

Provision of an Agricultural Assessment

in relation to

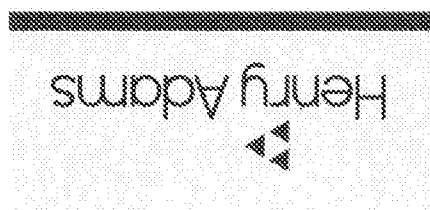
Lidsey Farm
Sack Lane
Lidsey
Bognor Regis
West Sussex
PO22 9PE

For and on behalf of Melanie Jenkins Farming Limited

Prepared by:

Henry Adams LLP, Rowan House, Baffins Lane, Chichester, West Sussex PO19 1UA

Residential / Commercial / Rural / Development / Auctions





CONTENTS

Page	
3	1. Instructions.....
3	2. Qualifications.....
3	3. Description.....
5	4. History.....
6	5. Staffing.....
6	6. Cropping.....
6	7. Budgetary Evidence.....
7	8. Proposal.....
7	9. Summary and Conclusion.....
	Appendix 1 – Farm Plan.
	Appendix 2 – Farm Budget.
	Appendix 3 – Photographs.



1. **Instructions**
 - 1.1 Instructions were received from Mrs Melanie Jenkins of Melanie Jenkins Farming Limited, Basing Park, Privet, Alton Hampshire GU34 3NS on 19 November 2015 to provide an Agricultural Assessment of the productive earning capacity of Lidsey Farm and as a result, comment on the future sustainability of that unit.
 - 1.2 The scope of the work is to undertake an inspection of Lidsey Farm to ascertain the quality of the soils and therefore the productive capacity of the unit, taking into account the quality of the buildings and additional income that can be generated from residential units and other buildings if appropriate. I am also to prepare budgets to ascertain the productive earning capacity of the holding.

2. **Qualifications**

I, Simon Lush am a Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Association of Agricultural Valuers. I am a Registered Valuer (Member No. 0079266) and a Partner of Henry Adams LLP.

I have worked in Chichester for just under 30 years in the Agricultural Division and have been involved with farm assessments for rental purposes and was recently appointed as an Arbitrator in a rental hearing. I therefore feel I have the appropriate knowledge and expertise to undertake this exercise.

3. **Description**

The farm is shown edged red on the attached plan at **Appendix 1** and the principal access is achieved via Sack Lane off the Shipney Road. In total the farm amounts to 94.9 hectares (234.5 acres) and it will be noted from the plan that the block of land on the eastern side is severed by the railway.

Recently following the construction of the Bognor Regis northern relief road further land has been lost to the south of the holding.

There are a number of dwellings which are located close to the farm buildings and the majority of these are now owned by third parties. Presently comprised within the farm there is one existing dwelling known as Evergreen Cottage which is a single storey property constructed of brick and flint under a slate roof and the accommodation comprises two

To the east of the railway the soils are Newchurch Series which are described as a deep, stoneless, calcareous soil and groundwater levels tend to be controlled by ditches and plain.

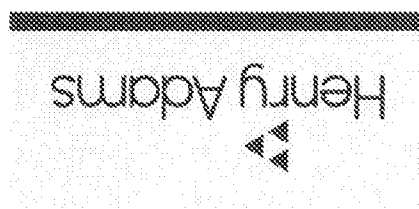
The principal soils are classed as Park Gate Series which are described as a deep, stoneless silty soil invariably affected by ground water. These soils are classed as Grade 2 under the Agricultural Land Classification and are fairly typical of the soils on the Chichester Coastal

for 120 cows. In addition there is a galvanised slurry tank. there is a steel-constructed cubicle shed with galvanised roof and concrete floor with places concrete floor which houses the old herringbone parlour and collecting yard. In addition redundant and comprise a 5-bay concrete stanchion building under asbestos roof with To the south of the principal buildings are located the former dairy buildings which are now

- A 2-bay steel stanchion structure under asbestos roof housing a Carter Continuous Flow Dryer (13.7m x 9.2m)
- Grain Store – being a galvanised structure under asbestos roof comprising ten individual bins each with a capacity of approximately 50 tons (15.7m x 7m)
- Grain Store – being a 4-bay steel stanchion structure with on-floor storage and fibre cement roof and galvanised cladding. The capacity of this building is approximately 700 tons (24.4m x 15.1m)
- Machinery Store – being a 4-bay steel stanchion structure under a fibre cement roof and road planing floor (24.4m x 18m)
- Straw Barn – being a 4-bay steel stanchion structure under a fibre cement roof with road planing floor and galvanised cladding (4.4m x 19.1m)

