INTRODUCTION TO THE CAAV AGRICULTURAL LAND OCCUPATION SURVEYS 2018

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 (SAAVA) to 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 all four parts of the United Kingdom accompanied by the latest statistics from England, Wales and Scotland.

The issues here are particularly salient with the opportunities offered by the current policy discussions to tackle British farming's productivity challenge. As the Irish Government has argued, access to land is a key constraint on raising productivity. With the stasis in land occupation reported in our Surveys, the CAAV is actively looking at the ways by which this can be tackled, using taxation (with the increasing success of the Income Tax relief in Ireland), housing (whether for the old farmer or the new one) and other means. We have been pleased to contribute on these themes to the Agricultural Productivity Working Group of the Food and Drink Sector Council as well as elsewhere.

The Survey itself is in two parts: the first covering England and Wales and the second covering Scotland, with its different history and arrangements. With no significant tenanted sector as yet in the province, we do currently do a survey for Northern Ireland.

The Appendix then draws together some of the data available on overall patterns of land tenure.

The CAAV is the specialist body representing some 2,800 members practising in agricultural and rural valuations throughout the United Kingdom. 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 2018:

PART 1: OVERVIEW OF THE LET SECTOR 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 2018 Surveys largely show existing trends to have generally continued. While the average length of tenancies in England and Wales is again less than the year before, where land is let for more than a year, the average such let in England and Wales has a term of around 4 years. The most obvious explanation for this shortening of terms is a combination of caution and uncertainty among owners (and also prospective tenants) ahead of what may come with both Brexit and post-Brexit policies.

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 2018, lettings of less than 25 acres were for an average of 2.2 years but those over 200 acres for 5.6 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. The key point is 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.

Fundamentally, the health of the let sector requires private landowners (indeed, potentially retiring farmers of any age) to see letting 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, opening up change and opportunities for proficient farmers, existing and new, to secure the use of land.

It may still be too early for these Surveys to show the potential effects (if any) 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 it will be post-Brexit changes, and expectations of post-Brexit policies, that 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/)

With the opportunities offered by the active discussion of post-Brexit policy, especially on productivity questions, the CAAV has been doing much work in this area. The April 2019 consultations by DEFRA and the Welsh Government on tenancy law largely review the legislation for the existing let sectors in both countries. The key issue for change and progress is seen to be how to enable and encourage more opportunities for proficient farmers to secure access to land. The proposed withdrawal of BPS is potentially powerful but more will be needed to ensure positive results. The CAAV has been working on the taxation, housing and other issues that could unlock the important opportunities here for a thriving agriculture.

The Long View – Great Britain

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 then reduced to 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 into payments for the area of eligible farmland occupied by the claimant. That created both confusion and divergent reactions 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 around 35 per cent of the agricultural land area – the previous decline has been halted and slightly reversed with almost half of the let sector now being on the Farm Business Tenancies introduced in 1995.

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 20 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.

Even stabilising the size of the let sector requires both high levels of re-letting land where tenancies end and a significant inflow of newly let land to balance the land that, for development, personal or other reasons, will not be available for re-letting.

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 while it declines. The Savills survey of Scottish estates reported in the Appendix records that since 2016 the area of in hand, contract farmed and seasonally grazed land on those estates has exceeded the area of let land on those estates. Land is being brought under more direct personal control.

In more detail, while the number of 1991 Act tenancies has fallen sharply, much of the land released has not been re-let on the new forms of tenancy which have not proved as attractive as Farm Business Tenancies in England and Wales. While Farm Business Tenancies are on the edge of covering more land in England than 1986 Act tenancies, the new tenancies in Scotland do not yet account for a third of the non -crofting let sector there, which is much smaller as a result.

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 has followed a separate path, its tenancy system having been dismantled 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 strikingly successful in attracting landowners, including retiring farmers, to let rather than use seasonal arrangements. Initially reviewed in Chapter 4 of the CAAV Discussion Paper, *Taxation: Agricultural Productivity, Land Occupation and Use After Brexit* (September 2017), the re-creation of a new let sector in Ireland since 2015 is analysed in the next section of this Survey.

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 polices 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.

THE IRISH REPUBLIC'S USE OF INCOME TAX RELIEF TO PROMOTE THE LETTING OF FARMLAND

THE FIRST THREE YEARS EXPERIENCE

LESSONS FOR THE UNITED KINGDOM

> **"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."**
>
> *Irish Government, Agri-Taxation Review, 2017*

KEY POINTS

The Irish Republic substantially increased Income Tax reliefs from 2015 for lettings of farmland on arm's length terms for at least 5 years. The results in 3 years are:

- **The fraction of the Irish Republic's farmed area that is let on arm's length terms for 5 years and more has grown from 2 per cent in 2011 to almost 7 per cent in 2017.**
- **Approximately 450,000 acres have been newly let on such terms in just the three years of 2015 to 2017 since the enhanced reliefs were available, with that land coming from in-hand farmland as well as land that had been let out on seasonal conacre.**
- **By 2017, some 10,000 Irish farmland owners are now the landlords of arm's length tenants for at least five years, nearly half having started in the three years 2015 to 2017 and those bringing larger areas of land to the market.**
- **The average area of units let for five years or more in 2017 appears to have been around 115 acres, effectively identical to the equivalent figure for Farm Business Tenancies in England and Wales (117 acres in 2018).**

IRELAND NOW HAS MORE OF ITS FARMLAND ON NEW 5+ YEAR LETS THAN GREAT BRITAIN

Initial modelling for the United Kingdom suggests if this achieved the letting of another 4 per cent of farmland in Great Britain and 15 per cent in Northern Ireland to lettings for 5 years or more, the productivity gain might be more than £100 million.

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1. Summary

1.1 The significant extension of Income Tax relief on arm's length lettings of farmland for five years or more in 2015 was designed to enable land to move into the hands of the proficient and enable a longer term view for land management and productivity.

1.2 In the bare three years for which we have evidence from Irish Revenue, this enhanced relief has seen new, accelerated and sustained change in the occupation of farmland so that:-

- **Ireland now has 10,000 and more landlords.**
- **Ireland has in three years already seen as much of its agricultural land area let on tenancies for five years or longer as Great Britain has achieved with FBTs in England and Wales and LDTs and SLDTs in Scotland. With pre-2015 lettings, it has 7 per cent of land on such lettings; England might have 5 per cent under FBTs for five years or more with slightly lower equivalent fractions in Wales and Scotland.**

1.3 This accumulating evidence points to this as a measure to be adopted in the United Kingdom for the same reasons, promoting the voluntary transfer of farmland by letting to those who will use it proficiently. As well as CAAV analysis, this has been included in recommendations in the June 2019 report by the Agricultural Productivity Working Group to the Food and Drink Sector Council and the 2016 *Sustainable Agricultural Land Management Strategy* report in Northern Ireland.

1.4 The key lessons include:

- the benefit of a simple policy pitched powerfully enough to influence behaviour, rather than just be a policy gesture. Previous lower levels of relief in Ireland did not achieve this effect and other more complex tax measures there have had little traction.
- the supporting research shows that it is more important to enable land to move to proficient farmers - surely the real goal of policy - than to move it from those over 65. For a variety of reasons, including other family members, the age of farmers is a distraction from the real issue of encouraging land to be made available by wearying farming owners of all ages to others who can use it better while paying a better income through rent.

1.5 This paper is a supplement to the review of these issues in the CAAV's September 2017 Discussion Paper, *Taxation: Agricultural Productivity, Land Occupation and Land Use*
(see https://www.caav.org.uk/Publications/Categories/Free_Publications.aspx).

2. Access to Land as a Key to Answering the Agricultural Productivity Challenge for Ireland and the United Kingdom

2.1 Both the United Kingdom and Ireland have identified that they have a longstanding poor performance in productivity growth for agriculture. On the simplet measure, both have averaged around 1 per cent improvement a year and have been substantially outpaced year-on-year by other nations from France and Germany to Holland and the United States. As the AHDB has noted:

> "If our rate of growth had kept pace with the US since 2000, the contribution of UK farming to the rural economy would have been £4.3 billion higher by 2013." (Horizon, *Driving Productivity Growth Together,* January 2018)

Achieving that would almost double the United Kingdom's recorded Total Income From Farming (TIFF) which was £4.7bn in 2018 (with an average from 2013 to 2018 of £5.085bn). The effect on real economic performance would be more radical as excluding subsidies reduces that average United Kingdom's TIFF to £1.816 bn and that for 2018 to £1.414 bn. Matching the United States' performance in improving productivity would increase that ex-subsidy outcome for the United Kingdom three- or four-fold.

2.2 Both governments are understandably anxious to improve the productivity performance of their agricultures.

2.3 DEFRA has set the new Food and Drink Sector Council (FDSC) the demanding objective to:

> "Accelerate the growth of UK agricultural and horticultural productivity to overtake our major competitors by 2030."

2.4 While important work focuses on improving skills, use of data, innovation and investment among existing businesses, opening up the markets in land occupation and use – "land mobility" - is also as an important component for policy to be effective, particularly with the scale of the target set by DEFRA. As the Agricultural Productivity Working Group reported to the FDSC in June 2019:

> "Facilitating the management of land by those who will adopt new tools, technologies and practices could have a subsequent positive impact on productivity."

and

> "Improving access to land by productive, proficient farmers and growers with experience or specific training could accelerate uptake of new technologies and practices."

That report recommended that the Government "investigate Income Tax relief in relation to land mobility".

2.5 Northern Ireland's *Sustainable Agricultural Land Management Strategy* report of 2016 was concerned to achieve major improvements in the poor land management it identified. Designed to improve both agricultural productivity and environmental outcomes, its recommendation included:

> "a fiscal incentive should be introduced to voluntarily encourage farmers and land owners to move away from our eleven month conacre system and towards long term leases of at least five years".

2.6 The Republic of Ireland has looked long and hard at this, with the major policy statements in the Food Wise and Food Harvest reports. It sees that enabling and encouraging the movement of land into the hands of the proficient, whether existing or new farmers, has to be an essential part of improving productivity. With the tenancy system in Ireland dismantled over a century ago, owners have only made land available on seasonal arrangements (conacre). That has made land tenure a particular concern in the search for arrangements that will improve productivity, giving a framework to support investment and land management.

2.7 The research underpinning the Irish Agri-Taxation Review of November 2014 (http://www.budget.gov.ie/Budgets/2015/Documents/Agritaxation_%20Review%20_Final_web-pub.pdf) indicated that moving land into the hands of the trained saw an average improvement in production of 12 per cent, more than twice the gain from moving land out of the hands of those over 65. The capacity for that average 12 per cent difference to be realistic is shown by the extreme range of the variation between high and low performance farms on both physical and financial criteria.

2.8 Purely as an illustration using the four FBS years from 2013/14 to 2016/17 for the major English farming land use of combineable cropping:

- the top quartile earnt an average surplus of £208/hectare from farming before BPS, agri-environment income and other on-farm income
- the bottom quartile lost an average of £332/hectare before those other sources of income.

For the FBS year 2016/17, lowland livestock farming in England saw:

- high performance businesses similarly earn a surplus from farming of £410/hectare
- low performance businesses lose £207/hectare.

Those patterns are repeated for other sectors and other parts of the United Kingdom.

2.9 Work by the AHDB with Andersons ascribes very little of the difference between commodity production farmers to the quality of land (perhaps 3 per cent), finding the real differences to lie in cost control and other management issues. All told, they see only 5 per cent lying outside the farmer's control, making the question of who is farming critical.

2.10 In brief, getting proficient farmers onto land that suits them offers a powerful aid to meeting the productivity ambition and achieving a significantly more efficient and profitable sector.

2.11 The potential for this gain is all the more real as the effect of the CAP's area payments, illustrated in the stasis reported in the CAAV's annual *Agricultural Land Occupation Surveys,* has been to pay people to occupy land so encouraging existing claimants to stay, muffling opportunities for economic and structural change. Achieving a positive outcome from the withdrawal of Basic Payments Scheme in England and Wales will depend in part on a policy climate that opens these doors.

2.12 Ireland has tackled that positively with an Income Tax relief on the arm's length letting of farmland for five years or more.

3. The Irish Income Tax Policy to Promote Letting Farmland

3.1 With the tenanted agricultural sector dismantled in Ireland over a century ago, land has only been made available between farmers on seasonal arrangements, known as conacre. Covering perhaps 30 per cent of the agricultural land area, there is concern that this arrangement often gives little confidence to either owners or takers to invest in land management, productivity or environmental care. That has been a theme not only in the Republic but also in Northern Ireland, raised in both the Agri-Food Growth Strategy and the Sustainable Agricultural Land Management report.

3.2 With concerns very similar to those in the United Kingdom over agricultural productivity, the Irish Government instructed a large piece of econometric research to underpin its Agri-Taxation Review of 2014. As noted above that research showed the benefits to productivity from moving farmland into the hands of those who are trained.

3.3 Almost immediately following the publication of that review, the Irish Government introduced for 2015 substantial increases in the previously minor Income Tax relief on rents from arm's length lettings by written agreement of farmland for more than five years (s.664 of the Taxes Consolidation Act 1997 as amended). "Farmland" is defined to mean:

> "land in the State wholly or mainly occupied for the purposes of husbandry and includes a building (other than a building or part of a building used as a dwelling) situated on the land and used for the purposes of farming that land;".

This relief operates in a way similar to the United Kingdom's £7,500 Rent a Room relief of income from lodgings and claimed by some 23,000 UK taxpayers.

3.4 The Irish Republic had first introduced a relief from Income Tax on farmland rents in 1985 on up to £2,000 of rent. That was progressively developed so that by 2014 it was available where farmland was let by a taxpayer over 40 (the lessor, not the tenant) for more than 5 years (but not to a connected party or a company) with relief increasing with the length of the lease, exempting rental income from Income Tax:

- on 5 to 7 year leases on up to €12,000 pa
- on 7 to 10 year leases on up to €15,000 pa
- over 10 years on up to €20,000 pa

However, the uptake had been low by 2014 (a tax cost of some €5m) and it is anecdotally understood that lease lengths appeared driven by the thresholds.

3.5 Following the 2014 Agri-Taxation Review, the November 2014 Budget sharply increased this relief for January 2015 (Ireland uses the calendar year as its fiscal year) for leases granted on or after 1st January 2015 to be:

- up to €18,000 pa for leases of 5 to 7 years
- up to €22,500 pa for leases of 7 to 10 years
- up to €30,000 pa for leases of 10 to 15 years

with a new category for leases over 15 years with relief of up to €40,000 pa on rent, intended to align with periods for farm credit.

3.6 As analysed below that has stimulated a major change in behaviour with the creation and expansion of a noticeable let sector in Irish agriculture.

3.7 On the basis of the underlying research, the value of the relief is proportionate to its use and so to the amount of land that is let on the required terms with the economic benefits that should flow from that. That relief is on income that would not otherwise have arisen. Where it is claimed, that is because the land has now been let on the required arm's length terms by owners who see benefit in doing that; the rent or other practical benefit to them from having someone else farm the land and pay rent to them for it persuades them to let it. The true tax cost is the loss of such tax as would have been due on the income that would otherwise have arisen from continuing to farm in hand. That taxable income is likely to have bene significantly less than the value of the rent now arising. Equally, the logic of the relief is that the new tenant of the land is more likely to be generating taxable income.

3.8 This paper reviews the accumulating evidence of the markedly positive impact of this policy in a country which is very similar to the United Kingdom but which, for historical reasons, has seen agricultural tenancies as culturally alien, a strong attitudinal hurdle to be overcome.

3.9 That evidence comes from:

- the official data released by the Irish Revenue, with data released in August 2019 covering the third year of the operation of this relief (2017).
- surveys of the Irish farmland market.

4. The Evidence from the Irish Revenue

This text replaces sections 4.4.4.1 to 4.4.4.7 of the CAAV's Taxation discussion paper of September 2017, Taxation: Agricultural Productivity, Land Occupation and Land Use.

Notes:

- *The Irish Revenue data is necessarily delayed by the lags in first receiving and then processing the Income Tax returns for each calendar year. Thus, the Revenue's data for 2015 was published in August 2017, that for 2016 in August 2018 and that for 2017 in August 2019.*
- *Jointly assessed couples are treated as one person in the Revenue data. Thus, where a jointly owned farm is let out by a husband and wife that is reported as a single landlord.*
- *This data only captures the claims for relief on rental income, not on the actual area let or the full rent for it. Where, for example, an owner lets 150 acres but the ceilings only allow a claim for relief on the rent from 100 acres, only that rent would appear in the figures. Yet the relief could have been relevant to the decision on the larger letting.*

4.1 The Use of the Increased Reliefs from Income Tax on Farmland Rents

4.1.1 The Irish Revenue's data for 2015 (issued in August 2017), the first year of the increased relief, showed that this increased the number of landlords claiming the relief by 30 per cent and the land area let by 50 per cent. As land management decisions frequently take time to make and then implement, that was a striking initial response with:

- a 51 per cent increase in the value of the relief
- a 33 per cent increase in the number of taxpayers claiming the relief, to twice the number claiming in 2011.

That trend has since continued in the data released for 2016 and now for 2017, creating an agricultural tenanted sector in the Republic for the first time in a century. It is reported at https://www.revenue.ie/en/corporate/information-about-revenue/statistics/other-datasets/farming-sector.aspx

4.1.2 The overall evolution of this policy with its substantial and sustained acceleration by the 2015 changes is shown in this table.

Year	Cost	Number	Average Relief
2009	€4.4m	2,960	€1,486
2010	€5.0m	3,230	€1,548
2011	€6.3m	3,590	€1,755
2012	€7.3m	3,980	€1,834
2013	€7.3m	4,370	€1,670
2014	€9.2m	5,130	€1,793
2015	€13.9m	6,830	€2,035
2016	€19.4m	8,490	€2,285
2017	€23.7m	9,790	€2,421

4.1.3 As an initial summary, the first three years of the new policy have seen:

- a 91 per cent increase in the number of farmland owners letting land out, becoming landlords of arm's length tenants paying rent.
- a 258 per cent increase in the scale of the relief revealing that this is releasing larger areas of land into the let sector and giving some indication of the extra area of land that has been let and so also of its potential benefit to the Irish agricultural economy.
- that more than proportionate effect is revealed by the steadily increasing average size of the relief for each claimant from €1,681 over the years from 2009 to 2014 to:
  - €2,035 in 2015, 13 per cent up on 2014
  - €2,285 in 2016, 27 per cent up on 2014 and 12 per cent up on 2015
  - €2,421 in 2017, 35 per cent up on 2014 and 6 per cent up on 2016

  indicating that each year the average area let by each claimant is growing (or possibly that it is land with an increasingly higher rental value that is being released).

As at the end of 2017, Ireland was on the edge of having 10,000 agricultural landlords; indeed, it probably already had more than 10,000 in 2017 when allowing for those outside the scope of this relief. The market reports reviewed in Section 5 below suggest that this figure will have continued to grow.

4.1.4 As the number of claimants has increased sharply and the average value of the relief has risen by less than the increase in the ceilings on the reliefs, that perhaps indicates that the changes for 2015 have succeeded in attracting more farmland owners to be landlords, not simply giving more relief to the same people. In short, this appears to be rewarding new decisions affecting larger areas of farmland rather than just giving more relief to old ones. On that basis, it seems reasonable to suppose that the newly let area is a substantial and real increase in the let area. The simple conversion of previous arrangements into longer formal lettings was more likely to have been in 2015 than in 2016 or 2017.

