



RESEARCH ARTICLE

Small Rural Farm-Support Agribusiness: Strategies to Survive and Thrive. Case Studies from New Zealand

Daniel Smith *, Renwick Alan, Westbrooke Victoria

Faculty of Agribusiness and Commerce, Lincoln University, Christchurch, P.O. Box 85084, New Zealand

ABSTRACT

This research explored the characteristics of small, rural, farm-support agribusinesses (SRFSAs) using 12 case studies in Canterbury, New Zealand. Semi-structured interviews were conducted with 12 SRFSA owner-managers to identify the important industry characteristics they possess, the challenges they face, and the resilience strategies they deploy for survival. The study revealed that vital industry characteristics include community relationships, community infrastructure, the supply of suitable labour, and the surrounding land-use. SRFSAs confront challenges related to seasonality, specialized assets, labour, finances, and regulation. Crucial for survival is the owner-manager, including their background and skillset, their focus on operational excellence, and their ability to develop robust strategy.

Keywords: Agriculture; SRFSA; Rural Contracting; Outsourcing; New Zealand; Owner-Manager

1. Introduction

A characteristic of commercial agriculture is that production can be divided into stages such as land preparation, sowing, fertilising, spraying, harvesting and farm

maintenance. There are numerous occasions where it is advantageous for a farmer to outsource any of these stages^[1, 2]. Reasons for outsourcing a stage may be economic, non-economic, or a mixture of both. These outsourced stages are where the “small rural farm-support

*CORRESPONDING AUTHOR:

Daniel Smith, Faculty of Agribusiness and Commerce, Lincoln University, Christchurch, P.O. Box 85084, New Zealand; Email: dan.smith@lincoln.ac.nz

ARTICLE INFO

Received: 31 July 2024 | Revised: 19 August 2024 | Accepted: 30 August 2024 | Published Online: 15 October 2024
DOI: <https://doi.org/10.36956/rwae.v5i4.1211>

CITATION

Smith, D., Alan, R., Victoria, W., 2024. Small Rural Farm-Support Agribusiness: Strategies to Survive and Thrive. Case Studies from New Zealand. *Research on World Agricultural Economy*. 5(4): 149–161. DOI: <https://doi.org/10.36956/rwae.v5i4.1211>

COPYRIGHT

Copyright © 2024 by the author(s). Published by Nan Yang Academy of Sciences Pte. Ltd. This is an open access article under the Creative Commons Attribution-NonCommercial 4.0 International (CC BY-NC 4.0) License (<https://creativecommons.org/licenses/by-nc/4.0/>).

agribusiness (SRFSA), or “rural contracting” or “agricultural outsourcing” industry interfaces with the farming industry.

New Zealand’s agriculture industry is supported by 6,822 SRFSA (IRD.govt.nz). SRFSA complete a range of husbandry activities including chemical and fertiliser application, harvesting, shearing, fencing, cultivation and forage production^[3]. SRFSA exist because they are more efficient at completing a given husbandry task than the farmer. This allows the farmer to focus on the activities at which they are the most efficient^[1, 3, 4]. Understanding SRFSA is therefore an important component in the ongoing pursuit of agricultural efficiencies^[4].

The agriculture industry in New Zealand employs 122,900 people and contributed \$18.7 billion to GDP in 2023 (Infometrics, 2023). This contribution is from farming and on-farm activities and there are wider industry businesses that contribute further to GDP. SRFSA in New Zealand employ 30,500 people and contributed an additional \$1.5 billion to GDP in 2023 (StatSNZ, 2023).

Despite the prominence and importance of these businesses there has been very scarce published peer-reviewed research into New Zealand SRFSA to understand their structure, the challenges they face, or their survival strategies. New Zealand’s geography and farming systems create unique circumstances for SRFSA which provide the need to compile direct research on these businesses.

This research aimed to uncover knowledge about the challenges faced and survival strategies used by SRFSA using 12 case studies in Canterbury, New Zealand. Canterbury is an important agricultural region and provides an attractive region for the study of agricultural businesses as it is an important agronomic area^[5]. The region contains almost all land-uses present across the wider country including dairy farming, sheep and beef farming, arable farming, and forestry. The diverse farm systems are spread over a range of land classifications, soil types and geography^[6]. The region accounts for 20 per cent of the country’s agricultural land with three million hectares in agriculture and exotic forestry^[7].

The research was designed to answer the following questions:

- What are the key characteristics of the small rural farm-support agribusiness industry?
- What are the challenges to the development and survival of small rural farm-support agribusinesses?
- What strategies do small rural farm-support agribusinesses develop to combat challenges and survive?

SRFSA Overview

The farmer’s outsourcing of husbandry activities is becoming increasingly common^[8]. This phenomenon is proving to be an attractive area of research^[3, 8, 9]. Despite the research interest, authors have struggled to draw overarching conclusions about SRFSA as they are diverse businesses^[8-10].

While there is diversity among SRFSA, there are commonalities that cut across the population and are present among most of these businesses. First, SRFSA only service the agriculture industry and are typically based in small rural agricultural service towns^[3]. Like other small businesses, a characteristic of SRFSA is the intertwining of ownership and management. The owner performs a range of roles and duties across the business^[11, 12]. The owner performs these different roles because the business lacks the required scale to have specialized staff for management disciplines such as finance, human resources, marketing and legal affairs^[13, 14].

SRFSA owner-managers value relationships with customers, other businesses, and the community and are likely to manage these relationships through personal and community networks^[15, 16]. SRFSA owner-managers also manage their business consistent with the values of the community and they place great importance on networking and word-of-mouth reputation^[15, 17]. Networking and word-of-mouth is also the most likely way clients will find SRFSA^[18].

