

## **INTRODUCTION TO THE CAAV AGRICULTURAL LAND OCCUPATION SURVEYS 2017**

The Central Association of Agricultural Valuers (CAAV) has reported on the occupation arrangements for agricultural land in England and Wales since 1977 and in Scotland since 2012, following the affiliation of the Scottish Agricultural Arbiters and Valuers Association with the CAAV. These are the only Surveys that offer this view of decisions made about land occupation each year over this length of time.

This paper first offers an overview of the health of tenanted sector across the United Kingdom and then articles on factors bearing on the length of FBTs and potential issues for farmland occupation after Brexit. The Survey itself is in two parts: the first covering England and Wales and the second covering Scotland with its different history and arrangements.

The CAAV is the specialist body representing some 2,800 members practising in agricultural and rural valuations throughout England, Scotland and Wales. They provide professional advice and valuation expertise on issues affecting the countryside to all who require these services whether current or prospective owner-occupiers, tenants, landlords, conservation bodies, public authorities or lenders.

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# THE CAAV'S AGRICULTURAL LAND OCCUPATION SURVEYS FOR 2017:

## PART 1: REVIEW ARTICLES

### OVERVIEW OF THE POSITION IN THE UNITED KINGDOM

The United Kingdom offers an interesting demonstration of three different histories of agricultural tenure policy within a common society, market and taxation system with similar support regimes. The CAAV's Surveys have monitored their development in England and Wales since 1977 and now, separately, in Scotland since 2012.

These CAAV Surveys (and official data) showed that reform in England turned the fortunes of the let sector around, while lesser reforms, more complex legislation and the language of land reform in Scotland have seen its previous remorseless decline continue there. The area payments of the CAP's Single and now Basic Payment Systems have though since led to stasis in England for over a decade.

By no means all willing owners of farmland are natural farmers of that land and the experience in Northern Ireland shows the risks that, in the absence of a flexible tenancy framework, the result is a bias towards very short term permissions for access to land, to the general detriment of the quality of the land and the performance of the businesses farming it.

The 2017 Surveys largely show existing trends to have generally continued. While the average length of tenancies is less than last year, it is still at the longer end of the historic range. Where land is let for more than a year, the average such let in England and Wales has a term of around 5 years.

These are only overall averages across the wide range of lettings of predominantly bare ancillary land and so conceal much detail. What might ordinarily be seen as let "farms", with a house and buildings, are typically let for average periods of 8 to 12 years, those with just buildings for 5 years or so. The length of the agreed tenancy also rises with the size of the letting so that, in 2017, lettings of less than 25 acres were for an average of 2.8 years but those over 200 acres for 8 years.

The CAAV's Surveys have generally shown that, where there is a change of occupier, between 15 and 30 per cent of lettings are to a new entrant. It is worth noting that the more letting opportunities there are, the more there are for both new entrants and progressing farmers to take. Flexibility over the length of the tenancy can only encourage that.

The basic point is that the health of the let sector requires private landowners to see lettings as a positive option. The potential challenges as the Brexit process unfolds point to the value to farming of using the flexibility and assurance that farm business tenancies offer.

It is too early for these Surveys to show the potential effects on the let sector of either the new Residential Nil Rate Band Amount for Inheritance Tax – which could enable more lettings of land associated with qualifying houses across the UK – or whether the substantive deregulation of tenant right in England has had any effect. It is more likely that post-Brexit changes will drive more change.

With the growing recognition in the United Kingdom of the need to tackle farming's productivity, the Irish Government, seeking to promote tenancies, has summarised its equivalent concern:

*"Access to land and the low level of land mobility is one of the main challenges facing farmers who want to increase their productivity. There is a growing consensus that the actual use of land is becoming more of an issue than ownership."*  
(<https://www.agriculture.gov.ie/agri-foodindustry/agri-foodandtheeconomy/agri-foodbusiness/agri-taxation/>)

#### The Long View

A century ago, agricultural land in Great Britain was overwhelmingly tenanted with a series of factors seeing that fraction steadily decline, decade on decade, from some 90 per cent before the First World War. Extended security of tenure was introduced in the late 1940s with specific rules on rent, while other regulation developed thereafter. Succession already applied under Scottish law and, in 1976, opportunities for up to two successions were created in England and Wales. Compounded by the pressures of high taxation, experimentation with alternative arrangements gathered momentum from the late 1970s. With the tenanted sector now at some 35 per cent of the agricultural area and seeming in free fall, England and Wales (followed later by the Isle of Man) then took a different route from Scotland with the Agricultural Tenancies Act 1995.



**England and Wales** – The 1995 Act introduced near freedom of contract for new agricultural lettings. The agreed changes since (as in 2006) have essentially increased that freedom, tackling restrictions found to pose practical problems. CAAV Surveys showed an immediate revival in decisions to let with fresh land coming into the system, reversing the previous haemorrhaging of land from it.

That tide flowed until the announcement in 2003 of the draft and then settled EU legislation for the Single Payment, recasting support in the payments for area occupied, and the confusion and divergent reactions that created in the land market. Thereafter, the implementation of an area based payment has significantly coincided with reduced activity and stasis over letting. While the land that has been let is generally re-let, little new land now comes in. There seems little reason for that to change while significant area payments remain available. However, the let sector in England remains above 35 per cent of the agricultural land area – the previous decline has been halted and slightly reversed.

That stasis may thus alter with the prospective phasing out of Basic Payment under the probable post-Brexit policies in both England and Wales.

**Scotland** – Scotland only introduced more limited and complex reforms in 2003, doing so with the language of land reform that has followed through into the Land Reform (Scotland) Act 2016. That Act will ultimately see seven different types of agricultural tenancy in Scotland, while landowners are prevented from letting for a term of between five and ten years. In 2014, the Scottish Government’s Agricultural Holdings Legislative Review Group Interim Report described traditional lettings as now seen as a “low return/high risk investment”. Government surveys show the let sector declining by 1 per cent of the land area each year, and now down to 22 per cent. The CAAV’s Surveys show that much of even previously let land is now not re-let, while most lettings are now of bare land, rather than equipped units. Scotland now has the smallest proportion of let land of the European countries with a significant let sector. Nothing seems to encourage private land owners in Scotland (including retiring farmers) to offer land on a tenancy, ultimately the only source of land for a growing and vibrant let sector. In effect, the system is in palliative care. So far as this creates a landscape of owner occupiers without using other arrangements such as contract farming, this potentially leads to the situation seen in Ireland from which industry and government, both North and South, are trying to extricate themselves to assist productivity.

**Northern Ireland** – Ireland followed a separate path, having dismantled its tenancy system entirely over a century ago. Creating a landscape of owner-occupiers, succeeding each other over the generations and with very low turnover by sale, has inevitably seen the rise of purely seasonal arrangements for grazing with an informal adaption of conacre. Used on some 30 per cent of the agricultural land area of Northern Ireland, this is now widely seen as a hindrance to good land management with conacre takers lacking the confidence to invest in liming, bio-secure fencing and other improvements and environmental management of someone else’s land. That has now led to official support for a revival of tenancies north and south of the border, most recently promoted by the Gilliland Agri-Food Land Experts Group Report of October 2016 which implicitly looked at promoting lettings of 5 years or so. The CAAV and its local association, the Northern Ireland Rural Valuers Association (NIRVA), have responded with a model tenancy agreement and supporting clarification on tax, support and other legal issues, taking advantage of the freedom of contract for agricultural lettings available in the province. The Land Mobility initiative has started work on breaking the logjam, promoting agreements between landowners and new farmers. However, these initiatives are in their earliest days.

South of the border, the Republic has also been trying to promote a more open land occupation market with tenancies. Alongside an established Land Mobility programme, its measures have included substantive Income Tax reliefs on farmland rents, rising with the length of term, where land is let at arms’ length for at least five years. The essential insight behind this is that the real productivity gains come from enabling land to be used by the “trained”. The indications are that this measure has been successful in attracting landowners, including retiring farmers, to let rather than use seasonal arrangements. Since a thriving let sector requires willing landlords, it is striking that the first year’s figures from the Irish Revenue showed a 50 per cent increase in the area of let land (from a low base) and a 30 per cent increase in the number of landlords. This is more fully analysed in Chapter 4 of the CAAV Discussion Paper, *Taxation: Agricultural Productivity, Land Occupation and Use After Brexit* (September 2017)

**Concluding Thoughts** – 25 years ago, England and Scotland had similar proportions of land in the let farming sector. The different roads taken, within a common tax system and broadly similar support policies under the CAP, have seen radically differing outcomes. Each system will face the new interest in the management of soil and water and the potentially more challenging and more commercial environment that Brexit could bring.

By contrast to England and Wales, it appears that Scotland, without a significant change, will have only the opportunities of business contracts between owners and farmers rather than the combination of flexibility and assurance that a strong tenanted sector can bring.



Increasing the use and flexibility of our land occupation markets seems a critical reform for the future commercial success of agriculture as a creator of value, offering opportunities for progressive and new farming businesses and managing change. In that task, the early and continuing signs of the success of the Income Tax reliefs now offered in the Republic of Ireland to promote lettings by private owners merit serious attention in the United Kingdom.

# IS THERE IS AN OPTIMUM FBT TERM LENGTH FOR THE LET FARMING SECTOR?

## SUMMARY OF RESEARCH DISSERTATION

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*Thanks are extended to Charles Cowap for his guidance, to the CAAV for their input and to all interview participants for their detailed responses.*

### Background to the study

This dissertation followed the continuing discussion of the length of FBTs being granted with the variety of views expressed. The Tenancy Reform Industry Group (TRIG) asked last year by DEFRA to consider measures to improve productivity in the let sector<sup>(3)</sup> and reported its recommendations to Ministers in October 2017. These included a proposal to strengthen landlord's powers for FBTs granted for a ten year or longer term as an incentive for such lettings.<sup>(4)</sup> This prompted research into whether this suggested ten-year term is a suitable optimum. Diversity in the let sector was recognised from the outset<sup>(2, 5)</sup> and a review of the potential impact that a complex combination of other factors may have on an ideal length of term was also conducted. This identified key factors including diverse landlord types, farm equipment levels, business growth stages and farming types.

The research sample was focused in the North Midlands region, with interviewees from the counties of Staffordshire, Derbyshire and Shropshire. Sixteen participants were interviewed, a focus group was conducted and figures from the CAAV Land Occupation Survey 2016<sup>(6)</sup> were statistically analysed to draw conclusions on six objectives for the research.

### Key findings

#### Objective One: Is length of term the biggest influence on successful let farming?

Interviewees ranked landlord-tenant relationship, length of term and rent according to their influence on successful let farming. Relationships were found to be generally more influential on successful let farming than term length, consistent with recently published research.<sup>(7)</sup>

This underpins that the message that good relationships are essential for success. Further analysis revealed term length, rent and relationship are also entirely interlinked; gaining a longer term and suitable rent requires a good relationship, but to build a good relationship a sufficient term length is required.

Concerns were expressed about potentially detrimental influence of agents on some relationships. That appeared consistent with the concerns in Scotland that led to the early 2018 consultation on the conduct of agents<sup>(8)</sup>. However, since the publication of this research, the final Scottish Land Commission report<sup>(9)</sup> concluded that "the actions of a small minority" disproportionately affect agent reputation and overall, relationships were found to be generally positive both in the Scottish report and in this research sample.

TRIG raised concerns regarding unaltered model agreements,<sup>(4)</sup> and the research highlights the need for bespoke terms and perhaps increased awareness and education of this amongst agents.

#### Objective Two: Is the level of equipment on farms connected to length of term?

Indications from data in the CAAV's Land Occupation Surveys of a perceived relationship between bare land and shorter term lengths were investigated. A significant statistical association was found between term length and equipment level, verified over time from 2014 to 2016. It was inferred that land with buildings is more likely to have a longer term than bare land, but shorter than fully equipped holdings.

This association was confirmed by reinforcement from interview responses. Shorter-term agreements were found to be "generally for land", with terms ranging from grazing licences or annual tenancies to five-year agreements. A typical term length on one estate was ten years, and it was typically for land and buildings without a house.

#### Objective Three: Does the type of landlord influence length of term?

Diverse types of landlord were also found to influence term length; traditional estates are more likely to let for longer terms than private owners due to differing objectives.<sup>(2)</sup>

This is visualised in Figure 1, indicating those who don't farm themselves and own a large portfolio may be more willing to let on a longer term than those who wish to retain a short-term exit strategy from the let sector. Therefore, institutional landlords form the core of the landlord sector, with private owners holding smaller portfolios in the outer layers.



(Source: Author's own, interpreted from Jeremy Moody)

**Figure 1: Onion analogy of landlord type and exit strategies from the let sector**

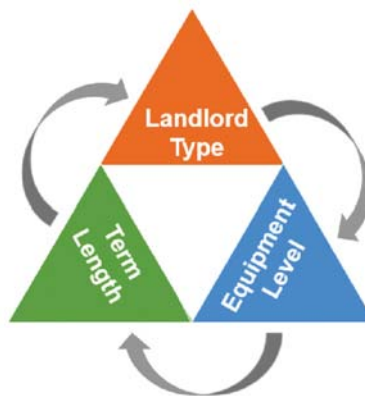
Trends published in the Land Occupation Survey were verified in the focus group, which indicated those who never intend to farm themselves may be more willing to let for longer periods, compared to elderly private owners who may want possession back for successors in the short to medium term. Interviewees compounded these findings; a landlord of a landed estate commented they were “*preserving assets for the future*”, therefore taking a longer-term view. In comparison, several tenants experienced shorter term agreements with private landlords.

Landlord types were found to be more diverse than the categories identified in the Land Occupation Survey with landlords such as the National Trust and Church Commissioners indicating objectives associated with more than one group.

Objective Four: Does the type of landlord influence level of equipment?

Interconnectivity emerged between equipment level, term length and landlord type, visualised in Figure 2.

Diverse landlord types were found to use FBT's for different objectives, and this results in differing equipment levels, which were found to have varied term lengths. Causal connections between these three factors allowed inferences that traditional landlords such as estates are more likely to let on longer terms as their holdings are more likely to be fully equipped; bare land on shorter terms is more likely to be let from private owners.



(Source: Authors own)

**Figure 2: Pyramid of linked factors**

Objective Five: Is there an optimum length of term for a successful let farming business?

Term length was found to vary due to many factors and there is “*no one size fits all*”, reinforcing the need for flexibility highlighted in TRIG's recommendations and by the CLA and NFU.<sup>(2, 4, 5)</sup> Responses revealed a cluster around ten years, indicating a generalised optimum term length. However, a large range of factors including business growth stage, differing landlord objectives and farming systems emphasised that there is no universal ideal.

Views on differing optimum term lengths between established businesses and new entrants were generally divided. Longer terms on council holdings were viewed as an important “*chance to get started*” and “*establish the business*”. However, many thought shorter terms were more suitable; it was observed that new entrants may need shorter terms to test business models before significant investments. For established businesses, some respondents recognised continued investment to maintain and grow the business requires a longer term. Overall, divided opinions highlighted the need for flexibility to cater for a range of circumstances.

The use of shorter terms to “*test the water*” and build a “*track record*” was found to be useful, particularly with new entrants and unknown tenants. This could be achieved by break clauses for an interaction between short and long-term agreements. However, views were divided on practical success with concerns raised regarding generality of clauses. Therefore, it was found break clauses need to be specific to be practical.

Farming systems were also investigated, finding divided opinions between tenure requirements of livestock and arable. Overall, livestock enterprises, particularly dairy, may require a longer-term arrangement.

#### Objective Six: A review of other influences on FBT term lengths

Literature indicated that landlords may still be concerned by secure tenancies.<sup>(2,10)</sup> The research verified this, finding that several landlords still deal with Agricultural Holdings Act 1986 tenancies, leaving “*very big scars*” resulting in continued lack of confidence. Tenants with previous involvement with AHA tenancies were found to have higher expectations of tenure security.

