The Land Partnerships Handbook
Using land to unlock business innovation
Second Edition
The Land Partnerships Handbook

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Acknowledgements

The Land Partnerships Group is delighted to bring you the second edition of the Land Partnerships Handbook. A great deal has happened since the first handbook from LandShare CIC and the Dartington Hall Trust in 2011 and this new edition covers these changes.

We continue to practise strong partnership ourselves and would like to thank our members Blake Morgan, Dartington, 3 Keel, 3D Rural, Ernest Cook Trust, Fresh Start, James Copeman & Co, National Trust and the Soil Association for remaining active in all our work and for sharing their knowledge and expertise so willingly. We are also grateful to the Elizabeth Creak Charitable Trust who provided the funding for the re-write and production of this second edition and the resulting Land Partnerships Road Shows. Their support means we can now extend our work and reach more farmers from a range of backgrounds. This has to be balanced with those who are willing and able to offer a different approach when it comes to considering land agreement options.

Since the inception of this handbook in 2011, there has been a noticeable change towards learning more about a variety of options in managing land and a range of business agreements, but it remains a slow transition. In reality, a selection of agreement models ought to be considered by all parties as a matter of course without simply reverting to a traditional model because it’s quicker or more convenient. This second edition of the handbook continues to provide clear steps on collaborative approaches between landowners and entrepreneurs and is supported by a selection of case studies to show innovation in action.

The partnership behind this book, along with support and backing from across the industry, proves we can work together and potentially make a lasting change in how we capture talent, share knowledge and maximise sustainable land use in an invigorated manner. So let’s challenge ourselves to create that brighter future for our industry.

Foreword

The key factor that has enabled us to establish and grow our farming business was finding and working with a landlord who shares our enthusiasm for what is important to the way we farm – productive agriculture, working with nature and sharing it with the local community. An agreement which is produced by BOTH parties followed by regular face-to-face communication (not emails or letters) is absolutely vital.

We only wish this handbook had been available when we first began looking round for opportunities, to make us aware of what is possible and give us the framework and step-by-step approach to getting started.

Footnote

Since the first edition of the Land Partnerships Handbook, Roly and Camilla Puzey have moved to the National Trust's Saddlescombe Farm at Devil's Dyke just five miles outside Brighton in West Sussex. Their business continues to go from strength to strength – a flock of hundreds of ewes, ewe lambs, rams and lambs now happily grazes the South Downs, the hills forming the backdrop to bed and breakfast, farm visits and enthusiasts trying their hand at being 'shepherd for the day'.

Roly and Camilla Puzey
Saddlescombe Farm, West Sussex

With the public’s growing interest in food and farming there could not be a more exciting time to get into farming. However, with that comes stiff competition and high rents.

“We need creative and skilled people in farming and we need to help them gain access to land so that they can develop diverse enterprises. The Land Partnerships approach clearly spells out how we can do this in practice and the benefits that these relationships can offer to both parties.”

Helen Browning OBE, Chief Executive Soil Association

Making good progress

Lord Donald Curry of Kirkharle KB CBE FRAgS

It is essential that we maintain a diverse and thriving farming industry. To achieve success and encourage more farming businesses to start and develop, we require ambitious and innovative new farmers from a range of backgrounds. This has to be balanced with those who are willing and able to offer a different approach when it comes to considering land agreement options.

Cover image:Mark Lord Photography, National Trust Images/Liam Dobson/ Penny Tewkesbury/Arthai de Serra, Chris Rockett, Limekicks/Dreamstime.com

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The Land Partnerships Handbook

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The partnership behind this book, along with support and backing from across the industry, proves we can work together and potentially make a lasting change in how we capture talent, share knowledge and maximise sustainable land use in an invigorated manner. So let’s challenge ourselves to create that brighter future for our industry.
What is the Land Partnerships approach?

Our emphasis is on creating sound business relationships with all parties taking the initiative.

This handbook describes our approach to help landowners identify and parcel out land and buildings on which ‘land entrepreneurs’ can establish new, independent businesses. The approach places strong emphasis on the process of forming and maintaining sound business-to-business relationships.

Legal agreements are an important part of this process but they are seen as a follow-on to the formulation of a good business deal. We show how you can use a spectrum of legal models to create effective land partnerships, according to the nature and needs of the businesses involved. The approach is primarily aimed at setting up new lettings, contracts or joint ventures but it can also be used for the creative review or re-negotiation of existing arrangements.

What makes the approach different?

There are already nearly 15,000 tenant farmers in the UK, working on more than a third of our agricultural land. The Land Partnerships handbook describes our approach to help landowners and land entrepreneurs to come together and use a spectrum of legal models to create effective land partnerships, according to the nature and needs of the businesses involved. The approach is primarily aimed at setting up new lettings, contracts or joint ventures but it can also be used for the creative review or re-negotiation of existing arrangements.

Who is a potential land partner?

