THE

RURAL REPORT

A UNIQUE GUIDE TO THE ISSUES THAT MATTER TO LANDOWNERS

Knight Frank

SPRING 2012

STRATEGIC DEFENCE
The Leeds Castle Estate

FARMLAND MARKET
Land prices in your area

ADDING VALUE
Making the most of redundant buildings

RENEWABLE ENERGY
Greening a Cotswold manor

WELCOME TO THE LATEST ISSUE OF THE RURAL REPORT, WHICH FOCUSES ON THE ISSUES THAT MATTER TO RURAL PROPERTY OWNERS AND THEIR ADVISORS

Rural businesses are set to enjoy a "renaissance", according to DEFRA minister Richard Benyon, who we interview on page 12 of the report. We share this positive outlook.

There are, of course, challenges, some of which, such as climate and commodity price volatility, are beyond our control. But there are also many opportunities – opportunities that Knight Frank is helping its clients, who range from private homeowners to large estates, to make the most of.

On page 08, for example, we look at how one of our experts is providing invaluable guidance to the owner of a traditional Cotswold manor, who is keen to benefit from renewable energy. At the other end of the scale, on page 06, we visit Leeds Castle, one of the country's most popular visitor attractions, to see how Knight Frank is helping to shape its future.

Mr Benyon says his greatest achievement would be for rural communities to feel that, at last, the government was on their side. We applaud his ambition, but there are many other government departments apart from DEFRA that influence the countryside and its inhabitants through things such as planning policy and employment legislation.

Knight Frank has the experience to deal with all of these issues on behalf of our clients. On page 10, for instance, a member of our Building Consultancy and Architecture team shows how to make the most of the planning system when redeveloping redundant farm buildings.

I do hope you enjoy reading The Rural Report. Please get in touch if you have any comments or if we can help in any way. Knight Frank's experienced rural property teams offer advice at all levels, from long-term strategic estate management to one-off consultancy. You can find all our contacts at the back of this report.

We also publish the Rural Bulletin, a free, quarterly email update that covers commodity and input price trends, as well as any important legislative, tax or legal changes that may affect rural property owners. If you would like to receive a copy please email andrew.shirley@knightfrank.com

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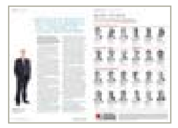

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GILT-EDGED INVESTMENT

The price of agricultural land is rising again. Andrew Shirley, Knight Frank's Head of Rural Property Research, explains why

Farmland is an asset class that commentators often like to compare to gold. In some ways this is an accurate comparison; both can prove popular with investors during times of economic uncertainty and are often viewed as "safe-haven" investments that act as a good hedge against inflation.

There are, however, some stark differences. While the price of farmland in Great Britain has risen strongly over the past 10 years, outclassing many other asset classes, the performance of gold has been stratospheric (figures 1 & 3). But gold prices are more volatile – when the market does fall, it can drop hard and fast. Farmland also works for its money, providing a useful income each year which, if you are a landlord with long-term tenants, can be relatively risk free.

So, in a number of ways, farmland offers the best of both worlds – good capital growth and income. Because of this, an increasing number of investors are looking to agricultural land as an alternative to more traditional investments. Tom Raynham, of our London Farm Sales team, says enquiries from agricultural funds and private investors have risen noticeably so far this year.

Agricultural commodity prices are also holding firm. According to James Prewett, who sells farms across the Cotswolds, through the west of England and into Wales, some of the best prices are being achieved in commercial farming areas where farmers are keen to acquire more land.

According to the Knight Frank English Farmland Index, the average price of farmland rose marginally in the first quarter of 2012 to £6,073/acre after a slight reduction in the second half of last year. This average figure, however, hides the increasing gap between the performance of the most sought-after land and land in less popular areas. Where a sale attracts competitive bidding, over £10,000/acre can be achieved for arable land.

Although the shortage of winter rain and the declaration of drought in some parts of England are of concern to farmers, we are yet to see the emergence of a water-led market. However, if we have another winter of limited precipitation, it is likely that potential buyers could start to look more seriously at this. Heavier land in the east could be a beneficiary, believes Tom.

Values were also up in Scotland (figure 2) for all types of land, with good arable land leading the way. As in England, a shortage of good farms for sale, combined with strong demand, is helping to maintain values.

The recent Stamp Duty Land Tax (SDLT) changes relating to the purchase of residential property by corporate vehicles, which were announced in March as part of the Budget, have delayed a few sales, but are unlikely to affect overall demand.

Given that there are few signs of a significant hike in the amount of quality farmland being put up for sale, we expect prices to rise further over the next 12 months. Our Farmland Index predicts an average increase of around 6%.

Land looks likely to retain its gilt-edged status; it will be interesting to see if gold remains as secure.

If you are a farm or estate owner who would like to sell your property, or if you would like to find out how much it is worth, please contact our valuation or sales teams. Their details are on page 15.

