

Why managing your mindset  
can be a key part of managing  
how your business performs

How farmshops have adapted  
to the Covid-19 emergency  
to support local communities

Are woodland carbon  
trading schemes the key  
to more tree planting?



# Land Business

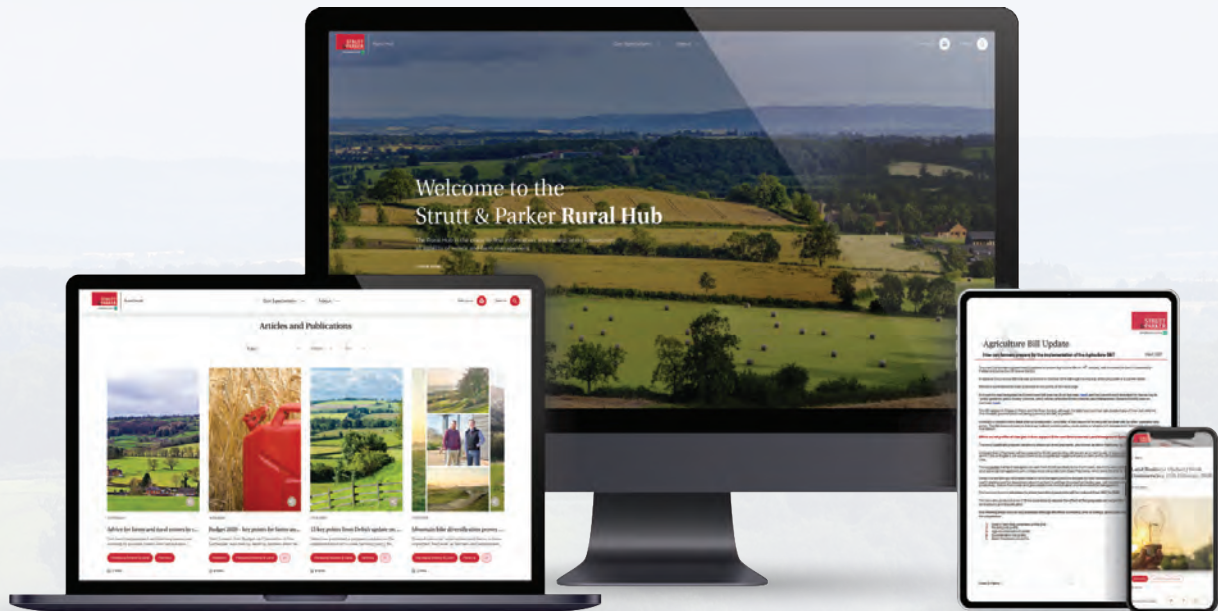
2020 SPRING/SUMMER



FARMING ESTATE MANAGEMENT SALES FORESTRY PLANNING



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# Land Business

FARMING ESTATE MANAGEMENT SALES FORESTRY PLANNING

## Welcome

When we started planning this issue of Land Business back in January, none of us could have imagined the position we now find ourselves in.

The past few months have been unprecedented with the Covid-19 pandemic having a profound effect on our personal lives and our businesses. The crisis also struck after a prolonged period of adverse weather, negative publicity about livestock's contribution to climate change and uncertainty about the future support regime - all significant pressures for farms and rural estates.

It's at times like these that the ability to stay positive, deal with setbacks and innovate become more important than ever.

In this issue, we examine the way that farmshops have adapted to the challenges of coronavirus, reinventing their operations overnight as they sought to serve their local communities (p12). Among all the uncertainties and worries of present times, it is a heartening story and a reminder of the valuable contribution that farms and estates can make to society. It also highlights how positive thinking can help build resilience - both personally and professionally (p16).

If there is an immediate lesson from the current crisis for land-based businesses, it is the value of having a wide range of revenue streams. So we also look at how landowners may be able to seize opportunities as a result of the environmental agenda.

We explore the market for carbon in the context of woodlands and forestry (p30) and the potential for Biodiversity Net Gain (BNG) agreements (p18).

As always, we'd value your feedback, so please do get in touch to tell us what you think about this issue.

In the meantime, stay safe.



**JAMES FARRELL**  
HEAD OF RURAL

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# IN THE FIELD

NEWS & VIEWS FROM STRUTT & PARKER

## Positive planning changes signalled

The government has promised comprehensive reforms to bring the planning system into the 21st Century, as part of its strategy to stimulate housing development.

The Budget 2020 confirmed that an 'ambitious' Planning White Paper will be published shortly.

It said reforms will aim to create a simpler system to accelerate planning decisions and to provide more certainty to the general public, local planning authorities and developers.

Ahead of the White Paper's publication, housing secretary Robert Jenrick announced a range of new proposals which are detailed in a *Planning for the Future* document.

This signals that councils will be encouraged to make the most of

brownfield sites for housing development first, particularly those close to existing transport hubs.

However, all local authorities will be required to have up-to-date Local Plans in place by December 2023, so enough homes are built for their communities, which could open up development opportunities for rural landowners.

Councils who fail to deliver on their Local Plans, measured by the Housing Delivery Test, will face increased scrutiny.

Although little has been said directly about the implications of the reforms on rural planning, overall the signals do point to a more positive planning environment in the future.

The government is keen to meet its pledge to build one million more homes in the next five years and to deliver



significant improvements in critical infrastructure, so it could open the door on opportunities for rural landowners in terms of development in villages and around towns.

Given the importance of digital connectivity in new homes, another positive announcement in the Budget was confirmation of funding to support the rollout of gigabit-capable broadband.

It was also confirmed that a £1bn deal has now been signed between government and mobile phone operators to bring 4G mobile phone coverage to 95% of the UK's land mass by 2025. These are moves that could have a significant positive impact on the wider rural economy.

*John McLarty,  
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Photography: Getty Images



## The benefits of health and safety briefings on farms

**Thirty-nine people were killed on UK farms in 2018/19, with strikes by moving vehicles the main cause of fatalities.**

Although just 1.2% of the UK's total workforce is employed in the sector, agriculture has a fatal injury rate of 9.21 per 100,000 employees, compared with 1.31 in construction and 0.45 for industry overall.

The figures highlight the importance of managers doing all they can to promote a positive health and safety culture among their team.

The legal framework is set out in the Health and Safety at Work etc. Act 1974 and the Management of Health & Safety at Work Regulations 1999, and compliance with these laws should be seen as an essential part of farm business management.

But meeting the requirement to provide suitable and sufficient information, instruction, training and supervision to ensure – so far as is reasonably practicable – the health, safety and welfare of employees at work requires a thoughtful and proactive approach.

Growing numbers of farm businesses are finding pre-harvest health and safety briefings an invaluable tool to engage employees with health and safety matters in a practical and constructive way.

Adopting this approach can help to foster a positive health and safety culture, avoid accidents, safeguard against financial sanctions and reduce the costs and inconvenience associated with work-related ill health.

**Robert Gazely, Farming**  
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## Tenancy reforms move forward

**The government has broadened the scope of the Agriculture Bill to address agricultural tenancy reform and to help reinvigorate the let agricultural sector.**

The revised version of the Bill, tabled in January, includes:

- Proposals to make it easier for tenants to join schemes such as the Environmental Land Management System (ELMS) and to invest to meet regulatory requirements.
- A plan to scrap the 'Commercial Unit Test', which currently precludes anyone already occupying a commercial unit from succeeding to an Agricultural Holdings Act (AHA) 1986 tenancy.
- The ability for an AHA 86 tenant to retire before the age of 65.
- An indication that funds will be offered to County Farm estates, landowners and other organisations who want to invest in creating new opportunities for new-entrant farmers.

These proposals, allied to the possibility that retiring farmers may be able to 'roll up' their remaining Basic Payment receipts into a lump-sum payment, appear to present a real opportunity for constructive and progressive reorganisation of the let sector to better enable it to cope with the significant changes ahead.

**Alistair Cochrane, Land Management**  
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## Debate rumbles on over IHT reform

**The rumour mill went into overdrive ahead of Budget 2020 about possible changes to inheritance tax (IHT) reliefs which could have had a significant impact on farms.**

In the event, there was no mention of changes to Agricultural Property Relief (APR) - which is a vital tool for succession planning in family farming businesses, given the returns from agriculture are generally not enough to pay high IHT bills without selling assets and jeopardising the future of the business.

However, there seems to be a general view that a review of the inheritance tax regime could still be on the cards.

A number of recommendations from the Office of Tax Simplification report are still on the table, one being the question of whether it is appropriate for the level of trading activity for Business Property

Relief (BPR) to be at a lower level than that set for gift hold-over relief or entrepreneurs' relief. This is clearly something that those with Balfour-style arrangements will need to be mindful of.

The recent All Party Parliamentary Group (APPG) report on Inheritance Tax and Intergenerational Fairness also called for sweeping changes. It suggested that APR and BPR should be abolished and a 10% IHT rate introduced. This is not an official policy document and would be unlikely to be taken forward without further consultation. But it highlights growing debate about the fairness of IHT and reliefs available to businesses, including owners of rural land-based businesses, and signals that a review might be on the way.

