

A new approach - using land to unlock business innovation



The Land Partnerships Handbook

A new approach, using land to unlock business innovation

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Foreword



Dame Fiona Reynolds DBE
Director-General
National Trust

Land is our most precious resource. Land supplies our food, water and energy. It supplies the raw materials for countless rural businesses and so supports the local economy. It offers landscapes of outstanding beauty and unforgettable experiences. It is a haven for nature.

But land is also a scarce resource and one under increasing pressure from the demands of a growing population. We need smart land management that balances social, environmental and economic needs – now and in the future. That demands a new approach. This *Land Partnerships Handbook* sets out that approach.

Good land management depends on partnership – between landlords and tenants, producers and consumers, owners and communities. To manage our land in a balanced and sustainable way, we need to harness the enthusiasm and creativity of all those groups, working together. We need fresh ideas, new

ways of thinking about old problems, new opportunities for creating sustainable businesses. And to think about the long term as well as our immediate needs.

This handbook sets out practical and constructive ways to build and strengthen the relationships that will make this happen. It aims to unlock the potential of land and of budding entrepreneurs, to encourage us to explore new forms of land tenure – and to use existing models more imaginatively. It is both practical guide and thought provoker. Above all, it is far sighted in seeking to address one of the biggest challenges facing us all.

Ultimately our success in managing our land will be judged by future generations. Our responsibility is to do everything we can to ensure that we hand on land that meets their needs as well as it has met our own. This will be not be a simple task. But by working as partners to meet social, environmental and economic needs, now and for the long term future, we stand a chance of doing that.

Why this is needed now



Lord Donald Curry of Kirkharle
KB CBE FRAGS

My long standing concern has been how we maintain a diverse and thriving farming industry for the future. It is now clear that we are missing a crucial factor in ensuring this as we go forward. This is the ability for ambitious and innovative new farmers to gain a foothold and get on up the farming ladder.

There are many reasons for this, but key is the sharp decline in medium size holdings, from 32,000 to 18,000 in the past 20 years. This means the barriers to entry are high, the opportunities limited, and we are in danger of having a closed shop.

This issue was recognised by representatives from across the industry at the Fresh Start National Farming Ladder Seminar in 2011. Now this timely handbook has grasped the challenge. It is a major step forward; without preaching radical change it points to how a fresh, collaborative approach between landowners and 'land entrepreneurs' can unlock new potential.

I urge you to read on. The partnership behind this handbook demonstrates how we as an industry can work together to capture the talent and passion of our future farmers.

What is the Land Partnerships approach?

Building on the long heritage of land tenure, the emphasis is on creating sound business relationships.

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

Legal agreements are an important part of this process but they are seen as a follow-on to the formulation of a good business deal. We show how you can use a spectrum of legal models to create effective Land Partnerships, according to the nature and needs of the businesses involved.

The approach is primarily aimed at setting up new lettings or contracts but it can also be used for the creative review or re-negotiation of existing arrangements.

What makes the approach different?

There are already nearly 15,000 tenant farmers in the UK, working on more than a third of our agricultural land. The Land Partnerships approach builds on a long heritage of land tenure, from modern joint ventures and Farm Business Tenancies, back to medieval common rights.

Encouraging landowners and land entrepreneurs to combine resources to create new land enterprises provides the owner with new ways to diversify their operation. And it gives land entrepreneurs the chance to apply and develop their business skills without the prohibitive cost of land purchase.

The conventional, and perfectly legitimate, way to let land is for a landowner to advertise a tenancy opportunity with a ready-made draft agreement. Prospective tenants compete for selection through a tendering process. The Land Partnerships approach will tend to differ in terms of ethos and process:

- The ethos of Land Partnerships is essentially reciprocal, with both parties taking the initiative to find each other and to shape the nature of the business deal itself. The result is likely to be more balanced, and more stable.

- The details of what is on offer from the landowner and what is expected from the land entrepreneur will be less fixed. This leaves the process open to novel proposals, and creates more potential for collaborative planning – coming up with ideas and solutions together.

- Deciding and agreeing the most suitable form of agreement will be the end point of the process rather than the starting point.

Why is this useful?

The promise of a Land Partnerships approach lies in the benefit it brings to

Who might be interested?

