



**A Nuffield Farming Scholarships Trust
Report**

Award sponsored by

Royal Welsh Agricultural Society



**Sustainable Land Tenure
for the farmer and the
next generation**

Gail Lewis

December 2015

NUFFIELD UK

NUFFIELD FARMING SCHOLARSHIPS TRUST (UK)

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A Nuffield (UK) Farming Scholarships Trust Report



Date of report: July 2015






*"Leading positive change in Agriculture.
Inspiring passion and potential in people."*







Title Sustainable Land Tenure for the farmer and the next generation

Scholar Gail Elizabeth Lewis

Sponsor Royal Welsh Agricultural Society

Objectives
of Study
Tour The objective of the study tour was to investigate various models of land tenure across the world; to investigate the advantages and disadvantages of each model in providing a sustainable future for the farmer and the next generation. To analyse if freehold and leasehold are the only options. Consideration as to the development of succession within agriculture, and its importance alongside land tenure.

Countries
Visited  Australia
  New Zealand
  Wales
  Ireland
  Brazil

Messages  A wide range of models can be used to allow exit, expansion and entry into the agricultural industry. Freehold and leasehold are not the only land tenure models available to begin and develop a farming business.
  Consideration must be given to 'stepping stones' to be taken towards the ultimate goal of freehold land ownership or, for some, just to farm.
  The model adopted does not need to be prescriptive. Each model chosen must suit those parties involved and be tailored accordingly.
  Professionals have a large role to play in facilitating successful land tenure models through the provision of support, advice and written agreements.
  Relationships are the key to successful land tenure models: each party must be respected and valued.
  Succession is also vital to a sustainable industry.

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DISCLAIMER

The views expressed in this report are entirely my own and do not necessarily represent the views of the Nuffield Farming Scholarships Trust, or of my Sponsor The Royal Welsh Agricultural Society, or of The Richard John Memorial Bursary, or any other sponsoring body. This Nuffield Farming report has been prepared in good faith on the basis of information available at the date of publication.

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1.0. Acknowledgments and Thanks

Since a young age I have annually attended the Royal Welsh Agricultural Show with family and friends and I am extremely grateful and honoured to have been selected as the 2014 Royal Welsh Agricultural Society Nuffield Farming Scholar. The Society provides so many opportunities at its annual events to witness innovation, entrepreneurship, top quality livestock and much more. Supporting individuals who wish to develop their own skills to bring back new ideas and perspectives into the Welsh agricultural industry is another string to the ever growing bow of the Society; one for which I am very grateful and I look forward to giving back to the Society over the forthcoming years.

I was also fortunate in January 2015 to be awarded the Richard John Memorial Bursary by the Pembrokeshire Grasshoppers and I am grateful for the support given by the Bursary to continue with my studies.

My parents, Evan and Shirley, have always encouraged both my brother, Gareth, and me to learn, try everything at least once, and always do our best. I am ever so grateful to them all for their support throughout my Nuffield Farming travels and as always, it has been invaluable. I was so proud at the end of my southern hemisphere travels, when my Mum joined me for the last two weeks in New Zealand: a real achievement after suffering a brain aneurysm some three years before. Thank you ever so much for being such a fantastic family.

My own personal life changed whilst involved in the Nuffield Farming process, through meeting my partner, Arwel Jenkins. Since meeting he has pushed me to consider what I want within the Industry and personally what I want to achieve. Arwel supported me on the hardest of my Nuffield Farming travels - to Brazil - engaging actively in discussions and learning as I did also. He even gave a rendition of the Welsh national anthem on farm! It was a fantastic experience to share together, *diolch i ti Arwel*.

Thank you must go to my friends who all encouraged me to apply, gave me 'pep' talks prior to interview and checked in with me whilst I was travelling. To have been given a five months sabbatical to concentrate on my Nuffield Farming studies, from a role I had not yet been in for a whole year, was truly amazing. I am thankful to Agri Advisor Solicitors for allowing me the time to fully focus on my Nuffield Farming topic.

#Nuffield 2014 is a phrase that will now always remain with me, as I was a Twitter virgin prior to becoming a Scholar. I was fortunate to have been part of a fantastic group of fellow Scholars from whom I learnt a great deal, not only about the agricultural industry and business in general but also about personal development.

I will always be indebted to the many people, all of whom are individually listed within my report, who spared their valuable time to talk to me about my topic, share their own stories, welcome me into their homes, provide transport to get me around and who became my friends during my travels. If I have left anyone out in error it is not intentional. I am grateful to everyone I met. I was humbled by the innovation, determination, drive and personalities of each and every person I met. Thank you all ever so much.

2.0. Personal introduction

I would like to begin by thanking the Nuffield Farming Scholarships Trust and the Royal Welsh Agricultural Society for providing me with the most amazing and rewarding opportunity to meet new people from all walks of life who were like minded, to learn from the best, and to enjoy the complete Nuffield Farming experience which is very difficult to put into words.

I am a farmer's daughter, through and through, with the Industry running through my veins.

I am always reminded by my mother how when I was young I would sit and cry if I was unable to go out every day with my father on the farm. It therefore comes as no surprise that my career path in life would always revolve around the industry.



Figure 1: The author, Gail Lewis

My home farm is on the outskirts of the market town of Llanidloes in mid Wales. Llanidloes is a small rural community which prospered in the 18th century through the growth of a weaving and flannel industry. In the late 1800s lead mining became the key Industry until 1921. Today agriculture is the predominant Industry in Llanidloes and the surrounding areas.

The home farm is a beef and sheep unit running a mixture of upland ewes suited to the topography of the farm, together with a commercial flock of lowland ewes to rear lambs within the required specification for the market. A herd of commercial Belgian Blue cross Limousin cattle is also maintained.

My parents, Evan and Shirley, have acted as a tremendous influence on both myself and my younger brother, Gareth, in learning about the industry and encouraging us both to work off farm to gain a knowledge and understanding of the industry, its challenges and rewards. Family

succession issues have meant both Gareth and I have had to work off farm to gain an income, but I feel this has actually been a great benefit to us both in providing a wide network of contacts from whom we can learn and gain support. Standing on our own two feet has thus been invaluable to both of us.

From a young age I was always determined to have a career in the agricultural industry, first undertaking a degree in Rural Enterprise and Land Management at Harper Adams University College. I am a member of the Royal Institution of Chartered Surveyors and a Fellow of the Central Association of Agricultural Valuers. The above qualifications have allowed me to achieve my dream of working within a diverse, rewarding and challenging Industry. Acting as a professional within the

industry in Wales is a pleasure and on a daily basis the interaction I have with farmers is invaluable: witnessing proposed business ventures through from initial stages to operation. My specialist area is planning, which can be most difficult when addressing policy together with environmental regulations, but the ultimate aim is always to address all concerns with a view to securing planning consent.

The Common Agricultural Policy in the European Union is diverse, detailed and complicated and as part of my role within the industry I assist farmers in securing their annual payment, and ensuring their business meets the regulations of the Basic Payment Scheme.

Whilst working as a chartered surveyor I have become very aware of the limitations within the agricultural community which inhibit the implementation of various alternative business structures.

When considering my upbringing and the current role I have within the industry, the Welsh poem below is something that immediately comes to my mind. It shows how farming runs through the generations of a family:

Bugail oedd fy nhaid,	My grandfather was a shepherd,
Bugail oedd fy nhad,	my father was a shepherd,
A bugail ydwyf innau,	and I am a shepherd,
Y gorau yn y wlad.	the best in the country.
A bugail fydd y baban,	The baby will be a shepherd,
sy'n cysgu yn y crud,	who sleeps in the cradle,
ond dyw hi'n beth rhyfedd	but isn't it strange
mai bugeiliaid ym I gyd.	that we are all shepherds.

3.0. Background to the study topic

In terms of innovation and technology the agricultural industry is constantly changing. However one area which is very slow to change and adapt to the current Welsh agricultural climate is land tenure.

Chartered surveyors and solicitors are frequently asked to assist clients in the purchase of land: in applications for succession tenancies of an Agricultural Holdings Act 1986 holding; to create a new Farm Business Tenancy or draft annual grazing licences. It is common for existing, established farmers to request the drafting of such agreements though it is rare to witness a young farmer, entering the Industry, specifically asking for them. The industry needs to ensure a viable future for the farmer and the next generation, allowing all farmers to have a prosperous future.

Definition of a Young Farmer

Is it someone under the age of 40? – as the Welsh Government has identified under the regulations of both the Basic Payment Scheme 2015 and the Young Entrants' Support Scheme.

Or is it a new farmer entering the Industry for the first time without having any agricultural background?

Both definitions could be supported. The average age of farmers in Wales is 58. Therefore supporting and nurturing the next generation, currently aged under 40, to get started in agriculture or take over the reins from a family member would encourage a younger generation, new ideas and perspectives. Equally, encouraging innovative individuals who have no tradition of agriculture behind them can also develop the agricultural industry considerably through fresh viewpoints and business ideas without the reins of tradition. The old saying is: *"It takes a generation to make a farm and a generation to lose a farm"*.

All the above is so simple to state, and so easy to put into words, but what are the actual hurdles to entry into the agricultural industry, and to expansion, and what are the hurdles when it comes to exit?

It is a topic frequently discussed within the industry. It is generally concluded that the factors highlighted in the text box alongside have an impact on entry, expansion, and ultimately exiting the Industry.

Factors which have an impact on entry, expansion and exit are:

-  Rental value of land
-  Sale value of land
-  Security of tenure
-  Taxation
-  Succession
-  Common Agricultural Policy
-  Prices of products sold
-  Attraction of 9 to 5 jobs
-  Image of the agricultural industry
-  Lack of guidance and mentoring
-  Fear!

4.0. An introduction to land tenure

4.1. Agricultural holdings

Historically agricultural holdings have been either under freehold ownership, or leasehold in the form of agricultural tenancies.

Freehold is considered the optimum land tenure model, but land can also be rented from a landlord, and this is known as leasehold. Freehold ownership of land evolved during the feudal system and originated from the time of the conquest of England by William the Conqueror in 1066. The majority of land in England and Wales from that time forward, until the breakup of the big agricultural estates as a result of the draconian level of death duties levied after the 1939-45 war, was owned by the monarchy and the church together with aristocratic families favoured and endowed by the monarchy.

Freehold is defined as holding (or owning) land, and any property upon it, in perpetuity.

