

Barriers to New Entrants to Scottish Farming

An Industry Consultation for the Tenant Farming
Forum

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and Scottish Agricultural College

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Bill Slee, on behalf of the study team

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Summary

1.1 Report Aims

This report presents the literature review of research into the new entrant issue, the responses from the consultation, the results of the six regional workshops, and the results of a questionnaire survey.

1.2 Literature Review of Research into the New Entrant Issue

- Entry to and exit from farming are part of an adjustment and restructuring in the farming industry which operates with different intensities at different times depending on a combination of exogenous and endogenous pressures on farmland markets and tenurial structures. There is little doubt that the current combination of circumstances in Scotland, with a recent history of very low incomes in the traditional farm sector (until 2006 in the cropping sector), high prices for land, and a declining supply of traditional tenancies and the modest supply of new tenancies under the Agricultural Holdings (Scotland) Act 2003, coupled with taxation factors and a strong demand for amenity land, has made traditional entry to the industry difficult.
- There is a clear tension between a heartfelt desire of many to see a dynamic farm sector with a significant cohort of young farmers and the practical realities of an ageing farm workforce with many farm operators struggling to gain a satisfactory living from the land. Unless the farm sector can become more profitable, the argument for condemning new entrants to poverty and disillusionment with public assistance seems weak. Performance figures for the industry in Scotland show unambiguously that a very large proportion of all farmers have been making deeply unsatisfactory returns in recent years. Unless policy-supported new entrants can be shown to have a high chance of obtaining a reasonable return to their and any public investment, the overall value for money of any new entrant scheme will be rightly questioned.
- Most policy analysts find the case for policies to increase the number of new entrants to be relatively weak (ADAS 2004), although there is more general acknowledgement of the case for special support schemes for young farmers. Given the poor performance of many farms, the particular problems posed by disrupted livestock markets and the likelihood of a need for sharper business skills, the case for supporting training and up-skilling in business management marketing and succession planning is strong. It is a moot point as to whether advantageous terms on any training initiatives should be offered to new entrants or such initiatives should be made equally available to all takers.
- The public support of high quality training and of enhanced learning opportunities created by collaborative groups of farmers offers a knowledge-based route to supporting aspirant farmers. Many new entrants are likely to need to operate speciality or value-added enterprises because they are unlikely to have access to single farm payments and are likely to have to operate in a market environment. This creates a premium value on high quality training, which may need to be based less on benchmarking and traditional farm management planning and more on entrepreneurship and effective business management training.

- Many of the factors which make entry to farming for aspirant traditional farmers difficult cannot readily be changed by agricultural policy measures. The fact that so many traditional farmers are outbid by those seeking amenity holdings cannot readily be addressed by policy measures, unless a 'green ticket' requirement is introduced for those owning and/or managing land. Such a move is almost inconceivable. A central cause of so little land being available to new entrants is that many established farmers seek to increase the size of their holdings and will purchase or lease land that might otherwise have gone to new entrants. To stop this happening would interfere with market forces and comprise an ill-considered move that would compromise the profitability of established enterprises.
- Effective restructuring and the emergence of a more competitive farm sector does not appear to be occurring as a result of the implementation of retirement schemes. Bika (2006:267) notes the paradoxical conclusion that 'the highest levels of adoption (of Early Retirement Schemes) were reported in relatively prosperous farming regions and those with a higher number of young farmers-those least in need of the scheme were those areas that made the greatest use of such schemes.' Regionally specific factors appear to militate against the widespread adoption of the both retirement and new entrant schemes in areas where its effects on restructuring might be deemed to be most beneficial.
- There are strong suggestions that there is a high degree of deadweight (i.e. a lot of the money provided does not achieve the required objective) in retirement schemes. Retirement Schemes can marginally speed up a process but most of those who take advantage of the schemes would have got out anyway. In policy terms, this gives poor value for money. Retirement schemes which offer a pension or grant to one partner for the transfer of the business to an eligible younger partner do absolutely nothing to encourage structural change and represent a poor use of public money. A humanitarian case may exist for getting farmers in ill-health out of the industry, but this seems the only justification for a retirement scheme.
- The most effective new entrant schemes are based on loans rather than grants and where loans are taken from commercial banks rather than government organisations. Such systems of support still put the onus on the young farmer to come up with a bankable development plan for the business, which a commercial lender would be prepared to support. The public sector assistance is to reduce the cost of the loan below the market cost of borrowing. This will reduce the pressure on the new entrant's cash flow. There is still likely to be deadweight under such a system and a clear set of criteria for selecting suitable candidates is needed.
- There are likely to be high transaction costs of the more elaborate mixed package schemes such as that operated in Cornwall. A sharp focus on training, maximum use of commercial credit markets (albeit with reduced loan rates), competitive bidding for support and as much use of farmer/landowner collaboration as possible constitute desiderata for new entrant schemes.
- In summary, there is scope for carefully thought out new entrant schemes, but it is essential that new entrants are appropriately skilled for the challenging management task they are confronted with and that policy support schemes minimise deadweight and maximise additionality. Other countries' experience suggests that this can be achieved, but the overall results are likely to be modest.

1.3 Consultation Document Responses

- 641 written responses and around 30 telephone/email responses were received. The responses of the 595 forms received before the consultation period closed have been analysed
- The vast majority of respondents (83%) feel there is a real new entrant problem.
- A large number of reasons are suggested for the **cause** of the problem, but the most important are the financial unattractiveness of the industry, the lack of available land, and the amount of capital required.
- The lack of tenancies, the value of land and competition from existing farmers are seen as by far the most important **barriers** for new entrants. Second level barriers are the lack of working capital, competition from established farmers, the unattractive nature of the industry, the Single Farm Payment system and the lack of confidence or security. There are mixed views on the retiral issue and lending institutions attitude. Skills and advice are not seen as barriers.
- Those completing the forms confirmed the conventional understanding of what is behind these barriers; lack of tenancies is attributed to mainly to legislation; the cost of land is attributed to new buyers and limited supply, but is really an issue because farming generates poor profits; competition from existing farmers is driven by the drive for economies of scale and the result is fewer small units and fierce competition for any which become available.
- Of the six **opportunities** presented in the form, building up capital outside farming is the most popular – reflecting the problems listed above. Contract work and formal contract farming agreements are seen as the next best opportunities. The reasoning behind the selection of these three routes would seem to be that you either need a chunk of capital and/or you need a foothold to gain knowledge/contacts and to spot opportunities. Among the other suggested ways of getting started are various share farming and partnership routes, sheer business acumen and getting a job in the industry e.g. farm management.
- The form presented 12 possible **solutions** to the new entrant problem. Respondents ranked the top three solutions as 1. Freedom to agree any length of tenancy, 2. Taxation changes which make letting land more attractive, and 3. Financial support (interest subsidies, higher grant rates)
- Second tier solutions were planning policy which allows retirement homes in the countryside, retiral payments and advice on how to get started.
- The positive points expressed about the top options were really on the issues of building capital and freeing up more opportunities to lease land, plus giving confidence and encouraging more retiral and start-ups. Planning policies and retiral incentives received a lot of negative comments in relation to how they might be abused, their unfairness to some, their public cost, their stimulus to make poor decisions, their politics and to some extent their impracticality. The advice, training and guide proposals were felt to be available already.

- The question on other solutions resulted in a very large number of suggestions. Many relate to the list of proposed solutions (tax reform, tenancy reform, subsidised finance). However, other themes included the reform of the Single Farm Payment regime (it is very heavily criticised and clearly favours established farmers and disadvantages new farmers), direct incentives to let farms on a long term basis, “secure” tenancy measures (ring fencing the 1991 Act tenancies and allowing free assignation or incentives to assign to new entrants), improved agricultural education, an emphasis on diversification as new entrants to farming will just enter a sector with poor returns, nationalisation/Govt control and supply of land and tackling the admin/red tape burden. An important theme is the poor profitability of farming – several point out that if profits were better we would not be discussing this issue and that indeed we are looking at the problem in the wrong way.
- The responses throughout the consultation document from landlords (who comprised 17% of the replies) and the rest (including 76% farmers) are surprisingly similar. In general there was a higher non response rate from landlords and farmers expressed their views more strongly. Landlords rate Contract Farming, jobs in related sectors and diversification more highly as opportunities while farmers put a higher rating on building up capital outside the industry. Farmers and landlords agree that freedom to agree any tenancy length and taxation changes are very important solutions. Farmers rate financial support to new entrants, planning policies and retiral payments more highly than do landlords.

1.4 Consultation Workshops Findings

- 150 people attended the 6 workshops and returned a profile/feedback sheet. More than this number actually attended, but we can only analyse the profile of those who returned the sheet.
- Of the 150, 37% were 100% tenants, 21% were mixed owner/tenant farmers, 7% were landlords or owner occupiers and 38% were “other” (advisers, land agents, educationalists, Government).
- The profile was young; 39% were 35 years of age or younger. Only 9% were over 65 years.
- Topic 1: **Is there a new entrant problem?** The consensus was yes, but there was little consensus on what constituted a new entrant and clearly people had greatly varying views on what was a desirable new entrant. On the reason for the problem the nub of the issue seems to be the poor return which a new entrant can make in the face of all the challenges of getting started.
- Topic 2: What **opportunities** exist for new entrants? The themes which appeared from the workshops are firstly the need for systems which allow new entrants to progressively build themselves up (contracts, share and partnership agreements, flexible quantities of land, part time farming to earn capital outside the industry). Secondly new entrants need to exploit other and broader income sources to provide income in the investment phase and build up capital (niche markets, contracting, jobs). Thirdly networks and partnerships are important to find opportunities and get support. The fourth major area brought out by participants is the opportunity to have the same SFP position as competitors i.e. existing farmers.

- Topic 3: **Barriers.** The workshops backed up the findings of the consultation forms. The big barriers are availability of land (which encompasses many points on why land is not being let and why existing farmers are competing against new entrants) and profitability (which covers why capital is such an issue, why the unfair allocation of SFP is always raised and why the industry is seen as unattractive by many young people).
- Topic 4: **Solutions.** Feedback mainly mirrors the rest of the consultation. The fundamentals of profit and the attractiveness of letting land come up again and again. Suggested solutions tend to converge on these core issues. There are a broad range of solutions proposed including a range of retirement measures, a strong SFP reserve with entitlement for new entrants and generally tied to the unit, various permutations of entry level units, a range of subsidised finance/ financial engineering ideas, assignation/ring-fence 1991 Act tenancies, share farming/progressive ownership systems and a number of calls for state land banks/land pools.
- At the end of the workshop participants were asked to write down what they felt was the **most important single change or action** required to tackle the new entrant issue. This was an attempt to force prioritisation and to get views which are not tempered by other participants. The biggest number are once again about the tenancy system and the supply of land. The top three areas were; 1. Availability of land, 2. Freedom of contract (covering all types of relaxation and flexibility), 3. Ending Right to Buy (range of suggestions on removing fear around right to buy). Significant numbers of suggestions were also made on assignation flexibility, retirement assistance, tackling the unfairness of the SFP regime, tax incentives to let and subsidised lending.

1.5 Questionnaire Survey Findings

- The questionnaire survey based on a random sample of farm households in four different regions of Scotland generated 222 responses. Statistical analysis revealed no significant difference between the sample population and the aggregate population in relation to business size, suggesting the sample was a reliable representation of the overall farm population in the areas studied.
- Most respondents had inherited their holdings. The level of non-inheritor entry was greater in Caithness and Sutherland and Dumfries and Galloway than in the Lothians and Grampian. Only just over half of respondents had an identified successor. This suggests that there may be a smaller amenity premium in these areas.
- Most of those who were new entrants in the last thirty years had entered the industry in the mid-late 1980s when farmland prices were depressed. Sixteen farmers had entered the industry since 1998. Many recent entrants had worked outside the industry to generate start up capital.
- Landowners cited political instability including the possibility of a tenants' right to buy as the single biggest obstacle to letting land.

- The value/cost of land, the lack of tenancies and the competition from established farmers were the three most frequently cited obstacles to gaining access to land.
- The survey reveals considerable evidence of dynamic adjustment processes operating within the industry, with widespread use of short lets and informal arrangements to enable businesses to adapt. Inevitably such processes impact on the land available for new entrants.
- A comparison of the results from the consultation and those from the questionnaire survey are very similar. Using Spearman's Rho, there is a 99% chance that the two sets of results are drawn from the same population.

1.6 Some key discussion points

Profitability emerges as a major issue. New entrants, especially young people with aspirations to farm traditionally, cannot generate sufficient margin within the industry to make up for the challenges of getting started in the industry. This has a number of implications. Firstly, policy which helps people to get into a business which could result in an impoverished lifestyle may not be a good use of taxpayer's money. Secondly, as most of the Scottish livestock sector is currently unprofitable without subsidy, it must be essential that any new entrant can compete on a level playing field i.e. have the same entitlements as established farmers. Thirdly, is it wise to subsidise debt if the cause of the problem is actually profitability and traditional systems which need too much capital? Fourthly, if current systems are unprofitable then is it wise to help the sharpest and fittest to adopt these exact same systems? Would it not be better for new entrants to find totally different ways to operate which do not require the same level of support, and then the whole industry can learn from these innovators? Is this not the role of new entrants in any sector?

The supply of land and the role of the tenanted sector in its supply emerge as a second key issue. The consultation shows a deeply entrenched difference of opinion between those who want more control and direction of the let land market to meet policy objectives, and those who want more freedom of contract which they feel will deliver new entrant aims. Note, however, that the consultation suggests that these two entrenched opinions do not split neatly between landlords and tenants. Is there a policy trade off which needs to be discussed openly? At one end of the range there is complete freedom of contract and freedom from right to buy fears. This might deliver more let land, but for shorter terms and with less long-term security. At the other end of the spectrum, there is complete security of tenure and existing right to buy legislation. This may deliver much less let land, but better conditions for sitting tenants. Can you have aspects of both extremes or is there a trade off to be made? There is uncertainty as to which is best for new entrants?

The design of effective policy that does not have significant deadweight problems represents a considerable challenge. Evidence from other countries suggests that well designed and well targeted financial support for new entrants may be possible, but most retirement schemes yield only modest benefits. Further many of the policy areas which impact on the new entrant problem are outwith the control of agricultural ministries and relate to taxation policy and planning policy.

Introduction

This report presents the different components of the work undertaken for the Tenant Farming Forum in relation to the consultation process and associated work relating to new entrants to farming.

The work comprised four principal components:

- A literature review of research into the new entrant's issue and lessons from other countries;
- The organisation of six workshops and summary and presentation, interpretation of the results;
- The design a set of consultation questions and presentation, analysis and interpretation of the results;
- The design and implementation of survey of farm households to enable a deeper statistical analysis of new entrant issues and the collation, presentation and interpretation of the results.

There was an overwhelming response to the consultation – far in excess of our expectations. We received 641 written consultation responses, which includes some long after the consultation period had expired, and around thirty telephone, email and informal responses. We have analysed the data from 595 forms, which includes all responses received by the cut off point.

150 people who attended the six regional workshops filled in a profile/key issue sheet. Slightly more than this number actually attended the workshops.

222 people responded to a postal questionnaire based on randomly selected farm households in four different areas of Scotland. These respondents represent people who may not otherwise have been stimulated to respond to the widely publicised consultation document.

A very wide range of views, ideas and examples have been presented to us. As a result, our principal aim in this report is to present summaries of the main points with the minimum of interpretation.

Methods

The objective of this consultation was to engage as many people as possible in the landowning and farming communities in Scotland with the issue of new entrants into farming and to elicit from them their views on the barriers, opportunities and desired policy solutions.

A literature review was undertaken to explore the literature on new entrants and wider farm adjustment. Explicit attention was given to studies undertaken of new entrant or retirement schemes in other countries.

The core of the consultation comprised a three-stage consultation process, designed to maximise engagement by farmers and landowners.

Firstly, in association with the Tenant Farming Forum, we drafted a challenging discussion document that was intended to engender response from those reading it. The document (See appendix 1) took a neutral view by presenting oppositional arguments in a balanced way. It then asked a series of questions about the nature of the new entrant problem, the barriers to new entrants, the opportunities for new entrants and the policy needs for new entrants.

The document was distributed to all of the membership of the landowning representative groups (namely the Scottish Estates Business Group and the Scottish Rural Property and Business Association) and the representative farming groups (National Farmers Union for Scotland and the Tenant Farmers' Association of Scotland).

The TFF issued press releases to stimulate interest and response and the consultation was advertised on the Macaulay Institutes web-site.

Secondly, six workshops were carried out in different parts of Scotland with one in the south east, one in the south west, one in Perthshire, one in Aberdeenshire, one in Inverness and one in Argyll. Around 120 people in total attended the workshops.

At every workshop, a similar programme was pursued. Six key themes were addressed and full participation of the attendees was sought.

- Is there a new entrant problem and what is it?
- Is it a problem for young people?
- Is it more of a problem now than in the past?
- What are the barriers to entry into farming?
- What are the opportunities for entry into farming?
- What policy solutions could encourage new entrants into farming?

Those attending were also asked to send a message to policy makers.

Considerable effort was made at the workshops to accommodate different views and to engender discussion between participants.

All workshops were taped and the tapes used to cross check with the notes taken in identifying core themes. Flip charts were used to record the comments and observations of those attending and a scoring system was used which enabled attendees to prioritise the observations. These results were all recorded.

Thirdly, a questionnaire survey was designed and implemented amongst a randomly selected set of farmers in four regions of Scotland, namely, Lothian, the North East

(Grampian), Caithness and Sutherland and Dumfries and Galloway. The selection of case study areas aimed to reflect the varied situation found in different parts of Scotland, from areas likely to be strongly influenced by demand for farmland by urban buyers to areas more remote and more dominated by livestock production.

The sample was stratified according to farm size (SLR). This criterion also accommodated indirectly variables pertaining to farm tenure and type. The sample was validated by identifying the distribution according to a key variable (SLR) in the general population and comparing the sample distribution against this using a Chi Squared test.

The questionnaire contained open and closed questions on the farmer, the farm business, adjustment, new entrant issues, enabling a more thorough picture of the individual farm situation to be obtained than would have been possible in a public forum.

A distinctive element of the approach adopted was to retain some questions for use in both the postal questionnaire and the consultation document to enable an assessment to be made of whether the respondents to the consultation were representative of the wider farming population in terms of their elicited responses. Such an approach enables greater weight to be placed on findings should there be a satisfactory correlation between the two sets of observations.

With help from BIOSS, an appropriate statistical test was selected (Spearman's Rank-Order Correlation) to compare the responses from the consultation and those from the same question in the survey.

Literature Review of Research into the New Entrant Issue

1.7 Introduction

The nature of rural land markets, the desire of people to get started in farming and the challenges that they face in so doing, have been recurrent themes in farming literature for at least four hundred years. The interest has always been most evident at times of rapid socio-economic change in rural areas, such as the 16th and early 17th centuries in England, the turn of the 18th and 19th centuries and again in the late 20th century in both England and Scotland. Interest has been most intense when structural changes have put pressure on certain types of owner or certain areas. The issues have been addressed in polemics, elegaic novels and more discipline-based inquiries, with the more academic approaches evident from the early-19th century.

More recent studies in developed western economies show a shared interest around a common theme: the declining number of people needed to sustain a system of working farms, the scope for reproduction of a system of family farming at a time of substantial market and policy change, the need to maintain a dynamic farming industry in the face of complex adjustment challenges and, at various times, the multiple threats to the livelihoods of some of those that currently gain some or all of their livelihoods from farming.

It is essential to start with a common understanding as to what comprises a new entrant. From within the traditional farm community the prevailing conception of the 'new entrant problem' is that those with the skills and aspiration to farm are, for a variety of reasons, unable to break into farming. The conventional conception of new entrant is of an aspirant farmer coming normally from within the industry or with close connections to it. However, a more literal interpretation of the term would be a person acquiring access to land for the first time, whether or not they are from within the farming community. Ward and Manley (2002) describe amenity purchasers as new entrants. Indeed, their study focuses exclusively on this latter category. For the purposes of this study, we define a new entrant as: ***a person or organisation acquiring ownership or occupancy of land for the first time in their own right, whether through succession, purchase or contractual arrangement of whatever form.*** As such, the new entrant could be a private purchaser of land, a corporate body entering the land market or a farmer's or farm worker's son or daughter succeeding to a farm. This definition excludes those existing farmers who are expanding the physical area of their farm by any means such as purchase, rent or short-term lease.

The predominant model of family farming in the UK is one in which succession to a holding is the usual course of entry into the industry. Farming, according to Potter and Lobley (1996: 286), is 'the most hereditary of professions.'

Scottish, UK and European agriculture is experiencing a significant and continuous process of restructuring (Ross Gordon Consultants, 2000). The predominant trend has been for reduction in the number of farms and an increase in farm size, but in the UK a 'hollowing out of the middle' has occurred, with increasing numbers of large farms and increasing numbers of very small farms. As the number of farms has declined, so the average age of farmers has increased and 'the number of young farmers as a proportion of total farmer numbers is declining across the EU.' (Ross Gordon Consultants 2000: 2).

The ownership and tenurial structure of rural land in UK farming is somewhat different to the predominant pattern of owner-occupied farm businesses in most other parts of Europe. In the 19th century, tenant farming was the prevailing model, but in the early 20th century taxation changes and other factors have resulted in a shift to a predominantly owner occupied farm structure, although there remains a significant residue of large land holdings and significant numbers of tenanted farms. Even by UK standards, Scotland has a concentrated pattern of landownership in terms of size of holdings (Wightman 1996) although many of the largest holdings comprise largely poor quality land.

The tenurial patterns in Scottish agriculture are in large part a legacy of the agrarian political, economic and legal histories of Scotland over the last 200 years. A distinctively Scottish feature is crofting tenure. The crofting system of tenure was hived off from the mainstream forms of land in the 1880s (Hunter 1976). Most of the farmed component of Scottish rural land was tenanted in the 19th century, but over the first 50 years of the 20th century an increasingly owner occupied tenurial structure emerged. However, the current system is by no means simply dualistic. Many farm businesses have expanded and become mixed tenure holdings. Other farms may be formally tenancies but the tenant may be a tenant to a family trust. Over and above these relatively durable forms of tenure farmers have also been able to let land on cropping licences or grazing lets of less than a year's duration. Further hybridity has emerged through new arrangements between landowners and various types of 'farmers' in partnership arrangements. Further, the post-2003 short duration tenancies offer an intermediate form of tenure.

In this review, we consider first the historical context of the new entrant problem, then explore the policy context, then examine the adjustment processes in relation to those exiting and entering the industry. We then turn to contemporary diagnoses of the new entrant problem before exploring policy initiatives pursued in several European countries. A number of concluding comments are then pulled together which summarise the nature of the problems and discuss the scope for public sector intervention to remedy them.

1.8 A historical perspective

When a long view is taken of studies of farming change, a number of common themes can be seen. The decline in numbers of farmers and poor conditions of the rural workforce have often been a source of concern. The need to create appropriate and even-handed tenurial arrangements and create viable holdings has often been at the heart of debate about adjustment in Scottish farming. Amenity purchase has long been of interest to historians of rural land use. The balance between collective public interest in farmland and the private interests of landowners and managers has also been much contested. Over and above these perennial historic themes a number of new themes have emerged relating to policy and more contemporary socio-economic concerns.

In Scotland, O'Brien (1989) describes how in the 18th century a 140 acre tenanted farm in Perthshire supported the farmer and his family and ten workers and their families, thereby effectively supporting 30-40 people. With the rising demand for food in the early industrial revolution, but before mechanisation had significantly substituted labour-saving capital, the demand for labour was considerable. Even by the late 19th century, commercial tenanted farms still employed many hired hands.

As late as 1922, the agriculture sector made up nearly 9% of the Scottish workforce (Anthony 1993).

The late 18th century was a time of rapidly expanding demand for food. Devine (1999: 134ff) describes how 'multiple tenancies were eliminated and many individual holdings were brought under one farmer' in the late 18th and early 19th centuries creating 'an entirely new social order' of 'a small number of rent-paying farmers holding a lease for a given period, employing landless servants and labourers dependent entirely on selling their labour power' (op cit.: 135). This system was seen as a model means of delivering rental income to landowners and providing for the expanding food needs of the Scottish people. Smout (1969) reiterates the enormous changes of the late 18th and early 19th century, which created a new class of large tenanted farms and a mass of landless labourers.

Reorganisation of farms and engrossment were common themes on North-East Scotland farms in boom years for farming in the mid 19th century (Carter, 1979: 54ff). In his socio-economic analysis of north east Scotland, Carter (1979) explored the vibrancy of tenant farming in North East Scotland and the multiplicity of farm sizes in many areas as the farm economy of the region developed explosively in the second half of the 19th century. The small farm had a distinct 'sod-busting' role in the development of North East Scotland in breaking in and enclosing new hill ground or moorland which often passed into improved pasture or even arable land. The small farm was marginalised much later in the North East than in the arable areas further south. Carter goes on to chart the demise of many independent small farmers in the years immediately following the end of the First World War. Thirty years earlier Grassie Gibbon's (1946) elegy for the small farmer in the Mearns exposes in literature what Carter had exposed in historical investigation.

However, the need to balance landlords' and tenants' interests has constantly been an issue (Smith 1962). Improving leases, with clauses to ensure land improvement, were a cheap and effective way for landowners to improve the land resource. In the late 19th century in North East Scotland, tenancy was overwhelmingly dominant (Carter 1989: 29). A mixture of falling prices and taxation changes led to a shift towards owner occupancy from the early 1900s, although large scale land ownership has remained a prevalent feature of rural Scotland into the late 20th century (Wightman 1996).

The desire to own land is established strongly in British culture, even where it is not especially profitable to do so. Urban-generated wealth has been spent in the purchase of land for hundreds of years. Hoskins (1954: 79-80) describes the 'well-worn theme' of the passage of successful merchants to the ranks of the landed gentry. He quotes Richard Westcote, a minor land owner in the early 1600s, who wrote of 'such upstart golden asses' with 'a mass of ill-gotten wealth' 'swollen hugely with that intoxicating venom of riches'who'will presently be esquires' (i.e. rural landowners) and asks that their land should be returned to its rightful traditional owners. George Orwell (1947: 27) asserted that 'nearly everyone who can afford to sets up as a country gentleman, or at least makes some effort in that direction.' He goes on to assert that this phenomenon 'has helped to prevent the modernisation of English agriculture' (op.cit.: 28). The city money of the present is but a late chapter in a long history of external wealth entering rural land markets, and often causing resentment among traditional rural people in so doing.

Many rural commentators wrote extensively of the dilapidated state of British farming in the inter-war years after wartime price support in the First World War had been removed in the early 1920s. At such times, access to the industry by new entrants

was relatively easy, though returns were often very modest. Land could be rented for almost nothing and often landowners would forego rents for a period of time to secure a tenant. In spite of the economic difficulties of the time, aspirant new entrants still existed and would often be taken under the wing of an established farmer for a fee (Brassley 1988), as was the case with George Henderson, who wrote the best-selling book – *The Farming Ladder* (Henderson 1944). However, this training system was for farmers and not normally farm workers (Brassley 1988). Occasionally, a farm worker might break into farming, such as Fred Kitchen, who describes how earning fees from writing after attending Workers Education Association classes gave him the capital to rent a county council smallholding (Kitchen 1963).

Not least because of an historic tendency for primogeniture rather than a Napoleonic code of succession, farm businesses, whether owner occupied or tenanted, have usually been passed on to the eldest son. With recent changes in tenant farming law in both England and Scotland, the right to succeed is not guaranteed in the predominant new forms of shorter duration, tenancies. This should in theory free up some land to new entrants, although in Scotland landowner concern about the introduction of a tenant right to buy has led to many risk-averse landowners reducing their amount of let land.

As a generalisation, over most of the last two hundred years, there has been a reasonably heterogeneous but regionally variable farm structure in the UK, which has enabled successful farmers to develop their businesses at the same time as allowing new farmers in at the bottom of the 'farming ladder'. Although the general tendency has been for an increase in the average size of holdings, the farm structure has remained relatively diverse. Tenancies from the private sector landowners and from public sector in the form of county council smallholdings allowed new entrants to gain a toehold in the industry. There is still a reasonable degree of diversity in land holdings, but the smaller holdings which historically provided one entry point for aspirant farmers, have been largely expropriated by those non-farm wealth and the bottom rungs of the farming ladder have been removed from traditional aspirant farmers.

1.9 A policy perspective

The intervention of government in markets has normally been premised on one of three reasons. First, there is a need for institutional and legal arrangements to ensure efficient functioning of markets. Second, markets are seen to malfunction in some way leading to misallocation of resources in relation to economic efficient outcomes. Third, distributional consequences may be seen to be unacceptable, leading governments to intervene to support disadvantaged groups. Fourth, there may be strategic or national interest arguments for supporting a sector or a region.

Harvey, (1997) has argued that governments fulfil five distinct roles in policy:

- As **policeman**, government creates a legal and judicial framework in which markets can work;
- As **doctor or engineer**, government diagnoses market failures by identifying public goods, imperfect competition and external effects;
- As **chemist or mechanic**, government finds the right mix of policies to deliver improvements;
- As **judge**, government distributes the wealth of the economy equitably; and, more contentiously;
- As **priest**, government acts as a guardian of public values and ethics.

It is useful to reflect on which of these roles government is performing in relation to farm succession policy in particular and wider farm and rural development policy in general.

Over the last hundred years or more, different types of policy have impacted on new entrants and succession. First, the specific arrangements of crofting tenure are described; then policy encouraging other types of smallholding is considered; then conventional tenancy is considered; finally the general trends in farm policy are reviewed.

Crofting tenure was enshrined in legislation in the 1880s (Hunter 1976) which conferred considerable protection and made it almost impossible to increase the size of croft holdings. The legislation which created crofting has also provided something of a barrier to new entrants to crofts and in recent years schemes have been devised to assist such a process. Crofting was not initially conceived as a way of creating a new entry point so much as conferring protection to a severely disadvantaged group.

In policy terms, the consideration of new entrants is not of recent origin. In the UK, the Smallholdings Act of 1892 created scope for county smallholdings. Farm forest holdings were established as a policy measure in the uplands in the 1930s and many were established in Scotland. The Land Settlement Association was established in 1934 in England and Wales to create smallholdings to address the problems of unemployment. Two Acts were passed in Scotland to enable the creation of new smallholdings in 1906 and in 1916 which allowed the creation of new crofts on land owned by the government department of agriculture (Mackenzie 1998).

Although tenancy has been seen as the classic route of new entrants, it also afforded scope for successful tenants to develop their enterprise and expand into ownership. Changing law relating to farm tenure has influenced the opportunities for those entering the industry through the tenancy route. There was limited security of tenure in the UK before 1948, when a six month notice to quit was all that was required to remove a tenant in England. From 1976 stronger protection was offered to tenancies with scope for three generation tenancies. However, as a response to the declining number of tenancies the system was radically overhauled in 1995 which introduced a fixed term 'farm business tenancy'.

In Scotland, the 2003 Agricultural Holdings Scotland Act amends and extends the provisions of the 1991 Act.

<http://www.scotland.gov.uk/Topics/Agriculture/Agricultural-Policy/newpage/AHL>

It offers scope for two types of new style limited duration tenancy of up to 5 years duration and 15 years respectively. These offer a presumption in favour of diversification for tenants. The Act also moves disputes resolution directly to the Land Court (in place of statutory arbitration) and provides for a pre-emptive right to buy for 1991 Act secure tenants who have registered an interest in the Register of Community Interests in Land.

In the post Second World War period, the UK developed a farm policy in the 1947 Agriculture Act primarily to deliver food security, prompted by the recent memory of food scarcity in the war years. The set of policy instruments was based on a deficiency payments system, to ensure a cheap food policy and to retain low cost imports from the Commonwealth countries. This morphed into a more protectionist policy prior to entry into the (then) European Economic Community in 1973 in order to comply with the Common Agricultural Policy.

In the 1970s, largely on the back of a protectionist policy regime, the farm sector was relatively prosperous and for a number of years financial institutions became significant purchasers of farmland. Many of them were new entrants to the industry. The turbulence caused in the land market was sufficient for government to sponsor a parliamentary inquiry by Lord Northfield, which reported in 1979. With hindsight, the active engagement of financial institutions can be seen as a brief 'blip' of commercial institutional interest caused by rapidly rising land prices and shortages in commodity markets. It is not impossible that another such situation could occur in tightening commodity markets in the foreseeable future.

Since the late 1970s, the UK government has argued consistently against a protectionist Common Agricultural Policy and has been a prominent neo-liberal voice in the policy debate about the future of the CAP. The UK became an initially reluctant and later committed advocate of stronger agri-environmental policies (Whitby 1994) and this has evolved into recognition of a need to support the development of a multifunctional agriculture where there is market failure

In the UK, the Policy Commission on the Future of Farming and Food (2002) asserted a need for a policy for new entrants and reviewed various policy options. Its chair, Sir Donald Curry, has been an active promulgator of new entrant schemes. In all of the component countries of the UK, schemes to encourage new entrants have been advocated widely by farming pressure groups and considered by government.

The merits of new and young blood in the farm industry have been widely asserted. Northfield (1979) expressed concern about the closed shop nature of farming given the high costs of entry and the Curry Commission argued that new blood brings in new energy and ideas. There are two main thrusts to the argument for young entrants. First, young blood brings a more open-minded approach which may be desirable at a time of policy change and market uncertainties. Second, it is argued that new entrants may be better able to deliver more effectively to the agricultural multi-functionality agenda, although there is some evidence (Schmitzberger et al 2005) that traditional farmers may manage the land in more environmentally benign ways than more aggressively commercial farmers.

The ability of new blood to enter the industry is compromised by many policy-related factors. Some reasons are related to tax law and some to farm policy. Farmland can act as a useful tax shelter, and during periods of substantial urban expansion the development of greenfield sites can lead to rollover relief bidding up the price of land. The latest reforms of the CAP create scope for farmers to retain policy support entitlement whilst be largely or fully inactive.