Landowners

- Late career farmers, thinking about succession, planning to wind down from some of the practical aspects of running a farm, or to pass on experience to a new generation

- New landowners, who want to see their land used practically and gainfully, but who are not in a position to farm the land themselves

- Active farmers, with land, who wish to diversify their business without the risks and complexities involved with establishing and running several businesses at once

- Estate owners or managers who have identified a gap in their estate system

- Land owning trusts or charities wishing to find cost-effective ways of achieving their social or environmental objectives

Land entrepreneurs

- Young farmers, with the training and experience to set up a new farm business, but without the land or capital

- Experienced farmworkers or land managers, who have decided to take the step up into running their own business, but who do not have the capital to buy land

- People with a related business background, such as food retail or horticulture, who are keen to branch out into the business of land-based production

- Communities or groups of consumers who wish to set up or invest in a Community Supported farm which will produce products on their behalf.



CASE STUDY

Camilla and Roly, and the FarmStep project in Oxfordshire

Camilla and Roly both grew up on farms, and both have had successful agricultural careers working for FWAG and LEAF. Their dream was to set up their own sheep farm – something to which they could bring significant practical and people skills, and a thorough knowledge of the sector. Crucially, they also had an upbeat attitude and lots of energy. The only thing they were lacking was land.

The Earth Trust is a land owning charity with 1,500 hectares of mixed arable and grazing land, south of Oxford. The Trust was keen to diversify its farm business holding, partly to broaden the base of its income and partly to create a buzz of active and engaging farm activities on its land, with which to inspire public interest in food and farming. But establishing a cluster of in-house businesses would have been complicated and expensive. So the decision was made to invite in innovation through a scheme called FarmStep.

Camilla and Roly now run a sheep farm on the Trust's estate. They have 400 ewes and produce lamb which is sold through local farmers' markets. Roly says: "For us this is a lifelong ambition. The business is ours, and the land is owned by the Trust. Setting up our sheep farm would not have been possible if we had had to buy our own land, so this has been an important opportunity for us."

both parties. Encouraging land-owners and land entrepreneurs to combine resources to create new land enterprises provides the owner with new ways to diversify their operation. And it gives land entrepreneurs the chance to apply and develop their business skills without the prohibitive cost of land purchase.

The outcomes might include better use of assets, integration of enterprises,

improved risk management and new ways of marketing, or it may simply involve the creation of a new business.

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

Our approach

This handbook is structured around a five-step process, which is designed to address both the technical and the relationship-building aspects of creating a strong business to business arrangement. Each step emphasises a critical element of the approach, as described in the diagram below.

Step 1: Taking stock

Making a clear assessment of the assets you have at your disposal, and what you would like to achieve with them

Step 2: Finding the right match

Getting the right combination of land, people, skills, and objectives

Step 3: Creating a balanced agreement

Working out how to share the risks and rewards of new land enterprises

Step 4: Selecting a legal framework

Most of the required legal and business structures exist already. This is about using tried and tested tools to create novel outcomes

Step 5: Thinking long-term

Being prepared for the inevitability of change; creating options, optimising resources, and building business relationships that will stand the test of time

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

Step 1: Taking stock

Scrutinising your own motivations, assets and requirements will be time well spent.

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

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

The process of taking stock can be instructive and revealing. Our key recommendations for getting the most out of it are to:

- 1. Structure your thinking.** We find it useful to do this under three headings: **Motivations** – what are you in this for? **Assets** – what have you got to offer? **Requirements** – what do you need?
- 2. Take time.** Avoid simply plumping for the most obvious answers and conclusions. The process of reviewing your business situation might spark off new ideas and perspectives.

