WCF Dinner Paper

Thank you Master for your kind introduction. Before I get asked numerous times later tonight our invitation to the Royal wedding has not yet arrived. We wait in hope but I suspect that getting Prince Harry up at 4.30 in the morning to milk our cows probably didn’t fully endear him to me…..

Ladies and Gentlemen, Good evening

I have been fortunate to do public speaking at a number of venues – but never in somewhere as beautiful and ornate as this one.

The location combined with the high calibre of you, our audience tonight, leaves me a little more nervous than I would be ordinarily.

And I don’t use the term high calibre lightly. I was very fortunate to be selected for the 2007 Advanced Course in Agricultural Business Management, the last course to be held at Wye. The course has been and continues to be of considerable value to me in my farming career but as all my fellow alumni of both this course, the Challenge of Rural Leadership Course, the Cranfield Business Growth Course and the Cranfield MBA – the real and enduring value are the friendships and support network that come as well.

I have been additionally fortunate in being involved with the Advanced Course in Agricultural Business Management on a couple more occasions since 2007. In 2015 The late John Alliston approached us to see if they could use our farming business for the business management exercise that is such a key part of the course. My wife Catherine and I were delighted to be involved and had some fascinating feedback and ideas for our business as a result. I am slightly hesitant to admit to the class of 2015 that to date we have only adopted their more conservative suggestions – expanding the herd at our second unit – and have failed to grasp the opportunity of 700 acres of blueberries or the conversion of the Oxford Wine Company to the Oxford Wine and Cheese Company. Plenty of time yet

And this year I was privileged to attend the Sponsors dinner for the 2018 Course – and how encouraging to see such a high calibre group of people who will now build on their already substantial contributions to our Industry. So it is indeed humbling and somewhat nerve wracking to address such a gathering of agriculturalists.

And so I am perfectly serious when I regard you as a very high calibre audience.

So a little bit about our business. We are tenant farmers from Oxfordshire and are now farming some 1500 acres to the west of Oxford, 95% of which is rented (and the remaining 5% is effectively rented from Lloyds Bank). Broadly this 1500 acres is split 700 acres AHA, 700 acres FBT and the last 100 acres a variety of tenure mechanisms. We are solely dairy and beef farmers, now milking some 800 cows in two block calving herds and raising another 800 cattle as herd replacements and beef cattle. TB is a major headache and we have lost 116 dairy females in the last 18 months. Right now this very late spring is also a costly and difficult headache and we have had 100 acres of flood meadow under a foot of water for the last week, now slowly retreating.

Tenant farming has been good to the Christensen family and allowed us to grow a strong and robust cash generative business that has provided us with a good standard of living but also wider opportunities for us as a family and those we work with. We have helped to establish 4 of our previous employees in business and are currently working on a 5th and we spend a lot of money with the local business community.

And so to Brexit and the implications for land tenure. Where are we right now? In my world this is a good time. We are benefitting from a weaker sterling but without any of the potential negative effects of Brexit. Right now we have a milk price hiccup but that won’t last and the price will recover this autumn. Looking forward I see four main Brexit induced challenges for our industry :

1. A difficult trade deal.

Michael Gove talks about increasing standards that we work too – a laudable objective and yet Liam Fox and others all talk about cheaper food through a wider range of imports. So who will win out of those two.

1. I’ve never known any Govt want the price of food to increase
2. The use of food banks continues to increase
3. The risk of our sector being traded
4. The need for some positive headlines as a result of Brexit
5. Considerably reduced or no ongoing financial support for production agriculture (as opposed to being paid to look after the environment) which will have serious implications for our industry.
6. An ongoing focus on animal welfare and our environment. I must have missed something because I hadn’t realised quite how much of an eco-warrior
7. Our reliance on European labour and the general tightening of the labour pool.

So lots of uncertainly ahead and almost definitely much more volatility in both input prices and output value. How do we cope with this? There are of course a number of management tools and disciplines we can use but relevant to tonight’s discussion they key one is to ensure we are low cost operators – this means investment in the land we are farming so here we get to the crux of the matter :

1. Term
2. Investment – who pays
3. Rent levels

So have the current models worked for us?

Our AHA tenancy has provided the security of tenure and the comfort about compensation should we have to leave the tenancy early for any unforeseen reason allow us to invest considerably in the holding and in the last 10 years we have invested approaching £900K in improvements (the Landlord has put almost nothing in). The rent level is appropriate to the holding and we have a positive relationship with our landlords, St Johns College, and their agents, Savills.

Turning to our FBT we are very fortunate to have a Landlord, Thomas Loyd whose family own Lockinge Estate, who having farmed himself until relatively recently understands the requirements of successful farming businesses. Combine that understanding with a land agent who also gets the bigger picture, our current Master of the Company, Julian Sayers, and thus we have a sensible term – 20 years initially – and an indicated willingness to extend that term as we invest more in the holding. We also benefit from a sensible approach to investment with either a willingness to consider written down periods for our investments or the Landlord being prepared to invest provided he can see a fair return for his investment. The recognition of the need for change is also vital and Thomas has fully supported that we will need to make changes to the holding in order to farm it to its potential – as an example us laying down roadways for the cows made up of concrete railway sleepers. A sensible approach to rent levels is the final piece in the jigsaw and thus we are confident to develop a second dairy unit on this FBT.

