

2018 New Year Newsletter



"Thank you for your business in 2017, I hope you find this newsletter of interest, and we look forward to working with you in 2018." Hugh Townsend

Thoughts on Brexit

2017 hopefully will be seen as the "year of uncertainty", although it may just be the start of many years of uncertainty as Brexit continues to dominate our thoughts for 2018. UK agriculture, more than any other industry, will be affected by the ultimate outcome. All is still to be negotiated for with the EU, although clearly an important step has been made with the UK's divorce settlement agreed, at least in political intent, in December. In 2018 we now therefore will hopefully see our future trade relations with the EU becoming clearer, as we will with the rest of the world. Since this firm wrote in September last year about the UK's fall-back position whereby we can trade with the rest of the world under the WTO rules, it increasingly looks a more and more complicated option, with a timescale that would leave the UK stranded for many years without trade agreements. [Read more..](#) Otherwise what we are left with is to argue that a sensible trade deal with Europe is as much in Europe's interests as our own. Perhaps this year we will get an inkling of where we may end up, although with the two-year transitional period we may hear more about how this will work in practice first. Getting past the debate over the UK's divorce settlement, and joining the EU in discussions for a two-year transitional arrangement, suggests politicians are accepting the need for mutually beneficial common sense. Since my last "once a year" political comment, whilst always nervous with such predictions, the feeling remains that either the UK will not actually leave the EU as it will reform itself quickly enough to suit our needs, or the UK will leave but later re-join a re-constituted EU. Reading the "tea leaves" for 2018, I am still not discouraged from repeating my initial feelings from the morning of the 24th June 2016.

UK domestic policy

However the question that 2017 brought more into focus, certainly as Michael Gove took centre stage, was, with the promise of agriculture having the same amount of money spent on it by the UK taxpayer as it now receives from the CAP, how will that money actually be spent? After 44 years with the EU, what is a UK domestic farm policy going to look like? Michael Gove is known for his reforming ability and "thinking out of the box", which perhaps is just what we need. However until the new policy has passed through the legislature, our industry is on hold. Who is going to invest in

farming at a time when the headlines are that Michael Gove is: a) going after increased welfare standards, which will result in more costs; b) expressing his enthusiasm for maintaining the environment by diverting more of the monies ring-fenced for agriculture; and c) remaining silent on the possibility that direct payments could be a thing of the past. This, of course, has affected the land market, as well as the entitlement market, where currently £82 per ha profit can be made by purchasing Non-SDA entitlements (assuming the current exchange rates and current payment rates remain the same), buying at £145 per ha and receiving a payment of £227. With the healthy margin between commodity prices and costs [read more...](#), although slightly reduced between July and October, other than the start of labour shortages, there are no current day to day dramas. This may however be the worst thing for the industry, as it is difficult for the public to envisage the type of problems that would be caused without agriculture continuing to receive support, and how quickly it might affect them. Perhaps we could do with something to illustrate the knock-on effects of over-enthusiastic politicians' ideas. The outlook for some could indeed be very bleak, if we believe the comments Michael Gove was making in 2017 will make up domestic policy. However the old adage has never seemed more relevant that one should listen to politicians, but not necessarily believe that what they say will ever happen. We tend to hear less however of what the bureaucrats say, but believe more what they say will be the practical outcome of such policy changes. The devil is always in the detail, and legislation can have unforeseen effects, especially on markets.

Perhaps Michael Gove, the man of detail, can achieve what he is suggesting, but we will first have to see whether he is Minister long enough to do so. However, if he is the Minister signing off the domestic policy, he has himself perhaps illustrated the limitations of his environmental aspirations, having started to introduce in 2018 the "lite" Countryside Stewardship options. These acknowledge that the government needs the support of landowners and farmers to put into effect the UK's environmental wishes. Unless government is prepared to change fundamental human and property rights (which they are capable of doing, as seen with the encouragement they have given to the fracking industry by taking away the long established right to ownership of all the land below), which would involve dictating what, field by field, can be grown and how land is managed and used, the government needs to have landowners and farmers support for any environmental reforms. Currently the deal is that you get a payment per hectare in return for which you accept the need to cross comply. Not all UK farmers have accepted this deal as it currently stands, and the problem the government has is that this number may grow, if there isn't a similar financial incentive in future UK domestic farm policy. A balance needs to be struck. It is this element of policy making that hopefully will avoid the worst implications of some of Michael Gove's ideas. He or the next Minister needs the farmers' cooperation as much as the farmers need the monetary support.