Figure 1 **English farmland performance v other assets**

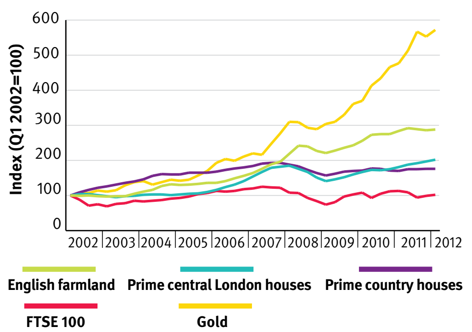


Figure 2 **Scottish land values by type**

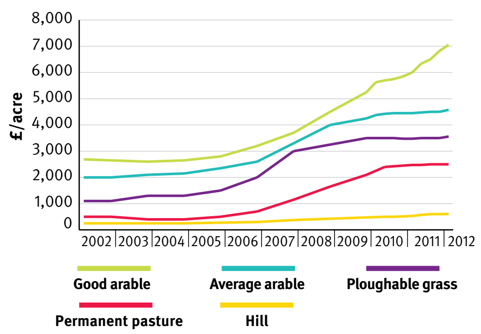


Figure 3 **Asset performance Q1 2012**

	3 months	12 months	5 years	10 years
Farmland	0.4%	1.4%	76%	188%
Prime London houses	2.7%	11.3%	32%	102%
UK mainstream houses	-0.1%	3.3%	-4%	76%
FTSE 100	3.0%	-9.1%	-14%	2%
Gold	3.4%	19.8%	161%	472%

Source: Knight Frank Residential Research

Property Highlights

1 Eilean Aigas, Inverness
Acreage: 547
Description: Country house set on a private river island
Status: Guided at £15m. Available

2 Marcus Estate, Angus
Acreage: 579
Description: Agricultural and sporting estate on the River South Esk
Status: Guided at £4.5m. Available

3 Glenshochie, Perthshire
Acreage: 595
Description: Residential estate with superb country house and pheasant shoot
Status: Guided at £2.85m. Available

4 Bron – Yr – Helm, Ceredigion
Acreage: 1,850
Description: Freehold sporting rights in the Cambrian Mountains
Status: Guided at £125,000. Available

5 Woodhall Farm, Worcestershire
Acreage: 327
Description: Mixed farm with traditional and modern barns
Status: Guided at £2.6m. Under offer

6 Twigworth Court, Gloucestershire
Acreage: 150
Description: House and arable land
Status: Guided at £1.8m. Available

7 Pottery Farm, Buckinghamshire
Acreage: 62
Description: Farmland
Status: Guided at £520,000. Available

8 Seven Bridges, Gloucestershire
Acreage: 370
Description: Mixed farm with house and two cottages
Status: Guided at £3.85m. Available

9 Belmont House, Bristol
Acreage: 220
Description: Country estate. Consent for 10 stables
Status: Guided at £3.85m. Available

10 The Folly, Berkshire
Acreage: 241
Description: Thatched house with woodland estate
Status: Guided at £3.75m. Available

