

TENANT FARMING FORUM CONSULTATION HELPING NEW ENTRANTS INTO AGRICULTURE

Introduction

The Cabinet Secretary, Richard Lochhead, has asked the Tenant Farming Forum to help the Scottish Government in developing options to assist new entrants to get started in farming. Following an investigation of the barriers that new entrants face, the Tenant Farming Forum is to make recommendations by the end of this year on practical solutions as to how these may be overcome.

This consultation is a key part of this work.

About the Tenant Farming Forum

The primary purpose of the Tenant Farming Forum (TFF) is to help to promote a healthy tenanted farm sector in Scotland. It provides a discussion forum among those representing organisations with a direct involvement in the sector, and who are committed to consensus building through fair and equitable discussion and representation. A key part of a healthy tenanted farm sector is mobility allowing for new entrants and retirements.

Cross-industry concerns about the difficulties faced by new entrants in trying to get into farming prompted the TFF to set up a group to consider the extent of the problem. Following discussions with the Cabinet Secretary Richard Lochhead, the TFF has been given a role in developing options to assist new entrants into farming.

What we would like you to do

We need your views on this important topic. We have set out a number of questions that we would like you to take the time to consider and respond to. The document starts with a short discussion of the main issues to stimulate your thinking. It is not necessary that you read the discussion before answering the questions. Responding to the questions from your own knowledge is very important to us.

Please return this form with your answers and views in the envelope provided to;

Prof Bill Slee
Macaulay Institute
Craigiebuckler
Aberdeen
AB15 8QH

THE DEADLINE FOR RESPONSES IS FRIDAY 16 NOVEMBER.

If you have any queries on this document or the consultation process in general, please do not hesitate to call Professor Bill Slee on 01224 498200 or Peter Cook on 01467 642802.

Please note that while this consultation is being led by the Tenant Farming Forum, the study looks at all aspects of the new entrant issue, not just the tenanted sector.

Discussion on New Entrant Issues

It has always been difficult to get started in farming if you are not a farmer's son or daughter – each generation needs to find a different way to do it. The current concerns revolve around an ageing industry, the difficulty of getting a start in farming and the lack of vacant land.

A Lack of Young People and New Entrants?

There is a general feeling that not enough young people are entering farming. The statistics suggest that the workforce is ageing, with 51% of working occupiers aged over 55 years (of which 25% are over 65 years). As a result, there is a fear that Scotland's farming skills are in danger of dying out and that livestock skills – the core of Scottish agriculture - are especially in danger. Given the difficulties of getting established in farming and the higher wages that young people can earn in the non farm economy, people with high potential may be abandoning the industry. However, the fact that 51% of working occupiers are over 55 years of age does not necessarily mean that the industry is ageing and that there is a shortage of young people. This just tells us the age of the business principal and ignores the fact that there may be a son/daughter working on the farm or off the farm who will become the successor and who may already be making many of the decisions. And there is no indication of a lack of interest and skills amongst young people – Young Farmers' competitions at the major livestock shows and sales are very vibrant and the technical Diploma/Higher Diploma type courses at agricultural colleges have not seen a major decline in numbers.

The model of succession may have changed. In the past, a son would work on the farm alongside a father and eventually take over. Now, many farms cannot produce an income for two households and sons/daughters are not willing to work for the very low rewards of the past. The result is that the son or daughter will often work off the farm (part-time or full-time) to support their household until the farmer retires, at which point succession can take place. It may look like there are few successors, but maybe they are just not visible, especially in the official statistics. And the model of working off the farm for a period may bring benefits in experience, generating capital and developing a broader view. An important issue may be the stage at which the next generation actually gets to make financial decisions – there may be a successor, but are they getting a chance to develop the business when they are young and capable?

In most areas, there is no indication of an ageing industry that lacks the capability to maintain and expand its output – any new tenancies or land sales are keenly contested by neighbouring farmers. Some surveys of local areas have actually indicated that there are far too many keen successors for the number of farms which are likely to be viable in that area in the future. However, there are major regional variations. Some hill areas report a lack of young folk willing to take on land and stock are disappearing from the higher hills.