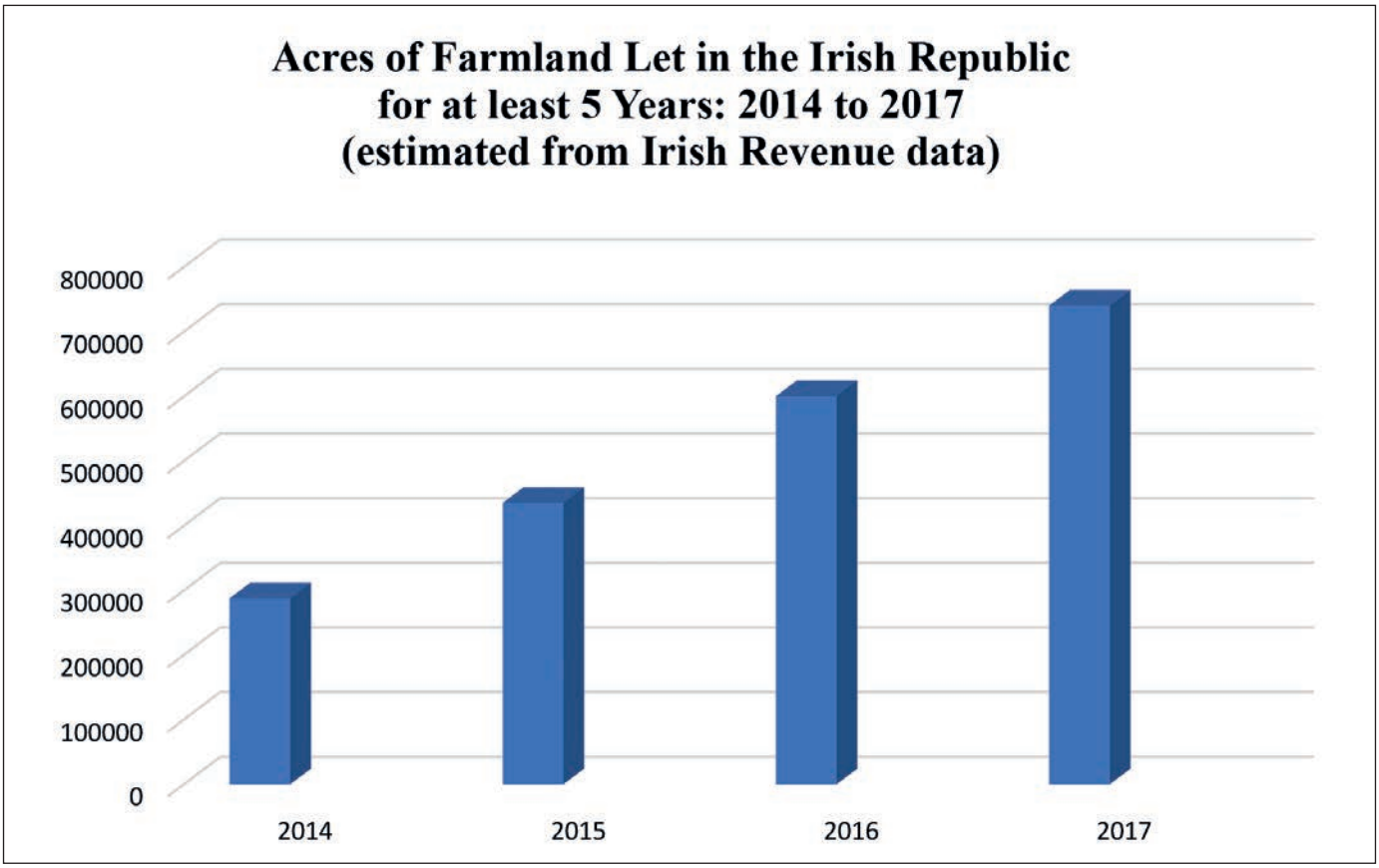
4.1.5 As an attempt, ahead of further information, to put some order of magnitude on these figures:

- if it is assumed that the relief is typically at the Irish basic tax rate of 20 per cent
- with income otherwise relieved or exempt outside this relief, the value of rents relieved would then have been €69.5 million in 2015, €97 million in 2016 and €118.5 million in 2017. Again, it is noted that on some units there might be a part of the rent that is above the applicable ceiling on the relief.

- moderating the average rents suggested by remarks below of €160/acre to allow for the typical spread of actual rents and potentially lower figures in the Republic's areas of Munster and Connaught/Ulster
- that gives a very rough estimate of the area of farmland let on terms of at least 5 years and giving rise to the relief of:
  - a total of 435,000 acres in 2015, up from a figure for 2014 on the same assumptions of 287,500 acres – an increase of about 150,000 acres in the first year.
  - a total of around 600,000 acres in 2016, so some 300,000 acres above 2014
  - a total figure of around 740,000 acres in 2017, so some 450,000 acres above 2014.

These totals cannot include any additional area of land let as part of tenancies qualifying for the relief but with rent in excess of its ceilings.

Those figures should not be treated as anything other than a speculative illustration, though the relationships between the figures for the four years is likely to be broadly accurate.



4.1.6 The average size of holdings in the Irish Republic reported in the last census in 2010 was 81 acres. Multiplying that by the number of claimants produces a figure of 553,230 acres for 2015, 687,690 acres in 2016 and 792,990 acres in 2017. That suggests either that €160/acre overstates the average rent or perhaps, as may be at least as likely and with reports of rising dairy rents, it has typically been smaller units that are let. The rough estimates of:

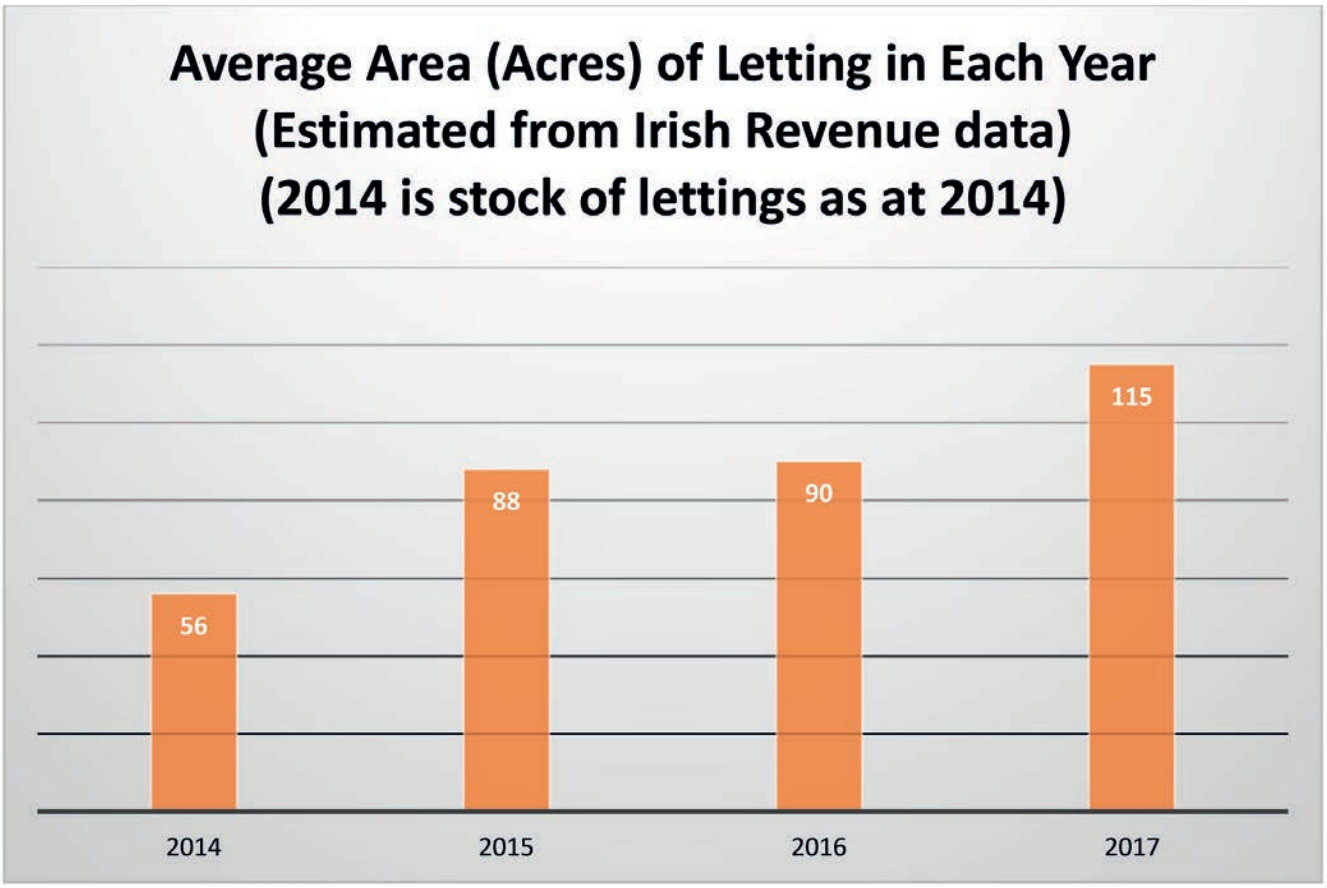
- 435,000 acres in 2015 would yield an average let area of 64 acres.
- 600,000 acres in 2016 would yield a slightly higher average let area of 71 acres.
- 740,000 acres in 2017 would yield a slightly higher average again of 76 acres, now closer to the reported overall average.

These figures are consistent with seeing both established farmers taking more land to strengthen their businesses and new entrants securing land (whether as offshoots of existing farming businesses or absolutely fresh starts).

4.1.7 Those average areas are all reduced by the smaller areas let from before 2015; the average letting gaining relief in 2014 for 5,130 landowners on the assumed 287,500 acres would have been 56 acres. The analysis here suggests that the lettings from 2015 involve progressively larger average sizes of unit:

- if the 1,700 new landlords in 2015 let around 150,000 acres, the average area of a letting area was about 88 acres
- if the 1,660 new landlords in 2016 let around 150,000 acres, the average area of a letting area was about 90 acres
- if the 1,300 new landlords in 2017 let around 150,000 acres, the average area of a letting area was about 115 acres.

That means that relief is unlocking more substantial units with each year that passes with larger opportunities for the businesses that benefit.



4.1.8 At its most basic, that analysis suggests that the increased relief has seen the new arm's length letting on terms of five years or more of at least 450,000 acres in the years of 2015, 2016 and 2017. On the face of it, that is a marked revolution in agricultural land tenure for the Republic of Ireland.

4.1.9 With a total agricultural area in the Republic of some 11.1 million acres (excluding common land), the area of land let on a term of at least 5 years and benefitting from the tax relief would by the end of 2017 have reached towards 7 per cent of the available agricultural land area, possibly having been about 2 per cent in 2011. While that may look a small fraction, it is the creation of a previously non-existent sector that had been resisted by traditional practice.

4.1.10 While it might be thought that this would largely come from land on seasonal conacre agreements (an area in the Republic thought to be similar to the nearly 30 per cent of land area seen in Northern Ireland), comments reported below indicate that, while let land is coming from conacre, some has also been moving directly from in-hand farming where the owner (not necessarily just elderly owners) is withdrawing from using the land in question but retaining ownership.

4.1.11 Overall, it would appear from the Irish Revenue data that the 2015 Budget measures have had not only an immediate impact but a sustained one in almost doubling the number of landlords of tenancies for 5 years in its first three years. That is, in itself, significant as such land management decisions commonly take some time to make and work through, especially with the conventionally cautious attitudes to land of small farming landowners for whom it is a commonly a substantial and patrimonial asset, linked to family identity. Taking and implementing the decision to let it out, not for just a few months under conacre, but for bound terms of at least five years is a major step and change in culture.

4.1.12 Some of this effect will not only come from the substantial level of relief (now set high enough to change behaviour rather than just make a policy gesture) but also the simple design of the scheme. It will come in addition from the sense of political approval for letting so that it is taken as a stable part of the taxation framework.

4.1.13 The evidence from the Irish Revenue reports on tax returns continues to point to the enhanced relief being effective in achieving a significant change in land occupation – as intended. That is then given more detail and support by farmland market reports which show that trend continuing in 2018.

4.2 Other Taxation Measures in Irish Republic

4.2.1 The 2014 Agri-Taxation review and the accompanying budget for 2015 saw variety of other measures to promote the same aims. However, none appear to have had such a simple and direct effect as the Income Tax relief.

4.2.2 Succession Farm Partnership Credit has been made available where a farmer enters into a partnership, registered with the Government, with a successor under 40 with an agreement to transfer at least 80 per cent of the farm assets to that

successor within a specified period. The relief is provided as an annual tax credit worth up to €5,000 per annum for a five year period to be split between the partners in proportion to their profit shares so long as the successor is under 40, so far as each party has assessable profits.

4.2.3 2017 saw the first claims for Income Tax relief in 2017 which totalled just €400,000 with 175 claimants, an average relief of €2,286 per claimant.

5. Irish Land Market Reports for 2017 and 2018 and Outlook for 2019

***Note** – This text supplements sections 4.4.4.8 to 4.4.4.21 of the CAAV's Taxation discussion paper of September 2017 which reviewed the reports then available.*

5.1 Introduction

5.1.1 The overall statistical and necessarily retrospective evidence from the Irish Revenue is supplemented and given some practical detail and perspective by the evidence of reports from surveys and professionals on market activity.

5.1.2 These come from both the annual *Land Market Review and Outlook*, published by the SCSI (Society of Chartered Surveyors in Ireland) and Teagasc (the Irish Government's official agricultural research, advice and education agency), reviewing trends in the previous year and offering a market outlook for the current year, and commentary from the Institute of Professional Auctioneers and Valuers (IPAV).

5.1.3 As well as reviewing the Republic as a whole, the SCSI/Teagasc reports comment on experience in each province of Ireland, here combining the counties of Ulster that are in the Republic with Connaught.

5.2 The 2018 SCSI/Teagasc Survey

https://www.teagasc.ie/media/website/publications/2018/Land-Review-and-Outlook-Report-2018.pdf

5.2.1 The SCSI/Teagasc *Land Market Review and Outlook 2018*, published in May 2018, summarised the returns made by agents across the Republic as to agricultural land sales, lettings and valuations.

5.2.2 Its core conclusion was the sense of accelerating activity in the lettings market:

- 28.8 per cent of those surveyed were seeing more letting activity compared with 17 per cent seeing less (the equivalent figures for sales were exactly 28.8 per cent each way)
- **that net positive balance of 12 per cent for lettings activity was higher than the net positive balance for 2016 of 9 per cent, in turn higher than the figure of 6 per cent for 2015** (the only year for which there are Irish Revenue data) – see the chart at 5.3.5 below. Over the same period, the balance of activity in the sales market had fallen from a positive of 9 per cent to nil.
- as previously, the volume of activity was principally in the more productive provinces of Leinster (41 per cent of those surveyed here saw increased letting activity) and then Munster
- as to types of landlord:
  - 77 per cent of respondents saw landowners who inherited but did not wish to farm as active in this market
  - 79 per cent saw farmers no longer interested in farming or who had retired as active
  - there was much less letting activity among farmers continuing to farm but leasing part and other owners more generally
- the area reported by those surveyed as let on conacre (typically an arrangement for only a season) having grown by 3 per cent in 2014, fell by 3 per cent in 2015, and has then fallen further by 15 per cent in 2016 and 28 per cent in 2017, suggesting a progressive shift to longer term lettings as desired by the Irish government as well as drawing more previously in-hand land into the let market
- 46 per cent of those surveyed were seeing the demand for longer leases (five years and more) increasing, up from 39 per cent in 2016. Just 7 per cent were seeing less demand with such lettings.

5.2.3 The Report also showed that, at the same time as the let land market was expanding, rental values were generally increasing. That would suggest that a market equilibrium had not yet been reached as the point when increasing supply might bear down on price.

5.2.4 The Report recorded two respondents summarising the position:

- Dillon Murtagh of Murtagh Bros in Mullingar:
  "Leasing farmland is an increasingly widespread practice for farmers as it allows the property to stay within their family and on their bank balance. It provides a flexible and tax-free alternative to selling."
- Miah McGrath of McCarthy McGrath in Midleton, Co Cork
  "Leasing is becoming more and more appealing to both landowners and farm operators now that long term leases have replaced the old annual conacre licence system. It provides landowners with security and with long term leasing now possible, operators can make necessary upgrades to farms for their needs."

5.3 The 2019 SCSI/Teagasc Survey
https://www.teagasc.ie/media/website/publications/2019/SCSI-Teagasc-Agricultural-Land-Market-Review-and-Outlook-2019.pdf

5.3.1 The 2019 Report observed that:

"The demand for long term leases appeared to have increased significantly in 2018 relative to 2017. This increase was slightly more pronounced in Munster and Connaught/Ulster than in Leinster but the trend was similar. In Connaught/ Ulster, none of the survey respondents reported a decrease in demand for long term leases."

That, a year later than the 2018 report, could suggest that attraction of leasing was now spreading across the Republic, having first taken root strongly in Leinster.

5.3.2 Most respondents thought demand for these leases had been higher in 2018 than in 2017:

- 51 per cent in Leinster
- 70 per cent in Munster
- 64 per cent in Connaught/Ulster

The only area where some respondents (3 per cent) thought it might decline was in Leinster. These are stronger figures than in the 2018 report.

5.3.3 73 per cent of respondents thought that the increased tax relief on rental income had had a moderate to significant effect on letting activity (reflecting the different areas, this was 84 per cent in Leinster, 70 per cent in Munster and 59 per cent in Munster).

5.3.4 Leases Lengthening? - Respondents also thought that the average lengths of these leases had grown in 2018 with:

- 36 per cent of respondents in Leinster thinking that, 40 per cent in Munster and 34 per cent in Connaught/Ulster
- just 3 per cent in Leinster, none in Munster and 4 per cent in Connaught/Ulster thinking they were reducing in length.

