UK200Group news
issue 1 2017
agriculture

Edmund Carr
Chartered Accountants

falling demand leads to record drop in farmland sales

Figures published by Strutt & Parker have revealed that 40% of farmland marketed for sale in England in 2016 was either withdrawn from the market or remained unsold by the end of the year.

Strutt & Parker has recorded land sales for the last 20 years, and the 2016 statistics indicated that despite only 85,300 acres of land being placed on the market for sale during the year (15% fewer than in 2015), the amount of land unsold or withdrawn was the highest since records began in 1996.

According to Dr Jason Beedell, partner at Strutt & Parker, the reason for the fall in sales was mainly due to lack of demand from buyers rather than a lack of farms (defined as a block of land of more than 100 acres) coming onto the market. However, the number of acres of farmland for sale fell in almost every region apart from the Humber and the south west of England, and only 13 estates with more than 1,000 acres of land were placed on the market in England in 2016.

Mark McAndrew, Strutt & Parker's head of national estates and farm agency, also revealed that a fall in demand became particularly noticeable following the UK's vote to leave the European Union and in turn resulted in a drop in land prices. He said that getting the guide price right in a falling market is critical to achieving a sale.

However, difficulties in placing an accurate valuation on land for sale at a guide price that would appeal to buyers led to some land and farms failing to sell, as many buyers believed they were overpriced. The Strutt & Parker data revealed that, by the end of 2016, contracts had only been exchanged for the sale of 24% of the land marketed during the year. This compares to 69% of land and farms marketed for sale in 2015 and 79% in 2014. By 19 December 37% of land and farms marketed during 2016 were still available and not under offer, and 2% had been withdrawn from sale. However, the figures also indicated that confidence had returned to the market by the end of 2016, with 34% of land for sale under offer in comparison to only 3% under offer at the same time in 2015.

The 2016 figures were explained by Dr Beedell as being due, at least in part, to the fact that selling a farm typically takes around six to nine months to complete, and that this could be a reason why so many acres of land remained unsold at the end of the year.

The figures also indicated that in 2016 the majority of arable land sold for £8,000 to £10,000 per acre and pasture land for £6,000 to £10,000 per acre. Average farmland prices have fallen over the last two years and at the end of 2016 were 10% lower than in 2014.

Despite more farmland remaining unsold, 72% that was sold in 2016 achieved a sale price which was at or above its guide price. There were also large regional variances in farmland prices and Strutt & Parker expects the difference between the highest and lowest prices paid for farmland to increase.

The biggest group of buyers in the market are farmers looking for blocks of ground adjoining their existing holding, and demand for land remains extremely localised.

Read more about falling land sales at: http://bit.ly/2mJJJQx

Agriculture
UK 200group

£120 million funding boost for rural enterprises in England

Grant applications are now being accepted for a new £120 million fund to support business growth and job creation in rural areas. The Growth Programme, which is part of the Rural Development Programme for England, provides grants of more than £35,000 to support business start-up and development, food processing and tourism infrastructure projects across England. Small and micro-businesses with fewer than 50 employees in 29 local enterprise partnership (LEP) areas can apply for the grants.

The Rural Payments Agency (RPA), which manages the fund, has produced a number of handbooks that set out the type of projects the Growth Programme will fund, as well as the eligibility criteria and how to apply.

Examples of eligible projects include farmers setting up a business to create a new milk processing facility, creating a new visitor attraction or farm diversification projects. A series of workshops will take place across England for applicants to meet with the RPA and their local LEP before submitting an application.

Alison Webster, Rural Development Director at the RPA said: *"This is excellent news for small and micro-businesses, particularly in the food and drink and tourism sectors, which play a major role in the economy of rural areas. We are looking to support high quality, high impact investments and we encourage small rural businesses to grasp this opportunity to think big."*

HM Treasury has also confirmed that it will guarantee the funding for Growth Programme projects that are agreed and signed while the UK remains a member of the EU, regardless of whether the project ends after the date the UK eventually leaves the EU. The deadline for applications is 31 January 2018.

