CASE STUDY



Ecological Land Co-operative

Case Study: Ecological Land Co-operative

This case study has been written for UK-based community groups, charities and co-operatives seeking to buy and manage farmland. Bringing land into community or co-operative ownership in the UK has rarely been simple, but it is possible. This is one of three case studies of community groups and co-operatives who have achieved farmland ownership and management, examining in detail the business models that allowed for their continued success. All case studies can be downloaded from: https://communityfarm.land/.

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The Ecological Land Co-operative

Established:	2007
Structure:	Community benefit society
Objective:	To benefit the community by widening access to land for sustainable land-based uses.
Start-up funding:	Two development grants of £24,000 from the Co-operative Fund and Business Link.
Farms owned:	Sixteen.
Hectares:	59 (146 acres).
Plans for growth:	The ELC plans to increase the number of farms they offer.
Regions:	England and Wales
Website:	www.ecologicalland.coop

The idea for the Ecological Land Co-operative (ELC) emerged from a small group of environmental and land-rights activists based in South-West England. The group received two development grants totalling £24,000, paying for start-up costs including a development worker to develop a business model.

With a business model in hand, the ELC launched their first share offer, attracting £65,000, which together with a secured overdraft facility of £45,000, enabled the purchase of the first site of 22 acres for £100,000.

The ELC's Business Model

- The ELC's current business model is to develop residential smallholdings on bare agricultural land, and sell affordable 150-year farm business tenancies to ecological farmers.
- Costs are covered by increasing the value of agricultural land by obtaining permission to build an agricultural worker's dwelling on each of its farms.
- The ELC repays investment and loans by selling the residential smallholdings to ecological farmers after obtaining planning permission.
- The ELC delivers on its objectives by ensuring their holdings are delivered affordably, and by monitoring the smallholdings to ensure they are used for agroecological farming and kept affordable.

Governance

The ELC is a multi-stakeholder co-operative with four member classes:

- Community members:
  - Workers: paid and unpaid, part time and full time; and
  - Stewards: those engaged in managing land ecologically.
- Non-community members:
  - Supporters; and
  - Investors: anyone who has invested the minimum amount.

Supporter and Steward membership is open to organisations as well as individuals.

The members elect a Board of Directors who are responsible for strategic direction. The Board of Directors is composed of members from the different member classes. Community members must have a majority of the Directors on the board.

However, the ELC's rules are currently under review.

Step 1: Financing

- Initially the ELC were financed through community shares, loanstock and commercial loans, but as the organisation became more established, the ELC received increasing amounts of grant funding, and were offered low-cost loans by charitable trusts.
- In the ELC's model, funds are primarily needed to purchase land and build farm infrastructure, including solar PV to provide electricity to the farm. There are also overheads, particularly staff costs (see below).
- The cost of borrowing in the form of interest payments to community shareholders and lenders is approximately £9,000 per site.
- ELC's current annual cost of grant fundraising is £12,000 in staff salaries, and £7,000 in other costs, primarily research resources.

Step 2: Site Purchase

The ELC focused on purchasing land in Southern England and Wales for not more than £4,000 per hectare. Finding each site has taken on average almost a year, whereas the purchase process typically is completed within three months. The ELC has historically allowed a budget of £2,500 to pay consultants, such as ecologists and farm business advisors. ELC has used pro-bono solicitors for conveyancing, but otherwise budget £2,500-£3,500 for conveyancing per site purchased.

Further information:

- ELC's land purchase criteria: https://communityfarm.land/wp-content/uploads/2022/05/Land-search-process-diagram.pdf
- Community Farmland Toolkit Guide: Looking for Land: https://communityfarm.land/.
- Community Farmland Toolkit Guide: Buying Land: https://communityfarm.land/.

Step 3: Planning Permission for Residential Smallholding

The critical step in the ELC's model is to secure planning permission for an agricultural worker's dwelling on each smallholding. In the first instance, the planning authorities require for this to be a three- or five-year

temporary permission until the farm business has established itself as viable.

Before making an application, the ELC takes the time to inform and consult the local public, and to develop both a farm business and land management plan for the proposed farm. On average, it has taken four years from the point of buying a site, to securing temporary planning permission, largely waiting on the planning authority to make their decision. The Coronavirus pandemic of 2020-21 contributed to the higher-than-expected average of four years.

The ELC budget £12,000-£15,000 in staff costs and consultancy fees to secure temporary planning permission for each site.

Further information:

- Examples of ELC's planning applications: https://ecologicalland.coop/planning/.

Step 4: Development of Site Infrastructure

Once planning permission is secured, the ELC instructs contractors to develop infrastructure. Typically, this is: road access; an internal track; a barn with solar PV roof; and water supply. Sometimes the planning authority will have their own requirements, such as the provision of a passing space and these will come with additional costs. ELC currently budgets £120,000 for site infrastructure.

Typically, this stage is complete within four months. At this stage the ELC will also ensure that public liability and buildings insurance are acquired for the site.

Step 5: Determine sale price

Once the ELC can calculate the total amount spent on a single site, the staff and directors consider what amount ought to be charged for the small farms created. Should each farm within the same site cost the same, or should the size of the farm be reflected in the price? So far, the ELC has successfully raised grant income to lower the final cost to new entrants. Currently, the ELC charges about £120,000 for a 150-year lease on a three-hectare farm with permission for a dwelling, road access, shared barn, solar PV system, and water supply.

