

## Merry Christmas

It is difficult to comment on the land market, entitlement market or anything else without referring to Brexit. For me personally the Referendum became a frustratingly boring debate with extreme claims made by either side trying to scare the electorate, or sell a vision of something better. Now however it could become one of the most momentous moments in the United Kingdom's modern history that will affect everyone and everything. It now has our full attention! Having voted Remain, on hearing the news of the Referendum, I was shocked along with most people. However I also had a quiet sense of pride on the morning of the 24th June as I tried to assimilate what this all would mean. My feeling was that perhaps this now put the UK in the vanguard of a Europe-wide political shift requiring some fundamental economic and social changes. Maybe it placed the UK in pole position to influence and lead the rest of in Europe? Surely whatever arrangements the UK eventually negotiates with the EU, many other EU countries would also be after, and it was clear the EU in any event needed to carry out their own fundamental reforms, especially economic, to survive. My feeling at that moment was that either the UK would not actually leave the EU, as it would reform itself quickly enough to suit us, or the UK would leave but then re-join a reconstituted EU. Otherwise I could not see how, with so much else in common, an acrimonious UK/EU divorce was going to benefit anyone, and I was convinced that the politicians would eventually apply some common sense.

My post-Referendum outlook appeared not to be immediately shared by many commentators, although I was encouraged to hear exactly the same theory, unprompted, from a BBC broadcaster in private, and then a retired head of the Civil Service. However it was Donald Trump winning the US Presidency that confirmed the UK vote was not representing only a European political shift, but a democratic capitalist western world phenomenon, in part at least due to protest votes from those who feel they have lost out in the last ten years since the financial crisis in 2008. [Read more...](#)

My first reaction may now appear wishful thinking as events have unfolded so far. However whilst maybe wishful, my instinct still remains that Brexit may not be as straightforward as a purely "in or out" outcome, and the Chancellor's comments of the 13th December have reinforced my original feelings. His suggestion is for a "transitional arrangement" which could remain in place well after the two year negotiation period set out in Article 50. This may help reduce disruption and the risk of financial instability, which is as much a threat to the rest of the EU as it is to the UK. As a result I still believe common sense will prevail and my optimism remains the same as it was in early August for UK agriculture in 2017. (Click below to see video of BBC interview.) Change is not always a bad thing and with any change comes new opportunities, and when some doors close, others open. Worrying times admittedly, but also an exciting time for those open to change and ready to take advantage of new opportunities. I still have that quiet sense of pride.

Hugh Townsend FAAV. FRICS. FCIArb.

15th December 2016

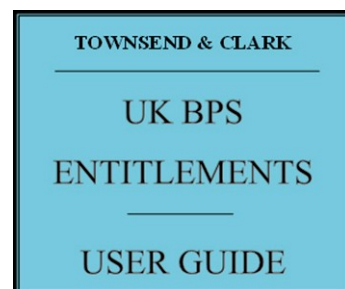


BBC interview - August 2016

## Future of Entitlements

Whatever happens after the Basic Payment Scheme, those that are involved now, that have entitlements, are most likely to benefit from any new scheme in whatever form it takes. As we finalise publication of our [UK BPS Entitlements User Guide](#), the research in preparing this has shown that quotas and subsidies have a long history in the UK going back to the late 19th century, and reinforces my own experience of thirty years, that those that “have” under a current scheme will get more, and those that “have not” will get nothing.

One important question though about BPS entitlements is whether they will be worth less and less to sell as we near the end of the current scheme. The best example we have is with entitlements when the SPS came to an end in 2014, and whilst perhaps now there is a greater threat of dramatic reform to the current subsidy scheme, it should not be forgotten that following the announcement of a “rollover” for English SPS entitlements to the BPS in October 2013, Non-SDA SPS entitlements prices rose from £210 to £300 a hectare. On the premise therefore that there will be a follow-on subsidy scheme after BPS, as with the end of SPS, we are likely to know in advance what this is going to be which will then most likely underpin the price for the last seasons of trading BPS entitlements, i.e. in 2018/2019.



