Economic reports: Executive Summary
Planning application TM 08/03739/FL ref 622566

Hugh Lowe Farms operates in an area of Kent where soil type, aspect, topography and climate, together with proximity to large centres of population, make it highly suitable for the growing of soft fruit crops. The farm has a well established soft fruit enterprise employing polytunnels to protect its crops and to enhance their marketability, predictability and productivity.

The economic issues raised by the planning application for the continued use of tunnels are:

1. What contribution does the farm (and in particular the use of polytunnels on the farm) make to the rural economy?

2. What percentage of the soft fruit market does the farm contribute to the soft-fruit industry nationally / regionally / locally?

3. Is the use of polytunnels necessary for the competitive production of soft fruit in the British market?

4. What is the economic impact of successional tunnels?

5. What is the economic impact of alternative farming enterprises on this land?

Two independent experts with relevant experience in the agricultural sector were instructed to answer these questions by investigating the economic contribution and sustainability of the soft fruit growing business. N.E. Holmes of Chavereys, Chartered Accountants, analysed the contribution Hugh Lowe Farms makes to the rural economy, both locally and nationally. The lost contribution, if polytunnels were not employed on the farm, was estimated. The impact on jobs both at the farm and in local businesses from which the farm buys goods and services was also considered.

John Pelham of Andersons Farm Business Consultants considered the soundness and economic sustainability of the soft fruit farming enterprise, and how it has adapted to market pressures and policy influences. The production economics of tunnelled and non-tunnelled crops of strawberries and raspberries under typical systems used on the farm including successional tunnels was examined in detail. The report also analysed the practicality and economics of an alternative arable enterprise if soft fruit production were to cease at the farm.

The significant conclusions from both reports are set out below:

Report by N. Holmes

Overall contribution to the rural economy

1. The farm makes a contribution of £7.3 million per annum to the UK rural economy – almost £22 million over the years 2007, 2008, 2009. Of this, 68% is spent within Kent, mainly in West Kent, including 22% in Tonbridge and Malling Borough.

2. Estimated lost contribution if polythene tunnels are not employed is £6.9 million per annum. Any lost contribution will have a long term impact on the rural economy due to the specialist nature of the soft fruit industry that is already contracting in size.

3. The farm's Gross Value Added ('GVA') contribution averaged £5.4million in 2007 & 2008.

4. Not employing polythene tunnels is likely to lead to over 100 full time job losses, both directly at Hugh Lowe Farms, where 37 skilled jobs are at risk, and through the impact on

other businesses providing goods and services to the farm. Most of these are jobs employing specialist skills.

6. The long term nature of farming businesses and the fact the shareholders have invested over £1.5 million of net profit over the last three seasons in the farm indicates any contribution must be considered to be there for the long term.

Effects on the local rural economy of Tonbridge and Malling

1.. The farm contributes £1.6 million per annum to Tonbridge and Malling's rural economy. The estimated lost contribution without polythene tunnels is £1.5 million per annum.

3. The farm's gross value added ('GVA') contribution of £5.4 million in 2007 is estimated to represent 31% of Tonbridge and Malling's agricultural and horticultural gross value added contribution.

4.. The farm is estimated to represent over one third of the agricultural and horticultural employment in Tonbridge and Malling

5. The average GVA per head in Tonbridge and Malling for 2008 was £18,242. This indicates the farms GVA is equivalent to the combined GVA of approximately 300 employed residents of the district.

Contribution within Kent and UK

1. A further contribution of £3.3 million is made to the rest of Kent per annum, most of it to adjacent boroughs.

2. A further £2.2 million is contributed to the rest of the UK. The estimated lost contribution by not employing polythene tunnels is £3.1 million and £2.2 million per annum for the rest of Kent and the UK respectively.

Contribution to the national and local soft fruit industry

1. The farm generated £8.32 million of fruit sales in 2008, around 3.1% of the strawberry and raspberry soft fruit sector in the UK.

2. The farm comprises a significant proportion (10%) of the turnover of the grower co-operative Kentish Garden and of its wholly owned marketing company Berry Gardens, based in Tonbridge.

3. The proportion of other UK home grown fruit in the nation's diet has decreased over the last 2 decades. However home-grown soft fruit, of which HLF is a significant producer, supply 80-90% of the UK demand over a long season, helping to meet government targets for home production and consumption of healthy foods.

Report by John Pelham
Comparative crop economics and competitive production of soft fruit

1. The risks of growing soft fruit without protection are principally :

   - Crop losses due to wet weather during growing or harvesting
   - Unreliability and unpredictability of crop timing, volume and quality removing access to supermarket customers

- Downward pressure on prices from concentrated peaks of production
- Increased costs of pest and disease control
- Increased costs of harvesting in an already labour intensive crop

2. The economic drivers of reduced prices and increased labour costs has led to the use of successional systems such as table tops, which, when used under tunnels, increase yields and harvesting productivity by 30% so enabling the business to adapt to changing economic conditions and market requirements.

3. The growing of soft fruit crops without the protection of polytunnels will lead to trading losses in both strawberries and raspberries:

   - Unprotected crops of strawberries show losses of up to £19,000 per hectare before allowing for overheads whereas protected crops reliably produce annual margins of between £10,000 - £13,000 per hectare.

   - Unprotected crops of raspberries show narrow gross margins of £1,000 per hectare, before allowing for overheads, whereas protected crops reliably produce annual gross margins of up to £13,000 per hectare.

4. The adoption of an all arable farming system would generate an annual trading loss of over £100,000; in addition:

   - The farm would incur significant capital losses from the dismantling of the existing investment in specialist soft fruit equipment and soft fruit plantations, and seasonal worker accommodation.

   - Significant amalgamation of fields would be required to accommodate modem arable machinery and production methods.

5. The management of the farm is of a high standard, demonstrated not only by the yield and quality of the soft fruit crops grown, but also in the effective matching of resources to production.

   - The 30% of the farm which is in soft fruit crops is an unusually low proportion and considerably less intensive than many other soft fruit holdings. It is also less than half the area that could be cropped with soft fruit in an agronomically sustainable rotation.

   - HLF has invested considerable capital in its operations. The current scale of soft fruit production is designed to meet customers' requirements.

   - Reductions in crop area would lead to reduced crop gross margins, as well as increases in overhead costs from diseconomies of scale.

   - HLF is a forward-thinking business that has, and continues, to adapt to the changing requirements of consumers, whilst developing a sound business model that is sustainable for both proprietors and staff.

6. The use of polytunnels is vital to competitive soft fruit production at Hugh Lowe Farms. The existing scale of operation is vital if HLF is to meet its central objective of meeting its customers' requirements in a profitable way