

Letter from Ken Jones

A year of volatility and change

There is no doubt that 2018 will be remembered by the farming industry for a whole host of reasons – the unusual weather, the continued uncertainty around Brexit, and the government’s announcements of The 25 Year Environment Plan and The Agriculture Bill – to name a few.

Arguably the only tangible thing we have experienced so far from this list is the weather, which was radical, to say the least. The Beast from the East in spring, followed by a severe drought, presented challenging conditions for land work throughout the year. Britain crop yields were significantly impacted. But the reduced crop yields were compensated for by a massive surge in demand for straw and a significantly improved commodity price for grains, largely due to the weakness of Sterling and weather related crises around the world. As harvest progressed it became clear the autumn drilled crops on heavier land had fared rather better and quality was above average. When BPS payments arrive they will have been enhanced by the reduced value of Sterling, probably one of the few positive things to come out of a political year dominated by Brexit.

On the topic of Brexit, it appears now we could be leaving the EU with a deal of sorts, although this is still far from certain. So how will this affect agriculture in general and you specifically? Well, after nearly two years of discussion and negotiation, we know rather less than we would like to. We know that the support regime will change and we know this will be gradual. The DEFRA budget is set to stay at current levels for the life of this Parliament, though this may potentially be a short period. We have already seen a decrease in labour supply and we can reasonably expect tariffs on food exports to become a new reality. Food coming into the UK will likely to be from new sources which may not adhere to the standards we expect, nor the welfare we adopt. We understand that planning for the future has never been more difficult. Uncertainty tends to lead to inactivity and we are already starting to see this reflected in the land market where the acreage traded has decreased and the number of farms remaining unsold has increased. Prices have stayed remarkably strong in the circumstances but the market is shallow and patchy. Brexit is likely to lead to structural change in British farming with farmers leaving the industry and younger entrants being encouraged. There are various views on what the future farming landscape may look like – will it be dominated by larger farm units with no real opportunities for new entrants; or will



it be the dawning of a new age of niche businesses focussed on what the market wants and relying far more on clawing value out of the food chain? I suspect it will be a bit of both with the former more prevalent in the East and the latter in the West particularly on pasture farms.

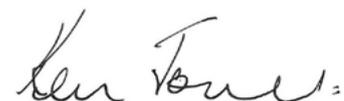
The 25 Year Environment Plan arrived earlier in the year and shaped the policy that was likely to appear, and did, in The Agriculture Bill. The 25 Year Environment Plan was both ambitious and ambiguous. But whatever your opinion happens to be, it cannot be said that it did not give a huge signal to the industry about the future direction of travel for UK farming. Not surprisingly, ‘public money for public goods’ is the new mantra. But the definition of public goods has yet to be stipulated. Does it mean food security? Does it mean public access? Does it mean a new generation of park keepers in place of active farmers? What it definitely does mean is that soil resilience is at the heart of emerging policy, as are reduced emissions from both livestock and fertiliser application. Given The Crown Estate’s policy on soil you won’t be surprised to hear that we welcome this aspect, but we wait with baited breath for more details. ‘Natural capital’ is another phrase gaining momentum. Broadly it comprises air, soil, water and biodiversity, and it is viewed as part of the UK’s asset base or balance sheet. In order to win in this new world, we need to be able to evaluate and account for these elements, and manage them in a sustainable way that results in societal gain.

With all of this in mind we have continued to talk to tenants who want to exit the industry, and where their departure gives an opportunity to reorganise our estates to create larger and more resilient tenancies on modern tenancy agreements. We have

continued to invest in land drainage and in safety, particularly around electrical wiring and asbestos. We have continued to make available soil seminars and practical soil workshops. We have also continued the sale of assets, reinvesting the proceeds back into the wider business. Importantly we continue to talk to you about your plans and challenges and to explain our business strategy, whether by estate visits or by individual meetings.

Finally, I’d like to share a note about a reorganisation here at The Crown Estate in respect of our Rural portfolio. We have decided that the Coastal portfolio is better served going forward by being part of our Energy, Minerals and Infrastructure portfolio which manages the seabed around England, Wales and Northern Ireland.