3. Discuss. What do your family, colleagues, land agent and other professional advisers think?

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

Thinking about risk

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

So it is important to make an even-handed assessment of risk. Some risks will be familiar – internal to the business or capable of being managed, such as the diversity of income, legal

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

Land Partnerships are not restricted to farming. Enterprises at Dartington include the development of a woodland products hub

compliance or breadth of the customer base. Others will be external and less controllable, such as input and commodity costs, or the weather. Some will be difficult to gauge, such as those from novel enterprises, young entrepreneurs or untested plans. But that doesn't mean they are not worth taking. The Land Partnerships approach encourages both parties to examine their appetite for risk and to plan for uncertainty proactively. The development of new businesses will introduce new risks; but the opportunity to diversify, integrate systems and perhaps reduce off-farm inputs may offset others. ■



CASE STUDY

Addressing risk on the Dartington Hall Estate in Devon

“For some years now, it has been our practice at Dartington Hall Estate to offer small parcels of land to rent for innovative or experimental uses to local groups or individuals. Sound business planning is essential, as it is fair to say that the more innovative a proposal is, the higher the risk to both parties is likely to be. The Estate accepts that some businesses will fail, but through our approach of encouraging a number of different experimental enterprises, we spread the risk and the failures are more than compensated for by businesses which are successful.”

John Channon
Land Use Manager

Questions you might ask yourself

	Landowner	Land Entrepreneur
Motivations	Is this about building up a farm business, or scaling back your commitment? Are you looking for someone to develop a particular business opportunity, or are you open to suggestions? Is this part of a vision for the whole estate or a solution for one parcel of land? How hands-on or hands-off do you want to be?	Is this a stepping stone to something else, or do you want to settle down? Do you have a precise vision for a type of farm or business? Is this a way of life, a way to change the world, or just a way of making a living? Are you aiming for independence, or do you want a close business partnership?
Assets	What land, buildings, and equipment might you wish to make available? What other business interests do you have which might complement a new one? What markets can you give access to? What skills and experience might you be willing to offer? Is there any infrastructure that you will need to develop or upgrade before you can offer up land?	What skills can you bring to the new business? Do they just relate to farming, or do they include marketing, communication, retail or business development? Do you have equipment or livestock? How much capital do you have access to? What's your business idea? Are there any skills or plans you need to develop before seeking a land partnership?
Requirements	Do you need the new business to provide a particular service (straw, muck, energy...)? Is there a financial benchmark you need to match? What absolute red lines do you have? For example, these might relate to contractual commitments, grant or tax pitfalls (see Legal briefing on p17), or personal preferences.	Does this have to provide you with a living wage? Do you need a house? How much land/property do you need to start? How much might you need further down the line? What infrastructure will you need? Are you absolutely fixed on one business idea?

Step 2: Finding the right match

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

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

1. Putting the word out

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

- Personal and professional networks. It's quite likely that you, a colleague or a local agent know someone, or know someone who knows someone. This approach can give you access to recommendations and intelligence at little cost. But unless it generates some attractive options, it makes sense to open up the field and shop around:
- The press. This would most likely involve a small-ad in the farming press or in a local newspaper. Alternatively, Land Partnership opportunities can and have been promoted to the media as news stories in themselves.
- Brokers. There is a wide range of professional and voluntary organisations who may know of potential partners.

Examples might include firms of rural surveyors, agricultural colleges, or organisations such as Fresh Start.

- The Land Partnerships website www.LandPartnerships.org gives links to online sources of contacts and information.

2. Choosing

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

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

typical, successful Land Partnerships arrangement.

- Use a checklist and think through these areas:
Practicalities – could it work?
Personalities – will you get on?
Circumstances – is there something

about the timing that is especially good, or perhaps not so good?

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

Top 10 things that **landowners** are looking for

- 1. Realistic business ideas** – the landowner has a financial interest in the business doing well, so drive and enthusiasm has to be backed up with a robust business case
- 2. Professionalism** – they need to be confident that compliance issues, contractual commitments and day-to-day business will be managed as a matter of course and without fuss
- 3. Commitment** – they want good people who will stick around; because it's essential for continuity, and because a high turnover of tenants is expensive, time consuming and risky
- 4. Practical proficiency** – is critical for the day-to-day running of any land-based business and will be seen as an asset to have around
- 5. Drive and confidence** – to see the plan through
- 6. A positive mind-set** – making a living from the land can be hard and even the best business relationships have frustrations, so finding people who are upbeat has real value
- 7. A sound financial position** – they need to be confident that start-up costs can be met, and that the business has the creditworthiness to invest and grow. Evidence of access to capital will look good
- 8. Clear communication** – is important in all working relationships
- 9. Shared values** – land goes deep and while the new enterprise needn't be exactly what the landowner would do, it should at least fit with their ethos
- 10. Somebody they get on with** – farm communities often involve working and living in close proximity. Finding people who fit in is of real value.

