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2018

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Welcome to the 2018 edition of The Rural Report

Our dedicated magazine for rural property owners and businesses

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THE RURAL REPORT

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Please refer to the important notice at the end of this report.

As the world changes, so does Knight Frank. Our reinvigorated Rural Asset Management team has a renewed focus and new leadership. Its ambition is clear: to serve our clients with exemplary advice that will help their businesses adapt and grow as the rural economy inevitably restructures as we leave the embrace of Brussels.

The direction of travel from the UK Government is clear. Both the 25-year Environment Plan with the Prime Minister's approval, and more recently Defra's command paper on its proposals for the future of agriculture are required reading. The clue, as so often, is found in the title. *Health and Harmony: the future for food, farming and the environment in a Green Brexit* says it all.

For those directly engaged in agriculture there will be an inevitable shift as we leave the EU to public money being paid to individual recipients primarily for the provision of public goods. Business plans from the early 2020s can no longer rely on the Basic Payment paid on an acreage basis. Provision of environmental goods will become a commodity.

In this edition of *The Rural Report* we focus on the opportunities and challenges that all of this presents to rural landowners, with contributions from some of the sector's brightest and sometimes most controversial minds, including exclusive interviews with outspoken environmentalist Ben Goldsmith and the architect of green Brexit himself, Defra Secretary of State Michael Gove. Agree or disagree with them, but it is their views that are increasingly shaping agricultural policy.

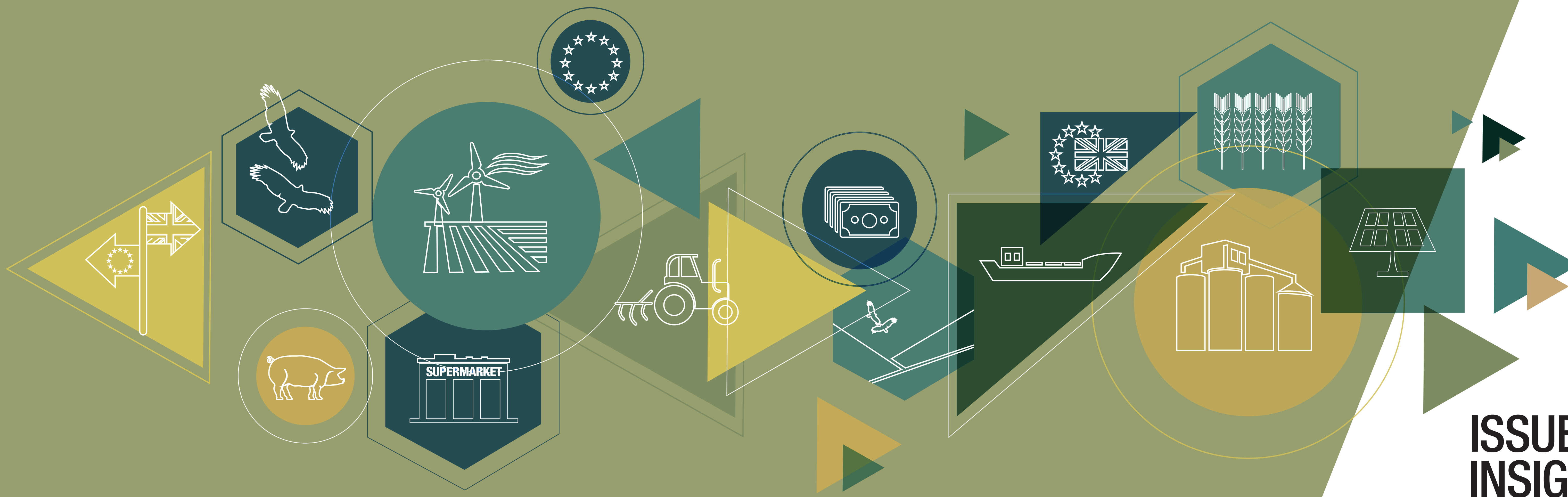
What is clear is that change to the UK's rural landscape is already happening. This will bring the need for insight and for good advice, to allow restructuring of farming businesses and to seize the inevitable investment and management opportunities that will present themselves.

Beyond England, landowners in both Wales and Scotland are eager to see how devolution changes their own arrangements. Above all this discussion on support, lies the unknown outcome of trade negotiations that could have far greater sectoral impacts.

We must also look beyond our own borders, not just for the potential trading opportunities provided by consumers in the rest of the world who increasingly value Great British food, but also at the potential agricultural investments around the world. Knight Frank is involved with the sale of an Australian farm the size of a small country and the appetite of investors to acquire such a unique asset has been strong.

An exciting journey lies ahead for all of us. Hopefully the articles in this edition of *The Rural Report* will help to make yours easier and more productive. Please do get in touch if we can help further in any way.

Ross Murray Clive Hopkins



ISSUES & INSIGHTS

A guide to the challenges and opportunities facing rural landowners

IN THIS SECTION

Destination Brexit

With less than a year until the UK leaves the EU, Andrew Shirley takes a step-by-step look at what we know about the Brexit journey so far

£5.7bn
TOTAL INCOME FROM FARMING (TIFF) UK 2017

57%
PROPORTION OF TIFF MADE UP OF CAP FARM SUPPORT PAYMENTS

£133/t
PRICE SPREAD FOR FEED WHEAT OVER PAST 10 YEARS

63%
AMOUNT OF UK PORK CONSUMPTION IMPORTED

On 29 March 2019 at 11pm the UK, after almost five decades of membership, will leave the EU. Our departure date is set in stone. Cue rejoicing, wailing or indifference. But from a farming perspective, regardless of what your persuasion on Brexit happens to be, it does beg the question: what happens next on the journey and what will the destination be like?

Unhelpfully, despite its proximity, we are far from a definitive answer to those questions. Over the next few pages we go through the various legs of the Brexit itinerary and examine what we know so far about each.

DEPARTURE LOUNGE

The one-way ticket has been issued, but as the farming industry waits for the departure date how prepared is it for the voyage out of the EU? In many ways, not at all, but financially things could be worse. The government's recently released first estimate of Total Income from Farming (TIFF) in the UK for 2017 shows a marked upturn in the fortunes of farming.

TIFF amounted to just over £5.7bn last year, a significant improvement on the £4.1bn recorded in 2016. Exchange rates and slightly perkier commodity markets helped, but, according to Defra, farming productivity saw a timely rise, up by 2.9% to its highest-ever level. Outputs increased in volume by 3.6%, while inputs rose by just 0.7%.

However, it's worth noting that farm support payments under the Common Agricultural Policy (CAP) still accounted for 57% of TIFF.

What those repayments will potentially be replaced with was covered in a pre-Brexit guidebook provided earlier this year courtesy of Defra Secretary of State Michael Gove. The colour mentioned in the title *Health and Harmony: the future for food, farming and the environment in a Green Brexit*, gives a clear hint as to his favoured direction of travel.

Whether the 44,000 reader reviews of the document will agree with the minister's suggestions remains to be seen. But it seems quite likely many will, given that most of them, according to press reports, were from single-issue environmental pressure groups rather than working farmers.

Once collated, the responses will then feed into a new Agricultural Bill set to be published later this year. The bill will create the enabling legislation that will pave the way for the environmental land management system (ELMS) that will replace the EU's CAP-based schemes in England. See overleaf for more detail on the devolved nations.

> **Arguably the most contentious area of Brexit to be thrashed out is our future trading relationship with Europe.**

TAKE-OFF

One thing that has become clear is that our flight from the EU is not going to be a quick one – we are going to remain in European airspace for quite some time. Having realised that it was going to be impossible to finalise all the details of Brexit, including a new EU-UK trade deal, by March 2019, negotiators have agreed on an "implementation period" that is currently set to last until 31 December 2020.

This will overlap with a longer "agricultural transition" period that will see farming businesses gradually weaned off their CAP area-based subsidies and switched to the new ELMS mentioned earlier. This could last until 2025 or even longer, depending on feedback to *Health and Harmony*.

Mr Gove has committed to pay UK farmers the equivalent of what they've been getting from Brussels until the scheduled end of the current parliament in 2022, but the weaning process will start in 2019. This will involve capping of Basic Payment Scheme (BPS) payments to release funds for creating pilot ELMS projects.

Exactly how this will happen will again depend on the outcome of the *Health and Harmony* consultation, but Mr Gove's initial favoured options seems to involve slicing the payments of the biggest BPS recipients the hardest, based on the assumption that they are the most efficient producers and can take the hit.

Lobby groups such as the NFU and CLA claim, however, that is not always the case and that a flat-rate cut applied to all recipients would be much fairer and ensure everybody starts to plan for Brexit.

Whichever option is chosen, further cuts will be applied after several years or annually until the BPS element of support is cut to zero. In terms of environmental payments a simplified version of the existing Countryside Stewardship Scheme will remain in place until ELMS is ready to be introduced.

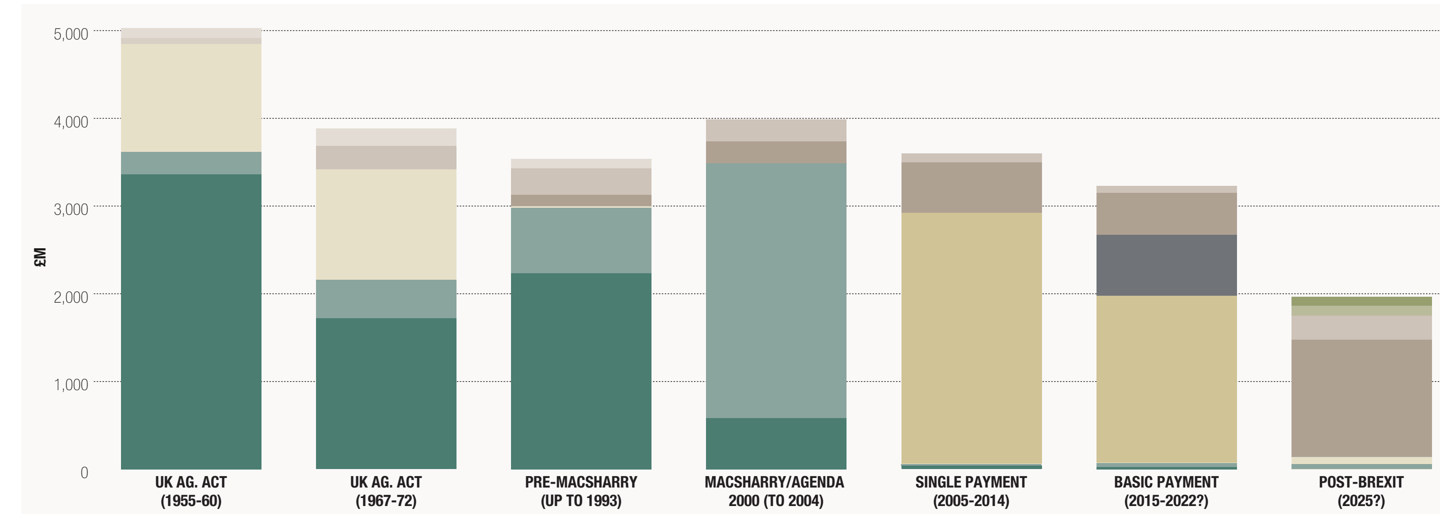
Arguably the most contentious area of Brexit to be thrashed out – in both Brussels and Westminster – is our future trading relationship with Europe. As the figures on page 52 show, the EU is our biggest trading partner so we don't want to lose our privileged access to that market, but at the same time we want to be able to strike deals with the rest of the world. The requirement to maintain an open border between Northern Ireland and the Irish Republic adds a severe degree of turbulence.

At the time of writing (mid-May) Theresa May is suggesting two options. One is a "customs partnership" where the UK basically acts on behalf of the EU when dealing with imports from the rest of the world. The other, known as maximum facilitation or max-fac, aims to create as frictionless a customs border as possible, rather than to remove it altogether.

Both are untested and will rely on IT systems that don't yet exist. The EU is keen on neither and Brexiteers are unhappy because they feel it still gives the EU too much control. Another option being touted again is to join Norway in the European Economic Area (EEA), but again this crosses a number of red lines.

Michael Haverty, a Senior Agricultural Economist with The Andersons Centre, feels a bespoke association agreement is probably the likeliest outcome. This model has already been used between the EU and Ukraine and Georgia. "It offers the most flexibility and while a deal would still have oversight by the European Court of Justice on some issues, that could be considered a price worth paying by more pragmatic Brexiteers."

THE EVOLUTION OF UK FARM SUPPORT 1950s-2020s



SOURCE: DATA COURTESY OF THE ANDERSONS CENTRE

Although some claim it doesn't really matter if we can't reach an agreement and the UK will be fine trading under World Trade Organisation terms, most models suggest it would be very bad news for those farming sectors, particularly the sheep industry, that are reliant on export markets. Hopefully pragmatism on both sides will prevail.

TOUCH DOWN

We've finally landed, the EU is behind us, the transition and implementation periods are over. What does farm support look like? As described in *Health and Harmony* it is very green, the buzzwords are "public money for public goods", "natural capital", "ecosystem services" and worryingly to some "the polluter pays".

Farmers will be rewarded for delivering things such as improved soil heath, water and air quality, increased biodiversity, climate change mitigation, safeguarding beauty and heritage, and access to the countryside, while potentially having to bear the costs of environmental damage, however that is measured.

> **Taking back control will also mean taking back responsibility.**

The mechanisms for all of this have yet to be created. Simplest would be an enhanced version of existing environmental stewardship schemes bankrolled by the government. Michael Gove, however, led by proposals from environmental groups and the government's own Natural Capital Committee, seems more interested in an ambitious market-led system where the natural capital and ecosystem services mentioned above are paid for by businesses, utilities companies, environmental NGOs and even private philanthropists, as well as government.

Potentially delivered on a water catchment area basis, such schemes could favour more marginal areas. The principle sounds simple, the delivery more complex. The onus could be more on landowners to identify what public goods they can deliver and establish partnerships with those prepared to pay for them.

And trade? This is arguably where a change in scenery will take longest to achieve. Organisations like AHDB and individual businesses have put a huge amount of effort into opening up new markets especially in Asia, and they have been successful – to a certain extent. In financial terms though, the volumes are still relatively small.

Comprehensive free trade agreements can take many years to conclude, agriculture is often a sticking point or excluded altogether, and international completion is fierce. As the figures on page 52 show buying and selling from your nearest neighbours is usually more convenient.

TRIP ADVISOR

Looking to the long-term even some of those who wanted to remain in the EU do admit that leaving it does hold out a potentially exciting future for farming in Britain. But some very tricky questions remain.

Does Defra, for example, fully understand how difficult this journey could be for the sizeable proportion of farmers – big and small – who aren't currently profitable on a regular basis without farm support payments? Much more space is given to the environment in *Health and Harmony* than profitable farming.

And how realistic is it to deliver a fully functioning replacement for CAP in a relatively short period of time? The models proposed seem elegant on paper, but in reality are hugely ambitious requiring complex new technology systems and human support to make them function efficiently. Not something any government has a good track record on.

Last, but not least, trade. If no trade deal with Europe can be reached by the end of the "implementation period", the farming sector will potentially be one of the hardest hit.

Without Brussels to hide behind, the buck will stop with the government. Taking back control will also mean taking back responsibility. For landowners and farmers, nature will need to be viewed as another crop to be farmed for profit, while every asset whether land, buildings or houses will need to be sweated like never before.

Get ready for take-off. It could be a bumpy ride.

For more on Michael Gove's farming vision see page 10.

For the latest food and farming statistics see page 52.

Isles apart

Caroline Stocks assesses progress on Brexit planning for farming in the devolved nations

Michael Gove's vision for the future of food and farming has received so much focus that you would be forgiven for thinking that it covers the whole of the UK.

But while the budgets for agricultural spending will be decided centrally for the short term at least, Mr Gove has stressed that the future of farm policy outside England will rest squarely on the shoulders of the devolved administrations.

"This government had committed the same total in funds for farm support until the end of this parliament, expected in 2022," he told *The Rural Report*. "It will be up to each devolved administration to decide how best to support its farmers and land managers in future."

So what progress have the devolved administrations made in agreeing future policy? The answer, it seems, is mixed.

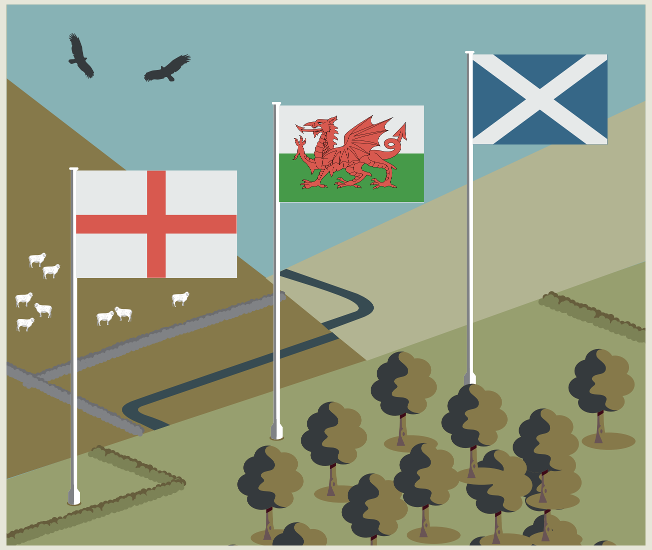
In Scotland, one industry insider said decisions over agricultural policy have been so caught up in national politics that "not much is happening".

A Scottish government spokesman blamed the UK government's lack of clarity around funding for the slow progress. "It is the UK government who need to provide urgent clarity on this issue – Brexit is their policy and they are the ones at the negotiating table," she said.

"Scotland's farmers and rural communities receive valuable support from the EU, and deserve clarity from the UK government on future funding. We believe they should replace all EU funding under the Common Agriculture Policy which is due to be lost as a result of Brexit," she added.

In a bid to fill the policy discussion vacuum, Scotland's farming organisations have been putting together their own visions for farming policy outside the EU.

NFU Scotland's *Steps to Change: A new agricultural policy for Scotland*, published in May, outlined "practical policies" it said would help make farmers more resilient – including a movement from area-based payments, and enhancing payments to support farmers in disadvantaged areas.



"We have put our cards on the table and are now seeking to engage with politicians and other key stakeholders," said union president Andrew McCornick.

"[With less than a year] until Brexit, decisions on the direction that Scottish agriculture will take in the years and decades ahead cannot be delayed any longer."

The Welsh government has drawn up proposals for a Brexit which, according to First Minister Carwyn Jones, will protect jobs and the Welsh economy – despite the long-term uncertainties created by Westminster's ongoing discussions.

As part of that process, Rural Affairs Cabinet Secretary Lesley Griffiths held a "Brexit roundtable" consisting of food and farming organisations who advised what shape future agri-policy should take.

The outcome of those discussions resulted in five core principles Mrs Griffiths said Welsh policy would focus on, including ensuring Welsh agriculture remained resilient and prosperous, that land managers were kept on the land, and that food production remained a key part of the country's operations.

Like Mr Gove, she also stressed the need for future support to focus on the provision of public goods, and said it was critical that all land managers had the opportunity to benefit from any new schemes.