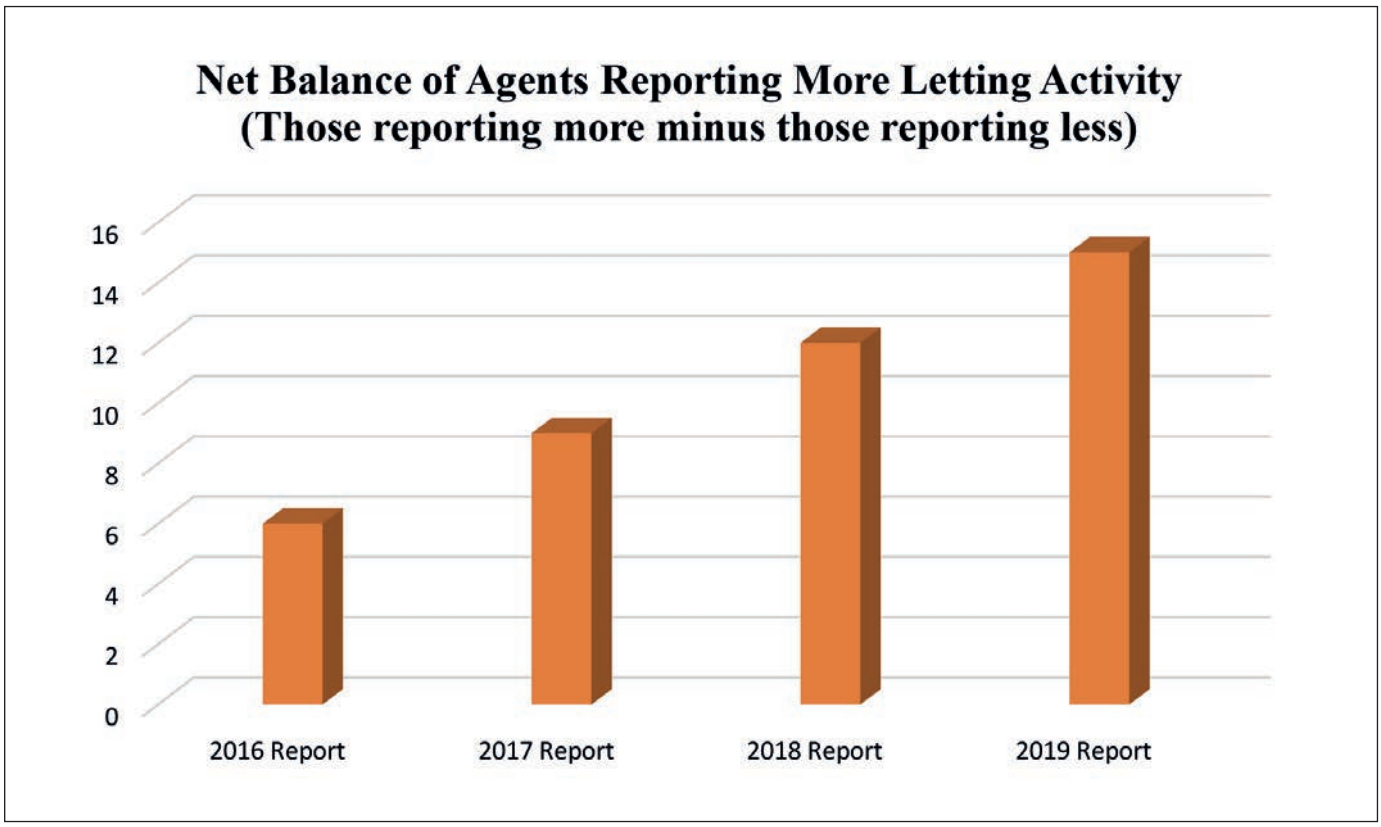
In summary:

"The average duration of lease agreements also appeared to be stable or increasing in all three regions …".

5.3.5 Looking ahead to 2019, the Survey reported that 52 per cent of respondents thought letting activity would remain the same, 26 per cent thought it would increase and 11 per cent that it would decrease. That is net positive balance of 15 per cent. The report summarised:

"It is safe to say that in general, members considered that the volume of farmland that would be leased in 2019 would be more than in 2018."

This chart shows the continuing growth, year on year, of the positive balance of the percentage of agents reporting more activity in letting farmland.



5.3.6 The report recorded:

- most activity in letting by:
  - farmers who had retired but were no longer interested in farming
  - farmers who had inherited land but had no desire to farm it.
- less activity by farmers were those continuing to farm but had decided to lease out a portion of the farm though this was suggested to more common for cropping farmers.

5.3.7 Market expectations were for the area let to continue to grow in 2019 at the same time as the area under conacre was expected to grow.

5.3.8 Prospect of Brexit? - The Outlook Survey sought attitudes by landlords on the potential effect of Brexit on letting land. While recognising that potential tenants might face more uncertainty about the future than landlords, possibly lower rents might be seen, especially for livestock enterprises. Proximity to the border was a factor in the mixed opinions found:

- 32 per cent of landlords in Connaught/Ulster feeling that it might deter lettings and 9 per cent that it might encourage them
- in Leinster, equal fractions of 22 per cent thought that it would deter lettings and that it would encourage them
- in Munster, 14 per cent thought it would deter lettings and 10 per cent that it would encourage them.

5.3.9 Rental Values - It reported rental values per acre by various uses and for the three geographical areas:

	Leinster			Munster			Connaught/Ulster		
	2017	*2018*	*%*	*2017*	*2018*	*%*	*2017*	*2018*	*%*
Grazing/silage	€194	€197	+2	€191	€198	+4	€122	€160	+23
Grazing only	€182	€190	+4	€174	€182	+4	€124	€141	+13
Cereal Crops	€220	€216	–2	€263	€209	–26	€170	€179	+5
Potato Crops	€426	€348	–22	€295	€230	–28	n/a	€252	n/a
Other Crops (roots, maize, pulses)	€299	€246	–22	€195	€268	+27	€80	€183	+56

***Note** – The reported percentage changes from 2017 to 2018 do not appear to be directly from the quoted figures.*

5.4 IPAV Farming Report 2018

https://www.ipav.ie/sites/default/files/ipav_agriculture_overview_2018_8ppa4_web_version_low_res.pdf

5.4.1 As the new market in farmland leases has become established so IPAV (Institute of Professional Auctioneers and Valuers) announced in its *Farming Report* 2018 that:

> "With the increased activity in the long-term land rental market, this is a very opportune time for IPAV to partner with the IFA (Irish Farmers Association) and MII (Mediators' Institute of Ireland) in launching a new mediation service for members of the IFA and IPAV entitled the 'National Mediation Service'. This gives both tenants and landowners the opportunity to access professional mediation assistance, as opposed to proceeding down the expensive legal route."

5.4.2 Comments from IPAV members given in the Report included:

- "… continued demand from farmers for long leases as it provides tangible benefits for both tenant and landowner. There is a real incentive for the tenant to enhance the holding and in some instances, the rent is initially reduced, to allow the tenant to carry out improvements. This is also ideal for the landowner who can benefit from the tax allowances available." (Gerry Coffey, Williamstown, Co Galway)
- "'new land leases' were scarce on the ground in 2018 as long-term lettings have locked out availability. Some leases have now moved into their second term. (John Earley, Roscommon)
- "increased prices for land lettings, up as much as 25%" (Karl Fox, Ballina, Co Mayo).
- "There is good demand coming from younger farmers to lease land but little appetite from landowners to go this route." (Aidan Davitt, Mullingar, Co Westmeath)

5.5 Comment

5.5.1 These reports on activity in the Irish land market since 2017 point strongly to the continued positive effect of the Income Tax relief introduced for 2015 on rents for arm's length farmland lettings for five years or longer. It offers evidence that the relief is encouraging both farmers to see retiring and letting land as a positive option and owners who have been using only seasonal arrangements to let for longer terms to the benefit of the land's management.

5.5.2 The most striking figure is perhaps the growing margin, increased each year, of those seeing more activity in this area over those seeing less activity. This suggests that the relief is having a sustained and growing effect, outweighing deeply held and longstanding traditions about land occupation. It also illustrates the speed with which those traditions can be changed. This can be seen as in contrast to the more limited impact of the retirement grant schemes previously operated by the Republic.

5.5.3 It is, nonetheless, recognised that while we now have substantial evidence of the success of the Irish Income Tax relief in moving land, no studies have been found yet to test whether the productivity benefits expected have been achieved from the re-creation of a let farmland sector in the Republic. It is in reality probably still too early for such studies to have been done or for there to be the necessary runs of data to be developed and tested on that score.

5.5.4 With that absence, what we do have is the real evidence of the movement of land on to arm's length multi-year tenancies to arm's length parties (so with the owner having thus alienated the occupation of what is typically long term owned family land) in exchange for rent with no general reason for that not be a market rent. That behaviour is entirely consistent with the intended goal.

6. Relevance and Transferability to the United Kingdom

6.1 This review points to a potent and positive role for such a tax relief in opening up the land occupation market in the United Kingdom to give this important flexibility to handle the changes and challenges likely to be seen following Brexit, with such a change in occupation being consistent with unlocking the potential for significant growth in productivity.

6.2 Having been part of the United Kingdom until 1921, the Republic still shares much with England, Wales and Northern Ireland in terms of underlying land law as well as more generally a market economy, common law, broadly similar general taxation to that of the United Kingdom and, at present, the CAP. On two particular points:

- the Republic, like Northern Ireland, has no code of agricultural tenancy law meaning that tenancies are solely governed by the general provisions of the Landlord and Tenant (Ireland) Act 1860 ("Deasey's Act) and the common law. In practical terms, that is not too different from the Farm Business Tenancy regime for England and Wales.
- the Republic's equivalent to the United Kingdom's Inheritance Tax, Capital Acquisitions Tax, while assessed on donees rather than donors, has an agricultural relief that like Agricultural Property Relief is equally available on land that is let as to land that is farmed in hand. As a donee based tax, the qualification turns on land (or replacement land) being used for farming by the owner or a tenant for the following six years.

While international comparisons, especially on rural matters, are often problematic because of cultural and other differences, the similarities here make the comparison potentially valid. The comparison is even more direct for Northern Ireland.

6.3 The evidence from the Irish Revenue points to the Irish Republic having seen 5 per cent of its land area move to lettings of five years and more in just the three years from 2015 to 2017, in addition to the 2 per cent already so let – a total of, say, 7 per cent. The market reports from Ireland indicate that that move is continuing. The comparative position for new lettings in the United Kingdom is that:

- with some 15 per cent of farmland in England now let on FBTs (available since 1995 and continuing to rise), perhaps 5 per cent of English farmland is on FBTs of five years or more
- with more than 12 per cent of Welsh farmland now let on FBTs, it seems likely that between 4 and 5 cent of Welsh farmland is let for five years or more
- Scottish Government data shows that 3 per cent of Scotland is let on LDTs and MLDTs, being for at least 10 years, to which must be added a proportion of SLDTs to allow for those with the maximum term of 5 years. It may thus be that some 4 per cent or so of Scotland's agricultural area is let for five years or more on tenancies available since 2003.
- Northern Ireland has, as yet, very few tenancies of any length.

In simple terms, Ireland has achieved in this respect in three years what has taken much longer in Great Britain. The wider flexibility of FBTs is important for the many differing situations that can be met; the Scottish experience with more restrictive legislation does not suggest that road. However, the Irish experience points to the potential for an Income Tax relief pitched at a level to be effective in encouraging lettings of five years or more. It seems unlikely that a longer minimum length would be attractive while, like agri-environment schemes, a minimum of five years would create a framework for land management.

6.4 As knowledge has grown of the Irish experience, several challenges have now been put to its relevance to the United Kingdom.

6.5 The first challenge concerns differences in farm structures.

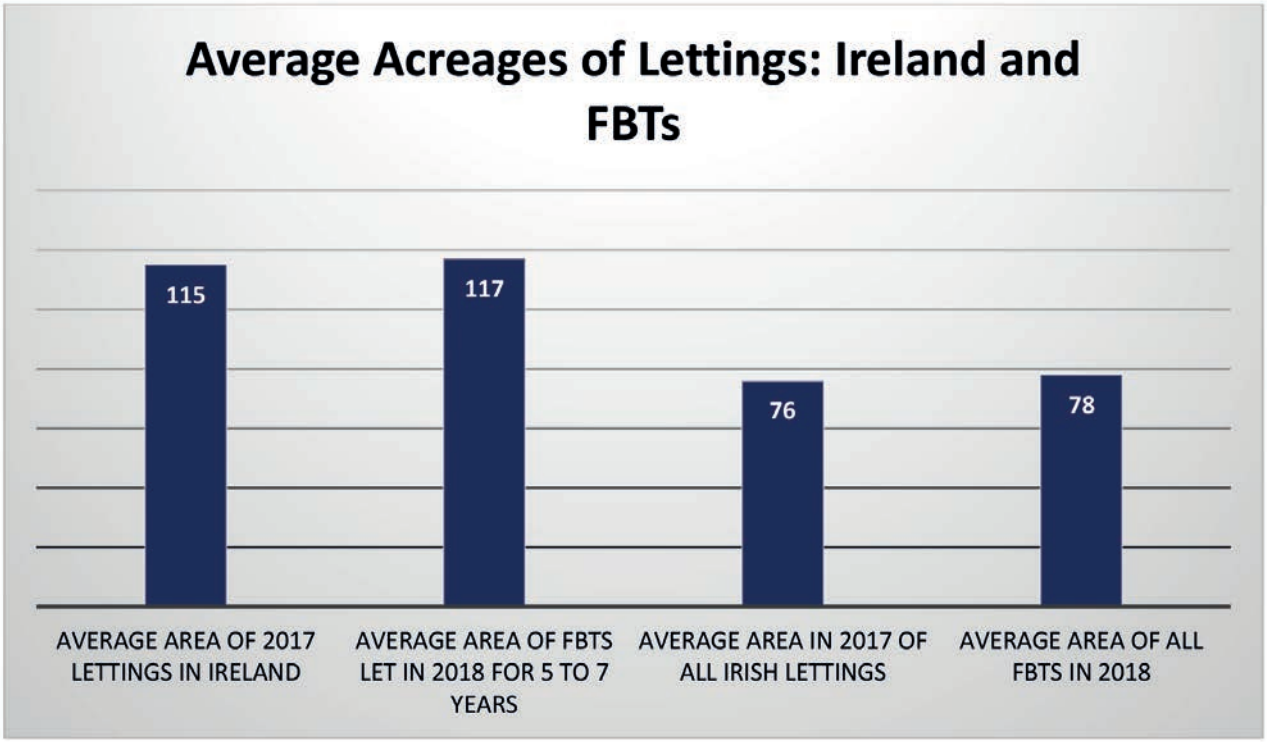
6.6 Ireland's structure of smaller ownerships, while different from the overall position in England and Scotland, is not only of more direct relevance to Wales and Northern Ireland but is also not dissimilar to the smaller private owners found in all parts of the United Kingdom and seen by this paper as a key factor in achieving a productivity change. It is possible that that relevance might vary between areas within the UK, both by local farming structure and by the reasons for holding land. The point has been put (perhaps mostly from eastern arable areas) that England's more sophisticated land and business markets are too different for a useful comparison to be made.

6.7 The responses to that include:

- that this argument might be more relevant for the commercial arable areas of England where the common scale of landownership might anyway make the suggested relief less relevant than other parts of the country with different circumstances, often typically with smaller ownership units and more pasture land or smaller arable blocks.
- that other arrangements than tenancies are often less appropriate or affordable for smaller ownerships if they are to be done properly
- that the greatest take up of lettings in Ireland has actually been in its most commercial dairying and arable areas of Leinster rather than the beef and sheep areas of the west.

6.8 However, reviewing the figures shows the comparison to be more direct. The analysis of this paper suggests that the overall average size of lettings in Ireland, including those reported before 2015, is 76 acres while that size has steadily grown since 2015 so that the average area of a letting granted in 2017 was 115 acres, larger than the average size of a holding in the Republic. As comparison, the average area of a Farm Business Tenancy (FBT) granted in England and Wales in 2018 was 78 acres. When recognising that the Irish tenancies are for at least 5 years, the average area of an FBT granted in 2018 for a term of between 5 and 7 years (so excluding shorter lettings) was 117 acres.

6.9 An ancillary point regarding the average scale of letting is that while a tenancy is an appropriate tool for any size of land area, the overhead costs of properly managing other arrangements, such as a well-structured contract farming agreement, typically make them more applicable to larger areas. The virtually identical average areas now being let for five years or more in both the Republic and under FBTs in England and Wales is consistent with markets finding the best means for one person to make land available to another in each country.



6.10 In short, that data suggests the two markets are comparable on this point, making the demonstration of the Irish experience a useful illustration of what could happen in the UK. That is consistent with responses from elsewhere in England as well as the rest of the United Kingdom seeing the Irish experience as relevant.

6.11 The second challenge is that such a change would simply see current arrangements, such as contract farming, restructured to secure the relief. However, that would typically see short term agreements converted to longer term arrangements (of at least five years, and longer if higher levels of relief are wanted), so altering the relationship with the management of land - accepting that is required of the landowner to obtain the relief. That greater security may give more confidence to the farming operator. Further, arrangements between connected parties would not qualify for the relief - this needs to be an arm's length business deal.

6.12 A further challenge is then that Ireland has made this change from a standing start in which it might be that the easiest gains are the earliest gains. By contrast, England in particular (but obviously not Northern Ireland at the other pole) has a large tenanted sector and a wider familiarity with the system. However, and even for England, this paper's analysis points to the sector of practical interest in prompting change being those private farmers, often smaller, who are not currently letting out but may be wearying of farming. That appears to be a similar group of people to those attracted to letting in Ireland. With the availability of area payments under the Single and Basic Payment Schemes having provided owners with the financial means to stay, so such a relief can encourage a newly positive view of letting as an answer to the withdrawal of BPS in England and Wales.

6.13 Conclusions

The conclusions drawn in this paper from this debate are:

- **that the Irish model does stand further scrutiny for use in the United Kingdom, recognising that is most apt for smaller ownerships still farming in hand rather than larger, more sophisticated businesses. That is an argument for adopting it rather than against doing so.**
- **while primarily focussed on smaller ownerships, such a relief has the capacity to effect a wider change in mindset across farming as to what is normal in allowing others to farm on owned land.**
- **that the discussion on this topic also showed the general need for promoting:**
  - **wider knowledge and awareness of the possible arrangements and**
  - **the taking of advice on them with proper identification and testing of the real business deal in hand which is then specifically recorded rather than using unaltered standard agreements.**

7. Commentary on Possible Costs and Benefits

7.1 General

7.1.1 Where this measure to promote farmland lettings enables the proficient to gain the occupation or use of land that suits their businesses, productivity gains should be expected from that. As noted above, the Irish economic study pointed to a 12 per cent gain from this. The nature of the economics of commodity farming means that the increased returns from that are likely to achieve significant uplifts in the margin earned from that land. The potential for that is indicated by the range between the top and bottom quartiles of farming performance with that difference seen to turn on management.

7.1.2 Such a change cannot be expected to be achieved overnight as land management decisions and the opportunities to take them come over time. In that light, the re-creation since 2015 of a let sector now covering 7 per cent of Ireland has been surprisingly swift, giving confidence in the power of the tax relief to achieve change. In practice, were the relief introduced in 2020, the benefits would accrue with the let area increasing over the proposed agricultural transition periods, especially with the progressive withdrawal of BPS in England and Wales. As that illustrates, it would be important to have this policy in place to be a positive assistance to the management of change in farming economics and structures at a potentially challenging time, rather than bringing it into play later.

7.1.3 While the benefits would be at farm level, it can first be illustrated by using national data. Using a 4 per cent gain, a third of the Irish figure, in the UK's gross agricultural output before subsidy would yield around £880m. Comparing that to the recent levels of Total Income from Farming (TIFF) ex-subsidy of the order of £1.5-2 bn, points to a 40-50 per cent gain in final margin were a change of that scale achieved.

7.1.4 With that general illustration, it is then stressed that this is a relief that incurs a cost in the tax foregone on rents only to the extent that it is taken up by those taxpayers who choose to let land on qualifying terms (as 23,000 have chosen to do for the similar Rent-a-Room relief). If it does not stimulate them to do this, there will not be a rental income to relieve from tax. If it does stimulate them to let, then the requirement that the tenancy be at arm's length prompts them to look for the optimal return that is best secured by letting to the proficient.

7.2 Indications for Ireland

The annual cost in Ireland in 2017, the third year of the enhanced reliefs, was reported by the Irish Revenue as €23.7m suggesting that this has created a new rental income of, say, €120m that is paid by the businesses of the new tenants that have seen value in taking these tenancies and agreeing to pay that rent and are still making a return after that worth their effort and investment. It is likely that land management has also improved.

7.3 Some Indicative Estimates for England

7.3.1 Working for simplicity from England's working agricultural area of some 9m ha (22.5m acres), 1 per cent of that is 90,000 ha (225,000 acres). Recognising its variety from silts to moorland, the average rent across 1986 Act and 1995 Act lettings is reported by DEFRA as about £200/hectare or £80/acre (*Farm Rents, 2016/17*) – figures set in the market are typically higher than that. Without speculating as to future movements in rents, that would currently suggest that:

- if 1 per cent of England was let in ways that qualified for this relief,
- the rent arising would be £18 million and
- so that could see a tax cost of the order of £4.5 million (allowing for varying tax rates and the personal allowance) for each 1 per cent of the overall land area, albeit on income that does not currently arise.