- **Landowners**
  - Late career farmers, thinking about succession, planning to wind down from some of the practical aspects of running a farm, or to pass on experience to a new generation
  - New landowners, who want to see their land used practically and gainfully, but who are not able to farm the land themselves
  - Active farmers, with land, who wish to diversify their business without the risks and complexities involved with establishing and running several businesses at once
  - Estate owners or managers who have identified a gap in their estate system
  - Landowning trusts or charities wishing to find cost-effective ways of achieving their social or environmental objectives

- **Land entrepreneurs**
  - Young farmers, with the training and experience to set up a new farm business, but without the land or capital
  - Experienced farmworkers or land managers, who have decided to take the step up into running their own business, but who do not have the capital to buy land
  - People with a related business background, such as food retail or horticulture, who are keen to branch out into the business of land-based production
  - Communities or groups of consumers who wish to set up or invest in a Community Supported Farm which will produce products on their behalf

Partnerships approach builds on a long heritage of land tenure, from modern joint ventures and Farm Business Tenancies, back to medieval common rights. The conventional way to let land is for a landowner to advertise a tenancy opportunity with a ready-made draft agreement. Prospective tenants compete for selection through a tendering process. The Land Partnerships approach will tend to differ in terms of ethos and process:

- The ethos of Land Partnerships is essentially reciprocal, with both parties taking the initiative to find each other and to shape the nature of the business deal itself. The result is likely to be more balanced, and more stable.
- The details of what is on offer from the landowner and what is expected from the land entrepreneur will be less fixed. This leaves the process open to novel proposals and creates more potential for collaborative planning.
- Deciding and agreeing the most suitable form of agreement will be the end point of the process.

Why is this useful?

The promise of a Land Partnerships approach lies in the benefit it brings to both parties. Encouraging landowners and land entrepreneurs to combine resources to create new land enterprises provides the owner with new ways to diversify their operation. And it gives land entrepreneurs the chance to apply and develop their business skills without the high cost of land purchase.

The outcomes might include better use of assets, integration of enterprises, improved risk management, different ways of marketing, or it may simply involve the creation of a new business.

We think that opening up this space for creative entrepreneurship is important. In a world of growing needs and shrinking resources, we need to muster as many smart and fresh ideas as we can to make best use of the land.

Potential land partners should use the handbook as a stepping-off point; to scope what is involved, to help explore options and to point towards sources of more detailed and specific information and advice.
Step 1: Taking stock

Scrutinise your own motivations, assets and requirements before you look for a partner.

Whether you are the landowner or the land entrepreneur, the Land Partnerships approach has to result in a viable and realistic business arrangement. The aim is to generate value by bringing together complementary assets, skills and aspirations from both parties. The starting point for making this happen is to be very clear what your own assets, skills and aspirations are. By taking stock before starting to look for a land partner you will be able to:

- Communicate what you have to offer, so that you can attract the most appropriate partners
- Draw up a focused set of search criteria so that you can select the best land partner for you and your business
- Identify clear outcomes and parameters against which to evaluate potential partnerships.

Our key recommendations for getting the most out of this process of taking stock are:

1. Structure your thinking
   - We find it useful to do this under these three headings:
     - **Motivations** – what are you in this for?
     - **Assets/Skills** – what have you got to offer?
     - **Requirements** – what do you need?
   - It is vital you are honest with yourself when looking at your motivation, assets and your requirements for a business so you can establish a sound base to work from. Be pragmatic in your approach.

2. Take time
   - Avoid simply plumping for the most obvious answers and conclusions. The process of reviewing your business might spark off new ideas and perspectives. Do your own research and, if possible, speak with others who may have similar approaches to the ones you are interested in.

3. Discuss
   - What do your family, colleagues, land agent and other professional advisers think? If it is a new idea they will need all the facts before them to make a valued contribution to the debate.

4. Balance clarity against being too prescriptive
   - It’s critical to be clear about what you are looking for, but you should remain open about how you might achieve your objectives. One of the benefits of Land Partnerships is that, by clubbing together with another business, you may discover unexpected solutions and opportunities.

Thinking about risk

Attitudes to risk, and perceptions of risk, have a strong influence on decision making. In general it is natural for us to perceive activities we are familiar with as being safer than things that are new. But any business, whether long-established or an untried start-up, is exposed to risk. And in uncertain times – as we face with land enterprise – taking a chance on the new might just pay off against holding fast to an old business model.

So it is important to make an even-handed assessment of risk. Some risks will be familiar – internal to the business or capable of being managed, such as the diversity of income, legal compliance or breadth of the customer base. Others will be external and less controllable, such as input and commodity costs, or the weather. Some will be difficult to gauge, such as those from novel enterprises, young entrepreneurs or untested plans. But that doesn’t mean they are not worth taking.

The Land Partnerships approach encourages both parties to examine their appetite for risk and to plan for uncertainty proactively. The development of new businesses will introduce new risks, but the opportunity to diversify, integrate systems and perhaps reduce off-farm inputs may offset others.

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### Questions to ask yourself

#### If you’re a landowner

<table>
<thead>
<tr>
<th>Motivations</th>
<th>Is this about building up a farm business or scaling back your commitment?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Are you looking for someone to develop a particular business opportunity, or are you open to suggestions?</td>
</tr>
<tr>
<td></td>
<td>Is this part of a vision for the whole estate or a solution for one parcel of land?</td>
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<tr>
<td></td>
<td>How hands-on or hands-off do you want to be?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets/Skills</th>
<th>What land, buildings and equipment might you wish to make available?</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>What other business interests do you have that might complement a new one?</td>
</tr>
<tr>
<td></td>
<td>What markets can you give access to?</td>
</tr>
<tr>
<td></td>
<td>What skills and experience might you be willing to offer?</td>
</tr>
<tr>
<td></td>
<td>Is there any infrastructure that you will need to develop or upgrade before you can offer up land?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Do you need the new business to provide a particular service (straw, muck, energy…) if so, what financial benchmark do you need to match?</th>
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<tbody>
<tr>
<td></td>
<td>What absolute red lines do you have? For example, these might relate to contractual commitments, grant or tax pitfalls (see Legal briefing on p15), or personal preferences.</td>
</tr>
</tbody>
</table>

