

Challenges to new entrants in Scotland

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With thanks to:

Kirsten Williams, SAC Consulting

Lee-Ann Sutherland, The James Hutton Institute

21st International Farm Management Association Congress

Edinburgh


Future Farming Systems


7th July 2017


Leading the way in Agriculture and Rural Research, Education and Consulting

The New Entrant Conundrum



 *“Not only is it virtually impossible to acquire sufficient capital resources through [the ‘agricultural ladder’], it also does not provide the financial and entrepreneurial training that is so important for a successful new entrant in today's agriculture”*

 *“New entrants via the ‘agricultural ladder’ are now perceived to be a rare occurrence, the economic barriers facing this group (high start up costs with low expected rates of return) being insurmountable”*

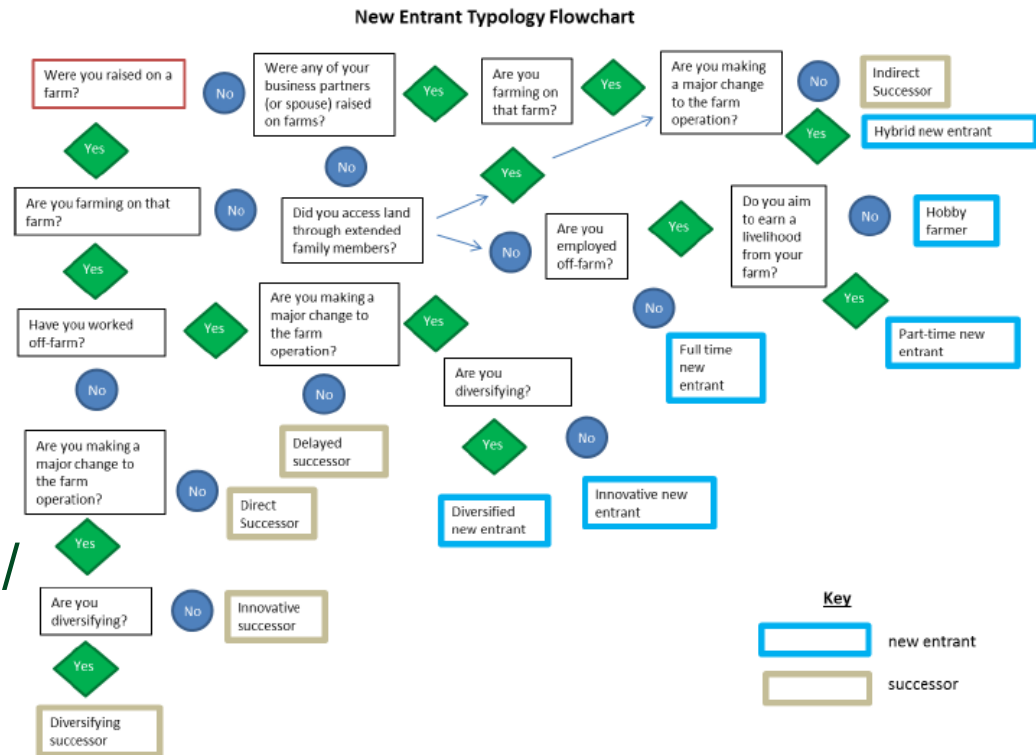
 Boehlje, M. (1973). The Entry-Growth-Exit Processes in Agriculture. *Journal of Agricultural and Applied Economics*, 5(1), 23-36

 Williams, F. (2006) Barriers Facing New Entrants to Farming – an Emphasis on Policy. *Land Economy Working Paper Series, SAC, Edinburgh*

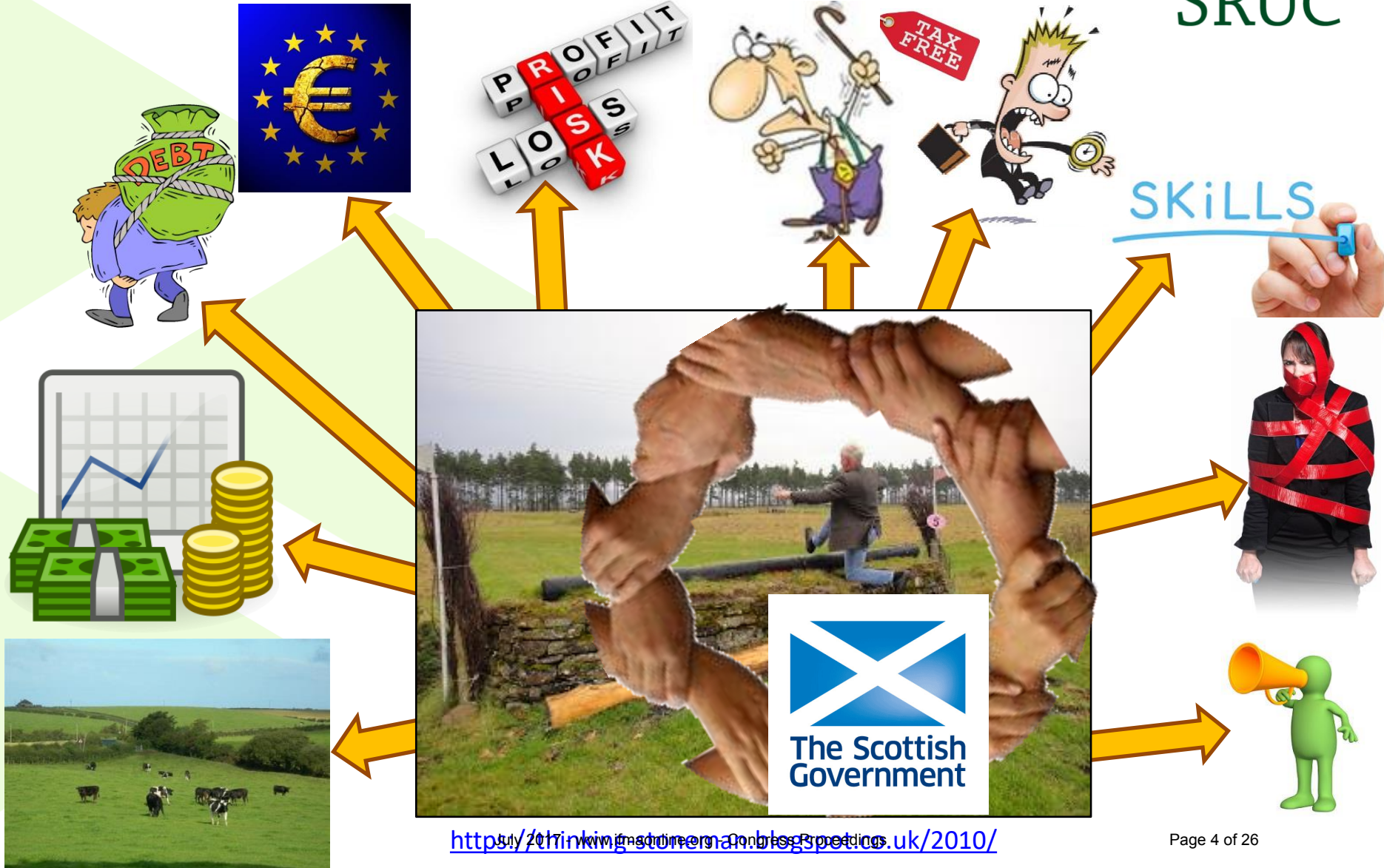
New Entrant Typology



- Sutherland *et al* (2016) identified different types of new entrants:
- Successors:
 - indirect / direct / delayed
 - direct / delayed / innovative / diversified
- New Entrants:
 - full-time / part-time / innovative / diversified / hobby