1.10 The dynamics of farm adjustment with particular reference to entry to and exit from farming

Writing in 1968, early in the years of the life of the Kellogg-funded Agricultural Adjustment Unit at the University of Newcastle upon Tyne, S.J. Rogers concluded:

'Agricultural adjustment is complex, involving not only farming, but the infrastructure within which farming operates. The variables to be considered are inter-related in such a way that looking at any one factor in isolation can be misleading. In some instances there may be direct conflict of interest between one group and another. The evolution of policies is therefore likely to be slow. Nevertheless two principles can be enunciated. The first is that the primary objective should be the improvement of the economic efficiency in the industry by facilitating change and mitigating hardship, and not a slowing up operation,

which, by attempting to preserve an untenable status quo, simply postpones difficult decisions and increases the size of any future problem. The second principle is to admit that insufficient is known about agricultural adjustment.
Rogers 1968:24

These sentiments remain valid in 2007, nearly forty years later, when an increasingly neo-liberal set of policy drivers is reshaping the CAP with a clear emphasis on sharpening economic efficiency and when multiple interests are pursuing increasingly multifunctional demands on Europe's farmed areas. And we remain relatively ignorant about the complex processes of agricultural adjustment.

The aggregate pattern of structural adjustment in the farm sector is the result of myriad decisions by individual farmers, in response to both influences from outside their household and influences from within the household. The external forces can be thought of as **exogenous** influences and these comprise market trends and expectations in both farm and non-farm sectors and a range of policy influences. The internal forces can be thought of as **endogenous** forces and comprise life cycle influences and attitudes and values within the farm household.

In most developed countries, only a small proportion of farmland turns over each year. For example in the UK only about 1% of all farmland turns over annually. This means that any changes in the ownership of land only impact in the short term on a relatively small area of land. Nonetheless, Ward and Manley (2002) assert that 'the likely growth in new entrant activity led to the expectation that new entrants would become the dominant type of landowner in an increasing number of locations.'

The so-called 'cost-price squeeze', creating a pincer-like movement which adversely affects farm profitability is a marked feature of the farm sector in developed western countries. It arises because of the tendency for farm product prices to fall at a time when input prices are rising. The underlying cause of this in an open market is the inelastic demand for food and the tendency for technological change to shift the product supply curve to the right.

In spite of a complex set of policy support measures to support farm incomes, the cost-price squeeze has been an endemic feature of the UK's agricultural sector. There are particular reasons why the UK should have experienced a particularly severe cost-price squeeze in the last decade. First, a number of livestock diseases, such as BSE and Foot and Mouth Disease, have caused export markets to be shut off at various times. Second, the UK's major export market for many years has been the European Union and a strong pound has made UK exports relatively uncompetitive. Third, the strong pound has effectively reduced the value of EU farm support schemes. It is also frequently argued, but not always conclusively proven, that UK farmers are victims of uncompetitive practices by oligopolistic buyers. The crisis in the deregulated dairy sector in the last decade, where farmers have received some of the lowest prices for milk of any country in Europe, would appear to offer some circumstantial evidence to support the claim, as would the recent case of dairy product price fixing.

Endogenous pressures for change arise from within the farm household. They are often shaped by life cycle influences, which can create new demands, such as the absorption of a family member into the workforce or the splitting of a holding on the death of a family member. Equally, pressures can arise from changing values within the household, particularly of the next generation. Certain changes in social practices, such as the increased amount of off-farm work by potential successors, may impact on the styles and type of farming practice.

These dual forces combine to generate particular geographical outcomes. When a particular sector is geographically concentrated, sector specific problems ramify through the regional farm economy. Equally, the geography of amenity demand for farms or for steading conversions for residential use may produce very different pressures in different places, with much stronger demand from non-farm buyers for land in high amenity areas close to large urban centres.

The net result of a combination of factors has been a farm sector in which many farmers have had to contemplate their position and often adjust their businesses. In the early 1990s, a raft of studies of farm adjustment were undertaken by Marsden et al in southern England (Marsden and Munton 1991; Munton et al 1992) and by Bryden et al. over Europe (Bryden 1993). Both revealed a range of adaptive strategies and resulted in typologies of farms and farming adjustment. More recently, the adaptive possibilities have been classified by Lobley *et al.* (2002) in an eight-fold grouping.

1. Static businesses - no change other than usual changes to rotation practice, occasional investment in replacement machinery.
2. Minor change - businesses carrying out a range of marginal changes (to inputs for example) and some limited investment.
3. Traditional restructuring - resources are (re)deployed within farm business, frequently involving movements between enterprises, specialisation and sometimes significant capital investment.
4. Agricultural integrators - resources are (re)deployed within wider agricultural business such as whole farm management businesses, agricultural consultancy, input supply businesses and some upstream businesses.
5. On-farm diversifiers - resources (re)deployed within wider farm-based business such as a tourist enterprise or other farm-based business.
6. Off-farm diversifiers - labour and possibly capital re-deployed in off-farm business or off-farm employment
7. Capital consumers - agricultural assets and resources liquidated to provide income.
8. Leavers - exit from agricultural activity with or without a successor

All of these strategic responses are evident in Scottish agriculture.

Throughout Europe and indeed in many other parts of the world from Japan and Australasia to North America, the combined pressures on farm adjustment have created an ageing and declining workforce. ADAS Consulting (2004) cite evidence from Europe that the proportion of 'agricultural holders' aged 65 and more had increased from 22.1% of the total in 1990 to 25.3% in 2000, whilst at the same time the number of agricultural holders less than 35 had declined to 5.2% of the total from 7.4% over the same time.

It is clear that a combination of social-, market- and policy-led changes have impacted on both the structure and demography of farm ownership and management. An ageing workforce is a direct consequence of these interacting factors.

The social pressures emanate principally from an unwillingness of young people to take on relatively unprofitable businesses from their parents, which may lead to a tactic of hanging on by elderly farmers. The general unattractiveness of farm incomes and farm work has also led to an exodus of many young people from the land often with the encouragement of parents, career advisers and educationalists.

As has been described by Gasson and Errington (1994), the passage from family worker to principal in a farming business comprises can be likened to a slow advance up a ladder and comprises an incremental transfer of practices, decision making, financial control and ownership to a succeeding generation. Burton (2002) has pointed out that the tendency for farm children to seek off-farm work may impact on both farm development and succession. Potter and Lobley (1996) conclude that succession is a sorting process that widens the gap between expanding and declining businesses. Whilst in the past, successors might have been set up on their own farms, there is an increased tendency for incorporation of family members into core businesses, as a way of circumventing the high costs of entry into farming and countering the impact of external wealth being used to acquire farmland (Symes 1990). These complex social pressures tend to generate an ageing population of farmers.

The economic pressures are complex. Farm assets are valuable but the return to working those assets has often been very low. This is the classic 'asset rich-income poor' situation which makes ownership of farmland generally desirable as long as the farm is not making a loss and as long as the farm family has modest consumption demands. Part of the value of farm assets is often the amenity value of the land which holds up land and property values and provides collateral for established farmers. It provides a form of insulation from the vagaries of commodity markets. But there is no scope for financial gain unless the assets are cashed in, except where entitlement to subsidy can be sold off as with the new single farm payment.

The policy pressures emanate from a number of factors. First, if there are policy support entitlements these are usually held by the owner or person running the business. The less work that is required to capture these benefits the greater the incentive of the established farmer to continue to draw them. The particular features of the SFP make it ideally suited to delaying retirement because it constitutes a de facto pension for elderly farmers who wish to run down their farming activity. Second, fiscal measures may impact on the structure and demography of the farmland ownership, making farmland an attractive place to dump business assets, especially if there are strong social drivers for people to want to own land.

In spite of the existence of an ageing population of farmers, a number of access points to the industry can still be identified. With reference to new entrants, Gemmill (2005) notes the multiple entry points into agriculture other than acquisition or tenancy, including contract farming, contract growing and share farming arrangements including joint ventures and partnerships. Some of these alternative arrangements have provided considerable revitalisation through new entrants in countries such as New Zealand. The exact number of these hybrid and alternative entrants in the UK or Scotland is unknown (Cook 2007).

It is generally argued that a young workforce is likely to be more predisposed to deliver the multifunctional policy demands of EU and domestic governments. Throughout the EU there is concern of the ageing of the farm workforce and of the farmers in particular (Eurostat 2002), although there are major differences in the proportion of elderly farmers with figures being high in Portugal, Greece, Spain, Italy and the UK (all had 50% or more farmers aged 55 or more in 2000) while the proportion of farmers aged 55 or more in Austria, Finland, France and Germany was always below 40%. However, the UK undoubtedly has the highest average age of farmer in any of the north western European countries with a predominance of medium sized and large farms, with an age structure more akin to that of Mediterranean countries.

1.11 Barriers to new entrants

The barriers to new entrants have been reviewed by a number of authors. Ross Gordon Consultants undertook a major EU study in 2000 and identified six main barriers which comprised:

- General problems of the farm sector
- The installation process and its associated costs
- Succession and inheritance problems
- Education and training
- Decline in rural areas/infrastructure
- Depopulation and demographic concerns

Three other types of barriers merit attention in the UK. First, the total assemblage of policy measures, including those relating to capital inheritance and income tax, can also be seen as a barrier to new entrants, not least because, both individually and collectively, many policy instruments increase the costs of entry to farming. Thus policy failure can compound the other problems and exacerbate the problems faced by new entrants. Second, it is clear from some parts of the UK that amenity purchase is a major driver of land markets and a major barrier to new entrants from traditional sources. Finally, attitudes to risk and confidence can be important factors mediating the supply of farmland onto the market, influencing the forms of tenure offered and the willingness of new entrants to come into the industry (Cook, 2007).

1.11.1 General problems of the farm sector

The number of people needed to work the land has declined substantially in the last 50 years. The general issues are well summarised by Harvey (1997). In advanced industrial economies there is a tendency for demand for food to lag behind the demand for other consumer products. There are restructuring pressures based on of the substitution of capital machinery for labour which result in a declining demand for labour. This labour shedding has happened particularly fast in the arable sector, with the substitution of tractor power for horse power in the post-war era. The pace of change has been somewhat slower in those parts of the livestock sector, such as hill sheep farming, where there is less scope for labour saving capital substitution.

The problem of declining agricultural product prices has not been met with a decline in the purchase price of land because 'the market mechanism leads to middle class, prosperous, mobile and 'countryside conscious' incomers to the countryside, taking over and protecting their "positional goods" (houses, estates and rural quality of life) whose values are absolutely dependent on limited numbers of people having access to them' (Harvey 1997: 4). Amenity purchase is seen as a major factor in reducing the supply of land to aspirant farmers.

There has been a marked tendency for the middle-sized farms that come onto the market to be split up with the house and a small acreage being sold to an amenity buyer and the remaining land sold to surrounding landowners. This compounds the hollowing out process.

There has been a substantial fall in the number of holdings in the UK and this trend is also manifested in Scotland. There has been a marked tendency for a 'hollowing out of the middle' of farm structures with the number of larger farms increasing, alongside a tendency for the smallest farms to grow in numbers. The growth of very small farms is widely attributed to amenity demand rather than aspirant farmers gaining the first rung on the farming ladder. The greatest pressure has been on the small and medium sized full time farms which, if monoactively farmed, have experienced the cost-price squeeze particularly badly.

The general evidence from financial surveys of the farm sector is that across the farming industry, returns to the top quartile of farmers are broadly reasonable, whilst those to the bottom quartile are significantly negative (SEERAD 2000, SEERAD 2006). For much of the last fifty years the overwhelming pattern of change in the industry has been for incremental growth amongst the best performing farms who, by increasing the size of their business, are able to spread fixed costs. The bidding power of such purchasers is inevitably greater than that of a traditional new entrant.

Table 0.1: Average incomes (£s) per farm for selected farm types Scotland 2004-5

| | Bottom quartile | Top quartile | All farms |
|----------------------|-----------------|--------------|-----------|
| Cropping | -19,668 | 19,504 | 1433 |
| Dairy | -5,417 | 64,330 | 24,567 |
| General Cropping | -33,699 | 45,228 | 4,085 |
| LFA Cattle and Sheep | -6,518 | 45,025 | 15,584 |

There is modest circumstantial evidence that those who would like to farm are unable to gain access to land at a price that their returns from enterprise could repay. However, such a situation is not necessarily evidence of market failure, but the willingness of some from outside farming to buy land at what would be farmers perceive to be inflated prices.

1.11.2 The installation process and its associated costs

New entry into farming occurs alongside the dynamic adjustment processes of existing farm businesses. Both established farmers and new entrants often compete for the same land. Three types of existing farm business are likely to make freehold farms less accessible to new entrants. First, successful and profitable businesses with spare capacity in terms of family labour are likely to be significant actors in land markets or in leasing or renting on either a long or short term basis. The emergent economies of size and scale in farming enterprise may require such incremental growth to ensure competitiveness of such businesses as individual entities and this is likely to be beneficial for the industry as a whole. Spreading fixed costs over a larger acreage will enable such farmers to bid higher prices for land and they are also likely to have capital assets to borrow against. This process of expansion effectively both dries up the supply of land and raises its costs. Second, other farm businesses which have sold land for development have been able to roll over these often substantial assets into new farmland purchase, thus excluding new entrants. Third, overseas farmers who have been able to cash in on very high domestic prices in their home countries have been able to come to Britain to scale up their farming enterprises.

The sum of these changes is likely to ensure that there are high entry costs to farming in the UK. These costs are likely to be added to where subsidy/support payment rights also have to be purchased. The price of land might also be expected to be raised by delayed sales, especially where downscaled enterprises can continue to draw on the single farm payment.

The new entrant route into tenanted holdings, where there is less likely to be scope for competition from overseas entrants will be affected by the willingness of owners

to let land and there can be no doubt that the fear of tenant right to buy is a major factor in reducing the supply of let land in Scotland. The net effect of broadly similar numbers of aspirant traditional entrants chasing letting opportunities will be to raise the costs of entry for those coming in to tenancies and to compromise farm profitability. A further factor in the willingness of landowners to let land is the ability to obtain rental income from residential lettings on farmhouses which may be equal to or greater than the rent that can be charged for farmhouse and land when let under a normal tenancy. This will encourage landowners to incrementally increase the size of existing tenanted holdings and withdraw the house from the farm let for separate leasing.

In summary, new entrants often have to bid high prices in terms of rental or purchase prices of land in order to gain entry to farming. At a time of rather low profitability there is still a desire of established businesses to consolidate their enterprises. Indeed at such times consolidation may be a strategy for maintaining profitability. New entrants tend to have higher borrowings, less collateral and greater challenges than expanding established businesses and are thus likely to be edged out of markets by established farmers.

1.11.3 Succession and inheritance problems

Conventional succession is contingent on the owner or tenant/manager (if he is able to do so under the terms of any lease) of a farming business to transfer ownership to the next generation. It will be influenced by many social and economic factors. In general, increased longevity of farmers will delay the process, but many other factors, such as strong patrimonial attitudes will also influence the process of succession.

Conventional succession may be seen by some as new entry into farming, but in practice there is often a ladder of responsibility up which an individual moves before taking full managerial control of a farm business (Errington and Gasson 1993). Based on Hastings' (1984) work, they identify a four stage process from socialisation into farming enterprise to technical apprenticeship through partnership to control. This process may take forty years or even more. During this period, successors may gain experience in taking some control over some land, some stock or some specific aspects of the business.

There is evidence from North East Scotland (Burton 2002) that many potential successors who in the past would have worked on the farm are now taking off-farm work prior to taking on a farm. Similarly, recent work in Ireland (Hennessy and Rehman 2007) suggests an unwillingness of tertiary-educated children to return to farming on a full-time basis. This suggests a willingness of successors to convert to part-time holdings what previously would have comprised full-time farming businesses.

There is recognition that, Europe-wide, farmers are staying in farming longer than in the past. This is a function of many factors including increased longevity, the nature of support measures, (un)affordability of rural housing, the tendency for successors to be working off-farm in non-farm jobs, low returns to farming enterprise and the deterrent effect of the high costs of entry.

1.11.4 Education and training

Ross Gordon Consultants (2000: 44) argue that 'young farmers do not feel that they are being properly prepared for the difficulties of managing a complex business in a difficult and challenging socio-economic period.'

In general, there has been a marked decline in the numbers of students studying agricultural subjects in universities in the UK, and this trend has been particularly marked in Scotland. There is a widespread recognition (Thomson, pers. comm. 2002) that rural secondary head teachers and careers advisors are advising bright pupils against entry into farming as a career.

The conventional model of education in the land-based sciences in Europe has been for more academically able students to study full time courses at university, whilst less able students tend to use a craft training route into the industry through a further education college route. The farm sector has long had a training board which has a history of providing predominantly practical training.

Paradoxically, because of the lag between full-time education and full succession to a farm, the higher level education system rarely has access to the potential successor immediately prior to succession taking place. So, in many ways, unless the new entrant is making use of lower level training opportunities, or the necessary knowledge base can be constructed by other means, those best educated in terms of qualifications may not be fully up-to-date with their knowledge at the time that they acquire full management responsibility as their core vocationally sensitive education and training may have been up to forty years previously.

A further trend in agricultural education has been the decline in the use of training periods on farms during the degree programme. At a time of greater technical sophistication in farming, many agricultural graduates now complete their degrees with very limited technical skills.

Other commentators note the increased importance of entrepreneurial skills in farming. Many courses at undergraduate level and below do now give significant attention to entrepreneurial training. Most students will undertake both desk based and 'live' new entrant's case studies during their farm management courses. However, many aspects of farm management education have been grounded in techniques that sit uneasily alongside contemporary business management education.

1.11.5 Decline in rural areas infrastructure

There is general concern that the provision of what might be termed infrastructure services (though the term is used rather generally) may be insufficient to meet the aspirations of young adults in rural areas. In particular, lack of public transport services is cited as a major source of dissatisfaction. This is one area where an actual decline in service frequency does appear to have occurred. In other situations the problem may not be one of declining provision but relative deprivation compared to urban areas.

In many other situations, the relative disadvantage of rural young adults with respect to access a range of leisure and recreational services, compared to urban or peri-urban counterparts, may make rural living less attractive.

Although not mentioned in the Ross Gordon Consultants study, affordable housing is clearly a major issue confronting many young adults in rural areas, where a combination of low wages in traditional sectors such as farming and rising house prices caused by outsiders buying into rural living space, have created a significant problem in many but not all rural areas. Affordable housing has emerged as a major

concern in many island and mainland parts of Scotland and is a severe and endemic problem for the low-waged in many parts of the UK.

Although infrastructure quality and availability is important to young people, it is also equally important to old people, although their demands are more likely to be ready access to health and social services. Further, lack of access to affordable housing is also a significant reason for farmers not leaving the land.

1.11.6 Depopulation and demographic concerns

In general, the population of rural areas of Scotland has shown a tendency to increase in recent decades and some rural areas have been amongst the most rapidly growing areas in Scotland. However, this general increase masks a pattern of considerable variability in population. Remoter areas and smaller islands are still tending to show a decline in population.

Historically, patterns of out-migration have been sex-selective with more females leaving rural areas than males. In many areas a population turnaround has occurred with in-migration of families. Some of these in-migrants are likely to be competing in the farmland market that locally based new entrants are also likely to be seeking to enter.

1.11.7 Amenity purchase

The term amenity purchase is normally associated with the purchase of hobby farms, although it can also be argued that this term should be applied to any acquisition of land where the overriding motive for purchase is the amenity values of the holding. As such, many large hill and upland estates with farming, forestry and sporting activities could be deemed to be amenity holdings, as well as the more typical example of the attractive farm (house) within easy commuting distance of an urban area.

With amenity purchase, the predominant driver is assumed to be the interests of the purchaser in the amenities that farmland affords, which can vary from appreciation of views and landscape to privacy to wildlife conservation, to game, to equestrian activities. However, such purchase may also be driven by a desire to sink financial assets into farming as a business, which thereby avoids income and capital taxation, whilst delivering enhanced amenity values to the owner.

In a county such as Cornwall in England, the Fresh Start Initiative has had to confront an extremely buoyant amenity land market. Particularly in accessible and high amenity rural areas, amenity purchase is likely to be a major component of land purchases, particularly of what might be seen as starter units.

1.11.8 Distortions through policy and tax

Agricultural policy support is undoubtedly capitalised into land values and rentals, the latter dependent on the particular nature of policy support. Harvey (1990) estimates that in the late 1980s the policy support structures in UK agriculture inflated land prices by about 40%. When supportive policies are introduced, owners of land receive a one-off capital gain, but this has the effect of making it even more difficult for an incomer without significant access to capital to break into the industry thereafter.

In various parts of Europe and elsewhere in the world a series of policy measure shave been employed to try to increase the number of new entrants and to ease the

passage of elderly farmers out of the industry. These are reviewed in the next section.

If farming offers advantageous situations for tax avoidance this is likely to increase the attractiveness of land to high income earners. Before 1987, a tax loophole existed which enabled switching forestry from one tax schedule to another and dramatically reducing tax liability. Before this opportunity was closed in 1987, it had been heavily exploited by the super-rich under the guidance of commercial forestry firms such as Fountain Forestry (Tomkins 1989). Similar exploitation of tax avoidance opportunities in the farm sector seems highly probable.

1.11.9 Confidence and risk

The number and types of new entrants will be influenced by the degree of confidence of new entrants about the future of the industry and any risks associated with land ownership and management. The risks facing farmers are numerous. Bad weather can damage crops and long-term climate change is also likely to impact on the farm sector in uncertain ways. As well as risk arising from natural phenomena, albeit often anthropogenically compounded risk, other uncertainties can arise from policy change in farm policy, rural policy or fiscal policy, and importantly energy and climate change-related policy. More generally, any risks to aggregate economic well-being arising from market or policy induced changes are likely to have ramifications in farmland markets.

Although prices for many farm commodities have been increasing rapidly since 2006, this has had, to date, only selective effects on EU farming, largely because the effects of rising cereals prices have had adverse knock on effects in the livestock sector. In the UK in particular, confidence in the livestock sector has been dampened by livestock diseases, including Foot and Mouth Disease, Blue Tongue Virus and Avian Flu. All of these have had severely disruptive effects on market movements and adversely affected livestock prices and farm incomes.

In Scotland, there are additional uncertainties in relation to letting land arising from the promulgation a suite of land reform measures since 1997. The Land Reform (Scotland) Act of 2003 created opportunities for community purchase of land in crofting areas without landowner consent and scope in other areas for community purchase when non-crofting land comes onto the market. During the passage of the bill, there was serious discussion about whether tenant farmers should be given a right to purchase their land from the landowner, whether or not the landlord wished to sell. The act gives a right of pre-emption to secure tenants (as defined by the 1991 Act). The uncertainty and continued debate has undoubtedly seriously affected landowner willingness to let land and led to a preference for them using other mechanisms such as contract farming, annual crop licences or in-hand farming. Under such circumstances the number of traditional or even new tenancies being offered might be expected to be dramatically reduced.

Those buying land whose motives are not primarily income generation from farming are likely to be concerned by any adverse tax changes rather than by risks to profit from farming activity. If new owners' rights are compromised by policy changes, their incentives to own land may be reduced. Any risk of adverse tax change or any policy change that impacted on the incomes of the amenity purchasers might reduce the price of land to aspirant farmers.

1.12 Experience outwith Scotland in relation to new entrant and succession policies

1.12.1 Introduction

Several studies have reviewed experiences relating to retirement and new entrant schemes in other member states including Ross Gordon Consultants (2000), Caskie et al. (2002) and Bika (2007). Below, we offer a selective summary to indicate the range of findings of such studies. We emphasise the judgements on scheme effectiveness. The Ross Gordon study is more descriptive than evaluative. As a general observation, it would appear that with the exception of France, by far the biggest spender in Europe on new entrant schemes, there is a weak correlation between spending on schemes and the average age of farmers.

1.12.2 France

France has made considerable use of both domestic and EU policy support for new entrants (Ross Gordon Consultants 2000). There has been long-term government commitment to supporting the set up of young people in farming. The principal means of support are an installation grant, which varies regionally depending on perceived regional variations in the need to encourage new entrants and subsidised credit, again with the rate of subsidy varying from region to region.

Early retirement schemes have also been operational in France since 1962 (Bika 2007) whereby supplementary grants have been given to farmers over 65 if they cease farming. A geographical dimension was subsequently added to address specific problems in specific regions. However, as early as 1982, Naylor questioned the success of the scheme in installing young farmers on the land. Nonetheless, the French model provided the template for EU early retirement schemes from 1992. French evaluations of these schemes (Daucé et al 1999, quoted in Bika) point to their high cost, the low level of additionally and the fact that the effect of retirement schemes was to simply bring retirement forward by a few years with very modest beneficial effects on new entrants or farm structures.

1.12.3 Ireland

An Irish scheme for early retirement, funded by the then European Economic Community, introduced in 1974 operated for 11 years with modest success. Later schemes were introduced after the new EU provisions were introduced in 1992. The first scheme running from 1994-1999 attracted mainly larger farmers and did not address the structural problems of the west of Ireland. The deadweight associated with the policy was considered to be high; i.e. little was achieved that would not have occurred naturally if at a slightly slower rate.

A second scheme which favoured smaller and part time farmers was introduced in 2000 although it too has had modest impacts on the problems of small farms and elderly farmers on the west coast of Ireland

1.12.4 Northern Ireland

Caskie et al (2002) provide one of the most thorough studies of new entrant and retirement schemes to date, in a Northern Ireland farming environment not dissimilar to that of many parts of Scotland. Their conclusions therefore merit special attention. They note clear evidence of ongoing market-driven adjustment, but also a residual legacy of adjustment problems (p97). They argue that the case must rest on clear evidence that there is value for money in that the gains of the policy with respect to

farm profitability, social inclusion and environmental aspects must exceed the policy costs. They assert that the benefits of the early retirement schemes are significantly outweighed by the costs (p100). The structural adjustment arising would simply be modestly speeded up by the scheme and the underlying problem of too many small holdings unable to realise economies of size and scale was seen as likely to remain.

In relation to new entrant schemes, Caskie et al (2002) recognise the wider values of having a young and adaptable workforce. They note that for a range of types of farm, the economic benefits of an interest subsidy on a commercial bank loan scheme do outweigh the costs. Such a scheme has the advantage over a grant that it forces the applicant and the lender to consider the risks associated with the loan as well as the ability to repay.

In relation to environmental impacts, there is general concern that farm enlargement leads to negative environmental impacts. Some opinion suggests that younger farmers may be more disposed to manage the environment. Caskie et al (2002) conclude that the environmental case for new entrant or early retirement schemes is very weak.

The social argument for the schemes is also weak. Caskie et al (2002) argue that further structural adjustment will be needed to generate an adequate standard of living from farming. There appears to be no immediate threat to the future of family farming, but it is evident that the size of family farms will need to grow to secure a reasonable income.

Their overall conclusion is that the case for setting up a subsidised credit system for new entrants using commercial banks is strong but that early retirement schemes cannot be recommended on social, economic or environmental grounds.

With reference to Ireland, Bika (2007) reviews the schemes that have been established to help farmers retire. She concludes that 'the ERS did not increase the rate of retirement in the long run and mostly did not encourage farm transfers outside the family' (Bika 1997:267). The highest levels of adoption were reported in areas where farming was relatively prosperous and there were relatively high numbers of young farmers and there was least need of the scheme.

1.12.5 England

DEFRA (2003) 'recognises the importance of encouraging new entrants into farming to ensure a vibrant and energetic industry'. However, in the same document it makes clear its view that there is no wish to introduce an early retirement scheme.

A number of regions have developed regionally specific support schemes. The Cornwall and Isles of Scilly Fresh Start Scheme (DEFRA n.d.) offers a package of measures including:

- Matchmaking service whereby aspirants entrants can share information on aspiration and opportunity;
- Business support where professional business planning is made available for up to three years after entering farming;
- Mentoring whereby a pool of people with specific skills offer advice and guidance;
- Training both of those entering and those leaving the industry; and
- Retirement and succession planning.

The Cornwall scheme is the most comprehensive of all UK schemes to date, although other schemes have been initiated in Cumbria and Yorkshire and Humberside.

1.12.6 United States

Many elements of US farm policy in recent years have encouraged commodity production and had undesirable consequences on environment and community in US rural areas (Bailey et al 2007). In recognition of the deepening problem of an ageing workforce and the high costs of entry into farming 'The Beginning Farmer and Rancher Development Program' was introduced in the 2002 Farm Bill and was targeted especially to collaborative local, state, and regionally based networks and partnerships to support financial and entrepreneurial training, mentoring apprenticeship programs, "land link" programmes that connect retiring and new farmers, innovative farm transfer and transition practices, and education and outreach activities to assist beginning farmers and ranchers.

Bailey et al (2007: 5) argue for a continuation of the 2002 program but sharpened specification of conditions including:

Priority should be given to partnerships and collaborations that include non-governmental and community-based organizations with expertise in new farmer training and outreach. Refugee and immigrant farmers should be specifically included in the list of qualified groups eligible for the 25 percent funding set-aside. A new section on grant evaluation criteria should be added and include relevancy, technical merit, expertise and track record of the principal partners, participatory evaluation, outcome-based reporting, and plans for communicating findings and results beyond the immediate target audience.

These schemes lay great emphasis on training and education and very focused policy measures. The schemes focus on new and diversified enterprises rather than commodity agriculture and require new entrants to practice good conservation husbandry.

1.12.7 Conclusions

Entry to and exit from farming are part of an adjustment and restructuring in the farming industry which operates with different intensities at different times depending on a combination of exogenous and endogenous pressures on farmland markets and tenurial structures. There is little doubt that the current combination of circumstances in Scotland, with a recent history of very low incomes in the traditional farm sector (until 2006 in the cropping sector), high prices for land, and a declining supply of traditional tenancies and the modest supply of new tenancies under the Agricultural Holdings (Scotland) Act 2003, coupled with taxation factors and a strong demand for amenity land, has made traditional entry to the industry difficult.

There is a clear tension between a heartfelt desire of many to see a dynamic farm sector with a significant cohort of young farmers and the practical realities of an ageing farm workforce with many farm operators struggling to gain a satisfactory living from the land. Unless the farm sector can become more profitable, the argument for condemning new entrants to poverty and disillusionment with public assistance seems weak. Performance figures for the industry in Scotland show unambiguously that a very large proportion of all farmers have been making deeply unsatisfactory returns in recent years. Unless policy-supported new entrants can be shown to have a high chance of obtaining a reasonable return to their and any public investment, the overall value for money of any new entrant scheme will be rightly questioned.

Most policy analysts find the case for policies to increase the number of new entrants to be relatively weak (ADAS 2004), although there is more general acknowledgement of the case for special support schemes for young farmers. Given the poor performance of many farms, the particular problems posed by disrupted livestock markets and the likelihood of a need for sharper business skills, the case for supporting training and up-skilling in business management marketing and succession planning is strong. It is a moot point as to whether advantageous terms on any training initiatives should be offered to new entrants or such initiatives should be made equally available to all takers.

The public support of high quality training and of enhanced learning opportunities created by collaborative groups of farmers offers a knowledge-based route to supporting aspirant farmers. Many new entrants are likely to need to operate speciality or value-added enterprises because they are unlikely to have access to single farm payments and are likely to have to operate in a market environment. This creates a premium value on high quality training, which may need to be based less on benchmarking and traditional farm management planning and more on entrepreneurship and effective business management training.

Many of the factors which make entry to farming for aspirant traditional farmers cannot readily be changed by agricultural policy measures. The fact that so many traditional farmers are outbid by those seeking amenity holdings cannot readily be addressed by policy measures, unless a 'green ticket' requirement is introduced for those owning and/or managing land. Such a move is almost inconceivable. A central cause of so little land being available to new entrants is that many established farmers seek to increase the size of their holdings and will purchase or lease land that might otherwise have gone to new entrants. To stop this happening would interfere with market forces and comprise an ill-considered move that would compromise the profitability of established enterprises.

Effective restructuring and the emergence of a more competitive farm sector does not appear to be occurring as a result of the implementation of retirement schemes. Bika (2006:267) notes the paradoxical conclusion that 'the highest levels of adoption (of Early Retirement Schemes) were reported in relatively prosperous farming regions and those with a higher number of young farmers- those least in need of the scheme were those areas that made the greatest use of such schemes.' Regionally specific factors appear to militate against the widespread adoption of the both retirement and new entrant schemes in areas where its effects on restructuring might be deemed to be most beneficial.

There are strong suggestions that there is a high degree of deadweight in retirement schemes. Retirement Schemes can marginally speed up a process but most of those who take advantage of the schemes would have got out anyway. In policy terms, this gives poor value for money. Retirement schemes which offer a pension or grant to one partner for the transfer of the business to an eligible younger partner do absolutely nothing to encourage structural change and represent a poor use of public money. A humanitarian case may exist for getting farmers in ill-health out of the industry, but this seems the only justification for a retirement scheme.

The most effective new entrant schemes are based on loans rather than grants and where loans are taken from commercial banks rather than government organisations. Such systems of support still put the onus on the young farmer to come up with a bankable development plan for the business, which a commercial lender would be prepared to support. The public sector assistance is to reduce the cost of the loan below the market cost of borrowing. This will reduce the pressure on the new

entrant's cash flow. There is still likely to be deadweight under such a system and a clear set of criteria for selecting suitable candidates is needed.

There are likely to be high transaction costs of the more elaborate mixed package schemes such as that operated in Cornwall. A sharp focus on training, maximum use of commercial credit markets (albeit with reduced loan rates), competitive bidding for support and as much use on farmer/landowner collaboration as possible constitute desiderata for new entrant schemes.

In summary, there is scope for carefully thought out new entrant schemes, but it is essential that new entrants are appropriately skilled for the challenging management task they are confronted with and that policy support schemes minimise deadweight and maximise additionally. Other countries' experience suggests that this can be achieved but the overall results are likely to be modest.

Consultation Document Responses

This section summarises the responses to the consultation exercise. It follows the ordering of questions in the consultation document.