Existing support would remain in place until 2019, she announced earlier this month, after which there will be a "gradual and multi-year transition" from the Basic Payment Scheme to new support systems.

While further details will be set out in a consultation in July, the plan is to have the new schemes fully implemented by 2025.

"The great challenge of Brexit is to ensure its impact does not undermine the true value land management provides Wales," she said.

"The great opportunity is to put in place new made-in-Wales policy to help the industry to adjust to future market forces."

In Northern Ireland, developing official post-Brexit policy has been partly hampered by the lack of an executive and assembly.

A draft report by the Department of Agriculture, Environment and Rural Affairs has suggested that new policy must have four objectives: increased productivity in international terms, improved resilience to external shocks, environmental sustainability, and maintaining efficient and competitive supply chains.

As part of those plans, the report – which was quoted during an evidence session to MPs in Westminster – proposed maintaining direct payments to farmers, albeit at a lower level than the EU currently pays.

DAERA has insisted that any decisions will be for a future minister to take, but in the meantime Northern Ireland farming organisations have stepped in with their own ideas.

Ensuring equal access to the UK's internal market is one element, but their main goal is to ensure that – despite the differences in support and policy that will inevitably arise – no one region's policy is allowed to dominate the UK's approach to the future of food and farming.

THE BIG INTERVIEW

MAIN IMAGE: GETTY IMAGES

The Green Man

Michael Gove, Secretary of State at the Department for Environment, Food & Rural Affairs, talks exclusively to Andrew Shirley about his vision for a brave new world of food and farming

When Amber Rudd the Home Secretary finally bows to the inevitable and announces her resignation on the last Sunday evening of April I quickly check to find out who her likely replacement might be. With very short odds, just behind Sajid Javid, the bookies have Michael Gove as second favourite. I panic.

I'm nervous not because I don't wish Mr Gove well in his career, but because the very next day we're due to swap questions and answers for this interview. It's always been at the back of my mind that such a high-profile and experienced minister might not stay at Defra for very long.

Ross Murray, the recently appointed Chairman of Knight Frank's restructured Rural Asset Management team and immediate past president of the CLA, is also concerned when we exchange emails. "We were delighted when he was appointed, we felt that we had a big hitter we could do business with."

It has also been surprisingly easy to persuade the minister to be interviewed, so I feel a bit like an angler about to lose a fish after doing all the hard work. Usually government ministers take some chasing, but Mr Gove responded with alacrity; perhaps because he is keen to share his vision for farming with as wide an audience as possible, it probably also helped that he had an excellent working relationship with Ross while he was at the CLA.

Mid-morning the next day it's confirmed that the political firmaments have aligned for Mr Javid and that he will take over from Miss Rudd. The nerves stop jangling. The interview proceeds.

However, not everybody will be so relieved. Mr Gove's proposals for agriculture post-Brexit have received far from universal approval from the industry. In fact, as the results of our latest Rural Sentiment Survey (page 41) show, many people believe he is too focussed on the environment aspect of his brief, at the expense of profitable farming.

I put it to him that while his focus on a green Brexit has been welcomed by conservation groups, farmers have for some time felt that their voices have not been heard when creating new policy, particularly since the old Ministry of Agriculture Fisheries and Food became Defra in 2002.

Mr Gove is adamant that he and the government are listening. "Farmers have always been one of the most important voices at Defra and we value their detailed contributions to our policy work," he claims.

The minister though makes it abundantly clear that when it comes to influencing him it's not about who shouts loudest, but who can present the most coherent arguments.

"One of the reasons why we recently funded a new Livestock Information Programme to improve traceability and transparency was the excellent arguments put forward by stakeholders from across the meat and livestock sectors," he explains.

The big test for how well the farming community can put forward its arguments is the public consultation (which closed on 8 May) on Mr Gove's game-changing blueprint for the future of English agriculture after the UK leaves the EU: ***Health and Harmony: the future for food, farming and the environment in a Green Brexit.***

"We want to create a future farming policy that works for everyone, including consumers and environmentalists."

"It is my view that the more people who participate, the better. We want to create a future farming policy that works for everyone, including consumers and environmentalists."

But Mr Gove is at pains to emphasise that he recognises that being a farmer and caring for the environment isn't mutually exclusive. "We must remember that 72% of our land is managed by farmers and it is their hard work that will ensure a vibrant rural agricultural sector for the future.

"It is farmers and land managers who care for our soils, plant our trees, provide the food we eat to keep us healthy, and create the natural environment that we all cherish. Farmers are some of the best environmentalists this country has."

One of the biggest step changes proposed in the *Health and Harmony* document is that instead of receiving support payments based on how many acres they manage, farmers will have to deliver "public goods" in return for "public money".

These public goods will be based around the idea of "natural capital" or "eco-system services". The theory is that markets will spring up around the delivery of these eco-system services, which could include climate change mitigation or flood prevention. Farmers will deliver the benefits and stakeholders, like government and increasingly the private sector, will pay for them.

It all sounds great in principle, a virtuous circle, I venture, but how confident is Mr Gove that Defra can start a market that uses the concept of natural capital as a basis for environmental delivery in time to replace the current system of farm support, which is due to be phased out by 2025?

"In January, we used natural capital principles to guide our ambitious 25-year Environment Plan. Now we need to put that plan into practice, which will include developing a clear set of metrics to assess our progress.

"We will also be setting up an advisory business council to make recommendations on how natural capital markets and business can help to deliver these goals, and what measures government can take to help businesses to become more environmentally entrepreneurial.

"Underpinning all this work is the principle that public money will be spent on public goods, such as environmental enhancement and public access. We will be awarding this funding through new, more sophisticated, agri-environment land management schemes that use natural capital accounting to identify clear goals and targets.

Income stream – the uplands could benefit from Michael Gove's focus on natural capital

Pointing the way – Michael Gove with Knight Frank's Ross Murray when he was CLA president

"We are working with farmers, land managers, environmental experts and businesses to pilot new ideas for these schemes, including the possibility of payment by results, conservation covenants and reverse auctions."

But the minister makes it clear that the government won't be doing all the heavy lifting. "The short answer is, yes we can start a market that uses natural capital accounting as the basis for environmental enhancement, but the size of the market and how quickly it emerges will be determined by the response of farmers, land managers and other businesses to our new policy frameworks."

One of the biggest criticisms of *Health and Harmony* is that it spends an awful lot of time dwelling on things like eco-system services, but relatively little on profitable and productive farming.

How does he square the need to help the environment while encouraging farmers to produce more affordable food, which in truth is the priority for most consumers, I ask Mr Gove. Any increase in their grocery bills, I suggest, would not be considered an acceptable outcome of Brexit.

Again, he returns to his belief that "environmental enhancement and good business are not mutually exclusive". "For a long time, environmental activism has been considered an expensive 'extra'. By delivering a green Brexit, we hope to show that more efficient use of natural resources goes hand-in-hand with brighter financial margins."

Mr Gove, a keen Brexiteer, also makes it clear that he believes that the EU's Common Agricultural Policy, rather than helping farmers, has been holding them back.

"Our new farming policy needs to incentivise the kind of entrepreneurial behaviour that has been discouraged by CAP policy and its Direct Payment schemes, which pay out largely on the basis of the amount of land farmed, regardless of business management.

"Like any business, it is the attitudes of individual farmers and land managers that make the most difference to their productivity and environmental performance, rather than the size of their farm or business. We want to incentivise the right kind of behaviour and emerge with an agricultural industry that leads the world in both productivity and sustainability."

It's a view that most farmers probably don't disagree with; many say they welcome the opportunity to make their own way in the world. Indeed, according to our Rural Sentiment Survey respondents, "a more efficient and innovative agricultural industry" will be the biggest benefit of Brexit for the sector.

But many are also concerned about the rate of change. In reality, a significant number of businesses are unprofitable without subsidies. How long is Mr Gove prepared to give the industry to adapt before pulling the plug completely on the old system?

"There is no doubt the current system of direct payments has held back the industry. In many cases these payments have raised land prices and rents and stifled innovation," he says. "They have imposed unnecessary bureaucratic burdens on farmers and have delivered little for the environment. And that is why we have proposed moving away from direct payments in England.

"We do recognise, however, that farming has a longer than usual business cycle, and farmers need time to adapt to our new system of payments. That is why we have proposed to continue direct payments during an 'agricultural transition period', which will last a number of years beyond the national 'implementation period' once we have left the European Union."

He doesn't, however, give a specific timetable suggesting that he will be guided by the responses to the *Health and Harmony* consultation.

THE BIG INTERVIEW

> **I am clear that future trade with the EU must be as frictionless as possible, and I am hopeful we will achieve a comprehensive free trade agreement that is of benefit to both sides.**

"We have proposed gradually reducing these payments during the transition period to free up money to provide alternative forms of support. A major part of our consultation is seeking views on the fairest way we can apply these reductions, and the length of this 'agriculture transition' period."

TRADE

Aside from replacing CAP, one of the biggest concerns for the farming industry is trade. Agriculture is arguably the sector of the UK economy that is most dependent on the EU and would be hit hardest by a "hard" Brexit – especially if we trade on WTO terms with the rest of the world. I'm keen to know if that is acknowledged by policymakers.

"The food and drink industry is our largest manufacturing sector and of course it is at the forefront of our minds. In the last few weeks I hosted a roundtable with some large players and smaller companies to hear their most pressing concerns," he reassures me.

However, in terms of our future relationship with Europe, Mr Gove is really only able to share the party line: "I am clear that future trade with the EU must be as frictionless as possible, and I am hopeful we will achieve a comprehensive free trade agreement that is of benefit to both sides."

And what does Mr Gove see as the big wins for our relatively high-cost farming systems in terms of trade post-Brexit when even South African chicken farmers are complaining they can't compete with imported product from the US?

"Just this year, the Prime Minister secured a huge amount of new trade with China, which entered our top ten markets for the first time in 2016 after almost 50% growth in trade, including in parts of the animal we don't eat in the UK, like pigs' trotters.

"Varied expansion like this helps farmers to spread risk and become more resilient in competitive global markets. In fact, since 2015, we have opened or improved terms for 163 markets for animals and animal products."

But he's quick to parry the obvious follow-up question about the impact of the reciprocal increase in imports that will be part and parcel of any further trade agreements.

Control – Brexit is a chance for farmers to control their own destinies, says Michael Gove

"As we explore these new trading opportunities dilution of our own high standards is not an option. Our standards of animal health, welfare, traceability and sustainability drive overseas demand for our products and are vital to public confidence in delicious British food," says Mr Gove.

"Opening up markets to international producers means consumers can enjoy more choice and better prices, but it will not be at the sacrifice of provenance, sustainability and health," he stresses.

As well as farming, Defra also covers fishing, an industry that is particularly angry because it feels it was sold down the river regarding the transition deal agreed with the EU. Is it realistic to expect Mr Gove and his successors at Defra to be able to ensure future government policy, whether it concerns free-trade deals or public spending, doesn't sacrifice the agricultural sector in favour of higher-profile issues such as the NHS or the health of the financial services sector?

"I entirely understand the fishing industry's disappointment and we were all disappointed that the EU was not willing to meet our proposal to sit alongside other coastal states as a third country during the implementation period," says the minister.

However, it is important to keep a sense of perspective, he urges. "We must remember that there is a significant prize at the end of this period, and it is critical that we keep our eyes focused on the day that we will finally take back control of our waters."

Regarding the rest of my question, it is perhaps unfair to expect one minster to speak on behalf of his successors, but Mr Gove strives to reiterate how committed he at least is to the food and farming sector.

"Agriculture employs nearly 500,000 people and is the foundation of our food and drink industry, which contributes £112bn to the economy. In recognition of this, a new Food and Drink Council has been formed to build on proposals for a new food and drink sector deal.

"There is no doubt the development of a new food strategy and environmental concerns are key priorities across government, not least because of their close relationship to social justice, trade, public health and education."

Times they are a changing – Micheal Gove spells out his plans at the NFU conference

RED TAPE

For many farmers it was their day-to-day entanglement with EU bureaucracy that caused their resentment against Brussels to fester. I put it to Mr Gove that escaping the red tape of the CAP was a reason many farmers backed Brexit. How much of it in reality will they escape?

He won't go as far as to list any regulations in particular, but talks about the wider opportunities and his aspiration to make farmers' lives a bit easier by making things happen more efficiently.

"Outside the EU, with control over a new agriculture policy, the government will be able to listen to farmers and land managers and take action where it is needed, including reducing unnecessary bureaucracy.

"To be clear, we can now, for the first time in over 50 years, determine the right policy for England – which means high standards and practical enforcement. We have already reformed the Countryside Stewardship application process to make it more streamlined and easier to apply for with the new wildlife offers, but there is much more to do.

"Our aim is to make sure that farmers can fill out an application within a single day and be back at their businesses by the next. The current processes under CAP put excessive burdens on farmers and can be far too rigid in their application.

"Ultimately, we will have the opportunity to design systems that prioritise results over methods, thereby giving more flexibility to famers in how they achieve targets and manage their businesses."

Finally, I put it to Mr Gove that while the CAP is inefficient and involves a large amount of unpopular bureaucracy, it does at least provide farmers with long periods of stability, enabling them to plan for the future and ride out the shocks of an increasingly volatile commodities market.

How should they and their representatives prepare for a future that will be determined more by a domestic political agenda than a long-term European philosophy?

"The top 10% of British farmers are the best in the world. And for centuries we have been known for our excellent farming practices, high standards and quick grasp of innovative technologies. Repatriating agricultural policy means that we can build on these successes in a new domestic agenda that priorities productivity and sustainability.

"And even more importantly, the next generation of farmers will be able to influence government policy in ways that their parents couldn't. This is a hugely exciting opportunity for farmers in Britain," says Mr Gove.

As with a number of his answers to my questions, it's heavy on the optimism and rhetoric, but it's hard to argue with the minister's passion. He certainly sounds as if he has convinced himself that his plans offer a bright future for the farming industry. Given that in a speech to the CLA in 2001, when he was still a journalist, Mr Gove professed not to be a countryman, "I have to stress that I don't come from the soil", he has come on a long and probably unexpected journey.

The big question of course is whether he will be there to help deliver his vision or whether another cabinet crisis will inevitably cut short his tenure at Defra and send him back to the heart of government.

Read more from Mr Gove, including his thoughts on agricultural funding in the devolved nations and farm inspections, at knightfrank.com/ruralreport

My View

It is seems highly likely that farm support payments after Brexit will be heavily geared towards the delivery of environmental benefits and "public goods". Conservation groups share their views on the proposals so far

Bumblebee Conservation Trust

GILL PERKINS
Chief Executive

Ensuring a future for pollinators, for us and our food security is going to need all of us, not just politicians, to take action. Brexit is an opportunity not just to carry over all EU environmental legislation, but to consider the pressing need to act on current environmental issues – namely the decline in our pollinators and the possibility of more of our beautiful bumblebees going extinct. We play a leading role in delivering the National Pollinator strategies in all the devolved countries, and will continue to place ourselves as trusted advisors to government through the Brexit proccess, ensuring it fulfils the Green Brexit promise.

At the moment, ministers are not backing up pledges on governance with bold new laws needed for nature's recovery and a healthy environment. By April 2020, we would expect at least one new, empowered institution to uphold environmental laws, champion citizens' rights and hold future governments to account.

Green Alliance

SHAUN SPIERS
Executive Director

A year ago, the prospect of Brexit filled most environmentalists with gloom but there are reasons to be cheerful. Farming policy is going in the right direction, with a promise of public money for public goods, and Michael Gove has been a pleasant surprise: energetic, engaged, keen to make a difference. His support for a powerful new environmental watchdog to make up for the loss of the European court is particularly welcome. However, there is also worry and uncertainty. The trade department has not got the Green Brexit message, pushing free trade deals that risk disaster for farming and the countryside. Hard questions about things like chemicals safety are being shunted forward to the (hoped for) transition period: all have huge implications for the environment.

There is plenty of work that needs to be done to achieve even a half-decent Brexit for the countryside and environment. And time is running out.

The RSPB

KEVIN COX
Chair RSPB council

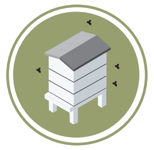
The EU has had a huge role in determining legislation, policy and funding for the environment, agriculture and fisheries. Like most farmers, the RSPB has had issues with CAP and our biggest hope is that environmental public goods will receive greater support under future agriculture programmes. So we are supporting Michael Gove's move to shift policy in this direction, which will make agricultural support much more defensible to the public.

We are concerned about how EU environmental directives, especially the Birds and Habitats Directives, will be replicated and enforced. They have been proven to help species such as bittern, otter, harbour porpoise, Atlantic salmon and puffin, and have played a key role in guaranteeing the high environmental standards of British farming. The final challenge is how the four governments of the UK will co-operate with each other and with the EU in future. Birds don't recognise borders so need governments to co-operate along migration routes.

Campaign to Protect Rural England

CRISPIN TRUMAN
Chief Executive

At this critical moment as we leave the EU it is imperative that we maintain the benefits of existing, world-leading environmental protections and pass a new Environment Act. In order to "leave the natural environment of England in a better state than that in which we found it", as Theresa May aspires to do, the government's 25-year Environmental Plan must be truly cross-government. So far, as we have seen from the proposed revisions to the National Planning Policy Framework and a rapidly growing roadbuilding programme, this does not seem to be the case. This could also be a rare opportunity to create a new agriculture policy that restores our natural environment, as well as help the farming industry to become more financially and environmentally sustainable. That would mean a new funding model that supports all farmers, rural communities and economies in order to create a diverse, thriving countryside.



The Rivers Trusts of Wales

DR STEPHEN MARSH–SMITH OBE
Chief Executive, Afonydd Cymru

Measuring water quality is an accurate way of determining the sustainability of land use practices. Arable, dairy and beef farming, commercial forestry and some recreational activities often have negative impacts. These include elevated levels of sediment, pesticides, organic and phosphate pollution. The losers are water companies, fisheries and biodiversity. Our freshwater fisheries contribute significantly to the rural economy, but indirectly and often in an unheralded way. Yet there are opportunities to bring about substantial changes such as increased carbon storage, water retention and reduced flood risk by applying different financial levers like payments for public goods. Equally important is to ensure that farmers are paid fairly. Hammering down prices will not bring sound investment or good practices.

So a cautious welcome to the new strategy but incentives need underpinning with good regulation and enforcement if payment for public goods is to have any useful benefit in saving our rivers from terminal decline.

The National Trust

JUSTIN ALBERT
Director for Wales

Whatever one's views on the rights or wrongs of Brexit, leaving the EU will provide us with a once-in-a-lifetime opportunity to change how we manage our land and support the farming community. Political and environmental factors in Wales give our devolved nation the opportunity to lead for, and show by example, new and innovative environmental policies that deliver through partnership with farmers. The National Trust in Wales is committed to working with our fellow Welsh environmental charities, Welsh government and farming unions to deliver both public benefit in all its forms, as well as an environmentally sustainable production.

The hard reality is that if we do not seize this opportunity we will not only see the end of the landscapes that we love, but also the farming communities that look after the land we cherish.

