ASPECTS OF LAND

Why farmers are finding that working together makes business sense. p14 As the future of farming changes, are you up-to-date with agritech? p19

How to divide up wealth without dividing your family. p22





Ask the right questions

ural businesses raise their income from a wide and wonderful range of activities. Indeed, diversification has been a common theme in these pages for many years and remains one of the tenets of a successful rural business, even as the range of activities on offer changes from year to year as new consumer trends and the development of new technology influence the market.

Against that backdrop, these businesses have always needed to be fleet of foot and alive to changing demands, demographics and markets to remain relevant.

They will also be shaped by the incentives provided by different government policies; right at the heart of those now emerging is the Government's current priority – and mantra – "public money for public goods".

This not only reflects general sensibilities about public payments being perceived and valued by the taxpayer in a more palatable way, but is also in line with the Government's 25-year Environment Plan. Farmers and landowners need to consider how their land can be of most

value to the public both to receive public money and also for the growing area of private investment in "natural capital".

Payment models for natural capital are still in their early days, but there is the potential for the contribution made by natural capital to initiatives such as flood alleviation and carbon sequestration to be assessed – and rewarded – in a more holistic way in the future. The direction of travel is clear.

Less clear, is the UK's future relationship with the EU and what level of independence there will be. Although this is frustrating for many rural businesses, testing times do make businesses ask themselves testing questions, and that's not always a bad thing. It is the businesses that address their weaknesses and invest in their strengths that will be the ones who are thriving – and not just surviving – when we finally come out on the other side of this period of uncertainty.

Questions to ask aren't just whether you are making the most of your assets to create an income, but also whether you have

reduced your costs as much as you can to boost the margins. This varies from looking at energy use and making sure none is wasted to looking at how savings could be made through collaborating with your neighbours.

Many of these ideas are just good practice. There are plenty of business decisions that you can make now irrespective of how the final Brexit deal turns out, and it is important not to get drawn into the understandable temptation to apply a "wait and see" argument to running your business.

When we look back in five years time, we will see that the long-standing and inherent ability of UK agriculture and rural businesses to adapt to changing circumstances will shine through as it always has done.

I hope you enjoy reading this issue of *Aspects of Land* and if you have any comments or questions, please do get in touch.

Andrew Harle

Joint Head of Savills Rural

01904 756 312

aharle@savills.com



COVER IMAGE: HELEN HOTSON / ALAMY LEFT: THE NATIONAL TRUST / ALAMY

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News and views from the rural sector



ENERGY SPOTLIGHT

Savills has released a Spotlight publication dedicated to all things energy related. Whether you can use your land to generate clean energy or want to get up to date on the Government's latest plans to cut emissions from the UK housing stock, there are articles to keep you informed.

To download a copy, visit www.savills.co.uk/research



Slurry spreading can be a large contributor to particulate matter pollution if low-emission equipment isn't used

ENVIRONMENT

Air pollution is not just a city problem

The Government has identified air pollution as the "top environmental risk to human health" and contrary to what many might think, it is not a problem that is confined to traffic-congested cities and industrial belts.

Agriculture is responsible for 88% of ammonia gas emissions. This can combine with other pollutants such as sulphur dioxide and nitrogen oxides to form fine particulate matter that is extremely harmful to human health, causing cardiovascular and respiratory diseases.

The Government's Clean Air Strategy sets out the action it intends to take across all sectors by 2030 to meet air quality

targets – actions that it estimates could cut the costs of air pollution to society by £5.3 billion every year from 2030.

To support the measures required in the Clean Air Strategy, Defra has produced a Code of Good Agricultural Practice for reducing ammonia emissions. This includes such things as using a nutrient management plan to calculate a suitable application rate for manure and fertiliser; keeping slurry and digestate stores under cover; using low emission slurry spreading equipment; and installing grooved floors in cattle housing to allow urine to separate from faeces (ammonia forms when these two mix).

At present this is a voluntary code, but much of it will be backed up by legislation in the future and there are likely to be several consultations later this year.

"The direction of travel is clear and with its bans on metaldehyde and neonicotinoid pesticides, the Government has shown that it is willing to take decisive action to protect the environment," says Andrew Teanby of Savills Rural Research. "Farmers should consider emissions reduction when investing in new machinery to be sure they are compliant at a later date."

The Countryside Productivity Small Grants Scheme will reopen in 2019 (date unconfirmed), with £30 million to support farmers investing in new equipment.

"There is likely to be further funding to help farmers reduce emissions as regulation is announced," says Andrew.

■ For more advice, contact Andrew Teanby, Lincoln, 01522 507 312, ateanby@savills.com The Hampshire-based farming business Hectare that created the website SellMyLivestock has now introduced a matchmaking app called Tudder, to help farmers find breeding partners for their livestock. The app features profiles of animals from 42,000 farms across the UK and users can swipe right for yes and left for no in the search for a perfect match. tudder.co



£245m

Dairy co-operative Arla Foods made £245 million profit in 2018 that it shared out among its 2,400 European farmer owners. British owners received £64 million of this total. Each farmer received a bonus of 2p per litre for the milk they delivered to the co-operative last year. Arla Foods is the UK's largest farmer-owned dairy company.



ARE YOU SEPTIC TANK READY?

with Richard Vincent, Savills
Building Surveying

Is there new legislation around septic tanks? There hasn't been any new legislation since the Environment Agency (EA) published its minimum standards requirements in 2015, which are known as the general binding rules. However, these rules gave operators until 1 January 2020 to correct certain issues. As this is now just a matter of months away, it's worth making sure you're compliant.

What do the rules cover? The rules cover the minimum standards for various elements including what size of treatment system is needed, the manner in which the waste water is discharged to the ground – which needs to be through a certified drainage field, not a soakaway – and the ongoing regular maintenance of the system.

If systems don't meet the requirements, will they have to be changed? That will vary from case to case. The most polluting offences, such as a septic tank that currently discharges into a watercourse, will have to be remedied by the 2020 deadline; for example replaced with a packaged treatment plant (PTP) that cleans the water before it is discharged. However, other issues might be able to be



Septic tanks must not empty into waterways

fixed just by changing part of the system, for example replacing a soakaway with a drainage field.

Will it be possible to apply to the EA for an exemption certificate? It will be possible to apply and decisions will be made on a case-by-case basis. However, an exemption is unlikely to be granted if the system poses a serious risk of pollution.

How can owners tell if tanks meet the requirements or not? Treatment systems installed since 1983 should all either display a British Standard CE mark, or the accompanying manual should, or the system should be included in British Water's list of approved equipment. Owners are advised to carry out a full survey of septic tanks and small sewage treatment plants for any properties that they own or manage. This should record and catalogue the size, the type and discharge of each system.

■ If you'd like to find out more about the compliance of your septic tanks and PTPs, contact Richard Vincent, Peterborough, 01733 559 348, rvincent@savills.com



Andrew Pearce treks across the Lut Desert

ACHIEVEMENT A NEW MEMBER FOR THE EXCLUSIVE EXPLORERS CLUB

He has been to the North and South Poles, up the highest peaks in Greenland and made exploratory attempts on four volcanoes in the Democratic Republic of Congo, and now Andrew Pearce, a Savills director in the Lincoln office has joined the world renowned Explorers Club based in New York.

Andrew was nominated by the British Chapter of the club for his remarkable endeavours, as well as for fundraising and educating people about the world of exploration. This summer, as part of a team of nine, he trekked 137 miles through the Lut Desert in Iran – an area that Nasa has called the "Pole of Heat" after recording the hottest land temperature ever of 70.7°C. The team completed the trek in nine days.

"It was a tough encounter, but also a very rewarding one as to have the unique privilege of travelling through this little known corner of the world with an excellent group of likeminded people was very special," said Andrew. "As we were striking a new route it was amazing to think that with every step you took, no other human had ever walked across the same path

and that every footprint was the first to be formed."

The Explorers Club's members include many who have completed the most famous exploration firsts: first to the North Pole, first to the South Pole, first to summit Mount Everest, first to the deepest point of the ocean and first to the surface of the moon.

Andrew says one of the highlights of becoming a member was the chance to attend The Explorers Club's annual dinner in New York. "It was a special event this year toasting and meeting all the living Apollo moonwalkers, astronauts and engineers. It was undoubtedly a once in a lifetime experience."

#PROTECT YOUR FUTURE

The National Federation of Young Farmers' Clubs has launched a tree-planting campaign. In partnership with the Woodland Trust, it has set a goal for all Young Farmers' Clubs (YFCs) to plant a tree per member. "This year is all about YFCs putting their green feet first and supporting the environment and our local rural communities. I am excited to be spearheading this campaign and ensuring the next generation are making sustainability a priority," says Katie Hall, the federation's chair.