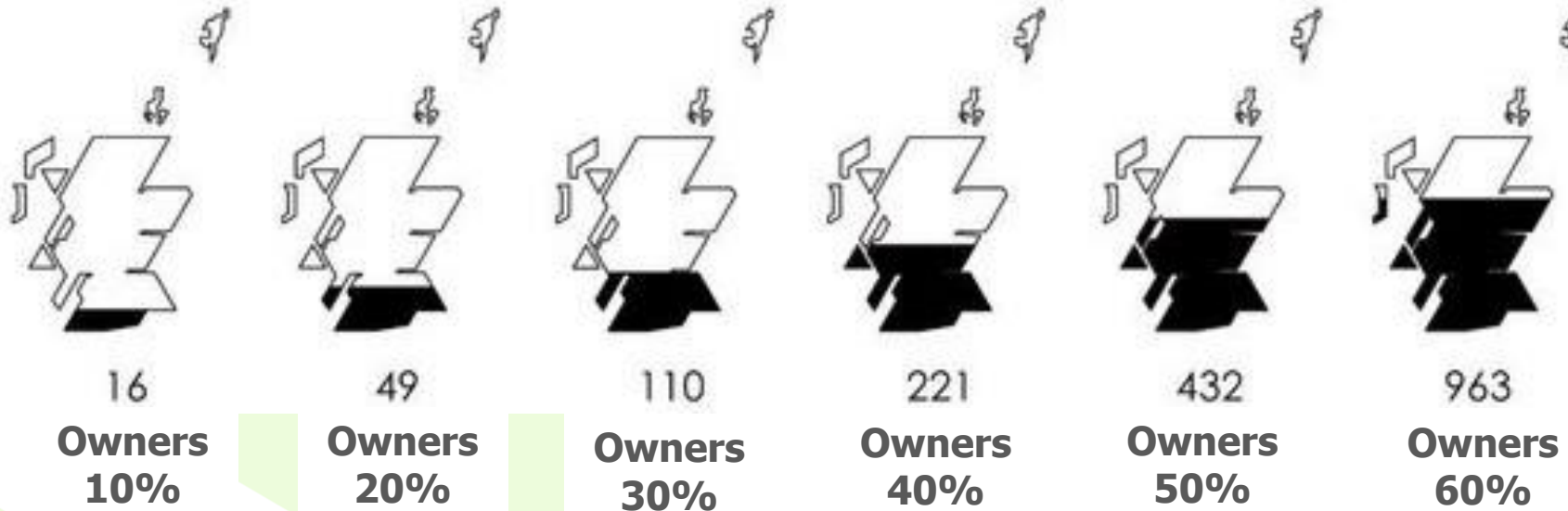
New Entrant Barriers in Scotland



Access to land



- Private land ownership is very concentrated



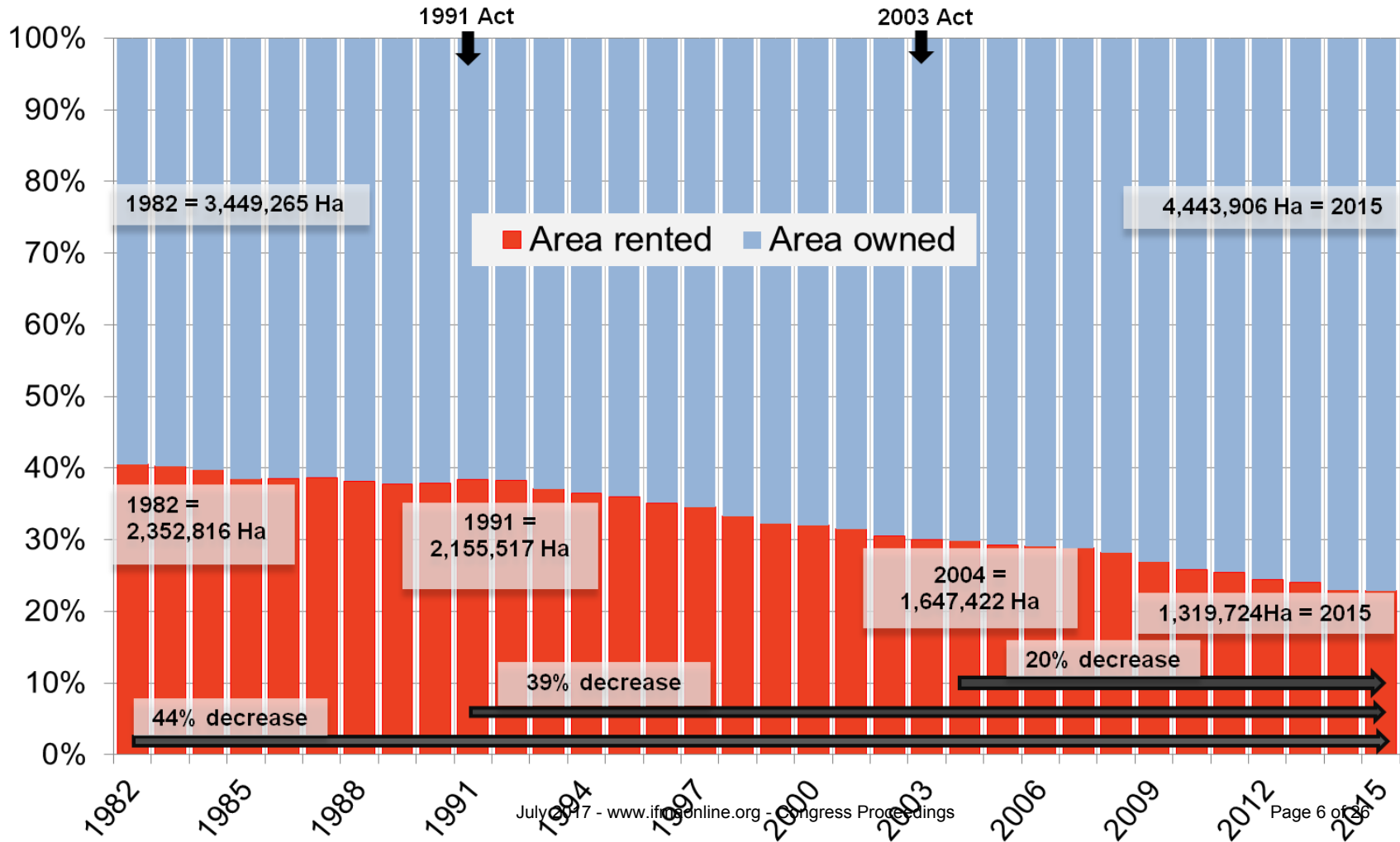
<https://twitter.com/lateralnorth> based on Wightman's Who Owns Scotland

