



Illegal diversification strategies in the farming community from a UK perspective



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ABSTRACT

Illegal diversification strategies in farming contexts are neglected in research terms. There are endogenous and exogenous factors that influence the potential strategic capability and activity of illegal entrepreneurs and criminal farmers. Internal factors include the personal characteristics of the farmer – qualities and skills. External factors, outside the control of the individual illegal entrepreneur, include the activities and processes undertaken by them, the characteristics of the illegal enterprise, government policies, markets and environmental factors. Using a documentary research methodology of 210 case studies, located on the internet, from across the UK (where farmers had been charged with criminal offences relating to their occupation), the article contributes to the literature on farm diversification and rural crime.

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1. Introduction

We focus on 'Illegal' and 'Criminal Entrepreneurship' in a rural context as a neglected rural geography (Philo, 1992). The literature on illegal entrepreneurship in relation to strategic planning or illegal finance, in particular, is sparse as evidenced by the lack of coverage and tendency to focus on corruption rather than the individual entrepreneur (See Bouman, 2008; Smith and McElwee, 2013, 2015). Indeed, Bouman (2008) defines informal finance as being 'identified with a money market dominated by the unscrupulous. Yet, Illegal or Criminal Entrepreneurship as defined by Baumol (1990) is a reality in every type of economy including the rural. Thus, entrepreneurship can be productive, unproductive and even destructive (Baumol, 1990). Economic indicators from developed and developing nations suggest that such destructive entrepreneurial practices are on the increase (Smallbone, and Welter, 2010; Webb et al., 2009). Most governments strive to reduce illegal activities by either preventative or deterrence measures such as education and enterprise support or through punitive measures

such as detection and prosecution. Many entrepreneurs also draw on illegal entrepreneurial experiences in terms of strategic decision-making (Aidis and van Pragg, 2007). Nevertheless, the extent of illegal entrepreneurship can never be fully known, as gaining access to such entrepreneurs is problematic (as it is a neglected, hidden phenomenon – Philo, 1992). Even when apprehended by official processes, such entrepreneurs are unlikely to cooperate with official bodies or academics and so the darker side of strategic decision-making remains unclear. Bouman reminisces that as a lone researcher in finance in the 1970s when he first submitted a conference paper on the exploits of informal financial intermediaries, his ideas were regarded as eccentric. This resonates with us because, in researching the rogue and criminal farmer, we too have encountered resistance from individuals within the farming community and also from farming academics and institutional gatekeepers in the farming industry. Indeed, a general attitude of disbelief and denial permeates the industry. This extends to a view that it is not helpful to promote negative stereotypes of farmers because this may upset powerful farming interests and lead to research being frustrated and marginalized.

The contexts of this study are rurality and the food industry. There are no officially accepted statistics for food crime in the UK other than the accepted total value of the food and drinks sector –

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which is a £200 billion industry. UK official crime statistics do not report such crimes. In their strategic overview [Morling and McNaughton \(2016\)](#) do not provide figures but use news media and vignettes to support their strategic review.¹ They do, however, mention rogues in passing and acknowledge that there is some organized criminal activity but treat food crime as an activity perpetrated on the industry, not by some of its more unscrupulous stakeholders. However, newspaper reports and industry bodies suggest that it could be anything from £1.7 to 11 billion but there is no definitive figure.² Academics are at the forefront of investigating insider activity and there are numerous articles in press on the subject (see for example, [Manning et al., 2016](#); [Fassam and Dani, 2017](#); and [Smith, 2017](#)).

This article contributes by extending the potential and implications for the diversification and activities of rural businesses and businesses involved in the agricultural/farm supply chain to include examples of informal and criminal pluriactivity. We are primarily interested in farmers who are dependent on the land for an income, or farmers with diversified business interests such as abattoir owners. We define farm diversification in terms of 'livelihood' ([Hussein and Nelson, 1998](#)). This includes on-and-off-farm activities, resources and skills, which generate extra income by creating additional agricultural or non-agricultural products, or supplement farm incomes by self-employment or paid labour ([Spiller, 2015](#)). Diversification relates to strategically systematic planned movement away from core business activities ([McElwee, 2006](#)). However, seldom are informal and criminal diversification strategies of farmers taken into account. We thus extend a previous iteration of a segmentation framework for understanding types of farm diversification ([McElwee and Smith, 2012](#)).

Successful illegal entrepreneurs utilise complementary skill sets ([Smith and McElwee, 2013](#)), which mirror legal forms of enterprise including - cooperation and networking; marketing; business and managerial skills; entrepreneurial qualities and values; as well as technical and professional skills. This means that 'entrepreneurs' who operate illegally have similar combinations of enterprise skills (networking, strategic awareness capability, long range planning, customer knowledge and market understanding) as legal entrepreneurs ([Smith and McElwee, 2013](#)). What differentiates them from their law-abiding peers is their attitude to risk and willingness to break laws and transgress social and ethical norms and mores.

