40	1	0	2	0	10

APPENDIX 2: TABLES ON FMD IMPACTS ON MICRO-BUSINESSES

Table A2.1: Sector (CRE survey)

<i>Sector</i>	<i>Sampling frame</i>	<i>Interview sample, April 2001</i>	<i>Interview sample, November 2001</i>
Retail	312 (24%)	30 (17%)	27 (18%)
Hospitality	279 (22%)	30 (17%)	25 (16%)
Business services	202 (16%)	20 (11%)	17 (11%)
Manufacturing	140 (11%)	20 (11%)	18 (12%)
Construction	103 (8%)	15 (8%)	11 (7%)
Land based	62 (5%)	15 (8%)	12 (8%)
Personal services	46 (4%)	10 (6%)	6 (4%)
Transport	43 (3%)	10 (6%)	10 (7%)
Health and social	41 (3%)	10 (6%)	10 (7%)
Recreation and culture	33 (3%)	10 (6%)	10 (7%)
Education and training	31 (2%)	10 (6%)	7 (5%)
Total	1292	180	153

Table A2.2: Location (CRE survey)

<i>County</i>	<i>April sample (n=180)</i>	<i>November sample (n=153)</i>
Durham	42 (23%)	35 (23%)
Northumberland	101 (56%)	89 (58%)
Tees Valley	37 (20%)	29 (19%)

Table A2.3: Turnover in 1999 (CRE survey)

<i>Annual turnover</i>	<i>April sample (n=172)</i>	<i>November sample (n= 148)</i>
<£5,000	11 (6%)	9 (6%)
£5,000 to £9,999	8 (4%)	6 (4%)
£10,000 to £19,999	19 (11%)	17 (12%)
£20,000 to £50,999	45 (25%)	40 (27%)
£51,000 to £99,999	28 (16%)	25 (16%)
£100,000 to £249,999	44 (24%)	37 (25%)
>£250,000	17 (9%)	14 (10%)

Table A2.4: Urbanisation index scores of firms (CRE survey)

<i>Urbanisation index</i>	<i>April sample</i>	<i>November sample</i>
0 to 4	28 (16%)	24 (16%)
4.1 to 10	38 (21%)	34 (22%)
10.1 to 30	106 (59%)	90 (58%)
30.1 to 40	8 (4%)	6 (4%)
Total	180	153

Table A2.5: Comparison of March status and overall status from April to November (CRE survey)

<i>November survey</i>	<i>April survey</i>				
Overall impact April to November	Impact status in March				Total
	High negative	Medium negative	Positive	Little/no impact	
Negative	30	7	0	17	54
Positive	1	0	1	2	4
Mixture	8	8	1	4	21
Little/none	2	4	0	67	73
Don't know	0	0	0	1	1
Total	41	19	2	91	153

Table A2.6: Impacted firms: staffing changes in 2001 due to FMD (compared to 2000) (CRE survey)

	Total staff 2000	Jobs per firm 2000	Job gains	Job losses	Net job change	Net % change
March,FT	127	1.6	0	-9	-9	-7
March, PT	88	1.1	0	-22	-22	-25
March, casual	11	0.14	+2	-7	-5	-45
July,FT	141	1.8	+4	-17	-13	-9
July PT	122	1.6	+6	-17	-11	-9
July casual	18	0.23	0	-8	-8	-44
Oct FT	144	1.8	+4	-16	-12	-8
Oct PT	106	1.3	+7	-12	-5	-5
Oct casual	12	0.15	0	-4	-4	-33

Base: March n=78, July and October n=82

Includes changes due partly or wholly to FMD. Changes due *partly* to FMD are, in July, losses of 8 FT and 2 PT staff, and in October a loss of 8 FT and a gain of 1 PT staff. Remaining changes are due entirely to FMD.

Table A2.7: Firms changing staffing in 2001 as a result of FMD (compared to 2000) (CRE survey)

	Firms		
	fewer staff	same	more
March,FT	6	72	0
March, PT	6	72	0
March, casual	3	75	1
July,FT	11	65	3
July PT	9	66	4
July casual	4	75	0
Oct FT	10	67	2
Oct PT	8	66	5
Oct casual	3	76	0

Includes changes due partly or wholly to FMD.