Legislation with regard to agricultural holdings has developed significantly since the nineteenth century. Nineteenth century and early twentieth century legislation was incorporated into the landmark Agricultural Holdings Act of 1948. This, among other clauses, gave the landlord the right to serve notice to quit when an existing tenant died. The tenant's family had no right to automatic succession. This was changed by the Agriculture (Miscellaneous Provisions) Act 1976 which (broadly) permitted two successions to enable close relatives of a deceased or retiring tenant to succeed to the tenancy.

The Agricultural Holdings Act 1986 in effect acknowledged that such provisions were too unfavourable to the landlord. It decreed that, from 12 July 1984, a tenant of rural land whose tenancy started after that date would not have an automatic right to succeed unless the original tenancy either expressly stated otherwise; or unless the original tenant had been in occupation of the holding since before 12 July 1984. They would, however, still have a lifetime tenancy which would continue until their death or retirement.

Margaret Wilkie and Godfrey Cole within their text 'Landlord and Tenant Law' Fourth edition (2000) detail: *"The security enjoyed by tenants under the 1986 Act and its predecessors has been their downfall. Tenanted agricultural land declined from 90 per cent in 1910 to 36 per cent in 1991. To avoid giving security to their tenant, landlords increasingly resorted to exploiting gaps or loopholes in the legislation: short-term grazing agreements, or lettings of more than one year but less than two."*

The Agricultural Tenancies Act of 1995 was introduced to counteract the lack of stimulation in the land market as a result of the preceding 1986 Act. The 1995 Act sought to provide landowners with greater control of their land, allowing the term of the tenancy to be determined between the parties and provides no succession tenancies for the tenant: solely the original contractual term or further terms as agreed. It introduced the Farm Business Tenancy.

Both the 86 and 95 Acts were further refined under the **Regulatory Reform (Agricultural Tenancies) (England and Wales) Order 2006**.

These important acts are detailed in the following pages.

(<http://www.legislation.gov.uk/ukpga/1986/5/contents>)

(<http://www.legislation.gov.uk/ukpga/1995/8/contents>)

(<http://www.legislation.gov.uk/uksi/2006/2805/contents/made>)

4.2. The Agricultural Holdings Act 1986

This Act applies solely to tenancies granted before 1st September, 1995

Under the 1986 Act an agricultural tenancy is defined as a contract where the entire land comprised is let for the purpose of being used for agriculture.

Section 1 (4) (a) of the 1986 Act defines *“Agricultural land’ as land used for agriculture which is so used for the purpose of trade or business.”*

Section 96 (1) defines *“‘agriculture’ to include horticulture, fruit growing, seed growing, dairy farming and livestock breeding and keeping, the use of land as grazing land, meadow land, osier land, market gardens and nursery grounds, and the use of land for woodlands where that use is ancillary to the farming of land for other agricultural purposes, and ‘agricultural’ shall be construed accordingly.”*

Traditionally agricultural tenancies were granted on a yearly basis, and a tenancy under the 1986 Act is deemed to be a tenancy from year to year or in some cases for a fixed term even though the tenant(s) also has (have) lifetime security of tenure.

Tenancies of two years or more do not expire at the end of the tenancy but automatically continue as yearly tenancies under the terms of the original tenancy. If the landlord wished to regain possession, written notice of the intention to terminate the tenancy was to be given to the other side not less than one year before the next term.

To regain possession of an agricultural holding a landlord must serve a Notice to Quit specifying statutory grounds of possession or cases included within Part 1 of Schedule 3 of the Act, which are non-contestable by the tenant. If a landlord serves written notice not specifying the grounds the tenant can serve a counter notice for the continuation of the tenancy. The cases under Schedule 3 (Incontestable notices) to regain possession are:

- A Compulsory retirement of a smallholder
- B Land required for use other than agriculture
- C Certificate of bad husbandry
- D Non-payment of rent and remediable breaches
- E Irremediable breaches
- F Insolvency
- G Death of tenant
- H Notice given by Minister

86 Act Tenancies can be made verbally or by written agreement. The Act provides model clauses for the landlord and tenant detailing liability for maintenance, repair and insurance of fixed equipment.

Rent is governed by the Act, detailing that at the outset parties are free to negotiate the rent payable. The rent can then be reviewed upon specific dates or after specific periods. If parties cannot agree upon the rent payable it can be referred to arbitration every three years for determination. Rent under the 1986 Act is determined under the basic principle that the rent should be the rent at which the holding might reasonably be expected “to be let by a prudent and willing landlord to a prudent and willing tenant taking into account factors including:

1. Terms of the tenancy
2. Character, situation and locality of the holding
3. The productive capacity and related earning capacity of the holding
4. The current level of rents for comparable lettings

Tenancies granted after July 12 1984 will only have succession rights where:

- a. *Tenancy was obtained by virtue of a direction under ss39 or 53 (i.e. where there has already been one succession (on death or retirement) and that was obtained following an application to the ALT (Agricultural Land Tribunal);*
- b. *the tenancy was granted (following a direction under s39) in circumstances within s45 (6) where the landlord granted the tenancy to a person or persons entitled to succeed following a direction of the ALT;*
- c. *the tenancy was granted to a person, who immediately before 12 July 1984 was a tenant of the holding or of a substantial part of the land comprised in the holding. (Garner and Frith, Fourth Edition (2004).*

In order for a person to succeed to an Agricultural Holdings Act Tenancy to which there are two successions available (i.e. a tenancy which was created prior to 12th July 1984) an application to the Agricultural Land Tribunal must be made within three months of the date of death and confirming the proposed successor is able to satisfy a number of tests:

1. Close Relative – wife or husband, brother or sister, child, any person treated as a child of the family in relation to a marriage the deceased was party to.
2. Principal Livelihood – the successor for five of the seven years preceding the date of succession must have been obtaining his or her main source of livelihood from agricultural work on the tenanted holding - unless the consent of the landlord is received to the contrary. The livelihood test refers to day-to-day living expenses, and includes benefits in kind such as vehicles, fuel and accommodation, for example. Three years in further education can also contribute towards satisfying the livelihood test.
3. Non-occupation of a commercial unit of land.

Succession can also be granted upon retirement of the tenant by assignment, or under a new tenancy granted by the landlord. The tenant must serve a retirement notice on the landlord that he or she wishes a single eligible person to succeed the tenancy. The tenant proposing to retire must be at least 65 years of age at the date of retirement or incapable of farming due to ill health.

Historically the rent payable under the Agricultural Holdings Act Tenancy has been low, ranging from £25 to £45 per acre. Rent reviews were possible every 3 years.

Today no new 86 Act tenancies can be granted unless the new tenant succeeds by virtue of his rights from a pre-July 1984 tenancy or agreement between the parties that succession should apply.

4.3. Agricultural Tenancies Act 1995

The ground-breaking 1995 Act disapplied the 1986 Act to tenancies beginning on or after 1st September 1995 and gave virtually no security of tenure. It was designed to reverse the decline in land available to rent, but sought to help tenants who wished to increase income by diversification. It succeeded in increasing both the amount of agricultural land available to rent, and also the average rent per acre charged. This was effected by introducing Farm Business Tenancies.

The 1995 Act applied to tenancies granted on or after the 1st September 1995. The Act gives security of tenure to the tenants for the term of the tenancy but provides no opportunity for succession to the tenancy. This means the landlord can regain the holding at the end of the term or upon retirement or death of the tenant, allowing the holding to be re-advertised with the aim of finding a new tenant and/or increasing the rental payment.

A Farm Business Tenancy is created provided the tenancy satisfies the business conditions which are:

- a. that all or part of the land comprised in the tenancy is farmed for the purposes of trade or business, and*
- b. that since the beginning of the tenancy, all or part of the land has been so farmed.*

The 1995 Act provides tenants with security of tenure for the term of the tenancy. To regain possession a landlord does not need to give advance notice, nor make grounds for possession, provided a valid notice to quit is served upon the tenant.

In 2015 many holdings across Wales are let on a 1995 tenancy for varying periods of time but most commonly for either, two, three, five, ten, fifteen or twenty plus years. Commonly landowners are still cautious of longer term tenancies as a result of the horror stories of the 86 Act, the need to have some control over land owned, and also because Stamp Duty Land Tax is payable on all tenancies executed for a period greater than seven years and registered with the Land Registry.

The rents associated with the holdings let under the Agricultural Tenancies Act 1995 are far larger than those of holdings let under the 86 Act. They range from £80 to £250 per acre dependent on the properties of the holding itself.

4.4. Grazing licences

The afore mentioned 1986 Act made many landowners extremely wary about renting out their farm land as they did not wish to become involved with Succession Tenancies, low rental values and claims for compensation at the end of a tenancy. The 1986 Act removed the rights to succession in tenancies granted after 12 July 1984 except in the circumstances set out in 4.2 (a, b and c) above.

However, tenancies granted prior to 1st September 1995 (and thus under the 86 Act) only benefited from 50% Agricultural Property Relief, while those granted *after* the 1st September 1995 under the 86 Act benefited from 100% Agricultural Property Relief for the purposes of Inheritance Tax. The 1995 Act realises 100% Agricultural Property Relief for Inheritance Tax purposes. As a result of this, numerous landowners (Licensors) kept the land in their own control, letting graziers (Licensees) access to the land solely for the purposes for eating the grass or taking a crop of harvest each year. Grazing licences provide the licensee with no security of tenure and have historically been for two periods: being summer and winter grazing.

4.5. Discussion

Can the above really be the only options available to farmers wishing to expand, or to the new farmer trying to get on the farming ladder in Wales?

Surely they are not: but at times it is easier to look for the negatives rather than positives, focussing on high land values to sale and rent, low commodity prices, high input costs etc as the barriers to entry. There surely must be opportunities within the industry that can be grasped by the aspiring farmer, with hard work, dedication and by thinking outside the box.

I wanted a Nuffield Farming Scholarship to see what could be learned from best practices in other countries – and then consider how they could be put into practice in Wales.

In the next chapter I discuss the background factors and barriers, political and otherwise, against which any change in agricultural tenancy practice and change must operate.

The current situation with regards to land tenure is summed up well in the words of Martin Luther King:

“If you can’t fly then run...

If you can’t run then walk...

If you can’t walk then crawl...