Breaking News – Michael Gove – 4.1.2018 – BPS to 2024

With Michael Gove's Oxford Farming Conference speech today, in his statement and also reported answers to questions, he has confirmed that the government will pay the 2019 BPS scheme on the same basis as they do now. He also maps out his vision for England, guaranteeing that BPS payments will continue for a transitional period, and that his proposal would be that this should be for five years from the end of the 2019 BPS scheme year. Whilst always cautious to differentiate between a "guarantee" and a statement that something will happen, compared with a "vision", plan or proposal, and whilst this aspect remains subject to consultation, this is probably the decision we have all been waiting for, with the press now seeing this as confirmation that the BPS scheme will continue until 2024. We obviously do not have exact details or written confirmation that the scheme Mr Gove is suggesting will remain the same as the current one in all respects, including the level of payments to be made, the greening requirements, or what the cap or sliding scale of reductions for larger farmers he mentions will turn out to be. He also suggests that during the "transitional period" up to 2024 (after we leave the EU) there will be no requirement to comply with the existing Cross Compliance rules and procedures, suggesting the number of inspections for what will remain as UK

requirements will be reduced making them more risk based, cutting out the minutiae we currently have to deal with, with the rigorous field measurements and field data currently required. This indicates the wish of the UK government to no longer mirror CAP, even during the Brexit two year transitional period currently being discussed with the EU.

Michael Gove's announcement today should have a positive impact on the land market, both for sales and rental, and the BPS entitlement market. This should now pave the way for greater confidence for farming businesses to start investing again, and making longer term plans. Whilst one may say this only provides certainty for seven years, it should be remembered that under CAP, the Single Payment Scheme was only originally set up for seven years and then extended for two more, and the Basic Payment Scheme in 2015 was only set up to run for five years. This commitment from Michael Gove will arguably give more certainty than if we were remaining in the EU.