- On-going land reform process, including tenancy reforms

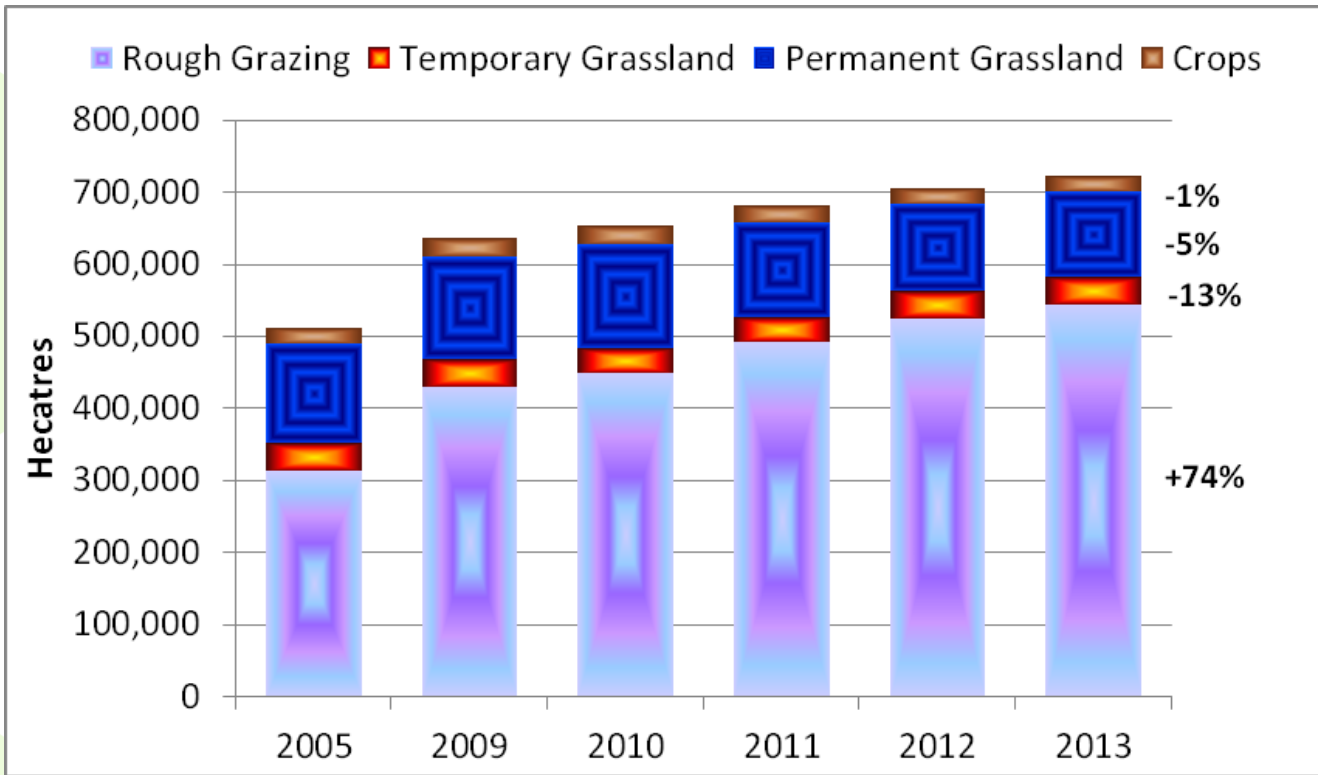
Ever dwindling tenanted land?



Data Source: Scottish Government (2016) Abstract of Scottish Agricultural Statistics 1982-2015



Seasonally let-land opportunities?

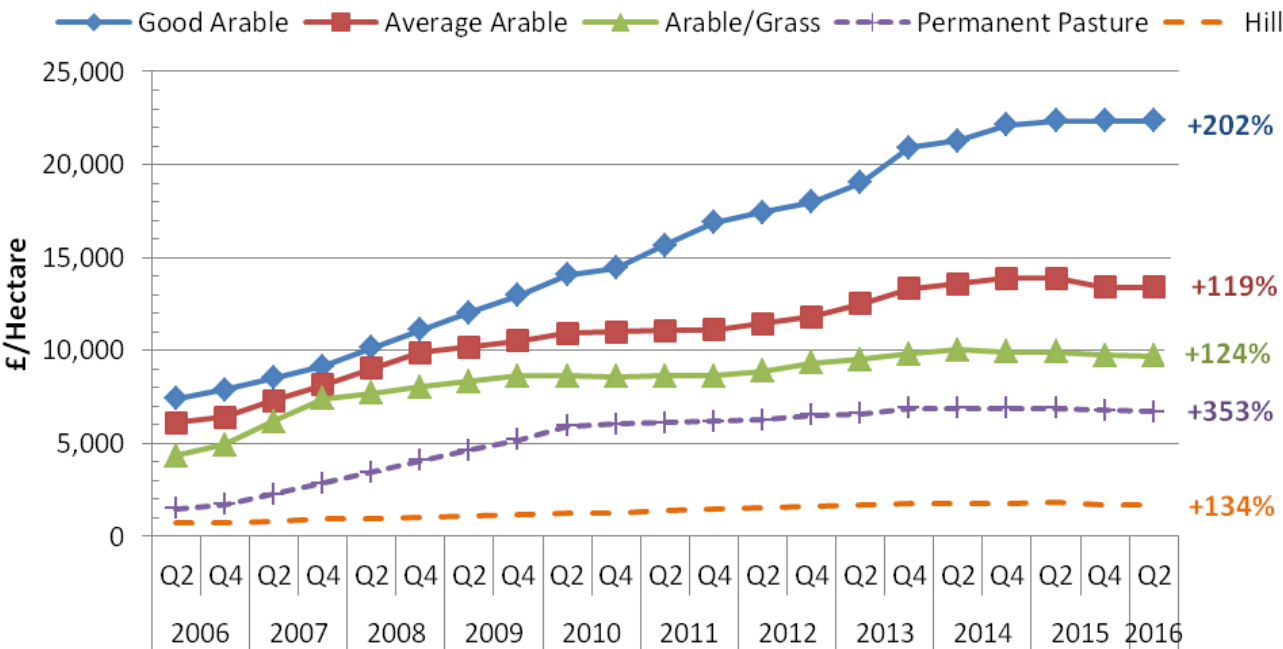


- Now new CAP ‘activity’ clause letting some get on the ‘farming ladder’
 - Increased shared ventures / seasonal & informal arrangements

Have land values peaked?