The principal farm buildings are located on the north side of Sack Lane and comprise the following:

At the time of my inspection Nos. 1 & 2 Winters Barn were in the process of being converted into two dwellings. The building is constructed of brick and flint under a slate roof and my understanding is that for one of the units the accommodation will be 3 bedrooms, bathroom, living room and kitchen and the other it will be two bedrooms, bathroom, living room and kitchen. For the purpose of this report I have assumed that the properties will be let on Assured Shorthold tenancies at a gross sum of £1,000 per calendar month. The cost of converting this barn into two residential units is, in my opinion, in the region of £400,000. bedrooms, bathroom and kitchen/living room. This property is presently let on an Assured Shorthold Tenancy at the sum of £710 per calendar month.



The principal operation up until 2013 revolved around a 150-cow dairy unit. The replacements were reared on-site and bull calves were sold away. As is reported in the farming press, numerous dairies have ceased business primarily due to the sizeable reduction in milk price and the average milk price is presently less than the cost of production. In addition this dairy needed sizeable capital expenditure particularly to the parlour, cow housing and a dirty water system. With the reduction in the milk price it did not warrant the capital expenditure.

4. History

The farm is presently in an Environmental Stewardship Scheme but it is due to come to an end on the 31st December 2015 and the applicant is considering their options as to the possibility of entering into a new Countryside Stewardship Agreement but no decision has been made to renew but under the new stewardship scheme it is now competitive so there is no certainty that an application will be accepted by the Natural England. All of the eligible land is registered with the Rural Payments Agency and an annual Basic Farm Payment is received. There are two footpaths over the farm but they do not interfere greatly with farming operations. I have not undertaken a full Topographical Survey but from my inspection I would suggest that generally the land is fairly flat but do slope slightly in a north to south direction. As noted earlier, Sack Lane is the main access to Lidsey Lodge Farm but this also provides access for a number of other properties owned by third parties. In addition the farm has the benefit of an Abstraction Licence for summer extraction from the Lidsey Rife which is on the eastern boundary of the property and a total of 5.4 million gallons can be extracted per annum. Services to the property include a three-phase mains electricity supply, mains drainage and mains water. pumps. These soils are of poorer quality and classed as Grade 3 under the Agricultural Land Classification.

Henry Adams



Since 2013 the farm has adopted more of a conventional arable rotation including the growing under contract of approximately 18 hectares of potatoes on an annual basis which utilises the irrigation licence as detailed above.

5.

Staffing

Presently two men are employed on the holding being Paul Budd and Paul Napper. Paul Budd has worked on the holding for over 30 years and his father before him was Farm Manager.

Both employees do not live on the holding and during the harvest period additional labour is brought in to assist with the harvest and autumn drilling.

6.

Cropping

As indicated above, the farm now follows a fairly traditional arable cropping rotation based around wheat, rape and potatoes. In addition, under the present Stewardship Agreement there are a number of fallow areas and I have utilised this rotation to formulate a budget which is attached at **Appendix 2**. For the purpose of a future budget I have assumed that the fallow areas will come back into rotation with the exception of the Greening element that has to be undertaken under the Basic Farm Payment Scheme.

7.

Budgetary Evidence

From the budget prepared I have taken into account forward commodity prices for the harvest year of 2016 and have used evidence of yields which are achievable on soils of this nature.

Variable costs reflect the quality of the soils and yields that are achieved which are above-average and are typical of the area.

This produces a gross margin for the crops grown of £41,334 and with the inclusion of the Basic Farm Payment and the licence fee received in relation to the potatoes, the total income generated amounts to a figure in excess of £63,000.

Expenditure amounts to a figure slightly in excess of £64,000 and this is primarily due to labour and machinery costs. This results in a farming loss of just over £1,000.

However, as indicated in my report above, income is generated from the letting of Evergreen Cottage and once Nos. 1 & 2 Winters Barn are complete further rental income will be

achieved which we estimate will be in the region of £33,600. The capital that was required to convert Evergreen cottage and 1 and 2 Winters Barn totalled £510,000. I have based the finance charges on an annuity basis over a term of 25 years. Taking into account finance charges of £30,600, this does produce a gross profit of £1,920.