Variyam and Kraybill^[19] proposed that small rural business success results from the owner-manager’s work effort, education, business planning and adoption of technology. Kilkenny, Nalbarte^[20] found the biggest drivers of business success in small rural towns are the relationships between the business and the community and the owner-manager’s participation in the com-

munity. Siemens^[21] found the biggest driver of success is the size of the potential market for the business. Smith, Old^[3] proposed the service offering of SRFSAs is dictated by the surrounding land use and subsequent SRFSA performance results from the service offering, combined with community forces, market factors and the owner-manager’s skillset.

Obstacles faced by SRFSAs are general challenges faced by the majority of small or rural businesses. They also face unique challenges and unique combinations of challenges created by the agricultural market, weather, seasonality, and finances, all of which make for an attractive case for research. Rural small businesses play an important role in the local economy, particularly by creating employment and transacting with local businesses, making them a vital part of the community^[21, 22].

The significant gap in the available literature is the lack of research into the creation, development, and growth of these businesses. Little is known about their owner-managers, the catalysts for business beginnings, or the determinants of business growth. There is also a need for New Zealand specific research as SRFSAs in New Zealand are unique in comparison to those in countries producing SRFSA research^[2, 9, 21, 23].

2. Materials and Methods

The research questions directed the method towards an inductive case study approach with a qualitative research design. An exploratory method was required, due to the lack of research on SRFSAs. The aim was to understand a contemporary case in-depth and in its real-world context and to explore the nature of each individual business^[24–27].

The population for this study was SRFSAs located in Canterbury, New Zealand. Given the range of land-use in Canterbury, a considerable number of SRFSAs (1,083 businesses) are registered in the region (ird.govt.nz, 2022). There is also a wide range of SRFSA types in Canterbury. **Figure 1** shows the percentage of SRFSAs in Canterbury by service type. Nearly half of the SRFSAs (46 percent) offer multiple services with spraying (20 percent), hay baling (16 percent) and cultivation (6 percent) being the next most common.

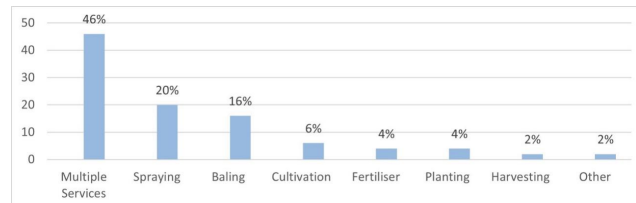


Figure 1. Service offering of Canterbury SRFSAs (RCNZ.co.nz).

Cases were purposefully selected from this population for their ability to provide rich data for answering the research questions^[26, 27]. This allowed the exploration of the range of challenges and strategies as well as the identification of commonalities that cut through the range of cases. Cases were identified through cold contacts, personal contacts, peer contacts and snowballing.

The definition criteria for cases aligns with Smith, Old^[3] which is “small businesses with less than 20 employees, rural within their own context, and support farmers by completing on-farm tasks that have been outsourced”.

Table 1 displays the interview participants and their age before describing their SRFSA type, number of staff and years in business.

Table 1. Participants, SRFSA type, owner-manager age, number of staff, years in business.

| Interview | SRFSA Type | OM Age (yrs.) | Staff (Number) | Years in Business |
|-----------|----------------------|---------------|----------------|-------------------|
| One | Fertiliser Spreading | >50 | 16 | 25 |
| Two | Cultivation | 30–50 | 1 | 10 |
| Three | Cultivation | 30–50 | 1 | 3 |
| Four | Fencing | 30–50 | 2 | 7 |
| Five | Shearing | <30 | 6 | 4 |
| Six | Fertiliser Spreading | >50 | 0 | 8 |
| Seven | Fertiliser Spreading | 30–50 | 10 | 8 |
| Eight | Fertiliser Spreading | 30–50 | 14 | 5 |
| Nine | Harvesting | 30–50 | 4 | 18 |
| Ten | Hay Baling | <30 | 1 | 5 |
| Eleven | Pasture | <30 | 1 | 8 |
| Twelve | Hay Baling | <30 | 3 | 5 |

Note: Data were gathered using semi-structured interviews with the 12 case studies. While the semi-structured interview approach was followed, open ended questions were utilized to achieve a richness of information^[28].

Interview questions initially focused on the owner-manager’s background and the establishment of their business. The owner-manager’s perception of their industry and community was then explored. Discussions

then progressed to the challenges faced and the strategies implemented to combat them.

The final step of data collection in this research was the theoretical concept of data saturation. Achieving data saturation required the ongoing collection of rich and full data to the point where interviews were no longer providing new information and there was no emergence of new themes and no further requirement for new codes^[29].

The first step in data analysis was transcription which was done soon after the interviews while body language and cues were still fresh in the researcher's mind. Once transcriptions were complete the data was coded to link the findings back to the research questions. The analysis itself was a deductive thematic analysis assisted by the program NVivo (version 13). In line with the use of an existing theoretical framework, nodes were

developed to build on the work of Smith, Old^[3]. Using nodes replicating the existing themes proposed by the framework allowed for the testing and improvement of the framework. This framework proved to be a useful model to further understand these businesses^[3]. Coding and theme identification was then discussed with all authors. The emerging findings were validated through discussions with an industry practitioner.

2.1. Overview of Participants

Table 2 describes the characteristics of each participant and provides an insight into their personal background and personality. The table also describes some basic characteristics of the SRFSA to enable further understanding of the context surrounding these businesses.