Scottish Farmland Values



Knight Frank Scottish Farmland Index

<http://www.knightfrank.co.uk/research>

2015/16 Net Profit/ ha	
Specialist Sheep (LFA)	£10
Specialist Beef (LFA)	£120
Cattle and sheep (LFA)	£47
Cereals	£45
General Cropping	£145
Dairy	£12
Lowland Cattle and Sheep	£93
Mixed	£13

Scottish Government 2017: Annual Estimates of Scottish Farm Business Income (FBI) 2015-16

Land values



~0.4% Scottish farmland sold publically in 2016

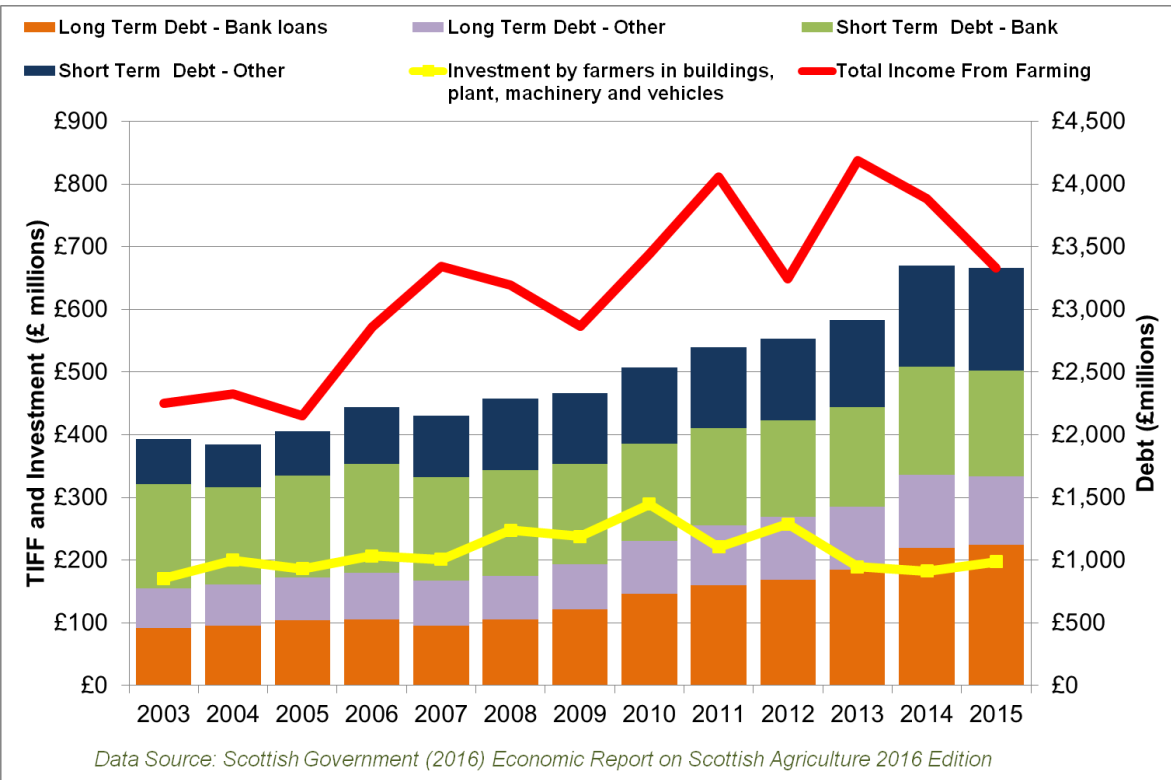
Seller Reason	2016
Debt	20%
Relocation	16%
Investment	23%
Retirement	28%
Death / Personal	13%

Buyer Reason	2016
Relocation	6%
Expansion	48%
Investment	18%
New Farm Entrant	1%
Sitting Tenant	3%
Resi/Sporting	25%