11 Hoddington, Hampshire
Acreage: 809
Descriptio n: Grade II listed mansion and estate
Status: Guided at £20m. Available

12 Highfields, East Sussex
Acreage: 192
Description: Residential and parkland estate
Status: Guided at £5.75m. Available

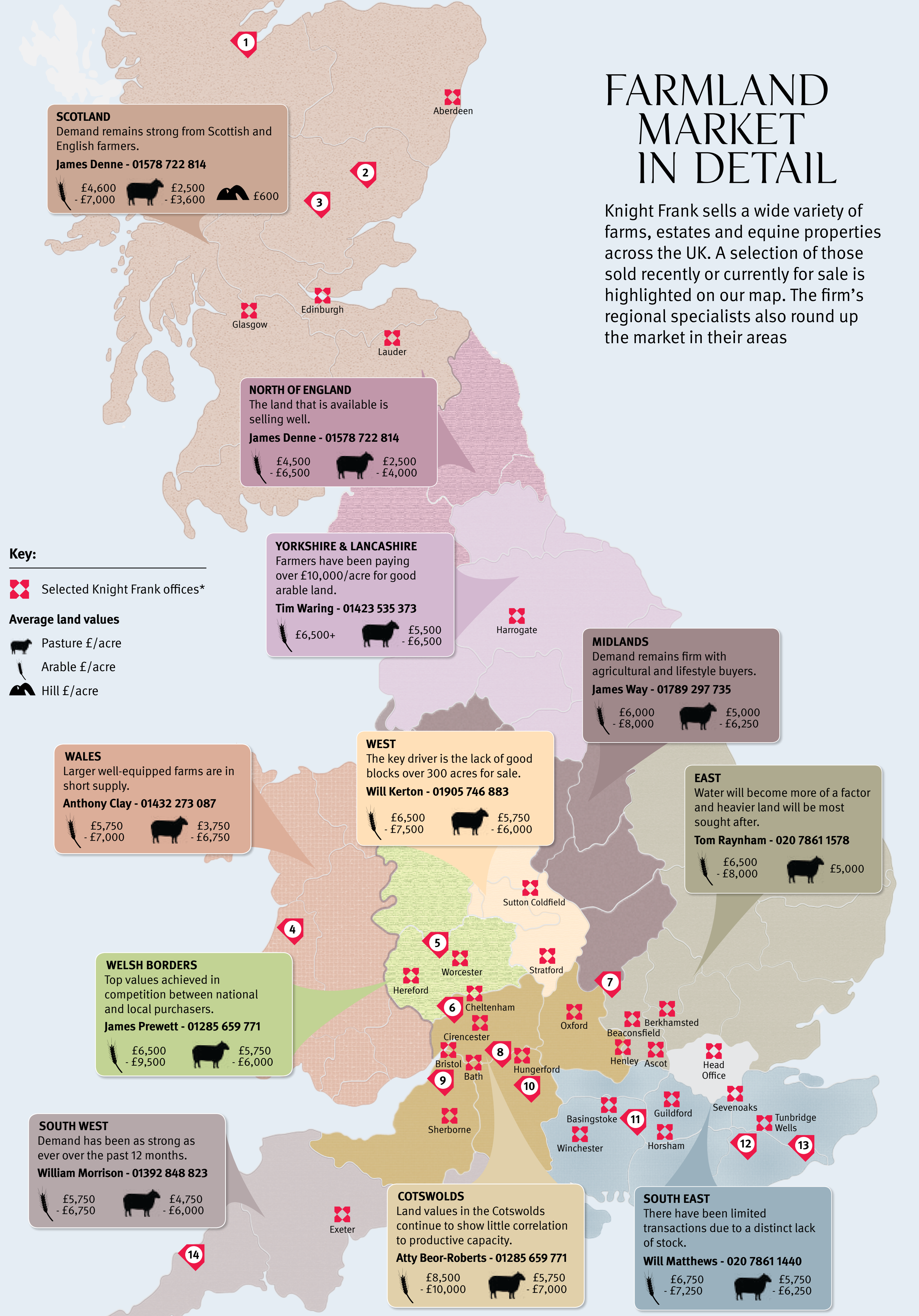
13 Great Swifts Manor, Kent
Acreage: 372
Description: Mansion house with farming and amenity land
Status: Guided at £9m. Sold

14 Mesmear Farm, Cornwall
Acreage: 160
Description: Refurbished farmhouse and holiday barn lets
Status: Guided at £2.6m. Available in two lots

**For a full list of all Knight Frank's country and rural offices please visit KnightFrank.co.uk*

FARMLAND MARKET IN DETAIL

Knight Frank sells a wide variety of farms, estates and equine properties across the UK. A selection of those sold recently or currently for sale is highlighted on our map. The firm's regional specialists also round up the market in their areas



KnightFrank.co.uk/Rural

KING OF THE CASTLES

When the Chief Executive in charge of one of the UK's most historic tourist attractions needed strategic property advice she called in Knight Frank. The Rural Report pays a visit to stunning Leeds Castle to find out more

Words: Andrew Shirley
Image: Hugh Nutt

LEEDS CASTLE: BIOGRAPHY

The castle dates back to 1119 and has been home to a number of kings and queens. Its existing appearance was largely created in the 19th century. The last private owner was the Hon Olive, Lady Baillie. Ownership passed to the Leeds Castle Foundation, a private charitable trust, upon her death in 1974. The castle's historic role continues: in 1978 the Egyptian and Israeli Foreign Ministers met there in preparation for the Camp David Accords. In 2004 the castle played host to the ground-breaking Northern Ireland peace talks led by Tony Blair.

www.leeds-castle.com   www.treasurehouses.co.uk

Perfect Partnership: Victoria Wallace, Chief Executive of the Leeds Castle Foundation, with Knight Frank's James Del Mar

It is not hard to see why Leeds Castle, near Maidstone in Kent, is one of the country's most popular visitor attractions. The picture-perfect medieval fortress is one of the 10 "treasure houses" of England and every year around 600,000 visitors pass through its gates.

However, the castle itself is just part of a larger estate that includes numerous residential, commercial and agricultural properties. These are all wrapped up within a charitable ownership structure that brings with it some interesting management challenges, not least restrictions that mean much of the estate can never be sold.

Keeping the Grade I Listed castle maintained costs an eye-watering £2.7m every year. In November 2005 Chief Executive Victoria Wallace decided that it was time to work out how the wider estate could make more of a contribution.

"It hadn't really been managed as an estate that should generate an income; everybody had just been focused on the day visitors to the castle," says Mrs Wallace, a former high-flying mandarin at the Foreign and Commonwealth Office.

Bringing in an outside expert who could look at the opportunities and problems with a fresh pair of eyes seemed the best option, so James Del Mar, Head of Knight Frank's Rural Consultancy team, was asked to undertake a strategic review.

"We could have used a local firm, but I think it was actually helpful that James wasn't based in Kent," says Mrs Wallace. "There was no historic relationship to get in the way, especially when dealing with tenants, and we could draw on Knight Frank's national experience."

