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Future Of Farming Review Report

July 2013



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greenfoodproject@defra.gsi.gov.uk

PB 13982

FOREWORD

David Fursdon, Chair of the Future of Farming Review



When someone visits a farm they will look for what is important to them. Everyone will look for different things. I am normally interested in the people. It is largely up to them whether or not it succeeds.

This review is also about people. It is about new entrants certainly but a 'new' entrant will before long become 'old'. So this review is also, inevitably, about progression.

Fortunately as a country we have now accepted that food security is an issue. We also recognise that our environment is a priceless asset. Finally we recognise that our relationship with Europe is ever changing and we may have to look solely to world markets if our farming businesses are to survive long term. That will require the best new entrants to find ways to bring their new skills into agriculture and those in agriculture to continue to improve also.

We have heard too from those who suggest that entry to farming should not be too easy, and some farmers who focus solely on their own family succession. Yet the balance against new opportunity does seem to have swung too far in agriculture with high land prices, the CAP supporting the status quo, tenancies rarer and few other business opportunities. This is not healthy and the solution cannot depend on market forces alone.

I am most grateful for the hard work and dedication of all members of the review group who have given unstintingly of their time to attend meetings, read documents and evidence and have been actively supported throughout by Defra.

We have not produced this report for it to gather dust on a shelf in a darkened room. We hope that the Government and the farming industry can take forward our proposals which may not be universally popular but we feel are necessary to achieve the aims set out in our terms of reference. Indeed how they do so will be a measure of how seriously they take these issues and how much the farming industry shows leadership.

David Heath MP, Minister of State for Agriculture



I am very pleased to introduce this report from the Future of Farming Review group. Their work in painting a clear picture of the barriers faced by talented, entrepreneurial new entrants to agriculture is vital for the future of the industry.

This report shows us the steps we can take to begin to open up farming to a new generation. Given the pressing need to encourage growth in the UK economy and support young people in finding solid career opportunities this report is particularly timely.

We have huge challenges ahead in boosting agricultural productivity, increasing resilience to the effects of climate change and variable weather patterns, effectively managing the countryside and natural environment and we need a consistently high calibre pool of talent to meet them. I am confident this review will be the springboard to improving our already talented workforce, and I look forward to exploring its recommendations with industry.

Members of the Review Group	
David Fursdon (Chair)	- Chair of the South West Rural Farming Network, Crown Estate Commissioner, English Heritage Commissioner, Chartered Surveyor and agricultural valuer, farmer and landowner in Devon.
Debbie Beaton	- Editorial Projects Director at Farmers Weekly which includes responsibility for delivering initiatives such as the Farmers Apprentice, Farmers Weekly Awards and Farmers Academy. Fellow of Royal Agricultural Society of England (FRAGS).
George Dunn	- Chief Executive Tenant Farmers Association, Chairman of The Farming Community Network, Tenancy Reform Industry Group (TRIG).
Des Lambert	- Principal of Plumpton College, member of Sussex Federation of Young Farmers Clubs committee, Woodland Enterprise Limited trustee, FACE strategy trustee, LEAF Development Advisory Board and LANDEX Executive.
Robert Law	- Vice-Chairman of the National Farmers Union Sugar Board, Director of Conservation Grade Farming, first generation farmer on the Herts/Cambs/Essex border.
Richard Longthorp OBE	- Chair of the Agri-Skills Forum, Chair National Pig Association, member of BPEX board, Chair LANTRA National Council for England, farmer in East Yorkshire.
Jeremy Moody	- Secretary and Adviser to Central Association of Agricultural Valuers, Assembly member of The European Group of Valuers' Associations (TEGoVA), European Valuation Standards Board, Partner in TACS Talk, Tenancy Reform Industry Group (TRIG), Farming Regulation Task Force Implementation Group.
Ross Murray	- Vice-President of the Country Land and Business Association (CLA) and Chairman of the CLA's Policy Committee, Chartered Surveyor.
Jo North	- Diversification Manager at Droke farm, Tesco young dairy farmer and blogger, Regional Coordinator Let Nature Feed Your Senses project.
Martin Redfearn	- National Head of Agriculture at Barclays, Fellow of the Institute of Agricultural Management, Director of two agricultural societies.
Nick Ritblat	- Chair of the Bank of England Residential Property Forum, member of Investment Committee and Estates Committee of Oxford University, Eton and the Courtauld Institute, consultant for 2012 Olympic Legacy, Carbon Trust and Covent Garden Market Authority.
Julie Robinson	- Partner at Roythornes solicitors, host of #Agrichatuk, member of the Council of the Agricultural Law Association.

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Executive Summary

Farming in the UK has an exciting future ahead of it. British produce is recognised as being of high quality and there is growing interest in buying locally produced food. We are operating in an ever more global marketplace and need to find more ways to become more competitive, winning our share of that market. Equally, managing the largest part of England's land area, we face growing expectations to maintain and improve our environment and face the challenges of climate change; nowhere are the effects of severe weather more obvious than in farming.

We can respond to these opportunities and challenges with better research, technology and regulation. But nothing is more critical to farming's success than ensuring that those who work in it are ambitious and skilled. This means attracting the best people to work in farming and then supporting them so that they can build their skills and experience and have successful, rewarding careers. We cannot afford not to plan ahead for the future; we need to be concerned with who the future of farming is, i.e. those we need to be our high calibre farmers, farm managers, staff, researchers and advisers in the future are making their career choices now.

The Future of Farming Review offers a timely opportunity to take stock of the position and what needs to be done. We have focused on the key challenges people face when entering farming, in developing their careers and in the paths they will take through to retirement. Given the breadth of issues that bear on both farming and the decision to select a career in agriculture, we have not been able to address all of these issues or do so in close detail. What we do set out is a challenge to the industry and the Government to take the necessary steps to ensure that the sector can be professional, competitive and sustainable, attracting the brightest and best.

We engaged with a number of organisations and individuals across the country and a number of key issues clearly emerged:

- The **whole prospect of progression** is important for attracting talent to the sector, the challenges faced by new entrants, the importance of ensuring opportunities for career development and support for succession planning and retirement.
- There is **no real market failure demanding a major intervention**, but there are positive steps that could be taken in a number of areas. Complacency is not an option; ensuring the right workforce is critical to the future success of the industry.
- No-one knows **how many new entrants, graduates, postgraduates, skilled and unskilled farm workers the sector needs now and in the future**. It is unclear what is behind some of the commonly stated figures of how many new entrants will be needed, so fresh analysis of the figures is required. In some particularly high value sectors, securing an adequate supply of labour, both skilled and un-skilled, is essential to their survival and this needs to be kept under close review.
- There are **a number of other initiatives** working in this 'space'. Rather than duplicate them, the review group sought to consolidate the issues covered by them all and give a

single view. Although they all serve a purpose, the farming industry must coordinate the various initiatives more effectively and decide which ones to back and which not. This will require leadership. This is particularly the case in education where the positive message about a farming career is failing to reach sufficient school children. We need FACE and Bright Crop to lead an increasingly professional campaign and other initiatives need to rally round them.

- Agriculture needs to be properly **embedded within the National Curriculum** for the science, maths and geography disciplines.
- Although the **public perception of farming** as a sector has improved, more needs to be done to engage school age children in particular to take an interest in where their food comes from. As a career farming is often still seen as unrewarding and low paid, so more effort is needed to convey the high tech, innovative nature of the modern farming sector and the worthwhile career opportunities on offer.
- Industry and educational institutions need to work closely together to **develop highly regarded vocational qualifications** that are understood and designed by the industry and appealing to young people. More widely, the Agri-Skills Forum needs to encourage LANTRA and AHDB to work better together to deliver the **skills** that farming needs.
- Farmers need to be better at running and supporting **apprenticeships** but there also needs to be better understanding of the practical realities among those designing the schemes. Some good examples are starting to appear.
- The farming industry needs to work out how to set up and fund **creative graduate training schemes** for the best students. We have not been good at taking responsibility for training and development.
- **Business and management skills are essential** to those entering the sector and should also be enforced at every stage of career progression. This is vital to ensure competitiveness generally and the ability to access finance in particular. **Mentoring** offers a valuable alternative to formal qualifications, in helping new entrants to build successful businesses and develop their business capability.
- Farming needs a demonstrable form of **professional qualification** available to it that will help at every stage of career progression.
- It is not realistically going to be possible for all new entrants to secure their own land and business, at least not from the outset of their career. **People should be encouraged to explore other entry routes besides owning their own business** and to build up their understanding of business management, investment, technology and environmental sustainability in related jobs and fields. This will help them when later securing a business and accessing finance.
- Although **consolidation of businesses** may reduce 'starter farm' opportunities, larger businesses are more likely to be able to offer bursaries, work placements, mentoring and graduate placements and internal promotions, as is common in other sectors.

- **The loss of county council farms is concerning.** Government and industry should work together to identify how much these farms contribute to entry and progression in the industry and make further recommendations at that point. In the meantime they should issue guidance that will illustrate the value of these farms and encourage Local Authorities to both retain them and manage them in innovative ways.
- Those who **succeed to their family tenancy should demonstrate higher standards** and the list of those who can succeed should be widened.
- **Low numbers of retiring farmers** can restrict opportunities and this is exacerbated by the CAP and the inheritance tax framework. We need coordinated action to help support farmers to plan for retirement and succession on both their own and on rented farms at an earlier age and modify the detailed application of Agricultural Property Relief which encourages them to farm until death. We also recommend an industry event is held to consider practical actions to support farmers to exit or retire.
- **Joint equity and flexible business sharing schemes** should be encouraged to enable a gradual handover of businesses, particularly where there is no natural successor and farmers should be given useful advice about succession planning.
- There is **potential for a matching service** to help bring together new entrants with experienced farmers who have opportunities or land available, but it must draw on previous work.
- There is scope for improved guidance to councils on how best to implement planning policies for **rural housing** and how landowners can be incentivised to release land for affordable rural housing. We have been shown some innovative schemes in this area. Our recommendations should be picked up by the appropriate group e.g. the HCA's rural housing group which can examine these issues in more detail in relation to farming industry concerns. The abuse of the agricultural tie system should be stopped.
- We need to maximise the opportunity of **Local Enterprise Partnerships** to support local farming businesses. Farming needs also to consider tapping into other Government mechanisms to obtain financial support.
- The **Rural Development Programme** needs to offer improved support for new entrants, but developed more in wider support for e.g. innovation, rather than within a specific young farmer scheme.
- **Government needs to improve its in-house understanding** of land tenure and farming business structures.
- A number of **innovative finance schemes** were suggested to us including those encouraging outside investment in hubs, peer to peer lending and ways of building a track record in the industry. These need to be investigated further.