#### If you’re a land entrepreneur

<table>
<thead>
<tr>
<th>Motivations</th>
<th>Is this a stepping stone to something else or do you see this as a long-term commitment?</th>
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<tbody>
<tr>
<td></td>
<td>Do you have a precise vision for a type of farm or business?</td>
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<td></td>
<td>Is this a way of life, a way to change the world, or just a way of making a living?</td>
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<tr>
<td></td>
<td>Are you aiming for independence or do you want a close business partnership?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets/Skills</th>
<th>What skills can you bring to the new business? Do they just relate to farming, or do they include retail, marketing, communication or business development?</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Do you have equipment or livestock?</td>
</tr>
<tr>
<td></td>
<td>How much capital do you have access to?</td>
</tr>
<tr>
<td></td>
<td>What’s your business idea?</td>
</tr>
<tr>
<td></td>
<td>Are there any skills or plans you need to develop before looking for a land partnership?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Does this have to provide you with a living wage and do you need a house?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>How much land/property do you need to get started? And further down the line?</td>
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<tr>
<td></td>
<td>What infrastructure will you need?</td>
</tr>
<tr>
<td></td>
<td>Are you absolutely fixed on one business idea?</td>
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<tr>
<td></td>
<td>Is your location preference flexible or fairly fixed if needing to incorporate factors such as family commitments?</td>
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</tbody>
</table>
Step 2: Finding the right match

The right mix of land, people, skills and aspirations forms the foundation of any land enterprise arrangement.

The aim of this step, for both the landowner and the aspiring land entrepreneur, is to make the most of their chances of attracting the best and most compatible land partner. For both parties this means presenting your skills and assets in the best light and to the right sort of people; understanding what others might be looking for and, ultimately, making a good choice about who to work with. In practical terms this involves two things:

1. Putting the word out

This is something to be strategic about. Advertising can be an expensive business and it is important to balance the need to get exposure to lots of people against selectively getting in touch with the best people, with the best credentials. The first and potentially most effective avenues are likely to be:

- Personal and professional networks. It’s quite likely that you, a colleague or a local agent know someone, or know someone who knows someone. This approach can give you access to recommendations and intelligence at little cost. Attending local discussion or business groups can also provide a wider network or seeking out and asking landowners near you. But if this is not successful then it makes sense to open up the field and shop around.

- The press. This would most likely involve a small ad in the farming press or in a local newspaper. Alternatively, Land Partnership opportunities can and have been promoted to the media as news stories in themselves.

- Brokers. There is a wide range of professional and voluntary organisations who may know of potential partners. Examples might include firms of rural surveyors, agricultural colleges or organisations such as us at the Fresh Start Land Enterprise Centre or Land Mobility (Ireland only).

For the most up-to-date list go to www.freshstartlandenterprise.org.uk

2. Choosing

Ideally both landowners and land entrepreneurs will be in a position to compare several options before making a choice. Our advice is to be both methodical and use your instincts:

- Meet, at least once. The need for the land entrepreneur to come out to the land to meet the landowner is obvious. We also find that visits by the landowner, in the other direction, can create revealing and different conversations. They also help emphasise the two-way nature of a typical, successful Land Partnerships arrangement.

- Use a checklist and think through these areas:
  - Practicalities – could it work?
  - personales – will you get on?
  - Circumstances – is there something about the timing that is especially good, or perhaps not so good?

- Be clear about your needs and goals and avoid wishful thinking. If you have a nagging concern, flush it out and address it now. Whatever the outcome, it’s better to know.

Creating a good impression

Applying for a farm or business tenancy can be a daunting experience. Here are some areas where landowners can help applicants make the most of what they’ve got to offer.

- Invite informal expressions of interest early in the process
- Actively seek out new entrants using local networks, young farmers groups and colleges
- Use the Land Partnerships approach to understand their own underlying requirements and to ensure a balanced agreement
- Make it clear what will be expected every step of the way
- If appropriate, use outgoing tenants in a mentoring role or encourage them to pass on their experience to new applicants
- Encourage applicants to take professional advice to provide an independent reality check for their budgets and plans.

Top 10 things

That landowners are looking for...

1. Realistic business ideas – the landowner has a financial interest in the business doing well, so drive and enthusiasm have to be backed up with a robust business case. It’s essential you have a full understanding of your business plan content and the figures contained in it. Get advice if you need to but make sure your own ideas remain and do not get modified

2. Professionalism – they need to be confident that compliance issues, contractual commitments and day-to-day business will be managed without fuss

3. Commitment – they want good people who will stick around because it’s essential for continuity and because a high turnover of tenants or business partners is expensive, time consuming and risky

4. Clear communication – it’s important in all working relationships, all the time

5. Practical proficiency – it’s critical for the day-to-day running of any land-based business and will be seen as an asset to have around

6. Drive and confidence – to see the plan through

7. A positive mindset – making a living from the land can be hard and even the best business relationships have frustrations, so finding people who are upbeat has real value

8. A sound financial position – they need to be confident that start-up costs can be met, and that the business has the creditworthiness to invest and grow. Evidence of access to capital or a financial portfolio from previous investment and business will be beneficial

9. Shared values – land goes deep and while the new enterprise needn’t be exactly what the landowner would do, it should fit and respect their ethos

10. Somebody they get on with – farm communities often involve working and living in close proximity. Finding people who fit in is of real value.

That land entrepreneurs are looking for...

1. The right infrastructure – can they run their business from the property?

2. Access to markets – is there passing trade? Are there established routes to market, promising leads or favourable local demographics?

3. A fair deal – they might be betting their future on this, so a solid and transparent deal will be important

4. Space to develop – in terms of physical space, business growth and scope – will they have the freedom to adapt and grow as they go along?

