



Increasing the Availability of Farmland for New Entrants to Agriculture in Scotland

Final report to the Scottish Land Commission

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Executive Summary

Sustaining a cohort of new entrants is crucial to the ongoing vitality, resilience and competitiveness of the agricultural sector and rural regions in Europe (EIP AGRI, 2016). Land access is a critical barrier for new entrants to agriculture, not least in Scotland, which has faced a rapid decline in the tenanted land sector. In Scotland, the limited availability of tenancies has impacts for those who wish to enter farming as new entrants, plus issues of access to capital and skills development. Existing farmers and landowners who would like to move towards retirement and succession also face socio-economic challenges and uncertainties. Thus, within its Strategic Plan (2018-2021), the Scottish Land Commission seeks to: “increase access to land for those who want to farm, improve the relationships between landowners and tenant farmers, and stimulate the tenant farming sector”.

The research presented in this report aims to investigate new and alternative models for increasing the availability of land for new entrants to agriculture in Scotland, and to encourage farmers and landowners to consider options for making land available and supporting new entrant farmers. In particular, it seeks to: (i) Investigate options for new models and structures that would increase the availability of land for new entrants in the future (Section 4); (ii) Provide practical advice on existing joint venture models (Appendix B); (iii) Identify barriers to succession and retirement (Section 3); and (iv) Define a methodology to produce a baseline against which success on increasing the availability of farmland for new entrants might be measured (Section 5). These aims are fulfilled through an information gathering exercise involving literature and policy review, interviews with key informants (i.e. representatives of stakeholder organisations), focus group discussions with existing farmers and landowners, analysis of interviews with farmers and estate owners, and dataset review/indicator development.

In conjunction with the Scottish Land Commission, a selection of models for increasing land access has been explored:

- i. Experience and understanding of joint venture options: (i) contract farming, (ii) partnerships, and (iii) share farming, as well as (iv) agricultural tenancies, and (v) leasing /licensing (Section 4.1);
- ii. A tax intervention to increase land availability for new entrants: reviewing the proposals made by CAAV (2017), with particular focus on the potential for income tax relief with tenancy creation/length (Section 4.2);
- iii. A land matching service as a structural option to increase land availability (Section 4.3);
- iv. Incubating new farm businesses: an innovative model to increase land availability for new entrants to agriculture (Section 4.4).

With regard to the existing joint venture options, it is agreed that contract farming is well established in Scotland, particularly in the arable sector, providing a business development opportunity for new entrants. However, the capital required to establish

a contracting business may be prohibitive and established contracting businesses may be considered preferable partners by existing farmers and landowners, thus limiting opportunities for new entrants. Share farming is viewed positively, but there is less awareness of how such arrangements can work in practice, and uncertainty arises regarding legal structure and distinction from contracting arrangements. The new Modern Limited Duration Tenancy (MLDT) is highlighted as promoting a partnership approach between landlord and tenant. When enacted, the new 'Repairing Tenancies' are considered a route into land access for new entrant farmers. It is suggested that use of partnership models outwith inter-family transfers could be supported by a land matching service, similar to that implemented in Ireland, building trusting relationships through an independent facilitator. The Irish experience also provides a model for taxation reform, in particular, Income Tax relief with agricultural letting, which is of relevance to the Scottish situation.

The research report concludes with overarching themes emerging from the review of new entrant land access models, as highlighted by farming focus group participants and informant interviewees from the key stakeholder organisations. These themes include the balance of risk and reward on the part of existing farmers/landowners when implementing the models, the profitability of new entrant farming businesses, and the need for trust and relationship-building to ensure model success. These themes provide opportunities and important questions for further research and discussion.

1. Introduction

Sustaining a cohort of new entrants is crucial to the ongoing vitality, resilience and competitiveness of the agricultural sector and rural regions in Europe (EIP AGRI, 2016). New entrants bring with them innovation and entrepreneurialism, as well as practical and theoretical skills and networks developed on farms, in education institutions and through off-farm employment (Sutherland, 2015). New entrants' entry models and business models bring innovations which are of importance for the entire agricultural community and so are expected to increase the productivity and sustainability of the agricultural sector. This research aims to support the Scottish Land Commission in its goal of investigating and presenting new and alternative ways for increasing the availability of land for new entrants to agriculture in Scotland, and to encourage farmers and landowners to consider options for making land available and supporting new entrant farmers.

As detailed in the Scottish Land Commission's Strategic Plan, a key objective is to "encourage a more diverse pattern of land ownership with the benefits of land spread more inclusively", in addition to the long term outcome that the "the number of agricultural units managed through a lease or joint venture will be rising" (SLC, 2017a). Furthermore, within their current 'Programme of Work', the Scottish Land Commission describe their intention to "assess options for new or adjusted letting, joint venture and other models that would increase the availability of land to new entrants" (SLC, 2017b). This research contributes to the strategic objective of the Scottish Land Commission to 'increase access to land for those who want to farm, improve the relationships between landowners and tenant farmers and stimulate the tenant farming sector'.

The specific aims of the research presented are to:

- i. Investigate options for **new models and structures** that would increase the availability of land for new entrants in the future;
- ii. Provide **practical advice** on existing joint venture models;
- iii. Identify **barriers to succession** and retirement; and
- iv. Define a methodology to **produce a baseline** against which success on increasing the availability of farmland for new entrants might be measured.

This report presents the overall research findings and is structured according to the four aims detailed above, with a preceding section outlining the research approach and methodology (Section 2). Section 3 provides a summary of the barriers to entry to agriculture by new entrants, in addition to a detailed description to the barriers to retirement and succession by existing farmers and landowners. Section 4 comprises four subsections which focus on the range of models available in order to increase land access to new entrants to agriculture, including joint venture models, tax interventions, structural changes, and innovative models (e.g. farm incubators). The following Section 5 describes the development of a practical guidance document for farmers and landowners to consider the options available to them in making land

available for new entrant businesses. This guidance document is presented in Appendix B. Section 6 describes the development of a proposed methodology for providing a baseline for measuring the increase in farmland available to new entrants, following interventions and support provided for encouraging new entrants to agriculture. A summary discussion which seeks to identify critical issues and future research questions is provided in Section 7.

2. Approach and Methodology

In order to fulfil the range of project aims, a multi-stage approach was undertaken involving (i) a literature review (with support from expert consultants); (ii) key informant interviews with representatives of stakeholder organisations; (iii) a review of existing qualitative interview data; (iv) focus group discussions; and (v) indicator methodology testing to measure success of interventions. These different methodologies are described below.

(i) Literature review

A structured review of the academic and grey literature available was undertaken in order to gather information and experiences of the four model types selected for investigation. This was supplemented by expertise and reports written by members of the project team, including direct experience of a land matching service, practical knowledge of agricultural business models and tax obligations, and with regard to new entrant land access issues and new business models across Europe. The literature gathered was thematically coded according to the four key tasks and is referred to throughout Sections 3 and 4.

(ii) Key informant interviews

In order to inform the developing guidance document for existing farmers and landowners, a series of key informant interviews were undertaken with representatives of the main stakeholder organisations in Scotland. These interviewees provided their expert feedback and experiential knowledge to ensure the relevance and practical applicability of the guidance, in addition to considering the barriers to retirement and succession, and the business and tax implications to existing farmers and landowners of offering opportunities to new entrants to agriculture. The key informant interview guide is presented in Appendix A. A group of highly-experienced and relevant stakeholder representatives agreed to act as key informants. These individuals remain anonymous, but represent the following organisations: Scottish Land & Estates, the National Farmers Union of Scotland, the Farm Advisory Service, SAC Consulting, the Scottish Farm Land Trust, and Lantra Scotland. The interviewees included members of the [Farming Opportunities for New Entrants](#) (FONE) Working Group, convened by the Scottish Government. All interviewees provided verbal consent to confirm that they were happy to participate in the research and for the discussion to be recorded.

These interviews were undertaken by phone and recorded by digital Dictaphone, lasting between 30 to 50 minutes each. Detailed notes (and limited verbatim transcription to provide relevant quotes) was taken from the recordings, and incorporated within the overall qualitative data analysis (in particular, thematic coding) undertaken in order to respond to the multiple tasks within the project aims. Furthermore, involving these key informants also supports the collaborative approach developed by the Scottish Land Commission, as well as the likely uptake

and success of the resulting guidance for farmers and landowners in enabling new entrant land access.

(iii) A review of existing qualitative data

The project aims are supported by findings from recent qualitative research undertaken by Hutton team members: interviews with the owners and managers of 30 large farms and estates in Angus region and Skye and Lochalsh undertaken during Summer/Autumn 2017. These interviewees were asked to describe the existing tenancies on their land and any innovative models and/or partnerships, for example, including joint ventures and contract farming. They also described their willingness (or not) to let land to new entrants and/or to enter into new partnerships, such as contract farming arrangements. This new research therefore provides a valuable insight into the motivations of and barriers facing landowners and existing farmers in enabling new entrants into agriculture. This interview data has been gathered as part of the Scottish Government's Strategic Research Programme 2016-2021: 'How rural economies can adapt to key external drivers' (Research Deliverable 2.4.2 within Work Package 2.4: Rural industries). Emerging findings from these interviews add to the exploration of the four models of increasing land availability for new entrants to agriculture.

(iv) Focus group discussions

Focus group discussions (held as part of NFUS regional meetings) were undertaken in this research to develop understanding of a range of model types and the experiences of implementation by landowners and existing farmers will be complemented. Three focus group discussions were held with participants attending regional NFUS meetings held at Castle Douglas, Ayr, and Inverurie. Each meeting was attended by between 15-30 individuals who are members of the NFUS. They were invited to share their views and experiences of five 'joint venture' models (see Section 4), according to the following discussion points:

- What do you perceive to be the 'pros and cons' of these alternative models for existing farmers and landowners?
- What might motivate a farmer/landowner to adopt such models?
- What are the positive outcomes of implementing an alternative model to provide land access for a new entrant for existing farmers?
- What are the potential negative outcomes?
- Are you aware of tax implications for existing farmers and landowners?

The full focus group outline is presented in Appendix A.

The focus group discussions were recorded by digital Dictaphone, lasting between 30-50 minutes. All participants completed and signed consent forms to confirm that they were happy to participate in the research and for the discussion to be recorded

(see Appendix A). Detailed focus groups notes and some verbatim transcription was undertaken, and incorporated in the qualitative data analysis as described above.

(v) Indicator methodology testing to measure success of interventions

A proposed baseline methodology has been developed to measure the success of interventions to increase the availability of farmland for new entrants. From this proposed methodology, recommendations can be developed for quantitative, regional- or local-scale indicators of success in increasing land availability for new entrants to agriculture.

Options for the baseline methodology were explored through discussion with agricultural statisticians, data officers and other staff in the Scottish Government, in conjunction with the research team's knowledge of the data gathered through the Agricultural Census, indicator quality assessment, and secondary data sources. These key elements were identified in order to investigate indicators which may demonstrate change in the structure agriculture and land availability for new entrants. Options were explored with agricultural statisticians in the Rural and Environment Science and Analytical Services Division, Scottish Government for developing proxy mechanisms using the Agricultural Census and IACS.

Furthermore, in conjunction with the SLC and SRUC, additional questions for the 'Farmer Intentions Survey' (which is administered every 4-5 years) have been designed and incorporated into the draft survey (due for completion by the end of March 2018). These questions should provide a very useful baseline that can be monitored in future surveys (see detailed description in Section 6).

3. Barriers to entry to agriculture and options to increase the availability of land for new entrants

This section summarises the academic and policy literature that highlights the barriers to new entrants to agriculture, in addition to the reverse issues facing those seeking retirement and succession out of agriculture. The review also includes key findings from the focus group discussions where appropriate.

The European Commission has identified a “distressing shortage of new farmers” (DGIP, 2012, p. 39). This assessment is based on statistical figures showing that the number of young farmers in the EU27 is declining and older farmers are not passing on their farms to the new generation at a sufficient replacement rate. Subsequent analysis of Eurostat Figures suggests that there is not an adequate replacement rate of young farmers in many European countries, although there is evidence of considerable innovation and comparatively high rates of new entrants in others (Zagata and Sutherland, 2015; Zagata et al, 2017).

The importance of young farmers is their perceived role in economic and social revitalisation the countryside (DGIP, 2012). Depending on individual and regional circumstances, new entrants face considerable challenges in entering the farming sector, particularly access to land, capital, labour, markets and housing, but also business skills and knowledge development on both applied and theoretical levels, as well as the social networks that enable access to these resources.

Access to land is consistently found to be the largest barrier to new entrants to farming across Europe (Sutherland, 2015; Zagata et al., 2017). New entrant access to land issues differs between regions. In more urbanised areas, land prices are high and farmers must address multiple societal demands. The price of UK agricultural land is typically higher than could generate a return from agricultural production. The rising value of the land makes it a good investment opportunity, thus increasing competition for land and creating a disincentive to sell. In remote areas land is more readily available, but it is more difficult to establish viable farming businesses, and potential new entrants may be reluctant to move to remote areas (owing to increased travel requirements, poorer infrastructure, etc.). Even so, remote areas of Scotland are experiencing ‘gentrification’ – the influx of households seeking attractive rural lifestyles is driving up land prices in visually appealing remote areas (particularly notable on the Isle of Skye).

Long-term familial occupancy of land makes farmers and crofters reluctant to release their properties. Land reform issues – particularly uncertainties around the prospect of tenant ‘right-to-buy’ – have also made tenancies less available, as landowners seek to retain control over their land. Tenancies are increasingly being replaced by contract farming arrangements. However, it should be noted that the barriers facing new entrants to agriculture are not the focus of this report. Instead the research aims to understand the perspective and experiences of existing farmers and landowners, in order to motivate these actors to provide land and opportunities for new entrants.

3.1 Barriers to succession and retirement

In the context of farming, retirement has been presented as the ‘mirror image of succession’ (Lobley, 2010). The inseparability of retirement from succession is reflected in the high average age of farmers in Scotland (and other European countries) and in a legacy of issues relating to farmers’ ability and preparedness to pass on their business and retire at an age more common within society as a whole.

Research consistently demonstrates that succession is the most common means of entry into farming in Europe (e.g. Symes, 1990; Kazakopoulos, 1996; Statistisches Bundesamt, 2011). Furthermore, farming is almost exclusively an inherited occupation, which is said to reflect the tenacity and persistence of farm families (Lobley, 2010). A combination of support for familial succession and attracting ‘new blood’ into the sector is suggested to bring benefits (e.g. higher levels of innovation and entrepreneurship, connections to non-agricultural networks and business practices). While the barriers to familial succession and succession by unrelated new entrants appear to be somewhat distinct, a common issue affecting both new entrant pathways appears to be underpinned by a lack of succession planning in terms of a process of ‘easing-out/easing-in’, which ultimately could better prepare older and younger generations for the future (Lobley et al., 2010). Previous research and focus group discussions in this project have identified a number of financial, socio-cultural, and personal/psychological barriers affecting succession processes and the eventual retirement of farmers, which are discussed in this section.

The succession process has been consistently linked to business development and investments on farms. Potter and Lobley (1996) identified what they termed the ‘succession effect’, whereby farmers build up resources in anticipation of a successor. A Belgian study found evidence that the succession intention influences the farm investment decision about 10 years before the farm is actually taken over (Calus et al., 2008). In contrast, elderly farmers without successors lack the incentive and motivation to continue expanding the business (Potter et al., 1992), tending to simplify their enterprise structure and reduce the intensity of farming (Calus, 2008; Sottomayor et al., 2011), unlike farmers with successors, who were found to be much more motivated to enlarge their farms (Vogel et al., 2004). In Bulgaria, Koteva et al. (2009) and Mladenova et al. (2007) point out that older individual holders are often sceptical about the continuity of farming for the next generation and thus have no incentive for the accumulation and allocation of financial resources into the farm for the next generation.