Table 2. Description of each participant.

| Overview |
|---|
| <p>Interviewee One was a semi-retired owner of a large fertiliser spreading company. The company had 16 staff and had grown over the previous 25 years. He had 12 years' experience managing another SRFSA in a different industry and then entered the fertiliser spreading industry as a sub-contractor before starting his own company three years later. He was a local where his business located, and grew his business utilising an extensive relationship network and initially used sub-contractors to keep up with the pace of growth and ended up owning a substantial-sized company. He had a clear passion for work quality and looking after staff and owned a substantial amount of fertiliser spreading equipment.</p> <p>Interviewee Two owned a cultivation company and employs one additional staff member. His father had started the company having previously sold a farm. Having been to university, Interviewee Two returned and was given the opportunity to take over and build on the father's cultivation business. He grew up in the area where this business was located, had some experience working in the business, knew the clients, and believes that was a head start. He had been running the business 10 years and owned a modest amount of tractors and cultivation equipment.</p> <p>Interviewee Three owned a cultivation company and employs one additional staff member and has been running the business for three years. He had worked for a large landowner in the area doing cultivation work and had been given an initial "leg-up" by a mentor and given the chance to acquire machinery and start his own business. As the land-use in his area intensified, presenting more opportunity, he was then able to grow the business, having a clear passion for job quality and wanting his cultivation work to be the best. He owned a modest amount of tractors and cultivation equipment.</p> <p>Interviewee Four had owned a fencing company for seven years and had two employees. A former school teacher, the interviewee had developed an interest in rural life and had a mentor teaching him fencing techniques. The mentor presented him with the chance to purchase an existing fencing company and assisted in the purchase. The company is located in the area where the interviewee is a local. He had since developed and grown the company and had a clear passion for high quality workmanship. The company owned sufficient equipment for a small fencing company.</p> <p>Interviewee Five had owned a shearing business for four years and employed six staff. He had bought the shearing company as a 'going concern' from an acquaintance and had an advantage in the purchase due to his relationship with the seller. He had since managed to improve the business and secure a greater number of clients. As a shearing company, the initial acquisition of the company required little capital outlay and the company owned very few assets which consisted of shearing handpieces and combs.</p> <p>Interviewee Six was a recently retired owner of a one-person fertiliser spreading business which he had operated for eight years. He had been happy running the business and had little desire to grow his client base or employ staff, however, was plagued by financial stress during the time he owned and operated this business. The company never had any employees, and its equipment ownership was limited to a single, albeit very modern, fertiliser spreader.</p> <p>Interviewee Seven was the manager of a 10-person fertiliser spreading business and had been so for eight years. He had grown up on a farm and had held a range of agricultural jobs before entering the fertiliser spreading industry as an operator. He had progressed to manager and was responsible for all operations of the business. The business owned a substantial amount of fertiliser spreading equipment, enough to justify 10 employees.</p> <p>Interviewee Eight was the owner of a large fertiliser spreading company and had owned the company for five years. Having worked in the business for 15 years, the owner had purchased it from his parents, both of whom still work part-time in the business. The company employed 14 staff and had a small side business of hiring-out farm equipment. The company owned a substantial amount of assets, consisting of fertiliser spreaders and other farm and excavation equipment.</p> |

Overview

Interviewee Nine owned a crop harvesting business which owned a significant amount of combine harvesters and the associated auxiliary equipment required for a business of this nature. The company employed four staff members, and the owner had been running this business for 18 years. Operational harvesting knowledge was a clear standout for this participant.

Interviewee Ten owned a small hay-baling business that was seasonal and only produced small conventional bales. The owner had operated this business for five summers and requires working other agricultural jobs to survive the year. The business employed one seasonal worker and the assets consisted of a tractor and a conventional baler.

Interviewee Eleven operated what was described as a pasture-management business. The business had no employees and managed pasture for many lifestyle blocks and a significant amount of council-owned land. The business grazed, mowed, and managed pasture and had done so for eight years. While spread over many small properties, the business was sizeable, and the assets included sheep, vehicles and portable stock handling equipment.

Interviewee Twelve owned a hay-baling company with three staff and he had owned it for five years having built it from an initial one-person seasonal small business. The business had a range of tractors and baling equipment, and to combat seasonality, it also dealt in the buying and selling of hay and other feeds and completed a small amount of cultivation work.

2.2. Theoretical Framework

The theoretical framework used for this study is drawn from Smith, Old^[3]. Based on a systematic literature review, Smith, Old^[3] proposed a theoretical framework of the key characteristics for SRFSAs and the SRFSA industry.

The framework (Figure 2) displays a challenged business and its path to resilience. The external environment is on the left side and the internal environment on the right side. The framework suggests that the combination and interaction of all the environments and characteristics lead to the business being successful and resilient.

The first is the available labour pool; the provision of labour in the community and its suitability for the SRFSA is a crucial factor for SRFSA efficiency. The second is the level of business infrastructure, which includes services such as workshops, engineering services and machinery sales. These actors are considerably important for the efficiency of a SRFSA. The third community sub-category is the provision of business support, which includes services such as accountants, finance companies, and business lawyers. The provision of these services also play an important role in determining the efficiency and viability of SRFSAs.

The second external characteristic is the market which consists of four important sub-categories. The first is the level of competition and rivalry, which determines how many other SRFSAs are competing for the same client and how aggressive they behave. Rivalry in turn determines the SRFSA's ability to both secure work and collect a profit. The second is the total market size and the market homogeneity, which play an important role in determining the amount of work and the range of available work. The third sub-category is seasonality, which is an important characteristic of the market as it determines the seasonal fluctuations in workload and dictates busy work periods and quiet work periods. Finally, market profitability is the fourth external sub-category, and this describes how profitable the farmer clients are, and directly correlates to their appetite for outsourcing or, their propensity to restrict discretionary spending.

