

2018

SPRING/SUMMER

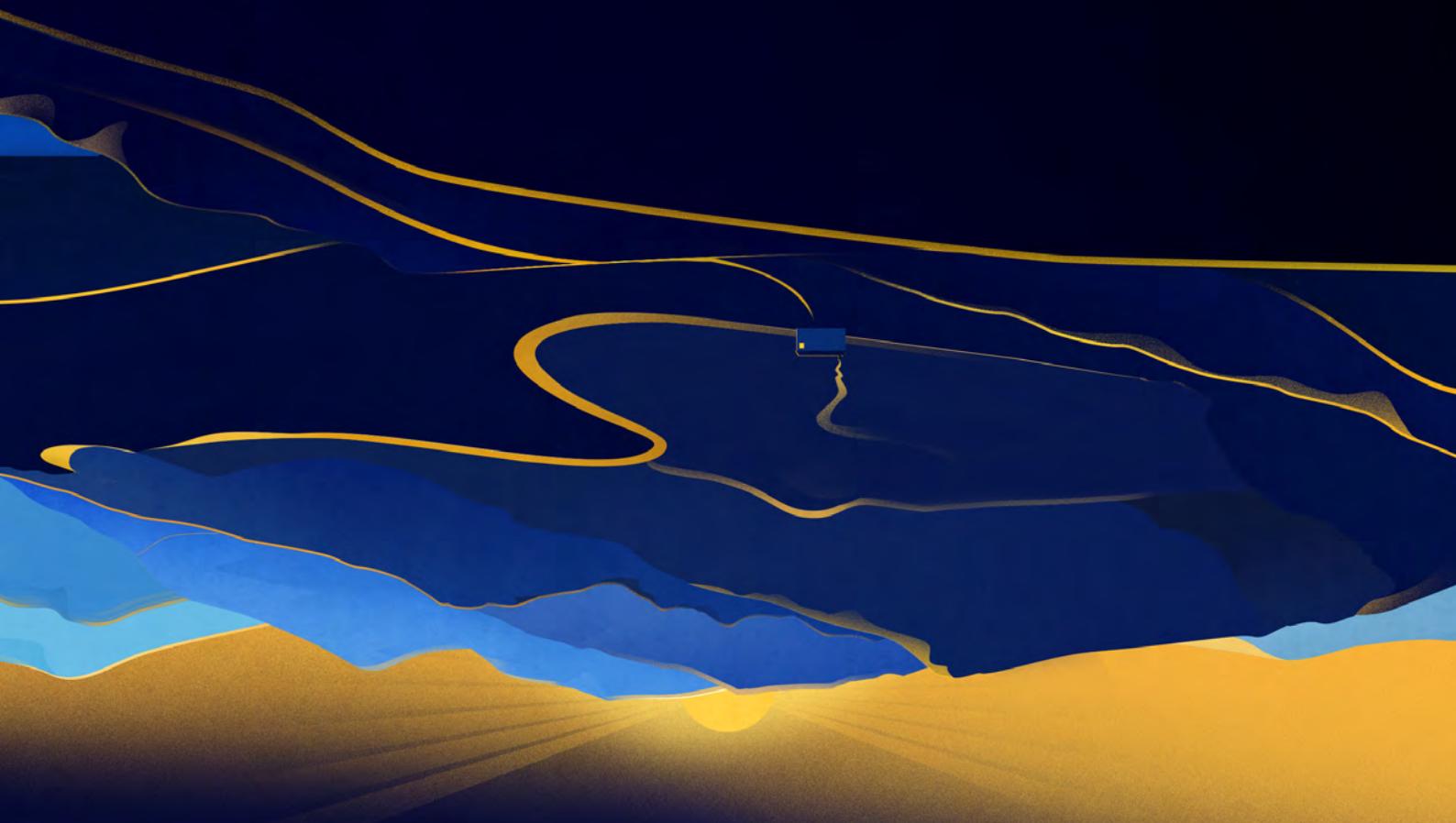
Community spirit: why a thriving pub and farm shop are so crucial to Crathorne

Underground to mainstream: could hydroponics transform the way we grow food?

Added value: why the smart money is on better woodland management

Land Business

FARMING ESTATE MANAGEMENT SALES



CHANGE
IS ON THE
HORIZON

A radical shake-up is coming for the rural sector. Is it now time for estates to look differently at how they measure success?

STRUTT
& PARKER



PAGE 28

The big picture

Buffalo on the Buffalo Farm near Kirkcaldy, Fife. Strutt & Parker has worked with farmer Steve Mitchell to apply for a Food Processing, Marketing & Co-operation Grant, which will help to fund the construction of a new facility to make buffalo mozzarella.

Land Business

FARMING ESTATE MANAGEMENT SALES

Welcome

It is an uncertain time for the rural economy. Brexit, of course, is the major challenge we face, but there are other factors that will have profound effects on the future for rural businesses.

There are proposed changes to farming subsidies, with greater emphasis on natural capital rather than food production. There is the growing housing crisis and the shifting demands of residential tenants. And there are the myriad ways in which new technology is transforming how we shop, live and work.

So against this backdrop of radical change, is it time for landowners to be equally radical in the way they think about estates in order to secure their long-term futures? Turn to page 24 to read our thoughts.

Preparing for change is as much about spotting opportunities as it is about warding off threats. An example is hydroponics, which is an increasingly viable method of growing food. It's allowing one innovative company to produce greens beneath London's streets, and could be an option for traditional rural businesses too.

Read all about it on page 18.

And on page 10, we visit the Crathorne Estate in North Yorkshire, which has fostered a community spirit among its residents by attracting the right tenants to run its thriving businesses. In these changing times, such an approach could prove particularly astute.

We hope you enjoy reading Land Business. We value your feedback – please visit struttandparker.com/land-business or complete and return the enclosed form to tell us what you think of this issue.



JAMES FARRELL
HEAD OF RURAL

The big picture: Dan Prince

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**STRUTT
& PARKER**

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IN THE FIELD

NEWS & VIEWS FROM STRUTT & PARKER

Landowners on the front line of water resource management

England is expected to face an 8-22% deficit of its total water needs by the 2050s. Population and economic growth will increase demand, with the impacts of climate change and drought likely to reduce the volume and reliability of rainfall.

Last November, Defra closed a public consultation on the development of a National Policy Statement for Water Resources, the aim of which would be to streamline the delivery of planning consents for water infrastructure projects. These are large, complex schemes on a regional or national scale – for example, to facilitate large transfers of water from areas of surplus to areas of deficit. Such projects could offer valuable opportunities for landowners or, conversely, present challenges or threats.

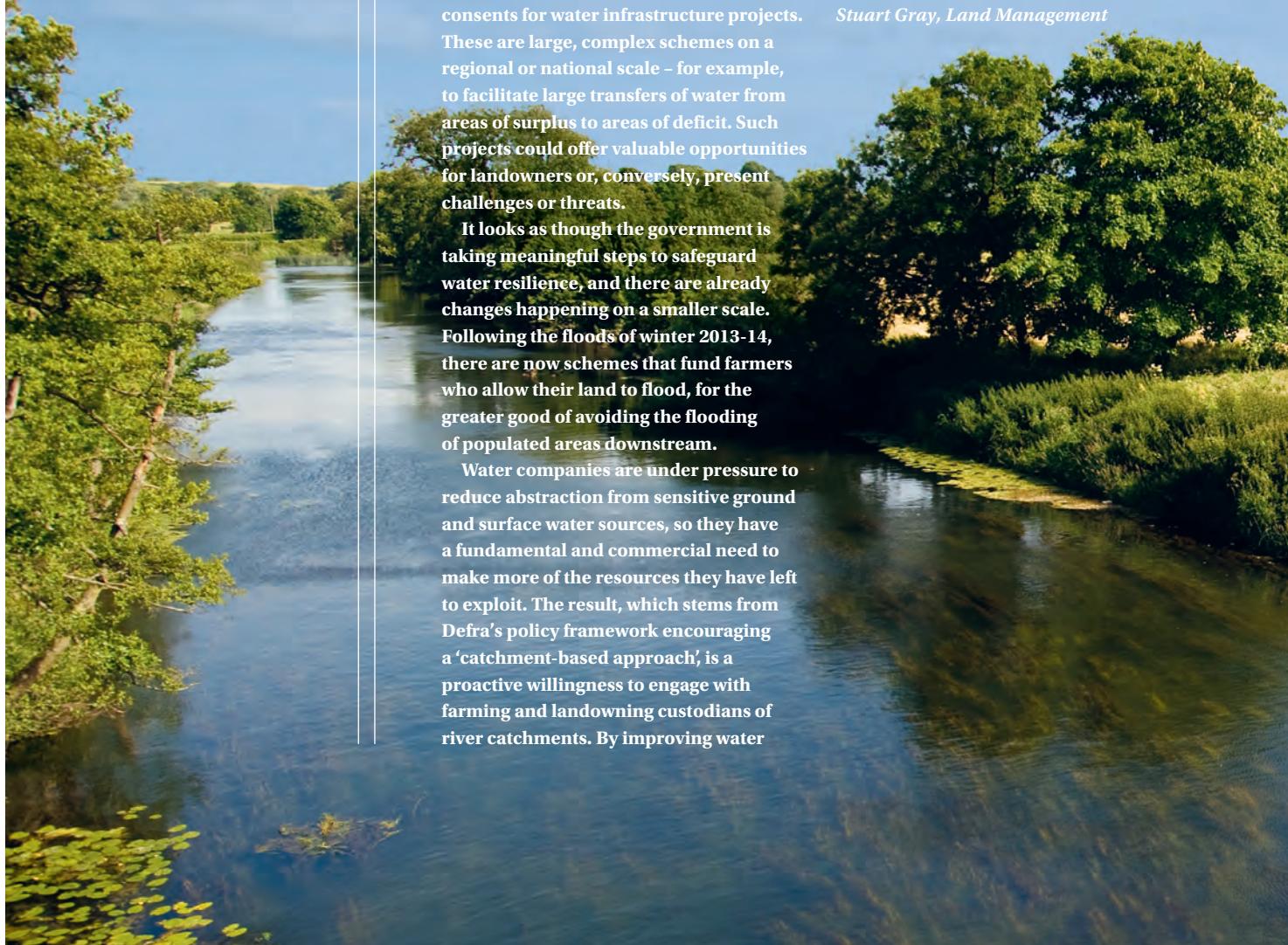
It looks as though the government is taking meaningful steps to safeguard water resilience, and there are already changes happening on a smaller scale. Following the floods of winter 2013-14, there are now schemes that fund farmers who allow their land to flood, for the greater good of avoiding the flooding of populated areas downstream.

Water companies are under pressure to reduce abstraction from sensitive ground and surface water sources, so they have a fundamental and commercial need to make more of the resources they have left to exploit. The result, which stems from Defra's policy framework encouraging a 'catchment-based approach', is a proactive willingness to engage with farming and landowning custodians of river catchments. By improving water

quality at source, the companies can realise substantial savings at the treatment plant – if it is more cost-effective to pay a yield penalty or for land to be fallowed than to clean a carbon filter, then significant incentives could be available.

It is essential for land managers to engage with the government and water companies alike in order to steer their approach to catchment management and unlock the environmental, commercial and societal benefits.