Savills Research UK data

<http://www.savills.co.uk/research/uk/rural-research.aspx>

Debt

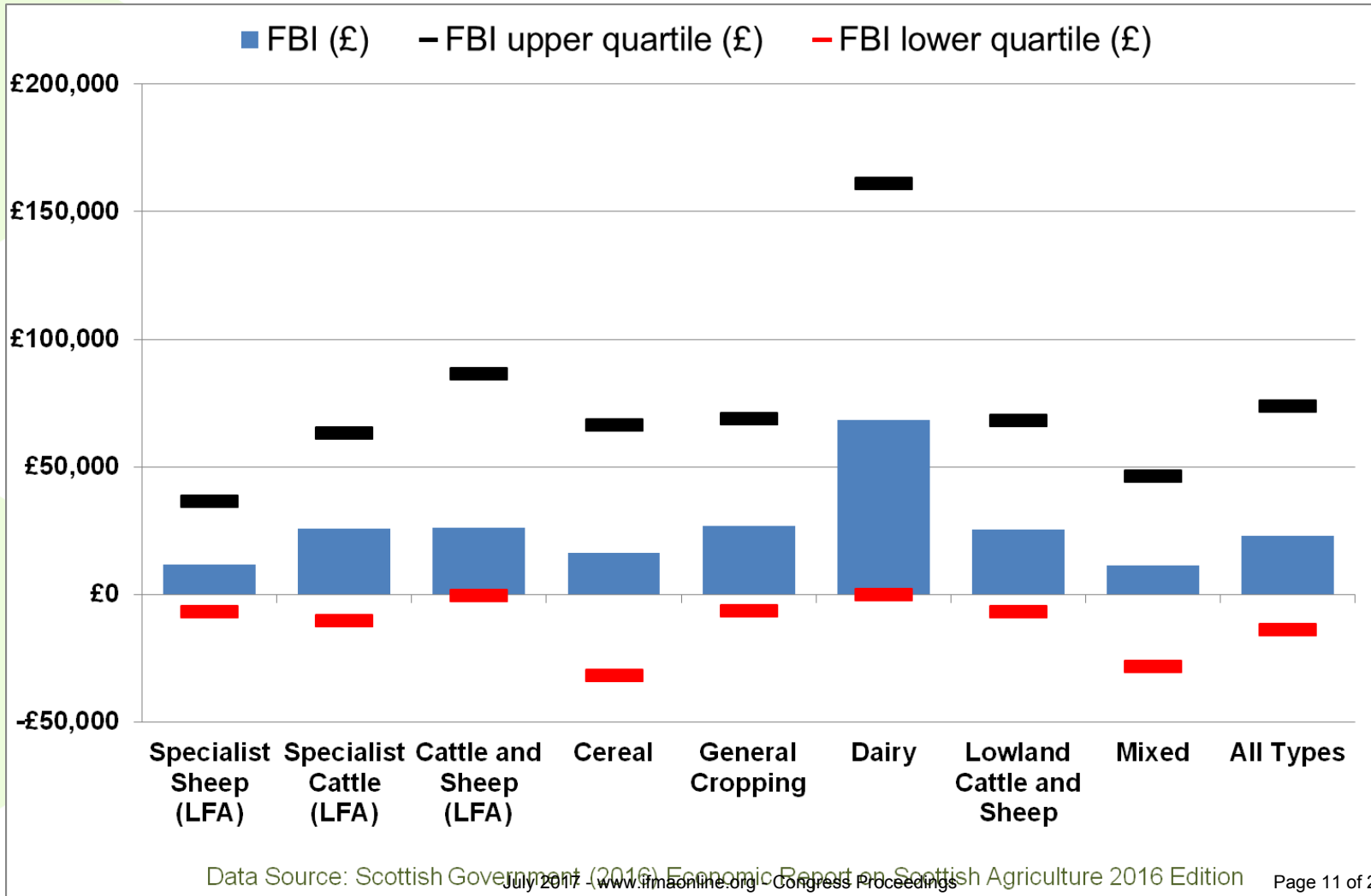


Average Scottish farm:
£9 debt per £100 asset
 Growing asset value of
 Scottish farming
£13.7 billion in 2003
 to
£37.3 billion in 2015

- Potential new entrants
 - Loan security?
 - Return on Investment?
 - Business viability?



Profitability (2014/15)



How important is CAP in Scotland?



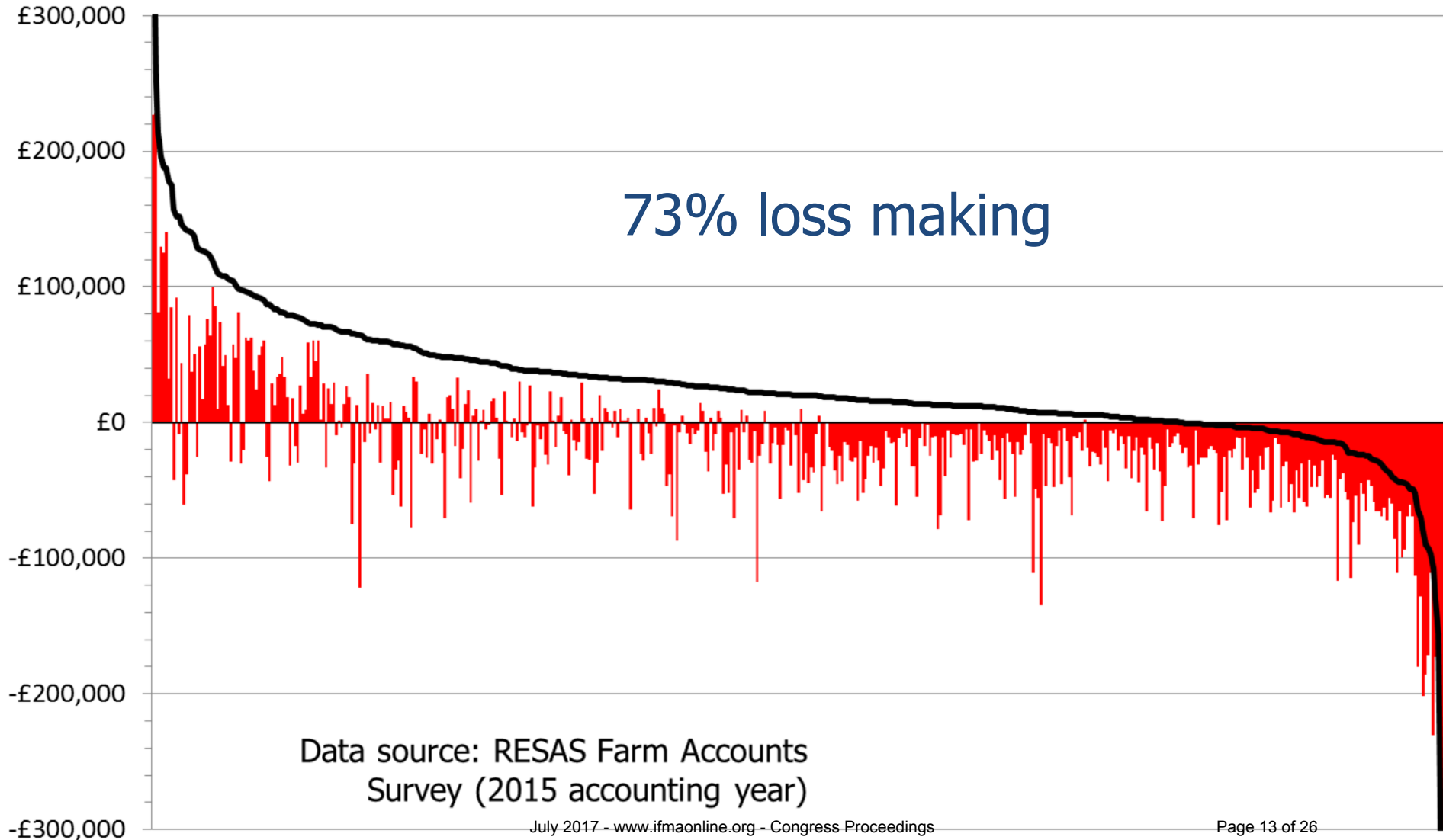
■ Farm Business Income





How important is CAP in Scotland?

