



Natural Economy Northwest

Morecambe Bay Local Grazing Scheme: Review of options and business plan

Executive Summary

Commissioned from Asken Ltd by Cumbria Wildlife Trust
on behalf of Natural Economy Northwest



Asken Ltd

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Preface

This is one in a series of reports produced between 2007 and 2009 within the Natural Economy Northwest (NENW) programme. NENW is a regional partnership programme led by Natural England, the Northwest Regional Development Agency and SITA Trust on behalf of a wide range of economic and environmental partners. The main focus is to deliver priority action 113 in the Regional Economic Strategy, to optimise the natural environment's contribution to the regional economy and quality of life.

The programme also includes the Enriching Nature SITA Trust biodiversity programme and the aspirations of Natural England and other environmental and economic partners to mainstream the natural environment within sustainable economic development. Key work areas within the programme are to:

- increase awareness of the value of the natural economy,
- commission and disseminate research to promote and facilitate delivery,
- provide direction to promote effective use of limited financial resources,
- contribute to the development and delivery of regional and sub-regional strategies,
- facilitate natural economy project development and encourage project delivery,
- promote and facilitate Green Infrastructure and Natural Tourism especially through the Sub-Regional Economic Partnerships and the Tourist Boards,
- encourage strategic investment in natural economy projects, and
- to facilitate training, skills innovation and advice to business.

In the partnership between NENW and SITA Trust, SITA Trust Enriching Nature funded projects were assessed for their delivery of economic benefits. Those that scored highest, and Morecambe Bay Grazing project was one of these, were given enhanced funding to develop the project further to optimise the economic benefits and to inform further development of the natural economy of the Northwest. This Review of Options & Business Plan was commissioned from Asken Ltd by Cumbria Wildlife Trust. It begins by reviewing the benefits and structures of local grazing schemes, before moving on to look at the Morecambe Bay Local Grazing Scheme and options for its future development. The report also explores the market potential for meat products from the scheme and then outlines a Business Plan for the preferred option.

The collaboration with SITA Trust for linking the Enriching Nature Programme with this pilot in the Northwest, to position biodiversity projects for their contribution to socio-economic frameworks, has been very much appreciated. Biodiversity projects within the overall approach of Green Infrastructure not only contribute directly to economic benefits but also underpin sustainable economic futures through investment in ecosystem services.

This work along with other NENW information and publications is on our website – www.natureconomynorthwest.co.uk. You can contact us through our website. We are interested in the ways that this report has been of use to you so that we can take into account in the further development of the programme.

This report has been commissioned by Natural Economy Northwest in the delivery of its aims, outputs and outcomes and it should not be assumed that it represents the policy of the funders – Northwest Regional Development Agency, Natural England and SITA Trust.

Dr Will Williams
Programme Director
Natural Economy Northwest

September 2009

Executive Summary

In March 2009, a consortium of conservation bodies led by Cumbria Wildlife Trust (CWT) appointed Asken Ltd to undertake a review of the Morecambe Bay Local Grazing Scheme (MBLGS). Asken Ltd was assisted by Penny Anderson Associates Ltd. The review was prompted by the plans of the current grazier to reduce his involvement in the scheme as of 2012. The review took the form of visits to all the sites involved in the MBLGS, meetings with lead partners (both individually and in group meetings) and the grazier, and research amongst others, for example managers of local grazing schemes elsewhere.

Local grazing schemes have evolved in response to a trend of grazing being abandoned in marginal areas, particularly by cattle. These areas are often of great value for a variety of reasons and this value may be reliant on appropriate grazing, in terms of the number and type of stock grazed, and the start/end of the grazing period. Research identified that benefits of a local grazing scheme relative to no grazing at all include those listed in **Table 1** below.

Table 1: Benefits of Local Grazing Schemes

Benefit Type (as per NENW)	Does an LGS provide such benefits?
Economic growth and investment	Yes - active management of the land involves economic activity that may not otherwise have taken place
Land and property values	Yes – well-managed land is likely to be worth more than badly managed land
Labour productivity	Yes - active management of the land means jobs are created and sustained
Tourism	Yes - traditional management skills that are associated with local grazing schemes help retain the cultural interest for tourists and locals
Products from the land	Yes - schemes such as these provide members of the public with an opportunity to 'buy-in' to the conservation of nature reserves by buying and consuming meat reared on these sites
Health and wellbeing	Yes – people place a high value on good environmental management of land and the sites provide a resource both to learn skills and to demonstrate management techniques
Recreation and leisure	Yes - paths and tracks are more likely to remain free of vegetation
Quality of place	Yes - stock, and people who tend them, create a presence in the countryside rather than a feeling of abandonment
Land and biodiversity	Yes - as species diversity is maintained by control exercised over the more competitive species, the mosaic of different land covers can be maintained
Flood alleviation and water management	Yes – properly grazed land is less prone to erosion and rapid run-off, thus avoiding the adverse effects these generate
Climate change adaptation and mitigation	Yes – the organic form of farming creates a lower carbon footprint than conventional farming