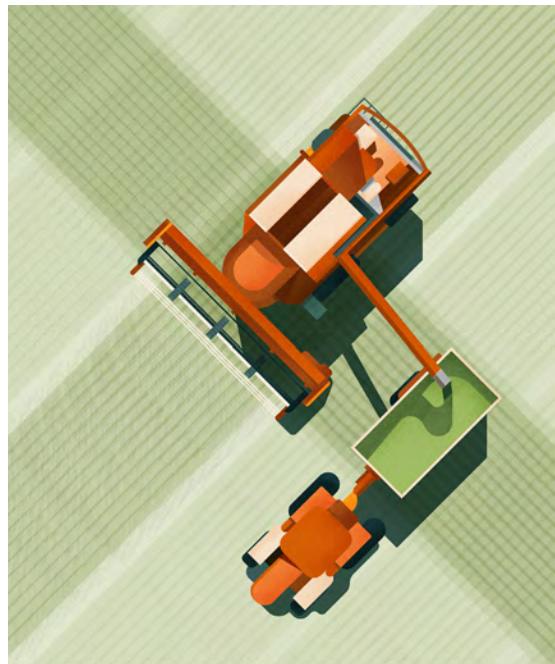
Stuart Gray, Land Management



“
WATER
COMPANIES
ARE ENGAGING
WITH THE
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OF RIVER
CATCHMENTS
”



Photograph: Getty Images. Illustration: Jack Bedford



New leases of life for Scottish tenant farming?

Scottish agricultural tenancies are now more complex, with the Land Reform (Scotland) Act 2016 creating two new lease types: the modern limited duration tenancy (MLDT), which has a minimum term of 10 years, and the repairing tenancy, which has a minimum term of 35 years. These are in addition to the existing grazing licence and short limited duration tenancy.

The MLDT replaced the limited duration tenancy (LDT) in November 2017, with the aim of improving flexibility in negotiations over fixed equipment, rent and activities. The minimum 10-year term continues thereafter for seven-year cycles. A five-year break clause is permitted for new entrants. Any existing LDTs will continue, but new ones can no longer be started.

Notable changes include tenant assignation and subletting rights. These, combined with the lengthy two-stage notice termination procedure, mean that caution and professional advice are essential.

The minimum 35-year lease with full repairing terms is an interesting idea. However, it is only likely to be relevant on farms that need extensive property repairs in order to achieve an acceptable standard.

Only time will tell if these new tenancies will reverse the decline in the Scottish tenanted farm sector. The absolute ‘right to buy’ threat is not mentioned much nowadays; however, memories are long and many landlords remain cautious about long-term agricultural tenancies.

Alexander Jameson, Land Management

A change of plan

A new draft National Planning Policy Framework (NPPF) was published in March, replacing the current policy that has been in place since 2012.

Three main changes are being considered. The first is a standardised approach to calculating housing land requirements. This would require councils to examine projections of household growth using the most up-to-date information, and the relationship between house prices and earnings locally.

In areas where average house prices exceed average earnings by a factor of four, it is expected that housing need will be adjusted by up to 40% above projected household growth. This is likely to result in an increase in 'need' in higher-value areas near larger towns and cities.

Councils are already subject to a 'duty to co-operate' over planning matters. But in the second change, they are now required to take things a stage further and produce a 'statement of common ground'. This sets out arrangements for joint working to help meet housing needs across local authority boundaries.

Finally, the new NPPF requires councils to demonstrate the viability of their Local Plans at an early stage. This will cover affordable housing and the infrastructure needed to deliver the plan, together with monitoring arrangements. In addition, it will make clear that plans must be reviewed every five years to be considered up to date.

Craig Noel, Planning



No more neonics?

The ban on the use of neonicitinoids on oilseed rape in 2013 was seen as a major setback to the farming industry. According to a study funded by Rural Business Research, it is estimated that the ban cost the farming industry more than £18 million in 2016 alone.

Since then, we have seen a 10% drop in oilseed rape area across six European countries as farms battle to control the cabbage stem flea beetle. A consequence of the ban has been the increased number of insecticide sprays applied to oilseed rape crops, often prophylactically, as farmers try to protect their incomes.

The European Commission is now proposing a near blanket ban on neonicitinoids, which will make producing crops such as sugar beet, potatoes and cereals, as well as fruits and vegetables, simply unviable. At a

global level, this is likely to have an impact on food security and lead many to question the viability of the agriculture sector.

In practice, the main implication for farmers is that the number of crops grown is likely to decrease, reducing biodiversity and potentially damaging bee populations even further. After all, crops need bees, but bees also need crops.

For example, sugar beet attracts a range of pests that are currently controlled using neonicitinoids. If these products are banned, greater monitoring will be required to ensure that crops do not suffer from aphid infestations, which can carry damaging viruses. To this end, we are likely to see broader control measures that will also target beneficial insects and could result in further resistance problems.

Edward Hutley, Farming

News in brief

1,063,960

The number of under-25s 'lost' from Britain's villages and towns between 1981 and 2011, according to the Centre for Towns. This highlights the 'migration' of young people away from rural areas, where the number of over-65s has risen by more than two million since 1981.



A missed target?

Just 13% of the UK's total land area is covered in trees – far below the EU average of 35% – and efforts to plant more trees across England, where woodland cover is only 10%, are behind schedule. In 2015, the Conservatives pledged to plant 11 million trees in England by 2020, yet planting has totalled only 642,000 in 2015-16 and 802,000 in 2016-17. The plan to plant a 'Northern Forest' across the north of England is a positive step. However, the UK is the second-largest net importer of timber in the world, so we are going to need much more productive forestry to meet our ever-increasing demands.

Mike Tustin, John Clegg & Co

OPEN TO OFFERS

The new Countryside Stewardship Wildlife Offers introduced this year are an excellent opportunity for farmers to take advantage of a simplified, non-competitive application process. Each of the four offers – Arable, Lowland Grazing, Mixed Farming and Upland – has a finite number of options and minimum requirements that must be met in order to be eligible for funding.

Helen Gosling, Farming

“
AS DISEASES COME ALONG – WHETHER FOR PLANTS OR FOR ANIMALS – WE HAVE TO INNOVATE OUT IN FRONT OF THAT

”

Bill Gates on why he is investing in the Roslin Institute's research into improving livestock health and productivity

DECIPHERING THE CODE

Enacted in December 2017, the new Electronic Communications Code mostly affects new agreements and lease renewals. But some telecoms operators are misinterpreting the code; in one case, trying to apply the new valuation formula to a rent review in a current lease. Landlords should question any interpretations offered by operators and seek specialist advice.

Robert Paul, Land Management



Data danger

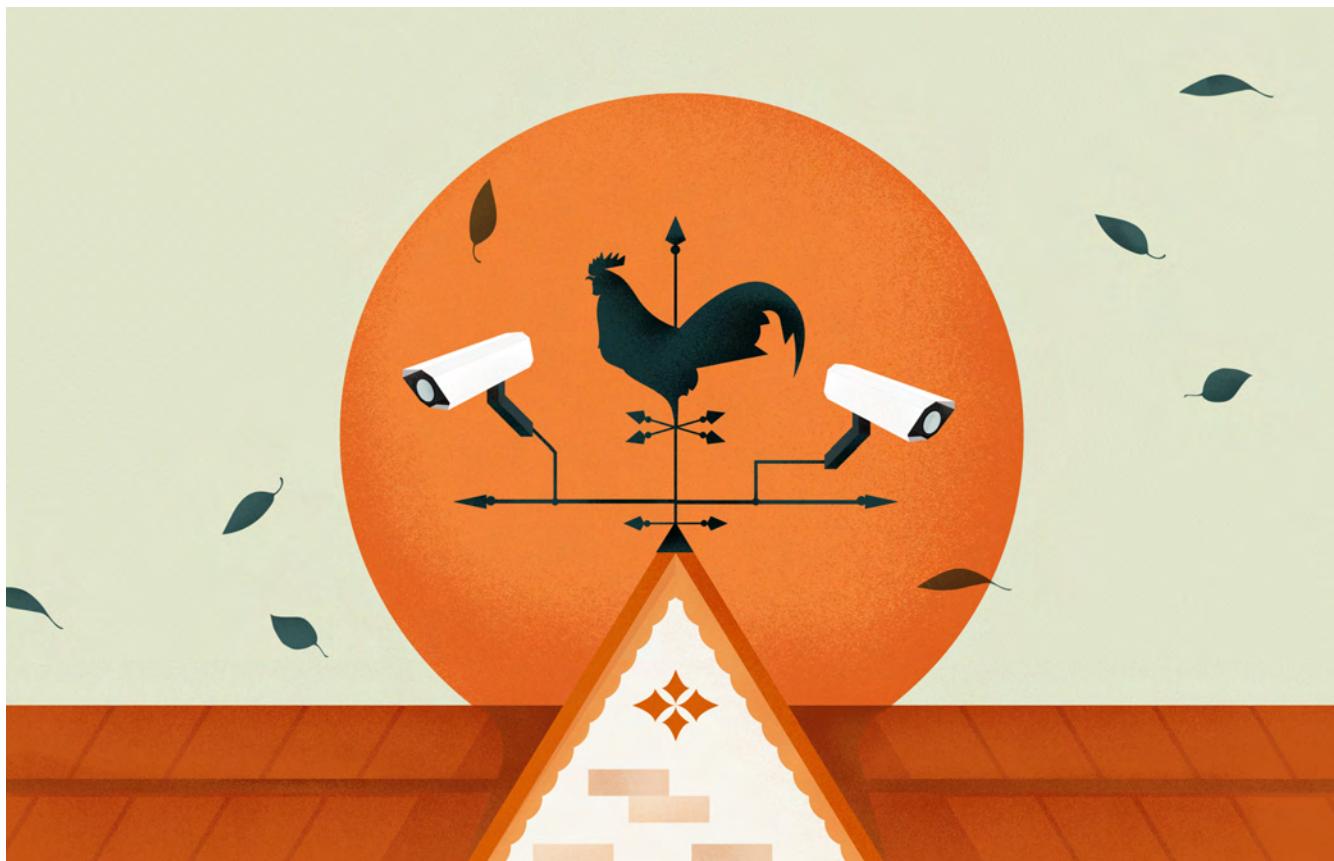
The General Data Protection Regulation (GDPR) comes into effect in May 2018. Although GDPR arises from EU legislation, the UK government will be incorporating elements of it in the new Data Protection Bill, which comes into force in the same month. Changes include the requirement to keep written records of an individual's consent to store and use their personal data, and to safely store data about staff, suppliers and customers. The public will have the right for their data to be permanently deleted on request. Rural businesses should urgently carry out an audit of their data retention practices to ensure they adhere to the proposed changes, as the penalties for non-compliance are severe: fines of up to 4% of annual global turnover or €20 million (£17.5 million).

Jeremy Dawson, Land Management

ENERGY EXEMPTIONS

Following the introduction of minimum energy efficiency standards on 1 April, it is now unlawful to let residential or commercial property if it has an EPC rating of F or G. Contrary to common misconceptions, Listed buildings are not exempt from the scheme. There are, however, a limited number of exemptions based on lease length and the difficulty in upgrading a property. Landlords should lodge properties falling under this category with the Private Rented Sector Exemptions Register – but note that the property will only be on the register for five years, after which it must be reassessed to see whether the exemptions still apply.