If that tended to be on more productive land with a rent of say £160/acre, then:

- the rent arising from 1 per cent of England would be £36 million
- the tax cost would be £9 million on income that does not currently arise

for each 1 per cent of area that moved to being let in this way. That tax cost is perhaps largely notional as it may be for taxpayers currently earning little income to be taxed while taxable income is more likely to arise from the new tenant of the land.

7.3.2 English agricultural output is about £18 bn annually and so 1 per cent of that is £180 million. Applying the 12 per cent average gain reported by the Irish study from moving land to the trained would give £21.6 million of extra income for each 1 per cent of land area that moved to be let in this way, more were it the better land that moved. That extra income appears more susceptible to be taxed.

7.3.3. Those figures are best taken as illustrations of orders of magnitude rather than accurate forecasts. The Irish evidence is that the greatest movement in land has tended to be in the more productive areas, so pointing to higher figures on both sides of this analysis. However, if rents fell as a result of the withdrawal of BPS in England, the notional tax cost would fall but the benefit be unaltered.

7.3.4 To pull this together and with those cautions, were a further 4 per cent of England's land area let in this way, taking the area let on tenancies for more than a year (so aside from seasonal grazing and most specialist cropping) from, say, 33 per cent to 37 per cent (not a revolution but a significant gain with wider consequences in the outlook of farming), this indicative analysis would point on the assumptions stated to orders of magnitude for:

- new rents of the order of £72 million to £144 million as a secure and positive income for the new landlords, say £108 million
- a tax cost of perhaps £18 to £36 million on income that largely does not currently arise, say £27 million but, allowing for substitution for some existing arrangements, say, £7 million of real cost but for arrangements potentially offering better management of the land and business
- a gain in industry performance of perhaps £80 million with potentially taxable income resulting.

The potential for gains of this order be possible is illustrated by the widely reported range of farming performance as illustrated above at paragraph 2.8. In practice, allowing for this change to be more concentrated on more productive land, those figures might all be higher but it could be that the ratios between them might not change much.

7.4 Some Indicative Estimates for Scotland

7.4.1 The range of quality in Scottish farmland and the large areas of LFA make this exercise more speculative for Scotland. Nonetheless, working for simplicity from the overall Scottish working agricultural area of some 5.7m ha (14m acres), 1 per cent of that is 57,000 ha (140,000 acres). Recognising its variety from silts to moorland, the average rent across 1991 Act and 2003 Act lettings is reported by the Scottish Government as about £40/hectare or £16/acre (*Scottish Agricultural Survey December 2018*) but these were divided between £27/ha (£11/acre) for LFA rents and £133/ha (£54/acre) for non-LFA rents (both categories containing wider variations). Figures set in the market for new lettings are typically higher than that. Without speculating as to future movements in rents, that would currently suggest that:

- if 1 per cent of Scotland was let in ways that qualified for this relief,
- the rent arising would be £5.6 million and
- so that could see a tax cost of the order of £1.4 million (allowing for varying tax rates and the personal allowance) for each 1 per cent of the overall land area, albeit on income that does not currently arise.

That tax cost (here likely to be to Scotland with the devolution of the Income Tax rates and thresholds for earned and rental income and but not reliefs) is perhaps largely notional as it may be for taxpayers currently earning little income to be taxed while taxable income is more likely to arise from the new tenant of the land.

7.4.2 Scottish agricultural output is about £3 bn annually and so 1 per cent of that is £30 million. Applying the 12 per cent average gain reported by the Irish study from moving land to the trained would give £3.6 million of extra income for each 1 per cent of land area that moved to be let in this way, more were it the better land that moved. That extra income appears more susceptible to be taxed.

7.4.3 Those figures are best taken as illustrations of orders of magnitude rather than accurate forecasts. The Irish evidence is that the greatest movement in land has tended to be in the more productive areas, so pointing to higher figures on both sides of this analysis.

7.4.4 To pull this together and with those cautions, were a further 4 per cent of Scotland's land area let in this way, taking the area let on tenancies for more than a year (so aside from seasonal grazing and most specialist cropping) from, say, 21 per cent to 25 per cent (not a revolution but a significant gain with wider consequences in the outlook of farming and a positive reversal of recent trends), this indicative analysis would point on the assumptions stated to orders of magnitude for:

- new rents of at least £22 million as a secure and positive income for the new landlords
- a tax cost of perhaps £5 million on income that does not currently arise but, allowing for substitution for some existing arrangements, say, £1 million of real cost but for arrangements potentially offering better management of the land and business
- a gain in industry performance of at least perhaps £14 million with potentially taxable income resulting.

The potential for gains of this order be possible is illustrated by the widely reported range of farming performance as illustrated above at paragraph 2.8. In practice, allowing for this change to be more concentrated on more productive land, those figures might all be higher but it could be that the ratios between them might not change much.

7.4.5 As that indicates, this is more likely to be land released by smaller and medium sized private farmers, for whom such a tax relief could make letting a positive option while keeping family land.

7.5 Some Indicative Estimates for Wales

7.5.1 Working for simplicity from Wales' working agricultural area of some 1.6m ha (3.9m acres), 1 per cent of that is 16,000 ha (39,000 acres), covering both Snowdonia and Pembrokeshire. There appears to be no recent official data on farm rents in Wales since 2012 (*Farm Rents in Wales 2009-10 to 2011-12*). Using the 2012 data to suggest that new lettings might on average be at £150/ha (£60/acre), that would currently suggest that:

- if 1 per cent of Wales was let in ways that qualified for this relief,
- the rent arising would be £2.3 million and
- so that could see a tax cost of the order of £0.5 million (allowing for varying tax rates and the personal allowance) for each 1 per cent of the overall land area, albeit on income that does not currently arise.

That tax cost is perhaps largely notional as it may be for taxpayers currently earning little income to be taxed while taxable income is more likely to arise from the new tenant of the land.

7.5.2 Welsh agricultural output is about £1.6 bn annually and so 1 per cent of that is £16 million. Applying the 12 per cent average gain reported by the Irish study from moving land to the trained would give £1.9 million of extra income for each 1 per cent of land area that moved to be let in this way, more were it the better land that moved. That extra income appears more susceptible to be taxed.

7.5.3 Those figures are best taken as illustrations of orders of magnitude rather than accurate forecasts. The Irish evidence is that the greatest movement in land has tended to be in the more productive areas, so pointing to higher figures on both sides of this analysis. However, if rents fell as a result of the withdrawal of BPS in Wales, the notional tax cost would fall but the benefit be unaltered.

7.5.4 To pull this together and with those cautions, were a further 4 per cent of Wales' land area let in this way, taking the area let on tenancies for more than a year (so aside from seasonal grazing and most specialist cropping) from, say, 27 per cent to 31 per cent (not a revolution but a significant gain with wider consequences in the outlook of farming), this indicative analysis would point on the assumptions stated to orders of magnitude for:

- new rents of the order of £10 million as a secure and positive income for the new landlordss
- a tax cost of perhaps £2 million on income that does not currently arise but, allowing for substitution for some existing arrangements, say, £0.5 million of real cost but for arrangements potentially offering better management of the land and business
- a gain in industry performance of perhaps £4 million with potentially taxable income resulting.

The potential for gains of this order be possible is illustrated by the widely reported range of farming performance as illustrated above at paragraph 2.8. In practice, allowing for this change to be more concentrated on more productive land, those figures might all be higher but it could be that the ratios between them might not change much.

7.6 Some Indicative Estimates for Northern Ireland

7.6.1 Working for simplicity from Northern Ireland's working agricultural area of some 1m ha (2.5m acres), 1 per cent of that is 10,000 ha (25,000 acres).

7.6.2 The evidence as to rents for the few tenancies there is too limited to be useful for this. The total of conacre income is reported as at £56.8m in 2018 (*Statistical Review of Northern Ireland Agriculture 2018*). With conacre understood to apply to around 30 per cent of the farmed area, dividing that income over 300,000 ha gives a figure of £183/ha (£74/acre).

7.6.3 That would currently suggest that:

- if 1 per cent of Northern Ireland were let in ways that qualified for this relief,
- the rent arising would be £1.75 million and
- so that could see a notional tax cost of the order of £400,000 (allowing for varying tax rates and the personal allowance) for each 1 per cent of the overall land area.

That tax cost is perhaps partly notional as it may be for taxpayers currently earning little income to be taxed while taxable income is more likely to arise from the new tenant of the land. However, as the Irish experience shows some would be in place of conacre rents currently achieved and some would be from land newly let.

7.6.4 Northern Irish agricultural output is about £2.1 bn annually and so 1 per cent of that is £21 million. Applying the 12 per cent average gain reported by the Irish study from moving land to the trained would give £2.5 million of extra income for each 1 per cent of land area that moved to be let in this way, more were in the better land that moved. That extra income appears more susceptible to be taxed.

7.6.5 Those figures are best taken as illustrations of orders of magnitude rather than accurate forecasts. The Irish evidence is that the greatest movement in land has tended to be in the more productive areas, so pointing to higher figures on both sides of this analysis.

7.6.6. To pull this together and with those cautions, were 4 per cent of Northern Ireland's land area let in this way this indicative analysis would point on the assumptions stated to orders of magnitude for:

- rents of the order of £7 million as a secure and positive income for the new landlords
- but say £3.5 million after allowing for half having been on conacre
- a tax cost of perhaps £1.5 million, perhaps here a real cost of £750,000 for income that is now received on conacre, the remainder more notional
- a gain in industry performance of perhaps £10 million with potentially taxable income resulting.

7.6.7 However, it is worth a bolder assumption here given the different circumstances of Northern Ireland and the direct experience of the Republic. Were 15 per cent of the Northern Irish farmed area to move to tenancies, this indicative analysis would point on the assumptions stated to orders of magnitude for:

- new rents of the order of £26 million as a secure and positive income for the new landlords
- a tax cost of perhaps £5 million, perhaps here a real cost of £2.5 million for income that is now received on conacre, the remainder more notional
- a gain in industry performance of perhaps £37 million with potentially taxable income resulting.

7.6.8 The potential for gains of this order be possible is not only illustrated by the widely reported range of farming performance as illustrated above at paragraph 2.8 but also the potential for a real improvement in return from land being better managed on longer term arrangements than on conacre, as set out in the *Sustainable Agricultural Land Management Strategy* report of 2016. In practice, allowing for this change to be more concentrated on more productive land, those figures might all be higher but it could be that the ratios between them might not change much.

7.7 A Summary for the United Kingdom

7.7.1 This table summarises the results of that very indicative exercise on the basis that 4 per cent of farmland in each of England, Scotland and Wales moves to being newly let as a result of introducing the Income Tax relief at a level effective to later behaviour. Northern Ireland is, for treasons noted above, considered both on this assumption and on the assumption of a 15 per shift, but in each case with half the area assumed to come from conacre for which the relief would have a real tax cost. The tax cost of the suggested relief is otherwise assumed to be notional as the rent would not arise without it and the current occupation of the land may be yielding little taxable income. However, the issue of deadweight cost is noted below.

7.7.2 This can only be a very tentative first attempt at this assessment; any illusion of precision founders on the natures of the variable factors involved, some discussed in each of 7.3 to 7.6 above, and the essential point that this is about human behaviour. Nonetheless, the figures here and the underlying logic of the befits of having land move to be used by the proficient suggest that the Irish Government's hopes in offering the relief are realistic ones also for the United Kingdom, making it worthy of the investigation recommended to the Government by the Agricultural Productivity Working Group (see 2.4 above).

£ million		**New Rents**		**Tax Cost**		**Improved Performance**	
England		£108		£7		£80	
Scotland		£22		£1		£14	
Wales		£10		£0.5		£4	
Northern Ireland	**4% of Area**	£7		£0.75		£10	
	15% of Area		£26		£2.5		£37
United Kingdom		£147	£166	£9.25	£11	£108	£135

7.7.3 Overall and on the assumptions stated, the very broad brush figures of this first view of the economic consequences of applying such an effective relief in the United Kingdom point to the potential of over £100 million of new economic gain, assumed to be largely taxable, with perhaps £10 of tax lost that would currently be payable.

7.7.4 The £150 million or so of rent suggested to be produced is the stimulus to a change opening up land occupation markets in a way that might well otherwise not happen. While that figure of rent would be lower as and where the Basic Payment with its high margin for occupying land is reduced or removed, the stimulus might be unchanged or even increased without Basic Payment's encouragement to inertia.

7.7.5 A real deadweight tax cost would only arise where new lettings that would anyway be for five years or more were newly let by private owners in qualifying circumstances, only a small fraction of the present lettings markets in Great Britain and effectively none in Northern Ireland.

PART 2:

THE AGRICULTURAL LAND OCCUPATION SURVEY FOR ENGLAND AND WALES

CONTENTS

1. INTRODUCTION

1.1 This is the forty-second 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-third Survey since the 1995 reforms of agricultural holdings legislation and the sixteenth 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 2017 to 31st October 2018. 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 73,193 acres, including 41,810 acres subject to new FBTs; 8,175 acres subject to new contract farming arrangements; 18,383 acres on new grazing agreements and 1,591 acres on which succession to 1986 Act tenancies took place.

1.3 The 2018 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 be that the let land market has 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 agreed).

1.4 The survey records decisions about land occupation that were then implemented in the year to 31st October 2018. The general expectations were that the United Kingdom would leave the European Union on 29th March 2019 but with an interim transitional period seeing little policy or trade change until 2021 but accompanied by general uncertainty. It may be that the more detailed statements about intended post-Brexit policies came too late to have significant influence. DEFRA's *Health and Harmony* consultation was issued in February 2018 with the resulting initial policy statements made in September 2018. The Welsh consultation, *Brexit and Our Land*, was published in July 2018.

1.5 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 and typically on larger equipped holdings, ensuring that this sector will endure for a long time.

1.6 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 1,034 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 marginally outweighed losses from sales and let land being taken back in-hand this year, resulting in a small net increase of 1,588 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 4,650 acres of FBT lettings were on land not previously let

4,650 acres of previously vacant land were newly let on FBTs, which is at the lower end of the range seen over the past ten years.

2.4 Almost 65% of the 1986 Act tenancies which ended with no successor were re-let as FBTs

Almost 65% of land previously let on full AHA tenancies was re-let on FBTs, at the low end of the trend seen in recent years. The proportion sold (16.7%) 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 5 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 2.9 years; for those over 1 year it was more than 4 years

This average covers everything from seasonal grass to a long term FBT of 28 years. Where lettings of a year or less are excluded, the average term is just over 4 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 7 and a half years. These are all lower figures than have been seen in recent years and seem likely to reflect caution and uncertainty ahead of what may come with Brexit and post-Brexit policies. As was seen with the introduction on the Single and then the Basic Payment Schemes, where support payments are linked to land prospective changes have an effect on letting decisions.

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 among 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 7.5% of all lettings and 23% 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 33% of all lettings to new entrants being for a term of more than five years.

2.9 Succession tenancies followed 10% 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 approximately 20 per cent 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 170 acres. 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 44 per cent of the total area let on FBTs. The great majority (98%) of grazing arrangements were for one year or less.

2.12 Comment

Overall, the 2018 Agricultural Land Occupation Survey in England and Wales shows no significant change in activity or area.

The general shortening of the length of lettings is taken as a market reaction to the issues of both possible economic changes with Brexit and perhaps more the potential changes in post-Brexit policies, notably the proposed phasing out of Basic Payment in the 2020s and the associated de-linking and possible capitalisation of payments as advanced in DEFRA’s *Health and Harmony* consultation of February 2018. This highlights the sensitivity of the sector (especially, but not exclusively, those offering land) to uncertainty and prospective change.

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 2017 to 31st October 2018) covers a total of 1,034 agreements on 73,193 recorded acres with changes involving decisions about letting in England and Wales, including (last year's figures in brackets):

- 537 (589) new FBTs covering 41,810 (45,425) acres
- 19 (18) full AHA 1986 Act tenancies on 956 (825) acres which ended or were sold and were not re-let
- Of which 0 (4) units on AHA tenancies amounting to 0 (104) acres was sold to sitting tenants
- 36 (24) FBTs which ended on 2,003 (835) acres and were not re-let
- Of which 1 (0) FBT on 103 (0) acres was sold to the sitting tenants
- 10 (11) successions under the 1986 Act covering 1,591 (2,938) acres
- 48 (112) new contract farming agreements covering 8,175 (16,112) acres
- 382 (238) new grazing arrangements covering 18,383 (8,612) acres
- 2 (2) share farming agreements were recorded, covering 275 (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 as well as caution ahead of the changes that may come with Brexit.

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

	2014		2015		2016		2017		2018	
Previous tenure	No.	%	No.	%	No.	%	No.	%	No.	%
Full AHA tenancy	55	7.9%	54	7.5%	72	13.5%	69	11.9%	35	6.6%
Grazing licence etc	76	11.0%	64	8.9%	23	4.3%	10	1.7%	16	3.0%
Let on FBT	462	66.6%	488	68.2%	372	69.7%	423	72.9%	431	80.7%
Vacant	81	11.7%	88	12.2%	48	9.0%	68	11.7%	46	8.6%
Contract farmed	20	2.9%	21	2.9%	19	3.6%	11	1.9%	5	0.9%

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Units	81	70	71	75	76	81	88	48	68	46
% of new FBTs	10%	8.5%	8.2%	6.7%	7.5%	11.7%	12.2%	9.0%	11.7%	8.6%
Area	7,952	8,026	5,848	10,387	7,514	6,277	7,999	5,067	5,450	4,650
Av size	98	115	82	139	99	77	91	105	80	101

4.1.3 In 2018 no units were identified as being purchased and then let on an FBT, a change in pattern that now appears to run from 2014.

Table 4.3: Lettings of purchased units

	2009	2010	2011	2012	2013	2014	2015	2016	201	2018
Units	11	33	9	13	14	0	1	0	0	0
Area	771	3,227	1,073	1,303	1,626	0	26	0	0	0

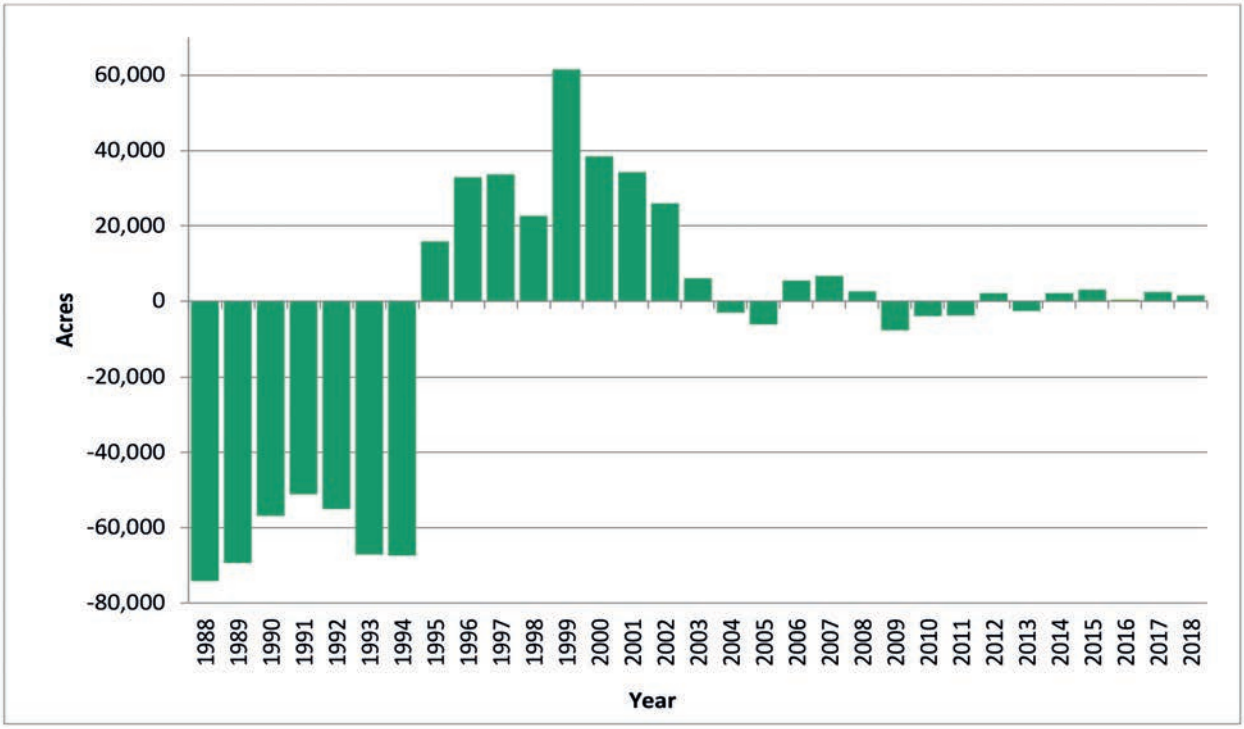
4.1.4 2018 showed a near standstill in the area of the let sector, with a modest gain of 1,588 acres. The overall trend remains that of a stand-still in the market since 2003, as shown in Figure 4.1.

