

2017

AUTUMN/WINTER

Taste of success: creating
an award-winning gin in the
wilds of Northumberland

The green pound: why
natural capital is set to
transform farm subsidies

Building the future: will
new planning proposals solve
the crisis in rural housing?

Land Business

FARMING ESTATE MANAGEMENT SALES



C O S T I N G T H E E A R T H

Intensive farming is eroding soil health and threatening future harvests. Is it too late to save our most valuable natural resource?

STRUTT
& PARKER



PAGE 10

The big picture

Juniper on the Hepple Estate in Northumberland. A walk across his family estate inspired owner Walter Riddell to harvest the wild ingredients around him and, with the help of his friend, chef Valentine Warner, create an artisan gin that captures the pure flavours of the unspoilt countryside.

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Welcome

Soil health is becoming a key issue for food producers. Research from Sheffield University, which suggested there could be fewer than 100 harvests left in UK fields, has fuelled concerns that the drive for efficiency is depleting farming's most essential resource. But are these gloomy predictions accurate? In this issue, we take an expert look at the state of our soils and reveal that there are proven, practical ways to return land to robust and resilient health. You can discover the latest thinking on page 24.

The value of wild crops can often be overlooked, but when Walter Riddell started considering ways to diversify the Hepple Estate, located in the beautiful Northumberland National Park, he realised that almost all of the ingredients for a premium product were growing naturally on his land. Working closely with chef Valentine Warner, he set up a distillery and now Hepple Gin is served in Europe's smartest bars. Read his fascinating story on page 10.

Harvesting wild ingredients is just one of the benefits provided by the countryside and the people who work in it. Ranging from biodiversity to flood prevention, these are collectively known as natural capital and might well form the basis of subsidies post-Brexit. We investigate its role in the future rural economy on page 22.

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 CONSULTANCY

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IN THE FIELD

NEWS & VIEWS FROM STRUTT & PARKER

Questions remain over energy efficiency rules for rental sector

The heady early days of the coalition government, which aimed to be the greenest ever, saw the introduction of the Energy Act 2011. This included the concept of Minimum Energy Performance Standards for let property.

Now renamed Minimum Energy Efficiency Standards (MEES), they are due to be enforced in April 2018. Under MEES, landlords will be unable to let a property if its Energy Performance Certificate (EPC) is an F or G grade. This applies to all residential and commercial property where a new letting is being conducted or a lease is being renewed. From April 2020, the existing tenancies of residential properties will be covered by the regulations, extending to all non-domestic, commercial properties from April 2023.

However, only properties that require an EPC will be subject to MEES. In situations where an EPC has not been required, the MEES will not apply. So landlords should not rush out and get an EPC completed for every building. Instead, it is possible to have an EPC produced in draft to give an indication of the potential implications for a property without having to register it.

Although the government published more details on the rules that will apply to commercial buildings in 2016, it has not issued additional guidance for residential property. As a result, there are outstanding questions that have not been answered.

Perhaps the most significant of these concerns funding. The initial intention of the regulations was that landlords would not have to pay for the improvement works. Instead, the tenants could carry

them out and access funding under the Green Deal. But this scheme was abolished in 2015 and it is unclear where any replacement funding will come from.

Even with current political uncertainty and the withdrawal of the UK from the European Union, the government is committed to reducing the energy requirements of buildings, so we expect that the broad aims of these regulations will remain.

However, there are now calls from the rural sector for the implementation of MEES to be postponed. Unless the government publishes more detail in the coming months, we believe that this would be a sensible way forward to avoid any further confusion.

Kieran Crowe, Energy

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Photography: iStock



New opportunities for landowners

Alternative markets – which encompass a range of asset classes, including healthcare, retirement, hotels, student accommodation and build to rent – are attracting significant investment. With more than £14 billion of activity, it has been the second-largest investment sector for the past two years and is expected to grow significantly in the future.

Developers and operators who work in these asset classes are constantly seeking opportunities to deliver new projects, and rural landowners are well placed to capitalise on this expanding demand. While not all alternative uses are suitable for rural locations, operations such as care homes, retirement villages and hotels are ideal for countryside locations. This creates an additional opportunity for rural landowners who may want to sell or lease some of their land.

Landowners who are interested in diversification will find an array of partners who are willing to work with them. Most alternative uses, especially retirement living and care homes, are seeing a sharp increase in demand driven by demographic changes. The UK has an ageing population and insufficient accommodation to meet the needs of the over-65s. Developers are now responding by producing bespoke housing solutions and are increasingly looking for sites in rural locations.

You can also find the latest insights into the growing retirement sector and download our expert report at struttandparker.com/platinum-generation.

Richard Harris, Head of Alternative Capital Markets

Sweet relief on property renovation

Bringing empty properties back into use can be expensive, especially when extensive renovations are required.

However, many property owners are still unaware of a government scheme that introduced a reduced rate of VAT payable on renovation and alteration work carried out on residential properties that have been empty for two years or more.

Although non-building materials – such as carpets or furniture – are excluded, a reduced VAT rate of 5% applies for any repairs or improvements that are carried out to the fabric of the dwelling, including redecoration, installing double glazing or the construction of an extension. It can also apply to the renovation or construction of a garage that is part of the dwelling.

There is a four-year period to adjust the VAT, so there are opportunities for owners to claim back overpayment for historic works.

The sums involved can be considerable. Strutt & Parker has recently claimed back £52,000 in VAT for a client who carried out renovation work on three properties but was unaware of the reliefs that were available.

Lauren Gibson-Green,
Land Management



Gove's statement of intent

Michael Gove made his first major speech since becoming Secretary of State for Food, Environment and Rural Affairs at the World Wildlife Fund's Living Planet Centre in July.

In the speech, Gove argued that Brexit is an opportunity for the country to reassess its approach to the environment and farming, describing it as an 'unfrozen moment' in which new possibilities occur.

He went on to make it clear that he considers himself an environmentalist and that the government remains committed to reversing the decline in the natural environment. He said he will not weaken environmental protection and instead wants the UK to be a world leader in environmental standards and innovation. This means going beyond current EU standards in some areas and basing policy on rigorous scientific analysis.

Gove also gave several indications of his thinking on farming. He committed to 'generously supporting farmers for many more years to come', but only if the environmental benefits of that spending are clear. There was mention

of support for landowners and managers who produce healthy food and encourage biodiversity by cultivating and protecting a range of habitats, as well as for woodland creation and for higher standards of animal welfare.

This approach feels like a significant change from previous government policy, but we will know whether the rhetoric translates into action when the 25 Year Environment Plan is published, which looks likely to be in 2018.

There are two other publications to look out for: advice on what the plan should aim to achieve, and how those goals can be reached, by the Natural Capital Committee, which is due to be published in September; and the Clean Growth Plan, which will be published by the Department for Business, Energy and Industrial Strategy in autumn 2017.

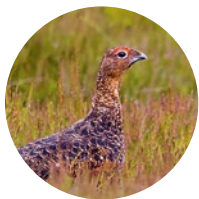
Gove will have the opportunity to speak more on these issues when he delivers the keynote speech at the CLA Rural Business Conference on 28 November. Find out more at struttandparker.com/events.

Will Gemmill, Head of Farming

News in brief

22,517

The number of EU migrant workers employed in the agricultural sector in 2015, according to the Office for National Statistics. This amounts to about 20% of regular workers in the sector.



Ahead of the game

The results of the 2017 Game Shooting Census have been published. The census, by GunsOnPegs and Strutt & Parker, is the only survey focusing on driven game shooting where the results are used to understand and support the sector. This year, we had the support of the British Association for Shooting and Conservation, the Countryside Alliance and the Game and Wildlife Conservation Trust in formulating the questions and helping to generate 11,000 responses, resulting in more meaningful data. See the results at struttandparker.com/game-shooting-census.
Rhodri Thomas, Land Management

GO WITH THE FLOW

The deregulation of the water industry means that businesses in England are now free to choose their water retailer, regardless of location. While Ofwat continues to regulate the price of wholesale services, it hopes that deregulation will encourage lower prices, better customer service and innovation in the sector. Visit open-water.org.uk for more details.

Kathryn Brown, Land Management

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”

NFU Vice President Guy Smith on why the government must prioritise tackling rural connectivity

HOUSEBUILDING GUIDE

Many landowners are interested in providing sites for affordable housing or building the properties themselves, but the process is complicated. So Strutt & Parker and Rural Housing Solutions have produced a guide to delivering an affordable housing scheme on a rural exception site. See the guide at struttandparker.com/rural-housing.

Nicholas Watson, Land Management



Under contract

As part of its vision for a post-Brexit agricultural policy, the CLA has proposed a new 'land management contract' to replace the subsidy system. This, it says, would be a transparent and accountable way for public money to be used to deliver value for money for the taxpayer by rewarding farmers for managing land in ways that benefit society. The contract would set out what activities land managers have chosen to undertake, what payment they will receive, and what the public benefits will be.

Richard White, Land Management

POWER TO THE PEOPLE

The government has announced a £246-million investment in the development of battery storage technology in the UK. Battery storage will be a critical part of the electrical infrastructure of the country in the near future. We will see it in electric vehicles (which will be compulsory from 2040), as well as in all scales from small batteries in individual domestic properties through to multi-megawatt installations connected to the National Grid. We expect battery technology to progress at pace and become commonplace within the next five years. Before then, however, there are two key challenges to be overcome: the cost, which is swiftly falling; and the overall lifespan, during which a battery is constantly charged and discharged, and which is also rapidly improving.

Alexander Creed, Head of Energy



Scotland's farming future

Scotland's farming policy is currently devolved but bound by the EU's Common Agricultural Policy. If fears of a 'power grab' by Westminster prove groundless and the Scottish government retains control over rural issues, it will be free to create its own policy after Brexit – but remains obliged to continue subsidies until 2021.

As well as providing payments that directly support farming – known as Pillar 1 payments – the Scottish Rural Development Programme (SRDP) also supports farming, forestry, crofting and rural development projects, often referred to as Pillar 2. The SRDP's objective is to achieve sustainable economic growth in rural areas, and while these EU schemes are in place, there is still funding to develop farming businesses.