**Buy Now!**

As advertised we are about to publish the first definitive user's guide for UK BPS entitlements. This covers all the regions and sets the historic scene for the current scheme bringing together the first comprehensive and definitive compilation of practical guidance needed in dealing with entitlements; A vital guide for farmers, their advisers and estate managers.

# Entitlements in 2017

Taking a hard-nosed approach, the predicted 2017 BPS payment in England is £209.60 per hectare for Non-SDA (based on €1 to £0.84 exchange rate as at 20.12.2016) which suggests entitlements now selling at £200 per hectare are cheap. The payment for 2016 is £212 per hectare and therefore, on either count, a 2017 purchase remains financially a “no-brainer”. It is likely you will break even or make a profit in year one, and we know for certain there will be a further year of BPS payment in 2018. Subsequently, if you have land at your disposal, there are very few other things you can invest in whereby you can double your money in two years. In this sense, therefore, whatever you think may happen in year three, 2019, when the Chancellor has promised to “match the funding” that the EU gives to the UK (although of course he has not been able to say whether we will still be in the EU in 2019 or, if not, whether he will adopt a similar UK scheme matching the current BPS scheme to use the funds), 2017 entitlements should retain their value whatever their future is after 2018. Therefore it makes very little difference to 2017 trade what will happen to entitlements in 2019 or thereafter under a new scheme, whenever it might come in, when we leave the EU. A more interesting trading period for entitlements will be for the 2018 scheme year as by then we should have more detailed information after Article 50 has been served in March 2017. As always predicting the trading price for entitlements is problematic if not impossible, however we are going to see again this year the Commons claimants adding the same amount of volatility at different stages in the trading period as they make adjustments with the RPA producing and correcting on an ongoing basis the relevant eligible areas.

## Will the UK support agriculture?

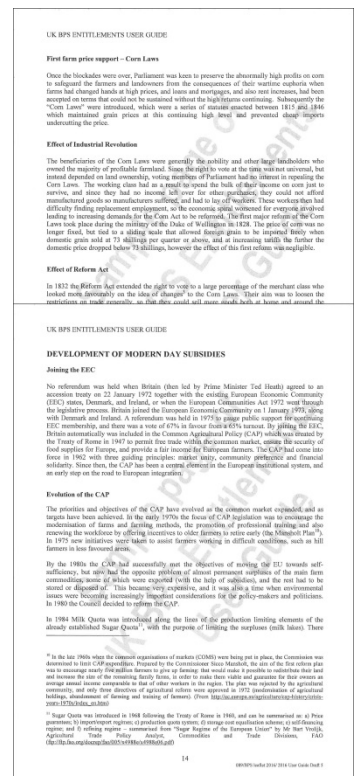
Of course perhaps the more fundamental long-term issue for Government is that the UK, for the first time in forty years, needs to decide whether they should support agriculture. For any farming business where investment decisions are by their nature long term, this is what will affect the land market and the general activity of farming businesses moving forward. An unanswerable question? My only comment at this stage is that it is all about what trade deals can be entered into, what import and export tariffs will be set which then, as with the Corn Laws (1815-1846), depend on worldwide prices for commodities at the time. We saw following the CAP reform in 1992 the EU having to set rates of subsidies based on commodity prices at the time. Some say they were too generous and got it wrong, and as a result UK agriculture benefited from a number of boom years until BSE in 1996. Until we reach the date when the UK actually sets any subsidy rates we will not know the true impact as everything will depend on the commodity prices at the time. This therefore is impossible to predict, unless the Government wishes to jettison the more recent policy of providing longer term support for farming, and sets a variable subsidy rate each year, which was the situation in the late 19th century, early 20th century.

Using over thirty years of experience, we reveal also some of our “top tips”, with an in-depth insight into how the system works.

This e-book has attracted a lot of interest with orders at the pre-publication discounted price of £25. As we all start concentrating on the 2017 claims and transfers, make sure you have your copy in good time.