ON THE COUNCIL

Clive Beer, of Savills Professional Services, has been elected to the council of the Agricultural Law Association (ALA), which provides a forum for professionals to support each other in their work. Membership of the ALA is open to all those involved in rural advisory professions such as lawyers, surveyors, accountants, bankers and farm consultants. Clive is the only non-lawyer to have been elected to the council in 2019. ala.org.uk

Viewpoint

HUGO STRUTHERS
HEAD OF SAVILLS RURAL, SCOTLAND



NATURAL CAPITAL IS GOOD NEWS FOR MARGINAL LAND

atural capital might be the phrase of the moment, but is it in fact no more than the well-established principle that landowners and farmers have long taken into consideration in their decision-making processes? Either way, the concept has gained tremendous momentum and is likely to influence how we invest in and manage land in the future.

"Natural capital"

"Natural capital"

Natural capital is the stocks value will impact all of natural assets that include land, in particular geology, soil, air, water and all land that is thought living things. It is from these of as marginal" assets that we derive what have been coined ecosystem services such as carbon sequestration, water purification and soil fertility. From these in turn we derive societal benefits such as food, energy, clean water and air, wildlife conservation. recreation and tourism. However, what is unclear is how we calculate the monetary value we place on these natural assets.

In Scotland, our country pursuits and scenery continue to be a draw to investors, but more recently a new breed of buyers has surfaced. Anders and Anne Holch Povlsen, are now some of the largest owners of land in the UK, having acquired 221,000 acres of the Highlands since 2006. Their aim is to leave a negative carbon legacy by restoring and protecting the natural capital of their estate.

These philosophies, while in many cases being led by wealthy philanthropists and conservationists, are not restricted to that group. In the future, natural capital value will impact all land, in particular land that is currently thought of as marginal.

Natural capital opens up new earning opportunities for land holdings that may mitigate the loss of payments as a result of leaving the EU Common Agricultural Policy.

Michael Gove's Agriculture Bill has seven clear target areas, all focused on enhancing natural capital, but the Scottish Government has yet to give the same clarity. However, the Scottish Environment Protection Agency (Sepa) is leading a £1 billion challenge to attract private, public and non-profit sectors to develop funding models for large-scale nature conservation activities.

There are uncertainties over the size of the future budget streams from Defra, Sepa and others, but it can be inferred

> that farms and landscapes that are naturally richer in environmental resources are more likely to be recipients of public investment under future agri-environment

policy. This will open up a new and profitable income stream for farms in areas of natural constraint, as their earning capacity is increased by managing these resources compared to returns from agriculture alone. At current land values, marginal land could then present an attractive investment proposition, even if earnings from marginal livestock enterprises fall.

As the controllers of natural capital assets, landowners are uniquely placed to benefit from payments for ecosystem services. It's my belief that this will have a positive impact on land values in areas of high ecosystem service value and a neutral impact elsewhere.

■ To discuss natural capital opportunities, speak to Hugo Struthers, Perth, 01738 477 501, hstruthers@savills.com



Bookful July tomboel There are study in the ton. All the animal of the tomboel o

DON'T WASTE UNFINISHED FOOD

One app is helping to solve the problem of food waste one unfinished jar of pickle at a time. Olio works on a local scale by finding takers for people who want to pass on unused but perfectly good food. The app's cofounder, Tessa Cook, came up with the concept when she was moving house and had a fridge full of food that she didn't want to throw away. Olio, which could be useful for people running holiday accommodation or farm shops, has 942,000 members including shops and cafés with excess food at closing time and home vegetable growers with seasonal gluts. olioex.com



GREY PARTRIDGE SURVEY

Help monitor the numbers of the endangered grey partridge by joining the Game and Wildlife Conservation Trust's Partridge Count Scheme. The survey has been running since 1933 and requires participants to make a count of partridge's on their land twice a year, once in Spring and once in Autumn. You can even take part if there are no grey partridges around you so the Trust can undertake work to expand their current geographical range. gwct.org.uk



IN THE DIARY

MAY
■ 1-5 May
Badminton
Horse Trials
Badminton,
Gloucestershire
badminton-horse.
co.uk

■ 21-25 May Chelsea Flower Show Royal Hospital Chelsea, London rhs.org.uk/Chelsea



JUNE
■ 6-8 June
Royal Cornwall Show
Wadebridge, Cornwall
royalcornwall
show.org

■ 6-8 June
South of
England Show
South of England
Showground,
Ardingly, West Sussex
seas.org.uk/southof-england-show

■ 12-13 June
Cereals
Boothby Graffoe,
Lincolnshire
cerealsevent.co.uk

■ 20-23 June Royal Highland Show Royal Highland Centre, Edinburgh royalhighlandshow.org

■ 29-30 May
The Suffolk Show
Trinity Park,
Ipswich
suffolkshow.co.uk



JULY
■ 9-11 July
Great Yorkshire Show
Great Yorkshire
Showground,
North Yorkshire
greatyorkshire
show.co.uk

■ 26-28 July Game Fair Hatfield House, Hertfordshire thegamefair.org

SEPTEMBER
■ 14 September
Frome Agricultural
and Cheese Show

West Woodlands Showground, Near Frome fromecheese show.co.uk



■ 21-22 September Berkshire County Show Newbury Showground berkshireshow.co.uk

OCTOBER
■ 2 October
The Dairy Show
The Bath and West
Showground
bathandwest.com/
the-dairy-show



100 YEARS OF FORESTRY

The Forestry Commission (now Forestry England) is celebrating 100 years in 2019. It was set up in 1919 to address the severe timber shortages following World War I. Forestry England now looks after 250,000 hectares of forested land. The centenary will be marked with all sorts of events from runs to art installations and commemorative Royal Mail stamps. www.forestryengland.uk



DEVELOPMENTS FOR NATURE

The Government consultation into a legal requirement for planning developments to include a net gain for nature closed in February. The proposals would mean that developers don't just compensate for any upheaval they cause to the natural world, but actively add to and improve biodiversity. The consultation asked for views on areas such as how to standardise the approach and how to monitor it. Results are being processed.

HOUSING

Affordable housing for rural areas

Since 2001, there has been a 15.8% drop in home ownership in rural areas. The house price to income ratio is far greater in the countryside – where earnings are generally lower – than it is in many urban areas. As local families are priced out of the local area, it is leading to the erosion of village life, the CLA claims.

The CLA believes that local authorities are not making good enough use of Rural Exception Sites. These offer small patches of land outside a village boundary that would not normally be eligible for planning permission specifically for the development of affordable housing. The developer pays less than market value for the land on the basis that the land is used to build affordable homes and the landowner is happy to receive this lower value because it is not land that could be sold for development otherwise.

"Rural Exception Sites [are] the main way to build affordable housing in smaller villages," says Andrew Shirley, CLA Chief Surveyor. "Last year, we saw a fall of homes provided on Rural Exception Sites, with interesting variations between authorities. How can Cornwall deliver 321 homes and nearby mid-Devon build not one?" he asks.

■ To investigate Rural Exception Sites on your land, contact Patrick Moseley, London, 020 7409 9491, pmoseley@savills.com

LEGISLATION

Minimum energy standards update

Since April last year, if a new tenancy agreement was made or renewed for a privately rented property, that property had to meet minimum energy efficiency standards (MEES) of having an Energy Performance Certificate (EPC) rating of E or above.

From April 2020, MEES is being rolled out to cover all privately rented property. It will no longer depend on whether there is a new tenancy agreement being made or not, just on whether it is a rented domestic property.

MEES is part of Government measures to increase the energy efficiencies of the UK's housing stock, which is responsible for 15% of the nation's carbon emissions.



Insulation improves your energy rating

Measures such as double glazing and increasing wall and loft insulation will improve a property's EPC rating, as well as reducing bills for the tenant.

However, there are cases when landlords have already carried out all cost-effective measures and the rating is still not at E. When this is the case, or if the necessary energy efficiency improvements would reduce the value of the property by more than 5%, then the landlord can apply for an exemption that lasts for five years.

Additionally if a landlord has tried to carry out improvements but consent from third parties, such as lenders or tenants, was denied or came with unreasonable conditions attached, then an exemption might be possible.

"The best advice for landlords with ratings below an E is to review their most recent EPC now to ascertain what improvements need to be made and then complete any works within the next year," advises Christopher Jowett of Savills Estate Management. "Over time, the MEES is likely to rise above the minimum E rating, so landlords should consider improving more than just the bare essentials," he advises.