Andrew Thomas, Land Management



Rural crime continues to hit hard

Crime is a widespread problem for rural businesses, with farmers across the country being victims of offences such as theft, fly-tipping, livestock rustling and hare coursing.

According to the 2017 Rural Crime Report from insurer NFU Mutual, countryside crime cost an estimated £39.2 million in 2016 – and initial figures suggest that total will rise for 2017. Richard Percy, Chairman of NFU Mutual, warned that farmers are easy targets for criminals as they are less security conscious than their urban counterparts.

The theft of items such as machinery, vehicles, fuels and oils, metal and pesticides is a huge concern. Farms and estates are often located in remote areas, and with satellite farms and stores becoming more commonplace, they provide easy pickings for thieves who target isolated and hard-to-protect buildings.

The type of items stolen are often easy to sell on or dispose of – and the ease with which they can be moved to mainland

Europe within a matter of hours has meant that some are stolen to order. Notably, the Land Rover Defender has become a particular target for thieves after production of the iconic vehicle ended in January 2016.

Having items stolen or crops damaged by hare coursing is infuriating, but fly-tipping has become one of the most frustrating crimes the rural community faces. It is unsightly, takes time to clear up, and often costs the innocent landowner money to dispose of the waste. Defra has recently dismissed calls from landowners for fly-tipped waste to be removed free of charge.

Good security is essential to protecting your property. No two rural businesses are the same, so finding a solution that works for you can take time and investment. It is worthwhile reviewing your security arrangements and investing in them where necessary.

David Canty, Farming

£39.2m

THE COST OF
RURAL CRIME IN
THE UK IN 2016

£5.4m

THE COST OF
AGRICULTURAL
VEHICLE THEFT
IN 2016

Source: NFU Mutual

IN CHARGE

“
**THERE'S NEVER
 BEEN A BETTER
 TIME TO LOOK
 INTO BATTERY
 STORAGE**
 ”



KIERAN CROWE, ENERGY

With renewables accounting for nearly a third of the UK's electricity production, one of the big challenges is how to best manage the intermittent nature of solar and wind energy. The answer for many rural businesses is battery storage, which is increasingly becoming a cost-effective option for farms and small industrial units.

The growth of the battery sector has been driven by innovation and, in particular, the rise of the electric car. This has led to a new generation of cheaper, smaller and more efficient lithium-ion batteries that are able to store excess energy from turbines and solar panels. There is also a booming market in second-hand electric car batteries,

which can be modified for use in fixed electrical storage systems.

In recent years, we've also seen a relatively new storage technology that uses the element vanadium. Unlike lithium-ion batteries, these 'storage machines' don't deplete and can last for at least 25 years.

The appeal of storage is that it allows small-scale green electricity producers to optimise generation and be more flexible about when they buy in from the National Grid. Around 60% of a commercial electricity bill is for non-energy costs, such as the Climate Change Levy, feed-in tariffs and the network distribution/transmission costs. So the more excess energy a business can store for use when the wind drops, or the sun doesn't shine, the greater the savings.

They can also use batteries for 'peak shaving', where energy is stored for times when costs of buying from the grid are higher, such as early evenings during winter. And they can help avoid Triads, the three peak half-hours each year when a commercial customer's electricity consumption is used to determine their bill.

So who should be considering batteries? If someone is using more than 100,000 kWh of electricity per year, if their costs are over 10.5p per kWh, and they have – or are planning to have – renewable generation, there's a good chance that batteries will bring benefits.

The first step is to find a supplier. It is key that you have good half-hourly data to share, and that you talk to at least two potential suppliers – and not just two providing the same type of technology either. Potential suppliers will be able to give you an idea of the risks and benefits you can expect.

There may be the opportunity to secure grant funding. If you are in agriculture, for instance, you can access a Rural Development Programme for England grant, covering up to 40% of the costs for batteries.

With any investment of this sort, it's important to be realistic. These things take time. If you have all the data, it could take just six months to get a system in place.

But if you need to gather data and apply for grants, it's more likely to be 18 months.

It's also vital that you know what you will get back. Storage will offset some input costs, but it's probable that you will also need additional income sources. Many will benefit from signing up to a Firm Frequency Response contract, where the grid can draw upon batteries to stabilise frequencies.

Another option is the Short Term Operating Reserve, where generators provide extra energy to the grid when demand outstrips supply. Alternatively, there is energy trading: buying in energy from the grid at low prices, and selling it back when prices rise.

We are also seeing the emergence of funded solutions, where suppliers pay for the installation and then take the grid incomes, giving their customers the electricity savings. They will also underwrite the battery service provision – so even if they lose money, they provide a minimum capped payment.

With so many options, it is essential to get good advice. Before you bring in a supplier, establish whether battery storage is suitable for your needs, whether a grant is available and what is the best technology for you.

What is clear is that there's never been a better time to look into battery storage. The world of energy production is changing rapidly and there are some exciting opportunities out there to grasp. ■

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' F I R S T A N D

F O R E M O S T ,

O U R V I L L A G E

N E E D S T O B E

A P L E A S A N T

P L A C E T O L I V E

A N D W O R K '

The village estate of Crathorne in North Yorkshire places quality of life for its residents above all else – which made securing the perfect tenants for its pub and vacant commercial premises all the more important





Above: Eugene McCoy has revitalised the Crathorne Arms. Opposite page: Anthony Kitson opened Five Houses Farm Shop and Kitchen in a Listed building on the estate

When we meet, Thomas Dugdale's face is already familiar. I had made the connection after earlier seeing the wall behind the counter in the post office in Crathorne, the village in the North Yorkshire estate his family has owned since 1844, and where he is the next generation to take on the stewardship.

Earlier, postmistress Sue Andrews had proudly chatted about 'our Thomas, Katharine and Charlotte' as she showed off photographs – pinned up behind the stamps and sweets – of Dugdale and his two sisters, alongside postcards sent from all over the world by the siblings' father, Lord Crathorne. These family memories are cheek by jowl with others from the lives of residents, the yellowing newspaper cuttings radiating a sense of community.

But life here hasn't always been a roses-around-the-door idyll. Like so many rural villages, Crathorne has had its testing times. The post office had been threatened with closure – Lord Crathorne was instrumental in the fight to keep it open – and five years ago, the village pub actually called time for what locals feared would be the last time.

Step forward Laura Fieldsend, who has been with Strutt & Parker's Northallerton office for nearly 10 years – nine of them working with the Crathorne Estate.

'We were all devastated when the Crathorne Arms closed, but the important thing was to dust ourselves down and do everything possible to secure another tenant,' she recalls. 'For the future of the estate community, a tenant needed to be found as soon as possible. But that's not to say just any tenant; it had to be somebody who would understand how the pub and the village are intrinsically linked.'

'However, challenges like this one are the nature of my role – and with the changes around Brexit, having a diverse estate is more important than ever. Coming up with solutions and seeing businesses thrive is very rewarding.'

Heart of the community

One could be forgiven for presuming that, with their easy manner, Eugene McCoy and his wife Barbara have been behind the bar of the Crathorne Arms for years. The interior of the pub is an eclectic mix of colours and furnishings – Turkish rugs, country chairs and candelabras rub shoulders with pictures of Eric Clapton, Jimi Hendrix and Rod Stewart playing in the venue Eugene's brother ran. But the thrown-together look belies a lifetime in the hospitality industry (including an Egon Ronay award for best restaurant). This venture hasn't worked by chance.

'The secret is to make everybody feel welcome,' says Barbara, rearranging flowers left over from a local lady's birthday party the night before. 'From the farming lads having a pint at the bar in their muddy boots to the party of 12 booked in for dinner, they all have to be made to feel special.'

For Eugene, the ingredients of a successful pub are a combination of 'a great village, great landlords and working hard'. There is a real rapport between him and Fieldsend, but behind the leg-pulling is a genuine appreciation of the role she played in getting the pub open again.

'She couldn't have done more to help us,' says Eugene. 'Whatever we needed, such as the new kitchen, we felt Laura was always there to listen. Together with Lord Crathorne and his son Thomas, she wanted us to succeed and understood that we needed to put our own stamp on the place in order to do that.'

The relationship between parties continues to evolve, with the pub often buying in surplus produce and game from the estate. 'There's a larder on our doorstep,' says Eugene.

As the symbolic 'big house' on the estate is no more - Crathorne Hall, the Dugdales' former family home, was sold in 1977 and is now a hotel - the McCoys' efforts to make the pub the hub of the community seem even more vital. Initiatives such as carol singing around a 26ft Christmas tree (from the estate, of course) are helping to unite locals with paying visitors.

A family matter

Sipping a pint in the pub, Dugdale, 40, is enjoying having a few days 'back home' from his life as a lawyer in London. After a spell working in Hong Kong, he's now much more visible here as the estate's decision-maker, although Lord Crathorne remains involved.

'My father always believed in me having - right from being a teenager - a seat at the top table,' he says. 'Over the years to come, the plan is to make the move up here permanently.'

'We have always followed the philosophy that, first and foremost, Crathorne needs to be a pleasant place to live and work. I believe very strongly that if we get this fundamental thing right, everything else follows.'

The family are not against change, but it must be for a reason rather than for its own sake. For example, in late 2015, the Dugdales helped tenant farmer Ian Tate move from Free House Farm, just behind the Crathorne Arms in the centre of the village, to another holding.

Improved access and acreage has boosted the farm's business, and planning permission has been granted to convert the former buildings into six new homes and seven guest rooms for the pub. The vision of Dugdale's wife Alexandra, and her passion for building design, were instrumental in ensuring that the plans - by architect Aidan Hodgkinson - were approved.

'Strutt & Parker's expertise on this has been invaluable,' says Dugdale. 'It's been one of those planning applications that's gone on forever, but there is light at the end of the tunnel.'

He explains that the estate has a property portfolio of about 40 cottages: 'Those who come into the new housing will breathe new life into the village. The work Eugene and Barbara have done at the pub helps make this the sort of place where people would like to live, making it easier to let our properties.'

The estate is very much a family affair: Lord Crathorne's younger brother David farms here with his wife Susie, son Joe and daughter-in-law Sasha. They milk about 450 cows, farm 630 acres in their own right and contract farm a further 1,334 acres for the estate. ➔

“WE NEEDED A TENANT WHO UNDERSTOOD THE INTRINSIC LINK BETWEEN THE PUB AND THE VILLAGE”





Strutt & Parker's Laura Fieldsend and Crathorne Estate's Thomas Dugdale. Having been vacant for some time, the estate's commercial premises are now occupied by Five Houses Farm Shop and Kitchen

Down to business

With farming at its heart, Crathorne's newest tenant, Five Houses Farm Shop and Kitchen, seems a more natural fit than the IT company that previously let the commercial premises. This firm vacated in June 2013, citing rural connectivity issues. The building's Grade II Listing, relatively large space (3,700 sq ft) and broadband problems made it difficult to let.

That was until Anthony Kitson, an award-winning butcher with shops in Northallerton and Stockton-on-Tees, came along. He had driven by the former farmstead twice a day for decades on his way to and from his home in the neighbouring village of Hutton Rudby.

Like the McCoys, he is full of praise for Strutt & Parker's Fieldsend. His family has been in the butchery business since the 1690s, so 'we've dealt with a lot of agents in our time', he says with a smile.