On a personal note, in looking to reduce my time commitment, I have retired from my post as Director of Rural and Coastal, but will continue as Consultant to the Rural portfolio. As such, the Rural portfolio has moved to become part of The Crown Estate’s Regional portfolio, headed by Hannah Milne. For you, our customers, there will be no change. Malcolm Burns continues as Head of Rural, ably supported by Iain Mills, Sean Wheeler, Danielle Pyrah and of course me. The team will continue to work closely with our managing agents, and as always we hope to see many of you in the coming year, whether on your farms or here in our new headquarters in London.



Is carbon part of your currency?

Stephen Briggs, Head of Soil and Water Innovation for Agriculture



We consider many things in evaluating the productivity, economics and robustness of our farming operations – gross margins, machinery and input costs, labour, rent. But how often do our soils and carbon form part of the conversation and the budgets we regularly revise? A quick look through my latest John Nix Farm pocket handbook and I see no mention of soil or carbon in any of the budgets or calculations. In fact, you cannot even find soil in the index. This is quite surprising, given soil is the most fundamental and precious resource on the farm. Without it, what would we farm?

Whilst soil is fundamental to farming activity, not all soils are the same. From the silts of Lincolnshire, to the clay in Essex, the chalk downs of Wiltshire and the sand in Shropshire, they all differ in workability, capacity and resilience. However, what is common to all these soils is that they all contain a level of carbon, often referred to as 'soil organic matter'. Some of this carbon is old stable humus, and some is fresh and new such as plant residues or manures. The carbon in all its forms is a key driver for soil function. It helps create and maintain soil structure, improves soil water holding capacity and drainage, intensifies nutrient exchange through cation exchange capacity, and importantly, provides a food and fuel source for microbes living in the soil such as bacteria and fungi. With 85% of all nutrient mobilisation mediated in some form or another by these microbial populations, creating the right habitat and feeding these soil microbes should be in every farmer's 'to do' list.

There is no denying that agriculture has become vastly more productive over the last 80 years. Productivity increases have resulted from improvements in breeding, genetics, mechanisation and management skill. They have also increased, in part, as a result of using embedded carbon in the soil that was laid down millions of years ago and released through farming activity. When Jethro Tull said "ploughing is fertiliser", what he was describing is the oxidation of carbon through cultivation, which fuelled soil microbial activity and resulted in improved yields. All is fine then? Well yes, as long as we keep putting carbon back into the soil. The problem is that for many decades we have put less carbon into our soil than we have taken out. The result has been declining soil carbon, and with it, long term resilience and productive potential.

With plateauing productivity, farmers are increasingly recognising the health of their soil is key to future prosperity. Interests in cover crops, conservation tillage,

no till and organic, all focus on building and maintaining soil carbon to help drive farm performance. As we enter a new era of farming outside of the Common Agricultural Policy (CAP), the UK Government has placed soil health and soil carbon centre stage in new policy rollout, recognising their roles in productivity, resilience and the wealth of the nation. Policies and programmes are likely to reward those farmers that respond to building carbon and soil health as a 'public good' and penalise those that degrade soil and its long term capacity. This makes sense, as there cannot be many farmers who would wish to see their productive capacity eroded.

So, if soil carbon will become increasingly important as a driver of productivity, soil health and government policy, as farmers, where and how do we make this part of our day to day conversation and activity?

A good place to start is to establish where your farm is on the carbon roadmap. In its simplest form, just like you would create a gross margin budget for a crop, start by creating a farm gate carbon and nutrient budget. Measure or estimate the nutrients and carbon imported into the farm (e.g. fertilisers, feeds, seeds, manures), produced on the farm (e.g. crop biomass, cover crops, manures, digestate) and exported

from the farm (e.g. crops, meat, milk). This will highlight if the farm is building or diminishing carbon and nutrient stocks, the peaks and troughs in the system, and where replacements come from. It will challenge your assumptions on risks to the business going forward. Carbon and nutrient levels can be derived from soil analysis (including soil organic matter levels) to create a baseline of current status. For most farms, the precision of any measurement will be less critical than establishing the direction of travel of carbon and nutrients on the farm – whether you are producing or depleting productive soil capital.

Innovation for Agriculture and The Crown Estate are convinced that reviewing the status of carbon, nutrients and soil health on your holdings will not only help you understand the flows, risks and benefits of these factors, but will also align your business with future policies that are likely to reward activities that positively impact these factors.

So, as we move toward the end of another decade, where soil and carbon become increasingly recognised as fundamental drivers of productivity and resilience, making carbon a keystone of currency and part of the management conversation in your farming operation will be essential.