Studies consistently demonstrate that successors are more likely to become part of successful businesses. However, there is debate over whether this is because taking over a profitable farm is more appealing to young people (Carbone and Subioli, 2008; Glauben et al., 2009), or because it is the successors themselves who contribute to the profitability of the farm prior to formally taking over the farm business (Lobley and Baker, 2010). In this type of succession pathway it is likely that outgoing farmers will still retain links to the farm and land (CLA, 2018; Riley, 2016),

but may face barriers relating to housing, financing their retirement, and relinquishing their role, status, and identity as ‘the farmer’ (Conway et al., 2016). As a result, they may choose not to ‘give up’ their farm, opting instead not to retire or lease-out land or bring in a contractor to continue with day-to-day operations. Indeed, it has been found that personal values and ties to their land influence farmers’ decisions relating to who they may lease (or even sell) their land to (Grubbstrom and Eriksson, 2018). Riley (2016) explores this ‘fuzzy work-retirement boundary’, which sets farming apart from other occupations where retirement represents a distinct point in time. The situation described here also illustrates how a ‘forgotten army’ (as described in one focus group) of future successors are working in agriculture, but not represented in terms of statistics as they may have small shares in existing businesses, but no legal status as ‘the farmer’.

Suggestions of negative ascriptions, or that retirement might be considered as a ‘failure’ among farmers, is recognised and proposed as an issue to be tackled (Riley, 2016; St Georges House, 2014). The rising capital value of agricultural land, in addition to the considerable emotional and time investment of operating a long-term farming business, make farmers reluctant to sell their land, or pass meaningful control onto the next generation (Gasson and Errington, 1993; Ingram and Kirwan, 2011). Land may be leased rather than sold to prevent it and associated properties from being lost to the family; under current policy structures, this also enables elderly farmers to draw on subsidy payments associated with the land to finance their retirement (Grubbstrom and Eriksson, 2018). Indeed, prospective loss of support payments was acknowledged as the ‘elephant in the room’ in focus groups undertaken in this research in relation to succession.

Reluctance to sell is characteristic of both large-scale farmers, whose land represents a significant capital asset in terms of land value and access to subsidy payments, and small-scale farms, where the rewards of selling are limited in comparison to the loss of a valued family resource that may be retained for recreational use (Moragues-Faus, 2014). Another issue relating to smaller-scale farming, identified in one focus group, relates to the capacity of farms to support more than one livelihood – which also raises intergenerational transfer issues. When land becomes available, new entrants find themselves competing for land with existing farmers, who are attempting to achieve economies of scale (see also Cook et al., 2008).

In some countries, such as the UK, farming is viewed as a “closed profession” meaning that only those individuals who inherited farming resources could afford to continue farming (Symes, 1990). However, a recent research project found that the way that farm children identify themselves as successors is changing, i.e. regarding choosing farming as a future career choice (Chiswell and Loble, 2018). This can lead to varying consequences, including a lack of farming successors, as farm children evaluate agriculture against other non-agricultural career options; but in some cases it is resulting in by-passing traditional processes of inheritance in favour

of positive decisions by farm children to select farming as a career. In focus groups, it was suggested that making the industry more attractive to new entrants (including familial successors and unrelated new entrants) would help to address issues relating to farm succession.

As well as financial barriers associated with the loss of land and cultural barriers associated with the loss of family heritage identified above, there have been important suggestions made in focus groups relating to a lack of perceived support for farmers in a gradual 'easing-out' process, as a counterpart to supports for new entrants 'easing-in' at the other end of their farming career (Lobley, 2014). Davis et al. (2013) also suggest that counterpart schemes supporting farmers at either end of their careers sees greater efficacy among new entrant schemes relative to those supporting retirement. In the literature, examples of schemes put in place to encourage farmers to retire have generally been found to be unsuccessful (Bika, 2007; Conway et al., 2017; Macaulay Institute et al., 2008). At best these schemes have primarily enabled the earlier retirement of farmers who would otherwise have retired within a few years (Bika, 2007), and at worst, they enable older farmers to lease out land and then recover it several years later (Mazorra, 2000).

The focus groups suggested that easing-out support may include: awareness raising regarding the importance and benefits of succession and retirement planning, peer support going through the personal psychological journey, opportunities for farmers to act as mentors to younger generations, and potential for a form of succession 'matching system' where no successor is in place. In one group discussion, the suggestion was made that alternative opportunities for farmers to confer skills, knowledge, and experience to new generations in the context of a business arrangement be explored (e.g. through share farming), on the basis that farmers 'like passing stuff on'. This type of opportunity is explored by Ingram and Kirwin (2011), referencing the 'Fresh Start Initiative', which offered a matching service in the south of England¹. These authors found a 'deep-rooted reluctance' to establish formal long-term ventures where an informal relationship had not already been established, but suggested that future policy support should focus on facilitating and formalising already existing partnerships.

In terms of the few success stories associated with new entrant and retirement schemes, a study of new entrants in Ireland found that the scheme was successful in enabling entrance to the dairy industry, albeit with a very small sample. The scheme relied on the development of business plans and adhering to targets, as well as training in dairy management, addressing a need for business development training (McDonald et al., 2014). However, this scheme addressed relatively young individuals (aged 30 to 50 years) who already had access to a farm, but were shifting into dairy production. Bika (2007) also found some successful results of early

¹ Please note that this initiative was not connected to the 'Fresh Start Land Enterprise Centre' (Rickett, personal communication, 23rd March 2018).

retirement schemes in less favoured areas, where the earlier retirement of the primary farmer enabled the retention of young people. However, the highest adoption rates of the scheme were in highly productive regions, where she argued there was no shortage of young people willing to take up farming. The barriers to new entrants and successors thus vary depending on geographic location.

The 'farming ladder' was a consistently referenced concept in the focus groups, suggesting a series of steps from new entry through a career in farming. However, it seems that change is required to repair broken or missing rungs that prevent progression (St Georges House, 2014). Considerable attention was placed on experiences in New Zealand, where it is believed that systems established provide far greater support for succession and retirement and could provide lessons for Scotland. However, structural differences were also recognised. Tax regimes in particular were believed to be having an important impact on decision-making and impeding land from being let, shared or changing hands. Leonard et al. (2017) propose that it is also the situation in Ireland, that tax is perceived to be a large financial risk of transferring land prior to death, but their study also suggests that each situation is different and that there is no optimal route to be taken. Pietola et al. (2003), in Finland, also suggest that market conditions, policy, and circumstances of individual farms ultimately impact on farmers' decisions on the right time to exit.

4. New models and structures to increase land availability for new entrants

In order to overcome barriers to land availability for new entrants to agriculture, a shift towards innovative and alternative models of land access is necessary. A preliminary list of innovative and alternative models was compiled in the early stages of this research project, based largely on a compilation developed by the EIP Agri Focus Group on New Entrants to Farming (see EIP AGRI, 2016). This list is presented in Table 1. This is followed by a more detailed examination of four key models identified by the Scottish Land Commission as being of particular interest:

- i. Experience and understanding of joint venture options: (i) contract farming; (ii) licensing; (iii) tenancies; (iv) partnerships; and (v) share farming;
- ii. A tax intervention to increase land availability for new entrants: reviewing the proposals made by CAAV (2017), with particular focus on the potential for income tax relief with tenancy creation/length;
- iii. A land matching service as a structural option to increase land availability;
- iv. Incubating new farm businesses: an innovative model to increase land availability for new entrants to agriculture.

For each model type, the following key points were considered throughout the literature review and stakeholder consultation phases:

- Structures and incentives that have been put in place in order to implement and monitor these arrangements;
- An assessment of how successful these approaches have been in achieving their stated objectives;
- Any unintended consequences associated with these interventions;
- The relevance of each intervention to the Scottish context; and
- The lessons that Scotland could learn from these experiences.

Table 1 Models and interventions to increase availability of land for new entrants to agriculture

Model	Approach
Career-ladder farming	A stepwise entry in an established farm business, known from and practiced in New Zealand dairy production. A young farmer enters a farm as employee or manager, can later proceed as contract milker and can gain his/her first own entrepreneurial responsibility as a "labour-only sharemilker". This means he/she brings in only his labour force in the dairy production, and all other assets including cattle are provided by the farm owner. The remuneration of the share milker will be a certain predetermined share of the milk turnover or profit. Beyond being a labour-only share milker there are several better remunerated options, like the "50-50 share milker", depending on what quantity of inputs is provided by the share milker, whether and why he/she finances variable inputs and brings in machinery and own cattle. The final steps of such a career are being an owner of a farm and later perhaps to take himself a junior partner to retreat

	stepwise from active operation.
Contract farming	A farmer outsources a part - or all - operational farming activities to a contractor, while staying legally fully responsible for his/her business, with all associated tax and subsidy implications. It is often a way for elderly farmers without direct successors to gradually retreat from active business - and can offer new entrants a stepwise entry opportunity into farming without needing their own land (i.e. new entrants can contract farm and accumulate farming resources like machinery). There are also "mixed" forms of contract farming and share farming – e.g. where the field operations are completely sourced out and paid by a predetermined share of the harvest. For further detail see Section 4.1
Crowd funding	Sourcing investment in the farm from members of the public (e.g. not banks or formal lending institutions). This is not an entry model per se, but a contemporary means of financing a new start-up business and sometimes creating a market (funder as consumer) at the same time. In principle a lot of small capital owners finance a new business together. Crowd funding is typically organized through the internet for reducing transaction costs; capital donors are often motivated to invest in support of a common vision with the new business idea.
Crowd sourcing	Sourcing farm labour from volunteers. This represents an opportunity to limit labour costs or to get additional labour force in critical phases of a start-up operation. In principle it means outsourcing of internal tasks of a business operation to volunteers, typically organised via the internet.
Community Supported Agriculture (CSA)	CSA can be considered a community-based farm financial model/marketing form: at the beginning of the year, the owner(s)/managers of a farm set up a comprehensive production plan, estimate the physical output and calculate the production costs. A group of persons/households/families pays a fixed sum per month/per year and buys the whole production to cover their personal food needs. The sum depends on personal needs and personal economic conditions of the participating consumers and is calculated proportionally to the overall farm production costs: all participating consumers cover together with their fixed payments the total production costs of the farm. The advantages of this system are a strong producer-consumer-relationship, and that it takes economic pressure from the farm. The model is also suitable for small and middle sized operations with little opportunities for increasing their farm area - and can be an instrument for saving small family farms in the long run from structural change. CSA is not exclusively a new entry model, but CSA farms offer participation opportunities in farm operation, which can serve as an entry model for new entrants. Once successfully established, new activities and business branches can be developed, offering opportunities for new (co)entrepreneurs.
Equity Partnership	In an equity partnership, partners form a new joint venture business for pooling their resources, typically capital from one side and labour/knowledge from the other side. Often the labour partner is employed or working as the farm manager. The use of joint ventures can help both parties and can drastically reduce the need for high levels of capital at the

	start for a new entrant. See also 'junior-senior-partnership' and 'career-ladder farming'. For further detail see Section 4.1
Incubator-supported start-up	Economists define a business incubator as an enterprise or an organisation which supports young entrepreneurs to set up their business. Typically incubators offer office space, planning, subsidy, financing and marketing advice, but also equity capital and – for agriculture - in some cases also land. Public local authorities can act as incubators for new entrants in agriculture (e.g. by offering advice and access to land), as can NGO's and established private enterprises or private persons interested in developing the sector. An outstanding example is the French network " Réseau National des Espaces Tests Agricoles " (RENETA), an umbrella organisation which supports organisations and projects which provide land to new entrants for testing their business idea in practice, thus limiting the risks and damages associated with failure. For further detail see Section 4.4
Junior-Senior-Partnerships	An entry model, where a young/new farmer cooperates with an established experienced farmer, who needs (qualified) labour support and/or looks in the long term for someone to continue with his business. The new entrant can start as an employee, and be later a business partner with a defined share of input and output. There are also cases involving more junior and senior partners, working together in different legal enterprise frameworks. Typically those partnerships set up a new legal business platform, which rents the fixed assets like land and buildings (sometimes also machinery) from the individual partners. This kind of entry model has great advantages especially where land prices and leasing rates are very high and where established farmers have a clear interest in continuation of their farm business. For further detail see Section 4.1
Land Partnerships	Land partnerships can be understood as a generic term for different ways of cooperation and interaction between landowners and people interested in or already running a rural business/a farm without or with insufficient own land property. The "Land Partnership approach", as proposed by the UK Fresh Start Land Enterprise Centre, defines it as a guided process for creating sound new business relationships by bringing together landowners and new land entrepreneurs for cooperation within a range of legal frameworks. Types of legal frameworks can include contract farming, licenses, share farming, partnerships, conventional tenancies and long term lets. For further detail see Section 4.1 and 4.3
Land Trusts	Terre de Liens in France is an example of a charitable trust which offers its land to new entrants to ecological (organic) farming. New entrants access this land as long-term tenants; the land or resources to purchase land are donated or held in long-term trusts. Replicating this model is the aim of the Scottish Farm Land Trust.
Share farming	Share farming or share cropping (if only field production related) is a form of cooperation, where two parties join their resources to farm together while staying independent from one another with their business. Typically the landowner provides land, buildings, fixed equipment (sometimes also livestock or specialized installations like irrigation facilities), while the

	'operator' provides management knowledge, labour, variable inputs and sometimes also a part of the mobile machinery and/or livestock. Input costs are financed in agreed proportions and every partner gets a predetermined share of the final output (Fresh Start Land Enterprise Centre, 2015) ² . For further detail see Section 4.1
Workers' cooperative	A worker's cooperative is a cooperative enterprise, which is owned and managed by its workers. As a new entry model in agriculture it has the advantage that many people contribute their resources and knowledge, thus improving their chances for business success. On the other hand, participants must have a joint vision of this approach and personal ability to work and make decisions as a team. Workers' cooperatives are most commonly used as an entry model for people interested in urban or peri-urban agriculture.

Source: EIP Agri Focus Group Final Report (2016)

² See also: <http://www.cla.org.uk/transfers/North/ShareFarmingweb.pdf>

4.1 Experience and understanding of joint venture options

As detailed in the Scottish Land Commission's Strategic Plan, a long term outcome is that the "the number of agricultural units managed through a lease or joint venture will be rising" (SLC, 2017). A joint venture maybe defined as: "form of cooperation, formed in a legal manner, between two or more parties to form a business relationship, other than as landlord and tenant" (FAS, 2017:1). Joint venture models therefore include (i) contract farming, (ii) partnerships, and (iii) share farming. Whilst not falling within the technical definition of joint ventures, (iv) agricultural tenancies, as well as (v) leasing / licensing, are also key to increasing land access for new entrants. This section will provide an outline of each model type and the implications for promoting increasing land access for new entrants to agriculture. This section is informed by the literature review, focus group discussion, and key informant interviews; it overlaps with the text and format of the draft guidance document (see Section 5 and Appendix B).

(i) Contract farming

This involves the outsourcing of operational activities on a piece of land by the landowner, whereby an agreement would be put in place for activities to be undertaken by another party ('the contractor'). The contractor would typically provide labour and machinery and is remunerated with a contract fee and share of profits associated with farming on that land. A detailed description of a standard Contract Farming Agreement (CFA) is provided by the Farm Advisory Service in the Guidance Note on Joint Venture Farming (FAS, 2017).

Contract farming arrangements govern the profit split of contract farming arrangements. The contractor receives payment for the work done. The farmer receives a share of the profit each year, normally shown as income within their current farming business accounts. A separate account of the income and expenses of the enterprise management is kept and an annual set of accounts produced each year for this business.

Benefits and opportunities for existing businesses:

Contract farming offers opportunities for all types of agricultural enterprises, but has traditionally been suited to arable and vegetable production, as explained by focus group participants. Whilst there is perhaps less experience of contract farming with regard to livestock in Scotland, case studies exist of successful business arrangements utilising livestock hire agreements. The key informant interviewees requested further research to establish the scale of contract farming in Scotland, the sectors utilising contracting, and the 'risk-to-return' ratio for farm businesses.

Contract farming provides a suitable opportunity for a range of landowners, from those who wish to outsource farming on their land in its entirety, to those who wish to down-scale their active involvement by releasing only a portion of land to a contractor. The key informant interviewees explained that contract farming is a 'tried

and tested method' that is popular due to the freedom associated with it, but rely on trusting relationships between landowner and contractor. From a management perspective, this form of venture can allow the landowner to retain full involvement in policy and decision-making. Profitability is central to the ongoing contracting arrangement. Concerns around responsibility for land maintenance and sustainable land use, as well as lack of security of tenure, were discussed within the focus groups.