The internal business characteristics are separated into business and owner characteristics and demonstrate the important elements of each. The framework suggests that the business characteristics combine four

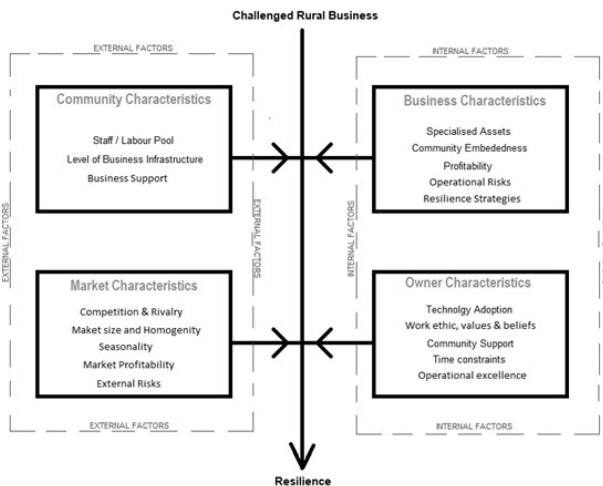


Figure 2. Theoretical model of SRFSA resilience^[3].

The external environment encompasses two main characteristics which are the community and the market, and demonstrates the characteristics of each that are important to SRFSAs. The framework suggests that the community consists of three important sub-categories.

sub-categories, of which the first is the asset requirements. The asset requirements dictate the level of investment required for specialised plant and machinery and can be a significant challenge for SRFSAs to overcome. However, they also enable the SRFSA to compete. The second business characteristic is the community embeddedness, which describes the extent of the business's presence and participation in the community. The third business characteristic is profitability, which describes the level of profit the SRFSA has the capacity to earn. Finally, the resilience strategies employed by the SRFSA is an important characteristic, which determines the range of strategies the business has implemented to reduce risks and increase profits.

The owner characteristics consist of five sub-categories. The first one is the level of technology adoption, which is a reflection of the owner's ability to efficiently assess technology and correctly incorporate the appropriate technologies into the business to add to business efficiency. The second is the owner manager's work ethic, values and beliefs, as these determine how hard they work and what business values they adhere to which play an important role in business success. Thirdly, the owner manager's level of community support, which describes the role they play in the community and how much the community is expected to value them. The fourth owner-manager sub-category is the time pressures they face and their ability to manage these to use their skills to the utmost ability. Finally, an important owner-manager characteristic is their focus on operational excellence, which determines the extent to which they perform a high-quality job, which is an important determinant of a farmer considering the efficiency of a SRFSA.

3. Results

Following the theoretical model, the findings will be presented using the characteristics of Community, Market, Business, and Owner^[3].

3.1. Community Characteristics

Three characteristics of the community emerged as important for SRFSAs. They were the availability of suit-

able labour, the provision of business infrastructure, and the relationship between the community and the business.

Perceptions of labour availability ranged from concern about a shortage to belief there was adequate, suitable staff available. Challenges with labour are exacerbated by the high level of seasonality, particularly when staff require high levels of skills and experience. Staff often require significant training to perform their duties. For example, setting up an advanced combine harvester requires substantial experience. Interviewees also described the need for staff to maintain a high level of operational excellence to complete work of the quality required by the owner-manager.

Concerns about labour included staff doing a low-quality job, damaging equipment, or acting dishonestly. There were also descriptions of staff damaging the SRFSA's reputation through activities such as using mobile phones while driving in public, speeding through town, or spreading mud from their tyres across roadways.

Responses were more consistent regarding the availability of business infrastructure in the community with the majority explaining that infrastructure was satisfactory. Business infrastructure important to interviewees were banks, petrol stations, mechanical repairs, and accountants. Services were either deemed adequate or shortfalls were overcome using digital technology such as online banking.

Interviewees described a healthy relationship between themselves, their business and their community, and described their local town as supportive of SRFSAs. SRFSAs supported the community through sponsorship to organizations in the local town. Sponsorship was typically focused on the popular sports of rugby, hockey, netball, golf, cricket, and rodeo. Other sponsorship and support initiatives reported were the local library, winter feed competitions, and supporting or exhibiting in the Agricultural and Pastoral Show.

Interviewees felt that the local farmers reward community support more than the town does. However, they explained that supporting the community was never about getting the SRFSA work in return. Owner-managers cited the importance of strong relationships

with other businesses around town and explained the benefits to their SRFSA from this.

3.2. Market Characteristics

Market characteristics have a considerable effect on the SRFSA. They shape the service offering and determine the need for specialised assets, determine the level of competition and rivalry, encompass the market size and profitability, and dictate the level of seasonality.

The land-use in the study area played an important role in determining the husbandry tasks undertaken by the SRFSA. This, combined with the SRFSA owner-manager's expertise and ability to identify an opportunity in the market, led to the SRFSA service offering.