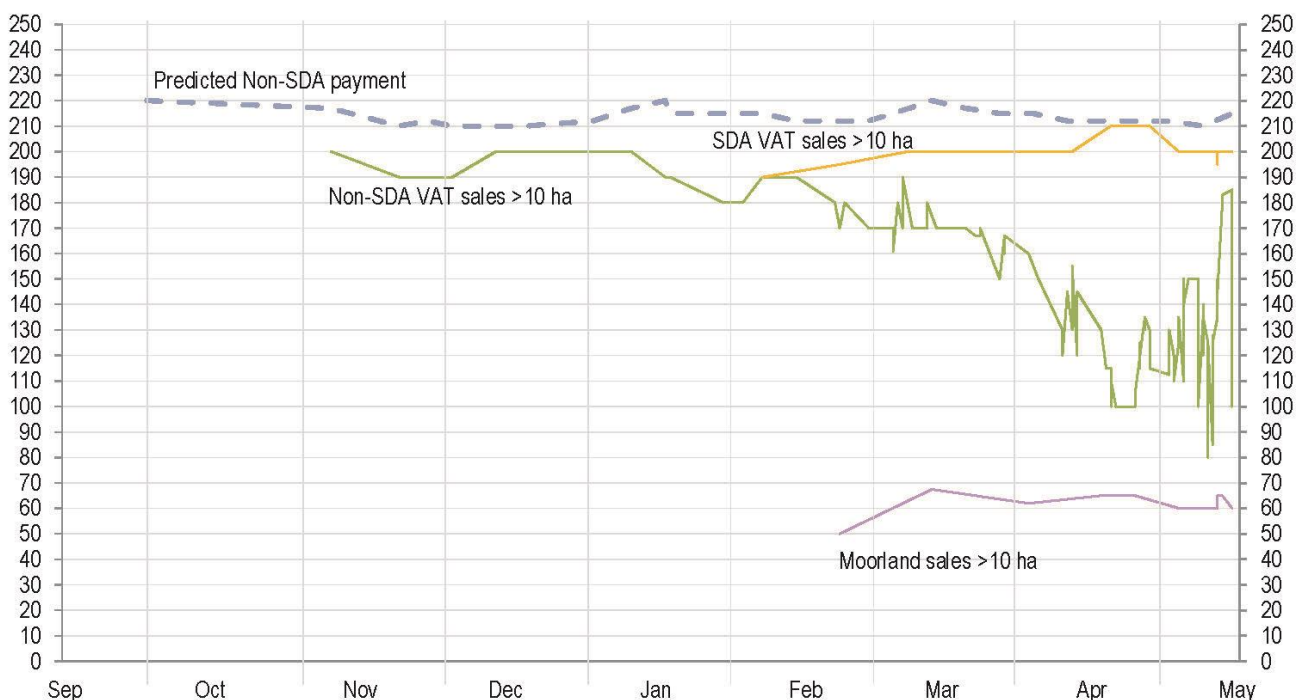
Mr Gove also comments on what his aim would be in seven years' time, stating that BPS will be replaced with a system of "public money for public goods". Seven years is a long time, a lot can change, and therefore the certainty provided by the continuation of BPS payments, and the confidence this will give to the industry, is unlikely to be over-effected by whatever "public money for public goods" will eventually mean. I refer back to my comment above: the government needs the farmers and landowners cooperation as much as the farmers need the monetary support, to achieve the government's environmental aspirations.

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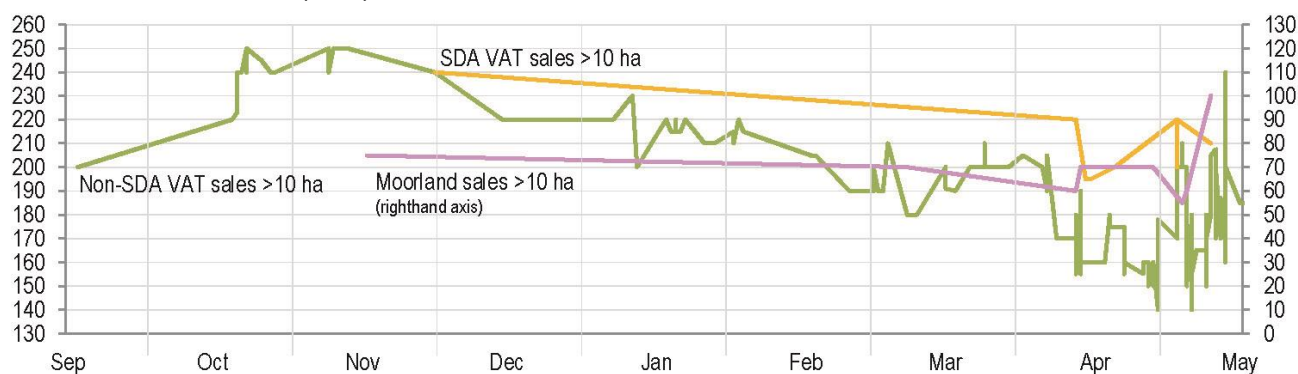
4th January 2018

2018 Entitlement Trading Update

2017 Entitlement Sales (£/ha)



2016 Entitlement Sales (£/ha)



The average open market price for 2017 Non-SDA entitlement was £144 per hectare for VAT registered sellers, starting at £200 per hectare in the autumn of 2016, declining and then rallying in the last weeks before the 15th May deadline (where 40% of trade takes place), hitting as high as £194 per hectare at the end. See our [2017 Entitlement Trading Market Report](#) for more detail.