For tax purposes, this form of agreement allows the landowner to retain their status as the 'working farmer' (see Section 4.2). The proportion of profit gained from the enterprise management is disclosed annually within the benefiting parties' tax returns. An example of a contract farming arrangement in practice is described in the quote presented in Box 1³.

Box 1: Experience of contract farming as a new entrant:

"Where we are now is the family's farming business, yes. And in order for me to find a way in to that business...I had an opportunity with another farmer fifteen miles away to set up a joint venture, contract farming business, and using that model we contract farm my family's business and his family's business and another family's business. So it's a way of sharing machinery, fuel, labour, spreading that cost over three holdings. And also centralising the management. That's what I've been training up towards for the last few years. And in his situation he was farming his farm and another farm but he was sixty-ish and looking for his – he's got four kids but none of them are directly interested in farming, it was a way of succession without having to sell the farm or retire or anything and he can still remain as a farmer, it's not as though he's given up completely and rented the whole lot out, he still has an active management as much as he likes because he's a 50% shareholder in the new joint venture company." (Farmer, Angus, 30 years old)

Impact on increasing land available for new entrants to agriculture:

New entrants may utilise this as an opportunity to access knowledge and experience held by the existing farmer, pertaining to the land and/or farming activities and practices. It is less likely to constitute the 'first rung' on a farming career ladder for individuals entering agriculture, due to the need for capital investment (e.g. machinery to use to undertake the contract), or previous agricultural training.

In instances where a farming successor is not in place, relationships and trust built around this type of arrangement may underpin new entrant career progression (e.g. expanding area of contracting activities, creating new tenancies, etc.). In the first instance, contract farming does not provide land access, but a business opportunity for a new entrant to agriculture. As the key informant interviewees and focus groups highlighted, there are market challenges to new entrants seeking contracting opportunities; and successful contracting businesses across Scotland with no

³ Emerging from interviews undertaken for the Scottish Government's Strategic Research Programme 2016-2021: 'How rural economies can adapt to key external drivers' (Research Deliverable 2.4.2 within Work Package 2.4: Rural industries).

connection (i.e. through tenancies or ownership) to land. In this regard, it is difficult to assess the scale of the sector and the potential for new entrant access (see also Section 6).

(ii) Partnerships (e.g. equity partnerships, junior-senior partnerships, etc.)

As a set of options, these represent different ways of cooperation and interaction between existing farmers and new entrants committed and legally bound to run the farming enterprise together. Partnerships consist of a number of partners in a business, governed through a partnership agreement which sets out the partnership share of assets and profits. Two owners of a business constitute a partnership. Each partner is taxed on their share of the partnership profits.

Accounts profits are adjusted for various items such as private use items, depreciation and capital allowances to come to the taxable profit. Each partner has a personal tax allowance (2018/2019 = £11,850) which is set against annual taxable profits before the charge to tax is calculated.

Benefits and opportunities for existing businesses:

Farm partnerships can be used to formalise succession processes, and to share both responsibility and reward in a farming business. A partnership allows for older and younger generations to be actively involved in the farm business together, and to share experience and knowledge. Uptake of partnership arrangements is most often amongst families, but the mechanism may also be considered an option for non-familial succession. In order to build trust between the potential partners, a pathway to partnership approach is recommended, for example through initiating an employment relationship, or through a land matching service (e.g. Land Mobility in Ireland; see Section 4.3).

A new partnership presents an opportunity for pooling resources in a way that benefits both parties. Typically the existing landowner would input capital assets and the new entrant might input labour, new knowledge or skills.

The land title may be safeguarded through licensing or leasing of land for use by the partnership. The existing farmer can retain full ownership of assets and may decide to transfer all or some of assets at later points in the partnership process. In contrast to tenancy agreements, the duration of a partnership can be defined by the partners whilst drawing up the agreement document.

Partnerships can have positive benefits in terms of support payments, provide tax saving opportunities, and income tax credits, where partnerships are formed in succession planning (see Section 4.2).

Issues for existing businesses:

The key informants highlighted the significant level of trust required to underpin a farming partnership, as well as the necessity of written agreements and legal advice. As described by the key informant interviewees, the creation of a partnership relies

on the communication skills of both parties, and a positive relationship, 'like a marriage'. The interviewees note that increasing use of partnerships can be 'difficult and complicated', and can at times become acrimonious or break down. Whilst it is considered more difficult to establish partnerships outside of family arrangements due to the level of trust required, the flexibility of farm partnerships is a motivation on the part of farmer and new entrant.

Impact on increasing land available for new entrants to agriculture:

Similar to contract farming arrangements, partnerships are unlikely to represent the first rung on the farming career ladder (except in familial succession), but may represent a progression where trust has been built through another type of arrangement (e.g. contract farming, tenancy, employer-employee relationship). As explained in the detailed guidance provided by the Farm Advisory Service, a partnership may be a route to farm ownership otherwise out of reach to a new entrant (FAS, 2017).

(iii) Share farming

Share farming represents a form of cooperation whereby parties join resources to operate the farm together, but operate as independent businesses, therefore jointly accepting full commercial risk as well as production gains. Typically the existing farmer provides land (retaining tenure) and other fixed assets and the new entrant party provides labour and other variable inputs. A 'farm plan' forms the basis of agreement between parties; each party receives a predetermined share of farming outputs (Price, 2014).

Share farming agreements govern the asset and profit split of share farming arrangements. Depending on which assets from each party within the agreement are used within the share farming operation, the share of the income and expenses are divided up to give a return on the assets or work put into the enterprise. This split will give the share of income and expenses derived from the enterprise attributable to each party within the share farming arrangement.

Each party in the share farming arrangement then accounts for their share of the income and expenses within their own annual tax return. The share farming profit and loss account in totality is not accounted for, it is the individuals within the share farming agreement that account for their part individually.

Benefits and opportunities for existing businesses:

Share farming offers an opportunity to step back from the day-to-day, physical aspects of farming (Price, 2014), and provides an option for existing farmers to reduce their level of involvement whilst maintaining interest and status, including tax benefits due to retaining control of the land asset. All parties are not tied to the requirements of a tenancy or partnership agreement.

Share farming may also be considered an opportunity for farmers who wish to expand their farm business, but have financial limitations (e.g. with regard to land rental prices) or do not wish to enter tenancy agreements themselves. There are positive examples within the dairy and sheep sectors in Scotland, with learning transferred from an established share farming system in New Zealand. Indeed, the key informant interviewees describe the positive impact on farm business profitability where a share farming arrangement has been established with a new entrant, as an alternative to ‘winding down’ pre-retirement.

Share farming provides an opportunity for farmers to transfer skills and knowledge to new entrant farmers, ensuring the ongoing legacy of their farming career and enhancing the experience of new entrants to agriculture.

Issues for existing businesses:

This option is considered less appealing to existing farmers where farm profitability is low, however the counterview is highlighted by the key informant interviewees (i.e. depending on the reasons behind low profitability, the potential exists to increase profitability through increased human capacity). Share farming agreements are not ‘one-size-fits-all’ and the definition of ‘share farming’ appears to need greater clarity from a legal perspective. The key informant interviewees highlight a lack of translation of share farming templates (i.e. from New Zealand or England) to the Scottish legal system regarding, and little awareness within the industry regarding the distinctive benefits of share farming vs. contracting arrangements (however, see definition by FAS, 2017: 4). The discourse around share farming appears to relate to concerns of land renting on the part of landowners and owner-occupiers (see following section). As Box 2⁴ illustrates, whilst there is a will, landowners are reluctant to enter into alternative models such as share farming.

Box 2: View on share farming from a private landowner:

“The biggest limitations to me are profitable alternative enterprises, and the general bureaucracy and hassle. In farming generally and in getting involved... in new farming enterprises...I see a barrier to... developing the farm...is the lack of... young people, either wanting to get involved or able to get involved. I'm not sure which one it is...To me where there's a problem is that... there are people like me with wealth tied up in land [who] could get frustrated that it's difficult to either let that land, or enter into some sort of transparent joint venture, or share farming with young people.” (Landowner, Angus, 50 years old)

Impact on increasing land available for new entrants to agriculture:

Share farming provides a mechanism for new entrants to develop experience and learn from an existing farmer, whilst also building capital (e.g. a livestock herd) and gaining access to the land resource. It also can provide a longer-term option than

⁴ Emerging from interviews undertaken for the Scottish Government’s Strategic Research Programme 2016-2021: ‘How rural economies can adapt to key external drivers’ (Research Deliverable 2.4.2 within Work Package 2.4: Rural industries).

other joint venture models, as both parties have a joined interest in the viability and success of the farming enterprise.

(iv) Tenancies

Agricultural tenancies are the most common and well-established mechanism for providing access to land for new entrants to agriculture. The basic principle of an agricultural tenancy is the letting of an area of land for agricultural use by a landowner to a tenant for an agreed rental value. A number of tenancy options exist in terms of timescale, conditions for renewal, and release from contract; these are summarised in Box 3. Agricultural tenancies are tightly regulated in Scotland⁵.

Box 3. Agricultural tenancy types in Scotland suitable for new entrants^{6*}

- Short Limited Duration Tenancies (SLDT) of up to 5 years, introduced by the Agricultural Holdings (Scotland) Act 2003 (the ‘2003 Act’).
- Modern Limited Duration Tenancies (MLDT; replacing LDT), of a minimum 10 years (with break clause), as introduced by the Land Reform (Scotland) Act 2016 (the ‘2016 Act’).
- Repairing Tenancies, of a minimum 35 years, as introduced by the Land Reform (Scotland) Act 2016 (the ‘2016 Act’), but not yet enacted.
- “1991 Act Tenancies” or “secure tenancies” entered into under the Agricultural Holdings (Scotland) Act 1991 (the ‘1991 Act’) or preceding legislation, where the tenant’s security of tenure is protected by the legislation (can be let for a term of years or lives of the tenant).
- Limited Partnership Tenancies, where the landlord or their agent is the limited partner and the tenant is the general partner. The limited partnership lasts for a minimum term specified in a partnership agreement. At the end of the term specified in the partnership agreement, either the landlord or tenant can bring the partnership to an end, which ends the tenancy.

*Please note: this list does not include crofting tenancies or those contained within the Small Landholders Acts.

A tenancy can be created through any business vehicle. The most common are: - a) a sole trader – where one individual is trading alone; b) a partnership – where two or more persons are in business together; c) a limited company – where the business is incorporated, shares are issued and these shares are purchased by those that wish to own the company. Each of these vehicles produce a set of annual accounts. Taxable profits are then assessed to tax.

Sole traders and partners within a sole trade as assessed to tax as individuals via income tax (currently there are 5 Scottish tax bands from 19%-46% for 2018/2019).

⁵ The [Agricultural Holdings \(Scotland\) Act 2012](#) and the [The Public Services Reform \(Agricultural Holdings\) \(Scotland\) Order 2011](#) along with the [Agricultural Holdings \(Scotland\) Act 2003](#) and [Agricultural Holdings \(Scotland\) Act 1991](#) describe the legal framework for agricultural tenancies in Scotland (Scottish Government, 2017). The [Land Reform \(Scotland\) Act 2016](#) (LRS 2016) incorporated recommended changes to the tenancy system in Scotland following the report of the Agricultural Holdings Review Group (published 2015). The LRS 2016 is accompanied by secondary legislation, including the [Agricultural Holdings \(Modern Limited Duration Tenancies and Consequential etc. Provisions\) \(Scotland\) Regulations 2017](#)

⁶ After Edwards and Kenyon (2014), Brodies (2016), and McIntosh (2017).

Limited companies are assessed to tax on corporation tax (rate currently 19% to 31/03/19).

Benefits and opportunities for existing businesses:

Under an agricultural tenancy, the landowner receives a regular income from the leasing of their land to the tenant, and retains ownership of the land, but is usually not involved in the farming or management of the land for the duration of the tenancy agreement. As described by a key informant interviewee:

“It’s an opportunity if people want to go down the tenancy route...because it does offer more security than a contract/share agreement...They are staying as owners of the land, so...they are not seeing their lifetime’s work being sold...I think it also gives them a bit of satisfaction to see a new fledgling business grow and to know that they are there to guide and mentor them a little bit.”

Tenancy agreements can provide a simple option for landowners who want to scale-back or cease active farming, by renting part of all of their land to a suitable tenant. It is also possible to include machinery and associated farm buildings, within a tenancy agreement. A tenancy can provide financial security to the landowner and ensure maintenance of the land.

Under the new Modern Limited Duration Tenancy (MLDT⁷), which is based on a minimum duration of 10 years, a break clause may be included in the agreement where the tenant is a new entrant. This allows for landlords to end the tenancy agreement after 5 years if management of the land is considered unsatisfactory. The MLDT also offers relative freedom of contract with regard to tenancy duration (beyond 10 year minimum) and fixed equipment.

A further new tenancy route for new entrants to agriculture in Scotland arises with the arrival of ‘Repairing Tenancies’, although it should be noted that these are not yet enacted through the 2016 Act. As explained by Brodies (2016):

“A repairing tenancy will have a minimum term of 35 years with a minimum five year initial "repairing period". During the "repairing period", the tenant is responsible for the provision, maintenance, renewal and replacement of fixed equipment unless the lease provides otherwise. The policy behind repairing tenancies is to give a future to holdings which are currently in a poor state of repair”⁸.

This option for long term and likely low cost land rental is considered as a route to overcoming new entrant land access by the key informants to this guidance document.

⁷ See: [‘A Guide to- The Essential Features of the Modern Limited Duration Tenancy’](#).

⁸ <http://www.brodies.com/binformed/legal-updates/part-10-of-the-land-reform-scotland-act-2016> (accessed: 29.3.18; last updated: 1.6.16).

Issues for existing businesses:

Letting land through agricultural tenancies provides a secure income to farms and estates, which can support a farmer or landowner who wishes to retire. The formalised approach to letting in Scotland provides clear rights and responsibilities to both the tenant and landlord, with support provided by the Tenant Farming Commissioner.

However, the focus group participants and key informant interviewees highlighted the considerable reluctance within the farming and landowning sector to establish new agricultural tenancies following the recent legislative review, in part due to the perceived risk of absolute 'right-to-buy' measures for tenants being introduced in the future⁹. This has dis-incentivised landowners and existing farmers to establish new tenancies on their land due to the risk of losing ownership in the future. The key informant interviewees highlighted the need for a 'culture' or 'mindset shift' around how tenancies are established, and the relative balance between risk and reward for landowners and tenants. This is a key point for further discussion with regard to increasing land availability for new entrants to agriculture.

Impact on increasing land available for new entrants to agriculture:

Entering a tenancy agreement provides a secure mechanism for individuals to develop a business and develop experience through independent management of a piece of land. The Modern Limited Duration Tenancy (MLDT) has been designed specifically to support new entrants into agriculture, as explained by the Tenant Farming Commissioner¹⁰.

Longer-term tenancy agreements provide a more secure opportunity for business investment and for a tenant to gain experience, networks, and contribute to the local economy/community.

(v) Leasing/licensing

This type of agreement grants another party ('the licensee') permission to undertake a specific activity on a piece of land (and associated buildings). In Scotland, leasing is more commonly used than licensing. Indeed, the key informant interviewees were split in their agreement as to whether licensing could provide a model for new entrant land access in Scotland, which therefore requires further examination.

Benefits and opportunities for existing businesses:

Agricultural licences tend to run as short-term agreements such as grazing or mowing leases, where a tenancy is not appropriate/desired. It might also offer an opportunity for making productive use of marginal/derelict land, or as a 'meanwhile use' option between crops/land use change (e.g. development). Key informant

⁹ At present, only '1991 Act' tenants have a pre-emptive right-to-buy on sale of land (Brodies, 2016).

¹⁰ See: ['A Guide to- The Essential Features of the Modern Limited Duration Tenancy'](#).

interviewees highlight the perceived 'usefulness' and frequency of short-term licensing in arable production and livestock grazing.

Issues for existing businesses:

Depending on how the licencing agreement is drawn-up and how the land and associated buildings will be used, an agricultural lease may be inadvertently created – at which point the licensee becomes a tenant and is bestowed with additional rights and protection relating to occupancy of the land. For example, the term of a grazing or mowing lease must be for no more than 364 days, and failure to vacate at the end of this period will lead to the lease becoming a Short Limited Duration Tenancy (SLDT), with a minimum length of 5 years.