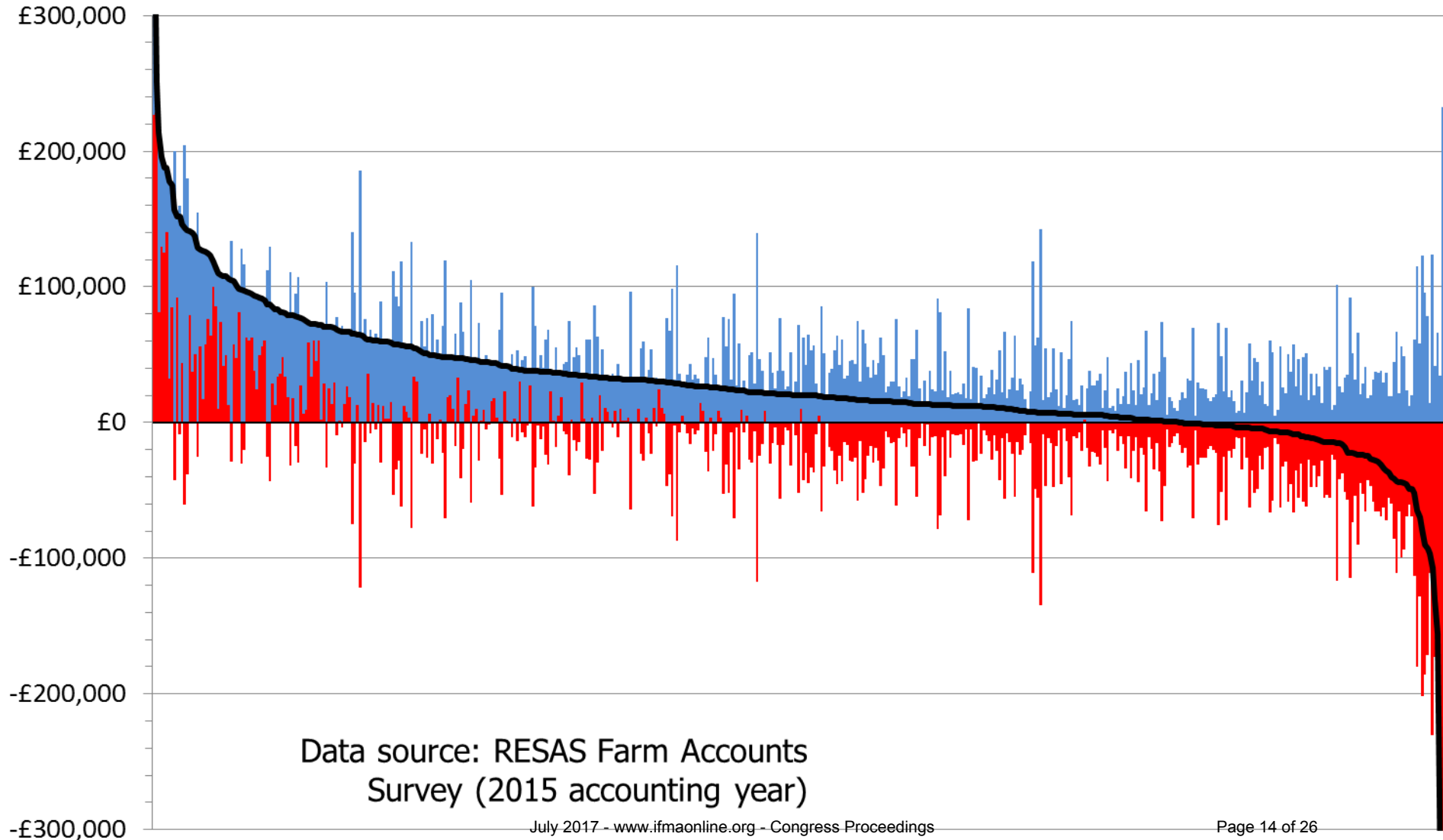
■ Farm Business Income less CAP — Farm Business Income



CAP reliance



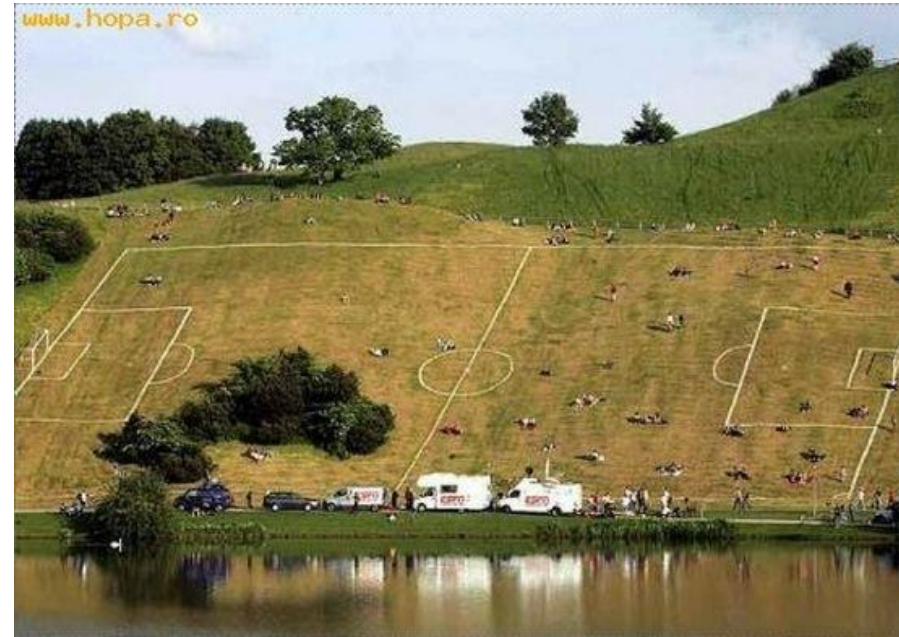
■ Farm Business Income less CAP ■ CAP Support — Farm Business Income



Common Agricultural Policy (CAP)



- 2005 – 2015 CAP
 - New entrant difficulties accessing direct CAP support
- 2015 -2021 CAP:
 - CAP support entitlements priority for new entrants & young farmers
- Post Brexit
 - ??? Structural Change & Opportunity ???