Sales for 2018 started in mid-September at £150 per hectare for VAT registered vendors, with greater activity than the year before, which then cooled dramatically in the weeks leading up to Christmas, with some sales dropping down to £140 per hectare.

Premiums are being paid by non-VAT registered buyers for non-VAT entitlements of 10-15% as in previous years, and SDA entitlements started trade early at £175 per hectare plus VAT. This follows previous years' trends of achieving higher prices on average than Non-SDA, due to shortage of supply.

No sales have yet been agreed for Moorland entitlements, but the price is expected to start at around £50-£55/ha + VAT.

The Northern Irish, Welsh and Scottish markets have not yet started trading, although note should be taken that their trading periods end earlier than in England. Click [here](#) and scroll down to the Regional Comparison table.

We appreciate not everyone is as fascinated by entitlements as we are, and therefore we are now offering the book we have written, the BPS Entitlements User Guide, as a free e-book! [Read more...](#)

Farm Facts 2018 - out now!



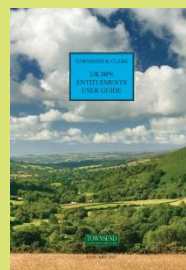
For further information see [here](#). If you didn't receive your copy of Farm Facts in the post over Christmas please call or email [Kathy Dean](#).

Desktop English BPS payment card



A handy desktop card that can be printed out showing BPS payment values for 2017 and on the reverse a comparison table of the UK BPS entitlement regions. [Click here](#) to download your free copy.

UK BPS Entitlements User Guide



The User Guide provides the historic background and current thinking as to how UK governments have dealt with supporting agriculture since the 1670s. To order your free ecopy or your £25 paperback, email [Kathy Dean here](#).

Commons Update

Following the successful legal challenge on the way Minchinhampton and Rodborough Commons claim payments were handled by the RPA, commons claimants can and have submitted claims to the RPA for an allocation of extra entitlements and retrospective top-up payments for these entitlements. This affects all common land claimants in England, except (currently) those in the New Forest. [Read more...](#)



Effects of Brexit in 2017

All businesses in the UK are having to get used to the uncertainty of Brexit, not only because we do not know what our relationship will be with Europe in the near future but also in trade terms with the rest of the world (see our article in the WMN Farming section on 27.9.2017 [here](#)). As always it is better to have good news or bad news, but never no news. For most businesses the Prime Minister's announcement in Florence was a bit of good news, but there is still such a wide range of implications about which we have no news. In agriculture there are real threats but, if you are not selling or renting out a farm, current conditions could be a lot worse.

Since last December most commodity prices are better, other than for potatoes and oilseed rape, and the differential between input costs and commodity prices ([Defra Agricultural Price Index October 2017](#)) remain healthy. The devaluation of the pound is helping with exports but not affecting input prices as much as was feared. The weakened pound has increased the Basic Payment for 2017 with the exchange rate now fixed and the payment predicted, after adjustment for the Financial Discipline Mechanism, for Non-SDA at the same rate of £227/hectare. [Read more...](#)

Letting out agricultural buildings for commercial use

An increasing number of farming businesses are now renting out disused agricultural buildings on commercial leases to non-farming businesses. For many farming businesses this can be a useful source of additional income, however there are a number of factors to be considered before entering into any form of agreement with a non-agricultural party.

