

# **THE IMPORTANCE OF THE COUNTY FARMS SERVICE TO THE RURAL ECONOMY**

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# THE IMPORTANCE OF THE COUNTY FARMS SERVICE TO THE RURAL ECONOMY

The future of Local Authorities' land holdings is reviewed from time to time. This paper has been introduced to provide up to date guidance for Local Authorities recognising the strategic importance of their land holdings and the commercial and societal benefits they can provide.

## **Key Messages**

***Farms owned and managed by Local Authorities are an important, strategic, national asset that should be retained.***

***These farms assist Local Authorities in meeting wider regional economic, countryside and environmental objectives and provide an essential route into farming for new entrants.***

## **Recommendations**

***It is now five years since the Tenancy Reform Industry Group (TRIG) recommended greater networking and collaboration in the management of Local Authority Estates. This now needs to be pursued.***

***Regional Economic Strategies should recognise the importance of the County Farm structure as a crucial entry point for new entrants to agriculture.***

***Local Authorities should carry out strategic reviews of their estates so that policy decisions on the retention, disposal or acquisition of land take a longer-term view seeking to maximise revenue from development whilst not undermining the principal objectives of the estates.***

***Local Authorities should make greater effort to develop the wider benefits that their land holding could provide particularly in regard to renewable energy, local food, public access, education, employment and the broader rural economy.***

## Background

The agricultural units now owned and managed by 50 county councils and unitary authorities in England and Wales (referred to as County Council Farms) have their origins in central Government policy of the early 20<sup>th</sup> Century when there was a major concern about the decline in agricultural employment. This led onto a wish to provide farming opportunities for returning ex-servicemen from the two world wars.

The *1970 Agriculture Act* embodied the further evolution of the holdings as units to provide a much wider franchise for individuals to farm in their own right. In 1984, the House of Lords, in debating what would become the *1984 Agricultural Holdings Act*, emphasised the role these holdings played as “starter units” which would encourage tenants to move onto larger holdings elsewhere.

The question now is ‘what role do these farms play in the early part of the 21<sup>st</sup> Century?’ Today’s challenges are very different to those of a century ago. Local authorities have many more competing demands on their scarce resources and society’s link with farming and agriculture has become weaker. However, there are still many looking to get into farming but who lack the capital to purchase land or to take on larger tenancies offered in the private sector. There is strong evidence that entrepreneurs will succeed provided entry opportunities exist.

## Statistics

In England in 2006, 50 counties and unitary authorities owned and managed 96,206 hectares (237,725 acres) of agricultural land as statutory smallholdings<sup>1</sup>. This land is let to 2836 tenants<sup>1</sup> under tenancies governed by both the 1986 Agricultural Holdings Act and the 1995 Agricultural Tenancies Act. In 1984, a total area of 137,664 hectares (340,167 acres) was let to 6753 tenants<sup>2</sup>. Over that 22 year period the amount of land on smallholdings estates has:

- fallen by **41,458**, a **30%** reduction, this equates to an average reduction of **1884ha per year**.
- number of tenants has fallen by **3917** a reduction of **58%**.

The rules for administration of statutory smallholdings are set out in Part III of the Agriculture Act 1970. Councils in their role of statutory smallholding authorities have a power under legislation to provide farms to those who wish to be farmers in their own right. This stems from Section 39 of the 1970 Act which reads:

*“... having regard to the general interests of agriculture and of good estate management, [smallholding authorities] shall make it their general aim to provide opportunities for persons to be farmers on their own account by letting holdings to them”.*

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<sup>1</sup> Fifty Sixth Annual Report to Parliament on Smallholdings in England, 01 April 2005 -31 March 2006.

<sup>2</sup> Thirty Fourth Annual Report to Parliament on Smallholdings in England, 01 April 1983 -31 March 1984.

## Meeting the Statutory Objective

To meet the objective set out in Section 39 of the 1970 Act, smallholdings authorities need to offer opportunities to new entrants and to work to sustain existing tenants in their farming career. In the long term this could be on either the local authority estate or in the private sector. It is not sufficient to only offer opportunities for new entrants to come into the industry if they cannot then make the transition on to larger holdings in the public or private sectors. A much more integrated approach needs to be taken between Local Authorities and the private sector to ensure transition by working with organisations such as Fresh Start and English Farming and Food Partnerships to increase the opportunities available for Local Authority tenants. More active management within estates could help create business development opportunities for tenants both inside and outside Local Authority ownership.

## Disposal of County Farms

All interested parties understand the financial pressures faced by local authorities in managing their various commitments and statutory responsibilities. This has led to a number considering an accelerated programme of farm disposals. However this threatens to undermine the objectives of county farms. Research has shown that county farms are the principal route into farming for new entrants.<sup>3</sup> If the decline in the number and area of county farms continues at the current rate this will be a major blow for the future of the agricultural industry.