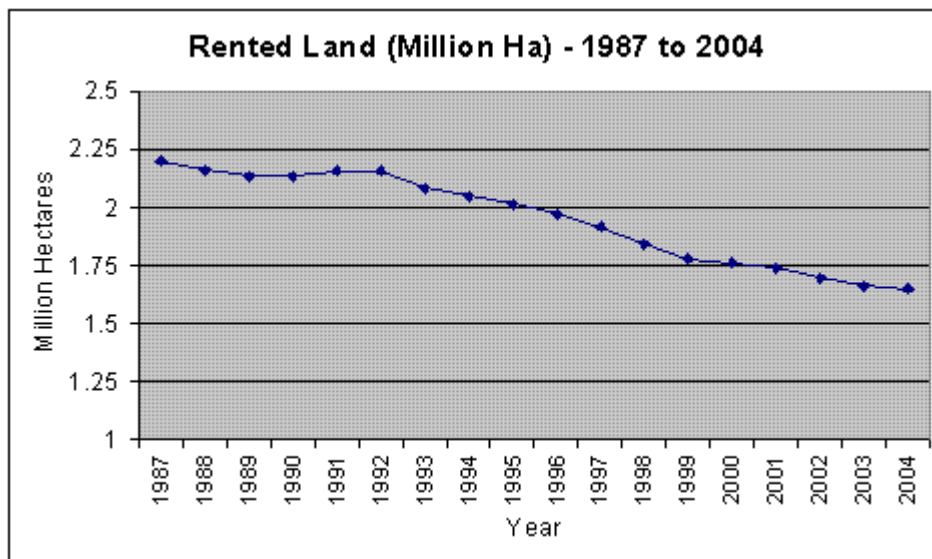
The Route into Farming

Central to the problem may be the breakdown of the “ladder” along which new entrants and young people could enter the industry and build up their business. Small farms are few and far between and are increasingly bought by people moving from the cities and towns who want a rural lifestyle and space for horses. The value of the house and traditional steading has increased sharply - small farms are really just valuable residential properties with an extended garden. Medium-sized farms are being amalgamated into larger units with the house and a small piece of

land sold off. New entrants to conventional farming cannot compete with city buyers who increasingly want a home in the country and a safe haven for their cash.

Similarly, the tenanted sector is no longer a standard route into farming. The area under traditional tenancies in Scotland has declined steadily. The new tenancy mechanisms appear to date to have made little difference, because it is not in the landlords' interest to let land (though the uncertainty over the single farm payment regime may have delayed decisions). The income and capital tax system makes it increasingly unprofitable to let land in formal tenancies and the value of property makes it difficult to justify tying up a house and steading in a tenancy. Tenanted farms are becoming bigger as landlords sell the house and steading of any vacated farm. They often then amalgamate the land into other tenancies or farm it in another way e.g. by contract farming agreements.

Table 1. Land Under Agricultural Rental in Scotland



Source; SEERAD Annual Rent Survey 2004

The alternative view is that the old “ladder” of small, medium and large farms, especially of longer-term tenancies (of 5 years and over) has gone and will never return. And the forces which created this change are far too great to be overcome by any external policy. The house tied up in a tenancy has a value way above what could be earned from the farm – especially a small farm. It is inevitable that there will be fewer small and medium size tenancies unless let as part-time units with higher rents. The tax system pushes landowners toward contract arrangements rather than lets, so that they can be classed as farmers. Fear of the Scottish Parliament introducing an absolute right to buy in the future means that many landowners will not contemplate long-term lets. The world is changing rapidly and in this uncertain environment most businesses, not just farming landlords, would not contemplate locking up their assets for long periods of time. The 15 year minimum term for a Limited Duration Tenancy may just be too long for many landowners.

However, these changes may have created new opportunities. The graph above shows a steady decline in the area under formal tenancies, but anecdotal evidence suggests that the total area of land (including tenancies) which is not being actively farmed by the owner may have actually increased. The area under Contract Farming Agreements has increased, and these are not always with big businesses. The area under short-term lets and informal cropping agreements may also

have increased. The specialisation of individual farms and the related increase in use of contractors creates business opportunities for young people with specialist machines and specialist skills. The machinery and labour rings help these people to expand their businesses much faster than in the past.

Many, maybe a majority, of new buyers of farms are not existing Scottish farmers. This in itself brings in new entrants, new capital and some new ideas. Many of these new owners do not want to operate the farm themselves, again creating opportunities for entrepreneurial youngsters, who may be children of neighbouring farmers. The strong property market and booming economy have also allowed some young people to build up capital much more quickly than in the past.

If the price of land is being forced up by new owners who have generated their capital in the non-farm economy, then many aspiring new entrants will also need to raise capital from outside farming and/or build businesses by providing services to these new landowners.

Old Farmers and the Supply of Land for New Entrants

Another important concern is that the supply of land for new entrants is being choked off by older owners and tenants who stay in their farms well after retiring age. Partly this is because they cannot afford to buy a retirement house, especially in the countryside where they would often prefer to stay. Their pension provision is often poor which means they still rely on the farm to generate an income, even if farming activity is scaled back. To make things worse, restrictive planning laws often prevent them building a retirement home on a piece of the farm and also make it difficult for the next generation to build a home on the farm if the older generation cannot afford to move on.

In other cases, however, the decision to keep farming after retirement has nothing to do with a lack of capital to buy a house or a lack of a pension. The reality is that some sitting secure tenants have a very cheap place to stay. And with the innovations of modern machinery rings, contract agreements and the option of collecting the SFP even if doing little farming, it is possible for older people to continue operating for far longer in the location they enjoy. And this does not necessarily stop the next generation taking over – it simply delays the process. There is a variable picture across Scotland, but some planning authorities have granted planning permission for new houses with agricultural ties for the purpose of housing the next generation.

There are many possible measures to improve prospects for new entrants. Some involve active intervention by Government, others can be tackled by the industry itself. The TFF is an industry-led initiative. Question 3 in the following section presents some of the many measures which could be used.