We are keen to ensure that our proposals are taken forward and therefore welcome the opportunity to discuss our findings with the Minister of State for Agriculture and Food and work with organisations in the farming and food industry to resolve many of the issues raised.

1. Introduction

- 1.1 The challenges of the global food system remain high on public and political agendas. There is widespread debate about how we can best feed a growing global population and manage the increasing pressure on our natural resources.
- 1.2 The Green Food Project was one initiative which brought the food and farming industry, environmental organisations and Government together to try to get to grips with these challenges. The project's initial findings were published in July 2012¹ and outlined some positive steps that could be taken to address production and environmental pressures in parallel.
- 1.3 The Green Food Project group recognised that tough challenges in the food system need capable, determined people to tackle them. The group put forward a specific commitment to *'support and participate in an industry led review of the opportunities available to and barriers faced by new entrants and young people, in the farming industry as a whole. The review will look at the issues such as how new entrants access capital with farming, how they can better identify the types of skills and job opportunities needed in the sector and options available for succession for those approaching retirement'*. This work was to be taken forward as the 'Future of Farming Review', which the Defra Minister of State launched at the Oxford Farming Conference in January 2013.
- 1.4 This report sets out some broad and early conclusions and recommendations that we have reached from the evidence presented before us. We have addressed these to both industry and to Government, and challenge them to take them forward with vigour.
- 1.5 In the time available there have inevitably been areas that could not be addressed, at least not in detail. We are conscious, for example, that an effective agriculture sector is supported by wider professions such as engineering, agronomy, science, research and forestry, all of which also need a good flow of talented new entrants. For the purposes of this review we focused specifically on farming, but fully recognising the importance of the related sectors. We therefore consider this report to be the start of a discussion that will shape future policy and decision making in England, not only for agriculture but for those other sectors too.

¹ [Green Food Project Conclusions](#), July 2012

2. Challenges

Challenge 1: New entrants and the future of agriculture

- 2.1 There has been much discussion in the media and within the farming industry about the need to attract and encourage new entrants and successors into agriculture. There are many enthusiastic and capable new entrants eager to forge a successful career in farming, but they face many challenges. Many of these are well known; indeed there have been various projects examining them since the Northfield Committee reported back in 1979². In this Review, we aim to take a fresh look at both the barriers and the opportunities they encounter.
- 2.2 We are really positive about the future of farming and our ability to create a sustainable, resilient and competitive industry. In England, we are well placed to produce sufficient variety and volume of quality food. However, given our relatively high land, labour and administrative costs it is critical that we are efficient and productive so as to remain competitive in the global market. The long term direction of the Common Agricultural Policy (CAP) is likely to result in an agriculture sector with limited, if any, subsidised support. While we need to become more market oriented and effective we must also recognise the public value the countryside and our natural environment holds³; future farmers have a key role to play here as custodians of the land.
- 2.3 The future for new entrants depends on the future shape of the agriculture sector. We did not have time to develop an outline for this nor was it really our role to do so. Instead we focussed on trying to ensure that farming is flexible enough to meet future challenges. New entrants will have a role in this.

Challenge 2: Owners, managers or workers; who are the new entrants?

- 2.4 Many agricultural businesses rely on good quality labour, often from overseas. Ongoing changes in the global economy, migration patterns and employment rules, including for example the Seasonal Agricultural Workers Scheme (SAWS) and the abolition of the Agriculture Wages Board, serve to make this picture even more complicated. Without that supply of good quality labour, higher value sectors such as horticulture, dairy, pigs and poultry could suffer with detrimental consequences.
- 2.5 To some extent new entrants include owners and workers at every level, including not only young people, whether or not from a farming background, but also more experienced individuals switching from other careers, often with key skills and

² Northfield, Lord, 1979. Report of the Committee of Inquiry into the acquisition and occupancy of agricultural land. Cmnd.7599. London: HMSO

³ Defra's white paper "The Natural Choice: securing the value of nature" (CM8082, June 2011).

finance. We therefore decided to define ‘new entrants’ in this report to mean those wishing to enter careers in agriculture at any stage, including both successors from a farming background and first generation farmers. Inevitably, however, the weight of evidence that we received meant that we had to concentrate particularly on owners and senior managers.

Challenge 3: The structure of farming

- 2.6 The structure of farming creates challenges for new entrants. Farming businesses are overwhelmingly small or micro businesses, mostly family owned and run and generally operating as sole traders or partnerships. Such businesses rarely involve outsiders; usually only when the family business are seeking to diversify and need additional outside skills.
- 2.7 Evidence also shows that 84% of farmers in areas surveyed operated in “established family farms” (i.e. businesses which had been passed down at least once) and nearly 30% had business continuity back to 1900, while only 8% were first generation farmers without a farming background⁴. Such stable structures bring benefits and resilience but prompt concerns about maintaining and improving business quality, entrepreneurialism and innovation as successive generations meet ever greater challenges.

Challenge 4: Timescales

- 2.8 Recognising the sheer breadth of issues within the scope of this review, we engaged with interested organisations and individuals to tap into their expertise and experience. In the sections that follow, we have set out some of the obstacles, solutions and examples of best practice that have emerged during our discussions. We have made some specific recommendations but where we had insufficient time, we have indicated the direction of our thinking in the hope, and expectation, that this work will be carried forward.

⁴ Implications of Changes in the Structure of Agricultural Businesses, Matt Lobley, Andrew Errington and Alan McGeorge with Nick Millard and Clive Potter, July 2002

3. The Approach

3.1 We launched a ‘Call for Views’ in March 2013, seeking information, views and evidence about the issues new entrants and the farming industry face, with a focus on England. We asked two overarching questions:

Q. Broadly, what are the challenges and opportunities that young people and new entrants face when selecting and beginning their careers in the agriculture sector? And how may they overcome those challenges?

Q. What are the key challenges that the farming industry faces in attracting and keeping the right number and calibre of people to work, manage and own agri-businesses in the future?

3.2 To focus more directly on some of the specific issues, we also sought views on the following broad areas:

- The image of the sector
- Education and skills
- Routes into the sector
- Finance
- The legislative framework
- Wider agriculture – beyond direct farming

3.3 With our tight timetable, the ‘Call for Views’ sought responses and evidence within a month, closing in April 2013. We received over 50 responses and subsequently invited a number of organisations to provide oral evidence for us to explore the information and arguments submitted. A list of all organisations who contributed is presented in **Annex A**.

3.4 We also wanted to hear directly from young farmers and agricultural students. We launched a separate ‘Young Farmers’ survey and received over 400 responses. A full summary of responses is available in **Annex B**. We also hosted a discussion on the #AgrichatUK twitter forum, inviting followers to tweet their views. We had over 1,000 tweets from 175 different users during the 2-hour discussion⁵.

3.5 We were determined to avoid ‘re-inventing the wheel’ and where there are good initiatives or good work already being done in relevant areas, our aim was to highlight and lend support to that rather than suggest something new.

⁵ A full summary is available at [storify](#).

4. Conclusions

4.1 If we are to deliver a competitive and sustainable farming sector, we concluded that we need the right people, including farming entrepreneurs, managers and workers, to rise to that challenge. That will not only mean continuous training and development for those already in the industry, but also a ready supply of entrepreneurial new entrants and workers for old and new businesses alike. We cannot be complacent. We must create an attractive career path, an environment in which exciting and stretching opportunities are available and where there is a clear prospect of proper reward. In addition, simply promoting entry is not enough. The real goal must be to ensure that workers can progress, as their business grows or changes, until they can retire, in time to offer an opportunity to another new entrant.

Role of new entrants

4.2 Defra's Farm Business Survey⁶ (FBS) identifies the loose link between an increase in the age of farmers and a decreasing willingness to continue to undertake training, which might support productivity and innovation. Of course, we recognise that many farmers remain successful and profitable into old age with valuable experience and deep knowledge to pass on.

4.3 Nevertheless this supports the views we received suggesting that today's new entrants tend to have a more tolerant attitude to risk, a greater willingness to undertake training, a greater openness to adopting new technologies and a more intuitive interest in improving the environment than some, but not all, existing farmers. We also suggest that if the sector offers more opportunities to new entrants then the competition created would encourage improvements in business performance and innovation throughout the industry.

4.4 Decisions by farmers about entering and leaving the industry seem largely to be driven by a combination of market forces and personal motivations. We did not find a sufficient fundamental market failure to demand major intervention from Government to favour new entrants. Yet given their importance as mentioned above, we felt it important for industry and Government to work together to remove some of the barriers new entrants face.

4.5 Farming as an outdoor, practical, small-scale business relies on versatile, resourceful and skilled staff, albeit often without formal qualifications, who can solve problems and manage responsibility. One of the main concerns voiced by farm employers is that they have found it difficult to recruit such staff in recent years.

⁶ [Defra Farm Business Survey](#), published May 2013.

Reported figures on new entrants needed

- 4.6 There has been much debate about the number of new entrants needed in the sector over the next 10 years. We are unconvinced that the current figures often quoted are necessarily helpful in a sector that is so heavily self-employed and dominated by small and micro-businesses facing continuing major structural change. We think it essential for further work to be done to identify the true figure of new entrants required, including farmers, managers and employees. In the case of employees this will need to include consideration of workers from overseas as well as the UK. **This is perhaps work that could be co-ordinated by the Agri-skills Forum.**
- 4.7 Equally there has been uncertainty over the number of students taking agricultural courses and thus the prospective flow of graduates available to the sector. Looking at figures of undergraduate student numbers at universities and colleges⁷, overall in 2011/12 there were fewer undergraduates in full time agriculture and forestry courses in England than 10 years ago, although numbers of full and part time students have started to rise steadily over recent years. Over the last two decades, some land-based colleges have stopped offering a wide range of agricultural courses, so the more recent increase in numbers has been concentrated in a smaller number of providers. While the structure of the sector makes it difficult to assess the demand for graduates, our provisional view is that the current number is significantly less than the industry needs, including in relation to the postgraduates needed to deliver research and development. HEFCE has begun work in this area with a recent report on the destination of students on degree courses in 2006/7. **We call for further work to be undertaken in relation to the agricultural sector.**

Image of the industry

- 4.8 Our view is that the public's general perception of farming has steadily improved over recent years. There is growing interest in British and local produce, where our food comes from, how it is produced, how animals are reared and the role that retailers play. Increasing exposure through programmes such as 'Countryfile' or 'First Time Farmers' has also helped to improve awareness. Now is an opportune time to build on this and showcase the career opportunities available to people who are enthusiastic about working in agriculture.
- 4.9 While public sympathy has improved, there is a tension between the sometimes pastoral picture presented and the reality of an increasingly high-tech industry that requires IT-savvy, focused entrepreneurs, managers and staff to run it and work in it. The traditional view of agricultural work only being low-skilled and involving hard physical work is no longer apt. This message of change and opportunity needs to be

⁷ Based on figures for Undergraduates in 'Agriculture' & 'Forestry' courses for 2001/2 and 2011/12 available from Higher Education Statistics Agency at http://www.hesa.ac.uk/content/view/1973/239/#Note_4.

taken on board by those who influence the career choices of young people. This cannot be achieved through advertising alone, where campaigns can be expensive and difficult but through other forms such as informed wider media broadcasting, social media and of course work with school children. A key component in delivering the right image is for farming to be seen as more akin to a profession practicing a huge range of skilled tasks in a wide range of fields.