Soil health has been highlighted as a key environmental target<sup>(11)</sup> and “*inappropriate cropping for maximum returns*” was perceived to be an issue on shorter agreements for bare land. The concept of tenants farming sustainably “*as if it were their own*” was highlighted as favourable; consistent with other research which found a “*triple bottom line*” combining economic, environmental and social elements of farming is essential.<sup>(7)</sup>

It was suggested taxation may have a potential impact on term length.<sup>(11)</sup> It was inferred from findings that qualification for Agricultural Property Relief from Inheritance Tax could potentially influence the equipment level of let holdings, with some landlords choosing to let fully equipped holdings to allow relief on farmhouses. As fully equipped holdings were found to typically have longer terms, taxation could therefore indirectly influence term length. However, taxation may not be consistently influential to the range of landlord types,<sup>(12)</sup> and interviewees viewed reduced flexibility using tax as a potentially “*unpopular*” mechanism which may discourage lettings. These findings are consistent with the TRIG Tax Working Group who recognised this challenge and advised against Inheritance Tax reform.<sup>(13)</sup>

#### **Conclusions**

While a generalised optimum term length was found to be ten years, consistent with the TRIG proposals, a complex patchwork of factors means that there is no universal ideal. Equipment level and landlord type were identified as the main factors for term length, with bare land statistically proven to be associated with shorter term lengths, and varying landlord objectives highlighting a need for flexibility.

The research found term length to be predominantly driven by positive relationships. Therefore, it is recommended focus is directed on developing long term relationships rather than on legislative incentives to lengthen contractual fixed terms. These findings underpin the importance of TRIG’s proposal to raise awareness and education in the sector of the flexibilities possible when drafting agreements.

Bespoke contractual terms are possible through the freedom of contract provided in the ATA 1995, and greater utilisation of this flexibility is vital for continued success of the let farming sector.

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## THE SEARCH FOR MARGIN:

### POTENTIAL CHANGES IN THE COMMERCIAL OCCUPATION AND USE OF FARMLAND AFTER BREXIT

The Brexit process, with the policies following it, is seen as likely to accelerate changes in farm businesses and so in their occupation of farmland. These changes have generally already been at work, some for decades, but the pressures driving them may well intensify in post-Brexit circumstances. While restructuring has been commonly understood to mean existing businesses getting larger that is not seen as inevitable for the future. This note explores some possible ways in which this could unfold.

Basic points to this process include:

- none of this is necessarily about land ownership (with its other motives) but rather about land occupation and its arrangements.
- the AHDB insight that, with the range of performance between farmers, those producing at the level of the top quartile in any sector are the most resilient to the likely changes, irrespective of size or enterprise
- for commercial farming businesses this focuses attention on margin more than cash flow
- the real benefits for productivity come from enabling land to move into the hands of “trained” farmers and managers
- ensuring contestable markets in land occupation is needed to support this process
- the processes of innovation and market change will be incremental and continuing
- the result would naturally be a sector in which enterprises are less standardised. In that, specialisation can build success but spreading sources of income can reduce exposure to market volatility and government intervention.

Some changes, probably the changes in support, will be general across farming and others, such as changes in trading arrangements, may have differing effects for specific sectors.

The timeline for these changes from the Brexit process may also be material. At the time of writing it would appear that:

- little may happen with the formal moment of Brexit expected on March 29th 2019
- the draft Withdrawal Agreement would see policy for direct payments (Basic Payment, greening, the Young Farmer Top Up and Scotland’s coupled beef and Region 3 sheep payments) revert to the United Kingdom on 1st January 2020
- other parts of the CAP would revert to the United Kingdom on 1st January 2021
- potential new trade arrangements with the EU might then apply from the same or a later date
- any new trade arrangements with other countries would then follow.

That creates a time window in which farm businesses can prepare and adapt.

**Changed Domestic Agricultural Policies** – The universal expectation is that Brexit means replacing the CAP with domestic policies. The effects of changes in domestic schemes will turn on how they deploy the available money and what they drive. Within the available money, any expenditure on new schemes must reduce spending on current schemes (or their replacements).

The key point here is that CAP payments have steadily evolved from direct and indirect price support for production to payments for the area of land occupied by a business. Much of that change was made by the 1992 MacSharry reforms but formalised as decoupled payments by the Single Payment of 2005 and, from 2015, Basic Payment with Greening. Typically, those area payments have carried little associated cost and so almost all the money paid through them has contributed to net farm income in direct proportion to the land occupied.

It has become increasingly apparent that this has naturally influenced decisions about farmland occupation, with the direct effects appearing to include both greater stasis in occupation and the level of rents for taking land and the indirect effects taken to be an overall weaker underlying economic performance. The payments, while decoupled, have been seen as part of farming income, tending to sustain existing enterprises.

There are growing indications that the four territories of the United Kingdom are each likely to reduce or remove the present area payment system and, where this changes the subsidy rewards for occupying land, this might be expected to have effects on land occupation decisions. As these simply bear on area, these effects may well be common across all types of farming enterprise. The way in which they unfold will depend on how Basic Payment is reduced or removed.





The reductions in area payments are, at least at first, likely to be redirected to “public goods”, benefits in areas such as air, water, soil, climate mitigation, biodiversity and animal welfare, that the market does not currently recognise. For that to be effective, it must be on terms that make it worth the transaction for the farmer or landowner. What will make for willing sellers of “public goods”?

**England** – DEFRA’s Health and Harmony consultation paper proposes the phasing out of Basic Payment from 2021 with the money redeployed to, among other uses, an Environmental Land Management Scheme, but expected to be at lower payment rates with lower financial margins. There could be further policies in the uplands.

DEFRA’s consultation canvassed the suggestion that the residual BPS be “de-linked”, so that it would be paid without requiring occupation of land and so without cross compliance, perhaps to encourage earlier changes in farm structures. As the payment has been seen as part of farming income, “de-linking” appears unlikely to achieve that outcome while losing the Ecological Focus Areas aspect of greening.

**Wales** – The Cabinet Secretary has said that BPS would be phased out by 2025, possibly from 2020, with the money redeployed to secure public goods, again potentially reducing the margin the payments offer to farm accounts.

**Scotland** – The “Agricultural Champions” have advised the Scottish Government to retain basic income support, apparently on an area basis but capped, at a lower level than Basic Payment with the money released then used for other schemes. They suggest that much of this change might not happen until after a further 3 to 5 year “transition” period.

**Northern Ireland** – The indications are that there could be a much lower continuing level of area basic payment with money moved to other schemes

**Possible Outcomes** – To the extent that payments rewarding the occupation of land are reduced or removed, the financial focus for land occupation decisions is then more concentrated on the commercial realities of farming.

Business decisions about land occupation may then rest more on the margin that land can give to a business and so bear on its rental value. As this becomes more clear, so it may influence farmers’ judgments in whether or not apparently convenient land is taken, held or given up.

The probability that these changes will be phased would allow those involved time to adapt and for values to adjust, with the processes ranging from rent reviews to seeking new planning permissions while land is also likely to move between businesses. That will see both retirements and entry as well as the growth or concentration of progressive businesses. The ease and flexibility with which this can be done will matter for its success; hence the importance of ensuring that land occupation markets are as little restricted as possible.

Indirectly, that may then have effects on enterprise choices, especially as land moves between businesses. Land that an arable farmer might no longer take may offer opportunities as grass to a livestock farmer. The wider processes of innovation in all its forms may lead to new or varied enterprises in the pursuit of financial margin. In turn, they may want more or less land.

**Possible Commercial Models** – A farm business with commercial motivations might take one or more of three approaches (and there may be others) and in all cases having to consider changing market preferences:

- **being a commodity producer.** This has been a large part of most farms’ approaches since the War and under the CAP. With the insights of farm management accounting, this has driven the simplification of businesses and the reduction of unit costs of production, often through expansion to support fixed costs. Where this remains practical and suits the farmer, that control of fixed costs will remain essential. Such businesses may want to grow but only by taking land that adds to their margin. Scale will perhaps no longer be an easy proxy for success.
- **looking for higher margins** – this covers a wide range of higher value, more specialist strategies, from new or niche enterprises to adding value by processing or creating a brand. This follows the route generally taken by British manufacturing in its competitive markets and will call for more market awareness, business appraisal and experiment with continuing innovation to develop and protect margins as these markets do not stand still. While catering for the increasing United Kingdom population and hoping to retain EU markets, some of these businesses may also look for high value markets abroad. Where this use requires less land than a commodity business, the remaining land may serve other purposes or, if it has a cost that cannot be carried, be shed.



– **exploiting assets** – a farm business typically has land and buildings, people with skills and resources, collateral and location. How might those be used to best advantage? That may range from new lines of work, including employment, more passive uses of the property such as renewable energy and lettings, to more active new business endeavours, alongside or instead of farming, whether continued by the farmer or undertaken by others. That will interact with other, complementary or alternative, land uses such as environmental management and public goods, leisure and timber where they can develop the business, as well as development for housing and other uses.

In this, new ventures may not only see changes in land occupation but also in business structures.

### **The New Trading Relationships**

Much of that process may be set in hand by the phasing down or out of Basic Payment with the associated pressures on input costs and business structures that have been built on that income stream. If and when there are changes in the UK's trading relationships that may have further and differing effects on different sectors within farming and so drive further change.

**Trade with the EU** – The impact of any change here will depend on the importance of exports to the EU for each sector. The more there is trade friction and even tariffs, then the harder it might be for, for example, lamb with its large volume exported to the EU but the contrary might be true for dairying or much horticulture.

**Future Trade Relationships with Other Countries** – These may be the last of the major economic steps in the Brexit process and their effects will depend on whether they cover agriculture. If they do, then they are likely to see increased market access to the UK at lower or no tariffs with particular effects on those sectors currently protected by high EU tariffs, notably meat. A key factor will be how large a part of any sector can produce at world prices or develop markets at higher values.

### **Other Policy Changes**

Other policy decisions could also have an effect, including those for migrant labour, wider regulation, taxation, and other environmental regulation.

The availability of labour from abroad might have most direct effects for horticulture, pigs, poultry and dairy and, at least in the near term, be only partially answerable by investment in automation. The impact on downstream activity such as slaughterhouses and vegetable processors may also be important.

### **Technology**

The rapid development of the new technologies will have their own effect on which enterprises are delivered how and at what cost, and so on who occupies land for what. Where available and relevant, their successful adoption will require the right skills and attitudes so acting as an influence on who may be running these businesses.

The adoption of unmanned machines might alter one of the key drivers for increased farm size, as it might no longer be necessary to have larger machines to spread the cost of a man. The potential alternative would be more smaller machines with smaller businesses able to continue equipped with fewer machines, and larger ones using more machines.

Any significant development of indoor, controlled, “vertical” farming may also reshape operations, giving new opportunities for some (as with polytunnels for strawberries) but affect other land uses.

### **Releasing Land**

In a dynamic market economy, land released by one farmer may be useful to another with a different structure and enterprises. While it can, perhaps, be easier to discuss how freeing land occupation offers possible opportunities to those taking up new land, it also needs to be attractive for those controlling the land to release it to them. Just as a thriving tenanted sector requires willing landlords, so much of this will depend on private owners and retiring farmers seeing that making their land available to others to farm is a positive proposition, for income, to pursue other initiatives and also have their land well managed in times of substantial change.

Post-Brexit policies, such as environmental land management schemes, should be designed to enable and accommodate these changes in farmland occupation; not, as has sometimes happened, impede their flexibility. The positive measures, fiscal, legislative and schemes, to ensure as large a market in farmland occupation as possible is an important part of managing change to make post-Brexit agriculture a success.

\* \* \* \* \*

The thinking in this article is further developed in other papers including:

- the CAAV's response to DEFRA's *Health and Harmony* consultation (May 2018)
- the CAAV Discussion Paper, *Taxation: Agricultural Productivity, Land Occupation and Use After Brexit* (September 2017)
- *Encouraging Agricultural Land Lettings in Scotland for the 21<sup>st</sup> Century: A Discussion Paper* written by Jeremy Moody and published by the Scottish Land Commission (April 2018)

and in the forthcoming:

- discussion paper on housing for retiring farmers
- CAAV publication on joint arrangements for farming.

## PART 2: THE AGRICULTURAL LAND OCCUPATION SURVEY FOR ENGLAND AND WALES

### 1. INTRODUCTION

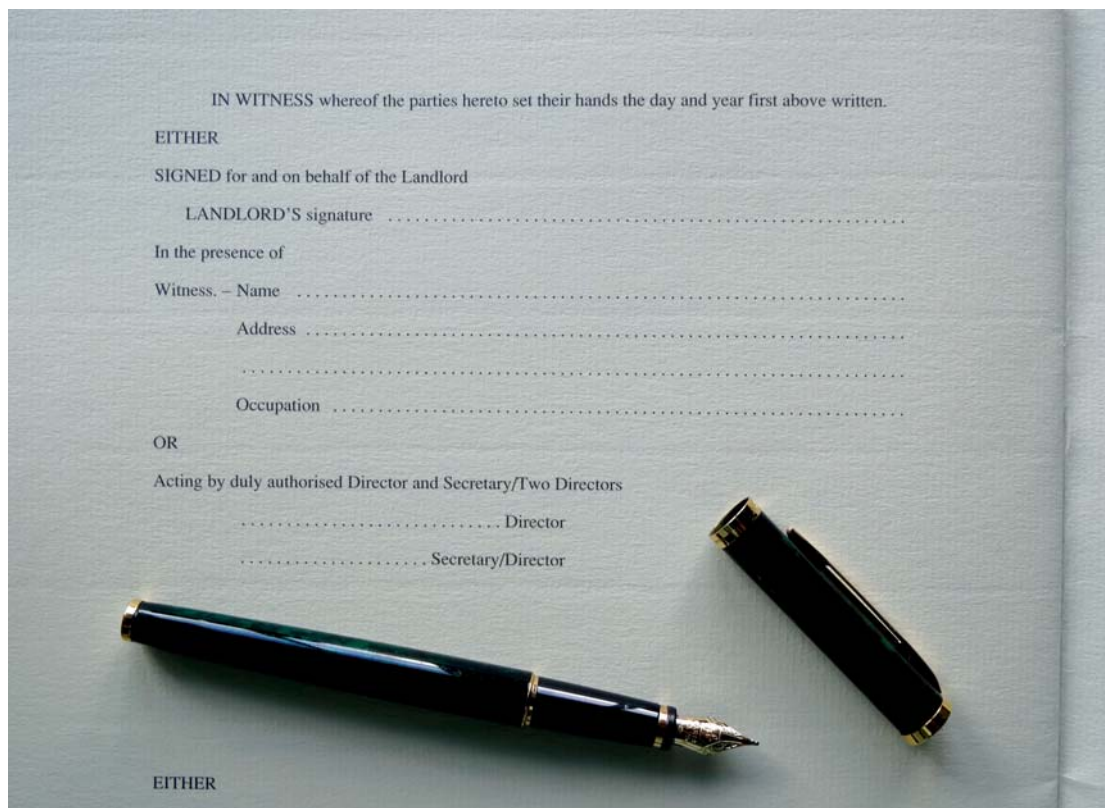
1.1 This is the forty-first annual Survey of let land in England and Wales carried out by the CAAV. Previously called the Tenanted Farms Survey, the name was changed to reflect more accurately the various different types of arrangement made for the occupation of land. It is the twenty-second Survey since the 1995 reforms of agricultural holdings legislation and the fifteenth recording the impact on land occupation arrangements of the de-coupling of CAP payments from production and the move to an area basis of payment.

1.2 This Survey, drawn from all 27 of the local associations of the CAAV across England and Wales as well as other bodies co-operating with us, summarises the decisions taken about land occupation in the year from 1st November 2016 to 31st October 2017. It indicates choices about new lettings and what happened where tenancies under both the 1986 and 1995 Acts came to an end. It covers a total of 73,199 acres, including 45,425 acres subject to new FBTs; 16,112 acres subject to new contract farming arrangements; 8,612 acres on new grazing agreements and 2,938 acres on which succession to 1986 Act tenancies took place.