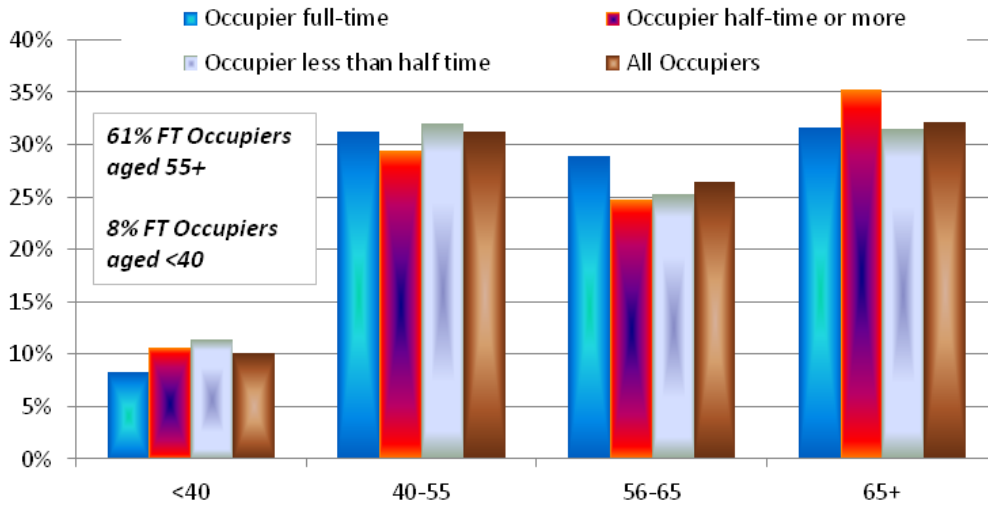


Farmer Age

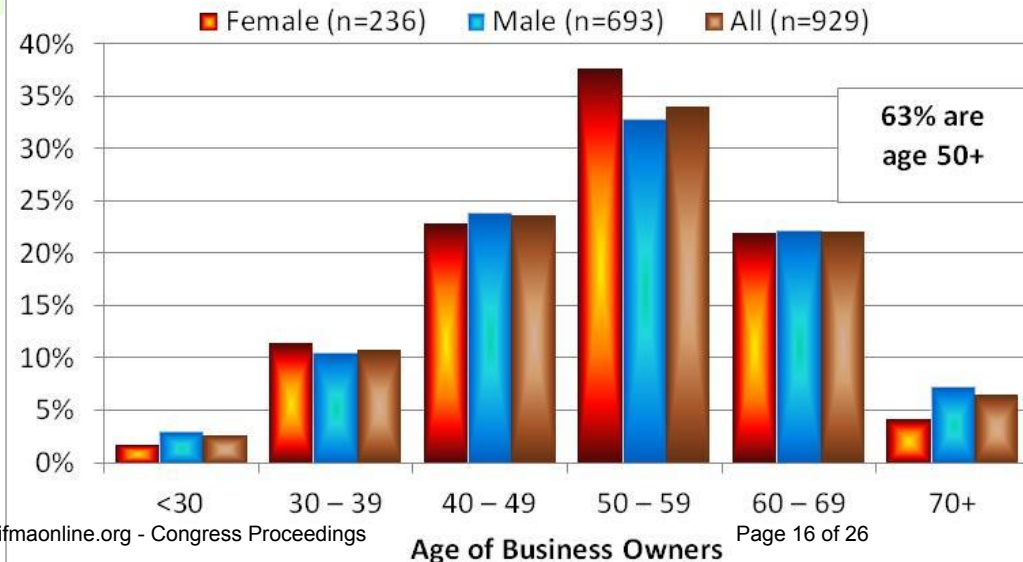


Age of Holding Occupiers (2016)

Scottish Government June Agricultural Census



SRUC Rural Business Survey 2017



Slow retirement process

- Lack of successors?
- Retirement housing?
- Lack of pension?
 - Way of life?

Useful Mentors?

Time and Skills



- Time limitations if need an off-farm job
- New to farming
 - Steep farming skills learning-curve / may have business acumen
- Successors
 - Existing farming skills / business acumen may be limited
- Need to innovate / have alternative income

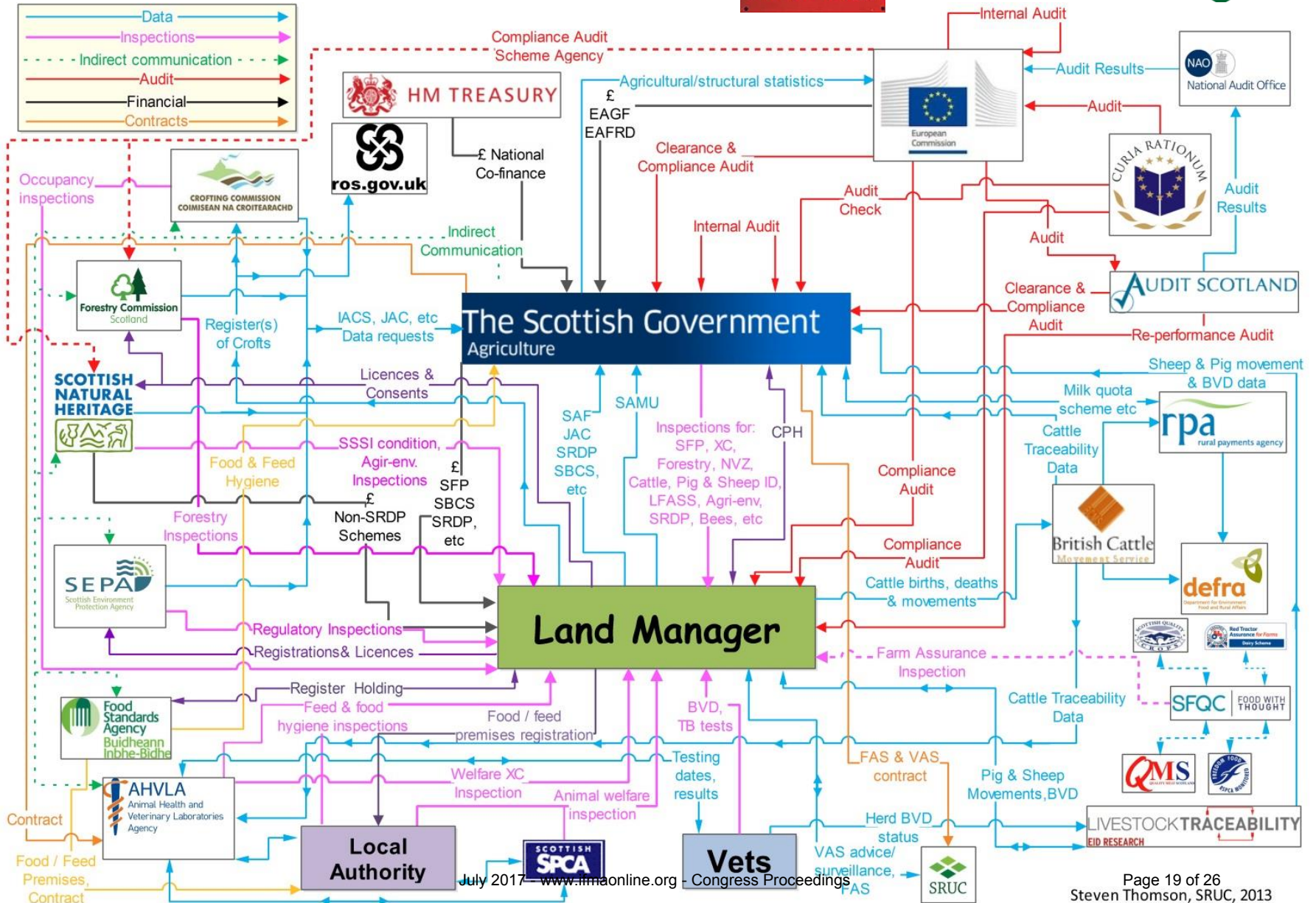


Innovative diversification ideas (from 2015)