Commodity prices are presently very low and at the time of dictating this report the spot price for feed wheat is fractionally in excess of £100 per ton. Yields generally have been above average and this meant that world stock levels are high which clearly has put pressure on world prices.

These figures are being reflected on a great many farms of this size and in the budget we have tried to reduce the actual labour expenditure to reflect what is needed for the farm and not what the actual cost is.

Farmers are also receiving less Basic Farm Payment due to the strength of the Pound against the Euro.

Proposal

I am informed that the proposal is to create three additional units on the site of the former dairy buildings and cubicle housing to the east of Nos. 1 & 2 Winters Barn. The units proposed will be three live/work units each with accommodation of two bedrooms, shower room, kitchen/living area and work space.

We would estimate that the cost of creating these three units will be a figure in the region of £540,000 and to borrow the money on an annuity basis over 25 years, the cost of this would be a figure of £32,400 per annum.

We would suggest that the rental of each unit would be a figure of £1,250 per calendar month. This would provide a gross income of £45,000.

Summary and Conclusion

As will be shown from the farm budget, the present level of commodity prices and the strength of the Pound, the farming profitability has dropped in all sectors and we have certainly seen a considerable down-turn on rents that farmers are prepared to pay on the open market.

Dated: 11th March 2015

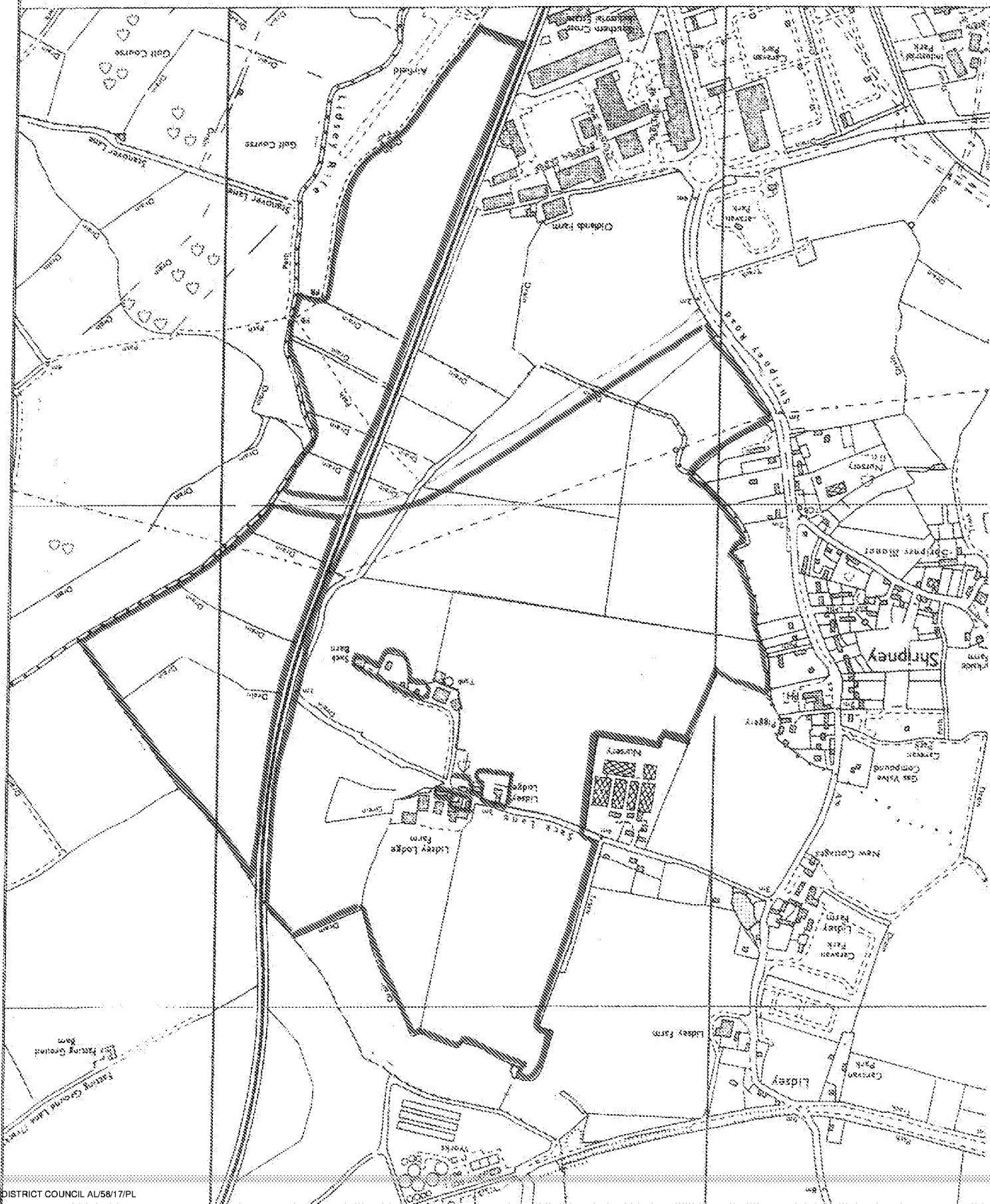
Signed:



Many farm businesses that I come across are purely surviving on income that is generated from rents whether they be residential, light industrial or equine. Personally I cannot see an up-turn in commodity prices in the foreseeable future as world supplies of commodities are high which will keep prices suppressed. The reliance on income generated from other sources will, in my opinion, become even more important and this in my opinion is evident from the fact that presently 35% of the gross income is generated from the residential lets and the costs associated with generating the residential income is considerably less when compared to the farming enterprises. With the possible inclusion of three work units the income that will be generated from these units after finance charges amounting to £12,600 will only enhance the sustainability of Lidsay Farm and will allow the holding to reinvest for the future.

Henry Adams

Produced from Ordnance Survey digital map data with permission of the Controller of Her Majesty's Stationery Office, © Crown Copyright



Lidsey Farm

FARM BUDGET

2016
Area (ha)
Output (£/ha)
Variable Costs (£/ha)
GROSS MARGIN (£/HA)
551
41,334

Basic Payment (£/ha)
181
TOTAL INCOME/HA
732

54,913

Potato margin 18 ha at £450/ha

Expenditure
Labour
Machinery Depreciation & hire
Machinery Running Costs
Insurance
Agromony & assurance
Water, electricity etc
Office, building repairs & Misc
TOTAL EXPENDITURE
854.42
64099

Total

Net Profit -1,086

Residential Rents

Evergreen cottage

1 and 2 Winters barn

32520.00

24000

8520

Less Finance charges

30600

£510,000 Fixed annuity basis over 25 years

PROFIT

1,920

LIDSEY FARM, LIDSEY GROSS MARGIN BUDGET
HARVEST YEAR 2016

	1st Wheat	2nd Wheat	Barley	Peas	OSR	Fallow	
Acre (ha)	48.35	0	0	0	20.17	6.5	75.02
Yield (t/ha)	10	9	9	4	3.7		
TOTAL YIELD	484	0	0	0	74.629		
Price (£/t)	120	105	100	335	265		
Straw (£/ha)	0	0	110	0	0		
OUTPUT (£/ha)	1,200	945	1,010	0	981		1,037
Total	58,020	0	0	0	19,777		77,797

VARIABLE COSTS:

Seed (£/ha)	72	80	72	160	36		
Total	3,481	0	0	0	726		4,207

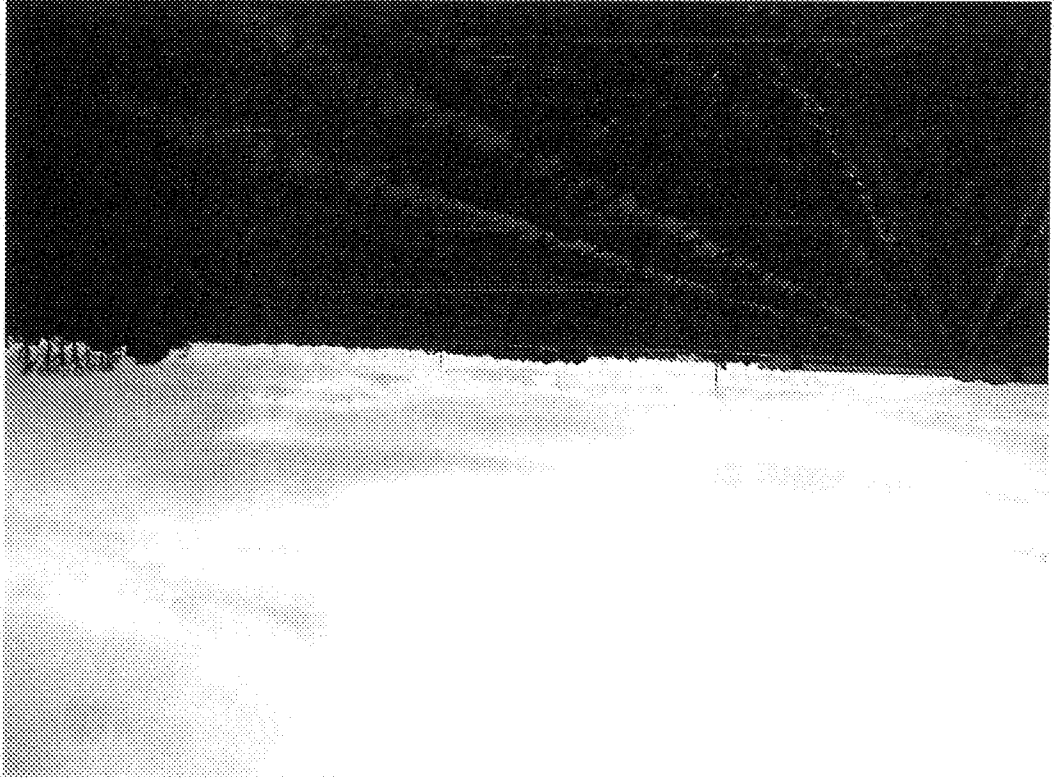
Fertiliser (£/ha)	264	241	206.5	40	215		
Total	12,764	0	0	0	4,337		17,101

Sprays (£/ha)	230	240	180	145	200		
Total Sprays	11,121	0	0	0	4,034		15,155

VARIABLE COSTS (£/ha)	566	561	458.5	345	451		486
Total	27,366	0	0	0	9,097		36,463

GROSS MARGIN (£/ha)	634	384	552	-345	530		551
Total	30,654	0	0	0	10,680		41,334

	1st Wheat	2nd Wheat	Barley	Peas	OSR
Seed	72	80	72	160	36
Fertiliser					
Nitrogen	184	161	127	0	135
PK	80	80	80	40	80
Total fert	264	241	206.5	40	120
Sprays	230	240	180	145	65
Total VCs	566	561	459	345	221