1.13 Is there a new entrant problem?

The vast majority of those who filled in and returned their consultation document felt that there was a new entrant problem. It is important to bear this in mind when interpreting the rest of the analysis which follows – the responses reflect the views of “believers”¹. However, the sheer number of responses suggests that a significant proportion of those involved in the industry feel this is a real issue.

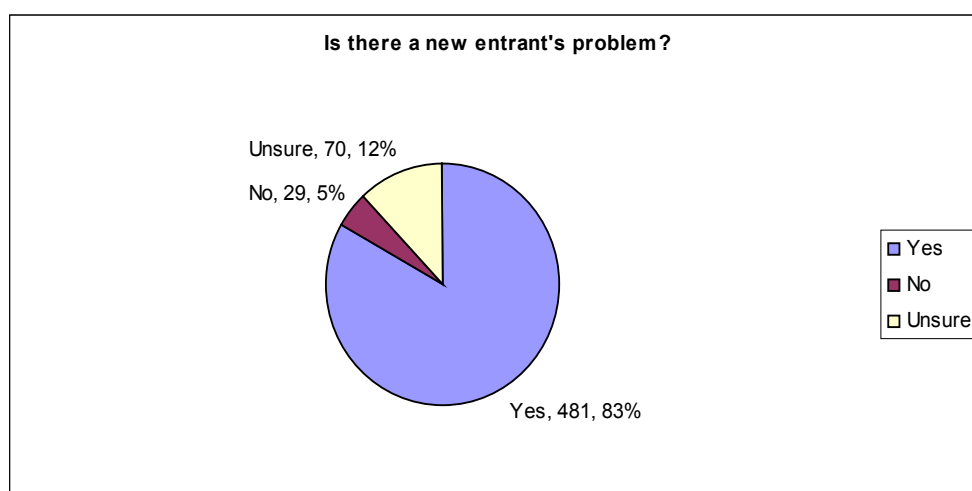


Figure 0.1: Is there a new entrant's problem?

Figure 1 above shows the number of responses to each option and their percentage of the total number of responses.

1.14 What is the cause of the problem?

We grouped the responses to this question under 14 headings (see diagram 2 below). Respondents listed a large range of factors, reflecting the complexity of the issue. However, the major issue is the unattractiveness of the industry – why be a new entrant to agriculture when it is not a profitable option? (16%) The next most important factor is felt to be the lack of available land for new entrants (14%). Capital is the third most important factor, followed by the impact of “right to buy” fears.

¹ The close correlation between the responses of the consultation respondents' views and those of a randomly selected validated survey suggest that this is a genuine industry view.

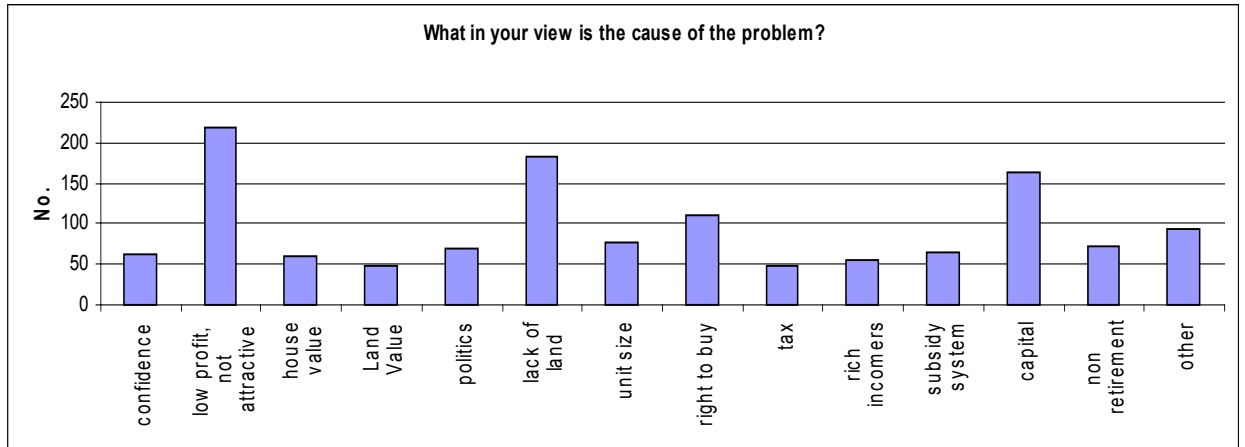


Figure 0.2: What in your view is the cause of the problem?

A wide range of responses which do not fit neatly under the main headings are listed under “other” (see Appendix 2). Some do relate to the main headings such as the tax and legislative regime. However, some specifics from the “other” list include inflexible tenancy lengths, the value of property leading to the stripping of houses and steadings from land and amalgamation into larger units, the competition from existing farmers, young people’s lifestyle choices and poor understanding and knowledge.

1.15 Where is the problem?

We did not collate the answers to this question as many did not answer it and most said it was all over Scotland, with a few references to the issue being more important in livestock areas.

1.16 The barriers to new entrants

The consultation document listed a range of potential barriers and asked respondents to rate their importance as **Low, Moderate or High**. The overall ranking was as follows.

Table 0.1: Ranking of Potential Barriers to New Entrants

| Potential Barrier | Rank on basis of frequency selected as HIGH | Rank on basis of frequency selected as HIGH or MODERATE |
|--|---|---|
| A. Individuals not retiring | 8 | 5 |
| B. Lack of tenancies | 1 | 1 |
| C. The Single Farm Payment subsidy system | 6 | 7 |
| D. Lack of working capital (for breeding stock, machinery, etc) | 4 | 4 |
| E. Value of land | 2 | 3 |
| F. Number of farms for sale | 9 | 9 |
| G. The size of farms available for rent or purchase | 11 | 11 |
| H. Competition from established farmers | 3 | 2 |
| I. Lack of business knowledge and skills | 14 | 14 |
| J. Lack of technical knowledge and skills | 16 | 15 |
| K. Lending institutions reluctant to lend to new entrants | 10 | 10 |
| L. Lack of good advice | 15 | 16 |
| M. The attractiveness of farming compared to other occupations | 5 | 6 |
| N. How well farming fits with the spouse/partners employment | 13 | 13 |
| O. Lack of confidence or security and high perceived risk | 7 | 7 |
| P. Ability to work a farm part-time rather than making it available for new entrants | 12 | 11 |

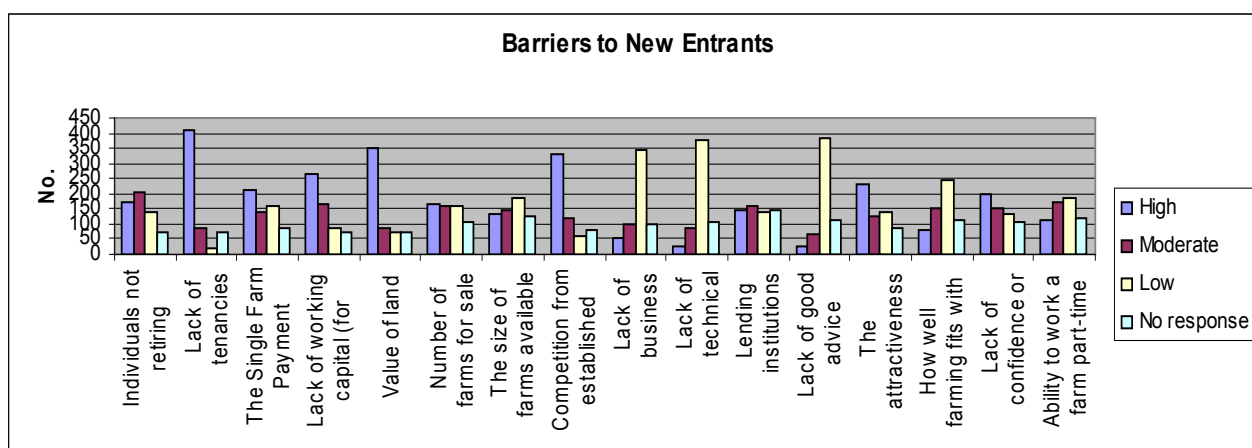


Figure 0.3: Rating of Potential Barriers to New Entrants

By far the most widely identified barriers are the lack of tenancies, the value of land and competition from existing farmers. Second level barriers are the lack of working capital, the unattractive nature of the industry, the Single Farm Payment system and the lack of confidence or security.

There is a range of views on the importance of the retirement problem, the number of farms for sale and lending institutions attitude to new entrants. Some perceive these as important; others do not.

Respondents on the whole did not think that business or technical skills or lack of advice were important barriers. Nor do they feel there is a problem with how well farming fits with spouse employment.

For barriers which they rated highly, respondents were also asked to **describe why it was a problem and what had caused it**. Concentrating on the most highly rated barriers, the most important points were as follows;

- The lack of tenancies was largely attributed to legislation and “interference” or intervention. Lesser reasons were perceived risk and the sheer lack of land available for tenancies. The tax system and the drive for economies of scale were also mentioned.
- The cost of land was simply attributed to lifestyle buyers, overseas buyers and the small quantity traded. The lack of farming profitability was overwhelmingly the major reason why it was seen as an issue for new entrants.
- Competition from existing farmers clearly is driven by the economics of scale and its impact as a barrier is in the reduction in the number of smaller farms available and strong competition for any which do come up for sale or lease.
- The working capital problem is seen as a function of the high capital needs to get started in relation to the profit it can generate. Access to funds is a lesser issue.
- Likewise the unattractive nature of the sector is all about low profits and to a much lesser extent risk.
- The reasons for lack of confidence are not well expressed. There are few responses and less focus on particular issues.
- The Single Farm Payment barrier is overwhelmingly felt to be a problem of who gets entitlements, and the result is poorer profits for those who lose out.
- There were many comments on the retirement issue, but they are mixed – there is not a big difference between the numbers rating it high and low. Including the moderate ratings pulls it up to fifth place in the ranking. It is seen by many (31% of those making a response) as an affordability and profitability issue – poor past profits mean some cannot afford to retire. 18% of responses are on the affordability of housing for retirement. The SFP regime is seen by some as a contributor to the problem – older farmers can scale back their activity and still receive the same SFP. The tax system and lack of capital are also frequently mentioned.

At question 2.2 of the consultation form respondents were asked to list **any other barriers or problems** for new entrants. Please see Appendix 2 for the full list. Many of the points reinforce the issues of risk, poor profits and the subsidy system. Other themes which emerge are a poor agricultural education system, lack of encouragement, planning problems, red tape/legislation/right to buy, compensation for tenants improvements, diversification problems, family issues (buying out other

family members, lifestyle) and competition from other ways to operate land (contract farming, short lets).

1.17 Opportunities for new entrants

Respondents were presented with a list of possible opportunities for getting started in farming and were asked to **rate them as High, Moderate or Low** as means of getting into the industry. There was quite a high non response rate (approx 20%) to this question. Results are presented below.

Table 0.3: Ranking opportunities for new entrants for getting started in farming

| Opportunities for getting started in farming | Rank on basis frequency selected as HIGH | Rank on basis frequency selected as HIGH or MODERATE |
|---|--|--|
| Contract Farming Agreements | 1 | 2 |
| Getting a job in a sector related to farming | 5 | 5 |
| Short term lets and informal annual cropping agreements | 3 | 3 |
| Doing contract work (machinery and labour) | 2 | 1 |
| Starting a new business (farm shop, etc) on your parents farm | 4 | 4 |

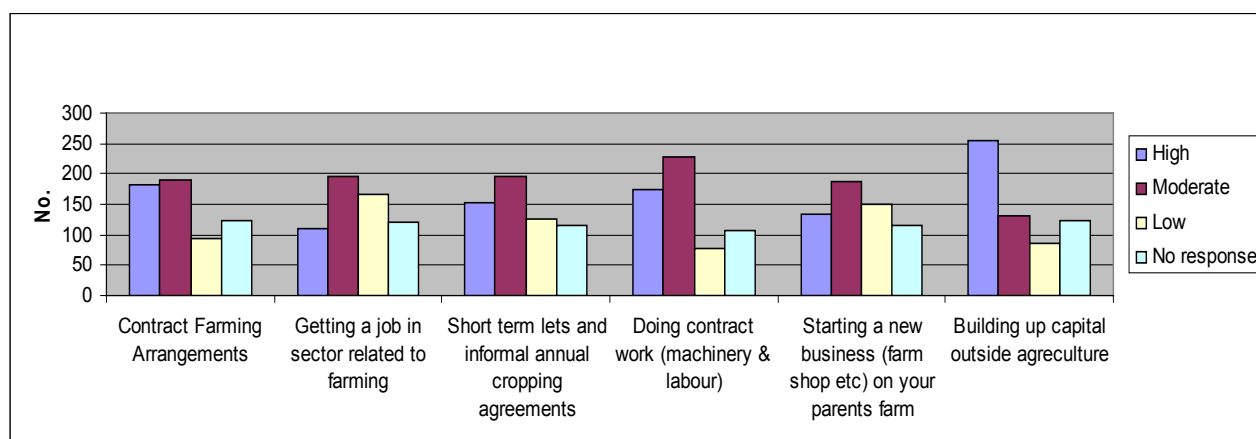


Figure 0.4: Ranking of Opportunities for Getting Started in Farming

The most widely selected opportunity was building up capital outside agriculture. This backs up all the earlier points on barriers for new entrants. The amount of capital required to get into the industry cannot be justified by the returns from farming and if you do not have the capital you cannot compete with all the well-established farmers. One way to get in is therefore to first generate capital outside the industry. While this is true of farming, it is also true of most mature commodity industries.

Doing contract work and taking up formal contract farming arrangements were felt to be the next most popular opportunities for getting started. Short term lets and informal cropping arrangements were next in the ranking.

There are mixed views on getting a job in a sector related to farming. A good number felt this was of moderate importance, but low ratings were more common than high ratings. Starting a new business on the farm received a surprisingly positive rating as a means of getting started. Diversification often receives a very negative response.

It is worth noting that none of the opportunities got an overwhelmingly low rating. They were all seen on balance as good options for some.

Respondents were also asked to **describe the good and bad points of each opportunity.**

In summary the main good points of CFAs, getting a job in a related sector, short lets and contract work were that they built up experience, created a foothold in the industry and enhanced business skills. Starting a new business on the farm or building up capital outside the industry were not seen as providing these benefits, but they were seen as more effective at building capital. Contract work was also rated highly in this regard.

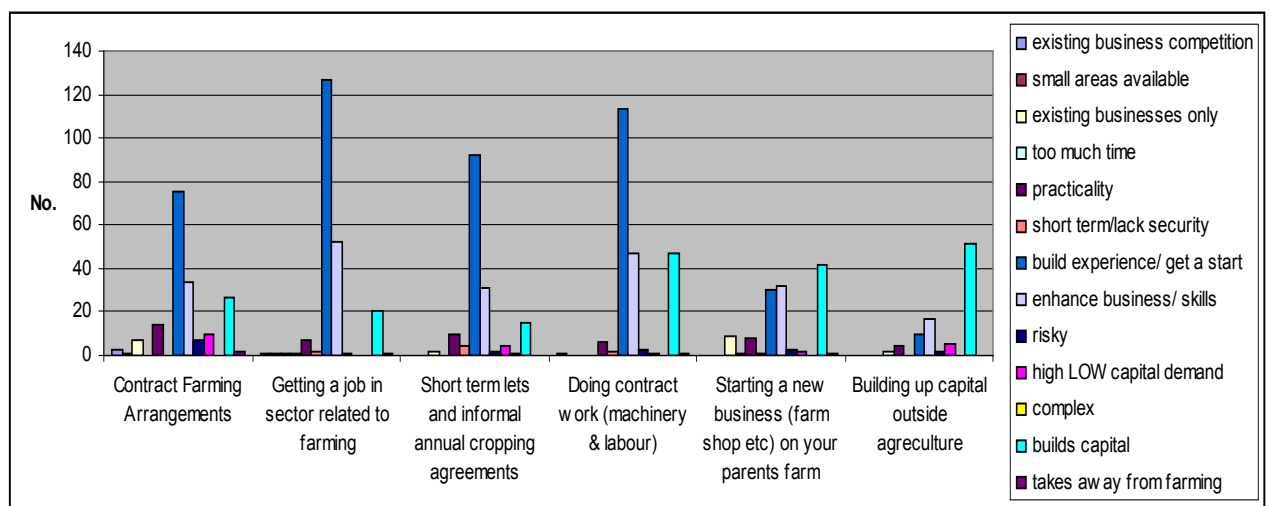


Figure 0.5: Good Points of Opportunities for Getting Started in Farming

The comments on bad points of each option were less strong and more diverse. The strongest negatives registered were the short term nature and lack of security in CFAs and short term lets/cropping agreements. The high capital demand of contracting, the impracticality of starting a diversification on the farm and the removal from farm skills and understanding which is inherent in building up capital outside farming also stood out in the responses. Some pointed out that some options – starting a business on the farm, CFAs – were only really open to those from a farm/existing farm business.

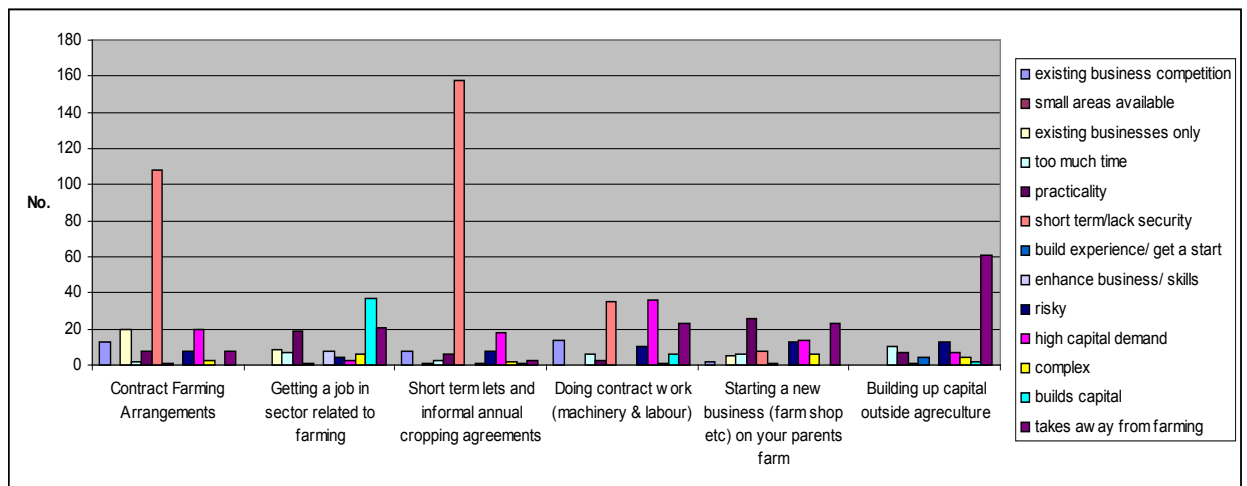


Figure 0.6: Bad Points of Opportunities for Getting Started in Farming

Respondents were also asked if there were **other ways to get started in farming**. See Appendix 3 for the full list of responses. Many of the responses (Government intervention, flexibility in leases to allow their purchase or assignation) were actually suggestions for solutions rather than ways for people to get started in the current environment. Some of the suggestions for what could be done now include various share farming and partnership approaches to allow a gradual build up of capital and experience, sheer business acumen (buy stock when prices are low, buy poor land to improve, do up a run down house), the farm management route, emigration, jobs outside agriculture and several tongue in cheek references to marrying well.

1.18 Solutions

The form presented 12 possible solutions to the new entrant problem. Respondents were asked to describe the good and bad points of each and to give each a score between 1 (no benefit for new entrants) and 10 (highly beneficial for new entrants). Based on a simple total score, the ranking of the options is as follows;

Table 0.4: Ranking of Proposed Solutions

| Proposed Solution | Total Score | Overall Rank |
|---|-------------|--------------|
| Planning policies which let retiring farmers build a house in country | 3206 | 4 |
| Payments to farmers who retire and vacate farm early | 3131 | 5 |
| Financial support to young people getting started in farming (interest rate subsidies, higher grant rates) | 3912 | 1 |
| Matching scheme to match new entrants to farmers with no successors | 2875 | 8 |
| A mentoring scheme for new entrants | 2852 | 9 |
| Advice on how to get started and on preparing budgets and business plans | 3029 | 6 |
| Establishing small starter units (up to 100 | 2790 | 10 |

| | | |
|---|------|----|
| acres) | | |
| An options guide to advise new entrants and retiring farmers of their options and sources of advice | 2550 | 11 |
| Developing phased ownership mechanisms such as share farming agreements which allow a worker over time to buy an increasing proportion of an enterprise e.g. breeding herd | 2969 | 7 |
| Taxation changes which make letting land more attractive | 3726 | 3 |
| Freedom to agree any length of tenancy | 3730 | 2 |
| Provision of training in order to build up skills enabling a person to farm | 2491 | 12 |

The frequency of each score from 1 to 10 is shown in the diagram below.

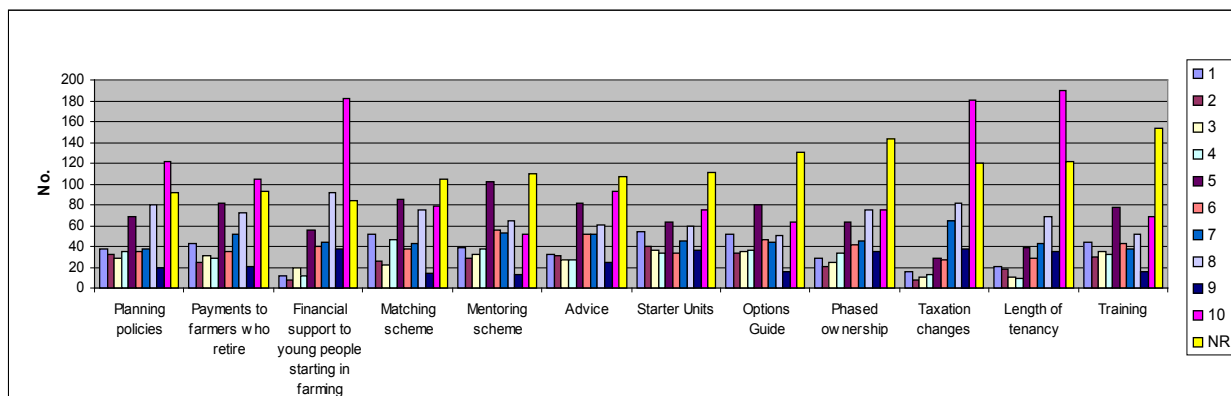


Figure 0.7: Distribution of Scores for Each Proposed Solution

Financial support (interest rate subsidies, higher grant rates) for new entrants received the strongest support followed by taxation changes which make letting land more attractive and freedom to agree any length of tenancy to match the situation. These three solutions stand out above the rest.

The “second tier” solutions include planning policies which make it easier to build retirement homes in the country, payments to farmers who retire early and vacate a farm for a new entrant and advice on how to get started.

Matching schemes and starter units get relatively low scores. Training, phased ownership (share farming mechanisms) and the options guide also get lower scores, but also have the highest non response rates which may signify a lack of understanding of these options amongst respondents.

Respondents were asked to tell us what they thought were the **good and bad points of each proposed solution.**

In terms of good points, most of the positives noted for all the options were about the encouragement they gave to new entrants to get started or for older farmers to retire or for landowners to let. This is not surprising as most of the options are incentives. The bulk of the other positive comments were related to building confidence (especially the “softer” proposals such as mentoring and advice) and giving guidance. Phased ownership and financial support were seen as positive routes to help build capital. Some of the positive comments on planning policies and retiral payments related to giving people dignity. These latter two options, while scored as “second tier” solutions, generated the most comments.

These two options (planning and retiral payments) plus the financial support proposal received a high level of negative responses in terms of their likelihood of being abused, their unfairness to some, their public cost, their stimulus to make poor borrowing decisions, their politics and to some extent their unworkability. Matching and mentoring negatives were mainly about workability. Advice and “option guide” negatives related to the fact that most of this was already available and initiatives in these areas might just create extra costs. Starter units were seen as unworkable and costly. The negative comments on phased ownership were about practicality/workability, as well as some concerns on cost and abuse. Taxation change negatives were mainly related to increased political interference plus abuse by some parties and cost. Most of the bad points expressed on flexible tenancy length were on workability/ practicality/ security for the tenant and to a lesser extent unfairness

and potential abuse. The main issue with extra training was that it was already available or simply not needed.

Question 3.2 of the form asked: **“What, if anything else, do you think could be reasonably done to make it easier for new entrants and young people to get started?”** This resulted in a very large number of suggestions (see Appendix 4). Many could be fitted into the solutions proposed at question 3.1. Perhaps the main categories were as follows.

- Education. A number of respondents felt the current agricultural education system is not attractive and provides the wrong skills and qualities.
- Tenancy Reform. The fear of right to buy and how this limits letting of land comes up continually. The need for industry/government action on removing the fear of right to buy was emphasised by many. At the other end of the spectrum of views some felt that an absolute right to buy would result in the best long term solution by turning the asset over to farmers and would break the “log jam”. Many made a plea for freedom of contract and the FBT system as adopted in England or at least freedom to set tenancy terms between 5 and 15 years.
- Tax reform to make the letting of land more attractive is a common point. Measures proposed range from harmonising landlord and farmer tax status through to specific tax benefits for those who let land to a new entrant. Specific examples include exemption from stamp duty on long leases for new entrants, no Capital Gains tax liability on sale of SFP to a new entrant, 5 years income tax relief on rents to new entrants (to make up for the risk premium of letting to a person with no track record), tax relief for farmer letting land to a new entrant, Capital Gains tax relief on sale of a house/steading for development if build a replacement house/steading for new entrant.
- The Single Farm Payment regime is heavily criticised. New entrants do not get the same payments and some established farmers are described as using it as a means of simplifying their farming and “under-using” land which could be better used by a new entrant. Proposals include no SFP after age 65, a strong National Reserve to ensure all genuine new entrants get the full rate for the area, a flat rate SFP per Ha which is attached to the land so there is a level playing field, abolish subsidy altogether, cap subsidy so the larger farmers do not get such an advantage over new entrants. It is worth noting that throughout the consultation process perhaps the strongest issue to emerge from young people and new entrants themselves has been anger over the SFP regime and the complete inadequacy of the original SFP National Reserve. Other aspects of the subsidy regime are also criticised as barriers to new entrants e.g. milk quotas.
- Direct incentives to let farms. A number of respondents have proposed some sort of direct payment or tax break for landlords if they let farms to new entrants and especially if they let for longer periods. Several permutations are proposed from one-off payments depending on the term offered, through to a rent top-up to provide a return on capital equal to what would have been achieved by breaking up the house, buildings and land.
- “Secure” tenancy measures. At one end of the spectrum some feel that allowing secure tenants with no successor to assign their tenancy to anyone would boost opportunities for new entrants. This might be linked to various types of tax and SFP incentives for the outgoing tenant. Others feel that secure tenancies should be ring-fenced so that they can never revert to the owner, thus preserving a pool of new long term leases for new entrants as older tenants retire. At the other end of the spectrum some feel that security

of tenure in 1991 Act tenancies should be ended thus greatly increasing turnover and opportunities for new entrants

- Profitability. Many comments relate to profitability – if this were better we would not be discussing a new entrant problem, so really we are addressing entirely the wrong issue. Several point out that it may be wrong to entice more young people into an industry which cannot provide many of them with a reasonable living.
- Nationalisation. There are a few calls for state ownership of land. These range from taking over under utilised land for reallocation to new entrants and provision of starter units similar to the post-war Council holdings through to wholesale state ownership of estates.
- Diversification. Some respondents feel that any support should concentrate on developing new farm based enterprises because the existing ones do not provide enough profit to support new entrants. Without profitable enterprises why encourage new entrants?
- Finance. Many feel that subsidised finance and higher grant rates would be beneficial. There is also a call for a loan guarantee scheme as new entrants lack collateral.
- Red tape/bureaucracy. Many felt the burden of compliance with legislation to be a major barrier for new entrants and should be reduced.

1.19 Responses in relation to status; Landlord/ Non Landlord Differences

The background of the 498 respondents who answered the question on status was as follows.

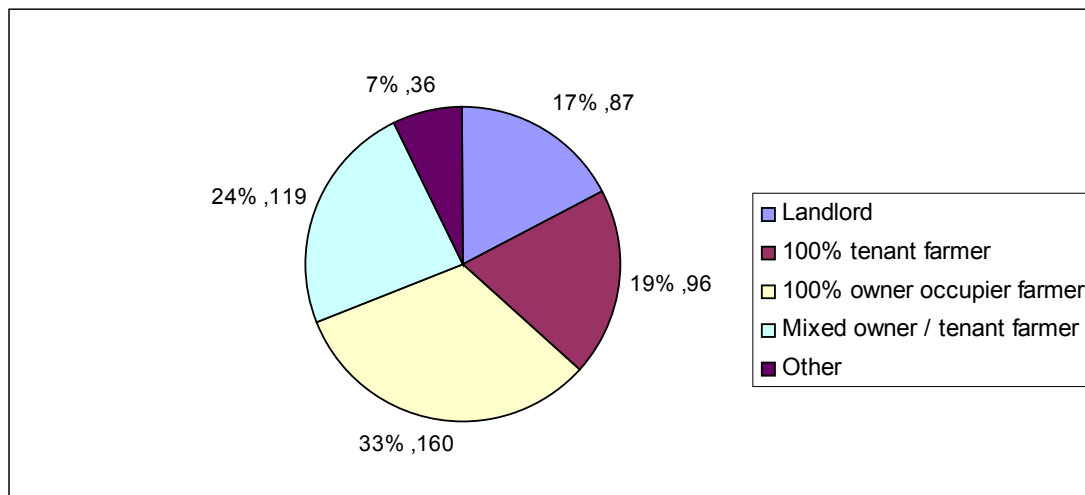


Figure 0.8: Status of Consultation Document Respondents

The “other” category included mainly land agents, advisers and retired farmers.

For the major “closed questions” (is there a problem, the rating of barriers, opportunities and solutions) we have analysed the difference in responses between landlords and non landlords (i.e. all the other status categories).

The vast majority of both landlords and non landlords felt there was a new entrants problem, though a higher proportion of landlords were unsure.

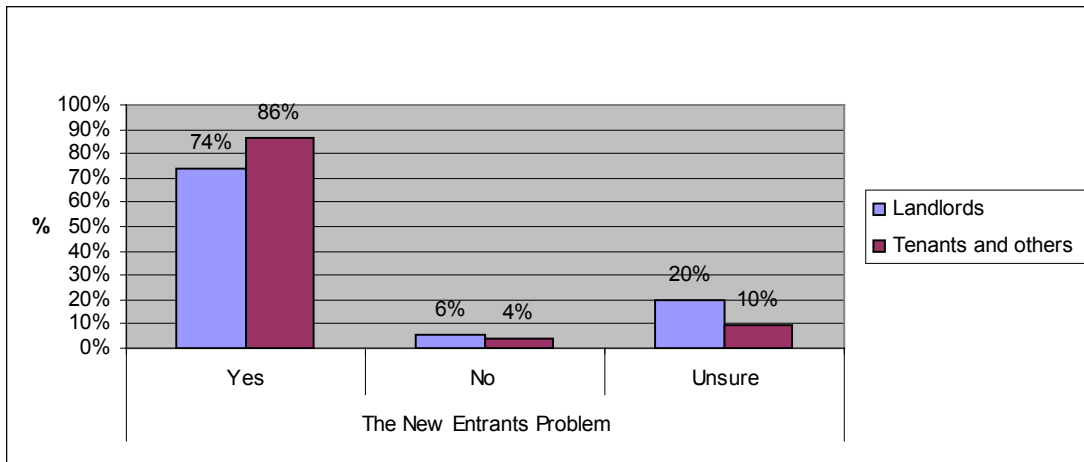


Figure 0.9: Landlord and Others View on The New Entrant Problem

The views of both landlords and tenants/others are surprisingly similar on the barriers to new entrants (see Figures 10 and 11 below). In general tenants/others express their views more strongly with more “high” ratings and a much lower non response rate. In terms of rating the different potential barriers to new entrants the only differences are in “lack of confidence and security”, “reluctance of lending institutions”, “the number of farms for sale” and the “SFP regime” which are all viewed as slightly less important by landlords.