Case study: Farmers Apprentice



© Farmers Weekly

[Farmers Apprentice](#) is an innovative initiative from Farmers Weekly, supported by McDonald's, aimed at getting young people to 'start thinking farmer' and consider a career in agriculture. The concept was to put ten young people drawn from all walks of life through a farming bootcamp, where they were challenged on all the skills it takes to be a modern day farmer.

The competition was turned into a 5-part series of web-TV films showing how the finalists fared. The winner, George Brown, used part of the £10,000 first prize to undertake dairy farm management training and plans to invest the rest to buy 30 heifer calves and to enter into a share farming agreement.

The 'webisodes' reflected the dynamic, innovative and ever-changing world that is farming. The programme generated stories on external news and information platforms that reached a combined audience of more than 10m people. There was also a big impact online and in social media with 28,000 unique visitors between June and December 2012 to the Farmer's Apprentice website, over 1000 Facebook likes, 1500 Twitter followers and 35,000 Youtube views.

Range of available opportunities

- 4.10 Many aspiring farmers are focused solely on starting their own business. This, in our view, is simply not going to be possible for all but a very few. As an alternative, we should encourage new entrant towards employment structures common in other industries, as an alternative, working up through a variety of roles thereby building capital and experience to enable them to start a business later if they wish.
- 4.11 Market forces and economies of scale have led commercial farms to increase in size and to simplify their enterprises. This will be at the expense of intermediate and smaller sized farms. Indeed, it is the largest businesses that are more likely to be able to offer the bursaries, work placements, mentoring, start-up support and

graduate placements and promotion based career paths that are common in other sectors.

4.12 Much of the evidence that we have received, including from young and commercial farmers, has argued that the Common Agriculture Policy's (CAP) direct payments distort the market. These subsidies support rents and capital values and provide what can appear to be a pension for occupying land, often maintaining businesses that are economically unviable to the detriment of the sector's overall capacity for innovation and efficiency. With the main negotiations on the architecture of the CAP to 2020 concluded, we recognise that there is no point in commenting other than to say that any future remedy must not disadvantage UK agriculture. The CAP implementation process should also recognise that you cannot tackle new entrants without tackling retirement.

Leadership

4.13 In our research and the evidence put to us, we were struck by the huge number and range of well-intentioned but often under-funded industry initiatives covering many of the areas that we have studied.

4.14 We recognise that given the geographically disparate and increasingly specialised nature of the farming industry, multiple initiatives are inevitable in different parts of agriculture and many of them will bear on new entrants. There is no doubt, however, that greater coordination and cooperation would make them more effective. This means picking the best schemes and supporting them and **this requires strong leadership within the industry**. The number and range of those initiatives that we have come across, which is not exhaustive, are shown at **Annex C**.

Recommendation

- The Agri-skills Council should to co-ordinate work to identify the true figure required in the future for new farmers, managers and employees and propose remedies to help address the shortages identified.
- There needs to be a clear identification of the number of students required on agricultural and related courses at further and higher education establishments, necessary to meet the graduate and postgraduate demand.
- The industry needs to show strong leadership in co-ordinating and prioritising the multiple individual initiatives that exist within agriculture, particularly those that have a bearing on new entrants.

5. Theme Conclusions

Education And Skills Development

Education in schools

- 5.1 The agricultural sector is often characterised as low skilled and unprofessional with long hours, low pay and offering little by way of career opportunities, particularly for the most able candidates. We believe, however, that it is a highly innovative and complex sector that needs the brightest and most skilled to help it to become increasingly competitive, profitable and sustainable.
- 5.2 Indeed the Report of the Policy Commission on the Future of Farming and Food⁸ stated that “We believe the real reason why the present situation is so dysfunctional is that farming has become detached from the rest of the economy and the environment. The key objective of public policy should be to reconnect our food and farming industry: to reconnect farming with its market and the rest of the food chain; to reconnect the food chain and the countryside; and to reconnect consumers with what they eat and how it is produced.”
- 5.3 The way that schoolchildren are taught about farming is vital to sustain their interest in it as a possible career. We believe that agriculture is an excellent way of teaching science and geography, as we said in our response to the Department for Education’s (DfE) National Curriculum consultation (see **Annex D**). The industry needs to keep up the pressure on DfE to ensure that farming features in the national curriculum and on schools’ agendas. **We believe that this is a task that falls to one lead body, such as Farming and Countryside Education (FACE).**
- 5.4 Farmers are increasingly demonstrating their willingness to connect with and educate the public through events like Linking Environment and Farming’s (LEAF) Open Farm Sunday. There are also a number of initiatives, perhaps too many, that seek to enthuse and inform young people in schools about farming. Examples include materials provided as part of RSPB’s promotion of the outdoors, nature and wildlife, and the efforts of school farms, city farms and other industry organisations. We applaud the work done by FACE, with the support of the National Farmers Union, and are particularly pleased to see the way that they are working closely with the new industry initiative to promote agriculture in schools, Bright Crop.

⁸ [Policy Commission Report on the Future of Farming and Food](#), January 2002.

- 5.5 While all of these initiatives should be commended for their efforts, a number of people including Lord Curry have recognised the need for greater co-ordination and targeting of the work with schools to ensure maximum benefit. We endorse this.
- 5.6 To assist FACE and Bright Crop fill the farming information void in schools and influence careers advisers and heads, volunteers will be required such as STEMNET ambassadors⁹. Operating in the traditional science disciplines, the STEM ambassadors programme helps make the links between what is taught at school and how it can be applied in the world of work. The industry will need to identify enthusiastic and inspiring farmers or land based college graduates as role models and ensure that they are given the right training and support. **Once again, we suggest that this is a role for a lead body, such as FACE.**

Case Study: A future in food, farming and the environment, a career to consider



YORKSHIRE FOOD, FARMING
AND RURAL NETWORK

Over 100 careers advisers were addressed by Countryfile's Ellie Harrison at the 'A future in food, farming and the environment, a career to consider' event. The conference was organised by Yorkshire Food, Farming and Rural Network and Askham Bryan College with the aim of educating careers advisers and teachers about the opportunities for exciting and rewarding jobs in the rural sector.

© Yorkshire RFN

The aim of the day was to seek to dispel the myths surrounding farming careers; that they are low skilled, and purely for the non academic. Information about a range of careers was presented including veterinary nursing, food production, agricultural research, land agencies and career advisers were able to meet various agricultural organisations and businesses.

Work experience

- 5.7 We have been told how difficult it is for young people to gain practical work experience in agriculture. This is largely due to a reduced farm workforce with less time for tutoring and the health and safety and insurance implications of hosting people on farm. This affects both the opportunities for people to 'try' farming at a young age, to take holiday jobs that inform their career choice or to build up their practical experience as part of college courses and sandwich placements. Recognising this difficulty, some colleges are working more with schools to provide work experience on college commercial farms.

⁹ [STEMNET Ambassadors programme](#)

5.8 There are some imaginative schemes in the food industry that are designed to encourage young people to ‘sample’ a job in food retailing and agriculture. Working closely with Job Centre Plus, IGD’s ‘Feeding Britain’s Future – Skills for Work’¹⁰ initiative is a good opportunity for the industry to present itself to young people and give them a chance to understand its work. Over the course of a week in 2012, the scheme also provided training in writing CVs, presentation and interview skills. IGD are now looking to build on previous success by extending the scheme for a month in September 2013. We applaud this initiative and consider that it is better to build on the work already done and to include farming within it, rather than set up another scheme alongside it. **We therefore call on the farming industry, recognising that the National Farmers Union and the Agriculture and Horticulture Development Board (AHDB) are already involved, to become further engaged in this scheme.**

Further and higher education

5.9 While we have recommended that further work is necessary to identify the student numbers required and available it is apparent that the recent growth in the number of students taking agricultural courses in land-based colleges has not recovered to the levels of even ten years ago. Evidence submitted to the review indicates that demand by the sector exceeds supply for completing students, especially, but not exclusively, for graduates.

5.10 There are a number of existing graduate programmes currently offered through food and farming businesses such as McDonald’s Farm Forward¹¹, management training courses combined with job placements, such as MDS Ltd, and industry scholarship schemes and work placements, such as those provided through Harper Adams University. We also see the potential in the “massive open online courses” (MOOCs) currently being explored by Harper Adams University, as a means of reaching out to a wider audience. We are also aware of a proposal (‘Fertile Minds’) intended to attract top quality graduates from different disciplines across all universities into agriculture, along the same lines as the successful Teach First graduate programme. We recognise that further work needs to be done in designing and funding such schemes but **we encourage the industry to look at them seriously and be prepared to invest in them.**

Research and Development

5.11 We recognise how important research and development (R&D) is to the industry. It is therefore of concern that, in contrast to some other countries, there has been a fall in the number of domestic research students in the sector. This picks up a concern about the decline in agricultural R&D, particularly in the applied fields, which was

¹⁰ [IGD Feeding Britain’s Future, Skills for Work Month.](#)

¹¹ McDonald’s [Farm Forward](#) scheme.

highlighted as a key theme in the Green Food Project report. It may also constrain the numbers of those who will teach future generations.