This arrangment has wider implications than for just the Christensen family. Firstly it fosters a long term relationship between landowner and tenant with both keen to improve the asset. Secondly we are in the process of setting up a joint venture with one of our employees and ultimately our ambition would be to establish him in a tenancy of his own (either at Lockinge or elsewhere). And thirdly we work closely with our arable neighbouring tenants on the Estate who grow forage crops for us and use some of our surplus organic manure. These sort of JVs in all their many forms are also a useful option to facilitate land owners and those who want to farm it. In our case it is dairy and arable producers working together I believe that this approach will be a useful part of solving some of the industries challenges by gaining some of the benefits of mixed farming but without having the distraction of too many enterprises. In short the problems of blackgrass, low soil indices and low soil organic matter for them and in my case not enough rotation of my maize crops and too much N and P.

We are also working on another JV with a local farming family to assist us in solving the challenge of our dairy male calves when we are closed up with TB. We will get all our calves through the milk rearing stage and then they will go a local farm to be reared to finishing. For us we get a guaranteed outlet for the calves at a know price regardless of their TB status and some element of the final profit. For our JV partners they will get all their calves from one source with the benefits of known disease status and knowing that the calves have has their colostrum, 10 minutes from their farm so the cattle don’t have to travel too far, influence over the choice of genetics and access to our buying power for inputs.

But I think I am fortunate in the vision of my FBT Landlord and his agent and that this story is not frequently repeated in the wider industry. Short tenancy agreements, inappropriate rent levels (albeit farmers can be our own worst enemies on this) and no mechanisms to encourage investment in the holdings are all barriers to progress. So the first question that I put to the room is how to create more examples of the sort of arrangement that I enjoy with The Loyd family and Lockinge Estate? Legislation, taxation, direct financial encouragement

The other big barrier to progress is the basic payment. I am firmly of the belief that these ongoing payments are unhelpful to progress in our industry. Why?

1. Stagnate the industry by allowing the continuation of businesses that would otherwise have to change or exit the sector.
2. Reduce the opportunities for new entrants and expanders
3. Raise input prices and limit output values
4. We end up with a hugely bureaucratic system that ties us up in red tape and a has a considerable implementation cost.
5. Ultimately capitalise in the value of land and associated rents

So for many years I have thought that the signalled and well thought out ending of support would be a good thing – and in its current form I still do. However Brexit has complicated this issue as I had always envisaged this phasing out happening at a pan European level – and not just at a UK level. And so if we do phase out support then we will be at a competitive disadvantage to our European colleagues.

However we know that direct production support is going and so it is right we discuss how best this might happen. So my second question to you tonight is should the remaining years be bought forward into a one off payment – which could be described as a ‘retirement and restructuring’ payment. Or does the suggestion in the Command Paper of support being forthcoming through the transition period but without any requirement to actively farm the land to qualify for that support do enough to facilitate the restructuring of the industry?

I am very conscious that this all sounds very gloomy – and those of you that know me will know that I am positive by nature. Well despite not wanting Brexit, in the medium to longer term it will only be a blip in the UKs history. We are extraordinarily fortunate to live on this beautiful island. Let’s not take for granted our climatic and physical stability, our developed infrastructure and the market of 66 million people on our doorstep. Above all of that we have political stability and the rule of law which will ensure that both domestic and overseas money will continue to flow into our island and the asset class that is UK farmland will still be sought after and then need someone to look after it.

Equally we could be forgiven for questioning if anyone would want to enter our industry at the moment - but there is plenty of interest out there. Last night I attended the AGM of the buying group that we use, the Orion Farming Group, and was heartened to see that room was third full with 30 somethings who were taking an interest in their group. Next week Catherine and I are hosting one of the Defra Future Farmers meeting with some 15 progressive younger farmers meeting with Defra HQ staff to feed in how they see the future for our sector and what Government’s role is. And in my own sector I recently attended a session of the ‘Entrepreneurs in dairying’ course with Chris, our current employee who will be our JV partner in the future. The room was full of bright, energetic and driven young people really keen on getting into milking cows to make their living. This course is run by the RABDF, AHDB, the NFU and the Andersons Centre and is now in its 5th year and they see tenancies and JVs as their way into our industry. I believe we should embrace that desire and enthusiasm to farm and ensure we have a thriving mechanisms in our sector to encourage them. I am learning first hand of the benefits of having a 28 year old in our business, who has come from outside the industry, as he regularly challenges the status quo and introduces new ideas, at times like a Catherine wheel spinning out new ideas. This new blood and new thinking will be invaluable in our post Brexit future.

So to conclude I think that we have a real opportunity at this time of revaluating how we run our countryside to look at revisiting the land tenure system and make sure it is fit for purpose. I don’t think we should rely on others to do this for us – we should take responsibility for this. The underlying theme running through my paper is of close working relationships and clear lines of communication – between landowners, tenants, JV partners etc and I think that will be vital in ensuring a good farming future in a post Brexit world.

Master, Thank you once again for the invitation to speak tonight, Ladies and Gentlemen thank you for listening so patiently.