5. Opportunities for collaboration – it may be marketing, logistics, machinery. The existence of complementary enterprises, open to working together, can be attractive to a start-up which has yet to build up its capacity

6. Stability – they will need to put their all into their new business, so they need to feel confident that circumstances are fairly stable

7. Experience – some will value the advice and perspectives of an experienced farmer or other established businesses

8. Encouragement – it’s welcome if it is optimistic and emboldening

9. A can-do approach to problem-solving – the practical capacity to react, solve, move on is priceless

10. Clarity and consistency – is important to both. It saves time, builds trust.
Step 3: Creating a balanced agreement

Once landowners and entrepreneurs have found each other they need to define a relationship that will last.

A new land enterprise involves a significant – and largely irretrievable – investment of time, energy, money and goodwill. So the land entrepreneur will want to avoid the prospect of uprooting their business, and the landowner will want to avoid having a high turnover of lettings, empty properties or conflicts of interest: all of which take up resources and can have an impact on local relations.

By this stage both parties will have a clear idea of their own interests and objectives. Now, a crucial ingredient of the Land Partnerships approach is to develop a genuine understanding of, and respect for, each other’s interests. This will help to spot synergies and potential conflicts early on so they can be built on or managed constructively as needed. It will also help avoid misunderstandings that often result from preconceived ideas and ready-made assumptions. This is a two-way process and is a crucial step towards building trust and developing the insight needed to form strong relationships.

To enable creativity at this stage it is important to keep options open and not become too focused on a particular outcome or predetermined solutions. The better the understanding of each other’s needs the more imaginative the exploration of ways to meet them.

This requires a transparent and flexible approach and a willingness to address issues and opportunities together, side by side rather than in opposition across a negotiating table. To create really positive relationships it is in both parties’ interests to help solve the other’s problems and to look for mutual gains. Some things that might be of low cost to one might be of high value to the other. Identifying such opportunities can be liberating.

Successful Land Partnerships arrangements will not be founded on hard bargaining or one party getting a good deal at the other’s expense. One-sided agreements will be weak, will harbour resentments and be prone to disputes or early breakdown. It is fine for both landowner and entrepreneur to hold on passionately to their interests but positive relationships are about striking the right balance and being open-minded about the best way to meet respective interests. Enlightened professional advisers or agents working to a suitable brief can facilitate the whole process.

In shaping the balance of the partnership a key consideration will be the degree of risk each party feels able to take. This will vary from relationship to relationship and will depend on the experience, skills and confidence of each party, as well as their personal motivations and resources.

Typically, tenancy agreements are drawn up by the owner or their agent and tend to favour their particular interests. A Land Partnerships approach encourages a more flexible use of agreements, tailoring contractual responsibilities to suit individual circumstances and the varying levels of control required by each party.

The most important aspect of the relationship between a landlord and tenant is that it works for both parties: this will involve trust, understanding, and a business arrangement that is mutually acceptable and which will last. Obtaining the highest possible rent is rarely the most important factor, nor is it advisable to be too rigid; flexibility and sensible compromise are often the hallmarks of a truly successful arrangement.”

Nicholas Ford, Director and Agent, Ernest Cook Trust

Defining the partnership: things to consider

- What land, buildings, machinery or livestock are involved?
- How long does the agreement need to be?
- Who provides capital?
- What services are available?
- What help and support might the business need?
- How much control does the owner want to retain?
- What is the basis and frequency of payment and how often should it be reviewed?
- What degree of risk is each party prepared to take?
Step 4: Selecting a legal framework

Practicalities and terms defined, it’s time to agree the right legal framework.

1. **Contract farming** is a model often used by owners or agricultural tenants who want to retain their involvement in farming but don’t want to carry out day-to-day operations. Typically, the farmer will run the business and make key decisions but a contractor will carry out the practical farming operations as agent for the farmer. The farmer cannot seek decisions but a contractor will carry out the practical farming operations at their own risk.

2. **Licences** are routinely used to let grazing rights on a short-term, often seasonal, basis. Formal occupation of the land, for tax, basic payment and cross-compliance purposes, remains with the landowner. Licences can be useful for the land entrepreneur, often as a supplement to other land held under longer term agreements, for instance for grazing, forage-making, or to harvest a specialist crop. For the landowner they can offer a way of grazing pasture without the need to run a livestock enterprise, or to introduce new rotational options into an arable system, such as grass/clover leys.

3. **Share farming** is a way of enabling two parties to farm the same land jointly with each running their own separate business. Typically, the owner will provide the land, buildings and fixed equipment while the farmer provides labour, management expertise and mobile machinery and equipment. Livestock may be shared, with both parties owning an agreed proportion of each animal or one party owning all of them. Input costs are paid in agreed proportions and each party owns a pre-determined share of the produce.

4. **Farming partnerships** can be used to enable an owner to run a farming operation with others where they are all family members and can be complex legally and in terms of taxation. They need to be very carefully set up and managed to avoid problems on the death or retirement of a partner. A limited liability partnership (LLP) is an alternative legal entity that sits somewhere between a traditional partnership and a company. While the members of an LLP may effectively operate as partners, many of the administrative requirements of an LLP mirror those for a company, for example, having to file accounts at Companies House. The attraction of an LLP is that an individual partner’s liability may be limited in a way that is not the case in a traditional partnership. The relationship between partners may be regulated by a partners’ agreement, and between company shareholders by a shareholders’ agreement. Other models that follow a corporate or similar structure also exist and examples can be found in case studies.