Read more about the Growth Programme at: http://bit.ly/2lgLfsD

CLA welcomes plans to boost rural economic growth

The Department for Communities and Local Government (DCLG) has published its long-awaited response to the Rural Planning Review. The review, which was first published in February 2016, sets out DCLG's plans to improve planning policy in rural areas across England. In particular, the review was set up to consult farmers and rural business owners about the planning and regulatory issues that constrain growth and development in rural areas.

The Country Land and Business Association (CLA) has welcomed DCLG's response and its commitment to support rural economic growth. The CLA, on behalf of landowners and farmers across England, had proposed a number of reforms to support the expansion and diversification of rural businesses in its response to the original review. DCLG has taken forward many of the CLA's proposals, including measures to support house building in rural areas and reforms to the planning system.

The DCLG response also sets out new guidance on the provision of infrastructure, such as on-farm reservoirs and polytunnels, as well as more freedoms for farmers to turn vacant agricultural buildings into residential dwellings. The review also outlines measures to support farm shops and food production. Ross Murray, President of the CLA said: *"These proposed reforms will have a positive impact on rural economic growth. It is important that farmers improve their infrastructure and reducing planning barriers to them creating on-farm reservoirs could make the difference in encouraging them to invest in their business.*

"Turning redundant agricultural buildings into new homes could add income and meet housing needs. The idea of a specific new right of permitted development to create affordable homes in particular is a positive step forward."

Read more about the DCLG review at: http://bit.ly/2mxq3CD

in brief...

New £40 million fund for Welsh farmers

The Welsh Secretary for Environment and Rural Affairs, Lesley Griffiths, has announced a new £40 million scheme for farmers across Wales. The scheme will provide funding to help farming enterprises to improve their competitiveness and diversify their income, as well as supporting farmers to reduce their carbon emissions. Under the scheme, farmers will be able to apply for funding of up to £12,000, of which 40% will be made available as a grant. Farmers can use the funding to invest in around 80 items such as equipment linked to crop management, animal health, resource efficiency, energy efficiency and IT systems. The scheme will run for four years and will open for applications in April 2017. http://bit.ly/2mdCaDG

Farmers in Northern Ireland to lose out under Universal Credit

The Ulster Farmers' Union has warned that self-employed farmers in Northern Ireland face losing thousands of pounds in welfare benefits as a result of the introduction of Universal Credit. Under Universal Credit, which comes into force in Northern Ireland later in 2017, farmers could see their entitlements to in-work benefits fall significantly due to complications arising from their self-employment status. When calculating entitlements, Universal Credit applies a 'minimum income floor', which assumes that all claimants earn a regular wage equal to at least the National Minimum Wage. However, many farmers have an income that fluctuates from month to month and during some months make no profit. Universal Credit does not take this into account and makes no provisions for claimants operating at a loss. http://bit.ly/2mdElar

Farmers still waiting for Countryside Stewardship payments

According to the National Farmers' Union (NFU), hundreds of farmers across England have still not received their first Countryside Stewardship payment, despite the first payments being due between November 2016 and January 2017. The NFU has claimed that a significant number of its members have complained they are yet to receive their payments from Natural England. Problems with Defra's IT systems and processes are reported to be behind the on-going delays in processing payments. The NFU has also claimed that the delays are resulting in cash flow problems and resource shortages for farmers, and are advising farmers not to invest any money on activity they expect to be funded under the Countryside Stewardship scheme without speaking to Natural England. http://bit.ly/2mdOYdn

NFU sets out Brexit priorities

The National Farmers' Union (NFU) has urged the UK Government to protect the interests of the agricultural sector when negotiating the UK's exit from the EU. To this end, the NFU has set out a number of priorities for the Government during the Brexit negotiations. These include continued access to skilled EU workers and the best possible trade deal with the EU market. In particular, the NFU has said that the Government's plan to leave the EU Single Market should not be done at the expense of protecting the economic interests and long-term profitability of the UK agricultural sector. The NFU has also called for a transition period to allow farmers time to adapt to any changes to agricultural policy and trade arrangements as a result of Brexit. http://bit.ly/2milla4

Potato growers face significant deductions

The National Farmers' Union (NFU) is calling for clarity and transparency in the potato supply chain after growers reported significant payment deductions. In a letter to processors and packers in the potato supply chain, the NFU claims that some growers have reported penalties of up to 30% with little or no explanation. The NFU has also called for processors and packers to provide potato growers with more information about why they are making deductions so that growers can take steps to rectify the problems and minimise penalties. Nevertheless, growers are encouraged to visit packing sites and processors to deliver greater transparency and build trust between supplier and customer. http://bit.ly/2mdNy2h

