CAAV AGRICULTURAL LAND OCCUPATION SURVEYS 2018

KEY POINTS

1. England and Wales

The 2018 Survey

- The subdued level of activity seen ever since area-based subsidy payments were announced in 2003 has continued
- 2018 saw the land re-let in 65% of cases where an old tenancy ended and 92% of cases where an FBT ended
- **2018 continued to show the variety of lengths for which tenancies are granted**
    - Across all types of letting, from short term seasonal grazing and cropping of bare land to tenancies of whole farms, the length of lettings has for many years averaged between 3.5 and 4 years
    - **In 2018, that average was 3 years, at the bottom end of that range**
    - **Excluding lettings of less than a year, the average was just over 4 years**
    - **Lettings of fully equipped farms (with house and buildings) averaged 7.5 years**
    - **Lettings of over 200 acres averaged 5.6 years**
    - **Where the previous tenancy was under the 1986 Act, the average new FBT was for over 5.3 years.**
- New entrants took 23% of the lettings that were to a new occupier of the land (rather than a new letting to the same farmer)
    - 32% of lettings to new entrants were for over 5 years
- The main source of lettings is from private landowners, not institutions or public sectors bodies.

General Observations

- With the extensive use of FBTs, the tenanted sector in England and Wales is larger than it was before the 1995 reforms with half of it now accounted for by FBTs.
- Old tenancies under the Agricultural Holdings Act 1986 still cover a significant share of our agricultural land. Successions are predominantly to larger, well equipped farms rather than to bare land.
- Where tenancies end, the land is overwhelmingly let again.
- However, activity remains subdued, apparently because of the effect of area payments rewarding occupation of land. It seems likely that more land could be let but for Basic Payment.
- The use of the flexibility of FBTs is shown when analysed in more detail. Larger and more equipped units are on average let for longer terms than are bare land units.
- While the decisions of owners and farmers in England and Wales saw longer lettings in 2016 and 2017, the average period has shortened for 2018.
- This appears to reflect the caution of both owners and prospective tenants about being committed to longer term arrangements ahead of potential post-Brexit changes to trade and support. A 10 year tenancy let in autumn 2018 would run until autumn 2028 and so potentially see the complete removal of Basic Payment and many other changes to markets and rules.

2. Scotland

2018

- Letting activity has remained very low
- After some years of decline and consistent with Scottish Government data on the overall size of the let sector, losses were roughly balanced by new lettings
- A clear majority (81% in 2018) of lettings continue to be of bare land
- Only 19% of lettings included a dwelling
- With lettings typically for short terms, the average length of letting was just over 4.5 years
- 5 lettings to new entrants were reported.

General Observations

- Scotland's complex and changing legislation combined with a political climate in which the Scottish Government's review group described being a landlord as a "high risk, low reward" activity has seen the tenanted sector nearly halve since the early 1990s.
- Analysis shows that this reduction is the result of the limited use of the new tenancies available since 2003 – Limited Duration Tenancies, Short Limited Duration Tenancies and Modern Limited Duration Tenancies.
- These have not made good the inevitable loss over time of 1991 Act tenancies the number of which has fallen by 38% since 2008.
- The key to increasing the number of new lettings is to find what will encourage a private land owner (such as a retiring farmer) to see letting land as a practical and useful option.
- The more opportunities there are, the more open the market is to new entrants; the fewer the opportunities, the less they can get land.
- Area-based subsidies appear to inhibit the change that will unlock more tenancies (and tend to increase rents).
- Without giving the landowners the confidence to let land, the structural changes in farming likely for economic reasons and in the adaptation to a post-Brexit world will use business contracts instead. As is now happening in Scotland, that would bypass the let sector with its opportunities for combining flexibility with assurance and the framework it offers for investment and land management.

3. Northern Ireland

- Those needs for land management and investment are seen in both parts of Ireland with the desire to recreate a tenanted sector.
- The continued success of the Republic of Ireland's Income Tax relief in encouraging arms' length lettings for more than 5 years is striking, now with 10,000 landlords. It offers an example to the whole United Kingdom

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