■ To find out more about MEES and your rental properties, contact Christopher Jowett, Salisbury, 01722 426 870, cjowett@savills.com

TAX

ARE YOUR ACCOUNTS DIGITAL ENOUGH?

This April, the first phase of the Government's Making Tax Digital (MTD) scheme came into play. All VAT-registered businesses (with a few exceptions) now have to keep digital records of their VAT and send their VAT returns to HMRC using MTD-compatible software. This is the start of HMRC gaining greater access to accounting records.

"In this first stage, the VAT submission only covers the current nine boxes of the VAT return, but it is a short step to asking for the underlying transactions and then moving on to the interrogation of accounts," says Lindy Harker of Savills Client Accounting. So what are the future implications?

"Keeping accurate records will be of paramount importance," says Lindy. "VAT inspections have been infrequent and bad habits might have crept in." Although specific VAT rules can be complicated, the overall concept is straightforward: if you sell something on which you charge and pay VAT, then you can recover VAT on expenses relating to those sales.

"What this means, is that although the VAT rate might be zero for some goods – such as milk or food-related crops – farmers can still recover VAT paid on expenditure for those goods (e.g farm inputs). However, they cannot recover VAT on Exempt

or Outside Scope supplies, which include residential let property and private items."

HMRC plans to roll out digital accounting for all taxes, with corporation tax likely to be brought into MTD in 2020.

"If your accounting house is in order, keep it that way. If it is not, then now would be a good time to tidy up," advises Lindy.

■ For more info, contact Lindy Harker, Wimborne, 01202 856 891, Iharker@savills.com

There are currently an estimated 60,000 thatched properties in Britain. Around a tenth of these are in Dorset, which has around four thatched roofs per square mile. Not all are on old houses as thatch is used to reflect the local architectural style in many new developments too.

SOURCE: SAVILLS RESEARCH



ACCESS FOR ALL?

More than a third of England's population don't have easy access to National Parks and Areas of Outstanding Natural Beauty (AONB), a new report by the Campaign to Protect Rural England (CPRE) has found. The report was produced for an independent review into England's National Parks and AONBs, CPRE hopes the review will consider how to improve access so that everyone can enjoy the wellbeing benefits that these beautiful areas can bring. www.cpre.org.uk

Viewpoint NICK GREEN

HEAD OF ENERGY AND INFRASTRUCTURE



DON'T WASTE YOUR ENERGY

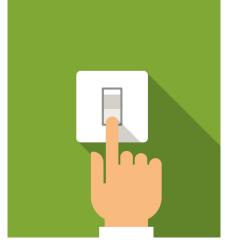
nergy issues are rarely out of the news these days, with supply and price vying for position at the top of the agenda. Of course, the two are inextricably linked and thinking about both should be priorities for all owners of rural property and businesses.

If you rely on a supplier to provide your energy, it is vital to have a thorough understanding of the market so you can be certain that you have the best deal to suit your circumstances. It is also important to explore other sources of energy to make sure you are maximising efficiency and minimising expenditure. A laissez-faire attitude could end up being very expensive.

A look at recent energy prices shows just why a proactive approach is so important. Between January and December last year, the price for electricity ranged from £42 per MWh to nearly £66 per MWh, while gas fluctuated between 42p per therm to 68p per therm.

Clearly, if you are buying in energy you are at the mercy of these changing markets for your bills each quarter, while if you produce it yourself you know your costs. Equally, if your bills are rising and it's beyond your control, you want to make sure your energy use is as efficient as it can be.

A good, but often overlooked strategy, for assessing all aspects of energy in your business is the "energy hierarchy". This prioritises how you look at energy to achieve an overall more sustainable



approach to energy use. The categories, from highest priority to lowest are: energy reduction - switching things off and making sure you're not wasting energy anywhere; energy-efficient systems - making sure your appliances and machinery "Underpinning your are as efficient as possible; renewable energy - looking at producing your own sustainable energy; low-carbon energy switching to a green tariff from your supplier; and finally, conventional energy - used when nothing else can

Underpinning your approach should be an in-depth knowledge of how you use energy, where you are sourcing it and how much you use. Only then can you decide on the right package of solutions to ensure the right balance of efficiency and cost.

be done.

A determination to minimise energy use is particularly important if you are letting (or plan to let) property. That's because the Minimum Energy Efficiency Standards in England and Wales, and the Scottish Energy Efficiency Programme in Scotland, set minimum levels of efficiency for any residential or commercial buildings that are let. Any house let from April 2020 must have an EPC rating of E or above

(for more information see page 8), or the owner must be able to demonstrate that they have taken reasonable steps to achieve it.

It is also worth considering whether you can supply energy - whether electricity or heat - for your own use from a renewable source.

Historically, subsidies made it attractive to install a renewable energy project purely as a means of securing an income stream. However, in an unsubsidised environment it is critical to integrate energy generation for use in a business, rather than viewing generation alone as a source of government-subsidised income. Any energy solution needs to be tailored to the business's specific attributes and demands.

Generating your own energy from renewable sources makes particular financial sense when you consider that wholesale costs constitute less than half

approach should

be an in-depth

knowledge of how

you use energy,

where you are

sourcing it and

how much you use"

the retail price of energy bought in from a supplier: typically 45% for electricity and 41% for gas. The rest of the bill is made up of third party costs, which include environmental and social obligation costs, operating

and network costs and supplier margins.

The specifics of any business's energy strategy will, of course, vary depending on the available resources, its situation and the nature of the property or business. But even the exercise of applying the energy hierarchy will clarify and strengthen your plans, and help you on your way to ensuring a viable energy strategy.

■ If you would like to discuss ways to improve the energy efficiency of your business, contact Nick Green, Perth, 020 3810 9838, ngreen@savills.com







It has been eight months since the Agriculture Bill was published. What changes has it brought so far?

ast September, landowners were finally given a firm insight into the path the Government will take as it reshapes domestic agricultural policy with its new Agriculture Bill. Few would have been surprised at the long-awaited Bill's sentiment.

Headlines included the phasing out of direct subsidies and a move to payments for delivering public goods through environmental land management contracts, which had already been strongly hinted at by Michael Gove, Secretary of State for Environment, Food and Rural Affairs. However, there were some surprises, such as capitalised payments for farmers that could help structure retirement plans.

The Bill received a mixed reaction from the industry initially, and lobby groups have been working to influence the finer detail since last September.

The National Farmers' Union (NFU) has expressed disappointment at the lack of: "Comprehensive measures to improve the environment and productivity and tackle volatility" and a failure to offer a long-term solution to labour issues.

NFU President Minette Batters says: "The Bill, as described in the announcement, falls short of our aspirations in these regards."

The CLA is supportive of a new contractual approach to environmental land management, but has issued a warning over cuts to direct payments going too far, too fast.

"Proposals to reduce payments in manageable increments, spread across the farming industry, will enable businesses to avoid the risk of rapid change with no time to prepare," says its President Tim Breitmeyer.

Despite the announcement only being made eight months ago, Savills Research suggests the contents of the Bill have been \rightarrow





enough to cause some farms and estates to already start thinking differently about their enterprises.

At the end of 2018, Savills Rural Research team carried out a survey of the firm's rural consultants and surveyors.

Emily Norton, head of the team, says: "Even though we're so early in the process the research shows that the Bill is already having an impact. People were making decisions about their businesses just three months after it was published."

Reduction in direct payments

With so many businesses reliant on the Basic Payment Scheme (BPS), the future of subsidies was a hot topic.

A seven-year transition phasing out BPS has been outlined, beginning in 2021. Payments have been grouped into four bands in a fashion similar to the structure of tax thresholds. Payments of up to £30,000 will be reduced by 5% annually, while at the other end of the scale payments of £150,000 upwards will shrink by 25% annually.

Farms and estates were already aware that direct support was likely to reduce or disappear, but the research has highlighted that the Bill is likely to change the nature of capital investment.

The research found that farmers would prefer to invest in infrastructure and machinery, but now feel they have to look at rural development and alternative income streams.

"One of the strongest lines to come out of our research is the difference between what people think they need to invest in given the withdrawal of BPS, versus what they would like to invest in given the choice," says Emily.

"The research highlights that investment is likely to be directed at rural development and diversification to generate nonagricultural income streams."

Surrender and retirement

The Savills professionals who took part in the research expect an increase in retirement as a result of the Bill, especially among Agricultural Holdings Act (AHA) tenants where 84% of those who completed the survey felt retirement would become more likely.

Rupert Clark of Savills Estate Management believes the prospect of so-called "golden parachute" payments

HOW WILL YOUR PAYMENTS CHANGE?

The average English farm business relies on the direct payment subsidies for 61% of its profit. As the subsidies are phased out, farmers and land managers will need to adapt their business models and take account of a time-lag before the new income stream based on "public money for public goods" becomes available.