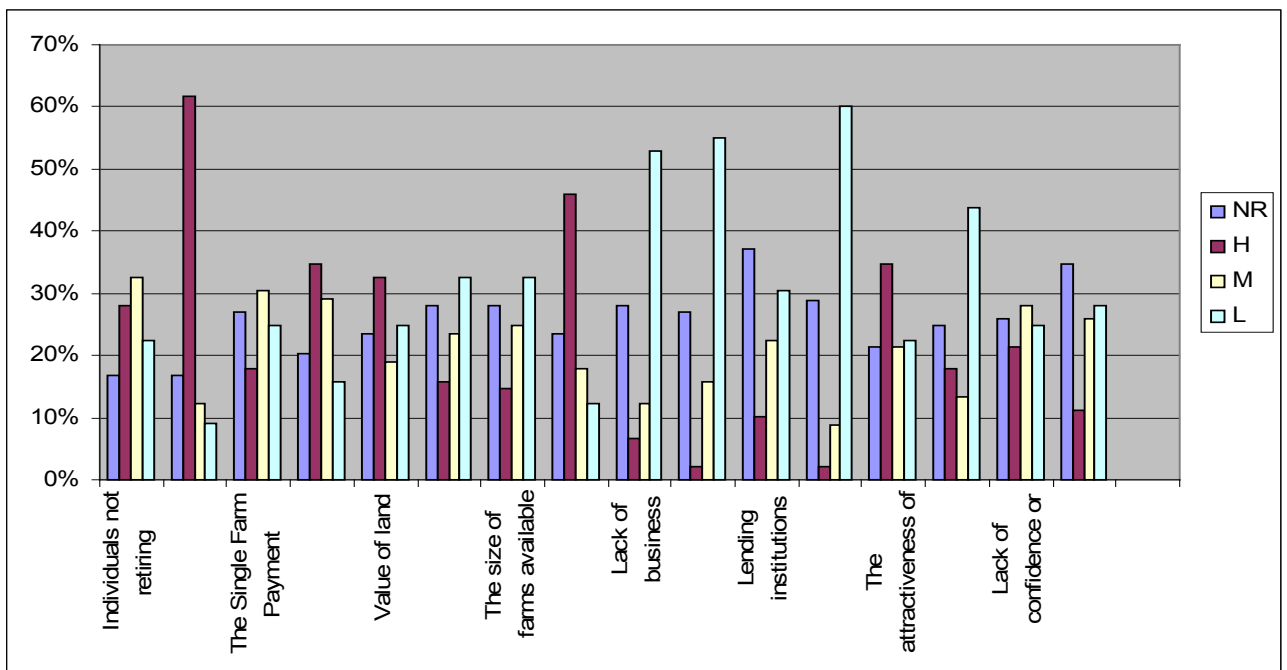


Figure 0.10: Barriers to New Entrants: Landlord Opinions

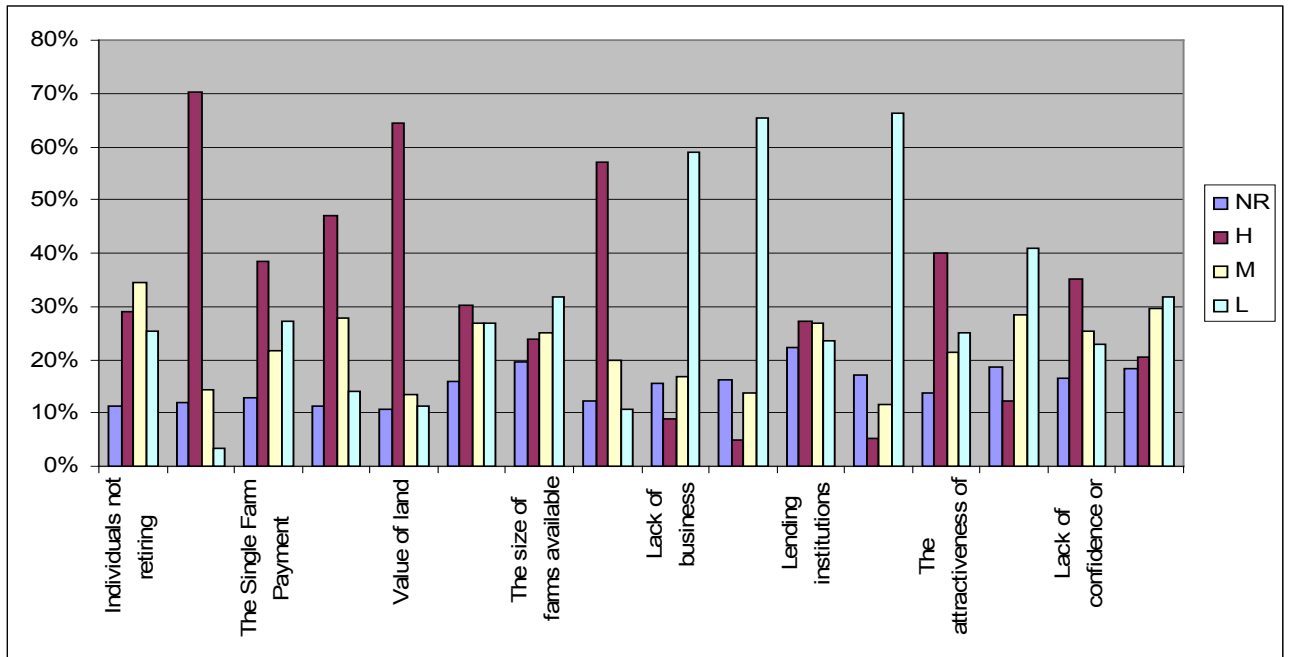


Figure 0.11: Barriers to New Entrants: Tenants and Others Opinions

On the value of the six opportunities for new entrants, there were some significant differences between landlords and tenants/others. Landlords gave a higher rating to Contract Farming Arrangements, jobs in related sectors and diversification. Perhaps surprisingly tenants/others gave a much higher rating to building up capital outside agriculture. There was a much higher non response rate from landlords on all these opportunities.



Figure 0.12: New Opportunities; Landlord's Rating

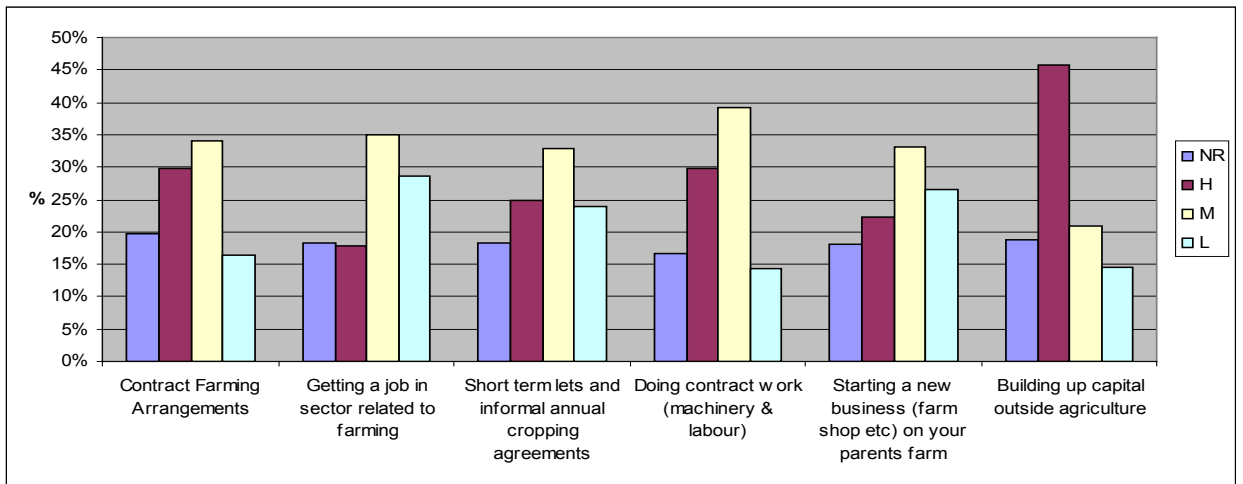


Figure 0.13: New Opportunities; Tenant's and Other's Rating

On the rating of potential solutions the key points from figures 14 and 15 below are perhaps as follows.

- Tenants and others are much more enthusiastic about all the potential solutions listed
- Both landlords and tenants/others agree that freedom to agree any length of tenancy and taxation changes are very important solutions
- Tenants/others give the highest rating to financial support to new entrants. This only gets a moderate rating from landlords (though it is third in their ranking).
- Tenants also give a fairly high rating to planning policies (which allow retiring farmers to build a house in the country) and to payments to farmers who retire early. Landlords give a moderate rating to planning policies, but a low rating to retirement payments.

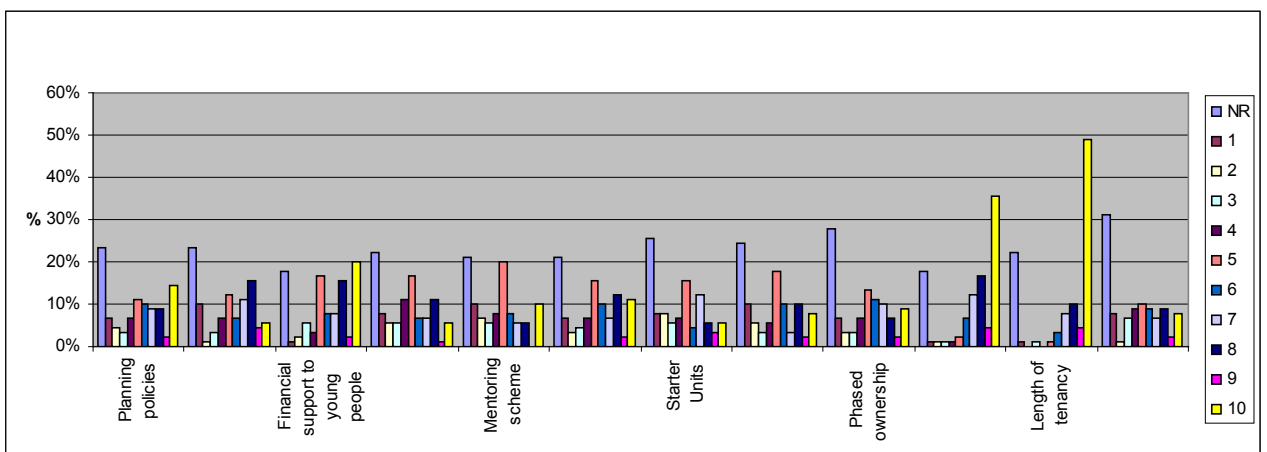


Figure 0.14: Potential Solutions; Landlord's Rating

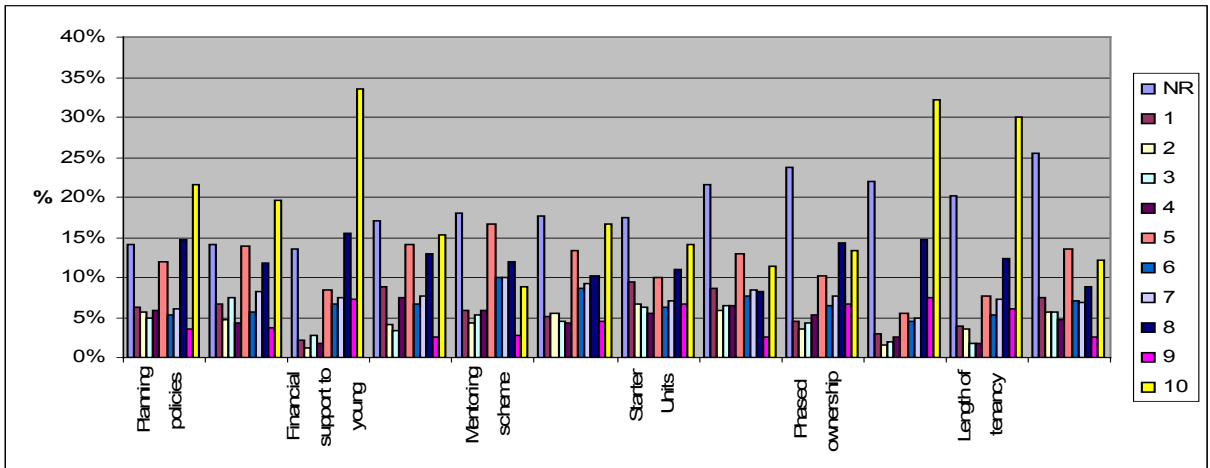


Figure 0.15: Potential Solutions; Tenant's and Other's Rating

Consultation Workshops Feedback

1.20 Workshop Profiles

Six workshops were held to give a broad geographical coverage of Scotland. They were located in the North West (Oban), North East (Oldmeldrum), the Eastern Highlands (Inverness), Central (Birnham/Dunkeld), South East (Lauder) and the South West (Castle Douglas).

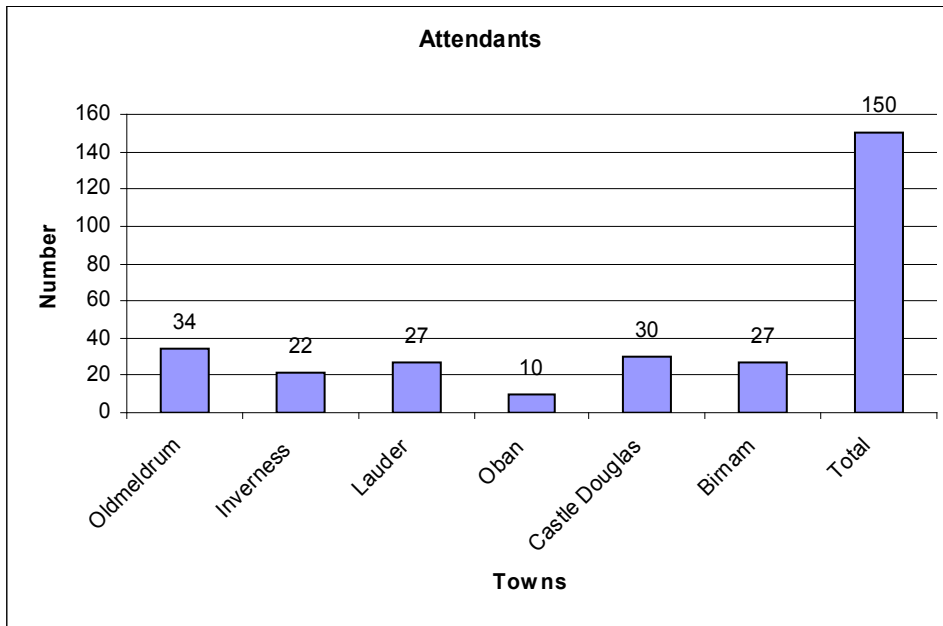


Figure 0.1: Workshop Attendance

In total, 150 delegates attended the six workshops and returned a profile sheet. Slightly more than this number actually attended, but our analysis of the profile of attendees can only be based on those who handed in a completed sheet at the end of the workshop. The largest turn-out of 34 delegates was at the Oldmeldrum workshop. Oban was the smallest with 10 delegates.

Verbal feedback from the workshops was very good. There was a high level of participation and generally appreciative comments on the opportunity the workshops provided to air views and to hear what others had to say.

Out of the 150 delegates attending the workshops the majority, 99 delegates, were there as private individuals, with 39 delegates representing an organization. The Lauder workshop saw the highest number of organisational representatives and Oldmeldrum saw the fewest, in percentage terms.

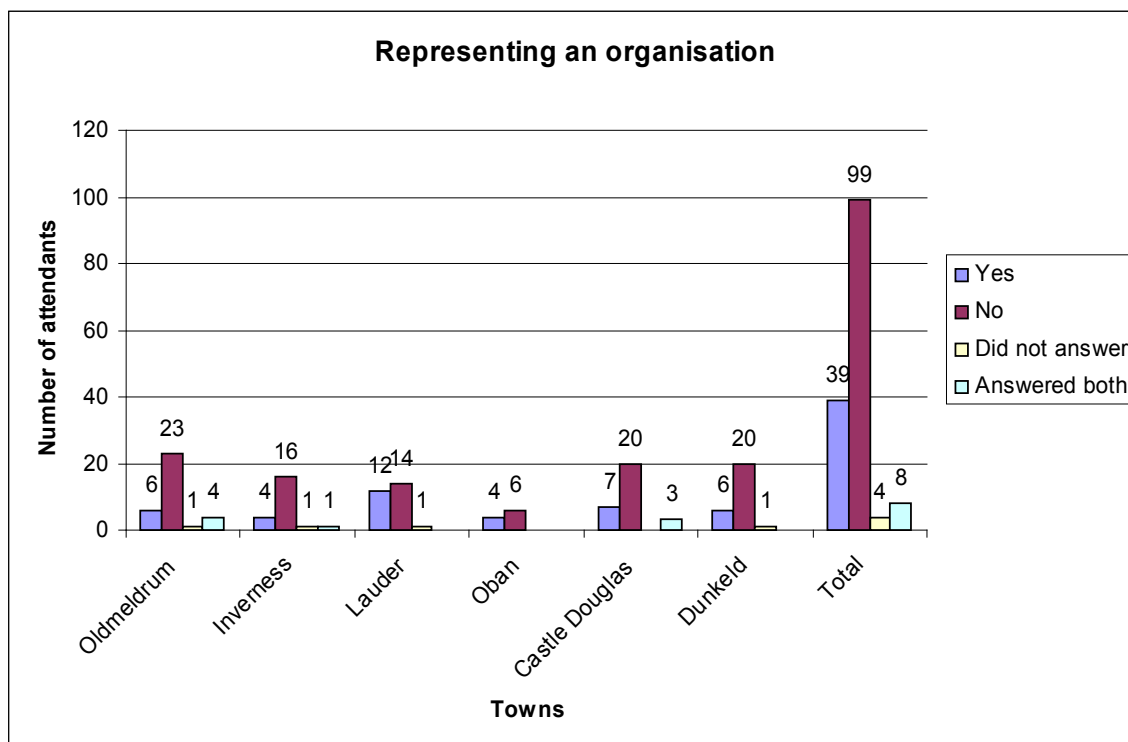


Figure 0.2: Representing an Organisation?

Of the total number of delegates that attended the meetings, approximately 38% were 'other' (agents, advisers, educationalists), 37% were from 100% tenanted farms, 21% were from mixed owner/ tenanted farms, and 7% were landlords or owner occupier farmers. This varied considerably by workshop with Oldmeldrum and Inverness having the most tenant farmers and Castle Douglas and Lauder having the largest number of 'others' (especially land agents and advisers). The largest number of mixed owner/tenant farmers attended the Oldmeldrum workshop and all the other venues had a similar number of mixed owner / tenant farmers in attendance.

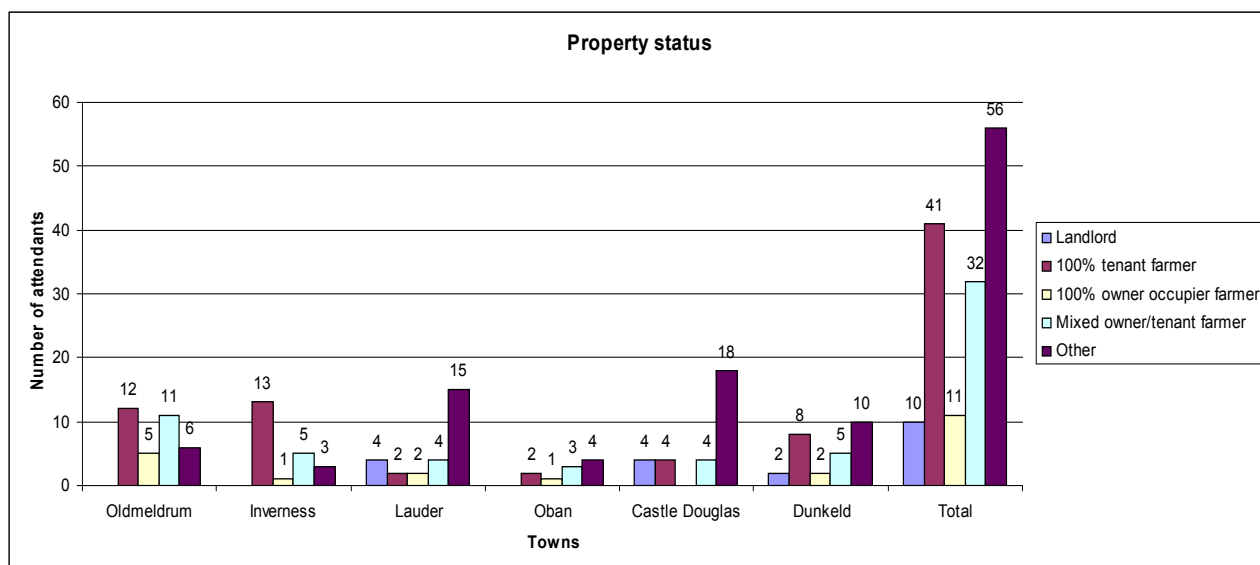


Figure 0.3: Status of Workshop Attendees

Of the delegates who attended the workshops the largest percentage, 39%, were 35 years of age or younger, 17% between 35 & 44, 17% between 45 & 54 years of age, 21% between 55 & 64 years and only 6 percent were over 65 years of age. This is a much younger age profile than is expected for the industry as a whole. The age spread was fairly similar in the Oldmeldrum, Lauder, Castle Douglas and Dunkeld workshops, with the largest group being under 35 years of age. The Inverness workshop had the oldest delegates with the largest group being the 55-64 year olds. The Oban workshop was quite evenly split over the age groups.

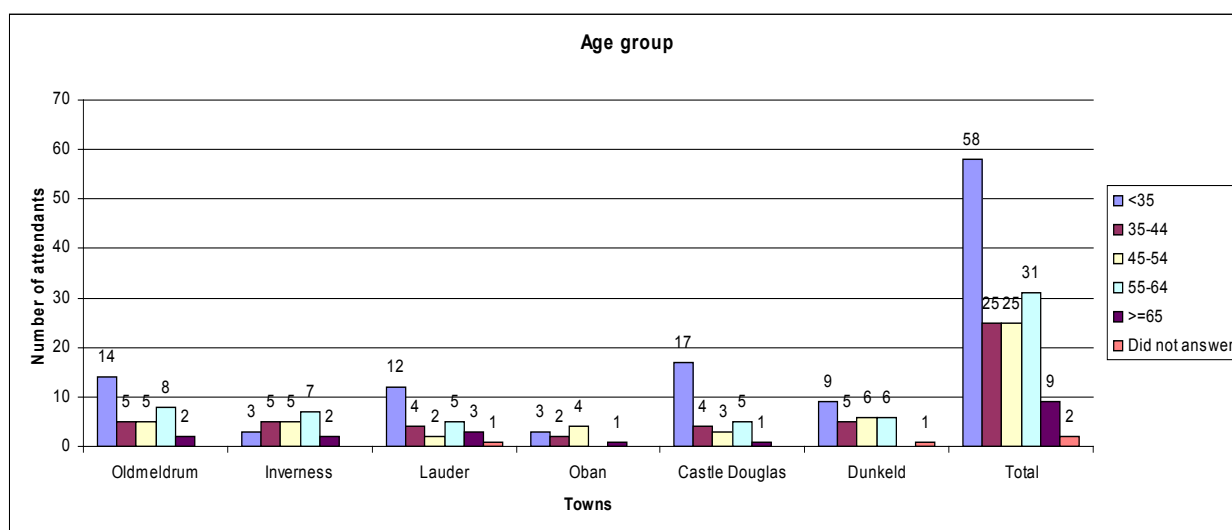


Figure 0.4: Age Structure of Workshop Attendees

1.21 Workshop Results

Topic 1: “Is there a new entrant’s problem and what is it?”

Those who participated in the discussion of this question appeared to be in no doubt that there is a problem but the definition of what that problem is was highly problematic and resulted in little common focus. It is clear that there is no one new entrant problem, rather there are a large number and range of issues which are affecting entry to agriculture.

One clear result evident from the discussions of this topic was the degree of confusion over what constituted a new entrant to agriculture. Many of the responses to this question were questions themselves. Examples of this included;

- Is it someone establishing a new independent agricultural business?
- Is it only those people who farm for a living?
- Are we just considering the young?
- Are those who buy farms outright new entrants?
- What do we define as farming?

This highlighted a lack of clarity over this aspect of the issue and the need for a very clear definition of what the target group under consideration actually is.

Consideration of what the problem is or rather what the problems are, generated an enormous number of suggestions covering almost the entire range of possibilities with conflicting or opposing views common. For example, the Carfraemill session alone resulted in no fewer than 29 suggestions here (see Appendix 6 for the individual workshop reports). The following examples highlight some of this variety of opinion from these discussions in the six workshop sessions in relation to some of the key issues emerging.

Is it a problem for young people?

The responses were variable: Yes there is a problem, but the problem may not just be a lack of opportunity for young people; rather it may be a lack of demand from young people. No, there is not a problem, there is little demand from young people, they have different aspirations, jobs are shrinking, farms are fewer and larger - there is no need for more young people in the industry.

Is it more of a problem now?

Yes, it is increasing because of rationalisation, poorer rewards, less farms available to let, folk staying on longer, less opportunity, it is a landlord problem, the landed classes, it is a tenant problem, it is a tax problem, it is a support problem, it is the wrong sort of new entrants. No, it was ever thus although some of the problems may differ, look at the numbers interested in every holding which does become available. It is other farmers who are or who cause the main problems. No, farmers are not to blame; the cause lies in the operation of the markets, incomers, tax breaks or support regimes.

The main overall conclusion appeared to be that the fundamental problem was that for a wide variety of reasons, financial, cultural, physical, social, fiscal and perceived opportunity, the industry was not sufficiently attractive to new entrants wishing to make their living from farming; it did not offer sufficient return against the range of modern expectations.

In many respects the greatest value of this question lay in opening up the discussion and challenging some of the preconceptions and, through involving people in discussion, acting as a clearing house for the less considered opinions. Indeed, this is what it was intended to do through the subsequent discussion of opportunities for new entrants, barriers and solutions.

Who is entering farming?

This question was considered immediately following the first, again largely as a scoping exercise. Again, a considerable range of responses was identified and, although one might have expected some regional variation, little was apparent other than the crofting involvement in Oban and Inverness. The main finding was the wide and diverse range of people entering the industry through a variety of routes. In questioning some of the suggestions, it was apparent that there is a need for clarity the significance of entrants from any particular group. Where, for example, Irish buyers were identified as a major influence, this may have only related to one or two purchases in the experience of the respondent.

The main groups which delegates identified as entering farming included the following;

- Investors, those with capital who could afford to buy;
- Those who, for tax and capital gains reasons, wanted to invest in farms;
- Life-style farmers, part-time farmers;
- Property developers;
- Successors;
- Contract farmers, agricultural contractors;
- Foreign buyers – Irish;
- Overseas workers (immigrants);
- Conservation organisations working with SSSIs , interest groups RSPB;
- Niche product farming – i.e. forestry, horticulture, equine, alternative land use;
- Farmers wanting to expand their businesses;
- Estates taking land in hand;
- Some Scottish farm workers and managers;
- Some young new tenants; and
- Those with skills and experience and an interest in farming.

Many of the identified groups are those whom one would normally expect to be represented as entrants. It is therefore not clear from this information source that there has been any significant shift in the pattern of those who are entering the sector in Scotland.

Topics 2, 3 and 4: Analysis of the Opportunities, Barriers and Solutions Identified in the Workshops

In each of the workshops, delegates were asked to address three further questions:

- What opportunities exist for new entrants to get started?
- What are the barriers for new entrants?
- What are the potential solutions?

The full outputs from the group discussions were recorded on flipcharts by the facilitators and, at the end of each workshop, delegates were asked to prioritise the responses. This was done by voting using adhesive coloured dots to indicate the participant's perception of the three most important opportunities, barriers and solutions. From the analysis, charts have been prepared illustrating the relative priority placed on the various responses put forward. This was done by placing a numeric value on the relative priorities awarded in the votes; highest: three, middle: two and third: one point.

In each case, the initial lists were rather lengthy, incorporating points put forward by many different individuals. Prioritisation has allowed us to focus down on those responses where there was a reasonable degree of consensus or support evident. The following sections identify the principal issues emerging in relation to each question and identify differences between the workshop sessions. Whilst it would be possible to prepare an overall summary this has not been done as it would require workshop responses to be aggregated losing the distinctiveness of some of the points being made.

What opportunities exist for new entrants to get started?

The tables below highlight the key opportunities identified by the participants in each of the workshops.

There are two main findings that emerge from this. The first of these relates to the need for a progressive approach building towards a greater stake in the farm business through a variety of routes. The main approaches identified within this are through contract farming, renting areas of land or buildings and share farming including for those investing in land rather than farming it. The second main strand is clearly linked to the first and relates to the need for diverse sources of income outwith agriculture or in niches within the sector to develop revenue streams or build up capital.

The importance of building networks and relationships was a recurring strand, landlord and potential tenant, business to business, farm manager to landowner and socially.

Suggestions relating to legislation, subsidy and taxation were more diverse and generally a lower priority, this included elements relating to planning permission for housing, less formal tenancy structures and support payments. Only one group gave any aspect of this highest priority in advocating a national reserve of Single Farm Payment for new entrants (although this did not arise in the top priorities for any of the other groups).

What is not clear is the extent to which any of this is different or new. One workshop suggested strongly that these diverse routes were of greatest importance and no different from how things have been in the past, another that (rare) traditional leases were the principal opportunity.

| Top 5 Opportunities Castle Douglas | First | Second | Third | Total |
|--|--------------|---------------|--------------|--------------|
| Share farming | 3 | 1 | 3 | 15 |
| Renting property -Land (seasonal formal); - Buildings. | 2 | 3 | 1 | 13 |
| Contract farming | | 2 | 2 | 6 |
| Part time – otherwise employed | 1 | | 3 | 6 |
| Inheritance -direct; -less direct. | 1 | 1 | | 5 |

In Castle Douglas the opportunities identified were very clearly concentrated on these relatively mainstream approaches with little identified outwith these priorities.

| Top 5 Opportunities Oban | First | Second | Third | Total |
|---|--------------|---------------|--------------|--------------|
| Support must recognise need for progressive development | 5 | 1 | | 17 |
| Crofting – House - Farming | 2 | 1 | 4 | 12 |
| Crofting development and diversification | 1 | 2 | | 7 |
| Crofting pluriactive | | 2 | 1 | 5 |
| Pilot or test drive approach – high value | | | 1 | 1 |

The Oban workshop reflected the distinctive crofting issues of the area and was seen to suggest some useful models for entry to agriculture more widely. These mainly

revolved around the pluriactive approach, but also clearly highlighted the impact which the availability of suitable housing could have.

| Top 6 Opportunities Inverness | First | Second | Third | Total |
|---|--------------|---------------|--------------|--------------|
| Another job (Spouses income) – Trades etc – Existing farmers | 10 | 2 | | 34 |
| Wealthy non farmers – farm their land: contract farming, share farming (must avoid tenancy!) | 1 | 13 | | 29 |
| Diversity income sources (tourism, masts, quarries – direct marketing (Farmers Markets, value adding) – Existing farmers. | 4 | | | 12 |
| Move abroad – more land available (e.g. France) | | | 12 | 12 |
| Entrepreneurial skills – smart/hardworking – attractive to those supplying land | | 3 | 3 | 9 |
| Be in the right place at right time (Marry well!) | | 2 | 5 | 9 |

Six priority opportunities are identified for the Inverness workshop as a result of the tie in fifth place; there is little further identified outwith these priorities. The overall approach here appears to be somewhat more entrepreneurial concentrating on wider opportunities than other areas.

| Top 5 Opportunities Oldmeldrum | First | Second | Third | Total |
|---|--------------|---------------|--------------|--------------|
| Must build up capital from outside work (speciality products e.g. organic chickens) No different than 20 years ago! | 13 | 12 | 1 | 88 |
| Share farming? Work elsewhere (not profitable enough) | 8 | 1 | 5 | 31 |
| Need a network – get to know people/spot opportunities A properly managed LFA scheme ownership. | 3 | 6 | 9 | 30 |
| Flat rate subsidy payment after CAP reform | 1 | 7 | 5 | 22 |
| Ladder does not exist anymore (cannot get access to land!) | 4 | 2 | 2 | 18 |

The Oldmeldrum delegates favoured progressive approaches to entry to the sector particularly strongly. Lesser priorities, which are not listed here, also favoured this approach.

| Top 5 Opportunities Carfraemill | First | Second | Third | Total |
|--|--------------|---------------|--------------|--------------|
| National reserve for new entrants | 12 | 1 | 2 | 40 |
| Contract farming generally | 8 | 3 | 2 | 32 |
| Farm management within a contracting structure | 1 | 7 | 4 | 21 |
| Planning permission that allows new housing – for family members | | 6 | 4 | 16 |
| Contracting to build capital to add to land | 3 | 1 | 4 | 15 |

The Carfraemill workshop clearly differed from the others in the strength of focus which emerged on the potential of a national reserve for Single Farm Payment. Otherwise the outputs are broadly consistent with the other groups.

| Top 5 Opportunities Birnam | First | Second | Third | Total |
|---|--------------|---------------|--------------|--------------|
| Traditional lease (rare) | 11 | 4 | 3 | 44 |
| SLDT – get to know each other – longer term arrangement LDT | 4 | 6 | 5 | 29 |
| Contract farming | 6 | 2 | 3 | 25 |
| Shared job and shared farming/ equity progressive | 3 | 3 | 3 | 18 |
| Ready access to finance | | 7 | 4 | 18 |

In Birnam, the main differentiating factor was the prominence given to traditional leases as an opportunity, given the acknowledged rarity this appears to reflect the quality or aspiration rather than the actual scale of the opportunity.

Barriers

There is a high degree of commonality in the responses from across the six areas. There are two fundamental themes under which the majority of the barriers which emerged may be grouped: those relating to land availability; and those which relate more to financial considerations.

In absolute terms, the physical availability of land is the basic problem from which everything else flows. The biggest single issue here appears to be tenure and the tension which exists between the desire for security of tenure on the one hand and the fear of the implications of that on the other. The fears mainly relate to losing control or the potential for loss of control through political interventions such as right to buy legislation. This is thought to be helping prevent land from coming into the market. From the evidence of the workshops it appears that there is agreement on both the landlord and tenants sides on the need for and benefits of greater freedom of contract.

The other main common factors identified as limiting the availability of land are competition from other (existing) farmers who can afford or justify higher rents and tenancies not being advertised.

The fundamental financial barrier to new entrants which was identified is the lack of profitability in Scottish agriculture and the effect which this has on potential investment and new entrant confidence. When coupled with the high capital costs of ingoing this is seen to present a significant barrier. This is thought to be exacerbated by effects associated with the Single Farm Payment, these are:

- its availability and the costs which arise in securing this as a result of its capitalisation;

- its creation of a disincentive to farm actively; and
- its effective provision of a pension for older tenants.

Lack of retirement from the industry is one of the commonly identified problems and the effect of this subsidy regime is thought to be compounding this.