5. **Conventional Farm Business Tenancies (FBTs)** are the most common model for new lettings of land. The owner is not directly involved in the farm business and simply offers land and/or buildings in return for an agreed rent. The rent is typically based on the market value of the holding and is reviewed every three years. As such it does not reflect annual fluctuation of farm business returns, which means that the tenant can carry a high level of risk. FBTs are, however, much more flexible than their Agricultural Holdings Act predecessors and landlord and tenant have much greater freedom to agree terms that suit their particular relationship. There is great scope to use FBTs imaginatively to replicate the benefits of other types of agreement in a more familiar form.

6. **Long-term lets** Owners who are content to hand over a high degree of control of their land but do not want to part with it completely can consider long-term lets. An FBT or a business letting could suit, depending on the type of property.
Common Agricultural Policy and related new payment scheme in the UK

The landowner and entrepreneur will no doubt be alive to the current reform of the Common Agricultural Policy, one of the most notable elements of which is the end of claims under the Single Payment Scheme and the replacement of that scheme by the Basic Payment Scheme as from 1 January 2015.

In particular it will be important for the landowner and entrepreneur to be clear as to which of them is to be the recipient of the Basic Payment – this of itself may have a bearing on the legal structure they ultimately agree.

To receive the Basic Payment the claimant must be an ‘active farmer’ and satisfy certain tests. (For more information and details go to the related government site: DEFRA www.gov.uk, Northern Ireland www.dardni.gov.uk, Scotland www.gov.scot, Wales www.gov.wales and search for Basic Payment Scheme). Satisfying the ‘active farmer’ test includes not appearing on a negative list of activities. The negative list includes ‘real estate services’, what is intended to be caught specifically by this expression is not abundantly clear at time of writing. However, an estate landowner (where it is intended the landowner will claim Basic Payment rather than the entrepreneur) will want to establish that the intended arrangement with the entrepreneur is on a footing that does not place the landowner within the negative list.

Accordingly, when the landowner and the entrepreneur arrive at an outline of their intended arrangement this is a technical area to have professionally sense-checked if in any doubt.

Points to look out for include:
- The terms and conditions are clear and agreed at the outset thereby reducing the time and cost of documenting the arrangements.
- The potential for future dispute should be reduced.
- The landowner and entrepreneur should, however, sense check the proposed arrangements with their professional advisers before finalising the agreement.
- Points to look out for include:
  - Agricultural Property Relief (Land Business Property Relief) can provide significant Inheritance Tax savings to landowners. A landowner should check that the proposed arrangement will not prejudice his or her estate reducing such tax relief. If it will, can the agreement be structured so that it does not?
  - It is important to have a clear understanding of whether the land entrepreneur’s proposed use of the land/buildings qualifies as an agricultural use from a legal and planning perspective. The law’s definition of what constitutes agriculture is not the same in every context. Whether the proposed activity is deemed to be agricultural or not can make a big difference for taxation and Town and Country Planning purposes. It will also influence the most appropriate form of tenancy agreement to be used.
  - Even if there are no plans to make physical changes to the land or buildings Planning Permission may still be required. The land entrepreneur’s new business could, in itself, constitute a change of use in the eyes of the Planning Authority.
  - If the land is subject to an agri-environment scheme the landowner will need to make sure that the requirements are not breached by the intended use. Criteria necessary to maintain any ongoing payments will also need to be met. Penalties for non-compliance can include reduction or loss of future annual payments or possibly the repayment of money already received.
- Be aware that statutory requirements often import rights and obligations into contractual arrangements. Any agreement reached by both landowner and entrepreneur may be subject to rights and obligations imposed by law. This is particularly true for tenancies.

Using the Land Partnerships approach coupled with a professional sense check should ensure that landowner and entrepreneur arrive at an arrangement with a solid foundation and which meets their aspirations. It is well worth spending time and energy on the first three steps of this handbook, as this should result in all parties using professional advisory time most cost effectively.

Fiona Mannix BSc MA ACMA HDip, Associate Director Land Group RICS Professional Groups and Forums

“I would strongly recommend the Land Partnerships approach. It is an effective way to build a strong and enduring relationship between landowner and entrepreneur. It aligns the objectives of both parties and should reduce expenditure on professional advisers’ fees because:
- The terms and conditions are clear and agreed at the outset thereby reducing the time and cost of documenting the arrangements.
- The potential for future dispute should be reduced.
- The landowner and entrepreneur should, however, sense check the proposed arrangements with their professional advisers before finalising the agreement. Points to look out for include:
  - Agricultural Property Relief (Land Business Property Relief) can provide significant Inheritance Tax savings to landowners. A landowner should check that the proposed arrangement will not prejudice his or her estate receiving such tax relief. If it will, can the agreement be structured so that it does not?
  - It is important to have a clear understanding of whether the land entrepreneur’s proposed use of the land/buildings qualifies as an agricultural use from a legal and planning perspective. The law’s definition of what constitutes agriculture is not the same in every context. Whether the proposed activity is deemed to be agricultural or not can make a big difference for taxation and Town and Country Planning purposes. It will also influence the most appropriate form of tenancy agreement to be used.
  - Even if there are no plans to make physical changes to the land or buildings Planning Permission may still be required. The land entrepreneur’s new business could, in itself, constitute a change of use in the eyes of the Planning Authority.
  - If the land is subject to an agri-environment scheme the landowner will need to make sure that the requirements are not breached by the intended use. Criteria necessary to maintain any ongoing payments will also need to be met. Penalties for non-compliance can include reduction or loss of future annual payments or possibly the repayment of money already received.
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George Dunn BA MSc FRAGS, Chief Executive Tenant Farmers Association

“Having a clear view and understanding of the legal structures within which your farm business will have access to land is vital to the success of your business. The nature of your security, responsibilities for repair, maintenance and replacement of fixed equipment and the level of payment for access to the land, are all fundamental components which will impact upon your business planning, investment strategy and year-to-year profitability. Getting good advice on this is a must.”