5.12 We would therefore like to see an increase in postgraduate studies to support the sector and in initiatives to help attract those postgraduates to the sector following their studies. Finding ways to improve the image of agriculture is as important here as in the primary and secondary education sector. **We therefore welcome the forthcoming Agri-Tech Strategy, supported by Defra and the Department for Business Innovation and Skills (BIS). We urge the Leadership Council to address the skills development needed to tackle this gap in postgraduate research.** The Leadership Council should also consider ways of attracting the necessary funding both for the research itself and to de-risk early stage developments from it.

Skills development

5.13 We recognise the importance of vocational courses in skills development. We have noted the proposal that some vocational courses will no longer be relevant for schools' examination league tables and are concerned that any potential downgrading of the qualifications could have an impact on their long term viability and funding.

5.14 We understand that this removal from the league tables is due partly to the low uptake of such courses. There is at present a plethora of such courses often duplicating or competing with each other and puzzling potential employers. What seems to be needed is **the development of sound, industry led and designed vocational qualifications that are widely understood by employers.**

5.15 Agriculture has until now made little use of the recent apprenticeships programme¹². Reasons include health and safety and gangmaster licensing rules, the latter of which become applicable if several farmers want to share an apprentice across their businesses. The design and bureaucracy of the schemes are sometimes seen as unsuitable for micro-businesses and employers, who are not always willing to provide the literacy and numeracy skills that are required by such a scheme. We welcome the recent consultation on the gangmaster licensing rules to ease the challenges on licensing arrangements and the findings of the Richard's Review¹³ to improve the quality of apprenticeships. We are pleased to note that the number of apprenticeships is now slowly increasing, including some innovative approaches that

¹² Of the 50,000 apprenticeships that IMPROVE, the food and drink skills council, were committed to creating, less than 2,000 were in primary agriculture.

¹³ The Richard Review of Apprenticeships, November 2012, available at <https://www.gov.uk/government/publications/the-richard-review-of-apprenticeships>.

deliver the apprenticeship scheme despite the noted challenges and **we encourage farming businesses to take note of the success stories.**

Case Study: EDGE Apprenticeships



Educate, Develop, Grow and Employ (EDGE) Apprenticeships, an industry-led programme to boost training opportunities in food and farming and help young people develop careers in agriculture, has recently been launched for East Anglia. The EDGE scheme is supported by just over £1.4million of investment from the UK Commission for Employment and Skills (UKCES)

with the aim of creating hundreds of placements for apprentices across the region over the next two years. The aim of the scheme is to equip apprentices with the practical, managerial and technical skills required to develop successful careers in farming and food production.

EDGE apprenticeships are a collaborative venture between agricultural purchasing groups Anglia Farmers and AtlasFram Group working in conjunction with Easton and Otley College, New Anglia LEP, Norfolk County Council and Suffolk County Council. They offer a model of how co-operation can be used to overcome the traditional barriers faced when developing apprenticeships in the agri-food sector and creating pathways to encourage young people into the industry.

5.16 The evidence we received made it overwhelmingly clear how important business and management skills are for those entering the sector. They are seen as the most important skills by financial lenders, but sometimes regarded as least important by farmers themselves. Interestingly however, during the AgrichatUK discussion many young farmers said that business and marketing skills are some of the most important skills needed. We do recognise that for many students, it is too early in their experience and career to be able to learn specific business skills without the opportunity to put them into practice. We think, therefore, that these skills need to be reinforced at every stage of career progression. There has been some industry effort to provide relevant formal training, largely undertaken at a local level, for example through the Fresh Start academies and through the Rural Development Programme for England (RDPE). In the case of Fresh Start¹⁴, this is particularly effective when linked to job opportunities. **We support this and think that business training can be delivered informally by mentors and should be a condition of publicly funded schemes.** We also believe that wider skill sets, in particular resource protection and improvement, are critical and also need to form part of the skills development agenda.

¹⁴ [Fresh Start Academy](#) – A Career in Farming.

5.17 One possible way to increase the attractiveness of the industry is to develop some form of professional recognition to reflect the highly technical and complex skills demonstrated by farmers. **We support this.** Drawing on the experience of other industries, there are many ways in which this could be achieved. For example, it could be a more formal encouragement and recognition of training or a more structured system of Continued Professional Development (CPD) or even a formal qualification. We understand that the Institute of Agricultural Management have started to consider how this can be taken forward.

5.18 While there are some understandable concerns about introducing greater professionalism into farming, particularly amongst the older generation of farmers, we are persuaded that the benefits outweigh the disadvantages. Some way of demonstrating professionalism should help attract people into farming as a worthwhile career, lead to the better delivery of business training and environmental awareness and could help develop the concept of 'earned recognition' that is being developed in response to the Farming Regulation Task Force¹⁵. **We therefore call on the Agri-skills Forum to investigate the most appropriate way to develop some form of demonstrable professional recognition of farming skills, knowledge and expertise.**



Case Study: Pig Industry Professional Register (PIPR)

The Pig Industry Professional Register (PIPR) is the pig industry's way of providing independent recognition of the professionalism and development of staff within the industry, both in practical production and as advisors/consultants.

It is a voluntary scheme, which has been developed by BPEX & City & Guilds for the industry. PIPR aims to encourage progression in the industry and provide a way for pig specialists to improve and record their skills. Established in 2007 there are currently 450 users of the scheme and it is well regarded in the industry.

5.19 Learning is not of course simply about formal qualifications. It is just as important that people have an opportunity to learn by exchanging ideas. We believe that demonstration farms and other similar mechanisms can be a useful way to inform and educate new entrants and farmers on new techniques and best practice, particularly on how to deliver a productive and sustainable farming system. They can also be a resource to educate school children about farming. There are already many LEAF demonstration farms as well as college and university farms. The Green Food Project considered the importance of demonstration farms as part of the better coordination of knowledge exchange activities. **We therefore support the efforts by industry,**

¹⁵ The report of the independent [Farming Regulation Task Force](#)

notably the AHDB, the NFU and LEAF to coordinate, integrate and enhance existing knowledge exchange activities.

5.20 Overall, we firmly believe that **the farming industry itself needs to take more responsibility for the education and skills development of the next generation of farmers and farm workers.** We understand that this can be a tall order for small, often cash strapped businesses. However, whether through the industry taking up apprenticeships, volunteering as STEMNET ambassadors or getting involved with graduate or post-graduate schemes, this can collectively send a clear message that we as an industry take the progression of our new entrants seriously.

Recommendations

- ❖ We call for the industry to continue to work hard to keep agriculture firmly embedded in the National Curriculum and we think this role could be taken on by a body such as FACE.
- ❖ We support efforts to co-ordinate work with schools highlighted by Lord Curry. This includes showcasing the exciting nature of careers in farming, teaching schoolchildren about how food is grown and the need to train ambassadors, support FACE and the work they are doing with Bright Crop in this area.
- ❖ While welcoming the NFU's and AHDB's involvement in IGD's 'Feeding the Future' initiative, we call on the farming industry to widen their participation in this scheme.
- ❖ We support the need to develop and invest in graduate placement schemes and would like to see further exploration of schemes like 'Fertile Minds' graduate programme concept, aimed at attracting bright graduates to experience the agricultural sector.
- ❖ We welcome the forthcoming Agri-Tech Strategy, developed by Defra and BIS, and urge the Leadership Council to address the skills development needed to address this gap in postgraduate research.
- ❖ We consider that the development of highly rated and regarded vocational qualifications by the industry itself is essential, working closely with educational institutions and course designers (including LANTRA and LANDEX) to develop courses that are understood by the industry and are taken up by students.
- ❖ We support the work being done to make apprenticeships work better in agriculture and encourage farmers to support and take up these schemes.

- ❖ We feel that improved business training is crucial to farming and to new entrants. Delivered mainly by mentors, it should be a condition of publicly funded schemes.
- ❖ We call on the Agri-skills Forum to drive forward the development of ways of demonstrating professionalism in agriculture.
- ❖ We call on the farming industry itself to take more responsibility for the education and skills development of the next generation of farmers and farm workers.

Routes Into The Sector

5.21 The purchase of land has been one of the key, traditional routes of entry into the industry. However, we have seen a substantial increase in the price of land in recent years. Farmland prices have for example increased by 2% in the second half of 2012 to approximately £8,520 per acre, largely driven by commercial farmers acquiring and expanding their businesses¹⁶. This increase, coupled with the difficulty many people face acquiring the necessary finance to buy land, has made it almost impossible for conventional new entrants to start through this route. Not only does very little land come onto the market but we have also seen evidence¹⁷ confirming the trend towards greater aggregation of businesses which, while it may open up other career opportunities for new entrants, will lead to increased competition for land from existing farms and fewer opportunities for new entrants to purchase.

5.22 Another traditional route to enter farming is by taking a tenancy. One of the reasons that tenancies have been successful is that they effectively separate the farming business from the land as an underlying asset, making it cheaper to become established as a farming business.

5.23 Historically, tenancies would be granted under a legislative code consolidated by the Agricultural Holdings Act 1986 (AHA). This offered lifetime security to the tenant and succession rights for two generations, subject to certain conditions being met, although this has since been restricted to the lifetime of the tenant. The Agricultural Tenancies Act 1995 introduced Farm Business Tenancies (FBTs) with significantly more freedom of contract. These FBTs tend to be on average between three to five years duration, which some consider too short a period to properly establish a

¹⁶ H2 2012 RICS Rural Market Survey.

¹⁷ ['Agriculture in the UK'](#), June 2013, SPS claims show steady increase in the area on farms claiming over 500ha is probably genuine, and seems to come at the expense of farms with claims of 50-200ha.

business. Established farmers also have an advantage over new entrants in securing these tenancies, as they are more likely to be able to offer higher rents.

5.24 County Council farms have provided many new entrants with a route into the industry, the legal framework for which is provided through the Agriculture Act 1970. These farms are often seen as 'starter farms' that enable enthusiastic young people to obtain land and build a business. At present, they are often let for shorter terms to encourage tenants to move on and provide further opportunities for the new entrants that follow. Pressures on Local Authorities' budgets have led to some considering or actively selling these farms¹⁸ and we see this as a great loss for the sector. If these farms are well managed, bearing in mind their 'total return', they can often provide a worthwhile asset for local authorities while maintaining this crucial entry route for new farmers. They can also play a role in educating the public about local food, as Devon County Council are doing with their FarmWise event.