However, the picture is likely to change. The Scottish government wants to target future funding towards the environment, which means we have to assume that the level of direct support (currently in the form of the Basic Payment Scheme) will drop.

Other legislation in place now gives some clues to a possible future. The Scottish government is opposed to genetically modified crops and has a policy on pesticide use and legislation on water extraction. It is committed to reducing greenhouse gas emissions by 80% by 2050 and sees farming playing a major role in this objective.

There are contentious targets for tree planting, which are not currently being met. Also controversial are the policies of increasing renewable energy sources – creating friction between local authorities and the government – and the reintroduction of species such as the beaver (read more on page 28) and the sea eagle.

The next Scottish elections are due in May 2021, so the current government will implement the first post-Brexit farming policy. Continued support for Scottish food and drink producers would be welcome, and securing sensible trade deals as we leave the EU will be crucial for the industry.

Mary Munro, Head of Farming, Scotland

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THE SCOTTISH
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TARGET
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TOWARDS THE
ENVIRONMENT

”

CRACKING THE CODE

“ ANY TELECOMS AGREEMENT WILL STILL NEED CAREFUL NEGOTIATION ”



ROBERT PAUL,
LAND MANAGEMENT

The 2003 Telecommunications Code achieved a degree of notoriety. After all, not every law can lay claim to being labelled ‘one of the least coherent and thought-through pieces of legislation on the statute book’ by Lord Justice Lewison.

Despite this reputation, however, there have only been a handful of court cases and the code has overseen the creation of more than 50,000 radio mast sites and hundreds of miles of cables.

Stung by the lord justice’s remarks and complaints from operators that the code was making acquisition costs too high, hindering the rollout of broadband and mobile coverage, the government

introduced a new code as part of the Digital Economy Act 2017, which is likely to come into force later this year. We have seen no evidence of landowners holding operators to ransom, which leads us to suspect that the real reason operators have been reluctant to spend billions of pounds constructing remote sites is that they will ultimately generate little revenue.

The new code is a statutory scheme of rights and obligations that aims to enable operators to enter land against a landholder’s wishes in order to install, erect, maintain and use any form of electronic communications apparatus, together with ancillary equipment for electronic communications. Despite these statutory rights, Ofcom’s draft code of practice makes it clear that landowners and operators should make ‘every effort’ to reach a voluntary agreement.

Myths are circulating about the exact content of the code and what it will mean for landowners. The truth is perhaps different to what many will have us believe. Operators are already keen to claim they will have the freedom to assign the agreement, upgrade the apparatus and share it with another operator with 24/7 access. Many will push for these rights to be written into agreements, insisting that they will be entitled to such rights under the code in any event.

This is not necessarily so. The code only gives the main operator the rights to share or upgrade where there is no more than a minimal visual impact and where it will not cause an ‘additional burden’. An additional burden could be very small indeed. The operators also have to make a formal claim for such rights.

Landowners need to be aware that, irrespective of whatever termination rights have been set out in an agreement, the new code will make it harder for them to recover possession even if an operator is in breach of the terms. The most certain ground for possession will be landowners intending to redevelop the site. Notwithstanding any

provision in an agreement, the new code requires a minimum of 18 months’ notice, and even then with no guarantee of success.

In response to all these potential issues, a landowner may require an increased rent in return for the additional burdens and restrictions. It is worth noting that the way in which valuations are carried out under the code has changed. Now, instead of the figure being determined by what the site is worth to the operators, it will be based on the value to the landowner.

We are convinced that the new code will lead to significantly more disputes. But, if operators want to pursue draconian rights for minimal rents, then not only will their reputations suffer, they might also find it much harder to acquire sites by negotiation in the future.

Landowners should not accept any ‘standard’ agreement that misses out the ‘additional burden’ proviso in respect of the rights to share and upgrade. The only reliable protection for a landowner is to ensure that agreements are fit for purpose and dictate exactly what the parties can and cannot do. Any form of telecoms agreement will still need careful negotiation.

It remains unclear if the code will have the intended effect of improving the digital economy, as there are very real concerns that the number of potential sites available may be significantly reduced. In the meantime, don’t believe everything you are told about the new code. ■

robert.paul@struttandparker.com

A full-page photograph of a wild, green landscape. In the foreground, there are dense green ferns and tall grasses. A small stream flows through the lower right corner, with water cascading over rocks. The middle ground is a rolling green hillside with scattered trees and shrubs. In the background, a larger, more rugged hill rises under a heavy, grey, overcast sky. The overall mood is serene and natural.

KINDRED

SPIRITS

Wild Northumberland is an unlikely setting for one of the world's most stylish gins. But when Hepple Estate owner Walter Riddell decided to diversify, he joined forces with chef Valentine Warner and distilled the spirit of the local countryside

WORDS CHRIS MARSHALL

PHOTOGRAPHY JO HANLEY



From left to right:
owner Walter Riddell,
Strutt & Parker's
Claire Whitfield and
chef Valentine Warner

A young and intoxicating spirit is making a splash in Europe's most stylish cocktail bars. But despite its fashionable following, Hepple Gin is produced in very different surroundings – the wild and beautiful Northumberland National Park.

You'll find the distillery on a traditional family estate that covers 4,000 acres of moorland, rough farmland and woods. It was this windswept environment that inspired estate owner Walter Riddell and his friend and business partner Valentine Warner to create Hepple Gin during a casual stroll across the estate.

It was a walk that Riddell had taken hundreds of times since childhood. He had exchanged his career in the City for a sustainable future on his previously sleepy Northumberland property, and was considering how to put the land to good use.

'I wanted to do pioneering stuff, not harvest subsidies from something like solar,' he says. 'I had started to think about what options there were in a part of the country where there is no economic infrastructure to hook into, while all the time keeping an eye on the environmental regulations within a national park.'

As luck would have it, the walk took him past some gnarled juniper trees, next to a spring and a ruined building, and suddenly all of the elements fell into place.

'I'd always known about the juniper, the herbs and the trees,' explains Riddell. 'We had picnicked on the moor as children and played in the burn, cooking sausages on cast-off dead branches of juniper. I'd strolled past the empty barn where owls have been murdering mice for decades, but suddenly, as we walked, it all clicked and we realised that what we were searching for was right under our noses.'

Creative thinking

It was at this moment that the idea for Hepple Gin was born. As Riddell and Warner developed the project, they realised that five of the spirit's six key botanicals grew on the estate. The juniper was there, of course, but so too was the blackcurrant leaf, Douglas fir, bog myrtle and lovage that give the gin its distinctive taste. Only Amalfi lemon peel needed to be imported to complete the recipe.

The other element that makes Hepple Gin unique is the specialist distilling

process that has been used to create an exceptional depth of flavour. Warner describes it as the 'triple technique'. 'We use a traditional copper pot to give it a smooth, rich heart,' he explains. 'We also use a low-temperature vacuum distillation, which brings freshness, and an ultra-high-pressure extraction process to add resonance and depth.'

The aim was to distil a distinctive artisan gin, but it was a challenge to create a drink that stood apart from the competition.

'Gin should always be about juniper and our triple technique brings out its full spectrum of flavour,' says Warner. 'But the formula didn't come easily. We destroyed enormous quantities of alcohol during the trials, and the new equipment that we'd bought was so complex it had us sobbing by dry stone walls, wondering if we would ever master the contraption.'

Fortunately – thanks to Warner's connections to the food and drink industry, through his career as a chef and cookery writer – they were able to work with master distiller Chris Garden, head distiller at London-based Sipsmith for more than five years; leading barman Nick Strangeway; and Cairbry Hill, who designed the distillery process. Their expertise helped not only with overcoming any technical issues but also in developing a spirit that would appeal to a global market. The proof, as they say, is in the drinking. Three years after Riddell and Warner had the initial idea on their walk around the estate, Hepple Gin won a double gold at the 2017 San Francisco World Spirits Competition.

Everything in place

The concept of Hepple Gin came at an opportune time. Shortly after he had set up the business, Riddell commissioned Strutt & Parker to review the estate. The resulting report warned of the need for change, encouraging the Riddells to consider how they might deal with the impending shake-up in agricultural support and global markets, and pointed out that estates like Hepple couldn't rely

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on the traditional mainstays of farming and forestry. This helped to focus Riddell's mind, convincing him that the distillery was the right way forward.

As well as the challenge of actually producing the gin, the estate had to deal with the impact of the business on its pristine location. Strutt & Parker was able to offer additional support, helping to negotiate with the national park authorities, environmental agencies and the estate's highly valued tenant farmer.

'Hepple is the perfect model of an estate that has grabbed opportunities with both hands,' explains Claire Whitfield, from the Land Management Department at Strutt & Parker's Morpeth office. 'It needed an alternative income stream to help sustain it and we were there in the background, encouraging and supporting them to be creative in dealing with change.'

The land is farmed by an agricultural tenant and it was important this long-standing arrangement was maintained. 'The Riddells have a fantastic working relationship with the tenant,' says Whitfield. 'So it was about making sure absolutely nothing disrupted that and they have struck the balance brilliantly.'

For Riddell, establishing Hepple Gin has enabled him to reinvest in the estate, as well as to secure the future of the historic ➔

Opposite page: Claire Whitfield led the Strutt & Parker team that supported Walter Riddell and Valentine Warner as they established their successful business on the Hepple Estate





Above: Although it was a challenge testing the botanicals and mastering the distillation, Warner and Riddell sold their first bottle of Hepple Gin just 18 months after having the original idea

juniper trees by setting up a propagation programme with the national park and the environmental agencies.

'I don't ever expect to make a huge wage, or sell the business on to a foreign buyer, but it will help the estate and the area around it,' he says. 'We have had enormous local support and we rely heavily on other local businesses as we need to show the place off and do a lot of extra entertaining.'

Telling a story

Riddell is particularly excited by the rare combination of the latest technology in the distillery and the countryside around it.

'Our gin carries a story that people really enjoy,' he explains. 'Taking the wildest plant that we have left in England and combining it with the triple-technique distilling process is proof that there is no longer any reason why you shouldn't find the most cutting-edge technology and innovation in one of the most unspoilt areas of the country. I love contrasts, and the idea that technology and the environment aren't actually at odds with one another is inspiring.'