For longer term agricultural occupation, tenancy law protects the interests of landlords and tenants, where a licence may not.

Impact on increasing land available for new entrants to agriculture:

Seasonal grazing or mowing leases are a tool for new entrants to gain access to land in the short-term. However, due to the short-term nature and inherent limitations associated with this type of agreement, licenses may be best utilised to gain access to additional land/buildings, rather than as an option to establish a new farming enterprise. Similarly, seasonal leases of land for arable production and livestock grazing limit the ability for the new entrant to plan for farm development over the long term, and they can be faced with uncertain land rental prices.

4.2 A tax intervention to increase land availability for new entrants

Increasing land availability for new entrants to agriculture may be supported and encouraged through interventions in the taxation regime that influence farmers and landowners in Scotland. This section provides an overview of the current taxation system that has an impact on new entrant land access, and considers the potential for an intervention that could seek to overcome land access barriers to new entrants. In particular, this section will summarise the proposals in the agricultural taxation review by the Central Association of Agricultural Valuers (CAAV, 2017), exploring in further detail the proposal to provide tax relief for new entrant tenancy provision/length.

The current taxation system influencing farmers and landowners in Scotland

At present in Scotland, owner-occupier farmers and landowners are required to pay tax according to the common taxation system of the United Kingdom, including: Income Tax (when operating as a sole trader or partner), Corporation Tax (when operating as a limited company), Value Added Tax, Inheritance Tax and Capital Gains Tax. Three key exceptions affect property owners in Scotland and have implications for new entrant land access. Firstly, the Land Reform (Scotland) Act 2016 reinstated 'sporting rates' on land with potential use for sport shooting (e.g. grouse moors, pheasant shoots and deer forests), including land within farms and estates¹¹. The addition of these new business rates to the tax burden of farmers and landowners may be considered a further barrier to new entrant land access, due to increased costs for the operation of land-based businesses with sporting land. On the other hand, the impact of this tax may be beneficial for new entrants who wish to buy land, where prices are reduced as a result of the sporting rates policy. However, it should be noted that the Small Business Bonus Scheme (SBBS) provides exemption from sporting rates where the property has a rateable value of less than £15,000 (assessed including all businesses on the property, e.g. diversification activities, rented property, etc.) (cf. Jameson, 2018). Further exemptions apply to owners of large areas of sporting land (up to 50%) or where shooting rights are prevented due to special considerations (e.g. species protection concerns, deer management arrangements, etc.) (up to 10%).

Secondly, the Land and Buildings Transaction Tax (Scotland) Act 2013 (LBTT) makes provisions for the taxation of land transactions, and replaced the UK Stamp Duty Land Tax (SDLT) in Scotland from 1st April 2015. As detailed by Revenue Scotland, a land transaction is defined as the acquisition of a chargeable interest in land, i.e. the real right in or over land in Scotland, including agricultural land and buildings¹². The chargeable interest is calculated according to the market value of

¹¹ The calculation of sporting rates plus an overview of the taxation implications for farmers and landowners are provided by Jameson (2018; see: <https://www.struttandparker.com/knowledge-and-research/what-you-need-to-know-about-the-new-scottish-sporting-rates-policy>; accessed: 29.3.18; last updated: 18.10.17).

¹² <https://www.revenue.scot/land-buildings-transaction-tax/guidance/lbtt-legislation-guidance/how-tax-works/lbtt1002> (Accessed: 29.3.18; last updated: 8.3.15).

the land (including any VAT chargeable in respect of the transaction), and may also include rent payable under a lease. The buyer or tenant of the land (on granting of a new lease, amongst other caveats) will be eligible for LBTT, unless the transaction is eligible for an exemption. With regard to the project focus on new entrants to agriculture, a transaction may be exempt from LBTT where there is 'no chargeable consideration', such as the gifting of a property. As explained by Revenue Scotland:

"Land or buildings may be gifted or the ownership transferred to another person for no 'chargeable consideration'. This means that no money (or money's worth) changes hands, and there is no other consideration which has a monetary value. But where a land transaction involves the buyer both being gifted property and assuming existing debt (such as assuming the liability of a mortgage), then the debt assumed is chargeable consideration for LBTT purposes... This exemption does not apply where the buyer is a company and either the seller (whether an individual or company) is connected with the buyer or some or all of the consideration consists of the issue or transfer of shares in a company with which the seller is connected."¹³

This tax obligation has implications for new entrant land availability, in particular due to the tax payable on land purchase by a new entrant, or where a new lease is granted to the new entrant. This tax burden, in addition to the land value or other capital start-up costs, may be unaffordable for a new entrant. Furthermore, transfers of land from existing farmers and landowners as gifts to family or third parties may also require LBTT to be paid by the new entrant where a mortgage or other debt is associated with the land (including for agricultural buildings). The exemption is also removed in the scenario of a new entrant acquiring land (either as buyer or tenant), where they have had a previous business relationship with the seller (i.e. the existing farmer or landowner). An example could be the potential impact on share farming arrangements, where the previous joint business agreement may result in LBTT eligibility on any eventual transfer of land ownership or lease (if considered a lease variation). Whilst these additional taxation requirements are on the part of the new entrant, the existing farmer or landowner may be deterred in transferring ownership or creating lease arrangements if they anticipate that the tax burden will impact negatively on the new entrant's business.

Thirdly, the Scottish taxation system differs with regard to Scottish Income Tax Rates, applying to income from property. Therefore, farmers and landowners who lease land in Scotland and receive income above the Personal Allowance are required to include this income in their self-assessment submission to HMRC, according to the rates set by the Scottish Government¹⁴. There are UK-wide provisions for the relief of Income Tax, where losses made in the rental of

¹³ <https://www.revenue.scot/land-buildings-transaction-tax/guidance/lbtt-legislation-guidance/exemptions-reliefs/lbtt3002/lbtt3003> (Accessed 29.3.18; last updated 10.3.15).

¹⁴ <http://www.gov.scot/Topics/Government/Finance/scottishapproach/Scottishincometax2018-2019> (Accessed: 29.03.18; last updated: 20.02.18).

agricultural land can be offset against maintenance expenditure (including repairs, insurance and management) and rental income¹⁵. This could provide an incentive (although perhaps marginal) to existing farmers and landowners to let land to new entrants, given the scenario of a new entrant business failure leading to rent arrears. However, the FONE group highlight the disincentive of losing ‘active farmer’ status, and therefore other allowable costs for Income Tax, to the letting of land (Scottish Government, 2016). The potential of Income Tax relief to encourage farmers and landowners to provide land access is further considered in the following section.

Arguably of greatest influence (and highlighted by the focus group participants), are the requirements and existing relief mechanisms surrounding Capital Gains and Inheritance Tax. Capital Gains Tax is payable on sale or disposal of a chargeable asset including land (where the value gained is above £11,300 or £5650 for trusts), and where disposal includes the gifting of property (unless the gift is to a spouse, civil partner, or charity). This has implications as above for new entrant taxation burden, unless eligible for relief of Capital Gains Tax, including: Entrepreneur’s Relief, Business Asset Rollover Relief, Incorporation Relief, and Gift Hold-Over Relief¹⁶. Indeed, [Entrepreneur’s Relief](#) and [Incorporation Relief](#) may be considered incentives for existing farmers and landowners to transfer agricultural land ownership to a new entrant business, or establish a share farming enterprise.

Agricultural property can be transferred free of Inheritance Tax, during the lifetime of the farmer/landowner or through their will, with Agricultural Property Relief¹⁷. Agricultural property includes farmhouses, let land¹⁸, agricultural company shares and securities. However, the final report of the FONE group assert that existing Inheritance Tax rules create barriers to new entrant land access, acting to dissuade owner-occupier farmers and landowners to transfer asset ownership to the next generation before death, as explained:

“Under existing Inheritance Tax Rules, no tax is charged on lifetime gifts to individuals (e.g. a father transferring to his son) but should the donor die within seven years of making the gift then the transfer is taxed (on a decreasing scale) on the value of the farm at transfer. But if the transfer is made after death, then it may qualify for 100% relief” (Scottish Government, 2016: 3).

¹⁵ <https://www.gov.uk/government/publications/agricultural-land-hs251-self-assessment-helpsheet/h251-agricultural-land-2015#what-is-agricultural-land> (Accessed: 29.03.18; last updated 03.05.17).

¹⁶ For details of each relief listed please refer to: <https://www.gov.uk/capital-gains-tax-businesses/relief> (accessed: 29.03.18; last updated: unknown).

¹⁷ <https://www.gov.uk/guidance/agricultural-relief-on-inheritance-tax> (accessed: 29.03.18; last updated: 17.06.13).

¹⁸ As explained by Moody: “It has generally been a principle of APR since its introduction in 1981 that it should treat land farmed in-hand and let land equally so that tax does not distort land management decisions” (2018: 14).

A further disincentive to letting land exists in the desire to retain 'active farmer' status, and therefore associated relief on Inheritance and Capital Gains Tax (cf. Scottish Government, 2016).

Two further challenges arise to the benefits of Agricultural Property Relief that could have implications for new entrant land access. Firstly, the types of business assets that do not qualify for Agricultural Relief, including: farm equipment and machinery, derelict buildings, harvest crops, and livestock. These assets would therefore form part of the tax burden of the previous owner's taxable estate on inheritance. If the person inheriting the agricultural property is unable to afford the tax payable this could contribute to the sale of this property, which could in turn limit their potential to develop their agricultural business in the future (e.g. renovating derelict buildings, expanding livestock herds, etc.), or their exit from agriculture entirely. As mentioned in Section 3, access to capital is a key factor inhibiting new entrant access to agriculture, and in turn access to land.

Secondly, Agricultural Property Relief is granted where the property has been owned and occupied for agricultural purposes for at least two years before transfer by the owner, their company, or their spouse/civil partner (7 years if occupied by another person). As explained by Moody (2018), this leads to an uncertain relief status for an owner-occupier farmer or landowner who does not farm in their final years of life. The impact of this mechanism on new entrant land access is again due to the significant tax burden, if the previous owner-occupier has not actively farmed for the two years prior to transferring ownership to the new entrant. A scenario can be imagined where an elderly farmer is unable to continue farming due to ill health but has not yet transferred landownership or business asset ownership to the next generation. The incoming new entrant would then be liable to pay full Inheritance Tax on property transferred, without the benefit of Agricultural Property Relief.

However, if a farming business is not eligible for Agricultural Property Relief, Business Relief may be claimed, for the transfer of farmland, buildings, or farm equipment¹⁹. This may ensure that the farm business assets not covered by Agricultural Property Relief (e.g. derelict buildings and machinery) can be retained by the inheritor. Furthermore, whilst the qualification that the asset must have been used in the business within the two years prior to inheritance, and therefore active farming is necessary up to transfer, this does not have to be undertaken by the previous owner (i.e. a new entrant can undertake this role). Business Relief can be claimed on Inheritance Tax where an asset is passed on whilst the previous owner is still alive, as long as the business property or assets are retained as a going concern, and the gift is made at least seven years before the death of the donor²⁰ (i.e. previous owner; see point above made by the FONE group). Further

¹⁹ <https://www.gov.uk/business-relief-inheritance-tax/what-qualifies-for-business-relief> (accessed: 29.03.18; last updated: unknown).

²⁰ <https://www.gov.uk/business-relief-inheritance-tax/give-away-business-property-or-assets> (accessed: 29.03.18; last updated – unknown).

implications arise for share farming arrangements where Business Relief is not eligible to be claimed if the company (i.e. the farm or land holding) deals with 'shares, land or buildings, or in making or holding investments'²¹. Further analysis by a tax lawyer may be necessary to ensure that this does not exclude new entrant share farmers who inherit from the farmer/landowner that initiated the share farming opportunity. In this example the definition of 'shares' in the 'share farming arrangement' will be critical (i.e. shares in livestock or part ownership of a herd). The picture of current taxation now shifts to an analysis of the potential for an intervention in the tax system in order to increase new entrant land access.

A potential tax intervention to increase land access for new entrants to agriculture

As stated in the Strategic Plan (2018-2021), The Scottish Land Commission are keen to understand the implications of taxation on agricultural land tenure and landownership, as well as the other public interest outcomes (SLC, 2017; see also recent research by Glass et al., 2018, and discussion paper by Peacock, 2018). As expressed by Moody: "taxation can provide positive tools to promote full or partial retirement without leaving the farm...[and] it can stimulate the owner's objective interest in the calibre and competence of the farmer who will use the land and pay the rent" (2018: 14). A recent agricultural taxation review by the Central Association of Agricultural Valuers' (CAAV, 2017), in addition to the Tenancy Reform Industry Group (TRIG) report (2017) and the discussion paper by Moody (2018), highlight a range of possible interventions in the tax system that could lead to increased letting of land in Scotland, and therefore increased land access for new entrants to agriculture. Box 4 presents a summary of the taxation interventions proposed within the CAAV (2017) and FONE (Scottish Government, 2016) reports, which have implications for new entrant land access.

²¹ <https://www.gov.uk/business-relief-inheritance-tax/what-qualifies-for-business-relief> (accessed: 29.03.18; last updated: unknown).

Box 4: UK and Scottish taxation policy adjustment as proposed by CAAV (2017) and the FONE group (Scottish Government, 2016), with implications for new entrant land access.

- a) Relief from Income Tax (not Corporation Tax) for rental income from agricultural land, where the tenant is not related to the owner; for new tenancies; and where relief increases with length of tenancy.
- b) Equalisation of the rates of Agricultural Property Relief from Inheritance Tax for different tenures.
- c) Equal tax treatment for unincorporated businesses, providing greater neutrality between Corporation Tax and Income Tax.
- d) Reinstatement of Agricultural Buildings Allowances, bringing buildings within the scope of the Annual Investment Allowance.
- e) Research and Development Relief to be extended to Income Tax.
- f) Community Infrastructure Levy/Local Infrastructure Tariff contributions to exempt agricultural buildings.
- g) Raise the limitations on 'sideways loss relief' (i.e. to support diversification and innovation).
- h) Review the taxation treatment of composite interdependent trades.
- i) Relief for the treatment of the costs of abortive proposals (e.g. where planning permission is not granted).
- j) A UK version of the Australian Farm Management Deposit Scheme (i.e. to manage risk over time).
- k) Tax relief on retirement equivalent to loss of direct payment, to encourage farmland transfer.

It is beyond the scope of this report to describe and evaluate each proposal outlined in Box 4. Instead, this section will explore the first proposal (Box 4 (a)), seeking to understand the likely implications for increasing land access for new entrants in Scotland.

In 2015, the Republic of Ireland introduced an Income Tax (not Corporation Tax) relief for income earned on the letting of agricultural land, according to a set of key criteria: where the tenant is not related to the owner; for new tenancies in the Republic of Ireland; where tenancies cannot operate to create a loss, and where relief increases with length of tenancy²². This measure was introduced following a review of Irish Agri-Taxation by 'Indecon' - International Economic Consultants,

²² <https://www.revenue.ie/en/personal-tax-credits-reliefs-and-exemptions/land-and-property/leasing-farm-land/index.aspx> (accessed: 29.03.18; last updated: 1.6.17).

published in 2014. This extensive review provided a range of strategic taxation recommendations to the Irish Government, in order to:

- facilitate land mobility and access to agricultural land;
- facilitate access by new entrants and support young farmers;
- improve farm efficiency and facilitate farm restructuring and consolidation;
- assist the agricultural sector to respond to income volatility; and to
- improve the environmental sustainability of Irish agriculture.

Within the list of the recommendations made by Indecon (2014) it is noted that many may be of direct relevance to the current situation of policy reform (with evidence-based review) in Scotland. A key recommendation adopted by the Irish Government was to significantly increase the Income Tax relief²³ on land leased by farmers and landowners themselves aged over 40, to young and trained²⁴ farmers, with relief increasing with lease length, as summarised:

- on 5 to 7 year leases on up to €18,000 pa
- on 7 to 10 year leases on up to €22,500 pa
- on 10 to 15 years on up to €30,000 pa
- with a new category for lease over 15 years with relief of up to €40,000 pa on rent, intended to align with periods of farm credit.