While there are high levels of competition and rivalry in the industry, SRFSA often have healthy relationships with their competitors. Competition can be embraced and seen as a form of motivation to maintain service and quality standards. The interviewees describe this state of competition:

I don't chase, anything that has ever come has come and found me. (Int. 2)

I won't drive into a gateway and steal your work but if they ring me its fair game. (Int. 3)

we don't seem to annoy each other when it comes to poaching clients or anything like that, we all have our own set clients. (Int. 6)

There are examples, however, where competition and rivalry are strong and driven by pricing mechanisms:

You'll get undercut for a bit and then they'll disappear. (Int. 2)

Unfortunately, guys come in and drive the price down by using substandard materials. (Int. 4)

Seasonality is another important aspect of the market that has an influence on SRFSA. Seasonality challenges are driven by the business having a period of significant work and then having very little work. The effect of seasonality is dependent on the service offerings of the SRFSA and is also driven by the local area geography, climate, and land-use. Examples of seasonality include hay baling SRFSA working only in summer, fertiliser spreaders doing less work in the dry harvest months or wet winter months, cultivation SRFSA being busiest in

autumn and spring, and fencing SRFSA struggling to operate in the driest summer months.

Regulation was seen as a considerable threat by participants, and varies between markets and service offerings. Regulation poses a threat to the SRFSA both directly and indirectly by way of regulation on their farmer clients. For example, the recent New Zealand nitrogen fertiliser cap was identified by fertiliser spreading SRFSA as their biggest challenge.

It's become a concern for the environment so its affected us to the tune of maybe 10–15 percent down annually. (Int. 7)

A really hard game to be in at the moment with regulations and everything else. (Int. 1)

There's huge new regulations coming with Freshwater Farm Plans and stuff. (Int. 8)

Regulation can also require SRFSA to invest time and capital into technology, training, testing and certifications. This is because record keeping, or digital recording, is often required to help farmers meet their obligations.

The level of specialized assets and machinery required by the SRFSA is also determined by the market and the service offering. Highly specialized assets can require substantial cash to purchase or can lead to considerable debt finance obligations. Some interviewees had a large requirement for expensive assets. For example, fertiliser spreading and combine harvesting SRFSA had millions of dollars' worth of machinery assets. Other interviewees had very little need for expensive assets. For example, shearing SRFSA only required shearing implements and combs.

Many interviewees recalled starting business with smaller, older, less expensive machinery and purchasing larger, newer, more efficient machinery as the business grew. Owner-managers also recalled building their own machinery or borrowing machinery. Others recounted taking novel approaches to machinery finance, such as hiring equipment during busy periods, or even importing their own equipment.

SRFSA machinery always needs to be suitable for the clients' task. Further, good equipment does a more accurate job more efficiently and is more reliable. Displaying good equipment also has a psychological effect,

as they will notice high-quality well-maintained equipment and be confident that they are going to receive a quality service.

3.3. Business Characteristics

Operational excellence was the most prominent SRFSA characteristic reported by interviewees. They explained that operational excellence applies to their staff, themselves, their assets, their communication, their business acumen, and cashflow management.

I can be confident that we do a better job and we do all the fundamentals right, you've always got to do a better job than your competitors. (Int. 7)

Every day there is room to improve, once you sit back and rest on your laurels and think you can't improve, that's probably when you start going backwards. (Int. 8)

We pride ourselves on what we do and how reliable we are. (Int. 1)

I built that rep out here, real good quality, you're not going to have a problem with. (Int. 4)

Specializing in one service is an important component of operational excellence. Participants reported that the fewer services they offered and focused on, the more likely they were to achieve operational excellence. Specialization also provides better opportunities for good relationships with other SRFSA. However, the more a SRFSA specialized, the more likely seasonality will become a challenge.

Instead of doing 70 percent effort on different things we concentrate solely and give 110 percent. (Int. 1)

Due to their experience and operational excellence, farmers also look to SRFSA owner-managers to provide advice and assurance on their specialized tasks. SRFSA owner-managers provide assurance on job quality, such as advising to what level a paddock needs cultivation, the optimal timing for harvesting crops, the set-up of a combine, or the best fence layout for contour and stock flow.

Another key aspect of operational excellence reported by the interviewees was flexibility in planning around workload and weather. High-quality communication is also essential to flexible planning and should be tailored to farmer client preferences.

Cash flow management is also imperative for operational excellence, as it relates to paying all suppliers on

time. Cash flow management was identified as a challenge for many SRFSA, due to the size of the job and seasonality of the business. Some SRFSA even recounted instances of restricted cash flow where they were foregoing pay themselves to pay staff.

May have paid cash like \$30,000 for materials this month but your job hasn't finished so you haven't been invoicing. (Int. 4)

There were times where we didn't pay ourselves to make sure staff were paid. (Int. 4)

3.4. Owner Characteristics

The most prominent characteristics of the owner-manager were their work ethic, their interpersonal skills, their adoption of technology, and their ability to combat challenges. These characteristics provide the basis for the owner-manager to develop strategies to enable their business to survive the range of industry challenges.

Most interviewees reported the importance of working hard and many claimed a high work ethic was an integral part of running a business. Many also explained that this was critical in the early stages of their business. This is illustrated by Interviewee 7:

you gotta roll your sleeves up and work hard. You can't come in and think you're going to be the industry leader on day one. So if you're going to start off, you got to be prepared to be dedicated 24 hours a day, seven days a week until you get on your feet. (Int. 7)

An important owner-manager characteristic is their ability to combat labour challenges. Larger employers explained that labour issues were not a challenge and they had very little staff turnover. This was attributed to their focus on staff treatment and the recognition of the importance of staff to the business. To maintain happy staff, they focus on paying competitive remuneration, providing good, modern equipment, paying staff in the off-season, offering social events, and allowing some personal use of company equipment.

Another opportunity to combat staff and seasonality stressors was utilizing good relationships with other businesses in the town. This facilitates staff sharing, allowing staff to work for clients on farms or other community businesses during quiet periods.