It took just 18 months from realising the potential hidden in the estate to selling

the first bottles of gin. For the moment, Riddell and Warner are focused on building a reputation rather than pushing sales, but in time they aim to scale up.

'But it will be in partnership with Mother Nature,' insists Riddell. 'We need to nurture the hills and woods and water, and we want to have truth at the heart of the business. We want people to understand why we are different.'

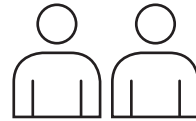
For Whitfield, Hepple is an inspiration to other estates. 'Change is a scary thing for anyone to deal with, but being able to embrace it and look to the future is important if estates like this one are going to thrive,' she says. 'Hepple is already helping to make important connections between the countryside and a modern, fashionable product that everyone loves. That is extremely positive, not only for this estate, but for other rural businesses that are looking to diversify.' ■

FOR MORE ABOUT THE HEPPLE STORY, WATCH OUR VIDEO AT STRUTTANDPARKER.COM/HEPPLE

claire.whitfield@struttandparker.com
hepple-gin.com

CREATING A DISTILLERY

Chris Garden, Hepple's Master Distiller, reveals how to set up a successful distillery



START WITH THE PEOPLE

Put together an enthusiastic team of people who have a clear idea of what they want to produce and a broad understanding of the ingredients required to produce it.



HIRE AN EXPERIENCED DISTILLER

This is a key appointment. You will need someone who has technical expertise as they will be operating complex equipment.



SECURE INVESTMENT

Financing is essential because the licensing process can be lengthy. It took Hepple eight months to acquire a licence, which required the company to have already bought and installed the equipment.



BE PATIENT

It takes time to fine-tune the equipment and test the botanicals. The process is like a row of dominoes – all the individual parts are interdependent.

FORESTRY AND GLOBAL WARMING

“FORESTRY CAN HELP TACKLE THE SYMPTOMS OF CLIMATE CHANGE”



FENNING WELSTEAD,
JOHN CLEGG & CO, THE INDEPENDENT
FORESTRY ARM OF STRUTT & PARKER

The latest paper by the Intergovernmental Panel on Climate Change indicates that human influence over the climate is now undeniable. The past three decades have been progressively warmer than any preceding decade since 1850.

Increasing greenhouse gases (GHGs) such as carbon dioxide, methane and nitrous oxide in the atmosphere are the dominant cause of global warming, and the average combined land and ocean surface temperature rose by 0.85°C between 1880 and 2012. Carbon dioxide concentration has increased from 270ppm since before the Industrial Revolution to over 380ppm today through anthropogenic activity. This

equates to approximately 3,000 gigatons of atmospheric CO₂. Human activity adds a further 26 gigatons annually, largely through the burning of fossil fuels.

Forestry offers a highly practical solution. As trees photosynthesise, they use sunlight to convert atmospheric CO₂ into sugars. The sequestered carbon is stored within the tree and is only returned to the atmosphere when the tree decomposes or is burnt. Carbon can remain locked up for significantly longer if the tree is harvested before death and recycled into wood products.

Current estimates suggest that the total carbon stored within UK forestry is approximately 595 million tonnes of carbon dioxide equivalent (MtCO₂), with over 10 MtCO₂ added annually. Increasing the UK's national woodland cover will create a greater sequestration of CO₂ and help mitigate climate change.

Young trees grow at a significantly higher rate than mature ones. They therefore require more atmospheric CO₂ to produce the sugars necessary for growth. By responsibly harvesting commercial stands of timber when they reach maturity and re-establishing new saplings, we can fight climate change while producing a renewable resource.

This can be amplified by the introduction of continuous cover felling regimes. Trees store carbon within the soils as well as the stem, branches and leaves. Clear felling can destabilise stored carbon in soils and allow it to oxidise and return to the atmosphere as CO₂. A continuous cover management style will keep at least partial tree cover at all times and produce a more stable soil structure and reduce the emission of CO₂.

Forestry can help tackle the symptoms of climate change as well as the cause. The UK Climate Impacts Programme briefing report outlines that there will be a notable increase in precipitation in the winter and decrease during the summer. Woodland cover can reduce the effects of this by decreasing surface run-off, increasing water absorption and decreasing the speed of water flow.

It is expected that a rise in temperature caused by GHGs will increase the number of pests and disease outbreaks, and their severity and range within the UK. The specific response that individual species will make to climatic change is difficult to calculate due to variances in local climate and individual differences in tree resistance. The diversification of species within a woodland does, however, prevent the dominance of any one pest or pathogen.

Woodland management should consider as wide a range of species as possible. Based on site conditions and location, a list of potential species should be drawn together. This might include traditional species but also new choices. For example, hornbeam is an often-ignored native species that grows well and is an ideal wood for energy fuels. Its timber is very hard (also known as ironwood) and is used for making tools and handles. Among the conifer species, the cedars and cypresses may offer sensible options. Alternatives must be considered as some of our own native trees, such as ash, are badly affected by new diseases.

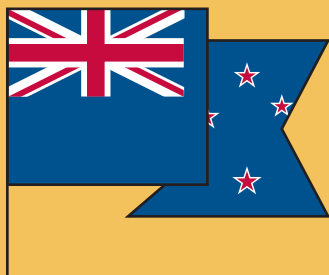
Sitting back is not an answer – we need to take positive action to manage existing woods more actively and create diverse new woodlands. With attention to detail and silvicultural skills, we can make existing woodlands and new plantations play an important role in ameliorating climate change and increasing resilience to future events. ■

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AROUND THE WORLD

As post-Brexit farm subsidies move up the political agenda, we look at how other countries support their agricultural sectors

WORDS JOHANN TASKER



A HISTORY OF ZERO SUBSIDIES STILL AFFECTS FARMING SUPPORT

NEW ZEALAND

Having famously abolished subsidies in the 1980s, New Zealand does now support its farmers, although help is largely limited to expenditure on research and biosecurity. As a result, support levels are among the lowest of all OECD countries. Rather than universal payments to farmers, New Zealand targets specific areas such as promoting animal welfare, agri-innovation and sustainable production practices. Almost all agricultural production and trade is free from economic regulation and most prices are aligned with world market prices. Imports of fresh poultry and eggs are restricted on health grounds, so those markets are protected to a degree.



LOANS AND MINIMUM PRICES HELP PRODUCERS IN SLOW MARKETS

BRAZIL

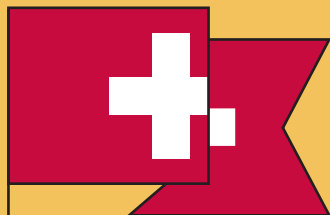
Three measures form the cornerstone of farm support: market price controls, credit facilities and subsidised crop insurance. The government guarantees minimum prices for a range of agricultural products and provides reduced-interest loans that help farmers keep products off the market until prices are in their favour. Despite Brazil's size, support levels are low, but farmers have access to subsidised insurance schemes that compensate producers for losses from natural disasters.



FARMERS IN NORWAY ARE AMONG THE WORLD'S MOST PROTECTED

NORWAY

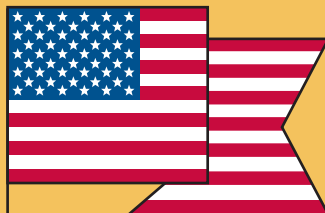
Agricultural support accounts for 60% of farm revenues – three times higher than the OECD average – with target prices for a range of products set during annual negotiations between the government and industry leaders. Border protection remains high and import tariffs for most products range from 100% to 400%, although they are reduced during designated 'open periods' when domestic prices rise above a given threshold. Prices received by Norwegian producers are on average 80% above world market prices. Farmers receive direct payments, including area and headage payments, as well as payments based on output. Exports are subsidised by the government.



DOMESTIC FARMERS ASSISTED BY IMPORT TARIFFS AND QUOTAS

SWITZERLAND

Swiss farmers are protected by a system of import tariffs and quotas covering a range of products. But export subsidies for primary agricultural commodities were abolished in 2010. Even so, support accounts for 58% of farm revenues. Expenditure on production and marketing mainly supports dairy farmers, who receive payments for milk from cows fed on hay rather than silage, which is then processed into artisan cheese. Area payments are made to farmers who grow oilseeds, protein crops or sugar beet. Direct payments are also made to farmers who deliver public goods such as food security and high animal welfare standards.



AGRICULTURAL SUPPORT IS LINKED TO MARKET PERFORMANCE

UNITED STATES

Support for farmers in the US is lower than average and has declined from 21% of gross farm revenue in the late 1980s to just 10.7% today. Support largely depends on market prices, with more provided when prices are low and less when prices are buoyant. For crops, a Price Loss Coverage programme pays out when market prices fall below an agreed level. Similarly, an Agriculture Risk Coverage programme makes a payment when farm revenue falls below a rolling average benchmark level. Subsidised crop insurance is available to producers to protect against losses in yield, crop revenue or whole-farm revenue. Producers also have access to area-based insurance. Other support includes direct loans for purchasing farmland.



FINANCIAL INCENTIVES AND TAX BREAKS ENCOURAGE INVESTMENT

AUSTRALIA

Farmers in Australia are strongly market orientated and support for agriculture represents just 1.3% of farm revenues, according to OECD figures. Producers receive no market price support, but they do receive tax concessions and other financial incentives to encourage investment. While there is no permanent farm subsidy scheme, the government provides support for research and development programmes that encourage productivity. Loan schemes and income support are also available during periods of hardship. Although Australia has negligible tariff protection on food imports, it does restrict agricultural imports from areas deemed to be at risk from pests and disease.