GWCT

ALASTAIR LEAKE
Director of Policy

There is much to be welcomed in the "Green Brexit" consultation, and quite a bit to fear too - if we get it wrong. Farmers have the potential to deliver a great deal of environmental good, so rewarding this through "public payment for public goods" seems a sensible way of re-directing support. The proposal for a "universally accessible" environment scheme is welcome too along with easier applications; there's little point in having a gold-standard scheme but with nobody in it because the red-tape is too onerous. The commitment to improve soil health is I think the greatest opportunity. Improving soil health and resilience is an investment in the future of our food supply and can deliver environmental benefits – yet more public goods. However, the suggestion that the "polluter pays" principle be applied to farmers alone is utterly unjust – it is a principle that should be applied across society generally.

The Woodland Trust

BECCY SPEIGHT
Chief Executive

Although there is a risk that EU environmental protections may not be properly carried across into UK law, Brexit does offer a unique opportunity to reshape our approach to land use. This has exciting implications for trees and woods whose benefits range from protecting soils and supporting pollinators to helping natural flood management and providing shade and shelter for livestock. Despite increasing evidence of the benefits of trees and woods, for too long our approach to them has been fragmented. CAP has separated land managers into farmers and non-farmers and often excludes trees and woods from being part of an integrated approach to land management. The government appears to understand the need for a public money for public goods approach to future land use, which will be good for woods and trees, and is improving protection for irreplaceable ancient woodland. But important challenges remain, such as protecting our landscapes from tree disease and pests.

PERSPECTIVES

Forward thinking

Three landowners share their views on Brexit with Andrew Shirley and discuss how they are preparing their businesses for the changes that lie ahead

ROSS MURRAY

Unlike many modern villages, Llanover in Monmouthshire's Usk Valley has a bustling heart where small businesses thrive and passers-by and locals stop to enjoy a tasty coffee or bite to eat.

I'm actually enjoying a sandwich myself in the Hummingbird Café located in a courtyard of converted redundant farm buildings on the Llanover Estate. Opposite me is Ross Murray, who, along with his wife Elizabeth, are stewards of the estate, which is owned by a family trust.

"It's rare to find a virtually intact estate village like Llanover anymore in Wales," explains Ross, former president of the CLA and now chairman of Knight Frank's Rural Asset Management Business. The 5,000-acre rural estate, about a third of which lies within the Brecon Beacons National Park, includes 13 tenanted farms and a portfolio of houses.

But it's the 25 diverse commercial businesses ranging from office space to furniture makers, from care homes to an equine vet, and which between them employ around 80 people, that are increasingly the strategic focus, both financially and in terms of helping to empower and revitalise the local community.

"There is a strong social theme to what we do here," says Ross. To help explain the history behind this ethos of stewardship, he shows me an iconic war memorial in the heart of the village dedicated to the only son of Major General The Lord Trewoen, the great, great uncle of Mrs Murray, and 17 other villagers who died in World War One.

Recognising that a lack of affordable housing was one of the big issues affecting estates like Llanover in rural post-war Wales, Lord Trewoen built a new Arts & Crafts village including a new school around his son's memorial.

Brexit will mean working even more closely with the local community, and in particular the estate's tenant farmers, says Ross. While agriculture may no longer be the financial core of Llanover it is still its spiritual heart. "Without farming there is no estate so we have to create profitable partnerships."

An example includes supporting a tenant with an organic dairy herd with an investment in a new barn that will allow the business to expand. "He is very excited and wants to take on more land, Brexit can't come quickly enough for him as he sees lots of potential new export markets."

But, conversely, Brexit also means reviewing other areas of the business that will become less viable. Ross has just planted almost 100 acres of woodland on a block of hill land that had been given up by a tenant. "This sheep farm was problematic and the numbers didn't stack up to re-let it, so trees seemed to make more sense. We take our forestry seriously anyway."

Ross believes tree-planting and other environmental activities will become more crucial as landowners are increasingly paid for delivering public goods. "Natural capital will become another income stream. We'll be farming nature for profit. The government just needs to work out how it will be paid for."

THE LLANOVER ESTATE
LOCATION: **MONMOUTHSHIRE**
TYPE: **DIVERSIFIED ESTATE**
ACRES: **5,000**
FARMING: **TENANTED – LIVESTOCK/DAIRY IN-HAND – FORESTRY, BLACK WELSH SHEEP**
DIVERSIFICATIONS: **LET HOUSES, 25 LET COMMERCIAL PROPERTIES, FISHERY**

"Natural capital will become another income stream. We'll be farming nature for profit.The government just needs to work out how it will be paid for."

Job creation – Ross Murray at the Llanover Estate's business park

The Colour Purple – Ben Goldsmith's wildflower meadow

BEN GOLDSMITH

Ben Goldsmith bubbles with excitement as he shows me around the 160-acre Somerset farm that he has owned for the past 10 years.

The environmental investor and campaigner believes that Brexit is a "massive opportunity" to "completely reimagine" how the £3bn that is given to farmers in the form of CAP payments is spent and distributed.

As a recently appointed member of Defra's executive board – although he stresses he is there to help implement, not create, policy – he's very much in tune with Michael Gove's "ground-breaking" vision that any payments to landowners and farmers should be linked to the delivery of public goods.

Although the details of how such a scheme will work have yet to be finalised, Mr Goldsmith envisions it working on a market-led, catchment-level basis. Farmers would be paid for delivering benefits such as flood prevention, improved water quality, soil protection, carbon sequestration and management of invasive species not just by central and local government, but increasingly by the private sector, conservation NGOs and even philanthropists.

"The beauty of this new approach is that those farms that have become the most marginalised economically are typically in the upper catchment areas where many of these potential services can be delivered."

Unsurprisingly for such an ardent conservationist, he is already practising what he preaches. His own farm on the headwaters of the river Frome is home to a herd of White Park cattle, "the oldest breed in the UK," he says proudly.

Rare breed – Ben Goldsmith with one of his White Park cows

During my visit the cows are tucking into hay cut from wildflower meadows designated as an SSSI. "They've never been ploughed or fertilised and the grass is more nutritious because of the huge number of different flowers, grass species and herbs that grow there," Mr Goldsmith says.

He has also planted around 80,000 trees, joining up two blocks of existing woodland, and dug a number of ponds, one of which he believes is being visited by beavers, once-native to the UK and whose reintroduction he passionately believes in; not least because of their contribution to flood management. "They help to slow the flow of water from upland to lowland."

Other species that Mr Goldsmith believes should be reintroduced include the pine martin, "they do a great job of controlling grey squirrels" and the golden eagle in England, wild cats and even lynx. "I think we have a moral duty to right the moral wrongs of the past."

Such a stance and some outspoken comments on the impact of intensive agriculture and upland sheep farming haven't endeared him to everybody within the farming community, but he is adamant that he is a pragmatist and is very much on the side of farmers. "It's critical that landowners know they can manage problem animals," he says.

When it comes to the delivery of public goods, he acknowledges that if the system as he envisages it is to work, farming has to be profitable. In his view there are three things that have to happen in parallel with this new model.

"First, the unfair buying power and anti-free market practices of the major supermarkets need to be curbed. Second, the government should focus its attention on buying high quality British produce across all departments – something difficult under EU rules. And finally, food imports must meet the same high production standards to which our own farmers adhere in order to ensure a level playing field."

Few farmers would argue with any of those points and while his enthusiasm for a green Brexit may prove less contagious, he believes it is the only answer. "Subsidy, unsustainable politically in any case, will be a thing of the past."

CANNWOOD FARM

LOCATION: **SOMERSET**

TYPE: **LIVESTOCK/LIFESTYLE**

ACRES: **160**

FARMING: **WHITE PARK COWS, TAMWORTH PIGS, WILDFLOWER MEADOWS**

DIVERSIFICATIONS: **LIVERY YARD, BOX SCHEME**

Thinking big – CLA President Tim Breitmeyer

TIM BREITMEYER

Just as I'm setting off to talk about Brexit with CLA President Tim Breitmeyer on his 1,650-acre Cambridgeshire arable farm, the news breaks that supermarkets Asda and Sainsbury's are proposing to merge. One of the purported benefits behind the move is that it will give the combined stores even greater buying power.

When I ask for his reaction Mr Breitmeyer rolls his eyes as if to suggest that his members already have enough on their plates to worry about. But ensuring farmers and landowners get a fair return from the UK's £113bn food supply chain should go hand in hand with negotiating a good deal from Brexit, he suggests.

"Integrating agriculture more effectively into the supply chain is very important. If just a penny per loaf of bread, for example, went back to the farm-gate it could add £100/ha to a farmer's bottom line. That may go some way to making up for the impending loss of their Basic Payment."

However, Mr Breitmeyer does suggest that some of the responsibility of coping with Brexit lies with farmers themselves. There is an issue for some in the industry with productivity in the UK, he says, pointing to average annual growth of just 1.3% over the past 30 to 40 years. "We've been flat-lining. Other EU countries, particularly Holland, have been doing much better. On the continent farmers generally have a more collaborative spirit, work together better and governments have continued to aggressively support research."

A totally new mind set is needed, he believes. "We can't rely on the status quo, we will have to think of ourselves even more as rural businesses, not just farmers. We will need to sweat every clod of soil, every tree, every brick and every building."

In addition to his own land, Mr Breitmeyer contract farms a further 3,100 acres of arable land and says he is already looking to restructure some of the agreements to take account of Brexit. "I'm astounded that some people are still prepared to pay rent of £170/acre for everyday arable land." Future arrangements may look very different without the Basic Payment underpinning them, he reckons.

"The future could be very exciting, especially for the next generation of young innovative farmers, but we need a trade deal with the EU that we can understand."

Accepting that the industry has a lot of work to do itself doesn't let the government off the hook though. Mr Breitmeyer says he is "horrified" by the lack of emphasis on profitability in Defra's Health and Harmony consultation on the future of farming post-Brexit.

"First and foremost before we start to talk about providing environmental services we need an industry that has profitable food production as its core. Accepting that a significant number of businesses really don't at the moment is something I'm struggling to get Michael Gove and his officials to buy into."

He also believes Defra's proposal to cap the largest support payments from 2020 is misguided. "It's erroneous to believe that most of the largest claimants are just rich landowners. Often, they are hardworking farming businesses that have built up land holdings over many years, much of it rented."

That said, Mr Breitmeyer doesn't disagree with Mr Gove's "public money for public goods" mantra regarding future support providing it delivers greater value, is flexible and administered effectively. Improving soils (he has broadened his own rotation away from the traditional wheat and oil seed rape stalwarts and is using much more organic fertiliser) and addressing climate change targets, being examples of how a future system could be part of a landowner's future business model. But he is concerned about the speed of change being suggested and the issues around food production already highlighted.

"The future could be very exciting, especially for the next generation of young innovative farmers, but we need a trade deal with the EU that we can understand, we need significant investment into research and development and training, and this new public goods model needs to reward farmers properly, not just be about income foregone, and it needs to be given time to work properly."

Get it wrong and businesses of all shapes and sizes could fail, he warns, to the detriment of the environment and rural economy as a whole.

WESTOE FARM

LOCATION: **CAMBRIDGESHIRE**

TYPE: **ARABLE**

ACRES: **1,650**

FARMING: **CEREALS, SUGAR BEET, OSR, BEANS**

DIVERSIFICATIONS: **CONTRACTING BUSINESS**

One size doesn't fit all

Knight Frank's rural asset managers highlight the opportunities they see for their clients to build more profitable businesses after Brexit

As the three examples on the previous pages show, rural properties come in all shapes and sizes, each with their own unique set of challenges and opportunities.

No Brexit blueprint will be the same, but there are some broad areas that should form the backbone of any future strategy, whether it's designed to cope with a specific set of circumstances like leaving the EU, or is looking forward over the horizon to multiple future generations.

"For me, it is all about building more productive and profitable relationships," says Alastair Paul, Head of Knight Frank's Bishop's Stortford-based Rural Asset Management team. "Brexit is going to be challenging for everybody in the agricultural value chain, whether it's farmers, estate owners, tenants, suppliers or customers, but we are more likely to see innovative solutions develop if people talk to each other."

Particularly relevant for traditional estates, says Mr Paul, will be improving the relationship between landlord and tenant. "For too long on too many estates this has been an arms-length transactional arrangement that has failed to maximise the potential synergies that would come from working more closely together.

"With the Basic Payment set to be gradually reduced, tenants may find it hard to justify rents at their current levels so now would be a good time to discuss alternative arrangements that work for both parties. There are lots of exciting opportunities, but crystallising them requires the right environment."

Edward Dixon, Head of Knight Frank's Rural Asset Management team in Bristol, says a number of his clients, particularly those with holdings that cover more marginal farming areas, are already developing the "public goods for public money" eco-system services model that will form the basis of support for farming post-Brexit.

"It already works well for water companies who need to safeguard water quality, for example, because it's an easy equation to make work at a catchment-area level. If you want less nitrogen in your water you can pay farmers to apply less or put in control measures. It will be trickier to make it work where the cost-benefit opportunities aren't so obvious, but that doesn't mean ignoring its potential.

"Under the Common Agricultural Policy farmers and landlords have got used to dealing with clearly defined schemes created by Brussels, but I think in the future it will be much more of a two-way relationship. It will be more about identifying what benefits your farm or estate can offer and then finding somebody who will pay for them."

Identifying under-utilised assets and making sure they work as hard as possible for you, will be even more crucial, says Benjamin Hamilton, of Knight Frank's Hungerford Rural Asset Management team. "Redundant buildings and unproductive parcels of land will all need to pay their way. Many landowners have already developed the most immediately obvious schemes, but there are still lots of things that can be done.

"The heat may have gone out of the renewables sector, but new opportunities such as sites for battery storage facilities are emerging and the recent changes to permitted development legislation (see page 49) should make it easier to convert farm buildings into homes".

Read in detail on page 42 how Knight Frank is helping Monmouthshire County Council to plan for the future.

PROPERTY MARKETS

Changing values and future outlook

IN THIS SECTION

MAIN IMAGE: THE SUTTON HALL ESTATE, NEAR WOODBRIDGE, SUFFOLK, FOR SALE THROUGH KNIGHT FRANK. TURN TO PAGE 32 FOR MORE DETAILS

MARKET UPDATE

Standing firm

Clive Hopkins, Knight Frank's Head of Farms & Estates, makes sense of the current farmland market

Newnham Court, Worcestershire, 306 acres, guide price £4.25m (sold)

It feels as though we are in a phoney war period regarding Brexit at the moment. There is a huge amount of discussion around the UK's imminent departure from the EU, but much of it still seems to be at an abstract level, almost as if certain politicians are reliving the referendum debate. Very little seems to be focused on the practicalities of life outside the union.

The farmland market is much the same. People talk a lot about Brexit, but when it comes down to it, the impact it is having on values is surprisingly limited. Although potential purchasers remain cautious, if it comes to a competitive bidding situation, their concerns seem to get quickly put aside.

This is reflected in the latest results from the Knight Frank Farmland Index. In the first three months of 2018, the average value of bare land in England and Wales actually rose, albeit marginally, to £7,226/acre.

One might argue that a 0.4% rise is hardly a ringing endorsement of the strength of the land market, but to me it is significant that prices headed up even slightly at a time of such uncertainty and remain at historically high levels. Only a decade ago, farmland was worth on average significantly below £5,000/acre, according to our index.

> **In the first three months of 2018, the average value of bare land in England and Wales actually rose, albeit marginally, to £7,226/acre.**

Over the past 12 months, average values have slipped by only 3%. It could be argued that even this relatively modest decline is more down to general concerns about commodity markets and the economy as a whole than Brexit.

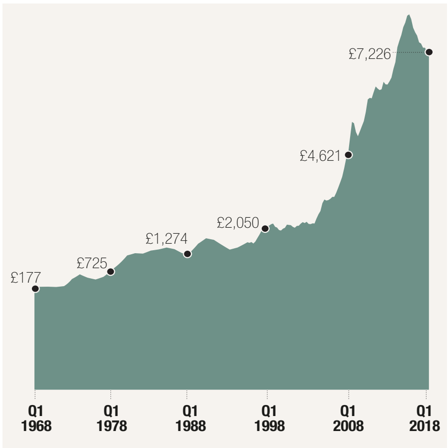
So why is the market proving so resilient, why haven't values come back more? The first thing, of course, to point out is that averages do not tell the whole story. The land market is becoming inexorably more fragmented; once you could reliably say most Grade 3 arable land would fetch a similar price in most places, now values vary sharply across not just the country, but also counties and even parishes.

As our regional round-up later in this section of the report shows, prices are performing better in some places than others. So why the variation? The answer is good old supply and demand. There are many reasons to buy farmland and almost as many not to sell it, which means the supply of farmland for sale often fails to match the level of demand.

Certain economists have long scratched their heads as to why people would pay so much for land when, on paper at least, the economics of farming don't justify such an investment. But they tend to miss the bigger picture. For most buyers, particularly farmers, land is a long-term, multi-generational investment. Sure, the sums may not add up over a five-year horizon, but that doesn't really matter when you plan to hold the land for many decades, the cost of long-term money is cheap and the chance to purchase it may not come along again any time soon.

And that's just the farming element. Estate planning also plays a big role. Agricultural land qualifies for a number of capital tax reliefs, especially when farmed in-hand. Rollover relief – the ability to defer a capital gain on the sale of a business by reinvesting the

LONG-TERM PERFORMANCE OF FARMLAND (£/ACRE)

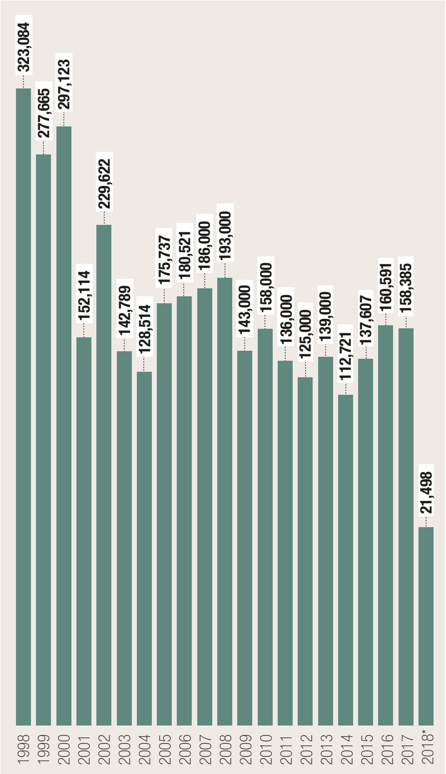


SOURCE: KNIGHT FRANK RESEARCH

MARKET UPDATE

> The replacement of direct payments with some kind of public-goods based model may also see support for some farms actually increase.

PUBLICLY MARKETED FARMLAND



SOURCE: DEFRA/FARMERS WEEKLY *TO MAY 11

proceeds into a qualifying asset – is also a big driver of the market.

With the demand for housing soaring and the number of major infrastructure projects on the rise, this is a trend that is set to become increasingly prevalent as more farmland gets developed. When there is relatively little land for sale, it only takes a few potential buyers with rollover funds looking in the same area to give the market a boost, particularly if several local farmers or estates are also looking for more land.

You can also do a lot more things with farmland than just farm it. It offers numerous sporting and leisure opportunities, you can plant trees on it, set up renewable energy schemes or create your own wilderness if that is your thing.