To help farmers and land managers plan for the withdrawal of direct subsidies, Savills has developed the Savills Calculator which illustrates how a farm's direct payments could fall over the transition period.

■ To put your figures through the Savills Calculator and see how subsidies for your business will change, contact Andrew Teanby, Lincoln, 01522 507 312, ateanby@savills.com



Benefits to the public will be rewarded



THE BILL'S TOP LINE

- Direct payments phased out in a transition period from 2021-27
- Farmers offered capitalised payments that could aid retirement plans
- New Environmental Land Management Scheme contracts for delivering public goods
- Funding for research enabling profitability and reducing environmental footprint
- Countryside Stewardship to be simplified



has had an effect on the market and some farmers have put surrender negotiations and retirement plans on hold while the fine detail of the policy is scrutinised.

Under the proposals, farmers in England might be able to receive several years' worth of the payments they are due during the transition period as a lump sum.

The cash could facilitate retirement for those needing money to invest in property away from the farm they occupy.

"This is focused more towards AHA tenants but also owner-occupiers," Rupert adds.

The Government's aim is that the knock-on effect brings more opportunities for new entrants to the sector.





Research shows a preference for more flexible land tenure and a move to contract farming

Land tenure

One of the most notable results of the research is a predicted shift in preference towards flexible land tenure arrangements.

Contract farming agreements are likely to become more prevalent, followed by share farming, stubble-to-stubble contracting and Farm Business Tenancies.

"This suggests a trend towards landowners being in occupation but collaborating with others to farm their land," Emily says.

Public money for public goods

It has almost become a catchphrase for Gove, but the mantra "public

money for public goods" runs through the Bill.

Improvements to soil health, air and water quality, biodiversity, public access and carbon reduction have been suggested as actions that could attract payments under new Environmental Land Management Scheme contracts.

Those surveyed felt that future public goods payments need to pay for the maintenance of existing provisions as well as enhancements.

Emily believes "a perfect storm" is brewing. "Not only has there been complexity with new environmental schemes but huge delays in payment for existing schemes," she says. "There is



The Agriculture Bill will encourage biodiversity

THE RESEARCH SAYS...

84% expect retirements to become more common among AHA tenants

of Savills professionals say the Bill has prompted a

property sale

think contract farming agreements will become more popular

82% are more likely to invest in diversification

a great deal of frustration and it's not giving the industry much hope that the administration bodies are going to be able to smoothly roll out a new scheme."

Rupert adds: "There is a concern among landowners that if they do something now they may not be paid for it in the future. The Government has said farmers won't be penalised for taking action now but, in reality, people don't have complete confidence in that." §

■ For more details on the research or the Agriculture Bill, contact Emily Norton, London, 020 7016 3786, emily.norton@ savills.com or Rupert Clark, Petworth, 01798 345 999, rclark@savills.com

All together now

In a world of shrinking margins, sharing skills and machinery with your neighbours could make a big difference to profits

inding ways to keep a tight rein on costs is always beneficial to farming businesses, but the pressure to do so will increase over the next few years as the Basic Payment Scheme reduces how much farmers receive by £80 per acre by 2028. One answer is to consider collaborative working, says Alex Bragg of Savills Food and Farming.

"To just stand still, farmers will need to find ways to replace that £80 per acre. That means increasing output, cutting costs and finding additional income. Increasing output is challenging, given the vagaries of weather and commodity price fluctuations, and finding additional income streams doesn't remove the need for each aspect of the farm business to stand on its own," says Alex.

However, in many farming businesses there remains the potential to reduce costs, particularly around the area of machinery and provision of labour. "There needs to be a step change in agriculture, around the approach to collaborative working, which offers great opportunities and can be as flexible as needed," adds

Working in collaboration can mean anything from sharing one piece of machinery right up to a whole farmsharing agreement.

"What is important, is to identify where businesses are overcapitalised and how they could be made more efficient," says Alex. "Key to a successful collaboration is ensuring that the aspirations of each individual are understood and aligned. Often, you need two complementary characters – for example, one who is keen to run the office side and another who is happy to get their hands dirty."

A comprehensive written agreement that includes termination provisions is critical for protecting both parties.

"Issues can usually be mitigated if all elements of the agreement have been thoroughly discussed, agreed and signed up to; this can be important when one of the parties to the partnership sees their circumstances change, and there is a need for flexibility. It can also be useful to have an individual third-party on board to help pull everyone together and avoid problems."

The personalities of those involved in the partnership are often the biggest issue, but it is also critical to have clear goals and be realistic about what can be achieved.

"We have one collaborative agreement in place that was originally sparked by the bank manager of both parties who saw that both businesses were overcapitalised and suggested they work together. That agreement has seen savings of up to £100

per acre; but it is important to recognise that while scale is beneficial to reducing fixed costs there is a limit to this and overall profitability must be kept in mind," says Alex.

The potential areas for collaborative working go beyond machinery and labour sharing; the latter sometimes presenting challenges in anything less than a whole farm-sharing agreement. Thinking laterally can often help identify opportunities; for example ways of increasing buying power or shortening the supply or food chain.

Farming businesses could work with a local feed mill so that they are protected from the risk of import and export tariffs, and there is no need to haul grain long distances. Similarly, oilseed rape producers could work in tandem with a crusher to shorten the supply chain. Or an arable farmer could work with a neighbouring livestock farmer to take organic manure for use on their land.

"Working in collaboration can be as simple or as complex as desired, but it offers great opportunities for reducing costs for the businesses involved," says Alex. S

■ To investigate ways you could benefit from collaboration, contact Alex Bragg, Cambridge, 01223 347 206, abragg@savills.com

"Thinking laterally can often help to identify opportunities, for example ways of shortening the supply chain"

IN THE FIELD

In 2007, Savills undertook the restructuring of the in-hand farms of the Brodsworth Estate near Doncaster. This was the beginning of a collaborative agreement with Danum Farming Ltd – itself a joint venture between two farmers.

Danum was formed in 2006 when Richard Smith and Tom Morrell came together to share machinery and labour across their individual farming businesses. Smith was focused primarily on potatoes and

Morrell had a large scale arable business with some sugar beet and peas in the rotation as well.

"Bringing in the services of Danum at Brodsworth allowed machinery and staff to be reduced and costs to be taken out of the system," says Andrew Wraith of Savills Food and Farming. "For example, by going from having three combine harvesters to one large one. As the three areas of land farmed by each party are relatively close together, it has been possible to farm them virtually as a single unit."

Over the period of the collaborative agreement, the estate has worked with Smith to install irrigation across the estate land to allow potato growing over a wider area. Capital has been reinvested in buildings and storage rather than needing to be invested in machinery, says Andrew.

"The whole operation works smoothly, with each party bringing something to the table and taking a flexible approach to optimising output within a sustainable rotation."



Branch line

By their very nature, farms and estates offer countless ways to diversify, it's all about finding the best fit for you

iversifying a farm business isn't a new concept, but the options for generating new income streams are greater than ever. Gone are the days when it was down to renting out the spare room for B&B, says Ashley Lilley of Savills Food and Farming.

"Farmers are far more aware of the opportunities that exist beyond the core business, particularly if they have had a career away from farming at some point," Ashley says.

"The rise of the internet and social media has changed diversification opportunities hugely," he says. Trends travel quickly and word of mouth marketing can be invaluable. "Adding value to food produced on a farm is a popular growth area."

Willy Chase of Laddin Farm in Herefordshire has done just this, turning apples from his 200 acres of sustainable orchards into Willy's apple cider vinegar (ACV) and capitalising on the recent health trend for fermented food.

"I saw some millennials stocking up on ACV one day, did a bit of research and thought: 'we could do that, and better'," says Chase.

He already made cider on site and when he saw the potential for ACV he realised it was a natural fit. He invested in fermenting equipment and installed a canning and bottling line so that the whole operation could happen on site.

"We are a team of 11 and we handle all the growing, harvesting, fermenting,





For many farmers, however, diversification is primarily about adding an income stream that can be managed without too much distraction from the core business.

When David Williamson-Jones and his brother inherited the family chicken farm in Hazelbury Bryan, Dorset, and the existing tenant handed back the tenancy due to ill health, the decision was taken to convert one of the three chicken sheds into workshop rental units.

"I live an hour away from the farm, so it was important to choose a diversification that didn't need hands-on daily management. Planning permission was granted in 2017 for change of use and the 1,000 square metre shed was divided into 17 units," says Williamson-Jones.

A range of local businesses now rent the workshops, including carpenters, plumbers and a classic car restorer. The capital investment of £140,000 yields a return of £45,000 a year, and they have started on the conversion of a second chicken shed.