P L A N N I N G

F O R

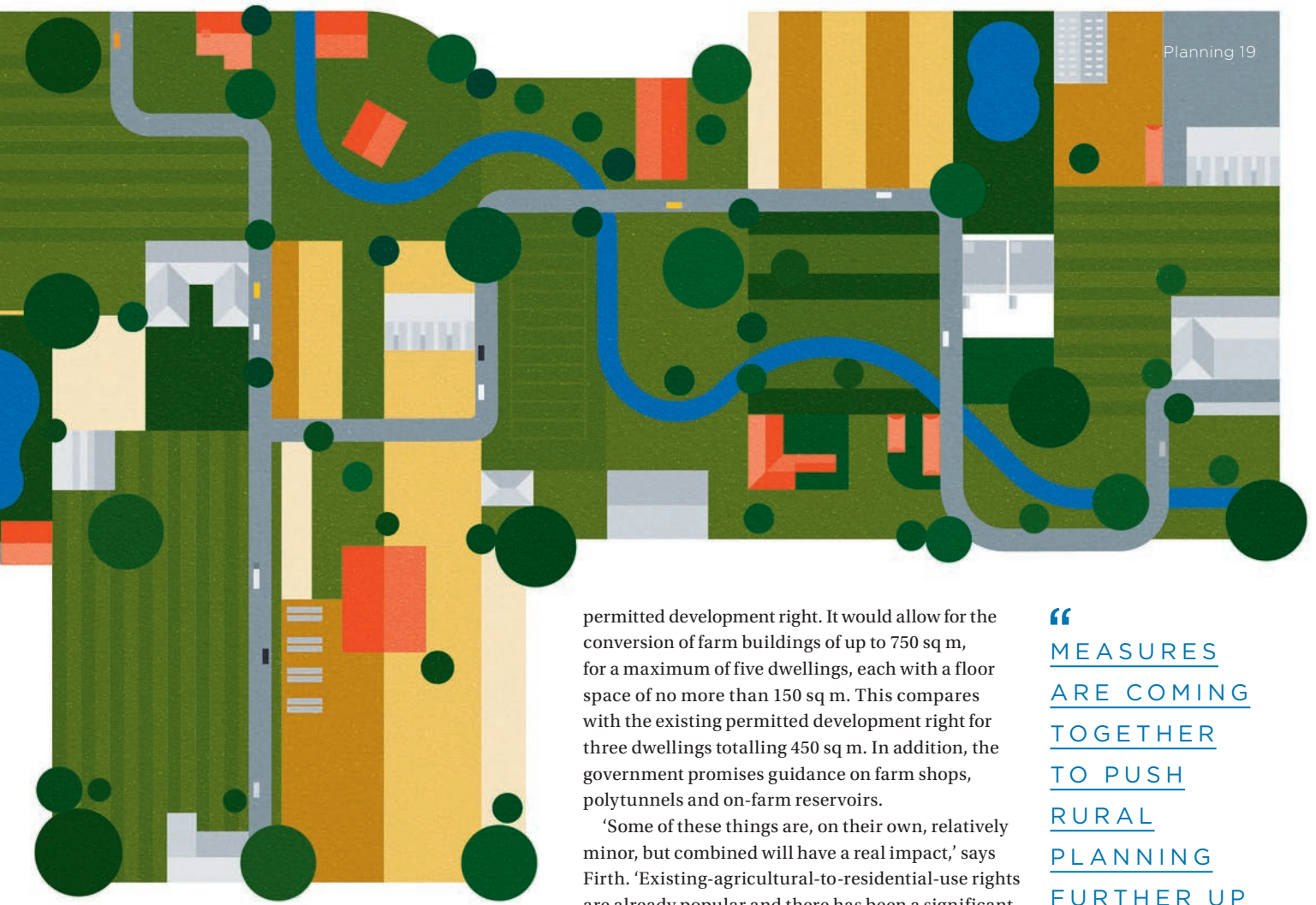
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B E T T E R

F U T U R E

This year's white paper setting out the government's plan to reform England's housing market has renewed the debate about rural planning. What are the new opportunities for landowners, and what innovations will deliver the future development the countryside needs?

WORDS DONALD MACPHAIL ILLUSTRATION MIKE LEMANSKI



‘This is an exciting time for rural planning,’ says James Firth, from Strutt & Parker’s National Development & Planning team. ‘There has been concern that policies in recent years focused almost exclusively on larger towns and haven’t been allocating homes to villages to help sustain community life. But, following the Fixing Our Broken Housing Market white paper and the government’s response to the Rural Planning Review, a number of measures are coming together to push rural planning further up the agenda.’

Providing rural housing is a key challenge – half of CLA members surveyed for the organisation’s Strong Foundations report said that there is a housing crisis in their community – and the white paper sets out a future strategy for England, with an emphasis on rural areas.

Among the measures that have been proposed by the government are amending the National Planning Policy Framework to maximise the use of small sites, including giving stronger support for those that provide affordable homes, and encouraging local communities to take a lead in development.

The government has also said that there will be consultation on a new agricultural-to-residential

permitted development right. It would allow for the conversion of farm buildings of up to 750 sq m, for a maximum of five dwellings, each with a floor space of no more than 150 sq m. This compares with the existing permitted development right for three dwellings totalling 450 sq m. In addition, the government promises guidance on farm shops, polytunnels and on-farm reservoirs.

‘Some of these things are, on their own, relatively minor, but combined will have a real impact,’ says Firth. ‘Existing-agricultural-to-residential-use rights are already popular and there has been a significant uptake from clients, delivering much-needed housing for rural areas.’

New rights introduced this autumn, which allow for light industrial buildings and workshops to be converted for residential use, have created another area of opportunity for landowners.

Firth stresses how important social sustainability is to the white paper’s aims. ‘The social benefits of a development are often very significant, especially at a local level,’ he explains.

Nick Gallent, Professor of Housing and Planning, and Head of Bartlett School of Planning, University College London, agrees: ‘Sustainability is not just about doing what’s best for the environment, but creating social opportunities for people to experience positive wellbeing and not to be forced away from relatives and friends.’

But Gallent cautions that neighbourhood plans – through which communities have a strong input in the planning process – can hinder development. ‘Neighbourhood plans are wielded with very different purposes,’ he explains. ‘In some communities, they are used as a framework to build more housing for people in an area. But also sometimes the objective is to slow down development.’ ➔

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MEASURES
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FURTHER UP
THE AGENDA
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SCOTTISH DEVELOPMENT REQUIRES LEADERSHIP

The 2014 Scottish Planning Policy document provides a supportive context at a national level for development in rural areas. But delivering the government's aspiration requires real leadership, according to John Wright, from Strutt & Parker's Perth office. 'Regardless of whether you allocate land and grant consent, delivery is often the issue,' he explains. 'Many rural sites are too remote for national housebuilders or are in unproven locations, which stops smaller developers from securing funding.' Sometimes landowners step in, but that can create an issue when it comes to infrastructure. 'Unless it is already in place, the landowner has to take a significant risk and install services before selling off the plots, or even becoming a housebuilder,' says Wright. 'There are clear opportunities to create both employment and sustainable communities through housebuilding, but it requires people with real vision to grasp them.'

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The government's intention to widen the scope of what can be built on exception sites (using land that would not normally be released for development to provide affordable housing for local communities) offers additional opportunities.

'Until now, the definitions of rural exception sites and affordable housing have been quite narrow, so exception sites have been particularly for rented social housing,' says Firth. 'To date, opportunities and incentives for landowners haven't been all that great. The white paper suggests looking again at exception sites to include additional types of housing, including low-cost market housing. Potentially, a much wider definition of affordable housing would provide new opportunities for exception sites.'

This could include provision for starter homes, as the government wants local authorities to deliver these as part of a range of affordable housing.

The wider mix is welcomed by Matthew O'Connell, CLA Housing Adviser. 'If landowners are allowed to build a couple of homes on those sites and the value goes to them, that's a sensible thing to do,' he says.

The white paper steers clear of announcing any significant shift in green belt policy, saying it should only be amended in 'exceptional circumstances' and, where this happens, it should be offset elsewhere.

While in favour of development on some green belt land, Gallent is wary that offsetting can provide a broad justification for its erosion. 'You can just eat into green belt and compensate elsewhere and say that's good,' he says. 'But if you think carefully about a strategic plan creating good-quality development, but don't compensate, that's a better outcome.'

O'Connell says there is a requirement for an agreed way to assess the environmental value of land so that some green belt can be opened up. 'We need to remember that green belt is not an environmental designation, it's a planning designation – just to say

it's green belt doesn't mean it's environmentally valuable,' he explains. 'We need to understand that we have a housing crisis and green belt in some instances will be the only solution.'

While these proposals may bring opportunities for landowners, the survey of CLA members found that 63% were put off developing by a planning system that they perceived to be too complex, risky and inflexible.

To help clients navigate the evolving planning landscape, Strutt & Parker combines strategic overview, land promotion, workshops and diversification services, so that clients can benefit from the national planning team's skill set.

'We bring together our national planning team with offices across the country and our rural consultancy colleagues who manage estates,' says Firth. 'With this collaborative approach, Strutt & Parker is looking to drive forward the agenda in rural planning and to support our clients in unlocking the planning and development opportunities in rural areas.' ■

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TRAINING FOR LIFE

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THE NEED FOR LIFELONG LEARNING HAS NEVER BEEN MORE ACUTE

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JASON BEEDELL,
RESEARCH

The most productive rural businesses are driven by an engaged, capable and adaptable workforce that is able to keep up with the fast-paced evolution of technology, as well as the implementation of new regulations. Key to achieving this valuable combination of staff traits is a flexible and ongoing training and upskilling programme.

Without it, staff who are put into positions of responsibility can feel ill-equipped to deal with tasks that are assigned to them. This can lead to a sense of insecurity, which may escalate to undermine confidence and cause cracks in a team that can quickly result in rifts. But where people feel on top of their work, they are likely to be happier and,

equally importantly, confident in making decisions and coping with change.

With the increasing role played by new technology – from livestock robotics to precision farming techniques – it is vital that lifelong training is offered to keep up with evolving developments. This requirement for ongoing training represents a significant change for rural businesses. Traditionally, staff gained experience in roles that altered very little over their careers. As a result, senior members of the team knew almost everything there was to know about a farm and their specific role.

Now, with people working beyond retirement dates, the need for lifelong learning has never been more acute. It is essential that training is offered to all staff, from the newest starters to the most senior members of the team.

It is a common oversight to assume that older team members don't need training refreshers or upskilling. But just because you have been doing something for a long time doesn't mean you can't improve when new knowledge becomes available.