**Patrick Beddows, Land Management**  
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## News in brief

# 209.1mm

The amount of rain which fell in the UK during February 2020 – the wettest February on record. This was also the fifth wettest calendar month since 1862, with the record being 227mm in October 1903. In contrast, April 2020 was the sunniest on record.



### Stewardship potential

Farmers in England still have time to make an application for the Mid-Tier Countryside Stewardship Scheme (CSS) ahead of the 31 July deadline.

A well-structured Mid-Tier CSS agreement can work for many farmers on a practical and financial level, as well as delivering for the environment.

Requests for an online application pack must be made by 30 June.

**George Hoyes, Farming**

### LOW-CARBON HEATING

Fossil fuel boilers have been the heating system of choice in British homes, but pressure is growing for homeowners to move away from fuels like gas, coal and oil and towards low-carbon alternatives, including biomass and ground or air source heat pumps.

Strutt & Parker has produced an overview of the main alternatives, including the most immediate pros and cons. **Visit: [struttandparker.online/rural-lowcarbonheating](https://struttandparker.online/rural-lowcarbonheating)**

**Dave Bates, Building Surveying**

“

PEOPLE NEED TO  
REMEMBER THAT AT  
THE HEART OF EVERY  
FARMING BUSINESS IS  
A FAMILY

”

NFU president Minette Batters calls for activists to be mindful of the victimisation of livestock farmers as part of the climate change debate

### BIOETHANOL FUTURE

Plans to increase the amount of bioethanol in unleaded petrol from 5% to 10% have been tabled by the Department for Transport to help reduce greenhouse gas emissions.

The introduction of E10 grade fuel could underpin demand for feed wheat in the North of England where the Viverno (Hull) and Ensus (Teeside) plants are located.

**Paul Dennison, Farming**



### Time to Review tool

Strutt & Parker has developed a new business analysis tool to offer rural estates insight into how they can improve their commercial performance.

The 'Time to Review' tool is designed to aid long-term, strategic decision-making for mixed rural businesses with let property, by quickly identifying their strengths and weaknesses in terms of a set of selected financial ratios.

It should be particularly useful for estate owners considering introducing new diversification projects, helping to offer clarity about investment decisions.

The financial ratios have been chosen as a useful starting point for discussions, but we appreciate that every landowner will have different personal objectives so every conversation about the results will be different.

**Find out more at: [struttandparker.online/rural-timetoreview](https://struttandparker.online/rural-timetoreview)**  
**Ed Mansel Lewis, Land Management**

### BROADBAND USO

The Universal Service Obligation (USO) which gives people the right to request a decent, affordable broadband service came into force on 20 March.

Anyone can request an upgraded connection if their broadband speed is below 10 Mbps download and 1 Mbps upload and BT has 30 days to confirm eligibility and how much it will cost to build a better connection.

If it costs more than £3,400 to connect a home, the homeowner will have to pay the excess costs. But once the connection has been upgraded, the broadband price must not be more than £46.10/month.

**Bryony Heaven, Land Management**



# Accelerating tree planting in England

**The question of how to accelerate woodland creation in England to enable tree planting targets to be met has risen to the top of the agenda in recent months, ahead of an expected consultation on a new English Tree Strategy.**

Last year just 1,400ha of new woodland was planted in England, but the government has a UK target of 30,000ha of new woodland being planted every year by 2025.

This is why Strutt & Parker was delighted to sponsor and take part in an interactive online conference organised by Ecosystems Knowledge Network in late March, involving 150 delegates.

The event's speakers included Defra Minister of State Zac Goldsmith who explained that there is no pathway to the UK meeting its net zero emissions target by 2050 that does not involve restoring and creating forests.

"We have a huge challenge to achieve a scale of tree planting and woodland management we haven't seen before," he said.

Lord Goldsmith urged landowners not to wait for the introduction of the Environmental Land Management System (ELMS) before they start planting trees, pledging that they will not be disadvantaged once ELMS becomes available.

The developing business case for landowners and managers to become involved in woodland creation and management was examined by a line-up of speakers including Jon Lambert, head of John Clegg & Co, Strutt & Parker's forestry arm.

A full recording and pre-conference blogs are available on the EKN website at: [ecosystemsknowledge.net/events/woodland](https://ecosystemsknowledge.net/events/woodland)

Read more about woodland on p30.  
**Tanya Gato, John Clegg & Co**  
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Photography: Getty Images



## Flood support funds on offer

**Farmers affected by flood damage caused by storms Ciara and Dennis are being encouraged to apply for support from the Farming Recovery Fund.**

Defra has announced an additional £6m to help farmers who suffered uninsurable damage to their property as a result of the exceptional weather earlier this year.

Affected farmers in eligible areas can claim grants of between £500 and £25,000 to cover a number of uninsurable repair costs, such as the re-cultivation of farmland, reseeding grassland, replanting cover crops and alleviating soil compaction.

The support is also available to help pay for replacement fencing, gates and water troughs or to restore field tracks, bridges and open agricultural drains.

The eligible areas of the country are parts of East and North Yorkshire, Gloucestershire, Worcestershire, Shropshire, Staffordshire, Nottinghamshire and Herefordshire.

Grant applications are also still being accepted for those farm businesses hit by flooding as a result of significant rainfall in November 2019. The closing date for these is 31 July.

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## Electrical safety check rules on way

**Regulations introducing new electrical safety standards in the private rented sector in England will come into force this summer to improve tenant safety.**

The new rules mean estates and farm businesses with let residential property will need to plan and budget for mandatory five-yearly electrical safety checks if they are not already doing so.

Failure to carry out the checks and any remedial work needed as a result could leave landlords exposed to fines of up to £30,000.

Landlords will have to ensure that every fixed electrical installation is inspected and tested at least every five years by a qualified person. A fixed 'electrical installation' is defined as fixed electrical cables or equipment located on the consumer's side of the supply meter, but excludes Portable Appliance Testing (PAT).

The period between inspections may be shorter than five years if it is noted during an inspection that an installation is compliant at that point in time, but becoming 'aged'.

Any remedial work will need to be carried out within 28 days of the inspection or sooner if specified.

The regulations are expected to apply to new specified tenancies from 1 July 2020 and existing specified tenancies from 1 April 2021.

**Jessica Waddington, Land Management**  
[jessica.waddington@struttandparker.com](mailto:jessica.waddington@struttandparker.com)



## Calculator highlights funding gap

**More detail has emerged about how Defra intends to transition from direct payments to a new approach of 'public money for public goods'.**

The plan is for Basic Payments to be replaced by the Environmental Land Management System (ELMS), with funding to remain at current levels of about £3.2bn in the UK and £2.2bn in England until the end of this Parliament.

However, Strutt & Parker modelling suggests that despite this, there could be a significant impact for those farms not currently in the top 25% of economic performance. It indicates that farms in the middle 50% or bottom 25% could see their net profits fall by as much as half.

Net profits that land managers earn from BPS are estimated to be about 80-90% of the payment received because the costs associated with claiming BPS payments each year are small.

However, the net profits that will come from ELMS are likely to be much lower, due to the associated costs of carrying out environmental management work.

Discussions are still ongoing about

how payments might be calculated under ELMS, but a recent Defra discussion document suggests payments under Tier 1 of the scheme may not be significantly different than under current agri-environmental schemes, as they will be based on 'income foregone'.

Given this, we strongly recommend all land managers produce budgets for their businesses from now to 2028.

Strutt & Parker has a calculator to assess the impact of the proposed changes on net profits, allowing for three different scenarios.

A member of the farming team can run any business through the scenarios, free of charge. This can provide a valuable starting point for discussions about how best to address this potential funding gap, with solutions including raising productivity, reducing costs and growing profits from diversification and environmental management.

Find out more: **struttandparker.online/rural-farmfunding2**  
**Will Gemmill, Farming**  
[will.gemmill@struttandparker.com](mailto:will.gemmill@struttandparker.com)



The charts model how net profits for a business currently making £41,000/yr net profit might change by 2028. It calculates how profits - generated by farming, diversification, agri-environment schemes and direct support - might change according to three scenarios.