Top 10 things that **land entrepreneurs** are looking for

- 1. The right infrastructure** – the basics; can they physically run their business from the property?
- 2. Access to markets** – is there passing trade? Are there established routes to market? Promising leads or favourable local demographics?
- 3. A fair deal** – they might be betting their future on this, so a solid and transparent deal will be important; more attractive than a bargain with the risk of insecurity or unexpected costs
- 4. Space to develop** – in terms of physical space, business growth and scope – will they have the freedom to adapt and grow as they go along?
- 5. Opportunities for collaboration** – it may be marketing, logistics, machinery. The existence of complementary enterprises, open to working together, can be attractive to a start-up which has yet to build up its capacity
- 6. Stability** – they will need to put their all into their new business, so they need to feel confident that circumstances are fairly stable
- 7. Experience** – some will value the advice and perspectives of an experienced farmer or other established businesses
- 8. Encouragement** – this support is especially welcome if it is both optimistic and emboldening
- 9. A can-do approach to problem-solving** – problems are bound to arise and many day-to-day issues are impossible to legislate for. The practical capacity to react, solve, move on is priceless
- 10. Clarity and consistency** – is important to both parties. It saves time and builds trust.



Land Manager, Oliver Dallyn, with tenant farmer, Roger Giles-Austin of Calley Farm on the Ernest Cook Trust's Hartwell Estate in Buckinghamshire.

© Ernest Cook Trust (www.ernestcooktrust.org.uk)/Alexander Caminada

Online matchmaking

Making connections in person is a good way of creating a credible first impression, but the farming community is making more and more use of online forums, discussions and classified ads for making business connections.

Landshare.net has developed an online matchmaking service for people with land, and people seeking land, to connect. Matches span every scale from garden veg patches to fully fledged smallholdings, and now increasing numbers of people are using it to identify business opportunities for larger scale production such as:

- Converting surplus land into a supply chain for local restaurants
- Offering shares in the farm business to the local community
- Setting up a new livestock business

CASE STUDY

HerePigPig

Lee, Jason and John of HerePigPig met online, discussing a shared passion for pigs. Within a year they had found a willing landowner to rent them some land and established a four-acre piggery. They now rear an ever-growing range of rare breeds which they have started to sell through their Own a Pig scheme.



"We're delighted to see new farm businesses emerging through our land listings service. By working with Land Partnerships to help create even more successful matches, we look forward to seeing more people finding new ways into food production and keeping livestock."

Hugh Fearnley-Whittingstall, Landshare.net

Access the matchmaking service at the Land Partnerships website www.LandPartnerships.org

Step 3: Creating a balanced agreement

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

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

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

Considerations in defining the partnership

- What land and buildings are involved?
- How long does the agreement need to be?
- Who provides capital?
- What services are available?
- What help and support might the business need?
- How much control does the owner want to retain?
- What is the basis of payment?
- How should payments be reviewed?
- What degree of risk is each party prepared to take?

and is a crucial step towards building trust and developing the insight needed to form strong relationships.

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

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

Successful Land Partnerships arrangements will not be founded on hard bargaining or one party getting a good deal at the other's expense. One-sided agreements will be weak, will harbour

resentments and be prone to disputes or early breakdown. It is fine for both landowner and entrepreneur to hold on passionately to their interests but positive relationships are about striking the right balance and being open minded about the best way to meet respective interests. Enlightened professional advisers or agents working to a suitable brief can facilitate the whole process.

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

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

“The most important aspect of the relationship between a landlord and tenant is that it works for both parties: this will involve trust, understanding, and a business arrangement that is mutually acceptable and which will last. Obtaining the highest possible rent is never the only factor, nor is it advisable to be too rigid; flexibility and sensible compromise are often the hallmarks of a truly successful arrangement.”