In fact, senior staff often embody some of the most significant investments made by a business over many years. Training them is vital to ensure they continue to play an effective role, especially as they often shoulder a bigger share of the responsibility at a time when many modern farming teams are becoming smaller.

So what type of training is needed? There is certainly a great deal of focus on new technology. This is hugely important and adequate training is needed to ensure any developments that improve efficiency and margins are fully exploited. But the foundation of training still covers what we refer to as the 'brilliant basics': accounts, cost control, market analysis, physical performance monitoring of livestock or crops, and comparative benchmarking.

It is essential that the people at the helm are properly trained to interpret and analyse management data in these areas and make

effective changes. It is also important not just to a business, but as a motivational tool for the rest of the workforce. A business that has a good grip on costs, sales and physical performance, through benchmarking, will know where it is going and can, therefore, set appropriate targets for its team members.

This leads on to the more intangible, yet equally vital, training areas required by modern rural businesses – those of people management and communication. There is a chronic lack of investment in these 'softer skills' in the rural sector, but businesses that have an ethos of open communication between their managers and staff will be better able to discuss targets and make appropriate changes in direction to achieve those goals.

A particularly useful way to develop communication skills within a team is by drawing experienced staff into a structured mentoring programme. Using senior staff to help newcomers, or people who are progressing to take on more responsibility, encourages better communication and provides psychological support. It also gives a boost to the status of the mentor by helping to underline the trust that the business has placed in them.

With ongoing communication and training, everyone in the team is more likely to know exactly what is required of them and, as a result, the business will have the positive, capable and adaptable workforce it needs to make it a success. ■

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CAPITAL VALUES

Natural capital is an alternative way of valuing environmental assets that is growing in popularity and offers exciting new opportunities for rural businesses and landowners

WORDS EMILY SCAIFE

ILLUSTRATION DAVID DORAN

The government has made a commitment that the current generation will be the first 'to leave the natural environment of England in a better state than that in which we found it'. An ambitious pledge, but one it believes it can achieve through protecting our natural capital and embracing opportunities to improve it.

But what does 'natural capital' actually mean? In short, if you own or manage a natural asset such as woodland, soil or rivers, you have natural capital. This then gives you control over the different benefits that the natural capital produces, such as water and air quality, energy generation, food production and construction materials. These are vital for society, so it stands

to reason that the individuals who are responsible for safeguarding these essential services should be reimbursed in some way.

Natural capital has been taken for granted in the past, but as policymakers place more emphasis on protecting natural assets and ensuring they will provide benefits in the future, this looks set to change.

James Farrell, Head of Rural Consultancy at Strutt & Parker, believes this will be a significant opportunity for farmers and landowners.

'There has been talk about natural capital for about 10 years, but there was a feeling that we were constrained in the UK because of the Common Agricultural Policy,' he says. 'The main reason that it's being discussed more at the moment is Brexit. Now that we have actually got to think for ourselves about what our future agricultural, land and environmental policies might look like, we have a lot more opportunities.'

Once the UK has left the EU, it looks likely that farmers will receive less support for food production. This, Farrell believes, will present an opportunity for them to be paid for producing something else.

'Farmers may not like it, but there is now overwhelming evidence that the way we farm is not sustainable environmentally,' he says. 'Pollution is still increasing while biodiversity is decreasing. We are one of the richest nations in the world and we are still struggling every year with people being flooded out of their homes. One of the causes of that flooding is the use of farmland. Whether government support is through regulation, grants or loans, we will hopefully get a farming system that increases productivity and profitability, but in a more sustainable way.'

Getting on board now with the concept of natural capital will help landowners take advantage of new opportunities when they arise. Indeed, the Natural Capital Committee – established in 2012 to advise the government on how best to achieve its 25 Year Environment Plan (due to be published in 2018) – said in its latest report that it is time to move from 'aspiration to practical implementation'.

Despite acknowledging the challenges of fulfilling the government's commitment to leave the environment in an improved state, its chairman, Professor Dieter Helm, is confident that it can be achieved.

'The next two years will determine whether observed declines in natural capital are being reversed and whether the great benefits from enhancing our natural capital to people and businesses are realised,' he says. These range from accessible landscapes and biodiversity to education and tourism.

The potential for businesses to derive a profit from the natural environment is significant – the most familiar example being agri-environment schemes, which provide payments for natural capital to be managed in a set way. However, there will also be opportunities, for instance the creation of new markets that pay a premium for crops produced to a 'conservation grade'.

The number of different revenue streams that natural capital is capable of delivering should not be underestimated. A recent presentation by the CLA demonstrated that one piece of relatively unkempt woodland was able to provide as many as 27 different ecosystem services.

In terms of 'provisioning', or what the woodland produces, there are valuable outputs such as fuel, renewable energy production and soil. The 'supporting' aspects, or processes the woodland aids, include soil formation and nutrient cycling.

“
NATURAL
CAPITAL HAS
BEEN TAKEN
FOR GRANTED

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The services the woodland 'regulates', or controls, include water and flood regulation, while the 'cultural' aspects include noise reduction and recreation.

Professor Helm believes the many benefits are all parts of 'the great prize' on offer. 'To fail to grasp these opportunities is to condemn us to a lower sustainable economic growth rate,' he says. 'Enhancing natural capital through the 25 Year Environment Plan makes good practical economic sense.' ■

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Scientists have warned there are only 100 harvests left in UK fields. As the focus turns to soil health, we find out how farmers can protect their most valuable resource

DOWN TO





There are more living organisms in one teaspoon of soil than there are people on the planet. It's the lifeblood on which global agriculture relies for its very existence. Yet UK farming's relentless drive for efficiency has left some of the country's cereal-growing heartlands degraded and depleted.

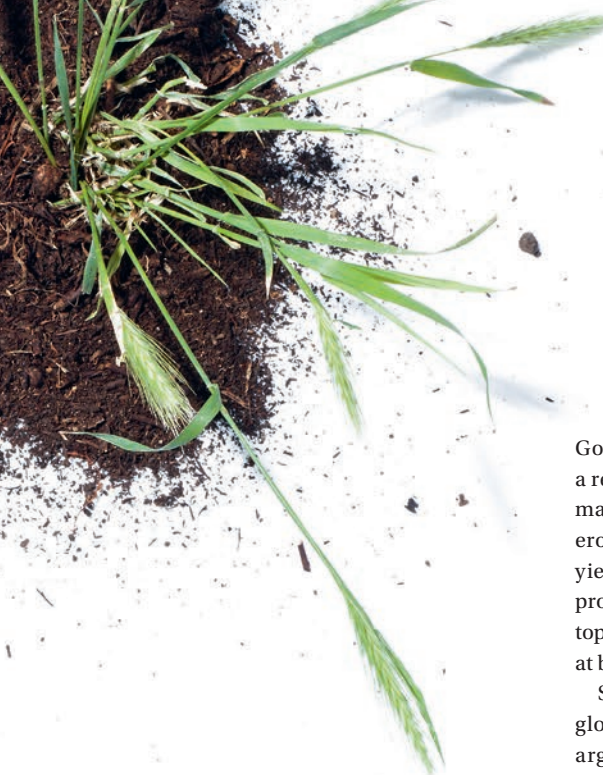
'It's widely accepted in the industry that we've seen a decline in soil health in recent years,' says Ed Hutley, from Strutt & Parker's Farming Department. 'Soil is a living thing and we have given it a fair amount of abuse. As a result, issues are beginning to manifest themselves.'

Professors from Sheffield University made the headlines in 2014 after they suggested that urban soils had more life in them than farmland. Compared with arable fields surrounding the city, Dr Jill Edmondson said allotments had 32% more organic carbon, 36% higher carbon to nitrogen ratios and 25% more nitrogen, and were significantly less compacted.

Dr Edmondson famously suggested that there could be fewer than 100 harvests left in UK fields unless significant action was taken. So how have we got to this stage?

Changes in modern farming practices are a key contributory factor, in →

WORDS **BEN PIKE**
IMAGES **ROWAN FEE**



particular the use of heavy machinery, which has increased significantly as farming has become more intensive.

'From the 1970s to today, we have gone from 100hp machines to well in excess of 300hp, and their combined train weights are doing untold damage to small clay drainage pipes,' explains Hutley.

The resulting compacted soils have contributed to weed pressures such as blackgrass, which thrives in waterlogged soils and holds huge seed returns. The problem has often been exacerbated by machines travelling in marginal weather conditions to satisfy busy schedules.

Save our soils

Other farm practices have also had a significant impact. There are now fewer mixed farms producing arable crops in tandem with rearing livestock, losing a balance that enhances soil health. Pressure on budgets has also led to fewer broad rotations being employed, which help to give the land a proper rest. Many farms will operate a rotation with just three crops, while the more progressive farms can look to as many as eight crops in the rotation to reduce mono-cropping.

The issue of soil health is already on the agenda of Secretary of State Michael

Gove, who summed up the challenge in a recent speech. 'A combination of heavy machinery, irrigation methods accelerating erosion and a determination to drive up yields has meant that soil has become less productive,' he said. 'Britain has lost 84% of topsoil since 1850 and the erosion continues at between 1cm and 3cm a year.'

So what is the way forward? Doom and gloom predictions are simplistic but, arguably, quite effective in raising the profile of soil health. What is not so easy is finding the solution. In reality there is no silver bullet, but a raft of options ranging from simple tweaks to major investment and full-scale changes in philosophy.

According to soil expert Dr Liz Stockdale, Senior Lecturer at Newcastle University, the first step is to understand how different locations affect soil quality and health.

'Soil is unique. The interaction of geology and climate with vegetation creates a unique equilibrium in that situation,' she explains. 'You don't need to understand the science, but what you do need to do is bring together that practical understanding of the soils in the place you've been managing with some general scientific principles to keep your production going forward.'

Dr Stockdale believes the focus should be on resilience and biological diversity. 'Evidence suggests that increasing inputs of organic matter and reducing tillage act together to promote increased biological activity,' she says. 'There is some indication that resilience to extreme weather events may be increased as a result.'