1.3 The 2017 Survey results show that the virtual standstill in the area of land changing hands continues. It seems likely that this may be due in part to the stifling effect of area-based entitlements and subsidies. It could though be possible that the let land market may have reached an equilibrium in current circumstances between supply and demand – though anecdotal evidence of the level of rents which are offered for new FBTs could suggest that changed circumstances could see the let sector grow (this Survey does not collect data on rents paid).

1.4 The overall area let on 1986 Act tenancies continues to decline naturally, but succession tenancies are still being granted at a rate similar to recent previous years, ensuring that this sector will endure for a long time.

1.5 All areas are given in acres, as the measure most naturally used by respondents.



## 2. KEY INDICATORS

### 2.1 The reduced level of activity in the let sector since 2005 continues

The Survey records details of 951 units compared with 2,565 for 2002 (the last year unaffected by CAP reform).

### 2.2 There was a very small increase in the area of the tenanted sector

Fresh lets outweighed losses from sales and let land being taken back in-hand this year, resulting in a small net increase of 2,478 acres in the area of let land. This compares with an average annual gain of 35,000 acres between 1996 and 2003 and annual losses before tenancy reform of 60-90,000 acres. In reality, the trend continues of a virtual standstill since 2003, when the first indications of the impact of CAP reform were becoming apparent and particularly since 2006 once entitlements to the Single Payment Scheme had been allocated.

### 2.3 5,450 acres of FBT lettings were on land not previously let

5,450 acres of previously vacant land was newly let on FBTs, which is at the lower end of the range seen over the past ten years.

### 2.4 Almost 76% of the 1986 Act tenancies which ended with no successor were re-let as FBTs

Almost 76% of land previously let on full AHA tenancies was re-let on FBTs, in line with the trend seen in recent years. The proportion sold (15.4%) was in line with the ten year average, despite continuing strong land values. The average length of the new lettings of previously AHA units was 7 years and 4 months.

### 2.5 The number of AHA tenancies ending is static

The rate of decline in the number of AHA tenancies ending has tailed off and has been at a more or less consistent level since 2004.

### 2.6 The average agreed length for all FBTs was almost 4 years; for those over 1 year it was almost 5 years

This average covers everything from seasonal grass to very long term FBTs of 25 years. Where lettings of a year or less are excluded, the average term is just under 5 years. Larger and better equipped holdings are generally let for longer terms; holdings with a house and buildings let for an average term of over 9 years. While less than shown by the 2016 survey, this is still at the top end of the historic range.



### 2.7 Sales to sitting tenants remain at very low levels

Reported sales to sitting tenants remained at a low level, continuing the recent trend and representing a significant change from the pre-1995 situation when sales to sitting tenants were amongst the most significant reasons for losses from the let sector.

### 2.8 New entrants are offered longer terms

Tenants perceived as new entrants by those reporting obtained 7.6% of all lettings and 18% where the change in tenancy saw a new occupier; both are at the lower end of the range seen in recent years. New entrants tend to be offered longer tenancies with 35% of all lettings to new entrants being for a term of more than five years.

### 2.9 Succession tenancies arose on 11% of all 1986 Act tenancies that ended

Successions continue to happen on the larger and better equipped holdings. The total area let on succession tenancies each year appears to have levelled off since 2004.

### 2.10 Contract farming arrangements

The total area reported as farmed under new contract arrangements amounted to just over a third of the area let on FBTs. The average term of agreements continues to be less than 2 years. The average size of the contract area was just 144 acres, a figure at the lower end of the range seen in recent years. Contract farming continues to be predominantly in the arable areas of the country.

### 2.11 Grazing arrangements

The area of land reported as let on a variety of types of agreement referred to as "grazing arrangements" amounted to less than 20% of the total area let on FBTs. The great majority (88%) of grazing arrangements were for one year or less.

### 2.12 Comment

Overall, the 2017 Agricultural Land Occupation Survey in England and Wales shows no significant change in activity or area.

### 3. WHAT THE SURVEY COVERS

3.1 This long-standing Survey seeks to capture information about decisions on changes in occupation of farm land. This year's Survey (based on the year from 1st November 2016 to 31st October 2017) covers a total of 951 agreements on 73,199 recorded acres with changes involving decisions about letting in England and Wales, including (last year's figures in brackets):

- 589 (537) new FBTs covering 45,425 (46,352) acres
- 18 (9) full AHA 1986 Act tenancies on 825 (1,145) acres which ended or were sold and were not re-let
- Of which 4 (1) units on AHA tenancies amounting to 104 (3.70) acres was sold to sitting tenants
- 24 (7) FBTs which ended on 835 (196) acres and were not re-let
- Of which 0 (1) FBTs on 0 (3.50) acres were sold to the sitting tenants
- 12 (17) successions under the 1986 Act covering 2,938 (10,350) acres
- 112 (112) new contract farming agreements covering 16,112 (21,629) acres
- 238 (209) new grazing arrangements covering 8,612 (8,145) acres
- Two (1) share farming agreements were recorded, covering 112 acres.

3.2 The lower level of activity since 2005 continues again this year. This may be a consequence of arrangements made for CAP Direct Payment purposes, or might indicate the letting market in England and Wales finding an equilibrium.

3.3 The Survey continues to offer the industry and those interested in land occupation the largest, longest running and most comprehensive record of changes in occupation.

3.4 Throughout, the collection of information has used the same methods. Standard forms were circulated to all twenty-seven local Agricultural Valuers' Associations in England and Wales, who collected information from members in each district. Forms were also sent to others involved in the letting of land. The Central Association of Agricultural Valuers is very grateful to all who helped by submitting returns to enable this Survey to be as comprehensive as it is.

3.5 The analysis falls into four parts:

- Source of the new lettings
- Fate of land previously let
- Analysis of the newly let units
- New contract farming agreements.

## 4. SOURCE OF THE NEW LETTINGS

### 4.1 Previous Tenure of land

Table 4.1: Previous tenure of land newly let under FBTs

Previous tenure	2013		2014		2015		2016		2017	
	No.	%	No.	%	No.	%	No.	%	No.	%
Full AHA tenancy	64	6.3%	55	7.9%	54	7.5%	72	13.5%	69	11.9%
Grazing licence etc	98	9.7%	76	11.0%	64	8.9%	23	4.3%	10	1.7%
Let on FBT	733	72.4%	462	66.6%	488	68.2%	372	69.7%	423	72.9%
Vacant	76	7.5%	81	11.7%	88	12.2%	48	9.0%	68	11.7%
Contract farmed	27	2.7%	20	2.9%	21	2.9%	19	3.6%	11	1.9%

4.1.1 The majority of new FBT lettings continue to come from land previously let on FBTs.

4.1.2 Relatively few FBTs are on land which was previously vacant.

Table 4.2: Fresh lettings of previously vacant units

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Units	134	81	70	71	75	76	81	88	48	68
% of new FBTs	14%	10%	8.5%	8.2%	6.7%	7.5%	11.7%	12.2%	9.0%	11.7%
Area	10,009	7,952	8,026	5,848	10,387	7,514	6,277	7,999	5,067	5,450
Av size	75	98	115	82	139	99	77	91	105	80

4.1.3 In 2017 no units were identified as being purchased and then let on an FBT.

Table 4.3: Lettings of purchased units

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Units	4	11	33	9	13	14	0	1	0	0
Area	471	771	3,227	1,073	1,303	1,626	0	26	0	0

4.1.4 2017 showed a near standstill in the area of the let sector, with a modest gain of 2,478 acres. The overall trend remains that of a stand-still in the market since 2003, as shown in Figure 4.1.

4.1.5 Table 4.4 and Figure 4.1 are based on figures from the Survey for:

Land newly let that had not been let before,

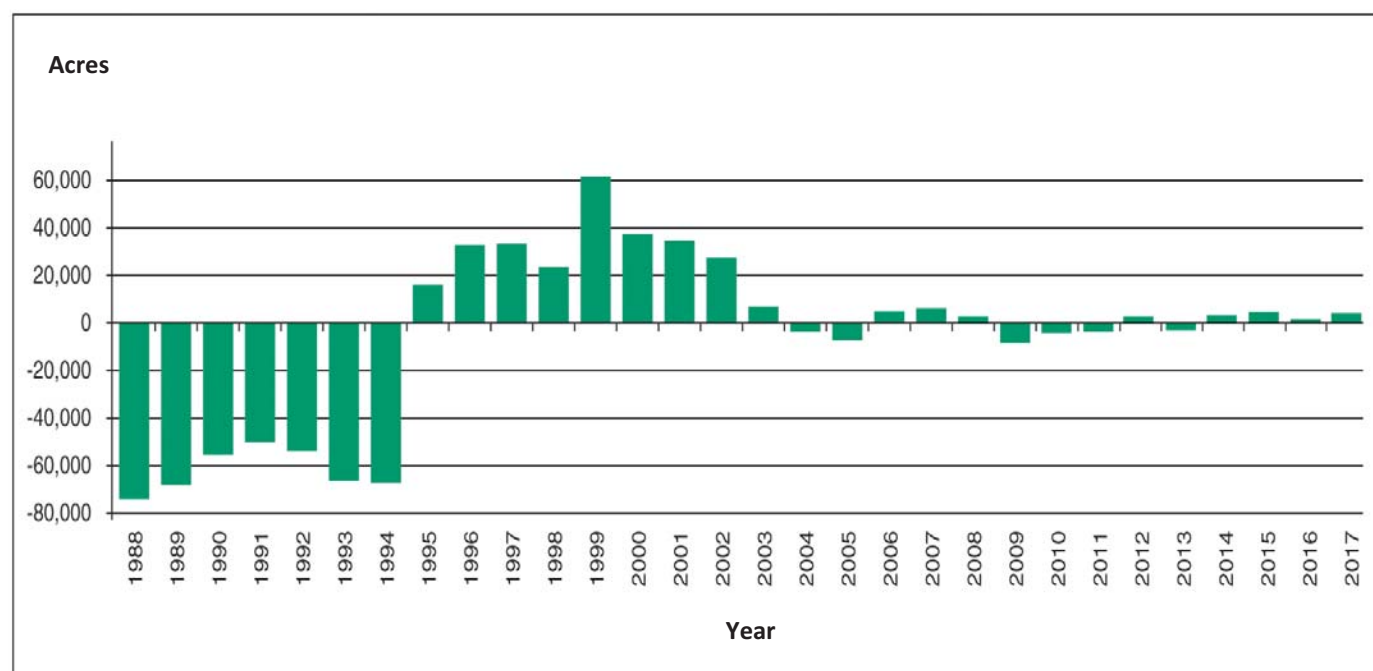
less: Land previously let under the 1986 Act that had been taken in hand, or put onto a joint venture, or sold,

less: Land sold to sitting tenants and land lost from previous FBTs.

Table 4.4: Net Movements of Tenanted Land (by acres)

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fresh let	7,952	8,026	5,848	10,387	7,514	6,277	7,999	5,067	5,450
<b>Less ex-AHA</b>									
– In hand	535	529	150	1,029	2,232	504	1,040	1,068	250
– Contract farming	850	62	35	–	231	595	–	879	735
– Grazing licence	170	75	57	136	599	10	376	52	125
– Sold	1,828	1,874	2,515	1,235	1,558	899	557	73	152
– AHA sold ST	798	1,189	806	841	554	135	150	4	104
– AHA re-grant	–	–	–	–	538	–	–	–	–
– Unallocated loss	–	–	8	–	84	–	–	–	1
<i>Sub-total</i>	<i>4,181</i>	<i>3,729</i>	<i>3,571</i>	<i>3,242</i>	<i>5,796</i>	<i>2,143</i>	<i>2,123</i>	<i>2,076</i>	<i>1,367</i>
<b>Less ex-FBT</b>									
– In hand	5,376	1,219	656	1,582	431	261	153	92	232
– Contract farming	1,424	1,247	2,867	1,576	1,663	868	1,598	1,590	692
– Grazing licence	498	712	443	541	145	243	586	246	65
– Sold	3,849	3,762	1,786	969	783	155	368	101	539
– Sold ST	306	1,291	152	287	297	303	210	4	0
– Share farming	–	–	–	–	920	216	–	–	–
– Unallocated loss	–	–	68	147	51	–	1	–	–
<i>Sub-total</i>	<i>11,453</i>	<i>8,231</i>	<i>5,972</i>	<i>5,101</i>	<i>4,290</i>	<i>2,046</i>	<i>2,915</i>	<i>2,524</i>	<i>1,605</i>
<b>Net</b>	<b>-7,682</b>	<b>-3,934</b>	<b>-3,695</b>	<b>+2,044</b>	<b>-2,572</b>	<b>+2,088</b>	<b>+2,961</b>	<b>+467</b>	<b>+2,478</b>

Fig 4.1: Net annual loss/gain in tenanted area 1988 – 2017



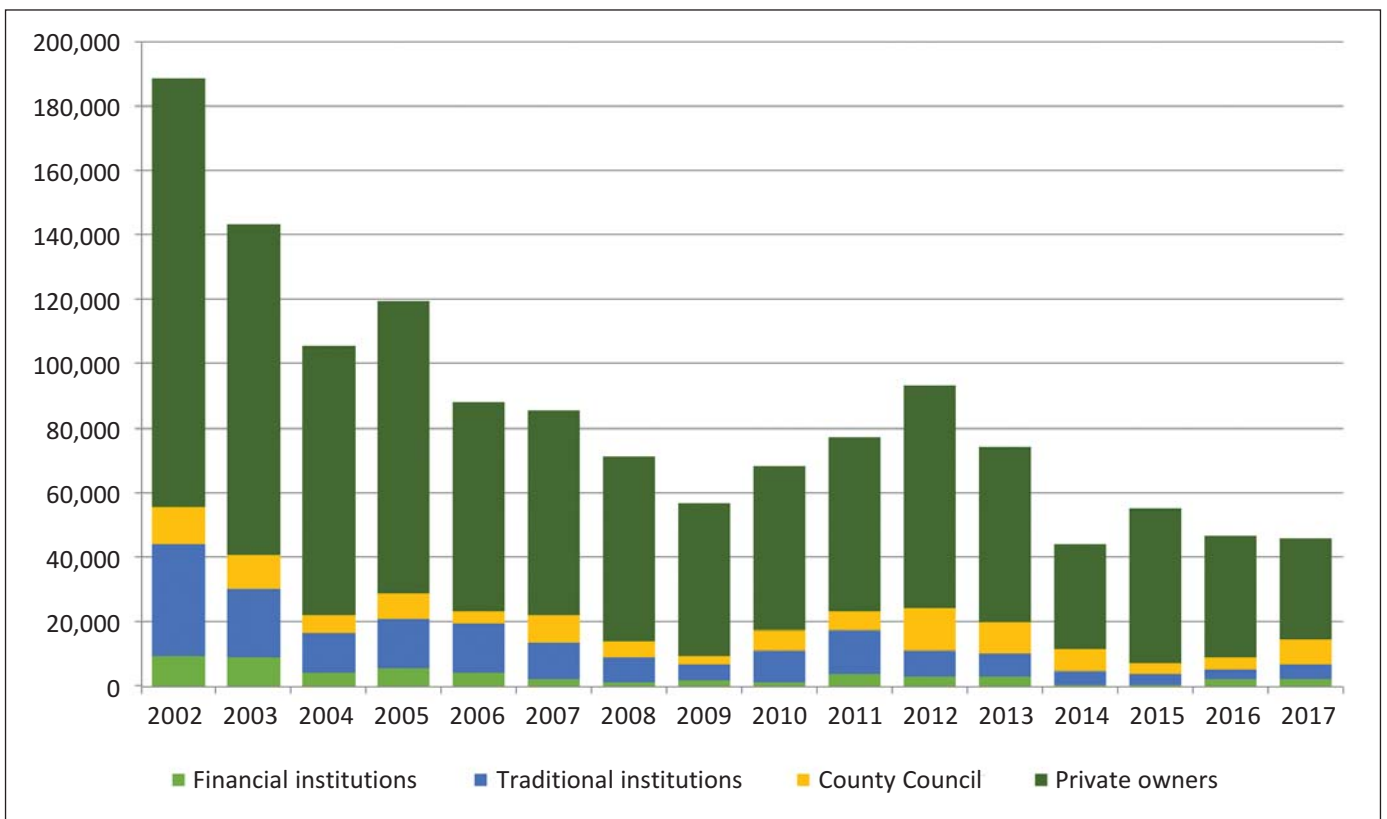
## 4.2 Lettings by Ownership

4.2.1 Private landowners continue to provide the great majority of all holdings for letting.

Table 4.5: Source of new lettings by ownership 2017 compared to five year average

