



Farming at Haweswater

An economic report 2013–2016

Working together to give nature a home



Overview

- In 2012, the RSPB took on the tenancies of Naddle and Swindale Farms, near Haweswater, in the east of the Lake District National Park. Both farms are owned by United Utilities and are part of the Haweswater reservoir drinking water catchment area.
- Together, the RSPB and United Utilities are trialling land management methods that produce high-quality livestock, alongside a range of public benefits, including safeguarding water quality and enhancing wildlife. This report summarises the financial details of the operation from 2013 to 2016.
- The two farms, together with their associated common grazing land, cover about 3,000 hectares and are run as a single unit. Since 2013, the day-to-day farming operation has been run by a contractor. There is also a team of three full-time equivalent RSPB staff who look after the wider operation.
- The farming operation has around 1,150 breeding ewes (plus pre-breeding ewes). In addition a small number of ponies and cattle are kept at various times to keep the habitat in good condition.
- Average annual livestock sales over the period were £55,272. Costs associated with livestock production, which include all labour costs, far exceeded sales at £217,403 per year.
- Government grants averaged £278,939 per year. These made the farming operation viable.
- Over the three-year period from 2013 to 2016 – with support from grants – the farming operation generated an average residual profit of £95,808 annually.
- All farm profit was invested back into the landscape, partially covering the costs of the RSPB team and supporting nature conservation and infrastructure delivery. The RSPB invests a further £52,000 a year to cover the full costs.



Background

The RSPB took on the tenancies of Naddle and Swindale Farms in 2012. Both farms are owned by United Utilities and are part of the Haweswater reservoir drinking water catchment area in the Lake District National Park. The RSPB and United Utilities are working in partnership to trial land management that benefits wildlife and improves raw drinking water quality, while maintaining a hill farming operation.

We are committed to being transparent about the farming operation's accounts. This report is the first publication of the farms' accounts, summarising financial details of the operation from 2013 to 2016.

Within this report we have presented the economics of the sheep farm business and wider RSPB operation separately. We then bring the whole operation together in a broad overview.

With any land management operation, the financial situation can vary considerably year on year, and those with a livestock component can be particularly variable due to fluctuating market prices for livestock and production costs. The information here summarises three financial years (1 April to 31 March) and gives an average annual figure for income and expenditure.



Sheep by Patrick Neaves (RSPB)



The farming operation

Naddle and Swindale Farms are run as a single farm unit, totalling approximately 750 hectares (1,850 acres) of directly managed land. Associated with the two farms are significant common grazing rights over three commons: Mardale, Bampton, and Rosgil and Ralfland.

Naddle and Swindale Farms are together in a Higher Level Stewardship (HLS) agreement that started in 2013. The three associated commons are also in HLS agreements, with Bampton Common starting in 2010, Rosgil and Ralfland Common in 2012 and Mardale Common in 2014. In addition Basic Payment Scheme (BPS) is claimed for all eligible land.

Since 2013, the day-to-day farming operation has been run by a contractor. In return for a fixed annual fee, the farm contractor provides all on-site farm labour, machinery and fuel costs. Due to the large areas of common land associated with the farms and the effort involved in gathering sheep from them, labour costs are significant. The farm contractor lives on site and has, at different times, employed full-time staff and made use of local casual labour.

Livestock numbers, timing of grazing and areas to be grazed are determined by both the

management plan for the site and the HLS agreements. Decisions about livestock sales and purchase, breeding, feed and veterinary inputs are made by the farm contractor with RSPB agreement.

Various farming models were considered before settling on this arrangement. This model provides enough control for us to implement the management trial effectively, while also providing the farm contractor with sufficient autonomy to remain committed and inspired to manage the farming operation to a high standard.

Higher Level Stewardship

This is an agri-environment scheme administered by Natural England. The scheme provides funding to farmers and other land managers to deliver effective environmental management.

Basic Payment Scheme

This is a European Union payment to support the farming industry and is paid out on a per ha basis.

The RSPB team

The RSPB has been working at Haweswater since 1969 when breeding golden eagles first returned to the Lake District. Our initial activity was focused on protecting them from egg collecting and human disturbance. The relationship with United Utilities developed over time to include a range of land management and wardening activities.

The RSPB staff based at Naddle Farm carry out a range of tasks not directly associated with the day-to-day running of the farm business. The focus is on delivering nature conservation, involving people and ensuring the farms' infrastructure is in good condition.