Table A2.8: Employment change in hospitality firms, March 2000 to March 2001 (NTB survey)

	firms	Total March 2000	Total change* March 2001 minus 2000	Mean change March 2000-2001
FT permanent	124	197	-4	- 0.03
FT seasonal	127	17	-1	- 0.008
PT permanent	126	189	-25	- 0.2
PT seasonal	125	90	-45	- 0.4
Unpaid	124	21	3	0.02
Total	126	515	-73	-0.6

Totals are given as persons rather than full-time equivalents.

Table A2.9: Employment change in hospitality firms, May 2000 to May 2001 (NTB survey)

	firms	Total employment May 2000	Total change* May 2001 minus May 2000	Mean change* May 2001 minus May 2000
FT permanent	57	88	-16	-0.3
FT seasonal	57	13	-4	-0.1
PT permanent	57	76	-3	-0.1
PT seasonal	57	62	-38	-0.7
Unpaid	57	8	0	0.0
Total	57	247	-61	-1.1

Totals are given as persons rather than full-time equivalents.

Table A2.10: Business type and difference in turnover for hospitality firms, March 2001 and March 2000 (NTB survey)

Activity	Firms, March survey	Mean turnover, March 2000 £	Mean change in turnover March 2001 £	Turnover down ≥ £100 % firms
Guest house	12	1610	-74	50
B and B	19	660	-421	68
Self-catering	42	2370	-709	81
Camp/caravan/chalet	6	2351	-312	67
Hotel	18	16910	-2609	72
All firms	97	4590	-890	71

Table A2.11: Business type and difference in turnover for hospitality firms, May 2001 and May 2000 (NTB survey)

Activity	All accommodation businesses			Businesses with Turnover down ≥ £100	
	Firms, May survey	Mean turnover, May 2000 £	Mean change in turnover May 2001 £	% firms	Mean TO difference, March 2001 and 2000 £
Guest house	5	2220	-330	60	-1030
B and B	13	1190	-410	46	-1250
Self-catering	22	4040	-390	55	-1110
Camp/caravan/chalet	4	4030	-3000	100	-3000
Hotel	8	23790	-7900	88	-9110
All firms	52	6190	-1748	62	-3120

Table A2.12: Impacted firms: predicted effect of FMD on end of year profit status (CRE survey)

	All impacted firms	Impact declining or disappeared % firms	Impact static or increasing or unsure % firms
From profit to loss	24	18	35
From profit to break-even	14	8	24
From loss to profit	0	0	0
Remain in profit (or loss)	37	45	24
No effect on profit	21	25	14
Don't know	4	4	3

N=78

Table A2.13: Impacted firms and 'Blue Box' designation (CRE survey)

Sectors	% firms outside 'Blue Box' impacted	% firms inside 'Blue Box' impacted
Hospitality	92	100
Land-based, recreation/culture	88	94
Manufacturing, retail, transport, business services	49	64
Construction, education and training, health and social, personal services	17	14
Total	52	67

Table A2.14: Most commonly used sources of support and impact severity (CRE survey)

	High negative % firms approaching (n=25)	Medium negative % firms approaching (n=18)	Low impact % firms approaching (n=18)
Council/local authority	50	39	39
Other business owners	50	17	6
Family members	48	11	33
Business Link/BAC	44	33	17
Friends	44	11	28
Banks	40	33	11
MAFF / DEFRA	33	17	17
Accountants /financial advisers	32	39	17
Tourist Board	17	11	22

Table A2.15: Sources of help or advice used by negatively affected firms according to firm size (CRE November survey)

	0-1 FTE (n=35)	more than 1 FTE (n=34)
Council/local authority	31	65
Family members	29	47
Business Link/BAC	31	41
Friends	20	47
Accountants/financial advisers	29	38
Other business owners	29	32
Banks	29	29
MAFF / DEFRA	11	35
Tourist Board	17	21
Trade association	3	24
Chamber of Commerce	11	15
Federation of Small Businesses	6	21
MP	3	15

Table A2.16: Characteristics of firms by strategy group (Medium and high negative impact firms) (CRE survey)