(Source: CAAV, 2017: 38).

The new Income Tax relief rates on agricultural leasing were brought into force on 1st January 2015, with effect for all new lease arrangements; the rates of relief for existing leases remained unchanged (CAAV, 2017). The relief is based on total taxable rental income, despite the number of qualifying leases held by the landlord²⁵. Meade (2015) also indicates the potential to retain the farmhouse as the residency of the landlord and claim this relief, where the land is leased, thus overcoming a key concern of retiring Scottish farmers (as discussed in the focus groups).

Whilst this taxation reform is relevant to Scotland, it is however, not within the realm of Scottish Government powers to instigate an Income Tax relief in order to encourage agricultural letting, as in the Irish example. The Scottish Government has powers over only Income Tax rates and bands. It is noted therefore that the UK

²³ Indecon recommended that this relief was doubled from the existing measure that provided relief of up to £2000 on rental income introduced in 1985 (Indecon, 2014; CAAV, 2017).

²⁴ 'Trained' indicates that the farmer holds a specified farming qualification (Meade, 2015).

²⁵ <https://www.revenue.ie/en/personal-tax-credits-reliefs-and-exemptions/land-and-property/leasing-farm-land/index.aspx> (accessed: 29.03.18; last updated: 1.6.17).

Government would have to be approached and agree to instigate such a relief on agricultural letting in Scotland.

Impact of Income Tax Relief to Encourage Agricultural Land Leasing in Ireland

Whilst the taxation adjustment in Ireland has had a relatively short period of time to influence agricultural land leasing, a review undertaken in 2017 by the Irish Revenue, amongst other analyses, has shown an increase in longer lease arrangements in Ireland following the 2015 relief adjustment. This analysis is reviewed and summarised comprehensively by CAAV (2017), and further considered by Moody (2018), however, the headline outcomes relevant for this project are highlighted as follows:

- An immediate rise in the value of the Income Tax relief in 2015, indicating that the number of taxpayers claiming this relief rose by 33%, therefore twice the number claiming in 2011 (Irish Revenue, 2017 in CAAV, 2017). It is clear that the earlier lower levels of Income Tax relief were not sufficient to effect change. It is not possible to identify how many individual landlords have been influenced as a result of the 2015 Income Tax relief.
- The value of the relief claimed rose by an average of 13%, and it is therefore suggested that farmers have become landlords who had not previously offered land for rent. Furthermore, “an area newly drawn into letting has increased by half” (CAAV, 2017: 40), comprising approximately 4% of the available agricultural land area (CAAV, 2017: 41). The CAAV (2017) review suggests that this illustrates a shift from in-hand farmland to land available for rent.
- The CAAV review also includes a calculation of the likely size of let unit following the 2015 tax reform (64 acres), suggesting a “restructuring either by established farmers taking more land or new entrants taking land” (2017: 41).
- The increased popularity of longer lease arrangements has led to the decline of ‘conacre’ (i.e. seasonal grazing) leases, and concurrently an increase in rental values in certain regions. However, this apparent influence of the Income Tax relief is regionally disparate, with rental rates also influenced by sector profitability, land capability, and the continued prevalence of land for short term lease in some areas (Society of Chartered Surveyors Ireland/Teagasc, 2017; see also Irish Professional Auctioneers and Valuers (IPAV), 2017 in CAAV, 2017).

Overall the CAAV (2017) review highlights the political support for and apparent ‘mood change’ surrounding the letting of land, and for longer periods, supported largely by the change in Income Tax relief in Ireland. This is also reported in terms of ‘behavioural change’ and a trend of younger farmers seeking security of tenure rather than land ownership (see Irish Professional Auctioneers and Valuers (IPAV), 2017 in CAAV, 2017). However, the limitations to the potential success of this

taxation reform in Ireland were also raised by CAAV (2017), including the caution of landowners to enter long lease arrangements where taxation relief may be later withdrawn, and the physical limits to taxation relief due to area of land available for rent.

Nonetheless, this example of taxation relief provides a valuable insight into the potential for a similar reform in Scotland, in terms of encouraging landowners and farmers to make land available to new entrants to agriculture. The key outcome of an increased land area available for rent is critical to overcoming barriers to land access by new entrants. Furthermore, the criteria for the tenant to be both 'young' and 'trained' also meets the requests of focus group participants with regard to the types of new entrants that they would like to support into the agricultural sector, building trust, and contributing to future productivity²⁶. However, the point of farmer caution raised by the CAAV (2017) review regarding future policy change is reflected strongly in the focus group discussions held during this research project in Scotland. The key factor inhibiting land letting is reported as the fear of future policy change and loss of asset control; a tax relief associated with long leases would likely be successful with reassurance that the relief would last for the duration of the lease period, and without later shifts in power between tenant and landlord (e.g. right-to-buy or enhanced security). This point is further considered in the discussion (Section 7).

Finally, the Irish agri-taxation system also includes a stamp duty exemption for transfer of land (by sale or gift) to young (i.e. under 35 years old), trained farmers, who will spend at least the next 5 years and 50% of their time farming the land (Irish Revenue, 2016). The potential exists to consider the transferability of this taxation relief with regard to the LBTT in Scotland, for example, including new entrant transfer as a criterion for 'no chargeable consideration'. This suggestion requires further review and discussion with key stakeholders and agri-taxation specialists.

²⁶ The Indecon (2014) report indicates that a trained farmer had an average 12% higher productive output than a farmer who is untrained (see also TRIG, 2017).

4.3 A land matching service as a structural option to increase land availability

The cost of purchasing land is prohibitive for many looking to set up a new farming business. Another model that could be considered to support new farming businesses with land access, whilst also providing benefits to the landowners, is that of a 'Land Matching Service'. This facilitates and supports collaboration between farmers and new entrants of all ages, through pairing individuals who are offering land with those seeking land and business opportunities. In this regard, it may be considered a structural model to increasing land availability for new entrants to agriculture, and currently does not exist in Scotland.

This section summarises the background to and experience of the land matching services operational across the rest of the UK and Ireland, highlighting the benefits to all of those who may participate in such an operational model²⁷. Land matching services can be accessed and utilised by landowners and land 'entrepreneurs'/seekers (i.e. new entrants). These groups can be further subdivided as follows (cf. Curtis and Rickett, 2015: 4-5):

Landowners:

- Late career farmers, considering succession or winding down the farm business;
- New landowners who want to make best use of their land but not farm themselves;
- Active farmers looking to diversify their business;
- Estate owners and managers who have identified a gap in their estate system; or
- Landowning trust/charities seeking to achieve social and environmental objectives.

Land Entrepreneurs/Seekers:

- Young farmers with training and experience but without access to land or sufficient capital to purchase land;
- Experienced farm workers who have now decided to take a step into running their own business but without access to land; or
- People with related business background (food/retail) keen to go into land-based production or communities and groups of consumers looking to set up projects.

²⁷ Section 4.3 has been written by Alison Rickett, project consultant, and director of the Fresh Start Land Enterprise Centre, thus she has contributed her valuable practitioner knowledge.

The benefits to both the landowner and land entrepreneur can be summarised as follows:

- Better use of land and buildings.
- Providing a positive route for land entrepreneurs to get a start into farming business without having to purchase land.
- Possible solution to help with succession planning or farm diversification.
- Enabling a stepped approach to 'stepping back' on the part of the existing farmer, but not losing years of hard work.
- Sharing of infrastructure, such as machinery, buildings, livestock, etc.
- Practical and business expertise of landowner shared with land entrepreneur, and possibly developing into a mentoring role.
- Helping a new land entrepreneur to get a foot on the ladder by starting up in business.
- A flexible option to fit in with long or short-term needs depending on the business agreement model used.
- Possible help with the day-to-day running of the farm if required for the landowner (but must not be undertaken as a route to cheap or free labour).
- Sharing of ideas and increased motivation for both parties.
- Possible creation of new or complimentary enterprises.

Operation and objectives of existing land matching services

The model of a land matching service is not a totally new innovation. A similar example of this type of approach was created over 20 years ago in America by John Baker at the Beginners Farmers Centre, along with its associated matching service 'AgLink'.

Within the UK and Ireland, the following land matching services have been created: **Land Mobility Service** – Ireland, established 2014; **Venture** – the Welsh matching service part of Farming Connect, established November 2015; **Land Partnerships Service** – England, established June 2016; and **Land Mobility for Northern Ireland**, established August 2017.

The core objectives of a land matching service may be summarised as follows:

- To provide information and support to those who may be considering this approach (e.g. landowners, land agents and other professionals, the land entrepreneurs, etc.).
- Where no immediate match is identified or known about, the service will help to search and potentially match landowners and land entrepreneurs.
- To help facilitate and provide support to enable the match to progress to a 'matched agreement'.

- Some services also provide additional resources to help with the actual writing of any matching agreement and provide post agreement support.

A working example - The Land Partnerships Service, England

The Fresh Start Land Enterprise Centre (FSLEC) was created in 2014 by combining two national initiatives from England – Fresh Start and Land Share, with a shared background of working with new start up farming businesses, mentoring, accessing land and finding route to progress along the ‘farming ladder’. The Land Partnerships approach is based on “creating sound business relationships with all parties taking the initiative. It aims to help landowners identify and parcel out land and buildings on which land entrepreneurs can establish new, independent businesses” (Curtis and Rickett, 2015: 4).

Using its unique ‘5 Step Approach’: (i) taking stock; (ii) finding the right match; (iii) creating a balanced agreement; (iv) selecting a legal framework; and (v) thinking long term, FSLEC then took this as the working foundation to create its matching service. For any such service to succeed there is a need to provide adequate information on this way of working to all those who may become involved; supporting industry professional such as land agents, solicitors and accountants also need to be included. To address this requirement, FSLEC developed associated workshops in 2015 and have now delivered these throughout England and across Wales, on behalf of the ‘Venture’ matching service.

Background research and establishment for the service

In 2012 and 2014, DEFRA funded research carried out by the National Federation of Young Farmers Clubs (NFYFC) to establish the need and then the potential format of any land matching service for England. The outcomes of these reports: ‘The Feasibility of establishing a farming opportunity matching service in England’ (Webster, 2012) and ‘Additional Research on Farming Opportunity Matching Service’ (Webster, 2014) provided the format and shape of the matching service we see in England today created by FSLEC. Key recommendations within these reports outlined the need to build up trust and development of soft skills between landowners and entrepreneurs, and then to build upon this with business, legal, and technical support through training and development. It also stated a requirement to establish a core group of national bodies to support the service and to investigate and learn from other services already established.

FSLEC undertook the responsibility for a pilot service to be created and this was achieved over a two-and-a-half-year period (Oct 2015 – Feb 2018). Core funding was granted from the Princes Countryside Fund and The Frank Parkinson Agricultural Trust to create the service and develop the necessary software and database to then launch the service and start operating it to achieve land matching. A national advisory group has also been established providing representation from

all of the industry including farmer and land based organisations and it is a vital tool in ensuring the industry needs are being met.

How does the service operate?

The service is run by a very small team from FSLEC comprising of the managing director supported by part time admin and IT roles. Landowners and land entrepreneurs complete a registration form accordingly outlining what land they have to offer or what they are searching for. They are then entered onto the system and matching can then take place using the algorithms set up in the matching software. This can help sort and match according to region, enterprise/s, agreement type if stated, amount of land required, infrastructure etc. Once the initial matching is carried out by the software, any decision making, following up and support is provided by the FSLEC team in person. Client confidentiality is paramount, so all are provided with a unique ID number and only where a match is made and progresses, is contact information given out to each party with their full consent. FSLEC helps to facilitate the first meetings, offers support and signposting to other services/professionals and training if required. FSLEC does not take the process through to helping to write any final agreement. Clients are advised at this point to work with their own professionals to ensure suitable agreements are drawn up.

To date there are 22 land owners and 44 land entrepreneurs on the service, with over 20 matches made. The first complete agreements are just being signed.

Lessons learned from the matching services from across the UK and Ireland

Reviewing the pilot completion reports and speaking with the current matching services, it is clear that some key results and lessons learned emerge:

- The land matching service model does work and generates the land for those looking to set up in business whilst benefitting land owners as well. In Ireland, 288 agreements during the pilot period were achieved (Land Mobility, 2017).
- Land matching services provide a key tool for business development and to help with succession issues.
- They provide positive benefits for all parties involved but must be delivered via a structured process and with support and training along the way.
- People skills, trust, and confidentiality are paramount for the service to work.
- Any service needs suitable time, commitment, and funding to achieve results, and requires the support of the farming industry around it.
- Each country needs to adapt the service to its own farming system and legal agreement structures, but this is achievable.

- Use of completed UK case studies using this method and promotion of joint ventures is one of the greatest ways of inspiring others.
- Such a service is not likely to be commercially viable in its early years and will require a range of funding to get it started.

Although a matching service is currently not available in Scotland, it could be a positive model which may help to address and increase availability of land to new entrants. Sound research and experience from other UK countries and Ireland could benefit any organisation looking to set an equivalent service up within Scotland.

4.4 Incubating new farm businesses: an innovative model

There are a number of formalised options for reducing the barriers to aspiring and beginning farmers. In this section the concept of ‘farming incubators’ is reviewed; an umbrella term for a range of support activities which can be provided by public, private and charitable organisations.

What is a Farming Incubator?

Business incubators provide businesses with office or work space, and the majority offer some form of financial support to start-ups. There are over 200 incubators in the UK, spread relatively evenly across the country (Bone et al., 2017). The purpose of business incubators is to help young businesses avoid the mistakes of others, save time and money, and increase survival rates. Successful incubation impacts positively on job creation, regional development and economic growth²⁸.

In agriculture, farming incubators similarly provide ‘office space’ – in the form of agricultural land. They typically also fund training or mentoring. [RENETA](#), the French National Network of Farm Incubators, describes farming incubators in this way:

Farming experiments or farm incubators enable prospective farmers to develop a life-size farming activity, in an autonomous way, during a limited time period, and in an environment designed to reduce risk-exposure. At the end of the time period, the prospective farmers evaluate their project and themselves, to decide whether to continue their project, modify it or abandon it.

<http://www.accesstoland.eu/RENETA>

It is thus important to note that incubators are not expected to have a 100% success rate – incubators serve as a testing ground.

Farming incubators are also common in the United States, where they are directly supported by the USDA through their Beginning Farmer and Rancher Development Programme. American farming incubators are also supported by county extension offices, alternative agriculture initiatives, and non-profit organisations (Ewert, 2012). The National Incubator Farm Training Initiative (2013) in the US defines incubators simply as “a land-based multi-grower project that provides training and technical assistance to aspiring and beginning farmers” (https://nesfp.org/sites/default/files/resources/nifti_toolkit_v2.pdf).

RENETA proposes three main functions for a farm incubator:

- Incubator - a legal framework providing the legal basis for the farming activity
- Nursery - the provision of the production tool (land, buildings, equipment)

²⁸ Bone et al. (2017) also distinguish between business incubators and accelerators – in their terms, incubators are typically open ended and charge a rent for their facilities, whereas accelerators are typically fixed duration (less than 1 year), provide seed funding, take equity in the new business and provide training. This distinction is worth noting, but is not made in the literature on farming incubators at present.

- Mentoring - a scheme to train, support and advise the future farmer

In France, the legal framework is particularly important, because farm management is restricted to individuals who have the legal status of a farmer; RENETA can provide this status. In the United States, farming incubators are important for overcoming barriers associated with legal residency, and enabling access to farming for minorities and women (Calo and De Master, 2016).

Distinguishing Incubators, Land Trusts and other Public Initiatives

Land trusts can be defined simply as land held by one party for the benefit of another. For example, [The Land Trust](#) (UK) is a charity that manages derelict land in order to produce public parks and open spaces. [Terre de Liens](#) in France is a well-known example; it is a charity which purchases land and rents it specifically to new entrants to 'ecological' (low input) farming. The recently formed [Scottish Farm Land Trust](#) is similarly aiming to make land available to small-scale, ecological farmers but at the time of the study had not yet been able to purchase land. In general, land trusts tend to emphasise environmentally friendly farming approaches; donors are sought on the basis that the trusts will protect agricultural land to high environmental standard (i.e. the environmental condition of the land and how it will be managed is a condition of access).

