

FARMING

Number of factors may influence 2020 values

In his latest column land agent and surveyor expert, Hugh Townsend, tells farmers and landowners all they need to know about English entitlements



ENTITLEMENTS allow farmers and landowners to claim a payment under the Basic Payment Scheme (BPS).

For each entitlement they own a farmer may claim BPS subsidy for one hectare of eligible land they farm, with the minimum claim being five hectares in England.

Applications for the BPS can be made online or on paper using a BPS claim form.

BPS Entitlements were allocated in 2015 to farmers previously claiming the Single Payment Scheme (SPS) which ran from 2003-2014 with a flat rate value based on their region. In addition Entitlements are traded on the open market, and can be transferred between parties by sale, lease, gift or inheritance, or allocated for free to New Entrants or Young Farmers who meet the eligibility criteria.

A Young Farmer must be 40 years of age or less in the claim year and setting up for the first time as head of holding or have control of a partnership/Legal Person (e.g. Limited Company) for the first time on January 1, 2015 or later. This could be setting up a new business or taking over an existing business. A Director of a legal company may qualify, however, for a partnership to qualify the 'Young Farmer' must own capital in the business and their decisions cannot be vetoed by other members of the partnership.

A New Entrant cannot have had any agricultural activity in their own name/at own risk in the five years before the start of the current farming activity. To apply for the free entitlements you must complete a "Young" and "New" Farmer Application Form and supporting documents (certificate from an accountant), along with submitting a BPS claim. This is a onetime allocation for each applicant so all potential entitlements should be claimed.

When submitting a BPS application all agricultural land parcels and areas on the claimant's holding must be stated. The 'land use' and non-agricultural features that can't be claimed for must be declared as well as all the eligible land being claimed. You also need to confirm if you are

exempt from the greening rules, and apply for Young/new Farmer entitlements if applicable. Young Farmers can also receive an additional top-up payment worth up to 25% of the average value of the direct payment element (i.e. excluding greening) for up to 90 hectares for the first five years.

Applicants must be a 'farmer' which is classed for this purpose as a person/group of people who conducts 'agricultural activity'. All land must be at their disposal on May 15 of the year claimed, and must then comply with cross compliance rules for the whole year (January 1 to December 31).

All BPS applications must be submitted by midnight on May 15 to avoid late application penalties, with June 10 being the final cut-off date. Entitlements don't have to be claimed every year, however if any entitlements go unused for two consecutive years they will be confiscated to the national reserve. Whether an entitlement will be lost is based on the usage history of the farmer who currently holds the entitlement, therefore when entitlements are transferred in by lease to a farmer who has failed to claim, lost entitlements will be taken away proportionately between his original and leased entitlements.

English Payment Regions - SDA / Non-SDA / Moorland

All land in England has been divided into three categories used as payment regions to recognise the quality of the agricultural land.

The categories are Severely Disadvantaged Area (SDA), Non-SDA and SDA Moorland entitlements. The different regions attract different payment rates.

Each entitlement type can only be claimed if it matches the land type farmed by the claimant. Therefore English SDA entitlements can only be used in England and in conjunction with SDA classified land, and likewise for Non-SDA and Moorland.

Value of Entitlements

The payment values of the different entitlements are calculated by the RPA once the total number of hectares of eligible land claimed in



> Rolling hills of Dartmoor. Moorland entitlements were in good supply in 2019, says Hugh Townsend, but demand was unusually low

Michael Busselle / Getty Images

Entitlement Payment Values three year comparison

Region Payment Rates	2019	2018	2017
Non-SDA	€182.70	€181.39	€180.46
Upland SDA, other than moorland	€181.34	€180.00	€178.90
Upland SDA moorland	€49.76	€49.09	€49.63
Greening rates 2019			
Non-SDA	€78.69	€78.13	€77.69
Upland SDA, other than moorland	€78.11	€77.53	€76.92
Upland SDA moorland	€21.43	€21.14	€21.32
Confirmed € to £ exchange rate	€1=£0.89092	€1=£0.89281	€1=£0.89470
Financial Discipline Mechanism (FDM) reduction on amounts over €2,000	1.432635%	1.411917%	1.388419%

(Source: Gov.uk)

The Financial Discipline Mechanism (FDM) applies to all entitlement payments over €2000. It is an emergency fund and if not required, will be refunded to Farmers the following year.

each region has been established.

This usually happens in November, well after the trading season has completed, so most trading done assumes the entitlements will have the same value as the year before.

Flat Rate values do not include the greening payment or the Young Farmer payment. The Greening payment is an approximately 30% top up on an entitlement if certain greening rules are met. A Farmer can find information regarding their entitlements online; the RPA no longer issues paper entitlement statements.

For the 2019 trading period the exchange rate was announced in September at €1 = £0.89092 resulting in a payment value/ha (before the Financial Discipline Mechanism reduction - see below for more information), including greening, of £232.88 for Non-SDA entitlements, £231.15 for SDA and £63.42 for Moorland. The payment/ha after FDM is deducted is £229.54 for Non-SDA entitlements, £227.84 for SDA, and £62.51 for SDA Moorland.

The table (above) illustrates the flat rate value of each type of English entitlement by region. It shows how much of the total amount consists of the Greening payment and therefore the importance of compliance with the Greening rules. If a farm is subsequently inspected and found to be in breach of the greening rules, penalties and deductions can be applied.

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Trading Value of Entitlements

The market value of entitlements for 2020 depends on many factors including the continuing uncertainty surrounding Brexit, and how quickly the Agriculture Bill can be passed through Parliament.

The UK government pledged to maintain the same cash funds as currently available under the CAP until the end of this Parliament in 2023-2024. It has also indicated that it is unlikely to move to any new system of farm support until after 2024.

This implies that entitlements will be needed at least for the next few years until an Environmental Land Management (ELM) system of "public money for public goods" is decided upon, and the direct area-based payments are gradually phased out. However at the time of writing we have no confirmation that direct payments beyond 2020 will be paid on the same basis until the new scheme is in place.

The first sales of the 2019 trading year were in September 2018 at £150 plus VAT, with the price rising to £165 plus VAT by December. This figure decreased in February as more sellers came to the market, with lots agreed at £132 to £150 plus VAT. During April deals were concluded in the £100-£105 range for mid-large lots with the price dropping to £90 plus VAT by early May. The average value of Non-SDA by the end of the 2019 trading year was £111.65. With

the payment value now confirmed at £229.54 (inc. greening and FDM reduction) this represents a 105% return in just the first year.

The demand for SDA entitlements was low in 2019 although the average price per entitlement was higher than for Non-SDA at £156.49 plus VAT, which with a payment value now confirmed at £227.84 represents a nearly 50% return in the first year. The first sales were agreed in October 2018 at £200 plus VAT and this price continued until late March when sales were agreed for £150-180 plus VAT. In early May there was a late flurry of sales agreed ranging between £130-160 plus VAT.

Moorland entitlements were in good supply, however demand was unusually low. Sales were agreed late in the season ranging from £35-45 plus VAT. Over the trading period they averaged £39.10 plus VAT, and with the now confirmed payment rate of £62.51 this represents a 60% return in the first year.

All transfers without land were subject to VAT if the transferor was VAT registered. Non VAT- sales can attract an additional 10/15% premium, however this depends on the supply of Non-VAT buyers and sellers. The market for 2020 is now open.

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