Let by	Number		Percentage		Area		Average area	
	2017	5 year average	2017	5 year average	2017	5 year average	2017	5 year average
Private owners	397	636	67.3	78.1	31,383	48,315	79	76
Traditional institutions	69	71	11.7	8.9	4,366	5,141	63	70
County Council	86	95	14.6	11.1	7,850	7,430	91	78
Financial institutions	38	18	6.4	2.0	2,144	1,618	56	106

Fig 4.2: Area let by type of owner





## 5. FATE OF LAND PREVIOUSLY LET

### 5.1 Termination of full AHA tenancies

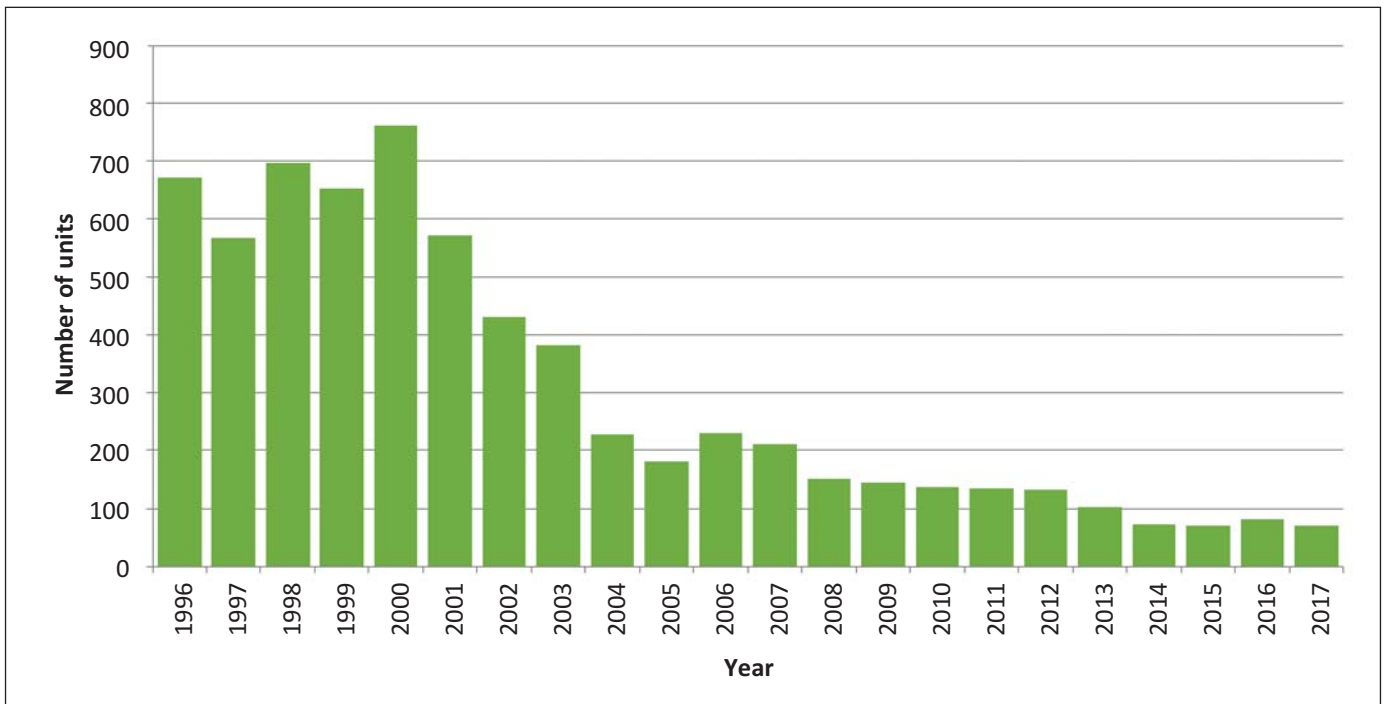
5.1.1 In 2017 some 69 AHA tenancies were reported as coming to an end, excluding those where a succession took place. Figure 4.2 shows the slow “tailing-off” which has occurred since 2004.

5.1.2 Table 5.1 shows that over 75% of AHA tenancies coming to an end were re-let as FBTs; a figure that is in line with the overall trend. The proportion of land let on former AHAs which was subsequently sold was 15.4%. Only a small proportion of such land is taken back in-hand each year or let on other arrangements.

Table 5.1: Fate of old full AHA tenancies which ended 2005 – 2014

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number	151	144	137	135	132	103	72	71	82	69
Re-let (FBT)	81.5%	75.0%	75.4%	69.6%	75.8%	62.1%	76.4%	76.1%	85.7%	75.8%
Sold	11.1%	19.4%	21.6%	25.9%	16.7%	21.4%	8.3%	11.3%	5.9%	15.4%
In-hand	4.6%	4.2%	2.2%	1.5%	6.8%	8.7%	6.9%	4.2%	2.4%	3.3%
CF / GL	2.7%	1.4%	2.9%	3.0%	1%	3.9%	8.3%	8.5%	5.9%	5.5%

Fig 5.1: Number of AHA tenancies which ended



5.1.3 The analysis of previous AHA tenancies by area (Table 5.2) confirms earlier findings that the majority of those who have been used to being landlords will prefer to carry on as such, with 85% of the area re-let on FBTs in 2017. Only a very small area was taken back in-hand (2.7%) and very little was sold (only 256 acres).

Table 5.2: Analysis of previous AHAs by area (acres)

	2013		2014		2015		2016		2017	
AHAs re-let as FBTs	5,926	53%	4,872	69.5%	5,320	71.5%	10,119	83%	7,991	85.4%
Taken in hand	2,232	20%	504	7.2%	1,040	14.0%	1,068	8.8%	250	2.7%
Used for grazing/CF	831	7.4%	605	8.6%	376	5.1%	931	7.6%	860	9.2%
Sold	2,112	18.9%	1,034	14.7%	707	9.5%	77	0.6%	256	2.7%
Unallocated	84	0.75%	–		–		–	–	1	0.01%
Total not re-let	5,259		2,143		2,123		2,076		1,367	

5.1.4 Information on surrenders and re-grants is not expressly sought in the Survey, but these are sometimes referred to by respondents in the notes on their returns. There were no such references in 2017, 2016 or 2015 (3 in 2014, 1 in 2013, 3 in 2012, 1 in 2011 and 4 in 2010). Other transactions may have had similar reasons but were not identified in the returns.

## 5.2 Former Farm Business Tenancies

5.2.1 Returns were received for 457 FBTs that ended. Some 92% of all the expiring FBTs were re-let as FBTs, in line with the evidence of previous surveys. Few units were taken in-hand (1.5%), or let on contract farming or grazing licence arrangements (2.6%). Sales of former FBT land (at 3.3%) have consistently been much less significant than for former AHAs, although both have been at very low levels for the past 2 years (see Table 5.2).

Table 5.3: What happened to FBTs that ended?

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number	641	602	630	671	907	799	495	532	395	457
Re-let	94.5%	88.0%	91.0%	91.2%	92.6%	91.7%	93.3%	91.7%	94.2%	92.5%
Sold	2.7%	3.8%	3.6%	3.1%	3.3%	3.9%	1.6%	1.9%	1.0%	3.3%
In-hand	1.9%	2.8%	2.5%	1.3%	1.2%	1.5%	1.8%	0.4%	0.5%	1.5%
CF/GL	0.9%	3.8%	2.4%	4.0%	2.5%	2.5%	3.0%	5.6%	3.8%	2.6%
Not allocated	–	1.5%	0.5%	0.3%	0.3%	0.4%	0.3%	–	0.5%	–

5.2.2 The figures in Table 5.4 show the analysis of former FBTs by area.

Table 5.4: Analysis of previous FBTs by area (acres)

	2013		2014		2015		2016		2017	
Re-let as FBTs	53,847	92.6%	29,926	93.6%	35,941	93.0%	25,452	91%	30,117	94.7%
Taken in hand	431	0.75%	261	0.8%	153	0.4%	92	0.3%	232	0.7%
Grazing / CF	2,728	4.7%	1,266	3.9%	2,184	5.6%	2,328	8.3%	897	2.8%
Sold	1,080	1.9%	523	1.6%	368	0.95%	101	0.4%	539	1.7%
<i>Total not re-let</i>	<i>4,239</i>		<i>2,050</i>		<i>2,915</i>		<i>2,521</i>		<i>1,668</i>	
Not allocated	52		–		–					

### 5.3 Succession to 1986 Act tenancies

5.3.1 11% of all AHA tenancies which came to an end in 2017 saw a succession (Table 5.5) – this is the lowest figure reported in the last decade. It has been reported in previous Surveys that succession happened on only about 10% of those AHA tenancies which ended in the period 1990 – 1994. The difference may reflect changing views by tenants’ families on farming as a business. It may also be a function of the changing nature of the AHA sector which these Surveys may suggest to be concentrating on larger, more equipped units.

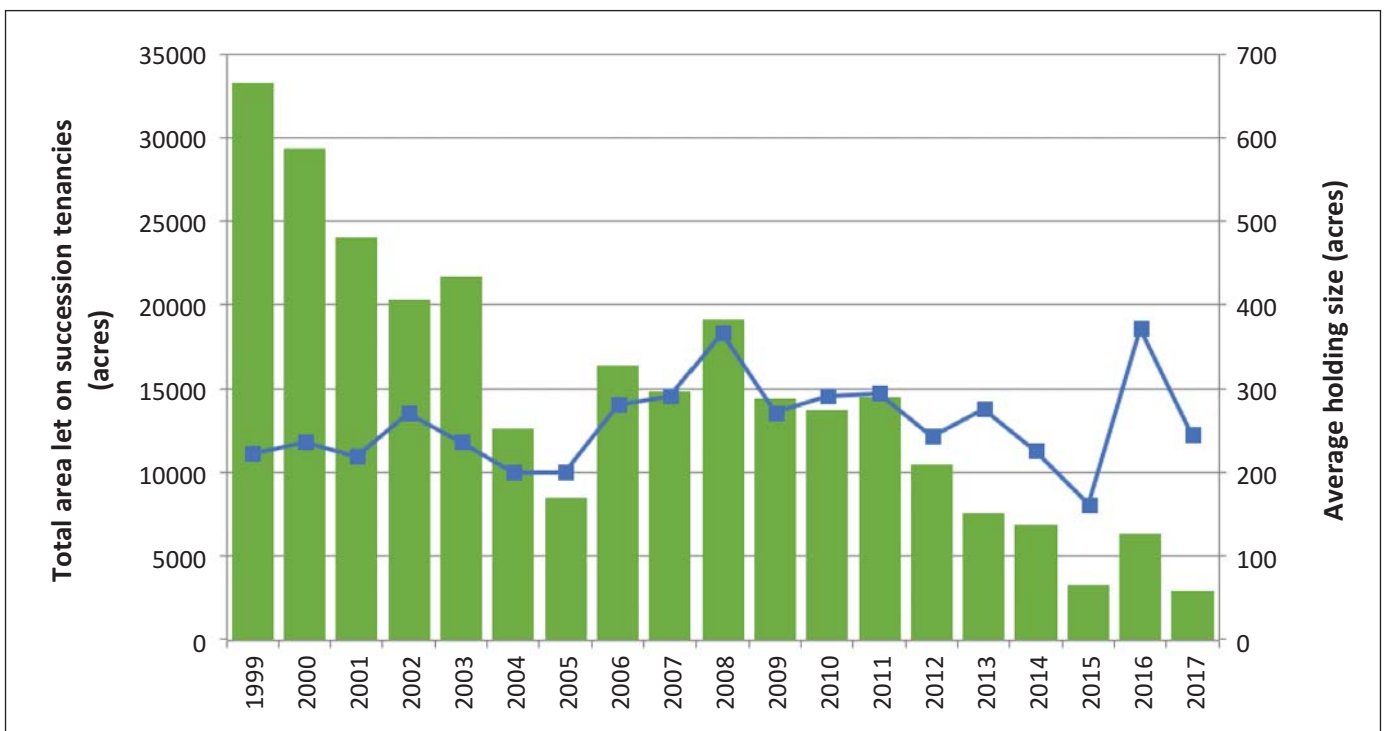
Table 5.5: Successions

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number	52	53	48	48	43	37	32	20	17	11
% AHAs ending	26	27	26	26	25	26	31	22	17	11
Area	19,096	14,421	13,678	14,460	10,492	7,533	6,817	3,250	10,350 6,350	2,938
Av size	367	272	291	295	244	276	227	162	609 373	245

5.3.2 The 2016 data was distorted somewhat by a 4,000 acre hill farm on which succession was granted during the survey period. Without that farm, the total area would be 6,350 acres and the average size would be 373 acres.

5.3.3 The total number of successions and the total area let have both fallen since 2000 and while the trend was for the average size of holdings to increase, that has generally levelled off since 2009. Holdings let on succession tenancies tend to be larger than those in other categories in this Survey, providing an enduring core of 1986 Act tenancies. Figure 5.2 shows the total area of land let on succession tenancies in bars with the average holding size shown by the line. The dotted line and striped bar show the total figures including the 4,000 acre unit referred to above.

Figure 5.2: Total area and average holding size of AHA succession tenancies



5.3.4 In 2017, the majority of successions were again on privately owned holdings (63% of all successions) with 18% on land let by traditional institutions. One succession was recorded on land owned by a county council and one on a holding owned by a financial institution.

#### 5.4 Sales to sitting tenants

5.4.1 These sales are analysed separately as they are not cases where the tenancies have ended in the usual way but are rather merged in the freehold ownership by negotiation.

5.4.2 In 2017 there were 4 cases recorded where land subject to an AHA tenancy was sold to sitting tenants, covering 104 acres. Numbers of units sold are still much lower than those recorded before 2005.

Table 5.6: Sales to sitting AHA tenants

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cases	5	8	8	7	9	8	2	1	1	4
Acres	480	798	1,189	806	841	554	135	150	3.7	104

5.4.3 There were no sales recorded to FBT tenants.

Table 5.7: Sales to sitting FBT tenants

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cases	6	4	2	6	7	10	1	2	1	0
Acres	601	206	102	152	286	297	216	210	3.5	0



## 6. ANALYSIS OF THE NEWLY LET UNITS

### 6.1 Size

6.1.1 As in previous years, the Survey shows a very wide range of land types being let under FBTs, from bare land to fully equipped units, in all sizes from less than half an acre to fifteen hundred acres.

6.1.2 The average size of a unit let as an FBT was 77 acres in 2017 and the proportion of let units exceeding 150 acres was 22.7%.

Table 6.1: Average size of FBTs

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Av area (acres)	76	69	79	88	82	73	63	76	91	77
% > 150 acres	11.8%	10.5%	14.3%	14.8%	14.4%	16.3%	15.2%	15.6%	21.1%	22.7%
No. > 150 ac	114	89	123	131	164	126	80	94	91	90

6.1.3 The Survey forms asked for each unit to be classified according to whether it was bare land (without any buildings), land with buildings, or land with a house and buildings. The results have been analysed in Table 6.2, from which it can be seen that FBTs on bare land are significantly skewed towards smaller areas. In 2017 only five lettings of more than 500 acres were reported.

