

Farming Asset Profile

1. Context

Crown Estate Scotland manages property – including buildings, land, coastline and seabed – on behalf of the Scottish people.

We work in a way that:

- Generates prosperity and value for all of Scotland;
- Supports the growth of sustainable business and industry in Scottish seas and on the coast;
- Makes places better for those who live, work and visit there;
- Promotes sustainable ways of producing energy, food, and other products; and
- Creates opportunities for people to use and benefit from the Scottish Crown Estate.

The Scottish Crown Estate Act 2019 requires us to manage the assets in a way that is likely to contribute to the promotion of improvement of economic development, regeneration, social wellbeing and environmental wellbeing. To do this, we need to understand the wider value delivered by the assets and our management activities.



Asset profiles have been developed for the Estate's 21 asset classes. The profiles include information on financial returns, the public benefits delivered through our management activities, and our view of the opportunities for wider value creation.

The analysis has been undertaken in-house, using qualitative assessment and expert judgment.

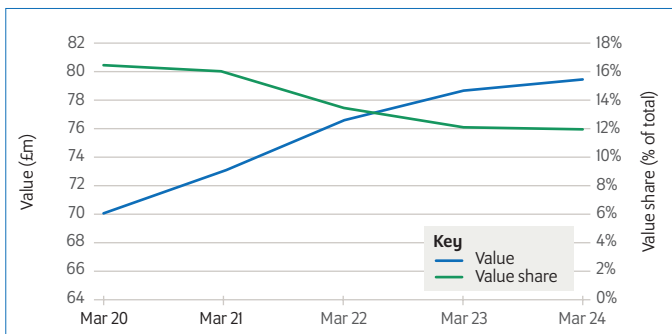
2. Asset summary

We invest in farming businesses, working with our tenants to improve productivity and environmental quality. We support tenant farmers (with tenancies totalling approximately 30,000 hectares) to strengthen, grow and diversify their businesses and to support and maintain various assets and infrastructure. Our success relies on partnership working and a strong landlord tenant relationship. As a significant public provider of tenancies it is through this partnership that we most effectively deliver value to the natural environment and to rural communities in Scotland.

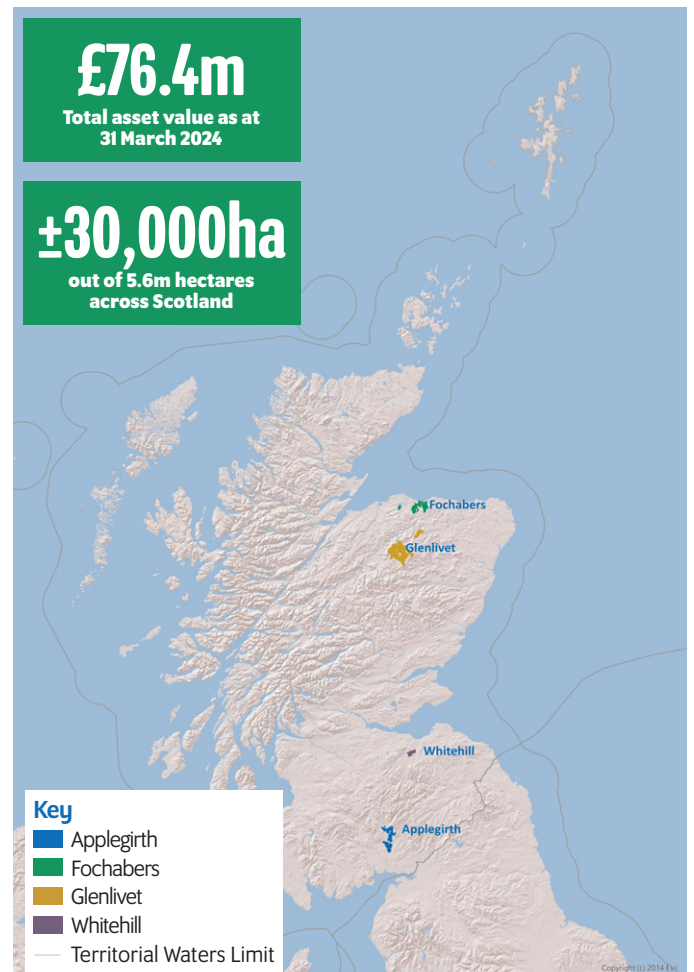
Asset and financial information

| Asset information | Value |
|---------------------------------------------------|--------|
| No of agreements | 225 |
| Value (March 2024) | £76.4m |
| Value share (% of total Estate value, March 2024) | 11.9 |