Of particular note in the Castle Douglas discussion was the striking extent to which words like fear, trust and distrust emerged throughout this area of discussion.

| Top 5 Barriers – Castle Douglas | First | Second | Third | Total |
|--|--------------|---------------|--------------|--------------|
| Landlord distrust of tenancies (or political climate) 2003 act “polarised” | 8 | 3 | 6 | 42 |
| Profitability | 5 | 4 | 3 | 26 |
| Can not get capital, can't afford to repay Competition with better financed farmer; Some businesses cant be P.T. | 5 | | 9 | 24 |
| Size of units – all getting larger | 4 | 2 | 2 | 18 |
| Lack of tenancies (amalgamation) Lack of tenancies actually advertised – local contact only | 4 | 1 | | 14 |

The Castle Douglas workshop identified an enormous range of barriers, although the top five are very consistent with the other workshops. The other main items identified related to the capital costs of ingoing in terms of equipment and the effects of the subsidy regime, in particular Single Farm Payment.

| Top 5 Barriers Oban | First | Second | Third | Total |
|-------------------------------|--------------|---------------|--------------|--------------|
| Access to support (SFP) | 1 | 8 | | 19 |
| Land availability | 5 | | 1 | 16 |
| Fear of absolute right to buy | 2 | | 1 | 7 |
| Low economic return | | | 3 | 3 |
| Fear of security of tenure | | | 2 | 2 |

Oban delegates very clearly prioritised these five barriers. The only other issue prioritised was landlord's fear of security of tenure.

| Top 5 Barriers Inverness | First | Second | Third | Total |
|---|--------------|---------------|--------------|--------------|
| Getting the ground | 13 | 3 | 1 | 46 |
| High competition from established farmers who would offer higher rent | 3 | 6 | 5 | 26 |
| Getting the backing of the bank | | 6 | 3 | 15 |
| Lack of SFP in some situations | 1 | 3 | | 9 |
| Lack of freedom of contract a disincentive to landlords | 2 | | 2 | 8 |

In Inverness, there was a relatively limited range of barriers identified and the prioritisation of these five was quite clear. In considering the other barriers identified, there is perhaps a common theme around the confusion and lack of clarity which exists in relation to legislation and support for the tenanted sector.

| Top 5 Barriers Oldmeldrum | First | Second | Third | Total |
|--|--------------|---------------|--------------|--------------|
| Land availability/ price | 16 | 10 | 2 | 70 |
| Lack of profitability/uncertainty | 13 | 4 | 1 | 48 |
| High capital costs – investment especially in tenant units | 3 | 6 | 6 | 27 |
| People being unable to retire/choosing not to | | 6 | 15 | 27 |
| Farming without effort | 2 | 3 | 3 | 9 |

The prioritisation at Oldmeldrum was quite clear with four very strongly identified priorities. There were a number of other barriers identified which would further underpin the fifth priority identified here - farming without effort - these related to the effects of the Single Farm Payment and subsidy regime in supporting a low basic level of activity.

| Top 5 Barriers Carfraemill | First | Second | Third | Total |
|---|--------------|---------------|--------------|--------------|
| Lack of freedom of contract (e.g. flexibility, variety) ability to structure agreements as wanted. | 17 | 3 | 1 | 58 |
| Right to buy fear | 1 | 5 | 10 | 23 |
| Cash/capital | 4 | 2 | 4 | 20 |
| Old farmers hanging on -Capital to buy house, esp. local; -Want to keep going; -Improvements comp.; -Family house; -No pension (SFP allows them to stay) | | 5 | 5 | 15 |
| Types of tenancy are very limited max 5 years, min 15 years | 2 | 2 | 1 | 11 |

The main additional points which emerged in Carfraemill, outwith these main priorities, were again consistent with the other areas, issues over security of tenure and political interference (which could be incorporated in the second point above), confidence and trust and over the fundamentally poor profitability of the sector.

| Top 5 Barriers Birnam | First | Second | Third | Total |
|---|--------------|---------------|--------------|--------------|
| Availability of land | 14 | 5 | 5 | 57 |
| Profitability | 11 | 6 | 3 | 48 |
| Capital | 6 | 2 | 8 | 30 |
| Lack functioning tenancy sector Land not being let; So many its not worth trying to solve. | 2 | 9 | 3 | 27 |
| Subsidy regime: -Historic; -Must buy it. Big barrier; -"Farm the SFP"; -Letting naked acres (Loss to hill farming); -Land value and development value – tenanted = lower value(depends on location) -Bigger get more? -Need EU wide solution (we cannot do anything) | 4 | 4 | 5 | 25 |

Once again a huge range of issues were identified although again these were clearly prioritised as presented in the table above. The only other issue accorded any

degree of priority were the effects of taxation and the lack of farms of a suitably small scale (linked to the effects of consolidation in larger holdings).

Solutions

The six workshops again demonstrated a substantial degree of common focus when it came to considering what the priority solutions to any new entrant problem might be. There were an enormous range of suggestions here, although many of the more individual contributions clearly connect to the main priorities identified.

Once again, there is no getting away from the fundamentals of the industry regarding profitability and the lack of attractiveness of letting land. There is a clear view that greater profitability is essential in attracting people in and underpinning the ability to pay rents. It was suggested that greater profit and potentially higher rent could make letting more attractive to landowners. Another key factor in making it more attractive for landowners to let land lies in removing any threat of a right to buy being established, and of political interference in this aspect more generally.

Whilst there is resistance to political interference, on the one hand, the need for legislation to provide for greater flexibility in tenure arrangements was a clear priority. Key elements which might be subject to legislation included freedom of contract, greater freedom in the assignation of tenancies, taxation changes to encourage the letting of land and the ring fencing of existing secure tenancies. Clearly there are some contrasting interests within this.

Solving various retirement issues was an element in a number of the suggested solutions, this included provisions for affordable housing for outgoers, linking Single Farm Payment to the holding and mentoring or 'siphon transfers' where the business progressively changes hands. Two of the groups suggested an outgoers or retirement scheme linked to new entrants.

The creation of different forms of entry level units was suggested by several of the group. This was subject to considerable debate as to what is practical and how this might be achieved.

A strong priority solution which emerged was the strong interest in various forms of subsidised finance or financial engineering.

A Single Farm Payment reserve for new entrants was suggested by three of the groups, in each case it was suggested that this would be a specific reserved new entrant provision with a tie to the holding.

| Top 5 Solutions Castle Douglas | First | Second | Third | Total |
|--|--------------|---------------|--------------|--------------|
| A properly profitable industry – build pension | 5 | 6 | 6 | 33 |
| Legislate that agricultural land actively farmed | 5 | 4 | 3 | 26 |
| Support to encourage/ make it more attractive to let | 6 | 1 | 2 | 22 |
| Link SFP to holding, a new entrant version | 2 | 2 | 3 | 13 |
| Legislate to free up land to let | 2 | 2 | 2 | 12 |
| Cheap finance | 2 | 2 | 2 | 12 |

The Castle Douglas workshop produced a very large number of positive suggestions of solutions. A further common theme amongst the outstanding contributions not prioritised here is the need for support and policy stability so that new entrants, landlords, lenders and investors can plan with a greater degree of confidence.

| Top 7 Solutions Oban | First | Second | Third | Total |
|--|--------------|---------------|--------------|--------------|
| Quota reserve for new entrants | | 7 | 1 | 15 |
| Allay fears re political influence re right to buy | 4 | | | 12 |
| New crofts - forestry crofts of scale | 1 | 1 | 1 | 6 |
| Housing plots - affordable | 1 | | | 3 |
| Mentoring training | 1 | | | 3 |
| Greater freedom of contract under 2003 act | 1 | | | 3 |
| Increase real profitability | 1 | | | 3 |

The above priorities again reflect approaches associated with crofting which may have some wider relevance elsewhere. The focus on the quota reserve was specifically to ensure parity with existing farmers, but this should remain reserved to new entrants.

| Top 5 Solutions Inverness | First | Second | Third | Total |
|--|--------------|---------------|--------------|--------------|
| Widen scope of assignation – not just to close relative | 13 | 2 | | 43 |
| Enable existing tenant to retire (e.g. allow sale of tenancy or govt. retirement payment (but must be linked to a new entrant)); | 5 | 6 | 1 | 28 |
| Ring fence current secure tenancies – must be let | 1 | 1 | 6 | 11 |
| Cheaper finance – govt. scheme (but will this increase land values/rents??) | 1 | 3 | 1 | 10 |
| Profitability! Could afford higher rent – landlords more willing to let | | 2 | 4 | 8 |

The Inverness workshop suggested further forms of financial engineering or intervention through loan guarantees, land banks with subsidised interest and changes in tax regimes.

| Top 5 Solutions Oldmeldrum | First | Second | Third | Total |
|--|--------------|---------------|--------------|--------------|
| Outgoers scheme/retirement scheme | 9 | 4 | 6 | 41 |
| Starter units (but what is viable size? Or doesn't matter if big enough? Will need some sort of support for landowner; Lots of different sizes) | 5 | 4 | 5 | 28 |
| Tax changes i.e. let land - 1) income tax; 2) inheritance tax - very specific to true farming situation. Yes a small change in overall mindset needed. | 6 | 4 | 1 | 27 |
| Subsidized finance (interest subsidy) | | 10 | 3 | 23 |
| Siphon transfers – new entrants | 1 | 5 | 5 | 18 |

Outwith these priorities, the Oldmeldrum workshop highlighted an issue which arose on a number of occasions across the workshops, specifically the way in which the support regimes apply to those who are actively farming or not. There are a number of perspectives to this and it appears a basic imbalance where some potential new entrants building an active agricultural business through e.g. a flying flock, are not eligible for support, whilst others retain an entitlement to Single Farm Payment, but do not actively farm.

| Top 5 Solutions Carfraemill | First | Second | Third | Total |
|--|--------------|---------------|--------------|--------------|
| Removal of any threat of right to buy. Increased confidence in sector. | 15 | 3 | 2 | 53 |
| Freedom of contract | 9 | 4 | | 35 |
| Assignable tenancies | 5 | 6 | | 27 |
| English style FBT's | | 5 | 10 | 20 |
| Establishing national reserve and free access for bona fide new entrant (of entitlement) | | 3 | 4 | 10 |
| Land tax to encourage effective land use | | 4 | 2 | 10 |

There was a strong concentration on taxation measures in the Carfraemill session with a number of other solutions put forward which do not score highly enough to be prioritised above, but indicating the focus in this area. These included providing tax breaks for farmers 'mentoring' new entrants and the abolition of agricultural relief on inheritance tax.

| Top 5 Birnam | First | Second | Third | Total |
|--|--------------|---------------|--------------|--------------|
| More flexible tenancies – freedom of contract – negotiated | 14 | 2 | 2 | 48 |
| Provide housing opportunity for retiring farmer | 6 | 3 | 5 | 29 |
| SFP – new entrants | 2 | 4 | 2 | 16 |
| Moratorium on hill farm asset stripping | 4 | 2 | | 16 |
| Lapping of public support | 2 | 3 | 2 | 14 |

This workshop came up with the greatest number of potential solutions and there are many suggestions for which there was a significant level of support outwith the priorities above. The majority of these are consistent with suggestions elsewhere and there is no particular strong grouping within this.

1.21.1 “Most Important Action” Feedback

Before leaving, participants in the workshops were asked to write on their profile form what they thought was the most important single change or action required to improve the situation for new entrants to the industry. A wide range of ideas was expressed and these have been collated under the headings in the table below. While the workshops were clearly about the new entrant issue, the majority of suggestions for change relate to the tenancy system. As highlighted in the workshop feedback above and in the analysis of the Consultation Document responses, the tenancy system is still seen as a critical entry route for new farmers and solutions for new entrants are seen as being closely tied to changes in the current legislative and fiscal regime.

Measures to improve the availability of land were the most common suggestion. How to achieve this availability was not always well expressed though various incentives for landlords, farm size capping legislation, active formation of starter units and assignation changes were suggested. The Inverness workshop dominated these calls for active intervention in the land market.

The second most important group of comments related to the freeing up of the tenancy market and its legislative framework. We have grouped these under “Freedom of Contract”, but this covers a range of suggestions from adoption of the FBT model to more flexibility in terms. The Lauder and Castle Douglas workshops provided most of these comments and may reflect the higher proportion of land agents at these venues, though these changes have also been suggested by farmers attending the workshops.

Ending right to buy or rather removing any threat of an absolute right to buy was very strongly expressed, especially at the Lauder event. As described elsewhere this threat was seen as a major barrier to letting land on any sort of long term lease.

There were a significant number of assignation suggestions. Mainly these related to allowing assignation of existing tenancies to anyone, especially new entrants, perhaps coupled to incentives.

Retirement assistance was proposed by at least 7 attendees. Tackling the unfairness of the SFP regime was also a common suggestion as was change to the tax regime to favour letting land over other alternatives. Subsidised credit/better access to loans for young people also received significant support.

Table 0.1: Key Change Suggested by Workshop Attendants

| Changes Suggested by Farmers | Dunkeld | Lauder | Castle Douglas | Inverness | Oban | Oldmel drum | Total |
|--|---------|--------|----------------|-----------|------|-------------|-------|
| Access to land | | | | | 2 | | 2 |
| Adoption of FBT | | 2 | | | | | 2 |
| Advertisement of farm vacancies | | | 1 | | | | 1 |
| Assignment | 1 | 3 | 1 | 3 | | 1 | 9 |
| Assistance to new entrants | | | 1 | | | | 1 |
| Availability of Land | 3 | | 3 | 10 | 1 | 7 | 23 |
| Availability of smaller units | 1 | | | | | | 1 |
| Bank finance | | | 2 | | | | 2 |
| Changes in legislation | | 2 | | | | | 2 |
| Create competitive industry | 1 | | | | | | 1 |
| Creation of land bank | | | | 1 | | | 1 |
| End of subsidy to land | | | 1 | | | | 1 |
| End right to buy | 1 | 11 | 1 | | | 3 | 16 |
| Entry scheme | | | | | | 1 | 1 |
| Factors | 2 | | | | | | 2 |
| Farm sharing with landowners | | | | | | 1 | 1 |
| Financial support for new entrants | 1 | | 1 | | | | 2 |
| Force occupiers to farm | 1 | | | | | | 1 |
| Freedom of contract | 1 | 11 | 9 | 1 | | | 22 |
| Funding for environmental bodies | | | 1 | | | | 1 |
| Improve training and communication | 1 | | | | | | 1 |
| Improved image of farming | | | | | | 1 | 1 |
| Incentives for land lords and land occupiers | | | 1 | | | | 1 |
| Incentives long term land lets | | | | | | 1 | 1 |
| Increase the opportunities | 1 | | | | | | 1 |
| Integrated approach | | | | | 1 | | 1 |
| Level playing field for new entrants | 1 | | | | | | 1 |
| Listen to the tenants first | | | 1 | | | | 1 |
| Loan (access to) | 1 | | 2 | 2 | | 1 | 6 |
| More support for tenancies | | | 1 | | | | 1 |
| Move to another country | 1 | | | | | | 1 |
| None | 3 | | 2 | 1 | 4 | 1 | 11 |
| Others | | 7 | | | | | 7 |
| Out goes scheme | | | | | | 1 | 1 |
| Price of land | | | 1 | | 1 | | 2 |
| Prices of Production | | | | 1 | | | 1 |
| Profitability | 4 | | 1 | 1 | | 1 | 7 |
| Provide opportunities | | | | | | 1 | 1 |
| Rebuilding trust in letting vehicles | | | 1 | | | | 1 |
| Retirement Schemes | | | 1 | 1 | | 5 | 7 |
| SFP | 1 | | | 1 | | | 2 |
| Skills | | | | | 1 | | 1 |
| Subsidies (SFP) | 1 | | | | 1 | 3 | 5 |
| Tax System | 1 | | 1 | 1 | | | 3 |
| Tax system/availability of land | | | | 2 | | 4 | 6 |
| Viability for agricultural industry | | | 1 | | | 4 | 5 |
| | 27 | 36 | 34 | 25 | 11 | 36 | |

The Survey: Methodology, Results and Analysis

1.22 Introduction

The aim of the statistical survey was to obtain an information base representative of the new entrant situation 'on the ground' which can reliably inform policy decisions. Whilst the let sector is deemed the traditional entry route for a new entrant it is recognised that there are other access opportunities to be considered. Therefore the research objectives of the statistical survey were as follows:

1. To identify, describe and establish the role/prevalence of the multiple pathways/access routes into agricultural activity, with especial attention to new entrants.
2. To determine factors predisposing new entrant use of a particular pathway into the industry.
3. To outline strengths and weaknesses of the pathways adopted.

This section outlines the methodology adopted for the purposes of the statistical survey and then presents the main findings according to the research objectives outlined.

1.23 Methodology

1.23.1 Overall design

To capture the necessary information regarding new entrant pathways, i.e. going beyond standard tenant farms, a general farm survey covering a range of tenurial structures was considered most appropriate. The survey sought to target a large number in order to scan the field and get a response from those currently occupying holdings with farm operations, whilst simultaneously filtering the field to gain specific information from new entrants (those starting farming in the last 10 years) and from landowners as regards their aspirations and perceptions in respect of letting land. To elicit the required depth of information to address the research objectives, the survey focussed on four regional case study areas as opposed to national coverage.

The questionnaire (Appendix 7) consisted of both open and closed questions and was designed in dialogue with the TFF. Whilst the results of the consultation process could not significantly inform the survey design, the team members ensured that all of the relevant issues were covered adequately and uniformly. The questionnaire contained six sections in order to obtain factual, attitudinal and perceptual data on: the farmer/landholder, the business, owner-occupiers and landlords (filtered), succession, new entrants (filtered) and the new entrant situation. The survey was carried out in December 2007, when the questionnaire and covering letter were mailed to the survey sample. To encourage maximum response a stamped, addressed envelope was included with the survey request, plus a competitive token incentive to encourage prompt returns.

1.23.2 Sampling

Case areas

Four case study areas were selected according to the following parameters: tenure structure, farm type and competition (demand) for agricultural land (e.g. varying amenity value). Representation from each of the four main agricultural areas of Scotland i.e. North West, North East, South West, South East, was sought. Given time constraints, Caithness and Sutherland, the North East (Grampian), Lothian, and Dumfries and Galloway were selected intuitively (on the basis of the team's experience of these areas) and agreed with the TFF. The North East, Lothian, and Dumfries and Galloway are agricultural census areas (for reporting purposes) in their own right; Caithness and Sutherland is a sub-area of the Highland agricultural area.

The extent to which barriers to new entrants are present and the means by which they can be overcome will vary according to local context. Selection of case areas allowed for consideration of the geographical variability of the issues (for example, highlighting where particular entrant pathways or opportunities may be more prevalent or have greater potential).

Farm population

Farmers in Scotland were the target population and the Agricultural Census provided the sampling frame. Staff at the Analytical Services Division - RERAD, provided details (postal, Standard Labour Requirement (SLR), farm type) for 300 farmers per area, stratified according to farm size (in terms of SLR). The reasoning behind this choice of criterion was to accommodate a number of factors e.g. the lifestyle/hobby farmer, the large estate, the mixed tenure farm, succession strategies, management strategies and alternative management arrangements. The tenure type variable was accommodated indirectly through the SLR stratification and case area selection.

Where owners were registered as having more than one holding, only one set of details was included in the sample (SLRs were aggregated) to avoid duplication. Details for an additional 200 'spares' were also requested for each area.

In terms of SLR, the majority of holdings in the study areas have an SLR less than 1 full time equivalent (FTE), which would have skewed the pro-rata sample markedly (as shown in Table 7.1). However, breaking down the <1 SLR category into two subcategories alleviated this problem. The average SLR of holdings in the 0-0.5 FTE subcategory is around 0.1, which justified non-inclusion of this sub-group in the sampling frame i.e. there is little evidence of farm operation in these holdings.

Table 0.1: Holdings with <1 SLR (June Census, 2007)

| Area | Holdings | | |
|--------------------------|-----------|--------|------|
| | < 0.5 FTE | <1 FTE | All |
| Caithness and Sutherland | 2593 | 2821 | 3170 |
| North East | 6024 | 6809 | 8700 |
| Lothian | 975 | 1085 | 1505 |
| Dumfries and Galloway | 2293 | 2528 | 3982 |

The number and category of holdings that constituted the sampling frame are outlined in Table 7.1 according to area.

The survey was carried out in two stages. Firstly, 300 questionnaires were mailed to each area, followed by an additional 100 (or less i.e. all eligible holdings were surveyed), resulting

in a total mailing of 1562 questionnaires. Exact sample figures and response rates are detailed in Table 7.2.

The proposed methodology advocated quota targets (i.e. approximately 40 returns per region and/or an overall sample of 200). The optimal sample size for each region such that the sample mean of SLRs for each region is relatively close to the population mean for each region (excluding the very small <0.5FTE group) is calculated in Table 7.2. The calculation assumes a 95% confidence and an error of 0.5. In one instance (Lothian), the obtained sample comes below the optimal sample size; a lower response rate in Lothian and time constraints hindering follow-up targeting (of non-respondents) contributed to this situation.

Table 0.2: Response rate - main and minor holdings by aggregated SLR (June Census 2007)

| Area | Mailed surveys | Response (number) | Response rate (%) |
|--------------------------|-----------------------|--------------------------|--------------------------|
| Caithness and Sutherland | 400 | 52 | 13.0 |
| North East | 400 | 70 | 17.5 |
| Lothian | 362 | 42 | 11.6 |
| Dumfries and Galloway | 400 | 58 | 14.5 |
| All | 1562 | 222 | 14.2 |

Table 0.3: Sampling frame – main and minor holdings by aggregated SLR (June Census 2007)

| Areas | Standard Labour Requirements | | | | | | | | | | | |
|--------------------------|------------------------------|------------|-----------------------|-------------|-------------------------|-------------|------------------------|-------------|-------------------------------|-------------|-------------|--------------|
| | Smaller (0.5 to 1 FTE) | | Small (1 to 2 FTE) | | Medium (2 to <3 FTE) | | Large (3 to <5 FTE) | | Very large (5 or more FTE) | | All | |
| | Holdings | Total | Holdings | Total | Holdings | Total | Holdings | Total | Holdings | Total | Holdings | Total |
| North East | 692 | 504 | 764 | 1087 | 384 | 936 | 301 | 1147 | 198 | 1710 | 2339 | 5383 |
| Dumfries and Galloway | 205 | 146 | 318 | 476 | 264 | 653 | 432 | 1681 | 335 | 2557 | 1554 | 5514 |
| Lothian | 99 | 72 | 129 | 193 | 85 | 213 | 79 | 303 | 72 | 596 | 464 | 1378 |
| Caithness and Sutherland | 206 | 150 | 142 | 201 | 63 | 151 | 56 | 212 | 57 | 476 | 524 | 1189 |
| All | 1202 | 871 | 1353 | 1956 | 796 | 1954 | 868 | 3343 | 662 | 5339 | 4881 | 13464 |

Table 0.4: Optimal sample size for each region

| Areas | Population mean | Variance | Standard deviation | Sample size | Obtained sample | Error sample (absolute) | Error sample (relative) |
|--------------------------|-----------------|-------------|--------------------|-------------|-----------------|-------------------------|-------------------------|
| North East | 2.30 | 3.95 | 1.99 | 51 | 52 | 0.54 | 23.5% |
| Dumfries and Galloway | 3.55 | 4.69 | 2.16 | 61 | 70 | 0.51 | 14.3% |
| Lothian | 2.97 | 5.14 | 2.27 | 66 | 42 | 0.69 | 23.1% |
| Caithness and Sutherland | 2.27 | 4.47 | 2.11 | 58 | 58 | 0.54 | 24.0% |
| All | 2.76 | 4.52 | 2.13 | 58 | 222 | 0.28 | 10.1% |

Z for 0.95 = 1.96

Deviation of mean = 0.55

In respect of farm size (SLR), observed and expected values (percentage distribution) are shown in Table 7.5 and a Chi-squared test (χ^2) is applied.

Table 0.5: Validating the sample

| Percentage distribution of the population and sample by farm size (SLR) | | | |
|---|--------|------------|----------|
| Farm size (FTEs) | Sample | Population | χ^2 |
| Smaller (0.5 to 1 FTE) | 22 | 25 | |
| Small (1 to <2 FTE) | 29 | 28 | |
| Medium (2 to <3 FTE) | 15 | 16 | |
| (3 to <5 FTE) | 19 | 18 | |
| 5 or more FTE | 15 | 14 | |
| All | 100 | 100 | 0.71 |

Degrees of freedom = (n-1): df = 5 - 1 = 4

χ^2 equal to or less than critical value then we accept that there is no real difference between the two

At 95% confidence 0.71 = 0.71

At 4 degrees of freedom, the critical value of χ^2 (for a 95% confidence limit) is 0.71. The calculation χ^2 from comparing sample and population distributions is 0.71. Therefore, since the calculated χ^2 is equal to the critical value of χ^2 , it can be said that there is no real difference between the distribution of the sample and the distribution of the population in terms of farm size i.e. the sample is representative of the population.

1.24 Profile of respondents

There were 222 valid questionnaire returns plus 10 nil returns, representing an overall response rate of over 14%. The response was broken down according to the case area as shown previously in Table 7.5. In statistical terms this return is representative of the farming population in three of the four regions.

The breakdown of farms in the sample according to area, size (SLR) and RERAD farm type is shown in Tables 7.6 and 7.7.

Table 0.6: Size group (SLR) according to area

| Area | Size group (SLR) | | | | | Total | |
|------------------------|---------------------|-------------------|--------------------|-------------------|------------------------|----------|-------|
| | Smaller <i>n</i> | Small <i>n</i> | Medium <i>n</i> | Large <i>n</i> | Very large <i>n</i> | <i>n</i> | % |
| Caithness & Sutherland | 21 | 15 | 7 | 6 | 3 | 52 | 23.4 |
| North East | 16 | 23 | 12 | 13 | 6 | 70 | 31.5 |
| Lothian | 8 | 16 | 7 | 6 | 5 | 42 | 18.9 |
| Dumfries & Galloway | 3 | 11 | 8 | 17 | 19 | 58 | 26.1 |
| Total | 48 | 65 | 34 | 42 | 33 | 222 | 100.0 |
| All (%) | 21.6 | 29.3 | 15.3 | 18.9 | 14.9 | 100.0 | |

Base: 222

Table 0.7: Farm type classification according to area

| Farm type classification | Caithness & Sutherland | North East | Lothian | Dumfries & Galloway | Total | |
|----------------------------|------------------------|------------|---------|---------------------|-------|-------|
| | n | n | n | n | n | % |
| Cattle and sheep (LFA) | 40 | 17 | 10 | 34 | 101 | 45.5 |
| Cereals | 1 | 19 | 17 | 1 | 38 | 17.1 |
| General cropping | 0 | 8 | 11 | 0 | 19 | 8.6 |
| Dairy | 2 | 2 | 2 | 19 | 25 | 11.3 |
| Mixed | 6 | 23 | 1 | 1 | 31 | 14.0 |
| Lowground cattle and sheep | 0 | 1 | 1 | 2 | 4 | 1.8 |
| Other | 3 | 0 | 0 | 1 | 4 | 1.9 |
| All | 52 | 70 | 42 | 58 | 222 | 100.0 |

Base: 222

As would be expected farms classified as cattle and sheep (LFA) are most evident in Caithness and Sutherland and Dumfries and Galloway and constitute 45.5% of the total sample. Cereal farming is at 17.1% (prevalent in the North East and Lothian), followed by mixed farms at 14% (predominantly North East) and dairying at 11.3% (predominantly Dumfries and Galloway).

In terms of tenure classification, mixed tenure arrangements (41%) dominate the sample, with owner-occupiers at 30% and tenant farmers (100% tenanted) at 19%. Landlords account for 10% of respondents, though only 1% are not actively farming in some capacity. All tenure categories were represented in all study areas.

The aggregated land area actively farmed (and related tenure and management arrangements) is summarised in Table 7.8. The percentage of respondents active under each category is also included. Three categories are dominant in terms of area coverage (ha) and respondents' allocation to each, namely owner-occupiers i.e. land owned and farmed, tenants with secure full tenancies, and land rented in on an annual or seasonal basis. The corresponding figures (to the right of the table) relating to the area controlled and/or owned but not actively farmed by the respondent also reflect the prevalence of these arrangements. SLDTs and LDTs were present but were represented to a far lesser extent both in terms of land area coverage and respondent involvement; on this basis contract farming agreements were more evident. Of the total area actively farmed, nearly 11% was rented in annually to secure SFP entitlements.

Of respondents farming actively and renting in on a >1 year basis, 17 (7.7%) did not specify the type of arrangement. 'Other' under 'rented in on >1 year' basis tended to refer to communal grazing or was a reference to share farming.

Table 0.8: Aggregated land area and related tenure and management arrangements

| Area Actively Farmed by Sample | | | Area Controlled not Actively Farmed by Sample | | |
|--|-----------------|--------------------------|--|--------------|--------------------------|
| | Area (ha) | Respondents (% category) | | Area (ha) | Respondents (% category) |
| Owned and farmed by you | 36706 | 79.2 | | | |
| Rented in on >1 year basis: | | | Let out on >1 year basis: | | |
| SLDT | 559 | 2.3 | SLDT | 549 | 0.9 |
| LDT | 1238 | 2.7 | LDT | 1219 | 1.4 |
| Partnership lease | 1718 | 5.4 | Partnership lease | 3116 | 1.4 |
| Secure full tenancy | 11478 | 25.7 | Secure full tenancy | 7997 | 3.6 |
| Other | 1769 | 6.3 | Other | 21 | 0.5 |
| | | | | | |
| Rented in on >1 year basis (not specified) | 1360 | 7.7 | Let out on >1 year basis (not specified) | 8 | 0.5 |
| Rented in on annual / seasonal basis | 6446 | 32.0 | Area let out seasonally / annually | 3170 | 6.8 |
| Area farmed as a formal CFA | 1524 | 3.2 | Area operated under a formal CFA | 2502 | 2.3 |
| Area farmed on another contract basis | 1656 | 4.1 | Area operated on another contracting basis | 203 | 0.5 |
| | | | Area operated on another basis | 8 | 0.9 |
| | | | | | |
| TOTAL AREA ACTIVELY FARMED | 67694 | | TOTAL AREA CONTROLLED | 18791 | |
| Of the total area (above) land rented in annually to secure SFP entitlements | 7364 (10.9%) | | Of the total area (above) land that is rented in and then sublet | 0 | |

Base: 222

The legal entity of farm businesses is shown in Table 7.9. Family partnerships and sole traders are prevalent. Family partnerships are favoured particularly in the North East accounting for 68.6% of North East respondents.

Table 0.9: Legal entity of farm businesses

| Area | Legal entity | | | |
|------------------------|--------------|--------------------|----------|----------|
| | Sole trader | Family partnership | Company | Other |
| | <i>n</i> | <i>n</i> | <i>n</i> | <i>n</i> |
| Caithness & Sutherland | 28 | 22 | 1 | 1 |
| North East | 17 | 48 | 3 | 2 |
| Lothian | 11 | 24 | 5 | 2 |
| Dumfries & Galloway | 21 | 33 | 3 | 1 |
| Total | 77 | 127 | 12 | 6 |
| All (%) | 34.7 | 57.2 | 5.4 | 2.7 |

Base: 222

Table 0.10: Source and distribution of household income

| Area | Mean and S.D. of % income derived from each category across all farms | | | | | | | | | |
|------------------------|---|-------|---------------------|-------|------------------------------|-------|-------------------------------|-------|--------------------------|-------|
| | Farm and related activities | | Employment off farm | | Other non-farming activities | | Private pensions /investments | | Social security payments | |
| | Av. | S.D. | Av. | S.D. | Av. | S.D. | Av. | S.D. | Av. | S.D. |
| Caithness & Sutherland | 65.44 | 33.75 | 18.94 | 29.31 | 7.29 | 16.55 | 6.15 | 15.03 | 1.73 | 7.88 |
| North East | 64.69 | 32.99 | 17.16 | 28.74 | 8.81 | 20.34 | 4.63 | 13.12 | 5.22 | 15.92 |
| Lothian | 77.86 | 35.61 | 6.14 | 16.86 | 10.22 | 20.76 | 6.00 | 17.06 | 1.89 | 8.36 |
| Dumfries & Galloway | 66.27 | 34.47 | 10.23 | 23.17 | 8.72 | 17.35 | 8.46 | 16.65 | 2.96 | 12.83 |

Base: 222

Respondents were asked to give approximate percentages relating to household income derived from various sources (categorised as in Table 7.10). The mean figure relates to the average importance (in terms of % household income) across all of the respondent businesses in each study area. Standard deviation figures show the significant variance across each category among households.

The age range of respondents is shown in Table 7.11. With family partnerships accounting for over half of the businesses, attention should be drawn to the fact that age statistics can be misleading in that the age of the senior partner is often the age submitted and therefore calculated. The (often) younger constituent of the partnership (and possible influence) is not accounted for.

Table 0.11: Respondent age category

| Age category | Total | |
|-----------------|-------|-------|
| | (n) | (%) |
| 25 and under 35 | 5 | 2.3 |
| 35 and under 45 | 37 | 16.7 |
| 45 and under 55 | 64 | 28.8 |
| 55 and under 65 | 77 | 34.7 |
| 65 and over | 33 | 14.9 |
| Total | 222 | 100.0 |

Base: 216

1.25 Access routes into agricultural activity

1.25.1 Routes into agriculture

The majority (63.8%) of respondents inherited their farm business. Self-starts, through buying and/or renting land, accounted for 32.4% of respondents. Fifteen respondents in the sample did not specify how they acquired the farm business. Table 7.12 summarises the results in respect of acquiring the farm business according to study area. Non-inheritors buying land are greater in number in Dumfries and Galloway and Caithness and Sutherland, 7.2% and 5.8% (of all respondents) respectively. 'Other' (when specified) referred to contract or share farming.

Table 0.12: Summary - how business was acquired

| Area | How acquired business | | | |
|------------------------|-----------------------|-------------------------|--------------------------|-------------------|
| | Inherited <i>n</i> | Buying land <i>n</i> | Renting land <i>n</i> | Other <i>n</i> |
| Caithness & Sutherland | 31 | 12 | 3 | 1 |
| North East | 45 | 11 | 6 | 3 |
| Lothian | 27 | 7 | 3 | 2 |
| Dumfries & Galloway | 29 | 15 | 10 | 2 |
| Total | 132 | 45 | 22 | 8 |
| All (%) | 63.8 | 21.7 | 10.6 | 3.9 |

Base: 207

Respondents were asked to think about their farming neighbours with whom they share a boundary and how their neighbour(s) came to take over the farm and/or land.