The key approach is to take a longer-term view of managing and improving the soil, says Hutley: 'The farms that are doing things right are not farming with a short-term vision. They have a health check on where drains and ditches currently are and know their land type. They're soil mapping and generally demonstrating good attention to detail, recognising problems and nipping them in the bud.'

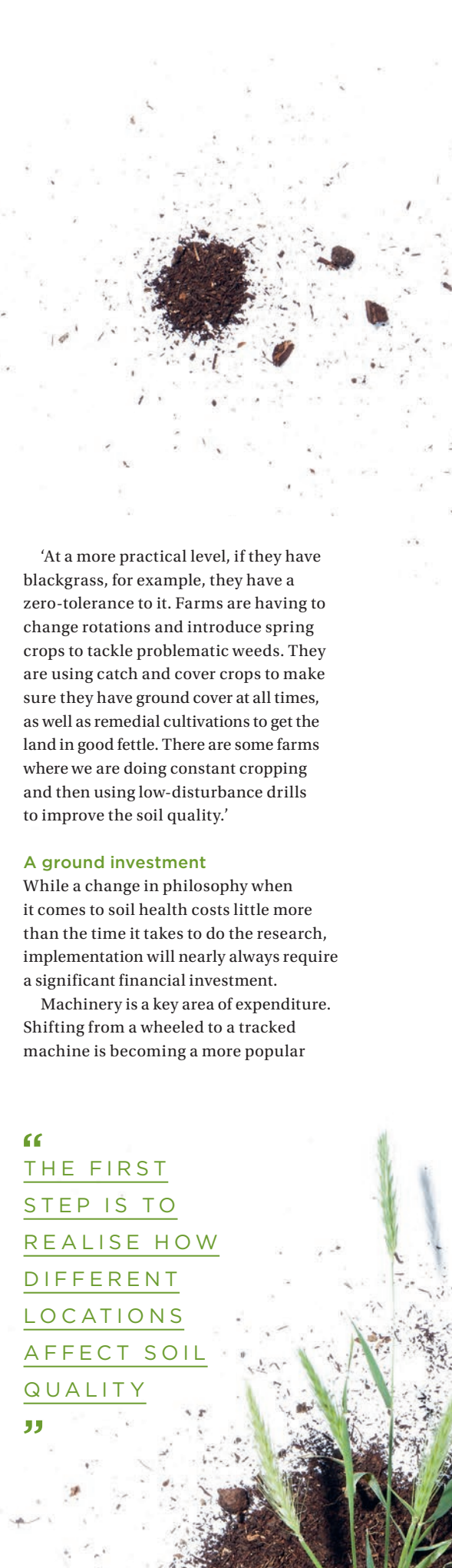
'At a more practical level, if they have blackgrass, for example, they have a zero-tolerance to it. Farms are having to change rotations and introduce spring crops to tackle problematic weeds. They are using catch and cover crops to make sure they have ground cover at all times, as well as remedial cultivations to get the land in good fettle. There are some farms where we are doing constant cropping and then using low-disturbance drills to improve the soil quality.'

A ground investment

While a change in philosophy when it comes to soil health costs little more than the time it takes to do the research, implementation will nearly always require a significant financial investment.

Machinery is a key area of expenditure. Shifting from a wheeled to a tracked machine is becoming a more popular

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THE FIRST
STEP IS TO
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AFFECT SOIL
QUALITY
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option. Modifications to an existing tractor are possible in some cases, but where retrofitting is not an option, the capital outlay on a new machine will require serious investment.

Additionally, in many instances the farm's existing drills and cultivators will not be adaptable for a wholesale change in farm practice and will mean further investment. Direct drilling, for example, is a specialist job and the price of a second-hand drill usually starts at tens of thousands of pounds.

Less expensive investments involve improving field drainage, which can be as simple as subsoiling, unblocking drains or mole ploughing. These are well-rehearsed practices that require substantially less capital than the wholesale replacement of drains, although this may be required in some circumstances.

Once problems have been rectified, and a farm has the correct equipment at its disposal, well-established precision farming technology can help businesses minimise future compaction. This could be as simple as having GPS devices fitted to machines all the way up to employing full controlled-traffic farming systems across the whole farm.

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INVESTING
IN SOILS IS
VITAL IF
FARMERS
ARE TO
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TO THRIVE
”

High quality, high yields

The path that farmers decide to take will be influenced by their own situation. However, Hutley believes that investing in soils – be that a time or financial investment – is vital if farmers are to thrive in the global marketplace.

‘The important thing for farmers to be aware of is that UK agriculture holds two strong cards – our soils and our climate,’ he explains. ‘We are in the privileged position of being able to produce high-quality milling wheats and yields per hectare above global averages. That is a huge advantage.’

‘We are never going to compete on the global market on tonnage produced, so we need to protect what we are good at. If we are not careful and we neglect our soils, we are not going to have the high quality and yields that are essential for the future of UK farming.’ ■

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LEARNING THE DRILL

‘The farm is nothing without its soil,’ says Guy Halsey, who runs the 750-hectare Gaddesden Estate, based at Bridens Camp in Hertfordshire. ‘Since 2000, we’ve been working to improve the organic matter of our predominantly heavy clay soils. This has meant no ploughing at all.’

Working with a contractor’s Mzuri strip till drill, the farm has been able to carry out all crop establishments without prior cultivation.

‘We’re making moves towards no-till farming and, this year, nearly all our oilseed rape was established in this fashion,’ explains Halsey. ‘It is a new way of doing things but not something you can go to overnight, particularly on heavy land.’

The improvement in soil structure has not been the only benefit. The farm has also reduced establishment costs as ploughing was slow and relatively expensive. In years of low commodity prices, growing crops more cheaply has helped to boost earnings.

‘This year, I’ve entered a field in the Yield Enhancement Network project, and the soil health indicator said it is right at the top of the scale in terms of being biologically active, which is pretty pleasing,’ says Halsey.

Reducing soil movement across the whole of the farm, with the goal of zero-till cereal establishment, is a longer-term aim, as is achieving year-round ground cover.

‘Generally speaking, we’re moving towards conservation agriculture, which includes continuously covered soil,’ says Halsey. ‘Nature doesn’t leave any soil bare, so why should we? We’re trying to have wide rotations and keep the soil covered at all times.’

CALL OF THE WILD

After the trial release of beavers in Scotland, we ask a landowner and a farmer whether rewilding is good for the rural economy

INTERVIEWS **DAVE FLANAGAN** ILLUSTRATION **MUTI**

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I WOULD BE
THRILLED TO SEE
BEAVERS IN OUR
RIVERS AS THEY
WOULD ATTRACT
MORE VISITORS

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NIGEL FRASER,
STRUTT & PARKER LAND MANAGEMENT
AND LANDOWNER, GUISSACHAN ESTATE,
INVERNESS-SHIRE

FOR

As a landowner, I appreciate the concerns that have been expressed by opponents to the reintroduction of beavers in Scotland. I agree they are not appropriate in every watercourse and the lack of firm guidance from the Scottish government isn't helpful when it comes to the areas experiencing problems with unlicensed releases.


However, I'm very much in the pro camp when it comes to this issue. European beavers are vegetarian; they do not eat fish. They do make dams and can raise the water levels in slow-moving watercourses. In the right place, this can be hugely beneficial in alleviating flooding issues.

One of the biggest problems with beavers is misinformation and people assuming they have a terrible impact without necessarily having a full grasp of the facts. There's also an argument that we shouldn't introduce anything into the pristine Scottish environment, or interfere with our rivers. But you only have to look at parts of the Highlands, where we have totally changed the river infrastructure already with major hydro-electricity schemes, to see this argument is flawed.

Then there's the business element. Statistics from Knapdale, home of the Scottish beaver trial, show how tourism in the area got a real shot in the arm because people wanted to come and see the beavers, which can only be a good thing for an economy that relies heavily on visitor spend. I am in the tourism business and I would be thrilled to see beavers in our burns, rivers and lochs as they would attract more visitors.

There is increasing interest in the way land is managed in Scotland and, in my opinion, not all of it is helpful. However, I see the rewilding movement gaining momentum and it presents opportunities for landowners and communities. The beavers might be something of a vanguard for this movement. Clearly they are not going to be helpful everywhere, so we need the Scottish government to climb off the fence and help us make a plan that has a positive outcome.





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HERE, THERE WILL BE
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ARABLE LAND TAKEN
OUT OF PRODUCTION

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ADRIAN IVORY,
MANAGER, STRATHISLA FARMS,
PERTSHIRE

AGAINST

I manage about 2,500 acres, mainly on the arable side, and experience a range of problems caused by an escape of beavers that happened around four miles from our land. Primarily, we're seeing a lot of tree destruction and the blocking of ditches and burns, which leads to the blocking of drains and, in turn, flooding issues.

Currently, I'm spending hours walking up and down waterways checking there are no dams. As farmers, we don't get paid for that. Nor do we have any way of recouping the £4,000-£5,000 a year that we spend at Strathisla clearing beaver dams out of ditches.

At the moment, there are no rules and regulations as to how we deal with this problem. The government is saying beavers are going to be protected, although you will be allowed to cull them in certain circumstances. But until it's clear what the rules and regulations are, we don't really know where we stand.

My biggest issue is around what happens if I do something wrong in terms of those rules and regulations. I'll probably get a slap on the wrist if it's minor and a fine if it's middling. On the flip side of this are the people who had responsibility for the beavers that escaped in our area. They haven't been fined or rapped over the knuckles. Instead, the cost implications have fallen to us.

When the draft policy does come out from the government, we'll be looking to make sure there aren't oodles of red tape and paperwork to stop us clearing out dams. Essentially, we are seeking practicality and reasonable methods for dealing with beavers.

In terms of the tourism benefits, I have no problem with that whatsoever. But we're trying to produce quality food for the population and, if we can't do anything about the beavers around here, there will be huge swathes of arable land taken out of production. The beaver has a place, in the right location. That location is not in the Strathmore Valley. ■

HOW THE LAND LIES

KEY STATISTICS AND RESEARCH FROM STRUTT & PARKER

Farmland

The past 12 months have seen unprecedented political and economic uncertainty. Despite this, land prices have held up well.