The big question of course is what will happen when we have actually left the EU and Brexit is a reality rather than a mere concept to be argued over. Will the farming community suddenly want to sell all its land, throwing the supply and demand equation out of kilter and leading to a sudden drop in land values? The answer, I believe, is no, largely because we are unlikely to see a Brexit cliff edge when it comes to farming.

Michael Gove has already committed to a transition period lasting until at least 2022, during which the UK treasury will support farming to the same financial tune as the CAP, albeit with a declining amount of that support coming from direct payments. But even after that the taps won't be turned off completely. There seems unlikely to be an exodus of farmers from the land; change will undoubtedly happen, but any restructuring will be a process gradual enough to allow the market to rebalance.

The replacement of direct payments with some kind of public-goods based model may also see support for some farms actually increase. As we discuss on the following page, it could well be that some farming businesses in more marginal areas of the country do better by selling eco-system services than growing crops or rearing livestock.

There is a lot we still don't know about the future, who knows which government will be in power this time next year, but farmland will always tick a lot of boxes whatever else is happening politically or economically.

FARMLAND CAPITAL VALUES VERSUS OTHER ASSET CLASSES TO Q1 2018

	ENGLISH FARMLAND	PRIME CENTRAL LONDON RESIDENTIAL	UK HOUSE PRICES (Nationwide)	FTSE 100	GOLD
3-MONTH	0.4%	-0.5%	0.7%	8%	2%
12-MONTH	-3%	-1%	3%	-4%	-5%
5-YEAR	15%	4%	30%	10%	-10%
10-YEAR	56%	23%	18%	24%	102%

SOURCE: KNIGHT FRANK RESEARCH

Green and pleasant land

How will farmland be valued after Brexit? Tom Barrow sheds some light

As a professional valuer, the radical changes that are being proposed for agriculture in the UK once we leave the EU open up an array of interesting possibilities.

Because every valuation we do falls under the auspices of the RICS' "Red Book" guidelines, which place a lot of emphasis on comparable evidence, I don't expect things to change overnight. It will take the farmland market some time to adjust to life after Brexit, and the gradual reduction in direct payments will cushion even the least profitable farmers, preventing a glut of farms coming to the market.

However, I do expect the growing disparity in values across the country that we have witnessed over the past five years or so to widen. Without the safety net of the Basic Payment Scheme in the future, less economically productive land may not appeal to as many potential buyers. Livestock businesses could be hit hardest, especially if we do not manage to secure a good trade deal with the EU, which accounts for most of our meat exports.

But a more optimistic scenario begins to emerge when we start to look at the value of land beyond its agricultural potential.

Natural capital – defined as the world's stocks of natural assets including geology, soil, air, water and all living things – is not a new concept. The term was originally coined in 1973, but it is only relatively recently that people have accepted that it is possible to put a value on nature and the benefits it provides like health and mental wellbeing.

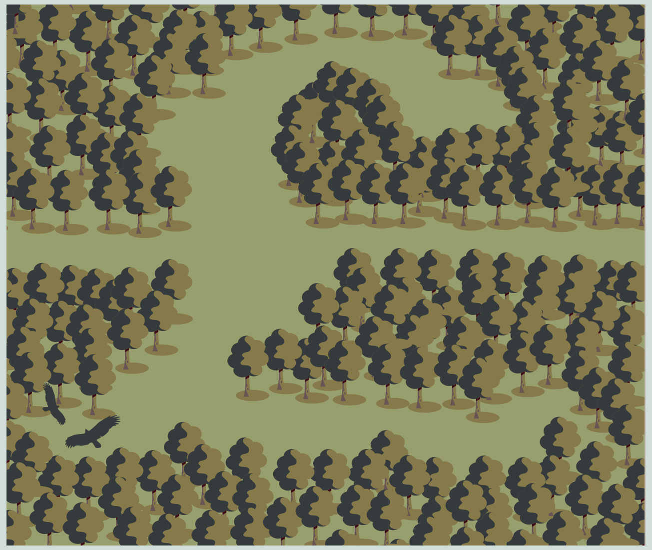
Some remain sceptical about the approach, claiming it is almost impossible to accurately value something so nebulous and the huge figures generated are meaningless – for example, it has been calculated that London's green spaces provide the equivalent of £91bn of economic value.

Governments though are taking the concept seriously. In 2012, the Natural Capital Committee was created here to advise on how to value nature and to ensure England's "natural wealth" is managed efficiently and sustainably. The committee has called for the integration of the state of the country's natural assets into mainstream national accounting.

The work of the committee and other groups such as the Green Alliance has clearly influenced Michael Gove's thinking – paying landowners based on the environmental benefits their properties' natural capital can provide is a key part of his proposals for farming post Brexit.

This raises the possibility that a whole new market for land will arise – in future the value of, say, upland pasture may not be linked to the income from sheep farming, but to the delivery of cleaner water or some other public benefit.

RICS has already started to investigate new methodologies that will allow valuers like myself to calculate these benefits within robust and recognised frameworks. Its paper *Value of natural capital – the need for chartered surveyors* includes several examples of woodland and grassland that have been valued based on the environmental and social benefits they provide.

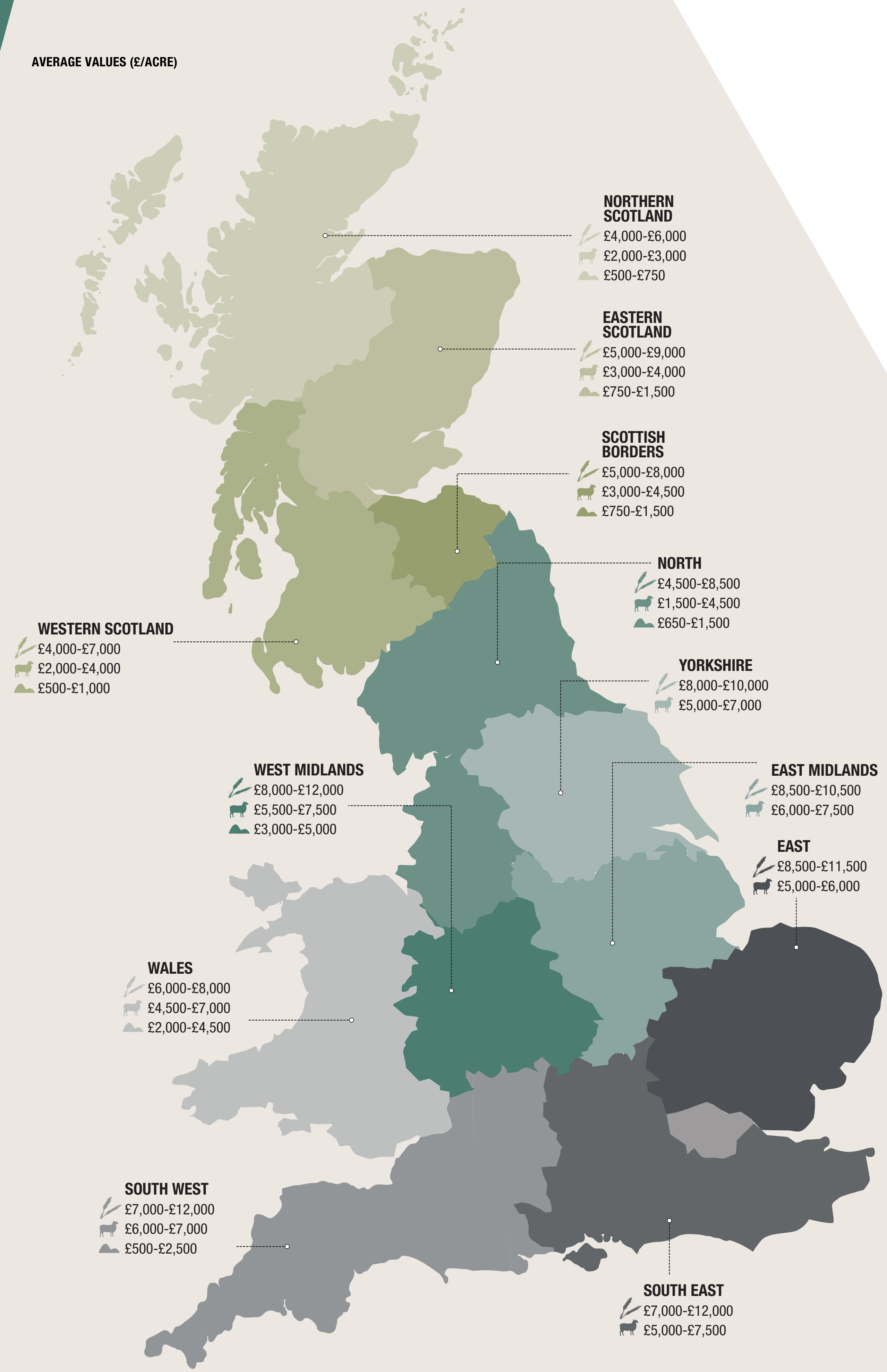


Of course, putting a value on something is only of use when somebody is prepared to pay it. It will take time for markets based on natural capital to develop and clearly they could lead to even greater pricing variations around the country – some blocks of land will be able to deliver more benefits than others – but we have already seen it happen in terms of carbon credits from tree planting, so I don't believe it will be long before natural capital is an important element of farmland valuations.

Tom Barrow is Knight Frank's Head of Country Valuations tom.barrow@knightfrank.com

REGIONAL ROUND-UP

AVERAGE VALUES (£/ACRE)



Regional round-up

Knight Frank's experts analyse the farmland market near you

SCOTLAND

TOM STEWART-MOORE

Last year saw 62 farms with a guide price of over £1m come to the open market across Scotland totalling just under 30,000 acres. This compares to 72 farms in 2016 and indicates how restricted supply is becoming. Things were particularly quiet across the central belt where only eight farms were launched, and the Borders, where again just eight farms were put up for sale publicly. The south west and Aberdeenshire were the busiest regions accounting for nearly 60% of the farms available.

Demand last year was once again strongest for prime arable units, which have been few and far between over recent years. We guided a 261-acre block of land in Berwickshire at almost £7,000/acre and sold it under competition for a good premium. Mixed units of scale and hill farms with tree-planting potential were also in demand from buyers.

Secondary arable and smaller stock farms weren't quite so keenly sought after and buyers tended to be very price sensitive. However, there has been a bit more activity off-market. Interestingly, there were three large prime arable farms sold privately in the Borders with a total value in excess of £12m. All were sold to existing big farming businesses from the region, suggesting that confidence in the future remains high despite the current economic and political uncertainties.

The 2018 market has started off slowly, not helped by the late cold snaps that have particularly hampered upland sheep farmers and those arable farmers hoping to drill spring crops. Farms that we were due to bring to market in the spring were delayed by up to a month. Early signs suggest that supply is likely to be similar to last year and quality farms will continue to sell well. Some cash buyers on our books have now been waiting two to three years for a suitable farm to buy. With a restricted supply set to continue, land prices are likely to stay firm, certainly for the short term.

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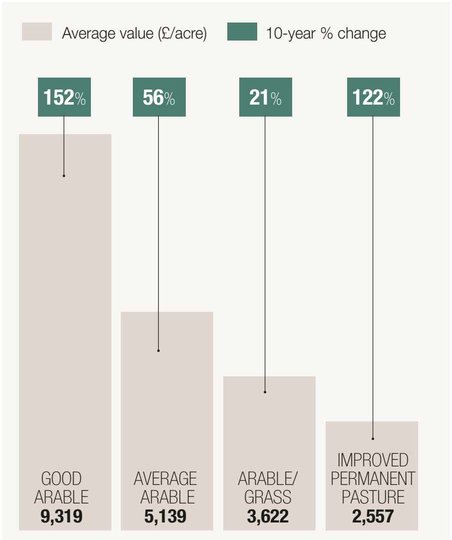
SCOTTISH FARMLAND
LAND TYPE



SOURCE: KNIGHT FRANK RESEARCH

The Borders, 154 acres, £650,000 (sold)

REGIONAL ROUND-UP

THE SOUTH WEST

WILL MORRISON

In Somerset and Dorset there is good activity for both large and small blocks of land, although values for the smaller blocks of land have adjusted slightly downwards as farmers and owners become slightly more cautious. Larger blocks of land, with or without houses and buildings, are particularly sought after by rollover buyers and larger neighbouring farmers looking to expand. This long-term view is helping to ensure prices over £9,000/acre are being achieved.

Deeper into the south west, farmers in Devon and Cornwall are selling parcels of land from 10 to 400 acres, both privately and on the open market. Most of the sales are taking place to rollover buyers, farmers looking to expand their acreage and to new entrants who have taken funds from existing businesses and other properties to invest in farmland for the long term. Demand remains good for all land in Devon and the larger blocks, particularly with houses, attract a good premium.

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THE COTSWOLDS

HOLLIE BYRNE

The demand for owning a piece of Cotswold soil has never been greater – from lifestyle buyers looking to enjoy the first class surroundings and amenities, to existing farmers and landowners wanting to expand their current holdings. Coupled with a shortage of land for sale compared to previous years, this has resulted in property prices being elevated and transaction times being reduced, with many properties barely reaching the open market before the sold sign is erected outside. The average value for farmland in this area currently ranges from around £9,000 to £12,000/acre with huge variation depending on the package. Smaller acreages often see much higher figures achieved due to market competition. The tone of the finer details from Brexit discussions in the coming months will of course have an impact on market values and confidence. Nevertheless, going forwards we anticipate that this trend for farmland demand will continue to be strong.

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Devon, 88 acres, guide price £2m (sold)

WALES

ANTHONY CLAY

Land has been in limited supply compared with the previous 12 months. This has created competition among buyers and therefore helped to keep prices steady. We recently sold a 200-acre farm near Chepstow with the land valued at around £7,500/acre to a buyer from outside the area. We have just another block of more variable arable land near Tintern Abbey in Monmouthshire for £5,300/acre. Sought-after properties often don't even make it to the public market because they are snapped up by neighbouring landowners who are looking to expand. However, Brexit and the uncertainty that this will potentially bring is also at the forefront of people's thoughts, particularly in marginal upland areas. Some sales are being held up while we await details from the Welsh Government on how agriculture will be supported in the future and the trade deals that are agreed.

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Wiltshire, 74 acres, guide price £2m

COMMERCIAL FORESTRY

RAN MORGAN

UK forestry investment returns have been impressive in recent years, underpinned by rising domestic demand for timber. The weaker pound has made imports more expensive, while the use of wood in biomass and construction continues to rise.

Currently, the UK imports 80% of the wood it consumes, according to Confor, the forestry trade association. Since March 2012, the mean standing sale price for UK timber has increased by 31% and sawlog prices by 19%, according to the Forestry Commission.

There are also concerns over the future availability of timber. The Forestry Commission forecasts a 30% decline in timber availability after 2030 in the UK.

Total annualised returns from UK forestry investment over the past 10 years are over 17%, according to the IPD UK Forestry Index. The performance was driven by impressive capital growth, partly underpinned by timber sales, but also by rising land values. A desire among investors for tangible assets which offer positive real rates of return, as well as a favourable tax status, has helped underpin demand for forestry investment. After two years commercial forests are entitled to 100% business property relief and sales incur no capital gains tax. Scotland is home to 45% of total woodland in the UK, according to the Forestry Commission, and sees the majority of market activity. As part of the Scottish government's draft climate change plan, tree planting targets in Scotland have been increased from 10,000 hectares per year to 15,000 hectares, or 33 million trees, by 2025.

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Angus, Scotland, 277 acres, guide price £675,000 (sold)

THE MIDLANDS

WILL KERTON

A very mixed market with not a great deal of supply of farms and farmland compared to earlier years. We have recently sold small blocks of edge-of-village land at auction, achieving from £14,000 to just under £17,000/acre. Commercial farmland has sold off market with Grade 2 arable land ranging from £7,750 to around £8,900/acre. A fantastic block of Grade 1 land under hops with adjoining Grade 2 land in an arable rotation made over £14,000/acre on average.

Buyers include farmers looking to diversify their portfolios and enter into new agricultural enterprises. Those farming families with strong succession prospects have been a driver, particularly if their existing farming businesses have already been diversified. Development-funded buyers have been in the marketplace and can create strong competition. New lifestyle buyers are active and a recent sale saw "a return to roots". A buyer from a farming family sold his marketing business on retirement to buy a farm in the region.

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Denbighshire, 188 acres, guide price £1.2m (sold)

Northants/Bucks border, 210 acres, guide price £4m (sold)

THE SOUTH EAST

WILL MATTHEWS

The overriding frustration has been the lack of availability. The reluctance of vendors to put their heads above the parapet comes at a time when we are seeing more buyers in the market than we have done for several years. Despite continued sensitivity to pricing and nervousness regarding potential economic and political uncertainty, buyers are happy to pay premium prices when sensibly priced farms generate competitive bidding.

That said, land prices are still experiencing significant differentials across counties and regions with, for example, arable land prices in Hampshire often significantly higher than those counties further east.

There has been a considerable rise in the number of buyers with rollover funds. We recently exceeded a guide price by 20% on a 200-acre farm in West Sussex with several rollover-driven buyers competing from across the region. The rest of 2018 could see some exceptional results if sellers can be persuaded to part with their assets.

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Surrey, 266 acres, £13m

THE NORTH

JAMES DENNE

Market activity during the first quarter of the year has been somewhat subdued, not least because of the horrendous weather we have had to put up with since Christmas. What deals there have been have been executed behind closed doors. Despite the future of farm support payments still very much in the balance, the market for good arable land remains strong. Prices over £8,000/acre for Grade 3 land are not an unusual occurrence with £4,000 to £4,500/acre being paid for pasture.

What is clear is that demand continues to outstrip supply by some margin. Buyers must move fast. Our experience is that pre-emptive offers facilitate a quick purchase or, at the very least, an early closing day for best offers. This applies to both commercial units and to more residential/lifestyle farms.

In the more marginal areas, forestry land could be in for some exciting times with more sheep being taken off the hills and fells post Brexit.

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Northumberland, 195 acres, guide price £1.65m (sold)

TURN TO PAGE 36 FOR DETAILS OF THE MARKET IN THE EAST

OPPORTUNITIES

A new chapter

A stunning riverside Suffolk farming estate for sale through Knight Frank offers a myriad of opportunities to potential buyers

The big question I have for Sir Guy Quilter and his wife Lady Jenny Quilter when we sit down to chat about their home, the gorgeous Sutton Hall Estate, near Woodbridge in Suffolk, is why. Why sell such an amazing place?

There's certainly no need for them to sell. Sir Guy, an ex-Irish Guards officer and successful investor, has the same acumen for business as his great, great grandfather Sir William Quilter who originally purchased the estate in the early 1900s and was one of the founders of the National Telephone Company, the forerunner of BT.

Could it be that they're worried about the impact of Brexit on the 2,094-acre estate's farming operation? Again, it's an emphatic no. If anything, Sutton Hall is the type of agricultural business best placed to thrive once we leave the EU.

Since Sir Guy and Lady Quilter were thrown in at the deep end – "the farm manger retired the same day" – when they took on the responsibility of running the farm 26 years ago, they have created an enterprise that offers not only incredibly flexible cropping options, but also safeguards the farm's most valuable asset: its well-drained soils.