To see how to pre-order your copy please [click here](#)

For a preview of the User Guide [click here](#)



## 2017 UK entitlement trade

Trading began at the beginning of October, effectively a month later than last year, and “kicked off” at £200 per hectare, the same level as last year. However without the fear there was last year that there could be a shortage of entitlements following the 2015 “use it or lose it” year, the market price by mid-November weakened to £190 per hectare for VAT registered Non-SDA sales but in the last few days has rallied back to £200 per hectare. Trading volumes are slightly down, but this could give a false impression as to the underlying demand, as we have had an unusually good Indian Summer and farm businesses are making the most of this before turning their attentions, on rainy days, to paperwork and preparation for the 2017 claim. The start of the 2016 BPS payment window so far has had no effect on the market, although this could change as the volume of payments increase and action is then taken. There has not been any trade yet in SDA or Moorland, Welsh, Scottish and Northern Irish entitlements. A bullish year however is still predicted due to the devalued pound and the increased payment for 2016. In England the scheme rules are not expected to be amended but will not be finally published, as always, until the New Year, and the RPA online entitlement transfer system likewise is unlikely to be up and running until mid-February. However this season we are now trading with an exchange of contracts prior to submission on line, so sales are being tied up in advance (see below).

### Improvements to standard trading operations

#### *Paperless trading*

This year we have introduced a near paperless system unless specifically needed otherwise. This we hope will increase efficiency and speed, simplifying the process both for vendors and purchasers.

#### *Greater transparency*

A further improvement we have introduced this year is that we have prepared a standard set of trading terms which both parties to a transaction receive, including details of the relationship we have with both our client and the purchaser in a single document.

### Online transfers in England

This year it is expected the RPA online transfer system will be simplified in respect to usage years, now we are further from the 2015 “use it or lose it” year. The 2015 year had its own special usage rules in England and therefore does not count towards the bi-annual usage years that apply thereafter. Any entitlements in the system now that were used in 2015 (subject as always to retrospective corrections) should show online with a usage year of either 2017 or 2018 (if claimed on in 2016) both of which suggest the entitlements are available for transfer. A usage year of 2016 however should ring an alarm bell although, as always, what the RPA online system says in respect to the usage rule and number of entitlements cannot be relied on. It should as always be remembered that submitting a transfer application online is just what it says; it is an application that is not guaranteed to be successful. Whatever the computer says or does not say on the transferors’ or transferees’ online entitlement records, the validity of the transfer still remains subject to receipt of a communication from the RPA by email or the RPA Online messaging system confirming the transfer. There are, however, promises from the RPA that more detail will be given once the online system is fully operational in February. This may include details as to the history of transferred in and transferred out entitlements.

## Online RPA information

The risks of relying on the RPA online information remain as last year, and whilst for the majority things should have improved, for a significant minority, things could even be worse. This is due to the backlog of queries and errors still remaining un-sorted from 2015 which impact now on 2016 online information. If you are one of those involved in this, this will make things that much more difficult, not only for transferring entitlements but also for making a claim in 2017. As before one will be ending up guessing as to what the RPA think, or should think, about your situation, and again it looks likely that some claimants will have to ignore the RPA online information and work out for themselves the number of entitlements they should have, and the eligible area on the ground they can claim on. Some problems of this type will be severe and will cause a considerable amount of extra work and risk. Anyone in this situation would be advised to try and mitigate this risk by making clear to the RPA that they are transferring entitlements based on the information available to them on specific dates, and if the RPA information is subsequently found to be incorrect, they will hold the RPA accountable accordingly. Alternatively, if someone is not relying on the RPA information for eligible areas and mapping, believing it to be erroneous, expert care and professional advice will be needed, not only as how to proceed but also how legally to protect their position in respect to the RPA subsequently then not agreeing with them.

## RPA Dispute Resolution/Compensation

### *Naked acre letting*

Following the King Case in the High Court in summer 2016 where the RPA were found to be erroneously withholding payment of SPS claims under Article 30 on the basis that naked acre letting was “artificial” and “contrary to the objectives of the Scheme”, the RPA is now accepting responsibility to compensate those where such claims were refused, as the naked acre letting arrangements (and the actual paperwork used by this firm) were confirmed by the Judge not to be contrary to objectives of the scheme, and therefore were fully compliant. They therefore did not breach Article 30. Our RPA Dispute Resolution team is now reaching out to farmers affected by this case to join a couple of our own clients, offering to help them recover not only the lost value of those claims, but also the reinstatement of any lost entitlements and damages subsequently caused to their business as a result of the original erroneous approach taken by the RPA. Farmers are welcome to join this growing group which will, we believe, subsequently increase their chances of a swift and successful settlement with the RPA.