**Total net profit** —

**Farming** ■ **Diversification** ■

**Basic payments** ■ **Agri-environment** ■

#### STANDARD ASSUMPTIONS

**£26,267**

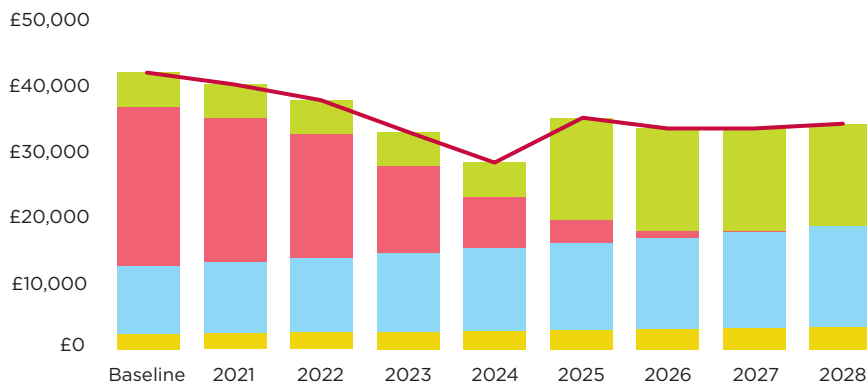
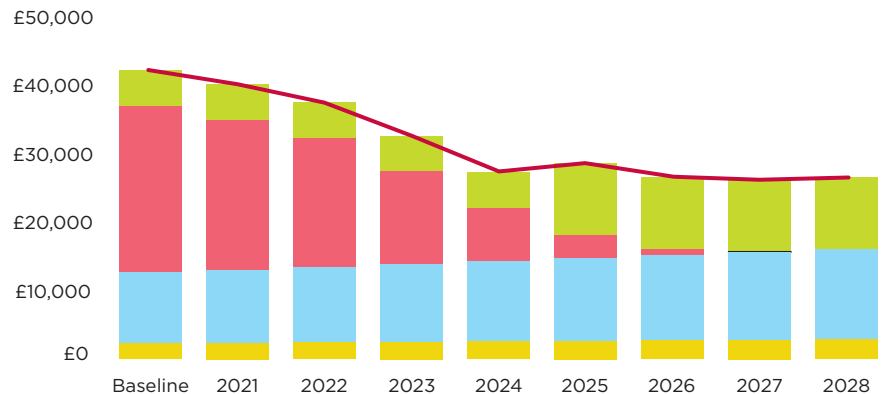
profit in 2028 for whole farm

**£181**

profit in 2028 per/ha

**-37%**

change in net profits



#### OPTIMISTIC SCENARIO

**£34,096**

profit in 2028 for whole farm

**£235**

profit in 2028 per/ha

**-18%**

change in net profits

#### PESSIMISTIC SCENARIO

**£17,735**

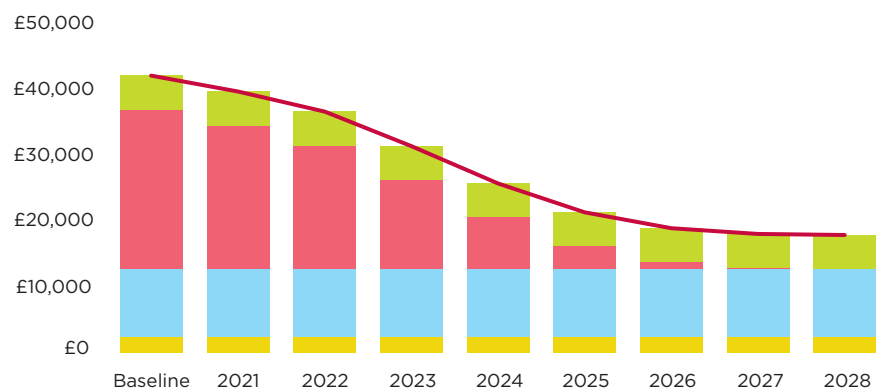
profit in 2028 for whole farm

**£122**

profit in 2028 per/ha

**-58%**

change in net profits



# FEEDING THE NATION





The farm retail sector has reinvented itself during the Covid-19 crisis, stepping up to meet rising demand for food from local communities. Strutt & Parker talks to farmshop operators about how and why they have done it and hears about their hopes for the future

ILLUSTRATION JAMES TAYLOR

‘It was our Spitfire moment.’

That’s how Henry Warde says his team at the Flint & Oak delicatessen and farmshop viewed the situation when it became apparent how serious the coronavirus crisis was going to be.

They had been building the business steadily over the past three years, focusing on selling locally-sourced, seasonal produce from a converted milk parlour on the 2,500-acre Squerryes estate in Kent, which also operates a vineyard, winery and wedding business.

But as the UK entered the new world of lockdown and news reports became dominated by pictures of empty supermarket shelves, it was clear that it was no longer business as usual.

‘There was inevitably an element of danger associated with being on the frontline, but it felt like our moment to make a difference,’ he says. ‘I said to the team: Stop everything else and let’s make this happen.’

‘I’ve always tried to impress on my children the importance of helping others and this crisis has demonstrated that to them first-hand. It’s at moments like this when businesses have to step up, be outward-focused and think about others. This was a moment when we could have a real impact and change people’s lives for the better.

‘It was all very intense, but I also felt the businesses that kept fighting through lockdown would be the ones that were match fit when a

semblance of normality returned.’

The award-winning business reallocated its estate team to farmshop-related roles and quickly developed a click-and-collect website offering, enabling shoppers who did not want to come into the shop to buy food without even needing to leave their car. With the weddings business on hold and the restaurant closed, the estate chef was asked to focus on developing new products to sell through the farmshop.

Food orders shot up, with turnover trebling almost overnight, says Henry. While he recognises that this initial spike in the early stage of the crisis was temporary, he says the situation has prompted a new business model for the medium and long term.

‘Understandably, our community wasn’t buying lovely wine because there was nothing to celebrate, but that customer base has been buying food from us and we’ve definitely picked up new customers who were avoiding supermarkets and hunting out local suppliers.

‘Everyone is going to remember that period for the rest of their lives and, if we are with our community in the bad times, we hope they will be with us in the good times,’ he says.

Another business that has gone through huge change in a very short time is White House Farm farmshop at Sprowston in Norfolk, owned and run by Charlotte and Oliver Gurney.

They took the decision to close the doors of their farmshop to the public, introducing an order and collection service so they could carry on serving the local community with reduced levels of contact.

Getting the technology in place to process orders was a hurdle because they didn’t have an existing online portal. But Charlotte’s brother – an app developer – helped create an online ‘picking and packing’ service.

‘The speed of change was unprecedented, but any awful challenge brings out the best in people,’ says Charlotte, who has spent six years developing the popular business with former

Pictured: Henry Warde (top) of Squerryes in Kent which runs Flint & Oak, and Charlotte and Oliver Gurney who run White House Farm farmshop in Sprowston, Norfolk.



Royal Marine Oliver, turning a pick-your-own and some ‘ancient and crumbling’ buildings into a thriving café, butchery and farmshop.

‘We’ve converted buildings to let out to other businesses such as a children’s nursery, a beautician and a dance studio and tried to create a real community here, so part of my reason to stay trading was to keep the flag flying for the brand and the community,’ she says.

Although there was the potential upside from the rise in turnover, there was also a big risk as it was so hard to predict orders. The Gurneys faced the danger of being left with thousands of £s worth of perishable products on their hands.

‘When you place big orders at Christmas, you know you are going to sell those items because you’ve studied the previous years’ numbers before ordering, but we couldn’t do that because this situation was unprecedented.’

Another key change during this period was the increase in card payments and a shift away from cash – a trend Charlotte has been keen to encourage, as handling cash can be time-consuming and inconvenient.

The couple was also conscious that, while they as entrepreneurs were used to exposing themselves to risks and challenges, they were asking their staff to get on board with a huge amount of change.

‘They did it fantastically, though, and we’ve all really gelled and it feels we’ve done something we’ll look back on and be proud of.’

She describes the first ten days of the crisis as ‘terrifying’ and admits there were times when it was tempting to stop trading. ‘But we felt a huge sense of responsibility that we should keep going and we’ve seen a massive demonstration of loyalty from customers as a result.

‘At a time of national emergency, food is morale,’ she adds. ‘Those first days and weeks of lockdown particularly were a time of great fear and we wanted to make sure people could carry on getting the food they needed and enjoyed, to provide them with a semblance of normality in an uncertain world.’

During a time of turmoil, customers very much appreciate the personal touch that

farmshops can provide, points out Catriona Farquharson at the Finzean Farmshop near Banchory in Aberdeenshire. It has kept its doors open throughout, but with reduced opening hours, and introduced both a delivery and a collection service.

‘You could see people’s sense of relief that we were still operating,’ says Catriona. ‘Whether it’s widows or mums with young families whose husbands were stuck offshore, a lot of people are on their own. Taking time to talk to them was more important than ever.

‘I would have felt guilty if people had rung us up and we hadn’t been able to help, plus it was important to continue supporting our suppliers. There’s been a real camaraderie between us all, whether that’s our team, our customers or our suppliers. We’ve all pulled together.’

It’s been an exhausting and challenging time for the family and the team, Catriona acknowledges. But with other estate enterprises such as holiday cottages and let property feeling the impact of the crisis, the farmshop has kept revenue coming in, at a difficult time.

She hopes that the pandemic could change the way people view food in the long term, prompting them to shop and eat in a more ‘traditional’ way or how many do in France, buying only what they need, cooking more, eating more wholesomely, wasting less and relying less on microwaves.

‘Long term, we really hope it might make the nation buy more local food. We used to struggle, for example, to sell yoghurt from one local supplier even though it was delicious because people would buy it from the supermarket out of habit. Now, so many people have tried this yoghurt that they’ll keep buying it because once they’ve tasted it there’s no going back.’

On the Albrighton Estate in Shropshire, the Battlefield 1403 farmshop is already evaluating changes to its long-term strategy as a result of the crisis.