But whatever you do you have to keep moving forward”

Martin Luther King Jr

5.0. Background issues which inevitably affect land tenure

5.1. The EU Common Agricultural Policy

The EU's Common Agricultural Policy has recently undergone reform under the guise of the Basic Payment Scheme. Further money has been removed from Pillar One (which authorises direct payment to farmers) to Pillar Two (which supports Rural Development Programmes including Countryside Stewardship schemes).

Has the Common Agricultural Policy stifled land tenure issues?

Many industry experts have concluded that it has and continues to do so in Wales, and that until the planned flat rate payment per hectare is achieved in 2019, will continue to do so.

Following the 2005 Reform, the former headage payments of each farm were consolidated into the then new Single Payment Scheme. Each farming business has from 2005 to 2014 held Single Payment entitlements based upon the historic production of the business, thus rewarding those farmers who have farmed intensively and with high stocking rates. No two businesses have for the past ten years received the same Single Payment per hectare, thus resulting in a distortion in the land market. Each individual farmer seeking to buy farm land is aware of the amount of Single Payment Scheme he/she will receive, and can accordingly pay a premium above the value of the land based on its actual productivity.

Farmer A can afford to pay more per hectare than Farmer B, if his/her Single Payment is far greater. (Note that the term "Farmer" in the previous sentence refers to the party in occupation actually farming the land, albeit for a limited period). Over the past ten years the price of land let on both Grazing Licences and Farm Business Tenancies has risen. The Basic Payment Scheme introduced in 2015 attempts to address this issue in Wales as by 2019 all the Principality's farmers will be on a flat rate payment per hectare. In the intermediate term the distortion will continue until the payments per hectare adjust to the flat rate that individual categories of agricultural land will receive by 2019.

Currently landowners letting agricultural land on a grazing licence and undertaking the management of the land themselves can claim the Basic Payment Scheme, thus reducing the amount of land available to rent in the traditional way. If landowners wish to gain an income from the letting of the land, claim the Basic Payment Scheme **and** protect themselves from both Capital Gains Tax and Inheritance Tax, they can: hence the limited land available for farmers to expand their businesses and for those new entrants who wish to start up.

The limited land available on the market to rent is also replicated in the market for land put up for sale. Retiring farmers have continued to claim the Single Payment on a historical basis, renting out their land on short term licences rather than placing it on the market. This contributes to the rise in land values.

This trend is also accentuated by the very nature of the industry which, for so many, represents not just a business but also a way of life: the farm is the business and the home. Grazing licences permit the retiring farmer/landowner to have his cake and eat it!

5.2. Government

The agricultural industry has for many years been supported in Wales by the Government through the Common Agricultural Policy via direct payments and also through the delivery of Rural Development Programmes. Examples of the latter are the Young Entrants' Support Scheme, funding of training provided by Farming Connect, and also through Environmental Schemes such as Glastir. Under the current Rural Development Programme, from 2014 to 2020 further assistance to farmers is provided through the Sustainable Production Grant and Food Business Investment Scheme.

The Young Entrants' Support Scheme provides assistance to young farmers setting up as head of the holding for the first time. *"Young farmers represent a key factor in the sustainable development of the farming sector. This scheme supports the establishment of young farmers (under 40) who possess adequate skills and competence and are setting up as head of the holding for the first time. 'Setting up as head of holding' includes those who have set up as head of holding for the first time within the previous 12 months."* (Welsh Government 2015).

The scheme provides the following aid assistance:

- ✿ *"a one-off grant payment for capital investment for expenses incurred when a young entrant is setting up as head of holding for the first time*
- ✿ *access to a dedicated Young Entrants' Business Enabler Service, which will advise on training, knowledge transfer and joint venture opportunities as well as matching young entrants with appropriate established farmers who wish to explore different working patterns*
- ✿ *access to funded mentoring services from established farmers."* Welsh Government (2015).

Glastir is the sustainable land management scheme, through which the Welsh Government offers financial support to farmers and land managers. Glastir pays for the delivery of specific environmental goods and services aimed at:

- ✿ combating climate change
- ✿ improving water management
- ✿ maintaining and enhancing biodiversity

The Sustainable Production Grant has been launched in Wales as part of the Rural Development Programme up to 2020 *"to support investments to improve performance and sustainability of agricultural holdings. Capital investments by agricultural businesses: including arable, beef, dairy, goats, horticulture (including hydroponics and aquaponics), pigs, poultry, sheep and apiculture"*.






The grant focuses on:

- ✿ *Increased financial resilience*
- ✿ *Animal or plant health and welfare*
- ✿ *Emissions reductions*
- ✿ *Nutrient efficiency*
- ✿ *Energy efficiency*
- ✿ *Water efficiency.* (Welsh Government 2015).

The maximum grant threshold per enterprise for any individual investment project is £400,000. The minimum grant threshold is £16,000. Both of the aforementioned are set at a maximum of 40% of the total project cost.

The Food Business Investment Scheme *“provides support for investments in processing/marketing and/or development of agricultural products. Capital investments by food processing businesses using raw and/or first stage processed agricultural products.”*

The grant focuses on:

-  Turnover
-  Sustainability
-  Innovation
-  Education, training and skills
-  Employment. (Welsh Government 2015).

The maximum grant threshold per enterprise for any individual investment project is £5,000,000. The minimum grant threshold per enterprise for any individual investment project is £2,400.

5.3. Taxation





The agricultural industry has for many years benefited from inheritance taxation reliefs. Land farmed in hand currently benefits from 100% Agricultural Property Relief as does land let on a Farm Business Tenancy and land let after 1st September 1995 under the 1986 Act. (See end of paragraph 4.4). Farmers are also able to benefit from Business Property Relief, in relation to their business assets.

Inheritance Tax is levied at a rate of 40% on the value of an estate above the tax-free threshold of (currently) £325,000 per person, and has been set at this level since 2009.

From the 6th April 2017 the Government will add a “family home allowance” worth £175,000 per person to the existing £325,000 tax free allowance, therefore meaning that individuals can pass on assets worth up to £500,000, provided a home is included, without paying any Inheritance Tax, although the details of this are still awaited.

Agricultural Property Relief is available to agricultural land or pasture and the buildings used in connection with that land, provided they are occupied for agricultural purposes.

Agricultural land or pasture for the purposes of Agricultural Property Relief includes:

-  Farmhouses/buildings which are of a character appropriate to the property
-  Woodlands/buildings used for intensive rearing of livestock/fish
-  Growing crops when transferred with the land
-  Any land within a habitat scheme for transfers on or after 26 November 1996

Agricultural Property Relief is only available if the agricultural property was either occupied by the transferor for agricultural purposes for the 2 years immediately before the transfer, or owned by the transferor throughout the 7 years prior and let out to a third party under a Farm Business Tenancy.




Agricultural Property Relief is only available in relation to the agricultural value and so the difference between the agricultural value and the market value will be taxable, unless Business Property Relief is available.

Securing Business Property Relief can be used to significantly reduce Inheritance Tax exposure as it can provide 100% relief on the value of business assets or shares. Business Property Relief is available to mitigate the Inheritance Tax charge on business assets owned for a minimum period of 2 years, and is available for assets which do not qualify for Agricultural Property Relief such as livestock.

There are two rates of Business Property Relief: 100% if it can be shown that the business asset is used and owned by the business: or 50% relief if the asset is used by the business but not owned by it.

Capital Gains Tax is a tax on the profit or gain made when you sell or 'dispose of' an asset. All individuals have a capital gains tax allowance each year which is currently £11,100 for the 2015 to 2016 period.

The reliefs that can apply to land sales include:

-  **Principal Private Residence Relief** - houses used as a person's only or main residence are exempt
-  **Rollover Relief** - the sale of certain business assets to acquire other business assets can qualify for rollover relief. The re-investment period is from one year before the disposal of the existing asset to three years after its sale. It is noted that if the total sale value is not rolled-over into new assets then the difference is chargeable
-  **Holdover Relief** - where a business asset is disposed of by gift the capital gain can be held over. The chargeable gain is calculated as normal but the transferor and transferee can choose to regard the gain as 'held over'. The recipients will pay Capital Gains tax (if any is due) only when they themselves ultimately dispose of the gift. At that point they will have the value at which they are deemed to have purchased the asset reduced by the chargeable gain as calculated prior to the disposal.

Land prices have risen dramatically in the last ten years, in complete contradiction to the value of commodity prices, and the aforementioned taxation reliefs have been most valuable.

5.4. Land values

High land values in Wales have limited the number of would-be buyers as new entrants have been unable to compete with established farmers - who have viable businesses and security - in securing land at - say - £10,000 per acre (or £24,710 per hectare) and expansion has been limited as banks have not always been able to fund such investments without a guaranteed return on the investment.

Savills' Market Survey data for 2014 confirms *"across the world farmland values continue to grow. Our Global Farmland Index shows an average global annualised growth since 2002 of just over 20%, while the UK equals 13%. This growth was fairly steady year-on-year apart from during 2009-10, when the rates of growth in some of the mature markets weakened. The highest growth rates were recorded in the emerging markets of Romania, Hungary, Poland, Zambia, Mozambique and Brazil."*

The graph below details the price per hectare for land across the world in 2010, 2011 and 2012. Out of the 17 countries listed, Great Britain has the fifth most expensive land per hectare, seeing a continual steady increase.