Farming – change in value and value share over time

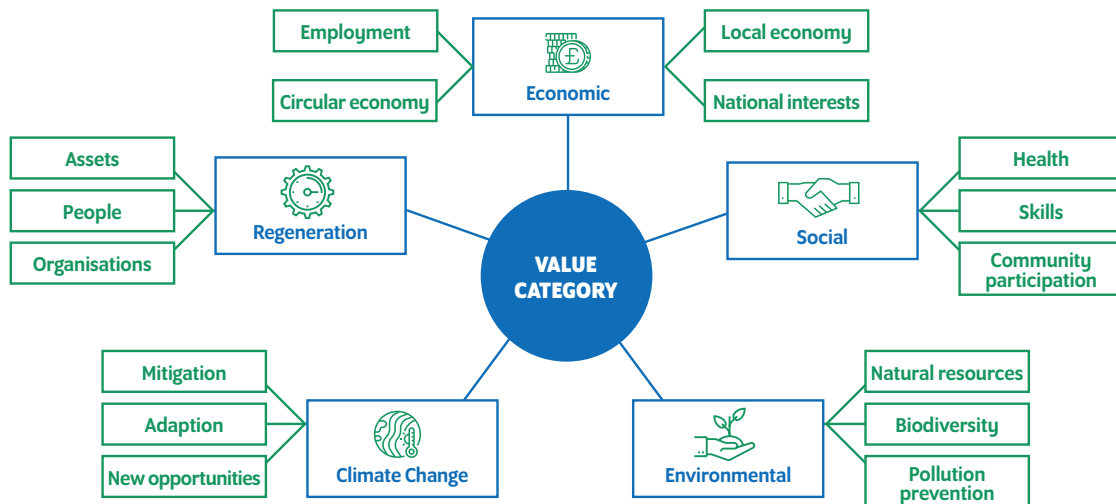


Farming asset map



Map correct as at September 2024. Under the Open Government Licence, we give free access to our open datasets and map which can be found on our [Spatial Data Hub](#) which gives access to view and download spatial data, PDF maps for download, and our [interactive map](#).

3. Understanding Value



Five value categories have been identified:

- **Economic;**
- **Social;**
- **Environmental;**
- **Climate Change; and**
- **Regeneration.**

Each value category has a set of three or four indicators. The indicators are relevant for all Scottish Crown Estate asset classes and also align with Scotland's National Performance Framework and the UN Sustainable Development Goals.

Measures of success

Economic

Employment – jobs created or safeguarded

Local economy – local businesses are active in the supply chain and provide local employment

National interests – benefiting Scotland's national economy / showing leadership

Circular economy – increasing efficiency / reducing waste in processes and products

Social

Health – reflects / promotes good health at local or national level

Skills – stakeholders gain valuable skills

Community participation – community is an active stakeholder and participant

Environmental

Natural resources – resources used / maintained in a sustainable way

Biodiversity – biodiversity is protected/strengthened

Pollution prevention – pollution is decreased / not increased

Climate change

Mitigation – low or zero emissions

Adaptation – actions increase resilience / reduce risk

New opportunities – new, low or Net Zero emissions activities / businesses/products pursued

Regeneration

Assets – positive impacts on associated assets

People – people are enabled or empowered

Organisations – activities involve collaboration with other organisations

Next steps

The Value Project started in 2019 as a direct response to this need to define the wider value of CES's activities.

In 2023, with the help of Savills Earth we completed development of our new Value Reporting Framework (VRF). This framework will support CES to shape data gathering to inform non-financial metrics and will help to inform our future decision-making, reporting, and monitoring processes.