Table 6.2: Analysis of FBTs by type of holding and area

	Bare land	Land with buildings	Land, buildings and house
under 25 acres	225	11	3
25 - 49.9 acres	113	5	3
50 - 74.9 acres	49	2	3
75 - 99.9 acres	35	2	6
100 - 124.9 acres	17	1	3
125 - 149.9 acres	16	2	5
150 - 199.9 acres	16	1	6
200 - 249.99 acres	14	6	8
250 - 374.9 acres	5	7	11
375 - 499.9 acres	0	2	9
500 - 749.9 acres	0	2	0
750 - 999.9 acres	2	0	0
over 1000 acres	0	1	0

6.1.4 It has previously been noted that one of the most obvious sources of fresh land for letting is the owner of smaller land parcels who may be forced by economic pressure to let land but retain a dwelling. **The stereotypical farm with house and buildings is only a small part of the marketplace.** The small bare land parcels include grazing land and specialist cropping land.

6.1.5 69% of bare land lettings are less than 50 acres in size.

Table 6.3: Proportion of bare land lettings of less than 50 acres in size

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
%	69	70	69	59	67	67	70	71	63	69

## 6.2 Fixed equipment – houses and buildings

Table 6.4: Analysis by level of equipment on each unit in 2017 compared with 2016

	2016					2017				
	No	% units	Area	% area	Av area	No	% units	Area	% area	Av area
Bare land	408	80.5	24,284	52.4	60	492	83.2	25,748	56.3	52
Land with buildings	47	9.3	9,605	20.7	192	42	7.1	7,924	17.3	189
House, land and buildings	52	10.3	12,462	26.9	240	57	9.6	12,071	26.4	212

6.2.1 The 2017 returns show consistency with previous years. Typically the figures by area are around 60% bare land, 20% land with buildings and 20% with house, land and buildings.

Table 6.5: Analysis of equipment on each unit by ownership in 2017

	Bare land			Land with buildings			Land / house / buildings		
	No	%	Av area	No	%	Av area	No	%	Av area
Private owners	349	87.9	58	32	8.1	216	16	4.0	282
Traditional institutions	63	91.3	37	0	0	0	6	8.7	338
County Councils	46	53.5	35	7	8.1	111	33	38.4	165
Financial institutions	34	89.5	48	3	7.9	151	1	2.6	41

N.B. the percentages in this table are for each type of owner.

6.2.2 As in previous years, County Councils continue to make the most significant contribution to fully equipped lettings, with 38% of their total let with a house, land and buildings (34% in 2016; 38% in 2015; 30% in 2014). This is 59% of all fully equipped lettings. Their fully equipped holdings are, however, much smaller on average than those of private owners or traditional institutions.

### Basic Payment Entitlements

6.2.3 The survey included a question which asked whether Basic Payment entitlements were included in the letting. 579 entries for new FBTs answered the question (98% of all entries). 42.8% of the responses stated that entitlements were included in the letting (46.6% in 2016; 50.2% in 2015; 43.4% in 2014) and 57.2% stated that they were excluded (53.4% in 2016; 49.8% in 2015; 56.6% in 2014).

6.2.4 Of those which answered the question, entitlements were included in 44% of bare land lettings (45% in 2016; 50% in 2015; 39% in 2014), in 44% of lettings of land and buildings (60% in 2016; 58% in 2015; 48% in 2014) and in 29% of lettings of fully equipped holdings (46% in 2016; 37% in 2015; 44% in 2014).

## 6.3 Farming enterprises

6.3.1 233 lettings were described as arable, with 10 for roots and 1 for horticulture. 147 units recorded grazing uses, including 9 dairy units. Only 2 lettings were for pigs and none for poultry.

6.3.2 No lettings were described as being for horses or equestrian use, with one being for willow and one other for woodland. Diversification which takes place during a tenancy is not recorded by the Survey.

6.3.3 There were 3 lettings of buildings only (1 in 2016, 7 in 2015, 8 in 2014, 0 in 2013, 8 in 2012, 2 in 2011).

## 6.4 Length of term

6.4.1 The Survey does not capture those cases where tenancies were let as periodic FBTs which continue to run on from year to year, or where fixed term tenancies have been allowed to run on beyond the end of the term. Some longer tenancies are therefore not fully recorded. In reality, the average length of an FBT in practice is likely to be somewhat longer than the Survey suggests.

6.4.2 Table 6.7 shows that the average length for all FBTs in 2017 was just under 4 years, which is a little higher than the average over the previous 10 years of 3 years and 9 months. Although lower than the figure for 2016, this remains at the top end of the historic range. It includes all lettings, from seasonal lets of bare land to long term lettings of fully equipped holdings. It is generally the case that larger units and more equipped units are let for longer terms – see Table 6.7.

6.4.3 If lettings for 1 year or less are excluded, the average term increases to just under 5 years. The average length of FBTs let for more than five years was 10.7 years.

Table 6.6: Average length in years of new FBTs granted

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
All FBTs	3.5	3.80	3.75	3.89	4.12	3.17	3.53	3.83	4.48	3.97
FBTs > 1 yr term	–	–	–	5.44	5.54	4.65	4.93	5.31	5.94	4.98
FBTs > 5 yr term	12.64	12.50	12.96	11.85	10.88	10.84	10.26	13.16	13.42	10.70

Table 6.7: Average term length by size of unit

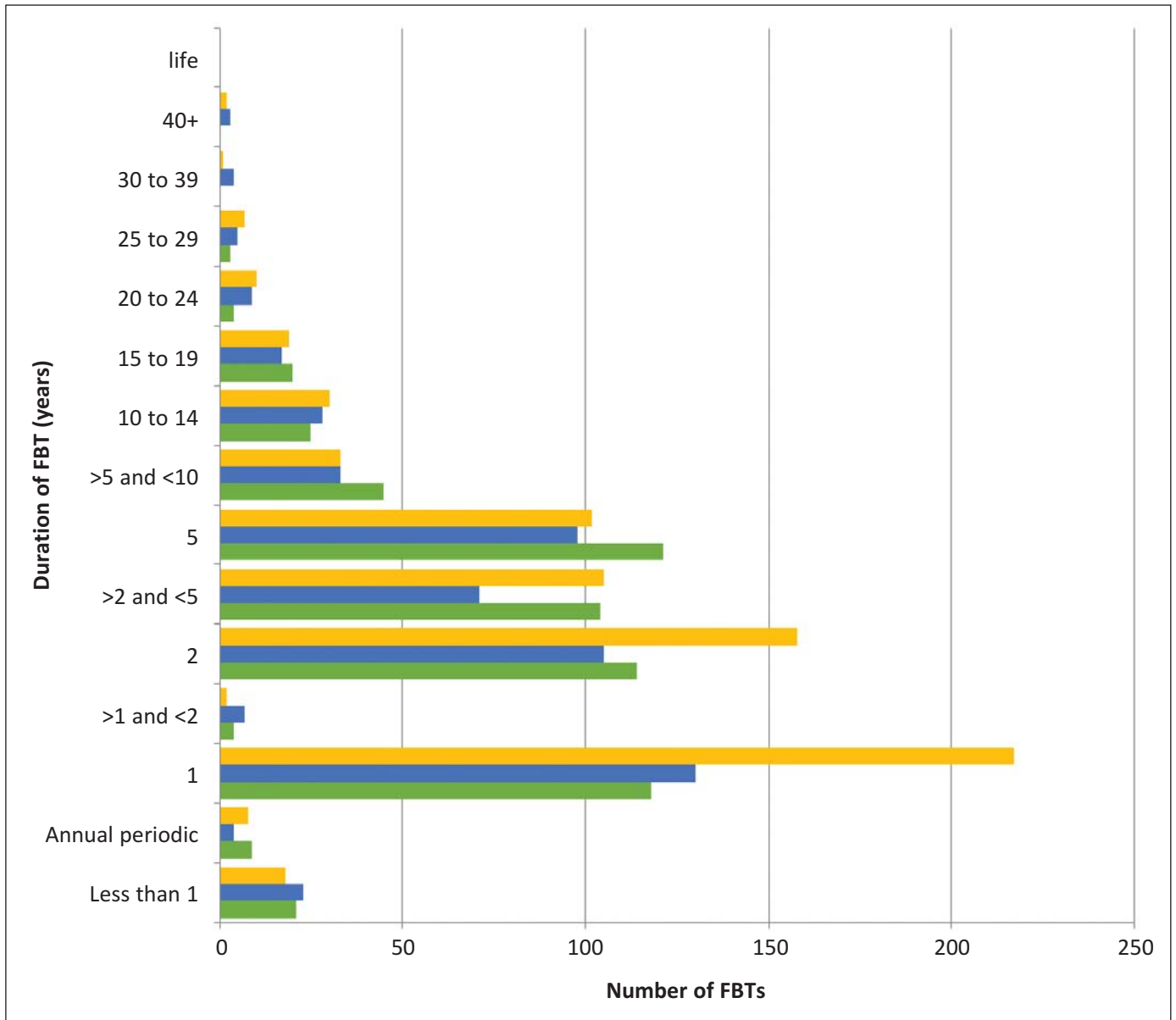
Size of unit	Average length of FBT
Under 25 acres	2.77
25.0 – 49.9 acres	3.22
50.0 – 99.9 acres	4.18
100.0 – 199.9 acres	5.58
Over 200 acres	8.00

6.4.4 Table 6.8 and Figure 6.9 show an analysis of the term lengths for new FBT lettings and illustrate how the flexibility of the FBT format is widely used in practice. The range in lengths of FBT reported was from one month to 25 years. In 21 cases the letting was for less than one year and in 9 cases the terms were reported to be running on from year to year.

Table 6.8: Analysis of term lengths of FBTs in 2017

Length	Number			Length	Number		
	2017	2016	2015		2017	2016	2015
Life	0	0	0	>5 and <10 years	45	33	33
40+ years	0	3	2	5 years	121	98	102
30 – 39 years	0	4	1	>2 and <5 years	104	71	105
25 – 29 years	3	5	7	2 years	114	105	158
20 – 24 years	4	9	10	>1 and <2 years	4	7	2
15 – 19 years	20	17	19	1 year	118	130	217
10 – 14 years	25	28	30	Annual periodic	9	4	8
				< 1 year	21	23	18

Fig 6.1: Analysis of term lengths of FBTs



Legend: 2017 (green), 2016 (blue), 2015 (yellow)

6.4.5 A more detailed analysis of shorter FBTs was carried out to assess the proportions of tenancies granted for various periods and possible reasons why those periods might have been selected. The results are shown in Tables 6.9 and 6.10 below. The periods selected were:

- year to year – retains flexibility
- two years or less – terminating automatically without a notice and allows for shorter notice
- more than two years up to three years – coinciding with a typical rent review period and not requiring to be made by deed
- more than 3 years up to 5 years – no interactions with other points, but 5 year periods appear popular
- more than 5 years up to 7 years – leases of less than 7 years do not have to be registered
- more than 7 years up to 10 years
- more than 10 years.

6.4.6 Table 6.9 shows that the most numerous agreements are those made for less than two years, which consistently represent approximately half of all agreements. FBTs of two years or less will terminate automatically and some landowners prefer the security of knowing that notices do not have to be served in order to bring the tenancy to an end. Many of these agreements will then be renewed on similar terms for a further period of less than two years, hence they are likely to be encountered more frequently in the annual survey.



6.4.7 In general, Table 6.9 suggests that choice of term is relatively uninfluenced by other regulatory concerns.

Table 6.9: Length of FBT terms by number of agreements

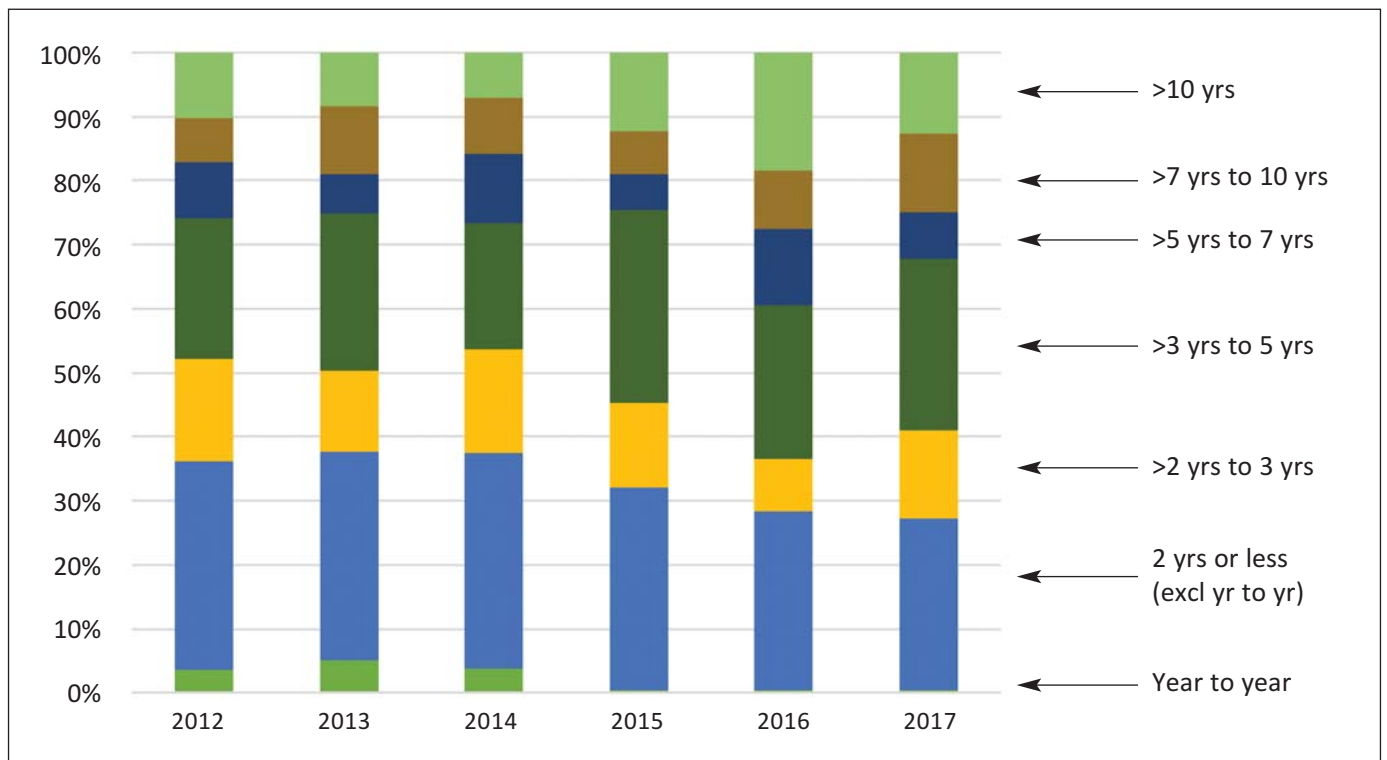
	2012		2013		2014		2015		2016		2017	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Year to year	48	4.2	63	6.2	18	2.6	8	1.1	4	0.7	9	1.5
Up to 2 years (excl yr-to-yr)	487	42.8	525	51.7	351	50.7	395	55.4	265	49.4	257	43.7
>2 yrs to 3 yrs	176	15.5	142	14.0	101	14.6	99	13.9	66	12.3	99	16.8
>3 yrs to 5 yrs	200	17.6	180	17.7	118	17.0	109	15.3	103	19.2	126	21.4
>5 yrs to 7 yrs	117	10.3	38	3.7	44	6.4	30	4.2	31	5.8	40	6.8
>7 yrs to 10 yrs	44	3.9	39	3.8	33	4.8	30	4.2	26	4.8	25	4.3
>10 yrs									42	7.8	32	5.4

6.4.8 The length of tenancies by area is shown in Table 6.10 and like Table 6.9, this shows a degree of consistency between the types of tenancy, although the data for each type does vary from year to year.