Local grazing schemes now take various forms, the most common ones being where a ‘flying herd’ is created and ‘flown’ out to sites in need of grazing; a matching service, in which people with stock are put in touch with people who have sites in need of grazing; where the herd is owned by the county wildlife trust and used to graze its own sites and possibly some others; and, an advisory service, which helps graziers and landowners manage their stock to achieve conservation objectives. Evidence suggests that there is scope to increase the area that comes under management of local grazing schemes, with demand coming from various directions. Interviewees were asked what scope they saw for adding to the area under this form of management and a number of sites were identified in Cumbria and parts of North Yorkshire. These ranged from large sites over which better management was required but current uncertainty over tenure prevented it, to small sites owned by private individuals who wanted to apply a better form of management.

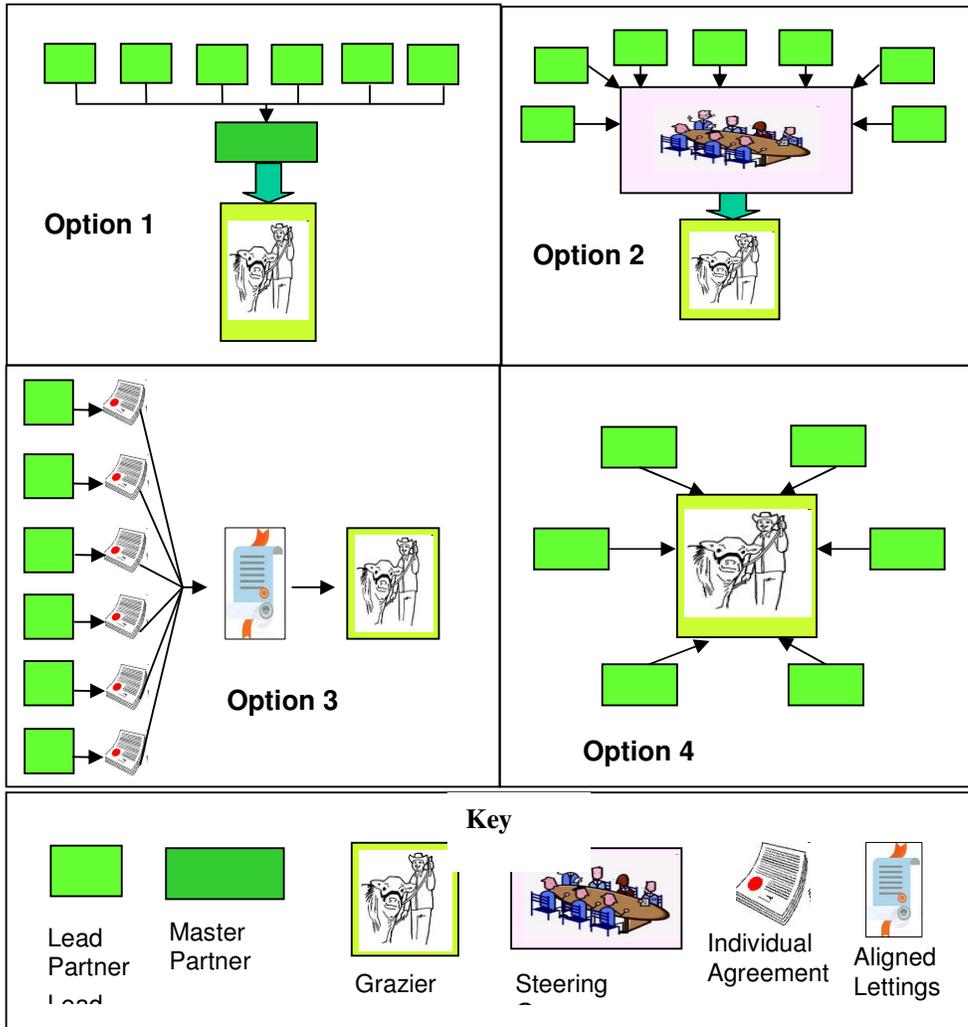
It is in the context of increasing demand for such schemes that MBLGS has evolved, although it does not fit any of these common forms. MBLGS animals are used to graze over 1,000 ha of land, split into over 70 sites spread across North Lancashire, South Cumbria and in the Yorkshire Dales. The 1,000 ha is mainly of high value in both nature conservation and landscape terms. Over 90% of the land is designated as Sites of Special Scientific Interest (SSSIs), over 80% are Special Areas of Conservation (SACs) and over 70% are National Nature Reserves (NNRs). Nearly 85% of the land is in protected landscape areas (National Parks and Areas of Outstanding Natural Beauty - AONBs) and around 70% is in Severely Disadvantaged Areas (SDAs). Analysis of data about the condition of SSSIs, and the judgment of those responsible for managing them, suggests that the grazing scheme is having a beneficial effect and needs to be continued in similar vein.