Based on the transactions in our Farmland Database, the average price of arable land sold in Q2 of 2017 was £8,400 per acre. At first glance, this looks significantly lower than the Q1 average of £9,500 per acre. However, if the three high-value sales of £15,000 per acre are excluded due to their exceptional circumstances, the adjusted Q1 average is £8,400 per acre – the same as we see now.

Location continues to be the main driver to price achieved, rather than land quality. We have also seen a resurgent market, particularly for units in excess of 500 acres.

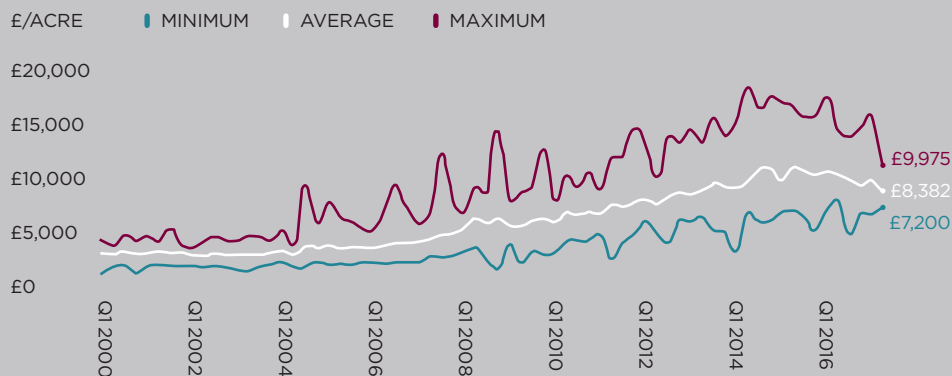
To date, the amount of land marketed in 2017 is very similar to that in the same period in 2016. While there has been a drop in the number of farms marketed, particularly in the east of England, there has been an overall rise in the proportion of farms of 500 acres or more on the market.

Lifestyle buyers and private investors are securing an increasing proportion of land, with just 50% of land being sold to farmers – the lowest for more than two decades.

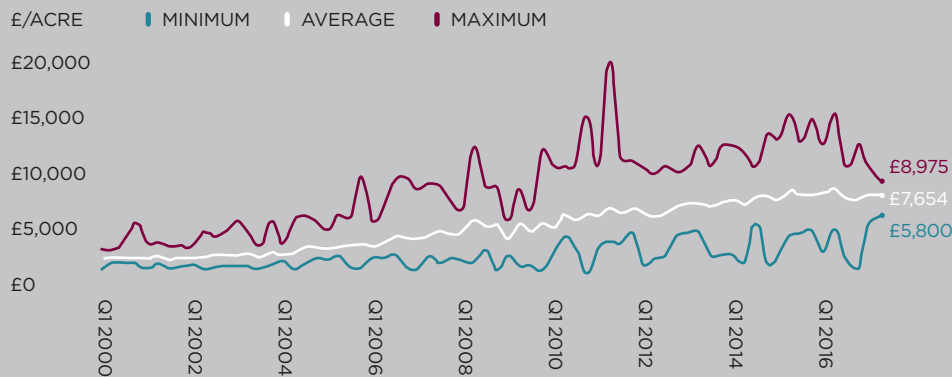
We believe that average prices will be maintained at their current level – and possibly strengthen – in the second half of 2017.

Michael Fiddes, Head of Estates & Farm Agency

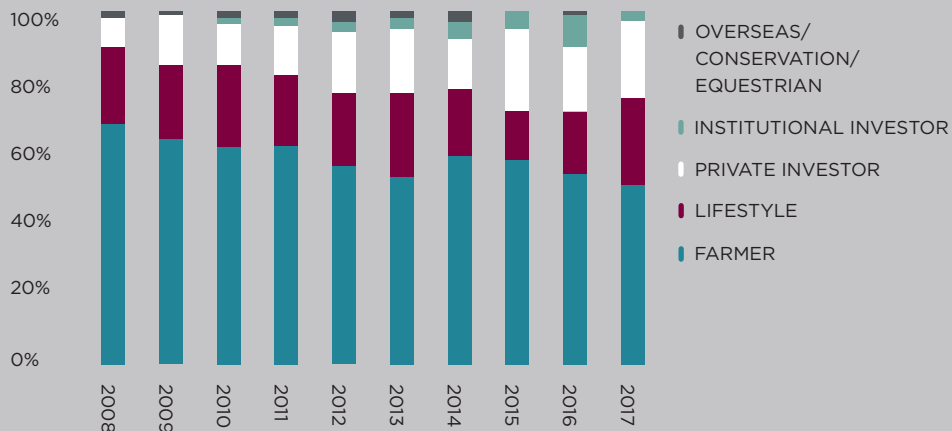
Arable land agreed sale prices (England)



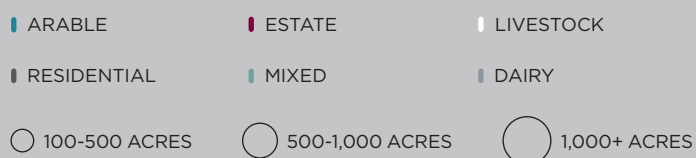
Pasture land agreed sale prices (England)



Buyer types (England)



Number of farms marketed, Jan-Jun 2017 (England)



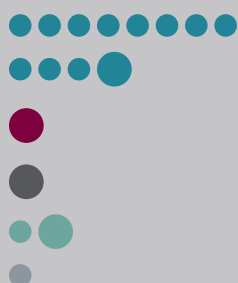
NORTH WEST (12)



NORTH EAST (1)



EAST MIDLANDS (17)



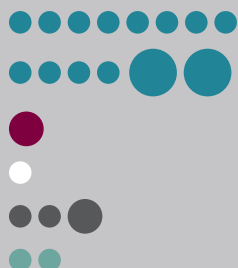
YORKSHIRE & HUMBER (11)



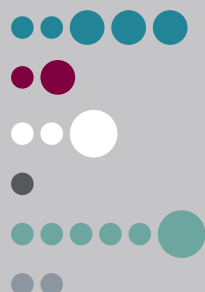
WEST MIDLANDS (15)



EAST OF ENGLAND (21)



SOUTH WEST (19)



SOUTH EAST (19)



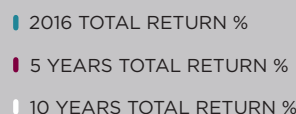
Forestry

The UK currently imports 70% of the timber it requires and, although timber production is increasing, we are still anticipating considerable shortages by 2030.

The turnover of forestry assets in the UK remains low. Combined with the current timber inflation and considerable pent-up demand from purchasers, this has led to increased forestry values.

Jon Lambert, John Clegg & Co

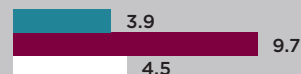
Comparative investment performance



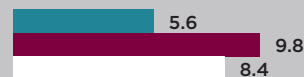
UK FORESTRY



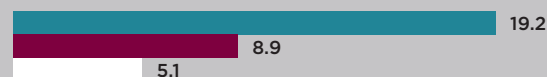
UK COMMERCIAL PROPERTY



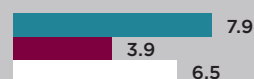
UK RESIDENTIAL MARKET LETS



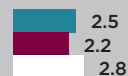
EQUITIES



BONDS



RETAIL PRICE INDEX



MSCI IPD UK Forestry Index. Figures for year ending 31 December 2016, published June 2017

How the land lies

Energy

British Gas announced a price increase of more than 12% for its electricity customers at the beginning of August. Interestingly, it said this was due to the cost of government policies supporting renewable energy. Meanwhile, the price of solar photovoltaic continues to fall. While returns are not as high as they have been, they still provide an attractive option compared to other investments, as well as providing electricity to use on site.

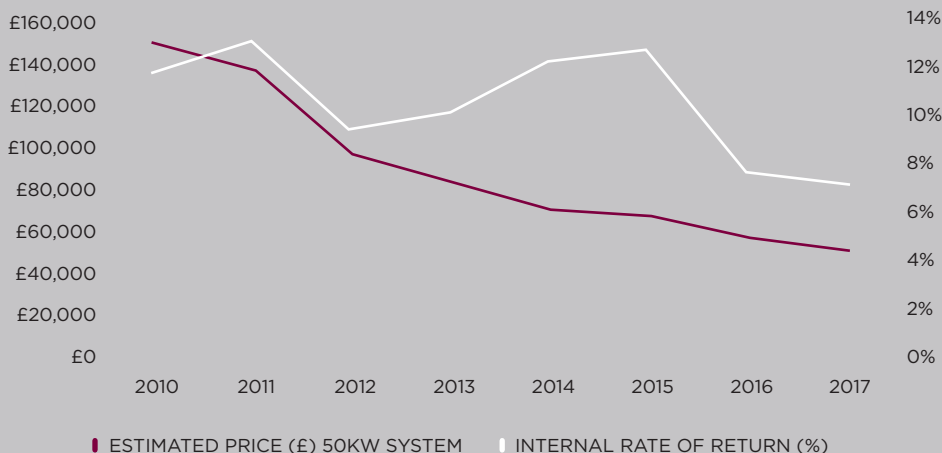
Alexander Creed, Head of Energy

Electricity prices



Source: BEIS

Photovoltaic price (South East England)



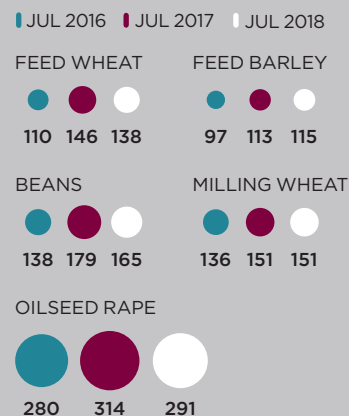
Source: Strutt & Parker

Farming

Hot, dry weather led to an early harvest for some, but drought fears were ended by a damp July. Wet weather during harvest means milling premiums should rise, but only for growers who have been capable of gathering it before the quality was lost. This will prompt increases in premiums for the 2018 crop, which should be carefully considered.