The farm's 1,430 acres of arable land all have access to an underground irrigation network installed in the late 1990s and based around two large reservoirs created at the same time at either end of the estate. As well as cereals and potatoes, this allows high-value vegetable crops such as carrots, parsnips and onions to be grown, not to mention high-quality turf, "some of which was used at Wembley", points out Sir Guy, proudly.

A contract sow-rearing operation is also rotated around the estate adding valuable organic matter to the soils.

"Having so many cropping options means you can create a really diverse rotation that doesn't put too much stress on the land," says George Bramley, who is handling the sale on behalf of Knight Frank, in conjunction with local joint-agent Landbridge.

In addition to the estate's commercial cropping opportunities, there are 324 acres of pastureland and 235 acres of well-managed woodland – home to an excellent actively keepered family shoot – as well as areas of picturesque heathland and nature-rich marshland along almost three privately accessed miles of the banks of the river Deben. All of these offer fantastic opportunities to benefit from the post-Brexit shift away from direct support for agriculture to the provision of eco-system services and public goods, says Philip Summers of Landbridge.

Groundwork – All of the arable soil on The Sutton Hall Estate is irrigated and can grow high-value vegetable crops

PROPERTY PORTFOLIO

And it's not just the Sutton Hall estate's diverse agricultural and environmental opportunities that generate sustainable income streams. Besides the stunning seven-bedroomed Georgian main house, there is an extensive residential property portfolio comprising three farmhouses and seven cottages. All are let under assured shorthold tenancies and have a combined annual rent roll of around £120,000.

"As the houses gradually became vacant as people moved on, we renovated them to a very high standard so they were homes where we'd be happy to live," says Lady Quilter. "It's helped to attract a really interesting mix of people who tend to stay for quite a long time, which is nice and has helped to enrich the local community."

THE EAST

GEORGE BRAMLEY

The market in the east of England remains short of quality stock. Following a busy 2017, which saw Knight Frank sell a diverse range of rural property in the region, including a 2,000-acre strategic investment portfolio near Epping; the private sale of a 1,000-acre arable portfolio spread over three Essex farms; Hickling Broad, a 650-acre conservation estate in Norfolk; Littley Park, a 320-acre residential farm in Essex; and the 125-acre Felthorpe Hall estate in Norfolk, we continue to see growing numbers of motivated purchasers, be they farmers, investors or lifestyle buyers. We have already seen significant action during the early part of 2018 and are confident that despite some difficult economic and political pressures the market will continue to move in the east with values remaining firm, particularly for once-in-a-generation opportunities like the Sutton Hall Estate.

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Between them the Quilters have created a remarkable property that combines its commercial and lifestyle sides in a way that is unusually harmonious," says George.

So I come back to my original question, why leave this Suffolk paradise? "It wasn't an easy decision, we do have so many happy memories," admits Lady Quilter. "Guy proposed to me on the private quay by the river and our three boys have had amazing childhoods here."

But, perhaps ironically, it was thinking about the future of the next generation of the family that led them to decide it was time to say goodbye. "With three sons it's very difficult to be fair and we also didn't want any of them to feel they had to take on the estate," she explains.

"I did feel I had a duty to be here," agrees Sir Guy. "You have to feel completely comfortable running a place like this because you can get it wrong very easily. History is littered with estates that have turned to dust within a generation."

Another clue is a photograph of Sir Guy hanging on the kitchen wall. It shows him jubilant, but exhausted, arriving in Barbados having just rowed across the Atlantic with a friend. "I suppose I'm always looking for a new challenge," he says. "We feel very lucky to have had the opportunity and I'm really proud of what we've achieved, but it feels like we've done as much as we're comfortable doing without changing the nature of the estate."

What I wonder then is the next challenge for the family? In fact, as we're chatting the phone rings with good news about exactly that. "We've successfully exchanged on our new house, which we've bought through Knight Frank," explains Lady Quilter. "It doesn't have a lot of land, but it needs an awful lot of work doing to it so it's going to be a really exciting project for us."

MARRIAGE VALUE

Unsurprisingly, given its many attributes, the sale of the Sutton Hall Estate, which has a total guide price of around £32m, is going to be split into a number of lots, but the Quilters are hoping that it's bought as whole. "It would be very nice if it could stay together," says Lady Quilter.

Water park – the estate has over three miles of private river frontage offering leisure and environmental opportunities

Diversity – The estate has a good mix of arable, pasture and amenity land

Green hills – undulating terrain provides good sporting and wildlife benefits

"The beauty is that you don't need to do anything if you don't want to, but if you are looking for a challenge there is so much more you could do."

George believes there is a strong likelihood their wish could be granted because of the marriage value of all the estate's attributes that make the sum worth so much more than the individual parts. Although, as he points out, from a farming perspective the estate does split neatly in two.

Whoever is lucky enough to be the next owner will be in an enviable position. The easiest option would be to relax and enjoy the fruits of the Quilters' hard work, not least the combined annual income of £500,000 generated by all the estate's activities, but the scale of Sutton Hall also offers lots of opportunities for anybody looking to write the next chapter of its history.

"The beauty is that you don't need to do anything if you don't want to," says Mr Summers, who has been involved with the management of the property since 1982, but if you are looking for a challenge there is so much more you could do."

From a residential perspective, there are a number of other buildings, including a large farmyard, with planning consent already granted or being applied for. While for those looking to create an even more diversified business, the environmental and agricultural opportunities are boundless.

"All in all, it's a highly desirable and unique package," agrees George "I feel very lucky to have been asked to help sell the estate. I come from Suffolk and I can't think of anything else that is so diverse in this part of the world.

"People won't find it difficult to find reasons why they want to buy the estate, the struggle will be answering the question why not," he predicts.

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INTERNATIONAL FARMLAND

Food for thought

Evidence from Knight Frank's global network and partners shows that farmland is very much on the radar of private investors, family offices and investment funds. The Rural Report finds out more

Selling the biggest farm in the world takes more than an advert in the local press, so when Knight Frank was approached to help with the disposal of Australia's Consolidated Pastoral Company (CPC), which owns a 12.75 million-acre portfolio of land in Queensland, the Northern Territories and Western Australia, a worldwide campaign was launched.

High-net-worth individuals from almost 50 countries were discretely approached. "The feedback was hugely positive," says Knight Frank's Head of Farm & Estate sales Clive Hopkins. "Although farmland is still considered a niche asset by those unfamiliar with its benefits, its appeal is certainly broadening."

Unlike many other property classes, agricultural land is more than just an investment. "In certain parts of the world, for example, limited soil and water resources mean food security is a serious issue and acquiring productive farmland in other regions is a political imperative," explains Clive.

The rapidly increasing spending power in developing countries – Asia's consuming class is set to rise to 1.6 billion people by 2030 – is also driving demand for a diet richer in high-quality protein like beef, pork and lamb, he adds.

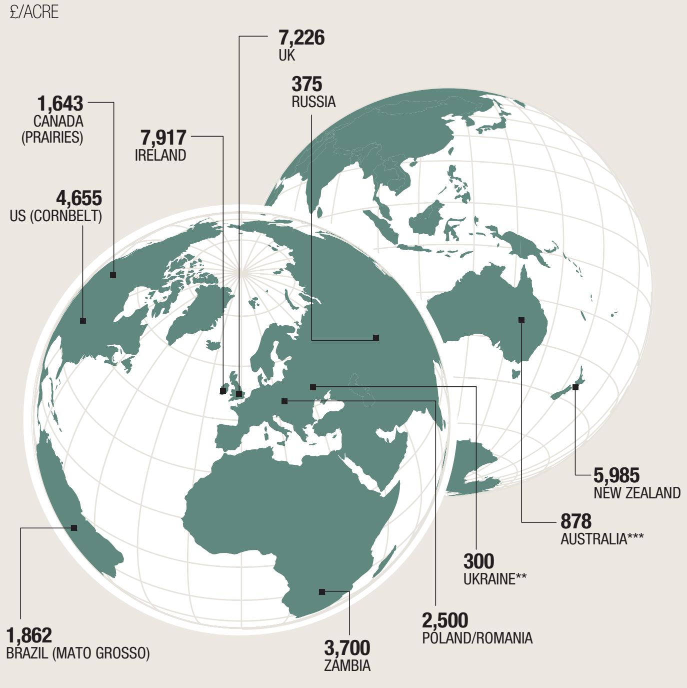
"All of these factors helped to generate significant interest for the CPC portfolio from private and institutional buyers, particularly from the Asia-Pacific region."

The US is a well-established destination for institutional and private investors. "The model there is much closer to traditional commercial investments like offices," says Andrew Shirley, Head of Rural Research. "You buy the land and rent it out to existing farming businesses generating a straightforward yield. With good advice you don't need to be an expert."

Land values continue to rise in Canada, which on the surface, offers the best value arable land in the world. Foreign ownership of land though is strictly controlled. Latin America has seen significant volumes of foreign investment in the past, but the current political and economic uncertainty in the region has tempered that trend.

AVERAGE FARMLAND FREEHOLD OR LONG-TERM LEASE VALUES*

£/ACRE



*VALUES ARE AVERAGES AND INDICATIVE ONLY AND REFLECT THE VALUE OF LAND ALREADY UNDER PRODUCTION. VALUES CONVERTED FROM LOCAL CURRENCY AS OF 17 MAY 2018 ** 10-YEAR LEASE *** EXCLUDES NORTHERN TERRITORIES
SOURCE: KNIGHT FRANK RESEARCH, REINZ, USDA, FNP INFORMA, RURAL BANK, TERRAVOST

Leader of the pack – Australian agricultural businesses like CPC are well placed to benefit from changing consumption trends in Asia

> **Unlike many other property classes, agricultural land is more than just an investment.**

Milk bar – Zambia's commercial dairy units are highly efficient

Africa is also an investment hotspot, although it tends to attract more experienced investors who are happy to take a hands-on approach, says Susan Turner of Knight Frank South Africa, who works across the continent. "The international funds I'm involved with are usually specialists with a deep understanding of agriculture."

Opportunities abound across Africa, but Zambia and Tanzania currently have the broadest appeal because of their political stability, access to markets and proven agronomic potential, says Susan.

"Agri-business in Zambia is exceptionally well developed and many of the livestock, dairy and cropping units that we sell are as sophisticated as you would find in places like the UK," says Tanya Ware, who runs Knight Frank Zambia's Farm Sales team and is currently selling productive businesses in the country and its neighbours including Mozambique.

However, new markets are developing or re-emerging, points out Susan. "The government in Malawi has started a new scheme on its side of Lake Malawi to attract more commercial investment. Until now, the lake's potential has not really been utilised."

Zimbabwe, formerly known as the breadbasket of Africa, is also back on the radar following the departure of long-term leader Robert Mugabe, she adds. "People are still waiting to see how the political situation develops, but the new government has already said it is prepared to offer long leases on farmland to former farmers and other investors."

Eastern Europe and the CIS offer an interesting mix of investments, although private investors and farming companies are the biggest players currently, says Carl Atkin of consultant Terravost.

"Because of sanctions there virtually is no inward investment from Europe or North America going into Russian agribusiness at the moment, although there is some Chinese and Middle Eastern activity and quite a lot of domestic consolidation going on. In the Ukraine, we're not seeing any big institutional moves, but the big agro-businesses there are generally doing well at the moment. Private capital and family offices are interested, but it's from an operating perspective rather than as a property investment as the moratorium on private landownership is still in place, despite ongoing rumours it could be lifted relatively soon."

Romania probably offers the most welcoming environment in the region for overseas investors at the moment, says Mr Atkin. A UAE-based group has reportedly made a $500m,150,000-acre investment in the country, with several funds also active. "Poland is still of interest, but under the current government the climate is a bit more negative towards international investment."

In Ireland, the farmland market rebounded by almost 4% last year after declines in 2015 and 2016, says James D Meagher, of Knight Frank Ireland. "The investment market was particularly buoyant in 2017 with wealthy domestic private investors with long-term horizons dominating the market, although private buyers from the United States and the United Kingdom were also active. We have seen enquiries from international institutional buyers, but they have yet to engage in a significant way."

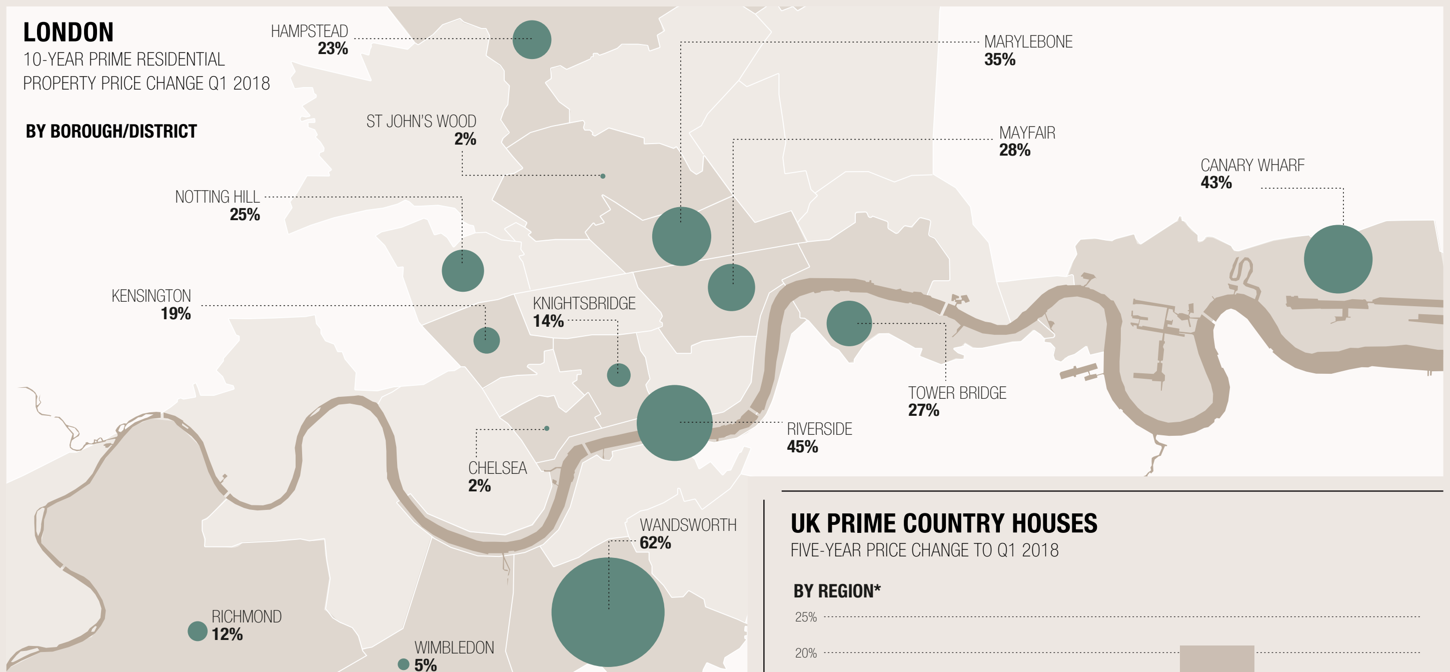
Residential view

Rural estate owners and farmers often have other residential property interests in the countryside, urban areas or even overseas. The Rural Report shares Knight Frank's latest house price research

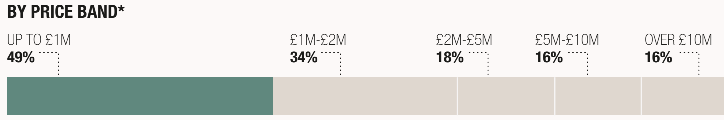
LONDON

10-YEAR PRIME RESIDENTIAL PROPERTY PRICE CHANGE Q1 2018

BY BOROUGH/DISTRICT

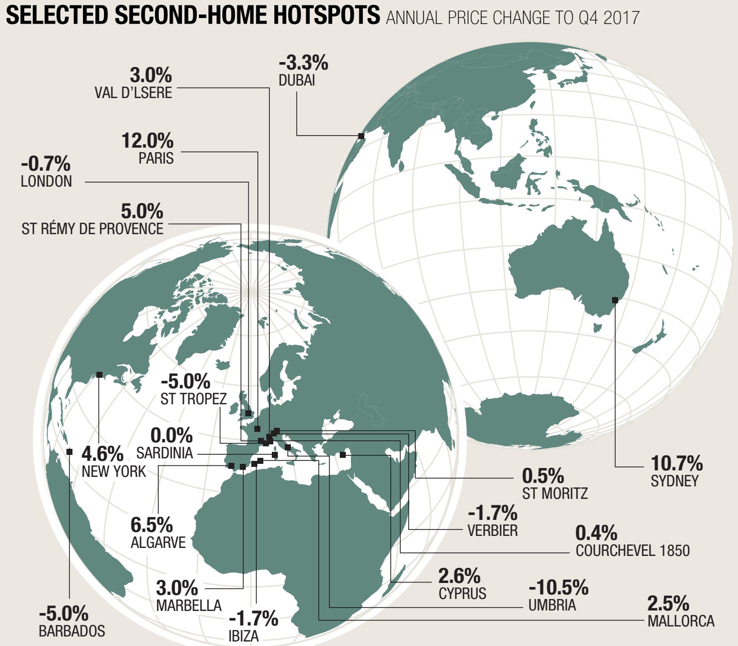


BY PRICE BAND*



SOURCE: KNIGHT FRANK PRIME CENTRAL AND PRIME OUTER LONDON INDICES *CENTRAL LONDON ONLY
CONTACT TOM.BILL@KNIGHTFRANK.COM FOR MORE INFORMATION

SELECTED SECOND-HOME HOTSPOTS ANNUAL PRICE CHANGE TO Q4 2017



SOURCE: THE KNIGHT FRANK PRIME INTERNATIONAL RESIDENTIAL INDEX
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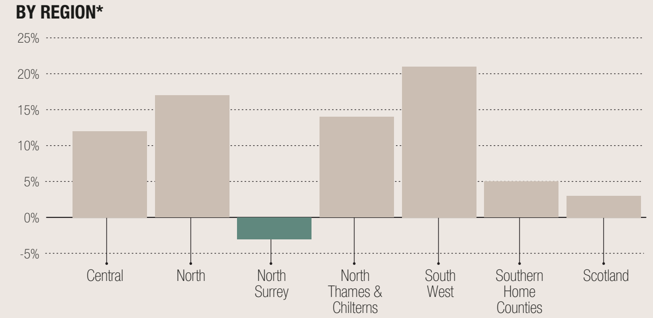
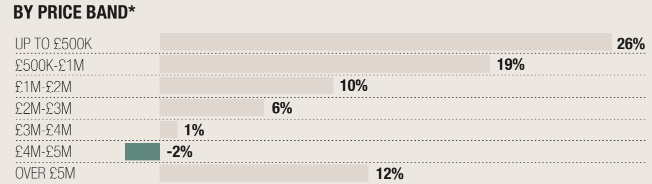
UK PRIME COUNTRY HOUSES