New entrants are essential for any industry, however, the capital requirements of agriculture make farming one of the most difficult industries to enter. This is particularly true today. Tenancies offer a very useful and effective way of bringing in new entrants to agriculture and sustaining businesses into the long term since both the capital requirements and risk are shared jointly between landlord and tenant in long-term, binding agreements. The County Council farm structure has, in the past, provided a major contribution to this and should be allowed to retain the capacity to continue to do so in the future.

County Councils and Unitary Authorities should view their land holdings as an entry point into agriculture for new entrants and as a spring board to progress to larger units. Every effort should be made to encourage progression.

In responding to the 2003 report of the Tenancy Reform Industry Group (TRIG)<sup>4</sup> the Government said that local authorities should continue to follow the provisions of the Agriculture Act 1970 and that it shared the concerns of TRIG about the potential adverse, long term impact that continuing sales of County Council Smallholdings will have on farming and the rural economy.

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<sup>3</sup> An Economic Evaluation of the 1995 Agricultural Tenancies Act, University of Plymouth, April 2002.

<sup>4</sup> Government Response to the Report of the Tenancy Reform Industry Group (TRIG), DEFRA, 15 December 2003.

## Key Messages

Farms owned and managed by Local Authorities are an important, strategic, national asset that should be retained.

These farms assist Local Authorities in meeting wider regional economic, countryside and environmental objectives and provide an essential route into farming for new entrants.

### ***Case study: Matthew Naylor, Sycamore Farm, Spalding***

***Matthew Naylor and his father are Leaf accredited farmers supplying a range of cut-flowers and potatoes to supermarkets from their farm in Spalding, Lincolnshire. Eager to make his own way in the world, Matthew left school at 16 and began working on the family farm. Before he was 20, he had already rented 2 small plots from the Parish Council, where he grew potatoes and flowers to supplement his income from the family farm. These early steps taught Matthew vital lessons in efficient production and marketing. Following an approach by a flower supplier to Sainsbury's, Matthew planted Delphiniums and Peonies. After several years of failed applications, Matthew's big break came in 1999 when he took on a tenancy at Vickers Farm, Moulton Marsh. In 2000, he amalgamated his interests with his father's and formed an equal partnership, taking on a further neighbouring block of land along the way. In his own words "Starter holdings are a very important part of a progressive and meritocratic farming industry. A structure that encourages tenants to keep moving upwards provides the crucial first step: vacant small farms for new entrants."***

## The Need for a Review of the Strategic Importance of County Farm Estates

The county farm estates are clearly owned by county councils and unitary authorities. They are, however, a very important strategic national asset and as such there should be a greater recognition of this in their management. Some County Councils run their estates extremely well and others perform not so well. Understandably there is an ad hoc policy towards County farms up and down the country. Some County Councils have decided to follow a policy of disposal and others one of retention. For such an important asset in the landlord/tenant system a more co-ordinated approach could be helpful.

One of the recommendations contained in the report of the Tenancy Reform Industry Group of June 2003<sup>5</sup> was that there would be merit in investigating the potential for greater networking and collaboration in the management of County Council Smallholding Estates. In responding to the report, the Government agreed that County Council Smallholdings had an important role to play in providing a gateway through which able and experienced people can start a farming career which might otherwise be denied them. In view of this the Government fully supported the idea of greater networking and collaboration in the management of County Council smallholdings. However there is little evidence to date of progress on this suggestion.

The vision should be to create a stable, long-term framework for the profitable management of County Council farms. The following objectives are essential components in that process:

- To ensure that County Council farms continue to provide their principle function of creating opportunities for individuals to be farmers on their own account.
- To provide a more integrated management system for all County Council Smallholding estates.
- To reduce global costs of administration.
- To provide flexibility to local authorities in managing their asset portfolio.

### Recommendation

**It is now five years since TRIG recommended greater networking and collaboration in the management of Local Authority Estates. This now needs to be pursued.**

#### ***Case study: Staffordshire County Council***

***In March 2007, Staffordshire County Council announced they were going ahead with a positive programme of actions to reinvigorate the County Council's farm estate. This followed a review and consultation of property assets which revealed that retaining and investing in County farms offered taxpayers economic, social and environmental benefits. Council Leaders agreed that a carefully managed land portfolio will meet the needs and aspirations of a new generation of enterprising farmers as well as increasing income to support vital frontline public services and providing opportunities for the wider community to get more involved in food and farming on their doorstep.***

<http://www.staffordshire.gov.uk/NR/rdonlyres/1289B97A-9ADD-4775-A049-8ADA55461AE8/71169/Item6PRINT.pdf>

<sup>5</sup> Tenancy Reform Industry Group (TRIG), Final Report, DEFRA, 16 May 2003.

## Regional Strategic Plans

The regional economic strategies of the Regional Development Agencies also need to recognise the importance of the County Farms structure as crucial entry points for Fresh Start graduates and others, looking to enter the farming sector, within the Sustainable Farming and Food Strategy.