As the Chinese proverb says "look after your soil, because one day it will be looking after you".



All farm businesses must get to grips with succession planning

George Dunn, Chief Executive
Tenant Farmers Association



Within any business, succession planning must be a key focus, whether that is for changes at director level, senior staff or other key personnel. Planning and implementing these changes are sensitive activities at the best of times, they become even more potent within the context of family businesses where there is often a reluctance to talk about succession issues. Family farm businesses are notorious in not wanting to address matters of succession. This often leads to considerable turmoil for those businesses and the personal relationships within the family when something occurs to make the need for succession a reality.

A further level of complexity is added when the farm business is wholly or substantially reliant upon an agricultural tenancy, which will be the case for most if not all tenants of The Crown Estate. Ensuring that the tenanted interest passes to the correctly identified person in the succession plan is not always easy to achieve.

Turning in the first instance to those renting their farms under farm business tenancies (FBT), an obvious limitation will be the lack of any formal route for succession to the next generation. However, this should not stop business owners from thinking about a succession plan. Whether the farm business has a tenancy for 5, 15 or 25 years, everyone involved in the business will need to appreciate the security of tenure available and what steps will need to be taken should there be a desire to carry on business, either when the current tenant is ready to hand over or dies. Often, in cases of retirement, it is possible for the tenant to continue to be the occupier under the terms of the lease but to increasingly use other members of the farm family to carry out the farm business activities.

However, on the death of the tenant The Crown Estate may be able to recover possession based on an available break clause within the tenancy agreement. Where individuals other than the farm tenant are involved in the business, it would be prudent to consider discussing how those individuals might gain access to the existing tenancy and present a business case to The Crown Estate for consideration. The answer received could be yes, no, or yes with conditions, but at least the farm business will be able to plan its way ahead in the full

knowledge that both the members of the farm family and the landowner are on the same page.

Individuals occupying lifetime tenancies regulated by the Agricultural Holdings Act 1986 (AHA) will face the same limitation in terms of having no access to formalised succession provisions. However, in addition to the possibilities outlined for the FBT tenant, the AHA tenant will have the surrender value of their tenancy available to use as a negotiating tool. We have seen The Crown Estate be willing to negotiate arrangements whereby tenants, and/or their successors, are offered long-term farm business tenancies on agreed terms in return for a surrender of their security under the AHA tenancy. It must be appreciated that these arrangements can be achieved only through negotiation, there are no guarantees. Such changes should not be contemplated without taking good, sound advice, both to ensure that the intended plan is the right one for the farm business and that the resultant solution is the best that can be achieved in the circumstances. Of course, this will not be for everyone, but it is vital that everyone considers the possibility if it is only to be discounted.

Tenants occupying AHA tenancies with succession rights, although on the face of it holding a much more favourable position, have a host of further complications to contend with. The first is deciding who will be the best individual to secure the succession. This will be the person best able to meet the statutory criteria - being a close relative (son, daughter, spouse, civil partner or sibling); showing that they have taken the principal source of livelihood from farm work on the holding, or a bigger unit of which the holding forms part, for five out of the previous seven years ending with either the date of death or date of any retirement notice; not occupying another commercial unit of agriculture; suitable by their training and/or experience to be able to run the holding.

This may not be as straightforward as it seems. For example, whilst statutory succession would be available to a close relative of the retiring or deceased tenant, it may be a non-close relative who is the more obvious choice to take over the business. This might be, for example, a niece, nephew

or grandchild. These individuals are not eligible as potential successors despite being the best qualified in other ways. Should the business need to continue with a non-close relative, it might be more appropriate to look at how to restructure arrangements in negotiation with the landowner based on a favourable FBT.

Assuming there is a suitably qualified close relative to take over the tenancy on succession, they will need to plan early to ensure that they can demonstrate they have passed the principal source of livelihood test referred to above. This is a complex and intrusive process which requires specific help and advice. The Tenant Farmers Association (TFA) is well able to assist members with this analysis. Things to be careful about are the extent of income earned off the holding - for example from employment or contracting, the income of the applicant's spouse, and the extent to which the applicant may be involved in non-agricultural activities on the holding. It would be a useful exercise to look at some previous tribunal decisions as to how these matters are addressed when disputes arise. Copies of these are available in the members area of the TFA website.

