A Guide to Thinking About Rents

LANDMATCH ENGLAND

Please note, this guidance is intended to help parties come to an independant decision around rents and should not be taken as legal advice

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Introduction

When sharing land there are many considerations that have to be made around compatibility and these are often centered around your business needs and your values. One of the considerations that can feel uncomfortable to tackle is what to charge for rent or if rent will be charged at all.

This guide aims to give both landowners and landseekers a broader perspective for thinking about rent. While many people look at the average rent in their area to base their own rental figures on, we delve into why that might not be the fairest or most realistic route to take and explore some alternatives.

Seeing rent as a 'value exchange' helps to open up a range of options beyond monetary rents. Later in this guide we will go through the many variables to consider when assessing the value of a land sharing agreement. We then look beyond that at what additional value can be exchanged that is fair and realistic for both landseeker and landowner businesses.

Photo Credit: Richard Bates

Average Land Rents

If you are a new entrant to farming or a landowner who has never shared land before, scanning the horizon for an average rent in your area is the natural way to begin constructing a rental figure. Whilst this may seem like a straightforward solution, there are many variables at play, making each land sharing agreement completely unique and requiring a bespoke approach to rents.

Think about the land and resources that you are considering sharing and in your mind's eye, consider how the value of each item could influence a rental price;

- Size of the land
- Topography / gradient
- Condition of the ground
- Soil health
- Pests / disease present
- Access to water
- Access to electricity
- Access to hardstanding
- Parking
- Toilet facilities
- Kitchen facilities
- Social facilities
- Track
- Fencing & gates
- Polytunnel & skin condition
- Tool shed
- Potting & packing shed
- Established beds
- Vehicle access to the plot
- Location
- Routes to market
- Restrictions
- Shared equipment
- Access to buildings
- Connection to local community
- Mentorship
- Educational opportunities
- Employment opportunities
- Accommodation

Thinking Beyond Financial Rents

At this point you might be thinking ‘How do I condense all of those items into one figure?’. In fact, the easiest thing to do is to take a step back and see the bigger picture.

For the landowner, what is the landseeker bringing to the farm? They might be bringing fresh energy, a regenerative approach, new customers onto the farm, making use of a once redundant piece of land, integrating their farming practices with yours, doing community outreach, the list goes on.

For the landseeker, what are you receiving from the land offer? The ideal land opportunity, flexibility to expand and grow, a supportive community, support with equipment and infrastructure, collaboration on routes to market, mentorship, long-term security, sharing of resources and more.

Once you have an idea of what is valuable to both parties when sharing land, the benefits that you are giving and receiving can become part of that exchange or trade. The idea of ‘value’ is of course subjective, but having an idea of what is valuable to both parties creates a foundation for negotiations around how much rent or further benefits are required to balance things out.

Another way to think about the capital that will flow between the two parties is to consider it through the lens of 'The 8 forms of Capital' as described below;

Financial Capital	Money, cashflow, profitability, access to credit and assets that can be monetised.
Living Capital	The vitality of natural systems, including soils, water, biodiversity and ecosystem function. In agricultural contexts, soil health is a core componentof living capital.
Material Capital	The built and manufactured assets that support production, such as buildings, drainage, fencing, tracks, machinery and equipment.
Intellectual Capital	Knowledge, data, innovation, systems understanding and the capacity to learn and adapt over time.
Experiential Capital	Skills, judgement and practical know-how developed through experience. In farming systems, this often explains differences in performance more strongly than soil type or input level.
Social Capital	Relationships, trust, networks and social licence to operate, including relationships with neighbours, regulators, supply chains and local communities.
Cultural Capital	Values, traditions, identity and shared purpose, including stewardship ethic and perceptions of success or "good farming".
Spiritual Capital	Meaning, purpose and sense of connection, often expressed through custodianship, legacy, place-based identity or intergenerational responsibility.