Table 6.10: Length of FBT terms by area

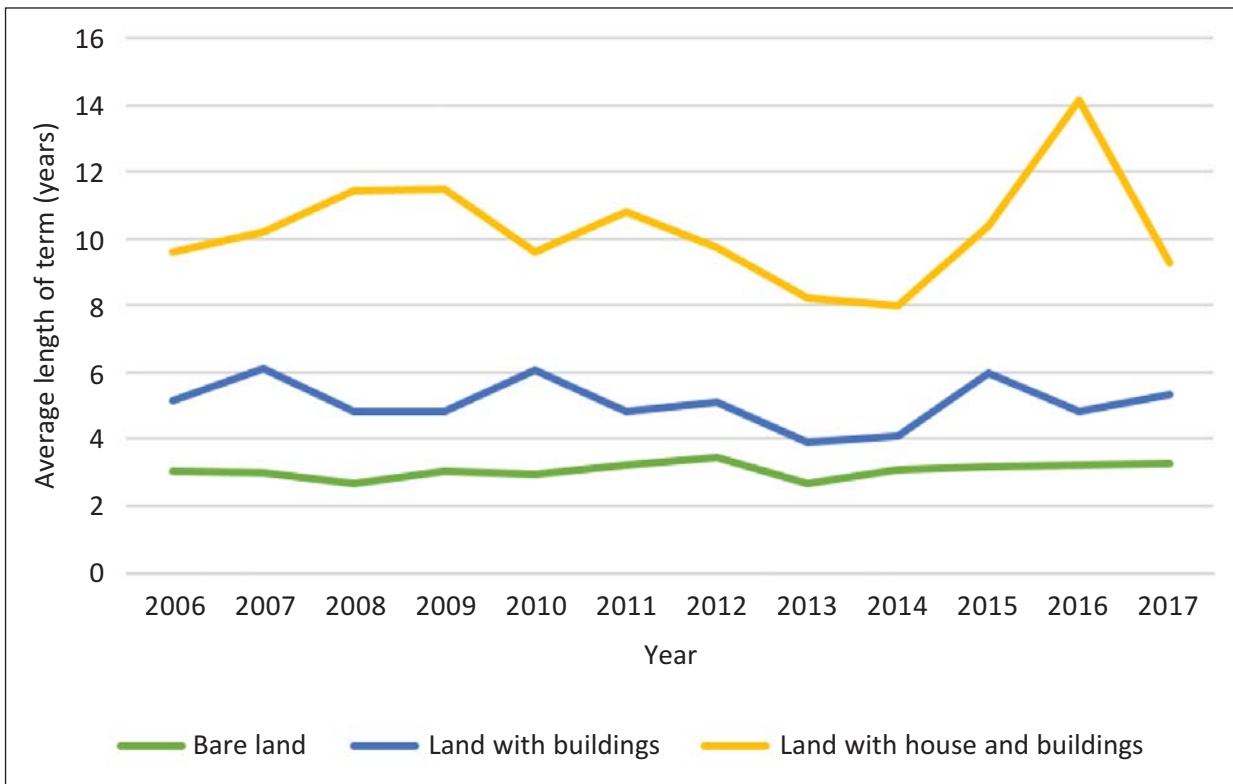
	2012		2013		2014		2015		2016		2017	
	Acres	%	Acres	%	Acres	%	Acres	%	Acres	%	Acres	%
Year to year	3,310	3.6	3,858	5.2	1,680	3.8	199	0.4	200	0.4	245	0.5
Up to 2 yrs (ex yr-to-yr)	30,389	32.6	24,089	32.4	14,716	33.6	17,346	31.6	12,959	28.0	12,180	26.7
>2 to 3 yrs	14,947	16.1	9,405	12.7	7,121	16.2	7,312	13.3	3,819	8.2	6,256	13.7
>3 to 5 yrs	20,389	21.9	18,321	24.7	8,685	19.8	16,483	30.0	11,030	23.8	12,283	26.9
>5 to 7 yrs	8,225	8.8	4,610	6.2	4,677	10.7	3,110	5.6	5,532	11.9	3,285	7.2
>7 to 10 yrs	6,273	6.7	7,898	10.6	3,851	8.8	3,667	6.7	4,278	9.2	5,569	12.2
>10 yrs									8,532	18.4	5,780	12.7

Figure 6.2: Length of FBT terms by area (%)



6.4.9 Figure 6.3 and Table 6.11 illustrates length of term by type of unit and shows that the average length of term for an equipped unit with house and buildings was 9.29 years in 2017; bare land units were let for an average of 3.26 years and those with buildings for 5.32 years.

Figure 6.3: Length of term by type of equipped unit



6.4.10 There are significant differences in term length depending on the previous occupation, with land previously let on AHA tenancies being let for much longer average terms. This may reflect the fact that those landowners are more familiar and comfortable with longer terms.

Table 6.11: Average length of term by type of unit (in years)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bare land	2.66	3.01	2.92	3.20	3.46	2.64	3.06	3.14	3.20	3.26
Building / land	4.83	4.82	6.05	4.80	5.08	3.89	4.10	5.95	4.82	5.32
House/bldgs/land	11.47	11.50	9.61	10.83	9.77	8.24	8.00	10.39	14.19	9.29
Previously:										
– AHA	8.45	9.36	8.05	9.07	6.84	5.98	7.20	8.26	10.26	7.35
– FBT	2.88	3.01	3.30	3.41	4.08	3.13	3.56	3.47	3.53	3.52
– Vacant	3.70	4.54	3.75	3.94	3.20	3.44	3.23	4.63	4.04	3.68
– Contract farmed	5.33	3.23	3.67	2.85	3.87	3.94	3.40	3.52	4.37	5.22

6.4.11 Table 6.12 shows that the trend for local authorities to let for longer terms than other types of owner continues, consistent with their higher fraction of fully equipped units.

Table 6.12: Average length of term by owner (in years)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bare land	2.66	3.01	2.92	3.20	3.46	2.64	3.06	3.14	3.20	3.26
Private owner	3.17	3.29	3.32	3.66	3.60	3.01	2.98	3.87	4.20	3.70
Traditional institution	4.11	5.11	4.23	4.51	4.61	3.27	5.10	3.21	4.27	3.28
County Council	7.80	5.98	6.69	5.84	6.35	4.60	5.75	5.0	7.0	6.16
Financial institution	2.98	4.28	2.37	1.79	4.18	1.64	5.50	3.0	7.57	3.08

## 6.5 New entrants and FBTs

6.5.1 The 2017 Survey sought once again to establish the proportion of lettings to new entrants. As pointed out in previous Surveys, it is difficult to agree a single definition of what constitutes a ‘new entrant’ and respondents are asked to identify whether they consider a tenant to be a new entrant, with an option to reply “don’t know”. The results are therefore indicative rather than absolute.

6.5.2 7.6% of all new FBTs were let to tenants regarded as new entrants. As many new FBTs are let to the previous tenant of the land, the figures were further analysed to determine the proportion of lettings to new entrants in cases where there was a change of occupation. The table below shows that this figure was 18%, in line with recent years but higher than pre-2008 figures.

Table 6.13: FBTs let to New Entrants

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number	46	79	82	78	100	75	38	33	30	45
Area	6,754	7,266	8,539	6,307	6,655	6,607	3,473	3,568	3,423	5,376
Av size	147	93	107	81	66	88	91	108	118	117
New entrants as % of										
– Total lettings	4.8	10.0	10.0	8.8	8.8	7.4	5.5	4.6	5.6	7.6
– Changed occupation	12	30	31	34	32	26	17	14	14	18

6.5.3 38% of lettings to new entrants were by private landowners, 49% by county councils, 9% by traditional institutions and 4% by financial institutions. 42% of lettings to new entrants were of fully equipped holdings (50% in 2016; 36% in 2015; 34% in 2014; 33% in 2013; 16% in 2012).

6.5.4 The Survey shows that 35% of all tenants perceived as new entrants obtained tenancies of more than five years.

Table 6.14: Analysis of length of tenancy by tenant type in 2017

<b>Length of tenancy</b>	<b>Under 2 years</b>	<b>2 – 5 years</b>	<b>Over 5 years</b>
New entrants	12%	53%	35%
Other tenants	27%	58%	15%

## 7. NEW CONTRACT FARMING AGREEMENTS AND OTHER ARRANGEMENTS

### 7.1 Contract farming agreements

7.1.1 Contract farming agreements are perceived to be widely used, not least where a tenancy arrangement does not suit the parties. Since 1999 the Survey has asked questions about the extent and use of contract farming arrangements.

7.1.2 In 2017, 112 returns were received for new agreements, covering 16,175 acres with an average unit size of 144 acres. Table 7.1 shows that the average area covered by contract agreements and the average length are both reasonably consistent over the past decade, possibly suggesting that the stagnation in the let land sector which has been apparent since 2005 could be having an impact on the contract farming sector as well.

Table 7.1: Survey of contracting agreements

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Units	169	101	110	129	125	116	66	88	112	112
Area	35,582	17,908	18,255	20,188	27,367	22,317	13,502	13,175	21,629	16,175
Av area	192	177	166	158	219	192	204	150	193	144
Av term (years)	1.83	1.62	1.79	1.82	1.52	1.70	1.78	1.62	1.72	1.53
New entrants	4.0%	11.9%	12.7%	7.0%	3.2%	5.2%	4.5%	1.1%	0%	0%

7.1.3 As in previous years, the great majority of contracting arrangements in 2017 were for arable units. Seven cases specifically reported an arrangement for livestock, including four for dairy.

7.1.4 94% of the arrangements were made by private landowners and 3.6% by county councils. No traditional or financial institutions were recorded as entering a contract farming agreement in 2017.

7.1.5 The average length of agreement was 1.53 years and while approximately 68% of agreements were for one year, terms ranged from 6 months to 5 years. 22% of agreements were for 3 years or longer.

7.1.6 The majority of agreements were for bare land (94%) with only 5% of arrangements for land and buildings and one for a fully equipped holding.

7.1.7 No agreements were recorded as being to a new entrant.

### 7.2 Grazing agreements

7.2.1 This is the sixth year that the Survey has looked more closely at grazing arrangements. In practice the term covers a variety of different types of agreement, from the traditional formal annual lettings, often conducted by auction, which are important in predominantly livestock farming areas, to less formal agreements made with other farmers or non-farmers, including a minority for use by horses.

7.2.2 In 2017, some 238 cases of grazing arrangements were recorded, covering 8,613 acres. In practice there will be far greater numbers of these arrangements made which are not recorded in the Survey. Of those recorded, approximately 83% were to the same occupier as the previous year.

Table 7.2: Analysis of grazing agreements

	2010	2011	2012	2013	2014	2015	2016	2017
Units	312	258	242	547	251	228	209	238
Area	9,644	7,615	9,978	20,234	11,339	11,312	8,145	8,613
Av area	30.9	29.5	41.2	36.9	45.7	49.6	39.4	36.3
To same occupier	60%	67%	71%	83%	74%	77%	80%	83%

7.2.3 Most grazing arrangements were for a year or less, but in 20 cases (8%), arrangements for two years or more were recorded, but distinguished from FBTs.

7.2.4 88% of grazing arrangements were on land which had previously been let on similar terms (86% in 2016, 82% in 2015). Only 7% were on previously owner-occupied land (10% in 2016, 7% in 2015).



7.2.5 The substantial majority of grazing arrangements were made by private landowners (81%). 11% were made by County Councils, 5% by traditional institutions and 3% by financial institutions.

7.2.6 There were 14 references to horses being a factor in the arrangement (1 in 2016, 3 in 2015, 13 in 2014).

7.2.7 In 10 cases (4.2%) respondents noted that the Basic Payment claim was a factor in the arrangement (3.8% in 2016, 8% in 2015).

### 7.3 Other arrangements

7.3.1 Two share farming agreements were recorded in 2017, covering 112 acres of bare land (1 covering 95 acres in 2016; 1 covering 59.5 acres in 2015; 1 covering 155 acres in 2014; 3 covering 1,312 acres in 2013). Share farming sees two separate businesses combining to produce a common output whose gross receipts are divided between them.

## PART 3: THE AGRICULTURAL LAND OCCUPATION SURVEY FOR SCOTLAND

### 8. INTRODUCTION

8.1 This is the sixth annual Agricultural Land Occupation Survey to be held in Scotland. It has been conducted by the CAAV and SAAVA by circulating members and others with forms for information to be returned on land that had been let in 2017, land where tenancies ended in 2017 and on other arrangements such as contract farming and grazing agreements that had been established in the year. It has not been used to monitor crofting. We are grateful to all who have helped with this.

8.2 This report reviews the statistics yielded by the Survey and offers an initial analysis and commentary for discussion and review. As the sixth such Scottish Survey, there can now be some comparison with the figures from the previous Surveys which are retained in brackets where relevant. It will inevitably be a little while before there is a sufficient history of data to allow conclusions as to trends, a task that is complicated by market reactions to the present discussion of and changes to agricultural land tenure and also by both the uncertainty about and the reactions to the implementation of the Basic Payment System with their impact on arrangements in the years 2014 to 2016. Those entering arrangements in 2017 would have been aware of the June 2016 referendum vote for the United Kingdom to leave the EU but have little to take into account save uncertainty.

8.3 This Survey, like the CAAV's Agricultural Land Occupation Surveys for England and Wales since 1977, primarily monitors changes in occupation and so the flows in and out of the tenanted sector and the nature of those changes, rather than the overall size of the let sector. Thus, the analysis is undertaken primarily in terms of the units let or not let as each represents a decision in the relevant circumstances. Overall acreages are given where this may lend perspective. That is particularly important in Scotland where the large acreages of some hill units can affect the appearance of the figures.

8.4 This Survey covers a total of 142 (176, 107, 53, 132, 203) units on 35,179 (62,201, 46,279, 25,424, 107,254, 42,820) acres with changes involving decisions about the letting or occupation of agricultural land in Scotland in the year to November 30th 2017, so including the main late November tenancy date. As some units in Scotland can cover very large areas, changes in acreage may be less significant as a barometer of decisions than changes in the numbers of units.

8.5 The units reported in the Survey comprise:

- 63 (25, 40, 19, 57, 87) where tenancies were reported let in the year, covering 20,517 (16,673, 9,234, 5,194, 15,352, 23,183) acres. 9 were LDTs. Of those with known previous tenures:
  - 41 (18, 27) were of units where a tenancy had ended; 6 following an AHA, 1 a Limited Partnership AHA, 33 SLDTs, and 1 an LDT. However, 17 of those reported as new lettings were re-let for terms of less than a year.
  - 10 (3, 11) followed grazing arrangements
  - 0 (1, 0) followed a contract farming arrangement
  - 12 moving from in hand or newly acquired
- 1 (0, 9, 11, 9, 54) succession to existing tenancies covering 81 acres (0, 2,792, 1,525, 3,447, 32,766)
- 8 (33, 23, 7, 22, 23) tenancies that ended and the land was reported as not re-let covering 3,050 (27,563, 18,137, 1,325, 9,995, 39,911) acres of which:
  - 4 (1, 15, 3, 9, 9) were taken in hand
  - 2 (7, 4, 1, 6, 9) went to grazing agreements
  - 1 (3, 3, 0, 3, 4) was put on contract farming agreements
  - 0 (10, 0, 3, 1, 0) were sold
  - 1 (11, 1, 0, 1, 0) was sold to the sitting tenant
  - 0 (0, 0, 0, 2, 0) were compulsorily purchased
  - 0 (1, 0, 0, 0, 1) went to an unknown arrangement
- 2 (7, 8, 8, 16) further new contract farming agreements covering 1,700 (9,554, 6,485, 17,051, 2,545, 8,682) acres
- 65 (114, 8, 34, 23) further new grazing agreements covering 9,217 (8,004, 9,031, 330, 11,377, 2,712) acres.
- 4 were on previous grazing arrangements of which 3 were taken in hand and 1 was sold
- 1 was on a contract farming arrangement and was taken in hand
- 1 on a disputed basis was taken in hand

8.6 No units were reported as being put onto a share farming agreement.



## 9. COMPARISON AND PERSPECTIVE

9.1 Throughout this analysis, it has to be understood that any single year's Survey can only be a snapshot. Trends will only appear as successive Surveys are held. Particularly in the early years, some apparently striking results may be seen which later Surveys would put into perspective.

9.2 Comparison is made with the results of the two most recent previous Scottish Surveys for 2015 and 2016 and also those from the CAAV's Agricultural Land Occupation Survey for England and Wales. That Survey has been conducted since 1977 and the 41st edition also covered 2017. Where relevant, comparative figures are given to aid discussion of what might otherwise appear plain figures.