The strategic review process, which starts by analysing an estate's assets, then examines how they are currently being utilised and, finally, proposes how they could be further developed, had an immediate impact, she recalls. "We actually discovered that the estate was 1,200 acres, which was somewhat more than we thought we owned."

An issue that was quickly identified as holding back the estate's income-generating potential was that almost all of its residential property was occupied by estate and castle workers paying below-market rents.

"There was always the assumption that when accommodation became vacant somebody else from the estate would move in," explains Mrs Wallace. Many of the properties are now let far more lucratively as holiday cottages or provide luxury bed-and-breakfast accommodation within the castle walls.

In addition, a number of sites with development potential had been mothballed and were virtually off the radar of the estate's trustees. "The review provided the 'thud factor' that was needed to show them that its latent potential wasn't really being exploited," says Mrs Wallace. "I think it also changed the dynamic of how the estate was being run; the more commercially minded trustees started to have more of a say."

Some traditional activities that were popular, but didn't make economic sense, such as a pheasant shoot and a small vineyard, were phased out. "There was a limited understanding of what each enterprise was delivering. People's minds became more focused on what was core, what was important. The review gave us the confidence to say 'let's stop that'."

In general, Mrs Wallace says that the strategic review was welcomed by the trustees. "It's great from their perspective because it doesn't propose specific outcomes they are tied to, but highlights potential avenues that could be explored at some point in the future. It also prevents us from going off down blind alleys."

> "Bringing in an outside expert who could look at the opportunities and problems with a fresh pair of eyes seemed the best option."

James adds: "At Leeds Castle it would have been easy to recommend rushing into a whole host of commercial ventures, but when you are dealing with such a unique property any new initiatives have to be considered with the utmost care. We understand that every estate is unique and that owners or trustees will have widely varying ambitions and outcomes that they would like to achieve."

Although the strategic review was delivered five years ago, its proposals and Knight Frank's wide range of services and expertise are still having an impact on the estate and helping to boost its income.

"It was James who suggested that we talk to Knight Frank's London Lettings team to see if they could find anybody who might want to rent the castle during the Olympics," says Mrs Wallace. Following a private marketing campaign a US-based company agreed to pay a "very acceptable" six-figure sum to use part of the castle as its base for the games.

"James is somebody who understands how estates work," she adds. "We still discuss new ideas and plans; he gives me what I like to call 'discrete intelligence'."

"Everything we do is all about building up a long-term, trusted relationship," agrees James. "The strategic review is just the first stage in that relationship."

To find out how Knight Frank's unique approach to management can make a real difference on estates of all sizes please contact James Del Mar: **james.del.mar@knightfrank.com** or 01488 688 507

JUST WHAT THE DOCTOR ORDERED

Renewable energy was part of the prescription when Dr Charles Levinson decided to green his traditional Cotswold manor house. The Rural Report finds out more and rounds up the latest news from the sector

Words: Andrew Shirley **Image:** Hugh Nutt

When Charles Levinson bought Owdeswell Manor in Gloucestershire two years ago, the 190-acre stud farm was the perfect home for his horse-mad family, but there was something missing.

"It was a bit like a factory and we have been working hard to put the soul back into it," says Dr Levinson. "We are planting woodland, replacing hedging and stone walling and rearing traditional livestock. We have gone organic and want to create a sustainable, natural and slightly wild place."

Part of that sustainability includes using alternative energy sources. "Just as it is nice to eat our own lamb with vegetables out of the kitchen garden, it is nice that we are going to be producing our own power," he adds.

Dr Levinson is no stranger to innovation. Doctorcall, the medical services group he founded in 1988, was the first private visiting doctor service in the UK and the first mass provider of flu vaccinations for office and retail environments. It also introduced new methods of health screening which have since become standard practice.

Installing solar photovoltaic (solar PV) panels seemed the obvious entry to the world of renewables, but, despite a glut of information, taking the first step wasn't straightforward to begin with, according to Dr Levinson.

"We were being bombarded with fliers from renewable energy companies who said they would install solar panels for free," he explains. "But, in return for that, they would keep any subsidy payments from the government for the electricity that we would produce. I thought it would make sense to do it ourselves and keep the payments."

However, with a growing business to run, Dr Levinson decided he needed independent advice to help realise his renewable ambitions.

After an initial visit, Benjamin Davies of Knight Frank's Renewable Energy team was able to recommend a suitable solar PV installation as well as a supplier, Southern Solar.

Located on the roof of a barn away from the main house, the 10kW system, which cost £23,000 and covers 70 square metres, will deliver a 20% annual return on investment. This takes into account the cost savings on the family's standard electricity bill and also the income from the Feed-in Tariff (FIT) that pays almost 40p for every kWh of electricity produced. The FIT is index-linked and will be payable for 25 years.

Using Knight Frank to project-manage the scheme proved a good investment following the government's sudden decision to cut the FIT payments for electricity produced by solar PV (see panel). "The installation was commissioned with a day to spare to qualify for the old tariff," says Benjamin. "If we had missed the deadline, the annual return would have dropped to around 10%."