5.25 Our group had strong views on the need to retain these farms, potentially with Government intervention, but we were aware too of the danger that this could have in provoking more sales of these farms. While we understand that central Government does not have the legal ability to prevent or delay the disposal of these farms, nor a desire to interfere with these local authority assets, **we recommend that an up-to-date assessment is carried out of the extent to which county council farms contribute to providing opportunities for new entrants.** If this shows that they have been effective in enabling new entrants to enter and progress through the industry then further recommendations will be needed in future. In the meantime **we would like to see the farming industry and Government working together to produce guidance that illustrates, for the benefit of Local Authorities, the advantages and possible returns from such holdings as a way of persuading them to retain or replace their farms.**

¹⁸ Since 1966 the total number of smallholdings in England has fallen from 12,882 to 2,448 (a reduction of 81%) <https://www.gov.uk/government/publications/sixty-second-annual-report-to-parliament-on-smallholdings-in-england-1-april-2011-31-march-2012>.

Case Study: Staffordshire County Council



© Staffordshire County Council

Recognising the need for starter farms, Staffordshire County Council reviewed the progression through their county farm estate, and as a result made a number of changes to their tenancy framework designed to develop more opportunities for new entrants. The changes included shortening new tenancies on farms up to 90 acres (starter farms) and 90-150 acres (progression farms) and introducing break clauses to enable both parties to review the farm business. In effect the changes gave an individual 26 years on the estate to grow their business and try and find opportunities within the private sector.

The Council also recognised that new starters find it difficult to secure tenancies on land that is frequently let to existing tenants once it becomes available. In response to this in 2014 the County Council is introducing small starter units which will consist of a building and approximately 20 to 30 acres of land, initially intended to be let on 2 year agreements.

- 5.26 Where opportunities for letting new tenancies do arise, landlords are likely to let this newly available land to existing rather than new entrants, who can struggle to show sufficient track record, skills and financial security. However, it is worth noting that the CAAV's Agricultural Land Occupation Survey has consistently shown that over a quarter of the holdings let in a year to a farmer other than the previous occupier, are let to tenants perceived as new entrants. The market may be more open than is often perceived, although it is still limited by the overall number of tenancies available.
- 5.27 The National Trust is attempting to provide more opportunities for new entrants, keeping farmhouses with farms and introducing some environmental skills into the key attributes that they are looking for in new tenants. We welcome such an approach, however we recognise that we cannot rely on altruistic landlords to offer opportunities to new entrants, whether through succession, providing starter or middle sized farms or concessionary rents. These are the private choices of individual owners over their assets in a market economy. However, those decisions arise within a regulatory framework of law and taxation in a market with competing alternative structures.

Alternative routes into industry

- 5.28 Given that opportunities to own land and find a tenancy are becoming increasingly scarce, we need to consider alternative ways to separate farm businesses from the land ownership that may allow a more flexible, less capital intensive enterprise to

thrive. Other entry routes for those owning their own business include share farming, contract farming, partnerships and an array of individual experiments with joint ventures while, as we have said previously, there are opportunities in employment too.

- 5.29 It has been put to us that landowners may have underutilised buildings or parcels of land, as well as some more formal business opportunities that could be made available to new entrants. The smaller land parcels might be difficult to access or suited to a different enterprise than practiced by neighbouring farmers, for example grassland in an arable area. We received many suggestions for a type of ‘matching’ service that could link landowners to applicants. However, we note that such ‘matching’ has not naturally developed in any formal way in the market and is carried out informally by land agents and auctioneers. If such an approach was to be taken forward then we would recommend that this is built on existing initiatives, for example the Landshare website¹⁹. We were also impressed with the National Federation of Young Farmers Club (NFYFC) work on their proposed matching scheme. Experience from overseas suggests that markets for matching are often local, that these initiatives are expensive to run and work only if there are enough genuine opportunities available.
- 5.30 It has been suggested that groups of new entrants could work together in a co-operative way to take advantage of opportunities to make use of unused parcels of land. One example of this type of project is on the High Weald²⁰, which is the subject of a feasibility study to consider how best to match up and coordinate start-ups with the under-utilised land that they have identified, enabling sharing of equipment, improved resource management and economies of scale.
- 5.31 Share farming is frequently put forward as a possible entry route, but currently is not a structure that is commonly used in England. In broad principle, it enables two farmers with distinguishable businesses to share in a common enterprise on a farm. A new entrant or progressing farmer can use this structure, if successful, to build up their own business using another farmer’s land and buildings. It can enable a landowner to maintain an active interest in how the farm is run without becoming liable for any of the share farmer’s debts. The share farmer still needs to be adequately capitalised to fund his business.
- 5.32 In some evidence received we have been directed back to the New Zealand model as a good approach within its specific legislation and commercial context, enabling share milkers for example to accumulate capital and progress. However, we should note that New Zealand differs from the UK in a number of ways that appear to inhibit

¹⁹ [Landshare](#), connecting growers to people with land to share.

²⁰ Vorley, Bill, Restocking the Weald, Securing the future of livestock farming in the High Weald’s working landscape, A report for the High Weald AONB, November 2012

widespread adoption of such an approach. Even there, it appears to be focussed on the dairy sector and operates in a land market with different drivers. However, we did receive evidence of a handful of joint ventures in England between individuals, all involving dairying along similar lines. They almost all developed from existing relationships, for example with a member of the farm staff, or a known reputation for a particular skill and often where no family successor had been identified.

CASE STUDY: Fresh Start - Dan Nattle & Humphrey Eddy²¹



© Farmers Weekly

Cornwall's 'Fresh Start' initiative sought to assist established farmers and new entrants in creating mutually beneficial joint business ventures. One success story is that of Dan Nattle (age 27) and Humphrey Eddy (age 77). Humphrey wanted to take a step back from his dairy business but retain his land while Dan was keen to get a chance to operate his own dairy herd.

After contacting Fresh Start they were advised that a Farm Business Tenancy would be the best arrangement. They were also provided with some financial support to set up the Tenancy including an independent valuation of the dairy herd. As a result Dan purchased Humphrey's herd and leases 185 acres from him to graze them on.

5.33 Successful mentoring has often been said to be vital to those developing their careers. Where opportunities occur for existing farmers to bring in new entrants from outside the family, it gives them a way to pass on their knowledge and expertise to someone who can be an effective successor or progress on in the sector. We recognise that there are many initiatives that have been set up that offer a mentoring programme, including the Henry Plumb Foundation and the Princes Trust, and more informally through social media such as Twitter. Setting up any formal scheme for mentoring, however, may not be the best approach and we are in favour of more informal arrangements. Organisations such as Nuffield Trust, Plunkett Foundation, the Council for Awards of the Royal Agricultural Societies or the Worshipful Company of Farmers might encourage their members to make themselves available as mentors, as the quality of the mentor is as important as the quality of the person being mentored.

5.34 The industry must promote the wealth and breadth of opportunities and jobs that are available right across the agriculture sector. Indeed, working in a variety of jobs can provide the new entrant with relevant experiences and enable the new entrant to build up the necessary assets to capitalise a farming business.

²¹ <http://www.fwi.co.uk/articles/13/02/2007/101608/an-organic-relationship.htm>

Recommendations

- ❖ We recommend that an up-to-date assessment is carried out of the extent to which county council farms contribute to providing opportunities for new entrants, and that further recommendations are made in future in the light of evidence from this.
- ❖ We call on the farming industry and Government to work together to produce guidance that illustrates and encourage Local Authorities to retain their farms and look for innovative ways to manage them.
- ❖ We believe that most other opportunities will occur informally and that new entrants should be encouraged to pursue them where they can. There may be merit in the development of some form of matching service, but probably only where there is sufficient market demand from both providers and users to fund its operation.

Succession And Exit From The Industry

5.35 It has become very obvious to us from the evidence submitted that one of the biggest obstacles to new entrants coming into agriculture is the lack of progression and opportunity resulting from the low numbers of farmers, whether owners or tenants, leaving the industry.

5.36 This issue has been explored in several reports. Evidence suggests that²²:

- only about one third of farmers intend to retire completely;
- among those already over 65 who are not expecting to retire, the great majority (86%) did not want to retire;
- only about 2% of all farmers over 65 say they are unable to retire for financial reasons.

5.37 There are various reasons why farmers decide to remain farming beyond the age at which people in other sectors would usually look to retire. Many of them enjoy the way of life, running a family business and living in a rural community and have no reason to uproot themselves from a longstanding combined business and home. There are few financial or other inducements to retiring, indeed the opposite is true.

²² Entry to and Exit from Farming in the UK (ADAS et al, 2004), <http://www.ala.org.uk/mats/ADAS.EntryExit.pdf>.

- 5.38 The situation has been exacerbated by the present Common Agriculture Policy (CAP) and is likely to continue in the next round. The Single Farm Payment, decoupled from production, can be seen to offer a continuing payment, subject to cross compliance, simply for occupying farmland. Logically, it encourages existing occupiers to remain where they are so that they can continue to secure the payment. Environmental Stewardship schemes may act in the same way, although many farmers do use them to improve their holding particularly through capital investment. However, given that we cannot make the necessary modifications to the CAP, we have considered other measures.
- 5.39 We are not suggesting that farming is universally profitable. In some cases farmers do not feel that they can afford to retire without selling their farm, and may not feel able to do this because they plan to hand the business down to other family members. This sale option is of course not open to tenants who, in some cases, may find that staying on the farm is their cheapest option. This may be because of a lack of their pension planning or external investment, often because investment has gone into the farming business itself rather than into a pension or other investments.
- 5.40 Other factors that can encourage farmers to remain in farming include the inheritance tax framework, where the potential tax burden is relieved by Agricultural Property Relief and Business Property Relief, and tenancy succession laws where there is no incentive to transfer the tenancy to a successor early. There is also the problem of a lack of sufficient housing at the right cost and in the right location, an issue that is particularly acute in attractive rural areas. These challenges are dealt with in a later part of this report where we offer some recommendations.
- 5.41 Different business management approaches can enable a more gradual approach to succession, by offering the existing farmer an opportunity to step away from day to day running of the business but still retain ownership and secure an income. This approach can facilitate the involvement of progressive new entrants into existing business. There is some evidence that even where a farm business owner or manager has identified a successor or an opportunity to enter into a beneficial business arrangement, there may still be a reluctance to relinquish control. This can frustrate the potential successor and prevent the farm business developing. Any potential business arrangements, therefore, need to address this cultural issue with adequate information and advice available for both parties.
- 5.42 While some people have called for financial inducement to those needing to retire, the evidence provided to us in this review suggests that in fact previous schemes of this kind, both in the UK and abroad, have had limited success. Any finance available would be better targeted to the cost of providing advice to such farmers. Successful retirement or succession is linked with effective business planning skills and long term planning. Training and advice in developing these skills from an early stage could work towards alleviating this problem in the long term. There are now some charities offering advice to farmers at a later stage in their career to plan their exit. For example, The Farming Community Network (FCN) is developing a pilot concept,

financed by the Prince's Countryside Fund, to help vulnerable farm businesses work their way out of trouble before they reach crisis point, by providing subsidised consultancy advice and support. Farmer networks could also play an important role here. **We would therefore like to see the farming industry, charities and Government come together and consider practical actions that can support farming businesses to exit or retire. This includes industry-led advice and facilitation to enable succession and pension planning and to provide honest advice to struggling farmers. A specific industry event needs to be organised to take this forward.**