Seasonality is an important challenge to manage, and some owner-managers attempt to offer their core service all year and develop strategies to enable this. Strategies to combat seasonality include adjusting practices to work in differing conditions. For instance, they may cultivate paddocks with narrower implements in wet conditions. Some SRFSA adopted seasonal diversification; for example, some fencers will also be hay baling SRFSA, which means hay baling in the summer and fencing the rest of the year. Other owner-managers recognized a quieter work period as a benefit that allows a maintenance season and claimed that the staff and equipment both benefit from breaks, time-off or a quiet period.

The off-season basically gives us a chance to refresh, get up to scratch and make sure you're ready to go for the new season. (Int. 6)

And the offseason in winter, we need time to do maintenance. (Int. 7)

The owner-managers' level of technology adoption is important, and they generally embrace technology. Adopted technology ranged from common items such as computer-based accounting software, GPS and smartphones to SRFSA specific technology such as using cameras and auto adjustments in combines. In some cases, customers demand a specific technology which therefore becomes a requirement for doing business. Technology adoption can require significant investment and is an important area of strategic decision making for SRFSA owner-managers.

Another important skill for the owner-manager is an accurate pricing strategy. The challenge for owners is determining the fixed and variable costs. These costs can include downtime costs; for example, SRFSA may travel considerable time to a job and be paying staff and incurring travel costs and need to recoup this.

Some SRFSA owner-managers undertake physically demanding work such as fencing, shearing and crutching. The work is physically demanding and there is awareness that this level of physicality is not sustainable for long periods. Owner-managers consider this factor while developing long-term business strategy.

3.5. Additional Findings

The research uncovered three further characteristics that play an integral role in the state of the business and should therefore be added to the model proposed by Smith, Old^[3]. First, the owner-manager's backstory is crucial. Second, the initial opportunity or gap in the market for the SRFSA is important. Third, the beginnings and early stages of the SRFSA play an important role in the SRFSA's current condition.

3.6. The Owner-Manager's Backstory

Most SRFSA owner-managers have an agricultural background. Most had been successful in employment related to their service offering before starting their SRFSA. Most owner-managers had also previously reached a managerial role. Some interviewees reported the lack of ability to progress or gain equity in previous roles as a motivation for starting a business. A minority of interviewees had a non-agricultural background, ranging from a schoolteacher to a musician.

The SRFSA was the first business for most interviewees. The few that had owned previous non-agricultural businesses explained that businesses outside of the rural service sector were very different from SRFSA.

Interviewees expressed their desire to work hard and sacrifice personal and free time to establish the business. The desire to provide good service and operate honestly and reliably was also a basic value from the start of the business.

For most owner-managers there was the clear presence of a mentor before and during the start-up phase of the business. The mentors ranged from an experienced businessperson to a skilled and encouraging parent that could do repairs, to a banker that could assist with finance. Other interviewees recognized anyone who knew more than them as a mentor in their area of expertise. Mentors provided guidance in areas such as daily operations, business administration, quoting and pricing, and working with staff. Some quotes on mentors:

helped me out big time with his gear and just gave me the initial leg up. (Int. 3)

he taught me everything I needed to know... (Int. 4)

3.7. The SRFSA Opportunity

The opportunity to start a SRFSA presented itself to the owner-managers in a range of ways. Several had been involved in a family business working alongside their parents, gaining experience and knowledge of the clients. Through succession these interviewees had bought into and now owned the family business. Others had been presented with the opportunity by a mentor. Given their background and work ethic, owner-managers were able to capitalize on the opportunity and start the business.

It was a family business and I bought into it, bought 50 percent about eight years ago. (Int. 7)

One day he came and said he had done the math on selling the gear and it's your turn. (Int. 2)

Two had been presented the opportunity to purchase an existing business.

He wanted to pass it on to keep it going so he offered it to me. (Int. 5)

Several had observed the opportunity in the market while working in the industry. They had departed from the SRFSA they were doing contract work for and branched into their own business. Two others had created an opportunity by simply being more efficient than the farmers.

We thought let's start up our own company, so we went out on our own. (Int. 1)

We started and progressed on for a couple of years and things started to grow. (Int. 9)

3.8. The SRFSA beginnings

When starting in business interviewees described marketing, human resource management, health and safety, accounts, invoicing and tax management as significant challenges. These were the areas where they had the least experience in their previous roles in agriculture.

The start-up phase was crucial for many interviewees and there were typically challenges around securing the assets needed at the beginning. Those who required significant assets to start the business had found solutions to this challenge, usually by starting out with older or cheaper assets.

Many started out small without the luxury of accessories like mobile diesel tankers, workshops, staff or office space, and instead survived through hard work and novel approaches to challenges. They explained that starting small meant less pressure and less stress.

3.8.1. Growth and Survival

It is further proposed the central feature of Smith's model^[3] adjusted from resilience to growth and survival. This is because the interplay of these characteristics is present throughout the life of the SRFSA.

Survival and growth are SRFSA dependent and a range of catalysts, paths and methods for survival and growth were uncovered. Growth may be the incorporation of more technology or additional services rather than simply more income, more equipment, or more staff.

Catalysts for growth include encouragement from influential people such as mentors and accountants, or demand from customers for a bigger business, better service, or additional services. Other drivers of growth were the appointment of a manager, the need to justify an additional staff member's workload, local land-use change, or to capitalize on additional opportunities produced by the market. Business growth also occurred after the purchase of the better, more advanced and efficient equipment.

