

# Summer 2016



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## Farmland market following Brexit

[Views broadcast on BBC1 on the 1st August 2016](#)

Unlike the rest of the UK economy agriculture has had some good news since the Referendum for the short term outlook at least. The farmland market hit a peak last year and had only come off a few percentage points before the Referendum. We predict in the short term prices will stabilise at current levels or at worst come off a few percentage points in the next few years. This we believe will remain the case until either (1) we see some results of the UK world trade

negotiations with the EU and other countries; or (2) we see how export and import tariffs are going to be applied and especially import standards; or (3) the new Government makes a decision as to how farming subsidies will work in the UK after we leave the EU. This is our short-term prediction up to the date we leave the EU. The reasons for this are as follows:

- The pound has devalued
- The pound against the Euro has devalued by 16% (4.8.16) since the last annual Basic Payment rate was set in September 2015. At these levels EU subsidies will increase by 16%.
- These EU subsidies will remain for at least two years or until we leave the EU.
- Farm commodity prices have risen on the back of the devalued pound.
- If there is trouble in the general UK economy, as with gold, land is seen as a safe haven.
- There will be more interest from overseas investors following the devaluation.

The long term is more difficult to predict as of course we do not know the date we will leave the EU. Some pundits have suggested it will take up to 10 years. Therefore we can only comment as follows:

- Can the EU afford financially to be awkward about the UK's access to their market. Currently the EU is in a worse financial position than the UK.
- Any shortage of migrant labour is likely to be regionalised.
- Effects of worldwide commodity prices again will be regional with the arable areas being more sensitive than the beef and sheep sectors.
- We are near now a lifting of the US' ban on the import of beef and sheep from the UK following BSE.
- There will be opportunities to negotiate better deals, quicker and more flexibly from outside the EU with other countries. Currently the Far East and the demand for pig meat is an example. As a nation historically built on trading worldwide our ability in this area, if currently short staffed, should not be underestimated.
- There may be a lengthy transitional period before actually leaving softening the impact of any negative outcomes.

The current buzzword is "uncertainty", however it should be remembered that the farming industry is used to this every day, every season, every year, our climate creates this environment and the price commodities are sold at can be years on from the start of production. One must not make the mistake that whilst the uncertainty is not good for any business, this should not be confused with the outcome of us leaving the EU which could be very good.

[Our view published on 27th July 2016 in Farmers Guardian](#)

[Our view published on 29th June 2016](#)

## Home Business Tenancies

Any new tenancy of a dwelling in England and Wales which permits a 'home business' to be carried out in the house will be exempt from the security of tenure provisions of Part 2 of the Landlord and Tenant Act 1954. This means that tenants who have established a home business within a dwelling with the consent of the landlord will not be able to claim security of tenure under the 1954 Act. Most lettings of farms will not fall within these provisions because the main purpose of the letting will not be to provide the tenant with a home.

## Independent Expert

Under the Deregulation Act 2015 provision is made for third party (Independent Expert) determination of disputes arising under the Agricultural Holdings Act 1986 in certain instances. These include rent reviews, Model Clauses for repair and maintenance, and end of tenancy claims under Section 83 to name but a few. This provides a welcome alternative for the average tenant farmer, providing their landlord agrees, as the costs of arbitration can be prohibitive. The fact that very few arbitrations ever go the full course to a hearing illustrates that the cost of a formal hearing is often disproportionate to the 'value' in dispute and therefore an Independent Expert may provide a more suitable alternative. This regulation came into force on the 1<sup>st</sup> October 2015 and provides a cost-saving amendment to the 1986 Act.



### Farms for sale - Hereford, Devon & Cornwall

- 50.13 acres of arable Grade I & II land 7 miles west of Hereford for sale by informal tender on 9.9.16. [more...](#)
- West Cornwall - 76-140 acre arable and stock farm with a 5-bedroom farmhouse, 3 bed cottage, AOC bungalow and farm buildings.
- West Cornwall - Boskednan House 72-acre stock farm with a 4-bedroom farmhouse and a range of modern farm buildings. £1 million. (copy of brochure attached)
- Shortly coming to the market, land in East Cornwall together with a 108-acre livestock farm.