Recommendations

- ❖ **We call for an industry event at which the farming industry, charities and Government come together and consider practical actions that can support farmers to exit or retire. This includes industry-led advice and facilitation to enable succession and pension planning and to provide honest advice to struggling farmers.**
- ❖ **Our recommendations on changes to tax, tenancy legislation and planning are found in succeeding sections of the report.**

Legislative Framework

5.43 Many respondents to our consultation felt that regulation and legislation created barriers to those progressing through the industry. Compliance with regulation can often impose capital costs and business management measures that are particularly daunting to new entrants. We have not pursued this however because of the work already being undertaken by the Farming Regulation Task Force and other reviews.

5.44 However, we have focussed on two important legislative areas that directly affect the concerns of this report; taxation and tenancy law and how they may help or hinder progression. One theme that emerged from our evidence is the extent to which these regimes can discourage early succession and encourage farming until the end of their life, with detrimental consequences to entry and progression. Successors are therefore often themselves aged when they take over the business.

Taxation

5.45 Many of those who have provided evidence to us have highlighted the role of taxation in driving behaviour that affects progression in the sector. If new land is to be let it will often be let by private land owners for whom taxation is often a key factor. We have set out some tax arrangements that relate to the letting of land and sale of businesses. We recommend that Government consider these proposals, but

recognise that more investigation would be needed into the cost and benefits, for the exchequer and industry, and the affordability and simplicity of the proposals.

- 5.46 Those who own agricultural property with its relatively low returns but with substantial investments in buildings, plant and machinery are naturally sensitive to the stimuli provided by the taxation regime, notably but not exclusively capital taxes. These points have often been recognised by tax legislation with examples such as averaging for Income Tax and Agricultural Property Relief (APR) from Inheritance Tax.
- 5.47 The farming sector is dominated by family businesses, with the majority operating as partnerships and sole traders for whom incorporation would often pose tax problems. However, the pressure of recent tax legislation has been apparently to favour companies over other business structures. For example, recent reductions in Corporation Tax rates that benefit farming companies, a minority, were said to be funded by the withdrawal of Agricultural and Industrial Buildings Allowances. This disadvantages the majority of farm businesses who are partnerships and sole traders. **We believe that the taxation of agriculture should be neutral between business structures.** It seems wrong for tax law to favour corporate structures, which new entrants tend to avoid for understandable reasons (e.g. administrative burden), and as a result for it to discriminate against the more common structures in the farming sector.
- 5.48 There are two specific areas where modest tax reform could encourage more farm tenancies, an important area for new entrants.
- 5.49 Stamp Duty Land Tax (SDLT) was introduced in 2003 to target issues in very different and much higher value sectors of the economy. The present structure of SDLT creates both a disincentive to longer term lettings and a compliance burden for agricultural tenancies which may be running on from year to year after the expiry of the initial fixed term. Noting the Central Association of Agricultural Valuers (CAAV) estimate that the SDLT due on all the new agricultural tenancies granted in the UK in 2011 would have been less than £500,000, **we commend to the Government the joint CAAV and Country Land and Business Association (CLA) proposals on SDLT, endorsed by Tenancy Reform Industry Group (TRIG), of August 2012 to the HMRC review, which were intended to be tax neutral.**
- 5.50 Entrepreneurs' Relief is a very important relief from Capital Gains Tax (CGT) on the disposal or cessation of a business, particularly valuable since the abolition of indexation allowance for individual taxpayers. However, the relief is not available on let land. That means that a farmer wishing at some point to sell has a very strong reason not to let his land in the meantime. **We recommend that letting property on a farm business tenancy under the Agricultural Tenancies Act 1995 should not disqualify it from Entrepreneurs' Relief.**

5.51 These two points, among others, create particular problems for our goal of ensuring a flexible and progressive industry. Having had little time to review these, we recommend that a working group be asked to report in greater detail on the two areas described above.

5.52 A further area that farmers have access to, are two key reliefs from Inheritance Tax (IHT):

- Business Property Relief (BPR), is available to any private business owner on the market value of the business
- Agricultural Property Relief (APR) on the agricultural value of qualifying agricultural land, buildings and houses. Unlike BPR, it recognises the distinctive place of the working farmhouse and makes no discrimination against letting land.

We recognise the complex nature of the reliefs and interactions between them.

5.53 History shows the practical need for an agricultural relief from IHT, so that working farms with their fixed equipment do not have to be broken up to pay the tax, distorting their structure and damaging their economic potential. Another long term theme is the concern that it should not discourage owners (often aging ones) from letting. Such a relief has always existed in some form ever since Estate Duty was introduced in 1894, save for a brief period after the introduction of Capital Transfer Tax in 1975 when it rapidly became necessary to introduce Working Farmer Relief, subsequently reformed to be APR.

5.54 With the key theme of this report being the need to encourage entry, progression and economic dynamism in the industry, we considered areas where the tax system may discourage older farmers from handing over to the next generation or letting to new or progressing farmers. We are concerned that aspects of the operation of APR may encourage an occupying farmer to retain ownership of the farm until death. While that is always an individual's choice, collectively that can hinder the opportunities for the entry, progression and economic potential we need. We suggest one simple change to the operation of APR to address this so that it operates as a relief for early succession, promoting generational transfer or letting of the land. The legislation should remain otherwise unaltered.

5.55 **We propose that, after a necessary period of warning, APR should not be available to individuals occupying property qualifying for APR after a stated age (say, 70).** It would remain fully available on its present rules for transfers made at or below that age, whether lifetime or on death and for those of any age for land they have let out. This would have the added advantage of providing greater certainty to the farmer, rather than leaving a successor to face the consequences for the business and family of a possible failure of APR to apply at the unforeseen date of a later death.

- 5.56 If an occupying farmer wished to remain in business on his own or in partnership, he could, like any other owner of a private business, qualify for BPR, but not on the farmhouse. With our interest in who is using the land rather than who owns it, the position for those who own farmland but let it out would remain unaltered, still potentially qualifying for APR as a landlord and offering opportunities for others to farm.
- 5.57 The nature of the issue being tackled makes it is very important that such a change be handled carefully and with good notice. With many owners already elderly, such a change should not be introduced overnight. Family, property and business matters often take time to resolve. We therefore suggest that the legal change be made to take effect some five or seven years its announcement, giving adequate notice and so encouraging early planning and action by those affected.

Tenancy Law

- 5.58 We have taken much evidence on issues in the tenanted sector. Historically, it has been a very important part of the farming world, allowing businesses to farm without owning land. The let sector shrank substantially over much of the last century, as sitting tenants bought their farm and owners chose not to re-let for a variety of reasons, including taxation and increased security for tenants. The Agricultural Tenancies Act 1995, creating Farm Business Tenancies (FBTs), has at least stabilised the position. The tenanted sector covers some 35 per cent of England's farmland and a larger proportion of businesses are either wholly or partly tenants.
- 5.59 FBTs take their place amongst an increasing number of flexible arrangements for the use of land. These arrangements vary in their rules and taxation consequences in each case and it is important to our aims of providing suitable opportunities that these are not abused. It is important too that Defra's policy makers are aware that this flexibility exists and is important to the industry. To this end, we recommend that **Defra ensures it has an in-house understanding of the law and operation of the business arrangements used between farmers and owners, notably but not exclusively tenancies as the area for which Defra has direct legislative responsibility, so that their policy formulation for land use takes account of this.** This would be consistent with the Farming Regulation Task Force's call for Defra to understand the industry better.
- 5.60 As we are concerned with entry, progression and economic dynamism, we seek to align the tenanted sector with the owner occupied sector and the need to encourage farmers to hand over to the next generation in timely fashion. In the spirit of previous tenancy reforms in 1995 and 2006, we are not looking for fundamental changes to the existing balance of rights and obligations between landlord and tenant but we are looking to ensure that the significant area of our farmland that is regulated by the 1986 Act plays its full part.

- 5.61 The law on succession was introduced in 1976 in very different conditions and was subsequently consolidated into the complex detail of Part IV of the Agricultural Holdings Act 1986 with its related schedules. We are not proposing that succession rights be abolished, because they are a feature of too many families' plans, although we did receive evidence from some that they are inappropriate for today's world.
- 5.62 With the scale of subsequent economic, social and policy change, we believe that it is proper to review succession, legislation modernising its procedure and tests so that it enables active progression and supports the high standards we shall need to be competitive in the future. In this, we recognise that Tenancy Reform Industry Group (TRIG) is an existing specialist body, established by Defra, to review and recommend amendments to the legislative framework and other issues affecting the health of the tenanted sector. It has considerable expertise available to it from within the industry. We make two recommendations that TRIG be asked to consider with a view to achieving a simpler, improved and more certain approach.
- 5.63 **Firstly, that the age threshold of 65 below which an application to succeed to a tenancy cannot ordinarily be referred to the Tribunal, be removed.** We do not see that this serves any positive purpose while it must delay some successions that might otherwise occur.
- 5.64 **Secondly, that the succession provisions of the 1986 Act be reviewed, their practical application and detailed recommendations be made as to both their structure and procedure to deliver the objectives of this report and, in particular, to:**
- **focus on lifetime succession in the manner of our APR proposal by, say, age 70;**
 - **repeal the commercial unit test as an arbitrary impediment to economic efficiency (essentially a de-regulatory measure);**
 - **review the list of those who qualify as close relatives with a view to widening it in response to changing social patterns;**
 - **raise the suitability standard for applicants to an appropriate professional level to demonstrate the requisite business and environmental skills for modern farming.**
- 5.65 We received a range of submission on other points on tenancies, including in particular whether there are any viable mechanisms to encourage Landlords to agree to longer terms for FBTs. While appreciating that longer terms might be desirable in the current economic circumstances, we have not been persuaded that this is possible in a way that maintains the confidence of those that let land and maintains necessary short term arrangements (as for specialist cropping or interim and trial tenancies).