'Right from my very first germ of an idea, Laura couldn't have been more proactive,' says Kitson, who insists that everything served in the café is made from local produce that can be bought from the shop. 'Laura has quite a rare quality in being well

thought of by everyone: the local community, the estate and the tenants.

'I can't say enough how useful it was to have somebody like her to bounce ideas around with. I'm not sure if it's her, the Strutt & Parker ethos or the family, but it's a recipe that works.'

The shop, which opened in September 2017, already employs around 30 local people and is proving so popular that a supplementary lease for additional car parking was needed. Annual sales in the region of £2 million are projected.

Anthony has been joined in the business by his sons Henry, 27, and Oliver, 26. The pictures of the three of them adorning the walls – together with the prizes won by the local livestock they source for the butcher's counter – have echoes of the village post office. Five Houses may be on a much grander scale, and the photographs professionally taken rather than curly-cornered snaps, but the underlying feelings of pride and belonging at the heart of Crathorne Estate are just the same. ■

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LETTING LESSONS

With Brexit looming, having diverse income streams will be vital for rural estates – so attracting and retaining commercial tenants could be key. Here's how to make your properties more appealing to businesses

DON'T BE AFRAID TO ALLOW INDIVIDUALITY

If the Crathorne Estate hadn't let Eugene and Barbara McCoy put their stamp on the village pub, it might still be closed.

PROVIDE PLENTY OF PARKING

The instant success of Five Houses Farm Shop and Kitchen soon showed parking to be inadequate.

ACTIVELY ENCOURAGE TENANTS WHO SHARE THE ESTATE'S ETHOS

The Crathorne Arms' welcome to local farm workers and Anthony Kitson's support of local food and farming make for more harmonious relationships.

PLAY TO THE BUILDING'S STRENGTHS

Broadband was relatively poor at Five Houses, so finding a user who didn't rely on it so heavily was important while a long-term solution was found.

ENSURE THERE ARE COMMUNITY BENEFITS

Some tenants bring their own staff with them, putting nothing back into the local economy. Search out businesses that will create new jobs for local people and provide interesting new amenities.

HOME TRUTHS

**VILLAGES
MUST PLAY A
KEY ROLE IN
THE DELIVERY
OF HOUSING**



WILLIAM NICHOLS, PLANNING

Barely a week goes by without a new story about the housing crisis. Even the government acknowledges that the housing market is 'broken', pledging to increase the supply of homes to 300,000 a year.

The reasons for this broken market are multi-faceted and complex, but the failure of successive governments to increase housing supply is a major factor. Official figures show that annual housing completions have fallen from a peak of 350,000 in the late 1960s to fewer than 200,000 since the 1980s – although last year showed a slight increase, with 217,000 completions. The government's consultation on a revised National Planning Policy Framework (NPPF), which began in March,

seeks to go some way to address this, but it remains to be seen whether it will succeed.

This shortfall has contributed to rapid house-price growth, which has led to younger people, couples and families finding it increasingly difficult to buy their own homes. This, in combination with the decline in the delivery and availability of social rented housing, has led to an increasing reliance on the private rented sector. Indeed, home ownership among 25-29-year-olds has fallen from 63% a quarter of a century ago to just 31% today. This problem is particularly acute in many rural areas, where the supply of new housing has been virtually non-existent.

In many parts of the country, younger people and families have effectively been priced out of areas in which they grew up. At the same time, older people wishing to remain in their communities and downsize to smaller properties have been prevented from doing so by a lack of appropriate housing.

Over the same period, many villages have lost services as shops have closed, pubs have been converted into houses, and bus services have been cut back or ceased altogether. Now, with better broadband connectivity and the advent of home working and online shopping, there is a unique opportunity for rural areas to reinvent themselves.

Over the past 25 years, local authorities have sought to locate new developments in major towns and cities. Instead of enabling modest, appropriately sized extensions to villages, planning policies have focused on a smaller number of large allocations on the edge of urban areas.

There has, however, been a slight softening of this restrictive approach. The latest extensions to permitted development rights – which came into force on 6 April 2018 – allow the conversion of up to 500 sq m of redundant agricultural buildings into up to five residential units no larger than 100 sq m each.

The revised NPPF acknowledges the need to provide housing in rural areas 'where it

will enhance or maintain the vitality of rural communities,' which is a welcome change, as is the proposed requirement that 'plans should identify opportunities for villages to grow and thrive, especially where this will support local services.'

The new NPPF also recognises the contribution that small sites can make to housing delivery, on the basis that they can be built relatively quickly. A proposal to ensure that 'at least 20% of the sites identified for housing... are of half a hectare or less' may assist rural growth. But will local authorities implement this approach effectively?

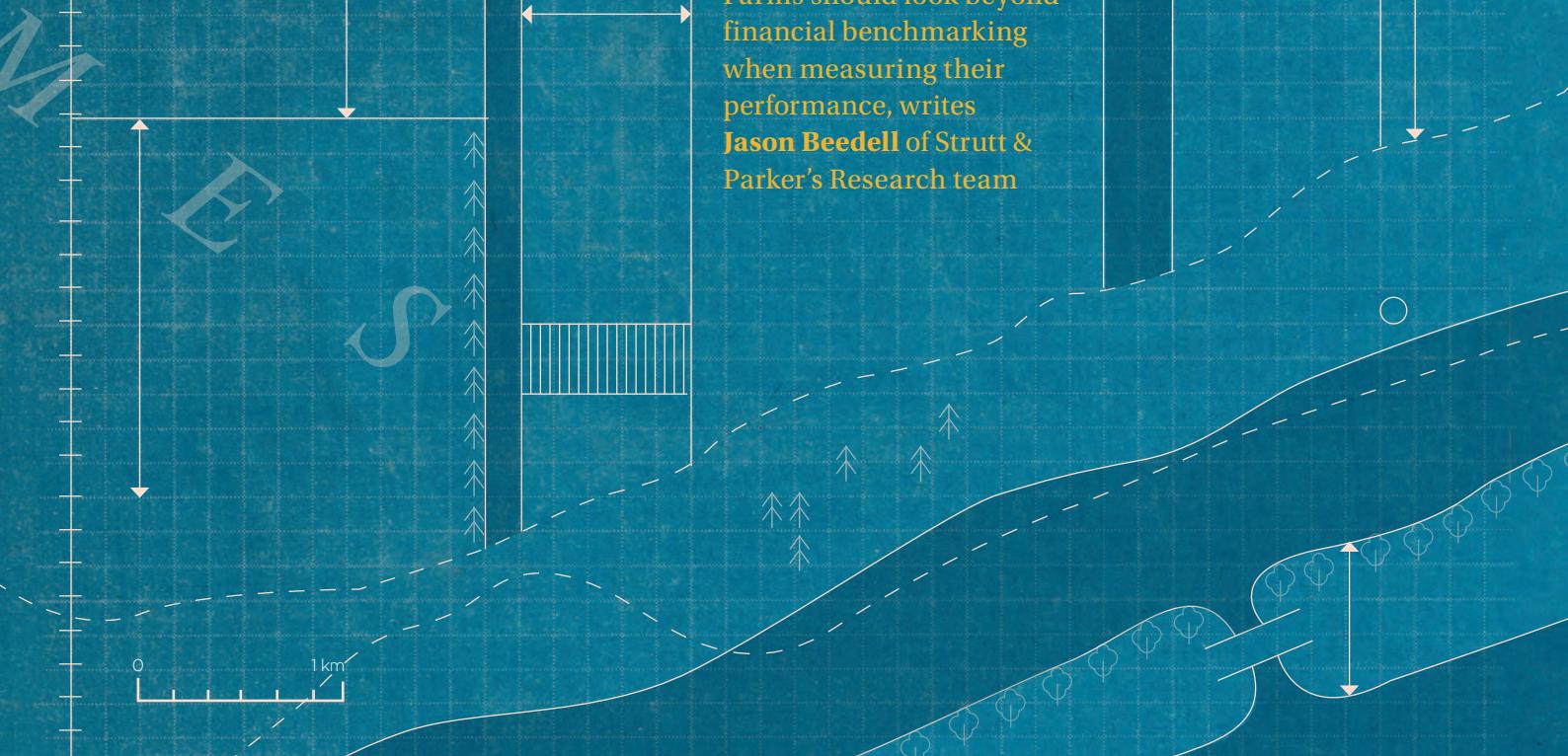
It is vital to preserve what is special about our rural communities and environment. But equally, carefully designed development that enables villages to become more vibrant is essential. Any new housing schemes should be targeted at local circumstances and be commensurate with the size and scale of the individual settlements. Of the top 25 local authorities in the Halifax's latest Quality of Life survey, the majority are in predominantly rural areas – so the challenge will be to ensure that any development is not at the expense of what makes them great places to live.

The revisions in the NPPF are a welcome change in emphasis for rural areas. It is clear that the highly ambitious target of 300,000 new houses a year has no realistic chance of being delivered without rural areas playing a fundamental role. ■

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HOW DO YOU MEASURE UP?

Farms should look beyond financial benchmarking when measuring their performance, writes **Jason Beedell** of Strutt & Parker's Research team



For some, the word 'benchmarking' conjures up a dry and tedious process they'd rather not undertake. But it can be invaluable: many of the best-performing businesses tend to use benchmarking to better understand where their income is coming from and where their expenditure is going, and to avoid wasting time and energy on unprofitable activities.

It is true that many financial benchmarks have a limited range of purposes. Although gross domestic product, for example, is widely used to measure the growth of an economy, it does nothing to help us understand a nation's wellbeing or industrial sophistication. So while farms should use financial benchmarks to ensure that their business is sound, other non-financial measurements – such as the impact of environmental or social costs – could also be used to gauge performance beyond the monetary.

With Brexit and a new British agricultural policy imminent, benchmarking will become even more important to help farms function at their financial optimum. While many farmers can quite easily say what their yields are, this only gives us half the story about how the farm is running.

One of the best ways to improve farm performance is to understand and manage labour and machinery costs. Since last October, Strutt & Parker has been undertaking a major benchmarking project for the Agriculture & Horticulture Development Board (AHDB). The project aims to provide a detailed analysis of the labour and machinery costs for 20 or so AHDB-monitored farms involved in the Farm Excellence Programme.

These farms are opening their doors for other farmers to visit and discuss the methods they are using, their running costs and profits. It is an innovative learning experience that is creating a 'community of information'.

'In recent years, benchmarking has become more popular with arable farms,' says Richard Meredith, Knowledge Exchange Manager for the West and

FUTURE FARMS WILL BENCHMARK THEIR TOTAL ENERGY USE OR CARBON EMISSIONS

Wales at the AHDB. 'The figures gleaned from benchmarking can highlight successes and failures in a farm business, but discussing the story behind them adds even more value to the exercise.'

The project will enable the businesses to see their operational costs per hectare for growing and harvesting a crop of wheat, as well as for key operations – such as drilling, spraying or combining – and for labour, in terms of the number of hectares farmed per labour unit.

'Fixed costs are usually where the biggest ranges in figures lie, typically accounting for two-thirds of the total cost of production,' says Meredith. 'By benchmarking, growers can highlight the opportunities of joint ventures or refine their labour capacity.'

'In the current climate, farmers cannot afford to be complacent – understanding their full cost of production is key to achieving competitiveness in the marketplace.'