FIVE-YEAR PRICE CHANGE TO Q1 2018

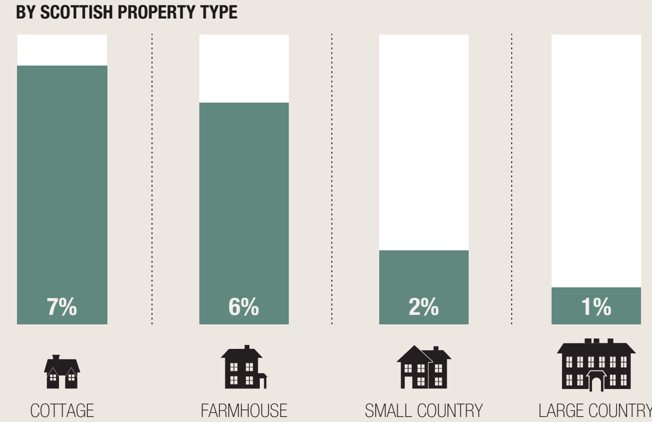
BY REGION*



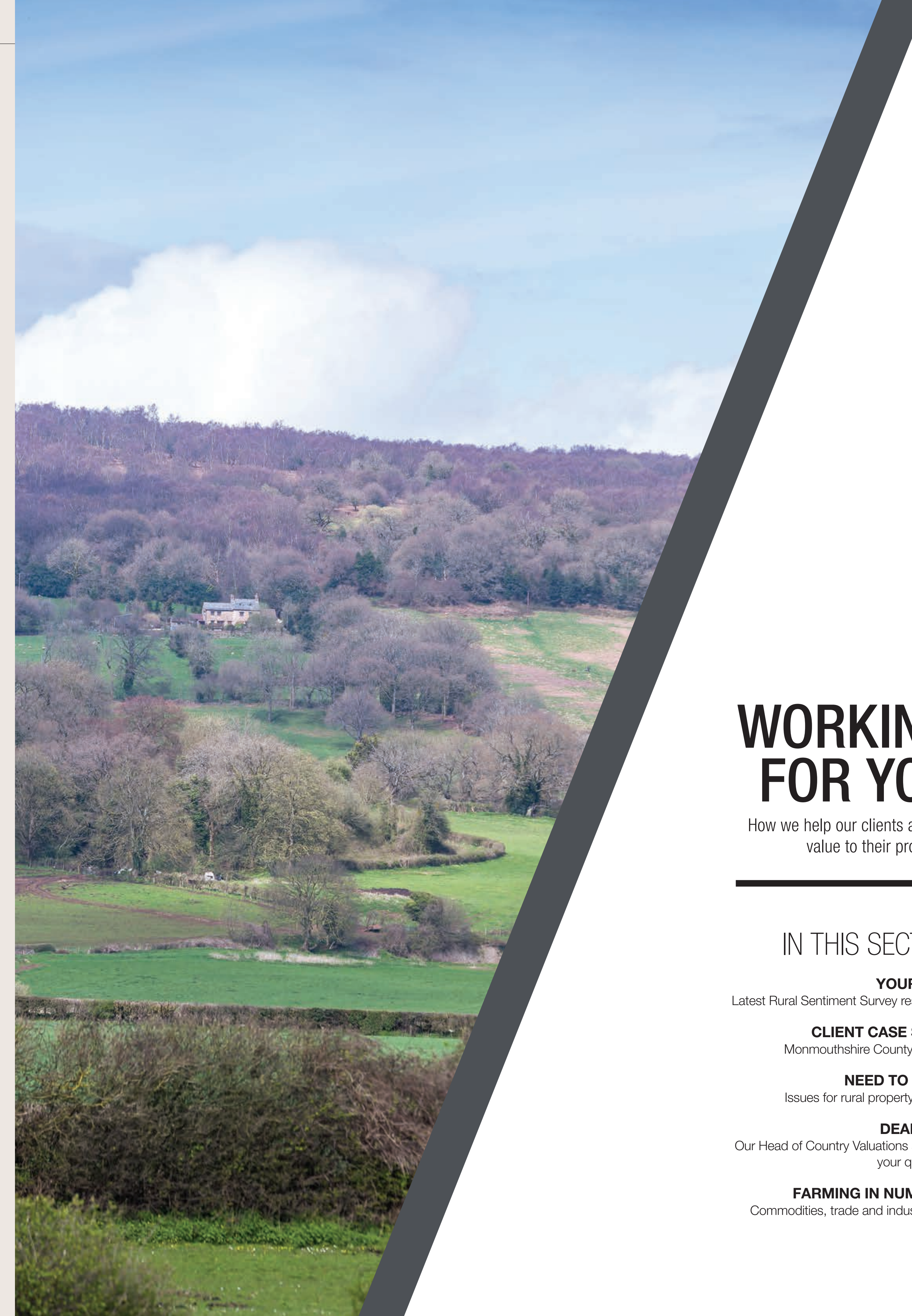
BY PRICE BAND*



BY SCOTTISH PROPERTY TYPE



SOURCE: THE KNIGHT FRANK PRIME COUNTRY HOUSE AND PRIME SCOTTISH COUNTRY HOUSE INDICES
*KNIGHT FRANK OFFICE REGION **ENGLAND ONLY. CONTACT OLIVER.KNIGHT@KNIGHTFRANK.COM FOR MORE INFORMATION



WORKING FOR YOU

How we help our clients and add value to their properties

IN THIS SECTION

MAIN IMAGE: COUNTRY VIEW - PART OF THE MONMOUTHSHIRE COUNTY COUNCIL FARMING ESTATE. FIND OUT MORE ON PAGE 43

The countryside is calling

Knight Frank's clients and professional contacts have their say on Brexit and the other big issues facing rural property owners and businesses. Andrew Shirley interprets

> "Agriculture is not foremost in the public's mind unfortunately. If it were, the government would give it top billing..."

Brexit will have a bigger impact on the agricultural sector than most of the UK's other industries, but the voice of the countryside often struggles to be heard in the wider debate. The latest edition of the Knight Frank Rural Sentiment Survey asks rural landowners and businesses what they think about our departure from the EU and what their hopes and fears are.

The results are presented graphically on these pages, but from even a brief analysis one conclusion stands out: many living and working in the countryside feel marginalised or misunderstood. Take the Brexit negotiations, for example: while almost 40% of our respondents said the government was doing a good job overall, when asked if enough attention was being paid to agriculture only 28% said yes.

"Agriculture is not foremost in the public's mind unfortunately. If it were, the government would give it top billing," was the view of one respondent. Another said: "Government has allowed the public to regard farmers as subsidy junkies instead of explaining that the support exists to maintain cheap food in the shops," was another.

Almost half of those taking the survey feel that our keynote interviewee Michael Gove, the Secretary of State at Defra, is more concerned about the environment than farming.

In terms of Brexit benefits, a more efficient and innovative agricultural sector was identified as the biggest potential gain for the industry. "It will help it stand on its own two feet and modernise," said one respondent. This suggests that while landowners feel let down by government they recognise that reform is needed.

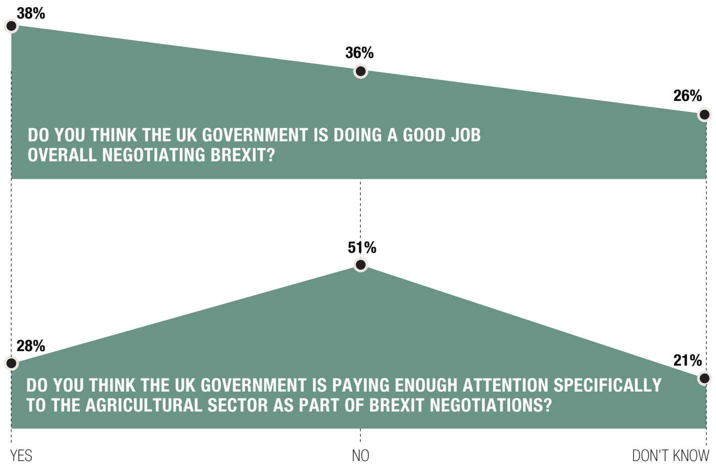
However, competition from agricultural imports produced more cheaply or to lower standards was the biggest concern when respondents were asked about the potential threats that might arise from Brexit.

Interestingly, respondents were more upbeat about the wider impact of Brexit – just over 34% said leaving the EU would be good for the UK agricultural industry as whole – than the effect on their own businesses, with only 18% expecting to see a benefit.

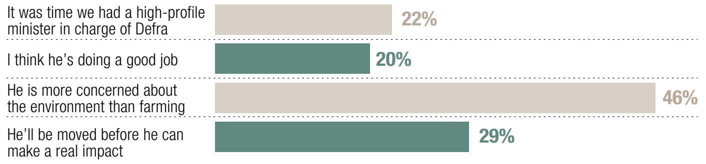
Of the other issues that respondents identified as having an impact on their businesses, a number also reflect the view that the countryside is being left behind. Just over 55% of the survey's respondents identified restrictive planning policies as the biggest concern, followed by access to broadband (48%) – although one respondent commented: "never mind the fuss about broadband, even mobile coverage is non-existent here" – and then jointly by commodity prices and succession planning (46%).

For more respondent comments please go to knightfrank.com/ruralreport

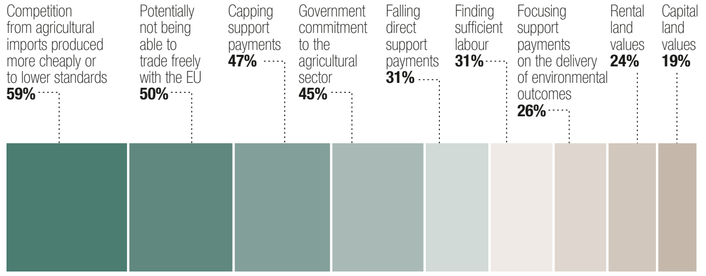
Rural sentiment survey results in detail



PLEASE CHOOSE THE OPTION/S THAT BEST SUM UP YOUR OPINION OF MICHAEL GOVE



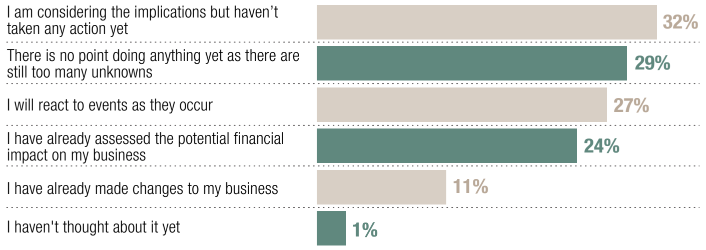
HOW CONCERNED ARE YOU ABOUT THE FOLLOWING IN LIGHT OF BREXIT?*



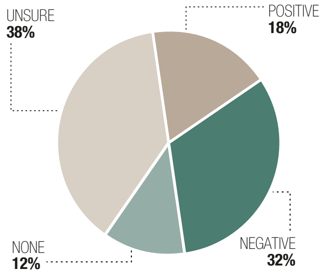
*% of respondents who said they were very concerned

FOLLOWING BREXIT, PLEASE CHOOSE WHICH OF THE FOLLOWING POTENTIAL OUTCOMES WOULD BE MOST HELPFUL FOR YOUR BUSINESS

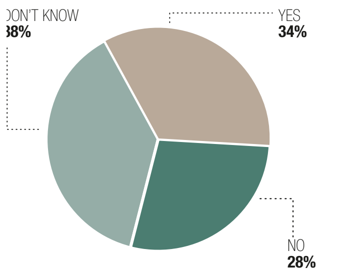
WHICH STATEMENT/S BEST SUM UP HOW YOU ARE PREPARING YOUR BUSINESS FOR BREXIT



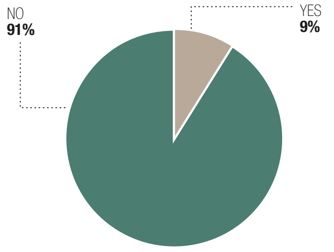
WHAT IMPACT DO YOU THINK BREXIT WILL HAVE ON YOUR BUSINESS?



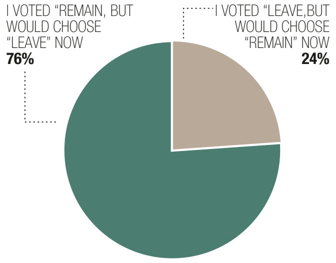
OVERALL, WILL BREXIT BE GOOD FOR THE UK AGRICULTURAL INDUSTRY?



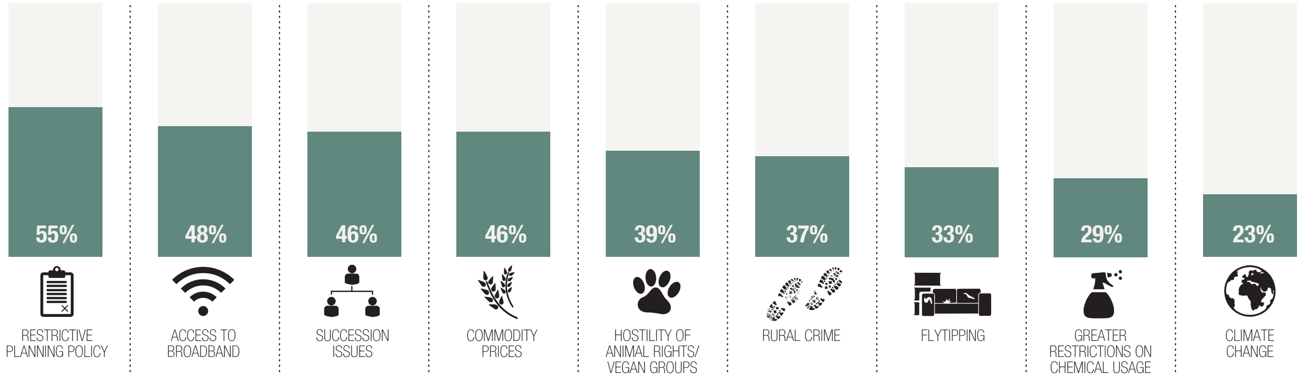
HAVE YOU CHANGED YOUR MIND ON BREXIT SINCE THE REFERENDUM?



IF YOU CHANGED YOUR MIND, HOW?



APART FROM BREXIT WHAT OTHER ISSUES ARE HAVING AN IMPACT ON YOUR BUSINESS NOW OR COULD DO SO IN THE FUTURE?*



SOURCE: ALL DATE FROM THE KNIGHT FRANK RURAL SENTIMENT SURVEY, WHICH WAS COMPLETED BY 270 RURAL LANDOWNERS OR BUSINESSES IN APRIL 2018
*% RESPONDENTS

CASE STUDY

Bridge to the future

Andrew Shirley takes a trip across the Severn to find out how Knight Frank is helping Monmouthshire County Council prepare its farming estate for the next decade

The sale of farms and smallholdings by local councils is inevitably a controversial topic. Cash-strapped councillors see it as a sensible option to free up funds for local services and development, while others say it removes an invaluable entry point to agriculture for young farmers.

Aware of these sensitivities, Monmouthshire County Council is taking a longer-term, more strategic approach to its farming estate, which includes 25 equipped farms, blocks of bare land and areas of forestry, totalling around 3,000 acres.

"What we have done, working with Knight Frank, is to create an updated asset management plan that provides strategic direction for the next three years by identifying income generating opportunities, creating sustainable holdings and identifying other opportunities," explains the council's Gareth King as we tour the estate with Knight Frank's Eddie Holloway and Edward Dixon.

"While the intention is to review the direction for the next three years, the plan must take a long-term view in determining the future strategy for each holding in order that short-term management decisions can be made against this," adds Mr King.

The aim of the plan was to identify opportunities and threats to the portfolio, come up with recommendations on how to create a more viable agricultural estate, identify development opportunities and review and refine the current core/non-core status allocated to each component.

A key part of the process was working closely with the estate's tenants, says Eddie, who put together the asset management plan. "We were very keen to get their views because obviously they are major stakeholders and their futures are closely linked to that of the estate's. We talked to every tenant and asked them to complete a questionnaire, as well as liaising with NFU Cymru and other organisations to get their views."

Allowing all parties to feel that they have some ownership of a management plan that will involve them, is vital, believes Eddie.

Bridging the gap – from left: Gareth King, Eddie Holloway and Edward Dixon

CASE STUDY

All shapes and sizes – The Monmouthshire County Council farming estate ranges from larger equipped farms to smallholdings and blocks of bare land.

"The principal is the same whether it is a county council farms estate that you're looking at, an agricultural investment portfolio or a traditional landed estate.

"Assets, particularly in light of Brexit and the changes that will bring, need to be viewed more holistically and not just seen as an income stream based on rental payments. With agricultural profitability under increasing pressure, it is more important than ever for landowners to have a constructive and productive relationship with their tenants.

"Interestingly, one of the things the survey responses identified was that tenants didn't really feel they'd had a particularly close working relationship with the council in the past. A number have sought to diversify by setting up farms shops or livery yards, but without working formally with the council.

"You are far more likely to come up with innovative and mutually beneficial ideas that make the best use of land, buildings and houses by working together. After all, tenants probably know the potential and opportunities of their farms better than anybody."

Mr King agrees. "We are really keen to ensure that our farms fit in with the council's wider ambition to make the most of the leisure and tourism opportunities that the beautiful countryside and landscapes in this part of Monmouthshire offer. It would be great if our tenants want to be part of that."

High energy – the council has invested in renewables

"What the plan has enabled us to do is identify those tenants most likely to want to expand or get involved in new opportunities, says Edward. "The council can use that information to support the best performers. This could involve making capital available, subject to receiving a commercial return, for those tenants who have robust plans for the future, or amalgamating several holdings to create a more viable business. Hopefully, this approach will also encourage those tenants whose businesses aren't performing quite so well to consider another approach."

Since creating the plan we have actually decided to keep a holding that had been identified for disposal, so we hope people appreciate our long-term vision.

View to a thrill – Monmouthshire's landscapes offer huge leisure and tourism potential

One of the challenges identified by the asset management plan was the age profile of the tenants, with many approaching retirement age and having understandably limited enthusiasm for new ventures. Although the council's policy isn't to pay off tenants to surrender their holdings, Edward has recommended solutions for where a tenant is ready to retire but might not have the savings necessary to find alternative accommodation.

As well as improving engagement and enhancing decision making, sharing the asset plan with tenants also makes them aware of what their responsibilities are as well, says Edward. "It is necessary to ensure that tenants clearly understand the obligations within their tenancy agreements.

"The plan also identifies that Monmouthshire County Council is a landlord with the ability to act in a commercial manner. The tenants should be aware that the council's approach must be market facing and obligations will be followed up on. This should include a structure for diversification, ensuring a proper consenting process is adopted and accounting for the values in the rents paid."

Mr King is confident that the asset management plan will help ensure the future viability of the estate by assisting forward-looking tenants to develop new business ventures and creating opportunities for new entrants, while at the same time helping its older farmers who are ready to retire to have the financial confidence to be able to do so.

"Since creating the plan we have actually decided to keep a holding that had been identified for disposal, so we hope people appreciate our long-term vision."