The sum of all response categories cross-tabulated with information relating to the farming background of the neighbour(s) is shown in Table 7.13.

Table 0.13: Neighbouring land and neighbours' profile

| How acquired (farm/land) | Neighbour was: | | | | | | Total n |
|--------------------------|----------------------------------|-------------------------------------|---------------------------|---------------------------------------|------------|------|------------|
| | Expanding existing farm business | Starting farming for the first time | From a farming background | With no prior agricultural experience | Don't know | | |
| | % | % | % | % | % | % | |
| Inherited | 4.3 | 1.3 | 39.6 | 1.1 | 1.1 | 47.4 | 297 |
| Purchased land | 11.8 | 3.7 | 9.1 | 4.0 | 1.1 | 29.7 | 186 |
| Took on tenancy: | | | | | | | |
| SLDT | 0.3 | 0.5 | 0.5 | | | 1.3 | 8 |
| LDT | 0.3 | | 0.2 | | 0.2 | 0.6 | 4 |
| Partnership | 1.9 | 0.3 | 1.92 | | | 4.2 | 26 |
| Secure full | 1.8 | 0.6 | 9.9 | | 0.3 | 12.6 | 79 |
| Other | 0.2 | 0.2 | 0.5 | | | 0.8 | 5 |
| CFA | 0.5 | | | | | 0.5 | 3 |
| Don't know | 1.0 | | | | 1.9 | 2.9 | 18 |
| Total (n) | 138 | 41 | 386 | 32 | 29 | | 626 |
| All (%) | 22.0 | 6.6 | 61.7 | 5.1 | 4.6 | 100 | |

Base: 626

Respondents outlined information in relation to a total of 626 neighbours. Inheriting the farm and/or land (accounting for over 47% of neighbours) was the most evident means of acquiring land, followed by land purchase (nearly 30%). Land under a secure full tenancy agreement was third in terms of representation amongst neighbours (at 12.6%). Across all means of acquiring land, neighbours from a farming background and those looking to expand an existing business dominated the figures. A small number of farmers' neighbours were considered to have started farming for the first time (6.6%) or with no prior agricultural experience (5.1%).

1.25.2 Succession

Of the sample 54.5% (121 respondents) had identified a potential successor who would eventually take over the farm. In nearly all cases this was a family member and predominantly comprised son(s). Ninety-three respondents (nearly 42%) without

successors indicated the main reasons to be as follows: no family (8.1% of total sample), young family i.e. too soon to know (9% of total sample), potential successor unlikely to take over (17.1% of total sample) and 'other' (3.6% of total sample). There were 7 non-respondents to the succession question, representing 3.2% of the sample.

Succession to large or very large farms was more likely to occur than succession to small and smaller farms; the likelihood of succession to medium sized farms was at 50%. Over half (55%) of respondents with small and smaller farm businesses had no potential successor.

Nearly one-fifth (18.9%) of respondents stated that they planned to leave the farm business within the next 10 years; less than this figure planned to leave (or had already left) the main farm residence (12.2%). Respondents stating an intention to leave were fairly equally distributed across farm sizes i.e. 18% of those farming small and smaller businesses, the figure rising to 21% for medium, large and very large businesses. Those respondents elaborating on their intentions, stated retirement, passing onto the next generation, and/or disillusionment as the main reasons behind their plans. Two respondents had 'issues' relating to their tenancies that were causing uncertainty.

These results suggest that 'some' land will become available in due course, though a cautionary note should be included as respondents tended to be indicative as opposed to concrete when stating their intentions. The extent to which land becomes available is largely dependent on the succession intentions of those planning to retire i.e. respondents from larger farms may indicate a wish to retire but this is in part to allow the next generation to succeed them.

1.25.3 New entrants

Further cross tabulation of survey results gives an indication of when new entrants (i.e. those not inheriting a farm) joined the industry. Of a total of 72 respondents (for which the information was available), 16 had entered into farming since 1998. Those non-inheritors who entered the industry prior to 1998, and who had provided information as to the year the farm was acquired (56 respondents in total), tended to be clustered as entering in the mid to late 1980s. Of the non-inheritor, pre 1998 group, 54% entered the industry between 1985 and 1997, 32% entering between 1985 and 1990. During this latter 6-year period, entry to farm businesses in Grampian and Dumfries and Galloway is most apparent. An explanation for the flurry of new entrant activity at this time may be the well-documented problems in agriculture in the mid to late 1980s (fuelled by high interest rates and bad harvests). There was a depressed market for land (particularly amongst existing Scottish farmers) and a fall in land values. The situation did however provide opportunities for new entrants (especially south of the border) to purchase land at a relatively lower cost.

More recent entrants (non-inheritors who joined the industry in the last 10 years) are profiled (in terms of business, income and personal information) in the tables that follow.

Table 0.14: New entrant group business profile

| Descriptor | Group / Class | Number of post 1998 new entrants in each classification |
|-------------------|------------------------|--|
| Study area | Caithness & Sutherland | 6 |
| | North East | 2 |
| | Lothian | 3 |
| | Dumfries & Galloway | 5 |
| Farm type | Cattle and sheep (LFA) | 12 |
| | Cereals | 2 |
| | General cropping | 1 |
| | Dairy | 1 |
| Farm size | Smaller | 3 |
| | SLR | |
| SLR | Small | 7 |
| | Medium | 4 |
| | Large | 2 |
| Tenure | Owner-occupier | 5 |
| | Full tenant | 5 |
| | Mixed | 5 |
| | Landlord (active) | 1 |
| Legal entity | Sole trader | 9 |
| | Family partnership | 7 |

Base: 16

A range of farm types, tenure types and farm size (SLR) is evident. There is also representation of the post 1998 entrant group in all of the study areas, although more so in Caithness and Sutherland and Dumfries and Galloway. Insightful information is obtained from household income distribution figures, where respondents gave approximate percentages relating to income derived from each category. Mean and standard deviation figures demonstrate the significant variance across each category. For example, two post 1998 entrants derive no household income from the farm business. Conversely, two different entrants obtain 100% of their income from the farm business. Off farm employment is a prominent source of household income, making some contribution in the case of 7 entrants, and a 50% contribution or more in three of these.

Table 0.15: New entrant (post 1998) household income distribution

| % household income derived from: | Number of post 1998 entrants in each cell | | | |
|----------------------------------|---|------------|---------------------|---------------------|
| | The farm | Employment | Non-farm activities | Private investments |
| 0 | 2 | 5 | 9 | 10 |
| 5 | 1 | | | 1 |
| 10 | | 3 | | 1 |
| 15 | | | 1 | |
| 20 | | | 1 | 1 |
| 30 | 3 | 1 | 1 | |
| 40 | 1 | | 1 | 1 |
| 50 | | 1 | | |
| 70 | 1 | 2 | | |
| 80 | | | 1 | |
| 90 | 3 | | | |
| 95 | | 1 | | |
| 100 | 2 | | | |
| Mean % each category | 51.92 | 26.54 | 13.21 | 5.36 |
| S.D. for each category | 39.24 | 33.38 | 23.34 | 11.51 |

Base: 13-14

A number of entrants fell into older age categories. When the proportion of start up capital obtained from various sources by this group is considered, then the reasons for the relatively older age of some recent entrants is more apparent. Seven out of the 16 post 1998 entrants (not inheriting a farm) financed the necessary start up capital, to the level of 50% (and higher), from their own savings; thus they had accumulated enough wealth elsewhere prior to entering into the industry. As one respondent quotes, 'this takes time'. The educational qualifications (a number of these higher level and/or professional) are indicative of wealth creation outside of the agricultural sector. None of the group sourced capital from family members.

Table 0.16: Age and education characteristics of new entrants (post 1998)

| Descriptor | Group | Number of post 1998 new entrants in each group |
|------------|---------------------|--|
| Age | 25 and under 35 | 2 |
| | 35 and under 45 | 5 |
| | 45 and under 55 | 4 |
| | 55 and under 65 | 4 |
| | 65 and over | 1 |
| Education | Diploma Certificate | 2 |
| | Diploma Higher | 1 |
| | Degree | 2 |
| | Vocational | 1 |
| | Professional | 3 |
| | Other | 1 |

Base: 16

Table 0.17: Sources of start-up capital (new entrants, post 1998)

| Number of post 1998 entrants in each cell | | |
|---|--------------------|-----------------------------|
| % Start up capital from: | Own savings | Lending institutions |
| 0 | 5 | 5 |
| 20 | | 2 |
| 24 | | 1 |
| 25 | 2 | |
| 30 | 1 | |
| 33 | | 1 |
| 40 | 1 | |
| 50 | 2 | 2 |
| 60 | | 1 |
| 67 | 1 | |
| 70 | | 1 |
| 75 | | 2 |
| 76 | 1 | |
| 80 | 2 | |
| 100 | 1 | 1 |
| Mean % for each category | 38.94 | 36.06 |
| S.D. for each category | 34.21 | 33.07 |

Base: 16

Reasons given by this group for entering into farming were:

"My father worked on a farm and I used to help him and I grew to like the profession and eventually started up on my own."

"Always wanted to farm."

"Love of farming."

"Always wanted to farm, my brother and myself worked on farms as teenagers in Yorkshire - had to wait until amassed sufficient funds."

"Financial investment."

The main problems outlined by the new entrants in terms of gaining access to land were cited as:

"Cost of buying land."

"Limited availability of land."

"Saving money to get a start."

"Getting a suitable holding in my own area."

"Competition, capital costs, high rents, poor returns."

"No land becomes available as retired farmers let out and keep SFP as income."

"Finding farm – paying for it."

"Cost and availability of suitable ground in an amount capable of full time farming in order to make a return at a representative cost."

"Lack of tenancies and/or lets."

The main problems outlined by new entrants (post 1998) in terms of developing the farm business after acquiring the land were cited as:

“Financing capital investment on basis of low returns from sheep sales.”
“Rate of return.”
“Insufficient trade for products.”
“Purchase of SFP.”
“No Govt. relief for new entrants.”
“Cost of labour – cost of contractors.”
“Making a profit – input costs.”
“Getting the holding up and running - stock, fencing, sheds, water supplies, roads.”

Two respondents go into more depth about their own experiences:

New entrant A:

“Ability to compete with existing farmers.
Having to raise capital to set up the holding.
Getting proper tenancy.
Gaining quotas for the payment of subsidies.
Being approved by the Crofters Commission.
Having to spend more time than I would like away from the holding in order to have a decent income.”

New entrant B:

“Capital required.
Culled as contiguous FMD farm - problems restocking as I was only in the area a few weeks (took over farm Feb 01) - completely new to farming, no markers, etc.
My age was a barrier to renting.
Discriminated against in terms of quotas - applied for both sheep and suckler quota but only got 100 units of sheep quota. This resulted in unfair SFP and LFASS as both based on historical figures.
Lack of agricultural knowledge and experience.
Lack of abattoirs within area, everything has to be transported. Only 2-3 buyers at auction buying for several people - very little competition resulting in deflated prices.”

The quotes are fairly self-explanatory in that the main problems encountered related to the availability and cost of land and then, on acquiring land, making the necessary returns from it i.e. profitability. Evidence in respect of farming in general and how it impacts on the new entrant situation is considered in more detail in the following section.

1.26 Access routes – barriers and opportunities.

1.26.1 Land availability

Respondents were asked to outline the main changes that had taken place in terms of area farmed overall over the last 10 years. The percentage of respondents acquiring farmland over the decade is significantly higher each year than those releasing land (Table 7.18). When information made available by respondents (i.e. it was not given in every instance) is considered in terms of how the land was acquired, some trends that correlate with previous findings are evident. Seasonal lets are the most commonly utilised means by which to acquire land (Table 7.19). Land purchase was the second most quoted means of acquiring land. Various other

tenurial arrangements are less prominent and in three cases land was taken back in hand.

Table 0.18: Changes in terms of area farmed over the last 10 years

| Year | % those acquiring land | Average area acquired (ha) | Aggregate additional land area acquired (ha) | % those releasing land | Average area released (ha) | Aggregate land area released (ha) |
|-------------|-------------------------------|-----------------------------------|---|-------------------------------|-----------------------------------|--|
| 1998 | 5.4 | 53.8 | 646 | 0.45 | 125 | 125 |
| 1999 | 6.76 | 115.3 | 1730 | 1.8 | 105.75 | 423 |
| 2000 | 6.76 | 57.6 | 865 | 0.9 | <1 | <1 |
| 2001 | 11.71 | 76.8 | 1997 | 2.25 | 143.2 | 716 |
| 2002 | 9.9 | 187.6 | 4129 | 2.7 | 75.0 | 450 |
| 2003 | 7.2 | 64.5 | 1033 | 2.7 | 471.8 | 2831 |
| 2004 | 6.31 | 70.35 | 985 | 1.35 | 30.3 | 91 |
| 2005 | 8.56 | 306.1 | 5816 | 4.95 | 38.72 | 426 |
| 2006 | 6.31 | 59.29 | 830 | 2.25 | 15.6 | 78 |
| 2007 | 8.11 | 74.6 | 1344 | 3.15 | 456.71 | 3197 |

Table 0.19: Means by which land acquired

| Means by which land acquired | | | | | | | | | | |
|------------------------------|----------|--------------|---------|----------------------|---------------|------------------|------------------------|----------------|--------------------|-----------|
| Year | Purchase | Seasonal let | Tenancy | Mixed (bought / let) | Share Farming | Contract Farming | Other rental agreement | Cropping lease | Taken back in hand | Total (n) |
| 1998 | 3 | 5 | 1 | 2 | | | | | | 11 |
| 1999 | 4 | 5 | 1 | - | 1 | | | | | 11 |
| 2000 | 3 | 7 | 1 | | | 2 | | | 1 | 14 |
| 2001 | 6 | 7 | 1 | | | 1 | 2 | | 1 | 18 |
| 2002 | 6 | 9 | 1 | | | 1 | 2 | | 1 | 20 |
| 2003 | 5 | 7 | | | | 2 | 2 | 1 | | 17 |
| 2004 | 1 | 8 | 1 | | | | 1 | | | 11 |
| 2005 | 3 | 9 | 1 | | | 1 | 1 | | | 15 |
| 2006 | 1 | 8 | 1 | | | 1 | | | | 11 |
| 2007 | 4 | 10 | 1 | | | 1 | | 1 | | 17 |
| Total (n) | 36 | 75 | 9 | 2 | 1 | 9 | 8 | 2 | 3 | 145 |
| All (%) | 24.8 | 51.7 | 6.2 | 1.4 | 0.7 | 6.2 | 5.5 | 1.4 | 2.1 | 100 |

Conversely, land released was predominantly land sold by respondents and, in many of these cases, the reason for the sale was to purchase more (suitable/convenient) land. Two respondents cited the end of a tenancy agreement as the main reason for giving up land.

Owner-occupiers/landlords were asked for their views relating to letting agricultural land. Of those that responded, 47.4% (74 landowners) considered letting to be a temporary arrangement, nearly 43% considered agricultural letting to be a business partnership between landlord and tenant. Letting as a long-term arrangement was the view of nearly 29%. A reduction in risk profile and letting as part of a multi-tenure asset portfolio was considered relevant in far fewer cases, accounting for 9.6% and 6.4% respectively.

On ranking potential barriers to making land available for let, landowners considered political instability on land reform issues, the effect on land value, and the inability to realise the full market (rental) value within an agricultural lease to be the top three barriers.

Table 0.20: Landowners ranking of potential barriers to making land available for let

| Potential barriers (to letting land) | Percentage owner-occupiers / landlords ranking | | | | Mean score 1= Low 3=High (Rank) |
|--|---|----------|------|------------------|---|
| | High | Moderate | Low | Non- response | |
| Effect on land value (i.e. vacant possession value versus tenanted value) | 68.6 | 16.7 | 11.5 | 3.2 | 2.59 (2) |
| Political instability on land reform issues (including possibility of tenant's right to buy) | 75.6 | 13.5 | 9.0 | 1.9 | 2.68 (1) |
| Lack of flexibility on duration of LDTs | 34.6 | 40.4 | 16.0 | 9.0 | 2.20 (7) |
| Inability to realise full market (rental) value, particularly on residential property, within agricultural lease | 47.4 | 35.3 | 12.2 | 5.1 | 2.37 (3) |
| Lack of freedom of contract on duration of new tenancies | 39.7 | 37.8 | 13.5 | 9.0 | 2.29 (=4) |
| Lack of freedom of contract on other matters (e.g. fixed equipment) | 24.4 | 39.1 | 26.9 | 9.6 | 1.97 (10) |
| Taxation treatment of rented land (income tax, agricultural property relief and business asset relief) | 40.4 | 34.6 | 17.3 | 7.7 | 2.25 (6) |
| Possibility of retrospective legislation | 44.9 | 30.8 | 17.9 | 6.4 | 2.29 (=4) |
| Cost of equipping tenanted units | 32.7 | 25.0 | 34.6 | 7.7 | 1.98 (9) |
| Lack of able tenants | 10.3 | 21.2 | 64.7 | 3.8 | 1.43 (11) |
| Legal and management complexity and cost compared to alternatives such as Contract Farming | 27.6 | 41.7 | 23.7 | 7.1 | 2.04 (8) |

Base: 156

The emphasis on a lack of land available for new entrants by whatever means was strongly evident in the responses. It is considered, in its various guises i.e. the result of the inter-play of a number of factors as evidenced in the survey, to be a major barrier to new entrants. This was underscored when the respondents were asked to consider potential barriers to the industry and rank them accordingly. The value of land, lack of tenancies and competition from established farmers were the overall top three barriers as rated by respondents.

Table 0.21: Rating of potential barriers to new entrants (percentage respondents and mean score)

| Potential barrier | Percentage respondents ranking | | | | Mean score 1= Low 3=High |
|--|--------------------------------|----------|-------|--------------|--------------------------------|
| | High | Moderate | Low | Non-response | |
| A. Individuals not retiring | 36.0 | 35.6 | 20.3 | 8.1 | 2.17 |
| B. Lack of tenancies | 73.9 | 15.8 | 2.3 | 8.1 | 2.78 |
| C. The Single Farm Payment subsidy system | 44.6 | 27.9 | 18.9 | 8.6 | 2.28 |
| D. Lack of working capital (for stock, machinery, etc) | 56.8 | 26.6 | 7.7 | 9.0 | 2.54 |
| E. Value of land | 81.5 | 10.4 | 0.9 | 7.2 | 2.87 |
| F. Number of farms for sale | 46.0 | 35.6 | 10.4 | 8.1 | 2.39 |
| G. The size of farms available for rent/purchase | 21.6 | 44.6 | 23.9 | 9.9 | 1.98 |
| H. Competition from established farmers | 73.9 | 15.3 | 3.2 | 7.7 | 2.77 |
| I. Lack of business knowledge and skills | 8.1 | 32.4 | 51.8 | 7.7 | 1.52 |
| J. Lack of technical knowledge and skills | 6.76 | 30.2 | 54.5 | 8.6 | 1.48 |
| K. Lending institutions reluctant to lend to new entrants | 30.2 | 46.9 | 13.96 | 9.0 | 2.18 |
| L. Lack of good advice | 3.2 | 29.3 | 58.6 | 9.0 | 1.39 |
| M. Attractiveness of farming compared to other occupations | 46.9 | 22.5 | 22.5 | 8.1 | 2.26 |
| N. How well farming fits with the spouse/partners employment | 18.9 | 40.5 | 31.1 | 9.5 | 1.86 |
| O. Lack of confidence or security and high perceived risk | 41.9 | 32.0 | 17.6 | 8.6 | 2.26 |
| P. Ability to work a farm part-time rather than making it available for new entrants | 31.1 | 38.7 | 21.2 | 9.0 | 2.11 |

Base 222

Table 0.22: Ranking of Potential Barriers to New Entrants

| Potential Barrier | Rank on basis of frequency selected as HIGH | Rank on basis of frequency selected as HIGH or MODERATE | Rank on basis of mean score 1=Low 3=High |
|--|---|---|--|
| A. Individuals not retiring | 9 | 9 | 10 |
| B. Lack of tenancies | =2 | 2 | 2 |
| C. The Single Farm Payment subsidy system | 7 | 8 | 6 |
| D. Lack of working capital (for stock, machinery, etc) | 4 | 4 | 4 |
| E. Value of land | 1 | 1 | 1 |
| F. Number of farms for sale | 6 | 5 | 5 |
| G. The size of farms available for rent/purchase | 12 | 12 | 11 |
| H. Competition from established farmers | =2 | 3 | 3 |
| I. Lack of business knowledge and skills | 14 | 14 | 13 |
| J. Lack of technical knowledge and skills | 15 | 15 | 14 |
| K. Lending institutions reluctant to lend to new entrants | 11 | 6 | 9 |
| L. Lack of good advice | 16 | 16 | 15 |
| M. Attractiveness of farming compared to other occupations | 5 | 11 | =7 |
| N. How well farming fits with the spouse/partners employment | 13 | 13 | 12 |
| O. Lack of confidence or security and high perceived risk | 8 | 7 | =7 |
| P. Ability to work a farm part-time rather than making it available for new entrants | 10 | 10 | 11 |

Base: 222

Further views on the causes and effects of the new entrant situation are outlined in Table 7.23. There is strong agreement that it has become much harder in recent years for young people to get started in farming. This was supported by a majority which is of the opinion that, 'there is no shortage of people wanting to get hold of farmland' and 'few landowners take significant risks and so will let land to an established farmer rather than to an incomer. There was a tendency to disagree with the statement that 'there is a wide range of access opportunities including new tenancies, limited partnerships, grass lets, and other informal arrangements to get a new entrant started.'

Table 0.23: Respondent views on the new entrant situation Base:222

| Statement | Percentage respondents indications | | | | | | Mean 1=strongly agree 5=strongly disagree |
|---|------------------------------------|-------|----------|----------|-------------------|--------------|---|
| | Strongly agree | Agree | Not sure | Disagree | Strongly disagree | Non-response | |
| It has always been hard for tenant farmer family members to break into farming in their own right | 22.1 | 41.4 | 14.0 | 14.9 | 0.9 | 6.8 | 2.26 |
| Better-off new entrants into farming in Scotland increase opportunities (e.g. contracting and grass lets) for existing farmers | 5.4 | 38.3 | 32.4 | 12.6 | 1.8 | 9.5 | 2.64 |
| Bright and enthusiastic young people have always been able to get a foot on the farming ladder | 7.7 | 26.6 | 18.0 | 32.4 | 8.6 | 6.8 | 3.08 |
| LDTs and SLDTs offer a sensible compromise to the problem of limited land availability for new tenancies | 2.3 | 23.4 | 43.7 | 12.6 | 7.7 | 10.4 | 3.00 |
| Core farming skills are in danger of dying out in this area because young people no longer want to farm | 30.2 | 37.8 | 9.5 | 13.1 | 3.2 | 6.3 | 2.16 |
| There is no shortage of people wanting to get hold of farmland | 29.7 | 44.6 | 8.6 | 8.1 | 1.8 | 7.2 | 2.00 |
| Too much farmland is being swallowed up by people with no understanding of how to farm land properly | 22.1 | 25.7 | 18.0 | 23.9 | 3.6 | 6.8 | 2.58 |
| It has become much harder in recent years for young people to get started in farming | 45.9 | 35.6 | 7.2 | 3.6 | 1.4 | 6.3 | 1.71 |
| Few landowners take significant risks and so will let land to an established farmer rather than to an incomer | 26.6 | 43.2 | 17.6 | 5.4 | 0.9 | 6.3 | 2.05 |
| There is a wide range of access opportunities including new tenancies, limited partnerships, grass lets, and other informal arrangements to get a new entrant started | 2.7 | 15.8 | 19.8 | 41.0 | 12.6 | 8.1 | 3.49 |

When asked to consider the opportunities as a way to get into farming, a calculation of the mean score for each category shows that respondents favour the building up of capital outside agriculture as a principal way into farming, followed by contract work (the provision of machinery and/or labour). There was quite a high non-response to this question as many stated that they did not feel qualified to comment.

Table 0.24: Ranking of opportunities for getting started in farming

| Opportunity | Percentage respondents ranking | | | | Non-response | Mean score 1= Low 3=High |
|---|--------------------------------|----------|------|--|--------------|--------------------------------|
| | High | Moderate | Low | | | |
| Contract Farming Agreements | 32.4 | 36.9 | 18.9 | | 11.7 | 2.15 |
| Getting a job in a sector related to farming | 28.8 | 32.9 | 27.9 | | 10.4 | 2.01 |
| Short term lets and informal annual cropping agreements | 26.1 | 45.1 | 18.9 | | 9.9 | 2.08 |
| Doing contract work (machinery and labour) | 40.5 | 35.1 | 14.9 | | 9.5 | 2.28 |
| Starting a new business (farm shop, etc) on your parents farm | 21.2 | 39.2 | 28.8 | | 10.8 | 1.91 |
| Share farming | 23.0 | 41.4 | 24.8 | | 10.8 | 1.98 |
| Building up capital outside agriculture | 50.5 | 27.0 | 12.6 | | 9.9 | 2.42 |

Base: 222

When asked to rank proposed solutions the respondents favoured financial support to young people followed by solutions related to (potentially) freeing up land for new entrants, namely payments to farmers who retire and vacate the farm, taxation changes which make letting land more attractive, changes to planning policies (allowing retiring farmers to build retirement houses in the country) and the freedom to agree any length of tenancy.

Table 0.25: Ranking of proposed solutions

| Proposed Solution (Scoring basis 1=very bad, 10=very good)* | Total score | Rank- basis of total score | Mean score | Rank- basis of mean score |
|---|------------------------|---|-----------------------|--|
| Planning policies which let retiring farmers build a house in country | 1141 | 4 | 5.46 | 4 |
| Payments to farmers who retire and vacate farm early | 1181 | 3 | 5.70 | 3 |
| Financial support to young people getting started in farming (interest rate subsidies, higher grant rates) | 1196 | 1 | 5.72 | 1 |
| Matching scheme to match new entrants to farmers with no successors | 955 | 7 | 4.59 | 7 |
| A mentoring scheme for new entrants | 931 | 9 | 4.48 | 9 |
| Advice on how to get started and on preparing budgets and business plans | 1066 | 6 | 5.13 | 6 |
| Establishing small starter units (up to 100 acres) | 929 | 10 | 4.47 | 10 |
| An options guide to advise new entrants and retiring farmers of their options and sources of advice | 933 | 8 | 4.51 | 8 |
| Developing phased ownership mechanisms such as share farming agreements which allow a worker over time to buy an increasing proportion of an enterprise e.g. breeding herd | 904 | 12 | 4.39 | 11 |
| Taxation changes which make letting land more attractive | 1194 | 2 | 5.71 | 2 |
| Freedom to agree any length of tenancy | 1117 | 5 | 5.40 | 5 |
| Provision of training in order to build up skills enabling a person to farm | 928 | 11 | 4.50 | 12 |

- Please note that the scoring system in Q24 of the questionnaire mirror imaged the scale and data presented here (i.e.10 = very bad). The scale has been changed to ascending order and the data amended accordingly, in order to compare responses with that of the consultation questionnaire.

1.27 Comparison of Consultation and survey result

An explicit intention of the questionnaire was to test for the representativeness of the consultation responses against a randomly selected set of farmers. In order to do this several questions in the questionnaire survey directly matched those of the consultation document. These questions related to:

- The barriers to entry;
- The opportunities; and
- The solutions.

Spearman's rank correlation coefficient is used as a measure of linear relationship between two sets of ranked data that is it measures how tightly the ranked data clusters around a straight line. Each variable is ranked separately by putting the values of the variable in order and numbering them: the lowest value is given rank 1, the next lowest is given rank 2 and so on. If two data values for the variable are the same they are given averaged ranks.

Each of the paired sets of data is presented in turn. The calculation of the relationship between data sets for barriers and opportunities is made for two sets of data. First the respondent choices selected as 'high' and second the respondent choices selected as 'high' or 'moderate'. The calculation of the relationship between the two datasets for solutions is based on a ranking of the sum of a composite scoring system on a scale of 1-10.

Tables 7.26 to 7.31 summarise the results which show, conclusively that the datasets have a very high probability of being drawn from the same population.

Table 0.26: Ranking of Potential Barriers to New Entrants

| Potential Barrier | Consultation Rank on basis of frequency selected as HIGH | Survey Rank on basis of frequency selected as HIGH | Consultation Rank on basis of frequency selected as HIGH or MODERATE | Survey Rank on basis of frequency selected as HIGH or MODERATE |
|--|--|--|---|---|
| A. Individuals not retiring | 8 | 9 | 5 | 9 |
| B. Lack of tenancies | 1 | =2 | 1 | 2 |
| C. The Single Farm Payment subsidy system | 6 | 7 | 7 | 8 |
| D. Lack of working capital (for breeding stock, machinery, etc) | 4 | 4 | 4 | 4 |
| E. Value of land | 2 | 1 | 3 | 1 |
| F. Number of farms for sale | 9 | 6 | 9 | 5 |
| G. The size of farms available for rent or purchase | 11 | 12 | 11 | 12 |
| H. Competition from established farmers | 3 | =2 | 2 | 3 |
| I. Lack of business knowledge and skills | 14 | 14 | 14 | 14 |
| J. Lack of technical knowledge and skills | 16 | 15 | 15 | 15 |
| K. Lending institutions reluctant to lend to new entrants | 10 | 11 | 10 | 6 |
| L. Lack of good advice | 15 | 16 | 16 | 16 |
| M. The attractiveness of farming compared to other occupations | 5 | 5 | 6 | 11 |
| N. How well farming fits with the spouse/partners employment | 13 | 13 | 13 | 13 |
| O. Lack of confidence or security and high perceived risk | 7 | 8 | 7 | 7 |
| P. Ability to work a farm part-time rather than making it available for new entrants | 12 | 10 | 11 | 10 |

Survey: 222 responses **Consultation process:** 595 responses

Table 0.27: Correlations between the two sets of ranks on basis frequency selected as high

| | | | ConsulHigh | SurvHigh |
|----------------|------------|-------------------------|------------|----------|
| Spearman's rho | ConsulHigh | Correlation Coefficient | 1.000 | .965(**) |
| | | Sig. (2-tailed) | . | .000 |
| | | N | 16 | 16 |
| | SurvHigh | Correlation Coefficient | .965(**) | 1.000 |
| | | Sig. (2-tailed) | .000 | . |
| | | N | 16 | 16 |

** Correlation is significant at the 0.01 level (2-tailed).

Table 0.28: Correlations between the two sets of ranks on basis frequency selected as high or moderate

| | | | ConsulHighMod | SurvHighMod |
|----------------|---------------|-------------------------|---------------|-------------|
| Spearman's rho | ConsulHighMod | Correlation Coefficient | 1.000 | .879(**) |
| | | Sig. (2-tailed) | . | .000 |
| | | N | 16 | 16 |
| | SurvHighMod | Correlation Coefficient | .879(**) | 1.000 |
| | | Sig. (2-tailed) | .000 | . |
| | | N | 16 | 16 |

** Correlation is significant at the 0.01 level (2-tailed).

Table 0.29: Ranking of Opportunities for Getting Started in Farming

| Opportunity | Survey Rank on basis of frequency selected as HIGH | Consultation Rank on basis frequency selected as HIGH | Survey Rank on basis of frequency selected as HIGH or MODERATE | Consultation Rank on basis frequency selected as HIGH or MODERATE |
|---|---|---|--|---|
| Contract Farming Agreements | 2 | 1 | 3 | 2 |
| Getting a job in a sector related to farming | 3 | 5 | 4 | 5 |
| Short term lets and informal annual cropping agreements | 4 | 3 | 2 | 3 |
| Doing contract work (machinery and labour) | 1 | 2 | 1 | 1 |
| Starting a new business (farm shop, etc) on your parents farm | 5 | 4 | 5 | 4 |
| Share farming | This category was used in the survey but not in the consultation document | | | |
| Building up capital outside agriculture | This category was used in the survey but not in the consultation document | | | |

Survey: 222 responses

Consultation process: 595 responses

Table 0.30: Correlations between the two sets of ranks on basis frequency selected as high

| | | | SurvHigh | ConsulHigh |
|----------------|------------|-------------------------|----------|------------|
| Spearman's rho | SurvHigh | Correlation Coefficient | 1.000 | .600 |
| | | Sig. (2-tailed) | . | .285 |
| | | N | 5 | 5 |
| | ConsulHigh | Correlation Coefficient | .600 | 1.000 |
| | | Sig. (2-tailed) | .285 | . |
| | | N | 5 | 5 |

Table 0.31: Correlations between the two sets of ranks on basis frequency selected as high or moderate

| | | | SurvHighMod | ConsulHighMod |
|----------------|---------------|-------------------------|-------------|---------------|
| Spearman's rho | SurvHighMod | Correlation Coefficient | 1.000 | .800 |
| | | Sig. (2-tailed) | . | .104 |
| | | N | 5 | 5 |
| | ConsulHighMod | Correlation Coefficient | .800 | 1.000 |
| | | Sig. (2-tailed) | .104 | . |
| | | N | 5 | 5 |

Table 0.32: Ranked list of proposed Solutions

| Proposed Solution | Consultation Total Score | Survey Total Score | Consultation Overall Rank | Survey Overall rank |
|---|---------------------------------|---------------------------|----------------------------------|----------------------------|
| Planning policies which let retiring farmers build a house in country | 3206 | 1141 | 4 | 4 |
| Payments to farmers who retire and vacate farm early | 3131 | 1181 | 5 | 3 |
| Financial support to young people getting started in farming (interest rate subsidies, higher grant rates) | 3912 | 1196 | 1 | 1 |
| Matching scheme to match new entrants to farmers with no successors | 2875 | 955 | 8 | 7 |
| A mentoring scheme for new entrants | 2852 | 931 | 9 | 9 |
| Advice on how to get started and on preparing budgets and business plans | 3029 | 1066 | 6 | 6 |
| Establishing small starter units (up to 100 acres) | 2790 | 929 | 10 | 10 |
| An options guide to advise new entrants and retiring farmers of their options and sources of advice | 2550 | 933 | 11 | 8 |
| Developing phased ownership mechanisms such as share farming agreements which allow a worker over time to buy an increasing proportion of an enterprise e.g. breeding herd | 2969 | 904 | 7 | 12 |
| Taxation changes which make letting land more attractive | 3726 | 1194 | 3 | 2 |
| Freedom to agree any length of tenancy | 3730 | 1117 | 2 | 5 |
| Provision of training in order to build up skills enabling a person to farm | 2491 | 928 | 12 | 11 |

Survey: 222 responses

Consultation process: 595 responses

Table 0.33: Correlations between the two sets of ranks

| | | ConsulRank | SurvRank |
|----------------|------------|-------------------------|----------|
| Spearman's rho | ConsulRank | Correlation Coefficient | 1.000 |
| | | Sig. (2-tailed) | .001 |
| | | N | 12 |
| | SurvRank | Correlation Coefficient | .825(**) |
| | | Sig. (2-tailed) | .001 |
| | | N | 12 |

** Correlation is significant at the 0.01 level (2-tailed).

1.28 Commentary

As evidenced in the survey, succession to the family farm business remains the usual course of entry into the industry. It is widely acknowledged that traditionally, entry by other routes tended to be through the farming ladder, whereby smaller holdings, predominantly tenanted, provided an entry point. Whilst this survey does not dispute this, it does highlight the importance of land purchase as an entry route for non-inheritors, both in decades past and more recently. The results presented are broadly consistent with those derived from other sources, in that barriers in the form of lack of available land and low profitability make entry to the industry (particularly in respect of non-inheritors) increasingly difficult.