9.3 In considering the relevance of that comparison and the issues that bear on lettings decisions:

- Scotland shares a common taxation regime with England and Wales – capital taxation is often important to private owners' decisions and its pressures are the same throughout Great Britain
- the EU's direct payments regime (previously the Single Payment Scheme and now the Basic Payment Scheme) applies throughout the United Kingdom but is applied differently in each territory of the United Kingdom. In 2015, Scotland implemented its regime in a more complex way than elsewhere. It did though move to the same area basis for allocating entitlements as in the rest of the UK, making matters more similar, especially in Payment Region 1 with its full allocation excluding many "naked acres". Scotland's introduction of a siphon on without land transfers of entitlements has a bearing on land occupation decisions within a larger uncertainty about the operation of BPS in Scotland. However, 2017 was the third year of the new regime with entitlements either allocated or not on the basis of 2015 though its implementation has been problematic.
- Scotland is in the same markets for agricultural inputs and produce as England and Wales – any sense of farm profits improving or deteriorating might at the margin be expected to lead to greater or lesser interest by owners in farming directly or through contractors equally across the United Kingdom.
- there may be differences in the patterns of land holding and farming structures and practice.
- there are different structures of agricultural tenancy law.
- the unfolding of land reform legislation (including the background of discussion of the possibility of a tenant's absolute right to buy) is a specifically Scottish feature.
- there may be other influences at work.

Only this sort of analysis will begin to engage with those questions.



## 10. KEY POINTS

10.1 **This is the first of these Surveys to report a rough balance between land flowing into the let sector and land leaving it, albeit a marginal loss with very small volumes of land on each side, illustrating the low levels of activity in this sector. The net loss of 289 acres** (see Table 13.1) compares with a net loss in 2016 of almost 28,000 acres (about 12,000 acres in 2015, just over 1,000 acres in 2014, almost 10,000 acres in 2013 and over 37,000 acres in 2012).

10.2 Within that, **the 1991 Act (AHA) sector continues to erode with new lettings being predominantly bare land and often let for short terms, some very short with a move to seasonal lettings** in these figures.

10.3 **2017 saw a recovery in the proportion of the let holdings that fell vacant being reported as re-let to 83%**; in 2016 this figure had fallen from a bare majority to 35%. That was a noticeable break from the historic pattern which saw those landowners who were still landlords as content with tenancies; neither legislation nor taxation was generally sufficient to dissuade them. However, **29% of the reported new lettings were for terms of less than a year**, many probably grazing tenancies, with a comment expressed about one owner's desire to retain flexibility rather than extend an SLDT.

10.4 That may reflect the comment of the Scottish Government's Agricultural Holdings Law Review Group describing letting as being seen now as a high risk, low reward activity. Owners withdrawing from farming, in particular, are often more comfortable with non-tenancy arrangements for a complex of motives including a closer sense of control over their land, consistency with retaining a business status, less demand for investment, taxation issues and a reluctance to be seen as a landlord.

10.5 **The average size of a new tenancy was 325** (663, 231, 273, 279, 266) acres. The higher figure for 2016 reflected a small number of much larger units alongside smaller lettings.

10.6 **The average length of a new tenancy is 3.68 (7.49, 5.47, 5.99, 6.69, 6.66) years.** That decrease from last year reflects the proportion of very short lets reported. The higher figure for 2016 appeared to follow the marked reduction in the lettings of SDLTs rather than any greater adoption of longer lettings but would have been lower if grazing tenancies were included.

10.7 **The length of letting varies with the previous tenure:**

- units previously let on SLDTs saw an average length for the new letting of 2.53 (4.79, 3.62, 4.38, 4.55) years. Excluding the lettings for less than a year increases that figure to 3.45 years.
- the unit previously let on an LDT was re-let for 10 (10) years.
- units previously let as AHAs had new tenancies with an average term of 15 years (18.75, 10, 9.25, 9.00) – but 13.33 Years (11.56) when former partnership tenancies are included.

10.8 **78% (68%, 65%) of lettings in 2017 were of bare land and 12% (24%, 22%) included a dwelling. While it has been conventional to think of Scottish agricultural holdings as fully equipped, the results in this Survey continue to highlight the growing dominance of bare land units in the number of new lettings.** That appears to be a significant point for the larger policy debate as it shows a growing fraction of lettings to be of ancillary land, not of self-contained farms or core steadings. That appears to be a natural part of the restructuring for any industry under economic pressure and it will not be readily reversed. However, **the small fraction and number of newly let units that included a house were distinctively larger than other lettings with an average size of 667 (1,535) acres** compared with the average bare land letting of 267 (325) acres.

10.9 That trend may be further encouraged by the growing policy interest in the condition of agricultural housing as seen in the commitment made in the 2016 debates on the Land Reform (Scotland) Bill by the then Cabinet Secretary to look at this further in the new Parliament and the subsequent housing consultation. Where it requires significant expenditure on farmhouses and cottages, it may prompt a commercial review by both landlords and tenants. One owner's reluctance to let a steading with potential exposure to future repairing liabilities was reported.

10.10 In some contrast to 2016's unusual nil figure, **4 lettings were reported as being to new entrants. These accounted for 20% of the small number of lettings where the farmer changed** (0%, 50%, 20%, 18%, 23%). The 2015 figure may have been influenced by the particular incentives in the new BPS for new entrants, offering both access to entitlements from the national reserve and a top up to payments for those who qualify as young farmers. The CAAV's Surveys for England and Wales also show that new entrants generally take some 25-30% of those lettings that are not re-lettings to the previous tenant. The figures can suggest an openness to letting to new entrants such that, were there more lettings, there would be more opportunities for them as well as for existing farmers. The decline in lettings has reduced that opportunity. The average length of letting to new entrants was 7.5 years (–, 11, 11.25, 10.66, 9.8) with average areas let of 822 (–, 680, 730, 545, 351) acres but this includes one letting of over 2,000 acres.

10.11 That overview may suggest that some aspects of 2016's figures were affected by the ways in which farmers and landowners had approached 2015 as the year when Basic Payment entitlements would be allocated, perhaps especially in Scotland with its uncertainties and complexities. They may also have been affected by the continuing uncertainty about the system and its siphon on without land entitlement transfers. The absence of reported successions and lettings to new entrants may be explained by these factors, with change concentrated in 2015.

10.12 **Summary** – 2017 appears to have seen, within low levels of activity, a return to use of SDLTs from 2016, lowering the average length but with use of some very short-term agreements, and with bare land letting now very much in the ascendant.

10.13 **Questions** – While recognising that each year's Survey is only a snapshot, this analysis raises questions

- if the let sector is to expand, that is most obviously achieved by attracting private owners who do not currently let to do so. With the historic move to owner occupation in the twentieth century, what would now encourage a significant number of retiring farmers to let their land rather than sell it or find other arrangements with other farmers?
- are owners who were willing to let now more reluctant? If so, why?
- what are the consequences of an increasing fraction of bare land holdings?
- with the general interest in encouraging new entrants, how is this done within a shrinking sector when existing farmers (including recent new entrants) also need expansion opportunities?

## 11. NEW LETTINGS

11.1 This section reviews the 63 tenancies reported as having been created in 2017.

Table 11.1: Number of tenancies created

Year	2017	2016	2015	2014	2013	2012
Tenancies created	63	25	40	19	57	87
Average size	325	663	231	273	279	266
Average length	3.68	7.49	5.47	5.99	6.69	6.66

11.2 **Type of Letting** – This is reviewed below when considering the lengths of the tenancies granted but, predominantly shorter term and bare land, they range from 3 months to one 35 year LDT. Of the 63 lettings, 9 (14%) were LDTs.

11.3 **By Type of Owner** – In Table 11.2, the fundamental role of private landowners in letting farmland is again demonstrated as 59 of the 63 lettings were by private owners and 3 by traditional institutions (1 unknown).

Table 11.2: Type of owner

Year	2017	2016	2015	2014	2013
Private landowner	59	24	36	19	50
Traditional institution	3	1	2	–	–
Financial institution	–	–	2	–	–
Not known	1	–	–	–	7

### 11.4 Where Have the New Tenancies Come From?

11.4.1 Table 11.3 looks at the units that were let in the Survey period by the way in which that land had previously been occupied, whether let (and, if so, on which sort of tenancy), previously in-hand or on a contracting or grazing arrangement.

Table 11.3: Previous Tenure of the Land that was Let in 2017 – Comparison with 2016 Survey

Year	2017			2016		
1991 Act	6	10%}	11%	4	18%}	36%
1991 Act Ltd Partnership	1	2%}		4	18%}	
LDT <sup>2</sup>	1		2%	3		14%
SLDT	33		52%	7		32%
Small Landholders	0			0		
Grazing Arrangement	10		16%	3		14%
Contract Farming	0			1		5%
Vacant	12		19%	0		

11.4.2 One feature of the 2017 results is the 12 units that are reported as let that had not been let before. At 19%, that reverts to figures seen in the pre-BPS Surveys for 2013 and 2012 (5%, 2.5%, 5%, 20%, 14%).

Table 11.4: Acreages of New Units Let by Previous Tenure

	2017		2016		2015		2014		2013	
AHA	8,833}	9,026	3,462}	4,527	1,825}	2,617	1,096}	1,096	6,796}	11,749
AHA LP	193}		1,065}		792}		0}		4,953}	
LDT	317		6,140		2,437		60		575	
SDLT	8,413		3,967		1,769		518 <sup>3</sup>		1,948	
Grazing	200		687		1,089					
Contract Farming	0		340							
Vacant	2,561									

11.4.3 Exploring those cases a little further, they include:

- 8 reported as land let after being purchased, covering 2,096 acres (1,203 on one fully equipped letting) lettings for an average term of 1.7 years (4 were for 7 months each). 7 of the 8 were of bare land only; in one case prospective repairing obligations were a reason for not including the steading.
- 1 was a retiring farmer looking to retain land ownership for the long term in the family while letting a fully equipped unit – as it happened to a new entrant
- 3 were bare land lettings, 1 as an organic unit by a retired couple

11.4.4 46 of the 60 lettings for which fixed equipment was known were bare land (77%). Covering 12,291 acres, they accounted for 60 per cent of the let area. On both measures, the letting of bare land outweighs the combined lettings of both land and buildings and units with dwellings.

11.4.5 Comparison with England and Wales show they have a much higher level of short term activity, perhaps for two reasons:

- FBTs have been available since 1995 while SLDTs and LDTs only became available from 2003 giving less time for any volume of shorter term lettings to develop and then lead to new tenancies. The re-letting of land on FBTs is the largest part of the English market which has not (yet) developed in Scotland to the same extent, even for SLDTs. The 2017 figures show a recovery from 2016 in the re-letting of expiring SLDTs.
- it appears that Scotland is now approaching the high proportion of bare land lettings seen in England and Wales. Experience shows that bare land is more likely to be let for shorter terms and so in Scotland on SLDTs as well as grazing tenancies.

## 12. TENANCIES THAT ENDED

12.1 This section looks at those units where a tenancy ended in 2017 and records whether it was re-let (and, if so, in what way) or taken in hand, put to a contract farming agreement or to a grazing arrangement.

**Table 12.1:** Tenancies that Ended in 2017 – 1991 Act (including Limited Partnerships) LDTs and SLDTs

	Number		Area	
<i>Total</i>	49		23,567	
Re-let	41		20,157	87%
– 1 year or more	24	49%	19,751	84%
– Under 1 year	17	35%	766	3%
Sold	0			
Sold to tenant	1	2%	2,436	10%
Compulsory purchase	–			
In hand	4	8%	2,436	10%
CF	1	2%	253	1%
Grazing	2	4%	43	–%
D/K	–			

Comparison with 2016, 2015 and 2014

Number	2016		2015		2014	
<i>Total</i>	51		50		25	
Re-let	18	35%	27	54%	18	72%
Sold	10	20%	–	0%	3	12%
Sold to tenant	11	22%	1	2%	–	0%
Comp Purchase	–		–	0%	–	0%
In hand	1	2%	15	30%	3	12%
Contract Farming	3	6%	3	6%	–	0%
Grazing	7	14%	4	8%	1	4%
D/K	1	2%	–	0%	–	0%

Area	2016		2015		2014	
Total	44,165		27,324		6,436	
Re-let	15,346	35%	9,187	34%	5,111	79%
Sold	1,005	2%			338	5%
Sold to tenant	2,082	5%	185	1%	–	
Comp Purchase	–	–			–	
In hand	606	1%	8,464	31%	82	1%
Contract Farming	22,680	51%	6,025	22%	–	
Grazing	887	2%	3,463	13%	905	14%
D/K	1,379	3%			–	

12.2 Reviewing that data is subject to the caution that the results of both 2015 and 2016 were likely to have been distorted by the reactions of owners and farmers to the introduction of the Basic Payment Scheme. That dynamic would have played out in different ways as 2015 was the year in which land occupation was critical for access to the new scheme, even though this was still attended by considerable uncertainty for some.

12.3 The discussions around the development and enactment of the Land Reform (Scotland) Act 2016 is also likely to have been in the minds of many owners.

- 12.4 Those points made, a review points to
- the overall low numbers and level of activity involved
  - the effect within small figures of both some large areas of land and some very small areas of land
  - letting now being predominantly an activity for bare land. While there are lettings of traditional units with dwellings and buildings, often of larger areas, they are now only a small part of the market.
  - some reversion to the patterns of 2012 and 2013 after the oscillations around the BPS process with the management of arrangements for 2015 with its allocation of BPS entitlements, with some owners holding land in hand and others letting it out to more eligible claimants.
  - the proportion of units that had been let and were then re-let has recovered from that process towards levels seen in England and Wales. However, a significant fraction of lettings are simply on a seasonal basis, some as interim arrangements before development or forestry.



### 13. NET MOVEMENT IN THE SIZE OF THE TENANTED SECTOR

13.1 This analysis looks at the flows of land into and out of the tenanted sector. It starts with the acres that the Survey reports as added to the let sector in the year – land that had not been let that is now let. The land lost from the let sector in the year is then recorded – that is the previously let land that has been taken in hand, put to contract farming or to grazing arrangements. The result is a net figure of the overall acreage gain or loss for the sector and thus a barometer of its health, albeit one potentially obscured in Scotland by the very large areas of some units.

13.2 The position can be compared with the analysis of the 2016 and 2015 Surveys for Scotland as well as more generally with the figures in England and Wales.

**Table 13.1:** Net Movements in the Area of the Scottish Tenanted Sector in 2017

	2017	2016	2015
<b>Fresh Let</b>			
Vacant (inc purchased)	+2,560	–	–
Ex Contract Farmed	–	+340	–
Ex Grazing	+200	+687	+1,089
<b>Less Losses from Previously Let</b>			
<i>Ex AHA/AHA Ltd Partnership</i>			
ex AHA to In-hand	2,363	606	3,076
ex AHA to Grazing	–	–	415
ex AHA to Contract Farmed	253	1,510	5,930
ex AHA LP to Contract Farmed	–	21,350	–
ex AHA LP to Grazing	–	500	–
ex AHA LP to In Hand	73	–	2,200
ex AHA LP to Other	–	–	–
ex AHA to Other	–	1,379	–
ex AHA Sold on End of Tenancy	–	1,005	–
ex AHA Sold to Sitting Tenant	317	1,781	–
ex AHA to Compulsory Purchase	–	–	–
<b>Total AHA/LP Losses</b>	<b>3,006</b>	<b>28,131</b>	<b>8,621</b>
<i>ex LDT/SLDT</i>			
ex LDT/SLDT to In Hand	–	–	3,836
ex SLDT to Contract Farmed	–	–	95
ex LDT to Grazing Arrangement	28	–	–
ex SLDT to Grazing Arrangement	15	337	–
ex LDT/SLDT to Other	–	–	–
Sold on End of Tenancy	–	301	–
Sold to Sitting Tenant	–	–	435
<b>Total LDT/SLDT Losses</b>	<b>43</b>	<b>638</b>	<b>4,366</b>
<b>Total Losses from Previously Let</b>	<b>–3,049</b>	<b>–28,769</b>	<b>–12,987</b>
<b>Net Loss to the Tenanted Sector</b>	<b>–289</b>	<b>–27,742</b>	<b>–11,898</b>

13.3 These figures are the first such Survey to show a rough balance (a marginal loss) between land leaving and entering the let sector but with very low volumes of land involved.