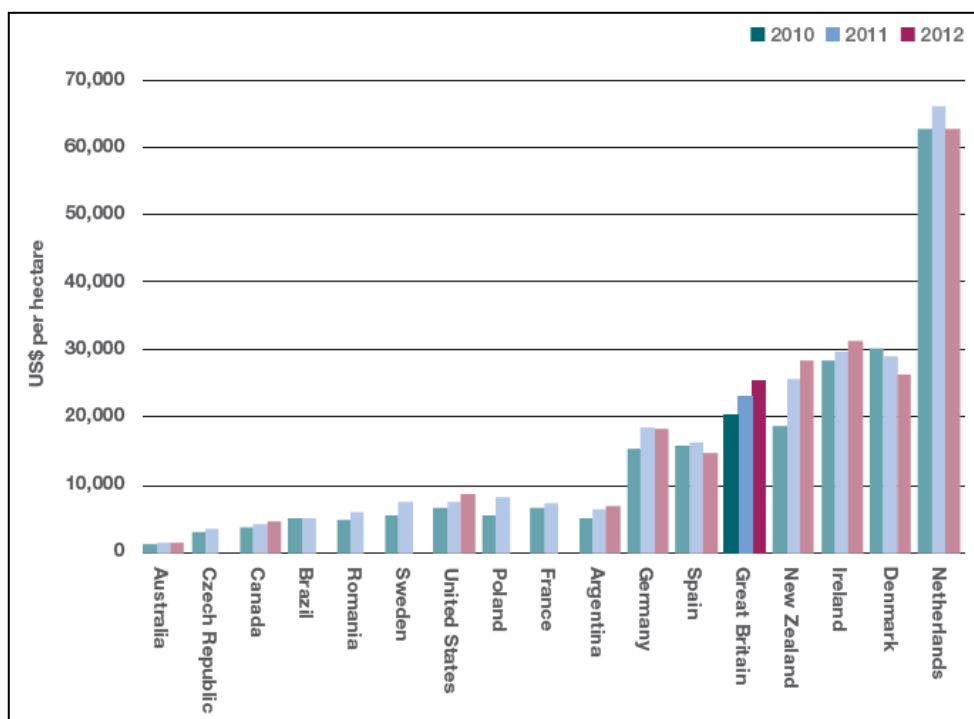


Figure 2: World Land Values in 2010, 2011 and 2012.
Source: Savills Market Survey UK Agricultural Land 2014
(Savills Research using Eurostat & various data/estimates)

The rentable value of agricultural land has also risen for Farm Business Tenancies and Grazing Licences with rents paid ranging from £80 to £250 per acre (or £197.6 to £617.75 per hectare).

The increasing land values for both sale and rent have meant that it is now very difficult to begin farming because of the high level capital required to do so. Farmers have also found expansion difficult, hence the need to explore the opportunities for differing land tenure.

Across England and Wales the Royal Institution of Chartered Surveyors' Land Market survey data highlights land values per acre in 2014 as being £9,938, and in the first half of 2015 £9,692.

The average rental price for arable land under the Agricultural Tenancies Act 1995 in 2015 is stated as £147 per acre and £104 for pasture land. (Source: RICS and RAU Land Survey 2015 H1.)

The Land Market Survey of the Royal Institution of Chartered Surveyors stated that, in 2014, “Land prices broke through £10,000 acre.”

In the first half of 2015 the Royal Institution of Chartered Surveyors and Royal Agricultural University Land Market Survey of 2015 stated that we were witnessing:

“Sharp increase in supply of farmland while demand growth stabilises

Outlook for price growth over the coming twelve months significantly more subdued

Falls in price of farmland produce weighing on rental values.”

The graph below shows the increase in average land values from 1994 to 2014. The overriding trend is an increase per acre through to 2014. There was a plateau in the increase of land values in 2001 to 2004: this was considered to be a result of the impact of the Foot and Mouth crisis of 2001 which put agricultural businesses under significant strain.

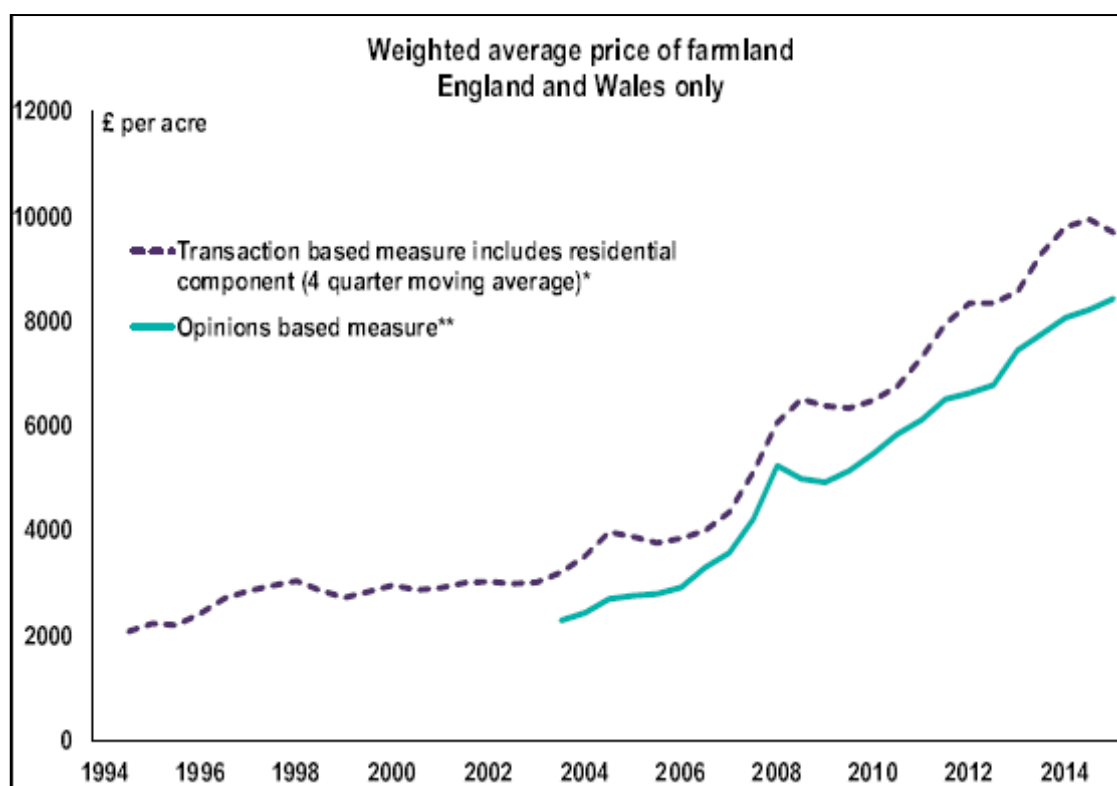


Figure 3: Average values in England and Wales 1994–2014. Source: RICS & RAU Land Survey 2015 H1

The graph on the next page indicates the regional values of land across the United Kingdom.

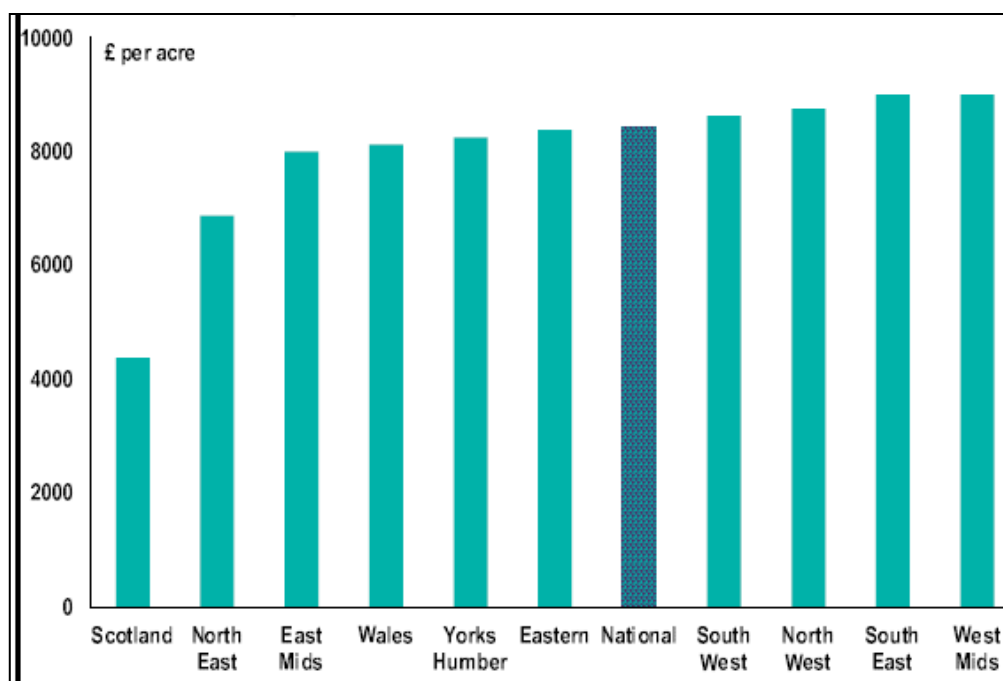


Figure 4: Regional land values in England and Wales 1994–2014.
Source: RICS & RAU Land Survey 2015 H1

Within Wales the land survey data below indicates that the price of land both to rent and to purchase is slightly below the national average.

	Supply		Demand		Price expectations	
Net balances %	Non Res	Res	Non Res	Res	Non Res	Res
H2 2014	9	0	9	18	9	18
H1-2015	50	13	-25	25	-25	25
Purchaser Type						
	Ind. farmer	Agri-bus	Non-farm	Inst investor	Developer	Other
H2-2014	81	4	14	0	1	0
H1-2015	74	6	19	0	0	1
	Land prices		Arable rents		Pasture rents	
£ per acre	Arable	Pasture	AHA 86	ATA 95	AHA 86	ATA 95
H2-2014	9,250	7,625	AHA 86	ATA 95	AHA 86	ATA 95
H1-2015	9,000	7,250	78	130	70	130

Figure 5: Values of Land for Sale or Rent in Wales in the last six months of 2014 and first six months of 2015.
Source: RICS & RAU Land Survey 2015 H1

5.5. People

The biggest variable when considering land tenure options of both past and future is the people involved: the current generation and the next generation. It is vital to consider the individual needs and ambitions of both the current generation and the next generation.

Due to the negative publicity and perceptions surrounding agriculture: long hours, low pay and the industry not generally being promoted to young people as a 'sexy' career choice, many young would-be farmers have been lost to a purportedly very different way of life: hours 9 to 5, allegedly high wages and better standards of living.

It is important that these attitudes are changed and the next generation shown how viable an industry agriculture is: opportunities for technology, innovation and entrepreneurship should be emphasised. Many farmers have lost their successors to city life, and some have no successors yet a farm which they wish to pass on. This poses both question and opportunity: should the farmer sell the farm? Or could he enter into an agreement with a young would-be farmer or an existing farmer wishing to expand?

The next generation needs to come to the table with different ideas for development of a business: with passion, enthusiasm and commitment to prove to the current generation that they are the future.

The *current* generation also needs support and encouragement to welcome the *next* generation into agriculture. Mind-sets must be changed to encourage and permit the current farmer to trust the next generation to take over the farming business either by inheritance, long term rental agreements or joint ventures.

Hence the reason for my Nuffield Farming study tour: to see what models were available in overseas countries, that could be successfully translated into Welsh agriculture.