Funding for organic farming in Scotland

The Scottish Government has launched two new schemes to support farmers in Scotland convert to organic farming. The Organic Farming Conversion scheme provides funding to help farmers convert their land to organic status and adopt organic farming methods. Grants of up to £400 per hectare of land converted to organic status, up to a maximum of 1,000 hectares, are available over a period of five years. Under the Organic Farming Maintenance scheme, farmers in Scotland can apply for grants of up to £200 per hectare for activities that support them to maintain organic farming methods. Both schemes are open for applications from 31 March 2017. http://bit.ly/2lhEfPS

CAP greening rules in Scotland to change

Changes to Common Agricultural Policy (CAP) greening rules in Scotland will be introduced from 2018, following an announcement by Rural Economy Secretary Fergus Ewing. Under CAP greening rules, farmers must set aside a proportion of their land as an Ecological Focus Area (EFA) rather than using it for farming in return for the greening element of their Pillar 1 payment.

Under the planned new rules, from 2018 in Scotland hedges will count as a separate type of EFA, and agro-forestry situated on temporary grassland will also count as an EFA if it is supported under the Forestry Grant Scheme. In addition, efforts will be made by the Scottish Government to reduce the period during which maintenance of field drains is prohibited on EFA fallow land.

Environment Secretary Roseanna Cunningham said CAP greening provides an important opportunity to incentivise and reward sustainable farming, and the changes to the rules will give farmers increased flexibility while maintaining the Scottish Government's commitments to biodiversity, water quality and climate change.

Further changes to Scottish greening rules will also be considered once the Simplification Review of greening being carried out by the European Commission is concluded in April 2017.

Each EU member state must allocate 30% of their Pillar 1 funding for greening and in Scotland the total annual greening budget is around €158m.

Read more about the new greening rules at: http://bit.ly/2lYdFK5

EDMUND CARR LLP
Chartered Accountants

146 New London Road
Chelmsford
Essex
CM2 0AW

Tel: 01245 261818
Fax: 01245 492812
www.EdmundCarr.com

If you would like further information on any of the articles in this newsletter please contact Ray Crace on the above telephone number or email RCrace@EdmundCarr.com

ICAEW CHARTERED ACCOUNTANTS

building better together.

UK 200 group

The UK200Group is a modern and proactive professional membership association of independent chartered accountancy and law firms which provides training and business services to enhance the performance of member firms. As well as being focused on the general small to medium businesses, members have specialist knowledge and experience of the agriculture, healthcare, charities, legal and property and construction sectors to provide effective support and advice in the areas of tax, financial management, business planning and legal issues.

www.uk200group.co.uk

too many barriers for young farmers

There are a number of serious and unnecessary barriers that prevent young people from choosing and developing a career in agriculture, according to a report by NatWest. The report, 'Harvesting the Future for Young Famers', combines market research and a survey of 500 young and potential new entrant farmers to understand the biggest challenges for the future of the farming industry.

The report has revealed that young and potential new farmers face a range of obstacles that prevent or limit them from investing in or diversifying their business. In particular, young and new farmers are held back by a lack of access to finance. While 76% of young farmers rely on bank loans to develop their business, 43% of respondents consider difficulties accessing finance to be the biggest obstacle to growing and investing in their farm.

The report has also indicated that despite many young farmers regarding diversification as one of the best ways to improve the long-term sustainability and profitability of their farm, many farmers struggle to access the required funding. This is despite the fact that 52% of young farmers have an economically viable plan to diversify their business. NatWest estimates that around 20,000 new diversification projects could be delivered by young famers, which would generate an average of £11,900 in income per farm.

In response to the findings, NatWest has set out a number of recommendations to support young and potential new entrant farmers to pursue a career in agriculture. These include developing new off-the-shelf diversification funding products, continued funding for agricultural research after the UK leaves the EU, improving rural broadband connectivity so that farmers can adopt new farming technologies, and a strategy to support young farmers in the post-Brexit period. Read more about the report at: http://bit.ly/2mx45zl