MONMOUTHSHIRE CC FARMS ESTATE

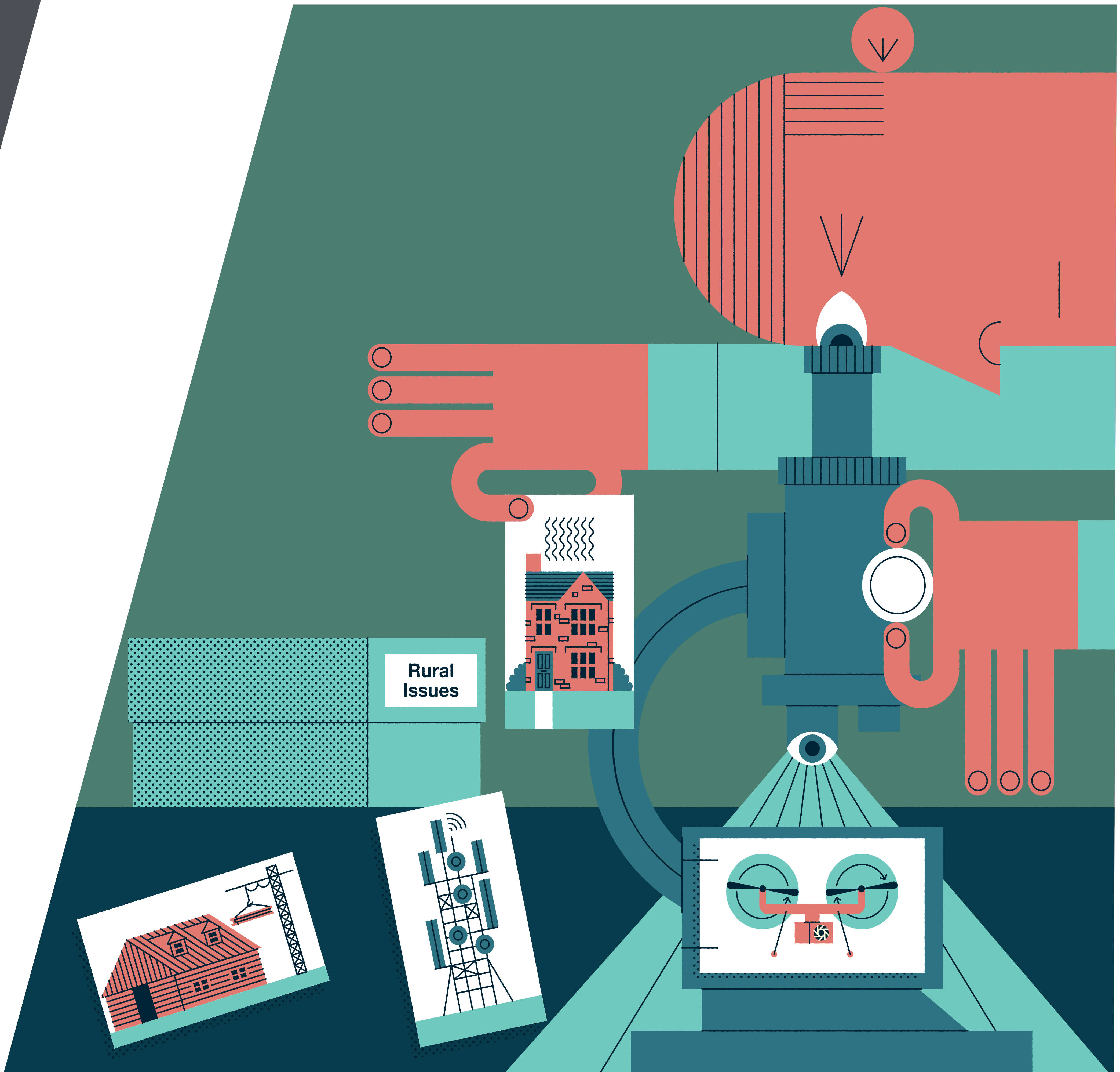
ACRES: **3,000**

LIVESTOCK: **58%**

DAIRY: **27%**

HORTICULTURE: **11%**

EQUESTRIAN: **4%**



Under the microscope

The Rural Report asks Knight Frank's property experts to highlight some of the easy-to-overlook challenges and opportunities their clients should be aware of

MOBILE PHONE MASTS

The new Electronic Communications Code came into force in December 2017, causing considerable concern among landowners fearing wide-ranging rights for telecoms operators over their sites. However, the reality so far has been less worrying than initially predicted. While some operators have tried to push rents down at renewal, others have acknowledged the greater rights offered by the code and kept rents at current levels.

Among other things the code offers operators the right to upgrade and share their equipment without the landlord's approval or the need to pay more rent. It also raises the opportunity for operators to ask a tribunal to impose an agreement on a prospective landlord, if such agreement cannot be made through open negotiation.

However, there is also greater protection for landlords, covering non-payment of rent, compensation for damage, and provisions should they want to redevelop the site.

The key for all landowners to remember is that leases of land for phone and broadband apparatus remain open to negotiation. It's too early for market rents to have been set under the new code, but if your site comes up for renewal, or you are approached over a potential new site, make sure you take professional advice to protect your interests.

If you have telecommunications issues contact edward.holloway@knightfrank.com

INFRASTRUCTURE PROJECTS

Many landowners in the south of England could be affected by the further progress that is being made to upgrade transport links between Oxford and Cambridge.

The Oxford-Cambridge corridor has a world class university at both ends, each surrounded by research and technology companies, with a lot in between too. Radial transport links from the capital are good, with several motorways and train routes, but what is missing are good road and rail links within the corridor itself, something the National Infrastructure Commission was asked to address.

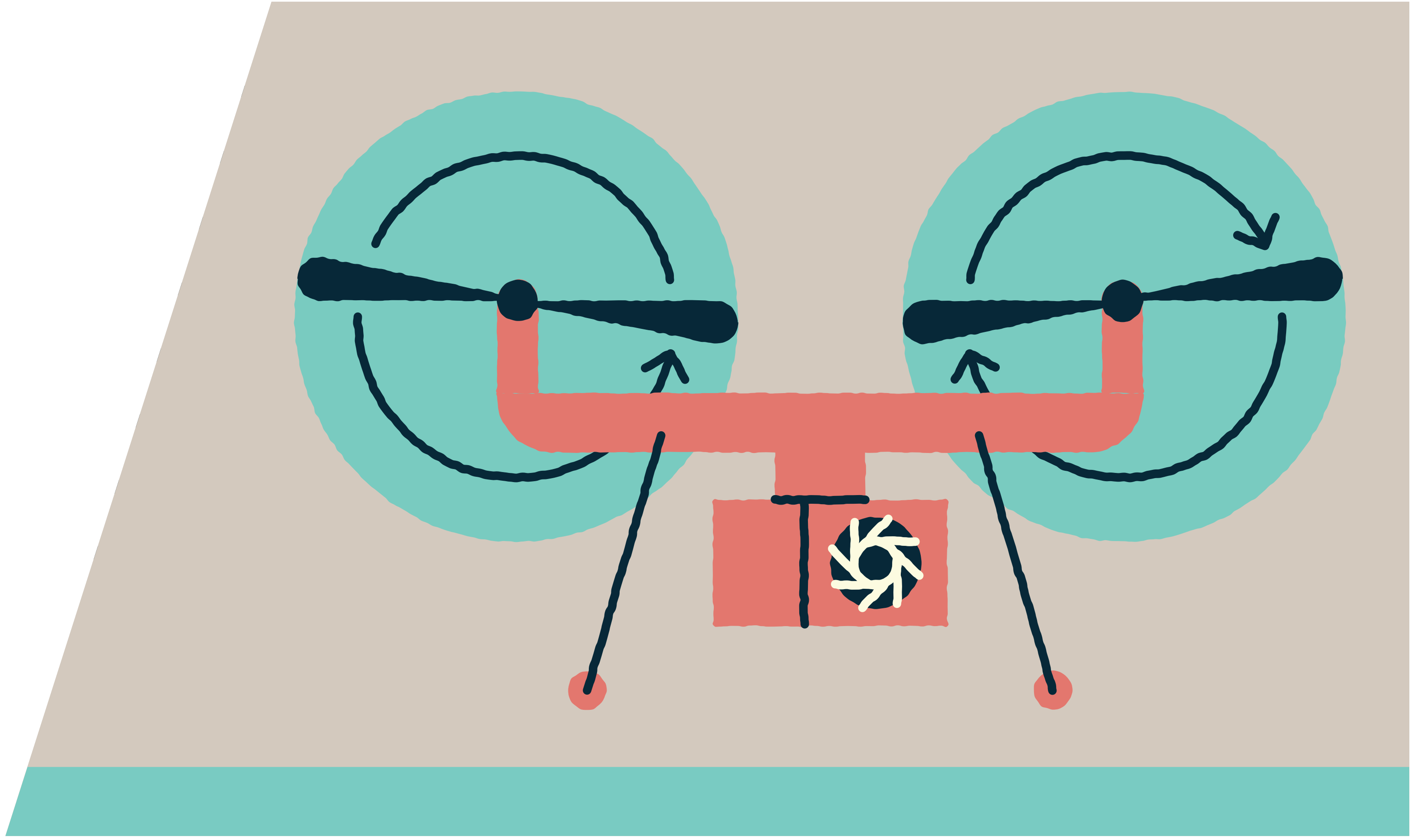
The solution is coming in two forms. The first is to reinstate, upgrade and extend the original Varsity railway line. Phase 1 of the western section from Oxford to Bicester opened in 2015, and consultations on phase 2 to extend this to Cambridge, with a link to Aylesbury, have recently been undertaken. A Transport and Works Act application is expected this summer. The route may one day extend beyond Cambridge.

The Expressway road solution is more complicated and is likely to involve a combination of new routes and upgrades. Several options are on the table, and a preferred route announcement is expected in July. Unlike the rail scheme, which follows an existing route, the Expressway is more contentious as it includes new routes through the countryside. As with most infrastructure schemes, there will be winners and losers in the compensation and development game.

For more information on this and other infrastructure schemes contact jonathan.scott-smith@knightfrank.com

NEED TO KNOW

> **Drones must be kept within the pilot's line of sight at all times – usually up to 500 metres horizontally and 400 feet vertically.**



DRONES

Drones are becoming increasingly popular among both casual and commercial users, but while some landowners are keen to embrace the new technology, others are concerned about privacy and nuisance issues.

Landowners do not have rights per se over the airspace above their land, however, they can, of course, control access for take-off and landing. Further to this, there are Civil Aviation Authority regulations that prohibit drone users from flying within 50 metres (horizontally) of any vehicle, structure or building that is not under the pilot's ownership/control – though this would not apply to just land.

Drones must also be kept within the pilot's line of sight at all times – usually up to 500 metres horizontally and 400 feet vertically and they must not recklessly or negligently cause or permit an aircraft to endanger any person or property. As to what actually constitutes a nuisance or invasion of privacy is unfortunately a matter of what is reasonable – for both parties.

Anyone flying a drone for commercial purposes, must have first obtained permission from the CAA (having proved your competency in understanding the rules and regulations surrounding drone use and passed a practical test). This is granted for a year and must be reapplied for each year. If you simply want to fly your own drone (albeit still subject to CAA regulations) for your own enjoyment, then there are no licensing requirements. However, this is due to change shortly with the government announcing that it plans to introduce a drone register. This will affect all operators of drones over 250g (most casual users), who must not only register, but also undertake a competency test.

Knight Frank use drones on clients' estates to undertake mapping, surveying, building/roof inspections, 3D modelling and the provision of high resolution aerial imagery.

For drone, mapping or surveying enquiries contact michael.mccullough@knightfrank.com

EMPLOYER PENSION CONTRIBUTIONS

From 6 April 2018 the minimum rate for automatic enrolment pensions increased to a combined total of 5%. This will affect all businesses, including rural estates and country houses with staff.

The employer's contribution rose from 1% to 2%, while employees' contributions jumped from 1% to 3%. The next phase, in April 2019, will see employers' rates rise to 3% while employees will have to pay 5%.

There are two implications of these increases: the cost of employment continues to rise, which could encourage more external contracting of staff (see other employment matters). In addition, employees will likely think much harder about sacrificing that proportion of salary, and may look at setting up private pensions and savings, and simply opting out altogether.

From April 2018 employers have been able to choose to cover the whole contribution themselves including the employee's contribution. This can be a good way to secure long-term service and to look after faithful employees in their retirement. However, they cannot prohibit employees from enrolling into the pension scheme.

The next big question will be how this develops from 2020 onwards. The government needs to find ways for people to pay for retirement outside of the state pension, and it may be that the ability for the employee to opt out is reviewed by policy makers. Watch this space.

OTHER EMPLOYMENT MATTERS

Employment costs increased in line with inflation from 1 April 2018, with the National Living Wage (for staff aged 25 and over) rising from £7.50/hour to £7.83/hour, and the National Minimum Wage (for those aged 21-24) increasing from £7.05/hour to £7.38/hour. Other age brackets also saw pay rises. While there is no escaping these increases, it's important that rural estate owners ensure they are meeting legal requirements and add the extra costs into forward budgets.

Employers might also want to note that employees no longer have to pay any fees for taking a case to an employment tribunal. As a result tribunals are reporting a steep increase in the number of claims.

To avoid a potential claim, one point worth considering is the Working Time Regulations. There are duties that may be expected of employees out of normal working hours, such as being a registered keyholder or running errands. Unless this is made clear in the list of duties, an employee may argue that the hours they work surpass the maximum average of 48 hours a week. At worst, they could argue that they were never off shift, meaning their wages were diluted beneath the minimum wage, and leading to a claim for backdated pay.

Another issue that is increasingly rearing its head is whether staff are employed or self-employed. HMRC has issued guidance to help people decide if staff are self-employed or not – one consideration is whether they run their business for themselves and take responsibility for its success or failure.

It is worthwhile checking the status of all workers, and ensuring their contracts accurately reflect their working practices on the ground. If workers are retrospectively found to have been employed for many years, the arrears owing could be considerable.

If you need help with these or other staffing issues contact edward.page@knightfrank.com

PERMITTED DEVELOPMENT BOOST

On 6 April 2018 updated permitted development rights came into effect offering a welcome boost for rural landowners. Perhaps most noteworthy are the increased thresholds for agricultural to residential conversions, with several options now available.

It is now possible to create up to three larger homes, with a maximum combined floorspace of 465 sq m; up to five smaller homes (each no more than 100 sq m floorspace); or a mix of both, provided that no more than five homes are created, of which up to three may be larger homes that exceed 100 sq m.

Elsewhere in the regulations, the size of new agricultural buildings that can be created through permitted development rights on larger farms has increased from 465 to 1,000 sq m.

The government is also consulting on a revised National Planning Policy Framework (NPPF).
This document is currently only in draft form, however a final version is expected to be adopted by autumn 2018. Included within this is continued support for the rural economy and a

new rural housing chapter that reinforces existing policy, while stating the need for authorities to identify opportunities for villages to grow and thrive. The new NPPF may also introduce a policy to help provide homes specifically for first-time buyers in rural areas.

For help with all planning matters contact george.yates@knightfrank.com

LANDLORD LIABILITIES PART 1 – ENERGY EFFICIENCY

Landlords letting out residential or commercial buildings must now meet new energy efficiency standards. From 1 April 2018 it became illegal to grant or renew a tenancy in England and Wales if the property's Energy Performance Certificate rating was F or G. For existing tenancies the Minimum Energy Efficiency Standards (MEES) will apply to privately rented properties from 1 April 2020 and 1 April 2023 for non-domestic properties.

With an estimated third of UK properties scoring only F or G, the legislation is designed to encourage property owners to make their buildings more energy efficient. However, there has been a lot of discussion concerning listed properties and whether they are exempt. The guidance is clear that listed properties are not automatically exempt and landlords will be required to meet the regulations or apply for an exemption. We advise clients to seek advice from an independent building surveyor to establish what works can be done without unacceptably affecting the historical character of the property.

If improvement works are undertaken and no further improvements can be made, the listed property will be exempt for five years, after which time the landlord must reapply for exemption. Exemptions can not be transferred to a new owner or landlord on sale or transfer of the property and the new owner must apply for their own exemption.

For more information on building issues contact caroline.ward@knightfrank.com

LANDLORD LIABILITIES PART 2 – LEGIONNAIRE'S DISEASE

Legionnaires' disease is a potentially fatal form of pneumonia caused by the inhalation of water droplets containing Legionella bacteria. It can be harboured in water systems, and it is a requirement that residential landlords undertake a periodical risk assessment.

The risk factors associated with Legionella are static areas of water and warm temperatures. Old systems are more at risk, particularly where appliances have been moved, leaving dead pipe ends, for example.

While landlords are not required to test water for the presence of the bacteria, they should assess the risk factors and redress any high risk areas. An assessor will check that cold water is below 20 C, hot water is above 60 C, and that the thermostat is accurate. Landlords must inform tenants of any control measures put in place, with advice on how to manage the property themselves. Examples include descaling and cleaning shower heads regularly, and running taps for a while after the property has been vacant.

While landlords can carry out the risk assessment themselves, a professional assessment will cost around £100 for a three-bed cottage. Given the potential risk of a tenant contracting Legionnaires' disease and suing for non-compliance alongside a Health & Safety Executive fine, it's a small price to pay.

For more information please contact benjamin.hamilton@knightfrank.com

DATA PROTECTION

The General Data Protection Regulation, which came into force on 25 May, definitely falls under the category of deeply dull, but vital not to overlook. In a nutshell, any entity that holds the personal details, such as names and contact details, of individuals has to adhere to the regulation, which stipulates in some detail how that information can be held and used. A key requirement is that people must be given the opportunity to opt in to receiving any communications such as emails. It's not just big business that is affected, charities and community groups, such as an allotment association, also fall within the GDPR web, as will any diversified rural businesses such as farm shops that may hold customer mailing lists. Although the regulation was born in Brussels, the UK government has said it will remain in place once we leave the EU. So it's here to stay and can't be ignored as the fines could be significant.

Dear Tom…

Tom Barrow, Knight Frank's Head of Country Valuations, delves into his inbox to shed light on some common issues that can have an impact on the value of rural properties

I plan to purchase a country house and the vendor has informed me that it has a chancel repair liability. How does this affect me as a future freehold owner of the house?

Chancel Repair Liability has been in effect for many years and places an obligation on the property owner to contribute to the maintenance and repair of the chancel of the parish church. If the house is not registered with the Land Registry (ie. it does not have a registered title number), the liability can still affect the property. If the property is registered, the liability will apply if it is noted on the official copy of register. It would be prudent for your solicitor to carry out searches to establish whether the liability is in effect. If it is, indemnity insurance can be purchased. No enquiries should be made of the church about the liability as this may invalidate the insurance.

A farm bungalow subject to an agricultural occupancy condition (AOC) has been let since 2007 on an Assured Shorthold Tenancy to a retired couple who are not and never have been employed in agriculture. Can I remove the condition?

In the case of any breach of planning control, no enforcement action may be taken after the end of the period of 10 years beginning with the date of the breach. In your case, it appears the breach has been continuous over 10 years. You can therefore apply to the planning authority for a Certificate of Lawful Existing Use and Development (CLEUD). If granted, the CLEUD confirms the legal occupation of the property in breach of the occupancy condition. Bear in mind that the planning condition is still in place and therefore if a farm worker (ie. someone who complies with the condition) returned to the bungalow, this would overrule the CLEUD. The belt and braces approach is therefore after the grant of the CLEUD, to apply to have the AOC lifted.

I have recently acquired a farm and have discovered an area of Japanese Knotweed, which adjoins a Byway Open to All Traffic (BOAT). Can I leave it or should I take remedial action?