	Business only % firms (n=5)	Business and household % firms (n=16)	Business, employment and household % firms (n=11)	All medium and high negative impact firms % firms (n=43)
Work more than 45 hours weekly	20	81	73	72
Work more than 60 hours weekly	0	31	54	37
Solo operated	20	31	20	25
0 to 1 FTE (including solo operated)	40	63	27	51
Female owner-operator	60	44	18	36
Hospitality or retail sector firms	40	38	63	49
Post A level education	40	80	45	59
Rent premises	20	31	46	35
Spouse FT, PT or a partner	20	50	55	47
Turnover ≥£51,000	40	50	82	61

* - Data on spouse involvement, education, working week etc taken from 1999 survey of rural micro-businesses (Raley and Moxey, 2000).

APPENDIX 3: CONSUMER FOCUS GROUPS DISCUSSION GUIDE

1. Introduction

- explanation of what focus group is
- reassurances regarding confidentiality etc.
- practicalities - timing, recording, note-taking, etc.
- purpose and objectives of current study (to explore food issues)

2. General Issues and Topics of Importance in Food

- what kinds of things are important to you when you are choosing food?
- anything that has affected you especially? made you think about food you buy? pay particular attention?
- what is it about these things which makes them important to you?
(*probe further on emerging issues/aspects, e.g. price, convenience, health, safety, environment, welfare, organic, gmo, quality, vegetarianism, local)
(*expecting to find different perceptions relating to different types of product/food)
- what does " " mean to you?
- when you choose or look for " ", what benefits do you feel you are getting?
- what has the source of this interest/concern been? what has sparked this concern?
- how much attention do you pay to where your food comes from?
- how important is this issue relative to others mentioned?
- what kinds of things would you be willing to pay more for?
- what kinds of things would you actively seek out?

3. Behaviour/Action Relating to Food and Food Issues

- in what practical ways has your interest/concern been expressed/demonstrated?
- in what ways do you act upon the interest/concern you have mentioned?
- where do you normally shop? what outlets do you use?
- what type of products do you normally buy?
(*looking to probe further on choice of outlets, e.g. supermarkets, independents, direct marketing)
- what do these choices depend on?
- why do you choose these outlets? what benefits do you gain?
- what prevents you, or makes you avoid, going to other types of outlet?

4. Perceptions & Impact of FMD

> if FMD emerges spontaneously, then probe, otherwise lead in with...

> I notice nobody has mentioned Foot and Mouth...?

- what springs to mind when I say Foot and Mouth?
- what do you associate Foot and Mouth with?
- how, if at all, has FMD had an influence in your life?
- how, if at all, has FMD affected food choice/consumption?
(*explore any reported changes in choice of retail outlet, product type, brand, label, and *contrast* with earlier testimonies relating to other issues of concern).
- what do you hope to gain by making these changes?
- what benefits do you hope to bring by making these changes?
(*contrast with earlier testimonies about food choice, retail outlet habits etc.)
- has FMD made you more or less likely to buy local products?

5. Perceptions of the North East as a Source of Food Products & Recreation

(*explore perceptions of countryside and food in light of these, e.g. food production, quality, traceability, farmers)

- what image do you have of the North East in the light of FMD?
- what image do you think others have of the North East as a place to visit in the light of FMD?
- what image do you have of food from the North East in the light of FMD?
- what impact has FMD has on your perceptions of food production/farming?

6. Recommendations

the government would like to encourage people to buy more locally produced food, from assured farming systems, as part of rural recovery programme

- what is your view of this?
- what would your response be to more locally branded products/marketing schemes?
- are you aware of any current local product marketing schemes?
- if you are interested in buying more local products, how should they be marketed?
- if you are not interested, what would make you more interested?
- what do you, as a consumer, feel you can do in the light of Foot and Mouth?
- In general, what role do you feel consumers can play in the light of Foot and Mouth?
- FMD gave rise to many horrible images, to what extent do you think that has put people off the countryside?

- to what extent do you feel others might have been affected in their perceptions of food and/or the countryside, by the coverage of FMD?
- would you eat meat that had been vaccinated?