The first factor to consider is the planning permission that was granted on the building originally, as most farm buildings do not have the required permission to be used for commercial businesses. It is important to realise that depending on the wording of the agreement between the landlord and the tenant, if the Local Planning Authority (LPA) were to issue an enforcement notice to cease the use of the buildings for any non-agricultural use, the tenant may have legal recourse to recover their costs and losses from the landlord. It would therefore be advisable to obtain the correct planning permission for the use of the buildings before an occupation for non-agricultural use begins. A change of use class can be obtained allowing for multiple uses of the buildings. It may also be possible to obtain planning under permitted development Class R, however this would depend entirely on circumstance. [Read more...](#)

Telecoms - New Digital Economy Act



The Digital Economy Act came into force from the 28th December 2017 and although the Act deals with a wide and varying number of differing matters, the main point of interest to most landowners and land agents is its effect on new telecom mast leases. [Read more...](#)

New Farming Rules for Water

From the 2nd April 2018 new rules for farming near water will be introduced by DEFRA to ensure farmers manage their land in ways that avoid water pollution. These can be enforced legally and are separate from the existing Cross Compliance rules, and so apply to all farmers/landowners, not just those claiming BPS. [Read more...](#)



Countryside Stewardship - New Agreements for 2018

Four new Countryside Stewardship agreements have been introduced for the New Year. These new agreements will be non-competitive:

- Online arable
- Lowland grazing
- Upland
- Mixed farming

[Read more...](#)



Inheritance Tax - Business Relief - Recent Cases

For most agricultural businesses there are two types of relief that are available for Inheritance Tax; Business Relief and Agricultural Relief. There have been a number of recent cases relating to Business Relief and how it is applied to different types of business, and which demonstrate that it is not always easy to ascertain which would apply to your business situation. [Read more...](#)

New HMRC Reporting Requirement for Trusts

As part of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, HMRC are required to establish and maintain a register of beneficial owners and potential beneficiaries of relevant taxable trusts by 31st January 2018. HMRC will collect the information about any potential or beneficial owners including name, date of birth, National Insurance number, address and the nature of the individual's role in the Trust. They will also collect information regarding the Trust itself, including details of advisers paid to provide legal, financial or tax advice.

The Trust Registration Service, which has been available since July 2015, will be used to provide HMRC with the relevant information. Further information can be found [here](#).

HMRC appeal on farmer's rights to reclaim VAT when buying entitlements

A case in the Court of Session in Scotland by HMRC to appeal against a farmer's right to reclaim VAT on buying Single Farm Payment entitlements has been rejected by the Judge. If the Judge had ruled in favour of HMRC, this could have been a precedent that would have had implications throughout the UK farming industry.

Farmers can continue to reclaim the VAT on the purchase of Basic Payment Scheme entitlements.

RDPE Grants

The government has released a handbook for the Improving Farm Productivity rural development programme as part of England's Countryside Productivity Scheme. The grant is available for the following farm productivity improvements:

- Robotic equipment to aid crop and livestock production
- Increasing the use of renewable energy produced on the farm by improving energy storage and distribution
- The use of LED wavelength controlled lighting to aid crop production
- More efficient use of livestock slurries, manures and digestate

The available grants are for a minimum of £35,000 and will cover up to 40% of the eligible cost of the project; therefore the total minimum cost of a project would have to be £87,500. The deadline for receipt of applications is 3 December 2018.

Other grants available under the Countryside Productivity Scheme include, Improving Forestry Productivity, Water Resource Management and Adding Value to Agrifood. All of these have their own separate handbooks and separate deadlines for receipt of applications. See [here](#) for further information.

Brownfield Land Registers

On the 16th April 2017 the Government brought into force the Town & Country Planning (Brownfield Land Register) regulations 2017. Regulation 3 of the Act requires Local Planning Authorities (LPA) to maintain and publish registers of brownfield land by the end of 2017. The register will enable LPA's to grant Permission in Principle for residential development on brownfield sites, which is a new route and opportunity for development in England. [Read more...](#)

Farm and Land Market - 2018



For Sale - North Devon – 233 acre dairy farm - 3,500 sqft 6 bed farmhouse • 25,345 sqft modern buildings • 3,900 sqft traditional cob and stone farm buildings suitable for conversion STUC • 92 cubicles & loose housing • Views of Exmoor and Dartmoor • 8 : 16 swing-over herringbone parlour • 1,000 cubic metre above ground slurry tank • 930 tonne (57.5 sqm) silage clamps • 31 acres arable, 23 acres temporary grassland, 158 acres permanent pasture, 18 acres amenity woodland • 71.97 Non-SDA entitlements available by separate negotiation • Legal Pack for Lot 1 available • Lot 1 (194 acres) Guide £1.6m • Also available Lot 2 (39 acres) Guide £245,000 • As a whole or in 2 lots. Guide price for whole £1.845 million