6.0. My study tour

5	Countries
24	Flights
6	Ferry Crossings
128	Meetings/farm tours
118	Days

6.1. Australia

27th February 2014 – 21st April 2014

Australia has scale, something that in Wales we are not fortunate enough to possess. I visited Australia to witness this scale, and to learn about joint ventures successfully operating with external investors. Prior to travel I was made aware of a lady, residing in Australia, and leading her field in delivering professional succession advice. I wanted to learn from her directly.

6.2. New Zealand

April 22nd 2014 – 26th May 2014

The home of share farming, New Zealand was a must to visit to explore how, over many years, they have successfully used share farming in its many guises to assist the next generation into the Industry. Taking many small steps can lead to the young to the farmer's ultimate goal of ownership, whilst allowing those farmers who wish to exit the Industry a strategy to leave.

6.3. Ireland

17th June 2014 – 24th June 2014

Australia and New Zealand have scale, and they operate under different constraints to Welsh farmers. Therefore I wanted to visit a country similar to Wales in scale, topography and traditions. This meant Ireland. Ireland has begun to adapt New Zealand share farming agreements to suit the Irish agricultural industry.

6.4. Brazil

16th May 2015 – 28th May 2015

My wild card - an emerging country with many challenges but offering vast opportunity. I wanted to learn more about how Brazil's Government had given out land to farmers to enable them to commence trading. For personal development I wanted to visit a country which would give me some difficulties - and Brazil, as a non-English speaking country, would obviously provide this challenge.

6.5. Wales

It is easy to visit countries all over the world and bring back new ideas into the industry here in Wales, believing such ideas are bigger and better, but it was also vitally important to learn from individuals in Wales who are taking a proactive approach towards land tenure.

7.0. Australia

Early land tenure Australia-style can be witnessed at Uluru, one of the most famous landmarks of Australia. In the early 1900s the Australian Government declared its ownership of the land at Uluru, taking it away from the Aboriginal people. Tourists began to visit Uluru and began to interfere considerably with the tradition and cultures of the native people. So in 1979 the land was designated a National Park and, in 1983, Prime Minister Hawke granted ownership of the land back to the Aboriginal people, on condition that the land was leased to the Australian National Parks and Wildlife Service for the next 99 years.



Figure 6: The iconic Uluru-Kata Tjuta National Park

The Van Diemens Land Company is based in Tasmania. The company operates numerous dairy farms which are all structured differently: for example with share milkers, leased land, managed land and contract rearing. The company provides step ladders into the agricultural industry.

Mr John Lord is a retired accountant living in Tasmania. Mr Lord explained that leasing of farms is not common practice in Australia, and presents a very difficult commercial venture often resulting in a reduction in the property value. If the landlord increased the rent the tenant's profit could decrease and in a poor agricultural year leave the tenant out of pocket.

Andrew Fowler and his family in Esperance, Western Australia, have expanded their business greatly with arable and livestock enterprises run on owner-occupied, share-farmed land plus land farmed under contract farming arrangements. He stated that the strength of the share farming model is that it presents less risk and the land is not purchased outright. The agreement is based upon inputs and outputs. The downside of the agreement is that the share farmer is not in control and has to

negotiate and compromise with the owner of the land. The share farmer on an arable venture must understand fully his or her gross profit to ensure they are aware how much of the profit needs to be handed over to the landowner. Andrew explained that in Esperance leasing of land is increasing in popularity as a result of the ability to leverage and thus increase profits quickly and gain economies of scale. The risk to the lease is that too much may have to be paid out to the landowner in a bad year, and yields in arable enterprises in that area are very dependent on the season.

Steven Crease was a gentleman with great vision, who had separated land ownership from management and, whilst he had his own farm which he had acquired after share cropping, he today works as the manager of Ingleby Farms in Tasmania. Ingleby Farms is a Danish company with enterprises including potatoes, clover seed, carrots, poppies and onions; plus beef, dairy and lamb. The company is a Trust with a 100-year investment in agriculture. Ingleby Farms offered managerial positions for the young entrant into farming together with an opportunity to learn about many of the stepping stones available via farm employment.



Figure 7: Steven Crease of Ingleby Farms

8.0. New Zealand



Figure 8: The author holding the native bird of New Zealand, the Kiwi - an amazing opportunity

Louise and Ryan Smith reside in Palmerston, South Island. Louise and Ryan alongside Ryan's parents have in recent years established an upland sheep unit. The partnership between the generations has allowed the younger generation to enter the agricultural industry. As a result of the low return on investment and the increasing price of land, both Ryan and Louise stated this would not have been possible, especially the development of a sheep enterprise, without the collaboration of both generations, together with additional income off farm.



Figure 9: Ryan, Louise and Ffion Smith

As well as being home to the almighty All Blacks, New Zealand is the home of several successful different types of collaborative farming structures.

Graham and Sue Evans and their son Rhys reside in South Otago. Graham and Sue had moved from Wales some 25 years ago, seeking a future in the agricultural industry which they could build upon. They felt Wales did not provide them with any opportunity to own a farm themselves. Graham and Sue began by share milking and working extremely hard to generate a cash flow to enable them to reach their goal of farm ownership. They did not particularly like dairy cows but it was a means to their end goal of having a beef and sheep unit. Graham thought outside the box to generate an income to achieve his goal. Whilst share milking, rather than purchasing young dairy heifer replacements - which were expensive as a result of demand - he began purchasing older milking cows which would provide him with an increased number of cattle for the dairy herd far sooner, at a lower purchase cost.



Figure 10: Graham, Sue and Rhys Evans

Jeff Farm is a Salvation Army farm, managed by John Chittock with support from his wife, Liz. Jeff Farm was left to the Salvation Army by the original Mr Jeff many years ago. The farm each year takes in two young farmers on a two year training course. The young people learn a variety of the skills required to manage a farm unit and once they have completed their training the young people are helped to find positions of employment.

Whilst in New Zealand I met a fantastic range of people, who were willing to give their time, who spoke frankly and who all had so much knowledge, experience and opinions to share. These people included Gaynor Scott, John Lee, Desiree Reid, Stuart, Angela and Simon Wright, Tom Mason, Lawrence Field, Paul Olsen, Mel Poulton, Mark and Sussanah Guscott, Blair Stevens, Matt Hood, Willy Scurr, Sarah Stewart and Phil Crossland, Lawrence Field, Lucy Cruickshank, Paul Harris, Ciaran and Leonie Guiney, Alvin Reid, Mandi and Bill Mcleod and Roger Wilson, Nicola Shadbolt and Shane Carroll.



Figure 11: John and Liz Chittock



Figures 12 (above) and 13 (below):
 Mustering the Merinos in Cardrona, South Island, New Zealand



Matt and Julie Ross together with Neil and Julie Hamilton had an amazing relationship. It was truly inspirational how they had worked together to achieve their goals of farm ownership and helping the next generation into agriculture. Neil had seen the ability of Matt when the latter had worked on his dairy farm as a young man. Matt progressed to be employed as a farm worker, followed by being given the opportunity to rear his own livestock and then followed by a share farmer position. The couples had worked together in an equity partnership, allowing them to expand the dairy herd and purchase additional farm land. Each couple said to me that, for such an agreement to work, there must be complete trust, pooling of skills, communication, shared goals, similar philosophies, patience and principles.



Figure 14: Matt and Julie Ross



Figure 15: Neil and Julie Hamilton

Brett Gould is a solicitor in Masterton. Discussion took place with regard to the legalities of setting up various collaborative farming arrangements. Brett stressed that, in setting up any such agreement, governance is very important.

Andrew Watters and Grant Rowan run 'My Farm', a professional company set up to facilitate the purchase of farms in New Zealand by syndicates of investors. Prior to purchase a business plan is outlined in full and once the farm in question is purchased a board of directors is set up. 'My Farm' acts as consultants to the directors of the limited company and a farm manager is employed to run the units and generate a return on capital for the investors.

9.0. Ireland

Noel Collins is employed within the Economics and Planning Division of the Department of Agriculture, Food and the Marine. Mr Collins stated that 26% of Irish farmers are over the age of 65, and the average size of an Irish farm is 32.7 hectares. Noel explained that in Ireland the 2014 Budget recommended a review of the agri-taxation system to encourage land mobility within Irish agriculture.

The conacre letting system in Ireland had resulted in land let on an eleven month system with no security of tenure for the farmer. The Irish Government has tried to support the long term leasing of land with a long term rental taxation scheme, which provides an annual tax-free exemption for land let on a longer term lease. The scheme works on a sliding scale. Land let on a three to five year agreement would receive a €10,000 relief, and on five to ten years €15,000 relief. Noel stated that, to date, the uptake had been poor.






The Irish Government has released a manifesto for the future: Food Harvest 2020. It includes discussion of key issues including land mobility, succession, smarter farming, and a big focus on collaborative farming. In Ireland the Capital Gains tax threshold is €3 million up to the age of 66, which has encouraged the transfer or sale of land to maximise the threshold.

In Ireland there is support for collaborative farming from the Department of Agriculture, in the form of Registered Farm Partnerships.

Does such a partnership encourage inter-generational succession?

In Ireland agricultural colleges are bursting at the seams with students – a very different story to Australia.

Aisling Meehan is a solicitor and tax consultant. Aisling outlined numerous opportunities in the form of land leasing structure to facilitate entry into the agricultural industry:

-  Partnerships
-  Contract rearing
-  Contract farming
-  Leasing of land
-  Conacre

Aisling stated that the size of farms in Ireland can prove a difficulty in regard to succession, as many if not most are not large enough to sustain two families.

Ben Roche is a farm structure specialist with Teagasc and is responsible for developing collaborative farming structures in Ireland. He has focussed on Registered Farm Partnerships, Contract Rearing and Cow Leasing agreements. Ben stressed that it is important to encourage parties in collaborative farming relationships to formalise their agreements. The agreement must be clearly documented on paper and include provisions to cover all circumstances. Registered Partnerships have many incentives, thus encouraging the older generation to include the younger farmers into the business. One incentive is the EU 25% top-up for the young farmer in the partnership.

Leasing of cattle is employed in the dairy industry for those struggling to gain access to capital. Cow leasing can operate in two ways:

- ✿ Half term basis, whereby the exact number of animals received at the beginning of a lease is returned at the end of the agreement. The lease takes into consideration the investment of the owner of the cattle, depreciation and risk. Death of livestock is an issue as it increases costs to the lessee
- ✿ Five year agreements based on no animals being returned, solely interest payable on the investment.