13.4 In broad terms, the let sector in England and Wales, having grown in the years after the 1995 reforms, has stood still since Single Payment entitlements were allocated – area payments being seen as a force for stasis in land occupation. It is possible that this Survey is now showing a similar effect in Scotland with the allocation of Basic Payment entitlements on an area basis combined with the division of Scotland into three payment areas and the additional factor of the Scottish adoption of a temporary siphon on payment values on without land transfers of entitlements.

13.5 The loss remains almost entirely from land that has been let on tenancies under the 1991 Act and not from land let on LDTs and SLDTs. While neither LDTs nor SLDTs appear to offer a means to encourage landowners (including retiring farmers) to start letting land in significant volumes, they do provide a vehicle for those who are willing to let. The losses from this sector seen in 2015 have not been repeated and perhaps owe something to arrangements for the commencement of the Basic Payment Scheme (though 7,352 acres were reported as lost in 2012). These can only have been let on this basis since 2003 and so the original lettings represented recent choices. While in some cases, an LDT or SLDT may have been a consciously interim arrangement, it could be expected that generally this was land that the owner was content to let within the last decade and so likely to wish to re-let.

13.6 2017 saw some previously in-hand being newly let. This is reviewed above at 11.4.3.

13.7 It is striking that, with the exception of 2016, previous Surveys have showed very few (0, 3, 1, 0) sales of previously let land in Scotland and so suggested a strong pattern of retaining land rather than of owners capitalising on the access to value offered by the end of a tenancy or a deal with a sitting tenant. While 2016 reported 10 units sold to third parties and 11 sold to sitting tenants, albeit with an average area involved of some 150 acres, 2017 saw only one sale to a sitting tenant. That appears a reversion to the previous pattern.

13.8 There will always be some land lost each year to the let sector as, for example, land going to development or forestry as well as where the landlord wishes to farm or sell the land. If the size of the sector is to be maintained or grow, that makes it important for new land that had not been let to be freshly let. That is a matter of choice for landowners, public, institutional and private. Perhaps the sharpest way to pose the question in terms of unlocking land for letting is to ask what would encourage a significant number of retiring farmers to let their land rather than sell it? What would make letting attractive in comparison to the other arrangements for a landowner or retiring farmer to work with another farmer?



## 14. SUCCESSIONS TO TENANCIES

14.1 These are analysed separately as they do not represent choices about land occupation made by the owner but rather the use of existing legal rights created by the law in respect of existing agreements.

14.2 This year, just one succession was reported on 81 acres (with a dwelling), apparently to someone newly eligible under the 2016 Act. It is possible that the absence of reported successions in 2016 was a function of it being the year after the Basic Payment Scheme was introduced but before many knew what their true position was under it and so could have been waiting for certainty before acting.

Table 14.1: Succession tenancies

Year	2017	2016	2015	2014	2013	2012
Number of successions	1	0	9	11	9	54
Total area	81	–	2,792	1,525	3,447	32,766
Average unit size	81	–	310	139	492	607



## 15. ANALYSIS OF NEWLY LET UNITS

### 15.1 General

This section more closely analyses the units let in 2017, particularly by size and length of letting. Unfortunately, the information collected this year is too limited to provide sufficient data for analysis by enterprise.

### 15.2 Size of Unit and Fixed Equipment

15.2.1 The average area for these lettings was 325 (663, 231, 273, 279, 266) acres, markedly larger than the average figures for England and Wales of below 100 acres (which reflects the larger number of small areas of bare land let there). The 2016 figure was influenced by a small number of very large lettings.

15.2.2 While historically Scotland did not have the same high proportion of smaller, bare land lettings that are seen in England and Wales, the Survey confirms the apparent trend of recent years towards just that pattern, with bare land lettings, large and small, now predominating. Bare land lettings accounted for 77% of lettings and 60% of the let area, outweighing the combined lettings of both land and buildings (12% of lettings and 17% of the let area) and units with dwellings (12% of units and 23% of the let area). In 2016, 68% of the new lettings were of bare land, 8% were of land and buildings and 24% also had houses.

15.2.3 One clear conclusion from the accumulated evidence of these Surveys since 2012 is that for discussion of new agricultural tenancies to be effective it should recognise that they are now typically of bare land, including some with large areas. The older model of letting fully equipped, potentially self-contained farms, more typical of those existing tenancies governed by the 1991 Act, is now a minor part when it comes to current lettings.

Table 15.1: Analysis by Size of Holding (previous year in brackets)

Size	Bare land	With buildings	Fully equipped
Under 25 acres	15 (0)	1 (-)	1 (-)
25-49	10 (3)		
50-74	3 (2)	- (-)	
75-99	3 (5)	2 (-)	
100-124	1 (1)		- (-)
125-149	1 (2)	- (1)	
150-199	5 (0)	1 (1)	1 (1)
200-299	2 (1)	1 (-)	1 (-)
300-999	3 (3)	1 (-)	1 (5)
Over 1,000	3	1	3

### 15.3 Length of Tenancy Granted

15.3.1 This Survey reports the lengths of term for which new lettings were granted. In practice, this may on occasion understate the true length of occupation that may be achieved where some tenancies run on beyond their granted terms. Equally, there will be a few tenancies which, for whatever reason, come to an end before their granted term expires.

15.3.2 While (unlike England and Wales) Scotland does not offer complete freedom of contract over the length of a tenancy – it is not possible to let a tenancy for a period of between 5 and 10 years – it has been possible since 2003 to let land on a variety of terms, each with different legal effects.

15.3.3 The terms granted for the new tenancies reported to the Survey ranged from very short (3 months) to 35 (35, 35, 25, 25, 38) years.

**15.3.4 Use of the Reduced Length of LDT** – Of the 9 LDTs reported, 8 (6, 8, 3, 7, 8) units were let for a term of 10 years and 1 (3, 3, 3) for a longer term LDT, continuing to show that the amendment to allow LDTs for terms of 10 years and more has been used for the majority of lettings that could be LDTs. It is not possible to tell from the data how many of these:

- would have been let anyway but at 15 years
- would have been let as SLDTs instead and so now have a longer term
- would not have been let

without the change.

15.3.5 However, it is consistent with analysis suggesting that, where the law sets a minimum term then, where owners are willing to let, that figure tends to set a norm, creating its own pressure for parties to use it. This was an important part of the English debate on tenancy reform since, where no minimum term is set, the parties have to judge the matter themselves.

15.3.6 Of the 9 LDTs, 4 were of fully equipped units (2,188 acres), 3 were of land and buildings (3,005 acres) and 2 were of bare land (4,433 acres), again showing the rough correlation between scale of fixed equipment and length of term.

**15.3.7 Overall Average Term** – The average length of a new letting has fallen sharply to 3.68 years from 2016’s 7.49 years (5.47, 6, 6.69, for simplicity excluding those reported as being from year to year, 6.66). If those for less than a year (almost all probably grazing lets) are excluded, the average would be 4.98 years. The previous Surveys would have had lower averages if the large volume of grazing tenancies was included.

15.3.8 That compares with the average length of letting in England and Wales of 4.48 years in 2016 (3.83, 3.53, 3.16, 4.12, 3.89) years. While the longest average term reported for England and Wales since the 1995 reforms, that figure reflects the still higher proportion of smaller, bare land units and the typically low proportion of tenancies with houses that are let there. CAAV Surveys have shown that the lengths of lettings for units with similar levels of equipment are similar to those in Scotland. Thus, much of the apparent difference in the summary averages between the Scottish figures and those for England and Wales is accounted for by the different mix of types of holding.

15.3.9 That difference is now explored in more detail.

**15.3.10 Patterns in the Length of Letting** – As has been found in England and Wales, the terms granted vary with the previous form of tenure and the level of fixed equipment.

**15.3.11 Term by Previous Occupation (Numbers of Units)** – The distribution of tenancies by the lengths of term that are likely to dictate whether the letting is an SLDT, an LDT or a 1991 Act tenancy (a question that was not expressly asked) are shown in Table 15.2 overleaf.

Table 15.2: Previous Tenure and New Type of Tenancy

	≤5 years					10 years +				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
AHA	–	–	–	3	2	4	4	2	2	3
AHA LP	1	4	1	–	7	–	–	3	–	8
LDT	–	–	–	–	–	2	2	2	1	1
SLDT	31	6	15	9	12	2	1	3	1	4
<b>Total</b>	<b>32</b>	<b>10</b>	<b>16</b>	<b>12</b>	<b>21</b>	<b>8</b>	<b>7</b>	<b>10</b>	<b>4</b>	<b>16</b>
VP	11	–	–	–	8	1	–	–	–	–
GA 10	3	9	2	1	–	–	1	–	–	–
CF	–	1	–	1	–	–	–	–	–	–
<b>Total</b>	<b>21</b>	<b>4</b>	<b>9</b>	<b>3</b>	<b>9</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>

15.3.12 The average length of tenancy varies with the previous tenure of the unit, as is also seen in England and Wales. This will reflect the circumstances and attitudes of each owner as well as the holdings in question.

Table 15.3: Length of Tenancy by Previous Tenure

	2017	2016	2015	2014
Ex 1991 Act	15.00	18.75	10.00	9.25
Ex 1991 Act Ltd Partnership	5.00 <sup>1</sup>	4.50	12.25	–
Ex LDT	10.00 <sup>1</sup>	10.00	12.50	10.00
Ex SLDT	2.53	4.79	3.62	4.84
Ex Grazing Arrangement	3.55	3.67	3.70	1.42
Ex Contract Farming	–	5.00 <sup>1</sup>	–	0.66
Ex Vacant Possession	2.67	–	10.00 <sup>2</sup>	–

Notes

<sup>1</sup> – only one unit

<sup>2</sup> – part of a unit with former grazing land

**15.3.13 Term by Level of Fixed Equipment** – The pattern of average term by the extent of fixed equipment on a holding shown by the 2017 Survey is set out in Table 15.4.

Table 15.4: Length of Tenancy (years) by Fixed Equipment

Year	2017	2016	2015	2013	England 2016
Bare land	2.42	6.16	3.55	3.06	3.20
Land with buildings	6.29	7.50	7.50	10.90	4.82
House and land	10.52	11.25	8.56	9.53	14.19

15.3.14 Unfortunately the information collected in 2014 for Scotland did not provide enough data to allow a useful analysis of term length by the level of fixed equipment but the picture shown by the previous 2013, 2015 and 2016 Surveys (consistent with that from England and Wales though with 2014 there seeing shorter terms than usual, put down to the prospect of BPS) is shown.

## 16. NEW LETTINGS AND NEW ENTRANTS

**16.1 How Many Tenancies are Taken by New Entrants?** – One question regularly asked is the extent to which new tenancies are taken by new entrants.

16.2 Beyond a very narrow (and, in practice, unilluminating) definition based on the first time a prospective farmer takes land, it is very difficult to define a new entrant. Accordingly, respondents were simply asked two questions:

- whether they considered the tenant of a new letting to be a new entrant
- whether the unit had been re-let to the person who had farmed it before.

16.3 20% of lettings in 2017 where the farmer changed were reported as lettings to new entrants. The 2016 Survey had, very unusually, shown no lettings to new entrants. They normally account for some 20% to 30% of the lettings where the land is not let to the same farmer as before (with similar figures seen in England and Wales). 2015 saw a higher level of 50% and so it is possible that many more new entrants came forward in 2015 for the Basic Payment with fewer opportunities in 2016.

16.4 While that proportion may appear positive, it is in reality only a very small number of actual cases – 4. The evidence suggests that it would rise were the number of lettings agreed to rise. This avenue of entry is limited by the number of opportunities to win tenancies.

16.5 Those figures also touch on the question of what would be desirable levels of entry to the let sector. If between a fifth and a third of lettings to farmers who did not previously have that land are to new entrants: is that about right? or too low (and perhaps a policy issue)? or even high enough to wonder about what it is really saying? What would be happening in the sector, if all such new letting relationships were with new entrants? Would that mean existing farmers (including recent new entrants) were not getting expansion opportunities? – and, if not, why not? Would it suggest that new entrants, having entered, were then not progressing? There is probably no optimal answer but such discussion, informed by data, allows this to be part of larger debate about the structure of the sector. If the sector is shrinking and relatively few new lettings are offered, that narrows opportunities for all, especially those trying to start farming on their own account by means other than purchase.

**16.6 Length of Term for New Entrants** – With two LDTs and 2 SLDTs, the average length of letting to a new entrant was 7.5 years, longer than the overall average. The Surveys before 2016 showed new entrants having lettings for longer than average terms.

Table 16.1: Lettings to new entrants

Year	2017	2016	2015	2014	2013	2012
Average term	7.5	–	11	12.5	10.66	9.8
Average size of holding	790	–	680	730	545	351

**16.7 Average Size** – New entrants have also tended to take larger than average holdings: 790 acres in 2017 being 243% (194%, 52%, 95% and 32%) larger than the overall average. That may reflect existing farmers taking more smaller units as ancillary land. However, the small sample here includes one letting over 2,000 acres and one (with a house) of little more than 1 acre.

## 17. OTHER AGREEMENTS

### 17.1 Contract Farming

17.1.1 Returns to the Survey reported 3 new agreements covering 1,953 acres – an average area of 651 acres.

17.1.2 None of the agreements were reported as replacing previous contract farming agreements and 2 were on in-hand land. One unit had previously been on a 1991 Act letting and none on a grazing arrangement.

Table 17.1: Contract farming agreements

	2017	2016	2015	2014	2013	2012
No. of agreements	3	13	10	8	11	20
Total area	1,953	32,141	12,510	17,051	5,554	13,045
Average area	651	2,493	1,251	2,131	505	652
Average length	2	3.36	3.46	6	2.36	3.14
Previously:						
Contract farming	0	5	3	5	5	5
In-hand	2	3	4	–	3	10
1991 Act tenancy	1	4	–	–	–	–
Grazing arrangement	0	1	–	–	–	–

17.1.3 While one agreement was with a different farmer, none (2, 3, 2, 1) were with farmers perceived to be a new entrant.

17.1.4 The agreements are reported to have been to be granted to run from year to year. The average length of a contract in 2016 had been 3.36 years, taking account of those running from year to year as being for at least two years.



### 17.2 Grazing Agreements

17.2.1 This sector will overlap with the significant number of seasonal grazing lets reported as tenancies, perhaps as easily reported as such here.

17.2.2 65 new grazing arrangements were reported on 9,217 acres – an average of 142 acres. While, with 2016, these are higher figures than previous Surveys, it is probable that these Surveys do not generally capture the larger grass lets markets but rather collect data on situations where grazing arrangements have arisen on managed estates, typically where letting is an option to be considered or where other issues have driven the decision.

17.2.3 Of these, 60 replaced previous grazing arrangements, 0 replaced SLDTs and 2 were previously in-hand and 3 were on land that had been purchased.

Table 17.2: Grazing arrangements

	2017	2016	2015	2014	2013	2012
No. of agreements	65	114	32	8	40	32
Total area	9,217	8,004	9,031	310	1,607	10,986
Average area	142	70	282	39	40	343
Average length	2	3.36	3.46	6	2.36	3.14
Previously:						
Grazing arrangement	60	105	28	6	33	23
In-hand	2	3	4	–	–	–
1991 Act tenancy	1	4	3	–	5	6
SDLTs	0	6	–	–	1	3
LDTs	–	–	1	–	–	–
Purchased land	3	–	–	–	–	–
Vacant	–	–	–	1	–	–
Unknown	–	–	–	1	1	–

17.2.4 62 (100, 25, 6, 34, 26) were with the same farmer as before – unsurprising in the context of seasonal grazing land being made available for many years to neighbours. As last year, none were noted as taken by a new entrant.

### 17.3 Share Farming and Other Agreements

No other such agreements were reported as being used.