Acting on Benjamin's advice, Dr Levinson is also planning to install a biomass boiler in an outbuilding next to the manor house. This will run on wood pellets and will supply enough heat for central heating and hot water. In addition to making a very significant dent in the Levinson's £5,000 yearly oil and electric-storage heating bill, the boiler should qualify for the Renewable Heat Incentive (RHI), which is paid for every qualifying unit of heat energy produced by eligible systems.

Knight Frank renewable energy expert Benjamin Davies (left) with Dr Charles Levinson, Biggles and Tippy

"We are planting woodland, replacing hedging and stone walling and rearing traditional livestock. We have gone organic and want to create a sustainable, natural and slightly wild place."

The FIT and RHI payments are clearly part of the attraction at the moment for those installing renewable energy schemes, but there are other longer-term benefits, says Benjamin. "If the price of electricity and heat from traditional sources continue to rise, renewable energy may soon make sense financially even without subsidies. Some people seem to think solar PV is no longer viable following the cuts to the FIT, but that's definitely not the case as installation costs are falling even faster.

"I also think that the environmental standards for commercial buildings and rental properties will become stricter. In the future the incentive to employ renewable energy may be more about avoiding penalties than taking advantage of subsidies," he adds.

Dr Levinson agrees. "It definitely feels like I'm adding value to my property. Not just for myself, but for future generations."

www.doctorcall.co.uk

For more information on solar PV schemes or any other renewable electricity and heating installations please contact:
benjamin.davies@knightfrank.com
or 0117 945 2638

Out of sight. Many rural properties will have a barn or outbuilding where solar PV panels can be discretely located

Compact. Biomass boilers can often be accommodated in existing outbuildings

NEWS UPDATE

Solar PV Feed-in Tariffs reduced

The government subsidy for electricity generated from renewable sources known as the Feed-in Tariff (FIT) has been cut for solar PV installations. The new rates (see table below) will apply until 1 July 2012.

Output (kW)	Old tariff (p/kWh)	3 Mar-1 Jul 12 (p/kWh)
≤4 (new build)	37.8	21.0
≤4 (retro fit)	43.3	21.0
>4-10	37.8	16.8
>10-50	32.9	15.2
>50-100	19	12.9
>100-150	19	12.9
>150-250	15	12.9
>250-5,000	8.5	8.5
Stand alone	8.5	8.5

After that the payments will be reduced further, based on how many new schemes were registered in March and April – the higher the uptake, the greater the cut.

It is then proposed that FITs will fall by 5% in October 2012 and 10% every six months after that. The government says the cuts are needed because of the huge number of new solar PV schemes and the sharp drop in panel prices. FIT rates for other renewable electricity technologies, such as wind and hydro, will not be cut until 1 October 2012.

Renewable Heat Incentive Premium scheme extended

The Department of Energy and Climate Change has extended the Renewable Heat Incentive Premium, which was due to finish at the end of April 2012. Homeowners planning to install systems that generate heat from renewable sources will be able to apply for a capital grant to help pay for the cost of qualifying installations (see table below).

However, DECC also said that the Renewable Heat Incentive (RHI), which pays people for every unit of heat generated by renewable sources, is not likely to be made available for domestic properties until summer 2013. Commercial installations already qualify for the RHI and it was hoped that homeowners would be able to join the scheme at some point this year.

Renewable heat technology	Premium payment
Ground source heat pump	£1,250
Biomass boiler*	£950
Air source heat pump*	£850
Solar thermal hot water panels	£300

* For homes without mains gas heating

FIVE WAYS TO MAKE REDUNDANT FARM BUILDINGS PAY

Many farm and estate buildings are no longer suitable for modern agriculture. Knight Frank's experts suggest five ways to maximise their potential

1 RESIDENTIAL CONVERSION

Steve Egford, architect and planning expert

A house is clearly far more valuable than an agricultural building and converted traditional buildings are very popular with homeowners. In many cases they provide greater space than a cottage or small period house and come with a more attractive location. Recent conversions will often also be more energy efficient and less expensive to maintain, while retaining the charm of an old building.

Before proceeding you need to consider the impact on the rest of your property. Schemes involving off-lying buildings can work best because they are less likely to impinge on the commercial running of an estate or affect its amenity value.

Anybody who owns barns suitable for residential conversion has a number of options. The extremes are to sell the site directly to a developer or self-builder without any planning consents, or to do everything yourself. The former involves least work, but the site will be far less valuable without planning consent and you will have limited control over what is eventually built. The latter will give you the most control, but will also involve investing a large amount of capital and entails the most risk.

A half-way house is to obtain planning consent for the conversion and then sell the site. Gaining the consent is not always simple and can take some time, which is why it pays to use an expert familiar with the local planning authority. But, because of this, it adds an awful lot of value to a site and will make it more attractive to a wider range of purchasers. A developer, for example, will be cautious about investing too much into a site where they are not even guaranteed planning consent.