In the future, we expect to see a system set up to benchmark a farm's environmental performance – such as total energy use or carbon emissions produced per tonne – which could be compared to industry standards. This could aid farmers in understanding the whole 'life cycle' of farming costs, so they can plan more effectively.

Benchmarking will undoubtedly be an increasingly valuable tool for farmers in the years to come. It will provide farmers with the data they need to demonstrate that their farm is in line with the government's expectations for productivity under its new agricultural policy. Perhaps more fundamentally, however, it will be a crucial aspect of good management for farm businesses in the post-Brexit rural economy. ■

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THE INSIDE STORY

Hydroponics has the potential to revolutionise UK agriculture, and it's even allowing one company to grow food deep beneath the streets of London. Could it be the key to boosting the country's food production capabilities?



WORDS DONALD MACPHAIL

PHOTOGRAPHY CHRISTOFFER RUDQUIST

Thirty-three metres beneath bustling Clapham in south London, hidden in a 6,000 sq m Second World War bomb shelter, there is – incredibly – a farm. It produces two tonnes of micro-greens and salad leaves each month – all without soil or sunlight.

‘We’re producing food from London, for London,’ says Richard Ballard, co-founder of Growing Underground, explaining his company’s commitment to limiting food miles and keeping produce local. Grown hydroponically – without using soil but instead delivering nutrients in a solution – high-value crops such as pea shoots, fennel, wasabi mustard, garlic chives and coriander sprout in trays of nutrient-soaked recycled carpet cutoffs under LED lights.

This produce is supplied to the likes of Marks & Spencer, Whole Foods Market and Ocado, and sold at New Covent Garden and Borough markets. Such is its success that Growing Underground is now looking to expand operations in its tunnels, where only a fifth of the space has been used.

Ballard says the idea for subterranean salad production emerged from discussions with old schoolfriend and Growing Underground co-founder Steven Dring on how to sustainably feed future cities with growing populations. Needing more than £1 million to get started, they raised £650,000 through crowdfunding in 2014, secured investment from fresh produce giant G’s and brought in Michelin-starred chef Michel Roux Jr as a co-director.

BNP Paribas Real Estate, which merged with Strutt & Parker last September, was also involved at an early stage. ‘BNP Paribas were very helpful,’ says Ballard. ‘They helped with the design-build, did assessments on the tunnels to see if they were suitable and accompanied us to meetings with landlord Transport for London to make sure everything was being done correctly.’

Fresh thinking

James Farrell, Head of Rural at Strutt & Parker, says Growing Underground shows how farming can be approached from a completely different direction, looking afresh at the way we use resources and produce food. Many farmers and landowners will need to show similar imagination in the coming years, he believes, for while the ➔



Above: hydroponically grown basil. The LED lighting produces a red/blue spectrum mix for optimum growth. Previous spread: the subterranean tunnels of London-based urban farm Growing Underground

government has agreed to match current EU funding until 2022 – three years after Brexit – farming will be very different afterwards.

'Farming as it used to be will become unprofitable for some, so they will have to look for other ways to develop the profitability of their land,' says Farrell. 'There will be new opportunities to create profitable businesses, but the question is, who's got the entrepreneurial spirit to grab these and run with them?'

Hydroponics offers an innovative way to meet these challenges, says Chungui Lu, Professor of Sustainable Agriculture at Nottingham Trent University. 'I'm quite positive about the future,' he says, 'and think that in the next five to 10 years, there will be a lot of growth in the UK in this area.'

As hydroponic crops are grown in a controlled environment with the optimum delivery of nutrients and water, much larger yields can be achieved in shorter times, says Professor Lu. The closed-loop system also means that pesticides and fungicides are not required, quality control is easier to enforce, nutrients can be applied more effectively and water is recycled, all improving efficiency and protecting the environment, he adds.

Growing Underground can produce a crop of pea shoots in six or seven days throughout the

year, according to Ballard. By contrast, growing under glass is dependent on the weather: although crops grow quickly in the summer months, for the remaining nine months of the year, they can take up to three weeks to be ready, he says.

Future growth

So with all these advantages, why is hydroponics still a niche sector in Britain? 'It's down to energy costs,' says Ballard. 'You can grow an apple tree using hydroponics, but you would produce a very expensive apple. However, if energy costs become lower, more products will become viable.'

People need time to embrace such a radical growing method, says Alex Fisher, founder and CEO of Birmingham-based Saturn Bioponics, which produces hydroponic growing systems. 'It's a fundamental change to the methodology of something that has been done in the soil for thousands of years,' he says. 'That doesn't happen overnight.'

Lu agrees. 'The UK is a little old-fashioned in that people want to keep the old ways – they didn't want GM food; they want organic food produced naturally,' he says. 'Attitudes are still an issue, though I believe people are becoming more receptive to hydroponics.'

With equipment costs coming down, it's getting easier for new entrants, while technology is further improving efficiency, says Lu. He highlights nanoparticles coated in fertiliser that deliver nutrients into the plant and LED systems that dim or brighten in response to the weather, reducing energy costs.

Fisher says technology will take hydroponics to new levels: 'It's already an advanced science, but the more new technologies come into play around sensors, cost-effective heating and lighting, the more precise and consistent it will become.'

Biopharmaceutical crops are set to become more important, says Ballard, with opportunities emerging in rosemary and lavender oils, while Lu predicts a growing demand for herbs used in traditional Chinese medicine.

With the world's population set to grow from 7.6 billion in 2017 to 8.6 billion by 2030, according to the UN, there is a huge incentive to produce food more efficiently, says Growing Underground's Dring.

'There are great challenges to the food system with population growth and the amount of water going into agriculture,' he says. 'If you think you can utilise technology to create a more sustainable system, go for it. It's a challenge – but also an opportunity.' ■

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ONWARDS AND UPWARDS: THE RISE OF VERTICAL FARMING

In Japan, Taiwan and China, many cities now feature vertical farms, which produce crops in vertically stacked layers – Japan alone has more than 200 of these 'plant factories' – and there are plans for ever-more futuristic urban farm towers, says Nottingham Trent University's Professor Chungui Lu.

While the Growing Underground urban farm in London is defined as a vertical farm – albeit stacked below ground – most British projects are less ambitious.

Lu has set up vertical farms on campus in shipping containers, and says the idea has attracted attention among hotels in Britain that want to have their own fresh vegetables throughout the year.

Strutt & Parker's James Farrell says it may be that the initial opportunities for the technology will be in 'difficult spaces'; if they can't be used for anything else, they could be repurposed for this type of farming.

But Richard Ballard of Going Underground predicts a move towards more urban farming: 'As society evolves and food becomes more expensive, we'll see vertical farms in cities here.'

JOINING FORCES

**"
TOGETHER,
PARTNERS CAN
BE MORE THAN
THE SUM OF
THEIR PARTS
"**



CHARLES IRELAND, FARMING

As farmers and landowners face a period of extraordinary uncertainty – with Brexit, Michael Gove's emerging agricultural policy, the new regime for farm payments and the threat of climate change – collaboration has never been more important.

Yet, according to the CLA's Redefining Farming report, published last autumn, the UK agricultural sector is falling behind the rest of Europe when it comes to formal and informal arrangements, both between producers and throughout the supply chain.

That's a pity, because strategic and well-planned collaboration has been shown to reduce costs, increase yields and boost

efficiency. It can also be the key to sustainable landscape management.

That's not to say collaboration isn't happening. The CLA's survey of more than 1,000 members found that 77% contract services in or out, 41% take part in discussion groups and 27% buy and sell in groups. However, too many farmers and landowners are missing out on opportunities to form beneficial partnerships.

There are many reasons why these aren't happening. There may be a sense of mistrust or a concern that collaboration won't lead to the best returns. Farmers may believe that they already have access to the labour, resources and equipment they need. Others may simply not know people willing to collaborate.

Collaboration takes many forms. It can be simple, such as sharing equipment, or it can be through merging and pooling machine and labour resources into one business. There are examples where that approach can save £30-£40 an acre – the equivalent of half the subsidy cheque.

There is scope for collaboration between landlords and tenants – for instance, in accessing opportunities for development grants for capital investment in storage or water resources. Collaborations between farmers can also maximise landscape benefits. Working together across a wider range may profitably offset one farm's production against delivering better environmental value.

It's true that collaboration can be far harder in the arable sector. Supply chain arrangements tend to produce the greatest gains for those who are more closely linked with the consumer. It's easier to get pork, lamb or beef into a niche position in the marketplace than feed wheat.

But there are still opportunities in arable: Warburtons and Heygates, for instance, have aligned wheat supplies from farmers who are able to commit to longer-term contracts.

The key point is not to collaborate for collaboration's sake: there has to be a good business case. If there is any conflict in terms of objectives or aspirations, then it simply

won't work. Formal collaboration can involve a huge shift in the psychology of a business.

When it comes to supply chain collaborations, it is vital to understand your importance in the marketplace – and to make sure you understand what you are signing up for, what your liabilities are, and what happens when you don't supply.

It can help to have similar attitudes when agreeing to collaborate. But collaborations can also be strong when they bring together different and complementary skill sets. We've seen successful joint ventures where one farmer is a brilliant business strategist and the other is great at growing crops. Together, they are greater than the sum of their parts.

There is room for ad hoc arrangements, which may be fine for small collaborations – but formal arrangements can be essential, particularly if there is an issue between parties.

Regular discussions between partners are also key. Our role at Strutt & Parker can often involve acting almost as a mediator or interpreter between two farmers, or the supplier and customer.

Whatever their position, farmers and landowners should ask themselves if they can reduce costs and improve efficiency through collaboration – and whether existing partnerships can be strengthened. It may have only marginal benefits and shave just 2-3% off costs – but those savings can add up to a significant impact on the bottom line. ■

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S E E I N G
T H E W O O D
F O R T H E
T R E E S

Once-neglected woodland is now being managed to enhance its value as an amenity, wildlife habitat and resource – and landowners are reaping the rewards, writes Steve McCarthy of John Clegg & Co, the forestry division of Strutt & Parker

ILLUSTRATION OWEN GILDERSLEEVE

The recent history of woodlands in the UK has largely been a tale of neglect. Dwindling grant support, falling timber prices and an arguably out-of-control deer population had led to undermanaged woodland across the country. However, the tide appears to be turning, with a new generation of landowners focusing on forestry in a bid to enhance their estates.

Many estate owners recognise that well-run woodlands can deliver great rewards – bolstered more recently by a flourishing market for biomass, which is explored in more detail in the latest UK Forest Market Report.

Demand has pushed up firewood prices and higher-quality timber has seen a corresponding price uplift. Now that a more reasonable return is possible, previously neglected woodland is beginning to be managed more actively in order to meet demand. Some owners are even constructing facilities such as loading hubs on site in order to maximise these opportunities.

Better shoots

However, it isn't just timber that is leading the charge. Estate owners, in particular those who run shoots on their land, are realising that improving the condition of their woodland can enhance biodiversity and the quality of shooting they can offer.

Investment in infrastructure such as roads can improve access, while constructing duck ponds on estates with no natural water creates a habitat for a variety of wildlife, which in turn boosts bird numbers. Some estate owners have erected buildings for machinery and tool storage, shooting lodges and even saw-milling facilities.