Potato Land

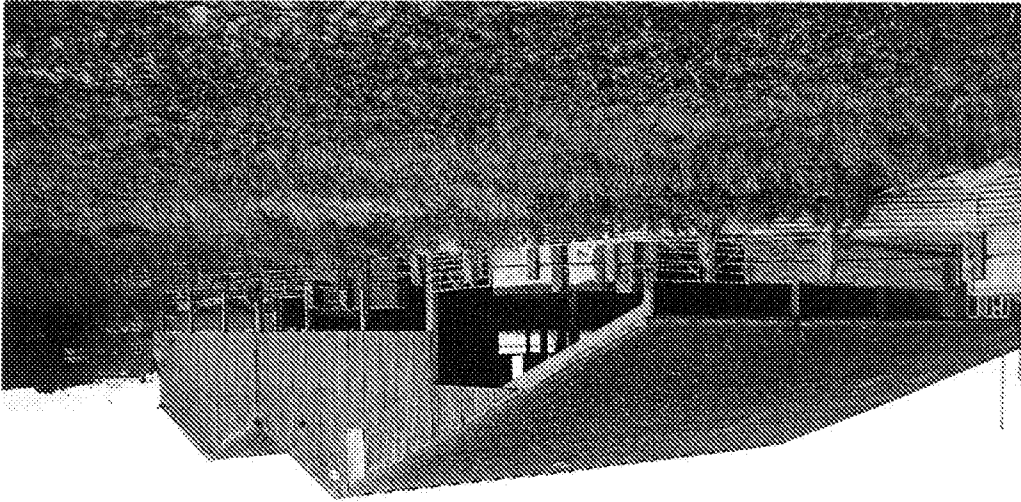


Northern Land

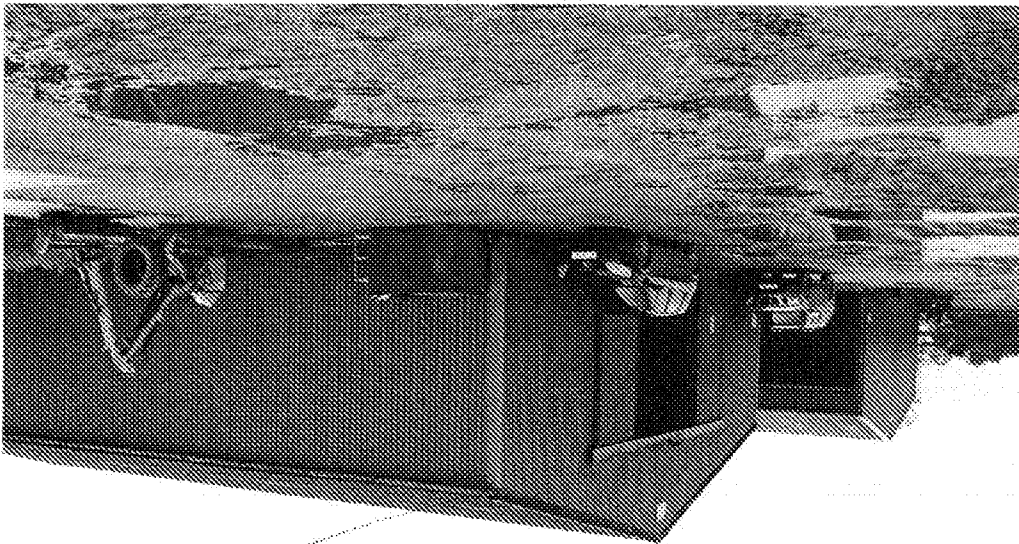
PHOTOGRAPHS OF LIDSEY FARM

APPENDIX 3.

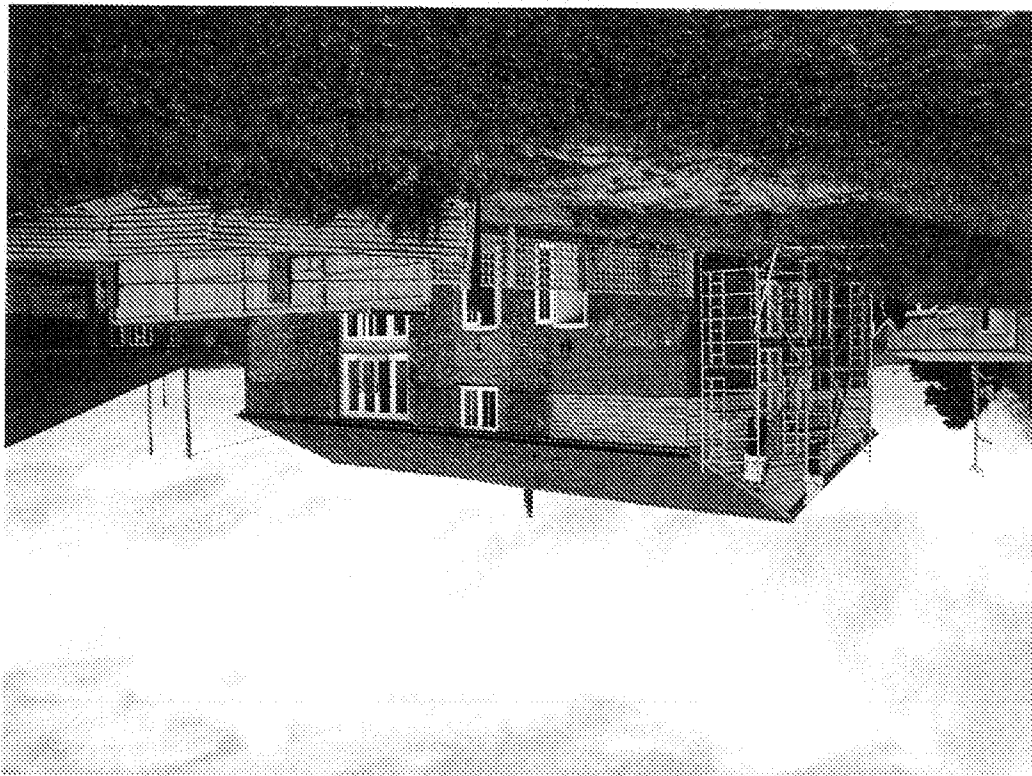
Redundant Dairy Buildings



Machinery Building



1 & 2 Winters Barn



Evergreen Cottage