Step 6: Farmer Recruitment and Selection

The ELC changed its approach to farmer recruitment. It moved from an application process which opened for a few months when a site was ready, to an open and ongoing application process. The ELC aims to provide guidance year round for potential ELC farmers. The ELC can then let successful applicants know when a site is ready. The ELC considers that they need 8-12 days' work time per farmer selected and allow for up to a year for each farmer to move onto their farm from their initial application.

Further information:

- ELC's information for prospective tenants: https://ecologicalland.coop/join-us/join-elc-as-an-ecological-farmer/
- ELC's Q&A Session for prospective tenants at the Oxford Real Farming Conference 2021: https://www.youtube.com/watch?v=0z0w6xzYmxw&feature=youtu.be

Step 7: Signing of Agricultural Business Tenancy

An agricultural business tenancy between the ELC and the farmer tenant is signed with a corresponding site management plan. The management plan, tied to the tenancy, sets out ELC's requirements, such as the prohibition of synthetic fertilisers. The documents together provide ELC with a mechanism to ensure the newly created farm is indeed used for a farm business, and farmed ecologically. So far, the ELC have used a 150-year agreement, although this is highly unusual. The ELC allow for a budget of £1,000 - £1,500 in legal fees for each new agricultural business tenancy entered into.

Further information:

- ELC's lease: https://ecologicalland.coop/join-us/join-elc-as-an-ecological-farmer/elc-lease-agreement-guide
- Example management plan: https://ecologicalland.coop/wp-content/uploads/2022/06/h.-Arlington-Management-Plan.pdf

Step 8: Farmer Pays for Agricultural Tenancy from the ELC over 25 years

So that the new farmer does not need savings, or to secure a mortgage, the ELC allows the farmers to pay for the 150-year tenancy over 25 years.

This incurs an ongoing administrative expense, and the ELC has to cover the cost of borrowing over 25 years. The ELC to date has passed on a charge to the farmer of 6% per annum of the remaining balance due.

Step 9: ELC Returns Investment to Investors over 25 years

As the ELC is paid for its farms over 25 years, funds can be returned and used to allow investors to withdraw their investment.

Step 10: ELC Starts Annual Monitoring

In order to ensure that the ELC delivers on its objectives of bringing land into agroecology and affordable use in perpetuity, the ELC conducts an annual audit. The ELC incur a cost, in staff time, soil tests, and for an ecologist to carry out the annual ecological survey. Some of this cost is recouped from the farmers by way of an annual monitoring fee which is currently £400 per year per farm. The ELC contributes an additional c. £600 per farm to cover the costs of annual monitoring.

Further information:

- Examples of ELC's monitoring reports: https://ecologicalland.coop/site-monitoring/

Step 11: After 5 years, the ELC Seeks Permanent Permission for the Residential Smallholding

Currently planning policy in England and Wales does not allow for the application for permanent permission for an agricultural worker's dwelling on a bare field site. This can only be applied for after at least three years, and the farm business needs to be established and demonstrate that it is a viable business. So far, the ELC has spent £700 per farm on planning consultants to prepare the application for permanent permission.

Further information:

- Example application for permanent permission: https://ecologicalland.coop/planning/greenham-permanent/

Typical Costs*

Site Development Costs - per site of three farms	
Land	£140,000
Site surveys and advisors	£2,500
Legal costs – conveyancing	£3,000
Planning (staff and consultants)	£14,000
Site infrastructure	£120,000
Cost of borrowing	£9,000
Legal costs – tenancies	£3,000
Direct staff costs	£14,000
Travel costs	£2,000
	£307,500

Annual Site Overheads - per site of three farms	
Site monitoring	£1,800
Steward support	£600
	£2,400

Annual Organisational Overheads – spread across more than one site	
Office hire	£4,000
Insurance	£2,000
IT & comms	£5,000
Fundraising	£6,000
Accountancy	£1,700
Meetings & away days	£2,500
Cost of borrowing	£20,000
Staff costs	£68,000
	£109,200

*If you're creating your own budget, try contacting the ELC for up-to-date figures.

Staff Roles

Staff roles have changed considerably in the 15 years that the ELC has been in existence. In 2022, the ELC had the following staff team:

Staff roles and days per week:

Coordinator	2.5 days
Fundraiser	2 days
Administration and finance	2.5 days
Communications	1 day
Site development	2.5 days
Site monitoring	2.5 days
Information systems	1 day
Planning applications	1 day
Steward support	2 days

Primary Strengths of the Current ELC Business Model

The model:

- Ensures that even in the event that the ELC were not to exist, the farms created would still be protected for agricultural use and ecological stewardship.
- Allows land to be taken out of the cycle of increasing land and property values, and keeps the cost of ELC's farms connected to farmers' incomes.

Primary Weaknesses of the Current ELC Business Model

- The ELC's existing model needs a critical number of farms paying rent to cover organisational overheads. Otherwise, the ELC are tied into either: developing more smallholdings; or, grant fundraising.
- The ELC needs to keep reviewing and evolving its business model to ensure it has the resources needed for the long-term care of both its land and members.
- The existing model requires a large amount of capital; capital is required to buy land and develop infrastructure but is only paid back over 25 years.

Of note is that the ELC's model is currently under review.

This case study was written by Zoe Wangler.