Land availability and the cost of land, relative to the return that can be generated from it, are subject to the influence of many market forces. More recently, the interplay of these forces has sought to increase the demand for farmland and has kept land values consistently high in many parts of the country. This has created problems for new entrants (non-inheritors) whom, as evidenced in the survey, were able in the past to gain a foothold through the purchase of land, particularly when land prices were deflated (mid-late 1980s).

Acquiring land through traditional, formal means in the tenanted sector is increasingly problematic. Survey evidence does reflect claims made in respect of a declining supply of traditional tenancies and an only modest supply of new tenancies under the Agricultural Holdings Act (2003). Political instability on land reform issues, and the effect of letting on land values, are considered by landowners to be the main barriers to letting land. What is apparent however, is the enormous amount of fluidity in how farming is practiced. Within the more formal categories of tenure the business size fluctuates a great deal on a short-term basis. The flexibility afforded by annual and seasonal arrangements appears very important to expanding farmers *and* can potentially offer a way in for the new entrant.

In recent years, amenity purchase, the impact of 'rollover' money, and interest overseas, have impacted on the demand for farmland. In some cases, entry into the industry under such banners can constitute 'new' entry. In the survey, the extent to which new entrants fall into these categories is unclear, what is evident is that new entrants that have made it into the industry during the last 10 years have financed the start up from savings accumulated elsewhere. For this reason they are often not 'young' new entrants and some report problems in terms of generating adequate returns on their investment. Input costs, disrupted markets (particularly in the

livestock sectors), and the perceived unfair allocation of SFP, have made life particularly difficult for many recent new entrants.

Whilst it is not explicit in the survey results, it does appear that a significant number of new entrants make a lifestyle choice in favour of farming with fewer new entrants approaching entry into the industry as a financially motivated investment. They are operating in a market environment, possibly without SFP (or an allocation deemed unfair), and in most cases are reliant on off-farm income sources.

Land values may be less in some areas (e.g. Caithness) relative to others (e.g. Deeside, Mid-Lothian) where land values are more prone to the influence (demand) of the amenity market. Areas of a lower amenity value may provide greater opportunities to aspirant entrants to acquire land. In the survey, more recent entrants (who entered during the last 10 years) were more likely to be in Dumfries and Galloway and Caithness and Sutherland, than elsewhere. This may be indicative of relatively lower farmland values in these areas. It should be pointed out however, that competition from established farmers for land is evident in all regions. Thus the new entrant still competes, albeit for relatively less expensive land, against established farmers looking to increase the size of their holding. This point is highlighted in the survey by the flurry of new entrant activity in the mid 1980's (seen particularly in Grampian, and Dumfries and Galloway), when the demand for land among Scottish farmers was at an all time low.

The results suggest that smaller holdings are more likely to come onto the market in the next 10 years. Whilst there is little difference in the numbers of respondents indicating an intention to leave the business in terms of farm size, those with smaller businesses (here 2 FTEs and less) are less likely to have a successor, whereas larger businesses are more likely to have a successor in place. In the cases where areas of land do come onto the market, and as stated previously, the disparity between the agricultural value and the amenity value of land is likely to be played out in terms of competition from existing farmers and amenity buyers. Whilst the latter may be considered a new entrant, the motives for acquiring land often differ to that of the established farmer, hence the common label of hobby and lifestyle farmers, given to this group. Effectively, new entrants not only compete among existing farmers, the various types (according to pathway) compete amongst themselves.

There is a consensus of opinion as to the main barriers facing new entrants: the availability of land and a lack of profitability in the sector. The survey results demonstrate how the interplay of various factors has exacerbated what were already extremely challenging circumstances facing the aspirant entrant. Opinions relating to opportunities to get started in farming and proposed solutions, reflect the two main barriers. Survey respondents appeared to consider the potential of solutions for freeing up land, and favoured payments to farmers who retire and vacate the farm (and changes to planning policies to ease the building of retirement homes), taxation changes which make letting land more attractive, and the freedom to agree any length of tenancy. Building up capital outside of agriculture was considered to be the main opportunity available to get started in farming and financial support e.g. interest rate subsidies and higher grant rates, to young people getting started in farming was considered to be the best of the proposed solutions for improving the situation of new entrants.

Conclusions

The explicit intention of this study was to establish the opinion of those in the farming and landowning communities in Scotland with regard to what is commonly described as the 'new entrant problem' which comprises the relatively small number of new entrants entering farming and an ageing farm population which is seen as evidence of an industry in a poor state of health.

For a variety of reasons, some connected with the way farm support policies are implemented, some relating to the economics of farming with a strong national currency compared to a weak Euro, some resulting from the specifically Scottish context of land reform, some from the spreading of fixed costs across new hectares by established farmers and some from a strong desire of many people from increasingly wealthy non-farming backgrounds to acquire what are often termed hobby farms, the costs of entry to farming are high. There may be further barriers to entry caused by an unwillingness of people to retire from farming which is affected by a number of factors from housing and planning policies to an ability to obtain rewards from subsidy entitlement without having to work the land.

In recent years the rewards to farming have been very low, with large numbers of farmers making very low profits. Under 'normal' market conditions, such as prevailed in the 1930s in the UK, entry to farming was relatively easy at a time of low prices. Low prices for products were transmitted back through the market system into low prices for land – the principal input into farm production. In 2008, the principal differences are the high value of subsidies, and the high demand for hobby farms.

The compound effect of these factors has been to make it exceptionally difficult for an aspirant farmer to enter the industry as an owner occupying farmer or a tenant without access to a substantial amount of capital. Consequently, many new entrants have previously worked entirely outside farming or in para-agricultural activities prior to acquiring a farm. Many of those who start farming have a need to generate some of their income from outwith the farm sector.

The consultation and the surveys revealed that the most important barriers are the financial unattractiveness of the industry, the lack of available land, and the amount of capital required.

The recent implementation of a suite of land reform policies in Scotland has sharply exacerbated the new entrant problem. At the time that the major land reform legislation was passed in 2003, there was discussion about giving secure tenants the right to buy their holdings. The prospect of such a policy shift has led many landowners to take land back in hand rather than let it for fear that they may lose ownership of the resource in the event of a policy change. Even many aspirant farmers recognise the strong disincentives of risk-averse landlords to let and this partly explains the widespread use of short term lets, contract farming and other arrangements most of which favour established farmers rather than new entrants.

It should also be realised, however, that agriculture is now operating in a rapidly changing and volatile business environment. This results in a constant reshaping of the industry through the widespread use of short (annual) lets, contract farming agreements, "share" arrangements and sub-contracting deals. These create a degree of fluidity of adjustment within the community of established farmers and may also afford opportunities for new entrants. Such new entrant opportunities are few because established farm households are the more likely beneficiary of such

adjustment processes, although such entry routes are used by some determined new entrants to gain a foothold in the industry.

Most of those entering the industry in recent years have done so as a lifestyle choice rather than an act of entrepreneurship. This applies equally to the urban buyer or the determined young (or not so young) conventional farmer. For most low rewards are an inevitable concomitant of getting started in farming and whilst this may not matter for the moneyed urban buyer, it has much greater consequence for the aspirant genuine farmer.

Although there are some countries, such as France, with a long history of support for new and relatively young entrants, the evidence for the effectiveness of policy measures to support new entrants indicates that early retirement schemes are not especially effective and that new entrant capital grant or loan schemes need to be designed with great care because of the considerable deadweight associated with them. Many people who are supported would have ended up either retiring or entering the industry anyway, such that substantial disbursements of public money have at best modest effects on the aggregate wellbeing of the farm sector or the wider economy. In general, the greatest benefits are seen to derive from schemes that give subsidised credit to new entrants who are required to develop business plans and borrow, albeit at subsidised rates from commercial lenders who need evidence of the viability of the project.

For the *bona fide* cash-limited aspirant entrant to farming, the essential hurdle to overcome is the high cost of entry and the effective surcharge that must be paid for subsidy entitlement. To enter farming without entitlement to subsidy is a big challenge, which is likely to be insurmountable to almost all except those with an ability to operate niche enterprises (often with low land requirements) e.g. organic chicken farming. A need for “graduated entry” mechanisms was a common theme of workshops and consultation responses. Share agreements which allow young employees to gradually buy over a herd are common in some other parts of the world. It is in the Scottish livestock sector where there is the greatest perceived need for new ways of owning and managing breeding livestock.

Any policy needs to be targeted with exceptional care to help those who do not have the benefit of inherited or accumulated wealth but whose motivation to farm is strong. While farm incomes might be modest, it would be an exceptionally poor use of tax payers money to support a young person whose farming family are millionaires in capital terms. It is desirable to have a farm industry with a young, dynamic and flexible workforce, but until there is a turnaround of farming fortunes there is likely to be a smaller supply of such new entrants coming forward.

An important issue is the role of the many young people who are already involved in established family farms. These youngsters should have the energy, drive and ideas to make the industry vibrant and competitive. However, the consultation process often highlighted that the younger generation were not developing a management role until their best days were over. The benefits which are sought from new entrants could also be obtained from these young people, but are they given the skills and opportunities to generate these benefits?

Some recent circumstances might be seen to encourage the aspirant farmer. Commodity prices in the arable sector have risen and many commentators suggest that the global demand for red meat will cause prices to rise in the medium term. However, any increase in returns to farming will be capitalised into land or rental values.

What are the top priorities?

1. It is important to decide exactly what the problem is and what the objective of any intervention is

The degree of competition amongst farmers does not suggest there is any lack of vibrancy in the industry. The high average age of “principals” may hide the fact that there is a successor on the farm or at present working elsewhere and given that the industry will continue to seek economies of scale, far fewer young people are required anyway. However, as an industry we probably collectively believe that there is a need for new blood because it results in innovation and healthy challenges to the status quo. By definition this means we cannot protect the status quo – making conditions better for new entrants may make life less comfortable for established farmers. We also need to ask why some of the benefits attributed to new entrants are not being generated by the many young people already involved in established farming businesses? Can we address this?

2. A more attractive environment for let land is of fundamental importance

We cannot and should not interfere in the markets which result in high rents for farmhouses and the development of steadings. However, we can reduce the legislative and cultural barriers which work against longer term land lets – the fear of right to buy; the tax regime which makes farming more attractive than letting for landlords; the inflexibility of terms and conditions which work against both owner and tenant; the lack of a sensible business relationship between some landlords and tenants.

3. More progressive entry routes to the industry need to be devised

Firstly we need a land market with a very wide range of types and forms of land tenure. This will both serve the needs of an industry which must rapidly change its operating and capital structure to match a changing business environment and create opportunities for new entrants to get a toe hold in the industry.

Secondly we need new systems of share farming and progressive ownership in the livestock sector which create opportunities for new entrants to build up ownership and allow existing farmers to attract good people, incentivise them and facilitate restructuring or phased retirement.

Thirdly, in an industry so heavily influenced by the Single Farm Payment there needs to be an ongoing mechanism to ensure bona fide new entrants can compete on a level playing field.

4. Deadweight needs to be avoided

The experience of new entrant and retiral schemes elsewhere is not good. It has often resulted in high levels of “deadweight” loss i.e. taxpayers money spent with good intention, but not achieving the desired objectives. Any Scottish scheme needs to look very closely at how tax payers’ money can be used to generate real benefit. If it cannot do this, it should not be implemented.

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Appendices

Appendix 1 Consultation document

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 using the pre-paid envelope. Or send 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.

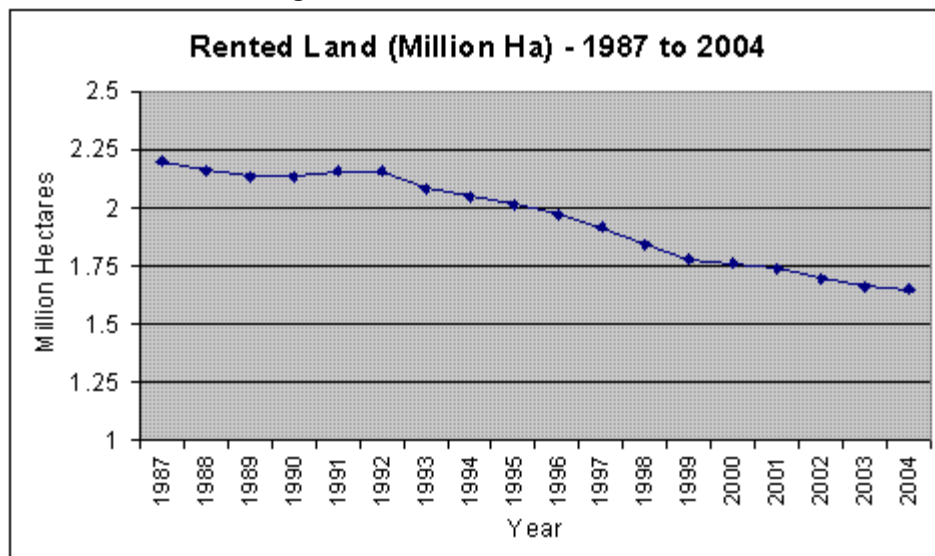
The Route into Farming

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

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 pre-paid envelope or send to:

**Prof Bill Slee
Macaulay Institute
Craigiebuckler
Aberdeen
AB15 8QH**

Appendix 2. Consultation Document: Cause of Problem

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

“Others”

- Length of leases
- Fiscal structures for landowners, tenancy structures, tenant/landlord not regarding each other as partners, continuing dependency culture within the industry
- Fewer young people have skills and abilities
- Lease lengths
- Lifestyle
- Young people lack interest
- Over regulation
- Building values, changes to tenancy laws
- Landowners prefer to let their current tenants to expand instead of giving new tenants a chance
- Security of tenure Act
- Delay in tenancy legislation
- Lack of knowledge, competition from established farmers
- Retiring, but continuing tenancy in farm house and contracting out land
- Rural planning constraints
- Farm houses being separated from land
- Ignorance about farming
- Letting tenure does not encourage landlords to let land when it comes in-hand. Letting tenure offers security to the detriment of new entrants and doesn't help landlords get rid of poor tenants or prevent inappropriate succession/assignment
- Lease length, unlikely let to first time farmers
- Lease length
- Lack of recognition of true diversification, reluctance to support perceived 'high risk' new ventures
- amount of regulation
- security of tenure, lifestyle
- Tenancies decrease land value
- Lack of information, unwillingness of landlords to let ground
- Estates policy of taking land in hand and letting bare land on short term arrangements to neighbours
- lack of landowners willing to give new entrants a start
- encouraged by family and friends to work elsewhere
- SLDT and LDT not created increased land availability
- Competition for land from existing farms and commercial property business
- Lifestyle, need for 2nd income
- SLDT too short, LDTs too long, legislation restricts landlords from letting and investing in fixed equipment
- work ethic of youth, lack of understanding of lifestyle, over regulation, lack of flexibility and freedom to contract
- acreage payments
- inappropriate tenancy legislation

- acreage payments,
- tenancies swallowed by estate
- Landlords unwilling to rent
- Lack of understanding of landlords and their agents of the problems and practicalities of farming in recent times.
- various as discussed in introductory notes
- restrictive legislation
- Lifestyle, pending legislation, which may affect farm value
- Large estates unwilling to let land selling houses and giving land to neighbouring farms
- Lack of help and information, rising feed prices
- Family retention of a croft, those no interest in farming retain land, while those with interest are denied it
- no incentive for young people, parents discouraging children to enter
- Landlords exercising total control over land, landlords unwillingness to use LDTs
- Landlords unwillingness to let farms, inflexible landlord/tenant legislation
- Lack of a functional tenancy system
- Retention of farmers sons and daughters
- lack of small scale starter opportunities
- difficulties of diversification on tenanted farms and lack of security
- retrospective legislation
- tenancy legislation makes letting unattractive
- Landlords unwilling to let vacant land
- Restrictions of Agriculture Holding Act and restrictive planning policy, need greater opportunity for retirement homes and staff cottages

Appendix 3. Consultation Document: other barriers or problems?

- Lack of opportunity, loneliness
- Political uncertainty, attitude of some existing tenants to the let sector i.e. continuation of dependency culture, industry being naturally conservative and cautious about change, disassociation from the market because of support mechanisms
- often rent does not include house or buildings, capital investment too high, 'free' help from neighbours not so readily available, short term tenancies not encourage improvements or investments
- more focus needed on SFP
- Start up costs
- schools teach academic subjects and career advisors do not consider agriculture
- Lack of good/proper education (SAC)
- Lack of help from govt agencies and organisations, lack of small crofts at affordable prices
- Long term business with massive market swings doesn't allow anyone to plan
- High rents and associated risk
- low farm rents compared to residential and commercial premises, the planning system, which presumes against the housing in the countryside, no incentive for tenant to new property
- Regulations and interpretations of them by govt bodies and restrictive of diversification
- Lack of agricultural education
- Governments no consistent commitment to agriculture
- Lairds/land agents less than encouraging - low morale, patronising and arrogant advice sometimes given depending on landowner
- lack of affordable tenancies
- legislation, paperwork
- been overlooked by estate in relation to extra land
- land swallowed back into estate and house rented
- Right to buy
- Right to buy
- Lifestyle, regulations, capital investment
- SFP
- Secure base
- Buying out family members
- Risk, red tape
- Tenure system
- Lifestyle, contract farming agreements increasing
- Capital costs
- lack of confidence
- taking land over for grouse and partridge shooting
- Subsidy structure
- house value and availability
- jobs requiring non-costing labour - limited
- regulation
- Land area
- political constraints

- lifestyle
- Capital
- landlord farming large acreage with subsidy in mind
- Government
- diversification approval from landlord lengthy
- policies reducing amount of land, alternative employment opportunities
- Land Reform Act and Crofting Act

Appendix 4. Consultation Document: other ways to get started

If you think there are other ways to get started, please describe them.

- You use a lot of different systems and there are pros and cons with each
- Marriage
- Marry an only son/daughter
- SFP for new entrants, re-examine tenancy laws, mentoring scheme, tax incentives to sell farm/give up tenancies, exit scheme for retiring farmers
- Govt financing small plots if successful - expand plot or quick list for tenancy
- Share farming, partnerships with other farmers, move overseas
- Time and chance being at the right place at the right time! Marry into a farm!
- Too many - been there - got the t-shirt
- Enter into partnership with another farmer - so share capital risk etc
- Through gaining experience as assistant farm manager, perhaps renting some grass parks and build stock gradually
- Have flexibility in rental market e.g. 6-10 years letting term, introduction of equivalent of farm business tenancy
- New Land Management Contract devised which funds 'exploration of succession, also a scheme which allows new entrants to take on a farming business but not ownership of primary assets
- Buy poor land and improve it, buy stock when not at best and price is low and improve, buy farmhouse that needs improvement, prepare to work hard and do without luxuries
- New Zealand type farming methods could work, e.g. share milking, 50/50 milking
- Emigrate to France or New Zealand where tenancies can be assigned and land is affordable and improvements are not stolen
- Purchase a lease from an outgoer as happens in Australia and New Zealand. This allows outgoer to get value for improvements at ?? Currently denied. Great incentive to improve property, farms never get rundown.
- Working with the ?? Family business which allows young people to make contacts, develop skills away from parental influence and prejudice
- Inherit existing farm; marry into farming, estates to let at normal rent to encourage new entrants on some of their farms.
- Job outside agriculture, which provides secure income, but sufficient time to do agricultural work
- New Zealand system of share farming where the share farmer can build there share up from 19% - 29% - 50% seems to work well.
- Forestry commission should reconsider and reinvestigate forest smallholding policy to encourage new entrants into hill areas supported by part-time forestry employment opportunities.
- Mentor, gain experience, training
- Some form of share farming with increasing input options
- Perhaps a register of farmers who wish to retire who can be matched up to potential new entrants!
- Scottish Government ?? land to create first start holding for new entrants. Introduce scheme to encourage landowners to release land for new entrants (could to a portion of a larger unit)

- There used to be council owned small farms to be rented. Lessen the burden of red tape, how dose a new entrant learn about all the rules and regulations
- Through gaining experience as assistant farm manager, perhaps renting some grass parks and building stock
- Older tenants should be able to assign their farms to young entrant - like crofters
- Allow secure tenants to assign their tenancies to who they chose this will allow new entrants to have long term security at an affordable rent

Appendix 5. Consultation Document: other possibilities for helping new entrants

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

- Incentives to let land/government measures
- Encourage farmers to diversify into other areas of work. They are multi-skilled. I diversified 15 years ago and I am now a CEO of a masonry Company, but I still farm
- Some actions have already been taken by the industry through the creation of the new tenancy arrangements. These area step in the right direction but they do require further improvement and refinement. Other key issues, i.e. support mechanisms, etc are already also changing. If some or all of the actions identified under 3.1 are correctly followed through greater opportunity will undoubtedly be created within the industry. An option guide for entrants into the industry would be useful, but the other end of the system would also benefit. A guide to leaving the sector and retirement would be of great use to many tenants from their 30's to their 70's detailing options available to them and also encouraging sound financial and business succession planning.
- Changes need to be made to the subsidy system, move away from SFP scheme. Encourage food production systems with an emphasis on quality and EFFICIENCY. Grant schemes should also encourage this. Make college courses more suitable to teach potential entrants useful skills.
- Removal of threat of right to buy legislation to get people to invest in Scotland again and make land available for lease rather than it all being bought up by owner occupiers.
- Possible for existing tenancies to be assigned. Ring fence existing secure tenancies generations of landlords lived with such tenancies.
- Deficiency payment type subsidies - makes farmer less secure. Diploma and degree courses that are more applicable and attractive to young farmers. Oatridge good example
- Advice into how to set up a business
- Start up grants, make more farms available, low interest loans
- Remove any 'whiff' of tenants right to buy
- Introduction of farm business tenancies for any length of time agreed between the parties
- Some sort of reward to land owner on each new 5 year or 15 year tenancy they set up, i.e. £5000 for a 5 year, £10 000 for a 15 year. Or maybe tax benefits to landlords to encourage them to give new entrants a start. Maybe we could change agriculture support to pay subsidies on a labour employed basis and set up an upper age limit say 70years that you could receive it.
- There needs to be something between a 5year SLDT and 15 year LDT say 10 years
- Increase farmgate prices by 2.5 times present levels to allow less dependency on subsidies
- Farmers should not get the SFP if not properly farming a lot of them doing nothing for it, an absolute disgrace. Other business people buying up land, and doing nothing with it.
- The threat of 'absolute right to buy' in the case of new tenancies must somehow be removed. Landowners are petrified by the spectre of being faced to sell their land at less than the freehold market value to tenants.

- Introduce 'Right of ownership' legislation, which would help to remove landlords fears of 'right to buy'
- NB. Something that should be resisted as it will not be constructive and will reduce opportunity is to give existing tenants the right to assign their tenancies to a wider ?? Of individual as some have been suggesting. Firstly this will further knock landowner/landlord confidence to let anything and secondly and importantly if the assignee has to pay for the tenancy this simply adds to the cost of getting the first foothold in the industry.
- Freedom of contract within farm tenancy agreements would allow arrangements to reflect the vast diversity in farms and tenancy applicants throughout Scotland. The system works well in England (recognising that a number of FBTs have been to existing established farmers). A step further than this would be to seek to establish an entirely new occupier arrangement - not based on revising the 'old' landlord/tenant legislation. This would be 'freedom of contract' without the constraints of statutory control and entirely market-orientated which functions exceptionally well in the commercial sector.
- More farm visits from schools and young towns people
- Re-couple livestock production with subsidy support as very difficult to add profitable margin in livestock enterprises due to capital investment and ever increasing price of feed.
- Vacant farms to be held by Scottish Government. Vacant farms to be kept by farming ONLY. Outlaw landlords with bad attitudes (almost all). Keep farming local. Abolish huge shooting estates. Remove land from bad owners.
- Assignment of existing secure leases both to wider family members and as a separate entity assignment to a new entrant (subject to L.L pre-emption and current conditions). This would encourage continuous investment (?) by tenant (i.e. not run down farm) and give new entrants security on which to secure low interest loan and additional capital from a bank who would in turn have an asset to put against the loan.
- If a farm becomes available for rent the landlord would be able to come to a scheme that what the existing farmer has given as rent this would be matched by a government scheme and these could be tax incentives for them to do this. Landlords will never give their farms for rent if you do not give them a huge incentive to do so. This will be easy and will not be sorted overnight but dangling a carrot like this would be a start.
- Low interest rates if any for a start up. Advisors that can advise on individual farm potential. Base price for produce (understandably difficult)
- Greater profitable agricultural industry. If smaller units (?) Were viable that would reduce the incentive to amalgamate units (?) To gain viability and perhaps allow large units to be s? to greater more ? Units. One element in creating a profitable industry is to encourage cooperative efforts among farmers especially in relation to the sale of their produce.
- A vibrant, viable, 'high returning' industry would do most to encourage young people to stay in farming, as long as they were protected from unfair competition and over regulation.
- Taxation changes. Give new entrants a lower tax rate for first 5-10 years
- If new entrants could be assigned a lease from a retiring farmer combined with help from the old farmer that would be the ideal start
- I think the current legislation and the SFP regulations are the main deterrents to land coming to the market either for sale or let
- There is a short supply of farmland in the market irrespective of the 'new entrant' issue. Reducing existing security of tenure provision of 1991 Act would assist by free up more land in the future. A form of guarantee scheme

- could be very helpful in terms of removing perceived risks from new entrants would help with bank finance and rental payment, where applicable.
- Remove any threat of right to buy of any sort and any threat of retrospective legislation on agricultural holdings. We have to create a climate of confidence in tenanted sector so that landowners are not ??? For letting land. The burden of bureaucracy and uncertainty of legislation must be addressed.
 - Freedom to agree length of tenancy
 - Older farmer should be able to assign a heritable tenancy to a young farmer for fair value without the factor ripping off both parties
 - Freeing up the let land market with assurance of property rights not being undermined by government. Confidence in the sector (economic prices). Flexible leasing agreements.
 - allow old farmers to assign their heritable tenancy direct to a young farmer or employee (e.g. shepherd). The new farmer will need financial assistance to pay for the assigned full tenancy
 - To allow tax breaks to farmers retiring as long as they pass the farm to a young entrant
 - abolition of production controls e.g. milk quotas
 - To free up more land for letting - some form of entrenched assurance that an absolute right to buy will not be imposed
 - There are only two things that will make it easier possible (?) for new entrants to get into farming 1) complete flexibility in the ??? Of tenure and letting land and 2) taxation cheaper to encourage people to let land. But the latter will only survive if there are a) tax changes b) freedom of contract for land tenure. A strong L and T system is the ONLY way to create opportunities for new entrants to farming.
 - Owners are reluctant to let land because of the depreciation in the value of the farm as a result and the possibility of losing the farm through right to buy. While the latter is not in legislation the threat is there. If some form of subsidy could be given to owners (e.g. the difference between rent paid and a suitable return on the capital value of the farm) and a guarantee of no right to buy and repossession at the end of the lease this would encourage more farms to be let. Another example would be a premium or lump sum to be paid to the owner as commencement of lease by the government or some public body but again a guarantee of no right to buy and repossession at the end of the lease is a must.
 - Tax and other incentives for new entrants. More encouragement to landlords to let farms.
 - A total change in legislation to block the 'Right to buy' - anything less and the tenanted sector will shrink further, land is not kept in good heart in short term and seasonal lets. An upper limit on the area of ground that can be put into broadleaf planting/regen
 - Many farmers now are doing bare minimum to qualify for SFP. Should need to keep livestock or grow crops or let to someone else. Also health check due of farm payment scheme. Commissioner wish all payments over 100,000 euro to be top sliced 10% rising to 45% on higher payments. If money was kept in country and put in national reserve for new entrants it could help. In addition some of the biggest payments go to traditional letting estates who over the years have taken tenanted farm in hand. this may force them to re-let
 - By far the most important is help with capital and overdraft facilities.
 - Banks or finance companies lending money at a cheap interest rate to young farmers

- Change the subsidy system. Basing it on historical production is a nonsense. Why discriminate against new comers? It is an UNFAIR SYSTEM. We will be running at a loss for years to come.
- Best is still to create suitable financial support to get the elderly into retirement.
- Like idea of small farm unit (if available) for 6 months course, but its short time to train few people to become farmers
- GAURANTEE freedom of contract. The problem is the politicians' willingness to identify the tenancy with the occupiers 'home'. The urban politicians can then be persuaded to equate notice to quit with eviction from the home. If a way round this could be found the market would be freer.
- Look at wider picture why are no young folk farming? Subsidise estates to let more land. Red tape is big turn off. You should be putting questionnaires into schools in the country. Ask the children what they think.
- Revisit Agricultural Holdings legislation and add measures to encourage entrants and allow tenants to leave tenanted units. Force large estates to let land by capping let land. Tax deterrents to larger farming operations. CAP SFP. Land Reform measures to restructure than land tenure system in Scotland. Introduce Register of let land and licences. Introduce government control over letting land. NB many of the above measures would be difficult to implement as they are not devolved matters so please include this most important observation in the findings of your consultation.
- Much of this is driven by ? legislation that deters tenancy. The landowner is knowingly going to expose themselves to this risk. The more flexible the arrangements the better the market will function and opportunities will develop naturally. Some support mechanisms might be useful to allow young people to get into farming (especially where it is not a family operation) A system to support older farmers out (better pensions/incentives) and housing would help too. This issue seems to be immediate, but a long term view needs developed too.
- Absolute guarantee of NO POLITICAL INTERFERENCE. Unfortunately political interference in the landlord/tenant system in Scotland has effectively destroyed it for which politicians and a few zealots are entirely to blame. It will be extremely difficult if not impossible to recreate the right climate for letting land in future. It could be done but even if the political and taxation constraints could be overcome, much would depend on the viability of farming and world farming economics, which is of course outside the control of anyone in Scotland
- History has left us with a tenancy system that does not work, estates are now extremely poor stewards of the country and have an obvious and profoundly bad effect on rural Scotland. The power to let land should be removed from the estates and put in the hands of regional tenancy committees similar to the SAFER system in France. The guiding principal of these committees would be to enhance and develop rural Scotland and encourage new estates. The uncertainty of land ownership in Scotland is indefensible without a functional tenancy system.
- More trust and openness between landlords and new entrants. Landlords would sometimes have to make decisions which did not necessarily make them the most money, i.e. renting farm to new entrant rather than selling off house and buildings. Tax incentives to do this?
- Whatever scheme could be introduced to allow new entrants all it takes is for some landlords agent to mention possibility of 'Right to buy' coming in and you will find present situation of new tenancies and stagnation. The only solution is to allow secure tenants the immediate absolute right to buy and

this log jam will be broken - new tenancies will be created once this is out of the system even from previous tenants.

- Subsidies should be greatly reduced to landlords farming in hand and more could be given to new entrants.
- I think you don't get it. Help is needed for the working farmer not the incomer
- Make land cheaper through taxation changes. Make diversification/development easier in rural areas by speeding up council planning process and allowing more security for tenants when diversifying.
- I have not filled in a lot of your boxes because I do not feel competent I was very impressed by your introduction and feel sure that you have already thought of all the problems.
- Encourage retirement, but not a cost of new entrant. The facility to export single farm payment off the land it was claimed on is RIDICULOUS
- New entrants scheme from Scottish government will hopefully be very helpful to young people who I wish to get established in farming.
- Price of land precludes ownership. Venture capital funds with tax breaks and rules favouring new entrants a good possibility for renting
- Many existing farmers especially in hill areas got started when the O.A.F.S. let farms at reasonable rents. Vast areas of the Highlands were used in this way ca. 1950s and 60s but now have no stock introduce right to buy legislation.
- Compulsory purchase of vacant ground to form new tenancy.
- Accept that the tenancy reform was a failure and do it aging before there are no farms left to tenant.
- Encouragement of rural industry so that jobs are created on farms. This would make farming less lonely and would attract potential new entrants. 2. Removal of SFP to the already very wealthy - it is a disgrace. 3. Financial support for farming systems that are not mainstream.
- A level playing field for our end product. 2. An Agreed price on produce - pre season topper up on quality and grade for produce, so we have a bottom structure to work from. 3. A much tougher restraint on super markets power over products.
- Any of the above will help provided the business is profitable that is returning a least the average rate per hour worked plus base rate on tenant capital.
- Some way of providing an opportunity for existing tenants to accrue capital during tenancy. 2. A right to purchase a house site at agreed value at the tenanted farm - 1.5 of an acre with the right to planning consent.
- A fundamental change in thinking from estate and landowners, to enable them to appreciate the benefits of a longer term tenant who "looks after" the place. Example, asking me to reseed a field - I charge £400 /ha. Landowners get that for nothing on a long term lease and the farmer pays for the privilege.
- Perhaps under OPTIONSS. An unrealised awareness of - 1. Who wants land.. 2. Who wants out of farming. And an indication of potential benefits. An extension of "phased ownership" idea.
- Best idea is for farmers to be assisted in the taking in new "sons" to carry on tenancy - help for existing family to stay in farming - continuous knowledge of land is hard to beat.
- Until a young person has enough capital behind him/her, there is little chance of them being able to compete with established other farmers. Both local and incomers. Is there actually that many hour people wanting to get a start in agriculture?
- as stated earlier, farmers retire a 65.