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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fresh let	8,026	5,848	10,387	7,514	6,277	7,999	5,067	5,450	4,651
Less ex-AHA									
– In hand	529	150	1,029	2,232	504	1,040	1,068	250	268
– Contract farming	62	35	–	231	595	–	879	735	–
– Grazing licence	75	57	136	599	10	376	52	125	30
– Sold	1,874	2,515	1,235	1,558	899	557	73	152	658
– AHA sold ST	1,189	806	841	554	135	150	4	104	–
– AHA re-grant	–	–	–	538	–	–	–	–	–
– Unallocated loss	–	8	–	84	–	–	–	1	–
Sub-total	*3,729*	*3,571*	*3,242*	*5,796*	*2,143*	*2,123*	*2,076*	*1,367*	*956*
Less ex-FBT									
– In hand	1,219	656	1,582	431	261	153	92	232	886
– Contract farming	1,247	2,867	1,576	1,663	868	1,598	1,590	692	185
– Grazing licence	712	443	541	145	243	586	246	65	582
– Sold	3,762	1,786	969	783	155	368	101	539	297
– Sold ST	1,291	152	287	297	303	210	4	0	103
– Share farming	–	–	–	920	216	–	–	–	–
– Unallocated loss	–	68	147	51	–	1	–	–	–
Sub-total	*8,231*	*5,972*	*5,101*	*4,290*	*2,046*	*2,915*	*2,524*	*1,605*	*2,107*
Net	-3,934	-3,695	+2,044	-2,572	+2,088	+2,961	+467	+2,478	+1,588

Fig 4.1: Net annual loss/gain in tenanted area 1988 – 2018



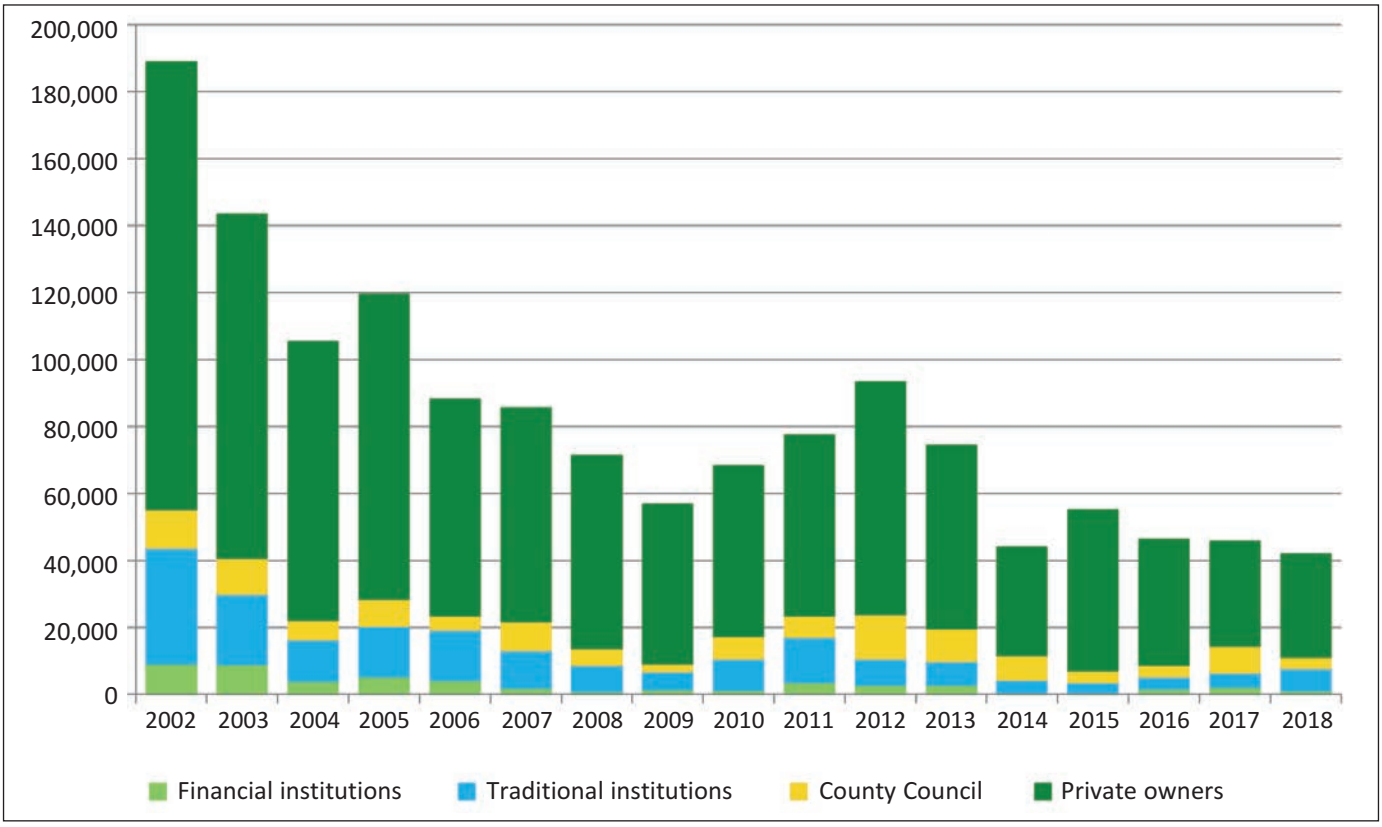
4.2 Lettings by Ownership

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 2018 compared to five year average

	Number		Percentage		Area		Average area	
Let by	**2018**	***5 year average***	**2018**	***5 year average***	**2018**	***5 year average***	**2018**	***5 year average***
Private owners	388	*547*	72.25	*76.7*	30,605	*40,732*	79	*75*
Traditional institutions	89	*66*	16.6	*9.6*	6,735	*4,421*	76	*66*
County Council	44	*78*	8.2	*10.9*	3,239	*6,369*	74	*81*
Financial institutions	16	*20*	2.9	*2.8*	1,230	*1,498*	77	*97*

Fig 4.2: Area let by type of owner



5. FATE OF LAND PREVIOUSLY LET

5.1 Termination of full AHA tenancies

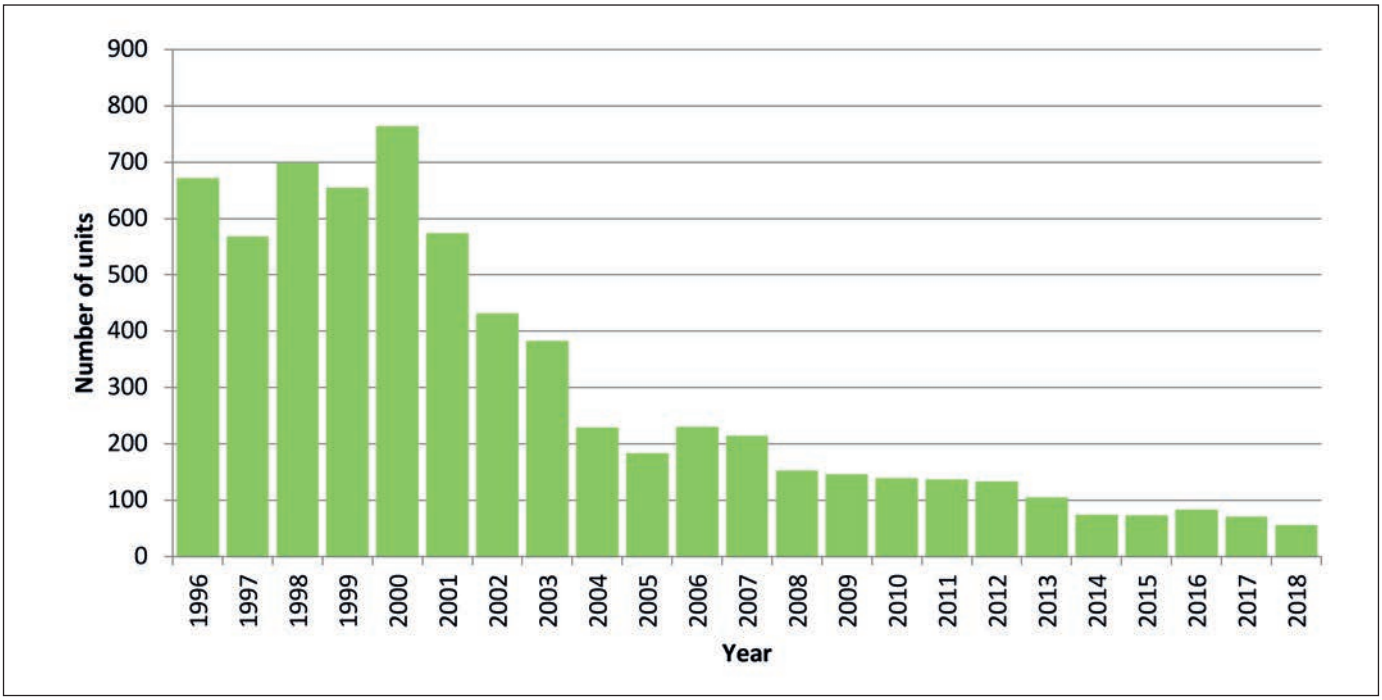
5.1.1 In 2018 some 54 AHA tenancies were reported as coming to an end, excluding those where a succession took place. Figure 5.1 shows the slow "tailing-off" which has occurred since 2004.

5.1.2 Table 5.1 shows that over 64% of AHA tenancies coming to an end were re-let as FBTs; a figure that is at the low end of the overall trend but still accounting for 80% of the area involved. The proportion of land let on former AHAs which was subsequently sold was 16.7%. In 2018, about 20% of such land was either taken back in-hand or let on other arrangements, the highest combined fraction for at least a decade but affecting a much smaller proportion of area.

Table 5.1: Fate of old full AHA tenancies which ended 2009 – 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number	144	137	135	132	103	72	71	82	69	54
Re-let (FBT)	75.0%	75.4%	69.6%	75.8%	62.1%	76.4%	76.1%	85.7%	75.8%	64.8%
Sold	19.4%	21.6%	25.9%	16.7%	21.4%	8.3%	11.3%	5.9%	15.4%	16.7%
In-hand	4.2%	2.2%	1.5%	6.8%	8.7%	6.9%	4.2%	2.4%	3.3%	9.3%
CF / GL	1.4%	2.9%	3.0%	1%	3.9%	8.3%	8.5%	5.9%	5.5%	9.3%

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 80% of the area re-let on FBTs in 2018. Only a very small area was taken back in-hand (5.6%) and very little was sold (658 acres).

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

	2014		2015		2016		2017		2018	
AHAs re-let as FBTs	4,872	69.5%	5,320	71.5%	10,119	83%	7,991	85.4%	3,843	80.1%
Taken in hand	504	7.2%	1,040	14.0%	1,068	8.8%	250	2.7%	268	5.6%
Used for grazing/CF	605	8.6%	376	5.1%	931	7.6%	860	9.2%	30	0.6%
Sold	1,034	14.7%	707	9.5%	77	0.6%	256	2.7%	658	13.7%
Unallocated	–		–		–	–	1	0.01%	–	–
Total not re-let	2,143		2,123		2,076		1,367		956	

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 5 such references in 2018 (none 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 467 FBTs that ended. Some 92% of all the expiring FBTs were re-let as FBTs, in line with the evidence of previous surveys and covering 95% of the area involved. Few units were taken in-hand (2.4%), or let on contract farming or grazing licence arrangements (2.6%). Sales of former FBT land (at 2.4%) have consistently been much less significant than for former AHAs.

Table 5.3: What happened to FBTs that ended?

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number	602	630	671	907	799	495	532	395	457	467
Re-let	88.0%	91.0%	91.2%	92.6%	91.7%	93.3%	91.7%	94.2%	92.5%	92.3%
Sold	3.8%	3.6%	3.1%	3.3%	3.9%	1.6%	1.9%	1.0%	3.3%	2.4%
In-hand	2.8%	2.5%	1.3%	1.2%	1.5%	1.8%	0.4%	0.5%	1.5%	2.4%
CF/GL	3.8%	2.4%	4.0%	2.5%	2.5%	3.0%	5.6%	3.8%	2.6%	2.6%
Not allocated	1.5%	0.5%	0.3%	0.3%	0.4%	0.3%	–	0.5%	–	0.4%

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)

	2014		2015		2016		2017		2018	
Re-let as FBTs	29,926	93.6%	35,941	93.0%	25,452	91%	30,117	94.7%	41,810	95.4%
Taken in hand	261	0.8%	153	0.4%	92	0.3%	232	0.7%	886	2%
Grazing / CF	1,266	3.9%	2,184	5.6%	2,328	8.3%	897	2.8%	820	1.9%
Sold	523	1.6%	368	0.95%	101	0.4%	539	1.7%	297	0.7%
Total not re-let	*2,050*		*2,915*		*2,521*		*1,668*		*2,003*	

5.3 Succession to 1986 Act tenancies

5.3.1 16% of all AHA tenancies which came to an end in 2018 saw a succession (Table 5.5) – this is the second 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, but 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.

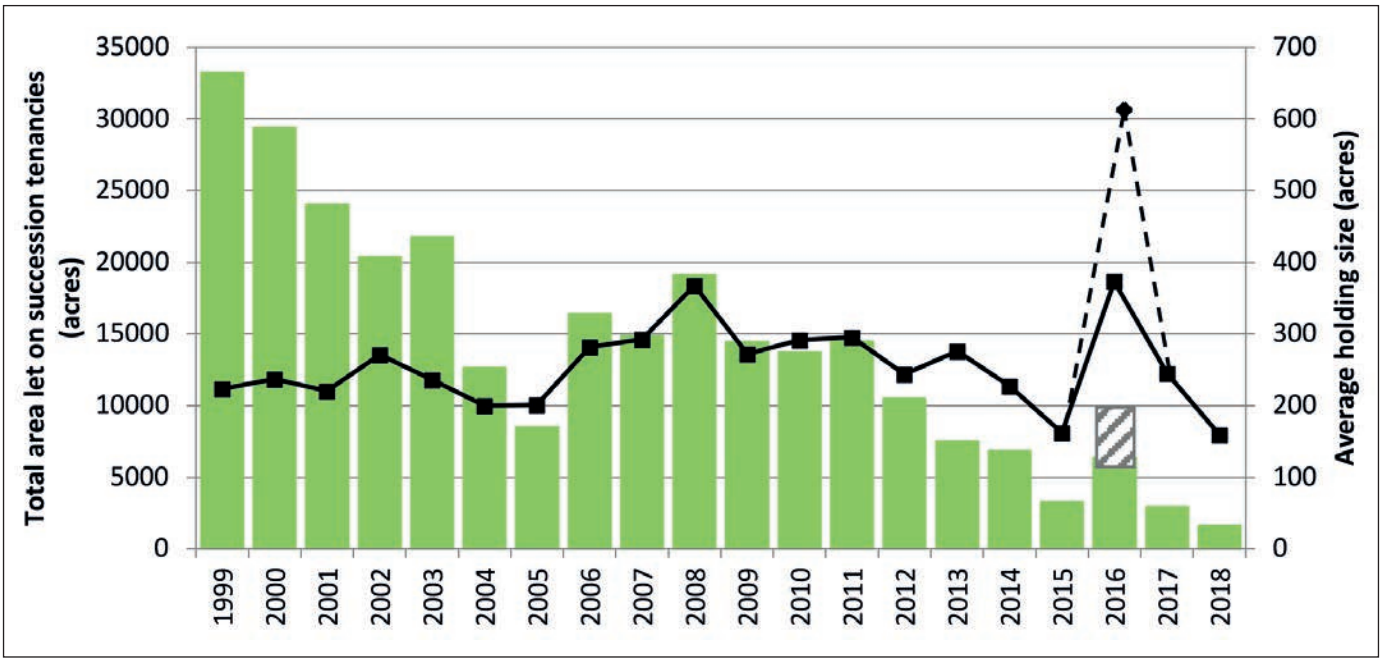
Table 5.5: Successions

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number	53	48	48	43	37	32	20	17	11	10
% AHAs ending	27%	26%	26%	25%	26%	31%	22%	17%	11%	16%
Area	14,421	13,678	14,460	10,492	7,533	6,817	3,250	10,350 *6,350*	2,938	1,591
Av size	272	291	295	244	276	227	162	609 *373*	245	159

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 2018, the majority of successions were again on privately owned holdings (80% of all successions). One succession was recorded on land owned by a traditional institution 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 2018 there were no cases recorded where land subject to an AHA tenancy was sold to sitting tenants. Numbers of units sold are still much lower than those recorded before 2005.

Table 5.6: Sales to sitting AHA tenants

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Cases	8	8	7	9	8	2	1	1	4	0
Acres	798	1,189	806	841	554	135	150	3.7	104	0

5.4.3 One sale to an FBT tenant was recorded, covering 103 acres.

Table 5.7: Sales to sitting FBT tenants

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Cases	4	2	6	7	10	1	2	1	0	1
Acres	206	102	152	286	297	216	210	3.5	0	103

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 just under a thousand acres.

6.1.2 The average size of a unit let as an FBT was 78 acres in 2018 and the proportion of let units exceeding 150 acres was 15.8%.