### Tax planning if selling the farm

When planning for your farming future Inheritance Tax (IHT) and Capital gains Tax (CGT) should always be on the menu when speaking with your land agent, solicitor and accountant. Do you consider selling the farm sooner or later, which may well incur a CGT liability at the point of disposal, or do you keep hold of the farm for future generations? Do you set up a trust or a company? Either way a tax liability is likely to arise, but the question is which is more beneficial, both to you now, in the future, and for those that will inherit your life's work? [more...](#)

### What's the best method of sale

Once you have made a decision to sell your property, be it land, a farm or just a house or cottage, one of the first things you need to decide is the method of sale that best suits your situation and your property. The most common, and the one most of us are familiar with, is a sale by private treaty. This is the usual way residential property is advertised for sale with an asking price. Offers are made, negotiated and, if accepted subject to contract, the sale then proceeds, instructing solicitors to an exchange of contracts and completion. This method of sale is common as in many cases a mortgage is needed and a purchaser needs to rely on the sale of their own property. This meth-

od is able to accommodate any chain of sales, and the delays necessary to arrange a mortgage and surveys. [more...](#)

### Agricultural property relief

Mr Osborne's budget in the summer of 2015 implemented a staged increase in the Inheritance Tax (IHT) threshold from £325,000 to £500,000 between 2017 and 2021 via the 'family home allowance'. This can then be doubled for married couples and civil partners. This is all very well, but what about additional agricultural assets on and above this threshold? Many will be aware of the reliefs that are available for agricultural property.

The two primary reliefs to consider are Agricultural Property Relief (APR) and Business Property Relief (BPR). First one must look at APR, which is available at 100% on the agricultural elements of a property. The initial consideration is whether the farm is owned and farmed in hand, or let to an agricultural tenant. Where it is owned and farmed in hand, for APR to be available it must have been owned for at least two years prior to the death of the owner. Where the land is let to an agricultural tenant however the ownership period before APR becomes available is seven years. [more...](#)

### Fishing for sale on the River Exe, Devon

1 mile of double bank and 3 miles of single bank fishing with some [outstanding and productive fishing](#) with excellent holding pools. [more...](#)



## UK entitlements 2017 update

As every year, we are now receiving many calls from those involved in tenancy negotiations this autumn asking what effect Brexit will have on Entitlement values. To date, no trading has taken place in the open market, and therefore we can only look to last year and what has happened since with Brexit. Our [UK Entitlement Trading Market Report for 2016](#) sets out our trading record and reports which shows that the average price for English Non-SDA Entitlements for 2016 was £192 per ha. The market started off at £190-200 and effectively ended up on average at the same sort of levels during the final weeks of trading. The 2016 market had already

discounted for the chance of Brexit. This discount will increase due to the "real" uncertainty now created. However we are now also experiencing the "real" effects of the devalued pound, and at the time of writing it is 13% lower against the Euro than it was in September 2015 when the exchange rate for the 2015 Basic Payment was set in Sterling. Whilst it doesn't yet directly affect 2017 trading, there could be this type of bonus for the 2016 payment if the pound stays at this level until the end of September. It is of course some time until the 2017 BPS will be set in sterling (September 2017), but the market has had a tendency to work a year behind on payment values when the trades actually take place. Subsequently our prediction is

that the trade for 2017 Entitlements should start between £190-200 per ha for English Non-SDA. The good news cancels out the bad news and last year therefore remains the best indication we have for this year. We now know it is reasonable to assume there will be at least two more payments (2017 & 2018) from any purchase of Entitlements made now. Subsequently if you have the money and the land at your disposal it continues to be a "no brainer", as there is probably nothing else you could invest in which will double your money in two years. If DEFRA come out with a strong policy and commitment to providing UK subsidies after Brexit, we could however be looking at a much stronger market than last year.