While gaining permission for change of use was straightforward in this scenario, that is not always the case, says Ashley.

"One of the common pitfalls for diversification is underestimating the

potential complexities and costs of the planning process, and the capital outlay required for the new business. Time spent in assessing and planning the project is critical; professional input is often very helpful, as is looking at a phased development rather than plunging straight in."

Choosing the right diversification is about more than just location and funding, however. A new venture often means new skills and potentially a more public-facing role.

"It's important to consider existing skills and where they would need to be added to. Similarly, not everyone is cut out to deal face-to-face with customers and the people management side of a diversification can sometimes be the most challenging aspect," Ashley warns.

For Williamson-Jones, a key part of the success of the workshop rentals has been taking care to choose the right tenants and then managing expectations.

"We interview everyone who applies to rent a unit and make sure they feel right for us. We've found that, as we don't live on site, there's the potential for issues with tidiness, and people parking cars where they shouldn't, so being clear about what is allowed is important."

■ To discuss diversification, contact Ashley Lilley, Cheltenham, 01242 548 012, alilley@savills.com

RENEWABLES: WE'LL ALWAYS NEED ENERGY

Renewables now supply one third of the UK's energy (more than 50% in Scotland in 2017-18), and often only need a relatively small land area. With the closure of the Feed-in Tariff earlier this year, some landowners have put green energy diversification, projects on hold. However, there are still opportunities.

Large-scale solar development has seen a resurgence in interest after the removal of subsidies three years ago stalled the market. These days however, units are cheaper and more efficient, meaning projects can be financially viable without subsidy, and developers are actively looking for sites for new projects upwards of 50 acres.

Capacity systems, such as battery storage or gas-peaking stations, however, typically need less than two acres of land. These are the technologies that help grid networks to balance their flow of supply and demand. Landowners with existing substations or overhead lines could be well placed to branch out into the capacity market.

■ For more information on renewable opportunities, contact David Grindley, Norwich, 01603 229 234, dgrindley@savills.com

CREATIVE THINKING: IDEAS BEYOND B&B

CRAFTS

Whether it is producing wool knitwear for sale or running courses on felting, spinning and crocheting, craft-based diversifications offer the opportunity to add value. Other opportunities include demonstration days and workshops on crafts such as dry-stone walling and hedge laying. Key considerations include a suitable workspace (and potentially accommodation provision) for those attending on-farm courses, and the amount of labour time diverted away from the core business.

MICROBREWERIES

Farms already growing top quality malting barley have a head start for this added-value option, but there are some key considerations before deciding to brew and sell your own beer. While the interest in craft beers has increased greatly in recent times, the Society of Independent Brewers (SIBA) warns that the overall UK beer market is in long-term decline, so any new business will be heading into a highly competitive sector with large



Set up your own microbrewery

and small brewers fighting for market share. Marketing the product is a critical part of success, which may mean investing in new skills.

DOGGY DAYCARE

Kennels and catteries have long been a popular option for farm diversification, but fitting pets around modern working lifestyles has created opportunities for a more flexible offering, including day care and securely fenced dog parks for off-lead exercise. Farms can be ideal for this, but there are considerations such as waste disposal, proximity to other dwellings (barking dogs) and the specialist knowledge required to care for a variety of breeds safely.

WORKING FARM HOLIDAYS Working farm holidays offer those looking to bridge the



Farm holidays for paying guests

urban/rural divide a chance to experience life on a farm. This can include feeding animals, trying rural crafts such as hedge laying and helping out with conservation work. Accommodation is usually provided so there may be investment required in tents, glamping pods or similar, and there are insurance and health and safety considerations to be taken into account.



Indoor farming

"Indoor farming units, growing a year-round supply of fresh produce are an increasingly popular set-up option," says Nick Barber of Savills Energy.

Indoor, or vertical, farms grow rows of crops stacked in tiers. The plants are grown without using soil, in a waterbased solution, infused with nutrients – a technique known as hydroponics – while high quality light is provided by LEDs.

"The system has strong green credentials, for example, it overcomes concerns over soil degradation and high water-use associated with some traditional agricultural systems," says Nick. "Water is constantly recycled and the units themselves can be sited in under-utilised space."

Indoor farming also offers farmers a high degree of control over the growing environment. They can manipulate daylength, temperature and precise nutrient levels and maintain the same conditions for 365 days of the year.

Larger scale operations of thousands of square metres are now being set up on the outskirts of urban areas and for landowners there are options to set up a unit or let land to existing companies.

However, there is a drawback. Indoor farms depend heavily on heat, light and additional CO_2 to boost plant growth. Power sourced from the grid would be prohibitively expensive, so units often invest in anaerobic digesters or biomass burners. "These are allied to combined heat and power generators that also yield CO_2 , so the system can be very efficient but the initial capital cost may be substantial," explains Nick.

One Norfolk-based farming company, GroPod, grows root vegetables in selfcontained units, which eliminates the need for heat.

Blockchain traceability
"The technology system
that keeps crypto-currencies
tamperproof is already being
adapted to help tighten
traceability and boost
customer confidence," says Joe Lloyd of
Savills Rural Research.

Blockchain software, which underpins currencies such as Bitcoin, creates a chain of digitised data blocks.

"The technology system that keeps crypto-currencies tamperproof is already being adapted to help tighten traceability"

A GroPod for vegetables needs no added heat



"These blocks have a unique identity in a similar way to a fingerprint; so by changing a block you change the chain's identity and the chain is broken. Any new information is only added to the end of the chain, which does not alter the sequence of the preceding blocks," explains Joe.

This series of linked blocks is a more secure way of holding data because unlike conventional systems where data is held centrally behind firewalls, there is no centralised version of the chain. The result is a tamperproof, interlinked data log.

"In agriculture, suppliers across the world are already starting to use the blockchain system," says Joe.
"Companies such as Cargill in the USA, use the system to trace thousands of turkey movements. While here in the UK, Marks & Spencer is using a DNA sampling system to trace the provenance of its beef. Firms are also promoting the extra security levels used as a confidence-boosting selling point."

As the technology is rolled out it will undoubtedly add cost as hardware will need to be upgraded to record and link the data. "But in the longer term, the benefits of secure data could outweigh these set-up costs," suggests Joe.

Satellites and data
As well as being able to steer a combine harvester from 300 miles above the ground, today's satellites can also photograph fields on a daily basis. The photographs are clear enough to enable identification of individual trees, and can be used to collect all manner of information that can be especially useful when viewed over several years.

Some of the ways satellite photography is used include assessing in-field productivity and looking at crop health. This is done through looking at the colour of vegetation in the field, which can give information about the drying pattern of a field and the stability of the soil, as well as providing health indicators such as vitality and biomass. Through data collection it is possible to create indices that individual growers can use to appraise a farm's metrics against the pooled data.

However, satellite techology is not cheap. A less costly route for precision



agriculture is using GPS-equipped devices. These enable the mapping of pest infestations, soil conditions and nutrient levels, among other metrics. GPS also enables mechanised field operations that are more efficient as they reduce overlap and omissions.

Another alternative to satellites are drones. These are more versatile and tend to be easier and cheaper to use for smaller scale farm businesses.

The efficiencies provided by precision agriculture will more than pay for the investment over time. However, as the gains are only marginal, the payback takes longer the less land that is covered.

Precision plant breeding
A newly-developed,
precision, plant breeding
technique could fast-track
crop improvements to lower
costs and increase yields.
"The technique is known as gene

editing," explains Emily Norton of Savills Rural Research. Scientists refer to the technique as CRISPR – an acronym derived from, "clusters of regularly interspaced short palindromic repeats". These are stretches of a genome containing spaces between the building blocks of the DNA. Researchers found it was possible to snip the gene using an enzyme as a pair of molecular scissors. By altering the DNA sequence it is possible to select desirable gene functions such as disease resistance.

"Because gene editing only alters the DNA sequence within a plant, it is less controversial than genetic modification that introduces DNA from other organisms," says Emily.

It is also a simpler technique than genetic modification and, therefore, a more cost-effective solution to fast-tracking crop improvements, she adds.

However, while the US courts have already approved gene editing for development, a ruling by the European Court in 2018 means the technique will fall under the same regulatory framework as genetic modification.



Precision breeding is done by altering genes

"Because gene editing only alters the DNA sequence within a plant, it is less controversial than genetic modification that introduces DNA"

Floating farms
The world's first floating dairy farm will begin producing 800 litres of milk a day from a city-centre site in the Netherlands, this spring.