4. Discussion

Two community characteristics emerged as important for SRFSA. The first is the level of business infrastructure in the community to support efficient business. The small population surrounding rural towns and the gaps in the rural infrastructure have been identified as limiting factors for rural business^[21]. In contrast, most participants in this study were satisfied with community infrastructure and demonstrated technological and relationship-based solutions to any limitations.

The second important community characteristic is the availability of suitable labour. This was expected to emerge as a challenge for SRFSA^[18]. Perceptions of labour challenges ranged from very little challenge to a substantial challenge that affected business operation regularly. Interviewees with a higher number of

staff had robust strategies around labour acquisition and management and therefore had less concerns with labour.

The surrounding land-use and the effects of seasonality are the two important market characteristics that emerged. The surrounding land-use dictated the service offering of the SRFSA which determined the level of specialized assets required. The service offering also determined the level of seasonality a SRFSA faces. While most interviewees indicated seasonality as a challenge, they had a suite of well-planned solutions to deploy. These included broadening the service offering, extending the service season, sharing staff, and planning around the off-season.

The important business characteristic was the level of operational excellence. Operational excellence and the desire to offer the most efficient or highest quality product was the most common business characteristic. Operational excellence is also an attribute that determines the SRFSA's ability to be more efficient than the farmer^[30].

In agreement with Variyam and Kraybill^[19], the owner-manager appears to be the most important factor of the SRFSA. The important characteristics of the owner-manager are their work ethic, their relationship skills, their adoption of technology, and their management of challenges.

Owner-managers employ a range of strategies to combat challenges and survive. Owner-managers find solutions to staff challenges and train staff effectively and reward them well. They aim to be excellent at their task and compliment this with excellent communication and service. The SRFSA's owner-managers also work very hard and have excellent personal skills^[19]. Further, owner-managers build relationships across the community and with their customers^[15, 16].

Owner-managers seek out solutions to challenges around capital such as finding alternative means of finance which assisted in overcoming machinery challenges. Owner-managers acquired necessary machinery in a variety of ways. They also assessed and incorporated technology effectively and efficiently^[13, 14].

The findings allow for the presentation of an adjusted version of Smith, Old's model^[3] to incorporate the

three additional dimensions. It is evident that the owner backstory, combined with the market opportunity and business beginning, play a significant role in the structure and performance of these businesses. The authors also propose that the central resilience pathway be replaced with survival and growth and that operational excellence is moved from an owner characteristic to a business characteristic.

These findings allow for the clear identification of the important characteristics of the SRFSA industry and the further development of the theoretical model. The proposed model (**Figure 3** below) is now an accurate description of SRFSAs and their characteristics.

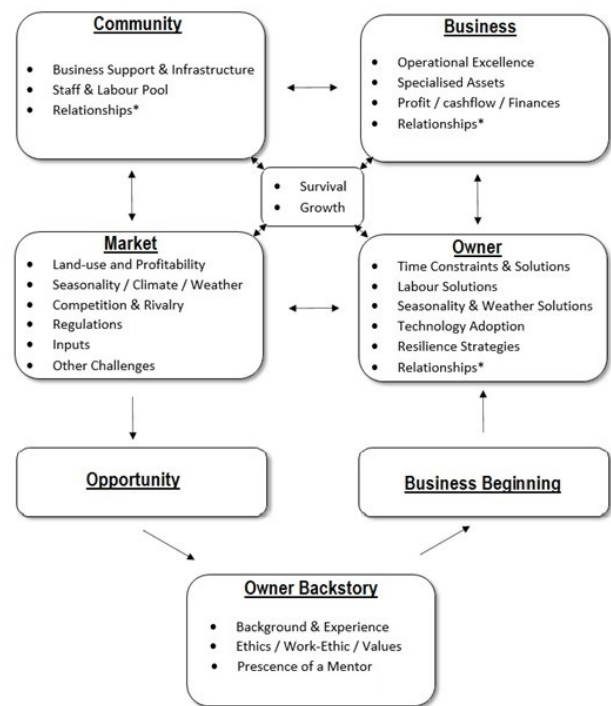


Figure 3. Updated model for establishment, survival, and growth of SRFSAs based on Smith, Old^[3].

5. Conclusions

Interviewing SRFSAs across Canterbury allowed for an increased understanding of these businesses and can add to the knowledge of their industry. Data enforced the community, market, business, and owner characteristics identified in previous research. Moreover, data highlighted further important characteristics. The new findings allowed for the adjustment, enforcement, and presentation of the theoretical model of

SRFSA characteristics.

While a robust study was completed, the data were collected from SRFSA across Canterbury and cannot be used as an illustration to represent SRFSA across other regions or farming systems. Further, the study does not reveal the relative importance of each characteristic and some inter-relationships between the characteristics are left unexplored.

The contribution of this paper is threefold. First, from a theoretical perspective the paper develops and refines an existing theoretical model of SRFSA characteristics^[3]. Second, from a policy perspective the paper provides deeper understanding of these businesses, their challenges, and their support needs. Third, from a practical perspective, the paper provides rich information for industry and practitioners to use when developing SRFSA strategy.

Further research is suggested to test this model in other locations or broader locations. Potential further research is an attempt at ranking the characteristics either within one service offering or across many service offerings. Moreover, attempts to uncover further inter-relationships between characteristics within the model are recommended.

Author Contributions

All authors were involved in the project design, the methodology design and the analysis. All authors also contributed to the interpretation of the findings, the contents of the Discussion and the edits to the existing model. The first author contributed the written sections of Introduction, Literature Review, Findings and Discussion.

Funding

This work received no external funding.

Institutional Review Board Statement

The research was conducted after approval from Lincoln University Ethics Committee, Application HEC2022-37, and in accordance with direction pro-

vided.

