

LANDOWNERS; FORMULATING A LAND OFFER

SW LAND MATCH



1. What is your holistic context? Going through your context is a helpful way to take stock before approaching rural entrepreneurs to discuss a partnership. Use the following steps as a guide:

- a.** Define the whole under management and who the decision-makers are.
- b.** Define your resource base (including what you are considering offering).
- c.** Define the sources of money you have available (include debt).
- d.** Summarise your overall objectives in 2-3 sentences.
- e.** Set out your quality-of-life statements (asking yourself "how do I want my life to be?" and answering with "I am" / "I want" / "I will"). This seeks to connect you to your core values.
- f.** What forms of production do you need to undertake to realise your quality-of-life statements? Think of what needs to be produced, not how it will be produced. This list should correspond with your quality-of-life statements.
- g.** What do you want your resource base to be like in the future? Think of the land, the people, the community and your behaviour.
- h.** Consider how you need to act in order to sustain your forms of production which will take you towards your objectives.

For more information on writing your Holistic Context look at Alan Savory's Holistic Management framework.

2. What are your objectives? It will be important to communicate this to your potential entrepreneur and your advisors. Think of the following categories:

- a.** Ethically
- b.** Environmentally

- c.** Economically
- d.** Socially

3. What does the prospective offer include? Consider the following:

- a.** Land, buildings and fixed equipment
- b.** Accommodation
- c.** Water and irrigation
- d.** Electricity
- e.** Fencing
- f.** Machinery
- g.** Your expertise, the backing of your business

4. Consider the types of enterprises you are looking for (or not looking for). These could include:

- Dairies
- Beef herds
- Sheep
- Pigs (pastured or indoor)
- Poultry (pastured, free range or indoor)
- Agro-forestry systems
- Market gardens (either "human scale" or "machinery scale")
- Mushrooms
- Microgreens
- Orchards
- Vineyard

5. Consider whether the entrepreneur should follow a certain methodology or approach to farming. This could include:

- Organic certified
- Biodynamic certified

- Farming in line with regenerative principles
- Pasture for Life certified

6. Things a farming entrepreneur is likely looking for:

- A fair deal** – they want a fair, transparent deal so they can invest in their future.
- Stability** – they will need to put a huge amount of work into their new business so they will want to feel confident that their circumstances are relatively stable (or at least transparent).
- A pragmatic approach** – the ability to react, solve and move on in priceless.
- Clarity and consistency** – both are important to a stable long-term relationship.
- The right infrastructure** – you should consider whether they can run their proposed business from the property.
- Access to markets** – are there any routes to market, promising leads or favourable local demographics? What can you offer?
- Space to develop** – in terms of area, will the business have space to grow as their enterprise develops?
- Opportunities and collaboration** – are there any areas which you could offer collaboration in order to help the business as it is developing? This could be marketing, machinery, labour or seasonal extra land.
- Experience** – new businesses often value advice from an experienced mentor. This might be you, another farm or established business. What could you offer them?
- Encouragement** – this is always welcome, especially if it is optimistic.

7. Creating a good impression:

As a landowner, in finding the right applicant it can be

helpful to consider the following to help make the most of what the parties have to offer:

- Invite informal expressions of interest early in the process – this allows you to get an understanding of who is out there and what they are looking for.
- Actively seek out new entrants using local networks, land-based associations, young farmers groups, colleges and farm cluster groups. You may also consider putting an advert in the press or speaking to local consultants or rural surveyors.
- Understand their own underlying requirements to ensure a balanced agreement. The more questions you can ask the more you will understand about their objectives and whether they might be compatible with your vision for the land.
- Make your expectations clear. Communication is extremely important in a good relationship so make an effort to do this from the outset.
- If appropriate, is there an opportunity to share your knowledge and experience?
- Encourage applicants to take professional advice to provide an independent reality check for their budgets and plans. The best prepared businesses are the most likely to succeed so any support, including scrutinizing their proposals, will be a good investment in the long-term.

8. Other things to think about:

- Grant Schemes** - How will your structure interact with any existing or proposed grant schemes? For up-to-date guidance visit DEFRA's website.
- Finance** – Most businesses need some kind of finance. What level and type of finance will be available and how might this impact the model being preferred? If you are concerned, ask the entrepreneur for evidence of funds.

- c. **Professional Support** – the right documentation for any form of agreement is important. This clearly lays out the terms and conditions and, in the event of a dispute, is the reference point for resolution. Consider how you will go about having the documentation properly prepared.
- d. **Taxation** – consider speaking to your accountant about how the relationship will impact your business and tax position.

9. How to approach charging?

Below are some guidelines to consider when approaching how to charge, or pay, a land entrepreneur.

1. Consider what you are offering them, and, in return what they are offering you. This will vary from one agreement type to another. Every situation is different and should be considered as such. The following considerations apply:
 - a. The type and duration of the agreement
 - b. The location of the land
 - c. The repairing and insuring responsibilities
 - d. What land and buildings are included
 - e. The permitted uses the entrepreneur can undertake
 - f. The likely profitability of the opportunity for their business
 - g. What requirements you are including
2. Try and establish what your entrepreneur would really like to have and assess this against what you can offer. For example, if a market gardener would like a pressurised irrigation system, but you can only offer them a standard mains water supply, then this should be considered as this impacts the ability for them to operate optimally. Equally, if you are willing to invest into an irrigation system, you will need to consider charging for the additional infrastructure.

3. Ask the entrepreneur what they could afford to pay. They may be willing to share their budgets with you and transparently discuss a suitable approach.
4. Be holistic in your approach and prioritise your objectives. For example, if you want someone to care for your land and improve it year on year, that entrepreneur may not be able to pay you the highest return. If you want the highest return, consider that the entrepreneur will need to minimise his investment in the land to pay you which may come at the expense of your soil health, for example.
5. The deal needs to work for both parties. If the terms are not right, the relationship is unlikely to last without altering the terms.
6. If the agreement is reasonably standard, and other examples exist locally, try and speak to other landowners (or agents) about what they charge. For example, if you are renting bare arable land or granting a grazing licence, it is helpful to know what others are charging as you could reasonably charge the same. More bespoke agreements, such as for market gardens, are less common and comparable fees may vary considerably depending on the terms being offered and the infrastructure being provided.
7. Consider the interest you have had in the opportunity. If there is only one suitable applicant, consider the importance of having them succeed for your longer-term objectives as how you charge will affect their ability to succeed.
8. You may choose to include a provision to review the agreement terms after the first year.
9. There are many ways to approach setting a rent, licence fee or other financial arrangement but a few examples are:
 - a. Basing the payment on the market rate. This can

be the simplest approach but becomes harder when the agreement is not easily comparable to others in the area (for example, a market garden or mixed farming enterprise).

- b. Setting a payment based on the entrepreneur's revenue, or planned profit, and therefore taking a vested interest in their business. If they do well, you earn more and vice versa. This does rely on a good relationship and transparent book-keeping which becomes complicated if the entrepreneur has a wider business not operating from your land.
- c. Having a basic rate with additional payments which relate to the price of a certain commodity. For example, if the entrepreneur's milk price rises above a certain level, then they will make an additional payment. This may be complicated for the parties to adhere to.
- d. When a new entrepreneur is starting out, it can be very helpful (and a good investment in the relationship) to phase the rental payments over several years. For example, in year 3 they may pay market rent, but year 2 could be 50% of this and year 1 could be a nominal payment. This is appropriate when they need to invest heavily into the land and/or infrastructure before making a decent return.



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