Source: CAAV Centenary Scholarship Report: The Value of Soil Health by Harry Epsom, FAAV MRICS

Building a Value Exchange Proposal

To build a fair and realistic value exchange, it is important that the power dynamics that exist around land access are recognised by both parties. To understand these dynamics please read Pathways to Land's Guide Towards Equitable Land Sharing.

The traditional way to make payment for renting land and buildings is monetary rent. Having looked at the wider benefits that can be felt from sharing land, the focus will hopefully have shifted from this narrow point of exchange to something more flexible. This might include any of the following;

Labour exchange	Define a labour exchange in specific hours or days in the land agreement.
Produce exchange	Define in monetary value and over a specific period in the land agreement.
Integrated farm services	Specify the type of service, the frequency and the period during which it should be delivered, in the land agreement. E.g. Grazing, use of waste streams, part of a rotation.
Social and educational	Specify the type of event or activity, the frequency and the period during which it should be delivered, in the land agreement. E.g. Workshops, courses, demonstrations, talks. Defined in frequency per month/year in the land agreement.
Profit share	A profit share is usually agreed to begin above a certain profit threshold or after a specific period of time at a specific % in the land agreement.
Marketing and Sales	Define as either quantity sold or frequency of events over a specific period in the land agreement. E.g. Selling produce at markets, including produce in veg boxes

Landowners

For Landowners consideration should first be made as to the motivation for taking on a tenant. This could be multifaceted and could include fulfilling business needs such as diversification or income, a desire for more people on the farm which will build community and broaden your own customer base, it could be an opportunity to support new entrants into the industry, to reinvigorate local food networks or to perform ecological services on the land. It is important then to take a realistic look at whether the tenant can fulfil those identified needs within their business plan or as part of an exchange.

Points to consider:

- Are the necessary conditions present for a landseeker to make a living from your land offer while also fulfilling the desired rent or exchange?
- What available time does the landseeker have to deliver additional services outside of their business plan?
- How long will it take for the landseeker's business to become profitable?
- What costs will be incurred by taking a landseeker on and are these balanced out by benefits in other areas?
- How much do you and your prospective tenant share a vision and mission? What is the level of investment you are able to make to achieve that vision?

Landseekers

For a landseeker, planning a business without a clear idea of what rent might be charged can feel daunting. However, the aim of this guide is to equip landseekers with the tools to negotiate a fairer and more realistic exchange, perhaps one that is not financially driven, one that will suit their business needs better. Many landowners are sensitive to the financial hardship that land work can bring and with the right preparation from the landseeker, they may be open to a more flexible idea of exchange.

Having identified what benefits the landowner is looking to receive from the land share and weighing those up with the benefits you will get as a landseeker, you will hopefully have got a sense for the kind of balance present. The next step is to make an assessment of what you and your business can sustain over and above your land work that could be included in an exchange offer. The more accurate you make this, ideally through a detailed business plan, the more realistic the outcomes will be.

Points to consider:

- How much time would you have available to commit to a labour exchange?
- Financially how much would be able to contribute towards a rent every month after expenses and basic income?
- (For basic income calculations see the Financial Projections Template in Landmatch England's Resource Library)
- What skills do you have that would add value to the landowner's business/ farm?
- How is your produce of use to the landowner?
- At what point in your business forecast could you support a profit share?
- Would any funding that you are expecting to access directly benefit the landowner such as tax relief or ecological services?

Conclusion

In general, remembering the following should support a positive experience when negotiating rents;

- Be sensitive to the contribution and situation of the other party, this will pave the way for a fairer agreement and a stronger relationship.
- Where possible, being curious and flexible will allow for unusual opportunities to surface, while also respecting the constraints resting on others' shoulders.
- Thinking creatively outside of the box can pay dividends in terms of building a strong working relationship and valuing what everyone brings to the table.
- Be very specific when specifying a rent or exchange. Record time periods, quantities or figures in your land agreement so as to avoid grey areas that could lead to disagreements and resentment later on.
- Sharing goals can make the relationship feel collaborative rather than extractive.

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