Informed Consent Statement

Not applicable.

Data Availability Statement

Unpublished data is held by the authors and unavailable while all published data is open access.

Acknowledgments

The authors acknowledge the Lincoln University Ethics Committee, the authors referenced in the article, and the twelve interview participants for their contribution to this project.

Conflict of Interest

No potential conflict of interest is reported and there are no relevant competing interests to declare by the authors.

References

- [1] Li, X., Guo, X., 2023. Can policy promote agricultural service outsourcing? Quasi-Natural Experimental Evidence from China. *Sustainability*. 15(2), 1009.
- [2] Zhang, X., Yang, J., Thomas, R., 2017. Mechanization outsourcing clusters and division of labor in Chinese agriculture. *China Economic Review*. 43, 184–195.
- [3] Smith, D., Old, K., Renwick, A., et al., 2023. The Characteristics, Challenges, and Resilience of Small Rural Farm-Support Agribusiness: A systematic literature review. *Australasian Agribusiness Review*. 31(1), 27.
- [4] Picazo-Tadeo, A.J., Reig-Martínez, E., 2006. Outsourcing and efficiency: the case of Spanish citrus farming. *Agricultural Economics*. 35(2), 213–222.
- [5] Knook, J., Turner, J.A., 2020. Reshaping a farming culture through participatory extension: An institutional logics perspective. *Journal of Rural Studies*. 78, 411–425.
- [6] Lucock, X., Westbrooke, V., 2021. Trusting in the “eye in the sky”? Farmers’ and auditors’ perceptions of drone use in environmental auditing. *Sustainability*. 13(23), 13208.

- [7] Dynes, R., Burggraaf, V., Goulter, C., et al., (Eds.), 2010. Canterbury farming: production, processing and farming systems. Proceedings of the New Zealand Grassland Association.
- [8] Nguyen, G., Purseigle, F., Brailly, J., et al., 2022. Agricultural Outsourcing in France: A Statistical Perspective on an Emerging Phenomenon. *Economie et Statistique/Economics and Statistics*. 532–533, 89–110.
- [9] Nye, C., 2018. The ‘blind spot’ of agricultural research: Labour flexibility, composition and worker availability in the South West of England. *Cahiers Agricultures*. 27(3), 35002.
- [10] Varrotti, A.P.S., 2022. The role of custom farming in agribusiness expansion in Argentina.
- [11] Nootboom, B., 1994. Innovation and diffusion in small firms: theory and evidence. *Small Business Economics*. 6(5), 327–347.
- [12] Walker, E., Brown, A., 2004. What success factors are important to small business owners? *International Small Business Journal*. 22(6), 577–594.
- [13] Shrader, C.B., Mulford, C.L., Blackburn, V.L., 1989. Strategic and operational planning, uncertainty, and performance in small firms. *Journal of Small Business Management*. 27(4), 45.
- [14] Lepoutre, J., Heene, A., 2006. Investigating the impact of firm size on small business social responsibility: A critical review. *Journal of Business Ethics*. 67(3), 257–273.
- [15] Shields, J.F., 2005. Does rural location matter? The significance of a rural setting for small businesses. *Journal of Developmental Entrepreneurship*. 10(1), 49–63.
- [16] Malecki, E.J., Tootle, D.M., 1996. The role of networks in small firm competitiveness. *International Journal of Technology Management*. 11(1–2), 43–57.
- [17] Granovetter, M.S., 1977. The strength of weak ties. *Social Networks*. Elsevier. pp. 347–367.
- [18] Greenhalgh, I.J., 2010. The role of the rural contractor in flexible labour use on South Island sheep and beef farms. Lincoln University.
- [19] Variyam, J.N., Kraybill, D.S., 1994. Managerial inputs and the growth of rural small firms. *American Journal of Agricultural Economics*. 76(3), 568–575.
- [20] Kilkeny, M., Nalbarte, L., Besser, T., 1999. Reciprocated community support and small town–small business success. *Entrepreneurship & Regional Development*. 11(3), 231–246.
- [21] Siemens, L., 2010. Challenges, responses and available resources: Success in rural small businesses. *Journal of Small Business & Entrepreneurship*. 23(1), 65–80.
- [22] Nigmatullina, G., Shilkina, O., Kipchakbaeva, E., et al., 2022. Providing Conditions for the Development of Small Business in the Russian Agroindustry. *International Journal of Economics & Business Administration (IJEBA)*. 10(2), 164–177.
- [23] Ball, R., 1987. Agricultural contractors: some survey findings. *Journal of Agricultural Economics*. 38(3), 481–488.
- [24] Eisenhardt, K.M., Graebner, M.E., 2007. Theory building from cases: Opportunities and challenges. *Academy of Management Journal*. 50(1), 25–32.
- [25] Mills, J., Birks, M., 2014. *Qualitative methodology: A practical guide*. Sage.
- [26] Stake, R.E., 1995. *The art of case study research*. Sage.
- [27] Yin, R.K., 2011. *Applications of case study research*. Sage.
- [28] Patton, M.Q., 2007. Sampling, qualitative (purposeful). *The Blackwell Encyclopedia of Sociology*.
- [29] Saunders, B., Sim, J., Kingstone, T., et al., 2018. Saturation in qualitative research: exploring its conceptualization and operationalization. *Quality & Quantity*. 52, 1893–1907.
- [30] Cai, L., Wang, L., 2021. Analysis on outsourcing service behavior of rice pest and disease control based on Heckman selection model—A case study of ten counties in Fujian Province. *PLoS One*. 16(7), e0254819.