By working with an architect and planning expert, you also exert some control over how the development will eventually look, which can be an important consideration in the context of an estate's position within the local community. Many local planning authorities also prefer buildings to be converted into commercial premises that generate local employment. Proving that this is not a viable option and achieving consent for change of use is a key part of the planning expert's role.

The conversion of traditional buildings, especially if they are listed, requires careful consideration to make best use of their layout and space. Developers will pay more where a consent genuinely optimises the potential of a site because it means they will not need to renegotiate with the local planning authority themselves.

PROS: **Sale can generate large amounts of capital**

CONS: **Lose control of site, planning issues**

Steve is a senior member of Knight Frank's Building Consultancy and Architecture team. Contact him at: steve.egford@knightfrank.com or 01488 688 509

Knight Frank's Steve Egford successfully gained consent to convert these redundant buildings on an outlying part of the Badminton Estate into luxury residential dwellings. This increased the value of the site to well over £1m and attracted 12 potential bidders.

2 HOLIDAY LETS

Paddy Hoare, estate management expert

Some of the most attractive holiday cottages are converted traditional barns and the right properties can command significant rents, especially with the current trend for "staycations". Planning consent is also often easier to achieve than for an outright residential conversion. But don't be fooled into thinking you can skimp on conversion and fit-out costs. Today's holidaymakers expect home-from-home comforts and amenities like wi-fi and luxury kitchens and bathrooms. Also do your market research properly; away from the main tourist areas it will be harder to attract as many bookings.

PROS: **Can provide good income streams**

CONS: **Capital costs of conversion, requires management time and expertise**

Paddy has just joined Knight Frank's Estate Management team and specialises in advising the owners of Cotswolds' farms and estates. Contact him at: paddy.hoare@knightfrank.com or 07855 392 628

3 RECREATIONAL SPACE

Angus Harley, country house expert

Traditional buildings can often provide fantastic additional space for residential property owners. Projects can range from party barns, to garaging, to swimming and health complexes. A barn in the middle of nowhere may not be suitable for anything other than a shoot lodge or retreat, but many country houses have buildings that are close enough to offer numerous options.

PROS: **Adds to enjoyment and can increase the overall value of the property**

CONS: **Capital costs can be expensive and new uses that are very individual in nature may not add value**

Angus is head of Knight Frank's specialist Country House Consultancy team. Contact him at: angus.harley@knightfrank.com or 01488 688 511

4 RENEWABLE ENERGY

Benjamin Davies, renewables expert

Barns, particularly those with sturdy, well-supported south-facing roofs, make ideal sites for installing solar photovoltaic (solar PV) panels to produce electricity. This can be used by the business with any surplus exported to the National Grid. All the electricity generated will qualify for Feed-in Tariff (FIT) payments. Although FITs have recently been cut, annual returns of 10% are still achievable as installation costs are also falling fast. Barns can also house biomass boilers, which can be used to generate heat for residential, commercial and agricultural buildings. Payments for each unit of heat produced are already available for non-domestic properties under the Renewable Heat Incentive. For more details please see the case study on page 8.

PROS: **Creates new income streams, can reduce fuel bills**

CONS: **Initial investment can be expensive. May only utilise part of building**

Benjamin is a member of Knight Frank's Renewable Energy team. Contact him at: benjamin.davies@knightfrank.com or 01179 452 638

5 BUSINESS PREMISES

James Carter-Brown, building consultancy expert

Well-located farm buildings can make exceptional commercial premises, from a single unit to a small business park. However, you do need to do your sums very carefully, and be conservative when calculating future rents and void periods – overly optimistic projections will quickly be found out during an economic downturn. The location is key for attracting tenants and determining the sort of project that makes sense for you. Barns on the outskirts of an estate may be suitable for a haulage contractor or light industry, but too much extra traffic and noise near to the main residence will detract from a property's amenity and re-sale value. Also consider what facilities tenants will require. If you are in an area without high-speed broadband your scheme's appeal will be limited.

PROS: **Potentially significant long-term income streams**

CONS: **Requires specialist management, effects on privacy/future value**

James Carter-Brown has just joined Knight Frank and heads up our Building Consultancy and Architecture team. Contact him at: james.carter-brown@knightfrank.com or 01488 688 523

FOREWARNED IS FOREARMED

James Carter-Brown, Head of Building Consultancy and Architecture

All of the options listed on this page offer exciting opportunities, but realising the full potential of land or property will inevitably require thorough and considered professional analysis.

In addition to the latest round of amendments to the Building Regulations Approved Document L2, the introduction of the National Planning Policy Framework and changes to the VAT regime for works involving listed buildings, those wishing to develop any site would be well advised to undertake more thorough due diligence than might have initially been envisaged.

The preparation of outline designs, budget estimates and ecology surveys will go some way to understanding the cost and programme risk associated with any proposed development. Further value can be added to any project by the early involvement and liaison with the local planning authority and building control department, or an approved inspector.

The Knight Frank team would be delighted to discuss potential project feasibility studies for a diverse range of development projects. Our specialist knowledge will enable potential clients to make informed decisions early on in the procurement process and, where possible, mitigate project cost and programme risks before signing building contracts.