Ben stated that in any agreement it is important to accept that people cannot be *forced* together, and the parties must take ownership of their own agreements and consider how to deal with any disputes.

Paidi Kelly is a PhD student undertaking his research into farm structures in association with Teagasc. He is also a journalist with the Irish Farmers Journal. Paidi has undertaken a wealth of research into various farming structures that are already in place in the UK and Ireland and operating successfully. He is now focussing on developing a share farming model for the dairy industry, specific to the Irish dairy industry. The big challenge in any collaborative agreement is to ensure enough profit to meet the needs of both parties.

David and Mary Delany explained that in Ireland until recent years there was an Early Retirement Fund, whereby the Government paid an income to the retiring farmer if he retired at 55 and the young farmer coming in was under 35.

Austin Finn is an agricultural consultant with years of experience. He now works for The Land Mobility Service in Ireland, which is a scheme promoted by MACRA, the Irish version of the Young Farmers Club movement. The service aims to link the older generation of farmers with the new generation of farmers, working as a mediator to ensure the agreement is formalised between the parties. Interestingly Austin stated he has had more interest in various types of collaboration from the older generation than from young farmers.

In Ireland surveys have concluded that 50% of farmers have no apparent successors. In Ireland, as in Wales, the size of the farm is an issue and opportunities need to be explored as farms cannot sustain two families. Austin has success stories where collaborative farming is working and stated: '*Seeing is believing in profit sharing*'. In six months the Land Mobility Service has gained 186 clients interested in setting up arrangements with other farmers.

Jonathan Tighe is an expanding dairy farmer who has used the family farm as a firm step ladder into the agricultural industry and used collaborative farming in the form of a joint venture to expand his business. Jonathan said the benefit of a joint venture is that decision making is shared, as well as sharing skills and time management.

Michael Murphy spoke regarding the principles of the individuals who ultimately make opportunities in their life. Life is basically about people: treat people with respect, give people the freedom of enquiry, share problems and ideas and test them; break down a problem to come up with a solution; there is no boundary to knowledge, just keep learning. Michael explained that successful people make lots of small mistakes rather than failures and evaluate them to move forward. Following

receipt of one of the family farms, Michael did not rest on the *status quo*. He used a variety of business structures to expand: contract rearing the heifers, leasing farms, purchasing additional farms, establishing equity partnerships.

Collaborative farming can work, he says, when the people involved are like minded, business minded, have ground rules in place, and always have an exit strategy.

10.0. Brazil

Brazil is a country with many untouched resources. It is a country of opportunity but with many constraints. Despite obviously being a single country, albeit the 5th largest in the world, Brazil is very much a country of two halves, on account of topography, climate, vegetation and political views. The north of Brazil has a hot, dry climate where agriculture predominates. In Brazil the definition of agriculture is land which is cropped for sugar cane, wheat, cotton etc. Livestock farming is on both extensive and intensive scales, with large farm holdings running into thousands of hectares.

Politics in Brazil have a tremendous influence on Brazilian agriculture, causing great uncertainty and risk when developing a farming business. Bureaucracy is rife in Brazil. Many years ago, although farmers believed they had purchased the freehold of their land, the Government took back its ownership, thereafter leasing the land back to the farmers, although in this regard each federal region differs. The lease agreement is reviewed and renewed on an agreed basis. No land can be bought in Brazil without the money in its entirety upfront.

In Brazil strict environmental laws are enforced upon farmers. Farmers in the Amazon region can only farm 20% of their land with the remaining land left in a natural state of vegetation. The same principle applies elsewhere in Brazil, but in the centre of the country the limit would be 60% and, in the south, 80% of the land.

Farming in Brazil is on a large scale like New Zealand and Australia in the north, but in the south is very similar to Wales with smaller scale farms. Many farmers in Brazil live off-farm in a house in a local town. This is because of the poor infrastructure available to the farms, distance from towns to the farms, and lack of access to the internet.

One example from Brazil that stood out for me is in operation in the south of Brazil: Ecocitrus. In the southern region holdings would range from 5 to 50 hectares, similar to Wales. Ecocitrus is a co-operative set up by a group of farmers, initially to pool their produce to sell to the market, but has today developed into an inspiring business. Ecocitrus develops the raw products to produce



Figure 16: Ecocitrus Anaerobic Digestion Plant

packaged juices which are sold across Brazil. The co-operative realised that it had considerable amounts of secondary produce and therefore has ventured into a new enterprise. The by-products are used in an anaerobic digestion plant to produce bioethanol which the members of the co-operative use to run their vehicles. The co-operative also now takes in waste from other producers such as poultry units, and this is used in the anaerobic digestion plant. The co-operative has allowed the farmers involved to develop their own farming business alongside the joint venture.

11.0. Wales

David Wynne Finch and Rhys Williams run Padog Farms in North Wales. They are a pair on inspiring individuals whose relationship, morals, goals, aspirations and drive were infectious. Rhys had believed that Wales provided limited options for himself to enter the agricultural industry and so travelled to New Zealand as a young man many years ago to source opportunities. David on the other hand had returned to Wales to the family home with a clear vision of expanding and developing his home farm through working with individuals who had passion and drive. After hearing of Rhys's story David sought him out with an offer of a joint venture. Today Padog farms are ever-expanding with a New Zealand-type dairy system. Both David and Rhys are adamant about not putting a name to their 'arrangement' and informed me each agreement is different. Below are key comments from my meeting with David and Rhys:

- ✳ 90% system, 10% person = WRONG 10% system, 90% person = CORRECT
- ✳ Put head down, work hard, work smarter
- ✳ Have skin in the game (i.e. giving it 110% of your effort)



Figure 17: Rhys Williams and David Wynne Finch and below, Padog Farms



The relationship between the parties is a success as a result of total trust, similar values, freedom, love for the game, communication, skills, integrity, and shared vision.

Whilst engaging on a new venture David said it is vitally important to work and learn from the best people. To succeed the parties to the agreement must have determination, hunger and focus.

Malcolm Thomas MBE is a recognised figure in the Welsh agricultural industry and received a commission from the Welsh Government to look at the sustainability of the industry. Mr Thomas entitled this: "Agriculture in Wales – the next generation into farming." The report details that: *'To achieve a truly reliant Industry there are many factors that come into play, but the main aim must be to have sustainable, profitable and professionally managed farms as the core ambition.'*

The report details the need for both a Database of Opportunity (DBO) and Joint Opportunities Platform (JOP). The platform

would be run by a board to facilitate joint venture farming, and would be made up of industry-recognised individuals. Mentors would be appointed at the outset to provide support and advice in developing options and evaluating them.

Graham Bennett of Whittingham Riddell stated: *“The future of any industry is young people.”*

11.1. Personal comment on my study tour

During the Contemporary Scholars Conference (at the very beginning of my Nuffield Farming Scholarship) and research back in Wales prior to journeying to Australia, I had begun to realise that I had been extremely naïve in calling my topic, “Sustainable land tenure for the farmer and the next generation”.

My preconception was that I was travelling across the world to look at co-operative farming - and nothing further. I was wrong.

The experience would also teach me about succession and personal development.

Reaching the destination
is not as exciting as the
journey....





12.0. Alternative land tenure models explained

12.1. Share farming

From travels to, or stories told about dairy farming in New Zealand, Share farming is a concept with which many in the United Kingdom are familiar, but many believe that it cannot be successful in the United Kingdom.

What is Share farming?

Share Farming is an agreement between two parties whereby the parties involved do not form a partnership or company: each party continues to operate their own separate business. Each party involved makes separate contributions to the arrangement: for example in the form of land, machinery, expertise or labour. Dependent on the contributions to the arrangement each party takes a share in the profit, whilst also contributing to the costs of production. Each party will prepare their own set of accounts and calculate all their own profits as separate and independent businesses despite the businesses being closely linked. Share farming is usually detailed in a written agreement confirming:

-  Start and finish date
-  Provision of assets by each party
-  Income and cost sharing arrangements
-  Responsibilities of each party

There are different options for Share farming ventures dependent on the capital and resources of the Share farmer. In New Zealand, you could have a 5% Share farmer who only had his or her own labour to bring to the table; 15 to 20% Share farmers who were able to bring labour, machinery and some livestock; up to 50% Share farmers who had labour, machinery, experience, capital and could usually bring half the dairy cows or more to an agreement.

STRENGTHS	WEAKNESSES
Benefits and risks are shared by both parties	Relationships
No fixed annual payment for the land by the young farmer/new entrant	Limited resources in difficult trading climates
A legal agreement is prepared to protect both parties	Less freedom to make decisions
Lower capital inputs for Share farmer than purchasing land on their own	
Specialist and differing skills	
Sharing of knowledge	
High returns	
Landowner retains control of the land	
Increased buying and selling power as part of larger unit	
Input costs shared between parties	

12.2. Contract farming

Contract farming was developed several decades ago and is a model of land tenure used mostly within arable sectors, but is also used as of late within the dairy industry. Contract farming is an agreement whereby a landowner or tenant employs a third party as a Contract farmer to provide a service to the business, for example in the form of labour, power and management expertise. The landowner would be known as the 'Farmer' and the third party would be known as the 'Contractor.'

The farmer would retain the land ownership and occupation together with the Basic Payment Scheme and any Environmental Scheme claimed. The Contractor would provide the requirements of the farm in the form of labour and machinery. Following on from the initial agreement the farming system on the holding is discussed between the parties on a regular basis and is evaluated often. The farmer takes an agreed payment and also takes a share of the profits. The contractor receives a basic payment to cover costs and retains the major share of profits from the trading business.

The benefits of Contract farming are:

- ✳ Enables the 'farmer' to remain in the farmhouse
- ✳ Allows the farmer to slowly consider retirement whilst being actively involved
- ✳ Taxation benefits for the purpose of Inheritance Tax
- ✳ Provides an income to both the farmer and the contractor
- ✳ Enhances opportunities for economies of scale
- ✳ Young farmers and new entrants can gain entry into the industry with limited capital
- ✳ Provides agricultural activity and active-farmer status for the farmer, to allow continued claiming of the Basic Payment Scheme
- ✳ Introduces new skills and capital to a holding

STRENGTHS	WEAKNESSES
Formal contract	Volatility of the market for products
Defined roles and responsibilities	All capital investment to be undertaken by the farmer
All terms can be negotiated before contract, to suit all needs and the holding itself	Contract only as successful as relationship between parties
No employment requirements for the farmer	Considerable degree of administration
Specialist and different skills	Higher risk than more common land tenure models
Higher returns	
Contractor can gain economies of scale quickly	

12.3. Contract heifer rearing

Contract farming is also utilised by dairy farmers for the rearing of dairy heifers. The dairy farmer pays another farmer to rear his young stock away from the milking herd. The heifers are reared from calves to in-calf heifers ready to go back into the milking herd. The two parties to the

agreement work together and the farmer gets a payment per head for rearing the dairy heifers: this could range from £1 to £1.40 per head per week dependent on the inputs provided by the farmer.

