

# Rises and falls forecast as trading begins for 2017 entitlements

**HUGH TOWNSEND**



There has been a focus in the recent national and farming press on the level of CAP subsidy received by some of the UK's largest farms and farming businesses.

The EU payments are made so that farmed land can be kept in what is considered Good Environmental and Agricultural Condition, to enable agricultural workers to be paid fair and competitive wages, to ensure that land can be managed in environmentally friendly ways rather than purely for profit and to assist farmers in weathering the price volatility that regularly happens in all farming enterprise areas. Without these subsidies many farming businesses would go out of business.

As we know, following the Brexit vote the UK government has said it will "ensure the level of direct payments paid to UK farmers remains the same until 2020", meaning the end of the payment window for the 2019 BPS. It remains to be seen what support structure they will put in place following Brexit, but there is little doubt that, if the UK government wants to continue to encourage and support farmers to manage their land in an environmentally friendly way, to pay fair wages, to produce quality food that meets all the required standards, there will have to be some support forthcoming from the government to make this happen.

## 2016 BPS payments

We now know the Euro exchange rate for UK farmers who have elected to be paid in Sterling, calculated by the EU Bank from the average exchange rate over September, is

represents a 16.54% increase compared to the exchange rate last year which was

The next big announcement will be the England 2016 payment rates, which usually comes from the RPA around

mid-November, and if the Entitlement & Greening values remain where they were for 2015, and the FDM is unchanged, we would be looking at payments of around £208 per ha of Non-SDA land claimed in 2016 as opposed to the £178.85 received in 2015. For SDA entitlements farmers should receive £207 per ha in 2016 as opposed to £177.56 in 2015, and for Moorland entitlements farmers should receive £54-£55 per ha in 2016 as opposed to £46.91 in 2015.

## Financial Discipline Mechanism Reimbursement

The RPA have this month been issuing small payments to 2015 claimant's bank accounts, which are called "FDM reimbursement" on the remittance advice. These relate to the RPA needing to redistribute the surplus left over from the 2014 FDM budget to eligible claimants. The RPA has sent this refund to all successful 2015 claimants who had a claim worth more than and it equates to 1.3% of their total claim.

## RPA Performance Indicators & Targets

The RPA were widely criticised for the poor delivery of the BPS payment in 2015-16, so it is with interest to note that the RPA announced their Performance Targets for 2016-2017 on the 10th October. Amongst these is their target for the "timely payment" of the 2016 Basic Payment Scheme, which is that 90% of customers will be paid by 31st December 2016, 93% of customers will be paid by 31st March 2017 (only 3% more). All customers are to be paid by June 2017. Whether they are able to achieve these targets in 2016-17 remains to be seen, as in 2015-16 only 51% of claims were paid out in the first month, and only 88% of claims had been paid by the end of March 2016. Even if the RPA do meet the targets they have set for 2016-17 that still means that 7% of claims (representing around 6,000 farmers) will have to wait up to June 2017 (or even beyond) to receive any BPS payment, which could potentially cause financial difficulty for the farmers in question.



Entitlements for SDA and moorland are expected to be in short supply, 2,000,

We are also aware of a number of farmers who claimed in 2015, particularly commons claimants, who despite similar commitments from the RPA last year for the 2015 BPS payments, have had the payment deadline pushed steadily back, and most recently were advised that the RPA had been given permission by the EU to push the deadline back to the 15th October to resolve all the queries. This has caused some severe financial difficulty in cases where the farmer was relying on receiving the full payment in good time to pay rent and suppliers, even if they did receive a partial payment in the interim, and it appears there is no compensation being offered by the RPA for causing such hardship.

## English Entitlement Trade Begins

**English Non-SDA**  
Last £0.85 per ha and so on it the market price average was £190 per hectare for all Non-SDA Vatable entitlements, £0.73 per ha trading has now commenced for 2017 at £200 for Non-SDA Vatable entitlements, and £220 for Non-Vatable entitle-

ments. There is the usual steady demand from farmers with new tenancies or who are taking on new land, as well as a good supply from farmers giving up land or retiring from farming. Although the RPA Online entitlement transfer facility is not yet available, and is not expected to be until December, our paperwork can be completed and exchanged now making the arrangement legally binding, ready for the transfer application to be submitted as soon as the online transfer facility is available. We are expecting the market to be fairly bullish this year, as entitlements bought in England in 2017 are guaranteed at least three year's return, and with the favourable exchange rate, and the strong possibility Sterling could remain with a lower value for a number of years. We predict that prices could rise again as high as £250 before the deadline in May next year.

## Naked Acres

Following the outcome of the DEFRA v King case where the Judge ruled that our Naked Acre arrangements were not contrary to the objectives of

the Single Payment Scheme, it now looks likely that this may once again become a popular option. Naked Acre arrangements are where the farmer with eligible land not being claimed upon rents this to another farmer under an FBT and a contract farming arrangement (which grants management control of the land to the tenant, with the land owner as their contractor), to allow the tenant to then submit a claim using this rented land to activate entitlements. We are currently seeking further confirmation of this from the RPA, but do not see any obvious clauses in the Basic Payment Scheme rules that would counter this legal precedent. Leasing is of course available, but in many cases the farmer with the naked acres does not wish to make a claim or deal with the RPA, and it is usually the farmer with the spare entitlements who wants to keep them "live" that is the driver of the arrangement, so leasing where the farmer with the spare naked acres would have to pay upfront for temporary entitlements, and then submit a claim, has not proved popular.

## Leasing

There was a plentiful supply of entitlements available for leasing last season, but we found there was limited demand for the reasons set out above. However for those interested in leasing in entitlements, it is expected there will again be a good supply, and we expect the price to be roughly half the expected payment.

## SDA and Moorland

There is expected to be the usual short supply of entitlements for the two disadvantaged regions, with a small price premium as a result. We are already receiving offers in the region of £220 for blocks of SDA, and are expecting Moorland entitlements to exchange hands at a similar level to last year, being £60-70 per ha.

Hugh Townsend, FRICS, FAAV, FCI Arb. is the land agent/surveyor expert of the WMM Farming supplement and he may be contacted on 01392 823935 or htownsend@townsendcharteredurveyors.co.uk