The work includes a range of infrastructure works such as: fencing and walling, building

maintenance, tree planting and the management of a tree nursery, wildlife survey and monitoring, scientific research, public and community engagement, and overseeing and delivering ecological projects such as river restoration.

There are three full-time equivalent members of staff on the team, and they are assisted by both residential and local volunteers. The RSPB team works closely with the farm contractor, and while we support each other, there is a clear delineation between work carried out as part of the farming business and that carried out as part of the reserve operation. This team's labour costs are not included within the financial accounts as they are not part of the farming operation.

Farm boundaries and infrastructure

As on any farm, boundary maintenance is an important task. At Naddle and Swindale Farms, internal walls and fences are maintained by the farm contractor with provision for this included in the contract fee. The maintenance of external boundaries is the RSPB's responsibility and maintenance of woodland boundaries remains the responsibility of the landlord, United Utilities.

The RSPB allocates £10,000 per annum to boundary renewals over and above those paid

for as part of the contractor's fee. This work is usually done by the farm contractor outside of the contract and through a part-time RSPB estate worker.

All building costs are covered by the RSPB, including the two residential properties that are used by the farm contractor and staff. Farm staff pay an agricultural (minimal) rent to the RSPB for the use of these properties and they cover all rates and utility bills associated with them.



Haweswater by Patrick Neaves (RSPB)

Livestock

Sheep

There are currently 1,150 breeding ewes plus followers (pre-breeding ewes) on the farms, about half of which are Swaledale and the rest are North Country Cheviot. 220 of these belong to a neighbouring farmer and are managed under agreement. The larger proportion comprises the landlord's (United Utilities) flock and is effectively an asset of both farms.

Over half of the sheep (710 breeding ewes plus followers) are associated with Mardale Common and the remaining 440 with Bampton Common. We don't exercise grazing rights on Rosgil and Ralfland Common, with the Commons Association having opted to establish native woodland to fulfil the HLS agreement on the part of the common associated with Swindale Farm. We remain an active member of the Commoners Association and support the delivery of the HLS scheme.

We do not maintain a draft flock (sheep kept off the common). Most of the sheep are sold as breeding stock as the farms are not suitable for producing much finished stock due to the lack of suitable pasture. Many of the hay fields associated with Naddle Farm were lost when Haweswater reservoir was created.

All sheep are wintered off the commons in order to facilitate habitat restoration, as are many flocks in the Lake District. While this incurs some additional feed costs this is compensated for by

HLS payments for seasonal livestock exclusion. Some of the flock are sent away for winter, with most going to other RSPB sites, for which a fee is paid. Other sheep are kept either in barns or fields within the farm boundaries. Investment in farm buildings has enabled more livestock to be kept inside and for lambing to take place under cover. This has improved welfare standards and ease of livestock handling, as well as reducing risks to water quality.

Cattle

Due to concerns about pathogen transfer into drinking water supply, United Utilities prefers to keep the number of cattle on catchment to a minimum. Accordingly, we graze only 10 cattle in an area of mire in Naddle Valley and only during summer months. This area is part of the Naddle Forest Site of Special Scientific Interest and Special Area of Conservation, and Natural England has asked that this area be grazed by cattle to keep the habitat in good condition. At other times the cattle graze on a part of the site that is not in the drinking water catchment area.

The cattle are owned and managed by a third party and brought onto site to deliver a conservation grazing service.

Ponies

A small number of ponies graze in Swindale during the winter months. As with the cattle, this is to deliver conservation grazing and they are owned by a third party.

Fodder production

Hay or haylage is made from the meadows within Swindale by the farm contractor as part of the farm contract. This does not produce sufficient quantity to feed the livestock the farming operation currently supports through

winter, so additional feed is bought, in the form of hay, silage and concentrates. There is very little suitable mowing ground at Naddle Farm.

The financial relationship with United Utilities

The tenancy agreement with United Utilities is for 45 years. The RSPB pays an agricultural rent which in 2016-2017 was £22,000 per annum. We also rent some land adjoining Naddle Farm for an annual rent of £1,000 per annum.

United Utilities provided capital grant funding through their Sustainable Catchment Management Programme (SCaMP) which, in combination with HLS capital funding and RSPB core funding, delivered a comprehensive package of infrastructure works on the farms. These included boundary work, tree planting and

building improvements to enable more sheep to be wintered off the commons.