5.66 In addition, whether the high levels of rent tendered by established farmers for opportunities that arise are unsustainable and disadvantage new entrants unnecessarily. We recognise that rental bids are however a matter between landlord and tenant in a free market. Economic volatility has led to some experimentation with the rent formulae permitted by the 1995 Act, using commodity prices but sometimes with unforeseen outcomes. That experience may lead to further development of such models, perhaps drawing on commercial practice with turnover rents.



© National Trust

Case Study: National Trust and supplementary agreements

In working with their tenants the National Trust feel that Farm Business Tenancies (FBTs) do not deal effectively with the vision of their relationship, nor for land management in the long term. In order to address this they have begun to take a fresh look at FBTs and explored ways in which they can adapt or add to them.

One approach has been to investigate attaching memorandums of understanding or management agreements to FBTs to encapsulate each party's vision of the outcomes of the tenancy. These would complement, but not override the FBT and give each party an opportunity to clarify their expectations, and recognise that estates and landlords are concerned with the treatment of the land as well as the financial value of the tenancy.

Recommendations

- ❖ We believe that the taxation of agriculture should be neutral between business structures.
- ❖ We commend to the Government the joint CAAV/CLA proposals on SDLT (endorsed by TRIG) of August 2012 to the HMRC review, which were intended to be tax neutral.
- ❖ We recommend that letting property on a farm business tenancy under the Agricultural Tenancies Act 1995 should not disqualify it from Entrepreneurs' Relief.
- ❖ We propose that, after a necessary period of forewarning, APR should not be available to individuals occupying property qualifying for APR after a stated age (say, 70 years).
- ❖ We recommend that Defra ensures it has an in-house understanding of the related agricultural law and operation of the business arrangements used between farmers and owners, notably but not exclusively tenancies as the area for which Defra has direct legislative responsibility, so that their policy formulation for land use takes account of this.
- ❖ We propose that the age threshold of 65 below which an application to succeed to a tenancy cannot ordinarily be referred to the Tribunal be removed.
- ❖ We recommend that the succession provisions of the 1986 Act be reviewed, their practical application and detailed recommendations be made as to both their structure and procedure to deliver the objectives of this report and, in particular, to:
 - focus on lifetime succession in the manner of our APR proposal by, say, age 70;
 - repeal the commercial unit test as an arbitrary impediment to economic efficiency (essentially a de-regulatory measure);
 - review the list of those who qualify as close relatives with a view to widening it in response to changing social patterns
 - raise the suitability standard for applicants to an appropriate professional level to demonstrate the requisite business and environmental skills for modern farming.

Housing And Planning

5.67 It is common for farmers and farm workers to live in closer proximity to their place of work than is the case for many other occupations. This is often necessary in order that they can care for livestock, contribute to the efficient operation of the business around the clock and increasingly because of the importance of security and supervision of machinery and equipment. The availability of housing in rural areas was therefore a recurring concern in the views we gathered, in relation to:

- those wishing to retire near and thereby release opportunities for entry and progression;
- those wanting to start farming and progress through the sector;
- farm business employees; and
- successors to the family farm businesses.

Planning

5.68 The new National Policy Planning Framework (NPPF)²³ emphasises the central role of local planning in meeting national economic, environmental and social priorities. In relation to housing in rural areas, it states that local planning authorities should respond to local circumstances and plan housing development to reflect local needs, particularly for affordable housing, including through rural exception sites where appropriate. **We feel that there is scope for improved guidance to councils within that framework on how best to implement planning policies for rural housing and, in particular, the needs of sustainable intensification of agriculture.**

5.69 In Wales for example, the Welsh Government has produced a Technical Advice Note (TAN) 6 to support its planning policy on sustainable rural communities²⁴. The guidance has been developed with a view to ensuring that development plans should include affordable housing and with specific provisions for the housing requirements of rural businesses, including farming. It also gives guidance on how applications for individual houses in support of farming business, for example, can be dealt with. In Northern Ireland there is a policy (HOU 10- Retirement from Farming) which allows, under certain conditions, planning permission for a dwelling for a farmer (or widow or widower of) retiring from farming to facilitate the orderly transfer or sale of the farm. We have not had time to investigate this further. However, we recognise that

²³ [National Policy Planning Framework](#), Department for Local Communities and Government, November 2012

²⁴ Welsh Government - [Technical Advice Note 6](#) – Planning for Sustainable Rural Communities (2010).

following publication of Lord Matthew Taylor's review²⁵, the Government is currently reviewing the recommendations made and will be publishing planning guidance soon in line with NPPF.

Incentivising landowners

- 5.70 There is recognition that landowners hold the key to the provision of affordable housing in many rural areas. Incentivising landowners to make land available for building appropriate dwellings is therefore important, particularly on 'rural exception sites' which would not normally be available for development. The Hastoe Housing Association provided us with information on what they are doing successfully in this area. This includes cross subsidy of some affordable houses by the sale of some houses on the open market, taking long leases from landlords, allowing landowners to have some nomination agreements, or investing in infrastructure to assist landowners in return for the release of land. These are practical examples that seem to work on the ground and **we commend them and would like to see them replicated more widely including on rural exception sites**. A wider use of nomination rights might, for example, make it possible for landowners to house retiring tenants thereby opening the door to succession. Some of these suggestions were raised in Department for Communities and Local Government's consultation published in 2009 as a result of the Taylor Review, on guidance to local councils that outlines the ways in which landowners can be incentivised to release land for affordable housing. **We welcome this guidance and consider it would be helpful to housing providers and local authorities if it is more formally issued and, when seeking to develop affordable homes, that they refer to the case studies and recommendations made.**
- 5.71 We have been presented with other schemes for incentivising landowners to provide more affordable rural housing using the tax system. We did not feel qualified to explore these but **recommend that such issues, along with others, are picked up by one of the existing groups set up to examine rural affordable housing, such as the Homes and Communities Agency's (HCA) Rural Housing Advisory Group.**
- 5.72 Through the evidence provided, we came across novel schemes that sought to provide and stimulate more affordable housing in rural areas for specific purposes. Such inventiveness will be needed as housing associations feel the effects of reduced funding. For example, Hastoe developed a proposal for a 10 year Bond issue to part fund affordable housing for employees in the racing industry. This proposal, called the 'Affordable housing for Racing Industry Employees', aimed to address three issues:

²⁵ [External review of government planning practice guidance: report submitted by Lord Taylor of Goss Moor](#), December 2012

- land availability: encouraging the release of land on long leases rather than freehold sale
- reduced capital costs to allow lower rentals: through longer leasing of land, raising funds through a 10 year bond and receiving a contribution from the sale of nomination rights
- a guarantee of availability to industry employees: through the sale of nomination rights and conditions of occupation.

Although the approach was welcomed by the racing industry, unfortunately the recession meant that the work was not taken forward. Despite this set back, **we still consider that this is an interesting model that should be further explored to see if it can deliver and meet the needs of the farming industry.**

5.73 The provision of affordable housing can be a sensitive issue with local communities concerned at the volume, quality and location of any development. Housing providers, local council and landowners need to engage early with the local communities to ensure successful development. Housing associations that are signed to 'The Rural Pledge'²⁶ could alleviate some concerns as this commits housing providers to certain standards and consideration for the local environment.

5.74 Neighbourhood planning is another way to deliver successful development, allowing more local communities to come together and shape new development in their areas. Local residents can then choose where they want new homes, shops and offices built, how they will look, decide which green spaces should be protected and where permissions are granted for new buildings. For this to be effective in support of affordable housing for farming, the requirements of the farming business need to be communicated to the local community.

²⁶ [Rural Alliance Pledge: Affordable homes for local people](#), March 2011.

Case Study: Eden housing



The Upper Eden Neighbourhood Plan (UENP) is the result of collaborative working between seventeen Parishes in the Upper Eden area of Cumbria, surrounding and including the key service centre of Kirkby Stephen. They have developed their own planning framework to address the need for affordable housing in their area. This sits alongside the Eden Valley District Council planning guidelines.

Noting that many successful farm businesses have two dwellings, UENP seeks to address the need for additional homes on farms for family members, workers or for use as holiday or residential lets. The Plan encourages the use of existing farm buildings or new build on the land of established farm enterprises or rural businesses to achieve these aims. Additionally these buildings would be subject to section 106 of the Town and Country Planning Act 1990 agreements restricting their use, and preventing their sale except as part of the farm enterprise or rural business or alternatively, as an affordable dwelling.

Other ways of providing affordable housing

- 5.75 Farming can take place in high landscape value rural areas, such as National Parks, which are also attractive to second or retirement homes owners in the country or commuters from towns and cities within range. This can push the prices of properties beyond the reach of local people, including many of those in the agricultural categories mentioned above.
- 5.76 Planning legislation²⁷ enables planning permission to be granted subject to a condition (section 72) that will limit who can occupy the dwelling. For the agriculture sector, Government has suggested appropriate wording to limit occupation to those involved in agriculture and forestry²⁸. These are known colloquially as agriculturally 'tied' properties. Such properties can have a reduced value for sale or rent, partly because of the reduced number that qualify to live there and partly because it is harder to get a mortgage.
- 5.77 A number of these houses are now being lived in by occupants who do not fulfil the occupation criteria. Others have been built by those seeking to justify a dwelling when planning would not otherwise be granted. This makes it more difficult for those

²⁷ The Town and Country Planning Act 1990

²⁸ Government circular on Conditions is 11/95,

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7715/324923.pdf

with a genuine need, such as new entrants, to get such a planning permission. Local Authorities are often reluctant to take the appropriate enforcement action due to lack of funds. **We would like to see the HCA Rural Housing Group investigate this with a view to issuing appropriate guidance to Local Authorities, drawing their attention to the abuse of the system that sometimes occurs.** It is worth examining how they can be encouraged to pursue enforcement action more vigorously. Even though an agricultural tie is registered as a land charge, it has been suggested that a central register of agriculturally tied dwellings could be drawn up perhaps on a Local Authority basis to help this and also enable a closer match between provision and need. To address the cost of such a register, it might be possible to encourage the owners of such dwellings to register voluntarily linking this to any opportunity for them to have the tie lifted.