Nicholas Ford Director and Agent for the Ernest Cook Trust



Landowners' interests might include

- Income generation
- Getting buildings used and maintained
- Supporting the local community
- Encouraging young business talent
- Maintaining/enhancing their reputation
- Building support for future development
- Creation of complementary enterprises
- Adding value to existing enterprises
- Demonstrating good practice
- Enhancing the environment
- Reducing their carbon footprint
- Increasing local business resilience

Entrepreneurs' interests might include

- Making a living
- Realising a dream
- Remaining in a locality
- Pursuing a passion
- Making a brilliant business idea reality
- Making use of their specialist skills
- Developing new business skills
- Contributing to their community
- Continuing a family business
- Establishing a family enterprise for younger generations
- Working alongside complementary businesses



The Country, Land & Business Association (CLA), which represents the landowners and managers responsible for around half of the rural land in England and Wales, welcomes this document as a valuable contribution to the debate. It provides sound advice on a fresh approach to what is, for many CLA members, a core part of their businesses. We agree that effort applied to defining the parameters for a new venture is likely to be very worthwhile. If this handbook helps people secure a more diverse and sustainable future for their land and those who earn their living from it, it will have been a big success.

Oliver Harwood, Chief Rural Surveyor, CLA

Step 4: Selecting a legal framework

Practicalities and terms defined, it's time to agree the right legal structure.

Once the landowner and land entrepreneur have thoroughly defined their business relationship, they are in a strong position to start thinking about appropriate legal frameworks with which to formalise their agreement.

In broad terms, the legal options exist along a spectrum of control: from landowners retaining full control at one end, to land entrepreneurs taking progressively more control towards the other end, as illustrated below. One effective way of homing in on the sort of agreement that might work for you is to locate where you think the terms of your business relationship sit on this spectrum.

If you can get this far before briefing your lawyers, then you are more likely to get a legal framework which serves your purposes. You are also likely to

save money: the clearer the brief, the more cost effective the legal process will be – a view endorsed on page 17 by Blake Laphorn in their legal briefing.

The spectrum of legal options

Various types of legal agreement are available, giving different degrees of control to the landowner and land entrepreneur. At one extreme, the land would be farmed in-hand giving the owner total command over management and business decisions, performing most of the farming operations directly and carrying the full financial risk. At the other, the owner might sell the land, handing it over to someone else. Between these two lie a number of options that might suit different circumstances:

1 Contract Farming is a model often used by owners or agricultural tenants who want to retain their involvement

in farming but don't want to carry out day-to-day operations. Typically the farmer will run the business and make key decisions but a contractor will carry out the practical farming operations as agent for the farmer. The farmer cannot seek a guaranteed income under such an arrangement as, for tax purposes he/she must be seen to be taking financial risk. They will also retain responsibility for legal and regulatory compliance.

2 Farming Partnerships can be used to enable an owner to run a farming operation with others where they are all business partners. These are often used to involve family members and can be complex legally and in terms of taxation. They need to be very carefully set up and managed to avoid problems on the death or retirement of a partner.

A limited liability partnership (LLP) is an alternative legal entity that sits

somewhere between a traditional partnership and a company. While the members of an LLP may effectively operate as partners, many of the administrative requirements of an LLP mirror those for a company, for example, having to file accounts at Companies House. The attraction of an LLP is that an individual partner's liability may be limited in a way that is not the case in a traditional partnership. The relationship between partners may be regulated by a partner's agreement, and between company shareholders by a shareholder's agreement.

Other models that follow a corporate or similar structure exist and a number of these are referred to under in our examples overleaf.

3 Share Farming is a way of enabling two parties to farm the same land jointly with each running their

own separate business. Typically, the owner will provide the land, buildings and fixed equipment while the farmer provides labour, management expertise and mobile machinery and equipment. Where livestock are involved they may be shared, with both parties owning an agreed proportion of each animal or they may be provided entirely by one party. Input costs are shared in agreed proportions and each party owns a pre-determined share of the produce.