This leading business, which incorporates a butchery and café alongside the farmshop, plus a second café in Shrewsbury, is another that has reinvented itself in the face of adversity.

“  
IF WE ARE WITH  
OUR COMMUNITY IN  
THE BAD TIMES, WE  
HOPE THEY WILL  
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GOOD TIMES  
”





Facing a big drop in revenue (the café at the farmshop and the one in Shrewsbury, which both closed in line with government guidelines, usually account for about 40% of annual turnover), they quickly introduced a food delivery option – identifying key products, compiling an online list, converting the café into a deliveries/collections point and getting together a fleet of vehicles.

‘Luckily we have resources on the farm such as staff and vehicles to draw from,’ says Jeremy Jagger, a partner in the business.

The shop remained open, although they opted to close on Sundays to give the team a regular, much-deserved rest.

‘We had to introduce changes without the benefit of research and development time, but when we come out of the other end, we’ll be a better business for it,’ says Jeremy. ‘The staff will be more multi-skilled and flexible, our stock control will be tighter and we’ll have a delivery offering, although we’ll need to crunch the numbers further to understand the exact economics of this.’

Communication with customers has been key

as the situation has been evolving, with the website, emails and social media vital in terms of keeping people informed. ‘Luckily, we have a relatively strong social media presence – as a food-related business, Instagram in particular has been great for us.

‘Necessity is so often the mother of invention,’ concludes Jeremy. ‘We just needed to pull out all the stops.’

Such creativity and agility is a key strength of the farm retail sector, according to Rob Copley, chairman of the Farm Retail Association.

He believes that positives will come out of the Covid-19 pandemic. ‘This situation has brought to the forefront just how important farmers and farmshops are to the nation.

‘We believe that new customers will see how friendly their local farmshops have been during this time of crisis and, now they’ve enjoyed the personable service and fantastic fresh local produce, many of them will choose to keep coming back.’

**For the latest advice and guidance in relation to Covid-19, visit [rural.struttandparker.com](https://rural.struttandparker.com)**

Above: Jeremy Jagger (left) from Battlefield 1403 on the Albrighton Estate in Shropshire. Plus Catriona Farquharson (centre right), pictured with sister-in-law Kate, who together run the Finzean Farmshop in Aberdeenshire.



Running a successful land-based business calls for a range of personal attributes. **James Farrell**, Head of Rural at Strutt & Parker, examines the power of positivity



## ILLUSTRATION GIACOMO BAGNARA

British farmers take a huge amount of pride in the welfare of their livestock.

They do it brilliantly because it's the right thing to do and because, as they often remark, they know that a 'happy' animal is a more productive one.

It suggests that we instinctively understand the value of happiness in relation to our stock, so why is it that we often ignore it in relation to ourselves and our staff?

People who work in rural-based businesses have a reputation for being a stoical breed. They're practical. They get the job done. They don't make a fuss. While recent years have seen a wider appreciation of the importance of looking after one's physical health, many are still sceptical when it comes to the notion of wellbeing.

'Happiness' is, of course, an ephemeral concept. We know it when we feel it, but it's complex and subjective, and as a word it isn't always helpful, conjuring up images of smiley emoji and good cheer. The Greeks defined happiness as 'the joy we feel striving for our potential', which is perhaps closer to current thinking about what makes life fulfilling. To flourish in life we actually need five things: positive emotion, engagement, relationships, meaning and accomplishment. These are the building blocks of wellbeing and the key to a better life.

The science is clear on why this is so important. When we are more positive every single business outcome is enhanced, we are less likely to be ill and we live longer. We are more engaged, more creative and more productive. Fear-based thinking is replaced by good decision-making. We are better at processing possibility and finding meaning.

With massive changes underway in the countryside, the benefits positive thinking can

bring – such as better decision-making and improved innovation – mean that the way we think is becoming more important than ever.

It is sometimes argued that people can't change their personalities and that their mental attitude is set, baked in at birth. Admittedly, some of us are by nature more positive than others, but everybody can move themselves at least some of the way from negativity, to the benefit of themselves, their families, colleagues and businesses.

After all, the brain is plastic – it's malleable and trainable. Think about what it does: it's basically a massive filter, absorbing countless pieces of information every second through the senses, then filtering out all but a minuscule proportion. Two people, even at opposing ends of the negative-positive range, see the same reality, but filter out different things, according to how their brains work. That filter is the lens through which they see life and which determines how they then behave. We can change the lens so we see life in a different way.

If this all sounds a bit 'new age' and of little relevance to day-to-day life, it's worth bearing in mind it's a concept that even the US military take seriously. They have worked with the University of Pennsylvania to train military personnel in effective mental resilience and wellbeing.

This work has reduced levels of anxiety, depression and Post Traumatic Stress Disorder (PTSD) and shown that while stress might be an inevitable part of life its effects do not have to be. It highlights the role of positive psychology in equipping us for the tough challenges life can present us all. It proves how adopting a more positive mindset makes us more able to deal with setbacks and cope with – indeed, enjoy – change.

The coronavirus pandemic is testing everyone's resilience. Add to that the fact that the countryside stands on the brink of a period of massive transformation and it is easy to see why some may feel anxious and stressed by life. Being optimistic in such testing times is tough, but rational optimism in such circumstances helps make sure we are best placed to identify and capitalise on the opportunities that the future will bring.

This then begs the question: If we don't feel positive now, what can we do about it?

One simple, practical way is to write down – or share with loved ones, friends or colleagues – three things that have made you feel good or for which you have felt grateful in the previous 24 hours.

They might be small (the steak you had for supper or a chat with a friend) or might be larger (one's health, family or a satisfying workplace initiative). All too often, we focus on the negatives, but carrying out this exercise regularly begins to transform our perceptions and can change our outlook on life and work. Acts of kindness and investing time in building relationships are also helpful.

Another of the cornerstones of positive psychology is focusing on – and playing to – your strengths. Business people launching or developing new enterprises are inherently more likely to succeed if they are passionate about them and if they're aligned to their personal values. Investment choices that are driven by a real sense of purpose and meaning and not just by financial metrics are more like to be future-proofed. When we are making decisions, before we decide the 'what?' we have to understand the 'why?'

The more each of us can understand how we think – and build more positivity into our default position – the better equipped we'll be to flourish in the years ahead. Mindset really does matter.

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“ THIS BEGS THE QUESTION: IF WE DON'T FEEL POSITIVE NOW, WHAT CAN WE DO ABOUT IT? ”



WORDS **CHARLIE TAVERNER**

ILLUSTRATION **CARLA LUCENA**

The drive to build more homes in the UK is set to open up an exciting new opportunity for farmers and landowners

Britain needs more homes, but also more habitats.

In its 25-year Environment Plan, the government set lofty goals for reversing the declines in birds, insects and mammals seen over several decades.

While intensive agriculture, along with climate change, industrial pollution and building, has been among the causes, incoming changes to planning laws will involve farmers and landowners in the solution.

Biodiversity Net Gain (BNG) is widely seen as one of the main changes – if not *the* main change – in the Environment Bill, which is working its way through Parliament. This provision will require all developments to demonstrate a BNG of 10% as part of planning permission. Put simply, that means not just making up for the negative environmental impact of the development, but actively increasing the variety of habitats and the amount of wildlife by 10%.





When seeking planning permission, a developer will have to calculate the number of biodiversity units attributable to the site in its pre-developed state, based on a Defra formula, then demonstrate how they will raise the total units and maintain that improvement for 30 years.

'Biodiversity Net Gain will have a transformative effect on the environment and countryside in this country,' says Professor David Hill, founder of Environment Bank, who introduced the concept to the UK.

While housebuilders can increase biodiversity within the development itself through on-site schemes, a large portion of the gains – perhaps 80-90% – will be found off-site, where the financial costs are lower and the environmental benefits higher, according to Professor Hill.

A handful of councils already require developers to improve biodiversity as part of the National Planning Policy Framework (NPPF). But once the Environment Bill is passed, BNG will become mandatory nationwide, presenting opportunities for landowners and farmers.

Developers will have the option of sourcing land for offsetting directly, but many will choose to purchase credits from intermediaries able to locate suitable sites and draw up contractual agreements with landowners. These sites could be as small as four to six hectares for bespoke locations or as large as 40-100ha for strategically placed 'habitat banks'.

The initial biodiversity value depends on its pre-development state, with a parcel of bare arable land scoring fewer units than the same area

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THIS COULD  
HAVE A  
TRANSFORMATIVE  
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ENVIRONMENT  
AND THE  
COUNTRYSIDE  
 ”

“

MEASURES INVOLVE  
SIMPLE GRASSLAND  
MANAGEMENT TO  
ATTRACT INSECTS  
AND GROUND-  
NESTING BIRDS

”



of unimproved grass, making the former more valuable as a potential habitat. Possible schemes could include the introduction of woodland, wildflower meadows, rewilding, wetlands and scrub. But in many cases, the conversions may not need to be as dramatic.

‘Around most urban fringes we may not be talking about radical changes to the habitat, such as large swathes of tree-planting or creating wetland areas,’ says Simon Beeby, director of planning & development for Strutt & Parker in Morpeth. ‘It could be simple grassland management to attract insects and ground-nesting birds, depending on local requirements.’