It is an offence under the Wildlife & Countryside Act 1981 to allow Japanese Knotweed to grow in the wild. The plant is an aggressive species that can crack and break through masonry, brickwork and service media. Expert advice should be obtained from an independent specialist on the effective eradication and management of the plant. Based on the location next to the BOAT, the plant and/or contaminated soil may well have been fly tipped. It would be worth checking whether the vendor revealed the presence of the Japanese Knotweed as part of the enquiries before contract during the sale process.

A farm worker who has been with us since 1981 is about to retire. He has occupied a cottage subject to a service occupancy rent free. I would now like to charge him rent. Is this possible?

Your employee will have security of tenure under the Rent (Agriculture) Act 1976 and it is possible to register a rent through the Valuation Office Agency (VOA) rent officer. The rent officer has a statutory duty to collect and record residential private market rental data and carry out rental valuations in England. They maintain a register of fair rents setting the maximum rent that can be charged for a regulated tenancy (also known as a protected or secure tenancy). The rent can be registered every two years. It would worth investigating whether your retired employee will be eligible for housing benefit to assist with the payment of the registered rent. As a footnote, it is good practice to de-register registered rents when secure tenants vacate the property. If not, the registered rent remains in force if another secure tenant takes occupation.

Tom Barrow is Head of Country Valuations at Knight Frank. For advice on the matters raised please contact: **tom.barrow@knightfrank.com**

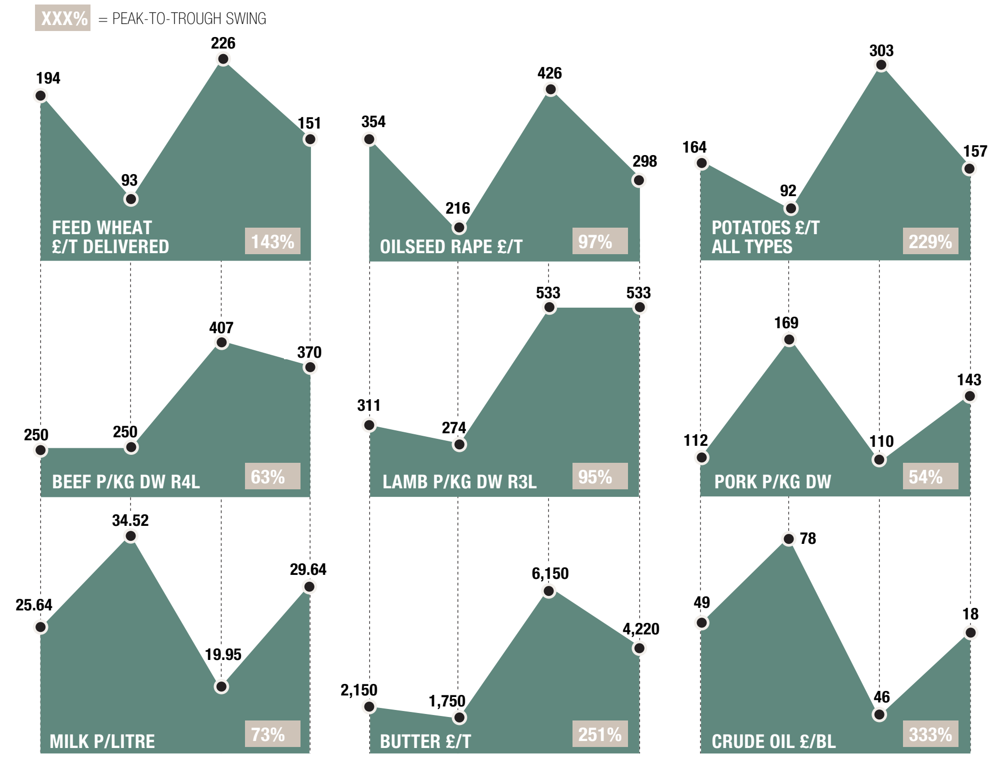
FARMING IN NUMBERS

State of the nation

Using the latest data, The Rural Report takes a detailed look at the UK's food and farming sector

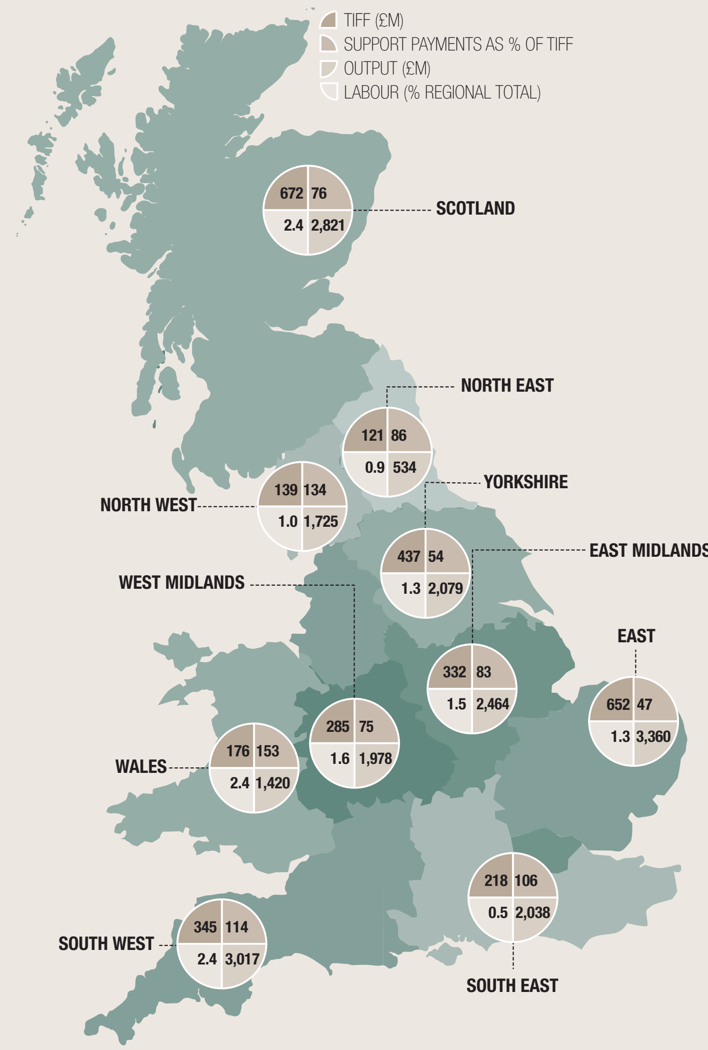
COMMODITY PRICES Q1 2008 TO Q1 2018 WITH PEAKS AND TROUGHS*

XXX% = PEAK-TO-TROUGH SWING



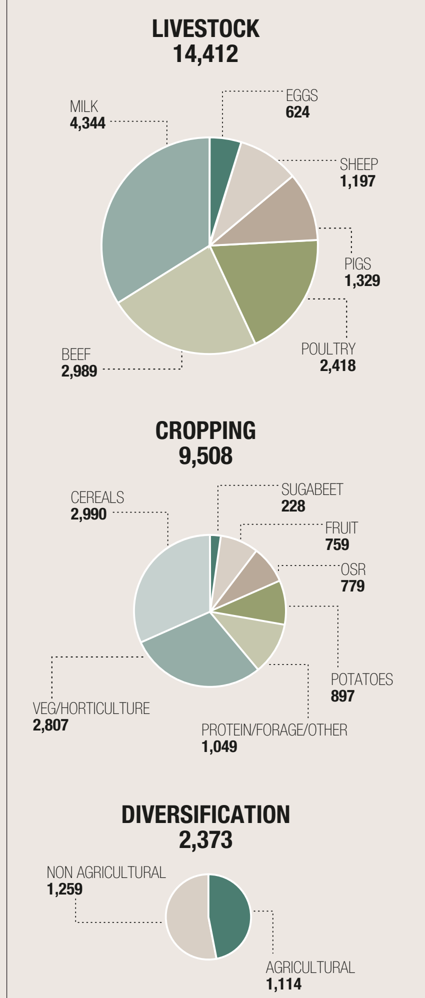
SOURCE: AHDB *X-AXIS NOT TO SCALE

AGRICULTURE BY REGION 2016



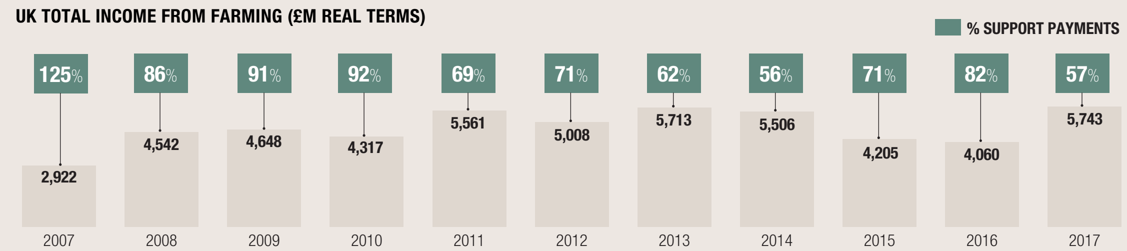
SOURCE: DEFRA, STATISTICS FOR WALES, SCOTTISH GOVERNMENT

UK AGRICULTURAL OUTPUT BY SECTOR 2017 (£M)



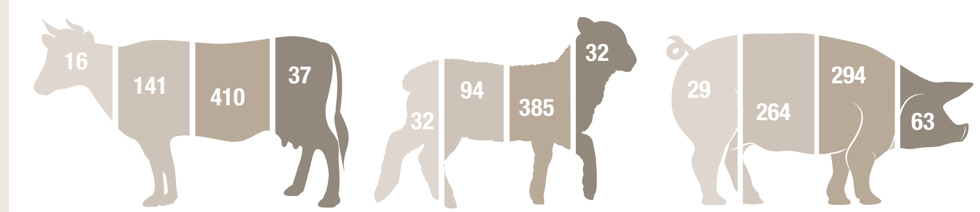
SOURCE: DEFRA

UK TOTAL INCOME FROM FARMING (£M REAL TERMS)



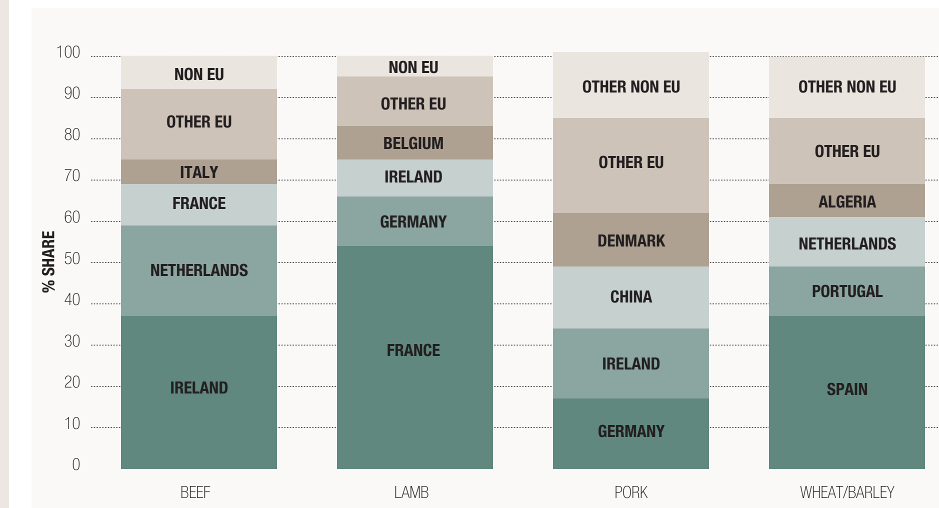
SOURCE: DEFRA

IMPORT AND EXPORT STATISTICS



SOURCE: AHDB 2017 DATA

MAIN EXPORT MARKETS



SOURCE: AHDB 2016 DATA

INPUTS AND OUTPUTS

The past 12 months have been unusually benign for most of the main agricultural commodity markets. Prices, with the exception of lamb, which experienced a big spike in values this spring, have remained relatively flat. So while most farmers haven't been selling their produce at record levels, prices are generally slightly up on the year.

Global cereal supply and demand is broadly in balance, while the ongoing weakness of the pound following the Brexit referendum continues to support livestock export markets. Lamb prices have also benefited from a decline in the volume of New Zealand lamb exported into Europe, increasing demand in China and a rise in French prices. Hogget values broke the £6/kg barrier for the first time ever in April.

However, the longer-term story is volatility. As the graphs above show commodity markets, including inputs like oil, have experienced huge swings over the past 10 years. Having to cope with such a wide range of highs and lows has been one of the biggest challenges for farming and makes investment planning for the future extremely difficult.

STRUCTURE

Erratic levels of profitability on a geographic and historical basis, and the UK farming industry's reliance on farm support payments from the Common Agricultural Policy (CAP) are the two defining features when we look at the financial structure of the sector. Total Income from Farming (TIFF) has swung wildly over the past 10 years and without subsidy payments would have dipped into negative territory in 2007. First estimates from Defra suggest 2017 was the most profitable year of the decade, although subsidies still made up over half of TIFF.

The pattern varies significantly across the UK. Unsurprisingly, perhaps, output is highest in the East of England, which was also the only region where support payments accounted for less than 50% of TIFF in 2016.

Interestingly, though, it is not the arable sector that is the biggest contributor to UK agricultural output. Livestock adds far more value, while milk, which contributed over £4bn in 2017, is the clear leader in terms of a single commodity. Output from a particular sector is of course not necessarily linked to profitability at an individual farm level.

TRADE

Over the medium and long-term, the shape of the UK's trading relationship with the EU and the rest of the world, rather than changes to farm support payments, will arguably be the single most important outcome of Brexit. As the figures show, for agriculture at least, the EU is by far and away our single-most important trading partner dominating export demand across all sectors as well as providing the bulk of the UK's food imports. As a bacon-hungry nation we import over 60% of our pig meat.

However, non-EU export markets are growing. Beef is slowly overcoming the stigma of BSE, but it is pork that is leading the way with China now accounting for 15% of UK exports, only just behind Germany and Ireland. In terms of total value, the figures are relatively low for non-EU exports, but there is potential for this to grow as new trade deals are struck post-Brexit. North African countries buy a sizeable proportion of UK grain exports, but the volumes shipped vary widely depending on the size of our annual exportable surplus and that of other exporting counties.

Key contacts

Knight Frank can advise on all aspects of rural property ownership. Its principal service lines and the relevant contacts are listed here. Further details are available on our website at KnightFrank.co.uk/rural

RURAL ASSET MANAGEMENT

ROSS MURRAY
Chairman of Rural Asset Management

Ross is Chairman of our Rural Asset Management team, which helps the owners and trustees of many of the UK's leading estates with all aspects of rural property management.

Prior to joining Knight Frank Ross was the President of the Country Land and Business Association and has a wealth of rural land management experience as well as high-level political insight and understanding of the issues affecting landowners.

Our services include:

Strategic estate planning

- Succession planning
- Estate restructuring
- New business development
- Tax planning and ownership structures

Day-to-day management

- Staff management, including recruitment and PAYE
- Rent collection/accounts/invoicing
- Health & safety and workplace issues
- Maintenance and renovation of estate properties

Farm management

- Agricultural tenancy management
- Farm restructuring
- Subsidies and environmental stewardship
- Woodland management/field sports

Business diversification

- Renewable energy
- Change of use of redundant farm buildings
- Residential development
- Alternative farm enterprises

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FARM & ESTATE SALES

CLIVE HOPKINS
Head of National and International Farm and Estate Sales

Clive heads up our Farm & Estate Sales team and has been involved with a significant proportion of the UK and Ireland's most important farm and estate sales over the past two decades either publicly or discretely off-market.

Some of the reasons clients use us include:

- Global coverage – our international network and database of ultra-wealthy potential buyers gives our clients' properties exposure to the widest audience.
- Local Knowledge – our network of offices and experts gives us first-hand insight into the nuances of regional farmland markets.
- Market intelligence – our research team produces intelligence on land values and insight into the issues affecting rural property ownership.

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PROPERTY ACQUISITION

MARK LAWSON
The Buying Solution

Mark specialises in the purchase of high value residential and rural estates. Mark helps with some of the country's most expensive and complex properties, providing clients with a highly specialised service. No other consultant has such a comprehensive knowledge and insight into this exclusive market or access to its properties, many of which are offered privately to Mark and are therefore not available on the open market.

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VALUATIONS

TOM BARROW

Tom is head of our Country Valuations team and is one of the UK's most experienced valuers of estates, farms, land, rural businesses and country houses. He also provides consultancy and expert-witness advice for valuation disputes and legal issues.

We can provide RICS-approved valuations on all types of rural property across the UK for the following purposes:

- Sale or purchase
- Bank lending
- Country house management
- Matrimonial issues
- Tax issues such as IHT, CGT and ATED
- Compulsory purchase and compensation
- Company accounts

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MAPPING

MICHAEL MCCULLOUGH

Michael and his team offer bespoke mapping in support of sales; acquisitions; valuations; land registration; estate, farm, forestry and portfolio management; compulsory purchase; strategic development and succession planning. They also undertake boundary audits and site surveys; can provide their own drone for high resolution imagery, 4K video and 3D mapping, as well as providing a consultancy service in regard to guidance on the acquisition of mapping software, including installation, training and on-going support.

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BUILDING CONSULTANCY

JAMES CARTER-BROWN

James has overseen multi-million pound renovations of some of the country's most desirable rural and urban residential properties.

Whether your property is a country house or London pied-à-terre, we can advise on all building consultancy issues including:

- Project management
- Renovations and improvements
- Listed buildings advice
- Building surveys
- Party wall advice
- Design, architecture and interior design
- Insurance valuations
- Expert witness

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COUNTRY HOUSE CONSULTANCY

ANGUS HARLEY

If you own a country house or small country estate and need advice managing it, Angus and his team can assist with staffing and recruitment, project planning, running cost-control, third party and neighbour issues and problem solving across a remarkably wide range of matters.

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MARINE CONSULTANCY

RACHEL WYLDE

Our marine consultancy department specialises in all aspects of marine-related property matters. The team manages a range of diverse marine and coastal portfolios for a number of unique clients and also offers a bespoke professional service. With our expert knowledge we can assist owners of:

- Ports
- Marinas
- Foreshore and seabed
- Estuaries
- Reclaimed and adjacent land
- Beaches

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COMPULSORY PURCHASE AND COMPENSATION

TIM BROOMHEAD

We advise all types of private and institutional clients who are affected by a compulsory purchase order (CPO) or who need to make a compensation claim.

Compulsory purchase and compensation legislation, including Statutory Blight, is notoriously complex. Different rules apply depending on the purchasing authority. While individual discretionary compensation schemes can also apply to specific schemes, professional advice can help to ensure fair compensation.

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PLANNING

TOM STANLEY

Tom has a broad platform of experience having worked for the Planning Inspectorate for many years. Our planning department can assist with all matters of planning and development for applications or planning strategy regardless of scale:

Residential development

- Barn conversions
- Change of use
- Major housing development

Commercial

- Office
- Retail
- Farm diversification

Renewable energy

- Wind
- Solar
- Hydro-electric

Strategic planning

- Estate planning and restructuring
- Regional and local plans
- Neighbourhood plans

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