STRENGTHS	WEAKNESSES
Provides a steady monthly cash flow for the heifer rearer	Relationships
Frees up labour for the farmer to focus on the dairy	Reliance on the price of milk to afford to contract-rear dairy heifers
Helps farms grow where space is limited for accommodation	Quality of contract rearer
Demands of buying and selling diminished for rearer	

12.4. Lease of heifers

Financial pressures on an existing business may mean that they cannot purchase replacement heifers, particularly in a high input enterprise such as dairy. For the new entrant to agriculture, enough capital is, in some instances, difficult to acquire to purchase or rent land. It is possible for both parties to combine in a venture to benefit both, via a lease arrangement seen in both Ireland and Wales. One party would purchase a number of heifers and lease them for a term to the other party; a fee would be paid to the owner of the heifers and, at the end of the term, the same number of heifers would be returned to the owner. By this time the rearer either has a valuable asset to sell or, if in the meantime they have been able to secure land themselves, a herd of cattle for their own business. The owner of the livestock would gain a return on investment in the region of 15-18%.

12.5. Co-operatives

Traditionally in Wales the focus is upon farming one's own individual businesses. The dairy industry is proactive in working together to bench mark against each other's businesses and indeed, through the Rural Development Programme in Wales, Farming Connect is encouraging beef and sheep farmers to work together likewise. Taking co-operation a step further, farmers can enter into co-operative agreements to expand their farming businesses. Land ownership will be retained by each individual but the assets - the land, machinery and labour - will be pooled into one business whereby greater economies of scale can be gained to expand further, reduce commodity prices and share the risk of the enterprise.

STRENGTHS	WEAKNESSES
Expansion possible due to pooling of assets	Relationships
Greater economies of scale can be gained	If no governance risk of disputes
Sharing of expertise and skills	
Each party retains individual land ownership	

12.6. Equity partnerships and syndications

Equity farming is a term commonly used to describe farming arrangements that do not require all the owners of the property to be farming the land.

The use of equity partners and syndications has led to a decrease in the number of actual farmers in both New Zealand and Australia. Equity partnerships have greater capital, sourced from the various investors, to invest into a farming business to purchase livestock and land.

An equity partnership can be difficult to manage and governance is vital, and therefore many are managed by a third party. An example of this is the company 'My Farm' in New Zealand. 'My Farm' facilitates the syndication by finding a property which is on the market and undertaking a full business appraisal and generating a proposed business plan. All this information is then collated into a memorandum of information which can then be passed to prospective investors. Once enough investors are gathered and the purchase price of the farm is achieved, 'My Farm' acts in a management role. For undertaking this role 'My Farm' receives a management fee. Investors could be existing farmers who wish to expand, young and new entrants to agriculture unable to purchase property on their own or, indeed, those parties just interested in investing their money and gaining a high return on their investment.

The above is an example of how a large syndicate would operate: smaller, unmanaged syndicates also provide an opportunity to develop a viable farming business. Nicola Shadbolt and Shane Carroll in New Zealand run an expanding farm syndicate where they have focussed closely on ensuring that their equity partners hold similar values, goals and ambitions to themselves. The syndicate run by the pair works closely with investors and has a high return on the investments. Smaller syndicates are run on a closer, more hands-on approach and are very much like a family farm.

There has been a considerable trend towards equity partnerships and syndication in Australia and New Zealand in recent years. Brett Gould, solicitor, stated this could be because of the following reasons:

- ✳ Rapid inflation in land and stock values
- ✳ Economies of scale and rationalisation of resources facilitated by available capital
- ✳ Diversification of investment
- ✳ Opportunity to use new 'off farm' capital and for a greater number of people to share in the success of farming
- ✳ Ability to access increase in stock, land and share values
- ✳ The average rate of return is higher than for individuals alone.

Equity partnerships provide a viable path for new entrants into agriculture as most require a manager on-farm who will receive an annual salary or indeed can receive a salary plus a share in the syndicate. This would allow them to have a vote upon decisions made, providing them with 'skin in the game'. (i.e. able to put in a 110% effort).

A board of directors would then manage the company formed.

For strengths and weaknesses of such an arrangement see table on next page.

STRENGTHS	WEAKNESSES
Provides opportunity for young farmer to manage farm	Relationships
Economies of scale achievable due to number of investors	If no governance and formal agreement drawn up, disputes can arise
Sharing of knowledge and experience	Difficult if shareholder wishes to leave, meaning the remaining members of the syndicate have to purchase high value shares
Provides flexibility of ownership and funding structure	
Provides limited liability for the Investors	
Tax efficient	

12.7. Management

Is ownership the key to a successful agricultural industry?

All the above are steps on the ladder to farming success but is there another route?

Farm managers are vital to the success of syndicates, as are the people on the ground, ensuring the success of the syndicate, and that the shareholders are receiving the return on the investment they expect. Managers in New Zealand can receive a home, vehicle, mobile phone and \$100,000 as their package: it is an attractive proposal.

Tony Evans of The Andersons Centre, Leicestershire, when considering land tenure and new models for adoption states: *“options, respect and viability are essential for successful progress.”*

Note: the information for the various tenure models outlined in this chapter was taken from industry experts met during my quite extensive travels across all countries visited, and also from discussions with farmers engaging in such tenure models.

13.0. Succession

“SUCCESSION PLANNING CAN BE CARRIED OUT

at the FRONT END

or the BACK END

from the

TOP DOWN

or the

BOTTOM UP”

Lyn Sykes

To make the wheel of sustainable land tenure fortune turn successfully there is one further key influence. Many may have already guessed from the outset of this report what this influence is and, on consideration, many will draw the same conclusion: Succession.

Many speakers during the Nuffield Farming Contemporary Scholars Conference raised succession as a key concern for the agricultural industry across the world: on account of the ever increasing average age of the farmer; the emotional ties to farm land which make succession such a difficult topic; increased land values coupled with the influence in the European Union of the Single Payment Scheme; and, worldwide, taxation issues in various countries. Succession is often a complex issue for farm businesses. Agriculture is an industry like no other in that the home and land all form part of both the family's life and their business world. As a result succession is extremely difficult and family situations are all unique – no one case will be the same as the next.

No one likes to consider their own death, and certainly not plan for it, but the ultimate point is that there are two certainties in life: you will be born and you will die. I don't wish to sound morbid but avoiding planning for succession, which is so often the case, is extremely foolish. Michael Murphy of Ireland stated: *“We spend far too much time worrying about things we cannot control and not enough time considering and planning for those things we **can** control”*. Succession is one of those things we *can* have a say in. Succession does not only come in the form of death, which we often imagine. Divorce and family fallouts can force the issue. Or, succession strategy can be as a result of proactive thinking.

Though the subject is difficult to discuss and uncomfortable for family members, the reality of all impacts on succession is well established and the need to discuss is therefore most imperative.

A leading Australian speaker on Succession is Lyn Sykes, of Dubbo.



Figure 18: Lyn and John Sykes with the author (middle)

Lyn has vast experience as a facilitator in the agricultural industry in both Australia and New Zealand, and is a recognised speaker on the topic. Lyn's approach is always to empower the family members who are addressing their personal succession issues, rather than to dictate or give her own opinion. To ensure he/she is freely able to assist all parties to the succession, the facilitator should not be emotionally influenced when dealing with clients. Succession is a difficult topic for many people as traditionally in generations past the succession plan was not known until the owner's Will was read out. This led to a culture of lack of communication.

Succession is a difficult subject, one which raises emotions and personality traits within a family. Lyn adopts the method of holding formal family succession meetings where all parties in the family are present together with their spouses. Personalities must be taken out of the equation and tactfully managed for the critical conversation to take place and communication to occur freely. Humour is a tool that we all enjoy: it is possible in tense situations to use humour to create a space between the problem and situation.

In considering succession we all need to remember: firstly the stakes are high, secondly that opinions within the family will vary, and thirdly that emotions run strong.

The first step in succession planning is to consider what each person involved actually wants.

In Lyn's own words *"Succession planning is like any other plan: the earlier you start the more options you will have."*

Rob Napier whose family reside in Orange, New South Wales, is also a regular speaker on this topic, coupled with opportunities for business. Rob considers succession planning not as a burden but as an opportunity for a family and individuals to look at alternatives to the enterprises currently run on-farm, together with a fresh assessment of goals. Succession would inevitably lead to a variety of

land tenure models for the parties concerned to consider: ranging from family partnerships, leasing of land to enable a younger person to get a start in the agricultural industry - or indeed expand - and possibly joint ventures where farmers can combine assets and skills into one larger business capable of growth. In considering all the land tenure models it is important that the parties involved have the same values and that they trust each other to allow the business and relationship to develop. As collaboration develops between the parties there must be recognition of the need for continuous development of both the business and the relationship.

Rob confirmed that for young entrants in Australia it is not easy to get on the farming ladder, but if they are to succeed they must have clearly set-out goals, and then consider the 'smartest' way to achieve them.

Land does not have to be owned for an individual to succeed in the industry: it could be managed using various land tenure systems to achieve the same satisfaction.

Is this where the individual wanting to enter the Industry needs a change of mind set? A question to consider.....



Figure 19: Rob Napier and family

Michael and Fiona Chilvers reside in Tasmania, Australia. They had previously farmed in a trust with Michael's family for over a decade; this had allowed the business to continue to expand and acquire additional land. The family's collective goal was to grow so the business could create three viable units and provide for retiring parents. Having achieved this goal, the land and assets have now been divided between the three siblings. It is intriguing how the relationship between all parties had worked for so long and resulted in a viable arable and sheep business which could then be divided to again leave three viable businesses. The couple explained that the succession process and the acquisition of land had taken time, and various tenure models were used to achieve the family's clearly defined goal.