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

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

6 Long Term Lets. Owners who are content to hand over a high degree of control of their land but do not want to part with it completely can consider long term lets. A FBT or a business letting could suit, depending on the type of property. ■

The spectrum of legal options available for farm-based Land Partnerships arranged according to the apportionment of control between the landowner and land entrepreneur

Greater control to the landowner	Contract farming	Partnerships	Share farming	Licences	Conventional tenancies	Long term lets	Greater control to the land entrepreneur
Land is farmed in-hand	1	2	3	4	5	6	Freehold is sold on
The landowner exercises full management control	The farm business is run by the landowner, but practical operations are contracted out	Arrangements where separate parties come together to operate a single business	The parties remain as separate businesses, but collaborate operationally	The landowner retains close control of the land, with specific rights being granted on licence	The main use for Farm Business Tenancies. Though FBTs offer a wide range of levels of engagement	A form of lease usually achieved through a FBT or business letting, but with longer terms	A complete disposal of interests, though covenants can be applied to restrict future use

"The TFA seeks to promote the landlord/tenant system in agriculture but it is absolutely right that landowners and entrepreneurs engage to ensure that the legal arrangements they use to cement their ongoing relationships are in keeping with their shared vision and objectives. Falling into the wrong type of legal structure for the wrong reasons will always be a recipe for frustration, conflict and failure. When drafting a Farm Business Tenancy, for example, it is tempting for the professionals to leap towards a standard format when a bespoke agreement based on a thoroughly thought through Heads of Terms would be more appropriate. This handbook provides the parties with a good framework to assess the options available to achieve sustainable outcomes."

George Dunn Chief Executive, Tenant Farmers Association 



©National Trust Images/Joe Cornish

Example 1: Communities as Land Entrepreneurs

Landowners with an interest in making links with local communities, and communities who wish to organise themselves to produce food or other things from the land, now have a number of options to help them work together.

Three components need to come together to make this sort of collaboration happen: land, production, and community. And, in broad terms, there are three ways in which this can happen:

1. A community-led approach where a community organises itself to start a land enterprise. It enters into an agreement directly with a landowner, in much the same way as any other land entrepreneur would.
2. A producer-led approach where a farmer or grower initiates a relationship with a community, who invest in the business or benefit from a share of the harvest. In this case, the producer may operate through some form of Land Partnerships arrangement to obtain land.
3. Arrangements where the landowner, producer and community act together.

Benefits of community supported enterprises can include

- Guaranteed or loyal markets for produce
- Local interest, involvement and support
- Improved cash flow through up-front payments or community investment
- Voluntary labour
- Potential involvement of the landowner as a trustee or board member

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

A common element in all these arrangements, in addition to any Land Partnerships mechanism, is that a direct relationship is formed between a farm and the people who consume its produce. These types of arrangements are often referred to as being forms of Community Supported Agriculture (CSA).

There are many different models of CSA and the degree of community involvement can vary greatly. Some simply mean that customers pay a subscription in return for a share of the produce; others provide a stake in the business, giving members a say in management decisions such as what crops should be grown.

In all of these, as with other Land Partnerships, the landowner can choose to be anything from an integral part of the enterprise, through to being a straightforward 'enabler' – renting land out to the CSA.

Legal structures

There are several legal options which are particularly well-suited to situations where communities wish to formalise

their part in these sorts of social enterprises. These include:

■ Community Interest Companies

A form of limited company designed for social enterprise. They provide the benefit of a business, such as having paid directors, but must have a clearly stated public purpose to which all assets and returns must be devoted.

■ Industrial and Provident Societies

Appropriate for bona fide cooperatives that conduct business for the mutual benefit of their members – all of whom hold equal shares and voting rights. They can also be used for wider community benefit where there is a special reason not to be a company.

■ Charitable Incorporated Organisations

This is a new legal structure that enables the set up of a charity but retaining some of the benefits of being a company – such as limited liability for trustees. They only have to register with the Charities Commission, not with Companies House.

Links to further information on CSA schemes and social enterprise models are on the Land Partnerships website www.LandPartnerships.org

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

Helen Browning OBE Chief Executive, Soil Association



CASE STUDY

FutureFarms is a cooperative set up in 2004 to grow food within the parish of Martin, in Hampshire, for sale to the residents. It is non-profit making with all proceeds being used to fund production and build up the business. There are around 100 members, who either pay a small annual subscription or provide seven hours of labour per year, and six part-time employees.

The cooperative is a limited company with eight directors who meet monthly. Pork, lamb, chicken, eggs and vegetables are produced on two sites, totalling ten acres, rented under Farm Business Tenancies.