Beeby has worked on two significant offsetting projects in North East England, where developers sourced sites from nearby landowners who were able to accommodate biodiversity improvements within their businesses. Both farms previously sold hay and haylage to the equestrian industry, sowing short-term leys that were cut several times a year.

They switched to a different grass mix including wildflowers to raise biodiversity, allowing them to receive financial incentives from the developer, while continuing to supply their existing customers, albeit with a lower yield.

‘This has not fundamentally changed the farming business, the customer base or the machinery requirement,’ Beeby says.

Until arrangements become more widespread, there are a number of open questions, but the returns available are likely to depend on the type of offsetting agreement, the demands and potential of the specific site, plus the location.

‘Where we are based, in the North East, there is a greater availability of land compared to many other regions, which may make on-site biodiversity improvements more appealing

to developers,’ says Fraser McKenna, senior surveyor, planning & development, for Strutt & Parker, Morpeth.

‘In more densely populated areas, where land comes at more of a premium, developers are perhaps more likely to seek out opportunities for off-site net gain.’

Where housebuilders source off-site biodiversity sites directly or work with landowners to create the improvement, the arrangement could take the form of a farmer working as a contractor or paying a small rent for use of the developers’ land while implementing the biodiversity plan. Alternatively, the farmer could receive a regular payment to maintain land of their own to the necessary standard.

Environment Bank, after selling credits to developers and discharging them of liability, pays landowners a capital payment to establish the habitat and a regular amount for annual management, including an allowance for inflation and income foregone. Annual payments could be around £400–600/ha a year, depending on the area and habitat complexity.

Those putting land forward should consider the wider impact on the farm businesses, says McKenna. Considerations will include a landowner’s ability to claim support payments in the future and the tax implications.

But taking advantage of biodiversity offsetting might be an option for landowners with some marginal land that is not currently productive, if their landholding fits within the specific plans of their local planning authority for development and the environment.

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## OFFSET DEAL MAKES PASTURE PROFITABLE

A farmer had been managing a small field of pasture for silage, but wanted to diversify. Through Environment Bank, the farm secured a biodiversity offsetting arrangement, which involved restoring the field to neutral grassland rich in wildlife. Work started in 2016, by overseeding with a lowland grassland mix. In the first year, the grass was rolled and cut. From then on, annual management involved a summer hay cut and aftermath grazing. By 2019, the field’s condition was meeting several targets for neutral grassland, while species richness had almost doubled to 15 species/m<sup>2</sup>. Overall, the project is worth 14.69 biodiversity units, according to Defra’s metric. A small site such as this could attract a contract value of around £75,000 for the creation and 30-year management or £1,000/ha a year, subject to satisfactory delivery. Larger sites, providing better biodiversity, can attract higher gross values.



## ENERGY OPPORTUNITIES



“  
POLITICAL PRESSURE  
TO DECARBONISE OUR  
ECONOMY HAS NEVER  
BEEN GREATER  
”

LAUREN GIBSON-GREEN, LAND MANAGEMENT

**Ten years after the introduction of the government's flagship Feed-in Tariff, renewable energy subsidies may have almost disappeared, but the sector is entering a new era promising opportunities for farmers and landowners.**

Green energy technology has advanced greatly over the past decade, costs in many areas have fallen considerably, and political pressure to decarbonise our economy has never been greater.

Indeed, the government's commitment in the Climate Change Act to cut greenhouse gas emissions by 80% (on 1990 levels) by 2050 is a colossal challenge that will create

opportunities, from green energy generation to carbon capture and storage.

While much policy is still to be decided, the sector continues to evolve. Developers of large-scale (40-50MW) solar farms remain particularly active, looking to secure sites of 150-200 acres on long-term agreements for rents of typically £800-1,000/acre.

It's worth pushing for additional payments linked to site turnover and check the details of any offer, utilising professional advice, before signing land over.

Grid connection remains a major barrier to new energy generation, regardless of

technology, so landowners with a suitable site are in a strong bargaining position.

Smaller-scale solar installations, such as roof or ground-mounted panels, are still worthwhile options at installation costs of around £600-700/kW for a commercial rooftop scheme. Prices for smaller domestic arrays are typically 15-20% higher.

But without FiT support and relatively low prices for electricity exported to the grid (around 5p/kWh), payback is likely to take longer and successful projects must maximise onsite electricity use to offset purchased supplies costing 12-13p/kWh.

This may mean changes to business practices, routines or equipment to match energy demands closer to peak generation, or installation of battery storage. Currently, battery systems are expensive, so it could be several years before they are financially viable for the typical farmer.

There is also uncertainty about the development of industrial-scale (20MW) battery systems used for 'grid balancing'. Recent years have seen developers eager to lease sites for £20-30,000/acre, however costs have not fallen as much as hoped and the suspension of the Capacity Market halted many schemes, with future prospects unclear.

Electricity demand is steadily increasing though, especially as electric vehicles become more commonplace. Car technology has advanced quicker than the charging infrastructure, but this will change. Landowners close

to main roads, or with public facilities, such as a farmshop, may be well placed to capitalise.

The need to decarbonise heat presents further opportunities, although the practicalities are arguably more challenging than for electricity, as the technology is often more complex and the Renewable Heat Incentive (RHI) support scheme closes on 31 March 2021.

There is just a narrow window to implement new heat generation schemes, such as solar thermal, biomass boilers or ground/air-source heating, to qualify for this valuable support.

Biomass boilers remain a good, proven technology suited to landowners with woodland and a ready supply of timber. Conduct thorough costings first though, especially if buying-in wood pellets, chip, or logs, as timber prices have risen considerably, increasing the payback period.

As with solar, maximising on-site consumption to reduce heating costs is key.

Of course, it is generally cheaper to save energy than generate it, so energy efficiency is important. Before any new investment, assess energy use across the whole farm or estate, to identify potential savings, particularly in older properties.

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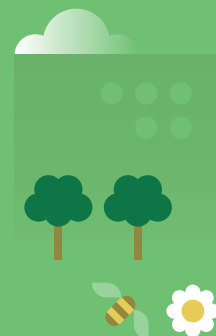
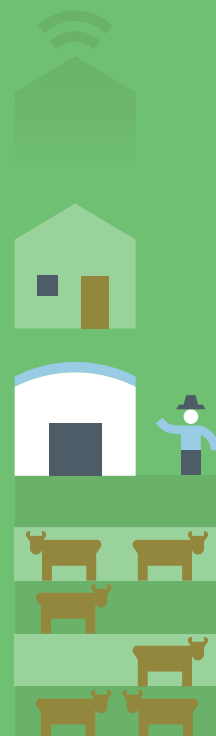
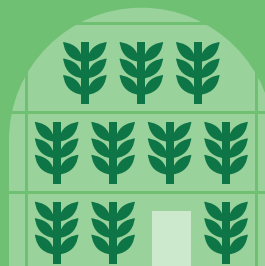
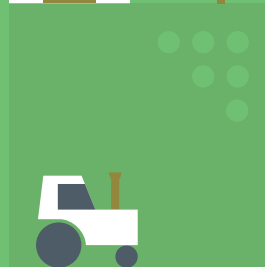
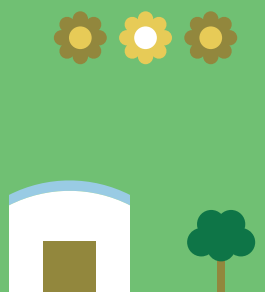
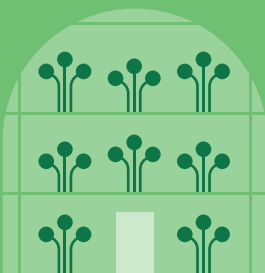
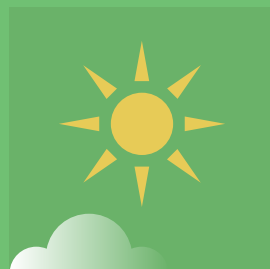
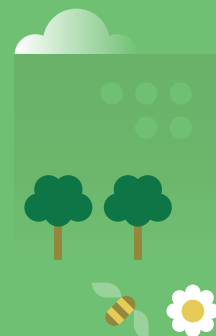
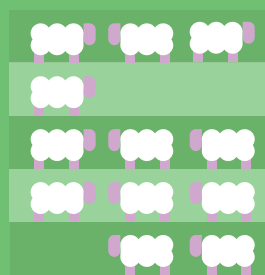
# L A W S

# I N

# S T O R E

With the legislation affecting landowners changing more rapidly than it has in decades, we pinpoint the key policy changes currently in the pipeline affecting all aspects of estate management

WORDS ISABEL DAVIES





## FARMING

### ENGLAND

- The Agriculture Bill outlines how direct payments (Basic Payments) will be phased out between 2021 and 2028. In 2021, farmers face a 5% reduction on the first £30,000 of any BPS payment, rising to a 25% cut on anything over £150,000. These percentages will increase over time.
- Payments are likely to be delinked from 2022, removing the obligation for a BPS recipient to remain farming. Farmers may get the option to take this money as a one-off lump sum.
- A new Environmental Land Management System (ELMS) will be rolled out nationally in late 2024 offering 'public money for public goods'.
- Countryside Stewardship available until 2023.