5.78 The Government is consulting on new measures that will enable rural communities to grow by ensuring better use is made of their existing buildings. The Home on the Farm²⁹ scheme already encourages farmers and local councils to work together to secure the conversion of redundant and underused farm buildings to deliver affordable homes. Barns and other farm buildings that are no longer viable for other farming or commercial uses and are near existing homes or the farmstead could be converted to homes.

5.79 Another model of housing provision is through a charity. We saw that the Addington Fund, an agricultural charity, had done excellent work in providing houses for rent and equity share by working closely with the farming industry. **We see scope to widen this work either by Addington or other providers.**

²⁹ [Home on the Farm](#)

Recommendations

- ❖ We have proposed various recommendations above that we believe could be taken forward by the HCA's Rural Housing Advisory Group with the support of our group and the Government. These include:
 - (i) the provision of guidance to Local Authorities to give them reason to use the policies in the NPPF to recognise the importance of sustainable intensification of agriculture in planning applications,
 - (ii) wider adoption of ways of incentivising landowners to provide affordable housing including cross subsidy including on exception sites, use of long leases, provision of nomination rights and taxation changes and encourage wider use and dissemination of DCLG's consultation on the subject,
 - (iii) exploring if 'Affordable Housing for Racing Industry Employees' can be transposed across to the farming industry and deliver the needed housing in the sector,
 - (iv) encouraging Local Authorities to better enforce agricultural planning conditions on dwellings perhaps by the creation of a register of properties subject to an agricultural tie, and
 - (v) further investigation of the Addington Fund business model of providing housing at affordable rents, to see if this can be rolled out nationally.

Finance

Access to finance

5.80 Within the evidence we gathered it was clear that new entrants view access to capital as their key concern. Farming requires high levels of investment and the lack of sufficient funding is a major threat to these small business and its prospects. The typical cycles of production require substantial working capital alongside the needs of equipment, livestock and other items. Although many entrepreneurs have found ways to start their businesses on a small scale, the ability to secure finance for land, tenancies, machinery and livestock is perceived to be one of the most significant barriers to entry and progress.

5.81 While many people referred to the banks' unwillingness to lend, in fact we believe the banking sector is generally supportive of the farming industry. Many have agricultural specialists or teams and a good understanding of the production cycles, cash flow and general nature of the farm businesses. Indeed the volume of lending to

agricultural businesses in recent years has not seen the reductions typical of many other parts of the economy³⁰. It is seen as a secure sector to which to lend, based at least as much on its very good track record of servicing and repaying debt as on its strong asset base as security and low levels of gearing; i.e. the low ratio of the business' debts to its assets (largely land).

5.82 While banks will be keen to take a fixed charge over an interest in land and will feel secure in doing so with the current high value of farmland, these high values also have a negative impact on the profitability of farming to the detriment of new entrants. **We would encourage lenders to develop further their willingness to take fixed charge security on equipment and other non-land capital assets.**

5.83 Banks do however consider certain criteria crucial in the loan application process, including clear demonstration of a proven track record and, most importantly, a robust business plan. Where more finance is needed or to reduce interest rates offered, they will also want assets as security. New entrants can find it difficult to meet these demands, and without them banks can be reluctant to lend. We cannot reasonably expect them to do otherwise. Even with some track record, if a new entrant fails to sufficiently map out costs and projected income over the business cycle they are therefore unable to give the banks confidence in their proposed business and its long term viability. As we have said previously, effective business planning is a useful discipline for the new entrant to become accustomed to early on in their career.

5.84 Some banks offer support and advice on business planning. For example, HSBC provides a 'Forward Planning' guide on its website that provides practical advice on budgeting and forecasting³¹. One way in which aspirant farmers could build the kind of track record that might be needed to impress their bank manager could be to manage, over a period of time, a ring fenced profit and loss account and balance sheet for a part of a wider and larger business. With the help of their employer, this will enable the new entrant to demonstrate their performance and potentially secure a loan. **We liked this idea.**

5.85 Through our consultation we received many views about alternative approaches to finance, including an Enterprise Finance Guarantee Scheme, venture capital investment, peer to peer lending, environmental subsidised loan schemes, assignable FBTs to create value and the use of enterprise zones. Some people pointed out potential lessons that could be learnt from other industries, including deferred purchase, hire purchase and supplier finance. Some of these schemes are not applicable currently to the agriculture sector due to State Aid rules, as farmers already receive the public subsidies provided by the CAP.

³⁰ [Bank of England](#), Tables C1.1 and C1.2.

³¹ [Forward Planning 2012](#), HSBC

Case Study: Anglian Farmers - Anglian Finance



Peer to peer lending has gained publicity in recent years as a vehicle that enables access to unsecured lending that wouldn't be possible through traditional routes.

'Anglian Finance' is a model that has been created by Anglian Farmers to use this model for their members. They sought to offer a 5% return to members with a surplus of funds they wished to invest, and help others that needed lending to aid their cash flow through the year.

In the first year of their scheme they have loaned over £1,000,000. Members accessing the fund were able to maximise the profitability of their business, for example by buying inputs such as feed and fertiliser when prices were competitive. The scheme has now been extended another year.

- 5.86 We had some discussion about the potential of loan schemes, backed or underwritten by either Government or the private sector, to provide support to new entrants to build their farm business. We found that the Fresh Start initiative in Cornwall offered some useful lessons and experience in this area, suggesting that loans are more effective than grants. However, this needs to be carefully assessed with a focus on identifying quality in prospective borrowers and their projects. Although loans offer potential to make good use of limited resources, careful consideration would need to be given to the criteria applied to them; for example, whether the appropriate interest rate should be below market value but high enough to enable the lender to generate revenue, the criteria of who could get a loan and under what conditions so as not to distort the market. However, looking at past initiatives, subsidising the lending rate may not prove to be sensible in the longer term and, as we have already described, finance is already generally available to those who can meet robust criteria.
- 5.87 We considered the potential of external equity investment in the farming sector. This is not currently widespread practice because many family run farming businesses are reluctant to accept external investment, instead preferring to keep it family run and owned and not risk any of their capital base to an outsider. In any case, in a global market, investors are likely to look elsewhere for lower land prices and higher returns. We were interested in an idea presented to us for attracting outside investment into a 'business cluster', where common infrastructure could be made available to a number of embryonic businesses. Within horticulture, Enterprise Zones could be established by private investors or government with energy production capacity, probably anaerobic digestion or photovoltaic based, value adding packing facilities and glasshouses. They would provide an opportunity for new entrants to lease growing space and pay for the use of the packing facilities, whilst providing a market for the energy production, with any excess sold off to the National Grids. **Once again this seemed to be worth further exploration.**

Common Agricultural Policy

- 5.88 Within the current negotiations on the reform of the Common Agricultural Policy, there has been discussion about the proposals for supporting young farmers. This includes the proposed allocation of basic payment entitlements from the National Reserve to qualifying new entrants, a limited direct payment top-up payment, and support that can be provided under the next Rural Development Programme (RDP).
- 5.89 A considerable number of the young farmers we surveyed commented on the access they have to subsidy entitlements. New entrants can purchase entitlements at any point, in the same way as other assets, and the UK has traditionally not made these specifically available to young farmers beyond the initial allocation at the start of each new scheme since milk quotas. We will monitor the new proposals to resume free allocations from the National Reserve carefully. Although beneficial to some new entrants, we do not want to put recent new entrants who may have purchased their entitlements at a disadvantage.
- 5.90 On the basis of recent negotiations it appears that the proposed top up payment for young farmers is likely to be a compulsory part of the new direct payment scheme. This may offer benefits to some businesses, particularly new entrants in the very early years of owning their own business. Unfortunately, it won't benefit new entrants who enter the farming profession but do not own their own holding. The Rural Development Programme is therefore a very important mechanism for offering support throughout the sector.
- 5.91 We are very conscious of the expected tight financial limits for the next RDP and the many worthy calls on its money, including agri-environment schemes. Some of the views we gathered included suggestions for specific scheme designs under the RDP, including training and skills development to support young farmers and new entrants. We doubt that sufficient support can be given to have a substantial effect on new entrants if channelled into a specific young farmer scheme. Such a scheme also risks distorting the market, most probably on progression opportunities. It may be better to consider support for new entrants under the new RDP heading of competition and innovation. **We call on the Government and industry to work together to develop all appropriate schemes in a way that will consider the need to build a successful, competitive workforce in the future, with particular focus on supporting those in the early years of their career.**
- 5.92 In addition to the support and funding that could be provided through the next RDP programme, we need to consider the role of the Local Enterprise Partnerships (LEPs). Their role is focussed on promoting economic growth and is evolving as is their involvement in rural communities. They have now been given responsibility for drawing up plans for the distribution of 'single pot' funding and it seems to us that this provides an opportunity to seek financial support for new entrants in particular to support successful businesses and skills development. **We therefore call on the farming industry to tap into this and other relevant Government mechanisms for financial support.**

Recommendation

- ❖ We encourage the industry to investigate further the opportunities provided by some of the alternative methods of finance suggested to us. These include peer to peer lending; hubs to attract outside investment and ways of employees building a track record in the business in which they work and encouraging lenders to develop further their willingness to take fixed charge security on equipment and other non-land capital assets.
- ❖ We call on the industry and Government to work together to develop all appropriate schemes under the RDPE, particularly in a way which will consider the need to build a successful, competitive workforce in the future and with specific focus on supporting those in the early years of their career.
- ❖ We call on the farming industry to tap into other Government mechanisms that can provide financial support e.g. Business Innovation and Skills (BIS) and funding made available through Local Enterprise Partnerships (LEPs).

6. Next Steps

- 6.1 In taking forward the recommendations that we have presented in this report, we propose that the following steps should be taken following publication:
- (i) the Future of Farming Review Group will meet with the Minister of State, Rt Hon David Heath MP, to present the report and our findings;
 - (ii) the Review Group will hold a workshop in the Autumn with interested organisations to go through the findings and recommendations and develop robust actions to implement these.
- 6.2 Following the workshop and engagement with interested organisations, the Review Group will consider how best to continue to meet to monitor and encourage the delivery of the recommendations made in the report.
- 6.3 The Review Group is concerned particularly that the call for industry leadership needs to be addressed in the future and would like to see this Review Group, or its successor, reconvened in 2 years time to report on progress and make further recommendations as required.