The 1,200 square metre sustainable farm floats on a pontoon in Rotterdam harbour and was constructed by engineering company Beladon. Land prices close to the urban market were at a premium so Beladon opted for cheaper and otherwise unused space in the city-centre waterway.

The farm's herd of 40 cows will live on the top level of the multi-tiered building and feed on others' waste, such as spent grain from nearby breweries and cut grass from the city's parkland. Additional forage will be grown on a lower tier of the farm using LEDs as the artificial light source.

Concerns over pollution from the unit, were addressed with the installation of a sophisticated membrane in the floor.

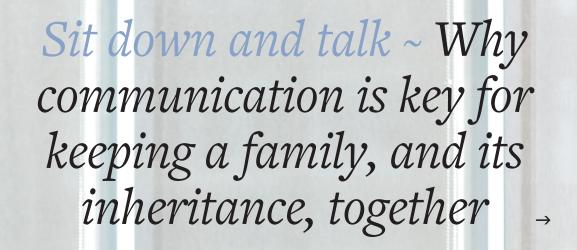
"Further floating farms are planned, with the next one likely to be constructed in Singapore harbour," says Simon Blandford of Savills Food and Farming.

■ To find out more about farm business innovations, contact Thomas Brunt, Winchester, 01962 857 407, tbrunt@savills.com



An artist's impression of the floating farm in Rotterdam that will start producing milk this spring







states can be in families for many generations, but only if you work at passing on wealth successfully. Clive Beer, of Savills Professional Services, and Matthew Fleming, of family office Stonehage Fleming, discuss the art of getting succession right.

What is the most important factor in getting family succession right?

Matthew: There are two factors, really, having an agreed purpose and good leadership. The greatest threat to family wealth isn't bad investment decisions or changing tax structure - there are outstanding advisors to help with those - the real threat is the family itself. But if the family has a strong shared purpose, which could be passing on wealth, or being custodians of the family property, then everything else flows from that. It's an extremely important conversation to have. Clive: And for me, the most important thing is communication. It's essential to understand each other's point of view, you might not share it, but if you can understand it, you've at least reached a starting point.

And what does good family leadership look like?

Matthew: I believe a family's capital has four pillars: financial, cultural, social and intellectual and they all need strong leadership. However, it's very rare that one person can lead across all four areas. Entrepreneurs can often have a very dictatorial style of leadership, for example, and that's not going to keep the family together. A good leader will harness the talent in the rest of the family and establish a strong purpose for the family that will guide every decision, but establishing is very different from imposing. The common denominator for all successful families is definitely an ability to communicate.

What happens if a family doesn't communicate well?

Clive: Hopefully, they get a third party, such as myself or Matthew involved. We can have discussions with family members that they might feel uncomfortable having with each other. We can ask questions that nobody else will ask, that can lead to a greater understanding. It's about



"The greatest threat to family wealth isn't bad investment decisions – the real threat is the family itself"



creating the alchemy. We're disposable, while family ties are there forever. Matthew: Although families don't have to be locked against each other to benefit from a third party. There can be families filled with love who need guidance with communicating. For example, I was working with one family recently, where the father was an entrepreneur and his wife had supported him throughout his career, nearly losing their house three times. It turned out the biggest issue was that the three daughters now wanted the parents to enjoy their wealth more and to worry about them and their futures less, while the father was still concentrating on building up a business for his children to inherit. We ended up agreeing that the parents would step back and take at least two holidays a year.

At what point should a family start talking to the children about succession?

Matthew: Families need to be underpinned by honesty and transparency. I don't think you can start too young. I'm not saying talk to an eight-year-old about the burden of wealth, but get them involved in family decision making, working things out with their siblings and then, when it comes to making important decisions, they understand how to make them together. *Clive*: I think it's important that children grow up with a long-term understanding of what wealth means and the responsibilities it entails. If someone is spoilt and entitled when they're 10, that won't change. They'll still be spoilt and entitled when they're 80.

Matthew: Also, conversations are often better in principle than in person. If you sit down with your 20-year-old child and discuss the importance of a prenuptial agreement, they will very likely understand and say: "That's fine". But if you wait for that conversation until you have a 27-year-old who has just announced their engagement, you make it personal.

Who should be involved in family discussions?

Matthew: The simple answer is "adult family members". But every family has a different definition of what an "adult" is and even what a "family member" is. Do spouses count? What about step-children? There's no right and wrong answer but as long as the family has a solid idea of what

its purpose is then all else flows from that. *Clive*: Again, having a third party there can be very useful for broaching tricky discussions without it becoming personal. Parents might find it impossible to tell a child they don't want to include their spouse in a business plan, but I wouldn't.

If your assets are land or a country estate, how do you explain to your younger children that they won't be inheriting them?

Clive: This is where family discussions are so useful, so that everybody understands the family's purpose, and realises why equal shares isn't an option. If a family

"Parents might find it impossible to tell a child they don't want to include their spouse in a business plan, but I wouldn't"



agrees that its purpose is to conserve the heritage and legacy of a family estate, then everybody can accept that dividing it into three does not serve that purpose. Matthew: However, although primogeniture might make it simple to say who inherits, it's important to look at who has the right skills for the job. Even if an oldest child will inherit a title, if they don't embrace all four pillars of the family's capital, they might not be the right person to take the family assets into the future. Clive: Or if they're too risk averse, which is often a trait of eldest children, then they might not be right for the role. An abundance of caution keeps you standing

still, which is OK for a moment, but you can't do it forever. Being a younger child doesn't necessarily mean you won't be taking on the family assets.

Should everything be written down?

Clive: I would suggest creating a written family constitution as it just helps avoid misunderstandings and maintains a focus. But the most important part is definitely the discussion that goes into that document, talking things through.

Matthew: Sometimes the process of communicating is enough. If it brings families to reach an understanding that's a really good "de-risker". Seeking agreement is the next step on.

■ If you would like advice on succession planning, contact Clive Beer, London, 020 7877 4724, cbeer@savills.com



Caroline Shea QC

"A written agreement lays out what everyone's expectations are, which removes people's secrets and suspicions"

WHEN SUCCESSION GOES WRONG

Caroline Shea QC is a property litigator for Falcon Chambers and knows all too well what can happen when families fight. As Clive Beer says: "If you're going to see her, you know things have gone terribly, terribly wrong." She tells us why some families fall out and what the consequences can be.

"There is something in law called 'proprietary estoppel', which is when courts get involved to decide who should own a property, even if that goes against the wishes of somebody's will. It's the fastest growing area of property litigation, and has seen some vicious disputes played out in the courts.

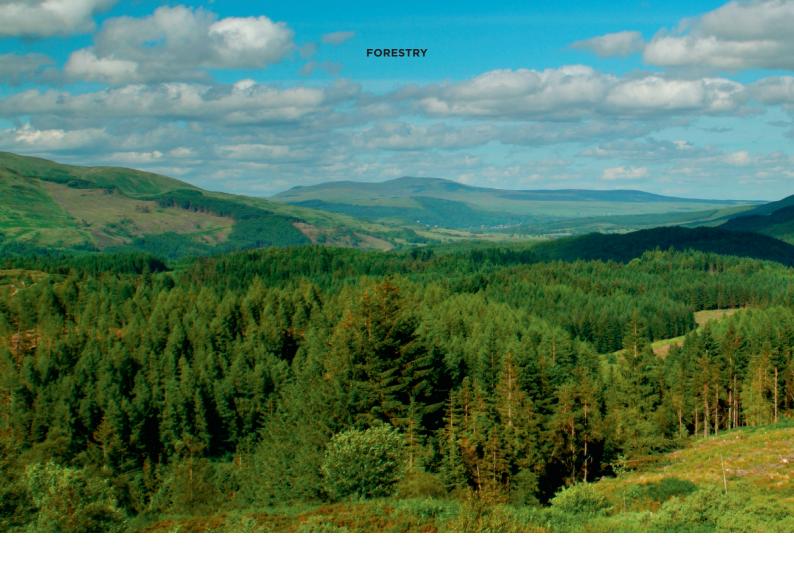
"I worked on a case last year. where the son, Steven - now in his 50s - had always worked on the farm that belonged to his father and uncle with a verbal understanding that one day he would inherit it. He had never bought his own place and had turned down other opportunities for work because of this understanding. His uncle retired and left him his share, but his father kept on working even though he was developing dementia, which meant he made mistakes that Steven had to correct and this took a toll on their relationship. The mother stoked the problems between father and son and persuaded the father to change his will so that their daughter inherited the farm despite the verbal

understanding that Steven had based his entire life around.

"Understandably, Steven came to see us. We won the claim, but it has come at a huge cost. It took five years out of their lives, the relationship between mother and son is destroyed, and altogether the costs ate up almost half of the farm's value.