FAILING TO PLAN
IS PLANNING TO FAIL

“Fair isn’t equal, and equal
isn’t fair”

OR

“Got to be fair, doesn’t have
to be equal”



Figure 20: The Chilvers family

Key quotes when considering land tenure and succession are highlighted above. I heard these quotes on numerous occasions whilst in Australia. The Chilvers family enforced this by saying: *“Fair doesn’t have to be equal but it needs to leave a viable business, it does not have to look the same.”*

Important principles of succession:

- ✳ Obtain professional advice from solicitors, land agents, accountants, mediators/facilitators
- ✳ Recognise and appreciate the difference in each farming business
- ✳ Recognise and appreciate the differing opinions of each family generation
- ✳ Communicate openly and with consideration

Consider:

- ✳ What each generation wants
- ✳ What each generation needs
- ✳ Maintain, build, repair family relationships
- ✳ Manage expectations
- ✳ Transfer of management
- ✳ Transfer of ownership
- ✳ Formal agreement



14.0. Conclusions

1. Land tenure to many means solely the ownership or rental of land but this simplistic view of land tenure has become outdated.
2. Land tenure models need to be developed to include various forms of joint ventures. Freehold and leasehold are not the only land tenure models.
3. Various land tenure models can be implemented by new entrants and young farmers to provide stepping stones onto the farming ladder.
4. Using different models will encourage innovation, entrepreneurship, expansion and acceptable succession within the industry, ensuring a sustainable future for the farmer and the next generation.
5. Understanding the person is critical. Any person who wishes to be part of a joint venture must be aware of who they are, what their strengths and weaknesses are, and be willing to compromise to ensure success. In any land tenure model the biggest weakness and most common factor of failure is the relationship.
6. Models such as Share Farming, Contract Farming, and Equity Partnerships can all be used. In developing an arrangement it is vital that all parties make clear their expectations, their goals, and that the arrangement is formalised in an agreement where the exit strategy is clearly defined.
7. It is important that a facility is provided to encourage the evolution of these arrangements such as The Land Mobility Service in Ireland and the Joint Opportunity Platform planned in Wales. Successful facilitating will allow both parties to get what they want out of the arrangement.
8. Using different land tenure models will encourage succession within the agricultural industry. Existing farmers with no successors or successors who are not interested in agriculture can ensure the farm continues. They could choose whether to have an active role in the farming of the family holding and could protect the capital asset for future successors as opposed to selling the farm.

“A PESSIMIST sees the difficulty in every OPPORTUNITY
An OPTIMIST sees the OPPORTUNITY in every difficulty”
Sir Winston Churchill

15.0. Recommendations

1. Facilitation of new forms of land tenure models run independently from Government but with its full support
2. Promote model farms showing various enterprises operating different land tenure models as proof of success to parties who are interested in commencing a joint venture/new tenure model
3. Training of professionals in the understanding of different land tenure models
4. Drafting of model agreements for the various land tenure models available, which can be inspected by each party to an agreement. The agreements can then be tailored to suit as no two agreements are the same
5. A network of contacts to assist those interested in entering new tenure models, coupled with a database of existing farmers and new farmers
6. Using the above database, form discussion groups which can be facilitated by an ancillary body: where parties can become familiar with each other before finalising an agreement that can be developed into a land tenure model
7. Succession issues are key to securing viable models of land tenure. Discussion group meetings should be held to begin the critical conversations, followed by provision of one-to-one assistance to facilitate succession
8. The people involved are vital! Communication, trust, honesty and integrity are critical and must be coupled with ambitions and goals.

16.0. The next steps – after my Nuffield Farming study tour....

My Nuffield Farming journey, however exciting and nerve wracking it has been at times, is not yet over as the destination has not been reached. The study has allowed me to meet many successful individuals who have seen opportunities and grasped them. I was also fortunate to meet people who have been successful and now wish to provide opportunities for others. In completing my study I have become very interested in the finer detail of how various forms of joint ventures can work, and what models can be adapted to suit the industry here in Wales.

The next step for me is to discuss the findings of my report with the Welsh Government. I have begun speaking to senior Welsh Government officials with the aim of arranging a meeting with Rebecca Evans AM, Deputy Minister for Farming and Food. I am committed to discussing the next generation into agriculture with the Welsh Government as I believe the mentoring recommended within this report can be fully incorporated into the Young Entrants' Support Scheme currently awaiting announcement by the Welsh Government. I also believe that the Welsh Government needs to fully engage with the Joint Opportunities Platform proposed by Mr Malcolm Thomas MBE in his report of May 2014: "The Next Generation into Farming" in order to ensure its success.

Within my own role at work, when clients ask for assistance I shall now be encouraging them to think outside the box and to consider other options that may meet their needs and requirements other than the traditional land tenure models. I shall discuss both the advantages and disadvantages of each model with my clients.

The Nuffield Farming study tour has been just the start of an exciting journey...



**Figure 21: The author, receiving the Royal Welsh Agricultural Society
 2014 Nuffield Farming Scholarship plaque from the President of the Royal Welsh Agricultural Society,
 Mrs Rhian Duggan, together with her husband.**

17.0. Executive summary

Many chartered surveyors are tasked with drafting grazing licences and farm business tenancies and applying for succession under the Agricultural Holdings Act 1986: but it would be rare to prepare or facilitate other land tenure models. This has nurtured the author's desire to learn what other models are available to existing and new prospective tenants.

Entry, expansion and exit are topics regularly discussed within the agricultural industry: the traditional method of entry is either by inheritance or through the use of agricultural tenancies of private farm holdings or council holdings. Many council holdings have now been sold due to the local authority's need to capitalise assets and private tenancies are few and far between. Landowners wish to claim the Single Payment Scheme payment for themselves and also benefit from taxation reliefs: hence they hold farms in hand. Exiting from farming has historically been a very private decision and often discussed solely amongst family members together with their professional advisors. More recently, though, this approach to decision making is changing, with active discussions around the subject of succession within the Industry in general and an increasing range of alternatives to the sale of the farm or even letting it out.

Have the traditional methods of land tenure become outdated? To become sustainable does land tenure need to be developed to include joint ventures?







Challenges include the value of agricultural land for both sale and rental, security of tenure, taxation, the influence of the Common Agricultural Policy, the attraction of 9-to-5 jobs with higher wages, plus succession issues.

As part of this Nuffield Farming study Australia, New Zealand, Ireland, Wales and Brazil were visited.

The study sought to investigate the strengths and weaknesses of current land tenure options in order to understand what options could be available for adoption in the UK.

From the study it has been concluded that land tenure, to be sustainable in the future, must expand to include joint ventures to allow farmers to expand, diversify, reduce costs to become more competitive, and provide a platform for new entrants to the industry.

Joint ventures which are considered suitable as formal tenure models are:

-  Share farming
-  Contract farming
-  Contract heifer rearing
-  Lease of heifers
-  Co-operatives
-  Equity partnerships and syndications

Many inspiring examples of entry and exit have been seen across the countries visited and they have provided step ladders into agriculture, expansion within the industry, and viable exit strategies. Successful businesses have resulted, offering commerciality and also a fantastic quality of life.

People are vital to the success of any land tenure model adopted and the relationship between the parties is the key to success.

Succession issues must be embraced and are vital to the cycle of land tenure: allowing new generations to enter the industry, facilitating expansion, change and the adoption of new technologies; while ensuring the existing farmer is respected and traditions valued as the Industry continues to move forward. Land tenure and succession go hand in hand.

18.0. List of interviews conducted

Australia	New Zealand
Lyn and John Sykes	Louise, Ryan and Ffion Smith
Rob Napier	Lloyd and Linda Smith
Anthony, Vicky and Charlie Tuck	Graham, Sue and Rhys Evans
Paul Niven and Family	John and Liz Chittock
Adam Bowler	Matt and Julie Ross
Van Diemens Land Company	Neil and Julie Hamilton
Greg, Sarah, Nina and George Gibson	Ciaran and Leonie Guiney
Michael, Fiona, Charlotte and Felix Chilvers	Stuart, Angela and Simon Wright
Mark French	Mandi Mcleod
Stuart French	Brett Gould
John Hunt	Desiree Whitaker (nee Reid)
Mr and Mrs Gibson	Alvin Reid
Chris Badcock	Laurence Field
Dean Minchin	Matt and Julie Ross
Corey and Jenelle Spencer	Lucy Griffiths (nee Cruickshank)
Rob and Eliza Tole	Andrew Watters
Stephen Crease	Blair Stevens
John Lord	Neil and Julie Hamilton
Gordon Verrall	Gaynor Scott
Andrew Fowler and Family	Phil Guscott
David Cox and Family	Bill Mcleod
Neil, Mary, Mark and Hayley Wandell	Scott Hawkins
Ken Severson	Roger Wilson
	Matt Leerbeer
	Willy Scurr and Sarah Stewart
	Tim Stewart
	Phil Crossland
	H & S Richie
	John and Mary Lee
	Mike Barham
	Paul Harris
	Greg Morice
	Jim Helaburton
	Tim Mason
	Stephen Leys
	James Browning
	Paul Olsen
	Mark Warren
	Grant Rowan
	Mel Poulton
	Neil and Janice Burns
	Mark and Sussannah Guscott
	Matt Hood
	Nicola Shadbolt and Shane Carroll

Ireland	Brazil
<p>Noel Collins Aisling Meehan Ben Roche Paidi Kelly Jim and Grainne Dwyer Jonathan Tighe Kevin Twomey Mary and David Delaney Mike Brady Michael Murphy Tommy Moyles</p>	<p>Pedro Basso Marcelo Camaedelli Rosa Fabio da Silva – ACRIMAT Luis Fernando Cavalheiro Pires Renan Hein dos Santos Rodrigo Albuquerque Carlos Rivaci Sperotto Maria Jose Guazzelli Carlos Rivaci Sperotto Beno, Centro-Sul Gustavo de Lima e Reis Carolina Heller Pereira Thiago Marques de Avuka Mauricio Negreiros Velloso Christiane de P.Rossi Carvalho</p>
United Kingdom	
<p>David Wynne Finch Rhys Williams Sian Bushell Malcolm Thomas Graham Bennett</p>	<p>Otavio & Raquel Celidonio Sally Thomson Ernesto Carlos Kasper Tiago Mattosinho Carlos Augusto Zanata Francisco Vila – Sociedade Rural Brasileira Olmir Cividini Sementes Cerquinha Fabiano Paganella</p>

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