However, an investment doesn't need to be huge to yield significant results. If woodland has been unmanaged for 30 or 40 years, easy gains can be achieved by carrying out basic maintenance, such as thinning and selective fellings. Open space creates holes within the canopy, allowing in more light. This encourages vegetation growth, which in turn attracts insects and ultimately more birds. Creating wider rides enhances internal vistas, improves access and increases the opportunities for shooting to control deer.

The downside is that, although felling and thinning is the cheapest option, these areas have to be managed more actively and regularly in order to prevent them simply growing back. More expensive investments in infrastructure can add substantial value, but require more careful planning, greater capital, and possibly planning permission. This is particularly true where large facilities for storage are being created, or the footprint of an existing building is being enlarged.

An active approach

One particular estate in Hampshire provides a perfect example of previously neglected woodland being brought back to life. A new owner who is passionate about shooting set out to establish one of the best shoots in the country within seven years. Adding value to the woodland and maximising its potential was a key part of this.

Roads were created around selected field headlands so that shoot staff and guests could be transported to the right drives without creating disruption. Other major investments included renovating farm buildings and building a shooting lodge.

On the operational front, we helped the owner to better manage the internal ride structure of the woodland. Open space was created along the margins, making the woodland more accessible for management purposes but also enhancing habitats. Wider rides provide effective wildlife corridors, fostering additional opportunities for deer control and encouraging wildflower growth, which in turn increases the number of insects.

All of these developments have had positive effects – but most importantly, they improved the quality of shooting because pheasants love wide, sunny rides for feeding. This varied, active approach

“AN INVESTMENT DOESN'T NEED TO BE HUGE TO YIELD SIGNIFICANT RESULTS”

”

encapsulates the ethos of this new type of estate owner, who is driven by a love for both shooting and woodlands.

The irony is that the most valuable asset in woodland is often open space: blanket forestry is not good for wildlife and is unattractive for those walking through it. In many cases, however, simple thinning and felling will increase light and air – and once this begins, it will provide clear benefits for conservation, the woodland and, ultimately, the owner. ■

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READ THE LATEST UK FOREST MARKET REPORT AT JOHNLEGG.CO.UK



CHANGING LANDSCAPE

The rural sector is facing an era of upheaval as Brexit looms. Could a radical rethink of how estates are run be the key to navigating this disruption and securing a prosperous future? Strutt & Parker's **Nicholas Watson, Ross Houlden and Jason Beedell** think so

**“
WHAT OTHER TYPE OF
BUSINESS HAS THE SAME
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SO MUCH TO THE NATION?
”**

As policymakers continue to debate the shape of UK life outside the European Union, for the country's rural estates there is one certainty: change is on its way. Brexit may promise the largest shake-up of domestic farm policy in a generation, but, for landowners, the need to react and adapt will not end there.

In recent years, the country has seen rapid changes in communications, land use and the ways we shop, live and work. All these factors combined have profound implications for the future of rural estates.

What society demands of land and the rural environment has changed significantly over the past couple of decades. Today, rural businesses are expected to contribute to wildlife diversity, help reduce climate change by storing more carbon, reduce flood risk for town and country dwellers, improve air quality, encourage tourism and recreation, and allow open access. The government has already responded to public concerns and said that post-Brexit farm subsidies

will prioritise natural capital at least as much as food production.

Expectations of the countryside as a place to live and work are changing, too. Rural tenants – both residential and commercial – demand ever better properties with fast and reliable broadband and mobile connectivity.

Unlocking potential

Given the shifting political and social landscape, landowners must cast a critical eye over their rural businesses' contribution to their community and to the nation, asking themselves whether they offer what the market wants, and whether they need to change the way they operate.

First, consider the role of the rural estate in modern Britain. What other type of business has the same potential to contribute so much to the nation – financially, socially and environmentally?

Landowners have the unique ability to transform how their local communities live, work and feel. They think and plan

long term. They are responsible for providing housing and workspaces, often in locations ignored by the public sector. They look after the 'social machinery' that creates communities, such as village halls, shops and pubs. And they manage the local environment's wildlife, diversity, landscapes and heritage.

The challenge for estates is to realise their potential in this changing world. Could more ambitious estate planning, measurement and monitoring help transform economic, social and environmental performance? And could this help to finally shake off any public misconceptions that estates are wealthy and elitist?

Traditionally, an estate has been viewed as a group of different enterprises – agriculture, residential and commercial property, forestry and other diversified operations. Principals would think about how the income and costs of these different enterprises might change over the next five to 10 years, and see how this fitted in with ➔



**“LAND OWNERS WHO PROVIDE
GOOD-QUALITY PLACES TO LIVE,
WORK AND PLAY WILL THRIVE
IN THIS CLIMATE OF CHANGE”**

their overarching strategy. Estates might consider ‘rebalancing’ the sources of income (often becoming more reliant on commercial property or trading enterprises). They would probably measure success against straightforward criteria, such as rent increases, voids and arrears, or overdue lease expiries.

This way of working only scratches the surface of what an estate is all about. For example, a succession of short-term lettings of land may maximise rental income, but at what cost to the soil structure, fertility and infrastructure of the land?

By widening their approach to think in detail about what the local community and area need to thrive, estates can create more opportunities, more coherence and a broader base for success and fulfilment. At its simplest, landowners who provide

enough good-quality places to live, work and play – for all sectors of society – will thrive in this climate of change.

To achieve this, understanding local demographics is key. Who lives and works on and around the estate? What are their experiences? By knowing the answers to such questions, landowners can better identify the current and future needs for housing and business premises that the estate can satisfy – for its own benefit and that of the local community. Being armed with this information also makes it easier for local authorities to agree to any estate development proposals.

Nation building

A deeper understanding of the estate economy is of paramount importance, too – and attaining this demands a smarter,

fundamentally different approach. Instead of looking at the individual elements that make up an estate, landowners should equate its economy to that of a small nation.

For example, understanding the value of all the outputs across let and in-hand operations, and of everything that is consumed on the estate, will establish its gross domestic product. The analogy could be extended by thinking about what the estate produces and where it is consumed. There may be scope to sell more, or produce different goods, to meet local demand and improve the balance of payments.

Many countries are thinking deeply about the economic, social and environmental cost of growth and how it affects the long-term balance sheet. This is one of the underlying reasons for the current interest in natural capital, and the worry that it is being eroded in ways that are unsustainable and damaging to future economic growth. Similarly, estates need to aim for long-term sustainability without eroding their economic, social or environmental balance sheets – which is not easy, given that improving productivity remains a challenge, particularly in the rural economy.

A key consideration for estates is the balance of payments – the value of its imports and exports. How much is spent by an estate’s residents and businesses,



and how much of this leaves its confines to pay for 'imported' goods and services? Could the estate retain this money by meeting this demand itself?

Spotting opportunities

Many estates now supply essential services such as energy or broadband – with the potential to do a great deal more. Take, for example, the working, shopping and living patterns of millennials. They are environmentally conscious; they may want to work from home or a workspace rather than commute to an office; they shop online or locally; and they enjoy their leisure time and spend their disposable income on experiences rather than consumer goods.

For this cohort, there may be an unmet demand for locally produced food; business space or serviced offices; secure drop-off points for items purchased online; leisure and recreational facilities – whether formal or informal; or even electric car charging points. Such services could attract and retain residents, help to stem the migration of the younger generation from rural areas, and foster a sense of community by re-establishing local shops and amenities.

In addition, most businesses on an estate will buy the services they need individually rather than collectively. To make use of possible economies of scale, estates could

move from thinking about 'service charges' to 'charges for services' for commercial tenants. There may be scope to offer shared IT support, telephone and receptionist services, group buying for electricity or stationery, or even courier, car valeting or catering services.

Providing these shared 'public services' would reduce costs for businesses, and help them to forge stronger relationships and maximise potential through mutual trade and collaboration. In turn, this could help an estate to grow its 'tax' revenue from its citizens. Businesses based in a thriving, desirable location are more willing and able to pay higher rents, are more likely to stay, and will attract others to live and work there.

Attracting talent

Of course, none of this is possible without having the brightest and best people to deliver it. Having a skilled team across all aspects of the estate – from let property to the estate office, in-hand businesses and contractors you employ – is hugely important. Landowners need to understand the intellectual capital at their disposal to unlock its potential for wealth creation.

Strong leadership and a sense of purpose are essential, too. A landowner with an ambitious vision and an ability to articulate

it will attract and retain equally driven, talented people, making them feel proud to be part of something bigger, more fulfilled and more loyal as a result.

Although an estate may have its own identity, how clearly are its brand and values understood? How do they affect the way it interacts with the people who live and work there? What is its purpose – economically, socially and environmentally?

The answers to all of these questions should determine how an estate acts, what decisions it makes and how it executes its strategy, both on a daily basis and in the long term. A holistic approach will help it thrive, attract public support and defend itself against fiscal change.

Britain's rural estates may have a rich and varied history, but radical thinking is needed if they are to navigate the tumultuous years ahead and secure their future as relevant and modern businesses. ■

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ON
THE
MONEY

Rural businesses often find that applying for grant funding can be a bureaucratic minefield. Here, we look at three projects in which Strutt & Parker has helped its clients to obtain vital finance

THE FIFE FARMER WITH CHEESE DREAMS

Since investing money from an inheritance in a buffalo herd as a novice farmer in 2004, Steve Mitchell (*pictured*) has established the Buffalo Farm, his own butchery and meat wholesale business near Kirkcaldy. Today, his herd numbers 130 breeding cows, he employs 24 staff and his produce is sold UK-wide, even featuring on primetime TV programmes.

Despite this success, Mitchell had always planned to add a milking herd to produce premium buffalo mozzarella. The market is potentially lucrative and, from a British supply point, largely untapped as most product is imported from Italy.

Mitchell reckoned the venture needed a seven-figure sum to fund a new herd of milking buffalo, along with buildings and equipment to make the cheese. But there was a problem: he had already borrowed a significant sum to buy property, making it more difficult to get the loans he needed. That is where Stephen Whiteford, Farming Consultant in Strutt & Parker's Perth office, came in.

'I made contact early last autumn to discuss Steve's plans,' Whiteford explains, 'and identified the Food Processing, Marketing & Co-operation Grant Scheme [under the Scottish Rural Development Programme] as a means of providing the funding needed.'

Whiteford quickly drew up plans and submitted an application in November for 40% of the overall project cost. He is now looking at further funding to help pay for a visitor centre.

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THE BUCKINGHAMSHIRE B&B WITH EXPANSION PLANS

The Gurney family has run a thriving bed-and-breakfast and self-catering enterprise at Weatherhead Farm in Buckinghamshire since 1997. The accommodation works well alongside the traditional farm, and its location close to Milton Keynes, the Silverstone motor-racing circuit and several National Trust properties makes it ideal for businesspeople, racegoers and tourists.

In 2011, a successful application for a LEADER grant gave the business fresh impetus. That growth has continued, prompting owners Edward and Caroline Gurney to invest in converting a cattle barn into four studio apartments and a meeting room to offer conference facilities.

The Gurneys called in Christopher Hawkins, Farming & Land Management Associate in Strutt & Parker's Oxford office, to work on the project alongside their son and Hawkins' colleague Tom Gurney, an Assistant Land Agent.

