

UPDATE

CLM
NEWSLETTER
WINTER 2023

OUR SERVICES Farm Business & Estate Management • Planning & Development • Succession
• Land Sales & Acquisition • Biodiversity Net Gain, Ecology & Natural Capital • Diversification
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Stewardship still strong option

How should farmers react to Defra's ELMs announcements? CLM Director Kevin Jay shares his view

Recent weeks have seen the government release more details about the Environmental Land Management scheme (ELMs).

Firstly, it was the improved payment rates for the Countryside Stewardship (CS) and Sustainable Farming Incentive (SFI) schemes and, secondly, a very...very long document (91 pages, if you were to press print) setting out a clearer picture for the additional strands of SFI yet to be introduced and announcing the concept of CS Plus.

Defra had already announced in late 2022 the scrapping of its proposed Local Nature Recovery programme in favour of a revamped CS scheme. This at least delivers an element of stability. CS represents a tried-and-trusted scheme, with

people knowing how the options work and understanding the application process. Better to have an adapted version of this than shift to a new and unfamiliar scheme that the RPA would have probably struggled to administer anyway.

It will also be enhanced with about 30 additional actions available by the end of 2024, building on the more than 250 actions farmers can take at present. CS Plus will see incentives "for land managers to join up across local areas to deliver bigger and better results".

There have, meanwhile, been some very encouraging increases to some of the annual and capital payment rates. Livestock fencing, for example, is now funded at £7.47/m, rather than £4.90/m.

As always, however, Defra seems to have been inconsistent in its approach. Take the payment for species-rich grassland, for example. If you'd applied back in 2014, you'd have got £200/ha under HLS. When CS was launched in its 2015 iteration, the figure was £182/ha, but it hasn't increased since. The payment for 'very low input grassland' – an option which doesn't have the same environmental benefit – has risen from £95/ha two years ago to £151/ha. The species-rich rate doesn't even take inflation into account, so Defra is effectively saying it's not as important as it used to be. But that doesn't ring true with messages about how valuable this habitat is.

In terms of the SFI, six more



standards will be introduced for this year, building on the three existing standards to improve soil health and moorlands introduced in 2022, for which almost 1,900 farmers have already signed agreements.

The new standards include payments for actions on hedgerows, grassland, arable and horticultural land, pest management and nutrient management – and eligible farmers and land managers in England will be able to apply from this summer.

Those signing up are also eligible for an additional £20/ha management payment on the first 50 hectares of an agreement. In other words, potentially an additional £1,000 on top of the existing rates.

I certainly hadn't previously been wowed by SFI, but at least there is a little more clarity now. A shame, perhaps, that years of "tests and trials" appear to have yielded very little and Defra has now opted for a rehash of CS management options to deliver the SFI standards that will be launched this year.

For many, it still makes sense to get a decent CS agreement in place initially (the deadline for mid-tier schemes starting January 1, 2024 is August 18 this year; and the deadline for higher-tier schemes starting January 1, 2024 is April 28 this year). After that, you can take a look at SFI and see where you can tag that on (either now or when more information is available). Clearly a lot of people have been taking this approach as we were inundated with inquiries about CS in the opening weeks of this year.

The NFU responded to the SFI changes by acknowledging it represented a "broader and more flexible offer". There again, a few weeks earlier it had dubbed changes to ELMs "too little too late".

Ultimately, it might be that both observations are correct.

BNG demand strong in South East

With the 'market' for Biodiversity Net Gain (BNG) rapidly emerging, CLM Director Anthony Weston sets out some of the options and outlines one Sussex scheme with which he's involved

Demand for BNG provision is growing rapidly and agreements are already being struck.

Estimates of the total annual BNG requirement vary widely, with suggestions ranging from 7,000 to 40,000-plus 'units', but what's clear is that it heralds a potentially lucrative opportunity for farmers and landowners.

Some farmers might look to provide, say, three to six units as a way of supplementing their income, while others could devise schemes that deliver, say, 40 units. Large farms and estates that pursue BNG as a central plank of their strategy could provide hundreds or even thousands of units.

One such venue is Iford, a beautiful estate near Lewes covering 1,200 hectares of mainly grade 3 and 4 land in the South Downs National Park. Selected to take part

in Natural England's pilot project setting the framework for BNG, it's already begun work on its 30-year vision.

Initial mapping and modelling suggested it has a 'baseline' of about 3,500 units, but a mix of measures could ultimately see this figure more than double. They include reverting poorer quality arable land to species-rich grassland; restoring and enhancing chalk grassland and coastal and floodplain grazing marsh; woodland creation; hedge planting; and pond creation.

In order not to be reactive to the BNG market, the estate team and CLM devised a whole-estate plan, setting out the long-term vision.

Two agreements are already close to being inked, together covering three hectares and generating nine units at prices ranging from £25,000 to £35,000 per unit.

Central to this work will be creating grassland, based on a wildflower meadow mix, along the lines of the AB8 option in the Countryside Stewardship scheme. It will contain species such as bird's-foot trefoil, knapweed, lady's bedstraw and ox-eye daisy.

Work 'on-spec' will also begin in earnest in 2023 to create a 'habitat bank' available for developers to draw on for the provision of BNG. All the investment-readiness work has now been done and the spades-in-the-ground delivery work of actually creating a habitat bank is beginning.

It may be that multiple



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ANTHONY WESTON
CLM Director



agreements are entered into with many different companies, but it's also possible that there will be one or two larger deals, rather like 'anchor' tenants in a retail centre, with the others built around that. The proposal can be fine tuned as time passes.