For key Building Consultancy and Architecture contacts please turn to **page 15.**

WESTMINSTER'S RURAL RENAISSANCE MAN

DEFRA minister Richard Benyon brings a wealth of farming and land management experience to parliament. He tells James Del Mar, Knight Frank's Head of Rural Consultancy, and Andrew Shirley, Head of Rural Research, why he thinks the future is bright for rural businesses*

Image: Hugh Nutt

What are the biggest threats and opportunities facing rural landowners?

I think in the long term it's about coping with extremes of weather and the volatility of commodity prices. But there are huge opportunities as well. If we get things right there could be a real renaissance of rural business. With the development of broadband and a deregulatory business framework it is a really exciting time to be managing a business in a rural area.

What is the government doing to help businesses cope with the threats and take advantage of the opportunities?

People all want the same thing. They want a government that understands enterprise and wealth creation, that is trying to better regulate rather than over-regulate, and they want to feel that the government is somehow on their side. But rural businesses do have their own peculiarities and that is one of the things we addressed in our Rural Economy Growth Review. I've got quite a lot of funding, £165m, to stimulate economic growth in rural areas, not just in terms of broadband and mobile coverage, but also improved planning, tourism and agri-food – these are key areas for landowners. We have just announced five Rural Growth Networks that will be a real driver for jobs. We need to help keep people in work and the rural economy has got a really important part to play in that.

The European Commission's Common Agricultural Policy (CAP) reform proposals have been criticised heavily by farming organisations. As a farmer yourself what aspect of them would you most like to see revised?

We want a greener CAP, but we don't think the current CAP proposals are the best way to deliver meaningful environmental policies. We think a huge amount of good has been done through existing agri-environment schemes by a great many farmers and landowners and that should be encouraged. Trying to green the CAP in the wrong place shows a lack of understanding of what happens in countries like this and that the dynamic of UK agriculture is just not understood.

Would it not be more constructive to use a voluntary approach such as the Campaign for the Farmed Environment (CFE)?

Jim Paice, Caroline Spelman (fellow DEFRA ministers) and I have been really pushing the CFE as the best way for farmers to be able to prove that a voluntary approach works. We don't want to see that overwhelmed by a one-size-fits-all CAP reform. We also want to make sure that farmers thinking about going into an agri-environment scheme aren't put off because of CAP reform. We have pledged to make sure that farmers thinking of entering or renewing Environmental Stewardship agreements can choose to opt out without penalty if they have to make changes to their agreements as a result of CAP reform, and these changes are unacceptable.

And what about proposals, such as capping subsidy payments, that seem to penalise the most efficient farmers?

I have a real worry about capping. We want to reward efficiency and we are very concerned about food security. When it's done on a scale, farming can also deliver environmental benefits in a much more effective way.

In reality, how much influence can DEFRA have on the CAP reform process?

Caroline and Jim spend an awful lot of their time on the Eurostar and aeroplanes going to see other ministers and we all spend a lot of time in Brussels. We have lots of friends, lots of people who share our concerns, so we have to be optimistic we will get something out of this that is effective and recognises where farming has got to go. If we don't get what we want it certainly won't be through lack of effort.

Both you and fellow DEFRA minister James Paice are farmers. Do you think this has had a positive impact on a department that has been criticised in the past for having limited empathy with farmers?

I think we do bring an understanding. What we really want is for rural communities to feel they have a ministerial team that is on their side, sees the virtues in what they are doing and wants to push that, rather than government being seen as a hindrance.

The current drought is already affecting many farmers and landowners in parts of the country. What is DEFRA doing to ensure the right balance is struck between conserving water and maintaining agricultural output?

Droughts happen so we have to expect them. We held our first drought summit last May and we've had two more since, but that's for the short term. Coming down the track we've got an abstraction system that was designed in the 1960s and is not fit for a world where we're having these extremes of climate, so we have to adapt. Farmers and growers are naturally worried, but we're doing it in a strategic and careful way.

Could that include easing planning restrictions on building reservoirs?

We've already looked at diverting Rural Development Programme (RDP) money into making it easier for farmers to build on-farm reservoirs. We're also reviewing the guidance for the Reservoir Act, which can sometimes prevent reservoirs being built because of health and safety guidance that we're not sure is always proportionate.

Many landowners argue that public rights of way legislation makes even sensible changes to footpaths extremely difficult to achieve. Do you agree it is too inflexible?

We said right from the start we wanted to see a streamlining of the process for recording and making changes to rights of way and we put that in the Natural Environment White Paper. My attitude is that, where possible, we should use a voluntary approach. The organisations we've had sitting around the table on unrecorded rights of way, for example, have come up with a solution that satisfies the Country Land and Business Association (CLA), the Ramblers Association and a whole range of other groups with divergent interests that have, in the past, caused antipathy.

Do you think the former government's vision to create a virtually uninterrupted coastal path around England is really necessary or fair on property owners? Is it a vision you are still pursuing?

