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RURAL BRIEFING

MARKET COMMENT



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Farmers’ resilience and ability to make decisions in response to changing circumstances has been displayed in spades recently with what has been one of the driest and hottest periods on record. It is this spirit and mindset which must come to the fore as we move towards the hugely uncertain post Brexit landscape. Whether we have an orderly or a disorderly exit from the EU, there is going to be significant change for farmers and landowners to grapple with.

On the basis that “no plan survives first contact with the enemy”, it is not only vital that farmers and landowners challenge themselves with open minds as to how they proceed in the future, but they will also need to retain an element of flexibility to make sure they are best placed to react and restructure in the face of whatever policies emerge in the coming months and years. In many ways, the one thing the CAP has provided is a financial comfort blanket to most farming enterprises and arrangements and it seems to us there is little doubt that blanket is going to be summarily removed.

In this issue of the rural briefing we concentrate on just a few of the many areas where we feel farmers and landowners need to focus and drive income that is not derived from normal agricultural production.

We are also delighted to welcome Tom Bishop back from New Zealand and he sets out here what he found on his studies and draws conclusions as to how UK farmers can take the New Zealand example and set themselves for the forthcoming maelstrom.

We hope you enjoy the read. Please do feel free to circulate this and, if you would like to be signed up to receive regular updates from BCM, please email info@bcm.co.uk.



Mixed farm, 7 bedroom farmhouse with about 588 acres

We have had another busy time in the land market, both on the open market and negotiating private deals.

Although many report a slight fall back in demand and prices, we still see strong buyers in our area willing to pay strong prices for the right piece of land. As previously reported, however, local knowledge is key because demand can change significantly over small distances.

Whilst we have continued to sell farms and land in the traditional sense, we have also been involved with a number of more diverse transactions including the sale of a multi-million pound AD plant on the Isle of Wight (capable of turning 50,000 tonnes of energy crops into enough biomethane to supply the majority of the Island’s gas needs in summer and for 5,000 homes in winter), an on shore oil well, land for viticulture and more than 1,100 yards of fishing on the River Test.

Recent transactions also include the sale of Parsonage Farm in Hurstborne Tarrant which included a Grade II-listed seven bedroom farmhouse and 590 acres of land, Carron Row Farm at Titchfield and Hardwick Court farm near Chertsey in Surrey. In addition, we are involved in a number of farm and land transactions on the Isle of Wight including Rowlands Farm and Little Upton Farm.

We have a number of farms coming forward in the sales pipeline. Please contact us for further details or if you are considering a land sale or purchase.



Residential development with consent for 13 units



Grade II listed farmhouse & buildings with about 22 acres



682 yards double bank and 189 yards single bank fishing



On shore oil well extraction site with established covenant



HENRY McCOWEN
Partner
Rural Consultancy

“UK FARMERS WILL NEED TO BE READY TO ADAPT”



TOM BISHOP
Associate Partner
Rural Consultancy

Tom has been conducting a 6,250 mile in-depth study tour of farming in New Zealand to become better informed about farming without subsidies

New Zealand abandoned its subsidy system overnight more than 30 years ago, with many farmers facing a tough time as a result, after its economy suffered when much of its export opportunities to the UK dried up with our entry to the EC.

Tom started his tour during the NZ autumn by taking in the North Island and visiting a variety of farming businesses, both large and small, before moving on to South Island for the start of the winter. That made him probably the only British farmer to appreciate the heatwave on his return but as he warmed himself again he set down his conclusions, summarised here.

“It was striking while touring New Zealand just how much a system without subsidy focuses the mind on the real issue of farming – producing food.

Sometimes in the UK, optimising output is not the farmers’ sole goal, and considerations such as tax treatment are equally important.

Wiping out the Capital Gains Tax (CGT) and Inheritance Tax (IHT) allowances that favour farming businesses overnight would cause huge problems and is not something I advocate. For instance, it might slash land prices in the short term causing instability within the industry, especially for those who have secured borrowing against their asset which might then be called in by financiers.

What we have to face up to as an industry is that if a Conservative Government can take the radical decision to wipe out the production subsidies that have been paid for a long time to a large number of farmers likely to have voted for it, then it could be similarly driven to alter the tax system, winning mass popularity, so we have to plan for that eventuality.

One of the arguments put forward by those desperate to enter our industry is that they cannot afford to. Yet in New Zealand there have been many new entrants and I met some who had gone on not only to be successful but also to buy their own farms. It can be done and often I found the smaller farm units, staffed by one man and his dog, to be as successful as the huge agribusinesses in terms of income per acre when I drilled down through the numbers.

UK farmers will need to be ready to adapt. Going forward, share farming or contracting might be the ways to get a foothold and farmers who face a succession issue need to look more carefully at these methods of passing on their farm to someone who they know will cherish and nurture what they have established. Many hate the idea of a forced sale breaking up their unit, but these alternatives give a way out that allows knowledge to be passed on.

The road ahead will be rough and those who will find it toughest are probably those who until now have had a very good living out of farming – the large scale arable enterprises that will not in the future be picking up conservation cash or hill farming top-ups. For them, seeking professional guidance on how best to capitalise on what they have and make it work more efficiently is going to be the answer. An outside eye cast over a business can bring valuable new trains of thought.

Touring New Zealand brought home to me how much we here in the UK love our big sheds and shiny machinery. Out there, farmers tend not to over-capitalise their businesses and it may be that making your existing machinery work hard for longer is



the route to take. If there's a hard Brexit, or one that doesn't deliver tariff-free machinery to our docksides, the large scale imports on which we rely may no longer be affordable. Frugality may be enforced through necessity.