1st International Farm Management Congress, John McIntyre Conference Centre, Edinburgh, Scotland, United Kingdom



Red Tape





Scottish Government's suite of measures to support **New Entrants and Young farmers** become successfully established

Farming Opportunities for New Entrants programme

- Starter Farms with secure tenancy for 10 years
- Grazing opportunities
- Publically owned land - Forest Enterprise & Scottish Government



<http://www.gov.scot/Topics/farmingrural/Agriculture/NewEntrantsToFarming/meeting5a>

The Starter Farmers



New Entrant Advisory Support



Scottish Rural Development Programme 2014-2020

• One To Many Advice

- Starter / Topic Specific Workshops
- Guidance Notes
- Case Studies
- Newsletter
- Website / Facebook
- Conferences

• One To One

- Mentoring for New Entrants
 - Specialist Business Advice
 - Carbon Audits



Scotland's Farm Advisory Service can help new farmers by providing FREE tailored advice and Mentoring Support.



Stuart Rutherford... Stuart graduated from the Scottish Agricultural College... In 2010 Stuart won a Prince of Wales Young Entrepreneur Award...



Michael and Fiona Burns... Since this time they have built up a flock of 250 Blackhead and Cheviot cross-breeding ewes, along with a Lincoln and 14 Galloway cattle on the ground unit... It has been a juggling act with the farm, a young family and Michael keeping on his part-time job. Both Michael and Fiona...



Scottish Government
Riaghaltas na h-Alba
gov.scot



The European Agricultural Fund for Rural Development
Europe investing in rural areas

www.fas.scot/



- **Young Farmers Start Up Grant (£6m + £3m extra)**

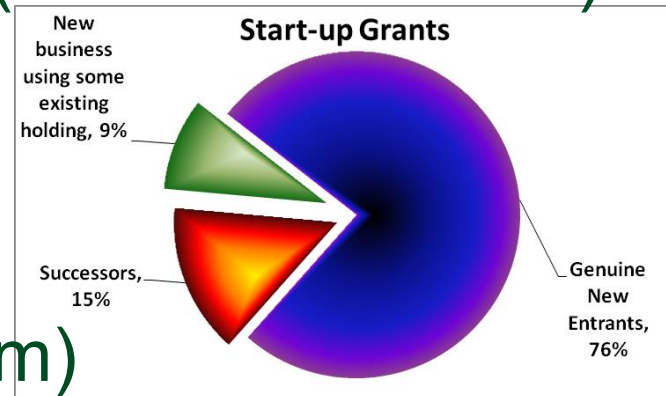
- €70,000
- 300 applicants in round 1
- 148 successful applicants to date

- **New Entrant Start Up Grant (£2m)**

- €15,000
- 27 successful applicants to date

- **New Entrants Capital Grant Scheme**

- up to £25,000
- £6 million over 330 projects to date
 - agricultural buildings, livestock handling facilities and fencing

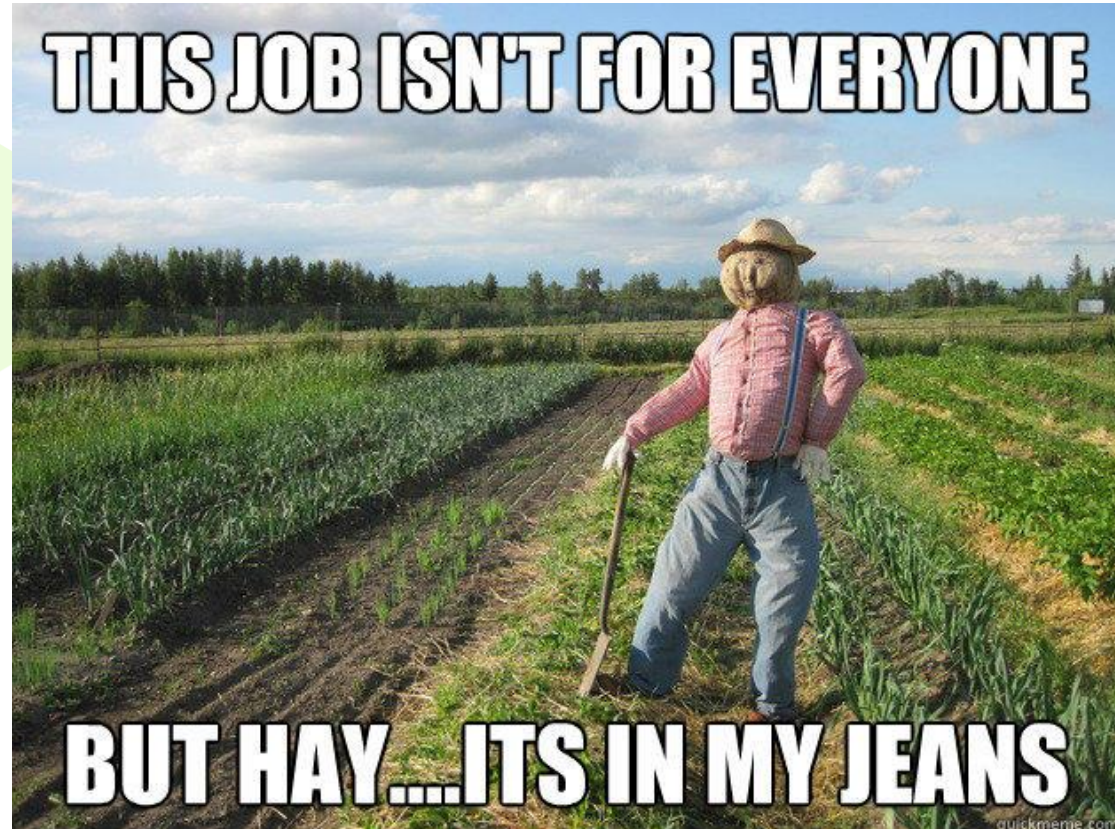


A final word



- *“There are many still looking to get into farming and evidence proves that entrepreneurs will succeed provided entry opportunities exist”*

Report on New Farming
Starter Opportunities
on Publicly Owned Land





Thank you

This work was undertaken as part of Work Package 2.4 Rural Industries of the Scottish Government's Strategic Research Programme (2016-2021)



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