'Tom and I worked on a Rural Development Programme for England application for a Business Development Grant,' explains Hawkins. 'Our knowledge meant we could skilfully word the expression of interest and application form to present the best argument possible for the funding.'

The pair produced a detailed tender specification for local building contractors to quote to. This ensured an itemised and like-for-like costing, and demonstrated to the Rural Payments Agency that all factors had been competitively tendered for, so providing the best return for public investment. The result was a grant for roughly 35% of the total project value, and the works are now under way.

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THE CHICKEN-AND-EGG SITUATION IN YORKSHIRE

When a Yorkshire-based egg farm decided to expand, it called on Strutt & Parker to help it apply for grant funding. The farm, which produces free-range eggs, was already looking at doubling its 32,000-bird capacity.

As part of this expansion, it wanted the ability to process eggs through a newly built and equipped packing centre, where the eggs would be automatically printed and packed into trays before making their way around a conveyor to an automated robot that would stack them onto pallets, ready for collection.

However, the farm needed to raise a significant sum to finance the equipment. So Ryan Lindley, Farming Consultant in Strutt & Parker's Northallerton office, helped it to apply for a grant through the Yorkshire Dales LEADER Programme, which was offering to provide funding to local agricultural businesses to increase productivity and support diversification.

'It was a two-part process,' says Lindley. 'First, we sat down with the owners of the farm to understand their motivations and plans. We then put together an expression of interest, which laid out the project and some forecast figures. Three different quotations were required for the equipment and we finally reached a set-up costing £122,476.'

'We then submitted a full application, in which we had to forecast five years of costs, and summarise what we saw as the outcomes of the project, such as creating jobs and introducing new techniques.'

'It was a successful exercise: the application was for a 40% grant and the final sum awarded was £48,920, which meant that our clients were able to put their expansion plans into motion, and purchase and install the new equipment.'

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HOW THE LAND LIES

ANALYSIS, STATISTICS AND RESEARCH FROM STRUTT & PARKER

Farmland

Farmland deals being agreed off-market – out of the public eye – are becoming increasingly common. Private sales range from what is effectively a normal sale minus advertising online or in print, to a transaction in which literally only the buyer and seller are aware. In every case, if you are a buyer of land, you risk missing opportunities unless you make contact with selling agents.

In 2017, 26% of the farms and estates we transacted were off-market sales. In addition, we acted for purchasers to acquire 17 properties off-market – equating to nearly 10,000 acres – none of which were openly advertised. (These purchases are not shown in the chart on the right.)

There are two main reasons for this. The first is concern over the future of the market, with some landowners nervous about land values. They would like to sell, but at the right price – and realise that if a property is perceived to be overpriced, it will sit on the market and go stale, putting them on the back foot during negotiations.

Therefore, an alternative is to test the market privately without exposing the farm. If a private buyer can be found, great – but if not, the owner has kept their powder dry for an open-market launch when market conditions improve.

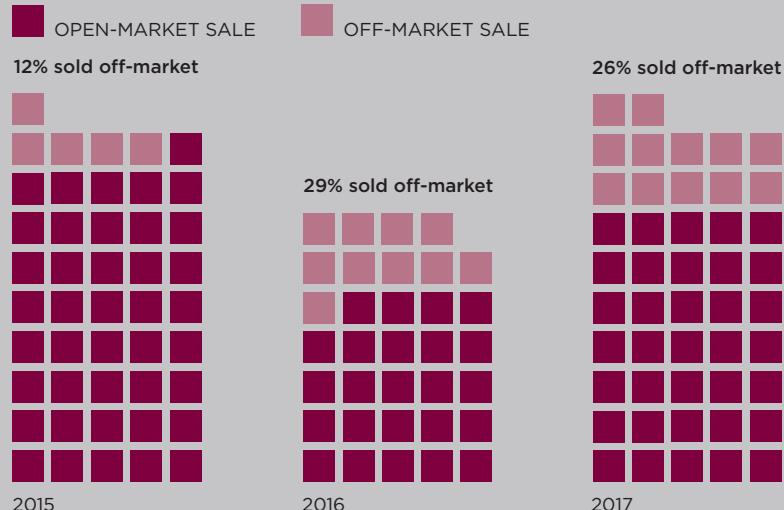
The second reason is the fact that there are fewer active buyers in the current market, and very few buyers are not already known by selling agents. So good agents will identify the likely purchasers of a property before it goes to market, and will know who the most interested parties will be, whether local or from further afield.

Openly advertising farms and estates for sale is set to continue to be the norm, as sellers can never be absolutely sure if they have achieved the best possible price – something that is vital for owners such as trustees or institutions – unless they publicise their property. After all, you can only sell it once.

But for an increasing number of private individuals, a discreet sale without the wider world being aware is preferable to splashing photographs of their property across the internet, so expect this trend to grow.

Charlie Evans, Estates & Farm Agency

Farms sold by Strutt & Parker (England only)



Acres sold by Strutt & Parker (England only)



Source: Strutt & Parker Farmland Database

Farming

Most farm business are seeing a higher income in 2017-18 than in the previous year, according to Defra's latest forecasts.

Projected incomes for the 2017 harvest show gains for most sectors compared with 2016 (see graph). This is due primarily to the reduction in the value of sterling following the Brexit vote, which boosted commodity prices and the level of Basic Payments.

The dairy sector shows the biggest gains, driven by a 27% price rise and a 5% increase in volume produced. This more than offset the increase in costs, which included greater feed costs due to cereal prices.

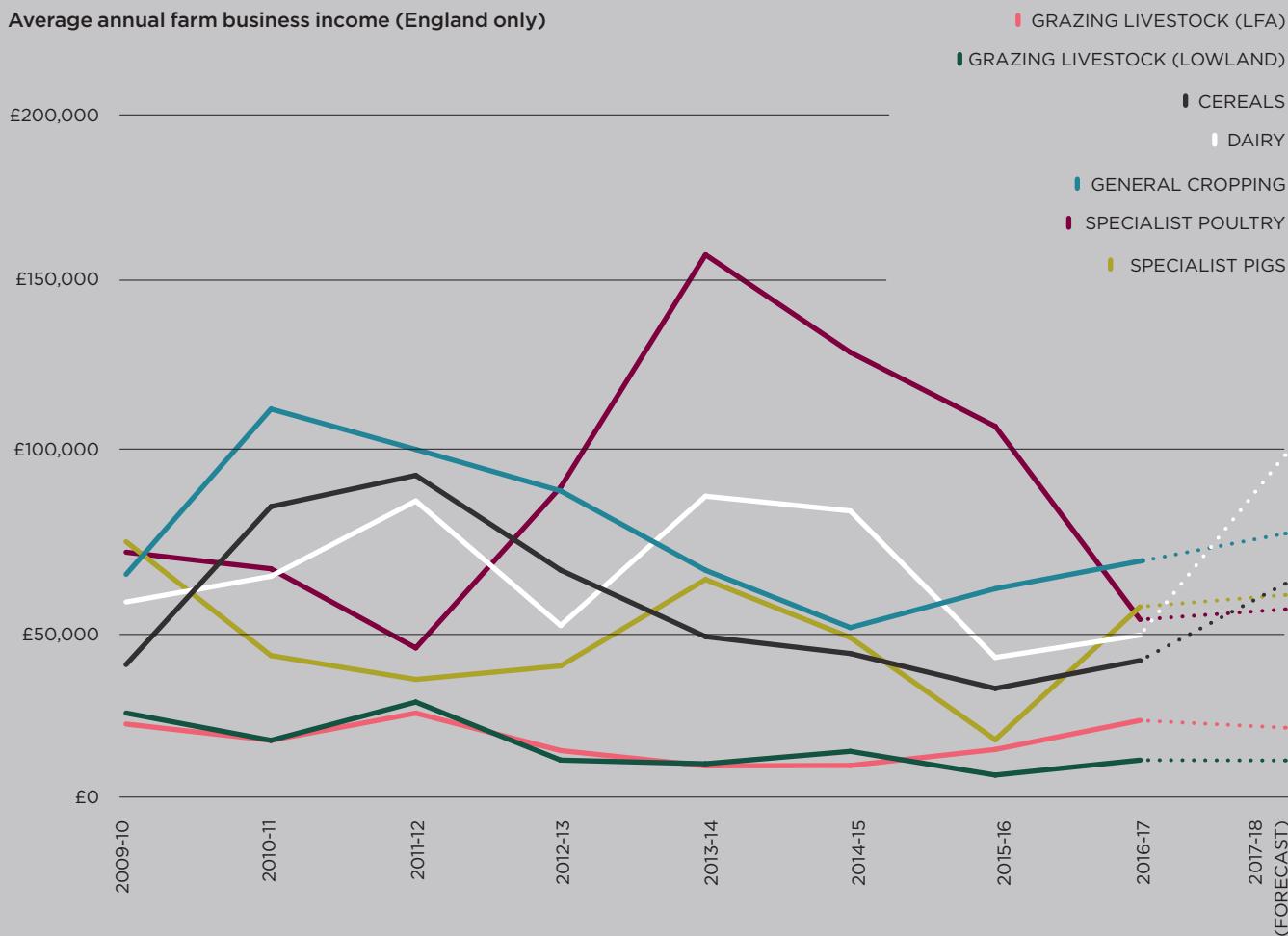
For cereal farms, yields were also better than in 2016-17, and the

increase in output was only partially offset by higher input costs. But for general cropping farms, the improvement in profit was less, due to disappointing results from sugar beet and potatoes.

Meanwhile, livestock farms saw small increases in output prices, but these were largely absorbed by higher costs.

These improved figures contribute to a first estimate of the total income from farming of £5.3 billion, which is up 45% on the previous year. This is welcome news for an industry struggling to cope with tight margins and extensive regulation, but is nevertheless still well behind the last peak of £7.6 billion in 1995.

George Chichester, Farming



Source: Defra

How the land lies

Residential property

In recent years, renters have become more discerning about the type of property they choose to live in, forcing landlords to view them as consumers rather than tenants. So to remain competitive in the market and achieve higher rent levels, landlords must ensure that their properties appeal to the desires of renters.

Take, for example, connectivity: rental homes must have fast, reliable broadband to be compatible with modern living. As remote working becomes more prevalent, homes become a hybrid of living space and working space - so, in order to appeal to the best tenants, properties must be well connected.

Tenants are also looking for open-plan, flexible living space; internal and external storage for items such as bikes; and a comprehensive management service that deals with repairs efficiently and to a high standard.

There is a long-term trend towards people renting rather than buying property. With increasing house prices and the difficulty of getting on the property ladder, renting often offers tenants the chance to live in a property that they can't afford to buy. This is especially true on rural estates, where properties can be unique and the setting picturesque and historic.