### SCOTLAND

- A detailed farming policy for Scotland is yet to be agreed, with a Farming and Food Production Future Policy Group due to set out its proposals for a post-2024 policy by the summer.
- The Future Strategy for Scottish Agriculture report (2018) recommended the goal should be an element of basic income support, but at much lower levels than currently, with the bulk of funding targeted at schemes to boost production efficiency, improve skills and training, and enhance natural capital and biodiversity. These payments could be capped per farm.
- No changes to direct payments are expected in 2020, but improvements to the current system may be made during the period 2021 to 2024.

### WALES

- Details of the timetable for Wales to transition to a new system of farm support are not yet available, but the government has said it favours a 'multi-year transition'.
- Direct payments will be paid as normal in 2021.
- The intention is for BPS and the current agri-environment scheme, Glastir, to be replaced by a Sustainable Farming Scheme.

## ANIMAL WELFARE

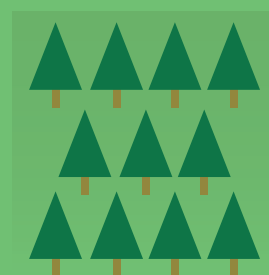
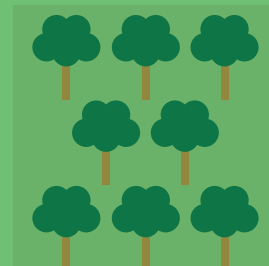
- The Conservative Party manifesto included a pledge to 'end excessively long journeys for slaughter and fattening', raising the prospect of a ban on live exports, although no specific proposals have been put forward.
- As part of the Agriculture Bill, the government is considering schemes that would pay England's farmers for delivering animal welfare improvements.

## ENVIRONMENT

- The legally binding target to reach net zero greenhouse gas emissions by 2050 came into force in June 2019 and many of the government's policy proposals tie into meeting this commitment.

Key elements of the Environment Bill, introduced to Parliament in January 2020, are:

- A mandatory requirement for Biodiversity Net Gain (BNG) in the planning system, to ensure new developments do not lead to a decline in biodiversity (see p18).
- Proposed legislation for long-term private conservation covenants between landowners and conservation charities or public bodies, which could be legally binding on future owners of the land.
- Improving air quality through legally binding targets to reduce fine particulate matter (PM2.5). Plans have already been announced to phase out the sale of coal and wet wood for burning in the home between 2021 and 2023.
- Reforms to the water abstraction licensing system are planned, enabling the variation or revocation of abstraction licences without the regulator being liable to pay compensation to the licence holder in certain conditions.
- Additional policy developments include the possible creation of a new National Park in the Chilterns and a new national forest in Nottinghamshire, as set out in the Glover Review.
- The government also wants 30,000ha per annum of new woodland over the next five years.



## PROPERTY

• The Renters' Reform Bill, announced in the Queen's speech, aims to deliver a fairer and more effective rental market for tenants and landlords and builds on a raft of new housing legislation introduced over the past two years.

No timetable has been set for the Bill's introduction, but the main elements are:

- Abolishing 'no fault' evictions at the end of fixed term contracts by removing section 21 of the Housing Act 1988 and reforming the grounds for possession so tenants cannot be evicted without good reason.
- Section 8 eviction process will be strengthened, giving landlords more rights to gain possession through the courts where there is a legitimate need for them to do so.
- Introduction of a new lifetime deposit so tenants don't need to save for a new deposit every time they move.

## LABOUR

- Labour costs are set to rise as a result of statutory wage increases, with a target for the National Living Wage of £10.50/hr by 2024.
- A new points-based immigration system, with visas limited to skilled workers earning a minimum salary of £25,600/yr, will take effect from 1 January 2021. This will have implications for the availability of seasonal workers, although a new agricultural workers scheme may be introduced to support the sector.

## CONNECTIVITY

- Since March 2020, consumers and businesses without access to a decent broadband connection have had the legal right to request one through the Universal Service Obligation (USO).
- The Budget committed £5bn to support the rollout of gigabit-capable broadband in the most difficult to reach 20% of the country.
- Mobile operators and government have struck a Shared Rural Network agreement which should mean 95% of the UK's landmass has 4G mobile coverage by the end of 2025.

## HOUSING, DEVELOPMENT AND INFRASTRUCTURE

- The government has pledged to build one million more homes in the next five years and to deliver significant improvements in critical infrastructure, including building the HS2 high-speed rail link.
- The Future Homes Standard includes a commitment to ban fossil fuel boilers in new homes from 2025.

## BUSINESS AND ENTREPRENEURSHIP

- The UK Industrial Strategy Shared Prosperity Fund – the government's planned replacement for EU structural funding – could become an important source of funding for UK rural estates and farms over the next decade.

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## ECOSYSTEM SERVICES EXPLAINED



“  
THE PRIVATE SECTOR  
MAY HAVE DEEPER  
POCKETS TO PAY FOR  
ECOSYSTEM SERVICES  
”

EDWARD ROUT, LAND MANAGEMENT

**The term ‘ecosystem services’ has become more familiar as climate change has risen in importance in the nation’s psyche. Despite this, there is still widespread confusion about what it means and the opportunity it might present to landowners.**

Part of the problem is coming up with a simple, practical explanation of what ecosystem services actually are, with many of the existing definitions long and wordy. A very short definition is ‘the many and varied benefits to humans gifted by the natural environment’ - or put even more simply: what nature does for us.

This concept is, of course, linked closely with another phrase we’ve become familiar with of late – natural capital, which, again in very simple terms, is all the pieces of the natural environment – including plants, animals, water, trees, peatland and minerals – which have the potential to provide benefits to people.

Both phrases have been propelled up the agenda, as a result of the UK government’s commitment to become net zero in terms of carbon emissions by 2050. It is widely agreed that, without fundamental changes to the way land is used and managed, this commitment

cannot be achieved. It will only be by protecting and enhancing natural capital we will be able to achieve this goal.

The flow of benefits – or ecosystem services – which can come from the management of our natural capital is vast. It includes natural pollination of crops, clean air, clean water, extreme weather mitigation and human mental and physical wellbeing through access to green spaces.

The challenge to date has been that most of these ecosystem services do not have a market value, meaning they have been overlooked in decision-making. However, as the concept of incentivising landowners to improve the delivery of these vital ‘public goods’ develops, this should mean opportunities for landowners. They may be sitting on land – especially marginal acres – eminently able to provide ecosystem services which can generate a new income stream.

The new Environmental Land Management System (ELMS) is the most obvious example of the push towards ecosystem services. Through the scheme, landowners will be able to access new revenues from the government for delivering public goods such as clean and plentiful water, thriving plants and wildlife and the ability for people to engage in the beauty and heritage of the countryside.

In terms of emerging markets, it is likely that the private sector will have deeper pockets than the public purse to pay for ecosystem services. At the moment, this market is still in its infancy, with the pioneers being largely water companies paying

farmers to change their land management practices to reduce nitrate pollution. Farmers are invited to take part in a reverse auction which enables them to place a bid for the price they are willing to be paid to take steps such as sowing a cover crop or establishing buffer strips.

Another example is the long-term contracts being offered to landowners to create and manage habitat banks to offset losses caused by housing development. This is a concept which will become more mainstream once Biodiversity Net Gain (BNG) legislation comes into force.

The fundamental question facing landowners now is how best to prepare to be ready to jump on any opportunities as and when they do arise. This is where natural capital accounting can be useful, as a way of measuring, monitoring and valuing an estate’s natural capital assets, presenting the information in a similar way to a set of financial accounts.

The more that landowners understand about the quantity and quality of their natural capital assets, the better placed they will be to make decisions about how best to manage them – for the good of society and to secure outside investment.

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# DARE TO SHARE

WORDS ISABEL DAVIES  
ILLUSTRATION MICHELE MARCONI

Collaboration between  
neighbouring farmers  
can deliver meaningful  
cost savings and open  
up opportunities for  
generating new income.  
Could a joint venture  
be the right path for  
your business?

It is 14 years since the creation of TS Arable – a joint venture which farms about 2,000ha of combinable crops based at Harps Farm near Bishop's Stortford in Hertfordshire.

The business is owned and run by brothers Will and Tom Streeter and their neighbouring farmer and family friend David Tinney.

Wheat prices were in the doldrums and the three farmers were looking for ways to reduce their overhead costs. So they took the decision, after taking advice from Strutt & Parker, to pool their labour and machinery into a separate joint venture, and manage all their land as a single unit.

'It came about when we were all looking to restructure our businesses having had the next generation take over,' says Will, who has day-to-day responsibility for the arable side of the operation.

'Our main goal was to lower fixed costs and to farm more efficiently with economies of scale. We also were realising there is a lot more to our farms than 'farming' and so the idea was to free up my brother and David to be able to concentrate on the other side of the business, such as our let properties.'