The land is owned by a mix of private, public and voluntary sector individuals/organisations under a mix of letting arrangements which have developed and grown over the years since the scheme started in 1994. All the land is farmed organically. Some of the herd of traditional breed cattle are owned by landowners and others by the grazier, who also owns a small flock of Hebridean sheep. Stock are out-wintered and fed little by way of supplementary concentrate feed. A set of buildings is rented in the Silverdale area and used to house calving cows and animals receiving veterinary treatment.

The terms of reference for the study identified four possible options for the future:

- Option 1 One of the current conservation organisations takes over responsibility for the Conservation Grazing, purchases all the necessary stock and assets and manages the scheme with their own employed staff.
- Option 2 A partnership is formed between the current organisations to assume collective responsibility for the project, likewise owning and managing it on a shared basis.
- Option 3 Another independent grazier takes over the initiative, so that the project continues along similar lines to the existing, only under new management. The new grazier would be a self employed licensee using a mix of their own and landlords’ resources to manage the operation with minimum input from the organisations other than sufficient oversight to ensure the agreed grazing regimes are applied.
- Option 4 All the grazing is let on a commercial basis to whichever independent graziers are willing to step forward.

It may assist in understanding the differences if the options are portrayed diagrammatically:



In order to allow comparisons to be made, a 'baseline position' was created and financial forecasts produced. The baseline is intended to be a 'normalised' position with no change in area grazed with the number of stock at a stable level. Research was conducted in an effort to establish the change in grants and subsidies that might occur after 2011 and these predictions were used with the physical data to produce financial projections.

Annual profit/loss figures for Options 1, 2 and 3 are given in **Table 2** below. In the detailed analysis, it was realised that there was likely to be very little difference in the performance of the MBLGS under Options 1 and 2, as the key differences rest with the way the lead partners (i.e. the key landowners) organise themselves. Option 4 was deemed impossible to predict, as it would involve a multitude of agreements between different partners and their respective graziers.



Other factors that may differentiate the options were considered:

- An analysis of risks of the different options was also undertaken, based on professional judgment rather than a detailed or sophisticated analysis. However, it is intended to highlight the differences in risks between options and their relative significance. The analysis is summarised in **Table 3**.
- Using a tool on the Carbon Trust website, a comparison was made of the carbon footprint of the options but only looking at the key variable between them – the fuel used to visit sites and stock. The results are shown in **Table 4**.

Table 2: Annual Profit/Loss for Different Options

Item	Option 1 and 2	Option 3
<i>Income</i>		
Gross Margin Income	6291	6291
Grants and Subsidies	120736	120736
Other Income	1489	1489
Sub-total	128515	128515
<i>Fixed Costs</i>		
Labour	75485	34875
Power and Machinery	31298	30798
Property Costs	4500	4500
Other costs	9450	5850
Finance	7627	7021
Sub-Total	128360	78631
Profit/(Loss)	156	49884

Table 3: Comparative Analysis of Risks

Theme	Options 1 & 2	Option 3	Option 4
Grazing manager/grazier	Loss of key staff	New grazier proves unsuitable or unable to cope	Continual changeover of graziers, some of whom prove unsuitable
Capital base	Loans not available or are called in	Loans and/or assets not available, or loans called in	Not applicable as risk is spread amongst range of graziers
Trading viability	Payments under SPS and AES are not as great as predicted		
	New scheme runs at a loss and CWT (Option 1) or lead partners (option 2) have to fund the scheme	New grazier runs into financial difficulties, leading to withdrawal from the arrangement	Some sites may not be grazed or not grazed appropriately
Administrative matters	Errors in admin of schemes leading to penalties		
	Under Option 2, internal difficulties in developing inter-partner workings lead to withdrawal	Public sector bodies required to subject lettings to competitive tender	Not applicable
Occupiers' Liability	CWT (Option 1) and lead partners (Option 2) have occupiers' liability	Grazier has occupiers' liability	Individual graziers have occupiers' liability

Table 4: Comparison of Carbon Footprints of Travel Involved in the Different Options

Option	Estimated CO ₂ Emissions (tonnes/annum)
1	10.74
2	10.74
3	7.68
4	3.84

Note: this analysis only looked at the travel to visit sites, not the whole grazing scheme.

A sensitivity analysis revealed that the most important variable in determining financial performance was the rates of payment under the Single Payment Scheme (SPS) and agri-environment schemes (AES).