Table 6.1: Average size of FBTs

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Av area (acres)	69	79	88	82	73	63	76	91	77	78
% > 150 acres	10.5%	14.3%	14.8%	14.4%	16.3%	15.2%	15.6%	21.1%	22.7%	15.8%
No. > 150 ac	89	123	131	164	126	80	94	91	90	85

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 2018 only four 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	194	16	2
25 - 49.9 acres	86	6	0
50 - 74.9 acres	48	3	0
75 - 99.9 acres	34	1	2
100 - 124.9 acres	29	3	8
125 - 149.9 acres	18	1	2
150 - 199.9 acres	20	5	4
200 - 249.99 acres	12	6	3
250 - 374.9 acres	9	8	4
375 - 499.9 acres	5	1	4
500 - 749.9 acres	1	2	0
750 - 999.9 acres	0	1	0
over 1000 acres	0	0	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 want to retain their home. **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 61% of all 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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
%	70	69	59	67	67	70	71	63	69	61

6.2 Fixed equipment – houses and buildings

Table 6.4: Analysis by level of equipment on each unit in 2018 compared with 2017

	2017					2018				
	No. of units		Acres		Av area	No. of units		Acres		Av area
Bare land	492	83.2%	25,748	56.3%	52	456	84.7%	28,059	67.1%	62
Land with buildings	42	7.1%	7,924	17.3%	189	53	9.9%	8,058	19.3%	152
House, land and buildings	57	9.6%	12,071	26.4%	212	29	5.4%	5,693	13.6%	196

6.2.1 The 2018 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 2018

	Bare land			Land with buildings			Land / house / buildings		
	No	%	Av area	No	%	Av area	No	%	Av area
Private owners	349	85.3	61	42	10.3	142	18	4.4	229
Traditional institutions	60	89.5	72	6	8.9	258	1	1.5	10
County Councils	30	68.2	37	4	9.1	139	10	22.7	156
Financial institutions	16	100	77	0	0	0	0	0	0

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

6.2.2 As in previous years, it is County Councils which make the largest contribution to fully equipped lettings by percentage of portfolio, with almost 23% of their total let with a house, land and buildings (38% in 2017; 34% in 2016; 38% in 2015; 30% in 2014). However, in 2018 private landlords provided 62% of all fully equipped lettings, with a total area of 4,119 acres (72% of the total area let as fully equipped holdings). Eight of those 18 holdings were let for terms of ten years or more; by contrast, only one of the 10 County Council holdings was let for more than 7 years.

Basic Payment Entitlements

6.2.3 The survey included a question which asked whether Basic Payment entitlements were included in the letting. 503 entries for new FBTs answered the question (94% of all entries). 54.7% of the responses stated that entitlements were included in the letting (42.8% in 2017; 46.6% in 2016; 50.2% in 2015) and 45.3% stated that they were excluded (57.2% in 2017; 53.4% in 2016; 49.8% in 2015).

6.2.4 Of those who answered the question, entitlements were included in 27% of bare land lettings (44% in 2017; 45% in 2016; 50% in 2015), in 62% of lettings of land and buildings (44% in 2017; 60% in 2016; 58% in 2015) and in 52% of lettings of fully equipped holdings (29% in 2017; 46% in 2016; 37% in 2015).

6.3 Farming enterprises

6.3.1 164 lettings were described as arable, with 2 for horticulture. 138 units recorded grazing uses, including 4 dairy units. 7 lettings were for pigs and one for poultry. None were described as being let for roots.

6.3.2 Four lettings were described as being for horses or equestrian use, with one being for woodland. Diversification which takes place during a tenancy is not recorded by the Survey.

6.3.3 There was one letting of buildings only (3 in 2017, 1 in 2016, 7 in 2015, 8 in 2014).

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 2018 was 2.9 years, which is the lowest reported figure since 2001. The average over the previous 10 years was 3.8 years. This average 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. It seems likely that this average summarises reactions by owners and would-be tenants in 2018 to uncertainty about future prospects with the consultations on post-Brexit policies and future economics. Towards the end of the survey period, the English discussion of delinking support from a requirement to occupy land may have become a factor.

6.4.3 If lettings for 1 year or less are excluded, the average term increases to 4.14 years, still a lower figure then previously. The average length of FBTs let for more than five years was 9.73 years.

Table 6.6: Average length in years of new FBTs granted

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
All FBTs	3.80	3.75	3.89	4.12	3.17	3.53	3.83	4.48	3.97	2.90
FBTs > 1 yr term	–	–	5.44	5.54	4.65	4.93	5.31	5.94	4.98	4.14
FBTs > 5 yr term	12.50	12.96	11.85	10.88	10.84	10.26	13.16	13.42	10.70	9.73

Table 6.7: Average term length in years by size and type of unit

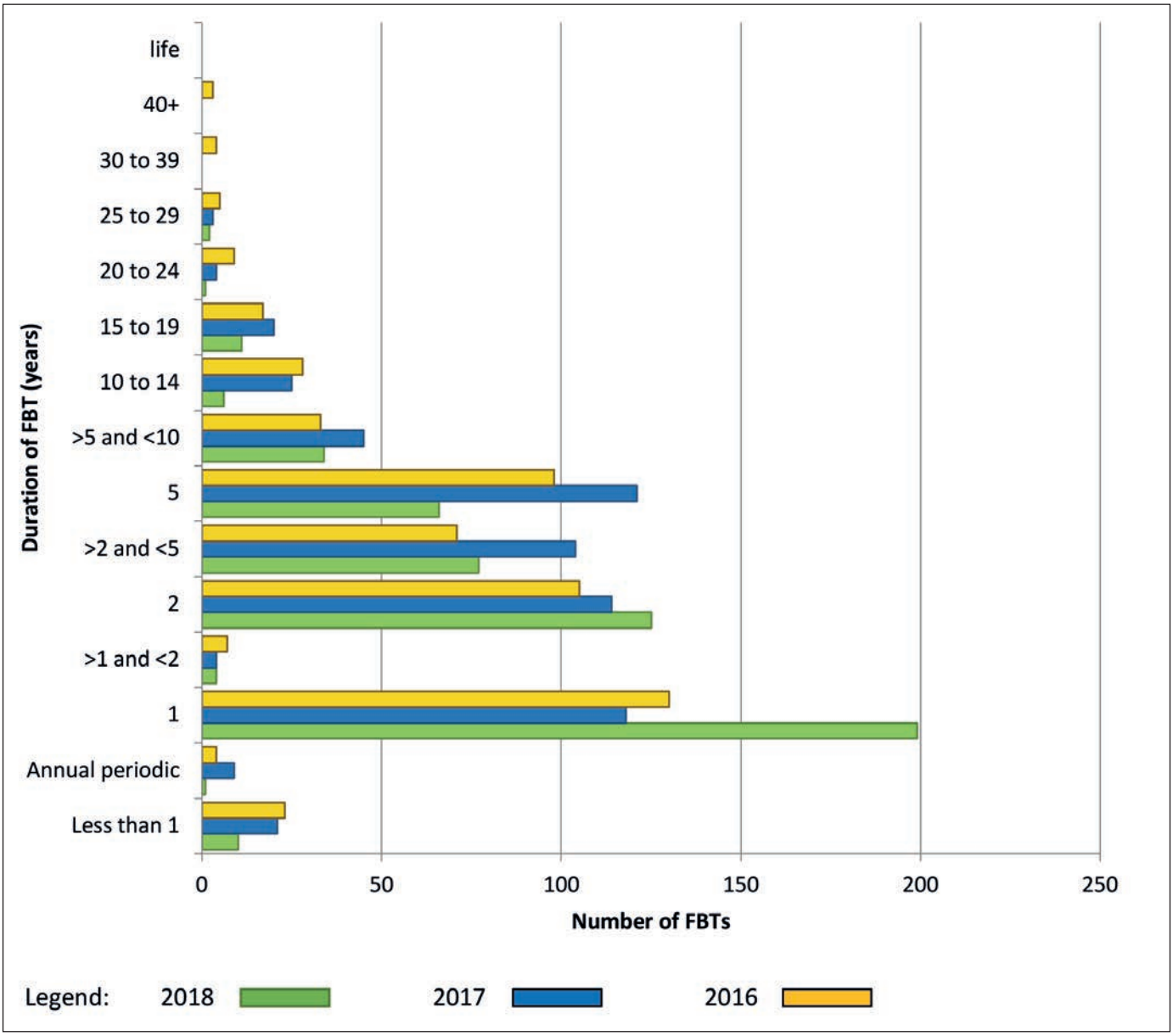
Size of unit	Bare land	Land and buildings	House, land and buildings	Average length of all FBTs
Under 25 acres	2.24	2.20	1.00	2.22
25.0 – 49.9 acres	2.31	5.50	–	2.52
50.0 – 99.9 acres	2.41	2.25	6.00	2.48
100.0 – 199.9 acres	2.75	5.11	6.79	3.61
Over 200 acres	3.04	6.83	9.91	5.61

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 28 years. In 10 cases the letting was for less than one year but in only 1 case was the term reported to be running on from year to year.

Table 6.8: Analysis of term lengths of FBTs in 2018

Length	Number			Length	Number		
	2018	2017	2016		2018	2017	2016
Life	0	0	0	>5 and <10 years	34	45	33
40+ years	0	0	3	5 years	66	121	98
30 – 39 years	0	0	4	>2 and <5 years	77	104	71
25 – 29 years	2	3	5	2 years	125	114	105
20 – 24 years	1	4	9	>1 and <2 years	4	4	7
15 – 19 years	11	20	17	1 year	199	118	130
10 – 14 years	6	25	28	Annual periodic	1	9	4
				< 1 year	10	21	23

Fig 6.1: Analysis of term lengths of FBTs



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. It shows a move in the market for 2018 to lettings of 2 years and less (which expire automatically) from lettings of between 2 and 5 years.

Table 6.9: Length of FBT terms by number of agreements

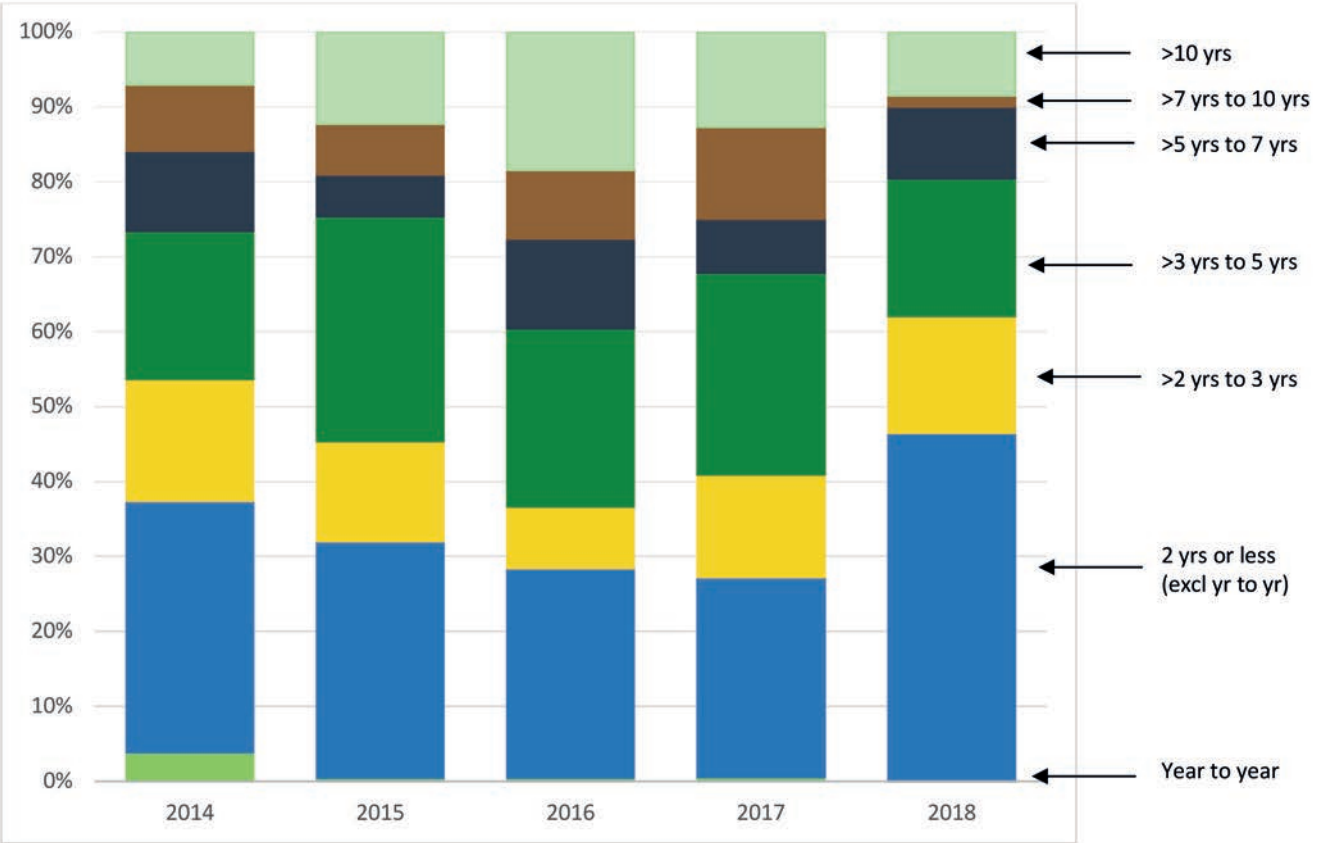
	2014		2015		2016		2017		2018	
	No.	%	No.	%	No.	%	No.	%	No.	%
Year to year	18	2.6	8	1.1	4	0.7	9	1.5	1	0.2
Up to 2 years (excl yr-to-yr)	351	50.7	395	55.4	265	49.4	257	43.7	338	63.1
>2 yrs to 3 yrs	101	14.6	99	13.9	66	12.3	99	16.8	69	12.9
>3 yrs to 5 yrs	118	17.0	109	15.3	103	19.2	126	21.4	74	13.8
>5 yrs to 7 yrs	44	6.4	30	4.2	31	5.8	40	6.8	34	6.3
>7 yrs to 10 yrs	33	4.8	30	4.2	26	4.8	25	4.3	5	0.9
>10 yrs					42	7.8	32	5.4	15	2.8

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

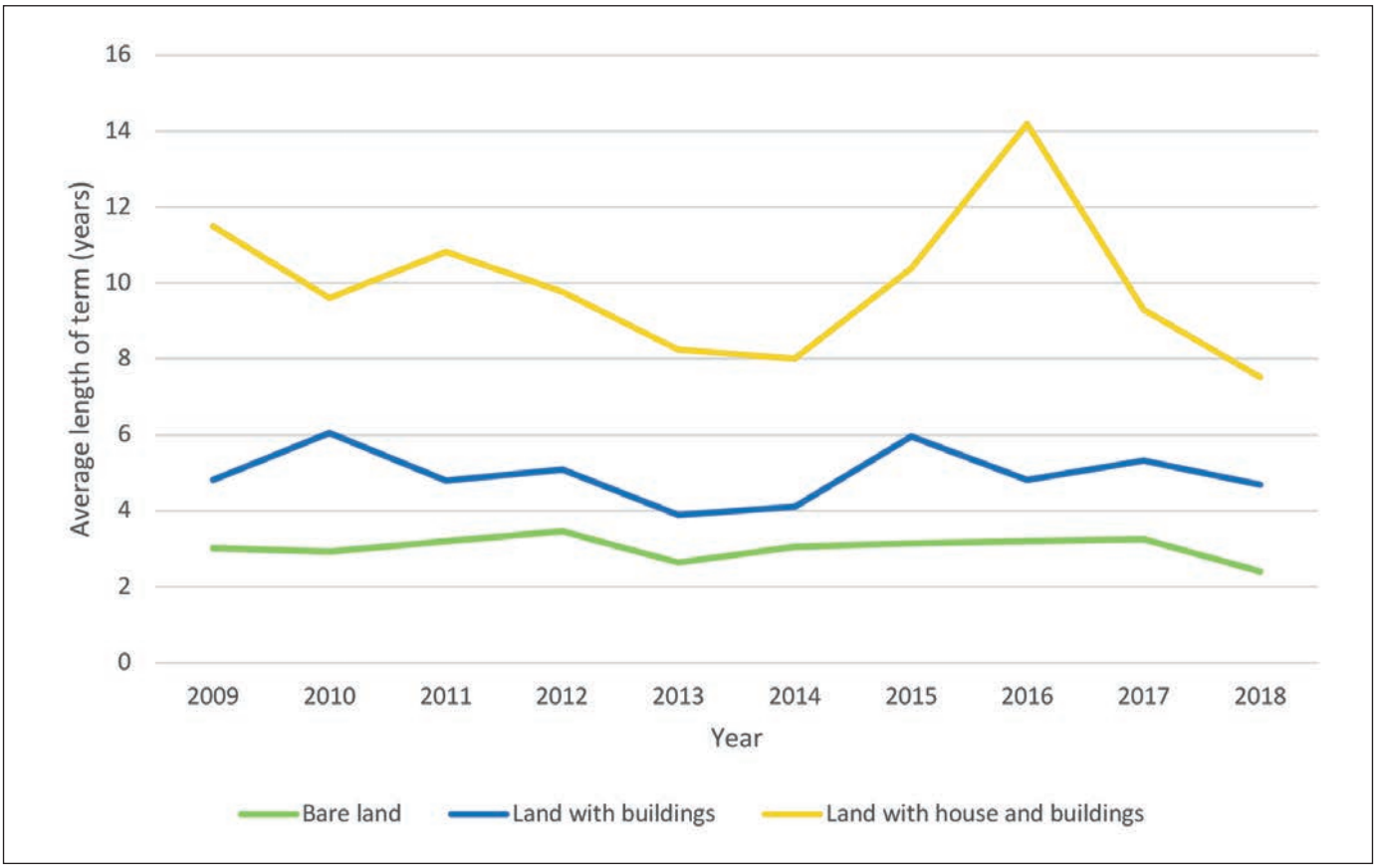
	2014		2015		2016		2017		2018	
	Acres	%	Acres	%	Acres	%	Acres	%	Acres	%
Year to year	1,680	3.8	199	0.4	200	0.4	245	0.5	2.4	0.01
Up to 2 years (excl yr-to-yr)	14,716	33.6	17,346	31.6	12,959	28.0	12,180	26.7	19,405	46.5
>2 yrs to 3 yrs	7,121	16.2	7,312	13.3	3,819	8.2	6,256	13.7	6,496	15.6
>3 yrs to 5 yrs	8,685	19.8	16,483	30.0	11,030	23.8	12,283	26.9	7,666	18.4
>5 yrs to 7 yrs	4,677	10.7	3,110	5.6	5,532	11.9	3,285	7.2	3,995	9.6
>7 yrs to 10 yrs	3,851	8.8	3,667	6.7	4,278	9.2	5,569	12.2	630	1.5
>10 yrs					8,532	18.4	5,780	12.7	3,555	8.5

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 7.52 years in 2017; bare land units were let for an average of 2.4 years and those with buildings for 4.69 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 typically being let for much longer average terms, though less so in 2018. 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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Bare land	3.01	2.92	3.20	3.46	2.64	3.06	3.14	3.20	3.26	2.40
Building / land	4.82	6.05	4.80	5.08	3.89	4.10	5.95	4.82	5.32	4.69
House/bldgs/land	11.50	9.61	10.83	9.77	8.24	8.00	10.39	14.19	9.29	7.52
Previously:										
– AHA	9.36	8.05	9.07	6.84	5.98	7.20	8.26	10.26	7.35	5.29
– FBT	3.01	3.30	3.41	4.08	3.13	3.56	3.47	3.53	3.52	2.55
– Vacant	4.54	3.75	3.94	3.20	3.44	3.23	4.63	4.04	3.68	3.98
– Contract farmed	3.23	3.67	2.85	3.87	3.94	3.40	3.52	4.37	5.22	5.00

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Private owner	3.29	3.32	3.66	3.60	3.01	2.98	3.87	4.20	3.70	2.87
Traditional institution	5.11	4.23	4.51	4.61	3.27	5.10	3.21	4.27	3.28	2.86
County Council	5.98	6.69	5.84	6.35	4.60	5.75	5.0	7.0	6.16	3.95
Financial institution	4.28	2.37	1.79	4.18	1.64	5.50	3.0	7.57	3.08	1.19

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 7.45% 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 23%, in line with recent years but higher than pre-2008 figures.