Mark Charter Partner and Head of Farms and Estates Team, Blake Morgan

The Land Partnerships Handbook

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Step 5: Thinking long term

Allowing the partnership to adapt as the business evolves.

Adopting a Land Partnerships approach based on trust, openness and a balanced agreement that genuinely respects both parties’ interests will immediately multiply the chances of success. But rural business operates in a dynamic environment – markets for products and services come and go, standards and consumer expectations change, technology moves on, experience grows and new skills are developed. All of this means that if the business and the Land Partnerships arrangement are to be effective in the long term, they have to be light-footed and prepared to adapt and change so that they can absorb pressures and grasp new opportunities.

Above all, it is vital to maintain goodwill in the relationship and to recognise the value of this in financial negotiations. All too many land and business relationships start off well, with optimism and good intentions, only to falter when it comes to reviewing the business, especially around the financial side of things. Getting the right balance of reward is never easy but it is critical to the success of the relationship. The contribution of both parties must be understood and properly recognised. This does not just mean the financial contribution; it also has to take proper account of the skills, physical effort and emotional contributions that are so important to making the business work.

Some of the important things that help make the relationship last include:

- An open and frank relationship that builds and maintains trust
- Common objectives – understanding and respecting each other’s interests
- Ensure regular dialogue throughout the agreement and not just leaving it until the official review date
- Keep notes of suggestions, ideas and requests which may lead to any alteration of the agreement longer term
- Flexibility – being open to new ideas
- Willingness to learn from experience
- Recognising and valuing interdependence – sharing problems

More than one agreement

Land Partnerships agreements will often be a one-off deal, for a single plot of land or business agreement, but as this approach starts to be used in more agreements two options follow on:

1. Landowner building a cluster of enterprises

Land Partnerships agreements can also be used progressively to build a community of land enterprises. This significant shift in business model can bring a number of benefits:

- For the landowner it diversifies income streams and builds financial resilience by spreading the risk of failure and income fluctuations across a number of enterprises and business types
- Flexibility – being open to new ideas
- Willingness to learn from experience
- Recognising and valuing interdependence – sharing problems

2. Land Entrepreneurs with more than one agreement

This is starting to be seen more and more where a set of complementary agreements come together to benefit the entrepreneur’s business as a whole, maybe even involving several different landowners. For example, someone may start off with a grazing licence, then extend this with a joint venture and perhaps later on join it with a tenancy. There can be huge scope for an entrepreneur to expand their business significantly by working with a range of landowners but you should consider the following:

- Start off with one agreement and ensure you can work and manage it well before embarking on new ventures
- Don’t run the risk of your original agreements failing through lack of input and communication
- Review your business regularly and make sure you have the right combination of agreements. As a business grows you may need to change the balance of them
- A mix of agreements could spread your costs and overheads more efficiently and increase income and may not always involve land and farming!

Important things that help make the relationship last:

- An open and frank relationship that builds and maintains trust
- Common objectives – understanding and respecting each other’s interests
- Regular dialogue and review – not just at rent reviews
- Flexibility – being open to new ideas
- Willingness to learn from experience
- Recognising and valuing interdependence – sharing problems

For all parties it has the potential to extend networks and open up new markets
- It creates opportunities for collaboration through internal markets for materials, labour and waste products. Or practical cooperation such as sharing machinery or the cost of certification schemes; or by forming marketing syndicates and developing shared brands.

Making it work

Developing a cluster of enterprises is the landowner’s prerogative. To make it work well will require them to take an active and strategic approach. In particular they will need to take care of two key functions: firstly, providing an efficient infrastructure, both practical and administrative; and, secondly, selecting the right combination of enterprises and getting them to work well together.

In our experience the following ingredients can be invaluable:

- Consultation
  Make sure that existing or incoming businesses are aware of your intention to build a cluster of enterprises; it may well be an attractive prospect
- System analysis
  Think about how enterprises might fit together in the future; what they will need, and what they might provide. Select and locate them accordingly.
- Selection criteria
  Use them to test proposals to ensure they complement existing businesses
- Collaborations
  Interactions between businesses will happen by simple virtue of proximity but a regular forum for proposing and discussing ideas for businesses to work together can help ensure opportunities are not missed.

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A joint venture

A great example of a mix ‘n’ match approach to creating an evolving set of agreements that suit people, time and place.

Some time ago, Robert and Janet Bostock and Philip Feeney set up business together. Robert and Janet brought their organic, 700-acre Old Hall Farm near Malpas and their successful breeding herd to the table. Phil brought his enthusiasm and his ambition but little capital.

Now, some eight years later, Robert has been able to step back into a less demanding role in the business, which was one of his main aims, while Philip has, cow by cow, been able to buy a good percentage of the milking herd and build up his equity.

How have they done it?

Initially, both parties signed a formal contract where they each received a return on the capital they invested into the joint business. This document outlined, for instance, that Philip would buy the machinery and 25% of the original 320-strong herd. Alongside this contract ran a cow hire agreement which enabled Robert to see a return on his assets while Philip milked the herd and had an agreed share of any surplus left over in the business account.

Now that the business has grown substantially, the contract farming agreement has been replaced by a 50/50 equity farming partnership between Robert, Janet and Philip that suits them better at this stage of their business’s evolution.

What’s been the key to their success?

“By purchasing the cows gradually, the herd size didn’t have to decrease which enabled me to operate at a scale that could produce enough profits for all parties,” comments Phil. “In fact, we now have 700 cows in the herd and I own half of them. The other essential ingredient, of course, is good communication.”