Wanted - Mr R – Beef/arable farm – 100+ acres – SouthWest. Mr & Mrs R – Dairy unit with 200 acres and spring calving unit - N. Devon - Up to £2 million. Mr E - Arable/grassland farm to let out and run at a distance - 200-300+ acres – Devon. Mr T – Dairy farm with 200-300 acres grassland – SouthWest - Up to £2 million. Mr L – 300 acres for robotic farming with 260 yearlings and partners – SouthWest - Up to £3.5 million. Mrs R – 20-30 acres of land for beef, sheep and free range chickens. Mr W – Stock and arable farm - Up to 200 acres - Dorset/Devon – Cash buyer. Mr B – 3+ bed dairy farm in the SouthWest - £1-1.2 million. Mr W – 200 acre dairy farm plus pasture for beef/sheep – SouthWest - £1.5-1.8 million. Mr & Mrs E - Dairy farmers. 2/3 families - Robotic milking parlour for 120+ dairy cows - SouthWest.- £1.6 million. Mr W – Dairy farm with 2 houses for 2 branches of family – 120+ milkers – Devon/Cornwall. Mr C – 3 bed farmhouse with 100-200 acres – Up to £2m. Mr W – One house for two families – 350 beef/300 sheep – Zero grazing – N Devon - £1.4-£1.6 million. Mr R – Tenant farmer looking to buy – 200 dairy cows – Devon/Cornwall – Up to £1.2m. Mr O – Farm in Devon/Cornwall – House not important – 200+ acres – Cash buyer.

Exam Results and Training in 2017

As a firm we love new challenges, solving problems and sharing our experiences and what we have learnt.



We congratulate Jake Loftus (who joined us this time last year from Newcastle University having read Countryside Management, and who is now doing his accredited RICS training at Harper Adams on a six week release course) for his recent outstanding CAAV exam results for someone so new to the profession with a score of 61% for his practical, 58% for his oral, and a good pass at 68% on the written.



Congratulations also to David Shepherd who has joined us as a qualified surveyor to handle our BPS and CSS claims, and the Commons Network, for passing the CAAV exams this autumn.



Congratulations also to Julia Clark, who has now been with the firm for 21 years, for passing her Level 2 Accounting Technician course in December 2016, and who is now working towards her Level 3 Advanced Accounting Diploma, having recently achieved 86% in the first module (Advanced Bookkeeping). Our enthusiasm also extends to the numbers! Mind you Julia has without fault handled many millions of pounds of client monies over the years, and really doesn't need much training! In 2017, if this was not enough, Julia also co-authored our UK BPS Entitlements User Guide.



Finally Kathy Dean, who has been with us now for 12 years, has over the years had to self-train herself in a wide range of developing IT skills, producing our property sales brochures, managing and developing our website, and in 2017 developing our use of Mailchimp for e-mailshots due to the firm's large number of clients. Because of the size of our mailing list we had to move to a commercial mailshot site to ensure that Internet Service Providers do not see our messages as "junk mail".

Key Dates (subject to 2018 BPS rules & CSS guidance)