Table 6.13: FBTs let to New Entrants

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number	79	82	78	100	75	38	33	30	45	40
Area	7,266	8,539	6,307	6,655	6,607	3,473	3,568	3,423	5,376	3,584
Av size	93	107	81	66	88	91	108	118	117	90
New entrants as % of										
– Total lettings	10.0	10.0	8.8	8.8	7.4	5.5	4.6	5.6	7.6	7.5
– Changed occupation	30	31	34	32	26	17	14	14	18	23

6.5.3 77.5% of lettings to new entrants were by private landowners, 12.5% by county councils and 10% by traditional institutions. Financial institutions were not reported as letting any holdings to new entrants in 2018. 20% of lettings to new entrants were of fully equipped holdings, the lowest proportion in the last 5 years (42% in 2017; 50% in 2016; 36% in 2015; 34% in 2014; 33% in 2013; 16% in 2012).

6.5.4 The Survey shows that 32.5% 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 2018

Length of tenancy	Under 2 years	2 – 5 years	Over 5 years
New entrants	12.5%	55%	32.5%
Other tenants	42%	49.7%	8.3%

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 but it probably captures a smaller proportion of the market than of tenancies.

7.1.2 In 2018, only 48 returns were received for new agreements, covering 8,175 acres with an average unit size of 170 acres. Table 7.1 shows that this was a much smaller number of agreements covering a much smaller area and for a shorter average term than seen over the past decade. The average size of a unit has remained at a consistent figure, broadly between 150 and 200 acres.

Table 7.1: Survey of contracting agreements

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Units	101	110	129	125	116	66	88	112	112	48
Area	17,908	18,255	20,188	27,367	22,317	13,502	13,175	21,629	16,175	8,175
Av area	177	166	158	219	192	204	150	193	144	170
Av term (years)	1.62	1.79	1.82	1.52	1.70	1.78	1.62	1.72	1.53	1.43
New entrants	11.9%	12.7%	7.0%	3.2%	5.2%	4.5%	1.1%	0%	0%	2%

7.1.3 As in previous years, the great majority of contracting arrangements in 2018 were for arable units. Only one case specifically reported an arrangement for livestock and one referred to root crops.

7.1.4 98% of the arrangements were made by private landowners and 2% by county councils. No traditional or financial institutions were recorded as entering a contract farming agreement in 2018.

7.1.5 The average length of agreement was 1.43 years and while approximately 75% of agreements were for up to one year, terms ranged from 6 months to 5 years. 25% of agreements were for 3 years or longer.

7.1.6 The majority of agreements were for bare land (96%) with only one arrangement for land and buildings and one for a fully equipped holding.

7.1.7 One agreement was recorded as being to a new entrant.

7.2 Grazing agreements

7.2.1 This is the seventh 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 2018, some 382 cases of grazing arrangements were recorded, covering 18,383 acres. In practice there will be far greater numbers of these arrangements made which are not recorded in the Survey. Of those recorded, approximately 88% were to the same occupier as the previous year.

Table 7.2: Analysis of grazing agreements

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Units	312	258	242	547	251	228	209	238	382
Area	9,644	7,615	9,978	20,234	11,339	11,312	8,145	8,613	18,383
Av area	30.9	29.5	41.2	36.9	45.7	49.6	39.4	36.3	48.9
To same occupier	60%	67%	71%	83%	74%	77%	80%	83%	88%

7.2.3 Most grazing arrangements were for a year or less, but in 9 cases (2%), arrangements for two years or more were recorded, but distinguished from FBTs.

7.2.4 89% of grazing arrangements were on land which had previously been let on similar terms (88% in 2017, 86% in 2016, 82% in 2015). Only 6% were on previously owner-occupied land (7% in 2017, 10% in 2016, 7% in 2015).

7.2.5 The substantial majority of grazing arrangements were made by private landowners (88%). 3% were made by County Councils, 3% by traditional institutions and 5% by financial institutions.

7.2.6 There were 23 references to horses being a factor in the arrangement (14 in 2017, 1 in 2016, 3 in 2015, 13 in 2014).

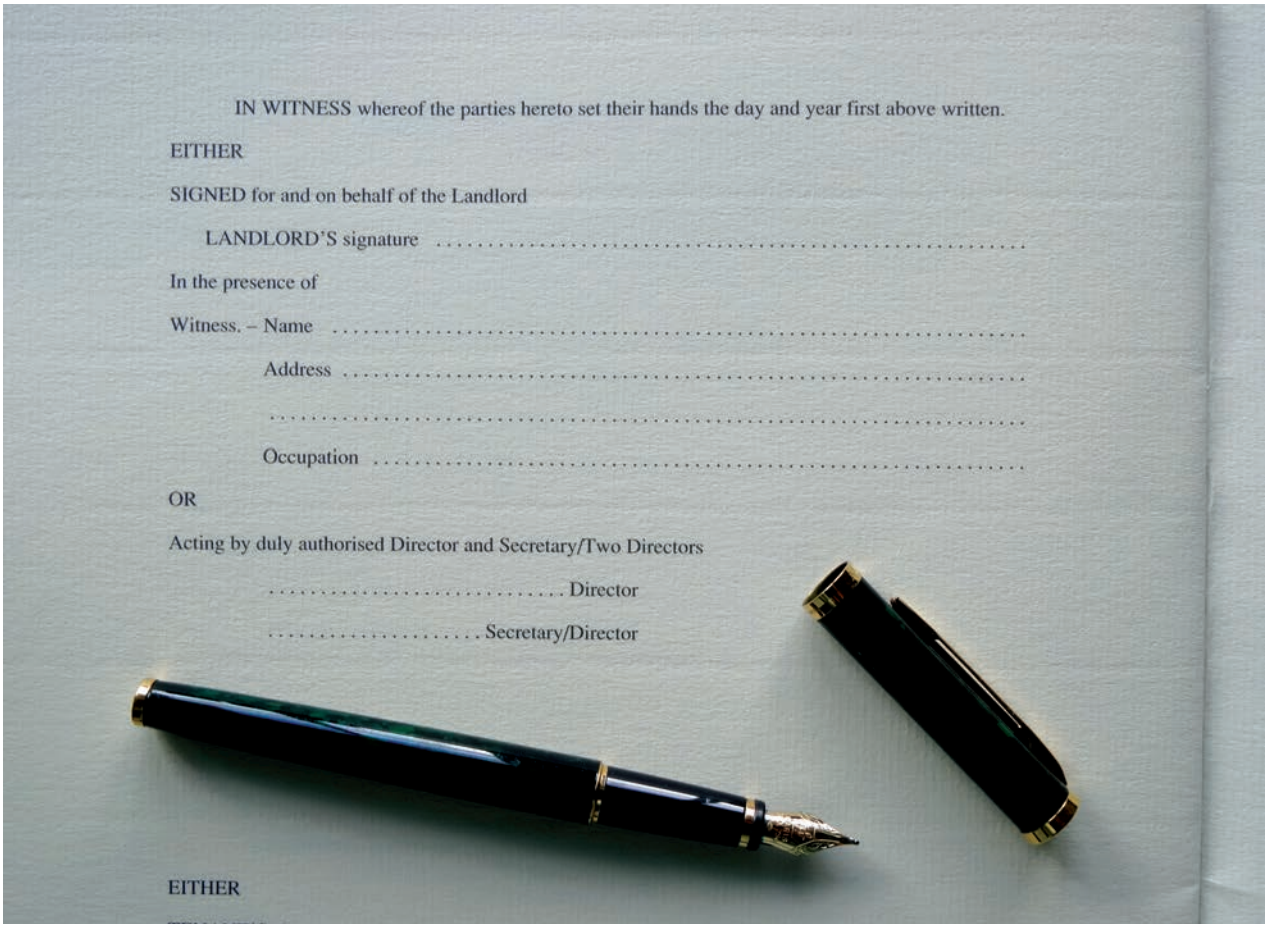
7.2.7 In 3 cases (0.78%) respondents noted that the Basic Payment claim was a factor in the arrangement (4.2% in 2017, 3.8% in 2016, 8% in 2015).

7.3 Other arrangements

7.3.1 Two share farming agreements were recorded in 2018, covering 275 acres (2 covering 112 acres in 2017; 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). One agreement was for bare land only (53 acres), while the other was for land and buildings (222 acres). 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

CONTENTS



8. INTRODUCTION

8.1 This is the seventh 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 2018, land where tenancies ended in 2018 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 seventh such Scottish Survey, there can now be some comparison with the figures from the previous Surveys which are retained in brackets where relevant.

8.3 It has inevitably taken some time for a sufficient history of data to allow conclusions as to trends. There is a background of both the discussion of and changes to agricultural land tenure and the uncertainty about and the reactions to the implementation of the Basic Payment System with their impact, perhaps particularly on arrangements in the years 2014 to 2016. This Survey period, recording the implementation of decisions taken, is one in which the expectation was of leaving the EU on 29th March 2019, with associated uncertainty. The Scottish Government's consultation paper, *Stability and Simplicity,* was issued in June 2018 , late in this period.

8.4 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.

8.5 This Survey covers a total of 128 (142) units on 38,665 (35,179) acres with changes involving decisions about the letting or occupation of agricultural land in Scotland in the year to November 30th 2018, 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.

8.6 The units reported in the Survey comprise:

- 26 (63) where tenancies were reported let in the year, covering 8,564 (20,517) acres. 7 were MLDTs. By previous tenure:
  - 19 (41) were of units where a tenancy had ended;
  - 3 (10) followed grazing arrangements
  - 0 (0) followed a contract farming arrangement
  - 4 (12) moving from in hand or newly acquired
- 0 (1) successions to existing tenancies (had been 81 acres in 2017)
- 3 (8) tenancies that ended and the land was reported as not re-let covering 712 (3,050) acres of which:
  - 2 (4) were taken in hand
  - 0 (2) went to grazing agreements
  - 1 (1) was put on a contract farming agreement
  - 0 (0) were sold
  - 0 (1) was sold to the sitting tenant
  - 0 (0) were compulsorily purchased
  - 0 (0) went to an unknown arrangement
- 6 (2) further new contract farming agreements covering 5,961 (1,700) acres
- 90 (65) further new grazing agreements covering 23,150 (9,217) acres.
- 2 were on previous grazing arrangements taken in hand (23 acres) and none (1) were sold
- 1 had been on a contract farming arrangement on 255 acres but moved to a grazing arrangement

8.7 Again, no units were reported as being put onto a share farming agreement.

8.8 This Survey does not cover crofting arrangements.

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. In any one year, there may be some apparently striking results which later Surveys would put into perspective.

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

9.3 Reference can be made to the overall stocks of tenancies and tenanted land published by the Scottish Government, reported in the Appendix.

9.4 In considering the relevance of comparison with England and Wales 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, as required by the EU, to the same area basis for allocating entitlements as in the rest of the UK. That makes matters more similar to the position in England and elsewhere, especially in Payment Region 1 with its full allocation excluding many "naked" acres with consequent greater effects on land occupation. Scotland's introduction of a temporary siphon on without-land transfers of entitlements has had a bearing on land occupation decisions within a larger uncertainty about the operation of BPS in Scotland. 2018 was the fourth year of the new regime with entitlements either allocated or not on the basis of 2015, though its implementation has been problematic with much use of bridging loans.
- 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.
- the new Modern Limited Duration Tenancy (MLDT) was introduced under the Land Reform (Scotland) Act 2016 for the start of the Survey period (and before the first LDTs with their then minimum term of 15 years could ordinarily have ended). Despite the change of label and the limited opportunity for an initial 5 year break clause, this is not seen as a substantive change.
- there may be differences in the patterns of land holding and farming structures and practice.
- there are differences in both the background land law and agricultural tenancy law, with the further point of the Scottish regime being significantly more complex.
- 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 within a climate of debate that does not apply elsewhere in the United Kingdom.
- there may be other influences at work.

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

10. OVERVIEW, KEY POINTS AND QUESTIONS

10.1 **Overview** – Now beyond the distortions created by the move to the Basic Payment Scheme and the fresh allocation of entitlements in Scotland, 2018 saw a very low level of activity with a let sector that only appears to be sustained by the increased incentive that Basic Payment gives for claimants to stay in place, doing little for the vibrancy or economic health of farming. That is all the more concerning with the need for agriculture to rise to the challenge of productivity and competitiveness made more urgent by Brexit.

10.2 Within the let sector, bare land lettings are now very much in the ascendant.

10.3 With inheriting owner-occupiers and the continuing scale and strength of the seasonal grass lettings market as a major means for flexibility, Scotland could appear to be more closely resembling Ireland where the problems of that model are now leading to more pressure for tenancies.

10.4 With the political risks perceived by owners over letting farmland in Scotland, owners withdrawing from farming 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. Some aspects of that are summarised by the comment in the interim report from the Scottish Government's Agricultural Holdings Law Review Group describing letting as being seen as a high risk, low reward activity.

10.5 **After a long period of decline, this Survey follows 2017 in reporting 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 78 acres** following 2017's 289 acres compares with a net loss in 2016 of almost 28,000 acres and 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 (see Table 13.1).

10.6 Overall, the 2017 and 2018 Surveys are consistent with recent figures from the Scottish June Census Surveys which have recorded a levelling out of the decline in the scale of the let sector. However, the 2018 Census suggests that the fall may have resumed.

10.7 Within that, **the 1991 Act (AHA) sector continues to erode with new lettings being predominantly bare land and often let for short terms and not fully replacing the land lost from 1991 Act lettings.** The Scottish June Census (see Appendix) records:

- a 38 per cent fall in the number of 1991 Act tenancies over the last 11 years, from 7,399 in 2008 to 4,601 in 2018
- the area under 1991 Act tenancies falling by 20 per cent over the last 6 years, from 949,517 hectares in 2013 to 756,685 in 2018.

The area now under 2003 Act tenancies is half that of the 1991 Act sector, while in England the area under FBTs will soon exceed that under the 1986 Act.

10.8 **2018 sustained the recovery in the proportion of the let holdings that fell vacant being reported as re-let to 83% (2017: 84%).** In 2016 this figure had fallen from a bare majority to 35% which 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.

10.9 However and while the 1991 Act sector erodes, not enough use is made of the tenancies created by the 2003 and 2016 Acts to make good that loss and little new land enters the let sector – just 778 acres in 2018.

10.10 **The average size of a new tenancy was 302** (325, 663, 231, 273, 279, 266) acres. The higher figure for 2016 reflected a small number of much larger units alongside smaller lettings.

10.11 **The average length of a new tenancy was 4.56** (3.68, 7.49, 5.47, 5.99, 6.69, 6.66) **years**.

10.12 **Unusually, the 2018 Survey shows no pattern of length of tenancy by type of previous tenure.**

10.13 **81% (78%, 68%, 65%) of lettings in 2018 were of bare land and 19% (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 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 persistent majority of lettings to be of ancillary land, not of self-contained farms or core steadings. That appears to a natural part of the restructuring for any industry under economic pressure and it will not be readily reversed.

10.14 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 1,058 (667, 1,535) acres** compared with the average bare land letting of 123 (267, 325) acres.

10.15 That trend could in future 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 this requires significant expenditure on farmhouses and cottages, it may prompt a commercial review of their positions by both landlords and tenants.

10.16 In some contrast to 2016's unusual nil figure, **5 lettings were reported as being to new entrants (4 in 2017). These accounted for 33% of the small number of lettings where the farmer changed** (20%, 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 7.62 years (7.5, -, 11, 11.25, 10.66, 9.8) with an unusually low average area let of 120 (822, -, 680, 730, 545, 351) acres.

10.17 With 2018's results generally resembling those of 2017, it does seem to confirm the analysis 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 newly 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.

10.18 **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 weary or retiring famers to let their land rather than remain farming, 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 26 tenancies reported as having been created in 2018.

Table 11.1: Number of tenancies created

Year	2018	2017	2016	2015	2014	2013	2012
No. of tenancies created	26	63	25	40	19	57	87
Total area (acres)	8,564	20,517	16,673	9,234	5,194	15,352	23,183
Average size (acres)	302	325	663	231	273	279	266
Average length	4.56	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 5 months to 13 years. Of the 26 lettings, 7 (27%) were MLDTs (this form of tenancy superseding the LDT from 30th November 2017, though with little substantive difference).

11.3 By Type of Owner – In Table 11.2, the fundamental role of private landowners in letting farmland is again demonstrated as 24 of the 26 lettings were by private owners and 2 by traditional institutions.

Table 11.2: Type of owner

Year	2018	2017	2016	2015	2014	2013
Private landowner	24	59	24	36	19	50
Traditional institution	2	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 2018 - Comparison with 2017 Survey

	2018			2017		
1991 Act	1	4%}	16%	6	10%}	11%
1991 Act Ltd Partnership	3	12%}		1	2%}	
LDT[2]	1		4%	1		2%
SLDT	14		54%	33		52%
Small Landholders	0			0		
Grazing Arrangement	3		12%	10		16%
Contract Farming	0			0		
Vacant	4		15%	12		19%

11.4.2 As in 2017, some units are reported to have been let when not having been let before – 4 in 2018 and 12 in 2017. At 15% (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

	2018		2017		2016		2015		2014	
AHA	91}	2,217	8,833}	9,026	3,462}	4,527	1,825}	2,617	1,096}	1,096
AHA LP	2,126}		193}		1,065}		792}		0}	
LDT	451		317		6,140		2,437		60	
SDLT	4,857		8,413		3,967		1,769		518[3]	
Grazing	261		200		687		1,089			
Contract Farming	0		0		340					
Vacant	778		2,561							

11.4.3 In looking at that data series, land previously let on LDTs would have become available for re-letting in very recent years as they were only first available under the 2003 Act.

11.4.4 21 (46) of the 26 (60) lettings for which fixed equipment was known were bare land. At 81% (77%) of decisions this again weighs the letting of equipped units. Covering 2,576 (12,291) acres, they accounted for 33 (60) per cent of the let area as the 5 lettings of holdings with houses included 3 of over 1,000 acres (while unknown these are quite possibly hill units).

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

- the limited Scottish use of the new forms of tenancy (SLDT, LDT and the new MLDT) contrasts with the wide use of FBTs in England and Wales. That has seen a smaller volume of shorter term lettings develop and then lead to new tenancies as they are re-let. The re-letting of land on FBTs is the largest part of the English market in a way that has not developed in Scotland to the same extent, even for SLDTs.
- it appears that the high proportion of bare land lettings is now a confirmed feature of the Scottish agricultural lettings market, as 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 2018 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 - 1991 Act (including Limited Partnerships), LDTs and SLDTs by number

Number	2018		2017		2016		2015		2014	
Total	*23*		*49*		*51*		*50*		*25*	
Re-let	19	83%	41	84%	18	35%	27	54%	18	72%
Sold	–		–		10	20%	–		3	12%
Sold to tenant	–		1	2%	11	22%	1	2%	–	
Comp Purchase	–		–	–	–		–		–	
In hand	2	9%	4	8%	1	2%	15	30%	3	12%
Contract Farming	2	9%	1	2%	3	6%	3	6%	–	
Grazing	–		2	4%	7	14%	4	8%	1	4%
D/K	–		–		1	2%	–		–	

Table 12.2: Tenancies that Ended – 1991 Act (including Limited Partnerships), LDTs and SLDTs by area

Area	2018		2017		2016		2015		2014	
Total	*8,642*		*23,567*		*44,165*		*27,324*		*6,436*	
Re-let	7,525	87%	20,517	87%	15,346	35%	9,187	34%	5,111	79%
Sold	–		–		1,005	2%	–		338	5%
Sold to tenant	–		317	1%	2,082	5%	185	1%	–	
Comp Purchase	–		–		–	–	–		–	
In hand	397	5%	2,436	10%	606	1%	8,464	31%	82	1%
Contract Farming	720	8%	253	1%	22,680	51%	6,025	22%	–	
Grazing	–		43		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 That allocation, with its substantive removal of "naked acres", has perhaps intensified the incentives of an area payment system to limit change in land occupation; a claimant wanting to retain this income must continue to occupy the same land.