The distinction between a land trust and a farming incubator is that farming incubators typically provide training and other resources (e.g. low interest loans, starter capital), whereas this is not necessarily the case with land trusts. The [Farming Opportunities for New Entrants](#) (FONE) programme differs from both incubators and land trusts, because it does not own the land on which it enables new entrants to be established. Instead, it acts as a brokering agent to enable publically owned land to be released and preferentially accessed by new entrants to farming. An American initiative, "[Land For Good](#)" focuses on increasing access to land through innovative tenure arrangements (e.g. land cooperatives) but also helps existing farmers to improve their succession planning.

Implementing Land Trusts

At the time of this report, RENETA CEO Jean Baptiste Cavalier estimated that there were approximately 50 farming incubators in their French network, running 25 projects (personal communication, 15 March 2018). RENETA also has a few members in Belgium. Hays (2017²⁹) estimated that there were approximately 119 farm incubators³⁰ in the US. Options for establishing a Farming Incubator in England were discussed at the 2017 Oxford Real Farming Conference.

[A guide to establishing farming incubators](#) has been developed by the US National Incubator Farm Training Initiative. Key issues include: finding land, developing

²⁹ <http://georgia.growingamerica.com/features/2017/08/farm-incubators-nurturing-new-farmers/>

³⁰ The source of Hays' estimate is unclear. The US National Incubator Farm training initiative (2013) estimated 111 farm incubators in Canada and the US.

curriculum, providing access to farm support services, site development, establishing agreements and expectations with applicants, and enabling market access. Cavalier (personal communication, 15 March 2018) identified three key obstacles to establishing effective land trusts:

- a) Enabling effective interactions between organising parties. Incubators are often supported by multiple organisations, which collaborate to provide land, training and other services. These parties may have conflicting agendas, funding mechanisms and methods of working, which need to be navigated for the incubator to be successful.
- b) Accessing land: Incubators face the same challenges as farmers in accessing land – high cost, limited availability, low capital to leverage investment.
- c) Accessing other resources: Farm incubators by definition support new farming enterprises which are unlikely to be profitable in the first few years of operation. Resources must thus be secured in order to cover the costs of training and other services provided.

Once the term of farm incubation is completed, participants continue to face barriers, particularly to land access – although they have accumulated some farming resources through the incubation process, these may be insufficient to leverage secure, longer term land access in a commercial environment. Available land may also not be available in proximity to the markets they have developed. Social barriers relating to landowner trust and credibility of the business plan also continue to be factors (Calo and De Master, 2017).

Engaging Community and Charitable Land Owners in Farm Incubation

Owing to the cost of establishing a farming incubator, it can be difficult to engage community land owners and others who do not have a specific remit to support new entrants to farming. In their review of business incubators in the UK more broadly, Bone et al. (2017) found that privately funded initiatives tended to focus on new technology development (i.e. where investment represented an opportunity for future profits). For farming incubators to hold appeal for community land owners, it is important to demonstrate the impact of successful farm businesses on rural community development.

5. Guidance for farmers and landowners in providing opportunities for new entrants to agriculture

As requested by the Scottish Land Commission, practical guidance for existing farmers and landowners with regard to the range of models presented in Section 4 has been drafted; this draft guidance document is presented in Appendix B. The guidance document is aimed at both tenant and owner-occupier farmers, as well as other private landowners (e.g. estate owners), who may be assessing options for retirement, partial retirement, succession, assignation, or business development (e.g. diversification). The guidance document seeks to raise awareness of the range of options available for involving or transferring their business to a new entrant.

In particular, the guidance document provides an outline of the following joint venture models: (i) contract farming, (ii) partnerships, and (iii) share farming, in addition to (iv) agricultural tenancies, and (v) leasing/licensing. The benefits and opportunities to both the existing farm business and new entrant are summarised, in addition to any potential concerns for the current farmer/landowner. The tax and business implications are clearly stated according to each model type, and linked case studies are included, as previously published by the Farm Advisory Service.

The draft guidance document has benefitted from review by the key informant interviewees, and therefore is grounded in practical experience from stakeholder groups. A summary of feedback from the key informant interviewees is presented in Appendix C. The focus group discussions have also informed the development of the guidance document.

6. Developing a methodology to measure success in increasing availability of land for new entrants to agriculture

The Scottish Land Commission seeks to develop a methodology for measuring the increase in farmland available to new entrants, resulting from interventions and support provided for encouraging new entrants to agriculture. This section describes proposed methods for providing a baseline against which future success might be measured.

The method needed for this task ideally needs to a) identify new entrants and b) identify farmland/farmland availability associated with the new entrants. With regard to point a), there is no consistent definition of ‘new entrant’. The explanatory notes to the Land Reform (Scotland) Act (2016) state that “Section 32B gives the Scottish Ministers power to make regulations to define a new entrant...” (c. 7 s. 110. 645) but the Act does not seem to define new entrants itself³¹.

It is important to acknowledge that despite the large volumes of data which are collected about agriculture, and financial information related to property, existing datasets are of very limited use in collecting information which is specifically relevant to new entrant farmers. For example, it is not possible to identify new entrant farmers from the data in the June Agricultural Census (JAC) (a detailed Census of agricultural holdings in Scotland which collects information on agricultural labour, areas of land and crops and livestock present on farms, Scottish Government, 2017). However, the JAC contains no information about the length of time involved in farming. It is possible to identify the occupiers aged 40 years old or less, but it is clear that ‘new entrants’ are not necessarily young farmers. In addition, data on sales of agricultural land (and other non-residential land types) is available for purchase from Registers of Scotland, with data available from April 2003 onwards. This data includes location information, but does not identify first-time buyers (Source: Registers of Scotland, personal communication).

Following consultation with the Scottish Land Commission over the course of the project, feedback from researchers and analysts at The James Hutton Institute, and external enquiries and discussions, the researchers suggest that a baseline to measure success in increasing the availability of land for new entrants to farming could possibly be constructed using three methods.

a) Adding questions to a longitudinal, **large-scale survey of Scottish farmers**, funded by RESAS³². The Farmer Intentions Survey, initiated in 2013 by the James Hutton Institute and Scotland’s Rural College (SRUC), identifies the recent structural

³¹ Please note, the H2020 NEWBIE project defines ‘new entrants’ as anyone who starts a new farm business or becomes involved in an existing farm business. They comprise a wide range of ages, agricultural experience, and resource access, and include both newcomers to agriculture and successors, but exclude hobby farmers (i.e. those who do not aim to earn a livelihood from their farming activity).

³² The Scottish Government’s Rural and Environment Science and Analytical Services Division (RESAS).

changes and future investment plans of Scotland's farmers. An up-date to this survey is scheduled to take place in 2018.

b) Analysis of **subsidy payments, utilising a dataset/datasets held by the Scottish Government**, for CAP schemes which are designed for new entrant farmers or which have a new entrant or young farmer element. Potentially, this could be combined with areas of land which have been reported in the JAC data. As of March 2018, this method has not been tested.

c) The addition of a question to the June Agricultural Census on the length of time that respondents have been involved in farming (or farm management).

A summary of the first two methods is included below. Please note the included disclaimers regarding the status of methods.

Method 1: Farmer Intentions Survey (2018)

As part of research within Work Package 2.4 of the Scottish Government's Rural Affairs, Food and the Environment Strategic Research Programme (2016-2021), researchers at The James Hutton Institute and Scotland's Rural College have undertaken to design a large scale survey (the Farmer Intentions Survey). This questionnaire is a follow-up to an earlier version of this survey which was released in 2013 as part of data collection within Work Packages 3.6 and 4.1 of the previous (2011-2016) Strategic Research Programme. The 2013 survey used a 'spatially representative' sample of 10,000 farms in Scotland (Barnes et al., 2016) with a total of 2,416 responses from farmers (Sutherland et al., 2016). Analysis from the 2013 survey dataset has contributed valuable insights into likely farm adaptations following changes in agricultural subsidies (Barnes et al., 2016), factors influencing farm diversification (Sutherland et al., 2016), intentions to increase farm forestry (Hopkins et al., 2017), adoption of crop technology (Toma et al., 2016), as well as past and anticipated changes taking place on crofts (Sutherland et al., 2017). The 2013 survey collected data on how long respondents had been involved in the business/holding (variable cited in Sutherland et al., 2017: 197-198). This variable, in combination with the amount of land held, could be utilised as a baseline for the land being managed by new entrants to farming. Utilising this approach would capture both successors and 'new, new entrants' who had accessed land for the first time. It may be possible to include new variables on the land available to new entrants in the 2018 survey. Questions that include these new variables are currently undergoing review within the draft 2018 survey, to be completed by phone with farmers across Scotland later this year.

It is important to note that this is an option, not a commitment, to include new questions in the survey. The researchers are unable to guarantee the questions or question wordings which are included in the 2018 survey, or the final wordings of questions. Furthermore, the researchers make no claims on survey data availability, or the availability of analysis results; this is controlled by the Scottish Government.

Method 2: Subsidy payments analysis

Under the current iteration of the CAP (2014-2020), a number of subsidy payments are available to farmers as direct payments (Pillar 1) or via the Scottish Rural Development Programme (Pillar 2)³³. At the European level, it has been recognised that farmers are ageing, that there is a pressing need to encourage new and young farmers, and that there are multiple barriers to entering agriculture (European Commission, 2017). As a result, a number of subsidy schemes are designed to target, or have provisions for, new entrant farmers:

- **Young Farmers Start-Up Grant Scheme:** ‘This scheme is open to young farmers or young crofters setting up as head of the holding of a new or existing farming business for the first time and who are between the age of 16 years and under 41 years of age at the point of application...The application must be submitted no more than 18 months after the 'setting up' process has commenced’ (Scottish Government Rural Payments and Services, 2017a).
- **New Entrants Start-Up Grant Scheme:** Eligibility: ‘...farmers or crofters who have started within 12 months prior to application submission can apply for this scheme’ (Scottish Government Rural Payments and Services, 2017b).
- **New Entrants Capital Grant Scheme.** ‘To be eligible to apply for the New Entrants Capital Grant Scheme, you must be a new entrant farmer or crofter who has set up, as head of holding within an agricultural business for the first time, no more than five years before the application for support’ (Scottish Government Rural Payments and Services, 2017c).
- **Crofting Agricultural Grants Scheme – payments made under young farmer rates only:** ‘To be considered a young farmer for the purposes of this scheme, you must be able to demonstrate that you... are under 41 years of age on the date you submit your application...have set up as head of the business you are making an application for, during the five years before the date you submit your application.’
- **Basic Payment Scheme – Young Farmer Payment:** ‘The Young Farmer payment is only payable for a maximum of five years from the date your business was established, subject to you being no more than 40 years of age by the end of the year in which you submitted your application.’
- **National Reserve – payments made under new entrant and young farmer categories:** ‘New Entrant - if you started an agricultural activity in 2013 or later and did not have activity in your own name or at your own risk in the 5 years preceding the start of the activity’; ‘Young Farmer - if you are less than

³³ See information at the Scottish Government’s Rural Payments and Services website (<https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/> (last updated: March 2018; accessed 21st March 2018)) for a full list of payment schemes.

41 years of age on 31 December of the year you apply for an award and are setting up for the first time an agricultural holding as head of the holding.’

While definitions of ‘new entrants’ within these schemes are slightly different, it is noticeable that five year time periods (since setting up a business) are included for the New Entrants Capital Grant Scheme, Crofting Agricultural Grants Scheme (young farmer rates) and Young Farmer Payment in the Basic Payment Scheme and the new entrant category in the National Reserve scheme. The two ‘start-up’ subsidy schemes have shorter (12/18 months since starting) time periods for subsidy claims.

Firstly, it is suggested that farm identifiers or ‘main location codes’ of farmers who have successfully claimed money under these payment schemes, could be used with the years when subsidies were claimed to identify farm occupiers who are new entrants, and an estimate of when they became a new entrant. Alternatively (and more simply), a baseline year (e.g. 2018) could be specified, and all farmers who claimed one or more of the subsidies noted above could be classified as new entrants.

Secondly, the holding codes and years identified within the above exercise could be used to extract information on areas of owned and rented land from the JAC data tables which relate to farms associated with new entrants. The areas of land which are reported in the Census³⁴ could be identified for either a) the estimated year when farmers became new entrants, which will differ for each holding code, or b) the same baseline year for all new entrant farmers. Additionally, the numbers of new entrants with different types of land could be identified.

Therefore, total areas of land for all new entrants could be calculated from the ‘baseline’ indicators. If records were kept of the holding codes associated with new entrant farmers (or, if it isn’t possible to keep these records, the subsidy datasets and methodology used to identify these holding codes), then they could be used in future JAC datasets, to recalculate indicators and assess how farmland areas associated with new entrant farmers have changed over time.

Please note that the method described above has not been tested during the project duration. The researchers cannot guarantee data availability, the likelihood of obtaining permission to use data, or whether the analysis would be successful. If any further research is taken forward, it is the responsibility of the Scottish Land Commission to carry out or commission the research and take into account any legal issues which may apply. These are likely to include the upcoming General Data Protection Regulation (enforcement date: 25th May 2018)³⁵.

Communication with staff at the Rural Payments and Inspections Division of the Scottish Government has confirmed the following:

³⁴ Total land, owned and rented land (and owned and rented croft land), land rented under different tenancies. See Scottish Government (2017): 34-38 and page 63 (Table 9) for more details.

³⁵ Source of enforcement date: <https://www.eugdpr.org/> (Accessed 28th March 2018)

- It is unlikely that data (successful payment recipients, and their holding codes) could be provided for all subsidy schemes in the list above, due to differences in data storage between the payment schemes. The records for some schemes are not within a database format.
- To access the payment data, the Scottish Land Commission would have to set up a data sharing agreement with the Rural Payments and Inspections Division. The terms of this agreement would be negotiated between the organisations, however key principles of the agreement would include a) data minimisation: the need to minimise the amount of data being transferred; b) a preference for transferring aggregated, rather than holding-level data; and c) a clear justification for the methodology which the Scottish Land Commission would like to apply, including justification for the need to access holding-level information (which is personal data).

Therefore, if the Scottish Land Commission (or an approved contractor) made a request to access the data described above, there would need to be a discussion over the data to which access is being requested and methods applied.

Furthermore, permission to use JAC data for the purposes of this analysis would have to be obtained successfully from the appropriate source. Statistics from JAC data cannot be published if they are disclosive of individual holdings: further information on the criteria used regarding disclosure conditions may be provided if permission to use the data was received.

If it is assumed that some data on holding codes associated with successful payment recipients could be provided, and permission to use JAC data was obtained, the following limitations would be anticipated with the method:

- CAP Payments are made to businesses, which may be composed of one or more holdings. While one must be designated as the 'main location code' (referred to above), it might not be possible to access other holding identifiers and therefore not assess land area changes on these holdings. Other ways to link payments to businesses with holdings could be assessed.
- The June Agricultural Census data will not provide information on land transactions.
- There may be new entrants to farming who have not received payments for new entrants, either through not applying for them, or not being awarded the payments. These would be excluded from the analysis.

In summary, it is clear that identifying new entrants to farming is difficult. A past version of the Farmer Intentions Survey has been used to do this, and a follow-up to this survey is forthcoming. A further method through exploration of subsidy claims data is also suggested. It should be noted that neither method could be used for capturing a full sample of all new entrant farmers (and their access to land) in

Scotland. If this is what is required, then adding a question to the nationwide June Agricultural Census on the length of time that respondents have been involved in farming would be the best option. However, given the strong policy support for encouraging new entrants to farming, new data collection on land which is available to new entrants would be beneficial.

7. Discussion and questions for future research

The research presented highlights the challenges facing new entrants to agriculture in Scotland, in particular in accessing land and capital with which to start new farming businesses. The models explored seek to encourage existing farmers and landowners to consider options for making land available and supporting new entrant farmers.

For some focus group participants, however, the reasoning behind a policy goal to increase new entrants to farming were questioned from a moral perspective, during an uncertain and unprofitable period in Scottish agriculture (see also Cook et al., 2008). Thus profitability, rather than land access, was the greater concern to existing farmers, therefore highlighting issues regarding the attractiveness of farming as a career choice, and level of 'risk and reward' associated with joint venture models. The question of scale was also raised, with regard to the necessity for new entrants to have access to sufficient land area in order to achieve profitable farming enterprises. Further discussion is necessary with representatives of the Scottish farming and landowning community, including aspirational new entrants, regarding the realities of challenges facing individuals and the wider sector, in order to ensure alignment of policy goals and outcomes. A more 'positive mindset' by existing farmers and landowners was called for by key informant interviewees; a finding supported by the recent 'Land Lines' discussion paper by Moody (2018).