### *Commons claims*

We also have another group of farmers we are representing in respect to damages/losses caused by the RPA approach to commons SPS claims since 2005, following the Minchinhampton and Roborough Commons’ judicial review which found in the commoners’ favour. These claimants now are expected to receive a response from the RPA before the beginning of April 2017, and therefore if farmers had commons land included in their claims in the past, they would be advised to make their claims as soon as possible to the RPA. This much larger group offers the benefit of reducing initial costs for claimants and, we believe, increasing the chances of a successful and swift settlement. Please contact Dominic Rees in the first instance. [Read more...](#)

If you would like any assistance with any dispute you have with the RPA, please contact [Hugh Townsend](#) or [Dominic Rees](#).

## BPS claims 2017

We will be continuing to provide our BPS claim preparation service in 2017 for our long-standing clients, and we are in addition receiving an increased number of new instructions from farmers who have been submitting their own claims, but who are still having issues with their 2015 claims, and who are subsequently keen that these are sorted out before a 2017 claim is made to avoid matters becoming even more complicated and delayed. We have built up, over the years, special access to parts of the RPA, which enables us to quickly assess some of the pre-submission problems involved.

Otherwise if you are interested in our services in preparing your BPS subsidy claims, please contact either [Dominic Rees](#) or [Jake Loftus](#).

## Commodity Prices 2016

(as at 16.12.16)

UK commodity prices are showing signs of recovery as we enter into the New Year. The uncertainty caused by the Brexit vote appears to have lifted, particularly as the weaker pound has aided exports to mainland Europe.

**Finished cattle** (dead weight) prices peaked at just below 380 pence per kilo in mid-September and have dropped off to 366 pence per kilo by this December. Despite this, the price remains 14 pence up on the same time last year.

**Finished lambs** (dead weight) prices have also improved in the last few years. Values fell to 330 pence per kilo in August 2015, and by August 2016 the price had improved by 107 pence to 437 pence per kilo. However the price then proceeded to drop the following three months. Demand for lamb in the festive season has contributed to a slight increase in value since November, with the December price of 390 pence per kilo up on December 2015, which was 372 pence.

**Finished pigs** (dead weight) have performed particularly well in the last 6 months with prices increasing from 120 pence per kilo in June to 155 pence per kilo in December. This is 25 pence up on December last year.

**Dairy prices** continued to fall in the first 6 months of 2016 to June, with prices bottoming at 19.95 pence per litre, the lowest level it has reached for many years. There has been a recovery with October prices increasing by over 4 pence to 24.17p. These prices have continued to increase in the lead up to Christmas.

**Feed Wheat** finishes the year £27 up on 2015 with the price now at £130 per tonne. 2016 feed wheat values remained lower than those achieved in the first eight months of 2015, but rose consistently from £97 in March.

**Oilseed Rape** ends the year £95 up on 2015, with the price per tonne at £345. Rape has done well since June, when it was at its lowest in 2016 at £248. High demand and a reduced 2016 cropping has meant

that 2016 values have exceeded those anticipated at the start of the year.

**Potatoes** have followed a very similar trend to last year with prices peaking in June at £279 per tonne, up £111 from the same time in 2015. The year ends with potatoes at £200 per tonne, an increase of £54 from last year.

These increased commodity prices, combined with the BPS 2016 payment for Non-SDA land increasing by £33.84/ha (18.9% more than in 2015) to £212.69, have brought welcome relief following the sudden crash in most commodity prices in 2015, and the general uncertainty created by Brexit.