- Low interest loans subsidised incomes for 5yrs, starter farms more available, Retirement schemes to cut out the deadwood and let the new growth flourish.
- Remove all discrimination against being a landlord: tax, imposed duration and security of tenure. 2. Get all political parties to agree this. 3. establish a country planning policy where new houses are permitted in the countryside with an associated minimum acreage.
- Improve income, solve housing problem, value of small farm lies in the house.
- New tenants needs ten years to get invested capital made use of and return of investment on average size farm, 5 years formal lease to short.
- Abolition of production on the tax relief for inheritance purposes.
- Cap the current single farm payment to £50,000 per farm business and don't allow any individual to get more than one payment.
- Encourage full partnership agreements with established farmers- need a good financial incentives both parties as there would be risk - Do not give incentives to all i.e. Making tax changes - but only give incentives to new entrants.
- Most of the options are covered in your questionnaire! But I do think government must lead by example to preserve out countryside and they must inject money into agriculture to make is a viable industry for youngsters to commit a lifetime of work to be successful.
- Government must act to get farming a better share of money spent on food.
- Not sure we should meddle with the system now - farming unprofitable; food prices are to low when/if Britain needs more agriculture produce the would be the time to devise measures to bring more young people in.
- Separate residency from the farm business. Even though this would seriously affect rents.
- We need to establish a Chamber of Agriculture system like France to do all of this and look after the interests of farmers and customers.
- New entrants to classed as such for 5 year period with SGRID to access schemes they can't get now if landless keepers and even lower penalties if accidentally break rules and some derogation from SAMU (see attached). SGRID to act guarantors for those successful in getting into New Entrants Scheme. Could also approach banks with a block of new entrant business and negotiate low interest rates. (see attached)
- Abolish the right to buy.
- Stop paying those who don not actually farm!
- Award on entitlements to viable operations.
- Free landowners to make decisions without fear of negative repercussions.
- Make it more attractive for L/Ls's to 1st land rather than contract farm or take back in hand. This means sensible taxation structure to freedom to create easements that suit both parties.
- Protection for landlords so as to make land available without possibly punitive tenant claims for improvement etc. Breaks as in environmental leases with more frequent intervals to agree equitable rents.
- Grants for capital purchases. Anything to make less reliant on diversification issues or other sector employment this is purely financial due to low pay + attractiveness of industry and less time on farm, where will food come from soon when kind is grant paid for doing nothing i.e. Rural Stewardship etc Single Payment.
- Cut red tape.
- Tighter controls of non farming farmers, a limit on farm sizes, possibly by capping of SFP etc.

- 1.New willingness to let out land on reasonable conditions.
- 2.Creation of starter units with larger farms to move on to.
- 3.Encouragement of succession in existing tenancies.
- 4. Broaden assignation provisions to allow a larger class of people to have tenancies assigned to them.
- 5. Allow retiring tenants to assign to new entrants-financial assistance to buy into tenancy.
- 6. Adoption of realistic new entrant package - Irish model not enough - look at France, NZ and other countries.
- 7.Encouragement for older farmers to retire, with tenants this will mean landlords giving realistic compensation for vacating farm leading to immediate capital gain.
- Free land. Higher Farmgate returns. Guaranteed future prices and returns.
- Don't allow supermarkets to dictate prices for farmers. These crocks are destroying farms/farmers and confidence. Scottish executive requires too much involvement. There is much more paperwork to complete of an animal (movements) than an immigrant!!!. Prices at auction marts should be guaranteed!!!.
- A lot of schemes farmers have had to join producing nothing into the economy but costing farmer time and money.
- Low rate interest for capital for stock and machinery.
- Need to diversify the products of farming, encourage new entrants to think local, new products, add value. Products of farming means amen to environment nature regeneration energy ;production, leisure schemes, as will as the obvious.
- More investment from Scottish Executive. Reduce stranglehold supermarkets have over produce.
- The landlords need to feel safe letting land, easier taxes would give them incentive.
- Provide enhanced grant/subsidy/SFP to new entrants for limited period - say 5 years.
- Most farms cant afford a wage(even part-time unless quite large) "Trainees" allowance to pay to students give part time places a various farms for experience of different types of farm.
- Change legislation of tenant's right to buy. Change legislation to tenancies are not passed from generation to generation.
- The obligation on landlords for the provision of fixed equipment are a major inhibition on letting land and farm buildings
- Remove security of tenure.
- To enhance status and authority of the industry - all farmers should show some sort of qualification. Politicians are the only people who don't. 2. The inflexibility of agricultural law restricts existing tenancies and prevents new entrants getting into farming directly - opportunity limited to unsecured short lets. 3.Due to the complication and cost of working capital, fiscal and monetary assistance over the 1st 3 or 5 years in business would help secure the rent sector.
- Take the rear factor out of tenancy agreements and encourage estates to let farms.
- Cut off all payments at retirement age unless agreement reached with new entrants.
- In my opinion we are needing to have fewer farmers in Scotland as the size of our farms are too small compared to other parts of the world. I attended a series of lectures at St. Andrews University about farming and the lectures emphasised that for a country to prosper you must get people of the land. Also farmers next to doctors have the highest suicide rate, so the less farmers we have the better.

- Availability of land, financial incentives, training and security of tenure.
- Remove the right to buy for crofters would send landlords a safe message; (or at least make them pay the market price with out public money). 2. Rather than have the fixed periods of tenancy as at present move to a fixed period e.g. 7yrs, followed by a rolling period e.g. 4yrs. so that a prospective tenant could always plan for the future.
- Taxation change which makes ownership of land for non-productive purposed unattractive.
- Subsidised scheme 'on farm' for small group (6) under strict supervision to work experience with view to future employment or management in specific sector.
- Government owned units with fixed term leases with increased sized farms to climb the farming ladder.
- Assurance from all political parties that once Freedom of contract (Farm Business Tenancy) enshrined on retrospective legislation will be introduced. Without that even repeal of current legislation and replacement with FBTs is now unlikely to work.
- Reducing paperwork within farming, less interference from government. Farmers should be left to farm and farm efficiently with a balanced countryside.
- The legislation on inheritance, tenancies, right to buy (potentially) etc make it risky for owners to obtain a return on their capital (represented by the farm) in any way other than as an owner occupier. A simplified, owner friendly legislative and taxation framework would reduce risks and result in a lot more land being made available for long term arrangements with new entrants.
- Have a sustainable agricultural policy with income too sustain the farm.
- Big estates should by duty bound to make a percentage of their land available to new entrants. In a similar manner to employers employing percentage of disable people etc. Some form of governing the use of land so landlords like on our estate can not bully, threaten tenants and can not leave land sitting unused just to prevent letting it.
- The problem has swung too far from being possibly in favour of landlords to being very much in tenants favour i.e. Length of tenancies is now a real hindrance - must have freedom to agree. Also retired absent farmers should not be paid subsidy for doing nothing - this is madness.
- Grants , subsidies and financial incentives. If you start and another business, you can receive financial aid to start up, but in farming you get nothing to two years, just when you need it most!. Cut down on red tape etc, which is turning farming into a office based job instead of land based! Fair prices from retail sector of producers!
- There is a shortage of crofting land available for let and an ageing farming population means there is less land on offer to younger people.
- A lottery win which would keep the farm going for a tempting period.
- Scheme for farmers to receive SFP after exiting farm for one year providing young entrant gets the farm with no SFP for one year. Just a suggestion.
- Do away with most of the unnecessary forms etc and lots of dos and don'ts, let common sense prevail this would encourage more young people to come into the industry.
- Pass new legislation allowing retiring tenant farmers to arrange their tenancies to people other than their immediate family. Also, legislation is required which automatically allows a tenant's investment in diversification to counted as a tenant's improvement.

- Must be in integrated approach of a combination of factors. This should target removing barriers to the release of land for letting and also make it economically viable to actively start farming.
- If there were tax benefits for land owners then more might look at renting out land as opposed to sell off to larger farmers.
- Remove current disincentives for landowners to let land (e.g. restrictive legislation taxation barriers and threat of right to buy).
- Machinery rings could be the way and broker new entrants.
- Large estates being willing to let our new entrant units on very low rents with ability to move on with adequate compensation for tenant improvements ensure all land in tenanted sector continues to be tenanted i.e. secure tenancies and limited partnerships and offered to entrants on a percentage basis of total sector (difficult) absolute right to buy would release land to some wealthy secure tenants or those prepared to take risk. This might result in freeing up land for relet broadening assignment and making tenancies a transferable lease whereby existing tenant could then retire on capital he has built up in a holding, capital often stuck in black hole as landlord won't pay up. Tenanted farms sell on market an approx 50% less but tenant finds it hard to access this value if he wishes to exit.
- There must be more stability to inspire confidence. Free experienced advice for 1-2 years after entry on all aspects, in a friendly manner would be an asset. If landlords were confident they could not lose their land, more farms would become available to tenants.
- Provide a stable legislative regime with little change and more certainty!
- Allow normal commercial agreements out with the framework of tenancy agreements.
- Encourage retirement. Scrap penal agricultural legislation in favour of freedom of contract. Stop telling people there is a problem. Start accepting that land and the services to stock and manage it can be cut in different ways to the traditional structures. Encourage people to look at which of those ways might suit them. Flexibility always not legislation.
- Freeing of legislation regarding aging tenancies Reversal of right to buy movement etc.
- Abolish agricultural holding legislation so as to allow freedom of contract as can take place in other industries.
- Long term low interest loans.
- Share farming EU funding.
- Stop land agents splitting up farms and letting and selling house and steading separately - cut out red tape.
- Landlords must be will to invest in the holding as well and this should not be detrimental to future tenancy agreements/rents payable. Alternatively to future tenancy agreements should be used if tenant to make all investments - can't have cake and eat it.
- Make farming profitable.
- Rewrite the land reform act in order to allow consenting adults to agree on any form of land tenure they wish. This need not affect existing secure tenants. Encourage rich absentee landlordism since the rich often like to see their land farmed but are too idle to do it themselves. If landlords are no longer terrified to let out their land opportunities will arise for hardworking young people.
- Farming can no longer afford the price of the land, it is too expensive. Tenant farms are about the only way to get into farming unless you have a huge amount of money behind you. Do all you can to encourage, landlords to let out farms. Remember there are a lot of bad tenants, the land lords have had

bad press over the years but it is a big risk they take allowing a tenant into a farm. A good tenant that looks after a farm will be worth a lot more to a land lord than one that allows the farm to decay.

- Make more land available by re examining the 2003 holdings act. These solutions are helpful but will not increase land availability. Too much land in hands of very few people and in control by land agents with limited interest. Scotland's system of land is distinctly feudal and needs overhauling. SNP bill may prove beneficial in longer term as politics only probably will make necessary change.
- Stop farmers grumbling by improving prices and expenditure.
- Confidence in agriculture is at an all time low. The young are creative by instinct. A vision for the future is needed in Scottish output terms would be helpful.
- More flexible tenancies. Subsidised IHT rates Realistic prices for product by better marketing.
- Allow landlords to sell existing farm houses at maker value. Encourage landowners to build new houses for tenant farms which are tied in perpetuity to the let farms. Remove with certainty; the 'right to buy' make provision for tenancies which ceases when the tenant is 65. Do not allow succession of tenancies.
- Availability of subsidy, Credit guarantees, Freedom of contract, planning consent for retiring farmers.
- Reform agricultural holding laws to allow freedom of contract. Align taxation of let land with vacant land.
- The best solution would be to allow owner occupiers to build a new home on their land. Then allow a new entrant to take on the farm in a phased manner to give them time to establish and gain the farming skills that are being lost, best for both parties retiring farmer seeing his life's work continuing. New entrant getting the benefit of the experience.
- A rolling tenancy of preferably more than 5 years where the tenant would know at any time they had at least 5 yrs or what lease was agreed and the landlord would know that they could get the land back. Uncertainty about right to buy is good for sitting tenants but what sane landlord is going to let land a present.
- New entrants and landlords must be able to work together and fix agreements that suit both parties with out being confined to fixed legal requirements.
- Remove most of the red tape, if not all. Allow much greater freedom of tenancy. Allow tenants to negotiate a tenancy. Remove landlord's liabilities.
- It is really not possible to run a farm part time or single handed. Therefore either subsidise an employee or subsidise the wife who must work on the farm full time or be raising a family on the farm
- Your question says "could". This answer is based on the premise the word "should" has been substituted. The answer is nothing. This is not a good time to get into farming. The future is completely uncertain. It is not a time at which any young man should be invest his time and/or money in British agriculture.

As I have said at the end of one of my Case Studies:
" A viable tenanted sector will only be maintained if sons can follow their fathers into tenancies; a vibrant tenanted sector will only be created (in hill farming) if the economics of hill farming are substantially changed" Until prosperity returns, probably in five years time STAY CLEAR.

- The only way is to create a tenancy system that allows the landlord to release property freehold, as required with a set notice security of tenure always a

problem. Relax the tax implications of having to be involved in the agreement (landlord).

- Freedom of contract and security to landlords to let land without risk of right to buy!
- It seems impossible to think of what could reasonably be done; but I feel sure that, if farming were to become really profitable again, the desired results (new entrants) would follow quickly. It would help too if the post war agriculture acts are parts of the recent land reform act were could in relation to farm tenancies.
- If a simple change to the tenancy legislation were made and allow freedom of contract over length of tenancy and let tenure a significant additional area of land would be available to let. In addition of the confidence to landlords by removing tenant right to buy, which will give more confidence to landlords.
- Landlords are afraid of the right to buy and the possibility of it becoming absolute. If a element was removed there would be a lot more farms to let.
- A taxation change that discourages monopoly of land.
- Provide land think back to after WW2
- Regulatory bodies should be able to prevent large scale decrofting of crofts for development purposes.
- Allow Freedom of contract to encourage the letting of land.
- Freedom of contract allows maximum flexibility. A return to a large number of 1991 act secure tenancies is not realistic. Taxation system vital to ensure landlord qualifies for maximum IMT and CGT reliefs for tenanted land. Return of profitability to industry.
- The options do not include fundamental reform and review of land ownership and tenure. Despite some progress there is still a very serious need to address the appalling inequitable land ownership issue in Scotland. Scotland's landlord policy and environmental policies are still hamstrung by the power of the few.
- Free up the planning legislation and allow more houses to be built in the countryside. In some cases farmers would be will to work part time assisting the new entrant providing they have a house on site in which they can live. Set up a destitute retired farmer's benevolent fund. reduce capital taxation. Change the rules of Single farm Payment entitlement; perhaps it would be better for the entitlement to with the land rather than the farmer. If subsidies were only available up to retirement age or were reduced on a sliding scale with age there may well be less reason for hanging on beyond the age of retirement. Encourage instead of discouraging agricultural tenancies by ensuring that the tenancy benefits both landlord and tenant.
- if the entrant were to buy over the existing business over a number of years from an existing older tenant and eventually getting the tenancy assigned to him then there would be a guaranteed route into farming for new entrants. It is time for bold decisions not fudges.
- I think is SFP was not paid to farmers over the age of 65 it would make a big difference. Unfortunately this would probably be deemed illegal.
- Freedom of contract tenancies.

Appendix 5 Farmer's questionnaire

BARRIERS TO NEW ENTRANTS TO FARMING Survey by the Tenant Farming Forum (TFF)

SECTION I: FARMER/ LAND HOLDER DETAILS

| Q1. Please provide a brief description of your farm business (main enterprises, type of land, LFA/Non LFA): | | | |
|---|---------|--|------------------------------------|
| | | | |
| Q2. Size | | | |
| a. Area you actively farm: | (Acres) | b. Area you control but do not farm actively: | (Acres) |
| Owned and farmed by you | | Area let out on >1 year basis: SLDT LDT Partnership lease Secure full tenancy Other | |
| Rented in on >1 year basis and farmed by you | | | |
| SLDT | | | |
| LDT | | | |
| Partnership lease | | | |
| Secure full tenancy | | | |
| Other | | | Area let out seasonally / annually |
| Rented in on annual / seasonal basis and farmed by you | | Area operated under a formal Contract Farming Agreement (CFA) | |
| Area you farm as a formal Contract Farming Agreement (CFA) where you are the contractor | | Area operated on another contracting basis where the contractor does most of the work (e.g. stubble to stubble contract) | |
| Area you farm (i.e. do all of the work e.g. stubble to stubble contract; you grow the crop, owner gets the SPF) on another contract basis | | Area operated on another basis (please describe below*) | |
| TOTAL ACTIVELY FARMED AREA | | TOTAL AREA CONTROLLED / OWNED BUT NOT ACTIVELY FARMED BY YOU | |
| c. Of the total area in Q2a (above) how much land is rented in annually to secure SFP entitlements? | | d. Of the total area in Q2b (above) how much is land that you rent in and then sublet? | |
| | | | |

* Please use this space if required to describe 'Area operated on another basis'

Q3. What is the legal entity of this business?

- Sole trader
- Family Partnership
- Company
- Other (please specify below)

Q4a. How did you acquire this farm business?

- I inherited the business
- I started the business myself:
 - By buying land
 - By renting land
 - Other
- b. When did you become responsible for the decision making related to this farm business?
- Year: _____
- Your age at that time: _____

1.28.1.1 Q5a. Do you come from a farming family?

- | | |
|--|---|
| Yes <input type="checkbox"/> Please go to b. and c. below b. (tick all that apply) <ul style="list-style-type: none"> Parents are farmers <input type="checkbox"/> Grandparents are farmers <input type="checkbox"/> At least one brother/sister in farming <input type="checkbox"/> c. Approximately how long has the core of this farm business been in your family's hands? Years: _____ | No <input type="checkbox"/> Please go to d. below d. What was your main reason for entering into farming? _____ _____ _____ |
|--|---|

Q6a. Have you received any formal education since leaving school?

- | | |
|------------------------------|-----------------------------|
| Yes <input type="checkbox"/> | No <input type="checkbox"/> |
|------------------------------|-----------------------------|
- b. (tick all that apply)
- | | |
|---|----------------|
| Diploma Certificate <input type="checkbox"/> | Subject: _____ |
| Diploma Higher <input type="checkbox"/> | Subject: _____ |
| Degree <input type="checkbox"/> | Subject: _____ |
| Post-Graduate <input type="checkbox"/> | Subject: _____ |
| Vocational qualification <input type="checkbox"/> | Subject: _____ |
| Professional qualification <input type="checkbox"/> | Subject: _____ |
| Other <input type="checkbox"/> | Subject: _____ |

1.28.1.2 SECTION II: THE BUSINESS

Q7a. Has the area farmed by the business changed during the last 10 years?

- | | |
|--|--|
| Yes <input type="checkbox"/> Please go to the table over the page and outline any changes against the corresponding year | No <input type="checkbox"/> Please go to Q8. on page 4 |
|--|--|

| |
|--|
| |
|--|

Q7b. Yes, the area we farm has changed. Changes over the last 10 years are as follows:

| Year | Description of land as it relates to the farm business e.g. main holding, adjacent holding | Tenure arrangement e.g. land purchase, tenancy agreement, CFA, annual cropping licence, etc | Addition to area farmed (Acres) | Reduction in area farmed (Acres) |
|-----------------------|---|--|--|---|
| 1.28.1.3 e.g. 1997 | <i>Adjacent land</i> | <i>Tenancy (SLDT)</i> | 50 | - |
| 1998 | | | | |
| 1999 | | | | |
| 2000 | | | | |
| 2001 | | | | |
| 2002 | | | | |
| 2003 | | | | |
| 2004 | | | | |
| 2005 | | | | |
| 2006 | | | | |
| 2007 | | | | |

c. What were the main reasons for you releasing / giving up any land?

Q8. Please think about all your farming neighbours with which you share a boundary. How did your neighbours come to be farming that land?

| Neighbour: | How did your present neighbour take over the farm(land)? | Was your neighbour? |
|--------------|---|---|
| Neighbour 1. | Inherited <input type="checkbox"/> Purchased the land <input type="checkbox"/> Took on tenancy (type below): <input type="checkbox"/> SLDT <input type="checkbox"/> LDT <input type="checkbox"/> Partnership <input type="checkbox"/> Secure full tenancy <input type="checkbox"/> Other <input type="checkbox"/> Contract farming agreement <input type="checkbox"/> Other contract arrangement <input type="checkbox"/> Don't know <input type="checkbox"/> | Expanding an existing farm business <input type="checkbox"/> Starting farming for the first time (a new entrant) <input type="checkbox"/> From a farming background <input type="checkbox"/> With no prior agricultural experience <input type="checkbox"/> Don't know <input type="checkbox"/> |
| Neighbour 2. | Inherited <input type="checkbox"/> Purchased the land <input type="checkbox"/> Took on tenancy (type below): <input type="checkbox"/> SLDT <input type="checkbox"/> LDT <input type="checkbox"/> Partnership <input type="checkbox"/> Secure full tenancy <input type="checkbox"/> Other <input type="checkbox"/> Contract farming agreement <input type="checkbox"/> Other contract arrangement <input type="checkbox"/> Don't know <input type="checkbox"/> | Expanding an existing farm business <input type="checkbox"/> Starting farming for the first time (a new entrant) <input type="checkbox"/> From a farming background <input type="checkbox"/> With no prior agricultural experience <input type="checkbox"/> Don't know <input type="checkbox"/> |
| Neighbour 3. | Inherited <input type="checkbox"/> Purchased the land <input type="checkbox"/> Took on tenancy (type below): <input type="checkbox"/> SLDT <input type="checkbox"/> LDT <input type="checkbox"/> Partnership <input type="checkbox"/> Secure full tenancy <input type="checkbox"/> Other <input type="checkbox"/> Contract farming agreement <input type="checkbox"/> Other contract arrangement <input type="checkbox"/> Don't know <input type="checkbox"/> | Expanding an existing farm business <input type="checkbox"/> Starting farming for the first time (a new entrant) <input type="checkbox"/> From a farming background <input type="checkbox"/> With no prior agricultural experience <input type="checkbox"/> Don't know <input type="checkbox"/> |

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|-----------|--------------------------|--------------------|--------------------------|-------------------------------|--------------------------|------|--------------------------|-----|--------------------------|-------------|--------------------------|---------------------|--------------------------|-------|--------------------------|----------------------------|--------------------------|----------------------------|--------------------------|------------|--------------------------|--|-------------------------------------|--------------------------|---|--------------------------|---------------------------|--------------------------|---------------------------------------|--------------------------|------------|--------------------------|
| Neighbour 4. | <table style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: right;">Inherited</td><td style="width: 20px;"><input type="checkbox"/></td></tr> <tr><td style="text-align: right;">Purchased the land</td><td><input type="checkbox"/></td></tr> <tr><td style="text-align: right;">Took on tenancy (type below):</td><td><input type="checkbox"/></td></tr> <tr><td style="text-align: right;"> SLDT</td><td><input type="checkbox"/></td></tr> <tr><td style="text-align: right;"> LDT</td><td><input type="checkbox"/></td></tr> <tr><td style="text-align: right;"> Partnership</td><td><input type="checkbox"/></td></tr> <tr><td style="text-align: right;"> Secure full tenancy</td><td><input type="checkbox"/></td></tr> <tr><td style="text-align: right;"> Other</td><td><input type="checkbox"/></td></tr> <tr><td style="text-align: right;">Contract farming agreement</td><td><input type="checkbox"/></td></tr> <tr><td style="text-align: right;">Other contract arrangement</td><td><input type="checkbox"/></td></tr> <tr><td style="text-align: right;">Don't know</td><td><input type="checkbox"/></td></tr> </table> | Inherited | <input type="checkbox"/> | Purchased the land | <input type="checkbox"/> | Took on tenancy (type below): | <input type="checkbox"/> | SLDT | <input type="checkbox"/> | LDT | <input type="checkbox"/> | Partnership | <input type="checkbox"/> | Secure full tenancy | <input type="checkbox"/> | Other | <input type="checkbox"/> | Contract farming agreement | <input type="checkbox"/> | Other contract arrangement | <input type="checkbox"/> | Don't know | <input type="checkbox"/> | <table style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: right;">Expanding an existing farm business</td><td style="width: 20px;"><input type="checkbox"/></td></tr> <tr><td style="text-align: right;">Starting farming for the first time (a new entrant)</td><td><input type="checkbox"/></td></tr> <tr><td style="text-align: right;"> From a farming background</td><td><input type="checkbox"/></td></tr> <tr><td style="text-align: right;"> With no prior agricultural experience</td><td><input type="checkbox"/></td></tr> <tr><td style="text-align: right;"> Don't know</td><td><input type="checkbox"/></td></tr> </table> | Expanding an existing farm business | <input type="checkbox"/> | Starting farming for the first time (a new entrant) | <input type="checkbox"/> | From a farming background | <input type="checkbox"/> | With no prior agricultural experience | <input type="checkbox"/> | Don't know | <input type="checkbox"/> |
| Inherited | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Purchased the land | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Took on tenancy (type below): | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SLDT | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| LDT | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Partnership | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Secure full tenancy | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contract farming agreement | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other contract arrangement | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Don't know | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Expanding an existing farm business | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Starting farming for the first time (a new entrant) | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| From a farming background | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| With no prior agricultural experience | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Don't know | <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Q9a. Do you have any aspirations to change the size of your holding(s) in the next 5 years?

Yes No

b. What do you think are the most likely ways you could expand your business in the next 5 years?

c. What do you consider to be the main challenges in this respect?

Q10. Please summarise any additional business activity (farm-based) that you, or another member of the farm business, are actively involved in?

Those related to, or dependent on, the farm business e.g. contracting, farm shop, B&B, residential lets:

Q11. Where does your total household income come from? i.e. approximate distribution (to nearest 10%)

| | | | | |
|---|----------------------|------------------------------|----------------------|-------------|
| Farm and related business activities (direct) | <input type="text"/> | Private pensions/investments | <input type="text"/> | |
| Employment off farm | <input type="text"/> | Social security payments | <input type="text"/> | |
| Other non-farming business activities | <input type="text"/> | | | |
| TOTAL | | | | 100% |

Q12a. What in your opinion have been the three most significant changes to your farm business over the last 10 years and what were the main triggers or events that brought about these changes?

| Changes to business | Main triggers / events |
|---------------------|------------------------|
|---------------------|------------------------|

| | |
|----|--|
| 1. | |
| 2. | |
| 3. | |

Please only complete this Section (III: Owner occupiers/ landlords) if you are an owner-occupier and/or landlord. If you are not either an owner-occupier or landlord then please proceed to Section IV: Succession, Q15 on page 7

1.28.1.4
SECTION III: OWNER OCCUPIERS / LANDLORDS

Q13. How do you view letting of agricultural land? Please tick all that apply

As a reduction in risk profile As a temporary arrangement

As a business partnership between landlord and tenant As a long-term arrangement

As part of a multi-tenure asset portfolio

Q14. Please consider the following potential barriers to making land available for let and rank the extent (LOW, MODERATE or HIGH) to which you think each influences the decision to let

| Potential Barriers | Please rank its influence as LOW, MODERATE or HIGH |
|--|--|
| Effect on land value (i.e. vacant possession value versus tenanted value) | |
| Political instability on land reform issues (including possibility of tenant's right to buy) | |
| Lack of flexibility on duration of LDTs | |
| Inability to realise full market (rental) value, particularly on residential property, within agricultural lease | |

| | |
|--|--|
| Lack of freedom of contract on duration of new tenancies | |
| Lack of freedom of contract on other matters (e.g. fixed equipment) | |
| Taxation treatment of rented land (income tax, agricultural property relief and business asset relief) | |
| Possibility of retrospective legislation | |

1.28.1.5
SECTION IV: SUCCESSION

Q15. In which age category are you?

| | | | |
|--|--|--|--|
| Under 18 <input type="checkbox"/> | 20 and under 25 <input type="checkbox"/> | 35 and under 45 <input type="checkbox"/> | 55 and under 65 <input type="checkbox"/> |
| 18 and under 20 <input type="checkbox"/> | 25 and under 35 <input type="checkbox"/> | 45 and under 55 <input type="checkbox"/> | 65 years and over <input type="checkbox"/> |

Q16a. Do you have any plans to leave the farm business? i.e. retirement, sale, alternative employment, etc

Yes *Please go to b. below* No *Please go to Q.17 below*

b. Please provide details (time-scale, reasons, possible problems)

Q17a. Do you have any plans to leave (or have you already left) the main farm residence?

Yes No Not appropriate

b. Please provide details (reasons) or a brief explanation why 'not appropriate'

Q18a. Have you a potential successor whom you anticipate will eventually take over the management of the farm business?

Yes *Please provide details as indicated below* No *Please provide details below*

| | |
|---|--|
| <p>Relationship of potential successor to you e.g. son:</p> <p>Age of potential successor:</p> <p>Current occupation (and whereabouts) of potential successor:</p> <p>Proportion of time spent working in the farm business (approximate percentage):</p> | <p>c. Please indicate main reason:</p> <p style="text-align: right;">No family <input type="checkbox"/></p> <p style="text-align: right;">Young family (too soon to know) <input type="checkbox"/></p> <p style="text-align: right;">Potential successor unlikely to take over <input type="checkbox"/> (please provide brief reason below*)</p> <p style="text-align: right;">Other (specify below*) <input type="checkbox"/></p> <p><i>* Please use this space if required</i></p> |
|---|--|

Please read through the following statements and circle the letter that best describes your situation regarding the farm business and / or farmland. Then please proceed to the next questions as indicated.

- A. I have entered into farming and have become principally responsible for farmland in my own right (i.e. I have not inherited a farm) during the last 10 years** *Please proceed to Section V Q19 over the page*
- B. I have been farming and have been principally responsible for the associated land for over 10 years** *Please proceed to Section VI Q20 on page 9*
- Please only complete this section if you previously circled (A) i.e. I have entered into farming in my own right during the last 10 years*

SECTION V: NEW ENTRANTS

| Q19. Please outline the three main problems that you encountered in terms of a. and b. below? | |
|---|--|
| a. Gaining access to land | b. Developing the farm business after acquiring the land |
| 1. | |
| 2. | |

| | |
|----|--|
| 3. | |
|----|--|

Q20. What proportion of your start-up capital came from the following sources (approximate percentages)?

| | | | |
|----------------------|--|--------------|-------------|
| Own savings | <input style="width: 80%;" type="text"/> | | |
| Other family members | <input style="width: 80%;" type="text"/> | | |
| Lending institutions | <input style="width: 80%;" type="text"/> | TOTAL | <u>100%</u> |

As part of this survey we want to better understand how people have actually got started in farming and the real problems that they face or have overcome. We are keen to discuss further some of the issues raised in this new entrant section of the questionnaire. If you would be prepared to assist us further i.e. so that we may call you for a brief telephone conversation, then please could you supply your name and a contact number below?

Name:

Contact telephone number:

Please proceed to Section VI over the page

SECTION VI: NEW ENTRANT SITUATION IN AGRICULTURE

Q21. Please indicate your agreement / disagreement with the following statements

| Statement | Strongly agree | Agree | Not sure | Disagree | Strongly disagree |
|--|----------------|-------|----------|----------|-------------------|
| It has always been hard for tenant farmer family members to break into farming in their own right | | | | | |
| Better-off new entrants into farming in Scotland increase opportunities (e.g. contracting and grass lets) for existing farmers | | | | | |
| Bright and enthusiastic young people have always been able to get a foot on the farming ladder | | | | | |
| LDTs and SLDTs offer a sensible compromise to the problem of limited land availability for new tenancies | | | | | |
| Core farming skills are in danger of dying out in this area because young people no longer want to farm | | | | | |
| There is no shortage of people wanting to get hold of farmland | | | | | |
| Too much farmland is being swallowed up by people with no understanding of how to farm land properly | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| It has become much harder in recent years for young people to get started in farming | | | | | |
| Few landowners take significant risks and so will let land to an established farmer rather than to an incomer | | | | | |
| There is a wide range of access opportunities including new tenancies, limited partnerships and other informal arrangements to get a new entrant started | | | | | |

Q22. Please consider the following potential barriers to new entrants into farming and rank the importance of each as LOW, MODERATE or HIGH

| Potential Barrier | Please rank its importance as LOW, MODERATE or HIGH |
|---|---|
| Individuals not retiring out of farms | |
| 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 | |
| Lack of capital from lending institutions 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/ security and high perceived risk | |
| Ability to work a farm part-time rather than making it available for new entrants | |

Q23. Please rank the importance (LOW, MODERATE, or HIGH) of the below as a way to get into farming

| | Please rank importance LOW, MODERATE or HIGH |
|--|--|
| 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 | |

Q24. Please consider the following ideas and give them an overall rating 1 – 10 (1 = very good, 10 = very bad)

| | Overall rating 1 = very good 10 = very bad |
|--|--|
| 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, e.g. 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 pointing them toward sources of advice | |
| Developing phased ownership mechanisms such as share farming agreements that 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 agreement | |
| Provision of training in order to build up the skills enabling a person to farm | |

Finally we are keen to contact those individuals who aspire to farm in their own right but have not yet established a means by which to do so. If you know such individuals, within your own family or through other networks, and you think that they may be prepared to speak with us, then please could you make a note of their name and number below?

Name:

Contact telephone number:

Thank you for your assistance with this survey