Going forward, the desire from politicians to have higher standards and traceability could also work in our favour. The recent example of Microplasmabovus in New Zealand shows what can happen when standards are not so high, with a huge livestock cull that hit farm budgets hard seen as the answer by their Government.

Tackled the right way, Brexit is a huge opportunity. Imaginative agreements, collaborative ownerships, and the chance to negotiate international trade deals should bring benefits. But with pressure on making farming businesses viable it may threaten our investment in the countryside which in turn may have negative effects on the rural economy as environmental and landscape schemes see less uptake. This could be to the detriment of tourism, a major driver of our national economy, which could also be hit if exchange rates become less favourable with Europe, one of our major sources of visitors who in turn have funded many farm diversification schemes over the years.

The message is a tough one but it's essential not to sugar coat what could be a bitter pill for the industry. Tough times need tough thinking!"

My five point plan for ahead of Brexit:

1 Review the **strengths and weaknesses** of your business and its assets by undertaking a formal review (perhaps with your professional advisors)

2 **Understand your figures**, especially your "needs" as opposed to "wants", and your cost of production, in tandem with sensitivity analysis of your enterprises

3 Be **imaginative** and think laterally in terms of collaborations, additional enterprises, and generating off-farm income

4 Be **flexible** and ready to take opportunities when presented that assist you in coping with a drop in farm income. Challenge traditional thinking and challenge traditional thinkers

5 Try to **add value** to your product, perhaps through a niche or specialist market

MAKE THE MOST OF BORROWING

The recent rise in the Bank of England Base Rate to 0.75 % is unlikely to have diminished the appetite for borrowing to invest.

Of more concern as Brexit approaches, prompting farmers and landowners to find new ways to extract income from their land, is the growing desire to borrow to fund new diversification.

At BCM, our relationship with the high street banks as well as the Agricultural Mortgage Corporation (AMC) allows us a unique insight into their lending criteria and how best to make an approach for funding as well as winning it at competitive rates.

Tom Bishop's tour of New Zealand has shown how farmers there have tackled the need to diversify in the face of unsupported agricultural industry and, as Tom rightly believes, it could be farmers here in the south with large arable operations that present fewer opportunities for environmental funding who will need to look hardest at their business model.

We anticipate that over-capitalisation of a business will become frowned upon, so as business advisers we are already geared up to stress testing existing farm operations and future business plans to ensure the right approach to lenders and that repayment of funds will be feasible.

We will be happy to consult over plans you may have and find the best sources of funding for your new opportunities.

ALASTAIR WILSON
Partner
Rural Consultancy





DAVID LONG
Partner
Planning & Development



GETTING WITH THE PLAN

Planning policy continues to evolve at pace and it seems that no planning minister is able to stay in office long enough to see whether or not these changes are actually having an impact.

The National Planning Policy Framework (NPPF) has been amended for the first time since 2012. Notwithstanding wider arguments about whether or not July's amendments to the NPPF will bear fruit in terms of housing delivery for the country, there are some encouraging changes that should create opportunity for rural development. These include:

- improved definitions for those qualifying for rural workers' dwellings (including an inference that new houses will be permitted where farmers are retiring)
- encouragement for smaller scale developments in rural areas (rural exception sites) and easing of the requirement for affordable houses with these sites
- opportunities for village development
- continued support for reuse of rural buildings
- easing the planning pathway for rural sites when looking at sustainability and sequential tests
- increased support for neighbourhood plans provided they identify and provide houses as well

Whilst, as always, changes to NPPF will take time to fully percolate down to Local Planning Authority (LPA) level, these are not guidelines but rules that all authorities must abide by. Where things become more interesting is where you mesh the rural threads set out in the NPPF with other considerations such as permitted development, emerging agricultural policy and new strategies for affordable housing.

We have already achieved significant residential planning permissions for clients where wider benefits are brought into play, such as environmental improvement, and if Mr Gove's plan for UK farm support comes to fruition we could see further opportunities in this regard. With other forces at work in the farming world such as banning certain herbicides and weed resistance, many farmers are looking to a more traditional arable rotation with grass leys and livestock - bringing further planning opportunity.

We have also been involved in the delivery of affordable housing schemes that are administered by the client and not by a registered social landlord - with these schemes also delivering open market housing.

Coupled with this, many LPAs are to be lauded for introducing more rural-friendly policies into their plans. Most are now supportive of moves by farmers towards rural diversification.

Farmers and landowners should look carefully at these opportunities when considering the future.

PUSHING THE VILLAGE ENVELOPE

With many LPAs bringing their local plan more in line with government guidance in terms of housing delivery, many are now focusing on the potential for extending villages.

We are seeing an increasing number of approaches from developers and promoters in this regard and can advise clients both in terms of potential joint venture parties, values and the wider planning context.

The revised NPPF includes detailed reference to the need to shape development policy to allow development around villages, giving those settlements the opportunity to grow and thrive. Owners of land adjoining villages should act now to assess whether this shift in planning policy presents opportunity for them to develop land, often on the fringe of the farm or estate.

BCM have already been involved with a number of schemes that allowed smaller scale developments on the edge of villages, often involving outlying and outmoded farm building complexes and green fields. The change in planning policy means there is considerable renewed interest in such sites. Through our network of promoters and developers, together with our track record of delivering such development and selling similar sites, we are uniquely placed to advise clients in this regard.

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