In addition to the analysis of options, opportunities to alter the current MBLGS management system were explored. The variations considered were:

- Proactively increasing the area of land grazed (with concomitant increase in cattle numbers);
 - Changing the mix of cattle (e.g. moving to a rearing only system, contract rearing of dairy heifers);
 - Setting up a Lookers scheme;
 - Developing a premium market for the meat produced from the MBLGS.
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Each of these variants offers scope to improve financial returns but, in some cases, place extra burdens on management that may jeopardise the ability to provide the service required by the partners.

The options and variants were discussed at a meeting of the lead partners and it was agreed that an approach close to Option 3 would be the best option for all concerned, whilst the variants were available for the existing or new grazier to pursue as per his/her personal preference. This appears to provide a financially sustainable option that will ensure the environmental, economic and social benefits currently being delivered by MBLGS can continue into the future (see **Table 5**).

Table 5: Projected Annual Profit/Loss for Preferred Option (as at 2009)

Item	£
<i>Income</i>	
Gross Margin Income	6,300
Grants and Subsidies	120,700
Other Income	1,500
Sub-total	128,500
<i>Fixed Costs</i>	
Paid Labour	35,000
Power and Machinery	26,500
Property Costs	4,500
Other costs	6,000
Finance	6,500
Sub-Total	78,500
<i>Profit before tax</i>	<i>50,000</i>

Given the level of profitability that appears to be achievable, it is reasonable to suppose that the business model could be replicated elsewhere, provided that the key criteria are met, namely that there is an adequate area and mix of appropriate sites to draw in enough subsidies and grants to cover costs, and a suitable grazier can be found to manage the sites and grazing cattle.

Consideration was then given to the process to be followed to appoint a new grazier. An approach is proposed based on examples from other grazing schemes where new graziers or managers have been appointed. Because of the unusual circumstances surrounding the letting of land under the MBLGS, it is considered appropriate that applicants should be provided with information about the projected financial returns to be gained from the gazing scheme, based around the figures produced for Option 3 above. Indications are that the gazing scheme can be operated at a reasonable profit. However, for this to have the best chance of attracting suitable candidates, the lead partners will need to develop an integrated approach to letting their land.

It is important that momentum is not lost between now and 1st January, 2012. A number of actions need to be undertaken by the lead partners in the near future. In Section 9, a timetable of events (reproduced as **Figure 1** below) is provided, together with the following recommendations:

- Encourage partners to ‘sign up’ to the analysis and proposals set out in this report;
 - Align the letting arrangements for each site as closely as possible, based on a 10-yr period (and possibly with a 5-yr break clause);
 - Develop and agree guiding principles by which partners will operate the scheme and what they will provide by way of support (in kind, financial and/or assets).
 - Prepare any framework (legal documents or something less formal) that are required to provide for a letting a ‘package’ of individual arrangements;
 - Seek and follow professional advice on transfer of entitlements to SPS and AES;
 - Decide whether or not the grazing scheme is to continue to run a herd of suckler cows and plan for the implications – the need for hay meadows to provide winter fodder and buildings to house the animals at critical times (e.g. during calving);
 - Recruit a new grazier as per suggested procedure:
 - o Let as per farm tenancy/grazing licence (asking applicants to provide profit/cash flow projections, management strategy/plan etc. but providing guidance as per the Business Plan for Preferred Option set out in Section 8 above);
 - o Seek a new grazier with emphasis on:
 - Proven stockmanship;
 - Willingness to learn/adopt conservation grazing management skills;
 - Willing to commit to the scheme full-time and financially;
 - Sufficient capital and business performance track record;
 - Local knowledge;
 - Leave transfer of MBLGS-owned assets for the new and existing grazier to negotiate (except SPS entitlements and AES payments);
 - Identify and satisfy legal obligations to employees re: redundancy/transfer of undertakings;
 - Facilitate handover by providing site-knowledge, training and funding of advice (if needed);
 - Explore potential for a Lookers scheme – now if the existing grazier is keen to do so or later if the new grazier is keen;
 - Develop the meat marketing if the current grazier and/or partners are keen to do so but only if the developments are capable of continuing without significant inputs from the new grazier;
 - Follow as closely as possible the timetable of events given above.
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Figure 1: Timetable of Events

Task	Year					
	2009	2010	2011	2012		
Sustain current MBLGS	■	■	■	■		
Circulate review report and get 'buy in' from partners	■					
Manage transition from HFA to UELS		■				
Maximise HLS and proportion that can reasonably be offered to MBLGS	■	■	■			
Re-align letting arrangements	■	■				
Agree process and principles		■				
Prepare documentation			■			
Issuing of documents, adverts etc			*			
Identify new grazier				■		
Appoint new grazier				*		
Transfer of entitlements					■	
Handover/Period of shadowing					*	
Start of new letting arrangements						*
Setting up Lookers scheme (if needed)			■	■		
Provide training and support to new grazier					■	■
Sustain new grazing scheme						■