## Recommendation

**Regional Economic Strategies should recognise the importance of the County Farm structure as a crucial entry point for new entrants to agriculture.**

### ***Case study: Jonathon and Rebecca Congdon, Trebrow Farm, Cornwall***

***Jonathon and Rebecca Congdon are poultry farmers at Trebrow Farm Cornwall; part of Cornwall County Council's Farm Estate. Despite the cost of entry being in excess of their own savings and loans offered by the Banks, the Congdon's now farm a 10,000 bird laying poultry unit. When applying for the Trebrow Farm tenancy, the Congdon's used Cornwall's Fresh Start scheme to work with a consultant to develop their business plan, access the Loan Scheme set up by Cornwall Agri-Food Council Development Team (CACDT) and for business/mentoring support once they took up the farming enterprise. The Loan Fund was established to assist new entrants and tenant farmers who lacked equity to finance new investment into new enterprises or new holdings but who had a sound business plan. Funding was through the (EAGGF/Defra) Objective One Programme, secured by CACDT and administered by the South West Investment Group, an FSA approved organisation with experience in handling loans to South West businesses. The Congdon's business plan set out detailed gross margins and cash flow, clearly showing that the business could sustain the borrowing required and will achieve pay back within 7 years.***

## Development Opportunities

Local Authorities can, of course, realise significant sums through the sale of individual farms or pieces of land with development potential. There can be no opposition to such sales as it can greatly benefit the income of County Councils whilst maintaining (and possibly enhancing) the bulk of the agricultural estate.

Local authorities should look to take a more long term, strategic and patient approach to disposals which will enable maximum benefit with minimum disruption. Local Authorities should carry out a strategic review of their estates to assist in policy decisions to be taken on retention and disposal over a longer time period.

Local Authorities are well placed to identify future development opportunities and should consider acquiring land as the opportunities arise. Active asset management could be of real benefit to Local Authorities and create entry points for new entrants.

### Recommendation

**Local Authorities should carry out strategic reviews of their estates so that policy decisions on the retention, disposal or acquisition of land take a longer-term view seeking to maximise revenue from development whilst not undermining the principal objectives of the estates.**

#### ***Case study: Gloucestershire County Council***

***In the 33 years since Local Government Reorganisation in 1974, Gloucestershire County Council has raised around £50 million in careful, patient planned disposals of land for development. The bulk of this has been raised over the last 20 years. It has also secured a roughly similar sum by way of Section 106 (planning gain) benefits from these sales from essential infrastructure investment such as new roads and schools which would otherwise have secured a commensurate additional capital receipt sum. At the same time the Council has invested about £10 million back into its smallholding estate by way of modernisation and purchase of additional land to the extent that its total land holding on its smallholding estate has hardly changed at all.***

### Wider Benefits

Ownership of County farms also assists local authorities directly in meeting wider objectives in relation to countryside and environmental issues. A wide range of benefits could be provided including renewable energy, waste utilisation, local food, re-connection with the urban population, access to the countryside, learning outside the classroom, planning policies, greenbelt management and assisting in the management of flood risk. A more strategic approach is necessary to realise these potential benefits.

### Recommendation

**Local Authorities should make greater effort to develop the wider benefits that their land holding could provide particularly in regard to renewable energy, local food, public access, education, employment and the broader rural economy.**



## Conclusion

1. County Council smallholding estates are an important, strategic, national asset that should be retained.
2. More effort should be made to support existing and future tenants on these estates to sustain their businesses either on the smallholding estates or in actually encouraging moves in the future into the private sector.
3. There should be greater collaboration between individual County farm estates to help effective management.
4. Local Authorities should seek to manage their disposals of land from estates in a more patient and thoughtful way to maximise revenue from development sales whilst not undermining the principal objectives of the estates. Some of this development profit should be used to re-invest in the estate.
5. Local authorities should pay greater attention to the wider benefits derived from owning and managing their estates and should regard County Council Farms as a vital part of the wider regional economic strategy.

### ***Case study: Andrew & Judith Fewings, Lower Marsh Farm, Dunster, Crown Estate***

***Andrew and Judith Fewings are both from a farming background. They started their joint farming life in 1992 on a 64 acre Wiltshire County Council farm in Keevil, near Trowbridge farming just 22 cows. The Fewings built their herd up to 55 cows in five years before outgrowing the farm and taking a Farm Business Tenancy with another much larger Wiltshire County Council owned farm. Another five years saw the Fewings grow their business beyond this farm's size and in 2004 they took on Lower Marsh Farm, part of the Crown Estate at Dunster. Here they farm 336 acres in total, milk 150 cows plus 100 followers and also grow maize and spring barley. In just 12 years, the Fewings have progressed to a herd ten times the size they started with and a farm six times the size. Without the opportunities offered through their two tenancies on County Council farms they may never have developed the skills needed to make this progress.***