Founder, Nick Snelgar, says: "We were concerned about the distance food travels from farm to plate and the disconnect between producers and consumers. We aim to produce food that is tasty and wholesome. It is grown in the parish in a way that is in harmony with nature and respectful of animal welfare."

Nick has now established Maplefield Milk, a Community Interest Company, which is setting up a micro-dairy to produce and process milk for delivery within a ten-mile radius. The system will involve a mobile bale, milking up to 20 cows and will aim to graze local sites, integrating with other farmers' arable rotations. Nick says: "There is potential for this nomadic approach to provide benefits to local arable farmers. We just need the right types of agreement to make it happen."

FutureFarms and Maplefield Milk Hampshire

Landowners can benefit from a community's interest in local, sustainably produced food.

CASE STUDY

Example 2: New partnerships to meet new challenges on the Clinton Devon Estate

Clinton Devon Estates believes that to encourage new entrants and innovation into the farming and land management sector we will have to explore new models of collaboration and partnerships. In the next decade land management will be at the centre of a debate about demand for food, competing with demand for fuel, carbon management, development and human health. Existing tenancy and ownership structures will need to adapt if there is to be a common purpose between those who own land and those who manage it.

Clinton Devon Estates fully supports the guidance and advice presented in this handbook. Different approaches and different mindsets will be needed and this handbook begins to tackle this head on. There needs to be a stimulus for investment from the landowner, tenant

and the bank. We believe it is time for a new and pragmatic model. The Estate is working on developing 'cooperative contracting arrangements' (CCA). These provide a bespoke third party business opportunity for tenants and landlord to let farms collaboratively. Both tenants and landlord could share in the business arrangement through Special Purpose, Joint Venture or Limited Liability Companies. Agreements may be for ten or more years with clear exit strategies for all parties. Costs should be reduced and capital investment focussed on overall business outcomes, not a specific land holding or tenancy.

We believe that a CCA recognises the need for scale and productive capital in order to be successful in tomorrow's market; delivering operational efficiencies and supply chain leverage

while meeting appropriate regulation and compliance. The CCA model does not try to unpick existing legislation such as the 1986 Agricultural Holdings Act. It retains and enhances the tax position in return for a long term commitment. Most importantly, it encourages a platform for a new breed of farm and land manager to emerge.

This timely handbook provides the stimulus for new ways of thinking and aligns well with our own approach to developing innovative new models of managing land and property. That is, bringing together those with assets, skills and capital to find entrepreneurial ways of working to make a genuine difference.

John Varley
Estates Director
Clinton Devon Estates



Share farmer, Rob Nancekivell, shows CDE management accountant, Andrew de Gruchy, the grain from the dry grain store on the Clinton Devon Estate – which was a joint investment.

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Legal briefing

I would strongly recommend the Land Partnerships approach. It is an effective way to build a strong and enduring relationship between landowner and entrepreneur. It aligns the objectives of both parties and should reduce expenditure on professional advisers' fees because:

- The terms and conditions are clear and agreed at the outset thereby reducing the time and cost of documenting the arrangements
- The potential for future dispute should be reduced

The landowner and entrepreneur should, however, sense check the proposed arrangements with their professional advisers before finalising the agreement. Points to look out for include:

- Agricultural Property Relief (and Business Property Relief) can provide significant Inheritance Tax savings to landowners. A landowner should check that the proposed arrangement will not prejudice his or her estate receiving such tax relief. If it will, can the agreement be structured so that it does not?
- It is important to have a clear understanding of whether the land entrepreneur's proposed use of the land/buildings qualifies as an agricultural use from a legal and planning perspective. The law's definition of what constitutes agriculture is not the same in every context. Whether the proposed activity is deemed to be agricultural or not can make a big difference for taxation and Town and Country Planning purposes. It will also influence the most appropriate form of tenancy agreement to be used.
- Even if there are no plans to make physical changes to the land or buildings planning permission may still be required. The land entrepreneur's new business could, in itself, constitute a change of use in the eyes of the Planning Authority.
- If the land is subject to an agri-environment scheme the landowner will need to make sure that the requirements are not breached by the intended use. Criteria necessary to maintain any ongoing payments will also need to be met. Penalties for non-compliance can include reduction or loss of future annual payments or possibly the repayment of money already received.
- Be aware that statutory requirements often import rights and obligations

into contractual arrangements. Any agreement reached by both landowner and entrepreneur may be subject to rights and obligations imposed by law. This is particularly true for tenancies.