Future research should seek to enhance understanding of the underpinning social, psychological, cultural, economic, and environmental factors that inhibit landowner engagement with the types of models presented above, and therefore new entrant land access. The overarching perceived threat of 'absolute right-to-buy' was a key concern amongst the focus group participants; whilst they could see the strong moral argument for implementing joint venture models and creating new tenancies on their land, if possible from a profitability perspective, they were not able to reconcile this public good with the risk to their business and land asset. There is a need to develop a richer understanding of landowner perceptions (i.e. with regard to risk, motivations for landownership, and place attachment), in order to overcome this substantial barrier to land access for new entrants, and without requiring landowner compulsion (e.g. through legislation).

Finally, strong themes of trust and effective communication emerge as necessary for the success of each joint venture model investigated, in order to build productive and resilient relationships between farmer/landowner and new entrant. There is potential for future research to develop knowledge and understanding of trust-building processes and social capital generation between existing farmers/landowners and new entrants, in order to better support and replicate such processes. Indeed the [NEWBIE project](#) aims to provide succession planning support through increasing networking between new entrants and existing farmers/landowners. A focus on relationship and network-building will be crucial to the success of a land matching service, for example, if implemented by a relevant Scottish organisation in the future.

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Appendices

Appendix A: Focus group outline, key informant interview guide, and participant consent form

Focus Group outline – For use in meetings with NFUS members on 26th and 27th February, and 13th March 2018.

Preparation for focus group: - Equipment: - Dictaphone and spare batteries, post-it notes, pens, consent forms, flip chart paper (with pre-written table), business cards.

Introduction for participants:

Personal introduction – Annie (the James Hutton Institute) and Sharon (independent consultant); both social researchers in land management (since ~ 2011).

Outline of project – background of SLC and project aims (i.e. to assess options for new models that might increase the availability of land to new entrants, to increase access to land for those who want to farm, and to improve the relationships between landowners and tenant farmers, and stimulate the tenant farming sector).

The aims of this focus group discussion are:

- To explore perceptions and experiences of barriers to succession and retirement (i.e. why would existing farmers and landowners be reluctant/struggle with processes of succession and retirement?)
- And therefore, what options exist that would help overcome these barriers?
- And, what are the pros and cons to existing farmers/landowners of new models for increasing access to land for new entrants to agriculture?

What do we mean by new models? These are alternative and innovative approaches that may help to overcome barriers to land availability for new entrants to agriculture. These models may include traditional agricultural tenancies, but may also include different types of leasing (e.g. longer term lets), joint ventures (e.g. contract farming or share farming), interventions based on tax or structural changes that influence land availability (e.g. incentives or other forms of support), or novel approaches to owning land (e.g. involving communities or cooperatives) or generating capital or labour resources (e.g. crowd funding or sourcing).

This project will look at possibilities for such ‘new models’ in depth and seek to understand the implications of implementing/embarking on these approaches for existing farmers and landowners.

Today we would like to ask for your thoughts on the project overall, but in particular we’d like to spend the time available exploring the barriers you see that are facing farmers and landowners in their plans (or lack thereof) for succession and retirement. We would also be grateful to hear your views on the pros and cons of some of the alternative models that might increase access to land for

new entrants, and what could motivate farmers and landowners to trial or adopt such options in the future.

Before beginning discussion:

- **Emphasise that participating in the discussion is voluntary. If anyone would prefer to step out of this part of the meeting, that is not a problem.**
- **If happy to participate, please confirm consent by completing and signing the consent form.**
- **Please note that the discussion will be recorded, unless there are any objections. The purpose of this recording is to take full notes after the meeting. However, this is a confidential discussion and it is important to emphasise that everyone in this room will remain anonymous and no comments or views will be attributed to individuals. The results summarised in the final report and in guidance documents for existing farmers and landowners on the options and opportunities being explored.**

PART 1

We'd like to open up the floor for discussion on two key questions [note on flipchart]:

(1) What kind of alternative models to increasing land availability for new entrants are you aware of, either locally, across Scotland, or internationally? Do you have direct experience of establishing these types of models? [Please describe; notes taken in notebook.]

(2) What do you perceive to be the 'pros and cons' of these alternative models for existing farmers and landowners? [Focus on one or two examples as raised by the participants.] What might motivate farmers/landowners to adopt such models? What are the positive outcomes of implementing an alternative model to provide land access (for a new entrant, and for existing farmers)? What are the potential negative outcomes? Are you aware of tax implications for existing farmers and landowners?

PART 2

In time remaining, we would like to hear your thoughts on:

(1) Barriers to succession (or succession planning) – please can you describe the types of barriers that exist within the farming and landowning community when considering succession or succession planning?

(2) Barriers to retirement (if they are different) – what are the barriers to farmer retirement? How do these differ from the issues around succession?

- What support is necessary to assist farmers and landowners in overcoming these barriers? Do you have any further thoughts on the topic of this research project?

[If time is short, encourage participants to send any further thoughts by email – distribute business cards. If time available, also outline next steps for project: developing best practice guidance, to inform workshops on succession and panel discussion at Royal Highland Show.] **Thank you very much for your time and input, and to the NFUS for their support.**

Key informant interview guide

Preparation for interviews: - Equipment: - Dictaphone and spare batteries, consent form to be returned in advance of interview by email. Draft guidance document circulated to interviewees prior to interview.

Introduction for interviewees:

Personal introduction (if necessary) – Annie (the James Hutton Institute) and Sharon (independent consultant); both social researchers in land management (since ~ 2011).

Outline of project – background of SLC and project aims (i.e. to assess options for new models that might increase the availability of land to new entrants, to increase access to land for those who want to farm, and to improve the relationships between landowners and tenant farmers, and stimulate the tenant farming sector).

The aim of this interview is to gather views and input on the developing guidance for existing farmers and landowners, which explores options and opportunities for increasing land availability for new entrants to agriculture in conjunction with developing their own business interests. We'll talk through the draft guidance document to gather feedback on the format of the document and the content of the model descriptions. In particular, interviewees are encouraged to add their experience and knowledge of the implementation of the alternative models, in order to 'ground truth' the guidance, and to help ensure that it is useful for the intended audience (i.e. existing farmers and landowners).

Throughout the discussion, we would like to explore perceptions and experiences of barriers to succession and retirement (i.e. why would existing farmers and landowners be reluctant/struggle with processes of succession and retirement?), and therefore what options exist that would overcome these barriers. What are the pros and cons to existing farmers/landowners of new models for increasing access to land for new entrants to agriculture? And what might motivate their adoption?

What do we mean by new models? These are alternative and innovative approaches that may help to overcome barriers to land availability for new entrants to agriculture. These models may include traditional agricultural tenancies, but may also include different types of leasing (e.g. longer term lets), joint ventures (e.g. contract farming or share farming), interventions based on tax or structural changes that influence land availability (e.g. incentives or other forms of support), or novel approaches to owning land (e.g. involving communities or cooperatives) or generating capital or labour resources (e.g. crowd funding or sourcing).

This project will look at possibilities for such 'new models' in depth and seek to understand the implications of implementing/embarking on these approaches for existing farmers and landowners.

Before begin discussion:

- Emphasis that participating in the forthcoming discussion is voluntary. Confirm consent through receipt of email from interviewee with consent form. Note that discussion will be recorded, in order to take full notes. All interviewees are anonymous and no comments or views will be

attributed to individuals. This is a confidential discussion, with the results summarised in the final report. As described, the aim of the interviews is to develop the guidance for existing farmers and landowners to offer entry options and opportunities for new entrants to agriculture, in conjunction with developing their own business interests. The interview will take no longer than 1 hour.

(1) Feedback on the developing draft guidance: To begin, please can you tell me your overall thoughts on the draft guidance document? Did it ring true to your experience (or that of your members) or did you find some surprises? Are there any key issues that are not given sufficient space? Do you think that the format and language is appropriate for the intended audience (i.e. existing farmers and landowners)?

(2) What kind of alternative models to increasing land availability for new entrants are you aware of, either locally, across Scotland, or internationally? Do you have direct experience of establishing these types of models? How does your experience fit with the descriptions in the guidance document? [Please describe; refer to the descriptions already within the guidance document.]

(3) What do you perceive to be the ‘pros and cons’ of these alternative models for existing farmers and landowners? [Focus on one or two examples as raised by the interviewee.] What might motivate a farmer/landowner to adopt such models? What are the positive outcomes of implementing an alternative model to provide land access for a new entrant for existing farmers? What are the potential negative outcomes? Are you aware of tax implications for existing farmers and landowners?

In time remaining, I would like to turn to your views on the critical barriers to succession that you see facing farmers and landowners in Scotland.

(1) Barriers to succession – please can you describe the barriers that you’ve encountered through interactions with members? [Prompt to ask interviewee why this is a barrier, to provide an example, etc].

(2) Barriers to retirement – what are the barriers to farmer retirement? How do these differ from the issues around succession?

- What support is necessary to assist farmers and landowners in overcoming these barriers?

Do you have any further thoughts on the topic of this research project?

[If time is short, encourage interviewees to send any further thoughts by email. To end interview, outline next steps for project: developing best practice guidance, to inform workshops on succession and panel discussion at Royal Highland Show.]

Thank you very much for your time, input, and support for this research project.

**Increasing the Availability of Farmland for New Entrants to Agriculture in
Scotland – Research for the Scottish Land Commission**

Participant consent form

1. I have been informed about the research project ‘Increasing the Availability of Farmland for New Entrants to Agriculture in Scotland’, commissioned by the Scottish Land Commission and the purpose of the focus group (to provide insights and share experiences of the barriers to succession and retirement within agriculture, as well as the perceived pros and cons of establishing joint venture partnerships with new entrants to agriculture).
2. I agree that all information collected as part of the research process can be used anonymously within the ‘Increasing the Availability of Farmland for New Entrants to Agriculture in Scotland’ project.
3. I have been given the opportunity to ask questions.
4. I understand that I can also choose not to answer questions during the interview.
5. I understand that any information I provide during the interview will be kept confidential, and findings presented in anonymous form through academic research papers, conference presentations and policy briefing documents.
6. I understand that taking part is voluntary and that I can change my mind at any time without having to give a reason.
7. By agreeing to take part in the interview, I have agreed that the researchers can contact me via email or telephone about the research (e.g. with research findings or points of clarification) and I understand that I can withdraw this consent at any time.
8. I confirm my agreement to the interview being voice recorded (please tick):
 Yes (I am happy for the interview to be voice recorded)
 No (I do not wish the interview to be voice recorded)
9. I agree to take part in the study by signing below.

Participant name _____
Signature _____
Date _____
Tel no./Email address: _____

Lead researcher: Annie McKee, The James Hutton Institute

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Appendix B: Draft Guidance Document

Guidance for farmers and landowners in providing opportunities for new entrants to agriculture

1. Introduction

This document provides guidance for farmers and landowners in Scotland regarding the opportunities available by encouraging new entrants into agriculture. The document seeks to raise awareness of these options and to support existing farmers and landowners in their implementation.

Sustaining a cohort of new entrants is crucial to the ongoing vitality, resilience and competitiveness of the agricultural sector and rural regions in Scotland. New entrants' entry and business models bring innovations which are of importance for the entire agricultural community and are likely to increase the productivity and sustainability of the agricultural sector.

This guidance document has been commissioned by the Scottish Land Commission, and produced in conjunction with and informed by new research that explores options for new or adjusted letting, joint venture and other models that would increase the availability of land to new entrants in Scotland. The research project involved a literature and policy review, focus groups with NFUS members, and key informant interviews with representatives of stakeholder groups. Consultation with this well-informed group has ensured that the guidance is grounded in experiential and practical knowledge, from the perspective of existing farmers and land owners.

Those reading this guidance document are strongly advised to obtain independent legal and financial advice relevant to their particular circumstances before acting upon any of the information contained in this document.

Who is this guidance for?

This document provides detailed and targeted information for those who currently own and manage land in Scotland and who are considering the future of their land-based business (e.g. farm or estate). These landowners, farmers (both owner-occupiers and tenants), and land managers include:

- Those who are seeking to move towards retirement or scale-back their active farming operations.
- Those who face barriers to succession planning or retirement due to financial or familial uncertainties.
- Those who wish to retain their land asset but ensure that the land is used productively.
- Those who wish to pass on their experience and support a new generation of farmers/land managers.

- Those who are looking for new business opportunities or to engage someone with particular skills or knowledge

Box 1: What do we mean by models to increase land availability?

- Alternative and innovative approaches that may help to overcome barriers to make land available for new entrants to agriculture.
- These models include: traditional agricultural tenancies, different types of leasing, joint ventures (e.g. contract farming or share farming), interventions based on tax or structural changes that influence land availability (e.g. incentives or other forms of support), or novel approaches to owning land (e.g. involving communities or cooperatives) or generating capital or labour resources (e.g. crowd funding or sourcing).

A **joint venture** maybe defined as: “form of cooperation, formed in a legal manner, between two or more parties to form a business relationship, other than as landlord and tenant” (FAS, 2017: online). This guidance document provides summarised information (and links to further advice) for the range of landowners, farmers, and other land managers who may wish to consider these opportunities for the future of their businesses. Joint venture models therefore include (i) **contract farming**, (ii) **partnerships**, and (iii) **share farming**. Whilst not falling within the technical definition of joint ventures, (iv) **agricultural tenancies**, as well as (v) **leasing/licensing**, are also key to increasing land access for new entrants. The following guidance provides a description of each model, as well as the likely implications for existing businesses and the potential impact on new entrants to agriculture. Illustrative case studies from Scotland and beyond enhance understanding and share experiences of these model types.

2. Identifying opportunities and developing existing farm businesses: alternative models of working with new entrants to agriculture

Your business and its future

For existing farmers the following models for new entrant land availability might address a range of personal, financial and social motivations. They may be seen as opportunities for business development or provide a transitional pathway facilitating farmers through a gradual process of retirement or succession.

Before reading the model descriptions, those who own land and wish to consider the opportunities of a model that provides land access to a new entrant, are invited to consider the following questions:

- How would you describe yourself? (E.g. owner-occupier farmer/estate owner/tenant/other).
- Do you rent out land? (E.g. whole farm tenancies/seasonal lets/no land rented out).
- What are your main farming activities and assets?
- What other assets/businesses do you have on the land you manage? (E.g. capital assets (e.g. machinery)/residential and commercial buildings/other enterprises (e.g. tourism enterprises).)
- Do you have an identified successor for your farm/land business?
- Do you have farm employees?
- What do you wish for your farm/land on your retirement?

3. Model types and descriptions

(i) Contract farming

This involves the outsourcing of operational activities on a piece of land by the landowner, whereby an agreement is put in place for activities to be undertaken by another party ('the contractor'). The contractor would typically provide labour and machinery and is remunerated with a contract fee and share of profits associated with farming on that land.

Contract farming arrangements govern the profit split of contract farming arrangements. The contractor receives payment for the work done. The farmer receives a share of the profit each year, normally shown as income within their current farming business accounts. A separate account of the income and expenses of the enterprise management is kept and an annual set of accounts produced each year for this business.

Benefits and opportunities for existing businesses:

Contract farming offers opportunities for all types of agricultural enterprises, but has traditionally been suited to arable and vegetable production. Whilst there is perhaps less experience of contract farming with regard to livestock in Scotland, case studies exist of successful business arrangements utilising livestock hire agreements.

Contract farming provides a suitable opportunity for a range of landowners, from those who wish to outsource farming on their land in its entirety, to those who wish to down-scale their active involvement by releasing only a portion of land to a

contractor. From a management perspective, this form of venture can allow the landowner to retain full involvement in policy and decision-making.

For tax purposes, this form of agreement allows the landowner to retain their status as the 'working farmer'. The proportion of profit gained from the enterprise management is disclosed annually within the benefiting parties' tax returns.