12.4 The broader political climate for land tenure decisions and, more specifically, 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. It is noted that the Agricultural Holdings Law Review Group's interim report in 2014 observed that being an agricultural landlord had become seen as a high risk, low reward activity.

12.5 It is not obvious that the United Kingdom's prospective withdrawal from the European Union with potential changes in support and possible effects of future changes in trading arrangements on produce prices has affected land occupation decisions in 2018.

12.6 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.
- that done, 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.

12.7 However, alongside the tenancy structures recorded here, there is much more activity in the letting of seasonal grazing arrangements (commonly tenancies under Scottish law). In that, Scotland could be seen to be becoming much more like Ireland with its enormous reliance on seasonal agreements and the potentially associated problems for land management that have now led to a desire there to recreate a tenanted sector.

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 2017, 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 2018

	2018	2017	2016	2015
Fresh Let				
Vacant (inc purchased)	+778	+2,560	–	–
Ex Contract Farmed	–	–	+340	–
Ex Grazing	+261	+200	+687	+1,089
Total Fresh Let	**+1,039**	**+2,760**	**+1,027**	**+1,089**
Less Losses from Previously Let				
Ex AHA/AHA Ltd Partnership				
ex AHA to In-hand	397	2,363	606	3,076
ex AHA to Grazing	–	–	–	415
ex AHA to Contract Farmed	720	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	–	–	–	–
Total AHA/LP Losses	**1,117**	**3,006**	**28,131**	**8,621**
ex LDT/SLDT				
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
Total LDT/SLDT Losses	0	43	638	4,366
Total Losses from Previously Let	–1,117	–3,049	–28,769	–12,987
Net Loss to the Tenanted Sector	**–78**	**–289**	**–27,742**	**–11,898**

13.3 These figures follow last year's Survey in showing what appears to be new pattern with a rough balance (a marginal loss) between land leaving and entering the let sector but with very low volumes of land involved – indeed, very low levels of activity overall.

13.4 That is consistent with the annual data issued by the Scottish Government on the overall size of the let sector showing its decline now stabilising but with limited use of the new forms of tenancy (see the Appendix).

13.5 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 (carried over in England for the Basic Payment Scheme) – area payments being seen as a force for stasis in land occupation. This Survey may well now be showing a similar effect in Scotland following 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 (a complication for many tenancy changes).

13.6 Again, the underlying losses remain almost entirely from land that has been let on tenancies under the 1991 Act (often many years ago) and not from the smaller area of land let on LDTs and SLDTs (where the decision to let can only have been made since 2003). 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 thus likely to wish to re-let.

13.7 While neither LDTs/MLDTs nor SLDTs have appeared to offer a means that is successful in encouraging 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 up to 2015 have not been repeated which may well owe something to arrangements for the commencement of the Basic Payment Scheme (though 7,352 acres were reported as lost in 2012) and then the incentive it gives to retain occupation of the land needed to make the claim

13.8 As in 2017, 2018 saw some previously in-hand being newly let. This is reviewed above at 11.4.2.

13.9 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.

13.10 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 and 2018 no such sales (except for the sale of a house and some land as part of a package for a retiring tenant with the main area of land moved to contract farming). That appears to be a reversion to the previous pattern.

13.11 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, no successions were reported.

14.3 In 2017 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 virtual absence of reported successions in 2016, 2017 and 2018, prompting delay in some business changes, has been influenced by the introduction and workings of the Basic Payment Scheme. It is perhaps less likely that some have been held back to take advantage of the widening of the classes of eligible successor under the 2016 Act with lags in that process.

Table 14.1: Succession tenancies

Year	2018	2017	2016	2015	2014	2013	2012
Number of successions	0	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 2018, particularly by size and length of letting. Unfortunately, the information collected this year is again 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 302 (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 again confirms the trend of recent years towards just that pattern, with bare land lettings, large and small, now predominating. In summary:

- bare land lettings accounted for 81% (77%) of lettings decisions but 33% (60%) of the let area
- there were no lettings of land with buildings but not a house (2017: 12% of lettings and 17% of the let area)
- units with dwellings accounted for 19% of lettings and 67% of the let area with three of the five units including over 1,000 acres (2017: 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 Table 15.1 below illustrates more strikingly than usual the diverging character of fully equipped lettings from the predominant bare land lettings.

15.2.4 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	11 (15)	– (1)	– (1)
25-49	1 (10)	– (1)	
50-74	1 (3)	– (–)	
75-99	2 (3)	– (2)	
100-124	– (1)	– (–)	– (–)
125-149	2 (1)	– (–)	
150-199	5 (5)	– (1)	– (1)
200-299	1 (2)	– (1)	– (1)
300-999	3 (3)	– (1)	2 (1)
Over 1,000	3()	– (1)	3 (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 Unlike England and Wales (and Northern Ireland with its absence of agricultural tenancy legislation), Scotland does not offer complete freedom of contract over the length of a tenancy. While it has been possible since 2003 to let land on a variety of terms, each with different legal effects, it remains a curiosity that it is illegal in Scotland to enforce a letting for a period of between 5 and 10 years.

15.3.3 The terms granted for the new tenancies reported to the Survey ranged from very short (5 months) to 13 (35, 35, 35, 25, 25, 38) years. While those previous longer tenancies were outliers, that shorter maximum period for 2018 is an apparent change.

15.3.4 Use of the Reduced Length for Longer Lettings (MLDTs, previously LDTs) – Of the 7 MLDTs reported, 4 (8, 6, 8, 3, 7, 8) units were let for a term of 10 years and 3 (1, 3, 3, 3) for longer terms, but none in 2018 for more than 13 years. That continues to show that the amendment to allow LDTs for a term of between 10 years and 15 years is overwhelmingly used where the MLDT (LDT) structure is adopted. 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. The majority of these lettings are for the minimum term allowed for an LDT/MLDT.

15.3.5 That is consistent with analysis suggesting that, where the law sets a minimum term then that figure tends to set a norm for owners who are willing to let, 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 7 MLDTs, 4 (4) were of fully equipped units covering 3,489 acres (2,188 acres), 0 (3 on 3,005 acres) were of land and buildings and 3 (2) were of bare land covering 690 acres (4,433 acres), again showing the general correlation between scale of fixed equipment and length of term.

15.3.7 Re-Letting of SLDTs – It is though noted that of the 14 SLDTs that ended and were re-let (none not re-let), the decision made in each set of circumstances saw:

- 3 were re-let as MLDTs for terms of between 10 and 11 years
- 1 was re-let for 5 years
- 8 were re-let for a year
- 1 is reported as re-let on a year to year basis
- 1 was re-let for 5 months.

15.3.8 Overall Average Term - The average length of a new letting has risen from 2017's low of 3.68 years to 4.56 years (2016: 7.49 years, 2015: 5.47, 2014: 6, 2013: 6.69). For simplicity excluding those reported as being from year to year, the figure becomes 4.9 years compared to 2017's 6.66. If those for less than a year (probably mostly grazing lets) are excluded, the average would be 5.1 years (4.98 years). The previous Surveys would have had lower averages if the large volume of grazing tenancies was included.

15.3.9 That compares with the average length of letting in England and Wales of 3.97 years in 2017 (4.48 years in 2016, 3.83, 3.53, 3.16, 4.12, 3.89) and 4.98 years where the FBT was for a year or more. These figures also reflect the high 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. However, for 2018 at least the patterns appear to have converged.

15.3.10 That difference is now explored in more detail.

15.3.11 Patterns in the Length of Letting – As has been found in England and Wales, the terms granted typically vary with the previous form of tenure and the level of fixed equipment. In individual cases, this will reflect the circumstances and attitudes of each owner as well as the holdings in question.

15.3.12 Term by Previous Occupation (Numbers of Units) – However, the historic tendency for units that had previously been let under the 1991 Act to be let for longer terms (with an equivalent pattern in England and Wales) is not revealed in 2018.

Table 15.2: Previous Tenure and New Type of Tenancy

	≤5 years					10 years +				
	2018	**2017**	**2016**	**2015**	**2014**	**2018**	**2017**	**2016**	**2015**	**2014**
AHA	1	–	–	–	3	–	4	4	2	2
AHA LP	2	1	4	1	–	1	–	–	3	–
LDT	1	–	–	–	–	–	2	2	2	1
SLDT	11	31	6	15	9	3	2	1	3	1
Total	**15**	**32**	**10**	**16**	**12**	**4**	**8**	**7**	**10**	**4**
VP	3	11	–	–	–	1	1	–	–	–
GA	2	10	3	9	2	1	–	–	1	–
CF	–	–	1	–	1	–	–	–	–	–
Total	**5**	**21**	**4**	**9**	**3**	**2**	**1**	**–**	**1**	**–**

15.3.13 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

	2018	**2017**	**2016**	**2015**	**2014**
Ex 1991 Act	5.00[1]	15.00	18.75	10.00	9.25
Ex 1991 Act Ltd Partnership	5.67	5.00[1]	4.50	12.25	–
Ex LDT	10.00[1]	10.00[1]	10.00	12.50	10.00
Ex SLDT	3.35	2.53	4.79	3.62	4.84
Ex Grazing Arrangement	6.67	3.55	3.67	3.70	1.42
Ex Contract Farming	–	–	5.00[1]	–	0.66
Ex Vacant Possession	5.50	2.67	–	10.00[2]	–

Notes
[1] – only one unit
[2] – part of a unit with former grazing land

15.3.14 Term by Level of Fixed Equipment – Upholding the typical pattern, the average terms by the extent of fixed equipment on a holding shown by the 2018 Survey are set out in Table 15.4.

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

	2018	**2017**	**2016**	**2015**	**2013**	**England 2016**
Bare land	3.32	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	9.80	10.52	11.25	8.56	9.53	14.19

15.3.15 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, 2016 and 2017 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 Of the 20 cases where the question was answered, 5 lettings were to someone perceived as a new entrant. Of the 12 cases where the new tenant had not previously farmed the land, 4 were let to new entrants: 33%.

16.4 That is consistent with the typical figures of 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). In 2017, 20% of lettings in 2017 where the farmer changed were reported as lettings to new entrants. While that proportion may appear positive, it was in reality only a very small number of actual cases – 4. The 2016 Survey had, very unusually, shown no lettings to new entrants. 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.

16.5 Experience shows that more opportunities would yield more new entrants taking lettings. This avenue of entry is limited by the small number of opportunities in Scotland to win tenancies.

16.6 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 then, 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 or inactive 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.

16.7 Length of Term for New Entrants – With two MLDTs and 3 SLDTs, the average length of letting to a new entrant was 7.62 years, longer than the overall average. The Surveys before 2016 showed new entrants having lettings for longer than average terms, a picture also seen in England and Wales.

Table 16.1: Lettings to new entrants

	2018	2017	2016	2015	2014	2013	2012
Average term	7.62	7.5	–	11	12.5	10.66	9.8
Average size of holding	120	790	–	680	730	545	351

16.8 Average Size – While new entrants have also tended to take larger than average holdings, that is not revealed in 2018 when the 5 lettings, including 3 small areas of bare land but also one larger one with a house, saw an unusually low average of 120 acres: 40% of the average area let in 2018. Previous figures had been 790 acres in 2017 (including one letting over 2,000 acres) and surveys before 2016 reported 680, 730, 545 and 351 acres. These areas were 243%, 194%, 52%, 95% and 32% larger than the overall average.

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

	2018	2017	2016	2015	2014	2013	2012
No. of agreements	6	3	13	10	8	11	20
Total area	5,961	1,953	32,141	12,510	17,051	5,554	13,045
Average area	993	651	2,493	1,251	2,131	505	652
Average length	3.6	2	3.36	3.46	6	2.36	3.14
Previously:							
Contract farming	3	0	5	3	5	5	5
In-hand	1	2	3	4	–	3	10
1991 Act tenancy	2	1	4	–	–	–	–
Grazing arrangement	0	0	1	–	–	–	–

17.1.3 While four agreements were with a different farmer, none (0, 2, 3, 2, 1) were with a farmer perceived to be a new entrant.

17.1.4 All were for fixed terms, with an average term of 3.6 years. The 2017 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 (3.46, 6, 2.36, 3.14) years, taking account of those running from year to year as being for at least two years.

17.1.5 One contract farming agreement was replaced by a grazing agreement on 255 acres.

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 90 new grazing arrangements were reported on 23,150 acres – an average of 251 acres. While, with the two previous years, 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, 88 replaced previous grazing arrangements, 1 replaced a contract farming agreement, none replaced SLDTs, none were previously in-hand and none were on land that had been purchased.

Table 17.2: Grazing arrangements

	2018	2017	2016	2015	2014	2013	2012
No. of agreements	90	65	114	32	8	40	32
Total area	23,150	9,217	8,004	9,031	310	1,607	10,986
Average area	251	142	70	282	39	40	343
Average length		2	3.36	3.46	6	2.36	3.14
Previously:							
Grazing arrangement	88	60	105	28	6	33	23
Contract farming agreement	1	–	–	–	–	–	–
In-hand	0	2	3	4	–	–	–
1991 Act tenancy		1	4	3	–	5	6
SDLTs	0	0	6	–	–	1	3
LDTs		–	–	1	–	–	–
Purchased land	0	3	–	–	–	–	–
Vacant		–	–	–	1	–	–
Unknown		–	–	–	1	1	–

17.2.4 86 (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. One (0, 0) was taken by a new entrant.

17.2.5 Two grazing agreements on 23 acres were taken in hand.

17.3 Share Farming and Other Agreements

No other such agreements were reported as being used.

APPENDIX

STATISTICS ON THE LET SECTORS OF ENGLAND, SCOTLAND AND WALES

While the CAAV Surveys record a picture of the patterns of change in farmland occupation, as decisions are taken, other surveys report on the overall totals of land by tenancy type. This Appendix collates official data from England, Scotland and Wales together with a survey by Savills of Scottish estates.

ENGLAND

DEFRA's agricultural tenancies consultation of April 2019 gave this broad picture from the 2017 June Census.

	Holdings	% Holdings	% of Area
Wholly Tenanted	14,000	13%	15%
Mixed Tenure	36,000	34%	50%
Owner Occupied	54,000	51%	35%

The 2018 June Census reported these areas of owned and rented land on commercial agricultural holdings in thousands of hectares.

		2016	2017	2018	% of Area ex commons
Land Owned		6,056	6,107	6,209	66%
Land Rented in for 1 Year or More					
	AHA	1,407	1,396	1,365	15%
	FBT	1,193	1,208	1,288	14%
	Other	420	436	445	5%
Seasonally rented in land		518	527	551	

It seems likely that a large proportion of the 445,000 hectares recorded as being under "Other agreements" are in fact under FBTs. Generally, those with 1986 Act tenancies know that.

The seasonally rented in land will included short tenancies, grazing lets and lettings for specialist cropping.

Table 2 of *Farming statistics - final land use, livestock populations and agricultural workforce as at 1 June 2018, England* (latest revision, 31st May 2019)

SCOTLAND

Scottish Government Figures
From the June 2018 Census

NB - *One holding may include more than type of tenancy. The implication is that in 2018 up to 403 holdings had more than one type of tenancy.*

The number and area of 1991 Act Limited Partnership tenancies are included in the totals for 1991 Act lettings but are then separately noted for reference.

Crofting is a distinct form of tenure, mostly rented, with its own specific legislation and institution. Limited to the crofting counties of north and west Scotland, crofting is often linked with other activity and use of common grazings. It is not covered in the CAAV Survey.

	2018		2015	2016	2017	2018	Change 2015-2018	
Holdings (No)							**No**	**%**
1991 Act	7,399		5,422	5,234	4,829	4,601	–821	–15%
SLDT	509		945	1,070	1,192	1,181	+236	+25%
LDT	205		557	647	710	765	+208	+37%
MLDT						69		
Small Landholder	98		74	74	76	68		
Total	**8,047**		**6,609**	**6,587**	**6,428**	**6,281**	**–328**	**–5%**
Area (ha)								
1991 Act			953,598	895,586	844,559	756,685	–196,913	–21%
SLDT			110,097	160,343	177,559	175,364	+65,267	+59%
LDT			97,923	111,949	157,437	177,923	+80,000	+82%
MLDT						11,624		
Small Landholder			3,126	2,889	2,212	1,949		
Total			**1,164,744**	**1,170,766**	**1,181,768**	**1,123,545**	**–41,199**	**–4%**
Rented Area as % of total area in sole occupation (Both ex-crofts)	26%		21%	21%	21%	20%		
1991 Act Limited Partnership Lets								
Number	958		518	503	459	425	–93	–18%
Area (ha)			156,897	145,461	108,849	123,066	–33,831	–22%
Rented Crofts								
Number	11,226		10,167	10,002	9,786	9,879	–288	–3%
Area (ha)			154,981	148,779	153,089	158,313	+3,332	+2%

Savills Scotland Estate Benchmarking

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This annual survey collates and reports on data from Scottish estates and so gives an insight in changing patterns of land occupation in this sector with its historic involvement in managing farmland, whether farming in hand, letting or using other arrangements.

The figures are given in percentages of the total land area reported.

Some variations between years in the figures can be expected with changes to the sample base but, as a substantial survey, it can be expected to describe the experience of this sector of ownership.

	2013	2014	2015	2016	2017	2018
1991 Act	27.0%	27.6%	27.0%	22.2%	22.2%	21.3%
1991 Act LP	3.7%	3.3%	3.4%	1.9%	1.9%	1.7%
LDT	5.8%	7.0%	7.1%	7.2%	7.2%	7.1%
SLDT	2.2%	3.6%	3.6%	2.9%	2.9%	3.3%
Total Let Area	**38.8%**	**41.6%**	**41.2%**	**34.1%**	**34.2%**	**33.4%**
Seasonal Grazing	4.8%	4.2%	3.9%	5.3%	8.1%	7.5%
In Hand	5.8%	6.0%	6.1%	9.5%	12.4%	17.2%
Contract Farmed	22.3%	20.6%	20.8%	22.5%	18.4%	16.7%
Total Other Land	**32.9%**	**30.7%**	**30.8%**	**37.3%**	**38.9%**	**41.4%**
Total Farmed Area % of Area	**71.7%**	**72.3%**	**72.0%**	**71.4%**	**73.1%**	**74.8%**

WALES

After some years without significant data on the tenanted sector in Wales, the Welsh Government has now published the information given here, prepared partly to assist its work on post-Brexit policy.

The data have been drawn together by Rural Payments Wales from the 2018 Single Application Forms.

	Holdings	%
All owned land	8,413	52%
Own More than Rented	4,624	28%
Rent More than Owned	1,685	10%
Tenants	1,503	9%
Total	**16,225**	

Area (ha)	Owned	AHA	FBT	Unwritten	Total Area
All owned land	517,186				517,186
Own More than Rented	428,829	15,093	38,301	50,573	532,796
Rent More than Owned	54,467	59,086	68,664	30,734	212,951
Tenants		37,971	51,433	14,069	103,473
Total	**1,000,482**	**112,150**	**158,399**	**95,375**	**1,366,406**
%	**73%**	**8%**	**12%**	**7%**	