Farming remains a dynamic industry and the future pattern of change will be determined both by the actions of existing farmers and new entrants. Who farms the land in the future will be shaped by a mixture of inheritance, interest and ingenuity. Whilst some of the old entry routes into farming may have been closed off, it is highly likely that new points of access will emerge. For some people, the pace of change may be too slow and the opportunities too few. For others, there will always be ways to get started where there is an appropriate mix of capital and commitment.

Now let us know your views. Please answer the questions on the next page.

QUESTIONS

Answer as many or as few of the following questions that you feel able to. All responses are important.

1. THE NEW ENTRANTS PROBLEM

1.1 Is there a new entrant's problem? Please tick the appropriate box

YES	
NO	
UNSURE	

1.2 If you feel there is a problem, what in your view is the cause of the problem?

1.3 Where is the problem? Is it all over Scotland or just some regions, only in some types of farming, only affecting certain skills?

2. THE BARRIERS TO NEW ENTRANTS

2.1 Any review of new entrants exposes a long list of possible barriers working against new people getting started as farmers in their own right. On the next page is a list of potential barriers new entrants face. Give us your view on the importance of each of the following and why it is a problem.

Potential Barrier	Please rank its importance as LOW, MODERATE or HIGH	If you think this is a problem, please describe (a) why it is a problem (b) what has caused the problem
Individuals not retiring		
Lack of tenancies		
The Single Farm Payment subsidy system		
Lack of working capital (for breeding stock, machinery, etc)		
Value of land		
Number of farms for sale		
The size of farms available for rent or purchase		
Competition from established farmers		
Lack of business knowledge and skills		
Lack of technical knowledge and skills		
Lending institutions reluctant to lend to new entrants		
Lack of good advice		
The attractiveness of farming compared to other occupations		
How well farming fits with the spouse/partners employment		
Lack of confidence or security and high perceived risk		
Ability to work a farm part-time rather than making it available for new entrants		

2.2 Are there other barriers or problems? If you feel there are others, please describe them below.

2.3 All of the above suggest the situation is negative, but are there opportunities and new ways of getting a foothold in farming? Please rank the following and, where you have a view, tell us the good and bad points.

	Please rank its importance as a way to get into farming. Rank as LOW, MODERATE or HIGH	Good Points	Bad Points
Contract Farming Agreements			
Getting a job in a sector related to farming			
Short term lets and informal annual cropping agreements			
Doing contract work (machinery and labour)			
Starting a new business (farm shop, etc) on your parents farm			
Building up capital outside agriculture			

2.4 If you think there are other ways to get started, please describe these below.

3. SOLUTIONS

3.1 What do you think of the following ideas?

Describe what you think are the good and bad points of each as a way of helping new entrants to get established, and then give them an overall rating.

	Good points	Bad points	Overall rating (pick a score between 1 and 10) 1 = no benefit for new entrants 10 = highly beneficial for new entrants
Planning policies which let retiring farmers (owner or tenant) build a house in the country			
Payments to farmers who retire and vacate farm early			
Financial support to young people starting in farming in their own right, such as interest rate subsidies and higher grant rates			
A matching scheme to match possible new entrants with farmers with no successors nearing retirement			
A mentoring scheme for new entrants (e.g. the support of an existing farmer)			
Advice on how to get started and on preparing budgets and business plans			
Establishing small starter units (up to 100 acres) for new entrants			
An “ options guide ” to advise new entrants and retiring farmers of their options and sources of advice			

Developing phased ownership mechanisms such as share farming agreements which allow a worker over time to buy an increasing proportion of a milking or breeding herd or flock.			
Taxation changes which make letting land more attractive			
Freedom to agree any length of tenancy			
Provision of training in order to build up the skills enabling a person to farm.			

3.2 What, if anything else, do you think could be reasonably done to make it easier for new entrants and young people to get established in farming?

3.3. Finally, please tell us your status;

Tick the appropriate box

Landlord	
100% tenant farmer	
100% owner occupier farmer	
Mixed owner/ tenant farmer	
Other. Please describe.....	

OPTIONAL SECTION – DO NOT FEEL THAT YOU MUST COMPLETE THIS

4. YOUR EXPERIENCE OF NEW ENTRANTS

Much of the discussion about new entrants is very general or theoretical. We want to better understand how people have actually got started in farming and the real problems they have faced.

IF YOU HAVE TIME AND RELEVANT KNOWLEDGE could you describe any real examples of people who have managed to establish themselves as farmers (full-time or part-time) in their own right (excluding those who inherited a farm business)?

Where possible please describe some of the following;

- What they have done
- Their background, education, employment history, skills
- How they raised their capital
- Any help they have had (financial, advice, family labour/machinery, etc)
- Their reliance on non-farm income whether before or after they established their farming enterprise
- The most important problems they faced
- The ways in which they overcame their problems
- Any examples of technical and business innovation they have used to make the venture a success

Feel free to describe failed attempts as well as successes.

One or two examples would be great. We do not need names or locations.

Example 1

Example 2

5. OTHER POINTS

If there are any other issues which you would like to raise, or points which you would like to emphasise, please provide these below.

MANY THANKS FOR YOUR VIEWS.

Please now return this document in the envelope provided to;

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