UK BPS REGIONAL COMPARISON FACT SHEET FOR 2017 (3.8.16 SUBJECT TO BREXIT)									
	2015 PAYMENT VALUE	REGIONS	TRANSFER METHOD	CAPPING	USAGE RULE	TRANSFER DEADLINE	GREENING AREA (Subject to CAP review)	MIN CLAIM AREA	YOUNG FARMER PAYMENT
ENGLAND	NON-SDA =£178.85 SDA=£177.56 MOOR-LAND=£49.91	NON-SDA SDA MOOR-LAND	Online and paper.	5% reduction of Basic Payments over €150,000 (excluding greening and young farmer payments).	"At least once in every 2 years, farmers must use all of their entitlements in a single application. They won't be able to 'rotate' entitlements by swapping from year to year."	15 <sup>th</sup> May 2017	10ha to 15ha of eligible arable land - required to meet crop diversification rules.  >15ha of eligible arable land - required to meet crop diversification and EFAs.	5ha.	YF payment available to claimants aged 40 or under, 25% top-up payment on up to 90 ha. Young Farmers can apply each year for a maximum of 5 years after they started or took control of their business.
WALES	2015 = €35.2 2016 = €70.4 2019 = €124.0 Flat rate excluding historic element.  Phasing out of historic payments in 4 even steps to 2019.	Single region.	All transfers online.	€150,000-€200,000 by 15% €200,000-€250,000 by 30% €250,000-€300,000 by 55% €300,000+ by 100%.	Same as England.	3 <sup>rd</sup> May 2017	Same as England.	5ha.	Same as England except top-up on up to 25 ha.
N. IRELAND	The regional average (including greening payments) per hectare is €327.13 as announced 16.11.15.  Phasing out of historic payments by 2019/2021.	Single region.	Online and paper.	Basic payments greater than €150,000 will be capped by 100%. Greening and Young Farmer payments are not included.	"If for two consecutive years, all of your entitlements are not activated, then entitlements not activated in both these years would be confiscated"	15 <sup>th</sup> April 2017	Same as England.	3ha.	Same as England
SCOTLAND	Region 1= €145/ha (£102/ha) Region 2= €25/ha (£17/ha) Region 3= €7/ha (£5/ha) Phasing out historic value in four 25% steps starting in 2016. Historic element based on the average value of SPS entitlements held as at 15 <sup>th</sup> May 2014. Not yet finalised.	Region 1 = Better quality agricultural land. Region 2 = Rough grazing. Region 3 = Rough grazing with an LFA grazing category A.	Paper forms transitioning to online.  Without land transfers are subject to a siphon of up to 50% of the entitlement value.	Payments Capped at 5% above €150,000, not including Young Farmer payments.	"You must use each of your entitlements in at least two consecutive years."	2 <sup>nd</sup> April 2017	Same as England.	3ha.	Same as England

\*These possible values are subject to the Exchange Rate which is to be averaged over the month of September and therefore should not be relied upon. This fact sheet applies as at 3.8.16 and is subject to further changes. All figures are strictly for guidance purposes only.

## Smoke Alarms



The Smoke and Carbon Monoxide Alarm (England) Regulations 2015 came into force on the 1<sup>st</sup> October 2015. The regulations state that landlords must ensure that smoke alarms are provided on each storey of premises in which there is a room used wholly or partly as living accommodation. The regulations also state that a carbon monoxide alarm must be provided in any room of the premises used wholly or partly as living accommodation which contains a solid fuel burning combustion appliance. Landlords must make checks to ensure that each alarm is in proper working order at the start of a new tenancy. Carbon monoxide alarms are not required to be installed in rooms containing oil or gas appliances as these are not solid fuel combustion appliances. These regulations apply to residential premises in England let on a tenancy which grants one or more persons the right to occupy all or part of the premises as their only or main residence.

## Lifting Agricultural Occupancy Restrictions

Many farmers are looking for means of diversification or other ways to raise additional working capital. One to consider is the lifting of an agricultural occupancy condition (AOC) applying to a farmhouse or cottage so it can be let or sold on the open market. The sale value of a dwelling with an AOC can, in the worst case scenario, be depressed by up to 33% of its normal market value and letting on the open market is much easier than just to AOC eligible tenants. The actual devaluation due to an AOC will depend on the situation in each particular case, however usually the impact is less the closer the property is to a large town or city. Whether you want to remove the AOC to secure additional lending, improve inheritance for future generations or prepare for a sale/letting, you will

need specialist advice from those who know how the system works. There are several ways this can be attempted, however care should always be taken as there are pitfalls that can have serious consequences. [more...](#)

## Commoners & their BPS Claims

Commons claims for BPS5 are yet again after last year's fiasco going to cause similar problems this year. However what is becoming apparent is that there are some interesting opportunities for anyone with commons rights whether they have claimed before or not to increase their BPS cheque. [more...](#)

## Share farming

Share farming has recently been championed by the CLA as a structure which could be used to overcome many of the challenges the agricultural industry is facing.

A new share farming promotion has been launched with the intention of helping young farmers across the UK to "get their first foot on the farming ladder".

Share farming is undertaken by two or more individuals who agree to work together to share the farming of an area of land. Both parties provide different resources in terms of knowledge and assets, in order to create an enterprise which benefits from the synergies that arise. [more](#)



*Boskednan House Farm for sale in West Cornwall (brochure attached)*



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