|  |
| --- |
| **Address by Tenant Farmers Association Chief Executive, George Dunn to the Worshipful Company of Farmers Court and Livery Luncheon** |

|  |
| --- |
| **Tuesday 05 December 2017**  Master, my Lords, Ladies and Gentlemen.  It is a privilege to have been asked by the Master to address you for his first livery lunch and to be given the honour of delivering the first of a series of what I know will be an interesting and useful set of talks on the future of land tenure and land occupation.  The Tenant Farmers Association has existed for the past 36 years as the only organisation dedicated to representing the interests of those who do not own the land that they farm in England and Wales (apologies to my fellow countrymen in Northern Ireland and our neighbours in Scotland) and I have been involved with the Tenant Farmers Association for the past 21 years as its Chief Executive.  The TFA is an advocate of the landlord and tenant system in agriculture as well as the representative body for tenant farmers themselves. So beyond the bounds of the esoteric work of the TFA, why should the rest of you be concerned about the tenanted sector of agriculture?  The first reason, I would suggest, is that it is responsible for farming at least a third of the agricultural land of our country. Of course, it has fallen from the heady heights of 90% of the farmed area at the beginning of the 20th century but continues to be a significant sector of our industry.  If we were all being completely honest, there might be at least a further 10% of land within the let sector which is pretending to be in other forms of agreement – formal and informal – but which are, for all intents and purposes, agricultural tenancies through the way they operate.  Many of us will know the law provided for us in the seminal case of Street v Mountford from 1985 which says: “The manufacture of a five pronged implement for manual digging results in a fork even if the manufacturer, unfamiliar with the English language, insists that he intended to make, and has made, a spade”.  Secondly, in its intrinsic separation of the functions of land ownership and land management, it allows individuals to focus on their specific expertise. Landowners concerned about long-term capital values and sustainable land use can articulate those aspirations through the terms of the tenancy whilst tenants can use their business acumen and farming skills to profit from the holding subject to agreeing a level of sustainable rent.  Thirdly, we should be bothered because agricultural tenancies provide liquidity to the most fixed of agricultural inputs – land. With land prices as high as they are (a point I will return to) expanding an agricultural enterprise through the purchase of agricultural land and hoping to service the debt for the purchase through the profitability of agriculture is, I would venture to suggest, a vain hope at best.  Fourthly, for the vast majority of individuals who would seek to enter the industry, agricultural tenancies remain the only viable route available to them. Whilst share farming, share partnerships and contract farming agreements are all helpful and with which I have no issue where they are run properly, it is only within the context of the security of an agricultural tenancy that farm businesses without access to owned land can become established, remain sustainable and improve.  At this point, it is important to understand that now approaching half of all agricultural tenancies in England and Wales are let under the auspices of the Agricultural Tenancies Act 1995 and it is of major concern that these tenancies are let predominantly for short lengths of term.  Since their introduction in 1995 farm business tenancies have averaged around only four years. Of course, tenancies including land, buildings and dwellings historically have averaged around 10 years and recently have pushed 14 years according to the most up to date figures from the Central Association of Agricultural Valuers. Of course one swallow doesn’t make a summer and one set of statistics does not represent a sea change. Also we have no information about the extent to which break clauses are used which could cause the effective term on these agreements to be much shorter indeed.  However, more damning to the landlord community and the agents who seek to advise them, are the facts that more than three quarters of farm business tenancies are now let for less than five years and only 6% of tenancies are let for 10 years or more.  How can we invest to raise productivity, look after our soils, provide environmental outputs and create a sustainable businesses on such short lengths of term?  That is why the TFA has been arguing for change in the taxation framework within which landlords operate. Why should landlords have access to one hundred percent agricultural property relief from inheritance tax regardless of the length of security they offer in their tenancies?  The TFA has made the reasonable and sensible suggestion that only those landlords prepared to let for 10 years or more should have access to that valuable state support. At the same time we think that landlords letting for longer terms should have access to easier to use provisions to bring tenancies to an end when tenants are in breach of their agreements. We also think that landlords letting for long periods of time should be able to have access to favourable tax treatment in respect of their rental income. It has been good to have a dialogue with a number of the institutional landlords including the Duchy of Lancaster, Duchy of Cornwall and National Trust who now routinely look to let land for 10 years or more.  However we need to experience a sea change amongst private landlords who are often advised by agents who seek to use the minimum effort to put in place a short tenancy on standard terms at as high a rent as they can get away with without proper advice to their clients and being hugely rewarded in the process. This has got to change if we are to see a sustainable tenanted sector.  I was hugely encouraged by what the new CLA President, Tim Breitmeyer, had to say at our recent conference sponsored by Barclays. He stressed the need for good communication, co-operation, long-term planning and not to allow the legal provisions of contract or statute to get in the way of establishing good, sustainable businesses for the long term. That must be our goal.  Finally, if I have not already placed a sufficient number of controversial issues in the air I will leave you with one further. Is the price of land too high? I have concluded that it is and that action must be taken to bring it down. Jeremy Moody from the Central Association of Agricultural Valuers informed me recently that last time that you could fund the purchase of land from the returns from agriculture would have been in 1991.  It is madness to think that we can even begin to raise our productivity, something about which there has been great focus of late, when the most important input that we use is so costly. You might say why should the TFA be bothered about land prices? However, as landlords are often keen to look at their rental income as a return on capital, unsurprisingly sustainable rent levels for tenants do not produce the sort of return on capital that some landlords would like to see.  So what can we do? One idea is to abolish the availability of capital gains tax rollover relief for land purchases. That would take significant steam out of the marketplace. Instead landlords should be given the ability to have rollover relief when investing into fixed equipment on land and other productive aspects such as drainage, fencing and housing. In that way we would both reduce the cost of this important input and provide the basis for a more productive agricultural industry which would be in all our interests.  Master, I hope that I have given you and your guests at least some issues to discuss over what I’m sure will be a most excellent lunch and I thank you again for your very kind invitation to be with you today.  **Ref:** MR 17/36 |