We argue that following Baumol's definition, illegal entrepreneurs operate in any domain in any product, in any market and in any value chain where there is an opportunity to exploit by circumnavigating legal processes ([Baumol, 1990](#)). Indeed, illegal entrepreneurs may be more entrepreneurial than legal entrepreneurs as they utilise a greater number of skills to remain in business. In this paper, we document, articulate and narrate what illegal diversification strategies used by rogue and criminal farmers are evident from the literature and from our empirical research. This is important because of the paucity of academic literature on the subject. Our research question is therefore relatively straightforward – what are these illegal diversification strategies? We ask what should be the concerns in relation to illegal entrepreneurship - i.e. the entrepreneurial processes, the entrepreneurial venture

and the entrepreneur? Secondly, why should such stakeholders be concerned about illegal entrepreneurship? And thirdly, what are the consequences for not being concerned? Farming is the industry specific setting for our enquiry. We define what we understand to be illegal entrepreneurship whilst noting and commenting on the diversity of stakeholders involved: either as entrepreneurs, co-luders in the illegal entrepreneurial process, in prevention and those involved in exposing and punishing the entrepreneur. Thus, in the process of providing a conceptual framework for understanding illegal entrepreneurship populated by examples, we present an extended conceptual framework, which considers various approaches to understanding the phenomenon, and distinguish between the informal economy and illegal entrepreneurship. There is no simple continuum between what is legal and what is not. We place emphasis on the pressures for diversification and the nature of that diversification and barriers to diversification are identified and discussed. The article is structured as follows. A synthesis of the literature and empirical research is provided, followed by the methodology section and an overview of the literature relating to key themes to drive the structure and subsequent lines of argumentation. We then present our empirical evidence, which we use to make comment upon aspects of the literature. We conclude by opening a discussion of how theories of illegal entrepreneurship impact on the situation in this study.

2. A literature overview on the informal and criminal economies

The informal economy is a 'market based production of goods and services, whether legal or illegal, that escapes detection in official estimates of GDP' ([Smith, 1994](#):18). The informal and grey economies are distinct but merge into the legal and criminal economies and that illegal enterprise is prevalent ([Williams, 2010](#); [Livingston et al., 2014](#)). But why, is this so? Perhaps instead of asking why illegal enterprise is prevalent a different approach would be to ask why it is not more prevalent. However, because little has been written about the informal and criminal in relation to diversification (particularly in a farming context) it is necessary to begin with an overview of what has been written in relation to the legal.

2.1. The entrepreneurial farmer and other farming stereotypes

Entrepreneurship is about economic individualism and competition ([Gray, 2002](#) p. 61) and can be defined as 'the creation and extraction of value from an environment' ([Anderson, 1995](#)). We appreciate that there are many types of entrepreneurs, including in the agricultural sector. Not all small farmers are entrepreneurial or very competitive by nature; as [McElwee \(2006\)](#) notes, many farmers are risk-averse despite being shrewd and calculative with money. Profit maximization in states of constant uncertainty, combined with the ever-present possibility of failure, characterize farming, and many farms have limited opportunities in terms of growth orientation and limited opportunity to expand. Nevertheless, we subscribe to the thesis of the entrepreneurial farmer ([McElwee, 2006](#); and [Richards and Bulkley, 2007](#)): many farmers are innovative when it comes to making or saving money. [Smith and McElwee \(2013\)](#) discuss the types of illegal activities that generate extra income.

Farmers are not a homogeneous group: they encompass bucolic stereotypes such as the 'Gentleman-Farmer' ([Sutherland, 2012](#)), the 'Part-Time Farmer', the 'Tenant-Farmer', the 'Arable-Farmer', and the 'Hill-Farmer' ([Gasson, 1986](#)); the 'Good-Farmer' ([Saugeres, 2002](#)); and the farmer as a hegemonic 'Patriarch' ([Price and Evans, 2009](#)). Farmers are socially constructed as hero-figures,

¹ The report is jointly authored by Morling and McNaughton and includes evidence obtained in their roles as Heads of the National Food Crime Unit (Food Standards Agency) and Scottish Food Crime and Incidents Unit (Food Standards Scotland). The report reflects an official reluctance to highlight insider crime shared by The National Farmers Union and other representative bodies.

² See the report in the Telegraph by journalist Lexi Finnigan on the subject - <http://www.telegraph.co.uk/news/2016/03/24/food-fraud-in-the-uk-toxic-vodka-and-pet-food-meat-given-to-huma/> and also <http://www.newfoodmagazine.com/22854/blogs/food-fraud-an-emerging-risk-for-the-food-and-drink-industry/>.

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