Where next?

They all enjoy what they do and are always keen to evaluate new opportunities, to keep the farm moving forward. That could be through milking more cows on the farm or elsewhere, depending on the suitability of any proposal.

Share farming

What is it and why is it good for the farming industry?

The CLA has a longstanding reputation for protecting the interests of those with an economic, social or environmental interest in rural land.

We believe that adopting share farming as a farm business structure is eminently suited to many of the challenges the industry faces. At its simplest, share farming is where two farmers agree to work together to share the farming of the land. They remain independent with, usually, the owner providing land, buildings, fixed equipment and machinery and the other farmer (generally referred to as the operator) provides the working machinery and labour.

The great benefit is that they bring different resources to the business in terms of assets and abilities and so may be able to create something bigger and better than either could alone, but without being tied together in either a partnership or a tenancy.

Share farming is not right for every situation or for every farmer. However, in the right place at the right time, the CLA believes it can provide real benefits to the landowner, the operator and the industry as a whole.

“Following traditional routes into the industry can be close to impossible for many young farmers who have been crying out for a realistic alternative.

In recent months we have been particularly delighted by the level of interest in share farming from our members and beyond. Many older farmers have been looking to retire gradually, handing on their experience and knowledge to the next generation, and share farming can offer a very good solution.

The challenge now is to bring these farmers together and support them in forming successful and stable businesses under a share farming arrangement.”

Christopher Price, Director of Policy and Advice Country, Land and Business Association (CLA)

CASE STUDY

An early adopter

John Henderson saw an opportunity to implement a share farming scheme at his family’s estate near Skipton during the early 1980s. One of the estate’s previously tenanted dairy farms needed new life breathing into it at the same time as young farmer David Coates, who had grown up on his parents’ tenanted farm elsewhere on the estate, was looking for an opening to set up his own business.

Under John’s guidance David quickly set about transforming the farm into a thriving business and has never looked back. Today, David share farms with John across the whole estate.

In 1992, John also acted without hesitation when a chance arose to recruit a second young farmer to the estate and by the end of that year Tony Shepherd was up and running with 150 sheep and a suckler herd. John provides, maintains and insures the property while Tony provides labour and machinery. Each one runs his own business, with no sharing of the trading or bank accounts. Under the agreement the split between the two is on a 67%-33% basis.
Communities as land entrepreneurs

Growing, feeding and bringing together a broad spectrum of local people.

Landowners with an interest in making links with local communities, and communities who wish to organise themselves to produce food or other things from the land, now have a number of options to help them work together. This approach connects the farm and the community and combines land, production and community work in collaboration in one of three ways:

1. A community-led approach where a community organises itself to start a land enterprise. It enters into an agreement directly with a landowner, much as any land entrepreneur would.

2. A producer-led approach where a farmer or grower initially seeks help with a community, who invest in the business or benefit from a share of the harvest. In this case, the producer may operate through some form of Land Partnerships arrangement to obtain land.

3. Arrangements where the landowner, producer and community act together. This may be because they have formed some type of partnership, that the producer is also the landowner, or indeed that the community has the resources to buy land for itself to operate a business.

There are many different community models or CSAs (Community Supported Agriculture), from buying a share in exchange for produce through to hands-on work and being involved in management decisions. The landowner can also choose to be a land provider through to an integral part of the production process.

Legal structures

It is necessary to decide the legal structure of the CSA/social enterprise. There are many to choose from but they will include:

- **Community Interest Companies**
  - The benefits of being a business with a clearly stated public purpose to which all assets and returns must be devoted.

- **Industrial and Provident Societies**
  - Good for bona fide cooperatives that conduct business for the mutual benefit of their members or communities – all of whom hold equal shares and voting rights.

- **Charitable Incorporated Organisations**
  - A recently introduced structure that enables the set up of a charity with some of the benefits of being a company, such as limited liability for trustees. They only have to register with the Charities Commission.

**CASE STUDY**

The Community Farm – it works!

The Community Farm in Chew Magna, Somerset, is a community supported agriculture (CSA) enterprise that aims to reconnect people with where their food comes from and provide a sustainable low-carbon model of organic farming that can be replicated by other communities. What makes The Community Farm really special is that it is one of the first UK CSA projects to engage city populations as it’s close to Bristol and Bath. The farm is trying to replicate the small farm ethos on a bigger scale by involving the communities local to the farm as well as those in the cities 10 to 15 miles away. To date, there are 500 members who own the enterprise, with a small team of staff and an ever-growing team of volunteers who cultivate fruit and vegetables on 28 acres in the Chew Valley, deliver to 400 households each week and run events, training and educational activities. The farm’s success has attracted attention from all over the UK and has seen visitors from Japan, Italy and Germany seeking to learn how they do it.

“Growing, feeding and bringing together a broad spectrum of local people...”

Ped Asgarian, Commercial Operations Manager

**FarmStep**

FarmStep encourages and supports new entrants to set up green land-based businesses and nurture the necessary farming skills.

Set up by the Earth Trust six years ago, FarmStep offers favourable tenancy agreement terms; small scale – typically one to five hectares – parcels of land difficult to find elsewhere; business plan advice; infrastructure support and the chance to work alongside a community of like-minded green businesses. They are ever-evolving, taking on board farmer feedback and their own research to help make applications easier and more appealing, and a wider range of rental and agreement terms, for example. Camilla and Roly Puzey (on page 3) are one of their success stories of farmers being given this step on to the ladder, along with a handful of other small producers, including Mark and Jane Cooper.