The VRF seeks to measure the value created through all of CES's activities, producing quantitative and qualitative data for investment case decision making and annual reporting.

To achieve this a systematic process for measuring value was developed, in which our five wider value categories – climate change, social, economic, environmental and regeneration – were individually assigned a specific value indicator, with each indicator directly tied to its own value creation metric.

We have now incorporated indicators relating to employment, investment, and social cost of carbon into our annual reporting and further indicators will be added going forwards.

4. Potential for Wider Value

The diagrams below demonstrate the wider value currently generated by the asset class as a whole and indicate where we consider there is potential to deliver increased wider value. This is influenced by a range of factors including the inherent value of the assets, tenant activity, regulator activity and other external factors.

For farming, key areas identified with potential increased wider value include:

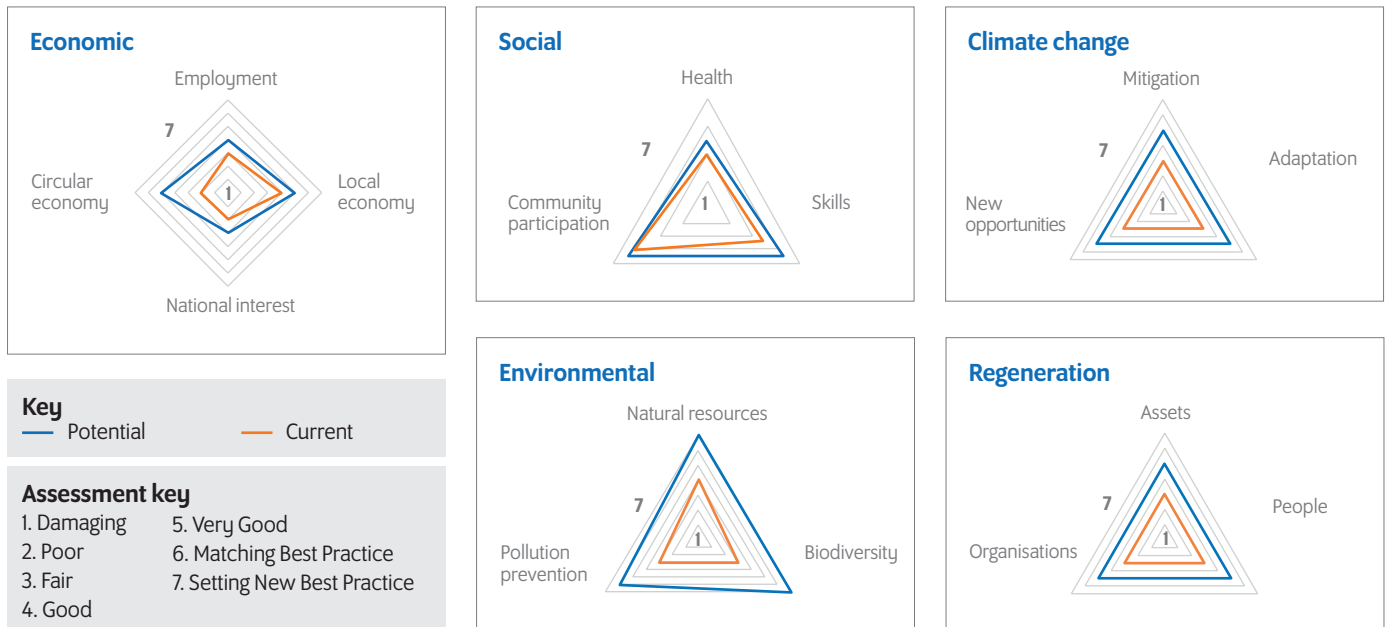
- **Economic** – Opportunities associated with diversification into agri-forestry and ancillary businesses as well as new markets emerging from changing consumer demand and expanding carbon markets.
- **Environment** – Opportunities associated with improving soil quality; reducing diffuse pollution and managing water quality; and improving biodiversity.