The joint venture was set up as a limited liability partnership, employing four members of staff, which supplies its services back to the two parent businesses. It's a strategy that has proved highly successful for all parties, with Will crediting it with reinvigorating their farming operations, resulting in reduced costs, improved yields – he is averaging over 10t/ha in first wheats – and making the job more fun.

Trust and good communication are two of the key ingredients for making this sort of venture work, stresses Will. The three partners have a shared vision for the direction of the business and make sure they sit down to discuss what is happening at least once a fortnight. But Will is the main point of contact for the farming side, which helps to streamline decision-making.

Getting the scale right is also critical, he advises. With the cost of buying and running farm machinery now 'eye watering,' the optimum size of any new joint venture needs careful thought.

'At present, I believe it is sensible to structure productivity around the realistic capacity of one combine – they are phenomenally expensive! I would see that as a good benchmark, and both acreage and rotation can help to deliver this. We are forever scrutinising our costs, careful to make sure we still have capacity to do the job.'

## WIDER BENEFITS

Charlie Ireland, director in the farming department based in the Oxford office of Strutt & Parker, has advised a number of farming businesses on joint ventures. He believes that collaboration between farmers is likely to become more commonplace, as farmers seek to address the financial gap created by the phasing out of direct payments.

For some it will be an informal arrangement where two neighbouring farmers share a machine or even labour. But others will choose to formally merge the machinery and labour resources of a number of farms into a separate central business.

The latter approach does require a change in mindset from those involved, but cost savings of £100/ha or more are achievable, which equates to nearly 50% of the BPS payment that farmers are facing losing by 2028.

However, it should be recognised the benefits of greater collaboration can go far beyond saving money, he says.

'Joint ventures may be set up as a cost-saving mechanism, but we often find that – perhaps contrary to some people's expectations – the timeliness of operations improves and with it the physical performance of the business.'

Other potential benefits include the ability to access public money, with the government keen to target agri-environment funding on collaborative projects that will deliver landscape-scale changes in land use. 'If people are already farming collaboratively, then this should make it easier for them to open that door.'

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How does the UK compare to other nations when it comes to addressing climate change? Policymakers from around the world are due to assemble in Scotland next year when the UK hosts critical climate change talks. We explore the likely impact of the event and take a look at what measures are being implemented elsewhere

WORDS JEZ FREDENBURGH

**UNITED**

SWITZERLAND  
FRANCE  
DENMARK  
MALTA  
SWEDEN  
**KINGDOM**  
LUXEMBOURG  
AUSTRIA  
IRELAND  
FINLAND  
ICELAND  
SPAIN  
GERMANY  
NORWAY  
BELGIUM  
ITALY  
NEW ZEALAND  
NETHERLANDS  
ISRAEL  
JAPAN  
AUSTRALIA  
GREECE  
TAIWAN  
CYPRUS  
CANADA  
PORTUGAL  
UNITED STATES OF A  
SLOVAKIA  
LITHUANIA  
COSTA RICA  
BULGARIA  
QATAR  
CZECH REPUBLIC  
SLOVENIA  
TRINIDAD AND TOBAGO  
SAINT VINCENT & THE  
LATVIA



Coronavirus may have forced this November's 'COP26' gathering to be cancelled, but 30,000 heads of state, policymakers, scientists and campaigners still plan to descend on Glasgow next year for two weeks of intense talks aimed at halting climate change.

Countries have been meeting annually at the Conference of the Parties (COP) since 1995, part of their commitment to the United Nations Framework Convention on Climate Change.

But time is running out. 'It's definitely the most important conference since Paris [when countries agreed to limit global warming to 1.5C], and arguably ever,' says Dave Reay, Professor of Carbon Management at the University of Edinburgh.

'It will determine our global direction of travel on emissions for the next decade and whether we still have a fighting chance of achieving the Paris Climate Goals.'

The UK is in a good position to lead, says Prof Reay. 'Through our Climate Change Act and bodies such as the Committee on Climate Change (CCC) I think the UK is really well respected. We have already committed to what is required at the top-level – net zero emissions by 2050 at the latest. COP26 will be crucial in building a coalition of nations that make the same commitment.'

There are already calls to link COP26 objectives with economic recovery plans following Covid-19, says Dr Jason Beedell, rural research director at Strutt & Parker. This follows the publication of an Oxford University study which found that compared to conventional stimulus spending, green projects have the potential to deliver a greater economic benefit.

With growing awareness of agriculture as both a contributor and solution to climate change, the sector could feature in discussions more than before, he says.

'As COP approaches, I would anticipate a series of policy announcements aimed at achieving action - the clear message from the CCC is 'do it now'. We have the policy direction and now need to actually do it.'

Priorities set out by the CCC give an indication of what these plans could look like.

'Land managers will be incentivised to take some land out of food production for carbon storage, energy production and restoring natural systems,' says Dr Beedell. 'According to the CCC, even with some land used for other purposes we can still grow enough food if the best, most productive farmers are farming it.'

## HOW DIFFERENT NATIONS ARE RESPONDING TO CLIMATE CHANGE

### NETHERLANDS

In an attempt to reduce the country's high nitrogen emissions, the Dutch government plans to allocate €500m (£435m) to buy out livestock farmers who want to quit and to help others make their operations more sustainable. This is on top of a €180m (£156m) package to help pig farmers leave the sector.

### NEW ZEALAND

The government announced in December 2019 that all decisions will now be made through a climate crisis lens, with climate change a standard part of cabinet decision-making. This is likely to have implications for farmers and add to recent pledges to plant 1bn trees by 2028, and tax farmers who fail to cut emissions.

### IRELAND

A new climate action plan aims to reduce farming's GHG emissions by 10-15% by 2030, and use the sector to remove 26.8Mt of CO<sub>2</sub> from the atmosphere. The plan is still under consultation, but ideas include requiring new outside slurry stores to be covered, clover to be incorporated into grass reseeds and 50% of arable spring production to include cover crops.

### USA

The Terraton Initiative, set up by agricultural and digital company Indigo Ag, aims to draw 1 trillion tonnes of carbon from the atmosphere into the soil. The hope is that growers can earn \$15-20/tonne of carbon stored, from changes to tillage, increasing soil organic matter and reducing inputs. The scheme has been launched in the US, but the ambition is to go global.

### SCOTLAND

Under the Farming For a Better Climate programme, four young farmers and crofters have been appointed to champion a cultural and behavioural shift towards low-carbon, environmentally sustainable farming. They will trial and develop ideas on their own farms which could provide practical solutions to help climate change mitigation.

### AUSTRALIA

Landowners and farmers who adopt approved Emission Reduction Fund (ERF) methods can earn Australian Carbon Credit Units (ACCUs) which can be sold through a reverse auction to the government, or to other businesses seeking to offset their emissions. Successful projects include capturing methane produced by livestock, revegetating unproductive pastures and storing carbon in the soil.

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An aerial photograph showing a sharp boundary between a lush green forest on the left and a cleared, brown, and heavily rutted area on the right. A bulldozer is visible at the top of the cleared area, having just pushed a pile of dirt. The text 'BRANCHING' is overlaid in white, bold, sans-serif capital letters across the top of the image, spanning both the forest and the cleared area.

**BRANCHING**

**INTO**

**ACTION**



Forestry is generating global attention, with demands for a trillion more trees worldwide. Could carbon trading be the key that turns political ambitions into reality when it comes to increasing tree plantings in the UK?

WORDS JOANNA LINDSAY

Trees were a hot topic during the last General Election campaign, with all political parties making pledges to ratchet up levels of planting.

In the March Budget, Chancellor Rishi Sunak confirmed a £640m funding package in England and Wales with a promise to plant 30,000 hectares annually between 2020 and 2025 – more than double current planting rates – with an ambition to extend tree cover from 13% to 17% in the UK.

This drive reflects trees' potential to capture and store carbon dioxide, so helping fight climate change. Their benefits go beyond this, too – they can reduce flood risks, encourage biodiversity, enhance the landscape and purify the air, as well as providing timber and offering opportunities for sport, conservation, recreation and amenity, helping towards several of the UN's Sustainable Development Goals (SDGs).

The fundamental problem has been how to turn pledges into new planting, particularly in England, given that 84% of all new planting in the UK last year took place in Scotland.

Jon Lambert, senior director at John Clegg & Co, Strutt & Parker's forestry arm, says that the market context is positive, with the sector showing continued buoyancy – there was a 23% increase in sales prices of commercial forestry last year.

There is strong demand for timber, with the UK one of the least densely forested countries in Europe and the second biggest net importer of timber in the world after China.

'The forestry sector is in rude health and the future looks excellent, but can we extract more value from our trees?' he says. 'I think we can.'

And this is where carbon comes into the equation. While it is very much the 'new kid on the block' when it comes to forestry valuations, it has the potential to be a valuable new source of income for forest and woodland owners as the market matures, according to Lambert.

The £50m Woodland Carbon Guarantee Scheme (WCGS), launched by Defra in 2019 and which applies in England, has given carbon trading a new profile in the industry.