Understanding the time limits is also crucial when there is statutory succession available. The formal procedure is to make an application to the First-tier Tribunal (Property Chamber) which must be completed within one month following the retirement of the previous tenant or within three months following the death of the previous tenant. These deadlines are set in stone and cannot be missed. When there has been a death in the family, understandably things can become fairly fraught and deadlines for succession applications can be easily missed. Having good, frank, early discussions within the family and a plan in place which can be launched into action when required will be a great advantage at these times.

Succession planning can often fall down the list of priorities for farm families, or even not feature at all. However, good planning always pays dividends. The answer to the question as to when a good time is to start the succession planning process, is always now.

How can agriculture look after its most important asset – people?

Stuart Roberts, Vice President
NFU

Every year the HSE publishes reports on the state of [health and safety in the UK](#)¹ and specifically on [the agricultural sector](#)². Every year the farming industry comes out as the sector with the poorest safety record and every year, for as long as I can recall, farmers are killed for the same reasons. The main causes of farm work place accidents are:

1. being run over by farm vehicles;
2. being injured by livestock; and
3. falls from height.

I think there is nothing inevitable about a poor safety record in farming, and the UK has the potential to become a showcase and an example to the world for what a productive, safe and healthy agricultural sector can be.

The NFU and partners in the Farm Safety Partnership (FSP) think that a big change can be made if the industry focuses on the major causes of injury and we will work throughout 2019 to raise awareness in the industry and promote safe practices.

Our activities in 2019 will focus on transport, livestock, children on farm and falls from height. The FSP aims to reduce farm work place fatalities by 50% over the next five years by delivering key safety messages to industry and encouraging farmers to change attitudes and behaviours towards health and safety.

The first area we will concentrate on starting in January 2019 is transport.

Transport related incidents are the biggest cause of farm work place fatal injuries. Injuries can be reduced and reduced quickly if farmers:

- **Follow the Safe Stop procedure** every time an operator leaves the cab. Every year, operators leave the cabs of tractors and other farm vehicles without making sure the hand brake is on, the controls are in neutral, the engine is off and the keys are kept by the driver. Farmers are killed every year when they are crushed by their own vehicle because they have left the cab and not secured the vehicle. These incidents can be stopped altogether by following Safe Stop and making sure vehicles do not move. Information on Safe Stop is available [here](#)³.

- **Wear seat belts.** We all wear seat belts when driving a car on road because we all know that having a seat belt on stops death and injury. The same thing applies in agricultural vehicles used off road. Every year farmers are killed in vehicle overturns because they are not wearing a seat belt. They are thrown out of vehicles and crushed. These deaths and injuries can be prevented. Information on seat belts and the legal requirements is available [here](#)⁴.

- **Maintain vehicles.** Farm vehicles need to be checked and maintained on a regular basis. The best way to spot faults is to do daily checks and have regular in depth maintenance schedules in place. Faults should be fixed as and when they occur. Brakes are a key item in any vehicle and must be checked to ensure they work. The NFU Vehicle Health Check guide and checklists with more information are available [here](#)⁵.

- **Manage traffic in the farm yard.** Every year people are killed and injured in farm yards because pedestrians and traffic are not segregated, pedestrians are not visible and hazards such as overhead cables are not controlled. Wearing high visibility clothing, traffic control and management of hazards can stop farm yard injuries. Information on a safe site is available [here](#)⁶.

What can individual farmers do to improve transport safety in agriculture?

The first thing every farmer can do is look at their own safety attitudes and behaviours, and implement the four key transport safety messages in their own businesses. Follow Safe Stop, wear seat belts, maintain vehicles and have a safe yard.

The next thing that every farmer can do is to talk about safety with their families, their workers and other farmers. If talking about safety, health and wellbeing becomes part of everyone's normal conversation, awareness of what things need to be changed will increase and it will be easier to challenge poor practice and encourage change in others.

If the safety record of agriculture is to change, all farmers have a part to play.

¹ <http://www.hse.gov.uk/statistics/overall/hssh1718.pdf>

² <http://www.hse.gov.uk/statistics/industry/agriculture.pdf>

³ <http://www.hse.gov.uk/agriculture/topics/machinery/farm-vehicles-1.htm>

⁴ <http://www.hse.gov.uk/pubns/indg185.pdf>

⁵ <https://www.nfuonline.com/assets/104096>

⁶ <http://www.hse.gov.uk/agriculture/topics/machinery/farm-vehicles-1.htm#safe-site>