**CASE STUDY**

Cooper’s Oxford Pork

Mark and Jane Cooper joined FarmStep in September 2012. Initially they kept two litters of their Oxford Sandy and Black pigs in one area of woodland on the Earth Trust Farm in Oxfordshire. Over time they have increased their numbers and now have approximately 150-175 pigs in five different woodlands. They are also using one of the barns to house farrowing sows, feed, bedding and porkers. They sell at local farmers markets; wholesale to hotels, pubs and restaurants; hog roasts for events, and young weaners to people wanting to keep a small number of pigs for the family larder.

**Land scholarship**

The National Trust blazes a trail in mentoring young Welsh farmers.

In 2012, after a national appeal, an iconic 245-hectare upland farm – Llyndy Isaf in Snowdonia – was purchased by the National Trust on behalf of the nation. Rather than automatically combining it with their neighbouring in-hand farm, Hafod y Llan, a new and innovative approach was born to help the progression of local new entrants.

“...the Llyndy scholarship has given me a great start to my agricultural career. I have learnt so many new skills and it’s given me the confidence to go on in the future to run my own farm.”

Tudur Parry, National Trust Scholar 2014-15

The approach, launched in 2013, was to create a land management scholarship scheme in conjunction with Wales Young Farmers’ Club. It offers a 13-month placement to run and manage the farm but with the added extra of providing a mentor and support from the farm manager at Hafod y Llan. Scholars get an opportunity to experience running a business first hand and it is designed to encourage the development of key land and business skills alongside the practical aspects of livestock management – skills which they can take back into developing their own businesses at a later stage.

**CASE STUDY**

The National Trust Scholar 2014-15

Tudur Parry, manager of Hafod y Llan.

Tudur Parry, scholar, and Anwen Jones, estate manager of Hafod y Llan.
A blended approach

How a Land Use Review has helped re-focus iconic Dartington Hall Estate, aiming to return it to a local, collaborative, low-carbon model.

The Dartington Hall Trust’s 1200 acres of rolling South Devon countryside have a history dating back hundreds of years but in the last century it was bought by visionaries, Leonard and Dorothy Elmhirst as the base for an experiment in rural regeneration. After early pioneering successes the agricultural part of the estate had stagnated and was being run as a standard arable dairy unit up until October 2014, when the tenant retired. Seizing their chance, a panel started conducting a Land Use Review back in 2012, consulting experts, visiting sites and speaking to local communities. Their final report highlighted a set of aspirations for the estate to adopt a mixed approach to low-carbon farming and land use, demonstrate collaboration across land-based enterprises, including community support, and be willing to explore new models of rural regeneration, social entrepreneurship, training and education.

The result was a smaller main tenancy of 480 acres at Old Parsonage Farm, which will be run as a mixed farm combining a milking goat herd, a small Jersey herd, beef cattle and sheep (see case study, below). Then around 15 other land-based tenancies, ranging from one to 60 acres, including: a meat CSA, a vegetable CSA, community orchards, allotments, apiaries, multiple varieties of agroforestry, a youth project, a biodynamic farm, an English cut flowers enterprise, a 17-year-old new entrant, an urban mushroom farm using waste coffee grounds and an initiative providing training for current and ex-prisoners.

“Although the final outcomes have been positive, the journey towards achieving the aspirations of the Land Use Review has not always been straightforward. Inevitably, given both the diversity and innovative nature of the proposals we received from prospective tenants, there has been a time lag between setting out the vision and its delivery. We have also found that, because what we were trying to achieve was slightly unusual, all the tenants, agents and solicitors involved had to adopt a degree of flexibility to make the agreements work.”

John Channon, Estate Manager

CASE STUDY

Old farm, new ideas

Jon and Lynne Perkin are the brand new tenants at Old Parsonage Farm, the largest chunk of the Dartington Hall Estate. Jon is from a long-established farming family in the Launceston area and both are experienced and successful in working to organic principles. They signed the contract in March 2015 and are up and running.

“The Trust wanted to see a multi-dimensional and innovative business approach that incorporated mixed low-carbon farming techniques, education, public access and cross-business collaboration with other Trust partners,” says Jon. “I was ready and eager for that challenge since I’ve always preferred to push ideas and boundaries in production techniques as well as in marketplaces. Possibly a high-risk strategy but one that, for me, creates the opportunity for high rewards – and certainly not just financial ones. Bidding for the tenancy of Old Parsonage Farm has enabled me to develop and evolve my ideas in the knowledge that that was exactly what my new landlord was looking for.” The first 40 goats arrived mid-April, the founders of what Jon hopes will be a 600-strong flock and just one of the strands of his new business.

To contact us or find further information on alternative formats of the handbook and the support and services we provide visit:

www.freshstartlandenterprise.org.uk
“Following traditional routes into the industry can be close to impossible for many young farmers, who have been crying out for a realistic alternative. So we wholeheartedly support this handbook and all the innovative ways of thinking it promotes.”

Christopher Price, Director of Policy and Advice
Country, Land and Business Association (CLA)

“Our farming industry really needs the energy, enthusiasm, innovation and skills that new entrants bring yet, for them, the first steps are often daunting, particularly if they don’t have family connections in farming. This handbook and these practical examples should give them much-needed hope, encouragement and advice.”

David Fursdon, Chair of Future of Farming Report

“The handbook should be read by all those with an interest in the letting and occupation of farmland. In the world of agricultural lettings this refreshing approach can, I believe, lead to new opportunities as we seek to feed an ever-growing population and continue the sound management of our countryside.”

Julian Sayers, Chairman of the Tenancy Reform Industry Group

www.freshstartlandenterprise.org.uk

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