| | |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 January | Start of the BPS 2018 Scheme year • Cross Compliance rules must be followed from this date • Organic manure* can be applied to land on shallow or sandy soils from this date if conditions are suitable & quantity conditions are adhered to • Start of assessment of the annual amount of livestock manure applied to land • Start of Countryside Stewardship (CSS) Higher & Mid Tier agreements • Start of fallow period for EFA rules |
| 15 January | EFA cover crops must be retained until now |
| 16 January | Manufactured nitrogen fertilisers can be applied from this date if conditions are suitable |
| 31 January | Deadline for the annual inventory for sheep & goats in Wales to be returned • Pheasant & Grey Partridge seasons in Northern Ireland close • Woodcock, Gold Plover, Duck & Geese seasons close in England, Wales, Scotland & Northern Ireland |
| 1 February | Pheasant & Partridge seasons in England, Wales & Scotland close • Organic manure* can be applied on all soil types if conditions are suitable & quantity conditions are adhered to |
| 2 February | Candlemas |
| 15 February | End of Red, Fallow & Sika deer hind stalking season in Scotland |
| 20 February | Duck & Goose (below highwater mark of spring tide) season closes |
| 28 February | End of quantity restrictions for application of organic manures* |
| 1 March | Hedgerows & trees must not be cut & hedgebanks must not be cast up from this date but hedge laying & coppicing may continue |
| 10 March | CSS Higher & Mid Tier agreement application period opens (TBC) |
| 25 March | Lady Day |

- 31 March End of Red, Fallow, Roe & Sika deer hind stalking season in England, Wales & Northern Ireland • End of Roe deer doe stalking season in Scotland • End of Chinese Water deer buck & doe stalking season in England • Environment Agency (EA) notifies licensees to complete winter water abstraction return
- 1 April The Annual Charge for water abstraction licences is due (unless licence started/was varied mid-season) • Heather, bracken gorse etc. in lowland areas must not be burnt from this date • Start of Roe deer buck stalking season in England, Wales & Scotland
- 3 April Deadline for RDPE Countryside Productivity Scheme grant applications (improving forestry productivity)
- 16 April Heather, bracken, gorse etc. must not be burnt from this date in upland areas
- 28 April Deadline for licensees to submit winter water abstraction return
- 30 April Farmers with an NVZ grassland derogation must submit 'Fertiliser Accounts' to the EA • The number of 'specified' livestock kept on the farm during the previous year must be recorded & the amount of nitrogen they produced calculated • End of Red, Fallow & Sika deer stag stalking season in England, Wales & Northern Ireland • End of Fallow deer stag stalking season in Scotland
- 1 May Start of 'cropping period' for crop diversification rules • Hedge-laying or coppicing must not be carried out from this date
- 5 May CSS Higher Tier (nonwoodland) application period closes
- 15 May UK BPS application deadline • land must be 'at claimants' disposal' on this date • BPS entitlement transfer deadline • Environmental Stewardship/CSS annual claim deadline
- 20 May Whit Sunday
- 31 May Deadline for submission of expression of interest in Rural Tourism, Business Development & Food Processing RDPE Growth Programme grants • CSS Higher Tier woodland only application period closes (TBC)
- 24 June Midsummer Day
- 29 June Deadline for applications for RDPE Countryside Productivity: Water Resource Management schemes • Deadline for expression of interest in RDPE Adding Value to Agri-food grant
- 30 June 2017 BPS payment window ends • End of 'cropping period' for crop diversification rules • End of fallow period for EFA greening rules

*with a high readily available nitrogen content



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farm & estate management day-to-day management & consultancy for farms, forestry, land & estates. **property agency** sale and purchase of houses & country houses, farms, land, estates, cottages, barns, smallholdings, equestrian property; lettings & management; grass & land lets; development land. **professional services** farm & rural business consultancy; Basic Payment Scheme; Stewardship schemes; landlord/tenant negotiations; diversification; rent reviews; ASTs & FBTs; partnership insurance; dispute resolution, mediation, arbitration, expert witness & advocacy; telecoms, compulsory purchase, pipeline and easement claims, & wayleaves. **renewables** anaerobic digestion; energy crops; biomass/estate heating; hydropower; income from renewables; on-shore wind & solar. **farm quota** entitlements; water abstraction licences; carbon trading, credits & emissions allowances. **planning & development** advice & applications; agricultural need assessments; appeals; design & drawings; development & development land advice. **valuations** surveys and valuations for property, IHT, CGT & probate. **sporting** sporting agency & licences.