Part of the attractiveness of Iford as a venue for providing BNG is how it fits within the wider landscape. It's in the Ouse Valley, within a National Park and adjacent to SSSI and National Nature Reserve land, as well as 'priority' habitats.

It's well placed to link those, allowing 'aggregated' gain, which is something CLM has seen the benefits of through its work with farmer-cluster groups. It's part of a patchwork of natural and semi-natural habitats, rather than an island.

For the estate team at Iford, this is a way of broadening the portfolio of revenues and future proofing what has traditionally been a mainly farming-focused business. Volatile weather, uncertainties around commodity prices and, more recently, rocketing costs have focused minds on the importance of generating more predictable revenues and in a way that fits with the ethos of the next generation of owners.

This isn't rewilding, though. The landscape-recovery and nature-recovery work is happening in tandem with some continued farming operations. The best arable land will be retained for food

BNG basics

BNG is a planning concept that requires developers to provide a minimum of 10% more biodiversity than is lost at a development site. It can be provided 'off site', ie on farms a distance from the development. The amount of biodiversity lost as a result of the development and the required additional provision is calculated through a system of 'units' using a recognised metric.

production, but where it becomes more marginal, the balance tips towards using it for more environmental outcomes. Beef and sheep will be kept to help manage the new habitats.

There is inevitably an element of risk because of the many unknowns when embarking on a long-term plan which involves an initial capital cost and ongoing management costs. The big risk is policy change, either nationally or locally. But with a 10% minimum of BNG mandatory from November 2023 – and some local authorities talking about applying a figure of 20% – it feels like this is unlikely.

No one can predict exactly where the market will go in terms of the price of BNG units, but indications are that the payments will be potentially far greater than what's available under the

Countryside Stewardship scheme.

Another deal CLM has been involved in saw a £100,000 payment to a landowner to provide a one hectare offset for a road improvement scheme. This involves turning some existing grassland into SSSI-quality grazing marsh habitat which will be great for invertebrates and encourage wading birds such as lapwing, redshank and wigeon.

There is a lot of development happening everywhere, particularly in the South East, and the BNG system encourages the offset to be provided within the same LPA area as the development. This means development in or around places such as Brighton and Eastbourne could potentially spark a demand for 'offsite' gain at Iford.

With the BNG market starting to come alive, it's important to be proactive if you want to drive the price, rather than ending up as a price-taker. It's worth viewing BNG as a 'commodity'. Don't just think about it in terms of area; think about how much it might 'yield' within the context of the rest of your business.

It won't be for everyone, not least because it's committing land to a 30- year agreement, but for some it could represent an important revenue stream, a means of supporting nature recovery projects on your land, a way of managing risk and something that offers synergies with other estate revenues, such as those from tourism and let property.



CLM out and about...

• We enjoyed attending the **Kent Farming Conference**, organised by Kent County Agricultural Society on January 25. Well over 100 people were at this event at Detling themed 'The Future of Farming'. Keynote speakers included Jake Fiennes from the Holkham Estate in Norfolk, David Wolfe from the organic agroforestry, food and horticulture hub, Wakelyns in Suffolk, and Rowan Duckworth from the Small Robot Company.

"Hearing the speakers provided a fascinating snapshot of how agriculture is changing," says CLM Farm & Environment Consultant Georgina Wallis.

• Some of the team joined a GWCT-organised trip to **Elmley**, a family farm and nature reserve in Kent on February 7.

This is 3,300 acres of "wonderful wilderness" on an island in North Kent, which Philip and Corinne Merricks took over 40-plus years ago. They've transformed the once-intensive arable and livestock farm to a site of international wildlife significance which was designated a National Nature Reserve by Natural

England in 1991. The couple's daughter and son-in-law, Gareth and Georgina, are now continuing their work in enabling nature to flourish and increasing biodiversity alongside restoring its rich historical heritage.

"Elmley is a truly special place," says Jonathan Morris, CLM Associate Surveyor and GWCT Kent committee member.

• Please call in for a drink and a chat on May 27 at our stand at **Heathfield Agricultural Show** in East Sussex.

"It's great to see so many clients and friends face-to-face," says CLM managing director Mark Weaver.

"This year one of the points I'm anticipating coming up a lot will be managing cashflow," he says. "Hard as it can be to do, it's crucial in tough times to focus on the aspects of a farming business you can control and managing cashflow should be an immediate priority. Forensic cash planning should be a weekly – or even daily – priority. Servicing existing debts will also be the priority for many so it's important to be proactive and talk to your lenders and or the tax / VAT people."

Don't forget...

If you're considering submitting a planning application at any point in 2023, it's worth thinking now about any ecology surveys you might need to do.

Most such surveys can only be done in certain months, so if you get them arranged now you won't run the risk of missing the window and potentially delaying your planning application by a year.

When it comes to bats, dormice, great crested newts and reptiles, spring and summer are the main survey months, so winter is a good time to get your initial ecological appraisal done as this will identify which surveys – if any – you need to do.

Whether it's a barn conversion for a residential property or a new diversification structure, you don't want to lose 12 months because you don't have sufficient ecological information to support your planning application...

CONTACT US

We are a 20-strong team including land agents, business consultants, planners, valuers, environmental experts, agriculturalists, ecologists and property experts. For more information about the topics in this issue, please get in touch with your existing CLM adviser or, for new enquiries, contact one of our directors.



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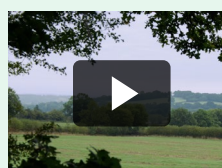
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about CLM and how we
can help you.

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