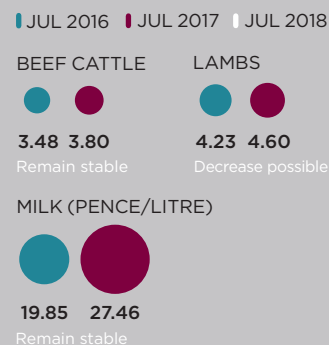
Andrew Atkinson, Farming

Arable crops (£/tonne)



Source: HGCA. All prices are ex farm. Future prices are indicative bids from agricultural traders

Livestock (£/kg dead weight)



Sources: AHDB, Defra. Future prices from outlook reports

Residential property

The Nationwide House Price Index shows that national prices are now 13% above the 2007 peak, with London 55.8% above. Six regions remain below: the North (-6.9%), Yorkshire and the Humber (-2.6%), North West (-2.8%), Wales (-5.7%), Scotland (-5.8%) and Northern Ireland (-40.8%).

London saw a fall of 2% during Q2 2017, while the South East dipped by 0.7%. This caused the national quarterly growth rate to become slightly negative (-0.1%). The Land Registry was more positive, as can be seen in the adjoining chart. However, the pricing outlook is muted.

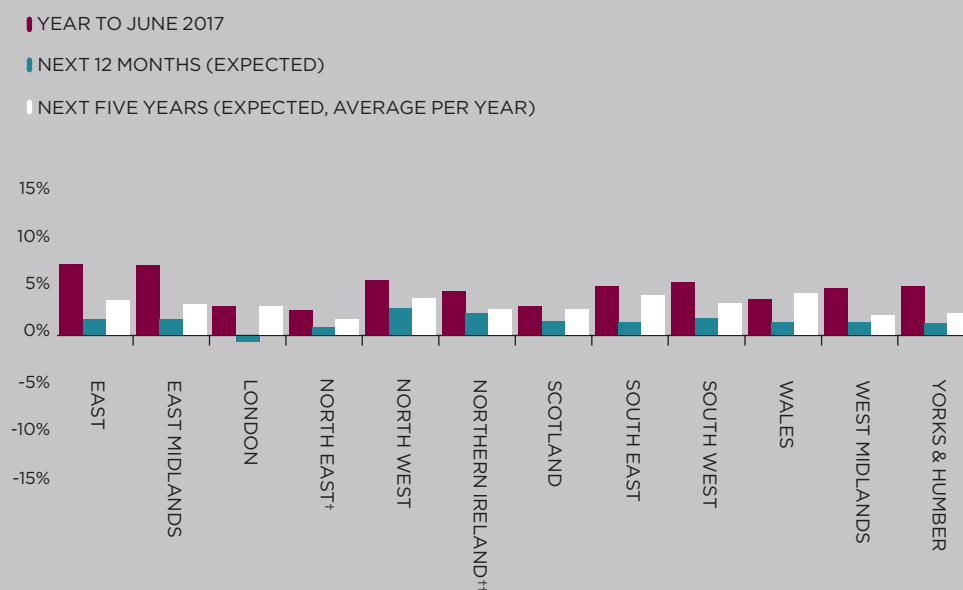
Staying with the Land Registry, the country house market saw increased activity in 2016 – sales volumes increased by 19% compared with 2015.

In prime central London (PCL), transaction volumes across all of the price bands compared with Q2 2016 saw positive increases: sub-£2 million market (+10%), £2 million-£5 million market (+66.7%) and £5 million-plus market (+42.3%). The entire PCL market was up 24.3% compared with the same period in 2016. That said, Q2 is 22.7% below its five-year average.

The HomeLet Rental Index illustrates the volatility in rental income across the UK, with five regions experiencing decreases over the past three months (albeit two are marginal). Expectations are more positive for the next 12 months and beyond, with the markets outside London showing the greatest growth.

Stephanie McMahon,
Head of Research

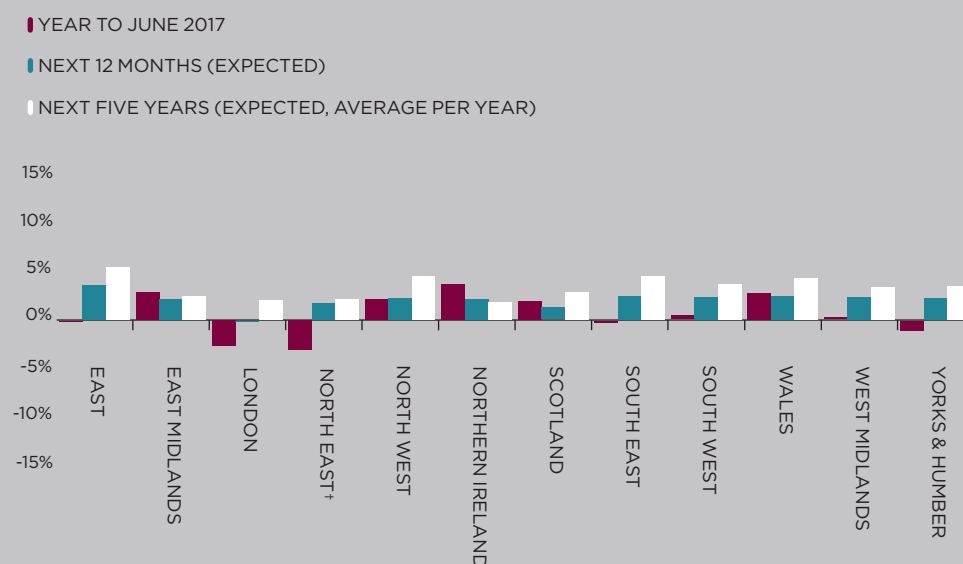
Annual change in average house prices



Sources: Land Registry House Price Index (June 2017), RICS (June 2017; not seasonally adjusted)

*RICS forecast data for North East includes Cumbria. **Northern Ireland data for Q2 2017

Annual change in average monthly rents



Source: HomeLet Rental Index (June 2017), RICS (June 2017; not seasonally adjusted)

Q&A

Tim Breitmeyer is Deputy President of the CLA and is expected to be elected as its next president in November. He farms 1,600 acres in Cambridgeshire and contract farms a further 3,200 acres

INTERVIEW **DAVID DERBYSHIRE** ILLUSTRATION **PETER JAMES FIELD**



“
A SOFTER
BREXIT IS
BETTER
FOR THE
RURAL
ECONOMY
”

What is the goal of the CLA's Countryside Matters campaign?

It's a long-running campaign to publicise the benefit farmers and landowners produce for society and the countryside. We want the public and politicians to understand that rural Britain needs investment post-Brexit. We know that the countryside is hugely appreciated – a CLA survey showed that 84% of the public want to see it supported. But there's a massive divide between our increasingly urban-centric society and those who live and work in rural areas. We want to push the fact that the countryside does matter and that it doesn't come for free.

How has the outcome of the general election affected landowners, farmers and rural businesses?

I feel it's likely to be helpful because we are probably facing a softer Brexit than we would have done, and that can only be good for the rural economy. If we head for the cliff edge of global free trade outside the EU, we are unlikely to get a good deal out of Europe. So while the election result has created uncertainty, it has also been helpful.

Will Environment Secretary Michael Gove be good for the rural sector?

Defra has gone from being a Cinderella department to one with a hard-hitting secretary of state with significant clout who is determined to make his mark. We don't like everything he says, but he is honest and he is prepared to listen. He is clearly keen that there should be payment for results – particularly when it comes to the environment. Traditional farmers may not like the direction he is moving in, but it is remorselessly heading in that direction anyway. It's up to us to make sure we temper him. We want Mr Gove to remember that the key part of the matrix is food production and that it's not just about the birds, the bees and the butterflies.

What would you like to see in the forthcoming Agriculture Bill?

It needs to put in place a new policy that makes British farming more profitable – farmers are hardly making any money from food production. Around 87% of income in 2015 came from Environmental Stewardship or the Basic Payment Scheme, and that can't continue. We either have to get better at what we are doing or get more value for produce. We need a direct payment system, such as the CLA's Land Management Contract concept, to pay farmers for all the things they do in the countryside – from providing healthy soils that safeguard our strategic food production, to clean water, to looking after footpaths and making sure biodiversity doesn't continue to decline. And we need to produce a much more resilient rural economy – including making sure that we have enough labour post-Brexit.

How important is rural diversification?

It's vital to make sure our businesses are as resilient as possible, given the type of global marketplace we live in. If a business has a separate income stream to farming – whether it's a farm shop, solar panels, business units or stewardship – it protects against volatility. However, with diversification there is always a danger of losing sight of the core business. If you invest in a farm shop, for instance, it's your new toy and you are at risk of spending a disproportionate amount of time and resources on it, at the expense of the business of producing food. But in farming, diversification is now essential.

What are your hopes for the future of rural Britain?

That it is recognised for the contribution it makes to our nation's prosperity. The rural economy has the potential to be really strong. But if the government puts all the resources into urban sites and northern powerhouses, we won't get connectivity or the houses we need in the countryside so people can live and work in the landscape that we all love. ■

KEY CONTACTS

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We work with estates and landowners to make the most of their rural assets.

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We sell farms, farmland, and country and sporting estates throughout the UK.

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We maximise the potential of commercial property in London and around the UK.

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Buying or renting, our aim is the same: to match people to their perfect property.

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We advise clients across the UK on their development opportunities.

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to find out more about our rural
services, or visit our website.

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Estate & Land Management

We manage two million acres across the UK, ensuring that our clients' farms and estates perform in a way that meets their business and personal aspirations.

Farming


Our team of more than 40 experts offers a complete service, advising on business and technical matters to help farmers make the most of their enterprises.

Estates & Farm Agency

We handle the sale and purchase of some 50,000 acres of farmland, residential and commercial farms, and sporting estates every year.

Energy

We help farms and estates to minimise exposure to energy risks and to generate returns from energy efficiency and energy generation projects.



“
**BRITAIN HAS LOST
84% OF FERTILE
TOPSOIL SINCE 1850
AND THE EROSION
CONTINUES AT
BETWEEN 1CM
AND 3CM A YEAR**
”

MICHAEL GOVE,
SECRETARY OF STATE
FOR ENVIRONMENT, FOOD
AND RURAL AFFAIRS