Support through SCaMP was available to all tenants on United Utilities drinking water catchment land. This was part of a package to improve how the catchment acts as the primary filter for raw water quality. Besides an annual fee to cover ecological survey work on United Utilities' land outside of the RSPB tenancy, no other monies have been paid to the RSPB by the company in respect of the farming operations at Haweswater.





Financial accounts 2013-2016

Livestock outputs

Revenue from livestock sales have been consistently lower than the costs involved in livestock production. Over the three-year period the annual average livestock output is a cost of £162,131.

Livestock sales	3 year average	2013-2014	2014-2015	2015-2016
Lamb sales	£25,265	£24,908	£11,431	£39,455
Breeding stock sales	£21,968	£22,518	£23,713	£19,672
Culls and miscellaneous livestock sales	£6,276	£9,222	£7,714	£1,892
Wool sales	£1,764	£1,381	£1,709	£2,202
Total livestock sales	£55,272	£58,029	£44,567	£63,221
Livestock production costs	3 year average	2013-2014	2014-2015	2015-2016
Farm labour, fuel and machinery	£146,545	£117,827	£163,486	£158,323
Supplementary feed	£34,938	£46,701	£43,357	£14,755
Veterinary and medical expenses	£21,625	£19,562	£24,795	£20,517
Livestock purchase (including tups)	£3,253	£1,600	£3,760	£4,400
Away-wintering	£3,273	£1,850	£1,535	£6,434
Other costs	£7,769	£3,132	£9,870	£10,305
Total livestock production costs	£217,403	£190,672	£246,803	£214,734
Total livestock output (income minus costs)	-£162,131	-£132,643	-£202,236	-£151,513

Income from agri-environment schemes and Basic Payment Scheme

CAP payments make up the majority of farm income. These payments are currently guaranteed by Defra until 2023.

Funding source	3 year average	2013-2014	2014-2015	2015-2016
Basic Payment Scheme	£105,439	£93,776	£97,039	£125,501
Naddle and Swindale HLS	£78,198	£60,806	£85,379	£88,409
Mardale Common HLS	£63,345	£37,300	£73,701	£79,035
Bampton Common HLS	£26,631	£26,635	£26,622	£26,635
Rosgil and Ralfland Common HLS	£5,327	£4,678	£5,699	£5,603
Total public payments income	£278,939	£223,195	£288,440	£325,183

Residual profit from farming operation

This table shows a loss-making farm enterprise moving to profit after Basic Payment Scheme and Higher Level Stewardship are included.

Income source	3 year average	2013-2014	2014-2015	2015-2016
Total livestock output	-£162,131	-£132,643	-£202,236	-£151,513
Rent	-£21,000	-£20,000	-£21,000	-£22,000
Total public payments income	£278,939	£223,194	£288,440	£325,183
Residual profit	£95,808	£70,551	£65,204	£151,670

Bringing nature and farming together

An integral part of running Naddle and Swindale Farms is to improve water quality, protect carbon stores, and to manage and restore habitats for wildlife.

Once costs are subtracted from livestock and grant income, the residual profit (a three year average of £95,808) is reinvested into the

landscape via the conservation operation. The conservation part of the operation (including projects) costs £257,000 per annum. After grant income (including HLS capital grants) there remains a residual cost to the RSPB averaging £52,000 per annum.

Conclusion

The key reasons that the RSPB started the management trial at Haweswater were to learn about the realities of hill farming and identify opportunities to better integrate benefits for wildlife, water and other public goods.

There is probably no such thing as a typical hill farm, and our operation will have both many similarities to and many differences from other farms in the Lake District and elsewhere in the uplands. What is very clear from the accounts is that without continued support payments through Higher Level Stewardship and Basic Payment Scheme, it would be very difficult to continue farming under the current model.

While it is unlikely that support payments will disappear altogether, the UK's departure from the EU and resulting withdrawal from the Common Agricultural Policy (CAP) does throw up significant challenges and opportunities for upland farming and land management.

Financial modelling to assess potential impacts of the withdrawal from CAP and the imposition of export tariffs was commissioned by the RSPB in 2017¹. Plugging economic data from Haweswater into these models revealed that even a small reduction in support payments would render the current farming operation unviable.

Consequently, there is a need to consider a range of options to make upland farming operations more resilient to Brexit. It's likely that farm and land management models that deliver a broad range of public goods will be better placed to secure future investment from the public purse. We hope that we can continue to innovate and trial alternatives, and share learning that will be relevant to the wider land management community and policy makers.

¹ *The potential impacts of Brexit for farmers and farmland wildlife in the UK*, Cumulus Consultants, 2017