Jason Beedell, Research

Annual change in private rents by local authority, England and Wales, 2016-17

- MORE THAN -10%
 - -10% TO -5%
 - -5% TO 0%
 - 0% TO 5%
 - 5% TO 10%
 - 10% TO 15%
 - MORE THAN 15%
- AVERAGE 1.69%

Central
Rents broadly stable across the Midlands and Wales - increasing in some places, such as south Lincolnshire

North
Rents increased across the far north but were weaker and fell in a band across County Durham and North Yorkshire

South
Much patchier - with falling rents in areas across southern England, including Hampshire, Dorset, Gloucestershire and into Devon. Strong increases in Sussex

Source: Dataloft rental analysis.
Data is based on achieved rents supplied by Rent4Sure

Energy

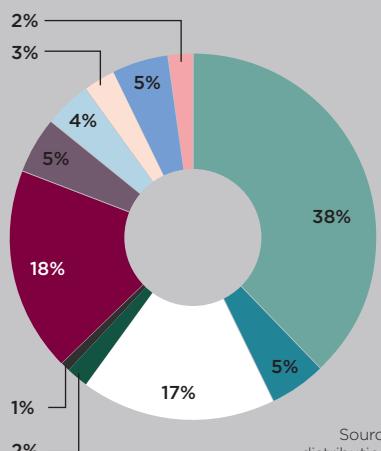
While commercial electricity bills are increasing, the wholesale cost of electricity is not.

Commercial bills have traditionally comprised the wholesale price plus standing charges. But over recent years, the non-energy charges have become greater than the actual cost of power, making up about 60% of the total bill.

The government's policy-driven charges under the Levy Framework Agreement, combined with increasing transmission charges, have changed the landscape. Further charges have been announced to combat high demand, effectively punishing customers for using power and for using more than their agreed capacity. So it's vital that businesses understand when and where they consume power, and take measures to avoid unnecessary charges.

Kieran Crowe, Energy

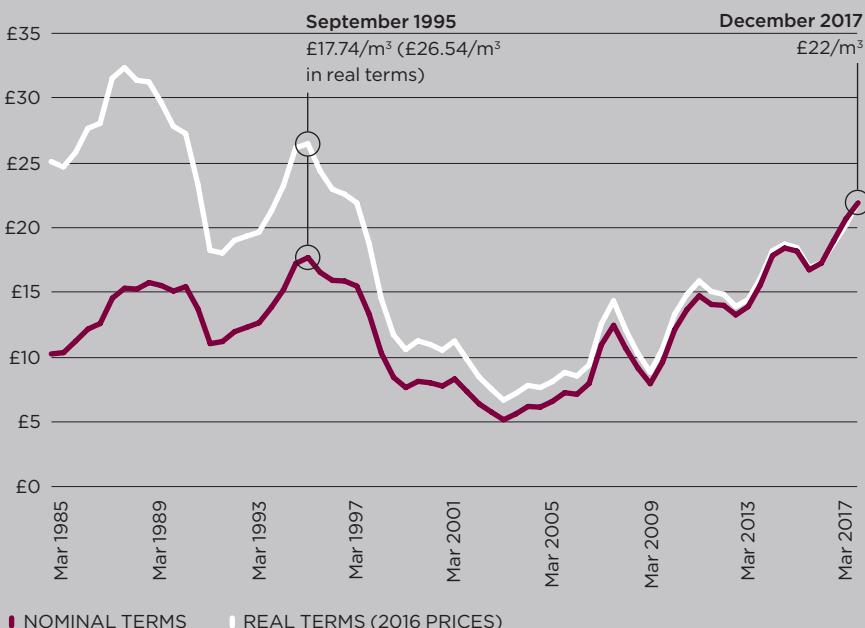
Breakdown of a typical commercial electricity bill, 2018-19



- AVERAGE WHOLESALE COST
- TRANSMISSION NETWORK USE OF SYSTEM
- DISTRIBUTION USE OF SYSTEM
- DISTRIBUTION LOSSES
- TRANSMISSION LOSSES
- RENEWABLES OBLIGATION
- FEED-IN TARRIFTS
- CONTRACTS FOR DIFFERENCE
- CAPACITY MARKET
- CLIMATE CHANGE LEVY
- BALANCING SERVICES USE OF SYSTEM

Source: Haven Power. Assistance for areas of high electricity distribution costs and Elexon costs (both less than 1%) not shown

Average coniferous standing sales prices per cubic metre, 1985-2017



Source: Forestry Commission

Forestry

Timber price inflation is the topic on most forestry owners' lips. Southern Scotland and the north of England have seen the market strengthen considerably and, as the preferred areas for commercial forestry investment, have witnessed standing sales of £50-£64 per tonne recently. This is a substantial uplift on this time last year, when prices for timber of the same quality may have achieved about £35 per tonne.

However, the prices being paid today are very similar to what was being achieved in the mid-1990s. Taking inflation into account, the commodity is still considerably lower value in real terms than that of 20 years ago. This is giving purchasers the confidence to buy timber investment properties, and although there is regional variation, the trend is that there is insufficient supply to meet the current demand.

Jon Lambert, John Clegg & Co

Q&A

Minette Batters was elected as the first female President of the NFU in February, after four years as its Deputy President. She runs a mixed tenanted farming business in Wiltshire

INTERVIEW DAVE FLANAGAN ILLUSTRATION PETER JAMES FIELD



**“
BREXIT
MUST
NOT BE
INWARD-
LOOKING
FOR
FARMING
”**

What are your priorities as NFU President?

At the core of future policy has to be an ambition to really prioritise food production, as well as the environment. We feel that self-sufficiency has been taken for granted for far too long. We want British food to be the envy of the world. We want to maintain our high standards of food safety, animal welfare and environmental protection. We're also ambitious for the future on global markets – prioritising access to the EU market – and our market at home.

The public perception is that direct payments are paid to wealthy landowners or farmers for doing little in return. Has the NFU been poor at representing the farmers' case to society?
I don't think that assessment bears any resemblance to how the public actually sees the support structure. I've been on many platforms and the overwhelming answer has always been that farming should continue to be supported in order to keep food affordable. The vast proportion of direct support – 75% – is going to farmers who earn £25,000 or less. To put that into context, your average dairy farm picks up £20,000 in direct support a year, but costs £40,000 a month to run. I think we've made the case in a very honest way about where those monies go.

How do you see UK agriculture surviving as direct payments are withdrawn in favour of environmental payments?

We need volatility measures to cope with the risk in the market, and productivity measures that achieve smarter farming outcomes. Both measures are paramount to achieving the third cornerstone of environmental delivery. It's not just about looking at public goods – it's about saying food is a public right for every one of us.

In what way should farmers be rewarded for contributing to the delivery of public goods?

It's very difficult to break natural capital down into individual farm payments, so I do think that is a challenge. We're focused on putting

solutions in place for every sector, for where we want this industry to be – not just in the next five years, but also in 10 or 20 years. The ambition needs to be built on the back of commercial food production. Profitable farming businesses are the only way we will be able to deliver for the environment.

How does greater investment in agricultural research fit with increasing regulation of inputs, such as the ban on neonicitinoids?
It's all about working with the science and the evidence, and pioneering new research that doesn't take us backwards. We must continue to step forward with food production and not allow emotion and ideology to drive us backwards. Brexit must not be inward-looking for food and farming. We want to maintain our place on the international stage and keep being pioneers of new, innovative methods that achieve a better outcome and impact less on food production.

Brexit will eventually bring trade deals that will reshape the UK countryside. What can farmers do to prepare in the meantime?

We see a lot of opportunities across the world, but the priority for us is making sure that our standards are adhered to in all trade negotiations. We do not want to open the floodgates to cheaper food, produced to lower standards than those that British farmers are bound by.

Women now make up 28% of the agricultural workforce, and this proportion is growing. What is the outlook for women in farming?

Men and women have been equally involved in farming businesses for millennia. It's nothing new. Every agricultural college I speak to is seeing a rising number of women coming through. There are a lot of women and younger people who now view food production and agriculture as a great career opportunity. We are seeing seismic change in the people who are coming into the industry and the jobs that are available. ■

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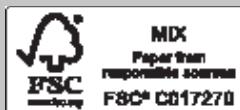
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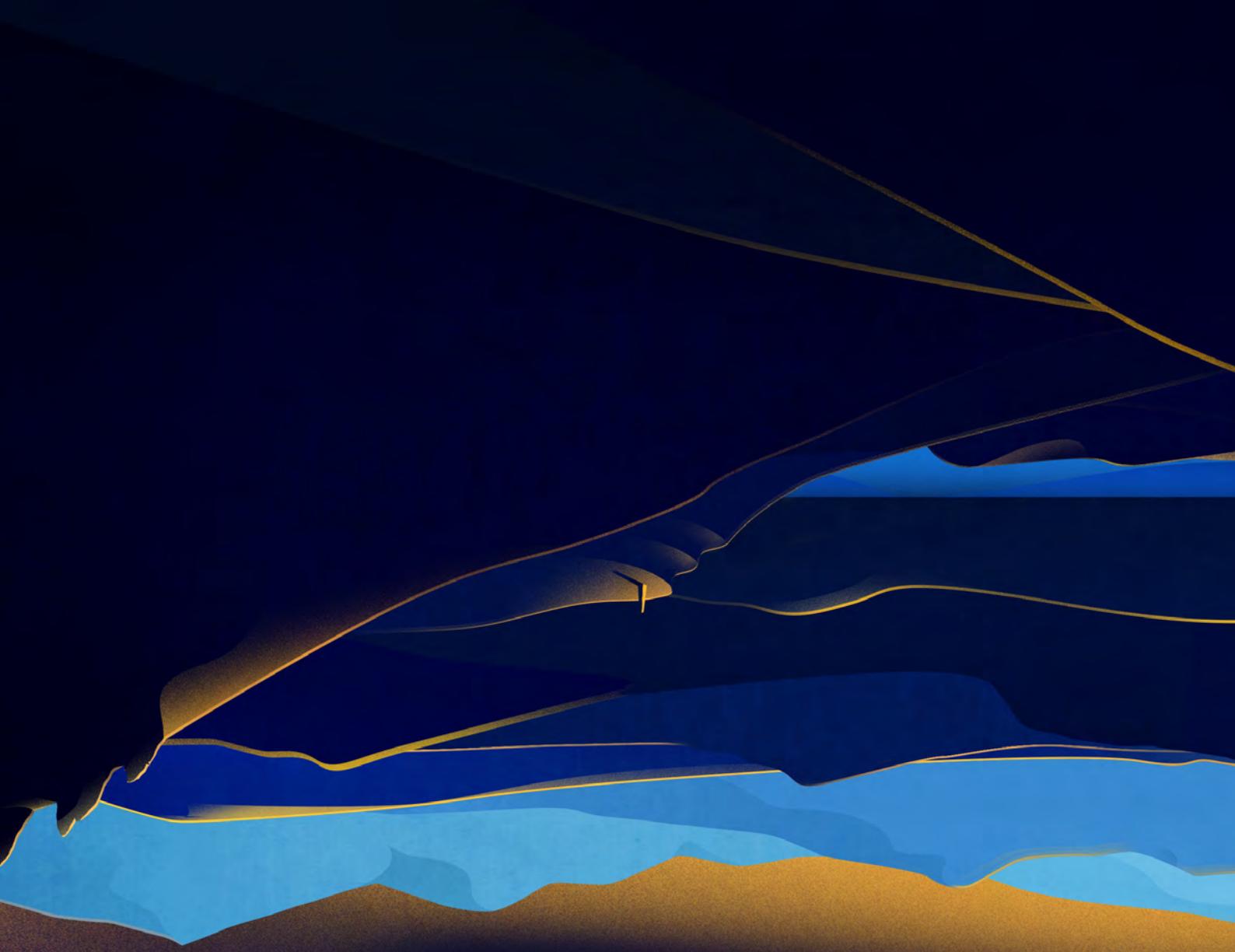


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