"If this family had sat down and made a written agreement, it could have avoided a lot of this pain. It's not necessarily contractual, but it is good evidence of intentions if a dispute arises. And it lays out on the table what everyone's expectations are, which removes peoples' secrets and suspicions.

"Families can lose everything by going to court, and that's both sides, literally everything."



Growing returns

For the past 20 years, capital prices for forested land have risen steadily, making it a very lucrative – if long term – investment

he price for softwood, which accounts for more than 90% of the UK's timber production, is at a 30-year high. Parcels regularly sell for £50 per tonne and even as much as £70. This is a 50% rise in 2018 alone.

"There's no reason for timber values to stop rising, providing demand for wood remains," says James Adamson of Savills Forestry. "Wood has enjoyed a remarkable return to favour. Thirty per cent of new houses are timber-framed and renewable biomass energy accounts for around 20% of the UK's timber harvest."

But forest ownership is not for everyone. It takes years of growth before a tree is

ready for felling and the income derived is a one-off, making forestry an inefficient income investment unless you have lots of trees. Scale is therefore important for anyone seeking a regular income.

"A 100-hectare wood might offer three fellings over 50 years, providing an income once every 15 years or so," says James. "However, 1,000 hectares could provide income every 18 months, while 10,000 hectares would enable multiple fellings annually, providing a sustained income. Consequently the investment market is increasingly dominated by repeat buyers expanding their holdings – typically funds and family trusts."

Even without felling, forested land provides capital growth because its value

accumulates through the trees' growth; the nearer to harvest, the higher the value. Forests, therefore, represent a reliable asset for small-scale investors, who can realise their investment at any time through selling the property.

It is also a highly tax efficient investment. Income from the sale of timber is exempt from income tax and corporation tax, while growing timber (but not the land it grows on) is exempt from capital gains tax. As "business property", commercial forests attract 100% business property relief from inheritance tax on the total value of land and trees; typically £15,000-£25,000 per hectare.

Underpinning this favourable taxation are targets to increase forestation



throughout the UK. Scotland is on target to meet its aim of creating 10,000 hectares each year (12,000 from 2020). In England, the Government's ambition to plant 11 million trees before 2022 looks wildly ambitious. In 2017-18, just 1.6 million trees were planted.

Those keen to profit from forestry themselves could either buy land that is already established as commercial forest, or plant their own.

Forest prices are closely linked to local timber demand: proximity to a sawmill or biomass plant, for example, enhances a forest's value. Although, as James points out: "Today's high timber prices justify transporting wood further, so location is less sensitive than it was."

For new planting, however, location is still crucial and it dictates what trees you can plant. The poorer the land quality, the fewer species are suitable. Most investment woodlands are dominated by spruce, a fast-growing, broadly adaptable conifer with good timber qualities. When designing new woodlands, it's important to consider how future changes to weather patterns are likely to affect species choice.

Grants for creating new plantations vary. In Scotland, Forestry Grant Scheme funding is quite straightforward, supporting nine woodland creation models and for all but the smallest woodlands, grants broadly cover the costs of planting and establishment. In England the Government's increasing emphasis on ecological targets, angles grants towards the creation of woodland to improve biodiversity and water quality, and support carbon storage.

Over the next few years alternative sources of funding are likely to become available through the climate change agenda and corporate social responsibility. "It is not inconceivable that projected high future timber prices could help make the case for timber forests whether grant-aided or not," says James. "In any case, with a buoyant transactional market, strengthening timber prices and strong Government support, forestry provides plenty of reasons for the investor to be cheerful."

■ To find out more about investing in forestry, contact James Adamson, Perth, 01738 477 510, james.adamson@savills.com

IN FIGURES

Forested areas:



£50-£70
Price of softwood per tonne,

£3-**£10**Price of milling-grade hardwood per hoppus foot

£40-£70
Price of hardwood for burning per tonne

Average forested land values (per hectare):



E3_k-**E4**_k

Price per hectare paid for land bought for planting in Scotland







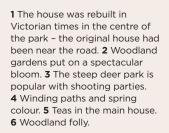


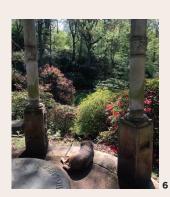
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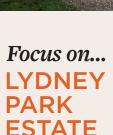
R Tolkien was involved in the excavations of the Roman temple at Lydney Park, and a curse about a ring was found here that is widely believed to have inspired his Lord of the Rings trilogy.











It's a delicate job finding the right balance between attracting people - and income - to your estate, while maintaining the privacy of a family home

pring is the perfect time for a visit to Lydney Park Estate in the Forest of Dean. Its woodland gardens are a blaze of colour as the azaleas, rhododendrons, and pieris vie for attention.

The estate is owned by Rupert Bathurst, the fourth Viscount Bledisloe, and has been in his family for 300 years. It was his grandfather who was responsible for planting this stunning woodland display.

"I grew up coming to Lydney Park at the weekends for as long as I can remember," says Bathurst. "My father managed the estate from 1958 to 2009, but we lived in London."

Bathurst, a successful portrait artist, has changed that and rather than keep Lydney Park just for the weekends, he and his family live at the estate full time. "As an artist, I could move my business down here and make the house a home," he explains. "I wanted the estate and my family to feel like part of the community. We have a lot of staff who have been with us for 40 years or more; they have put their life's work into looking after the place and I wanted to honour and respect that," he says.

The estate hosts local scout groups and makes sure that when it opens to the public it keeps the costs low enough to make it affordable for evervone.

"When I first took the estate on, I worked full-time getting to grips with it all, but now I spend about three days a week in my studio - which is conveniently opposite the estate office - and the rest of the time strategising and

managing the estate."

The estate works hard to be of value to the local community, a working farm and a private residence all at the same time. It employs 34 people and houses many employees and retired employees in properties around the estate.

The main sources of income come from the commercial property - including a stable block that it rents out to the Camphill Village Trust's Taurus Crafts centre, which attracts thousands of visitors a year - and the dairy farm of 1,100 cows run on a New Zealand grazing system.

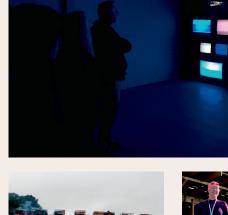
"The cows are all grassfed and milked once a day in our rotary parlour. It's a low input, low output system, but income can be variable as it depends on volatile milk prices," Rupert explains.







7 Shooting parties can stay in the eight-bedroom lodge.
8 Susan Hiller's Channels, 2013 at Blackrock 2015. 9 Inside the new gallery in Aylburton. 10 Us/Them installation by Patrick Goddard lit for Blackrock weekend 2016. 11 Performance art by Sally O'Reilly at Bathurst pool and lido, 2016





BLACKROCK: CREATING A CENTRE OF EXCELLENCE FOR ART

Art is a subject close to Rupert's heart, and in partnership with Matt's Gallery in London, he has created Blackrock – an artist's residency programme at Lydney Park.

Supported by Arts Council England and the Jerwood Charitable Foundation, four artists spent three months on the estate in 2015 and 2016.

"At the end of each residency we held very well received exhibitions," says Rupert. "Visitors were ferried by covered wagon to art in various constructions: potato barns, industrial warehouses, even public swimming baths.

"We also built a new white cube exhibition gallery in Aylburton that has already shown work by internationally renowned artists Susan Hiller and Willy Doherty."

Rupert is keen to develop Blackrock into something really significant and to build Lydney's reputation as a centre of excellence for visual art.



The estate also runs a sawmill supplied with timber from the estate's 1,100 acre woodland. "When I was young, sawing up the wood was a wet-weather job, but now the operation has grown and is open to the public five days a week supplying everything from logs and firewood to bespoke green

There is also a slaughterhouse at Lydney Park that prepares venison, wild boar and game products from animals hunted or culled on the estate.

oak for building projects."

"The shooting here is very popular as we have a unique, steep landscape through parkland with ancient plane trees," says Rupert. The estate used to open the main house to shooting parties for 40 days a year, but has instead upgraded a house on the estate into an eight-bedroom shooting lodge. "It can be

AT A GLANCE

4,000

34

300

years in Bathurst family

ruins of a Roman temple

rented as a whole, or divided into two separate houses," says Rupert. "Having a comfortable shooting lodge has been a great addition. Parties can be looked after throughout their stay and have the privacy of their own place."

To add diversity to the estate's income while still maintaining

the privacy of a family home can be a fine balance.

The grounds are an obvious draw with the deer park, the woodland garden and the remains of a Roman temple and Rupert is working with garden designer Charles Chesshire to restore the grounds to their previous glory: mending leaking dams, creating new views and re-positioning winding paths.