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## Grants

### Woodland Creation Grant 2017

Natural England has recently published guidance for those wishing to apply for this standalone capital grant. The Woodland Creation Grant allows applicants to apply for a one-off payment for the cost of the trees themselves and any associated protection items, such as guards. If successful, the applicant will have two years to purchase and plant/install these capital items. Once the woodland is planted and the final capital claim is paid, eligible applicants can then subsequently apply for support to maintain the newly created woodland for ten years. This grant is called 'Woodland Creation Maintenance', is worth £200/ha per annum, and falls within the Higher Tier suite of options to be applied for during the Higher Tier submission window. It is worth noting therefore that to obtain this additional funding, the land will have to be entered into a range of Higher Tier options of the Countryside Stewardship Scheme. The application window for the Woodland Creation Grant opens on the 3rd January 2017 and closes on the 1st March 2017. The woodland creation proposed must contribute to meeting biodiversity objectives, reduce flood risk or tackle diffuse water pollution. The minimum area per application is 3 ha with minimum block sizes of 0.5 ha, and a minimum width of 20 metres. Please [click here](#) to go to the RPA pages for further information.

### Farming Ammonia Reduction Grant (FARG)

Dairy and beef farmers in England can apply for this grant which offers funding for capital items intended to reduce ammonia emissions and conserve nitrogen. Under the scheme there are two items which can be funded; either a self-supporting slurry cover, which is paid at £61/sq m, or a floating cover which is paid at £11.20/sq m. The agreement lasts for five years and capital items installed under this scheme cannot be removed in this period. The application period for this scheme runs from 1st December 2016 to the 31st January 2017.

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## Non-Domestic Renewable Heat Incentive

These provide 20 years of financial support for renewable heat technologies. Once an installation is accredited a tariff will be assigned by the Department for Business, Energy and Industrial Strategy. In November 2016 it was announced that there would be a 25% reduction to the small, medium and large biogas tariff, a 10% reduction to the biomethane for injection tariff, and a 5% reduction to the small commercial biomass tariff. This reduction means that the scheme offers less of a financial incentive than it did when it was first introduced in November 2011, however it still offers a financial reward for those considering alternative heating options.

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## Farms, land and sporting rights market - 2017

*Near Hereford* – 6 acres of mixed woodland.

*North Devon* – 200 acre dairy farm with traditional farmhouse and modern farm buildings.

*West Cornwall* – 76-140 acre arable and stock farm with a 5-bedroom farmhouse and a range of modern farm buildings.

*West Cornwall* – 72 acre stock farm with a 4-bedroom farmhouse and a range of modern farm buildings.

*East Cornwall* – 106 acre stock farm with traditional farmhouse and court yard of buildings with development potential.

*Edge of Exeter, Devon* – 9 acres of mature Sweet Chestnut woodland.

*West Devon* - Fishing on the River Thrushel and River Carey.

*Wanted* - Devon - Mr G - Traditional farmhouse and buildings needing renovation, modern barn and 50 acres. £1 million.

*Wanted* - England - Shooting rights over 1,500-3,000 acres with shooting lodge and keeper's cottage ideally. Pheasants, duck, partridge. Up to £30,000 per annum.





## Nitrate Vulnerable Zone (NVZ) –

Every four years more land is included in the NVZ designation and compliance with the guidance is required with effect from the 1st January 2017.

Those who own land which is to be completely or partly in an NVZ should have been written to by DEFRA, setting out the guidance that must be followed. If a holding is in an NVZ for the first time in 2017, transitional arrangements will apply to give the land owner time to adjust the farming practices taking place on the land. It should be noted that NVZ rules form part of the cross compliance requirements for the Basic Payment Scheme, and you must meet all NVZ cross compliance requirements to qualify for a full BPS payment.

## Autumn Statement - Letting Agent Fees & Income Tax

Phillip Hammond's Autumn Statement delivered on the 23rd November announced the Government's intention that letting agents will no longer be able to charge fees to tenants. This will tend to increase competition in the private rental market as landlords will shop around for the best rates. This step has the aim of reducing the cost of renting for tenants, as hidden charges will have to be borne by the landlord, however there is also speculation that landlord's may increase rents to cover their increased costs.

The Department for Communities and Local Government (DCLG) will consult ahead of bringing forward legislation. Contact [Dominic Rees](#) for further information.



## Desktop English BPS payment card

[Click here](#) to download a handy desktop card that can be printed out showing BPS payment values for 2016.



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## Townsend & Clark UK BPS ENTITLEMENTS – USER GUIDE

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LAND AGENTS VALUERS ESTATE AGENTS AUCTIONEERS ARBITRATORS QUOTA AGENTS

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