I'm keen to see more people walking in the countryside and walking along the coast, but it seems to me we've inherited a very complex system. I'm sure there is a quicker way of doing it that doesn't have such a burdensome concentration on inland spreading room, which I think is the main bugbear of landowners.

What is the most rewarding part of your role?

Working with a committed group of ministers who bring a real passion to what we do. We are doing some really good stuff. Rolling out broadband is going to see a complete change in how rural businesses function.

And the most frustrating?

Sometimes you pull a lever and there is quite a long delay before something happens. We're a team in a hurry, but we have as much job security as a Chelsea football manager so we want to make as much difference during our brief time in the limelight as we can.

Finally, what else would you most like to achieve during you time at DEFRA?

For rural communities to know that, at last, the government is on their side.

*Interview conducted on 22 March 2012

To read the full interview please go to KnightFrank.co.uk/Rural

RICHARD BENYON: BIOGRAPHY

Richard Benyon has been Conservative MP for Newbury since 2005. In 2010 he was appointed Minister for the Natural Environment and Fisheries at the Department for Environment, Food and Rural Affairs (DEFRA). He lives on the 20,000-acre Englefield Estate in Berkshire that was inherited by his father, Sir William Benyon, in 1959 and is now owned by the Englefield Estate Trust. Prior to entering politics Richard was in the army, after which he attended the Royal Agricultural College and became a land agent. He was a founder trustee of the Help for Heroes charity.

To find out how Knight Frank's Rural Consultancy team can help maximise the potential of your estate please email james.del.mar@knightfrank.com or on 01488 688 507

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A BETTER WAY NEEDS TO BE FOUND TO IMPROVE THE LANDLORD AND TENANT RELATIONSHIP

Michael Ireland, Head of Rural Valuations and Consultancy at Knight Frank Scotland

Regular readers of the farming press, particularly in Scotland where I am based, will have noticed an increasing number of articles and letters highlighting the growing levels of dissatisfaction with the legislation governing agricultural tenancies.

To those who are neither a farm landlord nor farm tenant it might seem bizarre that such a seemingly simple transaction – the letting of property from one individual to another – should generate such controversy. Agricultural tenancies and rents, however, have always been more contentious than for other forms of property.

There are a number of reasons for this. It is fair to say that in some cases the relationship between tenant and landlord still comes with historic baggage, although hopefully this is gradually becoming less of an issue today. The fact that a farm unlike, say, a factory unit, provides a tenant with their home as well as their income, also confuses the issue. But one of the biggest issues is that agricultural incomes are so volatile. What might seem a fair rent one year, based on the income-generating potential of a unit, may seem far too high, or too low, the next.

Against this backdrop, creating tenancy legislation that is fair for both parties is an incredibly difficult task. Despite the challenges, I believe the system we have currently in Scotland still falls well short of what landlords and tenants deserve.

Take the “Moonzie” case for example. It has taken the best part of four years to achieve a ruling on what rent should be paid for an average arable farm in Fife. After various rulings and appeals, the Scottish Land Court has finally decreed that the rent payable from December 2008 should be £31,462 per annum. The original determination was £20,800. Although this is undoubtedly a sizable increase, the amount pales into insignificance next to the professional fees that have no doubt been accumulated along the way.

Part of the blame has to lie with the decision, which formed part of the Agricultural Holdings Act (Scotland) 2003, to move rental disputes away from an arbitration-based process towards the Land Court. As is often the case, the reasoning was that it would help simplify the process. Clearly, that hasn’t been the case, and it’s not just those on either side of the Moonzie dispute that are suffering. A rent review I am involved with has been delayed for almost three years pending the outcome of Moonzie. Although my client, the landlord, will potentially benefit from the ruling, it is in nobody’s interests to have to wait so long to settle a rent.

The 2003 Act was also intended to make more land available to the tenanted sector by the creation of Limited Duration Tenancies (LDTs) and Short Limited Duration Tenancies (SLDTs). LDTs were originally intended to last for a minimum of 15 years, although this has now been reduced to 10, while SLDTs would cover tenancies of up to five years. From what I can see, this has done little to increase new entrants, an essential to the sustainability of the industry.

A deal has to be good for both parties and landlords currently do not have enough confidence under such a rigid framework to make more land available to the new entrants that the Act was designed to help. Rightly or wrongly, many remain concerned that granting longer tenancies could have implications under possible future right-to-buy legislation.

Although not perfect, the Farm Business Tenancies (FBTs) introduced in England and Wales in 1995 are far more flexible. It may well have been that the Scottish legislators behind the 2003 Act did not want to be seen as copying Westminster. If that was the case, our tenanted system is losing out due to political expediency.

In all parts of the UK there will be landlords and tenants who will not agree, regardless of the legislation governing the tenanted sector. But, from my experience, most want a mutually beneficial relationship that will allow each to prosper. At the moment tenancy law is not helping that to happen.

Michael Ireland can be contacted at michael.ireland@knightfrank.com or 0131 222 9625. He provides advice on all types of rural property valuations, including renewables; farm rent reviews and other matters relating to the ownership of rural property.

READY TO HELP

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

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