Currently, they open the garden for about 30 days each spring, during which time they serve teas in the house. "We'd like to move from being a secret garden that is well known locally to becoming far better known further afield and we're developing a social media presence to work on this. But with more visitors, we'd have to develop an alternative solution for the teas, so we're looking at plans

for an ornamental marquee," says Rupert.

A marquee would also help with the estate's wedding provision, which needs to balance guests enjoying the splendour of a large country home, with the family maintaining its privacy.

"We have a wonderful natural amphitheatre in the grounds and if we can combine that with the marquee it would make a stunning wedding venue."

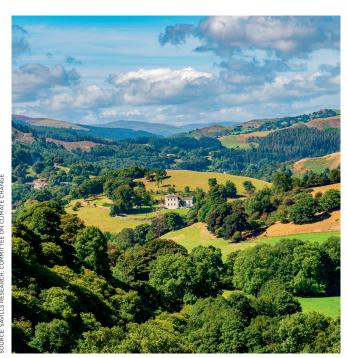
Rupert is not short of plans for how a marquee could open up all sorts of opportunities such as yoga retreats and art courses. But for now he has his business hat on: "First we'll see how this spring goes and review the numbers once the rhododendrons are no longer in bloom." S

■ www.lydneyparkestate.co.uk



Adjust to fit ~

A decade and a half of land-value rises has led to an inevitable mild market correction. However, most land is still worth four times what it was in 2000



Land prices vary hugely depending on demand

here were those who thought there would be a significant increase in how much land came to market in 2018, as farmers responded to proposed changes to agricultural policy and the prospect, for some, of rising debt.

However, although supply was up by 31% compared to 2017, this was mainly due to a couple of very large offerings.

"The 'flood of land' fears didn't materialise," says Alex Lawson of Savills National Farms and Estates. "If you exclude the two or three very large land holdings, the amount of land on the market was broadly in line with the 10 year average. There are plenty of active buyers and the majority of farms and land offered for sale have sold." To date, in 2019, there is no sign of a large acreage becoming available.

Last year, farmers accounted for about 45% of buyers, the vast majority of whom were buying to expand their current operations. "When farmers see neighbouring land coming to market, which might only happen once in a generation, they're usually still keen to secure it," says Alex.

Prices can vary enormously depending on how much competition there is.

"The market has become even more polarised," he explains. "For the very best in class, or when there's serious competitive interest, prices often spike, but without it, sales can be much more difficult."

Charles Dudgeon of Savills Farms and Estates, Scotland has noticed a parallel trend with Scottish sales. "We've seen prices paid for Class 3 land vary from between £5,000 per acre to more than £10,000. It all depends on the location and expansion plans of other

farmers," he says. "It makes targeted marketing and setting the strategy for a particular sale vitally important."

Overall in the UK in 2018, land prices fell by 1.8% compared to 2017. "There has been a gradual softening of prices since the peak of 2014-15," says Alex. "But in the decade and a half up to that point values had risen astronomically, so a mild market correction was inevitable. Most land is still worth four times what it was in 2000."

Almost 50% of buyers were looking for amenity and lifestyle properties, rather than a working farm. "They want somewhere private, well located and with the right facilities for them: it could be sporting potential, somewhere to ride or an opportunity to plan and create something for future generations to enjoy. This trend will continue. Some buyers are purely driven by financial returns, while others are just looking for the perfect family home," says Alex.

In the current market, a property that offers more than one source of income will always attract more interest than one that doesn't. In Scotland, Charles has seen farmers sell their farm to buy an alternative because it gave better opportunities to diversify. "It's not always about expanding a farm," he says. "It's about how the land is occupied to create an income."

One study has predicted that Britain's agricultural production area could shrink by 30% by 2050, which will certainly shake up how land is occupied. "It is likely to be those people with the most enterprising ideas who profit most from change," says Alex. S

For more on land prices, click research on www.savills.com





PROPERTY ON THE MARKET NOW



WHITEMOOR ESTATE, LANCASHIRE

£2.75M

A unique and compact sporting estate with the main house on the banks of a 40 acre reservoir.

- Whinberry
 Boathouse, a fivebedroom principal
 residence with a
 guest annex
- Moor Laithe Farm, three-bedroom farmhouse and a range of traditional barns
- Standing Stone
 Gate Cottage, threebedroom cottage
 with a large stone

- Renowned fishing on the 40 acre Whitemoor Reservoir
- Whitemoor fishing lodge and facilitiesAbout 890 acres in total
- 139 acres of productive grassland and moorland
- 711 acres of additional sporting rights
- Contact Will Douglas, York, 01904 617 812, wdouglas@ savills.com









KINCAIRNEY ESTATE, PERTHSHIRE

OFFERS OVER £3M

Exceptionally private Perthshire estate in a stunning location.

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- North and south gate lodges
- Gardeners cottage
- Laundry cottage
- Walled garden and stable block
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- About 165 acres of which 135 is parkland
- Private loch and folly
- Sporting rights
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£9.75M

A spectacular estate in the Wensum Valley of about 1,000 acres including Ebony Hall set in 100 acres of parkland.

- Extensive irrigated farm
- Ebony Hall, a five-bedroom principal residence with a two-bedroom apartment, and indoor swimming pool
- Extensive frontage to River Wensum
- Three further residential dwellings

- About 1,021 acres ■ 588 acres of productive, irrigated arable land
- 122 acres of permanent pasture and grazing
- 178 acres of generally mature woodland
- Range of agricultural buildings
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HEADLEY HOUSE AND STUD, BERKSHIRE

PRICE ON APPLICATION

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- Beautiful grounds and gardens with views over the land
- About 188 acres Swimming pool, tennis court, mature gardens, carp pond, car port, listed barns

- Extensive guest accommodation and staff accommodation
- World class equestrian complex including indoor school, outdoor manège and allweather gallop
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- Excellent access to communications and well thought of local schools
- Contact Louise Harrison, London, 020 7016 3715, lharrison@savills.com











"Our expertise, as architects, is to make sure we're creating places that are fit not only for today, but also for the future"



Savills Architect David Shaw, discusses designing new buildings, retro-fitting old ones and the opportunities that new materials will open up

What is your role within Savills?

As a Savills architect, I can be involved with all sorts of developments, from a new build on a greenfield site to a farm building conversion or working within a historic context such as a listed building. Our expertise, as architects, is to make sure we're creating places that are fit not only for today, but also for the future, and that marry as tightly as possible to our clients' aspirations. A large part of our work is transforming existing and historical buildings, through "recycling" and retro-fitting.

Why is re-using old buildings so important? A lot of energy and effort has gone into these buildings, so it makes perfect sense to put them to alternative use. Most have been created in pretty sustainable locations – with local communities, good infrastructure, and energy supplies – so why not re-use them and save resources? Take barn or warehouse conversions: creating amazing homes from these beautiful structures is a classic example of effective property recycling.

Is good design still a priority?

Local authorities want higher densities of residential property, but it needs creative minds, and a good understanding of spatial



Old buildings mix well with new materials

awareness, to achieve housing density without compromising on harmonious design and a positive live/work environment. We now realise that good architecture contrasts, frames and embellishes the existing environment so, thankfully, there are fewer designs that pastiche the past.

What does the "ideal home" of the future look like? Future housing is all about the fusion of technology and adaptability.

Today's appetite for post-modernism

– with technology, new materials and a contemporary approach to aesthetics

– means buildings will be ripe for adaptation in the future. Energy efficiency is a must. Technology is also being embraced more quickly, so that many more people can control their home from anywhere in the world.

What sort of new developments will we see in the coming years?

How we use and recycle buildings is a very exciting area. Glass, for example, is no longer just a see-through medium. When used to make photovoltaic panels, it becomes an energy creator - you can store that electricity within your building, then you can charge your car and run your house. Soon, buildings will actually be glazed with transparent PV panels instead of regular glass, and we're not far away from these surfaces acting as a giant TV screen that can change appearance. Another interesting new development is 3D-printing and we're seeing far greater use of flat-pack construction. There's a start-up in Russia that has used 3D-printing to construct a new building in just 24 hours. Then there's virtual reality that allows property owners and developers to experience their potential spaces much earlier in the design process. This provides an understanding of their buildings like never before.

What do you enjoy most about being an architect? I love designing a building where you understand completely how your client wants to live or work – it lets you create a space that is an extension of their own character. I always encourage our clients to bring ideas to the table from day one – that way, they buy into the design process from the very beginning and the building truly becomes theirs. I simply help the process happen.

■ If you would like architectural advice on existing buildings or new builds, contact David Shaw, Winchester, 01962 857 413, dwshaw@savills.com

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