Designed to encourage landowners to plant trees which will enable businesses to offset their carbon footprint and help the UK reach its net zero target by 2050, it gives farmers and landowners the option to sell Woodland Carbon Units (WCUs) to the government at a fixed price, determined

through six-monthly reverse auctions. It allows them to bid the minimum price at which planting becomes a financially viable option to compete with alternative land uses.

To be eligible, woodlands must be registered with the Woodland Carbon Code (WCC), a scheme which provides a carbon standard for woodland projects and the amount of carbon sequestered in them. Once in the WCGS, an owner can decide whether to sell the carbon to the government when the carbon is verified every five or ten years. The owner can choose a different option at each verification point.

At the time of going to print, official figures from the first auction had not been released, but it was understood that the government had offered contracts at £25-35/t CO<sub>2</sub>.

It is already possible to trade carbon credits on the open market – to sell WCUs to companies looking to compensate for their own emissions. However, prices are unfixed and vary enormously; they are currently trading at £6 to £15/t CO<sub>2</sub>.

'Carbon trading is not new, but the WCGS initiative is very interesting,' says Lambert. 'It's a significant development for the UK government to take a view that woodland carbon is a marketable asset. I believe we will see very substantial capital appreciation as we monetise carbon storage.'

However, while carbon trading is set to play an important part in the future of the forestry industry, carbon credits do need to become more valuable to make a significant difference, he believes.

He also makes the case for a financial mechanism that recognises the value of carbon locked up in existing

“  
I BELIEVE WE WILL SEE  
VERY SUBSTANTIAL CAPITAL  
APPRECIATION AS WE  
MONETISE CARBON STORAGE  
”



woodland. 'If we are serious about the advantages of carbon storage, then why not? We need to make the wider forestry sector as attractive as possible.'

### **CARBON PROSPECTS**

Strutt & Parker rural research director Jason Beedell believes the price of carbon is set to rise significantly. He cites research by academics from the Grantham Research Institute on Climate Change and the Environment and the Centre for Climate Change Economics and Policy who say that a carbon price consistent with the government's net-zero target would start at £50/t CO<sub>2</sub> (with a range of £40–100/t) in 2020, reaching £75/t CO<sub>2</sub> (£60–140) in 2030 and £160/t CO<sub>2</sub> (£125–300) in 2050. This is what is known as the 'shadow price' of carbon, which is used to incorporate carbon in economic appraisal of public investments. While the shadow price is much higher than the current market price, it shows the expected increase over the next 30 years.

Given the optimism in the carbon market, Lambert expects the WCGS initiative – which applies to conifers and broadleaved woodland – to accelerate planting in upland areas such as Northumberland, Cumbria, Lancashire and Yorkshire and on poor quality farmland.

'We are talking to investors interested in buying land in England, for whom the WCGS is very attractive.'

However, he adds: 'Carbon credit values are likely to rise. So the question is whether you want to tie up some of those rights today, while there is a view that the value could feasibly increase in the medium to long-term.'

In tandem with the WCGS, another way to unlock the carbon value of trees is through the private sector and payments are likely to be realised more quickly under such deals.

One such private firm, Forest Carbon – which has been trading since 2006 – offers 70% of payment on completion of planting and 30% when a project has had its first satisfactory verification five years later.

Director James Hepburne-Scott stresses the voluntary nature of the market. 'There is no fixed price for carbon. It is a matched bargain between a landowner and a buyer. Prices are rising because demand is increasing,' he says.

'There are two determining factors: what a seller is willing to accept and what a business can be persuaded to pay. But you must remember that this is a voluntary market and there are cheaper verified carbon credits available from overseas.'

### **ROUTES TO FUNDING**

Matthew Bennison, land agent and senior associate director at Strutt & Parker, highlights the range of funding available in England for forestry and woodland, including capital grants, through England's Countryside Stewardship Scheme, the Forestry Commission's Woodland Carbon Fund and the HS2 Woodland Fund.

While such grants can be applied for in tandem with



WCGS funding – and the government is at pains to reassure landowners that any woodland creation schemes done now will not receive less support than when the Environmental Land Management System (ELMS) is introduced – Bennison stresses that forestry projects have to make sense as part of the wider rural business.

‘In England and Wales, it is currently difficult to make the economics stack up if you are only focused on the financial benefits. Some of the grant conditions can be quite onerous and interested parties need to look at funding options very carefully and work out whether the shoe fits,’ he says.

Lambert, meanwhile, believes the results of a more effective policy framework are being seen north of the border, where the Scottish government’s more comprehensive and easy-to-access Forestry Grant Scheme underpins considerable planting. It supports new woodland creation – funding initial planting, annual maintenance and costs such as fencing and tree protection; plus provides for the management of existing forestry through capital grants for woodland management and annual maintenance for sustainable forest management.

In 2018-19, new woodland creation in Scotland extended to more than 11,000 ha, exceeding its 10,000 ha target and representing the highest figure since 2002.

‘There, strong competitive bidding for land suitable for planting is lifting prices to new levels. This is what we need if we are to materially increase forest cover in the UK, but the momentum needs to spread to England and Wales to achieve real success. But I believe the grants system south of the border will change to facilitate planting targets and once that happens we will see a big improvement there.’ However, he stresses that the focus must be on planting the right trees, in the right places, for the right reasons.

Lambert believes attitudes are changing with more people recognising the scope for the farming and forestry sectors to work together in a very positive way.

‘Far more farmers are now coming and asking questions about forestry. There has been a sea change in view.’

*jl@johncllegg.co.uk*

“

**FAR MORE FARMERS ARE NOW  
COMING TO US AND ASKING  
QUESTIONS ABOUT FORESTRY**

”

**2018/19**

## **THE UK FORESTRY MARKET AT A GLANCE**

**23%**

year-on-year rise in average forestry values to £11,478 per stocked hectare

**£126.5m**

worth of commercial forestry transactions completed

**21%**

increase in the total value of forestry traded in 2018/19

**14,235 ha**

of forestry traded in 2019 (gross)

**£1.56m**

average cost of sold forestry property, with the average size being 136 ha

**69%**

of properties sold for above their guide price with **14%** of properties selling at more than **150%** over guide

**Continued strength in the mixed woodlands market**

**78%**

of recorded sales were in Scotland, where unprecedented prices have been paid for hill ground suitable for tree planting. In some cases forestry land has been attracting prices in line with secondary arable farms and grass leys, reaching a high of close to £3,000/acre.



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WE MUSTN'T  
EVER BE  
COMPLACENT  
ABOUT FOOD  
SECURITY  
”

Henry Dimbleby is the Independent Lead of the National Food Strategy.  
He co-founded the Leon restaurant chain

ILLUSTRATION ALEKSANDER SAVIC

**What is the National Food Strategy?** It's the first major review of the nation's food system in 75 years and will shape a government White Paper, setting the 'field-to-fork' agenda for the coming decades.

**How much of an issue is the disconnect between our largely urban society and those who produce food?** The differences between urban and rural can be overstated. People share many of the same values, regardless of where they live or how affluent they are. They want a better food system for their children – one that ensures we're healthy, enhances our environment, respects animal welfare, produces a variety of quality food and delivers food security.

**Are you optimistic about the future for farmers and landowners?** Yes, but I can't see a future for them as commodity producers on a global scale. Where they can be world leaders is in high-quality, sustainable production. The change from the Common Agricultural Policy to the Environmental Land Management System (ELMS) is a real opportunity for them to make this shift. What's vital is that future trade negotiations don't leave our farmers exposed to competition from countries with lower standards. The government has said this won't be the case, so it must deliver on this.

**Debate on many topics has become adversarial – is this a problem?** Yes. If you look solely at Twitter, you might be forgiven for thinking the debate is simply between people who think all livestock farming should stop and those who think that eating no meat would herald the end of civilisation. The more important, more useful conversation is to be

had between these two positions. Questions such as: 'How can I eat better meat?' and 'What actually is better meat?' We need more light and less heat.

**You once said that, when we faced the last crisis in our food system after WWII, our farmers were 'the heroes who led the way'. Who will be our food chain heroes in future?** We'll need leaders from all sectors, but farmers will again have a key role as they steward 70% of the country's land. Many are already setting the agenda, working together to improve ecosystems and catchment areas to improve biodiversity and soil health, reduce inputs and help with flood alleviation. Farmers also have a critical role reconnecting children with food, which will benefit the nation's physical and mental health.

**What has coronavirus taught us about food?** The pandemic has certainly reminded us how easily supplies can be disrupted. We mustn't ever be complacent about food security – the period of relative stability we've enjoyed in the Western World has actually been relatively short.

**How can farmers and landowners influence the next stage of your work?** They can go to the website ([nationalfoodstrategy.org](https://nationalfoodstrategy.org)) and share their thoughts or sign up for updates. We are currently focused on our response to the coronavirus crisis, so will share details of the NFS timetable once it becomes clearer. Our diet and our method of producing, manufacturing and selling food has changed beyond recognition in the past half century. In 50 years' time, it will have changed again – it's up to all of us to now agree a vision for the kind of food industry we want to build.

## KEY CONTACTS

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[rural.struttandparker.com](http://rural.struttandparker.com)

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