Impact on increasing land available for new entrants to agriculture:

New entrants may utilise this as an opportunity to access knowledge and experience held by the existing farmer. It is less likely to constitute the 'first rung' on a farming career ladder for individuals entering agriculture, due to the need for capital investment (e.g. machinery to use to undertake the contract), or previous agricultural training.

In instances where a farming successor is not in place, relationships and trust built around this type of arrangement may underpin new entrant career progression (e.g. expanding area of contracting activities, creating new tenancies, etc.).

Examples of contract farming arrangements:

The Farm Advisory Service (FAS), through its [New Entrants to Farming Programme](#), has gathered a range of detailed case studies regarding joint venture models, including experiences of establishing contract farming agreements. See for example:

[Contract Farming: A solution for one owner and a new entrant couple](#)

[Contract Farming: Three young entrepreneurs making a success in pig farming](#)

(ii) Partnerships (e.g. equity partnerships, junior-senior partnerships, etc.)

Partnerships can provide different ways of cooperation and interaction between existing farmers and new entrants committed and legally bound to run the farming enterprise together. Partnerships are governed through a partnership agreement which sets out the partnership share of assets and profits. Two owners of a business constitute a partnership. Each partner is taxed on their share of the partnership profits.

Accounts profits are adjusted for various items such as private use items, depreciation and capital allowances to come to the taxable profit. Each partner has a personal tax allowance (2018/2019 - £11,850) which is set against annual taxable profits before the charge to tax is calculated.

Benefits and opportunities for existing businesses:

Farm partnerships can be used to formalise succession processes, and to share both responsibility and reward in a farming business. A partnership allows for older and younger generations to be actively involved in the farm business together, and

to share experience and knowledge. Uptake in partnership arrangements is most often amongst families, but the mechanism may also be considered an option for non-familial succession. In order to build trust between the potential partners, a pathway to partnership approach is recommended, for example through initiating an employment relationship, or through a land matching service (e.g. Land Mobility in Ireland).

A new partnership presents an opportunity for pooling resources in a way that benefits both parties. Typically the existing landowner would input capital assets and the new entrant might input labour, new knowledge or skills.

The land title may be safeguarded through licensing or leasing of land for use by the partnership. The existing farmer can retain full ownership of assets and may decide to transfer all or some of assets at later points in the partnership process. The duration of a partnership can be defined by the partners whilst drawing up the agreement document.

Partnerships can have positive benefits in terms of support payments, provide tax saving opportunities, and income tax credits, where partnerships are formed in succession planning.

Issues for existing businesses:

A significant level of trust is required to underpin a farming partnership, as well as the necessity of written agreements and legal advice. However, the flexibility of farm partnerships is a motivation for both farmer and new entrant.

Impact on increasing land available for new entrants to agriculture:

This type of option is unlikely to represent the first rung on the farming career ladder (unless familial succession), but may represent a progression where trust has been built through another type of arrangement (e.g. contract farming, tenancy, employer-employee relationship).

(iii) Share farming

Share farming represents a form of cooperation whereby parties join resources to operate the farm together, but operate as independent businesses, therefore jointly accepting full commercial risk as well as production gains. Typically the existing farmer provides land (retaining tenure) and other fixed assets and the new entrant provides labour and other variable inputs. Each party gets a predetermined share of farming outputs, and a 'farm plan' forms the basis of agreement between parties.

Share farming agreements govern the asset and profit split of share farming arrangements. Depending on which assets from each party within the agreement are used within the share farming operation, the share of the income and expenses are divided up to give a return on the assets or work put into the enterprise. The share

farming arrangement will define the share of income and expenses derived from the enterprise attributable to each party.

Each party in the share farming arrangement will account for their share of the income and expenses within their own annual tax return. The share farming profit and loss account in totality is not accounted for, as it is the individuals within the share farming agreement that account for their part individually.

Benefits and opportunities for existing businesses:

Share farming offers an opportunity to step back from the day-to-day, physical aspects of farming, and provides an option for existing farmers to reduce their level of involvement whilst maintaining interest and status, including tax benefits due to retaining control of the land asset. Parties are not tied to the requirements of a tenancy or partnership agreement.

Share farming may also be considered an opportunity for farmers who wish to expand their farm business, but have financial limitations (e.g. with regard to land rental prices) or do not wish to enter tenancy agreements themselves. There are positive examples within the dairy and sheep sectors in Scotland, with learning transferred from an established share farming system in New Zealand.

Share farming provides an opportunity for farmers to transfer skills and knowledge to new entrant farmers, ensuring the ongoing legacy of their farming career and enhancing the experience of new entrants to agriculture.

Issues for existing businesses:

This option is considered less appealing to existing farmers where farm profitability is low. Share farming agreements are extremely variable and 'share farming' agreements need to be defined legally in individual circumstances.

Impact on increasing land available for new entrants to agriculture:

Share farming provides a mechanism for new entrants to develop experience and learn from an existing farmer, whilst also gaining access to the land resource. It can also provide a longer-term option than other joint venture models, as both parties have a joined interest in the viability and success of the farming enterprise.

Examples of share farming arrangements:

[Share Farming: A Different Approach for Owner and Operator](#) (as published by the Farm Advisory Service³⁶; date unknown).

³⁶ Case study database via the 'New Entrants' webpage on the FAS website: <https://www.fas.scot/new-entrants/case-studies/> (accessed: 29.3.18; last updated: unknown).

(iv) Tenancies

Agricultural tenancies are a common and well-established mechanism for providing access to land for new entrants to agriculture. The basic principle of an agricultural tenancy is the letting of an area of land for agricultural use by a landowner to a tenant for an agreed rental value. A number of tenancy options exist in terms of timescale, conditions for renewal, and release from contract; these are summarised in Box 2. Agricultural tenancies are tightly regulated in Scotland³⁷.

Box 2. Agricultural tenancy types in Scotland suitable for new entrants^{38*}

- **Short Limited Duration Tenancies (SLDT)** of up to 5 years, introduced by the Agricultural Holdings (Scotland) Act 2003 (the '2003 Act').
- **Modern Limited Duration Tenancies (MLDT; replacing LDT)**, of a minimum 10 years (with break clause), as introduced by the Land Reform (Scotland) Act 2016 (the '2016 Act').
- **Repairing Tenancies**, of a minimum 35 years, as introduced by the Land Reform (Scotland) Act 2016 (the '2016 Act') – but as yet not enacted.
- **"1991 Act Tenancies"** or "secure tenancies" entered into under the Agricultural Holdings (Scotland) Act 1991 (the '1991 Act') or preceding legislation, where the tenant's security of tenure is protected by the legislation (can be let for a term of years or lives of the tenant).
- **Limited Partnership Tenancies**, where the landlord or their agent is the limited partner and the tenant is the general partner. The limited partnership lasts for a minimum term specified in a partnership agreement. At the end of the term specified in the partnership agreement, either the landlord or tenant can bring the partnership to an end, which ends the tenancy.

*Please note: this list does not include crofting tenancies or those contained within the Small Landholders Acts.

A tenancy can be run through any business vehicle. The most common are: - a) a sole trader – where one individual is trading alone; b) a partnership – where two or more persons are in business together; c) a limited company – where the business is incorporated, shares are issued and these shares are purchased by those that wish to own the company. Each of these vehicles produce a set of annual accounts. Taxable profits are then assessed to tax.

Sole traders and partners within a sole trade as assessed to tax as individuals via income tax (currently there are 5 Scottish tax bands from 19%-46% for 2018/2019). Limited companies are assessed to tax on corporation tax (rate currently 19% to 31/03/19).

³⁷ The [Agricultural Holdings \(Scotland\) Act 2012](#) and the [The Public Services Reform \(Agricultural Holdings\) \(Scotland\) Order 2011](#) along with the [Agricultural Holdings \(Scotland\) Act 2003](#) and [Agricultural Holdings \(Scotland\) Act 1991](#) describe the legal framework for agricultural tenancies in Scotland (Scottish Government, 2017). The [Land Reform \(Scotland\) Act 2016](#) (LRS 2016) incorporated recommended changes to the tenancy system in Scotland following the report of the Agricultural Holdings Review Group (published 2015). The LRS 2016 is accompanied by secondary legislation, including the [Agricultural Holdings \(Modern Limited Duration Tenancies and Consequential etc. Provisions\) \(Scotland\) Regulations 2017](#)

³⁸ After Edwards and Kenyon (2014), Brodies (2016), and McIntosh (2017).

Benefits and opportunities for existing businesses:

Under an agricultural tenancy, the landowner receives a regular income from the leasing of their land to the tenant, and retains ownership of the land, but is usually not involved in the farming or management of the land for the duration of the tenancy agreement.

Tenancy agreements can provide a simple option for landowners who want to scale-back or cease active farming, by renting part of all of their land to a suitable tenant. It is also possible to include machinery and associated farm buildings, within a tenancy agreement. A tenancy can provide financial security to the landowner and ensure maintenance of the land.

Under the new Modern Limited Duration Tenancy (MLDT³⁹), which is based on a minimum duration of 10 years, a break clause may be included in the agreement where the tenant is a new entrant. This allows for landlords to end the tenancy agreement after 5 years if management of the land is considered unsatisfactory. The MLDT also offers relative freedom of contract with regard to tenancy duration (beyond 10 year minimum) and fixed equipment.

A further new tenancy route for new entrants to agriculture in Scotland will be possible when 'Repairing Tenancies' are enacted as set out in the LRSA 2016. This option for long term and likely low cost land rental is considered as a route to overcoming new entrant land access.

Issues for existing businesses:

Letting land through agricultural tenancies provides a secure income to farms and estates, which can support a farmer or landowner who wishes to retire. The formalised approach to letting in Scotland provides clear rights and responsibilities to both the tenant and landlord. However, there is at present no new secure tenancies and there has been a decline in the land rental market in Scotland.

Impact on increasing land available for new entrants to agriculture:

There is a crucial role for tenancies in increasing access to land for new entrants, contributing to a productive and profitable agricultural sector in Scotland. Entering a tenancy agreement provides a secure mechanism for individuals to develop a business and develop experience through independent management of a piece of land. The MLDT has been designed specifically to support new entrants into agriculture, as explained by the Tenant Farming Commissioner⁴⁰.

Longer-term tenancy agreements provide a more secure opportunity for business investment and for a tenant to gain experience, networks, and contribute to the local economy/community.

³⁹ See: ['A Guide to- The Essential Features of the Modern Limited Duration Tenancy'](#).

⁴⁰ See: ['A Guide to- The Essential Features of the Modern Limited Duration Tenancy'](#).

Examples of tenancies created for new entrants to agriculture

[Committed to a big move gives a young family a farming opportunity](#)

[Pragmatism Coated with Enthusiasm and Determination](#)

[Being proactive looking for land](#) (all published by the Farm Advisory Service⁴¹; date unknown).

(v) Leasing/licensing

This type of agreement grants another party ('the licensee') permission to undertake a specific activity on a piece of land (and associated buildings). In Scotland, leasing is more commonly used than licensing.

Benefits and opportunities for existing businesses:

Agricultural licences tend to run as short-term agreements such as grazing or mowing leases, where a tenancy is not appropriate/desired. It might also offer an opportunity for making productive use of marginal/derelict land, or as a 'meanwhile use' option between crops/land use change (e.g. development).

Issues for existing businesses:

Depending on how the licencing agreement is drawn-up and how the land and associated buildings will be used, an agricultural lease may be inadvertently created – at which point the licensee becomes a tenant and is bestowed with additional rights and protection relating to occupancy of the land. For example, the term of a grazing or mowing lease must be for no more than 364 days, and failure to vacate at the end of this period will lead to the lease becoming a Short Limited Duration Tenancy (SLDT), with a minimum length of 5 years. For longer term agricultural occupation, tenancy law protects the interests of landlords and tenants, where a licence may not.

Impact on increasing land available for new entrants to agriculture:

Seasonal grazing or mowing leases are a useful tool for new entrants to gain access to land in the short-term. However, due to the short-term nature and inherent limitations associated with this type of agreement, licenses may be best utilised to gain access to additional land/buildings, rather than as an option to establish a new farming enterprise.

Examples of licensing arrangements:

[Where There's a Will There's a Way: Seasonal Grazing and Combining Several Jobs Can Work](#) (published by the Farm Advisory Service⁴²; date unknown).

⁴¹ Case study database via the 'New Entrants' webpage on the FAS website: <https://www.fas.scot/new-entrants/case-studies/> (accessed: 29.3.18; last updated: unknown).

3. Other resources/sources of further advice

The key source of advice regarding new entrant access to land to agriculture is provided by the Farm Advisory Service (FAS), through its [New Entrants to Farming Programme](#). The case studies linked from this document are presented in a [growing case study database](#) on the FAS website.

Information about agricultural tenancies and legislative updates are provided by the [Scottish Government](#), with further advice from the [Tenant Farming Commissioner](#) (for example, see: [A Guide to- The Essential Features of the Modern Limited Duration Tenancy](#)).

Please also refer to codes of practice, research reports, and discussion papers published by the [Scottish Land Commission](#).

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⁴² Case study database via the 'New Entrants' webpage on the FAS website: <https://www.fas.scot/new-entrants/case-studies/> (accessed: 29.3.18; last updated: unknown).

Appendix C: Summary of feedback on draft guidance document from key informant interviewees

The key informant interviewees were clear that the Scottish Land Commission aims to stimulate the tenant farming sector in Scotland. The interviewees advised that the guidance document should provide an **overview of the context and background** to the issue of increasing land availability for new entrants to agriculture. The document should describe the barriers, and how overcoming these barriers will add value to the agricultural sector, and inform policy development. There was some concern with the crossover and potential duplication of work already undertaken by the FONE Group, regarding options for current landowners and farmers.

There was an emphasis on the 'mindset' of current farmers regarding the options and opportunities from models to increase new entrant land availability. The interviewees wished to **highlight the potential for increased profitability** and for guidance that begins to normalise these models. Through descriptions of the model types, it is hoped that this guidance document would allow landowners and farmers to make a 'fair decision themselves about what suits them'. There is a desire for more information on the alternatives to tenancies, with regard to what works well in different sectors of agriculture. The perspective of the existing farmer/landowner, and what would appeal to this target audience, is the key focus. Furthermore, there is a need for legal accuracy with regard to the Scottish perspective.

The target audience for the guidance document was considered carefully by the interviewees. In particular, it was suggested that the target audience should be made more explicit, and seek to **encourage the readership of all types of landowners, including estate owners, owner-occupier farmers, plus tenant farmers** (if not precluded by their lease). Critically, the guidance document aims to provide options to those seeking the 'continuation of farming businesses', either through formal transfer to a new entrant and/or for new entrants to play a role in their business. The interviewees explain that the guidance document would be suitable and helpful to existing landowners and farmers who wish to retain an interest in the farm business post-retirement and/or retain 'active farmer status', and who either don't have identified or immediate successors. The interviewees suggested that any indication of landownership by the new entrant as the endpoint might be detrimental to the aim of encouraging model uptake by owner occupier farmers or estate owners.

Furthermore, the interviewees questioned the **inclusion of succession planning** as a driver for engaging with the guidance document. It is explained that succession planning related to inter-family transfers, and the introduction of a non-family new entrant might be confusing. However, it was recognised by the interviewees that there are opportunities for farmers and landowners who are having difficulty with succession planning or perhaps wish to find a 'meanwhile' option that maintains business viability.

The interviewees provided feedback on the **appropriate style and content** for the guidance document. They highlighted the need for simple guidance that informs the target audience of the range of options that they could explore, in addition to the likely implications for their business. The headline issues for farmers and landowners in exploring these different models are summarised as: taxation, housing, financial management, and relationship building. As described by one interviewee: “For the generation that are thinking of retiring, there is a big unknown out there. They have heard the word ‘joint venture – but they don’t really know what it means...I think the tax is probably a big question for them, you know, how does it work? Who lives in the house? What happens with the different accounts? Where does the money go? How do you go about finding the right person?”

The interviewees noted that the level of detail required will depend on whether a farmer has decided already to pursue a particular model; it is suggested that this guidance document remains at the **level of awareness-raising**, through simple and attention-grabbing descriptions. The **role of case studies** was strongly emphasised and the suggestion was made to link to those already published on the Farm Advisory Service website.