Opportunities

- Increased efficiency through greater participation in R&D;
- Strengthening biodiversity;
- Heightened demand for new, expanded produce from vegan / vegetarian market;
- Providing opportunities for new entrants and the next generation of farmers on our land;
- Premium for high quality, locally produced food;
- Diversification into agri-forestry provides new income streams and climate change benefits; and
- Diversification into small-scale renewables and ancillary farm businesses.

Threats

- Changes required in order to reduce greenhouse gas emissions from agriculture;
- Vegan / vegetarian diets rise; meat, dairy demand falls;
- Climate change impacts on livestock and arable farming e.g. water shortages and increased disease risk;
- Ageing population of farmers;
- Impact of continued uncertainty regarding revised government agricultural support mechanisms;
- Cost of living inflationary increases and geopolitical issues are affecting supply chains, and costs associated with fertilisers, fuel and other inputs; and
- Increasing cost of construction and repair works.



This full value potential is indicated by the blue line. The actual average performance of the assets as currently managed is shown by the orange line. The opportunity for delivering enhanced value is the stretch between the orange line and the blue line.

Where potential and actual performance are the same the orange line will hide the blue line beneath it. No weighting has been applied to any indicator.

5. Benefits delivered by Crown Estate Scotland

Our 2020-2026 Corporate Plan sets out our four roles:

Investor

Investing in, for example, property development, as well as building external partnerships and supporting staff.

Asset Manager

Careful management of leases and agreements, as well as direct management of forestry.

Co-ordinator

Supporting other Scottish Crown Estate managers by, for example, coordinating spatial information.

Enabler

Empowering others by supporting local plans and projects, providing access to property and helping address barriers to sector growth.

For farming, some examples of our activities include:

Investor

- Annual investment of around £2-3m in farm infrastructure to help them with their business efficiency, e.g. new buildings, silage pits, and improvements to existing buildings.

Asset manager

- Requiring new tenants to submit a business plan setting out the wider benefits that they will deliver especially in terms of sustainability and community benefits.
- Assisting tenants with their applications for grants from the Agri-Environment Climate Scheme (AECS).
- Continuing to offer farmers on secure tenancies across two pilot areas – on the Applegirth Estate in Dumfries & Galloway, and the area around Auchindoun in Moray – the opportunity to buy the holdings which they currently lease.
- Working in partnership with tenants through our farm tenant forum and a tenant farmers working group to help us to develop our approach to asset management which includes meeting with all agricultural tenants and their families.

Enabler

- Farm management specialists from our agents are meeting with farm tenants individually to discuss their business and identify any opportunities for us to support them in taking forward new sustainable agriculture initiatives.
- Since 2020, we have provided over £125,000 to farming tenants for biodiversity enhancement and farm sustainability projects through our Environment Grants scheme for tenants.

The table below presents our assessment of the significance of the benefits that we currently deliver through these four roles. Our Corporate Plan sets out actions against these four roles. Over time, we expect the significance of benefits to increase as considerations regarding wider value are embedded into decision making.

| FARMING | Investor | Asset manager | Enabler | Coordinator |
|-------------------------|----------|---------------|----------|-------------|
| Economic | | | | |
| Employment | Low | Low | Low | Inactive |
| Local economy | Low | Low | Low | Inactive |
| National interests | Low | Medium | Medium | Inactive |
| Circular economy | Inactive | Low | Low | Inactive |
| Social | | | | |
| Health | Low | Low | Inactive | Inactive |
| Skills | Low | Low | Medium | Inactive |
| Community participation | Inactive | Medium | Low | Inactive |
| Environmental | | | | |
| Natural resources | Low | Medium | Medium | Inactive |
| Biodiversity | Low | Medium | Low | Inactive |
| Pollution prevention | Medium | Inactive | Low | Inactive |
| Climate change | | | | |
| Mitigation | Low | Low | Low | Inactive |
| Adaptation | Medium | Medium | Medium | Inactive |
| New opportunities | Low | Medium | Low | Inactive |
| Regeneration | | | | |
| Assets | Low | Low | Low | Inactive |
| People | Low | Low | Low | Inactive |
| Organisations | Low | Medium | Low | Inactive |

Key

- Inactive
- Low
- Medium
- High

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