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

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

Step 5: Thinking long-term

Allowing the partnership to adapt as the business evolves.

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

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

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

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

Building a cluster of enterprises

Land Partnership arrangements will often be a one-off deal, for a single plot on part or the whole of a land holding. But they can also be used progressively to build a community of land enterprises. This can be a significant shift in business model and can bring a number of benefits:

- For the landowner it diversifies income streams and builds financial resilience by spreading the risk of failure and income fluctuations across a number of enterprises and business types
- For all parties it has the potential to extend networks and open up new markets
- It creates opportunities for collaboration through internal markets for materials, labour and waste products. Or practical cooperation such as sharing machinery or the cost of certification schemes; or

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by forming marketing syndicates and the development of shared brands.

Making it work

Developing a cluster of enterprises is the landowner's prerogative. To make it

work well will require them to take an active and strategic approach. In particular they will need to take care of two key functions: firstly, providing an efficient infrastructure, both practical and administrative; and, secondly, selecting

CASE STUDY



Business synergies: The Story

Landowners, Jim Twine and Luke Hasell, have created not just a partnership between themselves by running their two farms as one unit, but have also developed a number of other enterprises on their land by working with local farmers and growers.

The two farms were already selling organic beef and wanted to offer a wider range of products but lacked the time and expertise. A partnership

with Bill and Emma Yeats has allowed them to add table birds, eggs, lamb and pork. To make the farm as sustainable as possible they wanted to introduce vegetables into the rotation and agreed to rent 50 acres of land to a local organic grower. A further twist is the community buyout of the horticulture enterprise which is now owned by 400 shareholders and is called the Community Farm.

Produce from the farms is marketed through a brand Jim and Luke created called The Story, with routes to market that include a farm shop, box scheme, wholesale business and catering at events, even at Glastonbury. Luke explains: "We simply wanted to be able to engage with our customers directly, offering them great tasting products that we are proud of. In short, food with a story."

The partnerships are not limited to farming. Luke has developed a company which hosts weddings, corporate and other events, and is another outlet for the farms' produce. All the businesses are interconnected, benefiting from shared labour, infrastructure... and a shoulder to cry on when things go wrong!

the right combination of enterprises, and getting them to work well together.

In our experience the following ingredients can be invaluable:

■ Consultation

Make sure that existing or incoming businesses are aware of your intention to build a cluster of enterprises; it may well be an attractive prospect

■ System analysis

Think about how enterprises might fit together in the future; what they will

need, and what they might provide. Select and locate them accordingly.

■ Selection criteria

Use them to test proposals to ensure they complement existing businesses

■ Collaborations

Interactions between businesses will happen by simple virtue of proximity but a regular forum for proposing and discussing ideas for businesses to work together can help ensure opportunities are not missed. ■

Find out more

Please visit www.LandPartnerships.org for:

- Further sources of information and advice on Land Partnerships
- Links to all the organisations and projects mentioned in the Handbook
- PDF downloads of this handbook

The Land Partnerships Handbook provides a structured process, to help landowners and land entrepreneurs work together to establish innovative and lasting land enterprises.

"In my capacity as Chairman of the Tenancy Reform Industry Group, which is responsible for advising the Government on issues relating to the tenanted sector, I have no hesitation in endorsing this handbook. The publication provides a refreshing approach to the subject and sound guidance to those who own land they wish to let and the prospective tenants who have the skills to manage the assets concerned. By following the advice on offer parties should be able to come together and form a sound, long-term working relationship.

There are a wide range of issues to address when starting any such relationship and the step-by-step guide in each section of the handbook will doubtless prove to be extremely helpful. With the benefit of this initial guidance those who wish to take proposals forward will be in a much better position to seek professional advice, secure funding and establish a solid business proposal.

The handbook should be read by new and old hands alike. In the world of letting land this refreshing approach can, I believe, lead to many opportunities as we seek to feed the world and to continue managing our countryside."

Julian Sayers FRICS FAAV
Director, Adkin Chartered Surveyors



www.LandPartnerships.org

